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MINISTER DWELLS ON POWER GENERATION CAPACITY

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 26 Nov 80 pp 1-2

[Article by Nikola Todoriev, minister of power supply: "Economic Power Indicator"]

[Text] Our accelerated economic development is closely linked with the development of the power industry which is an accurate indicator of the steadily growing economic power of the Bulgarian People's Republic.

The people's regime inherited an exceptionally low energy potential as confirmed by the following figures: installed capacity, 131 megawatts; electric power production, 311 million kilowatt hours; and electric power consumption, 45 kilowatt hours per capita. These data placed our country in one of the lowest positions in Europe. Hundreds of settlements were without electric power.

Headlong Upsurge

In 1945 Kurilo was the biggest Bulgarian power plant with 19 megawatts; today the Varna TETs alone generates more electric power than bourgeois Bulgaria by a factor of 10. Presently installed capacities in electric power plants total 8,815 megawatts, concentrated in 12 big thermoelectric and one nuclear power plant; electric power production has reached 35 billion kilowatt hours. In other words, in 36 years of people's regime these eight indicators respectively increased by a factor of 64 and 108.

The total electrification of the country's settlements was completed in 1970. Specific electric power consumption rose by a factor of 100, reaching 4,400 kilowatt hours per capita. We have reached the level of countries such as Austria, Japan, and France and have surpassed Italy, Yugoslavia, Turkey, Greece, and some CEMA-member countries.

The accelerated growth of energy consumption is one of the characteristic features of the development of all national economic sectors and of the fuller satisfaction of the needs of the communal-residential sector. Last year per capita energy outlays exceeded 4,600 kilograms of conventional fuel; this year they are expected to reach about 5,000 kilograms. This achievement is double that of the world average and eloquently proves that a high living standard has been reached.

The adopted course of maximum utilization of local fuels required the accelerated development of coal mining. Between 1944 and 1980 Bulgarian coal extraction rose

by more than a factor of 10. This year it will total 31.5 million tons. Particularly important in terms of electric power production requirements is the development of low-caloric, high-ash content coal mined at the Maritza-Iztok Basin. The results of 3 years of exploitation based on the new technology of direct combustion (without preliminary drying) of the lignite by the Maritza-Iztok 3 TETs led the world to speak of the "Bulgarian experience in the power industry." Today the cost of the electric power generated by the Maritza-Iztok power plants is among the lowest in the country.

The rapid development of the nuclear power industry changed the structure of electric power production. The Kozloduy Nuclear Power Plant reached a record annual electric power production of 6 billion kilowatt hours with an annual use of installed capacity totalling 7,800 hours--the highest achievement among all European nuclear electric power plants. Today atomic power accounts for about one-fifth of the electric power produced by the country. Now Bulgaria ranks fourth in the world, after Belgium, Switzerland, and Sweden.

We have achieved considerable progress in hydraulic power construction as well. We built the Belmeken-Sestrimo and Dospat-Vucha power systems. The power generating capacity of hydraulic power plants rose from 812 megawatts in 1970 to 1868 megawatts this year, while their electric power production rose from 2.15 to 3.4 billion kilowatt hours.

In the first half of 1980 alone the country's energy potential was expanded by another 420 megawatts. An additional 210 megawatt block was installed at the Maritza-Iztok 3 TETs, and the final and sixth 210 megawatt block of the expansion of the Varna TETs--the biggest thermoelectrical power plant in the Balkans--was installed. Before the end of the year the third nuclear reactor of the Kozloduy Nuclear Power Plant will be commissioned, thus increasing the electric power generating capacity by yet another 440 megawatts.

Never before in the chronicles of our power industry have major energy generating capacities been installed in such a short time. It would be hard to find a more eloquent illustration of the headlong upsurge of our socialist power industry and of the scale of our economic development which is the result of the April party course of creating a powerful energy base.

Efficient Use

The thrifty and sensible use of power resources with the maximum utilization of local sources of energy and the accelerated development of a nuclear power industry will remain the basic criteria governing the development of our energy base.

The increase in power production capacities is the main way for meeting the ever growing needs for electric power. However, this must be combined with an increase in the power effectiveness of prime energy resources. Electric power outlays per unit of output remain rather high in virtually all sectors compared with the advanced countries. This considerable reserve should be used most rationally and completely. It is more effective to invest funds in improving the utilization of electric power rather than building new generating capacities.

Considering the steadily rising cost of liquid fuels on the world market and the growing scarcity of power resources, the struggle for their conservation and thrifty and efficient utilization is a nation-wide task. Let us stipulate that electric power consumption effectiveness does not mean restrictions but rational utilization. To this effect the ministry created the Industrial Energetics Scientific-Production Combine in charge of reconstruction and modernization and of providing scientific and design services and manufacturing non-standard equipment and spare parts for industrial and consumer needs. This year alone its work will enable us to save fuel-energy resources totalling about 290,000 tons of conventional fuel. Furthermore, the ministry also set up the New Energy Sources Scientific-Production Combine in charge of the study, designing, building, and operating equipment for the utilization of solar and geothermal energy and waste heat.

Future Development

Today the economic approach to production management has priority. Its systematic practical application is of decisive importance in the successful implementation of the major and complex tasks facing the power industry under the conditions of the new economic mechanism.

The future development of the power industry in Bulgaria will be consistent with the program drafted by the ministry for the development of the power industry and the effective utilization of energy resources during the Eighth Five-Year Plan and until the year 2000. In the next five-year plan the fourth 210 megawatt unit of the Maritza-Iztok 3 TETs will be commissioned; two additional power blocks of 210 megawatts each will be added to the Maritza-Iztok 2 TETs and the construction of Maritza-Iztok 4 TETs will be undertaken.

In 1981 the Kozloduy Nuclear Power Plant will have four reactors of the VVER-440 type; a fifth nuclear 1000 megawatt reactor will be commissioned in 1984-1985. A second 1000 megawatt reactor will be completed as well, as the result of which by 1990 the overall power generated by the plant will total 4,760 megawatts. The building of a fast neutron reactor nuclear power plant is planned for the more distant future. The share of the energy which will be produced with nuclear power will increase from 20 percent in 1980 to 28 percent in 1985, 43 percent in 1990, and 50-55 percent in the year 2000.

The production of electric power by hydroelectric power plants will rise from 3.4 billion kilowatt hours this year to 5.1 billion in 1990 and 8.1 billion in the year 2000. The construction of the Nikopol-Turnu Magurele Hydroengineering Complex on the Danube River has been undertaken jointly with Romania. Another major hydraulic construction project will be the pumping-storage Chaira Plant which will represent the second stage of the Belmeken-Sestrimo power system.

In the next decade solar energy will be used more effectively and on a far broader scale.

By 1990 per capita electric power consumption will double; it will triple by the end of the century.

Milestones of Friendship

All-round cooperation and integration with the USSR are the natural results of our historical development. The first electric power plants in Dimitrovgrad and in Sofia and, subsequently, our biggest energy generating capacities, such as the Maritza-Iztok power plants, the Varna TETs, the Kozloduy Nuclear Power Plant, and others, whose names have been recorded in the golden book of the unbreakable age-old Bulgarian-Soviet friendship, were built with the fraternal help of the Soviet Union. In the Seventh Five-Year Plan about 40 percent of Soviet deliveries of complete equipment and materials for our country were for the power industry, and 84 percent of the installed power capacities were based on joint projects and equipped with Soviet installations and with the help of Soviet specialists.

The fact that so far the Bulgarian power industry has scored considerable achievements and experienced a tremendous expansion, comparable with the achievements of the most advanced countries, is mainly due to comprehensive and fraternal cooperation with the Soviet Union and to its selfless aid consisting of machines, equipment, technical documentation, and highly skilled specialists. The USSR deserves no lesser credit for the training of our technical intelligentsia in the area of the power industry. The big power projects built in Bulgaria with fraternal Soviet aid make every Bulgarian heart proud and enthusiastic. They are beacons lighting the way of our age-old friendship.

On the eve of the 1,300th anniversary of our ancient yet renovated homeland, we can be particularly proud of the fact that in the stage of its socialist maturity our great power workers are making bold , strong, and daring changes on the economic map of the homeland--the milestones of our socialist power industry. They are proving to be the worthy heirs of the great accomplishments of our fathers and grandfathers.

We are looking at the bright future with confidence and optimism, for its prospects are in the hands of the thousands-strong collective of power workers who are trained in constructive work and have proven their efficiency and political maturity in the implementation of the party's policy. Our confidence is based on our traditional friendship and cooperation with the Soviet Union. This is a safe guarantee for the successful implementation of the future tasks which will be set by the 12th Party Congress.

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EFFECTIVE LABOR DISTRIBUTION DISCUSSED BY CHAMBER OF NATIONS

Prague RUDE PRAVO in Czech 12 Nov 80 pp 1-2

[Text] Prague 11 November (from our parliamentary correspondent)- Tuesday's 5th Session of the Chamber of Nations had an important agenda, namely, the care which our society accords the objective-oriented planning of labor distribution and related problems of qualification and motivation of the work force as a precondition for increased efficiency and quality. The Deputies approached this discussion after many months of preparation by 8 legislative committees which dealt with 26 individual themes and conducted research in 39 enterprises, national committees, and central institutions. The session, opened by the Chairman of the Chamber of Nations, Dalibor Hanes, was attended by CPCZ Presidium members Alois Indra, Chairman of the Federal Assembly, Peter Colotka, Deputy Federal Premier, and Josef Kempny, CPCZ Central Committee Secretaries, Josef Haman, Josef Havlin, and Jindrich Polednik, and secretariat member, Marie Kabrhelova, plus deputy federal premiers, ministers of the federal government, Chairmen of the Czech and Slovak National Councils, and representatives of political parties and social organizations of the National Front.

In his introductory remarks, the Chairman of the Chamber of Nations noted that, while significant results have been achieved in the planning of labor needs and effective distribution, demands of the 1980's confront us with more complex and demanding tasks, primarily in ensuring labor effectiveness and quality.

Federal Minister of Labor and Social Affairs, Michal Stancel, then presented his report on the subject under discussion (excerpts on page 2).

What the Reporter Said

The joint reporter for the Chamber of Nations' committees, its Vice-Chairman, Vladimir Vedra, emphasized that only socialism quarantees the citizen the right to work, while making it possible for him to fully apply this right. The problem is how best to attune the interests of individuals with those of society, gradually creating conditions which would make labor a source of satisfaction, fully utilizing an individual's talents and knowledge, and becoming his everyday need.

In a state, the reporter continued, which is passing through a tumultuous stage of historic build-up and mighty expansion in industry, agriculture, and other branches, the task of distribution and qualification of labor is extremely complicated because, among other reasons, it involves the movement of many thousands of people.

The Chamber of Nations' committees, he went on, together with Deputies of the Chamber of People and both national councils, have conducted group research in 39 enterprises, national committees, central organs and institutions. The Deputies also participated in specialized seminars and studied a number of expert background papers, and conducted dozens of individualized checks in their electoral districts.

In another portion of his summation, the reporter informed the assembly of the discussions conducted by the individual Chamber committees. Thus, the committee for social policy assessed the current state and prospects of labor stabilization, and examining living and working conditions of working women, the handicapped, and workers of retirement age. By and large, committee members were favorably impressed with the implementation of our social policies; however, they also noted some negative features, among which the most serious is the still unfavorable development of fluctutation. Consequently, among other things, the committee recommends that in labor force planning we also consider the extent of fluctuation in respective enterprises. It also recommends that work be made more attractive in the second and third shifts, and that additional ways be sought of reducing overtime work and of better utilization of regular working hours.

The committee for planning and budget, stated the reporter, concentrated on creating conditions for labor stabilization in the designated branches, sectors, and areas, including housing policy. The committee emphasized the need to increase the rate of labor productivity growth, to accelerate the science-research-production process, while achieving savings in live labor, and the need of thoughtful orientation in capital investment construction. The committee also noted the need for more severe prosecution of any evasion of the socialist principles of reward.

The committee for industry, transportation, and trade assessed the territorial distribution of production capacities and their effect on the utilization of labor sources. It criticised the fact that capital investment construction is still largely directed at creation of new job opportunities and only in a miniscule measure toward economy of labor.

The committee for agriculture and food dealt with, among other problems, the state of workers in agriculture with respect to their age composition, qualifications, and distribution according to the needs and perspectives of further development in agricultural mass production. It also devoted its attention to the training of the young, social welfare, and living conditions in agriculture. Among its recommendations, the committee lists the elaboration of effective stimulation measures for raising the interest of young people in agricultural work.

The cultural committee focused on the distribution of educators and instructors in the apprentice schooling system and facilities. The legal and constitutional committee examined, for example, the effect of the legal code and other edicts on the management of the labor force in certain industrial sectors, in construction, and rail transport. It also dealt with the role of collective contracts, while recommending that legislative adjustments of certain regulations be carried out.

In conclusion, the reporter noted that the rich conclusions of the Chamber committees are in full accord with the conclusions reached by the Federal Government. He also emphasized that the necessary growth in production and performance must be based on the growth of labor productivity by means of technological and scientific development and growth of worker qualifications.

Discussion Contributions by Deputies

15 Deputies participated in the deliberations. First of these, Deputy Anton Blazej, devoted himself to the problems of long-term preparation and training of workers with respect to ensuring quality and efficiency in all types of work. He noted, among other things, that in the sphere of scientific research we employ only 12.5 percent of university graduates, whereas in other developed states this figure reaches 32-35 percent.

Deputy Zdenek Psenicka used the example of the West Bohemian Kraj to note that the basic concepts of territorial distribution of production capacities should stem from the distribution of natural resources, especially sources of raw materials, fuels, quality soil, water resources, etc. Otherwise, space fragmentation of isolated industrial units ties down a disproportionate number of workers and hinders concentration of production and related efforts toward a speedier growth of labor productivity.

Deputy Kvetoslava Bernaskova addressed Minister-Deputy Chairman of the State Planning Commission, Vladimir Janza, with the query of how the Commission planned to deal with the relative shortages in the labor force. Critical remarks on labor distribution were voiced by Deputy Irena Horecna. She stated, for example, that Vogonka Poprad/Railway Car Works, Poprad/ last year failed to fulfill their task in intra-branch transfers of workers to CKD Praha, as well as in the inter-okres drive of enterprises within the kraj. She also noted that certain people 'collect' the drive premium but soon thereafter leave the plant, while other enterprises are hiring them for short-term periods. "Such individuals are taking undue advantage of the premiums offered," she concluded.

Deputy Alois Huml assessed the various facets of workers' welfare, improvement of the working environment, plant food catering, etc., and stressed the need to reduce undesirable fluctuation.

Deputy Terezia Andrejova queried the Federal Minister-Chairman of the Peoples Control Commission, Frantisek Ondrich about fulfillment of last year's (October) 4th Session of the Chamber of Nations which dealt with improvements in the effectiveness of the control system, in accordance with the conclusions of the 15th CPCZ Congress.

Problems of Qualification among agricultural workers were brought up by Deputy Rene Zahradnik, especially with respect to urgent need to apply rapidly technological and scientific progress and the industrialization of agricultural mass production, in order that live labor might be replaced by technology. He drew attention to the fact that by 1985 the number of university and secondary school graduates in agriculture should rise from the present 110,000 to 160,000, and in the food processing industry from 23,000 to 33,000, while the overall number of workers in agriculture will continue to be reduced.

Deputy Anton Murzic drew attention to the aid to our national economy by members of our armed forces. They provide this assistance primarily in agriculture, but also in SHD Most/North Bohemian Brown-Coal Mines, Most/, in the construction of the Palace of Culture and the subway in Prague, on the nuclear power plant in Dukovany, on the Konzorcium pipeline, etc.

Deputy Vladimir Marik was of the opinion that the prospect appears better for the implementation of wage differentiation, the system of collective contracts, the fund for cultural and social needs, and social programs. Trade union officials in enterprises agree that it will be desirable to continue in the joint deliberations of the URO/Central TU Council/Secretariat and the Federal Government Presidium. It is expected that on the level of the VHJ/Economic Production Unit/, five-year branch collective contracts will be used. Enterprise and plant collective contracts will stem from the annual plans of social development.

The international assistance of the fraternal socialist countries was discussed by Deputy Stefania Hartinkova. She reported that currently about 14,000 foreign nationals are working in the CSSR, predominantly from Poland, Vietnam, and Cuba.

Deputy Jozef Sepela considered housing construction as one of the most important elements of work force stabilization. However, he also emphasized the importance of differentitated wages, sub-branch wage preferences, etc.

Findings on specialized educational and training facilities, especially the distribution of instructors and educators, were presented by Deputy Gizela Zabova, and the conditions which we must create for the integration of women into the production process were discussed by Deputy Ladislav Kopriva.

Deputy Emil Rigo demonstrated with illustrations that the efforts to raise labor discipline often cause more administrative and other problems for those who demand it than those who breach it.

The last in the discussion, Deputy Oldrich Burger, announced that last year 842,000 retirees worked in our national economy, which is over 11 percent of all working people. To these he expressed appreciation for their active attitude toward life, as well as appreciation to the physically handicapped who are still making a contribution through their work.

Following the conclusion of the discussion period, Minister Michal Stancel thanked the Deputies for their responsible approach to the problems on the agenda, and assured them that the Federal Government, ministries, and central organs of the state administration would continue to give priority attention to a rationalized untilization of the work force.

From the Ministers' Responses

Replying to a query by Deputy Kvetoslava Bernaskova, Minister-Deputy Chairman of the State Planning Commission, Vladimir Janza, stated that in the Seventh Five-Year Plan the increment in the labor force will be very low and that, therefore, the key to the resolution of stated shortages will be maximum utilization of existing sources. For example, the drop in the utilization of regular working hours alone from 92.3 percent in 1975 to 91.7 percent last year, meant that we had to furnish our economy with 12,000 new workers.

"It will therefore be essential to improve the rhythm and organization of production, including its material safeguards, and reduce sick leave caused by off-the-job accidents. Also important is to improve the quality of the structure of the labor force; in industry and construction the number of blue-collar workers is dropping, while the number of technical, economic, management, and administrative workers in the non-production sphere is rising. Likewise, in the so-called tertiary sphere, we must put emphasis on labor productivity."

In the Seventh Five-Year Plan, the Minister continued, production growth will be covered exclusively by the growth of labor productivity. For this reason, we must also change the present proportion between the growth of productivity and growth of wages.

In closing his response, the Minister pointed to the fact that further principles are contained in the "Set of Measures for Improving the Planned Management System of the National Economy After 1980."

In his reply to Deputy Terezie Andrejova, Minister-Chairman of the Commission of Peoples Control, Frantisek Ondrich, stated that control activity has focused on finding reserves, insistence on conservation in our economy, and on an overall strengthening of labor discipline. The major part of control activity was devoted to the sphere of fuels and energy, foreign trade, quality, and proper utilization of reserves. In the North Bohemian Brown-Coal Basin, for example, it was a question of nuclear power plant construction, more intensive rationalization in the consumption of metals, of the share of overhead expenditures in the overall production cost, full utilization of freight transport, etc.

These undertakings, elaborated in consonance with the "Set of Measures." are directed at higher quality control operations and at strengthening their objectivity so that they can become a valid instrument in the management of our economy.

From the Adopted Resolution

In the resolution which the Deputies of the Chamber of Nations adopted, there is stress on the necessity of full application and growth of creative activity of all workers, and the need to devote great care to goal-oriented planning in their distribution, to raising their political consciousness and specialized qualification, to safeguarding their material and cultural needs, and to strengthening their social security. The resolution adds that the House of Nations Deputies will undertake in their electoral districts utmost efforts to clarify the problems under discussion in this session.

Excerpts from Minister Michal Stancel's Report

The achieved level of employment, along with a growth in labor productivity of 2.5 times in the past three decades, were one of the main preconditions for the fulfillment of the demanding tasks in our economic, social, and societal development. At the present time, we are at a stage where the population's economic activity has reached its culmination point; of the 8.7 million population of productive age, excepting the young preparing for a profession and about 260,000 women who for various reasons are still not employed, every citizen is economically active.

In this situation, the only remaining source of increased employment is, for all practical purposes, the natural increment in population which, however, at this point is not favorable. The productive age is being reached by the weak classes of the 1960's, a period of low population growth. Thus, while in past five-year plans we enrolled into the labor force 470-510,000 new workers, in the Sixth Five-Year Plan the natural increment was only 230,000, and in the coming Seventh Five-Year Plan we can count on only about 140-150,000 new workers. The entry of the young into the labor force is also being delayed by the expanding professional preparation process.

This development unfavorably affects the current level of employment, creates and intensifies undesirable disporportions between the needed labor force and our capability to satisfy this need. Our own analyses, as well as international comparisons, however, show that the current state is primarily the result of obsolete extensive economic management of the labor force, and that it is in our power to gradually eliminate the existing disporportions. Minister Stancel then dealt with the main directions and principles of effective management of the labor force during the Seventh Five-Year Plan.

The foundation of effective management in the sphere of labor rests in a determined orientation throughout the national economy on consistent limitation of job opportunity surpluses over the real sources of labor, in achieving live labor savings and not its growing consumption.

As the basic road toward effective utilization of our present labor resources, we consider, first of all, the growth in social productivity of labor. In the period of socialist construction, our country ranked by its level of labor productivity among economically-developed states. In long-term development, our average pace of per capita labor productivity was higher than in many developed capitalist states. In the course of recent years, however, we have been overtaken in the pace of labor productivity growth by a number of industrially-advanced countries, both capitalist and socialist. We must also state frankly that in certain industrial and construction branches, we have in the past few years encountered even a drop in labor productivity growth.

The causes of this development are complicated and certainly do not affect Czechoslovak economy alone. To a large measure one of the causes is the rise in prices of raw materials on the world markets, rise of energy cost, as well as the complicated sales situation on the capitalist markets. The decisive role in this development, however, was played by longer-term factors. At the 18th Session of the CPCZ Presidium, Comrade Strougal stated: "Inconsistent organization and preparation of production, irregular availability of materials and sub-deliveries, non-rational growth in overhead costs in certain production branches, and especially the slow advance of technical development and quality. These are the basic causes due to which the resolution of the 15th CPCZ Congress on the growth of labor productivity will remain unfulfilled."

Comrade Stancel also reminded the assembly of the need to achieve optimum development in the number of workers in the managerial and administrative sectors. It is important that the number of technical and economic workers /THP/, while respecting all the objective needs of development, remain within the capabilities of our national economy. Despite sectional improvement, we cannot be satisfied with this state of

affairs. Therefore, even during the Seventh Five-Year Plan we envisage planned adjustment of the development in THP members.

Efforts to improve the utilization of regular working hours must become an essential component of more rational labor force management. The extent of present losses in working hours represents about 15 percent in industry, and as much as 30 percent of working hours in construction. In this respect we are well aware that even 1 percent of needless losses in the national economy represents a capacity of about 75,000 workers, and each wasted minute in industry alone the loss of products valued at almost 5 million korunas.

Low utilization of working hours contrasts sharply with the volume of overtime work. A serious problem which lowers the level of rationalized management of the labor force, is undesirable fluctuation. Following a certain improvement at the end of the Fifth Five-Year Plan, since 1979 fluctuation has again shown a rising tendency and has caused the national economy losses representing in one year roughly 2 to 3 million unworked shifts.

Comrade Minister reminded the assembly that experiences from the years of the Sixth Five-Year Plan confirm that wherever we introduced, by means of complex programs of workers' welfare, conceptual, goal-oriented planned and systematic social development management, we have succeeded in resolving many problems relating to the satisfaction of the work force. Development of this activity in our organizations has accelerated considerably in the recent period, the Minister noted. Expenditures in this area for the first three years of the Sixth Five-Year Plan alone reached 26 billion korunas, which is 30 percent more than for the same period in the preceding five-year plan.

Based on current experiences, the CSSR Government this yaer adopted principles under which, in conjunction with the "Set of Measures," this area will also be broadly governed by five-year and annual plans for cadre, personnel and social development.

On the subject of material incentive, the Minister noted that during the Sixth Five-Year Plan the demands in this area on the economic sphere were raised in the formation and utilization of wages payable. This concerned, first of all, the measure which more consistently linked wages payable with the qualitative aspects of production, above all, the relationship of wage outlays with the indicator of performance and the desirable structure of marketing. Practical experience, however, showed that not all these measures were sufficiently effective.

Therefore, in conjunction with the "Set of Measures" and in the spirit of the CPCZ Presidium report presented to the 18th Session of the Central Committee, we have already proposed certain more basic changes in the control of wages payable for the years of the Sixth Five-Year Plan, corresponding to the new, more demanding, conditions in the management and planning of the national economy. We are interested, first of all, in seeing that the extent of wages payable be even more closely tied to the formation of national revenue and growth of social labor productivity.

Comrade Stancel went on by saying that we are also preparing measures whose aim it is to strengthen the effect of wages on the rational distribution of the work force into socially-important sectors and, in terms of rewarding work, to place more value on high work performance, including the matter of stabilization. In the overall rewarding of work we will consistently apply the principle of merit and differentiation

according to the demanding nature and progressive results of labor and their contribution to society.

In this respect we must change, first of all, the attitude of leading managerial personnel, of whom many lack the courage to differentiate among outstanding, good, average, and below average workers, same as among different workshops, operational sites, plants, and enterprises.

Comrade Stancel expressed his appreciation of the work performed by women in all sectors of the national economy. It is for this reason that we will continue to create conditions for mothers who are interested in returning to work after having used up their regular maternity leave. Also important for our national economy is the help of retirees. Presently about 850,000 of these citizens who had already earned their right to rest, are still part of the labor force.

In closing, the Minister stated that an irreplaceable role in economic development is played by informal labor initiatives, socialist competition, and the participation of workers in management. In the future, more than ever before, we must utilize this creative initiative of the workers to a much greater degree in order to achieve savings in live, as well as mechanized, labor.

9496
CSO: 2400

ECONOMIC CHANGES, DEVELOPMENTS DISCUSSED

Budapest HETI VILAGGAZDASAG in Hungarian No 43, 25 Oct 80 pp 30-31

[Interview with Dr Marton Tardos, department head at the Business Outlook and Market Research Institute: "A Wide-ranging Export-Oriented Economic Policy Needed"]

> [Text] It has been nearly 2 years since the article which discussed the question of alternative strategies for economic development and which created considerable stir appeared in the periodical GAZDASAG [Economy]. The authors--Rezso Nyers and Marton Tardos--in addition to a slower increase in domestic consumption than in the past, recommended a production increase aimed at exports to capitalist countries and import substitution instead of a strong holding back of production. We asked one of the authors of the study, Marton Tardos (52), department head at the Business Outlook and Market Research Institute, how he evaluates the changes and developments that have occurred since then.

Question: Nearly 2 years elapsed since the publication of your joint study with Rezso Nyers "What Kind of Economic Development Strategy Should We Choose?" What is your opinion about the important chnages that have taken place since then?

Answer: We wrote our article in 1978, at the conclusion of perhaps the most unsuccessful year of the past decade from an economic viewpoint. National income rose by only 4 percent, together with a 12.6 percent increase of non-ruble imports while exports rose by only 1.6 percent. The value of stocks and unfinished investments reached unprecedented highs. Since then, the situation has improved considerably and the country's foreign trade balance--even if it has not been completely restored--has been normalized.

A great many of the favorable changes have been brought about by temporary factors. Among the latter that I consider important are a restraint of economic growth, a very important holding back of investments, the stagnation of the standard of living, the reduction of stocks, the maintenance of socialist exports within planned limits, and the fact that enterprise managers, aware of the gravity of the situation and in conformity with the intentions of government organs, moderated their import orders.

Question: Does this favorable change in the country's overall economic development represent a difinitive solution?

Answer: Before talking about medium range strategy, I would sum up my opinion about the causes of the troubles, which were brought about by external and domestic factors. Exports of livestock and meat, primarily slaughter cattle, have traditionally played a leading role in the country's capitalist exports hit a slump. Hungarian enterprises were not forced on the western markets to effectively adjust to the general quick-paced inflation and to the simultaneously sharpening competition struggle by means of quick increase of export prices and slowdown of the rise of import prices. And simultaneously with the price explosion, important changes occurred in the development of economic relations between Hungary and CEMA countries.

Our earlier possibilities were characterized by the fact that the quantity of raw materials purchased for transferable rubles increased by 9.2 percent annually between 1960-1972, nearly twice as fast as the domestically produced added value. Since 1975, however, not only have CEMA raw material purchases become more expensive, but the pace of growth of the deliveries was also broken. Although the possibility of obtaining industrial raw materials purchased with transferable rubles continued to remain more advantageous than purchases from capitalist markets, in spite of significant price increases, the volume of our exports, nevertheless, rose by only 2 percent annually between 1972 and 1979. And after 1980, in general, instead of a slow increase of raw material deliveries that can be purchased for rubles, one must expect that they will remain quantitatively unchanged.

Question: Could the unfavorable change of foreign markets alone be the only explanation for all our troubles?

Answer: A few mistaken steps of our domestic economic policy exacerbated the unfavorable effects originating from the foreign market. On one hand, it is already generally today recognized that it was a mistake to exempt Hungarian enterprises from the effect of foreign market price changes. On the other hand, the unfavorable effect of the external shock was also exacerbated by the fact that we did not adequately follow the events regarding the regulation of domestic consumption. In my opinion, however, and contrary to often voiced views, one must not complain about overconsumption. Actually, one should rather talk about exaggerrated accumulation due to unfounded expansionist intents.

Question: There are those who say we could achieve the long term equilibrium of our balance of payments by turning away from capitalist markets.

Answer: There are actually persons who have proposed to restrict relations with capitalist markets. They justify their point of view by saying that the monopoly structure of capitalist markets does not offer outsiders the possibility of developing their trade on the basis of comparative advantages. They stretch their assertion to the point of also blaming the deterioration of trade ratios and our indebtedness on our trade with the West which, according to them, has developed to an exaggerated extent.

It cannot be denied that for a given country if import products that cannot be manufactured domestically would become more expensive, and if this results in a deterioration of foreign trade exchange ratios, then the method and extent of adjustment into the international division of labor must be reexamined and modified.

Question: Following the price explosion, the conditions of Hungary's foreign trade relations in fact basically worsened and this trend is probably not yet over.

Answer: In my opinion, in these circumstances a lasting change can result not by restricting economic relations with capitalist markets but by speeding up capitalist exports and import substitutions. We need domestic production increases that will exceed domestic consumption, with the surplus contributing to the lessening of a tight capitalist balance of payments. From this viewpoint, it is essential to fulfill two requirements concurrently: domestic and CEMA market demand must steadily remain smaller than our production capacities; and enterprises must continuously be obliged to effectively use their production capacities.

At first glance, it appears safer to concentrate on the achievement of the first task because its execution will clearly improve the situation that had developed earlier. This statement, however, is only approximately true. The tactics of depressing the standard of living not only contradicts the long range objectives of economic development but also comes into conflict, beyond certain limits, with the shorter range requirements of the monetary balance. The replacement of capitalist imports and increased capitalist exports can be lastingly achieved only if we remunerate improved performances with growing real wages. Not to mention the fact that the discontent connected with the formation of the standard of living and of prices--as shown by many examples--can create disturbances in production that could result in an irreversible, significant and sudden deterioration of the monetary balance.

Question: In your opinion, what modification would be needed in the area of economic regulation?

Answer: Basically, the policy aimed at developing exports and substituting imports should try to solve three tasks: the planned regulation of demand, the further development of price and exchange rate policy, and the appropriate distribution of the modest means available for investment.

One should make sure that increased production creates conditions for the above-mentioned modest but resolute increase of production so that not only will the pace of increase of exports and import substitutions exceed domestic consumption, but also the shortage of goods on the domestic market are reduced. In order to do this, the established method of slowing down imports through enterprise self-limitation must gradually be supplanted by increasing the demand-limiting role of money.

Question: The system for setting production prices was modified on January 1, 1980. Has this created, in your opinion, adequate incentives for export growth and import substitution?

Answer: "The competitive price system" currently developing represents a great promise, but today it is still difficult to determine whether supply and demand will play a price setting role or whether administrative measures will continue to be applied. The effective accomodation of production to demand can, in fact, become possible only if the price of the goods in demand can truly approximate the cost of import acquisition, and if the price of the goods produced by the extra capacities does not exceed import-[price] levels even if the latter does not cover the entire cost. One should, therefore, find a way to prevent large enterprise profits from resulting either in unjustified wage increases or unjustified investments. Even more

important, enterprises temporarily operating at a loss should not be paralyzed because of a lack of state aid; they should find a way to extricate themselves from their threatened situation utilizing their own resources.

Question: What kind of development is required by this economic policy, and do we have sufficient financial means for this?

Answer: The essence of our investment policy was to completely supplement the needs of the integrated CEMA market, trusting that the excess capacity would be suitable for capitalist exports and the solution of import substitution tasks. This method already cannot be used particularly not in the future. This means that the enterprises should learn how to utilize developments serving to improve the capitalist foreign trade balance. An expansionist economic policy is needed, despite the fact that there will be little opportunity for large industrial investments. The situation also demands that--in harmony with the government's most recent measures--new resources be mobilized to promote increased cooperative and even private investments.

2153
CSO: 2500

NEW SYSTEM OF LAND VALUATION TO BE ADOPTED

Budapest MAGYAR HIRLAP in Hungarian 5 Nov 80 p 7

[Article by Attila Vodros: "Instead of the Gold Crown. Information About the New Land Valuation System. Introductory Date: 1 January 1981."]

> [Text] The legal article from 1875 reads as follows: "For the purpose of proportional taxation of landed property, the net income of every landed property situated on the territory of the Hungarian state will again be established according to the decrees of this law, and a universal land tax register will be prepared." The decree from Vienna was signed by the "Apostolic King."
>
> In the meantime, dust has gathered on the antique decree, yet in spite of this -- with modifications here and there -- it had a long life.

At its session of October 31, 1980, the Presidential Council adopted a law decree on the introduction of the new land valuation system. The Minister of Agriculture and Food regulated in an executive order the additional provisions connected with the law decree that still required regulation. Yesterday, at the Ministry of Agriculture and Food, Istvan Hoffer, head of the National Bureau of Geodesy and Cartography, informed the members of the press about the introduction and execution of the new system of land valuation.

To Protect Arable Land

Two thirds of our country's territory is suitable for agricultural cultivation. Our arable land is generally outstanding, and produces more wheat and corn, that is foodstuffs, than what we consume or feed our animals annually. In addition to meeting the domestic demand, we also have agricultural produce left over for export.

Arable land is an important element of our existence and constitutes one-fifth of our national wealth. Nevertheless, since liberation, during the process of our country's industrialization, our arable area has been decreased by 344,000 hectares -- approximately the area of one county. Because of this large-scale decrease, more protection of the land and preservation of our national wealth are justified.

The gold crown land classification system introduced in the 1870's served primarily taxation purposes. The gold crown value indicated the so-called "net returns" of the arable land.

The result was determined in gold crowns projected on registry hold [1 hold: 1.42 English acres] and we are still using this expression today. (It must be noted that this valuation inherited from the Monarchy was rescinded in Austria in 1938 as an obsolete procedure).

In Hungary, following the introduction of the socialist reorganization of agriculture, the role of arable land in socio-economic life underwent a fundamental change. This is why the economic policy measures built upon the gold crown are no longer effective today where and how they would be needed. Namely, natural factors and economic conditions from the past century are inseparably fused together in the gold crown value.

The effects of the latter conditions influencing production have changed; they no longer provide a realistic measurement of land value and do not make it possible to objectively evaluate the work performed and the results independent from the existing level of farming. This is what makes the replacement of the gold crown system with a new method necessary.

On Realistic Bases.

The new valuation is based on the natural productive capacity of the land compared with the gold crown value calculation in effect for over a century which showed not merely the actual value of the land but also for what branch of cultivation it was used, whether viniculture or grazing/meadow usage was pursued on a given area. In the meantime, the gold crown calculation, which has become almost completely obsolete-- primarily from the viewpoint of large-scale farming -- is being gradually replaced by the new system which is based on natural factors.

As stated by Istvan Hoffer: The results of agricultural production and the prevailing formation of yields is generally determined by two factors: the long-range effect and relatively permanent influences, and the economic influences valid at all times, the level of farming. Although it cannot be denied that they closely effect each other, the new land assessment system nevertheless, takes into account only the total natural factors. This makes it possible to achieve an assessment of the arable land showing exclusively the effect of long-range, relatively permanent natural conditions. Of course, this system provides an opportunity to build upon it the second, dynamically changing element influencing agricultural production: the economic factor.

Natural endowments affecting the most the success of farming are basic fertility, terrain and hydrological conditions, and climatic characteristics. The most important is basic fertility, a factor which the new system expresses on the basis of soils with the poorest and the highest fertility to be found in the country, with a so-called soil value ranging from 1 to 100.

The other natural endowments influencing basic fertility are taken into account as "corrective effects"; namely, the soil value can be reduced by them, or by their unfavourable character. Finally, the result, the arable land value, is worked out.

The new land valuation extends to all outer lands and enclosed gardens, and inner-city lands under intensive farming. Its introduction after necessary preparation will begin in 1981 and will be completed by 1985. The land valuation will be carried out in a continuous manner by villages and towns throughout the country at a determined annual rate, conforming to administrative territorial divisions.

Registration

The implementation of land appraisal will affect some 8 million hectares of farmland and forests. The work will require the local designation of 55,000 sample areas, plus an average of five soil sample laboratory tests per sample area, or a total of 275,000. The carrying out of the field work and the determination of the arable area value is the task of the land office authorities, while the lab tests will be performed by the plant protection and agro-chemical stations of the Ministry of Agriculture and Food. The results will be entered into the landed property registry but only after having been made public for 30 days. The owners and managers of the lands may object to eventual erroneous appraisals which will then be judged by a decision of the land office.

The new land valuation system may be used for income regulation and other purposes only after completion of the appraisal, Istvan Hoffer said at the end of his press conference.

2153
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COOPERATION IN INTERNATIONAL PRODUCTION SPECIALIZATION DISCUSSED

Budapest FIGYELO in Hungarian No 46, 12 Nov 80 p 7

[Article by G. I "Specialization, Cooperation: International Production Cooperation]

[Text] A national conference on the theme of "International Production Specialization, Cooperation and The Competitiveness of Hungarian Economy" was held on 10-12 Nov, sponsored by the Institute of Economics of the Hungarian Academy of Sciences and the Market Research Institute. About 30 talks were given and discussed.

A significant number of talks discussed the theoretical and practical problems of the CEMA countries' production cooperation. Our preliminary report sums up the more important sections of presentations by Eva Blanar, Laszlo Drechsler, Erika Ipach, Rozalia Szabo, Tamas Szatmari, Katalin Botos, Gyorgy kerekgyarto, and Irma Sabicz.

The principle of international production cooperation and specialization is defined in various ways. One extreme view represents it as the most modern form of international division of labor. The other extreme view claims that the activity we call "specialization" does not represent anything special but is the natural result of the development of international contacts and is merely the concentration of exports into certain groups of products.

The expression international production specialization and cooperation was created in the CEMA terminology although the phenomenon - generally, the phenomenon of international production cooperation - is not exclusive to relations between the CEMA countries.

Specialization and cooperation are two types of division of labor. It can mean cooperation that realizes the exchange of finished products but also the cooperation of the producers in the various phases of production. The first type of division of labor can be found in almost every country that participates in international trade. A given country can show a narrow or wide product group whose export became a spontaneous or consciously-developed activity. This type of division of labor (finished product specialization) has, however, been consciously developed in an institutionalized form only in the mutual cooperation atmosphere of the CEMA countries. At the same time, cooperation in the division of production is barely moving ahead and is on a low level even within the national economy.

A Tool to Increase Efficacy

Specialization and cooperation are not goals but only tools for the exploitation of the advantages that reside in the international cooperation and for the increase of efficacy. Not every production cooperation increases efficacy. The advantages derive from the fact that everyone can specialize in whatever they can produce relatively cheaper and the mass character of production lowers the specific cost per unit produced. The latter, the so-called economy of scale advantage, appears automatically regardless of the division we specializes in. But we can count on the first only if the comparative advantages are regarded. All of these factors are important because - and this is seldom mentioned - international production cooperation also entails extra expenses (transport, conversion, etc.) and if the comparative advantages are small or missing then the scale advantage will not offset the extra expenses of cooperation.

The results improving the efficiency of specialization and cooperation are not expressable or quantifiable in numbers. Their total effect has improved profitability though it is certain that we do not yet fully exploit the advantages that these cooperations can offer.

The Hungarian economic units that participate in the international production cooperation are interested in increasing enterprise efficiency and profit. But, due to the pecularities of the price system, specialization and cooperation can be profitable for the enterprise but not to the national economy. The reverse is also possible. The enterprises may be interested in other matters besides profit and these other factors - such as a favorable credit - may blunt their interest in profit. Experience has shown that interest in the efficiency of international production cooperation is not always sufficient.

Other circumstances also obstruct the success of stronger efficiency requirements in the course of international production cooperation with the CEMA countries. In a significant part of production cooperations, the barter trade still precedes the fixing of the financial conditions. Specialization contracts had originally evolved as a system of legal contracts. The various state administrative organs concluded the international legal contracts and the participating enterprises signed the shipment contracts afterward. Although the contract sysetm was modified later and generally the specialization contracts are concluded by the economic organs, many of the elements of the earlier practice remain. In these circumstances, the role of economic efficiency has narrowed, along with the possibility of decisions that are based on efficiency. The common interest of the CEMA countries is the validity of cooperation efficiency because the result of an incorrect specialization and cooperation is that both partners fare worse than they would have had the correct choice and decision been made.

Production cooperations often take place in a rigorously or strictly defined framework in barter transactions. In this event, the shipment of a certain product is balanced by another. In the above system the prices have a specific role: it fixes the terms of trade, usually to the satisfaction of both parties. The expediency and profitability of the production cooperation can be examined in this manner. On the other hand, the prices, covering costs, are usually distant from the actual market prices and they disturb the achievement of interest in profit and normativeness in the internal economy not only for the enterprise that participates in the cooperation but also in other phases of processing and utilization. In addition, the danger exists

that in a given framework the enterprise, showing a deficit, will indicate its various faults and weaknesses of its activities as a result of the transaction.

Two-Dimensional Analysis

For the exploitation of the advantages latent in the international production cooperation, it is essential that the decision be based on reliable measurements and calculations. The profitability of specializations and cooperations is examined at various levels and from various aspects. Calculations initiated by the enterprises are relatively rare, partly because such calculations are required by the central economy-regulating organs in any case. For these organs, however, the goal is not the recognition of the real situation but rather to obtain some benefit or an approval of the proposed action. For this reason, the reliability of these calculations is suspect and the promised result is usually different from that of the actual. In any case, the indices of the required calculations are not truly good measures of the efficacy of specialization and cooperation.

A two-dimensional analysis should be carried out for every act of international cooperation. First, the economics of the branch or product group that is selected for specialization and cooperation should be determined. Following this, the planned international production cooperation should be compared with other variants in order to find out whether the efficacy of the proposed cooperation is better than those of other possible solutions. The cooperation is to be regarded economic and desirable only if the answer is positive on both counts. It is an illusion to think that the economics of the cooperation is assured when it is based merely on the calculations - a sufficient interest in the efficacy is also needed/

Diverging Pricing Principles

The production cooperation of the CEMA countries developed in the 60's - rather late as compared to the international scene - and became of significant magnitude in the following decade. This is partly the reason that the price problems of specialization and cooperation are debatable. The controversy stems from the fact that specialization and cooperation are parts of the international trade and thus can not have a separate mechanism and price principle. But according to another view, a special price principle, different from the whole of the trade, has to be applied to specializations and cooperations. The so-called specialization prices principle holds that a price below world market is desirable because the large-series production has a cost-lowering effect.

The division of results between the maker and user encounters various difficulties: the national price systems differ; the currency system is undeveloped; the producer's interest is modest which hinders his technical improvement; and the equal-value exchange can be assured only if the participation of the products that are priced below world price is bilaterally identical, both in imports and exports; and the price (if less than that of the world market) mutually holds down exports to the socialist countries.

According to proposals that aim to eliminate the disadvantages of the specialization price principle, equalization of shipments, specified in the production cooperation contracts, is the aim. The excess production can be re-exported. If there is no zero balance, the excesses and deficits may be written, using coefficients, on the transfer ruble accounts.

The view that disputes the goals and applicability of the specialization price principle starts from the point that every economic community and integration has to have a base of positive incentive. This can be reached two ways: both countries buy for less from each other than from others or sell for higher prices than on the outside markets. It is indisputable that the Bucharest price principle created this positive incentive - although in a way it differs from the intended effect. (The Bucharest price principle was customer-oriented. Due to the half-transport principle and the given price, member countries could have bought for less from one another but in reality every socialist country sold goods to another for higher prices than what they could have got for their goods in convertible currency.)

Until the second half of the 70's the cohesive strength of the socialist community and the CEMA market derived from an advantageous price it paid for a good proportion of the production and, in addition, it assured a major portion of the needed imports. The CEMA prices have been approaching those of the world market since the middle of the decade and the community assures only an ever-shrinking portion of the mutually-needed imports. Thus, the relative advantages of the CEMA market for the exporters of the processed products have decreased.

The sellers' interests have further increased, due to the events in the world economy. The consumer demand spurs only the purchases and re-produces the acute shortages although its opposite, the supply side (and a higher technical level also) is needed. Regarding all of the above presently and in the near future only the world market price base can be applied to specialization and cooperation contracts.

Only by Legal Tools?

Other factors add to the lowering of specialization's and cooperation's efficacy. In the national economic and international cooperations the organic and close connection of science-technology-production-marketing are important. The importance of this connection was emphasized by the 31st session of CEMA. Yet, specialization cooperation and the scientific-technical cooperation continue traveling on separate roads. The scientific-technical cooperation contracts do not contain any concepts for specialization and cooperation and the specialization and cooperation contracts do not project any developmental and technical cooperation tasks. The participation of new techniques is about 10-12 percent for the specialized products. Another deficiency of the production cooperation is due to the practice of specialization and cooperation contract making by the representatives of the specializing and non-specializing organizations and enterprises and the role of the products' direct user is a passive one.

The CEMA integration model - and, within, the role of specialization and cooperation - was drawn by the Comprehensive Program. But the mechanism of integration has not advanced and could not advance satisfactorily. The role of products and price has not changed at all and only the attempt to improve the cooperation of planning has advanced. In other words, the inter-state levels' role grew and now the inter-enterprise cooperation has but a scanty role. It should be mentioned here that the legal concept of specialization has become outmoded in many respects and has separpated from reality. One important substantive element of specialization contracts is the declaration of binding product shipment obligation. But in the present price system the price can not be set for a long-term contract and without a price no contract of legal power can exist. In the absence of legal power the partner can violate unpunished even one-year shipping contracts. A condition to contract for a long term

is the preparation and use of a proper sliding-price clause. The anomalies that are deeply rooted in economic life and appear to be legal and the experience of the specialization contract systems prove that legal tools can regulate only those economic processes that are rooted in economic policy and are properly regulated.

10101
CSO: 2500

EFFECTIVENESS OF INDIVIDUAL, SOCIALIZED FARMING COMPARED

Warsaw PRZEGLAD TECHNICZNY in Polish No 43, 26 Oct 80 pp 16, 17

[Article by Boleslaw Struzek, Director, Institute of Economics for Agricultural and Agrarian Policy of the Main School for Farming of the Agricultural Academy in Warsaw: "Farming Without Myths"]

[Text] Popular opinion here has it that the chief cause of the shortages of farm products, and consequently the main cause of food shortages, is an anachronistic agrarian structure, insufficient increase in individual farming production, or the alleged prosperity of the peasants, who "do not want to work harder." Often, too, the large number of farm households in which people hold down two jobs is mentioned. Although these opinions are based on hard facts, they do not reach the heart of the problem.

It cannot be denied, of course, that the agrarian structure of individual farming is archaic, but at the same time in a real farming situation it is precisely this archaic structure that allows a relatively high level of production to be reached.

Can the production rate in individual farming be further increased? Of course, but only if certain conditions are fulfilled. For example: More production means, improvement in their quality, better delivery schedules, establishment of the right economic conditions, etc. During 1970-1979, individual farming production (calculated per one hectare of arable land), grew at almost the same rate as socialized farming, while investment outlays and deliveries of turnover means were much lower.

Need we wonder at the attitude of the farmers who say that they will not increase production further because they cannot obtain the essential means and because they meet with many kinds of obstacles? Furthermore, most farmers, even those expressing such opinions, still try to produce as much as possible on their farms.

If expansion actually does occur on the small farms, particularly among the two-job people, then the question should also be asked: Is this not caused by the farming policies relating to these farms?

Let us examine further some of the processes and problems occurring in individual farming, more precisely, in the entire nonsocialized farming economy.

The first of these problems are the changes in the production potential of individual farming. During 1970-1979, the arable land area decreased by 1,583 thousand hectares, or 10 percent. The reduction in the work force (according to the latest figures issued by the Central Office of Statistics (GUS) is estimated at about 15-18 percent. According to the most recent GUS data, in 1979 there was 1.1 person (assuming a fully-employed basis) per one peasant farm.

The producing potential of individual farming, it may be said, declined somewhat during 1970-1979. Nevertheless, in 1979, gross farming output, calculated in fixed prices, was 12 percent higher than in 1970 (including 22 percent more livestock production), final output was 21 percent higher, and commercial production was 33 percent higher (including 42 percent more livestock). This indicates improvement in farming effectiveness. This is shown also by the growth indicators for specific production categories, calculated per one hectare of arable land in fixed prices. Thus, gross output in 1979, calculated per one hectare of arable land, was 26.2 percent higher (including 41 percent more livestock), final output increased 34.8 percent, and commercial output 54.2 percent (including 31.3 percent more plant production and 68.2 percent more livestock). As already mentioned, the growth rate of gross and final output calculated per one hectare of arable land during 1970-1979 was almost the same in socialized and nonsocialized farming. However, during these nine years, the commercial output growth rate in nonsocialized farming was higher. In nonsocialized farming, commercial plant production during this period increased 31.1 percent; it declined 5.6 percent in socialized farming.

Final commercial production in socialized farming in 1979 was about 14 points higher than in nonsocialized farming. But while the commercial production index remained the same during nine years, in nonsocialized farming, commercial production rose from 72 to 80 percent. Almost 89 percent of the total commercial production was realized in socialized purchasing (compared to 82 percent in 1970). Of course, in estimating commercial production in nonsocialized farming, we must not forget the natural consumption of food by the farming population. In 1979, this amounted to approximately 19.5 tons of final output. This consumption eases the pressure on the food market. It is equivalent to almost one fourth of the market value of domestic retail food sales.

Net and final output per one hectare of arable land is approximately 20-21 percent higher in nonsocialized farming than in socialized farming. The urgency for improvement in farming efficiency in the socialized farming sector is obvious.

While, during 1970-1979, socialized farming's share in the country's total arable land rose from 19 to 25 percent, this sector's share in value of

outlays in materials and services from purchases increased from 31.8 to 47.5 percent. This means that almost half the production means, such as fertilizers, feed, fuel, shelter, and production services was consumed by socialized farming. In 1978, in the socialized sector, the consumption of these means per one hectare of arable land (in current prices) was 18.3 thousand zlotys; in nonsocialized farming, it was barely 6.6 thousand zlotys, or one third as much.

Similar irregularities in allocation of means, although on a smaller scale, occurred in individual farming. The belief spread that only specialized farms, and farms 10 hectares and larger, could increase farming production.

Who, and How Much?

In this connection, let us look at the accounts of various-size farms that maintain bookkeeping records.

Increases in farming production per one hectare of arable land in farms of specific sizes during 1979 were as follows:

--total number of farms, including,	26,296 zlotys	-	100.0 percent
--to 3 hectares	28,088 zlotys	-	110.6 percent
--3 to 7 hectares	28,094 zlotys	-	106.8 percent
--7 to 10 hectare	25,151 zlotys	-	95.6 percent
--10 to 15 hectares	24,425 zlotys	-	92.8 percent
--15-plus hectares	22,198 zlotys	-	84.4 percent

Thus, in farms up to 3 hectares, the increase in gross output per one hectare of arable land, over nine years, was 31 percent higher than in farms of 15 and more hectares, and 19 percent higher compared with 10-15 hectare farms.

The value of gross farming output per one hectare of arable land in farms up to 3 hectares in 1978-1979 was 27.9 percent higher than in 10-15 hectare farms and 35.4 percent higher compared with farms 15 hectares and larger.

Also, the value of commercial production per one hectare of arable land in farms up to 3 hectares was 21 percent higher than in farms of 15 hectares and larger, including almost 27 percent more livestock production.

Money-material outlays for output, calculated on the basis of one hectare of arable land in farms up to 3 hectares, were naturally higher (38.6 percent) compared with farms of 15 hectares and larger. But investment outlays were correspondingly lower, 41.9 percent. Despite the fact that in farms up to 3 hectares the livestock production share in total commercial production was highest (75.6 percent in 1978-1979), purchased feed's share in the total value of feed outlays was scarcely 24 percent!

In farms of 3-7 hectares, the indices mentioned were about the same as those for farms up to 3 hectares.

Let us look at statistical data on all individual farms of more than 0.5 hectares. I have in mind data on farm product purchase records maintained by cooperative banks.

In 1979, 104,000 farms, with 0.5-2 hectares, realized, on an average, a purchase value of 102,900 zlotys per one hectare of arable land.

In all farms where purchase records were kept on products sold, the share of 0.5-10 hectare farms in purchase value was 64.4 percent; in acreage of arable land of farms which kept records on products sold, this figure was 63.7 percent. The share of these farms in purchasing was even slightly higher than in arable land acreage.

Among farms with the highest purchasing rate, based on one hectare of arable land, (there were 418,000 such farms in 1979), 322,000 or 77 percent were 0.5-10 hectare farms.

Also, in the average purchasing rate group, 545,000 farms, the share of 0.5-10 hectare farms was 88 percent (480,700 farms).

Combined, 0.5-10 hectare farms with high and average purchasing rates totaled 803,000 farms. They sold products valued at 119.1 zlotys, which was 50.2 percent of the total purchasing value. These farms owned scarcely 28 percent of the arable land of all farms on which records were kept. The average purchasing value in these farms, calculated on the basis of one hectare of arable land, amounted to 31,000 zlotys, while average purchase per one hectare of arable land in all farms selling farm products was 19,000 zlotys. It should be added that in 1979, the average purchasing value in specialist farms per one hectare of arable land was 35,000 zlotys.

The stratification of 0.5-10 hectare farms participating in turnovers recorded by cooperative banks is worth noting. In 1979, there were 2,415 thousand such farms. Of these, 33.2 percent had high and average purchasing rates, 45 percent had low rates, and 20.8 percent of the farms did not sell farm products on which purchase records were maintained. This indicates that in over 66 percent of the farms in this group (1,1612 thousand), farm product purchasing could be greatly increased.

The number of farms with low purchase rates per one hectare of arable land totaled 1,293 thousand in 1979, or 44.3 percent of the total. These farms owned 6,523 thousand hectares of arable land, or 47.6 percent of the total arable land on which records were kept. Together, both these groups (with no sales and with low sales) totaled 1,802 thousand farms (61.7 percent of the total number), and tilled almost 7.5 million hectares, or 54.6 percent of the total arable land area. However, their share in recorded purchases amounted to scarcely 28.8 percent.

This problem cannot be solved by simply liquidating these farms. A comprehensive program aimed at increasing production must be introduced. These

farms probably have the following in common: low consumption of mineral fertilizers, concentrated feed mixtures, approved sowable materials, etc. Of course, a large percentage of these farms have lost most of their capacity to function and the only solution remaining is liquidation (sales, conveyance to the State in exchange for a pension, reduction to the size of a garden plot). But many of these farms can be salvaged by implementing a production-growth program. Each case must be approached on an individual basis to find the correct solution.

Livestock and Feed

Let us examine the data on the livestock population in individual farming. Changes in livestock population in specific area groups in individual farming occurred due to the tremendous transfer, in a very short time, of livestock to socialized farming. During 1970-1979 alone, livestock population in socialized farming increased as follows: cattle, 90.6 percent (1,651 thousand head), including cows, 29.8 percent (192,000), and remaining cattle, 123.5 percent (1,459 thousand head). The pig population increased 188 percent (4,146 thousand), and sheep, 216 percent (1,037 thousand). Calculated per large head, the population of the three mentioned categories of livestock increased 115 percent in nine years.

During the same period, the livestock population in nonsocialized farming, calculated per large head, increased by scarcely 10.6 percent, or at less than one tenth the rate. Cow and sheep population, calculated in physical units, even declined; only the young cattle population increased (21.5 percent) and pigs also (30.8 percent).

Of course, these changes were followed by a transfer in the means allocated for building investment and concentrated feed. This was accompanied by an inflow of land and young stock from individual farming.

The State's support of farm animal breeding in socialized farm enterprises and on large farms, particularly the specialized farms--with limited means--has meant that the position of small and average farms in livestock production has steadily declined.

The concentration of livestock breeding in socialized farming and on the larger peasant farms, conducted on such a large scale, caused fodder production to fall behind. This caused a rapid growth in the grain-intensiveness of livestock production, decreased the effectiveness of fodder-feed farming, and resulted in a high livestock mortality. Thus a process which was supposed to contribute to rapid growth of livestock production caused its setback, destabilization, and increase in unit costs.

In 1970-1978, in farms up to 10 hectares, total cattle population declined by 257,000 head, cows by 444,000 and sheep by 144,000. Only young cattle population increased (by 187,000 head) and pigs (by 1,362 thousand). And so over 2.5 million individual farms were actually eliminated from the farm production growth process. Of course, this elimination did not occur during the entire period under discussion.

These data show that for several years now we have not been able to create and maintain conditions that would stabilize livestock production growth in small and average-size (to 10 hectare) individual farms. These periodic fluctuations are not caused mainly or exclusively by changes in fodder production. The real causes are rooted also in the socioeconomic plane and above all, in the weaknesses of the production support policies for these farms.

The valid farm policy principles which state that socialist reconstruction of farming should coincide with farming production growth, that the same conditions for development of farming production should be created in all farming sectors and types of individual farms, were never observed in practice. There were a large number of deviations from these principles, between 1974-1977 particularly. Preferential treatment for some farms (and sectors) limited the development of the remaining ones. In the meantime, other new circumstances arose which required that agricultural policies be better adapted to the means, needs and tasks of farming. I will limit myself merely to conclusions and suggestions for better utilization of production potential in the nonsocialized economy. I put this problem at the forefront because a production increase in this area is the least costly, particularly insofar as additional investments, i.e., outside outlays, are concerned.

Measures of general significance, important for nonsocialized farming, to which more attention should be paid in the next few years, include the following:

--Introduction of an efficient pricing system as soon as possible, and conduct of an appropriate pricing policy,

--Maximum reduction of State control over production means,

--More attention to economic instruments, good advice, and organizational aids,

--Basic improvement in the functioning of the rural market, particularly the farming market. And finally, and most important, formation of conditions that will allow genuine farm self-government. To do this, a law must be passed on farm self-government, whose framework should be our revived agricultural circles and sector producer groups.

Note: Title and subtitles were furnished by PRZEGLAD TECHNICZNY. This article is an extensive excerpt from prof B. Struzek's work titled "Transformations in Peasant Farming During 1970-1980, its Socioeconomic Character and its Effects on Agricultural Policy," which will be published soon in the monthly WIES WSPOLCZESNA.

9295
CSO: 2600

SURVEY OF FOREIGN EARNINGS, INDEBTEDNESS, 1976-79

Zagreb SEDAM DANA (supplement to VJESNIK) in Serbo-Croatian 15 Nov 80 p 6

[Article by Ante Zivkovic: "Why Are We Losing?"]

[Excerpt] Divergence of Interests

Only twice in the last 5 years has our economy recorded a sharp increase in commodity exports. When it comes to invisibles, we will recall that year after year we have progressed, though without distinctive leaps. If we adjust the growth of exports for the rise of export prices, we discover that in 1976 we managed to augment exports by about 15 percent, and then followed stagnation and slumps until this year, when we achieved a real growth of exports of less than 10 percent at a relatively high cost and with a great effort.

In the meantime--because of the exceptionally broad front of capital investment projects and consumption which has objectively exceeded real capabilities--imports have not been directly linked to exports. Imports have grown year after year almost without exception, and in some years there have even been very sharp increases. Why have things been developing this way? Certainly the causes are mainly domestic, but there have also been some beyond our influence. The discrepancy between domestic spending and the income earned in the country is one of the important causes of inflation. It is the reason why prices have risen, and they in turn have brought about the rise in production costs. Naturally, this has tended to detract from the competitiveness of Yugoslav products not only on the export market, but even in Yugoslavia. This phenomenon, which has been evident for some years, in combination with the unrealistic rate of exchange of the dinar (by comparison with the currencies of the countries which are our most important trading partners), inevitably had to bring about a divergence of the interests of the exporting and importing sectors of the economy.

Decline of Exports

Given the overvalued domestic currency, importers have always been the gainers in terms of income, while exporters have suffered. Even the policy

of supporting exports with credit and financial incentives could not essentially alter the situation. Especially since its application in practice has not as a rule kept up with events, sometimes lagging only a few months, but sometimes even longer. Since all of this has gone on for quite some time, it has inevitably affected the commitment of organizations of associated labor in attaining the quality, assortment and even the very appearance of products intended both for the domestic market and export. These shortcomings were joined by others. Shortcomings, above all, in the orientation of exports and in the development of the foreign trade network, which even today--however much it has hurt us--in spite of the best intentions and commitments is predominantly oriented toward importing rather than exporting. This network developed according to where the income was, and, as we have said and as shown by the business results, the income has come from imports.

It is significant that in recent years we have been facing not only a decline in the share of our exports in total world imports, where it has dropped to some 0.40 percent, but also a decline of the growth of exports in the growth of the social product. The share of certain industries which for years have been traditionally oriented toward export has over the last several years suffered an obvious decline in total Yugoslav exports. At the same time their decline in total exports has been made up for by new production groupings. On the other side the deficit in those industries which had even previously had a negative trade balance has grown over the last 5 years. We are referring to the production of transportation equipment, machinebuilding, ferrous metallurgy, production of petroleum and petroleum derivatives, and the chemical industry. Here developments on the international market have not been favorable to us. While the price of petroleum has risen appreciably--and it has a share of more than 45 percent in total energy consumption--the price of the products of machinebuilding, and that means the price of the technology we have purchased along with it, has increased accordingly, sometimes at a faster and sometimes at a slower rate. If we examine only the data on machinebuilding, we see that in its foreign trade it recorded a deficit of $120 million in 1975, and then last year the deficit exceeded $2.2 billion!

Unutilized Potential

Nevertheless, the growing gap between imports and exports, both in the overall and also with respect to individual types of products, has not occurred solely because of the adverse movement of export and import prices. There is no question that its origin lies mainly in the manner in which income is distributed, in relations in the distribution of income--both primary and secondary--which in the context of the overvalued domestic currency has stimulated imports and has had a depressive effect on domestic production and its development.

Foreign Credits (in millions ot dollars)

	1977	1978	1979
Financial credits	3,344	4,281	5,514
Credits for equipment	5,304	6,284	7,794
Credits for materials	615	746	930
Credits for food	73	51	32
Miscellaneous	30	39	33
Total	9,366	11,401	14,303
Total debt as of 31 December	9,540	11,833	14,952

Interest on Credit (in millions of dollars)

1974	1975	1976	1977	1978	1979
291	337	369	381	455	1,123

Commodity Trade (in millions of dollars)

	1974	1975	1976	1977	1978	1979
Exports	3,805	4,072	4,878	5,254	5,671	6,794
Imports	7,520	7,697	7,367	9,634	9,988	14,019
Trade balance	-3,715	-3,625	-2,489	-4,380	-4,317	-7,225

Invisible Inflow and Outflow (in millions of dollars)

	1974	1975	1976	1977	1978	1979
Remittances						
Inflow	1,621	1,696	1,884	2,097	2,890	3,393
Outflow	242	369	469	670	1,176	1,683
Tourism						
Inflow	700	768	802	841	1,060	1,183
Outflow	56	66	77	91	120	155
Transportation						
Inflow	739	850	908	1,071	1,150	1,405
Outflow	343	420	479	503	565	674
Visible and invisible balance	-1,183	1,032	165	-1,582	-1,256	-3,661

Industries Generating a Surplus (in millions of dollars)

	1976	1977	1978	1979
Nonferrous metallurgy	240	136	124	167
Shipbuilding	195	189	307	218
Textiles	177	153	175	178
Leather	260	247	271	313
Wood	380	417	400	478

Industries Recording a Deficit (in millions of dollars)

	1976	1977	1978	1979
Petroleum	849	1,024	1,136	1,887
Ferrous metallurgy	382	527	485	688
Machinebuilding	1,055	1,356	1,534	2,224
Chemical industry	520	792	823	1,225
Agriculture	341	573	505	814

7045
CSO: 2800

DATA ON EXPANSION OF SOCIALIZED AGRICULTURAL SECTOR

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 11, Nov 80 pp 14-17

[Article by Ugljesa Pavlovic, M.A.: "Trends in Expansion of the Landholdings of Yugoslavia's Socialized Sector of Agriculture"]

[Excerpts] Expansion of the landholdings of socialized agricultural organizations is very important to intensification of agricultural production and to the production of farm products for the market. This expansion depends on the country's socioeconomic development and economic and social changes in rural areas affecting the rate of transfer of land from private to public ownership. As a function of this development and these changes in rural areas the rural population is more and more taking employment off the farm, so that some people are permanently leaving agriculture and rural areas, while others are remaining and continuing to make their living in agriculture. Research of the Serbian Republic Bureau of Statistics done in 1979 shows that about 20 percent of farm households keep their young people on the farm, and in settlements located near the opstina seat this percentage is still lower (13 percent), and in settlements in the vicinity of major cities and industrial centers it is only 8 percent. Consequently, most rural young people are going to school and taking employment away from the farm, and an increasing number of rural households are being left without manpower, the conditions thus being created for expansion of the landholdings of the socialized sector of agriculture either through leasing or purchase of the land from the private farms. Moreover, socialized agricultural organizations are also augmenting their landholdings in other ways such as these: developing new land through improvement, annexation of commonland and pasture, recovery of usurped land, taking over abandoned land, etc.

Principal Forms of Expansion of Landholdings

Aside from the landholdings created through the 1945 agrarian reform (about 840,000 hectares) and the 1953 Law on Farmland Holdings (about 276,000 hectares were purchased), the principal forms of expansion of the landholdings of socialized agricultural organizations have been leasing and purchasing of land, new land development and recovery of usurped land.

Though leasing does not signify a change of ownership of the land, it is still one of the ways it speeds up the process of socialization of agricultural production and the strengthening of socialist social relations in rural areas. In the period from 1961 to 1979 leasing had a share of about 56 percent in the total expansion of the landholdings in the socialized sector.

The purchasing of land from private farms is the principal form for augmenting the area of publicly owned land, whose share in this period was 28.3 percent of total expansion of landholdings.

Newly developed areas obtained through land improvement and the recovery of usurped land had the smallest share (15.8 percent) in total expansion of the landholdings of the socialized sector of agriculture in that period. Newly developed areas are mainly obtained by clearing forestland and brush, by transforming pastures into cultivable land and by improving reproductive land near rivers and canals. A portion of these areas are subject to erosion and flood and from the standpoint of expansion of the landholdings of the socialized sector of agriculture do not have the importance of land which is purchased, since most of the land purchased is plowland (about 85 percent).

The recovery of usurped land is a special form of expansion of the landholdings of the socialized sector of agriculture. That is, the usurpation of public land by private farmers was quite common after the peasant-worker cooperatives were dissolved, when both public land and private land were grabbed. But even today there are cases when boundaries are plowed under and public land is appropriated. Yet there is less and less seizing of public land, and the recovery of usurped land is also declining, so that it has a relatively small share (about 7 percent) in total expansion of landholdings, but in recent years it has been about 2 percent.

According to the figures in Table 1, all forms of expansion of the landholdings of the socialized sector are on the decline, except in the 1976-1979 period, when there was a slight increase in leasing, purchase and new land development.

In both relative and absolute terms leasing has the largest share in total expansion of landholdings, and it is followed by purchases and new development, and recovery of usurped land has the lowest share.

With respect to plowland, its share in the total expansion of the landholdings of the socialized sector of agriculture also shows a declining tendency: from 19.5 percent in the 1961-1965 period to 4.1 percent in the 1971-1975 period (Table 2).

If the leasing of land is omitted from total expansion of the landholdings of the socialized sector of agriculture, since this land is not publicly owned, then in the 1961-1979 period the share of purchases was 64 percent

(in Vojvodina land purchases have a share of all of 90 percent, while in the various republics and Kosovo it does not exceed 50 percent).

Table 1. Principal Forms of Expansion of the Landholdings of the Socialized Sector of Agriculture in Yugoslavia

Period	Leasing of Land	Purchase of Land	New Development	Recovery of Usurped Land	Total
		Area, in hectares			
Ø 1961-1965	104,500	67,454	15,247	15,471	202,672
Ø 1966-1970	41,298	20,260	7,308	7,540	76,400
Ø 1971-1975	33,772	10,124	4,643	2,931	51,470
Ø 1976-1979	36,359	11,623	6,321	1,323	55,626
		Breakdown, in percentage			
Ø 1961-1965	51.6	33.3	7.5	7.6	100
Ø 1966-1970	54.1	26.5	9.6	9.0	100
Ø 1971-1975	65.6	19.7	9.0	5.7	100
Ø 1976-1979	65.3	20.9	11.4	2.4	100

Table 2. Share of the Principal Forms of Expansion of Landholdings in the Total Plowland Held by the Socialist Sector of Agriculture in Yugoslavia, in percentage

Period	Leasing of Land	Purchase of Land	New Development	Recovery of Usurped Land	Total
Ø 1961-1965	10.0	6.5	1.5	1.5	19.5
Ø 1966-1970	3.4	1.7	0.6	0.6	6.4
Ø 1971-1975	2.7	0.8	0.4	0.2	4.1
Ø 1976-1979	2.8	0.9	0.5	0.1	4.3

Table 3. Leasing of Land by Socialized Agricultural Organizations, annual average

	1961-1965	1966-1970	1971-1975	1976-1979
	Area, in hectares			
Yugoslavia	104,500	41,298	33,772	36,359
Bosnia-Hercegovina	1,185	281	79	130
Montenegro	163	83	45	25
Croatia	9,841	5,101	7,279	10,578
Macedonia	8,214	1,562	1,144	923
Slovenia	6,481	2,824	2,034	1,718

Table 3 (continued)

	1961-1965	1966-1970	1971-1975	1976-1979
Serbia as a whole	78,716	31,447	23,191	22,985
Serbia proper	5,797	2,915	1,038	935
Vojvodina	66,406	26,313	21,800	21,425
Kosovo	6,512	2,219	353	625
	Breakdown, in percentage			
Yugoslavia	100.0	100.0	100.0	100.0
Bosnia-Hercegovina	1.1	0.7	0.2	0.4
Montenegro	0.2	0.2	0.1	0.1
Croatia	9.4	12.4	21.6	29.1
Macedonia	7.9	3.8	3.4	2.5
Slovenia	6.2	6.8	6.0	4.7
Serbia as a whole	75.2	76.1	68.7	63.2
Serbia proper	5.5	7.1	3.1	2.6
Vojvodina	63.5	63.7	64.6	58.9
Kosovo	6.2	5.3	1.0	1.7

Leasing of Land

Although the leasing of private land by socialized agricultural organizations does not signify a change of ownership or expansion of the area which is public property, in our context it is still the dominant form for creation of large land areas of agricultural organizations. Vojvodina accounts for 59-65 percent of all the land leased in Yugoslavia, though over a lengthy period of time the leasing of land is decreasing in all areas, including Vojvodina (Table 3).

The most extensive leasing of land was in 1961, when about 150,000 hectares were leased. There has been a declining trend since that time, and in 1979 the area leased was about 37,000 hectares. The leasing and purchasing of land are correlated to one another to some extent, and this is manifested over almost the entire period, except that there has been a decline in absolute values for both forms, but the larger decline has been for the leasing of land.

It is evident from Table 3 that the largest leasing of land is in areas where the field cropping of the socialized sector of agriculture is more highly developed, and those regions are Vojvodina and Slavonia. That is why over the last 10 years Vojvodina and Croatia have accounted for almost nine-tenths of all the land leased in Yugoslavia, about 90 percent of it plowland (in Slovenia plowland has a share of 37 percent, in Macedonia 49 percent, but in Montenegro 71 percent).

Purchase of Land

The purchase of land has particular importance as a form of expansion of the landholdings of the socialized sector in the context of our socioeconomic development, since purchased land becomes public property. Socialized agricultural organizations are more interested in long-term investments in purchased land than is the case with land they lease. The purchase of land is therefore both an element in the farm policy of expanding the landholdings of the socialized sector of agriculture and also a factor in augmenting total production and market production of farm products (see Table 4).

Table 4. Land Purchases by Socialized Agricultural Organizations, annual average in hectares

	1961-1965	1966-1970	1971-1975	1976-1979
	Area, in hectares			
Yugoslavia	67,454	20,260	10,124	11,623
Bosnia-Hercegovina	5,803	780	40	106
Montenegro	280	60	16	—
Croatia	16,214	6,036	1,837	5,264
Macedonia	8,598	1,567	804	543
Slovenia	5,092	323	229	742
Serbia as a whole	31,467	11,494	7,198	4,968
Serbia proper	3,609	1,342	429	1,122
Vojvodina	25,645	9,928	6,675	3,773
Kosovo	2,213	224	94	72
	Breakdown, in percentage			
Yugoslavia	100.0	100.0	100.0	100.0
Bosnia-Hercegovina	8.6	3.8	0.4	0.9
Montenegro	0.4	0.3	0.2	—
Croatia	24.0	30.0	18.1	45.3
Macedonia	12.8	7.6	7.9	4.7
Slovenia	7.5	1.6	2.3	6.4
Serbia as a whole	46.7	56.7	71.1	42.7
Serbia proper	5.4	6.6	4.2	9.6
Vojvodina	38.0	49.0	65.9	32.5
Kosovo	3.3	1.1	1.0	0.6

In the period from 1961 to 1979 the largest land purchases were in 1963, when about 136,000 hectares were purchased from private farms. Land purchases have been decreasing since that time, and in 1979 amounted to only about 9,000 hectares. In this period (1961-1979) a total of 536,000 hectares were purchased in Yugoslavia, and the largest amount was purchased in Vojvodina (226,000 hectares, or about 40 percent) and Croatia (141,000

hectares, or more than 26 percent). It follows that in this period Vojvodina and Croatia account for more than two-thirds of all the land purchased in Yugoslavia.

As in the leasing of land, plowland is purchased in the largest amount and over the last 10 years has accounted for nearly nine-tenths of land purchases.

Up until the 1965 economic reform most of the land was purchased by farmer and peasant cooperatives--about 50 percent of all the land purchased. Thereafter there was a decline in the relative share of these cooperatives in total land purchases, especially in the last 3 years, i.e., since adoption of the Law on Associated Labor, when more intensive integration in the agroindustrial complex came about and when certain farmer cooperatives were reconstituted as basic organizations of associated labor.

New Land Development

Actually new development of land did not contribute to expansion of the landholdings of the socialized sector, since this land was already public property and merely entered another use category (becoming arable land instead of brush or other barren land).

From the standpoint of total expansion of the landholdings of agricultural organizations this form has a relatively small share (about 9 percent).

In the period from 1961 to 1979 the socialized sector received 161,000 hectares of arable land through land improvement. The largest area was developed in 1961 (about 32,000 hectares), and the least in 1972 (only 2,000 hectares). So, as in the case of the other forms of expansion of the landholdings of the socialized sector, so in the development of new area there has been a decline, except that for this form the fluctuations from year to year and from region to region have been more pronounced (Table 5).

Table 5. Newly Developed Area of Socialized Agricultural Organizations, annual average in hectares

	1961-1965	1966-1970	1971-1975	1976-1979
	Area, in hectares			
Yugoslavia	15,247	7,308	4,643	6,321
Bosnia-Hercegovina	1,106	832	286	693
Montenegro	318	24	--	197
Croatia	3,367	2,331	427	2,790
Macedonia	4,275	2,187	2,618	283
Slovenia	926	82	350	721
Serbia as a whole	5,255	1,852	962	1,637
Serbia proper	1,100	322	303	1,328

Table 5 (continued)

	1961-1965	1966-1970	1971-1975	1976-1979
Vojvodina	2,452	1,193	576	206
Kosovo	1,703	337	83	103
	Breakdown, in percentage			
Yugoslavia	100.0	100.0	100.0	100.0
Bosnia-Hercegovina	7.3	11.4	6.2	11.0
Montenegro	2.1	0.3	--	3.1
Croatia	22.1	31.9	9.2	44.1
Macedonia	28.0	30.0	56.4	4.5
Slovenia	6.1	1.1	7.5	11.4
Serbia as a whole	34.4	25.3	20.7	25.9
Serbia proper	7.2	4.4	6.5	21.0
Vojvodina	16.1	16.3	12.4	3.3
Kosovo	11.1	4.6	1.8	1.6

Macedonia and Croatia had the largest share in development of new land in our country. These two republics account for about 50 percent of all the new land developed in this period. In third place is Vojvodina, with a share of about 12 percent. Accordingly, Macedonia, Croatia and Vojvodina account for more than two-thirds of all the newly developed land in our country.

Recovery of Usurped Land

Recovery of usurped land, like the newly developed land, does not constitute an expansion of the landholdings of the socialized sector, since this land was already public property (see Table 6).

Table 6. Return of Usurped Land to Agricultural Organizations, annual average in hectares

	1962-1965	1966-1970	1971-1975	1976-1979
	Area, in hectares			
Yugoslavia	15,471	7,540	2,931	1,323
Bosnia-Hercegovina	399	263	8	69
Montenegro	24	70	12	--
Croatia	2,822	2,774	317	434
Macedonia	4,351	1,695	400	161
Slovenia	689	202	339	129
Serbia as a whole	7,186	2,536	1,855	530
Serbia proper	4,399	731	646	92
Vojvodina	1,794	1,394	1,197	200
Kosovo	993	411	12	238

Table 6 (continued)

	1962-1965	1966-1970	1971-1975	1976-1979
	Breakdown, in percentage			
Yugoslavia	100.0	100.0	100.0	100.0
Bosnia-Hercegovina	2.6	3.5	0.3	5.2
Montenegro	0.2	0.9	0.4	--
Croatia	0.2	0.9	0.4	--
Macedonia	18.2	36.8	10.8	32.7
Slovenia	28.1	22.5	13.6	12.2
Serbia as a whole	4.5	2.7	11.6	9.8
Serbia proper	46.4	33.6	63.3	40.1
Vojvodina	28.4	9.7	22.0	7.0
Kosovo	11.6	18.5	40.9	15.1
	6.4	5.4	0.4	18.0

In the period from 1962 to 1979 about 120,000 hectares of usurped land were returned to agricultural organizations. The largest amount returned was in 1967 (about 20,000 hectares) and the least in 1977 (only 614 hectares).

From the standpoint of total expansion of the landholdings of agricultural organizations, it is this form which has the smallest share (about 7 percent).

Croatia, Vojvodina and Macedonia have the largest share (about two-thirds) in total recovery of usurped public land.

Conclusion

1. Expansion of the landholdings of the socialized sector of agriculture in our country has not taken place at a uniform rate, but has depended on overall socioeconomic development. It can be said that up until adoption of the measures of the 1965 economic reform expansion of these holdings was more pronounced, and thereafter a fairly appreciable decline in all forms of expansion of landholdings has been noted.

The leasing of land has the largest share in total expansion of the landholdings of the socialized sector of agriculture, and it is followed by purchases and new land development, while recovery of usurped land has had the smallest share.

2. The largest relative changes in all forms of expansion of the landholdings of the socialized sector of agriculture have occurred in Croatia, Macedonia and Vojvodina (about two-thirds of these changes), except for the leasing of land in Vojvodina, which accounts for 59-65 percent.

3. There are opportunities in our country for further expansion of the landholdings of the socialized sector of agriculture through leasing, purchases, etc. These opportunities are indicated by figures on the large area of the private sector of agriculture which either lies fallow or is not under cultivation. However, it can be said that socialized agricultural organizations either do not have the funds for further expansion of their landholdings or are not interested in the small and remote land parcels of private owners, and this is an issue which should be resolved by sociopolitical communities at the upper level.

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EXCERPTS FROM DRAFT 1981-85 PLAN FOR CROATIA

Zagreb DELEGATSKI VJESNIK (supplement to VJESNIK) in Serbo-Croatian
3 Dec 80 pp 6-8, 10-12

[Excerpts] III. Policy Governing Socioeconomic Development in the Period From 1981 to 1985

General Framework of Growth and Directions of Structural Changes

1. Among the factors which are especially important to future socioeconomic development and growth the long-term institutional framework which has been created stands out particularly. This framework is manifested in the Law on Associated Labor and a number of laws embodying the system. They ensure the further development of the socioeconomic relations of socialist self-management and make it possible to achieve the lasting socioeconomic goals.

However, the principal feature of the present moment is the existence of a significant gap between the institutional foundations which have been created and actual socioeconomic events, which is often manifested in the impeded development of self-management and income-sharing relations. The inconsistent enforcement of the laws embodying the system, often accompanied by unsuitable measures of current economic policy, is making it more difficult to overcome this gap, whose closing is an indispensable condition if the process of expanded reproduction is to take place normally in conformity with the goals of development and growth.

Successful economic development and growth can be achieved in the future only by engaging in joint production, that is, through joint realization of revenues, joint income and free exchange of labor, in which the basic driving force behind the development of the socioeconomic relations of socialist self-management is the attainment of maximum income per unit of live and past labor in all phases of the process of reproduction without intervention of entities from outside associated labor, and thereby the attainment of high personal income. Only such an approach will give maximum motivation to the workers to optimally manage the process of reproduction and to apply the most recent technological and technical procedures.

2. The long-range goals of development, the material factors that exist, the institutional foundation, but also economic difficulties at the present moment, which are best illustrated in the net result of the balance of payments, are the principal determinants of development and growth in the coming medium-term period. Their assessment and repeated examination show that an average annual growth rate of the social product of the entire economy of about 4.5 percent in the period from 1981 to 1985 is urgently necessary and possible, and also the changes in the structure of production will be especially important to more effective and intensive inclusion in the international division of labor, that is, to dynamic growth of exports of goods and services: · mitigation of structural discrepancies in material production; more intensive guidance of scientific research in all phases toward raising the technical and technological level of production.

3. The principal factors in the growth of the social product are the manpower potential, the growth of productive capital and a rise in its utilization. The average annual growth rate of employment will be 2.2 percent and that of active productive capital as much as 7 percent. This growth of productive capital is mostly determined by investment projects now under way which will take full physical shape in the coming period, rather than by a planned growth of new investment projects, since this average annual growth rate is only about 1.4 percent.

It is foreseen, however, that utilization of capacity would be raised about 20 percent by the end of the coming medium-term period, and that increase would account for achievement of between one-third and one-half of the planned growth of the social product in industry.

In that framework the average annual growth rate of industrial output would be 5.5 percent in the coming medium-term period.

Within the industrial sector industries producing raw materials and intermediate products and groupings oriented toward export would grow at a faster-than-average rate. This growth will make possible a substantial substitution of imports which in the past have had a large share in total commodity imports.

Imports of equipment have up to now been a sizable item in total commodity imports. That is why substitution of domestic equipment for imported equipment is an essential determinant of future growth and development. These problems explain why the output of industries producing equipment will grow at an average annual rate of 7.3 percent in the coming medium-term period. The metal manufacturing complex and the electrical products industry will account for most of that growth. Substitution of domestic equipment for imported equipment will be manifested in the further equipping of domestic machinebuilding to manufacture equipment for thermal electric power plants, installations for the processing industry, machinery for agriculture, equipment for the food manufacturing industry, equipment for timbering, sawmills and woodworking, as well as equipment for pulp and

paper production. In other industries there might also be substitution of imported equipment, but on a smaller scale.

The production of certain industries will be more markedly oriented toward export. The principal exporters will continue to be shipbuilding, machinebuilding, electrical machinebuilding, the wood industry, the production of petroleum derivatives, the leather and footwear industry, etc.

It is a strategic goal in economic development to make agricultural production capable not only of satisfactorily supplying the public with food, but also of providing raw materials for the food manufacturing industry, which would then export them to the world market in the form of finished products. In line with this goal it is envisaged that the average annual growth rate of agricultural production will be 4.0 percent in the coming medium-term period. The average annual growth rate would be 7.5 percent in the socialized sector and 2.5 percent in the private sector. The principal emphasis will be on augmenting the production of wheat, corn and sugar beets, oilseed and meat. Particular attention will be paid to raising productivity in agriculture and to the effort to socialize production in the private sector to a maximum, organize it on the basis of self-management and orient it toward the market.

The slowdown of investment activity will considerably slow down the growth of construction. It is estimated that this sector's average annual growth rate will be 4.0 percent. This is barely half what it was in the previous 5-year period. Construction will be oriented toward the more dynamic growth of housing construction to meet domestic needs and to employ a sizable portion of capacity abroad.

The social product in the transportation sector will increase at an average annual rate of 4.0 percent. Maritime transportation will have a considerably faster growth rate than the average (7.0 percent). This kind of development will facilitate a further broadening of domestic and especially international transit traffic. The principal activities in rail transportation will be oriented toward modernizing the railroads. This will tend to increase the size and reliability of rail transportation and the entire transportation sector.

Tourism and hostelry will have particular importance in the coming 5-year period, especially with respect to those activities relevant to attracting foreign guests. Assuming relatively more intensive investment activity, the average annual growth rate of the social product will be about 5.5 percent.

Other economic activities have a somewhat slower pace of growth. The growth of the social product of those activities will amount to about 4.0 percent.

The expected growth and changes in the production structure can partly solve the problem of structural disproportions and the problem of optimum inclusion in the international division of labor and meet the expected needs of the domestic market.

In quantitative terms the growth of production and changes in its structure by sectors can best be seen from the table below, even though more intensive structural changes will be taking place within the various sectors, the industrial sector particularly.

Growth Rates and Structural Changes, in permanent 1980 prices

	Growth Rate of Social Product 1981-1985	1980 Structure	1985 Structure
Social product			
Total	4.4	100.0	100.0
Socialized sector	4.5	89.1	89.7
Private sector	3.4	10.9	10.3
Industry	5.2	33.1	34.5
Agriculture	3.8	9.8	9.4
Timber and lumber	2.7	1.1	1.0
Water management	4.3	0.4	0.4
Construction	4.1	11.0	11.0
Transportation	3.8	9.9	9.5
Trade	3.9	19.8	19.4
Hostelry and tourism	5.0	4.9	5.1
Crafts and trades	4.5	4.3	4.3
Housing and municipal services and utilities (production sector)	5.4	1.3	1.4
Financial and other services	3.8	4.3	4.2

Population and Growth of Employment

1. The population of Croatia is growing at a relatively low, but stable rate of natural increase between 4.5 and 5 pro mille. The demographic composition of the population and trends in the vital statistics, the low and balanced birth rate (crude and refined) and mortality rate (a slight increase is expected in the coming period) suggest the same kind of growth in the next 5-year period as well, and it is expected that the population would grow at an annual rate of 4.8 pro mille from about 4,624,000 inhabitants in 1980 to about 4,760,000 in 1985.

Past demographic development, with a long-term declining natural increase, will bring about a slight reduction of the number of persons reaching working age in the coming 5-year period, while people will be leaving that age group at a faster pace, which will bring about a smaller growth of the

population making up those of working age (about 129,000) as compared to that growth in the current 1976-1980 5-year period (about 183,000).*

The share of people of working age (the components of which represent more than 90 percent of manpower) in the total population will continue to increase, though slower than in previous periods.

Taking into account the factors affecting the labor force participation rate, it is expected that the labor force will grow from 2,132,000 in 1980 at an annual rate of 3.7 pro mille, and in 1985 would be 2,180,000. It is expected that the labor force participation rate would be held at approximately the present level, that is, would show a slight declining tendency, i.e., it would drop from the 46.1 percent estimated for 1980 to 45.8 percent in 1985.

The powerful rural exodus, whose intensity will be dying out at the end of the planning period, will be a specific feature of the movement of the population in the 1981-1985 period. The share of the farm population in the total population will drop from 20.5 percent in 1980 to 14.9 percent in 1985. There will be an analogous reduction in the share of the farm labor force in the total labor force in Croatia. The process of deagrarianization will have an essential impact on urbanization, and it is estimated that in 1985 about 57 percent of the Croatian population will be living in urban settlements.

In the period up to 1985 Croatia can count on a net influx of population through migration from one republic to another, and the quantitative loss to foreign countries is uncertain.

2. On this basis we can expect a slackening of the demographic pressure for new jobs. However, in view of the manpower surplus now represented by registered unemployed (about 72,000) and those temporarily employed abroad (about 225,000), the difficulties of finding jobs and of unemployment will still be with us in the coming medium-term period. Especially since employment opportunities will be appreciably more restricted in the socialized sector than they were in the current medium-term period.** The growth of employment in the coming medium-term planning period is estimated at an annual rate of about 2.2 percent.*** In this sector, then, we expect

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* In the coming 5-year period there will be a negligible increase in the size of the population of school age (between the ages of 7 and 14; 508,000 in 1980 and 514,000 in 1985), and also in the preschool group (456,000 in 1980 and 464,000 in 1985), and the share of the population in the "60 and over" age group will increase. Toward the end of that period the decimated generation in the "age 60-64" age group will leave its working years, which will tend to make the age groups in the population of working age more homogeneous.

** The estimated growth rate of employment in the socialized sector in the 1976-1980 period is 4.0.

*** See the table supplied in the documentation.

employment to increase by about 157,000, which together with nonfarm activities in the private sector (both through employment and self-employment), which amounts to about 182,000 (240,000 in the current period), so that the overall growth rate of employment will increase at a rate of 2.4 percent thanks to the above-average growth rate of employment in the private nonfarm sector (5.4 percent).

Of the total 644,000 potential applicants for jobs in the socialized sector, including both the private nonfarm sector (about 317,000) and the current influx, 72,000 persons on unemployment rolls, 225,000 temporarily employed abroad, and a transfer of about 30,000 from private agriculture and migration from other parts of the country, it will be possible to employ about 332,000 new workers (182,000 new jobs and about 150,000 jobs made vacant by natural attrition).

Accordingly, this rate of hiring could absorb the current generational influx of new workers, that is, about 225,000 people coming out of school, and also a portion of the pool of labor seeking employment. However, in view of the size of that pool even at the end of the next medium-term planning period there will still be a large number of workers not employed in our economy. Assuming that a certain number (about 25,000) would be gainfully employed in private agriculture, there will still be about 280,000 workers (about 297,000 at the end of this medium-term period) either seeking employment or continuing to work abroad temporarily.

3. The position of Yugoslav workers temporarily employed abroad will be a particular problem (not just for employment policy). In the coming period the rate of hiring will not be sufficient to make possible the repatriation and occupational reintegration of any sizable portion of the foreign contingent. Should there be any essential structural changes among our citizens temporarily employed abroad, toward the end of this period the time workers spent abroad will have been about 15 years, and it is not very likely that in this case there will be streams of workers of working age returning.

The economic and demographic development of Croatia makes it necessary to conduct a consistent (redistributive) population policy so that optimum advantage is taken of the existing manpower potential. Moreover, since the unemployed portion of the population of working age will continue to be sizable even in the coming period, it will be necessary to continue to conduct a vigorous hiring policy, and the emphasis ought to be given to development and employment of the population in small business in both the public and private sectors and also to up-to-date forms of linkage between private agriculture on the one hand and the socialized sector of agriculture and the food manufacturing industry on the other.

Distribution of the Social Product of the Socialized Sector of the Economy

1980 prices

	Cumulative Growth Rate 1981-1985	Assets, in percentage 1980	1985	Cumulative, 1981-1985
Social product	4.5	100.0	100.0	100.0
I. Assets of the economy	4.9	60.0	61.1	60.6
1. Net personal incomes and other personal receipts	4.3	31.3	31.1	31.2
2. Total funds and depreciation	5.4	28.7	30.0	29.4
a) Gross funds for expanded reproduction	5.8	20.1	21.4	20.8
Depreciation	5.6	10.3	10.8	10.6
Business fund	6.0	9.8	10.6	10.2
b) Other funds	4.5	8.6	8.6	8.6
II. Contributions and taxes for social services and general expenditures	3.8	29.7	28.8	29.2
1. Social services	3.9	15.3	14.9	15.1
2. General expenditures	3.7	11.9	11.4	11.6
3. Other contributions	4.0	2.5	2.5	2.5
III. Contractual obligations	4.2	7.2	7.1	7.1
IV. Nonproductive services	4.1	3.1	3.0	3.1

Use of Available Assets

1980 prices, millions of dinars

	1980	1985	Cumulative, 1981-1985	Growth Rate 1981-1985	Structure 1980	1985
Available assets	384,148	472,736	2,156,003	3.9	100.0	100.0
I. Standard of living	277,558	341,913	1,557,170	3.9	72.3	72.3
1. Personal consumption	211,654	258,600	1,182,800	3.7	55.1	54.7
2. Social standard of living	65,904	83,313	374,370	4.3	17.2	17.6
Material expenditures	19,900	24,722	112,518	4.1	5.2	5.2
Investments	46,004	58,591	261,852	4.4	12.0	12.4

Table (continued)

	1980	1985	Cumulative, 1981-1985	Growth Rate 1981-1985	Structure 1980	Structure 1985
II. Economic investments in fixed capital	96,315	111,750	502,071	1.4	25.1	23.6
1. Socialized sector	87,863	102,150	457,671	1.4	22.9	21.6
2. Private sector	8,452	9,600	44,400	1.5	2.2	2.0
III. General expenditures	4,388	5,063	23,088	1.7	1.1	1.1
Material expenditures	3,040	3,698	16,946	3.6	0.8	0.8
Investments	1,348	1,365	6,142	3.0	0.3	0.3
IV. Growth of inventories, reserves, differences in accounting, etc.	5,887	14,010	73,674	32.3	1.5	3.0

1980 prices

	Index 1985/1981	Cumulative Growth Rate 1981-1985	Structure, % 1980	Structure, % 1985
Standard of living	123.2	3.9	100.0	100.0
1. Personal consumption	122.2	3.7	76.3	75.6
2. Social standard of living	126.4	4.3	23.7	24.4
2.1. Material expenditures	124.2	4.1	7.1	7.2
2.2. Investments	127.4	4.3	16.6	17.2

Rate of Investment and Principal Tasks of Investment Policy

1. The social plan covering the period 1976-1980 was adopted on the foundations of the old economic system. Though the work on the laws embodying the system has been intensive, the system as a whole has not been put into effect. At the same time changes in certain financial instruments which have strengthened the financial discipline of organizations of associated labor facilitated liquidity of the economy and the banks at the outset of fulfillment of the plan, and a beginning was made to implement a development policy which even in the plans of organizations of associated labor and self-managed special-interest communities was beyond material capabilities, and in the course of fulfillment it was supported by a monetary policy that was not moderate enough and by indebtedness contracted abroad.

Given the present relations in the creation of money, the economy is becoming more and more dependent upon credit and the banks, as seen from the fact that the banks and foreign capital have a share of 70 percent in financing expanded reproduction, while the share of the economy's own funds is 30 percent. The inadequate role of associated labor in decisions on the use of all the assets of society and the incompleteness of an economic system which would honor commodity production in a socialist self-managed society are the principal reasons for the difficulties in keeping development policy within the zone of optimality. Thus the rising prices of petroleum have only accentuated the problems still more. The problems of the efficiency of investment projects or the effectiveness of economic policy are taking on particular importance in the context of difficulties with the country's balance of payments.

2. Under these conditions a portion of productive capital remained unutilized in 1980, and there is a real danger of a further drop in utilization of capacity in industry. Utilization of capacity in industry was 77 percent in 1975, and then rose to 81 percent in 1978, and in 1980 it is estimated at about 75 percent. However, the efficiency of fixed capital in industry is dropping at the same time as a result of structural changes whether because of higher costs tending to detract from the efficiency of the entire economy or the more rapid development of capital-intensive sectors and--in 1980--because of reduced utilization of capacity as well.

On the other hand the deterioration of the average capital coefficient for the entire socialized sector of the economy can be explained only to a lesser degree by the inadequate utilization of capacity in other economic sectors, especially rail transportation and trade, which had to do with the intensive investment activity in those sectors. There are indications, however, that most of the causes of the declining efficiency of the entire economy should be sought in the rising unit costs, the unfavorable mix of natural resources and low labor productivity. In this connection we should also emphasize the development of tourism and other export-oriented, but low-income sectors, and the rising prices of petroleum and imported equipment. Of course, a portion of the drop in efficiency comes from expensive

construction, protracted construction time, and other problems which have been particularly evident in this period because of the high rate of investment.

3. A principal feature of investment activity in the period from 1976 to 1980 was the high intensity of investments, especially in the fixed capital of the economy, and the related high level of investment projects under construction. Investments in working capital and reserves on the other hand are lagging behind the needs of the normal flow of the process of reproduction and supply of the market, which has been especially evident during 1980. Since construction of the economic system had not been completed, development policy was implemented through an extensive pattern of investment, since there was no optimum allocation of capital.

The pattern of investment in Croatia departs considerably from the plan in the direction of an increased share of transportation and trade, while the share of industry and agriculture was 49.8 percent instead of the planned 58.5 percent (industry's share is an entire 10 points below the plan). Within industry investments are lagging especially in the heavy chemical industry, ferrous metallurgy and machinebuilding.

Though the composition of investment projects now under construction does not entirely conform to the needs of development, the more than 55 major projects that represent its base will have a favorable effect in changing the economic structure in the coming period and in raising the level of labor productivity. The planned pattern of investment in this period, then, takes as its point of departure higher utilization of domestic resources, so that the structure in Croatia will be turned more to import substitution and supporting exports which have comparative advantage.

4. In the 1981-1985 period we should anticipate the same reason for declining efficiency of investments and fixed capital as in the previous period, except that we should also anticipate a lower utilization of certain capacities because of difficulties in foreign trade related to the level of indebtedness and the economy's dependence on imports. At best the utilization of total capacity will not rise considerably over 1980. It is therefore assumed that the efficiency of total fixed capital will drop 11 percent in the coming period.

This drop in efficiency is a consequence of the faster growth of productive capital (an average annual rate of about 7 percent), while the expected growth of the social product in the socialized sector is considerably slower (average annual rate 4.5 percent).

5. Stabilization of economic flows presupposes that all forms of demand and expenditure are brought within real capabilities, and at the same time we must anticipate relatively smaller use of foreign capital (because the country is already highly indebted). But it is anticipated that the ability of organizations of associated labor to form capital and funds for

reinvestment will increase and that the level of self-financing will rise. The institution of self-financing of expanded reproduction, which also includes diverse forms of pooling of capital, must become the dominant form of financing expanded reproduction. Conditions must be created through application of the system so that associated labor, that is, organizations of associated labor with relations based on shared income, make investment decisions, check the results in terms of income and ensure higher efficiency of investments as a whole.

6. Proceeding from the present problems in development of material production, employment and the rise of the standard of living, investment policy in the coming planning period should facilitate faster correction of discrepancies in overall social reproduction, a better fit of one phase of production to another in organizations of associated labor, faster modernization of production through application of up-to-date technical and technological solutions and improvement of the country's balance of payments. This should be achieved through faster development of activities which along with a faster growth of income ensure reduction of the economy's dependence on imports, increased exports, more harmonious relations in the material structure, social production and a boosting of the economy to a higher technical and technological level.

The relatively high capital intensiveness of investment in the coming period will be affected first of all by technical and technological factors (increasingly modern and expensive machinery will be included in equipment and the production process). In addition, we should also assume ever higher costs of exploration and exploitation of raw materials; the social costs of the investment such as environmental protection and improvement of the environment, shelter construction, preparation of new industrial zones, etc., will be higher.

The volume and structure of investments in the coming period will in part be determined by the investments under construction carried over from the current planning period. This will also tend to retain the rather "heavy" pattern of investment in the first years of the coming planning period.

The ambitious investment undertakings in Croatia which mostly began in the period between 1976 and 1980 are concentrated to a large degree on major investments in the electric power industry, the heavy chemical industry and the large-scale economic infrastructure. The estimated cost of investment projects in 1980 is presumed to be about 310 billion dinars, of which about 128.3 billion dinars, or 28 percent of future economic investments in fixed capital, will be carried over to the next period. Projects belonging to the large-scale infrastructure among the investments being carried over to the next period represent 25 billion dinars, or 19 percent.

In view of what we know about the structure of economic investments in fixed capital with respect to the character of construction, in the coming period it is roughly assumed that new projects can be built in the amount

of 160 billion dinars, which constitutes 35 percent of total economic investments in the fixed capital of the socialized sector:

1980 prices, millions of dinars

	Cumulative, 1981-1985	Breakdown, in percentage
Gross economic investments in the fixed capital of the economy	457,671	100.0
Breakdown:		
a) Value of unfinished investment projects being carried over to the next period	128,312	28.0
Breakdown:		
New projects	75,000	16.4
Expansion, reconstruction and modernization	53,312	11.7
b) New investment projects		
Breakdown:		
For reconstruction and modernization	91,534	20.0
For replacement	77,641	17.0
For new projects	160,184	35.0

7. The rate of investment will drop in the coming period, and it is expected that the share of investments in fixed capital will be 22.3 percent of the social product as against the 26.5 percent in the current planning period. Given the reduced inflow of foreign capital and the problems related to the volume and structure of production, the following pattern of investment is expected:

1980 prices, millions of dinars

	Cumulative			Average Cumulative Growth Rates	
	1976-1980	1981-1985	Index	1976-1980	1981-1985
Social product	1,628,572	2,048,529	125.8	6.3	4.5
Total investments	600,703	651,051	108.4	9.6	4.0
Economic investments	470,236	500,271	106.4	10.9	4.4
In fixed capital	431,529	457,671	106.0	11.8	1.4
In working capital	38,707	42,600	110.0	2.8	--
Noneconomic investments	130,467	150,780	115.6	5.4	3.0
Housing construction	78,302	96,280	123.0	0.6	4.7
Other noneconomic investments	52,165	54,500	104.5	14.4	0.0
Total in fixed capital	561,996	608,451	108.3	10.2	1.7

Within the item of economic investments in fixed capital changes should be made toward an increased share of industry, agriculture, timbering and lumber, water management and hostelry. Total investments in industry in the 1981-1985 period would increase at an average annual rate of 4.2 percent, which is considerably faster than the growth of economic investments in fixed capital.

Investments in inventories have been lagging behind needs in the previous period, and in 1980 they were altogether absent, so that in the coming medium-term period it is assumed that investments in working capital will be in line with the growth of production, which has to do with ensuring higher stability in the conduct of economic activity and with the needs for larger reserves.

Current prices, millions of dinars

	1980	1985	Growth Rate Nominal	Prices	Real
Commodity exports	2,015	4,769	18.8	10.0	8.0
Exports of services	1,806	3,892	16.6	8.0	8.0
Exports of goods and services	3,821	8,661	17.8	9.1	8.0
Miscellaneous income	1,422	2,050	7.6	--	--
Total income	5,243	10,711	15.4	--	--
Imports of commodities	3,895	7,335	13.5	12.3	1.1
a) Industrial materials	3,109	5,997	14.0	13.0	0.9
Crude petroleum*	1,455	2,100	7.6	15.0	6.4
Other industrial materials	1,654	3,897	18.7	12.0	6.0
b) Equipment	505	890	12.0	12.0	0.0
c) Consumer goods	281	448	11.2	9.0	2.0
Miscellaneous expenditures	1,679	2,584	9.0	--	--
Total expenditures	5,570	9,919	12.2	--	--
Net results of the current payments-balance position	-327	792			

* Importation of petroleum to meet needs in Croatia.

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RIVER TRANSPORTATION: STATUS, PLANS

Belgrade TRANSPORT in Serbo-Croatian No 10, Oct 80 pp 47-50

[Article by Dj. Mikovic]

[Excerpts] Reflections concerning possible directions in which this problem [optimum organization of transportation] can be solved suggest among other things that we turn to analyses of possibilities for deriving the full value from our network of rivers and canals and from the existing river fleet and of utilizing them more intensively. This has been debated more and more, especially in the recent past. Numerous statistics and other data have been presented from which one can draw the unambiguous observation: our transportation is not efficiently organized, the various branches of transportation have been developing without guidance or control, and no economically sound justification can be found for this, and at the same time, the development of river transportation has lagged considerably behind our country's needs and objective capabilities.

It is well known that Yugoslavia is one of the rare countries in the world to have very favorable natural conditions for development of river transportation. This is especially true of Serbia, Vojvodina, a portion of Croatia and Bosnia-Hercegovina. Two-thirds of Yugoslavia's inland waterways, three-fourths of the capacity of river shipping and riverports, the great majority of hydraulic engineering organizations and almost all river shipbuilding are located in Serbia.

Our country has a particularly favorable position relative to the Danube basin, one that has been relatively unutilized. This is especially so when we bear in mind that nearly 40 percent of the watershed of the Danube lies in Yugoslavia, offering it exceptionally favorable opportunities for development of river transportation and of river-related economic activities in general. The possibility of linking our inland waterways to the river and other waterways of the most advanced portions of Europe and the possibility, after final completion of the Rhine-Main-Danube Canal, of linking the North Sea and the Black Sea represent a potential value which must be reflected much more in our development plans than is the case today.

However, and this is well known even today, our river transportation has still not been given anything like the place it is entitled to on the basis of economic logic. For practically the last 10 years river transportation's share in total freight traffic, though not declining, has not reported any significant growth, though from the economic standpoint that should have been the case. Today, just as 10 years ago, it ranges somewhere under 15 percent of total freight traffic expressed in net ton-kilometers. The statistical survey in Table 1 allows us to examine in more detail the volume of services in transportation and the share of the various branches of transportation in the total volume of freight carried:

Table 1

	1968	1972	1976	1978	1979
Volume of freight, in thousands of tons	169,381	231,618	244,383	308,383	332,615
Rail	68,409	72,339	73,726	80,763	87,878
Maritime	14,409	15,541	19,666	21,672	23,763
River	12,493	17,998	21,232	26,492	26,444
Highway	74,063	125,727	129,732	178,909	194,635
Air	7.1	13	27	30	35
	1969	**1972**	**1976**	**1978**	**1979**
Ton-kilometers, in millions	162,250	195,770	197,534	228,876	229,545
Rail	17,691	20,447	21,017	23,378	25,925
Maritime	134,529	160,185	157,702	182,505	179,968
River	3,422	4,850	5,572	5,907	5,734
Highway	6,600	10,183	13,059	16,873	17,663
Air	8.4	12	56	54	92

Confirmation of the assertion that our river transportation has experienced a relative lag in the total volume of transportation services can be found in the survey below, which gives index numbers for transportation services between 1969 and 1979, in which we have taken the year 1978 as the base year. If one looks only at the last column of Tables 1 and 2, we see that river transportation has lagged considerably behind both transportation as a whole and also the other branches of transportation:

Table 2

1978 = 100

	1969	1974	1976	1979
Transportation sector	61	87	85	103
Rail	81	99	91	108

Table 2 (continued)

	1969	1974	1976	1979
Maritime	74	97	86	96
River	58	94	94	97
Highway	40	70	80	104
Air	18	68	83	115

If we take as our point of departure the fact that over this period the volume of freight to be carried has constantly increased, from 196.3 million tons in 1969 to 332.6 million tons carried in 1979, and also that these needs will continue to grow in the future and that we are at the same time confronted by the urgent task of making maximum efforts toward reducing production costs, to which is related the orientation toward the most economical branches of transportation--then we see the full meaning and social justification for serious efforts toward scientific and economic study of the methods and means of achieving the goals we wish to achieve, including those in the domain of transportation policy. Society's orientation in conducting the policy of economic stabilization and also the situation we are in with respect to the urgent need to conserve energy are of inestimable importance in this task. Equally important are tasks related to conservation and protection of the environment and nature, tasks which extend beyond local boundaries. In this entire set of problems it is not superfluous to emphasize, at least when we are analyzing the problems of transportation at the present moment and in future development, that every percentage point of economic growth increases the demand for transportation by 1.5 percent. Over the next 20 years or so we can expect, with all the reserve and caution which must be shown in examining a projection of development over a lengthy period of time, that commodity trade in Europe will be about 30 percent greater than it is today. This datum in and of itself offers rather persuasive evidence that a sector of the economy which has a considerable impact on overall development, which is transportation, must anticipate and prepare for that kind of development of economic activity.

Without intending here to diminish the importance and role of the various branches of transportation, we must nevertheless indicate certain inestimable advantages of river transportation precisely from the standpoint of performing the tasks we have in connection with our economic development and economic stabilization in the coming period.

For example, highway transportation needs 28-fold more power and rail transportation 8-fold more power than river transportation to accomplish the same result in carrying freight. Or, viewed in terms of the number of employees and pieces of transportation equipment involved, highway transportation needs 50 trucks and 100 men to carry 1,000 tons of freight, rail transportation needs 50 cars and 3 men, and river transportation needs only 1 vessel and 2 men. Similar relations are obtained even in the terms of the system of shipping rates now in effect. Ratios ranging from twofold to

fivefold more favorable in the advantage of river transportation are obtained per ton-kilometer of certain types of freight, especially those we classify as volume classes (all types of bulk freight, ore, grain, coal, coke, building materials, manufactured fertilizers, metal goods, and so on). Certainly there also exist other advantages of river transportation which if river transportation were properly organized and its fleet modernized could altogether offset or reduce to a negligible proportion the unfavorable aspect of river transportation, which is its relatively slow speed. Appropriate efforts in organizing and adjusting rates of loading, traffic speeds, and unloading rates along with appropriate bolstering of cargo-handling capacities in riverports, which are today a bottleneck, could ensure continuous and timely satisfaction of the needs of the economy and other users of river shipping. Finally, it is equally important that from the standpoint of environmental protection river transportation presents a minimal hazard, since the share of river transportation in total pollution of the Danube is only 1-2 percent, and appropriate technical measures could reduce this to a still more negligible proportion.

The question of river transportation's development in the current medium-term program for development up to the year 1980 has been treated in several important social documents: the Social Plan for Yugoslavia's Economic Development in the Period 1976-1980, the Agreement on Bases of the Yugoslav Social Plan for Development of River Shipping and Riverports in the Period 1976-1980, the Social Compact on Yugoslavia's Transportation Policy and the Social Development Plans of the Respective Socialist Republics and the Socialist Autonomous Province of Vojvodina. The importance of developing river transportation and the broader interest which society has in it has been clearly and quite definitely set forth in all those documents. In agreement on the bases of the plan for the Socialist Republic of Serbia it was stated that steps must be taken to orient volume classes of freight toward river transportation when the hauling distances are long. Provision was also made for greater inclusion of river transportation in international transport. The volume of river transport as envisaged in these documents was supposed to increase in the 1976-1980 period at a rate of 7.6 percent, and the growth rate in Vojvodina was to be 10.7 percent. The program for development of river shipping is based on the mutually adjusted plans of work organizations in river-related economic activities and called for building about 260 vessels, whose total planned cost would be about 5 billion new dinars.

The following can be cited as the principal reasons why the current medium-term plan will not be fulfilled:

i. this industry's unfavorable financial position, which is the reason for stagnation in development of the river fleet and for the loss of its favorable position relative to other river shipping industries on the Danube, especially with respect to development of an up-to-date pushboat fleet and self-propelled vessels and use of other technical and technological advances;

ii. uncoordinated development of the river fleet and riverport facilities, inadequate coordination with shipbuilding and the ancillary industry in development;

iii. the markedly unfavorable age-specific distribution of the river fleet, in which the improvements are very slow, as can be seen from the fact that even now about 20 percent of the fleet is over 40 years old;

iv. absence of linkage between organizations in river shipping and the users of their services on a self-management foundation;

v. the nonexistence of a joint long-term and medium-term program for development of river transportation (the fleet, riverports, and waterways), shipbuilding and major users of river shipping;

vi. inappropriate treatment of river transportation engaging in international traffic, since the inflow of foreign exchange is still not treated as inflow from exports of commodities in a high phase of manufacture, but as currency under bilateral agreements (though those currencies represent half of the inflow), which are not covered by any incentives at all.

It is estimated that during the current planning period about 60 percent of the amount planned in 1970 prices will be invested in development of river transportation, which in real terms means a much smaller proportion because of the price rises in this period. However, if we make comparisons with projections contained in the self-management accord of river transportation and shipbuilding, fulfillment of the shipbuilding plan will be even less according to present estimates, as can be seen from this table:

Capacity	Planned Under Self-Management Accord	Actual, Estimate	Proportion
Horsepower	66,860	25,000	37.40%
Tons	241,390	116,990	48.46%

Relative to 1975 this growth of capacity would be about 30 percent for horsepower and about 18 percent in tons of carrying capacity. We should mention that the program for development of the fleet will most probably be altogether fulfilled by the shipping industry of Vojvodina thanks to measures taken by the sociopolitical community and the steps taken toward self-management and other linkage between river transportation and the rest of the economy.

Aside from the facts set forth above, the conception and planning of river transportation's development also took as their point of departure the fact that greater use needs to be made of our navigable rivers, which have a total length of about 1,800 km, and approximately 700 km of navigable canals, and also the fact that river transportation is very easily combined and linked with other branches of transportation: maritime, rail and highway.

To this we should also add the fact that about 56 percent of our waterways are international waterways and that our country's navigable rivers have a geographic location so that in practice they can serve more than 70 percent of the area of the country, that is, all those economic capacities located within 200 km of the waterways.

Today our flag has a share of about 21 percent in total traffic on the Danube. From the first place we once held among the eight Danube countries, it has dropped to second place (the Danube River fleet of the USSR is now first), and there is a serious threat that we will drop to third place unless something more radical is undertaken. Here we should also mention the datum that in Yugoslavia today river transportation carries half the cargo it did before the war, that is, a share of less than 15 percent in total freight traffic, while West Germany, say, today carries about 33 percent of its freight by river.

Nevertheless, even though these facts and data are convincing, the desired goal has not even approximately been achieved in practical implementation of the agreed transportation policy. The program for planned development of river transportation up to the year 1980 has been put in jeopardy. Working organizations in river transportation, because of their unfavorable position for many years and the very low rate of accumulation, can hardly furnish the 10-percent share of their own funds required for the planned development. There have also been enormous difficulties in furnishing the remaining funds for investments in the construction and modernization of the capacity of the river fleet from bank credit and the funds of the river shipbuilding industry. It is therefore a disturbing fact that we are at the end of the 1976-1980 planning period, and the funds for building the river fleet have not been provided at the pace nor on the credit terms which were projected, so that even today we can confidently say that the predictions of the plan in this respect, except for Vojvodina, will not be realized even at a level of 60 percent.

There is also an indirect indication of the lag in construction of the river fleet in the following table, which shows the volume of freight and the present capacity of the river fleet.

Year	Volume, in thousands of tons	Number of Vessels	Carrying Capacity, in thousands of tons
1968	12,492	710	507
1972	17,998	807	650
1976	21,232	758	672
1978	26,492	762	684
1979	26,444	756	686

Experience in carrying out the medium-term program for development between 1978 and 1980 unambiguously indicates that understanding of the problems faced by river transportation and the grasp of the need for it to develop

faster in both absolute and relative terms--which has been stated very precisely in the guidelines of all plans--have still largely remained at the level of declarations, expressions of desire. Full-fledged specific measures have not been forthcoming. Progress has not been made beyond individual partial actions, which have not been sufficient to guarantee practical realization of the planned development called for in the agreement. We should emphasize with optimism, however, that even the documents which set forth the lines of development in the coming medium-term period up to the year 1985 again proclaim and envisage brighter days for river transportation. The draft of the Agreement on the Bases of the Social Plan of the City of Belgrade for the Period From 1981 to 1985, which is very important since our largest work organization in the river transportation industry is located there, foresees "that in the coming period greater use will have to be made of the rivers, to which end the development of river and maritime transportation will have to be speeded up relative to the other branches of transportation." It goes on to specifically state the need to orient certain types of freight (chemical products, petrochemicals, grain, building materials, etc.) toward river and maritime transportation because of their economic efficiency in carrying cargoes of this kind.

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2079

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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BRITAIN'S TRADE RELATIONS WITH BALKAN COUNTRIES SURVEYED

Sofia MEZHDUNARODNI OTNOSHENIYA in Bulgarian No 4, 1980 pp 107-113

[Article by Mariya Lazarova: "Foreign Trade Relations Between Great Britain and the Balkan Countries in the 1970s"]

[Text] Great Britain is one of the major developed capitalist countries currently pursuing an overall active Balkan policy. Its foreign policy, however, is differentiated in accordance with the social system of the individual Balkan countries. In this sense it is considerably more active with the capitalist countries in this area and less so with the socialist states.

The significant economic British presence in the Balkans before World War II was a characteristic feature of British policy. Here, to a certain extent, it enjoyed a hegemony. In the postwar period the positions of some imperialist countries in this part of the world weakened. This was particularly the case of England.

British economic policy in the Balkans reflects the considerable changes which occurred in the position of Great Britain international relations after World War II and, particularly, the lowering of its role among imperialist countries. Unquestionably, this directly affected British economic and political interests in the Balkan Peninsula. The changes in the ratio of forces among imperialist countries in favor of the United States and others was a major factor which determined the subordinate nature of British foreign policy. Let us note among the factors which determine the British position in the current imperialist structure and of British foreign policy the domestic economic and foreign political and international factors.[1] In the 1970s the economic development of Great Britain continued to be characterized by low growth rates, high unemployment, inflation, and so on; a slow reconstruction of its economic structure as a whole on a modern ethnical basis, a relatively lesser competitiveness of British goods on the international market, compared with other advanced imperialist countries, and so on.[2] The most interesting among the domestic political factors which influenced foreign policy were, above all, changes in the ratio of the country's class and political forces. The joining of the EEC by Great Britain was a factor which decisively affected its new policy.

The adoption of a relatively more realistic approach in relations with the socialist countries is a feature of British policy in general, including its foreign economic policy in the Balkans in the 1970s. The initiated conversion from cold war to detente in relations among countries with different social

systems and of broadening cooperation among them were a new element in British strategy in the 1970s. Britain's irreconcilable opposition to the socialist countries lasted for many years, when monopoly circles were relying on the vestiges of imperialist policy and the cold war. Meanwhile, acknowledging objective reality, a number of capitalist countries undertook to improve relations with the socialist countries. Compared with other Western European capitalist countries, England took the task of detente, of lowering international tension, and of gradually asserting the principles of peaceful coexistence in relations among countries with different social systems with a considerable delay. The successful Conference On Security and Cooperation in Europe, whose Final Act was signed by Great Britain as well, had an unquestionably positive influence on this process.

As a whole, in the 1970s a positive development occurred in relations between Great Britain and the socialist countries. British business circles became ever more interested in developing economic cooperation, particularly as the economic difficulties of the country increased. As the London TIMES wrote in its 4 May 1975 issue, "Trade between East and West is one of the most tempestuously developing areas of international trade. By virtue of a number of reasons, some of them political, Great Britain failed properly to participate in this process. Under circumstances in which the country's trading with many of its traditional partners is steadily declining as the result of the economic decline in the Western world, giving priority to increased exports to eastern European countries should be considered more attractive than in normal times."

The specific nature of British economic and political development has left its mark on Britain's relations with the Balkan countries as well.

Even though the Balkans played an important role in British foreign policy between the wars (as was the case with France and Germany and, after the war, with American imperialism which assumed a dominating position in the Balkan capitalist countries), Britain was left behind. Toward the end of the 1960s and, particularly, the beginning of the 1970s, British policy was focused mainly on the solution of regional Western European problems related to EEC membership. Let us note as new aspects of this attitude the rapprochement between British interests and the interests of the other members of the community in the Balkan area and the desire to regain, to a certain extent, its former influence and role in this part of Europe through the EEC. To this effect it relied both on its political influence, which it still enjoys in the Balkan capitalist countries, as well as on its economic relations with them.

Military-strategic considerations play a primary role in the shaping of British Balkan policy. The British military bases in Cyprus are an advanced NATO post in the eastern Mediterranean.

British economic interests in the Balkans directly follow political considerations. Economic positions do not play a dominating role in British foreign policy in this area. This is explained by the insignificant role which the Balkan countries play in British foreign trade and small capital investments. Thus, in the 1970s, the Balkan countries accounted for less than two percent of British foreign trade.

The individual Balkan countries, however, ascribe greater importance of their economic ties with Britain. During that period Britain held a leading position in the foreign trade of Cyprus. It played an important role in Greek trade (fourth-fifth), in Turkish trade (sixth) and in Yugoslav trade (sixth-seventh). Britain was an important trade partner of Romania and Bulgaria (seventh), while its share of Albania's foreign trade was insignificant.

British trade with the Balkan countries rose and continued to rise in the 1970s. Thus, in 1977 British trade with the Balkan countries totaled 1,131,000,000 pounds sterling compared with 206 million in 1967. A characteristic feature of its foreign trade is that exports exceeded imports, ranging from 29 million pounds sterling in 1967 to 457 million pounds sterling in 1977. In that year the value of exports was more than double that of imports.

The joining of the EEC by Greece as a full member and of Turkey as an associate member, the agreements concluded between the Common Market and Cyprus and Yugoslavia, and so on, are factors which will strengthen British economic relations with these countries.

The condition of British economic relations with the Balkan socialist countries is largely determined by the level of political relations among countries and, in particular, by the differentiated approach adopted by the British government.

The British policy on the Balkans may be assessed, above all, through the condition and development of economic relations between Great Britain and the individual Balkan countries. The British pay emphatic attention to Greece and Turkey, the capitalist countries on the Balkans.

Greece is the largest British economic partner in the Balkans. It accounts for over one-quarter of British trade with Balkan countries. Foreign trade between Britain and Greece has been rising annually. Compared with 1970, it had quadrupled by 1977 whereas compared with 1967 it had risen by approximately a factor of 7. Let us stress the chronic deficit of Greek foreign trade with Britain. Furthermore, Greek exports to the British market are of a limited variety. The setting up of mixed enterprises in Greek underdeveloped areas has been a typical feature. The joint exploitation of Greek natural resources, involving the participation of British companies, has also been used.

Let us point out among the projects carried out by British firms on Greek territory the building of a sugar refinery, an airport, and a subway. Another interesting form of joint cooperation is the building and installation of a nuclear electric power plant partially paid for with Greek tobacco.[3]

Some of the latest projects for economic cooperation between the two countries include the signing of a long-term contract for the delivery of British coal to Greece, the building of an electric power plant using coal (by the GEC Ltd. Company. With the help of the British Electricity International Company), and the modernizing of the Greek railroad network and the port of Piraeus.[4] Furthermore, the November 1979 protocol (memorandum) stipulates the future possibility of supplying British North Sea petroleum to Greece (by the British National Oil Corporation).

Greece remains a market for the export of British capital. British monopolies occupy important positions in the Greek economy, in its processing and extracting industries, and so on. Compared with American capital investments, however, the participation of British capital in foreign investments is insignificant, totaling two percent. British companies are developing production, trading and other activities involving construction equipment, ore extraction, services, and others.

Another form of penetration into the Greek economy is that of exports of state capital--the granting of British government loans.[5]

Turkey holds the second place in British economic interests in the Balkans. Trade between the two countries has been rising at a fast pace. Thus, between 1967 and 1977 British exports rose by a factor of 6-7, while imports from Turkey roughly quadrupled. Despite a considerable increase in the volume of Turkish exports to the British market, Turkish imports from Britain exceed exports by a factor of 3-4.

The active participation of foreign private capital investments in Turkey through credits and direct investments is being used by British industrial and trade monopolies even through they are considerably weaker compared with investments by American, West German, and other companies. Most foreign capital investments in the Turkish economy are in industry, services, ore mining, and others. In the 1960s dozens of British industrial monopolies had sister-companies and branches in the Turkish oil trade, the chemical, electrical engineering, textile, rubber, and food industries, in mining, and others.[6] The sectors preferred by British capital--oil extraction and processing, construction and light industries, and so on--remained unchanged in 1970s.

The establishment of mixed enterprises, particularly in the processing industry, is becoming ever more widespread in the Turkish economy.

Favorable prospects exist for economic cooperation between the two countries. Turkey's EEC associate membership will further contribute to such possibilities.

In our study of economic relations between Great Britain and the Balkan socialist countries let us note the rather low volume of trade. Postwar trade declined drastically. The result of the British cold war and discrimination policy pursued in the 1950s and 1960s and the erection of artificial barriers in trading with the socialist countries have not been entirely eliminated. In practice, the British government frequently hindered the development of realistic and constructive trends on the European continent. It blocked detente and used all possible means to worsen relations between East and West. All in all, this is a characteristic trend of British policy toward the Balkan socialist countries. The contradictory British policy toward the socialist countries showed a positive development in the 1970s, characterized by the expansion of economic cooperation which included the Balkan socialist countries as well. Unquestionably, this has been encouraged by the intensification of interimperialist contradictions, the 1974-1975 economic crisis experienced by the capitalist economy, the energy and raw material crisis, and others. Bilateral contacts between governmental and political leaders were intensified. Trade, scientific and technical, and other

relations were expanded. These and some other factors have contributed to the more energetic development of economic relations between Britain and the socialist countries.

Yugoslavia, a traditional British partner, plays an important role in British economic relations in the Balkans. A long-term trade agreement offers favorable grounds for the development of bilateral economic relations. Furthermore, Yugoslav exports to Britain enjoy certain facilities: most of the have been liberalized. And, as a member of the "group of 77 developing countries," Yugoslavia is granted preferential UNCTAD treatment.[7] Compared with 1970, the 1977 trade between the two countries tripled. This was, above all, the result of British exports to Yugoslavia which exceeded imports from that country by a factor of 3-4. One of the ways with which the growing deficit in Yugoslav trade balance is compensated (134.5 million pounds sterling in 1977) is the granting of British short-term and medium-term loans. Britain actively applies this important instrument in its competitive struggle on the international markets, including medium-term and long-term financing of exports led by investment commodities. The structure of Yugoslav-British trade is broadening. Industrial cooperation between the two countries is developing further and further. The granting of British investment credits for financing the building of a number of projects such as metallurgical plant, chemical enterprises, machine building and textile plants, and so on, is also contributing to the implementation of various types of cooperation. Based on several dozen licenses purchased from Great Britain, Yugoslavia has mastered the production of tractors and combines (with the Massey-Ferguson Company), Perkins motors, and transport vehicles (the Leyland Company). Furthermore, it is producing, on the basis of industrial cooperation, vacuum cleaners, household equipment (with the Crane and Hoover, Ltd. Company), construction materials, television sets, general purpose lathes, diesel electric motors, central heating systems, cigarettes (British American Tobacco Company), and others. Cooperation with British firms is expanding also through their investments in mixed enterprises on Yugoslav territory. They include the Dunlop Company producing high-pressure pipes, Laport Industries, producing chemicals and Story Brothers, engaged in the production of construction lining materials and carpeting. The British Imperial Chemical Industries has a 40 percent participation in the building of a polyurethane plant in Yugoslavia. Compared with the capital investments of other countries such as the FRG, Italy, and others, however, the share of British capital in overall foreign capital investments is quite modest.

Considerable possibilities exist to broaden Yugoslav-British economic relations. This includes new forms of economic cooperation. According to Yugoslavia, the other Western European partners are considerably more active, particularly in the area of industrial cooperation.

In recent years economic relations between Britain and Romania have been expanding further and further. Compared with 1970 their 1977 trade had expanded by a factor of 2.5.[8]

Along with traditional trade new forms of economic cooperation are being applied ever more extensively. Favorable conditions were created with the 10-year industrial and technical cooperation agreement (of 1975), the agreement on avoiding

double taxation, the 1976 agreement on encouraging and reciprocally guaranteeing capital investments, and others.

A number of industrial cooperation contracts have been signed between British firms and Romanian organizations covering metallurgy, the licensed production of gearboxes and tractors for dynamos, the production of diesel electric locomotives, specialization involving the Perkins Company, joint production of coke in Great Britain, and so on.

Romania considers very important the establishment of mixed enterprises on its territory involving the participation of capitalist companies (not to exceed 49 percent). The Romavia Aircraft Manufacturing Enterprise was built with British capital participation. With a license granted by the British Aircraft Corey Company and with the participation of Romania the production of light transport airplanes was undertaken for the Tarom Romanian Airline Company. In 1976 a cooperation agreement was signed for the production of jet airplanes for the Romanian civil aviation. A contract was also signed with the British Airspace and Rolls-Royce companies for cooperation in the manufacturing of BAK airplanes and airplane engines.[9] The setting up of mixed enterprises is considered economically justified in machine building, the production of equipment for nuclear electric power plants, and others.

Possibilities are under study for the production of equipment for nuclear electric power plants and laboratories, heavy metal-cutting machines and equipment for them, and special electrical, petroleum, and chemical industry equipment.

Cooperation has been organized in the mining industry, agriculture, and petroleum expansion, to be extended to third, mainly developing, countries.

Both sides consider that extensive opportunities exist for further development of reciprocal economic cooperation and have expressed their readiness to broaden them.

Bulgaria holds a modest position in current British foreign policy. Britain's policy takes the socioeconomic system of our country into consideration. Such a restrained policy reflects its nature, class foundations, interests and objectives.

The aggressive foreign policy pursued by Bulgaria for the materialization of detente is contributing to the assertion of the principles of peaceful coexistence and the practical implementation of economic cooperation among countries with different socioeconomic systems.

Bulgarian policy toward the capitalist countries and the factors which will shape it in the future are its active peace-loving position. Bulgaria's foreign policy in the Balkans has been, and remains, directed toward strengthening trust, understanding and mutually profitable cooperation. As Comrade T. Zhivkov has said, "Our Bulgarian aspiration is for the Balkan Peninsula to become an area of lasting peace and stability so that we may live in an atmosphere of trust, mutual respect, and close friendship with all our neighbors."[10]

Particularly since the mid-1970s the British ruling circles have been forced into a substantial review of the entire set of economic, political, and other relations. This led to the creation of some favorable prerequisites for the expansion of economic, scientific and technical and other relations. Under the conditions of a successful development of detente this would mean a broadening of British economic interests concerning our country. The British business circles are trying to develop relations bearing in mind also the traditional economic relations existing between the two countries. Furthermore, like the other imperialist countries, Britain is seeking means leading to the adoption of advantageous positions in its economic cooperation with the socialist countries. In this respect the pressure of British business circles who are trying to develop East-West relations plays a certain role.

Foreign trade between Britain and Bulgaria has been increasing, particularly since 1970.[11] The long-term trade agreement concluded in 1970 provided a favorable contractual-trading base for relations between the two countries. Britain accounts for four percent of Bulgaria's foreign trade with developed capitalist countries. It is sixth in imports and seventh in exports (1977). The considerable deficit in our trade balance is a major problem in our bilateral relations. The negative balance of trade was reduced from 49.5 million leva in 1975 to 19 million leva in 1978. However, this has been mainly the result of our reduced imports from Great Britain.

Bulgarian-British Trade in 1977-1978 (million leva)

	1967	1970	1970 [sic]	1978
Exports	25.8	24.8	28.4	24.4
Imports	23.3	43.9	60.5	43.3
Trade	49.1	68.7	88.9	67.7

Source: "Vunshna Turgoviya na NRB" [Foreign Trade of the Bulgarian People's Republic]. Statistical Data. Sofia, 1979, 1971, 1968.

The insignificant increase of Bulgarian exports to Britain during some years and its lack of progress in recent years is due, to a certain extent, to the difficulties encountered on the British market, such as quantitative restrictions, antidumping customs fees, and others, as well as to the consequences of the 1974-1975 British economic crisis.

The spreading of new forms of protectionism such as the imposition of additional restrictions or the resumption of older ones face the Bulgarian exports with considerable obstacles. They are applied together with restrictions encountered by Bulgarian exports to Great Britain as a result, above all, of its participation in the EEC--its foreign trade policy, customs policy, and aggravated competition on the markets of the members of the economic community, which puts exports by third countries, including Bulgaria, in a less favorable position. Additional difficulties are being created for Bulgaria as a result of the crisis of the capitalist monetary system, a crisis which has had a direct impact on the stability of the British pound.

The structure of the foreign trade between the two countries is varied. Some positive changes have taken place in the structure of Bulgarian exports to Britain. The negative trade balance is largely due to considerable imports of ferrous and nonferrous metals and chemicals, accounting from between 35 and 65 percent of the total. Machines and equipment imported by Bulgaria from Britain account for about one-third while projects and installations are imported for the construction, textile, metal processing, printing, chemical, and other industries.

Increasing Bulgarian exports with a view to achieving balanced bilateral trade is a necessary prerequisite for the further successful development of our foreign trade with Britain. This could be helped by increasing Bulgarian exports to the British market of metal-cutting and lifting machines and equipment, goods produced by the electrical engineering, chemical, and pharmaceutical industries, light industry goods, and others, for which favorable exports possibilities are apparent.

The ever more extensive industrial cooperation between Bulgarian economic organizations and British companies will play an important role in broadening economic cooperation between Bulgaria and Britain.

In 1974 the two countries concluded an agreement for the development of economic, industrial and scientific and technical cooperation. The 1975 long-term program for economic, industrial, and scientific and technical cooperation is of major importance to the further successful development of Bulgarian-British economic relations. These documents, which are a legal base for the development of industrial cooperation, pay particular attention to various sectors and possible reciprocal forms of cooperation such as participation in the building of new industrial capacities on the territory of either country, participation in the reconstruction and modernization of existing plants in either country, exchange of licenses and information in the areas of production, marketing and technological experience, joint production and participation in the building of complete projects in either country and in third countries, cooperation in marketing in third countries, and others.

A number of industrial cooperation contracts are being implemented between Bulgarian organizations and British companies. They include the production of the Carrycon container processing machine (with the (Readury) Owen Ltd. Company), the production of disk packets and building elements (the Intra Company), nonalcoholic beverages (the Cadbury Schweppes Company), cooperated production of Howdin engineering for ship systems, production and marketing of latex and production of plant protection preparations (the ICI Company).

The establishment of mixed enterprises on British territory could play a positive role in expanding the marketing of Bulgarian goods on the British market, essentially of machines and other industrial items.[12]

Machine building, metallurgy, electrical engineering, electronics, chemicals, agriculture, and other industries, defined by the two countries in the documents they have signed, seem promising areas for the development of industrial cooperation between Bulgarian economic organizations and British companies.

Both countries ascribe proper importance to the conclusion of general agreements between Bulgarian economic organizations and big British companies. This would contribute to maintaining stable economic relations between the two countries. General agreements have been signed with the General Motors concern (1976), and with the companies Imperial Chemical Industries (ICI—1977) and Cadbury Schweppes.

The mixed commission for economic, industrial and technical cooperation and the sectorial work groups which were set up are playing a positive role in the development of bilateral relations.

Unquestionably, the organization of joint measures such as symposiums, seminars and so on, play a positive role in the development of Bulgarian-British economic relations. In 1975 Bulgarian economy days were sponsored in London by the Bulgarian Chamber of Commerce industry and the London Chamber of Commerce. In 1976 a Bulgarian-British colloquium on planning problems was organized in Bulgaria.

The development of scientific and technical cooperation as well is a prerequisite for the intensification of bilateral relations. The agreement for cooperation in the field of applied sciences and technology was concluded in 1969. Furthermore, the long-term program for economic cooperation indicates in its appendix the likely areas for the development of scientific and technical cooperation until 1984.

The exchange of specialists in mathematical support of computers, medical radio engineering, environmental protection, industrial livestock breeding, biology, and so on is a basic form of scientific and technical cooperation to be developed in the future as well. The exchange of information is intensifying. Joint scientific projects have been undertaken by British and Bulgarian institutes and work groups have been set up in the respective fields.

It would be expedient to focus scientific and technical cooperation mainly on the use of British experience in the development of electronics, biology, chemistry, agriculture, and others.

According to the British press[13] the fast pace of development of the Bulgarian economy and, particularly, of the new industrial sectors and the modernizing of agriculture are creating favorable opportunities for the further expansion of Bulgarian-British trade in the future. Particular importance is ascribed to the concluded agreements which are the basis on which British economic policy toward Bulgaria will be shaped in the future.

The study of economic relations between Bulgaria and Great Britain indicates their active nature. However, raising political relations between the two countries to a higher level would unquestionably contribute to the further development of economic cooperation.

As Comrade T. Zhivkov said at the April 1979 National Assembly session, "Bulgaria is making efforts to broaden its cooperation with Great Britain.... A useful instrument to this effect are the consultations between the ministries of foreign affairs on a number of problems of reciprocal interest."[14]

Together with political relations, the expansion of economic, scientific and technical and cultural cooperation are the most important features which characterized Anglo-Bulgarian relations in the second half of the 1970s.

British policy in the field of economic relations with Bulgaria and other socialist countries is largely based on the general policy pursued by the EEC.

In this light regulating relations between CEMA and the EEC becomes particularly important.

Bearing in mind the policy of the present British government, focused on unity of action with the United States and support of the Carter doctrine and of the measures adopted by the American government against the USSR, it is predictable that the current level of political relations will be retained. There are reasons to expect that economic cooperation in some areas, influenced, above all, by political factors, will be maintained at its present level. The adoption on the British side of measures limiting the access of some goods to the British market would not be excluded.

Bulgaria should continue to play the active role in the further development of our relations with Great Britain. In the future Britain will continue to play an important part in the foreign economic relations between Bulgaria and the developing capitalist countries. The gaining of more favorable trade-political conditions would play a substantial part in the further development of our economic relations with Great Britain.

In the future as well economic cooperation appears the main direction in relations between Bulgaria and Great Britain. This benefits both countries. Bilateral economic relations could contribute to the successful broadening of cooperation in other areas of mutual interest.

Economic cooperation is a major direction in relations between Britain and the Balkan countries. The economic situation of a country is of particular importance in defining the future British policy toward the Balkan states. Crisis phenomena in economics and finances are continuing to parallel the development of Great Britain. Instability and uncertainty are the most general features characterizing the economic development of Great Britain and of capitalism in general at the beginning of the 1980s. The crisis development of the British economy is exerting, as a whole, a restraining influence on its economic relations, including relations with the Balkan countries. At the same time, however, in an effort to dampen some crisis phenomena affecting the country's economy, attempts are being made to accelerate British exports. This includes the use of new forms of economic cooperation. Preserving the trend of development of economic cooperation among countries with different social systems on the basis of reciprocal benefits, under the conditions of detente, will play a positive role.

FOOTNOTES

1. For more details see Ye. S. Khesin, "Angliya v Ekonomike Sovremennogo Kapitalizma" [England in the Contemporary Capitalist Economy], Moscow, 1979.

2. FINANCIAL TIMES, 1 November 1972.

3. [Omitted]

4. BIKI, 6 December 1979, TRADE AND INDUSTRY, No 11, 1979.

5. The department which guarantees British export credits will insure a credit totaling 400 million pounds sterling to be opened to Greece for a 10-year period at a 7.25-7.75 percent interest.

6. Yu. Vintser, "Angliyskiye Kapitalovlozheniya za Granitsey" [British Capital Investments Abroad], Moscow, 1960, p 304.

7. The agreement for cooperation with the EEC, signed in February 1980 (the second such agreement) regulates problems of Yugoslav exports to member countries, including Great Britain.

8. Some unresolved problems of the repayment of Romanian debts to Britain after the war were the reason for a certain delay in the development of trade between the two countries until the beginning of the 1960s.

9. N. Feyt,"Vneshneekonomicheskiye Svyazi SRR" [Romanian Foreign Economic Relations], Moscow, 1979, p 127.

10. RABOTNICHESKO DELO, 22 August 1979, p 6.

11. A sharp decline in trade (after the war) was surmounted after the existing financial problems were resolved on the basis of the documents signed in 1955.

12. There are two mixed companies in Great Britain engaged in tourist and transportation activities.

13. See COMMERCE INTERNATIONAL, September 1977.

14. RABOTNICHESKO DELO, 28 April 1979, p 3.

5003
CSO: 2200

NEW TRENDS IN INTERNATIONAL TRADE EXAMINED

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 pp 10-11

[Article by Bela Kadar: "New Trends in International Trade"]

[Text] Despite a period of buoyancy, a slowing down of the world economic rate of growth became perceptible between 1976 and 1979, although it would be wrong to overestimate its extent. In this period the gross domestic product of OECD countries on an average grew by 3.7 percent as compared to the 4.3 percent growth of the previous two decades. The rate of economic growth also declined in the CEMA countries, but on the other hand it was faster in the developing countries, (5.8 percent) as compared to long-term trends.

Among the driving forces of economic growth, a very important role was played by the deepening of international work distribution. The volume of world trade expanded on a yearly average by 6.3 percent. On a world average the unit growth of the GDP was accompanied in foreign trade by more than a 1.5 unit increase.

Structural Changes

Between 1976 and 1979 world trade at current prices increased by 64 percent. A large portion of this derived from increases, which developed in a very divergent manner by product groups. While between 1976 and 1979 the export price level rose by an average of 42 percent, oil prices in connection with the petroleum price explosion increased by 69 percent, industrial items by 43 percent, raw materials without taking oil into account on the other hand by 32 percent and foods by 31 percent. The development of price ratios in recent years does not support the assumption that the new development phase of the world economy essentially stems from the altered relation between man and nature and the upward evaluation of natural resources in the role of growth.

The 1979 year-end price level for industrial products was 228 percent higher than on an average in 1952-1956, 168 percent higher for light industry basic materials, and 176 percent higher for agrarian products. Thus not even over the long term can we speak of some kind of global shift in the price ratios between industrial products and natural resources. It is true that the energy sources represent an exception but in this product group the more than sixfold rise in the price level reflects not only economic processes but primarily the realization of power positions.

The movement in the price ratios affected the production structure of world trade.

Table: The Commodity Structure of World Trade (in percent)

	1960	1970	1973	1976	1978
Total Trade	100.0	100.0	100.0	100.0	100.0
Including:					
Raw Materials	16.7	10.6	10.1	7.8	7.3
Energy sources	9.9	11.2	11.0	20.3	17.5
Machinery	21.8	28.8	28.9	28.6	29.5
Other industrial products	27.1	29.0	27.8	24.5	26.8
Chemical items	5.8	7.0	7.1	6.9	7.4
Foods, beverages, tobacco	17.5	13.2	13.4	11.5	11.2

The above structural changes in world trade call attention to the following two phenomena. On one hand, by 1978 on the eve of the second oil price explosion, the former decisive weight of industrial-item trade had been substantially restored; the world trade ratio of energy sources increased at the cost of various raw materials and agrarian products. On the other hand, the dynamics of world production and world trade may permanently vary from each other. Not in every case is there a narrowing of the international market for the products that are lagging behind in production and for branches afflicted by the crisis. The demand for products of branches and sub-branches which have been forced out of the developed countries or are there becoming uneconomical is satisfied to an increasing degree by imports. There are also examples where the more viable enterprises of lagging branches acquire newer markets through accelerated development (for example the growth of textile and ready-made clothing exports of the United States and the FRG in the 1970's).

The Commodity Structure of East-West Relations

The main relational ratios of world trade had not shown any great shifts in the second half of the 1970's. Between 1976 and 1979 there was an increase in the world trade importance of countries belonging to the OECD (and to a lesser extent China). Despite the 1979 price increases, the ratio of the developing countries declined as compared to the 1974 peak. The share of the European CEMA countries in world trade also declined, which reflects primarily the dynamics of the below average interregional trade. Both in 1976 and 1979 the commodity exchange of developing countries and CEMA made up 1 percent of world trade. The dynamics of East-West trade was more modest than the world average, and its ratio in total trade declined from 2.7 percent to 2.3 percent.

The basic feature of the product structure in East-West trade was the relative immobility of the main structural ratios. In 1950, 1965, and 1978 the Western exports of CEMA countries consisted of about 40 percent energy sources and other raw materials and agrarian products, while at the same time the weight of industrial products remained at two-fifths. In the second half of the 1970's the ratio of machine products rose from 8.6 percent to 10.5 percent, and in effect there was no change in the ratio of metallurgical, chemical and other industrial products.

The initial results achieved in product change do not give cause for greater satisfaction. The positions occupied by the smaller CEMA countries in East-West trade depend on the successes of industrial exports, and so does the Soviet Union's over the long term. In the 1976-1978 period the CEMA countries expanded their exports in East-West trade by 32 percent in chemical products, 25 percent in machinery, and 46 percent in other industrial items. Nevertheless, their ratio declined in the past 2 years from 2.4 percent to 2.3 percent for chemical products on the OECD markets, from 1.5 percent to 1.4 percent on machinery markets, while other industrial products remained at 2.9 percent. Only energy sources rose in their market share from 6 percent to 6.6 percent.

At the same time, the machine imports of capitalist countries from developing countries increased from 5 billion dollars to 8.8 billion dollars, that is, by more than 76 percent, and in value it was three times more than OECD machine imports from CEMA countries.

The Real Cause of the Worsening in the Terms of Trade

East-West trade reflects the efforts of the CEMA countries of a slowing growth related thereto. The dimensions of the foreign economic imbalance which accumulated in the 1970's, the newer trends of the international credit markets, and requirements related to an improvement in the credit worthiness of the CEMA countries did not leave much opportunity for choice vis-a-vis the economic policy of emphasizing the reduction of the extent of the imbalance. But less comforting and indicating conceptual weakness and implementation disturbances or the slowness of the entire structural transformation process is the fact that the results attained in reducing the extent of the imbalance derived only in small part from the expansion of exports, structural transformation and a relative price increase.

Further erosion of the otherwise also low world trade importance of the CEMA countries could have an unfavorable effect on the international relations system in some politically delicate period.

The possibilities for using external resources are not independent of the world economic importance of certain countries. Particularly weighty from the viewpoint of the smaller CEMA countries which do not generally export essential products is the importance of the import market, for the partners' power of attraction is fostered particularly by this.

Despite the undoubted successes, the structural transformation of the export supplies of the CEMA countries is developing at a slower rate than the world average. The advance of the developing countries in industrial-item exports indicates on one hand the actual market possibilities which the CEMA countries are unable to exploit for development strategy, economic-diplomatic, guidance system, etc. causes. On the other hand it makes it clearer that the exports of the CEMA countries are competing in the present product structure not with the developed capitalist countries but with the developing countries which have chosen the road of export-oriented industrialization. The change in market competitors is in itself altering the conditions of marketing.

In East-West trade the worsening in the terms of trade of the small, industrial-item exporting CEMA countries cannot be exclusively brought in relation with the

consequences of the oil price explosion, and rather above all it reflects the reducing effect of the world-wide structural oversupply which characterizes buying markets for industrial products.

The growth and balance goals of the small CEMA countries in East-West relations cannot be divided even for the short term from structural political requirements. The maximizing of the effect which evokes a growth in international work distribution, an increase in the volume and profitability of exports urge on us the carrying out of more radical development concepts to assure the speeding up of structural transformation.

6691
CSO: 2500

SPECIALIZATION, EFFICIENCY IN INTERNATIONAL PRODUCTION DISCUSSED

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 p 9

[Article: "Specialization and Efficiency: The Organizing Principles of Cooperation"]

[Text] The Economics Institute of the Hungarian Academy of Sciences and the Institute of Trade Cycles and Market Research held a national conference on 10-12 November on the subject "International Production and Specialization, Cooperation and the Competibility of the Hungarian Economy." In the previous issue of FIGYELO we reviewed talks that dealt with CEMA cooperation. In this issue we are summarizing the most important statements in the talks by Dr Jozsef Fay, Dr Janos Deak, and Dr Edit Javorka as well as the lessons of the three-day conference.

International production cooperation is at one and the same time an international and a domestic economic process. A mutual effect is also evident in that international cooperation cannot be developed alone if the producer organizations are not able to expand domestic cooperation. International production cooperation in Hungary, and in CEMA countries in general, was late in arriving on the agenda because to the mid-1960's the enterprise-type which strives for national self-sufficiency was the dominant factor in industrial organization; and a production and enterprise structure, fixed assets and manpower as established find it difficult thereafter to accept specialization and cooperation.

Retrogressive Forces

Retrogressive forces exist also in our day. The goal system of management, the preference scale for judging accomplishment, and planning and guidance are linked in a far-reaching way to the demand structure of final consumption, and the intermediate phases of production are forced to the peripheries of attention.

The spread of enterprises that are vertical and manufacture finished products has disadvantageous consequences from the viewpoint of international competibility. These consequences inevitably adjust the partial production processes to the serial magnitude of the final product, and thus the production phases which precede assembly remain far behind the serial magnitude which is remunerative with the use of modern technology. Consequently, in by far most partial processes it is possible to use the technologies appropriate to small serials. A

one-sided principle of orientation to final product manufacture and of enterprise organization is disadvantageous from the viewpoint of technical development.

A lag in the technical level is particularly unfavorable in that range of products where we participate in international work specialization. Realistically, we can only expect to realize technical development of a nonleading type, and most of the products we manufacture are already beyond the upward-climbing phase of the life curve when the decisive factor of its international competibility is in the newness of the production. Generally, Hungarian export products appear on foreign markets in the mass diffusion phase when competibility is determined primarily by high productivity, prime cost, reliable quality, readiness to deliver, and so forth This phase is already in the looser sense the competition in the modernity of the background industrial capacities; and therefore it is of decisive importance what share of the total work process necessary for manufacturing the products we can perform with modern and highly productive procedures. For this very reason, ideas and solutions which improve the effectiveness of the production processes must unconditionally be given a place in the development concepts linked to the final products. International production cooperation has a great role in this, and could have still a greater one. A permanent, long-term solution to the external and internal balance problem and a satisfactory rate of economic growth are both the conditions for our guiding the entire reproduction process to a new course where the yardstick is international efficiency and proceeding on which the international competibility of the Hungarian economy can be increased.

Competibility in the Mirror of a Decade

An export-oriented economic policy can provide adjustment to world market requirements. Such an economic policy makes it possible to import more and more products by steadily increasing economic exports; and in this way the role of imports in replacing uneconomic production can also be expanded, and in the final analysis it also promotes selective production development.

Economic growth in the period between 1962-1978 was not characterized by an export-oriented development. The average annual growth in exports was 12 percent, and in imports it was higher. The lack of an export-oriented development was reflected by the share of certain branches in investments or the development of a balance in the export-import trade of certain branches. In the period under study, the chemical industry had a 12 percent share in the total investments of the economy, while the annual average of its exports increased by 10 percent and the annual average imports by 26 percent. After 1968, too, the development policy of the chemical industry was of an import substitution nature. This substitution concentrated in general on chemical products of lower value, while we had to go on importing chemical products of higher value. About 75 percent of the deficits in nonruble terms of trade came in trade in chemical products.

The machine industry had about a 10 percent share in investments. In nonruble trade the deficit increased to a great degree between 1968 and 1978. Its share in light industry investment was about 8 percent. In both trade relations its exports exceeded those of the chemical industry, by about 1.5 billion dollars in 10 years of nonruble trade. Metallurgy, which shared in 6 percent of investments, has modified its export-import balance favorably in the past 10 years. The change in the product

structure was not favorable in either major trade relation; in ruble trade it was modified to the extent that the ratio of basic materials and semifinished products increased to a lesser degree, while it was reduced in imports. In nonruble exports the share of processing industry products--in the machine and light industries--declined while the share of basic materials and semifinished products rose. The commodity structure of nonruble trade also indicates that the level of participation in international work specialization is low.

It Is Not Enough To Produce

The necessity of improving the balance under steadily deteriorating world market circumstances calls for export expansion by the Hungarian economy. The volume of imports by the OECD countries grew on an annual average of 9 percent between 1960 and 1970; in 1979 the increase was only 6 percent and this year it is expected to be 1.5 percent. According to forecasts, the volume increase in world imports in the beginning of the 1980's will not exceed an annual 2-3 percent. In such a situation, export expansion can be realized only at the cost of other suppliers and exporters. In preparing development decisions, it is still not taken into account that Hungarian export products will face sharper and stronger competition than before. Problems of a similar nature--the slower expansion of trade in industrial finished products--are also perceptible in the framework of CEMA integration. These not only make the conditions more strict for trade among one another but also influence the possibilities of their appearing on other markets.

In development with an export goal, it is no longer enough to study to what extent the technical-economic parameters of new products or expanded production approach those of the competitors but also on what kind of markets and with what kind of market means export expansion can be realized. In general, the Hungarian enterprises are in a disadvantageous position even when the applied technology and the technical level of the products is not worse than those of the foreign competitors. It is important to reveal those sources of loss which worsen the competitive situation of Hungarian enterprises.

Under the leadership of the OMFB [National Technical Development Committee] the selected Hungarian enterprises of several industrial branches--alumina production, aluminum metallurgy, the cotton industry, the manufacture of electronic medical equipment--and several FRG enterprises of a similar kind have carried out comparative studies. The technical-economic comparison and analysis has again shown that even when given the same technical level our competitive situation is at a disadvantage in some cases. The main causes are the following: in Hungarian enterprises the number of indirect producers is higher, and the technological and work discipline is lower, we are weaker in delivery readiness and discipline, and our market organization is not adequate. Other losses stem also from discrimination. It also became evident from the comparison that the disadvantage of the Hungarian enterprises in the basic materials industries is related to greater expenditures, and in the processing industries on the other hand largely with a weaker market readiness--constantly reliable quality, delivery discipline, market organization, and so forth.

Modernization and Adjustment

The conference not only studied international specialization, cooperation, and production collaboration as a process and phenomenon, but it also analyzed the domestic

and foreign market relationships. Among other things, it studied the mutual effects realized between international production, cooperation and national economic efficiency, between technical development, research collaboration and foreign marketing. The conference also took positions on several economic political questions. It emphasized the view that specialization and cooperation cannot be removed from the system of international economic cooperation and replaced for that purpose by some other kind of mechanism and price principle. The question also was raised whether in specialization and cooperation we must strive for the requirement of national economic or community efficiency. In certain areas of cooperation community efficiency can undoubtedly be taken into account, and the results of community efficiency shared. On the other hand, the policy of structural development of the national economies is above all the magnetic needle of national economic efficiency. Specialization and cooperation tasks in which the requirement of national economic efficiency is not realized cannot function permanently.

The conference dealt in detail with the present mechnaism of CEMA cooperation. The participants regard it as purposeful and necessary that we should continue to promote the development of the mechanism of cooperation, but we must realistically reckon with the fact that in the near future the internal mechanisms of the cooperating countries will not vary significantly, nor can the problems stemming therefrom be bridged in the community mechanism. Under such circumstances and amid emphasis on and promotion of the development of the community mechanism, we must at the same time adjust to realities.

6691
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MOUNTING ECONOMIC CRIMES CAUSE SERIOUS CONCERN

Statement by Head of State Control

Sofia ANTENI in Bulgarian 5 Nov 80 pp 1, 4-5

[Text] Statement by Krustyu Trichkov, BCP Central Committee Politburo candidate member, deputy chairman of the Council of Ministers and chairman of the Committee for State and People's Control:

The problem of the protection and utilization of public property and of the material and technical base is exceptionally important. That is why it has always stood in the foreground of party and state activities.

The purpose of the application of the economic approach and new economic mechanism is to create even better conditions for the preservation and utilization of public property and of the material and technical base.

As we have frequently emphasized, public property is the basis of the socialist society. That is why, from the very first days of the Great October Socialist Revolution, the Soviet state and Lenin took effective measures to insure its protection. It was realized as of then that it is the basis of the socialist system. The October Revolution considered any harm done to confiscated property, now belonging to the entire people, a most severe crime. These basic stipulations were juridically codified in the 1936 Constitution and the new 1979 Soviet Constitution.

In Bulgaria as well, where socialism prevailed once and for all, public ownership of productive capital is the economic foundation of the new social system. It is the main support of the state and society and the most important source for the steady improvement of the prosperity of the people and for the all-round blossoming of the country. That is why public property enjoys the particular protection of the country's constitution and its laws and is considered sacred and inviolable.

The BCP, the socialist state, the working class and the working people in our country are particularly interested in increasing, protection and properly using socialist property. In this case the interest of the state and the working people are absolutely identical.

After the victory of the socialist revolution increasing socialist property and laying the material and technical foundations of our society have always been the main concern of the party and the people's regime. We can clearly state that tremendous successes have been achieved. In proportion to Bulgaria's scale a tremendous material and technical base has been laid and many plants and factories have been built with the labor of our people and under the leadership of the BCP. In our country socialist property is steadily increasing.

In the course of two decades the value of productive capital in the national economy rose from 15 to 78 billion leva, i.e., by a factor of more than 5. We have reached a pace of expansion of productive capital by 6.5 billion leva per year. Examples have been set of how to behave toward public property, constituting the main, the basic trend. There is an ever deeper awareness of the fact that all this belongs to our people, that it is its property, that it is a nationwide resource, and that its proper utilization and preservation determines our development and prosperity.

This attitude will be greatly helped by the comprehensive application of the economic approach and the new economic mechanism in all realms of social life. That is why our main task now is to assist in the application of the economic approach through control.

The preservation and utilization of public property and of the material and technical base is becoming ever more important. Concern for its utilization and preservation must match the size of its increases. The contradiction exposed by the July 1976 BCP Central Committee Plenum between the created material and technical base and its use by the subjective factor remains valid.

That is why the party and the people's regime formulated the basic obligation to protect and defend like the apple of our eye everything created through the toil of the people--factories, plants, equipment, raw materials, materials, and products--and to utilize them effectively.

At the 11th party congress Comrade Todor Zhivkov once again sounded the alarm with the statement that as a result of their neglect and careless attitude, there still are people who are causing great damages to the national wealth. Some of them are even encroaching on the results of the people's toil. Such actions, he emphasized, are incompatible with socialist morality. They harm both the national and the private interests of the socialist working people, for which reason they must be decisively terminated. Once again, at the July 1976 Plenum, Comrade Zhivkov called for plugging all channels through which the people's good is wasted and insure the rational utilization of the created material and technical base.

This statement expressed by the leader of our party and state contains a profound truth. It is also an order which must sink deeply into the minds of all Bulgarian citizens.

Let Us Eliminate Economic Crime as Well

Political crimes have become virtually nonexistent in Bulgaria. This is a major victory. It proves that the people have accepted our system and the correct and scientific policy of the BCP. The party and the people are united around the BCP Central Committee.

Such is not the case, however, with economic crimes. We have not as yet made public property sacred and inviolable, even though we have proclaimed it as such. Negligence, thefts, and attempted fraud for the sake of personal gains are assuming dangerous dimensions.

Attempts on public property and the damages caused by negligence and, particularly, by the poor use of the created material and technical base and available raw and other materials hinder our accelerated development and the utilization of all reserves and restrict the possibilities of our socialist system. Our possibilities are far bigger. Their use is a necessary prerequisite insuring our adaptation to international circumstances and the satisfaction of our requirements.

Manifestations of negligence, theft, encroachment on public property, and personal gains are assuming a great variety of forms, both open and concealed. The struggle is becoming ever more difficult, for the criminals are becoming ever more inventive. Allow me to give you a single example: Driver Ivan Iliev, working for the enterprise for freight haulage in Vidin claimed fictitious work totaling 3,718 ton/kilometers for which he was paid. He also decided to keep for his personal use the corresponding amount of gasoline. To this effect he raised with a jack the rear wheels of the truck and ran the engine until the odometer registered the correct number of kilometers.

In 1979 the organs of the National Control System alone proved the existence of malicious damages totaling 324 million leva, 106 million of which in fraudulent receipt of wages, rewards, bonus, and so on, 15 million leva from thefts and misappropriations, and so on. This is by far not all, for we cannot solve all economic crimes and punish all violators.

The struggle against those who violate the laws and the thieves and economic criminals is hindered also by the appearance of a number of document-forgers and false witnesses. All of them are motivated by greed.

Many such cases exist: false reports on fulfilled and overfulfilled plans and achieved savings, with a view to receiving bonuses, the making of false documents with a view to acquiring land and real estate, irresponsible issuing of medical certificates, perjury by court witnesses, misrepresentation of the truth by experts, and so on. They are assuming a dangerous nature.

All this distorts the system of justice and leads to the occasional sentencing of innocent people while criminals remain free; it causes not only material harm but major moral damages which are far more dangerous. They twist the minds of the people, of the young generation, and create a wrong idea of our socialist system, our ideals, and our socialist people; the erroneous impression arises

that under socialism one may become rich dishonestly. In this manner economic crimes assume a political nature. Feelings inimical to the people's system are created. The labor collectives become corrupt and the social climate becomes poisonous.

The Party's Leadership Is a Prerequisite for Success

An entire movement is already developing as a reaction to economic crimes which are incompatible with communist morality and alien to the profound morality of our people. The protection of public property is a matter for the entire people. It is developing from below, as the initiative of the labor collectives themselves, as the creativity of the masses. This movement has been taken up by several okrugs.

We put a high value to the initiative of the Plovdiv Okrug BCP Committee and Plovdiv Okrug Committee for State and People's Control. They were the first to promote the movement of making the protection of public property a matter affecting all labor collectives and individual workers and citizens, making it a nationwide cause. This triggered a broad discussion and expression of views on the subject of the ways and means required for the implementation of the Leninist principles of managing and protecting public property. The discussion has already exceeded the lines of Plovdiv Okrug whose example was followed by Ruse, Vidin and other okrugs. Okrug conferences were held on the adoption of programs for the work of okrug control systems, prosecutor's offices, courts, the Ministry of Internal Affairs and the mass organizations on the protection of public property. We are pleased to note that all this is taking place under the leadership of the okrug party committees. This guarantees the success of the movement.

The struggle for the protection and utilization of public property and of the material and technical base will be successful, for the task has been set by the BCP Central Committee and the Politburo, and because Comrade Todor Zhivkov personally is continuingly drawing our attention to such problems: improvement of social relations and the development of a new, a socialist attitude toward public property and of a new, a socialist attitude toward it which, starting with slogans and appeals, is becoming a moral essence, a nationwide movement.

Displaying the Concern of Good and Strict Managers

However, a change must take place in the attitude of the owners themselves toward the public property entrusted to them, toward the plants, factories, land, forests, and material and financial values. A change must take place in holding responsible anyone who encroaches on, steals, or is guilty of negligence. In other words, the role of the subjective factor must be enhanced.

Everyone must be made deeply aware of this.

The managers of economic organizations and plant and factory directors have all the necessary possibilities for the protection, utilization, and multiplication of socialist property and for organizing its maintenance and responsible protection and delivery. This has been proved by the good managers. All economic managements and directors could and should take measures against negligence,

waste, theft, destruction, and encroachment of socialist property, earmark measures for labor and material savings and prevent falsifications for personal advantages. All this can increase the amount of socialist property.

It is very important for all managers to be familiar with the requirements of the party and the government and to bear in mind the fact that socialist property is sacred and inviolable and that the norms of socialist legality and morality must be observed strictly. Our help is required as well in this matter.

Uncompromising Struggle Using All Forces and Means

A climate of social intolerance must be created against those who steal socialist property and against economic crimes. This is the meaning of the movement for the protection of socialist property. In this respect we are relying a great deal on the public organizations. Their participation in this highly patriotic initiative should be manifested, above all, in the implementation of measures which will increase the conscientiousness of the citizens and labor collectives, intensify the feeling of collective and personal responsibility, promote criticism, and develop sharp public intolerance of encroachments on socialist property. All this must result in the transformation of the problem of the preservation of socialist property into a matter of the honor and valor of all citizens and to a form of behavior and a criterion with which to assess all working people in our country.

In the struggle for the protection of socialist property we are greatly relying on the mass information media as well. They should become actively involved in the movement for the preservation of socialist property, assist in promoting its educational aspect and contribute to the molding of uncompromising, critical, and irreconcilable fighters against negative phenomena. More skillful use should be made of all ways and means of publicizing the results of the struggle for the protection of socialist property. The mass information media must systematically and adamantly popularize the nature and great importance of the problem.

Furthermore, educational measures and ideological work must be combined with punitive measures, particularly against severe encroachments on socialist property and against phenomena which are becoming dangerous and widespread: negligence, waste, thefts, violations of state and financial discipline, and forgeries for gaining personal advantages.

We must strictly observe Lenin's instruction of exposing and punishing every single criminal and put an end to liberalism and helplessness. In this respect the courts, prosecution organs, and the Ministry of Internal Affairs must play a major role. The working class and the working people will be supporting us in this struggle. Our people have strict and stern traditions: thieves are exposed and shamed in the eyes of the public.

A permanent, energetic, and uncompromising struggle must be fought. It must be fought by all party, state and economic organs and organizations, by all people in all political, social and economic affairs, and by all working people, using all possible means.

The struggle will not be successful without enhancing the role of the specialized state and control organs: the National Control System, the courts, the prosecutor's offices, and the Ministry of Internal Affairs organs. They must intensify their preventive acitivies which remain the most important factor in upgrading the effectiveness of the struggle for the protection of socialist property. Everything possible must be done to eliminate conditions resulting in the theft or waste of the public's property. In this respect internal control plays an important part.

We must thoroughly consider the reasons which trigger economic crimes and create conditions for encroachments on public property and suggest timely measures for their elimination.

All specialized and control organs on all levels of social management must energize their activities and coordinate their work. In this respect the Committee for State and People's Control and its organs play a major role. They are the leading nucleus of the National Control System. We must restore the coordinated work of the prosecutor's offices, the courts, and the Ministry of Internal Affairs. We cannot be satisfied with the current state of affairs and with the state of joint activities, particularly those involving the chief prosecutor's office and the courts. Interaction is extremely necessary. It will insure the proper implementation of functions, for the Committee for State and People's Control is not a punitive organ and its main contribution is the help it provides. The punitive organs must play their part in terms of the materials we supply.

The struggle for the protection of socialist property must be accepted as a personal struggle by all control organs.

Precious Metal Thefts

Sofia TRUD in Bulgarian 27 Nov 80 p 2

[Essay by Nikolay Buzin]

[Text] As was usually the case, the restaurant was noisy. Dark gray clouds of smoke slowly rose over the tables. The people sitting around them, however, ignored them for, apparently, they liked the atmosphere!... This man too liked it: there was music, smiling faces, and interesting people....like the one, sitting at the table, who from time to time, laughed throatily, apparently at his own "Bulgarian" language! Why not speak it since, one way or another, he would make himself understood, considering the number of foreigners with whom he had already "reached an understanding."...

The "Bulgarian" language spoken by the foreigner and the few foreign words which S. had recently learned, reinforced by another bottle of Misket wine, made the conversation lively and, most importantly, useful. For some time S. has been looking for this kind of trousers [dunki] and it is as though the foreigner had been waiting for him to show up. He rushed upstairs, to his hotel room, and shortly afterwards the package with the trousers was in S.'s hands! "I like you, young man, you and I could....," the foreigner hints between drinks, and gradually the conversation turns to matters far more serious than a pair of trousers...

"He then asked me," S. was to say later to the investigator, "to find for him silver or silver nitrate or 1934 coins. I gave him my telephone number at home."

Before continuing with the story, let me answer the legitimate question of why am I using this anonymous initial "S?" Is it an author's caution?!... No, I shall be naming names later on! At this point, however, in addition to this anonymous "S." I also see behind it his father and mother who are honest and respected people living in a beautiful little village in northern Bulgaria.... and I ask myself, are they, the parents, who have given their only son his own Lada model car, an apartment, and everything else, to be blamed for the slap they have received from S.? And even if they were to blame, anonymity is the least significant factor which would reduce or punish the crime....

Meanwhile, the Lada has already been driven to a neighboring village where an old acquaintance refuses to sell to S. silver coins, claiming that he is a "wrong person!" It might be safer, perhaps, to operate in an "urban" environment, since a cousin of his, working in a big plant, had mentioned handling silver.... Yes, a good idea! In order to get acquainted with technologist T. he brought to him two tubes containing a film fixative, asking him to take the silver out. The technologist refused, claiming that this was not his area of expertise.

... "I then urged T. to give me some silver anodes and silver nitrate. I promised to pay him 50 leva per piece and per bottle. While he was at work I was able surreptitiously to take (would to steal not be a more accurate expression?--the author) one silver anode...," S. admitted later.

I shall spare you the innumerable details of subsequent events. Let me mention, however, a typical feature. An almost insignificant event occurred in the Pliska Hotel, in Sofia, where the seller of trousers and S., who had brought three kilograms of silver anode, met: after he took the merchandise, the foreigner disappeared without paying!... In a second delivery S. was more careful and was able to make a "successful" sale of the remaining kilogram of silver anode and of one kilogram silver nitrate: the foreign lady was "honest" and paid him $400.

After the six kilograms of "silver" chemical, additionally stolen from the plant, and the sum of about 1,400 leva were returned by the parents of S., and after the two members of the "operation" were told what their sentences would be, the question which continues to concern me is the following: Why was the crime committed?

After his "coup," S. came to Sofia to buy tires for his Lada and found himself involved in an illegal foreign currency deal. Shall we consider that one of the reasons motivating S. was concern for his beloved Lada? Or else for acquiring yet another two, three or five pairs of trousers? The members of the group of loafers with whom he had been recently spending his leisure time would have been envious of him!... As to technologist T. all accounts concerning the precious metal had been left to him! Excessive trust and lack of control were the prerequisites while the desire to become rich quickly was the motive...

Nevertheless, why is it that it was precisely silver that provided the temptation? Is there any connection between this story and several other stories in

which this same metal proved to be the "testing stone" of the morality and nature of some people?

It turns out that there was a connection!... This connection, typical of this kind of stories, is alarming. The ease with which the shine of this metal blinds and dazzles is both disgusting and fearsome! Actually, considered philosophically, this "scorned metal" has frequently carried on its "Mephistophelian wings" evil to the people living in the world of money and capital. This topic has been the subject of numerous and talented interpretations in art. In the cases we are about to mention (precisely cases, individual actions), the concern is caused by the mechanism of the blinding. It is precisely its cruelty that is terrible despite the fact that our new world and the actions of millions of our contemporaries, who are individuals with a new morality, prove to us that this cruelty is not invincible!....

That is why we should not be afraid to admit that for some time it has been considered "fashionable" to commit misappropriations or even severe crimes involving gold, platinum, tin and other metals. Why is this fashionable? Because....

"Hey, why don't you request more tin? Give it to me, I know how to take it out. As to keeping the records straight, you know what to put in!"... That, or something similar was what Mikhail Rizov told Brigade Leader Ivan Petkov at the end of a shift at the Hot Tin-Lining Shop of the Kremikovtsi Combine. In the course of several months Petkov filed requests for 1,600 (!) kilograms more than needed and sold the amount to Rizov for ....300 leva. How could he know that Rizov himself was systematically stealing the tin and, using his Zaporozhets, was supplying the metal to Khristo Nikolov in Stanke Dimitrov. The latter had told him, "I will buy all you can bring!..." This was because Nikolov, in turn (and at a profit) was reselling the tin to Slavscho Iv. Stoyanov and Slavscho Si. Ivanov, a father and son, felons with court records of four and two sentences, respectively.... Furthermore, how could Rizov and Petkov, the two metallurgical workers from Kremikovtsi know that the two Slavschovs would talk nephew Rumen Kostov and his friend Mitko Stefanov into robbing the Kooprom Shop in Sofia and that the stolen bundles weighing nearly 280 kilograms of tin alloy would be concealed in the bushes opposite the robbed warehouse and subsequently hauled in Slavscho, Jr's own car to his father's house? How could they know that this was not their first break-in robbery committed by this pair who, subsequently, was to steal from that very same (!) cooperative another 250 and yet another 350 kilograms of tin alloy also purchased by that same Slavscho....

...Spas Spasov is a highly skilled galvanizing technician. At the Elektronika Plant in Sofia, where he deservedly enjoys prestige and trust, the nature of his work is such that he is frequently given silver anodes and silver nitrate. One May evening in 1979 he was visited by Stoyan Konstantinov who offered him, respectively, 25 and 50 leva per kilogram of each product.... Spas stole the items and was paid a minute part of his "share"--380 leva. In turn, St. Konstantinov gave the silver to his father (here again we have family dealings but that is not the typical feature of the story!), Todor Konstantinov, who resold the silver to Dimitur Kadiev at a 600 percent profit....

I can see now that what I felt--an uneasy feeling of a vortex of names, kilograms, and money, is now trying the patience of the readers as well! But more

should be said on the subject of D. Kadiev, for he will bring us closer to the typical feature, to the action, for he is the individual who committed the most terrible, the most dangerous action: he instigated, he organized and he encouraged. It was he who set up the group which included Todor Monov, Valentin Tomov and other young people like them, free from labor obligations and lacking moral restraints. D. Kadiev supplied the group with useful information on enterprises using tin and silver. As a "start" one evening the group broke into Elektrometal, in Sofia, and in addition to the "commissioned" six kilograms of tin stole "on its own initiative" a great deal of money and valuable objects!... D. Kadiev did not hesitate to tempt the husband of a cousin of his, head of the Rationalizations Department in a Khaskovo enterprise, paying him "generously" for the 20 kilograms of silver nitrate which the "rationalizer" stole from the plant laboratory....

D. Kadiev's organizational efforts entered the area of another "organizer" sharing similar ambitions: the three times sentenced Atanas Atanasov in whose hands most of the Kremikovtsi tin ended eventually through two or three middlemen. At. Atanasov was a major purchaser of precious metals. However, he too was not standing by idly!... The group he incited and encouraged, by paying for the stolen goods, robbed on four different occasions (!) the warehouses of the G. Kostov Plant in Sofia. Each time the tin went to At. Atanasov. He also received the stolen silver nitrate obtained by the same criminals who broke into the Kristal Shop of the Mebel enterprise, the Fokhar Factory (in July 1979 about 740 kilograms were stolen from the factory, worth nearly 120,000 leva!), and so on. D. Kadiev as well used the "services" of the same gang. However, both purchases of precious metals were similar not only in that they had the same organizing "talent." They sought and found "foreigners" who paid well for the goods in foreign currency! Naturally, the payment was part of the criminal smuggling operation: as accomplices of the smugglers, Kadiev and Atanasov were paid over 130,000 leva!...

This, precisely, was the objective: selling to smugglers! This was the objective of both Kadiev and Atanasov who dishonestly acquired considerable quantities of silver, tin, and others. It was precisely this that they explained in advance to most of their "suppliers" thus inspiring them with optimism and the confidence that their criminal actions will remain unpunished!...

It seems to me that this is one of the reasons for this "passion," and the focal point of the increased frequency of criminal deals involving precious metals! The illusion of an ideal "disappearance of traces" which presumes the fast and definitive concealment of the theft ("Where would they be looking for the foreign buyers and how would they locate the 'goods' abroad?!..."), triggers the appetites and organizational talents of criminally inclined people. And so, the people like Slavchov, Kadiev, Atanasov and others instigate, organize, and involve in their dirty work both their "lesser" colleagues-performers and honest people who have access to the precious metal and are unable to withstand the tempting yet treacherous gleam....

However, the facts do not allow us to explain the fall of these people only as the result of the existence of "obliging" foreign merchants!

Yes, the marketing, done at the lightning speed, is of tremendous psychological value. However, in all cases deliveries of the precious metal and the technology used remain the same: theft, fraud, misappropriation of state resources. Such resources, allocated to meet the technological requirements of dozens of production enterprises, are obviously not valued and protected like our common great wealth they represent! That is why one, two, three, or dozens and hundreds of kilograms are stolen from a place containing silver or tin, as though there is no one to say "No!," and as though no one is affected!...

On of Kadiev's numerous "assistants" passed on to him an unexpected suggestion: one B. Dimitrov was offering his own patent for the production of platinum! It had not been recognized by the state organizations but he was willing to sell it for 5,000.... Kadiev found an interested and "helpful" foreigner who paid the required amount which quickly reached the owner of the patent who shared it "honestly:" the method was...to steal the "hammer" and "anvil" of automobile starters! Each of them had a platinum "point." Consequently, the platinum was there, waiting!?!....

Believe it or not, Kadiev and his assistants began to break into garages, service premises, and cars, soon realizing that he had been taken!!.... Looking into the details of this almost comical case of fraud committed by one swindler on another, I felt the degree of blindness, the degradation which the precious metal had developed among all of its dirty-handed admirers. This was a particularly cruel trick played on those who, for one or another reason, fall in their treacherous net for the first time!

That is the point at which a young person betrays the honor of his parents respected by society, parents who have provided their only son with everything, even with a Lada!...

It was a point at which a casting worker betrayed the great faith entrusted in him as a brigade leader in charge of maintaining the fast rhythm of an entire shift in the huge Kremikovtsi Combine!... It was a point at which a valued and able galvanizing technician or prestigious specialist who wanted more rationalizations betrayed the people of his house, his plant and his city, people who until then had been looked upon strange in their eyes and to whom a smiling "Good morning!" had been said....

Certainly, all of them, having betrayed something important and beautiful in their lives, understand--and, let us hope, for the rest of their lives!--that the stolen precious metal, needed for our work, and the dishonestly acquired silver always turn into pitiful pieces of silver.

They, these pitiful treacherous pieces of silver are the cruel revenge of the metal....

5003
CSO: 2200

SHORTCOMINGS IN CONSUMER GOODS DISTRIBUTION EXPOSED

Sofia POGLED in Bulgarian 10 Nov 80 p 3

[Article by Todor Stefanov: "What Happens When Your Car Breaks Down?"]

[Text] The national conference in Ruse, where our party and national leader, Todor Zhivkov, addressed again and very seriously the question of production and supply of consumer goods and services, coincided with the complex inspection in the country of the centers of Motorized Mechanics and Auto Services DSO [State Economic Trust] by the organs of the main inspectorate of trade and services at the MVTU [Ministry of Internal Trade and Services], by the okrug committees on governmental and national control, by the okrug people's councils and others. All branches were inspected and 783 violations were recorded in 319 of the 339 trade centers.

The results of the inspection were astounding as to the unsuspected ingenuity of the violators and their personal gains and to the inadmissible and unparalleled damages to the consumer. It turned out that there were people in all inspected trade centers whose only goal was to go around the ordinances and laws on protection of the socialist property. Their goal was to sell goods in short supply and thus fulfill easily the trade plan and obtain personal gains as well. Artificial shortages have been created recently and facilitated by the administration, in automobile, motorcycle and spare parts trade: almost all goods are delivered to the auto services of the union while the stores remain empty. The inspection established that in the Shumen branch, for example, all 3,659 imported tires that were supplied were sold by the auto services; in the Varna branch 2,400 spark plugs were also delivered only to the auto services, etc. The damage is twofold: the needs of the consumers are not met and the storehouses are full of unsold goods. The only ones to benefit are unscrupulous employees who, under such unusual conditions, "catch fish in murky waters."

There were many cases of goods being sold in violation of the established trade code and benefiting some private persons only. It is already a common practice in the union stores to hoard goods and sell them to chosen customers. And it appears that this practice remains, so to speak, unnoticed by the managers of the union branches since, should it be revealed, the culprits would have to bear administrative and judicial responsibility. Slack supervision and lack of effective control encourage the violators even to increase their criminal activity. They deliver privately to the trade centers different goods and spare parts and sell them illegally.

The practice of selling goods marked and labeled incorrectly seems to pale against the background of these gross violations. It creates, however, opportunities for jacking up the prices. The inspection established that the Ruse storage center delivered to the Varna branch 1980 stereo cassette units priced at 420 and 360 leva instead of 415 and 355 leva. It is not necessary to mention other similar cases, as the list will be too long.

Jacked up prices only do not satisfy the violators. Old model and discarded goods and spare parts are squeezed through together with the regular goods. In fact it is the duty of the production enterprises to use permanent markings and labels on the goods, and the managers of the trade enterprises should not accept goods improperly marked and labeled. Therefore, the branch managers in Sofia, Varna, Vratsa, Mikhaylovgrad, Stara Zagora, Lom, Srednogorie, etc. should not put the blame on the negligence of the producers.

The union stores quite often sell poor quality and nonstandard goods. In the first 3 months of this year the Stara Zagora, Plovdiv, Sliven, Varna, and some other branches received nonstandard goods valued at 1.2 million leva. In fact the Mikhaylovgrad branch has piled up unsold goods for 1.5 million leva, the Sofia branch for 600,000 leva, the Lovech one for 800,000 leva and so on. The sale of these goods will damage not only the consumers but will also contribute to accidents and freight troubles. Thus, in the first 3 months of the year, the organs of the main inspectorate of trade and services had to stop the sale of 2,006 types of poor-quality goods amounting to 1.2 million leva in the Stara Zagora, Plovdiv, Varna, Sliven and other branches. Accidents are also caused by the sale of secondhand goods and spare parts, sent from the auto services to the stores, which are not correctly marked as to type, make, price, etc. The sale of cars, motorcycles, and other items missing some parts and other accessories is just as dangerous. It is common practice for cars to be sold without the earmarked 5 liters of gasoline.

It was also established that many stores sell goods also on consignment, for example the branches in Stara Zagora and Sliven. Prices of such goods are determined arbitrarily by the seller and the person who delivers the goods to the store. This practice leads to additional abuses and personal gains.

These immoral trade methods at the Motorized Mechanics and Auto Services DSO raise many alarming questions whose answer lies in the organization of the union itself. The reasons are many but none is an objective one. Here are some of them:

Delivery orders are made by telephone instead of in writing; there are no itemized lists of the parts in stock; substandard goods are accepted since most of the stores lack specialists on the Bulgarian governmental standards and general norms; inventories do not describe type, trademark, make, price, etc.; documents arrive after the parts; there are no specialists to accept the delivered goods; goods are not stored properly and are often damaged; the internal-departmental control is slack and perfunctory.

The inspection revealed many other shortcomings. Many stores do not have cash registers or if they have them they do not run properly and do not issue cash receipts. The goods sold are not itemized. The daily cash turnover is often kept for several days by the management instead of being deposited in the safe at the end of the working day. Inspection books and boxes for suggestions and complaints do not exist, etc.

All this shows lack of interest on the part of the branch managers and the organs responsible for the trade stores. After the inspection took place the Motorized Mechanics and Auto Service DSO prepared a comprehensive program for different undertakings which have already been applied. The director general, Zhan Metodiev, has issued an order for the punishment of some violators.

Reprimands alone will not do. Are the violators going to be legally responsible, is servicing going to improve? As Ilf and Petrov wrote years ago "the car is not a luxury but a means of transportation." And we should add: "safe means of transportation."

1010
CSO: 2200

NEED TO IMPROVE SERVICES IN TOURIST INDUSTRY OUTLINED

Sofia POGLED in Bulgarian 10 Nov 80 p 4

[Article by Zheko Ivanov, deputy chairman of the State Committee on Tourism: "Concern About Services in the Tourist Industry"]

[Text] It is a fact that in the past few years tourism has become a vital necessity to the people. Judge for yourselves. According to the data of the International Organization of Tourism, the number of tourists all over the world was 14.5 million in 1948, while the data for the current year show that by December the number will reach 280 million. In this mighty movement of people Bulgaria, although a comparatively young tourist country, has a well established place and its prestige in tourism continues to grow. We can categorically state that 1980 will be even better for Bulgarian tourism. And I will prove it. Our country was visited last year by 5 million tourists. In the 9 months of this year we have already had 450,000 more visitors than in the same period of 1979. Considerable increase was noticed in the number of tourists from France, Finland, Sweden, Denmark, Greece, the Soviet Union, the Socialist Republic of Romania, the Hungarian People's Republic, etc. But this is not the only factor determining the success. As a result of higher requirements and tenacious work on the part of many thousands of workers in the tourist industry, commodity trade for the 9-month period of this year increased by 20 percent, restaurant and cafeteria production by 27 percent and social labor productivity per person by 23 percent. Foreign exchange revenues went up 13 percent over the same period of 1979.

The past months of 1980 represent a serious step in the fulfillment of the program directives of Comrade T. Zhivkov, regarding the trends and rates of development of tourism, and of the party and government decisions promoting greater effectiveness and further intensive development of tourism. The results show a substantial progress in the tourist industry in accommodations, choice of new programs in medical, educational, and other specialized fields, hiking, as well as a better material basis, more possibilities for recreation and, most importantly, better trained service cadres. Many facts could be mentioned concerning modernization and renovation of hotels and restaurants, new roadside projects and shops, increase in the number of private accommodations and extra services in sports and cultural facilities. All this constitutes a new, mutual complex, which could be called the culture of service. I would like to point out that in this field, in spite of our achievements, for us, the promoters of tourism, better service is and will always be the most important task and that we are not yet satisfied with what has been done so far and that the fulfillment of this task requires methodical work and constant control.

The diversity and expansion of the programs offered to the Bulgarian citizens is of great concern for the joint complex, the culture of services. The possibilities in the tourist complexes in this respect are numerous. Many of the existing possibilities are still not used adequately, although this year we were able to arrange for many of our workers to spend their vacation in our resorts and for hundreds of thousands of Bulgarians to enjoy off-season reduced rates, weekly vacation travel and excursions at home and abroad. By saying this I have in mind that the tourist complexes as well should offer a better choice of programs and the enterprises and citizens should more actively use the services of Balkanturist. This is our present task on the eve of the forthcoming 1,300th anniversary of the creation of Bulgaria, for which occasion we are already preparing a large choice of special programs and services. These programs are part of the National Program for the anniversary celebration.

I would like to take this opportunity to report that the seasonal character of tourism is for us largely a thing of the past. The tourist complexes are busy with many additional activities, i.e., off-season travel for foreign and Bulgarian tourists for reasons other than vacationing.

The winter resorts are busy preparing for the new season which, judging by the reservations, will be successful.

Bulgaria attracts tourists all year round. The flow of tourists is the best proof of the increased prestige of the country. It was no coincidence that after last year's international distinction awarded by the Spanish publishing house Edificio Ofice to Hotel International at the Golden Sands, expressing respect for our country's achievements in tourism, Bulgaria is again a bearer of another distinction for the Rila Monastery, i.e. "Golden Apple," awarded by the authoritative International Federation of Journalists and Writers and Tourism (FIZhET).

1010
CSO: 2200

PRESENT SITUATION, FUTURE PROSPECTS OF INVESTMENTS EXAMINED

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 pp 1, 4

[Article by Dr Gyorgy Winkler: "Investment Prospects"]

[Text] In the socialist sector it is expected that we will devote during the Fifth Five-Year Plan 8 percent more than planned, at comparable prices to the realization of development goals. Thus the volume of investments will be nearly 35 percent higher than during the Fourth Five-Year Plan.

In 1976 investment fulfillment developed at the previous year's level, and in 1977 in response to measures to speed up investments it increased by nearly 15 percent; thereafter the rate of growth slowed down annually to 5.3 and 1.3 percent, and in 1980 as a consequence of limitations put on investments it will decline by 7-8 percent as compared to the previous year.

Unfavorable Processes

The overfulfillment derived from an annual 25 to 30 billion forint investment surplus by enterprises over and above the economy's estimates. At the beginning of the plan period the enterprises and cooperatives had significant development sources, which were further increased by funds formed of profits and amortization exceeding plan estimates. These were swollen by wide-spread possibilities for easily attainable credits and state supports.

In order to stop these trends that varied from the plan goals, continuous government measures were taken beginning in 1978 in response to which we succeeded in restraining the unfavorable investment processes, and for the first time in years investments stayed within the planned framework. The number of investments in process declined, and 2 years of state measures started to take effect.

The investment structure started to improve somewhat in the plan period. While in the beginning of the 1970's the ratio of constructions was disproportionally high in investments as a whole, the share of investments for machinery, equipment and vehicles increased. In 1979 these latter investments neared 47 percent (calculated at unchanged prices). At the same time, in 1979 more than one-half of the value of investments put into operation went to increase real estate holdings.

The ratio of the value of investments put into operation in 1976-1979 as compared to the national income came to 36 to 38 percent. About three-fourths of the investments were put into operation in the sphere of material production.

Incompleted investments have grown to a great extent, and in 1979 there were about one and one-half times as many as in 1975, and came close to 7 percent of the capital used in the socialist sector.

As a consequence of the investment activity during the 4 elapsed years of the Fifth Five-Year Plan, the fixed assets of the material branches expanded by more than 25 percent. It is a favorable sign that in the fixed assets that were put into operation there was a significant increase in the ratio of machinery, equipment and vehicles (an increase of 30 percent in 1975 to 39 percent in 1979). It is characteristic of the age composition that of the expected stocks in the 1980's, 32 percent were put into operation in the Fifth Five-Year Plan. It is an unfavorable phenomenon, however, that in 1979 almost 9 percent of the stock was already obsolete (written off at zero) but was still maintained in operation.

Braking...

The capital demand of the investments which substantially exceeded the plan contributed to the unfavorable development of the foreign economic balance and caused tensions on the investment goods market. The implementation of the investments was frequently delayed; the use of partial capacities is of low degree and the running in times is long; a great deal of time is lost and additional costs are run up by improvements and additions that later become necessary. The effective realization of the investments is also hindered by the fragmentation of capital.

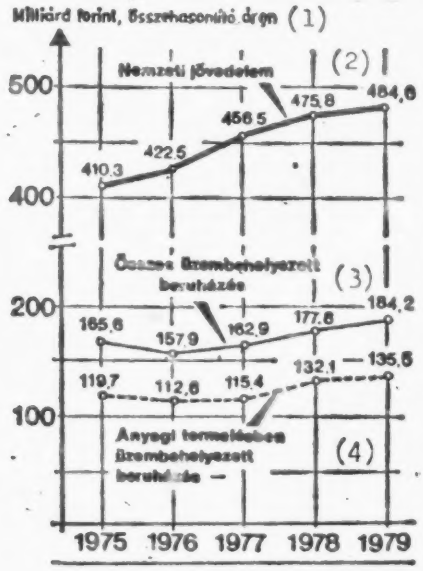
By the end of the plan period the starting investment volume was moderated as a result of the general tightening of the management conditions, tensions in the development funds, and cautious enterprise attitudes. Under the less heated investment market relations, the signs were already evident of a concentration to finish as soon as possible the developments already underway. The economic processes of 1979-1980 will create, it is expected a favorable starting point for the investments of the next five-year period.

Under the Sixth Five-Year Plan the main direction of economic policy will continue to be an improvement of the economic equilibrium, including the foreign economic balance. Since the possibilities for a domestic consumption increase in the coming years are slight but it is an important requirement to guard the living standards already attained, we plan the volume of investments in the Sixth Five-Year Plan at essentially the same level as in the Fifth Five-Year Plan. In pursuing the processes that developed in 1979-1980, it will be advisable to reduce further the investments at the beginning of the plan period, and later on--if the development of the external equilibrium situation makes it possible--the conditions for a slow rate of growth may be created in the second half. Accordingly, the volume of investments may reach the 1980 level at the end of the plan period.

An essential element of investment activity in the next plan period is that we must speed up putting them into operation, for the decline in the number of new investments is continuing and parallel with this the concentration of the implementer on the investments underway is increasing. Thus the fixed assets for producer purposes will expand by 24 to 27 percent within 5 years, including a 25 to 28 percent expansion in the total fixed assets of directly producer branches. Since the producer fixed assets increased dynamically between 1976 and 1980 (faster than planned),

significant reserves have accumulated also in the exploitation of existing means. In the next plan period as well the stock of means that is increasing more rapidly than production will establish the basis for the targeted production increase, structural change, and the modernization of the stock of means at an appropriate rate. All this requires, however, a more vigorous selection of development goals and a stricter taking into account of economy-efficiency requirements. In the interest of a rational utilization of resources available for development, we must, where this is economical, organize the utilization of modern equipment in shifts and place emphasis on the reconstruction of the plants.

Graph: Development of the Volume of Investments Put Into Operation



Key:

1. Billion forints at comparable prices
2. National income
3. Total investments put into operation
4. investments put into operation in material production

In all decision categories the enterprises' own sources share in the financing to a maximum degree.

--Priority is given to investments that improve export capability over the long run as well, reduce imports, and increase international competibility.

--We must promote at a rapid rate of realization the developments which assure a rational utilization of energy, raw materials, and waste.

--Investments that can be realized in a relatively short time and are rapidly convertible enjoy an advantage.

--Advantages are given to reconstruction type investments, or those designed to solve bottleneck problems.

--The economic realization of investments is an important interest. We must improve cost planning, the technical-economic bases of the targets, and in implementation we must prevent waste.

The ratio of state investments (in comparable structure) is declining somewhat, which means lesser investments in volume as well. Outside of investments already begun, very few basic material investments and only outstandingly important producer infrastructural investments can be put into the plan as a state investment.

The scope of producer target-oriented state investments is not changed, but they are placed into the enterprise sphere of producer infrastructural developments financed from enterprise sources.

In the sphere of other investments the planning will continue to devote special attention to meeting the justified health, cultural and communal needs of the population that are in harmony with our economic possibilities, and at the same time we wish to raise a barrier against demands that exceed these goals.

The financial role of the central council budgets are the most important in the sphere of state investments. In the future, free budgetary allowances that do not require repayment will be reduced in the sphere of producer state investments, and the share of the enterprises' own resources will be increased.

Enterprise investment possibilities will somewhat exceed the level reached in the Fifth Five-Year Plan period. It is the resolve of economic guidance to put consistently into the enterprise sphere of authority those developments for which the initiative is based on market influences and are designed to increase incompetibility, and to make the enterprise bear the risk. Export developing and subsidized credit as well as basic capital allowances may be used for these investments along with tight state preferences for effective developments.

The scope of direct state supports for enterprise investments is tightening up. It remains intact where unconditionally justified by the limited applicability of the competitive price system, the fulfillment of international obligations, or infrastructural-type economic goals (for example, environmental protection) which cannot be fitted fully in the system of enterprise interest.

The 1981 Characteristics

In the interest of improving the foreign economic balance, we must in 1981 further reduce accumulating expenditures. We need to reduce the volume of investments although somewhat more moderately than this year. One condition for this is to regulate appropriately the issuance of purchasing power.

In the sphere of large state investments (besides an appropriate rate of implementation of those in process) we may start only such as are called for in the plan and adequately prepared. Among target-oriented investments our special task is to guard the level of central housing construction and accelerate the reconstruction of hospitals and clinics, while in other target-oriented categories the investment possibilities are lessened.

According to present estimates, the enterprises may realize investments of the same amount as this year. Differentiation is made more difficult by enterprises with fund shortages, for in the final analysis the temporary help they are extended reduces the development possibilities of the enterprises that are managing well. Therefore in the future we must more firmly resist enterprise managers who overspend, by this means also preventing development fund shortages from coming about.

6691
CSO: 2500

ESCALATING PRICES OF FARM EQUIPMENT DISCUSSED

Warsaw CHLOPSKA DROGA in Polish 26 Nov 80 pp 1, 6, 7

[Article by Kazimierz Woznicki: "Farm Machine Prices - a Double-Edged Sword"]

[Text] In establishing a list of consumer goods on which prices cannot be increased, consideration must be given to how the pricing system affects farm production means, i.e., farm machines, tools and tractors.

Even now, the relations of farm equipment prices (of which more will be said later) to basic farm product prices and labor costs are not correct. These relations are, without exaggeration, far different from those of other European countries. Freezing food prices while maintaining present trends in price-fixing on farm production means may strengthen the farmers' belief that some branches of farming and crop cultivation are unprofitable.

The peasant farmers' reluctance to contract with the government for cultivation of beets, rape and grain, can be blamed on more than just unfavorable weather. These crops must be forcibly pushed in the State Farms, with the result that crops are not being rotated, techniques of field-crop production are deteriorating, and crop yields are lower.

We know that the increase in sugar production during the past ten years was obtained not because harvests were better, but because more acreage was given over to beet production. Beet harvests, to put it mildly, have not changed for years--if anything they are declining.

At this point, however, we should give prices of certain farm machines so that we can visualize the scale of events occurring in this field and understand their destructive influence on farm production.

A mechanical potato washer, Model No H067/0, named "Notec," in 1968-1969 weighed 250 kg, cost 3,200 zlotys, and was able to wash 2,000 kg of potatoes per hour.

The same kind of washer, but marked H018/1, weighing 30 kg less, cost 16,000 zlotys in 1977-1978, but its capacity was given as 1,000 kg/hr, or half that of its predecessor.

The "Jemiol" beet cutter, weighing 155 kg, cost 3,900 zlotys in 1968-1969. Nine years later it cost 6,000 zlotys, a moderate price increase. But the "Flisak" shaker-cutter went from 10,000 to 21,000 zlotys during this same period.

Before we purchased a license, we produced our own milking machines, named "Zorza." They were two-pail machines, and cost, depending on motor (one or three-phase), 7,000 or 7,500 zlotys at the close of the 1960's.

Nine years later, only milking machines produced under the Alfa-Laval license are shown in the "Agromy" catalog. For comparison, because the "Zorza" machines were produced for 20-cow sheds, I will give the prices for similar licensed machines: H-308 (12 cows) and H-305 (12-14 cows). The former cost 14,200 zlotys, the latter, 20,300 zlotys, in 1977-1978.

The Model 2070/0 "Robot" straw baling machine cost 30,000 zlotys in 1968-1969. The catalog gave its capacity as 1.5-3 tons per hour. In 1978, the "Agromy" catalog offers a Z-218 baler, 3-8 tons per hour capacity, but at a price of 115,000 zlotys.

A Z-224 baling machine now being offered to farmers costs 300,000 zlotys! This machine costs 208 zlotys per kilogram.

Dr Waclaw Klepacki of the Institute for Farm Construction, Mechanization and Electrification [IBMER], author of "A Study on How Farm Machine Price Relations are Established," wrote in the introduction to this study:

"...Unit prices (zlotys per kilogram) of tools, machines and equipment available on the domestic market, fluctuate in a very wide range: from 5.5 zl/kg (U 213 tractor-drawn harrow) to 920 zl/kg (tunnel water trough).

"The relations of machine prices to basic farm product prices show that machine prices are not advantageous to farming. For example, the self-propelled combine-harvester, Z050, costs 1,037 q wheat, 146 q pork slaughter animals, 193 q beef slaughter animals, or 1,100 q milk.

"The same relations apply to the Z-413 beet harvester. Interestingly enough, the unit price relation of this harvester is even worse, for it is almost three times higher (43.2 kg wheat for 1 kg machine) than the relation of the combine-harvester (15.0 kg wheat per 1 kg machine)."

The cost per kilogram of the Z-413 beet harvester in 1976 was 229.2 zlotys.

These are not, unfortunately, isolated prices. What is worse, while attempts have been made in recent years to create incentives for expansion of cattle and hog breeding, the prices of machines and equipment used in this breeding were at their highest, if unit costs are considered.

For example, the H-307 can milker cost 413.27 zl/kg; the previously mentioned automatic water trough (for pigs), cost 920 zl/kg; the HP-1 trough (a USSR import) cost 342 zl/kg. A sheep clipper, imported from the USSR, cost 400 zl/kg. Hatching equipment, imported from the CSSR, cost from 315.38 to 352.16 zl/kg.

These are extremely high prices, for the unit price for animal-breeding machines and equipment was 107.09 zl/kg.

Comparing, in turn, prices of machines used for milling, cleaning, sorting and drying, brings one to the conclusion or confirms the conclusion, that the animal-breeding equipment is the most expensive, for cleaning, milling, and drying machines cost on the average of 46.64 zl/kg.

The average price of animal-breeding equipment is even higher than the average price of machines used for farm product harvesting, despite the fact that these averages are greatly increased by rotary mowers for grass and green forage (161 to 172 zl/kg) and beet and forage harvesters. The average price for this machine group was 96.73 zl/kg.

While Dr Klepacki was making his study of farm machine and equipment prices, the unit prices of such luxury items as a Fiat 125 p automobile did not exceed 174 zl/kg, and electronically and automatically charged drum washers were 128 zl/kg. Compare these with the prices of milking machines (over three times higher than the unit prices for washers), automatic water troughs, and beet harvesters.

Unfortunately, these comparisons show that the farm machine industry's pricing policy did not support the government's efforts to counteract the drop in milk and meat production. On the contrary, it had a clearly destructive effect on agriculture.

Many times in past years, when I brought up the subject of farm machine prices in my conversations with management and employees of the farm machine industry, I received the reply that in comparison with farm machines in Western countries, our machines were cheap.

Here, prices in dollars or marks were given, ignoring, of course, the commodity relations. But for the farmer, it is precisely these relations that are meaningful--the relations between the prices of farm products, labor costs, and prices of machines.

The farmer asks himself: How much in terms of slaughter animals, milk, grain, or beets, must I pay for this machine?

And this method of reasoning and comparing is more valid than that of calculating farm machine prices in dollars and marks and converting these prices to zlotys.

Dr Tadeusz Pawlak, of the IBMER Department for Economics and Organization, made such a comparison for Sweden. Thus, in 1974, the commodity equivalent of the price of a medium-class tractor (0.9 t) was either 839 q wheat, 853 q rye, 8 t pork, 4.8 t beef, 10.1 t eggs, or 357 hl milk. This tractor then cost 2,996 farm labor hours. Three years later this same tractor cost 936 q wheat, 1,005 q rye, 9.1 t pork, 4.7 t beef, 416 hl milk, but now only 2,702 hours of farm labor.

Farm product prices in Western countries--Great Britain, Denmark, the FRG--grow at a slower rate than prices of machines or tractors, but farm labor costs rise faster than farm equipment prices. Because production processes in farming are mechanized, there is the alternative of manual labor or some mechanization, which is always more profitable.

Engr Piotr Dabrowski, during his last visit in France, noted the relations between farm labor costs and machine prices.

Thus, a 30-HP tractor costs the French farmer 1,900 labor hours, while it costs the Polish farmer 2,300 hours. A 52-HP tractor in France costs 3,000 operating hours; here it costs 4,000 operating hours. A 75-HP tractor in France costs 3,500 operating hours, here 7,000. A 112-HP tractor in France costs 7,600 operating hours, here 10,000. In making these comparisons, Dabrowski took into account the average labor costs in farming: 50 zlotys per hour in Poland, 16 franks in France.

The Massey-Ferguson 38 tractor costs the French farmer 2,400 labor hours, whereas the Polish farmer, because the tractor is priced at 270,000 zlotys, has to work 5,500 hours to pay for it.

If the machine producer is to find buyers for his new products, he must observe these cost limits in farming, costs which will make it profitable to use the new types of machine equipment.

But this happens only where the buyer of the machines governs the market, not the producer. In our country (there is nothing revelational in this), where the entire production of the farm machine industry is about one third of what is needed, we can speak only of the producer's market. The buyer is supposed to be happy if he can buy a machine--at any price. A price increased also by the "enclosure" or libations [i.e., bribes] which he must pay for "courtesy." To whom? How much? The farmers know all of this very well, but these unnoticed amounts seem to escape scientific studies and comparisons. If they were to be added in, the MP-38 tractor would cost more than 5,500 hours of farm labor.

There can be no talk of competition on the producer's market, competition which would take into account the cost limits in farming and actual production costs, in order not to lose sales to a competitive firm. Certainly that is why in our country the relative prices of machines and tractors are higher than in West European countries.

Has farming had an influence on the establishment of farm equipment prices? Have the opinions of farm representatives been considered?

The fact that the chairman of the State Price Commission (PKC) at one time appointed one of the known scientists from IBMER as PKC spokesman on tractor, machine and equipment matters would lead one to assume that the opinions of farming were being heeded. Unfortunately, this is not the case. Not once since his appointment as spokesman has this scientist been invited to a State Price Commission meeting at which farm machine prices were established (and this is over a period of several years).

The director of the Farm Machine and Tractor Sales Office, CZSR (Central Union of Agricultural Cooperatives), Jozef Andraczke, has not sent his employees to the PKC meetings for several years because, he says, their appearances are futile.

It is true that the principles governing the fixing of farm equipment and spare parts prices state that before a new type of tractor (domestic) or farm machine is put into production, the directors of ZPMR [Agricultural Machinery Factory] AGROMET or ZPC [Tractor Factory] URSUS, are supposed to set an upper retail price limit, after obtaining the opinions of CHSR [Agricultural Equipment Sales Center] AGROMA, the Ministry of Agriculture, and CZSR "Peasant Self-Aid." Also, because world prices must be taken into account, the opinions of AGROMET-MOTOIMPORT should also be considered. According to the IBMER employees and director Andraczke, however, the opinions of these organizations are worth very little.

Who actually decides farm equipment prices? The regulations covering this say that the chairman of the State Price Commission sets prices at the suggestion of the producer on domestically produced machines. Prices of imported tractors are set on the basis of suggestions from AGROMA and the Foreign Trade Enterprise (PHZ) of AGROMET-MOTOIMPORT, "after obtaining the opinion of the Ministry of Agriculture and CZSR," of course.

In IBMER I could find no evidence that anyone from the Ministry of Agriculture has ever asked for the opinion of a qualified staff member or requested a price study, other than Dr Klepacki's study of 1977. And CZSR, as I have already said, has washed its hands of the matter.

The basis for price changes on modernized products in the farm machine industry is the principle of division, by half, of the profits which result from this modernization--division between the producer and the users.

So what kind of profits did the users get from modernization of a manure spreader from FMR [Agricultural Machinery Factory] in Dobre Miasto? The N208 spreader cost 31,300 zlotys in 1971. After modernization, it became spreaders N219/1 and N219/3, now being sold for 62,000 and 64,000 zlotys. Doubtless after buying the present manure spreaders, the users' pockets are lighter by half. But this is as much as they profited.

I believe that since there are no competitive firms in our country, seeking out purchasers of farm equipment, since we have only a producers' market, far-reaching changes are needed in the way in which farm equipment prices are established. These changes should provide that there be input from qualified farm representatives, both practicians and scientists.

Many years ago, I learned that in the GDR a proposal for undertaking production of new types of farm machines, taking the operating cost limits into account, was approved (or disapproved) by the national science council in the Ministry of Agriculture.

Perhaps we, too, should consider such a body with similar authority, so that not just the narrow interests of industry would be the main price-fixing factor in the farm machine and tractor industries.

I believe that representatives of the Mechanization Committee in the Main Board of the Root Crop Growers Union (prof Tadeusz Karwowski of IBMER is a participant) can provide far more interesting opinions on the operation of a machine or its profitability than can CZSR officials or functionaries in the Ministry of Agriculture.

In documents regulating the matter of prices, nothing is said about obtaining the opinions of a social organization such as the agricultural circles, although this organization has a specialized Engineering and Services Section, and in that Section there is a Mechanization of Individual Farms Unit.

I have attempted to show that voluntarism in establishing farm machine prices can lead to serious economic consequences in farm production.

In the introduction I mentioned beets, and at the conclusion I would like to add that the manipulation of prices on potato planters (a two-row planter in 1971 cost 8,500 zlotys, and for several years now it has cost 28,000 zlotys, while a four-row planter costs 61,000 zlotys) has set back mechanized potato planting by several years. Yet this is an essential condition of mechanization for potato harvesting by the "Anna" harvesters.

Still, I do not believe that the authors of the increased prices of potato planters have detected the causal relationship between these prices and the fact that investments in the expansion of FMR in Strzelce Opolskie to provide manufacturing capacity for "Anna" potato harvesters, have, for years, been utilized by only half. Prices, it is apparent, are an instrument, like a double-edged sword. That is why they must be used with caution.

(Note: This article was prepared before the Sejm debate. A shortened version of it also appeared in POLITYKA No 47.)

9295
CSO: 2600

INVESTMENT LAW ADOPTED BY ASSEMBLY SESSION

AU262051 Bucharest SCINTEIA in Romanian 19 Dec 80 pp 4, 5, 6

["Investment Law" adopted by the 18-19 December session of the Grand National Assembly in Bucharest]

[Text] The development of the national economy in accordance with the main goals established by the RCP program for building the comprehensively developed socialist society and ensuring Romania's progress toward communism requires a vast program of investments that can ensure a ceaseless increase in and faster modernization of the forces of production and would create a modern and highly efficient economy in order to continuously increase the material and intellectual well-being of all the people.

Implementing the broad investments program based on allocating a significant part of national income to the development fund, requires the continuous improvement of investment activity; the strengthening of the responsibility of all those active in the field; greater exactingness in judiciously utilizing material and monetary funds available; the application of a strict system of savings; and the establishment of firm order and discipline in all stages of the investment program.

Developing investment activity under conditions of greater economic efficiency, in accordance with the new requirements of the current stage of socioeconomic development, requires greater exactingness in thoroughly substantiating the introduction of new investment projects in the plan; timely drafting and preparation of documents; the ensuring of all conditions to start and carry out the projects; their execution at a high qualitative level; the commissioning of envisaged projects on time; and the attaining of the approved technological and economic indexes.

In order to adjust the existing legislative framework to the requirements of continuously improving the investment activity, the Grand National Assembly [GNA] of the Socialist Republic of Romania adopts the present law.

Chapter I

Basic Principles

Article 1 (1)--The investment policy carried out in accordance with the RCP program for the country's socioeconomic development ensures the proportional

and harmonious development of industry, agriculture and all branches of the national economy, attaining an optimal balance among various fields of activity and rationally distributing the forces of production to develop all regions of the country, in order to promote overall social progress and meet the people's material and intellectual requirements.

(2)--Investment activity is a broad and complex process of qualitatively turning material, financial and labor resources into fixed assets by attaining new capacities and units in all economic branches and by modernizing, developing, rebuilding and overhauling existing fixed assets.

Article 2--Implementing the investment policy and more efficiently utilizing the national fund for socioeconomic development will be carried out in accordance with principles of worker self-management and economic-financial self-administration and are based on the following key goals:

A) Consistent promotion of socialist industrialization; creation of a modern industrial structure of high economic efficiency; intensive development of agriculture, judicious utilization of land and attainment of high vegetable and livestock production; rational exploitation and higher utilization of the forestry fund; higher utilization of all material and work resources; and intensive utilization of production capacities;

B) Steady development of the base of raw materials, fuel, energy and other materials and recovery and utilization of reusable material resources;

C) Development and modernization of construction, transportation and telecommunications in accordance with requirements of a balanced and proportional growth of the entire national economy;

D) Reduction of production costs, particularly of material expenditures; strengthening the spirit of savings and increasing economic efficiency in all fields of activity;

E) Broad promotion of technological progress by rapidly introducing the results of scientific-technological research into the production process; continuous increase in the technological level of production; improvement in the quality of products and their diversification in accordance with requirements of the national economy; mobilization of all reserves to increase labor productivity; promotion of the latest methods of organizing and running work and production, including the development and large-scale utilization of automation, minicomputers and data-processing;

F) Steady increase in exports; expansion of international economic cooperation ventures and increasing their efficiency;

G) Rational distribution of the forces of production throughout the country in order to ensure a more balanced development of the economy of counties; utilization of work resources and increase in the cultural level of all inhabited areas;

H) Priority in directing investment funds to the sphere of material production and productive economic branches which directly create national income, while also ensuring housing and urban development; improvement of communal administration; expansion and modernization of education, culture, health protection and other sociocultural activities; creation of conditions for better supplies and services to the people;

I) Development of small-scale industry and the priority utilization of local raw materials and reusable resources.

Article 3 (1)--Investment projects will be implemented in accordance with requirements of the country's socioeconomic development and are clearly included in 5-year and annual plans.

(2)--Inclusion of investment projects in the plan will be made on the basis of strict technical and economic substantiation and thorough examination of conditions for the sale of products for domestic needs and export; ensuring raw and other materials, energy, fuel, machines, equipment and installations primarily from domestic production; selecting a site for the investment project; and attaining high economic efficiency.

(3)--Inclusion in the plan and implementation of new investment projects will be possible only if existing capacities and areas are fully utilized. The developing and modernizing operating capacities will be primarily attained by introducing new machines and equipment into existing production facilities.

Article 4 (1)--Construction designs for investment projects in industry, transportation, agriculture and other productive branches and for dwellings and sociocultural establishments will be drawn up on the basis of standard designs, approved by law, which take into account the standardization of manufacturing technology and the utilization of building materials and elements and of standardized installations.

(2)--In order to efficiently adapt production to market requirements, reduce transportation distances for raw materials and finished products and judiciously utilize manpower, standard small-capacity designs will be drawn up for investment projects in industry and in the field of services to the people standard blueprints for such projects--made up of interchangeable parts--will be used as is or in combinations to attain units of various size, according to requirements.

(3)--Investment projects will be attained with standardized modern technology derived from our own research, which can ensure: lower consumption of raw and other materials, fuel, energy and water; utilization of secondary energy resources; minimal production costs; greater labor productivity; the manufacture of higher quality products that are competitive on foreign markets; and environmental protection.

(4)--In the field of construction, the research, drafting and execution processes will be directed toward finding new construction solutions that encompass large-scale utilization of light building materials and parts

procured from local resources at reduced costs and minimal energy and fuel consumption, and also by limiting the use of energy-intensive materials. Action will likewise be taken to reduce the size and weight of equipment, in accordance with requirements of the manufacturing processes, in order to reduce the size of construction and consequently the share of assembly-construction work in the overall volume of investments.

(5)--In drafting technological-economic documentation for investments, the design, scientific research and technological engineering units must envisage utilizing standardized machines, equipment, installations, materials, measurement and control equipment from domestic production; importing such machinery can be accomplished, in quite specific cases, only by supplementing imports with exports of Romanian products, particularly from the branch of the machine-building industry.

(6)--In designing and building investment projects, one must see to it that only minimal land areas are used, primarily those that are not fit for agriculture; one must seek to eliminate heavy foundations, to put equipment outdoors whenever possible, to combine buildings and functions and to jointly attain and use services and auxiliary capacities.

Article 5 (1)--Implementing new investment projects or developing existing capacities, as well as their financing, can only be accomplished if all necessary conditions are ensured to carry out the work within established deadlines.

(2)--The timetable for investment projects will be in strict accordance with material, human and financial resources available and will ensure that the investment volume at the end of each year does not exceed the investment volume envisaged for the following year.

(3)--To avoid dispersing capabilities and in order to fully utilize construction equipment, transportation means and manpower, they will all be concentrated on a limited number of worksites to complete projects as soon as possible.

(4)--Organizing and regulating work on worksites will be done so as to ensure that in winter all conditions exist for work that does not require heating.

(5)--All investment activity must be based on strict social control of the way in which socialist units and all working collectives carry out their duties and obligations incumbent upon them from the investment programs, which are part and parcel of the country's socioeconomic development plans.

(6)--Financial and banking bodies are dutybound to exert control over utilizing investment funds, seeing to it that work is done in accordance with plan provisions and approved documents and that expenditures are made by strictly observing legal stipulations.

Article 6 (1)--In fulfilling their duties in the investment fields, the ministries and other central and local bodies are responsible for ensuring the necessary conditions to optimally attain the investment projects, for

the quality and efficiency of the projects, for their overall completion as well as for each subordinate unit, for the resources to finance investment projects and for the judicious utilization of the funds.

(2)--Trade union organizations, other mass and public organizations, working people's councils in economic units and all working people are dutybound to consistently act to ensure that each economic unit carries out its investment activity under conditions of high economic efficiency.

Chapter II

Planning Investments

Article 7--The investments plan, which is part and parcel of the single national plan for socioeconomic development, includes all investment projects and expenditures as well as the means to implement them; it concentrates and directs a significant part of the national economic resources toward steadily expanding the forces of production, raising economic efficiency in all fields and continuously increasing the national income and, on this basis, the qualitative level of the entire nation's life.

Article 8 (1)--The inclusion of investment projects in the plan is based on rigorous technical and economic substantiation and on thorough examination of production sales at home and abroad to attain highly efficient economic capacities, which can ensure better utilization of domestic raw materials and all resources, with low energy and fuel consumption and minimal production costs.

(2)--The inclusion of investment projects in the plan is based on ensuring necessary material, human and financial resources. In order to concentrate available technical and material means and manpower on a rational number of worksites in simultaneous execution, the plan will provide for the spacing of the execution of work that, in the case of continuing projects, the investment volume left to be executed at the end of a given year does not exceed the investment volume envisaged for the following year.

Article 9 (1)--The activity of planning investments and the stages and manner of drafting the 5-year and yearly plans will be carried out in accordance with the law on Romania's planned socioeconomic development and the present law provisions.

(2)--The activity of planning investments will be streamlined for departments, branches and regions at all organizational levels, proceeding from basic economic, sociocultural and regional-administrative units, in accordance with the basic principles of planned management of socioeconomic development in order to include investment projects in the balance and overall options of the economy.

Article 10 (1)--The following will be established in the investment plan, by investment projects:

A) Project value; volume of investment, assembly-construction and equipment; manufacturing technology, capacity and location; funds for the project's

completion; deadlines for starting work, commissioning new capacities and attaining the approved technical and economic indexes; and the value of fixed assets.

B) Overall designer, overall contractor and main specialized subcontractors and overall equipment supplier.

(2)--Related and common-use projects are included in the subcontractor's investment plan at the request of the main contractor--their deadlines being correlated with the commissioning of the project.

Section I

The 5-Year Investment Plan

Article 11 (1)--The 5-year investment plan is drawn up, according to law, by the Council of Ministers, in keeping with directives of the RCP congresses and national conferences.

(2)--Investment tasks and projects included in the 5-year plan are established by ministries, other central bodies and the executive committees of the people's councils of the counties and of Bucharest Municipality, as the case may be, on the basis of the following studies and research:

A) Macroeconomic forecasts for branches and sectors of social life, for subbranches and groups of products and on a territorial basis;

B) Studies for the future development of branches, subbranches and groups of products; studies for the development of the local economy; research and studies concerning sales of products at home and abroad;

C) Special programs to modernize and assimilate products, groups of products, branches, subbranches or activities;

D) Studies on territorial systematization, plans for systematization of localities, systematization details, plans for hydrographic basins, studies to develop the energy network and placement studies;

E) Research and studies on improving technological processes, scientifically organizing production and work, introducing new technological processes and manufacturing new products;

F) Geological, topographical, geotechnical and hydrological field studies and research;

G) Other studies and research necessary to substantiate investments.

(3)--In order to include an investment project in the investment plan, end users will present technical-economic substantiation memorandums endorsed by the State Planning Committee, the Ministry of Finance and the Ministry of Technical-Material Supply and control of the management of fixed assets.

On the basis of economic-technical substantiating memorandums, the necessity and opportunity for investments will be established under conditions of making complete use of existing capacities and ensuring product sales at home and abroad and by specifying the manner in which the requirements for raw materials, fuels, energy, equipment and production facilities, manufacturing technology, location and works stages will be ensured, as well as the cost and efficiency of projects as compared to similar projects characterized by high economic-technical performances at home and abroad.

Article 12--The ministries, the other central bodies and the executive committees of the county and Bucharest Municipality people's councils are responsible for ensuring thorough substantiation of the 5-year investment plan by constantly organizing and carrying out such activities as scientific research and technical engineering and by drafting estimates, development programs and studies, blueprints and planning details, studies and research work on schedule to ensure the sale of products at home and abroad, as well as the other necessary studies and research work to substantiate investments.

Article 13 (1)--The new investment projects can only be included in the plan if construction areas and existing capacities are completely utilized. Priority will be given to modernizing and reequipping operating units and to supplying new machines and equipment without building new halls.

(2)--In planning new production capacities, utilization of local equipment and installations, introduction of modern technology and mechanization and automation of production processes and their rational location, must be ensured.

(3)--The development of an existing unit has to follow a uniform concept that will include all stages of a 5-year plan period and that will hold a distinct position in the plan.

Article 14 (1)--When planning new capacities both their optimal size--so as to avoid long-distance transportation of raw materials, products and manpower--and the possibility of building the same size and type of capacities--modular system--in several locations must be ensured.

(2)--To secure the necessary products for the people and the necessary construction materials, the plan will envisage the development of small-scale industries within the cooperation system and people's councils mainly by making use of local raw materials and reusable resources.

Article 15 (1)--The length of time for carrying out investment projects--from the opening of the construction site to the commissioning of the project, including the period needed for technological tests, will be as follows:

A) Up to 9 months for investment projects whose execution designs will be approved by the collective leadership bodies of centrals and enterprises;

B) Up to 12 months for investment projects whose execution designs will be approved by the collective leadership bodies of ministries, and other central bodies and by the executive committees of the people's councils of the counties and of Bucharest Municipality.

C) Up to 24 months for investment projects whose orders will be approved by presidential decree.

(2)--For large-scale and very complex projects or projects that will be built under special conditions and projects whose execution cannot be undertaken except during certain periods of the year owing to their nature and peculiarities, a longer execution period than that specified in paragraph (1) will be required and will be approved along with the order.

Section II

Annual Investment Plan

Article 16 (1)--The annual investment plan will be drafted by the Council of Ministers and will be submitted for approval under conditions provided by law.

(2)--The annual tasks and provisions envisaged by the 5-year plan will be given definite shape and will be updated within the framework of annual plans on the basis of schedules for spacing investments and the economic contracts concluded and in conformity with material, human and financial resources and by taking into consideration the development of demand on the domestic and foreign market, as well as other factors which improve the initial plan provisions and bring about an increase in economic efficiency.

Article 17 (1)--The inclusion of investment projects in the annual plan will be done on the basis of approved orders for projects approved by presidential decree. In the case of investment projects whose orders are approved by the ministries, the other central bodies, the executive committees of the county and Bucharest Municipality people's councils and by centrals and enterprises, the inclusion in the annual plan will take place on the basis of major economic and technical indicators in the orders as approved by presidential decree.

(2)--Machines, equipment, transportation means and other investments of that kind--which are not included in the investment projects--as well as geological work, drilling, afforestation, planting, soil erosion prevention, pastures, lakes and ponds, land reclamation, land studies and research, design expenses and other work and expenses concerning investments in keeping with the law, will be included in the plan in separate lists. Those lists shall be submitted for approval along with the adoption of the single national plan and must be based on the justification of the need, the opportunity and the effectiveness and other factors characteristic of each position in keeping with the provisions of the present law. Those lists will be drafted by the ministries, the other central bodies and the executive committees of the county and Bucharest Municipality people's councils and will be approved by the State Planning Committee, the Ministry of Finance, the Ministry of Technical-Material Supply and control of the management of fixed assets and by the financing banks.

(3)--The bodies mentioned under item (2) will approve the inclusion in the annual investment plan of new machines, equipment, transportation means and other such investments only if the existing ones are used in keeping with planned indicators.

(4)--Housing construction--including trade units and sociocultural establishments, service units located in apartment houses and the related technical-urban and energy work--will be included in the annual plan on the basis of lists containing the number of apartments according to structure and county, height norms, areas designed for other than housing purposes and the total value according to categories of use by observing the town planning details approved by law.

Article 18 (1)--Investment volumes included in the annual plan will be established as follows: Total investment; construction-assembly, including construction and installation; equipment with assembly; equipment without assembly; and other expenses.

(2)--The amount of technical equipment in stock, or in the course of being assembled, at the end of the year is established by the annual plan for ministries, the other central bodies and the executive committees of the county and Bucharest Municipality people's councils.

(3)--The annual plan provisions for each investment project are based on the progress established in the investment timetables; in the case of projects underway, one should also take into consideration the preceding stages already carried out.

Article 19 (1)--The annual investment plan will distinctly specify investment projects which will be started in the coming years and for which the economic-technical documentation is to be drafted, and will also specify the deadline for submitting the orders and blueprints for approval. New investment projects which are not included in the 5-year plan shall be stipulated in the economic-technical substantiating notes specified in Article 11 item (3).

(2)--Investment holders and units of scientific research, technical engineering and design are dutybound to ensure the drafting and approval of the economic and technical documentation for such projects before the plan for the year in which a given project will be started has been drafted.

Chapter III

The Drafting, Endorsement and Approval of Economic and Technical Documentation

Section I

Standardization of Construction Work

Article 20 (1)--All types of construction work within the framework of investment targets which is underway in industry, transportation, agriculture and the other productive branches, as well as apartment houses, sociocultural and administrative establishments, is designed and executed on the basis of standard blueprints approved by the law and on the basis of endorsement by the Standardization and Typification Commission for Civil and Industrial Construction, the State General Inspectorate for Investments and Construction and the Central Institute for Construction Research, Design and Guidance.

(2)--The standard blueprints establish the areas and main proportions of the construction projects, the construction solutions, the consumption limits of construction materials and installations and the maximum limit of price estimates for the construction-installation work.

(3)--In drafting standard blueprints, one must see that they can also serve as blueprints for prefabricated parts which, when assembled, should be used for the same type of buildings of various sizes.

Article 21 (1)--The standardization of construction is performed in close connection with the standardization of production and equipment technologies, so that the size of buildings and of other construction will be strictly in keeping with the requirements for the proper development of the production process.

(2)--In the case of industrial construction, the size and height of halls and of the other production buildings will be established in strict conformity with the manufacturing process and the size of technological equipment and installations. One should try to occupy minimal areas of land, and especially to use land which is inadequate for agriculture and requires low foundation expenses, and take into consideration the amalgamation of buildings and functions, the placement of equipment outdoors, the ventilation and lighting of halls by making use of daylight and basing the size of thermo-insulators for construction on technological requirements.

(3)--For investment projects in industry and in the field of services, standard blueprints will be drafted for small-scale capacities to ensure a cutback in the transportation distances for raw materials and finished products, a judicious use of manpower and an effective adaptation of production to market requirements.

(4)--For investment projects in agriculture, animal breeding and irrigation and land improvement, standard blueprints will include simple construction solutions that make extensive use of local materials.

(5)--In the case of investment projects in the field of transportation, road sections will be standardized and solutions will be adopted which cut back the use of bitumen to the minimum and make extensive use of local materials, slag and ashes from thermo-electric power plants.

Article 22--For any kind of construction, only standardized construction materials, elements and installations will be used, as well as local materials and resources under such conditions as envisaged by law.

Article 23--The solutions adopted in standard construction designs must ensure construction with a minimum consumption of materials and energy, a reduction of its duration, a durability and stability of the construction, an increase in labor productivity in the design and execution of investments, the promotion of efficient technologies in the construction process and a reduction in weight and costs. They must ensure optimal conditions for operating and production processes and the achievement of maximum exploitation efficiency.

Article 24--The execution details of standard designs will be drafted by the scientific research units and by technological engineering and design units, strictly respecting the standard design provisions and will be approved by the Central Institute for Construction Research, Design and Guidance, for common construction for several branches, for apartment houses and for sociocultural and administrative establishments, and by the Ministry or the coordinating central body for construction in branches for which they are responsible.

Article 25 (1)--The ministries and other central coordinating bodies for branches are responsible for drafting and submitting for approval the standard blueprints necessary for investment projects in their fields of activity in conformity with the standardization plan which is part and parcel of the single national socioeconomic development plan.

(2)--Standard construction blueprints drafted by the ministries and other central coordinating bodies for branches, designed for projects in their field of activity, are compulsory for all units which have to design and carry out such projects, irrespective of their subordination.

(3)--Ministries, other central bodies, executive committees of the county and Bucharest Municipality people's councils, units for scientific research, technological engineering and design are dutybound to ensure the constant improvement of standard designs and the drafting of new ones in keeping with the standardization plan provisions.

Section II

Drafting Economic and Technical Documentation

Article 26--Economic and technical documentation for investment projects are the following: the order and the execution blueprints.

Article 27 (1)--The order establishes: the capacity expressed in physical units, the economic requirement and efficiency and the limits of economic and technical indicators of the investment project--compared with similar projects characterized by high economic-technical performance at home and abroad--the technology, the production profile, the product quality and characteristics, the length of time and stages of execution, the location, the kind of fuel used, the manner in which raw materials, fuels and energy are secured and a manner in which the products are marketed--at home and abroad--the maximum limit of raw materials specific consumption and the specific consumption of other materials, fuels and energy established on the basis of norms, regional cooperation and general plan elements and indicators.

(2)--The order will specify the standard construction designs according to which the component parts of the investment shall be built and, as may be the case, will specify the construction system according to which the new project will be built, as well as the conditions and ways of adapting them to the area. In special situations when the production processes, the location or other requirements make it necessary to use unique designs, this will have to be justified and approved for each case separately on the basis of an order.

(3)--The order will be issued by ministries, other central bodies, centrals, enterprises, other socialist units, the executive committees and bureaus of the people's councils and by units for scientific research, technological engineering and design. The drafting will be done in accordance with the 5-year plan provisions and will be based on the studies and updated elements envisaged in Article 11 of the present law.

Article 28 (1)--The execution blueprint is the documentation that gives technical details and supplies thorough and tangible solutions to the elements in the order.

(2)--In adopting the solutions included in the execution blueprint, one must ensure the improvement of economic and technical indicators and of the other provisions in the order.

(3)--For investment projects which consist of a production capacity system, one uses the execution blueprint of the capacity system adapted to the respective area.

(4)--The execution blueprint is drafted by the units for scientific research, technological engineering and design within the deadline envisaged in the approved order.

Article 29--In the course of drafting the execution blueprint, the overall designer, together with the ministries, the other central bodies, the executive committees of the county and Bucharest Municipality people's councils, the centrals and enterprises benefiting from investments and together with other units participating in the investment, will draft the following documents that will be forwarded along with the execution blueprint:

A) The investment spacing schedule that establishes the stages of construction-assembly work and the technological test runs in conformity with the length of time and deadlines for putting the planned capacities into operation;

B) Delivery schedules for equipment, through which delivery deadlines for machines, machine tools, equipment, installations and technological lines are established in accordance with the schedule for spacing, investments;

C) The manpower chart, which establishes the length of time and the way of recruiting and training the personnel required by the end-user for a normal utilization of the capacities;

D) The chart on fulfilling the key technical and economic indexes: production, labor productivity, costs and profits;

E) The program for checking the durability of the construction project established by the designer and end-user;

F) The documentation for acquiring and clearing the land required by the investment project and the organization of the worksite, and other documentation for obtaining the necessary approvals and endorsements envisaged by law.

Article 30 (1)--Execution blueprints for industrial investment projects contain manufacturing technologies which have been previously approved by law.

(2)--Scientific research, technological engineering and design units together with enterprises, centrals and ministries which are investment plan-holders and with equipment suppliers and the National Council for Science and Technology, are dutybound to continuously improve manufacturing technologies and to conceive new technologies and equipment of high quality and performance, so as to ensure industrial projects with low consumption of raw and other materials, fuel and energy at the level of the best achievements at home or abroad.

Article 31--The execution technologies, construction solutions and organizational plan of the worksite will be established by the general designer together with the general contractor and the main specialized subcontractors, during the drafting of the execution blueprint.

Article 32 (1)--The execution blueprints will envisage overall and construction solutions, as well as solutions for adjusting standard designs to the respective site, which should lead to reducing the volume, weight and costs of construction, as well as the size of the land occupied by the project; to ensuring low consumption of building materials, particularly those materials that consume energy; to assembling a large number of installations outdoors; to shortening the execution period; and to raising the efficiency of the operations.

(2)--The execution blueprints will adopt technologies, production flows and organizational systems for production and work which can ensure higher processing of raw and other materials, with minimal fuel and energy consumption, as well as high productivity, high-quality products, minimal expenditures and high efficiency.

Article 33--Ministries, other central and local bodies, centrals, enterprises and other socioeconomic units are dutybound--while drafting the execution blueprints--to examine the solutions adopted and see to it that they are in accordance with legal provisions, orders and technical regulations.

Article 34 (1)--Execution details and estimates for objects will be drafted by adapting standard designs to the terrain and to combined projects envisaged in the order, in strict accordance with solutions and stipulations included in the approved execution blueprint. The assembly-construction work will be carried out on the basis of standard and execution designs, including the specifications of the execution details, and will be discounted on the basis of execution estimates. Execution details and estimates will be drafted by scientific research, technological engineering and design units, and will be approved by the collective management body of the investment's end-user which, together with the designer, is responsible for the observance or provisions included in the approved execution blueprints.

(2)--In drafting execution details and estimates, the scientific research, technical engineering and design unit, together with the investment's end-user and the general contractor, can abandon several individual elements or can merge the elements envisaged in the execution blueprint, if by doing

this the technical-economic indexes and the functioning, working and utilization conditions are maintained or improved; if work security, hygiene, fire prevention measures, water utilization stipulations and environmental protection measures are observed; and if the modifications made contribute either to reducing the cost of construction and the consumption of scarce materials or to shortening the execution period. Likewise, the approved overall value and the assembly-construction value must not be exceeded.

Article 35--The framework content of the order and of the execution blueprint, as well as the necessary endorsements for their drafting, are specified in annexes No 1 A to D and No 2.

Section III

The Endorsement and Approval of Technical-Economic Documentation

Article 36 (1)--The orders and execution blueprints will be examined in technical-economic councils or commissions, and will be discussed and approved by the management councils of ministries and other central bodies, by the working people's councils in centrals and enterprises, and by the executive committees and bureaus of the people's councils, as the case may be, according to provisions of the law.

(2)--The collective leadership bodies envisaged in item (1) are responsible for the content of orders and execution blueprints, for obtaining the approvals and endorsements envisaged by law, and for observing legal provisions, the approvals and agreements received and the final endorsements.

Article 37 (1)--Orders for important investment projects will be approved by presidential decree, for each individual project. Orders will also be approved by the collective management bodies of ministries, by other central bodies, centrals and enterprises as well as by the executive committees of the people's councils of the counties and of Bucharest Municipality for other projects, in accordance with the areas of jurisdiction included in annex No 3.

(2)--For investment projects whose orders are within the jurisdiction of ministries, other central bodies, the executive committees of the people's councils of the counties and of Bucharest Municipality, centrals and enterprises, the Council of Ministers will submit for approval the technical-economic indexes included in the orders, according to annex No 4. The investment lists, including the main technical-economic indexes, will be drafted by ministries, other central bodies and the executive committees of the people's councils of the counties and of Bucharest Municipality and will be submitted for approval after their examination by the council for coordinating investment activity.

Article 38 (1)--For investment projects whose orders are approved by presidential decree, the execution blueprints will be approved by the Council of Ministers. If they do not conform to technical-economic indexes stipulated by the approved order, the execution blueprints for these projects will be submitted for approval by presidential decree.

(2)--For other investment projects, the execution blueprints will be approved according to the areas of jurisdiction included in annex No 3. If the execution blueprints do not conform to technical-economic indexes approved by presidential decree, the technical-economic indexes of the respective investment projects will be submitted for approval of presidential decree.

Article 39 (1)--Orders and execution blueprints which are approved by presidential decree must previously be endorsed by the Council of Ministers at the proposal of the council for coordinating investment activity. The execution blueprints which are approved by the Council of Ministers must be previously endorsed by the council for coordinating investment activity.

(2)--Orders and execution blueprints envisaged in item (1) will be examined by the council for coordinating investment activity on the basis of the single endorsement of the State Planning Committee, the Ministry of Finance, the Ministry of Technical-Material Supply and control of the management of fixed assets, the National Council for Science and Technology, the State Committee for Prices, the General State Inspectorate for Investment Construction and for financing banks and, as the case may be, the Ministry of Foreign Trade and International Economic Cooperation and the committee for people's councils' affairs.

(3)--Orders and execution blueprints which, according to provisions of annex No 3 of the present law, are approved by ministries, other central bodies, the executive committee of the people's council of the counties and of Bucharest Municipality. Centrals and enterprises will be previously endorsed by the financing banks.

(4)--Execution blueprints within the competence of ministries, other central bodies and the executive committees of the people's councils of the counties and of Bucharest Municipality will be approved by these bodies only after the General State Inspectorate for investment construction and industrial technologies and the National Council for Science and Technology have checked the construction solutions.

(5)--The single endorsement, respectively, the endorsement of the financing banks, will be granted within 15 days for orders and 20 days for execution blueprints.

(6)--Execution blueprints which are attained on the basis of prefabricated parts, as well as execution blueprints of projects that are fully attained on the basis of standard designs, will no longer be submitted for endorsement if their value and other technical-economic indexes are in accordance with provisions included in the order or in the investment lists as stipulated in Article 37 item (2), as the case may be. They will be approved by the collective management body of the investment's end-user.

(7)--Lists including machines, equipment, transportation means and other investments, as stipulated in Article 17 item (2), will be substantiated on the basis of elements in annex No 5. Before being submitted for approval, the lists will be endorsed by the collective leadership bodies of ministries, other central bodies and the executive committees of the people's council of the counties and of Bucharest Municipality.

Article 40--Ministries and other central and local bodies which must endorse certain technical or economic data in the orders and execution blueprints, and provide design elements for the new investment projects--concerning the location, utilities, raw materials, fuels and energy, product sales, railroads and roads, the occupation of lands and other elements--are obliged to reply to requests for endorsement or provide the necessary elements during the process of drafting orders and execution blueprints, within a maximum of 15 days from receipt of the requests, if the law does not stipulate another deadline.

Article 41--After the approval of the orders and investment lists as stipulated in Article 37 item (2), one must proceed to finalizing the execution blueprint, coordinating the contracts on domestic deliveries and contracting imports of long-life, standardized or renewable equipment, under conditions envisaged by law.

Article 42--The approved execution blueprint represents the technical-economic documentation on whose basis one ensures, according to provisions of the law:

A) The coordination of assembly-construction contracts;

B) The coordination of contracts on internal equipment deliveries and the conclusion of contracts on imports of equipment other than those stipulated in Article 41;

C) Beginning financing for the investment project and beginning assembly-construction work, with the fulfillment of other conditions established by law.

Chapter IV

Attaining Investments

Article 43--Implementation of any investment will be carried out only if it is envisaged by plan and only if the execution documentations, technological equipment and all other conditions necessary to commission it by the planned deadline are ensured, including the approvals for demolition or replacement of fixed assets, for fuel utilization and for taking lands out of the agricultural circuit or the forestry stock, as well as other approvals required by law.

Article 44 (1)--In order to implement the investment projects, the end-users will conclude economic contracts with overall designers, technology suppliers, general and other equipment suppliers, as well as with general contractors and specialized subcontractors, in accordance with provisions of the law.

(2)--The contracts will establish the obligations and responsibilities of the parties, execution deadlines and penalties and reparations for nonexecution of commitments assumed. The contract provisions must ensure attaining the planned investment and assembly-construction volume as well as commissioning the capacities by the deadlines envisaged by the plan.

(3)--In coordinating contracts, the end-users, the scientific research, technical engineering and design units, the assembly-construction units and the equipment suppliers are dutybound to observe exactly deadlines for completing the execution documents and delivering the equipment, as well as execution deadlines for assembly-construction work, as established in the approved timetables.

Section I

Ensuring Blueprints for Investment

Article 45 (1)--Investment project end-users are dutybound to conclude contracts for drafting the necessary technical-economic documentation of an investment project with a single design unit, which will fulfill the function of overall designer.

(2)--The overall designer is a unit of scientific research, technical engineering and design, which has the task of drafting all technical-economic documentation on whose basis an investment project is attained. The overall designer is responsible for observing the technical and economic solutions envisaged in the documentation, according to legal provisions, for supervising their implementation until the approved indexes are attained, and for completing the documentation by the deadlines envisaged in the economic contract concluded with the investment project end-user.

(3)--In order to draw up certain parts of the technical-economic and blueprint documentations, which fall within the specialized sphere of other design units, the overall designer will conclude contracts with the respective design units, which will have the function of specialized designers. The specialized designers are dutybound to conclude design contracts for activities falling within their sphere, with deadlines correlated to the final deadline established in the contract concluded between the overall designer and the investment project end-user, and are responsible for the adopted solutions.

(4)--For investment projects of less complexity, the end-users can draft technical-economic documentation for parts of these documents with their own means.

(5)--The overall designer can conclude contracts with the assembly-construction unit to draft certain parts of the execution blueprints, as well as execution details and estimates. In this case, the assembly-construction unit has the function of specialized designer for the contracted design activities.

Article 46 (1)--For important investment projects, the ministries and other central and local bodies with subordinated scientific-research, technical engineering and design units will appoint the head designer and the collective of designers, ensuring stability and conformity in the design activity. They will be responsible for the entire design activity until the commissioning of the capacities and the fulfillment of the approved indexes.

(2)--The collectives of technical engineers and designers will conclude contract-commitments, according to annexes no 6 and 7,

Article 47 (1)--All data concerning the production capacity and profile, the technology, functioning and location, the operational conditions of the new project, the technical-economic limit indexes and other data required by the designer to draft the contracted technical-economic document will be made available to him by the investment project's end-user, by deadlines envisaged in the contract.

(2)--The designer is dutybound to draft and complete the necessary documentation under conditions envisaged in the contract and the investment timetable, and to check, on the spot, their implementation and the quality of work.

Article 48--The delivery of execution details and estimates for the entire assembly-construction envisaged in the plan to the assembly-construction units will be made according to the schedule of the technical execution work as established in investment timetables, within the following deadlines:

A) At the latest, up to the end of the first half of the year preceding the year envisaged in the plan, for investment projects that continue from the previous year;

B) At least 6 months before the start of the execution of work, for new investment projects.

Article 49--Scientific research, technical engineering and design units are also responsible for drafting the contents of technical-economic documentation for investment projects, and have the following main duties:

A) To ensure the overall concept of the designed project, as well as being responsible for the level of technical-economic indexes, for the possibility of attaining these levels, for the economic efficiency of the designed capacities and units, for the solutions adopted and for implementing technical and economic directives and stipulations;

B) To adopt modern technologies, equipment, machinetools, installations and technological lines, mainly standardized, which can ensure greater efficiency, high labor productivity and low energy consumption;

C) To establish, together with assembly-construction units, rational overall solutions and the latest and most efficient construction solutions, which can ensure the durability, stability and safety of the finished project, and reduce material, fuel and energy consumption as well as the execution time;

D) To provide technical assistance throughout the execution of the assembly-construction work, during test runs and the commissioning of the capacities, and in the stages of attaining the approved technical-economic indexes.

Section II

The Execution of Assembly-Construction Work

Article 50 (1)--The assembly-construction work for investment projects will be executed by assembly-construction units appointed as general contractor or specialized subcontractor.

(2)--For the execution of operations or parts of operations which are not within their specialized field, general contractors may conclude contracts with subcontractors that are subordinated to the same hierarchically higher body. The deadlines stipulated in these contracts will be correlated to deadlines stipulated in the investment timetable and in the contracts concluded with the investment end-users.

(3)--The general contractor is the assembly-construction unit which has the task of ensuring completion of the assembly-construction operations of a given project according to plan tasks, on the basis of the overall contracting arrangement concluded with the investment end-user. The general contractor is responsible for the execution of operations with its own forces, and for the coordination of those operations carried out by subcontractors. He is also responsible for completing work by deadlines established in the contract, in accordance with provisions of the technical-economic documentation.

(4)--Centrals and enterprises, which are the recipients of investment projects, are obliged as a rule to carry out--with their own forces and under state supervision--assembly operations and construction work, to reequip existing capacities, and to execute other current construction operations and technical installations within the respective units, as well as less complex operations in the agricultural field.

Article 51 (1)--The coordinators of industrial areas or platforms, their general contractors and the overall designers in charge of the coordinating organizational blueprints, are established by presidential decrees of approval for the respective areas or platforms, on the recommendation of the executive committees of the people's councils of the counties or of Bucharest Municipality, with the agreement of ministries and other interested central bodies, the State Planning Committee and the committee for people's councils' affairs.

(2)--The function of coordinator will be given, as a rule, to the executive committee of the people's council of the county or of Bucharest Municipality, in whose territorial sphere the respective industrial area or platform is located.

Article 52--The industrial area or platform coordinator will organize and supervise the correlated and uniform fulfillment of investment projects. Together with the investment project end-users in the given area; he will establish the type and value of facilities of common interest--connected or in common usage--will see that they are included in the plan and will ensure the necessary economic-technical documentation in correlation with the deadlines of the operations they serve and in keeping with the coordinating area or platform timetable.

Article 53 (1)--The performance of construction-assembly work for all projects located in a given industrial area or platform is ensured on the basis of a coordinating organizational blueprint.

(2)--The coordinating organizational blueprint, drafted by the general designer of a given industrial area or platform, establishes as follows: a single production base for the overall area or platform; a stable base

for equipment and means of transportation; single storage and socioadministrative annexes which shall be jointly used both by the general contractor, the specialized units working with him under a subcontract and by the specialized subcontractors.

Article 54--Organizational work is performed in keeping with the provisions of the worksite's organizational blueprints and within the limits of funds allocated for this purpose in the general estimate, which should not be exceeded or used for financing other work and other expenses.

Article 55--For the normal progress of work on worksites, end-users are duty-bound to ensure--in keeping with deadlines and conditions envisaged in timetables--the handing over of locations, blueprints, execution details and estimates, the equipment and materials they are in charge of, the financing and settlement of accounts for work performed and the other conditions envisaged by law.

Article 56--The investment project end-users, units for scientific research, technical engineering and design and units for construction-assembly will organize and space out the work on worksites, so that during the winter only indoor work or outdoor work that does not require fuel for heating, will be performed.

Article 57 (1)--The savings achieved by the construction-assembly units by their own efforts, resulting from improvements in solutions envisaged in the execution blueprints and details, and savings from execution technologies or other rationalization accepted by the general designer and by the end-user shall be reflected in the economic-financial activity of construction-assembly units.

(2)--Savings must be achieved while observing the functionality, exploitation and labor safety, product quality, and approved economic, technical indicators and only if certain materials are not replaced by other energy-intensive materials. Savings shall be established in keeping with the execution estimates for various projects.

Article 58--The construction-assembly units are responsible for the performance of work in keeping with deadlines and the product quality envisaged in the economic-technical documentation, and have the following main duties:

A) To cooperate when drafting execution blueprints, details and estimates with the units for scientific research, technical engineering and design, and with the investment end-users in establishing construction solutions, execution technologies, solutions for organizing the worksite and in drafting investment timetables;

B) To draft details of the worksite blueprint for those tasks specified by the execution blueprint, thus ensuring the judicious utilization of the means envisaged for this purpose;

C) To carry out construction-assembly work in conformity with the investment timetables, with the duties assumed under contracts and respecting the construction solutions approved in the economic-technical documentation and the construction norms and laws, as well as ensuring good quality work.

D) To ensure that material consumption norms are not exceeded and that they are constantly cut back by applying adequate technologies, by proper management on worksites and by making extensive use of local materials;

E) To organize and ensure the proper progress of production processes and of work on worksites, and to utilize construction equipment and transportation means with maximum efficiency;

F) To draft and apply modern technologies in construction-assembly work, so as to increase labor productivity, improve work quality, shorten execution deadlines and ensure labor safety on worksites;

G) To organize quality control throughout the execution time and to bear responsibility for the quality of work performed.

Article 59--The units which perform the assembly of technical equipment are dutybound to carry out mechanical tests--before, during or after the assembly work is completed--in keeping with assembly provisions, technical rules and the provisions stipulated by the economic-technical documentation. They are also dutybound to test-run the technical equipment for the period of time requested by the supplier or by technical rules in order to check the operation of the various components and to ensure the parameters established on the basis of the technical conditions of the equipment.

Section III

Securing Equipment for Investments

Article 60--The equipment, machines, outfits, installations and technological lines, including precision instruments, which are necessary for investment projects--termed as equipment by the present law--will be ensured by the investment end-users and on such deadlines as will ensure fulfilling the investment volume and commissioning the production capacities in keeping with plan provisions.

Article 61 (1)--If, for achieving an investment project, it is necessary to use complex accessories--equipment, outfits, installations and technological lines--they will be ensured by the general supplier with whom the end-user concludes a single contract. In the case of the other equipment, the end-user will conclude contracts with the suppliers manufacturing the given equipment.

(2)--The general suppliers and other suppliers--termed as suppliers in the present law--are responsible for the delivery of equipment by respecting the deadline envisaged in the contracts and on the basis of equipment delivery timetables. The end-users are obligated to ensure that--between

the time of its being supplied and that of handing it over to be assembled--the equipment is stored on the worksite within the norms envisaged by law.

Article 62 (1)--Suppliers are obligated to ensure the delivery of equipment with established qualitative parameters, for which purpose they will carry out all tests envisaged in the standard economic-technical documentation, standards, task notebooks and others as envisaged by law.

(2)--To ensure conditions for machining equipment, the end-user is obligated to furnish the supplier with the equipment blueprints in keeping with the contract deadline, or to acquire them if they were drafted by the supplier.

(3)--The equipment necessary for achieving investment projects will be submitted for approval under conditions envisaged by the plan.

(4)--To achieve short assembly times on worksites, suppliers are obligated to ensure the assembly of component parts for complex equipment in the plant in conformity with the technical documentation provisions, to verify whether they strictly meet the planned technical and quality norms, and to efficiently participate in their assembly on the worksite.

Article 63 (1)--Equipment suppliers are obligated to render technical assistance in equipment assembly, in carrying out technological tests and in commissioning production capacities. They are obligated to remedy defective equipment during the test period and within warranty terms.

(2)--Equipment suppliers will ensure the delivery of spare parts and train the personnel that will work with that equipment.

Article 64--The contracting of imported equipment can be concluded only if that equipment cannot be obtained from domestic production and if it has been approved in keeping with the law.

Article 65 (1)--The case of imported equipment, which has been approved in keeping with the law, the ministries, other central bodies, executive committees of the people's councils of the counties and Bucharest Municipality, together with the equipment suppliers, the general designer and the foreign trade enterprises will see that the contracts on imported equipment include firm obligations by suppliers, such as: delivering the documentation for spare parts and special materials, and delivering the apparatus necessary for manufacturing the envisaged equipment at home; ensuring technical assistance and training personnel; ensuring the testing of operating equipment at the supplier's place or in other enterprises abroad, as the case may be, in keeping with obligations envisaged by law; and demonstrating the achievement of the economic-technical parameters of the given equipment.

(2)--Contracts will be concluded on the basis of the contract order envisaged in annex 8 and the import applications and technical cards which are endorsed and approved in conformity with conditions envisaged by law.

Section IV

Commissioning Investment Projects

Article 66 (1)--Commissioning production capacities takes place on the date on which the overall work, the equipment and installations of the production capacity meet the level of production and activity and the other commissioning indicators envisaged in the timetable, the product variety and product quality are as envisaged in the documentation, and the conditions of full operability and equipment security exist. The end-users are obligated to ensure the observance of deadlines for commissioning projects.

(2)--Commissioning production capacities will be performed only after the completion of test runs and after a normal work process and the standard operational conditions have been secured in keeping with the law. End-users are responsible for the preparation and complete and correct performance of test runs on schedule.

(3)--The end-users will carry out test runs after taking over the equipment, installations and work from the general contractor--on the basis of acceptance documents--which determine the commissioning of the production capacity.

(4)--Investment project end-users and construction-assembly units are obligated to prepare waste-water purification stations and other installations stipulated in the approved technical-economic documentation for the purpose of environmental protection by the time of the test runs or simultaneously with the commissioning of the facility.

Article 67--Investment end-users are obligated to complete the formalities of taking over equipment and installations that can be put into operation independently and to commission them--if they are justified from an economic viewpoint and even if work has not been fully completed--and ensure equipment and installation security and normal operating conditions.

Article 68--Investment end-users are obligated to ensure training of the working personnel needed for the new investment projects in conformity with the timetable provisions for ensuring manpower, which are included in the execution blueprints. The training of personnel is carried out in existing similar units by participating in the production process and on the basis of appropriate remuneration for work performed.

Article 69 (1)--Hiring, using and remunerating the labor force by the investment end-users--during the execution period and up to the beginning of production--will take place in accordance with the law, so that at no time are more workers employed than the number stipulated in the timetable for each of the execution stages.

(2)--Production personnel will be hired corresponding to the beginning of test runs or in keeping with production by strictly observing hiring schedules and the planned remuneration fund.

(3)--In cases in which execution and test runs are delayed, compared with the investment timetable provisions, or in case production is not fulfilled at planned parameters, the economic units are obligated to take measures so that the workers are used for construction at similar units or in other units in other sectors of activity.

(4)--Technical, economic and other specialized and administrative personnel--from the operational apparatus--may be hired at the beginning of the building of an economic unit only while keeping within the number of personnel approved in the construction documents. Such personnel may be further employed only in keeping with production fulfillment and in conformity with the timetable.

(5)--Technical personnel and other specialized and administrative personnel can be employed in keeping with provisions of the standard organizational program of the unit and only after all economic-technical indicators have been approved.

(6)--Financing banks are obligated to exert preventive and strict control over how the given remuneration fund for working personnel is used. They shall make the remuneration fund available only in keeping with requirements imposed by the execution stage of investment projects.

Section V

Taking Over Investment Projects

Article 70 (1)--Investments will be taken over by appointed acceptance commissions which verify the overall fulfillment of projects and of the investment project as a whole in conformity with the approved economic-technical documentation. They will confirm the completion and quality of construction work and installations, the normal operation of the technological equipment and installations and the fulfillment of all conditions to commission the facilities and achieve the approved technical-economic parameters.

(2)--The acceptance commission is responsible for the takeover and decides whether to accept or reject the project.

(3)--For investment projects whose execution blueprints are approved by presidential decree, the acceptance commission will be appointed by the Council of Ministers. In the case of the other projects, the acceptance commission shall be appointed by the body that approved the execution blueprints.

(4)--For very important investment projects, the acceptance commission chairman shall be appointed from among the leading cadres in ministries, other central or local bodies of the state administration and the commission shall include men of science, engineers, foremen and highly skilled workers, from among those who form the basic nucleus of the personnel taking over the project and from among other specialists.

(5)--The acceptance commission may not include members of the design, execution and guidance collective, equipment supplies' representatives and personnel from ministries, other central and local bodies, from centrals and investment end-user's personnel who participated directly in building the project.

Article 71 (1)--Investment projects takeovers will be performed in the following stages:

A) Takeover of construction-assembly work that is carried out in two phases in accordance with conditions envisaged in the approved economic-technical documentation and the technical specifications to include,

--A preliminary acceptance which takes place throughout the construction of the investment project as component objects or projects parts that can function independently are completed and after dry runs and breaking in installations and technological equipment--when necessary--in the completed part of the project; housing, sociocultural and administrative construction are subject to preliminary acceptance only if they have water, heating and power connected, elevators, if there is a completed sewage and road system and if the areas earmarked for shops, public catering and services to the people in the given project are finished;

--Final acceptance that takes place at the end of the construction-assembly work warranty period;

B) Acceptance and commissioning of production capacities that take place at the completion of test runs and are designed to verify that conditions exist for normal operation of equipment and technological installations, to ensure fulfillment of the parameters envisaged in the timetable, to ensure product quality in conformity with the execution blueprints and to ensure achievement of other conditions envisaged in the approved economic-technical documentation. In the case of housing construction, sociocultural and administrative establishment, commissioning is done on the basis of a preliminary acceptance of the construction-assembly work;

C) Final acceptance of the investment project will take place when economic-technical parameters are achieved and it is designed to verify fulfillment of the approved economic-technical parameters and fulfillment of all conditions that will ensure the normal, efficient and complete exploitation of the investment project in keeping with the endorsed economic-technical documentation.

(2)--The investment projects, which do not include production capacities, will be taken over completely after the final acceptance of the last investment project part, at which time the overall project and its parts will be checked so as to establish how it will behave in operation.

Article 72--The final acceptance documents will be submitted for approval to the same bodies that appointed the acceptance commissions.

Article 73 (1)--With the commissioning of production capacities and of the other projects in the material production area, investment project work will be concluded and production or planned services will begin; for all other projects investment activity is concluded when they are put into operation.

(2)--After the commissioning of production capacities and projects the only work that may be continued and the only expenditures that may be incurred are those specified in the general estimate stipulated in the acceptance documents for the commissioning, which have no influence on the normal operation of the production capacity or project.

Chapter V

Major Repairs

Article 74 (1)--Major repairs are operations performed on fixed assets when each operational cycle envisaged in technical norms for the repairs of fixed assets has expired; they are designed to ensure preservation of the economic-technical characteristics of fixed assets throughout the duration of normal service.

(2)--Major repair includes overhaul of equipment and technological installations and their modernization whenever possible and economical, so as to improve economic-technical performance in keeping with similar types manufactured at the time of the major repair, so as to increase profitability, cut back energy and raw material consumption, increase the degree of automation and production capacity, and improve product quality.

(3)--In the case of major repairs on houses, special construction, equipment, installations, transportation means and other fixed assets the provisions of the present chapter will be taken into account, as well as those of the technical norms for the repair of fixed assets envisaged by law.

Article 75 (1)--The tasks for major repairs shall be included in the annual plans, in special lists, in accordance with the operational cycles of fixed assets envisaged in technical norms concerning repair and the need to perform such repairs when they fall due; the plan also establishes--classified by plan holders--the total volume of major repairs on the basis of timetables for construction and equipment.

(2)--The lists shall be submitted for approval along with adoption of the single national plan and they are based on the justification of the need, opportunity, efficiency and other elements applying to each case.

(3)--The lists are drafted for ministries, other central bodies and executive committees of the people's councils of the counties and of Bucharest Municipality, for centrals and enterprises and include cost of work, the executors, deadlines for major repairs on major technological equipment, on buildings and construction and on groups of more important standardized equipment.

(4)--The stages and manner of drafting and approving plans for major repairs and general overhauls are those envisaged in the law on Romania's planned socioeconomic development.

Article 76--Technical-economic documentation envisaged by law for major repairs will be drawn up by departments of units that are holders of fixed assets or, as the case may be, by specialized units; such documentation will be approved by the collective management bodies of those units, while observing the provisions of technical norms for repairing fixed assets.

Article 77 (1)--The necessary expenses for timely and high quality execution of major repairs, established in accordance with the provisions of technical norms for repairing fixed assets, will be included in the plans for major repairs and in income and expenditure budgets. For budgetary units, the necessary funds will be ensured according to the income and expenditure budget.

(2)--The expenses for major repairs will be included in production and services costs or in circulation expenses, as the case may be, in accordance with law.

(3)--In order to avoid uneven charging of yearly production costs, expenses for major repairs of certain important installations may be spaced in annual quotas in accordance with the cycle of major repairs; plan holders will also present the list of such installations along with annual plan provisions.

Article 78--Cost savings and profits attained by state economic units as a result of nonexecution of planned major repairs will be considered as attained without their own efforts and will not be taken into account when establishing material incentives granted on the basis of fulfillment and overfulfillment of planned profits.

Article 79 (1)--The ministries, other central and local bodies of state administration, industrial centrals, enterprises and other units are obligated to ensure the timely and proper execution of all major repairs envisaged by the plan. For this purpose they will ensure the development of major repair facilities in enterprises that are holders of fixed assets, development of the capacity of enterprises specializing in repairing machines and equipment and the expansion and diversification of the network of specialized enterprises for major repairs of various categories of equipment.

(2)--Major repairs of machine tools and equipment of general use will be carried out in a centralized way, per geographic zones, ministries, industrial centrals or groups of enterprises.

(3)--The industrial centrals which coordinate the activity of equipment-producing enterprises, as well as those that are in charge of various enterprises possessing important machines, equipment and technological installations, will ensure the necessary technical assistance to carry out proper major repairs within planned deadlines.

Article 80 (1)--Ministries, industrial centrals and enterprises that manufacture machines, equipment and measurement and control installations and appliances as well as those cooperating in producing such machinery are obligated to supply spare parts and subassemblies for the repair and maintenance of the respective fixed assets, in the quantity and quality established by law.

(2)--In contracting for imports of machines, equipment and installations, the end-user units are obligated to ensure by contract the necessary spare parts for the first fitting as well as the technical execution documentation for spare parts which will be manufactured in our country. The responsibility for manufacturing at home the necessary spare parts to repair important machines, equipment and installations devolves on the end-users, which, together with the Ministry of the Machine Building Industry, will draw up assimilation programs for that purpose and will ensure the production of the necessary spare parts in their own departments or, as the case may be, through cooperation with other economic units.

(3)--For mass-producing machines and equipment and for parts of technological installations subject to greater wear and tear during operation, subassemblies which can replace the used ones during major repairs will be ensured on time, after which the used subassemblies will be repaired and prepared for reutilization at the next major repair.

(4)--Repair units and balance coordinators, together with ministries and other central and local bodies are obligated to ensure the maximum reconditioning of used spare parts resulting from major repairs or from dismantling fixed assets no longer in use.

Article 81--The acceptance of major repairs will be made by acceptance commissions appointed by collective management bodies of the next higher body. Acceptance commissions, along with repair units, are responsible for the quality of repairs, which must ensure the normal operation of fixed assets for the entire period, in accordance with standardized cycles of major repairs.

Article 82--The State Planning Committee and the minister of technical-material supply and control of the management of fixed assets, together with plan holders and balance coordinators for spare parts will include in their draft plans the tasks and necessary means for major repairs as well as the production of necessary spare parts for their execution.

Article 83--The Ministry of Technical-Material Supply and Control of the Management of Fixed Assets will exert control over the way in which enterprises, centrals and ministries carry out their tasks of planning and ensuring capacities for repairs and spare parts and executing proper major repairs on a timely basis.

Chapter VI

Financing Investments and Major Repairs

Article 84 (1)--Financing investments will be accomplished in accordance with and by strictly observing the law.

(2)--Investments envisaged in the single national plan for socioeconomic development will be financed from funds set up by investment end-users, according to provisions of the income and expenses budget and the law.

(3)--For each investment project, operation or expense, the investment plans will provide for the funds from which they are to be implemented or financed.

Article 85 (1)--Ministries, other central and local bodies, centrals and state enterprises and institutions are dutybound to ensure that, when including investment projects and operations in the plan, they will have the necessary resources for their continuous financing, according to investment timetables and plan provisions and that after commissioning they will have the funds to repay the sums received, according to the principle that funds advanced by society must be returned.

(2)--The distribution of monetary funds for new investment projects will be made only after ensuring the necessary financial means for commissioning the capacities and units envisaged in the respective yearly plan and for attaining the stages envisaged in the investment timetables of other projects under construction.

Article 86 (1)--The necessary funds to finance investments will be set up in specialized banks and will be used under their supervision.

(2)--New expenditures and contracts for investment operations or deliveries, regardless of the nature, volume, or financing source, will be forbidden unless the investment project was included in the single national plan for socioeconomic development, unless its resources are ensured according to the income and expenses budget and unless it has the necessary documentation envisaged by law.

Article 87 (1)--The start of financing and executing the investment project will be approved, at the request of the investment holders and end-users only if all necessary conditions envisaged by law for their attainment at the established deadlines are ensured.

(2)--The approval for the start of financing and execution will be granted by:

A) The Council of Ministers, for investment projects whose execution blueprints are approved by presidential decree, by the Council of Ministers, ministries, other central bodies and the executive committees of the people's councils of the counties and of Bucharest Municipality;

B) The investment coordination council, for investment projects whose execution blueprints are approved by centrals and enterprises.

(3)--Checking on implementation of legal conditions to start the financing and execution of operations will be made in accordance with provisions of Annex 9.

(4)--The banks will agree to finance investments only if legal conditions are fulfilled.

(5)--It is forbidden to begin operations, that is, to incur expenditures, before the banks have given their agreement to finance the project.

Article 88 (1)--Payment for assembly-construction operations and other investment expenditures will be made step by step, according to their effective execution, and by strictly observing yearly volumes established by plan and the provisions included in the endorsement documents and the technical-economic documentation of the investment, within the limit of the established funds.

(2)--The financial-banking bodies will also check that:

A) The value of the designed operations was established on the basis of legally approved fee; that standard blueprints and other recommendations on the blueprint, included in the approved orders, were applied to the respective operations;

B) The assembly-construction operations are carried out in accordance with the approved execution blueprints and with the approved execution details and estimates and with norms and standards in effect;

C) The equipment was acquired within the volume established in the plan and the income and expenses budget, by observing the established length of time from its delivery to the end-user until its assembly;

D) The remuneration fund for the personnel required by the new investment projects is used according to law and the plans to ensure the necessary manpower, in keeping with the effective execution stages reached by the investment project at a given time.

Article 89 (1)--After commissioning or putting into operation the planned capacities, the banks, together with the investment end-users and the general or specialized contractors, as the case may be, will check, on the basis of approved delivery reports, the estimate of the fixed assets submitted to amortization and the legality of expenditures still to be made after the commissioning of the project; they will also establish the date of closing down the worksite and ending the financing.

(2)--After the deadline for ending the financing has expired, the banks will no longer finance any investment expenditure and the monetary funds still available will be transferred to the plan reserves and, as the case may be, to the budgetary reserves.

Article 90--The banks will finance major repairs on the basis of the major repairs plan, the income and expenses budget and the technical documentation drafted and approved according to existing norms.

Chapter VII

Prerogatives, Responsibilities and Sanctions

Section I

Prerogatives and Responsibilities

Article 91 (1)--The Council of Ministers, which is the supreme body of state administration, exerts overall leadership over executive activity and is responsible for implementing the party policy in the field of investments.

(2)--In exerting its prerogatives, the Council of Ministers will organize the execution of the investment plan and will establish measures for ministries, other central bodies, people's councils of the counties and of Bucharest Municipality in order to ensure fulfillment of the provisions of 5-year and annual investment plans.

(3)--The Council of Ministers will systematically check implementation of the investment and commissioning plans, will periodically examine fulfillment of established tasks and will take measures to mobilize reserves and fully implement plan provisions.

(4)--Likewise, the Council of Ministers will take measures to attain strict savings, reduce consumption, strictly observe order and discipline, ensure good management of and high responsibility for the timely and proper execution of the entire investment program and combat any waste in the investment activity.

Article 92 (1)--The investment coordination council will examine and ensure that the technical-economic documentation of investment projects submitted for approval strictly observe the directives, principles and norms envisaged by law and that the tasks and measures established by the party-state leadership concerning investments and construction are firmly applied.

(2)--The investment coordination council will participate in drafting the investment plan, will control the preparation of investments and will establish or propose, as the case may be, measures to be taken by the end-user, designer and builder capable of creating the necessary conditions to begin and implement the projects, according to plan provisions.

(3)--Likewise, the investment coordination council will approve the design programs of design units and will be responsible for ensuring that documentation is delivered according to deadlines correlated to those included in the investment and commissioning plans and that design units are used to full capacity.

Article 93--The State Planning Committee is responsible for the overall economic coordination of activities to prepare, draft and substantiate the investment and major repairs plan and for including in the plan the tasks and projects that ensure harmonious and efficient development of the national economy, better utilization of natural resources and rational use of manpower. It has the following main functions:

A) To prepare the investment plan and to ensure, in accordance with the plan provisions, the necessary material, financial and human resources to smoothly carry out investment activities, to commission the units by planned deadlines and to fulfill the approved technical-economic indexes as soon as possible;

B) To draft, together with ministries and other central bodies, norms and standards concerning the indexes for efficient utilization of investment funds;

C) To exert continuous control over fulfillment of tasks and projects included in the plan and to establish or propose measures to implement plan provisions.

D) To endorse technical-economic documentation for investments, to examine their value and usefulness, to check that the technical-economic indexes conform to plan provisions and to ensure the increase in the economic efficiency of investments;

E) To check that conditions are ensured for domestic and foreign marketing of production.

Article 94--The National Council for Science and Technology is responsible for the orientation of scientific research and technological engineering to ensure the broad promotion of scientific-technological progress in implementing investment projects, improving manufacturing technology and the quality of products and raising economic efficiency; it has the following main functions:

A) To coordinate, throughout the economy, research activity, technological development and promotion of technological progress in all branches of the national economy;

B) To check the technical level of technological engineering documentation and all equipment;

C) To see to it that investment projects are designed and implemented by applying scientific achievements and new technology and equipment and that their technical and qualitative level is continuously improved;

D) To coordinate the activity of standardizing technology and equipment, thus ensuring that they attain technical, functional and economic performance at the level of the best achievements at the world level.

Article 95--The Ministry of Technical-Material Supply and control of the management of fixed assets will participate in drafting and substantiating investment plans and has the following main functions:

A) To control and ensure intensive utilization of production capacities and built-up areas and to take measures to increase their utilization indexes;

B) To ensure coordination by plan of materials and equipment required by investments together with the State Planning Committee, ministries, other central bodies and balance coordinators;

C) To endorse technical-economic documentation for investments and to decide on consumption of raw and other materials, fuel and energy, on the utilization level of production capacities and on securing spare parts and equipment;

D) To exert control over utilization, maintenance and repair of equipment and other fixed assets;

E) To participate in substantiating and drafting the plan for major repairs;

F) To check that conditions are met for production marketing at home and abroad.

Article 96--The Ministry of Finance has the following functions and responsibilities in investments:

A) To participate in preparing, drafting and substantiating investment plans;

B) To ensure through the centralized financial plan and state budget the necessary financial resources to implement the investment programs; to oversee and to take or advance measures to implement these plans;

C) To endorse technical-economic documentation and to supervise the activity of increasing the economic efficiency of investments, reducing production costs, expanding stockpiles and more rapidly increasing the national income;

D) To exert control over the efficient utilization of investment funds.

Article 97--The Ministry of Foreign Trade and International Economic Cooperation, together with other ministries and central and local bodies that are investment end-users, will ensure the greater efficiency of exports of products turned out by the new investment projects and have the following functions and responsibilities:

A) To continuously study the foreign market in order to obtain the necessary information to substantiate sales of products from capacities that will be built;

B) To take measures to conclude contracts, conventions or other agreements with foreign partners to ensure orders for products to be turned out by the new production units;

C) To research the foreign market in order to obtain offers on time for high quality imports required by the investment projects, under advantageous technical and economic conditions;

D) To authorize imports of equipment only if the respective equipment cannot be produced in our country and if such imports are approved and contracted on a barter basis with exports of Romanian products, primarily from the machine-building industry, on the basis of parallel contracts or within the framework of production-sharing ventures, which can ensure our exports concurrently with imports.

Article 98--The state committee for prices is responsible for the level of prices and fees in the technical-economic documentations of investments as well as for the price levels of the new products and services envisaged to be attained by the investment projects after their commissioning and has the following main prerogatives:

A) To check and endorse the level and structure of prices used in calculating the technical-economic indexes of investments as well as the economic efficiency of production, aiming at reducing material expenditures and continuously raising labor productivity;

B) To check and see to it that, in the respective technical-economic documentation, the price of the equipment for the investment project is legally established and to ensure that the respective projects are attained under conditions of high efficiency.

Article 99--The general state inspectorate for investments-construction has the following main functions and responsibilities:

A) It is responsible for the general introduction of the best construction and overall techniques into the design units, which can better meet the requirements of the present law;

B) It is responsible for giving expert advice and endorsement to orders and execution blueprints, under conditions envisaged by law;

C) It endorses, according to law, the norms, standards and other technical stipulations in the field of construction;

D) It exerts state control in construction, by checking the quality of operations and applying technical norms and stipulations to investment-construction activity; it takes measures to ensure strict observance of the provisions of the law in this field.

Article 100--The investment bank and the bank for agriculture and the food industry have the following main functions and responsibilities:

A) To ensure financing and credits for investments under conditions envisaged by law; to oversee and to implement the plans for financing and granting credits to investment projects;

B) To endorse the technical-economic documentation of investment projects, according to law;

C) To monitor the legal nature of prices and fees and the correctness of expenditures presented for settlement;

D) To exert control over and oversee the legality of operations implementation; to oversee the utilization of material and financial resources alloted to investment projects; to check, together with the National Bank of the Socialist Republic of Romania, to see that the approved parameters for commissioned capacities are met.

Article 101--The permanent commission for endorsing and monitoring the consumption of fuel and electric and thermal energy, according to its tasks in the energy field, for the rational utilization and judicious administering of the country's energy resources in the investment projects and in accordance with provisions of the single socioeconomic development plans and of the balance sheets for primary energy, fuel and electric and thermal energy has the following main functions:

A) To issue approvals and recommendations regarding fuels and energy solutions according to provisions of the law and the provisions of the single national plan for socioeconomic development and the program for energy development;

B) To exert control, throughout the investment activity, over the judicious use of fuel and energy resources and the rational administration of those resources.

Article 102--Ministries, other central and local bodies are responsible for implementing the investment projects according to the deadlines and at the pace envisaged by the plan for this purpose. They will ensure, along with investment end-users, technology and equipment suppliers and execution units, the organization of the activity to prepare and carry out the investment projects, in accordance with provisions of the present law. In fulfilling these tasks, ministries and other central and local bodies have the following main functions:

A) To ensure all conditions for drafting, endorsing and approving documentation; to include the investment projects in the plan; to set up the necessary monetary funds; to finance, execute and commission the projects; to attain the technical-economic indexes approved; and to ensure the efficiency of the investment projects, according to legal provisions;

B) To ensure the drafting of blueprints for investment plans under conditions of fully utilizing existing capacities; to ensure sales of products for domestic and foreign consumption turned out by production units; and to ensure rational investment timetables;

C) To organize the design activity in its subordinate units in order to ensure the timely drafting of all investment documentation;

D) To appoint the investment end-users, to fulfill their tasks until the new units are set up and to coordinate the entire activity of end-users;

E) To approve or submit for approval, delivery records.

Article 103--Centrals, enterprises and other investment end-users are responsible for attaining the approved investment projects and technical-economic indexes and for domestic and foreign production sales and have the following main functions:

A) To substantiate the need, usefulness and economic efficiency of investment projects on the basis of studies and examinations;

B) To draft technical-economic documentation for investment projects;

C) To see that technical-economic documentation includes high quality technical-economic indexes and solutions to ensure the project's reliability and optimal operation, appropriate working conditions and labor safety, stability, durability and other qualities envisaged by law;

D) To ensure the necessary equipment, materials and installations according to investment delivery timetables;

E) To carry out, in accordance with plan provisions, assembly, modernization, reequipment, expansion and other assembly-construction operations;

F) To ensure that the destination of allotted investment funds is observed and that the costs of the operations are settled on time;

G) To exercise technical supervision throughout the execution process;

H) To carry out tests and to ensure all conditions for commissioning production capacities;

I) To obtain the approvals and endorsements envisaged by law.

Article 104--Ministries and other central and local bodies of state administration in charge of producing materials and equipment for investment projects are responsible for the production, delivery and quality of these materials and equipment and have the following main functions:

A) To ensure conditions for producing and delivering standardized construction materials and parts with low energy consumption, local materials and other materials attained from recovered and reused materials;

B) To ensure production and delivery of standardized equipment, to continuously improve their qualitative and functional parameters and to coordinate cooperation between equipment producing plants;

C) To ensure that all technical conditions exist in producing units to follow technical norms and stipulations concerning the quality of delivered products;

D) To stipulate the units in charge of overall supplies and to organize cooperation between overall and specialized suppliers.

Article 105--Ministries, other central bodies and the executive committees of the people's councils of the counties and of Bucharest Municipality with subordinated assembly-construction units are responsible for organizing and guiding their activity, ensuring the necessary conditions for plan fulfillment, observing contract deadlines and carrying out quality operations and have the following main functions:

A) To ensure, together with the hierarchically superior organs of the investment end-users, programs and timetables for the completion of projects, so as to create the necessary conditions for concentrating means and forces on a limited number of projects, in order to finish them as soon as possible;

B) To guide subordinate units and to create conditions for the broad application of advanced execution techniques and technology, in order to carry out high quality and economical operations;

C) To ensure technical-organization measures to fully utilize transportation means, rationally supply materials to worksites on time and adopt definite measures to observe norms for material, fuel and energy consumption;

D) To organize close cooperation between construction units and design and research units, in order to establish most efficient construction solutions and promote technological progress in the worksites' activities.

Article 106--In the field of major repairs, ministries, other central and local bodies, centrals and enterprises will ensure and are responsible for:

A) Utilizing, maintaining and repairing fixed assets at an appropriate technical and qualitative level, under conditions of maximum economic efficiency and complete operational safety;

B) Appropriately organizing and creating the necessary technical-material base to carry out on time high-quality major repairs and modernization;

C) Observing technical norms for repairs of fixed assets and periodically drafting and improving the norms, consistent with the best results attained in production;

D) Ensuring on time spare parts and subassemblies required to replace used parts during repairs, reconditioning parts and subassemblies resulting from previous repairs and from dismantling fixed assets no longer in use.

Section II

Sanctions

Article 107--Violation of this law entails disciplinary, material, civil or criminal sanctions against the guilty persons, as the case may be.

Article 108--The following acts violate this law and if they do not fall under the penal law, they will be punished by fines.

I. From 3,000 to 10,000 lei:

A) Drafting technical-economic documentation with mistakes in estimating the specific components of investment projects or by ignoring technical directives and stipulations;

B) Drafting individual technical-economic documentation for projects that already have approved standardized designs;

C) Drafting, by the designer, or approving, by the end-user, execution details and estimates violating the provisions of the approved design, except for cases envisaged by this law;

D) Omitting in the design certain construction parts or equipment without which the investment project cannot be commissioned or utilized under normal conditions;

E) Failing to provide the necessary technical-economic documentation on the basis of which the investment is included in the annual plan;

F) Endorsing the technical-economic documentation without observing legal prices, fees, quotas, norms stipulations and other factors, which has clearly led to an incorrect estimate of the value of the investment project and assembly-construction operations;

G) Incurring expenses that exceed the assessments established in the overall estimate for investments, assembly-construction, management, supervision and technical tests, by failing to observe provisions of this law; contracting for operations or deliveries for investments before they were provided for in the 5-year or annual plan, except for cases where there are legal exceptions to this effect;

H) Beginning operations before the start of financing or operations was approved;

I) The construction unit's failure to observe provisions included in technical-economic documentation and technical regulations concerning operations;

J) Including in contracts deadlines other than those established in investment and equipment delivery timetables;

K) Failing to fulfill the plan for major repairs; failing to observe planned deadlines for major repairs or exceeding the time established for repairs of equipment and other fixed assets, except where legal provisions stipulate otherwise;

L) The end-user's failure to prepare and carry out technical tests on time, in accordance with provisions included in technical regulations and technical-economic documentation;

M) The end-user's failure to commission production capacities after technical tests were carried out in accordance with provisions of the law; the end-user's failure to put into operation equipment that, according to the present law, was brought up to producing capability.

II. From 1,000 to 3,000 lei.

A) End-user's and designer's submitting for approval technical-economic documentations which do not include provisions for final legal approvals and endorsements;

B) The designer's failure to deliver the necessary data and elements for drafting technical-economic documentation by deadlines established in timetables and contracts; the end-user's failure to deliver to the construction unit execution details and estimates, necessary equipment and materials, land for the project or worksite or the area earmarked for operations in already existing capacities, by deadlines established in investment timetables and contracts;

C) Exceeding the norms for stockpiles of equipment on worksites, established in accordance with law;

D) Failure to take measures to start the financing process by deadlines envisaged in the investment timetable or to ensure the continuous financing of operations until the project's commissioning;

E) Drafting technical-economic documentation without the necessary approval envisaged by law or failure to observe existing endorsements;

F) Failure by the end-user or construction unit to take the necessary measures to properly handle, store and maintain equipment and materials;

G) Failure to observe obligations concerning acceptance of investment projects and major repairs; approving the commissioning or putting a unit into operation, as the case may be, by violating legal stipulations;

H) Failure by the end-user, designer and construction unit to implement measures established by the acceptance commission;

I) Failure to observe deadlines for granting approvals and endorsements and failure by the equipment supplier to deliver, within 15 days, approvals for equipment delivery deadlines in order to draw up their delivery timetable;

J) Failure to ensure on time the necessary quantity of spare parts and subassemblies to replace used ones during major repairs or failure to recondition parts and subassemblies resulting from previous repairs and from dismantling fixed assets no longer in use.

III. From 500 to 1,000 lei.

A) The end-user's failure to ensure material and technical conditions other than those sanctioned in this article necessary for the continuous development of operations;

B) The end-user's unjustified refusal to receive from the construction unit parts of the project which can function independently, according to provisions of Article 67.

Article 109--The determining of violations envisaged in Article 108 and the application of sanctions will be executed by persons with endorsement, authorization, control or revision functions from the State Planning Committee, the Ministry of Technical-Material Supply and control of the management of fixed assets, the Ministry of Finance, the State General Inspectorate for Investments-Construction, the Committee for People's Councils Problems, the State Committee for Prices, the National Bank of the Socialist Republic of Romania, the investment bank and the bank for agriculture and food industry.

Article 110 (1)--Appeal of an adjudged violation will be made within 15 days of receiving notice of it.

(2)--The appeal will be lodged with the body that issued the complaint and will be accompanied by a copy of the violation report.

Article 111--To the extent that this law does not stipulate otherwise, the provisions of law 32/1968 on establishing and punishing violations apply to violations envisaged in Article 108.

Article 112--The stipulations of this section on violations are supplemented by stipulations on violations included in Law 8/1977 on ensuring the durability, safety, functioning and quality of construction.

Chapter VIII

Final and Temporary Provisions

Article 113 (1)--Council of State decrees will establish norms for investment projects specific to certain national economic branches and subbranches and for activities envisaged in Annex 10.

(2) Ministries and other central bodies will submit for approval the norms stipulated in Paragraph (1) within 90 days from the publication of this law. Until these norms take effect, the legal stipulations valid at the date of the publication of this law will be applied.

Article 114--Ministries and other central bodies which approve the drafting of orders and execution blueprints will review, within 60 days from the publication of this law, the contents of documentation requiring approval in order to simplify them and shorten the time for granting the necessary approval.

Article 115 (1)--Investment projects whose blueprints are approved at the date of this law's publication will follow the framework envisaged by this law concerning execution and financing of operations.

(2)--Investment projects with orders already approved and designs already drawn up according to Decree 420/1976 will observe the framework for approving designs and executing and financing operations envisaged by this law.

Article 116--Investments from the funds of cooperative and public organizations will be made according to provisions of this law.

Article 117--Annexes 1 through 11 will be an integral part of this law.

Article 118--This law takes effect on the date of its publication. All norms included in Annex 11 and all other contrary dispositions are abrogated on the same date.

CSO: 2700

BRIEFS

BOSNIAN MIGRANT WORKERS--In the last several years over 50,000 workers from Bosnia Hercegovina have been employed outside the republic, or an annual average of 7,500. According to official data, in the first 11 months of 1979, 6,325 workers have been so employed. But it is estimated that these numbers are larger, since many leave without using official channels, for agricultural work in Vojvodina and for employment in construction and the tourist industry in Slovenia and Croatia, so it is estimated that more than 130,000 workers from Bosnia-Hercegovina are working in permanent or seasonal jobs in Croatia (about 60,000), Slovenia (about 55,000), and Vojvodina (about 13,000). Bosnia-Hercegovina leads other republics and provinces in the number of migrants working outside the republic; available data show that about 80 percent of all workers in the country employed outside their own republic are workers from Bosnia-Hercegovina, and that about 75 percent of these are unskilled, 11 percent are semi-skilled and only 1 percent have a higher than secondary school education [Excerpts] [Sarajevo PREGLED in Serbo-Croatian No 10, Oct 80 pp 1351-1352]

UNEMPLOYMENT RATES--In 1979 the rate of unemployment for Yugoslavia was 13.8 percent; it was 1.3 percent in Slovenia, 5.8 percent in Croatia, 16.5 percent in Bosnia-Hercegovina, 19.3 percent in Montenegro, 19.6 percent in Serbia, 27.6 percent in Macedonia, and 37.8 percent in Kosovo [Vojvodina not given]. [Excerpt] [Belgrade KOMUNA in Serbo-Croatian No 11, Nov 80 p 23]

REDUCED OIL PRODUCTION--In the first 9 months of this year about 11.3 million tons of petroleum were processed, or about 650,000 tons less than in the same 1979 period; this decline in processing is the result of reduced imports. Last year nearly 8.7 million tons of petroleum were imported in this period, while 500,000 tons less were imported this year. Another cause for reduced processing is the increase in reserves this year, namely, by a little more than 200,000 tons. The production of heating oil in this period fell from 3.75 million to 3.45 million tons this year, the production of diesel oil from 2.56 million to 2.43 million tons, and the production of motor vehicle gasoline from 1.8 million to 1.6 million tons. In addition, the production of extra-light and medium-light fuel fell by about 100,000 tons, while bitumen production declined by about 50,000 tons (from 540,000 tons). Primary gasoline production increased by 150,000 tons over last year (600,000 tons), while butane production was about 5,000 tons more than last year (when it was 174,500 tons). The production of jet fuel also increased, from 240,000 to 256,000 tons. Although the shortfall is being felt in all areas of the country, it is not manifested equally everywhere. The problems in those republics which do not have "their own" refineries are much greater and they must

import much more than the others to meet market needs. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 24 Nov 80 pp 38-39]

RIJEKA PORT TURNOVER--This year the port of Rijeka expects a record turnover of 7.2 million tons of cargo. Rijeka accounts for 53 percent of total annual Yugoslav port traffic, 80 percent of transit traffic and about 80 percent of foreign exchange earned [from cargo transport]. It also earns 45 percent of the total revenue from ports and employs 40 percent of Yugoslav port workers. This year the port expects to earn $40 million in foreign exchange while the foreign exchange outflow from this port will be only $3.5 million. In the first 9-month period this year the port's total revenue was 14 percent more than planned, while income was 20 percent more. Total port turnover was 14 percent above the plan, and labor productivity 10.1 percent above plan. About 1 billion dinars was invested in modernizing and expanding capacities in the 1976-80 plan period; about 2.5 billion dinars will be needed in the 1981-85 period for new technology and modernization. Total turnover in the 1981-85 period is planned at over 46 million tons of cargo (9.95 million tons in 1985 alone). Also planned for this period is an inflow of $239 million in foreign exchange and an outflow of $25.9 million. One of the important tasks in this period will be equipping the port's wood terminal for cattle shipment. The goal of all these investments is to improve the port's capability especially in transit shipment. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 22-24 Nov 80 p 5]

PORT OF KOPAR--In the first 10 months of this year the port of Kopar handled 1,693,875 tons of general cargo, or 276,475 tons more than the plan and 386,152 more than in the same 1979 period (with exports 54 percent more and imports 3 percent less). Transit shipping increased considerably (79 percent in on-loading and 43 percent in off-loading); total turnover increased 30 percent. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Nov 80 p 1]

MARITIME SHIPPING PLANS--In the 1981-85 period Yusoglav shipping enterprises will build 70 ships with a total carrying capacity of 1,145,300 tons, and are expected to purchase 86 used ships with a total tonnage of 904,400. Also, 118 vessels (812,962 tons) will be retired or sold. It is planned to spend $1,140,000,000 for the acquisition of new or used ships (shippers in Croatia will invest $791 million, in Montenegro $198 million, Slovenia $60 million and Serbia $89 million). Croatian enterprises will build 52 ships, purchase 39 used ships and retire 78 ships. By the end of 1985 our merchant marine will be increased by 1,236,738 more tons. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 5 Dec 80 p 1]

PORT OF SPLIT--It is expected that 1980 will be one of the poorest business years for this port. In the first 9 months of this year port turnover fell 28 percent below that of the same 1979 period (imports fell by 53 percent). The results would have been even more negative if exports of goods had not increased, namely by 76.6 percent. Total turnover to the end of September was 1,685,006 tons compared to 2,341,947 tons last year. This is largely the result of reduced imports of oil, 675,748 tons of which were imported at Split last year, compared to hardly 90,000 tons this year. Last year during this period 1,406,053 tons of goods were imported through this port, compared to only 659,810 tons this year. Total turnover this year could be 2.2 million tons, at the most, compared to 3 million tons handled last year. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Dec 80 p 5]

MEAT EXPORTS--From January to the end of October this year $313 million worth of livestock and livestock products were exported, including $273 million worth to the convertible-currency market and $40 million worth to the clearing-account market. This is about 14 percent more than last year when exports were valued at $260 million. By the end of 1980 it is expected that $333 million worth of meat and processed meat products will be exported to the convertible-currency market, or about one-half the total value of exports from the agro-industrial sector of the country. But it is uncertain whether the plan will be met because of the lack of certain kinds of meat on the domestic market. In October the sale of young beef meat to Greece declined when demand fell because of the excessive use of hormones in meat production in Western Europe. Although it was reliably established that meat from Yugoslavia contains no such additives, our exporters have suffered. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Nov 80 p 1]

FOOD EXPORTS IN 1981--In 1981, $223 million worth of market and seed corn, wheat and other grains are planned to be exported. Sales on the convertible-currency market are expected to yield $60 million in foreign exchange, while the rest will be earned by sales on the clearing-account market. This was reported on 9 December at the Assembly of the Grain Fund which adopted the 1981 export program. It is expected that 500,000 tons of market corn and 57,600 tons of seed corn will be exported for $136 million. This year 300,000 tons of market corn were exported. In 1979 over 10 million tons of corn were harvested, while this year [1980] about 9.6 million tons will be harvested. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Dec 80 p 1]

UNEMPLOYMENT IN KOSOVO--An outstanding sociopolitical worker of Kosovo recently said that unemployment in undeveloped Kosovo is one of the biggest, if not the biggest, problem and it can also have serious political implications, if we do not do more to open up new jobs. He said we have 200 and more candidates with the same skill level from all nationalities living in Kosovo competing for one job. The ratio is usually 150 Albanians and 50 Serbs, Montenegrins, Turks and others. If this job, in order to improve the nationality structure of employees in a certain enterprise, is given to an Albanian, the other candidates often do not understand this. And vice versa [i.e., if the job is given to someone of another ethnic group]. [Excerpt] [Belgrade BORBA in Serbo-Croatian 23 Nov 80 p 6]

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2080

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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BETTER USE OF RAW MATERIALS IN HEAVY INDUSTRY URGED

Tirana ZERI I POPULLIT in Albanian 21 Oct 80 p 3

[Article by Agron Cuadari, director of directorate of balance in Ministry of Industry and Mines: "An Important Direction of the More Complex Use of Raw Materials"]

[Text] Recently, in the implementation of certain studies which were conducted by the department, the enterprises themselves, the scientific sectors and the institutes of petroleum, mines, geology, mechanics and metallurgy, within the framework of tasks assigned to us for strengthening the technical and scientific revolution, a series of significant achievements were noted for reducing the rate of consumption of raw materials, which have led to a continuing reduction of technological waste in lowering costs in industry.

However, much remains to be done both in the level of utilization of mineral reserves and processing them, as well as in the further reduction of technological waste in several sectors of industry. Production will increase considerably in the future. The raw materials to cover these accomplishments will be derived by reducing existing standards. Thus, a one-percent reduction in power consumption below the present level will save the economy as much as the "F. Engels" powerplant on the Mat River produces. This, too, is the task regarding raw materials.

The directorate of balance in the Ministry of Industry and Mines is concerned about the better use of raw materials. Analyzing the level of fulfillment of existing standards, it and other directorates in the ministry and enterprises have been assigned specific tasks for the more rational use of mineral ore and raw materials.

The exploitation of copper ore today is done selectively, aiming to extract from underground the rich copper ore which is found in layers within the zone. This method of exploitation leaves 15 to 20 percent of industrial reserves unmined, machinery cannot be applied and, as a consequence, production costs are very high.

The effectiveness with which the copper enrichment factories operate in preparing the concentrates for smelting in the copper plants cannot be discussed. Suffice it to say that the overall costs at a plant where concentrates are smelted are two times less that at the plants where unenriched copper ore is smelted, including the cost of enrichment. On the other hand, the enrichment of copper ore yields pyrite concentrates, which serve in the production of sulfuric acid. However, the pyrite is lost by smelting unenriched ore. Through the use of the copper concentrate for smelting, the possibilities exist to produce sulfuric acid at the Rubik and Kukes copper plants, as is done at Lac. Projects are being planned for them and the goal is to implement them quickly. Likewise, the directorate of metallurgy is carefully pursuing the implementation of those tasks which will enhance the recovery rate at the copper enrichment factories. Were we to raise the recovery rate by five percent at the four existing plants, we would derive 500 tons of blister copper, equal to more than 3.5 million leks in foreign exchange obtained by exporting it. Raising the recovery rate is closely connected with raising the technical discipline on the job by those who work in these factories and with the application of more advanced technology, suiting it to the quality of the ore as a functional aspect of the equipment, as well as the use of chemical reagents.

Despite the steps taken, a continuing problem is that of using technological waste in the industrial, ferrous metallurgical, chemical, mechanical and lumber sectors. The tasks for this were specified by the Council of Ministers in its decisions No 166 dated 25 January 1979 and No 24 dated 3 April 1980. Many of the problems in these field are in the study phase. Much ash comes from burning coal. Some of it is used in building materials, but, for example, ashes produced from burning coke in ferrous metallurgy are not being used. There is currently 20 thousand tons of coke ash which is subject to simultaneous combustion and is not given a useful destination. In light of the fact that this waste will build up for years, it becomes our duty, in cooperation with the other departments, to resolve this problem quickly. The opening of the refractory brick production plan in the "Steel of the Party" metallurgic complex in Elbasan creates possibilities for the broader use of refractory bricks as a raw material. Refractory bricks are now used at the plants within the complex, at the copper, chrome and pig iron plants, in the thermoelectric power plant boilers, etc., which are being replaced during their basic intermediate overhaul. To do this work well, however, requires study and rigid discipline in the implementation of tasks, since the attention we have paid to technological waste until now has been inadequate and it has been considered by the majority of users as worthless scrap and has been discarded by plants and enterprises. The supplying of spare parts and fire bricks in the future, whether by the complex or by importing, should not be done unless the used elements are returned. It is up to us to put this rule first and to seek its full implementation.

Soap and naphthenic acids are produced from petroleum waste at the petroleum processing plants at Stalin City and at Cerrik, and a part of the sodium sulfides, which is used in making paper, was produced this year at the petroleum processing plant at Ballsh. The directorate of the polyvinyl chloride plant in Vlore should pay greater attention and do concrete work for the utilization of industrial waste water. Also of interest are the wastes which occur during the production of coke at the metallurgic complex.

In the machine industry, despite the efforts made to enhance the coefficient of the use of metals (steel, iron, bronze, aluminum, sheet metal) and steps which have been taken to form shavings into briquets and to collect salvage and resmelt it, achievements are still low. This is evident not only in that the coefficient of steel utilization has remained at the 60 to 70 percent figure, but also in that the majority of plants exceed the metal consumption standards.

While a better effort is being made at the tractor complex and the farm machinery plant in Durres to make use of the steel and iron shavings which occur during the production of parts, this experience is not being applied at the other machine plants and shops. This puts the task before the Institute of Mechanical Studies and Projects and the respective directorate in the department to study this problem in detail and to find the most rational methods in each plant while insuring their handling and forwarding for resmelting at the "Steel of the Party" metallurgy complex.

Scraps which occur from the processing of sawn material will be used at the plants which are to be erected at the lumber complex in Lac, at the paper factory in Kavaje and at the wood processing enterprise in Korce. Material for paper production and other materials necessary for the foundries and machine plants, the petroleum industry and the production of refractory bricks will be obtained from these scraps. The construction work on these plants will be accelerated.

However, in the paper manufacturing industry, the growth of production through the fuller use of cellulose and scrap paper has not yet reached the solution sought after, nor has the purification of sodium water, by which not only is the environment protected from pollution, but also two to three thousand tons of caustic soda are produced annually.

The problems raised above are closely related to the great tasks which the Eighth Plenum of the Party Central Committee assigned us to resolve. The cadre and material base needed to accomplish these tasks exist, but to implement them as fast as possible requires greater mobilization and a responsible effort on the part of enterprise directorates. As a directorate which deals with the balances of raw materials and control of their use, we are reviewing our work methods. The standards for every unit of production constitute the maximum possibilities which the state has to supply

enterprises with this or that raw material. Therefore, we are not going to leave it up to one or two individuals at an enterprise to pursue this, as happens in many cases now, but will struggle to make it a problem of the workers, seeking strong measures to prevent overspending one by one, for every material or raw material which they use, according to standards which the state has set.

5658
CSO: 2100

OVERCONSUMPTION OF RAW MATERIALS CRITICIZED

Tirana ZERI I POPULLIT in Albanian 22 Oct 80 p 1

[Editorial: "Maximum Conservation and Optimum Use of Raw Materials"]

[Text] One of our economy's great problems is the further reinforcement of the conservation and careful use of raw materials. Raw materials currently constitute about two-thirds of production expenses in the cost of industrial production. In the future, new quantities of raw materials will be needed, with the further development of industry and other branches. These are obtained in three ways. First, by increasing the production from mines and other branches of the mining and processing industry; secondly, through its better use, i.e., by conserving over and above the present standards of use per production unit and, finally, by importing. The Eighth Plenum of the Party Central Committee emphasized the first two measures and presented the immediate task to alter the ratio of two-thirds of the funds currently being spent to import raw materials and one-third spent for machinery and equipment in favor of reducing the raw and other materials still being imported in order to increase the purchase of the most essential machinery and equipment.

Other reasons also exist which make the steps for raw material conservation very essential. The major source of accumulation in enterprises during the next five years will be cost reduction. However, materials constitute over 70 percent of the cost in industry. Therefore, the conscientious effort of our workers and the effect of organizational measures for the best implementation of our great principle of self reliance find expression here in the proper use and conservation of raw materials.

One of the most important aspects of research and applied work is the replacement of imported raw and other materials with domestic ones. The Eighth Plenum of the Party Central Committee has specified a series of tasks for geological research, for metallurgy, the chemical industry, construction, agriculture, etc. The problem in the fuel field remains the procurement of coking coals, in the field of chemistry it is the procurement of phosphorites, for construction there are many technical materials

of iron, steel, plastic, etc., which should be obtained from local industry, just as greater possibilities exist for domestic steel and materials for the textile, chemical and other industries. The institutes which engage in technological research under the economic departments, as well as those of the Academy of Sciences, the university departments, etc., must plan their tasks better and work toward specific goals connected with production for the rapid solution of its most critical problems.

The replacement of scarce and more expensive raw and other materials with those which are less scarce and cheaper is another area for conservation and a great source for increasing production. The fields in which we should proceed more boldly are the replacement of petroleum by-products with coal, putting low calorie and "poor" coal to broader use in place of other combustible materials, etc. This is a large field which requires serious scientific studies in metallurgy, the production of construction materials, etc. The most advanced thinking of our technologists is expected here. It is also a fact that lumber represents the highest cost in ore production on capital projects, on research and preliminary projects and in mines. The replacement of lumber with prefabricated concrete and reinforced concrete parts is an immediate requirement.

The scientific use of raw and other materials requires greater attention in order to derive more products from it. Awareness and implementation of decisions for the standardization of materials for each unit of production are very important in this regard. The tasks specified for this and the steps which have been taken to implement them cannot all be fully defined. The conservative use of steel remains an unsolved problem. Suffice it to mention that no more than 55 tons of parts or machinery are produced for every 100 tons of steel used by the plants and machine shops in Durres District, at a time when 72 to 80 tons are produced per 100 tons at the Enver Hoxha Tractor Complex, a very large difference which adds to the amount of technological waste in Durres's case. Through an analysis made by the directorate of balance of the Ministry of Industry and Mines concerning the implementation of certain standards approved for raw materials and fuel, the overruns by enterprises were alarming. Only about 40 percent of the standards were implemented. Thus, to accomplish the tasks of the plan, quite a few enterprises ordered quantities exceeding that needed for the planned production. For several sectors the situation was as follows: over one-third of the standards were exceeded in the machine industry, with the same being true in the lumber industry. For example, the lumber mill in Shkoder exceeded the amount of wood for furniture, the metallurgical complex in Elbasan earlier implemented only 24 of 56 standards, etc. The coal mine at Memaliaj exceeds the number of poles per 1000 tons produced, etc.

These excesses in the consumption of raw and other materials come from the carelessness which certain enterprise managers demonstrate toward their proper administration and use. Thus, in quite a few plants and machine shops, the use of steel, galvanized sheet metal, concrete reinforcement rods, etc.

in enterprises is pursued globally. The cost is not projected and the weight standards are not followed for each part or product. As a result of this, steel is consumed "generally" according to product value. This way of doing things in enterprises does not help to strengthen internal control to increase savings. Therefore, the unit cost and technical standards for the use of steel are essential. This year, in comparison with last year, the import price for steel for spare parts increased 15 to 20 percent, that for sheet metal increased 30 percent, while the prices of shaped iron and concrete reinforcement rods, in comparison with 1978, increased over 40 percent. At several enterprises, the tracking of standards for the use of raw and secondary materials has either been reduced to a "task" for a single individual in the directorate, or has been left up to warehousemen who, at the end of each month, file a report attesting to their thriftiness. Therefore, it often happens that the quantities of raw and other materials used to not coincide with the quantities of products produced.

The measures for strengthening the saving system in every field, and especially for raw and other materials, should be reinforced effectively, since this is a new reserve for increasing production. "Communism," stressed Lenin, "begins where there is self-sacrifice to preserve each gram of grain, coal, iron and other products for the benefit of the socialist society." The problem is central: the raw and other materials constitute two-thirds of product cost. This is both the great front of the struggle for savings and the most important basis of our accumulation.

5658
CSO: 2100

PROGRESS IN ARTIFICIAL INSEMINATION OF LIVESTOCK DISCUSSED

Tirana BASHKIMI in Albanian 4 Oct 80 pp 1, 2

[Article by Zyhdi Shahini and Prio Telo: "Administration and Production Level Should Correspond to Investments and Growing Need for Livestock Products"]

[Text] We have been working on the artificial insemination of cattle for more than 20 years, and on selection, raising production parameters and increasing the poultry line for eggs and meat for more than eight years. Artificial insemination, the method with the greatest economic and breeding effectiveness for improving cattle, has been expanding from year to year. During the sixth 5-year period the number of inseminated cows increased 22 percent. This task was accomplished by keeping at a single center the bulls of five breeds, two of which were specialized for milk production, two for meat and one for the threefold purpose of milk, meat and labor. The high value of this breeding base is confirmed in practice. The Kamez and the "17 Nentori" agricultural enterprises today are averaging 200 to 300 more liters of milk per cow than they did several years ago. Almost all cows at agricultural enterprises today are purebred, while those at cooperative units constitute about 30 percent, with a tendency to reach 70 percent by 1985.

Nevertheless, it should be mentioned that not everything is being done correctly or well. Thus, while the districts of Durres, Fier, Gjirokaster, Kruje, Lezhe, Lushnje and Sarande, which encompass 75 percent of the total number of cows, have correctly assessed the advancement of artificial insemination of cows, the districts of Diber, Kukes, Librazhd, Mat, Mirdita, Puke, Skrapar and Tropoje, which inseminate only 11 to 30 percent of their cows, appear to be quite far behind.

To give precedence to the rapid development of poultry, genetic selection studies have been conducted and production indices have been improved noticeably. For more than five years the incubation centers of the Institute of Livestock Research each year have been producing and distributing to agricultural units over 600,000 sexed chicks derived from flocks which annually yield over 200 eggs per chicken. The large investments which the

state is making are justified by the increase in egg production by a number of production units. The poultry-raising enterprises at Tirana and Elbasan are getting 200 to 204 eggs per hen annually, Maliq and Sukth 145 to 150 annually and the "Partisan" agricultural cooperative over 130 eggs annually. However, a good part of the agricultural enterprises and cooperatives in such districts as Sarande, Durres, Mat and Kukes are not achieving the desired results. Why? Because there is procrastination in the proper feeding of poultry and in creating the necessary conditions for raising them. The agricultural and planning sections in the executive committee of district people's councils, which permit the planning of egg production by these flocks far below their genetic capacity, are also responsible for this situation.

The Eighth Plenum of the Party Central Committee stressed that, despite the achievements in the livestock sector, the level of breed improvement, the technology of administration and the productivity level of animals still do not correspond to the large investments which have been made in this branch of the economy in all directions, nor to the ever-growing need for milk, eggs, meat, wool and leather. As employees of the Institute for Livestock Research, we too feel our responsibility for the shortcomings and deficiencies in the work in this direction, especially in improving the breed of cattle and poultry, which we have been charged to manage and to be responsible for on a national basis. This is due to the fact that the results of our work are directly dependent upon the accomplishment of tasks in the country's agricultural units for the production of milk, beef and chicken. Analyzing our work up to now in this light, in order to lay a firmer scientific foundation for improving the breed of cattle and poultry and to justify the large investments which the state has made and will make in the livestock branch, we have programmed our work for the years of the next five-year plan and beyond, according to the orientations of the Eighth Plenum of the Party Central Committee.

Due to the fact that stud animals are active for a long time and that their influence extends for several generations, in the field of selection we will start-with the application of the most advanced contemporary scientific methods, evaluating bulls by their offspring, with the goal of verifying and fixing their best improvement traits. Consistent with this, we are working so that in the near future we can enter into the preservation and use of biological material by deep freezing in liquid nitrogen. This method will create the possibility to extend artificial insemination broadly and will permit the use of bulls having the highest production and the best-improvement traits. As a basis for the development and breed improvement of cattle by the line reproduction method, we have begun grouping bulls and cows in breeding units according to genealogical lines, an effort which is expected to terminate in 1982.

With the goal of raising the breed improvement of cattle to a higher level and fully attaining the productive levels and capacities of the breeds, a detailed study will be made of the methodology and technology of the work

which must be done at the breeding farms to guarantee the selection, administration and feeding to obtain 4,000 to 5,000 liters of milk per cow of the "Black Spotted" breed and 3,000 to 3,500 liters from cows of the "Sukth" breed.

In the seventh 5-year period, we will begin to experiment and implement artificial insemination with such other animals as horses, swine and poultry, with the goal of enhancing the fertility in these species and to synchronize production in the industrial centers for raising hogs and turkeys, which are to be constructed and put into operation during this five-year period. Similarly, work will begin on genetic and laboratory studies to determine the chromosomic profile of each breeding animal.

To intensify the breeding effort with poultry, centers have been built in recent years to maintain them at the third-generation level, for which the state has invested more than three million leks, not to mention the value of technical equipment. Within the next five-year period it is anticipated that the center of the complete poultry-breeding structure will be built, for which other larger amounts will be invested. Intensification of the genetic selection effort has been programmed for poultry on these firm foundations with the goal of improving and consolidating their productive capacity in flocks similar to those poultry lines which are used in world practice today. Work is underway and will continue with the egg-producing lines, where a production level of 240 to 260 eggs per hen is expected to be reached, while 210 to 220 eggs per hen is anticipated by merging them under the production conditions of the poultry-raising enterprises. To ensure this production level, the extention of tests for combining these lines in open production is planned. This breeding material is expected to be put into production practice in the early years of the next five-year period.

Among the meat-producing poultry lines, selection efforts are intensifying regarding body weight, the enhancement of egg fertilization and the chick hatching percentage, with the goal of obtaining from each hen 80 to 100 chicks to be raised for meat. A task has also been imposed to provide chicks at the age of 70 days weighing 1.4 to 1.5 kg by combining two lines with promising data under the production conditions of poultry-raising enterprises, as compared with the 1.1 to 1.2 kg chicks which have been provided by combinations up to now. In this manner we will correspond better to the advanced technological level practiced in the meat production sector at the poultry-raising enterprises.

5658
CSO: 2100

BRIEFS

SHORTAGE OF MATCHES--The current shortage of matches in Slovakia is blamed on poor quality of paper cardboard imported from Yugoslavia. The situation should improve in the beginning of 1981. [Bratislava PRACA in Slovak 19 Dec 80 p 4]

CSO: 2400

EFFECT OF WORLD ECONOMIC DIFFICULTIES ON GDR DISCUSSED

East Berlin DEUTSCHE AUSSENPOLITIK in German Vol 25 No 10, Oct 80 signed to press 1 Sep 80 pp 16-38

[Analysis by Prof Dr Eugen Faude and Prof Dr Gerhard Grote, Bruno Leuschner College of Economics, East Berlin: "Examinations and Surveys: The GDR in the World Economy." Translations of the East Berlin EINHEIT articles by Dr Herbert Kroker and Prof Helmut Koziolek, cited in footnotes 10 and 17 respectively, are published as parts of a collection of articles under the heading: "Combine Managers' Tasks, Improved Production Methods Discussed," in JPRS 76104, 24 Jul 80, No 2026 of this series, pp 34-76, as follows: Kroker under "Metalworking, Plastic Processing Machinery" (pp 49-56) and Koziolek under "Raw Material Refinement" (pp 56-65)]

[Text] The GDR is a highly developed industrial state. Because of the size of its industrial potential and the economic importance of its industry it numbers among the 10 strongest industrial nations in the world.[1] Based on the organizational achievements in the past few decades and as a result of SED policy drawn up after the Eighth Party Congress, as Erich Honecker stated at the 12th meeting of the SED Central Committee, the socialist social order in the GDR has achieved a substantial degree of maturity, inner stability and at the same time effectiveness externally. "In this period our republic has continued to blossom as an economically highly efficient country in which the results of material production benefit the people to an increasing extent, a country in which education and culture have reached a level heretofore unknown in the history of our people."[2]

Because of its involvement in socialist economic integration, the GDR economy is closely linked with the economies of the USSR and the other CEMA countries. Economic cooperation and economic integration with the fraternal states is a decisive condition for stable economic and social development in the GDR. Beyond that, by means of diverse economic relations with developing countries and capitalist industrial countries and in relation to the nonsocialist industrial sector the GDR is utilizing the advantages which accrue to the partners from the internationalization of economic life and the international division of labor.

Systematic utilization of the advantages of the international division of labor was and is a primary method of increasing efficiency and guaranteeing the proportionality of the economy. But it also brings about a stronger influence of world economic development processes on the GDR economy.

The widespread world economic changes which occurred in the 1970's and which apparently will also have a substantial influence on international economic relations in the 1980's involve substantial consequences for the GDR economy overall and for its foreign trade in particular. This concerns chiefly the negative effects of the enormous increase in prices and the partial shortage of raw materials and fuels in international markets and of the increasingly worsening manifestations of crisis in the capitalist world economy in which, as set forth at the 11th meeting of the SED Central Committee, we "are dealing with increasing currency erosion and accelerated inflation, with a further intensification of competition and with sensitive trade restrictions."[3]

Now and in the future this development places extremely high demands on the GDR's economic performance capability. In general, it can be stated that, not least because of the serious changes in the international economic and also political situation at the threshold of the 1980's, qualitatively new reproduction conditions have developed which represent a sizable challenge to the creativity and industriousness of all working people. Thus, in its overall policy the SED is oriented toward the rapid achievement of the objectively essential economic increase in output, chiefly along the lines of substantially more efficient use of scientific-technical progress and of accelerated intensification of economic efficiency. Coping with the new demands is decisive for guaranteeing what has been achieved thus far and for continuing to gradually raise the people's material and cultural standard of living.

In the long run the future development of the GDR's position in the international arena is also dependent on this. "The economic rank of a country is... no longer determined only by the scope of its production. To an increasingly greater degree the ability to control the most modern technologies and to produce products of the highest quality is becoming the focal point. We must take this into consideration when we endeavor to maintain and expand our good economic position."[4]

The present article deals with several aspects of the interrelationships between growth in economic output, increasing involvement in the international division of labor and the intensified influences of international conditions on the economic reproduction process.

The GDR--An Afficient Industrial State and International Economic Partner

The position of a country in the world economy is determined by the level and the development of its socioeconomic structure, its economic potential, its productive resources and its involvement in the international division of labor.

Characteristic of the GDR economy are the stability, continuity and dynamics of its development. This becomes particularly obvious in view of the manifestations of crisis in the capitalist world which have generally been getting worse and coming in bunches since the mid-1970's (see Appendix, Table 1).

While in capitalist industrial countries economic growth since 1974 is practically half what it was in the 1960's and the capitalist world at present is heading for a new cyclical crisis, the GDR economy and the economies of most of the other socialist fraternal states show steady growth.

Development in the capitalist industrial countries is marked by further worsening of inflation and unemployment (records revealed approximately 20 million unemployed persons in the 24 OECD member countries in mid-1980), by the decline in real wages that started in 1974-1975, by the drastic downturn in housing construction and thus by severe setbacks in the standard of living and social security of the working population. In contrast to that, in the GDR, in accord with the resolutions of the Ninth SED Party Congress to guarantee full employment, additional marked progress was achieved in improving the standard of living.

These economic performances must be valued highly. This all the more so as the GDR, because of its relatively low raw material base, is affected to a far greater extent than many other countries by the increase in prices and the shortage of raw materials in world markets.

The GDR has a high degree of economic potential.[5] Based on UN publications and on international comparisons of national income and world trade figures in Soviet state statistics, we can cite, for example, the following indexes which relate to the international economic importance of the GDR:[6] With 0.4 percent of the world's population, the GDR has about 1.5 percent of the world's national income, about 1.25 percent of world trade and approximately 2.5 percent of the world's industrial production. Table 2 (see Appendix), using a number of selected internationally comparable products, makes the high level of production by the GDR economy clear.

These production figures are also reflected in the somewhat high supply and consumption quotas of the GDR population.

The production and export structure of the GDR economy is characterized by a continuous increase in the role of industry--particularly in those branches which are associated with scientific-technical progress. In 1950, 43.7 percent of the national income was from industry, in 1978 it was 60.4 percent. Exports consist almost entirely of industrial products and services. On an international scale, therefore, the GDR occupies a leading place in respect to the degree of industrialization. Although the rate of development in work productivity--as measured by the objective requirements--is still inadequate, the GDR was able in this regard, too, to achieve noteworthy results on an international comparison (see Appendix, Table 3).

Modern socialist agriculture in the GDR also achieved substantial increases in output. Since the establishment of the GDR, for example, the national yield of cattle was 9.5 times greater, milk was 5.7 times greater and eggs 22 times greater. The yield in cattle rose by 57.6 kg in 1950 to 360.4 kg in 1978 per hectare of usable agricultural land; for milk it rose from 266.4 kg to 1,245.6 and the number of eggs increased from 48 to 711.

Industrial production increasingly determines the image of economic activity in rural areas.[7] But in this we must not overlook the fact that in the past few years there has been a certain slowing in the rate of development of per-hectare yields in crop production and the development of additional reserves necessary to increase productivity and yields.

The characterization of the GDR economy which was undertaken with the help of a small number of indexes shows that the GDR has developed the profile of an efficient economic partner within the world economy. In this connection, close economic

cooperation by the GDR with the USSR and the other CEMA countries was and is of decisive importance for this successful development. Based on cooperation with the CEMA member countries, to an increasing extent the GDR can also utilize the advantage of the international division of labor with developing countries and capitalist industrial countries.

However, in view of the enormous dynamics of world economic development processes, we must not overlook the fact that positions which have been achieved can be maintained and expanded only with intensified economic efforts. In order to continue the policy adopted by the SED in respect to full employment, national prosperity and stability in the face of altered world market conditions and in order to utilize even more comprehensively and efficiently in the future, too, the possibilities of socialist economic integration and also economic relations with nonsocialist countries, the issue in the GDR is that of achieving accelerated economic growth in capacity. In the struggle for high-level scientific-technical results, for comprehensive rationalization of production and for rapid growth in work productivity, we must always keep in mind that the standards in these sectors are ultimately set at the level of the world economy. In this connection Erich Honecker demanded that we undertake everywhere a conscientious evaluation of the situation and define those tasks which are appropriate to the new requirements.[8] The economic and scientific-technical accomplishments and results which have been achieved, must, however, not simply be assessed by comparison with the past, but, to be entirely consistent, they must be compared with the international level.

"How they keep up with the international rate of development, with the requirements of international markets will be decisive. We must take note of the fact that the development of science and technology, the introduction of new products, methods and technologies, and changes in economic structures are taking place on an international scale at a speed thus far unknown. We are compelled to measure ourselves by these objective standards of scientific-technical progress, efficiency, quality and intensive management."[9]

Foreign Economic Intensity of the GDR Economy

The GDR's foreign economic relations embrace the totality of international economic relations and the associated scientific-technical relations. These include primarily foreign trade, international specialization and cooperation in science, technology and production, international investment cooperation, international transport relations, international tourism and international exchange, credit and finance relations. With the increasing importance of international specialization and cooperation in production, especially in the context of socialist economic integration, foreign trade still plays a decisive role in the overall system of the foreign economy. It is closely linked with the other previously mentioned forms, it realizes the results of international cooperation in the production sphere and provides varied impulses for the development and deepening of international economic relations in other forms. For this reason, the development of foreign trade, using Tables 4, 5 and 6 (see Appendix), provides the best information about the level and the development trend of including the GDR economy in the international division of labor.

The tables mentioned show that the GDR economy is characterized by high and continually growing intensity in foreign trade. In the past two decades, foreign trade

has developed considerably more rapidly than national income and industrial production; the general trend toward strengthened internationalization of economic life has thus prevailed fully in the GDR, too.

Detailed studies in individual branches of the economy show that the degree of foreign trade intensity and also the role of the GDR in socialist and capitalist world markets is still far greater than that expressed in the global indexes. In branches of machine building and electrical engineering and electronics such as polygraphic machine building, textile machine building, electronic data-processing systems, reforming technology, scientific equipment building, rail vehicles, shipbuilding and others, the overwhelming share of industrial goods production is exported, and with a number of products, for example, in polygraphic machine building and in machines and equipment for reforming technology, the GDR occupies leading positions on an international scale in respect to the highest scientific-technical level, which, among other things, is also reflected in the awarding of licenses to foreign manufactureres for specific products and production methods.[10] Even in some sectors of the basic materials economy, for example, in the potassium industry, the GDR is among the leading exporters.

Furthermore, the intensity of the relations of the GDR economy with the socialist and capitalist world economy is also becoming visible in the import sector, specifically both in respect to the absolute import volume (in rolled steel, for example), but mainly in respect to the share of imports in the total consumption of raw materials (petroleum, natural gas, hard coal, coke, iron ore, nonferrous metals, cotton, and so forth).[11] In connection with the deepening of socialist economic integration, but also on the basis of long-term government agreements with capitalist industrial countries and of compensation contracts with capitalist conglomerates, importing machines and equipment and complete plants, respectively, has for years played a growing role for the GDR economy (compare Table 7).

These facts clearly refute claims by bourgeois economists that the GDR, as well as the other CEMA countries, with the help of the state monopoly in the foreign trade sector and the central state planning sector, is ostensibly striving for an economic policy of self-sufficiency and in particular is using economic relations with nonsocialist countries merely as a means to offset existing deficits in the material balance sheets and to remove existing disproportions, respectively. Thus, for example, in an anthology published in the United States, entitled "East-West Trade," it is stated: "An unavoidable consequence of the Eastern policy of promoting self-sufficiency on a national or regional basis is the negligible importance which is attributed to foreign trade in the economic plans of the Eastern countries." And according to the British journal BANKER, socialist countries regard foreign trade "only as a temporary means to bridge the deficiencies in the plan structure of a self-sufficiency economy."[12] Contrary to such fabricated claims, on the basis of systematic cooperation among the countries of the socialist community, the GDR foreign economic policy and that of the USSR and the other CEMA countries was and is directed at comprehensive utilization and further development of the possibilities of the international division of labor with the countries of the capitalist world system as well (compare also Table 9). This is in line with the direction in the SED program, namely, "to utilize the advantages resulting from internationalizing economic life and the international division of labor, based on the equality of rights and on mutual advantage for the socialist structure."[13]

Influence of International Economic Relations on GDR Economy

In line with the high degree of foreign economic intensity of the GDR economy, the influence of economic relations with socialist and nonsocialist countries on the economic reproduction process and, beyond that, on other sectors of society (foreign policy, national defense, culture, among others) is extremely great. At the 11th meeting of the SED Central Committee there was this related statement:

"The foreign economy has, even more, become a basic question of the overall economic growth, of the dynamics and stability of our development."[14]

Let us first consider the utilization of the advantages of the international division of labor to establish the requisite proportions of the economy. Because of the specific geological, climatic and other natural and historical conditions in the GDR, there is, to a substantial degree, the need to import goods which cannot be produced at all at home or not in sufficient quantities, and accordingly to export those products whose production exceeds domestic requirements and for which there is a demand in foreign markets (complementary function of foreign trade). Thus, extensive importing of production means and consumer goods was and is an essential prerequisite for the high level of production and consumption which has already been achieved and for the dynamic, long-term stable growth of the economy. Because of the natural resources which are present in limited quantities only, this applies chiefly to satisfying the demand for mineral and agricultural raw materials, which are imported mainly from the USSR, and for foodstuffs from tropical countries. Thus, in 1978, for example, imports included 19.9 million tons of petroleum, 3.6 billion cubic meters of natural gas, 8.5 million tons of hard coal and hard coal coke, 86,400 tons of cotton, 2 million tons of iron ore, 73,400 tons of manganese ore, 51,700 tons of chrome ore, 251,000 tons of bauxite, 35,100 tons of natural rubber, 2.76 million tons of grain, 52,100 tons of raw coffee and 23,700 tons of cocoa beans.[15]

However, at the same time, to a high and especially greatly increasing degree, with the help of the foreign economy, those effects of the international division of labor are utilized which are aimed at developing the most advantageous production structures and at achieving optimal production standards in the individual branches and product groups, respectively (substitutive function of foreign trade). Given the conditions in the GDR, this concerns, for example, overcoming the historically based strong fragmentation of production which is associated with small lot sizes and high costs of production, and with concentrating industrial production and exports on those products which can be produced at relatively low cost and which are characterized by low material and import intensity. Thus, it is a matter of establishing the most favorable ratio between domestic production, imports and exports both from the point of view of the macrostructure (that is, between the branches), as well as in respect to the microstructure (within the branches and product groups, respectively) and thus of achieving productivity and exchange effects for the economy.

In the GDR, this development is especially typical of the metal-processing industry sector and was promoted chiefly through specialization and cooperation in production with the CEMA member countries in the process of socialist economic integration. It simultaneously resulted in strong diversification in the importing of finished products, especially of machines and equipment, components and semifinished products, and a substantial increase in the share of these products in total imports (compare Table 7 in the Appendix).

As Table 7 shows, in spite of the substantial increase in the share of machines and equipment in the GDR's overall imports, in the course of the past two decades the main share of imports has continued to consist of industrial and agricultural raw materials, while exports, in agreement with the overall structure of the economy, are characterized by the high share of finished products, particularly products of machine building and electrical engineering and electronics.

This goods structure of exports and imports in the gross classification by product groups is definitely in line with the conditions in the GDR as a highly developed industrial country with very limited natural resources in the way of mineral raw materials, and basically it has very positive effects for the development of the economy. At the same time, however, this structure is also the source of great sensitivity in respect to changes in world market prices such as occurred in the 1970's and apparently will also be typical of international trade in the 1980's. The drastic rise in the prices of raw materials since 1973-1974 and the new strong rise since 1979-1980, in which the price development for petroleum is especially severe, has resulted in a strong change in exchange conditions in international trade relations. The world market prices for finished products have, of course, likewise gone up, but to a far lesser extent. Thus, this change in the price ratio is having an especially strong effect on the balance of payments and the national income of countries like the GDR, for example, which are very dependent on importing raw materials while exports consist primarily of finished products (see Appendix, Table 8).

The development represented in Table 8 of the price indexes for raw materials and industrial finished products in the capitalist world market has a direct effect on the foreign trade relations of the GDR with nonsocialist countries where export and import agreements are reached at current world market prices. However, since the prices of the primary goods markets are an essential basis for price formation in mutual trade between the CEMA countries, these long-term trends in the development of the level and the relationships of prices in the capitalist world market also have an effect on the efficiency of GDR foreign trade with other CEMA countries. From this it follows that the conclusions demanded by this situation generally concern foreign economic relations both with socialist and nonsocialist countries; in this connection the principal differences in these relations which stem from the differentiated socioeconomic, political and ideological conditions must naturally be taken into consideration.

At the 11th meeting of the SED Central Committee the following assessment was made in reference to the development of world market prices:

"We...must...expect price increases to continue. Thus, it must be very soberly established that we are dealing not only with a further worsening of an already complicated situation. A new situation is developing for us. That is not a special problem of the GDR, it is one that all other socialist countries, indeed almost all countries in the world, must come to terms with. However, because of our situation in respect to raw materials and the strong dependence on foreign markets this hits us especially hard."[16]

As the current situation in the OECD countries clearly proves, in capitalist countries such far-reaching changes in world economic conditions have a spontaneous effect on the economic reproduction process, they aggravate the crisislike

development, mainly to the disadvantage of the working people in these countries and are particularly crassly expressed in high and increasing mass unemployment. In contrast to that, the socialist planned economy, the foreign trade and exchange monopoly of the state and the systematic cooperation within the socialist community of states offer more favorable possibilities for coming to terms with these complicated processes and for taking the necessary steps to overcome the difficulties mentioned in such a way that the unavoidable effects on the economy will be as small as possible.

The basic direction, which in this connection is concretely reflected in the economic plan and in the plans of the sectors and branches, is directed at the further strengthening of the export capability, primarily by an above-average increase in production and the sale of highly improved export products that are profitable in respect to foreign exchange; it is also aimed at lowering the consumption of energy and raw materials by the most efficient use of existing resources, including improvement of the secondary raw materials economy.[17] Accelerating scientific-technical progress in material production as a primary source of growth in national income is of decisive importance here. "The pace of the 1980's depends on scientific-technical progress and its comprehensive utilization, in the growth of production and in the necessary improvement in the relationship of cost and result in economic activity."[18]

Thus, the issue here is not the reduction of international economic conditions because of foreign economic conditions which have gotten more complicated and thus diminishing the role of the international division of labor to solve the economic tasks, but rather the GDR foreign economic policy is aimed at doing justice, by means of further improvement of work in research and development, of production and in foreign trade activity, to the new world economic conditions and thus to primarily increase the efficiency of the foreign economy. This orientation is also becoming visible in the renewed growth of foreign trade sales in the first half of 1980. Thus, exports compared with the same period of the previous year increased 16 percent; this includes a 38-percent increase to developing countries and a more than one-third increase to capitalist industrial countries.[19]

In realizing this foreign economic policy, various prerequisites, problems and tasks arise in relations with the countries of the socialist and capitalist world economic system.

Table 9 shows that foreign trade with the socialist countries, which generally comprises more than 70 percent of the GDR's total foreign trade sales, is the focal point in the GDR's international economic relations.[20] At the same time, it is clear that foreign trade relations with nonsocialist countries with a share of about 28 percent and substantial annual rates of increase are likewise of great importance for the GDR economy.

The GDR in the Community of the CEMA Countries

Economic cooperation with its partners in CEMA forms the nucleus of the GDR's foreign economic relations. These are relations of fraternal cooperation which develop according to the principles of socialist internationalism and are characterized by a systematic approach and by stability. Because of the general involvement of the GDR

in socialist economic integration these relations take on increasingly greater diversity, depth and dimensions. They make it possible for the GDR to effectuate the advantages of the international division of labor to an increasing extent for intensification and proportional development of the economy. The USSR and the other CEMA countries have the decisive share in supplying the GDR with vital import goods.

On the other hand, because of its highly developed production potential, the GDR also plays an important role as an economic partner of the fraternal states. This applies especially in the area of the metal-processing, chemical and light industries.[21]

The close interinvolvement between the GDR and the other CEMA countries is revealed, among other things, in the indexes in Table 10 (see Appendix):

Whereas the other CEMA member countries have a 68.8-percent involvement in the GDR's foreign trade, the GDR for its part has a 9.3-percent share in the total foreign trade of the other CEMA countries. The GDR's share in intra-CEMA trade amounts to 13.9 percent.[22] Here the GDR is in second place behind the USSR.

The solid base in the CEMA community and chiefly the close cooperation with the USSR guarantee the GDR economy a clear future. The results of plan coordination between the GDR and the USSR for the period from 1981 to 1985 and the long-term program for specialization and cooperation in production up to 1990, which was agreed upon by both countries, testify to this. Together with similar agreements with the other CEMA member countries, which have already been concluded or which are still in preparation, they comprise a solid base for the future economic development of the GDR.

As a result of plan coordination it was possible to reach agreement between the GDR and its partner countries for the upcoming five-year plan period, among other things in respect to foreign trade sales and increases in sales, respectively, as reflected in Table 11. Especially important for the GDR are the extensive and long-term guaranteed deliveries of raw materials and fuels by the USSR, which are being made available at substantially lower prices than would have had to be paid in the capitalist world market.

An analysis of the results of plan coordination between the GDR and fraternal countries makes clear the striving of these countries to develop, in addition to the expansion of their mutual deliveries of raw materials and fuels, machines and equipment, agricultural products, foodstuffs and technical consumer goods, even more extensive and more effective cooperation in the intensification of production and in the effective solving of the problems of raw materials, fuel and energy. In this connection, important components of future plan coordination between the GDR and its partner countries are:

--measures of scientific-technical cooperation, especially for efficient use of raw materials and energy, to develop new production technologies and products and to increase the quality and technical level of products (special key points in this are accelerating the development of microelectronics, nuclear energy and the chemical industry including the intensified development of carbon chemistry);

--deepening of specialization and cooperation of production primarily in the various sectors of machine and plant construction, electrical engineering and electronics and the chemical industry, and also in certain sectors of light industry, agriculture and foodstuffs production;

--the joint realization of economically important investment measures;

--cooperation in rationalization and reconstruction of enterprises and important production segments;

--the expansion of direct relations between ministries, combines and research facilities;

--the involvement of the GDR in long-term investment projects in the USSR, Cuba, Vietnam and Mongolia;

--the further development of the consumer goods exchange for better supplying of the people;

--joint appearance in third markets.

Just as important as the improvement of bilateral cooperation is the GDR's participation in the realization of the long-term CEMA programs which are targeted for a period of more than 10 years. Especially important for the GDR in this are, among other things, the general agreement on specialization and cooperation, which was signed in 1979, in the sector of nuclear power plant construction, and the agreements made at the last CEMA meeting on specialization and cooperation in the development and production of the means of computer technology and on cooperation in the deeper cracking of petroleum. On the basis of the agreement in the area of electronic computer technology alone, in the period between 1981 and 1985 goods and services worth R15 billion will be exchanged among CEMA countries. With the help of the third generation of the standard system of electronic computer technology, a system that is to be put into production in the next five-year plan period, the cost-performance ratio in these computer systems can be improved by 3 to 7 times and significant new rationalization effects can be developed in the CEMA economies.

Cooperation in CEMA is very advantageous for the GDR economy, but it also imposes large tasks on it. In the fraternal states, too, high demands are made on the scientific-technical level and the quality of our export goods, on customer service, on the supply of replacement parts, and so forth. Ordering important raw materials also imposed on the GDR the task of delivering raw material grade products.[23] Even in the international market of the CEMA countries raw materials and fuels are becoming more expensive. This can be accommodated by a significant strengthening of our export capability and by consistent orientation toward high efficiency in all forms of foreign economic activity. On all levels of the economy the greatest attention must be paid to meticulous preparation of contracts having to do with specialization and cooperation in science, technology and production and to the disciplined fulfilling of these contracts.

Economic Relations With Developing Countries and Capitalist Industrial Countries

It is an important concern of the GDR to universally develop the anti-imperialist alliance with the national liberation movement and to constantly expand economic cooperation with nationally liberated countries.

At the Ninth SED Party Congress the following was stated:

"By expanding and solidifying political and economic relations we support the struggle for economic independence by liberated countries and by those countries fighting for liberty and we also support their struggle to solve the political, economic and social tasks facing them."[24]

Intensifying this cooperation simultaneously contributes to developing important new possibilities for orders and sales for the GDR economy. With the overall development of the GDR's foreign trade, trade with the developing countries reveals the most dynamics. During the period between 1970 and 1978 it rose to a level 3.1 times higher and reached a volume of over 5 billion valuta marks. In this connection there was rapid growth in trade with those developing countries with which we share a high degree of common interests in the struggle for freedom and social progress. Thus, there was an increase in foreign trade sales with India, Iraq, Algeria, Syria, Ethiopia, Mozambique and Angola during the period 1970 to 1978, to a level 5.8 times greater. The share of these 7 countries in the GDR's total trade with developing countries increased in this period from 25.9 percent to 47.8 percent.

At present, on the basis of government agreements the GDR has trade and other economic relations with approximately 50 developing countries. On the basis of genuine equality of rights it provides help and assistance chiefly with

--the delivery of plants, equipment and technologies to expand and modernize industry and other economic sectors (from 1970 to 1979 more than 650 enterprises and plants were manufactured in developing countries by the GDR);

--initial and continued training of skilled workers and experts from developing countries (for example, 800-900 cadres from developing countries start advanced school study in the GDR each year; in the course of the past 10 years almost 40,000 citizens from developing countries received production-technical, professional training in the GDR. Some 10,000 others were trained at advanced and technical schools.)

--dispatching experts, transmitting scientific-technical and other documentation and passing on information and experience, primarily with the goal of developing their own scientific-technical infrastructure and efficient production base.

In addition, there are free acts of assistance to support peoples fighting for national independence and against imperialist oppression; this help is provided by contributions of solidarity made by the people of the GDR. The deliveries and services financed from these contributions from the GDR solidarity committee amounted to over M500 million just in 1978 and 1979 together.

Party and government proceed on the basis that, given the level attained to date, the possibilities of economic and scientific-technical cooperation with the developing countries are not at all exhausted yet. Thus, the trip undertaken in 1979 by a party and state delegation under the leadership of Erich Honecker to four African countries produced, among other things, the concluding of 19 important accords, agreements and contracts, including the signing of a long-term program of cooperation with the People's Republic of Mozambique. As a result of the trips by party and government delegations under the leadership of Guenter Mittag to Algeria and Mexico, it was likewise possible to conclude significant economic agreements which will last far into the future. Among others, the development of industrial cooperation, especially in the sector of the cement factory, machine tool and agricultural machinery construction, and the transition to long-term and comprehensive economic cooperation to expand and modernize important sectors of the Algerian economy were agreed upon with Algeria (for example, agriculture, cement industry, casting industry and metallurgy). With Mexico, in addition to a number of contracts for important measures of economic and scientific-technical cooperation, agreements were signed in Mexico which relate to the development of industrial cooperation and cooperation in the development of the telecommunications system, machine-tool and gear building, the chemical industry and the fishing industry. Both countries support the establishment of mixed production and trade societies and the joint realization of projects in third markets.

The new quality of economic relations which is emerging between the GDR and the developing countries imposes great demands on the GDR economy. Primarily the increase in factory exports with accommodation of the principle of "product in hand,"[25] industrial cooperation, intensified use of the principle of good for good, the transmission of technical knowledge and management experiences on up to the creation of mixed enterprises, and, not least, the long-term character of cooperation require coordinated action to create the necessary internal prerequisites for effective preparation and realization of large and comprehensive projects of economic cooperation with developing countries. At the 10th meeting of the SED Central Committee, Gerhard Beil, member of the Central Committee and first deputy minister for foreign trade in the GDR referred to the fact that a new quality in dealing with foreign trade tasks is necessary, one which has a complex combination of exports and imports, of scientific-technical relations, of cadre training, of advisory activity and application of advice.[26]

Great importance also attaches to the further development of trade and economic relations with capitalist industrial countries. The GDR regards the stabilization and expansion of these relations as an important condition for the continuation of the policy of detente and the successful implementation of peaceful coexistence. Thus, it consistently opposes all attempts by imperialism to disrupt East-West economic relations with measures of discrimination, embargo or blockade and to utilize them in blackmail attempts against socialist states. It likewise does everything necessary to thwart certain attempts by imperialist forces to shift effects of the capitalist economic crisis to the GDR economy.

The constructive attitude of the GDR toward expansion of economic relations with capitalist industrial countries is expressed in its systematic policy of concluding, on the basis of equality of rights and of mutual advantage, long-term agreements concerning economic and scientific-technical cooperation, including the development of industrial cooperation and cooperation in third markets.

An excellent example of such cooperation is the government agreements, signed in April 1980, with the French republic on economic, industrial and technical cooperation, which forms the basis for the continuous development of economic relations between both countries until 1990.

In view of more difficult sales conditions in the capitalist world market, party and government attach very great importance to guaranteeing exports to the nonsocialist economic area. The intensified competitive struggle in capitalist markets requires rapid reaction to the development of needs and to specific customer desires. Improving the profitability of exports to capitalist countries is a priority task. As Gerhard Beil stated at the 11th meeting of the SED Central Committee, it is a matter of not yielding in the face of undoubtedly complicated conditions, but rather, even under difficult conditions, of strengthening the consciousness of the necessity of fulfilling the export tasks to the nonsocialist economic area.[27] The primary requirement is high export growth in modern products, which are profitable in respect to foreign exchange, and more effective market and price labor in the external markets.

Thus, in summary, the result is that the GDR, based on its position as a leading industrial power and on the fraternal alliance and the general cooperation with the USSR and other countries of the socialist community, has the necessary prerequisites to meet the demands of the 1980's with optimism. However, in view of the altered reproduction conditions, further progress in social policy and in other areas of social life depend on how we better succeed in effectuating the advantages and driving forces inherent in socialism within the meaning of increasing productivity and efficiency. In this, the possibilities of the international division of labor--primarily with the USSR and the other CEMA member countries--must also be utilized even more effectively. In this connection, the formation of efficient industrial combines and the concomitant improvement of the economic organization created essential prerequisites for providing the growth in capacity that is essential for the 1980's in science, technology, production and export.

FOOTNOTES

1. Compare "11th Meeting of the SED Central Committee," Berlin 1979 p 138.

2. "12th Meeting of the SED Central Committee," Berlin, 1980 p 9.

3. "11th Meeting of the SED Central Committee," Berlin, 1979 p 38.

4. E. Honecker, "The Next Tasks of the Party in Implementing the Resolutions of the Ninth SED Party Congress," Berlin, 1980 p 29.

5. Compared with the production level of the entire former German Reich in 1936 the GDR, for example in 1978, produced 2.25 times as much electric energy, 3.68 times as much gasoline and 2.37 times as much potassium fertilizers.

6. Their calculations on the basis of the "Yearbook of National Accounts Statistics 1978," Vol 2, International Tables, United Nations, New York, 1978; "The USSR Economy in 60 Years," Statistical Jubilee Yearbook, Moscow, 1977; and various press releases.

7. Compare "1979 GDR Statistical Yearbook," p 174 f and p 187, and BERLINER ZEITUNG, 9/10 June 1979: "Erich Honecker at the Agricultural Exhibit Markleeberg."

8. Compare E. Honecker, "The Next Tasks...," op. cit., p 29.

9. "11th Meeting of the SED Central Committee," op. cit., p 39 f.

10. Compare H. Kroker, "Our Combine in the Struggle for Scientific-Technical Progress," in EINHEIT, No 6, Berlin, 1980 p 581.

11. In this connection compare "1979 GDR Statistical Yearbook," p 235 and p 118.

12. Quoted in A. Grumkin, "Concerning Some Bourgeois Views of Soviet Foreign Trade," in USSR FOREIGN TRADE, No 10, Moscow, 1974 pp 48-49.

13. "Program of the SED," Berlin, 1976 p 34.

14. "11th Meeting of the SED Central Committee," op. cit., p 37.

15. Compare "1979 GDR Statistical Yearbook," p 225 (figures rounded off).

16. "11th Meeting of the SED Central Committee," op. cit., p 39.

17. Compare H. Koziolek, "Greater Refining of Raw Materials," in EINHEIT, No 6, Berlin, 1980 p 587.

18. E. Honecker, "The Next Tasks...," op. cit., p 29.

19. Compare "Report of the State Central Administration for Statistics on Implementing the 1980 Economic Plan in the First Half Year," in NEUES DEUTSCHLAND, Berlin, 12/13 July 1980.

20. The strong decline in the share of the other socialist countries in the GDR's foreign trade sales following 1960 can be attributed exclusively to the correction of China's foreign economic policy after the beginning of the 1960's.

21. With 4.4 percent of the population, the GDR's share in the total production of the CEMA countries (excluding Vietnam) among other things, is as follows: electrical energy 5.9 percent, brown coal 40.5 percent, steel 3.3 percent, rolled metal 4.2 percent, cement 6.3 percent, long-distance rail passenger cars 31.5 percent, automobiles 8.2 percent, synthetic fibers 18.1 percent, viscose staple fiber and artificial silk 15.2 percent, photo equipment 18.1 percent, watches 10.3 percent, refrigerators for households 6.8 percent, vacuum cleaners 18.5 percent, home washing machines 7.4 percent, home sewing machines 16.1 percent, radios 8.0 percent, paper 8.4 percent, meat 9.1 percent (compare "1979 Statistical Yearbook of the CEMA Member Countries," 1979, pp 86-137).

22. Computed according to the "1979 Statistical Yearbook of the CEMA Member Countries," 1979, p 373 f.

23. In international markets other raw materials or finished products of an especially high scientific-technical and quality level are required as counter-deliveries for raw materials.

24. "Report of the SED Central Committee to the Ninth SED Party Congress," Berlin, 1976, p 20.

25. The consequence of this principle is that the buyer is given a fully functioning enterprise. This also includes training and familiarizing the skilled forces which are required for managing and implementing production.

26. Compare "10th Meeting of the SED Central Committee," Berlin, 1979 p 76 f.

27. Compare "11th Meeting of the SED Central Committee," Berlin, 1979 p 174.

APPENDIX

Table 1

Average Annual Growth of GDR National Income and Industrial Production Compared With Corresponding Growth Rates in Capitalist Industrial Countries 1961-1979
(in percent)

	1961-1970	1971-1974	1975-1979
GDR			
National income produced	4.3	5.5	4.2
Gross industrial production	6.2	6.6	5.3
Capitalist Industrial Countries			
Gross National Product	4.9	3.2	2.4
Industrial Production	5.6	3.9	2.9

Source: Our computations according to the "1979 GDR Statistical Yearbook," p 73 and p 113; "Report of the State Central Administration for Statistics on Implementing the 1979 Economic Plan," in NEUES DEUTSCHLAND, 17 January 1980, Berlin; "The Economy of Capitalist Countries in Figures," IPW [Institute for International Politics and Economics], Research Volume 4, 1977, pp 20 and 22; "IPW Reports," January, 1980, p 72 and current press reports.

Table 2

GDR Production of Selected Products and Their Share in World Production in 1977

Product	Production Volume	Per capita Production	Share in World Production (in percent)	Rank on World Scale Absolute	Rank on World Scale Per Capita	Comparison With World Per Capita Production
Electrical energy	91.996 bil. kWh	5,487 kWh	1.32	12	11	3.2 times greater
Brown coal	253.7 mil. tons	15.1 tons	27.9	1	1	69 times greater
Coal, overall*	68.7 mil. tons	4.1 tons	2.58	10	3	6.2 times greater
Raw steel	6.85 mil. tons	409 kg	1.01	18	17	2.5 times greater
Cement	12.1 mil. tons	722 kg	1.70	13	6	4 times greater
Potassium fertilizers	3.3 mil. tons	193 kg	12.8	3	1	30 times greater
Viscose staple fiber	132.6 kt	7.9 kg	6.77	3	2	15.8 times greater
Artificial silk	27.1 kt	1.6 kg	2.39	10	3	5.3 times greater
Synthetic fibers	124.0 kt	7.4 kg	1.43	11	6	3.5 times greater
Plastics and synthetic resins	734.0 kt	43.8 kg	1.94	11	8	4.6 times greater
Railroad freight cars	5,587	3.3 per 10,000 inhabitants	-	7	4	-
Automobiles	167,200	99.7 per 10,000 inhabitants	0.55	16	12	1.3 times greater
Meat (slaughter weight)	1,767 kt	105.4 kg	1.4	13	9	3.4 times greater
Sugar	697 kt	42.0 kg	0.75	26	23	1.9 times greater
Beer	21.7 mil. hectoliters	129 liters	3.5	8	6	-

*Our own conversion to hard coal. The conversion ratio of brown coal to hard coal was set at 3.71:1.

Source: Compilation and computation according to the "1979 GDR Statistical Yearbook," International Surveys, pp 42-68.

Table 3

Development of World Productivity Per Employee in the GDR Compared With the Development of World Productivity in Imperialist Centers of Competition (average annual growth rates 1960-1978)

	National Income and Gross National Income, Respectively Per Employee	Production of Industry and the Processing Trade Per Employee
GDR		
1960-1973	4.6	5.7
1973-1978	4.3	5.1
United States		
1960-1973	2.0	3.3
1973-1978	0.5	1.6
EEC		
1960-1973	4.0	4.7
1973-1978	2.2	2.8
Japan		
1960-1973	9.0	8.8
1973-1978	3.1	2.9

Source: "1979 GDR Statistical Yearbook," pp 13 and 122; also M. Wegner, "Advances in Productivity in the 1980's," in WIRSCHAFTSDIENST, No 2, Hamburg, 1980, p 88.

Table 4

Indexes of the Development of Foreign Trade Sales, National Income and Industrial Production in the GDR in the Period 1960-1979 (1960=100)

Year	Development of Trade Sales at Effective Prices in Valuta Marks	Foreign at Comparable Prices in Valuta Marks	Development of National Income at Comparable Prices	Development of Gross Industrial Production at Comparable Prices
1960	100	100	100	100
1965	133.6	136.5	118.3	133
1970	214.2	223.0	153.1	183
1975	402.4	329.1	198.9	241
1978	524.0	385.8	225.2	290
1979	589.6	-	234.4	304

Source: Calculations according to the "1979 GDR Statistical Yearbook," pp 73, 112, and 231-232; also "Report of the State Central Administration for Statistics on Implementing the 1979 Economic Plan," in NEUES DEUTSCHLAND, 17 January 1980, Berlin.

Table 5

Foreign Trade Quota and Per Capita Foreign Trade Sales in the GDR 1960-1979

Year	Foreign Trade Sales at Effective Prices (millions of Valuta Marks)	Produced National Income at Effective Prices (millions of marks)	Foreign Trade Quota in Percent (1:2)*	Foreign Trade Sales, Per Capita, in Valuta Marks
1960	18,487.4	71,540	28.8	1,075.5
1965	24,693.2	84,760	29.1	1,449.1
1970	39,597.4	109,470	36.2	2,320.0
1975	74,393.6	142,370	52.3	4,422.9
1978	96,879.4	161,140	60.1	5,783.5
1978 [presumably 1979]	109,000 (approx.)	167,586	65.0	6,495.4

*With this index it should be noted that its force is limited by the various price bases (foreign prices, converted to valuta marks and domestic prices in marks, respectively). Nonetheless, the trend is correctly reflected.

Source: As above.

Table 6

Per Capita Foreign Trade Sales of CEMA Member Countries in 1978 in Transfer Rubles

Country	Foreign Trade Sales (in Millions of Transfer Rubles)	Population (in thousands)	Per Capita Foreign Trade Sales (in Transfer Rubles)
Bulgaria	10,347	8,805	1,175.1
Hungary	16,151	10,699	1,509.6
GDR	20,745	16,751	1,238.4
Cuba	6,299	9,739	646.8
Mongolia	477	1,595	299.1
Poland	21,515	35,049	613.9
Romania	11,519	21,953	524.7
USSR	70,224	262,442	267.6
CSSR	16,473	15,184	1,084.9

Source: "Statistical Yearbook of the CEMA Member Countries," Moscow, 1979.

Table 7

Development of the Goods Structure of GDR Exports and Imports Between 1960 and 1978 in Percent

Product Group	Export 1960	Export 1978	Import 1960	Import 1978
Machines, equipment and transport means	49.0	55.0	12.7	34.0
Fuels, mineral raw materials and metals	15.7	10.1	38.5	29.8
Animal and vegetable products, foodstuffs and nonessential foods and beverages	5.9	7.8	39.2	20.8
Industrial consumer goods	15.1	15.0	5.3	5.1
Chemical products, fertilizers, rubber, building material among other goods	14.3	12.1	4.3	10.3

Source: "1979 GDR Statistical Yearbook," p 232.

Table 8

Development of Prices for Raw Materials and Industrial Finished Products and Change in Price Ratios (Basis: UN--Index of Export Prices of Capitalist Countries, 1970=100)

Year	Raw Materials	Finished Products	Ratio
1970	100	100	100
1971	110	105	104.8
1972	127	113	112.3
1973	182	133	136.8
1974	309	162	190.7
1975	302	182	165.9
1976	311	183	169.9
1977	342	200	171.0
1978	348	229	152.0
1979*	426	266	160.2

*estimated

Source: Compiled and calculated on the basis of the UN MONTHLY BULLETIN OF STATISTICS, current. Detailed information on this, see Brendel/Brode, "World Market Price Development in the 1970's--Trends and Causes," in WIRSCHAFTSWISSEN-SCHAFT, No 6, Berlin, 1980.

Table 9. Development of the Structure of GDR Foreign Trade Sales By Groups of Countries (at Current Prices) in Percent

Year	CEMA Countries*	Other Socialist Countries	Developing Countries	Capitalist Industrial Countries
1960	67.6	7.0	4.3	21.1
1970	67.3	4.2	4.0	24.4
1978	68.8	3.3	5.2	22.7

*from 1962 includes Mongolia
from 1972 includes Cuba
from 1978 includes Vietnam

Source: Our own computations according to "1979 GDR Statistical Yearbook," p 232.

Table 10. Share of European CEMA Countries in GDR Foreign Trade and Share of GDR in Foreign Trade of Other European CEMA Countries (1978, in Percent)

	Share of European CEMA Countries in GDR Foreign Trade	Share of GDR in Foreign Trade of Some CEMA Countries*
USSR	35.4	10.6
CSSR	9.2	11.6
Poland	8.5	8.4
Hungary	6.3	8.7
Romania	3.9	7.3
Bulgaria	3.5	7.6

*The figures refer to 1977.

Source: "1979 GDR Statistical Yearbook," p 233; "USSR Foreign Trade, 1977," pp 9-14; Poland's 1978 Statistical Yearbook," pp 288-290; "Hungary's 1977 Statistical Yearbook," pp 305-307; "Romania's 1978 Statistical Yearbook," pp 447-453; "CSSR's 1978 Statistical Yearbook," pp 438-440; "Bulgaria's 1978 Statistical Yearbook," pp 360-362.

Table 11. Coordinated Development of Goods Exchange Between the GDR and Other CEMA Member Countries For the Period 1981-1985

	Volume of Mutual Trade As Coordinated With the Partner Country in the Period 1981-1985 (in Billions of Rubles at 1980's Prices)	Increase in Respect to 1976-1980 in Percent
USSR	48	30
CSSR	10	20
Hungary	7.5	20
Romania	5.6	32
Bulgaria	4.9	40
Cuba	-	45

Source: NEUES DEUTSCHLAND, 6 February 1980, Berlin (USSR); 4 July 1980 (CSSR); 29 May and 12 June 1980 (Cuba); 14/15 June 1980 (Hungary); 30 June 1980 (Romania); 4 June 1980 (Bulgaria)

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QUALITY PRODUCTS NEEDED TO COMPETE IN WORLD MARKET

East Berlin TG TECHNISCHE GEMEINSCHAFT in German Vol 28 No 11, Nov 80 signed to press 30 Sep pp 19-20

[Article by Prof Dr Hermann Uebermuth, Dresden Technical University: "World Level Comparison: Only Top Quality Products Have a Chance"]

> [Text] The world level comparison is an indispensable condition for the development of top quality products. Nevertheless, the world level comparison must not be limited to technical parameters and usability characteristics. To achieve high export profitability, a merciless international price comparison is necessary. It will result in scientific-technical demands on development and technology. They will decide the export profitability of our products.

At the present time, a price comparison is the only possible method for comparing expenses for our own products with international top-quality products, because there is no accessible information about the actual costs for internationally competitive products. As a consequence, comparative conclusions must be drawn with regard to possible price indications. Such a comparison provides important information when it comes to meeting the production costs in marks from valuta mark revenues for products to be developed for later export. It will also provide information about the development and exportability of a new or developed product in comparison with the existing exportability.

As is the case with regard to the world level comparison, international price comparisons must also be conducted with ruthless honesty to be able to influence price-effective factors in due time.* Essential qualitative demands on the development of products and the technology of production can be derived from an international price comparison. Thus, the price comparison is a component of the scientific-technical world level comparison.

Subsequent measures for price-determining factors such as improving the quality and raising the technical standard are always calling for incomparably higher social costs.

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* Cf. Schwadtke, "Internationale Preisvergleiche" [International Price Comparisons], Verlag Die Wirtschaft, Berlin, 1973.

The preparation of the international price comparison therefore demands goal-directed long-term gathering of information from the activities of travel cadres, from offers, invoices, price lists, announcements in technical publications, advertisements (so-called tenders) and other things. During the process it is absolutely essential to find out whether the international price is an advertised price or whether it has been established by contract. Negotiated rebates vary according to product and country and frequently they amount to 20 percent or more.

To set the price, price-effective usability characteristics of the product are essential in addition to the cost. In the case of machinery and equipment, for instance, energy and fuel consumption will have an ever greater influence on the price. Before the development of a product for export, the required usability characteristics are to be discussed with foreign trade exports. It is not a new demand but a legal requirement according to the listed duties. Deficiencies with regard to certain parameters can altogether eliminate future exports or lead to substantially lower prices. Measuring tools or cameras, for instance, will soon no longer be exportable unless they are equipped with microelectronic parts; at the present time they can still be sold, but only at a considerable loss.

After comparing the products, special attention must be given, above all, to pricing and terms of payment as the most important commercial influences. Determining transportation costs will reveal how much of the comparative price is spent for freight and incidental transportation charges. It is recommended, as a matter of principle, that these costs be deducted from the international comparative price and to consider these terms only when analyzing the results. A comparative price, for instance, which refers to an item exported from Japan to the FRG will contain relatively high freight and insurance costs. If these charges are deducted from the contracted price, the competitiveness of GDR exports can be demonstrated even without taking advantage of differences in freight rates etc.

Terms of payment are also playing an important role in figuring the price. As a matter of principle, the seller in the NSW [nonsocialist monetary area] adds to the price credit costs (interests, commission) when granting the terms of payment. If an English exporter, for example, grants 12 months credit, the current interest rate in England will have to be considered resulting in a price that will be higher by approximately 18 percent. (Information on costs for prices and credit is available from the foreign trade enterprise.)

Econopolitical influences which must be considered as justified expenditures in international price comparisons for developed products are, above all, customs duties. If a comparative price, for instance, is based on a business transaction between partners who grant each other most-favored status, and this would not apply to GDR exports, customs duties must also be deducted from the existing international comparative price or the GDR comparative price would have to be raised by the amount of customs duties.

Monetary-policy conditions can also have an enormous influence on prices in the nonsocialist monetary area. As a matter of principle, exporters add expected exchange-rate risks to the price of their products, depending on the currency used in the contract. At the present time, this is particularly important when contracts are concluded in English pounds, because significant exchange-rate losses.

For international price comparisons in developing areas such complicated monetary-policy influences can only be considered in exceptional cases. It must not be forgotten that international price comparisons as economic reasons for product development are generally tainted with factors of inexactitudes, and they are providing only one, albeit important criterion for management decisions.

A frequently heard opinion is that international price comparisons must also include proof that expenditures in marks must be fully covered through valuta earnings (foreign currency converted into valuta marks). It is desirable but objectively not always possible. When valuta exchange rates or coefficients are based on economic factors, the average economic export-ability is "1." Since price relations (not only the price level) between various products on foreign markets and GDR industrial prices differ, an average profitability index of "1" means that there are some products that are above and some that are below this figure. It corresponds to the realities in economic practice.

When combines are informed of state tasks and obligatory plan requirements, they also receive orientations with regard to the total export volume they have to produce. In the process they must responsibly examine, plan and decide how exportability can maximally be increased.

[Diagram on following page]

Arbeitsschritte für den internationalen Preisvergleich zur ökonomischen Begründung von Erzeugnisentwicklungen

Key:

1. Activities
2. Gathering of necessary information
3. Comparing essential usability characteristics
4. Examing comparability of commercial conditions
5. Examining influences of econopolitical nature, such as customs duties and and others
6. Adjusted comparable price
7. Conversion into valuta marks
8. Comparison with advertised price
9. Measures for establishing comparability of prices
10. Derivations of price corrections from price-effective usability characteristics
11. Conversion of transportation, payment and other conditions into comparable basis

[Key continued on following page]

12. Adjustment of differences
13. Consideration of essential monetary-policy influences
14. Analysis of results, application to management and planning
15. Working steps for the international price comparison to provide an economic basis for product developments

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CSO: 2300

GERMAN DEMOCRATIC REPUBLIC

ECONOMIC GROWTH-ENERGY PRODUCTION RELATIONSHIP EXAMINED

Leipzig ENERGIETECHNIK in German Vol 30 No 10, Oct 80 pp 362-366 manuscript received 11 Aug 80

[Article by Prof Dr Hansjoachim Schellenberg, economist, Socialist Enterprise Management Department, Zittau Engineering College: "Economic Growth and Energy Supply"]

[Text] In relation to the rapid growth of the produced national income, the consumption of primary energy in the GDR has risen relatively slowly, as a comparison with other developed industrial countries shows. A contributing factor in this situation has been the generally more rapid increase in labor productivity than in electric-power production in the industry of the GDR. An important influence on this is exerted by the shaping of the structure of the production processes, especially the development of the chemical industry. In the future, this shaping will be of great importance also to the balanced and proportionate development of our energy supply.

1. Introduction

The accelerated elevation of the technical level of production, the rapid growth in the productivity of labor and in the efficiency of the national reproduction process, the steady rise in the material and cultural standard of living of the people, and the overall advancement of society--the one as well as the other is closely linked to and is possible only by presupposing the conditions

- a dependable and economical energy supply, and especially an electric-power supply, in the quantity and quality needed by society,

- an efficient use of the provided sources of energy in the interests of maximum socio-economic efficiency.

These considerations are relevant now more than ever. The more social development in the German Democratic Republic strides forward, the more confirmation there is about this "unalterable dependence on the energy supply on the part of all sectors of the economy and life, up to the very last ramifications," as Hildebrand observed [1, p 37]--a dependence which is characteristic of the developed industrial countries as a whole and which increasingly is making itself felt generally, with the advancing relative scarcity of and price rises for sources of energy.

But ever anew and with growing sharpness, the question is also arising concerning the requisite tempo in building up and expanding the energy base in relation to the build-up and expansion of the material-technical productive capacity of the socialist society as a whole, concerning the needed developmental relations between the amount of energy produced and the net product of the producing units and sectors, especially of industry, concerning the relationship between growing energy resources of labor and the increase in labor productivity, and so forth--a nexus of questions which is given considerable attention in the scientific work of Hildebrand.

2. Growth Relation Between Energy Economy and National Economy

As a result above all of the increase in labor productivity in the producing sectors of the economy, in the interval from 1951 to 1975 the produced national income in the GDR grew steadily to 521 percent of its 1950 value, as is shown in Table 1 [2, p 13], [3, p 12], [4, p 28], and others.

Table 1. Development of the Produced National Income and the Primary-energy Consumption in the GDR From 1950 to 1975 (1950 = 100)

Indicator	1955	1960	1965	1970	1975
Produced national income	185	262	310	401	521
Primary energy consumption	143	164	192	208	225

Factors of particular importance here in the raising of labor productivity and thus also the national income are the creative activity and initiative of the working people, which are closely tied to the development of socialist relations of production and which are based on a high level of education and qualifications, the systematic improvement and strengthening of the material-technical base of production, the further development of management, planning, organization, and economic stimulation at all levels of the national economy, the deepening of socialist economic integration and, communicated by and affecting the latter and of increasing importance, scientific-technical progress as the chief factor in raising productivity under conditions of an intensively expanded socialist reproduction process. In combination, and in accordance with the law of an increasing technical and organizational makeup of production, these factors enable human labor to effectively utilize per unit of time more and more means of production for the manufacturing of more and better utility values in the productive working process. The energy demand grows, and even in sectors outside the material production process, in the satisfying of housing needs, needs for education and culture, and so forth. The energy consumption increases.

In comparison to the growth in national income, the rise in the energy consumption is generally distinctly less, as Figure 1 also shows. Expressed in terms of the gross primary-energy consumption in this country in 1950 (see Table 1), the overall consumption of energy resources in the GDR in 1975 was only 2.25 times the 1950 value. Without exception, the average annual growth rates of the primary-energy consumption (Table 2) lie below those of the produced national income in the GDR. The relative growth coefficient of the primary-energy consumption, which is the ratio of the index of the average annual growth in

primary-energy consumption to the index of the average annual growth in produced national income, is smaller than one for each of the 5-year periods considered here. The primary-energy intensity of the produced national income is dropping.

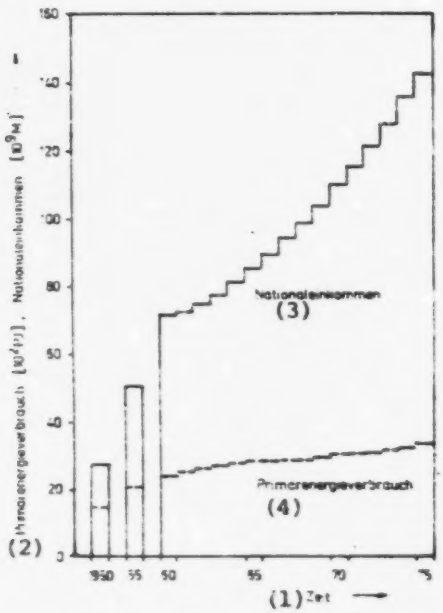

Figure 1. Growth of the Produced National Income and of the Primary-energy Consumption in the GDR From 1950 to 1975

Key: 1. Time
2. Primary-energy consumption...national income
3. National income
4. Primary-energy consumption

Table 2. Average Annual Growth Rates of the Produced National Income and of the Primary-energy Consumption in the GDR, and the Relative Growth Coefficient of the Primary-energy Consumption

Kennziffer (1)	1951/1955	1956/1960	1961/1965	1966/1970	1971/1975
Produziertes Nationaleinkommen (2)	13.1	7.1	3.4	5.2	5.4
Primärenergieverbrauch (3)	7.4	3.9	3.2	1.7	1.8
Relativer Wachstumskoeffizient des Primärenergieverbrauchs (4)	0.95	0.96	0.90	0.97	0.96

Key: 1. Indicator
2. Produced national income
3. Primary-energy consumption
4. Relative growth coefficient of the primary-energy consumption

Moreover, if one looks at the development of the corresponding indicators in other highly developed industrial countries (Table 3) as calculated from [3], [4], [5], [6], [7], and [8], notable differences emerge--despite all the difficulties in making such a comparison--in particular with respect to the capitalist nations, but also vis-a-vis the Soviet Union. The growth relation of primary-energy consumption/national income is lower in general in the GDR when compared to that of other countries.

Table 3. Average Annual Growth Rates of the Produced National Income or Gross National Product and Primary-energy Consumption, and the Relative Growth Coefficient of Primary-energy Consumption, in the Soviet Union, the FRG, and the United States

(1) Kennziffer	1951/1955	1956/1960	1961/1965	1966/1970	1971/1975
(2) UdSSR					
(3) Produziertes Nationaleinkommen	11.3	9.2	6.5	7.7	5.7
(4) Primärenergieverbrauch	3.9	7.3	5.7	6.2	5.1
(5) Relativer Wachstumskoeffizient	0.83	0.98	0.99	0.99	0.90
(6) BRD					
(3) Bruttosozialprodukt	9.4	6.8	4.1	4.7	1.7
(4) Primärenergieverbrauch	7.4	3.2	4.7	5.1	0.6
(5) Relativer Wachstumskoeffizient	0.98	0.97	1.00	1.00	0.99
(7) USA					
(3) Bruttosozialprodukt	4.4	2.3	4.7	3.2	2.1
(4) Primärenergieverbrauch	3.4	2.1	3.9	3.1	1.0
(5) Relativer Wachstumskoeffizient	0.99	1.00	0.90	1.02	0.99

Key: 1. Indicator
2. USSR
3. Produced national income
4. Primary-energy consumption
5. Relative growth coefficient
6. FRG
7. United States

The influence factors on the primary-energy consumption per unit of produced national income are manifold. Here, the supply of sources of primary energy according to the type of fuels made available plays a role, the structure of consumer-energy use is of importance, the nature of the employment of consumer energy and the efficiency of energy-use facilities exert an influence, the specific fuel-heat consumption for electric-power generation is of considerable significance, the structure of the national economy and of industrial production and the quality of industrial management have an influence, the energy-consciousness of the people plays a role, their overall way of life is of importance, and so forth. The listing of these influence factors could be continued. Thus, if they are considered individually a satisfactory answer will scarcely be possible to the question of where the causes lie of the development indicated above, and to what extent it can be expected also in the future. But certainly of special importance for the growth relation of primary-energy consumption/national income is the growth relation of electric-power consumption/net product of industry. This follows from the fact alone that about a fourth of the total primary-energy expenditure in the GDR is used for the generation of electric power, and the

preponderant portion of the net electric-power consumption in this country goes to the GDR's industry, in which about 60 percent of the net product of the national economy is generated and which to that extent substantially determines the growth relation of primary-energy consumption/national income from each of the two sides of this relation. A like situation is true for the other highly developed industrial countries, even though to differing degrees of markedness, as regards the structure of the use of primary energy, the importance of the net electric-power consumption of industry, and so forth.

If from the average annual growth rates of the net electric-power consumption and the net product of the GDR's industry the resulting index numbers for the average annual growth of net electric-power consumption and the net product of industry are correlated, the consequence for the 5-year periods since 1950 considered here, just as with the relative growth coefficient of the primary-energy consumption, is likewise a value smaller than one throughout for the relative growth coefficient of the net electric-power consumption of industry in the GDR.

If an international comparison is made of changes in indicators as calculated from [2], [7], [8], [9], [10], [11], [12], and [13] (see Table 4), the GDR again occupies a special position. On the whole the productivity of labor, calculated on the basis of the net product, usually rises more rapidly than the electric-power resources of labor in industry, as Figure 2 shows for the time period after 1960. On an average, the annual growth of the net product of industry (and of the producing crafts minus construction), at comparable prices (1975 basis) and measured by the index of the net product vis-a-vis the previous year's value, is larger by a factor of 1.015 than the growth in the net electric-power consumption of industry as measured by the index of the net electric-power consumption of industry vis-a-vis the previous year's value. On the average, the net electric-power consumption of industry rises by a factor of 0.985 to smaller values than the net product does, measured by the indices of the annual growth.

Table 4. Average Annual Growth Rates of the Net Product and Net Electric-power Consumption of Industry and the Relative Growth Coefficient of the Electric-power Consumption of Industry in Different Countries

(1) Kennziffer	1951/1955	1956/1960	1961/1965	1966/1970	1971/1975
(2) *UdSSR*					
(3) Nettoprodukt der Industrie	13.0	10.4	9.0	9.8	7.9
(4) Nettoelektroenergieverbrauch Industrie	13.3	10.8	10.7	6.8	6.7
(5) Relativer Wachstumskoeffizient	1.00	1.00	1.0[illegible]	0.97	0.99
(6) *DDR*					
(3) Nettoprodukt der Industrie	13.2	7.9	4.6	5.9	5.7
(4) Nettoelektroenergieverbrauch Industrie	6.3	5.4	3.9	3.2	3.7
(5) Relativer Wachstumskoeffizient	0.94	0.98	0.99	0.97	0.98
(7) *BRD*					
(3) Nettoprodukt der Industrie	12.2	6.8	6.5	5.1	1.0
(4) Nettoelektroenergieverbrauch Industrie	13.6	7.7	6.2	5.6	2.3
(5) Relativer Wachstumskoeffizient	1.00	1.01	1.00	1.00	1.01
(8) *USA*					
(3) Nettoprodukt der Industrie	3.2	2.5	6.2	3.5	1.7
(4) Nettoelektroenergieverbrauch Industrie	10.8	4.4	5.1	5.4	0.6
(5) Relativer Wachstumskoeffizient	1.07	1.02	0.99	1.02	0.99

Key:
1. Indicator
2. USSR
3. Net product of industry
4. Net electric-power consumption of industry
5. Relative growth coefficient
6. GDR
7. FRG
8. United States

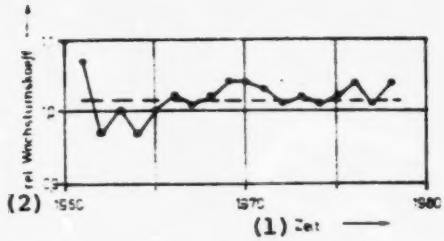

Figure 2. Relative Growth Coefficient of Labor Productivity in the Industry of the GDR, Calculated on the Basis of the Net Product, in Comparison to the Electric-power Resources of Labor After 1960

Key: 1. Time
2. Relative growth coefficient

The productivity of labor is growing comparatively rapidly in relation to the electric-power resources of labor in the industry of the GDR, and this is true especially in periods of sharpened disparities between energy production and energy requirements and increased efforts for a sparing approach to energy, as Figure 2 shows clearly for the period between 1965 and 1970.

A similar situation is the case for the growth of electric-power generation as well as industrial production in the energy and fuel industrial branches in relation to total industrial production. Whereas in the capitalist countries considered here, electric-power generation and industrial production in the energy and fuel industry or the industrial branches of electric power and gas grow more rapidly in general than the total industrial production, as can be deduced from the changes in the index of industrial production based on selected branches and of electric-power generation as given in [2, p 40*...42*] in the socialist countries the growth rate of electric-power generation and of industrial production in the electric-power and heat-supply branches, with few exceptions, increasingly is lagging behind that of overall industrial production. Especially low is the coefficient of relative growth of production of electric power and heat in the GDR when viewed on a longer-term basis, as is shown by the comparison in [8] of the average annual growth rates of gross production in socialist industry and in the industrial branches of electric power and heat in the GDR, Polish People's Republic, the USSR, and the CSSR, where courses of national-economic growth involving the conservation of raw materials, industrial materials, and energy, with due regard to the available resources and their ever more complicated and expensive development and recovery as well as with regard to limited means of storage, are already of considerable importance and are playing a significant role in the economic policy of the Marxist-Leninist party and the socialist state.

Here also, the influence factors are manifold. The developmental level achieved in socialist industrialization and the shaping of the industrial structure in each case, as well as the advances made in the efficient use of energy by way of socialist rationalization, play a prominent role in this connection.

Through alterations above all in the structure of wants, on the basis of scientific-technical progress and a deepening socialist economic integration, in the 1960's and 1970's in particular the GDR's industrial sectors of machine and vehicle building, electrical engineering/electronics/instrument manufacturing, and the chemical industry experienced a growth at a generally above-average pace--in line with the demands of the basic economic law of socialism, the law of the steady raising of labor productivity and the law of the systematic and proportionate development of the national economy--as is shown by the changes in the index of gross industrial production according to industrial sectors in Table 5 [2, p 17].

Table 5.

(1)	Industriebereich	1950	1960	1970	1976	1978
(2)	Industrie insgesamt	100	294	535	770	845
(3)	Energie- und Brennstoffindustrie	100	160	247	299	327
(4)	Chemische Industrie	100	290	613	974	1 070
(5)	Metallurgie	100	354	587	861	929
(6)	Baumaterialienindustrie	100	308	571	842	910
(7)	Maschinen- und Fahrzeugbau	100	365	734	1 032	1 151
(8)	Elektrotechnik Elektronik Gerätebau	100	469	1 144	1 943	2 256
(9)	Leichtindustrie (ohne Textilindustrie)	100	225	372	526	570
(10)	Textilindustrie	100	246	344	478	505
(11)	Lebensmittelindustrie	100	299	439	541	624

Key:
1. Industrial sector
2. Industry as a whole
3. Energy and fuel industry
4. Chemical industry
5. Metallurgy
6. Construction-materials industry
7. Machine and vehicle building
8. Electrical engineering/electronics/instrument manufacture
9. Light industry (not including textile industry)
10. Textile industry
11. Foodstuffs industry

The upshot is that the share held by these industrial sectors in the gross production of industry at comparable prices is growing [14, p 209]. The following figures show this:

The share held by the industrial sector of machine and vehicle building increased from 20.1 percent in 1960 to 22.8 percent in 1976. The share held by the sector of electrical engineering/electronics/instrument manufacturing in the gross production of industry rose from 5.9 percent to above 8.4 percent and then even up to 9.9 percent in the year 1976--that is, it grew almost twofold. Given that the chemical industry in the GDR had a share in the industrial gross product of 10.7 percent in 1960, this share was 13 percent in 1970 and 14.5 percent in 1976.

For electric-power generation and the power-producing sector as a whole, these structural changes in the industrial production of the GDR are of considerable significance, even though the energy expenditure-net product ratios are more or less different from case to case.

The industrial sectors of machine and vehicle building and of electrical engineering/electronics/instrument manufacturing are areas having a very low electric-power intensity of production compared to industry as a whole. The specific electric-power consumption per unit of gross product is only a third to a fourth of the average value required in the industry of the GDR. Thus its disproportionately large change promotes the lowering of the electric-power intensity of industrial production as a whole. If it is associated, as for example in the sector of electrical engineering/electronics/instrument manufacture, with a lowering even of the specific electric-power consumption, then this is all the more true.

It is otherwise in the chemical industry. With a share in the gross product of industry of about 15 percent, its share in the gross electric-power consumption of industry is a good 30 percent [2, p 126]. Here, its production is similar to the situation in other countries--that is, it is still very electric-power intensive. Although in years past specific electric-power consumption per unit of gross production has been lowered very markedly in this sector above all--a fact which was decisive in the increase in the net product of industry per unit of electric-power consumption--it still amounts to about double the specific electric-power consumption for industry on the average. Accordingly, every acceleration and slowing down of the tempo of growth in production in the chemical industry reacts in an augmented way on the electric-power supply. Just as, of course, conversely there is a marked dependence of chemical production on the available energy resources in general and especially on the electric-power supply and its growth.

In most of the other CEMA countries the chemical industry, as a pacesetter of scientific-technical progress, likewise is growing at an accelerated pace in comparison to overall industrial production. But as a rule, the relative growth coefficients for the chemical industry clearly exceed those reached in the GDR, as can be seen in Table 6 [15, p 170] and Figure 3. The same thing is true of the highly developed capitalist countries. Here also, the pace of growth of chemical production is exceptionally fast, and the chemical industry is continuing to gain rapidly in importance. Given that in the FRG the share held by chemical production in overall industrial production amounted to 10.5 percent in 1960, by 1970 it had already grown to 16.6 percent, reaching 18.4 percent in 1976. In the United States, the chemical industry had a share of 9.9 percent in 1960, but by 1970 this share amounted to 13.3 percent, and in 1976 it was 15.4 percent [7, p 85].

Table 6. Relative Growth Coefficient of the Chemical, Rubber, and Asbestos Industry in CEMA Countries

Land (1)		1961/1965	1966/1970	1971/1975
VR Bulgarien	(2)	1.28	1.56	1.12
Ungarische VR	(3)	1.53	1.34	1.19
DDR	(4)	1.06	1.007	1.00
Mongolische VR	(5)	0.96	0.89	1.65
VR Polen	(6)	1.24	1.24	1.07
SR Rumänien	(7)	1.57	1.46	1.18
UdSSR	(8)	1.21	1.16	1.14
CSSR	(9)	1.26	1.16	1.16

Key:
1. Country
2. People's Republic of Bulgaria
3. Hungarian People's Republic
4. GDR
5. Mongolian People's Republic
6. Polish People's Republic
7. Socialist Republic of Romania
8. USSR
9. CSSR

The relative growth coefficient of the net electric-power consumption of industry clearly mirrors these relationships.

Thus it is once again underscored that it is not economic growth per se, its level and its pace--measured, for example, by the produced national income or by the growth rates of the net product of industry--which determines the energy demand and the requisite expansion of the energy base. Rather, it is essentially the manner in which this economic growth is achieved under the existing conditions which determines the energy demand and which influences the growth relations of the energy economy and the national economy. Therefore, as Hildebrand showed in [1, p 470 ff.], sound conclusions about a systematic and proportionate development of the energy supply in the future a) presuppose the systematic analysis of the direct casual relations between the energy demand and the factors influencing it, b) require the determination of the possible future development of those parameters decisively influencing the energy demand and the energy produced, inclusive of the economic correlations, and c) must be reached as a result of the "optimization of the energy economy or of the energy supply... in accordance with national economic principles...in subordination to the maintenance of an optimum condition for the national economy" [ibid, p 486], together with paying increasing heed to socialist economic integration. The one as well as the other is indispensable to a "steady and consciously sustained proportionality" [16, p 640] as a condition for the development according to plan of the social reproduction process under the constraints of an ever closer interdependence between the production and consumption sphere and the energy economy.

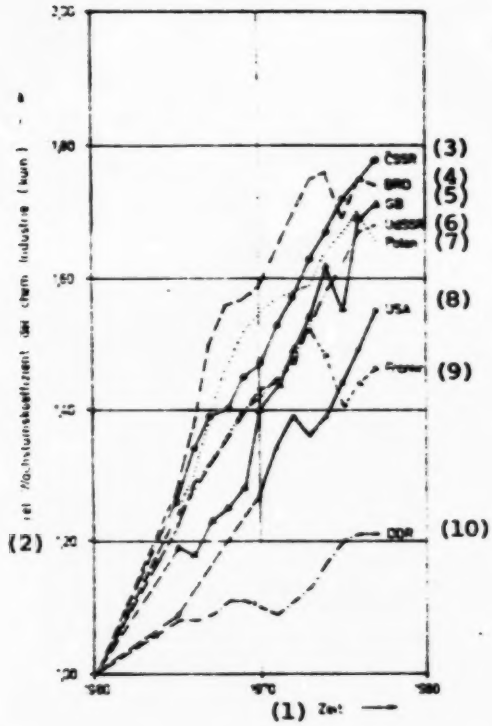

Figure 3. Relative Growth of the Chemical Industry in Comparison to the Development of Overall Industrial Production in Various Countries Since 1960

Key:
1. Time
2. Relative growth coefficient of the chemical industry (cumulative)
3. CSSR
4. FRG
5. Great Britain
6. USSR
7. Poland
8. United States
9. France
10. GDR

3. Summary

In the further shaping of the developed socialist society in the GDR, the continued strengthening of the material-technical base, in close association with the socialist intensification and acceleration of scientific-technical progress, is of great importance since it is a top-priority prerequisite for the realization of the policy of socialism's main task, which is directed at the welfare of the people. There is a close and reciprocal connection between the changes entailed by this in the national-economic correlations and structures, including also

the correlations and structure of industrial production, and the growth of the energy supply. In this connection, the relative pace of growth of chemical production is of particular significance. Being closely tied to changes in the structure of production within the chemical industry as well as to an efficient energy use, it exerts a strong influence on the relative growth coefficients of overall industrial electric-power consumption and of the gross primary-energy consumption in this country, as is also shown when international comparisons are made of characteristic developmental relations of the energy economy/national economy.

The conclusions to be drawn from this are that we need to be aware of this dependence, to continue to deepen our knowledge about it, and to effectively use it in our management of the reproduction process in the interests of a systematic elevation of our material and cultural standard of living and in the interests of an energy supply which corresponds to the requirements of industry and of all the other sectors of the national economy and the people, so as to ensure the balanced and proportionate development of the energy supply and so that we may solve the requisite problems.

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12114
CSO: 2300

DEVELOPMENT, ACTIVITY IN SECOND ECONOMY EXAMINED

Budapest FIGYELO in Hungarian No 46, 12 Nov 80 pp 1, 4

[Article by Istvan R. Gabor: "Second Economy: Waiting for Regulation"]

[Text] In recent years throughout the world, interest has been awakened in the so-called "second economy." Naturally the concept itself is not--and cannot be--the same in capitalist and socialist economic systems. (In the first case it concerns income-producing activities of the population that are hidden from taxation; in the second it concerns income-producing functions deriving from activities of production and services outside the primary sector of the economy, the socialist sector, and from other forms of work for the purpose of obtaining income or of savings.) Among the reasons for the awakening of interest in this, however, is the common recognition that the so-called second economy is large and growing and, at the same time, it has so far been insufficiently studied by scientists and it is difficult to track statistically, though it is playing an increasing role in the working of the whole economy.

This observation is valid for Hungary as well. The first results of studies begun in the last 2 or 3 years about the second economy have given an approximate picture of how wide-spread this sector of the economy has become in our country. Whether we take as a basis estimates of the amount of working time spent here, the proportion of the population involved, the effect on distribution of income, or the amount of goods and services produced, it can definitely be stated that instead of a predicted slow decline, this sector is growing. Progress has also been made in clarifying the general economic interdependencies that make long-range perpetuation of continued activity in the second economy understandable. These interdependencies throw light on the contradictions, conflicts and background that necessarily characterize the two economic sectors, which are closely connected--especially in the goods and employment markets--but which operate on different principles. At the same time, it can also be concluded from studies so far that the conflicts are in part of a different nature. The intensification of the contradictions arises from the unclear situation and variable official judgments and handling of the second economy. As a result, most of this sector today still operates by balancing on the borderline between legality and illegality. (See for example: "Where is wind coming from?"--FIGYELO 1980, no 39.)

Independent Also in Wages and Salaries

The most important conclusion, which can be regarded as the guiding principle of practical activities, can be derived from the results of the studies. Our economic

policy in the 1980's, particularly policy on the work force, must be given more importance--especially if we take into account economic growth in the socialist sector and forced moderation of the rise in living standards, and a greater role must be given to activities of production and service outside the socialistically operating organizations. If we accept this, it would seem that a correct starting point would be that the formation of more appropriate and varied legal forms of activity than we have today and a more balanced treatment of this sector would simultaneously increase the productive capacity of the second economy and ameliorate the conflicts that are arising today because of its existence. Naturally, for a program of activity to be worked out in this spirit we would first have to take into account the developmental tendencies and characteristics of the second economy, which appear permanent.

It is obvious that because of the opportunities for accumulation of capital and utilization of paid labor in the second economy, which are necessarily limited in a socialist economy, only a small portion of the population can base their livelihood exclusively on the second economy. Organization of this sector of the economy would decidedly result in an increase in the number of families that enjoy income from both the socialist sector and the second economy. More and more families are choosing this double economic status: on the one hand living from wages and salaries, and at the same time self-sufficiently "independent." And it is to be expected that with expansion of limitations on the utilization of paid labor and the accumulation of means of production, as well as a more consolidated tax policy, the number of such families will continue to increase during a transition period (5-10 years). However, on the basis of experience, and it is also logically probable, this can only temporarily stop the slow breaking up of the population connected exclusively with production of small goods (in the private sector), which can be seen already in our days.

Instead of working bees...

The activities performed in the second economy, a significant portion of which is done by the people regarded as inactive (housewives, retired persons, students) besides those working in the socialist sector, are expected in the future to continue to serve as sources of supplemental income. The peculiarity remains that a large part of the workers who are employed in the socialist sector but also participate in the second economy, concurrently perform both kinds of activity (obtaining additional income during official working time or afterwards, on holidays, weekends, vacations, or sick leave). Another part withdraws from the socialist sector to be sure, but they frequently return after a longer or shorter absence.

In studying the developmental tendencies of the second economy, one can note, as the second main permanent direction, increasing ground being gained by the entrepreneurial type. The roles the earlier driving forces, the power of the inertia of traditions, the pressure to acquire income at any cost, and the forces arising from deficiencies in supply, have been replaced by the attempt of workers (and families) to use their working strength rationally and profitably. This appears also in the fact that activity in the second economy often differs from the work of one's primary occupation--work not in demand on the "free market." This activity is being defined to a decreasing degree by the "place it occupies in the social division of labor." In addition to that an increasingly important role is falling

to actual market relationships and possibilities. (A good example of this is the rapid increase in recent years of small agricultural products by those whose main occupation is not agricultural.) That rational calculation has taken place is also indicated by the decline of certain traditional areas of activity, by the specialization of units within the second economy and, further, by the loss of ground by certain traditional forms of organization of work, such as bartered work (working bees) or by the increasing organization of such forms of work along the principles of enterprise management. One characteristic of the advance of this in the legal private sector is an increase in concentration of the work force in plants (the slowly decreasing number of those whose main employment is in a small business). Finally, this process is expressed in the rapid growth of those branches of industry more compatible with the entrepreneurial type (machinery industry, construction industry) contrasted with the ground lost by the traditional branches of hand-work industries and personal services.

Possible new forms

The most important conclusion that can be drawn from the phenomena mentioned above is that the possibilities for substantial growth above the number who are today employed principally in the legal private sector are very limited. The activities that cannot be economically accomplished within the framework of large industrial organizations, the fulfillment of certain functions of "background industry," better satisfaction of the needs of the population for consumer goods, and even the employment of those who are expected to be no longer employed in the socialist sector, cannot be resolved in this manner. The legal private sector can only be maintained at even its present size--in view of the areas of rapid decline--by more favorable and more balanced conditions for operation (tax and credit policy, supply of resources and materials, guaranteed sales, etc.) than exist at present. It is particularly unrealistic to expect that the disparity that now exists between the incomes achievable in the legal private sector and wages in the socialist sector (in favor of the former) can be ameliorated by swelling up (the number of those primarily employed in) the legal private sector and in that way increasing competition within the private sector.

At the same time we must reckon with a further expansion in the second economy, which will determine the forms of side activities. This, however, will swell up the number of units in the second economy which are especially small (poor in capital, working split shift hours, and operating as a supplementary source of income) and consequently extremely unstable and conjectural. In the midst of such a developmental trend, therefore, the uncertainty of obtaining additional production would increase, control of formation and utilization of income would become more difficult, and subsequent interventions made because of social pressure could easily turn into sources of tension in supply. The change in the number of families with double status and a shift in the most common means of living in the direction of the second economy would directly limit the possibilities for financial incentives in incomes based on different performances within the socialist sector. More important than that--and this hardly requires explanation--is the fact that increasing reproduction within the second economy in this manner would make only very limited growth in production by society possible.

Significant growth in the productive capacity of the second economy and moderation of the conflicts associated with its existence will seem an insoluble dilemma only

as long as fail to address the questions of increasing the number of forms of legal activity in the second economy, and of reviving, legally recognizing, and expanding other forms of small enterprises that have developed throughout history (small tenant farms, piecework system, small cooperative enterprises, simpler and more varied forms of cooperatives, etc.). It is reassuring that this kind of thinking--even the search for forms not yet in existence--has begun. Even though only to a limited extent so far, practical attempts are being prepared. As a result of these, the forms which can operate successfully on the boundary between the first and second economies can be crystallized. They will be assisted and prepared in gaining ground by a formulation of the system of institutions in the socialist sector that must inevitably take place sooner or later and that will--as I have tried to show--take away the validity of the opposition between the first and second economies, which is undoubtedly justified, but which leads to insoluble dilemmas.

9611
CSO: 2500

BRIEFS

REDUCED COAL PRODUCTION --Coal imports from Poland to Finland have stopped altogether due to a considerable reduction in Polish coal output. According to an estimate of Imatran Voima Power Company, about one-third of the planned amount of just under 4 million tons of Polish coal failed to arrive this year. Instead of Polish coal, Finland has imported coal from the Western markets this autumn. Imatran Voima states that the ending of Polish coal imports will not cause a shortage of electricity, at least this winter. The situation is easier as all four nuclear power stations are generating electricity at present. [Text] [LD181834 Helsinki Domestic Service in Finnish 1530 GMT 18 Dec 80]

CSO: 3107

1981 STATE BUDGET ADOPTED

AU240715 Bucharest SCINTEIA in Romanian 19 Dec 80 p 3

["Law On the Adoption of the 1981 State Budget," passed at the 18 December Grand National Assembly Session]

[Text] The Grand National Assembly [GNA] of the Socialist Republic of Romania adopts the present law.

Article 1--The 1981 state budget features the centralized state revenues and their allocation in accordance with the targets of the single national plan adopted by the GNA and designed to finance the development of the national economy, social-cultural activities, national defense and other social requirements, on the basis of increased efficiency and calculated to ensure a financial and monetary balance.

The state budget envisages revenues totaling 313,635.9 million lei, and expenses totaling 313,635.9 million lei.

Article 2--State budget incomes and expenses for 1981 will be distributed as follows:

in million lei

	Income	Expenditures
--National budget	262,226.9	262,226.9
--Local budgets	51,409	51,409

The overall expense volume includes reserve funds totaling 32,523 million lei, including:

--A 4,787.7 million lei budget reserve for the use of the Council of State;

--A 311 million lei budget reserve for the use of the executive committees of the people's councils of the counties and of Bucharest municipality;

--A 27,424.3 million lei special reserve earmarked for projects that will be approved in the course of the 1981 budget, including outlays resulting from increases in contracting and production prices for agricultural produce and from updating and improving the correlation of prices in industry, construction and transportation.

Article 3--State budget revenues resulting from the withdrawal of part of the net production value for social uses; payments from the profits obtained by state economic units; goods turnover tax and taxes levied on the use of state-owned land are set at 214,454 million lei.

To secure the incomes listed under paragraph 1, the Council of Ministers shall take measures so that the ministries and other central and local bodies, the councils of working people in centrals and enterprises, the Ministry of Finance, the State Planning Committee, the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets, the Ministry of Foreign Trade and International Economic Cooperation, the banks and financial-accounting bodies at all levels will ensure:

a) Complete fulfillment of tasks of the net, physical and assortment production plan, by making maximum use of production facilities, improving technical-material supply, strengthening order and discipline in technological processes;

b) Optimal fulfillment of the tasks envisaging cuts in material and overall production expenditures by cutting back consumption of fuel, energy, raw and other materials, recovering and utilizing re-usable materials, reducing indirect and administrative-management expenses, and obtaining highest possible productivity with the lowest possible manpower expenditure; complete fulfillment of the tasks envisaging additional cuts in production expenses and additional increases in labor productivity;

c) The achievement of the profits envisaged in income and expenditure budgets by all economic units, the repayment of funds advanced by society, the complete fulfillment of obligations concerning payments to the state budget based on profits and obligations concerning the accumulation of funds for development and for providing material incentives for collectives of working people; the remitting to society of part of the value of their net production and other outlays established under the law; the preservation of the financial balance established;

d) Fulfillment of the export plan by delivering goods on schedule, in the structural ranges and with the quality established under contract; better marketing of Romanian products abroad; securing advantageous export and import prices; implementing the targets established in the area of international economic cooperation;

e) Reduction and elimination of funds frozen in unnecessarily large stocks thus reducing the volume of loans not repaid on schedule; they should work together with the banks to recirculate frozen stocks, to abandon the stockpiling of supplies not required for the production process, facilitate discounts, strengthen plan and financial discipline and keep within the approved funds;

f) The exercising of systematic and permanent financial control, particularly preventive control, in all sectors of activity, and the intensifying of the defense of public property.

Article 4--State social insurance revenues for 1981 are set at 34,770 million lei.

Article 5--State budget revenues from taxes on the overall remuneration fund are set at 37,600 million lei, those from agricultural taxes on the agricultural

production cooperatives at 1,340 million lei, and revenues from income and other taxes levied on the people, at 3,084 million lei.

Article 6--Expenditures for the financing of the national economy, established in accordance with the provisions of the single national plan adopted by the GNA are covered by the funds of the economic units, the state budget and bank loans, in accordance with the law. State budget expenditures for this purpose are set in 1981 at 167,823 million lei.

To ensure greater efficiency in the utilization of state-allocated funds and funds belonging to economic units, the Council of Ministers shall take measures so that the ministries and other central bodies, executive committees of the people's councils of the counties and of Bucharest municipality, the centrals and enterprises, the Council for the Coordination of Investment Activity, the Ministry of Finance, the State Planning Committee, the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and the banks will ensure:

a) Completion on schedule of planned investment projects; concentrated efforts to commission on schedule projects decisive for production; reduction of execution costs and shorter execution periods; lessening the investing of capital in unfinished projects, stockpiled equipment and equipment being assembled;

b) The accumulation by the units of their own resources for financing investment projects out of their own profits, for covering production costs, paying for work performed and machinery purchased; efficient utilization of their own funds, borrowed or state budget funds earmarked for investment, and repayment of investment credits on schedule;

c) Investment financing, in accordance with the provisions of the single national plan, within the limits envisaged in income and expenditure budgets and on the basis of the technical-economic documentation required by law; they shall ensure that funds earmarked for a certain purpose are not used elsewhere;

d) Increased effectiveness of investment funds, by means of thorough technical-economic studies for new projects, judicious spending, reducing specific investment and investment costs, and saving on material consumption; special care shall be taken so that all production and social-cultural investment projects will comply with the norms and regulations resulting from the standardization of constructions and installations.

To ensure economical and efficient utilization of funds earmarked for financing other economic expenditures and projects envisaged in the 1981 budget, the Council of Ministers shall take measures to ensure that the ministries, the central and local bodies together with financial-banking bodies intensify savings in the units' use of material and cash resources, supply financing on schedule and in accordance with the stage of completion of the projects and activities envisaged in the plan, and eliminate inopportune and uneconomical expenses.

To ensure economic efficiency in the utilization of investment funds, when financing and approving credits for investment projects, i.e. when establishing expenditures and payments for such projects, the banks and financial-accounting bodies in centrals, enterprises and institutions shall closely supervise all expenses and act in accordance with the law to promote an efficient utilization of investment funds.

Article 7--In order to improve educational, health, recreation, culture, social security and other conditions reflecting on the people's living standard for all the country's citizens, expenses for financing social-cultural activities are set at a total of 75,683.4 million lei, including:

		in million lei
a)	Education	19,491
b)	Culture and art	1,283
c)	Health	15,570
d)	Physical education and sports	367
e)	State allowances and other aid for children	11,150
f)	Pensions and aid for war invalids, widows and orphans, for the military and other social assistance	2,167
g)	State social security	25,655

The Council of Ministers will ensure that the ministries, other central bodies, executive committees and bureaus of people's councils oversee the smooth running of educational, health, cultural and other socio-cultural units.

The ministries, other central and local bodies, and socio-cultural institutions, in cooperation with financial and banking organizations shall take measures to economically use existing material resources and to fulfill plan targets with minimum expenditure, by reducing maintenance and running costs, introducing stringent saving measures and increasing the revenues of socio-cultural units.

Article 8--Expenditures for the organs of state power and administration and for judicial organs and the prosecutor's office are set at 3,768.2 million lei.

Of those expenditures, 2.9 million lei are allocated to the GNA.

Article 9--Defense expenditures are set at 10,408 million lei.

Article 10--The revenue estimates envisaged in the budget are to be viewed as minimal targets, while expense ceilings may not be exceeded.

The ministries, other central bodies and executive committees and bureaus of people's councils will institute stringent expense saving programs, and will supervise the utilization of funds in accordance with the stage of completion of plan tasks.

Article 11--In accordance with the duties and tasks of the people's councils, the volume of the budgets of the counties and of Bucharest municipality for 1981 are as follows:

In thousand lei

County	Total	Incomes: Local Incomes	Expenses
1. Alba	1,016,325	447,660	1,016,325
2. Arad	1,194,001	682,341	1,194,001
3. Arges	1,392,504	764,875	1,392,504
4. Bacau	1,506,897	720,322	1,506,897
5. Bihor	1,496,717	829,935	1,496,717
6. Bistrita-Nasaud	936,548	273,695	936,548
7. Botosani	1,075,918	402,655	1,075,918
8. Brasov	1,350,818	901,897	1,350,818
9. Braila	913,952	520,593	913,952
10. Buzau	1,054,955	562,723	1,054,955
11. Caras-Severin	939,128	434,871	939,128
12. Cluj	1,688,054	1,081,916	1,688,054
13. Constanta	1,780,074	1,115,388	1,780,074
14. Covasna	686,008	305,718	686,008
15. Dimbovita	988,563	510,543	988,563
16. Dolj	1,626,987	822,405	1,626,987
17. Galati	1,229,877	695,010	1,229,877
18. Gorj	1,104,380	383,908	1,104,380
19. Harghita	1,023,493	446,016	1,023,493
20. Hunedoara	1,416,815	628,353	1,416,815
21. Ialomita	1,092,596	456,300	1,092,596
22. Iasi	1,868,158	729,928	1,868,158
23. Ilfov	1,438,456	771,636	1,438,456
24. Maramures	1,276,084	562,499	1,276,084
25. Mehedinti	935,334	289,837	935,334
26. Mures	1,348,379	828,948	1,348,379
27. Neamt	1,097,328	671,596	1,097,328
28. Olt	1,111,828	498,856	1,111,828
29. Prahova	1,449,948	1,100,120	1,449,948
30. Satu Mare	993,872	476,533	993,872
31. Salaj	770,912	251,441	770,912
32. Sibiu	990,572	696,245	990,572
33. Suceava	1,351,688	626,872	1,351,688
34. Teleorman	975,855	517,432	975,855
35. Timis	1,599,311	1,050,235	1,599,311
36. Tulcea	709,723	329,454	709,723
37. Vaslui	1,098,418	362,896	1,098,418
38. Vilcea	1,054,679	430,791	1,054,679
39. Vrancea	963,457	331,939	963,457
40. Bucharest municipality	4,860,405	4,140,366	4,860,405
Total:	51,409,017	27,654,748	51,409,017

Article 12--The amounts deducted from the tax on the overall remuneration fund and the goods turnover tax levied on national units allocated as local budget revenues are established as follows:

In thousand lei

County	Tax on overall remuneration fund	Amounts deducted from: Tax on goods turnover
1. Alba	409,665	159,000
2. Arad	458,660	53,000
3. Arges	627,629	--
4. Bacau	601,575	185,000
5. Bihor	564,782	102,000
6. Bistrita-Nasaud	196,853	150,000
7. Botosani	200,263	230,000
8. Brasov	448,921	--
9. Braila	393,359	--
10. Buzau	367,232	125,000
11. Caras-Severin	471,257	33,000
12. Cluj	606,138	--
13. Constanta	664,686	--
14. Covasna	200,290	180,000
15. Dimbovita	478,020	--
16. Dolj	733,582	71,000
17. Galati	534,867	--
18. Gorj	391,472	180,000
19. Harghita	310,477	267,000
20. Hunedora	788,462	--
21. Ialomita	301,296	170,000
22. Iasi	628,230	510,000
23. Ilfov	666,820	--
24. Maramures	516,585	197,000
25. Mehedinti	245,497	130,000
26. Mures	519,431	--
27. Neamt	425,732	--
28. Olt	365,972	247,000
29. Prahova	349,828	--
30. Satu Mare	286,339	231,000
31. Salaj	145,471	73,000
32. Sibiu	294,327	--
33. Suceava	461,816	263,000
34. Teleorma	274,423	184,000
35. Timis	549,076	--
36. Tulcea	250,269	130,000
37. Vaslui	250,522	150,000
38. Vilcea	285,888	120,000
39. Vrancea	211,518	192,000
40. Bucharest municipality	720,039	--
Total:	17,197,269	4,332,000

The executive committees of the people's councils of the counties and of Bucharest municipality shall take measures to attain the plan indexes on revenues from which amounts are deducted for local budgets in the area of the respective counties

and of the Bucharest municipality. Amounts deducted for the purpose of balancing local budgets will be kept within the approved limits, in accordance with the stage of realization of local incomes and with overall expenses of the counties and Bucharest municipality.

Article 13--Subventions allocated from the state budget for balancing local budgets in 1981 are set as follows:

County	Amount in thousand lei
Bistrita-Nasaud	316,000
Botosani	243,000
Gorj	149,000
Ialomita	165,000
Mehedinti	270,000
Salaj	301,000
Vaslui	335,000
Vilcea	218,000
Vrancea	228,000
Total:	2,225,000

Article 14--The Council of Ministers will ensure that the committee for people's councils' problems and other competent central bodies take measures to develop local economic units, enhance their efficiency and increase their profitability, organize voluntary public work for the good management and beautification of localities.

Article 15--The executive committees and bureaus of people's councils shall take measures to optimally implement their own income and expense budgets and those of the administrative-regional units subordinated to them and, in accordance with the principles of the economic-financial mechanism, will efficiently utilize the material and financial resources entrusted to them; they shall take measures to continuously develop small-scale industry, services and other economic activities with a view to increasing local revenues and on this basis, will gradually eliminate the need for subventions and will implement commune, town, municipal and county self-financing.

Article 16--The state budget is implemented under the guidance and supervision of the Council of Ministers. The Council of Ministers shall periodically examine the implementation of the state budget, the financial situation for the entire economy and for individual ministries, and shall take measures to maintain financial monetary and foreign currency balance, with a view to continuously bolstering the role of finances and credits in the economy.

The government of the Socialist Republic of Romania shall take measures to realize the revenues envisaged in the state budget and in the other financial plans, to maintain expenditures in accordance with the volume and targets established in the plan, and to enhance efficiency in all sectors.

The Council of Ministers shall report to the GNA on the implementation of the state budget.

Article 17--The organs of collective leadership in enterprises, centrals, ministries and other central and local bodies, supported by financial-banking organizations, shall periodically analyze the implementation of income and expense budgets, and shall take measures to realize all revenues, to efficiently utilize material and cash resources, and preserve the financial balance in economic units.

Article 18--The Ministry of Finance, banks, ministries and other central and local bodies shall provide guidance, support and supervision for the resolute application of the economic-financial mechanism in each socialist unit, for the implementation of workers' self-management and self-administration, and for the application of the income and expense budget as an instrument of financial management, control and balance.

Article 19--The Ministry of Finance, the banks and the entire financial apparatus shall resolutely work to:

a) Ensure that all units attain all the profits and other revenues envisaged in income and expense budgets on schedule, remit payments to the state budget, accrue their own resources, identify new possibilities of increasing revenues, collect all of the state's dues in lei and foreign currency, and ensure repayment of bank loans on schedule;

b) Promote responsible handling of public funds, effect all expenses in lei or in foreign currency responsibly and in accordance with the purpose established in the plan, implement stringent savings, reduce consumption, accelerate the rate of cash circulation, eliminate all waste, strengthen plan and financial discipline at all levels, and ensure financial balance;

c) Continuously raise economic efficiency throughout the national economy, strengthen preventive control of the utilization of material and cash resources, of hard currency payments and of repayment of bank loans, and of the optimal implementation of the 1981 plan and state budget.

The Ministry of Finance, financial-banking organs, ministries and other central and local bodies shall supervise and take measures to realize and utilize development funds, profit-sharing funds for the working people and other local funds of the economic units in accordance with the law and with the targets envisaged in the plan.

Article 20--The Ministry of Foreign Trade and International Economic Cooperation, the Ministry of Finance, the State Planning Committee, the economic ministries, centrals and enterprises, and foreign trade enterprises shall work to enhance foreign trade efficiency, to realize foreign currency payments, to greatly save on foreign currency expenses, to achieve an even balance of trade and foreign payments, and to gradually reduce foreign debt.

Article 21--The Supreme Court of Financial Control, the Financial-Banking Council, the Ministry of Finance, the banks, ministries and other central and local bodies shall work to exercise an exacting financial control in all the socioeconomic sectors, to judiciously and responsibly utilize material and cash resources, and to defend socialist property.

Article 22--The GNA Commission for Industry and Economic-Financial Activities shall analyze, in accordance with the law, the activities carried out by ministries and other central and local bodies to implement the state budget, and shall debate in plenary sessions of the commission the conclusions emerging from such analyses and measures and solutions suggested. The commission's reports, featuring analysis results and conclusions and suggestions emerging from the debates shall be forwarded to the Council of State.

Article 23--The general closing sheet for the 1979 budget is adopted, with revenues totaling 339,309,302,383 lei, and expenses totaling 337,626,844,433 lei, with a surplus of 1,682,457,950 lei, of which 100,937,060 lei were recorded in the national budget, and 1,581,520,890 lei in local budgets.

CSO: 2700

BILL ON INCREASING REMUNERATION, PENSIONS

AU231444 Bucharest SCINTEIA in Romanian 20 Dec 80 p 1

["Decision by the Grand National Assembly of the Socialist Republic of Romania on the Report by the Government of the Socialist Republic of Romania Regarding the Conclusion of the Action of Increasing Remunerations, Pensions, Children's State Allowances and Other Incomes of the People in the 1976-80 5-Year Plan"]

[Text] Examining the government's report on the conclusion of the action of increasing remunerations, pensions, children's state allowances and other incomes, the Grand National Assembly [GNA] of the Socialist Republic of Romania notes with satisfaction that the program on increasing the people's incomes, formulated upon the initiative and under the direct guidance of the party secretary general and president of the Socialist Republic of Romania, Comrade Nicolae Ceausescu, has been successfully fulfilled in the current 5-year plan by recording the highest increases in people's incomes in the overall period of socialist construction in our country.

The complete fulfillment of the program on improving the living standard in 1976-80 is the result of the work full of devotion and self-denial performed by the working class and all working people, irrespective of nationality, who, under the RCP's leadership, are resolutely implementing the party program on our socialist fatherland's constant development.

The GNA assesses that the activity to fulfill the measures on increasing the working people's remuneration, the peasants' incomes, pensions, children's state allowances and other incomes has been carried out in the spirit of the principles of socialist ethics and equity.

The increasing of remuneration took place by also ensuring a judicious correlation between the minimum and maximum remuneration in the economy and in keeping with the requirements of a stimulative differentiation of incomes and in keeping with the quantity and quality of work performed.

The GNA, together with all people, highly appreciates the untiring activity carried out by the party secretary general and president of the Socialist Republic of Romania, Comrade Nicolae Ceausescu, and his constant concern with consistently achieving--on the basis of the country's overall socioeconomic development--the supreme goal of our socialist system--the constant improvement of the people's material and cultural well-being and the creation of all necessary conditions for the full assertion of man and his personality.

The GNA of the Socialist Republic of Romania has decided:

Sole article. To approve the government's report on the conclusion of the action of increasing remunerations, pensions, children's state allowances and other incomes of the people during the 1976-80 5-year plan.

The Council of Ministers shall constantly act to apply the measures on increasing the working people's incomes in conformity with the program-directives for improving the living standard in the 1981-85 period and of continuously raising the quality of life as adopted by the 12th Party Congress, measures which ensure an increase in incomes of all categories of working people and contribute to raising the material and cultural living standard of all our people onto a new level.

The GNA calls upon all our working class, peasants, intellectuals and working people--Romanian, Hungarian, German and other nationalities--to work with devotion to fulfill and overfulfill the 1981 single national plan, the 1981-85 5-year plan provisions and to firmly participate in the work of better utilizing the overall economic potential and the material and human resources available in our country by taking firm action to increase the national income and the living standard and to improve the quality of life in the next 5-year plan to implement the RCP program of building the comprehensively developed socialist society and Romania's advance toward communism.

This decision was unanimously adopted by the GNA in its meeting on 19 December 1980.

CSO: 2700

BILL ADOPTED ON SUPPLYING OF PEOPLE

AU231452 Bucharest SCINTEIA in Romanian 20 Dec 80 p 1

["Decision by the Grand National Assembly of the Socialist Republic of Romania on the Report on the Government of the Socialist Republic of Romania Regarding the Supplying of the People in the Fourth Quarter of 1980 and the First Half of 1981"]

[Text] Following the steady development of the national economy and the implementation of the targets set forth in the party program regarding the increase in and diversification of the production of consumer goods, the quantities of foodstuffs and non-foodstuffs for the people have increased year by year, thus ensuring a constant improvement of the material and cultural living standard of all our people.

The Grand National Assembly [GNA] notes that the program on the supplying of the people formulated on the basis of the recommendations by Comrade Nicolae Ceausescu, RCP secretary general and president of the Socialist Republic of Romania, and in close conformity with the provisions of the 1981 socioeconomic development plan and with those of the 5-year plan and the 12th RCP Congress directives will ensure larger amounts and better foodstuffs and industrial consumer goods compared with the same period last year.

To ensure the supplying of the people with agricultural products, foodstuffs and industrial consumer goods both up to the end of the current year and in the first half of next year, the GNA of the Socialist Republic of Romania has decided:

Article 1. To approve the report by the government of the Socialist Republic of Romania on the supplying of the people for the fourth quarter of 1980 and the first half of 1981.

Article 2. The GNA asks the government to take measures so that the Ministry of Agriculture and Food Industry, the Ministry of Machine-Building Industry, the Ministry of Mines, Petroleum and Geology, the Ministry of the Chemical Industry, the Ministry of Light Industry, the Ministry of Forestry Economy and Construction Materials, the Ministry of Domestic Trade, the Central Union of Artisans Cooperatives, the Central Union of Consumer Cooperatives and the other central bodies, the people's councils and all bodies with tasks in the field of manufacturing and selling goods to the people, to take firm action to fulfill the production plan under favorable conditions to completely and smoothly deliver appropriate quality products, thus ensuring the complete fulfillment of the program on supplying the

people with agricultural products and foodstuffs and with industrial consumer goods in conformity with the levels envisaged in the plan on the country's socioeconomic development.

At the same time, the Council of Ministers shall take measures aimed at judiciously managing resources designed for the market stock, at rationally and evenly distributing the goods for the people throughout the country, at improving the organization and operation of the trade network and public catering and at mobilizing goods available in people's households to a greater extent.

Article 3. Socialist units in agriculture, all residents in rural and urban areas, who own agricultural land, shall take the necessary measures to fully capitalize on the productive potential of lands to constantly increase agricultural vegetable and animal production, so as to meet their own consumption needs and to completely fulfill their duty of delivering goods to the state stock.

The GNA calls upon all working people in agriculture--Romanian, Hungarian, German and other nationalities--to take devoted action to completely fulfill the targets devolving upon agriculture under the country's socioeconomic plan and, on this basis, to ensure that people are supplied with meat, milk, vegetables, fruit and other agricultural products and foodstuffs under most favorable conditions.

This decision was unanimously adopted by the GNA in its meeting on 19 December 1980.

CSO: 2700 END

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No. 2081

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ENERGY CONSUMPTION DEVELOPMENTS REVIEWED

Prague SVET HOSPODARSTVI in Czech 11 Nov 80 pp 1, 2

[Article by -vt-: "Trend in Energy Consumption"]

[Text] More effective management and better utilization of all types of fuels and energy is one of the basic intentions of economic policy formulated by the 15th CPCZ Congress for the period of the Sixth Five-Year Plan. This task becomes even more urgent particularly in connection with the profound, fundamental and permanent changes in the conditions of fuel and energy supply which have been taking place in the world since the mid-1970's.

During the Fifth Five-Year Plan, almost the entire increase in the primary energy needs of the CSSR was met by the imports and particularly by the imports of refined fuels from the Soviet Union. During the period of the Sixth Five-Year Plan, however, the situation on the world markets fundamentally changed and securing of necessary fuel imports became more difficult. For this reason, the Sixth Five-Year Plan stressed the increased exploitation of domestic sources of energy in the future economic development. Despite the maximum possible development of the domestic fuel-power basis and further increase in the imports of refined fuels, however, it will not be possible to meet the power requirements of the national economy without a consistent rationalization of consumption of all types of fuels and energy. Like in the previous five-year plan, the CSSR government therefore approved for the period of the Sixth Five-Year Plan the State Rationalization Program of Fuels and Energy Consumption which was regarded as an integral part of the plan drafting and fulfillment process at all levels of management and at the same time as a tool of systematic uncovering and utilization of reserves. A predominant part of fuels and energy savings was to be achieved by economy measures primarily in industry. In addition, the so-called cross-section measures have been worked out, that is technical directions of reducing high energy requirements in several sectors of the national economy. Among them for example are the application of semiconductors devices, utilization of secondary sources of energy, modernization and higher efficiency of large appliances, and manufacture of instruments for heat regulation and measurement.

Despite a number of problems and technical difficulties, the implementation of the rationalization program in the CSR industry was reflected in the long-term tendency of reducing the energy requirements in the production sector. During the first 4 years of the Sixth Five-Year Plan the overall consumption of fuels and energy (in terms of standard fuel) per Kcs one million of gross production was reduced by 10.1 percent--for example in metallurgy and heavy engineering by 16.0 percent, in general

engineering by 23.3 percent, in the building materials industry by 20.3 percent, in the centrally managed food industry by 6.4 percent and chemical and consumer industries by 4.8 percent. On the other hand, specific consumption in the power sector supervised by the Federal Ministry of Fuels and Power increased by 1.2 percent. Electric energy consumption alone, again per unit of production, was reduced by 7.9 percent in the CSR industry—for example in metallurgy and heavy engineering by 9.0 percent, in general engineering by 22.2 percent, in building materials industry by 12.9 percent and chemical and consumer industries by 8.6 percent. On the other hand, it increased in the power sector supervised by FMPE [Federal Ministry of Fuels and Power] by 6.5 percent and in the centrally managed food industry by 0.2 percent.

These data may be, of course, distorted by some inaccuracies resulting from the construction of gross production indicators as for example by the different level of purchased raw and industrial materials, extent of cooperation or changes in the production structure. The data in material units, however, point also to the decline in specific consumption of fuels and energy in the most production sectors surveyed which consume a great deal of energy. For example consumption of standard fuel necessary for production of one kWh of electric energy in thermal power plants alone was reduced by 2.5 percent during the first 4 years of the Sixth Five-Year Plan, while in metallurgy the consumption of dry coke on production of one ton of pig iron was reduced by 5.4 percent, consumption of fuel on production of one ton of agglomerate by 4.1 percent, on production of one ton of rolled material by 4.9 percent and on production of one ton of welded steel tubes by 17.2 percent. In the building materials industry, the consumption of fuel on the production of one ton of cement clinkers was reduced by 11.8 percent during the same period, on production of one ton of cement by 25.0 percent, on production of one thousand c.j. [expansion unknown] of burnt materials used in wall construction by 4.0 percent and on production of one thousand square meters of ceramic floor tiles by 13.4 percent. In the glass industry, consumption per ton of melted glass was reduced by 12.0 percent.

Although the standard consumption of electric energy declined in a number of production sectors, it increased in some instances particularly in connection with further mechanization or automation of the production process. During the first 4 years of the five-year plan consumption decreased for example per material unit in production of rolled materials by 2.3 percent, of welded steel tubes by 10.2 percent, of plastics by 6.2 percent, of pressed fiberboard by 9.5 percent, of cement clinker by 1.1 percent and burnt roofing material by 14.2 percent. On the other hand, standard consumption increased for example in production of pig iron by 0.8 percent, of seamless steel tubes by 11.1 percent, of calcium carbide by 1.3 percent, of bleached wood pulp by 11.2 percent and of burnt materials used in wall construction by 4.6 percent.

The analyses of economy measures enacted in some enterprises of the CSR reveal that the fuels and energy savings have been achieved by:

—the introduction of less energy consuming technologies such as in metallurgy the modernization of heat processing of metals by continuous furnaces and refining lines; in the building materials industry by the dry method of production of cement clinkers and installation of tunnel furnaces in brick production;

—the modernization of appliances consuming a great deal of energy, particularly of the obsolete boilers with a low heating effect;

--making use of more efficient sources of energy such as central sources of heat, replacement of producer gas by coal gas or natural gas in glass and ceramics production;

--employing of semiconductors for example for regulation of rolling mill trains in metallurgy, for stabilization of voltage in electric melting in glass works;

--controlling the power input of electric appliances and replacement of oversize equipment by smaller units according to the actual needs;

--using more efficient heating systems, better heat insulation of both industrial and nonindustrial buildings, reduction of losses in production and distribution of heat, and better heating control;

--replacement of obsolete types of lighting by gas discharge lamps (vybojky) and more flexible regulation of intensity of lighting in industrial plants;

--utilization of waste heat from the operations;

--in woodworking plants by the utilization of wood waste in the boilers especially modified for this purpose.

Despite these positive results, a number of shortcomings and difficulties exist in management of fuels and energy. The general trend in fuels and energy consumption in the CSR national economy is significantly affected by the relatively small decline in consumption per unit of production in thermal power plants which are the biggest consumers of power generating coal. This unsatisfactory situation has resulted from some shortcomings in construction of new power plants, small proportion of big economical blocks in the total electricity production and inferior quality of the fuel used. Moreover, some additional tasks of the state rationalization program are not implemented consistently. Relatively big is the fuel consumption in the boiler units of other industrial sectors (in addition to the already mentioned power sector). Although the boiler systems have been partly modernized in recent years by reconstruction or installation of new boilers, there is still in operation a large number of obsolete boilers with a very low heating effect. In addition, there is a considerable shortage of new measuring and control devices, the standard of the operating personnel is low in a number of plants and maintenance of older equipment is inadequate. Then there is the problem of spare parts. There has been a slow progress so far in production and use of heavy current semiconductor equipment, light current electric equipment as well as microelectronics, increasing production and introduction of progressive types of control, measuring and lighting equipment and also in the utilization of additional possibilities such as regeneration of used engine oils. Big and mostly unnecessary energy losses still occur in many sectors as for example in the distribution of compressed air which are caused by the leakage in the pressure pipe system and in other instances by the incorrect storage of fuels and their slow combustion in the dumps or insufficient insulation of heat distribution pipes. Likewise, there are reserves in the utilization of waste heat which could be used more effectively for the production of steam or water heating of industrial and agricultural enterprises and eventually also for the households.

The data on the electric energy consumption this year signalize some less favorable trends than last year. While significant savings were achieved in all sectors of both production and nonproduction sphere of the CSR national economy last year, electricity consumption increased more rapidly during the first three quarters of this year than it would correspond to the increased production in basic production sectors. Likewise, the daily load diagram of the electric system reflected some undesirable features such as increase in the load during the morning and evening peak hours, decline in electric energy consumption at the end of work shifts and decline in consumption during the night.

The 18th plenary session of the CPCZ Central Committee reached the definite conclusion that the securing of indispensible fuel and power resources was the prerequisite of further smooth development of the economy and of the living standard. During the Seventh Five-Year Plan, there will be therefore consistent emphasis on the exploitation of domestic resources, primarily solid fuels, and on the implementation of the program of nuclear power plants' construction in cooperation with the Soviet Union as well as on the more intensive implementation of the program of economy and rationalization of the fuel and energy consumption which was approved by the presidium of the CPCZ Central Committee and the CSSR government. Only in this way will be realistic conditions created for a balance between the fuel and energy production and consumption in the state.

10501
CSO: 2400

WAGE DEVELOPMENTS TO BE CLOSELY MONITORED BY STATE BANK

Prague SVET HOSPODARSTVI in Czech 31 Oct 80 pp 1, 3

[Article by Eng Josef Stastny, general director of the Czechoslovak State Bank: "Continuous Attention to Wage Development"]

[Text] Intensification of the incentive effect of wages and consolidation of the principles of merit which working teams and individuals earn for their achievements are some of the preconditions for an efficient development of economy on which the party and central planning and managing organs continuously focus their interest.

In order to develop the incentive effect of wages and to achieve the necessary differentiation of rewards, as required by our economy, realistic prospects must be considered. They are determined by both correctly outlined objectives as well as by their achievement in the creation of material resources in a volume, structure and quality which offer preconditions for uninterrupted income of our population and for further development of our economic potential.

A wage development that corresponds to the growth of social productivity of labor and to the planned development in the production of consumer goods and of services for payment is among the vital factors in the balance of payments for which also the Czechoslovak State Bank and some other institutions are responsible.

In order to overcome the imbalance and the unwholesome trends in the wage development, a system of social regulations of wage funds, applied since 1970, is based on principles which are still valid for the period of the Sixth Five-Year Plan, despite many adjustments and additional specifications. This system makes the ability to draw the planned amounts from wage funds contingent on the fulfillment of the stipulated indicators of performance and profit and on several other factors.

By restricting the regulations applied to the wage control system and by intensified correlation of the opportunities to draw from the wage funds with specific results of the work of the organizations, during the Sixth Five-Year Plan wages could be maintained more or less on the planned level. Thus, for instance, the anticipated growth of average wages for the period of 1976-1980 was up by 14 percent in the economy controlled by the organs of the CSR government, while the plan for the Sixth Five-Year Plan had projected a growth of 15.1 percent.

Nevertheless, this generally positive wage development was achieved while at the same time the objectives in the growth of national revenue were not fulfilled and the planned proportions in the distribution and utilization of the created resources according to the projections for the Sixth Five-Year Plan were impaired. While the five-year plan projected a 4.8 percent annual growth of national economy in the CSR, it amounted in fact to mere 3.7 percent prior to 1979. Thus, relatively more funds were spent for wages than the results of the economic development would justify. It is estimated that in the first three years of the Sixth Five-Year Plan approximately Kcs 1.7 billion of the wages paid in the economy controlled by the CSR government were not covered by material resources to the planned extent. In 1979 this trend was further emphasized by the necessity to deal with the consequences of the emergency in fuel and power supplies and subsequent slippages in the production in the beginning of the year. Basic problems in creating material resources affected the achievement of a desirable structure of products and material services and the fulfillment of tasks aimed at improving efficiency and quality.

Despite deviations from the proportions originally planned for the Sixth Five-Year Plan, however, the projections of the wage plan for individual years have been on the whole fulfilled. Although there were numerous violations of the planned proportions, overall savings above the mandatory limits of wage funds were reported for all four years. Thus, for example, in economic organizations of branches controlled by the CSR government relative savings of wages and other personal costs in 1976 amounted to Kcs 537 million, in 1977 to Kcs 80 million, in 1978 to Kcs 206 million, in 1979 to Kcs 358 million, and considerable savings have been reported for the current year as well. This indicates that the possibilities to draw wages stipulated by the plan and regulatory directives have not yet been fully exhausted.

In the view of the SBCS [Czechoslovak State Bank], the reasons for such diverse tendencies, i.e., nonfulfillment of planned relations in the distribution and utilization of national revenue, with concurrent fulfillment of objectives of the wage plans in individual years, stem from deviations of annual state plans from the proportions of the five-year plan as well as from the very structure of the regulatory directives.

We know that thus far the tools of wage control have not been always correctly used and that their components have frequently produced contradictory results. Despite the applied specifications they still failed to stimulate appropriate interest in higher efficiency and quality.

The changes in the wage control system drafted for the Seventh Five-Year Plan in conjunction with the Set of Measures set the preconditions for elimination of such shortcomings. The purpose of the new measures is to strengthen the role of the five-year plan in the sector regulating wage developments and at the same time, to exert more pressure on rational economic management of labor value added and labor content, to promote the growth of social productivity of labor, efficiency and quality, and thus, to influence the growth of our national economy and the living standard of our population as well.

The tools of material incentives will therefore be aimed in two directions: rational economic management of labor force, and higher efficiency. Efficient management of labor value added will be stimulated by correlating the basic factor of wage funds with the indicator of adjusted value added. That indicator, which as

a matter of fact expresses the contribution of the enterprise to the creation of national revenue, will help exert pressure not only on higher savings of labor value added, but also on more economical utilization of raw materials, materials and power. At the same time, unlike in the current practice, an almost identical indicator will be applied to express and measure the level of labor productivity, which will eliminate the double standard in the assessment of wage developments. The adjusted value added indicator will thus replace the current volume indicators whose shortcomings and negative consequences are generally known.

Interest in raising overall efficiency is fostered by correlating the incentive factor of wage funds with the factor of profitability of production assets or, as the case may be, of factors of production. By the same token, the extent of wage funds determined by this efficiency indicator will be substantially above the extent of wage funds determined thus far by the indicator of economic result. At the same time the wage control system will be construed so as to stimulate an interest in accepting more advanced tasks of the plan and to penalize non-acceptance of the assigned tasks.

In order to safeguard proper effect of the new directives by the regulation of the wage development as the key factor of the Set of Measures, enterprises must focus on efficiency, quality and economy in the system of rewards, and thus, on accelerating the growth of creation of resources and national revenue. This system will call for considerable application in work on every level of management. By the same token, demanding tasks must be fulfilled in the framework of the best possible stipulated wage dynamism stemming from realistic prospects of our economy.

Within its capacity the Czechoslovak State Bank which takes part in control and regulation of wage developments will help enforce those economically sound objectives in applied economy. The SBCS will continue to enforce in particular the fulfillment of the tasks stipulated in the state and exchange plans for the purpose of reducing the wage costs, increasing labor productivity and utilizing work forces efficiently. It will systematically check whether the enterprises do not exceed their planned (applicable) column when drawing their wage funds, and it will check for accuracy their calculations in accordance with the new wage control regulations. At the same time, it is aware that the implementation of the new control regulations involves certain risks inherent in the new measures and also the shortcomings still existing in wage control regulation.

The applied indicators will be much more accurate and their fluctuations will affect the amount of wages far more distinctly than thus far. This will pose higher demands on accurate specification of the planned tasks as well as on the creation and utilization of reserves whose importance will substantially increase in view of the presumed fluctuation in the fulfillment of wage control indicators.

The new wage control system will therefore be more demanding in terms of economy. Technically, it will not be any simpler than the currently implemented system. It is not impossible that in the future errors will still be found in calculations of wage funds and in the implementation of control regulations, and that it will be necessary to explain to enterprises the essence and purpose of the new measures. (This applies above all to smaller enterprises, particularly those territorially managed.) Moreover, it will be necessary to face the deep-rooted views of some organizations that the wage control regulations are nothing but a kind of complicated

mathematical problem without any economic implications, and that no one but experts from the Payments and Wages department are able to solve them "to satisfaction." Enterprise and their subordinate organs do not always realize that an integral and especially important factor of control regulations represents the measures for improvement of the situation, which must be implemented not only in cases where the planned volume of wages has already been exceeded, but also preventively, when the balance of the planned proportions is in jeopardy. Even the most perfect control system is there ineffective without consistent solution of the developing problems.

Demands on the work of the middle link in the management, which in the new system will guarantee the maintenance of the useable volume of wage funds, will increase substantially, which means that the disclosures and prompt remedy of any disproportions of the wage development in subordinate organizations will depend on the responsibility and thoroughness of the middle link in the management.

The SBCS will cooperate in the regulation and control of wage developments during the Seventh Five-Year Plan, and thus, it will fully apply its authority and ascertain whether the applied measures correspond with the demands of the control regulations. At the same time it will penalize by its own sanctions the shortcomings in the wage development more than before, because in this respect the new regulations controlling the wage development and also specific intensification of efforts stemming from the Set of Measures offer the bank more space. Furthermore, the organs of the SBCS will critically assess and evaluate the enforcement of control regulations and call the attention of the party and other organs of the management to the shortcomings.

Implementation of the concept of wage policies for the Seventh Five-Year Plan, whose observation is one of the main preconditions for a sound economic development, will represent a highly demanding political issue which will require increased and coordinated efforts and more consistent procedures on the part of all organs managing the economic area and of central planning and control organs.

9004
CSO: 2400

LONG DELIVERY TERMS CRITICIZED AS HAMPERING PRODUCTION

Prague HOSPODARSKE NOVINY in Czech 7 Nov 80 p 4

[Article by Engr Josef Linc, CSc, Engineering Technology and Economics Research Institute, Prague: "Upsetting Proportionality"]

[Text] One of the momentous problems which all organs of economic management were asked to resolve by the "Set of Measures for Improving the Planned Management System of the National Economy After 1980" is the shortening of long delivery periods. The complex nature of this problem lies primarily in the fact that this problem cannot be solved independently, but only in close context with the entire group of problems outlined in that document. The length of delivery terms reflects the flexibility or inflexibility of the economy in the satisfaction of national economic needs. In this respect, our economy possesses big reserves because delivery terms are unbearably long. Quite standard products which can be obtained promptly or in a few weeks or months abroad can be delivered only after 3-20 months and sometimes even after a longer waiting period in our country. The negative effects of this inflexibility by our suppliers are immense.

Due to the long delivery periods it thus happens that the customers, when they place an order, do not themselves know their own needs because they do not yet have a definite plan, the list of their own customers is not yet complete, the production schedule is not yet final and so on. For this reason, their orders are rather inaccurate and the production plans of their suppliers no longer conform to the needs when they are drawn on the basis of the original orders.

Time Is Really Money

During the long planning period, the customers press for changes in the orders placed with their suppliers in regard to quantity, assortment and deadlines. This frequently happens after the suppliers have already purchased material and started the manufacture of originally ordered products. Although the suppliers object to these changes, they cannot refuse these changes in important instances and must change their plans. As a result, their production capacities are not efficiently utilized, their production cost and inventories increase and they encounter material difficulties in filling the revised orders.

The long delivery periods thus constitute an obstacle to the better coordination of suppliers' production plans with the customers' needs. Due to this fact,

considerable quantities of products are constantly manufactured which the customers do not need and, at the same time, other products cannot be manufactured whose shortage upsets the customers' production plans and increases their costs. These disproportions between production and consumption are enormous and increase, in the form of ineffective inventories, by Kcs 20-25 billion every year.

These inventories, however, cannot be regarded as effective because they are not comprehensive. Despite an extra supply on hand (predzasobeni), the customers still encounter considerable material difficulties. The extra supply on hand in the engineering enterprises is illustrated in Diagram 1. It must be taken into account that these are average data because each group of products includes both products whose inventory has been virtually depleted and products whose inventories are many times larger than the data in the diagram indicate.

Diagram 1

Average Extra Supplies on Hand (number of days) at Engineering Enterprises in 1979

Sectional steel	106 days
Pipes	104 days
Electric motors	84 days
Chemical and rubber products	73 days
Building materials	91 days
Saw mill products	107 days

This, however, results not only in freezing labor, material and foreign exchange to the detriment of modernization of machinery and equipment, but also in losses caused by the delays in deliveries to the new capacities under construction which cannot be put into operation on time. Long delivery terms thus also slow down research, development and manufacture of new products and thus contribute considerably to the lag in technical development.

Long delivery periods cause big losses in export of our products to foreign markets. Due to the intense competition, prompt delivery is as important as the technical standard, quality and price of products to be sold. Under the present circumstances we must frequently be satisfied with lower prices and, above all, we lose our positions on the profitable markets to sellers who can make faster deliveries.

This is only a brief enumeration of losses which significantly reduce the efficiency of our national economy and hamper its development.

Crux of the Matter

Long delivery periods are caused by the planning and sales methodology which, with the exception of spare parts, makes it virtually impossible for the producer to maintain adequate inventories. He must ship everything he has produced by the end of the month or quarter and especially by the end of the year, and woe to him who would be delayed by even 1 day in doing so! He would not have fulfilled the plan and his employees would not receive premiums.

For this reason, producers' inventories which can be sold promptly must be held, in accordance with the existing planning methodology, at the lowest possible minimum. Delivery periods, on the other hand, must be long so that the producer has enough time to order material from his suppliers who also cannot maintain large saleable inventories and whose delivery periods also are therefore long. The longer the chain of suppliers, the longer the delivery periods.

To determine the desirable inventory-sales ratio, it is the producer himself who forecasts his customers' future needs. Since the trends in consumption of individual types of products are substantially more stable on the statewide scale than with individual customers, the producer's sales forecasts can be much more accurate than individual customers' estimates are. The plans of production for stock can then better correspond to the customers' needs than planning production on the basis of order-point control.

The present method of production and sales planning, however, is based on the summarization of inaccurate forecasts of material consumption by hundreds and thousands of customer enterprises. The customers' inventories increase by the differences between [anticipated] production and [actual] consumption, while at the suppliers' warehouses only those products remain which could not be shipped by the end of the planning period (due to the finishing of products on the last day of the period in question, shortage of railroad cars and so on), and possibly also some spare parts. On the average, finished products account for only 7.2 percent of industrial enterprises' total inventories.

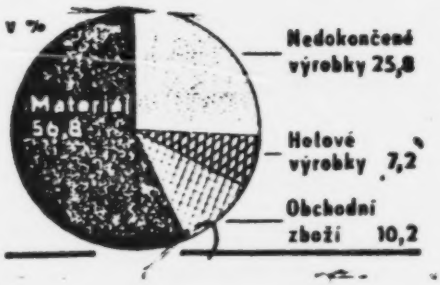
Diagram 2 illustrates the inventory structure.

Diagram 2

Inventory structure in industrial enterprises as of 31 December 1978

In %

Material 56.8



Unfinished products 25.8

Finished products 7.2

Saleable goods 10.2

At first glance, the present method of production and sales planning appears to be effective. Producers manufacture only those products which have been ordered and therefore incur virtually no risk in sales. They do not need any workers for active research and forecasting of customers' needs. It is enough to accept orders from their customers and fill them in accordance with the most convenient production schedule arranged long in advance. As a result, they can accumulate orders into large production batches and thus make better use of their production capacities. The producers can thus more rapidly increase production and labor productivity, reduce costs and achieve higher profit rates.

However, these manufacturers' gains have a negative effect on the customers. They incur much bigger losses due to the inflexible supply system because of the downtime of machinery and labor force, and increased material consumption. All customers must maintain much larger supplies of materials which exceed the "savings" in suppliers' inventories and must employ many more buyers who face difficulties in securing materials even at high cost and obtaining necessary means of transportation.

Inefficient Transportation of Products

The management personnel of customer enterprises and of their supervisory organs are constantly preoccupied with the solution of supply problems and are thus diverted from actual management which is adversely reflected in the standard of enterprise management. The shortcomings of the planning methodology are the cause of long delivery terms in the sales organizations as well. These organizations were set up in order to deliver standard products in a short time. The key plan indicators, however, compel the sales organizations to increase turnover, to reduce costs, to limit desirable inventories, and thus prevent them from making prompt and comprehensive deliveries.

Instead of prompt deliveries, sales organizations achieve a predominant part of their turnover in the periods ranging from 3 to 20 months from the time the order is placed. Their deliveries are frequently non-comprehensive, unreliable and their customers must, therefore, pick up a considerable part of their orders themselves. Moreover, they must also pay a sales surcharge.

For this reason, the customers' inventories of products delivered entirely or mostly by the sales organizations are much larger than the inventories of products supplied directly by the producers, although the exact opposite should be the case. Diagram 3 illustrates the average extra supply on hand in the engineering enterprises. To get a complete picture of the discrepancy between production, indirect sales and consumption, it is also necessary to add to these inventories the 60-90 day supply of the products in question in the sales organizations.

Diagram 3

Average Extra Supplies of Market Organization Products on Hand at Engineering Enterprises in 1979 (number of days)

Screws	252 days
Cables, conductors	147 days
Electrical gear	215 days
Fittings	195 days
Roller bearings	158 days
Standard tools	218 days

The methodology of sales planning in industrial enterprises and sales organizations encourages irrational transportation of products. A considerable part of large shipments which should be made to the customers directly by the producers is carried out through the sales organizations. On the other hand, some small shipments suitable for indirect sales are made ineffectively by the producers. As a

result, millions of tons of products are several times reloaded, stored and transported in opposite directions. The larger the volume of these irrational shipments, the more successfully the indicators of the sales plan are met both by the producers and sales organizations.

On Principle and Comprehensively

The shortcomings of the present planning method cause not only long delivery terms and irrational shipments, but also give rise to many problems resulting in unsatisfactory supplier-customer relations: small plan stability, material disproportions, conflicts between suppliers' and customers' economic interests, innovation passivity by the producers and other problems. It is, therefore, imperative to fundamentally improve this methodology in such a way as to eliminate not only some, but all key negative aspects.

As to the shortening of the delivery periods, the improved planning methodology must make possible and effectively stimulate production for stocks of those products in regard to which the producer can better estimate the future needs than the customers themselves. This includes particularly the series production of standard materials, components and subassemblies with wider applicability. It must be pointed out, however, that the shortening of delivery periods for these products will make it possible to shorten the delivery periods for less standard and special-purpose products as well.

In justified instances it is expedient to maintain inventories of semifinished products, components and subassemblies of more complex yet unfinished products in order to shorten both the production and delivery periods for those products which have a common base and can be used in production of large quantities of finished products.

In the first place, however, it is necessary to revise or to use in a different way the principal indicators of production and sales plans on compliance with which material as well as noneconomic incentives of economic workers are based. Among them are the indicators of profit, commodity production, value added, inventory turnover and all indicators derived from them. Otherwise, production for stock for the purpose of shortening delivery dates is absolutely unrealistic and all measures taken without adequate changes in the planning methodology must remain ineffective.

Naturally, the problems of financial planning in the inventory area must be solved with reference to the changes in the methodology of production and sales planning as well. In this respect, the mandatory indicator of the period of inventory turnover is absolutely unsatisfactory. Although it stimulates the enterprise in question to make better use of its own inventories, it prevents it from creating conditions for better utilization of its customers' inventories. And yet, the improvement by the suppliers of conditions for maintaining these inventories is the only possible way of reducing the present ineffective inventories.

It is also necessary to redefine the planning of costs more accurately. As the inventories of products for prompt sale grow, the interests, losses from their depreciation, investment costs and depreciation allowances on capital assets increase. The respective indicators of cost plans must, therefore, be adjusted

accordingly. Conditions for maintaining marketable inventories must also be created in the area of price-setting. If the readily realizable deliveries from stock involve substantially higher costs than deliveries over long periods, prices must reflect this fact. Otherwise the conflicts between the suppliers' and customers' interests concerning the promptness of deliveries cannot be resolved.

In connection with the revision of the planning methodology, appropriate changes must also be made in the area of economic law and a number of additional measures must be effected. As in the production sector, it is necessary to solve comprehensively the problems of planning and stimulating activity of sales organizations, too, in such a way as to make their deliveries complete, reliable and prompt.

It is not necessary to emphasize that the improvement of the methodology of sales and production planning is not a simple business. However, there is no other way to shorten delivery periods and to reduce the immense losses which our national economy incurs today.

By shortening delivery periods it will be possible to achieve:

-- a better satisfaction of customers' needs and thus also a reduction of production losses by billions of Kcs annually;

-- freeing of inventories in the value of dozens of billions Kcs which represent frozen material, wages and foreign exchange, in favor of more effective utilization;

-- elimination of many billions of tonkilometers of unnecessarily transported products;

-- increase effectiveness of exports because of better competitiveness resulting from prompt deliveries;

-- better satisfaction of working people's needs with consumer goods with substantially smaller inventories in the retail trade sector and smaller losses caused by so-called "sleepers";

-- shortening of the research-development-production cycle for the new products.

The complex nature of the problems involved should not discourage the central organs from their consistent solution because the increased flexibility of the economy in favor of customers is the indispensable precondition for increasing the effectiveness of our national economy.

10501
CSO: 2400

FUTURE RAW MATERIAL NEEDS AVAILABILITY EVALUATED

Prague MLADA FRONTA in Czech 15 Nov 80 p 3

[Article by Karel Pacner: "Can Raw Materials Be Actually Depleted?"]

[Text] Twenty years is not a long time. And yet, the magic 21st century will arrive in 20 years. A century which is to generate miracles surpassing all our imagination. But what will Czechoslovakia and the world look like at the turn of the 20th and 21st century and of the 2nd and 3rd millenium? How will they change or perhaps not change within this short period of time? We shall try to outline this in our series of articles.

The crust of our planet consists of 92 natural elements. Nine of them—silicon, oxygen, aluminum, iron, calcium, sodium, potassium, magnesium, titanium—form more than 99 percent of these materials. The remaining elements are either freely dispersed or exceptionally concentrated in certain spots—these are the deposits of mineral raw materials from which we exploit them.

Gloomy Forecasts

When we critically look at history, we suddenly realize that the mankind has never used its natural resources very effectively, but always wasted them. How many hundreds of tons of percious metals for example have been used for making jewels? Yes, the masters of this art have managed to make beautiful articles which we admire even today and which frequently belong to the cultural heritage—but most of them lack this artistic and historical value and we admire them largely for sentimental reasons. Or our energy production is based primarily on coal and crude oil today, that is on the raw materials which will be increasingly of greater value to the chemical industry. True, we are as yet not able to do without these two types of fuels, but should we have not developed the methods of their more economical burning already a long time ago?

We have heard very often recently that the most important raw materials and fuels will soon be depleted in the world. These fears are comprehensible. After all, industrial production and comfort of technical civilization constantly increase and require more raw materials and more energy. During the postwar period, the mankind used up approximately an equal quantity of mineral resources as it did during the entire preceding period of its existence. On the other hand, scientific-technological revolution has led to a somewhat better utilization of raw materials and energy so that their overall consumption--per unit of production--has relatively declined. In

absolute figures, of course, it continues to increase drastically. During the 1950-1970 period for example, industrial production in the capitalist countries increased by 250 percent, consumption of fuels by 160 percent, of metals by 200 percent and of chemicals by 250 percent. More than 80 percent of this natural wealth are utilized by the industrially developed states, while production increases at a slower pace in other countries and particularly in the Third World.

The gloomiest forecast on the end of our natural wealth was presented in the 1972 study "The Limits of Growth" of a group headed by the prominent American economist D.H. Meadows. According to this estimate, we should have enough gold for 9-11 years, mercury for 13 years, natural gas for 22-38 years, crude oil for 21-36 years, coal for 111-2,300 years...The most important fuels and raw materials should be depleted within the next few decades. This, together with the overpopulation, air pollution, energy and food shortage should result in the global disaster and breakdown of our technical civilization by the 2020's or 2030's.

After overcoming the initial shock, all other experts rushed at Meadows. Yes, they admit, the global problems of civilization are on the increase and must be coped with, but the authors of the study had considerably simplified their calculations. As to the mineral reserves, they did not anticipate at all the potential improvement of processing methods, a more efficient utilization of mineral wealth and discovery of additional deposits.

Changeable Criteria

Much more realistic estimates have been made by the American expert W. Nordhouse who tried to determine the elements contents in the earth crust and their maximum exploitable reserves. He took as the basis the average annual level of world consumption at the beginning of the 1970's and regarded as exploitable those deposits which contained at least 0.01 percent of the respective element at the depth of one kilometer. According to his estimates, we will have enough coal for 5,000 years, uranium for 8,000 years, iron ore for 2,800 years, phosphates for 1,600 years, sulfur for almost 7,000 years, aluminum in fact for 68,000 years, but molybdenum and zinc for only 600 years, copper for 340 years, lead for 160 and gold for 100 years.

Nevertheless, these figures actually reflect the other extreme. The sources of the best useful minerals are definitely limited. According to the estimates of the All-Union Soviet Geological Institute, the nonsocialist countries had at their disposal the supply of iron ore for approximately 150 years, nickel for 1000 years, aluminum from bauxite raw materials for 70 years, copper for 55 years, coal for 600 years, gas for 45 years and crude oil for 35 years by the mid-1970's. However, while increased exploitation of the deposits of these raw materials reduces their reserves, the discovery of new deposits puts off the deadlines originally set for their depletion. It seems for example that the recently discovered underground lakes of crude oil in Mexico, some other states and off-shore waters will postpone the obtaining of the last drop of this fuel to the middle of the 21st century. This relatively simple equation is complicated by two additional variable quantities. In the first place, the rising technological level will enable us to obtain raw materials from the deposits at very low depths which could not be exploited before. Secondly, the rising prices of natural wealth suddenly make it economically feasible to exploit the deposits which were unprofitable before.

Equipment is available to us today with which we can extract only about one third of the content of natural crude oil reserves and only about 40 percent of quality coal in some seams...By the end of this century, the crude oil experts want to have at their disposal equipment which will gradually raise the exploitability of deposits to as much as 60 percent. Work is in progress on the development of several methods aimed at the 100 percent utilization of coal which consist in the conversion of this fuel, right in the mine, into another type of energy which would dispense with the time-consuming and laborious hewing. Unfortunately, neither underground gasification nor liquefaction of coal has yet reached a level which would permit experts to form a clearer idea when these processes could be used as a standard procedure. Moreover, they will require investments of many billions Kcs.

"The basic question is not, whether raw materials will be or will not be available," points out Dr Petr Jakes, CSc, director of the Central Geological Institute. "The basic question is how expensive will be the energy necessary for their processing. If there is enough cheap energy, we will employ expensive and complex equipment for extraction and processing of minerals from the deposits not previously exploited. For example we gain copper from the rocks today which contain at least 0.75 percent of this element--this is what is called the "balance limit"--and there are enough ores of this kind in the world to last approximately 50 years. We do not process poorer ores because this would not pay off. But if we have cheap energy by the year 2000, it is possible that it will become economically feasible to extract copper even from the materials containing only 0.4 percent of this element so that the known reserves will last for 150 years. In the extreme instance we may consider the utilization of rocks. For example: if we melt basalt, we can obtain from it a number of metals though only in the insignificant, as we say trace quantities. This method of obtaining metals cannot be employed without cheap energy because otherwise we could not affort it."

Besides, there are obviously some raw materials of strategic importance which the states must obtain regardless of the costs. The national economy simply cannot exist without them and their import would be difficult for a variety of reasons.

Reserves Not Yet Computed

Energy sufficiency, high prices of raw materials and new requirements of the national economy will obviously lead to a much more critical reassessment of all natural wealth. Naturally, a completely new technology will be necessary to do that. The previously abandoned deposits of for example copper, gold, silver regarded hitherto as poor will be reopened...New elements which have not been exploited so far will be obtained as for example: the Czechoslovak tin ores contain approximately one percent of niobium oxide, an important raw material for the manufacture of supra-conductive equipment which is to bring about another revolution in electronics in the 21st century. Some materials are to be extracted from the waste dumps--for example from lithium micas which remain after processing of tin ores lithium will be produced which is to be one of the best sources of fuels for the future thermo-nuclear power plants.

No geologist can responsibly say today, whether we will have enough raw materials and fuels at the beginning of the 21st century. This will depend upon the future orientation of industry in general, power sector, services and all life. "If we stake everything for example on the thermonuclear energy, we must produce much more

lithium," says Dr Jakes. "If we decide in favor of conventional nuclear power plants, we will not be able to do without large quantities of metals for high-grade steel used in reactor vessels and so on. If we decide in favor of geothermal resources, we shall have to obtain more titanium, zirconium and other elements indispensable for the refractory ceramic lining. If we give preference to solar energy we will need more silicon, gallium, aluminum and other materials for the equipment designed to transform energy. The constantly advancing electronization of life creates the need of conductive materials. Let us take note for example how the price of silver rapidly rose in recent years. It is expected that new memories for the computers, cells for preserving large quantities of energy, crystal-based artificial materials, organic substances with biological properties will be developed. All this will be reflected on the market of materials. At the same time, a search is in progress for the substitutes of some types of quality ores of which we do not have enough in our country. Obviously, the time will come soon when we shall produce aluminum for example from the substitute nonbauxite raw materials such as clay and other materials seem to be--including fly ash from the power plants."

According to some estimates, half of the world crude oil reserves is hidden under the sea bottom. Unfortunately, they are too deep in many places or these areas are very turbulent. It is possible that this fuel will become so expensive in a few decades that it will pay off to install mining equipment right on the sea bottom, several hundred meters below the sea level.

Manganese, iron, cobalt, nickel, lead, aluminum, copper and to a lesser extent also zinc, iron and chromium could be obtained from clods lying on the sea bottom at the depths of 3-5 kilometers which are called manganese concretions. For the time being, these reserves are not seriously considered and for this reason they are not included in the tables of exploitable raw materials. But as soon as the technical and economic barriers of ocean mining are overcome, the natural reserves of most raw materials will increase threefold or even more. Although the Americans have already started with the experimental exploitation of the ocean bottom, this method is expected to be employed on a larger scale only at the beginning of the 21st century.

Unfortunately, the natural wealth is not evenly distributed. Most of the industrially developed countries do not have enough raw materils and fuels, while big deposits are concentrated in certain areas which lack essential industries. Approximately 40 percent of mineral wealth are in the developed capitalist states, 30 percent in the European socialist countries and 30 percent in the developing countries. Moreover, 80 percent of the West's reserves are in the United States, Canada, Australia and JAR [South African Republic], while 89 percent of the socialist camp's reserves are in the USSR. West Europe, Japan, most of the European socialist states and 75 percent of developing countries do not have any significant deposits of raw materials. Large quantities of crude oil and natural gas are in Near East and Soviet Siberia, and have been found recently also in some African and Latin American states. Considerable hopes are now pinned on coal whose reserves are estimated as being seven times as big as those of crude oil. The richest deposits of this classic fuel are in the Soviet Siberia, United States, Australia and South Africa.

Some countries like the United States import raw materials and fuels now and save their own natural reserves for the future. In this way, they actually increase the value of their domestic resources because the prices of raw materials on the world markets constantly increase. Moreover, they transfer to other countries the

unfavorable ecological effects of mining which are still an inseparable part of these operations. They will obviously open and operate at full capacity their mines, sources of crude oil and natural gas only later on, when the deposits of the rest of the world will be depleted, when technically and ecologically better methods of mining and processing are developed, when we shall know how to use all this wealth more efficiently.

Into the Lower Depths

"In view of the geological structure of our territory, Czechoslovakia can never be self-sufficient," we are reminded of the well-known fact by Engr Dusan Durica, CSc, deputy director of the geological department of the Czech Geological Office. "The situation is all the worse because the backbone of our production is heavy industry which necessarily consumes immense quantities of fuels and some rare raw materials. Besides, the more perfect the engineering products are to be, the more superior ores they need and the more of them we must import."

"Our only wealth are solid fuels," add Dr Vaclav Cilek, CSc, from the same department. At the present pace of mining, we shall have enough anthracit for more than 100 years and brown coal for approximately 50 years. Besides, we have relatively enough nonore raw materials such as kaolin which we need for manufacture of porcelain, china, raw materials for making cement, gravel, sand and stones."

We have a shortage of crude oil, natural gas and ores. Most of them we import from the USSR and some types also from other countries. "We are able to cover less than 10 percent of our needs in metals, including iron, from our domestic resources," states Dr Ivan Selk. "This percentage could increase, if we learned how to recycle all materials, that is if we could reuse all raw materials contained in every piece of worn-out machinery. However, we cannot rely too much on it because we actually export engineering products. It would be evidently more important, if we learned how to process really expediently and use much more economically all metals and particularly nonferrous and rare metals."

TABLE
Actual and anticipated increase in consumption of some raw materials in CSSR

	Aluminum	Copper	Tin	Tungsten
1970	100%	100%	100%	100%
1980	140%	108%	124%	142%
2000	200-220%	140-150%	180-200%	180-200%

Extraction of raw materials and fuels will become increasingly difficult in our country. Czechoslovakia is rather densely populated country, moreover, large additional natural resources are hidden at low depths.

"If we want to exploit all known deposits of brown coal in northern Bohemia and Sokolov region, we must continue in relocation of towns, factories, highways and so on from the places below which they are located," points out Dr Cilek. "We have anthracit in some regions of Bohemia. There are big deposits of anthracit below the Beskydy Mountains at the depths of 2-3 kilometers. These deposits are likely to be exploited in the second half of the 21st century. However, we must learn how to mine maximum amount of coal in the existing coal basins. After all, we mine only

38.9 percent of coal from the existing deposits in underground mines. Labor shortage forces us to mechanize mining operations, but the machiner cannot hew coal from thin seams in which coal is of highest quality. Raw material is better and output bigger in surface mines—we obtain 80 percent of all deposits. We will have to employ gradually completely new mining methods and new methods also for burning of inferior fuels."

"Crude oil and natural gas is obtained from medium depths, up to 2,500 meters in our country," says Engr Durica. "Geological surveys have revealed that we have relatively large deposits of these fuels at lower depths--3,500-8,000 meters. The Austrians have drilled a very rich deposit of natural gas at the depth of 7,544 meters in the geological formation which is of similar type as the formations in our country. Naturally, to be able to do that technical equipment available to our crude oil industry must be modernized. Although the domestic output of crude oil and natural gas will never be big, it will make it possible for us to reduce imports."

All conceptions of the future development of the Czechoslovak national economy must be based on the presumption that we are not and never will be self-sufficient in raw materials and fuels. We must, of course, anticipate at the same time that we shall be able to import most of natural resources from the CEMA countries and primarily from the Soviet Union. But nobody has enough crude oil, natural gas, ores and so on to spare. Moreover, their exploitation will be increasingly more difficult and therefore also more expensive. We must therefore concentrate on those types of products whose manufacture does not require too much raw materials and energy and which represent the art mastered by our brains and hands.

There Are No Irreplaceable Elements

V. Michalskij wrote in the French periodical PROBLEMES ECONOMIQUES: "Even if we take into consideration the unreliability of "variable quantities" concerning resources, deposits, life conditions and future demand, we can hardly reach the conclusion that a general physical shortage of raw materials will appear in the future. On the basis of the present state of our knowledge, it can be stated that the situation is less favorable in regard to silver, bismuth, mercury and asbestos than in regard to copper, lead, tin, zinc, molybdenum, tantalum or tungsten. From the global point of view, no difficulties are anticipated in the exploitable quantity of iron, aluminum, titanium, chromium, niobium, tantalum, manganese, vanadium and platinum.

Even in regard to those materials whose known deposits do not seem adequate to meet the needs up to the year 2000, the situation is not as critical as the statistical data seem to indicate. Silver for example can be replaced by platinum in the manufacture of mirrors and other reflective areas, by tantalum in surgical instruments, by stainless steel in tableware. Bismuth can be replaced by iron in production of acrylonitriles and by magnesium and aluminum compounds in pharmaceutical products. In some instances the bismuth alloys can be replaced by plastics."

Generally speaking, irreplaceable raw materials actually do not exist. With the exception of oxygen, hydrogen and carbon, all of them can always be replaced by something and production will adjust--though with comprehensible difficulties--to the new possibilities. This applies also to Czechoslovakia. The solution of this problem does not depend upon geology and mining industry alone, but also on the chemical and processing industries.

10501
CSO: 2400

MODIFICATIONS IN FOREIGN TRADE REGULATIONS DISCUSSED

Budapest FIGYELO in Hungarian No 48, 26 Nov 80 p 11

[Article by Janos Deak: "Regulation of Foreign Trade"]

[Text] Pricing geared to foreign-trade prices, and the related financial regulations significantly modify the conditions of economic activity for export producers, and for the users and consumers of imports. Favorable changes can be observed this year to date: the keeping of investments and consumption within the planned limits has created an economic atmosphere which has helped to realize, in conformity with the plan, the equilibrium requirements of the balance of trade.

The regulators have strongly influenced the economic processes. It is increasingly noticeable that users are seeking solutions which enable them to produce, from cheaper basic materials, semifinished products and subassemblies, products that also meet stricter quality specifications.

Volume and Efficiency

The export incentive conforms to expectations. At enterprises that claim refunds of the producer's differential compromise turnover tax, the profitability of nonruble-denominated export is satisfactory. Contributing factors have been (1) the significant rise of export prices, and (2) the fact that at the time of forming the 1980 starting prices the profitability of nonruble-denominated export at enterprises with above-average foreign-exchange earnings was higher than the level of profit the enterprises were able to include in their domestic prices.

The enterprises producing for export have a greater incentive than previously to market their products at the best possible price and to expand their turnover of products that can be sold at higher prices. This has made for a closer relationship between the foreign-trade enterprises and the production enterprises, and it has also contributed toward the foreseeably favorable development of this year's trade targets.

In the ensuing economic enivornment the enterprises have a materials self-interest in rapidly exploiting the favorable opportunities on foreign

markets. Continuous adjustment of the domestic prices and price levels of such products to the foreign-market prices enhances more-economical consumption of energy and materials. One of the most important new elements of regulation is that the price system and system of financial regulation are closely coordinated. Foreign-trade pricing affects about 60 to 70 percent of the social product.

Manufacturing enterprises are employing the method of adjusting their prices commensurately with their export. Higher foreign-exchange prices and improvement of the profitability of their export are for them factors that determine their entire economic activity. Manufacturing enterprises will be able to stabilize their present and future situation if they improve the efficiency of their export from year to year.

Exporting enterprises are demanding more persistently that the foreign-trade enterprises improve their marketing work and develop their organizations on foreign markets. To assert the requirement of economic efficiency, they are more selective than heretofore regarding products and markets. Flexible adaptation to market demand, better quality, delivery on schedule and reliable service are in the forefront of attention. These are still the principal reserve for higher export prices.

The price system and the system of financial regulation demand of the economic units that they adjust to the new conditions. At the start we were not able to develop in all areas the conditions of price regulation and financial regulation that would have been in accord with the requirements. Corrections, on a not very wide scale, were made during the year. But even today we encounter enterprise efforts to "solve" the conditions of export independently of the changing foreign and domestic prices. This occurs primarily at the enterprises where the export-price level is below expectations, as a result of which it would be warranted to reduce the domestic prices.

At the manufacturing enterprises employing export-commensurate pricing it is also noticeable that efforts to improve the efficiency of export take preference over the export volume's expansion. For the enterprises are able to increase the proportion of their nonruble-denominated export only if the export prices rise and the profitability of export improves. (At unchanged export prices and profitability, the enterprises cannot increase their export volume because they are unable to suitably offset in their domestic prices the ripple effects of the rising production costs.) The exporting enterprises have an incentive to expand the export volume only of their most profitable products, regardless of whether they are able to export above or below the average rate of earning foreign exchange.

There are numerous examples of enterprises attempting to improve the average export price and profitability by reducing their export volume, in order to "protect" their domestic-price level. The conditions developed under the system of export-commensurate pricing should be perfected in such a way that the increase of the export volume and improvement of efficiency are achieved in closer harmony between enterprise interests and the interests of the national economy.

In the Spirit of the Regulations' Normative Nature

The regulations governing nonruble-denominated export will not change significantly in 1981. In our price policy we will retain the principle of flexible adjustment pursued up to now, taking into account the fight against inflation, the improvement of efficiency, and the requirement of equilibrium in our balance of trade. The fairly limited correction of the refunding of the producer's differential compromise turnover tax is associated with an attempt to unify refunding, and with the uncertainties of forecasting. In 1981 we will extend the refunding of the producer's differential compromise turnover tax to two more industries (metallurgy, and the vegetable-oil industry). As of 1 October 1980 we reduced by about 3 percentage points the refunding of the producer's differential compromise turnover tax in the clothing industry, and by 5 percentage points in agriculture and the food industry.

The producer's differnetial compromise turnover tax that enterprises producing for export pay on their procurements strongly influences the cost and price levels of such enterprises. Every enterprise must pay this tax on procurements, either directly or indirectly. Therefore we can expect also in the future the refunding of the producer's differential compromise turnover tax. As a stable element of the normative financial system, the refunding of the producer's differential compromise turnover tax enhances formulation of the enterprises' intermediate-term business policies.

Maximum utilization of the cheapr domestic and foreign sources of procurement was hampered in some instances by the amounts of the producer's differential compromise turnover tax, which are geared to the sources of procurement with the highest price levels. On the basis of the experience to date it seems expedient to provide an incentive--where this is warranted--for the increased utilization of the cheaper procurement possibilities.

Export-Price Reserve Fund

One lesson from this year's experience is that price regulation and financial regulation must be perfected so as to strengthen the exporting enterprises' ability to adapt to the demand and price changes on foreign markets. To this end, in nonruble-denominated export, the enterprises should be enabled to establish, by their own volition, reserve funds for export-price differences. This could contribute toward encouraging the enterprises to maximally utilize the favorable marketing possibilities in a given period and to maintain balanced exports even under the subsequent less-favorable market trends.

The prospects of nonruble-denominated export next year, the terms of sale and the development of the exchange rates appear far more promising than this year. Today it is still early to judge to what extent the price regulations and financial regulators can enable exporters to adapt to the more difficult situation. This fact requires continuous monitoring of the economic processes, their forecasting, and corrections in due time.

As the combined effect of the regulator modifications introduced on 1 January 1980, in ruble-denominated foreign trade we wished to achieve that the enterprises' export incentive reach or approximate the level of domestic sales. In general we have fulfilled this objective: profitability is lower than desired only within a narrow circle of enterprises, and higher than desired in a few instances. Regulation has made it possible to adjust to the changed situation the conditions of the enterprises exporting to socialist countries, in accordance with the foreign- and domestic-price changes during the year. A proportion of the enterprises availed themselves of this opportunity during the year, enabling us to fulfill in accordance with the plan the annual agreements with socialist countries.

Our exchange-rate policy in ruble-denominated trade follows the practice of years past, essentially retaining the cross rates between the ruble and other foreign currencies. As of 15 October 1980, the transferable ruble's exchange rate has been modified from 28 to 27 forints per transferable ruble.

Likewise the possibility of annual changes in the socialist contractual prices warrants that for the enterprises exporting to socialist countries we form also next year's financial bridges in such a way that takes into account the combined effect of changes in the domestic prices, socialist contractual prices and the ruble's exchange rate.

According to our present experience, the foreign-trade regulators' modification for 1981 will not affect the proportions of profitability that have developed in 1980; it will maintain the relatively favorable profitability of nonruble-denominated export, and also the profit rates on domestic sales and ruble-denominated export that are approximating each other. However, the maintenance of these proportions of profitability will require intensified effort in the spheres of both production and marketing, because the conditions on foreign markets in 1981 will foreseeably be less favorable than this year.

1014
CSO: 2500

FORMULATION OF RATE OF EXCHANGE POLICY DISCUSSED

Budapest FIGYELO in Hungarian No 46, 12 Nov 80 p 3

[Article by Lajos Osvath: "Rate of Exchange: Evaluation of Live Labor"]

[Text] The present exchange rate policy has a double requirement: the forint exchange rates should reflect the changes on the international money market; rate value between the capitalist foreign currencies; they should follow the change in the proportionate value between the forint and the capitalist currencies without decreasing export profits through the adjustment of exchange rates. The exchange rates have been more or less satisfactorily insured, through regular adjustments by way of currency basket calculations, so that the exchange rates, determined in forints, would correspond to the proportionate exchange rates established in international practice.

The starting point for determining the rate of exchange may be the change in export and import prices, calculated in foreign currency. Hungarian practice has been based on the changes in export prices. Consequently, the forint nominally increases its value in accordance with the different pace of growth of domestic and export prices. However, in case of worsening terms of trade, the forint is devaluated in practice. Thus the exchange rate changed essentially in proportion to the change in export and domestic producer prices; this automatically and fully recognized both the increase of domestic costs and the results achieved in marketing. Thus the exchange rate policy did not encourage an increase of export efficiency.

Balance Requirements

Under circumstances when it is a main goal of our economic policy to achieve internal and external balance through an increase of efficiency, the exchange rate policy cannot be neutral either. It follows from this that it is more important than ever before to increase foreign exchange revenues economically, which requires at the same time an efficient use of value added and the live labor related to it.

International relations show that a faster increase in productivity in Western Europe made it possible for labor costs to increase to a higher extent than the import (and, of course, producer) prices. Thus, as a result of the change in the exchange rate, the "price" of live labor increased even in countries with nominally devaluated currency.

It is my conviction that a further devaluation of live labor is not a solution for us either. Much rather, we should dynamically increase productivity which would make it possible to increase the "price" of live labor and thus increase our international competitiveness. The exchange rate policy which follows devaluation is not compatible with this requirement, especially if we want to maintain a relative stability of currency.

The effect of the exchange rate policy must not be exaggerated. The entire regulatory system must be so "tuned" that it encourages—or even forces--a constant and significant increase in productivity. The exchange rate cannot be an exception either. It is thus a minimum requirement for our exchange rate policy to insure a maintenance of the forint's real value, i.e., a change in the exchange rate which makes up for the difference between external and internal price increases.

The Borderline

In his article, "Foreign Economic Balance and Exchange Rate Policy," Riecke Werner considers (rightly so) the unchanged exchange rate as devaluation in case of a higher price increase in the foreign market than in the domestic one. It would logically follow from this that the change in the exchange rate which makes up for the difference between internal and external price increases be considered neither as a devaluation nor as a revaluation but as a maintenance of the forint's real value. One reason why this subject must be discussed is that the exchange rate policies worked out for the Sixth Five-Year Plan include this type of exchange rate policy and not a real revaluation. It seems, however, that the author considers every change in the exchange rate which causes the forint to be nominally revaluated as a real revaluation, debating its correctness. In essence, he stands for maintaining the present conception of exchange rate policy: "... the most expedient exchange rate policy seems to be the one which begins with insuring export profitability." And export profitability can be "insured"--or increased—only by devaluating "through regulations," for "we must accept the fact that a larger increase in exports, especially on the short range, entails increasing marginal costs."

Here is the borderline which determines the views supporting the exchange rate policy means a devaluation or revaluation or the maintenance of the forint's real value. Those who think as Riecke Werner, namely, that an expansion of exports that is necessary for maintaining the balance in foreign economy is possible to be realized only through "increasing marginal costs," necessarily consider devaluation, which recognizes a deteriorating efficiency, as an expedient exchange rate policy. It follows logically from this that the regulation must implement a unified requirement system which also recognizes a lower efficiency as measured by international standards.

One reason why the doubts in the increase of export efficiency must encourage us to examine the matter thoroughly is that the probable 1980 improvement of balance in foreign economy (examined on the basis of international comparison) will be achieved through a decreasing efficiency. Our advantage in lower wages has no effect in the competition in the world market.

Our costs must be recognized on the external markets in a way that is more or less discriminatory, keeping our export prices "depressed" in comparison with the prices of capitalist sellers. (Our exports of finished products to the developed capitalist countries carry a duty tax of 11 to 13 percent. Within that, our textiles carry 15 to 20 percent and our machine products 5 to 10 percent. Our farming exports carry 14 to 20 percent and our exports of semi-finished products 5 to 8 percent.) In addition to duties expressed in figures, several other factors keep our export prices lower than the prices of our capitalist partners.

(Another explanation for the depressed prices is that most capitalist countries have a discriminatory policy toward us. Our enterprises cannot know whether their access to the market is permanent or not. If there are contingents, the importer cannot strive to increase the volume--he can increase his profile only through lower prices. This adversely affects our enterprises' bargaining position and may cause an additional price loss of about 10 percent.)

Our situation is made more difficult by the fact that, instead of improving, the conditions of interstate exports have significantly deteriorated in the last decades. Despite our joining the General Agreement on Tariffs and Trade, our status of most-favored-nation in the important European area has in practice changed to the status of least-favored-nation.

Not in a Defensive Way

I would not consider it right for us to adopt a kind of defensive behavior in our exchange rate policy. Accepting a relative loss of efficiency because of some kind of predestination. Riecke Werner's statements about the unavoidable deterioration of conditions in the competitive sphere are strongly debatable. The price-increasing effect of the noncompetitive sphere emerges not only in our country but also in other countries, i.e., in other currencies; in addition, the price increases in the noncompetitive sphere are also manifest in increases of internal prices. In addition to an exchange rate policy which follows the changes in both external and internal price increases, the profitability of the exporting enterprises must not thus necessarily decrease. The misconception regarding this can be traced back to the fact that the author starts out not with a policy which insures the maintenance of the currency's value but with an exchange rate policy which fully compensates for external price increases. (But we cannot very well require from the rate of exchange to have a balancing effect on the enterprise revenues; on the contrary, it must promote a differentiation connected with the increase of productivity.)

It is also debatable that the supposed differentiation in profits (between the competitive and noncompetitive spheres) pushes demand toward the latter. The direction of demand has many requisites; let me mention only one: the products of the two spheres can hardly be substituted in terms of use-value. The problem, incidentally, is a question of price regulations and not a question of exchange rate policy.

I mentioned that the assumption also is incorrect that a larger increase in exports entails increasing marginal costs. Namely, it does not take the fact into account that the increase in exports is feasible also in a more economical structure (and this is the objective of economic policy), i.e., we must promote in the regulation an increase of exports (also supported by the means of the exchange rate policy) which is based on the increased production of exporting sectors that are economical (profitable).

In the case of an active exchange rate policy which follows the differences between external and internal prices, a change in the rate of exchange does not decrease the profitability of exports.

The rate of exchange was given a central role in the new system of producer prices, and became a decisive factor in determining competitive prices. Under such conditions, in my opinion, it is a too one-sided approach when we make export profitability the sole starting point for the exchange rate policy.

9414
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PRICE SYSTEM, EXCHANGE-RATE POLICY DISCUSSED

Budapest FIGYELO in Hungarian No 49, 3 Dec 80 p 3

[Contribution to the FIGYELO debate on exchange-rate policy, by Mrs Mozes nee Bolgarka Szepessy: "Our Price System in the Light of Our Exchange-Rate Policy"]

[Text] A debate on exchange-rate policy has been in progress for some time on the pages of FIGYELO. This contribution wishes to call attention to the relationship between the price mechanism and exchange-rate policy.

In domestic pricing, under the producer-price system introduced as of 1 January 1980, adjustment to the foreign-trade prices can be realized better than previously. In the competitive sectors of manufacturing (basically in engineering, and in a significant proportion of light industry and of the chemical industry) the domestic producer prices were formed by adjusting them to the world-market (export) prices. Pricing in the noncompetitive sectors makes it possible to include in the producer prices the domestic outlays and to realize a profit that is classified as fair. An essential feature of competitive pricing is that in the starting prices the enterprises were able to calculate a profit differentiated in accordance with the level of foreign-exchange earnings, which reflects the efficiency of export.

In the new price system, then, the foreign-market prices influence the development of the domestic price level and price ratios on a much wider scale and directly, i.e., the inflationary effects of the foreign-trade prices also can assert themselves to an increasing extent. In these circumstances, of course, emphasis necessarily focuses on the aspects of maintaining currency stability and of protecting the domestic-price level, and exchange-rate policy assumes increased importance.

In the course of the price mechanism's functioning the requirements of efficiency that the enterprises must meet become stricter at least in two respects: on the one hand an active exchange-rate policy that starts out from the rise of the foreign and domestic price levels compels the enterprises to offset the dropout of their incomes by improving their marketing and pricing, and by cutting their costs; on the other hand the economic

units with unfavorable economic efficiency have the added task of preparing for a phaseout of the aid they receive to modernize their production.

Initial Experience

Two essential conclusions may be drawn from the experience with the economy's development and the functioning of the price mechanism during the first half of 1980. (It should be taken into consideration, however, that the experience with the functioning of the price mechanism during the first half of 1980 must be taken with reservation, due to the price freeze ordered in the first quarter of 1980.) First, the differentiation of profitability between and within sectors is very significant. Secondly, the desired harmony between domestic profitability and the profitability of nonruble-denominated export has not developed even within the competitive sectors of manufacturing. The price mechanism did not function consistently, and a wide circle of enterprises did not meet the expected requirements.

In some sectors of engineering, the domestic profitability significantly exceeds the low profitability of nonruble-denominated export. Similar disproportions of profitability developed in the pharmaceutical and the rubber industries. Decisive factors in the emergence of profitability disproportions were the unsuitable regulation of the starting income situation, and the reduction of the exchange-rate level in nonruble-denominated trade. In addition to these two factors, reference must of course be made also to the fact that for the enterprise, due to the price freeze ordered in the first quarter, the time was too short for proportioning incomes. At the start, regulation of the profitability of domestic sales and of nonruble-denominated export was based on the indicator of foreign-exchange earnings (respectively on the related estimated profit rate) that the enterprises forecast for 1980. Some of the enterprises were unable to properly forecast the level of foreign-exchange earnings anticipated in 1980. In addition it may be assumed that the enterprises, when estimating the level of foreign-exchange earnings in 1980, intentionally departed in specific instances from their expected level of foreign-exchange earnings, depending on whether they regarded as more favorable for their specific conditions a higher starting profit or a higher price preference at a lower starting profit.

During the first half of 1980, the exchange rate declined by an average of more than 5 percent on an annual basis. Because of the slump on the world market, in their nonruble-denominated export the engineering enterprises were unable to offset this decline by raising their foreign-exchange prices. This situation was further aggravated by the fact that in engineering export the rise of the price level was more moderate than had been anticipated.

The opposite situation developed in light industry: the profitablity of nonruble-denominated export is significantly higher than the profitability of domestic sales. The higher-than-planned profitability of nonruble-denominated export is explained partially by the fact that light industry's

starting producer prices already included among the costs the substantial rise in recent years in the prices of the raw and basic materials used. The profitability of export was influenced favorably by the producers' increasing ability on the world market to recover in the prices of their finished products the high costs of raw materials. In this favorable world-market situation, most light-industry exporters were able to offset through export-price increases the dropout of revenue caused by an upward-revaluating exchange-rate policy, and they were even able to realize additional income.

Is Protection Adequate?

Development of the efficiency of export and of enterprise profitability during the first half of 1980 likewise confirmed the considerable dispersion not only at the start but also in the rates of change. This calls attention to the need of using cautiously the instrument of an active exchange-rate policy in any situation when there is no significant difference between the rise in the level of the foreign-trade (export, import) prices and the rise of the domestic producer-price level, or when the price changes are concentrated in a few commodities or commodity groups. When small differences between the price levels are regulated linearly--through the forint's upward revaluation--the considerable rearrangement of the proportions results in that income shortages arise or persist in sectors of favorable efficiency as well as in sectors of unfavorable efficiency. Despite an upward revaluation decided on the basis of the average conditions, substantial additional purchasing power becomes available to efficient exporters whose profitability is outstandingly high, and this disrupts also the strict regulation of domestic purchasing power.

When exchange-rate policy serves one-sidedly the considerations of protecting the domestic price level, disturbances arise in the functioning of manufacturing's price mechanism. The exchange rates' role in transforming the export and import volumes or structures declines, and this could have unforeseeable structural-policy consequences. For one of the key requirements of restoring external economic equilibrium is a significant reduction of the import intensity of economic growth.

Upward revaluation that exceeds the real rise in the efficiency of export, and of production in general, can permanently disrupt the functioning of the price mechanism, causing various problems in the individual sectors, in accordance with the rules of pricing. A relative drop occurs not only in the price level of nonruble-denominated import but also in the domestic producer-price level of the entire materials and energy sphere, resulting in lower costs for users.

In the manufacturing sectors that employ competitive pricing, also the domestic producer-price level will decline in the wake of a greater-than-warranted reduction of the exchange-rate level. Depending on the content of materials from dollar-denominated import, the cost reductions are able

to partially offset the dropout in proceeds from sales, and thus the reduction of profitability at the enterprises in question will occur amidst significant differentiation. In the extreme case, not only the nonruble-denominated export but also the entire activity of these enterprises will become unprofitable, if the price mechanism functions consistently.

The noncompetitive sectors will be in an advantageous situation. According to the principles of pricing, they are able to realize an acceptable level of profit, over and above their production costs at any given time. Thus in these sectors the producer-price level declines at most by the amount of the cost reductions due to upward revaluation, but at the same time the profit level on domestic sales remains unchanged. (In practice we find that the enterprises in question do not reduce the producer-price level as a result of their lower costs, and thus the enterprises are able to realize more profit at the unchanged price level.)

The outlined relative price-level shifts can trigger unfavorable processes in the economy. The relative decline of the price level of basic materials encourages the expansion of material-intensive production. Due to the producer-price level's shift in favor of the noncompetitive sectors and to their unchanged profit, and simultaneously to the diminished income-generating ability of the enterprises in the competitive sectors, the enterprises listed in the noncompetitive sectors at the time of the economic structure's transformation find themselves in a more favorable profit situation. As a result of the noncompetitive sectors' significant weight in consumption, the pressure on the consumer-price level likewise may increase, although a reduction of this price level might have been one of the economic-policy reasons for upward revaluation. The volumes of nonruble-denominated export might be affected unfavorably. Specifically the enterprises in the competitive sectors are encouraged to raise the profitability on nonruble-denominated export, and hence the domestic producer-price level, in such a way that they may discontinue exporting products that become uneconomical at the given exchange-rate level. Finally the danger exists that the enterprises might cut back the proportion of their nonruble-denominated export below 5 percent, in order to be freed of applying the rules of competitive pricing.

The experience to date indicates that an exchange-rate policy of the forint's upward revaluation when there are significant increases in the foreign-exchange prices of foreign trade suitably protects the domestic producer-price level, and thereby also the consumer-price level. Such an exchange-rate policy compels the enterprises to improve their export pricing and generally encourages them to continuously upgrade the efficiency of their production and marketing. At moderate rates of increase in world-market prices, however, also the undesirable effects become evident of an exchange-rate policy that revalues the forint upward: it causes an intolerable decline of income for a wide circle of enterprises, a sharp drop in export and a rise in import; thus external economic equilibrium is affected unfavorably or, to forestall this, individual interventions become necessary that violate the normative nature of the price system and of the system of financial regulation.

Active Exchange-Rate Policy

Forecasts of the sets of external and domestic conditions that determine economic development under the Sixth Five-Year Plan warrant an exchange-rate policy that moderately revalues the forint upward. The objectives that such an exchange-rate policy must serve are the improvement of external equilibrium, transformation of the production and export structures, and protection of the domestic price level. However, the scale of upward revaluation is influenced decisively by the rate of rise in efficiency that can realistically be expected. Failure to take this into account intensifies the conflicts among the equilbrium, price-level-protecting and structural functions of the exchange rates and could disrupt the functioning of the price system and system of financial regulation. As a rule it is expedient to employ upward revaluation when the rise of the export- or import-price level is relatively balanced and free of wide dispersion, respectively when the rate of rise in the import-price level and external price level significantly exceeds the rate of rise in the domestic producer-price level. In other words, in view of the fundamental interrelations that determine the scope of exchange-rate policy, it is important to know the dispersion of the efficiency or profitability of export by enterprises, and to what extent the export-price profit or import-price loss is concentrated in a single commodity group or at a single enterprise. Obviously the situation must be considered differently if, at worsening terms of trade, the bulk of the import-price increase occurs in the energy sector and the rate of this increase lags significantly behind the rate of rise of the foreign-exchange prices in manufacturing.

In the coming five-year plan's period the available foreign-trade price forecasts do not exceed significantly the average rate of rise of the domestic producer-price level. Within the system of regulation, therefore, main emphasis must be on the consistent functioning of the price mechanism. Parallel with this, the forint's upward revaluation may be employed only moderately. It is important that we inform the economic units flexibly and in due time about the shifts in the cross rates between the individual capitalist currencies. By adjusting the forint's exchange rates we must encourage the development of a foreign-exchange structure of export and import that is advantageous also from the viewpoint of the national economy.

Instead of one-time and large-scale measures of exchange-rate policy that respond to the processes ex post, in the future the upward revaluations deemed necessary must be implemented continuously. This requires that in preparing exchange-rate policy measures we rely increasingly on economic forecasts (of prices, export efficiency, improvement of equilibrium, etc.). This practice will also enhance flexible adjustment by the enterprises to the conditions created by an active exchange-rate policy, because pressure to raise the foreign-exchange prices of export will assert itself in due time and constantly.

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REGULATORS' EFFECT ON ENTERPRISES' PERFORMANCE VIEWED

Budapest FIGYELO in Hungarian No 41, 8 Oct 80 p 4

[Article by Laszlo Galik: "The Effect of New Regulators. This Year's Enterprise Operations"]

[Text] Under wage regulation systems tied to performance, the wage development potential of enterprises and cooperatives is a function of the profits they make. In the national economy as a whole, profits expected for the first 3 quarters of the year equal 86.5 percent of last year's "repriced" profits (herinafter: base). This means that the expected annual profits will range about 20 percent above the basis (i.e., approximately equal to last year's true profits in monetary terms).

Profits in industry are expected to be 20 to 30 percent above base profits; this is higher than the average for the national economy as a whole. Within industry, profits in mining and light industry are expected to be almost 100 percent higher than the repriced base profits; in food industry, 50 percent higher. Base profits will be about average for construction, transportation and telecommunications and below average (up until now) in foreign trade.

The relationship between the wage development index and profits is much less direct in other sectors of the national economy; in some cases, profits have no effect at all on wage development potential (for example, in domestic trade).

In 35 of the 142 economic branches, the profit levels expected for the first 3 quarters will be 50 to 100 percent above the base. Among these, 20 belong to industry; this means that profits will be high in a third of all industrial branches.

Further analysis of expected profits shows that, without a productive reexamination, at least 600 enterprises will show profits 50 to 100 percent above the base level. (In particular, 180 to 200 industrial enterprises and 35 to 40 construction industry enterprises will exceed base profits by more than 100 percent; another 150 industrial enterprises and 25 to 30 construction industry enterprises can expect profits at least 50 percent above base profit levels.)

Every sector of the national economy includes some enterprises that can close out the year with outstanding profits. In the light industry sector, 202 of the 513 enterprises and cooperatives, i.e., 40 percent of all operating units, can expect large profit "growth" (which is twice as high as the 20 percent average profit growth expected in other industrial sectors).

Lack of Improvment in Productivity

Of course, the expected rise in profits does not imply a corresponding rate of growth in wage development indices. The rate of profit varies widely, due in part to the kind of wage development index used and in part to differences among various industry sectors and enterprises. Nevertheless, the expected profit increase over the base level is sufficient to conclude that a substantial number of enterprises and economic branches may be in a position to generate wage development opportunities that may ensure above average wage increases for several years, in many cases, presumably, without a corresponding improvement in efficiency.

These statistics provide additional proof of the need for a wide-ranging, thorough reexamination of base wage development indicators. In emphasizing this point, we must also note that wage development reserves sufficient for a longer period may have been generated also in other years. Wide swings in profits have occurred regularly in the past; this must not be ignored.

Relative to the base level, 70 to 74 percent of all economic units are expected to be able to increase profits in 1980. This percentage of enterprises and cooperatives is the same as in 1977-78. Thus, the difference is elsewhere: in the last 3 years, the number of enterprises achieving outstanding profit increases was 180, 220 and 310, respectively; in 1980, we are looking for a number at least twice as high. For most of them, it would be hard to demonstrate any real, substantial improvement in efficiency.

Corrected Wage Indicators

In the last few months an increasing number of enterprises and cooperatives have informed tax authorities of their intention to correct their previous base wage regulation indicators by 15 October. This action is most welcome and worthy of imitation. As an illustration, it is appropriate to present the experience of the last few months.

More than one half (53.4 percent) of all units audited by the organizations of the Receipts Main Directorate had incorrect wage development indicators. The main features of the calculations leading to faulty, imprecise bases were as follows:

--the number of economic units with incorrectly calculated wage development indicators is high in industry (73 percent) but somewhat lower in construction (63 percent).

--On the other hand, the number of enterprises in domestic trade and other sectors of the national economy that have correctly calculated their wage development index is 78 percent and 82 percent, respectively.

--Incorrectly calculated wage development indices occurred most frequently in the cooperative sector.

Some of the deficiencies in repricing have undoubtedly arisen from the uncertainties and incorrect price information that were current at the beginning of the year. Nevertheless, the audits reveal that faulty wage development indices are the result of "one-way mistakes". For 62 percent of the enterprises and cooperatives the

wage development index, serving as the basis of incentives, had to be increased, implying a rollback of potential "preferential" wage development.

Most of the mistakes committed in the course of the calculation of the wage development index were intended to create an opportunity for favorable rates of wage development. This is reflected in the fact that the size of increase in the index is consistently higher than that of the reductions.

--In the overwhelming majority of cases (two thirds) where the wage index was found to be too high, the reduction caused by the audit was small (under 2 percent).

--On the other hand, 21 percent of the units involved have increased their low wage development index by more than 20 percent. (There have been no comparable reductions of the wage development index.)

--As a result of the conclusions reached by the auditors, the results of the audited enterprises and cooperatives had to be adjusted by 557 million forints or 29.6 percent (from 1.832 billion forints to 2.439 billion forints). The reductions, on the other hand, total less than 20 million forints. A single enterprise was responsible for 420 million forints of the increase mentioned above; nevertheless, the increases total about 7 times the reductions.

The Effect of Price Rises

In the cases under consideration, the fundamental reason behind "dynamic" profit increases and the resulting high wage development opportunities is the fact that base profits were calculated too low, as we said above. At the same time, the investigations also showed favorable reactions by enterprises, simple measures and adjustments to the new system of price and income regulators. These, however, do not completely justify and explain the striking changes in results observed in a wide range of enterprises. They show, however, that the improvement in results relative to the base level and the corresponding rise of the wage development index is not completely arbitrary and that the steps taken by enterprises toward improved efficiency have also contributed to these results. The most frequently seen means of increasing enterprise profits, especially in industry, was an increase in economic non-ruble exports.

Rising export volumes and improved profitability of exports have contributed to enterprise profits, at least in the enterprises under consideration. In some individual cases, the abolition of the price freeze (starting from the second quarter) and competitive price formation made it possible for these enterprises to increase their domestic prices, resulting in additional income. Several economic units increased economic exports by expanding capitalist contract work.

Non-exporting enterprises have also worked to utilize the opportunities provided by the new price mechanism. According to indications from the audit, small productive units (cooperatives) have agreed with their partner enterprises to set "adaptive" or "proportional" price formulas which enabled them to achieve higher profits compared to the situation at the start.

The intention to raise prices has become apparent during the year in the course of other investigations and observations. According to investigations carried out at about 650 enterprises and cooperatives, one third of all economic units and one half of the 210 industrial units involved have increased or intended to increase their sale prices during the year.

About 25 percent of the enterprises showing relatively high profits have increased profits by improving the economic parameters of their product structure. This was accomplished by eliminating the production of less profitable products and reducing or abolishing activities outside of their basic profile.

Enterprises and cooperatives relied more on reserves in the price and marketing areas than on the opportunities in cost management.

Enterprises are still not paying sufficient attention to the rational organization of their operations. Auditors found only isolated cases where unnecessary capacities have been eliminated or conscious manpower reductions and redistribution have taken place.

Tricks in Repricing

Additionally, the experience of auditing and analysis calls attention to the following. Average prices and indices used to calculate sales receipts are frequently lower than the true price while on the cost side they are usually higher. On the cost side, in industry, this may be seen most of all in the case of imported materials. As a result, initial purchase prices are frequently higher than the ones charged in 1980 (e.g., raw hide, fiber, cotton). Probably, direct imports were repriced on several occasions using different interpretations. (For example, on the basis of annual currency average or initial currency prices, instead of last quarter prices).

The following examples may serve to illustrate the mistakes made in repricing material costs.

The material percentage of the printing, wool and shoe industries under the ministry's jurisdiction for the first half of 1980 was respectively 1.7, 2.1 and 10.7 percent lower than the material percentage for the last year, after repricing. The size of the change can hardly be justified by material savings alone.

The position of furniture industry enterprises under the ministry's jurisdiction in terms of repriced vs. real material percentages in the first half of 1980 provides a good illustration of the extent to which enterprises were in error, sometimes to their own disadvantage. The distribution is as follows:

Time/percentage	Number of Enterprises				
	under 60	60-65	65-70	70-80	above 80
1979, repriced	3	3	4	3	1
1980, first half		6	7	1	

The discrepancies in repricing, illustrated above, may also be seen elsewhere. They are frequently the result in part of a mistaken reliance on 1977 cost relationships in the calculation of prices, instead of using only 1979 costs.

The price differential indices, whose application was made mandatory in repricing domestic construction and assembly earnings in the construction industry, have made no distinction between traditional and new technologies, or they were applied in a mechanistic fashion even when light structural elements were manufactured in-house. Similar behavior was also seen in cases when enterprises and cooperatives applied their branch regulations to activities outside of their branch profile.

To simplify the repricing process, only July and December, 1979 output data were being repriced in the construction industry. The price index calculated in this manner was used as the basis for determining the effect of price changes. Additional distortions have arisen as a result of repricing material costs on the basis of average indices for groups of materials (used in statistical reporting, according to regulations) instead of doing it item by item, while transportation costs were repriced on the basis of May and November data.

On the Trail of the Technological Development Fund

In calculating base profits, enterprises and cooperatives were able to reevaluate their indirect exports on the basis of relatively low domestic prices at the start. At the same time, the accepted order prices paid by foreign trade enterprises are much higher.

The true export price is frequently not only a little bit higher than the domestic price: sometimes it is twice as high. This is especially apparent in cooperative industry. The commission percentages of foreign trade have been reduced but the resulting beneficial effects on profits were not taken into consideration by exporting enterprises and cooperatives. This has also acted to lower the base level.

In domestic trade, the repricing of the purchase price of the goods sold had to be carried out on the basis of stocks on hand as of 1 January, using average indices. The composition of these stocks was often substantially different from the composition of turnover over an entire year, resulting in a low base and a corresponding high wage development opportunity. (The BKM [Ministry of Domestic Trade] has intervened to eliminate distortions at 50 enterprises.)

Reduction of technological development ratios and modifications in the formation of technological development funds have also contributed to a lower base. In this connection, economic units were required to handle the sum provided by the ratio but not used for technological development purposes as part of the fund to be included in costs until 1980. Starting from 1980, cooperatives are no longer required to generate such funds and will not do so. Yet, base profits have not been modified to account for the sums included in the fund during the preceding year.

At first, this might seem insignificant. But, considering that this may amount to 1 to 2 percent of sales receipts (sometimes more), and that the real profit from average markup is about 8 percent of sales receipts, this insignificant item may lead to a 16 to 30 percent "improvement" in results.

Finally, a reexamination of prices at the start may occasionally lead to corrections. The enterprise doing the repricing may take such corrections into account, but the customer must also modify (increase) repriced profits and the wage development index in cases when suppliers transferred such sums to it.

The primary task of administration and the enterprises during the course of the reexamination process will continue to be a realistic formulation of the base wage

regulation index. More specifically, opportunities for higher personal incomes or, more precisely, wage development, of enterprises must be set on the basis of real improvements in efficiency. Consequently, the principle which permits differentiation of wage development opportunities according to efficiency is correct. It is needed, in part, to ensure that preferential wage development is not possible without a corresponding improvement in efficiency.

At the same time, correct determination of wage development indices must also help in laying the groundwork for the recognition of successful, high quality work, based on true performance.

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ENTERPRISES COPE WITH RESTRUCTURING OF PRODUCTION

Kontakta Factory Program

Budapest MAGYAR HIRLAP in Hungarian 30 Oct 80 p 7

[Article by Eva B. Mezei: "Kontakta Has Started Out Well--They Are Helping Themselves"]

[Text] After the introduction of the new regulators several enterprises came to a standstill. Not the Kontakta Parts Factory. Its results to date show that it has successfully cleared the higher hurdles, and that it was able to adapt to the changed circumstances.

Profits for the first 6 months have exceeded somewhat those attained in the identical period of last year, stated Jeno Dobai, the economic director of the Kontakta Parts Factory.

The three-plant enterprise produces primarily support [items] of the electronics industry, since it manufactures mainly parts, microprocessors, control panels, electrical installation materials, switches, and plugger foundations. Precisely because of the product composition and secondary-industry character, it primarily supplies parts to domestic enterprises manufacturing finished products. At the same time, since its capitalist exports reach 5 percent, it falls within the category of leading enterprises. Thus, as a consequence of competitive pricing, it may achieve the same profit with its domestic products as it realizes on the capitalist market.

Coping With Requirements

Since Kontakta products so far have been successfully sold at a good price, they can charge an 11 percent asset-proportionate profit. The new pricing system, however, is now much more selective of the products of the factory: it is only worth exporting those which it can manufacture profitably. The chief capitalist market for Kontakta is Algeria, the FRG, and the Netherlands. Since Common Market tariffs are quite high, and parts are purchased by wholesale-trade enterprises, great care had to be expended on reducing production costs and on technological development. Efficiency has been successfully increased by technological changes, organization, and technical modernization. In this field products become obsolete extraordinarily fast; the industries of Japan and the FRG set a rapid pace

for increased requirements of electrotechnical parts. If Kontakta wishes to remain competitive on the capitalist market, it must keep pace with the products of these capitalist countries. And although it is true that domestic purchasers are more patient, but with the development of each new product for the capitalist market, domestic selection is also improved.

Price Situation

How have the prices of products shaped up in the first half year?

We have strongly felt the price fluctuations of gold, silver and palladium, answered Jeno Dobai. We utilize a significant amount of precious metal for contacts. Although the producer prices of these important raw materials increased as of January first, we got the permission of the authorities to pass these on in our consumer prices only as of the second half of the year. We have striven to offset the increase in production costs with more economic management and technical modernization. Thus, for example, we have saved 7 million forints by better utilization of transportation means and by eliminating empty runs. But our use of fuel oil was decreased and our profits also increased by our beginning domestic manufacture of numerous parts that were previously obtained through imports.

Does the Kontakta factory have enough orders?

The change of regulators projected a standstill in the domestic market, and our customers have become more careful. Because of stricter control of inventories, the TEK [Capital Equipment Marketing Enterprise] enterprises are also buying less. Domestic orders have fallen by approximately 5-10 percent, and according to our calculations to date our income is declining by 100 million forints. Our capacities are not being utilized; the falling off of orders affects nearly all of our products. Therefore we have looked for product orders that our domestic partners had previously obtained abroad.

Not only the Kontakta Parts Factory, but numerous industrial plants are affected by the annual decline in the number of workers. This year we have 4 percent fewer workers. Producer cooperative auxiliary enterprise branches are "seducing" many of our employees. In this way then it frequently happens that, when we have heavy foreign orders, our former workers in the employ of the producer cooperatives deliver at 2-3 times the price the same products that we cannot produce in time....

Where does the preparation for the enterprise's Sixth Five-Year Plan stand?

We delivered the preliminary plan to the KGM [Ministry of Metallurgical and Machine Industries] at the end of September. The planned 350 million forint investment will determine the future of the factory. We will purchase mainly machinery and equipment for the modernization of the manufacture of electromechanical and VAZ [Soviet enterprise] systems. According to our plans, this investment will be completed by 1986, but it's impact will already be felt in 2 years. With modern equipment we could increase our returns by 8 percent annually. We want to get a 10-year preferential credit from the State Development Bank. According to our

plans, our returns will reach 2 billion forints by 1985 and our profit would be approximately 10-11 percent of this, or 200 million forints: double that at present. From this we could cover the repayment of the credit.

It Is Not Enough To Be Good

According to forecasts we are also counting on a growth of domestic orders, with the development of the electronics industry. In our plans capitalist exports will continue to comprise 5 percent of our total production, since we wish to push the export only of profitable products. We are now conducting discussions about factory construction in Algeria, and if this comes about, then our capitalist exports may expand significantly.

In the next plan period we regard the modernization of our product structure as indispensable; thus, for example, we are concerned with the introduction of the manufacture of energy-efficient switches and solar batteries. We have had to realize that it is not enough to manufacture good products; with exports one must follow the trend. Thus, for example, in place of the previous shiny switches the market now demands matted ones. For this, however, there are no domestic stocks for the time being; powder for molds must be imported from Sweden and the FRG.

Machine Tool Industry Works

Budapest MAGYAR HIRLAP in Hungarian 22 Oct 80 p 7

[Article by Ilona Kocsi: "A Bold Program: Problem of SZIM (Machine Tool Industry Works) Solved--They Are Rescheduling Amortizations"]

[Text] Machine tool manufacturing is classified among the most promising branches of the Hungarian machine industry. The significant developments of past years, the dynamic growth of production and export, as well as the rapidly transforming production structure demonstrate this. Still--in recent months it could more and more frequently be heard that these enterprises are struggling with economic difficulties. It was the name of the Machine Tool Industry Works that was mentioned most often.

A strange situation, at all events. My misgivings were only reinforced by my vain search, practically for weeks, for the economic director, Dr Ferenc Zalka. "He is in conference, he is not home," came the secretary's various responses.... Yet when we met, there followed another surprise: I was received by a man who seemed calm, even decidedly optimistic. As became evident, he had good reason to be.

When Conditions Change

It is true that we were in a very difficult situation, came the explanation, but this is already true only in the past tense. The State Planning Commission decided 2 months ago to agree to the re-scheduling of our development credits. That is, we got time to put things a bit in order. I feel that this decision was justified both politically and economically.

During the Fifth Five-Year Plan, at a cost of 1 billion 155 million forints, we developed to an extraordinarily great extent. Given conditions at the time, our idea was absolutely well-grounded. In the meantime the world changed and the enterprise's profits suddenly declined. We started to examine the causes. Thus light was also thrown on intra-enterprise deficiencies: fundamentally, however, we thought to discover the cause of the trouble in external factors. If regulators change at the time when credit is obtained, then it is not unwarranted if the installments are adjusted to this. They finally understood our reasoning.

Thus the situation became quite different. SZIM therefore could postpone payments. Could postpone?! Not a particularly good expression, if only for the reason that at the enterprise they are firmly convinced that this decision was necessary.

Generation Change

The enterprise therefore has undergone a real renewal in the past years. The oft-mentioned product structure change was visibly accomplished at SZIM in the form of a genuine generational change. The traditional machine tools are being replaced by digitally-controlled ones. Their ratio in the Fourth Five-Year Plan was still only 17 percent; by the end of the Fifth it will already reach 60, and in the Sixth, 80 percent. We are purchasing many licenses, and international cooperative agreements are interwoven in the background of these developments. In the foreground, however, are investments: in Kecskemet, Esztergom, and smaller modernizations in Budapest. But in the meantime, personnel is significantly decreasing. It is not that the improvements are making the labor force superfluous. The reason for the decrease is partly fluctuation, and on the other hand, partly to be found in external, not expressly economic, factors. At the beginning of January, 1976, they detached the Gyor target-machine factory from SZIM, then later the factory unit operating at Nagymaros had to close down because of power plant construction there. Under the joint impact of the two things personnel was reduced by approximately 1,100. (The enterprise today has 6,200 workers.) For this reason, too, investments had to be continued. Chiefly of course because in foreign markets today the only machine tool manufacturer who can stay in the competition is the one who can also produce digitally-controlled machines. Not to improve would have meant the market losses. Just when they were beginning to get the hang of it--or, as the economic director put it, when they were getting into the "Federal league"--when they were selling in more and more capitalist countries.

The consequence of the more than 1 billion forint improvement is the present tight economic situation. In the end, SZIM got lucky: it got an extension. (This observation again seems to annoy the enterprise expert. It is not true--went the reasoning--that the regulators affect active and passive enterprises equally.) At least not at the present moment. Therefore a temporary different manner of treatment is justified.

But we are repaying the credit, along with interest, emphasized the economic director. In return for this in the Sixth Five-Year Plan we are undertaking a bold economic program. Our goal is a doubling in several areas: this is true for production value, as well as for capitalist and socialist exports. In 1985

we are going to export NC machine tools for 35 million dollars; capitalist imports that are indispensable to this will not make up even one-third of this amount. In the machine industry, this is considered a good result. And if our production grows this energetically--by 20 percent yearly--then our profits will also be considerably greater: at the end of the Sixth Five-Year Plan they may exceed 500 million forints. (As a comparison: they may now exceed 50 million at most.) Fixed costs--overhead, wages--will not increase in direct proportion to the expansion of production, thus further production will also raise profits almost "automatically."

Over the Growing Pains

When I unbelievingly ask whether they will have buyers, the economic director pulls out a list. It comprises those enterprises--mostly domestic ones--whose demand they cannot meet either now or in the future. True, it is mainly Hungarian enterprises that are among those waiting. Incentives and credit are forcing SZIM to export to such an extent that domestic firms can get machine tools only if any are left over. When for years they do not get them, when their patience is exhausted, they import, that is all. From capitalist firms, for hard currency. Appalling. The economic director is sympathetic. Expansion of capitalist exports figures among the conditions for credits. If they do not accomplish this, they will pay through the nose. Thus they prefer to export. (Of course, if import-generation were of equal value to exports, the picture would be different.)

In a cooperative agreement signed with the West German firm of Gildemeister, for example, SZIM undertook to deliver 72 basic machines to the FRG in 1978. (In addition, the West Germans were to import the controls from Japan.) The enterprise has not yet been able to meet this obligation: production got underway sluggishly; it did not reach the anticipated output. Last year, on the other hand, even if at the cost of great exertions, they exported 60 machines. But this year they will "easily" fulfill the agreement for 100 units, and they have already undertaken the delivery of 200 machines for 1981. That is: have gotten over the initial growing pains, exports have picked up nicely. About meeting domestic demands, however, we still cannot say anything.... As far as profitability is concerned, initiation had to be paid here also. Last year SZIM sold the 60 machines at a loss, and even this year's price increases can only alleviate the situation. Next year's sale of 200 units, however, will already be profitable.

Since the configuration of export prices also has an affect on the domestic prices of the enterprise, and because exports have an ever larger share of production, it also had to alter the relation existing with the Technoimpex foreign trade enterprise. They replaced the earlier commission relation with a partnership contract, in which they established an upper and lower price limit for sales. If the foreign trade enterprise realizes a price between the two, it receives 20 percent of the profit, with the rest being due to the manufacturer. If the price goes over the upper limit, then they divide the surplus equally. In the third variation--if the price is below the lower limit--the foreign trader takes a 20 percent share of the loss.

They have regulated other areas of cooperation as well: if the manufacturer does not deliver on time, it pays compensation to Technoimpex. If on the other hand

the foreign traders do not sell in a suitable time, or the exchange-value is not collected within 120 days, the foreign trader pays the manufacturer. That is: it is possible to work unpunctually only at one's own expense. And no doubt everyone considers this carefully....

At the Machine Tool Industry Works therefore life has returned to the old routine. The strain of proof has for this once replaced the excitement of investments. And to work this off in results will not be an easy task.

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CHEMICAL WORKS DIRECTOR ADVOCATES RISK TAKING

Budapest NEPSZABADSAG in Hungarian 23 Nov 80 p 5

[Interview with Ferenc Szerb, director of VEGYEPSZER by Istvan Orosz: "Those Who Take No Risks Are Risking More"]

[Text] Because they expect that operating conditions both domestically and on the international level will not be easier in the coming years, and in fact will change more rapidly and with less predictability, forward thinking, venturesome, experienced enterprise leaders declare that those who take no risks are risking more. Thus, those who do not intend to fall behind must venture more boldly and accept risks.

Why is the readiness to be venturesome necessary? What is necessary for rapid and flexible adaptation? What kind of a response can one of the implementors of large Hungarian chemical industry investments, the Chemical Plant Construction and Outfitting Enterprise, provide to the economic situation's new challenge? We discussed these questions with Ferenc Szerb, the director of an enterprise which employs nearly 8,000 workers.

[Question] At the beginning of our discussion you stated that as far as your enterprise was concerned, the year was too successful. How are we to understand this?

[Answer] At the beginning of the year, on the basis of the new production prices, we were expecting an approximately 50 percent decrease in profits, compared to last year. Although, based on later, more exactly developed prices, this estimate was later raised, preliminary data indicate that despite the regulation, which was thought to be more strict, profits hardly decreased, but will be about as much as they were in 1979.

[Question] This should be a cause for rejoicing. Why is it causing you a headache?

[Answer] It is confusing our economic perspective. As of yet, it cannot be certainly determined from the data how much of the much greater than expected profit is due to increasing e-ficiency, and how much is attributable to causes beyond our control, to internal inconsistencies of the new regulation system which are

not yet sufficiently known. I will add that we really tried hard, and the year's rapid development of profitable exports and reduced costs have certainly brought in much to the enterprise "kitchen". But our performance was not better to the extent that profits exceeded the estimates. Currently we are thoroughly analyzing the interrelationships between expenditures and results, and the effects of expenses, price changes and other factors. Without this, we are like a ship on the ocean without a compass, not knowing in what direction to go, how much monetary resources we can expect next year, and what it will be possible for us to do or not do.

Since we are not the only ones in this situation, we are wondering what conclusions the directive organs will draw from the greater than expected profits. I am afraid--and because of past experiences, validly, I believe--that the surplus profits will continue to be taken away, whether they are derived from successful operation or not, because through the subsequent "correction", incomes divergent from the planned amounts have so far been forcefully equlaized. But then, where is the opportunity for differentiated enterprise development?

Thus we cannot be unequivocally happy about the year's economic accomplishments. The uncertainty is even worse because we are at the beginning of a new five-year plan, when a contracting, building and installation enterprise is finding itself face to face with a different situation than existed 5-6 years before.

[Question] The current situation, as far as the proportion of investments is concerned, truly differs from that which existed during the previous five-year plan.

[Answer] We used to prepare the enterprise mid range plan by examining what our capacities could handle, and we could choose our work. Now our concern is whether we will have enough work, and whether we can utilize our enterprise capacities continuously. The buyer used to "come to the house", but now we must seek out the buyer, explore new possibilities and secure our own orders. In addition, we must also expect increasing competition, which was rarely experienced in the domestic sphere previously. The first signs of this have already been manifested.

For example, it has happened that when we tried to contract for the delivery of valuable equipment with one of the chemical combines, we found that our competitor tried to secure the order by seeking the influence of their high level connections. Our recommendation, however, was our previous performance for the combine. This carried more weight in their decision and resulted in Vegyepszer's victory in the end.

It has also happened that a competing enterprise offered to voluntarily forego the legal bonuses which are customary for emphasized investments, if it were contracted to perform the technological outfitting of a large new chemical plant under construction. We, however, made no such concessions. Still we were selected because Vegyepszer can also perform the very important side tasks related to technological outfitting, for which the competing enterprise is not equipped. This case also exemplifies the fact that in investments which run into the billions, the assurance of implementation and continuity is much more important to the builder than the relatively small price concession, no matter under what guise given.

[Question] Vegyepszer makes no price concessions at all to customers?

[Answer] It does, but in an entirely different form. Recently, for example, we made a prime contracting agreement with Chinoin to construct a plant protection agent factory under which Vegyepszer is required to provide a 6 percent price concession for every month we are late, if we do not complete the project in time. There are similar strict monetary sanctions if we exceed the 700 million forint investment expense estimate. This is the first time that we have obligated ourselves under such strict conditions since the measure regulating prime contracting came into effect last year. We assumed full responsibility for the timeliness of the investment, and for its producing the technical-economic results which the agreement specifies.

[Question] Obviously, the greater risk and responsibility are being accepted with the expectations of greater profit.

[Answer] In the contract with the investor, we agreed to a 12 percent prime contracting fee. This amounts to a considerable sum--if we are successful. At the same time, we had to weigh the magnitude of the possible loss. We formed a partnership to share the risks and profits with our old, reliable partner, the Chemical Plant Planning Enterprise, since without adequate planning, any venture like this could end in a fiasco. Vegyterv undertook unusual legal guarantees to deliver the plans punctually, and will share in the prime contracting profit proportionately. The knowledge that this undertaking is in reality a professional test wherein success is also a moral victory is also motivating us in the combined effort.

[Question] This is really a rare and daring initiative in Hungarian practice.

[Answer] It is not really a matter of daring but rather one of interest and of market conditions. While a contractor can make a good living in his habitual way, with average performance and average responsibility, and can make a profit and generate wages, why should he make the effort for extra work which is accompanied by so many pitfalls? I have already mentioned how these circumstances influenced our earlier decisions. I will only add here that under the changed circumstances, accepting greater risks is practically a matter of economic necessity or of existence for us. And why can we be daring? Not the least because, as the construction enterprise for the ministry, we are in the fortunate position of having deliberately prepared ourselves years ago for the implementation of the branch's large, complex investments. We have already successfully implemented several of these. Thus, I believe that we are unbeatable in this type of venture in domestic competition.

[Question] What is the secret of your being unbeatable?

[Answer] Vegyepszer has its own general planning and development specialist cadre, its own construction and installation capabilities, and since 1972, even its own machinery factory. Thus, in the investments being implemented in prime contracting, the enterprise itself can perform nearly all the tasks from laying the foundation to the final installation work. For this reason, the enterprise is in a better position to overcome the difficulties arising from loose cooperation discipline and the backwardness of the background industries which generally greatly disrupt the efficient implementation of investments. You can imagine what unheard of advantage and security it is for a construction enterprise not to be dependent

upon the arbitrariness of a dozen other contractors or machinery transporters, not to have to constantly stop because, let us say, a cooperating firm fails to erect scaffolding in the installation ready plant, does not turn the workspace over in time, etc. In such circumstances, there is, of course, no way to constantly shift responsibility, to engage in the time consuming and expensive litigation which is customary among cooperating contractors, because the prime contracting responsibility of Vegyepszer is indivisible. Thus, Vegyepszer must itself resolve the thousands of difficulties and obstacles which arise during the implementation of an investment. Prime contracting then is not a matter of trial or luck, but a profession which must be learned, and its technical, organizational and monetary conditions must be created.

[Question] Unfortunately, by the time you achieved this, construction opportunities have become very limited, and there is less money for investments.

[Answer] Prime contracting is an outstanding business primarily for the investor, and will remain so because the investor is assured that through it his competitive new products can reach the market more rapidly. We intend to take advantage of the opportunities even if these become smaller than our capabilities. We also have the capability of converting to other work if the changing circumstances so constrain us.

[Question] May we hear more about this?

[Answer] Because we expected the shortage of funds among enterprises, this year we have already converted a fifth of Vegyepszer's construction capacities to chemical industry retooling and maintenance work, which had heretofore been often neglected. On the basis of multi-year agreements, we formed our own construction directorate in Chinoin and in the Pet Nitrogen Works. We are also negotiating for such work with the directorate of the Kobanya Pharmaceutical Factory. Through these, we have managed to get a small step ahead of the larger reductions in construction investments which are sure to occur next year. We have undertaken additional contractual responsibilities for 1981 for technological installation at the Paks Nuclear Power Plant construction, where we are already working in full force. We have undertaken, or rather, are undertaking technological outfitting work at other large chemical industry or energetics investments and retoolings to be started in the future. In partnership with the Electric Power Plant Investment Enterprise [ERBE], we are endeavoring to gain the contract for the implementation, or rather, the construction of the equipment for the environmental protection procedures developed and patented by ERBE at Paks. But we also intend to undertake the export of such modern equipment.

[Question] Is only the shrinking of the domestic market constraining you to export orientation, or is there another reason?

[Answer] Even an enterprise such as Vegyepszer, which is fundamentally equipped for the implementation of specialized domestic investments cannot dispense with a multiple market policy. With this realization, we have made more and more agreements with capitalist corporations in recent years, and are still making newer ones, for the completion of technological outfitting work of investments which they are implementing. This year, more than 700 of our outstanding specialists who are knowledgeable in more than one field are working on investments in the FRG and Libya, with results so well established that Vegyepszer is granting legal guarantees for timely completion of the projects.

The other half of our export is to socialist countries. Within the framework of a large scale cooperation, we are delivering measuring stations to oil pipelines being constructed in the Soviet Union. We are performing construction-technical outfitting projects in the GDR under export prime contracting.

[Question] How much weight do exports carry in your enterprise production?

[Answer] While 5 years ago, Vegyepszer's exports were insignificant, today they comprise about 30 percent of enterprise production. Thus, the foreign market has become important. If we did not have it, we would have to produce 900 million more forints domestically, which is unimaginable under current circumstances. Half of the enterprise profits for the first three-quarters of the year have been derived from exports, although the exports comprise only one-third of the total production value. Greater motivation and interest in exports than this is hardly possible.

[Question] To what extent do the mid level leadership and the total enterprise collective of Vegyepszer perceive the current extensive problems and changes?

[Answer] This happens to be one of the most significant factors in ventures, in taking risks and in flexible adaptation. We planned to achieve this by giving each section chief his own authority to make decisions with maximum independence, to have him share in enterprise problems and responsibilities. Our chief method of practical implementation is independent a counting by construction managers. This is augmented by appropriate guidance and by the democratic methods of leadership. The construction management hires the workers, manages the wages, materials and supplies. It has its own production plan and accomplishment goals. If, for example, it meets its income plan from quarter to quarter, it receives a predetermined premium; if it does not, then it must suffer a proportionate share of the enterprise credit interest losses, which also reduces the profit share of the workers involved.

The method of individual accounting has been in practice for 4 years now. I can confidently state that since its inception, the section chiefs have come to understand theproblems of enterprise management significantly better, and the majority of them are in favor of the greater self reliance. This in no small measure is responsible for the fact that enterprise income has become more steady, and that we have no difficulties with pay. Recently, we have even divided up the so called annual 300 million forint general enterprise expenses into independent accounting units. Until now, the construction chief was under the impression that while he brings men from Zala to the capital, because the enterprise pays the busing costs, it is not concern. But since he has become aware that this expense burdens his accounts, he most assuredly examines whether so many men are necessary, whether it is necessary to bring them from so far and to provide them with lodging, etc. In this way it was possible to eliminate quite a number of bus routes to date. It has become apparent that much of the 300 million could be saved.

[Question] Does the self-reliance of certain sections extend to undertaking ventures also?

[Answer] Yes, insofar as any plant or construction foreman can participate in negotiations, can assist in the exploration of market needs and may bring in orders or "customers". However, only the central enterprise organization of

Vegyepszer may make decisions on conditions and acceptance of an undertaking. The concluding of business agreements belongs to the sphere of the enterprise jury, but those who will probably perform the particular work are always included in the negotiations. This is one of our very strict rules. We know from our own experiences how great losses and what serious monetary consequences accompany irresponsible undertakings of what is beyond enterprise potentialities. Vegyepszer's legal predecessor went bankrupt in this way, and it took us several years to overcome these problems.

[Question] Only those who have money can take risks. Is Vegyepszer in debt beyond its means, as several other previously dynamically growing enterprises are? Does it have sufficient resources and credit for revamping its activity structure?

[Answer] Fortunately we have no unusual problems in this respect. Through the years, we were able to repay our loans punctually. The bank considers Vegyepszer to be a sound firm and grants credit, as long as we furnish the appropriate proposals. Currently, for example, we are submitting a request for credit for an investment serving to increase import supplementation, and we are also requesting credit for the development of the so-called background industry. In 1978, we requested and received development fund supplementing credit from the State Development Bank to enable us, through license purchases, to begin the prime contracting of the construction of specialized water softening plants. Since then, we have built the first large-scale, large capacity water softening plant at Paks. Thus we have a so-called reference plant in actual operation which we can show to interested foreign concerns.

We also intend to undertake the export of prime contracting of turnkey plants and pharmaceutical factories, because the need for such in developing countries is apparent. In cooperation with Chinoin and the Kobanya Pharmaceutical Factory, we have already prepared the preliminary proposals necessary for export prime contracting of 3 pharmaceuticals manufacturing technologies. We are now ready to market these and are now in a position to prepare business negotiations and the subsequent concrete agreements.

Our capitalist exports this year will increase by about 50 percent, but this increase will not be easy to repeat in 1981. Thus we are increasing our market research. We are submitting quite a number of proposals for the delivery of complete chemical industry installations to the firms that have sought us out, while accepting the risks of possible losses which would result from changes in the exchange rates. We contend that those who take no risks today and pass up the available opportunities are in reality taking the greater risk.

[Question] All things considered, how in the final analysis can Vegyepszer's strategy and tactics during the new five-year plan be formulated?

[Answer] In some areas we are retreating, while in others we are pressing forward. While, for example, our construction activities, with the exception of a few areas stagnate, or perhaps redevelop slightly, we intend to develop our chemical industry machinery manufacturing, domestic and foreign outfitting outputs more rapidly than the enterprise average. Thus, overall, we can expect a 4 to 5 percent annual production increase. This, of course, is considerably less than the previous 10 to 12 percent, but is still evidence that Vegyepszer is capable of developing, of maintaining its monetary stability, of employing its workers efficiently and of gathering strength for the new tasks of the awaited economic upturn even under more difficult market conditions.

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MINISTER SURVEYS CURRENT PROBLEMS OF FODDER MANAGEMENT

Budapest ALLATTENYESZTES in Hungarian No 4, 1980 pp 289-296

[Article by Jeno Vancsa, deputy minister of Agriculture and Food Industry: "Timely Questions in our Fodder Management"*]

[Text] In today's session of the conference we will review the situation of fodder management, which is one of the large and multi-faceted areas of agricultural production. We had a similar discussion of this topic in 1977 within the framework of the meetings on scientific animal husbandry. The goal of our conference is to take stock of the results achieved in the time since then, and to define the tasks we must still solve in the interest of our progress in this area of animal husbandry.

Even in the past, development of the present level of our livestock husbandry was made possible by the continuous growth of the fodder base which insures production. Our slaughter animal and animal product production rose dynamically in recent years as shown by the following table:

Name	Unit of measure	1976	1979	Planned for 1980
Slaughter cattle	1,000 tons	340	345	321
Slaughter hogs	1,000 tons	954	1,150	1,170
Slaughter poultry	1,000 tons	375	442	457
Other	1,000 tons	105.3	124	133
Total		1,774.3	2,061	2,081
Milk	million liters	1,940	2,340	2,425
Eggs	million pieces	4,000	4,600	4,400
Wool	1,000 tons	8.5	11.7	12.3

Our animal husbandry grew faster than the rate planned for the Fifth Five-Year Plan. The average yearly growth of production value approached 4.5 percent in 1965 to over 2 million tons by the end of last year. With this production level we

* Lecture delivered on 28 March 1980 at the scientific production conference.

significantly exceed the per capita meat production of the CEMA countries, and we are among the leaders even in world-wide respects (Hungary 147 kg, USA 117 kg, Denmark 215 kg, Holland 125 kg).

In cattle raising, moderate growth was noted in the number of cows and in slaughter cattle production. However, our milk production increased by 32 percent during the planning cycle's years thus far; this has never happened before. Milk production per cow surpassed 3,300 kg, and by the end of this year this will reach 3,400 kg.

High quality for slaughter hog production has become standardized in our hog raising branch. Meat yield per sow has increased by about 15 percent, and efficiency has improved.

In 1979 the poultry raising branch produced 25 percent more poultry meat and 15 percent more eggs than at the beginning of the plan period. We are first in the world for per capita egg production with 445 eggs per year, compared to Holland's 384 and Czechoslovakia's 309.

Sheep raising shows the most dynamic growth. During the plan period the number of sheep increased by 1 million; wool production rose by 40 percent, slaughter sheep production by 34 percent.

With such dynamic growth of production we were, and are, able to insure the population's balanced supply, and we are fulfilling our export tasks. The gross production value of livestock raising amounts to 49 percent of agriculture's total and food industrial export. Within this, this branch supplies 54 to 55 percent of the nonruble-accounted export. Livestock raising is export-centered, and we sell half of our slaughter cattle and slaughter hog production and more than two-thirds of our poultry and sheep products on the international market every year.

I. The Situation of Our Fodder Management Today

Along with the growth of production the internal structure of livestock raising also continued to change, as shown in the following table:

The shares of individual branches in [total] production:

Hogs	36.4 percent
Poultry	24.9 percent
Cattle	30.5 percent
Sheep	4.2 percent
Others	4.0 percent

The production structure which has developed is a traditional one, but it also follows from the country's given natural resources. Our ecological conditions favor most the production of grains, thus grain products such as wheat and corn are the surest fodder base for our livestock raising.

The hog and poultry branches provide 83 percent of our slaughter animal production. Animals which eat grain fodder provide 61 to 62 percent of all the products of

our livestock raising. This ratio is practically unique in worldwide respects. While in this country the share of the hog and poultry branches in slaughter animal production is 83 percent, it is only 42 percent in France, and 51 percent in the USA.

The share of the individual sectors in livestock production also illustrate well the multifaceted problems and different tasks found in production and fodder management.

The share of slaughter animal production by large agricultural operations on the average over the last few years has been about 55 percent. The balance is produced by the household plots and auxiliary operations. Table 1 also shows that within the grain fodder consuming branches the share of small producers exceeds that of the large operations.

Table 1

Distribution of the Production of Slaughter Animals and Animal Products by Sector in 1979

	Total (1)	Distribution (2), percent		
		State sector (3)	Cooperative and joint farms (4)	Household plots and other small operations (5)
Slaughter animal production (6)				
Slaughter cattle 1,000 t (7)	345.0	14.3	66.4	19.3
Slaughter hogs 1,000 t (8)	1,150.0	18.6	26.1	55.3
Slaughter poultry 1,000 t (9)	442.0	10.2	51.8	38.0
Other slaughter animals 1,000 t (10)	123.7	18.8	30.3	50.9
Total (1)	2,060.7	16.1	38.6	45.3
Animal product production (11)				
Milk (12) million liters (16)	2,340	19.2	47.6	33.2
Eggs (13) million pcs (17)	4,600	11.7	23.0	65.3
Wool (14) 1,000 t (18)	11.7	14.5	63.2	22.3

[English language summary copied from text] Sectorial distribution of production of animal products and slaughter animals

total (1); percentual distribution (2); state sector (3); co-operative farms (4); small-scale farms (5); production of slaughter animals (6); slaughter cattle, 1000 tonns (7); slaughter pig (8); slaughter poultry (9); other slaughter animals (10); production of animal products (11); milk (12); eggs (13); wool (14); million liters (16); million pcs (17); 1000 tonns [sic] (18).

Composition of the fodder consumed also changed to conform to the production of the individual branches. The ratio of branches requiring fodder with high nutritive and protein contents continued to increase.

Table 2

Development of the Composition of Fodder Consumption

Available fodder (1)		Consumption (2)				
Name (3)	Amount (4)	Ruminants (5)	Hogs (6)	Poultry (7)	Other (8)	Total (9)
Grass hay (10)	2,200	1,829	—	—	330	2,159
Alfalfa hay (11)	2,159	1,510	220	150	120	2,000
Other papilionaceous hay (12)	300	250	—	—	50	300
Grain fodders, including import (13)	10,890	2,420	5,730	2,250	490	10,890
Corn silage (14)	5,100	5,100	—	—	—	5,100
Secondary products (15)	7,500	2,600	—	—	100	2,700

[English language summary copied from text] Composition of feed consumption in 100 tons.

available feeds (1); consumption (2); naming (3); amount (4); ruminants (5); pig (6); poultry (7); other (8); total (9); grass hay (10); alfalfa hay (11); other papilionaceous hay (12); compound feeds including import (13); maize silage (14); by-products (15). [end]

The development and present situation of fodder production and consumption is illustrated by the data shown in Table 2.

Each year we use about 23 million tons of fodder. The harvesting, storage, quality maintenance, and wise feeding of this huge amount of produce even alone indicate the extreme complexity of our tasks. Not to mention that the livestock which consumes this fodder is located on over 2 million lots and yards.

The 1979 data I summarized in Table 3 well illustrate the development of grain fodder consumption which amounts to nearly 11 million tons, and within this the use of imported proteins.

Table 3

Development of the Use of Grain Fodders and Imported Proteins

Name (1)	Slaughter animal production (2)		Grain fodder consumption (3)		Imported protein consumption (4)	
	1,000 tons (5)	percent	1,000 tons (5)	percent	1,000 tons (5)	percent
Poultry (6)	442	21.5	2,250	20.7	340	48.6
Hogs (7)	1,150	55.8	5,730	52.6	310	44.3
Ruminants (8)	390	18.9	2,420	22.2	40	5.7
Other (9)	79	3.8	490	4.5	10	1.4
Total (10)	2,061	100.0	10,890	100.0	700	100.0

[English language summary copied from text] Consumption of compound feeds and import proteins

naming (1); slaughter animal production (2); compound feed consumption (3); consumption of imported proteins (4); 1000 tonns (5); poultry (6); pig (7); ruminants (8); others (9); total (10). [end]

The composition of livestock by type, and the production structure determine the composition and proportions of fodder use. The fact that 75 percent of the total starch value consumed by the livestock, and 69 percent of the digestible raw protein derive from grain fodder, can be traced back primarily to this. Of the grain fodder used for livestock feed, 73 percent is used by the poultry and hog branches, 21 percent by the cattle and sheep branches. But at the same time 86 percent of the fibrous fodders is consumed by animals with complex stomachs. Total protein fodder consumed is characterized by the following [tabulation]:

Protein Consumption

	1975	1978	1980
Total digested protein in animal raising	1,500,000 t	1,660,000 t	1,700,000 t
of this: in grain fodder	1,135,000 t	1,250,000 5	1,326,000 t
in imported protein	286,000 t	390,000 5	360,000 t
import percentage of total protein	19 percent	23.6 percent	21 percent

Poultry raising used up 49 percent of the imported protein, hog raising used 44 percent, and the other animal raising branches used only 7 percent. Compared to the earlier situation, this represents a significant step forward. In 1978 imports provided nearly 24 percent of all protein consumed, while this year this ratio is [only] 21 percent.

In the following I wish to give a brief summary of the situation of implementing the main fodder management tasks defined at the 1977 conference.

1. First of all, we endeavored to improve our work in the area of grain fodder management, especially in the areas of specific fodder consumption and rational utilization of the imported proteins. Our achievements are significant. In the time period under study, we increased our production of animal products from 2,361,000 tons to 2,831,000 tons expressed in terms of equivalent meat value, while grain fodder consumption increased from 9,596,000 tons to 10,920,000 tons. This means that while we increased total production by 20 percent, grain fodder consumption increased by [only] 13.8 percent.

Grain fodder used to produce one kg equivalent meat value decreased from 4.1 kg to 3.8 kg. Specific fodder consumption improved by 10 to 12 percent in milk production, and by 3 to 4 percent in slaughter hog production.

We have achieved significant results in the frugal consumption of protein fodders. While the production of animal products increased in 1979, our protein fodder import decreased by 80,000 tons.

2. Sunflower production, which was doubled, successfully contributed to increasing our domestic protein base. In recent years we achieved 30 percent increase in producing industrial protein fodders of animal origin, 37 percent increase in vegetable oil industrial fodders, and 40 percent increase in the production of powdered milk fodder. Carbamide consumption increased to 17,000 tons, and is gradually gaining ground in the feeding of cattle and sheep.

3. We have achieved a favorable change in the type composition of corn, our most important grain fodder. We have greatly increased the planting areas of early and medium-early hybrids, and eliminated production of those which belong in the ripening group with numbers higher than 500 FAO.

At the present time, 53 to 54 percent of the total corn planting area is used for medium and short ripening hybrids, and only 44 to 45 percent is used for types listed under the 400 to 500 FAO ripening group. By doing this corn quality has significantly improved, and on the overwhelming majority of the area we have succeeded in insuring biologically complete ripening. We consider it favorable that in recent years over 100 agricultural operations were equipped for the energy-efficient storage of damp corn without preservatives. Thus the amount of stored corn surpasses 200,000 tons. The spreading and application of the system is also assisted by the trade shows and conferences organized in the Beke [Peace] producer cooperative in Hajdunanas, and the Voros Csillag [Red Star] cooperative of Derecske.

4. A change of outlook has occurred also in judging the management of fibrous and bulk fodders by the operations. By improving the management of grass [production], we have increased grass production by 30 percent an hectare. While this yield is still considered low, it represents 18 to 20 quintals of hay equivalent value per hectare.

The large operations have achieved resounding success in the production of silage corn. The amount of nutritive material harvested in 1979 exceeded the level of the plan period's first year by 50 percent. The significant increase in the energy content of silages had a favorable effect on decreasing the grain fodder consumption of ruminants. The last 3 years have also brought a favorable change in using up the agricultural byproducts. Last year, the 1 million ton consumption of 1975 was tripled. We have also achieved progress in using byproducts of industrial origin.

5. We can report modest progress in the industrial production of blended grain feeds. About 62 percent (6.8 million tons) of the total grain fodder consumed for animal raising is blended feed. The agricultural operations and animal raising systems sell about 30 percent of the blended feed produced.

6. We were successful in increasing industrial support of fodder management, especially the machinery and equipment supply, even though in this area in insuring the necessary conditions we still fall significantly short of the demands. In the last three years the number of machines suitable for the modern harvesting of fibrous and bulk fodders has doubled. The inventory of trailers which pick up the windrow, thereby increasing productivity, has also doubled. We have satisfied the demands for grass mowers for tractors, which contributed to shortening the mowing time. In the cases of a few machines a surplus market has developed; [for

example] today there are over 400 selfpropelled harvesting machines and a significant number of grass mowers for tractors available in commerce to the agricultural operations.

II. Future Tasks in our Fodder Management

When determining the tasks of fodder management we must start out from the point that the tasks of animal raising will continue to increase this year, and also during the Sixth Five-Year Plan. Thus in 1980 we will have to produce about 2.1 million tons of slaughter animals, over 2.4 billion liters of milk, 4.4 billion eggs and 12,000 tons of wool.

A significant portion of the animals we raise are exported. The world market appreciates our products. The demands are higher than ever before. How well we will be able to fulfill all these, is the key question of our progress.

Animal raising requires an extremely high level of material consumption. Beyond the management of fodder, which is the main topic of today's conference, its energy consumption is also quite significant, and last but not least, its demand for equipment is high.

Production's efficiency depends decisively on how well we can solve the utilization of materials more rationally, and economically.

We must satisfy the requirements which are defined as

-- improving the quality,

-- implementing the economical production of products,

-- optimum exploitation of the capacities,

-- insuring the conditions for production.

1. In our production of animal products we will continue to have to count on the present production structure, therefore the grain fodder consuming branches will be the definitive ones. The conditions do exist for satisfying the grain fodder requirements of the hog and poultry branches. At the same time, in addition to satisfying the domestic needs, the demands of increasing exports will also increase on our grain production. Thus it is also necessary in the interest of economical production, that grain fodder use be significantly more moderated than the growth rate of animal products. We must further improve the specific indices of consumption. It is most urgent to create production discipline in those operations which are lagging in this area.

Frugality with industrial energy, as well as preserving the quality of products already produced, make it urgent to expand and standardize the methods of damp storage of kernel corn in all those operations where local consumption can be insured. We will have to create the comprehensive technical and technological conditions for all these.

Decreasing these losses which occur in the drying of grain fodders, and the introduction of more careful drying methods are important tasks for us. All this means that grain production will continue to be the basic fodder base for our animal raising. First of all, we must further increase the production of corn and wheat. Therefore it is extremely important to increase the planting area and corn yields. We will have to lay down the foundations for this in the next few weeks.

We must also set new bases for selling of grain fodders. Unnecessary sales of products must be eliminated, the conditions for which we will have to insure at the enterprise and branch levels.

2. An optimum supply of protein fodders is the other important condition for increasing meat production. The import volumes required for this can not be increased further. We will have to provide the additional protein needed to increase production from domestic sources. To do this it will be necessary to fully exploit the domestic resources of animal protein, fully utilize the opportunities presented by increasing the production of oil bearing plants, and increase the production of plants which can be used for new protein sources.

We will have to pay more attention than we did in the past to introducing and spreading the use of the concentrated proteins in blended feeds based on synthetic amino-acid supplements.

Fodder research should promote the discovery of yield-increasing antibiotics and other fodder supplements already successfully used abroad, and their actual use as soon as possible.

3. In fodder management we continue to consider it a specific goal to satisfy 75 to 80 percent of the cattle stock's nutritional needs by using fibrous and bulk fodders, and byproducts. Within the livestock inventory this ratio should exceed 50 percent in intensive milk production, 70 percent in dual use, and 90 percent in meat production.

The most important task in satisfying the bulk fodder needs of ruminants is to produce about 6 million tons of corn silage with high dry material content. We will have to insure the modern harvesting and storage of this. We consider it especially important to build storage spaces with rigid exteriors, since in the major operations the constructed silo space hardly reaches 30 percent. Nearly one-fourth of the silo fodders is wasted because of this. By creating these conditions we can make further progress in increasing the solid matter content, and we can approach the 40 percent figure which is considered optimum.

Grass management is another main area of the bulk fodder base. Here we must achieve progress in increasing the grass yields, making more use of chemical fertilizers, and we must make the care and renewal of grass a continuous process. Harvesting must be more organized and made more efficient. Comprehensive technical and technological conditions must be created for grass utilization.

In the future also we wish to base fulfillment of the protein requirements of ruminants decisively on alfalfa. Efficiency per unit area must be increased in

alfalfa production, and we must achieve that all of the protein produced be used to good advantage.

In the utilization of byproducts we must continue along the road upon which we have set out. We consider a consumption of 4 million tons achievable, but one of the conditions for this is that the factors obstructing and hindering faster progress be eliminated, especially in the area of technical supplies.

We must also seek new ways and solutions to achieve the designated goal in increasing the utilization of NPN materials [nonprotein nitrogen]. We must continue improving the dependability of [their] utilization. This means that new, inexpensive base materials must be found to better interest the operating units. New initiatives, such as for example the "bentocarb" preparation, must receive our support and should be more broadly disseminated.

4. In order to increase the efficiency of fodder management we must further improve industrial production of [blended] feeds. In addition to increasing the production volume, insuring quality is a basic requirement. However, in order to do this we will also have to create order in the quality of feed components. First of all we will have to insure adequate quality of the raw materials like corn and wheat which make up the largest volumes. Adequate nutritious values must be insured not only for the fodder supplies of large operations, but for the fodders of the household plots and auxiliary farms. We consider it a good thing that recently the individual production systems have been supplying their partners with grain fodder blends adapted to the raising circumstances of the various operations.

5. Rational fodder production and utilization which conforms to current requirements cannot be imagined without modern machinery and technical equipment. In recent years we have made much progress in this area, but the number of high performance and quality control machines is still too small. It is particularly important to expand the selfpropelled machinery park for harvesting fibrous and bulk fodders.

The rotating mowers and swath cutters manufactured in this country are the right equipment for harvesting hay. In the near future, industry will begin producing the stem-shredder scythes, and as a result of this it will be possible to increase the quality of the harvest, and to cut down on losses. In recent years including this year we sold about 5,000 fibrous fodder harvesting machines. We must also achieve progress in purchasing machinery which make it possible to harvest the entire corn plant. The number of the so-called large baling machines must be further increased. Cooperative manufacture of modern variations of the windrow handling machines is in progress. With these machines it will be possible to significantly increase the content value of fodders.

The number and capacity of loading, transporting and feed proportioning machines must be further increased.

We are aware of the fact that the tasks of technological development are significant, yet I would like to underline that the sphere of technical conditions developed in recent years is suitable for solving the above mentioned development tasks.

6. When we define our tasks, we must assign great importance to the human factors. Improving the efficiency of fodder management will be decided basically in the producer operations. Therefore first of all the tasks of production, of enterprise and work organization must be defined as they adapt to the local circumstances, and the workers of the operations must be mobilized to achieve these goals. We can make progress only if every operation analyzes its own situation and the results it has achieved, points out operational shortcomings, recognizes their opportunities, and acts in this spirit. In accordance with this, the tasks will have to be developed differently in each operation, and the available equipment will have to be used in the most expeditious manner. The interests of the workers of these operations, their financial and moral appreciation will also have to be developed in this direction.

7. There are also many things to be done to rapidly and broadly disseminate the available scientific results. This is why we consider it very important to strengthen and improve the relationship between science and current practices. We can also find several useful examples in the area of fodder management. Thus, for example, we consider the feeding system worked out by the Martonvasar Research Institute and the Animal Husbandry Research Institute which fully utilizes cornstalks to be a significant achievement. The process of making meat paste from slaughterhouse byproducts, which saves energy and preserves nutritional value was worked out by the Keszthely University and spread rapidly in practice. The so-called intensive milk producing feeding system worked out by the Animal Husbandry Research Institute is also spreading fast. We consider the development and dissemination of AGROKOMPLEX's protein-saving fodder recipe system to be a significant achievement.

Finally I would like to close my lecture by saying that a large number of professionals responsible for fodder management and for animal husbandry are participating in this conference.

I am convinced that very much depends on us, who are here in this room, to increase the efficiency of fodder management. If we take advantage of our opportunities, I believe that we will succeed in increasing the competitiveness of raising animals, and in producing economical products.

I ask all of you to do everything in your own areas to help us reach our goals.

8584
CSO: 2500

AGRICULTURAL PRODUCTION SYSTEMS REPORT CONDITIONS OF WHEAT SOWING

KITE Sowing Results

Budapest MAGYAR MEZOGAZDASAG in Hungarian Vol 35 No 46, 12 Nov 80 p 4

[Article by Janos Szedlak, adviser]

[Text] A total of 278,000 hectares were sown at the member farms of KITE [Corn and Industrial Crop Growing Cooperative] which grow wheat. The weather was variable during the fall; however, adequate seed bed could be prepared under the wheat with disk harrows and cultivators. Much attention was given to the identification of the bed, to the supply of nutrients, to the supply of seed, and organization of the sowing activities.

1. Preplanting. The preplanting of wheat affects the harvest considerably. The percentage distribution of the preplanting was as follows during the areas sown in 1980:

Preplanting with early maturity: 19 percent
Preplanting with wheat: 52 percent
Preplanting with late maturity: 29 percent

Because of the late harvesting of maize, there is no opportunity to prepare the soil properly not to keep to the optimum sowing schedule; thus—as the figures also demonstrate—much wheat was followed by wheat this year. Although the opinions differ about wheat following wheat, our studies indicated that wheat is about the least desirable preplanting before wheat, so that this should be avoided whenever possible. Unfortunately, in some farms the percentage of wheat preplanting is even higher than that quoted above,

in some areas there have been instances where wheat followed wheat for the third year in a row. We have recommended that the species be changed in plots where wheat follows wheat; for these areas we proposed the use of Jubilejnaja 50 and GK-Szeged primarily, since these varieties tolerate consecutive sowing best.

2. Variety and seed supply. The ratio of the varieties is essentially the same as it was established in 1978. Early-maturing types continue to represent 60 percent of the area, and medium-late maturing types only 40 percent. The major early-maturing types are mainly Novosadska Rana 1-2, sown on 20 percent of the total area, and Martonvasari 4, sown on 15 percent of the area. The seed supply of these varieties was satisfactory. Insofar as medium-late maturing varieties are concerned, mostly used was Jubilejnaja 50, sown on approximately 25 percent of the total area. The seed supply was satisfactory in all instances.

There was a significant demand for the Mv-8 variety; however, since some batches of seed were infusarium-infested—this has been the case with some other varieties also—the demand could not be fully met. However, even so the Mv-8 variety was sown over 6 percent of the total area.

The Partizanka variety was sown on ground similar to that used for Mv-8. There were difficulties with the seed supply of Class II here. Because of fusarium infestation, we carried out a viability test in our own seeds too, so that we were able to replace infested seed in time. Overall, we had no major problems with wheat seed supply this season.

3. Sowing. According to experiences so far, the varieties with relatively low winter tolerance are particularly sensitive to the sowing time. The optimum sowing time is 15 October, and all varieties must have been sown by 25 October.

Depending on the variety involved, the optimum sowing depth is 4-6 centimeters. Especially in case of frost-sensitive varieties, this must be observed. For the future we must ensure that the sowing of wheat is completed within 10-15 days. For this it is necessary to put seeding machines of high productivity into service, which maintain uniform sowing depth and seed standards. We hope that the IH-10-6200 seeding machine—of which 25 units are operated on our farms—will turn out to be one like that. Of course, this number is still very low, considering the fact that we have 262 partner farms.

Weather Hampers IKR Sowing

Budapest MAGYAR MEZOGAZDASAG in Hungarian Vol 35 No 46, 12 Nov 80 p 4, 5

[Article by Dr Istvan Kiss: "IKR [Industry-type Corn Production System]--Potash Shortage, Sowing Seed Without Quality Documentation"]

[Text] In planning for our 1981 wheat production, our goal was--on the basis of experiences of earlier years--to introduce the energy-efficient methods without plowing, to increase the area loosened at medium depth, and the preparation of a seed bed of proper maturity and settlement. Basic fertilization was completed in time, in accordance with the nutrient supply capacity determined by clay-mineral tests and expected yields. Wherever the technological prerequisites were suitable, for example in partner farms equipped with IH 6200 seeding machines, we tried to introduce starter type fertilization.

Insofar as the determination of the varieties is concerned, we preferred those varieties which have a proven capability of producing good quality, dependable yield, and high production.

Insofar as the amount of sown seed is concerned, this was determined by the consideration that the density-increase tolerability and balancing capability of the plant is maintained for the amount that germinates. In addition, we increased the number of seeds germinating by 5-15 percent for the various varieties, according to experience, on the average by 10 percent. It should be noted here that we mean variety-utilization factors and not "periodical" sowing faults in this connection.

Our cooperative grows wheat on an area of 180,530 hectares in 1981, on a total of 184 farms of the cooperative. Unfortunately, sowing started late, as did the related procedures, because of the unfavorable weather. Among the major factors responsible for this, we mention the delayed vegetation of the fall-maturing preplantings such as maize, root crops, and the like, and the adverse effect of the rainy weather that predominated during the first one-third of October. Today we are already able to state in quantitative terms that the plantings before October and after October will yield 250-300 kg less on the average under comparable agrotechnical parameters than the plantings during October. For this reason, one of our most important considerations was the speeding up of the planting by means of properly managed technological capacity, appropriate organization of the work, and changes in the tables in accordance with the needs imposed by late-maturing preplantings.

We used 1000 power-operated pieces of equipment for soil preparation in the planting work, and we had 600 seeding machines for the sowing. Thus, we were able to complete the work in October, handling 14,277 hectares per day. The dry weather in some locations during September interfered with the soil work; however, the precipitation in October was helpful, so that the quality of the seed bed was satisfactory.

Insofar as fertilization is concerned, the late delivery of potash-type material had an adverse effect. Much difficulty was created by the fact that the deliveries of seed were not accompanied by the quality documentation. This was a problem with planting adaptation and the planting itself. It made us impossible not to invoke the responsibility of the suppliers and forwarders, especially in view of the fact that there were quite a few instances of satisfactory performance in this respect. We continue to be baffled by those instances where our suppliers sent us seed with a germination rate of 83 percent, in spite of the fact that this year's seed supply was favorable.

Compared to last year, we found no improvement in the ratio of centralized treatment of the seed. It seems that this is an activity that has to be performed in the last minute by the farms. The conditions are not favorable everywhere for this.

The speed of planting was inadequate, in spite of the capacity that was available. We must mention here certain deficiencies in attitude, noting that the status of the planting was related to the maturation of the maize in a number of farms.

Start of the use of IH 6200 seeding machines represented a step forward in technological development this year. This machine is suitable for soil disinfecting, starter-type fertilization, and seeding at uniform depth and distribution under direct seed-bed opening and spreading.

Deviations from the specified amount of synthetic fertilizer must be noted down as a major factor affecting production. This was caused by a shortage of fertilizer. Another difficulty, to be resolved immediately or soon, was soil disinfection to protect against insects capable of damaging eared-crop preplanting, especially wheat preplanting.

Situation of BRK

Budapest MAGYAR MEZOGAZDASAG in Hungarian Vol 35 No 46, 12 Nov 80 p 5

[Article by Sandor Sztrikinacz, technological department head: "BRK [Baja Corn Growing System--Complex Plant Protection, Tensions Around the Planting of Improved Wheat"]

[Text] Our production system has this year also prepared a table-adapted plan for the partner farms. We have already noted while the plan was prepared that the vegetation season will lengthen and thus the harvesting of fall-maturing plants may be delayed. We considered this fact when designating the tables where wheat will be planted now.

We employed branch association in the farming area. The proper ratio among the various plants has already developed in our farms. The wheat-growing area proposed by the Baja Corn-Growing System will nonetheless increase by 25 percent this fall. The extra area is made up by newly joined partner farms. We can report major area increase on the system level.

We had reliable information at planning time about the available resources, materials, and equipment in the hands of the partner farms. Now, during the last one-third of wheat planting, we can state that there were no major factors interfering with the work to a major degree. While we can present a generally favorable picture, we must also mention some minor difficulties which spoil the fun and the possibilities of the experts.

Our plans call for the stabilization of the favorable wheat crop of this year, and for its increase wherever feasible. Our plans call for an average yield of five tons per hectare. One of the costliest factors, namely nutrient replenishment, was planned at the level of 320 to 360 kilograms of active ingredient per hectare, the precise amounts differing from one table to another. In September we had temporary supply difficulties with potash-type and phosphate-containing fertilizer; however, by redispatching we managed to maintain a satisfactory supply situation. We practised suspension nutrient replenishment over several hundred hectares as an experimental project under production conditions.

The area prepared without plowing continued to increase. Preparation of the soil with disk harrows was practised over approximately 40 percent of the cultivated area. This saved considerable amounts of energy.

Complex plant protection is an especially important aspect of this year's plans. We try to treat to achieve maximum protection for the young plant.

Planting of wheat is quite labor-intensive since the sowing machines used presently must also be served directly. Speedup of planting and better utilization of the power equipment was the reason why we connected more equipment to the power sources and mechanized the seed feeding in many instances. Our system supports each and every innovation and improvement initiative.

We had sufficient wheat seed of the proper quality. Only in a very few instances was it necessary to issue so-called "Ministry of Agriculture and Food approved" seed. We found that the demand for some popular seeds has diminished since some experiences with them were not very favorable in recent years. Our partners tried to select varieties which suit the natural conditions in their farms better. We must mention the introduction of the recently approved Martonvasar 8 wheat seed and the difficulties that were associated with it. The differing opinions voiced within a short period of time favored neither the wheat variety nor the production system which endeavored its introduction.

Our plans originally called for increasing the area where improving varieties are planted. The purchasing price for 1981 crops, since promulgated, did not favor our plan. It is our judgment that the price differential between the improving and the conventional qualities does not adequately cover the quality difference. Insofar as the subject of varieties is concerned, our stand was that we should increase the area on which varieties suitable for the baking industry can be grown with a high yield.

Planting of 70 percent of the planned wheat area was completed by 25 October, and on the system level we planted 82-85 percent by the end of the month. This means that in November we must plant twice as much wheat than we had to plant during any year in the past. This 15 percent more area represents a greater task and creates more difficulties than did the work performed so far. In these areas, wheat follows maize. For the sake of next year's wheat planting, we must speed up the harvesting of the maize on these lots, and we must prepare the ground sooner. The plantations already sown look good.

'Victory' Cooperative's Goal

Budapest MAGYAR MEZOGAZDASAG in Hungarian Vol 35 No 46, 12 Nov 80 p 5

[Article by Jeno Havasi, chief agronomist: "Victory Agricultural Production Cooperative, Lajoskomarom: Our Goal Is To Repeat This Year's Results"]

[Text] The results achieved with wheat during 1980 pleased everybody in our agricultural production cooperative. Our yield at the "Victory" Agricultural

Production Cooperative was 6.81 tons on 2200 hectares. This hectare yield realized the yield achieved in experimental plots in earlier years under field conditions.

The average was increased during 1980 by the improving varieties Martonvasar 4 and Jubilejnaja 50; the Martonvasar 8 variety was the best in all respects. I mention all this to illustrate the fact that the domestic varieties outshine all other well-known varieties, so that we should have no problems about the selection of varieties. We have the required prerequisites; however, while the farmer may make plans, the weather may have the last word. The weather may decide, among others, that the late-growing varieties—and sometimes also the summer-maturing ones— are late and can be harvested later than planned. This was the case recently, so that more and more grain crops had to follow grain crops. This factor, which gave us concern, required much of our attention. It involved the selection of the varieties, the setting of the optimum planting time, and the disinfection of the soil. Varieties that are sensitive to mildew and Fusarium may show reduced yield when planted after wheat, unless we implement the appropriate agrotechnical and plant-protection measures.In earlier times, Libellula was found to be tolerant. It helped us this time also. Since the area on which this variety is planted has a decreasing trend, and since we plant more wheat after another grain crop than we did before, we must look for other varieties with similar properties.

In our experience, the Jubilejnaja 50 variety also tolerates preplanting with grain crops quite well. As we have mentioned earlier, the selection of the planting time of wheat which follows another grain crop must be made with great care. We must make it quite clear that we had to set a planting time later than 20 October, no matter how tempting the free area had been for accelerated planting, if we were to avoid overgrowth during the fall. Mildew may develop in areas where there is fall overgrowth. As a result of earlier plantings, we had insect and fly damage in spite of carefully implemented protection measures.

Periodic rainfall eliminated six to 10 working days in October, just at the time when planting was due. As we all know very well, there are ways to speed up planting by proper organization, for example speeding up the harvest of the preplanting and the preparation of the soil. We did all this without reducing our quality standards in any way.

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FURTHER MODIFICATION IN AGRICULTURAL FINANCIAL REGULATORS REPORTED

Budapest MAGYAR MEZOGAZDASAG in Hungarian Vol 35 No 46, 12 Nov 80
pp 20, 21, 23

[Article by Csaba Gati and Lajos Kornyei, Main Plan-Economy Department, MEM (Ministry of Agriculture and Food)]

[Text] The work of developing the regulating system for the period of the Sixth Five-Year Plan has already started last year, as it did for other sectors of the economy. New price and financial regulators were implemented after a thorough preparation that took several years. They became effective on 1 January 1980. On the basis of the experiences of this year—while maintaining the basic principles—certain parts of the regulators had to be corrected or supplemented.

The modifications became necessary because of increases in the costs of energy, materials, and funds; because of the need to implement the econo-political goals of the period of the Sixth Five-Year Plan (better balance of the economy, implementation of more economical utilization of materials and funds, improved production structure, and so forth); and finally because of the effects of some of the regulators, which were not as planned.

The desirable incentive for the producers is represented by new pricing policies. The purchase prices in effect from 1981 were already publicized in September of this year, insofar as they involve agricultural products. Information about changes in price of industrial products and funds also became available.

Below we review the major aspects of the 1981 changes in the financial regulators with the aim of making the new regulations easier to understand for agricultural experts, so that they can implement them easier.

In the review we present below we do not try to cover everything; we restrict our discussion to the 1981 changes. A major aspect of these changes is that from 1 January 1981 onward the wine-producing enterprises will also fall under the agricultural regulation system.

The most important regulations concerning the modifications of the agricultural regulation system are promulgated in Council of Ministers Decree 43/1980.(XI.27.) MT, published recently. The ministry decrees associated with the above decree contain the detailed implementation regulations.

I. State Support of Agriculture

The decree 21/1980.(X.27.) PM-MEM, promulgated jointly by the Ministry of Finance and the Ministry of Food and Agriculture, covers the state support of agriculture. The decree regulates investments, operations, and state support for small producers as well as large agricultural producers operating under adverse conditions.

A) Investment Support

Plantation, Machinery, and Melioration Investments

The support system and the volume of support remains unchanged insofar as plantation investments are concerned.

Nor is there a change in the support system for machinery investments. However, the support level of tractor purchase is reduced from 20 to 15 percent. At the same time, drainage material and equipment performing various drainage maintenance functions may be purchased from 1 January 1981 onward at a price reduction of 15 percent, supplied by state support.

The support system and the volume of support remains essentially unchanged insofar as melioration investments are concerned. Eligibility for support, however, is modified. According to the modification, an interest-free loan may be granted by the MEM for water-management projects needed by large industrial-scale agricultural enterprises which lack sufficient water resources, provided that the department of economics and food affairs of the Megye concerned supports the application. This loan, supplementing the enterprise's own funds, must be repaid within five years after completion of the melioration work. Repayment must be made from the development fund. The applications for this support are evaluated by the Main Plant-Protection and Agricultural Chemistry Department of the MEM.

Construction Investments

Major changes have taken place in the support and financing system of construction investments.

According to the decree of the Council of Ministers, state support is available from 1 January 1981 onward only for constructions in the areas of cow- and pig-rearing operations. No further support is available for other types of construction investment which enjoyed state support earlier.

Another major change concerns milk-producing and pig-rearing establishments: the construction-investment support in these areas will be disbursed only after completion of the construction concerned.

Large-scale agricultural production enterprises are eligible for long-range investment loans for the realization of their long-range investments. To compensate in part for the construction support that is no longer available and to reduce the interest payments, the state may provide interest refunds for the investment loans taken.

Construction Investments for Milk-Producing Enterprises and Pig-Rearing Farms

The large-scale agricultural production enterprises continue to be eligible for state support for the implementation of their construction investments concerning milk production and pig-rearing.

A fixed support of 18,000 forints may be granted for each cow place in construction investments qualifying as milk-producing buildings or for the modernization of such investments or for the establishment of increased cow accommodations, provided that the conditions specified in Joint Decree 21/1980.(X.27.) PM-MEM are met.

A support of 35 percent may be granted for the construction and modernization of pig-rearing facilities if they qualify as investments or establishment of new facilities, and a fixed support of 7000 forints per fattening place may be granted, provided that the conditions specified in Joint Decree 21/1980.(X.27.) PM-MEM are met.

The regulation enables large-scale agricultural enterprises to utilize the form of support for the construction of milk-producing of pig-rearing facilities most suitable for the farm concerned. For example:

- The enterprise may obtain a 30 percent or a 35 percent support even if it does not establish new cow or pig-fattening places, if it modernizes existing facilities or constructs facilities that are lacking (if they are included in the list published in Appendix 2 of the regulation).

- The enterprise may decide whether to ask for percentagewise or fixed support when constructing new cow or pig-fattening places. However, the fixed support is available only if all facilities listed in Appendix 2 of the regulation are also available or will built as needed for the operation of the new accommodations (plus any additional facilities that may be lacking).

Applications for and Disbursement of the Support

The procedures described below must be used to apply for and disbursing the supports. Before proceeding with the construction work, the large-scale agricultural enterprise reports to the Megye bureau of the Main Receiving Directorate of the PM [Ministry of Finance] that it intends to realize a particular kind of cow or pig-rearing facility (and supports the report with the prescribed documentation). The report submitted by the large-scale agricultural enterprise states the expected costs of the construction, the amount of the support claimed, and the scheduled completion date of the work.

The receiving directorate or the local bureau in charge notifies the farm about the support available and the date of disbursement, determined on the basis of the information in the application. After completion of the construction, the investing enterprise submits a copy of the ownership transfer document to the Megye receiving directorate or the local bureau in charge, and requests disbursement of the support.

After receipt of the ownership transfer document, containing the relevant technical information, the Megye directorate or the local bureau in charge transfers the support, as stated in its above-mentioned notification, to the account of the investing enterprise.

In cases where percentagewise support is involved, the support is 30 (or 35) percent of the estimated construction costs, irrespective whether the actual construction costs were lower or higher than this. This means that if the enterprise realizes a lower construction cost, the support will not be reduced, but also that the support will not be increased if the construction cost was higher than estimated.

In case of fixed support, the amount is determined by multiplication of the number of accommodations actually built by the fixed sum.

In cases where the investing enterprise has taken a bank loan for the investment concerned, the support obtained must be used to pay the interest due on the loan. If the agricultural enterprise took no bank credit for the construction concerned, the support obtained is added to the enterprise's economic development fund.

Interest Reimbursement

As mentioned earlier, the state provides interest reimbursement for credits taken to enable construction investments. This reimbursement is in lieu of part of the construction supports no longer provided.

An interest reimbursement of 2 percent may be granted for

- poultry farming facilities, constructed or modernized;
- construction of refrigerated storage facilities for agricultural products (both with regulated and non-regulated airspace), as well as the conversion of existing refrigerated storage facilities into facilities with regulated airspace;
- storage facilities for grain crops, vegetables, and potatoes;
- dug or drilled wells, water towers, water reservoirs, and water-storage facilities for firefighting purposes;
- stores for pesticides and synthetic fertilizer;
- facilities to compound basic fodder and to produce mixed fodder formulations;
- construction of hard-surface farm roads, including mud deflectors and square paving;
- Liquid-fertilizer treatment facilities for pig-rearing units built before 31 December 1979; and
- food-processing plants.

An interest reimbursement of 4 percent may be granted for

- construction and modernization of cattle and pig maintenance facilities;
- construction and modernization of sheep and rabbit maintenance facilities;
- fishponds;
- heated and unheated foil tents; and
- construction and modernization of irrigating facilities and rice plantations.

Interest reimbursement may be granted in amounts not exceeding 70 percent of the estimated costs of the investment project, however, no more than the amount of credit actually taken. This means that if the amount of credit obtained for the investment exceeds 70 percent of the investment cost, interest reimbursement can be granted only for 70 percent of the investment cost; no interest reimbursement is available for amounts of credit exceeding this. Of course, in cases where the amount of credit given is less than 70 percent of the cost of the investment, interest reimbursement may be granted for the total credit.

In view of the fact that interest reimbursement differs in individual investments, it is advisable to state in the application for credit the actual investment for which it is intended.

Interest reimbursement is administered by the bank that grants the credit.

B) Production and Other Support

The modification of the support system for agricultural establishments also affected some of the supports involving production and operation.

Support of Cattle Rearing for Meat Production

The price supplement available on the basis of calves produced in meat-cattle establishments remains 4700 forints for each live-born calf during 1981. There are no changes in the conditions governing this price supplement.

However, grants concerning the state revolving funds related to changes in the cow complement underwent a modification. According to regulations that were in effect until 31 December 1979, a revolving-fund supplement could be granted on the basis of the increase in the cow complement that took place until December 31, 1980 (both milk and meat cows). According to Paragraph 2, Section 5, of the joint decree 42/1979.(XI.1) PM-MEM, the support is available for the population of meat-cow places according to the conditions laid down in the original document. According to the new regulations, in effect from 1 January 1981 onward, the large-scale agricultural establishments are entitled to a stock-increase grant of 20,000 forints per newly installed meat cow. This sum must be added to the revolving fund. The grant may be given irrespective of the construction of accommodation facilities.

The increase in stock must be computed on the basis of the average complement, using the rules of chronological average-value calculation. (The method is the same as was employed in the earlier procedure to establish the revolving-fund supplement support.)

The basis for determining the increase must be that number of cows which was last used to compute the revolving-fund supplement support or stock-increase grant. However, the basis quantity of cows cannot be less than the average quantity for the year 1980.

Grants to establishments holding both meat and milk cows can be given only on the basis of the increase in the total number of cows.

In 1980 and in the years thereafter, the basic quantities must include the cows missing because of tuberculosis or brucellosis eradication or any other valid reason, provided that the cows must be replaced as a result of the eradication or other measures. At the same time, the average quantity must be reduced by that amount after which the large-scale agricultural establishment has since repaid the support obtained.

The large-scale agricultural establishments which, according to Paragraph 2, Section 5, of the joint decree 42/1979.(XI.1) PM-MEM, constructed accommodations for meat cows are not eligible for stock-increase grants. The PM and the MEM determine jointly the basic meat-cow complement after the new accommodations have been populated.

In cases where there is a decrease in the meat-cow complement, the revolving-fund supplement support or the stock-increase grants obtained must be reimbursed. The higher of the legally obtained grants must be reimbursed first. The deadline of reimbursement is 15 February of the following year, as it is for the submission of applications for the grants.

Although the agricultural establishments are not entitled to revolving-fund supplement grants for increases in the milk-cow complement from 1981 onward, they are still eligible for the revolving-fund supplement grant they were entitled on the basis of earlier regulations for a period of three years. (This applies if the complement increase actually took place within the three years.) According to the new regulations, the revolving-fund supplement grant obtained on the basis of an increase in the non-meat cow complement achieved before 31 December 1980 need not be reimbursed if there is a reduction in the complement after 31 December 1983, provided that five years have elapsed after the funds were obtained. The time of fund receipt is the year in which the increase in the cow complement actually took place.

In cases where the agricultural establishment has received the permission for a temporary reduction of the cow complement—for reasons of tuberculosis or brucellosis eradication or other reasons—it is also allowed a delay in the reimbursement of the revolving-fund supplement grant, and the five-year period mentioned above must be extended by that many years during which the cow complement was below the complement established with the help of the support.

Support of Lawn Planting and Renovation

The large-scale agricultural enterprises obtain a support in the form of a fixed sum per hectare for lawn planting and lawn renovation, according to the provisions of the joint degree 42/1979.(XI.1.). This form of support is doscontinued as of 1981, according to a decision of the Council of Ministers.

However, the regulation earlier in effect permitted the grant to be obtained over a period of several years in cases where relatively large areas were to be planted or renovated. Accordingly, the new regulations permit the support to continue to be received in 1981 and 1982 if earlier decisions provided a long-term grant. This means, that the support (in annual instalments) will continue to be paid if the covered period started in one of the years between 1979 and 1980.

Thereafter, all lawn-planting and -renovating projects will have to be realized from the enterprises' own funds or with the aid of credit. The production costs can be accounted in annual intervals over several years.

Support for the Procurement of Synthetic Fertilizer, Pesticides, and Weed Killers

Large-scale agricultural establishments may continue to purchase synthetic fertilizer, pesticides, and weed killers at a price that is reduced by supports from the state.

The support amounts to 37 percent of nitrogen fertilizer of domestic manufacture, 50 percent for phosphorus fertilizer of domestic manufacture, and 21 percent for pesticides and weed killers of any origin.

There is no change in the manner the support is handled administratively.

Support of Vegetable Growing

The extent to which large-scale agricultural enterprises can avail themselves of the vegetable-growing support specified in the joint decree 42/1975.(XI.1.) PM-MEM is described in the new support regulations in detail. The following options are available:

a) Those large-scale agricultural enterprises which determine the development support for the first time on the basis of their 1977 vegetable crop, according to an approved application, will be eligible for the support on the basis of their 1981 vegetable crop for the last time, provided that they have in fact grown vegetables on an area at least as large as described in the application during 1977-1980, and maintain the area of vegetable growing for 1980 during 1981 also;

b) Those enterprises which submitted their applications later and determined the price support for the first time on the basis of their 1978, 1979, or 1980 price income, are eligible for the development support for four years beginning with the start of the area growth, provided that they have increased the area (or are increasing the area) as prescribed. Accordingly, those enterprises which started area growth in 1978, will be eligible for development support for the last time in 1981, those which started it in 1979, in 1982, and those which started it in 1980, in 1983.

It is conceivable that a large-scale agricultural enterprise was unable—for reasons beyond its control—to accomplish the increasing of the area undertaken in the application or prescribed by the joint decree 42/1975. (XI.15.) PM-MEM. In such cases, the regulations permit the department of food affairs and finances of the Megye council to release the large-scale agricultural enterprise from its obligations, and to grant a development support in the amount of 10 percent of the price income on an equitable basis.

Support of Large-Scale Agricultural Enterprises Operating Under Unfavorable Conditions

The support system for large-scale agricultural enterprises operating under unfavorable conditions remains essentially unchanged. The conditions of classification, as well as the forms and extent of the support remain unchanged; however, the computation of the price support changes somewhat. The changes, introduced primarily to simplify the procedures, are the following:

a) Until now, in the case of processed products, the price support could be requested on the basic of the value of the price of the starting material that had been processed. In the case of certain processed products (such as alfalfa meal and some other similar products), it was difficult to establish the base selling price or the price support. Accordingly, the regulations were modified so that if there is no sale price available for the starting material, the basis for the price support is the selling price of the processed products plus the cost of processing, less the profit that has been realized.

b) The price support that can be applied for on the basis of the value of purchased fodder had to be deducted from the total support. But it was quite complicated to make the required calculations in case of mixed fodder, especially in cases where the large-scale agricultural enterprise was entitled to both the basis-price support and a special price support.

In the future, the sum to be deducted will be determined only on the basis of the basis-price support, and the deduction will be always calculated by using the uniform basis price of 400 forints/100 kg.

C) Support of Small-Scale Agricultural Production

The economy continues to emphasize the importance of domestic and auxiliary farms in the years to come. Accordingly, the present forms of support for the featured operations remain in effect.

Thus, there will be no change in the extent and the conditions of support for vegetable growing under a foil cover.

The small producers will continue to enjoy a 20 percent price reduction of specified machinery. This continues to apply to enterprises permitted to lease machinery. State support is available only for those agricultural machines, pulled by tractor, which cultivate the soil, perform seeding, protect the crop, and carry out harvesting, as well as serve like trailers.

Support of Plantation Establishment

Small agricultural enterprises have already been able to purchase propagation material under a price support for establishing berry plantations, provided that they have contracted with the authorities in charge for a period of at least three years concerning the sale of the product.

The new regulations provide major simplification and improvement by reducing the minimum prescribed plantation area from 1000 square meters to 500 square meters. Such area is already available in many house gardens, so that a larger number of individuals can now enter the group of small-scale producers.

The enterprises supplying propagation material will be allowed to figure with the following support from next year onward for berry propagation material sold on the basis of the product-marketing agreement (per 100 units of propagation material):

Wild strawberries:	80 forints
Raspberries	120 forints
Black and red currants and the like such as gooseberries	800 forints
Red and black currant and gooseberry seedlings	1200 forints

There are no changes in the conditions governing the growing of non-berry fruits. The conditions remain the same as they are for large-scale agricultural enterprises insofar as the extent and prerequisites of the farming conditions are concerned.

According to the new regulations, a support identical to that provided for large-scale agricultural enterprises is available for the establishment of berry plantations over a contiguous area integrated within the large-scale farm.The support is also available if the area is not directly adjacent to the large-scale plantation.

Support of Cow Maintenance

Support continues to be available to small-scale agricultural enterprises on the basis of the cows they themselves own. The amount of the support is 2500 forints for the first cow, and 6000 forints (up from 5000 forints earlier) for each additional cow. The small farmer may receive the support in advance for four years provided that he undertakes to increase his complement with self-bred or purchased calves or pregnant cows, and enters into a four-year rearing agreement for the increase.

A new condition has been incorporated in the support system for cattle rearing by small farmers. The aim of the condition is to stabilize the increased complement. According to the change, if the small farmer already has one cow and increases his complement by installing another cow, the second cow will be "reclassified" into a first cow if the first cow can no longer be kept and is not replaced. The support obtained for the remaining contract

period must be repaid to the extent of the support differential between first and subsequent cows for a cow that has been reclassified in this manner.

Here is an example: The small farmer had one cow and then installed a second one with a four-year rearing agreement. He obtained a state support of 24,000 forints for the second cow. If, during the contract period, he sells the cow, for example because it became too old, during the second year and does not replace it, the second cow will be reclassified into a first cow. Then, the time-proportional share of the remaining contract period—two years—is 12,000 forints. Yet only 5000 forints are available for this period for a first cow. The difference is 7000 forints, which the small farmer has to repay.

A new feature of the regulations is that the certificate of absence of tuberculosis need not be submitted by the small farmer (this is prescribed for the application for state support in other cases). Although absence of tuberculosis continues to remain a condition for state support, a special certification of this is required only of the veterinarian in charge determined that there is tuberculosis infestation in the cow complement kept on the farm. In such cases, payment of the support is suspended until absence of tuberculosis can be certified once more. However, elgibility for support does not cease if the cow is removed within five month from the determination of infestation and replacement is made.It should be noted here that a pregnant cow must be installed if a cow with a four-year rearing contract is involved since such replacement is regarded in the same manner as in case of rearing termination.

The annual support has been increased according to the regulation for the second cow and any additional cows. Of course, this affects all small farmers who own such cow(s).Those who contracted for a four-year rearing period and have received the support provided, can become eligible for the increased support for the remaining contract period for any second and additional cow(s). The differential is disbursed by the Megye animal-rearing inspectorate without the need of a new application.

An example: The small farmer has three cows, of which the first and the second are reared on an annual basis, and the third is reared under a four-year contract. There is still 2-1/2 years to go on the latter contract. In 1981 the support is the following:

2500 forints after the first cow
6000 forints after the second cow

2500 forints after the third cow for the remaining rearing period
(2.5 years at the rate of 1000 forints per year)

It can be seen from the example quoted abive that the fractional year must also be included in the determination of the support differential. (Of course, the support differential is received by the small producer only in 1981, but then for all the remaining years.)

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HEAVY INDEBTEDNESS, REPAYMENT METHODS DISCUSSED

Warsaw ZYCIE GOSPODARCZE in Polish No 50, 14 Dec 80 pp 1, 8, 9

[Round table discussion, materials prepared by Andrzej Lubowski: "Are We Doomed to Indebtedness?"]

[Text] Our indebtedness is assuming alarming dimensions. Total indebtedness will amount to 23.5 billion dollars as of the end of the year. Debt service costs will be an increasing burden on our economy. Are we doomed to further indebtedness? Do any methods exist for postponing repayment of loans? We attempted to answer these and other related questions in a discussion organized by our staff, which included the participation of the following: Stanislaw Dlugosz, deputy chairman of the Planning Commission; Zbigniew Karcz, director of the Foreign Department of the Ministry of Finance; Marian Krzak, Minister of Finance; Prof Marian Ostrowski, director of the Institute of the World Economy; Prof Stanislaw Raczkowski, from the Main School of Planning and Statistics, and Doc Dr Wieslaw Rydygier from the Institute of Finance. The discussion was moderated by Jan Glowczyk, chief editor of ZYCIE GOSPODARCZE.

JAN GLOWCZYK: We presently find ourselves in a situation where further indebtedness is very necessary to us from the standpoint of internal equilibrium, not only economic but also political. On the other hand there prevails a fairly unanimous conviction that we have crossed over a certain threshold of indebtedness, that our indebtedness is excessive.

At the beginning of the 1970's the thesis was strongly advanced that large imports of modern equipment and technology on credit would propel us forward and would become a nucleus for production and export expansion. I was not a supporter of this thesis, but I did give thought to whether, in spite of heavy indebtedness, we should not if possible reach right now for imports as a factor to move the economy from its state of stagnation.

STANISLAW DLUGOSZ: Let us take a look at the conditions under which we shall be compelled to operate in the immediate future. I am thinking about this next year or two. I would not go beyond this point, for there are too many unknown factors. The entire economy has come into a considerable state of disorder. The following are the most clearly in evidence:

a strong tendency toward increased individual and collective consumption, intensified by social-wages solutions in recent months;

a lack, both among the general public and a segment of the so-called decision makers, of an understanding of the necessity of greater discipline in the capital investment process; any actions of this type will find support as long as it only affects one's neighbor;

a continuing import-favoring attitude, as if the state of the balance of payments could permit it;

viewing of export, other than a few exceptions at best, as a necessary evil.

Added to this was a catastrophic production decline in agriculture which, let us hope, will not be repeated this next year, as well as a decline in the production of many of our export items. At the same time demands that we import more, because we are short of so many needed goods, is accompanied by a demand that we export less, on the very same grounds, or at least in order not to impoverish the market. But the best thing would be for us to pay off our debts occasionally. There still is lacking a public awareness and understanding of certain ineluctable interrelationships. One cannot blame the average citizen; it is we who should be blamed, all of us who are in a certain sense responsible for the economic education of the public. Perhaps a certain justification is the fact that matters pertaining to the balance of payments have been a taboo topic until recently. On the other hand, the question of whether we can continue to incur debts demands an answer not only to the question of whether we want to continue incurring debts but also whether there is anybody who will want to continue lending to us, how much, and at what cost.

WIESLAW RYDYGIER: This year debt service, that is, payment of debt installments and interest, will consume all revenues from commodity export to capitalist countries. Next year not only further growth in imports but even maintaining them at the current level depends primarily on what rate of export growth we can achieve. But it will be no easy matter to increase this rate of growth.

Credits obtained in the 1970's did not help increase the export capability of our economy. The bulk of these credits were used for import of supplies, and the import intensiveness of current production has increased greatly. These are the main reasons both for the necessity of limiting imports and for the fact that these restrictions have such a negative effect on production growth capabilities. In addition, import cuts impact primarily on export, for export production is presently more import-intensive than production as a whole. Although the results of the events in August and succeeding months are very hard on the balance of payments, for they affect such important Polish export items as coal, copper and silver, for example, even without them the payments situation would not look rosy and it would be difficult to meet industry's demands for raw materials and supplies.

One must bear in mind that if the resulting partial utilization of productive capacity is maintained for a period of several years, this threatens loss of the modernization effects of capital investment made in the 1970's, although they are very moderate in comparison with past expenditures. Therefore I believe that the earliest possible recovery from the present crisis, even if one takes into consideration that over the short run this will require greater "belt tightening," in

the final analysis is much more advantageous. This must be clearly stated, and an effort must be made to obtain the approval of the public for this way of getting out of the present crisis, for in a few years these capital investments will be obsolete (depreciated).

J. GLOWCZYK: Assuming, however, that we shall sustain additional losses over those already sustained, can limiting capital spending alleviate our repayment difficulties?

W. RYDYGIER: Without question it can. Cuts in capital spending free a certain amount of funds in imports. They also free supply funds from domestic production and limit energy requirements not only directly but also indirectly (for the metallurgical industry and cement industry fall within the group of the largest energy consumers). If these decisions are not made soon, however, imports for these facilities will continue, and domestic production for them will also continue.

MARIAN OSTROWSKI: In my opinion, one restriction to growth of our indebtedness in the immediate future will be capability to obtain loans. In the short run the economy will be guided little or not at all. We shall be subject to pressures on capital spending, on import, and there will be a lack of export incentives. I do not believe that the so-called decision-makers can curb these trends in the short run. The only possible way to maintain blood circulation in the economy will be a further growth of indebtedness. Nor do I view that as a great misfortune, under the condition that new credits are utilized sensibly, better than in the past. It is necessary that we clarify for ourselves and others these trends, their character and force, and particularly their implications.

STANISLAW RACZKOWSKI: Are we doomed to indebtedness? Since we continually receive for our exports less than we spend on imports, we must cover this gap with something. We shall not have problems obtaining new credit only when the potential creditor is convinced that he will get his money back. Consequently he will examine our export capabilities, since in the long run there is no way to control debts other than by exports. Nor should we forget that the greater our indebtedness, the more we must pay in interest. With current interest rates, which are averaging more than 10 percent, we pay more than 2.5 billion dollars annually in interest alone. This is money for which we receive no goods from abroad. This is a net liability on national income. If we assume that in order to obtain one dollar, on which interest must later be paid, it is necessary to export goods the production of which costs us on the average, let us say, 45 zlotys, we come up with a sum greatly exceeding 100 billion current zlotys.

There are countries with greater indebtedness than us, such as Brazil. But its export capabilities are greater. In addition, Brazil has obtained considerable long-term credits, 10 years and longer, is considered a developing country and enjoys preferential treatment by the World Bank. Is this true of us?

Those who believe that we have incurred debt chiefly for capital investment are in error.

W. RYDYGIER: I estimate that approximately 20 percent of credits utilized in the 1970's went for machinery and equipment, approximately 14 percent went for grain and livestock feed, and approximately 66 percent for raw materials and supplies.

S. RACZKOWSKI: The fact is, grain and livestock feed are purchased not on 10-year credit but on two or three year credit at most. Nor does anybody sell rolled product on 10-year credit. As a consequence of the fact that the bulk of our indebtedness has involved purchase of raw materials, supplies, and agricultural products, the repayment periods for these credits are relatively short, and therefore the coming years will be burdened by heavy repayments.

S. DLUGOSZ: I would not want the impression to be created by what Professor Raczkowski said about interest that every year we throw more than 2 billion dollars out the window, that we receive nothing for this money. This is simply the price we pay today for the fact that at some time in the past we purchased something on credit, more or less rationally. Credit always costs.

Brazil was mentioned. A couple of years ago the Brazilians began taking steps to replace medium-term, three to five-year credits with long-term credits, consciously obligating themselves to substantially higher costs for these credits.

W. RYDYGIER: In 1980, however, they did not obtain the total amount of credit they required. This forced Brazil substantially to reduce their foreign exchange reserves. It has recently been reported that Brazil has endeavored to enter the U.S. domestic short-term money market, into which the big corporations and insurance companies have put their cash. In this market Brazil seeks to obtain credit with a 30-45 day repayment term, which can be extended, but not beyond two years. I believe that we too may have difficulty obtaining the amount of credit we shall need.

ZBIGNIEW KARCZ: The point is to determine how much we shall need. If we define essential amount of credit as that sum required to maintain the present level of import and export, and let us not forget about repayments, things will be difficult. I consider as unrealistic a variant whereby loans would also be used to stimulate the economy, and thus assure an additional injection of imports. This means that an operation of the same type as in 1972-1976, even on a smaller scale, is not possible. On the other hand, if we adopt the position that credit should assure us a small import growth, with changes in the structure of import, that is, a decrease in purchases of machinery and equipment, and restriction of agricultural imports in the future, while at the same time not hindering the economy and providing it with essential raw and other materials, such a variant would seem possible, if one condition is met: showing new creditors a solution to the present situation. We shall obtain more if we convince the banking community that money loaned to us will be intelligently utilized.

S. RACZKOWSKI: Particularly since the bulk of our indebtedness is to private banks, not governments.

S. DLUGOSZ: But a large part is guaranteed by governments.

S. RACZKOWSKI: Nevertheless these are private banks, which are interested in whether and when they will get their money back. Consequently the main thing is a program of solution which must specify over the course of how many years we shall achieve our goal of keeping down further growth of indebtedness.

Z. KARCZ: And it must be a program affecting the entire economy, for nobody will put faith in improving the health of foreign trade alone.

S. DLUGOSZ: It is easiest for a strong economy to obtain credit. But a strong economy is not always healthy. I believe that today we are precisely an example of a fairly strong economy from the standpoint of production and raw materials potential and work force skill level, which is going through a crisis of health. The sooner we overcome this ailment, the easier it will also be for us to operate in the credit market.

MARIAN KRZAK: Are we doomed to further indebtedness? The answer is simple: at present we have no other option -- it is a necessity. If it were not for the disaster in agriculture, which will also strongly affect this coming year, and the results of the decline in industrial production in the latter half of this year, I believe there would be a chance of turning around the trend toward increasing indebtedness sometime in 1983. Under the present conditions this moment has been pushed further into the future.

It is the same with a country's economy as it is with any commercial enterprise: that which is prospering well has no difficulty receiving a bank loan. A bank must give loans, for that is its lifeblood. The question is: to whom? If a client generates confidence and guarantees that he will repay the money, the bank will extend loans, you pay back money and immediately receive back that same money. The truth is that the present situation in our country arouses doubts about our reliability among some financial circles in the West. For this reason we need strong conditions for rebuilding that reliability -- the most important condition is precisely an economic program, a clear, sequentially-constructed program covering a period of 5-7 years.

S. DLUGOSZ: Particularly valuable under the present conditions is the understanding shown for our economic situation by our CEMA partners. As we know, the Soviet Union, in addition to increasing goods deliveries substantially above the originally determined figures, has extended to us for this coming year 1.1 billion dollars credit in convertible currencies. Other socialist countries have also been forthcoming to assist us. We shall purchase from them market goods exceeding by more than 200 million dollars the annual trade agreement figures, although we ourselves will be unable to meet our obligations. Let us not forget that we receive credits not only from Western banks. Our membership in CEMA is a considerable external trump card, and our Western partners, when appraising Poland's capabilities, also take into consideration our participation in the processes of socialist integration.

M. KRZAK: Cooperation with the CEMA nations gives us in addition certain flexibility as regards both import and export, although production cooperation possibilities are still far from being fully utilized.

W. RYDYGIER: I consider proposal to our CEMA partners of utilization of our available production capacity to be an important area of utilization of this cooperation to resolve our difficulties. Export of finished products on the basis of orders placed by our partners and utilizing their raw materials can in many areas be mutually beneficial. After all, we shall have available productive capacity, while the bottlenecks are raw materials supply.

M. KRZAK: Such possibilities are being considered, although when the question of this available production capacity is raised, it is usually followed by deafening silence.

Z. KARCZ: Since you mentioned bottlenecks, a questions arises: must maintaining imports at the present level actually mean problems with supplying the economy with raw and other materials? How much import do we really need? For many years now we have been unable to obtain from the Planning Commission and from the ministries an answer to the question of how much is actually needed for: a) maintaining production; b) maintaining or increasing exports. Nobody in this country has made such a calculation. We know only that up to the present time so much import has been required for one percentage point of production. Taking this as a point of departure for further calculations, we are in some measure countenancing the past structure of production and the past excessive import intensiveness.

M. KRZAK: Returning to indebtedness, I believe that one of the main reasons for the present situation is the huge grain imports these last couple of years. A ton of grain, including shipping, costs us more than 200 dollars. And add interest payments to that. What I am about to say will certainly win me no well-wishers and is not a popular thesis, but I believe that we have exceeded our capabilities in the area of food consumption. Underestimation of agriculture and mistakes in agricultural policy led, among other things, to a 10-year lag in crop production in relation to livestock raising, and we have been patching over this gap with grain imports.

J. GLOWCZYK: Does that mean that immediate and long-range actions to boost agriculture should today be one of the principal ways of solving our payments problems as well?

W. RYDYGIER: I should mention that over the entire last decade only 14 percent of credits went for purchasing grain and feed.

M. KRZAK: One could dispute those figures.

M. OSTROWSKI: But let us not argue about whether the figure is 14, 16, or even 18 percent. The important thing is that if we had produced much more grain and root crops, this would have greatly eased the balance of payments.

W. RYDYGIER: It certainly would have helped, but it would not save the situation.

M. KRZAK: The decline in agricultural production in this country was accompanied by growth in food consumption. And if to that we add migration from the farm to the city....

J. GLOWCZYK: Precisely. The point is not growth in the overall level of consumption but only the fact that a couple of million people who formerly had been obtaining their food directly on the farm, were now in the city.

M. KRZAK: And these are different consumers. One cannot call the migration proper a negative phenomenon, but the growth in consumption connected with this migration was occurring and to a large degree continues to occur on the basis of credit.

M. OSTROWSKI: Let us not get into an argument over high consumption, for this assertion is highly debatable. A more important point is that agricultural potential is far from being fully utilized, while in the 1970's with growth in the aspirations of the public, including the area of consumption, possibilities for growth of agriculture were impeded.

M. KRZAK: In 1974 we had the same number of hogs as today. But at that time we were importing 3-3.5 million tons of grain, while in recent years the figure has climbed to 8-9 million, not to mention this year's crop failure, as a result of which we must purchase abroad 10 million tons of grain and feed as well as substantial quantities of foodstuffs. The cost of fattening a head of stock has increased greatly. And this item is weighing increasingly more heavily in the structure of our imports and indebtedness. The price system is also not without influence on the enormous waste occurring in production and utilization both of feeds and foodstuffs.

Take the example of carp, a matter which I recently raised publicly. Seemingly a trifling item, but it has become more important as the holidays near. The correspondence I have received has also included letters from carp breeders. They write that carp are in short supply because the price is such that it is not very profitable to raise them. Let us consider what is better: to maintain a low price domestically, to suffer a shortage, and to import for dollars, or to raise the price and have sufficient domestic production? Or take potatoes. As long as the price was low, there were no potatoes available. The price was made more flexible, and potatoes appeared on the market. Consequently causes of the excessive import intensiveness of the agricultural-foodstuffs area are also to be found in the price mechanism proper. But this does not apply only to that area. Our industry solves all problems most easily by means of imports. General waste is most easily remedied by imports. An import does not cost the importer anything. Until we basically solve this problem, pressure toward increase in indebtedness will not disappear.

J. GLOWCZYK: I do not agree with the thesis which derives our payments difficulties from excessive food consumption and grain import. This thesis cannot be defended. I return to the past, since if we do not provide ourselves with an answer to the question of why we have gone into debt, we shall not construct a correct program of solution. And we went into debt chiefly because we imposed an unprecedented rate of capital spending, with a poor structure of capital investment. With a structure which was abstracted from agriculture, among other things, we left agriculture in the lurch, and when it was necessary to save the situation, the decision was for the worst type of financing of agriculture, namely huge grain imports.

M. KRZAK: I do not see any difference between our views. But of course I was saying that agriculture has been improperly developed, that we failed to build a domestic food production base.

J. GLOWCZYK: Consequently let us clearly state that our indebtedness lies in 700-800 billion zlotys of frozen capital outlays with a faulty structure, in a commitment amounting to 1 trillion 200 billion. What is worse is that we shall not derive much from this. How much of this represents imported equipment? Much more than would seem from the labels on the machinery, for there is considerable import involved even in domestic production of machinery, for imported metal, imported fuel, etc are utilized in its manufacture. If the structure of these outlays were reasonable, it would be much easier to come out of the crisis. But this way we are doomed to bury a portion of those outlays. And the more consistent we are in capital spending cuts, the better it will be. We have not been done in by large imports of foodstuffs. Import of foodstuffs became a tactical measure when there was no other solution.

M. KRZAK: The entire process of indebtedness can be divided into two phases: in the first phase, in the years 1972-1975, dominant elements included very spontaneously growing capital investments, which were more and more committing our production potential, as well as forcing us into considerable import of raw materials, which cost us so much and is continuing to cost. On the other hand, later there occurred substantial imports of grain and feed; in the period 1976-1979 trade in agricultural-foodstuffs items, not including shipping costs and interest payments, resulted in an unfavorable balance amounting to more than 2.7 billion dollars, while this year this negative balance increased by 1.3 billion dollars in the first 10 months of the year. Consequently there are several sources of today's state of indebtedness. As the most important source I would name the capital investment fever of the years 1972-1975, which caused a considerable growth in the import intensiveness of our economy.

M. OSTROWSKI: We wanted to accomplish something which nobody in history had accomplished, even under more favorable conditions, without resorting to external sources of financing. We wanted, namely, simultaneously to push both industrialization (and therefore capital investment) and consumption, and within such a short period of time. This development strategy, combined with our system of operation, which failed to adjust for desire and inflated ambitions, could not help but result in indebtedness. And the fact that at the beginning greater capital purchases abroad were conspicuous, with a later bailout by importing grain, was obviously the logic of this process.

S. DLUGOSZ: Let us also mention external elements which fostered indebtedness.

First of all, creditors recognized immediately that our policy of dynamic development would produce results, and in the second place at the beginning of the 1970's a favorable credit-coproduction transaction was conducted with Fiat -- I am referring to the license agreement for the 126p, and it seemed that each additional agreement would be a duplicate of those benefits. In the third place, as regards seeking credits, let us call them supply credits, for chemical, metallurgical or textile products, this coincided in time with a recession and relative overproduction in Western Europe, especially in the steel industry -- this was the reason why it was so easy to obtain these credits, even five-year credits.

M. OSTROWSKI: And what will the future bring? Increased indebtedness is inevitable. The question is how should we utilize this growth in indebtedness in order to initiate a process of putting our economy in order and nursing it back to health. Our maneuvering room is even narrower than it would seem. I do not believe that structural changes in the world economy have favored us, and together with a decline in coal export we shall be dealing in fact with a drop in our "terms of trade." We shall be compelled, with a higher debt ceiling, to operate under conditions of greater nervousness and uncertainty.

The word "moratorium" has not yet been used in this discussion, a word which has begun to appear in some publications as an antidote to our problems. Let us elucidate just what a moratorium is.

S. RACZKOWSKI: A moratorium is agreement by a creditor to defer repayment. It applies to specific credit agreements. We are dealing with a moratorium when we say: Gentlemen, we are unable to pay. We would like to request that you defer for

us all payments for, say, four years, and when those gentlemen would agree. A moratorium does not reduce my indebtedness by a single cent, but merely puts off the burden of repayment to a later date.

J. GLOWCZYK: But interest payments continue to come due.

S. RACZKOWSKI: It could be either way, depending on the type of moratorium. The best example I know is the Hoover moratorium of 1930, when the United States unilaterally agreed to suspend war debt service. And that suspension is still running. We owe the U.S. Treasury Department 200 million dollars in debts and 400 million dollars interest.

S. DLUGOSZ: For materiel supplied to Haller's army.

S. RACZKOWSKI: We should stress that a moratorium deferring repayment to a later date eases the psychological burden. It gives a feeling of relief and relieves pressure.

S. DLUGOSZ: And everybody is pleased that it is possible to resume imports.

S. RACZKOWSKI: Precisely. Or to go into debt again. But after all, the very declaration of moratorium will eliminate the possibility of obtaining new loans, for who will be inclined to loan money to unreliable debtors?

Z. KARCZ: In the public's eyes the word "moratorium" is like a wonder-working pill, a fine Bayer aspirin tablet which will take care of the matter of indebtedness and will assure the possibility of imports. But we must state quite openly and with brutal frankness: if beginning this next year we do not have a growth in export, we shall not be able to maintain the past level of import.

S. RACZKOWSKI: On the other hand, refinancing is a measure of a different nature. I pay off old debts with current export revenues and contract new debts for new imports. This procedure compels a concrete export effort, as well as import frugality.

I doubt whether anybody will believe that our programs are realistic as long as we are such spendthrifts as at the present time. The Japanese have reduced their oil consumption by 10 percent, the French by 8 percent, and the Americans are also consuming less today than yesterday. But what about us? We must economize, in coal, for example, for coal can generate considerable foreign exchange. I see a need for an extensive economy campaign from the standpoint of foreign trade. Let us get "Solidarnosc" involved; let the "Solidarnosc" committees at the various enterprises commence seeking out possibilities of achieving economies.

Z. KARCZ: What else militates against a moratorium? Announcement of a moratorium involves certain formal-organizational measures not only on the part of the debtor and creditor. Therefore things do not end with the creditors giving their consent and the debtor accepting specified conditions. Our principal creditors belong to the Common Market, to the European Economic Community, and this affiliation brings concrete consequences. For example, as regards existing agreements, if we were to declare a moratorium, nowhere else could we obtain additional loans. That is, our maneuvering room would then be narrowed just to that group of countries.

Here is another reason why we must, in my opinion, avoid a moratorium.... For this would additionally restrict our freedom of decision. Let us hope that we succeed in managing our economy better than those who would be directing us in case of a moratorium agreement. The example of Turkey shows us that this is not a happy solution, since after two years the state of its economy and balance of payments is worse than when negotiations began.

S. RACZKOWSKI: Let us define some terms:

rollover -- this means obtaining new credit from the same creditor, in the same amount as before, although not always on the same terms; proceeds of the new loan are used to pay off the old loan;

refinancing means obtaining new loans from different creditors to pay off old debts;

rescheduling is a change in the terms, with the agreement of creditors, on which loans were obtained -- as a rule it means extending the period of repayment;

we have already defined moratorium;

repudiation is unilateral refusal to acknowledge or pay a debt.

The difference between moratorium and repudiation is not insignificant, for a moratorium is accomplished with the consent of the creditor, who does not attempt to attach the debtor's property abroad. On the other hand, if a debt is repudiated, creditors may attach the debtor's assets in foreign banks and even slap a lien on the debtor's ships which visit foreign ports.

M. KRZAK: Since many journalists advise us to declare a moratorium, I suggest that methods of practical solutions be left to the experts, for we are dealing here with a very important matter. our reliability. Our main concern is to reduce the burden of loan payments.

W. RYDYGIER: Returning to our own backyard, I repeat that import of raw and other materials is our main payments problem. Two-thirds of loans obtained in the 1970's went to pay for these imports. These imports are at the present time a fundamental condition for the functioning of industry. I submit that we can scarcely count on obtaining the credits we need with the present structure of production and consumption. We cannot count on credits enabling us to restore our economy to health. Conclusion: in addition to capital spending cuts and measures to improve the situation in agriculture, serious changes are needed in the structure of consumption of certain raw and other materials. This means giving up certain products and restricting others. Otherwise we shall not be able to escape from this vicious circle.

S. DLUGOSZ: The possibility of obtaining additional loans depends on the kind of loan. It will be easier to obtain transaction credits than finance credits, for the former are credits promoting our partners' exports. I am essentially a moderate optimist as regards the possibility of financing our import needs this next year. We must, however, obtain terms whereby new credit operations will not excessively increase our indebtedness. Obviously, as I have already stated, we have a great

deal of work to do. If we are unable to present a convincing program, the doubts expressed by Docent Rydygier may prove justified. They will help us when they see the program.

M. KRZAK: They will help us when they see that we are helping to solve our own problems.

S. DLUGOSZ: The Polish public must realize that the events of recent months have weakened our partner position, like it or not, if only by an enormous reduction in the export of certain goods which are very important both for us and for our contracting parties, both in the nations of the socialist community and in the capitalist countries. We are defaulting on signed contracts, and it is necessary to restore as rapidly as possible our damaged reputation as a solid partner.

M. OSTROWSKI: I am reminded of the story about the economist who found a can of food on an uninhabited island. Other than that he had nothing in his possession, no tool or implement. He said to himself, however: "Assuming that I have a can opener." You might ask what my point is. I would not want anybody to draw the following conclusion from our discussion: we are having difficulty obtaining credit, but when we obtain funds for imports, then.... It has been stated time and again during this discussion that the final key to a solution to the crisis lies within our economy. Put specifically, we must find ways to transform these imports into efficient production, including export production.

It would be a delusion to expect that anybody today would be capable of building such a program without obtaining public support. The point is to give such a program the concrete content of essential economic actions which free reserves. And -- above all -- we are not trying to convince anybody that it will be easy.

S. DLUGOSZ: Returning stabilization is not an instantaneous thing, but a process extending at least several years. The public must get used to that idea.

M. KRZAK: And we shall have to strengthen our economic reliability among our partners abroad.

3024
CSO: 2600

DRAFT THESES ON AGRICULTURAL DEVELOPMENT

AU271535 Bucharest AGERPRES in English 1140 GMT 27 Dec 80

[Text] Bucharest, 27 Dec (AGERPRES)--The Romanian newspapers of 27 December print the draft theses of the National Council of Agriculture for the Second Congress of the Management of Socialist Farm Units, of the entire peasantry.

Highlighting the substantial achievements scored in the Romanian agriculture in the 1976-1980 quinquennium, the draft document points out that the volume of investments in agriculture has risen, as against the 1966-1970 5-year period by 144.8 percent, while farm output has been 4.1 times bigger in 1980 than in 1950.

Complex measures are laid down for the more sustained development of this basic sector of the country's economy in the future quinquennium period when a deep-going agrarian revolution is to be made and the process of modern, intensive development to get more marked.

Land--the draft document points out--is the property of the entire people and therefore must be used, no matter the character of ownership, in best conditions according to the provisions of the laws, the needs of the national economy and the interests of society.

In connection with the objectives set for the 1981-1985 5-year plan period by the 12th Congress of the RCP, emphasis is placed on the large volume of irrigation, drainage and soil erosion control operations, the improvement of acid terrain, etc, the reclamation for agriculture of another 154 thousand hectares so that the arable land of the country should reach 10 million hectares in 1985. At the end of the next 5-year interval, agriculture will have 140-145 thousand tractors of increased power, 40-42 thousand self-propelled combines, as well as a wide range of machinery allowing of the integral mechanization of basic farm operations, the performance in good conditions of operations in the vegetable and tree-growing sector, in viticulture, as well as in fodder-gathering. In the field of chemicalization, it is stipulated that 3.8-4.0 million tons high analysis fertilizers be used in agriculture in 1981, further attention being given to natural fertilizers, ashes and lime additions.

The provisions of the 5-year plan regarding the implementation of this comprehensive programme have a powerful support in the substantial volume of investments from the funds of the state and of the producer cooperative farms.

In the 1981-1985 quinquennium, farm output will grow by 24.5-27.5 percent. The main stress will fall on the increase of the cereal production stipulated to reach 27-28 million tons a year. Important production increments are stipulated with technical crops, particularly with sugar beet, sunflower, flax and hemp. The importance is highlighted of implementing the programme of development and modernization of vegetable-growing,so that this sector ensures in 1985 a 5.4-5.7 million ton production. As for fruit tree-growing it is stipulated that the action of modernizing existing orchards and setting up intensive and super-intensive ones will be concluded by 1982-1983 so that by the end of the quinquennium production will also be obtained from the new orchards and an improved structure by varieties and species will be obtained. The share of zootechny in farm production is to reach 45-50 percent in 1985, the question of ensuring the proper fodder base being solved.

Highlighting the tasks incumbent on farm bodies at all levels, on socialist units and farm producers, on people's councils and on the ministries concerned with the attainment of these objectives and tasks the draft theses stress the significance of improving planning and developing scientific research in agriculture.

With a view to utilizing, with maximal efficiency, all the material resources and manpower, the volume of the small-scale industry and the value of services in rural localities is to double until 1985. Measures will be taken for the development of the processing industry in small units allowing for the industrialization, on a local plane, of some farm products. To this end, starting in 1981, small-capacity factories for the processing of sugar beet, sunflower, vegetables and fruit will be built.

The joint state and cooperative agro-industrial councils will see to the intensification of production and growth of the economic efficiency of the entire activity, further focusing on the major objective of generalizing the actions of association and cooperation among farm cooperatives, between farm cooperatives and state units and consumer cooperatives in farm production, its superior processing and capitalization, as well as in the field of the small-scale industry, of building operations and services.

Stipulated is also the steady improvement of the activity carried on by farm machinery stations, their organic integration in the production activity of farming units. They will be responsible, alongside their management bodies, for the production and economic results scored.

The document stresses the need for action towards the improvement of the production and financial activity of all state farm enterprises.

Stressing the decisive role devolving on producer cooperative farms as basic units of agriculture, the draft theses highlight the constant concern of the RCP leadership for the improvement of cooperative democracy. In producer cooperative farms--the document points out--action will be undertaken with a view to ensuring a climate appropriate for collective debates on all questions, particularly within the collective management bodies as well as in general meetings, so that the broad masses of cooperative farmers have their say with regard to all the decisions which are to be made and on which the fulfillment in best conditions of the production tasks depends.

Also highlighted are the tasks incumbent on agricultural bodies in actively supporting the cooperative farmers, the other inhabitants of the respective villages, the individual farmers in non-cooperativized areas with everything necessary so that the production potential of individual farmsteads be better capitalized.

In all units, farms and production sectors the principles will be firmly applied of self-management and of the new economic-financial mechanism. The basic criterion in assessing the results scored in each production sub-unit, each collective, will eventually be the net production and the volume of profits. In this context, the theses highlight the tasks devolving on the relevant ministries and the other agricultural bodies, the bank for agriculture and food industry as regards the economic-financial consilidation of each unit, the rigorous application, in all farm units, of the socialist principles of remuneration in keeping with the amount and quality of work done and the results scored in production, as regards the equitable distribution of the incomes derived from work, the setting up and management of the fund of the working people's profit [word indistinct].

The draft theses emphasize the attention paid to the steady improvement of working conditions, social insurance of farm workers, protection of mother and child, of the family, the ensurance of all social rights that the peasantry, the other working people in agriculture have by law. At the same time, the document shows, attention will be paid to recruiting, training and improving the qualification of the agricultural labour force.

A chapter in the draft theses refers to the betterment of the work style and methods of the Ministry of Agriculture and Food Industry, the National Union of Producer Cooperative Farms, of their territorial units, of the activity of the management boards in farm units, to the improvelent and expansion of democracy in all sectors of agriculture, to the ensurance of a more active participation of farm workers in the entire political, economic and social life of the country.

CSO: 2020

AGRICULTURAL COMBINE DIRECTOR INTERVIEWD ON PROSPECTS

Belgrade DUGA in Serbo-Croatian No 174, 25 Oct 80 pp 26-27

[Interview with Jovan Tomovic, general director of Takovo Agroindustrial Combine, by Dusan Savkovic: "Task Number One--The Battle for Food"]

[Text] [Question] Please introduce to our readers the organization which you head.

[Answer] The Takovo Work Organization is engaged in primary agricultural production, the food processing industry and trade. The combine employs 2,700 workers. A much larger number of private farmers have relations with the combine concerning primary agricultural production. We produce 60,000 tons of food a year and have sales of 3 billion new dinars. The conception of an interlinked cycle of development was adopted at the very outset. In a proportional breakdown the food processing industry represents 70 percent of our activity, farming 25 percent and trade 5 percent. I can confidently say that over the 20 years of our existence and operation we have achieved very important results, especially in developing processing capacities in the plants of our food processing industry, that is, in our factories. We began with farming. We planted large orchards and engaged in livestock raising. We soon saw that this kind of production yields a small income and we turned to the food processing industry. Our 60,000 tons of food represent an important achievement. Nevertheless, we are striving for a still higher degree of finalization, to master new technologies and to improve existing ones through innovations. We have purchased foreign know-how in cases when we did not have our own solutions. We are still producing some of our products under foreign licenses: Eurocream, vodka, grape soda....

We Are Not Exporting Enough Because We Are Not Producing Enough

[Question] You are aware that many plants in the food processing industry have been built (coffee-roasting plants, meatpacking plants, flower and oil mills, canning plants, sugar mills, and so on) and that there are now problems with the raw materials necessary for production?

[Answer] That is unfortunately the case even with us. This is the weak point in our development to date. We have built plants and we have been developing them, but we have not secured the raw material base. There is also a high content of substances which we purchase for foreign exchange in the technology of some of our products. For example, we purchase hazelnuts, spices for soups, essences for production of candies and sweets, and then containers, various types of foil, and so on. Aside from these imports which Takovo purchases directly, we also consume petroleum derivatives which though we do not pay for them in foreign exchange, the government does, which in the end is the same thing. Incidentally, when you buy a kilogram of sugar in a store, foreign exchange has been spent even in that kilogram. The equipment for sugar mills is purchased for foreign exchange. However, the share of foreign exchange in Takovo's total output does not exceed 8 percent. This is not much, but in connection with the plan covering the period from 1981 to 1985, which calls for us to reach 100,000 tons of food, which is almost twice as much as today, with minimum investment, we are looking exclusively to domestic raw materials.

[Question] What is the largest concern of the working people of Takovo at this moment?

[Answer] In the short run our principal preoccupation today, that is, our greatest concern, is to achieve maximum output after thorough studies and with the highest possible efficiency. This is our primary task in the stabilization program and in Takovo's contribution to the supply of the market and to augmenting exports. After all, we often hear today that we are not exporting enough. This is an argument frequently used. Why are we not exporting more? Because we do not have anything to export. This should be stated frankly. It is well known that we are importing meat. There is an embargo on the export of sugar. Nor are we exporting coal, since we do not even have enough for our own needs. We are not exporting grain for well-known reasons. The observation stands: the question of larger exports is a question of larger production and higher productivity.

On the Policy of Tightening the Belt

[Question] Do your workers work on Saturday and Sunday?

[Answer] Yes. Not all of them, of course. These are the factories producing Eurocream and soups. The only ones who work are those who themselves decide to spend Saturday or Sunday on the job.

[Question] Many people feel that those are not the right solutions?

[Answer] We need to produce more. This we have proclaimed. Probably overtime work on Saturday and Sunday is not the best solution, but at this point when there is a shortage of Eurocream and soups on the market as well as for export, I think it would not be good management if we did not also make that Saturday and Sunday effort.

[Question] Is the policy of tightening the belt also being conducted in Takovo?

[Answer] No. That would not lead anywhere. We would shut ourselves into a vicious circle. That philosophy of merely surviving really leads nowhere.

[Question] It is thought by some and is a matter of discussion that there are no longer real incentives for higher productivity, that is, because of doubt about the true and fair evaluation of labor, mainly because of the drop in real personal income. If that is the case, how, then, are you going to double production as you mentioned a few moments ago?

[Answer] I do not agree that there are no incentives. We do have incentives at Takovo. Through our labor we have created a large amount of income. A drop in incentive and motivation to raise productivity did come into view. I think that we intervened in time, that we averted that danger. Now we evaluate the price of labor, of course in line with the results we are achieving. Prices are rising, the standard of living of the working people is threatened, and we must compensate for that. So, the rise of real personal income in Takovo, and certainly that will occur, will be based on higher productivity, but partially, to a far lesser extent, on higher prices of our products as well. Income per worker in Takovo is higher than the average income in our republic, but our personal incomes are still lower than the average in the republic. The reason is that we allocate from income a sizable portion for development and for adoption of new technology. I am certain that we have the full consent of the workers, of the entire collective. We are building facilities that are part of the social standard of living, the school system, the health system, and every year we are hiring 200 new workers. It is not a matter of indifference to us where we will eat and how we will eat, where we will get medical care when we are sick, where our children will spend time while we are at work, where we will study, how we will employ new workers, and where we will live. Every year we are purchasing between 30 and 50 dwelling units.

[Question] Over the last several years, to speak in general terms, neither productivity nor real personal income have risen very much. Only prices have been rising. In your opinion has real personal income in the combine which you head been higher than productivity, and is it still?

[Answer] No. It has not been. Nor is it today.

[Question] Is there a fear of the risk of new but also lucrative investment projects? Hasn't the fear of unnecessary investments cramped investment in authentic projects which are very necessary?

[Answer] There is no such fear in Takovo. We have just brought onto the market a new product of ours, "Takovo fruit," and construction of a new

plant to produce a product made of flour, milk, sugar and eggs is under way.... This product is called "Brioche." This is a piece of light yeast pastry which is soaked with fruit syrups and juices. This is all made of domestic materials, of domestic raw materials. I must say that in Takovo we have an educated working class, that we have insisted on that. Our workers have been working, but they have also been learning. This is what makes it easier for us to adopt important and far-reaching decisions.

Slaughtering of Livestock--Inestimable Damage

[Question] You spoke about exports. What is Takovo exporting?

[Answer] A million bottles of alcoholic beverages, mainly plum brandy. About 1,000 tons of Eurocream a year to Kuwait, Greece and Syria. We are also exporting soups in packages, forest products....

[Question] You have given up livestock raising?

[Answer] Livestock production is not guided by a precise and long-range policy. The process of reproduction in cattle raising, for example, is a rather lengthy one, since we change many things in the 3 years required for that reproduction. The slaughtering of young livestock, calves, piglets, and lambs, is closely related to this inconsistent policy, though traditions as to our diet also have something to do with it. This is causing us inestimable harm. We believe that suckling pig is the best meat, though it is not, and so on. There has been neglect of sheep raising, which requires neither a great deal of work, nor large investments. We have purchased 1,000 ewes and have put them out mainly with farm households where there are no young people in regions which have abundant pastures. This is in the experiment phase at present. From the cooperators we will get young lambs for export. However, livestock raising should be viewed in the context of farming in general, in which, in my opinion, little has been invested. The prices of farm products are high, since little is produced.

[Question] Do you see the road which Takovo will take in the future?

[Answer] We are paying extremely close attention to the market, i.e., to marketing. I think that we suffer from the small scale of production. At the most two or three out of every 100 enterprises have a marketing service, which means that they do not follow the market, that they do not know it. That is why they are producing everything under the sun, usually goods for which it is hard to find a customer. Through its systematic actions Takovo follows the consumption and sales of its products, and has its ear to the market. We are investing a great deal in marketing, nearly half of the funds we have invested to build the combine. The confirmation has been forthcoming. Members of the work force have remarked to us that the results of our investment are visible and evident, since they yield results.

[Question] Let us return to the beginning of our conversation. You said that the Takovo Combine had from the outset given up what is referred to as primary agricultural production and that your principal weakness is not having secured a raw materials base. How do matters stand now?

[Answer] Yes, that was the case. But now we are again returning to primary agricultural production. We face a resolute battle for food, to increase production in farming, that is, in field cropping, fruit growing, market gardening, and livestock raising.... We have serious plans. As much food as possible will also be our goal.

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CSO: 2800

END

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14 January 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2082

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14 January 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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GROWTH IN EAST-WEST TRADE SEEN DECLINING

West Berlin DIW-WOCHENBERICHT in German Vol 47 No 46, 13 Nov 80 pp 473-479

[Analysis by Heinrich Machowski, German Institute for Economic Research, West Berlin: "East-West Trade: Decline in Growth Rate at the Beginning of the 1980's"]

[Text] In 1979, the CEMA countries' volume of Western exports and imports increased at an accelerated rate. In part, however, this is attributable to sharp price increases that resulted on the one hand from the rise in the price of Soviet oil shipments and on the other hand from increases in the prices of Western grain shipments to the USSR. This year, the rates of expansion of East-West trade are likely to decline. This development will continue in the next few years, since both in East Europe and in the OECD area economic growth will be insignificant. Moreover, the smaller CEMA economies must try to reduce the high deficits in their Western trade balance by curbing the expansion of imports.

In nominal terms, trade between the European members of the Council for Mutual Economic Assistance (CEMA)[1] and the OECD states--i.e. East-West trade--expanded at an accelerated rate in 1979.[2] Calculated in transfer rubles (TRbl)[3], Soviet exports to the West exceeded by nearly 50 percent the export volume of the preceding year, while the total Western exports of the smaller CEMA states--CEMA(6)--increased by more than one-fifth. Imports expanded as well, although in this sector the growth rate was not as high: In 1979, the Soviet Union's Western imports increased by approximately 20 percent, while the import volume of the other CEMA(6) states expanded by approximately 10 percent. The Soviet Union was able in 1979 to reduce its trade balance deficit vis-a-vis the West by 2 billion to TRbl 0.5 billion. In this respect, the smaller CEMA economies were less successful: They reduced their deficit by 0.7 billion to TRbl 3.7 billion.

The most important cause underlying these high East-West trade growth rates was the pronounced rise in foreign trade prices. However, only rough estimates can be made in regard to the price component: The Soviet Union, for example, only publishes data on the average price trends in the trade with the so-called nonsocialist world (Western industrialized countries and developing countries); according to these figures, in 1979 the average prices of exports to the West rose by 45 percent as compared to the preceding year, while the average prices of Western imports increased by 13 percent. Thus the terms of trade improved by nearly 30 percent. As regards Poland--after the USSR the second most important energy and raw material

supplier in East-West trade--the 1979 figures show another improvement of the trade ratio (by 6.5 percent; 1978: + 7.5 percent).

Development of the CEMA Countries' Western Trade[1)]

RGW-Länder 1)	8) Ausfuhr 2)						9) Einfuhr 2)					
	1970	1975	1976	1977	1978	1979	1970	1975	1976	1977	1978	1979
	10) Mrd. TRbl 3)											
Bulgarien 2)	0,26	0,36	0,47	0,48	0,53	0,85	0,32	0,96	0,78	0,74	0,79	0,87
CSSR	0,70	1,17	1,20	1,37	1,47	1,75	0,82	1,57	1,75	1,87	1,99	2,28
DDR 4) 3)	0,90	1,69	2,06	1,84	1,95	2,34	1,17	2,45	3,12	2,82	2,77	3,72
Polen 4)	0,91	2,42	2,64	2,82	3,15	3,53	0,84	4,63	5,09	4,65	4,60	4,56
Rumänien 5)	0,64	1,39	1,64	1,62	1,86	2,35	0,70	1,68	1,66	1,93	2,38	2,61
Ungarn 6)	0,59	0,95	1,17	1,27	1,33	1,74	0,67	1,61	1,53	1,80	2,16	2,18
RGW(6)	3,90	7,97	9,16	9,40	10,29	12,56	4,52	12,70	13,93	13,81	14,69	16,22
UdSSR 7)	2,21	6,17	7,90	8,87	8,79	12,80	2,57	9,75	11,18	10,64	11,24	13,34
RGW(7)	6,11	14,14	17,06	18,27	19,08	25,36	7,09	22,45	25,11	24,45	25,93	29,56
	11) Veränderung gegenüber dem Vorjahr in vH											
Bulgarien	+ 10,1	+ 3,8	+ 32,2	+ 3,4	+ 8,9	+ 60,4	+ 38,0	+ 40,7	- 18,6	- 4,7	+ 6,7	+ 9,7
CSSR	+ 9,4	- 6,0	+ 2,7	+ 14,1	+ 7,7	+ 18,5	+ 26,0	+ 2,0	+ 11,5	+ 7,0	+ 6,5	+ 14,6
DDR	+ 7,6	- 5,3	+ 21,7	+ 10,4	+ 5,9	+ 19,8	+ 32,1	- 0,4	+ 27,7	- 10,1	- 1,8	+ 26,2
Polen	+ 19,2	+ 9,0	+ 9,1	+ 6,6	+ 11,8	+ 12,2	+ 4,2	+ 17,2	+ 9,9	- 8,8	- 1,0	- 1,0
Rumänien	+ 20,2	- 8,8	+ 18,1	- 1,4	+ 14,7	+ 26,3	+ 5,1	- 13,1	- 1,4	+ 16,5	+ 23,3	+ 9,7
Ungarn	+ 22,5	- 8,8	+ 22,8	+ 8,2	+ 4,6	+ 30,8	+ 42,2	+ 3,5	+ 8,3	+ 17,9	+ 19,9	+ 1,0
RGW(6)	+ 20,8	- 0,5	+ 15,1	+ 2,3	+ 9,4	+ 22,1	+ 19,0	+ 7,5	+ 9,8	- 1,0	+ 6,4	+ 10,4
UdSSR	+ 4,7	- 2,4	+ 27,9	+ 12,5	- 0,9	+ 45,6	+ 11,5	+ 57,4	+ 14,7	- 4,9	+ 5,7	+ 18,7
RGW(7)	+ 14,4	- 1,6	+ 20,7	+ 7,0	+ 4,4	+ 32,9	+ 16,2	+ 24,7	+ 11,9	- 2,6	+ 6,1	+ 14,0
	12) Westhandelsanteil (Gesamtausfuhr bzw. -einfuhr = 100)											
Bulgarien	14,2	10,1	11,7	10,5	10,3	14,4	19,1	23,8	18,7	15,9	15,2	15,5
CSSR	20,4	20,0	18,4	18,8	18,5	19,9	24,9	24,8	24,9	23,6	23,4	24,1
DDR	21,9	22,5	24,3	20,5	19,7	20,8	26,7	29,0	31,8	26,4	25,5	28,9
Polen	28,4	31,5	32,0	30,7	31,3	31,3	25,9	49,5	49,1	42,5	40,2	37,3
Rumänien	32,3	35,0	35,9	31,0	33,7	36,1	40,4	42,2	36,5	36,9	39,1	35,7
Ungarn	28,4	22,3	23,7	22,1	22,5	24,4	29,6	28,4	28,2	28,9	30,1	28,4
RGW(6)	24,0	24,3	25,0	22,9	23,1	24,7	27,2	34,2	33,7	30,3	29,8	29,8
UdSSR	19,1	25,7	28,2	26,7	24,6	30,2	24,3	36,6	38,4	34,6	32,3	35,3
RGW(7)	22,0	24,9	26,4	24,6	23,8	27,2	26,1	35,2	35,7	32,0	30,8	32,0

Key:

1. CEMA countries
2. Bulgaria
3. GDR
4. Poland
5. Romania
6. Hungary
7. USSR
8. Exports
9. Imports
10. Billion TRbl
11. Change (%) against the preceding year
12. Share of Western trade (total ex- and imports = 100)

Footnotes in the Table: 1) OECD countries. 2) Conditions: f.o.b.; Hungary imports: c.i.f. general trade; purchasing or supplying country; USSR: Country of origin and destination. 3) The transfer ruble is the CEMA countries' foreign currency unit. Until 1971, its assigned value was: U.S. $1.11; 1975: $1.39; 1976: $1.33; 1977: $1.36; 1978: $1.47; 1979: $1.53. 4) So-called capitalist industrialized countries (aggregate return). Sources: Foreign trade statistics of the CEMA countries; DIW calculations.

Poland's export prices increased by just under 10 percent, while import prices only showed a 3-percent increase. By contrast, Hungary had to accept a slight deterioration of the terms of trade (-1.5 percent): Here the average export prices rose by 9 percent, while the average import prices increased by 10.5 percent.

Nominal and Real Development of the CEMA Countries' Western Trade[1] (1979 as compared to 1978 in %)

	RGW(6)6)	UdSSR 7)
Ausfuhr der RGW-Länder 1)		
Wert 2)	+ 22	+ 45,5
Preise (Durchschnittswerte) 3)	+ 12	+ 45,5
Volumen 4)	+ 9	0
Einfuhr der RGW-Länder 5)		
Wert	+ 10,5	+ 18,5
Preise (Durchschnittswerte)	+ 8	+ 13
Volumen	+ 2,5	+ 5
Terms-of-Trade')	+ 3,5	+ 29

Key:

1. CEMA exports
2. Value
3. **Prices (average values)**
4. **Volume**
5. **CEMA imports**
6. **CEMA(6)**
7. **USSR**

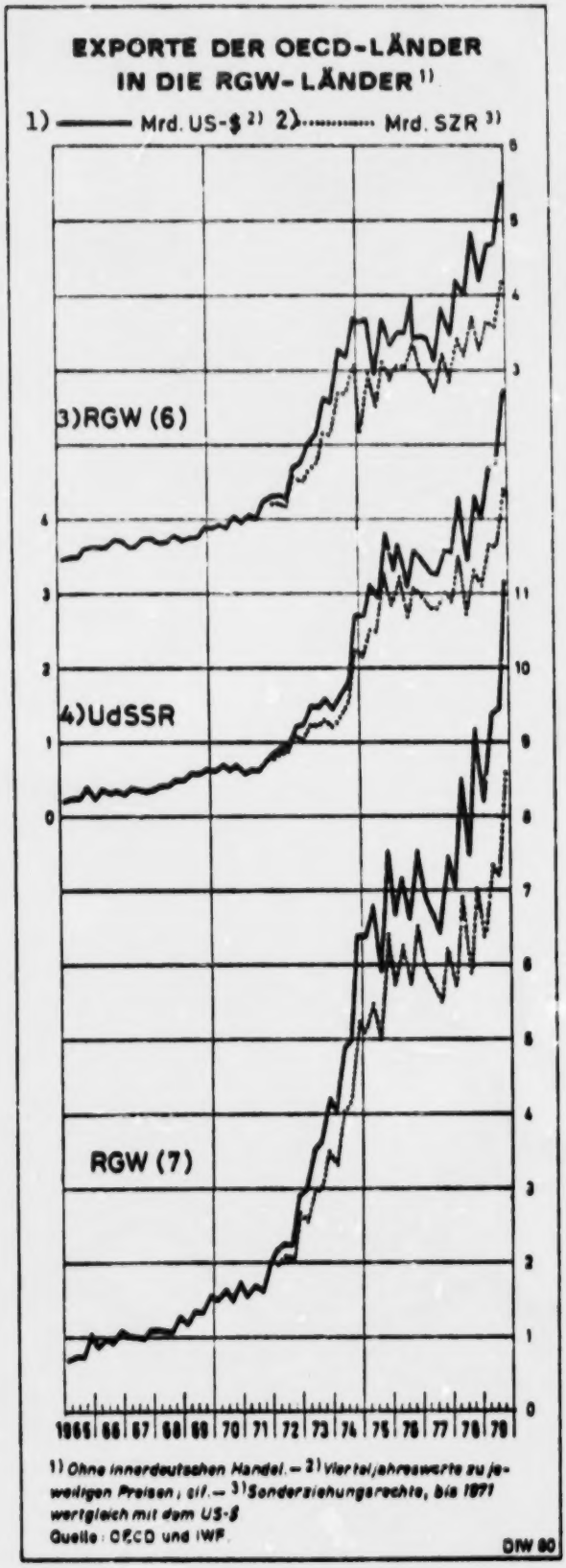
Footnotes in the Table: 1) Estimate. 2) Changes in export prices as % of the changes in import prices.

The ECE has submitted the first detailed evaluation of prices in East-West trade.[4] According to this report, during the period from 1970 to 1977 Soviet imports from the West--showing an average real increase of 12 percent per year--expanded more rapidly than did the country's exports (4.5 percent). In 1979, this trend continued, that is to say that the Soviet economy's commodity receipts were considerable. During the period from 1970 to 1977, this trend prevailed in the smaller CEMA countries as well: The annual import growth rate amounted to 8.5 percent, while exports expanded by no more than 5 percent. In 1979, however, the situation changed radically: As a result of a policy oriented toward reduction of their payments balance deficit, the Western exports of these countries showed a much greater real increase than did their imports. In most of these countries, this change of policy has resulted in shortages on the domestic markets.

Commodity Structure

At present, data on the commodity structure of East-West trade are available only for the USSR and for Poland; in 1979, these two countries accounted for two-thirds of the total CEMA exports and for approximately 60 percent of the total imports.

In regard to exports, a striking change is the considerable increase in the Soviet Union's returns from its exports of petroleum and petroleum products (by 66 percent to TRbl 7.5 billion or U.S.$ 11.5 billion).[5] The share of this commodity item of the USSR's Western exports increased by 7 points to over 58 percent. In this respect, the Soviet Union again profited by the price policy pursued by the OPEC states: It reduced the shipments to the OECD countries (excluding Turkey) by 1.5 million to just under 59 million tons and realized a price (average value) of



Exports of the OECD Countries to the CEMA Countries[1)]

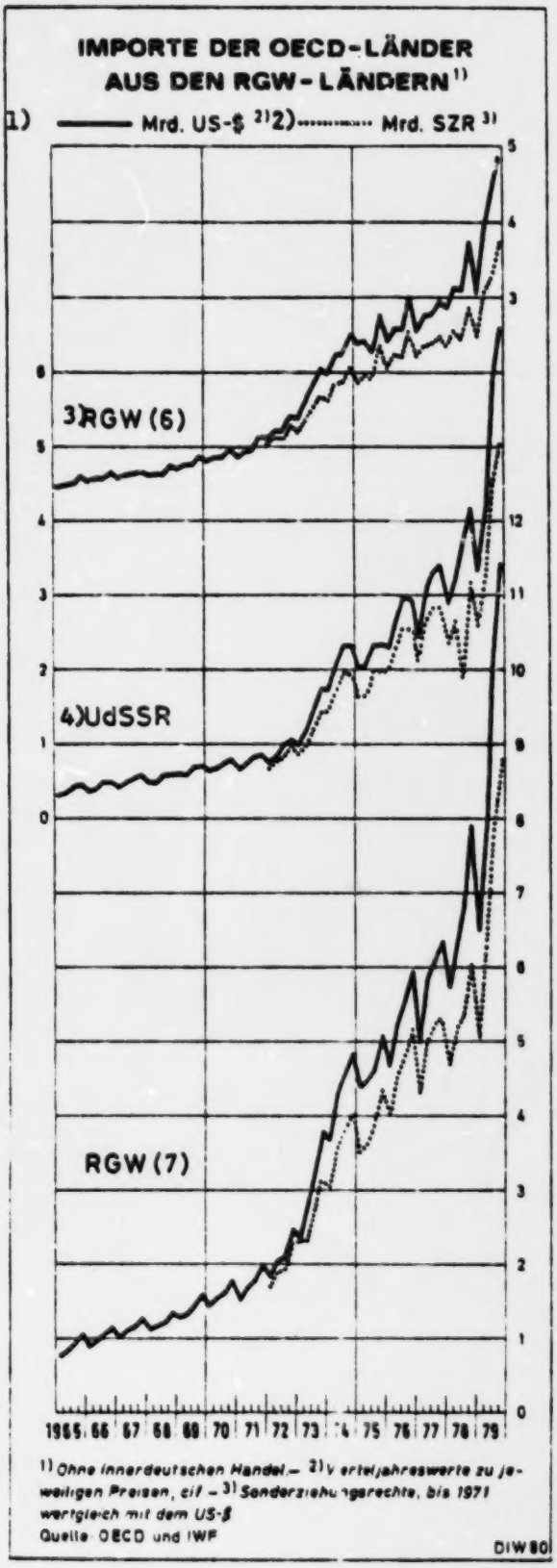
Key:

1. Billion U.S. dollars
2. Billion special withdrawal rights
3. CEMA(6)
4. USSR

Footnotes of the Table:

1) Excluding inner-German trade
2) Quarterly values of the given prices; c.i.f.
3) Special withdrawal rights, until 1971 equivalent to the U.S. dollar

Source: OECD AND IMF



OECD Imports from the CEMA Countries[1)]

Key:

1. Billion U.S. dollars
2. Billion special withdrawal rights
3. CEMA(6)
4. USSR

Footnotes to the Table:

1) Excluding inner-German trade
2) Quarterly values of given prices; c.i.f.
3) Special withdrawal rights, until 1971 equivalent to the U.S. dollar

Source: OECD and IMF.

TRbl 127 per 1 ton of mineral oil sold, i.e. an increase of over 71 percent as compared to the preceding year.

The Soviet Union's machinery exports increased by 30 percent; however, these shipments accounted for no more than 3 percent of total exports--an indication of Soviet industry's structural weakness in the export sector.

Poland's energy and fuel exports expanded in 1979 by 17 percent to just under TRbl 1 billion. Constituting a share of 27 percent (1978: 25 percent), this remains Poland's most important export item; next in order are machines (18 percent), foodstuffs and products of the iron and steel industry (13 percent each). In comparison with the Soviet Union, the range of Polish export goods is considerably broader as is that of the other CEMA countries.

In regard to imports, it is remarkable that the USSR, which in 1978 had a record grain harvest (237 million tons), in 1979 nevertheless increased its grain imports from the OECD area by 3.5 million to 22.6 million tons. The United States was the principal supplier (18.5 million tons). Since the price to be paid by the USSR (average value, calculated in accordance to the proportionate weight of the supplying countries) increased by approximately 23 percent, the import costs of this commodity rose by 46 percent to over TRbl 2 billion (1978: TRbl 1.4 billion), i.e. the equivalent of 15 percent of the total imports from the West (preceding year: 12.5 percent). On account of very bad harvests in 1979 (179 million tons) and 1980 (presumably 181 million tons), the Soviet Union will have to continue to purchase larger quantities of grain in the world market. As is indicated by past experience, the partial embargo imposed by the Carter administration is not likely to be a serious obstacle in this respect.[6] In 1979, the value of the machinery and equipment imported by the Soviet Union from the West declined by 5.5 percent to TRbl 4.5 billion. Consequently, this commodity group's share of total imports decreased by 9 percentage points to one-third.

In many respects, the development of Poland's Western imports showed a similar tendency: In 1979, the purchases of machinery and equipment were reduced by 18 percent to TRbl 1.4 billion; thus this commodity group's share declined by 6 points to 30 percent. Last year, Poland drastically curtailed--in favor of private consumption and exports--the country's overall capital accumulation (-7.5 percent). On account of the bad harvests in 1978 (21.5 million tons of grain) and in particular in 1979 (17.5 million tons), grain imports from the West showed a slight increase (to 6.5 million tons; previous year: 6.2 million tons). In spite of a somewhat improved harvest (19 million tons), Poland's 1980 import requirements for grain were officially quoted at 8 million tons. The United States recently granted a special loan (U.S. $670 million) for financing additional agrarian imports.

To draw up a preliminary balance sheet of the East-West commodity flow in the 1970's, one has to fall back on the OECD foreign trade statistics,[7] which are at variance with the CEMA statistics and which extend only up to 1978.

According to these data, the structure of Western commodity exports to East Europe--with these commodities divided into three key categories--underwent no major changes. The principal export commodities were semifinished and finished goods, above all capital goods. Only in the case of the USSR did the imports of semifinished goods show a relative decline in favor of agrarian imports.

Commodity Structure of the Foreign Trade Between the OECD Countries and the CEMA Countries (percentages of total exports and imports)

Warengruppen 1)	5) RGW(6)			6) UdSSR		
	1971	1975	1978	1971	1975	1978
	7) Ausfuhr der OECD-Länder					
Agrarerzeugnisse[1] 2)	13,5	10	13	9	16	15
Vorprodukte[2] 3)	48,5	50	47,5	47,5	42	41,5
Fertigerzeugnisse[3] 4)	38	40	39,5	43,5	42	43,5
	8) Einfuhr der OECD-Länder					
Agrarerzeugnisse[1]	26,5	19,5	16,5	8	3,5	2
Vorprodukte[2]	51	53,5	52,5	86	91	91
Fertigerzeugnisse[3]	24	27	32	6	5,5	7

Key:

1. Commodity groups
2. Agricultural products
3. Semifinished goods
4. Finished goods
5. CEMA(6)
6. USSR
7. OECD exports
8. OECD imports

Footnotes in the Table: 1) Foodstuffs, feedstuffs and livestock (SITC share 0), beverages and tobacco (SITC share 1), animal and vegetable oils (SITC share 4). 2) Raw materials, excluding foodstuffs and fuel (SITC share 2), mineral fuel, lubricants and related products (SITC share 3), chemical products (SITC share 5), processed goods, broken down by composition (SITC share 6). 3) Products of the machine building industry, electrochemical products and vehicles (SITC share 7), other processed goods (SITC share 8), goods and trade processes, not broken down by composition (SITC share 9).

Source: OECD Foreign Trade Statistics.

Data Concerning the CEMA Countries' Trade Balance Vis-a-Vis the OECD Countries
(divergencies in the amounts due to rounding off)

RGW-Länder 1)	1970	1971 bis 1978 1)	1979	1971 bis 1979 1)
	9) Saldo in Mrd. US-$ 2)			
Bulgarien 2)	- 0,1	- 2,6	- 0,0	- 2,6
CSSR	- 0,1	- 3,5	- 0,8	- 4,3
DDR 3) 3)	- 0,3	- 7,5	- 2,1	- 9,7
Polen 4)	+ 0,1	-14,3	- 1,6	- 16,4
Rumänien 5)	- 0,2	- 2,5	- 0,4	- 2,9
Ungarn 6)	- 0,1	- 4,1	- 0,7	- 4,8
RGW(6) 7)	- 0,7	-35,0	- 5,6	- 40,6
UdSSR 8)	- 0,4	-17,5	- 0,9	- 18,4
RGW(7)	- 1,1	-52,5	- 6,5	- 59,0
	10) Exporte in vH der Importe			
Bulgarien	81,3	61,0	98,3	67,1
CSSR	85,3	77,2	76,6	77,1
DDR	77,4	69,1	62,8	67,9
Polen	108,4	60,8	77,4	63,4
Rumänien	76,9	84,6	90,1	85,9
Ungarn	88,9	71,3	79,1	72,9
RGW(6)	86,5	69,6	77,4	70,9
UdSSR	85,9	78,4	95,8	81,9
RGW(7)	86,3	73,2	85,7	75,5

Key:

1. CEMA countries
2. Bulgaria
3. GDR
4. Poland
5. Romania
6. Hungary
7. CEMA(6)
8. USSR
9. Balance in billion U.S. dollars
10. Exports as a percentage of imports

Footnotes in the Table: 1) Cumulative values. 2) At the given prices and exchange rates; export surplus: +, import surplus: -. 3) Vis-a-vis so-called capitalist industrialized countries (aggregate return). Sources: Statistical and foreign trade yearbooks of the CEMA countries.

Data Concerning the CEMA Countries' Indebtedness in Convertible Currencies (in billion U.S. dollars; data pertaining to the end of the year, data for 1979 preliminary)

RGW-Länder 1)	10) Gesamtverschuldung[1]		darunter: 11) Verschuldung bei westlichen Geschäftsbanken 1979	
	1978	1979	Brutto[2]	Netto[3]
Bulgarien 2)	4,0	4,2	3,1	2,4
CSSR	3,5	3,9	2,8	1,8
DDR 3)	9,0	10,5	7,7	5,5
Polen 4)	17,5	19,5	15,0	14,0
Rumänien 5)	4,4	6,0	4,0	3,7
Ungarn 6)	7,3	8,0	7,4	6,2
RGW 6) 7)	45,7	52,1	40,0	33,6
UdSSR 8)	17,2	16,2	12,9	4,3
RGW 7)	68,7	74,5	55,8[4]	40,2[4]
darunter RGW-Banken[5] 9)	5,8	6,2	-	-

Key:

1. CEMA countries
2. Bulgaria
3. GDR
4. Poland
5. Romania
6. Hungary
7. CEMA(6)
8. USSR
9. Including CEMA banks
10. Total debts
11. Including debts with Western commercial banks

Footnotes in the Table: 1) All forms of indebtedness: Government loans (incl. swing in inner-German trade) insofar as used; supplier loans; Euro-loans and World Bank and IMF loans to Romania. 2) Claims of commercial banks in Belgium-Luxembourg, the FRG (excluding claims vis-a-vis the GDR), France, Great Britain, Italy, Canada, the Netherlands, Austria and Sweden, and of the branches of U.S. banks at off-shore financing sites (Caribbean area and Far East); for Irish banks, only foreign currency data are available; for banks in Switzerland, Japan and the United States, the breakdown by states is incomplete. 3) Debt claims minus liabilities. 4) Including the remainder (not broken down by region; gross: U.S. $2.9 billion, net: $2.3 billion). 5) International Bank for Economic Cooperation and International Investment Bank, Moscow.

Sources: Columns 2 and 3: Lawrence J. Brainard, Bankers Trust Co., New York; columns 4 and 5: Bank for International Payments Settlement, Basel.

The changes in the commodity structure of the OECD imports from East Europe were more pronounced. Moreover, there are marked differences between the smaller CEMA countries and the USSR: As regards agricultural products, the percentages declined in all of the CEMA countries, primarily as a result of the unsatisfactory performance of the East European--and especially the Soviet—agrarian sector. The joint agrarian policy pursued by the EC probably was only a secondary factor in this respect--and this goes above all for the smaller CEMA states. Whereas the semi-finished products accounted for a little more than 50 percent of the CEMA(6) exports, their share of Soviet exports showed a--price-related--increase to over nine-tenths. Finished goods did not figure large in Soviet exports, but in regard to the exports of the smaller CEMA economies, the share of these goods increased to one-third. Of this share, three-fourths are products of consumer-oriented industries (clothing, lumber and furniture, glass, etc.) that in the West encounter relatively high trade barriers (customs duties and import restrictions). However, the significance of these protective measures in regard to the actual development of imports from the CEMA countries can probably not be quantified.

Reduction of New Debts

Calculated in U.S. dollars, the CEMA countries' Western trade balance for 1979 showed a deficit of $6.5 billion (the USSR: 0.9 billion; the other CEMA countries: 5.6 billion). The CEMA states do not publish their payments balances. Thus it is not clear exactly how these deficits were financed. In 1979, Western loans remained the most important financing source. According to estimates, in 1979 the credit volume of all CEMA states increased by just under U.S. $6 billion, whereas in the preceding year the credit volume had expanded by as much as $8.5 billion. In this process, the smaller CEMA economies incurred $6.5 billion worth of new debts, while the USSR in 1979 was able further to reduce its debts, namely by U.S. $1 billion. Apparently, the Soviet Union was able to do so, since its returns from gold sales in the West (estimated at 220 tons; 1978: 450 tons) amounted to U.S. $2.2 billion (1978: 3 billion) and since it profited (to what extent is unknown in the West) from arms sales to OPEC states willing to pay a high price.

According to these estimates, the overall gross debts of all CEMA states amounted to U.S. $74.5 billion;[8] of this total, the USSR accounted for $16 billion, while the six smaller CEMA economies accounted for $52 billion, and the two CEMA banks in Moscow, for the rest.[9] It is significant that at the end of last year approximately three-fourths of all debt claims vis-a-vis East Europe were held by private commercial banks, whereas the state-guaranteed export credits played a relatively minor role in East-West monetary transactions (estimated share: 20 percent).[10] No precise data are available on the structure of the debt volume and on the interest to be paid by the CEMA countries.

Assuming that on the loans granted by Western commercial banks the CEMA countries have to pay an interest rate corresponding to the respective rate prevailing on the London money market (LIBOR)[11] and that the annual interest rate on all other loans still amounts to 7 percent, one obtains the following interest rates for the individual debtor countries (interest payments as a percentage of the annual value of Western exports):

	1978	1979
Bulgarien 1)	46	35
CSSR	14	16
DDR 2)	26	33
Polen 3)	33	39
Rumänien 4)	14	17
Ungarn 5)	34	35
RGW (6) 6)	26	30
UdSSR 7)	12	9
RGW (7)	22	21

Key:

1. Bulgaria
2. GDR
3. Poland
4. Romania
5. Hungary
6. CEMA(6)
7. USSR

Thus, in 1979 the interest payments--to which the loan repayment installments must be added--increased in all CEMA states--with the exception of Bulgaria and the USSR--to a greater (GDR and Poland) or lesser extent (Hungary and the CSSR). Of the three variables that determine the amount and the changes of these rates (total liabilities, export value and interest rate), the rise in interest rates on the European money market had an especially negative effect on these countries.

Outlook

In the first 6 months of this year, the Soviet Union's Western exports increased--in nominal terms--by 49 percent, while the Western exports of the smaller CEMA states[12] increased by 37 percent. Imports from the West increased by 23 and 30 percent, respectively. What at first glance appears to be a further acceleration of East-West trade must in reality be attributed to the fact that in the second half of last year the prices in this trade have been rising rapidly; so the growth rates comprise a sizable price effect. In relation to the whole year of 1980, the expansion of East-West trade appears to have slowed. The relatively slower real growth of East-West trade is in keeping with the economic conditions in the national economies involved. The economic development in East Europe--not only in Poland--is unsatisfactory: Instead of the planned economic growth rate of 4 percent, the Soviet Union will this year attain no more than 2.5 percent. In 1980, the real GNP of the 15 most important Western industrialized countries (rated in accordance with their share of CEMA exports in the preceding year) will increase by no more than 1.5 percent (1979: 3.5 percent), which is indicative of a slowdown in OECD imports (2 to 3 percent in real terms).

The developmental prospects of East-West trade in the first half of this decade must be considered unfavorable. To be sure, the CEMA economies have not yet entirely worked out their new plans for the 5 years from 1981 to 1985; they have not even been able to bring to a close the CEMA trade coordinating round for the new plan period, which was to precede the adoption of the national five-year plans--and the events in Poland have further complicated this coordination work. Nevertheless, there is every indication that in the coming years real growth in the CEMA area will be slowing down still further.

In the smaller CEMA countries, the real growth rate probably will be about 1 percentage point below that of the current five-year plan (1975/70: 8 percent; 1980/75: 4.5 percent and 1985/80: presumably 3 to 3.5 percent). Should this be the case, an average annual increase of real 4 percent appears to be possible. Such an expansion can probably be absorbed by the OECD markets, provided that no new protectionist measures impede East-West trade. Should the CEMA countries try to reduce their annual trade balance deficit (in 1979 prices), the average annual increase in imports must be kept at a maximum of 2 percent. Even under such conditions, the cumulative deficit would by 1985 increase by U.S. $27 billion. In this model, it was also assumed that such a reduced expansion of exports and imports would have no repercussions on domestic growth. But fulfillment of this precondition would probably cause considerable difficulties for the CEMA economies, especially since a reduction in imports would affect primarily the purchase of capital goods from the West.

In the Soviet Union, too, economic growth will be declining further (1975/70: 5.5 percent; 1980/75: 3.5 percent and 1985/80: presumably 2 to 3 percent). However, in contrast to the smaller CEMA states, the USSR need not be concerned about its balance of payments; moreover, it will continue to profit from better terms of trade.

Thus, at the beginning of the 1980's, the basic economic conditions are not conducive to a successful further development of economic relations between East and West. Moreover, in contrast to the situation at the beginning of the 1970's, the political framework cannot be expected to provide any fresh impulses.

FOOTNOTES

1. The non-European CEMA states (Cuba, Mongolia and Vietnam) and Albania, which since 1962 has no longer been participating in the activities of this organization, are not taken into account.

2. The data for 1979 are provisional.

3. The TRbl is the common foreign currency unit of the CEMA states. During the year under review, its assigned value, which is determined by an official, purely fictitious gold content (0.987412 grams), was U.S. $1.53.

4. See "Prices and Volumes of East-West Trade 1965-1977," ECONOMIC BULLETIN FOR EUROPE, Vol 31, No 1, New York, 1979.

5. In 1979, the overall increase in CEMA exports to the West amounted to over TRbl 6 billion; the increase in Soviet oil exports accounted for just under 50 percent of that total.

6. According to recent American data, in the 1979/80 fiscal year--in this respect, these data overlap with the aforementioned Soviet data for the 1979 calendar year--the USSR bought 31.2 million tons of grain in the West; of this total (in million tons), 15.5 were bought in the United States; 5.5, in Argentina; 3.9, in Australia; 3.5, in Canada; 0.8, in the EC countries, and 2, in other countries. See HANDELSBLATT, 27 Oct 80.

7. In 1978, most of the OECD members--complying with a recommendation of the UN Statistical Commission--adapted their foreign trade statistics to the second revision of the commodity list (SITC rev. II); consequently, the 1978 data are no longer fully comparable with the previous figures. The DIW [German Institute for Economic Research] is preparing a conversion key for SITC I and SITC II as applying to East-West trade.

8. According to CIA estimates, the CEMA countries' total debts amount to U.S. $77.1 billion (without swing), while the CEMA countries' claims vis-a-vis Western banks are estimated at between $12.4 billion (CIA) and $15.5 billion (Bank for International Payments Settlement), exclusive of the corresponding interest revenue. The supplier loans granted by the CEMA countries have not been taken into account.

9. Indirectly, these are debts of the CEMA states vis-a-vis the West. However, it is not known how these two banks divide up their international liabilities and debt claims among the individual member states.

10. Direct or indirect government loans play a significant role only in the case of the USSR: Their share of the total Soviet debts probably amounts to between 40 and 50 percent.

11. According to data supplied by the World Bank, in 1978 the average LIBOR rate amounted to approximately 9.5 percent, and in 1979, to approximately 12.1 percent. See "World Development Report 1980," Washington, 1980.

12. Excluding the GDR and Romania, which do not publish any data on the monthly or quarterly development of foreign trade.

8760
CSO: 2300

TRADE UNION CONFERENCE REVEALS ECONOMIC SHORTCOMINGS

Tirana ZERI I POPULLIT in Albanian 15 Nov 80 p 2

[Article by Astrit Nuri: "The Explanation of Situations Is Done Not Just for Information Purposes"--from the 15th Conference of the Trade Unions of Tirana District]

[Excerpts] As it was emphasized in the conference, some collectives of workers have not fulfilled their plans totally and for certain articles of production. The great majority of the shortfalls were a result of subjective reasons. These include the articles not produced in the "Ali Kelmendi" food combine, the mining enterprise, the "Migjeni" artistic enterprise, the brick combine, etc.

The workers must be told about the international situation. They must be told that the price for a ton of steel had increased from 1,518 leks hard currency to 2,722 leks. The price of tractors has increased from 7,580 leks hard currency to 29,700 leks. The price of lathes has increased from 36,300 leks hard currency to 75,900 leks. The workers should know this not only for their own information but so they can fulfill each day the tasks for each article, so that they can economize and so that they can understand and implement the directive of the party that without export there is no import and so that they can reduce the burden of their state, the state of workers and peasants.

During recent years, export activity has increased in the Tirana District. Many collectives have overfulfilled their plans. This is because the trade union organizations in these enterprises, under the leadership of the party organizations, have struggled and have carried on effective and progressive educational work in this area. But the same thing cannot be said about the trade union organizations in the "Misto Mame" combine, in the food combine, in the collection enterprise, in the "Partizani" plant, in the "Migjeni" artistic products enterprise, in the book enterprise, in the "Tirana" metal enterprise. The fact that the export plan has not been achieved in these enterprises indicates negligence, incorrect practices and concepts, a lack of thorough knowledge of the situation and inadequate educational work by the trade union organizations.

Let us discuss another problem--that of the quality of the products, constructions and services. There have been deficiencies in this area, resulting in poor quality products and services. Some furniture products, enamel products and kitchen utensils, shoes, spare parts and equipment for mining machinery have been the object of complaints from consumers because of their poor quality.

During the first 9 months of this year, about 93,000 work days were lost as a result of workers' unjustified absence from work. About 500 workers, on an average, were absent from production each day.

Politburo member, Rita Marko, chairman of the Central Council of Trade Unions, spoke at the conference. He stressed that there must be a struggle against globalism, self-satisfaction and formalism which appear in some cases. He said that it is one thing to note these deficiencies and another thing, and a more important thing, to combat the tendency to adjust to them and to underestimate them. Closed, sectarian, self-seeking work is not proper for the trade union organization. Its work is deeply educational and practical, a work of action; in order to progress we must not be satisfied merely with setting forth duties and resolutions in forums, but we must bring them into the basic organizations and to every worker, as the party teaches us.

CSO: 2100

DECREE ON GRAIN PRODUCTION PUBLISHED

AU251616 Sofia RABOTNICHESKO DELO in Bulgarian 29 Dec 80 pp 1-2

[Decree issued 19 December in Sofia by the BCP Central Committee and Council of Ministers of the People's Republic of Bulgaria on a new upsurge in the production of grain and on its effective utilization]

[Text] Grain production and its effective utilization are of fundamental importance for solving the food problem and better satisfying the population's needs as regards foodstuffs, as well as for increasing the effectiveness of agriculture and insuring the country's currency resources to a greater extent.

As a result of the party's agrarian policy established at the April plenum, our socialist agriculture has achieved great successes. A considerable growth and a high standard of grain production have been reached. According to average per capita grain production, our country has become one of the top grain producers in the world.

The party policy on raising the people's living standard demands a new upsurge in our grain production. This task must be accomplished in accordance with Comrade Todor Zhivkov's statement that "grain is...the very basis of our people's nutrition ...grain has become a worldwide problem. Grain today is not only an economic problem, but a political and strategic one. This is why we must also continue in the future to intensify our care and attention devoted to this basic problem and why we must use all factors and reserves likely to help us increase our grain production...."

The BCP Central Committee and the Council of Ministers consider that grain production is not up to the constantly growing needs of our country and to the great opportunities existing in our socialist agricultural sector. Despite the increase of output, the rates of grain production increases are unsatisfactory. In the majority of okrugs and agro-industrial complexes these rates of speed do not correspond to the material-technical basis that has been established. Thousands of decares remain uncultivated each year and millions of decares are left abandoned--land that is suitable for producing of grain and fodder. The grain production and sales plan is not being fulfilled, the balances are being disrupted and tension is being created in connection with cattle feeding. Production costs of grain are still high. Squandering and waste are allowed to occur in the harvest, storage and processing of grain. Great losses are being caused to national economy by the unefficient use

and wasting of grain and bread. Expenditures on fodder for the production of animal goods per unit are considerable. Large quantities of bread are being wasted in production, in the public catering sector and in private households. The grain problem and its effective utilization has not yet become a responsible task and concern of all national economic branches and of our entire public.

The main reason for the pointed out shortcomings lies, above all, in subjective factors. In many okrugs and agro-industrial complexes grain production is not being competently managed and the problems are not adequate to contemporary requirements. The achievements of scientific-technical progress are being slowly introduced, and the same applies to scientific-technical progress and frontranking experience.

The organizational and educational work of the majority of party and social organs and organizations is not concretely linked to the introduction of technical progress, to the training of cadres and to the strict observance of technological and state discipline, to the increase of production and to the efficient utilization of grain, as well as to the careful handling of bread.

To achieve a further upsurge in grain production and to safeguard its more effective utilization, the BCP Central Committee and the Council of Ministers issue the following decree:

1. The prompt increase of grain production and its most effective use for the main strategic task of the eighth 5-year plan period are to be insured.

The national agro-industrial union is entrusted with insuring the most efficient utilization of the resources allocated by the plan for fulfilling and overfulfilling the state task in connection with achieving a high effectiveness of production and self-sufficiency of the agro-industrial complexes and brigades. The resources must be granted on an economic basis, giving priority to agro-industrial complexes and other agricultural organizations which are accomplishing the most effective work and are insuring the increase of grain production.

Party committees and economic leaderships are entrusted to insure a consistent and comprehensive application of the economic approach and the uncompromising observance of the economic mechanism in their work for the sake of increasing grain production.

2. The increase of grain production must be achieved by introducing a thorough change in the intensification of production, based on the implementation of the BCP Central Committee Politburo theses on the perfection of socialist labor organization and on the consistent implementation of the economic approach, by establishing labor brigades of new type. During the eighth 5-year plan period the grain production brigades established on the basis of the existing technical equipment must increase production from 1.5 to 2 times, while labor productivity in the brigades established on the basis of new technical equipment must increase from 3.5 to 4 times.

The national agro-industrial union, the okrug agro-industrial unions and the agro-industrial complexes, as well as the other agricultural organizations must organize the entire 1981 grain and fodder production in the grain producing areas upon the basis of the new brigades organization of labor and on the basis of engineering projects.

3. The national agro-industrial union, the agro-industrial complexes and the other agricultural organizations, must, on the basis of engineering projects, insure the accelerated application of principally new, intensive sowings, by which to achieve the highest rate of land exploitation and an optimal increase of second and intermediate crops, as well as the maintenance of soil fertility and the achievement of more and cheaper grain outputs per plot unit.

4. The national agro-industrial union and the agro-industrial complexes must, with the help of engineering projects, organize an effective structure of grain crops likely to insure further production intensification so that an optimal quantity of grain may be obtained per unit of plot at the highest effectiveness.

5. During the eight 5-year plan, the national agro-industrial union and the agro-industrial complexes must insure a decisive change in the work related to introducing new basic technological methods of grain production, in accordance with the conditions in various production areas of our country. As early as by 1981, a new and more efficient system of cultivating various types of soil must be introduced such as minimum cultivation, periodical deep plowing of the soil, insecticide screens and other such measures, in accordance with the recommendations of scientific institutes and on the basis of the positive experience that has been accumulated.

During 1981 and 1982, the national agro-industrial union, the okrug agro-industrial unions and complexes are entrusted to develop and introduce improved structures and technological methods for cultivating grain and fodder crops on preirrigated plots, prepared with saline, and to introduce measures for ameliorating this soil.

6. The national agro-industrial union, in cooperation with the State Planning Committee, the Ministry of Machine Building Industry and the Ministry of Foreign Trade, must insure, on the basis of the 5-year plan and of annual plans, an accelerated development of the material-technical base and of grain, as well as of fodder production with a view to ward providing for a comprehensive mechanization of production processes: the national agro-industrial union is entrusted to provide for the import and local production of the necessary nubmer of high power [energonasiteni traktori] tractors for cultivating and deep plowing the soil, of sowing equipment for direct and accurate sowings and of highly productive combines for harvesting grain crops. The new technical equipment should be distributed with priority to the complex brigades. Measures must be taken to equip grain combines with technical devices, so that the harvest may proceed with a minimum of losses.

7. The national agro-industrial union and the agro-industrial complexes must insure the most efficient utilization of chemical fertilizers and goods, while the engineering projects should distribute the necessary fertilizers for each crop. The additionally obtained grain and fodder per kilogram of fertilizer should serve as a criterion for the efficiency of the chemicalization process.

Within the forthcoming 2-3 years comprehensive chemical and agrotechnical measures should be taken to eliminate weeds from cultivated plots by giving priority to the irrigated areas in this case.

8. The national agro-industrial union, the BCP okrug committees and the okrug agro-industrial unions must present a basic evaluation of irrigated areas and irrigation

work by 31 March 1981 and take comprehensive measures for the transformation of irrigation into one of the main factors in the intensification of grain production and for an optimal utilization of the entire amelioration fund, as well as for safeguarding an efficient structure of crops in the irrigated areas.

The factor of intensified utilization of irrigated plots must be improved. For this purpose, during the eighth 5-year plan period, no less than 1.5 million decares of silage corn, grain corn and succulent fodder should be sown as second crops, and a considerable increase of outputs from them should be insured. Modern and highly productive technological methods should be introduced on a large scale. In this connection over 50 percent of the irrigated areas should be encompassed for this purpose during the 5-year plan period. By 1985, 400,000 decares of swamp areas should be drained.

9. The national agro-industrial union, the okrug agro-industrial unions, and the other agricultural organizations, should take measures along with intensifying production to expand the grain and fodder crop areas. During the eighth 5-year plan period the areas sown with grain and fodder crops should include an additional 2 million decares of abandoned land. The production of grain and fodder from low-productive areas in the mountainous and semimountainous areas must be encouraged by incentives such as better purchasing prices, premiums and so forth.

The executive committees of the okrug people's councils, the okrug agro-industrial unions, complexes and other agricultural organizations which fail to sow the planned areas with grain and fodder crops must be strictly held responsible by the party and administrative organs. Agro-industrial complexes and other agricultural organizations must report their commitments toward the state as regards the production of grain and fodder according to norms per arable land unit. In this connection the aforementioned agricultural organizations must also commit themselves to deliver the grain prescribed by the established norms from the areas that have not been cultivated and increase the amount from abondoned lands.

10. The activities of scientific institutions in the field of grain production must be entirely linked to implementing the tasks for a prompt increase of grain production. Scientific-research and practical engineering application activities must concentrate upon raising the standards of selection of grain and fodder crops, upon the creation of new varieties and highbred seeds, upon the cultivation of all-round stable crops with shorter growing periods, improved quality and a higher aminecide contents of grain, adapted to the application of industrial technological methods. The introduction of new domestic and imported varieties and highbred seeds should be accelerated. These varieties should be characterized by a shorter vegetation period and by valuable biological and economic qualities.

11. The national agro-industrial union must organize the export of the remaining amount of grain after the state task on purchasing has been accomplished. The currency obtained from these sales should be used for importing protein substances as well as plant protection products to serve the needs of these agro-industrial complexes and the other agricultural organizations whihc have submitted export resources.

12. The agro-industrial complexes and other agricultural organizations, as of 1981, can exchange one variety of grain out of the prescribed varieties to purchase other

grain varieties, according to established norms of correlation based on full currency and financial compensation.

13. The national agro-industrial union, the agro-industrial complexes and other agricultural organizations must insure a decisive change in effectively utilizing grain trying to reach the standards of the most developed countries as regards expenditures of fodder for the output of livestock products per unit. The style and technological methods of feeding animals should be drastically changed by introducing highly efficient news systems of feeding and reducing the relative share of grain in the fodder for ruminating cattle.

High-quality feeding of animals must be based on insuring an annual reduction of expenditures of concentrated fodder per kilogram of increased rate; thanks to the use of industrial production technologies, this increase rate should reach the following figures by 1985; 2.2-2.5 percent for poultry meat from broiler chickens, 3.4-4 kilograms for pork meat, and 4.5-5 kilogram for veal and poultry.

As regards a more efficient utilization of grain and the improvement of the scientific standards of animal feeding the national agro-industrial complex must create prerequisites for processing optimal quantitites of fodder grain in combined fodder while strictly observing the adopted standards and the established technological methods. By 1983 modernization of the fodder plants must be introduced and the construction and modernization of the existing material-technical base in agro-industrial complexes and other agricultural organizations for preparing high-quality fodder must be carried out.

14. The national agro-industrial union and the state committee of science and technical progress must submit a program by 30 June 1981 on insuring the necessary protein for animal feeding during the eighth 5-year plan period to the Council of Ministers, and a program on decreasing the quantitites of imports. By 1983 over 300,000 tons of raw protein must be insured by local production through a comprehensive and thorough utilization of agricultural raw materials and secondary industry products.

15. To safeguard the full utilization of coarse fodder, standardized feeding methods must be introduced on a large scale, by increasing production of alfalfa and hay, as well as of silage from corn and succulent fodder. The output per decare of land must attain the following figures: 900-1,000 kilograms for alfalfa hay, 2,500-3,000 kilograms for silage corn, and 350-400 for meadow hay.

16. A new approach must be applied to using the mountainous and semimountainous meadows and pastures by introducing on a large scale the organization of pasture complexes on the basis of engineering projects. The national agro-industrial union, in coordination with the executive committees of the okrug people's councils, must adopt a program on organizing pasture complexes and provide for the organization of 2 million decares of pasture during the eighth 5-year plan period. A comprehensive organization of the material basis of pastures should be insured and the obtaining of optimal quantities of animal production per unit of plots should be also insured by adopting and improving measures in connection with the full-fledged exploitation of all pastures and meadow available.

Pasture complexes must be organized by the "machine tractor stations and struggle against erosion" state economic trust and by the agro-industrial complexes as a unified territory belonging to the agricultural and forestry fund. Along with the budgetary means, bank credits should be used, and the agro-industrial complexes must spend their own means for these purposes as well. The production capacities of the pasture complexes established with budgetary means must be commissioned within a period of 2 years.

In accomplishing this task the Dimitrov Union of Komsomol Youth should be involved on a large scale.

17. The Ministry of Forestry and Timber Industry must establish an annual area of 80,000 decares of cultivated pastures from the forestry fund reserved for the use of agro-industrial complexes and other agricultural organizations and forestry farms, and the ministry must use the means provided for afforestation and amelioration purposes.

It is the task of the national agro-industrial union to provide for organizational measures aimed at raising and feeding cattle in the mountainous and border areas. Agro-industrial complexes are entitled to sign agreements with individuals, enterprises and consumer cooperatives in connection with raising cattle in such areas by supplying them with the necessary prerequisites.

By the end of the eighth 5-year plan period an increase by no less than 1.5 million sheep for meat and wool production by more than 50,000 meat producing cattle should be insured.

18. The national agro-industrial union, the agro-industrial complexes and the other agricultural organizations are entrusted with insuring an efficient structure of cattle breeding with priority to the development of sheep breeding and cattle breeding.

Pig breeding and poultry breeding should develop on the basis of high-quality material base and of existing reserves in private plots so that the needs of the population for meat may be better covered.

The national agro-industrial union, the Ministry of National Education and the committee on labor and wages must adopt measures, by 30 June 1981, likely to guarantee a comprehensive settlement of the questions of training executive cadres in the sheep breeding and cattle breeding sectors.

19. The national agro-industrial union, the agro-industrial complexes and other agricultural organizations must apply comprehensive measures in connection with reducing grain losses. The method of storing grain in high humidity without artificial drying are to be applied on a large scale. The national agro-industrial union must insure, by the end of 1985, the reorganization and modernization of the existing storage base and of the existing mills by using necessary credits from the Bulgarian National Bank for this purpose.

The Ministry of Machine Building Industry, the national agro-industrial union and the Ministry of Foreign Affairs must insure the production and delivery of the necessary equipment for the mills and fodder industry and for the silage storing premises.

20. To provide for the accelerated and comprehensive settlement of mechanization, automation and chemicalization processes in agricultural production, a coordination council attached to the national agro-industrial union and composed of representatives of the Ministry of Machine Building Industry, the Ministry of Electronics and the Ministry of Chemical Industry must be created.

21. The eighth 5-year plan must insure the necessary means and financial resources for developing, reorganizing and modernizing the material-technical base of agriculture, expanding irrigated areas and building silage and storage base for grain and flour, in accordance with the program on the increase of grain production. Along with the means allocated for the establishment of new irrigated areas, means for irrigation equipment are also provided for.

22. The Ministry of Chemical Industry and the national agro-industrial union must provide for the production and delivery of high-quality granulated and insoluble chemical fertilizers and insecticides for agricultural purposes according to respective periods and in conformity with the biological requirements of the crops.

23. The okrug and municipal party committees must insure daily, competent and close party leadership for implementing this strategic task, aimed at a new upsurge in our grain production, by paying particular attention to the most efficient utilization of available resources.

The main essence of organizational and poltiical work should concentrate upon implementing the BCP Central Committee Politburo theses on establishing a new type of brigade organization based upon engineering projects. The new upsurge task in the grain production sector must become the profound conviction of all cadres, all communists, agrarians, Komsomol members and all working people in the rural areas.

The party committees have the task to implement a close leadership of comprehensive work in connection with training leading cadres, specialists, and mechanics, as well as inconnection with organizing the new brigade organization of labor.

Party and economic cadres, experts, all communists, agrarians and Komsomol members must concentrate their efforts on applying new technological methods on a large scale and on strictly observing technological discipline, increasing grain production and to its thrifty utilization. Every specialist, mechanic and cattle breeder, every worker in the agricultural sector has his individual, specialized task in connection with increasing grain production and is personally responsible for implementing this task. The main criterion in evaluating the work of party leading bodies, organizations, all communists in the agro-industrial complexes and other agricultural organizations will be the production of optimal quantities of grain with minimum use of resources and the effective utilization of grain.

A characteristic trait of party work in this connection must be the analysis and mass application of frontranking experience in grain production and the transformation of this experience into a scientific notion, a conviction and a cause of all specialists and agricultural toilers. The mass introduction of frontranking experience must become the main essence of socialist competition in this sector.

The okrug and municipal party committee should intensify control over the work of all organs and organizations, over all communists and all cadres for the production of more grain and its most effective utilization.

Work in the production branches and departments engaged in the supply of agriculture with machines, raw materials, fuel, energy and others must be raised to the level of great new requirements in order to safeguard the prompt increase of grain production and its most effective utilization.

25. The mass information media must widely reflect and propagate the activities of the workers collectives in implementing the task of increasing grain production and also propagate scientific-technical achievements and frontranking experience, as well as contribute to preserve the centuries-old traditions of the Bulgarian people to highly esteem the daily bread and to save it.

26. The committee of state and people's control must intensify control, strictness and responsibility as regards the ministries and the other departments in connection with implementing the tasks of increasing grain production and its effective use and in connection with preventing wasting and squandering of bread and grain throughout the entire process of prodcution and consumption as well.

27. The national agro-industrial union and the other state and economic organs are obliged to report, at the end of each year, to the BCP Central Committee secretariat and to the Council of Ministers on the implementation of the tasks emanating from this decree.

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The BCP Central Committee, and the Council of Ministers appeal to communists, united agrarians, Komsomol members, leading cadres and specialists, agricultural toilers, workers and leading cadres in other national economic branches and to the workers in the intellectual sphere to devote all their efforts and to work with selfless devotion and a high sense of responsibility for a new upsurge in grain production and for its effective utilization.

CSO: 2200

BRIEFS

ZHIVKOV RECEIVES PERGAMON PRESS PUBLISHER--Todor Zhivkov, first secretary of the BCP Central Committee and State Council chairman, received Robert Maxwell, president of the British-American publish house Pergamon Press, who is visiting our country. During the talk the expansion of British-Bulgarian cooperation in publishing and in cultural activities was discussed. The meeting was attended by Milko Balev, BCP Central Committee secretary and Comrade Todor Zhivkov's chief of staff. [Text] [AU102107 Sofia Domestic Service in Bulgarian 2000 GMT 10 Dec 80]

PEKO TAKOV'S ACTIVITIES--On 10 December the managing board of the Association on Economic Tourism and Working People's Leisure held a meeting in Sofia. The meeting was chaired by Peko Takov, BCP Central Committee Politburo member and deputy chairman of the State Council. The implementation of the 1980 tourism plan was discussed, as well as the tasks posed by the 1981 plan. [AU141835 Sofia Domestic Service in Bulgarian 1000 GMT 10 Dec 80]

STOYAN MIKHAYLOV ACTIVITIES--Stoyan Mikhaylov, BCP Central Committee secretary, yesterday received the leaders of delegations of press and information agencies from socialist countries, who participated in a working meeting held in Sofia devoted to certain problems of cooperation in the field of information activities. The meeting proceeded in a cordial atmosphere and was attended by Emil Markov, deputy head of a BCP Central Committee department and by Ivan Budinov, chief director of the SOFIA PRESS AGENCY. [Text] [AU141835 Sovia RABOTNICHESKO DELO in Bulgarian 4 Dec 80]

CSO: 2200

VEGETABLE PRODUCTION FOR 1976-1980 SURVEYED, 1981 PROSPECTS OUTLINED

East Berlin FELDWIRTSCHAFT in German Vol 21 No 11, Nov 80 pp 483-485

[Article by Dr E. Engel and Prof Dr H. Froehlich, Grossbeeren Institute for Vegetable Production, GDR Academy of Agricultural Sciences: "Results of the Vegetable Production in the GDR After the Ninth SED Congress--Basis for Further Intensification in 1981"]

[Text] Implementation of the resolutions of the Ninth SED Congress and the subsequent plenary sessions of the SED Central Committee has further advanced the production of vegetables in the GDR by ensuring and stabilizing production and supply.

Success in Increasing Vegetable Production

Imbued with the spirit of political responsibility and by diligent and conscientious work cooperative farmers and workers in LPG's [agricultural producer cooperatives], VEG's [state farms] and GPG's [horticultural producer cooperatives] and their cooperative installations have accomplished excellent praiseworthy results by close cooperation with workers in the processing industry, trade and science. Compared with the years 1971-76 the state's income from field-grown vegetables rose according to plan from 1,015 kt (kilotons) to 1,302 kt in the years 1977-79. In the same time period vegetable production raised in greenhouses rose from 44.3 kt to 58.1 kt. By improving the storage of essential vegetables, i.e. of carrots, onions and cabbage, their supply was extended between 1979 and 1980 to last till the harvest of the new crop, which made imports unnecessary by increasing supplies on hand on 31 December from 269.7 kt to 361.3 kt. Supplies of vegetables available for processing by industry rose according to plan from 275.4 kt to 348.8 kt.

The plan for the processing of raw vegetables was fulfilled by the great effort of workers of the fruit and vegetable processing industry. Many special and weekend work shifts were spent in processing the deliveries of vegetables and fruits concentrated into a short time period following their harvest.

The supply of the population with vegetables from domestic production improved further as a result of the outstanding work rendered by wholesale and retail trade workers.

In addition, progress was also achieved in some areas by mechanization, for example in the growing of seedlings, harvesting onions, carrots and cabbage, enlarging the size of irrigated land areas and raising early vegetables by covering the cultures with perforated plastic foil when indicated.

In spite of the overall positive development the fact cannot be overlooked that the differences in results achieved by enterprises working under largely similar conditions have not yet disappeared and that in years such as 1980, when weather conditions were adverse for the growing of many kinds of vegetables, it was not possible to satisfy the demand every month. This confirmed the fact that every hectare of land allocated for raising vegetables must also be tilled and in case of weather-related crop failure replanted on personal initiative with a suitable substitute crop.

Ambitious Pledges To Mark the 10th Congress

On 7 and 8 August 1980 all parties of the vegetable supply sector held a conference under the leadership of Comrade Bruno Kreisler, SED Central Committee member, and Minister of Agriculture, Forestry and Foodstuffs Comrade Heinz Kuhrig to make preparations for the harvesting and processing of vegetables and fruits with minimum losses. The production conditions prevailing in 1980 served as the basis for the discussions. The agreed-upon objective was to make preparations for harvesting vegetables and fruits with minimum losses, thereby guaranteeing a high annual yield and good quality in order also to ensure the stable supply of vegetables and fruits in the spring of 1981 at the time of the 10th SED Congress. Currently the agricultural collectives are in the process of determining their pledges to mark the 10th party congress. Even though no final results are yet available to indicate the degree of fulfillment of the 1980 plan it can be said already that in spite of this year's unfavorable weather conditions the members and workers of agricultural cooperatives again made a great effort to supply the population with vegetables till the 1981 crops are harvested.

The changed reproduction conditions in the national economy make it mandatory to do everything to intensify production further by improving the utilization of available resources. This concerns LPG's, GPG's and VEG's specializing in vegetable production to a greater or smaller extent, socialist agricultural enterprises which grow vegetables for local consumption as well as small producers organized in the Association of Gardeners, Homesteaders and Small Animal Breeders equally. In the field production of vegetables improved yields, quality and assortment must be achieved primarily by introducing advanced scientific and technical production and rationalization methods. In addition, technical management shares the great responsibility for the efficient processing of all crops.

The Primary Objectives in Large-Scale Vegetable Production

In 1981 and thereafter the main objectives of large-scale vegetable production are:

Raising Vegetable Production in the First Half of the Year

Raising vegetable production in the first 6 months of the year using at the same time different types of energy depending on end use is of great importance. Here rhubarb and asparagus (Table 1), the hardy vegetable varieties with good storage qualities, are of prime importance.

Of the varieties which keep through the winter, leeks and Brussels sprouts are important in spite of the risk of crop failure when weather conditions are unfavorable; in the future also vegetables such as black root, kale and onions (planted in July) deserve even higher priority. New methods need to be found for these and other vegetable varieties in cooperation with researchers to reduce the risk of crop failure and improve mechanical methods of their harvesting and processing. Conditions for raising leafy vegetables, for example lettuce, kohlrabi, cauliflower and early cabbage but also tomatoes and celery must be created to raise both yields and quality and at the same time markedly increase the supply of early vegetables.

To that end experience gained in Leipzig Bezirk in balancing the seed stock requirement including the necessary reserve must be fully utilized.

As far as economically possible bituminous emulsion must be made available also in 1981 for selected drill vegetables especially for carrot cultures, primarily for those grown on fields exposed to wind erosion. To raise the production of field-grown vegetables the production of chicory root must be raised substantially as a basis for greenhouse production from December till March-April.

Table 1. Rhubarb production trend between the first half of 1976 till 1980 in tons

1976	6,540
1977	8,196
1978	11,523
1979	12,279
1980	16,063

Table 2. State-wide production trend in tons

Year	Table peas	Table beans
1965	23,675	17,771
1970	34,473	20,919
1975	29,501	22,755
1977/79 average	42,592	32,861
1979	48,351	42,237

Table 3. Trend of vegetable deliveries to processing industry in tons

Year	Tomatoes	Cucumbers
1965	1,868	15,274
1970	3,196	44,807
1975	6,009	55,225
1977/79 average	12,048	49,023
1979	16,584	55,747

Table 4. State-wide production of onions, carrots and cabbage in kt

Average	Onions total	Carrots total	Cabbage late
1971/76	67.0	155.8	353.8
1977/79	100.0	241.1	403.2

The above measures are designed to meet the need of increasing the supply of vegetables in the first half of the year with markedly lower fuel input. Even greater material savings can be achieved by exploiting consistently the experience gained with multiple use of perforated foil to advance the harvest of field-grown vegetables.

Increasing the Supply of Vegetables for Processing

The production of canned peas, beans, cucumbers, tomatoes and other vegetables must be increased in cooperation with the processing industry. Large increases in the production of these canned goods were recorded (Table 2 and 3), especially in the years following the Ninth SED Congress. Now the issue is to raise the production of canned vegetables further by still better utilization of specialized agricultural machinery and processing facilities. In the production of field-grown vegetables the experience gained in the staggered cultivation of peas, beans and cucumbers must be further refined, to improve in particular the quality of pickling cucumbers and tomatoes for canning. The quality of carrots and spinach must be raised in the future by reducing their nitrate content as much as possible.

Increasing Yields and Reducing Crop Fluctuations

Hidden reserves must be exploited in the coming five-year plan to raise yields and reduce annual crop fluctuations. Planned improvement of soil fertility is important in this respect. The main issue here is to maintain the high humus content of the soil required in the field production of vegetables, ensure complete irrigation of all vegetable cultures within the crop rotation system, provide for the drainage of wet spots and ensure necessary soil preparation in early spring, including fertilization and treatment of the soil with herbicides. Soil management decisions must be based even more consistently on soil analysis, EDP recommendations on fertilization and the increasingly sought recommendations on irrigation. The use of available supplies of herbicides and plant protectants must be ensured to the maximum extent and as efficiently as possible by intensive supervision of production. Securing weed- and disease-free fields for growing vegetables must be the goal of our efforts in the future too. In recent years attention has already been focused on supplying the market with the most important vegetable varieties in winter (Table 4).

Securing the Supply of Out-of-Season Vegetables

Initial success in supplying the market with out-of-season vegetables has already been achieved by close cooperation between state authorities, economic management organs, plant protection centers, storage and VVB [association of state enterprises] refrigeration and storage facilities and the cooperatives. But here too storage losses can be reduced considerably and energy savings achieved per volume of end product. These tasks must be tackled early by harvesting healthy crops

from the fields, cutting down the extent of crop damage during harvest and even further, in transportation and processing, and by strict selection of batches to be stored according to end use and length of storage.

In recent years research facilities together with agricultural enterprises have prepared numerous guidelines and recommendations for mastering these tasks. Now these favorable results must be applied generally.

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CSO: 2300

CROP, WEATHER REPORT PUBLISHED FOR OCTOBER 1980

East Berlin FELDWIRTSCHAFT in German Vol 21 No 12, Dec 80 p 568

[Article by Dr D. Krumbiegel, GDR Meteorological Service, Central Weather Bureau, Potsdam]

[Text] The Weather in October 1980

Except for a few days, air temperatures deviated but slightly from the norm. There was much rain in the second and third 10-day periods.

Up to midmonth, daytime average air temperatures mostly stayed from 1 to 3K below normal. Thereafter, positive deviations of identical magnitude occurred on most days. Noteworthy anomalies occurred only on the 28th (+7 to +9K) and the 29th (+3 to + 6K). At the beginning of the month, daytime maxima had still come to values around 15°C. Thereafter, up to the start of the second 10-day period, maxima ranged around or slightly above 10°C. Around the 14th, the 20th and 21st, the 26th and at the end of the month, maxima lay below 10°C. Maxima up to 20°C were recorded on the 17th in the southern part of the GDR locally and in the entire area on the 28th. Light early ground frosts occurred widespread or in larger areas only on the 4th (locally down to -5°C), the 11th (locally down to -7°C), the 16th, 21st and 26th. In a total of 17 nights (in seven, four and six in the three 10-day periods respectively), ground temperatures dropped widespread or regionally but not below 5°C. Duration of sunshine was normal. In the first 5-day period, sunshine was most abundant.

Especially in the southern GDR, a period poor in rain was followed on the 7th by abundant rains (northern part around 5 mm, southern part from 5 to 15 mm, mountains up to 25 mm). From 10 to 20 mm of rain fell in the southeast on the 12th, in the entire area on the 13th. More abundant precipitation occurred on the 14th, the 21st and from the 27th to the 29th, mainly in the northern bezirks. In the summit altitudes of the mountains, the precipitation of the second and third 10-day periods came down partly in the form of snow. Fichtelberg temporarily got as much as 20 cm of snow in midmonth. Daytime averages of relative air humidity in the northern part hardly any longer dropped below 80 percent starting with the 5th, and only for a few days in the southern part beginning with the end of the first 10-day period.

Weather Data for October 1980 according to the Main Office for Climatology, Potsdam

1. Monthly Averages of Air Temperatures and Deviations from the Norm

Schwerin	8.5°C	-0.3K	Erfurt	7.9°C	-0.1K
Neubrandenburg	8.1°C	-0.2K	Leipzig	8.8°C	+0.1K
Potsdam	8.9°C	+0.2K	Goerlitz	8.4°C	+0.0K

2. Average Precipitation according to Bezirks

Rostock	76 mm	= 143%	Halle	44 mm	= 100%
Schwerin	59 mm	= 118%	Erfurt	45 mm	= 87%
Neubrandenburg	65 mm	= 144%	Gera	61 mm	= 136%
Potsdam	50 mm	= 114%	Suhl	48 mm	= 80%
Frankfurt	54 mm	= 132%	Dresden	70 mm	= 130%
Cottbus	64 mm	= 133%	Leipzig	68 mm	= 139%
Magdeburg	37 mm	= 80%	Karl-Marx-Stadt	87 mm	= 147%

3. Evaporation Potential

Northern bezirks	15...25 mm
Central Bezirks	20...30 mm
Southern bezirks	20...30 mm

Soil, Crop and Labor

Around the 8th, daily average surface soil temperatures dropped below 10°C widespread. That threshold value was temporarily exceeded only on the 17th and the 28th and 29th. For the rest of the time, surface soil temperatures stayed around 8°C. The subsoil cooled off relatively rapidly during the first 10-day period, thereafter but slowly. By the end of the month, from 8 to 10°C were recorded at a 50-cm depth, from 9 to 11°C at a 100-cm depth. After slightly dropping first, ground water clearly increased generally between the 5th and the 15th. Especially in the northern GDR the water level kept increasing throughout the third 10-day period. In the rest of the area, values changed but slightly. Measured under the turf for a depth of as much as 1 meter, differences from field capacities were as follows: light soils 0 to -25 mm, medium soils 0 to -40 mm, heavy soils in the plains of the bezirks of Magdeburg (southern part), Erfurt and Halle -75 to -145 mm, elsewhere -25 to 60 mm. These values, far above normal as they are in comparison with longtime averages, largely repeat, qualitatively as well as in terms of regional differences, the conditions in the autumn of 1978. The drier area referred to got from 205 to 220 mm of rain (= 85 to 100%) from July to October 1980, and the adjoining bezirks got from 230 to 300 mm of rain (100 to 125%). This diversified water level development resulted from the connection between the simultaneously higher evaporation values and the greater water storage capacity in the predominating acreages. In the rest of the areas with above-normal water level values field work in fall was possible only under greatly complicated conditions and incurred significant delays. The roadability and working conditions of the soils worsened since midmonth. As to the soil temperatures, prerequisites became mediocre for soil climatic processes. Friability and nutrient mobilization found themselves more and more hampered by lack of air.

Up to the 8th, with daily average air temperatures around 10°C and, initially, ample sunshine, growth conditions were still relatively favorable. Thereafter the temperatures dropped and impeded growth. The mostly somewhat above-normal air temperatures beginning at midmonth stimulated growth again but were not high enough for an optimum use of the ample ground water supply. The reduction in sunshine also amounted to an additional disadvantage. Relatively good additional growth was recorded for varieties that do not need much heat like grasses, cabbage varieties and crucifers. Sugar beets, however, are not likely to have gained what they might have gained still in October, especially with respect to their sugar content. For the winter crop prerequisites for coming up fast and evenly were very good. Crops sowed within optimum cultivation schedules showed good or even very good initial growth. Partly, especially in the northern bezirks, lack of air made crops turn yellow on drenched acreages. In general one must expect that the winter crop will form a flat and not very efficient root system and textures with a high water content. That creates greater winter crop risks than it usually does. Weeds had a heyday. Early frosts caused widespread damage in corn, tomatoes and beans. Phenological development showed a well-nigh unchanged delay of from 5 to 10 days.

The harvest of the silo corn, with slight frost damage in many cases, and the third pasture cut came to an end in the course of the second 10-day period. Adequate drying conditions for preparing ensilage still existed only at the beginning of the month. The high soil moisture content in most of the GDR brought it about that in the second and third 10-day period even minor precipitation caused considerable disturbances of all field work. This resulted often in higher tractive power requirements, the need for manual labor, quality impairment and the soiling of crop. Potato digging went on all through the month and could in part no longer be carried out through complete harvesting machinery. In the winter grain, especially the winter wheat, optimum sowing schedules could not be met for large parts of the acreage. Scarcely half of the sugar beet harvest was completed by the end of the month.

5885
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EDITOR HIGHLIGHTS DEBATES ON UPCOMING FIVE-YEAR PLAN

Budapest TARSADALMI SZEMLE in Hungarian No 11, Nov 80 pp 3-9

[Article by Andras Tabori, deputy editor-in-chief of MAGYAR HIRLAP: "Productive Exchange of Ideas on Our Next Five Years"]

[Text] When we inspect the coming half decade and the period of the Sixth Five-Year Plan now being outlined in debates, on what can we base our confidence and feeling of assurance for further progress?

A great many people are thinking about the future at the present time, and in many different ways. Sensitive openness toward the future and a multitude of answers are natural today, since it is scarcely debatable that we are entering one of the most complex periods in the history of our people, and we could even say more appropriately that it is about time for us to live through this period. It is indispensable that the responsibility felt for the future of the country in the current of these changing times be expressed in various ways, not only in diverging opinions, but also in different forms of attitude. First of all it is natural that this attitude, representing an excessive plurality, an attitude which participates in public life with responsibility for difficult tasks and takes shape in confidence expressed in this way, but also with understandable concerns about the future, can be verified by society.

In no way can we dispute this right to be concerned, since this can formulate a strength producing deeds based on a deep sense of responsibility toward the people, so that the reason is disputable rather than the right. Depression caused by uncertainty renders our common venture and the realization of our national goals difficult, because arguments and national experience alike militate against it. At such times the situation must be realistically examined, and we must really keep focussing our human and material energy on the interests of the community and of society.

However, this primarily requires that there be a goal (and the route leading to it) for which it is worth working and enduring, and on which trust and assurance of further progress can be based.

There is such a goal and the program of work adjusted to it is being prepared: the plan.

More than 2 years ago work began to develop the Sixth Five-Year Plan. This work has lasted somewhat longer than originally planned, understandable when we recall that it was not only necessary to determine the development of the national economy forecast to 1985, but also to determine how to relate this development to international conditions, changing rapidly, and to our detriment. Consultations conducted with the CEMA countries and forecasts of international competition showed that we cannot count on an improvement in foreign economic conditions during the next 5 years. Therefor the terms of trade will become more unfavorable for us, especially because of the relative inflation of energy sources and of raw and basic materials.

Our domestic experience of recent years has been associated with these forecasts, and all of this continuously interacts to form the plan. During the first 3 years of the Fifth Five-Year Plan the development of the national economy deviated greatly from the estimates. Efficiency did not improve as much as expected, and the foreign-domestic balance was considerably upset. In the final analysis the import surplus in the foreign trade balance exceeded what was planned from year to year. In addition the surplus in the balance in 1978 did not originate in a foreign trade price situation unfavorable to us, but in the domestic balance stresses.

In December 1978 the Central Committee determined that the growth rate of the economy and domestic usage should be subordinated to the state of the national economic balance, and that in this way the achievements gained in the standard of living could be stabilized. The trends of improvement verified this decision as early as the following year, 1979, and the disruption in the balance was successfully stopped.

This course adjustment, which was reinforced by the resolution of the 12th Congress and which was raised to the rank of a basic conceptual principle of planning for the term of the following 5-year plan, determined the basic traits of the extended plan: the extent of increase, the level of domestic distribution lower than the increase, and the estimates emphasized for foreign trade. Along with all this, or rather as a condition for solving the complex tasks, more efficient and more modern management will come to the fore in the social program of the coming 5 years.

The autumn session of the Parliament, the address of the Prime Minister and the speech of Comrade Janos Kadar not only specified what we want to accomplish in the next 5 years, but also how. In the final analysis Comrade Kadar outlined the unvaried goal and the method, by now traditional, of achieving it in these words: "...It is worth the fatigue if we compare the promise made to our people almost a quarter of a century ago, when the state of our domestic policy was very difficult and we were seeking a way out, with what we have produced from it." The quarter-century policy of

our party is continuing in the fact that now, under more difficult circumstances, we are developing the plan, the second program of the party, through democratic debate, that we consider the opinions of the people indispensable, not only in the execution but also in the elaboration of the program, and that, now as always, we are basing our policy on: By human words we are capable of convincing as many people as we are of our correctness and of what must be done.

In the midst of developing the social policy strategy for the coming half decade, we have partially narrowed and partially expanded the focus of analysis and viewpoint. The scope of actually planned processes was restricted to the essential, while at the same time the range of the forward-looking exchange of ideas, preliminary to decision-making and concerned with the fulfilment of each and every task, was expanded.

The national discussion of the guidelines of the 12th Congress in the preparations for the extended plan was the traditional method. Traditional method, we may add, in the formal sense of the idea, but new in execution when we consider the fact that now everything is more complex than in the past, and that basic strategic questions more directly involved with personal destiny were at the center of the debates. Some 200,000 speakers from 24,000 basic organizations and a multitude of non-party speakers, encompassed in social, professional and other organizations, explained, debated, corrected and specified the guidelines which were able to be elevated by this nationwide understanding, and even harmony, to a resolution of the Congress, namely that the country, unified in the debates, accepted the program treating the balance as a priority.

However, the resolution of the Congress, also adjusted flexibly here to the changing requirements, only set the strategic substance and designated the major developmental outlines of the coming 5 years. The resolution pointed out that: "The economic policy, beginning with the real situation in the period of the Sixth Five-Year Plan and adjusted to the long-range goals and changing circumstances, must assure the planned development of the national economy."

Formerly this policy phase was followed by professional planning debate on the concept of the plan and at the same time by development of enterprise and council planning work. This is still the case now, but with the additional feature that the Council of Ministers has asked for the opinions and attitudes of the directing bodies of 11 social, professional and scientific organizations. In this way the plan documents were debated by the Patriotic People's Front, SZOT [National Council of Trade Unions], KISZ, the National Council of Hungarian Women, the Academy of Sciences, TOT [National Council of Producer Cooperatives], OKISZ [National Federation of Artisan Cooperatives], SZOVOSZ [National Federation of Cooperatives], the Chamber of Commerce, the National Economic Society, and MTESZ [Federation of Technical and Scientific Associations] through their executive bodies. The executive committees of the Budapest and megye party committees also discussed the plan guidelines.

Before we describe the viewpoints of the conferences, it will hardly be superfluous for us to place the additions and changes into the coordinated organization of our policy, or more precisely, the values showing the changing tendencies. In this case it was not only a matter of great social benefit which could originate in any single step in the march of social democracy, but much more a matter of the fact that recognition of opinions and counteropinions and a political mapping of the structure of interests can strengthen the base of the decision-making process, increase the chances of correct decisions, and unite them in the traditional style of party leadership.

As far as the last element is concerned, let us appropriately recall the resolution adopted at the March 1968 meeting of the Central Committee, in which the Central Committee determined the development of its own method of operation. The resolution read: "With a view to preparing for correct decisions, it is necessary in any reasonable case to be familiar with the diverse opinions which emerge when judging the substance of a given question."

Before the Central Committee debate on the guidelines of the Sixth Five-Year Plan, the modest statement could probably be made: This is a reasonable case.

Still, let us mention first of all the unanimously harmonious points of view emerging from the responsibly fervid discussions, from the committed analytical discussions of the fateful questions of the nation, and from the scrupulous discussions seeking ways and methods of building socialism. This important reason militated that alternatives not be formulated counter to the substance of the extended strategy and great national purpose of restoring the balance (not even when discussion concerned the timetable or rhythm of the restoration) in the discussions, in which politicians and scientists, workers and ministers alike developed their opinions of the substance of the debates in real, and therefore polemic, judgments. However, this again socially verifies and emphasizes that we have basically no answer to the challenge of the times than the one we have expressed: creation of a dynamic balance based on improved efficiency and structural reorganization. This is now the path which can be followed in building socialism in Hungary!

A glance at the above list of organization invited to debate is sufficient to make it clear that sociopolitical and professional points of view were found in this exchange of ideas, and not at all in such a way that limited prudent and appropriate boundaries could have kept the sociopolitical or economic and technical opinions developed from being advanced. In the debates (as would naturally be just as necessary in life and experience) these methods of approach to the plan were appraised together everywhere, and this is exactly how the strategic and substantial unity, to which we have just referred, originated in responsible association between social demands and economic possibilities.

It seems proper for us to demonstrate all of this with a few textual extracts. For example the SZOT Board considered it vital that the most important task in the coming 5-year plan period be an increase in the economic strength of the country and an improvement in management, in conjunction with the short-term and long-range goals of satisfying the needs of society. Gradual improvement in the state of the national economic balance, and preservation and consolidation of the results achieved in the standard of living should basically be assured by increasing the efficiency of social production. The National Economic Society expresses their opinion thus: "The Board of our Society is in harmony with the main goals and with the general trend of the plan." The statement decided on in the Academy of Sciences was: "Within the common difficulties today in the Hungarian national economy and the world economy, the plan on the whole distinctly designates the central tasks and determines the main points." There was one more opinion: "On the basis of the opinions collected and recognized in MTESZ so far and emphasized during the debate, we can definitively state that everyone considers the concept of the Sixth Five-Year Plan to be realistic."

Necessarily the opinions and standpoints within this basic harmony differ from one another.

We have said necessarily, and appropriately following the trail of this necessity we can now approach the flow of content in the instructive debates.

These conferences can probably be characterized primarily as instructive because of the expression and literal idea of necessity. As far as the essence of the matter, its social nature, is concerned, instruction is not new in Marxism in general and in our party practise in particular. We refer to the structured nature of interests which our two Congressional resolutions have made an important circumstance, not only because of its objectivity, but also because of its technical organization. We also know that there is a fee for the school of experience teaching that no protection from harm to the common interests is provided if we qualify a difference in interests as a contradiction to the interests of socialism (this follows from wilful actions and opens the way to damaging the interests of society, to be healed with difficulty). Actually the situation is quite the reverse: the primary demand of socialism is that the basic identity of interests be established by constantly renewed union of the deviations expressed more and more unanimously!

It naturally follows from this that venturing one opinion or another on the special debate on the basis of interests does not constitute a stigma but a sign, and we can consider these opinions as useful contributions to work, interpretation and judgment in decision-making. In this exchange of ideas the nature of the scope of the plan is found in the unanimously approved understanding that, while eschewing from details, it made changes in reality continuously acceptable, and it is only natural that this scope

"becomes saturated" with full justification by more and more content in the diverse methods of the representative concepts.

Here let us first mention the interest with which we are absolutely familiar: its isolation is simultaneously dialectic identity with the long-term interests of all society. This is naturally the matter of the division of labor (and this priority in publication demonstrates how much we welcome the manifestation of interests and treat them as convertible to our good). A great deal of responsibility, felt for all of society, is mirrored in the standpoint of professional organizations, since among other things they point out the basic requirements that the balance relations of the economy can only be permanently improved by efficient progress based on the modernization of the planning, regulation and measurement system more definitely effective with changes in the division, which at the same time can be the way to stimulate increases and to raise the national income able to be utilized at home. The SZOT Board emphasized: "It requires that the governmental organs turn their particular attention to having the place of the working class, especially the workers in the large industries, take shape in correspondence to the position and performance occupied in social production." It is obvious that the professional organization conference strongly emphasized every factor which concerns preservation of the standard of living, planned harmony between prices and wages, full and modernized employment, and social benefits. A single conclusion, only for purposes of illustration, is stressed. The SZOT Board points out with great resolve: "We must not make room for 'economies' which can take place at the cost of safe working conditions."

Complete unity in essence or in work aimed at progress and at the same time debate about methods of solution are reflected in the debates and views of KISZ, speaking to represent the interests of youth. "Special justified attention is to be given to seeing that the evolution of factors determining the living circumstances of the young does not result in worsening their condition," states the KISZ Executive Committee, analyzing in detail the chances of youths getting an apartment, the possibilities and means of raising the level of education and supplies for the student society, and including the suggestions that the educational scholarships of students in universities and higher educational institutes be raised, and that the gyes system be expanded to day students.

Scientific research, technological developments and innovative processes in material and human conditions necessarily came to the fore in the debates of the Academy of Sciences and MTESZ. They put into words the material uncertainties of the expanded research and development plan, as well as the fact that more penetrating research is necessary on the kinetic laws of the intensive economic sector, the relations between the economy and the social policy, and their interaction with the theory of nation-wide economy. In speaking of the subjects of leadership and the cadre policy in MTESZ, they stressed that "There is a need for leaders to

undertake risks, not of an official type, but of an innovative type," and pointed out that technological careers have lost a great deal of their attraction.

In the debates of the executive organs of the cooperatives a whole list of proposals, comments and demands were outlined for the agricultural, consumer service and industrial cooperatives. The mood of the debates is demonstrated, for example, by the ideas of the SZOVOSZ Board, that the differences in the regional level of goods supplied were too large, and this could not be continued, better use of dormant capabilities should be further encouraged in the housing cooperatives, and the Board "sees a great deal of attraction and benefit in establishing resort cooperatives." In addition to formulating proposals SZOVOSZ asked to participate in solving the tasks. This is also indicated by the fact that the consumer cooperative system helped considerably in the execution of the plan by organizing supplies of goods, housing services and private farming. Enterprise experts on the Board of the Chamber of Commerce formulated the demand that technological development and better possibilities for distributing basic financial assets for investments among enterprises be conditioned by more flexible and resilient management.

Worthy of attention is the common thread of argumentation which appeared as a demand at almost every conference, namely that we basically qualify the plan for the coming half decade as a social program, and that with this type of treatment stronger cohesion can be implemented in the economic goals and in the conditions and opportunities of the social policy. For example, the debates of the National Economic Society pointed out that, although the estimates of the plan are basically realistic, some details require more elaboration and improvement and, in this connection, that the role of the human element will grow in the next 5 years. The Board of the Academy of Sciences finds that the plan, despite all of its virtues, is still primarily economic and not sufficiently social. From this viewpoint those important social policy comments, which the body expressed as follows with respect to the plan guidelines, deserve attention: "Greater attention must be directed toward a tremendous improvement in quality and toward raising the level of health facilities and services." It would be useful, they add, if concrete programs could be linked to the realization of the plan concept and to better harmonization between interests. This suggestion was immediately augmented by a readiness of the scientists to participate in elaborating the programs. (Executive programs are being prepared for several particularly important goals of the plan, e.g., summarizing what has to be done in the development of energy management, domestic raw material utilization, housing construction and elementary schools).

In the course of constructive observations a role is played by concrete developmental ideas which cannot occasion any doubt when inserted into the plan, even when first heard, namely the financial conditions subject to judgment in the decision-making process. Here are found, for example,

those self-correcting observations which justified the faster and broader development of the infrastructure. However, it is obvious that a method of doing this can only be provided in a selective way, with due consideration of carefully selected, progressive direction . With respect to proposals for more intensive development of certain other manufacturing branches (e.g., the food industry, energy machine production, etc.), they can naturally be decided only in the course of planning and in consideration of concrete conditions to which we can pay a great deal of attention in the next 5 years.

Lenin believed that: "Planning is nothing but continuously, scientifically maintained proportionality in production." Now there is abundant example in Lenin's life work of what behavior the Marxist party must display when the task is not one of "maintaining" proportionality but of establishing or restoring it for any reason created by a history qualified by him as "insidious."

Now in our country, facing the specific agenda and needs of the times means that we cannot confuse the end with the means. We are now approaching the invariable goals of building socialism by improving the balance of the national economy and at the same time creating conditions for more rapid progress later.

If the plan, which is evolving naturally in the wake of the debates with due consideration of the opinions expressed, is approved as the plan law, it cannot be finalized in the sense that we thought of in the earlier 5-year plans. It will not only advance with experience in performance, but also obviously in the sense that good work can also expand its capabilities "during its course." However, this candor cannot mean that decisions breaking through the scope of the plan can be born from our distribution before the assets are established.

We have the strength to change the goals enumerated in the plan guidelines into reality. Our strength springs primarily from the oneness of the party, from the unity formed again and again from the masses, and from the ability to base the work done for the future of the nation on our greatest source of energy, the strength created by the masses.

In his Parliamentary address on the connection between the present and the future, Janos Kadar said: "Our directing principle is Marxist-Leninist science." It is a good direction, and that is why we follow it. We incorporate principles with reality, and so stake out realistic goals, i.e., only those for which conditions exist for implementation.

6806
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INCREASING REQUIREMENTS IN MANAGEMENT DISCUSSED

Budapest PARTELET in Hungarian No 12, Dec 80 pp 24-27

[Article by Robert Klezl, deputy minister of transportation and postal affairs: "Increasing Requirements in Management Work"]

[Text] It is an unalterable inheritance that the Hungarian economy does not possess the material resources by which it could become independent of the increasingly more difficult and complicated foreign circumstances. It is especially practical and justified in this situation to manage well those opportunities pointed out also by the directions of the 12th congress, when it emphasized the role and significance of human factors. We would be making our own situation more difficult if we did not take advantage of the resource offered by our prime producing value, active and creative human thinking and behavior, the creation and strengthening of a new type of relationship in the community.

During the current process of developing the Sixth Five-Year Plan in the areas of transportation and communication we have found ourselves facing the need to raise the levels of management work in several areas. Those areas where we will have to modernize our methods of operation are also becoming better defined.

Practical implementation and accomplishment of the congress resolutions requires, for example, that management constantly compare its own work with the requirements, and in harmony with this they are to adjust their methods of managing to the new requirements dictated by life. Of course this requirement covers all economic managers alike, whether they work in a ministry or at an enterprise.

The goals of the transportation branch--for example, developing a more proper ratio among the transportation branches, better utilization of the means of transportation, cutting back unjustified transportation and waiting times, spreading modern transportation methods--require more initiatives and more risk taking by management than before. Instead of the more comfortable behavior of carefully pussyfooting around the problems of economic operation, and postponing solutions--which undoubtedly requires less energy--a deliberate management style is needed including independent thinking and the ability to make decisions. More and more emphasis is being placed on the requirement that management not stop after identifying situations. They should not be satisfied by acknowledging that, for example, the utilization of vehicles, the level of their use is below the level which can be expected, or that utilization of investment tools is not sufficiently concentrated and implementation times are too long, or that cooperation

with shippers is not always free of problems either, but they should initiate specific measures to solve the economic operating problems and they should also make greater demands on the workers in the areas they manage. By also making more effective use of financial incentives, they should more vigorously demand maximum frugality with fuels and other materials, especially with imported materials, demand that waiting time between individual trips be decreased, that the quality of the goods transported be protected, and that the safety of transportation be strengthened.

It is a growing requirement for us to help develop an atmosphere in the areas we manage in which the greatest recognition is given for achieving the common goals. It is also necessary for us to take a stand against all efforts which may lead to the possible relaxation of greater economic requirements. From this derives the task of defining the limits of those efforts which wish to receive unjustified exemptions from the specific requirements of normative regulation by overemphasizing the characteristics of their branch.

The 12th congress resolution and the government program requires the modernization of management methods and management style in state administration, as well as in economic operating organs. For this the coordinated, uniform development of the state's administrative functions, operations, organizations, management means and methods is required. Also in the transportation and communication area, these requirements make it necessary to reinforce the effectiveness of the ministry's activities of directing and controlling economic policy. In directing work, we must make the national economy's interests prevail better than in the past. We must concentrate our attention on the economy's main processes--in our case on as efficient a fulfillment as possible of freight and passenger transportation needs of the enterprises and of the population. The situation calls for decreasing those interests of enterprises which are not related to the requirements, moderating those earlier efforts which were aimed at maintaining the enterprise's stability at all costs. We must provide better incentives to the enterprises to rationally regroup the manpower which can be made available, and also to moderate the demand for state subsidies by more fully identifying internal reserves. Strengthening the enterprising desire of the enterprises, and their ability to conform to market conditions can also be aided by doing this.

In recent years we have been taking better care in building as good a foundation as possible for the plans of the enterprises, and our efforts have been to properly implement the increased requirements in it. We consider it one of our most important tasks in planning to more consciously apply the value categories, which until now have not received sufficient attention. That is, a financial policy developed in a planned manner and properly used can be a great help in reaching our economic policy goals.

It is becoming less and less acceptable to believe that we have satisfied our task if we have transported every passenger and all freight to its destination. It is the job of managers to apply and make use of the value categories more consciously and with greater know-how in achieving goals and in evaluating work, instead of the quantitative approach they were used to in the past. It is important for economic management to make it an everyday practice to think in terms of costs, prices, profits or even losses. Economic managers will have to deal more, more thoroughly and with greater knowledge than in the past with cost

management, inventory control and frugality measures. Conforming to the changed circumstances can be achieved only if a management and directing practice containing these elements is implemented.

In several areas we will have to change the attitude that any additional task can be accomplished only through expanding the tools. In the future we will expect managers to exhibit such behavior and practice as solves tasks not necessarily with additional resources but primarily by making use of internal reserves, with more effective utilization of existing means. This assumes the development of an attitude and behavior which does not consider it to be below one's rank to thoroughly concern oneself with daily operating problems and with carefully organizing the implementation of tasks.

In the Sixth Five-Year Plan, the investment tools available to the transportation and communication enterprises will not increase in comparison with the previous plan period, and we must even expect that they will be decreased. From this it follows that individual investment projects will have to be ranked more carefully than before. Priority will have to be given to investments serving the branch's most important goals, for example:

--to develop mass transportation, particularly in the capital city and in the selected major cities, and in the traffic in the capital city's vicinity;

--improvements to the railroad network, which has definitive significance in freight transportation, and to individual railroad switching yards and railroad stations;

--creating the conditions necessary to apply modern transportation technologies;

--increasing the operational readiness and safety of transportation and communication;

--improvements to, and large-scale reconstruction of the telephone network.

Further development of the incentives can and must be helped also by the differentiated development of the organizational system of the enterprises and by modernizing their internal mechanisms. Experience shows that overcentralized organizations weaken the efficiency of financial regulation and make it possible for the income differences between economic operating units to equalize, thereby hindering the growth of more efficiently working units. In the interest of cutting this back, we must examine which jobs can be done more efficiently in smaller units, and self-accounting by the units must be further strengthened within the large organizations.

Within the framework of preparing the medium-range plans, evaluating the market opportunities of the enterprises, and developing their business policies, one of the extremely responsible and not at all easy jobs of managers is, while taking into consideration changing circumstances, to realistically and critically evaluate the sphere of the enterprise's tasks and area of operation, and the opportunities connected with this. Based on this, they must decide whether or not it is necessary to consider cleaning up the profile, restrict or eliminate or perhaps expand certain areas of activity. The possibilities of expanding their cooperation with other enterprises must also be evaluated. This makes it possible also for

not yet always the most practical work distribution in transportation to develop more correct ratios which would be in better harmony with the transportation policy's goals.

The performances accompanying the international expansion of our transportation and communication links, and the foreign currency incomes derived from these represent an increasing portion of the branch's activity. From this derives that new and increased task which is caused by implementing an active price and flexible foreign exchange rate policy--primarily for the managers of enterprises engaged in significant international activity. They must also consider further changes in the foreign currency exchange rates, and also that in general there will be no possibility to take advantage of budget subsidies to counterbalance the effects deriving from this.

The national economic goals specified in our employment policy, in increasing the social usefulness of work, and in strengthening the socialist characteristics of distribution will also have to be implemented in the area of services, thus also in transporation and in communication. It can be expected that the number of people employed in the branch will remain approximately at the present level. Preparations will have to be made in the plans for the tasks deriving from this by organizing work better, and by modernizing the technological processes. Simultaneously a significant reorganization of employment as a whole will also be necessary. This will require especially responsible and well-based decisions from the managers of enterprises. To wit, at this time a shortage of people can still be seen in some job areas, while at the same time manpower is being underutilized in other areas. These differences will have to beequalized out in an organized and managed way, endeavoring also to continue the favorable trend which has already begun and which is manifested in decreasing the proportion of management and administrative personnel.

The need to coordinate social, group and individual interests is an increasingly important characteristic of our economic management system. Harmony is best created in the various forums of the workplace's democracy. Through correctly interpreting and practicing this, the workers can be made truly interested in achieving the designated goals.

Our experience shows that the initiatives of management are best supported by their subordinates where the goals and contents of the initiatives, and the tasks these will mean for them are introduced, discussed and accepted in democratic forums. In the work of managers, it will be a more and more vigorous requirement every year to openly share their problems, even those concerns in which the change is not up to them, not up to the local management. This is the only way they can earn the understanding of their workers. Managers must see that they will suffer no loss of respect by the workers also becoming aware of the problems, since solving them by joint efforts is always easier. On the other hand, it will always damage respect and harm the cause if certain phenomena are judged erroneously or if efforts are made to paint them in a better light. Open discussion between the workers and management is indispensable in overcoming problems.

Even in the past, the ministry's management endeavored to promote the development of socialist democracy as well as possible at the enterprises under its supervision. The studies we have jointly conducted with the economic managers and with the political and social organs have also confirmed that with the more effective operation of plant democracy forums, and with better utilization of our opportunities

we can promote the accomplishment of our goals set by the Sixth Five-Year Plan, and we can bring existing reserves to the surface.

Increasing the efficiency and profitability are helped most by developing an atmosphere in which the principle of distribution according to the work done definitely prevails. By the way, this also coincides with the wishes of most enterprise workers, since no collective is made up of people with the same performance, diligence and behavior. The method by which everyone receives the average wage increases must be eliminated from our practice of paying wages. The responsibility and, at the same time, the risk must be accepted that those who earn it with their performance receive significantly more than the average, while there may also be those who will receive no wage increases at all. If managers strive to bring issues of such a nature before the forums of plant democracy, the discussions will become more lively and more real, because they will be addressing questions which directly affect a broader circle of the workers.

In our opinion, the goals have now been clearly and unambiguously defined for the economic operating organizations as well as for the ministry's apparatus as a result of experience gained in economic operation which better conforms to the changed circumstances, of the analyses done within the framework of the medium-range planning work, and of the disucssions and coordination conducted at the various levels. We can also see that developing modern and creative directing and management which relies on the initiative ability of the workers is an indispensable condition for successfully achieving our goals. These conditions can be implemented only with the support of the party and of the trade union organs, in close cooperation with them. We must also contribute to successfully achieving the goals deriving from the congress's resolutions by doing higher quality management work which allows the new and increased requirements to prevail.

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MINISTER DISCUSSES ECONOMY IN THE 1980'S

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[Article by Istvan Hetenyi, minister of finance: "The Hungarian Economy in the 1980's"]

[Text] A political economist has much to say if he recalls Szechenyi. Istvan Szechenyi, a leading personality of the age of reform, expressed and carried out ideas which are worthy of attention even today. Progressive reform thinking, the intent to improve things and practical action were perfectly united in him.

His journal proves that he consciously prepared himself to initiate and carry through the reforms. "Hitel" [Credit], which appeared 150 years ago, was the first powerful expression of these thoughts. The selection of the title "Hitel" had a double meaning. It stresses faith [hit] in social and human development and it stresses a basic question of economic activity. His point of view is still that of everyone ready to improve things: "Why are things as they are--and did they have to be so or not?" This is the basic question of his thesis expressed by Szechenyi in the introduction to his work.

This question is timely today also. Our revolutionary age requires a whole series of reforms which receive their seal socially from the program statement of the Hungarian Socialist Workers Party and economically from the reform of economic guidance initiated in 1968. Our reforms are parts of our revolutionary transformation and they will prove no less significant than what happened in the 1830's. Naturally, the historical situation differs from that of the age of reform. Our society does not stand before the need for a revolutionary transformation, rather it is in a developed epoch thereof; in principle the social relationships do not fetter economic progress. In its international determiniation our economy differs qualitatively from the earlier one. But to be a reformer, in the creative sense of the word, is no easier task today than it was in Szechenyi's age. It is still true today that the road to economic development, to the development of the forces of production, leads through an improvement of production relationships. His profound conviction that men must be won to the good, progressive cause is worthy of attention and his personal efforts in this regard are to be followed.

The close unity between the spreading of his ideals and his practical activities, manifested in the life work of Szechenyi, is exemplary. For example, his profound psychological sensitivity and his subjectivity directed toward the good gave him the courage to act from day to day, undertaking the burdens of temporary failure and the need to begin again.

When introducing our economic policy we had to choose between the important and the still more important, undertaking the accompanying dangers and criticism. In our aspirations we must emphasize those of long range significance, but which are still profoundly timely. Every economist knows the great significance of daily practice for the more distant future is the resultant of daily steps.

Let me begin what I have to say--very briefly--with a broader overview. It is well known that in the 1950's and 1960's socialist economic construction could be characterized as the age of great industrialization. But industrialization did not mean simply swift industrial growth and diversification; it also meant a powerful social-economic transformation. In the course of industrialization the worker class came to be the majority, full employment became permanent and the Hungarian village was profoundly transformed also. After the socialist transformation of agriculture we were able to surpass the production level of 1938. Economic development was accompanied by broad cultural growth and a proportional improvement of social security and living conditions. Between 1950 and 1970, national income increased three times and consumption increased 2.7 times.

As a result of the age of industrialization which came to a close at the end of the 1960's Hungary became a country with a diversified production structure and a developmental level which could be called a good medium in the world economy.

Further development of the economy requires radically new paths. The chief developmental trend of the 1970's and 1980's will be for the international competitiveness of the economy to catch up to the level of our most important trading partners. We must overcome the disadvantageous circumstances that even today the efficiency of production is relatively low; we have achieved our developmental level with a relatively large expenditure of manpower, materials and resources. In addition, some areas of the infrastructure are relatively backward even taking into consideration that in the case of dynamic development the property invested is necessarily relatively more backward than the income level achieved. It must also be taken into consideration that in practice employment is not increasing, indeed industrial employment and the full worktime base will decrease.

Certain autarkic tendencies--in addition to many other causes--are of fundamental significance in the unsatisfactory level of efficiency. To a certain extent these were deliberate at the beginning of the 1950's, or they were forced upon us; later--despite our efforts--they received support from the system of guidance.

To sum up: The crucial task of economic development is to realize an export oriented and selective production policy in which international competitiveness will increasingly be the standard and criterion of development and management. Subordinate to this, in coordination with one another and oriented toward sales, we must develop the technical level of production, the technological and product structure and factory organization and inter-enterprise organization. A gradually increasing part of the increasing net income must be turned to development of the infrastructure.

In the service of these new requirements we initiated the reform of economic guidance (well known in its chief aspects) in 1968--on a broad scale, after many partial initiatives--and we are striving for an ever fuller realization of these reforms. In the decade following 1968 gross national production increased by 5.9 percent per year, industrial production by 6.5 percent per year, agricultural

production by 5.4 percent per year and consumption by 4.3 percent per year. The structural transformation is indicated by--among other things--the creation of several new branches of industry (the natural gas industry, petrochemicals, computer manufacture) and increased use of our domestic natural and intellectual potential.

The positive processes which were getting started at the turning point of the 1970's were influenced to an extraordinary degree by the world economic crisis which took place in 1973 and by the lasting severe troubles since. This is understandable if we consider the significant role of foreign trade in the economy of our homeland. It is well known that following 1972 the foreign trade terms of trade developed unfavorably for Hungary and this led--together with an underestimation of the depth of the world economic processes and their effect on our economy--to a significant deficit in the foreign trade balance extending over several years.

The unfavorable world economic situation affected the economy at a time when internal power relationships also hindered a more consistent realization of the guidance reform. The external changes increased the problems of internal origin--for example those deriving from the contradictory requirements of stability and flexibility and from the income differentiation tendencies--into stormy conditions under which the understandable first reaction of a helmsman learning to sail a new ship could have been to reduce sail (the tools of progress). Indeed, some of the crew may have thought that it would be best to drop anchor in time of storm. There was not strength to carry out in practice a number of steps considered correct; there may even have been doubts about their correctness too. But in 1977 and 1978 it became clear that, adapting to the objective possibilities for economic development and taking into consideration the economic and social mutual effects, more courageous steps were needed to strengthen the balance of the national economy and ensure its further progress.

What characterizes the economic policy, valid for several years, which is accompanied by substantial changes and which began with the positions and measures set forth in the 1979 plan?

We set ourselves the immediate task of creating strong and lasting balance relationships which serve socialist development and are based on an improvement of the competitiveness of the economy, consistently reckoning with the world economic challenge and the real conditions of the country, subordinating to this goal quantitative growth and giving up the principle of the untouchability of factory stability, which developed amidst earlier conditions. This is the chief question of Hungarian economic policy for the 1980's. The realization of this policy began in 1979 and we trust that the 1980's, in this sense, will not last until 1990 but will come to an end earlier.

In order to carry out this task there must be an essential change in economic work, while preserving our general social goals and fundamental economic policy goals. In the age of industrialization the priority goals of economic policy were expressed primarily in rates of growth and the development of ratios--with a large scale concentration of resources--while the "how" of realization received less attention. Today, however, it has become a key question of our economic progress to what extent we can strengthen rational management and in what way we can mobilize more intensively the forces of our society to give a positive answer to the social and economic challenges. So the fundamental question is a more intensive social-economic self-mobilization. Growth goals can be put forth as a function of the development of this.

All this requires the overcoming of strong contradictions (although they will not be antagonistic contradictions if guidance is correct). Contradictions can represent a powerful motive force, but they can represent a retrograde force also. The contradictions of daily and long range interests, individual and communal interests, consumer and producer interests and interests attaching to stability and those attaching to change affect every step of the individual, of the collective and of guidance. And all this is not simply a scientific problem, rather it is a living, everyday problem. The successful or unsuccessful harmonization of them is of greater significance for development than the minor or major deviations in macro-economic or branch ratios. The plan is only a guidepost--it is not a motor. We can deal with the contradictions if we regard them not simply as quantitative problems but rather as a complex social-economic or qualitative question. Of course, a realistic recognition of a complex contradiction is not easy in itself. For example, the difference between enterprise and social interests frequently appears as a difference between daily and long range interests.

In addition, it is not enough if the individuals and collectives recognize the contradictions only intellectually; we must also create motivation and forms of movement aiding their resolution. For example, much harm was done after 1974 when many of the enterprises were simply made aware of the increase in prices, the rising costs, without feeling their effects in factory incomes. Even feeling the effects is not enough. The real task is to create conditions which will stimulate real action and force the giving of positive answers to the challenges.

What characterized our economic life in 1979-1980? First of all that a definite priority was given to the task of ensuring the economic, primarily the external economic, balance. To do this one had first to strengthen the foundations for rational economic action.

Of the steps aiding rational management the development of the price system is of outstanding significance. Beginning in 1980 we introduced in the competitive spheres of the economy prices which adjust to the world market price ratios or a price mechanism aimed at constantly creating such prices--with temporary compromises. It is characteristic of the price mechanism that in industry the official prices were narrowed down to energy and a few raw materials. The reform will not stop with producers prices but rather will extend to consumers prices also--gradually, with deliberate preferences coordinated with income development.

The role of financing in influencing production and income distribution is changing also. We are reducing the sphere of exceptional financial concessions and withdrawals and increasing the role of financial normativity. For the most part normative financial regulations are realized already in connection with the budget and production.

We are also encouraging better enterprise management by a further elimination of some constraints, by a better linking of research and development and production and marketing functions within the enterprise and by creating more substantive and longer lasting forms of cooperation among enterprises.

We are devoting special attention to the conservation demanded by rational management, especially in energy management and in the area of use of secondary and waste materials. Rationalizing the management methods of institutions in the budget and a better coordination of functions and the institutional system will give greater opportunities for conservation.

All these efforts will bring results if, when formulating economic goals and ratios, we reckon realistically with the possibilities of the national economy, not least of all with the requirements of the international balance of payments. We had to come to the conclusion that under such circumstances a lower rate of growth is a necessary condition for improving the balance and achieving the desired structural changes.

The economic processes of 1979 and 1980 indicate that the lower rate of growth and the restriction on domestic use were rational steps. In 1979-1980 combined the gross domestic product is expected to increase by 5 percent, net industrial production by 6-6.5 percent and net agricultural production by 2.2 percent. The increase in consumption will be 4 percent while accumulation will decrease significantly--gross investment by about 18 percent in two years. Even so gross investment in 1980 will account for about 30 percent of the gross domestic product.

The deficit in the foreign trade balance is being decreased significantly. The average deficit for 1979 and 1980, for foreign trade conducted in convertible currency, is one-third the average of the years between 1974 and 1978.

The economic policy to be followed in the 1980's must reckon--together with the already mentioned aspirations, world economic conditions, demographic conditions and the economic givens of the country--with a number of strengthening tendencies. One such tendency is that the social aspects of economic guidance will have an increasing role. The goals of our society are not identical with those characterizing the consumer societies of the west but increasing consumption and satisfying the needs of the populace--with appropriate preferences--are recognized parts of the socialist way of life. Our uniqueness appears primarily in income distribution but it must also be expressed in the circumstances of work and production. Social aspects will also increase in the production process. There can be no efficient socialist work without a close identification with the goal. We must increase the role of the democratic forums in developing the work of the enterprise. We are not narrow "economists"; we know that economic development will mean true human, moral and social progress only with a constructive mutual effect of economic, social and conscious factors, and not automatically. There is still much to be done in this area.

In addition, the role of internationalism is lawfully increasing in economic processes. This trend is not limited to trade or cooperation. It also manifests itself in such factors as the system of producers prices, in which the development of world market prices has become a factor of first importance, and it also manifests itself in an extraordinarily indirect form in that our society must have modern information about the world, knowledge of foreign languages, etc.

Finally (partly as a function of the foregoing), economic policy must handle in a new way the links between means and ends in the economy--earlier regarded in a simplified way as a simple hierachy. In a paradoxical way my 30 years of experience as a planner have convinced me that, with the qualitative changes and the increasing role of personal factors, optimalizing thinking using a goal-task-tool logic--which is associated primarily with the name of Tinbergen--does not entirely correspond to the possibilities of the political leadership, despite its theoretical closure and apparent indisputability, and that the creative dialog of planners and politicians can be made fruitful by approaching a concept of "improvement step by step."

We must avoid taking the long range goals as given, eo ipso, forcing into the background in the decision-making process any weighing of means and sacrifices. We must always examine in combination what we are capable of (or inclined to do)--weighing the social-economic factors together--and what steps we can plan for ourselves in the realization of our important goals--goals difficult to measure quantitatively. This way of thinking would strengthen in a useful way the realization of the basic principles of the 1968 reform. The economic goals itself is only a tool in the unfolding of human talents. Szechenyi also expressed this clearly.

Using this idea I would begin a discussion of our economic policy aspirations not with the questions of plan goals but rather with the question of economic guidance--the development of planning, regulation and the organizational system. Coordinated steps are needed in all three areas.

1. The task of economic planning will continue to be the development of national economic plans based primarily on the utilization of economic tools.

The national economic plan defines the frameworks for development--to be handled flexibly in its details. In addition, it contains direct state decisions and obligations. In production these are concentrated primarily on research and development and on investments. Experience shows that greater prominence should be given to the contingent nature of these decisions.

One can undertake definite obligations deriving from the long range thinking of the state only to the extent that the means for this are ensured. Decisions about the distribution of hoped for resources should be made in accordance with priorities in the plan, in an "if-then" way. In this way planned foresight could be harmonized with guidance and flexibility better than is done today.

This applies especially to 5-year planning because the 5-year plan, oriented toward developments which can be made concrete, has a leading role in economic guidance. Basically the annual plan serves to realize and adjust the long range decisions; long range planning, 15-20 year plans, with its broader and more complex studies, is primarily an intellectual exercise serving to provide a better foundation for other plans.

2. The character, general role and tasks of the regulator system have not changed in principle since 1968. The fundamental role of profit in developing the income of workers and the developmental possibilities of enterprises is more timely today than ever before. This is the point through which national economic, enterprise and individual interests can best be linked.

We should regard it as our chief task to see that the regulators better stimulate enterprising activity and aid a dynamic development of efficient activities, making uneconomical activity efficient.

I have already spoken of the changes made in recent years. I stressed the chief aspects of the transformation of the price system. In the years ahead we want to place the emphasis on a consistent functioning of this system. We want to broaden that sphere in which we use the price principle valid for the competitive sphere. We want to go further in the rational development of the ratios of consumers prices.

The role of rates of exchange and changes therein is increasing. We must weigh two contradictory factors every time we set the rate of exchange: on the one hand we need rates of exchange with which a greater portion of export is suitably profitable; on the other hand we must worry about the role of rates of exchange on the producers price level--and through that on the consumers price level. (A one percent increase in the rate of exchange increases the general producers price level by 0.6-0.8 percent.)

Our aspirations must be reflected in financial policy also. An income distribution is desirable which is uniform in an ever broader sphere but which ensures, via normative regulation changing in time as needed, that usable income remains within the frameworks of the income created domestically which can be realized and foreign credits which can be used rationally and, further, that the investment possibilities of the several enterprises should be in harmony with the efficiency of the respective enterprises and that they can increase accordingly the personal income of their workers.

Financial regulation should be suitable for a planned development of investment buying power and at the same time should provide suitable opportunity to profitable enterprises for a relatively swift development of competitive production.

We must also improve the balance situation of the budget with steps which strengthen rational management. To this end we must ensure that the budget gets a suitable share of net income and we must decrease the sphere of financial discrimination. Lasting preferences can be maintained only in connection with price policy considerations or in connection with the fulfillment of international state obligations in the strict sense. We want to limit the budget financing of investments for production purposes. We must realize rational and strict conservation in the management of budgetary institutions.

The regulation of investments is a well developed element of our regulator system but in many respects it does not work satisfactorily. This is primarily a question of financial and credit policy but it is closely linked to the national economic plan and to the setting of limits on state and enterprise decisions.

We are starting from the position that in the years ahead we should gradually place in the foreground, in the competitive sphere, investments, largely smaller investments, of a reconstruction character which increase export capabilities. In accordance with this goal the enterprises must receive self-financing possibilities dependent on their profit. In addition, they must be given a way to assume credits for developments which accelerate the structural transformation, in so far as these are profitable. Developmental ratios can be influenced with credit preferences also; for example, to the benefit of export development, energy conservation, etc. Some newer measures also serve this goal; for example, the foreign trade and industrial enterprises can use their resources together for export development investments.

Our practical experts frequently ask if it is justified to give export development investments an advantage, should not the same conditions be created for investments which save on imports. In my opinion, in the new price system one can achieve more favorable profitability than earlier with efficient import conserving investments, and here also one can get credit as an advance on enterprise resources. I feel, however, that it is justified to support in a differentiated way those investments which directly influence competitiveness in export, investments which bear the greater risk of export sales. If this were not so it would call in question the seriousness of our strategy.

3. The experiences of past years have directed attention to the importance of organizational questions. In some cases the interest relationships of the old organizations hinder the realization of our present aspirations.

In judging an enterprise organization we start from the fact that--as the enterprise law itself sets forth--"the state enterprise is the economic-organizational unit of society, an economic undertaking of the state." Thus the essence of an enterprise is the development of entrepreneurial readiness. Our goal is that, in the future, only that enterprise can develop at a swift pace--at least in the competitive sphere--which has a well founded strategy, which can renew as an organic unity its product structure, manufacturing processes and sales and which ever better corresponds to the standard of international competitiveness.

The developmental trends of the past 10 years did not always correspond to this. For example, a better satisfaction of needs will sometimes require smaller enterprises but in practice the attempt to simplify ministerial guidance and an uncritical opinion about the potential advantages of large organizations strengthened centralization. (Between 1975 and 1979 the number of industrial enterprises decreased from 1,563 to 1,371 and the number of agricultural enterprises decreased from 1,964 to 1,631.) It is our definite opinion that the organization should adjust to the optimal activity expected of the enterprise. This may require amalgamations or it may require divisions. It is primarily functions which it is desirable to combine today--for example, development, production or marketing. Horizontally combined organizations with too many members are ripe for division. In any case, we will strengthen independent accounting and interest of the factories within an enterprise.

In general we are developing the mechanism in such a direction as to give priority to purposeful developments of an enterprising character. This is how we designate state goals and rules for research and development policy and it is for this purpose that we are taking steps to aid prime contracting activity and the creation of inter-enterprise associations and new small-and medium-size enterprises.

Improving enterprise organization can be effective only if the decision spheres of authority, rights and obligations of the ministries and the enterprises are delimited more clearly, ever better eliminating the necessity and possibility for direct operational intervention by the guiding organs. Ministerial work also favors the spread of enterprising spirit and enthusiasm. This will be so only if efficiency becomes the chief basis in judging the development of enterprises and the quality of their leadership, if greater material and moral rewards are given to leaders who take risks, take the initiative and manage successfully and if the higher requirements are kept in mind when selecting leaders.

Among the organizational questions I should mention that we continue to feel that a multi-sector approach is useful, although this is a question affecting a good bit broader theme.

The state sector plays the leading role in industry, but one cannot neglect the cooperative sector which, in agriculture, is of outstanding importance. In trade also the cooperatives have contributed to our economic policy successes. Both the state and cooperative sector are suitable or could be made suitable for the spread of small- and medium-scale production; indeed, it is in our interest to increase

the sphere of private undertakings, linked to and possibly integrated with the socialist sector, in industry, trade and services, following the pattern of household plot and auxiliary farms which have shown good results for so long in agriculture. We see in small- and medium-scale production and in auxiliary or supplementary activities an organic complement to large socialist operations.

There can be no doubt that small-scale production also produces troublesome phenomena. But this follows not from the scale but rather, largely, from the current situation of this activity, which can and must be changed. Illegalities appearing here must be prosecuted just like those appearing in state and cooperative enterprises. Where the undesirable phenomenon--primarily income which is not proportional to the work--can be attributed to shortages and the lack of competition it can be prevented primarily by making the activity of the large enterprises more efficient, by increasingly ensuring a market balance and by a rational reduction of monopoly situations.

To conclude what I have to say about planning, regulation and the development of organizations I would again emphasize the complex, comprehensive nature of the tasks, the fact that they will serve planned development by strengthening one another.

Finally, let us look at what production trends we will follow and what development we can count on in the first half of the 1980's!

The fundamental tasks are: a strong improvement of the balance situation of the national economy including the foreign economic balance; an increase in the efficiency and international competitiveness of production based on qualitative factors, especially an acceleration of technical development and structural changes; and preserving and strengthening the fundamental results achieved in the area of the standard of living, improving living conditions. It appears realistic to expect that we will increase the national income by an average of 3 percent per year in the period between 1981 and 1985. This is no small task if we consider that the number of people of working age and the rate of growth of import from CEMA countries will probably decrease and that it will not be possible to increase investments because internal use may continue to grow more slowly than production and consumption will require most of the increase.

Taking into consideration the expected further deterioration in the terms of trade the rate of growth of our exports, at unchanged prices, must surpass the rate of growth of our imports by 4 percent per year.

In our foreign economic contacts the priority of CEMA integration remains but this will not necessarily appear in the growth ratios but rather primarily in our economic orientation. We want to strengthen contacts with both socialist and non-socialist partners in order to solve our economic tasks.

The chief questions of industrial development are linked on the one hand to changes in branch structure and on the other hand to changes in the enterprise product and technological structure. The more difficult questions are the latter ones. The branch and sub-branch structure of our industry is a good bit closer to the leading international level than is the competitiveness of the enterprises. As a result the chief goal in this area is to improve efficiency and accommodation to marketing possibilities; branch priorities independent of this are justified only as exceptions.

Energetics is a question of outstanding importance. It is reassuring that a 10-year conception for the development of energetics has been worked out. As a result of cooperation among the CEMA countries the energy supply of the country is basically assured on a permanent basis, if we conserve energy in a far reaching way at the same time. Domestic fuel production is expected to remain at the present level for the next 5 years; coal production may increase somewhat in the second half of the decade. In the electric power industry the construction of nuclear and coal power plants and imports from the Soviet Union will cover the increase in needs. We are treating energy management as a stressed question. A special energy management program and a special research program connected with this are being prepared.

In the primary materials industry there are generally means to continue investments already begun; in addition we are turning increased attention to modernizing the variety and improving quality because the export capability of the processing industry cannot be imagined without this.

Basically the concrete developmental investments of the processing industry belong to the decision sphere of the enterprises. Naturally, the branch structure of the processing industry is not a matter of indifference to the state. We consider that branch structure good which makes possible competitive export of a composition at least similar to that of moderately developed countries. Central development programs aid such a development in some areas also. We carried out such development programs in 1970's in the natural gas industry, the petrochemical industry, the aluminum industry, the manufacture of electronic computers, the spread of light structure construction methods and the manufacture of highway vehicles. In the future we will not prepare new programs based on large investment projects. But in two swiftly developing areas it seems justified to propose a program aiding an increase in competitiveness. One is pharmaceuticals manufacture, where the state can give an impetus to successful development primarily by supporting or bearing the costs connected with basic research and some of the infrastructural costs. A similar program seems useful for the development of certain sub-branches of electronics also.

The modernization of enterprise product and technological structure is a complex task. Guidance can contribute to carrying out this task with the already mentioned regulators and organizational measures.

The matter of enterprises working with low efficiency or even at a loss is an especially complicated question. In the wake of the new measures the number of these enterprises may increase. We cannot prescribe the lasting support of uneconomical activity. But neither would it be useful or realistic to simply abolish significant enterprises. Instead of this these enterprises must work out action programs to modernize their product structure so that the future operation of the enterprise should become efficient; or the enterprise could limit its sphere of activity to efficient production, transferring a part of the available manpower and assets to other, successful enterprises.

The significance of the development of agriculture or of the foodstuffs economy, which includes the foodstuffs industry, continues to be very great. Although the international agricultural market will always be a market involving great risks for agricultural exporters, because of the protectionism of a number of countries, we feel that we cannot abandon full exploitation of our agricultural resources.

The correctness of this path is proven by those outstanding results, even internationally, which we achieved in the past two decades in grain and meat production. In addition, we can regard agriculture as a stabilizing factor in the Hungarian economy. Of course, what we said about industry is more or less true of the foodstuffs economy also, namely that in many respects outstanding results are achieved with relatively large expenditures. The expenditure of manpower is relatively large, largely as a result of the backwardness of branches serving agriculture. Energy use is great also, as a result of the introduction of industrial methods which were developed in the age of cheap fuel. There are many losses due to inadequate mechanization and unfavorable storage conditions. The possibilities of regional specialization are not being exploited because the stormy and uneven technical development of the past period differentiated profitability more than the natural conditions did. All these factors suggest the possibility of a significant increase in incomes. Our agriculture has a solid domestic and CEMA market and it can create a lasting market for itself in western and near eastern countries with suitable variety and deliveries.

We should not forget the importance of developing the infrastructure. But since the large-scale deterioration of the terms of trade has significantly moderated the social net income we have had to postpone the realization of a number of earlier ideas. Our strength is being spent primarily on avoiding or easing narrow cross sections and--in the non-productive sphere--on improving housing and basic social-cultural services for the populace.

In distribution policy our income policy is aimed at seeing that the incomes of workers and those doing physical work in agriculture--which are at the same level--change together on the average. The differentiation of wages and earnings according to work continues to be justified; the total of social allotments--primarily for pensioners--serving to even out family incomes is increasing. Despite the expected increase in consumers prices the low pensions and the family supplements for families with several children will maintain their real value. Full employment can be maintained if manpower flows more flexibly than heretofore into the developing sectors. Various types of state aid are needed, in addition to strengthening enterprise initiatives, in order to solve manpower movement in a useful way--while maintaining the free movement and initiative of individuals. We must put special emphasis on ensuring the placement of young people starting work.

Within social, cultural and communal development the construction of 370,000-390,000 housing units seems like a task which can be carried out; this means the construction of seven units per 1,000 persons annually.

We will improve living conditions with increased renovation of housing, improving nursery, kindergarten and hospital services, building more general school classrooms and developing the water and sewage network.

Our Sixth 5-Year Plan for the years 1981-1985 will outline in more detail the economic tasks for the first half of the 1980's.

Perhaps it can be felt from what has been said that we must carry out tasks which are less spectacular as compared to the development of the past quarter century, but they are no smaller either politically or economically. The policy followed since 1956 shows convincingly that the large questions can and must be decided with a correct appreciation of social relationships and forces, and that postponing

these decisions is a serious crime. This is how the party decided in 1957 in the matter of collectivization and in 1966--after smaller steps taken over 10 years--in the matter of economic reform. A step of epochal significance provides tasks for a decade, in the solution of which the formation of social awareness is perhaps the most complex. The possibility of the conscious guidance of a socialist economy does not change the fact that the regime does not guide things, rather it guides the actions of people who have goals and are ready to act for them, and it can count on success only if the individual aspirations as a whole are in the service of the common goal. Today also there must be constant, steadfast work so that the best forces, desiring to realize the modern and undertake the new requirements, should not meet with that lack of understanding in their environment which contributed to the tragic fate of Szechenyi.

In the process of constant renewal the regime has received and is receiving significant support from domestic economics science and from the theoretical and practical cultivators of it. It is gratifying that a close link has developed between science and practice.

Speaking of the conditions for progress, Szechenyi gave first place to the multiplicity of cultivated human heads. A study dealing with questions of education and culture might prove the truth of this thesis for the present age also. Today, in addition to multiplicity, perhaps an even greater role in progress is played by the goal-oriented action of scientific human heads motivated by a common interest. That statement of "Hitel" is valid today also that "it is best to begin every reform with people and especially with ourselves," and that before all else we must overcome the two chief enemies of our progress, prejudice and self-conceit.

"Hitel" was soon followed by "Vilag" [World] and "Stadium" [Phase] and the energy filled years of the 1830's. It received its emphasis from "Vilag," that "the deed is first, the word is second," and its living guide was taken from the slogan of "Stadium": "Every man is worth as much as he is of use." Economists cannot get a better guide than this for the realization of our present tasks.

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DISCUSSIONS AT ECONOMIC CONFERENCES VIEWED

Budapest MAGYAR NEMZET in Hungarian 18 Nov 80 p 5

[Article by Tamas L. Puskas: "Old Tasks, New Conditions" after the economic conferences]

[Text] Last week, two very important events of our economy took place. Between 10 and 12 November, a discussion was held by specialists in the Institute of Economy of the MTA [Hungarian Academy of Sciences] on the tasks involved in international production specialization and cooperation, and on the problems of competitiveness of the Hungarian economy. On 13 and 14 November, a conference on industrial planning was held in the headquarters of construction.

International specialization in production means cooperation. How do we stand in this respect today, at the end of 1980, how far have we gotten, and what are those areas where attempts at realization have been futile so far? At the conferences in addition to mentioning the successes, our leading economists discussed and listed dozens of problems and contradictions, and on that basis also made recommendations for their solution. The majority started with the view that international cooperation can be expanded only at a rate at which the domestic enterprises are able to expand their cooperation and the entire process of production renewal with each other. They have to reassess their "internal relations" so that international effectiveness should become the principal benchmark for every enterprise concerned.

Acceptance of this view at times also meets with ideological obstacles. To a great extent, because we have joined late (hardly more than 10 years ago) the international trade of technological-intellectual products, in a meaningful manner. Our enterprises which have turned inward and have striven to develop a more limited production process have not found it easy--to say the least--to change their production structure and production tools even if thereby they excluded themselves from the new possibilities offered by specialization-cooperation. (In the interest of their goal to build a more limited production process, they incorporated dozens and hundreds of small and intermediate-size firms to cooperate with them and deliver to them, making more sluggish our industrial structure and slowing down the ability to respond to the "challenges" of international trade.)

Also related to this--and to a great extent the result of this--is the fact that, from the standpoint of technological development, our enterprises can not fully grasp the entire production process. They have defined the product first and they have adjusted to this the development and capacity necessary for production.

What advantages could be derived from eliminating these errors and others not mentioned here? How could specialization and cooperation be increased? By developing enterprises the production activity of which would feature a relatively small number of work processes, it would become relatively simple to introduce modern machines and production methods such as computerized control of plant management, production processes.... And just as importantly: the development of applied scientific research and a more sensible strategy for the purchase of foreign licenses and knowhow could be achieved. This is the more justified because, in the total industry, the value of products manufactured on the basis of foreign licenses increased by merely a few percent of the total export by 1978. And in spite of the fact that, during the past 4 years, our intellectual imports have increased twice as fast as our product imports. Its effect is still rather negligible in comparison to the needed renewal of the production structure.

As we heard in the opening lecture of the economic conference, expansion of specialization as a principle hardly needs justification. However, heated and long debates are in progress concerning practice and the limits of its realization. The majority of the debaters concede that the extent of specialization is as yet much less than would be justified by the achieveable technical level and by other technological-economic correlations.

Among the explanations offered, the most frequently heard is that the entire goal system of our economy, the Production preferences, planning and management are coupled with the direct demand structure of final consumption. However this "endproduct centeredness" characterizes the economy not only of Hungary but also of the other socialist countries. This makes it rather difficult to develop more advanced forms of cooperation than the current ones. And, in mentioning the economy of friendly nations and their problems, it is definitely worthwhile to discuss in greater detail the CEMA aspects of specialization, departmentalization and cooperation.

Last year, hardly more than one-fourth of our CEMA trade--and about 7 to 8 percent of our capitalist trade--was conducted on the basis of long-range cooperation agreements. This number tells much by itself. In discussing the causes, it should be first mentioned that the internal economic mechanism of the majority of member nations does not promote initiatives and independent activities by the enterprises but rather barely makes these possible. (If for no other reason, this is so because the domestic producer prices are different from both the world market and the CEMA foreign trade prices.) A recurring question is: who should initiate and carry out the cooperation and how? Well, in the majority of member nations, the central planning offices, branch ministries can be considered capable of action to "making use of" enterprises which have been granted foreign trade rights. Thus, there are fewer chances to engage in direct relations. On the other hand, it is a fact that the process has started in the partner nations as well--faster in some than in others--which can result in a certain measure of decentralization.

However, one of the conference speakers also pointed out that in no way should an increase in the number of specialization and cooperation agreements should not be forced. Under the given circumstances, there would be more need to expand and intensify the earlier, fruitful agreements. This can also contribute to a decrease in parallel manufacturing, still so regretfully characteristic of the industry of CEMA nations. Namely, today, the scale of products is unjustifiably broad in most places, and some of the products have very high energy and material requirements and low technical standards. This, too, strongly limits the possibilities of specialization and cooperation.

Similarly widespread debates were also conducted and are continuing about the respective roles of the enterprises and of central economic management to advance of cooperation. Well, first we should mention one of the "joint" tasks: defining, matching and solving the numerous technical-economic problems currently remaining provide work for everyone. (Of course only after those directly involved, the enterprises, first precisely evaluate their own strengths.) With respect to the tasks of higher economic management: much can be done to advance the cause of cooperation by using organization and regulations to support development, by forming the correct organizational system, by developing the supply areas, by providing the conditions necessary for the expansion of international cooperation and by providing subsidies--in justified cases. Of the above list, subsidies are probably one of the most important factors. Surplus investments should be with credits even more strongly than are now and surplus incomes should be left with the successfully producing factories.

Only a few of the problems and tasks discussed at the economic conferences of last week have been discussed in our article. We started with what one of the leading economists of the country expressed thusly: "The increased assertion of the terms of foreign market com petition has brought problems to the surface which previously had received only secondary roles in our economic methods or which were completely obscured...."

2473
CSO: 2500

CHANGES IN DEVELOPMENT OF CONSUMER SERVICES EXAMINED

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 p 5

[Article by Annamaria Halfar: "Services: Opinions and Plans"]

[Text] A change in the development of consumer services has taken place since the middle of 1979. The former rapid development has moderated, and in some services growth has been replaced by decline. The cause for this was the general rise in consumer prices and within that principally a rise in the prices of certain services. This especially affected laundry, tailoring, and hairdressing services. As a result of the decrease in business, there was a relative increase in fixed costs, and in many areas the amount withdrawn by the central government increased (or the amount of subsidy decreased), so as a result of these the amount of profit formed was less. It is expected that in most areas of service in the future as well--and in contrast with the targets--profitability will be considerably less than in the manufacturing industry. An even greater concern will be an even greater loss compared to today in possibilities for increasing wages and for development.

From the first opinion polls, conducted by the Central Research Institute for Development of Services, about opinions of service providers in 1980, it can be concluded that the service providers were inadequately prepared for the new circumstances and their effects, and as a result there was a decline in development in many areas. Only now have we begun to study the possibilities for counterbalancing these unfavorable effects. Many are still expecting central help and are rather looking for ways for that to happen than for ways to obtain additional income through new undertakings or utilization of internal resources.

In some monopoly enterprises a lack of readiness to serve can be observed: the difficulties are reacted to in a passive way, small units have been discontinued; wages have not increased as much as possible, and this has caused a decline in work force, which thus destroys conditions for offering services.

In the opinion of some 160 enterprises and cooperatives--principally the most important ones--a further moderation in services to the population can be expected during 1980 and the first half of 1981. In contrast to the general tendency, improvement can be expected in repair of communication items and household machines, and the rate of growth in repair of buildings will decline the least.

The average price level of services will increase this year, to a significant degree because of increases in materials and spare parts. Because of some transitory holding back on price increases (subsidies in some places), the increase in materials and spare parts will be greater in the second half of this year and in 1981. In the opinion of the service providers, the rate of increase will moderate in the first half of 1981, even though the prices of materials and spare parts will continue to rise at a rapid rate.

No significant change is expected in the number of service units in 1980 and 1981 according to the plans of the service providers. There is a general attempt among the service providers to reduce the proportion of stations where work is accepted, including those where the work is actually performed, that employ only 1 or 2 people, and this will obviously affect the customers adversely. (This also shows that a search for organizational solutions that will make possible economic operations of these small units is justified.)

The service organizations--probably because of last year's reduction in work force--expect only a small increase in work force compared to the increase in 1980.

The service providers do, however, expect a further significant increase in investment in 1980, despite limited investment possibilities in the national economy. But in 1981 already they are planning for smaller investments, even though in their opinion a reduction in investment will be less justified in the area of services than in other areas. At the same time, the service providers would like to have increased participation in the central resources, because in their judgement the new system of regulation introduced in 1980 does not provide enough means for development to even remain at the same level.

Self-financing can only be expected from the service providers if they can realize without restriction the new forms of free price movement and interests. The service providers are afraid, however, that further price increases will reduce demand, and therefore most of the service providers would rather accept the former operating conditions, based on subsidies and free of risk.

The operating organizations want to increase the quantitative and qualitative level of the services principally through organizational steps. It is characteristic, however, that the great majority of service providers are only willing to make small changes in this area. At the same time, many still consider extensive development to be the main path of growth. In significant numbers, they consider technical development to be the first task, mostly however, in those activities where most of the service units are behind the times (for example, building repair and hairdressing). They also consider an increase in individual interest to be important, and in this area every service provider intends to introduce some small change.

It is an aim of almost every service provider to reduce the time required, but at the same time most of the service providers will only undertake small changes in this area. Similarly, another important goal is an increase in the level of technical knowledge.

The development of services--according to those questioned--is hindered principally by difficulties in obtaining materials and spare parts and a lack of work force. The lack of investment funds is a general concern, and many are also concerned about inefficient services and inadequate interest on the part of the enterprises.

9611
CSO: 2500

PRESENT, FUTURE ENERGY MANAGEMENT MEASURES NOTED

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 p 4

[Article: "The Present Status and Future of Energy Management"]

[Text] In Hungary, a one percent energy conservation would mean an annual savings of 600 to 800 million forints, of which half would be foreign currency savings. According to State Planning Committee estimates, energy the equivalent of 1.2 to 1.4 million tons of petroleum could be conserved annually through rationed energy management. These figures indicate, in a simplified way, the seriousness and rational economic importance of the problem. More effective energy management and energy policy, however, of course require complex economic and technical perspectives. It is not sufficient to merely take the quantity and quality of available mineral resources, the given efficiency of mining production and the current and future import potentialities as points of departure--that is, to treat the relationships from the supply centered view, as a matter of balance. It is also a distortion to approach the total problem of energy management from the consumer side, which is the demand centered standpoint.

At the conferency jointly organized by the Hungarian Economic Society's Statistical Department (Industrial Statistics and Factory Management Operations Section) and the Scientific Energy Management Association (Economics Division), held on November 18th under the theme, "The Present Status and Prospects of Energy Management," the demand side is receiving the greater emphasis. contrary to the years long domination of the supply centered concept in Hungary. The demand side, of course, is the nerve center of management and of the regulation and incentive systems.

Not an Index of Development

The addresses submitted placed the emphasis on the branch interrelationships of energy management. That the energy problems were handled as open ended was also characteristic of the addresses. Hungarian energy management was contrasted with international trends and with CEMA cooperation. In the discussions of domestic energy management problems global approaches and comparisons with world scale methods were apparent. There was agreement among the speakers that the efficiency of energy consumption in Hungary was significantly lower than the world level. We consume nearly twice the energy developed capitalists countries do to produce a national income unit. All of the data convincingly indicate that the most economical energy resource is the energy saved.

There are already noteworthy results in energy conservation. Currently the rate increase of energy consumption is lower than that of the national income. It is not an unrealistic goal to have a 3 percent average annual growth of national income during the Sixth Five-Year Plan accompanied by a 2 percent annual increase in energy consumption.

The greater portion of the decrease in energy requirements which has taken place thus far cannot be attributed to sensible energy management, but rather to the decrease in the rate of production. Because this decrease can only be temporary, development of a modern longer term energy basis cannot be abandoned.

The addresses unanimously noted that per capita energy consumption can no longer be utilized as a correct indicator of development. In fact, its continued increase can even be looked upon as a sign of the increasing obsolescence of the production structure. Of course, the up-to-dateness of individual production structures cannot be mechanically evaluated on the basis of specific energy consumption.

Those addresses which compared alternative energy sources--that is, the expediency of replaceability as a function of long range mineral resources evaluation--are highlighting the fact that the current method of efficiency analysis must be developed in such a way as to more accurately determine where to draw the line of demarcation between sensible management of demand factors and increasing the supply.

The addresses performed a very valuable service in concretizing energy policy tasks and in developing energy conservation action programs. The hydrocarbon problem was the focus of attention in the addresses. It came up in the analysis of electrical production plans, in the demarcation of the expected development directions of transportation and in construction industry and agricultural themes.

It is an advantage for Hungary that, as far as this product with unusually "nervous" price movements is concerned, it is protected from the explosive and speculative price fluctuations of hydrocarbons by a long range agreement with the Soviet Union. This advantage, however, does not eliminate the significance of the world economic "challenge" which is becoming "more severely" apparent in the area of hydrocarbons.

In general, the speakers see the domestic consequences of this "challenge" in the appearance of three requirements:

- the import level of hydrocarbons in the future is not in a downward direction. This provides good reason to continuouly reevaluate expenditure levels, both by searching for alternative energy sources and by utilizing secondary and tertiary methods of domestic hydrocarbon production.

- In our long-range plans, we must expect increasingly more imports of petroleum from nonsocialist sources, altering our future expenditure structure.

- The rate of domestic hydrocarbon exploitation is coupled with decreases in our available reserves. In the long term, this may threaten the maintenance of our production levels. Thus it is imperative that the intensity of research be

increased, or, in the interest of preserving the supply, production must be decreased.

Significant conservation in hydrocarbon consumption may also be achieved through alterations in the manufacturing technology of petroleum. For example, according to the transportation expert, it would be more economical, on the national economy level, to change cracking capacities than to modify the design of hundreds of thousands of vehicles, or to replace our vehicle fleet. That there are still tremendous reserves in the utilization of our present vehicle fleet, the exploitation of which is a rather important source of energy conservation, is another matter. AFIT [Industrial Trust for Auto Maintenance] tuned about 200,000 automobiles in 1979, resulting in a fuel saving of 175 million forints.

Without a doubt, in the long run the consumption of hydrocarbons at as high a level of refinement as possible must be achieved. As a corollary, the chemical industry must develop faster than the exptected rate of consumption, while for other branches the minimal program will be to maintain current levels, that is, sharp reduction of specific consumption.

Some branch-oriented addresses reflected the dilemma that our supply of energy consuming equipment is a given factor. Its replacement with energy conserving machinery would require investments, or would encounter market difficulties. It also became apparent that the conditions for sensible consumption alternatives can only be created gradually.

The Role of Hydrocarbons

Practically every speaker dealt with investments, three varieties of which emerged--energy basis development, investment activities (construction, etc) and internal investment structure. The speakers emphasized the priority and relatively rapid implementation of investments related to energy basis development, and also urged more resolute action. They emphasized that this is necessary even if specific energy consumption is decreasing and the growth rate of the national income slows temporarily ~~(during the~~ Sixth Five-Year Plan). In investment activities there are also unlimited opportunitites to utilize less "energy hungry" technologies. A greater role is to be given to energy conserving solutions (insulation, heat generation and regulation) in the investment structure.

It is also important to decide what proportion of investment resources is to be devoted to increasing energy production, to energy streamlining, or rather, to other investments. This can only be decided if we know how much energy consumption we can expect in the future, and how much of it is possible, or rather, economical to supply from imports. Clearly, this last question may only be answered if we know the energy requirements which the investments, that is, the new capacities created by the investments, will require. Thus we have come full circle. Overall, these problems are closely interrelated with our total economic development strategy. Consequently, they may only be resolved, together with the determination of the growth rate and chief proportions of our economic development, within the process of national economic planning.

Indisputably in deciding these problems, those economic projections play a larger role upon which the appropriate development and reconstruction programs can be prepared.

Numerous case studies and detailed analytical papers containing a variety of supporting evidence were submitted to the conference. These are providing useful information for interpreting and handling energy conservation by individual enterprises, and are providing the opportunities for certain comparisons.

It is interesting to note that only one paper covered the specialized information tasks related to energy management. It summarized the first results of a computer study.

The theme selection of INFO was timely. Perhaps the conference would have been enriched if the speakers had also dealt with the statistical and accounting methods of energy management and with organizational and information tasks. The addresses made no mention of the dynamic calculation potential of economic efficiency, the significance of which is especially important for non-renewable raw materials. Although several addresses touched on it, many questions about the incentive tendencies of price scales remained unanswered. It would have been desirable to devote more time to the interest relationships which arise in energy management. These comments and observations are not meant to belittle the level and intellectual wealth of the papers submitted to INFO. The discussions richly supplemented the problems touched upon in the addresses. What is most important, moreover, is that recommendations which may be utilized in our energy management originated in [these] conferences.

9093
CSO: 2500

ELECTRIC POWER PRODUCTION FACILITIES DESCRIBED

Budapest FIGYELO in Hungarian No 44, 29 Oct 80 p 10

[Article by Katalin S. Nagy: "Electric Energy Production in Czechoslovakia"]

[Text] The energy-generating industry is a key industrial branch in Czechoslovakia also. It is not a coincidence that when the energy economy experienced difficulties - for example, in 1952-54, or 1962-63, or more recently, during the first quarter of 1979 - it affected the development of the whole national economy.

The major problem of the Czechoslovak energy economy is that coal, oil, and natural gas amount to about 97% in its energy balance. As far as the supply of these materials is concerned, during the last decade Czechoslovakia was increasingly forced to use external sources. The following data provide an explanation: while in 1960, domestic production was able to provide 89% of the consumed energy, in 1980 the share of domestic sources fell below 62%. Admittedly, a contributing factor arose from the fact that from 1960 to 1975 it was possible to import the fuels under favorable conditions.

According to the statistical data, during the period from 1960 to 1975, the production and consumption of domestic fuels increased only by 7%, while the amount of imported fuels and of the generated energy increased fivefold. Within this period, from 1971 to 1975, the whole increase of the fuel needs of Czechoslovakia was covered by imports. The rapid increase of the price of fuels on the world market forced the Czechoslovak energy economy also to shift direction. An important goal was set - namely, that during the present five-year plan period, one-third, and during the next decade, 50% of the increase of the energy requirement will be covered from domestic sources, and it is expected that by the end of the eighties, the share of the country's own production will reach 70%.

In view of the fact that no significant hydrocarbon deposits are found in the country, the realization of the program depends in practice

on the evaluation of the coal production. The planned 1980 coal and lignite production amounts to 124.4 million tons. The most promising area of coal mining is the Ostrava anthracite mining region; however, the exploitation of the new seams proceeds more slowly than planned, and both last year, and this year, about 5-6% of the planned amount of coal could be brought to the surface only with the help of auxiliary activities - working on unscheduled days. Similar problems were encountered at the Northwestern Czechoslovakian bituminous soft coal mines.

Analyses of the projects for the development of coal mining indicate that the production can be extended to 132 million tons by 1985, and to 138 million tons by 1990. Within this amount, the anthracite production will substantially remain at the present level. The most significant development is expected at the Northwestern Czechoslovakian bituminous coal mines.

The Nuclear Power Plant Program

The other major problem of the Czechoslovak energy economy is, how to satisfy the electrical energy requirements of the national economy? During the current five-year plan, the coal production will increase by 14.6 million tons. By 1985, the coal mining industry will increase its production by 7.5 million tons, and by 1990, by an additional 6 million tons. This decreasing trend obviously cannot help to develop the energy-generating capacities. Solution of the problem involves maximizing economical operations in energy consumption, and initiating new types of energy sources in development activities.

The most significant of the new energy sources is nuclear power. Czechoslovakia has a relatively broad experience in the construction and operation of nuclear power plants. Construction of the prototype-scale nuclear power plant was started at the end of the fifties at Jaslovske-Bohonice in Czechoslovakia, and the country's first 880-MW nuclear power plant was also initiated there. The first reactor was brought to power in 1979; the second, during March of this year. The first unit produced more than 2 billion kWh. Two additional 440-MW units will be installed in this district. At the same time, the second largest nuclear power plant is under construction in the South-Moravian site at Dukovany; the first four reactors of this plant will also be of 440 MW (the first one will start operating in the spring of 1983) and during the year, preparatory work for the third nuclear power plant will be started at Mochove in the Leve. The fourth power plant at the community of Malovice, north from Ceske Budejovice will have a capacity of 4 x 1000 MW. The electrical power generated in the nuclear plants will reach 15-17 billion kWh by 1985, which is more than one-fourth of the current power production. At present, construction of nuclear power plants still requires more investment than bituminous coal fueled thermal plants. On the other hand, they are able to produce 1 kWh energy at

a cost lower by 50-60%.

The other path of the development consists in taking advantage of the up to now little used and not suitably exploited energy sources. Among these, water power must be first mentioned. The capacity of hydroelectric plants amounts to 1300 MW. Their share in the energy production keeps decreasing. According to the Czechoslovak water economy surveys, the capacity of the hydroenergetic potential is utilized at present only at a rate of 36-38%. The current exploitation level will reach 60% with the completion of the Gabchikovo-Nagymaros Vizlepcsorendszer hydraulic system and 75% when additional domestic power plants will be installed by the year 2000. At present, hydroelectric plants are under construction at the Black Vag river at Dlouhe Strane, Kralova and Neded, and the installation of six additional hydroelectric plants is planned.

Consideration has been given to the potential establishment of a supplementary power generating capacity. The most immediate program among them involves the construction of "dwarf hydroelectric plants". In Czechoslovakia, 3.4 billion kWh of electric energy is produced with the help of dwarf hydroelectric plants with a capacity of less than 20 MW. 10% of this is produced by units of less than 1 MW, while additional 20-30% are generated by 1.5 M.W. respectively 10-20 MW units.

International Cooperation

35% of the energy consumed in the country this year will be imported. The first step in the international relations in energy generation consisted in starting the exploitation of the 110 kV transmission line between Czechoslovakia and Hungary. Since 1958 several international transmission lines were built. The unified electric power system of the CEMA countries was gradually built up, and in 1963, a dispatching center was established with a headquarters in Prague. The jointly built 750 kV transmission line between Binica and Albertirsa and the 400 kV transmission line, branching off from this toward Czechoslovakia, connecting that country with the largest energy system in the world, represents a higher level of integration.

The Czechoslovak machine-building industry was also assigned an important part in the nuclear power plant program; supplying a large number of technological installations, it participates not only in the domestic effort but also in the construction of the nuclear power plants of the other CEMA countries, including also the construction of PAKs plant.

The country carries out important transportation tasks for oil and in particular for natural gas. The more than 2200 kilometer long gas

transportation pipe line, which according to the plans, will transport nearly 36 billion cubic meters of Soviet natural gas during the year, both to socialist and capitalist countries, will be completed this year.

In order to ensure the power supply in the future, Czechoslovakia is participating in the construction of the large-capacity nuclear power plant in the Soviet Union, and in cooperation with Hungary, it started the development of the Danube hydraulic system.

Construction and Operating Costs of Power Plants

	Investment costs, crowns/kwh	Fuel costs Crowns/kwh	Consumption of own energy, in%	Labor Requirements Head/MW
Thermal plant fuel with bituminous coal	4300-6000	0.125	8.0	2.5
Nuclear power plant (VVER 440)	9600-10,500	0.75	8.0	2.5
Nuclear power plant (VVER 1000)	7600-8000	0.066	7.5	2.0

2210
CSO: 2500/80

BRIEFS

NEW RABA TRACTOR--A new type of Raba tractor, the first model of the Raba 360 series has been completed. The result of the Raba Hungarian Railroad Car and Machine Factory's product development effort, the new machine out-performs models already in serial production. It was developed in response to the requirements of the agricultural production systems. In line with its superior performance, it has been equipped with a stronger clutch. The operator's cabin has a more comfortable seat as well as a tiltable steering wheel. A compressor for maintaining tire inflation has been mounted on the motor and makes for safer operation. The machine has a 310 hp motor. An additional 14 Raba 360's will have been assembled by the end of November at the Budapest Red Star Machine Factory (Voros Csillag Gepgyar) of Raba. All are to be delivered to the farms of the Babolna Production System. [Budapest MAGYAR MEZOGAZDASAG in Hungarian No 49, 3 Dec 80 p 10]

CSO: 2500

THREE-YEAR STABILIZATION PLAN SUGGESTED TO RESOLVE ECONOMIC CRISIS

Warsaw ZYCIE GOSPODARCZE in Polish No 47, 23 Nov 80 pp 1,6

[Article by Mieczyslaw Mieszczankowski: "Targets of the Three-Year Stabilization Plan"]

[Text] The current socioeconomic crisis is structural in nature. (It was born out of the errors in economic policy in the 1970's)*. This means that the way out of this crisis calls for structural changes in the economy, which at the same time means that it cannot be done quickly. The whole network of undertakings aimed at getting out of the crisis should take on the form of a comprehensive three-year plan to stabilize the economy. This plan should be applied to efforts of not only an economic nature but also a social one. Some of them would be ad hoc in nature. In this article we shall discuss the major targets of the stabilization plan. It is understandable that these may be only initial proposals.

Features of the Crisis

The current socioeconomic crisis features the following characteristics:

A slump or drop in national income and real earnings. Real earnings declined by 2.7 percent in 1978, will probably not grow in 1979 (although the statistical annals say otherwise), and will surely decline further this year. Created national income declined in 1979 by 2.3 percent, and a decline is also predicted for the current year.

A severe condition of imbalance on the market and a widening inflation gap. The phenomenon of market imbalance has already been going on for 7 years, and it has recently taken on the nature of totality nearly. The more or less severe shortages apply to just about all products. The increasing inflation gap, which was filled in by a price rise, amounted to about 80 billion zlotys in 1979 and has suddenly increased this year.

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*I wrote about this in the article "The Seven Sins of the 1970's," ZYCIE GOSPODARCZE, No 38/80.

Tremendous investment commitment and tie-up of capital. The value of the expenditures incurred for new and ongoing investments (which we call the tie-up of capital) amounted to nearly 700 billion zlotys. In the next few years it would cost about 1.2 trillion zlotys to complete them. The economy has not been and will not be able to handle such a great investment burden.

The raw materials and energy crisis. The economy is suffering a severe shortage of raw materials (especially coal) and of energy and power, a shortage which is hampering production growth. This is the result of our having separated the production capacity of processing industry from the raw-materials and power-engineering base.

Imbalances in the production of processing industry as expressed in the overdevelopment of the production of investment goods alongside the underdevelopment in the production of the means of production for agriculture and the underdevelopment of those parts of processing industry which supply the market.

The agrarian crisis expressed in the slump in agricultural production, improper intersector structure of production, great waste of resources, and maintenance of the backward condition of the agrarian structure.

Tremendous indebtedness burdening us with the weight of services exceeding the capabilities of the economy, which, alongside the slackening of the export growth rate, is expressed in balance-of-payment problems with the capitalist countries and is leading to a drastic limitation on imports from these countries.

The housing crisis, which has multilateral underlying conditions, especially the shift to construction technologies which have high consumption rates for materials, power, and transportation (house factories).

In addition, the current crisis is deepening many other phenomena which have after all been gaining strength for a long time. Among them, let us mention the following: the increases in employment levels and the irrational use of labor; the low, declining operating effectiveness; low production quality; underdevelopment of small manufacturing and services; and ineffectiveness of the system of planning and guiding the economy.

It must also be added that the processes of the growth of the crisis and its occurrence were accompanied by mushrooming processes of corruption or absolute degeneration of social and moral structures and of violation of principles of social justice. The most serious of these phenomena, which awakened severe opposition on the part of the society, was the practice whereby unmerited material benefits were obtained, especially in connection with the exploitation of plenipotentiary functions and the abuse of power.

In order to overcome the above-mentioned symptoms of crisis, that is, stabilize the economy and create conditions for even development, a longer period of time is necessary, 3 years optimally speaking.

Goals and Means of the Stabilization Plan

The targets of the three-year stabilization plan encompassing in a comprehensive way all the areas of the economy should give priority to six basic goals:

1. a rise in the standard of living, including in particular a rise in food consumption;

2. the restoration of market balance through the growth of market supply and a change in the level of prices;

3. an equalizing of the imbalances in industry, especially the assurance of continuity of the supply of raw materials and other materials, as well as energy and power, for industry, the assurance that agriculture will be adequately supplied with the means of production, and an accelerated rate of production growth of the means of consumption (group B);

4. the rescue of agriculture from its economic slump, making it capable permanently for expanded reproduction, given ways to structural change which are adequate for our conditions;

5. acceleration of housing construction along with better management of housing resources;

6. the acceleration of the development of small manufacturing, the crafts and services, along both cooperative and private principles.

Supreme among the above-mentioned tasks is a rise in the standard of living and also the closely related restoration of market equilibrium. The other goals, which to a certain extent are autonomous in nature, are at the same time the means of carrying out the top task.

Careful estimates do not permit us to define for the next few years the prospects for a rise in the standard of living, but we should adopt the task of defending the standard of living, that is, restoring it to its 1977 level. The reasonableness of these estimates cannot be denied. This is argued for by the fact that we do not have available what are called shallow reserves, which could be quickly set in motion to produce visible effects, the fact that we have a shortage of raw materials, the fact that we are overly indebted, but these assessments are based on premises which do not take into account the socioeconomic changes in the conditions of running the country.

We should treat Polish Summner 1980 as the Polish call for development, the call to the working class to get out of the crisis and put the economy in order, to mobilize its internal reserves, to do better, more productive work, and to raise the level of the standard of living and also to put the economy on the road to lasting, even growth. This call also applies to the government and to the entire society. The government can and should take up the cry, assuming at the same time that one of the main guarantees of its execution will be the working class, which has become a joint manager, obtaining through struggle its hitherto denied right as economic element.

Given the present state of the economy, it is estimated that in 1981 national income will show no growth, and in 1982 and 1983 it will have a growth on the order of 2 percent per year, and that in 1981 deliveries to the market will increase by 50 billion zlotys, at the very most. At the same time the inflation gap, which is the difference between cash income allocated to buy goods and services and the supply of goods, and which increased drastically during the past few months as the result of the rise in wages, will be about 200 billion zlotys (together with the other raises and changes in prices at wholesale)* on the 1981 scale. The enormous size of this gap is shown by the fact that it represents nearly 20 percent of the total expended by the population out of its personal income to buy goods in 1979.

We could fold our hands and say that the situation is impossible, that with this shortage of raw materials and the indebtedness we have no possibility of substantially increasing production, and that we cannot fill in the inflation gap even by half, which will lead to great inflation along with disorganization of the economy and a collapse of the market (empty shelves in the shops, black market, and so on), but even though we consider this to be the possibility, we can and must nevertheless take a different approach to this terribly important matter. We can treat it as the expression of a cry to put the economy in order and gradually to fill in this gap with a rise in production, to produce a rise in the society's standard of living.

Our economy has internal reserves which are not easily mobilized, it is true, but through the joint effort of the government and the society these reserves can produce a demonstrable increase in market production. These reserves are to be found in the possibilities for reducing the front of investment labor and changing the internal structure of investment outlays, in the demonstrable possibilities for increasing agricultural production, particularly hog production. There are large reserves to be found in the production of processing and extractive industry. I also propose that another reserve is to recognize the possibility of accelerating the development of small manufacturing, the trades, and services. The mobilization of these reserves can support auxiliary efforts on the part of foreign trade and a host of other undertakings

*There are estimates that this gap can grow even to 300 billion zlotys.

(for example, waging a drive for savings, placing limits to reduce unnecessary expenditures, and so on).

On the other hand, we must emphasize that only a certain proportion of these reserves fall directly under the jurisdiction of the central authorities. This applies especially to investments, and partly to agricultural reserves. The mobilization of the rest of the reserves, which are to be found first of all in industrial production, is mainly up to the enterprises themselves, to the activation of their working forces and management personnel. Of course, the central authorities can and should create conditions favorable to the mobilization of these reserves, but, let me emphasize that the results in this area will depend mainly on the enterprises.

Taking this into account, we can adopt an alternative plan for raising the standard of living. The first variant should adopt the assumption that there will be an increase in deliveries of commodities to the market over the 3 years (1981-1983) of about 20 percent. The forecast calls for expenditures for the purchase of commodities to increase in 1980 by about 1.250 billion zlotys. This would mean a rise in these deliveries of 250 billion zlotys (in 1980 prices). Within the framework of this plan we should expect a rise in the consumption per capita of meat and pluck of from 5 to 7 kilogram. (If the decline in the number of head in 1981 were very substantial, we would have to assume that such an assumed rise in meat consumption would be achieved in 1984.) Variant II would include the assumption that commodity deliveries would increase by 10-12 percent. It would be based on the assumption that reserves would be mobilized to the minimum extent, or, to put it another way, that we would be unable to mobilize the reserves of industrial production. This variant would mean defending the standard of living, that is, raising it to the 1977 level, or slightly exceeding this level. In this variant we would also have to anticipate a rise in meat consumption of from 5 to 7 kilograms per year (over the course of 3 or 4 years). All the undertakings of the three-year stabilization plan would have to be subordinated to carrying out this supreme task.

The Balance-Sheet of Possibilities

The main reserve which can be immediately mobilized is the reduction of investment outlays. These outlays throughout the economy totalled 630 billion zlotys in 1979 and will amount to about 630 billion in 1980 too. I propose that these outlays be reduced by about 150 billion zlotys in 1981 and that we maintain the reduced investment rate for the next 2 years. This reduction will make it possible to increase the deliveries of raw materials and other materials for market production and for agriculture.

The reduction in investment outlays would mean a severe curtailing of the front of investment work. We should hold up the long-term investments which are so very capital-intensive (this includes some of the largest

ones) and those which have no social priority in the current situation, that is, those which can be deferred for 3 years. The outlays for investments can be allocated first of all for those undertakings in progress which can be quickly finished and provide production for the market or supply raw materials for this production, and also upgrade supply to agriculture. Outlays should also be expanded for those investments in modernization which would expand market production and deliveries for agriculture. Part of the freed processing capacity and means should also be allocated to expand housing construction.

While the reduction of investment outlays are the main source of funds of a reserve nature, agriculture is the main element which should receive attention and a substantial proportion of these reserves, both because the society is noticing the crisis most on the market of food products, particularly meat, and because agriculture, especially private agriculture, has available substantial reserves for a rise in production. The consumption of chemical fertilizers on the private farm is not high (150 kilograms per hectare arable land), and the expansion of the application of fertilizer can produce substantial increases in agricultural production (given the lower level of fertilizer application, increasing it provides a relatively substantial rise in production). During the past few years the number of hogs on private farms has declined by 2.3 million. Given adequate means, private farms can expand this number by 3-4 million within 3-4 years. Private farming also has reserves available in cattle-raising and the production of milk, to say nothing of the production of vegetables. It is a question of mobilizing these reserves.

The mobilization of these reserves is tied to the need to expand deliveries of the means of production for agriculture (machinery, equipment, chemical fertilizers, cement, and so on). And in this matter the decisions have already been made. Nonetheless, we should see whether it would not be possible to expand the deliveries of chemical fertilizers for private farms. To this end it would be necessary to expand imports of potash fertilizers and to allocate for private farming part of the fertilizer pool allocated to socialized farming. (It is estimated that a reduction of this pool for the socialized sector by 10 percent will not reduce yields in the socialized economy).

The development of animal husbandry, especially hog-raising, should take place within the framework of peasant agriculture. To this end we should restrict large-scale animal husbandry on socialized farms. This should apply to that part of livestock-raising which is very unprofitable and fodder-intensive. This would make it possible to shift a share of the deliveries of concentrated feed to the peasant economy, which, along with a rise in crop production, should produce as a result a sizeable rise in the number of head of livestock, especially in the number of hogs.

I have also decided to call for a change in the method of expanding the agrarian structure in the direction of accelerating the process of encouraging private farms to make full use of their land. Land from the State (Agricultural) Land Fund should be transferred mainly to peasant farms. We should reduce to a bare minimum the transfer of land to the state farms. The development of the agricultural self-government will surely cause a change in the shape of the profiles of the action of the agrarian circles as the hub of various sort of co-operative activity among farmers. All this would be an important factor in the growth of agricultural production and its gradual departure from its slump.

In the area of extractive industry the main thing is to upgrade the organization of work, so that given the existing production capacity and essential supplementary investments we could increase the production of raw materials, especially coal. This is no easy matter, but by putting it into the hands of the working forces and setting up an incentive system, we can count on results.

In the area of production of processing industry, the basic directions for action are to convert production and extract internal reserves. We all know that the production of the means of production has been overexpanded and that there is no market for part of it. The reduction of investment outlays also will reduce the demand for the means of production. Therefore, I think that wherever possible and indicated, we can shift to production of consumer goods, which will make it possible to increase deliveries to the market. At the same time there is reason to believe that industry has available substantial reserves in the realm of a more thrifty use of raw materials, a reduction in losses from rejects, and an improvement in the quality of goods. It is estimated that if industry were to reduce unit consumption of raw materials and other materials by a mere 1 percent and reduced losses on rejects by one-third, the value of added production obtained therefrom would amount to about 40-50 billion zlotys. About half of this could be turned directly into market production. The rest could go to upgrade the supply of materials and tools for production.

The reduction of investment outlays and the extraction of reserves to be found in industry would make it possible to supply small manufacturing, crafts, and services with raw materials and other materials as well as production goals. The development of this sector should be greatly accelerated in comparison to past development. Here we should strive to create and develop small enterprises based on cooperative principles to produce market goods and cooperatively-produced products. The essential shift of part of the labor supply from large-scale industry to small manufacturing and services would also favor this.

All the measures mentioned concerning investments and production should be backed with action on the part of foreign trade. Unfortunately, the possibilities in this area are not great. After recent events we have already obtained additional credit. We still can and surely will have to ask for certain amounts of credit to import fodder, to prevent any great injury to livestock-raising and to ease the most severe tensions on the market, but we cannot get much further into debt. The main emphasis should be placed on increasing profitable exports, which would provide additional funds to increase imports and thereby increase production and improve market supply. At the same time I am proposing that we ask for a 2-year moratorium on the repayment of interest and installments on the credit granted, on the part of government institutions. This would partially reduce the burden of the debt service, and this is one of the factors for stabilizing our economy.

Activity in production should be supplemented and supported by a broadly-based, permanent drive to economize on raw materials and other materials and to obtain by-products. There are too many directions and fields for action in this area to mention. Proper organization could enlist the entire society in this drive, encompassing everything from saving fuel and power to collecting scrap metal, rags, and so on, as well as used cream and tooth-paste tubes.

The mobilization of the above-mentioned reserves could, in the course of 3 years, counting on the maximum, produce a rise in the population's consumption of material goods purchased with personal income on the order of about 20 percent. In this period the rise in the rest of national income designated for consumption would have to be smaller. The total accumulations would be subject to an absolute decline, so that in toto the rise in national income would amount to about 10 percent. Let us assume here that national created income was not less than national income for distribution. This is the optimal assumption, the implementation of which would depend entirely on the mobilization of all the above-mentioned reserves and success in asking for the grace period in repaying the debt.

Market Stability

The market is presently severely, even dramatically, out of balance. This is the result not only of the mushrooming wage increases but also of the crop failure in agriculture and the understandable reaction of consumers buying things up against future needs. Many store shelves are already bare. This situation calls for decisive action.

Nobody doubts anymore that in this situation it is necessary to introduce meat-, sugar-, and butter-rationing, as the government has already announced. At the same time the remaining pool of these products should have commercially-balancing prices set on them. This would quiet the most sensitive part of the market.

Nevertheless, this will not resolve the problem of the whole market. The 1981-scale inflation gap, as we have already mentioned, will be around 200 billion zlotys, maybe more. The increase in market deliveries along with nonconsumer goods cannot exceed about 80-100 billion zlotys at the outside (assuming that all the above-mentioned untapped reserves are coaxed out of hiding). This shows the necessity of taking other steps to gradually bring stability to the market.

It will be essential to make a partial price change. I am proposing an increase in the prices of luxury items, especially imported ones, and in the prices of some tobacco products, alcohol, condiments, and perhaps some other products and services (including transportation).

Efforts aimed at restoring market balance would require support in the form of action related to the policy regarding the population's cash income. This is also justified by considerations of social justice. We need to introduce a progressive tax on wages and pensions of more than 15,000 zlotys per month, or else introduce the alternative of compensatory savings with an appropriate rate of interest. We would also have to introduce an income tax beginning at a certain level of income earned by private producers, craftsmen, people with franchises, and providers of services. The income of a substantial proportion of these are very excessive and are not justified either economically or socially. Of course, the scale of this tax should not undermine the activity of the payers or hamper the further development of the crafts, trades, and services. I am also suggesting that we exact a single lump-sum property tax on all privately-held real estate, including summer cottages (but excluding cooperative condominiums). This payment could be broken up into installments for larger sums. We must also increase the tax on income from moonlighting and from additional sources of earnings.

The next direction of action is to encourage the population to increase their cash savings, especially savings targeted for something (such as the purchase of an automobile), to support the development of single-family housing construction. It is also essential to create further savings in the realm of government spending, especially expenditures for representatives, for setting up congresses, for various sorts of events on special occasions, for conferences and courses, and the like, and also for job-related and private trips abroad. I also propose that for a certain period of time we reduce imports of certain goods and import instead products of primary need.

All this will still not bring stability to the market. This can only be done gradually along with the realization of the possibilities shown above in production. A wage freeze is an essential condition to permit this stability. In relation to production employees this would apply to 1981, and for nonproduction employees, it would apply to 1982 as well. During this time there would be only cost-of-living increases.

Finally, the potato and bread market calls for extraordinary action in fiscal year 1981-1982. Our agriculture has not known such a severe crop failure in potatoes. We must limit the consumption of potatoes, especially in collective consumption (macaroni and grits could be a substitute). At the same time, beginning in August 1981 we must raise the prices on bread, because at the present time bread is cheaper than potatoes and is being bought up for fodder. This is a burning issue which we must not ignore, one which should be met with public understanding.

We must finally emphasize that the above-mentioned stability measures, especially the price measures aimed at bridging the inflation gap, should be announced with adequate lead time by the government, so that they may be put into effect with understanding and without any shocks, after there has been dialogue and social approval has been won for them.

Dangers of the Stabilization Plan

In showing the possibilities for bringing about stability in the economy within 3 years and pointing out the way out of the crisis, we must note the great dangers in carrying it out. These dangers are both objective and subjective in nature. They lie mainly in the paralysis of the economic administration and the opposition of its elements to these measures which are going to upset the old structures.

Everyone realizes the necessity to restrict outlays and reduce the front of investment work. The authorities have announced that they would hold up the execution of a number of the largest very capital-intensive investments which take a long time to complete and that they would reduce the volume of investment outlays in 1981 by about 100 billion zlotys, but up until now we have not heard that any of the great investments has been interrupted. All of them are somehow justified and fervently defended by someone. The grassroots pressure on the investments of the various local units and sectors is very great, and the authorities cannot effectively weaken it. There is also the fear that there will be a repetition of the situation of 1977-1979, when efforts were made to carry out an investment maneuver and nothing came of it, and let us say clearly that without a drastic reduction in investment outlays, the plan to stabilize the economy cannot be carried out.

The matter of the intersector reallocation of investments in agriculture is similar. Although experts indicate that the effectiveness of the marginal 10 percent of the chemical fertilizer pool on the state farms is negative and that shifting this amount to private farming would create a substantial rise in production, the authorities responsible for agriculture are steadfastly against such a shift. The situation is identical for the matter of eliminating the least profitable part of large-scale livestock-raising on the state farms and state establishments, which waste a tremendous amount of fodder. Therefore, any shift of part of the concentrated feed to private farms which could use it

to raise a far greater number of hogs is still constantly subject to question. And will industry, which still has not discharged its obligations with regard to agriculture, be inclined to make a radical change in its stance? And will the whole solidified route along the state road for the development of agriculture be changed? The possibilities for a more energetic resuscitation of agriculture from its stagnation are therefore not very promising.

Nor has there been any announcement of the undertaking of effective steps to encourage industry to mobilize its untapped reserves. As in the previous five-year period, so too during the current five-year period targets have been set for reducing unit consumption of raw materials and other materials, but as during the previous five-year period, so too now also there have been no announcements of motivational solutions to create the conditions for extracting these reserves and putting them to work. There are appeals for more productive work and more thrifty management, but after all, nothing happens through appeals alone. The minimal plan to reduce unit consumption of raw materials and other materials by 3 percent during the period of 3 years, a plan which could provide additional production of about 100 billion zlotys, can only thereby remain in the sphere of proposals and projects. After all, the issue of encouraging export faces a similar situation.

Nor is there any concept for absorbing that part of the inflation gap which will not be equalized by the bulk of goods. The initiative of floating loans has not been undertaken (this is after all correct).

Taxation of higher earnings slows up the previous suspension of the taxes on wages. The property levy did not work before. Except for the encouragement for cash savings, about which a decision was made, there is a state of a special sort of incapacity and undecisiveness.

The mechanism of the operation of the economic administration has not changed. The authorities continue merely to agree on more and more new wage increases and do not undertake alongside any other even preparatory measures, knowing at the same time that the old "somehow it will all work out" is no longer realistic. But, after all, this is a new situation. Therefore, we must operate in a new way.

Ceterum censeo, without a drastic reduction in investments and a shrinking of the front of investment projects, without the reallocation of resources for agriculture, without the mobilization of the untapped reserves in industry, and without measures to counteract inflation, we cannot dream of economic stability and the restoration of market balance.

Operating Methods

The restriction of investment outlays and reduction in the front of projects, and the reallocation of resources in agriculture are a question of action on the part of the economic administration, after an exact survey has been made. And we should require that these actions be decisive, energetic, and appropriate to the needs of the situation. The same thing applies to supplying agriculture with the industrial means of production, because we should not imagine that industry itself wants to adapt to the needs of agriculture. The rest of the matters are to be found in resolutions of an economic nature, changing the system of the functioning of the economy, and we must not wait for a general economic reform, because the reform inculcated at the end of 1982, taking into account the time it takes to set it in motion, will not begin to produce effects for 3 years, that is, after the period in which we must bring stability to the economy. To this end, we must make a partial reform in the system of functioning of industry, putting it into effect right beginning in January 1981.

The partial economic reform should consist of basically increasing the enterprises' independence and establishing an incentive system, which has practically ceased to exist. The proposals on this subject listed below go far further than past suggestions and aspirations of the central economic administration.

The enterprises should become independent in setting and carrying out the plan, except that it would be essential to hand down a description of their tasks concerning the production of basic raw materials and other materials and the delivery of basic foodstuffs and industrial goods for the domestic and export markets. Knowing the means they will have available (including allocations of raw materials, and so on), the enterprises can set the production plan using available capacity and production reserves. Of course, this is to be in connection with sufficiently strong material incentives.

We must thereby make the increase in the enterprises' payroll fund dependent on a rise in net production and a reduction in material costs (the payroll fund would grow by a specified proportion of the increase in net production). Along with eliminating the limit on employment, this would create strong incentives to find funds to increase wages. Of course, this would be under the condition that the rise in wages would be based on the self-financing principle. (The state would insure funds only for a rise in wages to compensate for the rise in the cost of living).

At the same time, we must emphasize that this incentive system should be based on the principle of real production growth,(eliminating increases in prices (counting the rise in net production in comparable prices). In addition, in relation to management personnel it would be possible

to require that a substantial proportion of the bonus (30 percent, for example) depend on a reduction in material costs. It would also be possible to plan for bonuses for individual groups of employees for effects achieved in the realm of savings on the unit consumption of raw materials and other materials or in the realm of increasing the production of raw materials (in extractive industry).

In connection with this I am proposing that the planning system be changed. The enterprises would obtain indices stemming from the targets of the three-year plan of stabilization. They would not be compulsory in nature. The enterprises themselves would determine their production capacities. The incentive system would motivate them to use all possible untapped reserves in the given year. The level of production growth achieved would on no account be used as the base for setting the targets of the next year. On the other hand, the incentive system would provide for a specified growth coefficient for the wage plan in accomplishing the recommended production growth index and an appropriately higher growth coefficient for the wage fund from part of the production growth exceeding the recommended index. One can imagine that all this and involving the whole work force in active joint management along with their self-government organizations will result in a noticeable rise in production, one far greater than that based on the former principles of operation and management.

It is also essential to put into practice a system to encourage a rise in profitable exports. A system of this sort was introduced in 1980 for only part of the enterprises. This system should be expanded to include all enterprises which specialize in export. At the same time, it should be modified to give priority to profitable exports.

In the effort to achieve the desired reduction in investment outlays, I propose that for several years we hold up the completion of certain great investments (the second stage of the Katowice Mill, Polcolor, and so on) or give up the notion of building them (Ferguson). Here such an investment program should be carried out with very great care, so that each zloty spent is checked three times to see that it is useful and that it will produced the anticipated results. (To this end, among other things, we should fundamentally expand the role of the bank and reactivate the Bank Inwestycyjny [Investment Bank]).

We are not going to repeat the postulates concerning the conversion of industrial production or the direction of major attention to agriculture. Nevertheless, we must emphasize once again that the mobilization of the untapped reserves in agriculture is the most urgent task and that without reallocating resources from other sectors to private farming and the expansion of industrial deliveries of the means of production for private farming, we have no way of expecting any real improvement in the food supply during the next 3 years.

Finally, among the major tasks in filling in the inflation gap, as we pointed out, we should find ways to absorb the population's cash income and bridge this gap. We have already mentioned the methods of action. We should add that to this end it would also be possible to reduce the increase in the payroll fund for promotions and reclassifications from 2 percent to 1 percent. As for the rise in wages from production increases, it would be better for the effects obtained to be paid for at the end of the year. Of course, this would require acceptance on the part of the enterprises' workers.

The major targets of the three-year stabilization plan presented in abbreviated form of necessity include many controversial proposals and many proposals which do not contain full details, but the thing is not that they need to be corrected or translated into concrete terms. The thing is for the very idea of the stabilization plan and of its chief goals, resources, and means of implementation be recognized and presented as soon as possible to the society, which is waiting for just such a program. We can imagine that the elaboration of such a plan would gain social acceptance. It would surely be translated into concrete form and enriched in the course of being built from the bottom up, involving the active participation of all those working on carrying it out.

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MONTENEGRIN ECONOMIST INTERVIEWED ON TRENDS, PROSPECTS

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[Interview with Bosko Gluscevic, professor in the School of Economics at Titograd University and director of the Institute for Socioeconomic Research in Titograd, by Scepan Rabrenovic: "Ignorant People Are Always Bold"]

[Text] "It is not easy to live with the problems of the time and to resolve them successfully and in good time on an everyday basis. It is more comfortable to live in the conviction that they will solve themselves or that someone will be found to solve them without us." This was the answer which Bosko Gluscevic, professor at the School of Economics at Titograd University and director of the Institute for Socioeconomic Research in Titograd, gave to our question as to why our problems elude us.

It is not difficult to introduce the subject of our interview: though he has just turned 50, he has managed to be a republic and federal deputy (for 16 years), to be one of the top managers of the Niksic Steel Mill, an undersecretary in the government of Montenegro, dean of the School of Economics in Titograd, a member of numerous scientific councils and chairman of the Scientific Section of the Federation of Yugoslav Economists.

In recent years he has been less and less in evidence, as though someone had put him on the shelf. He says that he himself withdrew to handle numerous matters related to scientific research, matters consisting of postgraduate and regular studies. For all those reasons he once again will be unable to attend the conference of economists in Opatija this year.

[Question] Is that the only reason?

[Answer] The usefulness of conferences of this kind is declining year after year. The present time is not suitable for scientific ideas and professional evaluations. Unfortunately, this kind of situation has lasted for quite a long time now. Haven't you noticed that scientific research institutes are less and less well staffed and that there are fewer and fewer people who want to pursue science?

[Question] Is science itself at fault for this situation, or are those to blame outside it?

[Answer] A scientist must first of all be an individual, he must possess steadfast moral attributes, he must conscientiously apply the methods of science and show himself to be an advocate of the idea which explains reality the way it really is and not merely a description of external manifestations. And, taking a risk, inform his client who has requested the study and the public about the actual situation. A scientist must explain the causes and origin of the problems and not just the visible consequences.

A Spokesman Whom No One Likes

In our social and political life, by contrast, we experience the phenomenon that people are constantly reporting to us good tidings about a bright future and about the cheerful things that await us. According to them and their interpretation there is no need for us to concentrate on identifying the problems in our development, nor to commit our work skills, professional abilities and intellectual capacities to solving these problems. It seems that people prefer to picture reality in bright colors. Indeed, no one likes a spokesman who alerts you to difficulties.

[Question] How, then, are we to explain so much insistence on the need for critical and all-inclusive analyses?

[Answer] In practice it is different. People are sought who will clarify the stands that have been taken, decisions that have been made, the policy that has been adopted, not those who will critically analyze reality and issue warnings about the problems.

[Question] Which means that we are still left mostly to learning by our mistakes. Isn't that an expensive education?

[Answer] The ignorant are bold as a rule. They examine situations superficially, they draw hasty conclusions, and they are willing to offer a number of supposed solutions, though at the same time they have no insight into the complexity of the situation, into the richness of life, into the range of difference covered by the situations, times and circumstances in which we live and work. The ignorant want to become established rapidly, to achieve prominence without much effort: they are impatient, and they make errors which later cost us dearly. And in order to justify themselves, they later tell us how many things could not have been foreseen, how circumstances were against us, and then finally they say it remains to learn from these errors. While we were young, carried away with ideas, we had the right to make mistakes. Today, when we have become an advanced society, we no longer have the right to be wrong.

Adoption of Positions on the Basis of Appearances

[Question] Everyone agrees that the situation in the economy is grave, but it does not seem that we yet have a true assessment of all the coincident influences which have brought all these circumstances about.

[Answer] Because we go by consequences, by manifestations. Marx in his time warned: "If visible reality coincided with the essence, there would be no need for science." Which means that if we judge by appearances, then we will not be making decisions about the real problems. If we are reacting only to the consequences, then we are late; if we are not making judgments about which are the essential processes which are imposing upon us, by the objective force of laws in the development of society and the economy, the coordinates of present-day life and future development, then we actually are unable to resolve the urgent problems.

And since we are not resolving them on the basis of the true information of science, we then raise a clamor and attempt to solve all the visible problems with legislation. I do not believe that anywhere in the world there has ever been a system that has passed as many laws, regulations, amendments, supplements and supplements to the supplements concerning the economy and the conduct of economic activity as we have in a short time. It is simply amazing how attached we are to lawmaking and how we see sanctions as the remedy and solution for urgent problems which simply cannot be solved with regulations, prohibitions or restrictions. In actuality economic problems require adequate economic means, methods and conscious cooperation in the resolution of common problems.

[Question] Doesn't it seem to you that all these numerous legal enactments often leave things unsaid and as a consequence everyone interprets them in the way it suits him at the moment? And that as a consequence we have so many misunderstandings even concerning those provisions of the law which absolutely should have been clear?

[Answer] In a joint session of two federal councils, the economic council and the legal council, at the time when the Law on Associated Labor was being adopted, I participated in the discussion and put the question: Why is such an important document being enacted in such a hurry and what in the context of that law does liability mean? At that time I compared the manner in which two laws had been enacted: the Basic Property Law for the Kingdom of Montenegro, adopted in 1888, and our own Law on Associated Labor. After all, both dealt with the same set of problems. In order to indicate the complexity and seriousness of approach, I quoted a portion of the preamble of the Basic Property Law for the Kingdom of Montenegro which was written by Prince Nikola Petrovic the First and in which he emphasized the amount of time that it had taken Mr Valtazar Bogisic, a man altogether fit in his mental abilities, his science, his energy and his devotion, a man who had his doctorate, was a full professor at the University of Odessa and was a true government consultant, to draft that law. In any case, this scholar had devoted most of his life to drafting and applying that law.

Subscribing to Losses

But we hurried to adopt the Law on Associated Labor in a campaign, one that often was inexplicable in its points of departure, when this law, which in many respects was needed, should have been done more thoroughly, in the spirit of our time, and shouldn't have been written as clearly as Valtazar Bogisic drafted his laws. I therefore cite the provision concerning responsibility; after all, what does it mean to say joint and several liability; on what basis and to what limit can it be applied in our system? The Basic Property Law for the Kingdom of Montenegro states: "If instead of a profit the accounts show a loss, the share in the loss shall be the same as the share would have been in the profit." Which means that the one who has more to gain from a joint venture also bears greater liability.

In this respect we still do not have clear and comprehensible views; for a long time we have been trying to resolve the problems of losses by noneconomic measures. Resources from joint reserves are built up by special enactment and the obligations of debtors are met without an analysis and without a critical assessment as to why the loss occurred. That is how it comes about that some work organizations seem to have subscribed to obtain the funds of the community.

[Question] We are constantly assuring work organizations that if they pool their labor and capital on the basis of shared income they will become prosperous. But they are constantly holding back. How do you explain this?

[Answer] Many authorities in political and public life, especially those who do not bear the consequences of the ideas they advocate, are inclined to suggest solutions and to propose what at first appeared to be simple methods, such as integration or the pooling of labor and capital at a higher level of organization.

The actions of the coercive mentality are most often advocated and used as a method by the political executive apparatus. As a matter of fact the bureaucracy is indifferent to the troubles of others, and it comes forth with integration as a remedy for itself, and it passes on the worries to someone else. That is why we have occasional intervals when association or pooling is brought about by pressure, and then after the pressure lets up, those same organizations dissolve, with a great number of consequences for human relations. Coercion from outside, which actually is not a reflection of the inner need of associated labor, nor of its lasting interest, is arousing the working people to such an attitude of repulsion that they are boycotting the idea of entering into association and pooling.

[Question] We are always swearing that we will not allow surpluses to be created outside the economy, that we will confiscate them if they occur. Is it merely a problem of confiscation or something else?

[Answer] The trouble with our system is that the economy pays the predominant share of contributions out of personal incomes, and only a small portion out of income. That is how it could come about that work organizations which have losses also pay contributions, and as a result their losses are greater by the amount of their contributions. Now we have on the one hand larger losses because of personal incomes and contributions which have been paid, and on the other, in noneconomic activities, we have surpluses. This cannot be solved by a document which states that the resources are to be returned to associated labor. On the contrary, changes are needed in the economic system.

An Obstinate Conception

But before that we should state that we have confused basic terms of economics and for a long time now have been dealing with certain conceptions that have absolutely nothing in common with the economics of self-management socialism.

The principal area in which we should try to bring about a change and which would be fairer from the standpoint of the earning and distribution of income is for all entities in the organization of economic life to earn the income for their development and existence as a function of the success of the economy, as a function of the remainder of income after operating costs have been met. This means that if, for example, government agencies contribute to increasing the remainder of income, they will not only have larger personal incomes, but will also have more resources for their own development. Under such conditions, when we are all striving to increase income or the remainder of income, then the causes of investment at any cost would cease to be operative and we would not have such striking desires to build huge projects and superfluous capacities, and many other decorative and superfluous things would vanish. After all, when a loss occurs, it will be borne in the same manner as the remainder of income would have been distributed.

[Box, p 17] [Gluscevic] on Economic Patriotism

> We are losing sight of the fact that the economic value orientation of socialism must above all be industriousness and thrift. Instead of sponsoring that kind of behavior, we are sponsoring luxury.
>
> Ten years ago, when I was a federal deputy in the Chamber of Nationalities, I advocated the idea, and this is my thinking even now, that no one has the right to make expenditures over and above what his people are creating. I said at the time that I know that Scotch whiskey is better than our own sljivovica and that French cognac is better than our own lozovaca, English fabric better than that from Paracin, German cars, Italian shoes, American

cigarettes--that all of that is better than ours. But if as a citizen of this country I hold public office or any other responsible position I do not have the right to exceed the productive capabilities of my own [working] class. Anyone who spends the products of another [working] class, however excellent they may be, is objectively negating me as a member of his [working] class, since he is living in the dimensions of the world, in the boundaries of the productive capability of other countries, he is not living the life of the place where he himself comes from. Until we come to grasp this, we will not know what economic patriotism is all about.

And as for economic patriotism, so that there is no confusion, this is what it means: always, under equal conditions, preference is given to the domestic over the foreign whether it be some product, a natural resource or a service.

Not Only Beyond Measure

[Question] Some problems constantly elude us, we never manage to catch up with them, even though we are always running after them. Does this mean that we are not ready and willing to resolve them?

[Answer] It is not easy to live with the problems of the time and to resolve them successfully and in good time on an everyday basis. It is more comfortable to live in the conviction that they will solve themselves or that someone will be found to solve them without us. Putting off problems does not help to solve them, nor to mitigate them. What is more, complicated situations arise like the present one, which has lasted now without interruption for all of 4 years. Unfortunately, we undertake activities in complicated situations which we should have undertaken considerably earlier. We try to shorten the duration of the trouble and we take hasty measures.

The energy crisis, you know, did not begin yesterday, but has been intense for 6 years now. Only last year did we begin to take steps, and they were mainly restrictive--instead of developing alternative choices.

Each successive higher stage in development of the economic base calls for a different kind of behavior. Interdependent structures undergo change both in the economy as well as in other forms of social organization. It is therefore necessary to make a particular effort to detect interdependent changes whose accomplishment requires different activities than used in the past when the problems were simpler.

It is no longer enough to issue a proclamation, to call upon people to be vigorous, to warn of the need to do more work. On the contrary, we need to

recruit an authentic science and all those who are capable of proposing professionally competent solutions.

[Question] Everyone is calling for responsibility, but the response is rather unconvincing. Is responsibility in our context actually something optional, something like a slogan that is always resorted to and which does not impose an obligation on anyone?

[Answer] At one time in the Federal Constitutional Commission I advocated the interpretation that responsibility is sharing the destiny of the idea which a man advocates. If the idea falls, one relinquishes the right to offer an alternative program. In addition, in our system it is indispensable that we make a distinction in both terms and practice between public office (funkcija) and a position (duznost). That is, in our system public office should be the exception. A public official might be a person who has been elected president of a representative body or chairman of a collective body in the political structure when he is elected for a specified term of office. Everything else should be positions.

Why? Because public office always involves material, financial and moral privileges and as a rule a rentier's advantage over others. When we elect or appoint someone to a position, he must be aware that he is accountable to those who have entrusted these tasks to him, to his colleagues and to the public. Have you noticed how we behave when someone is elected to a high public office? We immediately send him congratulations, no one is concerned about whether he will succeed or not. However, when someone is given a position, this means that he is accountable for the handling of the business of society, whether in politics, the government administration or as a professional manager in an organization of associated labor. If he happens to be someone close to us, some relative or friend, we will be truly and deeply concerned about his success. We will be happy that he has been chosen, but we will be fearful about his results. Every success of his will also be ours. We will experience his every defeat as a misfortune of our own.

Man and the Word Are Not the Same

Now we say for anyone who is elected: my, isn't he lucky, he is moving up! People like that feel no responsibility for the words they have spoken nor for the acts they have committed.

[Question] On one occasion you said that we are actually followers of the New Testament. What did you mean by that?

[Answer] I was thinking about what it is that singles us out so much as verbally successful, as orators who make eloquent promises which no one bothers to hold us to. Have you noticed how much importance we attribute to resolutions, statements of position and speeches and how we constantly repeat what so-and-so said on such-and-such an occasion instead of pointing to examples of what so-and-so has done on such-and-such an occasion.

We are followers of the New Testament in its essential definition. The New Testament begins, unlike the book of Genesis: "In the beginning was the word and the word was with God and God was the word." Goethe turned this around in his well-known paraphrase where he inserted "deed" instead of "word" and "man" instead of "God." Contrary to Goethe, we put more emphasis on the importance of verbal support and vocal approval than on people's behavior in everyday life. Applause while someone is speaking is a more important act to us than tomorrow's creative work, whereby authentic devotion to the idea is proven.

[Question] What is Bosko Gluscevic's critical alternative?

[Answer] Criticism of a situation does not change it. The alternative has to be based on three fundamental postulates of our system. They are: social ownership, self-management and distribution according to the results of purposive work.

Social ownership is a negation of exploitation and negates appropriation on whatever basis and in particular disputes the position of the rentier as a form of social parasitism.

Self-management negates any mediation whatsoever in the name of others and on behalf of the [working] class.

Distribution according to the results of purposive work, as a constitutional definition, singles out the criterion and standard of the work contribution as the basis of appropriation, so that everything that is not the result of work is theft and alienation of income from whoever created that income.

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15 January 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2083

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15 January 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2083

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COUNTERPLANS CRITICIZED--NOT ACCORDING TO SET OF MEASURES

Prague RUDE PRAVO in Czech 17 Nov 80 p 1

[Editorial: "The Set of Measures at the Workplace as Well"]

[Text] The Set of Measures for Improving the Planned Management System has already been known for more than 6 months. This is a sufficiently long time for central agencies, as well as sectors and economic organizations, including enterprises, to have taken all the necessary measures required by the new rules. It is also a sufficiently long time because it is not a matter of a totally new management system, but of the improvement of the currently valid system, of a change in the meaning of numerous indicators of economic performance, and especially because all of the new regulations which will become operable on 1 January of next year have not, and do not, place rigorous demands on material resources, but rather on attitudes.

It may be stated that at the central agency level all of the conditions have been created--albeit some later than others--so that the proposed plan for next year can be presented in its new conception, with high demands on individual effort and sensible requirements for the coverage of national industrial needs. However, it is more than evident now, that plan proposals for next year have been worked out in the old style and reflect long-term managerial habits. It seems that several economic organizations have failed to understand that preparation for the introduction of the Set of Measures and the development of proposals for the next plan must form compact unit, and inexcusably divided the whole exercise into two parts, to the detriment of the final product. The fact that the new elements embodied in the directives for plan development were taken into account too late by economic production units also contributed to this unsatisfactory result. Attention was directed first at quantitative indicators, and only then at the qualitative, and sometimes only at the last moment.

And although the plan is clearly an important component in management, one must judge the creation of conditions for the shift to an improved planned management system in a wider context. It is evident from the current findings of regional party agencies that the shift to an improved management and planning system by economic production units and enterprises is taking place quite unevenly. The change is occurring smoothly and without great problems in those economic units and enterprises which have been participating in the Comprehensive Experiment in the Management of Efficiency and Quality. This is understandable because these organizations had to deal 3 years ago with most of the conditions which are

now new for the rest of the economic units and enterprises. Because it was a matter of a limited number of organizations, greater attention was devoted to them and to the inculcation of an awareness of higher demands on work quality in enterprises, factories, and individual facilities took place in a more organized fashion, even though occasionally at an unsatisfactorily slow pace. But even so the experimenting organizations succeeded in developing a comprehensive system of quality control, in realizing reviews of standards, and in refining intraenterprise management regulations, including those relating to material incentives, premium schedules for collectives and individuals, etc.

The situation in all of these areas is more complicated in the remaining economic production units (not only those concerned with production, because the Set of Measures covers others as well). However, the publication of the Set of Measures about 9 months prior to the start of its applicability provided sufficient time for preparation, and for obtaining valuable findings and opinions from the experimenting enterprises, so that certain mistakes, which occurred in good faith, would not be repeated. It cannot be asserted that all organizations made their task easier for themselves by taking advantage of this opportunity.

Work on the introduction of the Set of Measures is for the time being concentrated primarily at the level of the general directorates of economic production units and enterprises, and to a lesser extent at the factory level. This is a shortcoming which, to be sure, may be partially rectified in the time remaining, but hardly in such a way that the principles of the Set of Measures could truly penetrate to every facility and to every worker, both of which are very important as the experiences of all the experimenting enterprises have shown.

The situation is better particularly at the larger enterprises, which have been characterized by an overall systematic approach to the working out of specific measures in pertinent areas, and which are conducting analyses of the economic performance of this year under the conditions of the improved system, organizing reviews of standards, etc. For instance, in the area of quality control the enterprises of the North Moravian region have developed long-term guidelines for raising the quality of their products.

Although a number of large enterprises are progressing well in their preparation for the introduction of the Set of Measures, one may not generalize. In contrast, there are many economic production units and enterprises where preparation has been insufficient. Standard review programs are being realized only in individual areas, the approach of labor commissions must be evaluated as purely administrative, tendencies are developing to undervalue the expected results from economizing this year and the possibilities during the Seventh Five-Year Plan. Some enterprises are "waiting for directives from superior agencies." There are also enterprises which are only now evaluating experiences gained from a visit to experimenting enterprises. This indicates that they have greatly underestimated the significance and importance of preparation for the improved management and planning system, that they think they will deal with the whole matter solely by directives and administrative intervention. In other words, they have not understood the thrust of the Set of Measures.

From this it follows that in the remaining time it is essential to intensify greatly political organizational work, and especially to insist consistently that worker collectives understand well, and promptly, the measures which have been

adopted and everything which they imply for their own activity so that they can, on the basis of this knowledge, prepare in a committed way the conditions for the implementation and development of their own initiative. It appears that certain enterprises, and even certain production or other economic units, are counting on the granting of various exceptions if they are not up to the preparation for the introduction of the Set of Measures and if the required turnaround is not achieved in their management. The Set of Measures itself states which directives of improved management it will be necessary to refine further and provides for the timely indication of additional measures, but this certainly cannot lead anyone to the conclusion that there will be case by case deviations from the directives and regulations which have already been formulated, or that they will be rewritten again. Quite the contrary, one may presume that, in particular, external economic conditions can develop still less favorably than expected and that to counter their consequences for our economy it will be essential to make certain measures even more strict.

How, then, is one to evaluate the current state of preparations? There is no doubt that much useful work has been completed and that a number of economic units and enterprises are well prepared. On the other hand, at the present time there is insufficient preparation at other units and enterprises, so that the total average may not be considered satisfactory. Can this be attributed to such objective causes as the effort to fulfill this year's targets and those of the whole Sixth Five-Year Plan which has not left sufficient time and energy for preparation for the conditions which come into force with the new year? Definitely not. This is not an objective cause, it is an admission that the level of management is not of the required quality, that it is exhausted by operative functions and neglects a conceptual approach, the creation of the conditions and circumstances which preclude the necessity for operational decisions.

It is possible to adjust many things during the remaining 6 weeks. But this presumes that the responsible industrial employees have not only the interest in doing this, but that they not begrudge either their own time or effort until, at the time of the introduction of the Set of Measures, they have either achieved, or not achieved, sufficient directives. After all, the important thing is not the improved system of planned management, but new approaches to the resolution of tasks and problems, and new ways of thinking springing from a high level of accountability for achieving those things which must be accomplished. To excuse oneself by saying that an organization has not yet received one specification or another is imprudent, transparent alibiing, which indicates a lack of understanding of the significance of the Set of Measures as well as a very low sense of social responsibility.

In short: these provisions are the last--even though all preceding practice has been based on the assumption that they are the first--that enterprises require for a positive approach to further work. Now the most important factor is the awareness of entire worker collectives that it is really impossible to continue working according to old methods, that it is essential to raise the demands on oneself and not consider anything to be successful which does not compare to the level of the performance of foreign competition, and which is not comparable with the products of leading producers.

9276
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CZECHOSLOVAKIA

HIGHER PRODUCTIVITY THROUGH WAGE INCENTIVES EMPHASIZED

Prague MODERNI RIZENI in Czech No 10, 1980 pp 5-10

[Article by Eng Premysl Tomasek, first deputy minister of labor and social affairs: "Higher Productivity and a More Effective Incentive System Under Improvement Management"]

[Text] Rational deployment and efficient application of work forces and an effective system stimulating organizations and individuals to fulfill the vital tasks in our economic development are among the most important preconditions for further successful development of our national economy.

The focus of our economy on high efficiency, quality and economy of labor--as stipulated by the 15th CPCZ Congress--obligates all links of management to practical and specific tasks: to utilize to the fullest extent the production-technical potential and to set in motion production forces that are the decisive preconditions for the fulfillment of the outlined objectives and tasks.

From this perspective the role of the human factor--the working man--appears in the forefront as reflected also in the Set of Measures for Improving the Planned Management System of National Economy after 1980, which was approved earlier this year by the highest party and state organs.

In numbers of employed persons we hold a foremost place on the world scale; every other of the more than 15 million of our citizens is economically involved. We know neither unemployment nor semi-employment; in numerous branches of the material production and services there are even shortages of work forces--in terms of their professional structure.

The structural defect has been gradually increasing because work forces in some vital branches and developmental production fields have been steadily declining. The employment index in workers' and nonworkers' occupations has not been developing favorably; in production the number of workers follows a relatively declining trend, while the numbers of workers in auxiliary and service operations and technical-economic apparatus have been growing at a faster rate. This trend can be neither explained nor rationalized by the worldwide development caused by a rapid scientific progress, and thus, also by a gradual change in the character of labor.

The problems are so much more complex because the available resources of work forces for the years of the Seventh Five-Year Plan declined conspiculously as compared with preceding periods. While during the previous five-year plans we added 470,000 to 510,000 new workers to the labor process in each five-year plan, this resource has dropped during the Sixth Five-Year Plan nearly by one half; in the next five-year plan--1981 through 1985--employment will increase numerically by a mere 140,000 workers, and with a rather unequal deployment of the work force resources from a geographical point of view.

Furthermore, some facts which cannot be disregarded reflect the nonrational management of human labor. Thus, for instance, a standard number of workdays--260 days a year--was stipulated for the Sixth Five-Year Plan. After deducting paid vacation time, the annual fund represents approximately 245 days, of which we lose more than 20 days due to absence caused by injuries on and off the job, illness, various leaves of absence, absence without excuse, and undesirable fluctuations. That is not all. In some places of work the use of shift work amounts to no more than 70-80 percent; 20 to 30 percent is lost because of needless losses and idle time. The real cause of the inadequate use of worktime can be seen in breakdowns in the smooth operation of production, in consumer-supplier relations, in the low level of the managing operations, in prolonged work breaks, in nonobservation of the set start and end of the worktime as well as in the low performance of some individuals and teams. In industry alone every wasted minute represents a loss of products in the value of Kcs 5 million. We certainly cannot afford that.

The developments reached a stage where they demand thoroughly planned and prompt solutions. One of the methods to achieve an effective solution is a more expedient regulation of work force mobility and deployment, most of all so as to achieve societywide priorities, balance replacement of fixed assets and replacement of work forces, control the number and structure of work forces by means of standard bases, and most of all, increase labor productivity on every level in general. For that reason, there is such an urgent demand for efficiency, production discipline, work discipline, natural authority of the managers and qualitatively higher standard of the management. This applies to everybody, no matter where.

The Set of Measures keeps the solution of such problems in view. What is its primary objective? It strengthens the character of targeted and planned actions in the area of work force replacement; the work force plan is determined by means of normative relations and mandatory limits as an obligation for the entire five-year period with the proviso that it will be further specified in annual plans. The chronological horizon of balances and planning of work forces will be expanded over two five-year periods. This is important for an objective determination of the number and structure of the work forces, particularly in conjunction with the development of sciences, new technology and capital investment, because their time cycles are as a rule longer than one five-year plan.

Although a less regulated work force mobility has been discussed, it would be unrealistic to abandon the planned deployment of work forces under present conditions. For that reason, work force mobility will continue to be centrally controlled (regulated) even in the future by means of mandatory limits which will be determined for individual levels of management at an absolute value instead of the work force increments as thus far. For greater flexibility of the regulation of work force mobility it is anticipated that the limits will be determined for the entire branch--the economic production unit--within the framework of the okres. The principles make it possible in justified cases to set the limits for an entire kraj.

The principle of more effective stimulation of absolute work force conservation is most important. A positive role may be played here by individual wage incentives. In fact, the basic question is whether the average nominal wage or the total volume of wages (which is the resultant of two components, i.e., the number of workers and the level of the average nominal wage) should be the determining factors in the stipulation of wage development. Most economists agree that the total volume of wages related to planned tasks is decisive. If an organization achieves absolute savings in embodied labor--i.e., in the number of workers--it should be given an opportunity to use the funds it has saved, or some part there of to raise the average wages of those individuals and teams who deserve the credit for that accomplishment. This approach is commonplace in the industrially developed countries. For example, in the USSR the document on a further improvement of the economic mechanism and its effect on more efficient production and labor approved the principle that one half of absolute savings of work force, and thus, also of wage funds, belongs to those workers responsible for the savings. Wage incentives are determined for a period of 3 to 6 months. Ways must be opened in our country for the most efficient utilization of human labor; the Set of Measures keeps this in view.

It is proper to mention here some other measures, among them primarily:

--To establish a dovetailed system of socioeconomic priorities with the objective to narrow it considerably and subordinate to it planned work force mobility, including wage and social priorities;

--To determine the mandatory ratio of technical-economic workers (in the plan) in the total number of workers. To progress gradually to more exact criteria of labor consumption--to standards and norms of maintenance and numerical situation;

--To stress in particular the basic labor criteria, i.e., all types of standards, in order to eliminate unjustifiable discrepancies in the quality of standards providing the philosophy of well planned and of poorly planned work. Standards must be adapted systematically to the achieved technical-organizational standard of production. Obsolete techniques, technology and inadequate labor organization must not continue;

--To draft ten-year plans for the cadre, personnel and social development. Modern methods of selection and deployment of work forces must be applied here, and by the same token, realistic standards for social facilities in individual institutions must be determined. Planning of qualified cadres must be upgraded and in particular, objective needs of the further national economic development must be balanced.

This does not concern merely efficient management of production sources. The same principle applies just as urgently to capital assets, above all to high-efficiency machinery and equipment. The total value of production assets which exceeded the limit of Kcs 2200 billion follows a continuous upward trend. However, while machinery and power equipment in places of work has been increasing, utilization of capital assets has been declining and the growth of social labor productivity has been retarded. And precisely here great reserves exist in reducing the demands for new investment as well as in raising the efficiency of machinery and machine equipment. This is the main target in our effort for higher efficiency.

There is no other way but to increase the demands for rationalization of the managing processes, better organization of production and labor, faster introduction into practical application of scientific achievements and new technology, the most economical use of machinery and work forces, to put it simply, higher efficiency and performance of the work forces and of all links in our system of management. The criterion of each individual's material situation--and this applies to every shop, operation, plant enterprise and economic production unit--must be the demonstrable results of work. Honest, efficient and well done work must become the decisive criterion of merit for social progress.

An effective wage stake of organizations and individuals in the results of their work is of key importance for the solution of complex socioeconomic problems. The proposed measures strive for a radical change in approaches and attitudes in management and for practical introduction of wage policies.

The issue here is to enforce the principle of merit consistently in rewards for the work done, so that the situation of every organization and of each individual depend fully and directly on the results of their work and economy consciousness. Naturally, this calls for the application of more distinctive differentiations in rewards, corresponding to the social contribution. The wage development in the creation of our national revenue must be related as closely as possible to social labor productivity. The incentive function of wages, focusing on the vital aspects of efficiency, must be reinforced and at the same time, the amount of work and its rewards must be effectively controlled.

The implementation of those principles calls for fundamental changes in the wage mechanism--in the method of creation of wage funds and in their distribution. As a matter of fact, in their inner contents wages are not only an important economic but also a sensitive political indicator. Many individuals and teams systematically lag behind in their work; their efficiency is below average. Some of them fail to meet the prescribed norms, production and technological processes, and the work they deliver is not up to current standards. Most working people, however, rightly demand that rewards reflect a fair evaluation of their efficient and skilled work, and that those who fulfill their tasks well be rewarded accordingly. In such confrontations idleness, indifference and superficial knowledge and skill cannot pass.

The Set of Measures fully accepts these basic trends and objectives of wage policy. The characteristics of conceptual and planned approaches are reinforced in the methods of rewards. Long-term prognoses of wage developments and wage differentiation are being drafted. Regulations of the five-year guarantee of wage developments apply in the center's relations to the khozrashchot area. This is important in the face of economic production units and enterprises, because thus far the practice of contracting annual plans has frequently negated the results of the above-average organizations and favored the lagging organizations.

Although in recent years qualitative aspects have been applied in rewards, volume factors were still deeply rooted in evaluations of the socioeconomic development, as evidenced also by the wage development which is not in full agreement with the results achieved. For that reason it is absolutely imperative to make the wages payable contingent on the creation of national revenue and on the growth of social labor productivity; the sum total of wages payable should--and must--correspond with the values created by common work.

After 1980 the method of creation of wage funds will change in principle. Their decisive part--approximately 80 percent--will be determined by the net production indicator, or more precisely, "adjusted value added." This is in fact a newly added value which in terms of the macrostructure brings the wages closer to the created national revenue, and in terms of the microstructure, to the productivity of labor value added. The rest--about 20 percent--will be tied mostly to the return on production assets which expresses in general economic efficiency; that means that the amount of profits will be measured against the value of fixed assets and inventories ($\frac{P}{FA+Invent.}$).

The relations between the center and the khozrashchot area will be adjusted by mandatory regulations (standards and limits) for the entire five-year period; the five-year collective contracts will contain questions pertaining directly to our working people's interests. Personal wage incentives will be reflected all the way to intraenterprise formations, where it is possible to make reliable assessments of each individual's share to its contribution, i.e., the results of labor.

Those organizations that operate well and economically have good opportunities to increase their planned volume of wages payable, and vice versa. In addition to normative contributions to wage incentive funds, they will gain additional above-plan resources, particularly for accelerating the innovation process and for introducing technically advanced products and top quality products. Sluggish organizations working on the basis of outdated or inferior products will have their wage resources cut appreciably. The same applies to the production of inferior quality and to penalties stemming from the nonfulfillment of contractual obligations.

All types of premiums and rewards will be verified and focused without exception on the vital tasks in the scientific technological development and capital investment and on savings of labor added and labor content of all kinds. Along with it, the normative basis will be expanded and its quality improved in order to remove unjustified differences from the norms.

The fundamental approaches stem from the fact that workers who fulfill their individual tasks well should receive both moral and material rewards according to their merit. On the other hand, those who lag behind must expect consequences that will affect the amount of their wages. The fulfillment of those objectives will produce conflicts in strict confrontation with current practices. To be sure, extreme poles in wage differentiation not only between organizations, but also between individuals, will move further apart. Therefore, negative reactions may be expected from those who fail to demonstrate their ability--who fail to fulfill their assigned goals and tasks. On the other hand, organizations and individuals who achieved good results in their work enjoy better opportunities to gain more just rewards.

An important precondition to success is not only to master the new system, but also to support and help the party, trade union and state organs in creating a society-wide atmosphere to promote the principle of merit, the policy of denivelization and to differentiate more distinctly the method of rewards corresponding to genuine contributions to work for our society.

9004
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CAPITAL MODERNIZATION STRESSED OVER NEW CAPITAL INVESTMENT

Prague MODERNI RIZENI in Czech No 10, 1980 pp 35-40

[Article by Eng Zdenek Lenoch, FMTIR: "Planning and Management of Capital Asset Replacement"]

[Text] Not all capital construction implemented in the past has been successful. Some projects suffered from serious shortcomings. Therefore, the Set of Measures for the Improvement of the Planned Management System after 1980 introduces a number of changes into the capital investment process.

In past years a number of measures were adopted with the aim of improving planning and management of the reproduction of capital assets. The most important of these measures were contained in the set of measures approved in 1972 by the CPCZ Central Committee Presidium and the CSSR Government with supplemental measures introduced as a result of the review of this resolution in 1975.

In spite of these measures, capital investment in our country does not proceed smoothly. On the one hand, as many examples demonstrate, the results are good to excellent. On the other hand, we have not succeeded in mastering completely all ramifications of this large-scale process, especially with respect to quality and economy. Part of the fault undoubtedly must be attributed to inconsistency and lack of discipline in implementing the adopted measures. But the cause is deeper and has to do with extensive tendencies and pressures surviving in our entire economy which are especially strong in the capital investment sector.

Therefore, the basic solution must be sought in broad relationships governing planned management; it must be comprehensive and involve many sectors of economic and political activity. Among other things, it calls for the establishment of a climate highly favorable to innovation, strong and effective stimulation of technical progress in the entire national economy to offer ample opportunity for highly efficient rapid recovery of investments.

At the enterprise level the issue is to bring about a situation where full utilization of existing capacity becomes more advantageous than the construction of new capacity; in cases where investment is unavoidable the planned investment must be achieved as efficiently as possible, i.e., by modernization, the use of advantageous international specialization, the

most advanced technology at the lowest cost and by securing the required labor resources; obsolete and inefficient capital assets must be eliminated in time and stabilizing transition programs implemented. The achievement of these objectives is predicated not only on the selection of a set of criteria, indicators and tools as a measure of progress achieved but also on the consistency of decisions and the application of both direct and indirect management tools to stimulate participants in the reproduction process to high output and efficiency and prevent thereby the shortchanging of society.

The requirement for such a principled comprehensive solution constituted the starting point for future planning and management of capital assets. This work began in 1976 and resulted in the preparation of a set of specific targeted measures with deadlines for implementation; this set of measures was approved at the beginning of last year by Government Resolution No 23/1979 and represents one of the key stipulations for improving the management system in the post-1980 period.

The tasks contained in the Set of Measures for the Improvement of Planning and Management of Capital Assets aim broadly at these objectives:

--Improving the quality of long-term capital investment plans and their implementation in the intermediate and annual plans. Raising the weight of the reproduction plan of capital assets for the long and intermediate term and annual segments as a conceptual tool for creating conditions for the preparation and implementation of capital construction. Intensifying the targeted and programmed approach in the planning and management of the national economy.

--Emphasizing fuller utilization of the means of production in the entire management system of the national economy. Stressing specifically the importance of improving the efficient utilization of existing industrial facilities throughout the entire planning hierarchy (at all levels of management) with respect to financial and credit instruments, material incentives and pricing policy before deciding on investments; placing greater emphasis on gradual modernization and the application of intensive growth factors, including refusal to authorize investments, where the potential of shift work is not fully exploited and where shortages of labor limit output markedly in an effort to achieve fuller utilization of available capacity.

--Making much greater use of scientific and technical development; raising requirements for timely, more realistic and concrete clarification of long-term opportunities for achieving technical progress in capital construction to raise the effectiveness of the reproduction process. Intensifying the linkage between the plan for the development of science and technology and the capital investment plan at all management levels especially at the level of central organs and VHJs.

--Specifying and intensifying more consistently the external and internal links between the plan of reproduction of capital assets and the other parts

of the plan especially the labor replacement plan at all levels, primarily at the ministerial level and that of the VHJs. Securing adequate labor resources to ensure full utilization of capacities.

--Requiring professionalism to raise efficiency. Rating efficient construction as an important and indivisible criterion of professional standards; emphasizing long-term economic profitability (future production expenditures), early recovery of investments, demonstration of the necessity of investment (including proof of full current utilization of available capacities including full use of shift work in the branch and the entire sector), determining whether the need cannot be met by rationalization measures, change of cooperative relations including international cooperation, primarily by an alternative obviating investment or by modernization (reconstruction) of existing capacities.

--Enhancing the influence of the financial system and exerting fiscal instrument pressure on the effectivity of capital investment in the preparation of the plan of reproduction of fixed assets and during its implementation and selection of capital projects; at the same time giving priority to modernization and rebuilding of existing capital assets over new capital investments. Orienting the impact of financial instruments towards better utilization of available capital assets, compliance with budgetary limitations, construction deadlines and technical and economic project indicators.

--Establishing a system of technical and economic indicators and criteria in the production and service capital construction sectors aimed at inducing investor, supplier and design organizations to practice economy in designing and implementing projects, ensure their speedy completion and start of production within set deadlines and compliance with planned technical and economic indicators. Tying economic accountability and the material benefits accruing to organizations unequivocally to compliance with the newly promulgated technical and economic indicators and the new criteria.

The Set of Measures for Improving the Planned Management System after 1980 also emphasizes the importance of the comprehensive economic aspect and economic impact of investments for the national economy, rather than their technical aspects.

1. Updating the evaluation procedure of investments which is in preparation is an important tool for assessing investment efficiency and a condition for their implementation according to plan. It is based on the principle that investment efficiency is not expressed and evaluated only at the conclusion of implementation of a given step in the project documentation but must permeate the entire process of the preparatory and all investment stages. Investment efficiency can be achieved only by constant examination of the various approaches leading to its attainment. Every even partial alternative solution must be analyzed not only from the viewpoint of technical feasibility but also from the efficiency aspect of the given solution.

Articulating and assessing the usefulness and necessity of a capital project is of fundamental importance. This follows also from the new conceptual formulation of economic efficiency which is expressed as a ("three dimensional") factor characterized by its comprehensive economic impact as a necessity for society and by the comprehensive economic requirements needed for its attainment. The principles deal in comparative detail with characterizing this necessity.

A comparative alternative solution expressed in terms of advanced technical and economic indicators is recommended as a tool for comparing the technical and economic standard of an investment. The system of technical and economic indicators applicable in the updated guidelines promulgated by the FMTIR delineates in detail the scope of the comparative alternative and the manner of its application and designates organizations which will prepare it.

The revision pays special attention to alternative solutions and the method for their evaluation. The criterion of choice of interchangeable alternatives is now broadened to consider also the nationwide scarcity of individual resources; in the initial stage the limited availability of capital funds, labor resources, fuels and energy must be considered. In practice, this criterion is applied by the introduction of the "coefficient of limited availability" of the respective resource derived from the nationwide proportions of the plan into the computation equation. This coefficient will be promulgated for individual periods.

It is also worth mentioning that the data and indicator system expressing the efficiency of capital investments is compiled to reflect comprehensively not only all substantive impacts and expectations of an investment with respect to yield and as a mutually complementary system but that it also must be in accord with the system expressing efficiency in plans of organizations and in the overall plan for the national economy.

2. Another important measure serving for the exercise of control by central authorities is the new definition of the role and authority of state review power for investments. In accord with the overall intent of the new measures which aim at strengthening management and planning by central authorities evaluation and partly also decision making is being concentrated also in this sector. In the future only the Federal Ministry for Technical and Capital Development and the CSR and SSR ministries of construction and technology will have state review authority over all important and centrally approved projects which are specifically included in the state plan. This measure aims primarily at ensuring objective evaluation by taking into account the broader impacts of investments.

A second measure extends review activity from examining the preparatory stage of an investment as currently practiced to reviewing documents in which the investment was first conceived, i.e., to documents dealing with development in broad terms, conceptual development studies, and investment plans for individual construction projects and systems because experience has shown that low efficiency of newly built capital projects manifested by the underutilization of their capacity, shortage of labor, output marketing difficulties and procurement problems involving raw materials, supplies and energy are all rooted in poor conceptual preparation of investments. In making decisions about investments the different broad relationships and linkages between new investments and the existing stock of capital assets and other societal reproduction sectors are not properly weighed and considered. Also the time factor is not properly taken into account nor the conditions in which the newly built capital projects will operate when completed. Analyses demonstrate that in decision-making on investments the efficiency of planned capital assets is not viewed as the decisive key factor but is a secondary result of material, balancing, production and technical decisions.

Therefore, the new orientation of the state review process aims at inducing central authorities to concentrate on evaluating the basic investment concept in the broadest societal context to find the socially most rewarding solution with a promising outlook for the future. Other sectoral government organs, planning commissions, the Ministry of Finance, the Federal Ministry of Foreign Trade, price control authorities and the Czechoslovak State Bank will continue to play a role in the state investment review process. Increasing the influence of central authorities by strengthening the state review process is in accord with the measures introduced in planning which were designed primarily to increase the importance of long-range plans and programs. It is based on the belief that branch ministries will pay increased attention to all conceptual long-term problems and ensure high quality in the preparation of technical and economic aspects of the developmental plan.

3. As has been stressed before, the issue is not only to define and demonstrate the efficiency of a capital project, but mainly to apply it in practice in the reproduction process. Therefore, the khozraschot accountability of the VHJs must be consistently upheld and "all results (positive and negative) of the activities of VHJs in all sectors including the reproduction of capital assets, technical development and foreign trade be reflected to a stated extent in material incentives and the availability of necessary funds to ensure that differences between properly and poorly managed organizations which will thus come to light will stimulate well managed units but also lead to the adoption of effective measures in units managing poorly with the aim of removing shortcomings and achieving a turnabout..."

Revisions in the planning and financing of two basic investment categories aim at raising the efficiency of reproduction of capital assets in practice. One category--projects identified in the state plan, those subject to approval by central authorities and other projects with budgets exceeding Kcs 2 million--will be financed from the construction fund from sources named in the financing plan which, in accord with the investment plan, concerns especially the five-year plan. So-called fixed-limit investments--projects with budgets under Kcs 2 million, machinery and equipment not included in construction project budgets--will be financed from the development fund formed of profits, writeoffs and other sources.

The system of planning and financing fixed limit investments (with means accruing from the developmental fund) which implicitly emphasizes efficiency and investment recovery is designed to prevent "phasing" of investments on the basis of limits and conversely stresses the criterion of merit. Procurement of a considerable part of the investment capital by resource formation and compliance with set technical and economic indicators and criteria is emphasized.

The five-year plan will stipulate fixed-limit investments (volumes) for individual ministries. In turn, in their own five-year plans, ministries will set standards for the formation of developmental funds by VHJs and also technical and economic criteria for the procurement of fixed-limit investments. The VHJs five-year investment plan must comply with the stipulations of their ministry's plan. In this way investment planning is expected to be

improved all the way from central authorities down to VHJs (or enterprises) by ensuring that planned investments are secured by planned formation of resources and by inclusion of set technical and economic criteria in the plan as a condition of procurement of fixed-limit investments. These conditions then govern also the implementation of fixed-limit investments. Their implementation depends on the formation of an appropriate developmental fund and compliance with set technical and economic indicators and criteria. But the mere establishment of a fund will not automatically authorize the VHJs to invest. Even VHJs with adequate resources in the developmental fund will not be able to use them for investments unless they comply with the economic criteria, conditions or indicators set by their superior central organ. VHJs will have to comply, for example, with orders to modernize, meet a set level of utilization of means of production or work in shifts, etc., or some of these measures. The central branch organ can insist also on its right to authorize some specific decisions concerning fixed limit investments (for example, investments requiring considerable labor resources, foreign imports, etc.). In decisions of subordinated VHJs (or of VHJs about investment decisions made by their subordinated enterprises the authority of central branch organs will, therefore, be enhanced.

The proposed system will subject investments to more exacting and stricter economic criteria than is now the case. "Availability of funds" is not the issue in any investment.

8664
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RATING FOR BONUSES IN RETAIL TRADE DISCUSSED

Prague PRACE A MZDA in Czech No 10, 1980 pp 510-514

[Article by Dr Bohuslav Kahle, Central Trade Union Committee of Retail Trade Employees]

[Text] It was already announced at the 15th Party Congress that the realization of all the guidelines and targets outlined by this congress is inseparably connected with the consistent application of qualitative factors of political, social, economic, and cultural growth. The evaluation of the quality of work belongs, without a doubt, among the most difficult tasks which must be taken care of in implementing a just wage policy in every organization. The evaluation of the quality of work deserves special attention in the retail trade branch, the work of which is visible daily to millions of our citizens.

The problem of evaluating work quality within the overall system of material incentives is not a new one in retail trade. Attempts at establishing an appropriate connection between the evaluation of the amount and the quality of performed work had already appeared in the sixties, and an attempt to strengthen the bonus component of this took place, in particular, at the time of the preparation and implementation of new principles for rationalizing the labor and wages system in retail trade. However, the existing methods for determining these matters had one common shortcoming--they consisted, for the most part, of penalizing the employee for low quality work, for offenses, for failing to follow directions, and for disturbing labor discipline. It was a matter of lowering established bonuses by the amount of discounted work. No one had to be concerned with the systematic evaluation of the work quality of individual workers and collectives for the purpose of awarding bonuses.

Even the current quarterly bonuses--although they are called in the wage regulations bonuses for the quality of performed work, have had only a little bit to do, in the final analysis, with an evaluation of work quality. These bonuses have acted in practice--because awarding of them has been tied to a specific level of fulfillment of the plan for retail trade turnover--more or less as premiums for plan fulfillment. Under this system, even a worker producing work of low quality has often received a bonus solely because he has not committed any clear offenses, but primarily because the retail outlet fulfilled its quarterly turnover target. On the other hand, an employee with a superb performance record did not necessarily receive a bonus only because his operational unit did not

fulfill the plan. On top of this, some sales outlet managers have divided bonuses equally among their subordinates by simply dividing the shares awarded to an operational unit by the number of employees. At the same time it is necessary to note that employees of retail trade units have only an indirect, or less than total, influence on the fulfillment of turnover targets. They do not produce the very goods which the consumer demands. And because of this it has been necessary, and it is often still necessary, for the purposes of the incentive system to include certain lots of goods of which there is an insufficiency only subsequently in the level of planned volume.

Clearly it is impossible to deny the need for evaluating the amount of work performed in retail trade. The first responsibility of retail trade employees is to attempt to overcome deficiencies in the product mix, and to assure supplies of goods which are lacking for the fulfillment of planned targets and for the full satisfaction of consumers. However, at the same time it is necessary to contribute, by appropriate material incentives, to an improvement in consumer relations, and to a resolution of quality deficiencies which do not originate in production or anywhere else, but only, or primarily, in the work of employees in retail trade. As findings of objective inspection agencies have shown, it is also often the case that managerial employees--in particular inspectors, instructors at sales outlets, and enterprise inspectors, are not demanding enough and often inconsistent in the systematic evaluation and supervision of their subordinates. This stems primarily from the unhappy discovery of violations of the regulations governing consumer protection. Significant shortcomings are also evident in the protection of socialist ownership. The number of deficits discovered in objects submitted for an accounting has remained at the same level in recent years, with the average deficit increasing moderately. Damage to goods, especially in the transporting and warehousing of retail trade goods, is consistently high. And even though detailed return procedures were issued a number of years ago by middle management levels, we are still constantly encountering improper approaches to returns and to customers who try to return goods.

Still a subject of frequent, justified criticism is the failure to maintain a minimum product mix for the whole operational period, and shortcomings occur in the appearance of tables and in the menu offerings at restaurants of particular price categories, in the furnishing of hotel rooms and in the availability of services to residents, as well as shortcomings in the work of travel agencies, unjustified closings of sales outlets, incidences of inadequate sales hygiene, and the like.

Therefore, at its seventh session, the CPCZ Central Committee directed the services sector to find new approaches and wage forms which would emphasize an evaluation of quality in the area of the incentive system. This was a common task for economic agencies and union organizations, and received emphasis also in the conclusions of the Ninth All-Union Congress. Therefore, following verification in 23 chosen organizations of federal and cooperative retail trade, there will be, beginning 1 July of this year, a gradual implementation of a new method for evaluating work quality, and a recognition of bonuses as compensation for work of exceptional quality and for maintaining a desirable level of services.

Understandably, commercial organizations do not receive any special increase in wages payable for this new form of material incentives. Matters will lead, therefore, to the allocation of the existing quarterly bonuses for retail trade workers as two independent forms of wages--a quarterly premium for fulfilling the plan for retail trade turnover, and monthly bonuses awarded for high quality labor performance.

An active approach to the evaluation of the individual over a relatively long time is the main principle of material incentives for labor quality in retail trade. On the basis of a trade union proposal, evaluation stems as well from the necessity for a balance, and a mutual connection, between an attitudinal and material evaluation of work quality, which in turn contributes to a closer tie between material incentives and the performance and evaluation of employees in socialist competition.

Bonuses for exceptional labor quality, which serve to increase the interest of sales outlet employees in the highest possible level of service and in wage differentials for exceptional employees, have a decisive role to play in improving quality evaluations in retail trade. A bonus is not awarded for fulfillment of normal work responsibilities. In demonstrating an exceptional level in the quality of work which has been performed, the following factors are of special importance:

--high quality of service, including advising activities;

--the active offering of goods for sale;

--the rational utilization of work time, leading to speeded up customer service;

--highly directed labor organization (personal, on the part of managerial workers, and by the whole collective);

--initiative in developing new labor forms, and the transmitting of experience and knowledge to new and younger employees;

--appropriate variety in the assortment of goods offered for sale or on menus;

--a high level of accommodation services;

--performance achieved in the Socialist Work Brigade movement.

The evaluation of individual employees which is to serve as the basis for awarding bonuses is to be conducted by the manager of the operational unit in cooperation with an inspector (instructor) and the sectoral advisor from the Revolutionary Trade Union Movement. Managers of operational units are evaluated by a work group determined by the managing organization in cooperation with inspectors (instructors) and a representative of the relevant agency of the Revolutionary Trade Union Movement. The Ministry of Trade and consumer cooperative unions, in consultation with the Trade Union of Retail Trade Employees, has issued methodological directives which contain more precise instructions regarding the evaluation of work quality in specific occupations. Different criteria must be

established for managerial employees in retail trade operations than for the remaining workers who are subordinate to them. Special criteria must be established for receptionists. Basically, for each of these employee groups criteria have been established, based especially on the evaluation of:

1. Service quality, i.e. adhering to the techniques and standards of food preparation, polite interaction with and attention paid to customers and guests, and emphasis on speed, completeness, and precision in meeting customer needs;

2. Attention to goods and their mix, and especially to timeliness and completeness in ordering, maintaining the minimal product mix over the total hours which a store is open, the prompt attention to return claims, and adherence to guarantee periods;

3. The order, cleanliness and overall upkeep of a facility and its employees;

4. The efficient organization of one's own work (and that of supervised workers) leading to rapid customer service, and initiative in the development of new labor forms and the transmission of experience to new workers;

5. The prompt, precise and professional fulfillment of duties assigned by a superior employee;

6. The rational utilization of labor time leading to improved customer satisfaction, better stockpiling and warehousing of goods, and the cost conscious treatment of materials and energy.

Each of the established criteria is evaluated independently by assigning points according to the following scale:

exceptional level (performance)	3 points
above average performance	2 points
average performance	1 point
below average performance	0 points

A bonus for exceptional labor quality is awarded to employees who have achieved 12 points, in addition to not having been evaluated as below average in any category. Employees are not evaluated who have committed serious or repeated offenses during the period covered by the evaluation (i.e. disruption of the labor regulations for sales outlets and public eating establishments), as well as workers who participated in a demonstrated deficit in items submitted for accounting.

The basic evaluation period is 6 months, but it can be quarterly under certain conditions established by regulations. The lowest bonus in federal retail trade managed by the Ministry of Trade amounts to 10 percent and, in consumer cooperative and public eating organizations managed by the national committees, 8 percent of the basic pay of the evaluated employee. The same percentage has been established for all those who are evaluated. The established bonus is paid out monthly over the whole 6 month calendar period (or quarter) following the evaluation. In the event that a serious shortcoming is discovered in the quality of

work performed subsequently, the established bonus is revoked as of the first day of the month following the discovery for a period of 3 to 6 months. Employees who were not evaluated, but who achieved at least 6 points and were not considered below average in either of the first two categories, may be awarded a bonus for upholding required service levels. These bonuses are secondary to those awarded for exceptional labor. They may be used on the basis of a decision by a managing organization and a PV (Factory Committee) of the Revolutionary Trade Union Movement within the framework of the usable volume of wages payable, with a view to the specific conditions of the relevant organization. Therefore, they will be utilized frequently, for instance, in retail trade in foodstuffs, fruit, and vegetables, where as a rule premiums for the fulfillment of retail trade turnover will not be applied, in accordance with the regulations on the sale of certain types of goods. In every instance, however, the volume of resources designated for bonuses for exceptional labor quality must amount to at least two-thirds of the volume of resources designated for bonuses for the upholding of the required level of services, and a bonus for exceptional labor quality established for certain employees must be at least two times greater than a bonus for upholding the required level of services. Both types of bonus may be awarded to retail trade employees in addition to either an hourly wage with premiums or a mixed wage.

A critical, and definitely the most difficult, task is conducting the most objective possible evaluation of work which has been performed. This is a demanding, responsible, political, and professional task. It is always much simpler to evaluate the amount of work which has been performed than its quality. It is easier to explain to an employee that he is receiving less because he sold fewer goods, than to explain that he sold them in a low quality manner, and therefore he is receiving less than another. The evaluation of labor quality is, clearly, also more subjective.

It is obvious that attention must be paid to the results of inspections by authorized agencies, the opinion of national committees and consumer inspection councils, and the authorized comments, complaints, and compliments of consumers.

The participation by union authorities, which has been significantly increased in these new evaluations, is designed to assure an important element of objectivity in quality evaluation. The evaluation of individual employees, which is the basis for a proposal for awarding a bonus, is realized in conjunction with appropriate union agencies, as has already been mentioned. Clearly, the precise conditions for awarding bonuses, just as the method for work evaluation, will be the subject of agreements with the appropriate factory committee of the Revolutionary Trade Union Movement, and in particular, the object of collective agreements. The role of the professional committees of the Revolutionary Trade Union Movement and the regional and urban trade union committees of retail trade workers is also growing because, within the framework of the methodological directives, a general directorate or regional national committee can announce more detailed modifications of the considerations for quality evaluation, in concurrence with the appropriate union authority and according to their own needs, or local conditions.

It would be a fundamental mistake to consider the introduction of bonuses for labor quality as a wage issue, as a task only for subdivisions of the economics of labor and wages. The evaluation of labor quality in the operation of retail trade is, first of all, a matter for the whole economic leadership at all management levels. Certainly the evaluation of the quality of the work of subordinates, the application of socialist compensation principles, and awarding compensation for exceptional labor efforts by individuals belong among the fundamental responsibilities of managerial employees (section 74, paragraph 1, letter d of the Labor Code). The method of evaluation provides a certain guide to the fulfillment of this responsibility, and objections to the amount of work this requires stem especially from a disinclination to differentiation of compensation, and from a lack of understanding of its necessity if the quality of work is to be raised.

It is not necessary to delude ourselves that the application of rigorous criteria for the evaluation of labor quality, and the introduction of new bonuses will be easy. This application must be viewed in its overall context, in relation, for instance, to the continuing shortcomings in product mix and the taut labor force balance in retail trade. On the other hand, it is necessary to understand that not all our employees are at the same level, and if we want to raise the level of the services which we provide, we must increasingly differentiate employees who perform quality work from the rest, in part by the amount of their bonuses for work they have performed. Here as well the words of Comrade Hoffmann at the Seventh Plenary Session of the Central Council of Trade Unions apply to us. In his concluding comments he called our attention to the fact that there is either no difference, or only a small difference, in the wages of the best, most committed employees on the one hand, and the weakest workers on the other. All managers and union functionaries--especially members of factory committees and wage commissions--ought to permanently govern their activities by the principle that only the person who performs good work is worthy of a good wage. The Set of Measures for Improving the Planned Management System of the National Economy is also based on this principle, which is being implemented gradually in retail trade as well. That old slogan--"Produce in a quality manner, sell in a quality manner"--still applies, and particularly at the present time. The new element in the quality evaluation for bonuses of employees in retail trade is intended to contribute to its implementation.

9276
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ARTICLE COMMENTS ON SIXTH FIVE-YEAR PLAN MEASURES

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 p 3

[Article by Ivan T. Berend, Rector of the Karl Marx University of Economic Sciences: "Comments on the New Five-Year Plan"]

[Text] Being in a tight corner has some hidden advantages. How difficult it is to make a five year plan in the midst of the present ever-changing world economic situation! And how useful, from the standpoint of the more long term future, to be forced to think of ways to bridge this difficulty in the preparation of the plan.

They could not but leave open certain possibilities, think in terms of alternatives (more or less favorable) when, in the course of the plan, it will be necessary to come back to questions that could not be decided today; making a series of decisions when such decisions become realistic as a result of changes in conditions occurring in the intervening period. Obviously, we have no way of knowing where oil and raw material prices will be in 2 or 3 years; neither are we able to measure external sources available to us (to mention only these 2 factors). Thus, it would be a mistake to base detailed plan decisions on mere assumptions. It is much more sensible to stay open and flexible with regard to decision opportunities in planning major directions and as much of the near future as can be measured with the precision necessary for planning.

In this connection, similarly great importance is attached to a system of instruments tuned to the goals of the plan and the inclusion of projected administrative and regulatory weapons in the plan. This is because once we stop planning by means of direct plan instructions and leave open the possibility of modifications even for the duration of medium range plans, it becomes necessary to survey and formulate both the goals of the plan and the methods of regulation and influence to be used for approaching central goals by indirect means.

Innovation forced by an emergency situation? Yes, of course this is what is involved, but so are new, long range values of planning methodology whose importance goes beyond the need to get through a complex period, ones that contribute to the formulation of a planning methodology leading to better, more flexible coordination between central planning and market effects.

Economic Balance and the Time Factor

One of the most difficult economic decisions is to achieve a balance between long range strategic goals and medium term economic decisions. It may well be unnecessary to explain why I consider this so difficult. Still, it is worth noting that it is not even easy to find the correct interpretation of our long range tasks and to know what will or should be good for us over 2 or 3 decades from now. The situation is made more complicated by the existence of frequent conflicts between the immediate tasks of the present and the goals of the future; they may not coincide or may even act in opposite directions.

To determine those major areas where our Sixth Five-Year Plan serves long range goals already recognized and considered correct would deserve a detailed analysis. A number of such areas might be listed.

In my view, one of the fundamental economic dilemmas of the present is the correct formulation of priorities among the often conflicting and contradictory requirements posed by the tasks of restoring equilibrium and improving economic efficiency and competitiveness (including the desired structural transformation and an adequate technological level). If we create conditions that reduce the import of needed machinery and equipment then this will contribute to an improvement in the balance of the national economy in the short run. Over a longer time span, however, this would act against equilibrium by obstructing and slowing the emergence of up-to-date, competitive technology and the needed structural transformation. The same may be said in general about investment activity. Of course, slowing down investment is a factor contributing to improved balance in the short run. On the other hand, structural change creates investment demand.

It is clear that our economic policy cannot simply choose either one or the other, since it is essential to solve both problems. But there are many possible solutions. It is possible to put the emphasis on long range structural transformation and technological development goals: this would slow the restoration of equilibrium. Alternatively, preference may be given to restoring equilibrium, to be followed by an increased emphasis on structural development and investments aimed at technological transformation.

Our present economic views and, accordingly, the Sixth Five-Year Plan seem to be a bit excessive and one-sided in subordinating other economic interests and goals to the restoration of equilibrium. Of course, the central importance of restoring equilibrium is incontestable. Yet, a more optimal possibility of a more complex and harmonic solution would deserve further analysis and calculation. I am not proposing a diametrically opposing alternative. But we have an opportunity to decide whether we time the restoration of equilibrium to occur, say, in the first 1 or 2 years of the medium term plan or during the entire duration of the plan, progressing more gradually. At present, the emphasis is on the first alternative. As a result of stricter investment and import management, this will not only slow the accomplishment of future goals of desirable structural transformation and improved efficiency (including the food industry whose importance has been recognized long ago); in some areas, especially in agriculture, it may also threaten the preservation of existing levels of technology. The flexibility of current planning allows for further corrective decisions. It is perhaps still worthwhile to meditate

upon the harshness of our investment and import management or slightly higher levels of needed agricultural machinery purchases and investment projects aimed at technological and structural modernization; in other words, on better coordination of conflicting short and long range tasks of equilibrium and progress.

The Role of Infrastructure

Another touchy area where long and short range goals are in conflict is the development of the infrastructure. The Sixth Five-Year Plan, as its predecessor, was based on the notion that at present the development of infrastructural sectors must proceed at a slowed pace (with its share equal to the preceding plan period) and large scale development must wait until high priority equilibrium goals are accomplished. (I consider it a great step forward that infrastructural projects are nevertheless among the high priority programs of the plan, e.g., the construction of a substantial number of elementary school classrooms or the most essential development programs of health care.) The objective clash of long and short range goals in this area is a given. But the last time long range infrastructural development tasks and the strategy of boosting this sector were given uninterrupted attention was during the Fourth Five-Year Plan; since then, the storms of the world economy forced us to lower our sights. Yet, I would like to ask one more time: to what extent are we pressured by these circumstances and to what extent are we dealing with fixed aspects of our economic outlook? We are continuing to regard infrastructural sectors as areas that receive more or less depending on the volume of the national product and our ability to solve our production tasks. When the net result of the national economy will grow faster, then more will become available for the infrastructural sectors. But the reverse of this view is now considered a demonstrable fact. The higher the level of infrastructural development we can rely on, the faster the output of the economy will grow and the greater net growth will take place. Our ability to react will become more flexible and our work sophistication and efficiency more advanced as our human and economic activity takes place on the basis of a more highly developed infrastructural sector. Thus, higher development level of the infrastructure is, in the long run, at least as important as an equilibrium factor as it is a natural source of savings aimed at the restoration of equilibrium over the short haul. This real contradiction is not easy to resolve under difficult conditions. Yet, it is necessary to emphasize again and again the urgent need to change our views and practices. Achieving a higher level of education and culture has now become our most urgent and most important "investment". It is the foundation of any further progress but it is still far from the top on our list of priorities.

Social Policy Considerations

I consider it a great innovation of the plan that it incorporates important social policy programs within its structure. We have a great need of those because, after highly successful decades of dynamic economic growth and policy on living standards, we cannot become bogged down at the restoration of equilibrium and stabilization of present living standards as our only goals. Although they are very important in themselves under the circumstances, they are not forward-looking goals from the standpoint of social policy. The opportunity to make decisions is present even in emergency situations. It is possible to achieve significant breakthroughs by redeploying resources toward areas which absorb a relatively low proportion of

investment on the national economic scale. The health care development program of the Sixth Five-Year Plan is aimed in this direction. We can welcome this trend not only becuase it highlights an especially important but long neglected area, but also because it contributes to essential progress in the area of living conditions which affects everyone at a time when the growth of consumption inevitably slows down. Are there any other opportunities available to us? These days, when century-old buildings housing our cultural and educational institutions are beginning to crack, would it not be appropriate to take up some of these national causes, perhaps using auxiliary resources from public initiatives, and thereby move forward in the area of improved living conditions (because this category also includes our intellectual atmosphere).

Change in Perceptions

What has been said above, in conjunction with the innovations of the plan, demonstrates that we have a lot more leeway to make decisions than often supposed. In spite of the strict limitations imposed by the circumstances, we must look for the freedom of maneuvre enabling us to compensate for our inability to make progress in some areas by achieving successes in other fields. The aim of restoring both the balance of trade and a balanced budget is certainly forced on us, but we also have some free choice in deciding how and by what date it is going to be accomplished. We know that we can distribute only as much as we produce but still, our priorities may vary a great deal. We know that the policy on living standards followed in past decades cannot continue but good decisions may ensure that important and heretofore neglected spheres of our living conditions improve in the future.

The Sixth Five-Year Plan, with its changed perceptions, has searched for and found new solutions; but, as the examples listed above demonstrate, the opportunities open to us cannot be considered exhausted.

The social debate on the plan represented a good beginning toward formulating the best solutions and thinking together about the tasks facing us, in spite of the frequently formalistic aspects of the first round.

9164
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MIXED REACTIONS TO FINANCIAL REGULATORS FOR AGRICULTURE NOTED

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 47, 1980 p 3

[Article by Dr Istvan Kapronczai and Dr Laszlo Szenay of the Cooperative Research Institute: "Agricultural Price Changes. What Reaction to Expect?"]

[Text] On 21 August the Council of Ministers adopted a resolution on agricultural price measures effective 1 January 1981. Under these, the prices of materials and means of production will go up while the purchase price of agricultural products will also increase. These measures were necessitated by world market price changes. Although the introduction of competitive prices in agriculture cannot be expected to happen in the near future, it is becoming necessary to let the effects of world market price changes ripple through in a flexible manner.

The mechanism whereby an agricultural price policy shows its effects is revealed, in the final analysis, by the way producers behave. If the majority acts in line with the plan targets then things will work out; if uncertainty takes hold then this indicated the weakness of the current price policy and price system. For this reason, day-to-day economic management pays a great deal of attention to price structures and any changes in them. Our investigations show that the aspect of the present regulatory system which is considered most problematic is the regulation of wage levels and personal incomes. Next in line are the contradictions within the price system.

As we move from good farms to weaker ones, the dissatisfaction with the price system appears to grow. This may be the result of the fact that a better income position makes good cooperatives less sensitive to losses of certain sectors (crops), or, possibly, it may be due to better quality of management at more successful farms, able to shape a production structure less sensitive to losses arising from shifting price ratios.

These differences of opinion may also indicate that the efficiency criteria imposed by prices are providing an incentive for specialization. At the same time the question arises whether sufficient attention is given to the costs and incomes of below average farms at the time when price ratios are determined. Calculations show that increases in the price of production factors lead to increasing differentiation among farms.

The Most Sensitive Spots

Among all prices affecting farms, the ones having the most pronounced effect are changes in the price of the means of production, materials and energy. Starting from 1981, the price of the following products will go up: agricultural machinery by an average of 2 percent; spare parts, 7 to 8 percent; fertilizers and pesticides, 6 percent; industrial fodder, 5 to 6 percent; services, 5 percent. Since comparable price rises have occurred during the years of the Fifth Five-Year Plan, a comparison with the experience of those times may lead to interesting conclusions.

Beyond the enforcement of requirements of cost management and efficiency, a rise in the price of the means of production and materials will contribute to a significant increase in production costs. The effect of changes in the price of various groups of implements and materials on the total costs borne by farms varies. Of all production factors, the one whose price will increase most significantly starting from 1981 is spare parts. Many people agree that this will be one of the most painful aspects of the price increases. Past investigations showed that changing prices of spare parts had the most pronounced effect on farms, among all production factors. This can presumably be explained by the inability of farms to significantly reduce their use of spare parts, due in part to replacement regulations.

The rising price of fertilizers and pesticides also contributes significantly to rising costs. Past experience suggests that production costs increases, when considered excessive, will be mitigated by reducing fertilizer and pesticide use. Well-managed farms, on the other hand, did more than just reduce their fertilizer purchases at the time of past price rises: they have also done a great deal toward more efficient utilization. Their chief aim was to reduce losses in storage. Many among them have achieved substantial material savings by introducing container transportation of fertilizers.

Economize, But Be Rational

Unfortunately, a substantial number of farms were not careful enough at the time of past price increases in reducing their purchases of materials and implements. As a result, their hasty "economies" contributed to a difficult financial situation. After a few years, many among them acknowledged their excessive timidity in reducing their purchases which have led to reduced output and, in essence, reduced efficiency of production. This is why we consider it necessary to call on the leadership of farms to counter, or even exploit, the effects of new 1981 prices by carefully prepared decisions based on appropriate economic calculations. At the same time, the economic leadership would do well to preserve the flexibility of the price system and accomplish production policy goals by "continuous price maintenance". This may serve to avoid the "stress effect" of large scale price measures announced at once, with all of its damaging consequences. Even the fact that farms were informed of price changes early enough should be considered a step forward, compared to 1980.

An important precondition for truly economic material and energy management would be for each farm to formulate a plan and a system of incentives to encourage more economic and rational utilization of materials and costs. It is also necessary to operate these in an adequate manner because at present we may be faced with difficulties in recognizing true interests and changing past attitudes.

In agriculture, the 2 most fundamental funtions of price, i.e., income distribution and shaping production structure, are carried out most directly by producer prices.

True Costs Only

More flexible changes in producer prices, in line with economically justified cost increases, are absolutely indispensable for more effective functioning of income regulation. In part for this reason, the purchase price level of agricultural products will also go up on 1 January 1981, to compensate for 80 percent of the cost increases arising from the price changes. The remaining 20 percent must absorbed by the farms themselves.

The purchase price level of agricultural products will go up by an average of 5 percent. In particular, the price of feed grains will go up by 25 forints per 100 kilograms; wheat for human consumption, 20 forints; corn, 18 forints; sugar beet, 5 forints; tobacco, 200 forints per 100 kilograms. There will be a similar increase in the purchase price of animals sold for slaughtering. The price of beef cattle will go up by 1.60 forints per kilogram; hogs, by 2 forints per kilogram and chickens by 2.50 forints per kilogram.

Economic managers would do well to take a good look at these price changes in view of the opinions prevailing at the time of last year's price changes. Then, we were asking which branches should strengthen their income position as soon as possible. The sectors listed also reflect the order of priorities set by those answering this question: corn, cattle breeding, hog farming, poultry farming, wheat production, sheep farming. Nevertheless, rising purchase prices do not necessarily mean a corresponding improvement of income positions because changes on the cost side must also be taken into consideration. On this point, two conclusions seem relevant:

- Wheat production will continue as one of the most favorable branches of agriculture in terms of its income position. Farms would do well to utilize the income-generating opportunities offered by wheat production.

- The price measures effective on 1 January 1981 still do not fully recognize the increased costs of animal husbandry. This, however, seems to be reasonable since the present low efficiency of feed utilization and the high amortization costs associated with feedlots "built on the basis of excessive requirements" should not be recognized in the purchase price.

The price measures to be introduced in 1981 will contribute to the fulfilment of economic policy goals only if economic leaders act on the basis of an adequate analysis and understanding of the situation and, of course, if economic authorities react adequately, rapidly and flexibly to utilize the opportunities provided by needed changes in the current price system.

9164
CSO: 2500

MISUNDERSTANDING IN INTERPRETING STATISTICAL DATA NOTED

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 p 9

[Article by Andras Sved: "Misunderstanding Is Contagious. Concepts and Quotations..."]

[Text] Today, the concepts of foreign trade are being used not only by specialized journals, lectures and professionals but also by the daily press, radio and television. It is important to use these concepts precisely and unequivocally, to avoid misunderstandings arising from imprecise formulation. In this article we will make an attempt to clear up some frequently used terms.

We frequently read that "50 percent of the national income of Hungary is realized through foreign trade". This formulation is misleading in a number of ways. It is true that to measure the intensity of foreign trade (or, to use other accepted terms, a nation's openness to foreign trade or the extent to which an economy is open), socialist countries compare the value of exports with the value of national income. Non-socialist countries have adopted a similar procedure, with the exception that their statistics rely not on a net indicator of national income (v+m... the totality of all values produced in a year) but on a hybrid indicator, the GDP or Gross Domestic Product, which also includes a depreciation (v+m+depreciation). The GDP is often referred to as added value.

Thus, it is incorrect to say that "approximately 50 percent of the national income is realized through foreign trade" because this suggests that about 50 percent of all output value goes into foreign trade (or, at least, exports). Of course, this is far from the truth, in part because national income does not include materials while exports and, more generally, foreign trade, are calculated with materials included. The term "realized" may also lead to confusion. Foreign trade may increase (or decrease) the national income depending on the extent of its participation in saving social labor by exporting goods produced at relatively low cost and importing goods that would otherwise have to be produced domestically at high cost.

We frequently hear or read that industry and agriculture must work to produce "goods that can be sold in all markets". Once again, we are faced with a confusing way of putting things.

Why should it not suffice for us to be able to sell our products economically only in a few markets? Obviously, what is involved here is something else, i.e., that our products should become more and more competitive in the world market.

In my opinion, our true goal is to ensure that our products can be sold not only in the markets of socialist and developing countries, but that they can be sold economically also in advanced non-socialist countries. The expression "saleable" is also confusing because (almost) all goods can be sold in (almost) every market, but for how much? Therefore, the emphasis must always be on the requirement of economy and efficiency.

Few quotations from Lenin are being repeated more frequently (but, unfortunately, in a misunderstood and misleading way) than the following: "In the final analysis, work productivity is the most important, most central thing from the standpoint of the victory of the new social order." Those who repeat this quote are almost always referring to, and promoting, savings of human labor. Yet, productivity may be considered in two different senses: on the scale of the enterprise or of society as a whole. From the standpoint of society, work productivity involves not only human labor but the total quantity of labor incorporated into a product, including objectified i.e., stored labor. In the "Great Initiative" (June 1919), Lenin clearly meant the social productivity of labor. The evidence may be found a few lines below where he writes: "...the worker...begins to think about improving work productivity and conserving every pud of grain, coal, iron and other products." Today we would talk of prudent and rational management of materials, energy and factory equipment. This has an importance beyond mere abstract, theoretical political economy.

With some variations, Hungarian industry generated 100 forints of output value using an average 60 to 65 forints in material and energy costs and only 10 to 15 forints in wage costs (of course, this is measured on the enterprise scale). If an enterprise is wasteful in its use of values generated at an earlier stage of a vertical production structure (appearing at this stage in the form of materials, energy or factory equipment) then it makes little difference if their productivity indicators are otherwise wonderful and show constant improvement. If an enterprise is conserving stored labor and is able to save, let us say, 1 percent of it then they have made a contribution to improving the social productivity of labor 6 to 7 times greater than they would have by saving 1 percent of human labor. (Of course, the task is not either/or but both/and.)

This applies to production and management at home; why are we discussing it in an article whose goal is to clear up some concepts related to foreign trade? One reason is that improving the social productivity of labor shows up instantly in foreign trade by improving the marketability and competitiveness of our products, reducing imports as a result of energy and material savings and improving our balance of trade and balance of payments.

Productivity provides an opportunity to bring up another important subject. It is often said that, aside from production intended for export markets, our domestic activities must also be measured objectively in terms of world standards. This is usually justified as follows: "It is impossible to work well and work badly at the same time, ... low standards are contagious", moreover: "it is impossible to ship competitive products to the world market using low quality components, etc. intended for the domestic marketplace." This is quite correct but, in my opinion, not enough. For the reader or listener, these arguments may seem to imply that the only purpose of efficient production is to ensure the competitiveness of our products in foreign markets.

The result of our progress, our national income, exists, in the final analysis, for the sake of domestic consumption and utilization; the extent to which it can do so depends not just on the efficiency of exports but on the efficiency of social production as a whole. (Exports represent merely one quarter of the gross national production.) Thus, it depends on the productivity, economy and quality of all production and services.

9164
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FOOD, AGRICULTURAL PRODUCTION SHORTAGES ASSESSED

Warsaw ZIELONY SZTANDAR in Polish 20 Nov 80 pp 1,2

[Article by Tadeusz Marczak: "The Economy, the Market, and Labor: A Difficult Today and Concern for Tomorrow"]

[Excerpt] Poland's economic situation is difficult, if not dramatic. We must admit to ourselves outright--the economic situation here is characterized by a profound imbalance. The growth of the population's income is not being accompanied by an equivalent growth in the volume of goods imported for the market.

As a result of understandings coming out of Gdansk, Szczecin, Jastrzebie and many other cities, the income of 12 million workers in the socialized economy has increased by more than 100 billion zlotys. The government has proposed wage increases extending to June 1981. Pressures from individual professional groups caused the flow of cash to be realized for all workers beginning as early as October 1980. Unfortunately, deliveries of goods, especially foodstuffs, to the market are not increasing at the same rate.

It is estimated that the market gap, or the shortage of goods in relation to the demand for them, will reach 40-50 billion zlotys' worth. And that is the most sensitive problem in the Polish economy.

There are many reasons for this state of affairs, and not only those arising from the current situation in Poland, from the drop in production resulting from strikes, etc. As early as 1978 a goods volume amounting to 98 zlotys was furnished for every 100 zlotys of income of the population, and in 1979 the figure was 96 zlotys' worth, which was to drop to a level not exceeding 90 zlotys' worth for every 100 zlotys of income in the first half of 1980. There were not any strikes yet then. Work stoppages in the third quarter of 1980 undoubtedly led to a further deepening of the market gap.

Not all work stoppages, and not all work stoppages in every plant, were caused by social tensions. Many of them simply were stoppages caused by a lack of raw materials and other materials needed for production. In the past three quarters of 1980, achieved tasks in the field of transport have been 5-6 percent lower than during the same period in 1979. Many cooperation links have been broken. But at the same time, industry, which achieved total tasks more than 3 percent greater during these three quarters than during the same period last year, produced goods

valued at 25-30 million zlotys which will not find an outlet either in Poland or abroad in the near future. This is because they are capital goods, and they will not be included in the economy because the investment program has been scrapped.

It is worth recalling here that in past years the share of investments in the national income has reached more than 35 percent. In 1980 it has been implemented at a level of about 17 percent, and for next year it is planned to be implemented at a level not greater than 13-14 percent (approximately 530 billion zlotys).

The drop in coal output in 1980 valued at 8 to 15 million tons is aggravating this difficult situation considerably. Everyone knows what such a drop means. With the drastic shortages of coal on the market (especially for the countryside), with the incomplete protection of coal reserves for energy, for thermal energy, and finally for industry, this drop in coal output compels us to limit drastically export and the inflow of foreign exchange currency, which we need very much, of course. A similar situation is occurring in the production of copper (a production shortage of about 20,000 tons), cement (about 1 million tons), and other goods which Poland exports.

But the most dramatic situation is occurring in deliveries of foodstuffs to the market. We are not achieving our planned purchase of cattle. There will be about 250,000 tons less beef this year than last year.

Contracts for deliveries of pigs in October 1980 were 5.5 percent lower, and contracts for deliveries of cattle, 6 percent lower than they were during the same period in 1979, but in November 1980 contracts for deliveries have been more than 18 percent lower for pigs and as much as 22 percent lower for cattle. Deliveries of domestic grain and grain from import, and its processing into flour and cereal have been implemented "simultaneously," and every delay in the work of state mills causes repercussions on the market. It is not surprising that serious scarcity and shortages of food are occurring under these circumstances.

Efforts undertaken by the Polish Government to purchase food from abroad do not compensate fully for food shortages and cannot bridge the market gap. On the whole, according to the information given to the press by Deputy Premier Henryk Kisiel, the combined value of imported foodstuffs in the fourth quarter of 1980 amounts to approximately 14 billion zlotys (according to market prices), about 7.5 billion zlotys of which comes from the socialist countries.

Today we want to import almost everything--meat, animal fats, fish, butter, and even flour, because work stoppages at the mills and the Saturdays off for workers in these institutions are making it impossible to keep the stores supplied any better.

The year 1980 has been a particularly difficult one in agriculture. Despite a certain rise in grain yields (24.7 quintals per hectare), we will fall 8-9 million tons short of meeting the demand for fodder. We want to import so much. The situation with potatoes is dramatic. We have harvested 20-25 million fewer tons of potatoes this year, only 26 million tons (last year we harvested approximately 50 million tons). With the approximately 0.5-1 percent lower sugar content of beets, we will harvest about 4 million tons less of this crop.

We will be about 500,000 tons short of meeting the demand for sugar fully. Even today the fodder shortage is being felt in milk deliveries and in pig and cattle raising. The last checklist of farm animals showed a 4 percent decrease in head of cattle (including a 2.3 percent drop in the number of cows) and almost a 3 percent drop in the number of pigs.

What will tomorrow be like?

It is difficult to answer this question. With such a difficult internal economic situation in Poland, our export is being limited. Import needs and the state's indebtedness to foreign countries are increasing sharply--instead of decreasing they are expanding. For the end of 1980 an increase in Poland's indebtedness is envisaged from $21 billion at the end of 1979 to a level of at least $23 billion.

With this appraisal of the situation, cited in such an exemplary and fragmentary manner, the beginning of a process of renewal is being accomplished in Poland. The first decisions are being made in matters which are especially vital for the state and for society. Worker and peasant self-government are being reinstated. Attempts are being made to restore old social structures and to create new ones. Social and interpersonal links previously snatched away are being revived again. The process of eliminating the hiatus between words and deeds, the process of rebuilding confidence and trustworthiness, is continuing.

The eighth congress of our party and the debate intensifying in the countryside over the documents prepared by the 22nd and 24th sessions of the Supreme Committee also are becoming phases on this path. May they only contribute to a better shaping of prospects in Poland as a whole and in rural Poland for today and tomorrow.

But work, above all else, will determine a better tomorrow--the work done by all Poles--well organized and productive work--for Poland and for ourselves.

8729
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PRICES OF AGRICULTURAL MACHINERY ESCALATING

Warsaw ZIELONY SZTANDAR in Polish 13 Nov 80 pp 3, 4

[Article by Tomasz Kita: "Price Scissors"]

[Text] Myths and Facts

After a quarantine of nearly 8 months--through no fault of the Editors--the article by Leon Rzendowski, "The Weak Link," appeared in the 25 October issue of the weekly POLITYKA. That article provides, as it were, an x-ray picture of our agriculture, because it reveals facts previously glossed over and regarded as taboo. This concerns the effectiveness of management in the socialized sector, subsidies, etc.

The author provides a great deal of reliable information, but still he approaches certain matters in an excessively general and terse manner. With regard to, e.g. various forms of subsidies to the foodstuffs sector, he writes: "The so-called price scissors were closed in favor of agriculture (not counting a couple of discrete years of interim reversals) throughout the entire period of our postwar history, but this process has been particularly intense since 1970."

Referring to the Food and Agricultural Organization Yearbook, he claims that "in 1977 the prices paid to farm producers increased by 83 percent compared with 1970, while the prices they paid for industrial goods increased by 37 percent. As a result, the index of the proportions between the prices of agricultural and industrial goods (100 in 1970) amounted to 133.6 in 1977 (in 1978 and 1979 the prices of agricultural products increased even more rapidly)."

The author continues: "In many countries that are richer than ours this index is much lower--below 100. The case of Poland is unprecedented not only in Europe, but throughout the world. And yet, we have food shortages...."

I am afraid that many POLITYKA readers misunderstood the point of this argument, because it is only after 12 additional lines of print that L. Rzendowski explains that: "For every zloty of net output the socialized (farming--T.K.) sector requires 7.32 zlotys in material outlays (inclusive of depreciation), of which 4.12 zlotys go for outlays on purchases. In private farming, on the other hand, the analogous outlays per zloty of net output amount to 1.80 zlotys, of which 53 groszy go for purchases.

Socialized farming means PGR, RSP and SKR [State Farms, Agricultural Producer Cooperatives, Cooperative Agricultural Circles]. In another part of his article Rzendowski reveals that in 1976 net output--this being the only kind of output contributing to real national income--was for socialized farming--in terms of output per hectare of arable land--nearly one-third of the net output of private farming. Similarly, labor productivity measured in terms of that output was lower in socialized farming, even though PGR employ few people.

It is not easy to correlate such bits of information deriving from various drawers. We are rather inclined to adopt simplified and emotionally tinged judgments. After all, a year ago a poll conducted by POLITYKA showed that average income of farmers is estimated to be quite high--two and one-half times as many people consider it to be higher than the income of city dwellers. One-half of the 866 respondents believed that most farmers in this country live well or very well.

Such were the opinions of the city dwellers, despite the fact that the average income of private farmers in 1971 was 84 percent of the income of socialized-farming employees, and in 1977, 78.4 percent. And despite the fact, as well, that the lowest income (up to 15,000 zlotys per capita annually) was recorded 4 years ago for 25 percent of farm families and only 7 percent of worker families, and despite the fact, too, that these proportions had rather worsened during the subsequent years of poor harvests.

It may be that the ratio between the prices of farm produce and industrial goods in 1977 was indeed as specified by the author. I doubt, though, whether that 33-point surplus has persisted in subsequent years. But this is not important. What matters to me is that all these comparisons pertain to agriculture as a whole, whereas in Poland the economic regulations governing the socialized and the nonsocialized sectors differ completely. And the effect of the "price scissors" is different as well for each sector. The closing of these scissors has been favorable for the PGR, RSP and SKR, but not for private farms.

Consider that on 14 July 1976 the procurement prices for agricultural produce were increased but at the same time the increases in the prices of means of production for agriculture as well as of building materials were much higher. The PAP communique declared that the increases in the prices of agricultural equipment and trailers averaged 30 percent, and in the prices of tractor spare parts, 40 percent. Was this indeed so?

The prices of horse-drawn tooth harrows were increased 87-88 percent. The price of the BZZ-5 tractor-drawn harrows increased 88 percent, and the price of the (triple-field) BZZ-3, 192 percent. As late as the beginning of 1975 a double-furrow tractor-drawn plow had cost 3,370 zlotys, and a triple-furrow one, 4,560 zlotys. Several months later the factory raised the prices under the pretext of modernization, and then it raised them again in July 1976. As a result, within a short period of time the Orzel plows increased 131 percent in price and the Sep plows, 163 percent.

The Unia Factory in Grudziadz did not consider this enough, so it decided to consider the bearing wheel, representing an integral part of the plow, as an ancillary part and priced it at 1,000 zlotys! At first it tried to persuade the farmers

and authorities that that wheel was something absolutely dispensable. It was only after interventions by deputies and discussion in the Sejm that this factory resumed deliveries of the wheel, without, however, revoking the 1,000-zloty price.

At that time the prices of many other farm implements had risen. Horse-drawn cultivators increased by 62 percent in price; tractor-drawn suspended hoes, by 72 percent. A U 607/0 type horse-drawn spike roller cost 850 zlotys until 14 July, and a U608/0 roller, 1,100 zlotys, but on that day their prices rose to 2,500 and 3,800 zlotys, respectively, i.e., 194 and 245 percent, respectively. Horse-drawn grain rollers increased in price by an average of 53 percent.

Overall, the greatest price increases were recorded for horse-drawn equipment, which is used only on private farms. The prices of certain tractor-drawn machinery had also increased.

A self-propelled field chaff cutter increased only 17 percent in price in 1976, whereas the price of the K-1.4 horse-drawn mower increased 50 percent; of the Osa 2 tractor-drawn mower, 56 percent; of the horse-drawn spreader rake, 55 percent; and of the hay-drying fan, 51 percent. The price of the Bizon-Super combine increased 7.8 percent, whereas the price of the WC-5 tractor-drawn binder increased 44 percent.

The prices of beet and potato harvesters did not increase, but the prices of horse-drawn potato diggers increased 78 percent. The price of baling presses was not increased, but the price of the SEG-8A hay stacker was increased 80 percent.

The prices of the most elementary equipment were drastically increased. Manual (nonmodernized) grain winnowers increased 106 percent in price; SPR-24M drum-type chaff cutters, 101 percent; OSB-2 shaker-cutters for root crops, 110 percent; and Primus portable sprayers, 196 percent. The prices of fluid containers were raised 78-95 percent.

The price increases also were extended to relatively unmarketable goods. The price of the GMZ-2 mechanized potato crusher was raised in 1976 to 8,500 from 7,000 zlotys, but in February 1980 it was reduced to 6,000 zlotys. The prices of 250-liter solid-fuel steamers were similarly raised and then reduced.

The introduction of higher prices for farm equipment in 1976 was attributed to the rise in the material cost of production, etc. Why then, on the same day of 14 July were the prices of the SB-1.5 green-fodder drum dryer reduced--from 3 million zlotys to 1,648,000 zlotys for the solid-fuel dryers and from 2,150,000 zlotys to 1,720,000 zlotys for liquid-fuel dryers? Why were the prices of this extremely expensive equipment, acquired exclusively by socialized farms, reduced 17.5 and 21 percent, respectively?

Discussion of price increase averages in the case of spare parts is misleading and obscures the real picture. It is known that, e.g. a tractor clutch disc wears out much more rapidly than does an axle shaft or a spring suspension. Why is it then that in recent years the price of the clutch disc climbed from 180 to 350 zlotys; the price of a spreader-rake tine is now 30 instead of 13 zlotys, and the price of a tine for the U-418/1 tractor-drawn cultivator increased to 200 from 76 zlotys while the price of a tine for a horse-drawn cultivator increased to 156 from 57 zlotys?

Not so long ago a blade for an ordinary horse-drawn plow cost 66 zlotys. Now this blade is thinner and costs 166 zlotys. The price of blades for tractor-drawn plows has increased to 226 from 120 zlotys and, in the opinion of farmers, they are of lower quality, wearing out within a single season.

Certainly, price policies should prompt care and thrift in the maintenance of equipment, but this should be done in moderation. Spare parts must cost more than their counterparts in a new machine. But certain proportions must be maintained. Why is it that breakers for directional indicators, which had formerly cost 60 zlotys are priced at 238 zlotys and sold only from time to time and that only by the Polmozbyt Automotive Parts Marketing Board? After all, peasants drive tractors, not Polonezes [passenger cars].

In itself, raising prices will not solve the shortage of agricultural machinery. The factory cost accounting system must be revised. Had a sufficient number of spare steamer vats been produced, the sales of new steamers would decrease at least in half. At one time the vats used to be shipped by the post office, but this practice was soon given up. At the Farm Equipment Depot in Lomza so many farmers have signed up for these vats that the orders cover all the deliveries for the next 3 years.

Patching the holes by means of imports is hard on the farmers' budgets. A voltage regulator for the Ursus tractor costs 280 zlotys; a generator, 1,200 zlotys; a muffler, 150 zlotys; a V-belt for the generator, 26-59 zlotys. Analogous spare parts for the T-25A tractor cost 1,300, 3,200, 630, and 90 zlotys, respectively--this although the price of the T-25A tractor is 27,000-34,000 zlotys lower than that of the Ursus C-330 tractor. It is simply amazing that farmers are offered Czechoslovak-made cabs for T-25A tractors at 24,000 zlotys in view of the fact that a complete tractor set including an originally designed and much better cab costs 120,000 zlotys, or 110,000 zlotys without the cab.

We needlessly import a great deal of machinery instead of attending to more rapid development of its domestic production. Why should the well-made Polish-produced manure spreaders be exported while at the same time we import the bulkier PTU-4's and raise their price to 71,700 from 57,000 zlotys? In general, these PTU-4 spreaders are unsuitable for private farmers and each depot contains several score of these spreaders.

Special mention must be made of the trickiness of price changes. The maker of U-418/1 tractor-drawn cultivators not only raised their price to 10,400 from 5,650 zlotys, but also at the same time withdrew tines from the set of spare parts and replaced rubber wheels with less suitable iron wheels. The makers of lighting fixtures for vehicles change lamp sizes so often that users have to purchase complete lighting-fixture assemblies.

I have focused on just one group of means of production for agriculture. But just as many similar examples can be given for other groups. Consider, e.g. the introduction in 1979 of new mineral mixtures for livestock priced at 9,000-18,000 zlotys per ton as a "complement" to the old MM mixture costing 4,600-6,000 zlotys per ton.

The point is not that the prices should be fixed, but that they should exist in a reasonable proportion to the procurement prices for agricultural produce. The State Price Commission should make judicious decisions and correct exorbitant price increases by industry. The decline in the profitability of farm production and, as a consequence, its standstill, owing to price increases by vested interests must not be permitted.

1386
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GRAIN PRODUCTION UNDER INTENSIVE CONDITIONS

Bucharest ERA SOCIALISTA in Romanian No 23, 5 Dec 80 pp 8-11, 52

[Article by Dr Cristian Hera, scientific director of the Fundulea Research Institute for Grains and Technical Crops]

[Text] A true constant of our party's agrarian policy--the organization of a modern, intensive agricultural production of high productivity, which would use the achievements of science and technology on a broad scale--is capable of raising agriculture's contribution to our country's general progress and of raising social labor efficiency in this basic branch of the national economy to a high level.

The volume of investments headed for development and modernization of the material-technical base, continually greater from one period to another, has allowed our socialist agriculture to assert its ability to contribute fully to raising the national income and to supplying the population with food products and industry with raw materials. As is emphasized in Comrade Nicolae Ceausescu's message to the workers in agriculture on Harvest Day, although the plan was not fulfilled, an increase of about 5 million tons of grains, more than 1 million tons of vegetables and 356,000 tons of fruit was assured in average annual production during this five-year plan. The number of animals also rose as did animal production. However, the results would have been even better had not unfavorable climatic conditions existed and, in particular, had there not been manifestations of tendencies toward bureaucratism and waste, lack of discipline and lack of responsibility in carrying out agricultural projects and respect for the technologies, which hindered maximum utilization of the output of agricultural potential, creating difficulties in satisfying the demands imposed by the dynamic rate at which the country's overall economic growth is occurring.

In light of the interests of the national economy and continuing rise in the workers' standard of living, as was stressed at the 12th party congress, it is necessary to make a decisive move to a thorough revolution in agricultural production. Defining this course for our agriculture, Comrade Nicolae Ceausescu, in the speech given at the meeting with leadershi cadres in industry, construction, transportation and agriculture in March 1979, stressed: "We cannot say that we have reached the level at which we can be satisfied with an increase of several percent. We have the opportunity to double agricultural production. Only after we double the production, which means a new revolution in agriculture with all that this involves organizationally and technically, as well as in the people's thinking, will we reach the level from which we can go forward at the rate required by socialist civilization. Precisely for this reason, the stressis being placed on the modernization of techniques and technologies, on rational use of the land, on carrying out quality agricultural projects within the best time periods, on strengthening order and discipline, with all

these bringing an increase in agricultural production under conditions of high efficiency. What has priority is the rapid increase in vegetable production, particularly grain production, which is the central problem of Romania's agriculture, with this also having been stressed by Comrade Nicolae Ceausescu at the recent RCP Central Committee plenum.

In Romania, wheat and barley are crops with a long tradition, linked with which are the development of Romanian agriculture, satisfying of the need to feed the population and creation of big opportunities for export during certain periods. The United Nations Food and Agricultural Organization yearbook r 1978 mentions 43 countries which grow wheat, with Romania being among the first 12 in area cultivated. Romania is among the first 20 countries in the world for barley.

Our socialist state has made great efforts, with good results, in increasing the material-technical base, but the production achieved until now cannot satisfy all the demands. In 1978, average production for the 26,040,000 hectares cultivated in grain for all of Europe was 3,536 kg per hectare and for barley, on the 19,952,000 hectares it was 3,530 kg per hectare, while the average production achieved in Romania in that same year was much below the average production achieved for all of Europe. Is this not a stimulus, a professional impulse for all of us concerned with the fate of these crops, to intensify our efforts with a view to achieving a production at the level of the possibilities we have, at the level of the justified demands before the ecological and human potential we have available?

It is true that in recent years progress worthy to be taken into consideration has been made. On the 2,562,800 hectares cultivated with wheat in Romania in 1934-1938, only an average of 1,030 kg per hectares were obtained; in 1965, average production harvested from an area of 2,983,300 hectares reached 1,990 kg per hectare. Between 1970 and 1980, the areas varied between 2.3 and 2.4 million hectares, while average production for the country was 2,788 kg per hectare in 1976, 2,820 kg per hectare in 1977 and 2,710 kg per hectare in 1978 so that it would later fall to 2,203 kg per hectare in 1979, due to negative climatic conditions. For barley, whereas the average production in 1938 for the 692,400 hectares cultivated was only 720 kg per hectare, this rose in 1976 to 3,005 kg per hectare on the average for the 409,500 hectares, while in 1977 an average of 3,123 kg per hectare was obtained from the 595,000 hectares cultivated. In 1979 and 1980, average production achieved from the areas cultivated, more than 800,000 hectares, was 2,643 and 2,638 kg per hectare, respectively.

These increases in average production in recent years, however, are not up to the technical progress made in our agriculture. It is true that in many state and cooperative agricultural units, average production year after year is more than 4,500 kg per hectare for wheat and more than 5,000 kg per hectare for barley. In the 1976-1980 5-year plan more than 620 state and cooperative agricultural units achieved average grain production for entire area cultivated of more than 4,500 kg per hectare. It is known that not only isolated units have big production. Teleorman County in 1978 achieved an average barley production of 4,523 kg per hectare and 4,300 kg per hectare in 1979. In the same county the average for the entire state agricultural enterprise trust was 5,018 kg per hectare in 1978 and the average for all agricultural cooperatives was 4,116 kg per hectare in 1978 and 4,078 kg per hectare in 1979. Ilfov County in 4 of the 5 years of the last five-year plan achieved an average barley production of more than 3,500 kg per hectare and a production of more th 3,000 kg per hectare for wheat for the same period. Buzau County for 1980 is recording an average

wheat production of 3,363 kg per hectare and 3,764 kg per hectare for barley. These are clear examples which demonstrate the possibility for obtaining a big and constant production in all the united agroindustrial councils, state and cooperative, which cultivate wheat and barley.

Truly practicing a rational, modern and efficient agriculture means reconsidering the entire concept of agricultural land, viewing it as it is, that is, the single support and reservoir of vital elements for crops and a reelevated energy resource and, as a result, assuring the efficient utilization of it through rationally combining technical, agrotechnical, organizational and economic factors. On the basis of this major demand, each agricultural unit can formulate its own concept which would have at its base the results of scientific research and the experience it has accumulated, organizing its crop structure , as received through the state plan, in soils where there would be strict respect for crop rotation and there would be differentiation of the soil-working systems, fertilization and applying herbicides. Specialists from the agricultural units are the ones most capable of organizing wheat and barley production thoroughly, with this being a primary condition upon which obtaining a rich harvest depends. The machine operators and all workers in each agricultural unit, more than until now, have the duty to take action on the strength of the valuable concept according to which there are no main factors and no secondary factors in the technology of the wheat and barley crops as in that of the other crops,too. Neglecting just one of the technological factors inevitably leads to a red ction in production per unit of area. This emphasis is being imposed all the more since each year some deviations from the technique occur over widespread areas, the most frequent being poor preparation of the germinative bed, irrational fertilization or lack of respect for the optimum density. All these result in large losses of the harvest, which affects the interests of the national economy and, as a result, the population's standard of living.

The organization of vegetable production in crop rotation systems, assuring the introduction of ameliorative crops in the crop rotation and combined utilization of natural and chemical fertilizers has a special effect on maintaining and raising soil fertility and on raising production per hectare. As in the case of the wheat and barley crops, too, their placement in the crop rotation system is an organizational measure of exceptional technological importance, being fully justified from the economic viewpoint, too, since supplementary investments are not required.

The existence of the united agroindustrial councils creates excellent conditions for rational placement of wheat and barley in the crop rotation system, thus eliminating those defects which frequently were shown throughout the years in this direction and with negative consequences for production. What is important is that, at the level of each united agroindustrial council , the specialists, basing themselves on a thorough pedoclimatic documentation, find the best solutions so that the crop rotation systems include very good preceding crops for wheat and barley, such as the leguminous crops for seed, hemp, potatoes, lucerne, clover, beets harvested early or even sunflowers, fodder beet and corn.

The fact that we still are not obtaining appropriate grain production, to which we add some deficiencies in the zoning of crops, demands that a crop structure be maintained which requires us to sow a large area of wheat and barley after the corn. Specialists in many agricultural units, relying on the recommendations of science as well as practical experience, have succeeded in counteracting this difficulty

Thus, the entire area cultivated with corn, after which comes wheat or barley, must be sown with hybrids of extraearly or early corn, depending on the zone. In this way the particular area can be freed from stalks in time and through a good organization of work and efficient use of technical resources they can fit into the optimum sowing period and jobs of appropriate quality can be carried out. As we see, this can be done, and even with very good results,since, having an organized crop rotation system and having the crop placement established in time, an increase in harvest of 400-800 kg per hectare is obtained without any kind of supplementary expense. These rather numerous examples in our agricultural practice show that, along with the placement of wheat and barley after very good preceding crops, the transformation of corn and other crops into good preceding crops is an effective and sure measure for increasing the production per unit of area and a constant in obtaining big harvests.

Unfortunately, attention is not being given in many agricultural units to creating favorable conditions to cultivate wheat and barley after corn, with a faulty system for working the soil meaning that, year after year, areas reaching hundreds of thousands of hectares are not freed from stalks on time, which leads to a delay in the ploughing and sowing and, implicitly, to a reduction in production. In addition, but not secondary, the ploughing done outside the optimum period produces a gradual breakdown in the structure of the soil, with all the negative consequences resulting for production. That is how the national economy year after year is deprived of large quantities of wheat and corn, although labor and material resources were expended.

An agricultural production of high productivity and profitability which the national economy needs and for which the necessary conditions have been created requires that the specialists carry out efficient work , introduce the research of advanced science and practice, be permanently present on the job, intervene whenever necessary to carry out the agricultural projects under good conditions and to respect the technologies established throughout the job cycle.

Proceeding from the great truth that the preservation and rise in quantity of humus in the soil are of vital importance in obtaining big and efficient agricultural production, I feel it is necessary to increase the share of leguminous crops in the crop rotation system, at least for the following three considerations: The leguminous crops are excellent precursors for the grain plants, as well as other agricultural crops; 2) It leaves a large quantity of nitrogen in the soil, which leads to a reduction in the doses of chemical fertilizer in the crops which follow. This consideration is of particular economic importance, since the fertilizers with nitrogen consuming the greatest quantities of energy in the manufacturing process (17,600 ofkilocalories for 1 kg nitrogen). Through the symbiosis process, the leguminous crops fix the atmospheric nitrogen without expending any kind of industrial energy, thus reducing the doses of chemical fertilizers with nitrogen appropriately; 3) It is an important protein source, leading to a substantial improvement in the fodder base both quantitatively as well as qualitatively.

The improvement in broken-down soil has been a priority problem included in the party documents for a long time and in practice is being solved rather slowly. On thepodzolic and podzolite acid soils, the introduction of clover and the increase in share of it in the crop structure and the sure and efficient way for raising wheat and barley production as a result of the substantial improvement in the lacking physical-chemical properties of these soils. A concrete example in this regard is the Albota

Experimental Agricultural Station, which in 1980 obtained an average production for the entire area cultivated with wheat of more than 4,500 kg per hectare , as well as the agricultural units in the zone which is applying this system, such as the Petresti Agricultural Production Cooperative in Dimbovita County, with 4,500 kg per hectare or the Scornicesti Agricultural Production Cooperative in Olt County, which harvested around 6,000 kg per hectare. These harvests can be obtained over the entire area of acid soils, podzolic and podzolite, in the country on condition that the crop technologies worked out by the research units be applied and checked in production.

Due to the existing structure of the crops, the rotation of wheat-corn is practiced frequently. This rotation is not capable of leading to soil improvement, since there is total elimination of the stalks and straw remaining after harvesting. The single portion remaining in the ground is the mass of roots, which is totally insufficient in compensating for the nutritional substances extracted together with the harvest, with the soil not receiving back the quantity of organic matter so that through decomposition it leads to recovery of the humus. For that reason, in order not to arrive at an agriculture which is unproductive from the viewpoint of organic matter and humus, exhausting the soil, I feel it is extremely useful that once every 3-4 years vegetable remains be introduced into the soil, remains from harvesting of the main product; this would lead to preserving or raising soil fertility, an extremely important factor in the production of the coming decades or centuries.

In order to use arable land and agricultural techniques efficiently and in order to obtain high economic efficiency, it no longer is possible to produce according to old traditional methods, by chance, anywhere and anyhow, but rather on the basis of modern techniques for working the soil and efficient systems for working agricultural land. As a result, alongside the material and financial aid from the state, there is a need for a joint, total and regular effort of the machine operators, cooperative members, engineers and scientists, since a radical improvement in technologies and simplification of them are a capital problem for our agriculture. As is demonstrated by progressive agricultural practice and experimental research, it is necessary in all the agricultural units , depending on the structure of the crops and their rotation within the crop rotation system, that differentiation of the system for working the soil also be made.

Taking into account the main species of crops cultivated in most of the country's agricultural units and taking into account the need for rationalizing fuel consumption without making any kind of reduction in the quality of the work, taking into account the need to diversify the depth of working the soil, in the table we give a proposal for organizing the crop rotation system with the ordinary variant and the new variant for working the soil for a unit of 6,000 hectares of arable land. [See table on next page.]

As may be seen, the experimental results obtained on the average over many years prove that depressions of harvest are not achieved through the new version of working the soil but, on the contrary, a rising trend for production, together with improvement in the soil's physical properties and, what is extremely important, a reduction in fuel consumption by 8.1 liters of diesel fuel per hectare are achieved.

To a large extent it depends on each agronomist and his high sense of responsibility, taking into account the specific situations existing in the production units, to establish the proper technological measure for ending the sowing of fall grains

during the optimum period and to chose the best solutions for rationalization of fuel consumption and to carry out the jobs in the optimum sowing period.

Working the Soil With Economic Fuel Consumption

Crop Rotation	Area (hectares)	Ordinary Variant Basic job	Dieselfuel consumption (liters)	Variant Basic job	proposed Diesel fuel consumption (liters)	Diesel fuel saved (liters)
1. Leguminous seeds, fodder crops, flax,	500	A25	11,750	A20	9,000	2,750
sunflower	500	A30	15,500	A20	9,000	6,500
2. Wheat, barley	1,000	A25	23,500	Disk/A20	14,500	9,000
3. Corn	1,000	A30	31,000	A25	23,500	7,500
4. Corn	800	A30	24,800	A25	18,800	6,000
Soy	200	A25	4,700	A20	3,600	1,100
5. Wheat	1,000	A25	23,500	Disk	11,000	12,500
6. Corn	800	A30	24,800	A30	24,800	---
Beets	200	A30	6,200	A30	6,200	---
TOTAL	6,000		165,750		120,400	43,350
Diesel fuel consumption (liters per hectare)			27.6		19.5	8.1
Mobilization of soil (in percentage of area) at:	10-15 cm	--		25		
	20-25 cm	45		58		
	28-30 cm	55		17		
Soil mobilized (cubic meters per hectare)		2,775		2,130		

A=ploughland

It depends on the sense of responsibility of the engineers and all workers in the agricultural units to give appropriate attention to the quality of soil work and to free the vegetable remains or the small choppings, an operation which to a great extent is a condition for the quality of the basic soil work. Of no less importance is the fact that the machine construction industry should place the big-capacity A-1800 tractors at the disposal of agriculture as soon as possible; they are supplied with the entire specific set of machinery for various agricultural jobs as well as other high-output agricultural equipment, among which I mention the ones needed to break up the vegetable remains, with a view to incorporating into the soil together with the basic work. The faster the machine construction industry delivers the necessary number of this type of tractor and agricultural machinery, the faster the possibilities will increase to improve and apply modern agricultural technologies.

Optimization of the consumption of natural and chemical fertilizers is one of the decisive conditions for creating a modern, intensive, highly productive agriculture of an industrial nature. All our experience shows that obtaining a big and constant production for wheat and barley, as well as the other crops, depends to a great extent on the correct application of fertilizers.

However, several special problems arise with a view to rational utilization of mineral fertilizers. Some belong to the agricultural workers, while others belong to the chemical production industry. It is a clear fact that the agricultural units have accumulated rich experience in applying chemical fertilizers. However, we encounter enough cases where, due to the insufficient concern of the agronomists, the chemical fertilizers are not being applied on time, not uniform and not in the proportions required by the crop cultivated, depending on the state of supplying the soil with nutritional elements and with water or required by the planned production and other characteristics specific to the agricultural units. Under such conditions, the chemical fertilizers no longer have the maximum effect and the rise in production is not as anticipated. But the national economy is affected both by the particular quantity of wheat or barley which is not produced as well as by the failure to recover the expenditures of energy incurred to produce the chemical fertilizers, through the equivalent in wheat. The antidote for such situations which are extremely harmful for the interests of the national economy is to implant a firm discipline in the use of chemical fertilizers and in affirmation of a high spirit of responsibility before the management of socialist ownership goods.

But the timely application of chemical fertilizers depends not only on the agricultural production units but, to a great extent, also on the chemical fertilizer combines. We feel that it is absolutely necessary that, in the interest of the national economy, the entire quantity of phosphorous be satisfied for the cereal crop by 15 October each year. It is understood that the industry produces throughout the year, but agriculture uses the phosphate fertilizers along with the potassium ones during the July-October period for the most part. In this situation it is necessary to rationalize their use so that the entire quantity of around 180,000-200,000 tons of P_2O_5 needed for the more than 3 million hectares of cereals be utilized exclusively in the fall. Due to the fact that the industry is not delivering the entire quantity of fertilizer when necessary, many agricultural units do not have available the necessary quantities of fertilizers, with the fertilization not being done in a rational manner, which seriously hinderes the growth of production. For example, it is known that phosphate fertilizers must be applied in the fall, together with the basic soil jobs, predominantly for the spring crops being sown in the first stage. Spring application of fertilizers with phosphorous, regardless of the chemical form they are in, to the grain crops leads to a reduction in the coefficiency of utilization of active substance of fertilizers by up to 60-70 percent, which means an inappropriate utilization of this important and scarce fertilizer produced in our country on the basis of raw materials imported.

Many of the difficulties encountered by the agricultural units in connection with the need for chemical fertilizers and their administration in the optimum period could be eliminated if the generalization of agrochemical centers were hastened in all counties. This difficulty in a way can be overcome by building some simple, intermediary warehouses which would provide appropriate preservation for the fertilizers, but in particular timely delivery in the quantities of fertilizer planned by the chemical industry, without this bringing any reduction in quality.

The basic thing in achieving big and constant production of wheat and barley is to assure the doses and corresponding ratios of fertilizer. In the last decade, the state has put forth great efforts to develop the fertilizer production industry. Despite this, the quantities of fertilizer used in our country's agriculture still are not satisfying requirements. The synthesis of experimental results shows that

a rise of a minimum 6 tons of wheat harvested is obtained for 1 ton N. Some $140-150 are obtained for 1 ton of N exported, while $190 are obtained for a ton of wheat. Thus we see that from an economic viewpoint it is efficient to use chemical fertilizers in our agriculture at the level of the need of the crops, which on one hand leads to maintaining or raising soil fertility and, on the other, to achieving big and constant production of wheat and barley, thus also creating reserves for export.

At the 1985 level, agriculture will use 325 kg of NPK per hectare of arable land, vineyards and orchards, a quantity which will satisfy requirements for the particular period. However, we feel that it is useful in the present, too, for our chemical industry to place at the disposal of agriculture at least the planned quantities of fertilizers, particularly in the periods in which it is used most efficiently by the crops.

Maximum utilization of the genetic potential of the seeds and hybrids is a basic condition for increasing production. Valuable varieties with high production potential have been created in the last decade for wheat and barley as well as for other crops. Whereas more than 98 percent of the area sown with wheat was filled by foreign varieties in 1970, in 1980 more than 75 percent were Romanian varieties. Their production potential, under conditions of experimentation, vary between 5,000 and 7,500 kg per hectare, with production of up to 6,500 kg per hectare being obtained in many agricultural units.

Increasingly broader penetration of science into agricultural practice requires the creation of new, more productive varieties which are more resistant to disease, to failure, to unfavorable climate conditions and which are of a high quality both for wheat as well as barley. Efforts in this direction must be intensified with a view to creating varieties with genetic resistance to disease, with varying genetic structures, which would provide big and constant harvests per unit of area year after year, regardless of the variability of climate conditions.

Practice shows that average production per hectare, for all types of soil, year after year is more than 4,000 kg of wheat at the research stations of the Academy of Agricultural and Silvic Production. Although the genetic potential is the same, for most of the agricultural units production is less. This shows that too little still is being done to generalize the achievements of science and to apply modern technologies in the wheat and barley crops with all strictness. No longer is there a need for us to demonstrate the special role played by sowing in the optimum period or assuring efficient density, along with optimum preparation of the germinative bed. In order to use the production potential of the soil fully and to utilize its varying periods of vegetation, it is necessary for each unit to cultivate a minimum of 2-3 varieties from various groups of precocity in order to assure that the ripening and harvesting are spread out; this would lead to elimination of harvest losses at full maturity by harvesting them with the combine. Along this line of idea, we feel it is timely to organize the production of seeds on specialized farms so that no production unit sows other multiplications but the sowing should be done only with the first and second multiplication, thus assuring high biological value for the seeds intended for sowing.

In an intensive agriculture the combatting of weeds, diseases and pests has proven to be extremely efficient technological link and to a large extent the fate of the harvest depends on respect for it. Connected with this aspect, I feel that extending

the methods for integrated combatting is the most efficient and least costly. By respecting crop rotations within which the rotation of herbicides also is done, which would be correlated with diversification of soil work, undoubtedly we would arrive at reducing the doses of chemical substances used, at increasing efficiency and obtaining big production with a reduced price per ton of product. Generalization of this method requires merely good organization and total discipline in respecting all the links in the technology of the wheat and barley crops. In this direction research is being called on to intensify its work. More attention must be given to the biological combatting of pests, an area in which remarkable progress has been made in some countries, just as research must be intensified in the area of creating varieties with higher genetic resistance to disease and pests. Since wheat and barley are plants from a crop which lends itself to minimum working of the soil, both agronomic research and, in particular, research in the area of mechanization should work out a machine system with which at least three or four jobs could be done at once a single pass .

Taking into account the specific nature of wheat and barley, whose crop technology is 100-percent mechanized, we are convinced that by grouping the forces of all the specialists, agronomists, machine operators, chemists and all workers in the fields into a perfect organization of the work process and through strict respect for all the technological links at the level of the material-technical base we have available, we can achieve an average production which exceeds 3,500-4,000 kg per hectare in our country, too.

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ECONOMIST MAKSIMOVIC DISCUSSES MALPROPORTIONS IN SYSTEM

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[Interview with Dr Ivan Maksimovic Belgrade University Political economics professor by Misko Kalezic]

[Text] I admit, I was quite surprised when I became acquainted with him no too long ago, in Herceg-Novi. I expected a stern and serious professorial face. Nothing like that at all! Professor Maksimovic seems to be more like a poet than a person involved in the wholly unpoetic science of economics. In my meeting with Doctor Ivan Maksimovic, for the first time I understood that we are caught up in prejudices about the opposition between poet and economist.

Several days later, as I was waiting for him in the hall, I thumbed through his ample "curriculum Vitae:" My collocutor is, among other things, a full professor of Political Economics at the Faculty of Law of Belgrade University, and a corresponding member of the Serbian Academy of Science and Art. He is well known in both Yugoslavia and abroad as an author of scientific works in the field of economics, the theory and history of economic thought, and comparative economic systems.

Before we began our interview, my colleagues, the news photographers, fulfilled all their requirements. Soon the flashes stopped. The dialog began in Room 216 of the Law Faculty.

Internal Disproportion

Not long ago, the newspapers reported that Professor Maksimovic had expressed his dissatisfaction on what he called inappropriate solutions that characterize the current economic system. What is this really all about?

As his predecessors in this column had done, Professor Maksimovic points to the insufficient forethought of the systemic solutions. He considers our economic system taken as a whole has not been thought through carefully enough, in spite of the good foundations provided in the Constitution and in other constitutional documents. Maksimovic states: "The basic problem lies in the fact that no interdependence exist among the actuating elements. When I say actuating elements, I mean primarily the bases of the system--social self-management and public ownership."

Without much hesitation, our collocutor said: "Public ownership, let us say, assumes a number of built-in standardizing elements in the system. In its ordinary sense, this means distribution according to the results of work and full employment. The attainment and the distribution of income have to be interdependent, to the sense that income is attained on the basis of the factors that contribute to its creation."

"Not a single one of these elements has been systematically solved to a satisfactory degree," asserts Maksimovic. In his opinion, the same could also be said for other vital systemic regulators, such as the market and the plan, a uniform economic market, and the national economy. Neither the functions of socio-political communities and the federal government, on one hand, nor of the republics, on the other, are an exception to this.

I realized that all of this was necessary for my collocutor in order to make an important conclusion:

"These mutual functional ties, which have only been stressed in the Constitution, have not been thought out, even through constitutional legislation, nor have they been realized in practice. Therefore, in effect, we have a system suffering from internal disparities. It is suffering from an inoperability that reinforces the action of external factors even more. In this case, I refer primarily to the difficulties connected with the foreign market, and the indebtedness of the economy."

From his deliberations on the innumerable digressions, Academician Maksimovic turns to the system-development relationship. To make matters worse, in his opinion, neither one or the other of these two vital elements ("the system must serve development!") has been thought through the way it should have been. Moreover, they have always been kept separate from one another.

"The system mainly concerned the problems of organization of self-management on the micro level, and development was under the "jurisdiction" of economic policy, caught up in etatism, and subject to considerable political influence. By the very nature of things, this led to disparity. I am almost sure that the greatest part of today's crisis is the result of these contradictions and lack of coordination. Much more so than the external factors..."

Ah, That Consumption

During the further course of the conversation, I asked Professor Maksimovic to tell us a little more about the production-consumption relationship. Perhaps we are compelled now, more than before, to make a determination here also. Therefore, priorities and long-range policy, it appears, have to become a part of clear decision-making.

First of all, my collocutor wishes to emphasize that our main problems lie in the cost structure. Or, more precisely, in the structure of the primary distribution of net income, and in the relationship between capital accumulation and general consumption. "All the polemics in the realm of primary distribution, both on the theoretical level and on the level of economic policy occur with regard to the great

disparities that exist here. These disparities in actuality also govern the differences in consumption, as well as the differences in economic position. They are also reflected in the same way in the irrational allocation of economic factors," asserts Maksimovic with confidence.

Does all of this not lead to the creation of privleged stratum? To the posed question, we receive the passionate response:

"Certainly, certainly..."

The professor uses consumption as a concrete example. He considers that the fact that general consumption is out of proportion is not the only problem. In actuality, he would not even bother elaborating this point fully. This is why he says: "I recall that I have always told my students that general consumption is something that has to be a part of the long-range outlook of socialism." As it appears, the well-known economist is thinking of reducing personal consumption in favor of the so-called collective consumption forms. "When we want more community property, such as theaters, cultural clubs, schools, and health care institutions, then it is natural that it [collective consumption] has to increase," our collocutor states casually.

"On the other hand, however, a large portion of general consumption in our institutional framework goes to the wage account," states Maksimovich, and he adds:

"We have 10,000 SIZ [self-managed interest communities] and about 100,000 subjects that are maintained and financed by this general consumption. Also, we have a large number of professional functions, social, political, and other functions that have nothing to do with a real relationship to productive work. Indeed, their work is difficult to measure. In actuality, it is possible that it could be measured indirectly by analogous results and parameters for economic and social life." Because of this, he assures us: "We must have common criteria. If we do not have this, in my opinion, this does not at all match up with any socialist principles."

Maksimovic is in complete agreement with the deep-rooted idea that our society spends more than it produces. "During recent years, and this is already a 10-year period, we have been continuously adding a few percent of interest from foreign loans to our national income. If I remember right, currently, it is necessary for 6-7 percent of our national income to go abroad in order for us to be able to satisfy our domestic consumption needs. And this is a sizeable sum, an enormous sum! Of course, for this sum we would have to cut down our consumption.

"However, the matters become more complicated by the fact that to a great extent, we have built up a consumer mentality. Another question here is: Why!? Furthermore, we built up this consumer mentality on something that in actuality does not raise the social well-being. If, let us say, we had solved the question of private housing construction, then we would be able to direct a part of the funds for travel abroad toward construction. However, all of this has gone along other roads. From the standpoint of its structure, there is even something that is irrational in this consumption. This is evident if we look at the volume and size. It is considerably greater than our productive potential. Probably this is also because of the fact that there exist no direct connections between production and consumption. In our country, you can produce little, and consume much more."

The reason for this is given by Professor Maksimovic in the brief conclusion:

"Again, this is the result of disjointedness between the results of work and personal income. Something is just not right here!"

Our collocutor has a plethora of examples. And what is most important has to come forth from the confines of the building in which we are conducting this conversation. "Let us look at this, let us say, from the standpoint of the university, of every faculty...No kind of stimulation for qualitative forms of teaching, scientific work, writing, in general--creativity. In fact, nothing." Here again, the unease of our interlocutor, who waves his hands in futility, is not concealed...

Ethics and Economics

I do not know whether I am mistaken, but it seems to me that we have not adequately thought through the relationship between ethical questions and economic practice. Without an answer to this question, it seems to me that our self-management practice lacks any specificty--I pose the question to Academician Maksimovic.

Before answering the question which "struck him to the quick," Maksimovic wanted to say that he is one of the rare economists in Yugoslavia who has devoted sufficient attention to those "marginal" limiting structures, such as philosophy and ethics, which are so important for economics. At one time, he also had written on the subject of ethics and economics.

"It is known that economic relations, production relations cannot give sufficient strength to socialist production relationships. They have to be permeated with political, ethical, and other values. In this way, some form of connection between ethical and economic principles has to exist. Our practice in this respect is considerably out of step, and this is clear now more than ever..."

After a short explanation of the dangerous "contradictions," he states:

"I cannot approve as ethically justified the situation where this society can permit itself such a rate of unemployment in favor of certain forms of construction of non-production structures, consumption... I repeat, irrespective of how important they might have been from the standpoint of culture, civilization, and industrial civilization. It seems to me that the entire concept of our system is based, and here I would agree with Horvat, more on a capital-intensive rather than on a labor-intensive economic structure." Our eminent economist also offers a solution. "We are a country which ought to conduct a policy of gradual transformation, in other words, we ought to have established a large number of economic branches and areas to satisfy both one [capital intensive] and the other [labor intensive] principle." Now, with somewhat greater indignation, Maksimovic states: "there are no ethical solutions or justifications at all, nor are we able to convince young people who are unemployed of the superiority of our self-management system and of self-management. Here, it is not a question of conviction and belief."

With complete openess, the professor wants to say that he is not a great opponent of traveling abroad for temporary work. However, this should be only temporary, individually..."If such would be needed as a substitute for solving the employment question in our country, I would not consider it a solution. For, a large number of people do not return at all. We are demonstrating an inability to solve this problem. It is better to live even with less consumer goods and less luxuries and to provide people with some kind of work, and to make efforts to development of various types of production.

"It seems that in this aspect, on the strategic level, there were considerable mistakes also in the large migrations from agriculture into industry. In this way, we created a quasi-modern proletariat, a quasi-working class, which was neither a real working class, nor a peasantry." So spoke Prof Dr Ivan Maksimovic with ample convincing arguments.

Let us return, finally, to ethics and economics. Maksimovic, not without justification, states how in the relationship of ethics and economic factors, we have again adopted certain elements of capitalist economics. The paradox is even greater in that these are elements that the capitalist economy is no longer afflicted with. "it does not consent to great living standard inequalities in for the same category of people either. We have to be aware of this. The more aware we are beforehand, the better it will be later on!" Let us add: better sometime than never.

At the end of the gloomy autumn day, when this conversation between us had ended, it seemed that Academician Maksimovic's working day had just begun. New obligations were awaiting him at the Serbian Academy of Sciences and Art. Hurrying away, as we were parting, he still managed only to complain about the students, who, he said, have interest in nothing but transitory analyses. And nothing more.

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2084

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Budapest PARTELET in Hungarian No 12, Dec 80 pp 3-17

[Article by Ferenc Havasi: "The Sixth Five-Year Plan for the Development of the Economy"*]

[Text] This year's February session of the Central Committee and the 12th Congress dealt with the situation of carrying out the Fifth Five-Year Plan, and the main lessons. Before the ending of the present plan period or the start of the new medium-term economic plan, it is necessary that we express several thoughts about the expected fulfillment of the Fifth Five-Year Plan.

Despite conditions that were more difficult than we expected, we have achieved significant results in the past 5 years following numerous efforts and unselfish work in developing the economy and strengthening the material and technical basis of socialism. In reviewing the development of the past 5 years we can report that we over fulfilled certain goals. For example, despite the reduction carried out in latter years, the investments carried out during the 5 years exceeded the plan. More nurseries and kindergartens were established than planned, and 445,000 to 450,000 houses are being built instead of the planned 435,000. Water utilities have been considerably improved, the number of hospital beds is increasing as well as the number of classrooms for primary schools.

In other areas, primarily the production of agricultural products, we are attaining the planned goals. At the same time a number of important goals—an increase in national income and in industrial and construction industrial production, a higher public consumption and real income and real wages—are not being fulfilled.

In evaluating the situation as it has developed, we must proceed from the fact that the Fifth Five-Year Plan reckoned with changes in the external and internal conditions of management. Therefore, it set as the main goal a strong growth in production efficiency, a more restrained increase in domestic consumption of the national income, and by virtue of all these an improvement in the equilibrium situation of the economy, and in such a way that it called for a relatively dynamic rise in production and in the living standard.

* Edited text of a speech presented at the 13 November 1980 session of the Central Committee.

In the first 3 years of the plan period, however, a production increase which neared the goal was not accompanied by the realization of quality requirements for economic development. The external and internal equilibrium situation deteriorated as compared to the planned improvement. Domestic consumption increased more rapidly than the national income. The imbalance between investments and implementation capacities was intensified, inventory accumulation exceeded the plan, and all this gave rise to a large-scale increase in imports, particularly in 1978.

Despite the many results attained in economic work, the development of the economy in this period did not fully follow the economic policy line conceived in the Fifth Five-Year Plan, and in many important areas it did not meet the requirements stemming from the changing external and internal conditions. Basically, there were two main causes for this. One was that the external economic conditions developed less favorably than estimated, the terms of foreign trade were worse in both trade relations than had been assumed, and capitalist market sales and socialist market imports became more difficult. The other cause was that since the task of restoring the balance proved to be more difficult than assumed the central guidance and the regulator system provided less incentive than intended toward a flexible adjustment to the changing world market circumstances. As a consequence, the improvement of efficiency, the modernization of the production structure, and the intensification of export capability did not reach the necessary extent. In enterprise management there was a one-sided emphasis on an effort at stability.

After the first 3 years of the Fifth Five-Year Plan, it became obvious that by following the quantitative goals of the plan as an end in itself we would inevitably further sharpen the equilibrium problems. Therefore, we had to choose whether to follow the practice of previous years or depart from them accepting the fact that in the numerical sense various goals of the five-year plan would not be fulfilled, but by speeding up the quality changes in economic development we would really start on the course of restoring and solidifying the equilibrium.

Weighing this, the Central Committee decided in December 1978 that the main task of economic work should be to improve the external equilibrium situation of the economy and protect and solidify the living standard already achieved. It also set a goal that production should develop in harmony therewith and development and distribution should adjust thereto. To realize these goals, substantial changes were carried out in 1979 in the guidance of the economy and in the organization of the implementation, and in 1980 a new price and regulator system was introduced.

As a result of all these things, we started to develop processes appropriate to the requirements set forth in this resolution. It is anticipated that in 1980 nonruble trade will be approximately balanced.

As for the domestic equilibrium situation, we succeeded in the past 2 years in maintaining harmony between purchasing power and the commodity base and we improved the investment and employment balance. Although the increase in production and national income is less than estimated, the development of positive processes began in various areas of management. However, the main factor in improving the equilibrium situation during these years was the moderation of domestic consumption, and to a lesser extent an improvement in the international competibility and efficiency of production.

The results achieved in recent years are also significant because in 1979-1980 there were again large-scale price rises on the world market, and the recession prevailed over the capitalist world economy. Marketing and credit possibilities became more difficult, and in intra-CEMA commodity trade the conditions for expanding commodity exchange and increasing purchases were reduced despite significant price increases.

The results of the last 2 years of the plan period show the correctness of the provisions in the December 1978 resolution of the Central Committee. All this creates a good basis for working out the Sixth Five-Year Plan and starting its realization.

The External and Internal Conditons of Building Work

The economic policy guidelines of the Fifth Five-Year Plan proceed from the fact that in economic work it is necessary consistently to pursue the economic policy and guidance practice inplemented in 1979-1980 and affirmed by the 12th Congress.

In deciding on the goals for the Sixth Five-Year Plan, the planning work considered the situation which had developed by the end of the Fifth Five-Year Plan, and the anticipated external and internal conditions of economic development in the following years. In response to the unfavorable—for Hungary—processes that occurred in the world economy during the Fifth Five-Year Plan period, significant price losses afflicted our economy. To assure the continuous development of the economy, we had to use credits.

External conditions for economic development will not be more favorable during the next five-year plan than they were in 1979-1980. Competition is becoming keener on the capitalist markets; it will be more difficult to sell, to keep markets we already have, and to reduce losses stemming from a deterioration in the terms of trade. Imports from socialist countries can be expanded only to a limited extent, and quality requirements on our exports are being increased. Altered world market price ratios are gradually also being realized in the relations among the socialist countries. Therefore, as a consequence of both our export and import structure we must count on a deterioration in the terms of trade in these relations as well.

As a consequence of all these things, about two-thirds of the national income increment must be devoted to improving the foreign economic equilibrium. We must increase exports substantially faster than imports, and in nonruble commodity trade we must attain an export surplus.

The task is enlarged by the fact that while the source of improvement in the equilibrium situation in the past 2 years has been mostly in the reduction of domestic consumption—including chiefly savings—and the discovery of reserves that were easily mobilizable over the short term. But in the Sixth Five-Year Plan period the basic source of the equilibrium improvement can be nothing else than an increase in production efficiency and international competibility, that is, factors that assure a permanent solution.

From the viewpoint of realizing the general economic political direction of the plan, we can regard the experiences we have gained in economic guidance and regulation and in the gradual but firm realization of stricter requirements as a favorable factor. Thus the plan is counting on a gradual but clear transposition of sources for creating and solidifying the equilibrium from distribution to the management and production area.

The Main Goals of the Plan, Its Nature

The main line of economic political actions is the unfolding of intensive development in all spheres of the economy. This will establish the basis for restoring and solidifying the equilibrium of the economy, protecting the living standard that has been attained by the population, and improving living conditions as oriented to real possibilities.

With attention to the possibilities for improving international competibility and expanding imports, the growth of the economy is relatively moderate, but a rate exceeding those for the years 1979-1980 can be envisaged. In 5 years the national income can be increased by 14 to 17 percent. Because of the requirements for equilibrium improvements domestic consumption can be raised only to a substantially lesser extent of 3 to 5 percent.

Amid the known and anticipated conditons of economic development, the general economic political directions of the plan and the recommended goals represent the only real road which can provide for the continuous development of the economy, establish a basis for subsequent favorable growth, and solidify the economic basis for social progress.

In working out and defining the directives of the plan, the planning work took into account the modification of the world economic conditions for development and the anticipated effects exercised thereby on our economy.

Consistent realization in practice of the economic political direction put forward by the stricter requirements calls for flexible adjustment and swift, deliberate reaction to unexpected events. That is, the realization of economic political strategy assumes the improvement and widening of maneuverability at every level of guidance.

Taking all this into account in the interest of clear realization of basic economic political requirements and goals, the plan is more flexible than usual, more open in certain questions, and in respect to decisions is of an orientnational nature in some cases. This grants possibilities for adjusting to the changing circumstances both in guidance and implementation work.

The economic political program nature of the medium-term plan and the obligations undertaken in a relatively narrow sphere make it possible and necessary that within the framework of the plan we should define the concrete measures continuously and in adjustment with the given situation. Implementation alternatives within the comprehensive goals are to be found above all in the area of developments and investments. The examination and shaping of the possible alternatives is the further task of planning work.

It also stems from the nature of the plan that concrete investment decisions at present can be made in the first years of the plan period; those to be started later—depending on the development of conditions and the successes of economic building work—can be decided in the annual plans. The latter must be worked out in harmony with changing circumstances. Planning work, regulation and the means system must also be brought in harmony with the requirements.

Programs Linked to the Plan

In order to support the general economic political directions of the plan, to shape social action, to discover and utilize reserves, a government program is being prepared to solve various important tasks simultaneously with the plan.

Building on our endowments and exploiting our possibilities more rationally, it appears necessary that industry should meet our domestic and foreign trade demands with better quality and structure, and by its contribution to the national income it should increase more rapidly in production and help more intensively in the improvement of the foreign economic equilibrium.

Linked with these tasks, the previously approved petrochemical, computer technological, and aluminum industrial central development programs are being continued. Pharmaceutical and herbicide manufacture is commencing with it, as well as the implementation of the central development program of the newly beginning electronic industry. In various branches we are working out programs such as energy savings and rationalization, the utilization of wastes and secondary raw materials, and the economic use of domestic wood resources.

The central development program for medicines, herbicides and intermediates in the pharmaceutical industry calls for—above all by raising the ratio of original preparations—a vigorous expansion of exports to the Soviet Union in addition to maintaining world market competibility, increasing exports several times, and meeting a greater share of the domestic demand in herbicide manufacture. The basic condition for realizing the program is the development of research activity.

The primary task for the central development program of the electronics industry under the Sixth Five-Year Plan will be to implement the manufacture of electronic, including microelectronic, components. The establishment of a new manufacturing technology requires broad-scale international cooperation, and the coordination and development of research, development and trade activity.

The program designed to exploit domestic wood resources has set as its goal the harmonization between the production and processing of the live wood stock by increasing the utilization of the existing, less valuable stocks and improving the quality of processing.

By a program for utilizing wastes and secondary raw materials, the collection and recycling of various valuable materials will increase by about 25 percent, primarily in the case of paper, used oil, nonferrous metals and plastics.

The economy is faced with an extremely strained task in the energy management program; namely, the 5-year increase in energy consumption should not exceed 10 percent, and the consumption of traditional energy sources—excepting electricity—should remain at the 1980 level. It is our goal to make greater use of the relatively less expensive energy sources, extend the use of energy saving technologies, and make practice of economic consumer habits more general.

In agriculture the main task is a more intensive realization of quality, profitability and economy requirements. It is well known that in agriculture there are significant reserves for increasing the yields besides cost management improvement. We do not make adequate use of the biological capacities of our most important crops. We could substantially and economically raise the present production averages of our large farms if we provided the conditions appropriate to such production. For the sake of an economic increase in yields, it is in our interest to exploit more fully both in crop production and livestock breeding the reserves latent in genetic and biological capacity.

Regarding the development of agriculture, we must mention those tasks which in this branch are represented by better utilization of protein sources, the intensified protection of the quality of arable land and soil, and the development of meadow and pasture management.

We need to realize in every area of socio-economic life the requirements stemming from the changes that have taken place in the conditions of economic development. Therefore, in the year that faces us it is important both from the political and economic point of view for rational and economic management to prevail both in production and in community and individual consumption.

The economic program is of special importance in respect to social public expenditures, but we shall continue to assure the carrying out of tasks which affect wide classes of the population. Of course, we must strive in these areas as well for rational consumption. In certain areas of culture, administration and the infrastructure, on the other hand, we can realize only a more moderate rate of development than we had formerly thought, and we can meet the stricter requirements only by new-type guidance and management and by a better and more complex use of the institutional network.

We must more intensively discover the possibilities latent in institutional integration, organizational amalgamation, better exploitation of capacities, personnel management and other measures which reduce expenditures. To this end and in the sense of the resolution in force, each ministry must continuously study the existing institutional system, eliminate parallels, and overlapping and excessive fragmentation of guidance.

Considering the World Economic Situation

In connection with the general 5-year direction of our economic development and judging our economic political strategy, we need to outline three questions:

1. Is the plan suitable to give a positive reply for the tasks stemming from the international economic and political changes?

2. Are the requirements for the intensive phase of development expressed in the plan, and does the plan meet these requirements?

3. Does the plan and its realization assure the economic and material conditions necessary for maintaining a balanced domestic political situation and atmosphere?

As for the first question, important and lasting changes have occurred in recent years in the world economy. These are expressed in a significant change in prices and price ratios; in the more difficult selling and buying possibilities on the world market; in the permanency of the capitalist world economic crisis and in the intensification of discriminatory and protectionist trends in the appearance of some of the developing countries as market competitors; in the problems of the CEMA countries in transforming their economies to intensive development and in the temporary reduction of their relations among one another; and in the uncertainties of the capitalist international economic and financial system.

Simultaneous with changes in the world economic processes, we are witness to political events which make the further development of international economic relations more difficult because of the standstill in the detente process.

Because of the international openness of our economy stemming from its endowments, economic structure and the requirements for increased efficiency, it must, parallel with its increased development, join more vigorously in international work distribution, enjoy its advantages, and share in its problems. The success of our economic building work depends to a great extent, therefore, on how we can develop our international economic and commercial relations, exploit its advantages, and reduce the unfavorable effects.

Taking into account the experiences of years past and our economic endowments, we worked out the Sixth Five-Year Plan in such a way that

--it does not respond by shutting itself off from world economic changes, rather it basically sets forth export-oriented and rational import substitution lines of development;

--it calls for a structural transformation for intensifying international competibility and flexible adjustment to external conditions;

--in the interest of improving the equilibrium situation and establishing the basis for continuous and balanced progress, it counts on a more rapid increase of exports than imports.

The realization of these requirements is expressed in the producer price system which corresponds to the new international value system and follows export prices, in the financial regulators which emphasize profitability requirements and export incentives, in a selective investment and credit policy that serves competibility growth, and in rationalization programs directed at reducing material and energy demand.

Besides the expansion of traditional foreign trade relations, emphasis is being placed on long-term production and technical-scientific cooperation; on the purchase and economic utilization of licenses and manufacturing processes; the expansion of

participation in joint undertakings; the development of a relations system between production and foreign trade; the improvement of foreign trade market organization and price work; the expansion of so-called third market cooperation based on mutual advantages, and the adaptation of modern enterprise guidance methods appropriate to these requirements. With all these things we seek to secure a broadening of our market relations and in certain special areas gradually bring the technical-engineering level closer to the international vanguard which is standard for us.

Simultaneous with the development of international economic relations, our task—in harmony with the changes in the international political situation—is to strengthen our alliance and cooperation with the Soviet Union, the countries of the socialist community, and contribute to further strengthening the defensive power of the Warsaw Pact.

This conviction of ours is also expressed in the fact that under the Sixth Five-Year Plan--in accordance with our contractual obligations and economic possibilities--we shall develop and modernize our armed forces.

It is also an important requirement that we use rationally and economically the material means devoted to defense. This must also be promoted with various organizational and rationalization measures for increasing the defense capability.

The Intensive Road to Development

As for the other qeustion, the conversion to intensive development, we may say that it is not an easy task in itself to meet changing international conditions. At the same time it is well known that domestically also the internal conditions of development have changed. Extensive growth reserves have been exhausted.

The unfolding of intensive development based on quality factors has become unpostponable. The Sixth Five-Year Plan is making the realization of this requirement a task of key importance in the coming years, and it regards the solidification of the equilibrium situation as a basic task. Accordingly, it reckons that under the given conditions this task can be solved only by a more solid quantitative growth than before. This is also reflected in the numerical goals of the plan.

In an intensive development phase and particularly in the transitional period thereto, the growth rate is of necessity more moderate than in a period of extensive development. In the coming years we can only call for a rate of development which is in harmony with the equilibrium requirements and with an efficiency increase based on structural changes of production. That is, the extent of economic growth depends basically on what results we can achieve in raising the level of management.

The plan includes low quantitative and high efficiency goals. Their realization is no lesser task than the earlier ones, and in fact progress based on quality factors places substantially higher requirements on the work we perform in every area of socio-economic life.

The targeted annual growth rate of 3 percent—taking international forecasts into account—corresponds to the average rate for CEMA countries. In most of the developed capitalist countries they are counting on a lower growth. The forcing of a faster increase might be accompanied by a deterioration of the equilibrium because of an import requirement that we could not counter with economic exports.

If our work should be more successful than assumed in the plan and foreign economic conditions should develop more favorably than estimated, the growth may also be somewhat more rapid. We must strive for this in implementing the plan. Surplus sources possibly deriving therefrom should be devoted primarily to establishing more securely the basis fo the economic political line of direction and to intensifying the competibility of production. This would exercise a beneficial effect on every area of economic life including the improvement of living conditions.

To begin intensive development based on quality factors, the plan also reckons that

--productivity will increase faster than production, the efficiency of live work will grow significantly, the number of workers in the material branches will decline about 2.5 percent, and production per person will rise by approximately 20 percent;

—in comparison to production, material outlays will develop more favorably, the inventory demand of production and selling will be moderated, and inventory management will be imporved. We will need an energy consumption increase of 0.6 to 0.7 percent and an inventory increase of 0.7 to 0.8 percent per unit increase in national income as compared to the earlier period when energy consumption and national income increased at substantially the same rate, and the inventory growth surpassed it significantly;

--with an accelerated scientific and technical development appropriate to structural transformation requirements, we shall also make progress in quality improvement and increased profitability.

An economic development reflecting the planned quality changes can be established only on a production increase differentiated by branch and enterprise and adjusting to efficiency requirements. It is therefore basically important that production appropriate to demand should have the right to exist. Only the expansion of economic export, the rational substitution of import, and the profitable satisfaction of domestic demand with ability to pay is the road that can lead to production growth. All this requires a vigorous rearrangement in production, development and employment.

It is necessary that our regulator system should stimulate an outstandingly rapid development in our enterprises that are managing efficiently, and at the same time--chiefly in the processing industry—it shoudl force the elimination of uneconomic production. If an organization that is managing at a loss cannot be made economical, a profile change must be introduced in the program.

Rapid adjustment to changing conditions and cost reduction can be attained only by increasing the independence and enterprising readiness of the enterprises and by vigorously improving the level of leadership. Therefore the whole central guidance places strict requirements on enterprise management and leadership and the managing units are not released from under this requirement.

The basic condition for realizing production goals is that the level of development activity should be raised, the ratio devoted to the creation of new capacities within investments should be reduced, and the modernization, reconstruction and supplementing of existing machinery and equipment should be increased. This will also make it possible to reduce the ratio of construction within producer investments. But only in those areas will it be possible to carry out modernization and reconstruction where these effectively serve to increase competibility and the improvement of the equilibrium situation.

Within investments of similar volume in the socialist sector during the past 5 years, an increasing ratio of producer investments were tied down by the development of basic material manufacture and energetics. Thus in comparison to the tasks the development possibility is relatively small in the processing industry, which makes the efficiency requirements more strict and at the same time more strained.

In judging the investment level, we must bear in mind also that the 1,020 to 1,040 billion forints called for in the plan is a very significant sum. If this is well managed everywhere during the realization of the plan, we can make substantial progress in the modernization of production, technical development, establishing the basis for long-term development, and improving living conditions.

The share of the enterprises in industrial construction and agricultural investments is increasing, as well as the importance of credits awarded on basis of competition. The role of state supports is declining in enterprise developments.

An important condition for the development of quality indicators is that we should use rationally the significant sums, that is, more than 100 billion forints in 5 years, that can be devoted to scientific research and technical development.

The basic conditions for realizing the general economic political direction is an increase in work productivity. This requires a significant improvement in manpower management. Accordingly, the maintenance of employment and a strong improvement in the efficiency of live work can be realized together.

In addition to a more rational personnel management than heretofore, the transformation of the product and activity structure calls for an improvement in work organization and discipline, a speeding up of the regrouping of economically unemployable manpower to more effective areas within an enterprise and among enterprises, and an appropriate reshaping of structural changes.

If there is an increase in production and productivity as targeted, manpower in the industrial and construction industrial branches can be reduced by about 120,000 persons. The ability of agriculture and the basic activities to release manpower will decline, while the number employed in supplementary subordinate activities will expand further. The number employed in infrastructural branches may decline by about 100,000 persons in 5 years. Most of them can be employed in health and educational branches.

A rise in employment efficiency can be assured only if we realize more clearly than before the socialist principle of distribution according to work depending on achievements, that is, wages should be adjusted to the quantity, quality, and results of the work performed and differentiated accordingly. The average real wage per one earner will remain unchanged in the coming years. But the material situation of those with outstanding achievements will improve, whereas the maintenance of real wages for those not improving their achievements, or improving them only to a small extent, cannot be guaranteed.

Significant progress in the improvement of work and living conditions is represented by the fact that in 1982 we shall change over to a 5-day work week. It will be advisable to carry out this change with an actual working time of 42 hours not counting time for lunch.

Balanced Internal Political Relations

In the present phase of economic development it is particularly important for the building of socialism to assure a calm and balanced internal political atmosphere. A basic role is played in this by the living standard policy.

The permanent goal of our living standard policy has not been changed. We continue to strive for the building of socialism together with a systematic growth in the people's welfare. The goal of the Sixth Five-Year Plan is to guard and solidify the results attained thus far in the living standard, and to continue improving living conditions. Weighing the situation realistically, we could not at this time set ourselves a greater task.

The task is not spectacular, but still it requires very great efforts. We need better work to maintain the attained level and establish the basis for further development. The development of the living standard and of living conditions depends in the final analysis on the results of our work. We are tightening the requirements on work and the acquisition of income, and on the other hand improving the conditions for spending acquired income.

We can assure the protection of the living standard and the prescribed increase in public consumption only if the ratio of consumption in national income rises from 81 to 83 percent in the considerably more moderately increasing domestic consumption, while the ratio of savings is correspondingly reduced.

The population's total consumption can be increased only slightly in the coming years. But the living standard is not equal to income and consumption. It includes living and working conditions, infrastructural and other factors, as well as the noneconomic elements of life style. An imporvement in living conditions can favorably influence the general social atmosphere.

We regard it as most important to guard the basic achievements of our socialist development: security of life, full employment, real income level, the valuable elements of our social allowance system, and an adequate level of commodity supply.

Maintaining the living standard does not mean, of course, that the income of every single family and of every citizen will remain at the present level. It is in our elementary interest, to be sure, that the quality and quantity of work performed and the difference in achievement should be better reflected than at present in incomes deriving from work.

At the same time, we wish to realize on the other hand better than heretofore the other aspect of our socialist distribution policy that the differences independent of work and deriving largely from variations in family size and other social causes should be reduced by virtue of further development of the system of social allowances. Therefore the improvement of distribution relations and the reduction of social inequalities is accompanied by a smaller modification of income ratios, primarily within certain classes.

The ratio of social allowances is increasing in the population's income, and in fact the increment in the real income of the population--along with an unchanged level of real wages in the economic average--derives in its entirety from social allowances.

It continues to be an important goal to reduce the differences deriving from varying family size in per capita income. To this end, we must maintain the real value of allowances for families with three or more children as well as of pensions below the average, while we must raise the real value of the lowest pension. To maintain the level of allowances in kind we shall keep the real value of health and food norms for social and educational institutions. We shall increase somewhat the allowance of families with two children, as well as child care assistance, scholarships and social assistance.

We want to use material means available for social goals primarily to improve the living conditions of classes that are living in more difficult circumstances and from many points of view in a disadvantaged situation. A social sense of justice also dictates that large families and elderly in need should be the first to feel the increased social care.

We need to devote greater care to social assistance for families with children and to improving the conditions for child acceptance. Within the given possibilities, we must assure for youth the appropriate social conditions for learning, employment, starting a career, founding a family, and obtaining a house.

It is an important condition for maintaining the living standard that we continue to keep the population's commodity and service provisions balanced, and improve them in certain areas. To this end, we must enlarge the production influencing and organizing role of commerce, improve the research of demand, and promote the expansion of the various forms of consumer item imports. For more secure provisions and the expansion of supply, we must rely more on the commodity producing and service activities of small and medium-sized operations, on small private industry, and on supplementary farms.

One of the important supplementary sources of our development is the independent activity of the population on auxiliary farms. Our social interest is linked to improving the conditions and organization of this activity. Within the limits of good sense, work performed in free time, commodity production for one's own needs and for marketing, and services are profitable both for the individual and society. Social recognition for additional income stemming therefrom, proportional to the work, must be promoted by political and legal means.

Improvement of Housing and Health Provisions

In the more corrdinated than hitherto development of the population's infrastructure, we wish to devote resources primarily to the development of special areas affecting broader social classes, for the easement of well known social strains. A special program for establishing the basis of the plan goals is being prepared to develop housing and health provisions and to increase the number of classrooms in general schools.

On the basis of the Central Committee's resolution on housing construction and management valid until 1990, the implementation of the 15-year housing construction program will continue into the Sixth Five-Year Plan, and there will also be opportunity for further development of the housing distribution and management system.

According to the proposal, 370,000 to 390,000 houses will be built in the framework of the 5-year housing program, and 100,000 state houses will be renovated and 40,000 to 50,000 houses will be provided with conveniences. We wish to devote special attention to improving the housing stok in Budapest and the five big cities. As a result of housing construction, renovation and modernization, the living conditions of approximately one-half million families will be improved. The number of those demanding houses will be gradually reduced from the present 400,000 to about 220,000 or 230,000. Within this there will be a decline in the number and ratio of those who do not have an independent house, and there will be an increase in the demand for quality housing exchange.

Through state and social efforts we have achieved in the past two decades great results in improving the housing situation. The rate of housing construction is noteworthy even by international comparison. The composition of the housing stock has also improved in quality. It is now necessary that in addition to carrying out continuously significant housing construction we make better use than heretofore of the possibilities latent in the development of housing management, the modernization of existing houses, and the expansion of exchanges.

Of basic importance to improving the housing situation is the ability to obtain a house and the modernization of the supply system. The essence of this is a more consistent realization of social justice, the realization of a more proportional bearing of burdens, and the protection and more rational utilization of the existing housing stock.

During the Fifth Five-Year Plan we devoted about 47 billion forints to the maintenance, renovation and modernization of state tenement houses. Among other things, these tasks include the improvement and exchange of popes and equipment in the buildings, external refronting, and raising the level of conveniences. Sixty percent of the necessary expenditures during the plan period were covered by the state budget and 40 percent by housing rents and other housing fees. As compared to the Fifth Five-Year Plan, state support will increase by about two times. As compared to the past plan period, the number of modernized houses will increase almost threefold.

By developing a housing exchange system well adapted to the changing demands, a growing part of the housing needs can be met in such a way that families will progressively acquire houses of appropriate size in harmony with the size of the family. For widening the use of housing exchanges, it is indispensably necessary that the councils should use a part of the expanding housing base for this purpose.

The task related to the development of housing supply and management can be gradually realized during the plan period. As a first measure, we will modify the financial conditions for acquiring a house in 1981. The comprehensive further development of the housing distribution and management system may take place in 1982-1983.

The financial measures proposed for 1981 will increase the financial burdens of about 90,000 families which will acquire state tenements or houses sold by councils, while the financial burdens of about 30,000 lower income families with a number fo children will be reduced or dispensed with. The financial conditions of about 160,000 families building traditional or multiple family houses will be more favorable than before. The new measures will be more helpful to personal housing construction by young people and families with a number of children.

We regard it as a special task of the Sixth Five-Year Plan to develop health facilities quantitatively and qualitatively. This goal will be served by a more than 50 percent greater investment and renovation outlay and by increased budget expenditures of 8 to 9 percent. We wish to improve primarily the conditions of facilities for bed patients and basic needs. As a result of new hospital construction and reconstruction, 6,500 to 7,000 new beds will be made available. The technical state of equipment and instruments is improving. Dental and pediatric care facilities are also improving significantly.

Because of the significant increase in the number of children of general school age, it is a special task to establish 5,500 to 6,000 general school classrooms by means of new buildings, expansions and reorganizations. An increase in the number of teachers and an expansion in the number of classrooms will make it possible to prevent a deterioration in the level of general school facilities, and in fact to bring about an improvement in some cases. Sixty percent of the classrooms will be established in cities and special settlements.

In order to have a better sense of the results achieved in the living standard and for living conditions to be more favorable, we must free ourselves of the faults which at first glance appear to be insignificant, but are irksome to many from day to day. In administration, for example, we must make the procedural work more simple and exact for the public; we must improve shopping conditions, protection of consumer interest, legal assistance services, and we must cut back on bureaucratism, and unconscionable attitudes.

In these areas we can make the successes attained thus far more valuable without particular additional outlays and through conscientious, careful work, and the wide-scale participation of the population; and we can influence the public atmosphere advantageously through appropriate use of possibilities. We must promote all this with the broad-scale development of social activity, initiative, and socialist democratism.

Development of the Guidance and Incentive System

The realization of the economic and social directions of development shaped for the next five-year plan period and of the main goals conceived in the plan will present great but solvable tasks to our entire society.

One of the basic conditions for the well-founded nature of the tasks is the fact that in addition to using the experiences of past years we have a coordinated means system that is in harmony with our economic goals and gives sufficient incentive and forceful strength to implementation. It may be regarded as favorable that in the recent past with the shaping of the main directions of economic development we have largely worked out at the same time the changes necessary in economic guidance and in the condition and means system of management.

We have modernized central economic guidance, planning, regulation, and the organizational system in such a way that with the improvement of the external equilibrium situation it will promote the solidification of the internal balance relations, above all a better harmony between commodity base and purchasing power, as well as between budgetary receipts and expenditures.

Accordingly, we have been and will be taking those measures which are designed to increase the effectiveness of state economic guidance work at the highest governmental level as well as the functional and branch guidance level. Our main effort is that state economic guidance, based on the economic plan, should be capable of rapid and expert decisions and coordinated and unified action in execution.

To do this, it is necessary to strengthen the role of central planning. In harmonizing the economic processes, we must clearly decide who is responsible and for what. In the frame of economic planning work, we must shape the means and methods for rapid and flexible adjustment to changing external and internal conditions. We must assure the possibility that there will be a way for operational control and for diverting processes that depart from the plan in an unfavorable way into the appropriate channel.

The central guidance must set definite, clear lines of direction for the development of enterprise management so that the initiative and the creativity of the independently responsible enterprise management and of the enterprise collectives will develop as fully as possible, assuring at the same time a coordinated activity. We need to control and guide the enterprises by avoiding detailed, bureaucratic intervention in the daily management problems.

The price and financial regulation system introduced in 1980 can well serve the realization of economic political goals and the solution of the tasks facing the producer sphere. The development of the economic regulator system puts higher requirements on the managers, makes the conditions of management more strict, and better expresses the central will. Taking all this as the base, it shapes price, cost, revenue and management conditions under which the efficiency of enterprise work can be measured by an international yardstick.

It is important that the basic principles of the system should be consistently realized, and the supports and preferences provided for temporary periods be gradually eliminated. Corrections which prove justified must be consistently realized by economic guidance, and at the same time efforts directed at one-time differentiation and loosening of the efficiency requirements must be averted. In this way, not only the system's orientation strength will be intensified but also its incentive and compelling strength toward efficiency improvement.

These measures may be accompanied by clashes and conflicts of interest which are more frequent and stronger than at present. It is necessary to solve in a progressive way the accompaniments for realizing these efficiency and balance requirements and for consciously undertaking them.

We must make the modernization of the enterprise organization an organic part of guidance development as well as the development of the conditions necessary for establishing new medium-sized and small enterprises, the partial dissolution of measures limiting the profile and activity scope of the enterprises, and the development of new undertaking forms.

Nevertheless, we also need to work out measures which will promote moderation of the unjustified organizational fragmentation of production and marketing, the intensive link between producers and consumers, and better cooperation of the producer, foreign trade and domestic trade enterprises.

In order to develop the initiative and risk-taking willingness of the enterprises, we must give greater moral and material rewards to the economic leaders who are successful and responsible. In respect to leaders, on the other hand, who are not able to satisfy the greater requirements we must use more resolutely than heretofore the means of cadre change.

Useful Debates--Valuable Observations

The preliminary guidelines of the five-year plan have been debated by the leading bodies of the social and scientific organs, and the megye party committees have also expressed their views. The debates were permeated with a sense of responsibility and were very useful. Everywhere they have expressed their agreement with and support for the basic economic and political goals and tasks in that the most important goal is the improvement of the equilibrium situation of the economy, the vigorous growth of production efficiency, and the solidification of the living standard already attained.

They approved the fact that the economic political nature was more marked in a plan that contained fewer, but all the necessary numerical particulars. They hailed the fact that simultaneously with the approval of the economic plan social programs will also be worked out.

A considerable portion of the suggestions can be made use of before the plan is finalized. These include, for example, improvement in the quality of products for the domestic market, prevention of the intensification of technological lag, recognition of the enterprise spirit, increased protection of arable land, improvement in the level of housing maintenance and services, and so forth.

It was brought out in the debates that the goals for infrastructural development are centered in the capital city, that the share of the capital city is excessively large in the sums that can be devoted to council investments, including housing construction and renovation, and it was regarded as necessary that greater attention be paid also to the five other large cities besides Budapest. The guidelines of the plan call for a more vigorous than average development of the capital city infrastructure because this is where the greatest strains are. Nevertheless, and also as a result of the debates, the plan targets as a special task the improvement of the housing situation in the five large cities.

Another group of suggestions are of the kind whose realization will require a longer time. These include the development of a long-range technical development policy, better utilization of natural resources, and modernization of the teaching structure.

Observations were also made which primarily for economic reasons we could not accept. Thus for example, there is no way to increase the real value of earnings and to expand the scope of social allowances simultaneously with an increase in social allowances.

Taking everything into account, the social debates were useful and good, they reached their goals.

The Sixth Five-Year Plan places realistic goals before our society. We can proclaim the plan with conviction as our own program since it undertakes no less to continue under substantially more difficult conditions the economic building work, help the economy on a path of new growth, develop intensive resources and put them in the service of development, improve living conditions, protect the living standard we have attained, and establish the basis of a later upswing of progress.

The realization of the plan calls for work, industry and discipline from the members of society, at the same time it offers security of life, prosperity, culture and manifold forms of care to the working people.

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HUNGARIAN-AMERICAN ECONOMIC COUNCIL MEETING DESCRIBED

Budapest HETI VILAGGAZDASAG in Hungarian No 47, 22 Nov 80 pp 24-26

[Article: "Hungarian-American Relations, Texas Rendezvous"]

[Text] The Hungarian-American Economic Council met for 2 days in October in Houston, Texas, at the peak of the American election campaign. For that reason there was great emphasis at the conference on the effect the political developments would have on the economic relations which have been evolving recently at an accelerating rate between the two countries.

There was a time when the general economic view in Hungary branded as foolhardy any enterprise which dared to enter the lion's den of the U.S. market. Today they are only characterized as "bold," which is tantamount to recognition. Opinions regarding the possibilities for Hungarian products on the American market have changed for a number of reasons in the past several years. Perhaps the most important was that in 1978 the serious obstacles raised by the protectionst American commercial policy was removed from the path to the development of commercial relations. This policy had afflicted trade between the two countries with discriminatory measures as a result of which such high tariffs were placed on Hungarian products in the United States that they were, practically speaking, noncompetitive from the start.

Of convincing force were also the successes of those who despite everything committed themselves to the ground-breaking effort. It was proven that Hungarian commodities could appear on the American market, and although the requirements are great they are not unfulfillable. Consider, for example, only the prospering canned ham exports of the Papa and Kaposvar meat plants or the successes of Tungsram-Action, the joint United Incadescent and American enterprise; or the fact that for years the Tannimpex foreign trade enterprise has been selling Hungarian shoes and leather goods in the United States.

Within a few years, more and more Hungarian and American firms have offered to undertake business or even closer cooperative joint collaboration. The ground for the good "harvest" was prepared by bilateral, government-level bank and chamber of commerce meetings, business trips, and exhibitions. This was done to such an extent that in 5 years the two-way commodity trade doubled: and within this, Hungarian exports quadrupled and U.S. deliveries to Hungary increased by about one and one-half times, even though the balance in the terms of trade is still strongly titled in favor of the overseas parties. It is anticipated already that this year's commodity trade will reach 335 million dollars—of course this still amounts only to about 3 percent of the total Hungarian trade in convertible accounts—and of this about 40 percent consists of Hungarian exports, while in 1975 this came to only 22 percent.

About 22-25 percent of our exports in 1977 still consisted of materials and consumer industrial items and almost one-half of agricultural and food industry products. But in the past 3 years the trade has undergone a considerable structural change. The export of agricultural and food products has declined to almost 30 percent, while the ratio of machine industry items has increased, to a respectable extent, from 3 percent to more than 14 percent. This substantial increase was primarily linked to the delivery of running gear and vehicle components, but the export of machine tools also had a promising start.

Within Hungarian-American trade relations cooperation projects are on the increase. In the past several years, 66 such contracts have been signed, decisively among the machine industry enterprises but there is also some cooperation in light industry and agriculture. It is worthwhile to make special mention of several of the most recent cooperation agreements which were signed last year: Crown Coach and Mogurt Icarus agree on the delivery of buses; the Ingersoll Rand Company and the Chemokomplex-Ganz MAVAG signed documents on the manufacture of "twin" irrigation sprinkling equipment and mining industry hydraulic machinery; Videoton purchased a license for a linear printer (sornyomtato) from Dataproducts; and Biogal has started on cooperation with the pharmaceutical firm Eli-Lilly Company. Videoton is continuing negotiations on the joint manufacture of magnetic disc storages (magneses lemeztarolok), and Gamma quarts crystal manufacture is negotiating with American firms on the production of intermediaries by the Budapest Chemical Works.

Among the incentives to the development of Hungarian-American trade we must emphasize the activity of the Hungarian-American Economic Council. This forum was created 5 years ago by the chambers of commerce of the two countries in order to discover mutual possibilities. As the years passed, more and more enterprises on both sides joined in the work of the Council. On the Hungarian side we have such flagbearers of exports to the New World as, for example, the Raba Hungarian Railroad Car and Machine Factory, the Babolna Agricultural Combine, United Incandescent, the Taurus Rubber Industry Enterprise, and the Technoimplex Machine Industry Foreign Trade Enterprise, the organizer of the cooperation projects, Intercooperation Limited and Tannimpex, the directing manager of which became the head of the Hungarian delegation after several years' of experience in the commerical office in Washington.

Among the American delegation also there are impressive company names. Let us list some examples: American Cyanamid, Atlanta Corporation, International Harvester, Corning Glass, Dataproducts, Nashua Corporation, Armco Incorporated, Monsanto Company, Steiger Tractor, Hesston Corporation, Eaton Corporation, Ingersoll Products Corporation, and last but not at all least the Occidental Petroleum concern, whose vice president is Soltan Merszei, the chairman of the Council's American delegation and who earlier had personally undertaken the important mission in vitalizing relationships as a leading official of the Dow Chemical concern.

The Council meets annually and alternately in Hungary and the United States. The meetings were held in Budapest in 1975, 1977, and 1979; in Washington in 1976, in Chicago in 1978, and this year in Houston.

Attention at these meetings is concentrated on the expansion of information, for this is the preconditions for the establishment of new ties. In addition to the general economic political accounts, the professional section meetings are particularly useful at which the experts in a selected area discuss the problems which have arisen in the course of cooperation, and the chances for expansion. Two years ago section meetings were held on chemical, food and textiles in Chicago, and last year in Budapest water management and the manufacture of agricultural machinery were on the agenda.

The Most Important Products in Hungarian-American Trade in 1979 (in million dollars)

Export	
Tractor components, running gear, vehicle components	28.4
Canned meat (ham bacon)	25.6
Light bulbs	9.6
Textiles, ready wear	7.7
Women's shoes, leather dress items	8.6
Spice paprika, wine, brandy, cheese	7.0
Import	
Soy meal	27.4
Machine industry and electronic components	16.7
Agricultural and vehicle spare parts	15.0
Superphosphate	11.7
Basic pharmaceutical materials	7.2
Raw cowhide	7.1

This year's Council meeting in the capital city of Texas could not, of course, free itself from the surrounding atmosphere which was at that time permeated with the excitement of the presidential elections. Thus particular interest was shown among the talks given by the American side to the analysis made by Downey, the former deputy minister of commerce, regarding those changes in East-West trade which could be expected after the elections. He said that one could count on the strengthening of protectionism in respect to exports directed to the United States; he added that there is prospect for such legal practice on part of the Department of Justice and the legislature as will reduce the competibility of import goods by means of anti-dumping laws, detailed examination of prices and contracts, and import restructions. The government will not support American exports by financial means, or only to a small extent. Difficulties can also be expected in the export of high-level technologies. And although according to Downey, the political winds could be resisted ("The joint efforts and conscious actions of America and Hungarian businessmen may bring success"), Zoltan Merszei also seemed indirectly to support his gloomy forecasts when he emphasized: "Administrative difficulties in export-import licenses may make the participation of the United States in international trade problematical."

Like his fellow countrymen, Deputy Minister of Trade Nath, pledged himself to support a broadening of relations. Taking their stance in concrete matters, the Hungarian speakers analyzed the conditions for further progress. These were summarized as follows under three headings by Jozsef Molnar, Hungarian delegation chairman.

A condition for long-range cooperation is that the most favored nation principle be stabilized for Hungary; the present annual renewal system is not favorable to the development of permanent relations.

We need to widen the scope of the cooperating Hungarian and American enterprises through the participation of small and medium-sized enterprises.

We must have a mutually better and a profounder understanding of those economic laws, rules which influence businesss life in the United States and Hungary.

Of course, all this cannot be done from one day to the next. To assure, however, that these requirements do not remain only pious wishes, Istvan Nadori, economist, gave a detailed review of the Hungarian economic situation, our commercial policy, and our economic regulator system.

Thereafter the participants at the Council meeting could choose among four sectional meetings. Concrete possibilities of cooperation were discussed in the dealing sections with energy management and industrial services (banks, insurance, deliveries). Among the two other sections with more general themes, there was intense interest in the one where the problems in industrial cooperation projects were set forth. The representatives of joint enterprises established in America by various foreign trade enterprises reported on promising market possibilities, among others Medimpex North America on the marketing of pharmaceuticals, Hungarotex USA on the textile and ready wear market, and Medicor USA on medical equipment.

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BOGNAR REFLECTS ON WORLDWIDE ECONOMIC DEVELOPMENT PROBLEMS

Budapest KOZGAZDASAGI SZEMLE in Hungarian No 11, Nov 80 pp 1304-1309

[Article by Jozsef Bognar, director of Research Institute for World Economy: "Thoughts on the Worldwide Problems of Development"]

[Text] In the following article I would like to elaborate on a few thoughts, observations and ideas which ripened in me while I was preparing for the Szechenyi commemorative days [mid-19th century Hungarian land baron, economist, and high government official].

I.

The unavoidability of a change of eras in the world economy sank into the consciousness of people by means of the crisis phenomena of the decade of the seventies.

The word cirsis is being used to mean various things, and there are those even among us who are afraid of this expression. It is also debatable whether we are speaking "only" about an economic crisis, or about something significantly more. Let me just say this much about the latter question that—in my opinion—we are clearly talking about a development crisis, which is significantly more than an economic crisis. That is, those problems which also occur in the economy and which force us to pose such questions as: What can the economy do? Did we not overextend our efforts to grow? Does economic growth have limitations? What causes these limitations? etc. are accompanied by questions such as: What can the international political system do? Can the traditional system of national security be maintained? Do the growth and application of science have limits? Indeed, even the question of historical philosophy occur: How much can man do who in terms of Darwin's paradigm has been elevated out of the animal world; how much does he differ from and to what extent is he the same as the natural environment around him; how much is he dependent upon its systems? etc. Thus from a scientific viewpoint we are facing a developmental crisis. We speak of a crisis when during the course of development (which occurred primarily as a result of our own activity) we meet such new phenomena, processes and trends, the shaping of which we either cannot influence (decrease or increase) with our present system of means, or can influence only to an insufficient extent.

Thus a new analysis of crisis is needed. During the course of this we must re-examine the following in the system of processes and phenomena which came to exist:

a) Did we correctly define the system of goals; that is, do the designated goals not exceed our present capabilities?

b) Are our means adequate? Do they cause an uncontrollable multitude of harmful side and incidental effects as they operate?

c) Are our present institutions and structures in harmony with the desired goals and with the means we are using?

Thus the goals and means as well as the structures are being questioned in connection with the crisis. Because the processes and phenomena created deviate from the goals, the means which worked before are now proving to be unsuitable to influence the processes, and the institutions have become powerless; moreover, large numbers of processes contrary to and thwarting our ideas and efforts are being generated, and many people get the feeling that the world has become "ungovernable".

The nature, depth and breadth of the crisis which has come into existence all prove that not just greater or lesser changes, adjustments and modifications are needed, but a new development model, since the present model has become conceptually obsolete, and in addition due to its ungovernability it is becoming the source of greater and greater dangers.

The developmental crisis can come to an end when we adjusted the goals, means and methods of growth to the capabilities of mankind--consistent also with his origins--to the natural environment surrounding us, and when we create such structures which advance the changed goals while preserving the various conditions of equilibrium (not nature and to the way of life).

In this sense the developmental crisis also has positive effects (even though overcoming it involves much sacrifice and effort), since it forces humanity to examine such questions and problems the insolubility or overestimation of which is one of the causes of the present tensions and difficulties.

II.

What are those components, processes and phenomena of economic and social growth which initially caused the developmental crisis?

a) The equilibrium conditions of the present economic cycle [sic] have been permanently disturbed, and there is no possiblity of restoring them. That is, the present cycle is based on the assumption that on the one hand the renewable and nonrenewable natural resources are simply and cheaply available; only capital and skilled labor represent limiting factors. On the other hand, to buildup this cycle, an economic domination was needed which could create a relationship between raw material production and the processing industry to favor the latter's interests.

However, in the future a cycle will have to be structured which:

--takes into consideration the limitations of natural resources; and

--that there is no economic power which can satisfactorily structure the equilibrium, between the power and interest relationships of raw material production and the processing industry as they were in the past, since the national economies which have the raw materials are interested in high raw material prices.

Sale and transport of raw materials in their natural forms have also become problems in the era when fuel prices are also rising with increasing vigor.

The main question of new structural economic cycle is: How can it be insured that even after the significance of natural resources is re-evaluated and their production becomes much more costly, that the level of employment, the standard of living, investments, and monetary purchasing power do not decline to an intolerable extent?

b) The world's political and economic geography has undergone a radical change: sharper and sharper contradictions are developing in population densities, in the relationships between population and resources, in the population growth trends between the developed and developing countries, and between the masses of people and their economic, scientific and information disseminating capacities.

c) The world's international political structure has also undergone a change; it is now divided into 180 nation states and national economies. Concurrently, a military technology has been developed which is capable of destroying not only the entire human race but also the conditions which sustain life. Under these circumstances a vigorous arms race has developed, and this leads to increasing militarization of economic life and relationships. I am referring not only to the yearly $500 billion spent directly on armaments, but also to the fact that oil, technology, phosphate, etc. are beginning to be used as weapons. Some countries openly use their economic ties as political weapons (for example, declare embargoes on the import of certain goods), which necessarily leads to the breakdown of international economic ties.

When the international political and security ties are so full of animosity, and when the economic ties are being used as weapons, then trade cannot be conducted even on the basis of mutual advantages, since the relationships of mutual dependence on each other, fending off any threatening dangers, or resolving new problems would presume cooperative relationships.

d) The scientific-technological revolution has represented one of the driving forces behind past growth. Within the framework of this, all those inventions were practically applied which promised economic profit.

However, in the future a significant part of the scientific results will become contradictory, because their application may involve various negative factors which could be a heavy burden on society, or which could endanger the environment. On the other hand, the application of some scientific results may have effects of dangerously upsetting the equilibrium in the present global and national structures. Thus the application of scientific results must be subjected to stronger social and international controls.

e) With the way the [world's] population is expected to increase, the more and more oppressive concern of the world's food supply represents an extremely serious danger, but one which in part remains outside the framework of the world market system.

f) The world [economic] growth has become extremely sensitive. In the past, certain questions and tensions could be resolved within more rigid and restructed frameworks (in terms of time, space and their consequences). However, under the present circumstances when the economic, political, scientific-cultural, and international (security) crises strengthen the effects of each other, it can be predicted only on the basis of careful experimentation which measures will have what "danger of explosion."

III.

The developmental crisis, and the world of the phenomena and interrelationships triggering it, appear confused and difficult to understand in the old system of ideology and structures. However, what is involved here is obviously not that chaos have developed which "can no longer be understood by the sober mind," but rather that the changes in the phenomena, interrelationships and processes demand that the structures, mechanisms and the ways of thinking [also] be changed, and rejuvenated.

It is obvious that in a number of respects the new phenomena and needs have become contrary to the old theses and to the traditional methods of economic thinking. The essence is not that the old theses lose their validity, but rather that the old situations, interests and circumstances have changed. The character of most of the economic theses is not like the law of gravity, because due to their character and system of interrelationships they are valid for specific situations and circumstances (but without us stating so, or without defining the validity circumstances of the theses).

In the balance of this article I will speak briefly about the problems which to me appear important during the course of rejuvenating the economic ways of thinking.

1. The first problem is "construction" of a new type of economic development within the activity system of the national economies and world economic relationships.

We are talking now not only about getting to know better the economy's operating system (the world of economic phenomena), but also about the fact that the circulation system--which formed the basis of distributing the activities and the incomes (profits)--, built on cheap energy and raw materials, and favoring the processors, must be replaced by a new system which will take into consideration natural resources limitations (that is, it will start out with high prices for raw materials and energy), and which will distribute the economic activity on a new basis among the national economies and enterprises. Can this alternative type of economic circulation be constructed in such a way that employment, the standard of living, and monetary purchasing power remain within bearable limits, that a relative equilibrium be created, that the international economic links grow in a cooperative spirit within the system of mutual interdependencies, and that it be possible to decrease the severe dangers which threaten humanity?

The construction of such a development type must be placed on the agenda at all costs because with our present system of means we are at best able to influence the "spontaneous" development of these processes in the "closed national economies." However, the era of closed national economies has expired.

Further, an answer must be given for the problem of whether the goals have to be drastically "reduced" in the new type of development, or--after an adequate period of transition--can the dynamic growth (naturally under the new conditions) of the economy and society be made a goal again?

2. The "economics of natural resources" must be worked out. Until now the science of economics--apart from a few notable exceptions--has "sublet" this problem to the geologists, mining engineers and agricultural experts. In the situation which has developed (evaluating the limits of the resources) it is not enough to study what economic results can be achieved from the resources (including the agricultural soil) with how much equipment (material).

We must examine the substitution possibilities between renewable and nonrenewable energy sources, how to insure their renewability (replenishment), the effects of their production methods and processes on the way the reserves will develop (remaining reserves), the practical allocation of primary processing (considering the large fuel consumption of transport), the utilization of wastes, efficient structure of the processing industry's technology with raw materials, development of a system of interdependence based on new foundations between the raw material producers and the processing industry (the coordination of interests, identification and implementation of the cooperative opportunities, the interest relationships between national economies which have and the ones which do not have raw materials. the huge set of problems of producing raw materials from the ocean, etc). In the questions mentioned there is a need for systems which take into consideration the interests of the national economies as well as those of the world economy, since the national economies operate within the frameworks of sovereign nationalist states. but we have only one Earth, and humanity;s general interests (in this sense we can speak about world economic interests) must also be considered.

3. The rejunvenated economic science must be more multidisciplinary in character. since the phenomena of society and the world surrounding us have become so interdependent that isolated approaches to them no longer make it possible to understand the movements of the phenomena with respect to each other and influened by each other.

The individual and society perform very many kinds of activities. These activities as well as the individual motivations and institutional systems directing them, simultaneously support and cross each other. The contradictions--the ultimate source of which is in the individual--cannot be eliminated. In such a complex and sensitive society as the one in which we live today. the various (economic, political, military, cultural, ideological) types of activities strongly influence each other, but in the present social directing and governmental methods this is hardly ever taken into consideration.

The individual activities in themselves involve risks or in comparison to the others. However, the present concept and measurement of risks cover only one's own discipline and do not take into consideration those risk factors which as a result of a decision made will appear also in the system of conditions of the other factors. In the present interdependent, dangerous and critical era there will be an absolute need to foresee and express the socio-political, military, cultural, etc. consequences of the economic measures, and alternately the effects that the political, social, and military decisions have on the system of economic conditions. However, there are or there can be measures which politically or militarily represent a relatively small risk but strongly deteriorate the system of economic conditions which in the future may nevertheless still cause severe political or military consequences.

Therefore, there is a need to be able to compare the risk systems of the typical types of society's activities and to recognize the intereffects of the various types of risks.

The increasing number of economic resources being used for other than economic purposes place a heavy burden on the economy due mainly to the economy's militarization. In time this trend may assume such proportions that it may endanger the economic activity's own operational and condition systems.

4. Among the factors influencing economic growth, the ones related to natural conditions, populations changes, political and social changes, and education are of longer range and at the present just barely influence, or do not influence at all, the concrete economic phenomena and relationships which can also be quantitiatively expressed and which concentrate on the market.

However, the individuals and institutions participating in economic activity receive their information indirectly and primarily by means of the economic categories (prices, demand, supply, profit, interest, etc). Thus their activity to a great extent "independent" of fundamental, long-range factors. The economic result is primarily the product of the world of short-range phenomena.

It is impossible to imagine continuous and planned (well thought out) responses to the long-range effects under such circumstances since it would be contrary to the requirements of present economic policy. As a result conformance to the long-range factors could only be implemented by jolts and in an elementary manner when the long-range factor in question gained strength with time and also appeared in the concrete economic categories and market conditions.

This course of events is very dangerous in an era in which

a) the existing institutions and mechanisms basically express the interrelationships of a past era;

b) the economy--due to its extreme sensitivity and severe equilibrium problems--can hardly endure jolts of such elemental strength as the ones which used to accompany the introduction of long-ignored long-range phenomena into the sphere economic policy (market).

Because of this there would be a need now to develop and introduce such an intermediary system which would introduce the world of long-range phenomena into the economic policy gradually, and in a "time-proportional" manner (in harmony with its increasing intensity).

5. Our system of economic means must also be re-evaluated from the viewpoint of its "explodability". That is, in an especially sensitive, dangerous and interdependent world many methods become unusable which were practical earlier--even if they involved greater or lesser risks or crises.

6. The relationship between local economic disturbances and crises, and the operation of world economic system should be re-evaluated.

In conclusion I would like to emphasize that the science of economics must accept the challenge and must attempt to find new answers for the new phenomena--abandoning its own earlier systems of thought and action.

Rejecting the new problems--which may also take the form of declaring that the old systems of thinking and action are the only feasible ones--will sooner or later lead to severe confrontations between society, politics, the public opinion, and economists. It must also be expected that if the real solutions (developed by accepting scientific risks) are not implemented, various dangerous pseudosolutions and pseudoprograms will be born when the hundreds of millions [of people] suffering from the crises, and the disenchanted "extreme leftists" find each other. The sphere of these may extend from the Mohammedan "economic science" (developed on the basis of the Koran), to terrorism and to the distruction of the developed world's institutional system.

If science is unable to develop an economic system for humanity in this complicated situation which will be in harmony with the requirements, than later--after the attempts to solve it by relying on pseudotheories, but on real mass strength and mass efforts will have collapsed--everything will have to be begun again (under much worse circumstances), and indeed in a sensitive and dangerous world, things might even come to an far worse conclusion.

We can prevent these great dangers only by goal-conscious activity, wisdom and cooperation.

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ECONOMIC REGULATION CHANGES FOR 1981 VIEWED

Budapest NEPSZABADSAG in Hungarian 3 Dec 80 p 10

[Article by Dr Peter Medgyessy: "Economic Regulation in 1981"]

[Text] With the first of January we had to adjust, in respect to several points, the economic regulator instruments in harmony with the Sixth Five-Year Plan. In modifying regulators it is always very important to study thoroughly to what extent the regulator system which had already been introduced and is operating redeems the hopes that have been put into them and how it is promoting the realization of our economic policy. It was in such connections that we had to analyze also our experiences this year.

In support of our economic political goals for the new five-year economic plan starting in the future, we changed already in January 1980 the price and financial system in essential elements. We adjusted the standard for enterprise management more closely to international requirements, or are now adjusting thereto. This is expressed in the system of price formation, the operation of the price mechanism and the financial means linked thereto, in the support policy and in taxation of enterprise revenue.

The regulation in effect since 1980 reflects the main efforts of economic policy, the requirement to transform the enterprise product structure and to improve the foreign economic balance on the basis of efficiency growth. These efforts serve to support the even development of our economy, to guard the living standard results achieved thus far, and to permit us in this way to establish the basis for a later, balanced quality increase. Hence we are speaking of ambitious goals for the attainment of which we have this year taken only the first steps.

The 1980 Experiences

We still do not have a detailed evaluation and analysis of economic development in 1980, although we can already fairly well assess our results, our problems, and the first signs of changes. The basic effort of economic policy for an improvement in the foreign economic balance is being fulfilled. In 1980 our enterprises were more equal to the requirements of the international markets, their export activity became more flexible, they meet deadlines more exactly than before, and their commercial and price work has also improved more favorably.

The improvement of the external balance is largely related to a more restrained domestic demand, and it can be evaluated as the first step in a process. We still have to wait for a strengthening of competibility, for an essential change in an economic structure that adjusts better to demand, and for a dynamic expansion of production adjusting to the requirements of foreign trade balance.

Enterprise revenue attains the goals, despite a slower production expansion than estimated, and in fact it even exceeds the goals to a small extent. The analyses that have been made thus far support the view that enterprise profits of greater size than expected are due to a number of factors. In many areas, including the light and the chemical industry, we arrive at eliminating the manufacture of products with the least favorable efficiency. There has been an improvement in the efficiency of enterprise work, and export prices are more favorable. Some improvement has also been experienced in the areas of material economy and cost management. However, in the development of additional revenues a role was also played by the fact that with the price changes some enterprises acquired profits that were not proportional with the work and were not supported by economic achievements.

In summarizing the experiences we may say that economic policy has correctly designated the main tasks, our economy is developing in the expected direction, but we still do not exploit our possibilities adequately, and in some areas progress is less than it should be. Two essential deductions can be made from this for the 1981 regulators: 1. It is not necessary essentially to change the price and financial system which supports higher requirements and was introduced in 1980. 2. We must consistently maintain in our management the line which we followed this year, and therefore we are justified in adjusting the regulation in 1981 in harmony with our earlier intentions.

The Main Direction of the Modifications

The economic environment in which our economy is developing contains constantly changing elements, and therefore the regulation must also be changed from time to time. In connection with the thorough preparation of the new enterprise five-year plans, however, we also emphasize that we will not need essentially to change in the coming 5 years the price and financial system introduced this year and which will continue to operate beginning in 1981 with minor adjustments. Economic guidance is striving to see that the necessary regulator modifications, in knowledge of the basic lines of internal and external changes, should be calculable beforehand for the enterprises, and that in this way there will be a secure basis for enterprise, risk-taking, and thinking ahead.

Following these things, let us look over the substance of the 1981 modification. (We already reviewed in the economic section of 12 and 26 November issues of our newspaper the modifications affecting agriculture and the area of wage and earning regulations, and thus we shall only refer briefly to these changes in this article.)

1. The main line of the modifications for next year are in the narrowing of various exceptions, one-time handling, and subsidies. In harmony with this we are reducing the amortization payment subsidies in coal mining, soda water and beverage production, and wholesale and store retail trade. In centralizing amortization, we will arrive in 1981 at a gradual approach to the general conditions in the lime and cement industry, meat and poultry industry, public road and taxi transportation, and the restaurant industry.

We shall also arrive at a reduction in the reimbursement of the differential producer sales tax in the light industry since the extent they have been applied thus far is not justified by calculations subsequently performed. The extent of the supports granted to agriculture and the food industry will be reduced and we have arrived at establishing the tax reimbursement in iron metallurgy and the vegetable oil industry.

In harmony with the price and cost changes, we shall moderate various supports of an agricultural type, or shape them in such as way that the farms will have a greater interest in improving achievements and in a faster conversion of investments.

Increased City and Village Development Contributions

2. The moderation of variations in the regulations will in itself not assure the maintenance of the planned limits of enterprise funds and the desired increase in state budgetary receipts. The efforts at guarding the living standard will not make it possible for the state budget to moderate the public social expenditures although there will also be occasion in general for reducing the growth rate in this area. Moreover, the increased world energy problems will also place important additional tasks on the Hungarian state budget because the development of the energy management area increases expenditures considerably.

For the above-mentioned reasons, adequate harmony does not exist between the increased tasks of the state and its share in total revenues. This justifies the modification whereby starting on 1 January 1981 the city and village development contribution will be 15 percent instead of the 10 percent which has existed thus far. This measure will contribute to a better harmony between budgetary revenues and expenditures in such a way that it will at the same time increase the revenues of the councils and their foresight, interest and responsibility in respect to the work of the managing units in their areas. In this connection it should be mentioned that like the city and village contributions the state agricultural taxes must also be paid to the councils and that 50 percent of the profit tax of the council enterprises goes to the local council organs.

In the interest of purchasing power outflow in harmony with the possibilities of the economy, the enterprise wage development realized in 1980 and the wage reserves formed this year cannot together exceed 15 percent of the 1979 wage bill. Reserves formed before 1980 and this year must be brought together, and at the most only a further 3 percent wage level increase can be granted beginning in 1981 from the wage reserves over and above the wage development that can be realized on basis of the given year's management results. A wage reserve of a greater amount than this can be used only to attain an actual wage level increase of 4 percent.

4. In the coming year we must operate consistently the new price system which was introduced this year. We must strengthen in every area of the economy the role of prices in energy and material savings. Considering the requirements for transforming the foreign economic balance and the production structure, the operating price system is well supplemented by a flexible foreign exchange rate policy. Carefully weighing the effect of the exchange rate policy on export capability and on the development of domestic prices, we must on the basis of foreign price formation count on a changing exchange rate in the future as well. It was in this sense that in October we changed the forint-transferable ruble exchange rate, and in accordance with a coordinated effort we are correcting as necessary the exchange rate of the forint as compared to convertible currencies.

Timely Orientation

We have emphasized only the most essential elements of the 1981 regulator changes. The organs of economic guidance are striving to bring the modification to the attention of the enterprises in adequate time, and thus the entire essential statutory provision was published on 30 October. It is evident therefrom that economic management wishes to travel in the future as well on the same path as this year, giving incentive to enterprises and the cooperatives to the fulfillment of the new requirements, and to greater consistency. We can hold our place in the new circumstances of the price and financial system, which reflect actual conditions, only if the gradually developing quality changes strike permanent roots in management. A good basis is given thereto by the 1980 results, and the work of various enterprises is already providing an example of the possible and necessary development.

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MODIFICATIONS IN WAGE SYSTEM FOR 1981 VIEWED

Budapest NEPSZABADSAG in Hungarian 26 Nov 80 p 10

[Article by Dr Gyorgy Rak, head of autononomous group at the Ministry of Labor: "Control of Wages and Earnings in 1981"]

[Text] Several elements of the wage and earnings control system affecting the personal incomes of enterprise employees have undergone substantial modification as of 1 January 1980. The aim of these modifications was to exploit the incentive potential inherent in wages to ensure that the wage and earnings control system contributes effectively to improved efficiency of enterprise operations and more efficient utilization of the workforce. The modified regulations applied stricter standards to enterprises while at the same time enabling them to become more flexible in the area of wage management.

This Year's Lessons

This year, a larger percentage of the national economy was under the wage bill control system because this type of regulation provides greater incentives for enterprises to release excess manpower. For the majority of enterprises, wage development is fully or partially dependent on the economic performance and results of the enterprise. In areas where increased employment is justified, the form of regulation in use is the average wage control system.

Relative to the level set by past regulations, the amount of performance improvement necessary for an annual 4 to 4.5 percent wage increase has been set higher. The restrictions that represented an obstacle to incentive-conscious wage management in enterprises with better performance have been removed. For example, wage levels may rise 9 percent and still be exempt from wage increment levies (compared to 6 percent in the past) provided that enterprise performance improves adequately. Wage increases not exceeding 2 percent are permitted in enterprises which do not fulfil general requirements. In the construction industry, anticipatory wage development was permitted in 1980 to be covered by expected wage increases allowed for next year.

1980 may be considered a year of transition from the standpoint of evaluating the modified wage regulations. Enterprises need more time to adjust their operations to changing requirements. The emergence of sensible enterprise policies was af-

fected by the fact that the price and income regulation system has been altered at the same time as the wage control system, leading to the reshaping of the profit structure of enterprises and forcing enterprises to reduce uneconomic production, modernize their product structure, increase the proportion of products that can be exported economically, engage in active marketing policies and reduce costs. These changes have increased profit incentives and demanded greater efforts from enterprises toward improved efficiency. Improved results, combined with wage development arising from manpower savings, have allowed for more differentiated wage increases, varying among enterprises.

Careful Wage Management

Wage management in 1980 was affected by transitional uncertainty arising from a requirement to recalculate the so-called base indicator of wage development (used to measure enterprise performance) in terms of new regulations and new producer prices in order to achieve comparability with last year's data. As a result, the majority of enterprises were conservative in their wage policies and deferred most wage increases until the second half of the year. The enterprises which gave wage increases during the first half of the year were mainly those that were in a position to plan their operational results with great certainty of were able to increase wages as a result of manpower reductions. Employment declined in industry and construction at a faster rate than planned and also faster than in preceding years. (This was due in part to incentives provided by wage regulations and in part to declining output.)

Because of the problems mentioned, the conservative wage policies of enterprises may be considered reasonable. In this connection, the fact that a number of enterprises modernized their internal system of incentives and strengthened the correlation between individual performance and wages can be considered a positive development. Real wage development this year will be smaller than it could have been in a number of enterprises, due to transitional uncertainties. Wage controls permit a carryover to 1981 of wage development opportunities left unused this year. (This is more sensible than paying them out at the end of the year without regard to performance. The reason is that wage development kept in reserve may provide more favorable material conditions for incentives next year.)

No Substantial Modifications

Wage regulations will not be modified in a substantial sense during 1981 because this year's experience does not indicate a need to do so. The fundamental economic policy goal of 1981 will continue to be improved efficiency, and reduction of manpower within enterprises, resulting from product structure transformation or other reasons. To encourage this, the wage bill control system correlated with performance levels will apply to the majority of enterprises in 1981. In areas where profit incentives do not apply for one reason or another, or where it is necessary to increase employment, the type of wage regulation to be used in 1981 will be the one appropriate to the situation. The form of wage regulations applicable to specific industries will, in general, remain unchanged; in some areas, however (especially in the food industry) wage regulations more suited to the specific character of operations will come into effect.

The general parameters of the wage and earnings control system (wage multiplier, the size of centrally approved wage bill or wage level increases, etc.) will remain unchanged, since the 1981 target for average nominal wage increases is the same as in 1980. Wage savings arising from manpower reductions may be used by enterprises for average wage increases limited by a ceiling of 3 percent.

The following rule is not new but will be applied across the board for the first time in 1981: the maximum average wage increase to be awarded in 1981 as an advance to be deducted from next year's (1982) wage increase allowance is limited to 2 percent. This may be paid in advance when justified by economic conditions, provided that the enterprise is able to fulfil the prerequisites for utilizing wage advances by fulfilling a moderate payment obligation.

In case of declining enterprise performance, i.e., a reduction in the wage development index during 1981, it will be necessary to reduce the total wage bill available to be paid out. The reduction may not exceed 3 percent of the wage bill. This rule provides an additional incentive to reduce the workforce at the enterprises in question. With more efficient operation, the deterioration of the wage development index may be avoided, together with the resulting obligation to reduce wage bills and employment levels.

On the Utilization of Wage Reserves

The 1981 modification of the wage and earnings control system is aimed at better internal consistency of economic regulation while keeping wages within planned limits. Basic principles will, however, remain unchanged. The modifications mainly concern those enterprises that put some part of their wage development allowance for 1980 or preceding years in reserve. It is important to recognize that the limitations set by regulations adopted in previous years did not encourage enterprises to keep wages in reserve when doing so would have been sensible. For this reason, many enterprises gave wage increases at the end of the year even in cases when the wages paid out would have been needed even more for wage development next year.

The regulations applying to utilization of wage reserves accumulated prior to 1979 are not the same as those applying to wage reserves created in 1980. This made it necessary to arrive at uniform regulations for wage reserves and to simplify legal provisions. Wage reserves created prior to 1979 must be recalculated according to previous regulations governing their use. (In practice, this means that about one third of these reserves may be used in 1981.)

To avoid unjusitifed wage payments at the end of the year, the modified regulations set both the size of wage reserves carried forward from 1980 and the size of wage development for the current year. This level is relatively high: for the great majority of enterprises, it represents no real limitations. For example, an enterprise had the opportunity, on the basis of improved efficiency, i.e., the wage development index, to raise wages by 10 percent but raised them by only 5 percent, then the unused 5 percent wage development allowance may be carried forward for future years. If, on the other hand, they had the opportunity to raise wages by 15 percent but raised them by only 5 percent, then they can put 10 percent of wages in reserve for 1981 or later.

In general, at most 1 percent of wage reserves could be used in 1980. Starting from 1981, 3 percent wage increases may be given out of wage reserves above and beyond the wage development allowance for the current year. (If the wage development allowance of the enterprise is less than 4 percent, they can still give 4 percent wage increases out of wage reserves.) This modification significantly increases the ability of enterprises to carry out wage policies over a number of years, since existing wage reserves may be used in 1981 or in subsequent years. It provides an opportunity to cover transitional wage requirements arising from various programs within enterprises (e.g., plant or work reorganization, manpower regrouping, quality transfers, etc.) which were not possible in the past.

Employees Working at Home and Services

Employment of people working at home has become more advantageous in line with employment policy goals, since only 50 percent of the wages paid to them comes under the regulation or, when appropriate, wage development levy obligation. Centrally supported wage development of consumer service enterprises is aimed at encouraging the development of service activities, as is the increase from 3 to 4 percent of the wage preference given to enterprises engaged in consumer service activities. For similar reasons, the wage multiplier related to growth of sales receipts in the food trade was increased from 0.15 to 0.2.

On the basis of the foregoing one must hope that the 1981 modifications to wage regulations will lead to the desired effects by contributing to the stabilization of the economic situation and the preservation of existing real wage levels and living standards. On the other hand, this also requires that enterprises utilize their wage development potential in a careful and thoughtful manner, in line with improved efficiency,

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DECENTRALIZATION, EFFECTIVE MANAGEMENT DISCUSSED

Warsaw POLITYKA in Polish No 42, 18 Oct 80 p 4

[Article by Tadeusz Sawczuk]

[Text] An article by Cezary Jozefiak (POLITYKA No 37) caused me to reflect upon the possibilities of constructing a system of economic management that would be effective in our current situation. Among professionals, the prevailing view is that there is no ideal system. Among other things and for this reason, they have relied in recent years upon the search for a standard (or set of standards) and the funds for material incentives connected with it, which contains the fewest elements which can be converted into counter-stimuli for increasing the operational efficiency of our economic organizations. Concluding that heretofore we have had economic systems without economy, let us now try to have economy without an economic system.

Let us entertain a proposal for abolishing all standards, directives, limits and rules, as well as any sort of indices and parameters which have up until now been directed at the enterprises. Let us consider how in such a situation the probability would increase that disproportion and disequilibrium would be intensified, or simply that economic chaos would ensue, and to what degree this would make possible the rapid utilization of undeniably existing economic reserves.

Despite a rather rich literature, we cannot find in our reading what the concrete meaning is, on an economic basis, of a developed socialist society. Intuition causes us to suspect, however, and practice (especially in recent months) strikingly confirms that, among other things, it is a society which does not tolerate a lack of responsibility or the lack of a guarantee that responsibilities will be met.

The developed socialist society is that society which does not need to be told centrally (or even individually) what its interest is and how this interest is to be realized. The economic center cannot--because it is technically impossible--be responsible for partial market equilibrium. Nor can the management cadre of economic organizations which has been deprived of authorization and competence be responsible for it. As a result, we have the following situation: a lack of equilibrium and noone responsible for the permanent disequilibrium.

The Sphere of Competence

Against a background of the above remarks, we publish several words in a polemical vein from the views of C. Jozefiak, since there is managerial agreement on the proposed solutions even though these differ from one another in tempo and in the extent to which they are put into practice.

Agreeing with the assertion that "somehow in the perspective of several years, restraint of the managerial cadre of our enterprises will be forced by the economic situation," one must nevertheless point out that restraint imposed by the economic situation is one thing and restraint by order, prohibitions, limits and even parameters from above is another. For this reason one cannot completely share the view that "leaving to the enterprises the concern of how to cope with the supply of these production factors, whose lack is due to shortcomings in the inter-branch allocation of investments, would be the decentralization of irresponsibility," nor agree with the statement that "so long as the economic policy of the government does not remove the main disproportions, then a substantial range of rules and regulations is inevitable" and so these statements evoke a certain doubt.

First, it is not possible to relieve the managerial cadre of supply worries. What is more, one is not free to create the conditions in accordance with which the managerial cadre would feel itself freed of concerns connected with effective supply. Moreover, there will not be a disclosure that the managerial cadre of a particular economic organization is more discriminating than the economic center. For in many instances the economic center has false information wholly fabricated by the producers of deficit production factors, which are lowered or raised and rarely reliable regarding the production capacities of the enterprises which are creating the deficit products, and where, when and for how much it can and should buy the kinds of material factors of production that it needs. At this point one needs to emphasize strongly the necessity to restore the proper dignity to commercial contracts between the supplier and the customer. The horizontal links among economic organizations should act as the basis for the building of production plans, and not the vertically (from top to bottom) transmitted economic and financial indices which are but a simulacrum of the assumptions of the National Socio-economic Plan (NSEP).

Second, the priorities supplied, as practice shows, have a tendency to be inflationary and to artificially increase the shortages even of such meager stocks of regulated products, and, in practice, the priorities (both in supply and demand) are not complied with.

Third, in the majority of basic economic organizations, the supply services (due to real and artificially caused difficulties) are several times greater in number than market services, which, on one hand, confirms the low efficiency of central distribution of deficit raw materials. On the other hand, the potential for human ingenuity is capable somehow of "digging out from beneath the ground" the materials needed for production--if only centrally developed and transmitted supply indices and limits would not prevent it.

The Race Forward

Giving full freedom to the management cadre of our essential economic organizations would obviously be "decentralization of irresponsibility" of a certain kind, but there is simply no other way out of this "strangled" economic and social situation.

J Mujzel has good reason to write (Zycie gospodarcze No 19/80) that: "The point is that we must identify all reserves and place them in motion as quickly as possible, transforming the linkage between equilibrium and system from the negative to the positive." The author writes further: "..., that waiting to modernize the system until the time that equilibrium will have been established everywhere would be to put the matter off ad calendas graecas."

The conversion of the linkage between equilibrium and system from negative to positive requires a suitable period of time during which no system of administrative features would function which would determine the economic and social processes in our essential economic organizations. To move from reverse into forward requires at least a second's stop, otherwise one can destroy the entire drive mechanism. In an economic and political mechanism, that period of time which permits one to pass from negative linkage into positive is precisely the time when the economy of the essential economic organizations functions without the restrictions that characterize every system of central management, irrespective of whether it has a preponderance of directive elements or parametrical elements.

The economic organism itself regenerates minor illnesses which arise as a result of a lack of operational interference by the center in the running of essential economic organizations, while simultaneously developing those which will demand surgical procedures carried out by the economic center. The practices for treating the symptoms of economic illness which have been used up until now are replaced by prophylactic measures. Permitting oneself a not too delicate but graphic comparison, one can say that in many instances heretofore, the Planning Commission of the Council of Ministers (and other central economic agencies) has been the office of a great national warehouse, registering receipts and expenditures without calculating the wastage that arises for various reasons, wastage which we have covered up and must continue to pay for as a society. Thus, treating the symptoms not only did not destroy the diseases, but intensified them.

Alleviating the central economic agencies from current interference in the operation of our essential economic organizations will enable these agencies to better observe economy-wide phenomena (to diagnose them more fully) and to work up programs for the correct development of the social and economic organism. Moreover--and this is equally essential--abolishing the direct "accounting" of economic organizations will reveal quite strikingly the uselessness of many intermediate levels of production management. Hundreds or even thousands of "mailmen" who never move from their places (most often very highly educated), who deliver indices and data up, down and to the side (not infrequently useless or false), would either begin to work as real mailmen (and there is a shortage of deliverymen) or perform work that restores the dignity and importance of the profession of economist.

The proposal to abolish entirely the "institution" (which long ago began to live by its own laws) of directive-limit-index management and accounting of the essential economic organizations is in no way a proposal to leave them to themselves, for they operate in a socialist economic system together with its historical and social conditioning.

Contracts, Not Indices

We have a social contract, we have expressly recorded tasks that we must carry out in a shorter or longer period of time. On the other hand, as a matter of fact, we do not yet know how to fulfill these obligations within the stipulated terms. Appeals to do good work and to increase efficiency in management have a chance of being transformed into action after abolition of the institution spoken of above. I see this opportunity in the concretization of the social contract in the form of agreements with the administration (professional and social) of the essential economic organizations. Such contracts would replace the existing practice of concluding agreements on the work of the members of the directorship by appointment or confirmation by a higher unit. The proposal to conclude long-term contracts with the directorships of the essential economic organizations is not new and was already the subject of study as a particular form of management by objectives (the determination of goals).

In such a contract, the management would be bound to a reasonable administration of the production potential allotted from the national wealth, guided by the economic calculation of social needs formulated in commercial contracts and with trade unions which would guarantee a fair level of remuneration for the labor force. This activates the principle that states that the type of work determines the type of pay and contributes to the creation of an authentic feeling that each person in the work force is not only a co-owner of the means of production, but is first and foremost their co-manager. For the abolition of directives creates a situation in which there are no opportunities to explain to the labor force the superiority of carrying out quarterly, monthly, or even decade-long indices. There will be no need for assault-like efforts to complete production at the end of the quarter--instead there will be a need to finish production, e.g., on the 2nd of July at 1732 hours, for this is what results from commitments or conditions.

Assuming the overall operations of economic organizations by contract and not calculating them from several hundred indices and limits will end, among other things, the practice of falsifying reports. The economic organizations will begin to analyze the economic and financial situation for their own purposes. The records and analyses will be shifted to the "internal sphere" of these economic organizations and not to the external sphere as the basis of their evaluation by higher organizations.

The degree to which the tasks negotiated with the managerial cadre are to be realized must be evaluated upon completely different grounds than has been done heretofore. "In efficiency stimulation, initiating a consistent system of evaluating the managerial cadre is essential. This is an irreplaceable store of stimulation. It is proposed that this evaluation be based upon three criteria: the discipline of the plan, current performance, and developmental dynamism," wrote Professor Mujzel in the article cited. I subscribe to this proposal. At the same time, I understand the discipline for fulfilling planning assignments to be the degree of execution of the plan erected upon a basis of contracts and horizontal linkages, and not upon a basis of directives from on high.

The present system of evaluating and encouraging the managerial cadre of economic organizations is based upon the conferral of bonuses tied to the amount of profit gained, as my studies at the Institute of Finance show, and does not result in an

increase in efficiency; and in many instances it was outdone by other systems of evaluations. Profit as a measure proved inadequate. Hence there began a reactivation of other measures (an increase in export production, discipline in payments from the discretionary pay funds, a reduction in the level of costs, a reduction of individual costs, etc.), which did not bring about the expected results and contributed instead to the disintegration of the motivational system of the managerial cadre.

The evaluation of the work of a managerial cadre by higher units cannot be objective from several points of view. Therefore the postulate of J Mujzel contained in the article cited is pertinent here; it states that the evaluation is to be carried out by a panel of experts. Such an evaluation based on criteria provided above would ascertain to what degree the managerial cadre meets the needs of the customer and whether it has utilized the possibilities for correcting operational efficiency created by changing economic realities, and not the degree to which it has fulfilled its planning tasks.

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ZAGREB JOURNALIST CRITIQUES ECONOMIC DECISION-MAKING

Effects of Devaluation Diluted

Zagreb START in Serbo-Croatian No 306, 15 Oct 80 pp 34-36

[Article by Milan Gavrovic]

[Text] The economic difficulties that fact Yugoslavia can only partially be explained by objective circumstances, such as the energy crisis and growing inflation throughout the world. Many problems are the results of erroneous economic and political decision-making, lack of consistency and mistakes in developmental plans, and insufficient responsibility on the part of the creators of economic policy. The positive effects of devaluation are already seriously threatened, among other things by the failure to rein in investments and by the rapid increase of prices. These assertions were confirmed in the discussions at the recent plenum of the Central Committee of the League of Communists of Yugoslavia, where the causes of the present situation were indicated. START's permanent correspondent, Milan Gavrovic, writes about the actual causes of the economic difficulties in Yugoslavia.

What has devaluation brought?

It has brought the disillusionment of all those who naively believed that by some decisive, radical measure (and bang, here it is—devaluation), everything would change fundamentally, so that in the future only the good fairies of productivity would flit around us, while the sorcerers would create great and small consumer visions.

Human memory, truly, is not engraved on solid granite tablets, and so in only 7 or 8 years we have forgotten many lessons learned at the beginning of this (soon we will say the past) decade. That was a period in which we recorded two devaluations in a single year. And so there will be no alarm, that was a wise action.

In the same way, it was wise to devalue the dinar in the middle of this year, and it would have been even smarter to have done that a year or two ago. Thanks to that, the actions for increasing exports and reducing imports were possible, and in the past months these actions have given unquestionably favorable results.

The authors of devaluation--and let us so name them--did not, however, have unrealistic illusions. This was a mathematical, and not a romantic undertaking. Here is a sentence about that from the authorized stenographic record of the presentation of Veselin Duranovic at a recent session of the LCY Central Committee: "The change in the exchange rate of the dinar was calculated so that a level of inflation by year's end of 30 percent would not seriously threaten the effects of the change in the exchange rate, but every percentage point above that level would progressively devalue those effects."

Incidently, retail prices (according to which inflation rates are measured) were 28.3 percent higher in August of this year than at the same time the preceding year. The wave of autumn price increases had not yet effected that calculation, but it will obviously add dangerous points of inflation that will diminish the results of the devaluation of the dinar.

A free interpretation of the sentence cited above might lead to the following conclusion: The positive effects of devaluation were calculated to year's end, their dilution was expected and there was no notion of living in the false hope that the unfavorable trends in the economy could be halted quickly, let alone that their deeper social causes could be overcome. A tendency to poetry (and we know that Duranovic has written poems) obviously need not harm political realism.

What kind of equations did the devaluation mathematics contain? In essence only one, a comparison of the rate of price increases in Yugoslavia and in the countries with which most Yugoslav trade is conducted. This entire little planet is caught up in inflation, which is still another sign of deep social contradictions. For the moment, the wealthy countries are getting along better in this situation, and the entire world economy follows their example.

THE ECONOMIST of London presents the following date on the growth in consumer prices: In Italy the rate is 22 percent, in Britain 17, in France 13.5, in the United States and Sweden 13, in Canada 10, and in Japan 7.7 percent. All of these figures are the for first 7 months of the year; more recent date, for 8 months, show 7 percent inflation in the Netherlands and 5.5 percent in the FRG.

It is very easy to perceive the connection between inflation and social stability or instability in individual countries. That factor also becomes increasingly apparent in the centrally directed economies, although a somewhat different picture dominates there: There are no rising prices, but neither are there any goods to buy. (That is, other than in the newspaper reports about shock-worker overfulfillment of the plans.)

In the industrially developed countries with market economies, in the first 7 months of this year, the OECD countries had an average inflation rate of 12.4 percent. While the EEC countries of Europe (the so-called Common Market) had an increase of 12 percent. These are the statistics with which we should compare Yugoslav inflation of 28 percent, in order to see the tempo at which the effects of devaluation are being eroded.

Devaluation is not a Policy

From this it should not be concluded that devaluation was senseless because the old situation was soon restored. Devaluation by itself is not a policy. A policy would be the determination to accept the true convertible currency value of the dinar. That is a component part of the decision to restore self-management relationships. Without objective market criteria, and a true exchange rate is one of them, wise decisions cannot be made of either a management or self-management nature. "One alternative to the market economic system is the strengthening of bureacratuc, technocratic centralism, regardless of the type and level." This well-known fact was repeated by numerous speakers at the recent LCY Central Committee plenum. (The above formulation is a direct quote from Stefan Korosec.)

Thus the crucial question is why inflation is more rapid in Yugoslavia than in other European countries. Four years ago, during 1976, prices in Yugoslavia grew at a rate of 9.1 percent, while in the OECD lands the rate was 8.5 percent. That was essentially an insignificant difference. Since the, Yugoslav inflation has tripled, while in the OECD countries it has increased only 50 percent to 12.4 percent.

A part of the cause has an objective nature. The richer countries were easily able to pay for the energy crisis and succeeded in correlating energy costs to the increases for industrial machinery that they were selling. Wisdom, however, is more expensive than oil. Both the price increases hit us in Yugoslavia.

All of these objective circumstances existed already 4 years ago (the energy crisis began in 1973). Therefore, something happened in Yugoslavia that crucially diminished our ability to maneuver in dangerous waters that are full of underwater reefs, in which waters the world economy was sailing.

In writing about Yugoslavia, some foreign newspapers use the old cliche; they fill in the same forms every time, as reporters would put it. According to them, this is evidence that the system does not function as it should, that in practice self-management is not being confirmed as an effective mechanism for decision-making. It is an old folk saying, brought into modern psychology, that everyone who talks about someone else is in fact talking about himself. In the crisis of democracy that it is facing, the modern world takes an ambiguous stand regarding Yugoslav self-management: it observes what is taking place with interest and sympathy, probably seeking answers to many of its own dilemas; or else it rejects the overall Yugoslav development, thereby showing its fear that adoption of the Yugoslav experience might lead to an erosion of the prevailing social relationships in their countries.

The State of the Spirit

Lack of faith in self-management is also manifested at times in our own debates. For example, one again hears that labor collectives should be required to accumulate at least some minimum of capital. Translated into ordinary language, that means that society (and who comprises society?) must protect itself from workers who take too much personal income, and leave too little money for development. Obviously, such a thesis speaks more of a certain mentality than about an actual state of affairs. Specifically, it is well known that for years, personal income

has been running a race with increasing prices, that this year there was about a 10 percent surplus, and that at just that moment the labor collectives by an autonomous decision increased their capital significantly (by more than half), while in many cases the possibilities that existed for increasing personal income were not utilized. The state of the spirit need not always unavoidably be connected to events that take place in life.

Neither self-management nor disturbances in the world economy can be blamed for th present economic difficulties in Yugoslavia. The true causes must be sought else where. Two thoughts expressed by Dr Vladimir Bakaric on this topic can be good guidelines:

First, rapid development, rapid progress out of backwardness, has not been accomplished by any country without serious distrubances, usually accompanied by high inflation. The relation of that statement to Yugoslavia can be concluded from the fact that in 1969 we had a per capita national income of about 550 dollars, while in 1979 it was about 2300 dollars. Even though the dollar has lost value in the interim, that speaks of rapid development. Next, in the same period of time the number of employed workers rose by 2 million people, while the living standard increased by an average of about 6 percent per year. Some other results cannot be expressed in numbers, such as the strengthening of the foundations of a new political and economic system (with the approval of the Constitution and the Law on Associated Labor), the establishment of the system of general popular defense and social self-protection, etc. Obviously, the difficulties with which we are now grappling are quite a relative notion.

The other current idea expressed by Dr Bakaric is that every snag in the development of self-management always provokes economic disturbances: "It has been shown that the strongest social sources of economic instability are precisely in those areas where self-management relationships are the least developed and the least manifested," as stated in the introductory remarks at the recent plenum by Stevan Doronjski, president of the Presidium of the Central Committee of the League of Communists of Yugoslavia.

Every economy instability has social roots. Simplified, this means that difficulties arise because the economic laws are not respected. It is an easy step to the question as to why these laws are not respected. The fate of the reforms of 1965 show that a solution to the crucial question of world socialism, as to how the shift to intensive highly effective production is to be made, cannot be found simply in the domain of so-called pure economics.

In the still insufficiently analyzed reform of 1965, (although such an analysis would be particularly valuable just now, it seems there is not enough temporal distance, that the wounds still hurt), we swore that we would use all the laws of rational economics. Unfortunately, there was not enough realization that an economic reform also requires a social reform. That process was initiated only several years later, with the constitutional amendments (especially the so-called workers amendments). In the meantime, despite the economic reform, which had the basic intention of intensifying production, the standstill in the development of self-management led to serious disturbances in economic life, with all the difficult social consequences that came with them. In the first years of the reform, instead of inflation we had declining production, a slowing of development, falling numbers of employed accompanied by departures for employment abroad and the strengthening of various, predominantly financial monopolies.

At this point it would be worthwhile to cite the following text: "The current relationships in the circulation of the resources of social reproduction can be characterized by the fact that after 1965, when the monopolistic competency of the state apparatus in that area was vacated, these functions were not taken over completely by self-management labor organizations, but rather in large part they were concentrated in banks and similar organizations in the financial and commercial sphere.

Since economic relationships in social reproduction were not formed at a suitable rate, along with appropriate self-management rights and obligations of the working people toward various forms of resources for that reporudction, it unavoidably came to new forms of estrangement of labor surpluses from the working people and their self-management labor organizations, through newly independent banks, insurance institutions, foreign trade and domestic trade organizations, and the like.

These relationships were reflected in unfavorable material trends as well." (From the report of Edvard Kardelj at the Second Congress of Self-Management Officials of Yugoslavia, held in Sarajevo from 5 to 8 May, 1971.)

Rises and Falls

One of the absurdities, or near absurdities, in the Yugoslav economy, of which some economists caution, is that its rises and falls often have no clear connection with the so-called cycles in capitalist, developed countries. We have had high rates of growth when the rest of the world was experiencing recession, and the opposite. Our recession of 1967, for example, occurred when western economies were experiencing prosperity, warn the economists.

True, but why? What affects our economy, in a much greater way than all the energy crises and much deeper crises of the old relationships in the world? Just a quick look at the development in the course of the last 15-odd years gives a clear answer. The recession of 1967 is in a direct relationship with the text cited from Kardelj. The years of stability (naturally, only relative stability, for in this turbulent world absolute stability is only achieved by rose growers in baroque parks), thus the years of relative stability during the last decade have coincided with periods in which more rapid development of self-management was taking place. The positive balance in foreign trade at the beginning of the 1970s was a direct result of the strengthening of self-management rights after the suppression of nationalism and liberalism in political life. The devaluation of the dinar in that period, mentioned at the start of this article, meant a strengthening of market criteria in economic operations. The positive trade balance and slowing of inflation in 1976 coincided with the new constitution and the action for approving and implementing the Law on Associated Labor.

Now, however, it is the end of 1980, and only one question is important: How do we go on? In his report at the recent CC LCY plenum (which some have called a "mini-congress"), Stevan Doronjski said: "Today the position of the working class in the management of income is the most important question of our future socio-economic development, as well as a political question of the first order. The continuation of the existing status spawns dissatisfaction of the working people in associated labor and a critical attitude toward the functioning of the organizations and leadership of the League of Communists, and toward the measures and

activities of agencies of sociopolitical and other communities. In some places, doubts have emerged as to whether the self-management system can effectively resolve major problems and contradictions in socioeconomic development. In this it is forgotten that such attitudes are not products of the system but rather, they represent behavior that threatens and derogates the self-management system, and that reproduces relationships that are foreign to socialist self-management."

A Question of Responsibility

The special value of the debate at the plenum was a posing the question of responsibility, not only the responsibility for work and failure to work at all jobs in the society, but the special responsibility of communists to realize their revolutionary role, in the struggle against bureaucracy for the development of self-management. It is a basic premise that bureaucracy is a relationship between people, not actual people themselves. Bureaucratic circumstances lead to bureaucratic behavior. Naturally, that is no justification for bureaucratic behavior. "Today I would define freedom as follows, if we may be permitted to cite Sartre from memory, as "that little shift that makes it possible for man not to be a completely socially conditioned being. My friend Jean Genet was conditioned by society to be a thief, but he became a poet." The reduction of the problem to behavior alone, instead of referring to the relationships that make possible power over people and the results of their labor, is by definition bureaucratic logic. One speaker at the plenum put it this way: "Bureaucracy is always ready to change the deck of cards, but not the rules of the game."

But now it is a matter of changing the rules of the game, not of thinking up something new. The self-management economic system has basically been accepted, but rather it is a matter of creating conditions that will let the system step off the paper into life. That is the only way of stabilization before us, and it involves 2 essential changes.

The first is a return to the market, which began with the devaluation of the dinar, perceived as a stand for the policy of the true exchange rate, in which it will have the permanent role of an objective economic criterion. Without the market there can be no economic independence, nor the possibility that workers in basic organizations of associated labor can realize their rights and obligations. The current flight from the market is a result of experience from the time after the 1965 reform, when various teams of the political bureaucracy and leading economic groups carried on a ruthless market game without any of the anti-monopoly barriers known by even the least serious of capitalist economies. The impoverization of the economy became of high investments in the last decade (investments decided upon chiefly under the influence of factors dictated by territorial political communities), made it impossible for the economy to withstand sharp market winds without catching pneumonia.

Therefore, nothing remained for it but to accept the life of a sick man with an IV tube, through which flows a mixture of administratively determined prices, exchange rate quotations and import rights, unrealistic exchange rates for the dinar, protection from any form of competition both abroad and at home, funds to cover losses, etc.

The constant efforts in such conditions, by some miraculous measures of economic policy, to correct the state of the economy and achieve the desired degree of stability, without touching the investments and all the rights that have been obtained, reminds one of the child's riddle about how one can transport a wolf and a sheep and a head of cabbage from one shore to the other in a boat with all arriving whole and healthy. Unfortunately, there is no solution for such a riddle for grownups.

The other essential change is the energetic reduction of investments, in the face of the "technocratic and bureaucratic hard heads who always have grandiose projects before their eyes" (as Doronjski said). In Yugoslavia, balance of payments difficulties because of the growing price of oil are often discussed. Besides oil, however, there are also constant additional expenditures for imported equipment. For example, this year 1.95 billion dollars were designated for that purpose, while it has been asserted that 3 billion have already been spent. A situation in which the share of investments in total social product is 40 percent would be enough to destabilize any economy. That figure, banalized by frequent use, we have repeated only to get to the question as to what mechanism of decision-making made possible such a redistribution of the social product: what power relationships in society led to the present economic instability?

The data presented by Duranovic show us the delusion, an otherwise rather widespread assurance, that everything has been planned well, but difficulties arise because the plans are not followed and are not fulfilled. Quite the opposite is true, for the planned values must necessarily provoke the current disturbances. By plan, and not by elemental force, we have reached the point where investments eat up 40 percent of the value of the social product, or the value of all the goods and services produced in the country. In the last two plan periods, the following portion of the social product was earmarked for investments: in the intermediate plan for 1971-1975, 39.3 percent, and from 1976 to 1980, 38.9 percent. As Duranovic stated, "That means that we consciously chose that magnitude of investment expansion and that it was built into the Social Plan, and incidentally, confirmed by all determinations in that plan, including all the some 14 agreements on priority activities in our country."

Plan Delusions

Thus it can be concluded that planning such as we had would have destabilized any economy in the world.

Aleksandar Grlickov, in showing that reducing investment is not necessary alone in order to bring balance in consumption, but also that it has a class character, because it opens the way for strengthening the material foundations of self-management, said the following: "The share of investments in the social product that exceeds 24 percent, does not give us the chance to return to the self-management mechanism. It will systematically push us into statism. It will systematically chew away at the level of utilized capacity. There will be a chronic lack of reproduction materials, as well as individual types of consumer goods."

How can investments be reduced? Once more the determination that that is a matter for the delegate system was confirmed.

It is certainly true that the delegate system has not yet assumed its role in society, but it cannot do so until crucial questions of development have been answered. As Milutin Baltic said, "We really should have revised the plan last year, and then begun to bring things into order." And such a revision would only be possible through the delegate system, and not in the structures that have done everything to "smoke up" the plan by pushing all of their ambitions into it.

From this follows the moral and the obligation to work out the new plan in a different way, which means that those who plan and the things that are planned must be changed. It is perfectly clear that the workers did not do the planning, nor will they plan for overly large investments, nor for disturbances in production and supplying of production materials, nor for parallel capacities, nor for the smashing of the unity of the Yugoslav market, nor for shortages in consumer goods, nor for reductions in real personal income... The self-management system has a firm economic logic and therin lies its strength.

The preparation of the new plan is an especially important task, for return to the market and strengthening the material foundations of self-management must vitalize action for implementing the rights contained in the Law on Associated Labor. Social power must be transferred from territorial political officials to the worker, and not to the enterprise. Economic and social reforms must unfold simultaneously.

Shortcomings of the Planning Process

Zagreb START No 307, 29 Oct 80 pp 33-34

[Article by Milan Gavrovic]

[Text] Instead of five-year planning, we actually have planning every fifth year. That realization leads to the conclusion that the practice of intermediate planning so far has been a form of violence to life, and therefore it is equal to opposing self-management, which is supposed to reflect the full richness and fullness of unhindered development. Our correspondent Milan Gavrovic writes about this burning theme.

At this moment, faced with the Hamletian dilemma to approve or not to approve the plan by year's end, we must calculate while bearing in mind the danger of again becoming the sacrifices of what Kardelj warned in the following way: "Every type of bureaucratic formalism and ruthlessness in the planning system will only weaken its effectiveness." (On the System of Self-Management Planning, The Brioni Discussions, page 132.)

Judging by the actual discussion in society we could conclude that the dilemma about the plan could be couched in the one-time style of French president Giscard d'Estaing, with a "Yes, but..." Yes, -because of the complicated international and domestic economic situations, which demand the coordinates of disciplined behavior, but --profoundly different coordinates than heretofore. In that context, the "but" has even greater specific gravity than the "yes."

The systematization of life into categories, pigeon holes and periods has led to the point where, instead of planning for an intermediate period, for 5 years, we have planning once in 5 years. Among other things, that meant that once in 5 years we had in general an intermediate, five-year agreement on mutual development. It existed only at the moment when it was approved. As soon as the following year, we had only a four-year plan, then a three-year one, a two-year plan, and finally, in the last year of the plan, we had to start all over from the beginning. Such it is this year, 1980.

In the last period of every five-year plan, social contradictions have always shown up and worsened again, while resolution unfortunately was forced under the pressure of the realization that that was the moment when the fate of the entire coming five-year period was decided.

Then the question was always posed, with increased intensity, as to how self-management development could be accelerated. It was a social determination, and for the past 4 years also a legal obligation, that the initiators and planners both must be associated producers. Joint plans must be reached by coordinating individual interests, by their conversion into general mutual interests. The method for this is self-management negotiation and reaching of agreement, which means that planning and the establishment of the system of associated labor is in effect the same task.

Instead of that, under the pressure of time and vain seeking of Archimedes' point, which would make it possible for the self-management society to be built in a single day, like a montage artifact from a package, people began to deal with "practical, vital questions." And that was always reduced to planning investments, with numerous, well-known justifications (at times for their own conscience), -that life cannot wait, that we dare not let it happen that we be short of energy or without sugar, or that we fall out of the trade network or the technological race. Yet there is another, fateful argument, —that others do not philosophize but work. In this they were always thinking about other republics and provinces, as though it were normal to have competitors at home, and collaborators abroad. Accordingly, one should grab his share at the moment when factories, roads and priorities are distributed.

Stronger Than the Law

Several "films" have already been shot using that "scenario" and in every one, the same sequence appears: obtaining the resources for initial (once called preliminary) investments, whose cessation would cause "immeasurable harm", the concentration of investment potential for the construction of new installations in the plan, the extraction of income from the economy and increasing indebtedness abroad, the utilization of newly printed money for final consumption, the weakening of the capital accumulation and reproductive capacities of the economy, the strengthening of the banks as distinctive ministries for the financing of such investments, etc. All of that retarded self-management development (about which we wrote 2 weeks ago in START No 306), while at the same time it provoked serious disturbances in economic life. It does not require much wisdom (must some good memory) to recognize that the conclusion of one and the beginning of a new intermediate plan period has always been a time of stabilization, and that in the middle of

each five-year plan investments have flourished and a serious disharmony in consumption occurred. And that disharmony was outside the plan, as has been confirmed irrefutably in recent days, and did not result from failure to respect agreements and contracts. To be precise, the data showed that in this, as in the previous five-year plan, too large a share for investments was planned from the social product.

That this is not a new problem and that our practice of planning once in 5 years calls forth, almost cyclically, the same disturbances, can be concluded from the following text, which is nearly 10 years old butyet still current today: "It is most essential that we be realistic, that we do not make plans that we will not be able to fulfill. We must also keep in mind that, parallel with the implementation of the intermediate plan, we must assure a certain percentage of growth in the standard of living of the working people. You know, that in our republic and in communities as well there still exist appetites, that everyone would like to plunder something. There are various excuses given, such as that the factory itself will pay back the money by exporting its products. That apparently seems reasonable, but it is not that easy. So far we have progressed at a very rapid rate and accomplished much, but in the future we will have to go at a calmer tempo." Tito made this statement in Stip on 10 June 1970.

Investments are the permanent obsession of planning, on which the sociopolitical communities have a decisive impact. Such plans are stronger than the law, they are stronger than anything, including the logic that 2 and 2 are 4, stronger than life. In the planning process, under the obsession of investment desires, many vital facts are revised. Just one example is the investment planned in 1977 (and a major one at that) using the prices of 1975, in which it was calculated that those prices would not change until the end of 1980. Optimism? We might rather say that it is a peculiar state of the spirit, which is characterized by a loss of a sense of reality. Not even later, when the plans clash with real life, is there a readiness to revise the plans. Crises have occurred in the world, there have been changes in price relationships and the parity of exchange rates, the bases for calculating profitability have gone to the bottom and invented sources of funds have melted away... Firm and unchanged, like bedrock, alone stand the plans.

The definitions, of course, are completely different, in both social and scientific spheres, as well as in legal terms. Kardelj spoke of the principle of "permanent plan continuity" (On the System of Self-Management Planning, The Brioni Discussions, p 134). The following sentences show that he was warning about the dangers of bureaucratic violence to life: "In my opinion, the intermediate plan cycles can differ in different organizations, they can be longer or shorter, and all subjects of planning should not be obliged to fulfill their intermediate plans in a five-year period. It is another question that they should, regardless of the type of plan dynamics they follow, coordinate that dynamics with the five-year social plan of the sociopolitical community... The intermediate plan should constantly be supplemented by new self-management agreements and social contracts by those responsible for planning who participate in its realizations, when it is shown that the long-term plan, upon which the intermediate plan is built, is not realistic..." (On the System of Self-Management Planning, pp 131 and 132.)

Kardelj's perception of the problem is also apparent in the excerpt which, while referring to the annual plan, by experience is seen to refer to a longer period: "In the same manner one should look critically at our current practice in approving annual plans... It is certainly not good practice when throughout the year various problems are heaped up that at year's end must be resolved urgently, so that as a result we are always in a "time crisis." (... Self-Management Planning, p 133)

The end of this intermediate period, which contains the convulsive effort of the society to grasp stabilizing norms of behavior, is also such a time crisis. We have allowed various problems to accumulate that now must be resolved in an urgent manner. Naturally, nothing can really be solved in a hurry. Precisely for that reason the new plan has 2 difficult tasks: to deliberately eliminate the sins of the past and to avoid repeating them in the future. What is the situation today, when the last moment for approving the plan is approaching with the speed of a runaway express? Are we prepared to clear new paths and leave the highway of state planning, which is full of holes, damage and warnings that we must reduce our speed, but still is broad, secure and above all, well-known? On that highway, we have long known who is sitting at the wheel, who is paying for the gas, and who is being towed.

How the Facade is Whitewashed

With emotions probably divided between new principles and old practices, upon demand the planners produce various studies, analyses, drafts and similar planning documents. There are to be found very valuable works that give the necessary information, but in its essence this is all still territorial political planning, although we would suppose with somewhat more consciousness at this moment that the material possibilities are limited. As before, there are deep and uncoordinated interests of regions, republics and provinces to be found.

But inaa manner, that is only the phantom of the problem, only the colorful tournament at which the territorial political knights pull on their armor of general interests, ride the battle horses of priorities, and wave the lances and maces of consumer ambitions. It is a fact that this time, the fanfares are much softer than we are accustomed to hearing, and that certainly is a favorable consequence of the stabilizing climate. Below that apparition boils the true, deep disharmony, the disharmony between self-management development and the old, alienated decision process of income and devleopment. "In most republics and provinces, draft agreements have been prepared on the bases for republic and provincial plans, but obviously in relation to the plans in associated labor those are independent acts." This comment comes from the recent assembly debate comment of Berislav Sefer, now a well-informed delegate, and previously the vice president of the Federal Executive Council.

Planning always has a class content. That, it seems, is not perceived by only a few of our economists, who constantly wonder why life never submits to their such lovely and magnificently timed formulas. In an essay on planning, the recently deceased humanist Erich Fromm explained the very essence of the problem thusly: "Let us take the example of the modern use of a computer to select marital partners who will hypothetically be the best matches for one another. Should the prospective bride say, "We plan to marry next month"? That question is not only important for that happy or unhappy pair, but also for the entire conception of social planning. Do we really plan, or are we planned to plan, in accordance with some principles that we do not question and for which we bear no responsibility?"

Huge Reserves

Judging by everything, our economy is more planned than it plans. We intentionally use the term economy, and not associated labor, because it is quite difficult to evaluate the degree to which the plans of economic organizations are self-management in essence. It is clear, however, that action for the implementation of the Law on Associated Labor has largely run its course. In many cases only formal compliance with the Constitution and the Law on Associated Labor has been pursued, in which occasionally the maintenance of old economic relationships has profaned the new form. The technological structure has "whitewashed the facade," (one should not forget that formulation by Veljko Vlahovic), while the ground has gone out from under the feet of the growing self-management forces. The wave of investments has carried away that which is usually called the material foundation of self-management, while state interventionism (not only federal) has been strengthened to unprecedented dimensions.

Obviously, some of our economists consider that planning today is not one of the most important economic functions, that it is one of the things that the administration demands of them and thereby sticks them with one more job, as if they do not have enough concerns of their own. In essence, that is a sign that for them, planning is not a method for amortizing the market element, and they resolve problems of operation and development much more often through the state than in the marketplace.

Another group of economic organizations plans, despite everything, with continuity and permanence. They always retest anew and revise what they have planned and every year they add another year to their intermediate plan. As a rule, these are large collectives in which self-management relationships are the best developed and that have branched out in their relations with the rest of the world. This does not permit them to plan only one time in 5 years, to remain temporarily without a vision of their development, to operate according to old plans even though conditions change, in short, to distribute life into the pigeon holes and drawers of the plan services. In contrast to that, the bureaucracy is always satisfied with itself, it measures itself and by its nature it autarchical and closed off from the world.

For now, these plans are not interconnected and therefore, they have an insufficient impact on overall social planning.

What of all that can be changed in the remaining 2 months, or by 27 December of this year, which is truly the final time for approving a new intermediate plan? Are there chances that it will not signal the start of another investment and consumption cycle, but rather "an instrument of workers, of the self-management organizations and communities, and of sociopolitical communities, in the implementation of their socioeconomic, economic, social, cultural, political and other interests and needs, as well as their rights and mutual obligations and responsibilities." (Kardelj, ... Self-Management Planning, p 18) The answer can be both no and yes, at the same time, or more precisely, the answer is, as we wrote at the beginning, yes, but...

That conclusion also follows from the opinion of Dr Vladimir Bakaric, expressed in a conversation with the director the newspaper VJESNIK, Marinko Gruic, on 21 November 1974. (Now, obviously, we should be reading texts from the period "between" 2 plans): ...the association of labor is a process that leads to the plan association of free producers, a process that is led by the working class and therefore, must contain all the elements of that class struggle at the given moment.

"Therefore, it is not enough to say that our social product will be so much, and we must accomplish this, but rather, what will we achieve in the given period in changing social relationships in the first place, what resources will we use to achieve that, and therefore, what forms will that kind of social transformation have."

That means, that if it is not yet possible to achieve a new intermediate plan in a changed manner, it is possible to prepare a plan for changes. It is essential that the agreement on joint development be "an instrument of the class struggle" (Bakaric), that it advance and not confound self-management. Thus we dare not subordinate everything to rates and priorities, and the role of the state, which will continue in the future to be great, must be to implement the policies determined by the delegate system. The plan of changes, for the coming intermediate plan periods, must first of all contain a program for obligatory strengthening of the material foundation of self-management, the tempo of transferring the rights for deciding on the conditions of operation from the state to associated labor (hence, the implementation of a new system), as well as the tempo for actions that will support self-management changes in the economy itself.

That will make it possible deliberately, but with continuity and permanence, to supplement the plan with agreements and contracts on association, on the basis of income interests. That means interests to create income and not only to make investments. With present capacities, according to specialists' estimates, the reserves are enormous, so great that during the coming five-year period (if only half of the reserves were utilized), 320,000 new workers could be employed with no new investments.

Thus, in an income sense, it is possible to find the Archimedes' point upon which, in its construction, the mechanism of self-management planning could be supported. It would consist of 55,000 parts - 32,000 basic organizations of associated labor in the economy and outside the economy, 3,450 labor and mixed organizations, 850 cooperatives, 360 banks, 6,177 self-management interest communities, 11,750 local communities, 512 opcinas, 6 republics and 2 provinces.

Naturally, there are those who think that that is too intricate, impossible, and that some more rational variant of state planning is the only true solution. To a similar assertion, made in the atmosphere of a conservative English club, Phileas Fogg once had answered: "Very possible, on the contrary...," and thus began the famous adventure "Around the World in 80 Days."

Absolutely the opposite, it is possible...

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DORONJSKI DISCUSSES PROBLEMS OF SELF-MANAGEMENT

Zagreb SEDAM DANA (supplement to VJESNIK) in Serbo-Croatian 13 Dec 80
pp 3-4

[Interview with Stevan Doronjski, member of the Presidium of the LCY Central Committee and of the SFRY State Presidency, by Bero Vlaho, Belgrade editor of VJESNIK: "The Danger of a Shaky Peace"]

[Text] [Question] The tasks of society and of the social forces, of the League of Communists in particular, at this point in development of socio-economic relations and the fight for stabilization were the topic of a conversation which VJESNIK's Belgrade editor Bero Vlaho had with Stevan Doronjski, member of the Presidium of the LCY Central Committee and of the SFRY State Presidency. Emphasis was on the extent to which the League of Communists is organized and equipped to overcome the tasks confronting it and our society as a whole, especially in the light of the debates conducted at the 13th and 15th meetings of the LCY Central Committee. This was in fact the question with which the interview began.

[Answer] Even as we were recently preparing the 13th Meeting of the LCY Central Committee and certain current political-ideological issues related to current economic developments and to implementation of the policy of economic stabilization I sensed in the air the opinion of the public that this event was almost decisive to future developments in this sector. I would, however, state my own opinion that our ambitions were not on that scale, that in the end we did not even intend to say anything new. I mean to say that we were not involved in defining goals, this not being necessary since they had been set forth and were well known, nor were we defining any tasks, since the tasks were the same.

It is true, however, that even at the 13th Meeting we went a step further in elaborating last year's conclusions of the LCY Central Committee and of its Presidium. This step can be seen in the more detailed and direct definition of the political stands taken for implementation of the social goals and tasks which had already been defined earlier. Second, our public anticipated that the Central Committee and League of Communists would offer answers and positions in response to certain issues in current development

which are now open questions in society. At the 13th meeting the debate cleared up the political-ideological questions, and we reached agreement on the issues which were a condition and prerequisite for attainment of our unity concerning the basic goals of our future medium-term development.

At the 15th meeting we debated these issues thoroughly and set forth positions. Put most succinctly, we agreed on a firm orientation for development within the limits of the country's material capabilities. Thus again in this debate we resolutely confirmed the commitment that the policy of economic stabilization is to be the backbone of our development programs and of our social practice. We stated that one essential condition for this was that all obstacles to the stronger manifestation and operation of economic laws had to be removed. This will in turn create objective conditions to overcome the tendencies of confinement within local, regional or republic boundaries and violation of the unity of the market, and it will give quite a powerful impetus to our campaign for the pooling of labor and capital on the basis of flows of reproduction and commodity-money flows and reconciliation of interests through self-management, making these things easier to accomplish.

The following very important obligation of party members also follows from these meetings of the Central Committee: to concentrate efforts and political-ideological action on the strengthening, development and more energetic operation of all self-management institutions and the delegate system. After all, in reality it is only through their everyday and deliberate action that we can achieve these goals. This is the right way to impart greater strength to socialist self-management and extend it further. I feel that here we have answered at least some of the basic questions of the present moment or, if I can put it this way, of the present phase of the fight for stabilization and for our future socialist development.

Capital Investments and Other Specific Issues

[Question] Since certain key issues of stabilization in the present phase were debated at these meetings of the Central Committee and since clear commitments were adopted concerning them, what comes next?

[Answer] Now every basic organization of the League of Communists, every forum of the League of Communists, and also party members in the bodies and agencies of sociopolitical communities confront the task of working in concrete terms--of going from issue to issue in very specific terms and of resolving them. Let us take capital investments as an example. Investments are in my opinion the key issue in stabilization. Party members should insist on debate of this issue and on adoption of decisions which will be adhered to. This does not leave room for discussions of principle and generalities. Every organization of associated labor must examine closely its own investment projects, must see whether the financial backing has been provided for them, must see whether continuation of investments signifies a further threat to and deterioration of its own stabilization and then of

stabilization in the broader sense and ultimately of our balance of payments.

It is also up to opstinas, republics and provinces to analyze every one of their investment projects from these same points of view and with respect to these same criteria. To free themselves of their own vanity and of the idea that if they stop building something someone will therefore not be favorably remembered in his sociopolitical organization or sociopolitical community. I think, that is, that this is the way party members should operate if they are guided by the principle of democratic centralism and if they are really to be principled and consistent fighters for the policy of stabilization, for the resolutions of the Presidium of the LCY Central Committee and for realization of the positions which have been taken.

Party members must wage a struggle for specific solutions in their own organization of associated labor, in their own sociopolitical community and in their SIZ [self-managed community of interest] and must win out insofar as they are able. This they must do even at the price of remaining in the minority. The party member must come up to his responsibility and dare not behave as though his only concern was not disrupting a shaky internal peace. It is better to have disagreements, but to know what our differences are. This is healthier and better for our struggle than to have that shaky peace, which objectively masks something which constitutes a major problem of this society or a danger to society's future development.

Two Elements of Opportunism Among Party Members

[Question] The question of opportunism immediately arises in this connection.

[Answer] Certainly. I have already mentioned this question if not exactly directly, then indirectly. You see, we really must ask the question of why we are not undertaking to carry out the political stands when they are clear, why people vacillate in the basic organization or in any forum when, say, they go to the rostrum, from stating and proposing something that perhaps will not be fully understood or will be rejected. Probably the individual thinks at such a time that he will lose points, that people will ask who he is and how he is to be taken? There is also here the question of support from the base and so on. There are all of these elements. In actuality all of this is opportunism.

Or take the representation of interests. If I, for example, am representing my sociopolitical community at the federal level, then I must be aware of the fact that I have been sent there not exclusively to defend the interests of my own sociopolitical community, but to reconcile them with the representatives of other sociopolitical communities. I am thereby objectively representing the interests of my own sociopolitical community, but there is an essential shade of meaning here. Defense at all costs, that is, exclusive representation of particular interests on the one hand and

the reconciliation of interests on the other--those are two different things. We have a duty to nurture that kind of awareness, from the delegations and delegates at the base all the way up to those of us working at the federal level, and an obligation to develop that kind of awareness in the public. I am persuaded that this is very important. If, for example, we are speaking about those of us working at the federal level, we have been sent there to reconcile mutual interests, but first, or perhaps first of all, we have been sent there to see to the totality of interests of that Federation, of the sociopolitical community which is called Yugoslavia.

[Question] Nevertheless, reconciliation of interests often leads to compromise. Experience demonstrated this even in the past, and it is also evident now in the effort to reach agreement on the social plan for the country's development over the coming medium-term period. And it would seem that compromises are our reality.

[Answer] That is true. We must all be aware that in the process of reconciling interests we must come to compromises, or, to put it better, to agreement. After all, an interest as someone has formulated it may not be acceptable to all and still less may it be dominant and imposed on anyone. This is something we have already said many times.

[Question] Yes, but what happens then is that people who do not pursue to the end what we shall refer to as an interest begin, for example, to lose credit in the base which delegated them, become subject to suspicion as to their devotion to the base, and subject even to political suspicion.

[Answer] Yes, that does happen. But I would say this on that topic: The contest of opinions when we have come together to establish what we have in common and to verify the common interest on the basis of the pluralism of interests in self-management is one thing, and the individual give-and-take in the contest of opinions, if we may refer to it as that, is something else. What I am implying here is the ability and indeed the courage on the part of a man who is sent to represent some particular interest to say to those who have sent him: "This is the real thing, this is the common interest." And to persuade them of it. He must also explain to his delegate base the interests of others, that is, to help toward a better understanding of their nature. But the explanation of the interests of others must be objective, and not so slanted that the predominance of one's own interests is ensured by the way they are presented. So, you see, this is what we lack. This is that other element of opportunism in party members. I think that we are doing very little to nurture that recurrent contest of opinions within the League of Communists. So, on this point as well we should begin with party members and require them to behave responsibly and like communists in these situations as well.

There Is Still Some of the Old Routine Work

[Question] I believe that we will agree that not only the responsibility, but also the degree of organization of the League of Communists is bound up most closely with everything we have been talking about.

[Answer] The question of the level of organization is a major question and I feel that party members cannot even do what is their duty and their responsibility as party members unless they are well organized. I would like to recall that in the LCY Bylaws we took as our point of departure and stated there the definition that the League of Communists, its basic organizations, should be in basic organizations of associated labor. Precisely in those cells of society where the basic production relation is resolved. It is from there that all the initiatives of the League of Communists and its broad activity should come.

We have envisaged action conferences for everything that needs to be debated jointly, for reconciliation of views, and for agreement and coordination of joint action. They should be invigorated to the greatest possible degree, political-ideological commitments should be adopted at them as much as possible, and agreement should be reached at them concerning the common cause. Yet this should not be an institution that stands above the basic organizations of the LCY, but a form whereby they democratically reach agreement on an equal footing, reconcile their opinions and coordinate their actions.

[Question] You used the word "should." Does this mean that you feel that the action conferences are not yet what they must be, that the new organizational forms for the activity of the LCY, which were established in the bylaws, have not yet attained the full citizenship intended for them?

[Answer] As far as that goes, I have the impression that our opstina party committees have not been forthcoming. I have the impression that they have not been altogether ready to accept these changes, which in actuality are the fruit of the development of self-management relations in society and of democratic relations within the League of Communists, a means whereby changes in society are being reflected in the internal relations within the LCY. I believe that the opstina committees are not adequately following this development and that they still have quite a bit of that old routine way of going about things that dates from the time of the professional committees.

For instance, I was recently in an agroindustrial combine which covers an entire region of Vojvodina and extends over four or five opstinas. It is self-evident that they have a very great deal to do with community affairs at the opstina level and that there should be an exchange of opinions and an agreement. I asked them--Have you opstina committee secretaries gotten together with communists in the SOUR [independent organization of associated labor] at an action conference to debate those overall issues which

are also of interest to the opstinas? They said: "No, we haven't." And why not? "Well," they said, "we think that if there is a need for us to get together, the provincial committee will bring us together."

Economic Laws Cannot Withstand the Administrative Approach

[Question] At this point, Comrade Doronjski, allow me one question which to some extent seems to enter into the domain of organizational problems and of the commitments we have been talking about. It is a question of respect for economic laws. We are witnesses that sometimes in the fight for stabilization we are not sufficiently respecting the laws of economics, which, experience has shown, are very stubborn, and often have a boomerang effect when one fails to honor them. What do you think, are we always right when we resort to administrative measures? Are administrative interventions always the only way out, or are they at times the result of taking the line of least resistance, of nervousness and the like?

[Answer] I personally think, and that is not merely my own opinion, it is our general ideological commitment, that failure to respect economic laws is generating large problems. We debated this quite a bit at the 15th Meeting of the LCY Central Committee. For instance, we have a very pronounced administrative approach in the price field. I know from experience that the administrative approach is extremely undesirable in this sector and that whether we like it or not it has an adverse effect not only on price relations and the growth of inflation, but also on other relations in reproduction and on general trends in the economy. I would say that in general economic laws do not withstand the administrative approach. But economic laws do not withstand confinement of the market either. How can we speak about their operation if there is no unified Yugoslav market? So long as we understand, of course, that economic laws will not in and of themselves resolve the issues either. These laws must also be mastered. I even think that the most difficult thing is for us to find the way to guide their operation through self-management.

When I mentioned that it was most difficult to master the laws of economics on a basis of self-management, it was no accident that I took prices as an example. We all saw how long it took to prepare the Law on Prices, what a long and difficult labor that was. In the end we got it, and again the Federal Executive Council has had to seek a 6-month postponement of the law's application. Why? Because the competent authorities did not prepare or were unable to prepare within the prescribed period a number of sublegal enactments and did not anticipate what operation of this new law would be like. Social practice will probably reveal the shortcomings of this law, but it is still a step forward from the situation we have at present. And what do we have now? We have an old rather statist mechanism which does not conform to our self-management system, a mechanism which is falling apart, and the new self-management mechanism is still not in operation. The result is a no-man's land in which we have rather haphazard behavior in both the price sector and the market as a whole. I am certain that we

will not achieve anything here through administrative strokes, but solely through self-management regulation, which to some extent we have conceived in the new law.

[Question] Now that we are talking about matters which are not altogether in the spirit of our self-management commitments, the position of associated labor, which we have said must be dominant in our system, certainly comes up at this point. It is related to those interests of the republics and provinces you have already mentioned and which are the subject of their efforts at agreement. In short, one somehow gets the impression that the interests of associated labor are still viewed in the context of the interests of the republic or the province.

[Answer] Well, you see, the one who holds the resources is the one who enters into agreement. You have led me quite properly to the question of whose influence the major portion of income is subject to? It is well known, and we have said this at the recent meetings of the LCY Central Committee, that OOUR's [basic organization of associated labor] possess one-third of the income, and sociopolitical communities, the banks, SIZ's, and also the Federation have two-thirds of it. Though formally the latter are not investors, nor do they exchange labor, associated labor is still left such a minimum amount of resources that there is very little which it can pool. Today OOUR's are left a share of income barely adequate for simple reproduction, and with that amount one cannot enter into self-management accords on the pooling of labor and capital.

If the OOUR's possessed a far larger income, then they would follow the logic of commodity flows and the logic of reproduction. I am absolutely convinced of this. And that is why the essence of our struggle is not a matter of shouting at the republics and provinces, but we ought to be fighting so that income is at the disposition and subject to the management of whoever realized it. And we ought to be disenfranchising those who are now taking away the income of associated labor in various ways with various excuses, with various plans and goals, and who are actually dividing it up without associated labor and are defining its interests in its name. That is a fight we must take to the end, since both the 11th and 10th LCY congresses were altogether clear in stating this. Only then and only in that way will associated labor be in a position to become an independent entity in entering into association without government interference.

Achievement of Material Strength Through Democratization

[Question] You have spoken, Comrade Doronjski, about the future development of our socialist self-managed society and within that framework about the changes that have come about in further democratization of society and of the League of Communists. Today we have quite a few difficulties in the economic field. To what extent are the present economic flows, which we might refer to as those of a crisis, favorable to the development of social and party democracy, or do they essentially hinder it?

[Answer] Economic flows of crisis, certainly they cannot favor development of democracy in the League of Communists and in society. In historical terms, and I think you had that in mind when you put the question, it is a fact that sometimes moments of crisis in society have been the initiator, if I can put it that way, of the subjective forces, or they have speeded up their action to clarify the problems, which was done in a democratic way. They have at the same time given a stronger thrust to democratic development both in the party and in society. There have been such situations. That was the case in 1948, and even in that phase before the constitutional reform, in the period of nationalism and technoliberalism. Let us take this latter. Precisely in that crisis, in the phase of stagnation of socioeconomic relations, at a time when we had not clearly defined the prospects for the further development of society, specifically the prospects for development of self-management, it even came to the point of formation of factions within the League of Communists representing a different political-ideological alternative and with claims of becoming both the holders of power and also the executors of a different social concept. As we know, we emerged from that crisis and overcame it by clearly defining social development through self-management. It is here, of course, and in particular that the 10th LCY Congress had an extremely important role to play along with Tito's speech at the 10th congress, which provided an exceptionally clear platform for our long-range development.

If I have understood your question, then I might reply that perhaps these moments of crisis have speeded up and stimulated the creative forces in the League of Communists to seek answers for the development of society more rapidly, more comprehensively and more thoroughly. But I feel that we must not look upon either the democratization in society or democratization in the League of Communists from the standpoint of crises. We must endeavor to avoid crises, and in order to avoid them we must have a clear way out in good time, must define clear pathways, and a clear political-ideological and social orientation in our development. This we must do in a democratic way. Only if democratic procedure is thoroughly developed in this area will the orientation then take on material strength and become the property of the [working] class, the property of the working people, and it will then be the greatest and most important guarantee that what has been set forth will in fact be accomplished.

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FIRMS FROM OUTSIDE KOSOVO BUILD PROJECTS THERE

Belgrade KOMUNIST in Serbo-Croatian 28 Nov 80 p 16

[Article by Zarko Bakic: "Stimulus to Pooling"]

[Text] It is well known that one of the essential conditions for Kosovo's faster development, as has been emphasized in many documents and positions concerning development policy adopted at all levels, is the pooling of labor and capital and also other forms of cooperation of organizations of associated labor in that province and of associated labor from other areas of the country. Examples of the diverse cooperation between Slovin of Ljubljana and Agrokosovo, between Gosa (Smederevska Palanka) and Metalac (Gnjilane), between Gorenje (Velenje) and the Electric Motor Factory in Djakovica, metal furniture factories in Gornji Milanovac, Bela Palanka, Baljevac na Ibru, Belgrade, Velika Kladusa and Suva Reka, investments of Energoinvest of Sarajevo and Termika of Ljubljana in the Pristina Opstina, to mention only these, best confirm the correctness of that commitment and prove its justifiability.

After Many Years of Business Collaboration--Joint Investment Projects

Begin, say, with Slovin and Agrokosovo (an unprejudiced and random choice, one obviously not based on the scope and quality of cooperation). This collaboration is in the field of agriculture or, to be more precise, viticulture, for whose development Kosovo incidentally has exceptional conditions. So, these two organizations have reached agreement in the context of self-management concerning joint investments to create large vineyards at Orahovac and Suva Reka, traditional grape-growing areas. These large vineyards are to cover an area of 1,100 hectares (500 hectares in Suva Reka Opstina and 600 in the Orahovac Opstina), and about 400 million dinars will be invested in this project. Agrokosovo is putting up two-thirds of the money for this investment undertaking, and Slovin one-third. According to the self-management accord, the two organizations will follow that same proportion in the bearing of the risks and in the creation of distribution of income.

What is happening now in relations between Slovin and Agrokosovo is actually a kind of extension of collaboration between these two organizations that has lasted for all of 20 years now. That is, for 20 years Slovin, Navip and Agrokosovo have each had one-third interest in the final processing of Kosovo wines and in their sale on the foreign market, mainly West Germany. Up to now these relations have been those of sales transactions, but soon they will be put on the basis of shared income.

Slovin, incidentally, has been involved in Kosovo before this. In 1977 it collaborated with Agrokosovo in building a Coca-Cola bottling plant in the small and underdeveloped Lipljan Opstina. It invested 720 million dinars in construction of that project, and the Slovenian firm invested 30 percent of the funds. Today this basic organization of associated labor of Slovin, which employs 150 workers, has an output of 16,000 bottles per hour (utilization of capacity is 93 percent), and its remainder of income, on the basis of accounts for the first three quarters, is 12 million dinars.

The reconciliation of interests and equality of partners in the self-management pooling of labor and capital is also confirmed by the example of Gosa and Metalac in Gnjilane. The former building trades plant, established in 1948, which previously employed 55 workers, pooled its labor and capital in July 1977 with the Gosa SOUR [independent organization of associated labor], or, more precisely, with the Equipment and Metal Fabrications Factory. Immediately after the association was formed, Metalac began to build a new plant for the production of metal structural fabrications, which was completed and went into operation the very next year, in 1978. The amount invested to build this new factory, whose shop has a floor space of 2,100 square meters, was 17 million dinars, and it employs 165 workers. This basic organization of associated labor of Gosa has been showing a profit in the year since it was formed. In the first 9 months of this year, for example, it had a remainder of income amounting to nearly 2 million dinars, and it exceeded the output plan 15 percent. It is realistically anticipated that by the end of the year it will have exceeded the target by about 25 percent.

Joint Investments To Conquer the Foreign Market

In addition, again within the framework of cooperation between Gosa and Metalac, 2 months ago construction began on a mining equipment factory in which 190 million dinars will be invested (the funds have been provided through the Associated Bank of Kosovo).

A few years ago the Electric Motor Factory in Djakovica, one of the work organizations of Electronic Industry of Nis, was on the verge of closing. It was not a question of the working people of that collective making a greater or lesser effort to achieving production targets or of their productivity. It was simply a question of the market, of the diminished demand for their products. Then Gorenje of Velenje came along and began to buy most of the electric motors for its household appliances. This year,

incidentally, the factory will produce 120,000 electric motors worth 150 million dinars, which is threefold its output in 1978.

Aside from that, and this is the most important, Gorenje and the Electric Motor Factory at Djakovica are jointly building a new plant with an output of 1.2 million electric motors per year. The investment in that project is 230 million dinars (Gorenje has a share of 12.8 percent of the funds).

Another type of successful cooperation is being carried on by the associated labor of Gornji Milanovac, Bela Palanka, Belgrade, Baljevac na Ibru, Velika Kladusa and Suva Reka by their joint purchase of a license to build a metal furniture factory from the Italian firm Secco. In Suva Reka this factory, which has employed 140 workers and which will produce 50,000 square meters of metal furniture per year, began pilot production during the summer, and is expected to go into regular production on Republic Day [29 November]. Under the 10-year contract on business and technical collaboration the factory in Gornji Milanovac is required to furnish all the others in this grouping the necessary metal shapes, and the Belgrade factory the auxiliary components. At present the agreement is being carried out effectively.

New Projects

And finally, construction has begun on two other new projects in Pristina. A few days ago the president of the Pristina and Bezigrad (Ljubljana) opstinas laid the cornerstone for construction of a plant of Termika of Ljubljana which will produce fireproofing and soundproofing components. In the first phase of operation this economic project will employ 150 workers, and later 250. On the anniversary of Pristina's liberation construction began on another factory of Energoinvest of Sarajevo in the capital city of Kosovo. The new factory, whose construction will cost 122 million dinars, is planned for completion by next May and will employ about 140 workers.

All these examples confirm that the pooling of labor and capital by associated labor in Kosovo and from other regions of the country, as well as other forms of cooperation between them have been yielding rather good results and have opened up new prospects for continuation and reinforcement of this process, which would be still broader and at a higher level of quality. This joint economic enterprise, sharing of income and business and technical collaboration and cooperation will make it possible to achieve still better results in the future, which we can realistically anticipate.

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11 August 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2158

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2158

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PRINCIPLES FOR WORKER PARTICIPATION IN PLAN PUBLISHED

Prague SBIRKA ZAKONU in Czech 18 Feb 81 pp 41-44

[Text] CSSR Government and Central Council of Trade Unions Principles for Worker Participation in the Formulations, Implementation, and Control of Economic Plan Fulfillment in 1981-1985, as Approved in CSSR Government Resolution No 401 of 9 December 1980.

The growth of the material and cultural standard of the population based on effective development of social production, is indelibly linked to broad, activist worker participation in the formulation, implementation, and control of national economic planning. This is an inseparable trait of socialist democracy, and a prerequisite for successful work of the organizations. The principal objective of this participation is to utilize in practical application the ability, good sense, talent, as well as specialized professional knowledge and experience of the workers to uncover and utilize reserves in the growth of labor productivity, effectiveness, and quality in production.

The CSSR Government and the Central Council of Trade Unions, based on Law No 145/1970 on national economic planning, and on the CPCZ Presidium and CSSR Government resolution on the "Set of Measures," hereby sets forth principles for a joint approach of state, economic, and union bodies to organizing worker participation in the formulation, implementation, and control of the plan in 1981-1985.

These principles will be implemented by state and economic bodies, together with trade union organs, under the leadership of the CPCZ, in cooperation with the Socialist Youth Union and the Czechoslovak Scientific and Technological Society.

I. Worker Participation in Plan Formulation

1. Ministries and other central organs, national committees, management of VHJs [economic production units], enterprises and plants, will intensify mutual cooperation with appropriate bodies of the Revolutionary Trade Union Movement [ROH] and coordinate a joint approach in the resolution of basic problems, in the elaboration of the plan and its fulfillment, in improving working conditions and responding to social needs of the people, and in strengthening technological and labor discipline.

2. Economic management, with trade union assistance throughout the planning process, will explain to the workers the principles of intra-enterprise khozraschet in concrete conditions, and will persuade them to take an active role in its application. Management will also make sure that the relationship between acceptance of the demanding tasks of the plan, and fulfillment of socialist pledges and incentive, are made understandable to the workers.

3. Ministries and other central organs will, within the prescribed time limits, elaborate the tasks and indicators of the Seventh Five-Year Plan, possibly also the directives for the preparation of annual plans (including tasks for the cadre preparation and personnel and social development plan) for the VHJs in a differentiated, comprehensive, balanced manner in coordination with the branches concerned.

The VHJs will elaborate and coordinate with appropriate organizations a differentiated and comprehensive set of tasks and indicators for the five-year plan, as well as directives to subordinate components on the annual plan preparation in volume, timing, selection, and quality.

Enterprises will, in consonance with concrete conditions at work sites, apply these prescribed tasks in a differentiated manner all the way to individual intra-enterprise components. In doing this, they will make use especially of the dependence between the most important qualitative tasks and the instruments of material incentive prescribed by the five-year plan and the directive for annual plans. At the same time, the enterprises will prepare regulations by which a given intra-enterprise component will participate in the benefits of incentive means to the formulation of which it contributes.

Based on the tasks prescribed in this manner, enterprises and VHJs will prepare five-year economic plans and, based on these, the annual plan proposals.

In monitoring these procedures, ROH organs will inform higher state, economic, and trade union bodies and demand improvement in cases where they find a formalist approach to plan preparation and administrative solutions to specific economic problems, both of which jeopardize workers interests.

4. The basic form of worker participation in implementation plans is counter-planning, the goal of which is to surpass especially the qualitative tasks of five-year plans in annual plan proposals, without going over the ceilings and means prescribed by the five-year plan, in other words, achieve overfulfillment solely by more effective utilization of all resources.

Ministries and other central organs, together with appropriate union central committees will, on the basis of deadlines set by the government, prepare binding graphic time schedules for the formulation of implementation plan proposals, so that they can serve as substantive and timing prerequisites for active worker participation in counter-planning.

Management of VHJs and economic organizations, together with appropriate ROH organs, will make sure that the workers are fully acquainted with their tasks, organizational plans, incentive requirements, and with the causes of lagging

quality in production. Also discussed with the workers will be the possibilities and methods of internal mobilization of resources and the utilization of initiative worker suggestions and ideas, as well as a system of informing workers in turn of how their thoughts are applied in practice.

In order to make best use of inventors, innovators and other superior workers, including the Complex Rationalization Brigades and Brigades of Socialist Labor, management will set concrete substantive tasks, especially in the area of product quality.

State and economic bodies at all levels of management, along with appropriate ROH organs, will encourage workers to participate in counter-planning. They will issue directives to subordinate organizations aimed at focusing counter-planning at specific problems, toward evaluation and assessment of results achieved according to concrete conditions in individual sectors, branches, collectives, as well as among individual workers.

The foundation of monetary incentive of counter-planning in the five-year plan or in the directive for the annual plans is based on the dependence between a production component's own performance record, rentability of production funds, profit and export on one side, and wages payable, development and monetary incentive funds in export on the other, possibly also relations among other indicators and instruments of material incentive.

The contribution made by counter-planning is worked into the economic plans of organizations. Further incentives during the plan implementation period will be stimulated according to regulations valid for plan implementation, i.e., the set measure of material incentive will usually be lowered by a certain coefficient so that workers' interest remains focused on a demanding plan and its fulfillment, rather than on surpassing a less exigent plan.

The concrete tasks of counter-planning are handled by collectives at workshops, in services, plants, organizations and VHJs with active participation of exemplary workers, technicians and economists, inventors and innovators, as well as the Complex Rationalization Brigades and Brigades of Socialist Labor.

5. In conformance with the program and plans for cadre preparation, personnel and social development--and within the framework of approved ceilings, economic management, along with union organizations, will create the necessary conditions for further improvement of the social, cultural, health, and living standard of the working people. In this respect, economic management will make full use of the contribution brought by counter-planning.

6. Based on recommendations and ideas of workers and the union aktiv, union organs will prepare a statement containing their views and comments on the plan proposal. This statement represents an inseparable part of the plan proposal when submitted to higher organs of economic management which are bound to inform the union organ in writing within 30 days as to what considerations have been given to its views expressed in the statement.

In cooperation with economic management and the national committees, the union organs will consistently ensure that worker proposals, comments or ideas not remain unnoticed by management, and will wage a determined struggle against cases where justified needs of the working people are ignored.

7. The management of VHJs and economic organizations, along with appropriate union organs, will--concurrently with preparation of the plan proposal, ensure worker participation in the elaboration of new collective contracts, proposed principles of socialist competition development, and proposed program for the inventors and innovators movement. For this, management will make use of the results and conclusions arrived at in public control of the fulfillment of collective contracts, pledges and rationalization measures, and analyses of economic results in the quality of labor and production.

II. Worker Participation in Plan Implementation

8. Ministries and other central organs, VHJs and economic organizations will ensure that an elaboration of tasks and indicators in approved economic plans is passed to subordinate components, including measurable and controllable conditions of material incentive, and key, especially qualitative, tasks for collectives, as well as individuals.

Management organs will devote more attention to elaboration of scientific and technological tasks, rapid utilization of results of research and development aimed at the growth of labor productivity, effectiveness, and quality of production, at modernization of production technology, and rationalization of production consumption.

They will also ensure that the elaboration of the plan is based on technologically justified norms which reflect the most modern technical and technological standards and the national economy's need for rationalized use of production capacities, material and energy resources, as well as the labor force.

9. Management of the VHJs and economic organizations, together with appropriate union organs, will discuss planned tasks with the working people, interest them in uncovering reserves and in improving labor discipline. They will explain the tasks to work collectives and outline controllable goals and ways to their achievement which will represent the substance of individual and collective worker pledges on which the efforts of inventors, innovators, and Complex Rationalization Brigades will be focused.

In a joint effort, management organs will encourage workers and other employees to sign and fulfill personal and collective pledges aimed at the fulfillment of prescribed tasks in performance, quality, economy, and savings in fuels, energy, metals and other materials. In this effort, management will provide the workers with effective assistance. They will encourage engineering, technical, scientific, and management personnel toward signing and meeting individual and collective creative plans aimed at improving labor productivity through speedier scientific and technological progress.

Furthermore, there is a joint task of economic and union organs to improve economic management and organize socialist competition so that all types of individual and collective pledges of workers, engineering, technical, scientific, and management employees in their aggregate ensure successful plan fulfillment in workshops, operational sites, plants, and organizations, with respect to all indicators.

10. Management of the VHJs and other economic organizations will intensify cooperation of research, development, and other work sites of economic organizations with scientific research institutes and universities. Management will make sure that this cooperation focus on beneficial contacts between production and science, on achieving results leading to the introduction of modern technology and procedures which allow for improvement in labor productivity, savings in energy and materials, and for raising the quality, reliability and technical standard of selected finished products.

11. Management of the VHJs and economic organizations, along with appropriate union organs, will ensure the signing, implementation, and fulfillment control of joint socialist pledges for the completion of capital investment projects, and bringing assets up to full operational capacity within the prescribed time limits, as well as technological and economic indicators for improved quality of selected finished products, better producer-customer relations, and for satisfying the needs of foreign and domestic trade.

12. Management of VHJs and economic organizations has the duty to negotiate any changes or adjustments in the plan--authorized only in special instances--with the appropriate union organ, explain to the workers the reasons for such changes, and project them without delay into the collective contract and socialist pledges.

III. Worker Participation in the Control of Plan Fulfillment

13. ROH organs, in cooperation with appropriate economic bodies and national committees, will ensure broad worker participation in the control of plan fulfillment and management. ROH organs express appreciation for good results, but also publicly criticize irresponsible, shoddy, and low-quality performance of all employees, including management personnel, and demand that conclusions be drawn from documented shortcomings in plan fulfillment and care for worker needs.

14. Economic management, in agreement with the appropriate ROH organ, will at production meetings and at ROH membership meetings and conferences explain the results achieved, reasons for nonfulfillment of tasks and indicators of the economic plan, and submit proposed remedial measures to the workers for discussion.

Union organs will make sure that economic management systematically provide information to the workers which they need to assess the production, technological, and economic tasks and problems.

15. Management of VHJs and economic organizations, in cooperation with union organs, will create substantive and timely conditions for broad worker participation in control aimed at:

--balanced fulfillment of tasks according to planned areas of social use (fulfillment of deliveries in the prescribed structure), while monitoring planned effectiveness, quality, and economy;

--fulfillment of qualitative plan indicators, especially correct utilization of capital assets, lowering consumption in raw and other materials, fuels and energy, growth of labor productivity, savings in the labor force, lowering the working time and overtime requirements;

--implementation of state objective-oriented programs, fulfillment of tasks in the area of producer-customer relations, and fulfillment of complex socialist rationalization programs;

--fulfillment of planned tasks in cadre preparation, personnel and social development, including the quality of enterprise cafeterias, social amenities, and fulfillment of measures to increase health safeguards and labor safety.

16. Union organs will see to it that workers actively participate in the resolution of reported problems. For this they will utilize all forms of worker initiative, i.e., production meetings, technical and economic conferences, membership meetings, various aktivs, etc. Results achieved must be assessed with critical exactingness and measures must be adopted to eliminate shortcomings and publicize tried and tested experiences.

Union organs will ensure that economic management responsibly evaluate and utilize worker suggestions, proposals, and ideas for eliminating shortcomings and for achieving better economic results.

They also protect authors of justified critical comments and proposals from possible discrimination at the hands of those criticized.

17. Economic management, in cooperation with appropriate ROH organs, will ensure regular control in 10-day, monthly, and quarterly intervals. Semiannual public control of plan fulfillment will be combined with fulfillment control of collective contracts, socialist pledges, and the results of worker creative initiative. An inseparable part of public control is the observance of the legal code and labor and technological discipline. During annual controls of plan fulfillment, assessment will cover the fulfillment of the five-year plan from the beginning of the current Five-Year Plan.

Closing Provisions

18. These principles will be broken down into specifics by the federal and republic branch control organs in cooperation with appropriate Czech and Slovak trade union committees, thus ensuring their application to conditions of branches and sectors of the production and non-production spheres, so as to guarantee active worker participation throughout the planning process.

19. These principles will be applied in all organs of economic management, socialist organizations, and national committees.

20. These principles will be suitably adapted to areas of special technology, with emphasis on observing appropriate provisions on the protection of state, economic, and service secrets.

21. Differing viewpoints of economic and union organs on the plan proposal and plan fulfillment control, will be resolved by the higher state or economic body, following discussion with the appropriate higher union organ.

22. Control of fulfillment of these principles will be conducted by the VHJs and economic organizations, together with the analysis of economic activity. In state and higher union bodies, control of how these principles are being adhered to will be conducted together with discussions of annual results of implementation plan fulfillment.

23. These principles become effective on the day of issuance.

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FIRST HALF 1981 PLAN FULFILLMENT REPORTED

East Berlin NEUES DEUTSCHLAND in German 18-19 Jul 81 pp 3-4

/Official text: "Report by the State Central Administration for Statistics on the Implementation of the First Six Months of the 1981 Economic Plan"/

/Text/ In the first half of 1981 the working people of the German Democratic Republic recorded outstanding achievements in the work for the further all-round consolidation of our socialist state of workers and farmers. The report by Comrade Erich Honecker, general secretary of the SED Central Committee, to the Tenth SED Congress provided a tremendous impetus for the greatest possible rise in economic performance. The socialist competition organized by the labor unions in honor of the party congress represented the greatest ever social mass movement toward the realization of SED policies directed to the prosperity of the people. This initiative, unprecedented in the history of our republic, continued even more strongly after the Tenth SED Congress. The active support of the policies resolved upon by the Tenth SED Congress and the preparations for the 1981 popular elections also insistently reflect the trustful relationship between party and people, the affection of the citizens for their socialist state.

Thanks to the strenuous labors and many initiatives of the working class, the cooperative farmers, the intelligentsia and all other working people, planned, stable and consistent economic growth has successfully continued and, in important areas, speeded up. The plan targets for the development of output and efficiency for the first 6 months of this year were exceeded.

The plan advance achieved in honor of the Tenth SED Congress was purposefully expanded. All sectors of the national economy contributed to this success. The work collectives of industry hold a particularly large share in the improvement of our economic capacity. In the first half they recorded an industrial goods production of M2.5 billion in excess of the plan quotas. The plan advance corresponds to the output of 1.9 working days. This overfulfillment was largely achieved without any increase in the consumption of materials or energy.

The working class as the class holding ownership and exercising power has again and most impressively turned out to be the leading force in the socialist society. The working people successfully tackled and translated into concrete targets the implementation of the economic strategy adopted by the Tenth SED Congress and oriented to the further pursuit of the main task. Even while the congress was deliberating.

the working people of the Carl Zeiss Jena Combine VEB, the Karl Marx Stadt Fritz Heckert Machine Tool Combine VEB, the Walter Ulbricht Leuna Works VEB and the Schwedt Petrochemical Combine VEB accepted new and advanced obligations with the slogan "the greatest possible growth of output by rising productivity, efficiency and quality--everything for the prosperity of the people and for peace!" Working people in all sectors of the national economy have joined this competition initiative for improving the cost/profit ratio. FDJ members, especially in the youth brigades, are also making an increasing contribution with the watchword "everyone for a good result every day."

The increase in the national economic capacity achieved in the first half of 1981 is largely due to the state combines in industry and construction. The Leipzig seminar joining the SED Central Committee with the general directors of centrally managed combines and the Central Committee party organizers provided essential bases for the improvement in output and efficiency.

Inspired by the Tenth SED Congress resolutions the collectives of all combines obligated themselves in addition to the economic plan quotas to achieve an output equivalent to at least 3 working days, and to do so largely by the use of materials conserved earlier.

By safeguarding the supply of foods for the public and of agricultural raw materials for industry our cooperative farmers in close comradely collaboration with the workers have provided an important contribution to the consolidation of the alliance between the working class and the class of cooperative farmers as well as for the strengthening of the GDR.

Economic and scientific-technological cooperation with the Soviet Union was of fundamental importance for the stable and successful development of the GDR economy in the first half of 1981. Based on coordinated plans and the implementation of the program of specialization and cooperation of production between the GDR and the USSR through 1990, further steps were taken for the even greater dovetailing of the two countries economies. Carried out as planned were the tasks involved in the deepening of socialist economic integration in the Council for Economic Mutual Aid.

Due to the rise in output and efficiency it was possible to secure all that has been accomplished hitherto by our economic and social policies and gradually improve the material and cultural standard of living.

The material-technical base of the national economy was further strengthened. New operating principles, modern technologies and processes for the greater refinement of products as well as for the conservation of manpower and working hours became production effective. All sectors did extensive work on the development and application of microelectronics. More industrial robots than planned were produced and deployed.

In preparation and as the result of the Eleventh FDJ Parliament youth achieved a goodly share of the satisfactory balance by offering much willingness to serve, energy and social responsibility. By their activism in the "Join in!" competition, millions of citizens helped to make life more agreeable.

Compared with the same period of 1980 the following main results were registered in the first half's implementation of the 1981 plan:*

-- The produced national income rose by 5 percent. This result bears witness to the increased capacity of the national economy. The growth of national income was achieved mainly by the greater utilization of qualitative growth factors. Also improved was the ratio between the expenditure of basic assets, raw materials and other materials as well as live labor on the one hand and the produced national income on the other. More than 90 percent of the growth achieved in the national income derive from greater productivity. Industry, recording a 6 percent growth in the net product, supplied more than 75 percent of the rise in the national income.

-- Industrial goods output in the national economy grew by 5.4 percent per working day, in the scope of the industrial ministries by 5.8 percent. As a result production of industrial goods for the public, the national economy and exports was M9 billion greater than in the first half of 1980. The economic plan of industrial goods production was fulfilled to 101.5 percent. The combines subordinated to the industrial ministries produced goods worth M2.5 billion in excess of the plan. That corresponds to 1.9 output days. This overfulfillment was achieved largely without the use of additional energy and materials.

-- In the scope of the industrial ministries the plan of net production was overfulfilled as the result of improved productivity and efficiency. Raw material costs per M100 goods production were lowered by 1 percent more than provided in the plan. The specific consumption of important types of energy, raw materials and other materials was reduced by 5 percent. Prime costs declined in excess of the plan.

-- Productivity in industry improved by 5.4 percent. Ninety-three precent of the production growth recorded was achieved by rising productivity.

-- Also overfulfilled were the assignments of the state plan and enterprise plans science and technology, including projects completed ahead of time. International standards are met by 79 percent of the realized transfer assignments of the state plan.

The economic impact of science and technology rose yet again. More than 90 percent of the greater productivity in industry are generated by the speedier application of scientific-technological results. Scientific-technological measures served to save 230 million working hours.

-- The quality standard of industrial production has improved again. Industrial goods to the value of M26 billion received the "Q" quality mark. The reliability and durability of many products was increased and design improved.

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* Preliminary data

-- M25 billion were invested for the planned strengthening of the national economy's material-technological base as well as the further pursuit of the sociopolitical program. In the scope of the industrial ministries investments rose by 4 percent; for complex housing construction by 6 percent. Investments in the producing sector were deployed increasingly in such areas as microelectronics and robot equipment, which are crucial for the introduction of progressive technologies and automation. In the metal processing industry more jobs were made redundant than created as the result of investments.

-- Construction output rose by 5.4 percent in terms of working days. The plan advance achieved corresponds to 1.7 working days and occurred largely without the use of additional material funds. Greater efficiency helped exceed the plan of net production and keep below the planned raw material costs per M100 construction output.

-- Housing construction recorded the best ever half year result by turning out 88,383 new or modernized units (7,866 more than planned and 10,565 more than in the first half of 1980). Housing conditions thereby improved for 264,000 citizens.

-- Socialist agriculture exceeded the plan of state yield for all products of animal husbandry. The livestock kept is more numerous than ever. Spring cultivation was of excellent standard.

-- The transport and communications system fully met the transportation needs of the national economy. The share of the railway and of inland shipping in the volume of goods carried was raised as planned. It was possible to lower the specific transport use of the national economy. The transfer of freight from road to rail and inland shipping contributed to the further conservation of fuels and energy.

-- Foreign trade turnover rose by 12 percent; with the USSR it increased by 17 percent. Exports to the developing countries and the capitalist industrial countries were raised substantially.

-- The people's net cash incomes grew by M2 billion or 3.3 percent; net earned income of blue and white collar workers by 3.9 percent.

-- Retail turnover increased by M1.6 billion and achieved M48.7 billion, a 3.3 percent rise. The plan for the production of finished goods for the public was exceeded by all industries and fulfilled to 102.5 percent overall. Services and repairs for the public rose by M150 million.

-- State services (paid from social funds) for the improvement of material and cultural living conditions amounted to M29.3 billion. This means that 9.7 percent more were spent than in the first half of 1980 for housing and the maintenance of stable rents, stable prices for essential goods and fares as well as for the satisfaction of the people's growing health, social and intellectual-cultural demands.

-- In popular education further advances were recorded with regard to the curricular organization of the 10-grade general educational polytechnical secondary school and the perfection of communist education for school children. Material and personnel conditions have improved, 625 new class rooms and 8,806 kindergarten places were provided.

-- Good results were recorded regarding medical and social care for the public. Provision was made for 231 medical and dental jobs, 6,344 creche places and 1,704 rest and nursing home places; 180,000 citizens were awarded spa cure treatments.

-- Physical culture and sports have continued to develop successfully. The inauguration of the new sports and recreation center in Berlin offered a new facility for active public recreation. The popular sports movement broadened.

-- Artists and craftsmen developed many initiatives and, by offering new works, provided a major contribution to the enrichment of intellectual-cultural life.

Berlin, the GDR capital, has been further and resolutely organized as the political, economic and intellectual-cultural center of the socialist GDR. This was helped by the efforts of working people in all districts and sectors, in particular the 139,999 youths engaged in the FDJ initiative Berlin.

The tasks of national defense and internal security and order were economically secured as an indivisible element of the economic plan.

I. Industry

The satisfactory result of the first half of 1981 definitely originates in the strong dynamism of state industry. By above average growth its share in the production of the national income and the social end product increased. The plan of industrial goods production was exceeded every month.

The state quotas of industrial goods production were fulfilled to 101.4 percent in the scope of the industrial ministries. Compared to the same period of 1980, industrial goods production in the first half of 1981 rose by 5.8 percent in terms of working days. The plan advance recorded in honor of the Tenth SED Congress was steadily expanded by the combines in the scope of the industrial ministries. The excess output achieved by the end of June corresponds to that of 1.9 working days. This means that consumer goods for the public, products for the national economy and exports to the value of M2.5 billion were produced in excess of the plan. This additional output was generated largely by the use of materials conserved earlier.

Enterprise Subordinated to the Ministry for	Fulfillment of the State Quota for Industrial Goods Production in the First Half 1981	Growth of Industrial Goods Production in Terms of Working Days Compared to the First Half 1980
	Percentages	
Coal and Energy	101.5	103.7
Ore Mining, Metallurgy and Potash	101.1	106.2
Chemical Industry	101.2	104.0
Electrical Engineering and Electronics	101.7	110.9
Construction of Heavy Machines and Equipment	101.4	106.6
Construction of Machine Tools & Processing Machinery	101.2	109.9
Construction of General Machinery, Agricultural Machinery & Vehicles	101.4	107.0
Light Industry	101.6	104.5
Glass & Ceramics Industry	101.5	104.4
District Managed Industry & Foodstuffs Industry	101.6	104.5

The plan targets of net production were exceeded. Centrally managed industrial enterprises succeeded in lowering basic material costs per M100 goods production in excess of the plan. Fourteen combines achieved 10 percent growth and more for industrial goods production as well as net production. They are the state combines Regis Brown Coal Plant Construction; Photochemical Combine Film Factory, Wolfen; Robotron, Dresden; Car Zeiss, Jena; Automation Plant Construction, Berlin; Microelectronics, Erfurt; Electronic Components, Teltow; Radio and Television, Stassfurt; ORSTA Hydraulics, Leipzig; Fritz Heckert Machine Tool Combine, Karl Marx Stadt; Herbert Warnke Shaping Equipment, Erfurt; Werner Lamberz Printing Equipment, Leipzig; Silicate Raw Material Combine, Kemmlitz; and Geological Research and Exploration, Halle. These combines also recorded upswings in productivity.

Planned industrial production in the scope of bezirk economic councils was fulfilled to 101.7 percent while production rose by 5.3 percent. All bezirk economic councils exceeded the plan of industrial goods production.

The planned sales of finished goods for the public have been exceeded in all sectors. Industry put at the disposal of domestic retailers consumer goods with a volume of M613 million above the plan. Progress was recorded in the output of high quality consumer goods which are more reliable, easier to handle and use less energy while displaying better design. The combines manufacturing means of production were much involved also. They expanded their output of finished goods for the public and carried out their tasks regarding components for the producers of consumer goods.

Fuel and energy supplies for the economy and the public were safeguarded. The conversion of energy production to the domestic energy source brown coal was resolutely pursued. Strict management and many initiatives of the working people helped more rationally to use energy and lower energy consumption in all sectors of the national economy. The production plans for products of coal refinement were overfulfilled. Particularly satisfactory achievements were recorded in the output of raw brown coal, raw brown coal dust and briquettes. The availability of power plant capacities was improved. Strip mining laid bare raw brown coal in excess of the plan.

The working people of the geological industry accomplished the planned targets for the exploration of deposits of domestic minerals and ground water. Natural gas from GDR deposits was produced daily in accordance with consumer demand.

All sectors of production achieved advances with respect to greater refinement. Satisfactory results were registered particularly by metallurgy, the chemical industry, the glass and ceramics industry and light industry, accompanied by growing efficiency.

Production targets were fulfilled or overfulfilled with regard to the majority of important raw materials and components. Above average growth rates were achieved for, among others: High and low pressure polyethylene, PVC pipes, conveyor belts, steel pipes, cast pressure pipes, malleable cast iron products, devices and appliances for regulation, control and checking, hydraulic products, cutting tools, builders hardware (locks and fittings).

Production targets were overfulfilled for the products of microelectronics. The output of semiconductor components and electronic building blocks rose by 25 percent and for monolithic integrated circuits by 46 percent.

A substantial rise was registered in the production of important machines and equipment for rationalization and exports as well as various consumer goods. The production targets for industrial robots were exceeded in the first 6 months.

Compared with the first half 1980 productivity in the scope of the industrial ministries rose by 5.4 percent per blue and white collar workers in terms of working days. This increased productivity generated 93 percent of the output growth. Forty-two combines raised productivity faster than goods production.

The quality standard of industrial production increased yet again. Industrial products awarded the "Q" quality mark had a value of M26 billion. The reliability and durability of many goods has been increased and design improved.

This improvement in quality is largely due to the 517 enterprises which were awarded the designation "enterprise of excellent quality work." The Carl Zeiss Combine VEB, Jena, was the first to obtain the designation "combine of excellent quality work." By comparison with the first half 1980 the cost of rejects, reworking and warranty services declined by 8 percent per unit of goods production.

Development of Output Volume of Important Products in the First Half 1981 Compared With the First Half 1980

Product	Percent
Raw brown coal	103.7
Brown coal briquettes	101.0
Products of metallurgical further processing	102.3
Steel pipes	110.0
Potash fertilizer	102.3
Polyvinylchloride	111.5
ABS plastics	115.4
Synthetic silks	103.4
Synthetic fibers	102.8
Metal cutting machine tools	107.0
Cold forming machine tools	114.5
Twisting and cable making machines	121.9
Machines and equipment for the textile, clothing and leather industries	107.5
Machines and equipment for the printing and papermaking industries	112.2
Combine harvesters	115.2
Fittings	104.7
Roller bearings	107.2
Hydraulic products	112.0
Industrial measuring control and regulating technology equipment	111.4
Digital controls	130.5
Electrical installation materials	107.9
Low tension switchgear	100.9
Devices and equipment for control and regulation	108.8
Household glass and mirror glass	121.4
Textile floor covering	107.4
Bedlinen	114.5
Knitted outerwear	103.0
Hosiery	104.0
Household washers	102.5
Household refrigerators	102.7
(including: Household freezers)	112.3
Gas cookers	106.2
Water heaters	107.3

The in-enterprise output of rationalization aids increased by 28 percent. The industrial combines actually exceeded the plans for rationalization aid construction. As the result of in-enterprise manufacture industry specific rationalization aids were produced and deployed to a value of M91 million above plan. The technological standard of the production of rationalization aids improved in many combines and enterprises. At the same time in-enterprise rationalization construction was increasingly oriented to the efficient manufacture of industrial robots to save manpower. In order to achieve this skilled designers, technologists and workers were deployed to better effect. The in-enterprise construction departments also contributed more to rationalization and maintenance.

Substantial progress was recorded in materials management. The many and various actions by the working people for the better utilization of raw materials and other materials resulted in the reduction of specific production consumption. Specific energy use in the scope of the industrial ministries declined by 5 percent. For important energy sources such as electricity, city gas and diesel fuels the planned consumption was undercut. In the scope of the industrial ministries the consumption of heating oil, hard coal and hard coal coke declined by comparison to the same period of 1980 as the result of purposeful conservation and the increased replacement of imports by domestic energy sources.

Further considerable savings may be achieved by the generalization of the experiences of such combines as the Walter Ulbricht Leuna Works, the Wilhelm Pieck Synthetic Fiber Combine, Schwarza, the Hermann Matern Strip Steel Combine, Eisenhuettenstadt, all of which are demonstrating exemplary work in the field of energy conservation. The replacement of imported energy sources increasingly proceeds by way of the greater use of raw brown coal. Substantial investment resources are deployed to this end by the national economy.

In the metal processing industry the majority of combines either observed or kept below the planned specific consumption of rolled steel.

Satisfactory results were recorded in the recovery and reuse of secondary raw materials. The recovery of steel scrap increased by nearly 3 percent, that of waste paper by 2 percent.

By the action "materials conservation" the members of the FDJ and the Pioneer organization provided a significant contribution to the better utilization of raw materials. The profits of that action amounted to M900 million.

The utilization of production plant in industry rose to an average of 15.1 hours per calendar day. Three quarters of all industrial combines achieved a better standard of capacity utilization in the first 6 months of this year than in the corresponding period of 1980. That holds true in particular in the combines of the metal processing industry.

Total prime costs per unit of realized goods production were again lower. The planned reduction was exceeded by 0.7 percent. The planned rate of costs was observed or undercut by 112 combines of industry. Cost savings amounted to M650 million. Forty-nine combines achieved an above plan prime cost reduction of 1 percent or more.

II. Science and Technology

Science and technology are increasingly revealed as the main factors of intensification of social production, the crucial impetus for rising productivity and efficiency. Our stable economic growth was largely due to the speed-up of scientific-technological advances. The rapid and comprehensive application of microelectronics, the development of flexible automation by the use of industrial robots, the rational utilization of energy and raw materials reserves, the greater refinement of materials and the improvement of the technical and technological standard of production contribute a great deal to the creation of the necessary preliminaries for the realization of the economic strategy of the 1980's.

The economic efficacy of science and technology has continued to increase. The greater use of scientific-technological results led to the decline in the consumption of raw materials, other materials and energy, major manpower savings and a faster rise in goods production distinguished by the "Q" quality mark. More than 90 percent of the greater productivity of industry are due to the speedier utilization of scientific-technological results.

In general the assignments of the state plan and enterprise plans science and technology were fulfilled. Scientists, technicians, innovators and rationalizers in all sectors of the national economy, in combines, enterprises and institutes, academies, universities, colleges and technical schools offered creative achievements in honor of the Tenth SED Congress and made an enormous contribution to the planned fulfillment and purposeful overfulfillment of the plan targets.

Important results were transferred to production ahead of the planned dates.

There was another rise in the realized introduction tasks of the plans science and technology, which help determine advanced international standards. Within the framework of the state plan science and technology these achieved a 79 percent share.

The consistent transfer of top performances to production, especially of new technologies and processes, accompanied by the simultaneous replacement of obsolete products in many combines, further advanced comprehensive socialist rationalization. This process may be substantially speeded up by the purposeful transfer of these good experiences to all combines.

The top performances of the plans science and technology in the first half provided all prerequisites for turning out in 1981 a production volume of M6 billion at higher quality and with greater efficiency.

Scientific-technological cooperation with the USSR and other CEMA countries was deepened and contributed to the speed-up of the accomplishment of scientific-technological tasks. The targets specified with the USSR in government and ministerial agreements were achieved.

The increased application of scientific-technological results and scientific labor organization by industrial, construction and transportation enterprises has provided a significant contribution to the more efficient utilization of the social labor capacity, accompanied by improvements in working and living conditions. Rationalization of high technical standard, in particular, permitted the saving of 230 million working hours, 14 percent more than in the first half 1980. These savings correspond to the hours worked by 252,000 blue and white collar workers in the first half 1981. Important economic reserves are to be found in the still uneven progress of combines with regard to manpower savings by way of scientific-technological measures.

The application of scientific labor organization has made it possible to reorganize 110,000 jobs. At the same time unpleasant and hazardous working conditions were eliminated for 18,000 working people.

Basic research respecting the natural sciences, mathematics and technology was carried on in the research facilities of the GDR Academy of Sciences, other academies, universities and colleges; it concentrated on the creation of the necessary scientific-technological preliminaries for achieving a steady and lasting advance in the performance and efficiency of the national economy as well as the general prosperity of the people. Their research and development work emphasized such main directions of scientific-technological progress as rational energy use; the use, most rational utilization and greater refinement of the raw materials available; the development and rationalization of the raw materials and other materials base; the speedier development and use of microelectronics, industrial robots and digital and non-digital controls for machines; the study and establishment of a healthy nutrition and lifestyle as well as the even better medical and social care of the public.

The scientific-technological creativity of innovators, inventors and rationalizers was purposefully oriented to the accomplishment of the tasks set in the plans science and technology. In the state economy more than 1 million working people were involved in the innovator movement. The annual profit of the innovations introduced amounts to more than M2.5 billion. Young people involved in the Movement of the Fair of the Masters of Tomorrow and the members of the Chamber of Technology provided a significant contribution to the mastery of scientific-technological advances.

II. Investments

In the first half of this year M23.5 billion were invested for the planned strengthening of the economy's material-technical base and the implementation of our social policies. In the scope of the industrial ministries total investment rose by 4 percent, in complex housing construction by 6 percent.

The material-technical base of the economy was further perfected and modernized--a process indissolubly linked with the speed-up of scientific-technological progress. The latest results of science and technology were increasingly utilized for the preparation and implementation of investments. Consequently greater success was achieved in more rapidly making valuable scientific findings production effective and obtaining the faster transfer to production of new products and technologies. Socialist rationalization was further speeded up by raising investment in the renewal, modernization and reconstruction of the available basic assets. Compared with the same period of 1980 renewal investments in industry rose by 9 percent; the share of construction investments declined to 25.6 percent.

Investments were increasingly used in such sectors as microelectronics and robot technology, which are crucial for the introduction of progressive technologies and automation.

Improved was the ratio between the abolition and new creation of jobs. The metal processing industry scored a first by, in connection with investments, making more jobs redundant than creating new ones. The automation of entire production processes significantly affected the redundancy of jobs and, consequently, the freeing of manpower. In the first half 1981 the numbers of industrial robots deployed in the national economy rose to 7,000.

Subsequent to the consistent reduction in long-range investment projects and extensive new starts it was possible to cut the completion time of investment projects and thus reduce the volume of incomplete investments as well as investment spending.

In honor of the Tenth SED Congress many new capacities and part capacities were completed ahead of time and to high standards. They thereby became a contributing factor in the increase in output. As the majority of the capacities observed and, in part, exceeded the confirmed technical and economic parameters, the planned production growth from completed investments was exceeded by 3 percent.

In the first half 1981 143 capacities from centrally planned investment projects began permanent operations.

The following were among the capacities from centrally planned projects taken into permanent service:

-- For energy and raw material production as well as refining metallurgy two more 175 megawatt blocks at the Markersbach pump storage station, the Delitzsch-Southwest strip mine with an annual capacity of 3.5 million tons raw brown coal, further expansion stages of the Werra potash enterprise in Merkers, the Porschdorf strip steel refinery at the East Ironworks Combine, the Quenz slag processing plant at the Brandenburg Steel and Rolling Mill VEB;

-- Capacities for products of microelectronics and electrical engineering, such as the unipolar solid state circuits at the Erfurt Radio Works VEB and the Frankfurt (Oder) Semiconductor Works, electric motors at the Wernigerode Electric Motor Works VEB in Hartha and Thurm, computer control mechanisms at the Karl Marx Stadt Numerik VEB, NNC controls at the Erfurt High Voltage Equipment Construction VEB, industrial measuring, control and regulating technology equipment at the Teltow Device and Regulator Works VEB;

-- Capacities for components and pumps at the Halle Machine Factory VEB and Halle Pump Works, gears for farm machines at the Kirschau Gear Works VEB, the Vogelsdorf Slab Works;

-- Capacities for investment goods such as chemical plant and apparatus at the Erfurt-Rudisleben Chemical Plant Construction VEB, harbor cranes at the Eberswalde Crane Construction VEB, rolling mill equipment, cable making and twisting machines at Magdeburg Ernst Thaelmann Heavy Machine Construction Combine VEB, shaping machine tools at the Zeulenroda Machine Tool Factory VEB and the Aue Sheet Metal Working Machine Plant and Machine Tool Construction;

-- Capacities for consumer goods such as the production of Liroflor /trade mark/ carpets at the North Malchow Carpet Works VEB, men's wear at the Tanne Clothing Works VEB, color television sets at the Stassfurt Television Set Works VEB, mini-motorcycles at the Suhl Vehicle and Hunting Weapon Works VEB, baked goods at the Eisenach Baked Goods VEB, the Potsdam-Rehbruecke new brewing plant.

By way of expansion and intensification the waterworks capacity rose by 80,000 cubic meters per day. Another 40,000 residents were connected to the central networks supplying potable water.

In the first half 1981 investments for housing construction, education, health and social care, culture, recreation, physical culture and sports amounted to more than M5 billion. The facilities completed and handed over include 20 dual stream secondary schools, 46 gymnasia, 400 student dormitory places, new wings at Nordhausen and Cottbus hospitals, the functional diagnostic wing of the new Chariet Hospital, the FDGB vacation resort at Zeulenroda Dam, the second recreation complex at Binz and the vacationers hostel at Biberau.

Pursued as planned were the reconstruction measures at Academy Square in Berlin, the capital, as well as the reconstruction of the Semper Opera House in Dresden and of the Gewandhaus Concert Hall in Leipzig.

IV. Construction

The plan targets were exceeded in every month as the result of extensive competition initiatives by the working people of the construction industry.

Compared with the first half 1980 building output rose by 5.4 percent per working day. The plan was fulfilled to 101.4 percent. The plan advance corresponds to 1.7 working days and was achieved largely without the use of additional material funds. All centrally managed combines of the construction industry and the construction enterprises managed at district level exceeded their plan targets.

Particularly outstanding increases in output and the overfulfillment of plan targets were recorded by the combines Erfurt Construction and Assembly Combine, Weimar Special Construction Combine for Waterworks, Cottbus Housing Construction Combine, Rostock Road and Underground Construction Combine, Halle Building and Sanitary Ceramics Combine, Leipzig Combine for Technical Building Equipment and Dresden Construction Mechanization Combine.

The plan of net production was exceeded while planned basic material costs per M100 building production were undercut. Consonant with the needs of the national economy construction capacities were increasingly deployed to ensure the unity of new construction, modernization, reconstruction and maintenance.

Construction measures in the scope of the industrial ministries emphasized projects of rationalization and reconstruction. The building output of industrial enterprises with their own construction departments rose by 11 percent.

The production of building materials and products of the prefabrication industry met plan targets and exceeded them so as to achieve 101.3 percent. The plan was overfulfilled with respect to important products such as cement, heating surfaces and sanitary ceramics.

Qualitative growth factors were increasingly used. This resulted in another rise in output and in greater efficiency. Productivity rose by 4.4 percent, faster than the plan provided. Transferred to production were 384 introduction tasks arising from the state plan and the enterprise plans science and technology. Scientific-technological efforts emphasized measures designed to lower specific construction costs, cut construction delays and produce energy conserving constructions. The specific consumption of important materials such as cement and rolled steel was lowered by the use of further developed products and technologies. More reserves for faster growth

and greater efficiency are to be found especially in the elimination of different levels of efficiency between combines and in the reduction of prime costs.

88,383 housing units were built from scratch or modernized, 7,866 more than provided in the plan. This represents the greatest ever half year result in housing construction--10,565 units more than in the first half 1980. New construction accounted for 60,384 units, including 7,936 one-family homes; modernization for 27,999 apartments. All districts fulfilled or overfulfilled the plan for new housing construction.

As regards infant and school facilities, 8,806 kindergarden places, 625 class rooms and 45 gymnasia were completed in the first half 1981, thus meeting the plan targets. Finished in the same period of time were 6,344 new creche places, more than the plan provided.

Some kreises either failed fully to meet the plan quotas for new housing construction and the construction of infant and school facilities or did not observe the requirements as to location.

The volume of building repairs and modernization with reference to residential buildings continued to expand as planned. The population contributed to the improvement of housing conditions by its achievements in the "Join in!" competition. In the course of its action "Remodeled and Expanded" the FDJ completed more than 6,000 apartments.

In Berlin, the capital, 8,611 apartments were constructed or modernized. The building services to be contributed to the capital by the districts were generally exceeded. This was due in large part to the young construction workers in the "FDJ Initiative Berlin."

V. Agriculture, Forestry and Foodstuffs Industry

By way of the socialist competition cooperative farmers and workers in agriculture, forestry and the foodstuffs industry have achieved satisfactory results toward further socialist intensification and the better utilization of the benefits of cooperation. Agra 81, the traditional exhibition of socialist agriculture, forestry and the foodstuffs industry impressively confirmed the excellent standard of performance.

A larger output volume served consistently to meet the public demand for basic foodstuffs and the needs of industry for raw materials. The cost/profit ratio was improved, and so was product quality.

The plan of state yield was exceeded for all products; more slaughter cattle, eggs and wool as well as more fresh vegetables were made available than in the same period of 1980.

	Fulfillment of the Half Year Plan of State Yield	Development Compared With the Yield in the First Half 1980
	Percentages	
Slaughter Cattle	104.0	110.0
Milk	101.8	99.0
Eggs	106.3	103.1

Livestock holdings have again increased.

	Livestock	
	30 April 1980	30 April 1981
	1,000	
Beef cattle	5,753	5,824
Cows	2,114	2,119
Pigs	12,221	12,509
Sows (from first litter on)	978	1,010
Sheep	2,396	2,498
Layer hens (million)	27.5	27.9

Better rearing combined with a reduction in the mortality of piglets and calves enabled animal production to achieve improved efficiency.

A significant contribution to the public supply of vegetables, eggs, honey, poultry and rabbit meat was provided by cooperative farmers and workers with private smallholdings and the members of the Union of Small Gardeners, Settlers and Small Livestock Breeders as well as other small producers.

Spring cultivation proceeded as planned and at a high standard of quality. Summer grain was planted on 648,000 hectares, making a total of 2.5 million hectares. Potatoes were planted on 510,000 hectares, sugar beet on 266,000 hectares and green and storage corn on 365,000 hectares.

The collectives of the agrochemical centers and the workers of the kreis enterprises for agricultural equipment as well as additional manpower from the villages helped the cooperative farmers and workers of the LPG and VEG crop production during planting and cultivation.

Land improvement work resulted in better water availability on 36,800 hectares of agricultural area, thus helping to improve yields.

The working people of the foodstuffs industry achieved a plan advance of 4 days output; compared with the same period of 1980 this amounted to a 4 percent rise.

Forestry workers made available to the national economy 4.9 million cubic meters of timber, thereby fulfilling the annual plan to 51 percent.

Helped by cooperative farmers, additional labor from enterprises and facilities of the national economy and other social facilities as well as volunteers from the general public, forestry workers succeeded in preparing another 1.6 million cubic meters--almost two thirds of the snow and wind damage suffered in spring 1980--, and making this timber available for profitable use.

The maintenance enterprises of agriculture, forestry and the foodstuffs industry achieved an output worth M929.4 million. The half year plan was overfulfilled. The working people in the enterprises of agricultural equipment produced rationalization aids to the value of M314 million and thereby exceeded the plan.

VI. Transportation, Posts and Telecommunications

The transportation system carried 522 million tons of freight. The national economy's transport needs were met. The specific transport expenditure of the national economy declined. The shift of freight from road to rail and inland shipping contributed to the ongoing conservation of fuels and energy.

The railroad carried 156 million tons of freight. Its share in the total volume of freight carried has risen. In the first half 1981 more of such specially important types of freight as coal, metals and scrap were carried than in the first half 1980. Consequent upon the improved cooperation between railroad and production enterprises the utilization of freigh cars has risen again.

Inland shipping raised the volume of goods carried by 8 percent, mainly by the improved utilization of hold capacity. The plan targets were exceeded.

Dispatch times for ships were cut in GDR sea ports and the plan of freight transshipment exceeded in all three ports. A total of 10 million tons of freight were handled, involving 0.5 million tons or 5.6 percent in excess of the plan.

Public transport carried some 11 million passengers daily. To further improve passenger services 60 high capacity Tatra streetcars from the CSSR have been added to the rolling stock.

The measures for developing traffic facilities in connection with the housing program were pursued as planned.

Postal and telecommunication services grew by 4 percent compared to the first half 1980. 24,000 telephones were installed, 9,000 more than in the corresponding period of 1980. By now 95 percent of telephone calls are handled automatically.

Television broadcast 86 percent of program hours in color, and VHF radio transmitted 370 hours weekly in stereophonic sound.

VII. Foreign Trade

Foreign trade turnover rose by 12 percent due to the excellent work of the working people in the production and foreign trade enterprises.

Trade with the USSR and the other CEMA member countries represented the solid foundation of the GDR's foreign trade generally. Foreign trade turnover with the USSR rose by 17 percent. The purposeful realization of the program of specialization and cooperation between the GDR and the USSR served to further determine the qualitative standards and growth rate of reciprocal deliveries by means of research and production cooperation.

In order to deepen socialist economic integration and on the basis of the CEMA Complex Program further measures became effective regarding cooperation in science and technology so as to ensure the stable and long-term supply of raw materials and fuels for our national economy as well as promote international specialization and cooperation.

Economic as well as scientific-technological cooperation with the developing countries was further deepened on the basis of equality and mutual profit.

Exports to the developing countries and the capitalist industrial countries were raised significantly.

The large rise in exports is the result of the efforts of working people in many sectors of the national economy. Export profitability improved. To ensure the challenging goals of the annual plan it will be necessary within the framework of combines even more purposefully to use uniform and comprehensive management of science, technology, production and marketing--including foreign trade--to raise exports and improve export efficiency.

VIII. Development of the Material and Cultural Standard of Living

The people's material and cultural living standard was secured and gradually bettered on the basis of the improvement in the national economy's performance.

Housing conditions got better for 264,000 citizens, mainly workers, young couples and large families, because 88,383 housing units were constructed or modernized. In the first half 121,023 children were born.

The net cash incomes of the population rose by M2.0 billion or 3.3 percent. Net earned incomes of blue and white collar workers increased by 3.9 percent, based on performance oriented wage policies.

State contributions from social funds to the housing system and the maintenance of stable rents amounted to M4.5 billion. Another M9.2 billion were spent on safeguarding stable prices for essential goods and fares. Altogether the social funds of the state made available M29.3 billion, 9.7 percent more than in the first half 1980.

Supplies for the public have further improved. Stable supplies of essential goods were ensured and the offer of industrial consumer goods increased.

Retail turnover rose by M1.6 billion to M48.7 billion, corresponding to a 3.3 percent increase. Retail turnover of industrial goods grew by M0.9 billion (3.8 percent) and of essential and nonessential foods by M0.7 billion (2.9 percent). The majority of wholesale and retail enterprises managed further to improve efficiency. Despite rising turnover it was generally possible to lower costs by 3 percent and losses of goods by 6 percent.

Changes in the Volume of Goods Available by Comparison to the First Half 1980

Meat, meat products and sausages	to 100 percent
Fish and fish products	99 percent
Cheese with high butterfat content	103 percent
Milk	101 percent
Babyfood	103 percent
Cocoa and chocolate products	108 percent
Roasted coffee	103 percent
Wine and champagne	112 percent

There was an improvement in the offer of new and high quality consumer goods, especially for the tasteful furnishing of homes, for easing housework and providing home entertainment.

Increases as per plan were achieved with respect to various products:

Rise in the Volume of Goods Availability From Domestic Production and Imports in the First Half 1981 Compared With the First Half 1980

Radios	123 percent
Tape recorders	114 percent
Color television sets	119 percent
Black and white television sets	123 percent
Household refrigerators	103 percent
Household freezers	115 percent
Vacuum cleaners	109 percent
Steam irons	138 percent
Water heaters and boilers	109 percent
Bar elements	110 percent
Car tires	119 percent
Paint	106 percent
Detergents	104 percent
Curtains and drapes	106 percent
Hosiery	107 percent
Men's overcoats	118 percent
Bedlinen	108 percent

In close cooperation with the retail enterprises, combines and locally managed industrial enterprises have improved supplies of the "1,000 small items in daily demand." The output of replacement parts also rose significantly. This resulted in noticeable improvements in various sectors.

Services and repairs for the benefit of the public grew smoothly. Repairs of technical consumer goods rose by 11 percent, of refrigerator/freezers, washers and gas appliances by 15 percent.

Small tradesmen are largely responsible for this improvement. Production cooperatives raised their services to the public by 4 percent, private tradesmen by 5 percent.

The purposeful application of the best experiences, rationalization and the use of efficient equipment resulted in delivery times being cut and the standard of repairs and services improved in various districts.

Automobile servicing and maintenance for the benefit of the public grew by 105 percent.

As to popular education, further progress was achieved in the curricular organization of the 10-grade general polytechnical secondary school. The perfection of the communist education of school students received particular attention. Material and personnel conditions for the all-round training and education of children and youths improved. In the first half 1981 8,806 new kindergarten places, 881 boarding and residential home places as well as 625 class rooms and 45 gymnasia were taken into service. School meals were provided for 75 percent and milk for 66.6 percent of students. One million students in grades 7-10 received regular polytechnical instruction. To this end 35,900 full-time and part-time instructors are employed in the enterprises.

Socialist vocational education provided an important contribution to ensuring a well trained successor generation in all sectors. All school leavers are guaranteed an apprenticeship or a place in a further educational institution. Among those students who begin vocational training, 86 percent are graduates of the 10th grade of the general educational polytechnical secondary school. The material-technical conditions of vocational training were perfected by the provision of 84 class rooms and 1 gymnasium for local and enterprise vocational schools as well as 1,222 beds in apprentice dormitories. Every fourth apprentice lives in an apprentice dormitory.

Education at colleges and technical schools proceeds on the basis of the new curricula and instruction programs. These realize the principles of the unity of education and training, instruction and research as well as of theory and practice at a qualitatively new standard. Military training and training in civil defense have become firm elements of university studies.

Colleges and technical schools have established closer and more varied relations with combines and enterprises. That helped the more rapid transfer of research results to industry. To improve working, studying and living conditions 400 student residence places and 1,400 lecture hall, seminar and laboratory places were completed.

The staffs of the health and social welfare system achieved more progress in keeping the public healthy. Basic medical care, especially in large cities and industrial conurbations, improved as planned. In the first half 1981 a total of 231 new medical and dental jobs were created. The volume and quality of specialized medical care was expanded as planned. In the first half 1981 700 new beds were provided in hospitals, and 180,000 working people were awarded spa treatments. The 3,800 health care facilities in enterprises looked after 6 million working people, more than two thirds of the total. More protected jobs were provided, allowing more severely and most severely handicapped citizens an opportunity to work. At this time 33,400 such jobs are available. 13,250 physically and mentally handicapped children and youths are in receipt of special education in the appropriate government facilities.

More advances have been recorded in the availability of creche places. In the months January through June 1981 another 6,344 such places were provided. For the benefit of senior citizens and seniors requiring nursing care, 1,704 places in rest and nursing homes were completed, and so were 1,439 in special residential homes.

Physical culture and sports have developed satisfactorily. The inauguration of the sports and recreation center in the GDR capital signified the provision of a new

facility for active leisure; some 18,000 visitors daily use this facility for recreation and enjoyment.

The mass nature of physical culture and sports has become more evident. Millions of people are variously involved in sports which increasingly respond to their needs and demands. The GDR German Gymnastics and Sports Federation increased its social attraction--especially in the enterprises--by the establishment of new sports associations, sections and groups.

Almost all children and youths were involved in the preliminary competitions for the Spartacus Sports Festival and the kreis Spartacus Sports Festivals in preparation of the Eighth GDR Children and Youth Spartacus Sports Festival.

Intellectual-cultural life has become richer. Relations between art and society, artists and party, artists and people are now more solid and productive. Large attendances were registered at, among others, the cultural events carried on on the occasion of the Eleventh FDJ Parliament, the Days of Popular Art in Leipzig Bezirk (in the Palace of the Republic), the Eleventh Festival of Political Song, the Eighth Music Biennial in Berlin, the Dresden Music Festival, the 30th Handel Festival and the Second National Festival of Children's Films "Golden Sparrow" in Gera. Many popular artists provided a valuable contribution to the organization of intellectual-cultural life in cities and communities.

Outstanding GDR theatrical troupes and orchestras toured the socialist fraternal countries and nonsocialist countries. On the occasion of the Days of GDR Theater in the USSR Soviet theaters staged GDR plays translated into 18 USSR languages. On its visits to Tokyo and Hiroshima the Berlin State Orchestra and the ballet ensemble of the Berlin State Opera enjoyed much success. The Dresden State Orchestra gave a much acclaimed concert in Paris. The GDR exhibit "Masterworks of German Art from Duerer and Cranach Through the Present" is on show in Tokyo and other Japanese cities through November 1981 and drew 20,000 visitors at the opening. The exhibition "GDR Painting and Graphic Art" was shown in the Paris Museum for Modern Art.

The nurture of the humanist cultural heritage was particularly emphasized. This was demonstrated by such events as the Shakespeare Days in Weimar, the Brecht Days in Berlin, the Handel Festival in Halle and the celebrations in honor of Johannes R. Becker's 90th birthday and the 200th anniversary of Gotthold Ephraim Lessing's death. To be mentioned in particular with respect to GDR cultural policy and its aim to keep and nurture our progressive heritage are the celebrations in honor of the 200th birthday of Karl Friedrich Schinkel.

The retail trade offered 2,800 books with a total printing of 68 million copies as well as more than 8.7 million records and tapes; they contributed to the increasing satisfaction of the citizens growing cultural needs.

* * * *

The satisfactory results of the first half of 1981 demonstrate the working people's readiness by advanced performances to contribute to the economic strategy resolved upon by the Tenth SED Congress and oriented to the prosperity of the people and to

peace. To meet the higher criteria of the 1980's it will be necessary even more comprehensively to utilize the great creative potential and the tremendous wealth of experiences of the GDR people for a significant growth in economic capacity, a steep rise in productivity, efficiency and quality. By this means we will ensure the stable growth of the social end product for supplying the public, the national economy and the export trade.

Based on the Tenth SED Congress resolutions socialist intensification and the rationalization of social production must again be consistently pursued as the main means for raising economic capacity and substantially lowering social expenditure. The main necessity is even more effectively to link the benefits of socialism with the achievements of the scientific-technological revolution.

As regards the management operations of government and economic organs it is imperative to encourage the creative activism of the working people in the socialist competition in order all-round to fulfill the economic plan and discharge additional obligations. By their creativity and efforts the working people make a vital contribution to the further pursuit of the main task in its unity of economic and social policy, to the stable and successful advance of socialism in the GDR and to the realization of the policy of peace, detente and disarmament.

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FINANCE MINISTER ANALYZES ECONOMIC POLICY

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[Interview with Finance Minister Istvan Hetenyi, by Istvan Lazar; date and place not specified]

[Text] [Question] While economic growth has slowed down--for reasons that are partially common and partially different--in both the capitalist and the socialist countries, it seems that Hungary's prospects of growth are limited within a range of 0 to 4 percent a year. In your opinion, is economic growth feasible only within this narrow range? And if so, should we strive for the maximum growth rate or would it be more appropriate to remain cautiously at zero annual growth rate?

[Answer] First of all, a range of zero to 4 percent annual growth is by no means a narrow one. The lower limit would mean maintaining our present level, while the maximum--compounded annually--would mean dynamic growth in the long run. Today, very few countries in the world would be able to sustain a 4-percent annual growth rate over a period of many years. Thus I regard the indicated range as indeed wide. Actually economic policy can anticipate narrower limits for the coming years, and there is nothing peculiar in this. We would be proceeding from zero upward. I am not a pessimist to believe that we are able to sustain only an annual growth rate of zero. But I am also reluctant to speak of a growth rate of 4 percent. Not as if a person could not wish for a 4-percent annual growth rate, and by the same token he could also wish for 5 or 6 percent. But I think that the assumption of a growth rate similar to the former one would distract attention from what is actually involved, and from what we must strive for. It is not by accident that the Sixth Five-Year Plan calls for increasing the present low growth rate of 3 percent, and I regard this as a very ambitious task, one that will be by no means easy to fulfill.

A truly interesting dilemma of economic policy is what questions have to be solved to attain sustained balanced growth. There is the old story, which since then has matured into a proverb, about the mechanic who repaired a car with a single blow of his hammer and charged 101 pengos: 1 pengo for the blow, and 100 pengos for the knowledge of where to strike the blow. I have worked for a long time in the National Planning Office, and my economist friends often raised the following question about us: were not the

plan and policy that regarded growth figures as the sole yardstick for measuring objectives and success excessively quantity-oriented, and did not the efforts to attain a higher percentage result in stepped-up or, crudely put, overstrained growth and increasing tensions? I always thought that we should set stepped-up tasks, although this adjective is perhaps not the most appropriate one and has become fairly discredited. Let us speak instead of ambitious tasks: tasks that are truly challenging, ones whose results do not merely fall into our lap but correspond to what we may express as socialism's potential. It is the task of economic management, and directly of planning, to aid, urge and stimulate the possibly most effective development of this potential. We cannot be satisfied with living unpretentiously, taking care only to avoid rocking the boat, plodding along somehow or other.

But the problem is actually what we have to stimulate or step up. Where do we have to strike that blow? And do we have to strike a blow or adjust? Or perhaps the car has not broken down, and we only need to know how to operate it? Physical force, the direct method, is not always the most effective. We cannot contrast the untenability of a high growth rate with a low growth rate resigned to low performance. This is not what the present, lower growth rate reflects. Present conditions--the state of the world economy, inadequate competitiveness, etc.--require the solution of very great tasks. If we are unable to solve these tasks, then the price of restoring equilibrium --under foreseeably favorable conditions--would be declining production and domestic consumption.

Let us go back to the planning and management of economic growth. In order to be dynamic, we neither should nor have to press for growth in its quantitative form, directly and everywhere. Instead, we have to stimulate those factors that are the foundations of the entire economy's sound growth: efficiency, structural change, and profitability. If we aspire and press for these factors everywhere, then the feasible and necessary growth will follow naturally. Here I have in mind primarily warranted insistence on a sensible price system and financial system.

[Question] The final outcome today, however, if probably a low figure. Public opinion tends to assume in such cases that the new growth rate, regardless of its internal content, also means a slowdown of the improvement of the individual's prosperity. And to some extent the public is not alone in forming such a picture spontaneously. There have been warnings regarding a more cautious development of our policy on the standard of living: maintenance and consolidation of the attained level, rather than a further rise, is the sensible objective, at least for the next few years. What I wish to ask you now, however, is not whether there is nevertheless some hope of a faster rise of the standard of living--because I do not believe that there is--but to what extent is it warranted to link the economy's growth and the individual's prosperity.

[Answer] This is warranted only partially. It is undeniable that less growth can provide for less. This is simply a matter of two times two equals four. The problem in the immediate future, moreover, is not that a

3-percent rise in income will suffice only for a 3-percent rise in the living standard. The new plan also tells us that from the planned 3-percent growth, under the expected conditions, only a 1-percent increase in consumption will be feasible, because it will be possible to increase domestic expenditure only by 1 percent a year. The difference will be needed to improve the equilibrium of our foreign trade, to compensate for the expected worsening of our terms of trade. Thus another internal constraint of our new plan is that not even the entire attainable growth rate can be used for domestic expenditure. There are, of course, many transmissions between the individual's prosperity and the entire country's economic advancement in a quantitative sense. Although I do not think that it is particularly apt to refer to this here, I do have acquaintances with high incomes who are not happy at all, while others are less better off financially but are nevertheless satisfied. An important role is played here by the fact that an individual's well-being is influenced also by numerous factors of a nonmaterial nature. Much depends on the collective at the workplace, on the atmosphere, on whether meaningful expressions of opinion are possible and worthwhile, and on the extent to which advancement depends on ability and performance.

[Question] I had primarily economic well-being in mind.

[Answer] And I have "misunderstood" you intentionally. It is fairly common in our society that the aforementioned factors are the principal causes of dissatisfaction. The fact that economic advancement and the development of consciousness are not in harmony is also the cause of many problems, and even of distortions. When there is a difference in either direction, it is difficult for both the individual and the community. Cases in which someone is far richer than his consciousness provide the best topics for articles in ELET ES IRODALOM; And if some one is far poorer than his consciousness . . .

[Question] That again provides the best topics for articles in ELET ES IRODALOM . . .

[Answer] . . . he painfully feels all the things that are lacking to make his life meaningful. But let us return to economic well-being. It is certain that our possibilities will be limited. However, we will be able to speak of progress if we put to practice what Comrade Kadar said about this, i.e., whoever works will prosper.

[Question] In recent years, more often than not, fulfillment of the production targets fell short of the plan, while the outflow of income exceeded the plan. Now, in the interest of economic equilibrium, we should control this more strictly, if we succeed in doing so . . .

[Answer] Although I do not wish to deny by any means that we do have such day-to-day problems, I am nevertheless confident that this will be successful. In the long run there is no other solution. Indeed, the statistics for 1975, and subsequently for 1977-1978, showed that more income flowed

out than what was produced in real terms. But in 1976, and again in 1979-1980, we were able to achieve that distribution and production were more or less in harmony. And no special innovations had to be invented for this purpose. It was sufficient to put into practice what we had already announced also in 1978, among other things. The task, then, is not insoluble, and I hope that public opinion today will provide a more favorable foundation for the solution of this tasks than it did in the early 1970s. Perhaps I am not being naive when I think that people today are more inclined to evaluate the situation objectively and to adjust, are quicker to condemn abuses and waste, and are more willing to act in matters pertaining to economic progress. This is the fruit of our policy in recent years, but it alone will not preserve itself forever; our policy must advance day by day, in order to fight for sound views. Actually the problem is how we can do this while simultaneously strengthening the factors of economic development. I said development, and not growth. Will we be able to link the outflow of purchasing power to performance, in such a way that a warranted increase in performance, and differentiation on the basis of the work performed, will be reflected in incomes, through some transmission. In other words, will we be able to regulate through incentives while controlling purchasing power; or will regulation be one-sidedly restrictive in the sense that even good initiatives will be curbed, while perhaps the unfavorable initiatives will be allowed to survive. This is something that will not be apparent from one minute to the next. Consequently the danger exists that we may forget about this to some extent when debating the given problems. If equilibrium is so important, the temptation is great to take away primarily from the efficient, from the ones that have; but if we place emphasis on stability in partial areas and take society's partial interests one-sidedly into account, then good intentions might lead us to give also to the ones --and here I have plants in mind, and not social policy--where there will be no suitable return. Herein lies, in my opinion, one of the key questions of economic policy.

[Question] If we would like to pay for good performance with an essentially unchanged or only slightly increasing outflow of money, then bad performance should not be accepted and should be penalized. But this raises the question of the stricter separation of economic policy and of social policy.

[Answer] More accurately, this raises the question of separating profit distribution and wages from social policy: let social policy be more "sociopolitical"; and earned income, more "economic." And I wolud like to add one thing more to this. Much is being said about wage differentiation. But if the question of differentiation arises only in the sense of whether there should be greater differentials in wages and earnings between assignments, occupations or performances, then wage differentiation will not get us far. Perhaps it will not be surprising if I call attention to the fact that we are speaking of differentiation on the basis of the work performed. Nor will it be surprising that I see the essence and timeliness of this question mostly in comparable work, in the case of workers assigned to similar jobs. But perhaps it will seem strange to some if now, in

conjunction with differentiation, I would like to emphasize also a seemingly conflicting proposition. Namely, it is not in society's interest to have within a given occupation individuals with high performances getting high wages, and also individuals with entirely low performances getting small wages. The lot of a bad teacher should not be a low salary; he should seek other occupation. What do we achieve if the operator of a machine worth several million forints gets 50-percent pay for 50-percent performance while causing an immense dropout in income? Thus differentiation does not solve anything without the application of the principle of the right man in the right job. Or more exactly, differentiation is good if it helps to assert this principle. We sometimes hear that the greater the differences in performances and wages, the better our wage policy. Whereas we should never assign a person to a job for which he is unsuited. It will become clearly evident within a day that a chauffer or surgeon is unsuitable for his job, but elsewhere it might take longer.

At the same time our social policy should be more deliberate and, in certain respects, more straightforward. The concept of social policy in Hungary is not as mature as it should be. Progress has been hampered somewhat by the old view that the state institutionally solves everything, and thus there is actually no social policy, there are only social benefits. And now the paradox has arisen that society is becoming richer and richer, but meanwhile the tasks of social policy are not diminishing because ever newer demands are being recognized. The principles should be clarified in greater detail, and perhaps the regular services, which some people refer to--in my opinion, incorrectly--as communist distribution or distribution in accordance with one's needs, should be separated from aid that is based on one's social situation. Everyone can find an example within his own circle. As a university student, my daughter was in category 6, until she got married. At that moment she advanced to category 2. Actually nothing changed in her social situation, she continued to live where she had been living, etc. And yet she jumped four categories in her classification. Or another thing: in my opinion, the urgency of raising family allowances for young couples is quite different when the two parents jointly earn 5,000 forints a month than when they earn 15,000 forints. There are arguments why the family allowance should be the same in both cases, but I don't think it should remain equal forever.

[Question] The main argument is that smaller family allowances for families with higher earnings would mean a certain retraction of the principle of pay commensurate with performance. Assuming that good earnings are based on high performance, we would be penalizing the diligent worker if we were to reduce his family allowance.

[Answer] To the contrary, I would say that we would be providing more aid for those whose earnings (incomes) are not high. This is social policy, and I do not regard a simple continuation of its present system as necessarily correct. Incidentally, I see some progress here: care for the multiply disadvantaged. It may not sound nice, but at our present level of

development we should say that a person with only one disadvantage should bear it or overcome it, because we can hardly give him more aid than at present. Today we can significantly improve the situation of persons with more than one disadvantage, be it health, age, place of residence, etc.

[Question] Up to now we have discussed domestic expenditure--which must remain below the growth rate--only from the viewpoint of the population. But our tasks include also the curtailment of investment. Here again the magic word is differentiation. Yet, many persons are concerned that the curtailment of investment will partially limit future possibilities.

[Answer] Depending on the objective conditions, investment is again something of which it can be said that it is good if more is invested, but it is not necessarily true that the more investment the better. So far as the future is concerned, let us distinguish productive and nonproductive investment. What we are unable to solve in the latter category is a problem of not only the future but of the present as well. Or we could use Janos Kornai's apt classification which states that anything we cannot afford is either a sacrifice or a postponement. But it also can be negligence! This is the case when we postponed something that not only fails to happen but will eventually come home to roost. This problem could arise particularly in education, and partially in environmental protection. This is why emphasis is being placed on education, particularly on grade schools, including day-time homes and kindergartens. Educators may not agree with me, but I dare say that the financial limitations and problems will not be greater than the pedagogical ones. What education offers for the future cannot be explained already now with the paucity of material provisions.

In the area of nonproductive investment, the target for housing construction remains significant, and I sincerely hope that it will be exceeded. This is the sphere where I would encourage ourselves to think about the prerequisites for overfulfillment.

Curtailment of productive investment helps to solve our present equilibrium-related tasks, but in principle it limits future development. But this is merely an abstract principle! Today it would be moot to argue whether investment should be increased or reduced by 5 percent. Whereas at the beginning of our interview I pointed out the very great difference between zero growth and a 4-percent annual growth rate, here I could demostrate that at the end of the plan period, assuming that the completion time of an investment project is 2 to 3 years, there would be no qualitative difference in the stock of plant and equipment in operation, regardless of whether productive investment is maintained at the present level or is increased at an annual rate of 5 percent. By this I do not wish to detract from the importance of this problem. It is common knowledge that the efficency of Hungarian investment activity is low. There is much waste, and excessive and unnecessary official regulation also add to the costs of our construction projects.

If we could shorten by 20 percent the completion time of our investment projects, this would mean far more than if we were to increase investment at the highest rate realistically feasible. Thus we have enormous reserves, and in this day and age I would not venture to explain to the citizens that their real income must be reduced so that we may slightly increase our productive investment that is being realized slowly and expensively. While the economy was growing at an annual rate of 5 percent, a 3- or 4-percent growth of consumption was acceptable. But when real wages are stagnating, stepped-up productive investment becomes unjustifiable at the present level of work in capital construction.

Concerning selective development, nowadays everyone is in agreement with this but thinks that selectivity means the realization of good proposals --of his own good proposals in particular--and the rejection of bad ones. But the essence of selection is not simply this. We can never advocate a development policy that allows both good and bad projects. This could not be done--or occasionally should not have been done--even in the period of extensive industrialization. Real and true selectivity is when we have to choose between the good and the good. We must assume that in many production sectors--particularly in manufacturing industry--there are more proposals than can be realized. Too bad if this assumption is false, but then nobody should argue for more investment.

Therefore let us assume that there are good proposals, and that development is selective when we realize that in a country of the size of ours it is not possible to realize every good proposal, for financial reasons as well as marketing considerations, because the overwhelming majority of the good proposals in Hungarian manufacturing industry require gaining a large export market. Selectivity is necessary not only because of the paucity of capital, but also because brainpower is likewise in limited supply, and it is not easy to gain markets. Incidentally, we loudly proclaimed our paucity of capital even when we accumulated 30 percent of national income. Meanwhile a host of countries, on the same level of economic development as ours and accumulating just as much or even less than we did, complain of many things, but hardly of a paucity of capital. We now have a wide production base. The complaints regarding the paucity of capital stem partially from the fact that everyone would like to completely rebuild what we have. Very often they do not even want to modernize--i.e., to continuously develop--rather they would like to build an entirely new production base. In the final outcome this would mean renewing everything, in our present diversification. Simultaneously this would mean several times our present output--and where is the demand and market for this? I regard as feasible only a combination of construction and cutback. But today the part that obviously should be cut back still believes it has gotten a dirty deal and complains of a paucity of capital. Of course, I too admit that the accumulation rate today is modest.

Nor is it rare that an investment proposal is worked out but funds are lacking, and therefore the proposal is shelved, in the belief that it can be dusted off two or three years later. This should not be allowed. As a

result, by the time an investment project actually starts, there is more or less doubt as to whether the project will be able to fulfill the original expectations.

[Question] Development and cutback? Up to now there has hardly been an example of our allowing an enterprise to discontinue operation or to atrophy, not to mention an entire industry. Will we be able to be stricter in the future, or can some automatic mechanism develop that will "implement" this?

[Answer] Nothing can develop in our economoy entirely according to some automatic mechanism. When we speak of an automatic mechanism, this only means that we purposefully create certain preconditions and act according to a clear policy. This is not only feasible but also necessary, in order to accelerate such processes. But the idea of atrophying industries, or allowing them to atrophy, is naive or a rare exception, until technology sweeps them away. Industries do not suddenly disappear even in those countries where competition on the domestic and international markets makes itself felt the most keenly. Here we must think not in terms of industries, but in terms of manufactures, product groups or technological groups. Of course, if by industry we mean the production of trucks or of railroad rolling stock, then the situation is different.

[Question] Truck production, or part of it, has ceased in our country. This is specifically one of the rare examples . . .

[Answer] A branch of truck production or a certain part of tractor production has ceased. But these examples are interesting also because they teach us that, when we think in terms of industries or even of product groups, there is something else that we must take into consideration: we should not think in terms of final products. The final-product approach has been fairly typical of entire Hungarian economic policy, and it stems partially also from the planning system. Planning operates with balances, into which it is possible to fit--besides energy, raw materials, etc.--mostly final products and basic materials; planning is less concerned with anything that does not fall into these categories.

Our earlier tractor production was a typical example of selection based on the final-product approach. And what did we experience when production "ceased"? That it gained a new lease on life, in a novel manner, and almost automatically: in the form of Raba-Steiger cooperation. Or another example: Trucks are again being produced, likewise in Gyor. But there is an enormous difference. Previous production was based on a high degree of autarchy, whereas production at present is based on international division of labor. When there is coproduction of parts and subassemblies, the output of final products can have a somewhat wider assortment, and yet production is more efficient than in the case of autarchy.

[Question] When there is an increase in self-financing of investment by enterprises, is there a decline in the proportion of national income that is centralized and passed through the state budget?

[Answer] If the state budget assumes a smaller burden in conjunction with financing production, it can withdraw less income for this purpose. We have already been able to achieve in recent years that even a proportion of so-called state investment is financed with state loans or other credit forms. For example, we are solving partially through credit also state aid to agriculture, and the budget absorbs only the difference in interest.

[Question] When bank loans are used for financing, under our organizational structure do we regard the bank as an enterprise, and not as one of the distributing organs of the state budget?

[Answer] In a peculiar way, the bank is both an enterprise and a state organ. In any case, it is a separate economic entity. But distribution through the bank basically differs from distribution through the state budget. The bank distributes income only temporarily, whereas distribution through the state budget is mostly final.

The budget, of course, has also other tasks. On the one hand there is its classical role of financing the state's social, health-care, cultural, administrative and defense tasks. A prerequisite for reducing the budget's regrouping or redistributing role would be to reduce budgetary expenditure, or at least to slow down its growth. This depends partially on what we regard as budgetary tasks in socialist society. If we think this through, then a radical curtailment of the budget's role can hardly be imagined. There are, of course, some possibilities. In the 1950s, for example, we believed that it was the state's task to finance housing construction and all nonproductive investment, and this became the adopted practice. Since then, experience has taught us that this view and practice are untenable. Although the state still assumes a large share of financing housing construction directly and through credit, this task is no longer borne solely by the state budget.

Social, cultural and health-care expenditures cannot be cut, and their essential roles could hardly be transferred to enterprise or private activity. Education and health care must be basically free. The debate in conjunction with cultural products is common knowledge: should we charge for them and, if so, how much; and which branches of cultural activity could be self-supporting. On the other hand, considerable opportunities exist for more efficient management, for constructive economization. All this, however, can at best slow down the growth of expenditure but is unable to create a new situation. Social-security expenditures also are rising necessarily.

One substantial item whose future is very interesting from our point of view is budgetary aid: so-called current aid for production, and consumer price subsidies. We must strive to reduce both forms of budgetary aid. If we succeed in this, it will then be possible to reduce taxes, budgetary revenue, to some extent. This regrouping role, under which we tax the enterprises on the one hand and aid them on the other, should unquestionably be curtailed. This, of course, is not so simple, because curtailment would mean the dismantling of economic production. Nor is it easier and more

popular to develop sounder consumer prices that better reflect the producer prices, in which case we would limit price deflections to preferences that are truly timely from society's point of view.

[Question] While enterprise self-financing of investment is truly commendable, it is simultaneously a barrier to the development of some of the dynamic enterprises. Under the present regulations, an efficient enterprise soon uses up its internal resources. Thus the diligent enterprise can be "penalized" not only with high taxes, but also by forcing them to finance a large share of their investment.

[Answer] Although I, too, gladly use succinct expressions on accasion, I would hate to see anyone gain the impression that self-financing is some sort of punishment. This would be true if the state were still distributing investment among the plants, and anyone left out from this distribution could regard himself penalized.

This subject gives me an opportunity to point out the changes that have occurred in this area in recent years. As the most essential change I regard the so-called competitive pricing system that has been introduced in most of industry; it measures enterprise performance directly with the yardstick of the world market and forms the profitability of the enterprises accordingly. Here self-financing is combined with the good enterprise's opportunity to earn more income through good work, while the unprofitable enterprise is uncapable of self-financing and does not get any state money for investment. On the other hand, the extent of self-financing is not too high. According to our regulations, an enterprise can obtain credit if it has 30 percent of the development cost. Occasionally the bank may partially waive this requirement. In addition to credit, the enterprises that do not have uncommitted development funds can also apply for development-fund grants, and the enterprises that demonstrate high growth rates can avail themselves also of other favorable regulations.

Then why isn't everything solved smoothly and automatically? This is due in part to the fact that the bank does not provide credit automatically, rather it evaluates and selects among the good proposals in every case. Furthermore, it frequently happens that an enterprise, although not unprofitable, is unable to provide the minimum internal resources required, because it has overburdened with earlier credits its forming development fund. This burden can become oppressive if an investment becomes less profitable than expected, or if the enterprise's profit is lower than estimated. But I think that in most cases today the dynamic enterprises' problem is the regulation of earnings, rather than investment. A weaker enterprise, where output and personnel are declining, may perhaps be in a better position to increase average wages than a dynamically growing enterprise that is increasing its personnel. We will attempt to remedy this too.

[Question] You mentioned so-called current aid for production. This is a form of redistribution that is regulated to some extent, yet is seems to be subjective.

[Answer] To me the basic question in conjunction with this aid is whether it is normative or not. In other words, does the state provide this aid for specific objectives and under specified conditions, and is it available to everyone who qualifies--for such aid can serve as an incentive. Or is this aid that one has to beg for, and which very often serves to prolong less efficient production. Here a parable from the Bible comes to mind. As a child I was never able to understand, and instinctively objected to, the parable of the master giving more money to those of his servants who managed well the mina or talent entrusted them, and punishing the ones who did not. Hence the principle: give to the one who has, and take away from the have not. Now, in the light of the mechanism, I understand the parable perfectly. Our principle must be to give money to the one who puts it to good use; in other words, to aid an enterprise only if it has growth potential and is profitable.

When I spoke of who we should give money to, I had primarily development credit in mind. For aid is being granted less and less on the basis of individual consideration, because the normative system specifically wants to reduce the number of individual exceptions.

An essential characteristic of the measures introduced in 1980 is that the overwhelming majority of the aid and taxes, about 90 percent, became normative. Nearly half of the total aid is consumer price subsidy, and most of the aid for production is also normative. The most significant forms of nonnormative aid today are the prices preferences provided in conjunction with the introduction of the new price system, and aid for the modernization of production. However, we are reducing the scope and extent of these forms of aid, year by year. In taxation, the production tax, which is of an individual nature, also has been reduced. In comparison with years past, then, the enterprises that manage large profits receive more aid, and they pay less tax of an individual nature. We have to further reinforce this trend.

[Question] We are living in a country where--due perhaps in part to the traditions of the Austro-Hungarian monarchy, not to mention human nature in general--people particularly dislike to pay taxes. The changes in the conditions of ownership after the liberation radically transformed our tax policy. If we disregard this at present, the view long seemed justified that taxes do not cease in Hungary, and only new taxes are introduced. More recently, however, a series of tax abatement measures has been introduced: inheritance and property-transfer taxes have been reduced, taxes on motor vehicles have been sharply limited, etc. Were these separate ad hoc measures, or are they signs of a new approach to taxation?

[Answer] Somewhere in between. Should I say that our approach to taxation is essentially unchanged? To tell the truth, this topic has not been developed sufficiently. In my opinion, the aversion to paying taxes is fostered not only by views handed down from the monarchy, but also by the practice of the 1950s whe individual taxation was regarded basically as a weapon of the class struggle, and thus taxation was associated in principle

with elements foreign to socialism. There is hardly anything on this in the economic literature. More exactly, on taxing the population. For there is a multitude of articles on taxing enterprises and cooperatives. Therefore it would be difficult to formulate a broadly accepted view on what our present approach to taxation is. The classical principle of taxation is that the citizen pays tax on his income and property; the function or justification of this taxation is that the state provides services for the citizen: it maintains public order and provides for national defense, offers health-care and cultural services, etc. These classical budgetary functions are expanding everywhere in the world. Another general principle is that taxation is also a means of levelling income differences. But at present the socialist state sets wages so that they do not have to be corrected by means of taxation. In our country the citizen pays for government services in the old manner actually in the case of inheritance and property-transfer taxes, stamp duties, and administrative fees. So far as the social security, health care and education of wage earners is concerned, all this is provided for them not by taxing the population. But the taxes levied on the population in our country are tools of economic policy only to a lesser extent; mostly they are tools of social policy, when significant nonwage-like incomes and substantial personal property are taxed. In the case of private artisans, small retailers and cooperatives, of course, taxation plays also a role in providing incentives--and occasionally disincentives--for production. But much has yet to be clarified in the theoretical principles of all this.

A small example: Among the abolished taxes you did not mention the tax on sailboats. The underlying principle of this tax was that anyone who owned a sailboat had to be a rich man. Meanwhile, we banned motor boats here and there, and raised the price of gasoline. Then why should we tax specifically sailboats, which do not harm the environment, when sailing is not exclusively a sport of the very rich? We abolished this tax because its purpose and impact did not coincide.

What our present tax system does or does not do is not necessarily its own fault. For the tax system cannot function in isolation from consumer prices, the system of production regulation and the system of social policy. If these three are overdifferentiated, then the tax system too will be necessarily overdifferentiated. And if all three were performing their functions well, we could expect the same of the tax system, i.e., that it perform its own function and nothing more or less. And that it be more uniform. Today it is too tailor-made. In income taxes, for example, we now have general income tax, income tax for intellectuals (payable by artists, attorneys, translators, etc.), income tax on household and complementary plots, with about 40 different supplementary regulations tailored to special cases. Whereas one or a few decrees would suffice: whoever has nonwage-like income must pay tax on it, and that is all. At most we could differentiate in computing the tax base, in accordance with the specific conditions of a profession or trade.

Social policy also could play a role in a more uniform tax system. Here the question may arise of basing income tax on family income, and not on personal income. It is somewhat embarrassing for me to speak of this, because prior to this interview I read the transcript of your interview with Comrade Faluvegi in 1976. Already then he mentioned that we were studying this question. Since then we have made some progress in our studies, but not in the realization of our intentions. To me it is obvious that a tax based on family income could contribute toward the realization of a more consistent social policy. But this requires that we first know what that social policy is whose realization we wish to enhance. A tax system cannot be devised until it is absolutely clear what economic- and social-policy objectives it must serve. There is no autonomous tax system. The tax system is willing to aid in the solution of the problems, if it is clear what these problems are, and what preferences and priorities are associated with them. But it is not so simple "to aid" even then. Changeover to a new tax system raises also very sensitive transitional problems if wide strata are affected.

Here I will revert to the population's taxation, and to the difference in public opinion regarding such taxation. While everyone accepts as natural the proposition in practice that the state supplements the population's income with benefits that take social circumstances into account, the concept that primarily persons with higher incomes contribute toward public expenditure does not gain acceptance at all. On this issue there are extensive references to the argument that progressive taxation makes it impossible to provide any incentive to work. I do not agree with this in principle. We know of numerous countries that have a progressive income tax, and yet the incentive to work is at least as intensive there as in Hungary. Of course, the rate of progression should be sound, because otherwise progressive taxation can truly become a barrier.

[Question] The case of the motor vehicle tax indicates that changes in taxation are closely linked, for example, also to the price system.

[Answer] Yes. We built most of the motor vehicle tax into the price of gasoline. In this way the persons who drives more, uses the highways more, pollutes the atmosphere more, etc. truly pays more tax. With a bit of malice I might say that the best car, from the state's point of view, is the one that is bought--with a hefty turnover tax added--and then pampered on blocks in the garden or garage, where it does not consume any gasoline, does not require parking space, spare parts and servicing, does not cause accidents, etc.

Among the taxes paid by the population there are quite a few that generate so little revenue that they decidedly are not warranted by fiscal considerations. Incidentally, the taxes, duties and fees collected from the population account for merely 2 percent of budgetary revenue, and within this the share of taxes is even less. With taxation, then, we now wish to solve primarily social objectives and reduce social tensions. But we have similar intentions in conjunction with the price system, the financial system and cash

benefits, and administrative work also professes such objectives (for example, in the management of housing). In the final outcome there is the possibility that the many parallel efforts toward identical objectives weaken, rather than reinforce, one another.

[Question] Now that the question of strengthening small and intermediate enterprises is moving from the area of debate and proposals to practical implementation, we already hear about splitting up large enterprises, but hardly anything about founding new small enterprises. What forms could come into consideration so that the newly formed enterprises may continue to be regarded as socialist enterprises? And does the Ministry of Finance have a task, for example, to supply capital for the new enterprises?

[Answer] After discussing the finance of production and of the population, I expected you to ask the minister of finance about the situation and tasks of the state budget, because our most important tasks are in this area. But perhaps enough has been said about this in other interviews, and therefore we can defer this subject until our next interview. However, I do not wish to avoid your questions regarding our activity in conjunction with shaping the organization of enterprises.

The ministry has numerous tasks in conjunction with forming the organization of enterprises. Before discussing the small and intermediate enterprises, however, first a few words about the complementary or second economy, which is attracting so much attention nowadays. The question is what does the complementary economy complement? Or if we call it the second econeconomy, then what is the first one? Within our socialist economy, in my opinion, the first economy is the socialist large-scale plant, whether state-owned or cooperative-owned. But what we learned about the large-scale plant and advanced technology as the basis of the socialist economy has become deeply ingrained in our thinking. This principle has gained such general interpretation as if the socialist economy could be based only on large-scale production and advanced technology. As if the socialist and necessarily large-scale plant or enterprise were the only rational and socially warranted form of solving every task, and everything that did not fit entirely into this form--such as self-employment or even the socialist small-scale plant--were a remnant of the past that should be eliminated as quickly as possible. But experience has taught us that the small-scale plant is warranted, necessary and even indispensable, over a long historical period. But why are we concerning ourselves with this? The primary objective is the population's better supply! Everything that we have done or will do is primarily for the population. Starting out from this principle, we are seeking suitable forms. We are seeking what form of motion to impart for the development and operation of the small plant where such a plant is warranted and advantageous. Can it exist only as a small plant --perhaps temporarily as a part of a larger enterprise--or should it eventually become an independent enterprise? The integration of large- and small-scale plants (or enterprises) offers great opportunities, as this has been demonstrated primarily in agriculture. There is, of course, much

suspicion, particularly in conjunction with the anomalies evident in the distribution of income. But no matter how necessary it is for us to consider small-scale and supplementary plants, I must emphasize that our problems cannot be solved without improving the efficiency and consumer-orientation of our first economy, or of the large-scale plants.

[Question] In my opinion, a significant proportion of the future and promising small-scale plants should be allowed to multiply within the first economy.

[Answer] Here the problem of size becomes intertwined with the problem of sectoral affiliation. If we speak only in terms of size, without taking the form of ownership into account, then I may say that many anomalies stem partially from the fact that the large-scale plant (or enterprise) does not satisfy the demand efficiently everywhere and in every respect. Small businesses often thrive on the large enterprises' shortcomings in management. Consider the supply of spare parts as an example. In Hungary it is possible to conduct very profitably on a small scale many activities that technologically belong in the mass production of large-scale plants, and everywhere else in the world the large-scale plants have completely taken over long ago such activities from the small-scale plants.

At the same time we must not equate the small-scale plant with the private sector, and small-scale activity must not be excluded from the socialist sector as a matter of principle. Thus we must find a viable form for the small enterprise within the socialist sector, and at the same time we must ensure a framework for private enterprise or private economic activity that is consistent with economic and political common sense.

Certain overcentralized enterprises were split up recently. We are studying the problems of the internal operation of large enterprises: incentives, profit and loss accounting, the possibilities for the decentralization of large units, etc. However, mergers also might be necessary. Not primarily of organizations, but of functions. At a number of large enterprises it will be expedient to organize more comprehensively research and development, production, and marketing.

So far as small and medium enterprises are concerned, their role will increase particularly in services. Organized decentralization is proceeding here, because there is nothing in favor of having a single national trust perform, say, all car repairs; a car repair shop, just as it is, should be able to stand on its own two feet as an independent enterprise. And this is also where the justification of private and combined forms of ownership is the most obvious.

The general further development and expansion of the legal and economic system for small and intermediate enterprises also are in progress. However, the forms are only now taking shape. The situation in the private sector is clear: there are private artisans and retailers, there is the system of leasing for a flat fee, there are the business cooperatives, and also the

special groups. Two of these four forms (the business cooperatives and the special groups) are clearly linked to a socialist organization or have a certain collectivity. Among these, I believe, particularly the cooperative form could be broadened in various ways, on the model of the already existing cooperatives of lawyers, instructors, translators, and architects.

The existence or creation of socialist small enterprises will require considerable simplification of their management, and of their administration in particular. We already have some ideas along these lines. In the selection of managers, for example, a system of inviting applications could be employed the most easily here. The question of income regulation is more difficult. Instead of preferring activities or organizational forms, we should achieve that--under otherwise identical conditions--utility and profitability determine the preferences. We could hardly apply to small enterprises the complicated income regulation of large enterprises.

So far as the capital stock of the socialist sector's potential new small enterprises is concerned, the new enterprises can be formed through split-offs as well as through mergers. At the same time I regard as imaginative also the forming of subsidiaries; this is legally simple, only the large enterprises lack economic motivation to form subsidiaries.

[Question] Experience with the subsidiary forms that came into existence through mergers rather than through founding, in the course of locating industrial plants in the provinces--or rather through the absorption of the work force--has not been very promising.

[Answer] Today there are no subsidiaries. Enterprise independence is a prerequisite for the existence of a subsidiary. In our country today the nearest thing to the subsidiary form that I have in mind is the business association that functions as a separate legal entity. The only difference is that the joint enterprise has several parents, while what I have in mind would be an "illegitimate child": the subsidiary would be a "joint enterprise" founded by a single enterprise. Another feasible solution would be to let the bank found the enterprise and give it a modest capital stock, against which it would then be possible to obtain credit, and thus credit would play the main role in financing.

[Question] In the very first issue of VALOSAG, published more than 20 years ago, you wrote about the general theoretical problems of long-range planning. How have your views changed since then regarding the questions of planning and planability?

[Answer] Without attempting now to systematize in my mind the changes in my views regarding planning, it is certain that in the past planning was more closely linked with the question of finality, stability. In my opinion, conformity to the plan in the economy centers around purposefulness, and this includes the purposeful maintenance of proportions, because there can be no planning when there are disproportions. And if a person examines

today when is it that he acts the most purposefully, he is more aware of changing circumstances than he was previously. Circumstances are more variable today than I had suspected them to be 20 or 30 years ago; new points of main effort arise sooner in the world economy, in technology, and also in politics and in society. Therefore purposefulness today must be rated not on the basis of our ability to predict as much as possible, as far in advance as possible, and as accurately as possible; rather on our ability to include as many objective factors as possible among the opportunities and necessities. One can plan only if the objective conditions, necessities, or at least the probabilities are known; in other words, if there are forecasts, by which I mean predictions of events that will occur with a high degree of probability. I cannot build a plan on something about which I have not the faintest idea.

Of course, if the factor of uncertainty is not essential from the viewpoint of the plan--for example, what the weather will be like on a specific day next summer--this is entirely different than the question of whether we can expect a rainy or dry summer in 1981, on the basis of our present forecasts. When the probabilities are equal--for the sake of simplification, let us assume that two probabilities are equal--and the question is truly significant, then I will act purposefully if I prepare for both variants--I will act this way if this happens, and act that way if that happens--and I also estimate the latest period of time by when I must decide on which horse to bet, which course of action to choose. If I am an even better planner, I also make preparations for how to switch course should the forecast variants change after this decision is made. Planners have not yet been able to solve all this completely. With what I have said above I merely wish to convey that I regard as plan-conforming action not the instructions in a sealed envelope, but how I can preserve my conscious freedom of action when various events occur. To this I would like to add two comments. First, we should not adopt the standpoint--one occasionally encounters it today--that we are the most flexible when we do not plan, because then we can do what we like.

[Question] Isn't this attitude almost nihilistic?

[Answer] The trouble is not simply that it is nihilistic, but that it is harmful to the economy. This would truly be spontaneity, and not market but central spontaneity at that! And the enterprises are already complaining not about their inability to predict the world market or the weather, but about their inability to anticipate the foreseeable changes in the regulators, the actions of government organs. Their demand is justifiable that economic management be more predictable. The point here, then, is not the constancy of the regulators--which would be neither realistic nor progressive--but consistent observation in practice of the principles for the regulators' application as announced in the plan. Thus if a regulator changes quickly because the conditions that it must reflect change rapidly, this is in order. But if the regulators are modified even when the conditions do not change, merely because the economy's managers are improvising, this is just as bad as when the central measures lag far behind the changes in the

conditions. But let us go back to planning. One thing that must be clarified here is the great responsibility of planning to maximally explore the economically relevant future. This is the first, exploratory, forecast-preparing and surveying phase of planning. In this respect our planning still has far to go.

The other question concerns what decisions the plan should contain. In contrast with the standpoint in the 1950s, we should ask ourselves more frequently and more consciously whether we have to plan everything that can be planned. In the past it seemed natural that everything had to be planned that could be planned. This no longer seems so natural to me today. Especially not if I perceive planning as the basis of economic regulation, i. e., if planning is the basis of specific decisions. The plan, of course, does not contain all the specific decisions (the cabinet, for example, meets every two weeks). The plan is necessary to provide a system of objectives and actions, into which specific decisions can be imbedded. The question is what must be decided in the plan, in how great detail, and how far ahead. Our planning has advanced in this respect, as evident also from the fact that today we decide many things not for five years in advance; instead, even within the five-year plan, we make most decisions only for the first two or three years and tend to set limits for the remainder of the five-year period. Here the trick is to decide neither sooner nor later than necessary. Once again I refer, in full agreement, to Kornai who said that good planning and management rely on looking ahead as far as possible, and on making binding decisions only as far ahead as necessary.

As to whether we are able to plan the rate of economic growth accurately. Today we are planning within different ranges. But the question arises whether it is necessary to plan variants. This is again something else. My interpretation of range is that a variation within it does not yet require a change in economic policy: within a growth rate of 3 to 4 percent we may retain the economic policy we have set. And the variant means not two numbers, but two economic policies, two different courses of action. Not on the fundamental questions, of course, but on important details. After all, the fundamental questions of economic policy are determined primarily not by the planning computations, but by the objective possibilities, for example, whether the coming period will be one of industrialization or of intensive, selective development, etc. And if we are planning within a range, it would be more apt to refer to what we are doing as dimensioning. Well, a person does tend to coin a new word, even if he is not entirely certain whether thereby he has solved or circumvented the problem. Occasionally it does no harm to give something a different name, to better convey that the person is at least thinking differently, even though he has the same thing in mind.

To me the essential thing here is that if we anticipate for this five-year plan an annual growth rate of about 3 percent, in other words a cummulative growth of 14 to 17 percent, then we have to dimension our programs accordingly. For example, we will not start a program for the development of the electric power industry that would be necessary for 25-percent growth, nor can we lean toward decisions that would make 14- to 17-percent growth

impossible. Or as another example, in our living-standard policy the state cannot assume any obligations that would not fit within a 7- to 9-percent rise in consumption, but it will dare formulate such economic regulators that will permit a 7- to 9-percent rise in consumption at a 14- to 17-percent rise in production. This is how I interpret the question of rate and proportions: into what dimensions we fit our commitments.

I would like to emphasize that these ideas are not brand new, but are consistent with the development that our planning underwent in recent years. The article you referred to was written in 1958, and many things have happened since then. Planning underwent a change after the 1968 economic reform, and it has developed far in the direction of the mentioned trends. The rapid changes that the world economy underwent after 1974 also reinforced our conviction that these ideas are timely. Thus the Sixth Five-Year Plan, which was approved recently, goes far in anticipating the need of a mutual relationship between the plan and adjustment. But the five-year plans are not the only ones whose nature has changed. Even the annual plan presupposes that operational management is necessary, and not simply in fulfilling the plan's target, but in satisfying the need for action resulting from the processes during the year. Since 1958, on the other hand, long-range planning has advanced, practically as a new element. The long-range plan, by its very nature, serves primarily strategic thinking, and this is where the difference between the plan and a mass of data is the most striking.

[Question] At one time you compared the regulators to traffic signs.

[Answer] By regulation I mean the decision or measure that directly affects the economy. The plan itself does not affect the economy directly, but it serves as the basis of the system of regulation. Hence the system of regulation conforms to the plan. Is this where traffic signs come in? Yes, the task of the regulators is to move the economy in the direction that corresponds to the plan's system of proportions and objectives. But perhaps traffic signs are not an apt comparison. There must be a traffic sign at every street corner. The regulators remind us more of the highway signs that do not issue commands, rather they contain recommendations regarding the route, information about the kilometer distances, and orientation points.

[Question] They do not command, but give alternatives, offer information and proposals.

[Answer] We are acusstomed to say: "Let the regulators compel." I am using this expression less and less. There is no regulator that can compel someone to do something if he does not know how to do it. In such cases the regulator can at best compel the impossibility of performance. This, too, can be useful, but it is better to avoid it, in a positive sense. Furthermore, compulsion and creative work are hardly compatible. Many person interpret compulsion as a fixed path. I would prefer to use the expression "to press." This is more than stimulation, because it

includes sanctions, and also prodding. And if a person is unable to produce results even when he is pressed to do so, he should be transferred to a job for which he is better suited. No regulator is a substitute for political and cadre work, and for demanding management. Regulation is bad when it compels a good manager to work badly, but there is no regulation that will make a bad manager work well.

In a certain sense, economic management plays the role of an engine. Although we must always drive at speeds suitable for the given road conditions, it is not entirely the same whether we are driving a large or a small car. And the power of the car in which we ride does not depend simply on regulation. The system of regulation can encourage only what sociopolitical interest confirms and permits. Here there is an opportunity to utilize creative interactions, and also for this reason we emphasize not only the plan-conforming nature of regulation and its traffic-sign role, but also its pressing, active role.

1014
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NEW NORMS IN ENTERPRISE ORGANIZATION, CONDUCT DISCUSSED

Budapest MAGYAR NEMZET in Hungarian 17 Jul 81 p 7

[Interview with Dr Tamas Sarkozy by Tamas Stark: "After the Renewal, Enterprise Forms"]

[Text] A swift change in enterprise organizational forms is an international phenomenon. This can be observed in the commercial association forms of western countries as well as in the large economic organizations of socialist countries. And in our homeland also--the demand for new forms has strengthened in recent times. This is not an isolated Hungarian phenomenon--the "agitation" regarding enterprise organizational forms is closely related to the transformational tendencies in regard to the organizational system for central economic guidance. (In this sphere it is enough to refer to the creation of the Ministry of Industry.)

A research and development association of the Lorand Eotvos Science University, the Karl Marx University of Economic Sciences and the State and Legal Sciences Institute of the Hungarian Academy of Sciences was formed in January of this year and it created a unified economics legal research network. A separate scientific group deals with economic guidance and enterprise organizational research within this research network which embraces internal as well as CEMA and world economic questions. The chief of this group is university professor Dr Tamas Sarkozy of the Karl Marx University of Economic Sciences. We talked with him about the details of the scientific task.

[Question] What role does legal science play in the transformation and study of enterprise structure?

[Answer] Enterprise organizational forms must be established by law in harmony with economic policy goals. At present this is tending toward a legal proliferation of organizational forms. Our task is to develop an organizational "menu", to develop organizational forms from among which economic policy or the enterprises can select the one best suiting the circumstances--on the basis of a judgment of advantages and disadvantages. But I must call attention here to the fact that the legal creation of new organizational forms cannot mean their practical application in the manner of a campaign. The correct procedure is to create a few organizations as an experiment, watch the results and then apply them in a differentiated manner.

[Question] According to what viewpoints do you group the enterprises? What are the new organizational forms?

[Answer] As for the viewpoints, thus far enterprises have been grouped primarily according to property form. Thus there is a distinction between state enterprises and cooperatives which work like enterprises. In addition, after 1967, there appeared the joint enterprise form arising via internal or international enterprise associations. The new forms of enterprises arising via association were adopted primarily in agriculture; their spread in industry continues to be an important economic policy task. This should be better supported legally also. In addition, there should be an increase in the significance of enterprises which can be established by social organizations and associations. One might consider giving financial institutions the right to participate in associations, making it possible to establish and cooperatives to establish independent, daughter enterprises. This could be one path for the decentralization of larger enterprises--a factory unit would receive an independent legal personality and appear independently on the market.

[Question] What changes will the new organizational structure produce in property forms?

[Answer] In the future, the property form cannot be the only or primary way of determining enterprise status. In forming the enterprise structure of the future primary significance must be attributed to enterprise size, enterprise function and the method of founding it. Of course this includes the economic significance deriving from these factors. In our property form theory we must approach in a more differentiated manner state and cooperative property and several new theories have developed in this regard. It is progress that since 1977 we have recognized association property as a secondary property form. In some foreign socialist countries they have institutionalized the independent property right of social organizations also, and a scientific debate is taking place concerning international socialist property rights. In my opinion we can expect a qualitative leap in property right theory in the years ahead.

[Question] To what extent do present legal regulations favor the development of the new enterprise forms?

[Answer] The legal regulation now valid is sufficiently flexible and open toward the future. Both the state enterprise law and the law decree concerning economic associations make it possible for the Council of Ministers to institutionalize new enterprise and association forms. This happened, for example, in the case of agricultural industrial associations, research-development-production associations and food industry offices. So there is no legal obstacle--after laying the appropriate economic policy foundations--to the creation of such enterprise forms as bank enterprises, daughter enterprises or small enterprises.

[Question] According to many the enterprise regulations are complicated and excessively bureaucratic in regard to small undertakings. What might be the solution?

[Answer] The regulations were necessarily modeled on the medium enterprise. It is natural that these regulations have a bureaucratic effect for enterprises with substantially fewer workers than average. The enterprise structure of a country is

healthy if one can find in it various forms of large enterprises with a modern internal mechanism, medium and small enterprises and small undertakings as well. No one form should be put in the foreground to the detriment of the others. In the interest of this the internal mechanism of trusts and associations should be modernized in their legal aspects also. One way to do this might be to reclassify some large industrial enterprises as trusts or to create--as a new form--enterprise coordination centers. It is also essential that the large enterprises create around themselves, by means of lasting contracts, a network of small enterprises. This will lead to well ordered cooperation without superfluous mergers of small units and without producing autarky. I should note that a small enterprise is one thing and a small undertaking is another. Although there is a debate among economists about this I feel that it is justified to institutionalize the small enterprise form in the sphere of state enterprises, cooperatives and associations alike. The small enterprise is a legal person; in contrast to this it must be made possible for citizens to engage in small undertakings in the form of an association contract without legal personality. We might also call these economic work communities. A contract form for economic work communities is available already; their financial, state administrative and labor affairs integration can be expected in the near future.

[Question] According to some experts the "most vulnerable" point of the present economic mechanism is enterprise leadership. According to many the regulation of the status of the leaders does not encourage enterprise and risk taking.

[Answer] At present enterprise leadership is excessively tied to public administration; the judgment of it is uncertain and does not take place according to entrepreneurial criteria. Socialogical surveys done among directors prove that the majority of the leaders are used to public employee behaviorial forms and not to managerial ones. There is a growing recognition that there must be a change in the legal standing of enterprise leaders but for the time being a solution to the problem is in the experimental stage. But it can be said already that the legal standing of the leaders must be different for the different enterprise types; the present uniformization cannot be maintained in the future. The relationship of one-person and collective leadership is being re-evaluated. In the large enterprise sphere we must definitely increase the decision making role of director's councils and supervisory committees. In regard to the legal standing of enterprise directors, we must develop clearer, less ambiguous judgment criteria. Without this it will not be possible to establish realistic enterprise leadership responsibility. One method might be appointment for a definite term via competition. The role of the enterprise collective might be increased--differentiated according to enterprise type--in the selection of the person of the director and, especially, in judging his activity. But if we increase the responsibility of enterprise leaders we must increase the protection of their interests also. It seems appropriate to solve this within the framework of the Hungarian Chamber of Commerce by means of the enterprise interest representation system now being developed.

8984
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REGULATIONS IN CEMA TRADE STUDIED

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[Article by Ferenc Madl: "The General and Special Tools For Regulation of Foreign Trade Deals in the European Socialist Countries"]

I. Concerning the Function of the Tools of Regulation in General

1. Concerning the tools used and their role. As part of a larger research plan, the preceding chapters of this work (not published here) tried to offer a comprehensive picture of those principles, that organizational and sphere of authority structure and that strategy in which the external economy and foreign trade policy of the European socialist countries functions--through the mediation and use of the appropriate legal regulation. The picture outlined extended to such new, we might say logistic, foreign trade movement forms, or more correctly external-economic-movement forms, as mixed international enterprises and investments and foreign-trade cooperation and specialization agreements and contracts.[1] What now remains (and what is the subject of this study) is to provide a comparative legal examination of those tools with which the several countries, or their foreign-economic systems as a whole, supervise, influence and concretely form the several external economic movements, or concretely the several foreign trade deals, while the entire mechanism, that is the external economic mechanisms of the several countries, is in operation. This regulating mechanism of state supervision, influence and formation is frequently mentioned in the literature and in practic simply under the name of the regulation of foreign trade. But it must be seen that this is only a small part of the regulation of foreign trade if we look at the state system regulating the formation of external economic processes as a whole. It must be emphasized also that this specific area of regulating foreign trade deals is not intended to signify the civil-law regulation of foreign trade deals, thus we do not mean which domestic or international legal norms are the guide for the several types of foreign trade contracts. We are not talking about the law of foreign-trade contracts here. We will be talking here about such regulators for the state supervision, influence and formation of foreign-trade deals as the system for authorizing foreign-trade deals, duties, the tax interdependencies of foreign trade transactions, setting prices in foreign trade and the unique role of foreign-exchange law provisions in this connection in the area of foreign-trade deals as tools for state supervision and guidance.

While the external economy as a whole--this comprehensive and in itself coherent mechanism--is in operation, goods are arriving at the borders of the several countries as a result of thousands of concrete export and import deals, these goods are accompanied by export and import permits, the parties to the deals are requesting such permits, thousands of customs actions are being carried out, countervalue for the goods being delivered as part of the deal is being transferred to the seller, in the course of which foreign-exchange regulations which differ from country to country make their appearance, not even to speak of the fact that there are all sorts of credit transactions for the several foreign trade deals (export credit, insurance for export credit, etc.). In a word, in the course of the functioning of the entire mechanism hundreds and thousands of concrete deals are going through the various phases of their realization and the control system of the entire mechanism, we might say the nervous system of the entire organic external economic system, is having some sort of definite reaction to each one of them and this reaction is the guiding-controlling impulse. These impulses are the final executive organs of the functioning of the entire organic structure.

These impulses, the nature of the tools for their realization and the differences in and number of these tools are parts of the entire organic structure, that is, of the external economic and foreign trade policy mechanism of the several socialist countries. These cannot be separated from the mechanism as a whole, their meaning lies in the meaning of the entire mechanism. This also means that we will get a truly correct picture of the regulating system from this side if, looking at the several socialist countries, we examine concretely the entire mechanism and the functioning of the tools of regulation therein (the impulses) as mutually interdependent processes. This does not mean that it would not be possible to try to outline some sort of model picture, looking at how this regulation of foreign trade deals takes place in the socialist countries in general. In what follows, the chief emphasis will be on what tools are used and what processes are put in operation in the socialist countries in general in order to regulate foreign trade deals in the sense given but, to the extent dictated by the facts, it will sometimes be necessary to emphasize also that this nstitution or form of procedure is tied better to the foreign-trade regulation system of this country while that institution or form of procedure is tied better to another, thus in a rational unity of the general and the specific a more or less faithful picture can be given about the system of regulation of foreign trade deals as this appears in the legislation and practice of the socialist countries.

II. General Tools: Permits, Duties, Taxes

2. Authorization of foreign trade deals. (1) The technical-legal aspects of export and import permits can differ. But in regard to their general social and economic, or more generally political, functions and goals they represent most unambiguously and in the most direct manner the above-mentioned role of regulating foreign trade deals. In regard to their purpose and content they are quite homogeneous. They are authoritative tools which serve the realization of the general foreign trade policy of the several countries in the carrying out of the several concrete foreign trade deals. To stick with our above simile, they represent the very sensitive border guard posts of the above-mentioned living organism, the foreign economy as a whole, the ultimate sensory and control or

executive organs of the nervous system of the entire structure. The identy of the international economic policy of the several countries is materialized through them in contractual practice.

How is the foreign trade monopoly, or generally the state planning and guidance of foreign trade processes, reflected in the authorization system? In earlier chapters, we could already have seen those material-legal and organizational tools and structures by means of which the socialist society and state realized the international part of its economic obligations and rights. Part of this is the creation of those economic units which have the task of setting up concrete foreign trade deals and, through them, of serving actual socioeconomic goals in accordance with the plans and economic policy goals which guide this. Another part of this is the development and undertaking of those international obligations and cooperation structures by means of which the national economics of the several countries participate in the international division of labor. A further part of this is the internal economic planning of the several countries and all those economic programs by means of which the several states fulfill their already cited obligations and meet the general national expectations in regard to economic development. So we can say that a part of it is to create those management units which perform concrete foreign trade activity in the interest of realizing the cited plans and obligations. Since these economic units are relatively independent entities and their decisions are determined in part or in large measure by their unique economic microstructural points of view, there is need for the state to use authoritative tools to ensure the realization of concrete goals via the several-enterprise foreign trade deals, namely, to ensure that these deals as a whole serve the cited national economic plans and obligations. It is also necessary that the several enterprises act in the interest of meeting the social obligations of the enterprises, the economic plans and the international obligations--despite all their economic independence, by virtue of and as a result of a number of factors and, naturally, without ad hoc state intervention. Sometimes, however, there may be exceptions to this and one cannot expect every enterprise to recognize in every situation the macrostructural state considerations manifested in the export and import permits. This is, sui generis, a state economic task and the enterprises working for and in the interest of these goals naturally expect an appropriate answer from the appropriate state organs. There is thus a synthesis of the enterprise microstructural and the state macrostructural view in which the final word must be spoken by the latter. This is the true function of the export and import permits and of the authorization system in general. Although in regard to every deal requiring a permit in which a foreign partner participates on the one side the acquiring of the permit is the obligation of the domestic partner to the deal, that is, he must acquire the permit to carry out the deal from the appropriate authoritative organ, still in certain cases the foreign partners must also request a permit for certain transactions and can carry out certain actions only on the basis of permits. This is the case, for example, in regard to mixed international enterprises or certain forms of commercial representation; a mixed enterprise has a foreign partner also so the foreign partner, together with the domestic partner, must request a permit to set up the mixed enterprise as a new joint economic unit of the founders and he must take the appropriate steps to record the enterprise; and, as is well known, an appropriate authoritative permit is needed to establish a direct, independent foreign trade representation. In general, however, one can still say that for the

great majority of the permits needed in regard to foreign trade deals it is the domestic partner who must acquire them, whether for export or import, in regard to the given country. So it is clear that if a Czechoslovak or Hungarian enterprise wants to sign a foreign trade contract with a foreign enterprise then the given Czechoslovak or Hungarian partners must acquire from the appropriate Czechoslovak or Hungarian authorities the permit needed to validly establish the contract and carry out the deal. Entirely independent of this is the question of whether the foreign partner participating in the given deal must request a permit for the concrete deal from his own state authorities; this is nothing more than the authorization system for foreign trade deals in the concrete partner country, in general in other countries. In what follows, we will discuss that authorization system which is realized in the socialist countries in general in regard to their own economic subjects.

(2) This tool for regulating foreign trade deals--the authorization of import and export deals--is used in every socialist country in the cited sense and with the cited function in one or another legal form. The chief components of this--according to legislation and the lesson of practice --are the following: (a) the general requirement that a permit is needed for foreign trade deals;[3] (b) this requirement is uniformly valid, that is, it pertains to both East-West deals and deals within CEMA and it pertains to both enterprises and natural persons, if they want to carry out such deals; (c) the domestic party to the deal must request the permit, and it is generally issued by the Ministry of Foreign Trade; (d) technically the permit means that without this administrative law act the goods or other value in question cannot cross the border and--as will be discussed below[4]--even the validity of the contracts in question is a function of this.

(3) If we translate this general function and legal essence of the permits into their technical-legal content-function then we must see that in this respect the laws of the various socialist countries present a rather differing picture. (a) By issuing the permit, the appropriate authorities in every country are declaring that the deal in question corresponds to internal economic policy and serves the international economic obligations of the country. It may happen that they deny a permit to the deal in question because this is justified by the discriminatory foreign trade policy of that country in regard to which the foreign trade deal would come into being and a certain limit on foreign trade deals may be necessary and justified temporarily against the discriminatory policy. (b) The area of barter agreements between CEMA countries is a unique area in which the issuing of permits must be synchronized with the international obligations of the given country.[5] (c) In some of the socialist countries the foreign trade permits are like mirrors or projections onto the foreign trade transactions of the obligatory plans of the enterprises; in such cases permits will be received only if the deal in question is considered to be an appropriate fulfillment of the appropriate part of the foreign trade plan.[6] (d) In other countries this element of issuing permits or of the authorization procedure is lacking. In these cases, what the Ministry of Foreign Trade or other appropriate organ is looking at is primarily the general trade regulations, foreign exchange regulations and other general provisions of law; the appropriate authority will look at the technical-commercial-economic rationality of the given deal only if this is especially justified by a protection of the domestic market or other national interests.[7]

(4) As for the types of permits pertaining to foreign trade deals--disregarding for the moment permits or authorization procedures pertaining to the protection of animal and plant health and other unique permits or aughorization procedures--these can be general permits, group permits or ad hoc permits. A general permit means that a certain enterprise can receive a permit to engage in and carry out foreign trade deals in the authorized sphere of activity without ad hoc permits. A group permit pertains to a definite group of goods and means that if some enterprise has a permit to trade in such goods then it can engage in and carry out deals pertaining thereto without ad hoc individual permits.[8] Everything which falls outside of these two categories is the category of individual or ad hoc permits.

(5) The legal nature of the permits is not so much a question of what procedure is used to issue them or withdraw them.[9] What is more important is the effect of the permits on the validity of the several concrete deals. Several views have developed in this regard in law, in practice and in the legal literature.

In regard to the obligations of domestic importers and exporters, the essence of the legal regulation pertaining to them is that they are proceeding legally if they request and receive a permit for their foreign trade deals. Specific provisions according to which the contract in question would be valid in regard to the foreign party only if it had an export or import permit can be found in the legislation of the several countries only rarely. But there is a fairly general view according to which the existence or absence of a permit has a serious effect on the validity of the contract. In the opinion of many, this is a conceptual party of the authorization system because it follows directly from the essence of the permits. Starting from this conception, some interpret the role of the permits so broadly as to see the permit as an element in the legal standing of the given enterprise, at least in regard to the given concrete deal; this means that without a permit the deal entered into is invalid for ultra vires reasons.[10] In the opinion of others a deal entered into without a prior permit is not invalid in advance because a permit can be obtained subsequently; thus a contract signed without a prior permit is actually a contract bound by dependent conditions, by the so-called suspension condition, which is an institution recognized by civil law.[11] It is indicative of the civil law consequences of a foreign trade deal entered into without a permit that a permit issued earlier can be withdrewn and in appropriate cases this does not necessarily relieve the enterprise of its obligations in regard to its foreign partners.[12] The legislation of some countries, for example, Polish law, expressly provides that a contract without a permit is invalid, that the validity of the contract depends on the necessary permit.[13] Such a legal provision naturally creates an unambiguous situation in any debate concerning the validity of the contract. The relationship between the export and import permit and the validity of the contract could be examined and analyzed from many other viewpoints, especially if we examined separately the practice of the several countries at socialogical depth. But instead of bringing out additional theoretical designs it is enough to close here with the following: In a concrete case, the concrete regulations and practice of the given country are always decisive and this is the fact with which those participating in the practice of foreign trade deals must reckon. In general, it will be well to study in advance the effects of the authorization procedures necessary in connection with the given deal.

There are no fewer according to whom the foreign partner also must take account of or "take the blame for" the invalidity of a foreign trade deal entered into without a permit, because the authorization of export and import deals is a tenatively well known institution in both socialist and nonsocialist countries and the foreign partners could have required the domestic partner to acquire the permit--in order to protect the practical goals of the deal and the good faith of the foreign partner. (In regard to general knowledge of authorization procedures, it should be pointed out that, compared to the authorization procedures of socialist countries, the United States has introduced an authorization procedure for foreign trade deals which is a good bit more complicated, differentiated and "refined.")[14]

(6) As we already pointed out above the authorization practice is closely related to foreign trade barter or quota agreements. (a) As for barter agreements and protocols, we dealt with this earlier in detail.[15] In principle, the quotas set down in barter agreements serve the purpose of contributing to and ensuring a growth in barter trade via interstate agreements; in this connection the only role of import or export permits is to declare that the goods delivered represent a realization of the given barter agreement or a "filling" of the quotas set therein. Thus, in principle, the quotas in general do not represent a limit on foreign trade and do not necessarily have any such function in themselves; in the great majority of cases the situation is just the contrary, the states want to develop their foreign trade in the given relationship by increasing the quotas and by means of other state influences. (b) Nevertheless the quota system often figures in the literature and in practice as a limitation on imports in one or another relationship or in one or another country (whatever the reason given for such limitations, there are usually "unfriendly" economic or political considerations in the background). Limiting quotas in this sense are frequently used against socialist countries although this practice is decreasing since several socialist countries joined the GATT.[16] But it must again be emphasized that the use of quotas can also serve the development of bilateral trade and very frequently does so even in the East-West relationship; quotas can be used to achieve an appropriate business turnover and can be an economic policy goal of the given states; in such cases, quotas serve the function of developing foreign trade.[17]

(7) In connection with authorization procedures, one must talk about the institution of so-called general or partial export and import embargoes and about the use of embargoes for political reasons, because they function as a practical part of this. The content and nature of the political considerations can be various--security considerations,[18] the protection of national interests deriving from health considerations or natural catastrophes, a reaction to the censured political or economic behavior of some given country, etc. Some larger capitalist countries have used the latter form of foreign economic policy against certain socialist countries and still do so in part;[19] the socialist countries have used or still use this form of limitation against extreme rightist or racist states and in general use it against states whose governments conduct a strongly discriminatory foreign economic policy against the socialist countries.[20]

3. Duties. (1) In the socialist countries the regulation of duties plays an essential, general role in the realization of the foreign trade monopoly or, more generally, of foreign trade policy. This general role extends to protection of the

human, animal and plant environment and to protection of the national values of the several countries, such as the treasures of art and culture. But the emphasis here is on the general role in the area of foreign trade. As an example, we might refer to the fact that the 1964 Soviet customs code provides as follows in regard to the general role of duties: "In accordance with the provisions of the present code, the customs institutions of the Soviet Union control the realization of the foreign trade monopoly of the state in foreign economic processes, carry out customs measures, take action against violations of customs regulations and fight against smuggling."[21] The preambles to the customs regulations of the several socialist countries may formulate this differently, giving less emphasis, for example, to the foreign trade monopoly (for example, in Yugoslavia),[22] but the essence is the same everywhere: Customs law and customs administration is a part of the foreign trade regulating system of these countries.

The concrete role of customs regulation is that it has an active effect on the price of imported goods--via the tariffs used. Thus its concrete purpose is to have a concrete influence on trade in goods arriving into the country, partly by having an influence on trade itself (for example, thus protecting the domestic market) and partly by having a differential effect in regard to the several concrete goods or in regard to the countries of origin. Another more general function of customs regulation is that it makes possible--by realizing the concrete forms of influence just mentioned--a flexible foreign economic policy, ultimately for the purpose of realizing principles of equality and mutual advantage.

(2) In regard to the weight and significance of duties as an economic policy institution it is justified to make a few preliminary observations. The purpose of this is to contribute to the dispelling of certain misunderstandings--for example, an idea frequently found in Western sources, that duties are actually irrelevant in socialist countries because "state trade (as the socialist countries are frequently characterized in Western literature even in this connection) employs other and much more effective tools in the guidance of foreign trade to control and form the exchange of goods in this framework.

(a) It is a fact that the socialist countries do not use duties in foreign trade within CEMA. It is well known that the barter agreements and protocols are the crucial legal instruments by means of which the socialist countries realize and develop mutually balanced, advantageous and planned foreign trade in their foreign trade among themselves.[23] With the introduction of this structure, duties really were removed as a foreign trade policy tool in the relationships of CEMA countries among themselves. But it is also well known that CEMA did not become thereby a customs union, because it did not happen that the CEMA countries simultaneously introduced a uniform tariff system in regard to third countries (as, for example, the European Economic Community [EEC], in which they not only eliminated duties among member states but also introduced a uniform tariff system in regard to all third countries, as Common Market law, thus becoming a customs union and thus relieving the Common Market countries of the GATT rule of having to give most favored nation status to all GATT member states; the GATT agreement states that an economic association which reaches the level of a customs union is an exception to the cited principle of the GATT, the principle of the so-called most favored nation.)[24] Although CEMA is not a customs union, those concessions among CEMA

countries which are seen as a part of the functioning of CEMA were finally accorded analogous treatment when certain CEMA countries joined the GATT; the GATT took cognizance of the fact in the protocol of admission that those actual concessions which the CEMA countries enjoy from one another as a result of membership in CEMA do not represent a violation of the most favored principle set forth in the GATT if they are not simultaneously given to GATT countries which do not belong to CEMA.[25] On the basis of this, it can be justly stated that the fact that the CEMA countries conduct their trade among each other in a structure developed in cooperation among CEMA countries and conduct their foreign trade within CEMA in accordance with this structure is no less in accordance with the principles of the GATT than, for example, the EEC or any other customs union coming into existence later.

(b) Thus, while duties have no role in relationships within CEMA, their significance is still very considerable in all other relationships.

(aa) In the first place, the customs system and the customs organs of a country constitute an essential element of the commercial border of any country, entirely independent of whether duties are levied on or a customs payment obligation pertains to all goods or only some of the goods crossing the border of the country. The system operates as a general control system in every state and actually represents the commercial sovereignty of the several countries.

(bb) It must be emphasized further that duties are being used to an ever-increasing extent in the socialist countries as an effective foreign economic policy tool. They are used to "repay" countries conducting a discriminatory foreign economic policy, they are used as a preferential tool to increase the export to socialist countries of developing countries and they are used in regard to all other countries as a normal institution for regulating foreign trade on the basis of the most favored principle. All this makes it necessary that tariffs have an effective influence on domestic prices and price setting and that the other tools and measures used not negate this role. Naturally this concrete influence of duties on domestic prices and price setting differs from country to country, but it is generally accepted that the customs system of the socialist countries in this regard is, in the first place, not discriminatory and, in the second place, corresponds to the requirements for joining the GATT.[26] The latter merits attention also because in recent years there have been no few complaints in the forums of the GATT concerning the hundreds of protectionist foreign trade measures and tools used by the developed capitalist countries and in addition the conviction has become rather strong in the GATT that the chief problem in the foreign trade of the world is not so much the duties in the West in the foreign economic contacts of the several countries but rather the series of other institutions used in regard to the development of foreign trade.[27] Of course, all of this does not mean that duties are not a crucial foreign trade policy institution in the nonsocialist countries. All it means is that its weight has changed in comparison with other tools, and it is changing to a significant degree. In the light of this, the criticism of the customs system of the socialist countries or of the other tools used to influence foreign trade is hardly appropriate for those who do so gladly.

(c) Finally, as an indication of the significance of duties, it is worth noting that the socialist countries have joined a number of customs law agreements and have

signed many bilateral customs agreements with other countries.[28] Although not all socialist countries are members of the Brussels Tariffs List Agreement, for example, Yugoslavia, they do employ in practice the principles and rules expressed in this agreement.[29]

(3) The general rules of the customs systems of the several countries differ in numerous details but in most respects they show fundamental common aspects. Among others these are the following: (a) In general tariffs are differentiated according to whether they apply to (aa) developing countries, (bb) countries which accord to socialist countries the most favored principle in bilateral trade, or (cc) countries which do not fall into the preceding two categories.[30] (b) This differentiation makes necessary some form of rational proof of the origin of goods, and proof which is acceptable under the usually applied rational considerations in regard to origin is accepted in the socialist countries.[31] (c) In general, tariffs are established for the goods in question on the basis of the so-called ad valorem principle.[32] (d) It is a rather generally recognized characteristic of the tariffs of the socialist countries that they are "set" at a medium if not low level, which creates any strong preference or protectionist protection for domestic production.[33]

(4) The socialist countries are making great efforts to give real content to the so-called general preference system worked out within the framework of the UNCTAD and the GATT.[34] What is involved in a system of general preferences, as is well known, is that the developed countries should give special foreign trade concessions to the developing countries, for example, advantageous duties, not giving the same concessions to the developed countries, in such a way as not to violate the provisions of the GATT pertaining to the most favored principle; the essence is that only the developing countries should get such special concessions in the interest of developing their foreign trade and, on the one hand, they need not reciprocate these and, on the other hand, the other developed countries should not demand such concessions for themselves on the basis of the fost favored principle. The socialist countries generally offer special concessions of various types to the developing countries under the following conditions: The given developing country ensures the most favored principle in trade with the given socialist country for the goods arriving in the developing country from the given socialist country; the per capita national income should be lower than in the socialist country in question; and appropriate proof of origin should accompany goods arriving from the developing country in question which enjoy the preferences.

The preferences actually offered differ from country to country. For example, the appropriate Soviet government decree formulates the general form of a policy of general preferences as follows: "In the interest of developing trade with developing countries...all duties are abolished for imported goods coming from the developing countries of Africa, Asia and Latin America."[35] Other countries establish duties for goods coming from developing countries but in general the tariffs are very low. These tariffs are 30-90 percent lower than the tariffs applying to goods imported in trade conducted in accordance with the most favored principle; in addition, large groups of products are completely duty-free in these countries also.[36] But a series of other forms of preferential support have been introduced in addition to duties. For example, "ensuring very favorable payment conditions for the delivery of complete factories and equipment and in regard to

durable consumer goods."[37] One can also read in legal regulations pertaining to duties that in most socialist countries they have retained the right to take defensive measures in exceptional cases,wwithin legal fromeworks and under the general conditions of legal regulation pertaining to duties, among other things by using appropriate duties, with a differentiated customs policy practice, by modifying the preferences offered, etc.[38]

(5) A number of ad hoc and other special concessions are also part of the customs systems of the several socialist countries. While they supplement the above-cited chief structural elements of the entire system, their chief function is a further facilitation of international trade deals, since this is one of the essential aspects of every preference. The list and number of such preferences is large, it is constantly changing, and for this reason it is difficult to give a complete picture of it. The following examples indicate the more important forms: Free ports, small border traffic, special concessions for goods shipped for international fairs, sample goods, vehicles delivering foods, tools and equipment used to build or assemble factory equipment and delivered temporarily for this purpose, re-export, seasonal concessions for special fruits and vegetables, special products for special consumption, such as, special foods and medicines, transit goods, and, to complete the list of examples, those goods which enjoy concrete special concessions on the basis of some multilateral or bilateral international agreement.

4. Taxes. Taxes, where they are used as such, are another important form and tool for a system of regulating foreign trade aimed at forming the international flow of goods and services. Taxes become important in this regard to the extent they are used as a tool under the conditions of the decisionmaking mechanism of enterprises conducting foreign trade activity. Another circumstance as a result of which taxation has increasing significance in international economic relations is that in international economic cooperation there are an increasing number of forms in which foreign enterprises or other economic subjects conduct enterprise type activity in a second country (for example, participating in mixed enterprises or having independent commercial agencies), and as a result of this they are taxed like every other economic subject while they also may be taxed at home for the same economic activity or for the income deriving from this economic activity. As is well known, this, among other things, led to the signing of so-called double-taxation agreements or bilateral interstate treaties in international practice. In the interest of improving conditions for economic cooperation and developing economic contacts, the states harmonize their interests in these bilateral treaties and ensure putting an end to double taxation, under very detailed and precise regulation. Another consideration hiding behind the importance of taxation is the interest of the several countries in aiding by special tax regulations enterprises conducting foreign trade activity to achieve a better balance of their export and import activity, in general to develop their foreign economic activity. Although to differing degrees, these considerations are appearing with obviously increasing weight in the foreign trade of the socialist countries and in the general regulating system pertaining to foreign trade deals. Tax law regulations and the chief forms of taxes in general are built on the generally accepted principle that if some provision of domestic or international origin does not make an exception then every natural and legal person who or which has income in some country must or can bear common burdens in the given country and one general form of this is the system of taxation employed in the given country.[39]

(1) One tool for putting an end to double taxation or uneven tax burdens by means of international legal tools is the various tax law agreements signed by the socialistcountries also. The increasing use of these was prompted by the increasing significance of the new forms of international economic cooperation--the purchase and use of foreign patents, enterprise type activity of enterprises in foreign countries including the operations of foreign enterprises in socialist countries in one or another form (as noted above, via independent commercial representation, through participation in joint enterprises, etc.) and exchange programs and the delegation of experts to various areas by agreements aimed at this (employing foreign experts, including assembly workers, guest teachers, artists, etc.).

Let us mention only a few of such tax agreements signed in recent years. The 1973 Czechoslovak-French tax agreement was the first such agreement which France signed on this subject with any socialist country; in 30 detailed and precisely drafted sections it ensures the elimination of double taxation and reciprocal tax treatment of such incomes as, for example, the profit of Czech enterprises in France; it ensures an end to the earlier unfavorable tax situation of the Czechoslovak air traffic enterprise in Paris parallel with ensuring a similar situation for Air France in Prague; the agreement puts an end to double taxation in regard to other commercial incomes, salaries, wages, pensions and income from stocks and bonds, etc.; and the agreement merits attention for, among other things, its legal differentiation, its unambiguous conceptual system and the internal hierarchy thereof, for example, by its construction of such concepts as "tax domicile," "equality of tax treatment," etc.[40]

The 1973 Soviet-American tax agreement also offers very comprehensive and detailed regulation. It was worked out by "the authorized representatives of the President of the United States of America and of the chairman of the Supreme Soviet of the Soviet Union for the purpose of putting an end to double taxation and aiding the development of economic, scientific, technical and cultural cooperation between the two countries."[41] The agreement between the Federal Republic of Germany and Hungary regarding reciprocal practice in the taxation of license fees took a unique legal form, the form of a so-called declaration. According to this declaration, the two states will no longer levy taxes on incomes from patents for those inventors who are domiciled in the other country or have a registered headquarters therein.[42]

(2) Special internal national legislation pertaining to the taxation of the domestic income of foreigners has an especially significant role in relationships where there is no agreement or other intergovernment understanding. One unique and increasingly important area of such legislation pertains to the taxation of commercial representations and joint enterprises.[43] But a tax affairs judgment of other forms of activity in a different sense is also possible and even a practiced reality in some socialist countries.[44] With the development and differentiation of those forms of activity by virtue of which foreign economic subjects earn income domestically, there will certainly be a development of the taxation system pertaining to them also; it is also probable that one element of this development will be increasing support for and strengthening of such forms of economic cooperation.

(3) Another form of taxes used in the area of the foreign economy is the so-called export and import tax as a tool serving to develop the desired export and import

activity af the enterprises. These appear in different forms in the different socialist countries and they cannot at all be regarded as general. One unique form is the tax rebate; the partial or full rebate of the normal income tax or turnover tax of an enterprise can serve to encourage an enterprise exporting under disadvantageous income and economic conditions to continue this foreign trade activity for national economic reasons even if this foreign economic activity would be concretely economically disadvantegous with the application of the general taxation and economic regulation institutions. Another purpose of tax concessions is to encourage foreign economic activity by enterprises which substantially increase their export (the size of such tax concessions will vary by branch of industry and according to the extent to which the export activity of the given enterprise or branch of industry is effective in the light of the price structure of the world market). It is generally understood that such tax condessions correspond to the practice of the GATT in this area. The only difference is in where the concession is realized--at the border, as in most GATT countries (via the so-called Border Tax Adjustment) or in the sphere of production, as in Hungary. An import tax can be used and actually is used in some countries in the case of import deals which would be very profitable for the importing enterprise because of low foreign prices and which would put this enterprise in an unjustifiably advantageous situation as compared to the average or in comparison with all other enterprises. To avoid this situatuion a part of the special extra income in question is taken off in the form of an import tax. The English-language literature calls such a tax a "windfall" tax, which might be translated into Hungarian as a tax on those "sheltered from the wind." Actually the meaning of the word as it is used involves a very tangible and at the same time bucolic linguistic expressions. What is involved is that if there is a sudden drop in the strength of the wind, a windshelter may be formed and then the seeds whirled along by the original strength of the wind suddenly fall in a greater quantity than general into the territory and lap of him who is well placed, that is, of him who conducts his activity in such a fortunate place for the economic process in question. Well, the advantageous situation created by this "lucky hit" is really extraordinary profit or income and a part of this is drawn off by the "windfall" tax. The export tax is actually the reverse of the import tax which is used in a reversed situation of international price relationship, namely, when the foreign prices are a good bit higher as a result of which the exporter might get into a similarly significant income situation--representing a special advantage in comparison with the average for the enterprises--without the export tax. The export tax serves to balance this partially.[45]

III. Special Tools of Regulation: Prices, Foreign Exchange Regulations and other Tools

5. Prices and price setting in foreign trade. (1) A few general observations should be made by way of introduction in regard to price setting. Naturally an economically appropriate price structure is of vital importance for every people's economy. As for the prices which have developed and which are developing on the international market, these follow laws which cannot be determined unilaterally, by internal national regulation or legislation, and which, for this reason, can be influenced by the state acts of individual countries only very little, if at all. Naturally the import and export enterprises of the socialist countries do everything to get the best prices on the nonsocialist world market under the conditions

determining prices on this world market. As for the foreign trade price system within CEMA, the prices in this relationship are generally based on the world market price level of the preceding year; the appropriate authorities of the CEMA countries set down the world market prices of the preceding period and communicate them as reference prices to the enterprises conducting foreign trade activity so that their own price practice should develop accordingly in business trade within CEMA.[46] "It can be established concerning the price policy of Soviet and Eastern European foreign trade enterprises active on the Western market," the UN European Economic Committee stated correctly, "that it develops according to regular business practice, namely, in the sense that their prices are adjusted to international price relationships.... The foreign trade enterprises in these countries are independent units legally and financially."[47]

But the chief problem is, on the one hand, the role of world market prices in regard to domestic prices and, on the other hand, the role of domestic price setting in regard to foreign trade contracts, or, more generally, the relationship of foreign prices and domestic prices. Since domestic prices are parts of the planned economy of the several socialist countries, these prices--at fixed rates of exchange --may deviate more or less from world market prices, depending on very many circumstances and with considerable deviations for different goods. There is an opinion abroad, naturally in the nonsocialist countries, that a pricing structure for foreign trade deals which is controlled or planned by the state actually represents a system of subsidies, which would be contrary to the rules of the GATT pertaining to subsidies.[48] In response to this, it has repeatedly been emphasized from the socialist side that: "Price equalization (that is, balancing out the profit or loss deriving from foreign and domestic prices) cannot be regarded as a category equivalent to export supports (subsidies) because in the case of both deficit and profitable deals attention must be paid to whether the domestic price and cost structure deviates from the structure of the foreign price system. In regard to Czechoslovakia, and in accordance with the observation tied to the interpretation of Sect 1, Art VI of the GATT agreement, the question of subsidies for export or of dumping cannot be decided simply by comparing foreign and domestic prices."[49]

In this article, we will not undertake to outline the chief elements of some sort of general price theory system. All that is involved is that to the degree necessary we will provide an explanation of those institutions employed in the socialist countries to influence foreign trade by means of, among other things, the price system and price setting. Before all else, it is worth noting that one essential element of the economic reforms introduced in the socialist countries is exactly to create a more organic link between prices and production costs or, more generally, to see that the economic laws are better realized in the economy and in individual economic operations.

A strengthening element in the views formulating the economic reforms is that increasing the effectiveness of participation in the international division of labor will also require greater flexibility in regard to prices, will require greater reaction speed for socialist price policy in general and in the CEMA relationship as well. "We need to develop a price system," one can read in the pertinent economic literature, "which will make the effectiveness and efficiency of economic cooperation unambiguous and directly comparable in relationships within CEMA and

in general international relationships, in the macrosphere and in the microsphere alike."[50]

As a result of these views and developmental tendencies, the development of domestic and foreign prices in relationship to one another is showing a developmental process of gradual harmonization--although with differing intensity in the different socialist countries.[51] From the viewpoint of what has been said, it might be justified and interesting to refer to one of the fundamental provisions, pertaining to price policy, of the Hungarian reform of economic guidance, one which certainly well illustrates and proves what has just been said: "In the new economic mechanism which realizes an organic link between central planned guidance and the active role of commodity relationships, it is the fundamental function of industrial prices to correctly orient and encourage producers and consumers in their economic decisions. This will aid the rational utilization of economic resources, the shaping of production to solvent needs, the spread of modern products, the development of an economical consumption structure and the balance of supply and demand. Industrial prices will be carrying out their fundamental function if they develop under the combined effect of the following chief factors: the costs of production, the value judgments of the markets and state preferences (for those enjoying economic policy advantages)."[52] The 1980 guiding principles of the government pertaining to economic regulators confirmed this price policy conception of the reform of Hungarian economic guidance introduced in 1968, indeed there was a further development, for we can read in this regard that the orienting role of prices must be further developed so that, on the one hand, there should be an organic link between domestic prices and world market prices and, on the other hand, the central role of profit should strengthen in the enterprise interest structure and, as a result of these things, it should be possible to create a uniform structure of income regulation.[53] This price mechanism actually means that state price regulation will end in the sphere of production in such areas as raw materials, other basic products and semifinished goods in mass production (with the exception of energy prices). The purpose of the free price system in this area is to have prices organically follow world market prices and changes therein. As a result, there will be no internal state or government filters to filter out the changes in foreign prices and the domestic users will feel directly how price increases or decreases are taking place on the world market in regard to the commodity in question. Enterprises may decrease the effect of fluctuations in world market prices and may neutralize them in part by creating their own special reserves from their own resources. This price policy conception --while creating a real economic link between domestic industry and the world economy--means that domestic prices may change several times per year and, if we think through all the consequences, it may also mean (although this price system pertains to producer prices only and does not extend to consumer prices) that foreign price changes may finally have also an effect on the price structure of domestic consumption (naturally, primarily in regard to those products which are not under direct state price controls).[54]

In addition to all this, however, there can be no doubt that even with the reforms already introduced and with the measures which are still to be introduced a substantial role will still be played by state price measures, by those preferential tools which have a role, directly or indirectly, on the development of prices. Making use of these, taking into consideration the national economic plan, is a

general interest and the balanced operation of the income structure and the price system justifies and makes this necessary. In the course of all this--and also because the domestic cost and price balance deviate from the international cost and price structure for the prices in question--there will be a need for state measures pertaining to prices, among other things, in regard to domestic prices for imported and exported products. In the final analysis, this necessity means nothing other than the attempt to create an organic economic link and mutual effect between the foreign market price and the domestic price for the same goods. Thus, in a paradoxical way, what is involved is that the state price measures also serve the same end as the free price systems, which in the final analysis are also state price measures, namely, that there should exist to the degree possible the already often-mentioned organic link between foreign and domestic prices, with attention to the interdependencies deriving from price and cost factors, in regard to domestic prices and in regard to the foreign price for the same product. The measures used in this state influence on the price of goods traded in foreign trade, a form of indirect control, are generally called the foreign exchange multiplier or price coefficient, a conversion factor used to recalculate prices determined by foreign exchanges.[55] Whatever the name or concrete form of these indirect measures or tools to influence prices, their chief purpose is to even out enterprise losses or disproportianate enterprise profits deriving from the difference between foreign prices and domestic prices so that enterprises can carry out their economic activity, including their foreign economic activity, in terms of an organic link between their own economic conditions systems (including price-policy conditions) and foreign prices.

(2) In order to illustrate how these price-generating measures or institutions function in reality it is simplest to refer to the Hungarian foreign exchange multiplier.[56] What does the foreign exchange multiplier indicate or express? Concretely the following: (a) It defines in the national exchange, thus in forints, the average expenditure (cost) needed to produce a unit of foreign exchange (dollars, rubles, marks, etc.), (b) with the given domestic production and price systems, (c) for the given product produced by domestic industry, with regard to the production, trading and other costs thereof, and (d) independent of the rate of exchange defined for the foreign exchange in question in, for example, tourist forints. On the basis of this catalytic role of the foreign exchange multiplier [the terms "valuta arszorzo"--foreign exchange price multiplier--and "kulkeresdelmi arszorzo"--foreign trade price multiplier--are used interchangeably], the bank will pay to the domestic exporting enterprise the forint value thus calculated for each unit of foreign exchange value of the goods exported and, vice-versa, the importing enterprises receive with such a multiplier one each unit of the foreign exchange needed for their import in exchange for their own forint sums. Thus the price multiplier ["arszorzo"] represents that number with which the foreign exchange in return for Hungarian forints; it is nothing other than the foreign trade rate of exchange used in foreign trade. The foreign exchange multiplier is the same for all goods and is actually based on a general comparison or balance of the general domestic production cost of exported Hungarian goods and the foreign price for the given goods. It can be seen from this technical function of the foreign exchange multiplier that its chief purpose is aimed at creating an organic, stable and real mutual effect, in essence an interdependence, between the rates of exchange and the domestic prices reflecting the domestic economic structure. It is not the multiplier but rather the already described institution of tax rebates, differentiated

at the level of individual enterprises, which serves to even out the differing economic efficiency, especially to even out disproportionate deficits, of the several enterprises active in the several branches of industry deriving from differing foreign prices and thus from differing profit possibilities. The price multipliers themselves, and the price multiplier in general, are designed to function for a long time as a stable institution; they will be modified only as a result of justified economic considerations, for example, when considerable changes have taken place or are taking place in regard to prices in the ratio of foreign prices and domestic production costs. Since we have a stable and permanent factor in the foreign exchange multiplier, something the enterprises know and can calculate, they can forsee the profit-producing potential of their export and import deals in their economic decisions.

(3) Thus, as we can see, the price multiplier is a general institution which is not directed at differentiation by branch of industry or by product type. The situation can thus arise that some branch of an industry--there being an identity of general domestic economic regulators for all enterprises and an identity of the price multiplier in regard to foreign trade--may, due to its technical development and high productivity, produce extraordinarily profitably domestically, that is, may produce a unit of foreign exchange at a low price in the foreign exchange area in which it realizes export deals, in other words, may attain a relatively high income for the products exported, because the value of the given commodity on the international market is high compared to the domestic market. If there were not other regulating factors in the price structure in addition to the price multiplier, the given situation and the enterprise in question might get into a preferential income situation which would be difficult to justify economically. Some enterprises in other branches of industry, on the other hand, might be in the reversed situation; because of low foreign prices, the price of producing foreign exchange might be very high and thus the profit of these enterprises would be substantially lower. Theoretically one can imagine many ways to even out this inequality. With the given concrete economic structures and economic guidance systems, the means to put an end to these anomalies are the influencing tools of state guidance suitable for ad hoc application such as tax rebates or other preferences, or tools to even out or limit income. What economic guidance wants to achieve in the area of foreign trade in this way is that the enterprises active in the several branches of industry should have the same chances with the same conditions system in regard to their domestic activity as a whole.[57]

If we hypothesize similar uneven situations in regard to import deals, then the use of other special concessions might contribute to a more even situation. One of these is import price supports;[58] other forms are various tax and customs concessions.[59] In their ultimate effect, this actually represents state aid to the business opportunities of the foreign firms because what is involved is increasing the buying power of domestic enterprises, which they would not be capable of on the basis of their own capacity and possibilities. In sum, it can be said that the various concessions and negative "preferences" taken together are in a sort of balance. In their combined cooperation their function is to aid the balanced foreign economic activity of the individual enterprises and, ultimately, the development of the foreign economic activity of the country.

6. Other special tools. Avarying number of other tools and institutions to support (influence) foreign trade are also in use in the socialist countries. Instead of giving a full picture of these, we intend to give a general impression of the nature of the various other tools by means of a few of the more important additional regulating or influencing institutions (there is need for a further analysis of the actual functioning of the interdependent coherent system of such tools used in each country but this goes beyond the framework given here).

(1) A considerable role is played by credit policy, which the national banks of the several countries--in addition to carrying out their banking functions--implement as unique organs for carrying out state foreign trade policy. The financial tools of the individual enterprises (including those whereby they may obtain foreign exchange for deals of such a nature) are frequently insufficient to cover larger deals such as larger contracts serving investment purposes. The way out is credit, a bank loan. In general socialist enterprises cannot solicit foreign credits directly. If they need credit in foreign exchange, they can turn for this purpose to the appropriate domestic banks. From time to time the appropriate governmental organs or national banks of the several countries publish those guiding principles which are to be applied in regard to credit requests pertaining to foreign exchange; in general these guiding principles cover conditions for repayment of the loan and those credit concessions which the various requestors may receive if the significantly increase their export as a result of investment credit realized in foreign exchange; in general these guiding principles cover conditions for repayment of the loan and those credit concessions which the various requistors may receive if they significantly increase their export as a result of investment credit realized in foreign exchange. Naturally, the banks give the credits to the several enterprises under the conditions and terms of concrete loan contracts serving this end. In their decisions pertaining to credit contracts, banks naturally follow the preference system corresponding to the natioanl economic plan of the given period as formulated in the foreign trade plan or foreign trade policy for the period in question. The banks also pay attention to, more precisely they investigate, now the enterprises will use the requested credit within the frameworks of the defined goals of foreign trade policy and, further, whether the economic situation of the given enterprises gives evidence of good creditworthiness.[60]

In order to demonstrate the foreign economic significance and magnitude of credits and credit policy, it is again simplest to refer to the Hungarian practice. The current five-year plan prescribed 900-950 billion forints for development and investments. A significant part of this sum served investments which in themselves have significant foreign economic aspects. But in addition the government made available through the National Bank a credit framework worth 45 billion forints (partly in the form of foreign economic aspects. But in addition the government made available through the National Bank a credit framework worth 45 billion forints (partly in the form of foreign exchange) for enterprise investments aimed at or leading to increasing export or decreasing import (saving foreign exchange). As is well known, the several enterprises could make credit requests against this framework and if the planned investments or other developmental programs in question (for which they requested credit) were considered to coincide with the national economic developmental plan and guiding principles, more concretely if these enterprise investments well served the goals of foreign trade policy, then the

enterprises in question received the credit--on the basis of a recommendation to this effect by a committee of experts. According to the lesson of recent years, 5 large enterprises received several billions in credit while 15 medium enterprises received credit exceeding 500 million and 700 other economic units received credit of a magnitude less than 500 million forints for export-development investments. There is no need to say that such a credit policy practice has a positive influence on mobilizing the initiative and strength of the enterprises, in general on increasing foreign economic trade but also in developing the activity of the enterprises in a direction which corresponds to the national economic policy goals defined in the national economic plan and in foreign trade policy. In contrast to the often heard Western criticism, it must again be emphasized that there is indeed state "intervention" in this tool of state economic guidance, concretely in this tool aimed at guiding the foreign economy, but the goal of this "intervention" is not to limit foreign economic trade or realize some sort of protectionist foreign trade policy; just the opposite, the goal is to increase the export capability of the individual enterprises and thereby of the entire economy which, in the final analysis, means increasing import capability also because every economy, presuming it has a healthy foreign trade, can import an a lasting basis only to the extent that it can ensure this with appropriate exports; not to speak of the fact that the concrete credits which are called on to support investments serving export development in themselves elicit a number of international trade deals because part of the credit offered is foreign exchange credit and by using this in the course of investment, the investing enterprises offer significant orders to foreign firms. This is a good example of the fact that not everything which comes from the state in foreign trade is coming from the "devil" as one would believe on the basis of reading quite a few Western sources.

(2) Insurance for export credits (which in present practice is offered by the banks to the benefit of exporting enterprises) is also a significant tool for supporting and developing foreign trade in regard to those foreign customers who may be capable of buying from the exporting enterprises of a given socialist country only with the simultaneous extension of credit.[62] By referring to the literature and to a strengthening practice, one can certainly say that insurance in this area has an increasing role in the economy of the socialist countries.[63]

(3) Export premiums (financed from special central funds) given to exporting enterprises for a stronger growth of exports also have an obviously significant economic incentive role in the practice of foreign trade deals. This is especially true if a part of the premium is used for individual incentive, that is, is received by enterprise employees who have significant individual merits in increasing the foreign trade activity of the given enterprise.[64]

(4) The so-called import deposit was a significant tool for indirect state guidance when the Hungarian reform of economic guidance was introduced, especially in the initial years. This was intended to be a sort of corrective to an enterprise investment policy which otherwise had become more free (including the use of foreign exchange requested for investments and made available more easily). It was naturally assumed that as a general thing the several enterprises would have appropriately solid financial conditions behind the more significant foreign purchases, that the investments being realized with foreign currency would be economically rational and

that the ability of the enterprise to bear the burden would develop appropriately; but still it seemed justified to guarantee this in a way forced by the state and in a way which could be controlled easily. The import deposit became a form for this; within this framework an enterprise carrying out investments by using foreign currency, thus through import, in addition to paying the value of the import, sequestered a sum corresponding to the import value and placed it temporarily into a frozen account, which it could get back after the lapse of a certain time and could then again treat as its own. The purpose was to assure that the enterprise had available a sure economic background for the investment activity in question for a long time.[65] Again it could be said, as certain critics did say abroad, that this tool also involved a state-protectionist or limiting measure. In reality the opposite is the case. In the first place, the practical significance of the import deposit soon decreased considerably but in the second place there was no need for such insurance of the solid management of the enterprises. But the continued use of the import deposit did fundamentally serve the development of foreign trade and of international economic contacts. The purpose was to have the enterprises enter into import deals behind which there was a solid internal enterprise base; tools serving this purpose could make one stop and think in regard to individual concrete foreign trade deals and could be factors leading to giving up some foreign trade deal, but as a whole they serve the development of healthy foreign trade activity because only enterprises with appropriately solid management and material resources are capable of conducting efficient foreign economic activity on a lasting basis. It is obvious that credits easily assumed without an appropriate economic background would quickly lead the enterprise in question not to the way out it sought but rather into a deadend and thus the same fate would befall those future foreign trade deals for which the given enterprises were trying to lay the foundations with their excessive imports through import deals lacking any restriction.

(5) It certainly serves balanced foreign trade activity if the state encourages the export activity of some enterprise in that it issues the import permit requested by the given enterprise by making an efficient increase in export activity a condition.[66]

7. The more important foreign exchange regulations pertaining to foreign trade deals. What must be said here about the complex large area of foreign exchange law, citing the appropriate sources[67] and as a supplement to the system of regulation outlined above, is actually limited to one question among many. What is involved, or what must be talked about, is one part or chief question of the functioning foreign exchange law which has developed and which is constantly being developed in the socialist countries: What is the st tus of the enterprises in regard to the foreign exchange income produced by them or in regard to the foreign exchange needed for their operations? There are basically two paths or two sorts of answer to this question in the socialist countries affected.

(1) One is the path and answer of the CEMA countries. The foreign exchange law of the CEMA countries is based on the foreign exchange monopoly of the state. This means, among other things, that the enterprises (and natural persons also) are obliged to report their foreign exchange claims or incomes to the appropriate national banks and offer them for receipt. In regard to the possibilities and rights pertaining to receipt of foreign exchange--taking into consideration also the fact of foreign exchange income earned by them--these have developed differently in the

several CEMA countries. In some countries, the enterprises basically receive the necessary foreign exchange as prescribed by the plan if and to the extent the important deal corresponds to the foreign trade plan. Elsewhere there is a system whereby the enterprises can buy the foreign exchange needed for their authorized foreign trade deals in return for national currency. Partial retention of the foreign exchange produced and making possible free use of it is a significant supplementary, flexible tool for a substantial encouragement of foreign trade activity, especially export; in some countries this pertains to and is used by domestic natural persons having foreign exchange income, in others it applies to and is used by enterprises also.

(2) The other path or answer is the practice of Yugoslavia in which the principle of foreign exchange monopoly is not used but still, compared to countries working with a freely convertible domestic exchange syste, there is significant state regulation in regard to foreign exchange. The essential element of the Yugoslav conception is that both enterprises and natural persons have relatively general and broad disposition right in regard to foreign exchange produced by them.

As for the path of further development in this area it is certainly justified to hypothesize--on the basis of developments thus far and on the basis of the general developmental needs of the socialist economy and the need for more effective participation in the international division of labor--that the future will probably bring a dynamic development here. The direction of development will certainly be a function of easier enterprise mobility, flexible and differentiated state regulation and interstate practice, the general development of the economies af the several socialist countries and the development of their world economic role and position. A better development of this function will obviously bring the development of a more mobile and more flexible foreign exchange law system.

FOOTNOTES

1. In addition to the questions discussed here, the roek extends to a discussion of the following problems: the foreign economy of the socialist countries in facts and in principles; the international conditions system of the foreign economy, foreign trade policy--foreign trade monopoly; the organizational and authority structure of the foreign economic branch; planning in foreign trade; and international investments from contract forms to joint enterprises.

2. The sources: foreign trade laws of the socialist countries and their regulatios pertaining to this area (see note 8 below); for details see chapters pertaining to permits by the following authors: Christoforov, (2) Bialecki, Kemper and Maskow, Szasz, (1) Madl (4) and Pozdnyakov (3).

3. It should be noted that there is not allegally proclaimed and detailed general regulation of the permit obligation in every socialist country although some form of supervision via authoritative procedure is actually used for international trade everywhere. In Czechoslovakia Decree No 62, 1957, of the minister of foreign trade abolished the permit requirement but with the express condition that every foreign trade deal must be carried out strictly in accordance with the export and import plans and the foreign exchange use plans. In the GDR the

the foreign trade enterprises in general acted without export and import permits, with the similar condition that they correspond to the plan; in regard to a number of concrete contract types and types of goods, however, there was a permit requirement for the deals and the necessary customs procedures and permits in regard to contracts signed served this purpose even more effectively (See Kemper and Maskow, pp 210 and following); all this means the functioning of an effective authorization system in practice and more recent legislation only confirmed this (according to this, every substantial foreign trade deal requires a permit but there is no need for a permit in the case of purchase contracts in the CEMA relationshipl see "vom 3 oktober 1977 GESETZBLATT, Teil 1, No 32). In Yugoslavia, the government has from time to time a permit requirement in regard to specific goods (for example, for goods listed in the annex to a resolution published in issue No 52, 1974, of the official journal but the government has the right to make use of a permit requirement if the enterprises (organs of associated work) make agreements which are not in accordance with the needs of the social plan (this is set forth by Section 75 of the Foreign Trade Law); in addition every enterprise and other management organ has the obligation to report the signing and termination of foreign trade contracts to the national banks of the appropriate federated republic, which can reject them if the contract does not meet the cited expectation.

4. See below, 2 (6).

5. An earlier chapter of the work, not published here, discussed the question of barter agreements and protocols; their essence, however, is known well enough so that one can certainly understand their role in the above interdependency.

6. In general, this is the view and practice in Bulgaria, Czechoslovakia, Poland, Romania and the Soviet Union.

7. Concerning the Hungarian legal practice, see: Madl, (4) Chapter 5; Szasz, (1) pp 31 and following; and Section 2 of Ministery of Foreign Trade decree No 3/1977.

8. In regard to general or group permits, see, for example: in Poland, the Council of Ministers resolution of 28 June 1973; in Romania, the 1971 foreign trade law; in Hungary, the earlier and more recent (3/1977) decrees of the minister of foreign trade pertaining to permits and, in the literature, Szasz, (1) p 31, Madl (4), Chapter 5, and Bialecki, pp 7-9.

9. The questions belonging to this sphere are, among others: When must a permit be requested, from what organ, where can one appeal in case of rejection (in Hungary for example, one can appeal to the minister of foreign trade, if the rejection did not come from him, Section 3 of Ministry of Foreign Trade decree 3/1977), need the rejection be justified (for example, no in Hungary, yes in Bulgaria and no in the Soviet Union), is there a fee for the permit, etc.?

10. In regard to the ultra vires conception, see, for example, Georgiew (SOCIALISTICHESKO PRAVO, 1968, Vol 5, pp 48-49); Section 17 of the Bulgarian foreign trade law states that "a contract signed without such a permit is invalid." The Hungarian regulation cited in note 7 above makes a similar provision (Paragraph

2, Section 1), although with significant exceptions (deals which do not require a permit are listed in Section 7).

11. See Christoferov (2), pp 34-35; in regard to subsequent validation (convalidation) see the cited GDR and Yugoslav regulations (note 3 above) and the previously cited Hungarian regulation (second phrase, Paragraph 2, Section 1); the GDR regulation makes a definite distinction between contracts for which the permit is a constitutive prerequisite for signing the contract and those where only subsequent validation is required. However that may be, if the subsequent permit is denied then the contract is invalid in this conception.

12. The enterprise could be obliged to pay damages to its foreign partner or could suffer other harm (which follows from Section 12 of the earlier Hungarian regulation cited in note 8 also, although--as the regulation simultaneously set forth--the rejected enterprise cannot request redress for damages from the ministry of foreign trade).

13. As we can see in Hungarian law also in the areas where there is a permit obligation; Polish law exempts from this strict condition contracts signed in the framework of trade agreements between CEMA countries in which cases the permit can be regarded as anticipated (Section 5 of the 1 June 1974 resolution of the Polish minister of foreign trade).

14. According to the 1969 Export Administration Act of the United States (modified in 1972, 1974 and 1977), in regard to a number of goods, countries are divided into seven groups from the viewpoint of export controls depending on where the export is going; the groups are designated with the letters Q, S, T, V, W, Y and Z and this really means discrimination in the treatment of authorization; for example, Romania was in group Q, Poland was in group W and the other CEMA countries were in group Y; from time to time changes are made for trade policy reasons, for example Poland was transferred to category V (see, for details, Lowenfeld, Volume III, pp 14 and following).

15. See note 5 above.

16. In regard to decreasing the limiting role of quotas--in connection with joining the GATT too--see "A Review of East-West Commercial Policy, 1968 to 1973", ECONOMIC BULLETIN FOR EUROPE, Geneva, 25/1974, pp 57 and following: "Quantitative restrictions have been gradually eliminated...either by unilateral decisions by the western partners or by agreed reductions in the protocols of bilateral trade agreements or within the multilateral framework of the GATT." But this did not mean, for example, that the EEC, citing internal overproduction and marketsaturation conditions, did not use very discriminatory and legally very debatable quota limitations against the socialist countries (an unfortunately long list of these can be found, for example, in the EEC JOURNAL OFFICIEL--decree No 109,11970, and the 2 December 1974 resolution pertaining to imports from "state trading countries"). It is a natural phenomenon that the socialist countries sometimes responded in kind to a disadvantagously discriminating quota policy, the legal basis for which is given, for example, in the above cited Hungarian Decree 3/1977 of the Ministry of Foreign Trade; "If any country passes

a regulation or conducts a practice which is contrary to agreements signed with the Hungarian People's Republic or which is injurious in a discriminatory manner to trade with the Hungarian People's Republic then the minister of foreign trade can establish import (export) quotas in foreign trade with these countries," Paragraph 2, Section 4.

17. See, for example, the since then unfortunately failed Soviet-American grain agreement (1975) within the framework of which an agreement between the two governments aided in this way the shipment to the Soviet Union of definite quotas of American grain (TIAS 8206, 2972).

18. See, for example, the COMCOM control procedure to control strategic (meaning military) transactions (for a noteworthy source, see Loeber, Volume 1, p 32).

19. See in this regard, Lowenfeld, Volume III, pages 4 and following: "U.S. Political Controls on Trade" and "Closer Look at Export Controls."

20. These are largely government and not ministerial-level resolutions, although the governments can act through the appropriate ministry; see, for example, Resolution No 1400, 8 September 1939, of the Council of People's Commissars, "Authorizing the People's Commissariat for Foreign Trade to limit or forbid export to certain countries," Laws of the Soviet Union, 1939, No 50, Section 403. In Hungary Decree No 3/1977 of the Ministry of Foreign Trade makes it possible, if --as noted above, note 16--some country's legislation or practice is injurious to trade with Hungary, then in addition to using quotas in the same way the minister of foreign trade "can tie the authorization of imports (export) to special conditions, can limit as necessary the validity of permits already issued or can withdraw issued permits."

21. Customs Code of the Soviet Union, Section 1 (5 May 1964, Official Journal of the Presidium, Vol 1964, No 20, Section 242).

22. In general, Yugoslav state guidance and foreign economic policy are discussed in a part of the study not published here but it must be noted here that a state monopoly of foreign trade is not part of the Yugoslav economic guidance conception.

23. See what was said in note 5.

24. This customs union privilege is contained in Art XXIV of the GATT agreement.

25. This has received express formulation in those protocols by means of which several socialist countries have joined the GATT in recent years; see, for example, the Hungarian admission protocol (GATT Basic Instruments and Selected Documents, Supplement, Geneva 1974, pp 3-8).

26. See "East-West Commercial Policy 1968 to 1973" (note 16 above), pp 57 and following; Szasz (1), p 35; and Naray, pp 736 and following.

27. The earlier chapters of the study dealt with this in detail.

28. Idem.

29. For the Hungarian practice, see "Hungarian Economy" (Budapest), Vol 2 (1973, No 1, p 23 and Szasz (1), p 36; in regard to the membership and practice of Yugoslavia, see L. Kuus, "Selling in Yugoslavia," published in Loeber, Volume 2, p 360.

30. In internal legislation the sources of regulation are the customs codes and other customs regulations. The chief sources are: in Bulgaria, Decree No 401, 25 October 1968, of the Council of Ministers, Official Journal, No 82/86/1971; in Czechoslovakia, Law No 44, 1974, concerning customs; in the GDR, the law concerning customs of 28 March 1962; in Hungary, Law Decree No 2, 1966, and Decree No 48, 1967, of the Council of Ministers, concerning commercial duty tariffs; in Poland, the customs law of 1975 and the Council of Ministers decree of 28 June 1973 concerning permits and duties; in Romania, Law No 12, 1973, and State Council Decree No 395, 1976; in the Soviet Union, the customs code cited above in note 21 and Council of Ministers resolution No 671, 28 July 1961, concerning the duty tariffs of the Soviet Union; in Yugoslavia, the customs law which went into effect on 26 July 1965; see also "Scheme of Generalized Prefarences," a study of the secretariat of the UNCTAD, 1973, published in Loeber, Volume 1, pp 342 and following; Szasz (1), pp 36-37; and Meznerics, pp 538 and following.

31. Szasz (1), p 37.

32. Ibid, p 35; but see also the Romanian Customs Code Section 2 and the Bulgarian Customs Code Section 3 (sources in note 30 above).

33. See Szasz (1), p 37; according to Soviet law a number of goods arriving from countries offering most favored status are simply duty free (see Decree No 671 cited in note 30 above).

34. See "Scheme of Generalized Preferences" (note 30 above) and other UNCTAD documents on this subject, Loeber, Vol 1, pp 346 and following.

35. Decree No 1021, 21 December 1964, of the Council of Ministers of the Soviet Union concerning elimination of duties on goods from developing countries.

36. See "Scheme of Generalized Preferences" and other sources cited in note 30.

37. "Scheme of Generalized Preferences: (the chapter on "Other Preferential Measures").

38. Ibid, the chapter on "Safeguard Measures."

39. For a comprehensive analysis of socialist tax law, see Meznerics (2), pp 271 and following.

40. For the English-language text of the agreement, see "European Taxation" (Amsterdam), Vol 14 (1974), No 3, published in Loeber, Vol 2, pp 315 and following.

41. See the "Congressional Quarterly," No 31, 23 June 1973, published in Loeber, Vol 2, pp 304 and following.

42. See "Hungarian Economy" (Budapest), Vol 2 (1973), No 1, p 8. In recent years a number of so-called double-taxation agreements (serving to waive double taxation) have been signed in Hungary: two agreements in the CEMA relationship (promulgated by decrees No 8 and 9, 1979, of the Council of Ministers), one with the United Kingdom (Law Decree No 15, 1978), one with Denmark (Council of Ministers Decree No 45, 1979) and one with the FRG (Law Decree No 27, 1979); in this regard see in the legal literature Gyertyanfy and Kiss and Mohi.

43. See the detailed discussion of this intthe chapter, not published here, pertaining to commercial representation and joint enterprises (the Hungarian legal source is Decree No 35, 1978, of the Ministry of Financial Affairs).

44. See, for example, the decree of the Polish Council of Ministers of 2 November 1973 concerning taxation of foreign natural and legal persons; this unilateral internal regulation makes tax free the income of those foreign parties whose economic activity "consists of cooperation in building a factory or is to the benefit of any other unit of the socialist economy."

45. For the occurence of these tax forms see, for example, the Hungarian practice (Berenyi, p 7; Nagy, pp 11 and following; and Szasz (1), p 18) but similar institutions are implemented in Bulgaria (export premiums and export taxes, Official Journal, No 22, 1976) and in Yugoslavia (tax rebates for foreign exchange management and international credit deals in accordance with Section 83 of the 1977 law).

46. For the price system for deals in the CEMA relationship see Csikos-Nagy.

47. See "Report on the UN ECE Meeting on the Organization and Techniques of Foreign Trade" published in Loeber, Vol 2, p 207.

48. Ibid, p 208.

49. Ibid, p 208.

50. Simai, p 9.

51. See in this regard Arsic, pp 84-85; Csikos-Nagy, pp 1 and following; Madl (4), p 5, b, (c); and Szasz (1), pp 16-19; for the theory of foreign trade prices, see Szentes.

52. Resolution No 10.126, 1966, of the Economic Committee (Hungary) concerning the new price system for industry, Section 2.

53. For the guiding principles for 1980 published by the Plan Office and the Ministry of Financial Affairs see Madrasi, p 3.

54. For a comprehensive analysis of the price policy conception appearing in the new guiding principles see Berenyi, p 7. The legal source for the price system described in Regulation No 6, 1979, of the presidium of the National Price Office "Concerning Price Formation Conforming to Foreign Trade Prices."

55. In some countries, the price coefficients differ according to the branch of industry, they are branch-of-industry specific ("Zweigspecifische Bestimmungenzur Einordnung der Importabgabepreise in das Preisgefuge der DDR," Art 12 des Statuts des Ministeriums fur Ausenhandel vom 9 August 1973; "Richtungskoeffizienten... sollen Unterschiede im Preisniveau verschiederner Wirtschaftsund Wahrungsgebiete und Lander annahrend ausgleichen und dienen gleichzeitig der Regionalstenerung der Exporte and Zuporte," Kemper and Maskow, p 195). A similar system is used in the Soviet Union (see the general rules for price coefficients to establish wholesale prices for imported ships, machines, equipment and tools, "Sbornik normativnik materialov po voprosan vnesnei torgovli SSSR," Vup. 2, chast 1, Moskva, 1970, pp 207-209; see the text in Loeber, Vol 2, p 213). In Czechoslovakia, the adjustment of wholesale prices for exported and imported goods is even more differentiated: "The Price Office will establish as needed the method and degree of determining prices in those cases where the import requires such a state act" (decree concerning price regulation, Section 53, Official Journal, 2 November 1973, No 157). In Bulgaria (according to the regulations pertaining to price regulation, Official Journal, 101/1978, 63/1976 and 50/1977) and in Hungary (see the sources cited in the note below) the price multipliers apply to all of foreign trade in general and do not distinguish according to branch of industry or type of goods.

56. See Bartha and Szasz (1); the legal source of the institution is the resolution cited in note 52 above and the decrees of the Ministry of Financial Affairs 42/1967, 26/1969 and 78/1975.

57. See point 4 (3) of the study above; it must be noted that in Czechoslovakia "subsidies" via tax preferences is not a form used, apparently because the flexibly applied foreign trade pricing methods ("as needed... in those cases," see note 55 above) take their place.

58. In Hungarian law see Decree No 42, 1969, of the Ministry of Financial Affairs in regard to supports for import prices; in Bulgarian law see the source cited in note 55 above.

59. See above, 3 (5) and 4 (3).

60. For the credit structures behind international deals see, for example, the Bulgarian regulation (Official Journal, No 5, 1978), in Hungarian law the guiding principles, No 328, 1971, published jointly by the minister of financial affairs and the minister of foreign trade concerning foreign exchange credit for investments and the guiding principles, No 6, 1968, of the National Bank concerning foreign exchange credits extended to enterprises.

61. Export development investments, MAGYAR NEMZET, 10 October 1979.

62. The insurance extends to those damages (losses) which derive from variations in the rates of exchange and from other risks (for example, those of a political nature), see Meznerics (2), p 573; the insurance extends to investments carried out abroad (to that portion of the property of a Hungarian enterprise which pertains to a foreign enterprise); see guiding principles No 322, 1970, of the minister of financial affairs concerning insurance for Hungarian interests abroad.

63. See, for example, the Bulgarian practice (Dimitrov and Kirchev) but for a comprehensive analysis of the practice of export credit insurance followed in the socialist countries see especially Lehoczky.

64. For the practice of export premiums, see the pertinent Bulgarian directive, No 1 "Concerning Export Premiums" (Official Journal, No 22, 1976) and the Soviet regulation "Concerning Awards to Workers For Quality Production of Export Goods and For Delivery On Time," "Sbornik Normativnik Materialov po voprosam vneshnei torgovli SSR," Vup 2, Chast 1, Moskva, 1970, pp 111-118, Loeber, Vol 2, pp 229-231.

65. A 1968 law introduced the Yugoslav practice of import deposits for import deals for which the importer used credit; for the Hungarian practice see Madl (4), 5, c.

66. This incentive condition is part of the Yugoslav foreign trade regulation for example (Foreign Trade Law, Section 28).

67. See Meznerics (2), pp 573 and following ("Foreign exchange management in the present system of economic guidance; more significant aspects of the changes"); the International Comparative Legal Encylopedia, Vol XVII, Chap VIII (I. Szilard: "Money and Foreign Exchange in the Centrally Planned Economies"); Kemper and Maskow, pp 192 and following; Pozdnyakov (1), pp 37 and following; Altsuler, pp 11 and following; and Tzvetanov and Semahchristov, pp 1 and following.

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MINISTER NOTES CHEMICAL INDUSTRY SIXTH FIVE YEAR PLAN

Budapest MAGYAR KEMIKUSOK LAPJA in Hungarian Vol 36 No 6, 1981 pp 277-281

[Article by Istvan Kortvelyes, deputy minister of industry. This article is the text of the author's lecture delivered at the 20 February 1981 delegate conference of the Hungarian Association of Chemists]

[Text] Esteemed audience, esteemed Comrades!

I respectfully greet the delegate conference of the Hungarian Association of Chemists on behalf of myself and of the Ministry of Industry, and wish everybody a successful participation.

In my opinion, the time is right for providing more detail concerning the Sixth Five-Year Plan of the chemical industry; indeed, this is the object of my lecture. Parliament has recently approved the law codifying the Sixth Five-Year Plan. Thus, we all know the tasks facing us as well as the major figures involved. Before the discussion it is advisable to consider the factors which guide the developments outlined in the Sixth Five-Year Plan and which determine the possibilities.

The tasks of the Sixth Five-Year plan for the chemical industry are determined by the completion of the Fifth Five-Year Plan, the increase in the demand for chemical products of the national economy, and the accomplishment of the tasks outlined in Party and government resolutions.

In conformance with the goals of the plan for the economy as a whole, the chemical industry was the most dynamically growing sector of industry during the Fifth Five-Year Plan. The gross production value during the five years -- based on preliminary calculations and on a comparable price level --

increased to 134 percent. This represents an annual growth rate of six percent, which is almost twice the growth rate of industry as a whole.

Although the growth rate is lower than called for in the plan law, this cannot be condemned since it reflects adaptation to the foreign-market and internal equilibrium conditions for the most part.

As a result of the limitations of the import possibilities, the growth rate has slowed down in certain import-intensive sectors such as the petroleum-processing industry and the rubber industry. During 1980 we processed two million tons less petroleum than planned. In spite of this fact, there was no major slowdown in the featured products of the chemical industry; as a matter of fact, the growth rate was higher than planned in certain products (ethylene, polyethylene, and soft and hard PVC granulate).

The most dynamically growing sectors of the chemical industry during the past plan period were the petrochemical industry -- as well as the production of basic organic chemicals based on this industry -- and the production of starting materials for plastics, processing of plastics, and manufacture of synthetic fibers. These latter sectors were featured in the Central Development Program of Petrochemistry. During these five years we increased the amount of plastics produced 2-1/2 fold, and the amount of synthetic fibers produced almost 1-1/2 fold. Production of aromatic compounds has increased more than fourfold.

There was a major increase in the production of pharmaceuticals -- this industry sector has a rich tradition in Hungary -- and the rubber industry. The production of pesticides has developed practically into a new manufacturing sector, partly as a result of diversification in the pharmaceutical industry.

Major investments have been completed during the plan period. Let us mention but a few: The second polyacrylic-fiber plant of Hungarian Viscose Works; The PVC [polyvinyl chloride] plant, having an annual production of 150,000 tons, at TVK [Tisza Chemical Combine]; and the new plants of the Danube and Tisza Petroleum-Industry Enterprises. The new, modern, high-capacity synthetic fertilizer plant started up within Pet Nitrogen Works, for doubling our production of nitrogen-based fertilizers. Investments in the processing industry were also successful. They include the construction of the plastic-foil factory for agricultural purposes at the TVK, the construction of the sodium tripolyphosphate plant at Tisza Chemical Works,

the construction of several autonomous plant sections for the manufacture of pharmaceuticals and pesticides, reconstructions of approximately the same order of magnitude, the construction of a plant at Taurus for the production of radial tires for agricultural purposes,, the construction of several tire-retreading plants, and the construction of the plant at KHV [expansion unknown] in Zalaegerszeg, producing cosmetic materials.

The productivity of the chemical industry, at a comparable price level, increased by 41 percent during five years; the corresponding increase for industry as a whole was 26.1 percent. This productivity increase in the chemical industry was achieved while the number of employees decreased by 4.7 percent (representing the elimination of 5,500 persons). Intensification, a basic means for efficiency increase, came into the forefront during the past period. Almost 10 percent of the total investment was spent on measures aimed at intensification. On the basis of preliminary studies carried out in 22 large enterprises we can conclude that developments aimed at a better utilization of existing resources have resulted in increased production representing more than twice of the investment expenditures involved.

Approximately 1,000 new products were introduced by the chemical industry during the plan period. The most important ones among them include maleic anhydride, chlorinated polyethylene, polypropylene, PVC window sashes, various plastic packaging materials, sodium tripolyphosphate, Fundazol pesticide, a new antidote, the original drug Cavinton, and hundreds and hundreds of other pharmaceutical products. It is also interesting to note that we have discontinued the manufacture of more than 1,000 products because they were obsolete, could not be produced economically, or lacked adequate demand. Their total value amounted to 1.3 billion forints. On the other hand, the net price income generated by the approximately 1,000 new products was more than 10 billion forints.

Foreign-trade relations were favorably affected by the improvement in the efficiency of the production in the chemical industry, by the increasingly stressed export-orientation in the investments, and by the modernization of the production structure. While the gross value of production increased at the annual rate of 6.6 percent, the export volume to the ruble area increased by 7.7 percent per annum, and that to the dollar area increased by 22 percent per annum.

Insofar as the increase of the export volume is concerned, the primary goal was to increase the percentage of products which could be produced economically, which required more processing, and which contained less material.

The items of highest value in the export of the chemical industry were pharmaceuticals, pesticides, rubber-industry products, plastics, olefins, and aromatic compounds.

The import volume -- based on comparable price levels -- increased at a much lower rate during the plan period than did the export volume. Import from the dollar area grew by 37 percent during five years, while import from the ruble area grew by 29 percent.

The data quoted above show clearly that the production-technological basis of the chemical industry continued to increase during the period of the Fifth Five-Year Plan, and that it has become a major factor in our national economy. Its indicators were much better than those of industry as a whole. This is one of the fundamentals and factors of the development earmarked in the Sixth Five-Year Plan.

Another factor is the increasing demand of the national economy for chemicals. The advance of chemization is an objective fact of life today. Replacement of natural materials is indispensable not only because of the scarcity of the available resources but also because the chemical products offer better engineering and technological parameters for economic efficiency. An assessment of the economic relationships among the various sectors indicates that the chemical industry serves all sectors of the national economy. Accordingly, the demand for chemical products increases with the growth of industry as a whole.

The national economy consumed chemical products worth more than 205 billion forints during 1980. Considering the development planned in the user industry sectors, we find that this value will increase to approximately 253 billion forints by 1985 (at constant price levels). This growth is lower than for the preceding plan period, representing an annual growth rate of 4.3 percent.

In spite of the more modest growth rate, there is about the same increase in the consumption of chemicals by the economy as one-third of the present production of the chemical industry. It would indeed be difficult to meet this huge demand by importation, and this solution would affect our balance of payments unfavorably. Also, it is a confirmed fact that the efficiency of the utilization of chemical products is much better in those countries which produce most of their chemicals. This is evident since development of the chemical industry raises the level of chemical culture, which is an important prerequisite for the effective utilization of the chemical products. This is the factor which compels us to plan for the Sixth Five-Year Plan period as we did.

The third factor of the development of the chemical industry is our industrial policy, formulated in the most complex manner by the October resolution of the MSzMP KB [Central Committee of the Hungarian Socialist Workers' Party]. The efficiency increase specified in the resolution, the definition of the complex utilization of domestic raw materials, and the maximization of domestic labor necessitates the maximum value increase in material conversions. This mandates a further development of the chemical industry. This is why the most recent session of Parliament, approving the Sixth Five-Year Plan, stated that the chemical industry must be developed at an above-average degree during the next plan period.

Esteemed audience!

I had to tell all this since there have been more and more opinions voiced at home and abroad against the chemical industry, with socio-political, educational, and education-political ramifications. Contradicting the aspirations and opinions expressed, we can definitively state that both the situation of our national economy and the changes that took place in the world economy indicate clearly that there was never a time when a logical and effective development of the chemical industry was so urgently needed as it is today.

Let us review some of the indicators and stipulations of the development planned on the basis of these criteria:

The expected annual growth rate of the chemical industry is 6 percent according to the Plan; this is twice the growth rate of industry as a whole.

The contribution of the chemical industry to industry as a whole will reach 20.7 percent by 1985. Within five years, the number of employees in the chemical industry will decrease by another 3,000 persons or so. Partly as a result of this measure, the productivity of the work will increase by approximately 40 percent.

The chemical industry may expect an investment of 51 to 54 billion forints for development; more than one-third of this amount will be used to implement the goals of the Central Development Program for Pharmaceutical, Pesticide, and Intermediate-Compound Production, approved at the end of 1980.

The foreign-trade volume of the chemical industry will increase significantly. According to plans, the value of direct export to the socialist countries will increase to 170 percent (at comparable price levels) and that to non-socialist countries to 160 percent. Also at comparable price

levels, the value of direct import will increase by 40 percent from the socialist countries and by only 7.6 percent from the non-socialist countries.

Consumption will increase during the Sixth Five-Year Plan period by 48 billion forints and production by 58 billion forints, according to the plans (at constant price levels).

A 10 billion forint increase in import together with a 20 billion forint increase in export is feasible. This means that as a result of the developments in the chemical industry, the nation will have an improvement of 10 billion forints in its balance of payments.

Esteemed audience!

I wish now to outline the planned developments for our enterprises, industry sectors, and facilities for the realization of the above aims.

In the petroleum-processing industry there will be no significant change in the amount of petroleum processed; however, the percentage of light products will increase as a result of the construction of a catalytic cracking plant having a capacity of 1 million tons per year. This plant, which will feature modern technology, will start producing in 1984 within the Danube Petroleum-Industry Enterprise (DKV). This enterprise will continue to increase its production of aromatic hydrocarbons. Another major development effort of the industry sector is the construction of a plant for the production of methyl-tertiary butyl ether within TIFO [Tisza Petroleum Industry Enterprise].

In the petrochemical industry, specifically in the industry sector producing basic materials for plastics manufacture, our primary goal during the Sixth Five-Year Plan period is the intensification of the existing factories, partly to meet the increasing domestic demand and partly to increase the export volume for the basic materials.

First, I desire to mention the intensification of the olefin factory in Leninvaros, which has the capacity to produce 250 thousand tons of ethylene per year. The raw materials for this manufacture will be liquid hydrocarbons (such as propane and n-butane). Our propylene-manufacturing capacity will increase by 40 thousand tons of propylene as a result of the cracking plant which will be built within Danube Petroleum-Industry Enterprise, scheduled to go on stream in 1984.

A most important project is the increase in our olefin base, which is a result not of investments but international cooperation. It is well known that in 1986, when the Hungarian-Soviet Olefin Agreement will be extended, the ratio of ethylene deliveries will change directions, and we are to receive ethylene from the USSR. This will represent an increase of 190 thousand tons of ethylene per year in our base. We expect to start processing it during the Sixth Five-Year Plan period by proceeding with the construction of two polyethylene plants. Insofar as the processing of propylene is concerned, the construction of the second polypropylene plant, with a capacity of 40 thousand tons per year, is in progress at TVK. As a result, we expect to process most of our olefin production domestically.

In the area of medium-volume developments, the development of the phenoplast and aminoplast manufacture is worth of special mention; this means the introduction of new capacities and the start of new products such as plastic foam on a phenolic-resin basis, foundry shell materials, and core-binding plastics. The capacity increase will be realized on a continuous technology basis, primarily through intensification. We expect to produce more ion-exchange resin, polyester resin, and injection-molding polyamide, and we expect to offer more and more varieties of them.

Insofar as the manufacture of synthetic fibers is concerned, the major effort is the planned intensification of the manufacture of polyacrylonitrile filament. We also expect to be able to start the secondary utilization of the polymers for filament manufacture. There will be a special filament plant to process polyamide silk and polyacrylonitrile waste. At the same time, the need for modernization of the production structure mandates the discontinuation of the manufacture of polyamide staple.

The primary goal in the inorganic chemical industry is intensification of production during the plan period. Several enterprises consider the introduction of titanium anodes in caustic-soda manufacture. This is expected to boost production significantly. It is domestically a new approach what Tisza Chemical Works tries to accomplish: processing of complex fluorine-containing salt, combining the manufacture of cryolite and aluminum fluoride in series for economic advantages.

The synthetic-fertilizer industry also stresses vertical growth and intensification. A new argon plant, using waste gases, will be constructed within Pet Nitrogen Works. By eliminating bottlenecks in this facility, urea production will double and the manufacture of Pet salt [fertilizer] will increase considerably. Extra production will also result from the elimination of bottlenecks in superphosphate manufacture.

In the pharmaceutical industry, implementation of the Central Development Program of Pharmaceuticals, Pesticides, and Intermediate Compounds Manufacture will begin. The essential feature of this program is the fact that the percentage of original products manufactured will increase from nine to 14 percent. The industry sector will introduce approximately 100 new products, including a number of original preparations, and approximately 30 products manufactured under license, and will stop the production of about the same number of obsolete items, meeting the needs for these in other ways.

A major feature of the program is product development, requiring the full modernization and reconstruction of the existing manufacturing technologies. Among the investments in this area I mention the construction of the plant for the starting materials of Cavinton and some finishing plants. The latter includes the construction of a finishing plant capable of producing 320 million ampoules, two million tablets, and 600 million tubes per year.

Manufacture of pesticides will also develop within the framework of the above-mentioned central development plan.

A characteristic feature of this plan is that it provides for the start of original products, for the manufacture of more and more reproduced products, and for the manufacture of increasing amounts of these, primarily for meeting our obligations under the Soviet-Hungarian Agricultural Chemical Agreement. The batch processes, still generally used today, will gradually give way to continuous processes.

The primary goal of the development of intermediate products during the Sixth Five-Year Plan period is to meet the needs of our pesticide industry. The enterprises involved in the program plan the development of a number of product families such as phosgene-based products, aliphatic amines, halonitrotoluides, aliphatic isocyanates, and acetic anhydride.

Insofar as the rubber industry is concerned, the plans of Taurus are to meet the needs of the market. Accordingly, there will only be minor changes in the conventional product categories from the 1980 level. Major increase will take place in the manufacture of steel-belted radial tires, air springs, and Hidol inner tubes. At the same time, the production of the standard export items, such as inflatable mattresses and bedding products, will decrease approximately 20 percent by 1985.

More steel-belted radial tires for agricultural purposes and special inner tubes will be manufactured to meet the needs of increased production.

Planned developments in the field of manufacturing technology include the increased use of domestic auxiliary materials, increased automation, and increased utilization of manufacturing and use wastes. A mixing plant, of major importance for environmental protection, will be built, but it will be completed only during the period of the subsequent five-year plan.

The capacity of the plastics-processing industry will increase by approximately 130 thousand tons per year. The expected change in the product structure features an increase in the percentage of hollow bodies, tubes, and profiles. The percentage of floor covering, cable sheathing, synthetic leather, and pressed products will decrease, while that of the other items will remain approximately unchanged.

It is a characteristic fact that Hungarian Viscose Works will enter the field as a new plastics processor: this enterprise plans to start producing polypropylene netting and polyamide granulate.

The goal in other branches of processing chemical industry (manufacture of detergents, cosmetics, and household chemicals) will be to meet more and more of the domestic needs. Within the framework of this goal, increased verticalization in manufacture will be aimed for. It is interesting to note the goal of the cosmetics industry: The percentage of products developed within the last five years is expected to increase from 25 percent to 30 percent, to bring our status to the international level in this area.

The characteristic feature of the paint industry is that the percentage of paints which are thinned with water will increase from 13 percent to 22 percent. Unfortunately, domestic production does not meet the increasing domestic demand; thus, importation will continue to be required.

Esteemed audience!

The above figures and description of planned developments illustrate the difficulties of the Sixth Five-Year Plan, which can be summarized as follows: We must become more efficient and increase our export volume at this period of sharpened international competition.

To help us overcome our difficulties, we continue to need the assistance of the community of chemists assembled within the Hungarian Association of Chemists. This is codified in the cooperation agreement signed in 1979 by the Ministry of Heavy Industry and the Association of Hungarian Chemists, which the Ministry of Industry still considers binding. According to the terms of the agreement, we continue to count on the administrative efforts of the

Association of Hungarian Chemists in society and scientific circles. These efforts must supplement, rather than replace, the official activities. A well-organized social background, one that can and should be promoted by the Association, will contribute significantly to the effectiveness and success of the official activities.

Now I wish to outline some of the current elements of this supplementary activity. They may also be regarded as the needs of industrial management which should be met by the Association of Hungarian Chemists.

First and foremost, I mention the love of the profession, the maintenance of the traditions, and the inculcation of these tenets in the chemical community as a whole, and especially in the young generation. In the introduction I have already mentioned the negative value judgments on the chemical industry which are sometimes encountered, for example in connection with health hazards and environmental pollution. This attitude is one of the reasons why the young generation turns its back to chemistry and the chemical industry everywhere in the world. In my opinion, this should be remedied by measures available to society, mainly by devoting more attention to the effectiveness of chemization, and by disseminating its advantages and achievements. Of course, this is also one of the government's tasks, but the dissemination of information over the broadest possible circles is primarily a task of society. It also involves the matter of training in chemistry, and the social responsibility of the chemistry educators. The chemistry educators, an important segment of our chemical society, have a most important job in the shaping of the chemical culture of the national economy and in the level and security of the utilization of chemicals worth approximately 200 billion. The chemistry educators also develop an affection for their science, not for some selfish purpose but because this is an objective need if we are to ensure that the increased efficiency and the development of new, modern materials resulting from chemistry is made available to the national economy.

The assembling of all our colleague chemists working in various locations in the country, making them conscious of their social role, is in my opinion a very important social task. It will make all of us conscious of the importance of our specialty, and will promote exchange of information and ongoing education. Information management must be improved for the same reason. First, we must develop and disseminate more useful information to our colleagues, especially those working on the difficult problem of chemization in other sectors and professional environments. Another activity related to information management is to gain better knowledge of the work of our colleagues working in our field. I believe that the Association of Hungarian Chemists can make a major contribution in these areas.

The leaderhip of industry continues to need that social activity which is aimed to promote a unified approach, clarification of subjects, and forging everybody into a collective action unit. It has been a characteristic feature of our industry sector for a long time that it was always able to act in concert and to concentrate its efforts toward the most important questions, in spite of the fact that there is vigorous argumentation about subjects concerning certain econo-political and educational subjects. The formulation of society's opinion and its shaping should continue to be a major task of the Association of Hungarian Chemists.

In addition to the supplementary character of institutional and official work, I think that it also makes sense to have an overview of the entire innovational process and the promotion of technical development. The conditions for this are favorable within the Association of Hungarian Chemists, since because of its dual character it represents our colleagues both in scientific institutions and industry.

This is why it is necessary for the Association to continue to deal with selected scientific or developmental subjects, to obtain thorough knowledge of them, and to coordinate and mobilize all those working in science and industry toward the accomplishment of the required solutions. There is an existing division of labor between state and society, namely that the state furnishes the resources needed for development while society provides the creativity and the creative atmosphere.

Esteemed audience!

It is probably well known that we suffer from a shortage of resources, and that as a result our economic leadership tries to achieve a competition among the various sectors and branches, listening to recommendations from all of them. Knowing the creativity of the chemical community, its high level of education, and the efficiency of our industry, I feel certain that the recommendations coming from the chemical industry will be competitive and will be taken seriously in the highest levels of decisionmaking. But professional consciousness -- which can develop only through social efforts -- is a major prerequisite for competitiveness and the development of the competitive spirit. Of course, this does not mean that I underestimate the importance of scientific organizational activity; indeed, we expect this to remain an activity of the Association in the future. The Association of Hungarian Chemists should deal with the relationships between economy and society, in setting up the debate concerning unsettled development- and education-policy matters, examine the modification of the raw-material base of the chemical industry, and develop recommendations concerning the improvement of the efficiency of research and industrial production.

Esteemed audience!

In conclusion, I thank in the name of the leadership of the Ministry of Industry the Association of Hungarian Chemists for the successful and useful work of all its members in the past, which has contributed materially toward the solution of our concerns and problems. I am certain that the increasing level of activity of the Association of Hungarian Chemists has contributed very much toward the solution of our problems, which have a tendency to increase. Please continue to help us with our problems and contribute to our ability to accomplish the provisions of the Sixth Five-Year Plan.

(Manuscript received 23 February 1981)

2542
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LIVING STANDARDS OVER PAST TWENTY YEARS DESCRIBED

Budapest FIGYELO in Hungarian 8 Jul 81 pp 1, 4

/Article by Dr Mihaly Zafir: "Living Standards, 1960-1980"/

/Text/ A volume with this title, from the Central Statistics Office, recently appeared (KSH, 1981, "Periodic Statistical Publications," Vol 488) describing the development of employment, work performance and working conditions, reviewing social processes, giving a picture of the income of the populace and the composition of this income, examining the major areas where changes have taken place in the infrastructures of consumption and analyzing how these have affected the situation of the various social strata.

The sum of economic achievements are reflected in the national income, which is the source of increasing the standard of living. The volume of this per capita during the past two decades increased by 2.5 times. The way national income is used influences the living standard of the populace directly as a function of how the ratio of consumption and accumulation changes therein and as a function of the proportion turned to the consumer infrastructure of the former--consumption by the populace, public consumption and investment.

The rate of domestic use of the national income for consumption showed a decreasing tendency; to put it differently, there was an increase in accumulation. This was a function of the increasing role of investment to expand new production and to replace live labor and of the inadequate efficiency of investment activity. In regard to the rate of consumption by the populace and public consumption, one can see a mild increase in the rate of the latter. As a result of these changes the increase in consumption by the populace was slower than the growth of national income.

The volume of consumption per capita, in 1975, prior to the beginning of the Fifth Five-Year Plan reached 1.9 times the 1960 level. The Fifth Five-Year Plan, keeping in view the balance situation of the people's economy, prescribed a reduction in the consumption rate. Beginning in 1979, due to a development of the balance situation less favorable than expected, various measures further moderated increased consumption. Thus, in the final analysis, the volume of per capita consumption by the populace in 1980 exceeded that of 1975 by about 12 percent, which was 2.1 times that of 1960 (while the national income had increased 2.5 times).

The KSH study discusses the rich factual material in various interdependencies. In this report I have selected data from the volume concerning the following three themes: What were the social processes determining the standard of living, how were needs satisfied and what are the key questions today for our standard of living policy.

Social Processes

The socialist reorganization of agriculture, the essentially complete solution of the organized employment of women and the great increase in the role of pensioners--as an independently existing stratum within society--can be judged especially significant from the viewpoint of the development of the standard of living.

The socialist reorganization of agriculture was completed in 1961. The mechanization of agricultural production accelerated beginning with the mid-1960's. New technological procedures were used, and in the 1970's--primarily as a result of the swift development of crop production systems and modern animal raising sites--modern production procedures became widespread. Parllel with all this the number of active wage earners in agriculture decreased significantly, by roughly 800,000 in 20 years. The rate of decrease was faster in the years following the reorganization and was more moderate later; in the last years of the Fifth Five-Year Plan there was even an increase in the number of workers on the large agricultural operations.

A new sphere of work was created in that a significant number of the large agricultural operations began to process agricultural products and in that many large operations also carried out considerable industrial, construction, commercial and other activities not belonging to their basic activity. In the large agricultural operations today they use about 27 percent of their live work in areas outside their basic activity (as compared to only 10 percent in 1965).

Small production is of determining significance along with the large operations. Almost all the cooperative members working on large scale production deal with agricultural production on [their] 700,000 household plots and agricultural type work also takes place on approximately 770,000 ancillary farms, with a significant expenditure of work time. The small farms are tied to the socialist sector by numerous threads--primarily in regard to soil cultivation transportation, fodder supply, providing breeding and fattening stock, crop protection and marketing--and in this way they are unique production units of the socialist sector.

The statistics now show 2.3 million women as active wage earners, as compared to 1.8 million 20 years ago; their number has increased primarily because of provincial industrialization. In 1960 they comprised 36 percent of the active wage earners; in 1980 they made up 43 percent. The proportion of those with physical occupations is 37 percent and among non-physical occupations it is 58 percent of the women. 71 percent of the women of working age are active wage earners, 9-10 percent are receiving child care aid, 6 percent are students, 3 percent receive disability or early retirement pensions and the remaining 11 percent are so-called "other dependent" (in 1960, 46 percent of the women of working age still belonged in the latter category!). The majority of the present dependents are approaching retirement age, and are not working because of heavy family obligations or because of illness, thus the employment of those able to work can be regarded as practically complete.

The number of pensioners was 759,000 in 1960; in 1980 it was nearly three times as great, 2,050,000. Those beyond retirement age now make up a substantially greater proportion of the populace than they did 20 years ago and today the great majority of them are pensioners. This is the result of the short service time needed for a pension among workers and employees--10 years--and of the inclusion of the peasantry in the pension system. In 1960 the average pension came to 31 percent of the average earnings; in 1980 it came to 51-52 percent.

Family Structure

There are now 0.9 million households in the country which have no active wage earner; 1.1-1.2 million pensioners live in these households, the rest live in families with active wage earners. The number of pensioner households in 1960 can be estimated to have been 0.3-0.4 million; their number since then has increased by 0.5-0.6 million. A new order of life has developed--the young establish independent households, sooner or later they get housing also, so the pensioner parents also live in independent households, usually in the old residence.

By the end of the 1960's the peasants had caught up with the income level of the worker class; between 1975 and 1980 the retirement age became uniform and by the end of the 1970's hardly any difference remained in the social insurance, social policy system. This process greatly increased social insurance and social welfare policy expenditures.

Full employment of women increased the volume of national production and improved the material situation of households but it necessarily increased the demand for child care institutions. The change in family structure, the increase in divorces and in the number of broken families cannot be separated from this process although it is interdependent with other things as well.

The catching up of the peasantry in regard to living standards and the employment of women becoming general (primarily through industrialization) greatly helped to even out the differences in living standards not only between social classes and strata but also between those living in various areas of the country. The regional equalization is indicated by the fact that, taking the average income for regions outside the capital as a base, the income advantage of the cities was still 9 percent in 1962 while it was less than 2 percent in 1972 and 1977, while the backwardness of the villages moderated from 3 percent to only 1 percent (to the margin of error in the calculation). Compared to the above, the average the income advantage of those in Budapest was still 41 percent in 1962, it was 23 percent in 1972 and 16 percent in 1977 (these were the years for which income surveys were prepared).

The system of paying pensions, and automation, and the growth in the number of elderly combined to make the total amount for pensions the most dynamic element in popular income. The sum paid out in pensions came to 2.8 percent of net national product in 1960, 4.4 percent in 1970 and 8.8 percent in 1980.

The change in family structure, the dissolution of multi-generational families and the change in life style necessarily produced a great demand for housing; these social changes, by their very nature, produced an increase in social allotments. By 1980, as compared to 1960, the volume of earned incomes per capita had increased 1.8 times, that of social allotments in money had increased 5.5 times and that of social allotments in kind had increased 2.6 times.

How and Where Do We Live?

The basic needs for the overwhelming majority of the population have been satisfied since the middle of the 1970's. In regard to nutrition the quantitative and qualitative level of consumption reached satisfaction of biological needs for the middle income strata of the population at the beginning of the 1960's and did so for the strata with the lowest incomes in recent years. Inadequate nutrition is no longer characteristic of any social group, stratum or income level although individual families have unique problems. The consumption of animal protein--a synthetic index expressing the level of nutrition which is comparable internationally also--increased from 37 grams per day characteristic of 1960 to about 54 grams by 1980. (According to international experience this approaches the level which attained by the economically most developed capitalist countries.)

The 1.5 million housing units built in the course of 20 years indicate the improvement in housing supply. Thus 43 percent of the presently existing 3,540,000 housing units were built after 1960 and an even greater proportion of the population lives in them. The ratio of one room units decreased from 62.7 percent in 1960 to 27.3 percent by 1980, and there are now 151 residents per 100 rooms as compared to 236 in 1960. It is indicative of the qualitative change that the ratio of dwellings with all conveniences increased from 13.3 percent to 51.1 percent. Nevertheless, the housing shortage is still large.

Virtually universal electrification is indicative of the qualitative change in household energy supply in addition to heating and lighting this makes possible linking into mass communications and the use of electric household appliances. (In 1960 about 75 of 100 households used electric energy; this number reached 92 in 1970 and 97-98 percent in 1980.) The next steps were represented by the spread of piped and bottled gas and the great spread of oil and central heating. The ratio of traditional fuels in energy consumption by households was only about 22 percent in 1979. Water and sewerage services for dwellings is very deficient by comparison; in the villages the ratio of dwellings connected to the public water system is only 24 percent and that of those connected to the sewerage network is only 3 percent. Public sewers handle only a small part of the sewage and of this only 31 percent is biologically purified (1979).

Household appliances and equipment to ease housework and provide more leisure and culture and intellectual /time/ have spread on a massive scale as have household equipment and furnishings. The widespread employment of women made the swift spread of household appliances necessary; thus the requirement of easing the second shift forced their domestic manufacture and mass import. The electrification of the village and the catching up of peasant income accelerated the process in the provinces. Today more than 90 percent of the active wage earning households have washing machines, refrigerators and televisions as compared to 60-70 percent in 1970. (The supply level for inactive /non wage earners/ households is lower than this.)

Since 1975 health services have been available without charge as a right of citizenship and the scope of the services have been expanded greatly. But the health service network is obsolete from many viewpoints. Despite the significant expenditures it cannot satisfy the modern requirements in all things nor is it entirely free because of the widespread practice of tipping.

In addition to universal primary education, secondary schooling has become widespread; 72 percent of those 14-17 years of age are in secondary schools or vocational training. Of those 3-5 years of age 87 percent go to nursery school, which is an outstanding achievement even internationally. More than half of those in grades 1-4 and one quarter of those in grades 5-8 participate in extracurricular institutional services (including also those under study hall supervision and those in boarding schools). Parallel with increasing age this ratio decreases to only 16 percent in the 8th grade. Compared to the great expansion of the educational framework the achievements in educationally connected services are inadequate.

8984
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QUESTION, ANSWER SESSION ABOUT MANPOWER POLICIES AIRED

Budapest NEPSZAVA in Hungarian 1 Jul 81 p 4

[Interview with State Secretary Dr Albert Racz]

[Text] Various themes connected with labor affairs, wage payment and earnings differentiation have figures frequently recently in the columns of NEPSZAVA and on television programs. Readers and viewers have formulated new questions in connection with the articles and programs. We asked Dr Albert Racz, state secretary for labor affairs, for answers to these.

[Question] What principles are used in defining wage categories and wage development?

[Answer] If the question refers to individual classification then the requirement is realization of the performance principle in defining wage categories and in the course of wage development. The classification system prescribes higher wage rates for work which is more complicated than the average, physically more difficult or done under worse working conditions. Within the upper and lower limits of individual wage categories the place of work leader can establish a higher base wage for the more independent, more diligent worker offering greater performance and doing qualitatively better work. The same principle must be realized in distributing sliding earnings, premiums and awards and in general in distributing sums which can be turned to increasing wages.

The truth is that realization of the performance principle is not sufficiently consistent in everyday practice. Levelling is still common.

[Question] It is emphasized that if an article is highly qualified then this must find expression in the value of the product, thus in its price. Why is this thesis not realized for highly qualified, creative, enterprising and well trained manpower?

[Answer] There can be no doubt that the wage payment practice of recent years did not give sufficient material recognition to workers doing high level work and capable of enterprising creativity. It is the definite aspiration of central economic guidance to further a more pronounced earnings differentiation to the benefit of those doing valuable, high level work. But the enterprises and institutions employing the workers must produce the material resources for this. Recognizing an enterprising spirit and intellectual qualifications is an important enterprise interest also if the collective wants to retain colleagues with outstanding attributes.

[Question] Our consumers price system is being gradually adjusted to foreign market prices but we are not doing the same thing proportionally with wages. Why?

[Answer] We are adjusting our consumers price system to foreign market prices by means of transposing factors. Producers prices are being made to approximate foreign market prices and for a number of products the development of consumers prices is not separated artificially from the movement of producers prices--which as a whole, unfortunately, are going up. At the same time, for a number of products we cannot permit, for example out of standard of living policy considerations, the increase in producers prices to appear directly in the consumers prices. There are also cases where the state sets the consumers prices a good bit higher than the producers prices, out of economic policy or social policy considerations. This is true, for example, in the case of alcoholic beverages.

Wages are never adjusted to "world market wages" anywhere; they are adjusted to the economic situation of the country. For us wages must be adjusted primarily to the value of the work as expressed in the people's economy. The world economy can undervalue or overvalue this, of course, in the course of the export and import of the products. At the same time, wages must follow consumers prices too, if not directly or closely, still somewhat. During the Sixth Five-Year Plan, when internal use of national income can increase to only a very small degree, we will adjust wages to consumers prices so that the real value of wages at the level of the people's economy, that is to say their purchasing power, will not change, that is will not decrease, as an average for several years. For the time being we have no way to increase real wages because, among other things, the world economy, for the time being, tends to undervalue rather than overvalue our work in the world market prices for our products.

The purchasing power of Hungarian wages will approach the wages which have developed in countries richer than ourselves when the productivity and efficiency of our work approaches the productivity level of the developed industrial states.

[Question] To what extent can we expect that the better enterprises will be able to pay more wages in accordance with enterprise performance differences?

[Answer] In the present wage regulation system wage increases are tied to requirements and conditions. An enterprise which improves its efficiency twice as fast as another, as measured by the wage development index, can carry out twice the wage increase, so the condition system for wage regulation is uniform. Further wage increases are made possible by wage savings deriving from a reduction in personnel also; and wages can be increased if wage development payments are made from the shares fund. So the degree of wage development does not depend on central authorization but rather on the work of the enterprise collective. This is also shown by the fact that in recent years the annual wage development of the majority of the enterprises has moved between 3 and 9 percent, thus over a relatively broad scale.

[Question] How are we to imagine the much emphasized differentiated wage payment when wage development is identical to or, in many cases, does not reach the increase in the price level? What is it that will be differentiated?

[Answer] Differentiated wage payment means that he who works more and better must earn more than those with poor performance. All this follows from the principle of

distribution according to work. If those working well and those working poorly receive the same wages or the same wage increases then there would be nothing to encourage those performing poorly to do better work and those working well might lose their enthusiasm for conscientious work. If average real wages are not increasing then, naturally, those working well can get an increase in real wages only if the real value of the wages decreases for others--those performing poorly. We can achieve effective material incentive only with differentiated distribution, and there is special need for this now.

[Question] College graduates are 30-35 years old before they attain the earnings of skilled workers of the same age. In most socialist countries there is no such negative differentiation. Is there a plan to improve payment for beginning graduates?

[Answer] It is a fact that in general college graduates earn less at the beginning of their careers than, for example, skilled workers of the same age. The situation is similar in other socialist countries too. But one must remember that a skilled worker 23-25 years old has 6-8 years professional experience already and in general his working conditions are less favorable and his work requires greater physical effort than is the case for those with intellectual jobs. But even taking all this into consideration one can regard as long the time it takes for the earnings of young graduates to catch up with those of skilled workers.

The rates of the basic wage system, increased in 1981, make it possible for the enterprises--depending on their material possibilities--to gradually improve the earnings relationships of graduates. But a diploma cannot justify higher wages in advance. Higher earnings for those with more training are justified only if they really make use of their training, if they have a job which requires this training.

[Question] Why is it that in our socialist system 10 years of certified work is still enough for an old age pension?

[Answer] The new pension regulations which went into effect on 1 Jaunary 1981 raised the minimal service time needed for an old age pension from 10 years to 20 years. At the same time we had to consider the fact that even in 1979 about 2,000 men and 20,000 women retired with less than 20 years service time. So it was decided, as an amendment to the previous regulation, that up to 31 December 1990 all those who reach retirement age with less than 20 years but with at least 10 years service time could retire on this basis. Without the latter fair provision many would get into a very disadvantageous situation in the decade ahead and this would not be favorable from the viewpoint of either the individual or society.

8984
CSO: 2500/298

TRADE UNION COUNCIL SCORES MANPOWER REALLOCATION IN CHEMICAL INDUSTRY

Budapest NEPSZABADSAG in Hungarian 30 Jun 81 p 5

[Unsigned article: "Product Structure Change and Manpower Management in the Chemical Industry; Presidium of SZOT Meets"]

[Text] The Presidium of the SZOT [National Council of Trade Unions] held a meeting Monday morning. It examined how the product structure change in the chemical industry was affecting manpower management.

For a long time the chemical industry has been among the most swiftly developing branches, a branch in which a number of central developmental programs and significant investments have aided a relatively swift product structure change. During the Fifth Five-Year Plan the enterprises in the branch introduced 1,067 new products and ceased manufacture of 1,089. The ratio of competitive products increased and as a result of this not only did export expand but supply to the populace improved also.

The product structure change placed new tasks on manpower management. The reallocation of manpower picked up, partly as a function of personnel needs at new installations and partly in connection with the introduction of new products, but seasonal variations in production, temporary marketing difficulties, a shortage of materials and other causes also contributed to assigning workers to new places of work. There are enterprises, for example, where 10-13 percent of the workers--400-500 people--were re-allocated in a 3-4 month period.

In the course of the regroupings the economic leaders and the trade union took measures which corresponded to the interests of the workers too. This is well illustrated by the fact that although there were naturally difficulties and friction there were no labor rights disputes. The trade union committees, stewards and stewards' bodies played a great role in all this. In the future also the re-allocation of manpower will require great circumspection and careful preparatory work from the trade unions too. In general, where many people are affected by the re-allocation, one can find a certain unrest among the workers. Their work assignments and earnings may change and they may have to learn a new trade. Manpower re-allocation can be successful, can best correspond to the interests of the enterprise and the workers, only where they receive concrete answers in time to the questions connected with the new situation.

The Presidium of the SZOT called attention to the fact that the trade unions should take the initiative in the transformation of the product structure. They should turn special attention to effective employment of manpower and to solving the human problems connected with this so that the fundamental interests of the workers should not suffer harm.

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REFORM'S EFFECTS ON LABOR DISCUSSED

Budapest MAGYAR HIRLAP in Hungarian 14 Jul 81 p 5

[Interview with Dr Laszlo Pongracz, chief of main department at the Ministry of Labor; date and place not specified]

[Text] A 1978 resolution by the Council of Ministers specified the major goals in improving manpower policies. The government's practice of periodically checking the implementation of its resolutions also allows for assessments on how particular decisions fare in practice. Such an assessment occurred recently when the Minister of Labor made his report to the government about new phenomena in the labor market which are considered consequential to the above mentioned resolution. Dr Pongracz, one of the Ministry's main department chiefs helped clarify these phenomena.

[Question] Our manpower economy has for a long time--including 1978, when the resolution was made--been fraught with tensions. While demand for labor exceeded supply by a wide margin, labor efficiency fell far short of the requirements. What has been the effect of the government's resolution and its subsequent actions upon this undesirable situation?

[Answer] The effect has been unequivocally encouraging. The manpower economy showed favorable changes in recent years, equilibrium on the labor market has improved. The often unjustifiable high demand for labor which have characterized the labor market in the previous years has been reduced. This phenomenon indicates, among others, that enterprise manpower policies became more planned and better weighed, since employers are apparently reckoning with the realities of the country's labor endowment. It should be noted, however, that this favorable general picture does hide some anomalies. While mostly in Budapest there is an actual shortage of labor, particularly of unskilled labor, in some agricultural areas a minor, transitory oversupply, may exist.

[Question] Have there been any changes in labor migration?

[Answer] Yes. Numerous enterprises exert efforts to reduce their use of labor as a combined result of the drop in production and the effect of reform measures. The majority of the employers use the natural attrition of their manpower, (e.g., retirement, etc.) to reduce their personnel by simply not replacing those who leave. Besides this, there are also other indications that a more conscious and active manpower economy, tending to improve labor efficiency now exists. For example, now

only seven out of 10 terminations of employment are initiated by the employees, compared to the previously prevalent nine. In other words, three out of each 10 terminations are initiated by the employers. Everybody became more cautious than before to quit a job. In 1980, for example, there were approximately 110,000 less notices to quit in industry and construction than in 1977. It is a favorable sign that labor migration tends towards the service industries, where in the past years employment increased by a significant 5.7 percent [? annually].

[Question] Is a relationship between labor migration and changes in the production structure perceivable?

[Answer] Significant change is evidently not perceivable, since the transformation of the production structure has not been fast enough. As far as labor is concerned, the principal feature in the introduction of new products, technologies, and in the elimination of unprofitable enterprises, is that labor migration, so to say, takes place within the confines of enterprises, through the re-grouping and retraining of manpower. Naturally, preparatory work will be necessary to make sure that labor's professional composition and territorial migration follow future changes in production and in production structure without too many complications and snags.

[Question] The primary concern today is that the efficient use of manpower is more of a requirement than reality....

[Answer] This is indeed so, although some changes are discernible here too. The transformation of the economic environment and regulatory system have prompted enterprises to revise their internal management and incentive systems. At many places the terms of bonus payments and the piece work-based compensation system have been changed and tightened, and the number of workers compensated through performance-based systems in general has increased. At enterprises where the wage fund accounting system has been introduced, the incentive to economize with labor has increased. What hampers development is that plans destined to change management and incentives are too general, and their effects are barely discernible at the lower organizational levels of plants and workshops, although the reaching of these levels would be vitally important.

[Question] What has been the experience with the system of labor exchange?

[Answer] It would be too early to comment on this since the new system was established only at the beginning of this year. At that time constraints have been lifted to allow the free flow of labor which is indispensable for the economy's structural transformation. The labor exchange is a service that brings together employment seekers and potential employers, provides information about employment opportunities. The flow of information, however, given that it has to be continuous, will necessitate a better future cooperation between the local councils and enterprises. This is especially important in rural areas and when there is a geographical separation between the excess supply of labor and the demand for it. In such cases the retraining of manpower is necessary, which in the current practice is arranged and financed by the new employer.

[Question] There are some rumors that in certain areas and in some professions problems of finding employment have emerged. What is the truth?

[Answer] Anybody who wants to work definitely can do so. Problems of finding employment occur only in narrowly defined areas and only temporarily. It is indeed true that not every high school graduate finds himself behind a desk, or is assured a white collar status; many of them have to do physical work. Among college graduates--particularly among archeologists, graduates of liberal arts and biologists--there are some who cannot find employment at the time of graduation, at least not in the capital. Their problems, however, are resolved by compromising somewhat and accepting jobs outside the capital. It is also a fact that in some areas--for example in Szabolcs-Szatmar county--more people are forced to work outside the county than before. Although these problems emerge only sporadically, it is necessary to follow the paths of all those who seek employment, and to search for solutions which are beneficial for both the individual and society.

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COOPERATIVES DISCUSS SUGAR PRODUCTION POTENTIAL

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 26, 1981 p 9

[Interview with Jeno Havasi, chief agronomist of Gyozelem (Victory) TSZ (producer cooperative) of Lajoskomarom; Imre Pezenhoffer, district manager of the Hungarian-Soviet Friendship TSZ of Sopte; Istvan Csiba, vice president in charge of production in the Hungarian-Czechoslovak Friendship TSZ of Darnozsel; Imre Szenti, vice president in charge of production in the Vorosmarty TSZ of Pincehely; and host Endre Nemeth, president of Egyetertes (Harmony) TSZ of Pannonhalma, by Laszlo Avar: "How Can the Planned Sugar Production be Implemented?"]

[Text] The Goal Is Weed-Free Fields

> [Laszlo Avar] Now that the planting of beets is well behind us, we seek answer to the question: How well did we succeed in fitting the smaller plan, the ideas of the farms, to the bigger one? We were curious which are the methods by which the quantity of sugar beets, and through this also of sugar obtainable from unit area can be increased. Therefore we invited to the Egyetertes TSZ of Pannonhalma for a round-table discussion Jeno Havasi, chief agronomist of Gyozelem TSZ of Lajoskomarom; Imre Pezenhoffer, district manager of the Hungarian-Soviet Friendship TSZ of Sopte; Istvan Csiba, vice president in charge of production in the Hungarian-Czechoslovak Friendship TSZ of Darnozsel; and Imre Szenti, vice president in charge of production in the Vorosmarty TSZ of Pincehely. Our host was Endre Nemeth, president of the TSZ in Pannonhalma. We did not go to this farm by accident: last year they harvested 9.27 tons of sugar per hectare, with which--I believe--they were in first place not only in the KSZE [socialist Cooperation in Corn Production] Crop Growing System of Szekszard, but also in the whole country. This same production system, the KSZE agreed to organize the round table discussion.

[Question] First of all, what is the system for growing sugar beets? How stable is the situation of the sugar beet branch these days?

[Answer]--Imre Pezenhoffer] We grow the beets by manual cultivation, and not too badly, either: for years we have been in second place in the magye. Last year, for example, we produced 5.87 tons of sugar [per hectare], and in the course of doing it we achieved 15.1 percent digestion. I must add to this that we did this on the Vas [megye]-type soil, the so-called river valley soil! On cold, dense, acid clay. In addition, we produce without irrigation.

[Answer--Istvan Csiba] In comparison we are much bigger sugar beet growers. In the last five years we increased our acreage twice, and last year we harvested beets from 809 hectares. This year we added 50 hectares to the planting area.

Our results are not bad, either. We produce 40.5 tons of beets per hectare with 15.3 percent digestion which means that we average 6.2 tons of sugar. Our sugar beet production is completely mechanized, and we also irrigate. Next year we will further increase the acreage: it will be 900 hectares. This is the upper limit for us and amounts to 16 percent of our plowed land.

[Answer--Jeno Havasi] We conduct the experiments of the National Agricultural Type Experimentation Institute [OMFI or OMFKI]. We produce sugar beets by an expressedly mechanized cultivation. We plant beets on 475 hectares of out 7,000 hectares of plowed land. As far as the numbers are concerned the ratio could even be higher, but we feel that sugar beets need sugar beet soil. This crop cannot be planted anywhere else! But there is also another reason for not increasing the best acreage. The production and mainly the transportation costs have gone so high that lower average production would deteriorate the profitability.

At our present level it is worth it for us to do it. Two years ago we grew 43 tons of roots [sic], while last year the figure was 47.2 tons. I can also tell you about last year that with 16 percent digestion we achieved 7.6 tons of sugar per hectare. All this was done in dry cultivation because we do not have the opportunity to irrigate. The [financial] results also turned out similarly to the production averages. Cost per ton was 601 forints, and sales income was 921 forints. It costs a lot to produce sugar beets, but if someone does it well and is fortunate, it is worth it.

[Answer--Imre Szenti] If he is fortunate; the way I used to word it is that the growing risks are large with sugar beets. Just two data: in 1977 we harvested 33.6 tons, in 1980, 51.8 tons of sugar beets--8.5 tons of sugar--per hectare. Our five year average is 43.3 tons per hectare, with annual acreages of 200 to 250 hectares. This result proves that we are not complete beginners with sugar beet, but in spite of this there was a year when we had an average of 33.6 tons. Thus sugar beet production is quite risky, even if we do our farming on the Trans-Danubian loess plateau, in a better than average location.

We have fully mechanized the sugar beet branch. Our production cost per hectare is 25,000 forints, the result is 47,000 forints. But before we would drink toasts to ourselves, I must add that realistically we can expect only about 60 percent of this.

[Answer--Endre Nemeth] We are told that we are one of the most successful producers. The fact that in the last ten years we produced over 50 tons three times, proves this. And the important thing is: digestion has been over 18 to 20 percent

for the last five years. We do not want to appear immodest but in 1980 we produced 53.9 tons of beets [per hectare], with 17.2 percent sugar content. Thus we obtained 9.27 tons of sugar by manual cultivation, and we received a sales price of 950 forints per ton.

How well did we start out this year? Our people do not want to grow beets. We produce on a total of 100 hectares, and this is not worth mechanizing, especially buying imported machinery. We have reviewed our production. Our decision is that if next year we will again receive the incentive premium, we might even plant 250 hectares.

[Question] This corresponds with the government's goals, since this is why the excess sugar premium was created. How much effect did this have on the decisions of the producers?

[Answer--I/P.] We felt and knew that this is needed. We also paid proper attention. We planted the sugar beets at the optimum time on 80 percent of the acreage, and germination was perfect on this area; but far from it on the other parcels! The effect of chemicals was very poor due to the lack of rain during the spring; we applied the Betanal+Dual+Piramin combination but it was useless.

[Answer--I.Cs.] Our situation is the same, word-by-word. Due to the early drought and belated soil preparation the soils dried out even more. This was what we had to plant into... What can I say? We took the chance.

It is a different matter, but fits here: we had to treat the sugar beets for weed infestation. Fortunately we had no problems with the supply of weed killers.

[Answer--J.H.] No use denying it, we started out worse than last year. We gave the beets all the treatments at the optimum time, but the chemicals did not take effect due to the drought. No arguments: between-the-rows cultivation is necessary! Otherwise we will only be harvesting hogweeds. But in spite of this I think last year's good crop is possible to repeat. One problem is that uniform spacing was not achieved this year, either. Here we can argue with each other, but it would be good to be able to see clearly: the important thing is not whether we have 100,000 or 80,000 sugar beets on one hectare, but rather that plant distance be uniform.

[Answer--I.Sz.] We also prefer to have five little plants sprout up per running meter. From this, we can still have 80,000 roots mature per hectare by harvest time. Well, of course, weed hoeing must not just be a wish now! It is true that it requires manpower. But let me ask you: What is more important? The various rules of thumb, or that there be enough sugar?... We do what we can by top treatment, but we also count on the work of the members. Mainly now, since the effect of the basic treatment was very poor. Things turned out this way not only because of the poor beginning of the spring!

[Question] What do you mean by that? Over-all, there were not many complaints about the supply of chemicals.

[Answer--I.Sz.] Not at all! But there are too many midwives here! The AGROKER [agricultural Supply Enterprise of Pest, Nograd and Komarom Megyes], the production system, the plant protection station, the sugar refinery, the chief supervisor,

and anyone else we want. There are that many midwives to oversee each decision, when actually the farm bears all the responsibility. Tell us what our job is! Or can't we be trusted?

[Question] I doubt that, since all of you are [among] the best sugar beet growers. Is there a method with which the sugar yield per hectare can be further increased now? I am referring even to leaf fertilization...

[Answer--E.N.] We have been experimenting with this for several years. We did not notice any favorable effect.

[Answer--I.Sz.] That in itself is not economical. And in this stage we can not get protection against the cabbage owl moth even by dispensing 50 liters of chemicals from airplanes. And it is a sin to enter onto fields in this advanced growth stage with plow-land machinery.

[Answer--I.P.] My opinion is the same! We do not doubt the results which can clearly be achieved. Last year we used Wuxal, I can say without any special results. But there is no doubt that it can also produce good results on some parcels. By the way, this is an extremely complex question: it appears that there is less sugar, but the beets are much more uniform. And this is a great result!

[Answer--I.Cs.] We can intercede by irrigation, and we are not sitting on our hands. This question has at least as much significance as weed killing. Indeed, more! By applying chemicals we shock the beets, but this way we do not! It is also better to count on mechanical weed killing. True, this runs into a lot of administrative red tape.

[Answer--E.N.] Well, we have enough problems with this. The school children would come gladly to work, I can tell you that. This is good for us, and we pay good wages for it. But some smart regulation prohibits all that. Let me ask you now: which is better, if the child is loitering in the village, or if he performs sensible work for us under supervision?

[Laszlo Avar] After this point it would have been difficult to take any notes. The experts kept trying to prove, while they kept interrupting each other, that if they could now manually pick out the hogweeds or panic grass, unbelievably high results could be produced. The question is how will we resolve all these problems when the fractional manpower can not be enlisted in an organized manner.

8584
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DEPARTMENT HEAD INTERVIEWED ON REASONS FOR MEAT PRICE INCREASES

Budapest MAGYAR HIRLAP in Hungarian 28 Jun 81 p 7

[Interview with Janos Ori, a main department chief in the National Material and Price Office, by I. Gy. M.: "Meat is More Expensive, Communique About Price Measures, Our Interview About Reasons for Increase"]

> [Text] The communique published today contains all the important data about the increase in the consumer price of meat. In our article we have tried to show the background and reasons for the measure. We talked about this with Janos Ori, a main department chief in the National Material and Price Office.

[Question] How have purchase prices, industrial producer price and consumer prices of meat developed during the Fifth Five-Year Plan?

[Answer] Purchasing prices have changed relatively more frequently in the past 15-20 years--generally every 2-3 years--due to production costs and domestic and foreign market demand and in accordance with the production policy goals set down in the economic plans. Consumer prices have not been changed for a long time.

During the Fifth Five-Year Plan it became evident that pricing policy would have to resolve the tensions accumulated in earlier years as related to purchase prices, industrial producer prices and consumers prices and that a harmony among the prices would have to be created. Accordingly, between 1976 and 1980 consumer prices came into better harmony with producer prices--even if their level remained lower than would have been justified.

It is worth noting, in regard to the purchase price for slaughter animals, that by 1981, as compared to 1975, the price for chickens had increased to the largest degree (by 52 percent), that for pork to a lesser degree (by 47 percent) and that for beef least of all (by 42 percent). The greater price increase for chicken and pork was justified by the increasingly expensive protein feeds, the greater need for seed fodder and by foreign market prices. The consumer price for pork and beef has almost doubled in 5 years while the price for chicken increased by only 35 percent. The reason for the latter is that an increase in chicken consumption was desirable, seeing that we achieved a higher level and greater efficiency in the production of chickens than in the production of pork. (The seed fodder requirement for one kilogram live weight of pork is 3.5-4.5 kilograms while that for chicken is 2.5-3 kilograms.) We increased the base meat prices for pork and beef by the same ratio on 23 July 1979 and also with the present price measures.

[Question] How much support--price subsidy--does the state provide now for the consumer price of meat?

[Answer] The economic policy goals aimed at developing animal husbandry have required us to increase purchase price more or less continuously, generally every 2-3 years over the past 15-20 years because of increased production costs to preserve producer incentive. At the same time we increased the consumer price of meat only once between 1960 and 1976, in 1966. There was a significant increase in meat prices on two occasions during the Fifth Five-Year Plan in 1976 and Mid-1979. Despite this, given the purchase prices, the industrial producer and consumer prices which prevailed prior to 29 June 1979; we maintained consumer prices of meat and meat products--with state subsidies amounting to 8.5 billion forints per year, and representing an average price supplement of 36 percent in the wholesale price of these products. The present consumer price increase for meat and meat products, averaging 10 percent, will moderate the sum for state price supports by about 2.5 billion forints but it will continue to be necessary to support consumer prices with about 6.0 billion forints. This corresponds to an average price subsidy of 23 percent.

With the present consumer price increases the price supplement for the major product groups or individual products will change as follows:

(1) Termék	(2) Az árkiegészítés százaléka az áremelés		(3) 1 kg-ra jutó árkieg. Ft-ban az áremelés	
	előtt	után	előtt	után
Tőkehúsok (4)	41	34	21,30	14,80
ezen belül:				
sertés tőkehús	39	22	21,80	13,80
marha tőkehús	50	34	22,40	17,40
Húskészítmények átlagosan (5)	33	21	13,70	13,70
Baromfihúsok	36	28	12,90	10,60
Húskonzervek és hűtőipari húskészítmények	33	26	13,90	11,30
Egyéb főbb hústermékek				
Sertéscomb	29	22	27,70	18,20
Sertésoldalas	39	22	18,30	11,70
Marha vastag lapocka	50	34	30,90	24,40
Marha rostélyos és hátszín	30	34	25,30	19,40
Párizsi	32	21	17,30	12,70
Olasz felvágott	32	21	20,40	15,70
Gyulai kolbász	32	21	33,90	28,80
Lecsó kolbász	32	21	11,80	8,90

Key:

1. Product
2. Percent of Price Supplement before (elott) and after(utan) the price increase
3. Price Supplement per kilogram in forints before (elott) and after (utan) the price increase
4. Carcass meats
   Therein:
   pork carcass
   beef carcass
5. Meat products, average
   Poultry
   Canned meat and refrigerated meat products

Other major meat products:
- Pork hams
- Pork sides
- Beef chuck
- Beef loin and rump
- Paris (baloney)
- Italian cold cut
- Gyula sausage
- Stewing sausage

It can be seen from all this that the budget must still provide a significant price subsidy for consumer prices.

[Question] Then one must ask: How does the price supplement affect production and consumption?

[Answer] It is a fact that the sum of the consumers price supplement, that is of the budgetary burden, increases in proportion to the increase in meat consumption. It is worth noting that a higher consumer price supplement shifts trade to a greater degree than justified to central trading channels--state purchasing, the meat industry and commerce--and excessively narrows direct trade between producers and consumers. This increases the path followed by the goods and increases investment requirements, and in the final analysis it makes production and consumption more expensive.

Higher price supports hold back small production especially and decrease the incentive of producers to production for their own consumption and direct market sales. This leads to a state of affairs where small producers even buy back, via subsidized wholesale and retail trade, what they produced themselves and need for their own consumption. This also increases the burden on society.

This makes the reasons for the present meat price increases understandable. But there are also other arguments in favor of it. Presently the possibilities for non-ruble accounted meat exports are favorable; export prices have increased. So an increase in meat exports is justified as a chief economic policy goal of the Sixth Five-Year Plan to improve the trade balance. It is well known that we have set as goals for the Sixth Five-Year Plan the preservation of the achieved standard of living and the maintenance of relatively rational consumers prices for major foods items. But it is also obvious that we must achieve a better harmony than before between purchase prices, industrial producer prices and consumer prices. Among other things this requires that an increase in purchase prices be accepted only in very specifically justified cases and if it should be necessary to increase consumer prices for certain major foodstuffs in the future then it would be more correct to increase them by a small amount every 2-3 years and not greatly [all at] once every 5-10 years.

8984
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NEW RABA MACHINES FOR AGRICULTURE DESCRIBED

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 27, 1981 p 11

[Article by Imre Baric: "New Raba Machines"]

[Text] Next to the application of chemicals the cost of mechanization is most significant among the expenditures which originate in industry.

The MSZMP KB's [Central Committee] March 1978 resolution also states that faster and more goal-conscious development of food production, primarily of the domestic industry, is necessary. The machine industry must take the initiative and must supply the growing demands with good quality machinery.

How well does the machine industry satisfy the requirements? This is one of the key questions of our present and even more so of our future. Obviously the resources have to be concentrated to those areas where the efforts promise the greatest success for the national economy. Thus within the machine industry the circle of those manufacturing agricultural and good industrial machinery had to be expanded. This is why the Hungarian Railroad Car and Machine Factory [MVG] joined in this work in the hope of success.

Within a short time the MVG RABA organized the manufacture of heavy tractors and basic work machines. In harmony with the requirements the factory is accepting a greater and greater role in the domestic manufacture of agricultural machinery.

Recently they showed their newest products to those interested. The opinion of Mihaly Ruzsics, driver of one of the tractors, uniquely supplemented the precise introduction also covering the details (at times perhaps so lengthy that it made absorbing it difficult) to the conference and machinery show held in Seregelyes: "I started in this profession 20 years ago, and if someone told me then that once I would be driving machines like these, well, I would not have believed it. This is more comfortable than a passenger car..."

RABA-IH 3588 Tractor

This four wheel drive, 135 kW tractor is at home in cultivating between rows as well as in plowfield crop growing. The machine which is "nose-heavy" due to the engine being located up front is suitable to perform practically any work, and negotiates easily on all soils.

There are 16 "forward" and eight "reverse" speeds on its heavy duty, torque booster transmission. This tractor of superior construction in every component detail (designed with standardized parts!) is the agricultural power machine of the future. And why is it not that of the present? Well, its price also plays a role in that. Since, for the time being, only the engine is made in Hungary in machinery built in cooperation, the buyers have to pay most of the price in dollars. But if the RABA were to receive enough orders it could even raise the ratio of domestically built components in the tractor to 60 percent. The foreign currency content of the purchase price could significantly decrease.

Of course the question is, how could the situation of "I don't buy it because it is expensive--it is expensive because you are not buying them" be resolved. One thing is for certain: the RABA-IH 3588 is an excellent machine, and our agriculture needs many excellent machines.

RABA-360 Tractor

The RABA-360 agricultural tractor was also exhibited at the show. This 235 kW machine is the highest performance member of the RABA tractor family. It is eminently suitable for autumn work requiring high pulling power as well as for spring work which can be done at high speeds. The standing, built-in diesel engine which is of the straight-block, four cycle, six cylinder design with air injection and aftercooler, is imported. Therefore the purchase price of this machine also contains foreign currency.

IH-735 Plow

Among the work implements shown, the IH-735 plow which travels in the furrow deserves particular attention. The width of its cut is infinitely variable between 355 and 559 mm from the tractor's driver compartment while in operation. Rapid adjustment of the width of the cut makes maximum utilization of the tractor's pulling power possible, as well as optimum adjustment to fields with varying soils. The favorable characteristics of adjustable width plows is proven, among other things, also by the fact that in the worldwide plowing competitions always those finish on top who compete using plows with designs similar to that of the IH-735.

The RABA-IH-10-800 Plow Family

The RABA-IH-10-800 plow family was built for high power tractors such as, for example, the RABA-360. The main support [beam] of these is of the divided design. The front and rear sections are hinged together. This solution makes uniform plowing depth and following the soil's unevennesses possible even in the case of large working widths. Plow heads are made in two designs, for medium-deep and for deep plowing. The plowing depths are 30 and 35 cm, respectively. The plow's price is 400,000 forints, and its capacity is 2.5 to 3.5 hectares per hour.

Medium Deep Soil Looseners

RABA also showed three machines suitable for medium-deep soil loosening.

The RABA-IH-10-14 is suitable for creating the proper connection between the cultivated layer and the subsoil. Its use has a beneficial effect on the soil's water

and air retention and on the proper growth of roots. In addition to this the quality of traditional soil work also improves. The machine is built in two varieties, with five and nine blades, respectively. The price of the nine blade model is 158,000 forints. A 20 to 260 kW tractor is needed to pull it.

The IH-5500 medium depth soil loosener can be used for primary or secondary loosening of the soil as well as for loosening the subsoil. When it is used the soil's resistance to erosion increases as does its water retention ability. This machine costing 200,000 forints can be used for several purposes. By installing various work implements on it, it also becomes suitable for cutting up grass fields or alfalfa stubble fields, or for turning over weed-infested stubble fields.

The IH-6000 CONSER-TIL medium-depth soil loosener is a new item. In one pass it loosens the soil, chops up the stubbles and residual stalks, and blends these back partially into the soil. As a result of the machine's work the soil breathes better, and absorbs and retains more water. For crops growing in rows the machine--in the interest of greater efficiency--should be pulled at an included angle of about 40 degrees. The price of this work machine is 250,000 forints.

The IH-183 Cultivator

Cultivators are again receiving emphasis since the protection of crops is becoming more and more expensive. At the show RABA introduced the IH-183 rear suspension cultivator. This is suitable for working eight wide, or 12 narrow rows. Sideways movement is eliminated by the use of leader discs. This machine costing 300,000 forints is an effective tool.

Sowing Machines

Visitors to the show saw two sowing machines.

The advantages of the IH-800 [or is it IH-8000? See caption for Picture 8. Translator.] are high sowing speed, uniform sowing depth and seed spacing, resulting in optimum germinating and sprouting reliability. Price of the machine is 1.1 million forints. It is suitable for sowing corn, sunflower, and soy beans. Recommended working speed is 12.8 kilometers per hour. A 90 kW tractor is needed to pull it.

And last--but far from least--the RABA-IH-10-6200 grain sowing machine must also be mentioned.

Last year--together with six other different excellent sowing machines--the IKR [Industry-type Corn Production System] evaluated this machine, which is suitable for sowing grain and grass types, introducing granulated chemical fertilizers and micro-granulated soil disinfectants into the soil, and for compacting planted rows, under operating conditions. The RABA-IH-10-6200 received the highest marks. After correcting the minor construction shortcomings which surfaced during the investigation, it can now be stated that this is one of the best sowing machines, if not the best one.

The triple-wide, 3x28 row sowing machine also equipped with track indicator, and connected to the RABA-IH-3588 tractor is beautiful even as a sight. Of course the really good thing would be if this did not remain only as a "sight" but became a usual working tool on more and more farms.

[Photo No 1 caption: Tractor driver Mihaly Ruzsics: "This machine is more comfortable than a car..."

[Photo No 2 caption: The IH-183 rear suspension cultivator. It is suitable for cultivating 8 to 12 rows.]

[Photo captions on p 16: No 1: The IH-735 is one of the most versatile and most modern plows. Its path width can be hydraulically changed between 355 and 559 millimeters. (I think that is per blade, times 6 blades. Translator.)

No 2: Uniform plowing depth can be achieved with members of the RABA-IH-10-800 plow family, even at wide working widths.

No 3: The IH-500 medium depth soil loosener can be used for primary or for secondary soil working, and for loosening the subsoil.

No 4: The RABA-IH-10-14 medium depth soil loosener creates the right connection between the cultivated soil layer and the subsoil.

No 5: The highest performance member of the RABA tractor family is the RABA-360 [shown here] with the RABA-IH-10-6200 sowing machine connected to it.

No 6: Machines of the future: the IH-6000 CONSER-TIL medium depth soil loosener, [and] the RABA-IH-3588 tractor.

No 7: The IH-10-6200 triple-connected grain sowing machine can be filled in 12 minutes by the IFA-VFA [expansion unknown] sowing machine filler adapter.

No 8: The IH-8000 CYCLO sowing machine accurately meters the seed even under difficult conditions and at high speed.]

8584
CSO: 2500/307

QUALITY, SUCCESS OF SEED PRODUCTION SUMMARIZED

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 26, 1981 p 8

[Article by Dr Balint Szaloczy, director general of National Seed and Propagational Material Inspectorate: "The Success and Quality of Seed Production"]

[Text] Good quality seed, which in itself is also an item in demand on the world market, and as such can make a significant contribution to our agricultural export, has a definitive role in increasing the agricultural crop yields and in improving the quality of products. Thus improving seed quality is in the interest of our agriculture and also of our national economy.

Of course it is not immaterial how much it costs us to produce seed because this affects our production costs as well as our competitiveness on the world market. From this follows that setting up economical seed production is also an important task.

In our country the conditions are good for good quality and successful seed production. Our natural ecological conditions are also excellent, we have great traditions in production and we have the intellectual as well as the technical conditions in our large and modern operations.

Quality Improvements in a Short Time

The production levels of seed producing farms differ widely and in many cases fall far short of the requirements. We can prove this by the following.

Each year about 25 percent of the seed production acreage is taken out of seed production, that is, only merchandise crops are grown on 75,000 to 80,000 hectares instead of the originally planned seed. This high removal ratio is, of course, unfavorable to seed production as well as to the success of the production of merchandise crops.

In general the reason for removing the acreage of qualifying it unsuitable can be traced back to the lack of personal (for example, failure to make the selection) or technical-technological conditions (for example, weed infestation, technological problems).

Each year, 25,000 to 30,000 tons of seed fail to reach the quality specified in the standards due to errors in cleaning, drying or storage (including blending), and is qualified unsuitable on the basis of laboratory tests.

Selecting the farms to produce seed is not always done in a sufficiently circumspect manner.

Assigned by the MEM [Ministry of Agriculture and Food Industry] Main Agricultural Department, in 1980 we studied the work of farms which produce seed for the more important crop types.

During the nationwide study 70 percent of the farms producing wheat seed, 69 percent of the potato seed producers, 37 percent of the sunflower seed growers, 87 percent of sugar beet, 84 percent of corn, 61 percent of alfalfa, and 49 percent of the red alfalfa seed producers met the requirements.

These shortcomings clearly call attention to improving the standards of seed production. This, of course, depends on several factors but the following ones are the most necessary among these:

Creating the personnel conditions, which includes the necessary manual manpower (for selecting, hand pollination [corn], etc.) and high levels of professional preparation.

The technical and technological conditions (machinery, chemical fertilizers, plant protection chemicals, adequate drying capacity, cleaning equipment and storage capacity, etc.).

Application of the appropriate technology. At the present time in the cases of several types of plants the seed production technology is essentially the same as that of sale crop production, or some well functioning production systems may even be using more modern technology for sale crop production than many farms use for producing seed.

And finally, the correct selection of seed producing farms taking also into consideration the things mentioned above.

For More Concentrated Seed Production

At this time seed production is characterized by being divided into many small parts, which is proven also by the fact that each year about 1,100 agricultural operations produce seeds on 8,000 to 9,000 different parcels. Every year there is a turnover of some seed producing farms, thus these can not gain the appropriate experience.

The divided nature of seed production is especially conspicuous for some crop types. For example, the 3,200 hectares of seed growing area for autumn cabbage rape are located in 12 megyes on 32 farms. Even decreasing the risk of damage by the elements (frost, fail, disease, etc.) cannot justify such an extent of division.

In my opinion seed production should be concentrated into much fewer farms, to about 400 to 500.

This concentration would produce several advantages. The necessary personnel and technical--technological conditions would be easier created in fewer operations, which would lead to increased production standards. The income from seed production would be so high in some operations that the farm's management would have to take notice of it. The cleaning and warehousing capacities as well as the intellectual investments could be better exploited, and the research results could also spread faster.

Development of Regional Districts

The effect of production location, or of the regional districts on crop yields, quality and production reliability has long been recognized by the farmers. Based on this, regional districts have developed in this country also for the production of certain crops. For example, onion growing in the Mako area, spice paprika production in the vicinities of Kalocsa and Szeged, seed potato production in the vicinities of Goncruszka and Zirc, etc.

The borders of districts may change due to the effect of new information and technological progress, but this does not negate the fact that in one growing area the same crop will produce higher yields or better quality than in other growing areas. The most recent studies also support this correlation.

For autumn wheat the highest protein content was found in the Mid- and Lower Tisza regions. The highest average crop yields were supplied by producing regions with black earth-type soils such as the Bacska loess fields, and the loess plateaus of Mezofold, Southern Trans-Tisza Region, and Hajdusag.

Thus the gradual development of regional seed production districts would be very advantageous for seed quality as well as for the success of seed production.

The three tasks introduced above are closely interrelated with each other, which means that concentration of seed production and selection of the farms must be coupled with developing regional districts.

Improvement of Type Maintenance

Based on the results of type development studies it can be concluded that in spite of the minor improvements achieved, the quality of type maintenance work must be further improved. According to the average of several years only 60 percent of the type development samples are free of foreign plant type impurities. The number of samples containing over ten percent foreign plant impurities, which is considered a very bad error, was three to four percent. In 1980 the number of entities containing more than four percent plants considered foreign, which is the maximum specified in the development of basic hybrid corn production material, was 17 percent.

In 1980, 33.3 percent of the elite grade tomato seeds developed were completely free of impurities, and 14.8 percent of the samples contained more than ten percent foreign plants.

These numbers prove that the quality of type maintenance can and must be improved. In the interest of this I would like to call attention to two important tasks:

[1] Composition of the basic materials and of the elite must be done with greater circumspection and stricter selection. Care must also be taken to properly supervise this work.

[2] Instead of the quantitative attitude prevailing in elite production, quality should come first.

I am convinced that improving the quality of type maintenance work is the place to start improving seed quality.

Defining the Value Measuring Characteristics

Among resistance ability tests so far for corn the cold test recommended by Isely (evaluation of the ability to resist cold), and for pea seeds the Matthwev [sic--Mathew ?] and Brandnock electrical conductance ability method (conductivity test) are most significant.

In measuring electrical conductive ability we measure the quantity of ions leached out by soak water with the appropriate instrument, and deduce from this whether the pea seed can be planted early and in a cool environment.

A number of seed vigor evaluation methods are being experimented with in addition to the ones mentioned above, such as, for example, the aleuron test for corn, the TTC [expansion unknown] vigor test, the sprout growth measurement devised by Gorr, the polyethyleneglycol (PEG) test, and the water stress method.

In essence, these methods do not measure germination attainable under optimum conditions but germination ability attainable under the harsher conditions of the plowfields. The characteristics determining the seed's value can be determined more accurately by these. Exactly because of this, their application and popular acceptance can be an important tool for improving seed quality.

Expanding the system of multi-year contracts and establishing prices which provide better incentives for producing good quality [seeds]--which will make greater differentiation possible between the various grades and qualities of seeds--are also important in seed production.

8584
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BRIEFS

HEIFERS FOR PRIVATE SECTOR--The Livestock Trading and Meat Industry Trust together with its affiliates is advertising a move to turn over heifers-with-calf of Hungarian stock to small producers on highly advantageous terms. The aim is to place 8,000-10,000 heifers annually in the care of household plot holders under conditions which will not require a major initial financial outlay of them. Under one set of terms, the keepers will receive interest-free credit which can be repaid in three years either with cash or fatted yound cattle. On the other hand, if the small producer elects to buy the heifer-with-calf outright through credit, the meat industry will pay interest on the loan to the National Savings Bank. In this case, the heifer becomes the property of the keeper as soon as it is put in his charge. Under this arrangement, the keeper qualifies for state support which is an additional benefit. In this event, the credit is to be repaid in four years. [Text] [Budapest NEPSZABADSAG in Hungarian 24 Jul 81 p 8]

CSO: 2500/328

PROVISIONS OF 1981-1985 FIVE-YEAR PLAN ANALYZED

Bucharest REVISTA ECONOMICA in Romanian No 27, 3 Jul 81 pp 4-5, 7

/Article by Dr Dan Popescu: "More Intensive Development of the Romanian Economy"/

/Text/ The Five-Year Plan for 1981-1985, which was recently discussed and approved by the Congress of Workers Councils and the Plenum of the RCP Central Committee and ratified by the Grand National Assembly, covers a period of great importance to the national economy's progress and to the people's greater material and cultural welfare. The plan provisions indicate further dynamic development of the economy. The steady growth of the industrial and agricultural outputs (at average annual rates of 8.8 percent for the net industrial output and 7.6 percent for the gross output, including 4.5-5.0 percent for the agricultural output), an investment volume of 1.2 trillion lei up 267 billion lei from the last period, and a dynamic foreign trade (with an average annual growth rate of 11.9 percent) will provide for the resources to further enhance the workers' welfare, since the nominal and real wages for the period will be increased by 24.8 and 15.5 percent respectively, farmers' incomes by 18 percent, retail sales by 26.6 percent, and services by 76 percent. As the party secretary general pointed out at the Congress of Workers Councils, implementation of the plan provisions for harmonious growth of the productive forces and improvement of social relations and the living standard guarantees the goals set by the 12th Party Congress and the main strategic aim of making Romania one of the countries with a medium economic development by the end of this period.

This strategy is based upon the start of a new quality in management and planning and in all socioeconomic activity, upon widespread application of the advances of the technical-scientific revolution and intensive development of science and education, and upon all workers' occupational, scientific and cultural improvement. It meets the essential requirements for the increased productivity and economic effectiveness and the sharply reduced material and energy inputs that are critical to enhancement of the competitive power of Romanian products on the world market. Actually it is a matter of transition from extensive development, or progress based upon consumption of materials and manpower in proportion to the extent of development, to intensive development, or progress based upon the lowest possible material and manpower consumption on the same developmental level, which requires an intensive and steady growth of creativesness, invention and input of intelligence and intellect.

Striking Qualitative Factors

The forms taken in this period by the most general correlations between the investment effort and the evolution of the social product and the national income are idicative of the radical change in the national economy planned for 1981-1985 (See table). The figures in the table indicate for the 1981-1985 period (especially in comparison with the last five-year plan) the lowest number of units of growth of investments that are necessary to obtain a gain of 1 unit in the social product and the national income. This brings out the increased effectiveness of both the investments and the use of the already existing material and manpower potential.

Investment Efforts Necessary To Increase the Social Product and the National Income (in %)

1 Indicatorii / 4 Perioada	2 Dinamică: 5 Investiții *)	6 Produs social	7 Venit național	3 Dinamică investiții: 8 Dinamică produs social	3 Dinamică investiții: 9 Dinamică venit național
1971—1975	165	165	171	1.000	0.965
1976—1980	167.5	139.6	141.5	1,200	1,183
1981—1985	128.8	134.3	141.1	0.960	0,913

*) Dinamică pe cincinale 10

1. Indicators
2. Evolution
3. Evolution of investments
4. Period
5. Investments
6. Social Product
7. National income
8. Evolution of social product
9. Evolution of national income
10. Evolution according to five-year plans

The entire plan is generally characterized by this way of intensifying the economy, based on the important results achieved in national socioeconomic development and calling for the joint action of some structural changes and some socioeconomic factors and levers for further involvement of the masses and for heightening the responsibility and satisfactions of every worker in the qualitative development of the economy. It provides the vital factors for economic progress and prosperity under the severe restrictions caused by the world crisis in raw materials and energy and the increasingly keen competition on the world market. But let us examine more thoroughly some of the factor for the primarily intensive growth of the Romanian economy in the present period.

The priorities in the current five-year plan are on more intensive development of the raw material base, energy resources, and agriculture. As the party secretary general pointed out at the recent Plenum of the RCP Central Committee, production of crude oil, coal and other minerals and agricultural production must be increased indefinitely because they form a solid basis for development of industry and the economy and for raising the living standard. It is planned to meet more of the material requirement for development from domestic sources, to a great extent obviating imports at escalating prices, especially crude oil but also coking coal, iron ore, nonferrous metals, cotton etc., and to obtain the agricultural resources for a more demanding and diversified public consumption with high nutritive parameters.

Consequently the extractive industry as well as the intensive sectors of agriculture are showing higher growth rates than in the last period. It is a complex process based on extensive actions and measures. It is intended to intensify geologic activity for discovery and exploitation of new useful substances as well as development of technologies that will permit working all deposits that we have as economically as possible and suitable use of the ores and products from deposits in industry and all sectors of the economy. The party secretary general pointed out, "We must definitely begin to produce materials in Romania for electronics, nuclear energy and aviation as well as other special materials." In the energy sector it is planned to emphasize energy production based on coal and water-power resources and gradually reduce consumption of petroleum products and gases, to build power stations based on bituminous shales and the first nuclear electric power station, to intensify use of unconventional energy sources, etc.

Procurement of the material and energy requirements for development and the whole process of economic growth are accompanied by intensified processing of the raw materials and materials, greater productivity in operations, and better use of the potentials in all sectors of the economy. Measures are planned in the energy sector to improve the operation of the coal-based electric power stations and to increase their productivity. It is intended to strictly curtail the energy inputs throughout the economy and to considerably reduce them per unit of national income. The proportion of complex activities making better use of the resources and requiring limited energy inputs is being increased throughout all industry.

Thus in machine building and in the chemical and crude oil processing industries (with average annual growth rates of 8.8 and 10.2 percent respectively, far above the growth rate of all industry) it is intended to emphasize development of electronics, microelectronics and equipment for automation and control of production, to make new and better products of plastics and chemical threads and fibers, to develop fine chemistry, and to produce special materials for electronics and other sectors of activity. They are products that help to promote technical progress throughout the economy and to produce advantageous exports. This has made it possible to considerably reduce the material and energy inputs in the economy. An important part in that is played by the continued effort on a higher level to standardize the products, reducing the unduly large number of products and by-products in all sectors.

Recycling of materials and reconditioning of parts and subassemblies are basic factors for better use of the potential and rational procurement of the nation's raw material and energy base. The fact that the material balance of development is planned so that up to 50 percent of the requirement for materials, parts and subassemblies is to be met this way in all sectors calls for resolute efforts on all levels to collect those materials promptly and to develop methods of recycling them. They are measures that are to be taken simultaneously to eliminate as soon as possible the situations where, despite the legislator's provisions, some kinds of materials are not collected because there are no packing, transport means or adequate storage space at the time, or they are collected but the respective efforts are compromised because the technologies for their use and exploitation are not yet perfected.

Full Involvement in Intensive Development

Among the specific measures to be taken in every enterprise and economic unit, the material and energy consumption norms must be regarded as most important. Not one of them is to be exceeded because the material balance of the plan is closely calculated

on the basis of those norms. On the other hand, a regular effort is required to perfect the technologies and renovate the products on the basis of the lowest possible material inputs. Many of the set norms are still much higher than those in other countries, and in view of the advanced technical equipment in the Romanian units and the possibilities evidenced by many technical and economic personnel and workers in the units, this indicates great reserves for further reduction of consumption and enhancement of the technical and economic performances of the products. Only under such conditions, through better use of the machines and installations, better organization, and perfect order and discipline can we increase effectiveness, secure a high competitive power of Romanian products on the world market, and increase our exports considerably. Those efforts are urgently necessary because, in addition to intensified cooperation in production (especially in the form of mixed companies and enterprises) with all states, increased exports provide for formation of the foreign exchange resources essential to imports, repayment of the credits contracted for, and discharge of Romania's foreign debt.

The pronounced gain in labor productivity, whereby almost all of the production increase is obtained, is an important indication of the intensity of development in the present period. The greater productivity and effectiveness are not reflected solely by the average annual growth rate of 7 percent at which that indicator is planned to rise in industry (a level close to the one in the last period but based on a considerably higher point of reference), but also on the fact that in the current five-year plan the increase in personnel is about 40 percent less than in the last one, although it is planned to increase the number of personnel by more than 600,000 men and the growth rates of the economy are still high. Better use of manpower in industry, agriculture and the whole economy, transfer of workers to work on several machines, mechanization of all agricultural operations, intensified automation and introduction of industrial robots are the main ways in which productivity is to be increased and every worker's efficiency is to be enhanced.

Attainment of the rates and levels of this five-year plan critically depends upon exemplary fulfillment of the tasks by every unit in the economy. The action of the new economic-financial mechanism is an essential means to exemplary plan fulfillment and to higher levels of activity in the units. It provides for the more intensive involvement of every worker and his sense of responsibility in the process of managing and conducting the activity, which is essential to the operation of all sectors on the principles of self-management and self-administration, in order to make profits and thereby increase the national income and the national wealth. The measures to update prices so that they will reflect the actual production costs and the higher costs of imported raw materials and energy sources serve the same purpose by encouraging better use of the material potential.

The measures that will permit increasing every worker's material incentive to produce are highly important, because actually egalitarian distribution for a quantitatively and qualitatively unequal activity, lavish use of personnel for operations actually requiring less outlay of labor, and sharing in profits without a corresponding share in their production (oversights looming large in the present compensation system) cannot encourage the effort toward greater productivity or a qualitatively superior performance. That is why the party secretary general requested immediate elimination of those defects and encouragement by every means, and especially by higher incomes, of interest in quality work performed under better conditions of productivity, efficiency and creativeness.

Science and Occupational Training as Factors for Economic Progress

Science, research and constant occupational improvement of personnel are closely involved in the process of intensifying Romania's economic development in this period. To this end the plan makes major provisions for better guidance of research work on problems and groups of problems, for expediting research and transition from the laboratory or pilot stage to the industrial stage, for forming product research groups working directly in the productive units, and for better integration between science, education and production. Moreover satisfaction of the demands of economic effectiveness, productivity and quality of development in this period critically depends upon qualification work, personnel retraining, and professional and technical improvement of workers, experts, engineers and other specialists. The party secretary general said, "Let it be well understood that without continuing improvement of the professional and technical qualifications of all personnel the goal of transition to a new quality throughout the economy and social activity cannot be reached, nor can a higher technical level of production be attained." Therefore professionalism, training, the capacity for technical and economic comprehension and discrimination and complete exploitation of that capacity are in the first rank of activity. This is especially true in a period when, for the Romanian economy, progress does not mean words, the effort to find excuses for failures, procrastination or indifference (which still occur at times), but the general leap to a new quality and better planned and performed work with the best possible concrete, physical results.

The provisions and substantiation as well as the economic-financial and social levers and mechanisms provide every opportunity for precise fulfillment of the tasks of this five-year plan. To this end the steadfast, persevering and dedicated effort of everyone to regularly accomplish all objectives at the planned levels, to make the planned savings in materials and energy, and to enhance operational efficiency by every means is now essential. With the difficulties caused by the world crisis in raw materials and energy and the world economic and political situation of an unprecedented complexity, it is more clear than ever that accomplishment of the social aims of this five-year plan and those of the people's greater material and cultural welfare directly and critically depends upon achieving the planned results for the strongly qualitative and intensive development of the Romanian economy.

5186
CSO: 2700/315

LAW ON PROTECTION OF INVENTIONS, TECHNICAL IMPROVEMENTS, DISTINGUISHING MARKS

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 34, 19 Jun 81 pp 897-914

[Law passed by the SFRY Assembly in a session of the Federal Chamber on 9 June 1981]

[Text] I. General Provisions

Article 1

This law regulates protection of inventions, technical improvements and distinguishing marks and also protection of the rights of creators and holders of rights as set forth in this law, for the sake of the following:

1) encouragement of creativity through which contemporary domestic technology is developed, the productivity of social labor is increased, the quality of products, processes and services is improved, and the material basis of associated labor is expanded;

2) creation of conditions for expansion of technological cooperation on an equal footing with other countries and inclusion in the international division of labor in the domain of technological creativity;

3) application of inventions in production;

4) protection of the interests of consumers and the interests of organizations of associated labor on the unified Yugoslav market;

5) protection and improvement of the environment.

Article 2

An invention shall be protected by a patent.

Distinguishing marks (new body shapes, pictures and drawings, marks pertaining to goods and services, and geographic appellations of products) shall be protected as follows:

i. new body shapes, pictures and drawings--by a design or pattern;

ii. marks pertaining to goods and services--by a trademark or service mark;

iii. geographic appellations of products--by a product mark of origin.

A technical improvement shall be protected under the conditions and in the manner regulated in the general self-management act of the organization of associated labor or the general act of another civil juridical person, in conformity with this law.

Article 3

Rights granted on the basis of this law may not be used contrary to the interests of society that protected inventions and distinguishing marks shall be used.

Article 4

Organizations of associated labor have the right and duty to use inventions and distinguishing marks as means of social reproduction in conformity with the nature and purpose of those means, in a manner that is socially and economically purposive, and in the manner defined by this law, by the self-management accord or by other general self-management acts.

Article 5

Inventions and distinguishing marks shall as a rule be used in self-managed associated labor through the free pooling of labor and socially owned assets.

Article 6

Organizations of associated labor shall encourage a creative attitude of workers toward their work on a permanent basis toward the purpose of steady improvement of the material basis of their own and all social labor by developing new products, production processes and organizational schemes and improvement of existing ones.

Article 7

Sociopolitical organizations, trade unions and other sociopolitical organizations, and also economic chambers shall encourage the conclusion of self-management accords and social compacts in order to harmonize socioeconomic relations and interests and other self-management relations and interests with respect to optimum use of protected inventions, technical improvements and also designs and patterns in organizations of associated labor.

Article 8

Inventors and other creators whose creations are protected on the basis of this law shall have the moral and material rights to their creations set forth by this law.

Aside from the rights referred to in Paragraph 1 of this article, originators shall also have other rights as set forth in law and general self-management acts.

Article 9

For the purpose of this law a person who has provided only technical assistance in the origination of a creation shall not be regarded as an originator.

Article 10

A worker in associated labor who has a specific proposal for solving a particular technical problem related to production of the basic organization of associated labor in which he is associated has the right to demand that the soundness of his proposal be subjected to professional verification.

In a general self-management act the basic organization of associated labor shall regulate the procedure for exercise of the worker's right stated in Paragraph 1 of this article.

In the general self-management act the basic organization of associated labor shall also regulate procedure for verification of the soundness of the proposal for solving a particular technical problem when the individual submitting the proposal has not associated his labor in the framework of that organization of associated labor, but the proposal does pertain to that organization's activity.

Article 11

It is the creator's moral right to be designated as the creator in the application and all papers pertaining to patents, designs and patterns.

If a creation protected by this law is the result of the creative work of more than one individual, all those individuals shall be cited as originators in the papers referred to in Paragraph 1 of this article.

Aside from the moral rights referred to in Paragraph 1 of this article, other moral rights of the originator may also be provided for in law and a general self-management act.

Article 12

The originator's material right to a creation embraces his right to use his creation and to dispose of it and to exercise the right to compensation and reward in the cases and in the manner envisaged by this law and general self-management acts.

A worker who through an invention or other form of creativity has in his labor with socially owned assets contributed to augmentation of the income of the bsic organization of associated labor shall be entitled on that basis to a share of income in that organization in the form of a specific compensation, which he shall moreover enjoy over the entire time the invention or other form of creativity is used, but not to exceed the legal duration of protection.

Article 13

Any provision in a general self-management act or compact and any statement a worker makes in associated labor waiving in advance the moral and material rights to which he is entitled on the basis of this law as an originator shall be null and void.

Article 14

No organization of associated labor, other domestic juridical person or Yugoslav national may seek protection of inventions and distinguishing marks abroad without having previously filed an application with the federal organization competent for matters of patents and distinguishing marks (hereafter referred to as the "Bureau") for recognition of the respective right protecting the inventions and distinguishing marks in the Socialist Federal Republic of Yugoslavia.

A domestic juridical person or Yugoslav national may not seek protection of an invention abroad within 3 months from the date when the application is filed with the Bureau.

Article 15

Foreign juridical persons and foreign nationals shall enjoy the same rights with respect to protection of inventions and distinguishing marks in the Socialist Federal Republic of Yugoslavia as domestic juridical persons and Yugoslav nationals, respectively, if this follows from international treaties and conventions or from application of the principle of reciprocity.

The existence of reciprocity shall be proven by the person who asserts reciprocity.

Article 16

In proceedings before domestic courts and administrative agencies foreign juridical and natural persons shall exercise rights under this law through an authorized representative who engages in representation as a profession and who is a domestic juridical person or national of the Socialist Federal Republic of Yugoslavia.

Article 17

The administrative business pertaining to protection of inventions and distinguishing marks shall be performed by the Bureau.

No appeal is permitted against decisions of the Bureau made on the basis of this law, but an administrative dispute may be conducted.

Article 18

The Bureau is required to make its documentation and information on the state of the art and on the rights protecting inventions and distinguishing marks accessible to organizations of associated labor and other self-managed organizations and communities and other interested persons.

Article 19

The Council of the Bureau (hereafter the "Council") shall be established in the Bureau as an advisory body for the consideration of matters of principle pertaining to development of inventions, technical improvements and distinguishing marks, to their protection and use, and also to patent and licensing policy, but especially for the purpose of fuller enforcement of the provisions of the Law on Associated Labor, this law and other federal enactments in this area.

The Council shall be made up of one member from each republic and each autonomous province and one representative from each of the following: the Yugoslav Economic Chamber, the Federation of Yugoslav Inventors and Originators of Technical Improvements, and those federal administrative agencies and federal organizations designated by the Federal Executive Council.

The members of the Council shall be appointed by the Federal Executive Council, but the members from the republics and autonomous provinces shall be nominated by the executive council of the republic assembly or the executive council of the assembly of the autonomous province. Members of the Council shall be appointed to a term of 4 years and may be reappointed for one successive term.

If the director of the Bureau does not concur in the opinion of the Council on the matters referred to in Paragraph 1 of this article, he must so inform the Federal Executive Council, which shall make a decision.

The Council shall adopt an operating procedure to govern its proceedings.

The Bureau shall perform specialized and technical functions for the Council.

II. Types of Rights Protecting Inventions and Distinguishing Marks

1. The Patent

Article 20

The patent protects an invention which constitutes a new solution to a technical problem which has been defined, which is the result of creative work, which is industrially and technically feasible, and which can be used in industrial production or in another economic or noneconomic activity.

Principles and rules, scientific discoveries and computer programs shall not be regarded as inventions.

Article 21

An invention is new if it was not covered by the state of the art before the application was filed for recognition of a patent (hereafter "patent application").

An invention shall be considered embraced by the state of the art in the following cases:

1) if it has been made accessible to the public by publication, exhibition, display or use in a manner which makes it possible for specialists to use the invention;

2) if it does not differ essentially from inventions previously filed for or made accessible to the public before the filing of the patent application, except in the case of inventions on which the applications have been withdrawn before publication of the decision granting the patent.

The judgment as to whether an invention filed for is new shall not be influenced by the fact that the invention has become accessible to the public without the inventor's consent within a period not to exceed 6 months before the date when the patent application was filed.

Article 22

An invention shall be regarded as the result of creative work if the solution of a technical problem for a specialist obviously does not arise out of the known state of the art.

Article 23

The following may not be protected by a patent:

1) inventions whose publication or use is unlawful or contrary to the morality of a socialist self-managed society;

2) chemical products, except for chemical processes of obtaining them;

3) alloys, except for processes for obtaining them;

4) pharmaceutical products and foodstuffs for humans and animals, manufactured fertilizers, pesticides, herbicides and fungicides, except the chemical processes for obtaining them;

5) inventions which pertain to the production and use of nuclear fuel;

6) devices and agents for protection against contamination and processes for obtaining such agents;

7) plant and animal species, biological procedures for obtaining them and microorganisms, except the procedure for obtaining microorganisms and the process for obtaining products obtained by their means;

8) a mixture of two or more substances.

Article 24

An addition to an invention or an improvement of an invention may be protected by an additional patent.

2. The Design and Pattern

Article 25

The new external shape of a particular industrial or handicrafted product or part thereof shall be protected by a design.

A new picture or drawing which can be imparted to a particular industrial or handicrafted product or part thereof shall be protected by a pattern.

Photographic and cartographic work, engineering plans and sketches shall not be protected by a design or pattern.

Article 26

A shape, picture and drawing is new if it essentially differs from those previously filed and those made accessible to the public before the application was filed, except those on which the application was withdrawn before publication of the decision recognizing the design or pattern.

The judgment as to whether a shape, picture or drawing for which an application has been filed is new shall not be influenced by the fact that it became accessible to the public without the author's consent within a period not to exceed 6 months before the date when the application was filed.

Article 27

A shape, picture or drawing may not be protected by a design or pattern:

1) if its publication or use is unlawful or contrary to the morality of a socialist self-managed society;

2) if it contains the seal, flag or emblem of a state or other public entity, the name or abbreviation of the name of any country or international organization, or any imitation thereof, except by permission of the competent body of that country or organization;

3) if they represent the image of some person, except with the consent of that person.

The image of a deceased person may be protected only with the consent of the spouse or children of the deceased, and if the parents of the deceased are living, their consent is also required.

The image of a historic or other notable personality who is deceased may be protected if a permit is issued by the competent authority.

3. The Trademark and the Service Mark

Article 28

A mark intended in commerce to distinguish goods or services of the same or similar kind shall be protected by a trademark or service mark (hereafter referred to as "trademark").

An ink stamp, an embossed stamp and a puncheon (official mark used in marking precious metals, weights and measures, etc.) shall not be regarded as a trademark for the purpose of this law.

Article 29

Only a mark which is suitable for distinguishing goods or services in commerce, such as a picture, drawing, word, expression, vignette, monogram, combination of these marks or a combination of colors may be protected by a trademark.

All circumstances shall be taken into account in judging whether a mark is suitable for distinguishing goods or services in commerce, but in particular the time and extent of use of the mark in the sale of goods and services in the Socialist Federal Republic of Yugoslavia up to that date.

Article 30

A mark may not be protected as a trademark as follows:

1) if it is unlawful or contrary to the morality of a socialist self-managed socity;

2) if it is not suitable for distinguishing goods or services in commerce;

3) if it denotes the type of goods of services, their purpose, their time or manner of production, quality, price, quantity, weight, place name or geographic origin;

4) if it is customary for denoting a particular type of goods or services;

5) if in its appearance or content it could create confusion in commerce, in particular if it could cause the average consumer to make an error concerning the origin, type, quality or other characteristics of goods or services;

6) if it contains official marks or puncheons used for monitoring and guarantee of quality or if it imitates them;

7) if it is identical with a previously protected mark of another person for the same or similar type of goods or services;

8) if it is similar to a previously protected mark of another person for the same or similar types of goods or services when that similarity could deceive the average consumer;

9) if it contains the seal, flag or emblem of a state or other public entity, the name or abbreviation of the name of any country or international organization or an imitation thereof, except by approval of the competent authority of that country or organization.

An image or name of an individual may be protected only with consent of that individual.

The image or name of a deceased person may be protected only with consent of the spouse and children of the deceased, and if the parents of the deceased are living, their consent is also required.

The image or name of a historic or other notable person may be protected with permission of the competent authority.

Article 31

If a trademark consists of words or letters or a combination of words and letters, protection shall cover those words, letters and combinations, their transcriptions or transliterations, written in any type of letter, in any color, or whatsoever their manner of expression.

Article 32

A trademark which contains inscription, words or combinations of letters shall not preclude the write of another person to place his goods or services on sale under the same inscription, words or combinations of letters if such inscriptions, words or combinations of letters constitute the latter's name, trade name or appellation, provided they have not been acquired in an unconscionable manner.

A person who at the time when application is filed for a trademark had a name, trade name or appellation identical to the trademark of another person may contest that trademark on the same or similar type of goods or services unless the holder of the trademark had the same name, trade name or appellation at the moment of filing.

Article 33

A mark protected by a trademark shall not preclude the right of another person to use the same or similar mark in commerce to mark goods or services of another kind.

One person may apply for protection of the same sign for several types of goods or services and for protection of several different marks for the same type of goods or services.

Article 34

An organization of associated labor, a business community, a general association of organizations of associated labor or other self-managed organization or community may protect a particular mark as a collective trademark in order to safeguard the right of use of that trademark on goods or services of other organizations of associated labor or other persons.

Under the conditions stated in this law a foreign legal person may also protect a particular mark as a collective trademark.

Article 35

The applicant for a collective trademark must append the general self-management act or general act on the collective trademark to his application.

The general act referred to in Paragraph 1 of this article must contain the following: the trade name or appellation of the applicant and appellation of the entity or person authorized to represent the applicant, provisions as to who has the right to use the collective trademark and under what conditions, provisions on the rights and obligations of users of the collective trademark in case of trademark infringement, and also provisions on the measures and consequences in case the provisions of the general act are not adhered to.

Article 36

The provisions of this law shall also apply to trademarks which self-employed persons use in the conduct of their business.

4. Product Mark of Origin

Article 37

The place name of a product whose particular characteristics are predominantly dependent upon the place or region where it was produced shall be protected by a product mark of origin if those characteristics have come about by natural means, under the influence of climate or soil, or by an established manner or process for production or manufacture.

The appellation of a product which through long use in commerce has become generally known as indication that the product originates in a particular place or region may also be protected by a product mark of origin.

Article 38

The place name of a product which through long use in commerce has become generally known to indicate a particular type of product may not be protected by a product mark of origin.

Article 39

A product mark of origin may be used to mark natural products, farm products, industrial products, products of craftsmen and products of folk craftsmen.

The place name of a product's origin protected by a product mark of origin may not be transformed into generic and generally known names.

Article 40

After obtaining the opinion of the competent economic chamber in the republic or autonomous province the Yugoslav Economic Chamber shall designate the following: place names protected by a product mark of origin; products which may be put on sale with a particular product mark of origin; the place or region which is the origin of the product put on sale with a product mark of origin; the product characteristics which the product must meet to be placed on sale bearing the product mark of origin; the manner in which the product is to be marked; and more detailed conditions for recognition of the right to use particular product marks of origin.

Article 41

A product mark of origin shall be established by entry of the place name of the product and type of product to which the appellation pertains in the register of protected product marks of origin.

Entry in the register referred to in Paragraph 1 of this article shall be made by the Bureau automatically on the recommendation of the Yugoslav Economic Chamber.

Article 42

Only persons producing or placing on sale the product on which a product mark of origin has been established and who as authorized users of that sign are entered in the register of users of protected product marks of origin may use a product mark of origin.

Entry in the register referred to in Paragraph 1 of this article shall be made by the Bureau automatically on the recommendation of the competent economic chamber in the republic or autonomous province.

Article 43

An unauthorized person may not use a product mark of origin even if he adds to that mark the word "type," "manner," "process," or the like.

III. Content of the Rights Whereby Inventions and Distinguishing Marks Are Protected

Article 44

The holder of a patent, design or pattern shall enjoy the following rights:

1) the right to use and not to allow other persons to use the protected invention, shape, picture or drawing in production;

2) the right to put on sale articles manufactured according to the protected invention, shape, picture or drawing;

3) the right to dispose of the patent or the design or pattern;

4) the right to compensation when another person uses his protected invention, shape, picture or drawing in production or the right to a share in income and other rights as set forth in a general self-management act.

Article 45

If an invention protected by a patent is used in production in the Socialist Federal Republic of Yugoslavia, only the holder of the patent, his legal heir and person who is authorized to use that invention in production shall acquire the right to put on sale the products manufactured according to the protected invention.

Article 46

The provision of Article 45 of this law shall also be suitably applied to putting on sale products manufactured according to a protected shape, picture or drawing.

Article 47

In the provisions of Articles 45 and 46 of this law use of an invention in production in the Socialist Federal Republic of Yugoslavia means a use of a technical solution contained in the protected invention or protected shape, picture or drawing in a production which in large part satisfies the needs of the Yugoslav market.

Article 48

The holder of a trademark has the exclusive right to use the trademark to mark his products or services in commerce, and the user of a collective trademark has

the right to use that trademark in conformity with the self-management accord or general act concerning that trademark.

The right referred to in Paragraph 1 of this article also encompasses use of the trademark on packaging materials, in catalogs and perspectuses, in instructions and advertisements, and on bills and letterheads.

Article 49

The authorized user of a protected product mark of origin has a right to use that mark in commerce to mark the products to which that mark pertains.

The right referred to in Paragraph 1 of this article also encompasses use of a protected product mark of origin on packaging materials, on business papers and in advertising.

Article 50

The rights referred to in Articles 44 and 48 of this law are acquired by recognition of a patent, design or pattern or a trademark and by registration of that right which has been granted in the respective register, but they shall take effect from the date when proper application was made for the granting of that right.

A person entered in the register of users of protected product marks of origin shall become an authorized user as of the date of registration and shall thereby acquire the right to use the protected product mark of origin for 5 years from the date of registration.

Upon application of the authorized user the right referred to in Paragraph 2 of this article may by decision of the Bureau be extended an unlimited number of times, each extension extending for a term of 5 years.

The extension shall be granted if conditions are met for acquiring the right to use the protected product mark of origin.

Article 51

The life of a patent shall be 7 years from the date of publication of the patent application.

The life of the design and pattern shall be 5 years from the date of application.

If during the life of a patent and of a design or pattern the protected invention or shape, picture or drawing is seriously and authentically used in production in the Socialist Federal Republic of Yugoslavia so that that production in large part satisfies needs of the Yugoslav market, the life of the patent shall be extended at the holder's request for another 7 years, and the life of a design or pattern another 5 years.

If a patent of addition becomes the basic patent, its term may not last longer than the term of the first basic patent to which the additional patent pertains. Upon expiration of the term of the basic patent, the additional patent shall also expire.

The decision to extend the life of a patent and design or pattern shall be made by the Bureau at the holder's request after having obtained the opinion of the Yugoslav Economic Chamber.

Article 52

The obligation of serious and authentic use of a protected invention, shape, picture or drawing in production in the Socialist Federal Republic of Yugoslavia persists throughout the entire life of a patent and design or pattern.

Article 53

The life of a trademark and protected product mark of origin is not restricted.

The holder of the trademark is required to use the trademark.

The obligation to use a collective trademark and protected product mark of origin shall be regulated in the acts establishing them.

Article 54

Fees shall be paid to acquire and maintain the validity of the rights under this law in accordance with the Law on Schedule of Federal Administrative Fees, and special costs of proceedings shall be paid pursuant to a regulation enacted by the Federal Executive Council in accordance with the Law on General Administrative Procedure.

Failure to pay the fee and costs in proceedings for recognition of a right shall be regarded as withdrawal of the application, and the consequence of nonpayment of the fee and costs for maintaining the life of a right already recognized is the loss of that right.

Article 55

A right already recognized, as referred to in Articles 51 and 53 of this law, shall cease even before expiration of the terms envisaged in the provisions of those articles:

1) if the holder waives the right--on the day after he files the waiver with the Bureau;

2) if the prescribed fees and costs are not paid--on the day after the expiration date of the period for their payment;

3) on the basis of the court order or decision of the Bureau in the cases envisaged by this law--on the day designated in that order or decision;

4) if the juridical person which is the holder of the right has ceased to exist or if the natural person who is the holder of the right has died--on the date of the cessation or death, unless that right has passed to the legal successors of the juridical person or to the heirs of the natural person.

Article 56

If a particular right has been entered in the register of acknowledged rights to the benefit of a third person (license, lien or the like), the holder of the patent, design or pattern, or trademark may not waive his rights without the written consent of the person in whose name the license, lien or other right was entered.

If the holder of a patent, design or pattern, or trademark does not pay the prescribed fee within the period specified, and a license, lien or any other right on behalf of a third person is entered in the register, the Bureau shall inform that person that the fee has not been paid and that such person may pay the fee within the period of 6 months from the date of the notice and thereby maintain the validity of the right which has been entered.

In case of a dispute concerning preservation of the rights of a third person which have been entered, the court may rule, if this is necessary to preserve those rights, that the patent, design or pattern, or trademark be transferred to the person on whose behalf the license, lien or other right was entered.

Article 57

If a trademark expires on the basis of the provision of Article 55, Point 2, of this law, the holder of the trademark has the exclusive right for 1 year from the date of expiration of the life of the trademark to demand that the trademark again be registered in his name for the same type of goods or services.

Article 58

The filing of an application for a patent or the filing of an application for a design or pattern and the issuance of a decision recognizing the right to a patent, design or pattern shall not affect the right of another person to use that same invention, shape, picture or drawing without any obligations whatsoever if before the filing of that application he was conscientiously using that invention, shape, picture or drawing in a manner not public in the Socialist Federal Republic of Yugoslavia or had prepared everything necessary for their use.

IV. Self-Management Regulation of Rights to the Use of Inventions Created Within Associated Labor

Article 59

The basic organization of associated labor may use any invention which is protected by a patent in the name of another basic organization of associated labor which is a part of the same work organization or associated in the same complex organization of associated labor, under the conditions and in the manner regulated by the self-management accord on entry into association to form the work organization or the complex organization of associated labor.

Article 60

The self-management accord on pooling the labor of workers to form the basic organization of associated labor, the self-management accord on entry into association to form the work organization and the self-management accord on entry into association to form the complex organization of associated labor, or other general self-management act shall regulate mutual relations in connection with encouraging, organizing and financing research to create inventions and related to the protection and use of the inventions which result from that research.

Article 61

The self-management accord on entry into association of organizations of associated labor to form a business community or self-managed community of interest in material production, if that self-management accord regulates the encouragement, organizing and financing of joint research to create inventions, shall also regulate relations concerning the protection and use of the inventions resulting from that research.

The self-management accord referred to in Paragraph 1 of this article or specific general self-management act shall regulate the mutual relations of the associated organizations of associated labor related to the use of a protected invention possessed on whatever basis by complex organizations of associated labor or business community or self-managed community of interest in material production.

Article 62

If parties which are not associated in an organization of associated labor, or business community or self-managed community of interest, the self-management accord on the pooling of labor and capital or the contract on financing the research to create inventions concluded between the organization of associated labor which assumes the obligation to perform the inventive work and the organization financing that work shall regulate mutual relations related to the invention created.

Unless the self-management accord or contract referred to in Paragraph 1 of this article specifies otherwise, the invention shall belong to the organization of associated labor in which it was created.

Article 63

Every organization of associated labor shall have the right to use in its production an invention protected by a patent held by another organization of associated labor or other civil juridical person if it concludes with the holder of the patent a self-management accord on the pooling of labor and capital in which conditions are envisaged for use of the invention protected by a patent and for participation in the joint income realized through use of that invention.

Participation of the holder of a patent in the joint income realized through use of an invention protected by a patent shall encompass return of the value of a portion of the total funds invested to create the invention and a compensation for economic employment of that invention in proportion to the actual results of that employment.

The total funds referred to in Paragraph 2 of this article shall also embrace the total funds invested in research which directly or indirectly facilitated creation of the invention.

In a self-management accord concluded concerning use of an invention protected by a patent held by an organization of associated labor or other civil juridical person the parties to the self-management accord may envisage a special procedure for resolving disputes, including arbitration, which shall be used before the dispute is taken before a court of associated labor.

Article 64

An organization of associated labor which wishes to use an invention protected on behalf of another organization of associated labor must institute proceedings to conclude a self-management accord on use of that invention.

An organization of associated labor on whose behalf an invention is protected must within 60 days of the date when proceedings are instituted for conclusion of a self-management accord as referred to in Paragraph 1 of this article respond to the initiative for institution of such proceedings.

If the organization of associated labor on whose behalf the invention is protected does not respond within the prescribed period to the initiative for conclusion of a self-management accord on use of the protected invention, or if it responds that it does not accept the initiative, the organization of associated labor which is to use the invention protected by a patent shall so inform the public defender of self-management law, the regional economic chamber and the opstina trade union organizations which have jurisdiction at the location of the organization of associated labor in whose name the invention is protected within 8 days from expiration of the period prescribed for the response or from the date of receipt of the response rejecting the initiative for conclusion of a self-management accord on use of the invention.

If the self-management accord referred to in Paragraph 1 of this article is not concluded within 60 days from the date of receipt of the response accepting the

initiative for its conclusion, the organization of associated labor which took the initiative may so inform the public defender of self-management law, the regional economic chamber and the opstina trade union organization at the location of the organization of associated labor on whose behalf the invention is protected.

Article 65

If the participants in the procedure to conclude a self-management accord on use of a protected invention or the public defender of self-management law, regional economic chamber or opstina trade union organization at the location of the organization of associated labor on whose behalf the invention is protected judge that certain points of dispute ought to be specifically examined for the sake of conclusion of that self-management accord, they may propose establishment of an arbitration committee to take positions on the matters in dispute.

If participants in proceedings to conclude a self-management accord as referred to in Paragraph 1 of this article concur in the proposal to establish an arbitration commission, they shall name an equal number of arbitrators within 10 days from the date of receipt of the proposal. The arbitrators who have been named shall by agreement choose the chairman of the arbitration commission.

The arbitration commission is required within 30 days of the date of its establishment to examine the matters in dispute, to take a position concerning them and to so inform the participants in proceedings to conclude the self-management accord referred to in Paragraph 1 of this article.

Participants in proceedings to conclude the self-management accord referred to in Paragraph 1 of this article are required to resume such proceedings mindful of the positions of the arbitration commission within 30 days from the date of receipt of notice concerning the positions of the arbitration commission.

Article 66

An organization of associated labor which has taken initiative for conclusion of a self-management accord on use of a protected invention may file a motion with a court of associated labor that it rule on the right of use of that invention after expiration of a period of 6 months from the date when the proposal for conclusion of a self-management accord was submitted.

The court of associated labor shall reject the proposal for a ruling on the right of use of a protected invention unless proceedings have already been conducted for conclusion of a self-management accord on use of an invention in the sense of Article 64 of this law.

The court of associated labor shall establish the right of use of an invention protected on behalf of another organization of associated labor if it finds that use of the invention by the organization of associated labor which desires to use the invention protected on behalf of another organization of associated labor:

1) is not infringing upon the socioeconomic interests of the organization of associated labor on whose behalf the invention is protected;

2) could contribute to augmentation of the income of the organization of associated labor on whose behalf the invention is protected on the basis of its share in the joint income which would be realized by use of the invention by the organization of associated labor wishing to use the invention;

3) is not contrary to obligations in valid self-management accords or contracts previously concluded by the organization of associated labor on whose behalf the invention is protected;

4) is not contrary to good business usages.

In ascertaining conditions under the provisions of this article the court of associated labor shall obtain the opinion of the economic chamber in the republic or autonomous province in which the organization of associated labor on whose behalf the invention is protected is associated.

At the same time that it establishes the right of use of the invention, the court of associated labor shall also fix the amount of compensation for use of the invention or the patentholder's right to a share in the joint income realized in the sense of Article 63, Paragraph 2, of this law.

Article 67

Use of an invention protected by a patent may not commence before conclusion of a self-management accord on use of the invention or before the ruling of a court of associated labor becomes enforceable.

Article 68

In the case referred to in Article 63 of this law an organization of associated labor intending to use an invention protected by a patent held by another organization of associated labor or other civil juridical person must give notice of commencement of use of the invention to the Bureau, which shall record that notice in the appropriate register.

Upon cessation of the use of an invention protected by a patent the organization of associated labor which has been using it must give notice of cessation of the use to the Bureau for that fact to be recorded in the appropriate register.

Article 69

The provisions of Articles 59 through 68 of this law shall apply to basic cooperative organizations, basic organizations of cooperators, agricultural cooperatives, craft and trade and other nonagricultural cooperatives and contract organizations of associated labor, as well as to the workers or other working people within those organizations or cooperatives, in conformity with their status and rights, obligations and responsibilities regulated in the self-management accord on entry into association or in the contract on establishment and by law.

The provisions of Articles 59 through 68 of this law shall apply to work communities and organizations of associated labor and other civil juridical persons as well as to workers within those work communities, in conformity with their status and rights, obligations and responsibilities regulated in the self-management accord on mutual rights, obligations and responsibilities of the work community or in the contract and a self-management accord on entry into association, or in the act establishing the work community, and by law.

Article 70

The provisions of Articles 59 through 69 of this law shall be appropriately applied to acquired rights of use of patents.

V. Procedure for Recognition of the Rights Protecting Inventions and Distinguishing Marks

1. General Provisions

Article 71

The procedure for recognition of a patent, design or pattern, or trademark shall be initiated by a written application for recognition of the right (hereafter the "application") whose protection is sought.

The procedure for recognition of the right to use a protected product mark of origin shall be initiated on application of the interested person.

A separate application shall be filed for every right whereby inventions and distinguishing marks are protected as referred to in Paragraph 1 of this article and also for every invention, shape, picture or drawing, or mark.

The date and hour of the application's arrival in the Bureau shall be noted thereon, and a certificate to that effect shall be issued to the applicant at his request.

Article 72

As of the date and hour of submittal of a proper application to the Bureau for a patent, design, pattern or trademark, the applicant shall have priority over every other person who files a subsequent application for the same invention, shape, picture, drawing or mark.

If a description of the invention has not been submitted with the application, if a description and photograph or sketch of the shape, picture or drawing has not accompanied the application for a design or pattern, and if the application for a trademark has not been accompanied by the mark whose protection is being applied for, as well as a list of the products or services, priority shall commence as of the date and hour when these annexes to the application are received in the Bureau.

Priority on applications which Yugoslav nationals residing abroad temporarily file with the Bureau through diplomatic or consular missions of the Socialist Federal Republic of Yugoslavia abroad shall commence as of the date of receipt of the application in the diplomatic or consular mission.

Article 73

If an invention, shape, picture or drawing subsequently undergoes essential change or if there is subsequently a change in or addition to the type of product or service to which the mark applied for pertains, or if the mark applied for subsequently undergoes essential change, the priority under Article 72, Paragraph 1, of this law shall commence as of the date and hour of receipt in the Bureau of a description of the essential changes in the invention, description and photograph or sketches of the essential changes of shapes, picture or drawing or as of the date and hour of receipt in the Bureau of a specimen of the altered sign or altered and supplemented list of goods or services.

Article 74

A person who exhibits some invention, shape, picture or drawing or uses a particular mark for marking goods or services at an officially recognized exhibition (fair) of an international nature in the Socialist Federal Republic of Yugoslavia or in some member country of the International Union for Protection of Industrial Property may within 3 months from the date of closing of the exhibition (fair) seek in his application priority commencing as of the first date of the display or as of the date of use.

The application referred to in Paragraph 1 of this article must be accompanied by a written affidavit of the competent body of the member country of the International Union for Protection of Industrial Property to the effect that an officially recognized exhibition (fair) of an international nature was involved, along with indication of data concerning the type of exhibition (fair), the place where it was held, its opening and closing dates, and the first date of the display or date of use.

The affidavit that an exhibition (fair) held in the Socialist Federal Republic of Yugoslavia is an officially recognized exhibition (fair) of an international nature shall be issued by the Yugoslav Economic Chamber.

Article 75

A national of a member country of the International Union for Protection of Industrial Property who has duly filed application in some member country of that union shall be granted priority in the Socialist Federal Republic of Yugoslavia as of the date of filing, if he so requests, for a term of 12 months from the filing date for a patent and 6 months from the filing date for a design, pattern or trademark.

Whoever intends to take advantage of the priority referred to in Paragraph 1 of this article must accompany the application filed in the Socialist Federal

Republic of Yugoslavia within the period stated in that paragraph with all information on the application to which he is appealing, and within 3 months of the date of filing of the application for recognition of the priority, he shall append a copy of the application certified by the competent authority of the member country of the International Union for Protection of Industrial Property in which the first application was filed.

Article 76

The periods of time stated in Article 75 of this law shall not be extended by recognition of priority under Article 74 of this law.

Article 77

The application must contain information on the applicant and on the right whose protection is being sought.

If the application is not being filed by the inventor, the patent application must contain both the name of the invention and the name of the inventor or a statement to the effect that the inventor does not wish to be cited in the application.

Application for a trademark must also contain the mark whose protection is being sought, along with indication of the color or combination of colors, if protection is sought for a colored mark, as well as a list of the products or services marked and classified by the classes of the International Classification of Products and Services established by the Nice Arrangement on the International Classification of Products and Services.

Article 78

The patent application shall be accompanied by a description of the invention along with indication of what is new in the invention and what the applicant claims for patent protection (hereafter the "patent claim") and a sketch of the invention if necessary.

The invention must be described clearly and completely so that an average specialist could apply it in production from the description.

Along with the description of the invention the patent applicant must also state the best economic use of the invention he knows of.

Article 79

A description of the shape or picture or drawing and a photograph or sketch of the body shape or picture or drawing shall be appended to an application for design or pattern.

The description of the body shape or picture, drawing, photograph or sketch of the body shape must be such as to make evident the novelty for which protection is sought.

The stamp and imprint of the stamp shall accompany the application for a trademark, and the general self-management act or general act on the collective trademark shall accompany an application for a collective trademark.

Article 80

An application shall be deemed proper:

1) if a separate application has been filed in the sense of Article 71, Paragraph 3, of this law;

2) if it contains all the data and annexes and if they are clear and complete in the sense of the provisions of Articles 77 through 79 of this law.

Article 81

Upon receipt of the application the Bureau shall examine whether it is proper in the sense of the provisions of this law.

If it finds that the application is not proper, the Bureau shall call upon the applicant in writing, stating the reasons, to correct all the defects within a period which may not be longer than 3 months counted from the date of delivery of the notice.

At the applicant's request the Bureau may for good cause extend the period stated in Paragraph 2 of this article by no more than 3 months.

The right of priority of the first application shall be honored for all applications whose defects are corrected within the period stated in Paragraphs 2 and 3 of this article.

Article 82

If within the prescribed period the applicant does not correct all the defects he was required to correct under Article 81, Paragraph 2, of this law, and the application may not therefore be processed, the application shall be rejected in the form of a conclusion.

Article 83

If the application is proper in the sense of Article 80 of this law, it shall be examined as to whether it meets the conditions for recognition of the right for which protection is sought.

Article 84

The question of whether an invention filed for is new shall be examined only if proceedings have been instituted for complete examination of conditions for recognition of the patent in the sense of Article 95 of this law.

The novelty of a body shape, figure or drawing filed for must be examined with respect to any earlier protected design or sample in the Socialist Federal Republic of Yugoslavia.

The novelty of a mark filed for shall be examined only with respect to any previously protected trademark in the Socialist Federal Republic of Yugoslavia.

Article 85

A patent, design or pattern, or trademark shall be granted on the basis of a decision to the applicant who first filed the relevant application.

In the proceedings for recognition of a right the applicant who first filed the application which meets the conditions for the granting of a patent shall be regarded as the inventor or his legal successor, and the applicant who first filed the application meeting the conditions for recognition of a design or pattern shall be regarded as the author of the body shape, drawing or picture or his legal successor, unless otherwise stated in the application or otherwise established by order of a competent court.

Article 86

If several persons jointly file applications for a patent, design or pattern, a decision shall confer on each applicant the status of patentholder or the status of holder of the design or pattern.

The mutual rights of the applicants for a patent or design or pattern may not be set forth in the decision referred to in Paragraph 1 of this article.

Article 87

The Bureau may not issue a decision of rejection or a decision of qualified acceptance of an application for recognition of a right unless it has first informed the applicant in writing of the grounds on which it cannot honor the claim or cannot honor it to the extent requested or has not summoned the applicant to state his position on those grounds within a reasonable period or to amend or supplement the application.

The period stated in Paragraph 1 of this article may be extended to 6 months at the request of the applicant, supported by argument.

Article 88

A decision of recognition of a right shall be issued as follows:

1) for a patent--within the limits of the patent claim made;

2) on a design or pattern--within the limits of the salient novelty in the appended description or on the photograph or sketch;

3) for a trademark--within the limits of the proposed mark and appended list of goods or services.

Article 89

The extent of the protection recognized shall be defined in the decision referred to in Article 88 or this law:

1) on patents--according to accepted patent claims, but after procedure has been performed for complete examination;

2) on designs or patterns--according to the accepted body shape or according to the accepted picture or drawing, as shown on the accepted description and photograph or sketch;

3) on trademarks--according to the accepted mark and the list of goods or services.

Article 90

The Bureau shall enter in the appropriate register rights granted whereby inventions and distinguishing marks are protected, applications which have been filed for patents, designs, patterns and trademarks, and the right of use of the protected product mark of origin.

The entry in the register referred to in Paragraph 1 of this article shall include information on the holder of the right, the applicant, and especially the last name and first name or corporate name and title; occupation or line of business; address, name of the inventor or originator; application filing date; priority; date of publication of the application or decision recognizing the right and the date of registration.

All subsequent changes pertaining to the holder of the right and to the right itself (transfer of the right, contract license, compulsory license, lien, declaration of the decision null and void, termination of the right, etc.).

Article 91

The Bureau shall keep a register of patents, a register of designs and patterns, a register of trademarks and a register of protected product marks of origin.

The registers referred to in Paragraph 1 of this article shall be open to the public.

Article 92

After entry of the right has been made in the appropriate register, the holder of the right shall be issued a certificate containing information on the right which has been recognized, the holder of the right, the priority, the entry in the register, publication of the decision on recognition of the right and issuance of the certificate, as well as other prescribed information.

Information on the right protecting inventions and distinguishing marks which has been entered in the register shall be published in the Bureau's official gazette.

2. Special Provisions on Procedure for Granting of a Patent

Patent

Article 93

A patent application meeting the conditions of Article 77 and Article 78, Paragraphs 1 and 2, of this law and which obviously is not contrary to the provisions of Articles 20 and 23 of this law shall be published after expiration of 18 months from the date when the application was filed or from the date of requested priority.

The patent applicant may file application for his application to be published before expiration of the period stated in Paragraph 1 of this article, but the application may not be published before expiration of 3 months from the date of its filing with the Bureau.

Upon expiration of the period stated in Paragraph 1 of this article, every person has the right to examine the application.

Article 94

A proper patent application which is obviously contrary to the provisions of Articles 20 and 23 of this law shall not be published in the official gazette of the Bureau.

The Bureau shall handle the application referred to in Paragraph 1 of this article in the sense of Article 87 of this law.

If in the procedure described in Article 84 of this law it finds that the patent application is not contrary to the provisions of Articles 20 and 23 of this law, the Bureau shall subsequently publish it.

If it finds that the patent application may not be published, the Bureau shall issue a decision rejecting the patent application.

Article 95

A petition may be filed for complete examination of the conditions for granting the patent by the applicant from the date of filing the application and by any other person from the date of its publication.

The fees and costs of proceedings for complete examination of conditions for granting of patents shall be borne by the person who requested that that examination be made.

Article 96

The complete examination of conditions for recognition of a patent shall ascertain whether at the moment of the acknowledged priority the invention met the conditions for protection in the sense of Articles 20 and 23 of this law.

The complete examination of conditions for recognition of a patent shall also ascertain whether the description is drawn up in conformity with Article 78, Paragraphs 2 and 3, of this law.

If a patent application for the same or similar invention has been filed in another country as well, the applicant must at the Bureau's request, in proceedings for complete examination of conditions for recognition of a patent, deliver certified translations of the results of examinations obtained in the other countries.

The usefulness of the invention shall not be examined in proceedings for complete examination of conditions for recognition of a patent.

Article 97

If within a period of 4 years from the date of publication of the applicant no petition has been filed for complete examination of conditions for recognition of the patent, the rights granted the applicant under this law shall terminate as of the expiration of that period.

Article 98

If in proceedings for complete examination of conditions for recognition of a patent it finds that the conditions for recognition of a patent have been met in the sense of Articles 20 and 23 of this law, the Bureau shall issue a decision of full acceptance of the application for recognition of the patent or qualified acceptance, depending on the results of that examination.

Article 99

After obtaining the opinion of the Council, the official who heads the Bureau shall issue regulations regulating in more detail which information shall be entered in the register, which information shall be contained in the certificate referred to in Article 92, Paragraph 1, of this law, which information shall be published under the provision of Article 94, Paragraph 3, of this law, as well as regulations regulating in more detail matters related to procedure for recognition of rights.

Article 100

The provisions of Articles 71 through 99 of this law shall also be applied in proceedings for recognition of an additional patent or patents on secret inventions, unless the provisions of this law pertaining to recognition of those patents provides otherwise.

Additional Patent

Article 101

If a patent applicant or holder of a patent adds to or improves the invention on which he has filed for a patent or has been granted a patent (hereafter "the principal patent application or principal patent"), he may seek an additional patent on the addition or improvement he has made.

Unless this law provides otherwise, the proceedings on an additional patent application shall be halted by withdrawal of the principal patent application.

Article 102

At the request of the patentholder the Bureau shall establish in a decision that the additional patent has become the principal one if a decision granting the principal patent has been proclaimed null and void or if the patent has expired.

A proposal for establishing that an additional patent has become the principal patent shall be filed within a period of 3 months from the date when the decision proclaiming the principal patent null and void became final or from the date of its expiration.

Article 103

If one or several additional patents become principal ones, the other additional patents may at the patentholder's request be related to this new principal patent as additional patents.

Patent on a Secret Invention

Article 104

Applications to patent inventions of domestic juridical and natural persons which pertain to national defense shall be regarded as confidential and shall be filed with the federal administrative agency competent for national defense affairs.

No appeal is allowed against the decision of a federal administrative agency competent for national defense affairs issued in an administrative case pertaining to a secret invention.

Article 105

If the federal administrative agency competent for national defense affairs finds that the invention is not secret in the procedure of examining the application which has been filed, it shall deliver the application to the Bureau.

If in procedure to examine a patent application the Bureau finds that a secret invention is involved, it shall turn the application over to the federal administrative agency competent for national defense affairs.

Article 106

If after issuing a patent on a secret invention the federal administrative agency competent for national defense affairs finds that the invention has ceased to be secret, it shall turn over to the Bureau the entire case pertaining to that patent. After receiving the case, the Bureau shall enter the patent in the patent register and shall issue the patentholder a patent certificate and shall publish data on the patent in the sense of Article 92, Paragraph 2, of this law.

Article 107

The federal administrative agency competent for national defense affairs has the exclusive right to use a secret invention and to dispose of that invention.

The inventor shall be entitled to a lump-sum compensation for secret inventions protected by patent regardless of whether and to what extent the invention is used for the purposes of national defense.

The amount of the compensation referred to in Paragraph 2 of this article shall be established by agreement between the applicant and the federal administrative agency competent for national defense affairs. If agreement is not reached, the applicant may call upon the competent court to set the amount of the compensation in extrajudicial proceedings.

Article 108

A secret invention shall not be published.

Domestic juridical and natural persons may seek protection of a secret invention abroad only with permission of the federal administrative agency competent for national defense affairs.

Article 109

The provisions of Articles 104 through 108 of this law shall be appropriately applied to a patent application on inventions of domestic juridical and natural persons of interest to national security.

The federal administrative agency competent for national defense affairs shall be competent to decide on the application referred to in Paragraph 1 of this article.

Article 110

The Federal Executive Council shall prescribe which inventions shall be considered secret in the sense of Article 104, Paragraph 1, of this law as well as the manner for the granting of patents on such inventions.

VI. Nullification of a Patent and Trademark

Article 111

If a compulsory license has been unable to attain the purpose for which the license was granted, at the request of the interested organization of associated labor or other person, but after first having obtained the opinion of the federal administrative agency or federal organization competent for the field in which the invention is to be used, a patent may be nullified.

The petition to nullify a patent may not be filed before the expiration of 2 years from the date when the first compulsory license was granted.

Article 112

If without good cause the holder of a trademark does not use the trademark to mark his products or services longer than 3 years from the date of entry of the trademark in the register or from the date when the trademark was last used, the trademark may be canceled at the request of an interested person.

A collective trademark may be canceled at the request of an interested person and if it is used contrary to the general self-management act or general act on the collective trademark. Cancellation shall be effective from the moment of impermissible use of the collective trademark.

Article 113

A patent or trademark shall cease to be valid on the day when the decision nullifying the patent or canceling the trademark which has been issued by the Bureau becomes final.

VII. Nullification of Decisions Recognizing Rights Protecting Inventions and Distinguishing Marks

Article 114

A decision recognizing a right to protect an invention or distinguishing mark shall be nullified if it is found that the conditions envisaged by this law for the recognition of that right did not obtain, and in particular if the description of the invention accompanying the patent application is not clear and complete, so that an average specialist cannot apply it in production from the description.

Article 115

The decision recognizing rights whereby an invention or distinguishing mark is protected may be proclaimed null and void for the entire life of the protection, and this may be done automatically, on the petition of an interested person or on the proposal of the public prosecutor.

The necessary evidence shall be submitted along with the proposal for nullifying the decision referred to in Paragraph 1 of this article.

Article 116

If the person filing a petition or proposal for nullifying a decision recognizing rights whereby an invention or distinguishing mark are protected withdraws the petition or proposal in the course of proceedings, the Bureau may continue proceedings automatically or at the request of the holder of that right.

VIII. Court Protection

1. Protection of the Right Whereby Inventions and Distinguishing Marks Are Protected

Article 117

The holder of a patent, design or pattern and a trademark or the authorized user of a product mark of origin shall have the right to sue for cessation of further performance of an action whereby a violation of his right is committed and also for damages.

Aside from the right referred to in Paragraph 1 of this article, the suit may also demand the right that the verdict be published at the defendant's expense.

The competent court shall try the case concerning the suit referred to in Paragraphs 1 and 2 of this article.

Article 118

Any unauthorized use of a protected invention, body shape, picture or drawing in production and commerce or of a protected mark or geographic appellation of a product in commerce or any unauthorized disposition of a patent, design or pattern, trademark or product mark of origin is considered a violation of the rights protecting inventions and distinguishing marks.

Imitation of designs, patterns, trademarks and product marks of origin shall also be regarded as an infringement.

Imitation in the context of Paragraph 2 of this article exists if the average purchaser of the goods or the average user of the service, regardless of the type of goods or service, can detect the difference only if he pays particular attention or if the trademark or mark constitutes a translation or transcription of the trademark.

Article 119

A suit because of infringements of rights protecting inventions or distinguishing marks may be filed by the holder of a patent, design or pattern, or trademark, the authorized user of a product mark of origin and the holder of an exclusive trademark license.

Article 120

If a collective trademark is used without authorization, a user of the collective trademark may file suit with the competent court to prohibit further performance of the action whereby the infringement is committed, compensation for the damage incurred and publication of the final judgment at the defendant's request.

If a user of a collective trademark does not file suit within 1 year from the date when the offense occurred, the holder of the collective trademark may file suit.

Article 121

A suit charging violation of the rights protecting inventions and distinguishing marks may be filed within 3 years from the date when the plaintiff learned of the infringement and of the offender.

Suit may not be filed when a period of 5 years has expired from the date when the infringement occurred.

Article 122

Proceedings concerning a suit charging infringement of rights protecting inventions and distinguishing marks shall be urgent.

2. Contesting Rights to a Patent, Design, Pattern and Trademark

Article 123

The inventor, his heir or other legal successor may file suit with the competent court during the entire life of a patent to have the court proclaim him the holder of the patent if the patent was issued in the name of a person who is not the inventor, his heir or other legal successor.

The originator of a pattern or design, his heir or other legal successor may file suit with the competent court for revocation of the right to a pattern or design and to have himself proclaimed the holder of that right if it has been awarded to a person who is not the originator, heir of the originator or his other legal successor.

Article 124

An organization of associated labor, other juridical person or individual may file suit with the competent court to establish that a mark which it uses in commerce to mark its goods or services is identical or similar to a trademark used by another person to mark his goods or services of the same or similar kind and that that mark was generally known as a feature of the goods or services of the organization of associated labor, other juridical person or individual even before the defendant filed the application for the trademark and for the court to proclaim the plaintiff holder of the trademark by its decision.

The court shall not honor the suit referred to under the provision of Paragraph 1 of this article if the plaintiff, who is the holder of the trademark, proves that he used the mark in dispute on the same or similar kind of goods or service and did so as long or longer than the plaintiff.

The suit referred to in Paragraph 1 of this article may not be filed if a period of 5 years has expired from the date when the trademark was entered in the register of trademarks.

Article 125

Within a period of 3 months from the date of delivery of a final court decision honoring the claim of the suit referred to in Articles 123 and 124 of this law the plaintiff may request that he be entered in the register as the holder of the patent, design, pattern or trademark and that he be issued the appropriate certificate.

If within the period referred to in Paragraph 1 of this article the person whose claim the court has honored does not file a petition for entry in the register as holder of the right which has been recognized as his, the right which has been entered shall be deleted from the register.

Article 126

Rights which a third person has obtained from a previous holder of rights under Article 125 of this law shall also be valid for the new holder of the right if they have been entered in the appropriate register or due application has been made for registration before a note was made of the suit.

3. Suit for Recognition of Authorship

Article 127

An inventor or originator may file suit with the competent court that he be named in the application, publication or appropriate register if it was stated in the patent application without the inventor's consent that the inventor did not wish to be named in the application, or if some other person was named as the inventor or if in the application for a design or pattern it was indicated without the author's consent that the author did not wish to be named in the application or some other person was named as the author.

Upon the death of the inventor or author the right to file suit shall pass to his heirs.

Article 128

Aside from the suit referred to in Article 127 of this law, the plaintiff may seek publication of the final decision in the case recognizing authorship at the defendant's expense, and the inventor or author may also file suit for compensation of moral injury.

Article 129

The suit referred to in Articles 127 and 128 of this law may be filed from the date when the application is filed and at any time during the life of the patent or design or pattern.

IX. Transfer of Rights and Assignment of Use of Rights

1. Transfer of Rights

Article 130

The holder of a patent, design or pattern or of a trademark may transfer all or part of his rights to another in a self-management accord or contract under the conditions envisaged by this law and other regulations.

The provision of Paragraph 1 of this article shall also apply to an applicant.

The right to a collective trademark and the right to use a protected product mark of origin may not be transferred.

Article 131

A contract transferring rights as referred to in Article 130 of this law must be drawn up in writing.

The contract referred to in Paragraph 1 of this article shall be entered in the appropriate register at the request of one of the parties to the contract.

A contract which is not drawn up in writing and which has not been entered in the appropriate register shall have no legal force for third parties.

The provisions of Paragraphs 2 and 3 of this article shall also apply to the self-management accord referred to in Article 130 of this law with respect to entry in the appropriate register.

2. License Contract

Article 132

The use of a patent, design or pattern, or trademark shall be ceded under contract in accordance with the provisions of this law and other regulations.

The provision of Paragraph 1 of this article shall also pertain to the applicant for a patent, design or pattern, or trademark.

If an application for a patent, design or pattern has been filed by several persons or if the patent, design or pattern has been granted to several persons, the consent of all those persons is required for the granting of a contract license.

A collective trademark may not be the subject of a license.

Article 133

The right to use a trademark may be assigned only if the technology which ensures the same quality of the goods or services is at the same time granted or if the trademark licensee already possesses such technology.

A contract concluded contrary to the provision of Paragraph 1 of this article shall be null and void.

Article 134

An organization of associated labor which in order to mark its products or services obtains the right to use a trademark held by another person must use his own trademark registered in the Socialist Federal Republic of Yugoslavia along with that trademark, and this must be done in an equally visible manner.

A contract concluded contrary to the provision of Paragraph 1 of this article shall be null and void.

Article 135

A license contract shall specifically contain the following: the duration of the license, the scope of the license, indication as to whether the license is exclusive, and the amount of compensation for the right of use which has been granted if compensation has been contracted for.

The contract referred to in Paragraph 1 of this article shall be entered in the appropriate register at the request of one of the parties to the contract.

A license contract which is not entered in a register as referred to in Paragraph 2 of this article shall have no legal effect upon third parties.

Article 136

A contract concerning a license under a patent, model or pattern concluded with an organization of associated labor or other civil juridical person may not provide for the licensor's right to grant the same license to another person as well within the Socialist Federal Republic of Yugoslavia.

If a person who has not concluded a license contract uses the subject of a license referred to in Paragraph 1 of this article in the Socialist Federal Republic of Yugoslavia on the basis of pooling labor and capital with the licensee, the licensor has the right to compensation in proportion to the augmented scale of use of the protected invention, body shape, picture or drawing.

Article 137

Any provision in a license contract shall be null and void which places restrictions on the licensee that do not follow from the right which is the subject matter of the contract or which are unnecessary to the preservation of that right.

Article 138

The provisions of Articles 132, 133, 135, 136 and 137 of this law shall also apply to the self-management accord assigning use of a patent, design or pattern, or trademark.

3. Compulsory License

Article 139

If a patentholder is not using or is not sufficiently using a patented invention in the Socialist Federal Republic of Yugoslavia, and is not doing so through another, the right to use of the invention may be granted to another person under the obligation that the patentholder be paid compensation (compulsory license).

It shall specifically be regarded that an invention is not being used or is not being sufficiently used in the Socialist Federal Republic of Yugoslavia in the following cases:

1) if the patentholder refuses to grant other persons the right to use the protected invention or places unjustifiable conditions on them;

2) if the demand in the country for products manufactured with the protected patent is largely met through imports or if the import of those articles prevents or hinders their industrial application in the country.

A compulsory license may be granted only to an organization of associated labor which proves that it possesses the technological capabilities and production capacities necessary to use the patented invention.

A compulsory license shall not be granted if the holder of the patent proves the existence of legal grounds which justify nonuse or inadequate use of the patented invention.

Article 140

A compulsory license may also be granted if a patented invention may not be used in its entirety or partially without using some invention protected by an earlier patent, and the later invention, which represents a more substantial technical advance, is particularly important to the economy or to satisfying general public needs.

If a compulsory license is issued under the provision of Paragraph 1 of this article, the holder of the earlier patent may seek a compulsory license for use of the invention under the later patent.

Article 141

A compulsory license may not be exclusive.

Article 142

The Bureau shall rule on a petition for issuance of a compulsory license on the basis of the opinion of the Council.

Article 143

A petition may not be filed for the granting of a compulsory license before a period of 4 years has passed from the date of filing of the patent application or before expiration of the period of 3 years from the date when the patent was granted, if the latter period expires earlier.

4. License Granted in the Public Interest

Article 144

If an invention protected by a patent is used to obtain unjustifiably high prices on the Yugoslav market or if the use of a patented invention is of general public interest to health care, national defense, protection and improvement of the environment, or if it is of particular interest to a particular sector of the economy, a compulsory license may be issued even before expiration of the period stated in Article 143 of this law (license granted in the public interest).

The federal administrative agency competent for affairs in the field in which the invention is to be applied shall rule on the petition of an interested organization of associated labor for the granting of a license under Paragraph 1 of this article, after first having obtained the opinion of the Yugoslav Economic Chamber and the Bureau's Council.

5. Compensation for Use of a Patented Invention on the Basis of a Compulsory License or License Granted in the Public Interest

Article 145

When licenses are granted in the cases referred to in Articles 139, 140 and 144 of this law, the patentholder shall be entitled to compensation.

The amount of compensation referred to in Paragraph 1 of this article shall be set by agreement between the holder of the patent and the organization of associated labor granted the license or using the patented invention. If no agreement is reached, the competent court shall set the amount of that compensation.

The nonexistence of the agreement referred to in Paragraph 2 of this article or of the court decision on compensation shall not prevent the organization of associated labor granted the license from using the invention.

X. Inventions and New Body Shapes, Pictures or Drawings Created in Associated Labor

1. Inventions Created in Associated Labor

Article 146

An invention has been created in a basic organization of associated labor or work organization (hereafter the "organization of associated labor") if the invention came about in work with socially owned assets, specifically as follows:

1) in connection with the inventor's work in an organization of associated labor;

2) in work which was done at the request or on the order of the organization of associated labor;

3) on the basis of a contract concluded between the organization of associated labor and the inventor;

4) within 6 months from the day when the inventor's employment in the organization of associated labor terminated, and the invention pertains to the activity of that organization.

Article 147

An inventor must file a written report on an invention without delay to the organization of associated labor in which the invention was created.

The report referred to in Paragraph 1 of this article shall contain the following:

1) a precise description of the invention and its technical characteristics and details and the drawings necessary to understand it;

2) information on whether the invention was created on the initiative of the worker and inventor or was created in performance of work tasks and duties;

3) information on the persons who worked with the inventor on the invention, with a description of their participation.

The organization of associated labor referred to in Paragraph 1 of this article and the inventor are required to preserve the secrecy of the invention until application is filed for a patent.

Article 148

If the report referred to in Article 147 of this law does not meet the prescribed conditions, the organization of associated labor referred to in Paragraph 1 of this article shall state the period in which the inventor must correct the defects in the report.

If the inventor cannot himself prepare the description of the invention or the necessary drawings, he may request specialized assistance from the organization of associated labor referred to in Paragraph 1 of this article, which shall promptly extend the necessary assistance to the inventor, except in cases in which it is obvious that the proposal is unfeasible.

Article 149

The organization of associated labor referred to in Article 147, Paragraph 1, of the law must within 60 days from the date of receipt of the report referred to in that article inform the inventor in writing whether it shall file a patent application or whether some other organization of associated labor will file a patent application.

If the inventor has omitted to report to the organization of associated labor under Article 147, Paragraph 1, of this law concerning an invention that has been created, the period stated in Paragraph 1 of this article shall run from the date when that organization learns of the invention or from the date when it receives the written report on the invention.

Article 150

If the organization of associated labor referred to in Article 147, Paragraph 1, of this law does not proceed in accordance with the provision of Article 149, Paragraph 1, of this law or if it informs the inventor that neither it nor any other organization of associated labor will file a patent application, the inventor has the right to file a patent application himself. The inventor is required to state in the patent application that the invention was created in an organization of associated labor.

Article 151

The organization of associated labor referred to in Article 147, Paragraph 1, of this law may in writing waive the right to file a patent application in the Socialist Federal Republic of Yugoslavia or only abroad or in certain foreign countries.

Article 152

If under Article 146 of this law an invention has been created in an organization of associated labor, and it is protected under Article 150 of this law in the name of the inventor, all organizations of associated labor may use that invention.

The organization of associated labor which uses the invention referred to in Paragraph 1 of this article must pay the inventor compensation depending on the contribution of that invention to augmenting income or reducing costs or losses in the organization of associated labor which is using that invention.

If an organization of associated labor using an invention and the inventor do not agree on compensation, the dispute shall be decided by the competent court.

Article 153

In the case of an invention created in an organization of associated labor which is not being used, but is protected by a patent, the inventor has the right to a special award from the organization of associated labor in whose name the invention is protected for his contribution to general technological progress.

The inventor is also entitled to a special award for an invention created in an organization of associated labor which is used and whose impact in augmenting the income of the basic organization of associated labor cannot be directly expressed, but which contributes to improving the working conditions and natural conditions, to protecting people and property, and to protection and improvement of the workplace and general environment.

Article 154

If the inventor and the organization of associated labor in whose name the invention is protected do not reach agreement on the amount and other conditions of payment of compensation or award, the competent court of associated labor shall decide the dispute at the request of one party or both parties.

Article 155

In its general self-management act the organization of associated labor shall regulate in more detail procedure related to examining reports on inventions as referred to in Article 146 of this law and also the bases and scales for establishing the contribution of an invention to augmenting income, the level, manner and condition for ascertaining and paying the compensation or award, and other matters related to inventions created in associated labor.

Article 156

The provisions of Articles 146 through 155 of this law shall apply to basic cooperative organizations, basic organizations of cooperators, agricultural cooperatives, craft and trade and other nonagricultural cooperatives and contract organizations of associated labor, as well as to workers or other working people in those organizations or cooperatives, in accordance with their status and rights, obligations and responsibilities regulated in the self-management accord on entry into association or the contract on establishment and by law.

The provisions of Articles 146 through 155 of this law shall also apply to work communities in organizations of associated labor and other civil juridical

persons in accordance with their status and rights, obligations and responsibilities regulated in the self-management accord on mutual rights, obligations and responsibilities of the work community or the contract and the self-management accord on entry into association, or the act establishing the work community, and by law.

2. New Body Shapes, Pictures or Drawings Created in Associated Labor

Article 157

A new body shape, picture or drawing is considered to have been created in an organization of associated labor if these creations came about in work with socially owned assets, specifically as follows:

1) if the body shape, picture or drawing came about in direct relation to work assignments and duties of the originator in the organization of associated labor;

2) if the body shape, picture or drawing was created within 6 months of the day when the author's employment in the organization of associated labor terminated, and the conditions stated in Subparagraph 1 of this article are met;

3) if the body shape, picture or drawing came about through work done at the request or on the order of the organization of associated labor;

4) if the body shape, picture or drawing came about on the basis of a contract concluded between the organization of associated labor and the author, providing that the creation would belong to the organization of associated labor.

Article 158

The provisions of Articles 146 through 157 of this law shall be appropriately applied to new body shapes, pictures or drawings created in an organization of associated labor.

XI. Technical Improvement

Article 159

A technical improvement protected under the conditions and in the manner regulated in a general self-management act or other general act may be any innovative proposal to improve the efficiency and organization of work that occurs through the use of known technical means and technological procedures in all phases of the work process, whereby the following are achieved: increased income of the organization of associated labor, increased labor productivity, improved product quality, a saving of materials, a saving of energy, better utilization of machines or installations, better technical inspection of products, improvement of workplace safety or improvement of the protection and improvement of the environment.

A technical improvement may also be a solution to a technical problem which has not been granted the protection of a patent, if it meets the conditions in Paragraph 1 of this article.

Routine use of well-known technical means and technological procedures in the work process shall not be regarded as a technical improvement in the context of Paragraph 1 of this article.

Article 160

A technical improvement may not be protected by a patent.

Article 161

The author of a technical improvement must write a written report on the technical improvement to the organization of associated labor in which he works and in which the technical improvement was created. Along with the report the author is required to supply a description, data and drawings necessary to understand the technical improvement and the proposal for its application.

If the author of the technical improvement cannot himself prepare the description, data and drawings necessary to understand the technical improvement nor the proposal for its application, he may request specialized assistance from the organization of associated labor referred to in Paragraph 1 of this article, which shall promptly extend the necessary assistance to the author of the technical improvement, except in cases in which it is obvious that the proposal of the technical improvement is unfeasible.

The organization of associated labor referred to in Paragraph 1 of this article must promptly confirm to the author in writing that it has received the report on the technical improvement.

Article 162

Within 3 months from the date of receipt of the report on a technical improvement the organization of associated labor in which the technical improvement was created must examine the technical improvement and inform the author in writing whether it accepts the proposal of the technical improvement.

If the organization of associated labor in which the technical improvement was created accepts the proposal of the technical improvement, it must commence application of that technical improvement no later than within 1 year from the date when the proposal was accepted.

Article 163

If the organization of associated labor in which the technical improvement was created informs the author that it does not accept his proposal of a technical improvement, the author has the right to submit that proposal to another organization of associated labor, which is required to proceed in the manner envisaged in Article 162 of this law.

Article 164

If the organization of associated labor in which a technical improvement was created or another organization of associated labor to which the proposal of the technical improvement was submitted accepts that proposal, but within the period of 1 year from the date of acceptance of the proposal it does not commence application of the technical improvement, all organizations of associated labor in the country acquire the right of application, under the obligation that they pay compensation to the author for use of the technical improvement.

An organization of associated labor which applies a technical improvement in the sense of Paragraph 1 of this article must so inform the regional economic chamber in which that technical improvement is recorded (Article 165).

Article 165

An organization of associated labor which has accepted the proposal of a technical improvement, but has not applied it within 1 year from the date of acceptance of the proposal, must give written notice of that technical improvement to the regional economic chamber in which it is associated immediately after expiration of that period.

The regional economic chamber must keep records on technical improvements as referred to in Paragraph 1 of this article and must issue information on them to all organizations of associated labor in the country and to workers employed in those organizations.

The records referred to in Paragraph 2 of this article shall contain the following information: the name of the technical improvement, the name of the author of the technical improvement, the corporate name or title and location of the organization of associated labor which has begun to apply the technical improvement, the date of acceptance of the technical improvement, the date of application of the technical improvement, the technical or other problem which is solved by the technical improvement, and the results attained or expected from application of the technical improvement.

Article 166

The author of a technical improvement shall be entitled to special compensation for use of the technical improvement depending on the contribution of that technical improvement to augmenting the income or reducing the costs or losses in the organization of associated labor in which the technical improvement is applied over the life of its application, but not to exceed 5 years from the date when application began.

Article 167

The level, conditions and manner of the special compensation when on proposal of the author the technical improvement is being used by an organization of associated labor in which the technical improvement was not created (Article 163)

shall be regulated by contract between the author of the technical improvement and the organization of associated labor which is using the technical improvement.

The contract referred to in Paragraph 1 of this article may not stipulate an amount, conditions and manner of special compensation for the author of the technical improvement which are less favorable than those envisaged by the general self-management act of the organization of associated labor in which the technical improvement was created.

Article 168

When a technical improvement is being used by an organization of associated labor in which it was not created, unless it is being used on the proposal of the author (Article 163), the manner and conditions of that use and the bases and scales for determining the amount, manner and conditions of payment of compensation for use of the technical improvement shall be set forth in a self-management accord between that organization and the organization of associated labor in which the technical improvement was created or which had adopted it.

Article 169

The competent court of associated labor shall resolve a dispute on the conditions and manner of use of a technical improvement and on the level of compensation.

Article 170

In a self-management accord or other general self-management act the organization of associated labor shall regulate the following in more detail: procedure for ascertaining the existence of a technical improvement and the possibility of its application, the bases and scales for ascertaining the contribution of the technical improvement to augmenting income, the level, manner and conditions for ascertainment and payment of the special compensation for use of the technical improvement and other matters related to the technical improvement.

If the organization of associated labor has not regulated the matters referred to in Paragraph 1 of this article in a self-management accord or other general self-management act, it is required to do so within 6 months from the date of receipt of the written report referred to in Article 161, Paragraph 1, of this law.

Article 171

The provisions of Articles 159 through 170 of this law shall also be appropriately applied to other self-managed organizations and communities.

Article 172

Regulations regulating in more detail technical improvements important to national defense shall be issued by the official who heads the federal administrative agency competent for national defense affairs, and regulations regulating in more detail the technical improvements important to national security shall be issued by the official heading the federal administrative agency competent for internal affairs.

The compensation for a technical improvement important to national defense or to national security shall be paid the author of the technical improvement in a lump-sum amount of money.

The official who heads the federal administrative agency competent for national defense affairs or the official who heads the federal administrative agency competent for internal affairs is hereby authorized to define in the regulations which they issue on the basis of the power granted in Paragraph 1 of this article misdemeanors for violation of those regulations.

XII. Punitive Provisions

Article 173

An organization of associated labor or other juridical person shall be subject to a fine of no less than 10,000 and no more than 500,000 dinars for an economic violation in the following cases:

1) if it files for protection of rights protecting inventions and distinguishing marks abroad before having filed an application for recognition of that right in the Socialist Federal Republic of Yugoslavia (Article 14, Paragraph 1);

2) if it seeks protection of an invention abroad before expiration of the period of 3 months from the date of filing the application with the Bureau (Article 14, Paragraph 2);

3) if without authorization it engages in representation of foreign juridical and natural persons (Article 16);

4) if it makes public a secret invention or seeks protection abroad without permission of the federal administrative agency competent for national defense affairs or the federal administrative agency competent for internal affairs (Article 108 in connection with Article 109);

5) if without authorization it uses a right protecting inventions and distinguishing marks (Article 118, Paragraphs 1 and 2).

The person responsible in the organization of associated labor or other juridical person shall also be subject to a fine of no less than 3,000 and no more than 30,000 dinars for the economic violation referred to in Paragraph 1 of this article.

Article 174

An organization of associated labor or other juridical person in which an invention has been created shall be subject to a fine of no less than 2,000 and no more than 20,000 dinars for a misdemeanor in the following cases:

1) if it does not inform the Bureau of commencement or termination of use of an invention of another organization of associated labor (Article 68, Paragraphs 1 and 2);

2) if it does not extend professional assistance to an inventor in preparing the description of an invention or necessary drawings (Article 148, Paragraph 2);

3) if within 60 days from the date of receipt of the report on an invention created in an organization of associated labor it does not inform the inventor in writing as to whether it will file for a patent or whether a patent will be filed for by some other organization of associated labor (Article 149, Paragraph 1);

4) if against the inventor's will it states in the patent application that the inventor does not wish to be named (Article 77, Paragraph 2);

5) if within a period of 1 year from the date of acceptance of the proposal of a technical improvement it does not give written notice to the regional economic chamber in which it is associated of a technical improvement which it has accepted, but which it is not applying (Article 165, Paragraph 1).

The person responsible in the organization of associated labor or other juridical person shall also be subject to a fine of no less than 1,000 and no more than 5,000 dinars for the misdemeanor referred to in Paragraph 1 of this article.

Article 175

The owner of a shop who independently carries on his activity with his own capital shall be subject to a fine of no less than 2,000 and no more than 20,000 dinars for a misdemeanor if he commits any of the acts referred to in Article 173 of this law.

An individual shall be subject to a fine of no less than 1,000 and no more than 10,000 dinars for a misdemeanor if he commits any of the acts enumerated in Article 173 of this law.

XIII. Transitional and Final Provisions

Article 176

The provisions of this law shall also apply to applications for recognition of rights protecting inventions and distinguishing marks filed before the date set for this law to take effect unless administrative proceedings concerning them have been completed.

Article 177

Applicants on whose patent applications administrative proceedings have not been completed and which were filed before the date set for application of this law must within 6 months of the date of the application's publication pay fees for complete examination of conditions for granting of a patent.

If within the period stated in Paragraph 1 of this article the patent applicant does not pay the prescribed fee, it shall be assumed that he has withdrawn the patent application.

Article 178

Registered rights protecting inventions and distinguishing marks which are valid as of the date set for application of this law shall remain in effect, and the provisions of this law shall apply to them, except as concerns the life of those rights.

Article 179

The official heading the Bureau shall issue the regulations referred to in Article 99 of this law before the date set for application of this law.

The Federal Executive Council shall issue the regulation referred to in Article 110 of this law within 3 months from the date set for application of this law.

Article 180

Within a period of 1 year from the date set for application of this law organizations of associated labor shall regulate the matters referred to in Article 60 of this law in a general self-management act.

Article 181

The Law on Patents and Technical Improvements (SLUZBENI LIST FNRJ [OFFICIAL GAZETTE OF THE FEDERAL PEOPLE'S REPUBLIC OF YUGOSLAVIA], No 44, 1960, and No 28, 1962; and SLUZBENI LIST SFRJ, No 24, 1974), the Law on Patterns and Designs (SLUZBENI LIST FNRJ, No 45, 1961; and SLUZBENI LIST SFRJ, No 24, 1974) and the Law on Trademarks and Service Marks (SLUZBENI LIST FNRJ, No 45, 1961; and SLUZBENI LIST SFRJ, No 24, 1974) shall cease to be valid on the day set for application of this law.

Article 182

The provisions of this law shall be applied after expiration of a period of 6 months from the date when this law takes effect.

Article 183

This law shall take effect on the eighth day after publication in SLUZBENI LIST SFRJ.

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END

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12 August 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2159

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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12 August 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2159

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Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian 8 Jun 81 MEDJUNARODNI UGOVORI pp 442-447

[Yugoslav-Soviet trade protocol for 1979 signed 29 December 1978 in Belgrade]

[Excerpt] List 1. Goods for Delivery From the USSR to the SFRY in 1979

	Quantity or Value
Metal-cutting machine tools	200 units
Forging machines and presses	64 units
Spare parts for machine tools, forging machines and presses	100,000 dollars
Rotor for 320-TVV turbogenerator	1 unit
Spare parts for power plant equipment	150,000 dollars
Industrial electric furnaces	3 units
Low-voltage equipment	300,000 dollars
Parts of suspension-type glass insulators	460,000 units
Power diodes and thyristors	100,000 dollars
Industrial X-ray equipment	270,000 dollars
Model GPK tunnel-cutting combines	2 units
OKP-70 mechanized systems for coal removal	1 unit
Devices and machines for oil well drilling:	
ZIF-1200 MR	1 unit
UBV-600 on two KrAZ-257 truck chassis	4 units
SBA-15N on a MAZ-500 truck chassis with two-axle trailer	4 units
SBA-500	4 units
UGB-50 on a GAZ-66 truck chassis with two-axle trailer	5 units
URB-3AM on a MAZ-500 truck chassis	1 unit
Miscellaneous equipment for oil well drilling, including spare parts	710,000 dollars
Portal cranes from 16- to 32-ton capacity	3 units
KS-4361B, KS-5362B self-propelled cranes	6 units
KB-401A pillar cranes	2 units

List 1 (continued)

	Quantity or Value
Truck cranes:	
K-162	10 units
KS-3562	6 units
KS-2561D	4 units
Spare parts for cranes and transportation equipment	70,000 dollars
Equipment for the building materials industry	160,000 dollars
Equipment for the food industry and spare parts	400,000 dollars
Equipment for grain elevators	450,000 dollars
Equipment for the leather and footwear industry	180,000 dollars
KAAR-15 (KA-20) oxygen apparatus	1 unit*
Woodworking machines	30 units
Excavators:	
EO-3322A	10 units
EO-2621A	10 units
EO-4121, E-652B	4 units
EO-4321	2 units
E-100LLD	2 units
E-304B	2 units
E-1252B	2 units
ETC-252	4 units
ETC-202	2 units
EO-5015A	2 units
ETC-165	4 units
EKG-4.6	3 units
ESh-6/45	1 unit
Spare parts for excavators	700,000 dollars
Motor highway graders:	
DZ-31 (D-557-1)	6 units
DZ-98 (D-395)	4 units
Bulldozers:	
Mounted on the T-130 tractor	22 units
Mounted on the DET-250M tractor	2 units
Scrapers:	
D-337 (D-357P), self-propelled	4 units
D-498U, drawn	5 units
Asphalt mixer:	
D-508-2A	2 units
D-645-2	2 units
DS-1 (D-150B) asphalt-paving machines	10 units
MR-7A ditch-cleaning machines mounted on the DT-75 tractor	4 units
Spare parts for road-building machines	
Pumps:	
Kama-3	40,000 units
Malish	8,000 units

* With completion of delivery in 1980.

List 1 (continued)

	Quantity or Value
Compressors and spare parts	385,000 dollars
Equipment for the printing industry, including spare parts and matrices	1,700,000 dollars
Equipment for trade and the food service industry:	
MRG-300A machines for cutting delicatessen products	100 units
MMU-2000 dishwashers	5 units
Cutlet-shaping machines	20 units
Communication equipment	100,000 dollars
Cinematographic equipment	185,000 dollars
Black-white kinescopes	75,000 units
Miscellaneous devices	750,000 dollars
Rolling-element bearings	5,500,000 dollars
Medical equipment and instruments	110,000 dollars
Metal-working machine tools	700,000 dollars
Abrasive tools	150,000 dollars
Synthetic-diamond tools	1,250,000 dollars
Devices for monitoring and regulating manufacturing processes	300,000 dollars
Tractors:	
T-25A1, T-25A2	1,200 units
T-40AS	1,000 units
MTZ-82	500 units
T-150K	60 units
K-701	40 units
UP-66 general-purpose loaders	3 units
Spare parts for tractors and agricultural machines	5,500,000 dollars
Garage equipment	430,000 dollars
ER-31 electric trains	3 units
Spare parts for railroad trains	60,000 dollars
Trucks:	
BelAZ-540A	30 units
KrAZ-256B (chassis)	395 units
MAZ-5549 (chassis)	350 units
KamAZ	215 units
Dry-cargo vessel with a capacity of 13,500 tons	1 unit
"Baltika" fishing boats	2 units
1,200-HP tugboat	1 unit
"Kometa" hydrofoil vessels	3 units
"Nevka" hydrofoil boats	2 units
Ship equipment, including main engines	6,000,000 dollars
Spare parts for aviation equipment and repair	3,300,000 dollars
Passenger cars:	
Zaporozhets	1,300 units
Moskvich	3,500 units
Volga	1,200 units
UAZ-469	400 units

List 1 (continued)

	Quantity or Value
Spare parts for motor vehicles (not including VAZ)	6,000,000 dollars
Delivery of VAZ motor vehicles under cooperative arrangement:	12,700 units
Spare parts for VAZ motor vehicles	4,000,000 dollars
Miscellaneous machines and equipment	10,000,000 dollars
Coking coal	tons
Anthracite	300,000 tons
Metallurgical coke	50,000 tons
Petroleum	4,500,000 tons
Lamp oil	150,000 tons
Gas oil	500,000 tons
Special DS gas oil	1,600 tons
Heavy furnace oil	500,000 tons
Mineral oils and lubricants	12,000 tons
Petroleum coke	8,000 tons
Creosote, coal-tar	7,000 tons
Natural gas	1,200-1,500 million m^3
Iron ore (concentrate)	120,000 tons
Iron ore for sintering, 57%	170,000 tons
Manganese ore (Nikopolj)	40,000 tons
Chromium ore	55,000 tons
Asbestos	46,000 tons
Cement	400,000 tons
Graphite	250 tons
Apatite concentrate (39.4% P_2O_5)	25,000 tons
Kaolin	6,000 tons
Pig iron	90,000 tons*
Scrap iron	100,000 tons
Rolled products of ferrous metallurgy	100,000 tons
Rolled products of ferrous metallurgy on the basis of exchange of assortment	45,000,000 dollars
Galvanized steel sheet	1,000 dollars
Tinplate	4,000 dollars
Cold-rolled strip	3,000 dollars
Nickel	2,000 tons
Aluminum	40,000 tons
Magnesium	500 tons
Semifinished titanium products	8 tons
Zirconium	80 kilograms
Platinum	60 kilograms
Palladium	2,000 kilograms
Chromium trioxide	500 tons
Potassium bichromate	500 tons
Potassium ferrocyanide	100 tons

* With the right of substitution for scrap iron up to 31 May 1979.

List 1 (continued)

	Quantity or Value
Potassium chloride	550 tons
Caprolactum	3,000 tons
Boric acid	500 tons
Xylol	2,500 tons
Copper sulfate	1,000 tons
Nickel sulfate	50 tons
Potash (100%)	500 tons
Coumarone resin	125 tons
Mineral pitch	100 tons
Butyl alcohol	1,500 tons
Isopropyl alcohol	1,000 tons
Sodium sulfate	5,000 tons
Red phosphorus	50 tons
Sodium bichromate	2,500 tons
Ethyl acetate	1,500 tons
Ethyl benzene	2,000 tons
Acetone	1,000 tons
Butyl acetate	500 tons
Synthetic dyes	800,000 dollars
Carbon black	800 tons
Diammonium phosphate	415 tons
Ammonia	15,000 tons
Styrene-monomer	5,000 tons
High-density polyethylene	400 tons
Methanol	18,000 tons
Vinyl chloride	10,000 tons
Copper oxychloride	100 tons
Tribasic sodium phosphate	1,000 tons
Carbon disulfide	800 tons
Miscellaneous chemical products	650,000 dollars
Potassium salts (60% K_2O)	140,000-220,000 tons
Ammonium sulfate (20.5% N)	40,000 tons
Motor vehicle tires	1,500,000 dollars
Synthetic rubber	24,000 tons
Conifer pulpwood	750,000 m^3
Pulpwood of deciduous trees	125,000 m^3
Conifer lumber	100,000 m^3
Paper pulp	60,000 tons
Ordinary insulating paper	1,000 tons
Cardboard and paper (exchange of assortment)	1,000,000 dollars
Cotton	65,000 tons
Technical fibers of plant origin	2,000 tons
Furs	260,000 dollars
Pickled swine skins	200,000 units
Seeds and nursery stock	5,000,000 dollars
Beef tallow of food quality	

List 1 (continued)

	Quantity or Value
Fresh-frozen fish	3,000 tons
Pharmaceutical raw materials and drugs	5,000,000 dollars
Industrial consumer goods:	
Dishware and eating utensils	340,000 dollars
Musical instruments	500,000 dollars
Sport hunting guns	270,000 dollars
Fishing and athletic equipment	100,000 dollars
Camping equipment	100,000 dollars
Handicrafts and toys	150,000 dollars
Amber articles	210,000 dollars
Timepieces	650,000 units
Photographic and cinematographic cameras and accessories, including spare parts	1,200,000 dollars
Books, magazines, philatelic articles and phonograph records	460,000 dollars
Films	130,000 dollars
Miscellaneous goods	

List 2. Goods for Delivery From the SFRY to the USSR in 1979

	Quantity or Value
Special metal-cutting machine tools:	
Special and combined machines for production of motor parts	72 units
"Manurin" single-spindle automatic machine	49 units
General-purpose metal-cutting machines:	30 units
Tool milling machines	61 units
Cylindrical grinders	20 units
Surface grinders	19 units
Assemblies and parts for machines manufactured in the USSR	860,000 dollars
Spare parts for metal-cutting machines	140,000 dollars
Forging machines and presses:	
Double-arm presses with handle (curvilinear) with a force of 200 Mp and higher	6 units
Eccentric presses	44 units
"Raster" automatic high-speed mechanical presses	30 units
Presses for bending sheet metal and edges	8 units
Three-roll machines for bending sheet metal	2 units
Automatic bending presses with two slides	16 units
Other forging machines and presses	2,570,000 dollars
Spare parts for forging machines and presses	285,000 dollars
Pneumatic friction clutches	9,700 units
Power transformers, sizes I-III	500 MVA*

* Delivery of 250 MVA is stipulated in the first half of 1980.

List 2 (continued)

	Quantity or Value
Complete transformer substations	500 MVA*
High-voltage equipment from 15 to 20 kv	640,000 dollars
High-voltage porcelain	250 tons
Metallurgical equipment	96,500,000 dollars**
Electric 160-ton overhead cranes	12 units***
80-ton	20 units
Chain conveyors with capacities of 25, 50 and 100 tons per hour	100 units
Tunnel kilns with mesh floor and floor area from 50 to 100 m^2	5 units
Tomato sauce production lines with a capacity of 500 to 800 tons per day	10 lines
Tomato sauce production line with a capacity of 200 to 300 tons per day	1 line
Spare parts for sugar industry equipment	310,000 dollars
Spare parts for baking industry equipment	85,000 dollars
Spare parts for canning industry	360,000 dollars
Spare parts for livestock feed mill equipment	1,000,000 dollars
Spare parts for meat and dairy industry equipment	60,000 dollars
Equipment for making leather for clothing and footwear from raw swine skins (completion of delivery)	2,800,000 dollars
Dyeing units	4 units
Loading bridges	2,000 units
High-pressure hose	1,000,000 dollars
Spare parts for dry-cleaning machines	110,000 dollars
Complete equipment for self-service department stores	715,000 dollars
Automatic intercity telephone switchboards, including spare parts	9,000,000 dollars
Automatic telegraph and teleprinter switchboards, including spare parts	10,300,000 dollars
Quasielectronic international telephone switchboards	2,250,000 dollars
Analog mounts of a hybrid computer system	500,000 dollars
Steel industry, pipe fittings, including acid-resistant fittings	16,000 tons
Cast iron industrial pipe fittings	1,100,000 dollars
Metal-cutting tools, including tools for cold coating of hard alloys	700,000 dollars
Abrasive tools	300,000 dollars
Rolling-element bearings	1,000,000 dollars
Spare parts for agricultural machines	285,000 dollars
Electrical and braking equipment for electric trains	465,000 dollars

* Delivery of 380 MVA is stipulated in the first half of 1980.

** Delivery of a portion of the equipment stipulated in the first quarter of 1980.

*** Including two cranes to be delivered in the first quarter of 1980.

List 2 (continued)

	Quantity or Value
Tankers with 40,000-ton capacity	3 units*
Tankers with 24,000-ton capacity	2 units**
Tugboats, 23,000 HP	2 units
Tugboat for moving oil-drilling platform, 5,000 HP	1 unit***
Floating docks with a lifting capacity of 30,000 tons	2 units****
Ship for attending floating oil-drilling platforms, 1,200-ton capacity	1 unit***
Ship equipment and shipyard supplies	1,400,000 dollars
Ship equipment and spare parts for ship repairs	3,200,000 dollars
Ship repairs	20,000,000 dollars
Deliveries under cooperative arrangements:	
Assemblies and parts for production of passenger cars in the Volga Motor Vehicle Plant	27,000,000 dollars
Parts for truck production at the Kama Motor Vehicle Plant	39,260,000 dollars
Brake equipment and spare parts alone	35,780,000 dollars
Lead storage batteries used for starting	17,100,000 dollars
Industrial storage batteries	9,000,000 dollars
Nickel-cadmium storage batteries for railroad cars and diesel locomotives	7,100,000 dollars
Miscellaneous machines and equipment	10,000,000 dollars
Cable products	43,000,000 dollars
Bauxite	300,000 tons
Alumina	410,000 tons
Tiff baryte	20,000 tons
Cryolite	2,000 tons
Silicon metal	10,000 tons
Industrial chain	1,000 tons
Drive chain	200,000 meters
Industrial drive chain	20,000 meters
PVC pipe fittings	400,000 dollars
Rolled products of ferrous metallurgy on the basis of exchange of assortment	45,000,000 dollars
Zinc	35,000 tons
Lead	45,500 tons
Antimony	800 tons
Rolled copper and brass products	7,000 tons
Aluminum foil	1,000 tons
Filter screens	570,000 dollars
Aluminum tubing	1,140,000 dollars
Synthetic enamels, including motor vehicle paints	12,000 tons

* Including two units delivered ahead of schedule in 1978.
** Including one unit delivered ahead of schedule in 1978.
*** Delivery stipulated no later than 15 September 1979.
**** Including one unit delivered ahead of schedule in 1978.

List 2 (continued)

	Quantity or Value
Printing inks	300 tons
Pigments	2,400,000 dollars
Brick and concrete paints	500 tons
Alkyd-acrylic resin AS-3	13,000 tons
Chemical agents for plant protection	14,300,000 dollars
Linoleum	1,400,000 dollars
Fire-resistant conveyor belts 2 m wide or more	8,000 running meters
PVC pipe with fittings	5,000,000 dollars
Decorative plastics	280,000 dollars
Aluminum fabrications	2,700,000 dollars
Hardwood lumber	7,000 m^3
Veneer	6,000,000 m^2
Cigarette paper	1,000 tons
Cardboard and paper (exchange of assortment)	1,000,000 dollars
Cardboard products	1,000,000 dollars
Seeds and nursery stock	12,800,000 dollars
Tobacco	2,500 tons
Meat and meat products	7,700,000 dollars
Prunes	9,000 tons
Vegetable and fruit baby food	1,400,000 dollars
Wine	400,000 dollars
Goods for the Beograd Restaurant	350,000 dollars
Woolen fabrics	1,000,000 meters
Synthetic fabrics	2,000,000 meters
Decorative fabrics	500,000 meters
Machine-made carpets	7,100,000 dollars
Cloth garments	30,600,000 dollars
Leather and fur garments	1,400,000 dollars
Knitwear (at least 75% woolen)	41,400,000 dollars
Leather and artificial leather accessories	2,000,000 dollars
Leather gloves	600,000 pair
Leather footwear	9,000,000 pair
Crystal dishware	1,400,000 dollars
Furniture	16,000,000 dollars
Drugs	30,000,000 dollars
Perfumes and cosmetics	700,000 dollars
Sporting goods	1,100,000 dollars
Lamp fixtures	280,000 dollars
Electric ranges	50,000 units
Spare parts for electric and gas ranges	240,000 dollars
Goods for specialized stores	20,000,000 dollars
Books, magazines, philatelic articles and phonograph records	460,000 dollars
Films	140,000 dollars

List 2 (continued)

	Quantity or Value
Printing of books, pamphlets and advertising materials	1,400,000 dollars
Printing of films	1,100,000 dollars
Miscellaneous goods	

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YUGOSLAV RELATIONS WITH CEMA SURVEYED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3 Jul 81 p 3

[Article by Mladen Baclic: "Cooperation Based on Established Principles"]

[Text] This year's meeting, the 35th, of the Session of the Council for Economic Mutual Assistance (CEMA) is being held in Sofia from 2 to 4 July. The meeting of the supreme body of this international organization is being attended by a Yugoslav delegation headed by Zvone Dragan, vice chairman of the Federal Executive Council. The executive committee and the CEMA Committee for Planning will also be meeting at that time. The Yugoslav delegation which will be following the proceedings of the CEMA Executive Committee will be headed by Dr Slobodan Gligorijevic, member of the Federal Executive Council and chairman of its commission for coordination of Yugoslavia's cooperation with CEMA.

Since this is the first year of the new planning period, the results so far in joint development and integration of the economies of the member countries, the backbone of which is coordination of plans for economic and scientific-technical development, are to be evaluated at the 35th Meeting of the CEMA Session. Within that framework an analysis will primarily be made of realization of the Comprehensive Program for Economic Cooperation and Development of the CEMA Member Countries, which has been "ongoing" since 1971 and stands as the framework for economic cooperation in this decade as well. Along with assessment of the past 5-year period, this year's session will also examine the results of coordination of the plans of the CEMA member countries covering the period from 1981 to 1985. There will also be discussion of future joint scientific-technical cooperation with a view to faster development of the 10 members of CEMA: USSR, Romania, Bulgaria, Hungary, Czechoslovakia, Poland, GDR, Cuba, Mongolia and Vietnam.

During the CEMA Session, the Yugoslav delegation will evaluate cooperation with this international organization and present our views of economic development and the economic situation in the world. Yugoslavia, incidentally, has been cooperating with the Council for Economic Mutual Assistance since 1964 on the basis of an agreement between the SFRY Government and CEMA on Yugoslavia's participation in the proceedings of CEMA organs. During all that time relations have been based on established principles: complete equality, respect for sovereignty, national interests and mutual benefit. Yugoslavia's representatives

have participated in the proceedings of CEMA organs when questions have arisen of mutual interest to Yugoslavia and CEMA member countries (Articles 1 and 2 of the Treaty) or in order to gain familiarity or for purposes of mutual information (Article 6 of the Treaty) concerning economic and scientific-technical cooperation and development.

In Order To Gain Familiarity With Plans and New Transactions

Yugoslavia participates in the proceedings of the highest organs of the CEMA Session and the executive committee, as well as in the activities of 23 CEMA working bodies of the 33 which exist. On the basis of a mutual interest to Yugoslavia and the CEMA member countries cooperation has been carried on in the framework of the standing CEMA commission for foreign trade, and then the commission for currency and financial affairs, as well as within the framework of certain industries and economic activities. We thus collaborate within the framework of commissions for statistics, for standardization, for electronic communications and postal service, for agriculture, for geology, for the food manufacturing industry, for civil aviation and for peaceful use of nuclear energy.

The Yugoslav economy has established cooperation with or is a member of seven multilateral economic organizations and two CEMA banks. The favorable results of Yugoslavia's multilateral economic and scientific-technical cooperation with CEMA member countries are manifested in their impact toward increasing bilateral commodity trade and toward developing specialization and cooperation with the various CEMA member countries. Cooperation within the framework of CEMA also has an effect on the opportunity for the Yugoslav economy to become involved in certain transactions and projects and affords familiarization with the development programs and economic plans of the CEMA member countries and with the needs of their markets. Opportunities are also offered in the framework of Yugoslavia's relations with CEMA for exchange of economic and specialized experience, transfer of scientific-technical knowledge, exchange of numerous informative reports, data and projects, and also for development of scientific research.

About 120 Agreements on Multilateral Cooperation

The CEMA member countries have a share of about 33 percent of Yugoslavia's total trade with the world. Yugoslavia has about 120 agreements that have been concluded in the framework of economic cooperation with CEMA: 68 agreements on international multilateral specialization and cooperation and 50 agreements on scientific-technical cooperation. Most of these agreements are in the field of machinebuilding, where 46 agreements have been concluded on multilateral specialization in industrial cooperation and 15 agreements on scientific-technical cooperation. The annual value of exports of the machinebuilding industry on the basis of multilateral agreements on specialization and industrial cooperation ranges about $250 million.

Aside from machinebuilding, there is also cooperation based on specialization and industrial cooperation in nonferrous metallurgy, the chemical industry, the

radio equipment industry and the electronics industry. Yugoslav economic organizations are also engaged in vigorous cooperation with CEMA economic organizations such as Interatomenergo, Interelektro, OSPP (Association of Ball-Bearing Manufacturers), etc. There is also extensive scientific-technical cooperation, and it is also significant in the framework of multilateral economic cooperation. Agreements on scientific-technical cooperation are in effect for the food processing industry, agriculture, geology, and in certain fields such as standardization, ferrous metallurgy, coal, petroleum and gas, electric power and statistics. This form of cooperation has also been developed.

The Yugoslav delegation's participation in the 35th Meeting of the CEMA Session and the 100th session of the executive committee of this international organization is an occasion for assessments to be made and an opinion expressed concerning this cooperation with CEMA and concerning future relations. It is worth emphasizing that Yugoslavia's commodity trade with the CEMA member countries has been growing steadily and has been distinguished by stable flows in recent years. The orientation is for the conventional forms of trade to be replaced more and more in the future by long-term forms of economic cooperation.

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YUGOSLAV-POLISH TRADE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 30 Jun 81 p 1

[Text] Yugoslavia and Poland have planned a balanced trade of $770 million in both directions for this year. In the first 5 months of this year contracts have been concluded for deliveries worth $393 million, but only $211.7 million have been done. By comparison with last year, the value of trade between the two countries is down about $14 million.

Even though trade has been lower in the first 5 months, the Yugoslav surplus is $25.7 million, since in that time exports were delivered worth $118.7 million, and $93 million were imported. According to figures of the Section for Poland of the Yugoslav Economic Chamber, last year at this time there was a Yugoslav deficit of about $9 million.

According to the assessment of the section, this year's surplus is the result of exceptional exports of wheat (about $13 million), exports of buses ($10 million) under decisions carried over and deliveries of tank cars worth about $2.7 million on the basis of a contract from May 1979. Though more detailed figures are not available, they say in the section that the conclusion of contracts in the machinebuilding field has been slow and that the most serious departures from the planning projects should be expected in this area because of the specific nature of those goods.

There are quite a few difficulties in other industries as well, and on that basis it is estimated that it will not be possible to achieve the volume of trade planned for 1981. It is calculated that total trade this year could be at the level of last year's trade, that is, slightly over $500 million in both directions. For that reason, they say, additional efforts should be made to increase the volume of deliveries.

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YUGOSLAV-POLISH COOPERATION ON RAW MATERIALS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 2 Jul 81 p 12

[Text] The competent agencies and business people of Yugoslavia and Poland estimate that conditions obtain for expanding the cooperation between the two countries in the field of raw materials and semifinished products. In this 5-year period, it is said by spokesmen in the Section for Poland of the Yugoslav Economic Chamber, a growth of deliveries in both directions is expected, including beginning of exports of ferronickel to Poland on the basis of a long-term arrangement.

The assessment is that the best prospects for development of cooperation lie in ferrous metallurgy, specifically through mutual deliveries of finished products and exchange of semifinished products of ferrous metallurgy from Poland for deliveries of certain finished steel products, storage batteries and ferroalloys from Yugoslavia. The available capacities of steel rolling mills and other manufacturing plants in our ferrous metallurgy afford the possibility for a sizable growth of imports of semifinished products for rolling mills from Poland if the corresponding counterpart deliveries of goods from Yugoslavia are provided for. This was specifically pointed out in a meeting of the Commission for Raw Materials and Intermediate Products of the Yugoslav-Polish Joint Committee for Economic and Scientific-Technical Cooperation.

Aside from deliveries of ferronickel and alumina under long-term arrangements, there is also mutual interest in nonferrous metallurgy in the growth of total trade. Our country, for instance, has the capability to sell several products in Poland on the basis of aluminum and its alloys and also to export between 10,000 and 12,000 tons of special alumina and 10,000 tons of aluminum hydroxide annually.

Long-term arrangements between Polish firms and several organizations in Kosovo (Trepca of Kosovska Mitrovica, Feronikl of Glogovac, Welded Pipe Factory of Urosevac and Eksimkos of Pristina) and Macedonia (Welded Pipe Factory of Kumanovo, Jugohrom of Jegunovci, the steel mill in Skopje, the storage battery factory in Probistip and Vardar of Skopje) are under preparation in conformity with that orientation. It is estimated that the value of these arrangements alone would be about $600 million over the 5 years in both directions.

Yugoslavia and Poland are agreed that the conditions do exist for increasing trade in products of the refractory industry. The same assessment applies to the chemical industry: In this medium-term period deliveries should reach about $400 million in both directions. An increase, though more modest, is expected in the trade of bituminous or better coal, lumber, pulpwood and other products of the wood industry.

Both sides estimate that the value of visible trade in the sector of raw materials and intermediate products could be $1.7 billion from 1981 to 1985. It is also said that a solution should be found to ensure deliveries of those goods without cash payments, especially these are raw materials essential to the economies of the two countries.

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PLANS FOR DEVELOPMENT OF CHEMICAL INDUSTRY OUTLINED

Tirana ZERI I POPULLIT in Albanian 16 Jun 81 p 3

[Article by Pandeli Topaili: "The Chemical Industry Is a Broad Field for New Products"]

[Excerpts] Achieving the planned capacities and exceeding these plans have been and remain the main tasks in increasing the production of the chemical industry. In the factories and plants of the chemical and metallurgical industries there are raw material production lines which should be the object of accelerated applications and studies for the purpose of increasing chemical products. The pace of technological improvements, especially in the area of the complex utilization of many materials and gases is slow considering the opportunities and the economy's need of new chemical materials. The study and design work should be based more on progressive technology suitable for conditions in our country. There are many positive examples in this area, such as the enrichment of copper, chrome, and iron ore but there are also problems such as the enrichment of phosphorites, a process which has not been finally resolved yet.

The closest cooperation and collaboration among the producing enterprises and between these enterprises and the study and design institutions will have an influence upon the dissemination of progressive experience, resulting in the implementation of those technologies which are the most profitable and eliminating duplication in study and design work.

In order to increase the products of the chemical industry, it is necessary to do some reconstruction work in the nonferrous metallurgy industry, in the copper plants in Rubik and Kukes, so that tens of thousands of tons of sulfuric acid will result from the utilization of the sulfuric gas discharged into the atmosphere. To achieve this goal, it is necessary to select the technology for the processing of the ore and the production of sulfuric acid that is the most reasonable and the easiest to achieve.

In order to process the country's raw materials as fully as possible and to satisfy the needs of other branches of the economy for products of the chemical industry, more work must be done to extend the most complicated chemical and chemical synthesis processes. The study, experimentation and production of chemical synthesis products will make it possible to provide from internal resources a

number of raw materials for the production of pesticides and pharmaceutical products and for the food industry. In light of the conditions in Albania where a variety of chemical products are needed, in small quantities, the researchers and designers must select technologies and design plans and types of production processes which can be used for several products. A good step in this direction was the action taken for the production of chemical reagents, in which initially, technological chemical products produced by our chemical industry are treated; then, we will move on from simple synthesis, satisfying the needs for chemical reagents.

There must be cooperation with other branches of industry, especially the glass industry for the production of special equipment and apparatus of glass and of packaging. The production of special apparatuses of glass is not a simple matter, but with study, experimentation and executional work, the goal will be achieved, with the production of simple apparatuses at first and then, of complicated ones.

The 8th plenum of the AWP Central Committee has assigned great duties in the field of studies and designs for the chemical industry. The construction of a number of new units, the expansion and reconstruction of existing plants and factories require study and design work of a high technical and scientific level. During this five-year plan the new projects which were designed during the last five-year plan will be constructed. These include: the expansion of the soda plant in Vlore, the oleum and nitric acid line, the expansion of the chemical enterprise in Durres, the calcium phosphate line, the reconstruction of the polyvinyl chloride plant, the production of disulfide, etc. A number of important studies will be made for the production of phosphoric acid, concentrated and complex fertilizers, micro-fertilizers using the raw materials of the country as a base, new pesticides and herbicides and herbicides chemical products with a chrome base, etc.

CSO: 2100/92

SHORTFALL IN FULFILLMENT OF CHROME INDUSTRIAL RESERVE PLAN

Tirana ZERI I POPULLIT in Albanian 21 Jul 81 p 1

[ATA report: "Geologists Achieve Additional Successes"]

[Excerpts] During the first 6 months of 1981, workers in the geological enterprises in various districts have carried out complex geological, geophysical and geochemical studies; they have improved prospecting methods and have done good work in constructing canals, tunnels, etc. As a result, they have overfulfilled their plans for the extracting of copper, coal, iron-nickel, phosphorites, bauxites, asbestos, etc. However, chrome ore cannot be included in this list since the Bulqize geological enterprise has not fulfilled its plan; only 97.4 percent of the industrial reserves of this ore have been realized.

The collective of the Korce geological enterprise is among the best achievers, overfulfilling the drilling and canal construction plans. This collective has fulfilled its plan for industrial and geological reserves of coal, nickel-silicate, etc. Workers of the geological enterprise in Puke have fulfilled their plan for drilling and canal-work by 100.4 percent. But they are aware that they should have worked harder to achieve the necessary industrial reserves of copper. The collective of the geological enterprise in Pogradec has achieved the industrial reserves for coal and for chrome while also overfulfilling the plan for drilling and canal-work.

There are some geological enterprises, such as those in Kukes, Rubik, Gjirokaster, Bajram Curri and Burrel, which because of poor organization of work during the January-June period, have had shortcomings in drilling and in canal construction but have distinguished themselves in fulfilling and overfulfilling the plan for industrial reserves of copper, coal and chrome. The fact that the plan for prospecting for chrome, copper, coal, phosphorites, bauxites, iron-nickel, nickel-silicate, etc., for the first 6 months has been fulfilled and overfulfilled indicates that workers of this important sector are doing thorough work to solve the problems connected with geological construction, and the improvement of prospecting methods so that fewer workings will produce more ores.

CSO: 2100/92

INEFFICIENT DENTAL CARE SERVICE EXPOSED

Sofia STURSHEL in Bulgarian 19 Jun 81 p 3

[Article by Nayden Iliev: "Save Yourself!"]

[Text] It is a fact that we are a talented nation. We can do anything. For example, the "do it yourself" movement has become so popular that there is hardly an area in which we are not applying it. In our view, the time is not too distant when we shall boldly enter the area of dentistry as well. We shall set up at home a dental chair and master that skill as well. It is easy!

"Well now, this is going too far!" the sceptics among us will exclaim. "We do have free medical care and a broad public health network...."

No one can deny that we do. Nevertheless, merciless practical experience indicates something entirely different which, all in all, is as follows:

Let us take the example of turner Petrov who works according to a plan and a norm and who, one day, begins to suffer from a totally unplanned toothache. The pain is such that he feels like howling. Naturally, he must stop his lathe, ask for a short leave and rush to the health station or the district polyclinic. However, since his arrival there was not planned, i.e., he was not registered for a visit at a specific hour, he would have to stand in a long line before he can get to the dentist on duty. Finally, after losing no less than two or three working hours, he will be given first aid. He will then be assigned a time for treatment which, in the best of cases, would be in 10 to 15 days. The visit after that will be one month later, and so on. If the event has taken place in March, he may or may not have his tooth repaired before the next new year.

This is one side of the problem. The other is that all such delays--come in 10 days, come in 15 days, and so on--are during working time, for the dentists as well have their working time which coincides with that of the worker. This means losses of hundreds and thousands of leva from unproduced goods.

In the past, when there was private practice, our Petrov could go to a dentist after work, at a convenient time. Naturally, he would pay but would not have to wait in long lines. He would not have to wait for months for a simple tooth filling which, furthermore, would be properly made.

Well, today we have a wide network of dental offices and the necessary personnel. Meanwhile, however, the waiting lines remain just as long! What a paradox!

It turns out, however, that neither facilities--particularly in Sofia--nor cadres are sufficient. As to cadres, naturally, this is in the field of competence not only of the Ministry of Public Health but of other departments as well. Let us point out, however, also that the ministry has not set up so far the necessary optimum organizations for dental work.

Let us not be misunderstood: this is hardly a call for a return to private practice. The question is different: why not expand the current so-called free reception which exists in some areas to after working hours, let us say from six to eight in the evening? Or else what about applying Council of Ministers Decree No 56 to dental care, i.e., to allow the citizen to have his dental treatment after working hours, to pay and be on his way? He would thus save himself pain and time, the dentist would earn a percentage of the payment for his work, the polyclinic would have an income and the state would not suffer losses from sick leave. In other words, let us apply the new economic mechanism fully and effectively. Or else, why not allow the enterprises and establishments themselves to hire dentists for a fee after working hours? However expensive this may be, it would be far less than losses from wasted working time and poor output, for everyone knows that when a person suffers from a toothache the entire world, not to mention his work, turns black in front of his eyes.

Many alternatives are possible. What is important is to determine quickly which one among them is optimal.

Otherwise, considering the current situation, it is either the state that will suffer losses or else we will be suffering the loss of our teeth. There is no third alternative. Therefore, it would not be surprising to include dental treatment in the "do it yourself" movement.

Which, in our view, is also a net loss.

5003
CSO: 2200/121

SERIOUS DIFFICULTIES ENCOUNTERED IN SWINE BREEDING

Sofia VETERINARNA SBIRKA in Bulgarian No 5, 1981 pp 40-42

[Article by Dr Dimitur Dimitrov: "A Hog Breeding Complex With Many Unknowns"]

> [Text] Once again there are losses! ...How long will this last? Matters will not get any better merely by noting the reasons for the high mortality. Quick intervention is needed for the elimination of errors. Who must resolve unresolved problems?

The production of more food of animal origin to meet the vital needs of the working people has always been the concern and primary task of the party and the government. In this connection dozens of livestock complexes were set up in the country and equipped with modern facilities which made the application of new industrial methods and production technologies possible. One of them is the Joint Enterprise for Hybrid Hogs in Knezha. This is the first hog breeding complex in the country built on the basis of Bulgarian technology on an experimental basis.

Unfortunately, however, a number of design and building errors were made in the course of its construction. For this reason the management of the complex quite justifiably refused to sign the startup documents. It signed after protracted arguments and after being assured by the design organization that the errors would be eliminated subsequently, in the course of its operations. The promise was forgotten very rapidly. It remained no more than a pious wish...!

It was as of that point that difficulties, unpleasant developments and failures began and, as their consequence...losses as well! ...

There were not one or two errors made in the building of the hog breeding complex but 148! It would be impossible to enumerate all of them, for which reason we shall discuss the main ones only:

The number of fans on the premises is extremely inadequate. Furthermore, most of them have now been moved, since they were designed and put in unsuitable areas.

The problem of the watering of the young pigs has not been resolved. Because of their poor quality, the watering troughs which were initially installed were dismantled and currently the automatic watering facilities for sows are being used. Actually, they are being used to the extent to which the pigs can consume the

water left at the bottom, for they do not have the strength to press on the automatic triggering taps. For this reason, the pigs cannot drink water for 10 to 15 days in a row after they become part of the growing group. The management was forced to purchase and install other troughs (Polski Trumbesh and Biberon types) which, however, proved to be defective as well. Currently the hog breeding complex has a great variety of watering troughs with the same results: some are operational while others are not!

Not all stalls have a three percent floor slant. Furthermore, in some stalls the slant is reversed, for which reason there is always moisture under the pigs' feet from the water, urine and feces which collect in the corners.

The problem of heat in the premises has not been resolved. A great variety of heaters are used which, like the watering troughs, suffer from a variety of defects and rapidly wear out. The heated air must be piped to the other end of the premises. However, there are no ducts, for which reason the temperature in the premises is below the optimum level. Instead of 25 degrees C., the temperature in the stalls is 5 degrees and, sometimes, even zero degrees. As a result of all this, bronchopneumonia is the most frequent disease among the pigs which are thin and worn out.

Many errors are made in feeding the animals. The use of various types of hoses raises a great amount of dust in the fodder which is dry. This is the cause of frequent cases of pneumonia.

The mixed fodder is supplied by the feed plant in Byala Slatina. However, supplies are neither regular nor adequate. Last year only 58 percent of the necessary amount of mixture No 1 for suckling pigs was received, or a nonfulfillment of the delivery plan by 42 percent. Only 88 percent of the necessary amount of mixture No 2 (starter mixture for growing pigs) was supplied, and only 65 percent, or 35 percent nonfulfillment, of mixture No 5 for nursing sows was delivered. This made it necessary to feed the hogs mixtures which are fed to other animals.

The fodder mixes are very rarely balanced in terms of calcium and phosphorus. Throughout 1980 the pigs were fed mixtures containing a reduced quantity of protein.

The hog breeding complex does not have a storage warehouse, for which reason the fodder must be delivered on a daily basis and the pigs are fed whatever is available.

According to managers and specialists in the hog breeding complex, many of the fodder shipments, particularly those for young pigs, have been coarsely ground. For this reason the mixtures must be sifted locally, which is a difficult operation. Furthermore, nearly always the supplied feed contains spores of Asp. fumigatus.

As a result of such errors and weaknesses the main diseases which steadily afflict the hog breeding complex are bronchopneumonias, gastrointestinal diseases (colibacteriosis, dysentery and salmonellosis) and other conditional diseases. This results in the highest mortality rate for the country (12.1 percent).

The losses, which run into the thousands of leva, are easy to compute. What is worrisome, however, is the fact that such losses are still being incurred. Last January 1,210 pigs died. Compared with January 1980 the mortality rate dropped by no more than 0.7 percent. This could hardly be considered satisfactory.

With all of this, the following question becomes quite legitimate: for how long will the Joint Enterprise for Hybrid Hogs in Knezha continue to suffer such huge losses? For how long will morbidity and mortality remain so high?

Unquestionably, immediate measures must be taken to eliminate the reasons for such adversities. This is as necessary as it is urgent. It is high time for all interested parties to intervene, for the losses are not suffered by the hog complex alone. They are losses of our national economy! ...The situation will not change by noting the facts, drafting protocols and submitting reports and recommendations. It is high time to take the culprits to task, for this situation should not be allowed to continue endlessly!

A second question arises: Who should resolve the existing problems?

To begin with, designers and builders must complete their work. In other words, they must correct all errors, although many years have passed since the complex was built and the promise was made! ...

Secondly, the Hog Breeding Scientific-Industrial Trust in Shumen, to which the hog breeding complex belongs, must firmly intervene, being the institution which bears the responsibility for this. Justification of the lack of funds is a totally unconvincing argument. The investment of funds which would prevent tenfold higher losses is both justified and expedient, particularly when it is scientifically substantiated.

Last but not least, the Fodder Mixes Plant in Byala Slatina, which is currently the only supplier of feed to the hog breeding complex, should revise its activities and radically improve the quality of its output. Prompt and adequate amounts of all types of mixes, in accordance with ration tables, must be supplied for all groups of hogs. High grade feeds will not only eliminate feeding errors and difficulties but will have a beneficial impact on the health of the animals and on their growth and fertility.

It is only as a result of the elimination of these faults that the Joint Enterprise for Hybrid Hogs in Knezha will be converted from a hog breeding complex with many unknowns into a highly profitable enterprise.

5003
CSO: 2200/121

WAGE CONTROLS SHOW NONCOMPLIANCE WITH SET OF MEASURES

Prague KONTROLA in Czech No 5, 1981 pp 6-8

/Article by Eng Rudolf Friede, Federal Ministry of Labor and Social Affairs: "Experiences From Wage Controls in 1980"/

/Text/ In the course of implementation of the "Set of Measures for Improving the Planned Management System of the National Economy After 1980," some changes in wage practice will be carried out in order to consolidate and strengthen the active role of remuneration in fulfilling the key tasks of economic and social development during the Seventh Five-Year Plan. These changes should substantially increase economic effects of the wage system and thus contribute to further economic and social development of our society.

One of the objectives of developing the wage system and making it economically more effective is to increase efficiency of wage and remuneration controls, and also the responsibility of direct supervisors for the observance of socialist principles of remuneration in wage practice. It will, therefore, not be enough just to speak of controls and to recognize the necessity for them. They must be systematically carried out as part of management in order to enforce the observance of wage discipline and to eliminate undesirable phenomena.

This task is all the more urgent because in the khozraschet sphere we witness more and more frequently the relaxation of wage discipline, wasteful use of wage funds, considerable benevolence toward violation of work duties and so on. These harmful tendencies in wage practice have been confirmed also by the results of wage controls in enterprises and organizations.

In 1980, the control department of FMPSV /Federal Ministry of Labor and Social Affairs/ carried out comprehensive wage controls in 13 organizations (including 4 general directorates of VHJ /economic production units/) and checks on the implementation of corrective measures in 14 organizations (including 2 general directorates of VHJ) which are under the jurisdiction of federal ministries.

Thus, in many of the inspected enterprises, the planned ratio of the average wage increases relative to increases in labor productivity was not achieved as a result of the faster /than anticipated/ growth of average wage. One of the causes of this adverse development was the increase in overtime work above the limit specified by the plan, even with the labor force anticipated by the plan in some instances. The increase in overtime work, which is very expensive in terms of wages, and overstepping

of limits specified for individuals by the Labor Code disrupts the desirable relation between the earnings of manual workers and those of THP /technical and supervisory personnel/. This also is the reason why this relation in many controlled organizations considerably differs from the concepts underlying the wage schemes.

Moreover, not enough attention is paid to the systematic objectification of the normative base--both of the labor standards and other technical-economic norms and their application to auxiliary, staff, management and administrative work. It was found in several enterprises that the overwhelming majority of production workers were fulfilling efficiency norms above 130 percent and even above 160 percent on some jobs, but the reasons for it were not analyzed and thus no steps were taken to remedy this undesirable development.

The effort to insist on compliance with the required qualification and especially formal education of THP markedly slackened. The number of workers in THP category below 45 years of age who do not have the required education has not declined, but on the contrary has increased in many instances. They are unjustly granted exemptions and the bracket of functional salaries above 50 percent. There are quite a few workers in THP category in the scientific research departments of enterprises and general directorates who still do not possess, as required, a certificate of their scientific-technical skill.

Moreover, not all enterprises and particularly general directorates have as yet properly reviewed the management and organization structure, including THP, with reference to the complexity, diversity and scope of individual jobs. As a result, the departments are frequently fragmented and new departments are set up without direct supervision of subordinated workers or with a minimum THP only in order to make maximum use of classification according to the wage scale, and so on.

Likewise, inclusion of workers in the so-called intermediate categories does not always take place in accordance with the guidelines for use of qualification catalogues and various shortcomings occur also, when school graduates enter their first employment.

Nevertheless, the FMPSV control department, in carrying out wage controls, paid extraordinary attention to incentive wage components, primarily to premiums and bonuses, their orientation and use for increasing efficiency, economy and quality, and for the fulfillment of enterprise key tasks. Unfortunately, however, the past practice in use of these wage forms in controlled enterprises was frequently at variance with FMPSV Decree No 157/1975 of SBIRKA or Decree No 143/1980 of SBIRKA and also with principles governing the application of wage forms promulgated in 1973.

In the first place, the choice and specification of indicators for granting premiums is not always motivated by the need of fulfilling the state plan by the enterprise or the indicators are unspecific, uncontrollable, do not stimulate work initiative and do not result in increased efficiency (for example, fulfillment of tasks formulated by the commercial deputy manager, smooth fulfillment of the advertising plan, comprehensive evaluation of the plan of tasks, and so on). It happens very often that the workers' premiums are linked to the indicators over whose fulfillment or nonfulfillment they do not have any or direct influence and cannot therefore be made responsible for compliance with them (for example, chief law expert, principal secretary of KPP /Enterprise Communist Party/ for the "fulfillment of tasks underlying wage regulation").

In no case, however, can personal financial incentives be strengthened by an excessive number of mandatory or qualifying indicators (for example, in addition to 3 mandatory indicators, 10 qualifying indicators were specified for foremen and heads of operations) or by benevolent granting of exemptions when the specified indicators are not complied with, without any or with a minimum reduction of premiums (for example, at the discretion of the so-called premium commission).

Similar shortcomings are to be found in according and granting efficiency bonuses. The group of workers to whom these bonuses are to be given is not always precisely defined. The mandatory indicators are not specified in advance or are somewhat formal, easy to comply with, are linked to routine duties and their fulfillment is not checked.

Moreover, the FMPSV decree is not always observed in giving bonuses to management personnel, that is, general managers, technical managers of general directorates, enterprise managers and their deputies. This particularly applies to noncompliance with some of the key indicators, when the amount of annual bonuses must be reduced by at least 20 percent. Likewise the result of comprehensive evaluation is not always recorded, although this should constitute the basis for the decision on the final amount of the annual bonus.

A very unhappy situation persist in the granting of special bonuses, that is, bonuses for a particularly successful fulfillment of major work tasks, unusual work or other exceptional achievements. In a number of instances these bonuses are paid indiscriminately without a proof of special merit even if other forms of wages would be appropriate (overtime, substituting) or when efficiency bonuses or premiums were already paid for the same work. These bonuses are paid unjustly even for "completing of studies," for "hiring of additional workers," for "harvest work," for "preparation of ROH /Revolutionary Trade Union Movement/ conferences," and so on. In some enterprises, the reasons for payment of these bonuses are not even stated, although a written record must be made of the evaluation of work and merit as well as of the amount of the bonus.

Serious defects were again found in signing agreements on work performed outside the regular employment, which violated the Labor Code and ministerial regulations. The organizations frequently misuse these agreements not only for circumventing labor and wage regulations, but also for the violation of planning discipline in the area of the labor plan.

The Labor Code is particularly violated by frequent signing of agreements on performing certain jobs instead of agreements on work even in instances involving repetition of the same work activity. Written consent of the parent organization is not always obtained in advance for signing agreements on particular work activity, sometimes the consent is requested only after the agreement has been signed or often the agreements are made retroactive after the work project agreed upon has been completed. In some instances an agreement on work for an indefinite period is signed in instead of a regular employment contract.

The organizations use very uneconomically the planned funds by systematically violating effective wage regulations and particularly Decree No 91/1966 of SBIRKA. The bonuses are specified in a maximum amount with a wage calculation or without

reference to the appropriate wage regulation. Sometimes the organizations even pay fictitious premiums or wages for fictitious overtime work on the basis of alleged personal merits, wage preference and so on. Special bonuses for teaching foreign languages, lectures and translations are deliberately increased through the application of higher rates, charging a larger number of hours and so on. The FMTIR /Federal Ministry of Technological and Investment Development/ Decree No 88/1976 of SBIRKA on licenses to make designs is not systematically enforced.

The CSSR government examined the situation and by its Resolution No 348 of 6 November 1980 approved the principles for signing agreements on work performed outside the regular employment and its remuneration, principles which must be observed already this year. The principles stipulate additional conditions for signing these agreements and also general terms of remuneration.

An important fact, however, is that the workers of the FMPSV control department found that the above-mentioned shortcomings in wage practice, discovered by wage controls 1-2 years ago persisted and that the suggested corrective measures did not produce the desired results. The reason is that the corrective measures were not always effective nor were they able to exert sufficient pressure to rectify the situation. Moreover, their implementation was not consistently checked. With a few exceptions, neither the management of the organizations involved nor the supervisory organ drew the necessary conclusions from the nonfulfillment of adopted measures or violation of wage discipline. Likewise the claims to pay for damage caused by the workers, as stipulated by Section 185 of the Labor Code and principles approved by the government in January 1975, were not pressed because, in addition to lack of control and solidarity with the culprits, there was often the tendency to objectify the causes. The above regulations are not always observed even in those instances when the organization, on the basis of the decision of the ONV /okres national committee/, paid the penalty for the violation of wage regulations and thus demonstrably incurred considerable damage.

Only the Ministry of Labor and Social Affairs applied the sanctions in accordance with Section 270 a) of the Labor Code against the organizations, although other federal and national ministries can do the same. In 1980, for example, the FMPSV made a formal proposal to the appropriate ONV to institute proceedings for imposing fines on the general directorate of Slovak Energy Plants Bratislava, k.d.p. /concern enterprise/ Sigma Prague, n.p. /national enterprise/ Zbrojovka Vsetin, n.p. Plants for Electrothermal Equipment Prague and a.s. /joint stock company/ Investa Prague. Yet, difficulties arose even in these instances because the proceedings were repeatedly delayed and completed only after many interventions several months later. This definitely does not contribute to the strengthening of control organ authority or enforcement of wage discipline.

The FMPSV has gradually enacted a number of measures designed to prevent the repetition of the above-mentioned shortcomings in wage practice. In the first place, it supervises and coordinates wage controls with the federal central agencies and regularly evaluates the fulfillment of their duties, stipulated by Decree No 143/1980 of SBIRKA, in regard to wage controls. Due to the consistent violation of labor and wage regulations in the signing of agreements on work performed outside the regular employment, it drafted the principles for signing these agreements and remuneration which the CSSR government approved by its Resolution No 348 on 6 November 1980. In

accordance with the "Set of Measures," a measure is now being prepared for imposing fines by the central organs of state administration which should contribute to the enforcement of wage discipline. Finally, the participation of workers from the control department at conferences, seminars and instruction meetings, and the regular publication of both good and negative findings of control organs is also one of the effective means of drawing the attention of workers in the enterprise sphere to the principal shortcomings and particularly how to prevent their repetition in wage practice.

As an organ of outside control, the FMPSV cannot replace the organs of internal control or controls by the VHJ and ministries involved. Their tasks in the area of wage controls are generally defined by the decree cited above. The important tasks listed in the program for increasing economic effectiveness of the wage system during the first years of the Seventh Five-Year Plan, approved by Resolution No 382 of the CSSR government on 27 November 1980, however, call for increased attention by control organs. This will require in particular:

--a change in the orientation of incentive wage forms and a more pronounced wage differentiation;

--an improvement and extension of the basis of labor standards and other types of technical-economic norms.

These are also the tasks whose fulfillment must be systematically checked by the control organs at all levels of management.

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MINISTER EVALUATES METALLURGY, HEAVY ENGINEERING

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[Article by Eng Ladislav Gerle, Czechoslovak minister of metallurgy and heavy industry (FMHTS): "It Is a Question of the Materiel Base of Social Development"]

[Text] During the period before the 16th CPCZ Congress, it was our duty to evaluate the economic results achieved so far, and in this context to evaluate the effectiveness of departmental management. An analysis of past development has made it possible for us to uncover our weak points and concentrate our attention on them in the final drafting of the Seventh Five-Year Plan, so that we could also establish the foundations in our departmental organizations for the social development in our society, as called for by the congress.

We were evaluating the Sixth Five-Year Plan at a time when the rules and conditions for the Set of Measures began to be applied. One must objectively admit that this initial stage has not affected as yet the sphere in which the question of efficiency is going to be determined, that is, at the basic levels of enterprise management. If we were implementing an advanced program of efficiency increase as early as in the period of the Sixth Five-Year Plan, then we understood it mostly in terms of relations which we had experienced and essentially established in the past, even though these relations were then more demanding than during the period of the Fifth Five-Year Plan. We counted, for example, on manpower increases, which in fact we exceeded during the preparations for the Third Plenum of the CPCZ Central Committee in the middle of the five-year plan period. In imports, we achieved current annual increases both with regard to specifically selected items as well as with regard to imports of producer goods in general. As a result of very extensive investment construction, we obtained substantial increases of fixed assets in terms of procurement value. More than 50 percent of them were oriented to important programs of nuclear engineering and the manufacture of pipes. At the same time, however, investments for rationalization and modernization in the process of reconstruction of machinery and installation's were underestimated. It is true that we were under strict control in terms of power resources, and during the early stage there appeared difficulties in the supply of metals and other raw materials, but in spite of that considerable absolute increases were achieved. In the preparation and implementation of the plans, we followed the traditional method which places emphasis on quantitative relations.

A substantial change has taken place now. Limited inputs and the order of their evaluation are in the nature of a dividing line for as early as 1981. That is why it is vitally important and necessary to be able to deal with conditions and problems which are far more difficult than they were during the development up to now. It will be primarily a question of raw materials and energy inputs for metallurgy and, therefore, a question of sources of raw materials for engineering. Everything which has been said about the management of energy and metals is fully applicable now. I cannot say that the situation is considered to be just as serious at the level of enterprises and manufacturing establishments, in project and construction units, in the process of searching for technological and product innovations.

These are viewpoints from which we must evaluate the results achieved so far. Even in those cases where the results were favorable, we must not lose from sight the fact that these results were achieved under conditions which cannot be repeated. Let us consider the following fact alone: Our ministry successfully carried out the tasks of the state plan up to 1978. In the following year, an executory plan of a smaller scope was allocated for the first time in iron metallurgy enterprises. The reduction of production in the last 2 years was caused by deterioration of the quality of coking coal, of the composition of ores, and by the sharp increase of the prices of imported alloys. Another unfavorable factor was delay in the construction of new production facilities and deterioration of the technical condition of the coking batteries and blast furnaces.

In the heavy engineering industry, the complexity and technological demands in the production of nuclear installations, increased labor consumption of purchase orders of the chemical engineering industry, deliveries for extraction and treatment of coal, and finally also a fire at the CKD [Ceskomoravska Kolben-Danek] Diesel Motors ZWP [expansion unknown] have caused a decrease of the executory plans in the last 2 years by almost 2 billion korunas.

I can say that the ministry has taken care of the tasks of the Sixth Five-Year Plan in accordance with the revised annual plans. But the original task of the state plan in terms of the production of goods was not fulfilled to the extent of 2.4 billion korunas, which represents a 0.4 percent deficit of the plan. Slovak enterprises have achieved good results. They have fulfilled the programs of the five-year plan at 100 percent in gross production and also in the production of goods.

The plan called for an increase of employment by 19,000 workers. However, it turned out during the first year of the five-year plan period that there was a continuation of the negative trends dating from the Fifth Five-Year Plan, which resulted in stagnation and actually in a decrease of the number of workers. The Third Plenum of the CPCZ Central Committee issued instructions to make the work more attractive, to create conditions for stabilization and increase of qualifications in terms of the required occupational and territorial structure of manpower. The measures which have been carried out were reflected in the fulfillment of the employment plan, with the exception of the VHJs (economic production units) of Skoda and Vitkovice. What continues to be a serious matter is the decrease of employment in foundries, forges of the heavy engineering

industry and in the operational plants of primary metallurgical production. The overall fulfillment of planned employment, combined with the failure to fulfill the production plan, was reflected in the development of labor productivity, which was 4.5 percent behind the plan during the Sixth Five-Year Plan period, particularly in metallurgical plants. The only economic production units which have fulfilled the five-year plan entirely were Sigma and Kovohute.

The original task was overfulfilled considerably in terms of deliveries for investments. The volume of deliveries amounting to more than 65 billion korunas, which was exceeded by 8.2 billion korunas during the five-year plan period, represents an increase of 123.3 percent [as published]. This is the result of the fact that the most important branches of the national economy, namely fuels, energetics, transportation, and chemistry, have been taking up greater assignments in investment construction. As to the heavy engineering industry, which is the key supplier of the technological part of investment units, its main problem in particular was the cumulation of installation work, accompanied by repeated slipups in construction preparedness and in coordination with organizations of the electrotechnical engineering industry, when electrotechnical engineering was organized as a separate industry.

The requirements in terms of technical development and its rapid and effective application in practice were clearly formulated on many occasions. From this viewpoint, the level varies considerably in organizations of this ministry, and I must say that this work of leading management workers is not satisfactory. The level which is traditionally good is the level of the VHU's Sigma, Kovohute, and the altogether fastest innovation cycle exists at the CKD [Ceskomoravska Kolben-Danek] in Prague. Good results are being achieved at the Engineering Works in Zdar and in the metallurgical part of the Vitkovice Ironworks. However, installations for open pit mining still fail to achieve the necessary operational reliability. Purchases of licenses from socialist countries have been expanded considerably. Sales of licenses to foreign countries have been also expanded considerably. Licenses of major significance, which have also been sold to nonsocialist countries, include those for the bundling machine used in the manufacture of the products of the Nesa Rolling Mills, automatic replacement of pluckers used in piperolling mills, automatic forging machines, automation of operation of 200 and 500 MW boilers, heavy vertical lathes, installations of cement works.

What then do we have to do in the FMHTS after the 16th CPCZ Congress to secure more adequately the material base of the development of socialism?

First of all, we must not spend funds on investments which may not lead to rationalization of production, consumption of fuels and energy and use of metals. The FMHTS's share in the statewide consumption of energy is more than 30 percent, and the mechanical engineering industry consumes over 70 percent of the rolled material and about 50 percent of the nonferrous metals. We can engage in extensive investments only in ore mining, so that we may extract and process mineral resources not exploited so far, particularly polymetallic ores. The development of prices on the world market justifies it. Other investments in metallurgy will be only in the nature of modernization and rationalization, and their goal will be to take care of the needs of the national economy in terms

of metals, particularly to supply the engineering industry with the necessary assortment of refined steels.

It is not possible to provide metals without changing the approach to the problem by the manufacturers and users, particularly in the engineering and building industries. Consumers are instructed in the Main Directions to save 4.5 to 5 percent of the relative annual amount. That is the minimum. The state target program of the management of metals, handled by the FMHTS, is taken care of to the extent of only about 50 percent by applying substantive measures which can be evaluated. Investment means are also inadequate. They cover only about 40 percent of the needs.

In comparison with the dynamic development of metallurgical production up to the present time, the production volume of metals will slow down considerably during the Seventh Five-Year Plan, and in some industries the production of metals will actually stagnate. One must take that into consideration, there is no question about it. The present level of imports of iron ores and materials used in the production of nonferrous metals has reached the maximum from the viewpoint of foreign exchange and transportation, and cannot be exceeded. The only way to provide for further growth of the consumption of steel and nonferrous metals is to improve the quality of domestic raw materials. That is why as early as last year the CSSR government adopted a resolution designed to stimulate the exploitation of domestic ores and metal waste material. Considerable reserves exist, particularly in the fact that production technology and treatment of steel are lagging behind to a certain extent. By expanding the production of steel in oxygen convertor steel works at least 50 percent and continuous casting 10 percent (the usual figures in the world last year were 70 percent and 30 percent) and by taking additional steps, we shall achieve the same effect as if we had increased the production of steels by almost 500 kilotons, in addition to savings of 500 kilotons of specific fuel.

We shall stimulate the extraction of polymetallic ores in the Jeseniky Mountains and the extraction of ores and magnesite in Slovakia. Preparations will be made to utilize metallurgical waste material, thus we shall treat dumps and metallurgical waste deposits. After 1985, these will produce continuously as much as 500 kilotons of iron and 1,500 kilotons of nonferrous metals annually. The FMHTS will provide manpower, mechanization, and investments for the collection points of Kovosrot [Metal Scrap Enterprise]. The bulk-buying prices of iron will increase 20 percent, those of nonferrous metals 10 to 70 percent.

In metallurgical production, we shall give priority to all modernization and technological programs designed to improve the assortment composition, so that we may improve the process of supplying the engineering and electrotechnical engineering industries with sheet metal, profiles, and pipes of better qualities, made of refined steels, those which have been finished to a higher degree. We shall increase the production of stainless steels and electrotechnical sheet metal about 20 percent, even in situations when we will not keep increasing the production of steel. But the production of the electrotechnical engineering industry and of a considerable portion of the mechanical engineering industry will keep increasing faster. This shows again that we cannot conceive such increases without rationalizing the consumption of metals.

The basic elements of efficiency in metallurgical works is knowledge and application of new technological processes in the manufacture of products of higher quality, maximum utilization of energy and metallic substances (and also, among other things, maximum utilization of rolling in negative tolerances of the dimensions). The management activity of the ministry will be also oriented in that direction.

In the following years, the situation of heavy engineering will be quite different from the viewpoint of production dynamics. When metallurgical production (in Vitkovice) is eliminated, production will keep increasing at the rate of more than 140 percent. Development during the Sixth Five-Year Plan has increased the disproportion between the constructed facilities for the manufacture of final products and the necessary base of accessory production fields. This is reflected most clearly in the fields of pneumatic engineering installations, crankshafts, gear boxes, forgings and castings, and in the case of electrotechnical products. The great and demanding tasks of our ministry are timely deliveries of supplies of the require quality to the fuel-energy complex, transportation, construction, and other industries. The foremost task continues to be the handling of the production of parts for nuclear engineering and the problem of increasing the operational reliability of technological units in open pit coal mining. The tasks of taking care of coal extraction and modernization of metallurgical works are the key problems of the VHU Vitkovice.

In order to do that, several measures have been adopted which consist primarily in providing a sufficient amount of spare parts, (which was fulfilled at as much as 105.2 percent in 1980), rebuilding of excavators already in use, rebuilding of conveyor belts and innovation of large extraction machinery. It is expected that the situation will improve in 1982, when conveyor belts will be delivered with steel insertion pieces and the electrical equipment used in conveyor-belt transportation will be modernized. The plan of technical development also provides for designing of additional accessories, particularly accessories for conveyor-belt transportation.

In the VHJ Skoda, the main problem is how to handle the technology of nuclear and energetical engineering in general and, together with the VHJ CKD and Chepos, the problem in particular is how to increase exports as much as 40 percent as compared to the Sixth Five-Year Plan.

Considerable progress has been made since 1974 in the application of technical development of products. Chepos and Sigma have put successfully into operation, and opened foreign markets for, manufacturing complexes for chemical, food industries (TMS Pardubice), water treatment plants, and irrigation installations. Piecework products and small-series products of the transportation engineering industry, particularly a new type of trolleybus and electric locomotives from the VHJ Skoda, railroad cars from the VHJ Cs vagonky [Czechoslovak Railroad Car Works], and diesel locomotives from the CKD Prague are easily sold on foreign markets. That is why in the transportation engineering industry we will put in full production innovated trolleybuses coming from the Skoda Works in Ostrov and railroad cars coming from the VHJ Cs vagonky.

However, it is necessary to expand more substantially the complexity of deliveries of investment units. For the benefit of the principal suppliers, such as Vitkovice, Skoda, Chepos, we are making available a portion of the production facilities of project organizations which up to now worked for investors alone. We are also strengthening engineering-supply establishments, particularly for the benefit of nuclear power plants. Even though the share of responsibility of FMHTS organizations for failing to comply with the terms of contracts concerning the development of construction works is decreasing, it will be necessary to keep raising the level of engineering and procurement activities, without which one cannot operate effectively on foreign markets.

In power engineering, it will be a question of reconstructing the domestic thermal power base. We shall build also at least four large incinerators for waste material in urban areas and we shall take the necessary steps to renew and expand the network of small hydroelectric power plants. By carrying out a series of technical and organizational measures in the concern enterprises of Skoda Plzen, the S.M. Kirov Slovak Power Engineering Works in Tlmace, and in Vitkovice, we shall increase the reliability of deliveries for timely arrangements of the development of construction of domestic nuclear electric power plants and of deliveries of nuclear installations for export.

At the time we were evaluating the results of the last five-year plan and during discussions held prior to the 16th CPCZ Congress, emphasis was often placed on the importance of international exchange, on the dependence of the Czechoslovak economy on imports of raw materials and on the fact that it is desirable to purchase modern technology (and finally also certain types of consumer goods), when the products are of the required quality and the prices are acceptable, if we do not intend to manufacture such goods. This requires that we have the money to pay for them, that we can maintain our reputation of making payments reliably and that we do not live on credit.

Speaking for our department as a whole, we have achieved favorable results in exports. The FMHTS's share in total Czechoslovak exports to socialist countries is 28.2 percent, which is the largest share among all branches of the national economy. The share of the heavy engineering industry is 20.5 percent. The share of exports in final consumption exceeds significantly the weight of exports of finished products from all branches of the national economy. In heavy engineering, it will amount to 63.1 percent in the Seventh Five-Year Plan period. The characteristic of heavy engineering as an exporting industry keeps increasing as compared to 1976-1980, when its exports amounted to 56.7 percent, and at the same time the export rate kept ahead of the production rate. The remaining portion of final consumption, that is, deliveries for domestic investment construction, will keep growing at a lower rate of up to 110 percent (the share of deliveries for marketing funds is insignificant, less than 1 percent). In socialist countries, FOB prices were exceeded considerably by 23.3 billion korunas, that is, 125.2 percent in the Sixth Five-Year Plan, while wholesale prices were fulfilled. Exports to nonsocialist countries were fulfilled at 102.4 percent of the original five-year plan, and in terms of FOB prices they were exceeded by 7.6 billion korunas. The unfavorable thing about it is the fact that the considerable overfulfillment is the result of activities in the

metallurgical industry. The VHJs of the mechanical engineering industry have not carried out the tasks of the Sxith Five-Year plan, because they failed to carry out the basic program of channeling production surpluses into exports. In the final years, the consequences of inadequate preparation of export orders for turnkey manifested themselves to the full extent; the same applies also generally to production by items which was not able to adjust innovated products elastically enough to customers' requirements. Among engineering VHJs, the highest degree of plan overfulfillment was achieved by the VHJ CKD Prague, in metallurgy by the VHJ Iron Metallurgy. I repeat that this composition is not favorable, because it has increased little the value of national labor and of imported raw materials.

We do not conceal the fact that there exist many shortcomings and reserves resulting from these shortcomings. We know about the weaknesses and I indicated several times in the preceding text what our intentions are in that respect. As a matter of fact, many ways of improving the situation do not require larger quantities of raw materials and continuous expansion of production facilities through investments (besides, this method is not practicable for reasons of time alone, and also because we have full employment at present, and this does not provide any significant opportunities for getting additional manpower).

The final production of the engineering industry is divided between export and domestic investment construction. Consequently we can continue increasing exports either to the detriment of deliveries for domestic consumption or by adding nonmaterial services and increasing the degree of finishing of the materials. For the given reasons alone, the export of material must decrease even in the case of metallurgical products. This can be done by using material which calls for a high degree of processing, such as, for example, pipes. The metallurgy of iron, even though it requires considerable imports of ores, alloys, and certain forms of energy creates an active balance and at the same time provides a relatively surplus of steels as well as expensive and nonferrous metals (see prices per kilogram, weight ratios). Prices obtained in exports and also in imports will play an even more significant role in the Seventh Five-Year Plan.

Generally speaking, I must say and note that the gap is opening more and more for us, when the prices of imported commodities keep increasing faster than the prices of exported products. Views about the causes of it vary. Foreign trade representatives justify lower export prices by saying that the technical level of our products and services is low. In contrast, in manufacturing enterprises they say that the export plan in FOB prices is harsh (even though the results obtained in FOB prices are clearly better than in wholesale prices. They see the shortcomings in the work of foreign trade organizations and in the fact that they exercise little influence on their work. Some analyses (VUSTE [Engineering technology and Economy Research Institute]) have shown that the prices obtained are as much as 14 percent below the corresponding actual technical level of our production. However, on the other hand, there is no reason why we should doubt that the foreign trade analyses are correct, that the technical level of our products is increasing more slowly than that of the leading world manufacturers. But recriminations do not change anything about the essential aspect of this phenomenon which is unfavorable to our national economy as a whole. That is why

the thesis about close cooperation of foreign trade with production requires that, in the interest of production as well as trade, we procede without delay to deal factually with their close relationships, instead of merely talking about them. So far, we have not even succeeded in our efforts to get the same evaluation for the same activity and to determine the same task in the plan. The claims that the need to do that should be recognized fully even from the organizational viewpoint, that at least in some fields we should establish a close relationship between socialized production and equally socialized foreign trade (as it has been done in practice, for example, in the system of combines in the GDR), satisfy fully the Leninist thesis of the state monopoly of foreign trade from the theoretical as well as practical points of view. This postulate was justified before 1948; it was the long-range goal outlined by the Kosice government program as a political program. Today, this goal is a fact, because all production has been socialized.

If the "spirit of enterprise" of the enterprises is increased, if the terms of delivery are reduced by shortening the information channels between the manufacturer and the dealer, and if the technical level of production and products increases under the pressure of prospective foreign clients, then this will be precisely what we are calling for. Manufacturers of investment units have to work with a head start of several years in designing, construction and initiated cooperative programs. The exploitation of the production base also requires balanced orders in terms of production capacity, assortment, and time. One cannot offer and sell something for which the conditions have not been created. Commercial activities, that is, tender activities, and a foreign trade policy outlined on a long-term basis, must also help in this balancing of the possible deliveries on the basis of the structure of fixed assets, a structure which was being created over a long period of time by spending considerable portions of the national income, and cannot be changed from one day to another. It cannot be done otherwise, at least not in the field of heavy engineering.

The apparatus of the ministry must also implement as fast as possible another requirement formulated at the congress, namely gradual improvement of management. I do not see how it could be done merely by introducing modern organizational techniques. I do not underestimate them, but they do not improve the management by themselves. Indeed, economic management is a political matter, and consequently it is an attribute of the people and their work style. We cannot just issue orders on the basis of administrative procedures. True, in economic management we do not hold discussions, we do not argue. We command, time puts pressure on us. Of course, we will require personal responsibility, not alibis for decision-making, and we will require decisions which correspond to the given level and to the given scope of authorization. This applies also to the relationship of ministry--VHJ management--management of enterprises (it applies also to the reconstruction of the organizational structure of establishing concerns). We cannot allow details which can be dealt with only at the appropriate place and on the basis of knowledge of local conditions in specialized fields to be shifted all the way to the federal government. We will also require more conceptual preparations of a complex nature, so that the management apparatus not be absorbed by operational matters which cannot be delayed, and which are necessarily encountered in the process,

However, personal responsibility does not mean subjective starting points in decisionmaking, either. One of the main goals outlined by the party is to expand the participation of the working people in management, socialist democracy. Under realistic socialism--and another type of socialism is not realistic--in decisionmaking concerning economic affairs, there is room for participation of the working people in management at the preparatory stage of decisionmaking. Wisdom accumulated in the collectives must be used at that stage. That is why we shall formulate as one of the basic requirements and criteria of success of economic managers their ability to consult with the working people, create and lead teams, induce the economic and technical intelligentsia to show performance which should be highly praised by the society.

We shall create ways of making management effective. However, on the other side of these ways there must be determination to manage, to get involved, to enforce actively the party line, to utilize opportunities which have been offered. Party members in particular will have to show the way in that respect.

5668
CSO: 2400/245

FIVE DAY WORK WEEK BRINGS PROBLEMS

Budapest NEPSZABADSAG in Hungarian 16 July 81 p 5

[Article by Laszlo Karcagi: "A Five Day Work Week--Problems of the Transformation"]

[Text] Many enterprises will begin during these current weeks their transformation to a five day work week. The joy over the increase in free time, however, is not shared everywhere.

The DKV [Danubian Petroleum Industry Enterprise] was among the first to introduce the new schedule. Many economic managers expressly opposed the change, and in certain places the transformation created a big storm, which still has not settled.

Complicated System

Beginning on 2 July, the whistle at the DKV blows four times for dinner. The whistle blows every 20 minutes to signal that the turn of one lunch shift has expired and another may come.

The beginning was successful, and most of the workers could actually finish their lunch in 20 minutes.

At the fourth blow of the whistle, Imre Balogh, the director of the enterprise's labor department, began for the fourth time to explain to me the substance of the newly developed schedule. I must say he did so with rather doubtful success. Now after dividing and multiplying for half the night at home I am beginning to have an inkling of the matter, but still it remains a mystery to me how the almost 3,000 workers can know on what day of the week their work begins, when it is finished, and when they can have a free day. To give only a tidbit or two, there are some who work 12 hours a day every other week in order to put in the legal number of working hours. Other work 11 normal days followed by 4 abbreviated days. There are some who receive two free days for 3 weeks, but only one in the fourth week, and the other they may take on some other occasion as agreed on with the economic manager.

The manager of the labor department argued that there was no way in which the complicated system could be simplified.

Missing Conditions

Gabor Fogl, the manager of the propane bitumen refining plant, is obviously a man of two minds:

--As a trade union activist and the chairman of the enterprise stewards, I heard with great pleasure of the introduction of the five day work week, and of course I supported it as well, he began.

--I don't think it is necessary for me to explain in particular why the increased free time is favorable for every worker. But as an economic manager I was not expressly enthusiastic about the changes. This was because I simply did not see that personnel conditions for the shortening of working time were assured.

The physical workers in the plant up to now worked 42 hours a week, and thus they had a total of 5 rest days a month. Now that the 40 hour week has been introduced they receive another free day a month.

--It was evident in discussing the matter that we would not be able to give the additional free day in regular pattern. And therefore in modifying the collective contract we agreed that the workers would receive the additional day at another time in agreement with the economic manager. Thus, for example, if he wishes, he can save his days and take them at one time.

At this point Gabor Juhasz, his deputy, spoke:

"At times like this in summer during vacation time, it is inconceivable that we should give the additional free day in the regular pattern. In a 19-man shift, we will be unable to fill four positions. This means that we are already at the bottom in personnel unconditionally necessary for the operational schedule. We will be able to operate only if I also take a turn in the shift. In fact, I am convinced that we shall be unable to give the additional free day either in summer or winter.

--Then what?

He shrugged his shoulders:

--We will pay them overtime. This is what they are planning to do in most of the plants.

We made a rapid calculation: this could mean an average increase of 400 forints monthly in workers' pay. In light of the inquiries I made among them, there were some for whom it was in effect all the same. They would be satisfied either with the money or the free day.

--Is this a good solution?

--Not at all--the plant manager shakes his head--for the goal of introducing the five day work week is to increase the resting time of the workers, not their wages. You can say that the general conditions can be created by better work organization.

But I can organize day and night in vain if a certain number of workers must be present for a shift, or otherwise the operation of the factory cannot be assured at all. They won't bring in workers from elsewhere, because other places have a shortage of workers also, and they will have, in my opinion, even more than now.

--Why?

--You are aware that we have quite a few operations which are harmful to health, where they introduced the forty hour work week a long time ago. Now by changing to a five day work week we have eliminated the working time difference between the harmful and nonharmful plants, and thus the advantage no longer exists to attract workers to these difficult and unhealthy places of work. It is clear that their manpower will continue to decline and the present situation will become even more difficult.

Increasing Working Time

In the DKV work places which are harmful to health the mood has been upset. The situation is particularly bad in the laboratories where by transforming to the five day work week the weekly working time has been lenghtened by an hour and a half.

Sandor Patai, the laboratory manager, at first threatened to unleash 50 women against me to tell of their problems, but then he relented and called for only two. Mrs Karoly Boros and Mrs Gabor Gyori presented their complaints, at times interrupting each other:

--We work with hydrocarbons and aromatic chemicals, and these are very harmful to the health. Every 3 months we have to have a screening test, and these show that the work here causes changes for many in the blood-forming (hematopoietic) organs. This is what was considered in passing the decree about 10 years ago by which we changed to a forty hour work week. This inclu l lunch time. Thus in effect we worked only 37 and one-half hours a week.

--With the change to the five day work week--they continued--we have to calculate lunch time on 40 hours. Thus the time we spend at work is increased by 2 and one-half hours, and the time on the job by 1 hour and 40 minutes. We cannot understand how the change to the five day work week, which is very favorable to most workers, has affected us so badly.

--Have you told of your problems at the official place?

--Well, we didn't have too much time. We received the new working time plan 2 days before the trade union delegates' conference--instead of the legal 2 weeks--and then it was too late to run about. It was no use to voice our problems at the delegates' conference, for the change affected most of the workers advantageously and the majority decides.

Mrs Karoly More, the organizing secretary of the enterprise trade union committee, interrupted:

--The trade union committee foresaw the problems in May. We consulted with the officials in the chemical industry trade union from whom we received a reassuring reply that we were right and that they would find a solution for our problems. The VDSZ representative even participated in the stewardship delegates conference. But to our great surprise all he said about the problem was that we must unconditionally abide by the decrees. We concluded from this that the VDSZ had meanwhile changed its position.

Finding the Solution

The problems of the DKV are somewhat individual in nature, and even there they affect only a small part of the workers. But it must be considered that this enterprise is one of the first chemical industry enterprises to transform to a five day work week, and this means that similar difficulties may occur later elsewhere.

I talked about all this with various labor and trade union experts, and light was shed on other details of the matter.

Laboratory work is harmful to health. Mrs Karoly Boros and Mrs Gabor Gyori at work

The VDSZ did, in fact, foresee the difficulties affecting most of the chemical industry enterprises, and it indicated these in time to the National Council of Trade Unions and to those state organs which participated in drafting the law regarding the five day work week. They did not then consider the views of the VDSZ because a new decree is being prepared on jobs harmful to health and on working time. Details thereof are not yet known, but it must provide a reassuring solution for the DKV problems also. The question only is whether it would not have been possible to have the new decree ready at the same time as the transformation to the five day work week in order to avoid such and similar difficulties.

But the complaints of the laboratory workers at the DKV must be dealt with, it appears, primarily on location. To be sure, their working time of 37 and one-half hours which they have had in effect up to now was not entirely according to the rules, for their lunch time should not have been counted in. Thus an outsider can hardly give advice as to what the solution should be.

In the same way the manpower problems cannot be eliminated from the outside. This is every enterprises own task. And likely the DKV will find the cure for its internal problems as it has done with other problems in the past. Hopefully, it will not choose the most obvious but worst way out, namely, of paying for the rest days in overtime.

6691
CSO: 2500/314

FIRST HALF YEAR FOREIGN TRADE RESULTS

Budapest NEPSZABADSAG in Hungarian 9 Jul 81 p 9

[Article: "Agricultural and Food Industry Exports Have Increased Considerably"]

[Text] The first half year's foreign trade results are currently being summarized. Preliminary data indicate that overall imports and exports will turn out to be approximately as planned. Agricultural and food industry exports have increased considerably, while those of the chemical industry were satisfactory. However, less of the products of machine and light industry branches was sold abroad than expected, and metallurgy exports decreased.

Terimpex increased its exports by more than 9 percent over the same period last year--if we count all of its products--because a good marketing pace produced a higher rate of return for most products. Price increases were as much as 20 percent for some products. Exports of beef cattle were approximately 7 percent higher than for the first half of 1980. Exports of sheep on the hoof increased almost by leaps and bounds, by 43 percent, while poultry exports increased by 10 percent. The foreign trade enterprise--working together with the industrial enterprises--altered the composition of its export merchandise significantly more often than previously. When the demand was there, it marketed more pork chops and hams while temporarily delaying the export of canned products which were less profitable at the time.

The first half year was also successful for Chemolimpex, which during the first 6 months took in half of the return from exports planned for the entire year. This is better than was accomplished during previous years. As the enterprise directors have indicated, a gigantic effort will be necessary during the second half of the year despite the good results, because the market for fertilizers and plant protection agents has slackened significantly recently. The marketing possibilities for synthetics and the so called aromatics products such as, for example, benzol, toluol and xylol have declined. The sales contracts effective for the second half year, which were made months ago, have a great significance now. However, a thorough marketing effort is still necessary in order to fulfill the plan for the full year.

While Technoimpex increased its overall exports by 20 percent during the first half of the year, its exports to capitalist countries did not increase over those for the same period last year. Its experience indicates that it can maintain its

competitiveness on foreign markets chiefly with modern machine tools. Thus it is glad that domestic industry is continually increasing their variety and improving their quality.

For example, within the framework of a cooperative business arrangement, 90 microcomputer controlled machine tools have already been shipped to Gildermeister, one of the top ranking factories of the FRG.

Ferunion is constantly changing its export product structure because in certain areas of locks and lock related products the selection is decreasing due to cessation of unprofitable production. The enterprise is endeavoring to develop an even closer relationship with industry, in order that there may be even more rapid adaptation to market requirements. Larger amounts of exports of lead crystal and other glass industry products, bathroom fixtures and other cast iron wares are currently being planned to accommodate the presently observable demand. Already during the first half year, several new markets were acquired for the products, chiefly in South America and Africa. Thus it became possible to increase total exports by 13 percent over the same period last year, despite various shortcomings.

Transelectro, whose exports increased by 4 to 5 percent during the first half year, is planning for a 10 to 15 percent growth for the whole year. Exports of some products increased greatly, while the exports of other products merely stagnated. For example, twice as many small automated machines of the Electrical Equipment and Appliance Works, and 50 percent more household appliances were exported than during the first half of last year. The latter may be attributed to the manufacturers bringing out several new types of stoves, washing machines, water heaters and small kitchen appliances. Meanwhile, cable industry exports did not increase. The second half year promises to be favorable, because the shipments of complete plant installations are just beginning.

9093
CSO: 2500/302

MEASURES TO SETTLE FOREIGN DEBT OUTLINED

Warsaw ZYCIE GOSPODARCZE in Polish 12 Jul 81 p 11

[Article by Zbigniew Karcz and Bohdan Kosinski: "When and How We Will Get Out of Debt"]

[Text] Expenditures from imports from western countries which during a decade amounted to 197 billion foreign exchange zlotys, were defrayed only 72 percent from receipts from export of commodities and construction. The remaining 28 percent, i.e., 54 billion foreign exchange zlotys, had to be defrayed by foreign credits. During 1973-1975, import payments were only 63-64 percent covered by export revenues. In 1975, the amount of coverage of import by export dropped to 59 percent and the trade balance deficit during that year amounted to approximately 10 billion foreign exchange zlotys. The "economic maneuver" undertaken in the second half of the decade did not stop the rapidly escalating growth of indebtedness. Receipts from exports grew extremely slowly and by 1979 did not exceed 75 percent of import expenditures. Under Polish conditions, in which trade turnovers are the largest and most crucial item in the balance of payments, the consequences of such a serious imbalance were, from the very beginning, i.e., from 1973, totally obvious.

It should be added that the system of controlling foreign trade under conditions of a far-advanced decentralization, failed completely. The strong pressure on imports, which caused a constant erosion of the assumptions contained in the national socio-economic plans in this field, was not counteracted effectively by any other force that would have sustained the large-scale proportions assumed in the plan. This hastened the moment at which it became impossible to further maintain large balances of trade turnovers and at the same time to ensure that the growing foreign obligations would be serviced.

The Critical Moment

One of the factors which delayed the critical moment was undoubtedly Bank Handlowy's [the Polish foreign trade bank] extensive credit activity and its good position on the credit markets. The bank had a long reputation as a very reliable partner. This, however, was not the sole factor. Despite the collapse of production and export in the final months, 1980 was a year of considerable growth in export revenues, showing an increase from 20.3 to 24.4 billion zlotys, or almost 20 percent. It also brought a reduction in the negative balance of trade turnovers, from approximately 6 to 2.4 billion foreign exchange zlotys (calculated in the form of payments, combined

with the export of construction). This balance, together with the costs of foreign credits and the sum of repayments of principal, was compensated by a record-breaking large amount of foreign credits, amounting to 26.8 billion foreign exchange zlotys. The very dramatic situation did not occur until the last 6 months of 1980 and in 1981. In 1981, export receipts, according to the national socioeconomic plan, were supposed to reach a somewhat lower level than in 1981--approximately 24 billion foreign exchange zlotys. At the same time, a deterioration of the trade turnovers balance from 2.4 to 3.7 billion foreign exchange zlotys was anticipated. Under these circumstances, repayments of the principal on the foreign loans, estimated originally at over 22 billion foreign exchange zlotys, and the costs of foreign credit amounting, after deduction of receipts from the interest, to 8 billion foreign exchange zlotys, were to be covered. This created, after taking into account the remaining items in the balance, a credit requirement in excess of 33 billion foreign exchange zlotys, or over one third more than the total export receipts. But this was only the beginning of the difficulties. During the first few months of 1981, there was a distinct breakdown in production and export, which suggested that the level of export revenues will not reach the originally projected sum of 24 billion foreign exchange zlotys, and will most likely be about 20 billion foreign exchange zlotys. Under these circumstances, the old estimates on the dangers resulting from the continuing high level of short-term obligations, began to become valid. In 1981, the withdrawal of monetary deposits by foreign banks, which had begun the previous years, increased suddenly. During January and February, financial assistance from the socialist countries saved the situation. During the last two weeks in March, funds were exchausted, and Bank Handlowy for the first time in its history had to begin talks on deferring loan payments. Large deficits appeared in the accounts of foreign banks, making it impossible to continue payments. The situation made it necessary to seek exceptional solutions.

It should not be necessary to dwell on the rasons which made it necessary to definitely exclude unilateral actions such as withholding payments by the Polish side and dictating to its partners the time periods by which the suspended obligations would be paid--dates, which would be set, obviously, in the distant future. Such actions, admittedly, have their advocates. They operate with the slogan, "Let us turn our weakness into strength". We believe, however, that they do not express deliberate and serious financial concepts. It appears obvious that our unilateral actions would elicit very effective and very damaging, to us, retaliatory actions by our creditors.

Negotiations With Creditors

Without doing deeper into the effects of a trading partner's loss of position on the international forum, we can certainly hazard the statement that the only way out was negotiations with creditor countries. Is is worthwhile, however, to concentrate on the problem of the direction in which these negotiations were to go, for this is a matter that provokes a great deal of discussion and controversy. In a situation in which Poland would not be able to formulate sufficiently coherent and clear assumptions on its future economic policy or furnish a reliable estimate of economic development during the next few years, the only conceivable solution would undeniably be a moratorium type of agreement, deferring 90 percent of the repayments of principal, for example, to long-term periods, possibly 10-year periods. It should be said, however, that this would be a kind of economic death, drastically

limiting Poland's economic relations with its partners. In accordance with the laws of the principle creditor countries, the moratorium would make it impossible to obtain credit guarantees, and consequently, new credits. Without a doubt our policy of shaping the balance of payments should be aimed at halting the indebtedness growth rate and at starting, no later, surely, than at the beginning of the next 5 years, the process of gradually reducing credit obligations. But it seems that it is in the interest of our national economy to gradually implement these tasks and link them with changes in the field of industrial and agricultural production, making it possible to reduce agro-food and market supply imports. But if these processes are to be gradually accomplished during the entire current decade, the ability to benefit from foreign credits must be maintained. Without this it would, of course, be impossible to maintain, this year, even a small negative balance of trade turnovers, and a drastic reduction in imports this year would mean a new, severe jolt to the economy with far-reaching socioeconomic results. In the next several years, even with a balanced or slightly plus balance of trade, the balance of current turnovers must remain temporarily negative because of interest obligations. Foreign credits are thus also necessary as a shock absorber until such time as global surpluses of current turnovers are obtained. As a result, the only correct solution seems to be to bring about a situation in which the agreement with creditor countries would be based on the condition that Poland remains a partner authorized to draw further credits. In other words, these conditions must be included within the framework of typical conditions that may come into play in concluding normal credit transactions. This means that the credit obligations should be transformed into long-term obligations, but in conformance with the generally applied conditions for these transactions--with a grace period of several years and a repayment period of several years. That is precisely the assumption that was accepted in the negotiations thus far with the creditor countries, conducted during the period from December of last year to April of this year, which were concluded by signing a multilateral limited agreement, providing for refinancing or restructuring the debt on the Polish side, covered by government guarantees.

Past world practice, apart from unilateral suspension of payments or the inability to make them (called "technical default"), has developed, as the most effective way of enforcing payment from debtors, a moratorium type of agreement. Such agreements, concluded as a result of the meeting of all creditors with the debtor country, traditionally are held in Paris or London, hence they are now being called the Paris or London club. Omitting such countries as Zaire, it should be said that the best known case in recent years has been the moratorium agreement between creditor countries and Turkey in 1979.

It is precisely this example that clearly showed Poland that it should not agree to such a solution. The moratorium agreements encountered thus far, whose principles were repeated in the case of Turkey, provided for the deferral of a portion of the payments (e.g., from 60 to 90 percent) for several years, while committing the debtor to pay the remaining amount immediately and without the right to obtain further credits.

In our situation this could mean that depending on the agreed-upon amount of postponed repayment, imports would have to be drastically reduced. Using some specific numbers by way of example: If exports in 1980 amounted to 8 billion dollars, the amount of debt due to interest payments was 2.3 billion dollars and repayments of principal were 5.6 billion dollars, then our total debt would be 7.9 billion dollars. Including our additional services balance, totaling 0.4 billion dollars, our total receipts amounted to 8.4 billion dollars and our obligations from servicing the loans, to 7.9 billion dollars.

Assuming even the most optimist variant of deferral of repayment of principal and interest, i.e., 90 percent, a total of 7.1 billion dollars in repayments would be postponed. The result is that imports could not amount to more than 7.6 billion dollars, while in reality they totalled 8.8 billion dollars, or 1.2 billion dollars more, even though these expenditures were regarded as inadequate from the standpoint of the indispensable requirements of the national economy. This calculation looks still worse in the light of this year's figures. In assuming an export value of 6.5 billion dollars, and combined with services--6.9 billion dollars, the debt from repayments of principal and interest amounts to 9.6 billion dollars. If 90 percent is deferred, about 1 billion dollars would have to be paid, and thus the sum of 5.9 billion dollars would be left for imports, whereas this year we projected imports to amount to 7.2 billion dollars (according to the revised draft of the national socioeconomic plan). We are also aware that this quantity of imports is a long way from satisfying the needs of the national economy. Furthermore, we must assume that such a high percentage of debt deferral (principal and interest) would be exceedingly difficult to negotiate. For example, the commercial banks, in discussions now taking place, rule out the possibility of deferring interest payments.

In the already mentioned case of Turkey, an average 60 percent of the fixed payments, in relation to the total debt, was deferred. This caused a drastic reduction in the importation of a number of basic articles essential for the supply of both industry as well as the people (e.g., coffee imports were totally eliminated in Turkey). It was specifically for these reasons, in the talks conducted by Poland with the creditors, one of the initial conditions was a search for a formula which would, in addition to partially easing the balance of payments, permit the use of additional sources of credit. This is the basic economic substance which will predetermine the development potential of the entire economy. A serious and sudden reduction of our import potential would cause further stagnation of economic development, with all of its effects, including the social ones. It would lessen the possibility of recovering equilibrium in the balance of payments and it would further weaken the prospects of reducing the debt.

That is why, with the present level of the economy's import-intensiveness and development of agricultural production, the only way, it seems to us, is to gradually increase exports while slightly reducing imports, or to maintain imports at a steady level during the next 2 to 3 years. This concept was accepted in principle by Poland's creditors as a reasonable way of extricating itself from the crisis. To implement this assumption, an unprecedented formula was devised for refinancing a part of the Polish debt, that is, to make it possible for Poland to draw new credits to repay the old debt and to continue to draw further commodity credits. This formula provides that the debt will still continue to increase during the next 3 to 4 years, but at a slower rate than heretofore. It should reach its peak during 1985 to 1986 and then gradually decrease in absolute numbers. This is illustrated by the projection for the next 10 years (see table).

From the standpoint of purely technical solutions, we should differentiate between the amounts of our guaranteed loan indebtedness and those that are not guaranteed. A limited agreement was reached in Paris in relation to these credits, providing for refinancing of 90 percent of the principal and interest payments. This agreement will be implemented by concluding bilateral accords with the principle creditor countries. The remaining portion of the debt consists of unguaranteed credits obtained in commercial banks in the West, which are, as we know the subject of separate negotatiations. In both cases, irrespective of the specific conditions, the grace period cannot be less than 4 years.

Projection of Poland's Balance of Payments With Capitalist Countries for 1980-1990 Presented to Creditor Countries at the Multilateral Conferences in Paris in April, 1981 (in Billions of Dollars)

Wyszczególnienie (Item)		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Towary i budownictwo	(7) wpływy	8,0	6,6	7,2	8,5	1,6	10,8	12,3	14,0	15,9	18,2	20,7
	(8) wypłaty	8,8	7,2	7,2	7,8	8,2	8,6	8,9	9,8	10,8	12,2	14,0
	(9) saldo	—0,8	—0,7	[illegible]	+0,7	+1,4	+2,2	+3,4	+4,2	+5,1	+6,0	+6,7
2. Usługi i przekazy	saldo	+0,4	+0,4	+0,5	+0,6	+0,7	+0,7	+0,8	+0,9	+0,9	+1,0	+1,0
3. Koszty kredytów zagranicznych	saldo	—3,3	—3,7	—3,0	—3,3	—3,4	—3,4	—3,5	—3,4	—3,3	—2,8	—2,5
4. Razem obroty bieżące (1+3)	saldo	—2,7	—3,0	—2,5	—1,9	—1,3	—0,5	+0,7	+1,7	+2,8	+4,2	+5,2
5. Kredyty otrzymane	saldo	+3,2	+2,1	[illegible]	+2,2	+1,6	+0,5	—0,4	—1,3	—2,4	—3,0	—3,5
6. Kredyty udzielone	saldo	—0,2	—0,2	—0,2	—0,2	—0,3	—0,3	—0,3	—0,4	—0,4	—0,4	—0,4

Item 5 "loans received - balance" shows, marked "+", indebtedness growth occurring until 1985, although at a lesser rate from year to year, and then, starting in 1986, marked "-", a gradual reduction in foreign debts.

Key:

1. Commodities and construction
2. Services and transfers
3. Foreign loan costs
4. Total of current turnovers (1-3)
5. Loans received
6. Loans granted
7. Receipts
8. Expenditures
9. Balance

What is the Result of This

To extricate ourselves from the present situation, it is imperative that a relatively high growth in exports is maintained, on condition, however, that this growth is calculated from a very low starting level, if we take 1981 into account. The indispensable foreign exchange funds for essential raw-materials supply imports can be obtained in two ways:

a) by reducing investment and agro-food imports in favor of raw-materials supply imports, and

b) by reducing the import-intensiveness of production by structural modifications in the economy.

Theoretically, a third possibility should exist: an increase in exports beyond the amounts projected in the 10-year forecast. However, in the light of past experience and the country's general economic situation, it appears that for practical purposes this possibility does not exist, at least not for the next few years.

From the short-term standpoint, i.e., the next 2 to 3 years, the first of the above cited possibilities should be considered. It must be emphasized that the importation of food is not only a tremendous burden on the balance of payments that offers no export production in return, but it is extremely costly if we consider the amount

of interest paid on the loan. As we know, most imports of grain are from the United States, through Commodity Credit Corporation loans. These loans are based on market rates, which means that they are one of the highest-priced loans paid by the Poland. In addition, these are 3-year loans, with the first payments due 6 months after the loan has been drawn.

In the sphere of export, the most important matter for the short term will be to maintain the production and, above all, the export of the principle raw materials, i.e., coal, sulfur, copper and silver. These raw materials are, first of all, in demand by our buyers, including by our creditor countries and thus are readily salable. They are exported without restrictions and on a cash basis. Our ability to maintain and then to gradually increase these exports will also be a measure of our economic stability. The possible reductions in exports of these commodities cannot be compensated by exports in other fields.

In general, maintaining a ratio between exports and imports in accordance with prepared forecasts is a basic condition of the implementation of the concept of debt refinancing or restructuring.

Agreements concluded with creditor countries and negotiations conducted with commercial banks indicate that all of our creditors have accepted our assumptions, with the proviso that these assumptions will be consistently implemented. This is the only guarantee to them that after a few years we will begin to repay our total debt. And, as a matter of fact, this is the sole criterion and condition of all of the actions on the side of the creditors. Naturally, political factors have an effect on the attitudes of the creditor countries. Nevertheless, in the last analysis, they will not be so strong that the present loan policy will be continued should there be a lack of guarantees as to economic stability and the ability to repay our indebtedness.

In the light of this, two additional elements should be noted. The first of these is economic reform. Creditor countries as well as commercial banks see in economic reform one of the most important elements in recovering internal and then external balance.

This pertains also to the program of economic stabilization. The sharp and critical discussions on the economic report in the Sejm, discussions which incorrectly referred principally to the program of economic stabilizaaion, caused a great deal of concern. From this standpoint, all elements of economic reform, which as a consequence should lead to the pro-export conversion of all economic units, are extremely important.

Similarly important are elements of reform that should serve to reduce unwarranted pressure on imports. We all realize that our production is excessively import-intensive. Every activity aimed at reducing the dependence of production on import, from the standpoint of the long-range interests of creditors, will be appreciated.

Another element is public opinion, expressed in the press, on the radio, and on television. The opinions expressed on the need to reduce exports or to suspend payments on our debts totally, aroused, and had to arouse, a great deal of alarm. The large-scale nature of such utterances and publications serves to persuade our

creditors that our society is not only not striving to rapidly reduce the indebtedness, but that it wants to continue the directions of economic development along the lines of those of the 1970's. Of course, such activities will not be possible, nevertheless these opinions simply cause additional difficulties, not only during the course of negotiations, but in shaping the attitudes towards methods of solving the problems of Poland's indebtedness.

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PLANNING CHIEF INTERVIEWED ON ECONOMIC CRISIS

Warsaw ZYCIE GOSPODARCZE in Polish 12 Jul 81 p 1

[Interview with Deputy Premier Zbigniew Madej, chairman of the Planning Commission, by Andrzej Lubowski: "Break the Vicious Cycle"; date and place not given]

[Text] [Question] Andrzej Lubowski: How do you feel, as the person who took over the Planning Commission at a time when the main occupation in the building at Plac Trzech Krzyzy was to revise the plan downwards every couple of weeks, bending the indicators to the changing facts, rather than to shape these facts?

[Answer] Zbigniew Madej: How do I feel? Bad. I feel bad because the situation continues to be overcast and murky. I feel bad just as do many thinking people in our country.

[Question] Only a year ago, the ironic reply to the question, "Could it get worse?" was, "No, for it could, it would have already." Today, when, as some believe, we are close to the bottom, and every now and then we hear the signals from below, it has occurred to the vast majority of the people, I believe, that it could get worse. At the same time, our imagination, it seems, does not grasp the possible effects of the disintegration of the economy.

[Answer] It does not surprise me at all that society has difficulty in grasping the potential consequences of the crisis, for the rather simple reason that the imagination fails. Crises of such magnitude are rare. As a matter of fact, recorded historical experience is of little help. What is more, we have not mastered the art of orderly retreat, the social skills which would help us extricate ourselves from the crisis. We have fallen into it as if unawares and are helpless in the face of it. And we must get ourselves out of it in a deliberate way. We must all learn to do this, and at a much faster rate then heretofore. Waiting for a miracle, relaxedly and passively, reinforces the gloomiest predictions and makes of them self-fulfilling prophecies.

[Question] Let us pause for a moment at the hard realities, if only to explain the 15 percent drop in national income this year which you forecast--if all goes well.

[Answer] Taking into account the drop during the past 2 years, we have a level that is 21 percent lower than in 1978. This means, looking into the future, that if all conditions are favorable and we are able to ensure, beginning with next year, a 3 to 4 percent growth in national income, than it will take 5 to 6 years to make up the distance that was lost. In other words, in 1986-1987 we would return to the level of 3 years ago.

[Question] Since, in the meantime, our country's population is growing, this drop in income, per capita, would obviously be greater and the time necessary to return to the former level would be longer. With what are we paying today for this 15 percent?

[Answer] With inflation, queues, interruptions in production, a deteriorating standard of living, people's nervousness...

[Question] There are no other shock absorbers?

[Answer] Like what?

[Question] I am asking. Investments?

[Answer] This was always done in the past and when the national income dropped, the share of investment was reduced. Here it is falling, as we know, to 11 percent, and it will probably remain at that level for a long time. A further decrease in the investment level will do very little for us, but it can cost us a great deal in the future. For now, we must quickly find an answer to the question which of the large investments should be halted and for how long, and which of the smaller investments, which are supposed to revive the economy, should be activated as quickly as possible. And as I have already mentioned, we should not overlook the dangers we risk in abruptly halting investments. Such as the threat of the enormous technological gap that, a couple of years after we have climbed out of the hole, can put a stranglehold on us.

[Question] So far, coal has been our Achilles' heel. Everything indicates that without it we cannot move from dead center, even if all else were to go well.

[Answer] Not only coal, but all basic raw materials are the starter, the spark, or whatever else we may choose to call it, that we need to dig ourselves out of the crisis. I believe that in order to rescue the economy, we must have periodic voluntary work on free days, technical and organizational innovations which will increase extraction on the so-called black working days, and what is most important, we must have economic, efficient management of raw materials.

Poland cannot return to the philosophy of development which guided it for the past 30 years, that is, to allowing raw materials to remain untapped, to simply processing them, or at times, to permitting colossal waste.

We have, in the past, extracted 200 million tons of coal, and this year we will extract, we project, 168 million tons. By how much can extraction be increased in the immediate future? By 5 million tons yearly? With difficulty. And even then it would take 6 years to reach the level of 2 years ago. In any case, I do not believe that this should be the goal. We must give thought primarily to how this coal is to be rationally used. Today, right now, we need absolutely more, for the economy cannot move without it.

[Question] So we appeal for a greater effort on the part of those who in past years worked the most and we do this at a time when others are working less.

[Answer] We, as a country, have suddenly and quickly granted ourselves free time on a scale which it took others a long time to achieve. And regardless of whether we were late in doing so or not, we should not forget this. In all of Europe, and not just in Europe, a shorter workweek for many long years went hand in hand with a large explosion of technical and organizational innovations. Other social achievements, take the Scandinavian countries of the FRG, accompany these innovations. With us it happened differently--suddenly, as a result of social upheaval. And now we have what all of Europe cannot comprehend: a 5-day workweek and food rationing. Something like this has never been seen before. We should, I believe, look squarely at the facts, and while acknowledging the correctness and inviolability of the principle of shortening the workweek, periodically voluntarily roll up our sleeves on the "won" free days and go to work. And I think that that moment will come. The sooner the better.

[Question] The rather strong conviction persists that the world wants to, should, and will help us.

[Answer] It is become more and more apparent that outside help, however brutal this may sound, will depend on how much we help ourselves. As for our socialist partners and allies, we are complicating their lives greatly. We are not fulfilling our commitments to them, particularly in the delivery of the raw materials that are so vital to them, such as coke and coal. So far, they have not reciprocated in kind. But let us ask ourselves honestly, if we were in their place how long would we be willing, in the face of our own public opinion and economic capability, to go along with such trading practices? For, of course, the issue here is trade. The issue of a declaration of non-trade assistance is something else again. This is a matter of honor--I had a commitment and I will live up to it. In the case of trade we can fail in our obligations for only so long and expect patience from the other side.

In the case of the capitalist countries, we are awaiting the next chapter in negotiations on deferring repayment of our debts. The next critical step will be the program of activities until the mid-1980's, when we should begin to pay off.

[Question] In the fall we will again meet with our creditors, who want to look not only at our recovery program but also at its first results. If they do not like what they see, we will have problems with postponement of next year's payments.

[Answer] Why? We are going to be talking with professionals who realize that not much can change overnight. By fall the improvement can pertain mainly to crops.

[Question] They are interested primarily in coal.

[Answer] A good deal of what we are doing is an open book. They will also be familiar with our efforts to increase extraction. Along with certain forms of deductions of foreign exchange, derived from the sale of coal, which will be placed at the disposal of the mines as a result of increased extraction. We will institute these mechanisms during the current half-year.

[Question] You said in the Sejm that we must break the barrier between words and action. This, so far, has been very difficult. I think that to heighten the collective self-confidence, to strengthen the belief that an additional effort will not go for nought, even the smallest evidence of an efficient and rapid solution to

some complaint would be helpful. I also believe that a positive, not simply an educational role, could be played by placing before public opinion some scenarios of the progress of the situation, by variants. Such as: If we extract 168 million tons of coal, then we will be able to do this, this, and this. If we extract 3 million tons less, then we will have to cross out this, this, and this. But, if we are able to mine 3 million tons more, then... etc.

[Answer] I like this example very much. In any case, the information for the Sejm, announced when a revision to the plan for 1981 was requested, contains such a scenario. I buy the idea and believe that in the future we should make use of such scenarios. Similar scenarios can pertain, e.g., to efforts to obtain credits for foreign exchange from exports. If such and such is not exported, there will be no funds for the importation of this and this.

[Question] Since our exports are faltering, then why, despite various attempts, we continue to be unable to encourage even our export tycoons to increase their operations even slightly?

[Answer] A draft of a mechanism has already been prepared by means of which additional funds will be allocated to exporting enterprises. It will give them a certain percentage of foreign exchange receipts for small co-production purchases, for the proverbial nail.

[Question] This time they will be the true dispensers of the foreign exchange. They will be given real money, not just a purchasing limit. At the moment this will apply only to the larger exporters, but with time, after certain modifications, we want to expand this system.

[Question] Many people believe that the Ninth Congress will be an important step in breaking the barrier between words and action.

[Answer] And that after the Congress things will be good, or at least much better. The Congress will certainly be a very important political event and will have an effect on people's attitudes. But from the standpoint of economic development there is nothing to indicate that after the Congress there will be a sudden improvement. On the other hand, I am afraid that afterwards there will be a great psychological letdown. The desire for impassioned discussion will have ended, but the desire to work will not yet have begun. And what then? If we want to shorten the distance from words to actions as soon as possible, than I believe we must attempt to find a common ground for the people of action--the leadership cadre in the enterprises, the workers' self-government aktiv, and the technical engineering staffs. Because the central authority can neither do as much wrong as is ascribed to it nor as much good as is expected from it.

[Question] And what can we expect from the Planning Commission? What can it actually do? For as I understand it, it cannot and does not want to manage directly.

[Answer] Many people who came to this building, especially during the turning point, were strongly determined that they would never again be involved in direct management of the economy. But this changed quickly. And perhaps the Planning Commission should busy itself not only with the strategic establishment of directions and the proportions of the plan, but also with the technology of accomplishing the goals that are laid out. There are more questions. Let us not rush to dot the i's.

The Commission's basic task was, is, and should be, to prepare a wide range of projections for the future: forecasting, construction of programs, and preparation of plans with various time frames.

[Question] And what is the Commission's role in establishing goals for social planning requirements?

[Answer] The choice of goals has always been a social process.

[Question] Let us say, it should be.

[Answer] This is, by definition, a social process. It was in that sense that I used the term "has always been". Perhaps inaccurately, for it was not always thus. There are many ways of making the choice of goals a genuine social process.

We must be very alert to signs, to signals flowing from the people, and submit proposals of goals for social consultation. Who are these consultants and who should they be? Let us begin with the professional circles which always collect around those doing the selecting, that is, the societies of economists, engineers, accountants, and academic circles. Another circle are the institutionalized representatives of the social forces: trade unions, political parties and factions, and other mass organizations. These are large forces that can evaluate and change the proposed goals, but then that is what consultation is supposed to do. And finally, the third consultant, meshing with the two previously mentioned circles, is broad public opinion. I strongly believe that it is also a platform for speaking about goals and for judging these goals. I would expect, for example, that the chief of the Planning Commission or some other representative of the government, in each "approach" to a projection for the future, whether for the following year or the next 5 years, should submit something like a proclamation. From such and such trends, under present internal and external conditions, the probable directions of our development seem to be such and such. We must revise them in this way and that way, and that is how the panorama of our development in the immediate future would most generally appear.

After this proclamation, we would turn to the above-mentioned advisory circles, and only after a social concensus was reached would a selection of goals be made, the choice being the lesser evil. "Lesser evil" during the time of the crisis; for other periods, the task should be formulated more ambitiously: the "as-good-as-possible" choice. As good as possible but not the best, for of course the choices all contain much that is good and we must give preference to one over the other. And then there will always be those who will say that the choice was wrong.

[Question] I will not ask you whom and how you will ask for advice on such priorities as color television or furniture, automobiles or milk bars, for today there are other, more dramatic, choices, e.g., paper or medicines. There is no choice between primary and secondary goals. Today we have to choose between the essential and the indispensable.

[Answer] Such a choice is easier for the planner. Just as right after the war. Life itself and not planning ingenuity decides the priorities and rankings.

[Question] Establishing priorities is not enough. They must be "pushed through". We speak of "everything for agriculture", but nothing is working out; we speak of "basic medicines", but there are no medicines. And meanwhile the implementation of other goals which rank much lower in the hierarchy of needs, is moving ahead.

[Answer] The inertial force in the economy is strong and will not disappear in the future. Every transformation is difficult and painful. It is my belief that where certain goals are concerned, those dictated by life itself--basic food necessities, medicines, personal hygiene articles--we should establish special implementation programs immediately. The planner has the task of accumulating an aggregate of resources that will make the accomplishment of this goal possible.

This aggregate should contain economic levers, appeals, organizational endeavors, and orders. The management system never was, is not and should not be chemically pure. It should, above all, be effective. The dichotomous division into: orders--incentives, plan--market, centralization--decentralization, which has been revolving around us for many years, requires reevaluation. We must go beyond this circle.

[Question] Who is to prepare these programs and who is to implement them?

[Answer] We cannot set forth a goal, throw out a few figures, and let others worry about what will come next. The technology of implementing these programs should be the work of the central staffs. Here, in this building, together with the ministries. And who should implement them? Obviously the enterprises. Let us do on the central level what belongs to the central level and let the enterprises operate where they should.

Some kind of commensurability of authority and responsibility should, for goodness sake, be binding on each level. Yet somehow a very strange model of a worker has appeared among us and we find him on all levels, from the rank-and-file worker to the minister. Give him an awl, twine and leather and possibly he will make you a shoe. In a developed economy we issue an authorization and expect a contractor to take over, a person of initiative and action. If we do not adopt this model, than we will never stop relying on others to do our work for us. Our schizophrenic model did not appear out of nowhere. He has his roots in the past, but he must be replaced as quickly as possible. We must find the technology to overcome the powerlessness. I can understand powerlessness as a temporary state, but I cannot conceive of it as a permanent philosophy.

[Question] During the recent months, the negotiations between the union movement and the country's leadership have been very difficult. In the economic sphere, so far, they seem to be leading to nowhere.

[Answer] The main contacts now taking place with the union movement are not on economic issues. Even if such matters come up, they are frequently used for non-economic purposes. Meanwhile, economy has its own rules, which we all most consider. Those in the unions and those outside the unions. There are many matters which should be discussed with the trade unions and looked at a second time, calmly and thoroughly. I am open to all talks.

[Question] What does this mean, that you are open? Do you feel that your halo would not slip if, for example, you were to propose a meeting with Solidarity's National Consultative Commission?

[Answer] It would not. I would not even be disconcerted if they turned down the invitation, although I would rather this did not happen. Matters concerning wages or retail price reforms should be discussed with the unions. I would like to see the union movement, just as I would others, operate more efficiently. For example, agreements on standards regulating shifts in the employment market are taking a long time. Meanwhile, the lack of working force mobility is one of the weakest points in our economy today. People are often idle in plants because of lack of raw materials, while there are shortages of workers in other plants. This is slow economic death. Is not this then, as a result, an attack on the freedom of choice, on genuine self-government and self-financing, and all other so highly prized achievements of social upheaval? I do not look for guilt or malice in these attitudes, but for rational action. If someone does something stupid with the best intentions, I hold that against him, too.

[Question] Will there be someone from the trade unions among your advisors?

[Answer] The premier entrusted professor Bobrowski with the task of forming a Council of Experts and the selection will be his. I am fully in accord with this plan. This is a group of experts. However, I would like to see trade union representatives in the broadly formed Planning Commission. This should be a social body and not just a group from the leadership staff. The staff members, the professional leadership of the Commission, are one circle. The second circle would be comprised of representatives of the union movements, perhaps the Society of Polish Economists, distinguished, individually selected economic activists, and perhaps even some former chairmen of the Planning Commission and chiefs of functional ministries.

[Question] There would be plenty to choose from. People say with bitterness and irony that we have splendid economists and deplorable economics.

[Answer] And did not Keynes' greatest work result from a crisis? It is said that economic thought flourishes best when the economy is bad. Today I believe that the first order of business is the formation of a plan of effective action, the skill of using the knowledge we possess. In our culture, and not just in the economic culture, the transition from ignorance to knowledge was and is not difficult. But the transition from accumulating knowledge to using it is tremendously difficult. For many centuries we have regarded knowledge as having no practical purpose. And there are nations that treat it pragmatically, as an instrument of progress, including economic progress, as a consciously controlled tool.

[Question] You are only a positivist, nothing of a romanticist.

[Answer] For today's times we need work from the ground up more than we need romanticism. But the time will come when we can lean back, let our imagination run wild, and again look to the year 2000. At one time I was involved in futurology. How easy I had it then--how sweet it was.

[Question] Is there not a danger that the people working in this building, crushed by the weight of current matters, will treat the future as something that has already been decided?

[Answer] No, there is no danger. This is so impressive, so enticing, that everyone will long for it.

[Question] You will do this for relaxation?

[Answer] Some will do it for mental balance, for relaxation. Others will look upon it as a job to be done.

[Question] The building in which we are talking does not have the best reputation. Many people working here were described as brilliant, with open minds, when they came here. After 10 years, the things that were said were not as good. Will you reduce the staff or change the personnel?

[Answer] I am an advocate of intellectual activity, activity and mobility. I do not believe that the only model of a worker worthy of respect is one who completes 25 years of service in one institution. Although we need those badly, too. Here, in the Planning Commission, just as in the other central offices, several processes must take place. First, we must become part of the entire economic reform. This means that we must learn and apply other methods of establishing goals and procedures.

Second, I have always believed that an improvement in the system of controlling the economy from the beginning moment and the first thrust should belong to the great intellects. Hence the belief in expert-institute, commission-type bodies. And I never expected these commissions, nor our Commission on Economic Reforms, to produce finished application proposals. If proposals are outlined, then that is a lot and deserves credit. However, typical application proposals should be drawn up in the offices which design the management systems. Incidentally, we do not have such offices and we should do something about that. And since we do not have them, their work must be done by some of the central offices.

[Question] That is, they are to make these proposals for themselves?

[Answer] Yes. For themselves. If there were an office capable of designing the organizational structure of the Planning Commission, I would immediately order such a design. As a competitive one, not as the only one.

[Question] Surely someone will respond.

[Answer] Certainly. I am waiting. Do you know, as a matter of fact, that the proposal of the program for overcoming the crisis came about from a kind of competition? Two proposals, editor Albinowski's and a group of workers from the Planning Commission itself with Minister Karpinski's main outline were neck and neck for a long time. Independent experts, an advisory group, decided that after some corrections one of them was more ripe and more multifaceted, and approved it. I believe it would be better if there were more such proposals.

And, for my part, I would advise my colleagues, the ministers, to perhaps try in this way to propose new ministries, their internal structure, organization, etc.

One more comment. The logic of such a procedure does not tolerate the remark: "I said that at the time, only they did not listen to me." If a large number of experts is used, than certain arguments are selected over the arguments of others. And the risk that his concept may be rejected should be accepted by the expert as a fact of life. Professor Sawicki once said that an expert's advice does not necessarily have to be followed. It is sufficient if a group of experts is heard and only one of them is heeded. And this formula should be applied in our culture of decisionmaker-expert relations. I have already been both an expert and a decisionmaker. Many times my proposals were rejected and I accepted it as a fact of life.

[Question] Do you realize the risk, the great responsibility that you are now accepting, as a fact of life?

[Answer] I realize it fully. My professional career as an economist and organizer will go down the drain if, especially now, I make the wrong decisions, decisions that bring negative economic results. All of this foolish talk, "I already knew in August that all of this would come crashing down", disgusts me and turns my stomach. If this kind of talk continues and little is done, then of course it will all come crashing down. I have not yielded to such a philosophy and do not wish to yield to it. That was the additional motivation that persuaded me to accept the position offered to me and to undertake the work that I am now doing.

[Question] Thank you for the interview.

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NEW VERSION OF STATE OF ECONOMY ANALYZED

Warsaw TRYBUNA LUDU in Polish 6 Jul 81 p 3

[Article by Mieczyslaw Gajewski: "New Version of the Document: Report on the State of the Economy"]

> [Text] Debts which we cannot pay on schedule; enormous shortages of goods and unused production potential; shortfall of basic raw materials and material-hungry technologies; lack of a mechanism that would automatically slow down the economic slump and the general expectation of quick improvement in the standard of living--these are some of the theses in the government report on the state of the economy.

The previous version of that document was, as we remember, criticized by, among others, some members of the Sejm. It was also criticized by the mass media, including TRYBUNA LUDU. Gen W Jaruzelski, the chairman of the Council of Ministers, accepted most reservations as valid and directed the then chairman of the planning commission, H Kisiel, to redo the report. Simultaneously, the premier appointed a public, i.e., independent, advisory group (Czeslaw Bobrowski, chairman, Stanislaw Albinowski, Wladyslaw Baka, Leopold Gluck, Jozef Pajestka, Jozef Soldaczuk). Thanks to these decisions, we have obtained an honest, concise picture of the economic situation and of its causes. Basically, the causes of the current crisis were boldly detailed and proven. Here is their brief description.

Agriculture: the Outlays and the Results

During the decade 1971-1980, we purchased for foreign exchange a total of 61 million tons of grain and fodder, a quantity equal to one-third of the total domestic harvest during this time of 186 million tons. About one-third of foreign-exchange debt to the dollar-zone countries ($8.5 billion) is due to the bills for grains and fodder.

Meanwhile, a million hectares are used improperly and extensively--their production is lower by 30 to 50 percent. Additionally, over a quarter million hectares are fallow and require recultivation. The document does not provide the data regarding who takes care of these lands.

The level of meat consumption has been maintained for years at the cost of worsening the foreign trade balance. The reason is the underdevelopment of animal husbandry. Research shows that in 1978 over 1.1 million (36 percent of the total) of peasant farms did not raise pigs and 890,000 (29 percent of the total) did not raise cattle.

Agricultural policy in the seventies, by weakening productive capacity of individual farms, very effectively encouraged the deterioration of economic results of socialized farms.

Relatively few resources were devoted to the development of production of agricultural machinery and equipment--their share of total investments was less than in the sixties. Most of these investments were directed to the start of production of a tractor under licence.

Production of equipment designed for horse traction has been discontinued but production of modern equipment designed for small and medium size farms has not been developed. For years there has been a shortage of spare parts for all agricultural machinery.

During the years 1975-1980, which were very difficult for agriculture because of atmospheric conditions, the supply of plant pesticide, construction materials and mineral fertilizers for peasant farms was decreased rather than increased. In this period, fertilization decreased by 9 kg of nitrogen phosphorus potassium per hectare in individual farms and that greatly affected the drop in production. After all, in our country we farm medium-quality soil, at best which produces high yields only with intensive fertilization.

Nothing was done to improve the unfavorable size structure of peasant farms. The average size of private farm has increased only marginally and is now about 5 hectares. Additionally, limiting the sale of land to peasants undermined the trust in the permanency of farms and contributed to the excessive outflow of population from agriculture to mainly industry and construction. About 28 percent of persons working on private farms (mostly young men) changed their occupation.

Because of such an agricultural policy combined with delaying the increases of purchase prices and limiting the sale to peasants of fodder from state reserves, a great part of small private farms instead of producing, e.g. meat, started to buy on the socialized market. Today, all of us feel the results.

Coupled with ignoring the production potential of peasant farming were, as the report says, "false hopes that agricultural production, especially animal production, can be increased through a system of directives supported by an extensive system of subsidies to socialized farming." Thus, there was an effort to compensate for decreased animal production on the peasant farms by forcing an increase of animal production on socialized farms, a move which was not based on sound economic calculations.

Huge resources were allocated to building large cattle-raising farms, characterized by high-cost meat production and high fodder intensiveness that necessitated increased imports of fodder. Socialized farms were also directed to put land under cultivation, drawing on the State Land Fund and disregarding cost as it was covered by the state.

Investments and the Structure of Industry

In view of these serious errors of judgment in agricultural policy, the enormous investments in 1971-1980 in the development of socialized agricultural enterprises (over 500 billion zloty; for comparison: total agriculture--580.8 billion zloty; fuel and energy industry--502.5 billion zloty; chemical industry--240.5 billion zloty) have not produced the expected results. Buying food for foreign exchange must continue to have priority at the expense of, most often, the most essential spare parts and industrial materials.

The consequences of industrial investment policy in the last 10 years are, as the report states, that "the structure of Polish industry in 1980 is, from the point of view of efficiency and capability to satisfy needs and to use domestic raw materials, less favorable than it was in 1970." This is a very sad but well-documented statement: especially since it was said so recently that although there are huge debts to be paid, there is a better economic base.

Why did the enormous resources obtained for foreign credits not produce the expected effects and instead of contributing to an improvement of the economy lead to the deepest economic crisis? This a key question that the authors of the report pose and answer.

Succumbing to the strong influence of pressure groups representing primarily heavy industry (especially the metallurgical industry) and various branches of the machine industry, the majority of investment resources and a large share of foreign exchange were channeled to the development of these industries. At the same time, the energy-producing industry and the chemical industry, both using domestic raw materials and producing for the domestic market and for export, were neglected.

Against the advice of many Polish experts and, as the report says, against the opinion of Soviet experts who were consulted on this matter, the construction of the Katowice Ironworks was undertaken and then the originally more modest scope of that investment was enlarged. This plant, together with associated investments, costs the economy about 175 billion zloty, considerably more than one-half of the total resources allocated in the past 10 years for the development of the metallurgical industry (312 billion zloty).

This high price was paid for the capability to increase production of standard steel used mostly in construction, which we must now limit for a long time, or even forego entirely. At the same time, the economy suffers from acute shortages of high-grade metallurgical products, such as: stainless steel and galvanized cold-rolled strip, tool-steel products and other products necessary to develop modern branches of industry. We must import those.

The Kotowice Ironworks, in large measure constructed with foreign-exchange credits, produces goods which we are exporting at very low prices. At the same time, production at many plants is seriously threatened because they cannot get high-grade metallurgical products which are not produced in our country and cannot be imported due to lack of foreign exchange.

Energy Intensive Economy

Even by the beginning of the decade of the seventies, it was known that the economy was excessively energy- and material-intensive. The conclusion reached by scientists and presented to authorities at all levels was unambiguous: only the modernization of industry aimed at a reduction of energy and material consumption per unit of output could have saved us from the troubles that besiege us now. Unfortunately, that advice was ignored and the development of energy-intensive branches of heavy industry was continued as well as development of mining, which was supposed to assure increased production of coal that was to provide the basic source of energy.

However, the colossal investments in the development of mining (200 billion zloty) failed to produce plentiful energy or lasting export effects. We are a country which exports less and less coal and every year suffers more from energy deficits.

The faulty structure of industry is the primary reason why our country, which is among the best educated in Europe, requires per $1,000 of national income three times more cement, two and one-half times more standard fuel and twice as much steel, zinc and copper as other countries.

It is significant how carelessly some economic decisions were taken and how social needs were disregarded. For instance, significant investments were earmarked for the development and startup of production of color television sets which, as the report says, satisfied the ambitions of machine industry but did not fulfill the most urgent social needs. Worse than that, this was contrary to the social needs since, at that time, the necessary increase of production of medicines, commercial chemicals and residential construction materials was not assured.

With the same carelessness, to put it mildly, other decisions were taken at various levels to invest in still other projects and to make the necessary foreign-exchange purchases even when the magnitude of these purchases exceeded the economy's ability to absorb them. This is proven by the value of the so-called frozen outlays.

We have in our country 60 billion zloty's worth of machinery and equipment standing idly awaiting installation, a sizeable proportion imported. The total value of outlays for the so-called, in-process investments, i.e., the value of expenditure for projects under construction which, under the present circumstances, will be finished at an unknown date or never, amounts to the astronomical sum of 821 billion zloty. These are monies already spent to start production which does not exist yet and will not be real for a long time or perhaps never. Taking under consideration the present ability to invest in these projects in progress, it will take at least 4 years, and in industry 5 years, to complete them.

Export Barriers

The economic-development strategy for the seventies assumed an increase of production for export and of profitable exports. This was the planned way to repay the incurred credits. Unfortunately, no steps were taken to establish industries specializing in profitable exports. The expectations that forced investments, based on imported modern technology, will automatically, by themselves, create adequate export opportunities permitting simultaneous repayment of debts and satisfaction of import needs, did not materialize.

"Despite a sizeable increase of modern productive capability, in the past 10 years the export capability of the economy did not change very much," says the report. But the requirements changed very much: in 1971, our economy depended on impor to a negligible degree and the debt amounted to $1.2 billion. Currently, our dependence is more than serious and the debt at the end of 1980 amounted to $23 billion.

As the report states, the source of the deep economic crisis that our economy is going through now can be traced to the faulty management system.

To carry on an economic policy so full of errors was possible only under the conditions of serious deformation of the economic decisionmaking process. The crucial deformation was the practice of taking even the most important strategic decisions by one man, although this was accompanied by appearances of collegiality, broad consultations and of using scientific expertise. The latter was often prepared dishonestly, just in order to confirm a decision already taken.

According to the authors of the report, this practice could function only under the conditions under which the role of representative bodies such as the Sejm, national councils and workers' self-government was reduced to merely approving decisions that had already been taken.

It is difficult to foresee how this version of the report will be evaluated by the members of the Sejm, the experts who criticized so strongly the previous version. It appears, however, that this is a sufficiently honest analysis which will provide a good basis for both: the development of an economic-stabilization program and lasting socioeconomic mechanisms that should be considered by the reform.

The report has an annex which consists of individual experts' presentations, including a paper by our editorial colleague, Stanislaw Albinowski.

8801
CSO: 2600/259

POLAND

PRESS CONFERENCE HELD ON BUDGET DEFICIT

Warsaw SLOWO POWSZECHNE in Polish 16 Mar 81 pp, 1, 2

[Article by Slawomir Siwek: "What to Do in Order to Eliminate the Budget Deficit in 3 Years. Decision to Publish the Balance of Payments."]

[Text] The first press conference with Minister of Finance Marian Krzak, Vice Minister Bronislaw Cias, department directors and presidents of the National Bank of Poland and the Food Economy Bank was held in the Ministry of Finance in Warsaw. As the minister said, meetings of this kind, devoted to the discussion of the activity of the ministry, would be held every 2 months. Journalists of the central press were invited to this meeting.

The meeting was devoted to the discussion of one problem in particular: what the Ministry of Finance is going to do in order to eliminate the budget deficit which amounts to 270 billion zlotys.

A fundamental statement was issued there: after the economic reform, the decision function of finances is necessary in the economy of our country. For the last thirty years, and in the last ten years in particular, we had brought finances down to a passive, accounting, book-keeping role. The control function of finances also had been brought down to zero.

This resulted in a situation as if there were no finances in our economy, which was undoubtedly further enhanced by a quite unnecessary fact that much information concerning the financial condition of the country was being concealed. Public control over these activities is necessary. In this context, Minister Krzak announced that the State's balance of payments would be published shortly. This undoubtedly correct and revolutionary decision of the ministry is in full accord with the principles of openness, public control and responsibility of all, not only of the ministry, for the financial affairs of the country.

Further, the minister said that the budget deficit would be eliminated within three years. At the same time, these efforts would be reinforced by some immediate as well as long-term measures.

These measures will include the already introduced principles of pre-payments for various goods (the system will always include new goods: single family

construction, cars, color TV sets). The first results are already apparent--on the one hand, 40-50 billion zlotys will be collected in car prepayments; on the other hand, the automobile market has responded with a price decrease by 25 thousand zlotys.

A concept of a stabilizing loan is being considered--if society supports the idea. There is also an intention to introduce a tax on luxury goods as well as a universal equalization tax (which will include ministers and thus also finances).

The prices of vodka and tobacco will also be changed--this has been heralded for some time.

Finally, some actions must necessarily be taken to strengthen the confidence of the people to save. With respect to this, the amount of interest is most important. We already have the first results. After negative months, along with the announcement on the raising of the interest rate, the savings in the PKO (General Savings Bank) have grown since November of last year. Proportionally to the number of people's deposits, we have the highest rate at the moment (10 percent per year).

"SLOWO POWSZECHNE," said Minister Krzak, "demanded that the interest rate be raised up to the ceiling, i.e., to 12 percent, however, given the present situation, we cannot affort it: the interest would then be covered only by increased issuance of money."

Apart from these steps, the ministry announced many further prospective systemic efforts. For example, within half a year draft regulations on the financial system of enterprises will be submitted; the banking system will be changed--the ministry will advocate the autonomy of banks, and thus the president of the National Bank of Poland (NBP) will not be a deputy minister [undersecretary] any longer; new banks will be established; the currency system will be changed with the elimination of the foreign exchange zloty, which only makes the links between our financial system and foreign financial systems difficult; the tax system must be re-worked; the ministry is working on the budget law; and, finally, colossal work must be done to remodel the system of prices.

Out of necessity, we are limiting our information to drawing attention to several selected problems, which, according to the announcement by the ministry leadership, will be dealt with by the finance apparatus of the country. There are many such problems. We shall return to these matters in a separate article.

9814
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DEVELOPMENT OF CONTAINERIZATION IN YUGOSLAV TRANSPORT

Belgrade TRANSPORT in Serbo-Croatian No 4, Apr 81 pp 3-8

[Article by Ivo Markovic]

[Excerpts] 1. Introduction

The development of containerization in our country is still quite slow compared to the technically more advanced countries. The principal reasons are both objective and subjective in nature. The objective reasons are that the necessary financial backing and credit have not yet been furnished, that modern transportation systems have not been given their due place in the set of economic instruments. The subjective shortcoming is manifested in the fact that certain work organizations are not conducting an adequate organizational and personnel policy to invest more funds in modern systems, to train personnel for these jobs, to argue for stronger coordination within the branches of transportation, and to establish integrated links with the users of services and so on.

2. The Status of Containers

At the end of 1973 our country had only 815 containers, but at the end of 1976 4,465. It is evident that there was an increase of 3,642 units, or 5.5-fold, which is very good, though still not enough in view of the real needs of our economy. However, by the end of 1979 we already had 7,287 containers, or 70 percent more, as can be seen from the table below.

Status of Containers by Republics and Branches of Transportation at the End of 1978 (20-foot and 40-foot)

By Republics		Distribution, %	By Branches of Transportation		Distribution, %
Bosnia-Hercegovina	495 units	6.7	Rail	562 units	7.7
Croatia	6,461 units	88.7	Maritime	6,491 units	89.1
Slovenia	127 units	1.8	Other	234 units	3.2
Serbia	204 units	2.8	Total	7,287 units	100.0
Total	7,287 units	100.0			

Source: SAOBRACAJ I VEZE [TRANSPORTATION AND COMMUNICATIONS], Federal Bureau of Statistics, 1979, p 35.

It follows from the preceding table that about 89 percent of the containers are in the maritime shipping industry in Croatia.

Traffic of Large Containers in International Transportation 1975-1979

Year	Container Traffic		
	Total	Full	Empty
1973	17,590	9,081	8,509
1974	33,310	17,647	15,663
1975	37,730	21,628	16,601
1976	31,761	21,711	10,053
1977	29,717	21,766	7,914
1978	93,539	47,571	45,968
1979	122,859	77,916	44,943

Source: SAOBRACAJ I VEZE, Federal Bureau of Statistics, 1976, p 36; 1978, p 36; and 1979, p 36.

If the year 1973 is taken as the base, then the growth of containers in international transport is shown by the following index numbers:

1974:1973 = 189.3	1976:1975 = 84.1	1978:1977 = 314.7
1975:1974 = 113.2	1977:1976 = 93.1	1979:1978 = 131.5

Though in 1976 and 1977 there was a decline of 16 percent in container traffic, the growth indices were nevertheless quite favorable in the previous years. Incidentally, 1976 and 1977 were years greatly burdened by the pronounced world economic recession. However, container traffic has again been growing since 1978. This upward trend is described by the 1978:1977 index number of 314 and an index number of 131.5 when 1979 is compared to 1978.

Total Container Traffic by Modes of Transport in Yugoslavia

Year	Yugoslav Railways		Highway		Maritime	
	Number of Containers	Chain Index	Number of Containers	Chain Index	Number of Containers	Chain Index
1973	11,655	--	2,352	--	3,583	--
1974	21,582	185.2	3,920	166.6	7,808	217.0
1975	22,211	202.9	4,591	119.7	10,828	138.7
1976	21,363	96.2	2,956	63.0	7,442	68.7
1977	17,824	83.4	6,532	220.9	12,010	161.4
1978	17,953	100.7	10,126	155.0	54,003	449.6
1979	16,793	93.5	27,130	267.9	145,741	269.9

Source: SAOBRACAJ I VEZE, Federal Bureau of Statistics, 1975 and 1976, p 36; 1978, p 36; and 1979, p 36.

It is evident from the preceding figures that the index number of the growth of containers between 1973 and 1974 was 157 for the railroads, 430 for highway transportation and highest for maritime transportation with an index number of 1,507. A very mild growth trend follows with the comparison of 1975 and 1974: a 2.9-percent increase in rail transportation, 19.7 percent in highway transportation and 38.7 percent in maritime transportation. Then there is a drop in container traffic between 1975 and 1976 which is greatest in highway transportation at 37 percent, 31.3 percent in maritime transportation and 3.8 percent in rail transportation; the railroads showed a further drop of 16.6 percent in container traffic in 1977. These were the 2 years of a marked economic recession in the world. In this period we note that highway transportation had a diminished share in container traffic, rail transportation had the highest share, and the share was moderate in maritime transportation. However, as early as 1978 container traffic experienced substantial growth. In addition, medium-size and small containers were included along with large ones beginning in 1978, which is one reason for the larger growth, though in maritime transportation there was all the same a larger growth because of the growth of container vessels. The comparison of 1979 with 1978 shows a growth of 169.6 percent in maritime shipping and 167.9 percent in highway transportation, while rail transportation showed a drop of 6.5 percent.

Traffic of Containerized Freight in the SFRY, in thousands of tons

Year	Total	Rail	Highway	Maritime	Chain Index
1977	637	185	152	300	--
1978	790	146	287	357	119
1979	1,546	140	776	630	195
1980	1,980	300	930*	750*	128

* According to an approximate estimate (550.6 tons were carried by maritime shipping firms in Croatia, and the traffic of the rest of the industry was estimated).

It is evident from the figures above that the total volume of containerized freight increased 19 percent between 1977 and 1978; the growth between 1978 and 1979 was 95 percent; and between 1979 and 1980 a growth of about 28 percent was achieved.

However, we should emphasize that there was also an increase in total freight traffic, so that our share in containerized traffic in 1980 was 1 percent of the total traffic of this kind (in 1977 the share was 0.79 percent).

It is evident from the following figures that container traffic in our seaports (in TEU's) increased 34.2 percent between 1977 and 1979. It is also evident that container traffic (in TEU's) dropped 6 percent from 1978 to 1979, while incomplete figures show renewed growth in 1980.

Container Traffic (in TEU's) in Yugoslav Seaports

Seaport	1977 Number of Containers	1977 Cargo	1978 Number of Containers	1978 Cargo	1979 Number of Containers	1979 Cargo	1980 Number of Containers	1980 Cargo
Total	33,878	199.8	48,329	288.0	45,453	363.0	--	--
Koper	22,689	120.0	37,204	203.0	31,023	240.0	*	*
Rijeka	11,157	79.7	10,895	81.9	13,975	120.0	15,941	150
Ploce	31	0.2	36	0.2	143	0.8	230	3
Bar	--	--	194	2.4	313	2.3	*	*

* No data.

Source: Analyses of the business operation of grouping of Yugoslav seaports, published annually in Belgrade, for the years 1976-1979.

Total container traffic in Yugoslav seaports in previous years was as follows (in TEU's):

1971	1972	1973	1974	1975	1976
790	2,251	4,379	7,930	12,360	25,000

When we examine our seaport container traffic over a 9-year period (1971-1979), it is evident that it has been experiencing ever larger growth from year to year (except for the small decline in 1979). It is indeed expected to be 100 percent between 1976 and 1980.

7. Development of Modern Technology in Yugoslavia and the Traffic in Which It Is Involved, With Special Reference to Croatia

The development of modern technology in our maritime shipping industry has been increasingly intensive since 1975 and has far surpassed the same development on land. In our country this development has gone furthest in the largest Yugoslav seaports: Rijeka and Koper, which is logical in view of its comparative advantages in terms of transportation geography, and maritime and commercial advantages, advantages in terms of personnel and other aspects. In all our other large ports, such as Bar and Ploce, though they are major ports, container traffic is still only symbolic.

Our country is among those countries in which integrated transport is developing quite slowly. At the outset of 1980 we had in Yugoslavia 30 ro-ro vessels with modern technology, or about 10 percent of the total merchant fleet. This is not a sufficient number of vessels incorporating the new technology to match the advanced transportation systems in the world or to keep up with the opportunity for their employment.

The Jugolinija Work Organization of Rijeka, which is one of our largest shipping organizations, has made the largest investment in up-to-date transport technology (ships and containers).

At the outset of 1980 Jugolinija was maintaining the following regular container and ro-ro lines:

i. with North America, a container line maintained by three container vessels,

ii. with the Middle East, a container and ro-ro line maintained by two container vessels and one ro-ro vessel, and

iii. with the Near East (Levant), a container and ro-ro line maintained by four vessels.

With respect to distribution of its up-to-date vessels by type, Jugolinija had the following fleet at the outset of 1980:

Item	Container Vessels	Semicontainer Vessels	Ro-Ro Vessels	Container--Ro-Ro Vessels (Combined)
Number of vessels	3	4	3	2
Gross register tonnage	20,277	38,799	6,372	11,150
Deadweight tonnage	28,193	55,612	9,634	13,058

Jugolinija's share in the liner fleet of the Yugoslav Merchant Marine is as follows:

i. 50 percent in the number of vessels and 64 percent in gross register tonnage;

ii. 50 percent of the container fleet by number and 87 percent by gross register tonnage;

iii. 27 percent of the semicontainer fleet by number and 23 percent by gross register tonnage.

The Losinjska Plovidba Work Organization of Rijeka is now one of our largest shipping companies which have considerably developed their ro-ro fleet. In 1979 it had five ro-ro vessels. This company is maintaining regular ro-ro lines (with 15 departures per month) from the Adriatic seaports: Rijeka, Koper, Kardeljevo, Trieste and Venice with the Mediterranean seaports Tunis, Malta, Tripoli, Benghazi, Tuleruk, and so on. In 1977 traffic was handled with 4,450 container trailers, but in 1980 there were about 9,000 of them.

Losinjska Plovidba also has its own containers--about 4,000 TEU containers and about 1,000 trailers and semitrailers. This company is planning further expansion of its ro-ro and container facilities on routes for Algeria and the Black Sea, so that as early as 1981 traffic will increase 20 percent.

The Jadrolinija Work Organization of Rijeka, with its up-to-date ferries, has also achieved a specific kind of inclusion in one type of ro-ro traffic which it carries on by direct embarkation of highway trucks and passenger vehicles.

The Jadroslobodna Work Organization of Split had 4 container vessels (gross register tonnage of 33,134) at the outset of 1980 and was maintaining container lines with the Great Lakes, Australia and New Zealand. Splosna Plovba of Piran was maintaining Central American and Northwest Pacific routes with 5 vessels (gross register tonnage of 58,658).

With its 4 container vessels Jadroslobodna of Split had a container traffic in 1977 of 1,484 TEU's, or 22,510 tons of cargo; in 1978 the figures were 3,231 TEU's or 40,030 tons of cargo; and in 1980 11,651 containers and 174,765 tons of cargo. Splosna Plovba of Piran, with its 5 container vessels, had a traffic in 1979 of 3,109 TEU's, or 36,055 tons of cargo; and in 1978 it had 6,091 TEU's, or 64,000 tons of containerized cargo.

Over the last 3 or 4 years Jugolinija (according to its own figures) has had container traffic as shown in the table below:

Year	Number of Containers, in TEU's	Tons of Cargo, in thousands
1977	20,960	233
1978	27,312	194
1979	33,686	305
1980	35,985	324

Source: Figures of the Jugolinija Work Organization of Rijeka.

In 1979 the Croatian maritime shipping industry had the following container traffic:

Containers	Full	Empty
Large containers	13,341	5,100 units
Medium-size containers	27,493	12,579 units
	40,834	17,678 units

Traffic Amounting to 550,606 Tons of Cargo

A considerable contribution to the development of up-to-date vessels were certainly made in the Rijeka basin by the fact that in 1979 a port container and ro-ro terminal was built and put into operation in Rijeka on a site at Brajdica. This terminal has 163 meters of berthage, the mole is 80 meters wide, and the depth of the sea is 12 meters. The container bridge has a capacity of 50 tons. The capacity of the terminal is 40,000 containers (TEU) per year. The annual container traffic (in TEU's) has been as follows in the 1977-1980 period:

1977	1978	1979	1980
11,157 units	10,895 units	13,975 units	15,941 units

A more intensive annual growth of container traffic is expected in view of the container terminal that has recently been opened at Brajdica. Seaport terminals are also in operation in Koper and Bar.

It is well known, and we just recall it here, that about 50 percent of all Yugoslavia's seaport traffic and about 70-75 pecent of transit cargo traffic go through Rijeka. As the existing modern transport capacities are intensified in the Rijeka basin, taking into account here the conventional technology and then total vessel traffic, cargo and passenger traffic, and achievement of the social product and influx of foreign exchange, there is no question that the principal land transportation facilities (the highway and the railroad through the valley) should be built at a faster pace along with appropriate land terminals, and at the same time there should be gradual further development of capacities for modern transport. This is especially so because of the present situation in which even today there is a potential traffic of about 2 million tons of transit cargo that cannot be carried on the transportation corridor between the Adriatic and the Danube region.

8. The Integrated Nature of Development of Modern Sea and Land Transport Technology

The optimum socioeconomic interest and also the individual interest of users of transport facilities, and also the interest of the carriers themselves in the long run, lies in achieving broader organizational and engineering-and-technological coordination of transportation among the various branches, but also with joint (simultaneous) use of transportation equipment by the different modes of transportation: highway-rail, highway-sea, rail-sea, rail-river, and so on. In other words, we are referring here to multimodal transport systems: ro-ro, piggyback and LASH. Development of solid container trains or partially of highway container lines for communication in both directions with the economic hinterland is important to successful maritime container transport. This has not been done yet in our case. Only the first beginnings were made by organizing the container train between Koper and Ljubljana in 1980. Until that kind of container train is introduced from Rijeka to the central and distant economic hinterland, i.e., to Zagreb and the Danube countries, it will not be possible for the up-to-date maritime transport facilities of the Rijeka basin to utilize their comparative advantages, and inevitably the results up to that point will be lower on the ladder than they might be.

In the traffic corridor between the Danube region and Rijeka we are annually losing about 2 million tons of freight, and this loss will at least double by 1985 and gradually increase thereafter. On the other hand the railroad lines to the central Dalmatian seaports have not been modernized, and the seaport capacities will not be adequately utilized.

In view of the ever more intensive development and increasingly manifold content of multimodal transportation and the technological link it represents between sea and land, we will devote a bit of space to this issue.

One of the very important subsystems of multimodal transport which has developed on land (abroad) and which has been having a strong impact on development of the maritime ro-ro fleet is piggyback transport. (A highway container vehicle loaded onto a railroad car.)

In Yugoslavia, as is well known, the piggyback system is in operation only between Munich and Ljubljana, where it has been operating since 1975. Traffic on this route has a very strong annual growth trend, as can be seen from the figures in the table below.

Year	Number of Trucks	Chain Index of Growth of Trucks	Tons of Freight	Chain Index of Growth, tons of freight	Index Number 1979/1976	
					Trucks	Freight
1976	486	--	7,700	--		
1977	536	110	8,496	110		
1978	1,338	250	21,140	249		
1979	2,569	192	43,640	206	528	567

It is evident from the figures that the annual growth of both trucks and freight is very high and has been growing annually: first by 10 percent and then 150 percent and 92 percent; that is, there was a growth of about 5.5-fold over a period of 3 years, i.e., between 1976 and 1979. Any comment as to the economic justifiability is superfluous. However, these attractive growth trends are inevitably intensifying extension of the long-planned routes which are indispensable to transportation: Ljubljana--Zagreb--Belgrade--Nis and beyond, Ljubljana--Koper, Zagreb--Rijeka, and so on.

The development of containerization and the piggyback system on land in our country and especially of container terminals, collection and distribution rail-highway terminals and piggyback terminals, and the disproportion is especially large when one compares it with the relatively well-developed container and ro-ro traffic in our seaports and maritime shipping industry and particularly when one compares it to Rijeka. This means a loss of optimality in the transportation of goods, and it is no wonder that we are a country in which shipping costs are a very large element in the price of goods (17-20 percent). That is why this problem calls for specific and urgent economic and public intervention to eliminate the "gap" in transportation technology between land and sea. The following example shows the size of that "gap."

We have already mentioned the size of maritime container traffic in Rijeka. However, according to figures of the republic bureau of statistics in Croatia, land traffic was as follows in 1979 (in Croatia):

a) Rail

Full Containers	Empty Containers
1,546 20-ton	1,233 20-ton
36 30-ton	18 30-ton
960 40-ton	675 40-ton
2,542 containers	1,926 containers

The total volume of freight carried was 33,411, which is only one-tenth of that carried by Jugolinija alone, and it is one-seventeenth of the 550,606 tons carried by Croatia's maritime shipping industry (in 1979).

b) Highway Traffic (in Croatia) in 1979

Full	Empty
1,208 large	349 large
237 medium-size	151 medium-size
316 small	285 small
1,761	785

The amount of freight carried was 53,178 tons, which means that the volume was somewhat more than on the railroad (about 60 percent), but about one-tenth of what was carried by maritime shipping.

Nevertheless, container seaports, container and ro-ro lines, land piggyback stations, and rapid and up-to-date rail and highway transportation routes have been developing quite significantly along northwest lines in Europe, and this is attracting more and more high-tariff (container) freight to those routes. This indicates to us the inevitability of faster development of our transit corridor and container route via Rijeka and the other main transportation routes in our country.

7045
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REDUCED PRODUCTION FROM CROATIAN OIL REFINERIES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 2 Jul 81 p 8

[Article by V. Subic: "Petroleum Refining Down Fifteen Percent"]

[Text] In Croatia this year they are expecting an appreciably smaller output of petroleum refining, which is the result of reduced imports. On the basis of the energy budget for this year, which set petroleum production in Yugoslavia at 4.3 million tons, imports of petroleum at 10.97 million tons and imports of petroleum derivatives at 460,000 tons, SR [Socialist Republic] Croatia will in 1981 have 4.75 million tons of petroleum derivatives, which is a reduction of about 6.5 percent from last year.

In the first quarter all three INA refineries together refined 1.99 million tons of crude petroleum (1.31 million imported and 680,000 tons of domestic), which is 15 percent less than over the same period of last year. This resulted in a considerably smaller production of derivatives, whose output was down 17 percent from the same period of last year. There was a particular drop in the production of primary gasoline, heating oil and jet fuel.

The smaller production of petroleum derivatives, along with difficulties related to obtaining the necessary foreign exchange to import crude petroleum, have been making it more difficult to keep the market supplied with petroleum derivatives. These difficulties were especially manifested in the supply of heavy furnace oil, heating oil (60,000 tons had to be imported because quantities were insufficient for the republic's needs), liquefied petroleum gas, 4,500 tons of which were imported, and diesel fuel (an intervention on the market involving sizable quantities from federal material reserves was necessary).

Poor Forecast

In spite of the imports, the supply of the market was short about 15 percent of the quantities necessary, which brought about occasional disruptions in industrial production and the supply of the public.

Difficulties in the supply of derivatives, it was said at INA, are also possible in coming months, mainly because of difficulties in obtaining foreign exchange to import petroleum. Strict enforcement of the agreement among the republics

and provinces on covering payments for imported petroleum is necessary in order to guarantee orderly and regular supply of all petroleum derivatives to the market. In the first quarter SR Croatia provided the payments-balance rights for imported petroleum and delivered petroleum derivatives to the other republics and provinces up to the amount of $240 million, which is about $100 million above the quota and obligations that fall upon this republic for the first quarter. Importation of petroleum from the convertible market has occasionally been interrupted in order to cover payments, and the continuation of importation and further regular supply of the market depend on punctuality in furnishing foreign exchange.

In any case the refining of petroleum in Croatia this year will be down considerably, it was said in the meeting of the INA Business Board, which in examining the plan of business operation for 1981 was analyzing production capabilities of work organizations.

An increase of petroleum and gas production has been anticipated this year, which is a considerable contribution to stabilization and better supply of the market. Explorations will be intensified, and INA-Naftaplin will this year drill wells to a total of 192,850 meters.

The Rijeka refinery will this year refine 4.15 million tons of crude petroleum and 78,000 tons of semifinished products. Primary refining capacities will be used at a level of 52 percent.

Lower Sales

At the "Refinery" in Sisak they will refine 3.64 million tons of petroleum, which is 3.8 percent less than last year. They will produce 3.58 million tons of petroleum derivatives, or 3.18 percent less than last year. At "Nafta"-Lendava an output of 2,900 tons of petroleum is planned, which is 15 percent below last year. Output of natural gas will be 7 million tons, which is 18 percent below last year. Lower petroleum refining has also been anticipated. Plans call for refining 480,000 tons, or 9 percent below last year.

Only at INA do they anticipate larger production of petrochemical products, even though the conditions for economic activity are extremely difficult. INA Petrohemija at Kutina will increase its planned output a total of 3 percent, and within that the output of manufactured fertilizers is to increase 4.8 percent.

At INA-OKI-ju in Zagreb they plan a total of 60,000 tons of polyurethane and 47,000 tons of polystyrene, which will be above last year's result. But this is still uncertain, since there are not enough domestic materials for this kind of output, and imports are difficult because of reduced foreign exchange rights.

At INA-Distribution they therefore assume a total sales drop of 3.9 percent this year, which in terms of quantity is 175,793 tons of petroleum and petrochemical products. They plan total sales of 4,327,000 tons of petroleum derivatives and petrochemical products.

It is assumed that sales of motor gasolines will be down 5.2 percent, gas oils 1.2 percent, heating oils 8.3 percent, asphalt 14 percent, miscellaneous derivatives 1.9 percent, and petrochemical products 3 percent. By contrast a higher sales figure is expected for liquefied gas--a total of 222,000 tons, which is 13.5 percent more than last year. In the first half of the year there have been difficulties in the supply of gas, which should not occur in the second half of the year, they feel at INA-Gas, because of the larger production.

In a recent meeting of the INA Business Board there was indication of difficulties in supplying petroleum derivatives to the market because of the planned drop in production of most derivatives and particularly because of difficulties in regular payment and punctual importation of petroleum to maintain the continuity of production.

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END

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LABOR REPLACEMENT, REALLOCATION DISCUSSED

Prague SVET HOSPODARSTVI in Czech 23 Apr 81 supplement pp 1-4

[Article by Eng Milos Pick, Federal Ministry of Labor and Social Affairs: "On Replacement and Distribution of Manpower"; passages enclosed in slantlines printed in bold face]

> [Text] /Improvement of the planned management system for the replacement and distribution of manpower in the national economy of the CSSR is an integral part of the Set of Measures for Improving the Planned Management System of National Economy and must therefore be oriented toward implementation of its key objectives and base its approach on its concepts and key principles. At the same time it must become an instrument for dealing with its own problems in replacement and distribution of manpower./

The Set of Measures is based primarily on utilization of extensive growth factors and is therefore to promote more effectively than was heretofore the case a transition of the national economy to /intensive development and its stepped up efficience/. The objective is improved efficiency of planning, particularly by reinforcing its goal-oriented program approach, its anticipatory orientation and balanced distribution, further development of khozraschet, implementation of a more effective utilization of economic means for promoting efficiency and quality.

/The problems attendant to the manpower sector/ are characterized primarily by debilitation of extensive growth factors and the necessity for orienting further development almost exclusively toward intensive factors.

The high degree of employment of people capable of work (over 90 percent) may have already exceeded the optimum limit (with essentially full employment of women). Therefore further extensive increases in employment will be formed primarily only by increments in population growth. In the course of the Seventh Five-Year Plan the increment in the number of workers will amount to approximately 0.3 percent annually.

/Thus, the key prerequisite is a more effective utilization of manpower/ and continuously increasing labor productivity. In spite of the relatively fast growth in labor productivity to date (for the past 30 years the national income per

worker in the production sphere showed an annual increase of approximately 4.3 percent, i.e., an overall increase of approximately 3.5 times), there still remains a great unused potential and long-term possibilities for continued growth.

The greatest source of unused reserves is the ineffective structure for production--only approximately 5 percent of workers in the production sphere are engaged in sectors on a par with the worldwide level of productivity of social labor; an annual increase of approximately 1 percent in this share (roughly to 20 percent over 15-20 years) would in essence lead to matching the worldwide level. Inadequate utilitarian features of our products (lower by approximately 20-25 percent in assessment at some foreign markets) are affected by a lagging intensive innovation of products and their extremely limited assortment. The lagging intensity of technological progress leading to substituting technology for manpower is--in spite of considerable growth in providing long-term production assets in the form of machinery (6.2 percent annually, i.e., 6 times in 30 years)--characterized by a high share of manual labor by workers (some 57 percent in industry) with slow replacement and low level of utilization of available machinery. High losses are also incurred in utilization of the working time of manpower and machinery during the course of a shift (at least 15-20 percent in the industry, even more in construction).

More effective utilization of manpower, /higher productivity of social labor is and shall remain the key approach to dealing with manpower problems in our economy./

More effective management and, particularly, more effective utilization of manpower and improvements in the current trend of development of development--together with a realistic concept of development--must be abetted by a more effective system for managing replacement and distribution of manpower.

I. Balancing Demands for Manpower and Its Sources

For a long time, we have been encountering a considerable imbalance between the demand for manpower and its sources that gives the outward appearance of a shortage of manpower but is in reality caused primarily by its utilization, the efficiency of which leaves much to be desired. However, balance between demand and resources in itself constitutes herein one of the key factors in effective utilization of manpower. An imbalance which would disproportionately reduce the demand for manpower and lead to a failure to utilize manpower resources, i.e., unemployment, a routine occurrence under capitalism, would also constitute an inefficient waste of social labor and, as such, it cannot serve as our goal. However, even the current imbalance bordering on overemployment leads toward inefficiency, not only by incorporating into the work process less effective sources of manpower, but also by encouraging "enticement" of manpower from other plants with all the accompanying negative consequences: sapping of work moral and discipline, excessive fluctuation and difficulties in allocation of manpower to key sectors and branches.

In our system of planned management, suppression of excessive demands for manpower and striking a balance between these demands and manpower resources is accomplished primarily by available tools of direct administrative regulation. This regulation takes the form of a two-pronged approach--on the one hand, the plan allocates to individual organizations an obligatory quota of personnel and, on the other hand,

meeting of this allocated quota is regulated by national committees through granting approval for manpower recruitment. This provides control not only over the resultant number, but also over manpower mobility.

Nevertheless, this form of administrative control has also its negative side. In particular, it creates a pressure on organizations to rely on a "soft approach" in planning the number of personnel and increasing their number in the plan, and this number forms the base for assessment of effected savings. In addition, the flexibility of this approach is limited at best, particularly during unforeseen changes in production or, in some cases, intentional substitution of production factors (if savings of long-term assets prove more effective than those of manpower).

Of particular interest are, e.g., some of the initial positive findings made by the Hungarian People's Republic with indirect means for control of the number of personnel by economic stimuli, or by hard economic pressure on effective management of manpower and its savings. Efforts in this direction are also underway in our country to add depth to some elements of stimulation. Making such stimulation more effective could in the long-run lead to providing more flexibility in dealing with this problem. In this orientation, the Set of Measures for Improving the Planned Management System can be regarded as open. However, until there is a guarantee of sufficiently intensive effectiveness of these indirect means, no consideration can be given to blunting the effectiveness of the direct means.

The still envisioned adaptations of the planned management system of the national economy and the state of preparations for the Seventh Five-Year Plan offer no justification for overestimating the possibility of a more substantial relaxation of the strained situation in manpower in the near future. There will be a slowdown in the growth of material production due to other reasons (in view of energy and material or importation limitations), but resources for growth in labor productivity will be better utilized primarily by allocations of manpower for accelerated development of effective developmental sectors, in particular those oriented to exports, and the tertiary sector which still is underdimensioned.

An attempt to overcome the imbalance between demand and manpower resources by only indirect economic tools would additionally call for substantially higher flexibility of other control tools, particularly wages and prices--with all the attendant economic and social consequences.

For that reason, the basic tool for regulating the number of personnel during the course of the Seventh Five-Year Plan will remain the state plan, which will specify the /obligatory limits on the number of personnel which cannot be exceeded/ for essentially all organizations with the exception of JZD [Unified Agricultural Cooperatives] where the number of personnel will continue to be regulated in the form of binding agreements. And additionally, for the first time--in view of the continuing excessive growth--regulation of the overall number of personnel will apply also to the number of technical and administrative personnel by specifying an obligatory share of the latter. In addition, national committees will retain control over manpower recruitment by organizations.

In keeping with the overall principles of the Set of Measures, at least partial changes are anticipated in the following approaches:

1. While to this date the obligatory limits on the number of personnel have been determined by the yearly plan (the five-year plan being used merely for orientational purposes), now /the focus of this obligatory nature is to accure to the five-year plan/ and the yearly plan will provide merely more accurate detailing. Should the specified tolerance limits be exceeded, it should be reassessed for the applicable level of management with, if need be, complex changes in the five-year plan (to include standards of the system of incentives). In this manner, units of plant management will be afforded the possibility for preserving the stability of economic conditions and a system of incentives.

2. Despite the mentioned retention of the principle of the obligatory nature of the planned number of personnel that may not be exceeded, there is expected at least a partial /increase in the role of economic production units [VHJ] also in manpower management./ Meeting of limits in the number of personnel will not be subject to separate assessment for each organizational unit, but will be made collectively for all organizations of the appropriate VHJ on a district basis. This substantially expands the possibilities for operational implementation of the plan by economic production units within districts. It is envisioned in this context that varying manpower situation with a district could, as a rule, be balanced by daily commuting to work.

However, commuting over longer distances usually constitutes an unwanted imposition on personnel, and for that reason transfers of manpower between districts are largely connected with migration of the populace and encounter a series of barriers that in our conditions limit greater mobility of manpower. Consequently, for the time being, efforts will be developed on a very limited scale to facilitate compensation of exceeding these limits by a failure to meet them also between districts on a regional basis—in the case of the collective organizations of the appropriate VHJ with up to 1,000 personnel within the district by five persons, from 1,001 to 5,000 personnel by 10 persons and over 5,000 personnel by 0.2 percent. The mentioned mimimal balancing of plan implementation between districts within a region, while not allowing for major unplanned distribution of employment opportunities by VHJ between districts, it could at least bring about a reduction in permanent minor modivications of the plan between districts, modifications which provide a considerable administrative drain on VHJ and KNV (Regional National Committees). The key conceptual role in distribution and concentration of work opportunities or of the production base among districts within a region must come to the fore already at the preparation stage of the plan, particularly of a long-term plan.

3. /Simplification is also expected in control of recruitment/ of manpower by granting permits for an entire year instead of for a quarter.

From what has been said, it is obvious that for the time being only minor adaptations are anticipated in these basic tools of employment control.

II. Implementation of Structural Changes in Employment

Effective, targeted structural changes must in the long range become one of the decisive factors in increasing performance in exports and intensification of our economy and, thus, a way out for solving the current difficulties.

These structural changes--at the mentioned low rate in growth of overall employment--cannot, however, be implemented by imbalanced distribution of increments in manpower, but, first of all, by reallocation of the current work force from declining into developing sectors and branches.

At the same time, structural and regional changes in employment cannot be implemented independently of other key trends in manpower mobility, particularly those due to generational variation and fluctuation.

Changes in manpower structure cannot in the least be brought about merely by imbalanced distribution of the increment in the work force, but only by much more demanding and large-scale processes of vocational training and transfers of manpower, both of which have to be channeled in a goal-oriented direction. But they also must ultimately provide a stabilization of manpower. For that reason, stabilization measures will have to be implemented selectively in stages to simultaneously overcome undesirable reverse fluctuation.

Nevertheless, utilization and channeling of these processes toward purposeful implementation of structural changes has not been very effective to date. The situation persists even though a wide scale of tools is used in dealing with this task--from the plan and regulation by directive to various economic incentives and subsidies that call for annual expenditure of Kcs 5-6 billion. In addition to an entire complex of other causes--particularly inadequate use of economic pressure on effective manpower management and release of manpower from ineffective sectors--it is also due to overly dissipated utilization of preferential tools. The latter are offered without coordination to maybe one-third to one-half of the workers in the national economy. Most of them were implemented, as a rule, as a followup in dealing with bottlenecks without any long-term concept of structural and regional changes in economy and employment.

The current state in utilization of incentives shows them to be less than effective. Reallocation of manpower into priority sectors and its stabilization in them is not being implemented with the requisite effectiveness, considerable difficulties are still encountered in providing manpower for some key sectors and regions, in some of which thousands of workers are needed to meet the plan quota. In addition, this lack of concept gives rise to growing inflationary pressures for additional benefits even after disproportionate increases in current incentives.

It is, therefore, envisioned for the period of the Seventh Five-Year Plan to devise an /interlocked system of priorities and their preferential providing with manpower/, concentrating and graduating the key preferential and--eventually--penalizing instrumentalities to a limited circle of professions or categories of personnel in selected organizations. The extent of priority sectors must be substantially limited--it is estimated that these will include no more than 15 percent of workers in the national economy, i.e., two to three times less than at the present. It must be established in particular for implementation of structural and regional changes in the economy, as well as for elimination of the focal points of undesirable fluctuation. Priorities will be set for the most part by the five-year plan, but are expected to remain in force over longer periods. Their operational amendment by yearly plans should take the form of only an exception for dealing with unforeseen situations.

For preferential providing of manpower to priority sectors it will be inevitable to make use of /focused effects of not only the direct tools provided by the plan and regulation of replacement and allocation of manpower, but also of an effective, suitably graduated system of incentives for plants and personnel/ as well as other more sidely based work and social conditions. This involves primarily offering of preferences in allocation of young workers and graduates of schools, transfer of personnel from discontinued operations, allocation of stabilizing housing construction, differentiation of wage relations by means of norms regulating the formation of wage resources, in specific cases even approval of extraordinary forms of manpower recruitment, etc. Selected groups of personnel in priority organizations are even to be given subsidies, e.g., stabilizational awards and other wage incentives or housing construction subsidies by special regulations. The decisive long-term role must herein be played by allocation of youth, wate and housing construction subsidies. Extraordinary forms of recruitment are to be interpreted as only a temporary instrument.

An integral part of the system of priorities must also be /releasing of manpower from declining or streamlined sectors./ This should involve operations which have been liquidated or are in the process of relocation and be applied to a considerably higher extent than has been the case. However, at the same time, part of other operations which are not destined for liquidation but expect production growth to be slower than the potential growth of labor productivity should release part of their manpower, be it on the basis of modernization or other streamlining measures. Under the conditions of the Seventh Five-Year Plan, this should not involve only exceptional cases, but a considerable number of plants in key production sectors, including industry. This calls also, of course, for dealing with all the relevant social conditions, including making use of provisions for material support of personnel in the process of transfer according to the decree of the Federal Ministry of Labor and Social Affairs No 4/1979 of the Codex.

The conditions deciding the effectiveness of these measures are constituted, on the one hand, by substantial limitation of eligible preferred organizations and personnel and, on the other hand, designation of an adequate extent of sectors scheduled for releases of manpower.

III. Resolution of Disparity in Replacement of Qualification with Manpower Replacement

Planned management of replacement of qualification constitutes one of the most demanding tasks of planned management. In view of the relatively long cycle of preparation for acquisition of qualification--in higher learning up to 10 years following completion of compulsory school attendance--its prerequisite is a sufficiently reliable clarification of the long-term outlook relative to the development of the national economy to include replacement demand for manpower. Plans for training of qualified personnel (in vocational facilities, secondary schools and institutions of higher learning) should always be systematically interconnected--with an adequate time lead of 5-10 years--with the long-term demand for manpower replacement.

However, at the present this interconnection is inadequate and there appears to be a long-term, deepening disparity between manpower replacement and replacement of qualification.

Plans for training to acquire a qualification are sometimes based more on sources of young workers and the capacity of vocational facilities and schools than on reliable knowledge of long-term demand for personnel with the given qualification. Of course, the reasons are many. They include the low level of reliability of long-term plans for development, including planned numbers of personnel, disproportionate capacities of vocational facilities and schools, etc.

But, be the reasons what they may, the consequences are very serious. In the Seventh Five-Year Plan, once other manpower resources have been exhausted, young workers shall constitute 96 percent of the total increment of workers in the national economy. Errors in orientation of their qualificational training could then not be compensated for by other sources of labor (e.g., housewives) as used to be th the case. The result is sometimes a reversed situation, when annual or even five-year plans for work force numbers must be adapted to the need for replacement of trained workers and school graduates, a situation definitely not conductive to effective utilization of manpower. The disproportionate expansion of the administrative apparatus could probably be cited as an extreme example, not the least cause of which is obviously to be seen in the disproportionate extent of preparation for selected areas of qualification. On the other hand, disparity between demand for qualification and preparation for its acquisition leads to a failure to use that qualification. On the basis of approximative calculations, it can be estimated that approximately 85,000 graduates of institutions of higher learning (15 percent) and 500,000 graduates of secondary schools (25 percent) and 1 million of trained workers (33 percent) because of work assignment fail to use their qualification. Analyses show that these problems will become even more acute in the course of the Seventh Five-Year Plan.

/Plans for training of qualified personnel are to be coordinated in the future with long-term demand for manpower replacement/ (with their so-called supplementary demand, expressing the planned increase in numbers and replacement for generational variation).

In this orientation the plan for the requisite amount of labor force will have to fulfill its long-term identification function which in the long term will keep increasing in importance even in the case of limiting its administratively regulatory function. For that reason the long-term nature of this plan is to be extended beyond the limits of the Seventh Five-Year Plan. However, long-term outlooks have not been satisfactorily mastered to the extent of providing the requisite amount of reliability and stability. Therefore, in addition to their further development, an orientational determination of labor force numbers for the Eighth Five-Year Plan is to be effected simultaneously with the Seventh Five-Year Plan. This extended long-term, 10-year orientation is indispensable not only for planning the training of qualified personnel, but also for allocation of new employment opportunities and for interlocking the incipient capital investment with realistic sources of manpower.

/The structure of the plan of training for acquisition of qualification/ must at the same time be interlinked with the requisite qualificational structure of manpower affected also by plans of structural changes (by the so-called goal oriented programs in particular), plans of technological development and replacement of long-term assets.

/Instruments for implementing the plan for qualified personnel/, particularly the plan for allocation of young workers (specifying the extent and structure of training for acquisition of qualification) should more sensitively reflect the uneven social urgency and difficulty of recruitment for various branches of training and study. The extent of recruitment for priority sectors is to become an obligatory task for the plan. Even exceeding it may be desirable in the framework of unexceedable overall limits on the extent of recruitment for schools and organizations (or vocational factilities). Unexceedability of these limits--the same as limits on the overall number of personnel of organizations--is to be reinforced also by appropriate material penalties if they be exceeded. Conversely, the training of youth in priority sectors should continue to receive preferential provision of material and financial incentives for apprentices and students.

IV. Resolution of Disparity in Replacement of Long-Term Assets and Manpower

Harmony in planned replacement of long-term assets with replacement of manpower is one of the key prerequisites for effective utilization of manpower. The qualitative aspect of this relation--improvements in the technical level of labor--presupposes replacement of manpower by technology. The quantitative aspect--limitation of superfluous employment opportunities--is an important prerequisite for precluding inflationary demands on manpower with simultaneous and effective utilization of long-term assets.

To date, however, there still is considerable disproportion between reproduction of long-term assets and manpower. Analyses document that in industry alone there are approximately a half-million work opportunities (i.e., about 25 percent of full-time two-shift operation) that have not been filled. What is more, intrashift losses in industry represent approximately 15-20 percent of working time for both workers and machinery, so that the so-called "net" intrashift utilization of long-term assets in industry does not exceed 60 percent of two-shift operation. In other branches of production the situation is probably even worse.

The number of employment opportunities in industry not only cannot be kept on an increase but, rather, will have to be gradually limited by a systematic orientation primarily toward improved utilization of existing capacities and channeling investment toward modernization measures providing manpower savings. This is to be accomplished by a set of measures for attainment of /harmony in replacement of long-term assets and replacement of manpower/ as well as of a more effective substitution of technology for manpower. This entails the whole gamut of instruments provided by the plan--e.g., /goal-oriented programs/ of the state plan some of which are to be primarily oriented toward effecting savings of manpower, long-term /concepts for the development of selected industrial locations/, long-term /programs for modernization and concentration of the industrial base/ and stepped-up use of shift work in VHJ, /obligatory tasks for increasing shiftwork/ of selected capacities by transfer of personnel from discontinued operations, mandatory /liquidation of operations, investment actions promoting advanced modernization/ oriented toward manpower savings. It also includes a system of material /incentives for efficient management/ and, thus, also efficient replacement and utilization of long-term assets and manpower.

An important instrument for all components of management is to be provided in the form of a methodologically uniform /system for verification of manpower provisions

for capacities under development/. Verification must occur as early as the stage of investment preparation and its incorporation into the plan, i.e., prior to launching construction. Any future allocation for investment will require documentation that the intended purpose cannot be implemented without investments, i.e., by improved utilization of work opportunities in existing interchangeable capacities, additional documentation elaborating on utilization of employment opportunities in the capacity under development and ascertaining that transfer of manpower from other existing capacities will not have detrimental effects on their utilization. Subject to documentation is also the feasibility of obtaining further sources of manpower for the capacity under development from discontinued capacities and, last but not least, the feasibility of acquiring further anticipated long-term manpower management sources in the given region after launching the capacity into operation. This documentation is gradually to be subjected to introduction and implementation of /balancing of work places or employment opportunities/, interconnecting utilization of long-term assets and manpower. This documentation must be systematically balanced along the line of branches as well as regions with manpower resources for the period of two five-year plans which, on the whole, corresponds with the cycle of implementation of investment actions.

This should gradually provide a curb on potential inflationary demands for additional manpower due to the surplus of employment opportunities caused by the current extensive orientation of investments.

V. Improved Motivation for Effective Manpower Management

Efforts of organizations cannot be directed in the future toward increasing or even exceeding the planned number of personnel but, conversely, they must be aimed at improving labor productivity and achieving manpower savings. This should be facilitated primarily by a system of incentives, to include the /system for channeling wages payable/. Economic plans of units of the plant management sphere will be determined by the accumulation of wages payable which will be oriented through two "channels"--dividing them into a basic and an incentive component. It is particularly the /basic component of wages payable/ (which may include up to 85 percent of all wage funds) which is to facilitate relative as well as absolute manpower savings. The amount of this component of wages payable will be determined on the basis of norms regulating economic incentives in relation to the volume of production tasks expressed at VHJ level by an index of the type of net production (the so-called adjusted value-added output) and at plant level, as far as practicable, in constant units of work or wages. The norm is to be specified by the five-year plan for its individual years so as to give preferential treatment to savings attained already in the yearly plan (in implementation counterproposal) ahead of savings achieved only after its completion. Exceeding labor productivity quotas set by the five-year or yearly plan will make it possible to make corresponding increases in earnings.

Determination of dependency, not directly between productivity of labor and average wages, but indirectly between volume of production and amount of wages payable is to give preference to absolute manpower savings over relative savings.

/The incentive component of wages payable/ (at least 15 percent of the total) is primarily to stimulate overall efficiency and its volume is to be similarly determined by longer term norms for material incentives in relation to overall

efficiency. The latter is to be characterized primarily by the index of profitability of production assets or an index of profitability of production factors (in which profits are related to the total production assets and the number of personnel awarded a specified amount).

In this context, the incentive component of wages payable is, among others, to contribute to savings in human labor which represent the main source of growth in overall efficiency. This will be the case particularly in cases where the incentive component of wages payable will be related to indices of the so-called profitability of production factors which, rather than indices of profitability of production assets, promotes substitution of new technology for manpower.

Under current conditions of production assets appraisal in which the system of prices and levies almost doubly undervalues manpower in comparison to appraisal of long-term assets or equipment, manpower savings are not completely projected into cost reduction and profit increase and, thus, into return on assets. This puts substitution of technology for manpower at a disadvantage in plant calculations even though it is effective from the viewpoint of the national economy.

However, analyses have shown that a more objective appraisal of production factors would require a simultaneous increase in plant levies from wages payable (contribution to social security) to approximately 45-55 percent (under 1977 conditions at the then turnover tax rate) with a simultaneous commensurate lowering of the profit margin in prices. Problems of a more objective appraisal of production factors are expected to be dealt with on a long-term basis (no longer than after 1983).

As long as a more objective appraisal of production factors cannot be arrived at under the current system of prices and levies, this distortion can be eliminated by the index of profitability of production factors (in which monetary appraisal of manpower corresponds to the limit of efficiency of this substitution—the estimate for the Seventh Five-Year Plan being Kcs 700,000).

The incentive component of wages payable and, similarly, a substantial /part of investments/ (through the so-called development fund) and accumulation of a /cultural and social services fund/ should, in addition to manpower savings, simultaneously stimulate also effective utilization of long-term assets and thus help curb creation of superfluous employment opportunities.

The system of incentives for exceeding effectiveness (of manpower as well as of long-term assets) in meeting the yearly plan quotas will then be less intensive than the increase in effectiveness already incorporated into the plan (in the implementation counterproposal); therefore, e.g., in the case of wages payable those savings will be shortened in key production branches by 40-60 percent when exceeding the indicator of results (of value added, or profitability) and by 30-40 percent when achieving absolute savings in the number of personnel in comparison with the yearly plan.

Increases in efficiency and savings of human labor must, of course, also be aided by a system of remuneration and a more effective utilization of their well-tried forms of incentives—piecework wages, bonuses, rewards. A new relationship has been effected between the incentive components of wages and the results attained

attained by intraplant units (utilization of savings in wages payable through manpower savings primarily for those who accomplished or proposed them) offering the possibility of not only a lump-sum reward, but a long-term wage subsidy (facilitating accomplishment of tasks with a lower number of personnel). Extraordinary attention will concurrently be paid to upgrading and expanding the implementation of performance norms, norms for service and attendance not only in key, but also in auxiliary, servicing, management and administrative activities. Objectivization of norms for use of labor is envisioned in connection with the program for improving the economic effectiveness of the remuneration system. Remuneration systems must also be instrumental in helping to overcome apathy to shift work, among others by offering wage premiums not only for work at night and on Saturdays and Sundays, as is the current practice, but also for work in the second shift. Last, but not least, a contribution to effective manpower management is to be provided by improvements in the planned /management of personal and social development/ which will now become an integral part of planned management. Long-term programs will be worked out for key tasks in this area (as a part of prospective plans) as well as five-year and annual implementation plans (as a component of the economic plan) up to the level of sectorial central organs.

Some of the listed measures have not been fully implemented from the start of the Seventh Five-Year Plan. They are to be implemented therefore, once their working out has been completed, in the course of the five-year plan.

In conclusion, it ought to be pointed out that problems of replacement and distribution of manpower cannot be dealt with in isolation, but only in the wider framework of all measures designed to promote growth of efficiency in the development of the national economy.

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CSO: 2400/240

COUNTERPLANNING--WORKER CONTRIBUTION TO MANAGEMENT

Prague HOSPODARSKE NOVINY in Czech 8 May 81 p 3

[Article by Josef Koutnik, employee of the CPCZ Central Committee: "Workers' Participation in the Management"]

[Text] Participation of our workers in the management of production and their socialist competition constitute a unity of mutually inseparable forms of workers' initiative. Workers' participation in the management of production is demonstrated by their active involvement in drafting, creating and implementing the plan and in controlling its fulfillment. Fundamental improvement of the planned management of national economy is changing the method of organizing workers' participation in the drafting of the five-year plan and of annual operational plans and their share in counterplanning when drafting and preparing annual plans.

Counterplanning is based on specification and implementation of plans for economic production units and enterprises that are more demanding and more advanced than the tasks stipulated for individual years of the five-year plan. This is done by enterprise subdivisions and by individuals who adopt higher tasks than those stipulated by specifications of tasks in the plan for economic production units and enterprises, usually without requests for additional allocations of materials, raw materials, power, capital assets and work forces but rather by tapping unused resources, by more efficient production and better quality of work. This objective is achieved by active participation of all working people in the drafting of the plan.

Planning

The contents of counterplanning must be focused primarily on the achievement of the most economical and most advantageous valorization of all factors of production, a higher share of top-quality goods, innovation of products, introduction of new, technologically superior products, introduction of new technology, higher social productivity of labor, profitability and other qualitative indicators of the plan for enterprises and economic production units, which reflect more efficient production.

Counterplanning demands that the following preconditions be met:

- To specifiy tasks, extent and economic conditions stipulated by the state five-year plan, including their division into individual years according to the requirements of the Set of Measures. The tasks, extent and economic conditions may be specified on every level of the management. The tasks and indicators for the Seventh Five-Year Plan, or as the case may be, the directives for the preparation of the annual plan, will be specified on the level of the ministries and other central organs in coordination with associated ministries in a differentiated, comprehensive and balanced form.

The task of the economic production units is to specify in a differentiated and comprehensive form, and to coordinate with associated organizations, the tasks and indicators for the five-year plan, or the directives for the specification of annual plans for subordinate enterprises, according to the schedule, volume, line of production, and quality. The tasks thus stipulated will be further specified by enterprises according to specific conditions in plants and workplaces, and differentiated for individual enterprise subdivisions which will specify them for workers' teams in further detail and in a differentiated form.

- To determine specific correlations between the tasks and the means of material incentives specified by the five-year plan, or by the directives for drafting the annual plans--in other words, between adjusted value added, profitablity of production assets, profits and imports on the one hand, and wages payable, the development fund, and the material incentive fund to stimulate import on the other hand, or in some instances, the relations between other indicators and means of material incentives.

The contributions of counterplanning will be integrated in economic plans of the organizations. During the implementation of the plan further suggestions will be elicited according to the regulations applicable for the implementation of the plan.

All workers and economic managers must become convinced that in terms of economy it is more advantageous for the enterprise and plants to counterplan and to adopt more advanced tasks in adjusted value added, profitability of production assets, higher tasks in imports and per kg prices, and to employ work forces more efficiently than stipulated by specifications of the plan for the given year, and to fulfill these tasks, rather than to adopt only the tasks of the plan stipulated in specifications and to overfulfill them.

Specific tasks of counterplanning must be resolved by work teams on the level of workshops, operations, plants, organizations and economic production units, with the active participation of the foremen, technicians and economists, inventors and innovators, comprehensive rationalization teams, and socialist labor teams. When the economic amangement negotiates with the workers the potential and the method for the mobilization of internal resources, it should stipulate at the same time specific topical tasks for inventors and innovators, exemplary and most accomplished workers, comprehensive rationalization teams and socialist labor teams so that in particular all qualitative tasks are fulfilled.

Only that can guarantee that the development of the initiative expressed in progressive plans will correspond to the needs of our society and that it will focus

not only on more efficient and better labor performance but also on further improvement in the production of use values necessary for our society; only thus can the development of labor initiative expressed in the plans avoid focusing on higher production of goods that are not in demand and that would only gather dust in storerooms, which would mean needless waste of production assets and work forces and in the final analysis, also depreciation of workers' initiative.

Counterplanning must be channeled so as to help create preconditions required for further upgrading of our workers' social, cultural, sanitary, working and living conditions in accordance with the program and with the plans for cadre training and for their personal and social development within approved limits.

The implementation of the Set of Measures imposes considerable demands on working teams as well as on the managers on every level. Untapped resources, including assets of the social character, must be mobilized in order to fulfill the tasks and to achieve the objectives of the further economic development.

The program for the cadre, personal and social development and its implementation has set the preconditions for gradual resolutions of the still unanswered questions in social management, and provided the workers with an opportunity to fulfill their tasks, to know how to face them, and to deal with them efficiently.

An integral part of the drafting of the plan is active workers' participation in the specification of a new collective contract which contains specific mandatory measures and obligations pertaining to the fulfillment of planned tasks, application of socialist principles in rewards for achievements, improvement of workers' working, sanitary, social and cultural conditions, and the development of educational and training programs. It promotes socialist democracy and strengthens law and order, and sense of labor discipline and comradely relations.

It is imperative to pay attention to workers' participation in the drafting of the principles for the development of socialist competition and of programs for the development of the innovators' and inventors' movement. The results and decisions stemming from public control of the fulfillment of collective contracts, reviews of the fulfillment of socialist pledges and programs of rationalization, and conclusions drawn from analyses of economic achievements and quality of production and labor must serve that purpose.

Socialist competition and workers' participation in the management of production represent an efficient and persistent way to educate individual members of production teams and to discipline their thought and action. Vladimir I. Lenin underscored that socialism offers for the first time the opportunity to develop broad-based competition. The principles and the whole organization of socialist competition must not be chosen casually and cannot proceed arbitrarily; they must be formulated and systematically developed in complete harmony with the overall mechanism and organization of the management, both on a society-wide scale and in every sector of our national economy, in the ministries, economic production units, enterprises, plants, and subdivisions.

Fulfillment

Lenin's principles concerning the organization of socialist competition, when consistently applied, provide a vital precondition for the development of counter-planning. If the plan of economic production units, enterprises, plants and subdivisions combines the resources and assets disclosed on the basis of information, experience and creative approach in the pre-production stage by workers, socialist labor teams, comprehensive rationalization teams, inventors, innovators and other employees, then socialist competition cannot develop haphazardly and spasmodically. Socialist competition must be free from any symptoms of formalism and administrative overkill which adversely affect the workers' attitude. Socialist competition must develop so as to fulfill economic, ideological, political and educational functions.

The current system of organization of socialist competition in economic production units, enterprises and plants must be reevaluated and developed systematically and comprehensively. The demands on the substance of socialist pledges submitted by individuals, teams, plants and enterprises must be raised substantially so as to reflect their share in the fulfillment of the tasks of the plan. Pledges of whole enterprises and plants must express the sum total of the pledges made by teams and individuals and culminate in a progressive plan reflecting the econonomic effect of the adopted socialist pledges. This presupposes a system where socialist competition starts with the adoption of pledges and personal plans by individuals and workers' teams, continues with pledges of operations and workshops, and ends with the pledges of the whole plant and enterprise, in accordance with the technological cycle in the process of production. Workers in pre-production stages in enterprise subdivisions and workplaces within the enterprise must become involved in socialist competition and their adopted socialist pledges must be coordinated and balanced. Only that may prevent individuals and workers' teams from being frustrated in their initiative by the indifference of the workers engaged in the next stage of the working process in the technological cycle of production.

It is therefore desirable to involve whole teams of workers in socialist competition by organizing competition among individuals, workers' teams, workshops, operations, plants and enterprises. Conditions for competing, rating, control and awards to winners must be stipulated for the competition.

Production councils represent an important form of active participation on the part of the workers in the management of production, drafting of the plan, its implementation, and the development of creativity.

Efficiency of production councils may be enhanced so that they become a truly active form in workers' participation in the management if the production councils are organized systematically, if they are target-oriented, if their training is organized more thoroughly, and if workers' suggestions and recommendations are expeditiously processed and implemented. Technical economic conferences, meetings dedicated to new technology, etc., represent other forms of workers' participation in the solution of vital tasks and problems encountered in the course of the fulfillment of economic plans in enterprises and plants.

Socialist labor teams, comprehensive rationalization teams, the movement of innovators and inventors, and creative plans of individual engineers, technicians and managers or of their teams must be developed comprehensively and further upgraded.

The Revolutionary Trade-Union Movement and the Union of Socialist Youth have the urgent task to approach comprehensively the systematic development and organization of socialist competition, the innovators' and inventors' movement, and other forms of creativity, to coordinate competition among individuals, workers' teams, workshops, operations, plants and enterprises in agreement with the technological cycle of production, and to create a situation where nobody stands aloof from the movement and where everybody is involved in its development.

Top economic employees on every level of the management bear full responsibility for the fulfillment of all essential preconditions for a systematic and comprehensive development of every form of labor initiative and participation in its organization.

Control

Control is an integral part of the management and thus, an indivisible factor of an active participation of the workers in the management. Therefore, it is necessary to achieve a widespread involvement of workers in controlling the fulfillment of the plans and in the management, to publicize good examples, to publicly criticize irresponsible, sloppy and inferior work of any of the workers, including the managers, and to insist on penalties for shortcomings disclosed in the fulfillment of the plan and in the care for our working people.

Mass participation of the workers in the control activity must be focused above all on the following aspects:

- Uniform fulfillment of the tasks according to the directions stipulated for application to be achieved by systematically fulfilling the sales plan in the required structure while maintaining the planned efficiency, quality and economy;

- Fulfillment of qualitative indicators of the plan, especially adjusted value added, profitability of production assets, utilization of fixed assets, more economical utilization of materials, raw materials, fuels, power, higher labor productivity, more rational employment of the work forces, reduced requirements of labor forces and overtime;

- Implementation of the target state programs, fulfillment of the tasks in supplier-consumer relations, and fulfillment of the program for comprehensive socialist rationalization;

- Fulfillment of the tasks of the plan for cadre training, for personal and social development, for the standard of plant dining and social facilities, and fulfillment of measures for improved health protection and work safety.

Control must be conducted regularly, in ten-day, monthly and individual quarterly cycles. Semiannual public reviews of the fulfillment of the plan and of the economic management must go hand in hand with reviews of the fulfillment of socialist pledges, achievements of workers' creative initiative and of collective contracts. An intrinsic factor of public control is also observation of the legal system and of labor and technological discipline. Annual reviews of the fulfillment of the plan must assess not only the achievements for the given year but also the cumulative fulfillment of the tasks of the five-year plan, i.e., from the beginning of the five-year plan.

Active participation of workers in controlling the fulfillment of the tasks of the plan and of economic achievements represents a specific form of "upward" control which, together with "downward" control conducted by leading economic managers, constitutes an indivisible unity and expresses higher principles of the democratic participation of our workers in the management.

Assessment of Achievements

The unity of material and moral labor incentives represents one of the most vital principles of the scientific management and organization in building of socialism and organization of socialist competition. Lenin often stressed that workers who achieve good results in their work and in socialist competition must be rewarded. "Every achievement, particularly one's economic contribution, must be periodically rewarded by the Order of the Banner of Labor as well as by cash bonuses." Lenin's ideas which remain valid to this day must be further specified in accordance with the principles of the Set of Measures.

Material and moral incentives stimulating labor and the development of labor initiative and their efficiency must be reviewed publicly and our working people must be informed about the consequences of their fulfillment or nonfulfillment of their planned tasks in terms of personal and collective material incentives. The role of moral evaluation of the achievements of individuals and workers' collectives must be considerably enhanced in the spirit of Lenin's principles. In this respect the importance of the assessment of individuals and workers' teams must be upgraded in particular.

Material and moral incentives stimulating social production constitute a dialectic unity. They can be neither separated nor counterposed. Only their systematic application may provide favorable preconditions for the fulfillment of economic tasks, for active participation of the workers in the management, and for mass development of socialist competition, and turn workers' participation in the management into an effective method in the process of building of our socialist society.

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ROLE OF WORKERS IN COUNTERPLANNING STRESSED

Prague HOSPODARSKE NOVINY in Czech 22 May 81 pp 8-9

/Complete text of Procedure for Implementation of Counterplanning, as formulated by the State Planning Commission, Czech Planning Commission, Slovak Planning Commission, Federal Finance Ministry, and Federal Ministry of Labor and Social Affairs/

> /Text/ Active worker participation in national economic management, and especially in the formulation, implementation and control of plan fulfillment, is a significant factor in efficient national economic development and in increasing the material and cultural well-being of the population. Its basic principles have been established in Principles of the CSSR Government and the Central Trade Union Committee Concerning Worker Participation in the Formulation, Implementation and Control of Plan Fulfillment from 1981-1985, which was adopted in December 1980 by CSSR Government Resolution 401/1980. "Principles" emphasizes the intensification of active worker participation, above all in the preparation and formulation of plan proposals by means of counterplanning, which is viewed as a qualitatively higher level of creative worker initiative. Along these lines, the State Planning Commission, the planning commissions of both republics, the FMF /Federal Ministry of Finance/, and the FMPSV /Federal Ministry of Labor and Social Affairs/ have formulated, after negotiations with the Central Trade Union Committee, the following procedure for the implementation of counterplanning (State Planning Commission, File No 90 702/81), which we are publishing here in its entirety.

I. Objective and Basic Preconditions for Counterplanning

1. Counterplanning is a method for formulating annual plan proposals. Its objective is to mobilize and employ the abilities, knowledge, experiences and suggestions of workers to uncover unused internal capacity, thereby assuring at all levels of management the most efficient fulfillment and surpassing of the goals outlined in the five-year plan, and specifically the guidelines (focus of work) for a given year (hereafter referred to as five-year plan guidelines).

2. The mobilization of internal resources through counterplanning is intended to assure that new possibilities, potential, and resources for the national economy are known at the time of the formulation of the implementation plan and may be used in a planned manner in the assurance of the dynamic and proportional development of the entire economy.

3. Counterplanning also stems from the necessity for unifying, in the formulation of annual plans, individual, collective and societywide interests in the direction of the common search for the most efficient resolution.

4. The five-year plan guidelines establish, for individual years, the main objectives of organizations and, at the same time, the reserves (raw materials. fixed assets, employees, financial reserves, etc.) for their implementation in the form of limits, standards, etc. Therefore, counterplanning is basically focused on the acceleration of the five-year plan guidelines in annual plan proposals.

A precondition for the efficient development of counterplanning is that the more progressive tasks incorporated in a plan proposal not constitute a strengthening of standards, of allocations to fixed assets, etc., in the planning year, nor the automatic increasing of tasks in the following year, and that the advantages stemming from the acceleration process are retained by individual levels of management.

5. Counterplanning is related to economic incentives in accordance with the merit principle. The adoption of more ambitious tasks in annual plan proposals, in comparison with adhering to the tasks of the five-year plan guidelines or the overfulfillment of an annual plan, will be materially rewarded; the failure to uphold five-year plan guidelines will be materially punished. The fulfillment of an accelerated annual plan is judged, in principle, as normal plan fulfillment with the caveat that a moderation or elimination of punishments is established for relevant instruments of material incentives, so long as a failure to meet an annual plan does not fall below the level of the tasks in the five-year plan guidelines.

II. The Main Characteristics of Counterplanning

1. Counterplanning is applied within the framework of the resources and limitations established by the five-year plan guidelines by means of their more efficient valuation, and especially through the improved utilization of raw material inputs. This means that it is focused mainly on the qualitative aspects of development.

2. Acceleration in terms of the tasks of the five-year plan guidelines must be incorporated into the proposed plan of the organization, the economic production unit (including the organizations directly administered by central agencies--hereafter only "VHJ") and of the central agency, at the latest, in other words, at the time of the presentation of the annual plan proposal by the central agency to the relevant planning commission. Insofar as the central agency or the VHJ assure or overfulfill, in their plan proposal, the tasks of the five-year plan guidelines, and adopt a further acceleration of tasks in the formulation stage of the proposal for the state plan (up until its approval), the same increase in economic incentives is applied as for counterplanning. All additional acceleration of tasks is considered as overfulfillment of the plan and receives fewer economic incentives, according to rules applicable for plan overfulfillment; the central agencies conduct themselves in relation to the VHJ as does the general directorate of the VHJ in relation to its organizations.

3. The acceleration, in terms of five-year plan guidelines, of tasks in proposed annual plans receives the following economic incentives:

a) at the organizational and VHJ level, according to the relationships given by the Set of Measures and related regulations, which establish the ties between critical indicators and instruments of economic incentives; an increase in the basic components of wages payable depends on a higher level of adjusted labor value added, an increase in the incentive components of wages payable on increased profitability of fixed assets and an increase in average earnings on reducing the number of employees. Managerial employee compensation will depend on the magnitude of the specific indicators, as established by supervisory agencies, that they commit themselves to fulfill; an increase in development funds depends on profit increases, and an increase in the fund for material incentives for exports on increases in exports in comparison with 1980 performance. In sectors where the above-mentioned critical indicators are replaced by other specific indicators (return on factors of production, retail turnover, return on costs, etc.), connections to these indicators will be employed;

b) within organizations, according to the connections and regulations established by the organization managers, and in conjunction with the focus of counterplanning at the inception of work on a plan proposal (the internal regulations governing counterplanning, which should be a part of the regulations governing internal enterprise khozraschet); ties to economic incentives will be expressed in the tasks and indicators corresponding to the management, planning, and khozraschet practices of the enterprise;

c) in the event of underfulfillment of the tasks of the five-year plan guidelines, penalty relationships come into play at the level of the organization and the VHJ between the crucial indicators and the instruments of economic incentives; lower adjusted labor value added results in a linear reduction in the basic components of wages payable, a lower return on fixed assets in a progressive reduction in the incentive components of wages payable; and failure to meet profit and conditioning indicators results in a progressive reduction in allocations to development funds, while failure to meet export-increase targets leads to a linear reduction in allocations to the fund for material incentives for exports.

The concrete procedure is presented in detail in Part V.

III. The Focus of Counterplanning

1. The focus of counterplanning is established by a supervisory agency, by agreement with the relevant agency of the ROH /Revolutionary Trade Union Movement/, and on the basis of an analysis of the difficulty of the tasks of the five-year plan guidelines when viewed in the context of the concrete conditions of the organization, and with a view to overall social needs, all of which must always be taken account of at the beginning of work or an annual plan proposal. When the situation permits, the focus of counterplanning may be determined up to the end of the Seventh Five-Year Plan.

2. Counterplanning within an organization is primarily oriented toward the following components of intensive growth:

--a reduction in the energy- and material-intensiveness of production, achieved through savings in the consumption of raw materials, fuels, energy, and inputs in comparison with the standards for individual products and groups of products;

--a reduction in the import intensiveness of production, principally by replacing materials which are imported or in short supply with inputs which are domestic and of which there are ample stocks;

--the increased satisfaction of social needs, especially through an increase in effective products for export, and an increase in the production of goods currently in short supply for the domestic market;

--receiving higher prices for exports, particularly by means of an efficient production and supply network, the assurance of spare parts, service, etc.;

--an increase in labor productivity through work rationalization, an increase in the quality of labor-consumption standards (performance standards, service and inventory standards) and the expansion of their base;

--an improvement in the use qualities of products, an increase in the percentage of quality products and products of a state-of-the-art technical level, a minimization of losses due to low-quality products, especially through a reduction in the extent of internal rejects and limitations on the production of products in the lowest quality classifications, etc.;

--a speeding up of the implementation of the results of technical development, especially a shortening of the time needed to start up the production of new products and technologies;

--improved utilization of fixed assets and inventories and a reduction in the amount of production inventories by increasing their turnover;

--reducing the time required to complete construction projects and to make facilities operational and improve the quality of labor and deliveries.

--a reduction in other production and operational costs, in particular the costs of handling at the enterprise, warehousing, etc.

3. In instances where counterplanning is focused as well on the overfulfillment of the delivery objectives of the five-year plan guidelines, the organization and the VHJ are to provide the materials for this production mainly by means of restricting consumption; in the event that there is a need for increased consumption of material inputs, the requirements are to be resolved directly with the supplier in the framework of a clarification of supplier-consumer relations in the planning process. A more detailed procedure is presented in Part VI.

VI. Program and Objectives of Specific Agencies

1. The basic starting point for the organization of counterplanning is the five-year plan guidelines, as formulated by agencies of economic management at individual levels, as far down as internal enterprise units. The task of these economic management agencies is to create comprehensive conditions for the development of counterplanning in their subordinate organizations and units.

2. The formulation of the five-year plan guidelines, and the establishment of tasks, limits on resources and on the instruments for economic incentives (standards, etc.) for subordinate organizations must be differentiated according to their objectives and to the greatest extent possible based on an analysis of individual factors and standards, for instance, indicators of labor and material input consumption. Moreover, the relationship within individual parts of the plan must be clarified, as must the relationship among the individual components, and the established tasks must be coordinated, in their fundamental relationships, with the responsible organizations.

3. The organizations rework in a differentiated manner the tasks, limits, standards, and interrelationships which have been established for them, and at the level of individual internal enterprise departments into indicators and relations which express most efficiently and comprehensibly the assumed contribution of every internal enterprise department to the meeting of the objectives established by the supervisory agency and the degree to which the given internal enterprise department will share in the incentive resources created by the organization, relative to its actual contributions.

4. In the formulation of the five-year plan guidelines, the central agencies, VHJ and, in some cases, organizations create the absolutely essential reserves to cover potential increased requirements in connection with the adoption of more demanding tasks in subdivisions; at the same time they have to consider particularly requirements for funds in those cases where there exist significant differences in the magnitude of rates used as instruments of economic incentive among the subdivisions.

5. Central agencies, in cooperation with the relevant central agency of the trade union, establish a binding approach and a time schedule for the formulation of the annual plan proposal which provides for sufficient time to hammer out tasks and conditions conscientiously and to incorporate a broad spectrum of workers in counterplanning.

6. Within the framework of the preparation of work on proposed annual plans, the VHJ and organizations, in conjunction with the relevant ROH agencies, assure the thorough acquaintance of all the workers with the tasks stemming from the five-year plan guidelines for the year in question, as well as with the conditions for incentives.

7. From the beginning, organizational management and the ROH agencies are to organize the formulation of the annual plan proposal with broad worker participation so that not only the professional managerial employees, but employees from all departments share both in the preparation of the plan and in the efforts to accelerate it. At the same time, they are to see to it that the resolution of specific problems and tasks assigned to an individual work site within the context of counterplanning will be solved primarily by the foremen, masters, rationalization brigades, socialist work brigades, innovators and those who improve operations.

Their participation must be organized in such a way that the proposal of an annual plan for the organization stems from the suggestions, experiences and comments of the senior employees, innovators and of those who improve operations, production innovators, comprehensive rationalization brigades and brigades of socialist labor, and so that the plan is focused on increasing labor productivity, production efficiency and the quality of all work. The objective of this procedure is to change qualitatively the current method for formulating annual plan proposals within organizations.

8. Individual management levels are to incorporate the contributions of counterplanning into their own annual plan proposals, including the acceleration of qualitative indicators to the fullest extent and, insofar as it is a matter of increasing production, then only in the event that the requisite material inputs have been provided for.

9. The supervisory economic management agency will survey the efficiency of the proposal, the accuracy of the calculations of resources for material incentives, as well as the assurance through suppliers of needed increases in raw material and input requirements. On this basis, it will make a decision concerning the incorporation of the contribution of counterplanning into its own plan proposal, regarding which it will inform the subordinate organization.

V. Economic Incentives

The relevant regulations establish the system and conditions for economic incentives as these relate to counterplanning. They contain definite relationships between the critical indicators and the instruments of economic incentive for cases both of accelerating and underfulfilling the tasks of the five-year plan guidelines in the annual plan proposals, as well as for overfulfilling and underfulfilling the annual plan. These relationships apply for VHJ and for organizations, on the condition that for an organization within the framework of a VHJ the connections of wages payable depends on performance according to regulations issued by the VHJ (Section 17 of Proclamation 143/1980, Laws of the CSSR, concerning the allocation of wages payable and labor compensation).

Insofar as one is concerned about economic incentives in internal enterprise departments, links are applied which depend on performance as expressed by indicators which, within the framework of the internal enterprise regulations on counterplanning, directly identify the contribution of individual work sites, collectives, and employees in the acceleration of the tasks of the whole enterprise.

At the level of the VHJ and the organization, the following relationships are to be implemented during the Seventh Five-Year Plan:

1. In Cases of Accelerating Tasks of Five-Year Plan Guidelines in Annual Plan Proposals

a) for increases in adjusted labor value added (or of another critical indicator), the magnitude of the basic component of wages payable will be calculated according to the standard established by the guidelines, i.e., the basic component will increase by 1 percent for each percentage increase in value added (Section 6 of Proclamation 143/1980, Laws of the CSSR;

b) when a higher return on productive assets is undertaken (or of another critical indicator) the magnitude of the incentive component of wages payable is increased in direct proportion to the percentage increase in the chosen indicator, i.e., the recalculation coefficient has the value 1 (Section 7, paragraph 3a) of Proclamation 143/1980 Laws of the CSSR;

c) in cases where a higher increase in labor productivity is undertaken by means of a reduction in the number of employees, the binding limits (standards) for wages payable apply without restriction, such wages determine the dependence between these funds on the planned magnitude of the critical indicators (i.e., standards for basic and absolute limits for the incentive component of wages payable). This makes possible a more rapid increase in average wages in comparison with the five-year plan guidelines--CSSR Government Resolution 404/1980, concerning measures for providing incentives to conserve labor inputs;

d) in cases where a larger profit is received, a preferred standard will be applied to the excess amounts in order to generate the development fund. The computation will consist of increasing the basic norm by a percentage determined by the relevant central agency for this purpose, but which, under no circumstances, may exceed 50 percent (Section 14, Paragraph 6 of Proclamation 162/1980, Laws of the CSSR, concerning the financing of capital asset replacement).

This procedure is applicable on the condition that the VHJ and organizations incorporate in their annual plans conditioning indicators (as a rule return on productive assets and market structure) of at least the magnitude established by the five-year plan guidelines. If, however, they adopt conditioning indicators of a lesser magnitude, then the allocation for a given half-year period will be reduced (i.e., a 5 percent reduction for each percentage point reduction in any indicator), so that the adoption of a plan proposal calling for a magnitude of only 80 percent of the objectives of the five-year plan guidelines means the loss of the right to an allocation from profits in a given half-year;

3) in cases in which a higher yearly increase in exports, in comparison with previous performance, is undertaken, the procedure for calculating the economic incentive resources is to multiply the incentive norm by a preferential coefficient of 8 (Point II/3/b of Guidelines and Regulations for Implementation of Financial and Economic Instruments in Foreign Trade for the 1981-1985 Period--FMF Document No XIII/1-8260/80, October 1980, hereafter cited as Regulations and Guidelines).

In order to compute the amount of resources to be allocated to the fund for economic incentives for exports, it is necessary to calculate the following:

i) real 1980 exports, adjusted by the VRCV /Foreign-Exchange-Rate Correction Factor/ applicable for the relevant year of the five-year plan, is the basis for calculating the average yearly increase,

ii) the magnitude of the norm is calculated by the formula

$$\left(\frac{\text{planned cost and freight price}}{\text{planned wholesale price}} \right) \times \text{coefficient},$$

iii) for VHJ included in the sectors mentioned in Guidelines and Regulations under Point II/A/2, a through d, the amount of planned incentives is calculated on the basis of planned exports expressed in all charges paid prices for the relevant year of the five-year plan, with the aid of the planned incentive norm,

iv) for VHJ included under e through n of Guidelines and Regulations, the overall incentive system is generated from the basic incentives and from the incentives for average yearly increases. Basic incentives are calculated on the basis of the value of 1980 exports in all-charges-paid prices with the aid of the planned incentive norm for the given year of the five-year plan. The incentive for increases is calculated from the value of exports, in all-charges-paid prices, which represent the planned average yearly increase in exports for the relevant year of the five-year plan in comparison with 1980, with the aid of the incentive norm multiplied by the preferential coefficient of 8:

$$\text{average yearly increase} = \frac{\text{all-charges-paid prices for relevant five-year plan year} - \text{all-charges-paid prices for 1980}}{\text{number of years completed of five-year plan}}$$

2. In Cases of Overfulfilling Annual Plan Tasks

a) when adjusted labor value added and return on productive asset targets (or other critical indicators) are exceeded, a recalculation of the basic and incentive components of wages payable is conducted, provided that conditioning indicators have been fulfilled. Recalculation coefficients with a numerical value of less than 1 will be used for this recalculation.

Organizations identified by the relevant Ministry of Labor and Social Affairs may not conduct such a recalculation (Section 6, Paragraph 3a and Section 7, Paragraph 3b of Proclamation 143/1980, Laws of the CSSR; and Article 4, paragraphs 1 to 3 of FMPSV, File No 31-21/81-7700, concerning an approach for allocating wages payable).

For both the norm for the basic component of wages payable and the absolute limit of the incentive component of wages payable, the supervisory organs are to establish a level of overfulfillment of critical plan indicators, up to the magnitude of which both of the above components will be recalculated, as well as the value of the recalculation coefficients (with the same numerical value for both components):

i) to a magnitude of 0.6 for VHJ and organizations in the sectors of agriculture, forest management, and raw material salvage, for VHJ and organizations in the foodstuffs industry which are designated by the ministries of agriculture and nutrition of the CSR or the SSR in agreement with the relevant ministry of labor and social affairs, and VHJ and organizations which are primarily engaged in assuring output established by state target programs, or efficient export production, or selected construction projects, and therefore are included in state priorities,

ii) to a magnitude of 0.4 for VHJ and organizations in the sectors of industry, construction, geological research, transportation, communications, local management, and fuel supply (coal warehouses), with the exception of VHJ and organizations mentioned under i),

iii) to a magnitude of 0.3 for VHJ and organizations in other sectors, with the exception of those cited under i),

iv) for organizations which, upon overfulfillment of critical indicators, recalculate only the planned amount of the incentive component of wages payable, to a magnitude arrived at through agreement between the central agency and the relevant ministry of labor and social affairs,

v) for design and engineering organizations, and economic organizations of the research and development base, according to guidelines number 12/1980 of the FMTIR /Federal Ministry of Technical and Investment Development/;

b) When the number of employees is reduced below the binding limit (Article 6, Paragraph 1c of FMPSV guidelines, File No 31-21/82-7700, concerning the procedure for allocating wages payable), the following percentages of the conserved amounts of wages payable (excluding other personal costs) remain with the organization:

i) 70 percent for organizations and VHJ in the sectors of fuels, energy, ore and uranium mining, agriculture, forest management, raw material salvage, for VHJ and organizations in the foodstuff industry which have been designated by the ministries of agriculture and nutrition of the CSR and the SSR in agreement with the relevant ministry of labor and social affairs, and for VHJ and organizations which are primarily engaged in the assurance of production established for state target programs, or efficient production for export, or selected construction projects, and for this reason are included in state priorities,

ii) 60 percent for VHJ and organizations in the sectors of industry and construction and are managed by central and national committees (with the exception of those mentioned in i), geological research, transportation (including mass transit), communications, local management and coal warehouses.

iii) 40 percent for VHJ and organizations in other sectors,

iv) 20 percent for budgetary, cultural and educational support organizations.

The wages payable gained by reducing the number of employees are to be used primarily for economic incentives for the employees who have contributed to the realization of these reductions FMPSV Recommendations File No 31-184-81 7210);

c) When profit targets are exceeded, an amount equal to only 40 percent of the excess profit is included in the basic allocation for the generation of the development fund; there is no change in the amount of the norm for the fulfillment and overfulfillment of the conditioning indicators; if they are not fulfilled, the allocation of profits to the development fund is reduced in such a way that it disappears in a given half-year when the indicators are fulfilled at an 80 percent level (Section 14, Paragraph 2 of Proclamation 162/1980, Laws of the CSSR, concerning the financing of capital asset replacement);

d) A preferential coefficient of 4 (Guidelines and Regulations) will be used to calculate the economic incentives for exports in cases of overfulfillment of the average yearly increase in export targets incorporated into an annual plan.

3. For Failure to Adhere to Five-Year Plan Guidelines and for Underfulfillment of Annual Plan

a) When lower adjusted labor value added, or other critical indicators, are undertaken in an annual plan, the norm will be used to calculate the basic component of wages payable and, in the event that this indicator is not fulfilled during the implementation of the plan, then the basic component of wages payable will be recalculated

using the coefficient 1, i.e., a 1 percent reduction in performance will result in a 1 percent reduction in the basic component (Section 6, Paragraph 3b) of Proclamation 143/1980, Laws of the CSSR;

b) When a lower return on productive assets, or of another critical indicator, is undertaken in an annual plan, then the failure to fulfill this indicator during the implementation of the plan will reduce the absolute limit on the incentive component of wages payable to an extent expressed by the recalculation coefficient; the recalculation coefficient is determined by the supervisory agency (Section 7, paragraph 3c) of Proclamation 143/1975, Laws of the CSSR; Article 4, Paragraphs 4 and 5 of FMPSV Directive, File No 31-21/80-7700 regarding the allocation of wages payable) and will be equal to

i) 1 for reductions of 0-3 percent in the critical indicator,

ii) 2 for reductions of 3-6 percent in the critical indicator,

iii) 10 for reductions of more than 6 percent in the critical indicator. Should an organization undertake a higher objective in an annual plan and then fail to meet it, then recalculation coefficients are applied in ranges, the boundaries of which correspond to the increase in the critical indicator undertaken in the annual plan (1 percent for each percentage increase in the level of the critical indicator);

c) When a lower profit target is undertaken in an annual plan in comparison with the five-year plan guidelines, then the norm for allocating profits to the development fund is reduced by 5 percent for each percentage decrease in the target, so that undertaking a target which is 80 percent of the plan guidelines results in an elimination of the right to allocate profits to the development fund (Section 14, Paragraph 6, Proclamation 162/1980, Laws of the CSSR, regarding the financing of capital-asset replacement); in terms of conditioning indicators, the allocation reduction cited in Paragraph 2, Part V of Point 1d of this program is applicable;

In the event of the failure to meet profit targets in annual plan implementation, there will be a reduction in the allocation to the development fund according to the established norm, i.e., for a 1 percent underfulfillment the allocation will be reduced by a specific percentage of the norm, on the condition that the conditioning indicators are fulfilled or overfulfilled; if they have not been met, then the reduction will proceed according to Part V, Point 2c of this program. If an organization undertakes a higher target for the conditioning indicators in its annual plan than provided for in the five-year plan guidelines and then fails to meet these targets, then the conditioning indicators are regarded as fulfilled for the purposes of calculating allocations from profits to the development fund, so long as the indicators have reached at least the magnitude specified in the five-year plan guidelines; a progressive form of reduction is employed only in instances when they have been underfulfilled at a level below the targets of the five-year plan guidelines;

d) when higher targets are undertaken in an annual plan in comparison with the five-year plan guidelines, for conditioning indicators for a supplementary allocation to the cultural and social needs fund and then not fulfilled during plan implementation, then the allocation to the cultural and social needs fund is reduced (Section 4, Paragraph 6, of Proclamation 165/1980, Laws of the CSSR regarding cultural and social needs fund requirements) only in the event that the conditioning indicators are fulfilled at a level below the targets in the five-year plan guidelines;

e) In the event that the annual increase in exports stemming from the five-year plan guidelines is not incorporated into the annual plan proposal, or the adopted annual plan contains lower targets than those established by the five-year plan guidelines, the calculation of claims on the resources for material incentives for exports will employ a preferential coefficient of only 4 (Guidelines and Regulations for the Application of Financial and Economic Instruments in Foreign Trade for the 1981 to 1985 Period, FMF, File No XIII/1-8260/80, Point II/3/b);

f) If any of the export indicators are unfulfilled in an annual plan (all-charges-paid prices, wholesale prices, or critical indicators), the resources for economic incentives for exports will be reduced to an extent related to the degree of underfulfillment of the indicator which registered the poorest performance, using a coefficient of from 0.95 to 0.30 for ranges up to 15 percent underfulfillment; should any indicator register more than a 15 percent underfulfillment, then the right to an incentive is lost (Guidelines and Regulations of the FMF, File No XIII/1-8260/8P). If a VHJ covers an export shortfall of 1 year with overfulfillment in the subsequent years, then the VHJ may petition for supplementary draws from unrecognized incentive payments.

4. Economic Incentives for Managerial Employees

In the area of economic incentives for managerial employees (General and professional directors of VHJ, enterprise directors and their deputies), the amount of yearly bonuses is influenced by the progressive character of the targets assumed for a selected indicator in an annual plan, in comparison with the five-year plan guidelines (Decree of the FMPSV, File No 31-1673/80-7315, concerning material incentives for managerial employees of economic organizations) in the following ways:

a) for undertaking a target in a given year which stems from the five-year plan guidelines, the amount of yearly bonuses is established at up to 30 percent of the basic pay (for mining organizations in the coal, uranium, ore-processing and magnesite industries, including mine construction industries, up to 40 percent),

b) up to 35 percent yearly bonuses for undertaking targets higher than those in the five-year plan guidelines, and up to 40 percent upon the assurance of these targets from the beginning of the five-year plan (up to 45 percent and 50 percent for mining organizations),

c) Under a commitment to a lower goal /but achieving higher fulfillment/, the annual bonus rate may be up to 25 percent (up to 35 percent per mining organizations), and under conditions of continuous fulfillment of the five-year plan from its beginning the bonus rate may go up to 30 percent (40 percent for mining organizations).

Should an organization undertake a higher target for a given indicator and then fail to fulfill it, then the yearly bonus for the managerial employees responsible for fulfilling this indicator will be reduced by 20 percent. If the organization fulfills the target contained in the five-year plan guidelines for the specific year, then it is possible to increase the yearly bonus for these employees by as much as 10 percent of their base pay (Section 5, Paragraph 4 of FMPSV Decree, File No 31-1673/80-7315).

VI. Assuring Supplementary Materials Requirements

The assurance of the requisite level of material requirements will be approached as follows, within the context of the negotiation of supplier-consumer relations:

1. For products which necessarily do not offset each other at individual levels of management (so-called nonoffsetting products), or those which are necessarily not negotiated (Section 4, Paragraph 5, Decree 48/1980, Laws of the CSSR--hereafter cited as Decree), the organization will negotiate separately, in the process of plan formulation, justified supplementary requirements for raw materials, inputs, products, fuel and energy with its partner supplying organizations. If they reach agreement, the organization may incorporate an acceleration of the targets of the five-year plan guidelines into its annual plan proposal, while the delivering organization may incorporate the agreement into the relevant material balances, composed according to Section 19, Paragraph 1 of the Decree.

2) For products which are offsetting at the level of the VHJ, central agencies and state plan, the proposing organization must implement separately justified supplementary requirements for purposes of acceleration with its supplier, and negotiate its demands within the framework of supplier-consumer negotiations in the process of plan formulation. It is to proceed in this according to Section 12, paragraphs 1, 2 and 4 of the Decree on the condition that in the protocol proposal and in the protocol itself the organization present separately the negotiated special requirement. At the same time:

a) for products which are offsetting at the central agency level, the supplier and consumer VHJ must present to their supervisory central agencies the drafts of their annual plans as well as the aggregated protocols covering their negotiations. On the basis of these protocols, the central agencies will draft intersectorial protocols, and the consumer central agencies will document their submitted requests for acceleration with the justification for consumption. Section 12, Paragraph 7 of the Decree contains relevant resolutions;

b) for products which are offsetting at the level of the state plan, the previous procedure is applicable on the condition that the intersectorial protocols are submitted by the central agencies to the State Planning Commission and in organizations managed by republic organs, also to the relevant planning commission of the republic in question (with a draft of the applicable materials balances). Section 12, Paragraph 8 of the Decree contains relevant resolutions.

3. Insofar as it is a matter of increased production incorporated into the draft of the annual plan within the framework of counterplanning, and which is covered by raw materials and demand, the producing organization of its supervisory VHJ and, in some instances, the central agency, will announce the increase in production to the relevant accounting location (accounting manager). He will aggregate it with the resource components of the material balances.

4. So long as the agreement does not reach down to the organization level during the supplier-consumer negotiations concerning increased requirements for production, the supervisory VHJ may negotiate the increased requirements within the context of supplier-consumer negotiations. And if agreement is not reached even at this level, then it is impossible to incorporate the increased requirements into the annual plan.

5. The above procedure for assuring offsetting products (points 2 and 4) is applicable only in those organizations whose central agency is the holder of a fund under Unified Methodological Recommendations for Plan Proposal Formulation. If a plan for acceleration is presented by an organization whose supervisory agencies are not fund holders, then additional requests must be submitted through holders of funds for other consumers (Section 11, Paragraphs 4 and 5 of the Decree).

This procedure for implementing counterplanning is the concretization of the regulations contained in Principles of Worker Participation in the Formulation, Implementation, and Control of Plan Fulfillment from 1981 to 1985, as approved by CSSR Government Resolution 401/1980 and the presidium of the Central Council of Trade Unions. It does not take the place of the regulations concerning the connections between the critical tasks and the material incentive instruments cited in the relevant regulations, but only unifies their interpretation and is the basis for the formulation of counterplanning regulations at individual levels of management, which are able to take cognizance of sectorial peculiarities and systems of sectorial and, in some cases, internal enterprise management.

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NEW INVESTMENT CREDIT RULES DISCUSSED

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[Article by Dr Vladimir Jindra and Eng Vladimir Okurka: "Credit in the Seventh Five-Year Plan"]

[Text] The Czechoslovak State Bank has issued, among other measures, new guidelines on the granting of credit designed to serve banks as a set of principles governing domestic and foreign-exchange policy after 1980. These guidelines are in the form of a regulation for internal use articulating mandatory skeleton dispositions of the law into the form of practical instructions and specifying them for individual branches of the national economy.

Compared to the old directives, the new guidelines are more comprehensive in that they attempt to answer all questions involving credit relationships, leaving no room for additional changes beyond their stated purpose. Should the need arise to institute additional changes, then the regulations and their respective stipulations will have to be replaced by new wording (therefore, the guidelines were published in looseleaf form).

To improve and simplify contacts between the bank and the khozraschet sphere and render the new regulations easier to understand and have a greater impact on workers, the bank has also made its internal regulations on the granting of credit available, for the first time in its practice, to all VHJ's and organizations requiring credit, thereby placing the implementation of its credit policy under public control.

Acquainting VHJ's and enterprises with internal banking regulations will remove the pressure on the bank's branch offices frequently arising from the VHJ's and enterprises' ignorance of the service branch offices and their departments are able to render and make an end to unrealistic demands. At the same time, the intent of the guideline to publicize conditions for the granting of credit (solvency, granting credit against material security, guarantee of repayment, expected yields and profits) will have been achieved. In this way, both partners in a credit relationship are today in possession of the same "score" which should result in a duet instead of a duel characterized by a search for loopholes to outsmart the true intent of the regulations.

In this connection, especially workers in enterprises should be made aware that the guidelines for the granting of credit can be applied only if they are in accord with

the principles governing the bank's exchange policy and must be understood in this context. As is known, a policy of active restrictions in granting credits was promulgated for the first years of the Seventh Five-Year Plan. This means that of the alternatives which the new guidelines offer in granting credit not all, such as, the various types of credit available, advantageous elements in the differentiation of credit, potential simplification and other possibilities, will be open to individual enterprises as a rule. Therefore, referring to the stipulations of the bank's guideline and raising claims to "entitlements" to this or that type of credit would be misguided. The guideline constitutes an inventory of alternatives open to the bank's organs and a summary of the bank's rights in granting credit, but which of these alternatives and rights will be applied in the case of a given enterprise is subject to interpretation where the experience of the credit clerk, the willingness to accept risk and other factors which are influenced by the fundamental principles governing the bank's exchange policy play a role.

The Bank's Credit Relationship to the VHJ

As in the case of regulations governing financial management, the relationship between the bank and a VHJ established by granting credit does not make any distinction between individual types of VHJ's and therefore identical stipulations apply to a branch enterprise, concern or trust. But several exceptions from this principle exist in the credit guideline with regard to concerns involving evaluation of eligibility by assessing the use of the credit on the basis of certain criteria of efficiency and the application of credit differentiation.

Since the VHJ has become the fundamental khozraschet element, it is also the bank's principal partner in the granting of credit. This means that the basic questions of the credit relationship are being negotiated between the VHJ and the respective specialized department of the bank in all instances, i.e., even when credit is being granted to a specific enterprise. The volume of credit, the criteria by which the efficient use of credit will be judged, the method of granting credit, the interest rate, penalties, the right of signing credit documents, etc., must be agreed upon with the VHJ.

Different criteria govern the granting of credit, depending on the measure of concentration of jurisdiction and responsibility in the VHJ taking into consideration at the same time the rationality of the credit relationship. The VHJ acquires credit for centrally identified needs and activities. Therefore, in the case of investment credits, for example, the credit relationship will be centralized more frequently at the VHJ than in the case of credit for supplies, because decisions on investments will probably be made more frequently at the middle management level where funds for the financing of investments will also be concentrated more frequently than in credits granted for the purchase of supplies where financing, the formation of the revolving fund and also the crediting of supplies will remain for a considerable length of time the concern of enterprises and branches of the bank.

In sum, the legal formulation of credit relationships never preceeds developments in the area of concentration of enterpreneurial decisionmaking but starts from it in the interest of flexible adjustment.

The experience gained demonstrates that in implementing the above principles certain problems can arise which can be mitigated by proceeding sensitively and cautiously but which cannot be eradicated as long as the granting of credit is not centralized exclusively at the VHJ. These problems stem from the fact that centralization at the VHJ level is not being carried out uniformly by the various management levels. With respect to credits and in some other areas, centralization is being postponed till favorable conditions develop or the question of centralization is referred to stipulations in VHJ statutes while in other management areas, for example in the area of remuneration and foreign-exchange allocations, the VHJ has been designated by law as the basic element effective as of 1981.

The relationship between the area of credit management and remuneration can serve as an example. Today most credits are being granted enterprises. The interest charged for these credits affects the enterprises' profits and thereby the indicators of profitability with respect to operating funds, which in turn affect the means available for remuneration and allocations to some funds used for material incentives even at the VHJ level. Part of the interest and allowances charged or credited to individual enterprises constitutes an item to be added or subtracted in calculating the means available for remuneration of the VHJ as a whole. In discharging its function as society's control organ in the area of remuneration, allocation of foreign exchange, etc., the bank must assess the performance of a VHJ as a whole, which enables the bank to contribute by appropriate credit- and interest-management policy (even where credit is granted or interest is paid by an enterprise) to remedying the shortcomings discovered at the VHJ.

The lack of uniformity in centralizing credit policy at various levels of management raises the following problems:

--using the interest rate charged as a penalty in case of a VHJ where a shortcoming has been found when the VHJ is not the borrower and does not pay the interest and where it is difficult to identify the source of partial shortcomings and apply the penalty only to enterprises directly responsible and protecting at the same time a VHJ which is a good manager from the inpact of the penalty which has been imposed on the VHJ as a whole. This problem arises, for example, in imposing credit and interest penalties for flouting mandatory wage limits or in the case of various infractions against wage regulations by a VHJ where none of the enterprises is the guilty party;

--whether and how to impose a penalty for failing to meet the criteria of efficiency in utilizing credit or failing to fulfill assigned tasks in the case of enterprises whose VHJ as a whole has fulfilled or even exceeded the plan. Imposing the penalty against the guilty enterprise would reduce partly the overall means available to the VHJ for remuneration. The same applies to the reverse case where an enterprise is entitled to a preferred rate of interest but the VHJ as a whole does not qualify.

Many such cases exist. An especially glaring example is the fact that even though credits are being granted to concern enterprises which are mandated to submit statistical reports to a branch of the bank, this reporting duty is being ignored and the bank has to procure data it needs to grant credit by a roundabout way from the concern.

Therefore, the bank has found it necessary to proceed very gingerly in deciding on credits, examine the situation of an enterprise in relation to the situation at its VHJ by establishing close cooperation and by routine preliminary consultations, etc., between bank branches, the enterprises applying for credit and industrial branch departments. This cooperation needs to be steadily improved to provide the bank branch routinely with information on the problems of the entire VHJ in advance and enable it to apply potential penalties without delay. Each VHJ should prepare in advance an internal guideline listing the impact of penalties and preferred interest rates on the means available to individual enterprises for the payment of wages and salaries.

Criteria of Efficient Use of Credit

The bank judges efficiency in the use of credits by the degree of fulfillment of mandatory tasks and limits set by the economic plan of the enterprise, paying special attention to the following criteria of efficient utilization of credit: the differential export indicator, export in delivered prices and wholesale prices, profitability of operating funds, deliveries of capital investments in toto and the importance of the projects, deliveries for the domestic market in retail prices, the proportion of new products of overall production, the proportion of high technology and first-quality products, the ratio of adjusted output to the number of workers and the proportion of overall expenditures to total output.

Additional criteria apply for individual branches which are characteristic for the respective sector. For example, in the case of fuels, among other criteria it is the average daily coal output; in the power industry, planned specific fuel consumption for power and steam production; in the heavy engineering industry, the proportion of sales lost due to complaints and the formation of available national income; in the building construction industry, the number of completed apartments, the volume of completed mandatory construction projects and projects slated for completion by central authorities, etc. On the other hand, the system of assessing efficiency in the use of credit according to a unified list of criteria is not used in branches to which the Set of Measures applies and efficiency in the use of credit in these cases is judged by a simpler and more flexible method.

The industrial branch department of the bank selects four to six of the above-mentioned criteria with some of them replaceable by other criteria listed in the guidelines. However, in the case of export enterprises, the selected criteria must be those affecting the balance of payment which in view of the current importance of the balance of payments is understandable and necessary. The production enterprises' ability to keep pace with world competition and export efficiently is currently the principle evaluation criterion.

If the criterion is a planned task, then the bank branch will determine its current annual efficiency to the extent corresponding to the task as stipulated in the plan, in other instances, to an extent representing a certain improvement in efficiency over the preceding year.

The bank judges the fulfillment of the above criteria with increasing stringency beginning with the period for which the five-year plan was approved. This adds an element of long-term continuity to credit differentiation based on the assessment

of criteria and brings to an end an era when at the start of each year every enterprise was starting with a clean slate.

In addition to criteria shedding light more or less on the overall quality of management of an enterprise, in some cases the bank uses partial criteria in judging the efficient use of a specific type of credit (for example, in the case of credit granted for the purchase of supplies it is the turnover time of supplies measured in days, in the case of credits for limited capital investments, the efficiency of production machinery).

The application of criteria in assessing efficiency in the use of credit needs to be steadily improved. Some of the criteria, especially those chosen for specific sectors, are of a quantitative nature and in the future these will have to be converted to qualitative criteria. Thought will also have to be given to improving the criterion of contribution to the national income to eliminate the possibility of covering up nonfulfillment of export tasks by increasing deliveries for the domestic market (such as in the case of machinery which did not stand up in competitive markets). Efficiency in the use of credit will have to be judged with increasing stringency without fear of raising expectations where fulfilling criteria (export, differential indicator) has become easy, for example, as a result of inflation on nonsocialist markets. Raising efficiency cannot be judged only by comparison with average performance of a given branch (especially where efficiency is declining) but must be based on the dynamics of the plan, i.e., on the reality of the preceding year. Generally, in assessing efficiency in the use of credit, the results achieved, not those promised, are important.

New Credit Categories

In the past, determining categories of credit was tied to the plan and the situation of the creditor in the reproduction process. It was based on the assumption that all credits planned for the various types of material values are a priori beneficial from the exchange point of view.

In view of the emphasis placed on the exchange aspect of credit in the stipulations of the banking exchange policy for the Seventh Five-Year Plan, the bank found it necessary to differentiate between credits on the basis of whether they strengthened or weakened monetary balance and exchange stability, in other words, whether they were desirable or not in facilitating preparation of the exchange plan, compiling credit statistics and setting appropriate interest rates.

To simplify matters, the guidelines on credit management resolved the new categorization requirement by designating as undesirable those credits which had an adverse effect on exchange stability, namely, credits to repay loand which have become past due, payment credits, credits for the payment of wages, credits for the purchase of unneeded supplies, consolidation credits and past-due credits. Hence, credits which the bank was more or less forced to grant in the interest of strengthening payment discipline in the national economy and protecting well-managed organizations from being forced to default on payments due or the inability to pay wages when they were not at fault.

Thus, the credit guidelines consider all other credits desirable from the viewpoint of their effect on exchange stability. Obviously, this differentiation is temporary and in time those in the category of desirable credits whose effect on exchange stability is problematical will have to be eliminated. For example, it is questionable whether the credits which are being granted Mototechna to pay the state the uncollected sales tax from unsold automobiles is desirable from the viewpoint of the effect on exchange stability. Also controversial from this viewpoint is that part of credits granted for the purchase of permanently revolving supplies which replace the borrower's own assets. Also similar nature are credits designated as desirable from the viewpoint of their effect on exchange stability granted enterprises which use credits inefficiently or credits granted on current accounts exceeding the credit limit.

Preferred Interests and Penalties

In determining interest rates, credit differentiation permits the bank to grant preferred interest or impose a penalty and reward in this way an organization for good work or penalize it for shortcomings. The basic system of applying preferred rates or penalties continues in the Seventh Five-Year Plan but in refined form.

To a degree, the new credit guidelines reflect trends which are becoming increasingly evident in the daily work of some socialist banks endeavoring to introduce mandatory procedures and tariffs in the application of credit differentiation. Use of the mechanism of central regulation of credit differentiation has progressed farthest in Bulgaria where in certain zones (investment and operation) the standard interest rate is charged for credit while in other zones an interest rate is charged which is higher or lower by a specific number of points.[1] Currently in our country in the Seventh Five-Year Plan such interest-rate differentiation within set limits is being practiced so far only in the case of construction credits.

Central regulation of interest-rate penalties in the Seventh Five-Year Plan is expected to be applied only during the negotiating period of the economic plan between the organizations and the bank. In this period, the procedure of centrally applied penalties is instituted regardless of excuses made by enterprises or the opinion of the employees of the bank's branches charged with assessing the merit of the case.

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1. The following scale applies in setting interest rates where money circulation is being:

a.	Accelerated by more than 20 percent--basic interest rate minus	2 points
b.	Accelerated by 15 to 20 percent--basic interest rate minus	1.5 points
c.	Accelerated by 10 to 15 percent--basic interest rate minus	1 point
d.	Acceleraged by 5 to 10 percent--basic interest rate minus	0.5 points
e.	Accelerated by up to 5 percent--basic rate	
f.	Slowed down by up to 5 percent--basic rate plus	1 point
g.	Slowed down by 5 to 10 percent--basic rate plus	2 points
h.	Slowed down by more than 10 percent--basic rate plus	3 points

A similar scale applies to capital credits with basic interest rates augmented or reduced by -2 to +5 points depending on whether the construction deadlines and loan payments are being met.

The bank branch must raise interest rates to enterprises failing to incorporate in their economic implementation plan specified tasks mandated by the national economic plan by 0.5 to 1 percent (to organizations paying 3 or 4 percent for operational credit by 0.1 to 0.5 percent) in the case of operational credits and targeted capital credits for the purchase of machines and equipment including credits for the implementation of rationalization measures until the corrected economic plan is submitted (for 2 months at the most). Enterprises failing to correct the shortcoming within two months will pay the highest interest rate reflecting an up to 50 percent increase over the basic rate for as long as the implementation plan remains uncorrected. An enterprise asking for a new credit or an increase of an already existing credit is granted such credit by the bank branch only for the fulfillment of specified mandatory tasks stipulated by the economic plan. Exceptions from this practice can be granted only by the general manager of the bank branch involved.

Centrally regulated, this practice has shortened the duration of controversies over acceptance of specified tasks which in the past have dragged on for the entire first half-year while today enterprises and their superior organs are eager to resolve controversies rapidly to avoid penalties.

In contrast, for the implementation period of the Seventh Five-Year Plan, central application of penalties and preferred rates is not yet being mandated by any credit regulation and bank branches can decide on whether to impose penalties or grant preferred interest rates on the basis of their own judgment and their perception of the enterprise's contribution or lack of same and of other factors which mandatory differentiation does not permit considering. Some credit protocols indicate that agreement was reached in a number of cases by the branch bank and enterprises on the introduction of elements of central mandatory regulation of penalties and preferred interest rates at least to the extent that enterprises knew in advance of the five-year plan (or its annual segment) the conditions governing interest-rate levels which enabled them to make preparations to be put into effect an an appropriate time.

In the case of preferred interest rates, the new guideline at least set a ceiling for fulfilling the conditions for which they were granted. This ceiling is important in the case of enterprises granted huge credits where even a small interest-rate reduction amounts to a lot of money.

At the same time, entitlement to preferred interest rates was made more stringent with the aim of encouraging enterprises to meet the key tasks of the Seventh Five-Year Plan and fulfill especially export tasks to nonsocialist countries efficiently and improve simultaneously the differential indicator, improve markedly the proportion of technically advanced and first-quality products (in order to achieve a higher delivered price) and achieve a reduction in fuel, energy and raw material consumption.

Credit Management Methods

In the Seventh Five-Year Plan, the target credit-management method based on balances and the current-account credit-management method are used while the credit-management method based on turnover in the case of special credit accounts was omitted in the new guidelines to simplify computer work.

The new guideline does not specify the credit-management method to be used nor does it specify their mutual proportions. But it is clear that with the active restriction on granting credit promulgated by the principles governing the bank's exchange policy in the Seventh Five-Year Plan targeted, credit management based on balances where enterprises are purchasing supplies with their own resources and the bank by granting credit for supplies already paid for in reality replaces the enterprise's own resources invested in supplies is the preferred method. Moreover, it is not easy to make credits difficult to get as the active credit restriction policy advocates or makes the granting of credit contingent on the fulfillment of certain conditions when the current-account credit-management method is applied.

Therefore, in the Seventh Five-Year Plan the current-account credit-management method will probably find no greater acceptance than is currently the case and will be applied primarily in branches interested in maximizing their supplies but lacking the resources to finance their purchase with their own means. But in any case, the current-account credit-management method should not be corrupted by depriving it of its "self-serving" elements and grafting on it targeted credit-management elements alien to it.

Therefore, the current-account credit-management method must be accepted for what it is, with its advantages and shortcomings. Its advantage is that it is simple and ensures the utmost utilization of the enterprise's own means, which in conditions of transition to the ABO [Automated Bank Operations] system is important. The drawback is that the bank finds it difficult to determine to what extent the granting of credit assistance, where the potential flouting of the stipulations of the credit guideline is not considered, and whose amount is not evident from the credit account when the current-account credit-management method is used, plays a role in transgressing potentially against the approved credit guideline. Further, the bank is unable to foresee unfavorable development of the supply situation from its credit statistics because in current-account credit-management the credit for the purchase of supplies is part of an anonymous overall credit.

For purposes of the Seventh Five-Year Plan, some adjustments were made in the current-account credit-management method due partly to transition to the ABO system and partly also to the need of increasing the bank's influence and control over some credit accounts when this method is used. While the application of the current-account credit-management method is required in the case of selected transactions outside the current account on condition that credits granted for these transactions were exceptionally allowed to merge with the current account credit, now all current account credits are being granted with only exceptional permission to grant credit for transactions outside the current account. Setting a limit which cannot be exceeded was abolished and drawing against a current-account credit in excess of the set limit has become possible for a much longer time essentially until the start of repayment of the credit beyond the set limit.

Credits for Operating Funds

For the Seventh Five-Year Plan, no changes were made in the area of operational-credit management which should be addressed in this article. Here the lack of uniformity of stipulations governing individual categories of operational credits persists, weakening essentially both khozraschet and the effectiveness of credit as an

economic tool. From the khozraschet viewpoint, the enterprise's interest in the economic and effective utilization of all categories of operating funds must be enhanced, something which can only be achieved by forcing enterprises to participate with their own resources in financing any category of operational funds and thus earn money for operational purposes. Enterprises without means for operational use should limit their claims to operational credits. This correct principle applies only to the purchase of supplies (not all) while supplier claims are fully covered by credit as the exclusive source of financing; future expenditures are likewise covered in full by credit (not counting so-called other resources which are negligible and which in any case can never be used to cover expenditures as they come due) as well as building-site equipment and uncompleted uninvoiced production goods which likewise must rely on bank credit (in excess of investor payments). The GDR solution mandating a proportional contribution by enterprises to all operational funds continues to be the ideal solution to this problem for the Czechoslovak State Bank.

In our country in the Seventh Five-Year Plan, the introduction of a mandatory proportional contribution to operational funds by enterprises is being considered only for the purchase of supplies. The proportion of the borrower's contribution is set at a level where the credit also covers the permanent requirement of supplies; therefore, the contribution does not become available as supplies are used up but remains partly permanently tied up in the revolving operating funds. Therefore, gradual paying off of the credit cannot be used for control purposes to determine how supplies are passing through individual stages of the reproduction process and how the supply situation is developing. An imperfect substitute mechanism must be created for the purpose of control, using selected supply items which carry weight and from whose turnover the bank can assess the overall efficiency with which supplies are being managed. In the current five-year plan, in view of the well-known balance of payment problems, emphasis is being placed in this respect on the control of imported supplies and supplies designated for the production of export goods.

The establishment of a tie between the revolving fund and the development fund represents a positive development. Mandatory transfers between these funds on instruction by the bank are designed to prevent the long-term whittling down of the flow of supplies and at the same time stimulate the reduction of the volume of supplies and accelerate their turnover time in a matter of days.

By introducing new conditions for granting credit for the purchase of unneeded supplies, the bank will endeavor to induce enterprises to separate supplies which are not being used and offer them to sales organizations or producers or dispose of them in some other way.

Consolidation Credit

In addition to credits for planned needs, for a number of years the bank has been making available, so-called credit aid to tide enterprises over a money squeeze which either was not of their making or even where enterprises were at fault but where the squeeze was only temporary and demonstrably could be liquidated.

The abolition of budget subsidies and the need of enterprises for greater reliance on their own means created the need for consolidation credits as a long-term credit

assistance to be granted where neither available assets of enterprises nor the financial reserves of VHJ's or central organs could reestablish financial equilibrium and where the deficiency could not be made up by traditional short-term loans.

At issue are primarily cases which could have severe deleterious repercussions for the national economy and which cannot be resolved merely by financial assistance but require a coordinated effort of the respective economic ministry, the bank and the government organs involved. In such cases, each of these organs must contribute to the permanent restoration of the enterprise to solvency and, in addition to financial assistance, implement measures for comprehensive rationalization and modernization by transferring production programs, specialization, etc., which would result in improved profitability of the enterprise and enhance its ability to use credit more efficiently.

The VHJ or organization applying for a consolidation credit must submit to the bank an analysis of the causes of the financial disequilibrium with a balance sheet of resources and needs demonstrating the need and ability to repay the loan, a consolidation plan listing specific measures, deadlines and personal responsibility guaranteeing the restoration of the financial health of the enterprise, including the imposition of monetary penalties in case the consolidation plan falls short of fulfillment. The consolidation plan must demonstrate that improvement in meeting the criteria of efficient use of credit and the quantitative and qualitative indicators of the tasks of the economic plan will be achieved by the end of the Seventh Five-Year Plan.

Before granting consolidation credit, the bank, in cooperation with the respective ministry, will carry out an indepth analysis of the causes of inefficiency and low profitability of the enterprise to assess the chances of the consolidation plan to bring about improvement.

In granting the consolidation credit, the bank has the right to ask the respective ministry to establish at the VHJ a consolidation commission including representatives of the bank, other interested institutions and the party organs involved. All important remedial measures would have to be approved by this commission which otherwise would not be responsible for managerial decisions by the VHJ, its obligations and duties.

Since consolidation credit is intended as assistance to the VHJ after it has exhausted its own means, the VHJ must specify the distr-bution of the consolidation credit to its individual organizations. The credit carries a 12 percent interest rate as a credit with undesirable effect on exchange stability leaving the ministry the option of reimbursing the VHJ partly for this high interest rate where the consolidation plan has been successfully carried out.

Investment Credit

Some new elements are being introduced in investment-credit management, elements which aim at a more efficient application of credit and exert pressure on the entire management system to improve the efficiency of capital construction, Substantive changes in credit management concern primarily the formation of the development fund in some branches; a separate chapter addresses this topic. The credit-management measures are based on the concept of active use of credit in the entire

reproduction process of means of production; special emphasis is placed on the active application of credit following the completion of the capital project, including the newly introduced differentiation in the basic rate of interest depending on the timely meeting of construction deadlines and the attainment of envisioned indicators; this aspect is also dealt with in a special chapter.

The bank already involves itself deeply in the preparatory stage of investments, which frequently is vitally important for their smooth implementation later on and the final success of the capital project; the bank examines especially closely the efficiency of the proposed investment, the reliability of needed supply deliveries and design services, availability of labor. potential sales prospects, etc. In present conditions, special attention must be paid to an assessment of the impact of the capital project on foreign relations and the balance of payment. Therefore, a condition for granting credit is assurance of the payback of imports, availability of foreign currency for the necessary imports, assurance of other needed deliveries and an assessment of the export prospects of the new capacities, including an assessment of actual future exports by means of parametric criterial analysis.

In dubious cases, the present stringent economic conditions render it necessary to to take a tougher stand and reject a credit in accordance with the principles of active credit-policy restrictions. The bank will draw conclusions consistently from the information gained by its participation in the preparation of capital projects and refuse to grant credit for projects which are not efficient or which have other serious drawbacks.

During construction, the bank will grant credit flexibily even above the level agreed on for the current year where accelerating the completion of a project is desirable whereas in cases where completion of a project suffers from delays and the deadline for the start of production is past due or in case of other infractions, the bank will impose interest penalties on both the investor and suppliers and in the case of grave infractions limit or even put a stop to credit to bring about an airing of the difficulties and a rapid resolution of the problems.

It became necessary to review credit policy specifically in cases where construction budgets were exceeded and construction deadlines were not met and to institute remedial measures to be carried out in management, planning and financing of investments with a view of inducing in such cases enterprises to finance such projects out of their own means, and where a development fund exists, primarily out of such a fund. In accordance with CSSR Government Resolution No 23/1979, the bank has adopted a procedure for projects with cost overruns as early as 1979 and will permit the use of credit to pay for unbudgeted expenditures only in quite exceptional cases.

The current credit practice will become more stringent where construction deadlines are not met; in lieu of the current exhaustion of the credit with the sole imposition of an interest penalty, no credit will be granted in the future when a deadline is missed, which will force the enterprise to use its own money primarily from the development fund. In accordance with the partly updated invoicing regulation (Regulation No 3/1980 of the Code of the Federal Ministry of Finance) a new procedure will apply and expenditures for labor and supplies will not be paid out of the credit in cases of missed construction deadlines. In such cases, the

bank will authorize the exhaustion of the credit for payment of the "final" invoice because withholding credit then can no longer help solve the construction problems or mobilize resources. In such cases and also quite exceptionally in other cases of missed construction deadlines or budget cost overruns, where the bank authorizes drawing on credit, branches which have development funds must pay such credits from development funds which the organization would have to use to finance the project if it could not draw on credit exceptionally.

A new, or at least strongly emphasized, postulate for granting capital credits is the special attention which must be paid to the impact of capital construction on the area of foreign relations.

A new departure is the consistent application of the bank's measures resulting from its function as a grantor of foreign exchange for capital projects to conditions governing investment-credit agreements on the purchase of machinery and equipment abroad and also to projects using imported equipment. These measures will facilitate supervision of the fulfillment of conditions and obligations assumed by the bank and permit it to impose penalties in case of nonfulfillment. Control of efficient utilization of import credits will apply to imports exceeding Kcs 500,000 in delivered value and special attention will be paid to investments procured with refundable foreign-exchange credit where not only the timely repayment of the foreign-exchange credit will be monitored but also the steady inflow of promised foreign-currency earnings. Penalties are routinely imposed in all cases where imported machines are not brought into production within set deadlines and where investments bought with foreign exchange are improperly used.

Some problems arise in connection with the introduction of new measures; in branches which are establishing development funds, the proportion of credits in this investment category is being reduced in accordance with the principles governing the formation and use of development funds which contrasts with the marked increase in the use of credit in the financing of investments from the construction fund (projects with budgets exceeding Kcs 2 million). In negotiating credit relations for 1981, preliminary findings brought up the problem of the feasibility of allocating higher construction credits to individual projects in accord with economically sound principles governing investment-credit management. The granting of credit to finance individual projects is--as in the Sixth Five-Year Plan--contingent on the projects' contribution after they start operations (liquid profits and depreciation according to the schedule contained in the economic part of the project documentation are considered to be contributions) until the credit is repaid (construction credits are granted for a maximum of eight to 12 years). While this maximum available credit limit was not always fully utilized and the bank is also willing to raise credit for projects under construction with low credit participation, it was as yet unclear at the time of writing of this article whether even this measure would resolve fully and satisfactorily the problems arising from increasing the proportion of credit in financing projects whose budget exceeds Kcs 2 million.

Differentiation of the Basic Interest Rate as a Function of Meeting Construction Deadlines and Planned Indicators

Construction project credit-interest rates are being reset not by fixed rates but by a range (in most branches from 4 to 8 percent) and the differentiation of the basic

interest rate when construction deadlines are met and planned indicators are fulfilled in time is rewarded by an interest rate lower than the mean of the interest rate range; when construction deadlines are not met and planned indicators are not fulfilled, then the basic interest rate is raised above the mean. This differentiation of the basic interest rate has taken effect from the start of construction projects which are to be completed in 1981. The uniform and mandatory application of differentiation of interest rates together with several assessments of the impact of new capital investments is designed to emphasize the investor's responsibility not only for the course of construction but also for its eventual results by using interest rates as a tool which, because it is tied to the respective capital assets, retains its effectiveness even after the completion of the project. In contrast, in the case of building-construction credits, interest-rate differentiation is not being applied on the basis of the fulfillment of general or partial criteria governing the granting of credit as a measure of the standard but on results of economic activity of the enterprise as a whole.

The new rules governing interest rates do not convert them into penalties or preferred interest rates and do not tie them directly to the amount available for the payment of wages. The changes disregard the intensity of the positive or negative difference from the plan (project) and merely express whether the envisioned (planned) efficiency was attained within the time limit foreseen in the plan and whether, therefore, the credit granted for the respective project was being used efficiently or inefficiently.

The restructuring of basic interest rates does not exclude, but indeed postulates the use of preferred interest rates as a reward for the attainment of better-than-planned results or for putting existing production to better use, such as for export, the domestic market, the improvement of fuel and energy balance and other purposes and the use of interest penalties primarily in case of marked failure to fulfill planned outputs and indicators when a project which received a foreign-exchange allocation for imports has not met planned indicators, etc., while with frequent evaluations preferred interest rates and interest penalties can be used as a stimulant for enterprises to continue in their successful effort to exceed the plan or reduce waste in operating new capacities.

In deciding on the new measures, their stringency and difficulty of application in preparing and evaluating a given data base were considered and weighed. There is a certain additional amount of work involved compared with the current procedure where no such assessment is made, but this extra work is not more time-consuming nor administratively more exacting. The bank's measures are coordinated with the final technical and economic evaluation of the completed projects which, in accordance with the updated regulation on construction-project documentation now under preparation, will be carried out for two years following completion of the project. Therefore, approximately a year after completion of the project, the bank will determine whether production meets planned expectations and a year later will carry out the final evaluation to assess together with additional participants in the final evaluation of whether the planned inputs and indicators were fulfilled; after another year, the bank will verify whether the investor is meeting the goals and fulfilling the assigned tasks to improve the performance of the new capacities proposed after the final evaluation (when inputs and indicators were not met) or assess the documentation presented by the investor requesting continuation of the

preferred interest rate (when everything was in order in the final evaluation). This three-stage evaluation model is not mandatory--in case of projects not involving production, one or two evaluations will be sufficient--but in the case of key projects with long startup times which yield each year a new computerized database evaluation even the drawing of conclusions can also be repeated several times.

The question why the bank should place such emphasis on the attainment of planned outputs and indicators in evaluating the return and efficiency of the credit granted when enterprises, with rare exceptions, are paying up the credit within set limits was also a subject of discussion. While the inclusion of credit payments in the financing plan of capital assets on the debit side and thereby the assurance of payback of the credit from resources of the construction fund is a natural prerequisite of the amortization of the credit payback as in granting credit, the bank does not simply take into account only narrow financial criteria, such as, for example, the soundness of resources used to finance a given project, etc., but makes credit contingent on the assessment of the investment's efficiency and directly dependent on the future return of the given investment. Similarly, the bank cannot reduce the payback of the credit to only making sure of payments to balance the financing plan of the reproduction of capital assets but judges payback and the efficient use of credit on the basis of a comparison of the true overall return of the investment with the expected return when credit was granted. Emphasizing the payback of the credit as a function of the efficiency and return of a given investment credit naturally does not mean that the ability of the enterprise to pay off the loan, considering its existing indebtedness and its continued need of means of production, is being underrated. But including the payments into the financial plan whose balance can always be reestablished by redistribution processes is not adequate even for this purpose. It is assumed that, after contributions from profits have been turned into the state budget by 1 January 1983, the bank will set down criteria for the payback of credit from the viewpoint of enterprises as units.

Credits for Capital Projects Financed from the Development Fund

The establishment of the development fund is a fundamental measure designed to extend the khozraschet interest in management results to the capital construction sphere and put an end to past practice which regarded the achievement of the material investment limit as the key problem while taking financing for granted. The scope of this category of investment credit also corresponds to this new concept. In difference to the old requirement of financial "assurance" of the material limit, the dependence between the procurement of capital and the creation of the development fund and the credit granted excludes the possibility of viewing credit as a balancing resource to which enterprises are entitled but, on the contrary, requires granting credit selectively for efficient projects only.

Credit is being granted for projects which essentially meet the conditions governing the granting of credit for rationalization measures, such as the purchase of machinery and equipment for the purpose of modernization, fast payback actions, the purchase of machinery and equipment for rationalization programs and the timely implementation of the tasks of the state plan for the advancement of science and technology and for efficient total overhauls. The bank will grant credit in excess of the agreed amount in korunas to finance the purchase of imported machines

and equipment bought with a repayable foreign-exchange credit from respective reserve funds of the state plan. The interest rate of this credit is 4 percent, i.e., 2 points below the 6 percent interest charged routinely in industry.

The proportion of the credit in financing limited capital investments (i.e., machines and equipment not included in the budget and projects with budgets not exceeding Kcs 2 million) is about 30 percent, a proportion which will probably be slightly raised in coming years because in calculating the financial requirements and resources for the limited-investment sector, credits of the order of 30 percent continue to be needed and the payments to repay credits for limited investments will have to be reflected in future financial requirements. In connection with the application of the principle of granting credit only for efficient limited investments meeting the conditions for the granting of preferred interest rates, the question arises whether the condition requiring that at least 30 to 40 percent of limited investments granted meet stipulated efficiency criteria is not too stringent. Such views cannot be supported because the proportion of only the advanced modernization and fast payback actions which the state plan specifies for the year 1981 is on the average about 47 percent. In addition, other credit entitlements offer a good chance to investors assigned tasks involving advanced modernization and fast payback actions by the state plan to apply for a credit of less than 30 percent.

In contrast, for a considerable number of investors the sole specified volume of advanced modernization and fast payback actions corresponds to the preliminary credit estimate for limited investments or exceeds it. Investors failing to fulfill the specified assignments will have their credit correspondingly reduced by the bank which, using its economic tools, applies pressure to induce the investor to a more purposeful and preferable use of available resources in their advanced investments. In this way, the bank is achieving by economic pressure the same effect it achieved in the past (and in branches which even today do not have development funds) by blocking the limit of the volume of work and deliveries.

In the case of operational-credit limited investments (the same as credits for machinery and equipment and also projects with budgets not exceeding Kcs 2 million) for which there are no development funds, they are subject to interest-rate differentiation contingent on the degree of fulfillment of general and partial criteria governing credits. The partial credit criteria applied will be indicators characterizing the quality of managing capital assets, primarily the efficient use of machines, as one of the basic indicators of production and economic efficiency used in the reproduction plan of assets. Other indicators are also used, in the engineering sector, for example, it is the filling of machine-operator workplaces. Thus the bank will implement interest rate differentiation comprehensively for all investment credits (excepting credits for projects with budgets exceeding Kcs 2 million) depending on the quality of management of enterprises and in addition use interest-rate penalties and preferred interest rates in the case of individual credits according to the degree of fulfillment of conditions on which the credit was granted by credit agreements concluded as a rule for complete sets of machines with predictable output.

In the course of the year, the manner of using credit for limited investments was discussed primarily for cases where the creation of resources for the development

differently from what was expected. In such cases, the rule is to permit the investor to draw credit in the course of the year in the amount agreed on in the credit protocol for the current year as long as the scope of the credit is fully and efficiently implemented as has already been mentioned. Where management is efficient and the creation of resources for the development fund by the enterprise exceeds the planned goal, the investor decides whether he will exhaust the credit fully. In contrast, enterprises which fail to accumulate resources on their own will not have the missing resources replaced by a bank credit because to do so would undermine the incentive of enterprises for creating funds of their own. The question was weighed as to whether drawing credit in the course of the year should depend directly on the successful creation of funds by enterprises, i.e., whether credit should be cut off automatically in case of failure by the enterprise to accumulate resources for the development fund and inversely whether credit should be increased automatically and proportionally with increasing resources in the development fund, in other words, whether the relationship between availability of credit and the formation of a development fund should be governed by a norm. This proposal was judged to be impractical because it would be difficult to administer, moreover, the automatic adjustment of credit lacks the necessary logic in certain situations--it makes no sense to grant additional credit automatically when an enterprise succeeds in accumulating resources in excess of the goal set for its development fund (and thus de facto also free its own resources to the level of the planned limit of the plan) or to create additional difficulties in the procurement of planned and contracted capital deliveries where enterprises fail to accumulate their own resources in the course of the year is likewise unjustified. The adopted concept fully respects and reinforces the enterprises' interest in accumulating resources for their development funds while for the investor the amount of credit agreed on for the year represents an assured source of means available for the procurement of new efficient assets.

Another problem is how to use and organize credit granted for limited investments in the course of the five-year plan. After specifying and processing the Seventh Five-Year Plan, the bank will close the credit protocols and delimit the allocation of funds available for limited investment credits for each year. While these amounts will be considered approved if the planned tasks are fulfilled and credit criteria met, organizations will not have an automatic claim to these credits nor will they represent fixed amounts which cannot be exceeded.

In subsequent years of the Seventh Five-Year Plan beginning with 1982, the impact of consistent implementation of the restrictive stipulations of this credit policy will become increasingly evident.

The bank will grant enterprises with competent management fulfilling credit criteria comprehensively from the beginning of the five-year plan credit for limited investments even beyond the limits agreed upon in the credit protocol for the respective years of the Seventh Five-Year Plan as long as they can come up with entrepreneurial projects with fast-payback-promising assured returns. On the other hand, poorly managed enterprises using credit inefficiently will have previously approved skeleton credits curtailed in individual years. The adjustments of and changes in the skeleton credit protocol for the Seventh Five-Year Plan negotiated with the bank which will participate in the planning work for the respective year will be entered in credit protocols for individual years beginning with 1982 to enable investors to take them into account when specifying their requirements to their suppliers.

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CSO: 2400/249

BRIEFS

NEW COAL DEPOSITS DISCOVERED--Geologists have discovered bituminous coal deposits near Plzen, close to the village of Chotikov. Work on the main mine shaft is already expected during the Seventh Five-Year Plan [1981-1985]. Actual coal production is slated for 1990, currently estimated at 450,000 tons of coal per five years. The mine should produce coal for 50 years. [Bratislava PRACA in Slovak 3 Aug 81 p 1]

CSO: 2400/288

NEW ECONOMIC REPORT REVIEWED

Causes of Economic Problems Analyzed

Warsaw ZYCIE WARSZAWY in Polish 13 Jul 81 p 5

[Article by Henryk Chadzynski: New Government Report (1) "What Actually Happened?"]

[Text] The disorganization of the market, which is taking up so much of our time and effort in obtaining goods and is ruining our budgets, is the best indicator of the state of our economy. However, people are asking themselves: What actually happened that this crash, which some had quietly predicted for so long, came so suddenly and has gotten so terrible big? Why is it still not possible to stop this progressive disintegration of the economy? When will the anticipated improvement finally occur? The government report on the state of the economy was supposed to answer most of these questions. Its first version was criticized in the Sejm and by the mass information media. The dispute over the report resulted not only from the fact that people are very unwilling to accept bad news, but mainly because the description of the events was not adequately substantiated. It did not indicate the mechanisms or point out the forces which led to this state. Nor did it show the entire evolution of the growth of the earlier disparities, which originated during the last decade and intensified most recently through an accumulations of various factors.

The president of the Council of Ministers, agreeing that most of the critical comments were justified, ordered that another report be prepared and assigned this responsibility to Henryk Kisiel, who at that time was the chairman of the Council of Ministers Planning Commission. The premier also appointed an advisory group under the chairmanship of Prof Czeslaw Bobrowski. The group was composed, as we know, of the following: Stanislaw Albinowski, Wladyslaw Baka, Leopold Gluck, Jozef Pajestka, and Jozef Soldaczuk. On the basis of the previous report, the opinions of the group of experts, and also the comments of a group of scientists from the Polish Academy of Sciences under the chairmanship of Wladyslaw Markiewicz, a new document was prepared which was submitted to the Sejm for discussion.

This is a totally different report, although, as the authors say, no document of this type will satisfy all of the public's expectations, particularly those which pertain to the determination of the responsbility for socioeconomic policy and responsibility for distortions and deformation in the leadership and management of the economy and the state. These determinations lie within the competence of the proper organs of the authorities and the party. However, the accumulated material is meaningful enough to point a finger at the guilty.

Old and New Disproportions

The critical assessment of the policy and system of functioning is delineated against a broad background. The successive stages of the Polish People's Republic's economic history, according to the report, are characterized by an unbroken sequence of substantial achievements as well as an unbroken sequence of increasing growth of certain disproportions and difficulties which periodically overshadowed these achievements and led to serious tensions and the crisis. Now, for the first time, they appeared with such force as to restrict the field of selection and the search for a way out. Already this conclusion to the report indicates that the solution will not be easy and the way out of the crisis will not be short.

The problems which accumulated during previous periods were severely exacerbated in the last decade by new mistakes and difficulties on a scale previously unknown to us. We are speaking primarily of the size and structure of the foreign debt, the degree of our dependence on imports from capitalist countries, the serious deformation of the socioeconomic planning system and the relaxation of the management system.

The main disproportions affecting the state of economic imbalance pertain to the domestic market, the trade and payments balance, supplies to industry, investments, and finally, as a joint result, the financial balance and the state budget.

The scale of the shortage of goods in relation to the population's monetary receipts, or the so-called inflationary gap, is estimated to be about 470 billion zlotys this year, which is 25 percent of the net monetary receipts. But if we take into account that there already was a surplus during the previous years, then this estimate is considerably higher--on the order of 600-800 billion zlotys. This is more or less one-third of the population's monetary receipts.

The Market Collapse

The market collapsed totally in the last quarter of 1980. A number of goods became unavailable in the stores and more and more basic necessities became scarce. Because items were not consistently available, people bought excessive amounts of goods that were available and began to hoard, which is normal under these circumstances. Speculation and black market operations grew.

The factor which caused, or at least very substantially accelerated, the collapse of market balance, was the decision to increase wages and social services, a decision made during the last half of 1980 as a result of the strikes and post-strike agreements. They were made, as we know, for sociopolitical reasons and were one of the factors in maintaining social peace last fall. The report states that while the motivation behind these decisions is fully understandable, from the economic standpoint they greatly aggravated market difficulties, particularly since beginning with last August, industrial production has been steadily dropping. Market production is also declining, which is due in some measure to the shorter workweek. There was also a large drop in procurement of most agricultural products due to last year's catastrophic crop failures. Added to this was the depletion of commodity stocks in trade. By the end of the first quarter of 1980, they were one-third lower than at the end of 1979. Stocks are so low that a continuity of sales of many types of articles cannot be maintained.

The Indebtedness Noose

The profound imbalance in foreign trade and in the balance of payments with capitalist countries is illustrated by the following figures: At the end of 1980, the debt attributed to long- and short-term credits was approximately 23 billion dollars; at the end of April, the amount was 24 billion dollars, and also 1.5 billion dollars in short-term credits. At the end of 1980, the level of debt was some 3.5 times higher than the value of exports to these countries last year. At the same time, the amount of the payments due this year on the principal and interest exceeded the value of the entire year's export to these countries. In practice, therefore, all foreign-exchange receipts from export had to be used to cover debts and as a result, imports for current needs of the economy had to depend on the procurement of new credits. This, as we know, caused difficulties in payment of current obligations and in imports.

These difficulties, especially the shortage of foreign exchange in cash, needed to import many commodities that cannot be purchased on credit, and also the lack of funds needed for cash advances on credit purchases, were aggravated by the reduction, during the last 10 months, of exports of coal, copper and silver, and also the reduction of exports of products from other branches of industry. During the first 4 months of this year, exports to capitalist countries were down one-fourth as compared to the same period last year. The shortage of foreign-exchange funds for imports to maintain industrial production at last year's level, is estimated at 2.5-3 billion dollars for the current year. This is the estimated shortage, notwithstanding the aid received in the form of additional deliveries and consumer articles from the CEMA countries, and especially the USSR.

The disproportion between industrial production capability and material supplies is large. The shortage of coal is particularly acute. It may, for production purposes, amount to 12-15 million tons, i.e., 10-12 percent of current consumption for these purposes, irrespective of the lack of coal for export. This has caused a drop in the production of many products, especially in the cement industry and other subbranches producing construction materials, and in the chemical industry. Coal stocks in many power plants fell to a critical level. The shortened workweek played a large part in reducing the extraction of coal and other domestic mining raw materials. It is estimated that over the entire year, coal extraction may be about 40 million tons less than during the peak 1979 year. Shortages of domestic and imported raw materials interrupt production continuity, disturb co-production ties, and consequently cause production declines in plants that are linked together by cooperation. The deficit in electric power production has caused acute problems in recent years. During the autumn-winter peak period of 1980, the shortage amounted to 4,000 MW, which was about 16 percent of power plant capacity.

A Hole in the Budget

In the sphere of investment, a disproportion is growing between the funds needed to continue building the installations that have been begun, and the ability to complete them. At the end of 1980, the value of funds expended for investment projects that have not been completed and do not bring any returns amounted to 800 billion zlotys. Of this, 60 billion zlotys was the value of machinery and equipment already purchased and sitting on the building sites. To complete these investment projects,

about 1,300 billion zlotys must be spent, i.e., the equivalent of 4-year outlays for investment construction. Under these conditions, at the end of 1980 it was necessary to make a decision on halting work on over 1,000 investment undertakings, including 49 large investments which, as a rule, have a cost-estimate value of over 3 billion zlotys. The investors were late in making the decisions. Further reductions will have to be made. In any case, because of investment policy errors, a large part of the installations could not have been utilized due to supply problems and also due to lower demand for capital goods.

The condition of the state budget reflects the condition of the economy. The lack of financial balance is caused by the fact that expenditures are growing more rapidly than incomes. Management efficiency in the enterprises has deteriorated. Insufficient cost reductions, or cost increases, reduce the size of the financial accumulation. This main source for financing budget expenditures dropped from approximately 468 billion zlotys in 1978 to approximately 296 billion zlotys last year, i.e., by 36 percent. For the first time since 1949, there was a budget deficit in 1980 in the amount of 26 billion zlotys. It is projected that for the current year this deficit will be 120 billion zlotys. After several months, it is apparent that the budget incomes will not be implemented and that expenditures will exceed assumptions, due to the faster-than-projected growth in wages, social services and certain expenditures in the social and cultural sphere. This financing without coverage of even-substantiated demands and stipulations, further accelerates inflationary processes.

The accumulation of all these disproportions caused a radical deterioration of the situation, on a scale which society did not expect, and which, as the report states, was the inevitable consequence of the action of so many negative factors. We have drawn several of the most significant examples from this part of the report, which describes the manifestations of the present crisis. In the next article, we will discuss the part of the report that deals with the causes of the crisis.

Origins of Economic Crisis

Warsaw ZYCIE WARSZAWY in Polish 14 Jul 81 p 3

[Article by Henryk Chadzynski: New Government Report (2) "What Caused the Crisis?"]

[Text] An answer to the question posed in the title of this article is by no means easy. It is not possible to determine a single cause. A whole series of causes must be shown, as well as the interactions between the principles of economic functioning, economic policy, and the mechanisms of political life in general. The report's authors begin by describing the deviations from principles of democratic centralism in the functioning of political institutions and the ruling of the authorities. They also emphasize deviations from the princples of a socialist planned economy that created the conditions whereby it was possible at different levels, particularly at the central level, to make arbitrary and incompetent economic decisions, all of which added up to an erroneous and incoherent economic policy. The report also contains an assessment of the so-called strategy of dynamic development implemented since the early 1970's. It was based on striving to overcome the stagnation that occurred in the late 1960's by pushing investments which were increasingly financed by foreign credits. All of these matters, for the most part, have already been the subject of various analyses. As the report says, the

economy's objective need was to implement the strategy of intensive development, by increasing labor productivity and management efficiency, i.e., by more rational utilization of production resources. Meanwhile, in practice, operations were conducted with the aid of large investment outlays and a large increase in employment, thus, in reality, with the aid of extensive methods.

Wrong Goals Chosen

Irrespective, however, of these general assertions, the report asks the basic question: Why did not the enormous funds obtained through foreign credits bring the anticipated returns and, instead of improving the economy, they brought about its deepest crisis? The basic reason was improper utilization of these funds, i.e., allocating them for purposes which under conditions existing at that time, could not ensure the desired results. Moreover, deformation continued to increase in an already inefficient structure of economy, and industry, in particular.

The report states, in so many words, that as a result of the strong influence of pressure groups, mainly representatives of heavy industry and particularly metallurgy and various branches of the machinery industry, the overwhelming portion of investment funds and a large part of the foreign-exchange funds were assigned for the development of those branches. At the same time, because development in the newest branches in Poland was at a low level, allocation of such large funds for heavy industry had to be at the expense of the newer fields, which further worsened the structure of the economy.

In the 1970's, over 200 billion zlotys was invested in the expansion of coal mining. But no mechanisms were created at the same time which would have encouraged the economical consumption of coal in the country, and this reduced the export potential. In spite of the views of many Polish experts, and Soviet experts, too, construction of the Katowice Steelworks was also begun at that time, and afterwards its capacity was enlarged. To date, 175 billion zlotys has been allocated for this purpose. In return, the potential for production of medium and heavy sections, mainly for investment needs, increased, while the lack of quality products for the newest subbranches of the machinery industry became more acute. Meanwhile, there are enormous surpluses of simple metallurgical products on the world market, with the result that we are exporting them at low prices and buying quality products at prices three to four times higher than we are obtaining from exports.

Aspirations and Results

The report also states that considerable funds were allocated for development of the automobile industry. They brought positive results primarily in the domestic market. But satisfactory returns could not be obtained in exports due to competition from the largest powers on the world market. Pushing exports of automobiles of uncompetitive quality and poor workmanship could not and did not bring satisfactory returns. Large outlays for starting up and developing the production of color television sets were similarly increased. This satisfied the aspirations of the machinery industry itself, but it did not satisfy the most pressing social needs.

Neglect in the development of energy, the chemical industry and a number of subbranches that were intended to use domestic raw materials, was allowed to deepen. No action was taken to create subbranches specializing in export production.

These examples are followed by this conclusion: As a result of this investment policy, /the structure of Polish industry in 1980, from the standpoint of its ability to satisfy needs, exploit domestic raw materials, and efficiency, is worse than it was in 1970/ [in italics].

The Meanderings of Agriculture

Agriculture is an example of errors in other fields. Despite proclaimed support for its development, as a result of faulty shaping of the structure of industrial production, there was stagnation, even regression, in deliveries of the basic sources of production which determine land productivity. Furthermore, private farmers were able to obtain a smaller portion of these resources than their participation in the entire final farming production would indicate.

During 1975-1978, deliveries and consumption of artificial fertilizers, plant pesticides and construction materials in peasant farming were reduced. Moreover, in accelerating the development of state farming, insufficient attention was paid to high production costs and uneconomical management in many state farms. One of the signs of this policy was the drastic reduction, during 1974-1976, in the sales of land--the most valuable production source--to peasant farmers.

The report also mentions that some of the small-size peasant farms stopped animal production for their own needs due to reduction in fodder sales from state stocks. Conversely, these farms became buyers of animal products in cooperative trade, which made the market situation still worse. The document also calls attention to the bureaucratization of state and cooperative agencies and also to other factors, so as to again reach the sweeping conclusion that errors in agricultural policy caused the long-term stagnation which was exacerbated for several years by poor weather conditions. At the same time, imports of farm products increased. These imports, aside from the investment policy, caused the large growth of indebtedness to capitalist countries. In addition, as distinct from investment credits which could be explained by developmental purposes or the desire to obtain exports for payment of the debt, expenditures for imports of grain and fodder increased the indebtedness for current consumer goods.

During 1971-1980, 61 million tons of grain and fodder were imported, i.e., about 33 percent of the domestic harvests of four grains obtained during this time. These imports cost 8.5 billion dollars. The decisions to import such large quantities of grain and fodder were one of the results, the report concludes, of the policy of undue acceleration in growth of personal incomes, in relation to the country's economic potential. This was particularly important because the growth in purchasing power occurred during a period when animal production was declining and meat market problems were growing.

Elimination of Small Industry

As an example of the third wrong direction, the report cites far-reaching reductions, and to a larger degree, administrative shut-downs, in small industry. The takeover by a key industry of small plants meant that in most cases they stopped producing for the market (e.g., termination of production of medicines, manufactured previously in cooperative plants, and also termination of small-scale processing in the

village, such as farm grinding mills, pork butcher's shops, dairies, and brickyards). Despite official declarations, the development of crafts and small private production and service plants was also restricted. All totaled, this brought many negative results. It also led to a breakdown in the natural, in an new industry, co-production among large, medium and small plants.

The report also contains a number of statements pertaining to the exorbitant foreign debt, due to which an increasingly smaller part of receipts from export were, after covering amounts due, available for financing current imports. Whereas in 1976, after making debt payments, approximately 64 percent of receipts from exports were left over for imports, in 1980 this amounted to scarcely 18 percent.

The Vicious Circle

The crisis did not appear suddenly. It began with the exorbitant investments that resulted in the indebtedness, initially for investment imports and then for market supply imports. The incorrect structure of these investments, the inappropriate imports, and the inefficient utilization of these imports, meant that the growth of production that was indispensable for export requirements was not possible. This also made it impossible to service the debt and to satisfy domestic market requirements. Insufficient imports resulted in a lack of supplies to the plants, thus making it impossible to fully utilize potential. Co-production ties were broken and deliveries to the market declined. The drop in industrial production, especially the drop in coal and raw materials production that brought with it various negative effects, reflected adversely on the size of export and also, because of the simultaneous growth in the people's personal incomes, it led to the collapse of the market.

The report also names causes resulting from the deformation of the control system; lack of collegiality, despite appearances, in making decisions; lack of broad consultation; and scientific-expert reports that were often prepared dishonestly, simply to confirm a decision that had already been made. Because many of the decision-makers were incompetent, they made decisions that fulfilled the aspirations and demands of ministerial, regional and subbranch pressure groups. Frequently the propaganda aspect was considered above all else; neither the rationality of the demands set forth, nor the actual capabilities of the economy, were examined.

The document also mentions the erroneous system solutions in management and in the economic-financial system, and especially the undermining of the role of money and cost-effectiveness in the functioning of enterprises.

This was associated with excessive directivity and with those solutions which enabled enterprises to obtain benefits as a result of ostensible activity and not actual economic improvement. Wage policy became something apart from production and financial results. The people began to falsely believe that the level of wages and other receipts is dependent only on the decisions of the authorities (made of their own free will or under the pressure of demands), and is not dependent on labor productivity and sales of goods and services.

We have cited here only a number of statements from the report on the causes of the crisis. It is proper here to cite the report's conclusion, /that the causes of the crisis do not stem from structural principles of the socialist economy, but on the contrary, from the violation of these principles/ [in italics], from not observing objective rules, from ignoring economic laws and not utilizing the potential of a socialist system, and, above all, of a socialist planned economy.

9295
CSO: 2600/273

MINISTER DISCUSSES FOOD INDUSTRY DEVELOPMENT

Warsaw PRZEMYSL SPOZYWCZY in Polish No 2, 1981 pp 43-45

[Article by Jan Zaleski, minister of food industry and purchases: "Problems and Trends in Development of the Food Industry against the Background of the Current Food Economy Situation"]

[Text] Industrial food production depends primarily on the level of vegetable and animal-stock purchase. Due to an exceptionally unfavorable situation in agriculture, we purchased from the 1980 crop only 55-65 percent of the planned plant stock: grains, sugar beets, rape, fruits, tobacco, while the purchase of industrial potatoes amounted to less several [10 to 20 percent] with an about 40 percent fulfillment of edible potatoes. The limitation of vegetable-stock processing has essentially reduced the quota of traditional feed ingredients, such as: beet pulp, molasses, potato pulp, alcohol distilling residue, mill cake, malt residue, which renders the difficult fodder situation in agriculture even worse.

Serious consequence of limited purchase is a reduction in production of several consumer goods, particularly, sugar to approximately 1.1 million tons, potato starch to approximately 15,000 tons instead of the planned 220,000 tons, products based on potato starch and syrup and first of all of candies, puddings, jellies and also of fruit and vegetable products, beverages, beer, powdered milk and condensed milk. Due to the reduced supply of potatoes to the urban population, an increased demand for flour, bread, macaronies and cereals occurred. The reduced purchase of animals and their slaughter at lower weights results in a deterioration of the animal fats balance, which increases the demand for butter and vegetable fats. These changes in the production and demand for foodstuffs which result from the agricultural situation, together with the limited processing capabilities of the industry, particularly in the production of flour, cereals, margarine, oils and bread, create certain difficulties on the food market. These difficulties were intensified by the considerable increase in earnings by the urban population and by the absence of attractive market offers in other than the food market.

In order to counteract the food-market tensions, there was a radical limitation of exports along with an increase of food and fodder imports, as well as better utilization of staples during their industrial processing into basic articles of food.

During 1980 and the first three quarters of 1981, exports of sugar, rape, rape oil, malt, frozen fruit and produce have been dropped and the export of meat and meat products has been greatly limited. Import of 50,000 tons of meat and over 70,000 tons of lard, over 100,-00 tons of sugar and large quantities of potato starch, tobacco, tomato concentrate and numerous provisions have been secured, predominantly from countries of the socialist block, within the framework of neighborly cooperation. Import over and above the planned quotas of rice, oils, cocoa bean and citrus fruit is being worked out. Thanks to the help of the USSR, the import of grain fodder will be increased by another million tons.

Until production is obtained from the 1980 harvest, the lowest possible decline in basic vegetable supplies to the market and the most rational way of utilizing sugar supply, imported starch and other products and intermediate products must be assured. Much is expected from confectionery industry and food concentrates, fruit and vegetables and also sugar and potato industries.

Assuring the continuous delivery of flour, noodles, cereals and flaked cereals is a task of particular importance. In order to satisfy the increased demand for bread flour, the course of mill production has been changed to produce more higher quality flour. Additional cooperative farm mills and private mills have been included in milling service. Mill overhauls obtaining higher efficiencies have been stepped up and work in the new mills of Mscice and Niewachlow.

Supplying the market with cereal and flour products requires maintaining production during several work-free days as well.

The industry is able to fully satisfy the actual consumer demand for cereals.

In 1981, in view of the shortage of raw materials, we will not expand the production of wines, vodka and cigarettes, assuming that consumption levels attained in the country are at least adequate. In practice, we will aim at reducing vodka and cigarettes sales.

The task of providing the market with meat and animal fats is more difficult. A considerably intensified purchasing decline of cattle for slaughter is to be expected. The increased grain and fodder imports and decisions undertaken about their price should create conditions for restraining the decline of stock during the period before the new harvests. The principal problem lies in maintaining the basic herd. To cope with this, an unlimited contract between farmers and the government for the purchase of piglets and young pigs has been introduced in November 1980 for the second quarter of 1981, and an intervention purchase of piglets for slaughter has been undertaken on a large scale.

To facilitate the management of the ration-card system to provide the above foods, the meat industry reduced the assortment of pork-butcher meat products and increased the supply of meat in deliveries to urban markets at the expense of pork-butcher products. This will permit saving more animal fats from domestic production. With changes in assortments, new recipes have been introduced and an essential improvement of sausage, headcheese and other smoked pluck has been assured.

The drop in agricultural production and reduced purchase of farm staples raise even more sharply the problem of an intensified struggle against every possible aspect of staple waste, with all its symptoms of losses and wasteage in purchase, trade, preservation and processing. We attach great importance to these problems and we will solve them consistently, together with the interested organizations. We are waging a resolute struggle against all abuses in purchasing. We are undertaking a decision concerning respect for the farmer's time by the procurement apparatus. We have simplified considerably the classification in purchasing pigs and to some extent in purchasing cattle as well. The new price lists of beef and pork for slaughter have prices according to a simplified classification. It will remove a source of misunderstanding and abuse in contacts with suppliers.

Moreover, by broadening the network of direct farm suppliers we will simplify deliveries and, at the same time, strengthen public control at cattle and pig purchase centers. We will benefit from cooperation with associations and farmers trade unions at the level of industrial institutions and federations and services aimed at production training for farmers. We intend to strengthen the role of the contract agreement by increasing the performance discipline of bilateral commitments. We will improve cooperation with farmers and increase the range of services in the development of technical cultivations, for example, tobacco, hops and brewing barley.

Realizing the principle of closer and active cooperation of the food-processing industry with agriculture, we try to cooperate for the improvement of the fodder situation. We are undertaking several actions toward using all kinds of food industry waste for fodder. We are shifting part of molasses processing to agricultural alcohol distilleries. We are working toward full utilization of slaughter byproducts and carcasses. We are expanding the production of animal meal. Domestic production of fish meal is also on the increase. Action is being taken to secure a sufficient and regular delivery of albuminous fodder components and other important ingredients of fodder compounds and concentrates. Our efforts are not always crowned with success in time. Hence, there still are critical voices raised about the reduced efficiency of fodder, particularly in poultry breeding. We pay particular attention to these voices and are introducing departures in formulas only when there is a shortfall of some components. All introduced fodder recipes have been biologically tested. Also we are expanding the analytical potential of the State Supervision of Purchase and Food Articles Processing.

After the present difficult fodder situation in agriculture has been overcome, we will aim at basing stock production on local domestic fodder stock on the basis of a new price relationship of grain, fodder and stock production. Our target in deliveries for agriculture is to increase the participation of multialbuminous concentrates in addition to full-ration compounds.

To realize tasks facing the alimentary industry at this moment calls for the reorientation of investment policy. By meeting half-way the social needs to satisfy the growing requirements of the food market, we will guide investment needs toward modernization and completion of initiated investments, which may bring production increments even in 1981. At the cost of 3 billion zlotys, we can obtain an increment of production capacity in market prices of 5 billion zlotys even in 1981. In 1981, a ceiling 50 percent higher than last year will be directed into

investment construction in key food industries, and these funds will be directed toward storing facilities, processing to fit the market and development of by-products and waste utilization.

In the next years of the five-year plan we intend to secure:

--in the milling industry, an 800,000 ton per year increase of wheat flour capacity and stepped up production of cereals, oatmeal and noodles, it requires modernization and development of 70 PZZ mills [state grain elevators] and CZRS [Central Agricultural Union of Peasant Self-aid Cooperatives], as well as construction of three commercial mills in the southern regions and 15 aggregate mills with a steel structure;

--in the baking industry, in order to improve the quality of bakery products an increase of new capacities by 180,000 tons per shift is to be assured;

--in the sugar refineries, capacities should be increased by 20,000-25,000 tons per day.

We intend to spend 60 percent of the overall food industry money expenditure in these three branches and the milk and fruit-and-vegetable industries.

We are modernizing margarine factories in Bodaczow, Warsaw, Brzeg, Szamotuly as well as the oil mill and margarine factory in Kruszwica.

We will continue to increase capacities in poultry raising and slaughtering by at least 120,000 tons per year, and we will develop fodder and processing plants accordingly.

We also intend to advance the development of the fish industry in order to ease meat and animal-protein shortages.

We assume that in the years 1981-85 society's needs for cereals and flour articles will be filled, as will those for margarine and vegetable fats, fruit-and-vegetable products, culinary frozen products, milk products and children's food products, and that there will be further improvement of supply in all remaining branches and groups of consumer products. A complete stocking of all staple components, valuable waste and byproducts calls for new technology and, above all, equipping the food industry with machines, appliances and wrapping and packaging systems as well. Not only agriculture, but the food industry as well, depends to a large degree on deliveries from other branches of the domestic economy. However, for the present, the domestic production of machines and technical appliances has been able to cover 70 percent of the needs of the food-processing industry.

We calculate that food industry requirements for machines and appliances in the years 1981-85, will amount approximately to 80 billion zlotys, i.e., a 30 percent increase over the amount during the years 1976 to 1980.

Particularly intensive development is required in the manufacture of machines for the milk, fruit-and-vegetables, potato, oil, fodder, grain-and-mill and bakery

industries. The existing potential possibilities of the food machinery equipment industry is able to satisfy only half of the processing needs.

Equally indispensable is full coverage of the food industry's needs in the area of wrappings and packaging, particularly metal wrappings, aluminum, plastic and viscose foils, plastic containers, glass bottles and jars, paper and cardboard wrappings and paper bags, etc. While working out the government food-economy program, we are designating in detail the scope and the means of covering these needs in the country as well as within the framework of the cooperation of the CEMA countries.

In presenting the trends and steps which are being undertaken by the food industry to improve the country's food supply situation, I would like to state that the main prerequisite and guarantor of proper provisioning of the population with the means of subsistence is a stable, composite and consistent agricultural and food-supply policy. It must be brought about not only by the agriculture and the food industry, but jointly with all the other branches of our national economy.

I would like to express my conviction that only such a policy, which we intend to carry out on a general scale and in the food industry in particular, can assure a gradual mastering of these very troublesome disproportions on the food supply market at present, and bring a step-by-step improvement in supplying the population with food.

I do not doubt that in realizing this task we will get help from the entire industrial labor force, and the scientific, research and service institutions of the food industry who distinguished themselves by their self-sacrificing work and total civic commitment, the proof of which they gave during the difficult period of the second half of the past year.

9841

CSO: 2600/238

FODDER PLANTS RECOMMENDED TO FOLLOW RYE

Warsaw CHLOPSKA DROGA in Polish 17 Jun 81 p 10

[Article by Jan Higersberger, MS: "What Do You Sow After Rye Harvested For Green Bulk?"--passages enclosed in slantlines printed in boldface]

> [Text] /Most frequently, after a harvest of rye for green bulk, farmers will plant potatoes. This is wrong. Based on my own, extensive experience I have determined that after a harvest of rye for green bulk potatoes will give normal yields only if they have favorably spaced precipitation. This is so because the rye will thoroughly exhaust the earth's moisture during the growing period, moisture needed by potatoes in large quantities. Additionally, even in case of a very fast rye harvest followed without delay by potato planting, it is impossible to avoid additional drying of the soil.
>
> What crops, therefore, should be cultivated after rye harvested for green bulk?/

Below we are making a few suggestions regarding the more important crops which are suitable to be cultivated as fodder, after rye harvested for green bulk.

1. /Leguminous-grain mixtures./ They will grow so much by the middle of August that one can gain 200-250 quintals per hectare (q/ha) of green bulk, by mid-September it may be as much as 350 q/ha. One may also cultivate crops which require early fall sowing: winter barley, winter rape, winter rye or winter wheat. Composition of such a mixture, per hectare, could, for example, be: /spring vetch (100 kg) + field peas (100 kg) + oats (35 kg) + spring barley (35 kg)./ Vetch and peas are interchangeable, as are oats and barley. The lighter the soil, the more oats and peas and at the same time less vetch and barley.

Indicated mineral fertilization, by contents of pure components, is: /50 kg/ha phosphorus, 100 kg/ha potassium and nitrogen (only during germination) 15 kg/ha./

2. /Leguminous crops./ They will grow relatively short, therefore, one has to plant them thickly. Alone, /spring vetch is sown at 180 kg/ha, field peas 220 kg/ha, lupin 270 kg/ha. They can be harvested as early as about 15 August, and one can sow winter rape or winter barley afterwards, or the stand can be earmarked

for winter rye or wheat. Green-bulk yields can be the same as from leguminous-grain mixtures, but inferior as fodder because of lack of variety. Amount of fertilizer used is the same as for the mixture.

3) /Sunflower./ This crop grows very quickly. In the middle of August one can harvest 400 q/ha of green bulk and in mid-September about 700 q/ha. Winter rape ought not to be sown afterwards--the stand is too exhausted. If the soil is very good, then, with strong mineral fertilization, one could cultivate winter barley. One can also sow grasses for seed collection or for green bulk, but only in the following calendar year. If the sunflower was harvested in mid-September rye can be sown afterward. After sunflower, the stand will be too exhausted for wheat.

Approximate mineral fertilization for sunflower looks as follows: /50 kg/ha phosphorus, 100 kg/ha potassium, 80-100 kg/ha nitrogen./

4) /Mustard and spring rape./ Either crop will yield equally, by mid-August, about 200 q/ha, and by mid September--about 300 q/ha of green bulk. Seed required: 20 kg/ha, shallow seeding--down to 2cm. Fertilization, by pure component contents, 54 kg/ha phosphorus, 80 kg/ha potassium and 80 kg/ha nitrogen.

Mustard or spring rape can be fed to cattle directly as green fodder or it can be ensilaged. These crops are easily ensilaged. When green, mustard is eaten by cattle in preference to rape greens.

After mustard or spring rape, one should not sow winter rye, however, winter barley or grasses may be sown. The best way would be to harvest spring rape or mustard in the middle of September and then sow rye or wheat (depending on the soil).

5) /Spurry./ This is a crop for light soils, however, for green bulk purposes it will grow on any soil. It has a short growing period. By mid-August the crop will amount to 250 q/ha green bulk, by mid-September--350 q/ha. Sowing is shallow in dense rows. There are two varieties of rape (sic): large and small. The large variety is sown at about 35 kg/ha, the small at about 25 kg/ha. Fertilization is the same as for spring rape and mustard.

Spurry can be used as green fodder or it can be ensilaged. It ensilages easily. After spurry harvested in mid-August, one can sow winter barley or grasses. After a mid-September harvest--rye or wheat (depending on the soil). After spurry, fertilization should be plentiful.

6) /Maize./ Maize cultivation is so popularized that is needs not be discussed. We will note, however, that by mid-September it is ready for harvest and, depending on the soil, rye or wheat may be sown afterward. Maize yield depends on the variety. The "Flint Corn" variety gives very high yields of green bulk (when following green rey 700-800 q/ha) which is, however, watery and of very little substance. The early ripening varieties (hybrids) give less green bulk (up to 350 q/ha), which is of high substance and contains a large amount of kernels which are in a "milky-waxy" state of ripeness.

7) /Stubble turnip./ Depending on the variety, the growing period of stubble turnip lasts about 8 weeks. By mid-September one can obtain a yield of about 300

q/ha, in late fall 400-500 q/ha. Turnips are sown in rows, with a spacing of 30-40 cm between rows, at an interval of 20 cm when in dense rows and at 15 cm in sparsely spaced rows. One can also sow by using every tube in the seeder or even sow by hand and then thin out by rake after germination. Sowing is shallow. When in widely spaced rows, sow 2.5 kg/ha, in dense rows (every tube in seeder) sow 4 kg/ha, by hand 5 kg/ha.

Stubble turnip harvest is very easy because it protrudes above the ground. It can be simply torn out by the cultivator and picked up. Stubble turnip cannot be winter stored because it rots easily. It has to be fed in the fall or it may be ensilaged. It ensilages easily and if ensilaged by itself it has to be chopped up. If ensilaged with any green bulk or with oil cake it need not be chopped up.

After turnips harvested in September, (depending on the soil) rye or wheat can be sown. After a late fall harvest, the field should be used for early grains or butterfly type coarse grains.

8) /Transplanted Swedish turnip./ Turnips are easier to transplant than cattle beets because they are not sensitive to root bending, and they take exceptionally well. They can be transplanted with a rake or with a plow. The individual seedlings are placed on the side of a furrow so that the next furrow will cover the roots. Turnips are planted in every other furrow in this manner. Spacing between the seedlings is 25-40 cm. Mineral fertilization if high.

9) /Fodder cabbage./ It can be transplanted from seedlings the same as edible cabbage or it can be sown directly in the soil the same as rapeseed. When transplanting, it is placed in a rectangle 40 x 50 cm, when sown it goes in rows every 40-50 cm. Sowing requires 3-4 kg/ha. The seed cannot be planted in the soil deeper than 2 cm. Mineral fertilization is also plentiful.

Fodder cabbage is a very valuable fodder and the crops equal maize crops of the Flint Corn variety. Both sown and transplanted variety have to be chemically treated for weeds. Most frequently one of the compounds listed below is used. /Semeron/--1.5-2.0 kg/ha of the compound in 400-600 liters of water, at 2 weeks after the transplants have taken or when the sown cabbage seedlings have 4-5 leaves; /Treflanc/ LC-2--2.5 4.0 kg/ha of the compound in 400-600 liters of water, not later than 6 days before sowing or planting. Immediately after spraying the compound, the ground has to be covered with about 15 cm of fresh soil. After fodder cabbage the stand is not suitable for sowing until the spring.

9511
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NEED TO PROTECT HARVEST FROM FIRES STRESSED

Bucharest PAZA CONTRA INCENDIILOR in Romanian May 81 pp 2, 8

/Article by Engr Gheorghe Manciu, state secretary in the Ministry of Agriculture and the Food Industry: "Protecting the Harvest from Fires--an Imperative of Strict Timeliness"/

/Text/ The speech given by Comrade Nicolae Ceausescu, the secretary general of our party, at the Second Congress of the Management Councils of Socialist Agricultural Units, the Whole Peasantry and the Councils of the Working People in the Food Industry, Silviculture and Water Management has constituted for all those who work in this great and important sector of the national economy a document of exceptional significance, meant to raise the level of the activity in agriculture to a higher stage of development, to the height of the requirements posed by the historical decisions of the 12th party congress.

Aware of the importance that agriculture has in the great work of construction of socialism, the cooperators, the workers in the state agricultural enterprises, the farm machinery operators, the specialists in research, production and education, all those on whom the achievement of the new agrarian revolution depends, have greatly multiplied their efforts to turn immediately to radically improving the activity, to increasing the agricultural output as early as this year.

Organizing their activity better and performing the plowing and the work of sowing and maintaining the crops at the proper time and with good quality, the working people in the agricultural units, all those who bear the responsibility for properly performing the production activity, have shown their diligence by deeds. Thanks to their work filled with self-sacrifice, the cereal harvest promises to be good, despite the difficult conditions created by floods and the not exactly favorable weather this spring.

At present, as part of the technical and organizational steps taken to properly perform the work, the managements of the agricultural units are devoting special attention to preparing for the harvesting campaign. Having the party bodies' help and guidance, the county agricultural bodies, the agroindustrial councils and the managements of the SMA's /agricultural mechanization stations/, the IAS's /state agricultural enterprises/ and the CAP's /agricultural production cooperatives/ have made a motto of properly organizing the campaign. Before them stands the valuable counsel of the secretary general of our party, according to whom it is necessary to take firm steps to eliminate the serious shortcomings existing in the field of

harvesting, when significant quantities of agricultural products are lost due to the totally unjustified prolongation of this work. "Let us do everything," Comrade Nicolae Ceausescu pointed out in the speech given at the Second Congress for Agriculture, "so that the entire harvest is gathered in optimum time, is transported properly and reaches the storehouses without any loss! With the existing means, we must harvest the wheat in 8-10 days and the corn in at most 30 days."

Putting this valuable counsel into practice, the county agricultural directorates, the SMA and IAS trusts and the agroindustrial councils, on the basis of the orders and provisions given by the leadership of our ministry, have taken steps so that the units subordinate to them will proceed in advance to check and repair the entire fleet of agricultural machines that will be used to gather and store the harvest. On combines, tractors and trucks, the ignition, feeding and carburetion systems have been adjusted in order to prevent misfires, which can often be accompanied by sparks and gases in a burning state. At the same time, the sealing of the fuel tanks and feedlines and the elimination of the defects existing in the wiring, the spike-cutting devices (combines), the gas-exhaust systems and so on have been undertaken.

Although such preparatory work has already been finished in the great majority of the counties, lags have still been noted here and there. Consequently, it is necessary that in this period the efforts be intensified so that the checking of all the machines and equipment that are to be used in the campaign is finished as soon as possible.

From the experience in past years it has resulted that the performance of the machine-functioning tests for checking the gears in operation and of the work of adjustment and sealing has an important role in avoiding losses of grain, including the damage caused by the outbreak of fires. This is precisely why the performance of them must be done with a total spirit of responsibility not only on the equipment used to harvest and transport the cereals (combines, tractors with trailers, and trucks) but also on the hay-baling and -gathering equipment (presses, MAC's /expansion unknown/ and PAC's /expansion unknown/).

In this period, on the basis of the instructions given, the activity of the reception commissions, which give advice on the utilization of the machines in the campaign, is in full swing. Since carelessness in issuing the reports on checking the technical condition of the machines and equipment has been found in some counties, the attention of the managements of agricultural units is drawn to exhibiting the proper strictness, in such a way that no agricultural machinery or equipment used in the campaign has defects that would lead to fires. On this occasion, the devices of the spark arrester will also be inspected with all possible care--with the wornout ones, which do not offer a guarantee in operation, being replaced promptly. In addition, it is intended that all machinery and equipment will be equipped with fire extinguishers with powder and carbon dioxide in perfect operating condition, with the managements of the agricultural units and the technical commissions for fire prevention and extinguishing having the obligation to take steps to supplement the stocks with such means of fire extinguishing.

Proper organization of the activities prior to the start of the harvesting campaign also requires thorough instruction of the personnel involved in the campaign (farm machinery operators, drivers, workers in the mobile shops and so on) in order to use the machines and equipment at maximum capacity and to comply precisely with the

fire-prevention and -extinguishing standards issued by the MAIA [Ministry of Agriculture and the Food Industry], which refer to the operation of combines, tractors and trucks without danger, the supplying of motor fuel, parking in the field and so on. In the period that is still left until the start of the harvesting action, as well as during it, an intense instructional and educational activity will have to be performed, through all forms and means (talks, conferences, posters, notices, programs on the radio-relay stations, written articles in the press and so on), in order to combat the fire-generating causes (cigarettes, sparks coming from the muffler, open fire, defects occurring in the wiring and the feeding and carburetion systems of agricultural machines and so on) that can produce fires. However, the briefing remains the main means of mobilization for compliance with the standards, a reason why it must be made to the point, in close connection with the concrete situations specific to the work of cereal harvesting, transportation and storage. Such briefings have been held with the heads of the agricultural units, the farm foremen, the chiefs of the civilian formations of firemen and so on. Up to the start of the harvesting work, it is absolutely necessary for this action to be continued in such a way as to include all the personnel involved in the cereal-gathering, -transportation and -storage campaign.

In order to prevent field fires, both in the ripening phase and during the cereal harvesting, it is necessary to devote full attention to the activity of watching and supervising the fields. In addition, in order to eliminate some deficiencies noted last year in the counties of Mehedinti, Tulcea, Dolj, Constanta, Braila, Vaslui and others, it is absolutely necessary to take in advance prompt steps that would provide for: the banning of the entry into the campaign of combines, tractors and trucks that are not in perfect operating condition; the arrangement of the places used for the maintenance of agricultural machines and the replacement of parts by the crews of the mobile shops; the creation of the strips for isolating the fields from roads, forested areas and railroads; the equipping of the work points with plows, disk harrows and hydrants that can be moved easily, along with the shifting of the combines to other harvesting areas; the establishment of smoking areas; and so on.

From experience it has resulted that as the harvesting work draws to a close, the strictness declines and obvious violations and irregularities take place, a thing also demonstrated by the fact that the fires have occurred toward the end and not at the start of the harvesting campaign. Regarding such situations, there must be constant concern for complying with the fire-prevention standards throughout the performance of the work, with a firm stand being taken against any manifestations of negligence and indiscipline. Such an emphasis is made because it has been observed that the agricultural machines used in the lowland areas have been sent to the other areas of the country with some defects that could favor the appearance of fires, such as, for example, fuel and oil leaks, wiring damage, intense friction on parts in motion and so on. In view of this fact, it is absolutely necessary that in transferring the machines from one area to another the proper attention be devoted to checking them and that in the course of operating them the strictness be increased in order to be able to step in promptly to eliminate the fire-generating defects.

Due to its specific character, the harvesting campaign also requires preparatory measures in the sphere of cereal storage. "We must organize the storage as close as possible to production," Comrade Nicolae Ceausescu pointed out, "in order to provide

the conditions so that everything that we have obtained through the labor put forth will enter the storehouses. We must completely put an end to negligence and waste." This means an increase in the spirit of responsibility and strictness in taking the preventive steps that not only the personnel involved in cereal gathering and transportation but also the heads of the silos and of the cereal-reception and -storage bases must exhibit. They have the obligation to take care of the wiring and the equipment associated with the cereal-drying, -sorting, -cleaning, -transportation and -siloing operations in order to exclude any possibility of producing fires. In addition, these installations and pieces of equipment must be checked thoroughly before the start of the cereal-gathering campaign, with them being supervised continually throughout the period of gathering and storing the cereals.

Possessing the help of the party bodies in implementing the technical and organizational measures meant to ensure the proper performance of the cereal-harvesting campaign, the leadership of the MAIA, together with the leadership of the MTTc /Ministry of Transportation and Telecommunications/ and the MI /Ministry of the Interior/, Firefighters Command, has established a number of joint actions regarding supervision and guidance of the fire-prevention and -extinguishing activity that will come to the aid of the responsible factors involved in the cereal-harvesting, -transportation and -storage campaign.

Aware of the responsibility that devolves upon them and always having in mind the valuable instructions given by Comrade Nicolae Ceausescu at the Second Congress for Agriculture, the working people in this important sector of the national economy are firmly determined to take all the steps so that not one bit of this work year's harvest is lost, falls prey to flames, but reaches the storehouses in full safety.

12105
CSO: 2700/319

WAYS TO REDUCE ENERGY CONSUMPTION CONSIDERED

Bucharest REVISTA ECONOMICA in Romanian No 27, 3 Jul 81 pp 8-9

/Article by Dr Emil Costin: "The Reduction of Energy Consumptions--a Basic Orientation of the Party's Policy of Growth in Economic Efficiency"/

/Text/ The modern era and, implicitly, large-scale industry are indissolubly connected with the wide-scale production--and the utilization in the most diverse fields--of electric power. Grasping the strong interdependence that is established, in the process of forging the technical-material base of socialism, between energy resources and industry's development, our party has included as a priority objective, as early as in the first plans drawn up, the continual expansion of our own energy base.

Trends in the Dimensioning of Consumptions

Along with the providing of energy resources, the party puts in the center of the economic policy the orientation with regard to utilizing energy with as high efficiency as possible and managing with a high spirit of responsibility all the energy agents drawn into the economic circuit. The concern for economical utilization of energy fits as a natural component into our party's general view of utilizing the country's material, human and financial resources with high efficiency, as a condition for growth in social wealth. In his speech at the Second Congress of the Working People's Councils, the secretary general of the party dwelled on these questions, emphasizing strongly the decisive conditioning between the Romanian economy's further progress and the obtaining of as low material and energy consumptions as possible.

An evaluation of all the implications that the absolute decline in the hydrocarbon resources existing on a world level, the rise in prices at runaway rates and the instability regarding the sources of supply and the certainty of this supply on a long term have for the economy's development implies an extremely great effort, a concerted multidisciplinary approach. The difficulty of the problems--problems that must, in fact, be solved in accordance with each country's concrete conditions--resides mainly in the fact that the economy's further development requires the effective growth of the volume of energy resources drawn into the production circuit. At the same time, any project to reduce energy dependence must start from the premise that, to an overwhelming extent, the type of industry with which we are familiar is based as a technological principle on electric power, while, in comparison with

electricity, the development of other energy technologies is in an incipient stage. In precisely this spirit, the Directive Program for Research and Development in the Field of Energy, approved at the 12th party congress, stipulates as one of the ways to attain the basic energy objective the providing of Romania's energy independence at the end of this decade, the continual expansion of the national energy base. The improvement of the economy's structure, the utilization of all hydroelectric sources (including waters with small flows) and the conversion of wind energy, biomass and so on into an energy agent usable in the technological processes are being pursued from this angle.

The substantial, continual reduction of the energy consumptions in all fields of activity constitutes a way of overwhelming significance to provide the energy resources necessary to the economy, one that is brought up constantly in the party documents and the speeches of the secretary general of the party. In the current world situation, the criterion of minimization of energy consumptions is acquiring the character of a basic component in dimensioning and evaluating any activity, on both a macroeconomic level and a microeconomic one. However, the problem is not getting an immediate and simple answer. Economic research and technological research are finding themselves a wide field of investigation, in view of the fact that energy takes often long and winding paths both from production to utilization and, later, in the process of its incorporation into products. The specific character of the production processes in each branch of activity and of each particular activity--explicable as a matter of fact, which characterizes the degree of elaboration of some statistical, economic and technical indicators capable of faithfully and, at the same time, promptly expressing precise information about the energy consumption per product--contributes to this diversity of aspects.

On a synthetic plane, the energy consumption that the obtaining of 1 unit of national income requires constitutes the most expressive indicator. In recent years, significant successes have been obtained in the direction of raising the level of efficiency with which energy is utilized at the level of the Romanian economy. Thus, as follows from the data in Table 1, the value of the "consumption of electric power for $1,000 in national income" indicator was reduced over 25 percent in Romania in the 1974-1977 period. In the above-mentioned period, the same indicator was reduced 10 percent in Great Britain, 8 percent in France and 20 percent in the FRG. But even under the conditions of these big reductions, Romania consumes for $1,000 in national income 2.6 times more kilowatt-hours than France, 2.4 times more kilowatt-hours than the FRG and 1.3 times more kilowatt-hours than Great Britain, a fact that points up the significant reserves that still exist, which must be utilized. It is thus clear that, as Comrade Nicolae Ceausescu pointed out at the Second Congress of the Working People's Councils, "In view of the high consumption of primary and electric power, we must do everything to limit and reduce the consumption of primary and electric power.... We must do everything to obtain for this consumption a bigger rise in industrial and agricultural output, in social and national product."

Industry, a Priority Field of Action

The strategic orientation promoted by the party with regard to improving the economy's structure must also be viewed from this wide angle of great scope--that of increasing the efficiency with which energy is consumed at the level of the national economic complex. The major effects and, at the same time, the complexity of the process of restructuring the economy--and, in particular, industry, which absorbs

about 63 percent of all the electric power consumed--in accordance with the criterion of minimization of energy consumption seem extremely clear from looking at the data in Table 2. It is thus clear that the structure of our industry, which was conceived under the conditions of cheap and abundant energy, must be adapted rapidly to the new conditions--because industrial subbranches whose marked development was considered, with good reason, an expression of the modern, advanced character of an economy are now subject, from the viewpoint of the energy criterion, to different judgments.

Table 1. The Consumption of Electric Power per $1,000 of National Income

Country	(kilowatt-hours per $1,000) 1974	1977
France	690	637
FRG	899	703
England	1,453	1,301
GDR	1,402	...
Czechoslovak Socialist Republic	1,279	...
Romania	2,221	1,660

Table 2. The Percentage of the Consumption of Electric Power of Some Branches in the Total Industrial Consumption of Electric Power and the Contribution of the Same Branches to the Creation of Industrial Gross Output

Branch	The Percentage of the Consumption of Electric Power of the Branch in the Total Industrial Consumption of Electric Power (%) 1979	The Contribution of the Industrial Branch to the Formation of Industrial Gross Output (%) 1979
Chemistry	23.1	8.7
Ferrous metallurgy	11.1	7.7
Nonferrous metallurgy	11.8	3.2
Machine building	12.5	34.0
Textile	3.4	8.3
Food	3.0	13.6

Within industry, the branches of chemistry, ferrous and nonferrous metallurgy and so on stand out as big consumers. These branches are characterized by indices of consumption of electric power per 1,000 lei of industrial gross output with high values. For example, chemistry consumed about 140 kilowatt-hours to obtain a gross output of 1,000 lei in 1979 and ferrous metallurgy consumed about 76 kilowatt-hours to obtain an industrial gross output at a similar level in the same year, while nonferrous metallurgy consumed about 194 kilowatt-hours to obtain the same result. In comparison with these branches, the corresponding values registered in 1979 were about 19 kilowatt-hours in machine building, about 21 kilowatt-hours in the textile industry and about 12 kilowatt-hours in the food industry. The necessity of reorienting the industrial output is brought out even more clearly if we consider not only the branch's percentage of the consumption of electric power in the total industrial consumption of electric power but, to an equal extent, each branch's contribution to the creation of industrial gross output. The above-mentioned values for 1979 are given in Table 2.

In can thus be seen that about 23 percent of all the electric power consumed in industry in 1979 went to chemistry, but it contributed only 8.7 percent to the formation of industrial gross output. In addition, metallurgy (ferrous and nonferrous) had a higher percentage of the consumption of electric power in the total industrial consumption in comparison with its contribution to the formation of industrial gross output. For each of the machine-building, textile and food branches, the percentage of the consumption of electric power in the total industrial consumption of electric power is lower than the percentage of the contribution of these branches to the formation of industrial gross output.

The interpretation of this new table in which each branch's energy consumption and its contribution to the creation of gross output are compared allows us to understand the great complexity that is involved in materializing the party's highly topical orientation with regard to reducing the percentage of the energy-intensive branches and more markedly developing the ones that are small consumers, which permit the better utilization of resources. Such a restructuring, which has been clarified and enriched considerably on a theoretical and operational plane in the period of time that has passed since the proceedings of the 12th congress, must pursue: the matter of avoiding as far as possible the waste of means of production that, as a rule, any action of restructuring involves, considering that an immense volume of social labor is stored in the production units in each branch; the combining of the criteria of immediate efficiency with the prospective ones; the discerning of the trends in the world economy; the providing of the material and financial base needed for developing the efficient branches from an energy viewpoint, so that this change in the choices regarding development does not affect the processes for expanding the economy; and so on.

The great responsibility that the party is assuming in adapting the national economy's structure to the world energy crisis is even more clearly brought out by the fact that, throughout the world, the states are in a sharp competition and that the economy's level of technicality, farsightedness and promptness represent the main means that ensure success.

The consistent promotion of technical progress constitutes an orientation with positive effects regarding the reduction of energy consumptions, from the viewpoint of both increasing the outputs and effectively lowering the energy consumptions per unit of product. The importance of fully utilizing this possibility of economization of energy also follows from the fact that the specific consumptions for certain products are still very high in comparison with similar ones on an international level, with significant differences being registered, at the same time, even between certain units in the country. Thus, about 19 percent of all the electric power used in industry in 1979 was consumed to obtain aluminum, a product known for its energy-intensive character (which has a specific consumption of about 14,900 kilowatt-hours per ton), electric steel (which has a specific consumption of about 779 kilowatt-hours per ton), carbide (which has a specific consumption of about 3,010 kilowatt-hours per ton) and electrolytic caustic soda (which has a specific consumption of about 3,373 kilowatt-hours per ton). The generalization of the modern technological processes for these products alone would lead to large energy savings. For example, the modernization of the aluminum-electrolysis plants would provide for the reduction of the specific consumption by about 400 kilowatt-hours per ton, and the application of a new procedure for obtaining this product, a procedure that was in the pilot-research phase in 1979, would lead to specific consumptions estimated to be about 25 percent lower than the current ones.

The matter of providing for the recovery of secondary energy resources—among which the gases evacuated from electric furnaces and their utilization in preheating the scrap iron in the load of the charges occupy an important place—is also of just as much importance in the policy of economization of energy resources. This action alone permits the reduction of the specific consumptions by about 10 kilowatt-hours per ton. In addition, it is necessary to act responsibly to steadily comply with the consumption quotas for energy, fuel, raw materials and supplies and to act further, with full determination, to reduce the consumptions. It clearly follows that the quotas for specific consumptions represent maximum values for staying within the limits set, with the continual reduction of them constituting an all-important task of the Romanian economy.

In materializing the orientation with regard to reducing the energy consumptions as substantially as possible, other ways can also be utilized with good results. Thus, the work of small-scale mechanization and modernization of some processes requires relatively few financial resources and can be accompanied by significant energy savings. The furnishing of load regulators for the machines and equipment permits the growth of the efficiency of their operation by optimizing the consumptions of electric power in accordance with the size of the load. In its turn, careful maintenance of the machines and equipment ensures the proper operation of them, reflected in optimum energy balances for each piece of equipment.

All these efforts, carried out on a technical, economic and organizational plane, must be materialized in continual growth of the efficiency with which energy is consumed. The reduction of the consumption of electric power per 1,000 lei of industrial gross output by 40 percent up to 1985 and by a factor of about 2.6 in the year 2000 in comparison with 1980, levels stipulated in the Directive Program for Research and Development in the Field of Energy, represents mobilizing tasks for our whole populace. Along with the broad programs, measures and concrete actions initiated by the party, with its secretary general's contribution of originality and inventiveness, they constitute an undeniable expression of the realistic, patriotic policy promoted consistently by the party in the years of socialist construction.

12105
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DEVELOPMENT OF MACHINE TOOL EXPORT MARKET PLANNED

Bucharest REVISTA ECONOMICA in Romanian No 27, 3 Jul 81 pp 12-13

/Article by Dr Ioan Georgescu: "Competitive Export Structures"/

/Text/ For foreign trade activity, the 1981-1985 5-year period--of the qualitative development of all economic and social activity--will mean a more and more decided orientation toward the means of intensive growth in exports, the steady promotion of the principle of valuta equilibrium at the level of the economic unit, central and branch and up to the level of the national economy, and the intensification of international economic cooperation.

On the plane of export production, the objectives of the new quality pointed out in the speech of the secretary general of the party, Comrade Nicolae Ceausescu, regarding Romania's economic and social development in the 1981-1985 5-year period refer to the better utilization of raw materials and supplies in order to achieve a production competitive on a world level, the devising of new technologies and the renovation of production at the level required by the world scientific and technical revolution, the continuation of the specialization of export production in the present units and the creation of new capacities specialized for exportation. In order to point out the significance and the real dimensions of these orientations in the concrete economic development of a branch, we dwelled on machine-tool production, with machine building being--since 1975--the most important group of commodities (in terms of percentage) in the structure of our foreign trade.

An Export Program Centered Around the Requirements of the Future

While the machine-building industry had a percentage of over 34 percent of the country's industrial output in 1980, the growth of this percentage to 37.5 percent in 1985 is planned for the current 5-year period and, according to some branch forecasts,* this percentage will be 45 percent in the year 2000. Machine building's percentage of the country's exportation was 25 percent in 1980, with it happening

* "Economia Mondiala--Orizont 2000" /The World Economy--the 2000 Outlook/, Publishing House of the Academy of the Socialist Republic of Romania, Bucharest, 1980.

that in the current 5-year period the rate of growth of exportation in the branch will outstrip the rate of growth of production, with it thus maintaining its top spot in the structure of our foreign trade. One of the machine-building subbranches that registered some of the highest rates of growth in the last 5-year period was the machine-tool industry--an average annual rate of growth of over 20 percent. In 1980 alone, machine-tool production rose 47 percent, as compared with 36 percent for precision machinery and optics, 27 percent for industrial electronics and so on.

This has caused Romania to now be among the main world producers of machine tools (see the table).

Table

(millions of dollars)

Year	Production	Percent	Exportation	Percent
1955	4.0	-	-	-
1960	12.0	800	-	-
1965	15.0	125	4.0	-
1970	31.0	206	13.0	325
1975	143.0	461	46.0	354
1976	169.0	118	61.0	132
1977	212.0	125	67.0	110
1978	294.0	138	88.0	131
1979	403.6	137	130.7	149

Source: "L'Afirmation des Machines--Outils Roumaines sur les Marches Internationaux," Chamber of Commerce and Industry of the Socialist Republic of Romania, 1980.

The table points up the continual growth of production and exportation, which denotes the high technical level, the competitiveness of these products.

The 19 machine-tool-building enterprises that now compose this strong subbranch of machine building are grouped organizationally within the Industrial Central for Machine Tools, Precision Machinery, and Tools, which has its own design institute. In the recently concluded 5-year period, as the statistical data show, a big qualitative leap in the production of Romanian machine tools was achieved, through the consolidation of the manufacture of heavy machine tools and of machine tools with numerical control.

Through the allocation of large amounts of investment funds for modernization and development of new capacities at the IMUAB /Bucharest Enterprise for Machine Tools and Aggregates/, the Oradea "Infratirea" enterprise, the Bacau Machine Tool Enterprise and the Roman Machine Enterprise and through the construction of new enterprises like the Craiova Heavy Equipment Enterprise (for heavy portal milling cutters and heavy parallel lathes), the Tirgiu Jiu Machine Tool Enterprise for Presses and Forges (for mechanical and hydraulic presses from 160 tons of force to 630 tons of force), the Iasi Enterprise for Machine Tools and Special Aggregates (for typified elements and special machines), the Baia Mare Enterprise for Machine Tools, Accessories and Tools (for grinding and stitching machines) and so on, Romania now has one of the biggest manufacturing lists for heavy machine tools in the world.

One should note the fact that heavy machine tools are indispensable for making power and thermonuclear equipment and installations, fields that will register stronger and stronger development by the end of the century. Thus, it is predicted that even before the end of the current decade all the European countries will have nuclear electric power stations or will have advanced programs for providing them. In 1985, nuclear power stations will supply 28 percent of the electric power, thermal power stations 61 percent and hydroelectric power stations 11 percent, which implies a rising demand for means of production for achieving these facilities. The concerns for renovating the manufacturing and, respectively, export list to a degree of over 70 percent in the last 5-year period have led to the restructuring of the central's production in favor of modern machine tools with high outputs, with numerical control being extended to more and more machine tools, as well as complex programming with the aid of the computer.

In the 1976-1980 period, the volume of exportation rose 3-fold, of which free-exchange exportation constituted over 40 percent. In the free-exchange relationship, the main partners, to which 75 percent of the exportation is directed, are countries with a strong machine-tool production of their own, such as the United States, Canada, the FRG, Italy and France, which speaks eloquently about the quality of Romanian machine tools. In addition, the trade and cooperation in production with the socialist countries are being developed in an upward direction, with the USSR, the GDR, Czechoslovakia, Hungary and so on being among the partners of the "Masiniexportimport" ICE /foreign trade enterprise/, an enterprise specializing in foreign trade in machine tools. The amplitude that the actions of cooperation and specialization in production have acquired is brought out by the fact that about half of the volume of our exchanges of machines and equipment with the socialist countries in the last 5 years has been achieved on the basis of agreements for specialization and cooperation in production and long-term trade agreements.

Romanian machine tools are also well known on the other continents--Africa, Asia and Latin America--with Argentina, Brazil, Egypt, Greece, Iran, Turkey and many other countries being among the steady partners.

What an Offensive Strategy Presupposes

The anticipated development of the machine-tool subbranch in the current 5-year period will cause Romania to be among the main world producers of machine tools in 1985. In correspondence with this growth, its contribution to the expansion of the exports and international economic cooperation of Romania will also rise. (Even in 1980, enterprises like the IMUAB gave 70 percent of the commodity output to exportation.) If we were to extrapolate just the 40-percent average percentage of sales of commodity output through exportation for the whole machine-building branch in 1980, the necessity of a several-fold rise in exportation follows, in view of the growth that production will register.

A maximally responsible and, at the same time, decisive problem for the future of this industry is: With what products will we greet the future? If we bear in mind that the overwhelming percentage of the world trade in machines, equipment and means of transportation (about 87 percent) is concentrated in the developed capitalist countries, the effort that a developing country must make in order to fall into line with the international competition thus follows. This structure of the international exchanges according to groups of countries is due mainly to the choices that

these states have made in research and development expenditures. Thus, in the last 10 years, the research expenditures for the main subbranches of machine building (capital goods, electric machines, the aerospace industry and the automobile industry) have absorbed between 76-92 percent of the research and development expenditures of France, the FRG, Italy, Japan, England, the United States and so on.

In the chapter devoted to the strategy for development of the branch on a world level, the study titled "The Forecast for the Machine Building Industry"* identifies for the developing countries two alternative strategies for development of machine building:

1. A strategy having the objective of satisfying one's own need as completely as possible by producing as wide a range of products as possible, with a minimum valuta effort for transfer of technology.

2. An "offensive" strategy for penetration into foreign markets with a selective export list, structured on the basis of the technological and marketing forecasts, with the producer keeping itself in the van of technical progress by means of "offensive" research and development programs, which would give it conditions for maximum competitiveness, aiming at obtaining a maximum valuta contribution.

While the first strategy is characteristic of the stage of extensive development of the economy, that of formation of the industrial structures, the second one corresponds to a more advanced stage, that of intensive development of the economy, when the "maximum valuta contribution" can be obtained through the gaining of comparative advantages in the international trade in the respective group of products. For our country, which intends to attain the stage of a country with average economic development only by 1985, both variants of development can be of interest, the first for the supplementation of the domestic need for means of production and the second for the development of export production.

Through the accent put on specializing the production units for exportation, the orientations regarding the fulfillment of the plan for economic and social development for the 1981-1985 period take on a special significance in this regard. "It is necessary," Comrade Nicolae Ceausescu pointed out at the recent Congress of the Working People's Councils, "for us to achieve a better specialization of the enterprises for exportation and to organize new production capacities, especially for exportation."

But, in order for this organizational specialization of export production to be transformed into a "valuta contribution," there must also be a change in viewpoint, corresponding to the second, "offensive" strategy, at the level of all the functions of the enterprise specialized for exportation and the industrial central and in the fulfillment of the functions of management in these units (planning and forecasting, organization of production and labor, program implementation, and supervision). Thus, starting with the preparation of the technological and marketing forecast for substantiating the research and development plans, it is necessary to make well-defined choices regarding the program for present and future exportation in the enterprises specialized for exportation, in accordance with the objective of a "maximum

* "Economia Mondiala--Orizont 2000," Publishing House of the Academy of the Socialist Republic of Romania, Bucharest, 1980.

valuta contribution." The research and development force associated with this production must attain through its dimensions the "critical mass" capable of generating innovation and keeping the producer specialized for exportation at the level of world competitiveness. The process of renovation must be stimulated and not hindered by the economic and financial indicators assigned to these units.*

In fulfilling the commercial function and throughout the activity of managing these units, it is necessary to take into consideration the counsel of the secretary general of the party, Comrade Nicolae Ceausescu, who said, "In planning, we must take into account to a greater extent the role of the market, of the demand, this being an essential condition for performing all economic activity with maximum efficiency."

In order to shorten the technological-forecast/development cycle, we are now witnessing the process of organizational integration between the technological forecast and the planning of new products into structures of the "systems engineering" type, which combine the efficiency of the systemic view in the technological resolution of a function (economic necessity) with the speed of reaction in assimilation.

A comparative analysis of the systems of machines that fulfill different functions (different economic purposes) permits the identification of the subsystems with common functionality, with typified, modularized technical solutions, and the reintegration of these modules according to new schemes, with flexibility in the offer, promptness and efficiency being provided.

The package (integrated) offer of equipment and machines plus engineering services of analysis and design of the function of an industrial system that responds as exactly as possible to the concrete operating conditions now constitutes another characteristic of the offensive strategy for penetration into the international market for machine tools, with consulting being the outpost for penetration into new markets.

The expansion of international economic cooperation constitutes another way to increase our country's participation in the international division of labor, one emphasized strongly in Comrade Nicolae Ceausescu's speech at the Second Congress of the Working People's Councils.

International specialization in the manufacture of industrial systems formed of modularized subsystems does not exclude but, on the contrary, presupposes, for reasons of large-scale savings, the development of exchanges of modulated subsystems, with close cooperation beginning with the structuring of the systems in a unitary view, the providing of the "interface" on both sides of the technological flow, and going as far as collaboration on the product.

In capitalist countries like the United States, the FRG and Sweden, the development of the horizontal industry that supplies parts and subassemblies has acquired such great development that it competes successfully in terms of turnover with the industries that supply the finished products--of course, under the conditions of multinational organization of production and sales.

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* In this regard, see: "Factors in Stimulation of Exportation Under the Conditions of the New Economic and Financial Mechanism," REVISTA ECONOMICA, Nos 22-23, 1981.

Starting from this economic reasoning, but under the conditions specific to socialism, the cooperation and specialization in production between the CEMA-member socialist countries are being developed successfully, with the specialized products having a percentage of 33 percent in the total exportation of machine building. The agreements on specialization concluded by Romania with the other CEMA member countries include just in the field of metalworking machine tools 786 prototype dimensions for metal-cutting machine tools, 426 prototype dimensions for machines and equipment for pressing and forging and 199 positions for tools of high productivity.

The recent agreement concluded by the Industrial Central for Machine Tools, Precision Machinery, and Tools with the North-American firm Sceffer Grindig Co in California with regard to jointly achieving a new family of highly productive plane grinding machines with a vertical axis and a rotary table, composed of five prototype variants, constitutes a positive example in this regard.

Of course, the efforts to modernize the production structures must be continued with the improvement of the structures for commercialization through forms of distribution, promotion and marketing aligned with the requirements of the world market, through professionalism and competence in achieving the entire flow of foreign trade operations, including in the departments for international payments, loans, insurance, transportation and so on.

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FOREIGN TRADE IN FOOD PRODUCTS, 1980

Belgrade EKONOMIKA POLJOPRIVREDE in Serbo-Croatian No 4, Apr 81 pp 265-269

[Article by Dragan Markovic, engineer, Federal Bureau of Social Planning, Belgrade; submitted 25 March 1981]

[Text] The production of manufactured food has a direct impact on the restructuring and intensification of primary agricultural production and on initial processing and reduction of losses of farm products. Agricultural products are processed to become highly valued products of the food manufacturing industry ready for immediate use; the possibility of longer and more economical storage and reduction of shipping costs are the principal advantages which these products have over farm products. Aside from these advantages, the production of processed foods develops on the basis of domestic raw materials, employs a work force of about 165,000, has a share of about 9 percent in the social product of the industrial sector and offers finished products for sale on the international market.

The value of exports of processed foods in 1980 was 17,377 million dinars, which is 7.5 percent of the total value of imports of industry and mining. The value of imports of processed foods was 12,234 million dinars, or 3.3 percent of the total value of imports of industry and mining. The surplus in the balance of this trade is 5,143 million dinars.

Within the total value of exports of processed foods in 1980, processed products of animal husbandry and fishing, fruit, sugar and molasses make up 83 percent of the value, and the value of all other products 17 percent.

Last year the sugar industry achieved its largest export results so far: 291,626 tons and 3,854,211,000 dinars, which is 22 percent of the total value of exports of processed foods. The larger quantities and value of sugar exports had the result of diminishing the relative share of the value of processed foods from animal husbandry and fishing in the distribution of the total value of exports of processed foods to 48.28 percent, while in previous years it was over 60 percent.

In the distribution of exports of processed foods originating in animal husbandry and fishing by value the dominant place is taken by meat and canned ham, which

constitutes 70.56 percent of the total value of exports. Exports of baby beef in 1980 were up 11,606 tons over the previous year, while exports of lamb held steady at about 3,000 tons and canned ham at a level of about 16,000 tons, and other processed foods originating in animal husbandry and fishing showed fluctuations. The most important products in the group of miscellaneous processed foods being exported were milk, processed dairy products (primarily cheeses), canned sausages, processed egg products and other products. Average prices obtained in exporting these products, except for beef, were lower than on the domestic market, which among other things necessitated special incentives for the export of this group of products.

Table 1. Breakdown of Exports of Processed Foods in 1980 by Groups of Products, in terms of value

Product Groups	Value, in 000 dinars	Distribution on Basis of Value, %
Processed foods originating from animal husbandry	8,388,775	48.28
Processed foods from grain	422,148	2.43
Processed foods from fruit	1,920,253	11.05
Processed foods from vegetables	877,867	5.05
Sugar and molasses	4,115,107	23.68
Confectionery products	322,373	1.86
Oil--edible	396,965	2.28
Other processed foods	933,512	5.37
Total	17,377,000	100.00

Table 2. Quantities, Average Prices and Value of Exports of the Most Important Processed Foods Originating in Animal Husbandry and Fishing in 1980

Products	Quantity, in tons	Average Prices, in dinars/kg	Value, in 000 dinars	Distribution by Value, %
Baby beef	56,489	65.31	3,689,532	43.98
Beef	1,354	121.29	164,232	1.96
Lamb	3,129	106.65	333,712	3.98
Poultry meat	2,110	36.65	77,341	0.92
Viscera for consumption as food	1,528	45.01	68,776	0.82
Intestines in brine	1,479	53.74	79,484	0.95
Canned ham	15,806	104.66	1,654,316	19.72
Liver paste	9,196	41.03	377,384	4.50
Canned pork products	3,501	68.31	239,142	2.85
Canned beef products	4,077	50.73	206,842	2.46
Canned fish products	9,630	42.07	405,192	4.83
Canned fish products containing fruit and vegetables	3,187	49.26	156,996	1.87
Other products	--	--	935,826	11.16
Total	--	--	8,388,775	100.00

Processed fruit products took third place in the value of exports of processed foods in 1980. The quantities of these products being exported show a cyclical movement over a lengthy period of time, which is caused mainly by the size of the fruit harvest in Yugoslavia and abroad and also by the fact that domestic exporters do not have sufficiently stable economic ties with their foreign trading partners, so that there are appreciable fluctuations of exports from year to year.

Table 3. Quantities, Average Prices and Value of Exports of the Most Important Processed Fruit Products in 1980

Products	Quantity, in tons	Average Prices, in dinars/kg	Value, in 000 dinars	Distribution by Value, %
Prunes	11,394	41.53	473,249	24.65
Marmalade	922	46.23	42,620	2.22
Jams	4,043	31.41	127,055	6.62
Raw fruit juices	5,441	9.29	50,556	2.63
Concentrated fruit juices	2,518	53.69	135,196	7.04
Sweetened fruit juices	5,099	28.11	143,309	7.46
Pulps	6,103	21.19	129,336	6.73
Unsweetened frozen fruit	17,496	29.86	522,438	27.21
Other processed fruit	10,009	29.62	296,494	15.44
Total	--	--	1,920,253	100.00

In the distribution of exported processed fruits by value, dried and unsweetened frozen fruit represent more than 52 percent, juices and pulps more than 23 percent and other processed fruits about 24 percent.

The total value of exports of processed vegetable products in 1980 was 877,867,000 dinars, which represents 5.05 percent of the total value of exports of processed foods. Vegetables in brine, whose exports in 1980 represented 1,483 tons and 286,159,000 dinars, comprises 33 percent of the total value of exports of this group of products, and frozen and pickled vegetables 310,490,000 dinars, or 36 percent. We note in the exports of this group of products the same tendencies (fluctuations in quantity from year to year) as in exports of processed fruit products, and they result from the size of the vegetable harvest and the level of organization from production all the way to the processing and distribution of these products.

Confectionery products have a share of 1.86 percent in the distribution of exports of processed foods by value, and their most important representative is chocolate, whose exports last year were 2,503 tons and 228 million dinars, which is 71 percent of the total value of exports of these products.

The appreciably smaller harvest of oilseed in 1980, because the area planted was about 30 percent smaller than in the previous year and the yields were smaller, resulted in lower oil production in Yugoslavia. The Order Prohibiting Export of

Oil was adopted on behalf of normal supply of the domestic market, and importation was undertaken at the same time. Before adoption of the Order Prohibiting Export of Oil 7,687 tons of refined sunflower oil, 906 tons of refined soybean oil and 8,175 tons of raw sunflower oil were exported from our country; the total value was 396,965,000 dinars, which constitutes 2.28 percent of the total value of exports of processed foods.

The total value of imports of processed foods in 1980 was 12,234 million dinars, which is 27.95 percent of the value of imports of agroindustrial products.* The value of imports of these products was 28 percent greater in 1980 than in 1979, primarily because of the considerably larger imports of edible oil and raw hides.

Processed products originating in animal husbandry, components for the production of protein-rich livestock feed and edible oil comprise 81 percent of the total value of imports of processed foods, while other products represent only 19 percent of the value.

Table 4. Distribution of Imports of Processed Foods in 1980 by Value

Products	Value, in 000 dinars	Distribution by lue, %
Meat and viscera	2,528,014	20.66
Skins and hides	2,652,866	21.68
Other processed products originating in animal husbandry	390,423	3.19
Rice, polished and glazed	306,614	2.51
Processed fruit products	452,629	3.70
Processed vegetable products	88,548	0.72
Cacao--processed	370,243	3.03
Components for production of protein-rich livestock feed	2,494,029	20.39
Oils--edible	1,848,164	15.11
Inedible oils and oleic acids	226,959	1.86
Tallow	133,005	1.09
Emulsified greases and oils	220,984	1.81
Roasted coffee	63,996	0.52
Extracts and powders for beverage production	231,633	1.89
Stearin	104,074	0.85
Miscellaneous products	121,819	0.99
Total	12,234,000	100.00

Imports of processed products originating in animal husbandry, which amounted to 5,571 million dinars in 1980, represent 45.5 percent of the total value of imports of processed foods. In the distribution of processed products originating in animal husbandry by value raw skins and hides represent 47.6 percent, meat

* Defined as follows: food manufacturing, the beverage industry, livestock feed, tobacco production and processing and manufacturing, agriculture and fishing.

and viscera 45.4 percent, and miscellaneous processed foods 7 percent. Total imports of raw skins and hides for the leather and leather accessory industry in 1980 was 58,444 tons, which is 8,849 tons higher than in the previous year. The distribution of the total quantities of raw hides and skins imported was as follows: 29,660 tons of raw cattle hides, 14,456 tons of raw swine skins, 10,108 tons of lamb skins and 4,220 tons of other skins and hides. Imports of beef for industrial processing have shown a continuous tendency of a steady growth of the quantities imported from year to year since 1977. These imports in 1980 amounted to 55,432 tons and a value of 1,948 million dinars. The quantity imported was up 11,352 tons over the previous year, and the average price per kilogram of beef, at $1.29 was the same as in 1979 and 1980. The shortage of pork for general consumption in 1980 brought about approval for importation of 10,000 tons. However, because the foreign exchange was not available, 8,875 tons were imported for the amount of 483 million dinars. The most important items among the other processed products of animal husbandry being imported are as follows: in 1980 2,055 tons of butter were imported for the amount of 82 million dinars, and 812 tons of salted intestines were imported for the amount of 92 million dinars.

Plants which have been built for production of protein-rich livestock feed and the growth of domestic demand for these feeds have brought about a steady rise in imports of ingredients for production of livestock feed. The importation of ingredients for production of protein-rich livestock feed has been continuous since 1960, and in 1980 the value of imported ingredients represented 20.39 percent of the total value of imports of processed food products.

Table 5. Quantities, Average Prices and Value of Imported Ingredients for the Production of Protein-Rich Livestock Feed

Type of Ingredient	Quantity, in tons	Price, in dinars/kg	Value, in 000 dinars	Distribution by Value, %
Oil cake and pellets	147,796	8.05	1,189,772	47.7
Fish meal	79,348	15.43	1,224,537	49.1
Meat meal	9,594	8.31	79,720	3.2
Total	--	--	2,494,029	100.0

In the distribution of imports of ingredients for production of protein-rich livestock feed by value, fish meal represents 49.1 percent, oil cake and pellets 47.7 percent, and meat meal 3.2 percent. Imports of fish meal have held steady at about 80,000 tons over the last 4 years, while oil cake and pellets and meat meal have shown a cyclical movement. Imports of oil cake and pellets have tended to decline since 1977, both because of increased production of domestic oilseed and also because of imports of soybeans. Imports of meat meal in 1980 were down 4,500 tons from the previous year.

Processed fruit and vegetable products have a share of 4.4 percent of the total value of imports of processed foods in 1980. The most significant products occurring are these: raisins, concentrated juices, coconut meal, dried vegetables

and vegetables in brine. Imports of raisins amounted to 2,425 tons and a value of 133 million dinars, concentrated juices 4,914 tons and a value of 152 million dinars, coconut meal 1,169 tons and a value of 56 million dinars, dried vegetables 351 tons and a value of 22 million dinars, and vegetables in brine 523 tons and a value of 33 million dinars. The value of these products represents 73.3 percent of the total value of imported processed fruits and vegetables.

The shortage of refined edible oil on the domestic market has led to the importation of oil, which has a share of 15.11 percent in the distribution of imports of food products by value. Imports of edible oil in 1980 amounted to 94,537 tons and a value of 1,848,164,000 dinars. Raw soybean oil and sunflower oil are the most important within the total amounts of edible oil imported, while the other oils are imported mainly to round out assortments on the domestic market. Imports of raw soybean oil, amounting to 75,271 tons, constitute 79.62 percent of the total amounts of edible oil imported, and raw sunflower oil amounted to 10,472 tons, or 11 percent, while all the other oils had a share of 9.38 percent in total amounts of oil imported (olive oil, castor oil, coconut oil and other).

Imports of processed cacao consisted of two products: cacao /pastash/ and cacao butter. The importation of cacao /pastash/ in 1980 was 1,737 tons and 166 million dinars, and that of cacao butter 1,054 tons and 204 million dinars.

The importation of miscellaneous processed foods represents only 9 percent of the total value of imports and for a number of years has stayed within approximately the same amounts except for roasted coffee, which for the first time in 1980 figured among imports with a quantity of 459 tons and a value of 64 million dinars. In 1980 imports of nonedible oils amounted to 3,482 tons, emulsified fats and oils 5,730 tons, and extracts and powders for beverage production 1,021 tons.

Successful development of agricultural production and especially of the production of raw materials which are in short supply--industrial plants, grain, livestock for slaughter, fruit and vegetables--is the principal condition for better utilization of capacity, better supply of the domestic market, reduced imports and augmented exports of food products.

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DATA ON NUMBERS OF LIVESTOCK, JANUARY 1981

Belgrade EKONOMIKA POLJOPRIVREDE in Serbo-Croatian No 4, Apr 81 pp 270-272

[Article by Rade J. Kravic: "Livestock Population as of 15 January 1981, Preliminary Figures"]

[Text] According to figures of the Federal Bureau of Statistics, the livestock population has shown a favorable tendency over the previous year. Continuation of this tendency and achievement of stable livestock production depends upon achieving larger production and establishment of links based on shared income among production, processing and distribution. It is especially important to establish firmer production ties between the public and private sectors, encouraging private farmers to orient their production in this direction as the principal producers in this field.

According to these figures, the total cattle population at the beginning of this year was up 1 percent over the beginning of 1980. This increase resulted from an increase in the number of cattle in the public sector (8 percent), while the cattle population in the private sector remained at the 1980 level. At the same time there was a tendency toward an increase in the number of cows and heifers in calf by about 1 percent both in the total and also on private farms, while the number of cows and heifers in calf on socialized farms remained at the 1980 level. The total number of cattle was down in Bosnia-Hercegovina (2 percent) and Vojvodina (1 percent), while in the rest of the socialist republics and Kosovo there was an increase over last year's population. The largest reduction, both in the total number of cattle and also in the total number of cows and heifers in calf, was in Bosnia-Hercegovina: about 2 percent and 9 percent, respectively, in the public sector and about 2 percent and 1 percent, respectively, in the private sector.

The total number of hogs and the number of hogs on private farms at the beginning of the year increased 5 percent, and the number of socialized farms 6 percent. This increase resulted among other things from an increase both in the total number of sows and gilts in pig on socialized farms (9 percent) and on private farms (4 percent). The largest increase was in Macedonia: 15 percent for the total number of hogs and 12 percent for the number of hogs on private farms, and on private farms in Slovenia (28 percent). However, in Bosnia-Hercegovina there was a tendency for the number of hogs to climb both in the total

(2 percent) and also on farms (5 percent on socialized farms and 1 percent on private farms). A similar tendency was shown by the number of sows and gilts in pig on socialized farms, that is, a declining tendency, in Bosnia-Hercegovina (4 percent) and Serbia proper (2 percent).

The total sheep population and the number of sheep for breeding ranged at the level of the previous year. There was a slight increase of sheep for breeding on private farms (1 percent). The largest increase was in Kosovo, where the total sheep population was 9 percent and the number of sheep for breeding 4 percent, while in all the other republics this number ranged at the level of the previous year, except in Bosnia-Hercegovina and Vojvodina, where there was a slight drop in the total sheep population and the number of sheep for breeding. This tendency toward an increase or reduction in the total sheep population in the republics and autonomous provinces was a function of the movement of the total number of sheep for breeding, especially on private farms.

The total poultry population shows a tendency to increase (about 3 percent). This increase resulted from an increase in the number of poultry on socialized farms (8 percent) and a somewhat smaller increase on private farms (1 percent). The total poultry population dropped in Croatia (6 percent), while it increased in the other socialist republics and provinces.

This trend in the livestock population at the beginning of the year, which is at the level of the previous year, is among other things the result of increased slaughtering of young animals and insufficient correlation between organized fattening and purchasing of livestock. In the distribution of slaughtered animals the largest groups were calves, piglets and lambs, especially on private farms.

Preliminary Figures on the Livestock Population

Republics and Provinces	In Thousands of Head			Index Number, 1980 = 100		
	Total	Agricultural Organizations	Private Farms	Total	Agricultural Organizations	Private Farms
			Cattle--Total			
SFRY	5,483	480	5,003	101	108	100
Bosnia-Hercegovina	948	31	917	98	91	88
Montenegro	182	2	180	101	91	101
Croatia	983	175	808	101	109	99
Macedonia	392	21	371	102	108	102
Slovenia	568	66	502	102	111	101
Serbia	2,410	185	2,225	101	109	101
Serbia proper	1,679	121	1,558	101	117	100
Kosovo	397	4	393	107	229	107
Vojvodina	334	60	274	99	93	100

Table (continued)

Republics and Provinces	In Thousands of Head			Index Number, 1980 = 100		
	Total	Agricultural Organizations	Private Farms	Total	Agricultural Organizations	Private Farms
			Cows and Heifers in Calf			
SFRY	3,127	89	3,038	101	100	101
Bosnia-Hercegovina	658	8	650	99	98	99
Montenegro	116	1	115	102	83	102
Croatia	599	12	587	99	93	99
Macedonia	156	10	146	101	106	101
Slovenia	265	12	253	100	100	100
Serbia	1,333	46	1,287	104	102	104
Serbia proper	994	23	971	104	101	104
Kosovo	212	2	210	109	219	109
Vojvodina	127	21	106	98	98	98
			Hogs--Total			
SFRY	7,870	1,521	6,349	105	106	105
Bosnia-Hercegovina	557	90	467	98	95	99
Montenegro	23	6	17	101	97	102
Croatia	1,749	444	1,305	101	104	99
Macedonia	192	85	107	115	118	112
Slovenia	507	165	342	109	128	101
Serbia	4,842	731	4,111	107	103	107
Serbia proper	2,548	200	2,348	105	106	105
Kosovo	58	18	40	104	106	104
Vojvodina	2,236	513	1,723	108	102	110
			Sows and Gilts in Pig			
SFRY	1,289	121	1,168	104	109	101
Bosnia-Hercegovina	97	8	89	100	96	100
Montenegro	3	1	2	136	124	142
Croatia	241	26	215	102	103	102
Macedonia	29	11	18	113	126	106
Slovenia	53	16	37	111	140	102
Serbia	866	59	807	104	104	104
Serbia proper	629	14	615	105	98	105
Kosovo	12	2	10	106	101	108
Vojvodina	225	43	182	104	106	104

Table (continued)

Republics and Provinces	In Thousands of Head			Index Number, 1980 = 100		
	Total	Agricultural Organizations	Private Farms	Total	Agricultural Organizations	Private Farms
			Sheep--Total			
SFRY	7,388	247	7,141	100	99	100
Bosnia-Hercegovina	1,373	12	1,361	99	63	99
Montenegro	493	3	490	98	100	98
Croatia	729	23	706	100	99	100
Macedonia	2,127	168	1,959	103	102	103
Slovenia	15	0	15	106	578	104
Serbia	2,651	41	2,610	100	105	100
Serbia proper	2,016	19	1,997	99	110	98
Kosovo	358	4	354	109	110	109
Vojvodina	277	18	259	98	99	97
			Sheep for Breeding			
SFRY	5,377	176	5,201	100	99	101
Bosnia-Hercegovina	1,011	8	1,003	101	89	101
Montenegro	401	2	399	98	122	98
Croatia	573	18	555	100	106	99
Macedonia	1,433	121	1,312	102	99	103
Slovenia	8	0	8	100	106	100
Serbia	1,951	27	1,924	100	99	100
Serbia proper	1,532	13	1,519	100	101	100
Kosovo	251	3	248	104	96	104
Vojvodina	168	11	157	95	97	95
			Horses--Total			
SFRY	580	3	577	94	93	94
Bosnia-Hercegovina	164	1	163	97	88	97
Montenegro	26	0	25	103	143	103
Croatia	96	0	96	86	104	86
Macedonia	95	1	94	99	106	99
Slovenia	18	0	18	97	96	97
Serbia	181	1	180	92	87	92
Serbia-proper	82	0	82	90	112	90
Kosovo	51	0	51	99	115	99
Vojvodina	48	1	47	87	83	87

Table (continued)

Republics and Provinces	In Thousands of Head			Index Number, 1980 = 100		
	Total	Agricultural Organizations	Private Farms	Total	Agricultural Organizations	Private Farms
			Poultry--Total			
SFRY	65,187	24,856	40,331	103	108	101
Bosnia-Hercegovina	8,620	2,808	5,812	109	144	97
Montenegro	657	5	652	102	252	101
Croatia	14,557	6,222	8,335	94	90	97
Macedonia	4,914	2,345	2,569	105	102	107
Slovenia	10,838	9,333	1,505	103	104	98
Serbia	25,601	4,143	21,458	108	145	103
Serbia proper	14,355	2,541	11,814	108	185	99
Kosovo	2,423	244	2,179	113	100	115
Vojvodina	8,823	1,358	7,465	105	110	105

Source: Federal Bureau of Statistics, Communication No 151/81.

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19 August 1981

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2161

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19 August 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2161

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YUGOSLAV-GDR TRADE SURVEYED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Jul 81 p 5

[Article by Mladen Baclic: "Exceeding the Plan Confirms the Opportunities"]

[Excerpts] For some 10 years now the German Democratic Republic has been a very important economic partner of Yugoslavia. Over that period it has held third place in Yugoslavia's visible trade with the socialist countries, and the cooperation of the two partners is characterized by a steady rise of deliveries in both directions and by enrichment of the forms of economic relations.

Aside from regular commodity trade, set forth in 5-year and annual commodity lists, the relations of the two countries are also expanding into the fields of long-term industrial specialization and cooperation in light industry (finishing and processing): in the cotton, knitwear, paper, wood and footwear industries. For several years now Yugoslavia and the GDR have been cooperating on the basis of long-term credit arrangements in the fields of nonferrous metallurgy (the aluminum and copper and zinc industries) and the cellulose industry.

The Volume of Services Is Also Sizable

Yugoslav construction and installation crews have been involved in erecting structures in the GDR for quite a long time. They have participated in construction of a number of projects there, such as hotels, athletic centers, and industrial and other projects. In addition, Yugoslavia repairs ships for the GDR and performs transit and transport services in the shipment of freight.

These rich forms of cooperation have helped in achieving a sizable volume of trade in the previous 5-year period. Between 1976 and 1980 Yugoslav exports amounted to $1.2 billion, along with imports of $1.5 billion, so that the value of total trade was $2.7 billion. In Yugoslav exports machines and equipment have a share of about 24 percent, raw materials and intermediate products 55 percent, consumer goods more than 12.7 percent and products of agriculture and the food processing industry more than 8 percent. In imports from the GDR the share of machines and equipment in the previous 5-year period was 37.5 percent, raw materials and supplies more than 49 percent, consumer goods 9.7 percent and products of agriculture and the food manufacturing industry about 3.8 percent.

In addition, there was also a sizable exchange of services. The value of services rendered by the Yugoslav side was about $50 million during the last 5-year period and the annual average rendered by the GDR was between $16 and $17 million annually. Thanks to this trend of services, the plan for the previous 5-year period was exceeded by about 12 percent.

A Joint Effort on Third Markets as Well

The projection for trade with the GDR in the period from 1981 to 1985 is $5.46 billion, which is about 80 percent more than in the previous medium-term period. Within that amount the value of exports should reach $2.82 billion, alongside imports of $2.64 billion. Exports of $536 million and imports of $504 million, making for a trade greater than $1 billion, are planned for 1981.

In this 5-year period the backbone of trade will again be the types of goods important in the past (products of metallurgy, the chemical industry and equipment), but the desire has been expressed to expand the assortment of products and the forms of cooperation. In this respect the judgment is that we can expect development of long-term industrial cooperation in electronics and the electrical equipment industry, machine tool building, and equipment for the chemical industry, the motor industry and the raw and processed foods industry. Negotiations are under way on joint manufacture of an excavator for open-pit mining. This arrangement would represent an authentic case of industrial cooperation between the two countries in which the principals would be the German firm Takraf and Gosa of Smederevska Palanka (representing the Jumel business community). Our share in the excavator ought to be between 36 and 40 percent; Rade Koncar of Zagreb will be involved in delivering electrical equipment for this excavator.

In addition, there is mutual interest in a joint effort on third markets. It is estimated that opportunities exist for a joint transaction worth $25 million in Iraq.

Incidentally, trade between Yugoslavia and the GDR at the beginning of this year was not keeping pace with the plan. The result was $318 million of mutual deliveries over the first 5 months, our exports amounting to $147 million and our imports amounting to $171 million. On the basis of current transactions and contracts concluded, the assessment in the Section for the GDR is that the volume of mutual trade during this year could reach about $900 million, that is, $450 million in each direction. One of the reasons for the slower fulfillment of the plan is evident in the fact that the negotiations with the GDR were completed only in the middle of this year. Thus maximum efforts should be made in coming months toward maximum effectiveness in carrying out the trade plan in 1981 so that the delay caused by the negotiations would be made up for as much as possible.

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YUGOSLAV TRADE WITH CEMA COUNTRIES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 18-20 Jul 81 p 4

[Article by Mladen Baclic: "The Desire for Balanced Trade"]

[Text] In recent years Yugoslavia has recorded a sizable increase in visible trade with the socialist countries. Though that trade is not yet satisfactorily based on long-term arrangements on industrial specialization and cooperation, exports and imports are increasing at rather high rates. The coverage of imports by exports, especially this year, is also more favorable than in trade with the advanced and developing countries.

Thus by the end of June this year exports to socialist countries had increased 52 percent and imports 20 percent. The imbalance was reduced to $35 million, since exports "covered" 98.6 percent of imports, which is considerably more favorable than the 77.7 percent during this period of last year. The regional committee for promotion of economic cooperation with the socialist countries and CEMA affairs judged these results at a recent meeting to be good, while at the same time it examined problems in carrying out the plans for mutual deliveries, which are not rare. The "Analysis of Foreign Trade With the Socialist Countries From 1976 to 1980 and Predictions for the Period 1981-1985" was the basis for discussion at that meeting.

More Reliable Point of Support in Long-Term Transactions

The analysis takes note of the problem of inadequate exports from Yugoslavia in recent years to balance imports from the socialist countries, which has been a constant problem in relations with the CEMA member countries with which the convertible method of payment has been adopted (Poland, Hungary, Romania and Bulgaria). Since 2 or 3 years ago insufficient exports have also been typical of trade with partners with which we have bilateral agreements (USSR, Czechoslovakia and GDR).

Nevertheless, a substantial stability of economic flows has been ensured in trade with the socialist countries in past years. But satisfactory results have not yet been achieved in developing industrial cooperation and specialization, to which more effort should be devoted in the future.

In the period from 1976 to 1980 a trade amounting to $28.8 billion was carried on with the USSR, Czechoslovakia, GDR, Poland, Hungary, Romania, Bulgaria and Mongolia. In that figure exports amounted to $13.1 billion and imports $15.7 billion. The total volume of services with that region over the last 5 years was over $2.26 billion (exports were $1.7 billion, and imports $572 million), so that the volume of trade of goods and services exceeded $31 billion.

The share of visible trade with the East European countries was 34.7 percent of Yugoslavia's total foreign trade last year.

More Than $60 Billion by 1985

Yugoslavia has planned a further growth of trade with the East European countries over the period from 1981 to 1985. A visible trade of $56 billion has been envisaged, exports would be about $29 billion and imports $27.6 billion. Only trade with Poland is based on estimates, while commodity lists for this 5-year period have been signed with the other European countries of CEMA.

Services worth $4 billion are also planned in this medium-term period; within that figure Yugoslavia would realize about $2.5 billion of income from invisibles, from construction, transportation and tourism, and the "share" of services with the $1.5 billion. Thus between 1981 and 1985 total trade of goods and services with the Soviet Union, Czechoslovakia, the GDR, Poland, Hungary, Romania, Bulgaria and Mongolia should exceed $60 billion.

In the current 5-year period Yugoslavia has planned a growth of trade with the other socialist countries as well, such as Albania and China. A trade of $254 million was carried on with Albania between 1976 and 1980, and a trade of $720 million is planned for this medium-term period. Last year $160 million of mutual deliveries were made with China, and the plan for this year calls for $300 million of deliveries in both directions. A 5-year agreement has not been signed with that country, since China has not yet adopted a medium-term development plan.

In spite of the ambitious goals and good results in augmenting trade and covering imports with exports, the beginning of the first year of the new medium-term period was marked by a shortfall. Plans for this year put the value of Yugoslavia's mutual deliveries with the Soviet Union, Czechoslovakia, the GDR, Poland, Hungary, Romania, Bulgaria, Mongolia, China and Albania at over $11.44 billion, in which exports would be $5.8 billion and imports $5.64 billion. In the first 5 months, however, trade amounted to about $2 billion in each direction. Only with the USSR and Poland were exports larger than imports.

Greater Influence of Manufacturers

That is why at the recent meeting of the regional committee for promotion of economic cooperation with the socialist countries and CEMA affairs mention was made that a more detailed examination must be made into the reasons why the plans were not fulfilled and measures taken to carry out deliveries with the socialist countries to the maximum possible degree. It was said that the trade

plans with some of these countries were not realistic; that there are difficulties in carrying out long-term arrangements on the basis of which Yugoslavia delivers certain important raw materials and intermediate products and obtains others. The judgment is--in spite of the caution that it appears that the export plans will not be realized--that this year's balance of trade with the socialist countries will nevertheless be satisfactory. These assessments are based on the prospects that Yugoslavia will be involved in carrying out certain capital investment programs in the Soviet Union, on the basis of which exports of goods and services to the USSR could be larger than imports this year.

Particular emphasis was put in the discussion on the need to find optimum measures and procedures for carrying out long-term business arrangements. It was mentioned that in this respect the sections of the Economic Chamber, as the place where the economy reaches agreement, have a special role which must be considerably more pronounced in the coming period.

In the meeting of the regional committee conclusions were adopted to the effect that in future the sections should aim their work programs at fulfillment of trade plans and devote more attention to solving the problems that are slowing down trade, exports above all.

It was emphasized that conditions need to be provided so that positions are adopted and specific agreements reached on export and import policy solely within the sections of the Yugoslav Economic Chamber.

It was also suggested that an analysis be made of present agreements on organized joint effort on the markets of particular countries. It was pointed out that the delegate structure of the sections needs renewal so as to ensure that organizations manufacturing goods for export have a greater influence on the work of the sections. These measures are seen as the right way to encourage exports and thereby take a step toward balancing exports with imports in trade with the socialist countries, which remains one of the key orientations in the coming period.

7045
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DATA, COMMENT ON INDUSTRIAL DEVELOPMENT FOR PERIOD JAN-MAY 1981

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 17 Jun 81 p 4

[Text] In May the commodity production plan was overfulfilled by 1.6 percent, and for the period January-May by 3.2 percent. The 5-month plan for acquisition of financial resources from realized production is overfulfilled by 2.7 percent.

The industrial production volume in January-May compared to the same period last year grew by 6.6 percent.

The fulfillment of the production and realization plan for individual ministries is as follows:

Ministries	Fulfillment of commodity production plan in Jan-May 1981	Fulfillment of plan for realized production in Jan-May.
Ministry of Power Supply	102.4	103.7
Ministry of Chemical Industry	102.1	101.1
Ministry of Machinebuilding	104.5	105.7
Ministry of Electronics and Electrical Engineering	101.9	100.5
Ministry of Light Industry	104.0	102.2
National Agroindustrial Union	104.5	105.3
Ministry of Construction and Construction Materials	101.7	98.0
Ministry of Metallurgy and Mineral Resources	101.0	100.9
Ministry of Transportation	102.4	101.6
Ministry of Forests and Forest Industry	104.2	102.5
Ministry of Internal Trade and Public Services	105.1	102.7

The production of some basic industrial commodities in the period January-May 1981 is as follows:

	Measure Unit	Commodities produced in Jan-May 1981	Jan-May 1981 in % to Jan-May 1980
Electricity	Million Kilo-watt hours	14,145	108.2
Coal	thousand tons	13,094	102.7
Briquettes	thousand tons	618	100.9
Steel blocks	thousand tons	1,053	103.5
Rolled ferrous metals	thousand tons	1,340	106.7
Cold rolled sheet iron	thousand tons	274	102.7
Heat rolled sheet iron	thousand tons	565	107.6
Steel pipes	thousand tons	107	105.9
Electrical instruments	thousand pieces	137	124.7
Lathes	pieces	3,835	102.0
Internal combustion engines	pieces	8,002	132.7
Electrotelphers	pieces	48,340	103.3
Cranes	pieces	956	115.0
Phosphorus fertilizers	thousand tons	95	122.6
Oil-based paint & varnishes	thousand tons	21	98.7
Synthetic fibers and silks	thousand tons	44	109.8
Cement	thousand tons	2,187	102.7
Asbestos-cement pipes	thousand meters	1,060	103.9
Bricks	thousand pieces	512,051	104.2
Tiles and lids	thousand pieces	28,908	101.6
Cellulose	thousand tons	75	107.8
Paper	thousand tons	142	107.9
Cardboard	thousand tons	25	101.5
Household glassware	thousand leva	12,709	113.1
Ceramic tiles	million pieces	109	105.2
Household porcelain	million leva	15,101	100.6
Cotton textiles	million meters	144	100.9
Silk textiles	million meters	14.6	104.9
Knitted outer garments	million pieces	17	102.1
Sewing articles	million leva	130	105.5
Shoes	thousand pairs	7,784	103.3
Meat	thousand tons	168	99.9
Meat products	thousand tons	37	106.8
Canned fruits	thousand tons	75	126.0
White brined cheese	thousand tons	43	102.4
Cheese	thousand tons	10	118.6
Tobacco products	thousand tons	36	108.3

Committee For Unified System Of Social Information

Commentary

The general results of the industrial development in May, as well as in the period January-May, show considerable improvement in the rhythm of the production

and the realization of the production. By the end of May, 40.8 percent of the scheduled production for the year had been turned out while at the same time last year only 38.9 was produced, The improvement in fulfillment of the realization plan is even greater. A total of 40.5 percent was achieved, while in the first 5 months last year the fulfillment was 38.4 percent.

The overall improvement of the work rhythm and the fulfillment of planned tasks in industry also find expression in the considerable decrease in funds not received from the realization, which shows an acceleration of settling the account between enterprises. By the end of May the industrial branches had not received 49 million leva for production delivered to their clients, while last year this amount was almost 450 million leva.

All these facts lead to the conclusion that this year as a whole the production capacities and the raw materials, as well as the work force, are being utilized in a better way. Indicative of this is the fact that the projected total gain for the 4 months is exceeded by 15 percent, and the profitability for 100 leva of industrial capital investments is 0.78 leva greater than the projection of the plan.

Special attention should be paid to eliminating a number of internal weaknesses which led to a plan fulfillment failure for commodity production in 160 branches for the 5 months. Production is lagging in some important products: phosphorus fertilizers, polyvinyl chloride, wood-fiber boards, generators, cement, different types of building steel, and some others. Here too, the causes for the retardation are mainly of an internal nature.

9804
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SURVEY OF ECONOMIC AGREEMENTS, COOPERATION WITH MOZAMBIQUE

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 17 Jun 81 pp 9,10

[Text] The history of Bulgarian-Mozambican economic relations is short, but they are fruitful and are getting richer. Their solid and intransient bases are the principles of Marxism-Leninism and the proletarian internationalism which were established in our relations as early as the period of the struggle of the Mozambican people for national liberation.

"Our great goal is common, our road is mutual and we will go along it together," said Comrade Todor Zhivkov during his visit to the Mozambican People's Republic. "We were together in the fight against colonialism, in the fight against fascism and we are together in building socialism," declared the president of the Mozambican People's Republic, Comrade Samora Machel during his latest visit to our country.

The objects and the directions of the bilateral cooperation are already regulated by a number of intergovernmental agreements, concluded during the meetings between comrades Todor Zhivkov and Samora Machel in 1978 and 1980. Among them, notable for their long-term nature and potential, are the treaty for friendship and cooperation, the agreement for economic assistance, the trade agreement, the agreement for cooperation in the field of agriculture and food industry, the agreement for cooperation in commercial shipping, the agreement for civil aviation, the agreement for cooperation in the field of fishing etc. Outstandingly concrete and practical are the program for planned coordination of the economic relations between the Bulgarian People's Republic and the Mozambican People's Republic for the period 1981-1985, signed during Samora Machel's visit in our country in September 1980, the working program for reestablishing and developing the production of some Mozambican enterprises, the protocol for the creation of a joint task force for coordination in the area of tropical and citrus fruits, the coordinated memorandum for formation of highly-mechanized agricultural enterprises. In the same spirit is the program for long-term economic cooperation for the period to 1990, signed in Maputu on 24 October 1978.

In their meeting in Sofia in September 1980, Comrades Todor Zhivkov and Samora Machel welcomed the increase in bilateral cooperation in a number of important and mutually beneficial fields of the economy. As they approved the protocol and accompanying documents signed in Maputu on 21 August 1980 they viewed them as a

basis for a new important step in the further practical and effective development of the bilateral economic relations.

The gamut of the economic and scientific-technical cooperation between the two countries is very wide now. It includes study and design of joint projects in almost all major areas (agriculture, water resources, hydroelectric power, industry, fishing, transportation and telecommunication, mining and geological projects etc) execution of joint projects; Bulgarian supplies of equipment and materials for building of projects; also seeds, chemicals, fertilizers etc. for the agroindustrial complexes; Bulgarian assistance for the exploitation and maintenance of projects; for development and improvement of production lines; for organization and development of agroindustrial complexes; for education and training of Mozambican personnel in our country etc. Lately, the idea for the creation of joint societies between the economic organizations of the two countries is becoming very important. For this purpose, the ground conditions for these societies were agreed upon in August 1980.

In the fields of agriculture, water resources and hydroelectric power the assistance is aimed at a speedy development of the Limpopo Valley and the Angonia Plateau, the building of the Moaba Mazhor Dam on the Inkomati River and the building of a 16,000-hectare irrigational system in the area of this dam, the designing of the Moamba Mazhor Hydroelectric Plant and the high-voltage power lines in the area, exploration of possibilities for vegetable growing, project planning, technical management and organization of work in building the industrial enterprises for vegetable and oil processing and others.

In the industry, the cooperation includes supply and installation of complete projects, cooperation in the production of hoisting and hauling technology, electromotors, water pumps, machinebuilding and other industrial production, project planning, supply of equipment and technical assistance for building plants for the production of water pumps, electrical motors and bricks, for repair of transformers, for assembling of motor trucks and battery-operated trucks etc. In fishing, the two countries cooperate in organizing a Mozambican ocean fishing fleet and development of industrial fishing, also study of fish resources in waters under the jurisdiction of the Mozambican People's Republic. Geological and technological exploration, project planning, supply and assembling of equipment and other similar activities characterize the directions of cooperation in mining and geology. Bulgarian assistance in studying, designing, technical management and work organization in road building is becoming broader (the Center-Northeast road, the Milanzhe-Mokuba, Litunde-Montepuez, Alto Molukwe-Yapala roads, etc).

The trade between the two countries is developing successfully. With the trade protocol signed in 1980, Bulgarian exports to Mozambique reached 5 million dollars and Mozambican exports to the Bulgarian Peolpe's Republic reached a total value of 2.5 million dollars. In order to facilitate trade our country offers a considerable commodity credit.

The concluded agreements and the signed joint documents leave no doubt that our economic cooperation will continue to develop and deepen and will become even more fruitful and mutually beneficial.

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ROLE OF KHOZRASCHET IN SET OF MEASURES REVIEWED

Prague FINANCE A UVER in Czech No 5, 1981 pp 296-303

[Article by Engr Stanislav Sourek: "Development of the Economic Production Units' Khozraschet and the Role of Finance"]

[Text] The development of khozraschet [cost-accounting system] as a method of managing socialist economic organizations, and the increase of its effectiveness are one of the significant ways of ensuring the rise of efficiency and the improvement of quality. Therefore the Set of Measures for Improving the Planned Management System of the National Economy After 1980 contains demanding requirements for making khozraschet more effective, and it also formulates the basic principles for the further development of khozraschet. The development of khozraschet is based on the plan's fundamental role in managing the socialist economy. Khozraschet functions on the basis of the plan and serves to ensure the tasks that the plan sets for raising efficiency. And khozraschet also reacts upon the plan in the course of its drafting, in the same direction. At the same time, the Set of Measures as a whole creates the prerequisites for the further development and greater effectiveness of khozraschet. Already the perfection of the individual parts of the planned management system--particularly of planning, financial management, regulation of wage resources and of the principles of remuneration, etc.--is practically the basis for the perfection and effectiveness of khozraschet. We could also mention particularly the strengthening and greater complexity of the VHJs' [economic production units'] and enterprises khozraschet accountability for the results of their activity, with specific consequences for financial management, economic stimulation, etc. An important factor of the greater effect that khozraschet has on the rise of efficiency in the enterprise sphere is that khozraschet is being developed and used at every level of management, which under our conditions means the VHJ, the enterprises, and enterprise subdivisions. The point, then, is the strengthening of the khozraschet system as a whole, both substantively and organizationally.

Development of VHJ Khozraschet

In the Set of Measures and its implementation, the development of VHJ khozraschet is new to a considerable extent. It cannot be said, of course, that our practice to date has not employed khozraschet elements in the operation

and management of economic production units. However, the Set of Measures approaches the development of VHJ khozraschet comprehensively and from the viewpoint of making the VHJ as a whole a khozraschet unit. This ties in to a considerable extent with strengthening the managing functions of the VHJ. Pursuant to the resolutions adopted by the 15th CPCZ Congress and according to the Set of Measures, the VHJ is to gradually become the basic link of management in the enterprise sphere, specifically a khozraschet link. To transform the VHJ into the basic link of management, and in the final outcome also to ensure that VHJ khozraschet functions effectively, will be a demanding process that will require the creation of a number of prerequisites in the most diverse fields, and hence it will not be a one-time process. Therefore the Set of Measures and its implementing regulations anticipate a certain period for completing the solution of the related questions, particularly in the area of financial management.

It is an objective necessity to build large, economically strong units with integrated management. The underlying reasons for this are the high demands of scientific and technological development, of foreign trade, the costly investments, and other circumstances. Only such units are able to successfully master tasks of this kind. In our country the economic production units, regardless of their present legal forms, represent this trend in the integration of industry's technological base. Khozraschet of the economic production units, which will gradually be developed into the basic links of management within the enterprise sphere, will ensure a qualitatively greater effectiveness of the khozraschet system, particularly in two principal directions. First of all, it is necessary to ensure the application of khozraschet specifically in those areas that can best be secured by a VHJ, i.e., in the areas of technological development, replacement of capital assets, foreign trade, etc. Furthermore, the purpose of the effective functioning of VHJ khozraschet is to ensure a rise of efficiency in the economic activity of the VHJ as a whole, and in the management of all the enterprises within the VHJ. Which means that the management of the less efficient and average enterprises must be raised to the level of the best ones, particularly by combining the self-interest of the individual enterprises in their own results with their self-interest in the economic results of the entire VHJ. Hence it follows that raising the effectiveness of khozraschet at the individual enterprises within the VHJ under these new conditions is of great significance for the development and effective functioning of VHJ khozraschet. Khozraschet of the VHJ as a whole will function effectively only under these conditions. Therefore there is no contradiction in the requirement of developing simultaneously khozraschet of the VHJ as a whole, and khozraschet of the enterprises within the VHJ, making both more effective; to the contrary, this is a mutually dependent relationship. However, at the individual levels of management--i.e., in the VHJ and at the enterprises--the functioning of khozraschet must be directed toward those aspects of operation and management that the given level can influence the most effectively. At the enterprises, where the basic activity is conducted and value is created, the functioning of khozraschet must be directed particularly toward ensuring production, services, etc., their efficiency, cost reduction, higher profit, the utilization of capital assets, a higher shift index, etc.

For the mentioned reasons, khozraschet relations within a VHJ are of great significance. Every VHJ is a specific organism in this respect and differs in the specific conditions under which the VHJ operates. For example, there can be considerable differences in the degree of cooperation between enterprises belonging to the VHJ, in the degree of integrating the management of technological development, foreign trade or marketing in general, etc. All this significantly influences the management of the VHJ, and also the relations within it, which are highly differentiated. The Set of Measures and the regulations issued for its implementation take this into account, but the basic principles of khozraschet relations within a VHJ follow directly from the generally applicable statutory regulations (for example, from the regulations governing financial management, the development of wage resources, etc.). However, regulation of the relations within a VHJ is left mostly to the VHJ statutes, a very important document that is of great significance, among other things, for the effectiveness of khozraschet in the VHJ and its enterprises. The VHJ statutes, which conform to the generally applicable statutory regulations and reflect the specific conditions of the given VHJ, serve as the basis for developing the specific form of management relations with each VHJ, and also for the specific application of khozraschet principles in the VHJ and its individual enterprises. This approach makes it possible to tailor to the specific conditions the management of every VHJ and, from the viewpoint of khozraschet, the khozraschet relations within the VHJ, i.e., the status and khozraschet of the individual enterprises belonging to the VHJ.

The effectiveness of the enterprise subdivisions' khozraschet is of considerable importance for the effectiveness of the entire khozraschet system, and in the final outcome also for the effectiveness of the khozraschet of the VHJ as a whole. The application of khozraschet in enterprise subdivisions ensures the influence of the tools of khozraschet on the individual basic elements of efficiency (costs, use of plant and equipment, etc.), and thereby also on the results of the given enterprise and of the entire VHJ. Suitable conditions must be created--in cooperation with all the management links, particularly of the enterprises and the VHJ--to develop the khozraschet of enterprise subdivisions. These conditions include particularly a good normative base, high-quality operational planning, budgeting and costing, efficient organization of the subdivisions, control and evaluation of the results attained by the subdivisions and, in conjunction with all this, a system of financial incentives.

Economic Production Unit's Role in Financial Management

Finance and its tools occupy an important place in the khozraschet method of management, at both the VHJ and enterprise levels. Therefore the perfection of the system of financial management at the VHJ and the enterprises, in accordance with the Set of Measures, is an important prerequisite for perfecting the functioning of khozraschet. It can be said that effectiveness of the system of financial management at the VHJ and its enterprises is in direct proportion with the effectiveness of khozraschet.

Therefore the role of the VHJs in financial management is very closely linked to the development of VHJ khozraschet. In conjunction with the overall strengthening of the managing functions of the VHJs, and with their gradual development into the basic links of management in the enterprise sphere, the VHJs are being given a greater role also in financial management, regardless of the present legal forms of the VHJs. The new basic financial regulation, Decree of the CSSR Government No 161/1980 Sb On the Financial Management of Economic Production Units and Enterprises, also adopts this approach. This decree regulates the financial management of the VHJ as the basic link of management within the system of financial management, and it does so in the same manner for all existing legal forms of VHJs, setting also generally binding relations for the financial management of VHJs and within VHJs. For the purpose of the financial management of a VHJ, then, no distinction is made here between the legal forms of VHJs. The same approach is adopted also by other new financial regulations that govern individual areas of financial management and, where necessary, regulate in greater detail the problems of relations within the financial management of VHJs and enterprises (for example, the regulations on the financing of the replacement of capital assets, the financing of nonivestment costs of scientific and technological development, the financing of working capital, the formation and use of the cultural and social services fund, etc.). Within the framework of uniform regulations for the financial management of VHJs, this approach permits wide differentiation of the extent to which financial management within a VHJ is integrated. At the same time, the new regulations are based on the experience gained with the Comprehensive Experiment in Efficiency and Quality Management, and in the operation of the already existing VHJs of the concern type.

According to the new financial regulations, the VHJ--regardless of its legal form--is liable for the payment of profit tax and other payments to the state budget, and it has a comprehensive system of financial management. In conjunction with developing the VHJ as the basic link of management, both the responsibility and the authority of the VHJs in financial management are being reinforced. Because management of the VHJs cannot be integrated all at once, Government Decree No 161/1980 Sb On the Financial Management of Economic Production Units and Enterprises will allow temporary departures from the generally binding regulations, for those VHJs where management will not be fully integrated by 1 January 1981. The temporary exceptions will mean that payments to the state budget will be made directly by the individual enterprises, and the basic system of financial management will apply to the enterprises in the same way as to the enterprises directly managed by central organs, but the general directorate of the VHJ will have the right to distribute among the enterprises of the VHJ a part of profit after payments to the state budget and allocations to the enterprises' financial funds, and of course also a part of the depreciation of capital assets. In all cases these exceptions will apply to, for example, the economic production units that are under the supervision of CSR and SSR organs and have enterprises on the territory of both republic.

As the basic areas where the role of the VHJ in financial management is to be strengthened according to the new regulations, and where also the gist of the new problems lie, we may regard the following

--The financial plan,

--Payments to the state budget,

--The use of profit and of the depreciation of capital assets, and

--The system of financial funds.

Of great importance in each of these areas is not only the regulation of the financial management of the VHJ as a whole, but also the regulation of relations between the VHJ and its enterprises. The enterprises within a VHJ likewise have their own financial management, and they report and allocate their profits and form funds. Within the limits of the generally binding regulations, however, wide differentiation is allowed in the specific arrangement of these relations. Recommendations for the formation of these relations within the khozraschet of the VHJ and of the enterprises, in the individual areas of management and hence also in the area of financial management, are contained in "The Principles of Khozraschet" (published as a supplement to HOSPODARSKE NOVINY, Nos 46 and 47 of 1980).

The financial plan is the basic tool for directing the financial management of a VHJ from the level of the branch central organ, and of course it is also the basic tool for directing the financial management of the enterprises from the level of the VHJ. Under the conditions of developing VHJ khozraschet, the importance and influence of the financial plan are the greater because the relationship between the plan and khozraschet, as formulated in general terms above, fully applies also to the relationship between the financial plan and khozraschet. In the case of the financial plan this relationship is the more important because specifically the financial plan, together with the financial tools, is of great significance for the effectiveness of khozraschet. For the development of khozraschet, therefore, the quality and active functions of the financial plan at every level of management must play an important role.

In the perfected system of management the financial plan's importance will rise, and its greater active influence in the management process must be ensured at every level, particularly at the VHJ and enterprise levels. From the viewpoint of making the financial plan more effective we can list some of the basic principles that are contained in the Set of Measures and significantly influence the financial plan's impact on the overall management of the VHJ as a whole. They must have a positive effect also on the setting of the financial plan's tasks by the VHJ for its enterprises, and on preparing the enterprises' financial plans. These principles are particularly the following:

--The financial plan's long-term nature must be strengthened, and particularly the five-year financial plan must be assigned a greater role;

--The quality and internal coherence of the financial plan and of its reconciliation with the other parts of the plan must be improved, in order to secure the qualitative indicators of the plan in all its parts;

--The financial plan's system of basic indicators must be perfected, primarily to ensure the financial plan's closer orientation on the qualitative aspects of the reproduction process.

The VHJ must enforce these basic elements for making the financial plan more effective, and it must fully utilize them when setting the tasks for its subordinate enterprises and ensuring the drafting of the enterprises' financial plans, so that the financial plan in the hands of the VHJ can be used as an effective management tool to ensure the tasks that were set for and within the VHJ, and to create a base for the more effective functioning of the entire system of financial management at the VHJ and its enterprises. The point is to make the financial plan an economic calculation of the business activity of the VHJ and of its enterprises, and also a tool for securing the obligatory qualitative tasks. Of great importance in this respect is the VHJ's differentiated work with the financial plan's obligatory indicators, breakdown reserves, normatives, tolerances, etc., in accordance with the specific conditions of the individual enterprises. The VHJ must devote close attention to mastering the use of the financial plan's new indicators--such as, for example, the profitability of operating assets, the return on capital assets, and particularly the normatives for the formation of the economic incentive funds--when setting the financial plan's tasks in conjunction with the formation and use of financial resources by the enterprises within the VHJ. A good financial plan also provides a foundation for the proper functioning of the financial instruments and thereby influences to no small extent the effectiveness of khozraschet at the enterprises belonging to the VHJ.

So far as payments to the state budget are concerned, according to the new statutory regulations that became effective as of 1 January 1981 (Law No 181/1980 Sb that partially revises Law No 111/1971 Sb, as amended by Laws Nos 154/1976 Sb and 62/1977 Sb), the VHJ is generally liable for profit tax payable to the state budget; at its request, a VHJ may be authorized to assume liability also for property tax. However, the regulations applicable to VHJs of the concern type, which are liable for all payments to the state budget, will remain in force. But in the case of VHJs that are supervised by CSR and SSR organs and have enterprises headquartered in both republics, the individual enterprises themselves will remain liable for all payments to the state budget. A temporary exception to the general regulation of profit-tax liability may be allowed in cases when a VHJ will not have integrated by 1 January 1981 its management functions in the area of financial management (in conjunction with the authorization of an exception to the general regulation of financial management, made possible by Decree of the CSSR Government No 161/1980 Sb On the Financial Management of Economic Production Units and Enterprises, as mentioned earlier). In case when such temporary exception is allowed, payments to the state budget will be made directly by the individual enterprises.

The payment of profit tax to the state budget for the VHJ as a whole (with the VHJ as the taxpayer) is in agreement with strengthening the functions of the VHJ in financial management when the VHJ functions as the basic link of management in the enterprise sphere, and it is also in agreement with the

soundness of the arrangement of financial relations within a VHJ, i.e., between the VHJ and its enterprises. In the case of other payments to the state budget, particularly of the payment of property tax, the question of who should be the taxpayer will have to be investigated in greater detail, in conjunction with an analysis of the entire system of payments to the state budget that will serve as the basis for preparing legislation to revise payments to the state budget as of 1 January 1983. So far as social-security tax is concerned, it seems more expedient to have the enterprises pay this tax, while supplementary social-security taxes could be paid at either the VHJ or enterprise level. In the case of VHJs of the concern type, the VHJ itself is liable by law for all payments to the state budget, but there are a number of exceptions when taxes (other than profit tax) are paid directly by the enterprises.

The payment of profit tax for the VHJ as a whole, which is now the general rule regardless of the given VHJ's legal form, is fully in accord with the new conditions of the comprehensive system of financial management at VHJs as khozraschet units. In order to pay profit tax to the state budget and to ensure the formation of VHJ funds, as well as for the necessary redistribution of financial resources among the enterprises within a VHJ, the VHJs centralize a proportion of the profit made by their enterprises. From the profit centralized in this manner the VHJ makes payments to the state budget for the VHJ as a whole, and it also ensures the use of this centralized profit, in the order determined by the regulations that are in force. From the preceding it follows that transfers of a proportion of the profit from the enterprises within a VHJ, for centralization by the VHJ, have a very important mission. Therefore it is important to determine them in the financial plan, including the forms of transfer, their stability, etc. What we have here is the basic financial relationship between the enterprises and the VHJ (in exceptional cases there may be allocation of profit from the VHJ to an enterprise, instead of a transfer of profit from the enterprise to the VHJ) that provides the room for the financial management of the enterprise and determines the effectiveness of this financial management, and to a considerable extent also the effectiveness of enterprise khozraschet. Therefore it is very important to solve through this transfer from the enterprise to the VHJ not only the necessary differentiation of the financial resources at the enterprises, in accordance with their planned needs, but also the stimulating influence of this financial relationship on the mobilization of resources at the enterprises. The regulations that are in force give the VHJs considerable leeway to do so, and certain desirable directions of solving these important problems are contained in the already mentioned "Principles of Khozraschet."

The importance of transferring a proportion of the profit to the supervising VHJ for centralization is reflected also in the obligatory order of profit allocation at the enterprises. Transfers of profit to the VHJ rank practically in the same order as payments to the state budget.

The increased responsibility, independence and authority of the VHJ in the process of using financial resources, particularly profit, is one of the

cornerstones of the VHJ's new role in financial management, pursuant to the Set of Measures and the statutory measures issued for its implementation. This is also an element on which depends to a considerable extent the development of VHJ khozraschet.

Significant for the role of the VHJ in financial management according to the new regulations are the following principles for the use of profit at the VHJ level:

--Profit tax is paid to the state budget for the VHJ as a whole (the VHJ is the taxpayer). This question has already been discussed in detail;

--The unused profit--i.e., the profit remaining after payments to the state budget, and after the refinancing of needs in accordance with the regulations that are in force--is retained by the VHJ at the end of the year and is transferred to the VHJ's contingency fund;

--The unused profit of the enterprises belonging to a VHJ is transferred to the VHJ at the end of the year, where it is allotted to the VHJ's contingency fund. In the rules for the financial management of the enterprises, the VHJ may decide to allow the enterprise to retain a portion of the profit and to carry it over into the next year;

--The VHJ forms a comprehensive system of financial funds, including economic incentive funds. But even when the qualifying indicators are fulfilled, allotments to the economic incentive funds can be made only if the VHJ has sufficient profit available to observe the specified order of profit allocations. This principle applies, of course, not only to the VHJ, but also to its enterprises;

--The obligatory order of VHJ profit allocation has changed in the sense that allocations of profit to VHJ funds to ensure the financing of planned needs follow immediately after payments to the state budget, and only then come the allocations to the economic incentive funds. This change in the order of profit allocations emphasizes the khozraschet responsibility of the VHJ for fiancing planned needs, in direct relationship with financing economic incentives. Here again, this principle applies to the VHJ as well as to the enterprises within it;

--The responsibility and independence of the VHJ in conjunction with the formation and use of profit are emphasized also by the fact that the redistribution of a proportion of the profit among VHJs by the branch central organ is regarded as exceptional and must be approved in the specified manner, as an exception under specified conditions. Preference is given to the redistribution of the depreciation of capital assets.

These basic principles, which strengthen the VHJ's role in financial management, are projected into the overall activity of the VHJ in this area, specifically because the share of profit in financing the VHJ's needs must

be increased in the sense of the Set of Measures, and therefore also the formation and efficient use of profit by the VHJ gain new importance. Measures to this effect are ensured in the state budget for 1981. But until the profit-tax rates are regulated by amending the pertinent law as of 1 January 1983, profit-tax reductions will be permitted in 1981 and 1982 for some VHJs where such reductions will be necessary to realize the mentioned khozraschet principle. For 1981 these reductions are outlined in the approved state budget.

The mentioned principles that characterize the VHJ's enhanced role in managing profits are reflected also in the wider authority of the VHJ to direct the financial management of its enterprises. The greatest problems center around the amount of enterprise profit and the conditions under which it can be centralized at the VHJ, and around the formation and use of financial funds at the VHJ and its enterprises. (Both of these areas have been discussed separately in this article.) The VHJ is equipped with an important tool: it has the necessary authority to set the rules for profit allocation at its enterprises. At the enterprises, too, this area is the most significant from the viewpoint of the effectiveness of financial management and enterprise khozraschet. Therefore the VHJ must formulate also here, and especially here, the rules applicable to financial management and relations within the VHJ, with special attention to the need to provide sufficient incentive for the individual enterprises to earn and efficiently use profit, and to fulfill the important qualitative indicators of the plan.

The VHJs have the authority to manage independently the depreciation of capital assets. They ensure the possible transfer of a proportion of the depreciation to the central branch organs, for redistribution among VHJs. The VHJs centralize a proportion of the depreciation of capital assets from the enterprises, for the aforementioned purpose and for allocation to the appropriate funds of the VHJs. A proportion of the depreciation is left at the enterprises, to finance investments from the capital construction funds and development funds.

The role of the VHJ in financial management, and simultaneously also the base for the development of VHJ khozraschet are strengthened significantly by the fact that each VHJ forms a comprehensive system of financial funds. Pursuant to the Decree of the CSSR Government No 161/1980 Sb On the Financial Management of Economic Production Units and Enterprises, the VHJs form the following funds:

Funds to finance planned needs:

--Capital construction fund,
--Contingency fund;
--Technical development fund,
--Circulating capital fund (if the financing of circulating capital is centralized partially or entirely at the VHJ).

Economic incentive funds:

--Cultural and social services fund,
--Special compensations fund,
--Development fund,
--Export incentive fund.

In specified cases, the VHJs form also other funds, for example: a risk fund, a geological exploration fund, and an indemnity fund. The VHJs may also form other special-purpose funds if necessary, after approval in the prescribed manner.

The formation of a comprehensive system of funds at the VHJs is a great change in comparison with the earlier regulation, when the sectoral funds were formed in most cases as secondary funds, while the enterprise funds were the primary ones. Under the new situation a VHJ distinctly has more opportunity to solve comprehensively also the financial aspects of its decisions concerning, for example, technological development, investment, etc. In addition, the VHJs now form all the economic incentive funds. This is the more significant because the new regulation makes the entire system of funds more effective.

Some funds are formed exclusively at the VHJ level, for example: the contingency fund, and the export incentive fund. The law requires that economic incentive funds other than the export incentive fund be formed at the VHJ as well as its enterprises. The purpose is to provide the prerequisite for stimulating the enterprises to secure the decisive tasks of the plan (including the stimulation of the acceptance of challenging tasks in the plan, in the process of counter planning). Moreover, the FKSP [cultural and social services fund] is the only fund for which statutory provisions (Decree of the Federal Ministry of Finance and of the Central Council of Trade Unions No 165/1980 Sb) directly prescribe the manner of its formation at the VHJ and its enterprises, with the main emphasis in this case on the formation of the fund at the enterprises, in conjunction with the fulfillment of the tasks set for them. This is fully justified by the fact that the cultural and social services fund is an instrument for providing a collective economic incentive, and its formation and use are associated with the activity of the trade-union organizations at the enterprises and plants, and are the subject of collective contracts. In spite of this, however, the principle of giving the enterprise collectives more incentive to boost the economic results of the VHJ as a whole is partially applied also to this fund, specifically in the sense that a part of the formation of the cultural and social services fund is contingent on the fulfillment of the tasks of the entire VHJ, or on the formation of resources at the VHJ level (for example, through export incentives). In the case of other funds (besides the cultural and social services fund) formed at the enterprises, the VHJ determines their amount and the manner of their formation. At the same time, the VHJ determines within its own competence whether or not to form at its enterprises funds for financing planned needs (for example, the capital construction fund, technological development fund, etc.). It should be evident that also these funds are an effective tool with which the VHJ is able to influence the rise of efficiency at its enterprises, in terms of the formation of

resources as well as of their use, and therefore it is desirable that the VHJs make full use of this tool, not only by setting effective rates and conditions for the formation of the economic incentive funds at the enterprises, but also by establishing funds for the financing of planned needs at the enterprises. Experience with the Comprehensive Experiment in Efficiency and Quality Management, and with the operation of the VHJs of the concern type established in the past, shows that in most cases the VHJs established at their enterprises all the funds that the regulations in force enabled them to establish. But experience also showed that greater care must be devoted to the stability of the conditions of enterprise activity, to the selection of indicators, etc. Funds are an effective tool of financial management, at both the VHJ and the enterprise levels. Therefore we cannot agree with the occasionally heard contention that the new financial regulations governing the formation and use of funds limit the authority of the VHJs in this area as compared with the earlier regulations for concerns, and with the conditions of the Comprehensive Experiment in Efficiency and Quality Management. The new regulations utilize the gained experience specifically to increase the influence of the entire system of funds on the rise of efficiency, at the VHJ level as well as at the individual enterprises. The VHJ today has sufficient management tools to influence the formation of the most effective system of financial management at its subordinate enterprises. Valuable practical recommendations for the use of funds within a VHJ to increase the effectiveness of enterprise khozraschet, and thereby also of VHJ khozraschet, are contained in the already mentioned "Principles of Khozraschet."

The development of VHJ khozraschet and the greater role of the VHJs in financial management cannot be viewed separately from raising the overall level of the integrated management of a VHJ's entire activity. Understandably, the development of the VHJ as the basic link of management in the enterprise sphere is not limited to solving the problems of financial management. Instead, the perfection of management functions in this field must proceed parallel with perfecting integrated management in the areas of planning, wage regulation, technological development, replacement of capital assets, foreign trade, and others--up to the perfection of complete differentiated systems of management in each VHJ.

1014
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MANAGEMENT, EXCESSIVE BUREAUCRACY CRITICIZED

Prague HOSPODARSKE NOVINY in Czech 10 Jul 81 p 3

[Article by Vladimir Janicki, Doctor of Social Sciences, General Director, Metallurgical Components Economic Production Unit, Prague: "Prolonged Bureaucratic Illnesses"]

> [Text] Administrative management is taking on unauthorized dimensions. Any every citizen, the whole society, is bearing the consequences of this. This growth in administrative work has been evolving with particular rapidity in industry. We will present here the experiences and findings gained from an analysis of administrative difficulties in the enterprises of the Metallurgical Components VHJ [economic production unit].

The Metallurgical Components VHJ is only a small cog in the state organism. A quite essential stream of administrative activity and information flows through it, making its way to the central national economic agencies. Without this information the state would not be able to manage and to develop in a planned manner. The information is imbedded in a set of ingeniously circulating state reports and it is objectively necessary. It is possible to reconcile adequately this set of reports with the development requirements of society under the leadership of the central agencies, especially the Federal Statistical Office and the Federal Finance Ministry. The experiences of our VHJ have suggested that it would be possible to eliminate from these reports data which may be collected, for example, by calculations based on figures contained elsewhere, or which are nonessential, inasmuch as not all of the information may be effectively utilized by its recipient either because it is excessively detailed or because it is contained in numerous, scattered documents.

For example, the monitoring of monthly performance in industry must be conducted at the workshop, operational, and factory level in terms of details and specifics, but the amount of detailed information could be reduced in reports directed at higher levels of management in accordance with the function to be performed by the recipient. At the center, only a few fundamental indicators should be required on a monthly basis. The direct transmittal of more detailed information from the lower management levels should take place quarterly, semiannually and annually in order to carry out a comprehensive analysis of management performance.

We have presented our proposals for the elimination of some reports, a reduction in their complexity, or a lengthening of the transmitting timetable at the highest levels, where the matter is methodically managed. It is desirable that these agencies consult with the khozraschet sphere regarding their final proposals for modifying reporting requirements.

Management Style Is Critical

Nevertheless, we do not regard reporting requirements and statistics as the main burden imposed by unauthorized administrative activity. The basis of the problem lies in the style of work and in management methods from the center down and vice versa. Above all, it is a matter of inadequately implemented democratic centralism in management, a lack of concern for an efficient division of labor, authority and responsibility, of the influence of subjective factors and, especially, of the violation of system-oriented behavior.

Every ministry attempts to manage its VHJs systematically. The current management system, unfortunately, possesses serious flaws. The formulation of management standards, for instance, is not sufficiently careful and often fails to take account of the conditions revailing in the khozraschet sphere. There is a still unmastered distance between the state and the khozraschet spheres, just as there is between the VHJs and their enterprises. This is especially evident now that the VHJ has been marked as the basic management element and must formulate a new comprehensive system of management within the VHJ. This system should provide for a sensible degree of centralization and authority, for an optimal influence of khozraschet and initiative, without increasing the demand on administrative functions.

VHJs and enterprises have often been surprised by unexpected administrative ordinances imposed from above without prior consultation with them; they consider some of thes to be hindrances to efficient management. Instead of cooperation, we at times resort to pulling rank, and in place of creative collective formulation we are content to communicate schematically the views of higher-ups. Both of these tendencies lead to a weakening of democratic centralism in management.

It is necessary to adhere to the principle that supervisory systems not involve themselves unecessarily in the functioning of a subordinate system. This should only happen in exceptional circumstances, when developments are deviating significantly from established parameters for output and efficiency, or when behavior or functions are not consistent with established norms. However, even in such instances a one-time analysis is, as a rule, sufficient, and less demanding from an administrative viewpoint.

An analysis of administrative problems in management also shows, however, that it is primarily the enterprises themselves, through their devious behavior, hiding of unused potential, low-quality processing of documentation, the low qualifications or performance of their own managerial and administrative structure, that force the supervisory management agencies to demand a number of followup analyses and documents. to issue extensive methodological guidelines and to conduct studies. And all of this significantly increases administrative activity.

Formalism Begets Nonessentials

Formalism is another disease of administrative management. Many separate duties function only on paper. They serve no one, but fulfill resolutions from above. Much work is done from day to day and many matters assume a momentum. There are many managerial norms for agencies in the state sphere and for VJHs, in whose formation there has not been a comprehensive estimate of the consequences in terms of managerial difficulty, possibilities for processing by computer, and for methodological and legislative assurance.

The requisite conditions do not exist for all of these activities. For instance, if internal enterprise khozraschet is not connected to greater precision in technical-industrial standards, the measurement and weighing of production provided for, etc., then it is truly a question only of administrative, formal deductions, without the possibility for utilizing material incentives and economic instruments. At the same time, khozraschet must not become useless administrative work, but rather a vitally important and economically efficient method for planning and for management which may not be implemented formalistically and without the requisite conditions.

Inadequate definition of the jurisdiction and the responsibility of individual levels of management is also a cause of increased managerial activity. This does not create the conditions for an efficient division of labor and system-oriented behavior.

For instance, the introduction of the principle of final jurisdiction would help a lot. This is especially true in selected areas where limitations have already been established, either by the plan or by other decisions, and resources allocated. I do not know why every detail which has already been approved within the framework of these limits and resources must still be studied by various commissions so as to formulate a significant number of documents and authorizations. Just this sort of thing is a clear manifestation of the tensions between jurisdiction and responsibility. It is also a question of trust.

In the area of professional and personnel activity, the difficult of administrative management is gradually, but constantly increasing. It is true that we are dealing with a new subsystem which is just now being put together and to which one should concede from the start a fairly large amount of administrative work, because it is here that the foundations of information, statistics and the managerial system must be created. But it is not necessary in this area to put up with several nonessential situations. Needed are varied, mainly operational, normal decrees concerning realities which it is impossible to influence in any way through administrative management. In such instances, concise and prescreened information should be sufficient. An example of this is the requirement for a monthly statement concerning apprentice recruitment at enterprises.

Under Law No 68/1978, Laws of the CSSR, concerning measures in the system of elementary and secondary schools, the Federal Ministry of Metallurgy and Heavy Engineering has gradually come to require five types of documentation (in addition to the documentation required prior to the passage of the law). The most recently requested documentation, from September 1979, amounted to an ingenious system of matrices requiring the consultation of 58 tables with the eye of an accountant. A recent

study of the prospects for the development of the material base of apprentice training until 1990, prepared for the use of the same ministry, required the processing of approximately 30,000 separate pieces of data at their level alone, according to our comrades at the Ferrous Metallurgy VHJ.

For the time being, isolated information concerning employees has likewise shown itself to be difficult to administer and less than efficient for personnel administration. Such reporting requirements do not serve the interests of management, but solely statistics.

Consequence of Inadequate Effort

I can present additional facts concerning the unbearable difficulties of administrative management in industry: for instance, in the capital investment sector these difficulties have increased by more than 100 percent since the introduction of expanded contractor functions. We feel that the reason for this is that the approved breakdown of investment targets is not issued as part of the plan with sufficient lead time and that, therefore, there exist naive expectations that the investment targets may be provided for from year to year. Moreover, the investment plan is changed frequently and, which is more serious, is not coordinated and brought into balance with the facilities available to construction enterprises. Binding targets allocated to supervisory contractors do not have the same compulsory character for subordinate suppliers.

The largest construction projects serve as a model for the regulations issued in the investment sector. These regulations are simply not appropriate for projects on a smaller scale and are unecessarily complex from an administrative viewpoint. Specifically, this concerns coordination, warehousing, mechanization, the setting up of the site, the assistance of masons, etc.

If we compare the efficiency of the results of inspection meetings and the days taken up by them, the difficult involved in their administrative and economic preparation, their conduct and control, then it is possible to recommend a substantial reduction in their extent and an increase in their quality. We suggest that inspection days be conducted only at selected sites and that they be focused to a larger extent on managing the quality of the work performed and on resolving organizational problems belonging to the areas of contractor responsibility. They must not be allowed to become a smokescreen for managerial shortcomings.

In the control and inspection area, we have encountered the views everywhere that this activity is likewise marked by extensive administrative requirements. Primarily it boils down to the fact that the same sector and the same problems become the object of control by more than one inspection agency during close or even overlapping time periods. Better coordination of inspection activity would make possible a reduction in this area. So that the information available to authorized agencies not be in any way restricted, it would be appropriate to provide for an exchange of inspection findings and reports among them.

Another of the findings of our analysis is the fact that in the area of the state sphere there are several professional institutions which devote considerable activity to the justification of their pursuits. The analyses, techniques, and

information which they develop must then be processed at the VHJ and enterprises in addition to the plan for their own activities, and often under unfulfillable deadlines. This was the genesis, for instance, of the technique for passportizing industrial factories, the guidelines for which fit on (only) 271 pages of small print.

Begin At Home

It is our view that it is useless to introduce an entire, comprehensive administrative structure necessary for an enterprise as such at the level of a small production organism. For this reason we are now preparing, at our VHJ of the trust type, a reduction in the number of enterprises to almost half their former number. In this way the number of managerial links in place will be reduced; those leading to the general directorate in addition to those within the VHJ and those outside of it as well. Following the phase of production specification, we can implement a phase of integration of various functions and activities which will provide for greater efficiency and, without a doubt, for a reduction in administrative activity.

From the viewpoint of material efficiency and economic effectiveness, several activities necessarily lend themselves to horizontal, territorial integration. Planning, managing and controlling such activities vertically is not efficient, duplicates effort, dilutes and saps the creative capacity of higher management systems, or renders them unnecessarily extensive.

It is our opinion, for instance, that several activities related to the work force, such as housing management, schools, day-care centers, recreation, cultural and sporting activities, or transportation and fire protection, may be resolved and managed on the territorial, local principle without regard for a sectorial or regional perspective. Their vertical linkage may take place through a territorially efficient division of labor among local agencies and specialized central offices. This does, however, require that a sectorial and provincial outlook be overcome. It makes more sense, for instance, to implement solely on the territorial principle certain projects in the management of the preparation of youth for a working-class profession, for apprentice competitions, for competitions regarding cultural, photographic, sporting, social and political knowledge.

The New at the Expense of the Old

We are all aware that the implementation of the Set of Measures for Improving the Planned Management System of the National Economy After 1980 requires a gradual shift from the previous techniques of administrative management to newer, qualitatively more improved methods. For the time being it is impossible to predict how much administrative work this task will actually require, but we must nevertheless outline the goal for ourselves that while during the implementation period of the Set of Measures to be sure there will be a need for increased efforts in administrative activities, this tension must relate only to the transition period of preparation and implementation, whereas the final effect on normal planning and management will be reflected, among other ways, in more flexible and effective administrative work at the VHJ level and along the entire direct axes of management. Administrative management must appear in a new role as economic motivator for the VHJ and for enterprises to aggregate their efforts and factors of production toward the generation of a plan and, on the other hand, to free them from the fetish of gross output indicators, output of goods, average earnings, etc.

The introduction of the new is possible only at the expense of limiting the old. This is especially true in the area of administrative work. We who have passed through the Comprehensive Experiment in the Management of Efficiency and Quality have had to carry along beside each other, so to speak, both administrative structures. And we know that we were dealing with a large amount of work which is not necessary now that the Set of Measures has become valid.

We have gained a number of additional insights concerning just how extensive our administrative activity is, and we are convinced that it is possible to simplify it substantially. I think that this area will find the full political and material support particularly of the workers, and I believe that every contribution will have a positive influence not only economically, but also due to the awareness that we are not laboring in vain.

Everyone must begin at home, on the basis of an objective analysis of every activity of every institution. Coordination and cooperative projects should be the concern of uninvolved groups of employees which would evaluate the results and propose rationalization measures. It is impossible to organize this matter on the basis of a campaign over a specific time period, rather it must be done in a planned fashion and gradually, with a view to creating monitoring instruments which will guarantee an overall view of the trends in the long-term streamlining of administrative management.

The first step should be the creation of a network of responsible locations at the levels of management, without whose consent it would be impossible to increase the amount of administrative work (directives, reports, decrees, new systems, increased rigorousness of technique or organization, etc.). At the same time it is necessary to improve the style of work and management techniques all along the direct axis by means of the efficient cooperation of the state and the khozraschet spheres as early as the preparation stage for new state intervention and pressures on the VHJs, and vice versa. At the same time, it is necessary consistently to apply democratic centralism and not to deviate from a case-by-case approach.

In determining whether we had fulfilled all our responsibilities in the plan breakdown, I discovered that the breakdown had not been forwarded, as required by regulations, to the Czech Planning Commission. An employee justified this with the simple statement, "But why? We didn't send it last year either, and nothing happened."

Fifteen years ago, when I took this job, a very experienced managerial employee advised me as follows: "When you arrive at a factory, go first of all directly to the scrap pile and you will see in an instant how well the factory is operating." This is very good advice. The outputs of every system are the best indicators of its condition. Therefore we, managerial workers, should from time to time take an honest look at the output of our offices. We might even take a look at raw material recycling centers.

The mail rooms, archives, managerial directorates and, of course, the raw material recycling centers should very clearly document how many tons of paper is removed from these agencies. The point is that the institutions and employees in question are not physically capable of reading such a quantity of paper, let alone of working with it.

9276
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POTATO SHORTAGE ASSESSED BY FOOD OFFICIAL

Prague MLADA FRONTA in Czech 16 Jul 81 p 3

[Article by Jaroslav Hejkal: "A Problem Called Potato"]

[Text] Enormous amounts of synthetic nitrogen fertilizers are being used to fertilize potatoes, wrote reader J. Obecovsky from Teplice. "The forced vines are infected with molds, and in monocultures even the soil is so infected. I know of cases when up to 80 percent of the potatoes rotted in the spring. Potatoes grown with the use of chemicals must be kept in cold storage, which calls for considerable expenditures. The lives of agricultural workers, like others, have been made easier through work simplification. Potatoes need proper year-round care and chemicals cannot replace that. I think that science is also to be blamed."

Several other readers have expressed similar views. They all believe that mass cultivation of potatoes has not yet received the attention which this crop deserves.

Eng V. Kmonicek, deputy director of the Crop Production Department of the Federal Ministry of Agriculture and Food, sent us a basic reply. Our socialist agriculture, he says, among other things, has followed the path of intensification in all sectors of plant and animal production. Compared to the postwar period, the entire production and all applied technologies have been radically restructured and the number of those working in agriculture has decreased to one-fourth. The achievements in production, even in the presence of the shrinking work force, are nevertheless showing a steady rise. The work productivity attained and the intensity of production rank our agriculture among those of the leading European countries. The fact remains, however, that not all is in perfect order and we cannot be completely satisfied. This is particularly true about production and handling of potatoes; their biological nature and the current technological base have not yet allowed us to achieve positive results comparable, for example, to those in mechanization of production of grains and other crops. In the case of potatoes, we have not yet found means of mechanization and fertilization fully capable of replacing the painstaking and careful work of human hands. It is true that only 69.1 percent of the potatoe production plan was met last year and that this was the main reason why bulk buying targets were not met. The worsening quality of potatoes, however, is a more complex problem and the achievements of the previous 4 years of the Sixth Five-Year Plan, when about 95 percent of the objectives were met, have shown that last year's poor harvest is not the only factor. It is mainly brought about by the necessary transition to the fully mechanized process of cultivation, harvesting and processing of

potatoes that often damages the tubers and a satisfactory and speedy solution of this problem is not available. We must also take into consideration the fact that even with maximum effort we cannot change the established technological-organizational base from year to year.

As regards supplier-consumer relations between agricultural and trade concerns, the simplified argumentation in the article is not objective either, V. Kmonicek continues. These relations have reached an essentially higher level than reported in the article, and the deficiencies cannot be blamed on the agricultural workers along; the Fruit and Vegetable Enterprise also needs to objectively assess some of its own weaknesses, (e.g., delays in unloading of freight shipments causing tubers to be damaged by steaming or frost depending on the season; etc.). In the past year, for example, Fruit and Vegetable Enterprise establishments in the CSSR rejected a total of 7,403 tons in quality controls of delivered potatoes, which is less than in previous years. Of the rejected quality, 951 tons were returned last year to the agricultural concerns, 260 tons were diverted for industrial processing and the rejection of 708 tons proved to be unfounded. A total of 5,484 tons was accepted at a rebate, which generally represents material compensation for presorting carried out by Fruit and Vegetable Enterprise establishments before sale. Hence the Fruit and Vegetable Enterprise has possibilities in the scope of supplier-consumer relations of enforcing quality requirements and it makes use of them. In so doing it also assumes, of course, the responsibility for the quality of potatoes delivered to the markets. The consumer is not defenseless either; he has the right to ask for a refund if he was sold low-quality potatoes. Thus it matters how the valid norms and regulations are observed at the individual levels.

It is true nevertheless, V. Kmonicek continues, that very serious problems, especially regarding the condition of potatoes, are found particularly during winter storage; as previously mentioned, they are the result of severe damage suffered by potatoes during their cultivation, harvesting and especially during sorting, and in their transport before storage; another important factor is the lack of suitable storage capacities, airconditioning equipment and fungicides for control of storage diseases. Nobody is indifferent to the state of our potato culture. Both the workers of agricultural enterprises and the research base and the management organs are striving to correct deficiencies. In close cooperation they are following the current development and state of production and utilization of potatoes, and the ministries of agriculture and food have approved and are implementing a set of measures which in the course of the Seventh Five-Year Plan should help eliminate serious deficiencies in the entire potato production ladder. The objective is sufficient supply of quality potatoes all year round and gradual introduction of a broad assortment of staples.

Be assured that our agricultural workers in cooperation with others, among them, undoubtedly trade representatives, will gradually solve the "potato problem" and will thus insure better supply and higher satisfaction of our citizens with this crop that is an indispensible part of our diet. This is what the article was about in any case.

9562
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COOPERATION AMONG AGRICULTURAL ESTABLISHMENTS DESCRIBED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Czech No 6 Jun 81 pp 251-253

[Article by Docent Engineer Ludvik Spirk, Sci, Agricultural College in Prague: "Inter enterprise Cooperation in Agriculture and Its further Development"; passages enclosed within slantlines printed in bold face]

> [Text] This is a follow-up on the article in the previous issue which dealt with basic problems of developing inter-enterprise cooperation without spawning a new organization.

Cooperation among establishments without creation of a new organization is currently taking on various forms, from simple contractual cooperative relations among agricultural enterprises up to expanded forms of production and economic collaboration among establishments on the basis of various types of cooperative associations.

Depending on the nature of mutual relations among the partner organizations in the area of organization and management, economic relations and legal arrangement, we can differentiate between two basic forms of cooperation without the formation of a new organization: 1) simple forms of cooperation among establishments; 2) cooperative associations.

Simple Forms of Cooperation Among Establishments

Simple forms of interenterprise cooperation are usually based on contracts devised to last over an extended period of time, delineating the substantive and financial conditions for cooperative collaboration of two, often already tried and competent, partners.

From the viewpoint of economy, this form of interenterprise cooperation essentially represents a mutually beneficial relation contractually warranting not only the quantitative aspects of mutual cooperation, but often also providing some specific guarantees expressing the qualitative aspects of collaboration by the participants. It does not establish any joint ownership or any organs for its administration and operation. Simple forms of cooperation are being developed in the area of agricultural production itself as well as in the area of providing services.

In the area of agricultural production, this form of cooperation involves primarily rearing of heifers from lowlands for 2 years in foothill or mountainous areas up to

the fifth or sixth month of calving; supplying of calves for large-capacity calf-breeding facilities; supplying of horned cattle to company feed lots for fattening under contract; supplying of calving heifers to large-capacity cow barns; supplying piglets to large-capacity fattening pens, etc.

These forms of cooperation among enterprises are not restricted to enterprises in the same district or region, but can involve enterprises from various regions.

The area of providing services under simple forms of cooperation includes primarily drying and production of fodder in drying facilities and baling of fodder for other enterprises; cooperation in utilization of specialized agricultural technology; utilization of large-capacity potato storage facilities; utilization of large-capacity airconditioned storage facilities for fruit and vegetables, etc.

Over the past several years simple forms of cooperation have expanded considerably, in some districts to the point of constituting an important prerequisite for operation of large-capacity facilities, particularly for individual categories of horned cattle in JZD [Unified Agricultural Cooperatives], state farms and SZP [State Agricultural Enterprises], as well as efficient utilization of drying facilities, special-purpose mechanization facilities, etc./

For the above-stated reasons, simple forms of cooperation among enterprises can be recommended for wider practical applications.

Types of Cooperative Associations

Cooperative associations are based on long-term, usually permanent, relations among agricultural enterprises for economic collaboration in production. This form of cooperation is being developed for operation of jointly procured large-capacity technological means, installations or facilities, or for permanent utilization of large-capacity production facilities or installations of one or more participating organizations.

The basic organs providing for joint operations on the basis of cooperative associations are the /cooperative council, the operator and the reviewing committee/. The cooperative council or the operator can also establish--according to need and the extent of operations of the association--other auxiliary or executive organs, such as, e.g., various committees, technical manager or technical management of cooperation.

Cooperative associations, which are currently developing activities in the area of providing various services for agriculture, auxiliary or associated production, processing or storage of agricultural produce as well as in the area of agricultural production itself, can be divided in essence into four basic types: specialized cooperative associations; specialized cooperative associations with a wider scope of activities; cooperative associations engaged in multiple operations; cooperative associations running complex operations.

Specialized Cooperative Associations

Specialized cooperative associations focus their activities on /one of the branches/ of plant or animal /production/, or on /a single activity in the area of providing services/.

In the area of agricultural production this category includes associations for joint breeding of calves, fattening of steers, breeding of heifers, keeping of milch cows, fattening of hogs; this also includes associations specializing in growing of corn, fruit and vegetables, flax, etc.

The area of providing services comprises associations for joint procurement and utilization of agricultural equipment, drying and baling fodder, purchasing and storage of spare parts, construction operations, postharvest processing and storage of produce from plant production, etc.

The membership base of specialized cooperative associations and their territorial extent of operations varies; it depends on the type and extent of jointly operated activities, the production or processing capacity of large-capacity installations, facilities or technical equipment jointly procured, utilized or operated by members.

Thus, e.g., as of 1 January 1980, specialized cooperative associations for procurement and utilization of heavy agricultural equipment had an average membership of two to three JZD, for drying and baling of fodder three to four membership organizations, the same as most of the specialized cooperative associations active in animal production: for breeding of heifers two to three member organizations, for keeping of milch cows three member organizations, for fattening of cattle and hogs three to four membership organizations.

The sphere of interest of a great majority of specialized cooperative associations, particularly those oriented toward production, ranges in the average approximately 5,000-7,000 hectares of agricultural acreage, approximating the territorial extent of the former groups of cooperatives. An exception are some associations for fruit and vegetables whose sphere of interest matches or even exceeds district boundaries. Specialized cooperative associations for transportation and maintenance repairs operate mostly in the territorial framework of cooperative districts.

This type of cooperation among enterprises does not call for any substantial organizational or economic changes in the structure of the operational process of the member organizations; mutual exchange of production factors or activity in jointly operated specialized branches of production, services or installations form an integral part of their operational process and membership organizations exercise over them decisionmaking and controlling jurisdiction through the cooperative council.

Specialized Cooperative Associations with a Wider Scope of Activity

Specialized cooperative associations with a wider scope of activity gradually develop from simple forms of cooperation and from specialized cooperative associations. They orient their activities on /several branches/ of plant or animal /production/, or jointly operate /all of plant or animal production/.

In the area of plant production, this category includes cooperative associations for joint planning and operation of plant production, which are known primarily from the Usti nad Orlici District where nine associations of this type are active. One cooperative association for joint planning and operation of plant production is also active in the Rakovnik District and its operator is the JZD in Panosi Ujezd.

The membership base of specialized cooperative associations with a wider scope of activity in plant production is usually formed by three to four JZD with a total agricultural acreage of 5,000-10,000 hectares.

In the area of animal production, the association involves, e.g., joint planning and operation of animal production, particularly joint planning and operation of several categories of cattle breeding or cattle breeding in general. These associations have been successful particularly in the Jablonec, Liberec and Ceske Budejovice districts.

Specialized cooperative associations with a wide scope of activity in animal production usually operate in the territorial framework of cooperative districts, such as is the case, e.g., in the Ceske Budejovice and Strakonice districts, or in the terrirorial confines of smaller districts--Jablonec and Liberec.

Operations of specialized cooperative associations with a wider scope of activity call for merging of production, planned coordination and centralized control of jointly operated phases of the production process of member establishments or organizations. This presupposes singling out for separation of a part of the /production from the economic, controling and decisionmaking jurisdiction of member establishments and its transfer/, particularly where the association operates on a larger scope, /to a special control organ--technical management/--which has been endowed by member organizations in the cooperative agreement with the requisite jurisdictions.

Cooperative associations of this type thus represent the establishment of an organizational structure for production headed by its own control organ, which does have close natural and economic linkage to the productive process of the participating enterprises, but the structure of which can be influenced by member enterprises only through democratic organs of the association.

Cooperative Associations Engaged in Multiple Operations

Cooperative associations engaged in multiple operations usually operate in the territorial framework of cooperative districts and represent the most advanced form of cooperation among establishments without creation of a new organization in the CSSR.

On the basis of delineated contractual relations, they implement /certain phases of the productive process of member organizations,/ usually developing /in addition to joint activities in the sphere of agricultural production also joint services of a production-oriented or other nature/ for member organizations or, as the case may be, even nonmember organizations.

Cooperative associations engaged in multiple operations developed in the Czech Socialist Republic gradually from specialized cooperative associations with a wider scope of activity in cattle breeding. In the Slovak Socialist Republic this form of cooperation among establishments is being experimentally verified in three districts (cooperative districts) and is initially oriented toward a specific sector of production or services which appear to be the most needed, with the proviso that additional joint activities will be developed gradually.

An example of a cooperative association engaged in multiple operations active in the territorial framework of a cooperative district can be the cooperative association bearing the designation Cooperation of Animal Production JZD Blatna in the Strakonice District.

This cooperative association, formed by nine JZD with a total agricultural acreage of 16,773 hectares (12,452 hectares of cultivated acreage), after its foundation focused on joint breeding of calves, hot-air drying of green fodder and its baling. It kept meeting with excellent results and gradually expanded its operations to the extent that it currently provides for member organizations operation of calf-breeding facilities (with a capacity of 1,360 calves), two drying plants (BS-6 and BS-12), two fodder-baling plants, transportation (of green fodder, calves, manure distribution and other transportation tasks for member and nonmember JZD), operation of heavy equipment, repair, maintenance and building construction as well as operation of a computer center.

The cooperative association is completing a self-help project in the form of a facility for raising young cattle with a capacity for 3,500 heifers and in the course of the Seventh Five-Year Plan it plans expanding the capacity of its calf-breeding facility to 3,100 calves and construction of a large-capacity cow barn with straw bedding and a capacity for 2,000 dairy cows. In the Eighth Five-Year Plan it will convert freed installations into a fattening lot for steers with an overall capacity for 3,000 animals.

The cooperative association provides member organizations with counseling in the area of feeding techniques and mixing of feed rations, in relation to the needs of jointly operated branches of animal production it channels concentration and specialization of plant production in member JZD in general and that of bulk fodder in particular.

The cooperative association in Blatna is meeting with very good results and in 3 years of its operation (1977-1979) it secured for member cooperatives an overall economic result on the order of Kcs 7.25 millions.

Cooperative Associations Running Complex Operations

Cooperative associations running complex operations provide on the basis of precisely formulated and specifically delineated contractual relations for the /key aspects of the productive process of member organizations in both plant and animal production as well as in services./

Cooperative associations running complex operations usually develop from specialized cooperative associations with a wider scope of activity in plant and animal production. Inasfar as these associations developed from sepcialized cooperative associations with a wider scope of activity in plant production, they are usually active in a territorial framework of one to two of the former groups of cooperatives. Inasfar as the basis of cooperative associations running complex operations were specialized cooperative associations with a wider scope of activity in animal production, they are active in the territorial extent of a cooperative district.

Cooperative associations of this type engage, as a rule, primarily in the following operations:

They control all joint activities delineated by the agreement of cooperation. The control function is carried out by the cooperative council of the association, which primarily makes decisions regarding the economic relations within the association, the manner of combining financial and material resources and their utilization, cooperative price policy, allocation of economic results, etc., selection of managerial and production personnel of the association and also the contractual relations toward partners of the association in the sphere of production, services and trade.

They coordinate the procedures of member organizations during changes in orientation of production; concentration of production into specialized production units and the resultant mutual deliveries of products and services; coordination of medium-term and annual production and fiscal plans of member establishments, in both plant and animal production, technical services, nonagricultural activities, investment construction, rebuilding and adaptations, technical development, in the sphere of manpower, etc.

According to the needs of advancing distribution of labor, they organize various forms of interenterprise cooperation among the member organizations of the association, transfer of scientific findings to member organizations, promotion of improvements in qualification and training of personnel for large-scale facilities and installations of the associations, etc.

Cooperative associations of this type represent, in comparison to the other forms of association mentioned earlier, a qualitatively higher, more advanced form of coordination, organization and management of the productive process of member organizations with gradual implementation of the concept of concentration and specialization of agricultural production.

The category of cooperative associations running complex operations active in the territorial framework of the former groups of cooperatives includes, e.g., the /cooperative association located in Zalsi,/ Usti nad Orlici District. This association developed from an association for joint planning and operation of plant production and is currently engaging in the following joint operations: key plant production, fodder cultivation and processing, breeding poultry for slaughter, forrestry production, associated production, mechanization and maintenance repairs, construction activities.

In addition, the association provides for its member JZD cadre and personnel management, work safety, fire protection, civil defense, energy and water management.

The cooperative association in Zalsi has three member JZD with a total agricultural acreage of 9,284 hectares (7,415 hectares under cultivation) and provides also coordination in remuneration, planning and control activities, coordinating and organizing also social and educational activities in member JZD.

The cooperative association in Zalsi is currently building jointly with the cooperative association in Vysoke Myto a large-capacity, multistory calf-breeding

facility so that it will provide another joint activity in the area of animal production--breeding of calves for the associations' member organizations.

From what has been said it follows that the experiences by member organizations in several years of joint planning and operation of plant production failed to confirm the initial concept--by developing cooperative relations gradually separate plant and animal production in member organizations and form individual specialized establishments for plant and animal production. On the contrary, development of new joint activities, particularly joint fodder cultivation and processing and some joint projects in animal production, bring about--on the basis of a cooperative association running complex operations--not only economic, but also technological and organization "interface," integration of plant and animal production of member organizations.

Specific problems relevant to development of cooperation among establishments without creation of a new organization will be dealt with in the next issue of this periodical. Subsequent issues will deal with the problems of joint agricultural enterprises.

8204
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RESULTS OF INNOVATION, IMPROVEMENT EFFORTS SUMMARIZED

Prague SVET HOSPODARSTVI in Czech 8 May 81 pp 1, 2

[Article by Eng Vera Kardasova, Czechoslovak Bureau of Statistics: "Initiative of Inventors and Innovators"]

[Text] Our economic policy at the present time is particularly stressing the development and implementation of factors that intensify our economy. Scientific technological development, a part of which is the innovation and improvement effort, provides the main springboard for a more efficient economy and higher labor productivity and reflects the interest of our working people in continuously upgrading the technical standard of production and goods as well as the growth of technical skills of innovators, their creativity and active cooperation of the workers with technicians in practical application of science and technology.

During the Sixth Five-Year Plan, almost 28,500 claims of inventions were filed by Czechoslovak authors in the CSR, i.e., 80 percent of the statewide total of filed applications. In 1980, during the first year of utilization of the inventions, their public benefit amounted to Kcs 385 million, and over the Sixth Five-Year Plan to Kcs 1,834 million, which is 59 percent more than in the 1971-1975 period. The overall public benefit from inventions applied in our national economy reached Kcs 5.25 million in the 1976-1980 period.

Among the inventions with the greatest public benefit in the Sixth Five-Year Plan are, for example, the invention connecting an electronic reactive power regulator in the Electrothermal Equipment Works, national enterprise, with total public benefit of Kcs 41 million in the form of electric power conserved; an invention for the production of hydrocarbon fraction of high purity, enriched by standard paraffin hydrocarbon in the Chemical Works of Czechoslovak-Soviet Friendship syndicate in Zaluzi, whose total public benefit in savings of raw materials amounted to more than Kcs 15 million, and the invention of an equipment controling plasticity of porous concrete in the Research Institute for Construction Materials in Brno with public benefit of almost Kcs 15 million; utilization of that equipment enhanced labor productivity and improved quality. Application of two inventions (sole and heel material and polyester urethane system in shoe manufacture) saved materials and resulted in high profits for the Svit national enterprise in Gottwaldov at a total over Kcs 9 million.

Nearly 1.1 million suggestions of improvements were submitted in 1976-1980 in enterprises and organizations on the territory of the CSR, which is 30 percent

above the preceding five-year plan and 77 percent of the total of applications statewide. Most suggestions were submitted in 1980, namely, 233,265, which is 17 percent more than in 1975. The number of improvement suggestions submitted in 1980 was at the level of 46 improvement proposals per 1,000 workers, on the average 6 more than in 1975.

The share of innovations approved (accepted) in 1976-1980, which has not changed distinctly, was in the range of 56-58 percent of the total number of submitted innovations; total amounts of approved innovations increased in accordance with the increase in submitted proposals. The share of the newly utilized innovations remained basically constant; in individual years of the five-year plan it amounted to 49-51 percent of the total of submitted innovations and to 87-98 percent of adopted innovations, with an ascending tendency in the last 3 years of the five-year plan.

Public benefit in the first year of utilization of innovations reached almost Kcs 13 million in the Sixth Five-Year Plan, i.e., 64 percent more than in the preceding five-year plan, with a peak--Kcs 3 million--in 1980.

Next to the growing number of implemented innovations the increasing significance of the implemented innovations enhanced the growth of public benefit in the first year of their utilization, which in 1980 amounted to Kcs 25,861 (19 percent more than in 1975).

In addition, overall public benefit derived from implemented innovations was systematically rising; this fact further proves the success of the innovation effort and its correct focus on our vital economic areas.

Among the most successful innovations which generated most significant public benefits we may mention the suggestion for improvement of the waste water purification system in the plant of the Texlen national enterprise in Rudnik, with public benefit of Kcs 14.2 million, mainly in savings of investments; suggestions for improvement of new technology in the production of wine marc distillate which saved the Slovacko Canning Plants in Uherske Hradiste Kcs 13.3 million in raw materials and materials; the suggestion for improvement by employees of the Impro engineering supply organization in Prague, which replaced electric shaft furnaces imported from the capitalist states with equipment manufactured in Czechoslovakia, thus saving Kcs 3.7 million in foreign exchange; furthermore, the production of liquid paraffin introduced in the Chemopetrol communal enterprise, which saved Kcs 7.3 million because of more economical utilization of raw materials and in higher profits; and replacement for fatty alcohols in the Rakona national enterprise in Rakovnik with Kcs 5.5 million in savings of raw materials.

An important factor in the development of the invention and innovation effort concerns expeditious practical implementation of new solutions. Currently the situation is not very favorable; about 50 percent of the proposals are implemented and the process from concept to implementation is relatively long. We must act on the premise that inventions and innovations become effective factors in the technological process only when they are implemented. Therefore, the decisive moment in the next stage must be an active approach to the implementation of inventions and innovations.

9004
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GENERAL ENGINEERING INDUSTRY IN FIRST QUARTER 1981 VIEWED

Prague HOSPODARSKE NOVINY in Czech 12 Jun 81 p 2

[Article by Jiri Poslt, deputy manager of the department of the CPCZ Central Committee: "General Engineering"]

[Text] The first quarter of the current year was marked by a low share of the production of goods fulfilled in January, which was due to insufficient specifications at the beginning of the year and to lagging deliveries, primarily those of basic metallurgical materials. This was reflected in the fact that certain enterprises, particularly the economic production units of the Czechoslovak Automobile Plants in Prague, the Engineering Technology Plants in Prague, and the Prago-Union in Prague, failed to fulfill their plan. On the basis of such results in January the management of the ministry took immediate measures to improve the supplier-consumer relations and to obtain the necessary supplies. By February those measures began to take effect when the plan for production was exceeded by Kcs 64 million, and especially in March when further improvements were achieved. The quarterly plan for the production of goods was thus surpassed by Kcs 118 million and 24 percent of the quota for the whole year was achieved.

At the end of the quarter the number of enterprises that had failed to meet their plan dropped from 26 to 13 organizations, and the overall shortfall in the production amounted to Kcs 171 million, a major part of which was caused by the enterprises of Tatra in Koprivnice with Kcs 81 million, Praga in Vysocany with Kcs 14 million, the Automobile Works national enterprise, in Mlada Boleslav with Kcs 18 million, and the Orlican in Chocen with Kcs 15 million. The nonfulfillment was caused mainly by shortcomings in technical materials from domestic sources as well as from import, and by an insufficient production and supply of semifinished metallurgical products.

In order to achieve a better balance in the fulfillment of the tasks for individual quarters and months not only in volume indicators but also in deliveries of useful production, the time which was prepared for individual months for individual economic production units has become the basic criterion for the specification of the planned tasks and for their assessment. The directions of the Set of Measures expanded the control of the fulfillment of the plan by adjusted value added, drawing of wages payable, review of the remaining assets of the special compensation fund, and basic efficiency indicators--profitability of operating assets. At the same time the fulfillment of plans for innovation of consumer goods is controlled more intensively.

Deliveries for export to the socialist countries which have been fulfilled most successfully achieved in the first quarter a share of 25.3 percent of the annual task in prices quoted as "all charges paid." Deliveries for export to the non-socialist states were fulfilled substantially better than in the past years, with the share of their fulfillment at 21.8 percent (in prices quoted as "all charges paid"). However, the share of the deliveries for the domestic market, whose plan has been exceeded by Kcs 240 million in retail prices, amounts to only 16.3 percent due to the continuously stagnating sales of automobiles in our domestic market.

The deliveries for capital investment remain on approximately the same level as is the preceding years.

The consequences of the fulfillment of decisive indicators for the whole ministry as well as according to individual economic production units, including the wage development in relation to adjusted value added and the development of profitability of operating assets, are the subject of regular monthly reviews at conferences of general directors where the causes of deviations from the plan are studied and measures for prompt solutions of the disclosed shortcomings outlined.

It may be said in general that in the first quarter the Ministry of General Engineering fulfilled all decisive indicators, although in some instances at lower shares of the annual plan, for example, in deliveries to consumer goods inventories, and at lower profits.

On the basis of the submitted projection it is presumed that the main indicators will also be uniformly fulfilled in individual months of the second quarter in accordance with the timetable. The volume of the production of goods will meet 50 percent of the annual task. The share of the projected fulfillment continues to be low in the economic production units of the Zbrojovka in Brno (49.2 percent), the Heavy Engineering Works in Martin (48.8 percent), and the Czechoslovak Automobile Plants in Prague (45.6 percent), where the fulfilled shares are the lowest because of chronic shortcomings in the material-technical supplies and cooperative deliveries, and in Engineering Technology Plants in Prague as a result of a fire in the Farm Machinery Plants in Trencin. Other economic production units are fulfilling their shares at above 50 percent.

In sales categories the outlook for deliveries to the domestic market is unfavorable in the economic production unit of the Czechoslovak Automobile Plants. Deliveries for export to the socialist states, whose shares of annual tasks will be fulfilled at 50.6 percent, continue to be the best fulfilled category of sales.

Deliveries for export to the nonsocialist states are being fulfilled better than during the same period of 1980. It is envisaged that annual shares in prices quoted as "all charges paid" will be fulfilled at 46.2 percent and in wholesale prices at 47.9 percent. The projected fulfillment is further affected by the still low coverage of orders and by cancellations in foreign trade, particularly as concerns cultivators (where only 41.6 percent of shares will be fulfilled) and textile equipment manufactured by the Elitex economic production unit in Liberec (where only 29.6 percent of the annual task will be fulfilled).

Measures will be implemented in the second quarter to improve the balance of wages payable drawn and the adjusted value added. Moreover, the fulfillment of the shares in profitmaking will be increased to achieve almost 47 percent of the annual task.

The technological standard of goods--as regards products rated according to their quality--has--distinctly improved compared to the same period of last year. The absolute volume of first-quality products which is up by 15.6 percent represents already Kcs 2 billion, while the production of goods of third quality has dropped to 35.6 of last year's level. Waste was cut from 1.1 to 0.98 percent.

The volume of new products amounted to Kcs 4.3 billion, i.e., 18 percent of the total production of goods; at the time the goods of high technological standard make up approximately one third of new products.

Deliveries for export to the nonsocialist countries may show a relatively low share of the annual plan, however, as compared with the same period of 1980 the per share fulfillment is higher. Conspicuously low shares were noted in the first quarter of 1981 in the economic production units of the Czechoslovak Automobile Works in Prague (17.8 percent), Engineering Technology Plants in Prague (19 percent) and Elitex in Liberec (14.2 percent) in prices quoted as "all charges paid." With simultaneously exceeded timetables in those organizations, the economic production units lack sufficient orders for deliveries from the enterprises of foreign trade.

In capital investment proper it has been noted that low limits for works and deliveries (15.2 percent) are being drawn, particularly the limit in construction projects which were supposed to have priority (17 percent) over general works and deliveries. This is obvious mainly in the economic production units of the Zbrojovka in Brno, Ball Bearing Works in Povazska Bystrica, Engineering Technology Works in Prague, Aero in Prague, and General Engineering Works in Brno.

In terms of financial indicators, savings of material and other costs are being fulfilled best of all, as evident from comparison with the timetable as well as with the annual plan. On the other hand, total costs have frequently been exceeded, mainly because of higher credit rates for inventories stockpiled above the plan.

It is therefore necessary to keep focusing the management and the development of labor initiative on the quality of the production and disclosing unused assets. Every relaxation, every inconsistency and lenience toward shortcomings mean nonfulfillment of the stipulated tasks. There is every right to expect that all managers will demonstrate expertise and political maturity and be able to deal with problems and resolve them promptly, especially those that caused us serious difficulties in the past.

9004
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METAL-FORMING DESIGN ENGINEERS BLAMED FOR PRODUCT INEFFICIENCY

Prague RUDE PRAVO in Czech 13 Jul 81 p 5

[Article by Dr Zdenek Mysicka: "What Hinders Progress in Metal-forming Manufacture--Necessary Conditions for Quicker Application of Progressive Technology"]

> [Text] The economic effect of production is in the hands of the design engineer; he creates both the level, parameters and use value of production and the provisions for production processes. Thus, deficient utilization of metal-forming technology starts on the drawing boards of designers who have not learned how to design pressed products. The truck cab may serve as an example of all of our products. It consists of about 350 principal pressed parts, while similar foreign models have about 80. Our own product is thus necessarily four times as labor intensive and naturally more expensive.

The curriculum of our technical and advanced technical schools that teach the specialty of metal forming does not include the subject of design technology which would cover the design of sheet-metal products and substitution of pressed for massive parts. Nor does our research deal with the combination of theory and practical application. The same may be said about the design of parts made of powdered metals and plastics which, together with sheet metal, provide the basis for most economical line production. Unless parts suitable for forming are created on the drawing boards of the designers, major development of this technology can hardly be expected. Corresponding utilization of modern forming machines and mechanized tools is also unfeasible.

Material and Technology

Further progress in metal-forming manufacture and in mechanization and automation of metal-forming processes, depends on an adequate range of quality input materials. At present, we lack a broad range of qualities and dimensions of cold-rolled strips; materials for exacting drawing and reducing processes, and more suitable materials for bulk metal forming. An automated or semiautomated production process cannot use nonquality sheet metal that causes stoppages and damages the tools and the forming machines and the mechanization and automation equipment itself.

Many metal-forming processes have been developed that make it possible to produce efficiently different varieties, shapes and dimensions of products, work different materials and thus replace the traditional machining, casting and forging. Hydromechanical drawing, precision shearing, profiling, combined shearing, bending, welding, heating and stamping on automatic metal-forming machines; expanding, extruding, rolling and other metal-forming technologies make it possible to produce parts with high savings of labor, production space and energy and with minimum waste of material and suitable strength properties. Only a few of the listed processes, however, are used in our country.

Small Capacities of Tool-Fabrication Shops

The small capacity of our tool-fabrication shops, equipped mostly with obsolete machinery, is another important drawback. Concentration of technological and production capacities would allow us to achieve efficiency in this area where there are common problems of heat treatment of material, of modern equipment for tool production and above all, of good design concepts. Standardization of tool parts and universal tools also have great potential.

Lack of coordination between research, development and production has adversely affected the production of forming machines. Many resources of research and development facilities are being squandered; in the framework of national and departmental tasks, funds have been expended for construction of prototypes of forming machines which either will not reach the production line or will do so only after their design has become obsolete.

Shall We Have Cooperative Metal-Press Facilities

Beside deficiencies for which the producers of the metal-forming machines and the suppliers of the input material bear responsibility, there are deficiencies attributable to the users. For more than 20 years we have talked about so-called cooperative press facilities or shops associated with VHJs [economic production units[, which would have at their disposal all the means for successful production; in particular, the concentrated capacity for design and production of tools and the possibility of centralizing the small-scale production of individual concerns. Only such facilities can rationally utilize advanced machinery, new technologies, mechanization and automation equipment, and well-conceived tool designs, purchase the needed quantitites of material, and humanize the work on the presses.

The whole complex of problems ends with the man operating the press. Our press shops show a high fluctuation among the workers and even a greater shortage of personnel than lacquer-application shops and foundries. Brigade workers are used, mostly from the ranks of the technicians who then hardly have time to process the technological data at the level of current production, let alone think about how to improve the situation. The low wage scale is not the sole reason for the unattractiveness of the work in the press shops; rather, the unsatisfactory working conditions, particularly the noise level that exceeds the permissible level set by safety standards, and the heavy, dangerous and monotonous work that requires constant attention. All this brings about a lowering of the qualification level of the press operators, while the useful life of expensive equipment depends on their work.

We must, therefore, view mechanization and automation of metal-forming processes not only as a means for increasing productivity but foremost as providing a humanized place of work and insuring appropriate conditions for metal-forming work. The worker in the press shop should have only a control function, insuring the feeding, adjustment and maintenance of the machinery.

9562
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COPING WITH DECENTRALIZED ECONOMY DIFFICULT

Budapest MAGYAR HIRLAP in Hungarian 20 Jun 81 p 7

[Article by Eva Bota: "Experiences of the Economic Committee; Transformation is Protracted; Excessive Demand, Unfavorable Critical Situation; the Ethics of Market Behavior Must be Worked Out"]

> [Text] The Council of Ministers recently approved the report of the Economic Committee on measures taken for the purpose of fulfilling contract obligations among enterprises and on experience in the observance of delivery regulations.

The modifications in the regulations of last year did not essentially affect the market contacts of the economic organizations nor contractual discipline. The economic conditions, on the basis of which the legal contract relations are established, will continue to exist, or will change only slightly. Among these conditions can be numbered that the market is dominated by demand, that is, an excess demand exists at decisive points in the economy; the frequently unfavorable deployment of stock, financing difficulties and the barely progressing transformation in the organizational system of the economy.

Distorting Monopolies

More subdued production in accord with the aspirations of the economic policy and domestic consumption have lessened the superiority of the supplier and investment contractors in some areas; and their willingness to enter into contracts and to make reasonable compromises have also grown. The bulk of the commodity trade has been conducted through delivery contracts.

According to available data an increase in orders can be anticipated in 1981. An exception is the construction industry, where orders are following an unchanging tendency to drop. We hope that this phenomenon will not again lead to hardening the attitude of suppliers. As a result of restricted production, the situation in the investment market has especially improved. However, along with reduced tension, there is currently a very strong disparity between contracting parties. It is common today for contractors not to conclude contracts, or to make them with very long terms, and to make their execution dependent on the work of their subcontractors, while they still systematically transgress the accepted deadlines.

Even with the general improvement in the readiness to conclude contracts, the proportion of change in contracts, of modifications in shipping terms and of compulsory substitutions will continue to be relatively high. This can be attributed to faulty market information and to supply difficulties. Stock is found mainly in the hands of the users, a fact strongly motivated today by the search for security. In contrast with the relatively high level of stock, it often happens that the enterprises are forced into substitution or reorganize production because of the lack of necessary materials. In the current situation trade in the means of production is not capable of compensating for fluctuations in market demand, and the size and composition of inventories and financing worries are also retarding factors.

One of the essential areas in the modification of regulators has been the price mechanism. Worthy of attention is the fact that after the initial uncertainty the majority of the enterprises were able to adjust adequately in their marked contracts to the new requirements, and the previous reservation in making contracts is disappearing. The price regulation, especially in the area of competitive prices, has increased the acceptance of risk on the part of the manufacturing industry, and the time limit of enterprise prognostication has generally been shortened as a result of rapid changes. The enterprises are trying to reduce risk with undesirable means; sometimes they do not confirm orders and do not establish firm prices. The monopolistic position of some enterprises, exaggerated enterprise centralization, produces distortion. (This can lead to a number of other problems, depending upon whether the enterprise is a buyer or a supplier.) The large enterprises are also in a more favorable situation in the buyer position, and the small plants and cooperatives can generally conclude contracts for the supply of materials only after the "large buyers." Transformation of the enterprise organizational system is on the agenda, but its effect on contractual discipline can scarcely be perceived yet. Still, it can be anticipated that the potential buyer enabled to choose from among several suppliers will have a better position than before. (Organizational transformations will proceed with some shocks. Sometimes the distribution of orders among legal successor enterprises is uncertain, and perhaps under transformation the enterprises may find it more difficult to undertake sales obligations.)

The numerous economic associations which have appeared recently affect the enterprise organizational system. One essential point seems to be that enterprises have to get completely involved in the associations they set up. Unfortunately, there is no possibility at the present time of any large enterprise to separate its assets for a definite goal and of establishing a subsidiary enterprise of independent organization on the pattern of joint enterprises. But such practice would be particularly justified if the enterprise first assigns definite activity--foreign cooperation--to a single unit or factory.

Still No Regularity

The report of the Economic Committee also stated that legal regulation of contracts provides a suitable framework for commodity trade of the economic units, but that the law is not able to exercise organizational power which could balance or eliminate economic difficulties which determine contractual relations.

Among the problems awaiting solution is the fact that Section 4 of the Civil Code prohibits dishonest economic conduct, and thus violations through economic superiority, only in a general way. This issue becomes important when the lack of market equilibrium or a monopolistic condition brings about a change in power

between the contracting party has the stronger position. The general prohibition is aimed at ending these abuses. The resolution referring to dishonest behavior to a special statutory provision. But in practice there is no comprehensive regulation which would determine cases of dishonest conduct and the pertinent sanctions. At present in this respect the regulations only discuss some special questions, cases of economic penalty and the method of imposing it. All of this requires new legal provisions, and a 1980 resolution of the Council of Ministers prescribes their establishment. But until the statutory regulations are produced, it may be expedient to develop general behavioral regulations saving as recommendations, which will set up ethical norms for enterprises.

Resistance by Suppliers

The experience of Price Office resolutions in connection with regular commodity trade was examined. As is well-known, the purpose of the regulations was to reduce user inventories, to make production steadier and more organized, and to improve supplies of material. Naturally these goals could not be achieved by resolutions alone. It even became clear that results which could be reasonably anticipated did not appear. According to repeated appraisals the regulations did not exert the necessary influence, primarily because of the resistance of suppliers. Last year in the wake of these examinations the National Material and Price Office introduced economic penalties against several enterprises, and consequently the enterprises are now more willing to follow the legal statutes, although not as much as desired.

On the suggestion of the Economic Committee, the government delegated the Chamber of Commerce to develop basic principles of market behavior to repress dishonest market conduct and abuse of superiority, and to work out the general ethical norms of honest business behavior. At the same time the Chamber is to establish a forum to channel enterprise activity in the correct direction and to reconcile differences between enterprises. In its legal regulation of dishonest management the Ministry of Justice is also to use the recommendations and practical experience of the Chamber.

The Council of Ministers commissioned the authorized pricing authorities to repeatedly examine the exercise of the Price Office resolution published in 1977 on price adjustment connected with regular commodity trade. They will also review the areas in which the resolution cannot should not be applied for technical, technological or economic reasons, and will publish their results.

6806
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DEFENSE MINISTER ORDERS ESTABLISHMENT OF SPECIALIZED SCHOOL

Budapest MAGYAR KOZLONY in Hungarian No 39, 7 Jul 81 pp 605-606

[Decree by the minister of defense]

[Text] Decree No 2/1981 (VII 7) HM [Minister of Defense] by the minister of defense concerning establishment of a specialized aircraft mechanic and aircraft instrumentation secondary school for junior officers.

Based on authorization received from the Council of Ministers, I order the following, in agreement with the minister of education, minister of transportation and postal affairs, and the chairman of the Council Office of the Council of Ministers:

Paragraph 1. A Specialized Aircraft Mechanic and Aircraft Instrumentation Secondary School for Junior Officers (hereinafter: specialized secondary school) will be established in Szolnok. The purpose of the specialized secondary school is to train junior career officers who will earn their secondary school diploma and skilled worker certification as aircraft mechanic or aircraft instrument technician.

Paragraph 2.

(1) The specialized secondary school will be maintained and directed by the minister of defense.

(2) The minister of defense exercises top level control of the junior officer training in the specialized secondary school, and the minister of education exercises control over the professional training and general education, as well as over the [various] areas of general upbringing.

(3) The minister of defense exercises supervision over general learning at the specialized secondary school, while the immediate professional supervision of technical training and general education as well as of general upbringing is exercised by the Szolnok megye council executive committee's technical management organ in charge of educational tasks.

Paragraph 3.

The school's commanding officer (director) and its teachers are appointed by the minister of defense.

Paragraph 4.

(1) Applications to the specialized secondary school will be accepted each year between 1 February and 31 March on the basis of competition announced by the Ministry of Defense--observing the general regulations concerning the mandatory educational requirements.

(2) Conditions for application are:

a) Hungarian citizenship;

b) the 14th birthday reached, but the 16th birthday not reached by 1 September of the year of enrollment;

c) the elementary school's recommendation in the cases of those who will complete the eighth grade of elementary education in the year of enrollment; for those who have completed their elementary school education, in addition to this [recommendation] also a report card proving successful completion of the eighth grade;

d) professional and military suitability;

e) agreement to enter career military service;

f) written authorization by the legal guardian.

(3) The Ministry of Defense makes the decision about accepting the applicants.

Paragraph 5.

(1) When enrolling in the specialized secondary school, the applicant with his legal representative [guardian] concurring, enters into an educational contract with the Ministry of Defense. In accordance with this--in addition to the items specified in Section (2)--the specialized secondary school provides him with free dormitory living, full care (food and health), uniform, books and study supplies, and will cover all fees and costs of tests (except fees to upgrade courses failed, and for repeat tests for highschool diploma). The person participating in specialized secondary school training (hereinafter: training participant) agrees in the contract that after completion of 4 years of study he will serve as career junior officer in the Hungarian People's Armed Forces.

(2) The training participant is a pupil of the school in the first 3 years of training and is entitled to the rights and is subject to the responsibilities corresponding to his relationship as trainee at the specialized secondary school. At the end of the third year he is placed in the classification of career junior officer candidate and after that his rights and responsibilities are determined by the regulations concerning the training of career junior officers.

Paragraph 6.

(1) The time of training in the specialized secondary school is 4 years, during which time the teaching material of career junior officer training and of

specialized secondary school education must be taught in accordance with the subject breakdown defined in the teaching schedule.

(2) In the area of technical training the educational and training plans specified for specialized secondary schools govern and the general educational and technical training textbooks are applicable, supplemented by the material applicable to the training of career junior officers.

(3) During the entire time of training, the practical technical training of the training participant will take place in the teaching shops of the specialized secondary school, and at the facilities of the Hungarian People's Armed Forces designated for this purpose.

(4) During the fourth year the training participant takes a motor vehicle driver's course, as a result of which he may obtain a motor vehicle driver's license.

(5) At the end of the fourth academic year the training participant takes a combined test for career junior officers and specialized secondary school [highschool graduation] diploma. The time of oral examinations for highschool graduation may differ from such examinations of other specialized secondary schools.

(6) The co-chairman of the highschool graduation examination committee is appointed by the minister of defense--in agreement with the minister of transportation and postal affairs.

Paragraph 7.

The training participant receives a career junior officer certificate about the examinations specified in Paragraph 6 Section (5) as well as a specialized secondary school graduation diploma, and is entered in the career ranks of the Hungarian People's Armed Forces.

Paragraph 8.

(1) In questions of training in the specialized secondary school not regulated by the within order, the regulations of statutes concerning education in specialized secondary schools govern as applicable.

(2) The regulations for specialized secondary schools are to be applied as supplemented and modified by the minister of defense--in agreement with the minister of education.

Paragraph 9.

This order becomes effective on the day it is published.

[signed] Lajos Czinege, minister of defense

8584
CSO: 2500/321

PRICE COMMISSION CHAIRMAN OUTLINES PRICE INCREASES

Warsaw TRYBUNA LUDU in Polish 28 Jul 81 p 5

[Interview with Prof Zdzislaw Krasinski, chairman of the State Price Commission by PAP reporter Henryk Borucinski, date and place not given]

> [Text] For some time, various kinds of studies on the subject of price increases have been appearing in Poland. They arouse much anxiety without giving any appropriate commentaries, particularly about the level of compensations. In most cases this concern is justified, for we are observing an actual decline in living standards and, unfortunately, this process will continue. It is an unavoidable result of past mistakes and failures in economic policy. In order to free the country from this slump, an economic reform is indispensable--and an integral part of it ought to be a price reform, which means definite price increases and a change in their proportions. A PAP reporter talked about these problems with Prof Zdzislaw Krasinski, chairman of the State Price Commission.

[Question] Mr Minister, you advocate a rapid increase in prices, how do you justify it?

[Answer] Until recently I was a partisan of a rapid, single and sweeping food-price increase. At present, after several meetings with various social groups, after reading many letters and taking into account numerous public opinion investigations, I arrived at the conclusion that the price increases have to be made rapidly, but in a few stages, assuring--of course--an appropriate compensation....

[Question] But is a food-price increase necessary and justifiable at all?

[Answer] The prices of almost all foods are lower than the costs of their production. For example, in purchasing centers the government pays the farmer from 950 to 1,050 zlotys for 100 kilograms of grain, on the other hand, 1 kilogram of bread costs approximately 7 zlotys. Milk in retail trade costs four times less than prices paid to the farmer.

[Question] But there is a social problem. Few people in Poland overeat....

[Answer] Indeed, what you say is an unpleasant truth, but this is precisely one of the results of the false price policy in the past. Prices cannot be separated from the cost of production.

[Question] However, Mr Minister, the improvement in price relations and basing them on the cost of production doesn't have to be linked to an increase in prices. For example, automobiles are sold at prices much higher than their value, which means that their pric s have to be reduced.

[Answer] With this question we broach the problem of market balance, which exists when the value of goods corresponds to the volume of money owned by the population. At this moment, we have a situation where out of 100 persons standing in a line with money in their pockets, approximately 70 have a chance to buy. But this situation is getting worse daily and toward the end of the year--if we are not able to control the increase of the money in the hands of the population by a price reform--then only one-half of the people in this hypothetical line will have a chance to purchase. The most tragic is the fact that among those standing in this symbolic line nobody knows the situation and does not know that his chance of purchasing anything declines every day.

[Question] But a price reform there will not put more goods on the market. The key to the solution of the problem lies in production, in more productive work....

[Answer] Theoretically, yes, but there is no chance for a production increase overnight. In addition, please take into consideration the fact, that one-third of the employees stay in lines during work hours to get some food and cigarettes. This is why I assume that an increase in prices will cause a claming effect on the market and a possibility of return to a normal rhythm of production, and from there it is not far to a quantitative recovery of the market.

[Question] All you are saying is in accord with current descriptions about the expected decline in the living standard. Does your plan take into consideration the interests of people with the lowest earnings?

[Answer] The decline of living standards is inevitable, but it will not affect everybody in the same way. It will not affect at all those with lowest earnings.

[Question] Who are those earning less?

[Answer] The limit will be earnings, pensions and annuities below 3,000 zlotys a month. Incomes per member of a family will be taken into consideration only after the adjustment of the family allowances.

[Question] Please, give a few examples.

[Answer] For example, a person earning 3,000 zlotys will receive an allowance of about 1,350 zlotys per month. If that person has a child to take care of, a family allowance of at least 1,300 to 1,400 zlotys will be provided. On the other hand, a person earning approximately 10,000 zlotys per month will receive an allowance of approximately 1,100 zlotys, half of that in cash and the remaining half in government bonds which will be redeemed by the government or will participate in drawings within 10 years.

[Question] Have there been any reliable studies made on the subject of the average cost of food per month for a single person after the prices have been increased?

[Answer] Certainly. We draw on many years of studies of consumption levels. From these studies it appears that the urban population spends in the average some 1,200 to 1,300 zlotys per month per person. This average is a result of a very large range, from 600 to 2,200 zlotys monthly. After the price increase, average expenditures for food will be from 1,500 to 4,000 zlotys per person.

[Question] Would you, please, indicate what we can expect....

[Answer] For example, the average price of bread will be approximately 22 zlotys per kilogram, 23 zlotys for a kilogram of flour, 30 zlotys for a cake of country butter, 10 zlotys per liter of milk, about 45 zlotys for about 10 decagrams of ham.

[Question] Are these prices already definite?

[Answer] Detailed calculations of prices are still being worked out. We have to tie them to the changes in supply prices, which will be introduced 1 January 1982. However, their effect on retail prices, despite all appearances, will not be important.

[Question] One also hears about changes in the prices of electric power, natural gas and coal. When will these prices go up and will they be taken into consideration in compensations?

[Answer] These increases will also occur. But these increases as well as increases in food prices will most probably be introduced in stages, after our consultations with the people and with the unions have been completed.

[Question] Now, a difficult and sensitive problem. In previous attempts for price increases a couple of "cabinets" in Poland have been upset.

[Answer] None of the previous proposals were taking into consideration reasonable compensations. None of them were discussed with the public. I realize that this proposal of price increases will be unpopular. There is among the public a justifiable distaste to bear burdens because somebody was at fault. I would like to state clearly that our economic situation, and particularly the market situation, did not result from corrupt practices of certain persons on the previous team, but first of all because of the lack of competence of people responsible for economic policy. In order to emerge from this crisis, we ourselves have to bear the costs of this operation.

[Question] Will the price reform be able to liquidate the so-called inflation "hangover"?

[Answer] This is one of the basic aims of this reform. At present, this hangover amounts to some 600 to 700 billions of zlotys and is growing every day by some 1.5 billion zlotys, and this finds its way to the population without any coverage in commodities. Depending on which variant of the increase will be approved by the society--one rapid or a few milder stages--this hangover will be liquidated in 1 or 1 1/2 years, or in several years. Provided, of course, that we stop all broad salary increases, except compensatory ones.

[Question] Work on price increases is still going on in your department. Why then is so much material on this subject already circulating among the people?

[Answer] Indeed. Particularly during the last 2 weeks I received many telephone calls which indicate that such material has appeared even in the form of ready lists of prices. To a large degree, part of this material is concurrent with propositions which we are preparing.

[Question] When, for whom and in what form?

[Answer] A detailed project will be published in a booklet form, which will be for sale at Ruch newsstands as early as August. Simultaneously, we will begin discussions with all professional unions.

[Question] And if society will not accept the price increase?

[Answer] Then we will be standing in gigantic lines in front of empty shops. Let the imagination tell the rest.

[Interviewer] Thank you for the talk.

9341
CSO: 2600/277

PROPOSED ECONOMIC REFORMS INCLUDE SYSTEMS, METHODS CHANGES

Warsaw TRYBUNA LUDU in Polish 10 Jul 81 p 4

[Article by Mieczyslaw Gajewski and Janusz Ostaszewski: "Changes in the System--Changes in Methods"; portions within slantlines printed in boldface]

[Text] /The traditional mechanisms for the operation of the economy and the organizational structures conforming to them have ceased being effective. As a result of recent discussions regarding the version "Foundations for Directing Economic Reform" the Commission for Reform has stipulated that the fundamental package of systematic changes be introduced between 1981 and 1982, thus 1 year earlier than had been proposed in January of this year./

Delay and even the incomplete initiation of reform would burden the society with significantly larger social costs, hiding within themselves the possibility of tragic consequences. However, the initiation of reform will be a process during whose course can arise problems which today are not foreseen. Thus vital is the awareness that the social costs of setting into order and achieving necessary changes in the economy's structure are inescapable. They are already here. On the other hand, the effects of reform will become manifest gradually as a measure of realization.

The Party and the Economy

Reform cannot be mistaken for economic policy. The realization of reform will be to aid it in bringing the country out of the crisis by enlarging the effectiveness of processes to run the economy.

The economy's fundamental subject is the company based upon the principles of independence, autonomy and independent financing. The principle of independence among companies does not deal only with their immediate spheres of activity, but rather it gives birth to far-reaching consequences in all areas of the economy's operation, forcing the achievement of essential changes in the organizational structure of the central government, in the methods of central planning of the national economy by the banking system and so forth./

The initiator of reform is the party. The initial work comes from its inspiration. That is understood. /Within the economic sphere, the party fulfills the strategic-conceptional, inspirational and supervisory functions./

The strategic-conceptional function is based upon the recognition of the most important social interests, the conceptualization of their elaboration in a form of long-range party programs and the belief by society in their strategic correctness. This function is realized by the party congress and plenary sessions of the Central Committee.

The inspirational function comes to fruition on all levels of decisionmaking thanks to the activity of the aggregate of party members, the spokespersons of its will.

The supervisory function is based upon the confrontation of strategic assumptions during the course of socioeconomic processes and upon the influence on those processes through the intervention of party members in the channels of authority and administration, as well as in the economy.

/As regards the foundations of reform, the party neither interferes in planning decisions or current, efficient administration nor enters institutionally into the reserved jurisdiction of governmental authorities, autonomous units or the directorates of companies. This enlightened activity by the party within the economy agrees with the statutes of representative organs/ (the Sejm, the national councils, autonomous personnel units, cooperatives and so forth) through the final decisions in various, detailed matters.

The Sejm and the Trade Unions

The party exercises its influence on detailed decisions by way of convincing representative bodies of its position through its members in those organizations, as well as by way of winning over public opinion, from which representative institutions emerge. In this connection, the interest of party organs and their administrative stages is reduced by concrete, technical and productive solutions. Therefore, attention is directed toward compliance with ideological, political and moral principles as regards the behavior of people in various situations.

It appears that the trade unions will have the right to express their opinion on projects as regards legitimate actions and to signal the social need of changing binding regulations that deal with the widely understood interests of workers and their families. The statute defines the position of the trade unions in companies and their role as partners of state organs. The specific characteristics of the statute will define the scope of obligatory governmental consultations with the trade unions.

There are always divergent interests among various social groups representing particular regions, professions, industries and so forth. The strongest groups can exert powerful pressure on the government (investment, pay) to the detriment of society as a whole. /It is possible, however, to avoid the danger if a reliable institution for both sides will solve disputes between interest groups and the government. The Sejm can and should fill such a role. The political system should ensure the necessary conditions for it.

/It appears that the Sejm will form the Permanent Committee of Economic Experts./ This committee will issue opinions on the needs of the parliament and its commissions on projects of the five-year plan and other documents, and also evaluate the situation with respect to the economy, both on a national scale and in selected areas. This gives the Sejm the possibilities of a more thorough evaluation of the socioeconomic situation and perspectives for its development, preparation of alternative solutions to key problems and also analyses of projects proposed by the government.

Socializing Planning

The jurisdiction of the Council of Ministers will be defined in a special statute.

/According to the plan, the central planning organ (at present the Planning Commission for the Council of Ministers) will become the staff organ of the government and will not be able to make operating decisions./ It will conduct both research and prognostic analyses, organize planning functions in the national economy, as well as prepare various economic planning projects and other economic projects awaiting governmental decisions.

/The economy will thus act on the principle of central planning, with reliance on the market mechanism./ Market categories (profit, price, degree of growth and so forth) will become actual tools in decisionmaking, as well as gauges for evaluating results of actions taken.

The surrender of the general, hierarchical subordination of local plans and company plans to the central plan has been instituted. The latter would not contain instructions, but rather it would define the principal objectives of development and the directions of economic activity. Local plans and company plans would be linked with the central plan through the aid of economic tools and informational ties.

/The fundamental characteristic of the new planning system is the socialization of the process of constructing plans and evaluating their execution./ For example:

--the five-year and annual plans of companies would affirm autonomy as the deciding factor, and elaborate the management of companies through obligatory consultations with the trade unions and derived opinions from such circles as PTE [Polish Economic Society], NOT [Chief Technical Organization] and TNOIK [Scientific Society of Organization and Administration];

--the locations of new, central investments are subject to conformation from the Sejm, the Council of Ministers and the Planning Commission (depending upon the size of the investment). The Planning Commission would work out matters through the Council of Ministers, through participation of departments and provincial offices, through obligatory consultations with experts, as well as through local and executive representative organs; and

--five-year and annual plans for socioeconomic development of the country would be confirmed by the Sejm, worked out by the Planning Commission through the Council of Ministers, through participation of departments, provincial offices, associations and companies; through obligatory consultations with the trade unions (issues regarding the state of existence) and through derived opinions from PAN [Polish Academy of Sciences], PTE, NOT, TUP [Society of Polish City Planners], scientific institutes, institutions of higher education and individual experts.

Intermediate Direction

The system of tools which will aid the state organ as regards the foundation of reform and guide the companies so that they function in accordance with the directions of socioeconomic policy and the demands of the social effectiveness of management will consist of intermediate economic instruments that will be neither directions nor limitations on organizational or intermediate instruments i.e., the flow of information on planning assumptions.

/Pricing policy will play a special role in guiding economic activity./ It appears that all types of prices will be purposely shaped according to the principle of so-called free equilibrium. They will, therefore, be established freely between the supplier and the customer with the full participation of prices tranacted in import and export. A certain range of directional regulation of the level of prices, be it the principle of their creation, will be compulsory wherever the protection of social interests is concerned. /The elimination of subsidies will ensue. They will be maintained only wherever--after Sejm approval--important social considerations, such as children's articles, are concerned./

The tools for realizing the principle of remuneration according to work performed and the principle of self-financing, as well as the achievement of socially desired proportions for dividing the national income into food and accumulation, would be the standards of that division and income taxes.

/Wages and individual incomes obtained from work will be shped in agreement with the directions of reform/ through minimum wages and an index of permissible leverage; scales of professional rates, based upon a uniform methodology for the entire economy, as well as upon a structural wage table, and upon progressive taxation as regards income per person in a family, as well as for compensation with respect to the increased costs of living according to the principle of tax indexing.

With regard to the formation of internal wage systems and the policy of remuneration, the introduction of broad powers for the management of companies and autonomous organs is anticipated.

/Taxation of production factors will be the fundamental form by which the state's budget can participate in the earnings of companies./ Also examined is the concept of the taxation system, which bases itself on the progressive income tax and the turnover tax.

The realization of reform, especially making companies independent and responsible for their own financing, elicits a number of social consequences.

/The consequences of reform are linked with shifts in the structure of employment and changes in the level and the relation of retail prices. The functions of companies are changing as regards the realization of right-to-work, fair wages and social security./

In accordance with the constitution of the Polish People's Republic, the state is vested with the responsibility of full employment of all persons who are willing and able to work. Reform as regards that constitutional principle changes nothing. That principle, however, does not denote the state's obligation to employ someone in a given place of residence or in a given establishment or profession. Finally, it does not denote that a person can be indifferent to the work he or she has obtained.

Right-to-work and Social Security

/Reform should change the methods of realizing right-to-work. The company will make independent decisions with respect to the level and the structure of employment./ The chief burden of responsibility for employment, training and relocation will rest with governmental organs. The creation of a Foundation for Employment and Professional Activation is anticipated, from which the following functions will be financed: expenses for training people; unemployment compensation for those temporarily out of work; as well as creation of inexpensive places to work and incentives to change professions.

/In relation to anticipated conflicts that can arise between the assurance of the right to a safe job and the immediate objectives of companies, reform will create a number of safeguards; i.e., strengthening of the state and union system of supervision and inspection./

The publically accepted principles of shaping the span between wages and the principle of equalizing taxes will be worked out. Oppportunities for pay increases in relation to work positions will be created. The principle of negotiation with the trade unions and the autonomous units, and the principles of publicness of wages and other services for each position, will be observed. Within the area of realizing the right to social security, the reform anticipates the following: permanent modernization of the minimum wage as the basis upon which to form the policy of wages and earnings and prioritization of the objectives of social policy, i.e., after approvals, reform of the retirement-pension system (adjustment to the minimum wage), compensation for the increased costs of living, reduction in the span of levels in the public fund and reform of the system as regards vacations and tourism, breaking departmental barriers.

Principles of Initiation

/Initiation of reform should be treated as a process and not as a continuous legal action. Its complexity demands, however, that fundamental solutions possibly be introduced at the same time, and at least in short intervals of time. The changes include the following:/

--the principles of operation of companies and other economic organizations (the statute regarding state-owned companies);

--the economic system of companies;

--the principles of operation of autonomous personnel units (the statute regarding autonomous units in state-owned companies);

--reduction in the dimensions of, as well as deep changes in, the structure, duties and functions of central- and intermediate-level organs;

--mechanisms of central planning; and

--changes in the structure, duties and operation of the banking system.

/Preparation of this package will take place in 1981, and be introduced in 1981-82./

After systematic changes are introduced between 1981 and 1982, a 2- or 3-year transitional period will probably be needed. During this period, subsequent changes deepening the reform and leading to the incoming system will follow.

/After a brief look through the entries contained in "Foundations for Directing Economic Reform" wordings of detailed documents worked up by particular groups in commissions and finally a series of legislative reports on statutes already enacted by the Sejm, it is not difficult to see the elements of a certain lack of trust in central economic administration by the reformers. This is understood if experiences to date are taken into consideration.

/On the other hand, this leads to the excessive details of principles, which are criticized for that reason by so-called radical reformers. Discussion at the Ninth PZPR Congress, from which a clearly formulated acceptance of the principles contained in the discussed document ensued, can and should do away with that hitherto existing mistrust. Only in that way can the initiation of reform gather its required speed./

9807
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AIR TRANSPORT PLAN FOR 1981 OUTLINED

Warsaw SKRZYDLATA in Polish 15 Mar 81 pp 3, 6

[Interview with Master of Engineering Wlodzimierz Wilanowski, director of the LOT Polish Airlines, by Wincenty W. Wionczek; date and place not given]

[Text] Editor: Since the mid-1970s, world air transport has been struggling with problems resulting from the oil crisis. In this regard, has anything changed in 1980?

Director: Unfortunately, no. It has even gotten worse. The share of fuel costs relative to total costs continues to increase (in 1980 LOT's fuel costs represented 31 percent of total costs compared to 28 percent in 1979). Aircraft-servicing charges at airports are also increasing. As a consequence, 104 airline companies from 84 countries that are members of the IATA [International Air Transport Association] incurred a total loss of $2.53 billion instead of expected profits. Many of these companies have even turned to their governments for financial help.

Editor: Are the reasons for worsening profitability due only to increased costs for aviation fuel and aircraft servicing?

Director: No doubt they are the basic reasons. But various manifestations of destabilization in world economics and politics are also of significance. Air transport is now notably international in nature; at least 90 percent of LOT's receipts are now obtained from international transport.

Editor: Then air transport is an instrument that is exceptionally sensitive and susceptible to fluctuations occurring in the international economic and political climate.

Director: One can cite many examples of this. Those within our own bailiwick are also enlightening. For example, let us actually consider 1980, a year in which the international climate was not the best, and it affected us. Our passenger traffic fell quite precipitously--over 130,000 fewer passengers than projected. We expected to carry over 2 million but we carried only 1,827,000. Why? It is simple: the number of tourists entering and leaving Poland decreased. Some contractors canceled their charter flights. Our estimates concerning increased tourist traffic resulting from the Moscow Olympics were not realized. Since last fall, the regular flight to Baghdad has been abandoned for all practical purposes because of the Iran-Iraq war.

Editor: Does this mean that LOT, like some Western airline companies, will have to balance its accounts by resorting to additional financial subsidies from the government?

Director: No, it is not that bad. We closed 1980 with a profit of over 1,997,000,000 zlotys (compared to 1,229,000,000 zlotys in 1979) of which 774 million zlotys was paid to the state treasury by way of a development fund tax (compared to 420 million zlotys in 1979). Thus, all in all, with regard to financial results, 1980 was a much better year than 1979 despite the fact that the government over the past several years has discontinued special subsidies to cover deficits on domestic lines and on some generally low-tariff lines to the socialist countries.

Editor: You must admit that for the average citizen it sounds a bit improbable that greater profits were obtained with less traffic. What kind of miracle brought this about?

Director: No miracles. An airline company's income and net profit does not depend only and exclusively on the number of passengers flown. From the commercial point of view, passengers are not all the same. For example, a businessman paying a full ticket price is more profitable than a tourist taking advantage of various discounts. A passenger flying from Warsaw to New York or from New York to Bangkok via Warsaw is more valuable than one flying from Rzeszow to Bydgoszcz. The use of space within an aircraft is also very significant, especially the tactic of selecting the place for fueling an aircraft in foreign countries (different prices at different airports), and so forth. With the expectation that the economic situation will not be the best (even though everything has not been foreseen), we already have taken all these elements into consideration in the overall calculations at the beginning of the year, especially the sensitivity of the specific circumstances of the entire travel-commercial service. As a consequence, relatively speaking, the smallest decreases in transports have been on medium- and long-distance lines. Full-tariff passengers have also come up to expectations. Also, IATA's recommendation to increase ticket fares automatically as fuel prices rise is also meaningful. Finally there is one other important reason: We developed and realized a special plan for 1980 to improve management efficiency and lower our costs. This was brought about by several dozen diversified projects to lower expenses for advertising and official entertainment inclusively.

Editor: Charter flights are one of the most profitable undertakings. Was 1980 a relatively good year for charters?

Director: I would not say so. Of course, we organized almost 40 charters to Chicago as a prelude to establishing eventually regular flights on this route and quite a few (15) charters to Japan. A charter air bridge to Kuwait and Damascus, which was organized quickly to evacuate almost 3,000 Polish citizens from Iraq, was also in operation for about 12 days. It was all quite effective. However, it should be remembered that many charters were also canceled, including charters by the Dutch firm Neckemman which arranged tourist flights on the Amsterdam to Krakow route.

Table. Technical and Economic Plan for 1981, Basic Operating Magnitudes

PLAN TECHNICZNO-EKONOMICZNY NA 1981 R.
PODSTAWOWE WIELKOŚCI EKSPLOATACYJNE

1 Lp.	2 Wyszczególnienie	3 Jedn. miary	4 1980 wykon.	5 1981 Plan TE	— %
1.	6 Całkowita praca przewozowa ogółem	16 mln. tkm	257,8	255,2	99,0
	w tym:				
	a) loty zagraniczne				
	– rozkładowe	"	232,8	230,3	99,0
	– wynajęte	"	182,2	183,3	100,6
	b) loty krajowe	"	50,6	49,0	96,8
		"	25,0	22,9	91,6
2.	12 Przewóz pasażerów ogółem	17 tys. p.	1827,6	1720,0	94,6
7		18 m. pkm.	2714,2	2000,0	73,6
8	w tym:				
	a) loty zagraniczne	18 m. pkm.	1036,7	900,0	
9		17 tys. p.	2011,9	2014,1	95,3
	– rozkładowe	18 m. pkm.	930,8	383,0	100,1
10		17 tys. p.	1934,2	1940,2	94,9
	– wynajęte	18 m. pkm.	105,9	105,0	100,7
11	b) loty krajowe	17 tys. p.	477,7	465,9	97,3
		18 m. pkm.	790,9	700,0	97,5
3.	13 Przewóz ładunków ogółem	19 ton	302,3	273,9	93,6
		20 t. tkm	17.235	16.940	98,6
7	w tym:	17 tys. p.	30.000	29.400	98,3
8	a) loty zagraniczne	19 ton	10.813	10.510	97,9
		20 t. tkm	27.764	27.100	97,2
9	– rozkładowe	19 ton	7.007	6.930	97,6
		20 t. tkm	17.746	17.700	98,9
10	– wynajęte	19 ton	3.806	3.580	94,7
		20 t. tkm	10.018	9.400	94,1
11	b) loty krajowe	19 ton	6.422	6.430	93,8
		20 t. tkm	2.316	2.360	100,1
4.	14 Wskaźnik wykorzystania ciężaru handlowego startu ogółem	%			
7		%			
8	w tym:	%			
9	w lotach zagranicznych	%	55,2	54,0	—0,4
10	– rozkładowych		54,4	53,8	—0,6
11	– wynajętych		55,6	53,1	—0,5
	w lotach krajowych		57,8	56,0	—1,0
5.	15 Wskaźnik wykorzystania miejsc pasażerskich ogółem	%	63,1	66,6	+3,5
7		%	66,0	65,7	—0,3
8	w tym:				
9	w lotach zagranicznych	%	65,7	65,2	—0,5
10	– rozkładowych	%	63,4	63,3	—0,1
11	– wynajętych	%	76,8	74,6	—2,2
	w lotach krajowych	%	68,1	70,9	+2,8

Key:

1. Number
2. Item
3. Unit of measure
4. 1980 plan fulfillment
5. 1981 technical and economic plan
6. Overall transport operations, total
7. Including
8. Foreign flights
9. Scheduled
10. Leased
11. Domestic flights
12. Passengers flown, total
13. Cargo transport, total
14. Index of utilization of takeoff commercial load
15. Passenger load index, total
16. Millions of ton-kilometers
17. Thousands of passengers
18. Millions of passenger-kilometers
19. Tons
20. Thousands of ton-kilometers

Editor: And how does the current year look? Will it be more successful?

Director: Everything points to a more difficult year, including financial results. All reserves embedded in the organization, in the requisition and better use of equipment and, in general, in more efficient management have their limits and cannot

be exploited without limit. Of course, this year we can improve or extend this or that a little. For example, on the less active foreign routes, lower tariffs for tourists can be introduced, encouraging more travel by airplane. We also are counting on improved profitability on some lines by modifying them. To this end, for example, we are introducing stop-off landings at Gdansk on the Warsaw-Hamburg route, and at Krakow on the Warsaw-Rome route. But on the transatlantic route the elimination of stop-off landings would affect financial results, and the same with fueling at foreign airports; also Okecie's No 3 modernized and lengthened runway will permit IL-62 takeoffs with full fuel loads.

All this, however, will not compensate for the effects of stagnation, especially the decrease in passenger traffic. We expect about 100,000 fewer passengers this year. This means that we will haul about 1.73 million passengers versus 1.83 million in 1980 and 996,000 in 1979.

Editor: Where will the decrease be greatest, on foreign or domestic routes?

Director: It will be about equal--about a 50,000 decrease for both services.

Editor: It is quite easy to understand the decrease in foreign traffic, but why the continuous decrease in domestic traffic?

Director: Unfortunately, even here we expect at least stagnant demand. In addition certain difficulties in operating some domestic airports, such as the ones in Szczecin, Krakow, Koszalin and Bydgoszcz, will occur. It is expected that each one of these airports will be shut down for 2 months for repairs.

Editor: For a long time now, the rule has been to initiate at least one new foreign LOT route each successive year. For example, in 1980 the Warsaw to Manchester service was such a route. What will the new year bring?

Director: Initiating new routes is becoming increasingly difficult over all world routes. Thus it is becoming even more difficult for us to initiate new routes, especially profitable ones, because initiating new routes just for the sake of opening a new route does not make the least bit of sense. But we would be very happy to initiate a regular route to Japan. We are striving to do this, but for the time being we lack an intercountry flight agreement with Japan. We are counting very heavily on such an agreement, however.

Editor: What will we be flying this year? The concern here is about likely new equipment.

Director: Nothing unusual. We will receive only two IL-62M transcontinental airplanes. However, this means that the share of passengers flown in jets will increase, the average transit speed of our aircraft will increase and the trips will be more comfortable. Compared to the IL-62s, the IL-62Ms are not only more economical (use less fuel) but more esthetic and functional internally.

Editor: Despite all, from what you have said, the development of LOT's business seems to be rather unfavorable, at least currently. But we are living in a time of renewal. In conjunction with this, can we not hope for somewhat more favorable outlooks and more comforting prospects?

Director: I believe we can and should, otherwise all that is happening today in our country would be senseless. Personally, especially as a director, I attach the greatest importance to the announced economic reform which--as is known--places greater emphasis on the independence of enterprises. I know that there are two sides to this coin because greater independence also means greater responsibility. But for us that is no surprise. We have postulated the same thing for a long time. The initial steps resulting from the postulate even now have been accomplished. This year, in the economic directives for LOT, there has been fewer indices imposed by order of higher authorities, indices which heretofore have been exceptionally awkward. We are still waiting for even more precise decisions relative to the allocation of financial limits and material resources that are beyond our competence. Based on these existing decisions, that is, initial decisions, we were able to develop a rigorous program of operation only for the first quarter of this year. For the remaining three quarters many indices still have to be refined and corrected.

Editor: And perhaps, on occasion, somewhat higher?

Director: It is possible. We will do that gladly and we will not overlook any opportunities that present themselves after that.

Editor: Which we sincerely wish for you and the entire LOT team.

Director: In the name of our employees, thank you.

Editor: And we thank you very much for the interview.

11899
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DECLINE IN CROP DUSTING OPERATIONS NOTED

Warsaw KURIER POLSKI in Polish 22 Apr 81 p 2

[Article by Maciej Smogorzewski: "Agricultural Aviation Loses Its Wings"]

[Text] For many years, agricultural aviation in this country has been forced to devote the bulk of its services to the state sector in agriculture, i.e., to the state farms. This July, all state farms will change over to independent accounting and will stop receiving subsidies. It is already well known that many poorly run, economically weak state farms will not be able to afford the luxury of agricultural aviation services. Does this portend bankruptcy for agricultural aviation, which had been developing vigorously in recent years?

The state farms and combines have been making increasingly extensive use of helicopters and airplanes. Last year, 145 airplanes and 33 helicopters worked for state farms. Two Agricultural Aviation Services Plants in Poland specialize in services for agriculture: WSK-PZL [Transportation Equipment Plant-Polish Aviation Plant] in Swidnik for helicopters and the Warsaw PZL factory for airplanes. We posed the same question at both plants: What will this year be like?

Our information from Swidnik indicates that at the moment there is no expectation of a major drop in the demand for helicopters for agriculture. While a year ago the state farms chartered 33 helicopters, the figure now is 31. All of them are used to spread fertilizer. Most helicopter users employ them so intensively that it cannot be foreseen whether they will have anything to do in the second half-year. Nonetheless, the plant's profits this year are not likely to be much worse than last year. As for the future, the experts at Swidnik do not see any reason for pessimism, because the state farms have become used to helicopters and in addition not all of them have sufficient ground-based equipment to replace them.

In the Warsaw Agricultural Aviation Services Plant the drop in orders is larger. Engineer Ryszard Leja says:

"This season the state farms have ordered only 108 aircraft, 40 fewer than a year ago. What does this mean for our profits? Currently we have about 230 agricultural aircraft. At the moment, 110 are in use in this country (not only by state farms), and 70 are in use abroad. About 20 planes are now undergoing repair, and a simple calculation shows that 25 to 30 are "on pins and needles." From our point of view, there will be a cyclic improvement in the situation in May and June, when 125

aircraft, temporarily withdrawn from agriculture, will be taking part in tussock moth control activities in the forests. For the long term, we are working to expand the export of services and are intensifying our canvassing in this country, but with poor results. In my view, the decline in orders for our services in this country may worsen, and I would expect that we will have to bank on expanding our exports."

The people I talked to failed to mention another element which further complicates the situation, namely that in the opinion of a representative of the Central Administration of State Farms the main reason for the drop in orders for agricultural aviation services is not the cutoff of state subsidies; obviously that is a significant factor, but the main reason for the drop in the state farms' orders for helicopters and especially airplanes is the shortage of mineral fertilizers and pesticides. Ultimately, then, the number one culprit would seem to be the chemical industry.

8480
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INDICATORS POINT TO HIGHER STANDARD OF LIVING IN 1981-1985

Bucharest REVISTA ECONOMICA in Romanian No 28, 10 Jul 81 pp 15-16

/Article by Dr Dumitru Ciucur and Dr Constantin Popescu: "Qualitative, Effective Development To Raise the Living Standard"/

/Text/ As our party's secretary general Nicolae Ceausescu pointed out at the Second Congress of Workers Councils, greater satisfaction of the demands of all members of society, accompanied by growth of incomes from work and from the social consumption funds in close correlation with the scientifically substantiated consumption of goods, becomes a realistic goal only when it is based upon qualitative, effective socioeconomic development and upon growth of the national wealth and income.

Emphasis on Intensive Factors Essential To Improve Quality of Life

The progress made in all activities and the noteworthy results logged in the last decade and the last five-year plan, which mark new and important advances in Romania's constantly rising evolution, most graphically reflect the interdependence being created between the level of socioeconomic development and that of the people's welfare and civilization. These achievements are the result of the sustained effort and heroic, selfless and dedicated labor of the working class, the peasantry, the intelligentsia and all the workers regardless of nationality in all areas and communities of Romania. They bear witness to the revolutionary leap Romania has made and the great accomplishments of the Romanian people during those years.

One million new jobs were created in the 1976-1980 period, more than half of them in industry. Workers real wages were increased by 29 percent compared with about 20 percent that was planned, and the public's incomes were almost doubled over the whole decade, which is the greatest gain in incomes in the entire period of s ocialist construction.

Retail sales increased at an average annual rate of 8.0 percent in the decade of 1971-1980, social-cultural outlays financed out of the state budget increased at an average annual rate of 7.6 percent, and about 1.6 million apartments were built in the same period. Those are triumphs of socioeconomic development that are to be especially appreciated because, as Nicolae Ceausescu said, that period was strongly characterized by instability, the economic crisis and particularly the energy crisis throughout the world. This again brings out the ability of the RCP and the Romanian people to

surmount difficulties by work and sustained efforts and to secure a constantly rising trend of socioeconomic development in Romania.

Constantly pursuing the further rise of the living standard and improvement of the quality of life as the supreme goal, the party and the entire Romanian people have undertaken vital socioeconomic objectives for the 1981-1985 period that will rank Romania with the countries with a medium economic development.

The start of a new and better quality in all socioeconomic activities is vital to the achievement of this basic strategic aim and to further improvement of the quality of life. As confirmed by RCP Secretary General Nicolae Ceausescu at the Second Congress of Workers Councils, this revolutionary leap depends upon transition to an economic development of the intensive type, a process especially necessary in view of the present limitations of raw materials and energy. It is intended to apply the latest advances of science and technology, to emphasize and intensify the action of the qualitative and effectiveness factors, to conserve and make better use of resources and energy in all activities, and to provide every opportunity to make Romanian products more competitive. Achievement of a new quality of life and labor also requires continuing improvement of workers qualifications according to the standards of contemporary technical-scientific progress and the necessity of better use of raw materials and materials.

With a good start in the consumption rate of more than 70 percent (at an accumulation rate a little below 30 percent, clearly requiring more efficient use of the national fund for socioeconomic development), the Directive-Program for Raising the Living Standard in 1981-1985 and for Further Improvement of the Quality of Life will be accompanied by even further intensive growth of the national income and the action of the qualitative factors, which enhance the effectiveness of the expended social labor. It is significant that in the present period labor productivity , the main factor for economic growth, will be up more than 40 percent at an average annual growth rate of 7 percent, making it possible to obtain about 80 percent of the gain in net industrial output in this way. Moreover the plan specifies that the net output of the processing industry per 1,000 lei of fixed capital (unamortized value) will increase from 710 lei in 1980 to 800 lei in 1985, while the total costs per 1,000 lei of industrial commodity output will be lowered by 8.2 percent, thus saving about 200 billion lei.

If to all these provisions we add the fact that the degree of exploitation of the main raw materials and materials will be up 30 percent throughout all industry and that labor productivity will be up 50 percent in agriculture and 30 percent in construction-installation, we have a much more complete and significant picture of the meaning of priority on the effectiveness factors.

In order to carry out its objectives, the current five-year plan specially emphasizes more pronounced development of the raw material base and domestic energy resources and more intensive development of agriculture. The five-year plan also provides optimal conditions for development and modernization of consumer goods production, also emphasizing here, as everywhere in the process of forming modern and efficient economic structures, better use of raw materials and improvement of product quality.

Incomes and a Constantly Growing Volume of Goods

Steady development and modernization of material production and more pronounced growth of economic effectiveness make it possible to increase the national income at an

average annual rate above 7 percent, so that it will provide, by virtue of its per capita level, the necessary resources both for further development of the productive forces and for raising the people's material and cultural living standard. This is indicated by a first group of indicators of the living standard that express the dependence of workers incomes and commodity sales upon growth of the national wealth and the national income (See Table 1).

Table 1. Evolution of Some Chief Indicators of the Standard of Living

Indicatorii 1	U.M. 2	1980	1985	1985/1980 (%)
Retribuția medie nominală 3	lei-lunar 9	2 238	2 792	124.8
Retribuția reală 4	„	2 238	2 585	115.5
Veniturile reale ale țăranimii din munca în C.A.P. și gospodăriile populației, pe o persoană activă 5	„	1 473	1 620	118.0
Volumul desfacerilor de mărfuri cu amănuntul prin comerțul socialist 6	mld. lei 10	214.0	271.0	126.6
Volumul prestărilor de servicii 7	„	22.1	39.0	176.0
Apartamente și garsoniere construite de stat 8	mii 11	1976—1980 755,3	1981—1985 900	119.1

1. Indicators
2. Unit of Measure
3. Average nominal wage
4. Real wage
5. Real peasants incomes from work on private and cooperative farms per employed person
6. Volume of retail sales via socialist trade
7. Volume of services rendered
8. State-built bachelors apartments
9. Lei per month
10. Billions of lei
11. Thousands

On the basis of the more intensive growth of smaller incomes the policy of continuing improvement of the living standard will bring about an equitable ratio between large and small incomes that will permit an adequate personal material incentive. And in view of the technical production conditions and the complexity of the work performed, a ratio of about 5-5.5 to 1 between large and small incomes is planned for the current period. Of course in view of the present economic-financial mechanism, consistent application of the overall contract system will lead to a greater increase of the material incentive in relation to the output obtained, labor productivity, reduction of the material and energy inputs, and the way product quality is improved.

As we know the real purchasing power of the nominal incomes is one of the basic indicators of the workers living standard, and it is determined by the size of the net nominal incomes and the level of the prices and rates charged in a given period. Pursuing a policy of growth of the public's incomes and evolution of prices in correlation with the requirements of the law of value and other economic laws and with the necessity of securing a balanced, harmonious development of the national economy, the RCP provides an increase of about 16 percent in real wages and one of 18 percent in peasants real incomes in the current five-year plan.

These basic indicators of the living standard are based upon a strictly controlled evolution of prices and rates within the planned limits and corresponding to a 1.6 percent increase in the index of retail prices and rates on the annual average, and one of 8 percent for the whole five-year plan. (1) Nevertheless, as the figures of the five-year plan indicate, a considerable increase in the public's real purchasing power is provided along with an increase of about 8 percent in the prices of consumer goods for the whole five-year plan, as a result of the provisions that the nominal wage will be increased by about 25 percent.

The growth of workers incomes in the present period is due to the general, steady development of the national economy whereby 580,000 new jobs are being created, especially in the productive area, and it is also due to the increase in the proportion of skilled personnel in the total personnel to about 89 percent in 1985.

In direct proportion to the growth of the public's incomes and purchasing power, the volume of commodity sales via socialist trade will steadily increase, reaching 271 billion lei in 1985, or a gain of 57 billion lei from 1980. This 26.6 percent increase in sales of consumer goods in the current five-year plan is accompanied by a considerable improvement in the assortment and quality of consumer goods comparable to the progress made in the developed countries. In view of the public's growing needs for services and the possiblities created for developing and diversifying this sector in all areas and communities of Romania, the five-year plan provides an increase in the volume of services rendered of 22.1 billion lei in 1980 and one of 39 billion lei in 1985. The services are expected to contribute more to the satisfaction of the public's constantly growing needs by making better use of the material and manpower resources in all counties of the nation.

Higher Parameters of the Public's Consumption

The public's consumption of food products and other products, in an enlarged and improved structure, and the extent of the public's equipment with consumer durables are correspondingly increased. Major increases (See Table 2) have been provided for 1981-1985 in the indicators of the average per capita consumption of the chief industrial and agricultural food products an in those of the public's equipment with consumer durables.

As the figures in the table indicate, the current five-year plan provides for continuing consolidation and growth of the average per capita consumption of the main industrial and agricultural food products in keeping with the development of the national economy and the scientifically determined requirements of the public.

Concerning the public's equipment with consumer durables, against the background of the steady increase in all products the greatest gains are seen in the case of passenger cars (over 52 percent), washing machines (about 52 percent), refrigerators (about 23 percent) and TV sets (over 22 percent). These increases reflect both the growing capacity to produce consumer goods and to supply the public with consumer durables and the increasing possibilities for people to purchase goods.

To be sure the decisive factor in attaining this consumption is implementation of physical production and the net and commodity output in the varieties and quality specified in the plan. But to best meet the public's requirements the law provides a series of measures including regular delivery of the products for the market supply in the assortment and grades of quality specified in the plan, equal supply of all areas

and communities of Romania, continuing development and improvement of the operation of the trade network and service units with proper regional distribution, and expansion of direct ways of selling the goods.

Table 2. Evolution of Some Chief Indicators of Consumption

Indicatorii 1	U.M. 2	1980	1985	1985/1980 %
Consumuri pe locuitor 3				
Carne și produse din carne 4	kg 15	62	68	109.7
Lapte și produse din lapte (exclusiv unt) 5	litri 16	180	222.0	122.3
Ouă 6	buc 17	270	290	107.4
Zahăr și produse zaharoase 7	kg 15	28.2	32.5	115.2
Legume și produse din legume 8	kg 15	140.0	160—170	114.3—121.4
Pește și produse din pește 9	kg 15	5.9	12.4	210.2
Cartofi 10	kg	70.6	100.0	141.6
Țesături 11	m.p 18	28.7	30.9	107.7
Tricotaje 12	buc	10.8	11.5	106.5
Încălțăminte 13	perechi	8.5	9.8	108.6
Înzestrarea populației la 1000 locuitori 14				
Aparate radio	buc 17	250.7	300.0	119.7
Televizoare	buc	209.7	256.0	122.1
Frigidere	buc	156.6	192.0	122.9
Mașini de spălat rufe	buc	102.2	155.0	151.7
Autoturisme	buc	28.9	44.0	152.2

1. Indicators
2. Unit of measure
3. Per capita consumption
4. Meat and meat products
5. Milk and milk products (except butter)
6. Eggs
7. Sugar and sugar products
8. Vegetables and vegetable products
9. Fish and fish products
10. Potatoes
11. Textiles
12. Knitwear
13. Footwear
14. Equipment of public per 1,000 inhabitants:
    - Radio sets
    - TV sets
    - Refrigerators
    - Washing machines
    - Passenger cars
15. Kilograms
16. Liters
17. Pieces
18. Square meters
    Pieces
    Pairs

Growth of real wages and real peasants incomes is a decisive factor for growth of the public's total real incomes, which will be up 19 percent in 1985 from 1980. And the policy of augmenting the social consumption funds, which have been proportioned so as to contribute to improvement of health protection, to increased allocations for children, pensions etc. will be highly important to growth of the public's total real incomes in this five-year plan.

The party's and state's efforts to raise the living standard will also include building 900,000 apartments and bachelors hostels, in addition to about 100,000 dwellings that

will be built by the public with their own resources. The current five-year plan will continue the program for regional systematization in order to create the network of cities and urban centers evenly distributed throughout Romania, the essential criterion being development of cities and communes as basic territorial-administrative units and strong economic centers capable of providing optimal living and working conditions for all inhabitants. Moreover the second stage of reduction of the work week will be gradually implemented so that the entire economy wil have a 44-hour work week in 1985.

All the foregoing demonstrates once again that improvement of the people's living standard and general welfare directly depends upon the general development of society and the growth of the national wealth and national income, while those depend solely upon the workers' daily activity. Therefore it is in the power of the Romanian people's minds and arms to create an increasingly abundant life.

FOOTNOTE

1. The planned updatings of prices are due to the necessity of promptly and realistically reflecting the production costs, increasing costs of imported raw materials and energy resources, and the internal costs determined by extraction and exploitation of raw materials poorer in useful content. Implemented within the strictly planned limits and on the basis of a tight control, the measures that will be taken concerning prices accordingly have an objective determination.

5186
CSO: 2700/321

MEASURES TO REDUCE MATERIAL CONSUMPTION IN INDUSTRY

Bucharest REVISTA ECONOMICA in Romanian No 28, 10 Jul 81 pp 5-6, 10

/Article by Mircea Pirjol: "Pronounced Reduction of Material Outlays Essential to Greater Economic Effectiveness"/

/Text/ Steady growth of the national income at an average annual rate 1 percent above that of the social product is a main objective of the current five-year plan. That correlation most generally reflects the particular importance of cutting material outlays and further reducing specific consumption of raw materials, materials, fuel and energy as sure ways of enhancing the growth of the net output in every unit and of ultimately increasing the effectiveness of social labor.

Reduction of material consumption is an objective necessity because the nation's socioeconomic development takes up a growing volume of material, manpower and financial resources and their rational use is essential to the steady growth rates of the social product and national income. Since this strategic aim of Romanian economic policy is to be resolutely pursued and in view of the new conditions created on the world market by the crisis in raw materials and energy, the priority is fully justified that has been placed upon intensified efforts to determine the most effective ways, means and measures both on the creative level and in actual practice to strictly limit the growing consumption of raw materials and energy resources. This objective requires both the highest possible use values to be obtained from the input of raw materials in the manufacturing process and their best possible utilization.

Besides its contribution to growth of the national income, reduction of material consumption also has important favorable effects in other fields because it cuts down on imports of material resources, stimulates promotion of new products and advanced technologies in production, and intensifies the exploitation of raw materials and materials.

Indices Substantiating Reduced Inputs

Major reductions in specific consumption of raw materials, materials, fuels and energy were made during the last five-year plan. Nevertheless, as it was pointed out at the Second Congress of Workers Councils, the results are far from satisfactory because the year 1980 was concluded with overruns of the consumption norms for raw materials, materials, fuels and electric power amounting to 1.8 billion lei, particularly in the case of fuels, electric power, ingot steel, semifinished products for rolled goods, blast furnace coke, et al. It is noteworthy that the overruns were concentrated in

a number of basic raw materials and materials in the metallurgical, chemical and wood and construction materials industries as well as in fuels and electric power. Moreover some technological installations, especially in the chemical and power industries, were not operated at the right parameters and underwent stoppages, with a bad effect on consumption of raw materials, fuels and energy, which exceeded the levels in the approved designs in some cases. This was true of the 330 megawatt power units and especially those at the Rovinari and Turceni power plants and the Kellog installations for producing anhydrous ammonia, which consumed an average of 500 kg more conventional fuel per ton of ammonia than the planned specific consumption, as well as the Sybetra installations, which averaged an above-plan consumption of 250 kg of conventional fuel per ton of ammonia.

The metallurgical industry did not meet the planned output and exceeded the planned consumption of ingot steel and continuously cast semifinished products per ton of rolled goods by 30 kg due to nonfulfillment of the production plan for unkilled and continuously cast steel, the unsatisfactory assortment and quality of the heat-insulating dusts and plates, and the high proportion of rejects and odd pieces. The metallurgical industry also logged major overruns in blast furnace coke, refractory bricks, graphite electrodes, billets, pipes, conventional fuel and electric power, in other words in a number of raw materials and materials basic to the sector.

Through insufficient effort to expand modern technologies with small manufacturing losses, the machine building industry failed to attain the planned use coefficient of 0.86 percent for rolled products and accordingly consumed an above-plan quantity of more than 200,000 tons of steel rolled products which, instead of appearing in products, was converted to scrap iron costing large amounts of fuel, electric power and other materials to exploit.

All this indicates that the Romanian economy has great reserves for better management of its material and energy resources. On the basis of the guidelines provided by the higher administration, the measures, ways and means resulting from the efforts made to reduce consumption of raw materials and energy resources, the best results obtained in Romania in the management of material and energy resources, and the levels approved in the technical documentation for each production capacity, over 55,000 effectiveness indicators for material and energy consumption were devised for the new five-year plan that substantiate the reductions in material consumption that are specified in the plan. The consumption norms and standards, the use coefficients, and the standards for exploitation and restrictions on consumption of raw and scarce materials that are planned for 1985 account for material savings of more than 23 billion lei on the basis of the 1980 output.

In order to make the inputs of raw materials and energy conform to the indicators in the program, the industrial ministries, centrals and enterprises and the institutes of design and technological engineering must carry out and apply the tasks in the plans for scientific research and introduction of technical progress so as to intensify reduction and exploitation of material and energy resources and fully apply the measures determined by the collectives of specialists who analyzed the design of the products and technologies in the course of the effort to reduce material and energy consumption.

Particular Courses of Action for Each Sector

Action must be taken with suitable means in each production sector in order to make pronounced reductions in the consumption norms this year and throughout the whole

five-year plan. For instance the metallurgical industry must considerably improve the technologies in steel mills, especially by better preparation of the charges, strict observance of the technological processes and temperatures, application of the technologies in tandem with refining and alloying in a crucible, and expansion of vacuum casting and of remelting in a vacuum and under a bed of slag. Major savings are to be made by a 6-7 percent increase in the output of rolled products from a ton of ingot steel, especially by expansion of continuous casting and of discharging in a vacuum, rationalization of the parameters of the ingot moulds, use of materials to prevent contraction cavities in indirect casting of the steel, etc. In the case of blast furnace coke, a scarce and largely imported material, steps will be taken to improve preparation of raw materials, raise the temperature of injected air, and improve the method of preparing cast iron, reducing the specific consumption by about 3 percent. An important part in more efficient consumption of raw materials in the metallurgical industry will be played by improvement of product quality by guaranteeing more technological and use properties, providing clean surfaces free of surface defects and decarbonizations, and diversifying the heat treatments applied in ferrous metallurgy to materials that undergo no further thermal processing.

The planned reductions in the consumption norms in machine building call for regular efforts toward structural and technological redesign of the products, among which reproportioning and improvement of the functional principles as well as proper selection of the materials on the basis of peak world achievements are effective measures to be considered. It is also necessary to firmly pursue considerable reduction of the net weight of the products and to enhance their durability and productivity in operation in order to make the planned reduction in consumption of the raw materials and materials essential to their manufacture, and the fuels or power required for their operation must also be considerably reduced. And secondly, modernization of the methods used through generalization of the best results and expansion of efficient methods (modern thermal, mechanical and chemical treatments, die forging in a semisolid state, hot and cold extrusion, zigzag cutting of dynamo sheet iron, etc.) reduces manufacturing losses and consequently raises the use coefficients of the materials used in this metal processing sector to an average 0.37, or by 8.6 percent. The rate of renovation and modernization of production is also accelerated because some of the products made are heavier than comparable one manufactured abroad and the use coefficient of the metal is lower. For instance, the boring and milling machines made at IMUAB /Bucharest Machine Tool and Aggregates Enterprise/ are 20-25 percent heavier and some fans are 80 percent heavier. The processing allowances at some enterprises (Grivita Rosie, the Resita 23 August IGM /Machine Building Enterprise/ et al.) are 2-3 times greater at times than the finished product, tending to keep labor productivity down and consumption up.

The chemical industry must also make great efforts to reduce its material inputs. In this sector it is vital to expand and generalize the modern, highly productive technologies and especially those consuming less natural gases in the processes of the inorganic industry (such as ammonia, methanol etc.), and also to revise the networks and technologies to further reduce the inputs of natural rubber, phosphorites, sulfur et al. Conservation of new materials through intensified collection and exploitation of used reusable materials is an effective way of cutting material outlays both in chemistry and in the other sectors. Consumption of vegetable oils and their replacement with products based on alkyd resins and partly with emulsified paints, as well as organization of processes for recovering and recycling used materials (solvents, reagents, diluents etc.) in central stations, are also basic to the improved norms planned for the new five-year period.

In the construction materials industry, the proportion of cement made by the dry process must be increased, the existing capacities must be made to operate at the planned parameters, and new capacities consuming less energy must be developed. It is also planned to make major savings in energy by expanding the use of surface-active substances in grinding the cement, by replacing pneumatic transport of the cement with mechanical transport and by using belts and hoists. More intensive use must be made of large quantities of slag and ashes from thermoelectric power stations and coal dust as additives in grinding the cement, accompanied by expansion of fractionated combustion and complete recovery of the secondary energy resources, including modernization of the technologies for baking ceramic products and calcining limestone.

Of course other sectors of the economy also face major tasks for reducing material inputs per unit of output, like the forestry industry, the thermoelectric power industry, light industry, agriculture and the food industry, transportation etc. The consumption norms must be restudied everywhere to adjust them to the current technical inventories and technical-scientific progress.

Output Quality Basic to Conservation of Material Resources

The quality and durability of the products critically affect consumption of raw materials and materials because a large quantity of those resources is consumed annually to maintain the operation of the equipment, machines and assemblies in the inventories and to replace those withdrawn from use, including the consumer durables. Greater reliability and durability of the products is important because the annual maintenance and repairs cost over 63 billion lei, including over 28 billion lei for the spare parts alone. Consumption of metal to replace the consumer durables and fixed assets and to maintain and repair them amounts to about 30 percent of the domestic consumption and over 850,000 tons this year, including about 350,000 tons to produce and recondition the spare parts.

The heavy consumption of material resources necessary to replace and maintain the fixed assets and consumer durables and to keep them in operation calls for far more emphasis upon ways to reduce the volume of raw materials and materials used for those activities. Therefore prolonging the lifetimes of the parts, assemblies and products, to be provided for in the stage of planning and design of the products, is a highly effective way of reducing the material consumption. For example, a mere 10 percent gain in the durability of lead storage batteries, which is readily accomplished by more careful manufacture, would save about 2,000 tons of lead a year, and if the duration of exploitation of rubber tires in conformity with the technical characteristics permitting their use were lengthened by 20 percent, it would result in an annual saving of 7,000 tons of rubber.

Analysis of the durability of the products manufactured shows that it is not always correlated with the requirements and does not provide for consumption of materials rationalized according to the duration of the product's use. Most of the household electrical appliances have regulation lifetimes that are too short, while textile materials and ready-made clothing outlast changes in fashion and consequently fail to meet a functional requirement. Therefore, while in the field of machines and appliances the savings in raw materials and materials should be increased by lengthening the lifetimes of the products, in the field of textile garments there are still reserves for reducing the quantity of materials incorporated in the products and for intensifying replacement of new, expensive and scarce materials.

The analyses indicated operational defects in some enterprises due to use of outmoded technologies, inadequate equipment with SDV's and AMC's [Tools, Devices and Controls and Measurement and Control Apparatus], and deviations from the technical documentation. This is because some workers councils and production managers do not maintain the necessary high standards throughout the whole production flow and take no steps to strengthen technical aid (especially on the first [sic] and third shifts) or control between stages, nor do they hold the guilty parties responsible. Lengthening the lifetimes of equipment, installations and consumer goods is inseparable from the idea of modernization in progress when repairs are made, to avoid obsolescence and to maintain the respective equipment at competitive parameters and in step with technical-economic progress.

A second point closely related to the foregoing is provision, both in planning and especially in execution, for a qualitative level that will obviate any accidental stoppages in operation and resulting additional consumption for repairs and spare parts not envisaged in designing the product. Such an approach to design of the products, from the standpoint of their greater reliability and whereby the behavior and durability of the various parts are predetermined, would permit determination of the required quantity and assortment of spare parts according to strictly substantiated norms and thereby considerably reduce the volume of parts consumed.

There are major reserves for reducing the necessary volume of spare parts in reuse of worn parts through reconditioning them and in reuse of parts recovered from discarded equipment, eliminating the practice of turning over components or subassemblies as scrap iron that have been replaced in the course of repairs because the designer himself determines for this purpose the technology and circumstances under which the various parts are reconditioned.

And finally, much more emphasis must be placed on the operating efficiency of the assemblies, machines and equipment, with direct effects upon consumption of the fuels and electric power essential to their operation. Intensive and regular reduction of the material inputs per unit of output requires highly important measures such as the following:

a. Specification, in the annual plans for scientific research and introduction of technical progress, of the tasks for structural and technological design and for modernization of the technologies and assimilation of the new materials needed to conform to the consumption indicators specified in the program;

b. Design, assimilation and output of new products and technologies with specific consumption, use coefficients and degree of exploitation of raw materials and energy resources comparable to the best world achievements;

c. Modernization of the processes and technologies requiring greater specific consumption and/or characterized by use coefficients and degrees of exploitation of raw materials and energy resources lower than those planned for the current five-year period;

d. Expanded application of value analysis to the planning and design of all the new and modernized products entered in the plan for introduction of technical progress;

e. Emphasis upon solution of problems in connection with conservation of raw materials and energy resources in the plans for research and introduction of technical progress.

f. Starting compilation of energy balances for communities and industrial districts so that specific measures can be determined for complete use of all energy resources in all seasons and in order to conserve fuels and electric power;

g. Institution of a specific program for design, assimilation, approval and manufacture of the regenerators needed to supply all equipment consuming primary energy that now exists in the economy in order to intensify exploitation of reusable energy resources.

5186
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PROFIT PLAYS MAJOR ROLE IN OPERATION OF SELF-ADMINISTRATION

Bucharest REVISTA ECONOMICA in Romanian No 29 17 Jul 81 pp 9-10

[Article by Theodor Stolojan of the Ministry of Finance: "Maximum Profits--An Essential Requirement of Self-Administration"]

[Text] The carrying out of the strategic objective of moving Romania from the stage of a developing nation to the stage of a medium-developed country during the current five year plan requires the achievement of a new quality in work and life, paying special attention to increasing efficiency and profitability in all economic-social activities and the direct application of the provisions of the new economic-financial mechanism. Comrade Nicolae Ceausescu pointed out at the Second Congress of the Workers Councils: "Worker self-management and self-administration requires each unit to obtain maximum profits, carrying out their activities on the basis of their own budget of incomes and expenditures."

The Principal Source of Self-Financing

Why is there special stress being placed on each enterprise obtaining maximum profits?

Under the conditions of the workings of the law on finances and the existence of financial categories - prices, production costs, profits, interest and so forth - profits represent, on the microeconomic level, the indicator which best characterizes the final results of the efforts made by each workers collective to achieve physical production through the smallest possible material costs and amount of labor, at a competitive level of technology and quality, and, at the same time, the unit of measure by which this production is recognized by society and responds to social needs. Actually, profits are, in a practical sense, the amount remaining after deducting from incomes obtained by selling products, at those prices effecting the producers (in production, contracting, estimates and so forth), production and distribution costs involved in production and those costs that are directly covered by financial returns, as well as, in the case of industrial units, allotments from a portion of the value of net production for society. Profits are, therefore, a part of the newly created wealth in the economic units, whose size determines the real possibilities that these units have to carry out their own self-financing of economic and social development, to provide material incentives for the workers collectives and to meet certain of their social consumption needs, as well as to participate in the formation of society's general funds.

The significance of this indicator at the level of the economic units is better shown if we stress that only that goods production that was sold and paid for, and whose material and labor costs were kept within the forecast levels, leads to obtaining profits. Stockpiled physical production not being sold cannot yield a single leu in profits, just as this situation cannot provide any savings in certain rates of consumption of raw materials, materials, fuels, energy and labor used in exceeding consumption levels in this same unit. Precisely in this regard, the economic reasoning for the existence of each enterprise is the production of goods for domestic consumption or for export and the obtaining of maximum profits.

At the macroeconomic level, the attention given to profits must also be made with regards to the fact that it is the most dynamic element in the structure of society's net income - the main source of financing economic-social development and social consumption. For example, if we were to refer to the tax on the total salary fund and to the contributions made for social security, which are also forms of society's net income, the rate of growth of these two is determined by the rate of growth of the salary fund, which, normally, reflects in monetary terms the size of the involvement of an extensive factor - labor - in the achievement of production. The rate of growth of profits, especially during the current five year plan, is the result of priority actions in the intensive factors of economic development. Thus, while during the 1981-1985 period national income will grow at an average annual rate of 7.1 percent, profits will rise at an annual average rate of approximately 17 percent.

At the same time, profits constitute an important factor for the firm orientation of the collective leadership organs and the workers collectives in the direction of efficient administration of fixed assets and material, human, hard-currency and financial resources, and for the blending of the interests of these collectives with the general interests of society. It is effective for us to point out the fact that, in recent years, as a result of applying the new economic-financial mechanism and of substantially increasing profits, the enterprises have generally retained between 30 and 40 percent of the profits made to create their own funds, compared to approximately 5 percent that was retained by the enterprises prior to the introduction of the new mechanism (with the rest of the profits going to the state budget and the enterprises' hierarchically superior organs). In addition to amortization, the distribution of an important part of the profits for their own funds has led to a significant increase of their contribution to the financing of production, of requirements for economic-social development and of other needs of the enterprises.

It is an incontestable fact that the new economic-financial mechanism has created a framework so that profits can carry out their functions in an unrestricted manner at the enterprise level. The measures adopted to this end reflect the daring, revolutionary thinking of comrade Nicolae Ceausescu, who, prior to the

introduction of the new economic-financial mechanism, proved the groundlessness of the so-called uneconomical basic theories of "overall efficiency" at the level of the entire economy. These theories stated that in socialism it is not absolutely necessary at the level of the enterprises for their own incomes to cover their costs and to make profits. Such "theories" brought about for a long period of time the practice of "planning" losses for certain economic units and even certain sub-branches of the economy, with unfavorable consequences upon the manner of administering material and financial resources.

The Functions of Profits in the Economy

Socialist ownership of the means of production, a unified and indestructible ownership, does not mean a decrease in responsibilities for its administration, but, on the contrary, each workers collective, exercising fully its attributes in worker self-management and economic-financial self-administration, bears the full responsibility for the proper administration of that portion of the national wealth entrusted to it for administration. This concept fully corresponds to the general interests of society and each workers collective, and keeps in mind the requirements of economic laws, especially the law on wealth which operates not only at the level of the socialist economy, but also at the level of each cell in this economy. Under the conditions of the new economic-financial mechanism and by basing the enterprises' activities on economic criteria, profits were given a role of maximum importance in the affairs of these enterprises.

First, profits became the principal source of self-financing the economic-social development of the enterprises and a key factor in the material incentives for the units and workers collectives and each worker. The workers, in their triple capacity as owner, producer and consumer, participate in the making of profits and in the distribution of these profits in order to create their own funds for the enterprise, including those funds used to provide their material incentives.

Second, between the enterprises and their hierarchically superior organs and between the enterprises and the state budget, clear financial relationships were established based on the principal of repaying monetary funds advanced by society for the building and development of enterprises and on the objective requirement for the greatest possible degree of enterprise participation in the creation of society's general funds for financing the economic-social development of the country and other social consumption needs. Thus, we stopped the practice of transferring profits without any economic basis between the enterprises and their hierarchically superior organs, in either direction. We also eliminated the practice of granting funds from the state budget without having the requirement for the repayment of these funds to society in the shortest possible time.

Third, profits were introduced as an important indicator of economic activities in agricultural production cooperatives, thus ensuring in this sector of the economy the use of profits as an especially key factor in stimulating these units and the cooperatist workers there to obtain the best possible results.

Fourth, by updating and improving on the basis of economic principles the correlations of production prices and product delivery prices to socialist units, and production prices, contracting prices and acquisition prices in agriculture, corresponding to the changes that occur in domestic production conditions and in the level of foreign prices, we ensured the correct reflection of the real dimensions of incomes and expenditures in the administration of the enterprises so that profits would also naturally better express now than in the past the final results of the efforts made by the workers collectives to achieve a production with a maximum profitability. The basing of prices on economic principles represented an essential condition so that profits could fulfill its assigned role within the framework of the new economic-financial mechanism, working firmly to eliminate those situations where, in practice, the use of prices and profits, as well as other financial categories, was limited to the requirements of calculating, accounting and recording data.

Fifth, beginning with the ever greater interdependence between the Romanian economy and the economies of other countries and with the requirements of economic-financial and hard-currency self-administration, measures were adopted so that the results of foreign trade and international economic cooperation activities would be reflected in the financial results of the enterprises and, therefore, in the level of profits. In this way, we eliminated the system of automatic discounts and adjustments through the state budget of the unfavorable and favorable influences causes by foreign prices, with the producer enterprises becoming directly interested in improving the flow of returns by improving the technical and qualitative level of the products exported and by generally increasing the efficiency of foreign trade and international economic cooperation activities.

Finally, we emphasize that, on the basis of the directives of the secretary general of the party, the experience gained in recent years and the proposals made by the participants of the Second Congress of the Workers Councils, improvements will continue to be made to the economic-financial mechanism, which also involves profits. For example, we will work for an even greater involvement of profits in financing the growth of financial resources, a proposal fully in agreement with the requirements of worker self-management and economic-financial self-administration so that the units can rely as little as possible on credit for production.

Means of Increasing Profits

Each enterprise has a well-established technical-economic potential whose size is the result, on one hand, of a certain volume of resources alloted to it - fixed assets, material resources, labor having its own attributes of training and value - while, on the other hand, of a certain level of efficiency in using these resources which is capable of being attained under the given conditions, referring to the technologies used, the organization of production and labor and

the geographic space for carrying out its activities. To the degree in which the existing potential is confirmed by the results obtained and prices are established on economic criteria, we can speak of achieving a maximum profit. Actually, however, maximum profit is a dynamic notion, keeping in mind the inexhaustible existing reserves in any enterprise regarding increasing efficiency.

In evaluating the size of the profits made by each enterprise, there are several precise points for practical activities. We are referring, first of all, to the size of the profits contained in the production price, which is the first orientational index for the enterprise's activities. Since the prices are stable, being updated at certain points in time, and are based upon socially necessary production costs, at the level of each enterprise the individual conditions in which activities are carried out, as well as the need for the planned management of this enterprise require the establishment of the planned size of profits that must be made, corresponding to the enterprise's potential. The manner of distributing the profits made stimulates the workers collectives to make profits greater than those outlined in the plan by mobilizing all the reserves to increase economic efficiency. In this regard, it is important for us to note that from profits made above the planned level up to 25 percent, established in a differentiated manner depending upon the manner in which the profit level was exceeded, is slated to go into creating the fund for worker participation in the profits. Furthermore, a fixed quota of 20 percent is allocated to this fund from the profits made by reducing the deductions slated to go to society stemming from a portion of the value of net production involved in products for export, as well as a quota of up to 10 percent of the above-plan profits made by the producer unit, proportionate to the amount of extra exports.

At the Second Congress of the Workers Councils, delegates from enterprises such as, for example, the Brazi Petro-Chemical Combine, "Romlux"-Tirgoviste, the Buzau Technological Equipment Enterprise, the Cluj-Napoca Enterprise for Fine Ceramic Products for Construction, the Bistrita Household Glass Enterprise and so forth, pointed out that they have fulfilled and overfulfilled the profits plan for the first 5 months of this year. The means by which they obtained these favorable results are: the achievement of planned physical production within the structure outlined in concluded contracts; the production of new products having higher levels of performance and the modernization of existing products and technologies; the reduction of the levels of specific consumption of raw materials, materials, fuels and energy and the growth in the degree of use of raw materials; the increase in the use indices for machine-tools; the reduction of administrative and other categories of costs to the strictly necessary level; the better use of the labor force and the increase of labor productivity; and, the reduction of supports for exported products by obtaining larger foreign prices than those planned.

In some units, however, the necessary attention has not been given to the problem of profitability. An analysis of the means of making profits at the enterprise level for the first 5 months of this year shows that there are units that are not achieving planned physical and net production, are not staying within the

planned level of production and distribution costs and, as a result, are not making the planned profits. There are even some enterprises that are recording losses instead of profits, under conditions where they are applying updated production prices. Those enterprises that are not making the planned profits have the obligation, according to the law, to allocate on a priority basis those profits made to the creation of the general funds of society, within the limits of plan provisions, by making payments to the state budget and by repaying those sums received from society for investment purposes. Under such conditions, these enterprises cannot establish their own funds at the levels outlined in the plan, and are required to draw upon bank credits for production or investment beyond the planned levels, which brings about additional expenditures to pay the increased interest. The workers' profit-sharing cannot be carried out since, as was pointed out very clearly at the Second Congress of the Workers Councils, "you cannot share in the profits if you do not achieve maximum efficiency - in order to have something to share."

Within the especially favorable conditions created in our country by worker participation in the adoption of decisions and the continuing democratization of the planning process, the collective leadership organs in the enterprises have at their disposal a series of instruments designed to ensure the planned management of activities under conditions of maximum efficiency. We are referring, first of all, to the budget of incomes and expenditures which reflects in value terms all the enterprise's economic-financial activities, the profits, the other elements of financial results and the manner of their distribution. The drawing up, adoption, follow-up and analysis of the budget of incomes and expenditures offer the collective leadership organs the opportunity to take all the measures to increase economic efficiency and, in this way, obtain the largest possible profit. In close relation to the use of this instrument, we can point out the need for the collective leadership organs to use to a greater degree than at the present the other instruments designed to stimulate the workers collectives to obtain maximum profits: the dynamic system of norms and standards regarding consumption rates in the enterprises - for materials, labor and financial expenses; the workers salary and bonus system; the technical-economic measures programs for substantiating cost reductions per 1,000 lei of goods-production, especially for material costs, increasing labor productivity and so forth; and, the modern methods to follow-up and calculate production costs. The general spread of these instruments to all economic units must be accelerated since the possibilities offered by a better understanding of the limits of expenses at the level of each section, workshop and job ensure the conditions necessary for firmly applying the new economic-financial mechanism at these levels, directing the activities of each worker towards the most fertile means of expression of worker self-management and self-administration - the strengthening of responsibility for the proper administration of material, hard-currency and financial resources belonging to society. At the same time, these instruments can accomplish their designed tasks only if all the ministries,

the collective leadership organs in the enterprises and the workers will work to ensure the proper operation of the new economic mechanism, to improve the planning and management of all sectors of activity and to effectively resolve all the problems raised by carrying out the provisions of the sole national plan, the state budget and the budgets of incomes and expenditures.

8724
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DATA ON JOINT COMPANIES FOR SALE OF CHEMICAL PRODUCTS

Bucharest VEAC NOU in Romanian Jun 81 p 3

[Article by Adina Dan: "Joint Commercialization Companies"]

[Excerpts] Comrade Ioan Steriu, you are the director general of the "Danubiana" foreign trade enterprise, which sells on the foreign market the products of 15 units dealing in chemicals. Last year the enterprise had trade contacts with firms in about 70 countries on all continents. What large groups of products are included in the export activity of the enterprise and in what forms do you sell these products?

[Steriu] "Danubiana" is the enterprise which exports and imports chemical fertilizers (urea, ammonium nitrate, ammonium sulfate, complex fertilizers), synthetic rubber, technical articles made of rubber and tires. We carry on trade operations both directly and through two joint companies: "Victoria-Reifen und Chemiehandel" in the FRG and "Carochem" in Spain.

"Victoria-Reifen und Chemiehandel," established in September 1971, was initially involved only in the sale of tires. Later, it enlarged its sphere of activity, taking over all the products in our export nomenclature. As a result, the volume of goods which we have exported through this company increased six and one-half times in 1980 compared to 1975. In 1980 alone, the company sold 295,000 tires manufactured in Romania on the foreign market. In the FRG, it has exclusive rights in the sale of Romanian tires.

"Carochem," the Romanian-Spanish joint company, has its headquarters in Barcelona. The Romanian side is represented by two foreign trade enterprises--"Danubiana" and "Chimimportexport" and the Spanish side is represented by the firms "Corporacion Industrial Catalana" and "Picsa." "Carochem" sells Romanian chemical and petrochemical products in Spain and in other countries and sells Spanish chemical products in Romania. It was established 2 years ago. Since then, the trade in chemical products between the two countries has been on the rise. For example, in 1980, the export of chemical products from the nomenclature of our enterprise registered a substantial increase on the Spanish market compared to the year prior to the establishment of this joint company. Also the range of products sold has become very much diversified.

In addition, our enterprise is concerned with developing and diversifying its commercialization network abroad by the establishment of new joint companies, trade bureaus, service stations, depositories, etc. The Romanian-American joint company "AMROCHEM Inc" has been established, with the ACLI International Group as a partner.

CSO: 2700/334

IMPACT OF DEMOGRAPHICS ON UNDERDEVELOPMENT PINPOINTED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1589, 14 Jun 81 pp 14-17

[Article by Dr Miladin Korac, comprising a portion of the manuscript of a yet unpublished book entitled "Socialisticki samoupravni nacin proizvodnje III" [The Mode of Production of Socialist Self-Management III]: "How Are Differences in Level of Development To Be Reduced?"]

[Text] Differences between the republics and provinces in level of economic development have long been a subject of the attention of the Yugoslav public and especially the League of Communists of Yugoslavia, and practically all its documents speak about the need to stimulate faster development of the underdeveloped republics and the Province of Kosovo. Up until the 1965 economic reform this was done by channeling federal investments, i.e., by direct investment in specific economic projects in the underdeveloped regions. Afterward a separate Federal Fund for Credit Financing the Economic Development of the Underdeveloped Republics and Provinces, whose principal raison d'etre was the accelerated development of those regions, was set up. Aside from the resources of the fund, the underdeveloped republics--Bosnia-Hercegovina, Montenegro, Macedonia and the Province of Kosovo--have also been obtaining considerable supplemental funds from the federal budget to cover their budget and other expenditures. Over the past three 5-year planning periods huge amounts of money have been channeled in these two ways, through the fund and the federal budget into speeding up the development of the underdeveloped republics and the Province of Kosovo: in all, about 3 percent of the social product of the socialist sector of the economy.

By virtue of that fact and thanks also to the economic development of the other republics and the Province of Vojvodina, there has been a steady growth of the total volume of production in the country as a whole, and in the period 1953 to 1979 the social product of the entire economy (the socialized and private sectors together) has grown more than fivefold, i.e., from 69 to 272 billion dinars (in 1972 prices). But the growth rate of the social product (national income plus depreciation) has not been the same in all republics and provinces. That is, the social product of the advanced regions has been growing at a faster rate (index number 552) than that of the underdeveloped republics (index number 491).

Population Growth and the Social Product

Over that same period of time (1953-1979) the total population of Yugoslavia grew from 17 to 20 million, or 30 percent. But that increase varied from one republic or province to another. The population increased 20 percent in the advanced republics and Vojvodina, but 52 percent in the underdeveloped republics and Kosovo (93 percent in Kosovo).

The following divergent trends of Yugoslavia's social product and population have been evident, then, in this past period: a faster growth of the social product and slower growth of the population in the more advanced regions and slower growth of the social product but faster population growth in the more underdeveloped regions. These trends have also brought about certain changes in the distribution of the social product and population, i.e., changes in the share of the advanced and underdeveloped regions in Yugoslavia's gross social product and total population, as is evident from Table 1.

Table 1. Share of the Republics and Provinces in Yugoslavia's Gross Social Product (SP) and Total Population (P), in percentages

Republics and Provinces	1953		1970		1979	
	SP	P	SP	P	SP	P
Yugoslavia	100.0	100.0	100.0	100.0	100.0	100.0
More advanced regions (average)	76.3	68.3	78.0	65.3	78.3	63.0
Croatia	26.7	23.2	26.7	21.7	26.1	20.7
Serbia proper	25.4	26.3	24.7	25.6	24.9	25.0
Slovenia	14.3	8.8	16.3	8.4	16.9	8.2
Vojvodina	9.9	10.0	10.3	9.6	10.4	9.1
Less developed (average)	23.7	31.7	22.0	34.7	21.7	37.0
Bosnia-Hercegovina	14.4	16.8	12.3	18.1	12.2	18.8
Macedonia	5.2	7.7	5.6	8.0	5.7	8.4
Kosovo	2.2	4.7	2.1	6.0	2.0	7.1
Montenegro	1.9	2.5	2.0	2.6	1.8	2.7

It is evident from the table that the share of the advanced regions in the gross social product has been increasing steadily in this period (76.3 percent, 78.0 percent and 78.3 percent), while their share in the total population has been steadily dropping (68.3 percent, 65.3 percent and 63.0 percent) because of the faster growth of their social product and slower growth of their population. In the less developed regions the opposite process has been taking place. Their share in the gross social product has been dropping (23.7 percent, 22.0 percent and 21.7 percent), while their share in the total population has been steadily increasing (31.7 percent, 34.7 percent and 37.0 percent) because of the slower growth of the social product and faster growth of the population of those regions.

This kind of dynamic pattern of the social product and population in the republics and provinces and also their share in Yugoslavia's gross social product and total population have also been determining the level of the per capita social

product of Yugoslavia as a whole and of each republic and province separately. It is well known that the per capita social product is often used in international comparisons as an indicator of the level of economic development of various countries. Within the Yugoslav context the per capita social product of the various republics and provinces is often used for a similar purpose, and on the basis of its comparison to the average per capita social product of Yugoslavia as a whole a judgment is made on differences in the level of their economic development.

On the basis of data contained in Table 1 we can easily conclude which republics and provinces must have a higher per capita social product than the Yugoslav average and which a lower one. That is, those republics and provinces whose share in Yugoslavia's gross social product is higher than their share in the total Yugoslav population must also have a per capita social product higher than the Yugoslav average. It is evident from the table that only in Croatia and Slovenia has this been the situation over the entire period under review, and they were later joined by Vojvodina. By contrast with them the share of all other republics and the Province of Kosovo in Yugoslavia's gross social product has always been less than their share in the total Yugoslav population over the entire period under consideration. That is why in all of them the per capita social product must always have been lower than the Yugoslav average.

If all the republics and provinces were categorized as more and less developed solely on the basis of whether the per capita social product is above or below the Yugoslav average, then in 1979 only Slovenia, Croatia and Vojvodina could be considered advanced with respect to this criterion, and all the others (including Serbia proper) would be put among the less developed republics and provinces. All of this is evident from the figure, in which all the republics and provinces are classified according to the value of their per capita social product in 1979. Except that in this figure, as also in the previous tables [not included in this translation], Serbia proper is classified among the advanced, though it had a per capita social product below the Yugoslav average.

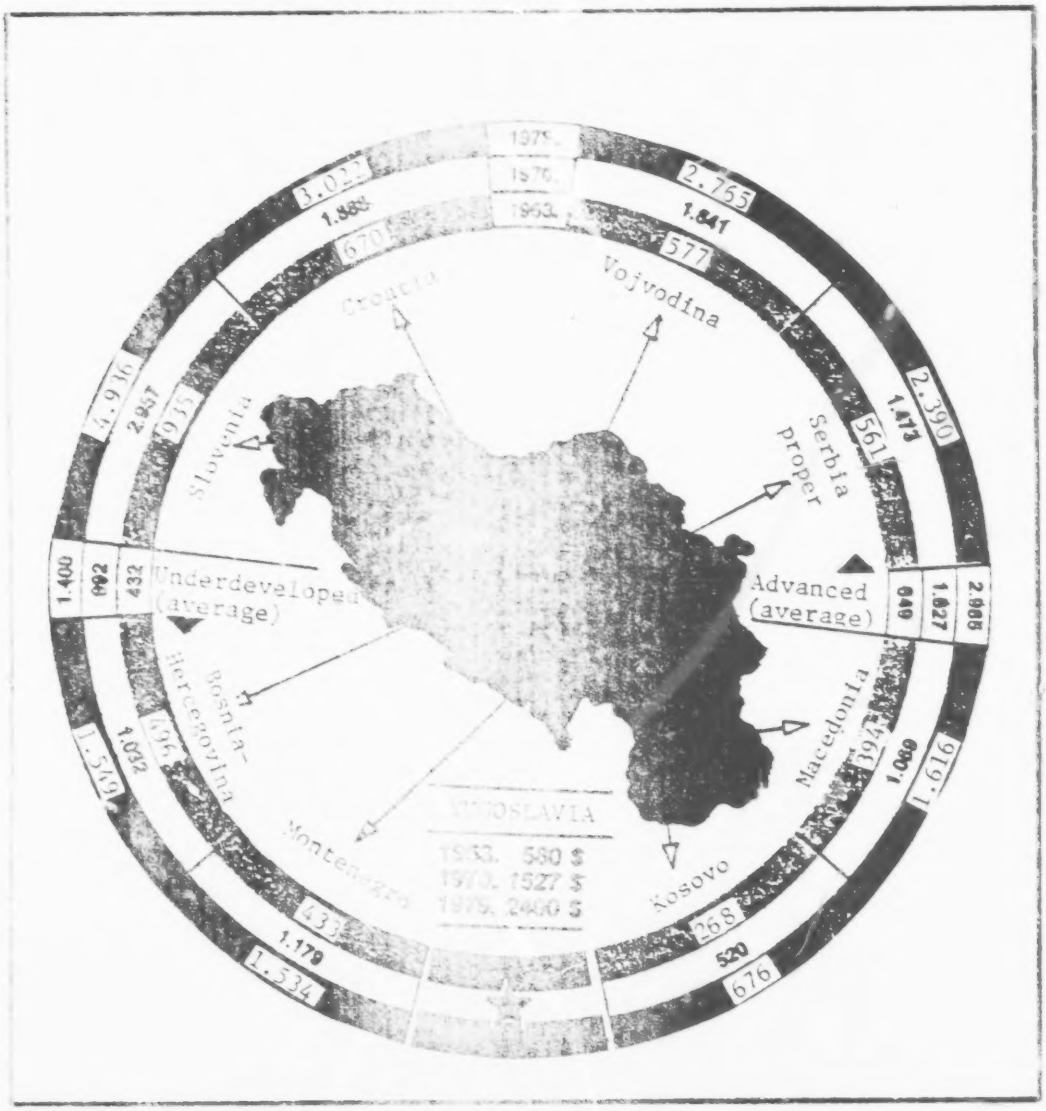
Sizable Differences in the Social Product

It is evident from the table that in this period (1953 to 1979) Yugoslavia's per capita social product increased more than fourfold (index number 414), i.e., from 4,061 to 16,818 dinars, that is, from $580 to $2,400 U.S. It is also evident that the per capita social product has grown steadily in all the republics and provinces, but it is evident as well that this growth has been faster in the advanced than in the underdeveloped republics and provinces, i.e., that in the former it increased more than 4.5-fold (index number 460), while in the others it grew more than threefold (index number 324). As a consequence ratios comparing the advanced to the underdeveloped republics and provinces on the basis of the per capita social product also increased: from 1.5:1 in 1953 (1.9:1 in 1970) to 2.1:1 in 1979.

It is obvious from what we have said above that this increase in the ratio based on the per capita social product occurred only partly because of faster growth of the social product in the more advanced republics and the Province of Vojvodina (and the 2-percent increase in their share in Yugoslavia's gross social

product), but occurred to a considerably greater degree because of the markedly faster population growth in the less developed republics and Province of Kosovo (and the 5.3-percent growth of their share in Yugoslavia's total population). The extent of the impact which differences in population growth have had on the widening of those gaps is best illustrated by the case of Macedonia, where over the entire period under consideration the social product has been increasing (index number 584) faster than not only the Yugoslav average (index number 538) but also the average of the advanced regions (index number 552), so that its share in Yugoslavia's gross social product has also been increasing steadily (Table 1). But nevertheless, because of the faster growth of its population and a further increase in its share in Yugoslavia's total population, the gap in per capita income between Macedonia and the average of the advanced regions has not diminished, but has continued to widen: from 1.6:1 in 1953 (1.7:1 in 1970) to 1.8:1 in 1979.

Per Capita Social Product in SU.S. (1980 prices)



Though in the period under review they have been rising steadily, we can say that the average gaps between the advanced and underdeveloped republics and provinces based on per capita social product have not been markedly large (2.1:1 in 1979). It is indisputable, however, that the extreme differences between Slovenia, as the most advanced, and Kosovo, as the most underdeveloped, have been increasing very rapidly and today they are extremely large. They have increased from 3.5:1 in 1953 (5.7:1 in 1970) to all of 7.3:1 in 1979, which means that Slovenia's per capita social product is sixfold greater than that of Kosovo. The principal reason for these differences lies not so much in the lagging growth of the social product in Kosovo (index number 487) as compared to Slovenia (index number 639, or a ratio of 1.3:1) as in the markedly faster growth of population (index number 193) as compared to Slovenia's population growth (index number 123, so that here the ratio is 1:1.6).

If we start from the premise that these differences in population growth between the advanced and underdeveloped republics and provinces are inevitable and could not be essentially diminished, then it is certain that the original gap that existed between them in 1953 based on per capita social product (1.5:1) could have been reduced only provided the social product of the underdeveloped republics and the Province of Kosovo in 1979 increased considerably higher than the level which it had that year.*

Between Slovenia and Kosovo

Thus only if their social product had increased 7.5-fold instead of fivefold (index number 750 instead of 491) could the gap based on per capita social income begin to be diminished between the more advanced and underdeveloped republics and provinces. In this case the per capita social product of the underdeveloped republics and Province of Kosovo would have risen to 14,968 dinars (instead of 9,809), and the original gap would have diminished from 1.5:1 in 1953 to 1.4:1 in 1979. If the social product of every underdeveloped republic had been 7.5-fold larger in 1979 (index number 750), then the gaps based on per capita social product between each of them individually and the per capita social product of the advanced republics and Province of Vojvodina would have diminished.

But even this 7.5-fold growth of the social product does not make it possible for the Province of Kosovo to diminish the gap based on per capita income, but results in a further growth of that gap relative to the more advanced republics (from 2.4:1 to 2.8:1). Only if Kosovo's social product in 1979 had increased more than ninefold instead of about fivefold (index number 920 instead of 487) would its per capita social product have risen to 8,947 dinars, and the gap based on per capita social product between Kosovo and the advanced republics and Vojvodina would have dropped from 2.4:1 in 1953 to 2.3:1 in 1979. But even such a large increase of Kosovo's social product as that, which amounts to more than ninefold (index number 920), would not have reduced the gap based on per

* It is probable that this could have been attained by an exceptionally large retardation of the growth of social product in the more advanced republics and Province of Vojvodina. But in this case we can ignore that possibility.

capita social product between Slovenia and Kosovo, since even in this case it would have continued to widen (from 3.5:1 to 3.9:1). It would be possible to reduce these ratios only if Kosovo's social product in 1979 had increased 10.5-fold (index number 1050). Then Kosovo's per capita social product would have risen to 10,212 dinars, and the ratio based on per capita income between Slovenia and Kosovo would have dropped from 3.5:1 in 1953 to 3.4:1 in 1979.

If the large differences in population growth between the advanced and underdeveloped republics and provinces are accepted as a necessity, then reduction of existing gaps based on per capita social product would be possible only on the basis of an exceptionally high increase of the social product of all the underdeveloped republics and the Province of Kosovo as compared to that which was achieved in 1979. That is, a growth of their social product which would be double what it actually was (index number 491) and which would have considerably surpassed the growth of the social product of the advanced republics and Province of Vojvodina (index number 552). But, as we have seen, such a large growth of the social product in the underdeveloped republics and Province of Kosovo, even though quite large resources have been set aside to stimulate their development in the period under consideration, has not been achieved, and therefore the gap between the advanced and underdeveloped regions based on the per capita social product has not diminished, but has widened still more.

Opinions in Yugoslavia differ on the main causes of the widening of these gaps. Aside from the differences already shown in the socioeconomic composition of the able-bodied population, which in turn bring about certain differences in the growth of the social product between the advanced and underdeveloped republics and provinces, certain other causes are also mentioned. Some authors point to the fact that the resources of the Federal Fund for Credit Financing the Development of the Underdeveloped Regions have not been most appropriately used in the period under consideration, so that they have not resulted in the kind of rise of labor productivity which would have also afforded a faster growth of the social product in those underdeveloped regions. Others point to the fact that in the underdeveloped regions (especially Kosovo and Bosnia-Hercegovina) there is a dominance in the structure of the socialized sector of the economy on the part of raw materials and other basic industries (coal, electric power, metal mines, ferrous metallurgy, and so on) which over the period under consideration have had less favorable conditions for earning income, and this has had an impact on the lagging growth of the social product in those regions as compared to its growth in the more advanced regions.

It is beyond dispute that there is some truth in all this and that removal of those obstacles would help the social product of the underdeveloped regions to grow more than it did grow in the period under consideration (index number 491). But even if those obstacles had not existed, i.e., even if the resources of the fund had been used in the most appropriate way and the conditions for earning income had been equal to the average in the basic industries, all of this over the period under review would not have made it possible for the social product in the underdeveloped regions to increase 7.5-fold or 9-fold or 10.5-fold, instead of 5-fold. That means that even if those obstacles were removed, the growth of the social product in the underdeveloped region which would occur

thereby would not make it possible over the period under review to reduce the gap based on per capita social product between the advanced and underdeveloped regions, which have been governed by differences in their population growth. Nor can this be achieved in the current planning period (1981-1985). Why?

Population Growth--The Essential Factor in the Widening of the Gap

We have established that differences in the per capita social product within Yugoslavia depend to a considerably greater degree on differences in population growth than on differences in the growth of the social product between the more advanced and less developed republics and provinces. Since in the current planning period no sort of specific measures nor any deliberate policy have been foreseen whose purpose would be to promote a reduction of differences in the growth of the total population and able-bodied population of the more advanced and less developed regions, we should naturally expect these differences to continue to grow. In spite of the faster growth of the social product that is possible in the underdeveloped regions, differences in the per capita social product between the more advanced and less developed republics and provinces will as a consequence continue to increase in this period as well.

Thus the question arises: Can any solution be found in the future with respect to diminishing differences in the per capita social product among the Yugoslav republics and provinces? There are two possible solutions if we confine ourselves to the specific Yugoslav context. One which would be easier to achieve, but would require a longer period of time, and the other, which seems more difficult, but can be achieved in a shorter period of time. Something more thus needs to be said about both of these possible solutions.

First Solution. If in the current and forthcoming planning periods the resources of the federal fund for credit financing their development and the supplemental funds of the federal budget are used more appropriately than they have been in the past, and if conditions are improved for earning income within their economy, then we can expect the following: Thanks to more rapid change of the socioeconomic composition of their population and a more rapid rise of the average level of their labor productivity, the underdeveloped regions would also achieve a faster growth of the social product than would the more advanced republics. Though this faster growth of the social product in the underdeveloped regions will not bring about a reduction of differences in per capita social product between the advanced and underdeveloped regions (because of the faster growth of their population), in future, at a certain level of development of those underdeveloped regions, it will begin to have an impact toward gradual reduction of the natural growth of their population. In the same manner as has taken place earlier in the regions which are now more advanced. Only when differences in population growth between the underdeveloped and more advanced regions begin to diminish in this spontaneous way can we expect the further widening of the gap to be halted on the basis of the faster growth of the social product in the underdeveloped regions and the process to commence of a gradual reduction of differences in the per capita social product between the more advanced and less developed regions. It is certain that developments of this kind require a long period of time in which the nationalities and ethnic minorities

of all the Yugoslav republics and provinces, especially those in the underdeveloped regions, will have to reconcile themselves to the fact that the differences that exist between them in the per capita social product cannot be diminished, but must increase even further until a spontaneous process of reduction of differences in their population growth begins.

Second Solution. Like the first solution, this one also presupposes a faster growth of the social product in the underdeveloped regions than in the more advanced regions. There is no need, then, to repeat what we have already said about that. But by contrast with the first solution, this solution, instead of a spontaneous and long-range process of reduction of differences in population growth between the more advanced and underdeveloped regions, presupposes deliberate action, that is, a vigorous policy in this area. We shall therefore confine ourselves to that topic at this point.

Opinion in Yugoslavia has not yet given full credence to the realization that a real process of reduction of differences in the per capita social product between the more advanced and underdeveloped republics and provinces cannot in practice commence within the foreseeable future without an active policy governing population growth in all the republics and provinces that would be aimed at reducing the differences that exist among them in population growth. The absence of such an awareness as a dominant conviction and, therefore, also of discussions of the need for such a policy, might at first be explained by the multinational character of Yugoslavia as a governmental community in which all its nationalities have their own national states--the republics, and the most sizable ethnic minorities autonomous provinces. By the fact, that is, that the growth of population in all the republics and provinces touches upon the national interests of those nationalities and ethnic minorities and on their multinational relations, which in Yugoslavia are a very sensitive political issue for reasons including those of history. But while these facts are true, this explanation provides no real justification for the absence of the necessary discussions of the need for an active policy governing population growth in all the republics and provinces.

Reducing Differences in Population Growth

It is beyond dispute that all the Yugoslav nationalities and ethnic minorities have consciously committed themselves to living in union in the same federal governmental community and that they all have a single economic and political system based on self-management. If on the basis of that commitment to community they all have an equal interest in reducing differences in level of development of their republics and provinces and are already setting aside substantial material resources to stimulate the development of the underdeveloped regions, then it is natural to expect that they must all be interested in a joint policy governing population growth in all the republics and provinces, in the absence of which, as we have already asserted, it is not possible within the foreseeable future to reduce the differences that exist in the per capita social product between the more advanced and underdeveloped republics and provinces. The basic goal of that joint policy would have to be to reduce differences in population growth between the more advanced and underdeveloped republics and provinces.

The joint policy governing population growth would in addition have to orient itself toward stimulating acceleration of the natural growth of population and those more advanced regions in which it is slowing down markedly (for example, in Croatia and Vojvodina), as well as to stimulate a slowing down of the natural population growth in almost all the underdeveloped regions (Kosovo especially) where population growth is steadily accelerating. It is well known that in recent times various methods of stimulating (Hungary) or discouraging (China and India) natural population growth have been used in particular countries in the world. Some of them have had success (Hungary and China), while others have not (India).

It is well known that because of the different production relations it is not possible to apply even these well-known effective methods in the Yugoslav context, but rather they must be adapted to those relations or altogether new methods must be sought for stimulating and discouraging natural population growth. After all, as we have already observed on one occasion, in a socialist self-managing society, it is not just the development of the productive forces, but also the natural growth of the population which "must be under the direct conscious control of all the associated workers, i.e., of the working class as a whole" (Chapter Five, Section 3.1) [of the book from which this article is an excerpt--translator's note]. But because of the ethnic composition of the population of the republics and provinces of Yugoslavia, it needs to be clearly stated that a joint policy in this area is possible only provided those nationalities and ethnic minorities whose natural population growth one wishes to encourage or discourage in a particular period of time are the principal makers of that policy and of all the specific methods and procedures for implementing it. It would moreover have to be beyond dispute that their lasting survival in a multinational governmental community makes it a necessity that their natural population growth, like all other issues in their joint life, must be a subject on which they enter into agreements and compacts with the other nationalities and ethnic minorities with which they live on a permanent basis in this governmental community.

Only when broader consensus and the need for such a policy and on the methods for implementing it comes about in public discussions of this and similar problems of the joint policy governing population growth in all the republics and provinces will we be able to expect the differences that exist in the per capita social product between the advanced and underdeveloped republics and provinces to begin to gradually diminish instead of increasing still further.

Everything that has been said here points to the conclusion that an active policy of diminishing differences in population growth among all the republics and provinces is not only possible in the Yugoslav context, but indeed necessary, an indispensable condition for commencing the process of reduction of differences in the per capita social product between the more advanced and underdeveloped regions in the foreseeable future. We are therefore convinced that this second solution is better than the first one, not only because it considerably reduces the period of time before that process commences, but also because it reinforces to a greater degree the commitment to community of all the nationalities and ethnic minorities of Yugoslavia. It is precisely for that reason that the League of Communists of Yugoslavia must provide the initiative to get public discussions going on these problems, since it is certain that without its involvement the right strategies cannot be found for reducing the differences that exist among the Yugoslav republics and provinces in their level of development.

VOJVODINA DEVELOPS BIOMASS ENERGY SOURCE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Jun 81 p 4

[Article by Branislav Klaric]

[Text] The Vojvodina Committee for Energy Development will divert about another 60 million dinars by year's end for building experimental structures that, instead of crude oil and gas as fuels, will use biomass wastes. The developer for this program will be the Bratstvo factory in Subotica.

The shortage of electrical energy and the ever increasing prices of crude oil and gas on world markets for energy resources have forced Vojvodina to consider possibilities for utilizing new sources of energy that are available in abundance. On that occasion the decision was reached that the greatest reserves were to be found in the form of geothermal energy (as hot underground water) and as energy from waste biomass, contsisting chiefly of corn stalks, followed by straw, sugar beet leaves, small tree branches resulting from orchard and vineyard pruning, and similar materials. Since reserves of geothermal energy have so far been explored insufficiently, and furthermore a rational manner of their exploitation is lacking, it was concluded that at the moment, the most rational approach was to use so-called biomass as fuel instead of the already established consumption of crude oil and natural gas.

Great Reserves of Energy on the Fields

Due to shortages of coal and electrical energy, Vojvodina is probably one of the greatest users of heavy mazut oil in Yugoslavia, because nearly all heating and energy plants, drying installations, farms, factories and other installations use mazut as fuel. Nothing need be said of the unprofitability of using this energy, and it can be replaced by biomass that is renewable. This fact is given particular emphasis by the experts.

Every year in Vojvodina several hundred thousand hectares are planted to corn and wheat, which leave as unusable parts the corn stalks and straw; in recent years these have been burned. Since straw is very rich in cellulose and therefore, could readily be used to make paper, less prospects are perceived for its use in heating. That leaves the corn stalks, which according to last year's data amounted to about 4.5 million tons in Vojvodina, comprising more than 50 percent of the total biomass in the province. (Total reserves amount to 8.5 million tons annually.)

On the basis of many investigations, the Vojvodina Energy Committee approved a resolution supporting the production of special stoves that, instead of oil or gas, will be fired by corn stalks or straw. Research and development of such experimental devices has been entrusted to the Bratstvo factory of Subotica, which has already produced 2 prototypes. The Vojvodina Energy Committee has already designated 7 million dinars for their production, and by year's end at least another 70 million dinars will be directed for these purposes. The source of these funds is in the increased prices for liquid fuels (benzene), so that in coming years it is anticipated that available funds will be even greater.

By Mid-1982, 14 New Heaters

Derd Sefcic, MS, director of development at Bratstvo says: "Since European experience with this type of heater is not more than 6 years old, we are relying on their knowledge to an insignificant degree, only until we determine what has already been learned." Sefcic continued that much greater attention was being devoted to their own research to perfect and discover new, more useful and more modern solutions to these problems. Besides a special team of factory specialists that has been working on this project for a year already, the factory is relying on scientific institutions, among which the most important is the Institute for Electrical, Heat and Processing Technology of the Novi Sad Department of Technical Sciences, followed by the Department's Institute for Mechanization and the Institute for Construction in Subotica. For concrete production of the heaters, the chief support comes from facilities of Vojvodina's machine building enterprises.

So far 2 prototypes of these devices have been completed, of which one is of smaller capacity and will be sold to individual agricultural workers. The other, markedly larger version is scheduled to be put into service any day at a livestock feed plant in the Agros complex of Subotica. The latter is, in fact, the first automatic device for burning wheat straw in a so-called "cyclonic" oven that is directly attached to a reverse-flow dehydrator drum for drying fodder. The thermal capacity of this device is 12.6 gigajoules (or in old measuring units -3 million kilocalories per hour). The device will use 4,000 tons of straw per year, for a direct savings of 1,100 tons of oil, or $352,000 at current oil prices. The effective use of domestic labor is evidences by the fact that in this device, which cost about 15 million dinars, imported components amounted to only about 15 percent. The Vojvodina Energy Committee earmarked 7 million dinars for developing this prototype.

Sefcic said further: "Besides these devices, by the middle of next year we should develop another 13 burners, which will fill out the entire product mix of the future production program. The value of these installations will total about 250 million dinars, and they will be sold to users in various parts of Vojvodina. When we begin regular production, which requires the formation of special basic organizations of associated labor within the framework of the Bratstvo factory and major investments, these devices will be available to other purchasers throughout [illegible] Yugoslavia."

The production program for Biomass burners began with several criteria. In the first place, there was the matter of the type of fuel, meaning was the biomass dry (less than 20 percent moisture) or moist (above 20 percent moisture). A second criterion was the size of the facility, which affected the size or the heating capacity of the burner. If a smaller installation, which could not be said to be industrial, was in mind (burners basically for the individual agricultural sector), then it was a matter of making devices with capacities of 0.2 to 4 gigajoules (50,000 to a million kilocalories per hour). The capacity

of industrial burners ranged from 4 to 80 gigajoules (or 20 million kilocalories per hour). The last condition was the nature of the energy consumer, meaning that there aredifferences between developing burners for dehydrating large plant products, contrasted to drying granular products in livestock fodder mixes, or the needs for heating apartments, offices, greenhouses, farms and other spaces, and finally, the needs for technological heat production.

Multiple Uses

According to Derd Sefcic, on the basis of the markets for raw material and the consumers, as determined by research, there are multiple uses for this kind of fuel. With mass application, which is expected by the middle of 1983, there should be annual savings of about 100,000 tons of oil. This goal can be attained by using 450,000 tons of corn stalks annually, or only 10 percent of the total available biomass of this type in Vojvodina. With even more massive utilization of these devices, it is expected that by the last years of this century it will be possible to save about 300,000 tons of oil in Vojvodina alone.

Besides savings of oil, and thus dollars, a significant effect will come from agricultural sales of corn stalks, which today sell for about 1.50 dinars per kilogram. These sales would increase agricultural income by about 20 percent. On the other hand, the purchaser of corn stalks or the consumer with the new device would, for example, pay 7.5 million dinars for 5,000 tons of corn stalks, in order to assure the same amount of heat that he would have obtained from 1,200 tons of oil that would have cost 14.4 million dinars. Obviously, that indicates a savings of about 7 million dinars in only one year. In practical terms, the new burner can repay the initial investment within 4 years at the most.

Because of all these advantages, the Vojvodina Energy Committee has taken the position that, for the first few years, the producer of these burners should be exempted from social contributions to the province and the opstina, and this position should be approved officially.

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2162

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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LAGS IN COUNTERPLANNING CRITICIZED

Bratislava PRAVDA in Slovak 1 Jul 81 p 1

[Text] Summer arrived in its full glory as evinced by both the calendar and the weather. Thus, it is easy to understand that most workers in their mind's eye see themselves already in some recreational facilities at the sea or on the slopes of their native countryside. Nevertheless, not even leave authorizations should divert their attention from economic tasks to the extent of forgetting one of the key tasks of the day--compilation of the implementation counterplan.

This is not just an ad hoc reminder, the deadline (24 July of the current year) by which plants are to submit their proposals for next year's implementation counterplan is inevitably approaching. But that is only one side of the coin. The other side is even more important. Through the implementation counterplan workers are actually preparing themselves and clarifying for themselves their future tasks, looking for possibilities of how to implement the directive's intents with improved efficiency and quality, how to save more material, fuel, energy and workplaces, workshops, production facilities, plants and enterprises. As a final consequence they are also creating in this manner the prerequisites for a preferential system of incentives.

Do these allegations apply to all enterprises, plants, production facilities and workshops? Before we attempt to answer this question, let us recall the words of Comrade Strougal at the 16th CPCZ Congress in his Report on Key Trends in Economic and Social Development of the CSSR for the Years 1981-85: "...the idea that only managers and their staffs familiarize themselves with the contents of the Set of Measures is not enough by far...We cannot even keep up the practice of explaining new precepts only from the viewpoint of their overall relations to the national economy which are easily agreed with. The crux of the matter now is implementation of specific measures at places of work. There the system of plant indicators and norms must be applied in a manner enabling everyone to clearly see his place in the effort toward increasing the efficiency of production. Everyone should thus gain an understanding of his own tasks and its relation to the overall results attained by the plant as well as what he can expect from its accomplishment. That is also one of the conditions for factual participation by workers in compilation of the plan."

Experience so far with implementation of the Set of Measures, more specifically—implementation counterplanning, shows very clearly that the above conditions has not been met in all plants through having underestimated the significance of those passages in the Set which call for development of initiative specifically in this direction. Yet it is obvious that new demanding tasks cannot be carried out without

application of Lenin's idea in practice: planning is done by all, the plan is not an accomplishment of managerial staffs but of millions of workers.

Alas, that still remains only a fervent wish. Why? The reasons are many. But it can be unequivocally stated that many among the leading managerial personnel failed to fully grasp the significance of implementation counterplanning, failed to understand that it is a matter for a lively and critically exacting discussion by the most widely based strata of the working public. That means those who are in the best position to identify problems and hidden resources at individual work places and who have a full right to talk about themselves, their capabilities and potentials, about how tasks can be best accomplished in the coming year, all of which, naturally, would also become reflected in remuneration. In other words, many leading management personnel (and, alas, also some party, labor union and youth organizations) act as if they were unaware of one of the key objectives implementation counterplanning: to mobilize and involve all workers, put their experience and creative talents to good use. Their manner of defending protracted inactivity is almost classical: Are we to base our actions on the Procedures for Implementation of Implementation Counterplanning published by HOSPODARSKE NOVINY?

They sit and wait whether they might not get some memorandum from a superior departmental organ. Just so we understand each other, they are not concerned about working out any directives from the VHJ [Economic Production Unit] to the plant, all they want is to have it black on white as to how they are to go about implementing implementation counterplanning their conditions. There is no doubt that some problems will have to be eventually resolved in cooperation with a superior organ, but even so we are justified in asking: Are these not the same management personnel who at other occasions discourse vehemently and very loudly about creative approaches to solution of problems?

True, the whole matter regarding the implementation counterplan can be circumvented in a much more diplomatic way. For example, individual production shops adopt socialist pledges, these will snowball into an all-plant pledge and, with a little bit of conniving by the general management, viola, an implementation counterplan is born.

Indeed, implementation counterplanning is a form of socialist competition, but a qualitatively higher form than the one we have become used to. It involves not so much quantity as it does quality, efficiency, detection and utilization of those hidden resources which will enable us to come up with a new, higher form of quality, which will become reflected in an improved economy of the production process in particular and of all labor in general.

For that reason we must seek solutions within the framework of specified limits and norms, and that is why streamlining the directive also has a bearing on a requisite system of incentives and preferences for those who manage to come up with the same result--exceeding the planned quotas--after the yearly plan had been adopted.

In his above-mentioned report at the 16th CPCZ Congress, Comrade L. Strougal also said: "Our aims and objectives for the coming term require that we manage to use the high degree of ideological awareness and initiative of the working public precisely where we need it the most--in our effort to bring about substantial increases in efficiency and quality of labor, in our effort toward intensification

of our national economy...That means to systematically rid socialist competition of any vestiges of formalism, give full support to people who in the interest of a good cause are not afraid to take on outmoded forms and methods, who correctly criticize various persisting abuses and shortcomings and seek for ways of correcting them. Suggestions and proposals made by workers must be listened to with great attention, and the best experiences must be generalized with a view to making them a property of all of us."

It is not difficult, as is often said, to turn this coinage into change and apply it to implementation counterplanning. This, inevitably, spells only one thing: Whatever conditions the leading management personnel created in plants for implementation counterplanning, such will also be their proposal which they will be submitting to the general managements of their respective economic production units in the latter half of this month.

From the very day when our workers started discussing the Set of Measures, it has been emphasized that its implementation will be no easy matter. As we have seen in implementation of its individual measures, in implementation counterplanning we once again find confirmation of the fact that thinking and acting in a new way cannot be accomplished from one day to another. The reason is simple--it breeds conflict. It is a natural conflict, because all that is old, outmoded and reactionary has always been on the defensive against new, progressive trends which sometimes cannot be implemented without initial problems and difficulties. Implementing of implementation counterplanning is not any different. It offers yet another proof that its greatest deterrent are fears of some leading management personnel, their aversion to engage in open discussions with workers, simplifying for themselves the obligations of a modern manager who must be a paragon of creative thinking and action.

Nor are these allegations, as the saying has it, blown out of all proportion. Many an example from our plants shows that where implementation counterplanning has received meticulous and thorough attention from the start, the results have been positive. To top it off, it gives the plant a good reputation and puts a little more into the worker's pocket on payday. And it surely was not always smooth and easy.

Not much time remains till 24 July, but most plants are now already making decisions in regard to their implementation counterplans. And there is still enough opportunity to make improvements, consult others who have more experience, incorporate as many suggestions and proposals made through workers initiative as possible. The truth remains, none of this will be possible without a close cooperation of plant management with party, labor union and youth organizations. They bear the greatest brunt of responsibility for involving the workers initiative into fruitful uncovering of hidden potentials and open discussion in regard to their exploitation and specific responsibility for their utilization. After all, by participation in compilation of the implementation counterplan the masses of workers are making decisions not only about the economic tasks of plants, but about themselves as well, their goals and possibilities and their attainment so that they can enter the second year of the Seventh Five-Year Plan with confident strides.

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INEFFICIENT USE OF CAPITAL ASSETS CRITICIZED

Bratislava PRAVDA in Slovak 11 Jul 81 p 3

[Article by Eng Florian Kanis, employee of the Czechoslovak State Bank, main office for the SSR, and Julius Krajci, editor of PRAVDA: "We Must Leave the Ways of Investment Romanticism--Economy Will be Intensified by Better Use of Capital Assets"]

[Text] The 16th CPCZ Congress unambiguously articulated the basic tasks for capital investment and use of capital assets as follows--better planned and more rational investments, more effective use of capital assets, and permission for new construction only on the basis of submitted proof that existing capacities are being used to the best possible advantage.

During the Sixth Five-Year Plan the number of projects under construction in the CSSR increased by 2,300 to nearly 30,000 toward the end of 1980. Their budget costs in 1980 were more than Kcs 95 billion higher than in 1975 (in current prices). The average period of construction was extended to 6.6 years. About one-third of all the planned capacities (those projects were considered in the state plan as mandatory tasks) did not begin operation. Toward the end of 1980, the volume of unfinished construction projects was up almost 43 percent over 1975, while the volume of capital assets gained by capital investment rose only 26 percent.

Grappling with Construction Schedules

For several years the State Bank has evaluated the results of major completed construction projects and of taking over new capacities which began operating. In the SSR it was possible in 1980 to make final technical-economic assessments in only 11 of a total of 21 construction projects scheduled for completion. Planned construction schedules had been extended in eight construction projects. Among the reasons for the delay in construction and especially for the inadequate rate of takeover of the new capacities are breakdowns of the technological equipment, shortages of workers and the often insufficient structure of their training (the mill in Rimavska Sobota, the starch plant in Boleraz), the inferior quality of certain basic raw materials (the mill in Rimavska Sobota, the quarry management in Margecany), and the failure to rotate shifts according to the plan (manufacture of polyester textiles in Senica, conveyor belt manufacture in Puchov).

Nevertheless, it is noteworthy that certain minor savings of budget costs have been achieved in the assessed construction projects, although mainly because the investors had overestimated their investment costs. Only a lesser part of the savings resulted from the implementation of rationalization measures (completion of the construction and remodeling of the starch plant in Boleraz).

Planned Parameters and Real Situation

Of the above-mentioned 11 construction projects, 6 failed to meet the planned volume by nearly 14 percent of the volume stipulated in the registration documents. Particularly critical is the situation in the continuous production of Diacol in the Chemko plant in Strazske where the shortfall in production is up to 35 percent higher than the planned parameters. This is due to the rescheduled development of the consequent production sectors whose capacities did not begin operation, as well as to shortages of essential domestic raw materials for that production. Furthermore, the shortfall in the value of the production of the POP [polypropylene?] foils in Chemosvit in Svit amounts to nearly 25 percent; the reason here is mainly the change of the line of production as a result of consumer demand and also lower average price of products.

On the other hand, credit is due to an investor, Chemlon in Humenna, for its promptly completed modernization of silk production. In this case the planned parameters have not only been fulfilled but even slightly overfulfilled.

The State Bank pays special attention to these problems. In its recommendations in the final technical-economic assessment, it demands that the planned parameters be fulfilled in the shortest possible time and bases credit contracts on the adopted measures; if they are not met, the bank calls for penalties.

How New Capacities Are Taken Over

An analogical situation appears also from the analysis of production capacities taken over in 1980, namely, in construction projects that were put into operation from 1977 through 1979. Their operational plans for 1980 already show a lower annual volume of production than the planned parameters, the difference being Kcs 2.47 billion. The reality was Kcs 2.97 billion below the planned parameters. On the other hand, older capacities overfulfilled their plans of production by Kcs 981 million.

The shortfall of the planned production adversely affected the planned volume of exports to nonsocialist countries; fewer goods were delivered to the socialist countries and to the domestic market and fewer components were supplied for subsequent final assembly.

Among the main reasons for the failure to meet the planned volume of production are changes in construction design (intensification of the cellulose mills of the Bukoza in Vranov and the new plant of the Strojstav in Senec), furthermore, problems with the supplies of imported raw materials (manufacture of corrugated cardboard boxes in Martin, similar problems in the Kozmetika in Bratislava, preprocessing of furs in Liptovsky Mijulas, etc.) as well as shortages of domestic raw materials and materials (polypropylene staple, the third stage in J. Dimitrov Chemical Works in Bratislava, furniture factories in Kralovsky Chlmec, etc.), extended schedules of construction (knitting mills in Kosice, finishing of knitted textiles in the Merino in Trencin, etc.), shortage of manpower (POP foils in Chemosvit in Svit, plywood factory in Pezinok, etc.).

The planned volume of production in the branches of the chemical industry has not been fulfilled in the new Chemosvit plant in Svit manufacturing polypropylene textile fibers because the deadline set for the start of the test run had not been met

according to the plan. The start of the operation was delayed 8 months. The Metallurgical Construction in Kosice, which is the contractor for the construction, is to be blamed for the failure in the first place, along with the shortages of workers at the time when the production began, especially in continuous operations, which was directly the responsibility of Chemosvit in Svit, whole Slovnaft in Bratislava must answer for the uneven quality of the delivered raw materials.

The delay in consumer-industry construction and the great extent of unfinished work after remodeling the second stage of the plant are the "sins" of the Stavcindustria in Bratislava that delayed the beginning of the production in the United Glass Works in Lednicke Rovne. In the wood-processing industry, problems developed in the furniture factories in Kralovsky Chlmec and in the Novy Domov [New Home] plant in Spisska Nova Ves because Chemkostav in Humenne failed to keep the construction schedule and to fulfill the tasks of the state plan for even 1 year. Among other causes, we must mention the failure of Czechoslovak contractors to deliver technological supplies and assemblies, the shortage of materials, a lack of training of the workers and the technical-economic staff, and frequent breakdowns of the machinery and equipment. Some blame here falls on the investor. In the food industry, the situation appears critical in the Kozmetika in Bratislava where the construction schedule was extended by 3 years. Again, Chemkostav in Humenne is to blame. For the time being, new equipment had to be stored in the old plant in Bratislava-Raca. However, the Kozmetika is struggling also with problems stemming from the shortage of manpower, packaging materials and raw materials. The new meat-packing syndicate in Ruzomberok does not have guaranteed regular supply of raw materials because some old and obsolescent operations had not been liquidated. Slow liquidation of obsolete operations, however, is evident also in certain other locations.

As the most crucial problem in the coming period, we may consider the fact that shortfalls in production are anticipated again in 27 construction projects in 1981-1983.

Therefore, the Czechoslovak State Bank has begun applying more stringent penalties for unfulfilled planned parameters. Its measures aimed at encouraging the achievement of the planned parameters are incorporated in credit contracts.

Errors Are Already Rooted in Preplanning Operations

The roots of the negative results in takeovers of new capacities must be sought in every stage of planning, in certain "romanticism" of investors whose organs and organizations try to push through their projects by exaggerating the advantages and the positive (often microeconomic) and minimizing the risks involved and the negative. In case of mandatory projects, investors are often immodest in specification of their requirements of public funds. However, they frequently use this way to resolve other needs for investments in their enterprises (for example, the former management of J. Dimitrov Chemical Works in Bratislava for the construction of an administrative building for the investment sector). At the same time, the investor's criterion is often not targeted on economic efficiency but on the interests of technical production of the enterprise. In some cases, however, the interests of the planners, suppliers and organs of local administration are also decisive. Investors still gravitate toward extensive development.

More Decisive Solution--Necessity

In order to improve the situation, it will be absolutely essential to objectify thoroughly the long-range concept of the development in branches which would express the strategy of investment policies, thus proceeding from the needs of our national economy, extended to the development of international cooperation, as well as from a comprehensive analysis of the current situation of the production base which takes into consideration actual resources of manpower, materials and energy, and from the needs of a highly efficient national economy.

In the interest of the fulfillment of the Set of Measures, the bank will stress, through its organizational units and in cooperation with appropriate ministries, that construction projects be completed on schedule, that the planned parameters be achieved in capacities under construction and that the proper sequences of their production be observed. It will review credit applications and proceed more stringently when granting credits to completed capacities where planned parameters have not been achieved; it will introduce individual credits with consideration of economic profitability. It will focus jointly with the economic sphere on the solution of problems cropping up because of inadequate supplies of necessary raw materials and materials, because the planned manpower has not been obtained, and because of lagging sales. Furthermore, through appropriate ministries it will focus attention on the final technical-economic assessment of construction projects scheduled for assessments in 1980. It will investigate whether the planned volume of production has been reached; it will specify the proceedings for grants of credit and the rights of the bank in construction projects where shortfalls have been projected for the 1981-1983 period as well.

It will also use its data from this area when including construction projects in the plan for 1982, and in its recommendation it will propose that no construction projects be launched where investors have failed to guarantee that the capacities will be efficient and taken over completely. At the same time, it will also consider the extent and the significance of the shortcomings when construction projects thus approved are completed and taken over. Stringency and thoroughness are indispensable here because the projects whose construction will begin in 1981 and in the following years will determine the success of the Eighth Five-Year Plan and successive five-year plans. In the final analysis, that will affect our living standard as well.

Economy cannot be developed without investments (particularly for reconstruction and modernization). The problem, however, is to invest with greater responsibility and better planning, and to use capital assets as prudently as possible, according to the instructions expressed in the decisions of the 16th CPCZ Congress. We present here a general overview of the situation in capital investment of the SSR, its shortcomings recurring over a number of years, its problems related to the development (for instance, the consequences in export, market supplies and in consequent production, etc.) with the intent to prove to managing organs in our economy, public administration and in the Revolutionary Labor Union Movement how serious this issue is. In particular, it is important to apply political solutions for existing problems, in other words, our party's regional, municipal and district committees as well as enterprisewide committees and committees of basic party organizations must deal with these problems in the most resolute fashion. Here again the leading role of our party must be systematically enforced, a role which will lead in the end to a more rational management of capital investment, prompter takeover of new capacities and efficient use of fixed assets.

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SIX-MONTH ECONOMIC RESULTS OF 1981 PLAN REPORTED

Warsaw TRYBUNA LUDU in Polish 28 Jul 81 pp 4-5

[Central Office of Statistics' Report on Poland's Socioeconomic Situation for the First Half of 1981]

> [Text] The country's economic situation deteriorated further during the first 6 months of 1981. Industrial production fell, resulting in reduced market supplies and exports. While production fell, wages in the socialized economy rose substantially. The shortage of many basic goods became more acute, the unbalance on the domestic market intensified, and strong inflationary trends appeared.

The economy was decisively affected by fuel and energy problems, by reductions in imports of raw and other materials and spare parts from capitalist countries, caused by payments difficulties, and by the drop in purchases of agricultural products. All of these factors caused disorganization in supplies necessary for production and coproduction. In the raw-materials industries, the decline in raw-materials extraction was also affected by the shortened workweek.

The basic indexes reflecting the socioeconomic situation for the first half of 1981, as compared with the same period last year, are shown in Table 1.

This report does not contain plan performance data inasmuch as certain assumptions in the 1981 National Socioeconomic Plan were to be changed.

Industry

There was a large drop in production sales in the first 6 months of this year. This was attributed to fuel and energy problems, supply difficulties and disruptions in coproduction deliveries. In addition, the shortened workweek adversely affected production in the mining industry. Production of the most basic articles intended for the people as well as for production and export purposes, declined. At the same time, there was a very large increase in expenditures from the personal wages fund, and in average wages, mainly due to the wage increases granted during the second half of 1980, while labor productivity dropped.

Table 1.

Item (a)	Index First Half 1980 = 100
Production sales in socialized industry	87.5
Basic production in construction-assembly socialized enterprises	79.4
Freight haulage by socialized transport enterprises	74.2
Passenger haulage by socialized transport	98.0
Procurement of agricultural products	89.0
Retail sales of goods	98.2
Exports	77.2
Imports	84.5
Investment outlays in the socialized economy	77.0
Employment in the socialized economy	100.4
Production sales per one employee in the socialized economy	87.8
Production and services per one employee in construction-assembly socialized enterprises	82.8
Personal wages fund	126.5
Nominal wages	126.0
Living costs	over 115
Dwellings released for occupancy	69.7

(a) In the case of value data, indexes of dynamics are given in fixed prices.

Production sales (in fixed sales prices) in socialized industry were 211 billion zlotys lower, i.e., by 12.5 percent, compared with the first half of 1980. The decline was greater with each passing month. Compared with the same months in 1980, the decline this year was 25 billion zlotys in January and 50 billion zlotys in June.

Figures on production of some important products in the socialized industry during the first half of this year are presented in Table 2.

In comparison with the first half of last year, production of most products dropped substantially. Declines in the following were particularly sharp: hard coal extraction, petroleum products, steel production, rolled products, aluminum, zinc, lead, copper, metalforming machinery, machine tools, automobiles and trucks, semiconductor elements, tape recorders, cement, wall elements (partitions), fabrics, slaughter meat, butter and salt-water fish catches.

Deliveries of hard coal and hard coal briquettes for domestic purchasers were, as a rule, below current requirements, which resulted in a systematic depletion of stocks.

Coal deliveries to industry were 15.1 percent lower, compared to the first half of 1980, while industrial consumption of coal dropped 11.1 percent.

Table 2.

Products	Unit of Measure	First Half 1981 In Absolute Numbers	First Half 1981 Index First Half 1980 = 100
Hard coal	million tons	81.3	78.2
Petroleum processed	million tons	6.8	80.7
Electrical energy	billion kWh	58.9	95.2
Raw steel	million tons	8.8	87.9
Rolled products (with semifinished products)	million tons	6.2	87.9
Electrolytic copper	thousand tons	163.4	89.0
Primary aluminum	thousand tons	37.5	79.5
Lead	thousand tons	33.3	80.6
Zinc	thousand tons	88.0	78.2
Roller bearings	million	57.1	83.9
Metalworking machines	million zlotys*	3643	82.0
Plastic-working machines (for metals)	million zlotys*	440.7	61.7
Electric rotating machines	million zlotys*	5470	94.9
	MW	4771	92.8
Automatic regulation and control equipment	million zlotys*	4163	85.1
Semiconductor elements	million	100.9	76.2
Transistors	million	42.1	89.1
Computer systems and electronic computer equipment	million zlotys*	5786	99.5
Farm machinery and equipment	million zlotys*	8204	84.4
Vehicles: Automobiles	thousand	146.3	76.7
Trucks	thousand	20.8	80.8
Buses	thousand	6.6	95.9
Two-axle farm tractors	thousand	26.4	87.6
	thousand KM	1258	88.4
Seagoing vessels (100 DWT and up)	million zlotys*	8587	85.1
	thousand DWT	143.8	70.8
Receivers: Radio	thousand	1488	109.5
Stereophonic	thousand	128.9	119.0
Television	thousand	427.1	87.0
Color	thousand	82.4	109.0
Tape recorders	thousand	314.7	72.4
Electric household washing machines and spin driers	thousand	393.0	95.3
Automatic	thousand	180.1	98.1
Household refrigerators	thousand	308.7	82.3
Household sewing machines	thousand	199.1	94.4
Fertilizers calculated per pure ingredient	thousand tons	1143	97.8
Plastics	thousand tons	253.0	91.0
Synthetic rubber	thousand tons	60.5	99.6

[Continuation of Table 2]

Chemical fibers	thousand tons	113.3	86.0
Synthetic	thousand tons	76.4	89.5
Laundry and washing agents	thousand tons	141.5	95.5
Soap	thousand tons	35.5	95.3
Pharmaceutical products	million zlotys*	8175	100.6
Cement	million tons	8.0	78.6
Wall elements, calculated in solid burnt brick	million	4.5	79.0
Chipboard and pressed board	thousand cu m	458.0	98.6
Furniture	million zlotys*	19.9	95.1
Paper	thousand tons	485.1	91.7
Fabrics:			
Cotton and cottonlike	million meters	415.5	91.4
Wool and woollike	million meters	55.8	88.4
Silk and silklike	million meters	79.3	94.3
Knitted products	billion zlotys*	11.3	92.0
Clothlike knitted goods	million meters	56.8	88.3
Footwear (excluding rubber)	million pairs	70.0	93.5
Meat and fats (commercial slaughter)	thousand tons**	1064	82.4
Poultry	thousand tons	179.0	110.0
Saltwater fish (catch)	thousand tons	366.9	81.8
Butter	thousand tons	90.9	76.4
Cigarettes	billion	41.3	85.9
Commercial fodder mixtures	thousand tons	4323	83.0

*Fixed prices. **After-slaughter warm weight.

Market supplies decreased 8 percent, while market sales dropped 3.2 percent.

Buyers' coal stocks dropped 37.5 percent, compared with the end of the first half of 1980. The power industry had scarcely a 11-day supply and the market had a 4-days' sales supply. At the same time, suppliers' stocks dropped drastically (by 72.5 percent).

The extreme decline in coal stocks at a time during which they are normally replenished, constitutes a very serious threat to the fulfillment of increased requirements during the fall and winter seasons.

The demand for electric power during the first half of this year dropped 1.6 percent over the same period last year. Despite this, there was a power shortage in the evening peak period ranging from 200 to 600 MW and the maximum reduction to users during the evening peak was 1100 MW. The reduction in power supplies was due to a 4.8 percent reduction in production, caused by lower availability of equipment, mainly because of delays in overhauls.

During the first half of this year, quality in industrial production dropped further. Fewer products passed quality inspections. Defects in products, especially those for the market, increased, and consequently repair costs and sums of conventional penalties paid, also increased.

Average employment in socialized industry in the first half of this year was 4,752 thousand people and it dropped slightly in comparison with the first half of 1980 (by 14,000 people, i.e., 0.3 percent).

While the value of industrial production fell, the personal wages fund during the first half of this year amounted to 211 billion zlotys and grew by 41 billion zlotys, or 24 percent, over the same period last year. The average net monthly wages in socialized industry during the first half of this year increased by 1,427 zlotys, i.e., 24.5 percent, as compared with the first half of 1980. At the same time, production calculated per one employee dropped 12.2 percent.

In the first six months of this year, worktime per one worker in the industrial and developmental group decreased, in comparison with the first six months of last year, by 8.2 percent, principally because the nominal worktime was reduced, and especially because additional free Saturdays were granted.

Idle time increased by 3.7 percent, while the number of stoppages (together with strikes) more than doubled, and unexcused absences increased 33.2 percent. Sick leaves, however, (after deducting sick days falling on nonwork days), dropped 1.6 percent, and maternity leaves, by 5.5 percent. Less productive use was made of on-the-job time.

Agriculture

The agricultural situation in the first half of 1981 was very bad. This was due mainly to reduced feed supplies, as a result of poor harvests of basic crops last year, and to inadequate deliveries of production resources for agriculture.

Weather conditions this winter and spring were general good for agriculture. Losses during winter storage of cultivated crops were below the average of those in the last five years, amounting to 1.6 percent of the grain and 14 percent of the rape. Spring vegetation of cultivated crops this year began 2-3 weeks earlier than in the last 2 years, which were bad. According to inspections at the end of June, this year, all grains and root crops looked better than at the same time last year. The shortage of fodder and the lower interest in animal breeding before the rise in procurement prices, i.e., before April 1st of this year, were responsible for the much lower farm animal population at the end of June of this year.

Preliminary results of the census of farm animals (on June 30, 1981) are shown in Table 3.

The drop in the number of farm animals was responsible for the reduction in amounts of purchase of animal-derived farm products. Figures on purchases of basic animal products in the first half of this year appear in Table 4.

There was a large drop in purchases of agricultural products. In fixed prices, the total value of procurement in the first half of this year was 11 percent below that of the same period last year.

Although the quantity of farm products purchased dropped substantially, due to the increases in purchases prices granted in November 1980 and April 1981 the value of procurement from nonsocialized farms, in current prices, rose 15 percent, in comparison with the first half of last year.

Table 3.

(1) Wyszczególnienie	(2) Całe rolnictwo	(3) Gospodarka uspołeczniona	(4) Gospodarka nieuspołeczniona	(2) Całe rolnictwo	(3) Gospodarka uspołeczniona	(4) Gospodarka nieuspołeczniona
	(5) tys. szt.			30 VI 1980=100		
(6) Bydło	11300,7	2935,4	8365,3	93,3	85,4	96,2
(7) w tym krowy .	5758,3	803,1	4955,2	96,7	93,7	97,2
(8) Trzoda chlewna	18487,3	4881,8	13605,5	86,7	88,8	89,8
(9) prosięta poniżej 3 m-cy . . .	6778,2	1264,6	5511,6	80,8	90,8	89,5
(10) warchlaki od 3 do 6 m-cy . . .	5458,6	1536,7	3922,9	82,0	76,2	84,5
(11) lochy na chów .	2185,6	414,4	1771,2	90,1	84,9	91,4
(12) w tym prośne .	1262,5	221,7	1040,8	92,8	89,5	92,9
(13) tuczniki, bekony i inne . . .	4066,9	1667,1	2399,8	86,7	77,8	94,4

Key:

1. Item
2. All of agriculture
3. Socialized farming
4. Nonsocialized farming
5. In thousands
6. Cattle
7. Cows
8. Swine
9. Piglets, under 3 months
10. Piglets, 3-6 months
11. Brood sows
12. In farrow
13. Porkers, baconers, et al

Table 4.

(1) Wyszczególnienie	(2) I półrocze 1981 r.					
	(3) ogółem	(4) od gospodarki uspołecznionej	(5) od gospodarki nieuspołecznionej	(3) ogółem	(4) od gospodarki uspołecznionej	(5) od gospodarki nieuspołecznionej
	(6) w liczbach bezwzględnych			(7) I półrocze 1980=100		
(8) Żywiec rzeźny w przeliczeniu na masę mięsno-tłuszczową w wadze poubojowej ciepłej w tys. t	1098,5	483,6	614,9	81,6	90,1	77,1
w tym:						
(9) wołowy .	270,1	113,4	156,7	77,9	78,7	77,4
(10) wieprzowy .	616,5	232,8	383,7	77,6	90,1	71,5
(11) drobiowy .	177,3	73,4	103,9	109,2	115,4	105,2
(12) Mleko w mln l .	4152,7	887,8	3289,9	84,6	85,9	84,5
(13) Jaja w mln szt. .	2122,5	86,1	2036,4	97,5	121,8	96,7

Key:

1. Item
2. First half 1981
3. Total
4. From socialized economy
5. From nonsocialized economy
6. In absolute numbers
7. First half 1980 = 100
8. Slaughter animals, converted to meat-fat mass, in after-slaughter warm weight, in thousand tons
9. Beef
10. Pork
11. Poultry
12. Milk, in million liters
13. Eggs, in millions

During the first 6 months of this year, problems in supplying agriculture with production resources, especially artificial fertilizers and concentrated feed, intensified. During the entire first half of this year there were acute shortages in many types of spare parts for tractors and farm machines, as well as shortages of batteries and tires.

Tractor deliveries to agriculture in the first half of his year totaled 30,800, an increase of 3.7 percent over the same period last year. The total number of tractors in all of agriculture, according to an estimate made at the end of June 1981, was 640,000, which is about 7 percent more than at the end of June 1980.

For the 1981 crops, farming used 3,515 thousand tons of artificial fertilizers (calculated in pure ingredient), i.e., about 3 percent less than for last year's crops. Consumption of these fertilizers was 187 kg per 1 hectare of arable land, which was 6 kg less than in the previous farming year.

Deliveries of certified seed for four grains to revitalize the sowable material for the 1981 crops totaled approximately 573,000 tons, about 2 percent more than last year's deliveries.

The sale of concentrated feed for all of agriculture during the 1980-1981 farming year amounted to 7,220 thousand tons and decreased in comparison with the previous farming year by about 1,172 thousand tons, i.e., about 14 percent.

Investment credits, turnovers, for installment or cash purchases, paid by the Food Economy Bank, to the rural population, totaled 26.7 billion zlotys, which was 18.3 percent higher than in the first half of 1980.

Investment credit payments to agricultural production cooperatives amounted to 4.5 billion zlotys and were 40.9 percent lower than during the same period last year.

Investment credit payments to farming units belonging to agricultural circles totaled 4.5 billion zlotys and were 5.3 percent lower in comparison with the first half of 1980.

Transport

Socialized transport enterprises hauled about 633.1 million tons of freight during the first half of 1981. This was 25.8 percent less than in the comparable period last year. Passenger haulage by socialized transport totaled 1,740 million passengers, a drop of 2 percent.

The Polish State Railroads hauled over 204 million tons of freight and about 549 million passengers. Freight loading was 17.8 percent lower than in the first half of 1980, while passenger haulage increased slightly (0.1 percent).

The decrease in the amount of railroad freight haulage was attributed especially to the drop in haulage (as compared with the first half of 1980) of the following groups of freight: hard coal, a drop of 22 million tons; ore, 2.3 million tons; natural aggregate, 3.7 million tons; cement, 1.3 million tons; stone, 1.8 million tons; petroleum and petroleum products, 1.4 million tons; metal and metal products, 2.8 million tons; and wood and wood products, 1.1 million tons.

The number of freight cars out of service for need of repairs increased. The average daily number of these cars during the first half of 1981 was 49,200, which was 13,000 (35.7 percent) more than in the first half of 1980.

Deliveries of standard-gage railroad rolling stock during the first half of this year were considerably lower than during the same period last year, aside from passenger cars, of which 164 more were delivered.

Haulage of freight by public and subbranch motor transport amounted to 386.1 million tons during the first half of this year, which was 30% less than during the first half of 1980. Passenger haulage by public motor transport totaled over 1,185.8 million passengers, 2.9 percent fewer.

Deliveries of trucks and truck-tractors in public and subbranch motor transport in the first half of this year totaled 5,100, 46.1 percent below deliveries made in the first half of 1980.

Of the total number of heavy motor vehicles in the inventories of the public and subbranch motor transport enterprises in the first half of 1980, 42.1 percent of the vehicles, on a daily average, were inoperative due to technical and operational breakdowns. Compare this with 36.8 percent in the first half of 1980.

About 17.2 million tons of cargo, i.e., 22.6 percent less than in the first half of 1980, were hauled by the shipping interests.

The total sea tonnage of the transport fleet sailing under the Polish flag amounted to 4,516.9 DWT on June 30, 1981, the same level as at the end of June 1980.

During the first 6 months of this year, over 20.7 million tons of cargo were transloaded in the commercial seaports. This is 42.6 percent less than in the first 6 months of last year.

Investments and Construction

Investment outlays in the socialized economy in the first half of this year totaled 179.4 billion zlotys, which included outlays for construction-assembly work amounting to 90 billion zlotys and outlays for the purchase of machinery, equipment and transport means amounting to 81.8 billion zlotys. In comparison with the first half of last year, investment outlays were 23 percent lower, construction-assembly work outlays were 24.4 percent lower, and outlays for purchases were 21.9 percent lower.

At the end of June of this year, the total cost-estimate value of investments in the process of implementation in the socialized economy amounted to 2.1 trillion zlotys (together with deferred investments). Committed outlays, or the amount needed to complete the full investment program, amounted to 1,170 billion zlotys.

In comparison with the end of 1980, the investment commitment decreased by 122 billion zlotys, whereas during the 1970's until the end of 1980, the commitment was on an upward trend.

Frozen investment outlays, which at the end of June 1981 totaled 828 billion zlotys, grew by 31 billion zlotys, i.e., 3.8 percent, in comparison with the end of 1980 (together with deferred investments).

Of the investment construction tasks expected to be completed and released for operation in the first half of this year in the socialized economy, 64.9 percent were completed (calculated by the cost-estimate value of the jobs), including the following:

-- power unit No 4 (200 MW) in the Polaniec Power Plant,

-- heating boilers in the heat and power generating plants in Warszawa-Wola and Bialystok,

-- new 650 meter extraction level in the Szczyglowice Hard Coal Mine,

-- 120,000 tons-per-year-capacity production installations in the small rolling mill at the M. Nowotko Steelworks in Ostrowiec Swietokrzyski,

-- a house factory (6,000 rooms per year) in Wapienica,

-- chick hatcheries in Cierpice and Gostynin,

-- 13 hospitals and hospital annexes with a total of 2,366 beds, including Brodnowski Hospital in Warsaw (821 beds), a hospital in Lubartow in the Lublin voivodship (353 beds), and a hospital in Biskupiec, Olsztyn voivodship (272 beds),

-- 23 kindergartens with 2,700 spaces, including 4 kindergartens with 510 spaces in the Katowice voivodship, 4 with 420 spaces in the Szczecin voivodship, 2 with 240 spaces in the Warsaw Capital voivodship, and 2 with 240 spaces in the Koszalin voivodship,

-- 14 infants' day nurseries with 1,015 spaces, including 3 with 185 spaces in the Wroclaw voivodship and 2 with 150 spaces in the Walbrzych voivodship.

In housing construction in the national economy, during the first half of this year 82,100 dwellings, with a total usable floor area of 4.8 million square meters, were released for occupancy.

The number of dwellings released was 35,600 (i.e., 30.2 percent) lower than during the first half of last year. Their usable floor area was 2.3 million square meters less, or 31.8 percent.

The implementation of housing construction during the first half of this year, broken down according to the form of construction, is shown in the following table:

Item	Dwellings		Usable Floor Space	
	Thousands	First Half 1980 = 100	Thousand m^2	First Half 1980 = 100
TOTAL	82.1	[illegible]	4822.9	[illegible]
from the following funds:				
State	16.6	79.7	897.3	[illegible]
Cooperative	54.5	69.8	2858.8	[illegible]
Private incomes	11.0	58.5	1066.8	57.8

The low level of new housing construction starts in socialized housing construction in the first half of this year arouses concern as to next year's results.

In socialized construction-assembly enterprises, production in the first half of this year amounted to 132.4 billion zlotys and was 20.6 percent lower than production in the first half of last year.

Average employment in socialized construction-assembly enterprises totaled 999,600 people and was 3.6 percent lower, 37,000 people, than during the same period last year. At the same time, payment from the personal wages fund rose 25.1 percent.

The value of total turnover (production and services) per one employee dropped 17.2 percent in comparison with the first half of last year, while average monthly wage per one employee rose 29.7 percent, i.e., by 1,742 zlotys.

Foreign Trade

The implementation of foreign trade turnovers in the first half of 1981 was conducted under very difficult conditions. On the one hand, export was reduced by the low level of production and the increased demands of the domestic market, and on the other hand, payment difficulties reduced imports from capitalist countries. Foreign trade turnovers dropped drastically in comparison to the first 6 months of last year. During the first half of this year, the value of exports (in current prices) was 22 billion foreign exchange zlotys and was 17.3 percent lower than the first half of 1980, and the value of imports (in current prices) was 24.8 billion foreign exchange zlotys, i.e., a drop of 7.4 percent. The negative balance of commodity turnovers in the first half of this year reached 2.8 billion foreign exchange zlotys, as compared with 0.1 billion zlotys in the first half of 1980.

The value of exports to socialist countries during the first half of this year was 12.7 billion foreign exchange zlotys and was 14 percent lower than a year ago; however, the value of imports from this direction rose 5.4 percent, reaching 15.0 billion foreign exchange zlotys. Fuels, raw materials and other materials, imported principally from the USSR, showed a large increase--21 percent. In the first half of this year, the value of imports from the USSR was 15.4 higher than in the first half of 1980, while exports to these countries fell 17.2 percent. The balance of turnovers with socialist countries was negative and amounted to 2.3 billion foreign exchange zlotys, while in the first half of 1980 it was positive and amounted to 0.5 foreign exchange zlotys.

The value of exports to capitalist countries was 9.3 billion foreign exchange zlotys in the first half of 1981, i.e. 21.5 percent lower than in the first half of 1980; the value of imports amounted to 9.8 billion foreign exchange zlotys, dropping 21.8 percent. Imports of fuel, raw materials and other materials from this direction fell 38 percent, including metallurgical products over two-fold, iron ore almost two-fold, petroleum products almost ten-fold and paper pulp, three-fold.

The negative balance of commodity turnovers with capitalist countries in the first half of this year amounted to 0.5 billion foreign exchange zlotys, compared with 0.7 billion foreign exchange zlotys in the first half of 1980.

The negative balance of commodity turnovers and the interest paid on the debt increased the indebtedness still further in relation to the state of affairs at the end of 1980.

The medium- and long-term debt in the foreign currencies of the capitalist countries reached 74.9 billion foreign exchange zlotys at the end of June of this year, i.e., at the current rate of exchange for one dollar, which is 3.437 foreign exchange zlotys, the debt is 21.8 billion dollars. By last year's exchange rate, the debt would be 24.5 billion dollars.

Prices continue to increase substantially in foreign trade turnovers. In comparison with prices in the first half of 1980, export prices rose about 7 percent and import prices, 10 percent. The drop in the physical size of both exports and imports was also much greater than the drop in turnovers in current prices. It is estimated that in the first half of this year, in comparison with the first half of last year, exports, in fixed prices, were 22.8 percent lower, imports 15.5 percent lower.

The value of export of electrical machinery industry products in current prices this half year was 10.5 billion foreign exchange zlotys, i.e., 5 percent lower than in the first half of last year; this drop is estimated at 10 percent in fixed prices.

The largest decline in exports was recorded for fuels and farm-food products. During the first half of this year, 8.5 million tons of hard coal was exported (2 million tons in the first quarter, 6.5 million tons in the second quarter), compared to 19.9 million tons during the same period last year; coke, 751,000 tons, i.e. 22 percent less; petroleum products, 475,000 tons, i.e., two-fold less; canned hams, canned meats and sausages, 28,700 tons, i.e., one-third less; meat and slaughter animals, 15,600 tons, i.e., 42 percent of last year's level. Export of other basic commodities also dropped. These include copper, semifinished products, metal products, silver, cotton and cottonlike fabrics, wool and woollike fabrics, footwear, knitted and clothing items, and furniture.

The value of imports of electrical machinery products (in current prices) reached 7.5 billion foreign exchange zlotys, which compared with the first half of last year is a 15 percent drop; in fixed prices, imports in this group dropped 20 percent. Also, less petroleum, iron ore, metallurgical products and paper pulp was purchased, but this drop pertained only to imports from capitalist counries. However, imports of farm-food goods rose substantially. In the first half of this year, 4.6 million tons of grain and flour products were purchased (6.5 percent more than during the first half of last year), with a 30.5 percent increase in value; 32,100 tons of butter; 131,000 tons of sugar; 21,300 tons of meat; 35,400 tons of lard; 50,800 tons of potato flour; and 44,800 tons of rice. This was mainly import from the dollar area. Imports of some other raw materials, such as cotton, wool, potassium ferilizers, pig iron and gas, were also higher than a year ago.

Population and Employment

Poland's population at the end of June 1981 was 35.9 million. The population had increased by 165,000 since the first of the year.

Of the 35.9 million people, 21.2 live in the cities and 14.7 in the villages. The percentage of city people is almost 59 percent.

The average employment in the socialized economy in the first half of 1981 was 12,021 thousand people, which was an 0.4 percent increase over the same period in 1980. The growth in employment occurred in transport and communication, trade, health protection, social welfare, finance and insurance. The decline was mainly in construction.

Wages and Cost of Living

The wages fund in the socialized economy, including payments made out of the personal fund, the fund for payment of casual and part-time personnel, fees, agency commissions, and plant rewards fund, amounted to approximately 556 billion zlotys, or about 25.1 percent more than in the first half of 1980. The personal wages fund in the socialized economy was 500 billion zlotys, an increase of 26.5 percent in comparison with the first half of 1980.

The nominal average net monthly wages per one worker in the socialized economy in the first half of 1981, according to preliminary calculations, were 6,780 zlotys and were 1,397 zlotys higher, i.e., 26 percent, over that of the first half of 1980. This large increase in average wages was mostly due to the wage increases granted during the last 6 months of 1980. Calculated on the basis of these increases alone, the index of average wage growth in the first half of this year (compared with the first half of last year) was 22.8 percent.

The disorganization of the domestic market and the acute shortage of most basic goods has made it impossible to reliable determine the increase in living costs and the real wages growth rate index.

The increase in living costs in the first half of 1981, in comparison with the first half of 1980, calculated according to the method used, was over 15 percent. It is estimated tht food costs increased 14.3 percent (about 10.3 in the socialized trade and about 48.3 percent in the open-air markets). Prices of alcoholic beverages are estimated to have gone up about 41.2 percent, nonfood consumer articles about 8 percent, and cost of services about 11.5 percent.

The living costs index cannot fully account for the actual changes in the working peoples' material situation, inasmuch as the incomes received during the first half of this year were frequently used for unplanned purchases, or for purchases exceeding normal requirements. These incomes were also used to make relatively large purchases at much higher prices on the black market, or even on the free market. Due to the scarcity of goods, a large portion of the incomes had to be set aside in the form of compulsory savings.

The average number of annuitants and pensioners (excluding annuities and pensions for farmers) in the first half of 1981, totaled 4,200 thousand, which was 143,000 more, or 3.5 percent more, than in the first half of 1980. During the same period, the total sum of annuities and pension payments reached 88.5 billion zlotys and grew, in comparison with the first half of 1980, by 18.5 billion zlotys, i.e., 26.4 percent. In the first half of this year, the average annuity and pension made up 48.6 percent of the average wage, compared to 50.8 percent in the first half of last year.

The average monthly current annuity and pension was 3,296 zlotys in the first half of 1981 and was higher by 560 zlotys, or 20.5 percent, in comparison with the first half of last year, while the newly granted average monthly annuity and pension was 3,934 zlotys, 546 zlotys more than in the first half of 1980, or 16.1 percent.

The average number of annuities and pensions paid to private farmers during the first half of 1981 was 534,000 and was 152,000 more, i.e., 39.8 percent, than in the same period the previous year. The sum of the payments for this purpose amounted to 6.5 billion zlotys and was 45.4 percent higher in comparison with the first half of 1980. The average current annuity and pension in this social group was 2,180 zlotys and increased by 210 zlotys, i.e., 10.7 percent, in comparison with the first half of 1980.

The number of families receiving family relief benefits in the first half of 1981 was 4.7 million, 189,000 more, i.e., 4.2 percent, in comparison with the first half of 1980.

In sum, benefit payments, principally covering family and maternity benefits, amounted to 17.6 billion zlotys and increased 22.4 percent over the first half of 1980. In addition, 18.8 billion zlotys in sick benefits were paid to workers out of the personal fund. These were 24.2 percent higher than in the comparable period in 1980.

The Money-Market Situation

The money market was distinguished by a severe lack of balance between the population's purchasing power and the supply of goods and services.

The population's total monetary receipts in the first half of 1980 totaled 961.1 billion zlotys and were 172.2 billion zlotys, i.e., 21.8 percent, higher in comparison with the first half of last year. A considerable amount of the monetary receipts were laid aside in the form of savings deposits and cash reserves. During the period from January 1 to June 30 of this year, the population's money reserves grew by 127.5 billion zlotys. This was 13.3 percent of the population's total receipts.

The population's money reserves at the end of June of this year amounted to 893.3 billion zlotys and increased, in comparison with reserves at the end of 1980, by 127.5 billion zlotys, or 16.6 percent. Of this, 596 billion zlotys was in savings deposits, which increased by 96.2 billion zlotys, i.e., 19.2 percent, and 297.3 billion zlotys was in cash reserves, which grew by 31.3 billion zlotys, or 11.8 percent.

The total value of domestic and imported goods delivered to the market in the first half of this year was 704.8 billion zlotys, and calculated in current retail prices, this was 0.5 percent higher in comparison with the first half of last year. In terms of fixed prices, deliveries of goods to supply the market were 10 percent lower than in the first half of last year.

Figures on deliveries of the more important goods to supply the market are shown in Table 5.

Table 5.

Products	Unit of Measure	First Half 1981 In Absolute Numbers	First Half 1981 Index First Half 1980 = 100
Meat, poultry, variety and processed meats	thousand tons	887.8	87.6
Meat, variety and processed meats	thousand tons	713.2	83.2
Poultry, variety and processed	thousand tons	174.6	111.8
Fish and processed fish	thousand tons	134.6	106.2
Fats:			
Animal	thousand tons	78.3	101.7
Vegetable	thousand tons	108.4	119.0
Butter	thousand tons	116.1	101.0
Milk	million liters	1271.5	105.7
Ripening cheeses	thousand tons	27.7	80.5
Cottage cheeses	thousand tons	103.0	108.3
Wheat flour	thousand tons	309.0	111.7
Groats	thousand tons	163.8	109.4
Rice	thousand tons	44.4	105.3
Eggs	million	1364.3	125.6
Sugar	thousand tons	384.4	81.5
Vodka, flavored and unflavored, converted to 100°	million liters	77.8	84.7
Wines and meads	million liters	139.9	80.5
Chocolate and chocolate products	thousand tons	63.7	106.3
Cigarettes	billion	41.9	85.8
Fabrics:			
Cotton and cottonlike	million meters	93.0	82.7
Wool and woollike	million meters	34.8	83.0
Silk and silklike	million meters	31.5	90.5
Knitted products	billion zlotys*	18.0	83.2
Hosiery type	billion zlotys*	5.1	91.5
Woven-fabric garment	billion zlotys*	30.7	94.7
Footwear, total	million pairs	57.1	90.2
incl.: with leather, plastic and synthetic uppers	million pairs	33.0	93.3
rubber and textile-rubber	million pairs	11.6	87.2
Furniture	billion zlotys*	18.9	89.7
Household refrigerators and freezers	thousand	337.4	91.4
Household electric washing machines and spin-driers	thousand	307.0	94.5
incl. automatic washing machines	thousand	178.1	97.3
Sewing machines	thousand	115.2	98.4
Laundry powders and granules	thousand tons	83.9	92.6
Soaps: Toilet, ordinary and special	thousand tons	29.7	94.4

[Table continued on following page]

Table 5. [Continued]

Products	Unit of Measure	First Half 1981 In Absolute Numbers	First Half 1981 Index First Half 1980 = 100
Receivers: Radio	thousand	1130.9	102.3
Television	thousand	472.3	89.4
Color television	thousand	121.3	109.9
Tape recorders	thousand	265.5	81.1
Automobiles	thousand	87.4	97.2
Bicycles	thousand	571.5	83.6
All-purpose farm tractors	thousand	23.7	115.8
Automobile tires	thousand	572	63.5
Hard coal and hard coal briquettes	thousand tons	13779	91.7
Fertilizers: Nitrogen**	thousand tons	537.5	120.3
Phosphorous**	thousand tons	315.1	97.1
Potassium**	thousand tons	751.1	136.8
Cement	thousand tons	2347	84.2

*In retail prices from first half of 1980. **In pure ingredient.

Supplies of most basic food commodities, with the exception of meat, ripening cheeses and sugar, were higher than in the first half of last year.

Supplies of meat, poultry and meat and poultry products were 125,400 tons lower, i.e., 12.4 percent. Despite increases in supplies of some commodities in comparison with the first half of last year, there were still serious shortages of these commodities on the domestic market. The critical shortage of meat and meat products resulted in an increased demand for other food items. The growth in the population's purchasing power and the unstable economic situation was responsible for excessive purchases of some food items, which made it impossible to keep them in stock at all times. The demand for consumer durable goods and other nonfood items increased.

Beginning in April of this year, sales of meat, poultry and meat products, were rationed throughout the country. In May, butter, flour, groats and rice were added to the ration list.

The meat rationing system somewhat equalized the level of supplies among the individual voivodships. In these circumstances, the drop in supplies of meat and poultry, as compared with last year, affected the large urban centers; at the same time, supplies of meat, poultry and meat products increased in many voivodships.

During the first half of the current year, in comparison with the same period last year, supplies of flavored and unflavored vodka declined 15.3 percent; wine, 19.5 percent; and cigarettes, 14.2 percent.

Supplies of most nonfood items were lower in comparison with the first half of last year.

Shortages in basic hygiene products are particularly acute, particularly laundry detergents (a 7.4 percent decline in supplies), toilet soap (5.6 percent drop) and many others.

There were also severe shortages in many light industrial products. There has been an inadequate supply of most durable goods, coal and construction materials.

The value of retail sales by units of the socialized economy in the first half of 1981 amounted to 688.7 billion zlotys, which represented an increase of 9.6 percent in comparison with the same period last year, calculated in current prices. In terms of comparative prices, retail sales of goods were down 1.8 percent. The decline in food sales, compared with the first half of last year, calculated in fixed prices, was 2.9 percent, and in alcoholic beverages, 25.1 percent. Sales of nonfood items were 4.6 percent higher.

The relatively high level of retail sales of nonfood goods occurred at the expense of depletion of commercial stocks.

The value of reserve stocks in the commercial market on June 30, this year, was 328.5 billion zlotys, which is a drop of 57 billion zlotys (20 percent) compared with the amount of stocks in June 30, 1980, calculated in current prices. Food commodity stocks totaled 25.9 billion zlotys, i.e., they dropped by 18.7 billion zlotys (42 percent) and stocks of nonfood commodities, 202.6 billion zlotys, i.e., 38.3 billion zlotys lower (19 percent).

The sales of services to the population in units of the socialized economy totaled 100.6 billion zlotys in the first half of 1981. Compared with the first half of 1980, sales of services increased 10.5 percent.

If the effects of price changes are disregarded, this increase is much lower, amounting to about 4.5 percent.

Social and Cultural Services

Current expenditures from the state budget for social and cultural services (education, health protection, social welfare, physical culture, sports, tourism, and rest) in the first half of 1981 totaled 115.3 billion zlotys and were 20.4 billion zlotys, i.e., 21.5 percent higher than for the same period last year.

The growing number of preschool-age children in recent years, and children reaching school age, has resulted in an increase in the number of children being cared for in preschool institutions and in the number of children starting primary school. The demographic lows of prior years have, as a consequence, reduced the number of graduates of primary schools which, in turn, has reduced enrollment of youth in post-primary schools.

In 1980, 1,222.9 thousand children were cared for in preschools (48.8 percent of the children between 3 and 6 years of age. In comparison with the previous year,

the number of children in preschools increased 3.6 percent. Of 1,000 children 6 years old, 975 were cared for in preschools. The enrollment far exceeded the standards for the number of children in these institutions (there are 124 children per 100 spaces).

The number of spaces in infants' day nurseries, as compared with December of last year, increased by 1,000 and now totals 104,500, but this is still insufficient to meet needs.

During the 1980-1981 school year about 7 million people were attending schools of all levels, which is 14 percent fewer than during the previous year. The number of pupils in the first grade in the primary schools is increasing steadily. During the 1980-1981 school year, 385,500 children, 4.2 percent more than during the 1979-1980 school year, enrolled.

Approximately 501,000 pupils finished primary school during the 1980-1981 school year, i.e., 3.5 percent fewer than during the previous school year. The number of graduates of primary schools for youth was 2.9 percent lower in comparison with the previous school year and amounted to 485,000. Approximately 107,000 people finished secondary schools and approximately [illegible figure] completed trade schools of all types.

The number of graduates of advanced vocational schools and master's degree institutions in the first half of 1981 was about 50,000. In addition, 4,600 graduates completed further master's degree work.

Scholarships were granted to 131,500 day students in the higher schools, which is 15.5 percent more than during the 1979-1980 academic year. This means that almost every other student received scholarship assistance.

At the end of June of this year, 67,900 physicians and 17,900 dental surgeons were registered in Poland, which amounts to 18.9 physicians and 5 dental surgeons per 10,000 population.

The number of beds in general hospitals increased by 1,700, compared with last year, and totaled 202,500. This is 56.4 beds per 10,000 population (compared with 56.2 in December 1980).

During the period discussed, four new health centers were added, for a present total of 3,222.

The infant mortality index per 1,000 live births, which was 21.3 at the end of 1980, remained at that level during the first half of this year.

Due to the decline in paper production in the first half of 1981, publishing was adversely affected. During this period, 2,650 books and pamphlets were published, for a total printing of 71.2 million copies. In comparison with the first half of last year, the number of titles dropped 18 percent and total printing dropped 11.8 percent. The large drop was in textbooks (29.2 percent fewer titles and 26.9 fewer copies). In total, during the first half of 1981, 2,200 textbook titles were published, with 18 million copies printed.

The number of newspaper and periodical titles remained unchanged, but the number of editions published dropped. A total of 1,269.4 million copies of newspapers were published (9 percent less than in the first half of 1980) and 346.6 million copies of periodicals (18.3 percent less than in the first half of 1980).

Television's reach continues to expand. The number of television subscribers in the first half of this year was 8,055 thousand and was 1.3 percent higher than during the first half of last year. The number of radio subscribers (8.7 million) remained at the same level as in the first half of 1980.

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INCREASING USE OF COAL AS HOUSEHOLD HEATING SOURCE VIEWED

Bucharest REVISTA ECONOMICA in Romanian No 26, 26 Jun 81 pp 14-15

[Article by Dr Virgil Dinca: "Expanded Use of Coal for Household Consumption"]

[Text] The low reserves of oil and gases, as well as their price increases, have renewed the interest in coal in most countries in the world. In fact, the return to coal represents one of mankind's alternatives in assuring its energetic future, insofar as coal is currently the one fuel that is most plentiful on earth. According to some recent estimates, more than nine-tenths of the world's energy reserves that can be exploited and used by known technical means, consist of coal. Under these conditions, household consumption must also follow the general energy strategy by increasing the proportion of coal among the fuels being used.

Conditions for Efficient Utilization

During 1970, Romania's coal production was nine times as high as that of 1938, and about 25 times as high in 1980. At the same time, a rapid growth was assured in household consumption of coal compared to other sources of thermal energy, this consumption increasing 7-fold in 1970 and about 20-fold in 1980, with respect to 1955 (see table 1). However, as a portion of the total consumption of fuel among the population, the same table shows coal to still be at the low level of about 14 percent, and even to have stagnated during the past 10 years. But since no other alternative appears to be available, and given the present and future general interests of the economy, an increase in the proportion of coal used in household fuel consumption becomes an objective necessity. The problem is to determine which conditions of use in thermal plants and in individual consumption are most advantageous for the economy and the population.

From this standpoint, things are clear for housing as a whole. According to calculations performed by the Institute for Energy Studies and Planning in previous years, thermal plant installation represents the most advantageous solution for heating, and the first one to be recommended for using coal for heating (see table 2). Heating with coal, and specifically with the lignite available in Romania, falls within acceptable economical limits even when used in thermal plants. The cost per heat unit improves as the capabilities of plants and the capacities of boilers increase, and as they supply larger housing groups. The use of lignite in small units--below 1 Gcal/h--is not recommended, because in addition to the cost

Table 1. Evolution in household fuel consumption (percent).

	1960		1970		1980	
Source of supply	1	2	1	2	1	2
Firewood	115.0	36.0	65.7	18.5	38.4	9.1
Coal	229.6	4.3	685.0	14.5	1960.0	13.8
Agricultural waste	141.2	24.7	152.0	18.0	124.0	11.6
Petroleum products	123.1	9.4	186.0	9.5	350.0	18.1
Natural gases	123.1	22.4	376.5	29.0	493.0	28.1
Thermofication	194.2	3.2	1250.0	10.5	2800.0	17.1
Electric power	--	--	--	261.7	261.7	2.2

Note: Column 1 shows the change with respect to 1955 (1955 = 100), and column 2 the percentage of various types of fuels.

difference, fuel losses are incurred compared to its burning in large boilers. Micro-thermal plants for lignite are justified when large boilers are already operating with inferior coal, or when the energy policy recommends such an approach in order to protect high-grade fuel resources. It should be added that an analysis of the economic elements that determine the use of a given type of fuel, must also take into consideration the transportation costs determined by the volume of material and distances between suppliers and consumers. From the available data, it is estimated that the transportation of coal over more than 200 km becomes uneconomical (see table 3).

Given the circumstances for fuel balances in the years to come, the need to safeguard natural gas reserves so as to assure raw materials for the chemical industry for the longest possible time, as well as the fact that the domestic consumption demand must be filled through greater importations of crude oil, it becomes necessary to assign priority to the development of urban housing heating by means of public facilities supplied from thermal power plants and zone thermal plants. These units must be equipped with boilers manufactured in Romania, operating with inferior coal, and dimensioned and located for high efficiency.

For individual consumers, especially in rural areas, the encouragement toward coal utilization depends on the fabrication and distribution of stoves and burning installations suitable for this fuel. A significant problem in this respect is the construction of stoves which will take into account the quality and specific features of Romanian coal: easily degradable by exfoliation, and with a high content of water, steriles, and dust. An improved form for lignite utilization in stoves is briquets, whose consumption has increased from year to year. Briquets have a higher heat content, and present advantages in transportation, handling, and storage. At the same time, the new stoves and burning installations must fulfill the multiple functions of conventional stoves, which served for heating, cooking, and baking, and retain their feature of accumulating heat and maintaining it for the longest possible time. To the extent to which it is possible, stoves must include a receptacle in their tops, which will supply hot water for the household.

Table 2. Lignite heating costs for a conventional apartment.

Heating system	Costs in lei
I. Investment costs	
Urban thermal plant networks	8600-9500
District or zone thermal plants for groups of 1200-7000 apartments	13,500-18,000
Apartment house thermal plants (80 apartments)	20,000-22,000
II. Annual operation and maintenance costs	
Urban thermal plant networks	1550-1900
District or zone thermal plants for groups of 1200-7000 apartments	2634-3696
Apartment house thermal plants (80 apartments)	9000-9500

Role of Research and of Responsible Territorial Agents

Specialized research and builders of individual burning devices have a big role to play in rapidly solving this problem. Until then, economic measures are necessary to encourage the replacement or adaptation of existing stoves at suitable purchase or transformation prices, with time payments, considering that the promotion of lignite for household consumption is determined not so much by the wishes of consumers as by the interests of the economy. Major research efforts must be first of all oriented toward the economical processing of solid fuels so as to improve their burning characteristics, reduce pollution, perfect individual burning systems and devices, and increase burning yield and confort factors.

Another important problem in coal processing is to eliminate smoke during burning, which in addition to creating pollution, frequently blocks stovepipes and stacks. Some results have already been obtained in producing a so-called smokeless fuel by semi-carbonizing coal at about 700 degrees C, especially in the case of young bituminous coals with a high content of volatile matter. But its production is not yet economical, involving as it does a complicated and costly technology. However, it could become economical if the respective fuel is a byproduct in the manufacture of city gas (Stadtgaz) or pipeline gas (Ferngas) through coal degassing with concurrent valorification of tars, a process already being used in such countries as FRG, England, and so on. Until then, we must expand the use of briquetting, which in addition to the advantages already mentioned, allows the valorification of coal fines resulting from mechanized exploitation, and transforms it into a fuel of standard shape and quality, and resistant to weather, handling, storage, and burning. Briquets make it easier to sell inferior coals and offers consumers the opportunity of using a solid fuel under good conditions of hygiene and confort.

One of the research tasks is a continued improvement in the yield and convenience of coal utilization, through a modification of burning systems and devices, at minimum expense to be compensated from advantages obtained. An appropriate burning device must in general meet the following specifications: be capable of using all types of solid fuels intended for non-industrial purposes (household use); burning to be controlled easily and as simply as possible, as for instance by regulating air

Table 3. Influence of transportation distance on cost of heat unit (lei/Gcal).

Type of fuel	Transportation distance			
	50 km	100 km	150 km	200 km
Lignite from the Cimpulung-Muscel Basin	84	88	92	95
Lignite from the Nort-West Ardeal Basin	76	81	84	88
Lignite from the Rovinari and Motru Basins	64	71	76	80
Sorted pitcoal from Valea Jiului	55	58	59	61
Lignite briquets from Capeni	74	76	78	80
Pitcoal briquets from Coroesti	64	66	67	68

intake; allow the loading of a large amount of solid fuel, assuring its continuous burning and thus the continuous and uniform heating of a room for a long period of time. A number of successful experiments conducted in recent years indicate the possibility of considering the downward burning system for stoves, in which the firebox is fully loaded with coal and lit at its top, with the fire descending through the fuel mass. This system has the advantage of burning almost without smoke, as long as the stove remains airtight. Air leaks, especially in the cinderbox, lead to an uncontrolled firing of the entire fuel load, accompanied by a violent release of heat which overheats the stove's radiation surfaces.

The purchase price of fuels is of the greatest importance in directing their consumption; it must reflect the state's economic policy in terms of energy resource management. Yet we note that a strong factor in price determination is the coverage of the costs involved in obtaining a given fuel, as a result of which no correlation exists between retail prices and heat values, with customers buying the same amount of heat at different prices. Nor are price differences correlated with the confort provided by a given fuel. As an example, coal heat is more expensive than methane gas heat.

The distribution network plays a large role in extending coal consumption into houses with conventional means of burning. Transportation over large distances raises the price of fuel in general, and of coal in particular, and is difficult to achieve due to a lack of appropriate means of transportation. Although the amounts of solid fuels delivered to cities and villages are approximately equal, the rural distribution network is inadequate and unevenly disseminated over the territory. There is an average of one warehouse for 50 villages, and some counties have only 2-3 warehouses in all. Greater attention must thus be devoted to investment allocations for warehouses, so as to build them at locations which will satisfy the economic interests of villages and the people. According to some calculations, a solid fuel warehouse needs a turnover of at least 2000 tons per year in order to be profitable. Since this economic condition cannot always be fulfilled, we must expand the initiative taken by some counties, in which fuel carloads are send directly to the more distant villages on the basis of customer lists approved by the managements of agricultural production cooperatives, peoples' councils, or local units. The fuel is unloaded and distributed by a citizens' collective formed by the customers included in the lists. It should be added however that in promoting this system no means have yet been found to encourage those who assume the responsibility of receiving, checking, unloading, and distributing the fuel.

In conclusion, the development of coal utilization within acceptable economic limits, for heating housing blocks, imposes the concentration of this housing in large groups, the use of heat distribution on the widest possible scale through large thermal plants equipped with the largest possible boilers, and a consideration of economic transportation distances. In housing with individual means of burning, an increase in the proportion of coal utilization requires the perfecting of devices which can use lower grade coals, the achievement of a closer correlation between purchase price, heat value, and confort offered by fuels, and the improvement of the distribution network, particularly in rural areas. The longer range future imposes that economical technologic solutions be found for coal's problems of smoke, steriles, sulfur, and so on. At the present time, however, the quality of coal could be improved through briquetting.

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IMPORTANCE OF ESTABLISHING CONSUMPTION NORMS STRESSED

Bucharest REVISTA ECONOMICA in Romanian No 26, 26 Jun 81 pp 12-13

[Article by Theodor Stolojan, minister of finances]

[Text] A fundamental approach to fulfilling the tasks of the current five-year plan of quality and efficiency, in complete accordance with the objective requirement of increasing the contribution of intensive factors to the country's socioeconomic development, as was clearly emphasized during the 12th Party Congress, is to further reduce the consumption of materialized and live labor in all areas of activity, and to use rationally and with good stewardship, the material, labor, currency, and financial resources of society.

Within the new economic-financial mechanism, and as part of self-management and self-administration, an important role in encouraging socialist units to reduce expenses of any kind and limit them to strictly necessary amounts, is assigned to the system of norms and standards. At the work conference of the Central Committee of the RCP, on 4 June of this year, Nicolae Ceausescu referred to the consumptions of the economy and showed that new consumption standards must be rapidly introduced, both for energy and raw materials, as well as for financial and manpower expenditures, and that a rational system of high responsibility must be instituted in all sectors of the economy.

Order and Discipline in Resource Consumptions

Norms and standards express either predetermined limits for the efficiency with which material, manpower, currency, and financial resources are used under given technical, economic, and organizational conditions of economic and social processes; or optimum levels for the formation and allocation of resources at certain stages of socioeconomic development. At least two points must be clarified in connection with the content of norms and standards:

a) Independently of the unit of measurement used in their construction--natural, natural-conventional, time, money--they usually express a ratio whose magnitude characterizes the intensity and qualitative aspects of socioeconomic processes. We note for instance that the metal conversion coefficient in the metallurgical industry was 81.1 percent in 1980; in 1981, this coefficient is expected to be 83 percent, which in practical terms means that an additional 330,000 tons of milled

products will be obtained during the year from the same quantity of metal. Another illustrative example is the fact that during 1981, an increase of only one percent in the value of net production achieved with 1000 lei of fixed assets in industry, is equivalent to a net production growth of nearly three billion lei;

b) Norms and standards can be used in an extremely wide range of applications, in fact in all areas of socioeconomic activities. The can be applied in departments, branches, and territories, at all organizational levels, in enterprises, centrals, sociocultural units, ministries, and territorial-administrative units.

The Decision of the Central Committee of the RCP of March 1978 stipulated the expanded use of norms and standards in planning and using material and financial means, closely in keeping with the broader rights and functions of socialist units to plan their own activities, and with the need to strengthen economic-financial self-management, as well as order and discipline, in the consumption of resources. This has in fact increased the number of norms and standards which have come to express plan tasks by being included in the unified national plan.

At the same time, norms and standards constitute instruments of collective management organs in socialist units, for encouraging the determination of workers collectives, and of each individual worker, to reduce and limit consumptions of any kind to strictly necessary amounts, to fulfill the physical production, net production, investments, and exportations with maximum efficiency, and to supervise, analyze, and control these consumptions, thus becoming important moving forces for achieving workers' self-management and economic-financial self-administration.

All of the above also imply that norms and standards are usually of a compulsory nature, either because they are included in the plan, or because their application is stipulated as such in regulatory acts expressly adopted for this purpose.

Reasons for Extending the Use of Norms and Standards

Taking into consideration the general interest of society, the need for maximum economies of raw and other materials, fuels, energy, manpower, currency, and money, the stress placed by the existence of the world energy crisis, and the significant increase in expenses required to assure the basis of raw and energy materials for the economy, the party and state leadership has acted to establish a regulatory basis for all consumptions in socialist units, and to encourage the population's initiative and good stewardship in saving energy and other material resources.

It is well known that during the past five-year plan, the workers have obtained remarkable successes in reducing consumptions in the economy. During 1980 for instance, production costs per 100 lei of goods in the nation's industry were reduced by 6.3 percent with respect to 1975, with savings amounting to about 100 billion lei. Despite all the good results achieved in reducing consumption in the economy, large reserves still exist in this domain because some socialist units did not strictly adhere to the consumption norms and standards stipulated in the plan regarding the recovery, reutilization, and rebuilding of raw and other materials, energy, spare parts, and so on, leading to consumptions that have exceeded the plan's provisions. During 1980, the proportion of material costs in our country's social product was about 60 percent, a figure which is still high compared to that of economically developed nations.

The imperative need to update and perfect the norms and standards of the economy, to extend the application of norms and standards to some categories of consumption, and to use these norms and standards in formulating and founding the unified national plan, state budget, income and expense budgets, and other financial plans, can be better understood if the following are taken into consideration:

In recent years, and especially following the introduction of the new economic-financial mechanism, the national economy has seen significant improvements in the technologic, economic, and organizational conditions of material production and sociocultural activities, with broad positive effects on consumption increases in the economy. We need only point to the broad action to unify and standardize products and technologies, an action with extremely good results on the efficiency of resource utilization--the number of steel brands produced in Romania was reduced from 700 to 166, while the number of models and types of machines, tooling, and equipment in the machine building industry will be reduced by 77 percent--as well as on the development of recovery, reutilization, and rebuilding of raw and other materials, energy, spare parts, and so on. At the same time, all economic branches are endowed with modern fixed assets, as witnessed by the fact that more than 62 percent of them were placed in operation during the last decade. These new conditions make it necessary to first of all rapidly implement norms and standards for consumption in the economy;

A new legislative framework has been created, designed to assure stronger order and discipline in the stewardship of the national wealth and reduce consumption to strictly necessary amounts, in order to more rapidly increase the national income as the reliable source for continued improvements in the standard of living of the entire nation. We are referring in particular to Law No 11/1980 which modifies and complements Law No 14/1971, regarding the management of fixed assets, material resources, and technical-material supplies, which establishes precise functions and responsibilities in formulating and approving norms and standards;

Beginning in 1981, prices for production, selling, contracting, and purchasing, as well as tariffs, have been established for services rendered among socialist units; these prices have been updated and improved on the basis of economic criteria. This action, which is particularly necessary for the proper operation of the new economic-financial mechanism, especially demands the updating of norms and standards for expenses;

There still exist plan indicators which make very little use of norms and standards, as well as economic, sociocultural, and administrative units whose consumptions are not based on norms and standards.

Although it is known that any expense in the economy can be made only for objectives and actions included in the unified national plan and within the limits stipulated in income and expense budgets of socialist units, the experience of planning shows that wherever an indicator in these plans is not rigorously founded on norms and standards, the determination of consumptions and their actual values depend heavily on the consumption performances of the preceding periods.

In particular, in sociocultural sectors and administrative-territorial units which conduct their activities according to economic-financial self-management principles, norms and standards must be updated and expanded very rapidly not only in terms of consumptions but also of incomes, both within units and at a macroeconomic level;

The efficiency goals of the new five-year plan and of 1981 demand that all norms and standards for consumptions in the economy be reconsidered, in order to guide and encourage socialist units and workers' collectives to fulfill them. It is significant that during the current five-year plan, the valorification indicator for basic raw materials will increase by at least 34 percent, the metal consumption norm will be reduced by at least 21-23 percent, 40 percent of the domestic need for iron will be met from recovery and revalorification processes, and costs per 1000 lei of produced goods in the nation's industry will be reduced by 7-8 percent; action will also be taken to further reduce production costs in order to better compensate for the effects of price increases for raw and other materials, fuels, and energy.

Objectives and Responsibilities

Enterprises, centrals, ministries, and other local and central organs are charged with extremely important tasks of high responsibility in updating and rapidly introducing new consumption norms and standards into the economy. According to law, they have the obligation to assure the formulation and updating of consumption and stock norms and standards for all categories of raw materials, materials, and fuels; update norms and standards for their recovery, reutilization, and repair; update work norms in accordance with new technical and organizational conditions; update technologic norms for operating times between maintenance and repair shutdowns for fixed assets; and update the time standards allotted to operations and categories of operations.

The Ministry for Technical-Material Supply and the Control of the Management of Fixed Assets has the task of establishing and updating, upon proposal from balance coordinators, norms and standards for recovering, reusing, and rebuilding parts and subassemblies, as a task that is compulsory for all units in the economy. The ministry, together with the Ministry of Finances, the Ministry of Labor, and other central organs, have the task to update, on the basis of criteria approved by the party and state leadership, maximum expenditure norms for furniture and inventory items for all areas which conduct office activities, as well as for commercial, hotel, and public food units, and for units in the sociocultural sectors, with the aim of reducing these expenses to strictly necessary amounts.

Enterprises, centrals, ministries, and central and local organs also have the obligation to update and extend the norms and standards used in planning and carrying out administrative-management expenditures, expenses supported directly from the financial results of economic units, and expenses for actions of an economic nature which are still financed from the state budget--such as road repair and maintenance, some veterinary animal raising actions, village management, and so on.

Together with the efforts made to update and improve the existing system of norms and standards for consumptions in the economy, greater attention must be devoted to improving comprehensive norms and standards for consumptions or allocations of resources, as used in planning processes at the level of centrals, ministries, and other central organs in the economy.

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DECREE ON SALE OF GOODS, EXECUTION OF SERVICES ON INSTALLMENT BASIS

Bucharest BULETINUL OFICIAL in Romanian Part I No 52, 20 Jul 81 pp 2-4

[Council of State Decree on the sale of goods and services on the installment payment plan]

[Text] Decree of the Council of State Regarding the Sale of Goods and Services on the Installment Payment Plan

The Council of State of the Socialist Republic of Romania decrees:

Article 1. - The socialist state and cooperative units can sell goods and services on the installment payment plan to physical persons under the conditions of this decree.

Article 2. - The goods that are sold and the services that are done on the installment payment plan, the payment terms, the number of monthly payments and the categories of persons who can use the installment payment plan for goods and services are those listed in Annex No 1.

Article 3. - The socialist units where the buyers or users of services are employed are required to deduct payments according to the sales-purchase contract or the service contract.

The value of the goods bought and the services purchased on the installment payment plan will be deducted by way of a schedule of payments from the monthly salary.

The pension payment organs are required to deduct from pensions installment payments and interest according to the contracts concluded by retired persons.

The amount established as the monthly payment will not exceed one-third of the scheduled monthly salary.

For the amount established as the monthly payment, an interest rate of five percent per year will be paid.

Article 4. - The goods sold on the installment payment plan become the property of the buyer from the moment the sales-purchase contract is signed.

The goods cannot be transferred by the buyer by way of selling, donation, exchange or any other means of transfer prior to fully paying the price for these goods.

In the event that a transfer takes place in violation of the above paragraph, the selling unit will collect the amount due from the buyer with whom the contract was concluded.

In cases where the buyer also has other debts besides those for goods purchased on the installment payment plan, creditors cannot pursue those goods purchased on the installment payment plan prior to the debts being paid for in full.

Article 5. - In cases where the payments cannot be made through deductions from the salary and if the buyer or user of the services does not pay on a schedule of payments, the selling or service unit will be able to take actions for the payment of the scheduled installments.

The agreements with the buyers and users of services will be done on the basis of a sales-purchase contract or, as the case may be, a service contract, which have the power of an executory title.

Execution requests and all other procedural acts related to execution are exempted from stamp taxes.

Article 6. - This decree takes effect 10 days after its publication in the BULETINUL OFICIAL of the Socialist Republic of Romania.

On the same date, the normative acts outlined in Annex No 2 are abrogated, as well as any other acts prior to this decree referring to goods that can be sold or services that can be done for the people on an installment payment plan, and to the minimum payments and the maximum number of payments.

Article 7. - Annexes No 1 and No 2 are an integral part of this decree.

[Signed] Nicolae Ceausescu, President of the Socialist Republic of Romania
Bucharest, 18 July 1981, No 205

[Annexes listed on next page]

Annex No 1

List of Goods and Services Sold on the Installment Payment Plan

I. Goods Sold on the Installment Payment Plan

Name of Product	Amount of Salary or Other Monthly Incomes	Minimum Down-Payment (%)	Maximum Number of Payments
1. Furniture Valued Over 5,000 lei*	- Regardless of salary or other monthly incomes	30	14
2. Dacia 1300 car	- Regardless of salary or other monthly incomes**	50	20
	- Up to 4,000 lei monthly***	60	18
3. Uniforms for young people and commanders taking part in training for national defense activities	- Regardless of salary or other monhtly incomes	100 lei on first payment	3

*Sold only to young married couples who are employed and who at the time of marriage were under 30 and during the first 5 years of their marriage.

**Sold only to workers and craftsmen in socialist state and cooperative units.

***Sold to other categories of workers in socialist state and cooperative units.

Note: Cars purchased under the conditions of this decree must be insured against damage for the entire payment period, according to the conditions in the sales-purchase contract.

II. Services Done on the Installment Payment Plan

Type of Service	Amount of Salary or Other Incomes	Minimum Down (%)	Maximum Number of Payments
Capital repair work on housing units and facilities belonging to these units*	Up to 3,600 lei monthly	50	10

*Only those workers in socialist state and cooperative units, retired persons in the state social security system and retired persons of the Ministry of National Defense and the Ministry of the Interior can use services bought on the installment payment plan.

Annex No 2

List of Normative Acts That Are Abrogated

1. Decree No 296/1959 regarding the sale of goods and services on the installment payment plan, published in BULETINUL OFICIAL, Part I, No 21 of 12 August 1959.

2. Council of Minister Decision No 1087/1959 for applying Decree No 296/1959 regarding the sale of goods and services on the installment payment plan, published in BULETINUL OFICIAL, Part I, No 34 of 21 September 1959, with later modification.

3. Council of Ministers Decision No 94/1960 regarding the extension of the provisions of Council of Ministers Decision No 1087/1959 for the completion of certain services using the installment payment plan.

4. Council of Ministers Decision No 1307/1962 regarding the sale of goods on the installment payment plan to members of agricultural collective farms, published in BULETINUL OFICIAL, Part I, No 40 of 31 December 1962, with later modifications.

5. Council of Ministers Decision No 2628/1967 regarding the sale of works of art and musical instruments, devices, accessories and works on the installment payment plan, published in BULETINUL OFICIAL, Part I, No 92 of 26 October 1967, with later modifications.

6. Council of Ministers Decision No 1042/1968 regarding the sale of goods and services on the installment payment plan to retired persons and the abrogation of certain provisions in Council of Ministers Decision No 296/1959, published in BULETINUL OFICIAL, Part I, No 67 of 20 May 1968, with later modifications.

7. Council of Ministers Decision No 1379/1971 regarding the sale of radios and televisions on the installment payment plan to members of agricultural production cooperatives and private farms, published in BULETINUL OFICIAL, Part I, No 137 of 30 October 1971, with later modifications.

8. Council of Ministers Decisions No 1319/1972 regarding the sale of goods and services on the installment payment plan, published in BULETINUL OFICIAL, Part I, No 125 of 13 November 1972, with later modifications.

9. Council of Ministers Decision No 1334/1973 regarding the sale of automobiles on the installment payment plan to certain categories of persons employed on the basis of work contracts, published in BULETINUL OFICIAL, Part I, No 157 of 13 October 1973, with later modifications.

10. Council of Ministers Decision No 225/1973 regarding providing transportation for persons involved in silviculture.

11. Council of Ministers Decision No 387/1974 regarding the sale of Dacia 1300 automobiles on the installment payment plan to the populace, published in BULETINUL OFICIAL, Part I, No 65 of 20 April 1974.

8724
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MEASURES TO IMPROVE ACTIVITY OF FOREIGN TRADE ENTERPRISES

Bucharest BULETINUL OFICIAL in Romanian Part I No 52, 20 Jul 81 pp 1, 2

[Council of State Decree on measures to improve the activities of foreign trade enterprises]

[Text] Decree of the Council of State Regarding Some Measures to Improve the Activities of Certain Foreign Trade Enterprises

The Council of State of the Socialist Republic of Romania decrees:

Article 1. - Beginning on 1 July 1981, the foreign trade enterprises listed in the annex of this decree are subordinate to both the Ministry of Foreign Trade and International Economic Cooperation and the ministries mentioned in this annex.

Article 2. - The Ministry of the Metallurgical Industry and the Ministry of the Chemical Industry, with regards to the activities of their respective foreign trade enterprises, exercise their attributes according to the legal provisions in effect, having the obligation to ensure the permanent growth and diversification of production for export, the production of competitive products having a high technical level, the effective adaptation of production to meet the demands of the foreign markets, the fulfillment of export contracts under conditions of the level of quality and timeliness agreed upon with the foreign partners, the judicious use of imports and the promotion of advantageous trade and certain new, efficient forms of foreign trade and international economic cooperation.

Article 3. - The Ministry of Transportation and Telecommunications has the obligation to take measures to provide the means of rail, vehicle, naval and air transport necessary to achieve exports and imports within the timeframes outlined in concluded contracts, to improve transport and handling processes, to ensure the regular movement of goods and ships in ports and to move goods through ports under efficient conditions, while adhering to the programs established according to law.

Article 4. - The Ministry of Foreign Trade and International Economic Cooperation exercises, with regards to the activities of the foreign trade enterprises listed in the annex, its attributes as an organ which, according to the provisions in effect, is responsible for all foreign trade and international economic cooperation activities.

Article 5. - Points 4, 5, 8 and 12 in Annex No 9 of Council of State Decree No 276/1979, regarding some measures to improve foreign trade activities, are modified according to the provisions of this decree.

[Signed] Nicolae Ceausescu, President of the Socialist Republic of Romania
Bucharest, 15 July 1981, No 194

Annex

Name of Enterprise	Subordination of Enterprise
1. Metalimportexport	Ministry of Foreign Trade and International Economic Cooperation and the Ministry of the Metallurgical Industry
2. Mineralimportexport	Ministry of Foreign Trade and International Economic Cooperation and the Ministry of the Metallurgical Industry
3. Petrolexport	Ministry of Foreign Trade and International Economic Cooperation and the Ministry of the Chemical Industry
4. Navlomar	Ministry of Foreign Trade and International Economic Cooperation and the Ministry of Transportation and Telecommunications

8724
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BANKING RESPONSIBILITIES IN CREDIT SYSTEM STRESSED

Bucharest REVISTA ECONOMICA in Romanian No 28, 10 Jul 81 pp 13-14

[Article by Vasile Rauta, governor of the National Bank of the Socialist Republic of Romania]

[Text] In the development of our economy, the credit system has asserted itself as an active factor in speeding up the process of broadened socialist reproduction, by the jobs it fulfills being an important element in the economic mechanism. So, on one hand, credit mobilizes temporarily available monetary resources in certain branches of the economy, which it redistributes to satisfy the temporary needs of other economic branches. On the other hand, due to the indissoluble link which the credit system has with the entire circuit of material values, credit becomes a particularly important control means over the way that all resources involved are used.

In this way, the credit system contributes to strengthening economic-financial self-management of the socialist enterprises and, by this, to the continued increase in accumulations, which are the basis for socialist reproduction.

The Stimulative Role of Credit in Economic Activity

Stressing the role which credit has in stimulating the economic activity of some enterprises, however, we should not omit the fact that the way that the economic indicators are achieved is reflected in financial indicators and that the financial situation of one enterprise, first, is a condition of the way in which its economic activity takes place and that only good economic activity and fulfillment of physical production, net production and the other economic indicators can end in the registering of favorable financial results, at the same time having a recirculation of monies and a faster speed at which they rotate being insured through credit.

It should be pointed out that development of our national economy at high rates has led to a rise in the volume of banking credits, with this being one of the main resources for financing economic activity. The measures to improve the leadership and planning of the national economy have increased banking credit even more as an active factor in influencing the economic processes. Thus, we see from the analyses made that for the economy as a whole banking credit in 1980 represented around 42 percent of total resources for covering circulating resources. Of course, within each branch the share of credit differs from one ministry to another and even from one enterprise to another.

A special role in improving the credit system has been played by the adoption and promotion of the principles of the new economic-financial mechanism. In this framework, improvement in the economic-financial system has in view broadening the rights and duties of the enterprises and they must work out their own plan within the tasks belonging to them from the single plan for social-economic development, must have their own budget of incomes and expenses and bear all the responsibility for the good flow of economic-social activity, seeking, as Comrade Nicolae Ceausescu pointed out, "administration of the capital entrusted with maximum efficiency so that they obtain as large a volume as possible of production good and profits for each leu spent." In carrying out this requirement, the credit system is a special means, through the contribution it makes to financing the economy but also through the regular control it has permanently over fulfillment of the plan tasks.

In credit activity the banking organs play an important role, with their being required to administer the credit in relations with the enterprises so that they become the most effective and efficient means in aiding in plan fulfillment. So the banking organs, with the aid of credit, must know the negative phenomena in the enterprises and must pull the alarm on all the shortcomings in their activity. On the other hand, the banking organs must be more demanding and take all the necessary steps in order to determine that all the responsible factors in the enterprises and their coordinating organs take firm measures with a view to repairing the situation.

The Credit Contract at the Basis of the Financial and Plan Discipline

By introducing the credit contract concluded between the enterprises and the bank, on the basis of provisions from the budget of incomes and expenses, a better defined framework has been created for the commitments which the unit in the case makes regarding respect for the volume of credits approved as well as for providing their repayment on the due date. It should be mentioned that they are approved in the cases in which conditions are not insured for repayment of the credits on the due date only if the credit contracts are signed by the centrals or ministries to which the particular units are subordinate and if programs of measures are drawn up which guarantee repayment of the credits given.

Writing of the budgets of incomes and expenses also must be a special point for analysis both for the enterprises as well as the banking organs, with the purpose of bringing into circulation the existing hidden internal reserves, of providing financing only for the values and production actually necessary to the economy within the limits established by the plan and, depending on these elements, it should determine the volume of monetary resources correctly which must be completed through bank credit.

The idea introduced by the new mechanism for determining the size of the necessary total of circulating resources for an enterprise and its introduction into the budget of incomes and expenses is a valuable theoretical and practical guideline, whose goal is to establish the optimum limits for establishing these resources under conditions of a normal circuit in the process of supply-production-sale, bringing to the attention of the enterprise leaders the problem of insuring the solvency and permanent liquidity of each economic unit.

It should be pointed out that during the year, through the process of working out the quarterly credit plans, an additional checking of certain economic processes and proportions takes place when the requests for credit planning are drawn up and presented and these proportions are brought into agreement with the financial possibilities or other phenomena existing in the economy which appeared during the particular period,

with each situation being subject to detailed analyses through the prism of economic efficiency and timeliness. Also, the banking units do not permit credit provisions for production expenses which exceed the planned level. In this context, the planning of credits has taken on particular importance, holding a central place in the activity of the banking organs and in relations with the enterprises. It should be mentioned that, following approval, both the volume of credits as well as obligations assumed by the enterprises at the time of the analyses are basic elements of the credit contract which, following approval of the credit plans, are finalized in each quarter, being a supplementary element in providing for respect for financial and plan discipline. Respect for the planned volume is one of the basic principles of socialist credit and, at the same time, a basic requirement of our economy, whose planned development also includes credit relations and, as such, gives them one of the general characteristics of the organization and development of the socialist economy.

Another important feature of credit under conditions of the new economic-financial mechanism, whose application is favorable to economic development, is the precise destination of the credit established by the plan, a principle which insures both the separation of the activity of the production resources from that of investments, as well as, within them, by separate subjects of credit in accordance with the needs of certain economic processes, such as credits for activity to circulate the goods, on the basis of special approvals, activity for processing of the raw agricultural materials, capital repairs and so forth.

Through operation of checks on the guaranteeing of credits, as conceived in the current mechanism, the enterprises are placed in the situation of knowing the expenses which exceed the planned level of costs, misappropriation of funds and so forth, along with tie-ups of material values in stocks, those which are frozen or unusable and tie-ups of any kind resulting from debtors , as well as other defects in the activity of the economic units. In this context, we should emphasize the attention which the banking organs must give to the way the production expenses are achieved, given the fact that only a reduction in planned costs can bring achievement of profitability and profits for an enterprise and, through the fund for participation in profits, can fully provide an incentive for the work collectives in fulfilling and overfulfilling the plan tasks. Following this checking, an increased interest is collected for the credits set up as being without guarantee, remaining in this position until elimination of the causes for them, with the operation being accompanied by a series of measures which must lead to mobilization of the work collectives in the enterprises to eliminate the deviations with negative aspects for the way that the material and monetary resources are utilized.

Repayment of the credits on schedule, another basic principle of credit, also holds an important spot in the regulations adopted in the new credit mechanism. We should emphasize that the degree to which the economic indicators are achieved is reflected in the way that the credits are carried out and repaid as well as in the way that the entire financial situation is achieved, so that both the credit as well as the other financial indicators have the role of pulling the alarm on the evolution of negative phenomena in the activity of the economic units and cause efficient measures to be taken to eliminate the shortcomings and repair the economic situation of the particular enterprise. For the bank, as the credit and control organ, failure to have repayment of the credits on schedule must be an indicator which guides the attention of the banking units to those enterprises where these phenoema occur chronically and where the irregularities are not justified for temporary reasons, requiring

interventions and firm measures to eliminate the situations which cause tie-ups of capital in certain phases of the economic circuit. Intact maintenance of the payment capacity, on the other hand, must be a primary concern both for the economic and financial organs in the enterprises and their coordinating organs as well as for the banking organs, taking into account that the loss of payment capacity produces difficulties not only at the level of the enterprise involved but also involves a true chain negative reaction with regard to the economic-financial situation of the units with which they have payment relations.

But insuring an appropriate circuit of rotation of material values is also a requirement for maintaining the monetary balance and for insuring monetary stability.

The Prevention and Elimination of Tie-Ups of Capital

Whereas great responsibility in management of material and monetary resources belongs to the organs of the enterprises, the responsibility of the banking and financial organs should not be minimized, either. The banks must be more firm when they find cases of weak administration, of negligence and waste in economic administration, and they should request and apply penalties to the guilty parties and apply penalty interest. We feel that a portion of this interest should directly affect the profits distributed to the enterprise cadres. It should be pointed out that the regulations adopted by the Law on Finances in applying the principles of the new economic-financial mechanism place at the disposal of the banking organs a particularly varied range of measures for correcting the financial situation as, for example, giving credits for recovery of the payment capacity (with increased interest), requesting the application of administrative penalties where this is the case or even the refusal to give credits any longer. For situations where certain economic units remain incapable of payment for a certain period without resolving the causes which led to the failure to have repayment on schedule for the credits obtained or failure to pay the payment obligations, although they benefitted from credits for their temporary needs and for recovering their payment capacity, prior control of the payments is instituted for the particular enterprise, with the banks refusing to make those payments which violate the standards for correct management of material and monetary resources. This measure, at the same time, is accompanied by an analysis of the unit's economic-financial situation, seeking to involve the immediately higher organ in determining the measures intended to lead to correction of the situation.

A more severe measure lies in establishing a special system for economic-financial supervision by a council formed of representatives of the ministry and other general organs with approval of the Council of Ministers and it is applied to those enterprises which do not correct their economic-financial situation. It also should be stressed that the application of the penalties provided by the Law on Economic Contracts in situations where the economic units do not respect their contractual obligations is an effective means for mobilizing them in correcting the shortcomings and fulfilling the economic and financial indicators.

It should be pointed out that another basic function through which banking credit contributes effectively to the economic development is that of control. Banking control through credits, although making a part of what is known as financial control, still has its own specific nature, both as area of action as well as method of achievement.

Being closely linked with the way in which the amounts of monies are placed at the enterprises' disposal through credit in order to carry oug economic activity, bank

control has the opportunity to reject unjustified requests from the enterprises and, by not giving them the money, of having them avoid an unjustified expense . In the new economic-financial mechanism the job of credit control appears to be strengthened, being carried out at all points of intervention of credit and showing its efficiency through adoption of the most demanding measures intended to lead to increasing concern with saving and judicious use of material resources, continual reduction in production expenses, combatting of tendencies to tie up capital and speeding up of their rotation.

Preventive banking control has taken on a more emphatic development in this control, and it has been strengthened as a result of the introduction of new means of planning and seeking of financial implementation, the budget of incomes and expenses and the credit contract, which must stress the responsibility of the enterprises in utilizing the credits. Under the new conditions, banking control is concentrated more on the units which, although they have enjoyed banking assistance through being given credits to correct their financial situation, remain unable to make payments for a longer period, with the banking organs having to take firm action and introducing previous control over payments and refusing to make payments which violate the standards for management of material and monetary resources.

What has been presented above has brought out the fact that the credit system is an important financial means for fulfilling the economic tasks resulting from the single national plans for social-economic development and continued development of the national economy. However, at the same time, another aspect should be pointed out and that is that any credit means an increase in the expenses which the enterprises incur, through collection of the attached interest so that as the volume of these credits increase the particular expenses also increase. Any credit, even under our conditions where we have small interests, still brings an njustified rise in production costs. For that reason, the units must take firm action to apply the principles of self-leadership, self-financing and self-management in order to create their own resources and reduce credits for financing their activity to a minimum and even to give them up.

Following and continually analyzing processes in the economy and the activity of each enterprise separately and the measures taken to mobilize all existing resources in the particular enterprises as well as to prevent or eliminate tie-ups of circulating resources must become a permanent action of our banking system, one which contributes as substantially as possible to the development of the national economy at the rates forecast. Currently the banking organs are concerned with the problem of working out a credit system from a new perspective, for the purpose of the qualitative increase in banking control, of finding new forms and methods which allow control, through credits, to become a more active factor in aiding the development of the national economy.

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PROVISIONS OF 1981-1985 AGRICULTURAL PLAN EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 28, 10 July 81 No 29, 17 July 81

[Article by Ovidiu Popescu, of the Ministry of Agriculture and the Food Industry]

[No 28, 10 July 81, pp 1-2, 12 Part I]

[Text] The Grand National Assembly recently voted the Law on Adoption of the Plan for the Development of Agriculture and the Food Industry During the 1981-1985 Period, a plan which is a distinct one but is inextricably integrated into the uniform national plan for Romania's socioeconomic development, marking in agriculture also the firm transition from the substantive quantitative accumulations achieved during the prior periods to a new quality, to the realization of a genuine agricultural revolution in terms of production, labor productivity, technological standard, economic efficiency, and the overall activity in our villages.

This plan is based on the provisions in the Program of the Romanian Communist Party, the goals and tasks set by the 12th Party Congress, the provisions of the special programs endorsed by the Second Farmers' Congress. The entire activity of formulating and substantiating the five-year plan developed under the guidance and with the direct support of Nicolae Ceausescu, who gave extremely valuable directives on the major levels, rates and directions of agricultural growth in this stage and on the distinctive concretization of the technical-material and financial assets provided to agriculture, for the purpose of best conforming with the tasks of this key branch, of optimally meeting the consumption needs of the population, the needs of industry and other economic needs.

Greater Output, Better Structure

The special emphasis placed on expanding the technical-material base and promoting in production the latest scientific and technical advances will give strong impetus to agricultural production and all the subbranches will grow harmoniously and evenly. Total agricultural output will go up during the five-year period at an average annual rate of 4.5-5%, and net output, 6.8%. The greater rise in net output must be obtained as a result of raising efficiency and obtaining the physical output in the context of higher labor productivity and minimal materials expenditures.

The rates attained by our agriculture and those envisioned in the future are higher than their world counterparts [1] and this creates an important premise for

the level of Romanian agriculture gradually approximating the level of agriculture in economically advanced countries, fully justifying the role of key branch of the economy, and significantly helping to achieve the strategical objective of moving beyond the status of developing country and joining the medium-developed countries.

Because the growth rate of agricultural production will be higher than that of the population, the bases will be created for a higher level of per capita food consumption and an exportable surplus will be ensured. For instance, in 1985, per capita consumption will be 68 kg for meat and meat products, 222 l for milk and milk products (excluding butter), 290 eggs, 32.5 kg for sugar and sugar products, 160-170 kg for vegetables and vegetable products, and so forth. This will result in meeting the physiological needs and ensuring a proper and harmonious development of the population. [2] There will be a marked increase in the consumption of food products with a higher nutritional level and a greater amount of mineral salts and there will be a decrease in the consumption of grain and potato products. Moreover, there will be changes in the food consumption pattern, in the way of achieving a better balance between vegetable products and animal products, in consequence of the greater rise in animal proteins. The dynamism of agricultural production will insure both the increase in per capita consumption and in exports of farm foodstuffs, which will go up at an average annual rate of 9%.

The rise in agricultural output, concurrently with the reduction in the work force, made possible as a result of the large investments in fixed assets and upgrading of technology under the five-year plan of the agricultural revolution, will also involve a marked increase in the rate of labor productivity, which in agriculture will be superior to that in industry, and this will accelerate the elimination of the lag between these two branches. While production in the 1981-1985 period will increase 24.4-27.4%, the work force in agriculture will decrease 17%, with agriculture continuing to further be one of the branches in which boosting of output will proceed in the context of continuous reduction of the work force.

The agricultural revolution aims at accelerating the progress of all agriculture and the harmonious growth of all counties, with conditions being created for the reduction of zonal discrepancies and for better territorial balancing. Boosting farm output more rapidly in hilly areas requires -- besides better zoning -- also intensified programs for combating soil erosion and improving podzol soil, overall mechanization of projects on slopes, expansion of areas under vine and fruit trees, expansion of animal husbandry and industrial-type activities, and ampler cooperative undertakings.

The formulation and implementation of a uniform and long-term strategy for ensuring the harmonious growth of all the zones will create conditions for the upgrading of the farmers' standard of living, the reduction of the essential differences between town and country, between agricultural activities and industrial activities.

The establishment of a sensible proportion between plant output and animal output, between the various subbranches and sectors is of special importance for economic growth in agriculture. Greater modernization in agriculture and more emphasis on its qualitative facets will generate significant changes in the structure of production. In this context, more rapid rates have been set for the branches which further technological progress, make better use of the natural potentialities -- material and human --in agriculture and play a greater role in meeting the economic needs.

The evident trend of increase in the volume of animal output is based on the growing demand for animal products, in their significance to improving people's nutrition, on the need for best use of our resources, including the matter of vast natural grasslands. The proportion of animal output in the overall farm output will reach 47% in 1985 and 50% in 1990, a level that has been assessed as optimal. Concurrently with more amply expanding animal husbandry in the socialist sector which will be the chief factor in terms of total livestock, more emphasis is placed on raising and fattening of animals on private farms, and to this end greater assistance will be given in providing the feed, the breeding stock and veterinary care. Cooperation will be broadened among socialist agricultural units and private farmers to increase their involvement in obtaining the animal output, using the available work force and some local feed resources. Piggeries and incubators will be established in the consumer cooperative network to insure the number of piglets needed for greater amounts of meat in this sector.

As a result of the consistent progress of agriculture along the road of intensive farming and multilateral development, changes will take place in the pattern of areas under crops, with the aim of sizing the branches and crops so that they may increasingly meet the needs for agricultural products and insure the priority development of some branches, the sensible correlation of branches that interact. In specifying the pattern of crops attention was paid to the matters that arise from the constant upgrading of the people's nutrition, the need for expanding some important sectors of the food industry, for creating an exportable surplus of the products that are in demand on the foreing market and for reassessing energy-intensive products.

As conditions will be created for some crops in the way of making some lands available as a result of marked rise in outputs, additional lands will be assigned to those crops which formerly were minor factors but which now have aquired great economic importance. For instance, greatly expanding will be the industrial crops (specifically sunflower, soybeans, sugar beet, flax for fiber), food legumes, potato, vegetables, fruits, grapes (in line with the measures taken to improve supplies to the population in terms of fresh and canned vegetables and fruit, edible oil, sugar and so forth) and livestock products. The year 1985 will see irrigated cultivation of an area of about 2.9 million ha -- almost one-third of the arable area*) -- in whose structure the emphasis will be on corn and soybean, and industrial crops: the area under vegetables will be farmed in full.

The changes which will occur in the crop pattern, materialized in the expansion of the areas under basic farm crops and crops that are very important to the economy, and in the introduction of new, more intensive crops, simultaneously with reduced farming for other crops, tellingly illustrate the process of intensive farming.

Precedence to Greater Per Hectare Yield

Under this five-year plan of the new agricultural revolution the farming sector must make better use of its great resources to obtain a significant increase in output at the level obtained by the foremost units. The program for the development and

* In 1978, the proportion of the irrigated area in the arable area + vineyards and orchards was 4.5% in France, 3.9% in West Germany, 24% in Greece, 23.2% in Italy, 24.5% in Portugal, 14.3% in Spain. (Claculated according to FAO Yearbook, Vol 33, Rome, 1980.

modernization of the technical-material base under the new five-year plan will result in more intensive production, an upward trend of total output, which will be far greater than those obtained so far (Table 1).

Table 1. Increase in Plant Output

Tabelul nr. 1

Creşterea producţiei vegetale

		1a) (mii tone)		
		1980	1985	1985/1980 (%)
1)	Cereale petru boabe	20,200	28 500	141,1
2)	Soia	448	966	215,1
3)	Fasole	88,5	330	372,9
4)	Floarea soarelui şi rapiţă	817	1 260	154,2
5)	Sfeclă de zahăr	5 562	12 600	226,5
6)	In pentru fibră	135	420	311,1
7)	Cartofi de toamnă	3 676	6 700	182,3
8)	Legume de cimp	3 412	6 000	175,8
9)	Fructe	1 418	3 000	211,6
10)	Struguri	1 313	2 430	185,1

Key:

1a. (Thousand tons)
1. Grain (kernel)
2. Soybean
3 Beans
4. Sunflower and brassica
5. Sugar beet
6. Flax for fiber
7. Winter potato
8. Field vegetables
9. Fruit
10. Grapes

A basic feature of Romanian agriculture will involve continuous, harmonious growth of all branches, with the production increases chiefly obtained on the basis of per hectare yields. In the context of a limited increase -- only 2% -- in the arable area, the sole approach to obtaining overall outputs that ensure attaining all the purposes set under the plan involves marked rise in per hectare yields, as a result of fuller use of land resources, of all equipment facilities, following the technologies established, rigidly implementing the standards on ensuring crop density, performing all operations during the optimal periods and at the proper qualitative level, continuously upgrading the upkeep and harvesting techniques.

As a direct consequence of full utilization of the pedoclimatic conditions and of material and human resources in agriculture, it is expected that the following per hectare yields will be obtained by the end of this five-year plan: 3620 kg for wheat and rye, 4840 kg for corn (kernel), 4500 kg for barley, 2375 kg for sunflower, 2510 kg for soybean, 36,000 kg for sugar beet, 23,500 kg for winter potato, 18,670 kg for field vegetables. [3] These outputs are fully feasible if we take into consideration the fact that last year almost 300 units obtained more than 4000 kg/ha for wheat, and 36 -- more than 5000 kg; 119 units obtained more than 6000 kg/ha for corn, and 21 -- more than 8000 kg; 230 units obtained more than 30,000 kg/ha for sugar beet, and 43 -- more than 40,000 kg.

Grain is further the primary objective of our agriculture. The output level for grain is the key factor for the expansion of animal husbandry, the upgrading of the people's standard of living. Grain will account for almost two-thirds of the area under crops and the greatest volume in the makeup of farm output. The total grain output will reach 28.5 million tons, including 7.6 million tons for wheat and 16.6 million tons for corn. This means fulfilling the task of ensuring 1 ton of grain per capita, placing Romania among the first countries for per capita production [4], in the context of ensuring greater amounts for the other products as well. The area under wheat will be slightly reduced, corresponding to the sensible trend of cutting down bread consumption and the necessary amount for the population will be insured in the context of the significantly increased yields per hectare. Concurrently with raising the output of corn in individual fields, corn growing in successive crops will involve a 300,000 ha expansion, for the purpose of supplementing and equilibrate the balance of concentrated fodder. The protein needed for animal raising will be ensured on the basis of further expanding the areas destined for barley growing, to 950,000 ha, versus only 809,000 ha last year.

The leguminous crops (for seeds) must be important factors in the sensible nutrition of the population, because of their high level of plant protein. Consequently, the crops of beans in individual fields in 1985 will cover 150,000 ha, versus 95,000 ha in 1980. In light of the area under successive and intercalated crops, the total output will reach 330,000 tons, versus only 88,500 tons now. This requires growing food legumes in the most favorable zones, in light of the needs of each species, most preferably in irrigated areas, concentrating the areas under the smallest possible number of units, generally located in compact bodies of minimum 100 ha.

[No 29, 17 July 81, pp 11-12, 19 Part II]

[Text] Raw Materials for Industry

Industrial crops will further be a major concern. Greatly increased outputs will be obtained for sugar beet, sunflower, soybean, flax and hemp for fibers, to meet the raw material needs of the food and light industries. Sugar beet and sunflower crops will be expanded in the farms of cooperativized farmers and private farmers and the resulting output will be processed in the food industry, with the producers receiving sugar and oil in exchange. The attention paid to these crops also is reflected in the evolution of their input into the crop pattern: from 10.5% of the arable area in 1970 to 14.4% in 1980 and to 15.8% in 1985.

Noticeable rises are envisioned for sunflower, whose total output will reach 1.26 million tons, that is almost 55 kg per capita and this will place Romania among the top producing countries in the world. The increase in the sunflower output reflects the world trend of reducing the animal fat consumption and of raising the consumption of vegetable fats, which have higher nutritional qualities.

The soybean crop, as an important source of protein meal for livestock production and the production of edible oil, will in 1985 reach an output of 966,000 tons, more than double the level for last year. The obtaining of output increases requires the location of crops in favorable zones, in irrigated systems and concentration in specialized units provided with adequate equipment and ensuring crop rotation on a minimal 3-4 year basis.

Sugar beet crops will rapidly expand. Production will reach 12.6 million tons, that is 540 kg per capita [5], and this will permit to increase per capita sugar output. The yield for sugar beet will reach 36 tons per hectare, because this crop will profit from the result of the projects for improving the seed (seeds will be provided from the high-yield monogerm varieties), for upgrading techniques and for expanding the crops on irrigated lands (from the area of 350,000 ha, crops will be grown on 120,000 hectares of irrigated land). Moreover, sugar beet crops will be concentrated in the most favorable pedoclimatic zones and in specialized agricultural units, located around sugar factories, up to a distance of maximum 35 km.

The continuous rise in the use of textiles, as a result of the better standard of living, has resulted in greater needs for raw materials. Consequently, the rises envisioned for textile crops involve rates which exceed the average rate for the group of industrial crops: for instance, output of fiber flax will stand at 420,000 t and of fiber hemp, at 227,000 t. Furthermore, started will be the processing of the stems of oil flax and expansion of the crops of flax with double purposes (fiber and seeds) from 7300 ha in 1980 to 20,000 ha in 1985. The more intensive growth of the industrial crop output will help to better utilize the lands, to ensure the raw materials for industry and raise efficiency. This will result in a growing integration of agriculture with some industrial branches, a fact which steps up the modernization of this sector.

Vegetable Outputs Corresponding to Healthy Nutrition

Vegetable growing is increasingly asserting itself as a branch with a special input in Romanian agriculture, as sensible nutrition requires a high vegetable consumption all the year round. The field vegetable output will reach 6 million t in 1985, as a result of farming 300,000 ha inindividual field and 100,000 ha, succesive double crops, by intensively using the vegetable area and the other lands after the harvesting of grain and fodder crops in June and by more significantly raising efficiency and sensibly utilizing the technical-material base.

Obtaining the outputs scheduled requires locating all the areas under vegetable crops on irrigable lands and lands with a high productive potential, developing major vegetable areas that are streamlined and specialized in cultivation of vegetables that permit uniform application of modern techniques, greater mechanization and chemicalization, and so forth. Territorially, vegetable production will develop so that all the counties with favorable conditions may ensure local consumption and the major vegetable growing areas in the southern and western parts of Romania may obtain additional outputs which, besides meeting local needs, may provide a surplus designed for other areas of this country that have less favorable conditions and also exportable amounts. Under this five-year plan, the goal is to complete the program for concentration and specialization in this sector; achievements will include diversification of the range of vegetables and better phasing and utilization of production according to the various purposes. The specialized farms -- running on commercial bases -- must be organized so that 70-80% of the output may be delivered to the state fund.

For the purpose of ensuring greater quantities of early vegetables provisions were made to expand the nursery areas so that in 1985 we may have 3000 ha; the increase in the hothouse areas will be limited to 1080 ha. In light of the energy-intensive character of production, the emphasis will be placed on using the prospects for ensuring the necessary heat based on utilization of thermal springs and residual heat.

For the proper use of these areas, measures will be taken to expand related and tiered crops, apply the techniques that minimize electric and thermal energy consumption, use new strains and hybrids with a high productive potential and with low heat requirements. It is planned to structure the utilization of hothouses in two cycles, with an annual output of 150 t/ha.

The output of winter potatoes in 1985 will reach 6.7 million t, as a result of the production of stock from valuable strains, the zoning of production on the basis of specialized areas, the introduction of advanced techniques and special measures for conservation and processing of the crop. Conditions will be created for all counties to fully meet their potato consumption needs from their own outputs and the location of crops will be upgraded so that in 1985, from the total of the area under this crop, 27,000 ha will be irrigable.

The fruitgrowing industry will further expand. Production will reach 3 million t of fruit and this will meet the needs in terms of public consumption and will provide an exportable surplus. There will be a rise in the production potential of orchards in bearing, as a result of modernization and consolidation projects (so far involving 57,000 ha and scheduled to be completed under this five-year plan on 50,000 ha). New orchards with fruit trees and shrubs based on intensive and superintensive growing will be set up in the established fruitgrowing centers, over an area of 70,000 ha, corresponding to the ecological zones that are propitious for the various species and varieties, with the focus on concentration and streamlining of production for the purpose of properly utilizing the technical-material base and ensuring large batches of quality fruit. For the purpose of upgrading the species pattern special attention will be paid to establishing orchards with species that are in short supply (apricot, sweet cherry, sour cherry, walnut, and fruit shrubs).

Grape-growing, a branch with old tradition in this country will further play an important role in the multilateral development of agriculture; its output by the end of the five-year plan will stand at 2.43 million t, and this will ensure a per capita consumption of 87 kg grapes equivalently, including 33 kg fresh and industrialized. This increase in the grape output must be chiefly ensured by boosting average output, based on modernization of existing vineyards, better use of the growing techniques recommended, redevelopment of scattered vineyards (specifically of those located in the plain -- by establishment of new vineyards near by villages and rooting out of those in existence only gradually as the new vineyards start bearing), improvement of the quality of the nursery stock and upgrading of this stock's biological value, establishment of modern vineyards, characterized by streamlining and a structure in tune with consumption needs. This period will see the modernization and consolidation of an area of 46,600 ha; new vineyards will be set up on an area of almost 60,000 ha; the technical standard of vineyard utilization will improve as a result of differentiation of growing techniques according to the various zones, production lines and strains and of upgrading of the technical level in completing the procedures. The phased production of table grapes based on varietal conveyor and creation of conditions for conservation of 30,000 t, by the end of 1985, will make it possible to extend consumption over a longer period throughout the year.

Animal Raising -- Central Branch

Modernizing animal raising -- a central guideline in the overall strategy of more intensive farming -- is another program targeted for ensuring a modern, intensive and highly productive agriculture, which makes use of the latest scientific advances. In light of the great importance of livestock production, sustained efforts are made, as part of comprehensive programs, to significantly increase the cattle herds (concurrently with improving the species and breeds), which will involve the evolution indicated in Table 2.

Table 2. Growth of Cattle Herds

Tabelul nr. 2

Evoluția efectivelor de animale
la (mii capete)

	1980	1985	1985/1980 %
1) Bovine din care:	6 485	7 300	112,6
2) vaci și junici	3 198	3 700	116,0
3) Porcine	11 542	15 000	130,0
4) Ovine și caprine	16 212	21 500	132,6
5) Păsări ouătoare	52 606	63 300	120,6

Key:
1a. (Thousand head)
1. Cattle including:
2. Cows and heifers
3. Hogs
4. Sheep and goats
5. Egg-laying fowl

For the purpose of achieving the cattle herds scheduled great attention must be paid to upgrading the reproduction and improvement programs by adequate raising of replacement junior cattle, controlled production of the breeding stock and use on an overall scale of artificial insemination. Under this five-year plan, special emphasis will be placed on increasing the birth rate, reducing the mortality rate, and keeping all the female junior cattle for reproduction purposes. Consequently, the natality indices will stand at 85% for cattle (with the focus on controlling the reproduction process in such a way as to have 70-80% of breedings by May) and 99% for sheep (aiming at three breedings in 2 years).

Measures were established for the development of breeding points on all cow farms, raising and fattening in special farms of heifers, whose selection will be made after the first breeding. Upgrading sanitary-veterinary care, for the purpose of significantly reducing the loss in animals and fowls, is a basic requirement for fulfilling the plan in the animal raising sector.

In order to encourage all the people who own farmland in villages and towns to raise and fatten a large number of animals on private farms, the socialist units will structure the production of newborn piglets and chicks, that will be sold to animal raisers.

The economic efficiency of animal breeding will chiefly increase on the basis of the rise in the output per each animal. This output will attain in state agricultural units an average annual level of 3500 liters of cow's milk, 4.77 kg wool and 240 eggs, and in agricultural production cooperatives, respectively, 2400, 3.5 kg, and 235. The average delivery weight, to the state fund, for cattle will be 470 kg in the state sector and 435 kg in the cooperativized sector.

The total livestock output, taking into consideration the cattle destined for slaughter and the average productions planned, will appreciably increase under this five-year plan (Table 3).

Table 3.

Tabelul nr. 3

Evoluția producției principalelor produse zootehnice

	1980	1985	1985/1980 (%)
1) Carne în viu (mii t)	2 437	4 000	164.1
2) Lapte de vacă (mii hl)	51 252	86 700	169,2
3) Ouă (mil. buc.)	6 727	8 620	128.1
4) Lînă (t)	39 554	64 200	162.3

Key:
1. Live meat (thousand t)
2. Cow's milk (thousand hl)
3. Eggs (million)
4. Wool (t)

The basic factor in territorial animal husbandry involves meeting the consumption needs with livestock products from the local output of each county. Measures will be taken in terms of relating the cattle herds to the production spaces, modernizing the livestock farms and building modern sheds.

Cattle, that account for the greatest proportion in all the livestock production, will significantly increase in herds and this will be coupled with a rise in the average production. The aim is to most efficiently use the natural conditions in the units throughout the territory. The new units will be principally located in the hilly areas, for the purpose of better using their fodder resources. The program will be continued in terms of concentrating and streamlining animal raising in industrial-type units for milk and meat, with sizes to accommodate 500-700 milch cows and 3500-7000 animals in the fattening units, and also specialized units for raising calves, housing 1000-1500. The new units will be structured on the basis of industrial production flow, and modernization will chiefly involve the system of operation in free stabling, with centralized milking. The existing farms will be modernized by mechanizing milking, watering, dejecta disposal, and feed preparation. Breeding and raising points and centers for raising calves and fodder kitchens will be developed on all cow farms. The rise in the production of cattle meat will be obtained by using on an overall scale the intensive farming techniques, with early takeover of calves and their fattening up to the average slaughtering weight set.

The cattle fattening centers will ensure the fattening of calves in the region involved, by cooperating with the agricultural units and giving them assistance and support in the fattening projects. The complex will become the sole organization in the area that contracts for the junior cattle and delivers animals to the slaughterhouse. In this context, cooperative relations will be expanded with the private farms, which will receive technical assistance and support in terms of wiser utilization of the space, manpower and feed resources.

The hog raising sector will also expand rapidly. We have favorable conditions in this area, specifically in light of the fact that the grain output provides the context for adequate feed.

Hog raising will develop chiefly on the basis of industrial complexes, which by the end of 1985 will have most of the animal herds and apply feeding with combined feed to meet biological requirements. All the meat production will be obtained in these complexes, which will develop associative and cooperative relations with the husbandry units and private farms. The complexes will provide young pigs, combined fodder, technical assistance, services to modernize sheds, and based on contracts, will receive the pigs made up for slaughtering. Under this system, in addition to the fact that all the pork output will be obtained under the direct management of the complexes in the socialist sector (which will become the sole units responsible for delivery to slaughterhouses), centers will be created for improving the reproduction process, by more intensive use of sows and young sows and a high genetic potential will be insured, by controlled selection deliveries.

As for sheep, provisions involve increasing the herds of fine and semifine wool sheep and raising the wool output per animal. Special attention will be paid to raising sheep in the pedoclimatic areas with conditions for ensured feed -- grassland and natural meadows, where local breed improvement will be stepped up. For the purpose of boosting the wool output and reducing imports, 1-1.5 million young rams will be retained; they will be shorn and delivered for export the following year. The entire available sheep herds in the socialist sector and private farms will be fattened in units with industrial-type flow and with mechanization facilities for maintenance, where the foddering resources characteristic of each zone will be utilized.

Under this five-year plan, fowl breeding will develop rapidly, with the emphasis on the socialist sector. Additional industrial-type facilities will be built and some existing units will be modernized. Comprehensive cooperative programs will be organized, under which the socialist fowl breeding enterprises will supply the private farms with young chicks and feed and will provide technical aid and promote industrialization of production in modern slaughterhouses. The completion of new units with industrial flow and sized optimally plus expanded cooperative projects as mentioned above will enable the obtaining of higher and less expensive outputs with positive impacts on the quality of production and delivery pace.

The needs of industry and of the domestic and foreign markets necessiate paying more attention to the expansion of sericulture, raising of animals with precious furs and apiculture. The output of silkworm cocoons in 1985 will reach 2500 tons, at the level of the processing capacity. Conditions will be created for the honey output to reach 21,000 tons, in 1985, with this activity rapidly developing in socialist agricultural units and private farms.

Ensuring of Fooder Base

Assertion of a new quality in animal husbandry requires resolving the problem of ensured fodder, which at this time is the basic problem of this branch. The program for ensuring the fodder base provides for expanding the species, hybrids and strains of fodder crops with a high production potential, such as: alfalfa, beet, turnips and brassica for feeding stock, the blends of leguminous crops and perennial gramineae, the wide-scale use of the system that involves two fodder crops annually, preferably on irrigable lands. Concurrently with expanding the areas under fodder crops, special measures will be taken to raise per hectare output -- which will reach 45 tons of green fodder (perennial crops), 70 tons for fodder root crops, 3.8 tons for fodder hay, 20 tons for green fodder from natural grazing lands and at least 12 tons for successive crops. Full use will be made (and the preparation involved will be expanded) of secondary feed resources from grain and industrial crops -- specifically corn stems and cobs, which will be ensilaged in mixtures with succulent feed or molasses and urea. The use will be expanded of techniques such as ammonization, hydrobarothermal treatment, yeasting and fermenting of chopped straws and corncobs. The beter utilization of the 4 million hectares of natural grassland will provide a major fodder source. For the purpose of doing away with non-cost-effective transportation, there will be an upgrading and improvement in the activity of grinding and blending centers, located within the major animal raising units.

The fulfillment of the five-year plan provisions in agriculture and the food industry is of outstanding importance not only economically but also socially, because it is directly tied to the program for upgrading the standard of living and improving the quality of life of all the people. This requires that all workers in this key branch, the branches that provide it with the technical-material resources, be strongly mobilized and display a great sense of responsibility. The production levels set for this five-year plan and their dynamics must be regarded as minimal; any exceeding will positively reflect the impacts on the solidification and growth of the profitability of agricultural units, on the rise in the incomes of working people in agriculture, on better meeting of consumption needs and on the growth of the national income.

FOOTNOTES

1. The annual average growth rate from 1961-1965 until 1976-1978 for per capita food production was 1.4% in developed countries and 0.6% in developing countries. According to forecasting estimates by FAO, during the 1980-2000 period farm output will go up at an average annual rate of 2.7% in developing countries, a rate superior to that of the population which will be 2.3% (FAO -- Agriculture: Horizon 2000, Rome, 1979, pp 23-25).

2. Per capita annual average consumption in 1979 was: for meat and meat products, 60 kg in Finland, 68 kg in Greece, 72 kg in Sweden; for eggs, 280 in Austria, Belgium and France, 240 in Denmark and Italy and 320 in the U.S.; for vegetables and vegetable products, 79 kg in Austria, 102 kg in Belgium, 59 kg in Denmark, 114 kg in France, 150 kg in Italy and 96 kg in the U.S.

3. In 1979, in various countries, the following average per hectare productions were obtained: for wheat -- 3146 kg in Austria, 3896 kg in Bulgaria, 4773 kg in France, 2688 kg in Italy; for corn -- 4521 kg in Bulgaria, 5139 kg in France, 6687 kg in Italy; for beet -- 25,882 kg in Bulgaria, 48,300 kg in France, 41,778 kg in Italy; for potato -- 10,811 kg in Bulgaria, 26,638 kg in France, 13,381 in Italy. (FAO Yearbook, Vol 33, Rome, 1980, pp 96-97, 103, 113 and 169).

4. In 1979, per capita output for grain was 925 kg in Bulgaria, 818 kg in France, 370 kg in West Germany, 312 kg in Italy and 708 kg in Yugoslavia. (Ibidem, p 94).

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EFFECTS OF NEW PRODUCTION, DELIVERY PRICES ANALYZED

Bucharest REVISTA ECONOMICA in Romanian No 28, 10 Jul 81 pp 11-12

[Article by Gh. Nicolescu]

[Text] One of the basic ideas included in Comrade Nicolae Ceausescu's broad speech at the 2d workers council congress is the firm application of the principles of the new economic-financial mechanism, increase in the responsibility of the workers councils and working class in improving the planning and leadership of all areas of activity by strengthening self-leadership and self-management, raising the role of the popular masses in adopting decisions and in implementing them, and, at the same time, increasing control over all activity of the state organs.

Organization of activity so that it insures complete fulfillment of all the plan forecasts--physical and net production, labor productivity, level of costs, profits--must be the regular concern of the workers councils and all personnel.

Use of Technical and Human Potential With Maximum Productivity

As we know, the five-year plan forecasts provide for fulfillment of the strategic goal of moving Romania from the stage of a developing country to the stage of a medium developed country. In accordance with this strategic goal, the five-year plan reflects the emphasis on the quality factors of production, increase in efficiency in all branches of activity. This demands raising the quality of production, use of technical and human potential with maximum productivity, reduction in the consumption of raw materials and materials, saving of fuel and energy, firm application of the new economic-financial mechanism, whose essence lies in "carrying out production at the highest quality level, with the lowest material and labor costs and the maximum profitability and profits."

If we refer only to production costs in the national industry, in this five-year plan it is to be around 170 billion lei lower compared with the around 100 billion achieved in the 1976-1980 five-year plan, which requires an effort of collective thinking for structural modernization of our economy, for improving manufacturing techniques, for reducing the consumption of raw materials, materials, fuels and energy per unit of products, for raising labor productivity, sure ways for raising profitability and profits and providing the necessary capital for the self-financing and development of

each economic unit and for paying back the capital received from society and the participation of workers in the profits achieved. At the same time, the actual increase in the economic units' independence within the new economic-financial mechanism and strengthening of worker self-leadership and self-management require increased responsibility from the workers councils for fulfilling the plan for all indicators, management of material and monetary resources with maximum efficiency, having each collective know all the costs with which the products are built, profitability, establishing of efficient and effective measures for eliminating the lacks still being demonstrated in application of the new economic-financial mechanism.

New indicators have been introduced into the new economic-financial mechanism, ones which make it possible to have a more real expression of the quality of the activity being carried out and results being obtained, such as net production and physical production and new means and levers have been introduced through which the general workers meetings and workers councils can and must take action for the continual rise in the efficiency of all activity.

As a result of the conditions created, the role and contribution of the general workers meetings must increase and that of the workers councils in the exemplary fulfillment of the quantitative and qualitative indicators of the plan, in mobilization of all reserves for raising production and labor productivity, for reducing costs and there must be more and more affirmation of the new economic-financial mechanism and of self-leadership and self-management as vitalizing factors. A favorable framework for demonstrating the role and increased responsibility belonging to these organs in the leadership of economic-social activity and in plan fulfillment for all indicators in each unit will be to establish the application of the indicators of the party's secretary general at the 2d workers council congress to organize a special general meeting in September-October to discuss and approve the production plan for the next year. The democratic framework created will make it possible to increase the workers' contribution to a better substantiation of the plan's goals, which must take into account the need for knowledge and, at the same time, prevention and elimination of the negative phenomena being demonstrated at the world level for providing harmonious and balanced development for the entire economy and for strengthening the national currency and finances of the country.

The Real Cost-Price Correlation and Demands for Increasing Efficiency

Giving special importance to raising the role of the financial levers in permanently increasing the efficiency and all activity and creating conditions for the steadfast application of the new economic-financial mechanism, the party's secretary general pointed out that we must take into account the role of the market and of demand to a greater extent in planning and that we keep in mind that the law of value and other economic laws continue to act in socialism and, thus, must be kept in mind in the planning and leadership of economic activity. At the same time, it is necessary that we take into consideration the role and effect of economic laws in establishing prices, in calculating cost price, production price and profitability and profits.

Proceeding from the laws of socialist economics, on the basis of the RCP CC Plenum Decision of December 1980, the correlation of production and delivery prices, which has been applied since 1 January 1981, has been brought up to date and improved on economic principles.

The new production prices being applied in industry, agriculture, construction and transportation insure a more realistic reflection of the expenses being made to

carry out production in the production costs and for the imports of raw materials and materials. At the same time, the new production prices have made it possible to have a more exact measurement of the contribution of each enterprise and branch of the national economy to creating the national income, the base for insuring our social-economic development and rise in the standard of living for all the people. Correlation of production prices on economic principles has improved the ratio between the prices of raw materials and the finished products, whose effect has been changes both among the branches of the national economy as well as in industry, to the favor of the primary branches and those of intermediary processing. Eliminating financing from the budget in the extraction industry and raw material importing has provided better conditions for stimulating the enterprises to develop the domestic production of coal, bauxite crude oil, ferrous and nonferrous ores and so forth and has made it possible to have a more realistic record of the contribution of the extraction industry to the general development of the entire economy.

The new production and delivery prices being applied since 1 January 1981 have strengthened the responsibility of the workers collectives in improving the quality of production, reducing production costs and eliminating financing from the budget, thus creating conditions for having all enterprise which manage their material and monetary capital entrusted to them by society carry out profitable production. Not having been conceived of as an accounting, but a political action, in which all factors are involved and in which a main spot is held by incentives for increasing quality and the technical level of production through price, reducing production costs and achieving higher profitability, the production prices brought up to date have contributed to strengthening self-leadership and self-management and have made possible the application of the new economic-financial mechanism under better conditions.

The action to bring up to date the production and delivery prices, however, should not be considered ended. The active participation of the Romanian economy in the international division of labor (in the current five-year plan an increase in the role of foreign trade at an average annual rate of 11.9 percent is forecast), and the continued rise in foreign prices for the main raw materials which are provided from import to a great extent require a review of production and delivery prices at shorter periods. So the foreign prices for crude oil, cokeable coal, iron ore, metallurgical coke, apatite-phosphorite and other imported raw materials have continued to rise, increasing the currency effort to obtaining the particular imports.

Proceeding from the need to improve the prices brought up to date and taking into account the trends of foreign prices with a long-range nature and in order to provide a more powerful incentive for saving raw materials, materials, fuels and energy, in his speech at the 2d workers council congress, Comrade Nicolae Ceausescu pointed out that certain changes will still have to be made at the level of current prices, "caused by a better correlation of the prices of raw materials from Romania with the imported ones, taking the international prices as the base." This particularly important action for appropriate flow of production will have as an effect a reflection in prices and real costs, which will provide application of the law on value and other economic laws acting in the socialist economy.

One can evaluate these measures of maximum importance will have special effects on the entire economy, of which the most important ones are the following:

a) Increase in the prices of raw materials from domestic production at the level of world prices will provide an incentive for more emphatic reduction in production costs,

mainly by reducing material costs so that each gram of crude oil, iron ore, coke and other raw material saved will have a much greater value. The effect of this will be a lower pressure on the importing of certain raw materials and reduction in currency efforts;

b) Aligning the prices of raw materials from domestic production at the level of import prices will bring out much more the favorable economiceffect of developing our own base of raw materials, fuels and energy and the need for utilizing all the domestic resources which contribute to providing for domestic consumption in an increasingly greater proportion.

The new prices will make it possible to have a more realistic measurement of the efficiencyof the measures established by the party leadership, before launching a world energy crisis, increasing the domestic production of raw materials, fuels and energy and, at the same time, substantially reducingthe material expenses per unit of product;

c) Introducing the new prices for raw materials into the production prices in the intermediary and final processing branches will have as an effect a more direct comparability of the efficiency of the products intended for export, through the rate of return. In case a greater rate of return results for certain finished exported products than for processed raw materials, this situation will draw attention to the need to take action to reduce processing costs, to increase the quality of production in accordance with the requirements of the world market as well as for obtaining certain bigger foreign prices. Thus, we must provide an appropriate ratio between the rates of raw materials, fuel and energy with that of the finished exported products, that is,a high currency-financial efficiencyshould result from the processing.

Establishing and applying the new prices require a higher participation from the workers councils and collectives in the economic units in establishing measures which contribute to recovering the largest possible portion from the effect of raising the prices of raw materials, fuels and energy so that they continue to provide a high rate of profitability. The new prices will bring more decisive actions for reducing the consumer standards, the redesign and standardization of products, improvement in manufacturing technologies, increase in production quality, recovery and reuse ofmaterials as well as the reconditioning of parts and subassemblies.

Improvements in the value levers used in the process of the leadership and planning of the national economy, taking into consideration to a greater extent the role of the market and of demand will increase the role of self-management and self-leadership and will contribute to a better understanding and more firm application of the principles of the new economic-fina cial mechanism and to raising the responsibility of the workers councils in fulfilling the plan forecasts.

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MARINC DISCUSSES PROBLEMS IN ECONOMIC POLICY

Belgrade KOMUNIST in Serbo-Croatian 24 Jul 81 pp 8-10

[Interview with Andrej Marinc, member of the Presidium of the LCY Central Committee, by Milivoje Tomasevic: "There Is No Progress Without Specific Identification"]

> [Text] At its last meeting the Presidium of the LCY Central Committee examined fulfillment of the conclusions of the 15th Meeting of the LCY Central Committee on political-ideological issues in the development of Yugoslavia and on the tasks of the LC [League of Communists]. Andrej Marinc, a member of the Presidium of the LCY Central Committee, who in fact delivered the introductory address, responded to the request of KOMUNIST that he speak about the current economic problems and tasks of LC members in carrying out the policy of economic stabilization.

[Question] The Presidium of the LCY Central Committee has observed that "economic problems are still not being solved effectively enough, nor is the policy of stabilization being implemented consistently" (an excerpt from the communique issued after the meeting). Yet we have heard assessment like this in the past. What did this meeting of the Presidium of the LCY Central Committee produce that was new?

[Answer] Back in November 1979 the Presidium of the LCY Central Committee adopted its well-known conclusions concerning socioeconomic issues and the tasks of the LC in carrying out the policy of economic stabilization. A year later the 13th Meeting was held, and thereafter the 15th Meeting of the LCY Central Committee, at which essentially the same conclusions were adopted, though they were somewhat more all-embracing and more long-range in nature. There is continuity, then, in the activity of the LC in this area; the results, however, have not been satisfactory.

The economic situation has even deteriorated over the past year, and there is good reason to ask what is wrong in the activity of sociopolitical organizations and institutions and in the action of the League of Communists, to ask why we are not successful in accomplishing a change of direction in economic flows.

Ineffectiveness in resolving the obvious contradictions and accumulated economic problems is becoming, then, a basic ideological and political issue with which the LC must seriously concern itself.

More Effective and Responsible Work Must Be Done Toward Mutual Reconciliation of Positions

[Question] Less than a year has passed since adoption of the Yugoslav Social Plan, but we can already say that it is not being fulfilled. Remarks are now being made to the effect that it is not indeed a plan for stabilization, but is inclined in the other direction.

[Answer] In my opinion we should not wear ourselves out clarifying these dilemmas. We do better to concern ourselves with carrying out the social plan, which is what application of the stabilization model it contains primarily depends on. We are already very tardy, and this plan could suffer the same fate as the plan covering the past period. We did not altogether fulfill it, since it was unrealistic, and there was not enough readiness for adjustments or rebalancing. The unrealistic nature of the plan was ultimately demonstrated in the share of investments in the social product, in the level of inflation, in the level of foreign indebtedness and in other indicators.

Should that error occur again at this point, it would cost us dearly. We should therefore reassess plans at all levels without delay and make the appropriate adjustments in the agreements on the bases of plans. That should be the context of resolute implementation of the position taken in the resolves adopted recently by the SFRY State Presidency concerning still more definite establishment of priorities in development in accordance with resources which are really available and also concerning the naming of those who bear responsibility for enforcing those priorities.

Probably it will also be necessary, in the spirit of the system of continuous planning, to amend as well the agreement on the bases of the Yugoslav Social Plan and to cut back obligations related to priorities in development, and they will also have to be brought into conformity with the country's financial and material capabilities. The basis for those changes should be self-management accords and agreements of those responsible for carrying out this policy. They should set forth the specific obligations.

The behavior of responsible entities in the republics and autonomous provinces is very essential in this area. After all, the sum total of the investment plans of the republics and provinces is another 30 percent higher than the federal plan, and there are also other quantities that show considerable deviations (the growth of the social product, production, employment, imports, exports, the payments deficit, and so on). Differences also exist between the plans of the republics and provinces and the plans of the opstinas and of organizations of associated labor. All of this must be correlated, since otherwise it is not possible to consistently achieve the goals and tasks of the country's joint development policy.

Interrepublic Committees Must Work More Effectively and Responsibly

[Question] What must now be done in this situation--when the plans have not been sufficiently dovetailed either within the republics and provinces or at the level of Yugoslavia?

[Answer] The process of detailing, whereby the material obligations for fulfillment of the goals and tasks contained in the plan would be stated, is going very slowly, mainly because of difficulties in reconciling the views of the republics and provinces, and also because of shortcomings in the substantiations prepared by the federal administration. There is a danger, then, that a year of the planning period will once again be lost and that later we will be able to only look on helplessly and monitor the state of affairs. What, then, confronts us? The assemblies of sociopolitical communities and above all chambers of associated labor should be involved more directly in the conclusion of agreements and in the earlier phases. The style of certain bodies responsible for interrepublic agreements should be changed, that of the interrepublic committees above all; they must work more effectively, which means that they must require greater responsibility in general and prevent irresponsible behavior by participants in the process of concluding agreements.

Second, it seems that few people are thinking about changing plans in conformity with the principles of continuous planning, though we set forth such a commitment in the Conclusions of the 15th Plenum of the LCY Central Committee, and this is an obligation to the law on planning, a law which is essential to the system. This task should be stated as a directive to responsible party members and organizations of the LC. The degree of success in coordinating and planning our development and also in resolving the structural and other problems depends to a large degree on the activity of the economic chambers, banks and other associations. It is clear that plans of those organizations of associated labor and large systems which represent Yugoslavia's joint priority ought to be coordinated within the Yugoslav Economic Chamber.

This should also contribute to strengthening the process of pooling labor and capital, that is, the process of self-management integration of OUR's [organization of associated labor] on an income-sharing basis on the unified Yugoslav market, which has an important element of our cohesiveness. The Third Congress of Self-Managers, and then the "Red Banner" discussions and certain other meetings of workers show that an unreserved willingness to strengthen the commitment to community does exist. There are good examples in practice of income-sharing linkage, and it should be affirmed and used as experience.

The planning and development of income-sharing relations obviously must not be left to spontaneous development. The broader formation of associations and the large undertakings which would in practical terms resolve the problems of production and the problems of exports require projects in which the workers can see their own economic interest and interest as self-managers. This requires more than mere political propaganda in which there is often quite a bit of vague and fruitless repetition of the principles of the income-sharing relations of socialist self-management.

Party members in various bodies and agencies and institutions and the League of Communists as a whole must, then, be far more determined and stubborn in taking the initiative so that large projects are devised. There are, of course, various obstacles that arise here, including the conscious resistance of group-ownership, technobureaucratic and other groups and individuals who can be successfully combated only by a well-organized campaign of party members together with all the working people organized through self-management.

The procedure for reconciliation of plans and the methodology for more effective macroplanning on Marxist foundations are becoming an ever greater problem and a specific priority obligation. In my opinion there are also certain other steps which need to be taken to make planning at the federal level effective. The Federal Bureau of Social Planning ought to be reorganized in the spirit of the law as an independent public institution, the most able personnel should be concentrated, and a system of firmer collaboration with science and with associated labor should be built up. The present objective position of the Bureau of Planning no longer corresponds to one of the domains of federal administration, and it does not have the appropriate importance even in terms of its formal status.

Who Is Calling for "Radical Reforms"?

[Question] When the question of difficulties arises, one often hears the argument that we need to change something in the system as well. What position does the Presidium of the LCY Central Committee have on this?

[Answer] Our shortcomings in concluding agreements and accords, in planning, and in economic policy, as well as the objective economic difficulties also have an impact on application of the system. The principal shortcoming lies in the inadequate activity of government and self-managing entities as well as of the subjective forces toward the goal of applying and rounding out the system. Structural problems are not being resolved effectively enough through economic policy, again because of inadequate commitment by associated labor. Blame is then put on the system, though actually it is practice that is distorting the system. There has even been augmented activity on the part of those who consciously or unconsciously are taking advantage of economic difficulties and are proposing changes in the system that would jeopardize its basic instruments.

It is significant that following the sporadic statements of certain individuals who have offered the old solutions, this front has recently been broadening. Those who were in a way defeated in the debates on the constitution and the Law on Associated Labor, who lost the battle over the decisions of the 10th LCY Congress, are now raising their heads. They are now calling for changes in the various fundamental arrangements, they are proposing "radical reforms" and the like. Some offer solutions which turn the clock back, which implicitly contest the right of the workers to dispose of income, that is, to make disposition of the conditions, means and results of their own work and the work of society. There are attacks on the OOUR [basic organization of associated labor] and on the principle of income, the constitutional role of the republics and provinces, their responsibility for their own and joint development, is questioned, and so on. Attacks like this do not come from the workers; the workers are expressing

a unified willingness for the system to be implemented consistently and are demanding this of all public entities, and they are criticizing sluggishness and all the other shortcomings.

[Question] It is a fact, however, that the system must be rounded out. In this effort one feels a lack of creativity, a certain passivity and inertness, especially in administrative agencies. What is the problem?

[Answer] The ideological and political problem lies in unsensitivity and failure to understand the importance of operationalization and consistent application of the basic components of the economic system. They are joined by ignorance, unfamiliarity with the basic components of the system and bureaucratic irresponsibility. As if they do not realize that--along with their immediate functions as defined in law--this is a mandatory area of their work. Being responsible for the situation in a particular area and for the entirety of the situation in society means contributing the maximum to organizing and improving the institutions of self-management and associated labor on self-management foundations, rather than passively waiting and allowing the problems to pile up.

Intolerable Practice

[Question] Often even basic tasks are not carried out, laws are violated, and few people are called to account.

[Answer] That is right, there are ever more pronounced cases of lawbreaking, manifested especially in the domain of foreign exchange transaction, prices and the overall conduct of financial transactions. But the fight against unlawful behavior may not be left solely to inspection and judicial authorities. We need a vigorous campaign by agencies of sociopolitical communities, bodies of self-management and sociopolitical organizations.

It is an intolerable practice for the agencies of sociopolitical communities, and indeed even political factors, to tolerate or even to encourage unlawful behavior, looking exclusively to the narrow interests of the particular sociopolitical community or of the particular entity in question. In such cases the League of Communists must react with resolution, as must the bodies of self-management and government agencies as well. At the same time, however, we must make a critical and self-critical examination of the causes of ineffectiveness and departure from the commitments which have been set forth in various areas. Yugoslav society does not conceal that interests in self-management are diverse and contradictory. It is a premise of our system that the worker and the working people exercise the rights and discharge the responsibility for their own and the joint development through self-management and delegate decisionmaking. That is why our public has readily adopted the idea of open debate and respect for interests in self-management which are objectively different.

Cases of Overemphasized Regionalism Are Deforming the Conclusion of Agreements and Accords

[Question] It seems, however, that the pluralism of interests in self-management is not always correctly understood in practice.

[Answer] However much room that idea has given to creativity and initiative, one of the major ideological questions at present is why there is still no conclusion of effective agreements on things which are held in common and which can be resolved in an effective way and above all an economically optimum way only on a joint basis.

As we know, Kardelj initiated this idea, above all so that we do not deny the differing nature of interests. So that in the practice of self-management we discuss differing interests openly with the purpose of resolving the contradictions and antagonisms by concluding self-management accords and agreements. In this, of course, the working people should themselves be adequately organized so that they can pursue their own and also their common interests.

The practical manifestations of the shortcoming or even the deformation in the conclusion of compacts and accords are now expressed in the overemphasized pragmatism, regionalism, autarky and voluntarism of opstinas, republics and provinces. Unrealistic development plans and goals, and indeed even political pressures which compel their realization are only the consequence of that. Out of this kind of deformed conception of the basic idea there emerges a practice, which is spreading, and from that in turn arise the tieups of technocracy and bureaucracy, and that is when the political bureaucracy becomes most dangerous. Some of the issues in this domain, above all the issues of relations among the republics, the provinces and the Federation, we must debate as part of the preparations for the 12th LCY Congress.

[Question] How and to what extent does this kind of behavior--unrelenting support of a localistic interest--affect economic developments?

[Answer] The impact is great. From the standpoint of development the strategic importance of exports, for example, has still not been understood by some collectivities, nor in all associations of associated labor and bodies responsible for formulation of economic policy. As though they are not interested in the consequences of a further growth of the payments deficit, foreign indebtedness and dependence on imports from abroad. On the contrary, appetites have continued to grow, people insist on obtaining short-term credits to pay for petroleum, to repay credit and to meet other obligations, and import rights are used to purchase equipment and for other forms of consumption. The authorities in the republics and autonomous provinces and large organizations of associated labor exert pressure in that direction. This is an extension of the old practice, which is based on the principle of making the expenditure and then face society--most frequently the Federation--with an accomplished fact. Certain responsible authorities in the Federation are even tolerating this practice. There are agreements in existence on this matter, but they are not enforced, and temporary measures are not being proposed, though this possibility has been incorporated into our system.

Shortcomings of Monetary and Credit Policy

The Federal Executive Council has taken a number of necessary steps to diminish the problems of the payments deficit, but this is obviously not enough. However, a more lasting solution to the problem cannot be obtained solely by these measures, but above all requires putting the principals of reproduction into a position where they are economically motivated to augment exports and earn foreign exchange, to do so, moreover, on the basis of joint programs adopted through links based on income-sharing.

Many problems, both in the domain of foreign economic relations and also in other sectors of reproduction, are mostly the consequence of discrepancies in commodity-money relations on the domestic market. The high rate of inflation--we should no longer speak about it with reserve--has taken on disturbing proportions. It discourages augmentation of production and exports, it undercuts efforts to raise labor productivity and to make economic activity more efficient, and it threatens the standard of living, especially that of workers and families with low income. We explain this high rate of inflation by the shortage of goods, the high level of spending of all kinds, and so on. It is indisputable that inflation is only the manifestational form of interwoven causes, and not a phenomenon in and of itself.

Everyone knows that the main problem is the unsatisfactory level of labor productivity and economic efficiency. However, if qualitative factors are to be felt, certain shortcomings have to be corrected in our economic policy, but they are still being underestimated either consciously or unconsciously. I am referring to shortcomings in credit and monetary policy and the concrete behavior of the National Bank and the commercial banks. The high level of spending, especially investment spending, and the high level of imports are still being encouraged; short-term credit resources are being transformed into investment resources, collection of payments due on outstanding credits are postponed; financial laxity and illegality are tolerated, often pressures from the republics and provinces and even from federal authorities for a shifting of monetary aggregates are given in to; artificial money is created by multiplication of deposits and is then used practically as though it had come about through savings; the structure of the money supply is unfavorable, i.e., an excessive portion of money is being channeled into flows outside the economy.

Instead of an extremely restrictive monetary and credit policy, demands are now being heard for expansion of money to keep up with nominal trends in the economy, i.e., for departure from the planned growth of credit and the money supply. This is a well-known old policy which instead of larger commitment of resources to working capital, desires to continue to cover high investment spending and other forms of spending, which creates a problem of illiquidity and injects further disturbances into commodity-money relations. All of this is in direct opposition to the policy of economic stabilization. It goes without saying that the money supply should keep up with economic development, but it must not have an inflationary effect, that is, it must not have the effect of an additional injection of fictitious savings.

In spite of the clear commitments of the League of Communists, a change of behavior has not occurred in this sector, and that is one of the main reasons for the high rate of inflation and disruptions of commodity-money relations. That is why the Resolves of the SFRY State Presidency have emphasized the need for changes in monetary and credit policy. There are, of course, cases of slackness generating inflation and instability in other sectors as well.

No Room Is Left for Verbalism and Opportunism

[Question] After all you have said it is not difficult to derive certain specific tasks that fall upon all members of the League of Communists and especially its organs.

[Answer] The Presidium of the LCY Central Committee was clear on this point. No room is left for toleration of verbalism, liberalistic behavior or an optional attitude on the part of members of the LC toward the stands taken by the League of Communists. They must enforce those stands everywhere, at every work station, in every official position, in all institutions of the political system in which they are active. In other words, party members must display everywhere a greater and more specific commitment in the fight for the system, for the development of self-management, for a change of the adverse tendencies in economic development.

[Question] Those words have a familiar ring....

[Answer] Perhaps the words do have a familiar ring, but it is clear to all of us that the final hour has come, that we must identify those who are behaving otherwise, who are slowing down and holding back constructive processes.

We note that there are too many vague monologues even in the organs of the LC and other sociopolitical organizations, and even in the delegate assemblies. There is little true confrontation of opinions, that is, creative confrontations and debates from which proposals of effective joint solutions might crystallize out. This creates the impression that efforts are being made, but matters are being drawn out, and the problems remain.

We must debate all these issues publicly and more frequently, we must derive certain assessments and draw certain lessons as to how we can make the overall activity to implement the policy of the League of Communists more effective. In all of this we should steadily improve the very style within the League of Communists. For example, action conferences and other forms of organization and linkage of party members from organizations of associated labor which are dependent in the process of reproduction have proven themselves to be quite useful. This should be developed even further. The campaign of the League of Communists and of all public factors must contribute to a more radical change of direction with respect to performance of the tasks which have been set forth.

Assessment of the Work of Party Members in All Communities and at All Levels

The respect and success of the LCY in our history have always risen when we have acted as one and when we have been able to alter the situation in good time. The vagueness, declarativeness and rather pronounced opportunism of party members and of other subjective factors, and indeed even of the leaders, are the essential reasons why the results have not been in line with the intensity of civic activity.

That is why the Presidium of the LCY Central Committee emphasized that efficiency is not possible unless there is specific identification and differentiation in which it is clearly shown what sort of behavior an individual is displaying and what sort of results he has. It is not a question of persecution of people, but of evaluating the behavior of party members in particular communities and at various levels, in all the entities of our political system. In communities where the readiness does not exist to carry out the policy of the LC, where the results are not forthcoming, and above all where there is inertness or even opposition--there should also be changes in personnel.

Perhaps it should be said in conclusion that the LCY is indubitably responsible for the continuity of the revolution and for the system of socialist self-management, but the League of Communists does not bear all the responsibility. The present situation requires even more imperatively that we carry out the positions adopted by the 11th congress and the provisions of our constitution, under which there exist side by side the responsible bodies of self-management and of the government, and political organizations. There exists the delegate system of social organization and the responsibility that is borne on that basis. Party members are only a part of that. Only with resolution, publicly and together with all the citizens of the country and the working class will we arouse their activity, since it is above all a question of their interest, as Comrade Bakaric recently emphasized in an interview.

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BANKER COLANOVIC INTERVIEWED ON INFLATION, PROSPECTS

Belgrade ILUSTROVANA POLITIKA in Serbo-Croatian No 1182, 30 Jun 81 pp 14-15

[Interview with Branislav Colanovic, president of the business board of Jugobanka, by Stevan Zec in Belgrade, date not given: "We Are Tripping Over Our Own Feet"]

> [Text] The main headquarters of Jugobanka are located at No 19, 7 July Street, in Belgrade. It is a marble building, it has large glass windows. The tellers' windows are on the street level, the offices of the management are upstairs, and the vaults are said to be in the basement. We have come for an interview scheduled with Branislav Colanovic, president of the business board of Jugobanka, whom financial specialists consider to be someone who knows his job well and who in newsmen's circles enjoys the reputation of someone who is willing and able to speak comprehensively--even about such entangled topics as the monetary system in Yugoslavia.

[Question] A year ago the dinar was devalued by one-third. The explanation of the responsible authorities was that this was an indispensable measure to augment exports, to reduce imports and to strengthen the national currency. But the results which were supposed to come from the devaluation melted away even earlier than the pessimists predicted. There are now assessments being made to the effect that the devaluation did not yield the expected results because it was applied as an isolated measure, and thereby had no chance to succeed.

A Record Unwished for

[Answer] The devaluation was not carried out as an economic measure in isolation from other efforts to stabilize the economy and strengthen the dinar (Colanovic explained). Certain measures did accompany the devaluation of the dinar: the effort to reduce investments, government expenditure and personal expenditure and to limit imports. But this obviously was not enough. The only thing we managed to do with some fair success was to control the growth, that is, fall, of real personal income.

[Question] Inflation was 40 percent in Yugoslavia last year. It was thought that things could not get worse. But just recently a figure has been announced that was worse than the worst.

[Answer] With an inflation rate between 52 and 53 percent over the period from last May to this May Yugoslavia has moved into first place in Europe (said the chairman of the Jugobanka Business Board). This is the consequence of carrying out our program to stabilize the economy, which also means the attempt to fight for a stronger dinar. The stabilization program obviously has not sufficiently encompassed the true causes of our instability. We have been fighting for stabilization mainly with restrictions: reducing imports and investments, and holding back personal income. In my opinion this is all a superficial effort. The real causes of instability are the following: The sociopolitical communities, and that means the opstinas, the regions, the provinces, the republics and the Federation, are still ruling the economy. And then: Arbitrariness is still dominant in investments, since as a practical matter there are individuals who decide where and how a hospital, university, railroad station, office building and the like will be built. Third, but perhaps it should be first, is the neglect of agriculture. We adopt resolutions, but the experience is this: In 1980 we received 2 percent less agricultural output than in 1979. Fourth: We have not prevented the movement of rural inhabitants to the city, that is, from farming to industry. And we will not be able to prevent it so long as the work of a streetcleaner in Belgrade is easier than the work of a peasant in his field and the income greater. The fifth cause of inflation: chaos in housing construction. Sixth: poorly organized transportation and traffic. Our shipping costs are between 2- and 2.5-fold higher than in any other country in Europe. Seventh: We have an army of staff personnel in self-managed communities of interest, chambers, bureaus and other institutions which contribute to the effective operation of the economy. To make matters still more complicated, the experts who are working in inefficient and I would say unnecessary institutions are badly needed by the economy....

(Colanovic went on to enumerate other causes which are dragging the dinar down. He no longer had fingers enough and began making marks with his pencil on the first page of his note pad.)

Everyone Against Everyone Else

[Question] We asked him why certain of our "more experienced" world travelers, when they travel to Vienna, do not carry shillings, but withdraw Swiss francs or German marks from our bank? Supposedly when they change that currency in Vienna they receive more shillings?

[Answer] And that is another cause of the instability of the dinar (Colanovic explained). Clear-cut relations do not exist between the leading currencies in the world. Bankers call this a "misbegotten rate of exchange." In practice it looks like this: You have dollars in your foreign exchange account, but you are traveling to Germany. If you exchange those dollars in Belgrade, you will get, say, 1,000 marks. But if you change them in Frankfurt, at their rate of exchange, you will get 920 or even 900 marks for the same amount of dollars.

[Question] Which is why our banks have recently been reluctant or altogether unwilling to convert the currencies which individuals have in their savings account.

[Answer] Yes, yes, general warfare is taking place on the world money market. It's catch as catch can. Of course, the weaker currencies always suffer in that fight, and the dinar is unfortunately one of those (said the subject of our interview).

[Question] When the devaluation of our money was announced last year, the dollar was worth 27 dinars in our country. In the interval there has been no official devaluation, but the dollar is now worth 33 dinars. The dinar has "slid" inaudibly by another 22 percent in a devaluation that was not announced. But the "sliding" rate of exchange of the dinar is having very adverse effects on the efforts of our economy to augment exports and reduce imports, and this is why. Those enterprises which are exporting intentionally delay their exports, waiting for the dinar to lose as much as possible of its value, and then to sell their goods and thus obtain a dollar for which they will be able to collect more dinars. Our enterprises which are importing goods from abroad are striving to do this as fast as possible and in the largest possible amount, since they know that the very next week they will have to pay more dinars for the same goods and the same amount of foreign exchange. Branislav Colanovic says that the "sliding" rate of exchange of the dinar is also having a harmful effect on the credits which we are taking from foreign banks. The foreign banks, he says, are now seeking ever higher and higher rates of interest because of the weakened dinar.

[Answer] The average rate of interest on the credits we are now taking abroad range at about 20 percent. Our country's indebtedness will reach the amount of $20 billion by the end of the year. Only when you convert those dollars to dinars do you grasp what inflation is. A year ago, immediately after the devaluation, $20 billion amounted to 540 billion dinars. Today that amount comes to 660 billion dinars. So you see that inflation has "eaten up" 120 billion dinars just in debts....

[Question] There are economists and even politicians in our country who attribute great power to foreign influences, that is, to those influences over which no Yugoslav can have any impact, and say that they are the principal reason why the dinar is sliding down more and more on the world ladder of currency values. We asked Colanovic if he could compute in percentages how much world developments are affecting our inflation?

[Answer] Yes, I can. It is rather difficult to compute, but I would say that events on the world money market account for no more than 15 percent of our inflation. All the rest is our own fault.

Individuals Are Trying To Get to the Bottom of It

[Question] It is a textbook rule: When an economy enters a crisis, inflation rises, and the standard of living of the citizens and savings balances in banks decline. Bankers say that every man distributes his property within the limits

of his knowledge and especially his abilities. At the moment more is being withdrawn from our banks and less put in than in earlier years. Are there economic reasons for this, but also other reasons?

[Answer] An individual defends his standard of living. When real personal income drops, in order to be able to meet his needs as before, he must spend his savings, if, of course, he has any. If he has dinars in the bank, he tries to convert them to foreign exchange, but usually he wishes to invest cash in fairly durable and valuable goods.

The banks have always and everywhere been a barometer of political development.

[Question] In the opinion of Branislav Colanovic, a sound stabilization program should emphasize and popularize savings by individuals in banks as a factor of the first order for restoring health to the economy.

[Answer] This is not a piece of advertising, just because I am president of the business board of Jugobanka (he says). The savings of individuals in banks is the principal source from which the economy's deficit is covered. In our case that is a chronic deficit. If citizens do not save, the bank has no money to help out the economy with short-term credit, and the government must seek a loan abroad. The larger the savings of individuals, then, the less foreign credit, and we have already seen where all that leads, into a kind of vicious circle: inflation--devaluation....

[Question] Along with the tales about a new devaluation of the dinar, there is talk about how the long-term credits of individuals will again be revalued. This is easier to explain with an example: If someone borrowed 1 million dinars from the bank in 1977 to be repaid over 25 years in order to buy an apartment, the monthly payment amounts to about 8,000 dinars. At that time that was his entire personal income. This year those 8,000 dinars are half of that individual's personal income. Inflation has been beneficial to him personally. That is why it is increasingly difficult to obtain such credits. Some individuals are afraid they will receive a letter from the bank informing them that their payment, or perhaps the rate of interest, is being increased.

[Answer] All that may appear logical and attractive at first glance. But no one recommends that in either theory or practice. We do know that one South American country tried to stop inflation that way and went bankrupt. No serious-minded man in Yugoslavia is even thinking of that, since such a step would bring about a chain reaction, and as a society and as an economic and political system we would thereby be acknowledging capitulation to galloping inflation and we would only be applauding it.

[Question] In conclusion we put one more question to Comrade Colanovic. It was similar to the previous one: The savings of individuals in the bank are a kind of credit financing of the economy. If devaluation occurs, what happens to the balance of the account? If an individual has 10,000 dinars in his savings account, and a devaluation of, say, 10 percent is announced, will he be credited another 1,000 dinars because of the drop in the value of the currency?

[Answer] Of course not. That is that same capitulation before inflation.

(It is still before noon and a working day. From Branislav Colanovic's office window one sees 7 July Street crowded with automobiles. In the next street, Knez Mihailova, the cafe tables have been brought out on the sidewalk, but there are no empty places. It is hot, and people are drinking draft beer. The strollers are strolling, the purchasers are purchasing. Young mothers are pushing their children in /Chico/ carriages bought in Italy. Kalemegdan is full of retired people and idlers. We thought of a bitter joke--A foreigner came to Belgrade and asked: "It must be a holiday here since your cafes are full in the morning, and the streets are crowded with people and cars." "No," they told him, "it is a working day, what made you think it was a holiday?")

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25 August 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2163

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25 August 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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OPERATIONS OF INTERNATIONAL BANK FOR ECONOMIC COOPERATION OUTLINED

Sofia POGLED in Bulgarian 13 Jul 81 p 7

[Article by Lenko Beshev, POGLED Moscow correspondent: "Here Not Only Money but Understanding Governs"]

> [Text] Every day the International Bank for Economic Cooperation of CEMA carries out financial operations worth about 500 million transferable rubles.
>
> From the Communique on the Thirty-fifth CEMA Session: "The session expressed its confidence that the further development of all-round cooperation among CEMA-member countries will actively contribute in the forthcoming years as well to the solution of socioeconomic problems which were raised at the congresses of communist and workers' parties, the strengthening of the unity and cohesion among fraternal countries and the enhancement of their international prestige and influence to the benefit of the peace and freedom of the peoples."

When I was preparing for my assignments to the USSR, some colleagues advised me to visit the International Bank for Economic Cooperation of CEMA in Moscow. Now, as I leaf through my notes, I do not regret having followed their advice. Actually, I was helped greatly by Konstantin Miroshnichenko, director of the bank's administrative council, in charge of operations involving transferable rubles. We shall discuss him later. To begin with, I asked him to explain what kind of monetary unit is the "transferable ruble."

"I was asked the same question by two Western journalists some time ago: 'What kind of currency is this when it can neither be seen nor touched?' I explained to them that this is a conventional collective socialist currency with a gold backing equivalent to that of the Soviet ruble but with double its purchasing power. Therefore, when you read in the press that deals have been made among fraternal countries involving hundreds of thousands of transferable rubles, you will now have a real idea of the scale of our commercial exchanges...."

"Konstantin Georgiyevich, you were one of the founders of the bank in 1964. Could you tell us something about its initial steps?"

"The bank was founded by eight countries, including Bulgaria. Cuba joined in 1974 and Vietnam in 1977. Currently the bank's statutory capital exceeds 350 million

transferable rubles. We not only attract available funds but make loans to bank members. Until 1971 we granted loans for investment purposes as well, a function now assumed by CEMA's Investment Bank. Our bank also organizes payments among members not only on the basis of current trade but export obligations, which is a major convenience for member countries. Allow me to emphasize one very essential aspect of our activities: by granting loans at a low interest rate to most needy countries, we are thus helping their economy very effectively. Here is something else which must clearly show the principles of reciprocal cooperation and sympathy on which the bank is based, the so-called term credit." Such credit is granted when a country has a temporary negative budget balance and is unable to meet its export obligations yet has a very great need to import. Let us say that the season was poor and that the country was unable to export the stipulated amounts of agricultural commodities. Meanwhile, a newly-built plant is awaiting its equipment. What then? Instead of the country, we pay for the import and the following year the country settles with us. Please note that in the case of the neediest countries the interest does not exceed 2 percent. Actually, this is a very efficient means for helping a developing economy...."

"Konstantin Georgiyevich, what is the principle on the basis of which the deposits of the individual members were computed?"

"The contribution of each country is proportional to the share of its exports compared with exports of other countries. In other words, the higher its exports the bigger will be its contribution. In this manner countries with lesser possibilities are not hindered while retaining a virtually unlimited credit at the bank...."

Once Balzac described for us the classical type of a banker, as represented by Gobseque and Nussingen, as well as the thought that many years of handling money gives the eyes of a person a metallic gleam. Strangely, though, my companion did not resemble Balzac's character. He is tall, slim with graying hair and the way in which he pronounces his "r" betrays in him the Ukrainian. He was born in Khar'kov where he graduated from the financial institute in 1931 and started his career at the bottom, as a credit inspector. As we talked, I was thinking of those past 50 years spent in the monotonous company of valuables and files, adding machines and typewriters. How many million rubles have passed through his hands? And what fantastic amounts of money have waited for his signature? We immediately turned back to the period of the bank's founding....

"We chose the most democratic principle for its structure: each country has a single representative sitting in the bank council which meets twice annually to resolve basic problems. Also, each country has the right to veto any decision."

"Have there been such cases?"

"No, we have always sought a solution equally acceptable to all."

Actually, nice words are nice, but a bank is a bank. It handles currency and does not believe in "word of honor." It has the right to penalize delinquent payors. So far, however, there has been no such case.

"With every passing year," Konstantin Georgiyevich went on to say, "our work load becomes heavier, since economic cooperation among CEMA-member countries is growing steadily."

I was cited figures which would impress anyone: last year alone the bank handled financial operations totaling 123 billion transferable rubles, i.e., about 500 million rubles every working day. These figures were materialized in Hungarian buses, Soviet transistors, Polish mixers, and so on. There is hardly an object imported in our country which has not been financed by the bank....

I said good-by to my pleasant interlocutor.

The human flood welcomed me in the streets of Moscow, and cars whizzed by.... Meanwhile, I was thinking of the people who, with a great deal of understanding, are engaged in the difficult work described as internationalism in action, mutual aid, fraternal cooperation or socialist integration.

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CSO: 2200/124

BRIEFS

LABOR SAFETY IN CHEMICAL PLANTS--In March of this year a national activ on problems of labor medicine and technical safety in the chemical industry was organized in the "Gogo Nushi" factory in Fier. Health workers from the districts and workers from enterprises of the chemical industry took part in the activ. The participants made some comments and criticisms on the basis of the inspections organized by the organs of the state health inspectorate in various industrial units. Although, from a legal point of view, sound bases have been laid for the correct understanding and implementation of prophylactic measures, there are still many shortcomings and violations, for example, in the superphosphate plant in Lac, and in the chemical enterprises in Durres and Tirana. In these enterprises, the measures established by law have not been taken or are not being executed, because of lack of concern and lack of accountability. There have been deficiencies in regard to the sealing off of areas where dangerous procedures are carried out; there have been leaks from equipment. Deficiencies have been noted in the mechanization of work processes and in the installation of suitable ventilation systems. There have been cases where action has not been taken to ensure the compulsory supplying of workers with individual and collective protection equipment and to ensure that equipment suitable for the work place is provided. Also there are cases where this protection equipment is available but not used. [Excerpts] [Tirana SHENDETI in Albanian Apr 81 pp 1-2]

CSO: 2100/96

BRIEFS

CSSR'S CAR PRODUCTION--Miroslav Capka, chairman of the CPCZ's Central Control and Auditing Commission, visited on 18 June the largest CSSR automobile factory in Mlada Boleslav; this year it will produce more than 170,000 passenger cars. In the afternoon of the same day, M. Capka visited the Liaz final assembly plant in Mnichovo Hradiste, which will produce more than 12,000 freight cars this year, mostly for export. [Prague RUDE PRAVO in Czech 19 Jun 81 p 2]

CSSR-CAMEROON DOCUMENT--A Czechoslovak delegation, led by J. Jakubec, CSSR deputy minister of foreign trade, returned on 2 July from Cameroon's capital, where it had conducted negotiations resulting in the signing of an agreement between the CSSR and Cameroon, which establishes prerequisites for increasing CSSR exports, especially engineering ones, and ensures deliveries of raw materials and agricultural produce from Cameroon. [Bratislava PRAVDA in Slovak 3 Jul 81 p 8]

TRADE PROTOCOL WITH GREECE--Prague, 26 Jun (CETEKA)--A session of the Czechoslovak-Greek joint commission, founded on the basis of the inter-governmental agreement on economic, industrial and technical cooperation signed by the premiers of both countries in October last year, ended here Friday [26 June] by signing a final protocol. During the session both sides reviewed the development of relations in the spheres of trade, industrial and technical cooperation, and preconditions for their further development. [Text] [Prague CTK in English 1143 GMT 26 Jun 81]

CSO: 2020/58

ECONOMIC STRATEGY FOR 1981-1985 PERIOD ANALYZED

Duesseldorf WIRTSCHAFTSWOCHE in German Vol 35 No 24, 5 Jun 81 pp 52-55

/Article by Prof Wolfgang Seifert, guest lecturer of international law, Kiel University: "GDR Economy: Strategy and Practice"/

/Text/ As a precaution the discussion of the plan directive this time was postponed until after enactment by the Tenth SED Congress. It has thus become a complete farce, because the ambitious goals have already been established. The GDR leadership is the only one in CEMA to opt for a high growth rate. Prof Wolfgang Seifert analyzes the backgrounds of and outlook for the GDR strategy.

Initially even the GDR leadership indicated some measure of sobriety. As late as February last SED chief Erich Honecker stated that "in view of world economic developments" he would not "consider it a tragedy...for the annual growth rates through 1985 not to be so high as currently estimated..." (estimates then mentioned 4 percent). Now the produced national income (roughly comparable with the gross national product) is to rise from 128 to 130 percent by 1985, that is by 5.6-6 percent annually. This decision by the GDR leadership to go for large economic growth is based more on politico-ideological reasons than on sober economic analysis.

Only a steep rise in economic performance offers an opportunity to continue the present policy of low rents, fares and consumer prices of so-called essential goods as well as the further pursuit of the housing construction program. Only such a rise might be able to at least balance the growing burden imposed by rising world market prices of raw materials and energy, rearmament and the more serious competition on the world market. The GDR leadership is well aware that this will require an equally steep rise in productivity, the "development of reserves to an unprecedented extent."

However, any sober analysis to see whether there is in fact any possibility of such an achievement leads to the paradox that the high growth targets were not established on the basis of any realistic appreciation. The primacy of politics, always most pronounced in the GDR, has been pushed to the outermost limits: The Honecker line must be pursued at any cost, therefore growth targets must be so set as to make this possible. The question inevitably arises whether that is feasible.

The centralized planned economy is largely dependent on organization and administrative coordination; it requires an enormous apparatus and bureaucracy. Its impetus

is the permanent application of administrative methods by the state central authority (planning), which, in turn, is "directed" and supervised by a centralist party of a very special type.

A planned economy, hierarchical and centrally structured, has certain advantages in the building up of a new economy, the expansive development of a national economy, the construction of large industrial projects--because it has the potential for concentrating the financial, material and personnel resources of an entire nation.

At the same time, however, the weaknesses of the system tend to surface, because it is based on the illusion that the entire economic process may be centrally guided rather like a railway timetable, and that it is possible to arrive at investment decisions, for example, not by studying market needs but (in the best case) by consulting purely accounting considerations. The system-inherent functional weaknesses come fully to the fore when it is a matter of the intensive development of the economy, the introduction and transfer of technological advances, when the need is for imagination, independence, decisionmaking and a sense of individual responsibility.

In recent years the GDR has carried out or initiated several measures designed more efficiently to organize its economic system. That includes in particular the organization of industry in large combines (now said to number 157) and the reorganization of its foreign trade organizations which have largely been subordinated to the combines. Both might well help the economy to be geared more effectively to the demands of the world market and encourage the independence of the producing units. However, so far it has turned out to be no more than a process of concentration for certain output structures and was kept in narrow limits.

After the Tenth SED Congress it is certain that these limits may not be exceeded. Though the combines have been granted more rights, they continue to receive mandatory state plan targets, are judged by specific indices, and the state retains the ultimate say-so. To cite Honecker: "In future also we start from the fact that the Council of Ministers is responsible for the management of the GDR's entire national economy."

The possibly more immediate confrontation of combines and foreign trade organizations with the world market will, therefore, have only a very limited effect. Even should they wish to adequately take into account the needs of international economic relations, they would lack either the powers and resources required or--assuming they were to use the powers and resources available to them in this sense--sooner or later produce chaos in the entire central planning system. Also limited if not in part adverse are the effects of the recently introduced indices "net production" and "basic material costs per M100 goods production" which, together with the index figure "industrial goods production," are to be used to evaluate the performance of the combines. They may compel the combine to conserve energy, raw materials and manpower and improve productivity, but only by indirect and administrative means, not by direct confrontation with marketing conditions on the world markets.

In the 1976-1980 Five-Year Plan period the GDR lagged 6 percent behind the planned growth of the produced national income. Compared with the two previous five-year plans total economic growth further weakened: 1966-1970 annual growth amounted to 5.2 percent; 1971-1975 5.4 percent; 1976-1980 4.2 percent. All the [illegible] these are

considerable achievements for an economy which employs rather more than 8 million and produces an absolute annual national income of (average) M162 billion.

On foreign markets the GDR has been affected by the significant deterioration in the terms of trade because it has been unable to raise the prices of its export goods anywhere near the extent of world market price hikes for energy and raw materials. Fearing the political risk it avoided yielding to the pressure to adjust by a systematic correction of the domestic wage and retail price structure. At the same time it was unable to carry on a strategy of promoting exports while restricting imports. As a consequence government subsidies swallow larger and larger amounts: 1976-1980 M234 billion, 1981-1985 they will require at least M295 billion.

The foreign trade imbalance has increased further, but the GDR escaped the subsequent pressure for adjustment by more borrowing. At the end of 1980 GDR foreign debts amounted to almost $10 billion, and currently more than 50 percent of convertible currency earnings are swallowed by interest and repayments.

The GDR is also carrying a heavier burden as a consequence of the cost of rearmament: According to official figures this required M8.6 billion in 1979, last year M9.4 billion--an 8.4 percent rise in the course of a year.

As a way out of the economic impasse the GDR leadership is now offering "10 key points" of their "economic strategy for the 1980's." The challenges to the economy may be summarized as follows: "Maximum rise in exports accompanied by far reaching import restrictions and zero growth of investments."

An above average rise in exports is to provide the main base of economic growth (in part at the expense of intra-CEMA trade). This is a hopeless endeavor altogether to the extent desired, and whatever can be done must be achieved by considerable price discounts. The consequence would be a decline in domestic supplies and in imports of urgently needed foreign equipment.

The GDR leadership has high hopes of technological advances which are to be fueled by the allocation of some 4.5 percent of the national income. By 1985 9,000 robots are to operate in industry, replacing 25,000-30,000 workers. Yet even leading GDR scientists are compelled to admit that the system-related weaknesses of planning represent an obstacle to the emergence as well as the rapid application of new results of technological research.

Creativity is lacking, and the transfer delays before new results are used in industry are much too long. The growth targets are unrealistic also because the investments envisioned are inadequate both as to volume and kind to renew the often obsolete production apparatus of GDR industry.

In fact the GDR leadership is left with only the following potential to be deployed for raising the rate of economic growth:

-- The centralist planning system, its strengths and weaknesses described earlier;

-- The large numbers of skilled workers, matured in many generations of German industrial development, and who remained and reproduced themselves in the GDR;

-- The industrial structure, taken over, reconstructed and further developed;

-- A notable pool of technical and technological-scientific personnel in the research and development facilities;

-- The largely secure supplies of energy and raw materials from the Soviet Union as well as the contractually guaranteed sales of specialized products to CEMA, especially the USSR;

-- Finally the access to capital and the markets of Western industrial countries, easier for the GDR than for most other East European countries.

Western experts largely agree that these factors--provided they are fully exploited—may enable the GDR leadership to maintain the advance of its economy by comparison with other CEMA countries. In terms of the absolute amount of the national income the GDR has the third largest CEMA economy, behind the USSR and Poland; in terms of the per capita national income or national income per gainfully employed person it is far ahead of all CEMA countries and, as regards living standards, outdoes them all by 50 percent.

On the other hand the gap between the GDR and the Western industrial countries, in particular the FRG, will continue to widen. Even now the GDR leadership's assertion that it is ranked with the 10 leading world industrial countries stands up only in terms of the absolute amount of national income. Here the GDR has just managed to hang on to 10th place. In terms of per capital national income it is in 13th or 14th place, in world trade in 15th place with just over 1 percent.

Western experts also agree that even if all the potential of the GDR economy were to be fully exploited, it would be unrealistic to expect it to achieve the growth rates proclaimed at the Tenth SED Congress. The prediction derived from their analyses considers considers a 3-3.5 percent economic growth a realistic goal for the GDR economy.

Such realistic growth targets, however, would not be enough to maintain the Honecker line of the "unity of economic and social policy" without any cuts. The situation could have turned out different if the GDR had adopted fundamental reforms of its economic system at the appropriate time, allowing far more scope to market forces, economic and monetary instruments. However, not even now is it likely that the GDR might embark on such reforms which would call in question the political structure of the regime.

To sum up: Without a doubt the GDR leadership will be able to achieve some effects by its economic targets and orientation. Nevertheless hard times are ahead, not only for the managers who are supposed to develop, introduce and new technologies, raise productivity, conserve everything possible, free manpower, supply more exports and produce more consumer goods without being allowed to make the appropriate investments or given adequate entrepreneurial decisionmaking powers.

Workers are to be transferred to a multishift system in sometimes obsolte production plants, released from their jobs and--retrained--given different jobs in other enterprises, work harder and better generally but participate to only a modest extent in the economic advance.

It is, moreover, hard to imagine that--in the scope of economic integration--a country like the GDR which, at 21.23 percent demonstrates a relatively advanced integration--will be able to achieve such ambitious growth targets by way largely of increased exports at a time when all other CEMA member countries endeavor to reduce the produced national income in order to restrain import demand.

In many respects Honecker's pursuit of the "unity of economic and social policy" tends to resemble the economic policies of Austrian Social Democrat Kreisky: "Better 100 million debts than 100 unemployed." Honecker prefers to spend a few billions more on government subsidies, borrow a few million more abroad, than confront the GDR public with the moment of truth.

And yet that moment inexorably approaches. At that time the SED leadership will have only three options: Either it still persists in the present line, with the consequence of more foreign debts and growing domestic inflation, or it must restrict growth, freeze living standards and, generally, carry out adjustment measures (or, better said, catch up on such measures).

Or it must, after all, adopt fundamental economic reforms. In that case success will depend on the change of political structures also, something which is unimaginable without changes in the political line of the SED leadership and its personnel.

Of course the roughly foreseeable economic development of the GDR impinges on the interests of the FRG also. Such problems as the desired progress of inner-German economic relations, the forthcoming negotiations on the swing, the GDR's interest in the FRG's participation in the electrification of the GDR railway network by way of the expansion of rail routes from the federal territory to Berlin--none of these can be evaluated independent of the GDR's economic prospects.

Moreover, the general attitude of the GDR leadership to the FRG must be considered against this economic background. A shift of priorities has occurred in GDR politics: The issues of disarmament and arms control have moved to the fore without the GDR moving from its basic Gera demands which amount to the amendment of the basic treaty. The GDR leadership sticks to the formula "less contacts--more money--increased pressure on Bonn." The only difference: This pressure is now primarily employed against the NATO arms modernization decision.

At the same time we already see that the USSR is forcing Honecker into a straitjacket which may lead to a further loss of popularity by the GDR leadership and therefore tend to sap the internal stability of the GDR.

11698
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ROLE OF UNIONS IN ECONOMY DISCUSSED

Budapest NEPSZAVA in Hungarian 26 Jul 81 p 3

[Article by L. D.: "In the Name of the Workers, With a Mandate from the Workers; PEACE AND SOCIALISM on the Experiences of the Hungarian Trade Unions"]

[Text] PEACE AND SOCIALISM, the theoretical and information journal of the communist and workers' parties which appears in 37 languages and is distributed in 145 countries, devotes a great deal of space in its July 1981 issue--in the debate and exchange of ideas column--to Hungarian trade union experiences in the political system of socialism.

In the introductory lines of the article titled "In the Name of the Workers, With a Mandate from the Workers" it is emphasized that positive experiences have been collected in Hungary in the area of the development of the socialist trade union movement. These experiences were discussed in a debate organized by the editors of the journal. Those participating were Tibor Baranyai, a department chief in the MSZMP Central Committee, Laszlo Gal and Sandor Jakab, deputy first secretaries of the SZOT [National Council of Trade Unions], Gyula Virizlay, secretary of the SZOT, and Tibor Bucsu, secretary of the trade union council of the Csepel Works.

The Relationship to Power

The journal begins its introduction to Hungarian trade union life with an important assertion, namely, that in the course of the debate "the common socialist and uniquely national aspects which characterize the Hungarian trade union movement became ever clearer to us." And it continues with a basic question: "The chief tasks of this movement include a representation and protection of the entire scale of the rights and interests of the workers, the furthering of the construction of a developed socialist society and the consolidation of the workers' power, and care for the development of production and, on this basis, for the continual raising of the standard of living of the people. In this way the chief goals of trade union work merge with the ideals of socialism. This defines the place of the trade unions in the political system of the new society and defines the essence of the links tying them to the party in power."

The article deals in particular detail with these links, referring to the "argument" incessantly repeated by bourgeois propaganda that under the conditions of socialism the trade union movement is subordinate to the "dictate of the party,"

deprived of independence and thus of all real rights. In a bourgeois state--PEACE AND SOCIALISM notes in a summary of the arguments--it is natural for the trade unions to strive to be independent of parties seeking mass influence and expressing the interests of monopoly capital. And although their cooperation with worker oriented parties is natural it often is not undisturbed. In socialism it would be unnatural for the trade unions to divorce themselves from the party in power, which puts the interests of the working majority in the center of its policy.

This was emphasized in the debate: "The Hungarian trade unions deliberately and voluntarily admit the ideological-political leadership of the MSZMP, but this does not exhaust their mutual contacts. The other side, at least as important, is that the party recognizes the independence of the trade union movement as an indispensable condition for its activity."

Providing a full picture includes the admission that in the past, in the course of socialist construction, the party committed errors in defining its relationship to the trade unions. "In the first half of the 1950's," the journal reports briefly on this historical period, "the party leadership overestimated the significance of the fact that the political vanguard should have a direct effect on the guidance of the state and of economic and social life. They diminished the role of the trade unions and actually deprived them of having a say in the decision of state matters, in the protection of the interests of the workers."

This also contributed to weakening the mass contacts of the party and to a sharpening of the crisis situation. Following the defeat of the counterrevolution the trade unions received the necessary organizational, operational and legal independence. Respect for the trade unions grew and strengthened and the trade unions, realizing the policy of the party, participate in the development of this policy. Thus the Hungarian trade unions are carrying out ever better the task formulated by Lenin that they should constitute a link between the vanguard and the masses.

Party, State, Trade Unions

The debate repeatedly pointed out that party guidance of the trade union movement is of an ideological-political character and pays strict attention to the rules of trade union democracy. It emphasized that "the trade unions are not only making use of their rights but also are carrying out their obligations when they call attention to difficulties and problems which arise in the course of realizing the policy of the party and make recommendations on how to overcome these."

In the course of the exchange of ideas the division of labor within the system of political institutions in Hungarian socialist society was described in this way: "The party defines the goals and principles, the government organizes the execution of the tasks posted and the trade unions, representing and defending the interests of the workers, aids this activity."

This cannot be done without comradely debates, especially in economic and social questions. An example confirms the assertion: Two years ago the National Assembly discussed the question of raising retail prices. There were no differences in principle and in the course of the national debate, in the organization of which

the trade unions had the most active role, public opinion came to see the sound basis for the measures. But there were different proposals in regard to the concrete solution. Finally, in a lively debate, the position of the trade unions came out on top and the National Assembly adopted it.

Speaking of the relationship between the state and the trade unions the report on the debate stresses that "in Hungary the trade unions not only participate in the preparation of state documents, they also have the right to challenge the decisions of administrative organs in every question which affects the interests of the workers." It was emphasized in the debate that "the state does not intervene in the internal life of the trade unions, it respects the fact that the trade unions do not have to report to state organs and are legally independent. On the other hand, the activity of the state is under the supervision of the masses and the trade unions have an important place in this."

The Hungarian trade unions participate in the exercise of state power at various levels. In connection with this PEACE AND SOCIALISM raised the question of whether the manifold, close cooperation did not bring with it an evening out of specific interests and a "statification" of the trade unions.

Those participating in the debate answered the question with an unambiguous no. Let us quote briefly from the arguments behind this answer: "The state organs and the enterprise directorates have the material resources, they know best the economic needs of society and the possibilities for satisfying them and they proceed accordingly. The trade unions see better the demands and mood of the masses and the concrete possibilities of production--from within, from below." When the trade unions review, from the viewpoint of the workers, the ideas submitted and, if necessary, make supplementary proposals they often get involved in differences of view.

The Hungarian experiences show, the contributors emphasized, that bringing views to the surface is extraordinarily important because "contradictions do not disappear if they are silenced, rather they pile up and cause tension. But when differences of view come to the surface it is easier to avoid conflicts. The representatives of the state organs and the leaders of the trade union movement see this clearly. It is not by chance that it has become a tradition that the same person cannot have a leading post in the government and in the SZOT at the same time; this would lead to a washing away of responsibility."

Interest Protection Tasks

The debate referred to the practice well recognized by Hungarian public opinion that representatives of the SZOT regularly participate in sessions of the government and that the trade union leaders and members of the government hold joint sessions twice yearly. The article also reports on the complex and responsible activity which characterizes the Hungarian trade unions in making decisions expressing the interests of the entire people and in carrying out the decisions. It points out that sometimes--in the interest of long-range social goals--this means that unpopular tasks must be undertaken, avoiding unprincipled demagogy.

The article describing the experiences of the Hungarian trade union movement deals expressly, in accordance with its importance, with the protection of interests, quoting the speech given by Sandor Gaspar at the trade union congress: "The historical justification for the trade unions even today is given, for the worker class, by the interest protection function. Without this a trade union is not a trade union even in socialism." Following this the debate dealt with our present problems and with the basic interest, the possibility of work.

A process of intensification is taking place in the Hungarian economy today and this involves a regrouping of forces. Some branches of production are developing, less promising ones are being cut back, and naturally this involves a regrouping of manpower. According to the interpretation of labor defense of 10-15 years ago, the trade unions could not approve of the transfer of people. Today, however, the question arises in a different way. "The trade union should take care that people's earnings should not decrease because of a transfer, that their new jobs correspond to their training and experience or that they be provided with the necessary training. A defense of the interests of the workers today does not mean opposing changes."

The position taken by those participating in the exchange of ideas extended to the fundamentally important circumstance that society cannot distribute more than it produces. Thus, in the protection of the interests of the worker class, it is of first priority, if indirect, significance that the trade unions also take care of the normal conduct of production. "It is the profound conviction of the Hungarian trade unions," they emphasized, "that the strike is not a suitable tool for the resolution of problems because this holds back the development of the economy, it does not enrich but rather it impoverishes society and delays the satisfaction of those needs for which there is not sufficient material cover." The trade union leaders did not intend to paint an idyllic picture of the realities of life; they reported on those conflicts which sometimes arise between enterprise leaderships and producing collectives. But they also made it known in detail that if the enterprise leadership failed to come to an agreement with the trade unions in questions affecting the interests of the workers then they had recourse to a specific tool which has now been adopted into the Hungarian practice, and this is the veto right. And although in the great majority of cases where the veto right has been used thus far the dispute has been decided in favor of the trade unions they emphasized: "The art of trade union protection of the interests of the workers lies in the fact that they can head off labor or social conflicts, can protect the enterprise leadership from improper actions."

Forums for Place of Work Democracy

The international labor movement can get many-sided information about Hungarian trade union work--and about our problems in it--because in addition to what has been reported here the debate material extends in detail to that practice whereby the movement constantly reviews and attends to the needs of various social strata and professional groups and it reports on the work of the forums of place of work democracy. They stressed the increased role and responsibility of the trade union groups, the stewards and the stewards' bodies, emphasizing: "In Hungary the leading trade union organs, before they develop their positions in especially important questions, ever more frequently query the opinions of trade union members, trade union groups and stewards' bodies and this is becoming a system."

Speaking of the implementation of direct democracy PEACE AND SOCIALISM noted that workers and employees take part in the discussion of the collective contracts governing relations between the enterprise leadership and the workers and in setting the policy governing wages and salaries. At production conferences and workers' meetings they decide problems connected with current matters. The trade union organs respect the opinion of the collective and make their decisions relying on this.

In addition, the ministry cannot confer special favor on the enterprise director and other leaders or give an official evaluation of their work without the agreement of the trade union. Today democracy is developing in the direction of permitting the collective to express its opinion about the appointment of economic leaders at various levels and about the evaluation of their work.

Summing up the debate, the journal of communist and workers' parties stated that the trade union movement occupies a worthy place in the political system of Hungary. And it refers to a speech given by Sandor Gaspar in an auto factory in Moscow: "The development of a trade union movement of the new type is a long historical process which is far from being completed. The trade unions are developing together with society."

8984
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MEDIUM RANGE PLANNING FOUND DIFFICULT

Budapest FIGYELO in Hungarian 22 Jul 81 pp 1, 3

[Article by Adam Angyal: "Problems of Medium Range Planning"]

[Text] The changed economic conditions and the openness of the five-year plan of the people's economy require from the enterprises a new type of planning methods which aid swift adaptation. Sliding and alternative planning offer aid to economic organizations working under constantly changing conditions so that they can continually organize their activity over the medium range also.

Experts from two large industrial enterprises will report in our series about the achievements and problems of their planning work.

Sliding Planning

In a system of frequently changing external and internal conditions a plan dealing with a longer period (for example, a medium range plan) will, with the passage of time, coincide with actual management conditions only by chance to an ever increasing degree. It is increasingly unrealistic and less and less acceptable, when comparing the plan and the actual situation, to attribute differences between the actual and the planned situation to deviations from the plan alone. In reality, much more frequently, one can observe a deviation between the actual situation and the management conditions taken into consideration in the plan.

Goal And Solution

This difference is an essential one. The plan must be regarded not only as a standard to which it is sufficient to compare the actual situation and thus establish how what had been imagined has been fulfilled. We must expect from the plan also that it will indicate what must be done in the given period; so it also contains a goal and, implicitly, a solution as well. In this conception we cannot regard a plan which deviates from a real management conditions system as a plan because it does not contain the information needed to organize and conduct management; rather, it encourages a sort of obsolete action divorced from the given situation.

In the past 2-3 years the enterprises could experience that what was imagined and how it was imagined at the time of plan preparation did not prove realistic because of a significant change in the conditions system, and so the plan had to be reevaluated.

This process can be seen very well in the changes in enterprise goals and in the appearance of "modernizing" elements. Preparation of the Fifth Five-Year Plan at the Hungarian Ship and Crane Factory (MHD) lasted for 5 years; we set down the first conception in 1973 and we compiled the last plan at the end of 1978. Between these two points in time we prepared seven plan versions, worked out at various depths and with various conceptions, and it is probable that by the end of the plan period yet another, retrospective plan will have to be compiled. We can see this in the fact that the last (1978) plan described what would have been according to conditions which have changed even since then. So it can be seen that the people's economic plan and the enterprise plan had to be constantly corrected. This cannot yet be called sliding planning, but it contains elements thereof.

The theory of sliding planning has been clarified more or less. But its application in management practice is superficial and obscure. The national economic planning system still does not handle the concept of a changing plan and the state guiding organs attempt to measure fulfillment according to the "classic" plan interpretation. But practice is more complex than this because in the guidance of management they necessarily deviate from what is described in the plan.

There is still no solution of how to treat changes in the plans. In general the compromise solution is to prepare a new, modernized plan and then management proceeds on this basis. But this is not a solution because the medium range plans prepared in this way deal with shorter and shorter times, because the end point is unchanged. A five-year plan which is called on to organize management for the years 1976-1980 and which is prepared in 1978 obviously no longer deals with 5 years but only with 2 years. Since the initial and end points of medium range plan periods do not change such versions are less and less plans and are more and more sanctifications of past changes.

This is how it was at the MHD too. For example, the Fifth Five-Year Plan prepared in 1978 contained the actual data for 1976 and 1977 and--since it was prepared at the end of 1978--the projected data for 1978. As a plan it covered only 2 years. Of these the first was very similar to the operational plan for 1979 and only the prescriptions for 1980 were "medium range." So what was put together in 1978 was a five-year plan in name; in function it was not. If the practice of sliding planning does not develop at the level of national economic planning then the most that can be expected at the enterprise level is only the working out of new and yet newer plan versions. But this is not medium range planning because it does not contain all the significant plan functions. This contradiction prompted those working in the Economic Main Department of the MHD to study and recommend the application of sliding planning.

Sliding planning does not exist in the practice of the MDH medium range plan; the practice is frequent reworking and actualization of the plans--decreasing thereby the time horizon. Thus, instead of measuring the expected results of the changes, planning is limited to actualization of the effect of the most recent change.

This can be observed especially in the planning of marketing prescriptions. The "changing" element in the marketing plans of the MHD is the rate of exchange. No medium range plan undertook to predict this although the enterprise had available

the information needed for such estimates. The newer and newer plan versions only recorded the changes which had taken place at the time of plan preparation. This is typical actualization work, but it cannot be called a plan in the sense that a plan contains decisions and obligations pertaining to the future.

So planning experience shows that the actualizations, following one after another, are retrospective, what is involved is utilization of information accumulated up to the time of preparing the plan version, but we did not enrich the versions with new predictions.

Continually, Yearly

Practical application of sliding planning is not free of problems. Some of these can be foreseen and probably can be resolved. But it is obvious that the new system also will be accompanied by difficulties which cannot be foreseen.

The link with the people's economic plans has not been clarified, because the MHD could introduce sliding medium range planning but the state planning organs cannot "handle" this (yet). In the interest of resolving this contradiction I suggest that we should designate a "base" plan from among the sliding plans prepared annually; this should be the compilation prepared at the beginning of the plan period, which is prepared when the state organs require it. This "base" plan could be the basis for a plan information system for the enterprise and the external organs, but as an "organizing" plan it would be valid only until the next sliding plan.

Another problem in sliding planning is caused by the interpretation of the system of changing conditions. This is bridged over by the well-known solution of so-called base price and current price measurement; it is not necessary to deal with this problem as a result of a sliding planning system. But it may be that base level indexes need not appear in the plan; thus only current price indexes would serve as a standard. This agrees with the real content of actual management processes, because these cannot be interpreted in a theoretical conditions system either. For example, one cannot tax the profit that "might have been."

It is clear from the theory of sliding planning that medium range plan preparation will not take place in one concentrated period; rather it will be a continual task, repeated yearly. In accordance with this it would be correct to speak of sliding planning linked to annual planning. In practice this could be done at the MHD in such a way that a year-end sliding medium range plan would be prepared within the framework of annual plan preparation. Thus the Director's Council discussing the annual plan presentation would receive information about the actualized medium range tasks.

Linking annual and medium range planning with the new sliding plan being prepared annually brings up the question of the information content of the plans with different time spans. For example, in the course of annual plan preparation we use primarily such indexes as sales receipts, profit, personnel, export, development, wage fund, etc. But an analysis of indexes of a different character is needed in the medium range--such things as product structure, marketing ratios, personnel structure, increasing personal income, development of manufacturing branches, etc.

Over the long range, on the other hand, we must examine plan information which differs even from this--such things as technical development trends, market escalation ideas, strategic data, etc. So it is clear that if we want to bring annual and medium range planning together with sliding planning then we must create a synchronized information system also.

It is characteristic that this problem does not appear in the state planning system. The data in the information material for the medium range plan are of the same type as with annual planning (for example, sales receipts, profit, personnel, development, etc.); the most that is permitted is that we need not give concrete data for a few years. (And this concession is worth little since we must give data for the last year; thus the state planning system does not accept the fact that the most distant year has the greatest uncertainty.) Nevertheless a distinction by content should be made between plans with the two types of time horizon.

Utilization of sliding planning would make it possible to harmonize annual and medium range planning which now differ in time and in the information base.

For several decades economic planning has been aware of the theory and practice of sliding planning. This method would help economic organizations working amidst changing conditions and circumstances to be able to continually organize their activity over the medium range also. In my opinion the MHD has need of such a solution.

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BRIEFS

NEW PHARMACEUTICAL ENTERPRISE--In December 1980 a new joint enterprise was established by EGYT [United Pharmaceutical and Nutriment Factory] and the Reanal Fine Chemical Factory on 4.5 hectares in Matyasfold [a suburb east of Budapest]. Known as EGAL, the enterprise employs several hundred persons and is highly mechanized, requiring the presence of only five workers per shift. This year the value of production is expected to amount to 80 million forints, 100 million in 1982 and 600 million in 1985. This surge is due to the fact that EGYT will invest 160 million forints in it during the coming period. The new enterprise is taking over production of chemical agents which were unprofitable to its founders but are cost effective to EGAL because of its smaller size. From EGYT is has taken on production of the basic substance of the tranquilizer, Trioxazine, which requires a very simple technology, and will turn out 100 tons this year. For this same reason production of 120 fine chemicals has been transferred from Reanal, the country's only maker of such agents, to EGAL. The current agreement pertaining to EGAL is valid for 3 years. During this period the founders will withdraw no profits from EGAL. However, EGAL can sell only the end products of its own developments. Later the amount of profit withdrawn will be determined by the executive council: the directors of the two founding enterprises and EGAL. EGAL will also undertake research and development as a service. Although it lacks research and development apparatus, it employs highly-qualified personnel who can perform experiments which can be conducted only at a plant. [Excerpts] [Budapest HETI VILAGGAZDASAG in Hungarian 25 Jul 81 pp 24-25]

PHOSGENE PLANT--The investment of the phosgene plant of the Borosd Chemical Combine being constructed in Kazincbarcika as part of the program to expand production of plant protective and pharmaceutical intermediaries has reached the halfway mark. The combine is spending 340 million forints on one of these base facilities. The new building will house Soviet-made equipment which will convert carbon monoxide and chlorine waste gases generated in other plants into 10,000 tons of plant protective agents annually. Technological testing of the facility is scheduled to begin in mid-1982. [Text] [Budapest NEPSZABADSAG in Hungarian 20 Jun 81 p 5]

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IMPORTANT ELEMENTS OF ECONOMIC REFORM OUTLINED

Warsaw BANK I KREDYT in Polish No 2, Feb 81 pp 29-33

[Article by Henryk Blaszak: "Some Problems of the Reform of the Economic System"]

[Text] In the present phase of the discussion on the operating system of the national economy, relatively large areas of near certainty as to the directions of indispensable transformations and the manner of their enactment are emerging. For instance, there is little doubt that:

--regardless of the degree of progress of the work on the comprehensive economic reform, a socially justified necessity exists to introduce partial changes as fast as possible wherever this is feasible, considering that the scale of such improvements is relatively large and that they can create the conditions for a noticeable impact on improved efficiency of management;

--one of the basic directions of reform must be a pronounced strengthening of strategic central planning, with a simultaneous farreaching expansion of the autonomy of enterprises as the basic link of the economy, as well as changes in the system of linkages between the center and the economic units;

--the operating model of the economy is no longer conceivable without solving the crucial problem of participation or assigning the proper rank to all respresentative bodies, especially including worker self-government, which is tantamount to some participation by the public in the process of the management of the national economy;

--a major premise of the process of expanding the autonomy of enterprises and participation by their personnel in management must be strengthening the responsibility for economic performance. Another major premise underlying that process is consolidating--as an instrument and in the public awareness--the principle of funding the rise in wages and developmental needs from the enterprise's own income rather than with monies obtained through negotiation with the state authorities;

--the principal component elements of the economic reform must include a change in the existing system and structure of prices; sooner or later, this change must also extend to the retail prices of consumer goods and result in a change in the current ratios between food prices and prices of manufactured goods.

Independently of the emerging more or less definite aspects of the reform, a large number of problems involved in the reform still remains debatable and requires

detailed consideration and appropriate solutions. Already the first of the problems mentioned above entails the need to determine the relationship between what is not too felicitously called the small (emergency) economic reform and the extensive (comprehensive) economic reform and the determination of the lead time of implementation. Both these questions are not easy and raise many doubts. These questions have arisen owing to the ineluctable need to properly coordinate two mutually conflicting necessities, namely, the need to cope with public pressure for introducing the necessary changes as soon as possible and thus to initiate the process of streamlining the economy, as well as the need for a most penetrating and properly conceived formulation of the general concept of the reform adapted to the realities and the specific operating principles of individual fields of the economy--which takes time.

The thesis of the need to introduce without delay the streamlining of discrete sectors of the [economic] system according to their state of readiness, that is, beginning on 1 Jan 81, also should be regarded as no longer subject to discussion, because it ensues from socially determined needs in face of which there is no alternative. It should even be accepted in the awareness that most likely there will be no possibility of fulfilling the justly advanced postulate that minor emergency reforms should be properly correlated with the premises of a subsequent general reform. This is because the currently adopted decisions cannot take into account many premises and solutions which have not yet been sufficiently precisely determined and whose elaboration must await the completion of discussions of the concept of the [comprehensive] reform. At the same time, any uncoordinated introduction of sector changes by discrete ministries should be avoided, since this might result in an uncorrelated masaic of operating solutions that would deepen the existing chaos, especially if these changes do not even correspond with tentatively determined directions of changes within the framework of the comprehensive reform. From this standpoint viewed, the decision--adopted of late last year--of the ministry of construction and building materials industries to abandon the index of value added and restore the system for settling the wage fund on the basis of overall turnover or sales volume of output and services should be regarded as problematic. Conversion to gross indexes cannot be regarded as a solution with a future, and the not too sensible results of linking the descretionary wage fund to value added, in the construction industry, have been due chiefly to the inclusion of completely senseless incentives intended to counter any excessive increase in current output in the form of the parameter 0.9T, representing a factor in the calculation of value added [added value of output]. For the purpose of an interim solution of this problem it thus sufficed to increase that parameter correspondingly without upsetting or discarding this whole system which was, incidentally, until recently so strongly and forcefully promoted by the Ministry of Construction and Building Materials Industry despite opposition by associations and enterprises.

The following recent proposals among others, intended to loosen, on an emergency basis, the excessively restrictive system of enterprise norms and limitations, are justified and proper: the abolition of limitations on employment and the integration of the wage fund, that is, the abandonment of the practice of dividing that fund into various separately planned and calculated component and the elimination of various kinds of anti-incentives complicating efficient management. Drafting proposals for emergency changes of this type is one of the tasks of the recently appointed Party-Government Commission. It is thus to be expected that already in the near future the complex whole of proposals of this kind will be considered.

Another highly complex matter is that of the lead time of the comprehensive economic reform. An article published in No 39, 1980, of ZYCIE GOSPODARCZE, opines that it is desirable and possible to:

--draft the basic premises of the comprehensive reform by the end of 1980;

--determine more precisely specific solutions regarding the three principal component elements of the reform, namely: organizational structures, operating principles of discrete sectors of the economy, and the mechanism of action of discrete functional elements of the new system (planning, prices, financial system, etc.), by the end of October 1981;

--drafting of application proposals for discrete types of economic units, by the end of June 1982;

--Completion of work to introduce the new system into practice in the second half of 1982.

Adherence to the above time-frames is hardly feasible, and as for the opinion, published on 31 Oct 80, that "we could already start the next five-year plan period on the basis of a new economic operating system," its naivete is simply disarming.

The comprehensive economic reform is an undertaking of tremendous complexity, requiring broadly conceived research and preparatory work and entailing some risk of making mistakes. It is to be expected that any failure, even in isolated sectors, will extremely adversely affect the public's mood and the chances of achieving general acceptance of the implemented changes. In such a situation, haste--which magnifies the risk of making mistakes and drafting inadequate solutions of all the problems relating to the new system--would make waste. Hence, the pressure exerted by certain sources to hasten the reform should be resolutely rejected and the starting premise should be that it is better to delay the reform for a year or two in order to prepare it thoroughly than to hasten the introduction of an inadequately planned reform. True, the public manifests a great deal of impatience, but the reigning mood will doubtless be positively affected by the introduction of a number of emergency system changes as well as by the publication itself of the specific premises of the reform under preparation and the initiation of broad discussion of that topic.

Considerations on the lead time of the reform may not disregard two important factors, namely:

First, the fact that the premises of the reform are currently being drafted by two formally established commissions, namely, the Party-Government Commission and the Commission set up by PTE [Polish Economic Society]. The simultaneous work of these two commissions need not result in similar proposals. Differences in views may appear, and their coordination will require extra time.

Second, there is the fundamental circumstance that in the present situation no reform has a chance for successful introduction and operation if it is forced through solely by the managers of our economy. An indispensable prerequisite for the reform's success is the drafting of a concept of the reform such as would meet with a broad public approval, especially the approval of the working class.

Fundamental importance must be attached to this last aspect. One of the most characteristic features of the present situation is the need to carry out certain changes that are absolutely necessary from the economic point of view but which have no chances for support from the public without adequate long-range preparation. They happen to be, moreover, changes to which the public is at present extremely sensitive. One such problem, in particular, is the reform of retail prices, including a change in the price ratio between foodstuffs and manufactured goods. Thus there is a need to consider in any program a number of broadly conceived and properly timed actions intended to secure the support of the entire society, and especially of the working class, for the proposed reform. These actions should, in particular, include an appropriate system of consultations with the trade unions, broad discussion of the premises of the reform, and the campaign to educate the public economically in the year preceding the introduction of the reform. The process of consultations with trade unions and discrete communities, especially factory crews, should be carried out in many stages, since it should encompass all the principal stages of the reform, i.e., the ensemble of emergency or interim changes and improvements, drafts of solutions regarding a broadly conceived participation [by the public, etc.], and the orienting concept of the fundamental economic reform and the specific solutions it entails. These considerations indicate that it is more realistic to expect the introduction of the comprehensive reform to begin in 1983, contrary to the suggestions that the reform should be completed by then.

To sum up, it may be concluded that the economic reform should be carried out in the following stages:

--preparation, consultations, and successive introduction--for an interim period beginning 1 Jan 81--of a program of emergency changes and improvements initiating the revision of the current operating model of the national economy but as yet not representing a comprehensive economic reform;

--simultaneous preparation and introduction, as rapidly as possible following broad public consultation, of a number of solutions intended to redefine the place and role of the enterprise as the basic element of the national economy, with allowance for the specific forms of actual participation by the factory crews and worker self-governments in the management of the economy, as well as for the gradually expanded scope of personal responsibility for economic performance;

--drafting of an orienting general concept of the economic reform, that comprises all key sectors of the national economy, including the price system. This concept should correspond to the transformations going on in all other spheres of functioning of the state organism. This concept should be verified and finally approved upon prior consultation with the trade union and broad public discussion;

--drafting of a number of solutions representing an elaboration of the above concept and comprising discrete fields of economic performance as well as the principal sectors of the national economy and discrete types of economic units. The whole of these projects should be verified and ultimately approved upon obtaining its public approval in the same way as for the orienting concept of the reform;

--drafting and implementation, in the year prior to the introduction of the reform, of a program for universal economic education intended to prepare the nation for living and working in a changed operating system of the national economy;

The most difficult and yet also a most essential element of the economic reform is the reform of prices--which will fundamentally influence all the other solutions of the operating system of the economy. The complexity of the problem of prices is illustrated by, among other things, certain recent undesirable or even dangerous trends. One such trend is the excessive emphasis on price controls as a tool for counteracting the existing inflationary processes. The strengthening of price controls and combatting of the tendency to abuse the opportunities for raising prices in the name of group interests conflicting with the social interest--practices that are applied under various pretexts on a fairly broad scale--is doubtless expedient, desirable, or even necessary. However, this produces the side effect of creating and maintaining the socially harmfull illusion that the economy can in the long run still operate under the conditions of a price freeze, and that retail prices can be effectively protected against the consequences of variously caused rises in costs, and that administrative price controls can be sufficiently effective to replace or postpone indefinitely the absolute necessity of putting the price system in general order. In these times of sharp criticism of the arbitrariness, ["voluntarism"] characterizing the economy of the past decade, illusions of this kind nourish the extremely voluntaristic delusion that effeciently functioning authorities can assure a simultaneous unprecedentedly rapid rise in wages, stability of prices, and increase in the supply of goods and services to an extent resulting in the restoration and maintenance of the market balance between supply and demand. Among such delusions one should also classify the claims that food prices can supposedly be kept stable by increasing budget subsidies and that hence prices can be left alone for the time being in the expectation that the needed changes in their relations will come true of themselves as a spontaneous effect of the economic reform introduced under the present price conditions.

In reality, a common feature of tendencies and views of this kind is the attempt to avoid facing the problem, around which so many prejudices and disputes have arisen that stating the problem became a highly risky action in itself. However, no problem can be solved by hiding one's head in the sand like an ostrich. The actual price structure greatly deviates from the structure of production cost and does not correspond to the existing supply-and-demand structure, i.e. is not adjusted to objectives associated with guiding the development of the market situation. The degree of the differentiation in the profitability of discrete products as ensuing from the current prices has reached a simply unprecedented extent--and this pertains to all groups of products. As has been repeatedly pointed out in recent years, the current prices not only fail to rationally perform their functions but in many fields even lead to waste, intensify the disorganization of the market, complicate the solution of the crucial problems of agriculture, and result in various other adverse effects.

Thus prices cannot be left in peace; their eminently irrational structure cannot be frozen or perpetuated. Instead, they should be basically brought into order, since the longer this process in postponed the more difficult its implementation will be. The occasional consideration of the question of which should be reformed first--prices or the management of the economy, will have to be regarded as pointless. A major ideological premise of the economic reform is the restoration of proper importance to cost effectiveness as based on rational parameters serving to mesh the group interests of the enterprises with the interest of the national economy as a whole. And a rational system and structure of prices are a fundamental premise of cost effectiveness, as otherwise an effective economic reform is hardly conceivable.

The nature of the problem considered lies not so much in what should be done, and in what sequence, as in what can be done given the existing structure of socio-economic relations. There exists fairly common consensus that, in our present economic situation, it would be rather difficult to bring about the sudden shock that would be produced by a one-time and complete adjustment of the price structure to its proper level. Such an operation entails major changes in the real income of discrete parts of the population. Some opine that increases in the prices of basic consumer goods, especially foodstuffs, cannot be repeated more often than once every 6 months, and that their extent should not exceed 5-7 percent. This means that price corrections introduced on such a time scale would require many years before the price structure could be adjusted to a level regarded as correct.
It appears that such views require some complementation. Even a major shock in the form on a one-time far-reaching price reform would represent a solution having some chances for gaining public approval if it would be linked to a properly developed system of compensation for the rise in food prices and it it would be preceded by an appropriate and sufficiently long campaign to prepare the public. Such a solution, however, would have an adverse side effect in that it would retard the entire process of the economic reform, especially in fields in which a rationalized price structure is a prerequisite for progress. All this leads to the conclusion that the most effective solution might be an appropriate meshing of two parallel methods for introducing the reform, namely:

--commencement of a gradual correction of prices combined with other emergency measures, and continuation of this process in accordance with a predetermined schedule in order to gradually create the premises for enhancing the importance of cost effectiveness;

--parallel to the above, the construction of the pertinent (within the boundaries of the lead time adopted) model of the price structure and the determination of conditions for implementing that model, along with all the other solutions that together represent a comprehensively reformed operating system of the national economy.

The already prepared reform of the prices of supplier goods may be regarded as the initial stage of introduction of this concept. As is known, the government has drafted concrete decisions regarding a broad reform of the prices of supplier goods as of 1 Jan 81, whose effects are estimated at more than 800 billion zlotys. Criticism of certain premises of that reform has resulted in reopening the issue for further consideration, with one of the new proposals suggesting the possibility of revising--as of 1 Jan 81--the prices of only one, but important, group of supplier goods, namely, fuels and power. The work to revise the prices of supplier goods is based on the following premises:

--from the standpoint of the economic reform, the prices of supplier goods are of decisive importance, since they represent the basis for input-output [performance] analyses by enterprises;

--retail prices may be made independent of the movements of the prices of supplier goods, thus serving to treat their reform as a completely separate problem scheduled for implementation at a later stage.

The above premises should be regarded as justified, given only one, but important,

reservation: the isolation of the retail prices of consumer goods from the price movements of supplier goods can be considered only within a static framework, because the evolution of the situation in time is such that changes in the prices of supplier goods sooner or later affect the retail prices of consumer goods through various channels, especially through the calculation of costs of new products. In view of this, any price reform, even it it pertains only to the prices of supplier goods, is not just of purely instrumental but also of social importance. Thus such decisions should not be taken and implemented arbitrarily without prior consultation of the public and without prior explanation to the public of the premises and aims of the reform and of each of its stages.

Doubt also exists as to whether it is advisable to subdivide the reform of the prices of supplier goods into stages starting with fuels and energy and subsequently with other groups of these goods. This is because the first stage would simply result in shifting the burden of unprofitable operation to the industries and branches consuming fuel and energy, that is, in further exacerbating the existing disproportions. In view of this, a proposal has been made to postpone the reform of the prices of supplier goods until 1 Jul 81, and to extend that reform to not only the prices of fuel and energy but also to all the revision-requiring prices of other supplier goods, and to coordinate that reform with the first stage of the revisions of the retail prices of consumer goods.

A problem of basic importance that requires a solution as rapidly as possible is a properly evolved participation of worker self-government in the management of the national economy. As was recently stressed by the Chairman of the PTE, "during discussions we reached an agreement that a reform treated as a technocratic or managerial reform would be nonsensical. It must be a reform affecting the whole of economic, social, and political-institutional problems." This idea has been formulated just as explicitly, and doubtless felicitously, in the minutes of the meeting of a team under the Main Board of the PTE that is working on a report on the directions of the economic reform: "at present there is no realistic alternative for evolution of the system in Poland to occur in any way other than through [public] participation." That report also indicates that, according to the common consensus of the industrial and academic communities, settling the issues of worker self-government and enterprises should be the point of departure in the work on the economic reform.

However, the implementation of theoretically justified postulates for participation [by worker self-government] in the system of enterprise management entails, in the present situation, considerable difficulties and even the need to surmount certain contradictions. Thus, on the one hand, the idea of economic autonomy must be interpreted as the idea of the unity of rights and obligations, as the concept of a fundamental broadening of the scope of competences and autonomy of the enterprises and their self-government organs, which must be accompanied by actual responsibility for economic performance. Such responsibility is tantamount to making wage increases and expansion needs contingent on economic performance. Such a system of competences and responsibility can, however, be considered only after all the fundamental premises of the economic reform are fully translated into reality and after the entire system of relations between the center and the economic units [chiefly enterprises], which it would direct chiefly by means of economic-financial instruments and mechanisms, is based on new principles. Complete responsibility for economic performance cannot be held until real possibilities and rational criteria

for adopting decisions serving to mesh the group interests of the enterprise with socially useful activity are provided. The drafting and full introduction of the premises of the new operating system of the economy takes time, however. On the other hand, the need of the hour is the aforementioned necessity of settling as soon as possible the problem of the participation of factory crews in the management process, and of treating this issue as the point of departure for the comprehensive reform.

It appears that this contradiction could be solved by introducing annual agreements between the management of economic units and the organs of worker self-government. These agreements would apply only for the interim period, that is, until conditions are provided for the enterprises to be fully responsible for their own economic performance. These agreements would, moreover, apply to the implementation of particular and partial aspects of performance such as, e.i., a specific growth rate of labor productivity, or improvements in other yardsticks of this kind as ensuing from the specific nature of a given enterprise, upon making specific wage increases contingent on such implementation. Such a concept would assure a gradual and evolutionary broadening of the scope of responsibility for economic performance assigned to the enterprises and their self-government organs, and it would establish firmly the principle of making the extent of the resources placed at the disposal of a given enterprise contingent on the real value of its output. Independently of this there exists a need to determine the scope of the competences of worker self-government at enterprises, and to identify the fields and problems to be covered by the right to make recommendations or to participate in advisory capacity in the decision making processes, and also to identify the fields and problems with regard to which decision making with regard to, among others, the following problem:

--actual and not just formal approval of long-range and annual economic plans;

--approval of annual balance sheets and acceptance of periodic performance reports from enterprise managers;

--approval of nominations to the position of chief director of the enterprise as well as to a specific range of other managerial positions, combined with the right to initiate the recall of these persons from the posts they occupy;

--acceptance of investment plans whose cost estimates exceed a specified ceiling and which are financed from the enterprise's own funds and bank credit;

--adoption of decisions determining the directions of expenditure of funds allocated for the needs of the plant personnel, and especially funds of such types as the plant social fund and the plant housing fund;

--adoption of decisions on matters relating to strikes.

1386
CSO: 2600/200

'TRUTH' ABOUT INVESTMENTS, NEED TO MASTER PROCESS DISCUSSED

Warsaw ZYCIE GOSPODARCZE in Polish No 27, 5 Jul 81

[Article by Ch. M.: "More Truth About Investments"]

[Text] The high share of freezing and investment commitment and long investment cycles combine to make the costs of the investment process particularly difficult for the economy to bear. In the first quarter of this year commitment reached a value exceeding 1.2 trillion zlotys, constituting a level analogous to that found at the end of last year. To this must be added postulated commitment and commitment associated with so-called complementary investments. Part of the commitment worth approximately 300 billion zlotys has been consolidated in connection with the decisions adopted last year on the suspension of investments. Similarly in the first quarter investment freezing was subjected to a further increase up to 802 billion zlotys, which is a record level (at the end of last year it came to 780 billion zlotys).

A special item of investment freezing is unused machinery and equipment. Here again we reached the highest level ever of 56.2 billion zlotys. The value of unused imported machinery also rose to 35.8 billion zlotys.

Of the 56.2 billion zlotys in the value of unused machinery and equipment at the end of the first quarter, 16.6 billion zlotys constitute the value of machinery and equipment for suspended investments, and 2.2 billion zlotys for unclaimed investments and 0.7 billion zlotys for needless investments.

Three-fourths of the value of the unused machinery and equipment is assigned to the following ministries: metallurgy (20 percent), energy and atomic energy, and heavy and agricultural machinery (15 percent each), the chemical industry, and farming and the lumber industry (Kwidzyn).

Table 1.

Item	State of realization at the end of the period in billions of zylotys			
	1975	1979	1980	1st Quarter 1981
Freezing	306.7	664.8	779.9	802.3
Including:				
Used machinery and equipment	27.2	45.3	53.2	56.2
Commitment	714.7	1187.0	1272.5	1212.6
Average cycle of investment realization in months	30.3	38.6	38.8	

Source: calculated from the structure of realization of investments turned over for use in 1975.

Not only the high investment level, but also its structure is an important problem. From the number of nearly 10,000 tasks investigated in the field of continuing investment with a cost-estimate value of 1.75 trillion zlotys, 1,600 with a value above 50 million zlotys represent a cost-estimate value of 1.65 trillion zlotys, giving proof of the concentration in the implementation of large investment tasks.[1] This is also confirmed by the fact (on the basis of the same source) that 2/3 of the investment commitment comes from 16 percent of the investment tasks investigated with a cost-estimate value exceeding 4 billion zlotys.

Similar deductions are indicated from an evaluation of the branch structure of investment commitment in industry. Approximately half of the commitment of investment outlays is found in the following branches of industry: coal, energy, iron metallurgy and chemical.

Similarly investment freezing is concentrated in the large tasks, and 3/4 of the investment freezing applies to 16 percent of the investment tasks investigated with a cost-estimate value exceeding 1 billion zlotys. Just as in the case of commitment, a fundamental part of the freezing falls to the lot of the most capital-intensive branches and fields with the longest investment cycle.

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[1] John Macieja: Freezing and commitment of investments in the material production sphere," GOSPODARKA PLANOWANA No 1, 1981.

Table 2. Indicators of Effectiveness of Fixed Assets.

Item	Years 1975	1979	1980	1980 1975=100
Technical development of labor in the sphere of material production in the national economy (in thousands of zlotys per employee)	319	458	491	154
Productivity of fixed assets in the national economy (in zlotys per thousand zlotys of gross production value of fixed assets)	407	324	287	70.6
Productivity of fixed assets in the socialized economy (in zlotys per thousand zlotys of gross production value of fixed assets)	403	314	282	69.2

The structure of production capacity growing as a result of an achieved investment program, the formation of jobs and their application is also a fundamental problem. Data on the technical development of labor and on the application of jobs indicates that unfavorable tendencies are appearing in this field.

Admittedly the value of the technical development of labor per employee in the material production sphere increased from 319,000 zlotys to 491,000 zlotys, but the productivity of fixed assets in the socialized economy (measured by net production per 1,000 zlotys of fixed asset value) diminished from 408 zlotys in 1975 to 282 zlotys in 1980. The coefficient of job utilization dropped to 1.37 in 1980 from 1.40 in 1979 and 1.47 in 1978. The shift-rate factor in the socialized industry dropped in the same period from 1.47 to 1.37.

Observation of the above-mentioned tendencies in individual industrial ministries indicates a still greater accumulation of the problems discussed in some of them. The most intense reduction in the coefficients of job utilization is found in ministries in which the most extensive investment programs have been and are being achieved, as follows:

the ministries of the machine industry, the chemical, the heavy and agricultural machine industry, metallurgy, and the construction and building materials industry.

A still functioning reason for the lack of mastery over investments is the lack of sufficient restraint in production and the supply of capital goods on the part of construction and the building materials industry, and the machine industry. Restricting investment possibilities is not effective enough if it does not first include producers and suppliers of capital goods, including foreign trade undertakings guaranteeing supplies of these goods by importation. This last fact is supported by the already mentioned unused machinery and equipment still being imported. The existence of this problem is also indicated by the deep lack of proportion between the formal drop in the magnitude of investment outlays and the constantly rising costs of enterprises "working" to support investments. Despite the drop in investment outlays, there has been almost no drop in employment in the building and mounting enterprises. During the course of 5 months this year their production dropped by 20.4 percent, while employment dropped by 3.6 percent. At the same time the personnel wage fund increased by 24.8 percent, and average wages rose by 29.5 percent. This must obviously lead to a further intensification of the deficit rate of the building and mounting enterprises. It is worth recalling that the financial results of these enterprises were plus 13 billion zlotys in 1978, minus 4 billion zlotys in 1979, minus 38 billion zlotys in 1980, and minus 16 billion zlotys in the first quarter of 1981 alone. It can easily be calculated from this that the factual cost of investment associated with the building and mounting enterprise activity can be some 60-70 billion zlotys higher in 1981 than the calculations of investors.

It should also be recognized that the consumption of building materials is included in the investment costs at prices which have been considerably lower than the costs of producing these materials for a number of years. For example, in the association of the cement, lime and gypsum industry, the financial results have dropped from minus 0.4 billion zlotys in 1978 to minus 2.8 billion zlotys in 1979, minus 4.5 billion zlotys in 1980 and minus 2 billion zlotys in the first quarter of 1981 alone. Thus we are not making any great mistake when we claim that the factual social cost of investment with respect to the real outlays of the building and mounting industries and the building material industry can be approximately 100 billion zlotys higher this year than the cost indicated by the investors.

This leads to conclusions showing the urgent need to stem the flow of financial resources to investments "through the underground" by building and mounting enterprises and the rigid prices for building materials. Since the expensive and often excessive investment production is also supported in industries manufacturing machinery and equipment and other capital goods, these fields must also be effectively contained. The

factual investment cost should be made known, and this cost should be subject to effective regulation. It is impossible not to sanction (in the interests of management and staff) the continued production of machinery and other capital goods, which should not be covered by the investment fund. And the picture should not be obscured by the maintenance of rigid and unrealistic prices for building and mounting services, building materials and other capital goods, not excluding machinery and equipment.

Many of these matters will actually be solved as a result of the price reform on means of production frozen after 1 January 1982 and other economic reform undertakings. But today these problems require a different approach, such as on the part of the bank and finance systems. It will be impossible to avoid reference to management methods, but of the sort where the interests of the economy and of society could conquer impulsiveness and selfishness.

We must still do away with the continuing tolerance for lack of mastery of the investment process. This is another of the conditions of reconciling society with the need to reduce real current income. It will be easier for the people to understand the need for their own self-denial when investment waste is obviously reduced.

6806
CSO: 2600/257

TERRITORIAL ADMINISTRATIVE CHANGES INDICATED

Warsaw TRYBUNA LUDU in Polish 6 Jul 81 p 3

[Article by Jadwiga Mikolajczyk: "Concerning Boundaries and Parochialism"]

[Text] The Sejm, the Ministry of Administration, Local Economy and Environmental Protection, as well as the editorial offices of newspapers, including TRYBUNA LUDU, have in recent months received many letters and petitions demanding changes in the nation's administrative division. The results will have an effect on several areas:

--relatively minor corrections in the boundaries of communes ("relocation" of individual rural areas);

--restoration of certain previously existing communes;

--change of provincial boundaries, ranging from minor relocations to different situating of certain cities and regions. What is observed here is a tendency toward large-cities--Lodz, Warsaw and Wroclaw.

This matter elicits many emotions and these demands are the expression of a critical evaluation of the territorial division reform of 1975. The authors of the petition claim that the introduction of a two-stage division was a mistake. In dividing and joining there was no regard, for example, for the direction to which individual towns leaned, historically created ties linking cities and regions were disturbed, etc. This resulted in hardships for residents and sometimes, according to the writers, also eliminated the opportunity for their town's proper development.

After the Interpellation

This matter was the subject of a ministerial interpellation at this year's May session of the Sejm and, according to the announcement by the minister of administration, local economy and environmental protection, after analyses and discussions with interested parties, decisions concerning certain changes on the lowest levels were undertaken or are being worked on. This also concerns the possible reactions of some of the communes. Also being analyzed are proposals concerning changes in provincial boundaries. Based on the opinion obtained from the department, we can expect that certain of them are likely to be implemented in the near future. (Provincial boundary changes follow decrees by the Council of Ministers--J.M.)

From the above, it appears that the reactions to the emotionally tinged demands are on the whole careful and limited by various "yes--ifs." The decisions are coming slowly primarily because this matter was dealt with too late. Delegations with petitions were coming to Warsaw as early as last fall, and it could have been anticipated that this matter could not be waited out.

However, since the matter is already being dealt with, one should not be surprised by the careful study of all the pros and cons. With the best intentions of correcting mistakes, it is very easy to commit new and very costly errors. Naturally, minor and very obvious matters should be solved quickly and without delay while others--and this cannot be helped--should be fairly (which does not mean bureaucratically) analyzed, evaluating whether arguments favoring changes are correct and also whether they establish the necessity for immediate implementation of said changes.

From the results, it appears that if today one wanted to implement all the porposals concerning the shifting of territories among provinces, boundaries of 36 provinces would have to be disturbed. The opinion of the neighboring WRN [Voivodship People's Councils] on this subject may also not necessarily be convergent.

The accepted principle of the present stability of the nation's administrative division should be supported. This means that only the most justifiable corrections are being agreed to, that is, in instances where social disadvantages or economic nonsense are disturbing, where not making changes would mean destroying developmental possibilities, etc., while leaving the rest for a later time. If it were decided to implement all the proposed changes today, the result would be quite a mess, and all these changes would not necessarily bring about the hoped-for results.

In this matter we have some educational experience. It is worth bringing up, since few people remember, that the present administrative division resulted from a concept adopted several years ago which had a rational basis (and which had already been taken into account in Poland some decades ago as well as right after the war) and from concessions and modifications which resulted from various pressures in the course of its implementation. For example, the number of provinces increased as compared to the number in the original proposals. At the beginning, there was talk of approximately 30 provincial units. The number of communes was fluid for a long time.

The lack of publicity during the preparation of this reform did it a lot of harm, and this lack made verification of the accepted criteria impossible. Supression of discussions before the decision was taken subsequently resulted in numerous conflicts in connection with which there were hasty changes--and new conflicts.

Completing What Was Started

This reform was not actually completed, because many basic conditions for its success were not fulfilled. For instance, the concept of a strong commune, with its governing bodies having the necessary powers and with a competent administration, deserved support, even with the now-questioned argument that it is a concept of authority closer to the citizen. It turned out that we were often supporting a fine theory which was not supported by adequate funds, and predictions for the development of a communal infrastructure, building of roads and communications connecting the rural areas with the communal seat, and so forth, remained on paper. The communes did not receive the anticipated authority. Centralizaiton and significant lack of develop-

ment of democratic and self-ruling forms of government, and thus also a lack of public control, are the source of the bureaucracy which harasses the rural residents in communal offices and institutions.

Today, matters regarding territorial divisions can be solved only in the context of the whole system governing the nation and the economy, and the reforms being prepared in these areas. It is worth noting this fact in a situation where the argument involving wrongs (e.g., the provincial capital takes the funds, or the neighbors have better supplies) is so often used in efforts to change administrative "attachment." Such situations simply will not be able to exist in a decentralized and self-governing administration.

Waiting for the Professional Report

These days, in hard times, parochial thinking makes life much more difficult and both the territorial administrations and the self-government and social organizations should exhibit particular sensitivity to the attempts at placing barriers on provincial or communal boundaries so that the school, the health center, the store--or rather what is in it--will be only for one's own. We can only give something for something.

As to the solutions on the horizon: The subject is current not only in the department, but also in the Sejm committees, in the unit working out rules concerning the people's councils, in the committee for economic reforms and wherever the future of tha nation is being discussed. It appears that what has been done is the most appropriate. A professional report by the appropriate PAN [Polish Academy of Science] agency has been ordered on the subject of the operation in practice of the "new," as it is still called, division of administration. Only a thorough knowledge of the facts can be the starting point for a discussion about change.

9461
CSO: 2600/258

PEOPLE'S COUNCILS LEGISLATIVE CHAMBER APPROVES 1981-1985 PLANS

Bucharest BULETINUL OFICIAL in Romanian Part I No 46, 9 Jul 81 pp 1-4

/Decision No 1 of the Legislative Chamber of the People's Councils of the Socialist Republic of Romania Approving the Draft Uniform National Plan for Romania's Regional Socioeconomic Development in the 1981-1985 Five-Year Plan and the Draft Plan for Development of Agriculture and the Food Industry for the 1981-1985 Period/

/Text/ On the basis of Article 13 of Law No 5 of 1975 on the Congress, Legislative Chamber and Conferences of the People's Councils, we hereby approve and order to be published in BULETINUL OFICIAL Decision No 1 of 29 June 1981 of the People's Councils Legislative Chamber Approving the Draft Uniform National Plan for Romania's Regional Socioeconomic Development in the 1981-1985 Five-Year Plan and the Draft Plan for Development of Agriculture and the Food Industry for the 1981-1985 Period.

Nicolae Ceausescu
Bucharest 9 July 1981 President of the Socialist Republic of Romania

Decision No 1 of the People's Councils Legislative Chamber

Upon discussing the Draft Uniform National Plan for Romania's Socioeconomic Development for the 1981-1985 Period and the Draft Plan for Development of Agriculture and the Food Industry for the 1981-1985 Period, the People's Councils Legislative Chamber finds them drafted in full accord with the Directives Ratified by the 12th RCP Congress and the decisions of the Second Congress of the Councils of Workers in Industry, Construction, Transportation, Circulation of Goods and Finance and of the Second Congress of the Management Councils of the Socialist Agricultural Units and All Farmers and the Councils of Workers in the Food Industry, Forestry and Water Management.

The discussions brought out the decisive contribution of Nicolae Ceausescu, RCP secretary general and president of Romania, to the final preparation of the Draft 1981-1985 Five-Year Plan as well as the Draft Plan for Development of Agriculture and the Food Industry for this period, which emphasizes expansion of the domestic raw material and energy resources, intensive development of agriculture and the food industry, improved and economically effective industrial structures, better use of raw materials and energy, technical and qualitative improvement of material production, concentration of investment projects to expedite activation of the new capacities and to lower operating costs, more effective exports and reduced imports, consistent application of the new economic-financial mechanism, and mobilization of all resources to implement the program for further improvement of the people's living standard.

The People's Councils Legislative Chamber believes the provisions of both draft plans for the 1981-1985 period reflect the party's and state's economic policy of steady development of the productive forces throughout Romania and regionally in a balanced and dynamic structure, according to the decisions of the 12th RCP Congress on socio-economic development in 1981-1985.

On the basis of Article 6 of Law No 5 of 1975 on the Congress, Legislative Chamber and Conferences of the People's Councils, the People's Councils Legislative Chamber hereby decides:

Article 1. The Draft Uniform National Plan for Romania's Regional Socioeconomic Development for 1981-1985 is hereby approved.

Article 2. The Draft Plan for Development of Agriculture and the Food Industry for the 1981-1985 Period is hereby approved.

The proposals made in the session of the Legislative Chamber wherein the draft plans were discussed shall be forewarded to the Council of Ministers.

Article 3. In order to fulfill and overfulfill the Uniform National Plan and the Plan for Development of Agriculture and the Food Industry for 1981-1985, the people's councils will take steps to:

a. Develop all socioeconomic activity in every county, municipality, city and commune more effectively so that all units regardless of their affiliation will fulfill the tasks assigned in the 1981-1985 Five-Year Plan completely, especially those in connection with physical production and the value of the net output and reduction of material outlays by complete mobilization of the existing potential and all local resources;

b. Consistently apply the provisions of the new economic-financial mechanism in order to heighten the responsibility of the economic, social-cultural and territorial-administrative units for fulfillment of the plan tasks and consolidation of self-management and self-administration for purposes of greater economic effectiveness;

c. Make intensive use of production capacities through scientific organization of manufacturing processes and labor by modern, highly productive methods; intensify automation and mechanization and promptly perform operations for maintenance, inspection and repair of equipment and installations; better organize cooperative production among enterprises; attain the approved technical-economic indices in activated units as soon as possible; and recruit and train the necessary labor force.

d. Further improve the technical standards of the products and produce the assortments and qualitative structures in accordance with the measures taken to typify and standardize them; assimilate new materials and equipment with better characteristics and lower energy inputs, and modernize and diversify the output of consumer goods to meet the public's demands;

e. Make rational use of energy resources in all activities through further reduction of specific consumption of heat and electric power and fuel, modernization of the installations consuming them, improvement of manufacturing methods, equipment with heat recovering appliances, and reduction of technological losses and inputs in the electric power stations and the transmission and distribution networks;

f. Properly manage raw material and material resources, intensify their exploitation, and maintain a strict regime of economy by considerably reducing the inputs, so that all economic units will take measures to keep reducing them;

g. Intensify efforts to recover and reuse the materials resulting from the processes of production and consumption; consistently apply the approved measures to organize recovery of those resources from the socialist units and the public in order to recycle them; and expand operations to recondition spare parts, components and subassemblies;

h. Accelerate development of small industry in order to further increase production of consumer goods and especially household articles, performance of services to the public, production of construction materials, reconditioning of parts and subassemblies, production and export of handicrafts, and cooperation with big industry; and expand exploitation of local raw material resources, by-products and materials that can be recovered from industry and agriculture;

i. Make rational use of the land reserve through complete use of the agricultural areas in the socialist units, those privately held, and those on the premises of enterprises; use the areas improved for irrigation completely and more productively; perform land improvement operations punctually and arrange rational crop rotations within the jurisdiction of each agroinsustrial council;

j. Increase agricultural production by prompt performance of all operations with strict observance of the particular methods for each crop, by procurement of quality seeds and planting stock, by better use of the tractor and agricultural machine park, and by efficient management of chemical and natural fertilizers, rational use of chemical pesticides, punctual harvesting, and storage and maintenance of agricultural products without losses;

k. Intensify modernization of vineyards and orchards, further increase the output of vegetables and potatoes, and expand the crops of early vegetables to better supply the public and the food industry;

l. Increase the numbers of livestock and the average and total yields of livestock products by improving selection and reproduction of the breeds, making full use of the capacities of the zootechnical complexes, securing the fodder base by increasing the average yields of cultivated plants per hectare, improving the natural pastures and hayfields, and using coarse fodders and by-products. The output of meat, milk and eggs will be increased to meet the needs of each county.

m. Intensify research and apply the research findings promptly to production in order to obtain highly productive seeds and planting stock adapted to the soil and climate of every area;

n. Completely fulfill the plan tasks for deliveries of agricultural products to the central reserve, including the supplementary contracts and purchases; increase the public's contribution to the performance of those tasks;

o. Enhance the efficiency of the economic activity of the state and cooperative uniunified agroindustrial councils and the other agricultural units by lowering material outlays, increasing labor productivity, and reducing the inputs of raw materials, materials, fuels and energy;

p. Encourage the rural workers to perform the agricultural operations promptly and well and shorten the harvesting period as far as possible; strengthen discipline and responsibility in every agricultural unit for fulfillment of the plan tasks, and strengthen the unified agroindustrial councils' role of managing all agricultural activity;

q. Implement hidrotechnical projects with complete exploitation and regulation and rational use of the waters in the hydrographic basins in correlation with regional systematization; carry out the measures in the environmental protection program, construct installations to purify used waters and operate them at the planned parameters; intensify recycling of industrial waters and minimize the losses;

r. Activate the investment capacities on time, for which purpose steps will be taken for contracting and delivery of the manufacturing equipment on schedule, prompt preparation of the technical-economic documentation and construction plans, regular performance of operations at worksites, expanded mechanization and industrialization of construction-installation operations, and efficient use of the technical inventory and labor force throughout the year. Special emphasis will be placed upon fullest use of the existing premises by providing them with machinery an equipment and upon shortening the activation deadlines of capacities under construction.

s. Apply to plans new technological and construction measures that will minimize inputs of fuel and energy in operation and decrease the volume and area of the constructions as well as the consumption of energy-intensive materials; make extensive use of local materials and reuse recoverable ones that will lower the investment costs; properly perform operations based on standardized technologies and designs;

t. Intensify scientific research, technological development and introduction of technical progress for purposes of more intensive development of raw material and fuel resources, exploitation of new energy sources (thermal waters, wind power, solar energy, biogas, biomass etc.) and reusable energy resources, and reduced specific consumption of fuel and energy in all activities; introduce and expand highly productive advanced technologies, manufacture new products consuming less fuels and raw materials, and expand mechanized and automated production. A priority will be placed upon accelerated application of internal research to production and closer coordination of research with education and production.

u. Provide for the export commodity reserve in the assortment and qualities in demand on the foreign markets, which will increase their sales; adjust production promptly to the customers' demands, and make the most effective use of the foreign exchange resources allocated by the plan;

v. Intensify the use of transport means in order to minimize the outlays, use the motor vehicles and trailers in the park to full capacity, and conserve the fuels;

w. Completely implement the measures specified in the programs to enhance labor productivity by improving the work norms, decreasing auxiliary and nonproductive personnel, intensifying mechanization and automation of the production processes, improving organization of the work shifts, expanding work at several machines, strengthening order and discipline on the job, and intensifying qualification and multiqualification of personnel.

Article 4. For fulfillment of the tasks of their directly subordinate socioeconomic units, the people's councils will provide for:

a. More efficient use of the investment funds provided by the five-year plan for housing construction, for expansion of the water supply and sewerage network, for development of the technical-material base of the construction-installation organizations and small industry, and for education, culture and health protection.

b. Strict control over application of the systematization plans in the approval and implementation of investment projects, to ensure rational use of lands within the buildable limits of the communities and to avoid abandonment and demolition of existing constructions and especially dwellings as well as withdrawal of lands from agricultural or forestry use.

c. Use of a wider variety of standard designs and application of new construction measures in design and construction of housing and social-cultural buildings, in order to reduce the weight of the structures, the volume of the technical-municipal networks, and the consumption of fuels and materials; improved insulation of the outer walls of the buildings against humidity and heat; further use of building stones, volcanic tuff and other local materials; and introduction of new, standardized construction materials as well as heat-insulating materials made from local resources in the production of their own units;

d. Intensified industrialization in housing construction, further promotion of typical architecture, improved quality and durability of residence buildings, and better maintenance and modernization of the existing state housing reserve;

e. Improved contracting with the public for privately owned housing to be built with state aid in credits and construction, for complete fulfillment of the plan provisions.

f. More rapid development of services to the public and diversification and improvement of the services, especially maintenance and repair of housing, technical-sanitary installations, chemical laundries and cleaning establishments, and passenger cars, as well as various domestic services, providing for complete fulfillment of the tasks in the program to develop services to the public; and improved distribution of service units regionally and within communities;

g. Development of their own energy sources from biogas, wind power and solar energy (activation of new small hydroelectric power stations to expand local use of those new sources) and equipment of dwellings with solar energy installations to provide them with hot water in the summer months;

h. Further participation of the public and personnel of enterprises and institutions in the program for housing and social-cultural constructions and in municipal projects and those to embellish the communities;

Article 5. For better supply of the public with goods, the people's councils will provide for:

a. Proper distribution of the commodity reserve among communities, trade systems and and units as well as their regular supply with priority on cities and workers centers;

b. Checking fulfillment of the tasks for complete and regular delivery of the stock in trade specified in the plan and the economic contracts in the assortment and qualities demanded by the public;

c. Expansion of the trade network in correlation with the activation of apartment houses, intensive use of commercial space, more intensive promotion of modern and efficient methods of serving the public, and further development and modernization of the network of public catering units.

Article 6. The people's councils will make concerted efforts to carry out their tasks for regional socioeconomic development, good management and embellishment of the cities and communes, implementation of public projects, and the further enhancement of the public's welfare and civilization in all areas of Romania.

People's Councils Legislative Chamber

Chairman Ion Sirbu

Council of Ministers of the Socialist Republic of Romania

Prime Minister Ilie Verdet

Bucharest 29 June 1981
No 1

END

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27 August 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2164

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27 August 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2164

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USSR, GDR FOCUS ON SOCIALIST ECONOMIC INTEGRATION ANALYZED

East Berlin DEUTSCHE AUSSENPOLITIK in German Vol 26 No 7, Jul 81 signed to press 5 Jun 81 pp 44-57

/Article by Dr Hans-Joachim Dubrowsky, Bruno Leuschner College of Economics, East Berlin: "Problems of Socialist Economic Integration at the Most Recent CPSU and SED Congresses"/

/Text/ The Twenty-Sixth CPSU Congress was a historic event for communists generally, not only those of the Soviet Union. The USSR is the decisive power in the socialist world system. It has the greatest wealth of experience with regard to the construction of socialism and communism. It supplies most of the impetus for the anti-imperialist struggle on the one hand and the maintenance of peace on the other.

CPSU congresses are always the starting point of new initiatives for the deepening of cooperation among the countries of the socialist community of nations. That holds true equally for their economic cooperation and socialist economic integration.

The Twenty-Sixth CPSU Congress provided a fundamental assessment of the role of all-round cooperation by the countries of the socialist community, including their socialist economic integration. "We can no longer even imagine that any socialist country could enjoy a stable development without relations with the other fraternal countries..."[1]

The party congress emphasized that the Soviet Union is indefatigably attentive to the consolidation of friendship and cooperation with the countries of socialism. "Together with them we construct the new, the socialist world, a type of relations between countries unprecedented in history--truly equitable, equal and fraternal relations."[2]

In this connection Leonid Brezhnev pointed out that such relations are mutually beneficial in every respect. "We jointly settle the problems arising in our cooperation. We seek means for the best possible coupling of the interests of the various fraternal countries and common interests."[3] At the same time the CEMA countries help one another whenever necessary. That is the reflection of socialist internationalism in action.

The Twenty-sixth CPSU Congress was also a forum, and the general secretaries or first secretaries of communist and working peoples parties in the CEMA member

countries gave their assessments of the importance and role of socialist economic integration. Janos Kadar, for instance, stated: "Our work of construction as well as our international operations are aided by the great strength of cooperation among the countries of the Warsaw Pact and the Council for Economic Mutual Aid."[4]

Todor Zhivkov emphasized that "our membership in the Council for Economic Mutual Aid secures for us far reaching opportunities to advance and prosper."[5] Nicolae Ceausescu stressed that "Romania is firmly resolved in future also to contribute to cooperation in CEMA in order to ensure that the member countries needs for raw materials, other materials and energy, machine tools and modern technologies are met. The work of this organization will thus become a model of equitable relations and fruitful cooperation between free and sovereign socialist countries for the victory of socialism and communism in our countries."[6]

Yumjaagiyn Tsedenbal assessed economic integration as follows: "Socialist economic integration has become an objective reality. It contributes mainly to the conservation of manpower and resources, the internationalization of experiences in the construction of the new society, the development of international economic organizations, the application of tested methods of production and labor specialization and cooperation. All this provides the material base for the further expansion of fraternal friendship and the general cooperation of the socialist countries."[7]

The CPSU Central Committee report also underlines the importance of socialist economic integration for all CEMA countries by again emphasizing "that management and economics are the decisive section of the frontline in the competition with capitalism."[8] It is therefore particularly significant that, despite the fact (stressed by Leonid Brezhnev) that the past few years were by no means easy for the national economies of some socialist countries, the economic growth rate in the CEMA member countries was twice that of the developed capitalist countries in the last 10 years. "The member countries of the Council for Economic Mutual Aid have remained the group of countries enjoying the most dynamic progress in the world."[9]

In 1980 the CEMA countries achieved the following growth rates by comparison with 1975 (expressed as percentages):

	National Income	Industrial Production
Bulgaria	34	33
Hungary	18	18
Vietnam*	19	25
GDR	22	27
Cuba	19**	19
Mongolia	31	50
Poland	8	24
Romania	42	58
USSR	23	24
CSSR	19	25
CEMA	22	26

(* 1979:1975; ** Gross national product)
Source: Report of Operations, International Bank for Economic Cooperation, Moscow 1981

The CEMA countries did not begin economic integration until the 1970's but have already recorded impressive successes. In this connection the Twenty-sixth CPSU Congress mentioned in particular the results achieved by production specialization, the construction of joint major projects, the coordination of five-year plans, the preparation of long-range target programs and bilateral programs for international production specialization and cooperation. Among the jointly constructed major projects in the energy and raw material sectors the party congress mentioned the Soviet-Mongolian Erdenet copper-molybdenum combine and the nickel plant in Cuba, and especially the Orenburg natural gas complex and natural gas pipeline, the Ust-Ilimsk woodpulp combine, the Kijembai asbestos mining and processing combine, the extension of the energy network by the construction of the first 750 kilovolt transmission line--all built in the Soviet Union. These projects are in operation now. Deliveries to the CEMA countries involved have begun and will, for a long time to come, help maintain stable supplies in these countries.

The development of the Orenburg natural gas deposit and the construction of the Soyuz natural gas pipeline from Orenburg to the western borders of the USSR proceeded with the participation of Bulgaria, Hungary, the GDR, Poland and the CSSR. The natural gas line was largely completed by the end of 1978; at 2,677 km in length and with a capacity of 28 billion cubic meters per annum its output is among the foremost worldwide. It carries an annual volume of 15.5 billion cubic meters to the participating CEMA countries (2.8 billion cubic meters to the GDR) and is also used to supply some West European customers.

The Ust-Ilimsk woodpulp combine produces 500,000 tons per annum and is also one of the biggest of its kind anywhere. Based on Siberian timber stocks the Soviet Union, Bulgaria, Hungary, the GDR, Poland and Romania created a joint project which will supply 205,000 tons of woodpulp annualy to the participating CEMA countries. In late 1980 the first stage became operational, with a capacity of 250 kilotons per annum.

The Kijembai asbestos combine in the southern Urals was jointly constructed by all European CEMA members. The first stage began operations in 1979, the second in late 1980. The capacity envisaged (500,000 tons) has been achieved. Deliveries to the participating CEMA countries amount to 177,000 tons of asbestos annually.

A very different community project is the construction of the first international 750 kilovolt electricity transmission line. It runs 843 km from Vinnitsa in the Soviet Union to Albertirsa in Hungary. Not only the two countries immediately affected were involved in this construction; Bulgaria, the GDR, Poland and the CSSR also took part. Hungary transmits Soviet electricity to the latter countries by means of lower voltage lines. The 750 kilovolt line was completed in October 1978 and has since then served the additional supply of USSR electricity to the European CEMA countries. For Hungary, for instance, this yielded an "intermediate system effect" of about 600 megawatt, for the GDR roughly 220 megawatt and for the CSSR 200 megawatt.[10] As a result of this new international transmission line the capacity of the CEMA countries international electricity network has grown significantly, making possible the additional delivery of 6.4 billion kilowatt hours per annum from the Soviet Union to the participating countries.

Another reflection of the tremendous progress achieved by production specialization in the CEMA region is the expansion of reciprocal trade in specialized products. In the years 1976-1980, for example, the reciprocal exchange of such products rose 2.7-fold with regard to machine construction while reciprocal machinery trade in general merely doubled.

New Impetus for Integration

Consequent upon the agreements concluded at the Crimea Conference, in particular, the CPSU and the other fraternal parties intend to make the coming 10 years a period of intensive cooperation in production, science and technology. The Twenty-Sixth CPSU Congress has provided new impetus for this project. Central to it is certainly the proposal that the senior statesmen of the CEMA countries should collectively discuss some new assignments in the very near future. The Twenty-Sixth CPSU Congress included among these new assignments (among others) the completion of plan coordination by the synchronization of economic policies in general and the mutual adjustment of the structures of economic mechanisms.[11]

These assignments reflect the new and mature conditions prevailing in the economic development of the CEMA countries. All European CEMA countries are making strenuous efforts to carry out the transition to intensively expanded reproduction, emphasize the qualitative factors of growth and cope with unfavorable foreign political and foreign trade conditions.

"It must be noted in general that, for some years past, our countries have been compelled to accomplish their creative assignments in rather more difficult conditions. This was due in part to the deterioration in the world economy and to galloping prices. Another considerable burden was imposed by the halt in detente and the arms race forced on us by imperialism."[12]

It is obvious that in these conditions the even more efficient utilization of the potential of socialist economic integration is an important reserve and precondition for the continuing successful advance of the countries involved. In this connection we should note the party congress suggestion for more attentively studying and more broadly utilizing the experiences of the various fraternal countries.

Steadily more important for the CEMA countries are reciprocal supplies by means of the community's international market, which are consonant with needs. The Twenty-sixth CPSU Congress commented: "We are all interested in ensuring that the socialist market is capable of satisfying the growing needs of the countries in our community. We are mutually complementing our economic potentials, and the benefits derived therefrom transcend merely commercial criteria."[13] The Soviet Union itself is making a notable contribution. In the past 5 years Soviet foreign trade with the other CEMA countries increased by about 75 percent.

The Soviet Union is the principal trading partner of every other CEMA country. It handles almost 40 percent of internal CEMA trade. In the years 1976-1980 it supplied goods to the other CEMA countries worth R8 billion more than the goods it purchased. Not only is the USSR the principal supplier of raw materials and fuel; it also provides most machines and equipment within CEMA.

Development of USSR Trade With the Other CEMA Countries

	million rubles 1975	1980	percent 1980:1975
Bulgaria	3,991	7,099	178
Hungary	3,274	5,738	175
Vietnam	207	612	296
GDR	5,623	9,200	164
Cuba	2,589	4,266	165
Mongolia	480	884	184
Poland	4,853	8,002	165
Romania	1,256	2,791	222
CSSR	3,911	7,184	184
Total	26,184	45,776	175

Source: USSR FOREIGN TRADE, Moscow 1981, No 3 (supplement) and USSR foreign trade statistics for 1975

Further to increase the offer on the international market of the CEMA countries and adjust it even better to the needs of the new stage of integration, cooperation in the sectors most important to the community must be further deepened. In this connection the Twenty-Sixth CPSU Congress called for the concentration of economic cooperation on the solution of such vital problems as the development of energy supplies, the supplies of raw materials and fuel as well as their rational use, the improvement of the technical standard and the quality of machine construction products, the strengthening of cooperation in the production of modern machines and plant, the expansion of the assortment of consumer goods and the improvement of product quality.[14] This demand corresponds to the targets in the jointly adopted program for the period through 1990.

Soviet deliveries are vital for the energy and raw materials supplies of the CEMA countries, especially because these supplies are forthcoming at far more favorable prices than in the capitalist world economic system.

The Twenth-Sixth CPSU Congress emphasized the necessity, especially in view of the more and more adverse conditions for development, mining and transportation, more carefully to handle energy, raw materials and fuel, everywhere to enforce the best possible conservation practices and further refine basic substances. That holds true not only for the Soviet Union, in fact it is an urgent requirement on all CEMA countries--not least in view of the considerable rise in raw material prices, which is still persisting.

In this context let me point out the exceptional increases in the deliveries of some important goods by the Soviet Union to the other CEMA countries.

Soviet Union Deliveries to the Other CEMA Countries

	1961/1965	1966/1970	1971/1975	1976/1980
Oil (million tons)	59	138	250	370
Natural gas (billion cubic feet)	2	8	30	88
Electricity (billion kilowatt hours)	4	14	40	64

Source: PROBLEME DES FRIEDENS UND DES SOZIALISMUS, Berlin 1980, No 8, p 1090

As regards natural gas and electricity the current five-year plan period deliveries will again far exceed the volume of supplies in the 1976-1980 period: 130 billion cubic meters of natural gas and 137 billion kilowatt hours of electricity. Many other raw material deliveries, though, will not exceed 1980 levels. At the Twenty-sixth CPSU Congress Leonid Brezhnev therefore invited the other CEMA countries to participate in the development of West Siberian natural gas deposits.

The Twenty-Sixth CPSU Congress also was enormously interesting for all other CEMA countries because it discussed and decided the further social, scientific-technological and economic development of the largest CEMA member country. The main trends of USSR economic development adopted at the party congress and the further consolidation of Soviet economic power coupled therewith provide new opportunities for socialist economic integration and, at the same time, strengthen the economic capacity of the entire community.

It is highly significant that the Twenty-Sixth CPSU Congress adopted decisions about the development of the Soviet economy well beyond a five-year period, actually for the next 10 years. The CEMA countries therefore have a clear concept of the economic development of this major member country, and this facilitates the coordination of economic policies, the more precise definition of bilateral programs of specialization and cooperation, involvement in specific investments in the USSR and the preparation of plan coordination 1985-1990.

The CPSU's attitude to socialist economic integration was very clearly defined at the party congress. The congress proposed actively to participate in the further deepening of socialist economic integration, "trace new opportunities for the development of cooperation, the rational utilization of the scientific-technological production potential, the material, financial and manpower resources of the countries of the socialist community, with the aim to jointly tackle the problems involved in the intensification of the economies and the creation of additional sources of goods resources."[10]

Emphasized in particular was the consistent pursuit of the realization of long-range target programs and bilateral program for production specialization and cooperation. Such bilateral programs, running through 1990, were concluded by the Soviet Union with Bulgaria and the GDR in 1979, with the CSSR, Hungary, Romania and Poland (that is with all European CEMA countries) in 1980. They represent one of the tools for the long-range planned interlocking of these CEMA countries with the Soviet Union, their main integration partner.

The Tenth SED Congress and Socialist Economic Integration

The Tenth SED Congress ascribed exceptional importance to issues involving the socialist community of nations, to all-round cooperation among the socialist member countries.

"It gives us profound satisfaction to note that the German Democratic Republic's cooperation with the fraternal countries rapidly advanced in all sectors of life during the period under review, and that it was enriched by valuable experiences. The indestructible fraternal alliance with the Soviet Union, the sound footing of our republic in the community of socialist nations...is and continues to be the stable foundation of our people's security and success in the organization of the developed socialist society.

As in past years we will continue to contribute to the further consolidation of the unity and solidarity of our community of nations. That is the guarantee of its successful advance and, at the same time, the satisfactory development of each member country."[17]

In this connection the Tenth SED Congress described socialist economic integration as the decisive prerequisite and firm foundation of the GDR's ongoing stable and dynamic economic and social progress. The party congress noted as a particularly significant factor that, thanks to its close cooperation with the Soviet Union and the other CEMA member countries, the GDR will be able in future also to guarantee its stable and dynamic advance as a sound element within the socialist community.[18]

In full agreement with the Twenty-Sixth CPSU Congress the Tenth SED Congress also praised the results achieved by the socialist community. Unprecedented successes were recorded in the expansion of the material-technical base of socialism and communism. Economic development in the CEMA region in recent years was distinguished by a more rapid rate of growth in national income, productivity and industrial output than anything registered in the world of capital. The party congress stressed that the community of socialist nations has impressively demonstrated the fact that social security rules only in socialism. At the same time the congress noted:

"Our socialist community is showing its worth as a totally new kind of alliance, built upon the conformity of socio-economic and political bases, the uniform ideology of Marxism-Leninism, the unity of communist aims and interests, the international solidarity of the working people."[19]

The Central Committee report to the Tenth SED Congress dealt directly with the proposal made by Leonid Brezhnev at the Twenty-Sixth CPSU Congress regarding a conference of leading CEMA statesmen. The SED emphatically approved this proposal. It was in favor of collective discussions of the new economic problems which have arisen and underlined the fact that the common generalization of best experiences in the construction of socialism and communism as well as the adjustment of the structures of economic mechanisms would benefit all fraternal countries.[20]

The Soviet Union--the Main Power of the Community

The Tenth SED Congress emphasized most of all the special importance of cooperation with the Soviet Union as the main power of the socialist community and the center

of socialist economic integration. The party congress directive characterized as vital for the development of the GDR economy's capacity the steady deepening and expansion of scientific-technological and economic relations with the USSR. The report to the party congress puts it even more bluntly:

"The more socialism advances in the GDR, the closer will be economic and scientific-technological cooperation with the Soviet Union, the greater its significance for the stability and dynamism of our economy. The increasing interlocking of our national economies, the steadily more effective combination of their forces allow both fraternally allied countries more securely and rapidly to advance on the common path. They strengthen the joint potential of real socialism. In view of the greater exacerbation of conditions in the international class conflict, these factors assume even greater importance."[21]

The conceptual basis of the ongoing deepening of scientific-technological and economic cooperation with the Soviet Union is the long-range program of specialization and cooperation with the USSR, concluded in 1979. It deals with the common strategy for the further interlocking of the two national economies. That fact is all the more significant considering that involved here are the respectively largest trading partners in the foreign trade of the two countries. The USSR holds an almost 40 percent share in the GDR's foreign trade turnover.

The Tenth SED Congress stressed that the SED ascribes fundamental political and economic importance to this program. The joint efforts focus on the even closer interlocking of the two countries material and intellectual potentials. The measures already agreed to with respect to 35 industries are designed to produce a particularly large contribution to the growth of efficiency.

The directive of the Tenth SED Congress states, for example: "Solid links with the USSR's scientific-technological potential provide the requisites for making comprehensively effective the findings of scientific-technological progress for the development of the GDR's economy in such crucial sectors as microelectronics, the technologies of heat and electricity generation, the more complete utilization of solid fuels, the development of new processes and plant for the chemical industry as well as the development and application of progressive technologies for the improvement of productivity in the metal processing industry."[22]

The party congress emphasized that the qualitative standard and rate of growth of reciprocal deliveries was more and more influenced by the results of research and production cooperation. The GDR's specialized export products already account for the largest share in trade with the USSR. In 1979 this share amounted to 41 percent (31 percent in trade with the CEMA countries generally). In the last five-year plan period it rose by about 10 percent and is bound to increase further.

The security of stable and long-term raw materials and fuel supplies is of outstanding importance in the GDR's cooperation with the Soviet Union. The Tenth SED Congress stressed that the agreed extensive raw materials imports from the USSR are largely the result of joint efforts, in other words the result of socialist economic integration.

The GDR contributes to the assurance of the agreed raw material imports from the USSR mainly by the supply of modern machines, plant, chemical products and consumer

goods. The strict fulfillment of these delivery obligations is a prime objective of proletarian internationalism.

Key Points of Integration

The Central Committee report to the Tenth SED Congress underlines that the GDR will expand and deepen economic and scientific-technological cooperation with the other CEMA countries also, within the scope of socialist economic integration. The basis here is represented by the jointly agreed target programs and the coordination of five-year plans carried out in 1980.

In its directive for the period 1981-1985 the Tenth SED Congress calls for the increasingly tight interlocking of the GDR's national economy with the economies of the USSR and the other CEMA member countries. The following key points were announced:

-- Further deepening of cooperation in science and technology with the aim of speeding up scientific-technological progress and its efficacy for the greatest possible rise in the performance of the national economy by the rapid transfer of common research results to production;

-- The assurance of stable and long-range supplies of raw materials and fuels and their efficient utilization;

-- The deepening of international specialization and cooperation with the aim of an efficient production structure, the improvement of productivity, the assurance of stable supplies of material and equipment for the national economy as well as the all-round growth of the GDR's export capacity.

By these key points the further deepning of socialist economic integration will be fully incorporated in the SED's economic strategy decided upon at the tenth congress for the further stable and dynamic development of the national economy in the 1980's, both from the aspect of the utilization of socialist economic integration as an element of this strategy and from that of the provision of prerequisites for further deepening economic integration with the other CEMA countries.

Many of the measures decided at the Tenth SED Congress directly serve the implementation of the agreed long-range target programs of the CEMA countries, the bilateral program of specialization and cooperation with the Soviet Union and the coordination of five-year plans with all CEMA member countries. That applies, for instance, to the entire complex of the greater refinement of imported raw materials, materials and energy conservation in the widest sense, the above average increase in output and exports of the products of machine construction, including the construction and expansion of capacities for the GDR's greater involvement in the output of nuclear power plant equipment. On the other hand it relates to the speedier expansion of nuclear power production; the GDR intends to raise the share of nuclear power in electricity production to 12-14 percent by 1985. Of the greatest importance is the decision to increase grain production to at least 10 million tons and to create a stable feedstuffs basis in order to supply the growing animal production entirely from domestic yields. These examples merely serve to give some idea of the variety

and breadth of the effects on socialist economic integration of the measures decided upon.

Party Congress and Socialist Economic Integration

Currently the GDR participates in some 500 agreements on production specialization and cooperation within CEMA. Increasingly involved here are jointly developed products which conform to the highest scientific-technological standards. The Tenth SED Congress emphasized the necessity of securing mutual benefits with respect to every single measure and achieving the greatest possible profit for the national economies involved. It will therefore be necessary in the matter of the international socialist division of labor also more than hitherto to mobilize and utilize qualitative factors.

Concerning investment cooperation with other CEMA countries within the scope of socialist economic integration, the GDR--following satisfactory experiences, especially in cooperation with the Soviet Union--is interested in particular in the joint reconstruction of selected plants. That responds to the CEMA countries efforts primarily to allocate investments to rationalization projects, speed up their implementation and utilize the experiences of the fraternal countries. Lately the GDR agreed with the Soviet Union on a new joint project: The reconstruction of the manufacturing facility for large-size motors in the Dresden Sachsenwerk. Work has already begun.

The deepening of socialist economic integration will result in more growth of reciprocal trade among the CEMA countries. Up to the present time the GDR has agreed reciprocal deliveries in excess of M474.5 billion for the years 1981-1985. That corresponds to a 43.6 percent growth compared with the previous five-year plan period. This kind of growth also requires new joint efforts to safeguard the transportation of the steadily larger flow of goods among the CEMA countries. Ocean traffic alone between the GDR and the USSR increased by more than 40 percent in the past 5 years compared to the period 1976-1980. The Tenth SED Congress therefore insisted that joint measures should make transit routes and ports capable of handling larger volumes and introduce modern transport technologies. The long-range target program on cooperation in the development of transport connections is an excellent basis. Some concrete projects voted at the Tenth SED Congress directly serve the implementation of this program. They include the elctrification of 700-750 km of railway sections as well as the increase in the performance of sea ports to 144-146 percent by 1985.

The Tenth SED Congress, exactly like the Twenty-Sixth CPSU Congress, reiterated the party's readiness to continue support for the non-European CEMA member countries--the Republic of Cuba, the Socialist Republic of Vietnam and the Mongolian People's Republic--by the expansion of production cooperation, participation in investment projects, the deepening of scientific-technological cooperation and the training of skilled cadres, among others.

Important Orientations for the 1980's

The Twenty-Sixth CPSU Congress and the Tenth SED Congress as well as the party congresses in other CEMA countries provided important orientations for the further implementation of socialist economic integration in the 1980's. They may be summarized as follows:

1. The CEMA countries consider socialist economic integration an objective condition for their further development. They will therefore continue to actively develop and deepen it. In consideration of newly arising internal and external problems the CEMA countries will soon enter into collective discussions about the conceptual further developments to be tackled.

2. More than ever economic cooperation and the interlocking of their own economies with that of the Soviet Union within the scope of socialist economic integration is of supreme importance for every CEMA country. The coming years will therefore witness a definite deepening of cooperation especially with the Soviet Union. Among the European CEMA countries the coordinated basis for these proceedings consists in the long-range agreements on specialization and cooperation through 1990.

3. As many CEMA countries are making the transition to mainly intensive expanded reproduction, new challenges are arising on socialist economic integration. Qualitative factors are coming to the fore in the relations between CEMA countries just as they are doing within the national economies. In these conditions the coordination of economic policies, the exchange of experiences, the changes in economic mechanisms assume increasing importance.

4. Particularly important in this connection is the faster development of scientific-technological cooperation and its concentration on fields which promise broad advances for the national economies involved. At the same time it will be necessary to emphasize common efforts for the speedier transfer to production of the results of scientific-technological cooperation.

5. Production specialization and cooperation involve more and more sectors and are becoming the main methods of production cooperation in socialist economic integration. The most important task is that of raising the efficiency of specialization and cooperation in production and their contribution to the utilization of the results of scientific-technological advances.

6. With respect to the long-range assurance of raw materials and energy for the countries of the community, joint efforts in the field of the more rational use of raw materials and fuels, materials and energy, secondary raw materials management and the search for alternative energy sources will complement joint efforts to ensure supplies from the community's own primary resources.

7. Of the greatest and fundamental importance also for the further development of socialist economic integration are the issues involved in cooperation with those CEMA countries which are still at a low level of economic development. Similar problems are also increasingly important with regard to cooperation with more and more developing countries which are choosing the socialist road to development.

The CPSU and SED congresses--and those of other communist and workers parties in the CEMA countries--have demonstrated that socialist economic integration is an important precondition for the assurance and further deepening of the unity and solidarity of the socialist community. From this aspect also the party congresses have clearly reflected the resolution further to advance on this road.

FOOTNOTES

1. "XXVI. Parteitag der KPdSU, Rechenschaftsbericht des ZK der KPdSU und die Naechsten Aufgaben der Partei in der Innen- und Aussenpolitik" /Twenty-sixth CPSU Congress, CPSU Central Committee Report and the Future Tasks of the Party in Domestic and Foreign Affairs," Berlin 1981, p 13.

2. Ibid, p 8.

3. Ibid, p 13.

4. PRESSE DER SOWJETUNION, Berlin 1981, No 6, p 160.

5. Ibid, p 161.

6. Ibid, p 163.

7. Ibid, p 166.

8. "Twenty-Sixth CPSU Congress...," as before, p 11.

9. Ibid, p 12.

10. See DIE WIRTSCHAFT, Berlin 1979, No 3, p 29.

11. See "Twenty-Sixth CPSU Congress...," as before, p 12.

12. Ibid, pp 13 f.

13. Ibid, p 13.

14. "Comrade Tikhonov's Report to the Twenty-Sixth CPSU Congress," NEUES DEUTSCHLAND, Berlin, 28 February/1 March 1981, p 7.

15. Ibid.

16. "Hauptrichtungen der Wirtschaftlichen und Sozialen Entwicklung der UdSSR fuer die Jahre 1981 bis 1985 und fuer den Zeitraum bis 1990" /Main Directions of USSR Economic and Social Developments for the Years 1981-1985 and the Period Through 1990/, Berlin 1981, p 88.

17. "Bericht des ZK der SED an den X. Parteitag der SED" /SED Central Committee Report to the Tenth SED Congress/, Berlin 1981, p 19.

18. Ibid, p 8.

19. Ibid, p 21.

20. Ibid, p 21.

21. Ibid, p 82.

22. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" /Tenth SED Congress Directive on the Five-Year Plan for the Development of the GDR Economy in the Years 1981-1985/, Berlin 1861 (!), p 78.

11698
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DEVELOPMENT OF POWER INDUSTRY OUTLINED

AU111525 Tirana ZERI I POPULLIT in Albanian 8 Jul 81 p 3

[Article by Llazar Papajorgji, director of the directorate for electricity at the Ministry of Power: "The Development of Energy--Testimony to the Party's Farsighted Policy"]

[Excerpt] The tasks stipulated for the energy sector in the Seventh 5-Year period are considerable and will require greater and more qualified effort by all the working people in the energy sector. During the Seventh 5-Year period the hydroelectric power plants will produce twice as much electricity than was produced for two 5-year periods taken together (1966-1975). In 1985 alone, the output of electricity will be 29.3 times more than was produced by all hydroelectric power plants in 1960 or an amount equal to that produced during the period 1966-1970. This means that in the overall structure of the country's power balance, hydropower will increase about 3 times more than in 1970. Electricity exports will be increased considerably and in 1981 alone is expected to be 22 percent higher than the total electricity exported during the period 1970-1975. Foreign currency incomes from electricity exports during the Seventh 5-Year period are expected to be about 2.6 times higher than in the Sixth 5-Year period.

As a result of the construction of new high-tension lines and of nine stations, the improvement of the energy coefficient, the more rational distribution of energy flows and so forth, network losses will be reduced about 18 percent. Production costs will be reduced and net incomes are expected to increase 3.6 times over the Sixth 5-Year period.

Investment will be made during the Seventh 5-Year period for the construction of the Koman and Bushat hydroelectric power plants, and for the construction of some 400 kilometers of 220 kv lines and a number of substations, which will not only reduce supply cuts to consumers, but will also lead to fuel savings in the thermal power plants during the peak of the water flow. Thus for example, the construction of the Tirana-Durres-Fier 220 kv high tension line will lead to an annual saving of about 70,000 tons of fuel. The volume of investments during this 5-year period will be nearly 3 times greater than those effected in 1960 for the entire industrial sector and about 53 times more than was invested in that year for the construction of power plants and electrification.

CSO: 2100/97

SUCCESSES, SHORTCOMINGS IN ENERGY INDUSTRY DISCUSSED

Tirana BASHKIMI in Albanian 16 Jul 81 pp 2-3

[Article by Faik Cinaj, deputy minister of energy: "Bright Prospects for the Energy Industry"]

[Excerpts] Our economy not only satisfies its needs for fuel and energy but also exports petroleum products, coal and electric power. In 1980, compared to 1975, the overall industrial production for the energy sectors increased 46.1 percent, with an average rate of increase of 7.9 percent. The extraction of gas in the 6th five-year plan increased 85 percent, compared to the 5th five-year plan, while the extraction of coal increased 1.6 times in 1980 compared to 1975 and the production of electric power increased twofold. Despite the sabotage of the Chinese revisionists, 48 new industrial projects of the energy system were constructed and put into operation in the 6th five-year plan.

Our working class, guided by the party, has successfully overcome all the difficulties resulting from the Chinese treachery and blockade. As a result, production not only did not decrease, but, on the contrary, increased. During the 1979-1980 period, when we were relying on our own forces alone, the growth rate for industrial production was 16.6 percent compared to the planned increase of 14.9 percent.

As always, priority was given in the 6th five-year plan to the geology sector, with the aim that new prospects would be found. New sources of petroleum and gas were discovered and the quality of geological-geophysical studies and complex workings was improved. Seismic workings increased 2.8 times compared to the 5th five-year plan and prospecting and drilling work increased 36.7 percent. During this period, measures were taken for the assimilation of deep drilling technology.

During the 6th five-year plan all the petroleum produced was processed in the country. The deep processing of petroleum in Ballsh increased the quantity and quality of the fuels. During this period, large power plants such as the "Light of the Party" hydroelectric power plant in Fierze, the 60 megawatt thermoelectric power plant in Fier, and others were put into operation. In 1980, 5 times as much electric power as was produced in 1960 was exported.

But there is no room for self-satisfaction. Some partial shortfalls in these sectors, especially in the area of the regular fulfillment of the overall industrial

production plan, in the production of certain items and in productivity, indicate that there are still some reserves which are not being utilized. At the present time, the draft directives of the 8th party congress on the 7th five-year plan (1981-1985) are being discussed in the working collectives. Efforts are being made to analyze, with a critical eye, the causes of the non-fulfillment of the plans and to give valuable ideas on how to achieve greater progress.

In the 7th five-year plan, the power industry is expected to grow rapidly. In 1985, compared to 1980, overall industrial production is expected to increase 37.9 percent. Some 98 new industrial units will be constructed and put into operation for the energy system. These include the hydroelectric power plant in Koman, and the lubricating oils plant in Ballsh. The petroleum industry will develop at a rapid pace in the new five-year plan. In the area on prospecting and drilling for oil, in which the state invests great amounts of money, more thorough measures must be taken to perfect the technology of drilling wells at greater depths. The improvement of technical-scientific discipline is a duty of all drilling workers in order to improve the main indicator of drilling and increase the monthly drilling rate.

Proletarian discipline in drilling wells must be increased. This will prevent damage. Concern and attention should be given to preventive measures by everyone from the lowest ranking drilling worker to the leading cadres of the petroleum sector.

Now, during the discussion of the draft directives, attention should be concentrated on the best use of deposits and on measures to increase oil extraction. This requires the wider use of secondary methods of working in the layers and the application of those methods which are suited to conditions of each deposit. The aim should be to exploit new deposits of petroleum on the most scientific bases. Also, they should exploit dried up wells which are a great reserve.

The coal industry will also be developed during this five-year plan. The coal will be extracted mainly from existing deposits. The increasing of mineral workings will better ensure the mining of coal. The directors of the coal mines must work harder to raise the level of training of the workers. This will help them to achieve the high indicators of exploitation technology. During the discussion, attention will be concentrated on the evaluation of views dealing with the raising of the level of mechanization, especially in the processes of dropping, transporting and loading coal and waste matter. This is of great importance since the replacement of manpower with machines will reduce the work of the workers and increase yields. The improvement of the quality of the coal and its economical use will be another task not only for the workers in this branch but also for all consumers.

With the commissioning of the Koman hydroelectric power plant and the utilization of the thermoelectric power plants at full capacity, the production of electric power in 1985 is expected to be 14.7 percent higher than in 1980 and the power exported will be 2.3 times that of the 6th five-year plan. In this branch, attention will be given to reducing losses in the system and to reducing energy consumption by the plants themselves. An important task of this five-year plan

is the full utilization of the productive capacities of the thermoelectric power plants, using coal and gas as raw materials.

One of the important objectives of workers in the field of energy during the 7th five-year plan is the economical use of energy, in general, and of fuels, in particular. During the first 5 months of this year, satisfactory quantities of electric power, steam, mazut and solar energy were saved. These reserves and others, which will come to light during the discussion of the draft directives by all the workers of the country, will further improve the indicators of the draft plan.

CSO: 2100/103

BRIEFS

ALGERIAN TRADE DELEGATION--A government trade delegation of the Democratic and Popular Republic of Algeria led by Finance Minister Mohamed Hadj Yala arrived today in Albania. The delegation will hold talks and sign a trade agreement between the two countries. The delegation was received by Minister of Foreign Trade Nedin Hoxha, Deputy Minister of Foreign Trade Jetnor Rama, Bashkim Pitarka, director of the second directorate of the Ministry of Foreign Affairs, and others. [Text] [AU102036 Tirana Domestic Service in Albanian 2000 GMT 10 Jul 81]

SOFIA CEMA MEETING--As has been reported, the 35th CEMA session was held in Sofia on 2-4 July. Taking part were the prime ministers of this capitalist group's member countries and some delegations invited from other countries. For 4 days, Moscow's vassals discussed, under Tikhonov's direction, their worries over energy supplies and the high prices they must pay for them to their patron. Likewise, future trade between member countries was discussed at this meeting, and tasks were presented for new measures to further deepen their economic integration until 1985. The Kremlin's envoy, who mainly spoke about oil and raw material supply problems, declared from the beginning that the Soviet Union could not possibly follow the increases practiced in the past; thus making it clear that oil and raw material supplies from Moscow to the CEMA members' supplementary economy would be smaller. The Polish prime minister, Jaruzelski, admitted on the other hand that our union is experiencing daily difficulties. One of the most important problems requiring an urgent solution is the fulfillment of the CEMA members' request for grain, meat and other agricultural-food products. Similar complaints were also made by prime ministers of Hungary, Czechoslovakia and Bulgaria, who asked that the unequal system of prices be reexamined and also investments in Soviet projects, [word indistinct] which runs through the whole interrevisionist union is directly tied to the deep crisis which has clasped this capitalist group and to the savage exploitation of East European economies by the Soviet social imperialists. [Text] [AU061605 Tirana Domestic Service in Albanian 1230 GMT 6 Jul 81]

CSO: 2100/97

MINISTER URGES LABOR SAVINGS THROUGH COUNTERPLANNING

Prague HOSPODARSKE NOVINY in Czech 17 Jul 81 p 1

[Article by Dezider Krocsany, minister of labor and social affairs: "Labor Savings through Counterplanning"]

[Text] Demanding goals and conditions of economic and social development in the Seventh Five-Year Plan require qualitatively new approaches in the management and application of wage policy. The fundamental guidelines and objectives necessary to insure the monetary incentives of the planned tasks are based on the Principal Guidelines for Wage Policy in the Seventh Five-Year Plan approved by the CSSR Government Presidium and the governments of the republics. This document is an open-ended program of basic approaches to the realization of systematic measures in wage policy and their application in practice.

Systematic measures were adopted in agreement with the Principal Guidelines on Wage Policy, and the Set of Measures in the area of regulation of wages payable; in conjunction with other economic tools of the national economic policy they assist in the implementation of the principles of counterplanning.

Acceptance of higher targets for the plan is clearly profitable; the size of wages payable rises proportionately with the percentage expressing the growth of the objectives over the planned. When an organization does not accept a higher plan, but exceeds the original plan in the course of its realization, it may increase its amount of wages payable by a specific share determined by recomputation coefficients that are less than one. Those coefficients are set for the individual branches by CSSR Government Decree No 404/1980 on incentive measures for manpower savings, in the range from 0.6 to 0.3. This means that for overfulfillment of the planned objectives the enterprises may raise their amount of wages by 30 to 60 percent of the sum due to them on the basis of the norms or absolute limits.

Absolute savings in manpower are particularly profitable. When an organization accepts tasks as part of the plan at the level set for it in the five-year plan or in the guideline for the annual plan with a smaller work force than the maximum established limit, it keeps the entire amount of wages payable according to the norms or absolute limits, and it can use these funds for increasing average earnings. If in the course of the plan implementation it does not fill the planned personnel strength, it keeps a share of the funds realized by this saving, namely 40 to 70

percent. In budgetary and contributory organizations about 20 percent of saved funds are left for the use of the organization. Special provisions apply to computerized budgetary organizations.

These new modifications in the area of monetary incentives for organizations rescinded the measures against overruns of palnned average wages which were counterproductive to manpower savings in the Sixth Five-Year Plan and often led to the hiring of unproductive workers with lower earnings to attain an average wage lower and is to slow down its growth in relation to the plan. Cancellation of measures against exceeding planned average wages, or so-called ceilings, and approval of new measures to strengthen the motivation for manpower savings have removed to a considerable degree the existing barriers to the increase of earnings based on achievements. At the same time, they make it possible for organizations to increase the planned average wage when they accept, as a part of the plan, performance of the tasks set by the directive with fewer workers than specified by the maximum limits.

When organizations do not identify unused capacities in the planned work force, they become losers because they must share with the state the wages payable that are saved through [unplanned] reduced, compared to planned, manpower strength in the specified ratio.

The systematic measures in the area of institutional monetary incentives are linked with measures in the area of personal incentives. It is particularly the modification of monetary incentives for managers of economic organizations which makes it profitable to accept more progressive tasks for a selected indicator in the plan; when higher tasks are accepted in the annual plan compared to the five-year plan, or the directive for defining of the annual plan, the managers (director and his deputy) can be entitled to higher annual special compensations, by 5 to 10 percent (i.e., up to 30 to 40 percent, respectively, and up to 45 to 50 percent in mining organizations of coal, uranium, ores and magnesite industries) over the rate applicable if only the specified tasks are accepted, and set at maximally 30 percent of basic wages (40 percent in mining organizations). With the acceptance of lower tasks the rate of annual bonuses is set as low as 25 percent of basic wages.

The SSR Ministry of Labor and Social Affairs, or the basis of the data of the departments, has evaluated the trend of indicators and procedures of the central departmental organs, middle management links and enterprises in the implementation of these new principles in 1981. It may be stated that in directing and determining personal monetary incentives for the managers of economic organizations, the superior organs essentially followed the valid modification. There are some problems with the selection of a proper key indicator for evaluation of the progressiveness of the tasks. Such indicators should express the effectiveness and qualitative aspects of the economic activity of the organization. In some cases the indicators were rather quantitative in character, for instance, value added, adjusted value added, and the like.

The incentive element for more progressive tasks in the annual plan has not yet been utilized to the anticipated degree. Relatively few organizations used the opportunity to accept higher tasks in a selected indicator than those specified in the plan breakdown or in the directive so as to attain a higher allocation of

wages payable and expectation of higher annual bonuses for the managers. Organizations were conservative in the acceptance of plans this year.

The principles of counterplanning and increased effectiveness of compensations and personal monetary incentives require that principles similar to those specified for the managers also be used for personal monetary incentives of lower organizational units. That is, the managerial personnel of subdivisions, enterprises, concerns, small plants and shops, and those manual workers who suggest, accept and fulfill higher plan tasks than established by the breakdown of the five-year plan, or the directive for the objectives of the annual plan.

As a guideline for the manpower savings incentive, the ministries of labor and social affairs prepared particulars dealings with the use of wages payable acquired through labor savings. The organizations and organizational units may use the wages payable acquired through labor savings as bonuses for those workers who contributed to the achievement of manpower savings.

They also have the possibility of raising the wages of workers who have accepted a reduced work force in a counterplan and in sectors where labor savings are achieved by implementation or objectivization of work-use norms. Such profitability can be realized in various forms, for example, by rate adjustment of bonuses and special compensations, adjustment of personnel ratings, or pay adjustment in the range of the pay scale. What form of a wage increase is used is up to the director of the organization who decides individually the form of pay raise depending on the nature of the manpower savings.

The tools of wage policy for the Seventh Five-Year Plan both in the area of generation and disbursement of wages payable have created a whole scale of opportunities to promote the growth of general work productivity through labor savings. Efforts must be made to deal comprehensively in all areas and at all levels of planned management of the national economy with the problems related to stimulation of the growth of general work productivity.

The need for increased effectiveness in the interest of the growth of our economy also places demands on greater revaluation of past work--better use of fuels, energy, raw materials and commodities. This calls for higher qualitative demands on the functioning of the man in the production process, his attitude to work and tasks.

It may be assumed that initiative for acceptance of bigger and qualitatively and quantitatively more demanding tasks will appear at all levels of management and at every place of work. Above all, managerial personnel must capture this initiative and create a proper atmosphere for it, primarily through quality plans that are well coordinated and financially sound.

Existing experience has confirmed that the importance of the balance of work productivity factors has not been fully appreciated. They are usually set up mechanically and mostly based on extensive factors. Because human factors have been neglected, arguments on manpower shortage rather than counterplanning objectives for work productivity have been presented.

In the period of the Seventh Five-Year Plan, the potential of manpower resources and of their utilization must be quantified, particularly through rationalization of work.

Measures for improved management of cadre, personnel and social development that were carried out should also contribute considerably to implementation of counter-planning. Their main goal has been creation of conditions for better utilization of capabilities, skills and creativity of collectives and individuals.

The implementation of the Set of Measures must be associated with additional new forms of initiative by the workers and with application of progressive work methods at home and from other socialist countries, especially the USSR. New procedures are appearing and spreading that correspond to the present needs of the economy and the new rules of the planned management system. Such a form of work and compensation will have to be tested experimentally in our conditions as well.

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STRUCTURAL CHANGES IN ECONOMY SEEN NECESSARY FOR GROWTH

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 29 No 2, Feb 81 pp 129-142

/Article by Prof Dr Wolfgang Heinrichs, economist; director, Central Institute for Economics, GDR Academy of Sciences; corresponding member, GDR Academy of Sciences and member, WIRTSCHAFTSWISSENSCHAFT editorial staff/

/Text/ The SED program directly links the intensification of economic growth with the planned change in the structure of the economy. It is no accident that it points to the interrelations between the progressive intensification, rationalization and reconstruction of existing enterprises, the establishment of new production capacities and the perfection of the production structure which, in turn, must proceed in harmony with the planned progressive socialist economic integration.[1] Changes in the structure of the economy reflect different operating conditions as well as specific requirements of the economic laws of socialism. It is therefore interesting from the theoretical as well as the practical aspect to study these different operating conditions and requirements with respect to those structural changes which proceed in the course of the transition from a largely extensive to a largely intensive type of reproduction. These studies pursue, among others, the goal of discovering whether and to what extent certain operating and utilization conditions of the economic laws may change alongside the structural changes in the course of the transition from one to the other type of expanded socialist reproduction.

On the Characteristic Features of the Perfection of the Production Structure in Intensively Expanded Reproduction

Structural changes are not a new phenomenon in the GDR economy which has displayed stable growth for one decade after another.[2] This allows the conclusion that structural changes are inherent in largely extensively as well as largely intensively expanded socialist reproduction. Currently proceeding in the GDR and the economies of the other European CEMA member countries are such structural changes as occur in the course of the transition from one to the other type of expanded socialist reproduction. This means that they cannot be classified exclusively with one or the other type of reproduction. Nevertheless, initially we need an abstraction, in other words the assumption that expanded socialist reproduction is sustained by either the exclusively extensive or the exclusively intensive type. Only this way will we be able to respond to the question of the common features and differences in the structural changes with respect to the one or other type of reproduction.

In both types of reproduction structural changes reflect general interrelations between the development of productive forces (the deployment of resources) and the demand as well as the extent of its satisfaction (products/services and their structure). By changing sectoral, branch and product structures in the economy, the economic and social effects of scientific-technological progress come into their own, the process of socialization advances by the deepening of the social division of labor, and new production and service processes emerge, which more perfectly respond to the progressive development of productive and consumptive needs.

When defining economic structure we are usually referred to Marx who summarized it as a state of qualitative pattern and quantitative proportionality of total social labor.[3] Here Marx meant the distribution of total social labor to the various branches and products of a national economy as well as the conditions of its constant renewal and change. In total social labor he included live as well as embodied labor. Marx stressed that, in socialist conditions, it first becomes possible and necessary for "society" to create "the connection between the volume of social working hours as related to the production of specific items and the volume of social demand to be satisfied by these items."[4] This connection must be constantly renewed as per plan, from one reproduction period to the next. In simple and expanded reproduction this happens by the change in the distribution of total social labor to the various sectors, branches and products which, in turn, represent specific parts of the volume and level of needs. Viewed from this aspect structural change effects a change in distribution or the redistribution of the total social labor.

In addition to these common features which, therefore, are independent of the respective type of reproduction and reflect general relations of simple and expanded reproduction, there are significant differences in the structural changes occurring in the two types of reproduction. In extensively expanded reproduction structural changes occur for one by the quantitative growth of new production factors involved in economic circulation. This growth is variously distributed to the various sectors, branches, products, and so on, in accordance with the changes happening in the demand structure. Rising, moreover, is the total mass of social labor operating in the economic circulation. Changing alongside this rise is the distribution to the various products or product groups. Finally we must bear in mind that, from the material and financial aspect, the renewal of the existing production apparatus is secondary to its expansion. Consequently a significant proportion of the amortizations remains undistributed and is used to expand the production apparatus. This redistribution, complemented by the additional resources included in the economic circulation, provides the material and financial prerequisites for structural changes in the producing sectors and in the national economy as a whole. A concrete reflection of this changed distribution and redistribution of the total social labor (its embodied part) is the dynamism of investment proportions per sector, branch or product group and its comparison with basic asset proportions. The extent of the redistribution is demonstrated by the extent of the latter's deviations from the former. At the same time this redistribution means that parts of the national economy become obsolete from the scientific-technological and technical-economic aspects and that, therefore, the conditions for the growth of productivity and efficiency in the extractive production stages by way of the various stages of further processing up to the finished product differ very considerably. It is therefore characteristic for structural changes within the extensive type of reproduction to be sustained by the increase and simultaneous redistribution of total social labor

to the products or product groups and not in the first place by a decline in the expenditure of embodied and live labor per product or demand unit.

As I remarked earlier, the current real process of expanded socialist reproduction, on the other hand, always combines the effects of the intensive and extensive type of reproduction, and that applies to structural changes also. In the GDR, for example, for various reasons (partlyhistorical) expanded socialist reproduction bore relatively strong intensive features even in the early stages of socialist reproduction, at least with regard to the method of managing live labor. That is why structural changes then proceeded hand in hand with real reductions in the expenditure of live labor per unit of need or production. However, at that time this process was not so crucial for the rate of expanded reproduction as a whole. More important instead (in respect to live labor) was the substantial increase in the labor capacity obtained by raising the incidence of employment among the employable population, especially women. We thus see how important it is not to lose sight of the category of the type of reproduction in the analysis of real phenomena such as structural changes, in order to define these phenomena either as more extensive or more intensive growth processes and be able to draw conclusions about the consequences for management, planning and stimulation in accordance with the changed operating conditions and requirements of the economic laws.

The development of needs in producing and nonproducing sectors, including the complex interrelations of science and technology as well as foreign trade influences, is the final cause of structural changes, and equally so for the extensive and intensive type of reproduction. In extensive reproduction need changes are transmitted to the structure of the national economy by way of an almost stationary level of expenditure per unit of product or need. Structural changes in this type of reproduction therefore proceed without any appreciable freeing of manpower, working hours, basic assets and energy or raw material funds. Production factors are the main source of this type of structural change; they are either added to the economic circulation or derive from the redistribution of parts of the existing production apparatus at the expense of simple reproduction. Their technical-economic standard sometimes differs significantly from already operating production factors. Structural changes of this type of reproduction are therefore initiated and carried out largely by way of expansion investments. Unused due to the limitation of resources are the effects of structural changes which could well be developed by the technical-economic renewal of existing basic assets within the scope of their simple reproduction. Scientific-technological innovations occur especially in the expansion sector, while the rate of innovations at the existing material-technical base may lag behind to a significant extent. The inevitable consequence of such a process is the rapid expansion of the product assortment, among other reasons because the disposal of obsolete capital equipment meets objective limits. The effects of the international division of labor within the scope of socialist economic integration are mainly used to meet the quantitative demand and develop those economic proportions which are crucial for the material-technical base of socialism. In these conditions, therefore, no noticeable effects can radiate from the international socialist division of labor, which are directed against the expansion of product assortments in the various national economies.

Reductions in the level of expenditure in economic dimensions usually occur in a mainly extensively growing national economy when structural changes are accompanied

by the distribution and redistribution of total social labor, when the proportions of those products and product groups or services grow, which require a lower level of expenditure than the average of the national economy. Vice versa, structural changes are accompanied by a loss of efficiency when changes occur in the structure of the national economy in favor of those products, product groups, and so on, for the production of which a higher than average expenditure is required.

In the intensive type of reproduction changes in needs are also the final cause of structural changes in production. It is directed to the technical-economic improvement of the standard of products and processes coupled with the more efficient utilization of all qualitative elements of the labor capacity and, moreover, to the assurance of the better satisfaction of needs in the producing and nonproducing sector by the deployment of the same if not fewer resources. The widespread utilization of science and technology assumes a key function in the perfection of the production structure in the intensive type of reproduction.

Changes in needs are transferred to the use of production factors by way of the lowering of the expenditure on the total social labor per unit of product or need, and consequently to the production structure. Insofar the scopes for the perfection of the production structure in the intensive type of reproduction depend on the extent and kind of freeing of production factors. The objective dependence of the scopes for structural changes on the extent and type of the freeing of production factors as a whole or of single production factors according to the urgency of their reuse (manpower, reduction in the specific consumption of energy and materials, improvement of basic asset efficiency) reflects some changes in the operating and utilization conditions of the economic laws. They are at the bottom of structural changes in the transition to the intensive type of expanded socialist reproduction.

In this type of reproduction the perfection of the production structure increasingly proceeds within the scope of simple reproduction. Used here especially are qualitative effects by the speedier technical-economic renewal of the existing production apparatus. The technical-economic renewal of the already operating production apparatus, in turn, is crucial for the utilization of the steadily growing qualitative elements of the social labor capacity--a result of socialist education--beyond the area of expansion and, therefore, more complete. It follows that, with respect to the standard and dynamism of efficiency, the structural change of the national economy in intesively expanded reproduction makes very different demands on the ability to accept and digest scientific-technological innovations than was the case in the extensive type of reproduction.

As we all know advances in the process of intensification are judged by the extent to which the live and embodied labor operating in economic circulation effects greater satisfaction of needs both with regard to quality and quantity. Now and in future such effects will be obtainable in the GDR only when science and technology are fully utilized throughout the national economy, in other words when the possible economic parameters are actually achieved while a balanced relation is observed between basic and improvement innovations. As we know the intensive type of reproduction is based on these basic premises. Its development proceeds by way of the mere conservation of working hours to the conservation of working hours, energy and materials up to and including the end result: The accompaniment of the improvement in productivity by the reduction of energy, materials and basic asset intensity.

As regards structural changes another factor, contributing to further dynamism, is added in the intensive type of reproduction. This derives from the reproductive effects of science and technology and consists in the changes in needs and the extent of their satisfaction--speedier in any case--accompanied by reductions in the level of expenditure. Any reduction in the level of spending resulting from the relative and absolute freeing of production factors is inevitably followed by changes in the cost structure. When, in the process of economic interrelations, we distinguish from this aspect between the production and services structure on the one hand and the cost structure on the other, we note a specific dynamism in the cost structure as well as in the production and services structure. When we further assume that the cost structure of all actual production factors at any stage of economic interrelation corresponds to the production and services structure of another stage--and changes in needs are therefore transmitted to changes in the cost structure and vice versa--we clearly note the following: The perfection of the production structure in intensively expanded socialist reproduction implies requirements qualitatively different from those involved in extensive expanded reproduction, because changes in needs by way of changes in the cost structure do more to affect the structure of the national economy. Moreover, structural changes simultaneously affect the end products (due to changes in needs) and the starting points (substitution) as well as intermediate products (due to changes in the cost structure). These processes objectively require closer interlinking with the effects of the international socialist division of labor within the scope of socialist economic integration, and that in a way which is directed not only to the satisfaction of the quantitative needs of newly emerging products and product groups. This is used much more than in the conditions of the extensive type of reproduction for the economization of the production factors and their deployment in the various national economies. It presumes that, with the aid of socialist economic integration (bilateral or multilateral) products are developed and produced more rapidly and efficiently, the technical-economic standard of which as much as possible exceeds the average standard prevailing in the CEMA member countries. It is more and more imperative for socialist economic integration to be used for the widespread and rapid utilization of basic innovations such as microelectronics. Their multivalent utilization by improvement innovations (products and processes) must attempt to achieve top international standards in selected fields and permanently stabilize them. Furthermore it is possible with respect to certain standard assortments to develop more efficiency reserves by deeper specialization and cooperation, thereby increasingly eliminating the parallel productions which are of little use for each national economy. Opportunities will then present themselves by means of specialization and cooperation to counteract to some extent the proliferation of product assortments. That is an important precondition for effective structural change just as, in turn, the degree of efficiency capable of achievement in the economic structure of the various CEMA member countries largely depends on the workability of socialist economic integration.

Assuming intensive reproduction, stable economic growth cannot in the long run be secured without the perfection of the structures (production and services as well as cost structures). The intensive type of reproduction is based on continuous structural change. Without it intensively expanded reproduction is not operable at all. In other words: Unused reserves in the perfection of the production structure are unused reserves of intensive economic growth. The better utilization of this potential is increasingly coupled with greater demands on the workability of socialist economic integration and its gearing to the new tasks arising, among others, from the transition of the CEMA countries economies to intensively expanded reproduction.

The theoretical problem here is this: In the conditions of intensively expanded reproduction parts of the total social labor, hitherto solidly embedded in traditional manufacture, must be freed either relatively or absolutely. In Marx' meaning what is involved here is "disposable time" which results from the lowering of the expenditure of embodied and live labor per product or need unit. Only a certain part of "disposable time" is used to cut working hours per week, year and working life, depending on the sociopolitical goal. Another and more important part provides the precondition for society being able to use a larger proportion of total labor for the production of means to satisfy socially acknowledged needs of a higher order or for achieving greater need satisfaction. The relative and absolute freeing of production factors is indispensable in order to extend--within the scope of the existing total social labor--the scope for redistribution in favor of greater need satisfaction (possibly, among others, by way of foreign trade also). This is the problem at the heart of structural changes in the transition to intensively expanded reproduction.

No doubt even in conditions of intensively expanded reproduction structural changes result in the quantitative increase of some production factors, such as manpower for example. They seem to be the same as those occurring in the course of extensively expanded reproduction, but this resemblance is illusory. These additional production factors in fact result from the anterior freeing and redistribution. They are production factors which, before being redistributed, already operated in the economic circulation. The fields where productivity rises faster than industrial goods production are, so to speak, the sources of expansion in other fields which, in order to cope with their production targets, must obtain more manpower. On the other hand, whenever investments cause a greater demand for manpower than effective manpower savings, this is tantamount to narrowing the scope for the perfection of the production structure. It will be possible in specific sectors of the national economy to carry out expansion only when manpower, energy and materials are conserved relatively and absolutely, and basic asset intensity is lowered. In the long run serious disruptions in the proportionality conditions of the national economy occur when changes in the production structure, caused by freeing, are not based on the redistribution of the total social labor. Unless that happens, parts of the total social labor are inevitably diverted from the production of specific items needed to meet the productive or individual demand. The strain on resources increases, disrupts proportional conditions and thus encourages extensive development trends instead of assisting intensification. This connection is the more direct the less the opportunities for increasing the manpower available (even if only temporarily) and for quantitatively expanding the supply of energy sources and other raw materials annually. It follows that structural changes in the intensive reproduction process are not alone in being subordinated to other operating conditions and requirements of the laws of economics. The structure of proportionality also is largely based on the lasting reduction in the expenditure of embodied and live labor per unit of product or need, instead of the quantitative growth of production factors.

The production and use of microelectronics in the GDR national economy fully underline this connection. The production of microelectronics does not immediately--and certainly not in all sectors--result in savings of working hours, energy, materials, and so on. The production of semiconductor components, in particular, initially requires additional manpower. Moreover, to a certain extent it is possible for the

capital equipment rate to temporarily decline, because the technical equipment initially grows faster in volume and quality than the output of these new and complex products. The national economy must first provide advances for future efficiency and productivity, which it must materially and financially secure from an adequate store of "disposable time." This store must be constantly reproduced. Relative and absolute freeing, therefore, turns out to be both a condition and the result of structural change in intensively expanded socialist reproduction.

Occasionally we read that stable economic growth and structural change are mutually exclusive always. At times of increased structural change it would thus be necessary to insert a "recovery or consolidation stage" and forego major economic growth. In my opinion this theory is wrong from many aspects. First of all it arouses the impression that structural change is a temporary phenomenon, and that periods of great dynamism must needs be followed by a stage of stagnation. Such a view is championed directly or indirectly by followers of the so-called "cyclical movement" of the socialist reproduction process as an objective movement attributable to scientific-technological progress. In fact it is evident that these advocates mistake the effects of objective processes for effects which are based on the economic decisionmaking sector of investments. When we examine the statistical process of growth, we note certain changes in the growth rates of the 1960's and 1970's in all European member countries of CEMA. However, taking into account a certain time lag, these movements must be attributed more or less to fluctuations in the investment volume and the rate of investments as well as, and not least, the efficiency of investments. When we disregard current cost-raising trends in the energy and raw material field, different rates of investment and the masses of investment in the producing sectors--at a given investment efficiency--correspond to certain movements in the rate of economic growth. If investments lag behind for several years and need to catch up, it is evident that periods of increased investment activity are bound to follow in the interest of stimulating growth impulses. However, this movement is not primarily caused by the objective process of science and technology per se but by the distribution of investments, taking into account internal and external influences in the course of time and on the various sectors and branches.

Structural change is the condition and result of scientific-technological progress. One result of the speed-up of scientific-technological progress is the growing importance of perfect production structures for economic growth. It is important--and, in my view, one of the benefits of socialism--for basic and improvement innovations to be economically utilized in a balanced factual and periodic relation within the respective national economy and, beyond that, the CEMA countries. This is potentially stabilizing with regard to the distribution rates of investments and their efficiency. However, this relation must be based on a total governmental technical policy guided by the currently foreseeable trends of the availability of resources. This total governmental technical policy must orient to the respective technically feasible and economically most favorable combination in the application of techniques suitable for the conservation of working hours, energy, materials and, ultimately, money in those sectors which bring on short-term, medium-term and long-term growth effects. Imperative is the achievement of the unity of short-term, medium-term and long-term effects of science and technology. Is that unity neglected, for instance if the deployment of science and technology by way of investments orients only to short-term growth effects in certain product groups, investment needs in other sectors mount up until the short-term growth effects are exhausted.

To maintain a stable rate of growth an investment push is then required in those sectors where the investment need was not met for some time past. The same unfavorable conditions for stable growth arise when the effects of science and technology are not applied in the short term. This is concretely reflected in the worsening of the capital equipment rate, caused mainly by the decline of investment efficiency. Moreover, the effects arising from the steady economization of working hours, energy and materials consumption would then remain unused, which--just as the growing invest effects--are indispensable for the maintenance of stable growth rates.

In the course of the achievement of the current socialization of production and labor the extent of integration has so increased that short-term, medium-term and long-term effects no longer derive from the use of the new equipment by just one product group or production branch. In fact it arises increasingly from the concentration of the new equipment on product lines important to the national economy, which also take account of the overriding export demands. They are more complex, involve several production and industrial branches and therefore require central state management and planning.

For these reasons structural changes, initiated as planned and taking economic connections into account, do not detract from economic growth. The perfection of the production structure actually tends to act as a catalyst of growth. That holds true particularly when structural changes are accompanied by significant cost reductions, in other words when their economization itself acts as the source of the redistribution of the total social labor. As I will explain in detail later, the empirical course of the 1970's in the GDR confirms this assertion, because the 1970's were a period when relatively advanced economic growth rates were accompanied by quite significant changes in the production structure.

On the Rate of Speed and Some Changes of the Production Structure in the GDR

Many publications correctly claim that the rate of structural change between sectors and branches is slackening. On the other hand dynamism is growing in the microstructures. Cited as one of the main reasons is the transition to the intensive type of reproduction. It marks a specific stage in the evolution of the quantiative basic proportions of the socialist national economy. Structural changes will now have to proceed more within these basic proportions. Decisive here, the argument runs, is the growing trend toward the technical-economic renewal of the existing production apparatus in place of its quantitative expansion. The trend is assisted by the fact that, within the framework of socialist economic integration, the international socialist division of labor is increasingly extending to products and, additionally, to components and subassemblies. All these reasons are plausible and confirmed by practical experience in the GDR. Nevertheless we need to put into the proper perspective the view according to which future changes will proceed more at the product level and impinge less on the basic structures of the economy. Such caution is advisable especially because the hitherto customary effects of structural changes in the shifts of the proportions of specific branches (product groups and products) relate to production as a whole. That is a production-oriented appraisal of structural change, which is still justified and not replaceable by anything else. However, it does require supplementation by an appraisal more oriented to needs.

The need oriented appraisal of structural changes obtains its theoretical justification from the fact that the use of the total social labor is ultimately oriented to the satisfaction of certain diverse needs or need complexes. Their satisfaction requires differing amounts of social labor. Moreover the same products are suitable for the simultaneous satisfaction of qualitatively different need complexes. It is therefore highly instructive for any appraisal of the economic structure to know how many products (consumer goods or means of production) of the same product group are simultaneously used for meeting the needs of nutrition, education, household furnishings and other need complexes, and must therefore be reproduced. This kind of data is yielded less by a production-oriented appraisal than by one based upon need complexes and classifying the various products and services with these need complexes. It goes without saying that the structural changes reflected in this manner display a totally different quality from those judged by shifts in product or product group shares.

For some time past the Central Institute for Economics at the GDR Academy of Sciences has studied the use of resources by need complexes with the help of reports on interrelationship balances. Since specific results of the 1977 interrelationship balance were processed for that purpose, and it was possible, moreover, to produce a comparability (albeit accompanied by many reservations) with the results of the interdependence balance for 1972 and, to some extent, for 1968, it has been possible empirically to analyze for the nonproductive consumption structure certain changes in the product group structure as well as the cost structure of that period. In the case of the product group nomenclature we are concerned with products or services for supplying the public, grouped by need complexes.

This breakdown by need complexes aims to make available for scientific analysis the extent and proportionality of the distribution of the total social labor to various need complexes and the accompanying changes.

The breakdown of product groups of the interdependence balance by need complexes offers yet another advantage. About 70 percent to 75 percent of all end products of the GDR economy circulate as end products destined for nonproductive consumption. Ins ofar data on structural changes with respect to these end products also include certain apparaisals of structural changes in the preliminary stages, primary and intermediate products. Structural changes in these preliminary and intermediate stages reflect changes in the cost structures if we investigate not only direct but full costs which relate to products and services and are destined for nonproductive consumption.

Those aspects of the preliminary results of the study[5] deserve particular emphasis, which exemplify the rate of speed and various main trends of structural changes in the GDR. They may serve to allow further conclusions to be drawn regarding future reproduction theoretical work.

When we break down the production structure to product groups and products and classify them with specific need complexes, we get first a notable dynamism of structural changes in the period 1872-1977. These changes coincide with the inevitabilities of the advance in needs and the extent of their satisfaction. Consequently we note an above average development with regard to growth dynamism for the products and services which are classified with the need complexes transportation/carriage and health/physical culture. Products and services classifiable with the need

complexes education/culture/recreation, information/communication and household furnishings developed at an average rate. On the other hand the development was below average for those products and services which belong with the need complexes nutrition and clothing.[6]

In the GDR we have seen an even greater advance in the 1970's of the inevitability already noted earlier, according to which the relative share of elementary essential needs[7] in the total stagnates or even declines in the total structure of (satisfied) needs depending on the respective limit of satiety. While, in the years 1972-1977, the average annual growth rate for the need complexes nutrition, clothing and household furnishings amounted to a total of 4.0 percent (3.3 percent for complex nutrition, 4.4 percent complex clothing, 5.5 percent complex household furnishings). developments proceeded much more dynamically with respect to other need complexes which Marx distinguished from elementary essential needs and considered needs arising from social development, which promote "the cultivation of all qualities of social man...as the ones richest in need because richest in quality and relations."[8] For these need complexes the total average annual growth rate was 8.9 percent, among this in the complex communication/information 4.9 percent, the complex education/culture/recreation 6.2 percent, the complex health/physical culture 8.5 percent. The largest growth rate was achieved in the complex transportation/carriage: 11.4 percent.

On the basis of these shifts (which occurred within 5 years) in the proportions of the need complexes we witnessed simultaneous and substantial changes in the basic relation between elementary essential needs and needs of a higher order. The proportion in the total of need complexes of nutrition, clothing and household furnishings declined from 75.5 percent to 71.1 percent. That was due mainly to the relative decline in the growth of those products and services which are to be classified with the need complex nutrition. It turns out that considerable changes occurred in that period in the macrostructures of the national economy--if appraised from the standpoint of needs. This development is most likely to continue in future also.

As we already stated, changes in the product and services structure are accompanied in intensively expanded reproduction by changes in the cost structure. What was that dynamism in the same period?

The cost structure was initially analyzed by the intensity of the gross product for the product destined for consumption in accordance with the full expenditure of live labor and capital equipment by the respective product groups, and these latter were in turn classified with specific need complexes. By this reckoning the intensity of the gross product for the manufacture of products destined for consumption has further risen from 1968 to 1977. For well known and frequently discussed reasons it is not possible, though, to conclude specific trends of energy and materials consumption. In the same way the increase in the intensity of the gross product may be attributed to the increase in the social division of labor and cooperation. In view of the growing importance of reductions in production consumption for future economic growth, economic analyses here show an unfortunate gap. Though the analysis of specific energy and materials expenditure is extremely important and irreplaceable, it does always relate to only one stage of production. It is therefore impossible to conclude from development trends of specific energy and materials expenditure to

analogous trends of total expenditures related to the respective end product. As far as they are primarily influenced by energy and materials consumption, data on the movement of specific expenditures are applicable to only a limited extent to the analysis of total economic efficiency trends. It does matter very much, for example, for the appraisal of economic interlinks at which stage of production the specific expenditures are realized. The effect on the total economy is markedly different when the specific expenditure is lowered more in the processing and less in the extractive stages, and vice versa. This different effect results from the differentiated technical-economic intensity by which the various stages of production are linked to one another, from the extractive stage by way of the processing stages up to the end product. The computation of economic efficiency variants therefore turns out to be an urgent requirement when we are dealing with structure changing developmental trends which display an advanced degree of these technical-economic links. Such a structure changing development, for example, is the refinement of raw materials because it should, in principle, range from the basic raw material by way of intermediate products to the end product. Still, the following continues to be interesting with regard to the development of the intensity of the gross product for the product of consumption: In view of the advanced extent of interrelationship in the national economy of the GDR 2.7 times more of the gross product must be available in order materially to secure the product and services for public consumption!

The dynamism of the intensity of the total expenditure of live labor for the manufacture of the products of consumption yields a very different picture than the development of the intensity of the gross product in the products for consumption. Within the cost structure it turned out to be the most flexible element. It follows that advances in intensification were achieved in this period mainly by labor saving measures. In 1972 50.3 workers were needed to turn out M1 million's worth of products and services in the complexes clothing and educational needs. In these two areas the same output volume for consumption was made available with 19 and 21 fewer workers respectively. In the complex nutrition five fewer workers were needed in 1977 by comparison with 1973 to make available the same volume of goods. The total expenditure of manpower declined more rapidly for all need complexes other than goods which are classified with elementary essential goods. Already in 1977 total expenditure of live labor for products of these need complexes was below the average of the national economy, while the total expenditure of live labor for products of the nutrition complexes exceeded the average expenditure for the products of all need complexes. However, I do not intend this statement to be regarded as the basis of a moralizing lecture. In the GDR the economic effects and political significance of the stable supply to the public of basic foods are well known and highly esteemed. Involved in it, as we know, is not only agriculture but many other branches and sectors of the national economy. Nevertheless this finding is important for future structural changes insofar as a possible relative decline in the growth of products for the complex nutrition--with respect to the full expenditure of manpower--would produce positive effect in the cost structure of the national economy.

In addition to the perfection of the product structure a great deal of dynamism is evident in the movement of the full expenditure of manpower in all need complexes. This lends support to the initially forwarded assumption that structural change in the intensified type of reproduction results not only from changes in needs but is equally carried by changes in expenditure structures.

Far minor, on the other hand, are the changes in the cost structure caused by the total expenditure of capital goods. In the period under review we noted a rise in the intensity of the total capital basic asset expenditure from 2.4 to 2.5 (expenditure on capital goods per 1 million consumer goods). Basic asset intensity rose fastest for products of the nutrition complex, though this greater expenditure of basic assets was accompanied only by a reduction of five workers in the total expenditure of live labor. The manufacture of goods for the nutrition complex takes up a significant part of the total expenditure on the national economy's basic assets (about 44 percent). That is why the increase in basic asset intensity in the nutrition complex has substantially affected the development of the total expenditure on basic assets in all need complexes. The causes of this originate not only in the developments which occurred in the nutrition complex. However, in no other need complex did the total basic asset expenditure undergo such a development which adversely affected the national economy. Reflected herein again is the standard achieved in the extent of intensification in the producing sectors. Involved is a labor saving type of intensification in the course of which basic asset intensity rose also. With respect to the fundamental efficiency relations this degree of intensification reflects the uninterrupted rise in productivity. However, this improvement in productivity was outshone by an even faster rise in basic assets per employee in the producing sectors. That affected the expenditure structures of live and embodied labor, of nonrecurrent and current expenditures and, therefore, the scope of structural changes.

I must point out here that the intensity of the total basic asset expenditure for products classified with the need complexes health/physical culture and transportation/carriage has so far been above the average of the economy. In other words, potential structural changes in favor of these products may well produce adverse structural effects with respect to the total expenditure of basic assets for consumption.

The different dynamism of structural changes with regard to products for public consumption on the one hand and the total expenditure of manpower and basic assets on the other has produced a redistribution of the total social labor to the various need complexes in the same period of time. This must be equated with a significant change in the deployment of resources. While, in 1972, 76.2 percent of gross production, 74.9 percent of the total manpower expenditure and 70.8 percent of the basic asset expenditure were tied down for the satisfaction of nutritional, clothing and housing needs, the comparable figures for 1977 were 72.2 percent for gross production, 72.8 percent for the total manpower expenditure and 69.0 percent for the total basic asset expenditure.

In 1977, compared to 1972, it was possible to distribute a larger proportion of the total social labor to need complexes which no longer involved elementary essential needs. In addition to the lowering of social working hours per unit of product or need, the extent of the redistribution of the total social labor in favor of needs of a higher order is an important element of the law of the management of time. Marx emphasized that the satisfaction of different needs requires different amounts of work. He pointed out very clearly that there is no connection between the urgency (usefulness) of a need complex and the amount of the expenditure of total social labor, expressed in value categories (price, costs, wages). "At any given basis of the productivity labor the manufacture of a specific quantity of items in any

sphere of production requires a specific quantity of social labor time, although this relation varies considerably in different spheres of production and has no inherent link with the usefulness of these items or the special nature of their use values."[9] Insofar it makes no sense in economic terms to compare the productivity of two use values which serve the satisfaction of qualitatively different social needs. Inappropriate, therefore, is the one-sided comparison between the different levels of expenditure for different need complexes, for example the level of expenditure in the nutrition complex and its comparison with the levels prevailing in the passenger transport or clothing complex. It is imperative to lower the specific and total expenditure per unit of product or product item in all need complexes. Different, including natural, factors affect productivity and efficiency conditions so that the expenditure involved in freeing one worker is greater in the one than in the other complex. Moreover, scientific-technological progress can be realized only at different speeds in different sectors and branches of the national economy. This also results in differentiated productivity and efficiency conditions with respect to the manufacture of products for different need complexes.

Marx included in the definition of the law of the management of time not only the saving of working hours per product unit but also its distribution and redistribution to the various need complexes. He pointed out that productivity and efficiency are developed more highly--in other words the management of time has achieved greater maturity--the lower the proportion of the total social labor which must be expended for the satisfaction of elementary essential needs and the higher the share of the total social labor left for the production of goods and services to satisfy needs of a higher order. Expressed here in a specific (need oriented) manner is the relation between necessary and increased working hours, between necessary and surplus product.[10]

This inevitable process of the management of time is based on a permanent structural change due to expanded socialist reproduction and therefore displays certain common features in both the extensive and intensive type of reproduction. However, each type of reproduction also has its own special features, in particular with regard to structural change. Further theoretical and empirical analyses are needed for various aspects, in particular the aspect of the interrelationship between structural change and proportionality in intensively expanded reproduction, the growing role of those sectors and branches upon which depend the capacity and mobility of various production factors (the technical and social infrastructure). Such consequences arise from the intensive interrelations between the economic operation of science and technology, the use of resources, the development and satisfaction of needs, and the type of reproduction. These interrelations deserve greater attention in future reproduction-theoretical research just because the SED's economic strategy is based on their scientific analysis

FOOTNOTES

1. See Ninth SED Congress, "Programm der SED" /SED Program/, Dietz Verlag, Berlin 1976, p 27.

2. I would like to indicate here the even now relevant study by G. Schulz, "Technische Revolution und Strukturwandel in der Industrie" /Technical Revolution and Structural Change in Industry/, Dietz Verlag, Berlin 1966.

3. See Marx "Das Kapital," K. Marx/F. Engels, Collected Works, Dietz Verlag, Berlin 1956-1968, Vol 23, p 386.

4. Ibid, Vol 25, p 197.

5. These research results are part of a study prepared by a collective of scientific staffs at the Central Institute for Economics, GDR Academy of Sciences, headed by Dr U. Ludwig.

6. It is necesary here to point out certain inadequacies in the significance of the interdependence balance. The services to need satisfaction of nonproducing sectors are not fully reported, for instance. The share of these sectors in the realization of the social profit is far greater than represented by their consumption of productive services and material. This inadequacy is due less to the interdependence balance itself than to a hitherto unresolved basic problem of the political economics of socialism.

7. Marx includes among the elementary essential needs "first of all eating and drinking, housing, clothing and some other items," and holds that the production of the means of their satisfaction "is a fundamental condition of all history, which must be daily and hourly met now as it was thousands of year ago in order simply to keep people alive." (K. Marx/F. Engels, "Die Deutsche Ideologie" /The German Ideology/, as before, Vol 3, p 28.

8. K. Marx, "Grundrisse der Kritik der Politischen Oekonomie" /Outlines of the Critique of Political Economics/, Dietz Verlag, Berlin 1953, p 312.

9. K. Marx, "Das Kapital," as before, Vol 25, p 196.

10. Ibid, Vol 23, p 536.

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IMPLEMENTATION OF 1981 ECONOMIC PLAN VIEWED

Budapest TARSADALMI SZEMLE in Hungarian No 7, Jul 81 pp 3-12

[Article by Ferenc Havasi: "Experiences and Future Tasks in the Implementation of the 1981 Economic Plan"*]

[Text] Realization of the resolutions by the 12th Congress stands at the center of our activity. We are experiencing many positive manifestations of this in areas of social, economic and cultural life. This was given expression to at the political program series for preparing the KISZ congress and at the KISZ congress itself.

A faithful expression of respect for the work and of our political sense of responsibility was that at the end of April and the beginning of May several hundred collectives and more than 300,000 persons received flags, documents and the accompanying decorations and awards of the Congress for work achievements in 1980 and the past 5 years and in the Council of Ministers, and the National Council of Trade Unions.

Our internal political situation is characterized by a balanced, calm atmosphere, confidence in the party's policies, readiness for action, and a will to perform.

The central question of our social life is economic building work. To define more exactly our future tasks, in conformity with our practice, it is justified that we should be informed and have a picture of our experiences thus far in the development of the economy, and moreover know what kind of tasks the prescribed improvement of the equilibrium situation and the requirement to protect living standards will place before us in the remaining months of the year.

The preparation and implementation of the 1981 economic plan is in harmony with 1979-1980 economic guidance practice and goals of the Sixth Five-Year Plan. The beginning of work this year was smooth and more organized than in previous years. A role was played in this by the fact that in the past year the enterprises acquired experience in the operation of the price and regulatory system, and adapted themselves more and more to the stricter requirements. The managing organizations prepared in the second half of the past year their mid-term plan concepts,

*Edited text of a talk presented at the 18 June 1981 session of the Central Committee.

and a significant share familiarized themselves with the main requirements of our economic development before the approval of the economic plan. The central directive organs continuously analyzed experiences in the operation of the price and regulatory system, its effect on enterprise management, and made the necessary adjustments in time.

Despite the favorable circumstances, however, there were factors which made our work more difficult. One of these was that last year our national income did not grow, rather it declined by about 1 percent. Further problems were caused by the fact that a part of our autumn work in agriculture was left over for the spring season, and also by the fact that the unevenly distributed precipitation, the April frosts, the spring drought and heat did not favor crops for summer ripening.

Several external factors also have an unfavorable influence on 1981 economic development. The recession in the capitalist world economy is becoming more prolonged and stronger. The crisis situation in certain branches, for example in the steel and plastics industries and in certain areas of the light industry, has been accompanied by a deterioration in our marketing possibilities.

Only by considering all these circumstances is it possible realistically to evaluate development results and experiences thus far. But it can already be stated that realizing the goals in this year's plan is representing a greater than expected task.

The Development of Production and Marketing

Since the experiences of 5 months are available, this must understandably be taken into account in making deductions. According to our experiences, the economy this year is developing in harmony with the main requirements of the plan.

The foreign economic equilibrium situation has developed close to estimates. Exports in both main relations have increased relatively rapidly by about 8 percent in all, and imports exceed somewhat those of last year. In domestic consumption, signs of a revival are evident which exceed distributable sources. The monetary income of the population and the commodity purchases rose somewhat more than planned, while enterprise investments increased by about 2 percent as compared to an estimated decline. Considering also the worsening foreign market conditions, the performance of the economy thus far is not adequate for the combined, secure realization of the main goals of the plan and to further improve the equilibrium situation.

In the first 5 months of the year, industrial production lagged behind the plan and increased by about 2 percent. Production in the individual branches developed in a differentiated way. Among the main industrial branches production increased in the chemical industry, in the electrical energy, machine and light industries, and in the food industry. Production in mining, metallurgy, and the construction material industry declined in accordance with marketing possibilities. Work productivity increased more than production. The material, energy and manpower conditions of production are assured. Because of material deliveries at an inadequate rate and because of cooperation weaknesses, inventories are greater than necessary at some places.

Industrial marketing rose more rapidly than production. Domestic marketing significantly exceeds the plan and last year's level, while export marketing only approximates last year's level. Thus up to now the marketing structure has not developed in accordance with plan goals and equilibrium requirements. The ruble account exports of industry are substantially greater than last year. Nonruble exports are lagging behind those of last year. Exports of the light and machine industries have declined, and metallurgical exports have declined to about two-thirds, while capitalist exports of the food and chemical industries have increased significantly. The lag in nonruble accounted exports is due partly to the lack of economically exportable commodity bases and partly to the slack demand on the market for raw and basic materials and finished products.

It is becoming more and more difficult to grade the development of industrial production by data indicating growth alone. An extremely differentiated development lurks behind average growth. Within the chemical industry, for example, the petroleum refining industry has produced less in the first 5 months than last year, and this has a restraining influence on the growth of industry as a whole. But this cannot be condemned because in the meantime there has been a decline in the demand for petroleum products, or in the fuel oil requirement.

One of the causes for the moderated increase in the growth of industrial production is the fact that machine industry production has lagged behind the plan. Within the machine industry as well there has been a more rapid increase in the equipment and communications technology industry, while the manufacture of transportation means has essentially stagnated, and as compared to last year's already low level the production of metalware has also declined. The machine industry enterprises have also increased their marketing in domestic trade. Ruble account exports increased significantly. Problems of a different nature influence the development of production in iron metallurgy. Production in iron metallurgy, as compared to last year's low level, declined by about 4 percent. The basic cause is that the prolongation of the capitalist steel industry crisis has made marketing more difficult. In addition, the more moderate production in the machine and building industries also decreased the domestic demands for iron metallurgy products.

A contradictory situation is also evident on the construction market. Because of the modifications in demand on the building industry, there is at one and the same time a capacity shortage and surplus. Despite a moderating demand on the whole, the total of rejected building demands in the capital city has increased. Production as a whole has continued to decline. The productivity level in the cooperative sector, in transportation and the hydraulic construction industry enterprises has improved, while in a greater part of the state and council enterprises it has continued to decline. A role is played in the decline in production and productivity by a slow adjustment to the changing structure of demand, by personnel reduction, or by an inadequate improvement in organization. It is favorable development, however, that the ratio of maintenance activity has improved somewhat in accordance with goals.

Transportation has carried out its task. Achievements in commodity deliveries and passenger transport have risen nearly as planned. In passenger transport, individual transport vehicles has moderated, and mass transportation usage and the

number of riders has increased. Among other things, this was prompted by the January increase in the price of gasoline, in response to which gasoline consumption in the first 4 months of the year was 8 percent less than a year ago.

Agriculture and the food industry face increased tasks, and the necessary steps have been taken to carry these out. The farms recognized the goals of the plan in time. For the attainment of these goals, measures were taken to help develop and stimulate the production in the meat, poultry and sugar industries.

The area for autumn grains, including wheat, is 106,000 hectares less than planned, and apparently the corn area will also fall behind by a small degree. The sowing area for spring barley and oats has been increased. The sowing area for all grains is expected to be 70,000 to 90,000 hectares less than planned, but at the same time the area for sunflowers and sugar beets will be 46,000 hectares more.

The late plowing in autumn was a favorable time for supplementing soil preparation, and the farms performed the sowing in time and in good quality. At the same time, the lack of precipitation delayed the development of autumn grains and the sprouting of spring grains. Attainment of a production average of 45 quintals per hectare in autumn wheat cannot be expected. The condition of crops sown in spring corresponds to the average over many years. Contract signing for fruit and vegetables has been concluded. The enterprises have contracted for the planned volume, and in fact have exceeded it by 6 to 7 percent.

Livestocks have developed favorably. According to the March animal census, there were 16,000 more cattle than for the same period in the previous year. The stock of cows and first-gravid heifers has increased. There are 2.7 percent fewer hogs than a year ago, but the number of sows has increased by a small degree. In response to measures, the trend toward hog breeding has revived, which is also shown by the fact that sow stocks at small producers have increased by 12,000 heads. Contracts have met basic plan goals as related to the purchase of slaughter animals and animal products.

The fodder supply is in general balanced, and we have adequate reserves available until the new crops. All this affords an opportunity to reduce the short-falls which are evident in crop production and to approach the annual production plan in agriculture. But to do this, we have to take numerous measures to supplement production and revenue lags, including the possible avoidance of losses in harvesting.

On the basis of the contracts or the commodity production of agriculture as a whole, the production plan of the food industry can also be fulfilled.

In the elapsed months of the year thus far, energy consumption has been less than it was last year. But within total energy consumption the use of electric energy increased by 4 percent as compared to the year before. Electric energy consumption per household will increase again this year following a moderation after the price rise.

There were no considerable difficulties in the energy supply, only in the case of coal there were some selected problems. Reduction of the energy demand must be continued, in fact accelerated, to implement the energy management program for the Sixth Five-Year Plan. We must call attention to this because, for example, most of the proposals developed thus far in industry for energy rationalization have had as their goal the replacement of petroleum and petroleum products primarily with natural gas, and chiefly through the use of central monetary assets. There are relatively few proposals which would link realization of the program to the use of individual resources or bank credits. Experiences in agriculture have been more favorable.

Manpower Management--Population's Income--Investment

The trends which developed in the past year in manpower management have continued, or have become stronger. The manpower situation is in general balanced, and demands for manpower have continued to moderate. In the material branches, the decline in personnel exceeds by a small extent what is called for on an annual level. This includes an increase of personnel in water management and agricultural cooperatives, and a reduction in the other branches. In the first 4 months of the year, the number of those employed in socialist industry declined by 34,000 or 2.1 percent, as compared to last year. In the construction industry, on the other hand, the number of employed declined by 3.4 percent in the same period.

The managing organizations are using internal regrouping in more narrow scope than in previous years. Most of the measures serve to increase capitalist export and satisfy the manpower requirements for new investments.

Despite the moderation of manpower demands, there continues to be a significant manpower shortage in certain areas—for example, in the capital city, the building industry, the retail store network, and in certain areas of transportation. Moreover, there is a shortage in the textile industry of spinners and weavers and unskilled and semi-skilled workers. It is characteristic that organizational measures are not sufficiently used to reduce the manpower shortage or to release superfluous manpower.

The monetary income of the population rose at a rate of 6.6 percent, exceeding the estimated rate for the whole year, and wage and wage-type incomes rose by 5 percent. Receipts from agriculture rose by 7.7 percent. Savings by the population exceed those of the preceding year.

In the material branches, average earnings thus far, as compared to the same period for the preceding year, rose by 6 to 6.5 percent, somewhat greater than estimated. Because of the manpower reduction in industry and the construction industry, the wage fund increased more moderately, but it still exceeds the target. Since according to the signs, the wage payments have risen more than planned, although economic resources do not meet the estimates, we must create a stricter relationship between wages and accomplishments. Properly so in the course of wage developments this year, advantages were given to those working under unfavorable conditions, to those performing heavy physical labor, to those employed in shortage skills, and to experts fulfilling key roles in enterprise management. About one-fourth of those employed did not share in wage development. The strengthening of

differentiation in wage development is a favorable phenomenon, but we must see to it that the differentiation is not an end to itself but is related closely to accomplishment.

In the first 5 months, the balance between the commodity base and purchasing power was assured, and the commodity supply improved somewhat. Retail commodity trade expanded by about 4 percent, more rapidly than planned for the whole year. Trade in industrial products increased more strongly, and the sale of food products and the demand for restaurant services increased more moderately. There was a good supply of potatoes, vegetables and fruit. The population also bought more out-of-season fruit and vegetables than last year. A role was played in this by the fact that the price level of vegetables was 18 percent lower in the first 4 months of the year than a year ago, and the price level of fruit 6 percent lower. In the remaining months of the year, the supply of sour cherries, sweet cherries, and apricots will be weaker than last year whereas in other fruit and in the basic vegetables a good supply is expected.

The supply of industrial products has improved, nevertheless, there is a shortage in many products. Industrial delivery capability is improved, but the delivery of some products did not meet demand, primarily a number of household appliances, color television sets, and outer clothing items; the reasons given were material supply and cooperation problems, or in some cases export obligations. The material supply for building projects by the population were adequate, shortages being limited to only several products.

Considering the magnitude and composition of the commodity inventories, a balanced commodity supply for the population can be expected in the remaining part of the year.

The trend which has developed during the past year or two in foreign tourism has continued. In the first 4 months of the year, as compared to the same period for the year before, 15 percent more, or 1 million 300,000 tourists, arrived in Hungary, and 1 million Hungarian citizens travelled abroad.

The consumer price level rose by 3.8 percent in the first 4 months of the year. The central price measures for January were carried out according to plan. In the first 4 months of the year there were also price increases of broader scope than previously. Among other things, the prices were reduced on certain underwear items, bicycles, washing machines, camping items, and watches. The season-end sale of clothing items was more significant than the year before. As of May, consumer prices were reduced on certain iron and technical products, and on some paints. The mid-year implementation of official consumer prices and socio-political measures was carried out on the basis of careful preparation. Considering all these things, it is expected that the consumer price level will be 4.5 to 5 percent higher than in the previous year, or as planned.

In the first 5 months of the year, 5 percent less was paid out for investments than in the same period a year ago. This included less expenditures on state investments than last year or than planned. Payments for enterprise investments exceed last year's level somewhat, and also the estimate in the plan. It is a favorable fact that the ratio of construction has been moderated. A change is

indicated in that a significant share of the enterprise investments are financed exclusively from their own development means.

During the 5 months, we devoted about 5 percent less for large investments than in the previous year. After a 2-year interruption, we shall begin large investments once more; among these, the reconstruction of the Szolnok Paper Factory, the widening of the Arpad Bridge, and the reorganization of Florian Circle has begun. In addition, the preparation of three other large investments is underway--the Many mining operation, the coking plant of the Danubian Iron Works, and the expansion of the Mecsek coking coal production. It is our interest to see that the large investments planned for completion this year will be ready by the deadline; these include the Recsk mining research facilities, the reconstruction of the Hungarian Roller Bearing Works, the Szikra Newspaper Printing Plant, phase II of the Kiskor locks, and the large Budapest Sports Hall. We have devoted about 20 percent less than last year for special purpose and other state investments. In both decision spheres, relatively few new investments were begun. In weighing the 1981 financial possibilities, measures were taken to moderate investment purchasing power in the case of other state investments; and in the case of special purpose investments steps were taken for the sequestering of obligatory reserves. Thus the level of state investments is expected to develop about as planned.

We must also strive to see that the level of enterprise investments develop as planned. We must avoid the development of another "investment peak" by 1982. By allowing of economic production a free course of development we must regulate and guarantee the planned accumulation ratios.

Experiences in the Operation of the Price and Regulator System

Our experiences this year and last year alike show that the new price and regulator system introduced on 1 January 1980 is basically suited for the realization of our economic political goals.

In response to the operation of the price system, the structure of net income and of costs was revised. In 1980, the prices for basic materials and energy sources rose by 15 percent, and in 1981 the prices for energy sources again rose by 14 percent; we raised agricultural procurement prices by 5 percent and reduced the price of iron metallurgy products by 5 percent in accordance with world market price ratios, and costs. The increase in the producer price level has not automatically appeared in the prices of finished products. For example, the 15 percent price rise for basic material and energy sources in 1980 was accompanied by a 4 percent increase in the price of finished industrial products. The increase in the price of finished goods is restricted by adjustments to world market prices as is the amount of profits from foreign trade prices. This gives incentive to the enterprises to modernize, and to improve quality of management, and material and energy economization. In the noncompetitive areas the price increases are regulated by official measures.

Enterprises are trying more than before to counter the cost increases stemming from foreign market price changes by reducing expenditures, and they are making better use of cyclical price increase possibilities on the foreign markets. They have

cut back on the most uneconomic exports. These are proper efforts, but it must be noted that the real advantages come if the volume of export growth in profitable export is greater than the extent to which uneconomic exports were reduced. In exports we must in the future improve the combined realization of interests linked to profitability and volume.

With the introduction of the new price formation in the processing industry, foreign and domestic prices as well as export efficiency, development sources and profitability become more closely related than before. The enterprises' incentive has increased as a result of increased export prices and the improvement of the commodity structure. The relationship of producer and consumer prices has improved, and we have realized with the export of basic consumer items the necessary price movements, even if belatedly and moderately.

The Main Tasks of Planning and Economic Guidance

On the basis of the economic processes in the first 5 months and the trends that may be considered, a clear forecast of economic development extending over the whole year cannot as yet be made. The development of the 1981 economic processes can be significantly influenced by possible changes in the international political and economic situation as well as by weather factors affecting agricultural production.

The equilibrium situation has developed favorably thus far but we have realized the following: if resources expand less than planned, if the domestic demand continues to grow, and wage expenditures are not proportionate to output, then the danger exists that the domestic consumption of the national income will increase, and this would contradict our equilibrium efforts. Therefore, we need such planning and management as will avert this.

What kind of measures are necessary?

--Above all, the kind which in process will establish the basis in the following years to further improve and consolidate the economic equilibrium, and will assure the rapid growth of profitable, nonruble account exports, the planned development of socialist trade and balance;

--the kind which will more consistently realize the accepted pricing principle; increase the ability of profit to express efficiency; assure further restraint in the use of special supports; promote a more rapid development of enterprises that operate profitaby, and promote efficient management and energy and material conservation;

--the kind which will properly regulate investment purchasing power, inventory growth; strengthen the relationship between wage expenditures and increased performance;

--the kind which will promote a further reduction of expenditures, or moderate their increase.

The state organs have begun to work out the above measures. The administrative organs will decide on their introduction in time.

In the course of the past year--partly in relation to the economic political line implemented in 1979 and partly to the increase in more flexible adjustability with constantly changing circumstances--many decisions were made to rationalize guidance and management. The experiences in their implementation were the following:

The establishment of the Ministry of Culture occurred in harmony with the development of government administration. The continuous carrying out of tasks was assured. The merger resulted in material savings and reductions in manpower.

The establishment of the organization of the Ministry of Industry took place at the end of January of this year. With the assurance of personnel, material and technical conditions and the establishment of ties with the associated organs and enterprises, the necessary conditions exist for operation. With the completion of internal organization, the way exists for more efficient industrial policy, directive and supervisory work to be conducted in harmony with the economic political goals and the requirement system of the Sixth Five-Year Plan. The new ministry has about 600 fewer personnel than the former three ministries. The savings in 1981, while reorganization costs are still occurring, will come to about 18 million forints; as of 1982, the annual savings will come to 50 to 55 million forints. In addition, the organizational merger of the so-called support institutions which is underway will result in a savings, the extent of which cannot as yet be exactly measured.

It became evident in recent years that some of the enterprise, mid-level directive organs have become superfluous, and the enterprises belonging to their organization are suited for independent management.

The reorganization tasks will begin in the middle of 1980, and thus we have little in the way of experience regarding their effort. Among other things, six trust organizations and two large enterprises were eliminated, and a total of 78 independent enterprises were established. This work is continuing, and at present the investigation of food industry trusts and large enterprises is being conducted. At a significant share of the units which have become independent, the experiences are favorable, for example, at the Ajka Glass Factory, the Battery and Dry Cell Factory, and most of the wine, sugar and tobacco industry enterprises. There are enterprises where difficulties are appearing in sharing the poverty and incentive funds and the existing financial burdens; but these problems also existed in the large organization, and the organizational change merely brought them more sharply to focus.

The reorganization of the large enterprises also had the effect of starting the development of an incentive system and the reduction of administration at those enterprises where reorganization did not take place.

A decision was made on the introduction of the five-day work week. An essential feature of this is that the length of the legal working time must be set at 40 to 42 hours for workers in several shifts and in a continuous work schedule; the 42

hours of working time, on the other hand, for workers in one shift must be interpreted in terms of a yearly average. At the managing organizations it is necessary to fix in the collective contracts that the annual working time base is fulfilled by lengthening the daily working time, or by work done on certain free days. The rules for granting vacations will not change in 1981.

The prescribed tasks were fulfilled on schedule, and the reorganization is proceeding according to the planned pace. According to information available thus far, economic units within 60 enterprises are planning to introduce the five-day work week on 1 July 1981. The change affects 218,000 workers. Experiences thus far indicate that the population is receiving the introduction of the five-day work week favorably. It is also being realized everywhere that lunch time comes from the working time. In various areas there are indications of difficulties in realizing the transformation from their own resources. In this regard, we must adhere to the position that has been developed, namely, that for the introduction of the new schedule self resources are basic. Central support can be given only in highly justifiable and exceptional cases.

With office allocations carried out in the framework of space management, we bridged some problems which, in part, could have been solved only through significant investments. Changes serving the goal of rationalization have thus far saved about 1.7 billion forints in investments.

This year we started to introduce in state and cooperative trade the fixed sum accounting system and extended the possibility of a lease to state restaurants. Experiences thus far have been favorable, although these can be summarized only on the basis of a short time period. In the 4 month period, they announced 1,428 operations, approximately 4 percent of the total szabadkasszas units, most of these for fixed sum operation, and a few for operation by lease. A total of 1,609 applications were submitted. Up to now, 654 operations have been given over. Among these there were competitive biddings in 230 cases, in the course of which the profit included in the contract price was increased by 16 percent. The profit in contracts for operations turned over thus far in most cases is double what it was before.

The introduction of the new form of operation has not caused any transitional problems as yet, not even in supply. The search for items in shortage and for less expensive supplies has become more active. The goods selection has improved, and the scope of items in trade has expanded. Trade of businesses has increased by 5 to 20 percent, and the number of complaints has decreased. Because of better adjustment to customer habits, business hours have been increased. Administrative work in the operations has declined significantly.

Since January 1980 measures have been continuously implemented to modify the use of passenger cars. Restriction on the private use of cars, or elimination, the surrender or exchange of 800 Western-type cars, the reduction in the number of general-use cars has resulted thus far in a savings of 130 million forints, and we are counting on an annual savings of 320 million forints beginning in 1981.

Two measures introduced last winter have had a good, perceptible effect on gasoline savings. In November of last year we terminated the gasoline allotment system and made the consumption fuel norms more strict. On the basis of new norms, we introduced a cash accounting system. In response to this, gasoline sales declined by 12 percent in the fourth quarter of 1980 as compared to the same period a year ago.

In 1980 when we changed to summer daylight saving time we estimated that the lengthening of the natural lighting time in the spring-summer period would make it possible to reduce the consumption of electric energy by 80 to 90 million kilowatt hours. Actually, we saved 110 million kilowatt hours in this period, which is the equivalent of 1.3 day's consumption in the whole country. It is expected that daylight saving time this summer will again have the same results.

The administrative ban on personnel increases and measures requiring a 5 percent personnel reduction in administrative organizations have achieved their goals. Personnel increases have been ended both in the directing organs and in the administrative apparatuses of enterprises, and in fact there has even been a decrease.

Between 1975 and 1980, the number of those employed at enterprises and cooperatives in financial, accounting and management jobs declined by about 19,000 workers. Personnel in administrative organizations, ministries, national organs and councils declined between 1976 and 1980 by 6.2 percent, or 3,545 workers. On the basis of measures that were worked out, the managing organizations and institutions are supplementing manpower by rationalizing organization, rational concentration of tasks, functions and spheres of authority, and better work organization, and internal regroupings.

Implementation of the Council of Ministers' resolution on the modernization of the research network is in process. Those who are working out proposals for further improvement are led by the intent to increase the efficiency and results of the research institute network and the level of scientific research-development work, strengthen the link between research-development and practice, accelerate the utilization of scientific results, and bring research work in better adjustment to the changing requirements.

Following circumspect preparatory work, state resolutions in the past year have designated the measures to be taken in 1981 to 1983. Their implementation has begun. Significant organizational changes will begin in 1982. As a result of the planned measures, the number of those employed in research institutes will decline from 36,000 to about 26,000 persons, and at the same time new development enterprises will be established. Enterprise development and the personnel and objective conditions of university research will be improved.

For successful implementation, it is necessary that the appropriate party and state organs, in harmony with the measures already under way, should deal incisively with problems regarding the long-term development of the research network.

Efforts in recent years in the field of economic building work have not been in vain. Summarizing the experiences of the first 5 months, it can be stated that despite the external difficulties the 1981 plan can be fulfilled. To do this, we need more consistent work in every area of management with greater efficiency, and more rapid progress. We can also be confident in the future that with the active support of our people and a unified will we can successfully solve this year's tasks and strengthen the bases for our further advance.

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ENTERPRISES EQUITIES MAY BECOME LEGALLY LIABLE

Budapest MAGYAR HIRLAP in Hungarian 22 Jul 81 p 5

[Article by Balaas Stepan: "The Labyrinths of Economic Fines; A Rare Bird in the Legal Process"]

[Text] "Since the previous investigation the enterprise has taken measures to eliminate earlier errors and to avoid future ones." This nice sounding promise comes from an appeal sent to the Economic Collegium of the Supreme Court. The judgment, handed down in December 1979, had obliged the Tool and Small Machine Marketing Enterprise to pay an economic fine of more than 19 million forints because--as was subsequently proven--it had made dishonest profits of 34 million forints in 1977 and of 61 million forints in 1978, with illegal price setting. In any case, despite what was written in the appeal, the dishonest profits were not without antecedents; the enterprise had already paid a fine of more than 10 million forints for price concessions received but not passed on in 1975 and 1976. The irregularity was discovered by the receipts main directorate of the Ministry of Finance in August 1979 and the penalty was initiated. The case can be called typical, in regard to the irregularity committed and in regard to the initiation of the case.

Fewer Every Year

Economic fine. The legal expert says that the regulation is modern, faithfully expresses the requirements of management and takes care of penalizing irregular economic acts in a broad sphere; but its implementation and practical application get hung up. The judge shrugs his shoulders; he is powerless. The court does not reject a single justified and well-founded penalty motion. The layman is amazed--economic fine? It is as rare as a white cow, he has not met with a single one in the course of his career.

In 1973 the Council of Ministers modified the regulation governing economic fines. It extended the types of behaviors which could be punished. For 2 years the courts received a good bit more motions than before but after 1973 their number again decreased. On the basis of experience the Council of Ministers again modified the regulation in 1979.

A fine can be levied on a management organization which, misusing its power advantage in its contractual relationships, regularly takes unjustified advantages and

fails to regulate its economic contacts in appropriate contracts or, misuses its power advantage to prevent the other party from realizing a justified demand against it. But a fine can also be levied in the case of repeated [infractions] or for significant sized claims if the injured enterprise cannot make good the claim, by means of legal action. Protection of consumer interests, protection of the decent contractual relations among management organs and intervention to aid or enforce correct fulfillment have come into the foreground.

In 1975 the courts discussed 65 economic penalties. Since then there have been fewer every year. In 2 years there were 27; last year a total of ten came before the Economic Collegium of the Supreme Court as a result of appeals.

Is this many or few? One cannot make a comparison with nothing; who could say how many enterprises trangressed the rules of socialist management how many times, how many fines which could have been justly levied were not or could be levied in the absence of a motion. One thing is certain, in the opinion of experts the data do not faithfully reflect the management or contract discipline of the enterprises.

Formal Discipline

In the first three quarters of last year the motions discussed by the Supreme Court came from the Supreme Attorney, from the chairman of the Central People's Control Committee, from the National Materials and Price Office, from the Ministry of Finance, from the capital council and, in one case, from a megye council. There have been hardly one or two cases initiated by overseeing or branch ministries in recent years although they not only have the right but the obligation to notify the administrative legal organs about irregularities observed in the course of inspections. And they are not the only ones with such an obligation. Every organ authorized to carry out economic checks or quality investigations which observes during its operation an irregularity giving cause for a penalty is obliged to inform the supervisory authority of the enterprise as well as the Supreme Attorney and the chairman of the Central People's Control Committee.

So why are there so few motions? With some simplification the reasons appear obvious. The branch supervisory organs try to function inside the gates, within their own sphere of authority. The topical or special investigations of outside control organs--simply because they are topical investigations--discover irregularities meriting fines only by chance. And those who are injured--for example, enterprises suffering disadvantage due to a delay in scheduled deliveries--would rather keep quiet because in the contrary case they can with cause fear a further deterioration in a contractual relationship which cannot be called good in any case.

In two years fines were levied for misuse of an economic power advantage in only two cases, against the Screw Industry Enterprise and against the Matravidek Metal Works. Both enterprises neglected scheduled delivery of parts prescribed in a contract and did not give price concessions to customers. The court action was initiated by the National Materials and Price Office.

So, on the one hand there are enterprises which act irregularly and violate the order of socialist management and, on the other hand, there are injured organs and organs under an obligation to initiate action. But practice shows that there is hardly anyone who will undertake the responsibility accompanying such a motion.

The economic fine, since it burdens the profit of the enterprises, weighs on the entire collective. For this very reason it is important that the enterprise or cooperative leader who acts incorrectly or in an irregular fashion should be made responsible. The regulation prescribes that the court must be informed of this. According to the data of the Ministry of Justice the management organizations sent in a report on disciplinary action in only 60 percent of the cases in 1979. And frequently a merely formal disciplinary resolution born of 2 merely formal procedure reached the desks of the economic judges.

In one Nograd Megye cooperative, for example, the general meeting did not even impose punishment on the chief bookkeeper and president who directed economic activity without a permit. A cooperative in the area of Szekszard paid a fine of 1,300,000 forints; its general meeting gave only a warning to the president and chief bookkeeper. The director general of a large enterprise in Debrecen and his deputy had 2,000 forints each withdrawn from profit, but this cannot be regarded as an effective punishment because, by means of irregular price setting, their enterprise had made more than half a million in dishonest profit.

A study of how the decree concerning economic fines was being implemented in practice was made recently in the Ministry of Justice. They found that its execution was faulty, that it was not being implemented to the desired degree. This is due in part to the lack of motions and in part to the formal nature of disciplinary action at the enterprises. In contrast to this a correct policy is being implemented in court proceedings in accordance with the legal policy guiding principles.

Stricter Supervision

In the recent past the Supreme Attorney's Office and the Central People's Control Committee signed an agreement with one another in the interest of a consistent and strict application of the Council of Ministers' decree concerning economic fines. The agreement covers not only periodic inspections of enterprises and cooperatives; both organs will also attend to how the regulation is being implemented--do those authorized to initiate cases do so or not when they find irregularities.

Even if the agreement cannot in itself change entirely the present situation it can contribute to seeing that the economic fine is not the rare bird in the legal process and, going beyond the particular enterprise and cooperative interests, that it should be a better expression of social and national economic interests.

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UNION OFFICIAL DISCUSSES ENTERPRISE WAGE POLICY

Budapest MUNKA in Hungarian No 6, 1981 pp 5-6

[Article by Gyorgy Pinter, deputy chief of the Department of Economic and Living Standard Policy, National Council of Trade Unions: "The Enterprises' Experience With Managing Wages"]

[Text] It will be worthwhile to review the enterprises' wage behavior, although we have not yet reached even the midpoint of the Sixth Five-Year Plan's first year. The experience so far indicates that the management of wages at the enterprises in 1981, in comparison with recent years, better meets the requirements of the economic regulators. This is expressed, among other things, in that the enterprises link increases in wages and earnings more closely to a rise in efficiency, enhancing thereby the approximation of the planned (production and management) objectives. An important role in this favorable change is played presumably by the fact that the enterprises are gaining more and more experience with the application of the system of regulation. Or more accurately: for 1981 the change in the system of regulation over the preceding year was less than in years past, and the changes did not affect the enterprises too "sensitively." Thus the uncertainties of economic activity have narrowed considerably, even though the economic criteria have become more rigorous in many respects.

The planning of the rate of increase in wages and earnings, and payroll budgeting involve deliberate work that must take numerous factors into consideration. It seems that this long-emphasized requirement is increasingly becoming practical reality. The overwhelming majority of the enterprises undertook extensive analyses to determine the principles and rates of this year's wage increases. It is likewise noticeable that enterprise managements--jointly with the trade-union committees and councils--truly sought the workers' opinion and the collectives' participation in the elaboration of wage questions. For the experience in recent years has unambiguously proved that workers react sensitively and knowledgeably to the development of wages and earnings.

In general the enterprises devoted great care to the local ratios of wages and earnings. In contrast with the practice in years past, the enterprises strived to explore rather thoroughly the real causes of possible wage disproportions. In most cases they determined the areas or jobs where

preferential wage increases were warranted. The overwhelming majority of the enterprises included in this category the jobs that involve heavy physical labor under adverse conditions, and also the jobs requiring higher skills and greater responsibility.

Wage differentiation is another matter, and it does not seem to lend itself so readily to generalization. It is indisputable that the start of 1981 produced several positive changes also in this respect. In comparison with last year, for example, there was less debate on which part of wages provided the more incentive, the "basic" or the "variable" part. With which of these parts it was necessary or more expedient to differentiate. And in what ratio should the wage increases be divided between these two parts. In my opinion, the enterprises dealt with these questions more meaningfully this year. It seems that the enterprises increasingly realized that no outside forum was more familiar with the local possibilities and necessary tasks than they, and would not solve these problems for them. Wages commensurate with the work performed are not an objective, rather they are an indispensable means of stimultation. Of course, mere recognition of this truth does not yet mean that it is immediately realized, but the process has started. This is evident from the efforts of the enterprises.

The plans to increase wages are in accord with the 1981 national economic plan's target of a 4.5- to 5-percent increase in earnings. At several enterprises the proposed average wage increase is higher than 5 percent; due to the stagnation or decline of the profit-sharing fund, however, the rise in earnings will be around the national economic average, or below it in some instances.

From the data supplied by several hundred enterprises, and also on the basis of our own experience, it can be established that the 4.5- to 5-percent average rise in earnings shows considerably wider dispersion (considering the planned wage increases) by industries, sectors and particularly by enterprises, than in years past. The possibilities of the system of regulation seem to be asserting themselves better also in this area. Proof of this is the increase in the number of enterprises that are planning a rise of about 2 to 3 percent in wages or earnings, while many enterprises are planning a wage increase of as much as 9 percent.

The wider dispersion of wage increases also supports what we have said in the introduction about the management of wages at the enterprises this year. In this context, however, reference should be made to certain circumstances. Even in years past the situation was not such that would have allowed every enterprise to increase wages uniformly, at a rate corresponding to the national economic average. The rise in wages and earnings differed by enterprises also in previous years. Thus the point in question, we would like to emphasize, is merely that the degree of differentiation will foreseeably be wider this year.

I find it necessary to emphasize also that the differences in wage increases between enterprises may be regarded as warranted only if, and to the extent

that, they stem from an actual rise in efficiency or are commensurate with the improvement in the performance of the enterprise collectives. Otherwise also undesirable wage differences could arise between enterprises. Therefore the trade unions must consider these questions also during the year --primarily at the industry and sectoral levels--and call attention to the circumstances that might cause wage differences not commensurate with the differences in performance.

In comparison with last year, the enterprises' "caution" has subsided (in 1980 this "caution" was mostly warranted or understandable, in view of the producer-price changes and other modifications). This is indicated by the fact that the higher basic wages, which account for a significant proportion of the wage increases, were introduced generally in the first quarter, and within this as of 1 January at many enterprises.

As before, most enterprises want to use the bulk of the wage increase to raise basic wages. (It is indisputably noticeable, however, that the principle of wages commensurate with performance is being applied increasingly also to basic wages.) A majority of the enterprises regard an increase of basic wages effective from the viewpoint of stimulation, particularly if the increase is granted at the beginning of the year.

What are the sources from which wage increases are financed? The answer can vary considerably. At the enterprises that employ payroll budget regulation, a significant proportion of the wage increases still stems from a reduction of personnel. (Not from lay-offs, but from planning no replacements for natural attrition, or from hiring replacement for only a proportion of the natural attrition.) Some enterprises--for example, a significant proportion of the Budapest enterprises--are not even able to replace all or a part of their natural attrition. In spite of all this, it seems that this year a smaller proportion of the wage increases stems from a reduction of personnel than in years past. At many enterprises a significant proportion of the planned wage increases stems from the wage reserves carried over from the preceding year.

Through differentiated wage increases, the enterprises wish to further refine the structure of their personnel, to secure their production, developmental and organizational tasks, to improve their management of inventories, to ensure the better utilization of production capacity--in the final outcome to improve the efficiency of management. Favorable signs are evident also in relation to other questions of the management of wages. The circle of workers who must meet performance criteria is widening; the quantitative requirements are being combined with quality bonuses; and incentives are being provided to economize on materials, particularly on imported materials.

Several enterprises considered reviewing the incentive effect of the employed wage forms, with special attention to meeting the quality specifications, to promoting economization in the use of materials and energy, and to employing wage forms that are in harmony with the nature of production.

At these enterprises it was announced that additional wages would be paid only on the basis of, and commensurately with, additional performance. This warranted the unambiguous and readily understandable definition of the levels of performance linked to wage increases, and the elaboration of measures to ensure continuous work and to tighten discipline in production cooperation.

In every instance the trade-union organs reviewed the annual wage-policy concepts and laid down their recommendations in their standpoints. Often the standpoint of the economic management differed. In such cases the controversial issues were submitted for decision to the council of shop stewards. For example, some items in the enterprise principles on wage increases were changed, the breakdown of the planned posssibilities for wage increases by subdivisions was modified, and a better system of incentives for subdivisions was demanded. In conjunction with the wider application of performance wages, the trade-union organs prompted measures to insure conditions for uninterrupted work, and to end the shortage of work that was noticeable at the beginning of the year and even as late as February. The trade-union organs did not dispute the significance of wage indexing, but they deemed it necessary that a suitable budget be available for warranted increases of basic wages.

By their work the trade-union committees and councils of shop stewards indisputably contributed toward the better-substantiated and incentive use of wages tied to performance criteria. The trade-union opinions and standpoints formulated at the meetings of the councils of shop stewards provide good examples. At many such meetings it was demanded that wage indexing be used more in conformity with the plan than up to now, and that there be real performance behind the amounts paid.

The experience to date warrants and necessitates that enterprise managements and the corporate organs of the trade unions work jointly also during the year to implement a far-sighted wage policy, and to adopt measure to remedy as much as possible the negative phenomena encountered in the management of wages.

1014
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IMBALANCE IN SALARIES ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish 19 Jul 81 pp 1-4

[Article by Mieczyslaw Kabaj]

[Text] The wages and earnings distribution among the population is becoming a subject of lively discussion, giving rise to passions and controversies. During the period of economic crisis, decline in production and efficiency, inflation and deep marketing balance, the definition and observance of principles and rules governing the formation of socially acceptable wages and earnings distribution acquires a special meaning. The formation of wages and earnings distribution always occurs under the influence of two contradictory objectives: achieving minimum standards of remuneration and social justice, and maintaining the motivating function of payments, which brings on an increase of productivity and efficiency of work. Is there a possibility of an optimal combination of these two aims? Which distributions of remunerations under present conditions are nearest to such a desirable state? The problems of distribution of payments and earnings are widespread and can not possibly be dealt with in a short outline. Therefore, I will limit myself to an analysis of various ideas on how to determine a desirable or normative spread between minimum and maximum payments for work in a socialized economy.

It is not necessary to prove that this is an extremely important element of payments' policy, enabling also the adjustment of other and basic payments; spreads. However, in order to present realistic alternatives of possible solutions, it becomes indispensable to analyze the structure of payments in a socialized economy and, in particular, to find a reply to the question of which professional groups receive high and the highest remunerations.

Maximum Payments

There is a widespread opinion that only employees of the government administration and directors of industries receive the highest remunerations. Therefore, it is considered that these salaries can be reduced and in this way considerable funds can be saved to raise the pay of other employees. The reality is more complicated and diversified. Recently very deep changes have taken place, and a specific payments' revolution did occur. Generally, these changes consisted in a more rapid increase of workers' wages, compared with those of white collar workers.

During the period from 1970 to 1980, in the socialized economy the average worker's wage increased by 149 percent, while salary increases of administration and office employees amounted to 118 percent, and of engineering and technical personnel to 11 percent. In 1970, the average salaries of engineering and technical employees were 50 percent higher, and those of administrative office employees 3 percent higher than the average worker's wage.

In 1980, the average engineering and technical employees' salaries were only 23 percent higher, and the administrative and office employees' salaries amounted to 84 percent of the average worker's wage. Compared to the administrative and office employees' salaries, the average worker's wage in industry was 994 zlotys higher, and 1,424 zlotys higher in the building trades. This trend was evident during the whole decade, although it is clear that acceleration occurred in the years from 1978 to 1980.

The participation of workers in high and highest remunerations, appears to be the most characteristic sign of their wage advancement.

In 1978, in the state-controlled economy 112,000 persons received a monthly remuneration over 12,000 zlotys; of these 50,000 were white-collar workers and 62,000 manual workers. In September 1980, 282,000 persons received a monthly remuneration of over 12,000 zlotys; of these 91,000 were white-collar workers, and 191,000 manual workers. It was the first time in the postwar period that manual workers attained such high predominance in the group of high earnings.

The highest earnings, those over 20,000 zlotys per month, were obtained by 8,400 persons, among them, 3,600 manual workers and 4,800 white-collar workers, occupying leading and highest managerial positions in industry, the building trades and other branches of the economy. During the period from September 1980, this ratio changed in favor of manual workers as a result of an increase in wages in the mining and building trades and in heavy industry. The distribution of highest earnings according to branches of the national economy is most characteristic. Close to 80 percent of employees receiving high and highest earnings worked in industry and the building trades; 8,410 persons received over 20,000 zlotys per month, among them 7,676 persons working in three branches: industry, building trades and transportation; for the remaining 12 branches there were 734 persons receiving such earnings. In government administration, in jurisdiction, finances and insurances, all in all, 98 cases of payments exceeding 20,000 zlotys per month have been registered, which amounts to 2.7 percent of the overall number of workers receiving such wages. A complete report on the structure of salaries in the state-controlled economy is presented in TABLE 1. It shows that as early as September 1980 (unfortunately, we do not have newer data) in the group of high wages (over 9,000 zlotys per month), manual workers prevailed. It also is characteristic that 67 percent of those employed were included in the remunerations group of 3,000 to 7,000 zlotys monthly.

Among persons receiving high and highest remunerations, three professional groups dominated: workers (mostly coal miners), metallurgists, shipyard and construction workers, as well as directors of large industrial complexes and associations, and also a small group of people occupying the highest government and party positions.

Remuneration of directors of associations ranged from 14,000 zlotys monthly to 27,000 in mining and metallurgy. Remunerations of directors in industries, from 11,000 zlotys in state administration to 27,000 zlotys in mining and metallurgy. Remunerations at the highest government positions are set in the following way: remunerations of the prime minister, 28,100 zlotys per month; the deputy prime minister, 25,900 zlotys; members of the cabinet, 23,700 zlotys; deputy minister, 25,900 zlotys; members of the cabinet, 23,700 zlotys; deputy ministers, 19,800 zlotys. The first secretary of the Central Committee of the PZPR receives 28,100 zlotys; Central Committee secretaries, 23,700 zlotys; the first secretary of the Executive Committee, 19,800 zlotys, Executive Committee secretaries, up to 15,400 zlotys.* Assuming that on these positions all extraremunatory privileges have been abolished, and taking into consideration the responsibility, character and work intensity (a workday on these positions exceeds considerably the 8-hour norm), it would be difficult to prove that these salaries are excessive, that they greatly or glaringly differ from the wages of leading workers or of the principal managing staff of industry.

From the above statements of fact, conclusions for wage and salary policies may be drawn. Every far-reaching and general reduction of high and highest remunerations, for example, by their taxation, has to affect first of all workers (mostly miners, metallurgists, stockyard workers and building-trade workers), and also the principal managing staff of industry, the building trade, etc. It may entail certain economic and social repercussions and, therefore, requires extremely well-considered solutions and decisions.

Employment in the State Controlled Economy According to Monthly Remunerations for September 1980.

TABLE 1

Monthly Remunerations (net) in Zlotys		Including workers on positions			Percentage participation of employees according to remunerations on positions:	
	In general	manual workers	white-collar	total percentages	manual workers	white-collar
	in thousands of persons					
up to 2000	689	482	207	7.4	3.6	6.2
2001-5000	3,279	1,914	1,365	35.2	31.2	41.1
5001-7000	2,954	1,255	998	31.7	32.6	38.0
7001-9000	1,400	960	440	15.6	16.0	13.3
9001-12,000	711	493	218	7.7	8.3	6.6
12,001 and more	282	191	91	3.0	3.2	2.2
TOTAL	9,316	5,996	3,319	100.0	100.0	100.0

Source: Calculated on the basis of the Chief Census Bureau (GUS)

* Detailed information on this subject appeared in the TRYBUNA LUDU, 18 March 1981 and in ZYCIE WARSZAWY of 2 June 1981.

Reduction in Remunerations Spread

There is a widespread belief that the spread of remunerations during the last decade has greatly increased. The problem of spread of remunerations has several dimensions and aspects. An explicit evaluation of processes occurring is difficult, so much the more since statistical information on remunerations is incomplete and always behind schedule.

One of the most prevalent methods of studying distribution of remunerations uses the spread of remunerations according to groups of tens. It answers the question of which part of the wage fund falls on the particular group of tens, from the first to the tenth. Results of this analysis are presented in Table 2.

This analysis shows that in the years 1970-1976, the spread of remunerations increased to some degree, while in the years 1976-1980 it declined and in 1980 was lower than in 1970. A considerable reduction of marginal spreads occurred between September 1980 and January 1981. In January 1981, the 10 percent of those with lowest earnings were receiving 5.3 percent of the wage fund, and the 10 percent with the highest earnings were receiving 17.4 percent of the wage fund. The marginal (maximum) spread in September 1980 took the form of 1:4.28, and in January 1981 - 1:3.28. It shows a very rapid reduction of wage spread within the period of a few months. This was due to wage regulation, to a rapid increase of the lowest wages. In September 1980, close to 14 percent of those employed were receiving wages of up to 3,500 zlotys per month, and in January 1981 this figure dropped to 3.7 percent of eage earners.

Adjustment of the Spread

The above information serves as the starting point for proposing methods of adjusting wage distribution in the future. These propositions have already been discussed in the journal SYCIE GOSPODARCZE (ECONOMIC LIFE) in the preceeding issue. None of the recently published program projects had neglected to discuss the problem of the formation of salaries and income spread. This points to the high social importance of this problem.

THE FIRST ALTERNATIVE assumes the establishment of advisable spreads between minimum and maximum wages. This alternative has been fully formulated in program recommendations for the Extraordinary Ninth PZPR Congress. It proposes the establishment of a normative payments' relation, and here different variants are possible--relations of the lowest, medium and highest remunerations, for example: 0.5: 1 : 3.5, (i.e., the lowest remuneration should constitute not less than half of the medium remuneration, and the highest not more than 3.5 times that of the medium). Relations thus selected during the general social discussion would become national norms and guiding principles in the pay policy. It was suggested that these relations would be attained by 1984 in the state-controlled economy (Proposition 59).

TABLE 2 Distribution of Remunerations in Government-Controlled Economy According to Groups of Tens

Groups of Tens	Personnel Wage Fund Befalling to the Share of the Group of Tens - in percentages			
	1970	1976	1980	January 1981
First	4.5	4.4	4.6	5.3
Second	5.9	5.8	6.0	6.6
Third	7.0	6.8	6.9	7.5
Fourth	7.9	7.7	7.8	8.3
Fifth	8.7	8.5	8.7	9.0
Sixth	9.7	9.5	9.6	9.8
Seventh	10.7	10.6	10.7	10.7
Eighth	12.0	12.0	12.0	11.9
Ninth	13.9	14.3	14.6	13.5
Tenth	19.7	20.4	19.7	17.4
Maximum spreads in groups of tens 1)	4.38	4.64	4.28	3.28
Index of maximum compensation in percentages 2)	16.5	17.5	16.6	13.5

1) Maximum decimal spread determines the relation of the tenth value in the group to the value of the first one.

2) The index of the maximum compensation indicates what percentage of the wage fund should be shifted from groups of tens where more than 10 percent of the wage fund falls to lower groups, in order to obtain an ideal, uniform distribution of the wage fund.

Sources: The above was calculated on the basis of: Level and Differentiation of Population Incomes, 1976-1978, GUS (Chief Census Bureau), 1980, No. 36. Results of Analysis carried by GUS on Remunerations for September 1980, Jan Kordes. Evaluation of Employees Distribution in the State-Controlled Economy According to the Level of Remuneration for January 1981. WIADOMOSCI STATYSTYCZNE (Statisitcal News), 6, 1981, No. 3.

The advantage of this alternative is in the link between lowest, medium and highest remunerations. As the lowest and medium remunerations increase, so will the highest remuneration. This alternative deserves three critical considerations. The first concerns the not very precise determination of the "lowest remunerations." They constitute a value which is different in various sections of the national economy. If one accepts, for example, that the lowest remunerations constitute the minimum payment (explicitly determined) increased by other remuneration elements, then we will not obtain an explicitly determined value, because there may be a variety of these "other remuneration elements."

The second consideration concerns the absolute determination of the maximum remuneration. Although this alternative determines standard relations, it indirectly determines the maximum remuneration, which cannot exceed 3.5 of medium remunerations. Then what will happen if, for example, a miner receives a remuneration exceeding this value, will the surplus over the established maximum remuneration be unpaid?

The third weakness of this alternative lies in disregarding the income situation of working families. Acceptance of these relations consolidates the excessive differentiation of incomes per person in a family, which is subject of social criticism.

THE SECOND ALTERNATIVE proceeds from social aims and circumstances of reducing excessive differentiations of incomes calculated per person in working families. Actually, the differentiation of the income per person in our working families is considerable, it depends not only on the level of remunerations and social services obtained, but mainly on the number of persons employed and of dependents in a family. In 1980, the average income of a single working person amounted to approximately 7,200 zlotys per month, while in families of five persons it amounted to 3,000 zlotys per person, and in six-person families to approximately 2,500 zlotys per person monthly. In marginal cases the differentiation of income per person may be much greater, far exceeding relations of 1:10 or 1:15. It establishes the reason for introducing rules for taxation of family or individual incomes. We find such a suggestion in the draft of the NSZZ-SOLIDARNOSC [Independent Autonomous Professional Union Solidarity] program, which, among others, comes out with a demand for an "introduction of generally obligatory progressive compensatory taxes, payable when the total income per member of a family exceeds the level of an average monthly remuneration."* Let us reflect on what this proposition means in practice. This tax would affect first of all, young people: miners, shipyard workers, building-trade workers, who earn fairly well and have no families. It would also pertain to childless families, people who have reached a relatively higher-than-average level of wages. Therefore, would the possible general introduction of this alternative be avoiding at the same time the negative effects on work efficiency? If, for example, a young miner, or a young welder in a shipyard, received a monthly wage of 12,000 zlotys, would it be feasible to burden him with a considerable compensatory tax only because he has no family? Would it not create a situation in which two workers receive different incomes for the same work only because their family situation is different? Regardless of intentions of the authors of this conception, it introduces into the principles of work remuneration social elements which have nothing in common with work.

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* The particular information on this subject was published by TRUBUNA LUDU 18 Mar 81 and ZYCIE WARSZAUY 2 Jun 81.

This alternative would obviously be most fair in relation to the community, however, it could affect work efficiency very negatively, particlarly in mining, metallurgy, in shipyard and building trades, where high wages are a result not only of qualifications, but also of adverse conditions and difficulty of work. It does not mean that excessive differentiation of income per person in a family is ignored. These spreads ought to be reduced by a proper increase of family compensations and other social services, and not by introducing social elements into work-remuneration principles.

THR THIRD ALTERNATIVE combines the advantages and rejects the shortcomings of both above solutions. It assumes that the distribution of remunerations and of incomes ought to be optimal, which means that it must guard against the rise of payments' "chimneys" [tops], unfounded by work results and, simultaneously, it should create motivations among leading workers and managers cadres in order to obtain better or outstanding work results. It is assumed that the minimum wage will not be lower than the social minimum per working person. One has to consider that these conditions will be fulfilled when the spread between the minimum and the maximum remuneration (nontaxable) is 1:6. Assuming that the minimum wage will soon reach 3,000 zlotys, the maximum monthly remuneration exempt from compensatory tax should amount to 18,000 zlotys. If the actual remuneration (including the basic pay, bonuses, supplements, etc.) exceeds this value, the surplus should definitely be subject to the prevailing progressive compensatory tax.

The taxing of the highest remunerations does not take into consideration the level of income per person in a working family. There is a possibility of taking into consideration the family situation, consisting in a certain modification of principles accepted at present in rules on compensatory taxes: the total sum of remunerations not subject to taxation would be increased by a value equal to the social minimum per person dependent on the taxpayer. This alternative combines the advantages of both above-presented solutions. At the same time it is simple in realization. It does not weaken the motivating functions of payments, but it eliminates the "chimneys", which have no justification in work results, and which meet with a reasonable social criticism.

Everything indicates that the spreads in vertical payments will diminish. In order not to reduce the incentive aspect of earnings, horizontal spreads have to be increased by creating greater possibilities of promotion in the same positions by increasing incentives for better work at every position, independent of the place on the vertical-position ladder. It constitutes a factor of great importance for the development and growth of work efficiency. In January 1981, close to 52 percent, or 6 million employed people were remunerated within limits from 5,000 to 8,000 zlotys monthly. The outline of promotion chances linked with the kind of work and qualifications under conditions of such a great concentration of employed people in the medium payments bracket constitutes a problem just as important as the determination of marginal distributions. It is, however, a subject deserving a separate and more thorough study.

9541
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PLAN FOR SOCIOECONOMIC DEVELOPMENT IN 1981-1985 REVIEWED

Bucharest REVISTA ECONOMICA in Romanian No 32, 7 Aug 81 pp 4-5

[Article by Dr Dumitru Ciucur and Dr Constantin Popescu: "The Priority of Intensive Factors - A Dominant Characteristic of Socioeconomic Development"]

[Text] In the 37 years that have passed since the victory of the national and social, anti-fascist and anti-imperialist liberation revolution in our country profound socioeconomic changes have occurred. From a primarily agrarian country, Romania has become a country with a strong industrial-agrarian economy in the midst of full development and with a high material and spiritual standard of living.

Correlations Which Express the Growth of Efficiency

A picture of the scope and intensity of the achievements made during the 30 years of a planned economy is presented for us in the data in Table No 1 [see next page]. In 1980, national income was 14 times greater than in 1950. On the other hand, the country's industrial production is today 48 times greater than that of the period prior to World War II. In just the last 10 years, industrial production grew by 2.9 times while net industrial production tripled. In order to more clearly present Romania's industrial power today, let us note that the production achieved in 1980 in industry represents over 80 percent of all the production during the 1956-1965 period. In the other basic branch of the national economy, agriculture, there have also been important successes. Under conditions of reconsidering the significance of this field, especially after 1965, 1980 marks the attainment of a level of agricultural production approximately four times greater than that in 1950, achieving in the last 15 years a more than two-fold increase in agricultural production. This concern for the development and modernization of these two basic branches of the economy was accompanied also, especially after the Ninth Party Congress, by the carrying out of certain new correlations between development efforts and the results obtained, correlations that will constitute the expression of higher efficiency and the conditions for its future acceleration.

Table No 1

Indicators of the Development of the Romanian Economy

Indicators	1950	1965	1970	1980
Total amount of investments in national economy - billions of lei (annual average for periods 1951-1965 and 1966-1980)		24.1		116.2
Fixed Assets - billions of lei	207	517	760	1870
National Income - billions of lei	35	146	214	516
Total industrial production - billions of lei	27.5	178.4	324	936
Total agricultural production - billions lei	32.4	62.5	81.1	128.2
Total volume of foreign trade - billions lei	8.3	43.9	68.5	340.3
Labor productivity in national industry per person (calculated on the basis of total production) - thousands of lei	30.6	105	162.9	320.9
Average net salary for workers - lei per month	337	1,028	1,289	2,238
Nominal net income for the peasantry per working person - lei per month	167	495	571	1,373
Incomes obtained by a person from social consumption funds - per person - lei per year	215	1,204	1,845	3,566
Sales of retail goods via socialist trade - billions of lei	12.1	63.7	99.1	213.1
Total housing units built during the periods 1951-1965 and 1966-1980 (thousands of apartments)		370.3		1,614

We have in mind the more rapid growth of net industrial production in relation to the dynamics of total production, especially noted in the last decade. There was also an improvement in the correlation between the growth of the social product and the growth of national income. The trend of closing the gap between the dynamics of the two macro-economic indicators resulted in, beginning with the 1971-1975 five year plan and the entire recently concluded decade, the more rapid growth of newly created wealth in relation to the dynamics of the social product, a process that shows the ever stronger action of the qualitative factors in the development of our economy. The fact that national income has grown more rapidly than social product expresses the ever more decisive concern for the better use of actual expended labor and for the reduction of material production costs and

the growth of efficiency in all production activities. In the last 10 years, the level of use of the principal raw materials - metals, wood, chemical raw materials, light industry raw materials, fuels and so forth - increased by 2 to 2.5 times, a fact that demonstrates the ever greater capacity of Romanian industry to efficiently resolve the complex problems of a sustained growth in the level of processing and using material resources.

Qualitative elements in the development of the Romanian economy during the years of socialist construction are also illustrated by the evolution of the level and dynamics of social labor productivity. Thus, in industry, in just the last decade labor productivity has nearly doubled, growing at an average annual rate of seven percent, with the contribution of this qualitative factor to the increase in production being ever greater. In agriculture, the growth of labor productivity, especially in the last decade, took place at a more powerful rate than in industry, which constitutes a significant element that contributes to closing the gap between the levels of labor efficiency in these two basic sectors of the national economy.

All these achievements are the direct expression of a scientific, realistic policy of firmly promoting the newest and most efficient advances of science and technology in all fields of activity and of continuing to raise and improve the level of the workers' professional qualifications and competence.

Intensive Development - A General Characteristic of the Current Period

For this five year plan and the current decade, a dominant characteristic of the Romanian economy is the movement to an intensive type of development where growth in national income is achieved with the smallest possible consumption of raw materials and energy, on the basis of higher productivity that is practical under conditions of better using the country's potential.

The carrying out an an intensive type of economic development primarily requires: 1) a rational consumption, at the lowest possible level, of non-renewable mineral resources and fossil fuels; 2) the growth in the complexity of production for the purpose of better using raw materials and energy and substantially decreasing consumption, both in the production process and in the movement, storage and protection of products; 3) rational dimensions for industrial projects, in agreement with increasing economic efficiency and reducing environmental pollution and the amount of land taken away from agriculture; 4) restructuring industrial production so as to permit an increase in the level of use of raw materials and energy on the basis of certain new, modern technologies of higher energy, material and economic-financial efficiency; 5) bringing into the economic processes to a greater degree those resources that are renewable, such as agricultural products, products from the forests and waterways, animal products, power from solar, wind, biomass, water and other forms of energy; 6) developing a complex and efficient agriculture, beginning with the requirement of continuing to improve the well-being of the people, with the agriculture's function as a source for renewable

resources and with its complex role in the economy; 7) rationally, fully and efficiently using the workforce, keeping in mind its evolution in a quantitative, qualitative and structural aspect; and 8) stimulating the initiative and creativity of each worker through every means. The model for development is conceived, thus, from the perspective of quality and efficiency, being based upon the reduction of its dependence upon those resources whose use becomes more and more costly, upon the systematic assimilation of technical-scientific progress, upon ensuring the full and overall use of resources and upon economic-financial self-administration.

The development of the Romanian economy during the current stage is conceived, beginning with the indicators of economic efficiency, upon the basis used to define the parameters for the entire five year plan. The program for the socioeconomic development of the country during the 1981-1985 period ensures the continuation of the dynamic and balanced growth of the national economy, especially on the basis of accentuating the contribution of intensive factors, a direction that is synthetically reflected in the growth of national income at an average annual rate of 7.1 percent. The increase in national income per inhabitant scheduled to be achieved during this five year plan is especially based upon an increase in labor productivity and the higher use of material resources. Thus, the average annual increase in national income during this five year plan will be 42.3 billion lei, which means an increase of over 11 billion lei more than the 1976-1980 period. It will be over 5.7 times greater than that obtained during the 1951-1965 period and 1.7 times greater than the average of the last 15 years. This evolution in the growth of the average annual increase of national income must be appreciated even more during this five year plan since the portion of the national income allocated for development will be something less than 30 percent.

Having as a basic characteristic the transition from extensive development to intensive development, the current five year plan accentuates the correlations of efficiency, creating the conditions necessary to improve qualitative indicators for efficiency and competitiveness in all the sectors of material production, as shown by the data in Table No 2 [see next page].

The Priorities of the Economy - An Expression of Certain Qualitative Transformations

In the context of improving the qualitative elements, the essential priorities for all activities in the economy are given by the stronger development of the extractive industry and agriculture, the organization of the recycling of materials on an industrial scale and the better use of the full material, financial and human potential. In this manner, the premises will be created so that by 1985 Romania will be able to provide from domestic resources 82 percent of the primary energy used, 90 to 98 percent of the necessary amounts of coal and zinc and nearly all aluminum, approximately 80 percent of textile fibers and threads and so forth.

Table No 2

Correlations and Indicators of the Efficiency of Economic Activities

	1976-1980	1981-1985
Growth of national income over the growth of social product	1.04	1.16
Growth of net production (in industry) over the growth of total production	1.06	1.15
Percentage of the amount of construction-assembly in total investments (percent)	35	27
Growth of Labor Productivity	1980	1985
- industry	100	140.4
- agriculture	100	150.0
- construction-assembly	100	130.0
Net production per 1,000 lei of fixed assets, non-amortized facilities in the processing industry (lei)	1980 710	1985 800
Level of use of basic raw materials in the processing industry (in percent)	1980 100	1985 132
Savings made a result of reducing total costs in industry (billions of lei)	100	200

These forecasts are substantiated on broadening our own base of raw materials by increasing the production of lignite and brown coal to a level that will represent over 40 percent of the total amount mined. In the same direction, there is the application of new technologies that will lead to increasing the final factor of crude oil recovery from 30 percent in 1980 to 40 percent in 1985, which will contribute to increasing our own base of raw materials. Similarly, the volume of reusable energy resources, obtained through recovery and better use, will increase during this five year plan by approximately 80 percent. At the same time, in order to provide the forecast balance in energy use, broad measures are foreseen to accentuate energy conservation in all sectors, to strictly stay within the norms and standards for energy consumption and to accelerate the introduction into production of those products having lower levels of energy consumption.

One of the defining elements of the current five year plan is the intensification of the process of restructuring the economy - industry and other activities - in accordance with the requirements of the national economy. Precisely in this sense, we have in mind the priority development of those sectors that are small consumers of resources and energy and that have activities involving a high degree of complexity, the strong development of small industries and so forth.

The current program of development amplifies the results of concentrating upon the achievement of priority development in those branches and fields of activity directly tied to improving the standard of living and the quality of life. In this context, light industry and the food industry will experience a growth of 43.8 percent and 45 percent, respectively, during this five year plan. The development, diversification and improvement of the quality of the products made in the consumer goods branches are being carried out in full agreement with the requirements and tastes of the people and on the basis of putting the materials used to better use.

The current program for the socioeconomic development of the country is characterized by placing the growth of efficiency in the center of all economic activities. Labor productivity, the principal factor for increasing national income, will grow during this five year plan by over 40 percent in industry, 50 percent in agriculture and 30 percent in construction-assembly. In industry, approximately 80 percent of the increase will come as a result of increasing labor productivity. In the direction of increasing social labor productivity during this five year plan, the increase in the complexity of activities will also play a role, expressed by the fact that the percentage of qualified personnel among the total number of personnel will reach approximately 89 percent.

One synthetic expression of the movement to the first level of intensive, qualitative elements is the provision regarding the growth of production per 1,000 lei of fixed assets and the reduction of total and material production costs, yielding in this manner savings of approximately 200 billion lei in industry alone.

In step with the age in which we are living, in substantiating the provisions of the country's development program consideration was given to the substantial growth of the role of technical progress, scientific research and technological development in using certain new resources of raw materials and secondary resources, the reduction of consumption of fuels and energy and the acceleration of the growth of productivity in all sectors of material production, as well as in increasing the qualitative level of production and the competitiveness of Romanian products on the international market. The volume of foreign trade is forecast to increase by 11 percent per year, a rate of growth much higher than that for social product, national income and the other macro-economic indicators of development. It is an especially significant fact that of the increase in exports for 1985 compared to 1981 approximately 27 percent is to be achieved as a result of improving the structure and increasing the level of use of the products.

The energetic actions of all workers collectives in the direction of reducing expenditures for raw materials, materials, fuels and energy in order to achieve higher profitability constitute a requirement of carrying out the revolutionary leap to a new, higher quality in all the fields of socioeconomic affairs. In this regard, the application of the new economic-financial mechanism means the full and regular achievement of physical, net and goods production at the lowest possible level of material costs and manpower use.

Ensuring priority for the qualitative factors of efficiency in all the sectors of social prodcution is in direct correlation with the level of awareness and professional competence of each worker. Under the system of worker self-management and economic-financial self-administration, the workers must work at the level of the requirements stemming from their positions as producers, owners and consumers of everything that is produced, ensuring the firm forward progress of the country and its prosperity.

8724
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TECHNOLOGICAL ADVANCES RESULT IN GROWTH OF EFFICIENCY

Bucharest REVISTA ECONOMICA in Romanian No 30, 24 Jul 81 pp 1-2

[Article by P. Rotaru]

[Text] A natural result of the material-technical and social conditions of a certain historical stage, the level of efficiency of industrial activity is intimately connected with promoting the most advanced achievements of technical progress into production. Modernization of the structure of production, speeding up the renovation of products and techniques brings to each enterprise and to the entire economy large growths in the level of production achieved in the unit of time for a technological piece of equipment and worker and reduction in material and energy consumption for each product through the increased contribution of technical intelligence. Also, the particular action permits raising the degree of utilization of raw materials, reduction in imports and connection of the local resources to the production circuit as well as rise in quality and competitiveness. Referring to the close tie between the introduction of technical progress and growth in the efficiency of production activity and to the role of scientific-technical creation in propelling Romania to new steps of civilization and progress, Comrade Nicolae Ceausescu stressed: "At the basis of all activity we must place the most progressive achievements of the modern scientific-technical revolution, providing a rise in the technical level and quality of all the products, application of new techniques which permit the reduction in consumption of raw materials, materials and energy, reduction in manufacturing expenses. Let us concentrate our energy, creative force, intelligence and the wisdom of the entire nation on raising labor productivity faster, the decisive factor on which the increase in the national income, the rise in the workers' standard of living and Romania's increasingly firmer step on the path of socialist progress depend."

Experience has shown that the closer and closer link of research with the specific requirements of society's development, its organic integration with production have continually increased the role and contribution of science to promoting technical progress in all areas of activity, to the renovation and modernization of products and technological products and to a rise in efficiency. Thus, in industry, the new and redesigned products introduced into manufacture in the recently concluded five-year plan at the end of 1980 represented nearly 44 percent of the value of production. On the basis of current scientific and technological research, around 5,000 machines, equipment and new and redesigned installations as well as more than 3,300 new materials and consumer goods were assimilated. At the same time, nearly 3,900 modern techniques were introduced into production. National research in the concluded five-year plan has provided around 90 percent of the new materials placed into manufacture as well as more than 90 percent of the new techniques.

Of the problems with an extremely broad spectrum of promoting technical progress in industry, in the following we shall concentrate our attention on the contribution of scientific research and technological development to the renovation of products and technologies for the purpose of increasing economic efficiency.

Intensification of Actions for Renovation and Modernization

In the broad process of renovating products and manufacturing techniques, all the industrial branches are involved, particularly the sectors which promote technical progress--machine construction, chemistry, metallurgy. In the machine construction industry, for example, large efforts are being made at the material, human and financial level, aimed at steadfastly raising the quality level of all activity. In order to illustrate these efforts, it is enough for us to show that in the 1976-1980 five-year plan these branches were allocated around 50 percent of the capital for scientific research, technological development and introduction of technical progress belonging to the national industry. The economic effects achieved due to the actions to promote technical progress in this branch also recorded a relatively similar arrangement. It also is worth pointing out that in 1980 around 90 percent of the capital intended for scientific research, technological development and the introduction of technical progress in machine construction was allocated for assimilating new products, while 10 percent was for introducing new techniques, extending the advanced technologies and promoting mechanization and automation.

Highly complex and technical products are noted in the achievements of the researchers and work collectives in the machine construction industry in the 1976-1980 five-year plan, such as the 3,000-HP diesel locomotive; the 16-meter-diameter turning and boring lathe; the turning and boring lathe with a diameter of 5,000-8,000 mm, with two standards; a processing center for reaming and milling with a 132-mm diameter; a parallel lathe with 500-mm diameter with numerial shaping control; 50-ton tip truck; the DAC 120E diesel electric traction tip truck; electronic computers; equipment for minicomputer management of technological processes; new types of drilling installations and so forth.

Among the technologies achieved due to the capital for scientific research, technological development and the introduction of technical progress in machine construction in 1980 we note the introduction of welded subassemblies in machine tool construction, with an effect of raising profits by more than 3.4 million lei; the building of parts from pig iron with graphite nodule utilizing Romanian modifiers and prealloys, with the effect of raising profits by 22 million lei;building cores and forms through the Croning procedure, which insures profits of more than 20 million lei per year.

With regard to the actions for mechanization and automation of the labor processes in the industry achieved in machine construction in 1980, the following should be mentioned: cleaning of forged parts on the cleaning lines by application and buffing by shape and processing of parts by machinery with a center for numerical processing of the parts, which provide for considerable cost reduction and large increase in profits.

Undoubtedly, the achievements obtained in creating new products and efficient technologies are indisputable; however, we also should mention that sometimes relatively slow rates have been found in relationship to the requirements in the line of promoting modern technologies which save on raw materials, materials and energy,as well as in the direction of the structural changes required by the increasingly more

pronounced restrictions in the area of procuring raw materials and the decisive move to new dimensions systems for products, the creation and utilization of replacements, superior utilization of raw material and energy resources and so forth. Precisely by proceeding from these kinds of failures of plan fulfillment in promotion of technical progress, in this five-year plan efforts are being intensified with a view to speeding up the assimilation of new products and modernization of existing ones and for the emphatic development of those sectors which fully and efficiently utilize human intelligence--electronics, fine mechanics, aviation, electrotechnics and so forth.

Sustained efforts are being directed also with regard to raising the coefficient of utilization of metal which is smaller in Romania compared with that achieved in other countries for a number of products (the SC 1600 carousel lathe, the AF 125 processing machine, the G 40 drill press, a press with a 40-ton eccentric and so forth). Here are reflected the additions of metal to the small, medium and large cast pieces which in many cases exceed those in the industrially developed countries by 30-70 percent as well as the effects of outdated tchnologies in the area of forging, which cause machining allowances which are 10-20 percent greater than those recorded by prestigious firms abroad. On the other hand, it is necessary that efforts be made in the other sectors, too, for creating and providing superior quality materials: in metallurgy--particularly steels, rolled sections and special slate needed for machine construction and other industrial branches; in the chemical industry--dyes, medicines, paints and varnishes; in the construction materials industry--the manufacture or extraction and processing of those materials which involve minimum consumption and high efficiency in assembly-construction activity (utilizing natural stone at a higher and higher level, production of concrete prefabricated materials with a mixture of ash from the thermoelectric power centrals and so forth).

The Modern Concept in the Renovation of Products

Achieving a quality leap in the area of modernization of products and manufacturing techniques involves increasing the contribution of research-design in all branches of Romanian industry. The single national plan for social and economic development for 1981 includes special tasks in the area of promoting technical progress. Thus, new techniques with high efficiency will be introduced and extended in all industrial branches and, particularly, in machine construction, the chemical industry, metallurgy and light industry. For example, in light industry alone, more than 200 modern techniques will be introduced and they will contribute to increasing the proportions of products with a high degree of finishing, of high quality, which correspond to the growing demands of the buyers. At the same time, new products and materials will be assimilated so that the production-good in the proportion of 12 percent due to new and modernized products will be achieved in the processing branches of the national industry and they will be introduced for the first time in mass production this year.

Achieving high economic efficiency and quality, competitive products is determined to a great extent by a radical change in the concept of renovation of products and techniques. This means that even in the conceptual phase one must proceed from the product's functions and usefulness, which permits those solutions to be used on whose basis the products have high output, reduced weight and reliability. That is why special stress must be placed on strengthening the role of design so that it becomes a decisive means in the modernization of production and in increasing economic efficiency. Recently study and analysis actions were initiated in the big industrial enterprises to amplify scientific research and technological development and their own

activity for the conceiving and redesign of certain oversized products with big consumptions of raw materials, materials, energy and fuel. For example, specialists in the concept departments and machine builders in Resita have succeeded in replacing old air compressors with a new family of compressors which have superior performance, as we see in the figures we show here:

	Old type	New type	Difference(%)
Special weight in kg/cubic meters/minute	176	91	48.3
Special consumption of electric energy--kWh/cubic meter	6.35	5.1	19.7

Just by moving to build new families of compressors of 100, 50 and 25 cubic meters per minute, savings of around 1,100-1,200 tons of metal will be obtained in the 1981-1985 five-year plan as well as nearly 65,000-70,000 MWh of electric energy and 11-12 million cubic meters of cooling water.

The indisputable economic advantages have also been recorded in the area of diesel motors for rail transport. Among other things, a motor was adoptedfor naval propulsion, through redesign, provided to supply a portion of our river and Danube Canal-Black Sea ships, for which elements were used from the type R 251 family of motors, providing a reduction of around 3 percent in fuel consumption compared with the aggregates built until now and an increase of around 50 percent in operating time between two major repairs.Such concerns for raising the degree of utilization of raw materials through building products with high technical-operational characteristics, which are competitive and at reduced costs must be extended so that new progress is obtained during this five-year plan in improving the quality of the products and in raising efficiency.

In the context of the increase of quality of efficiency also is the contribution of scientific research and technological development in the area of providing energy resources and the economical management of them, by creating a machine system which is adequate for exploitation of coal, improvement in the combustion methods for inferior coal in the thermoelectric power centrals, extending the utilization of heat recovery receptacles and air preheaters and so forth. Thus, for example, in 1981 more than 20 percent more energy resources than in 1980 will be recovered. At the same time, around 60 percent of that will have to be utilized in installations other than the ones which result, which even in 1980 required adequate measures of design and execution of the necessary jobs.

Priority Directions for Investigation and Necessary Actions

Consistently promoting the achievements of modern scientific-technical progress in all areas is one of the efficient ways to have national economic growth. Utilization of the conditions created along the years--modern material-technical base, a large number of researchers and designers--requires, as is emphasized in the party documents, intensification and orientation of the efforts of all concerned factors--the enterprises, centrals, scientific and technological engineering institutes, ministries, central organs--toward a number of priority directions of action:

The concentration of the forces of scientific research and technological engineering with a view to achieving special programs worked out by branches and subbranches of industry in the shortest possible time and avoiding the approach to petty problems and dispersal of research forces on too large a number of subjects. This is the

place to point out that, with a view to achieving this goal, the notes for technical-economic substantiation for introducing products and new techniques into manufacture or improved products which are approved by the collective leadership organs of the ministries and the other central organs who are the plan holders must become to an increasingly greater extent real means of leadership of technical development, which provide high economic efficiency carried out by reducing material and production expenses, increasing profits, reducing imports, increasing exports, improving the rate of return and net currency contribution both for the producer as well as the beneficiary;

Optimization of the relationship between applicational and basic research with a view to solving the stringent problems of the economy in the priority areas of material production and providing long-range continuity in the technical thinking which answers the requirements for renovation and development imposed by the modern scientific-technical revolution;

Improvement in the researchers' information on the achievements obtained nationally and internationally with a view to avoiding tie-ups of research capacities and material and financial capital in the research goals being resolved now. The major tasks belonging to the scientific research and technological engineering institutes in assimilating products and technologies in Romania require quality scientific-technical information, to which the institutes and researchers and other specialists from the technical departments of the enterprises, centrals and ministries may make their contribution, also. No material, human and financial effort dedicated to knowledge of the achievements obtained in one area or another is greater than that of the actual research and technical creation. For that reason, what are needed in the course of initiating and implementing the programs for technical development are the exchange of publications with similar institutes in other countries, broad dissemination of technical innovations and information obtained from Romania and abroad in bulletins or other publications, including the multilateral and immediate utilization of the information gathered during participation in fairs and international exhibitions, exchanges of experiences and documents in other countries;

Shortening the time it takes from the idea to implementation of it in products and technologies, in order to avoid negative implications of moral usage. Today more than ever, the producer must be aware that powerful competition in gaining and maintaining the market segment in the given area requires the rapid promotion of technical innovations in production. It also is more and more clear that the chances for success belong to the enterprises which succeed in satisfying the beneficiaries' requirements on time and under irreproachable conditions for the high quality and efficient products and technologies;

Closer correlation of the efforts of the research and technological engineering institutes with the production units' tasks both in providing documentation for the products as well as the duties assumed in promoting advanced, highly efficient and economic technologies in production with effects in speeding up the building of new products and technologies and in increasing the efficiency of the technical creation for the beneficiaries. In this way, losses of the useful economic effects will be avoided, effects caused by failure to correlate which may appear between the point at which the research is carried out and that which provides the technical, material and organizational conditions needed to move the technical solutions and new products into mass production, particularly by failing to take the appropriate measures to

provide the design and building of the tools, devices and controls needed to move the technical solutions and new products into mass production. Also, prolonging the length of time it takes to work out the scientific research and technological development projects may be prevented beyond normal limits as well as the failure to sell the new products built within the appropriate terms.

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ROMANIA

INTERNATIONAL COOPERATION IN PETROLEUM TECHNOLOGY URGED

Bucharest REVISTA ECONOMICA in Romanian No 32 7 Aug 81 pp 22-23

[Article by Dr C. Rusin: "The Participation of Romanian Science and Technology in the Better Use of Resources"]

[Text] Opportunities for Extending International Cooperation in the Petroleum Industry

International technical-scientific cooperation constitutes one of the most important channels for transferring technology and technical knowledge. At the same time, by extending our country's international technical-scientific cooperation activities there is an intensification of the exchange of material wealth, an exchange where our country is in a position to benefit. There is also an increase in Romania's level of participation in the international division of labor, thus using to a greater degree the advantages stemming from this division by ensuring certain stable and long-term relations that characterize technical-scientific cooperation.

In the field of the petroleum industry, the participation of Romanian science and technology in the realm of international collaboration and cooperation also represents a means of solving, through cooperation with foreign partners, those scientific and technological problems of interest for our petroleum industry. At the same time, it is a means of better using the capabilities of Romanian science and technology by participating in the discovery and use of certain deposits of hydrocarbons in partner countries, with this constituting a long-term source for supplying hydrocarbons (crude oil and gases) to our national economy.

Actually, in this field Romanian science and technology has a significant potential and long experience. The crude oil and gases extractive industry in our country has over 120 years of experience, and its activities have been carried out in a very large variety of deposits.

The 12th Congress of the Romanian Communist Party gave Romanian petroleum workers tasks of great responsibility in developing the base of hydrocarbons so necessary to our socialist economy, which is in full development. Thus, tasks are established to explore and put into use new deposits of crude oil and gases located at great depths and on the Romanian continental shelf of the Black Sea, as well as to

increase the efficiency of exploration and prospecting projects by using modern techniques for complex geological exploration. Scientific research and technological development activities in the petroleum extraction industry have the major task of drawing up modern intensive exploration technologies for hydrocarbon reserves under conditions of maximum economic efficiency, resulting in providing efficient technologies for drilling probes and exploiting hydrocarbon deposits at great depths and for increasing the recovery factor for crude oil deposits. At the same time, the objectives established by the 12th Congress regarding the development of international scientific and technological collaboration and cooperation are creating an especially favorable framework and involve important tasks for the development and growth of efficiency of cooperation activities on the international level in the field of the crude oil and gases extractive industry.

In this field, the carrying out of the Program-Directive for Scientific Research, Technological Development and the Introduction of Technical Progress is also creating the premises for the more intense promotion of Romania's international technical-scientific cooperation, a basic factor for modernizing the economy at a rapid rate, for better using our own technical and scientific potential, for favoring the transfer of advanced technologies and for participating in universal technical-scientific progress.

The high degree of competence of Romanian specialists and the quality and performance of Romanian-produced equipment, as evaluated on an international level, equipment which in recent years has also included offshore drilling platforms, constitute factors of the first order for extending and increasing the efficiency of our country's international technical-scientific collaboration and cooperation in the field of the crude oil and gases extractive industry.

At the same time, it should be noted that our country's international technical-scientific collaboration and cooperation activities in the field of the crude oil and gases extractive industry in recent decades have generally experienced an ascendent evolution. Scientific research and technological development for petroleum and gases in our country have achieved bilateral collaboration and cooperation with all the socialist countries having a petroleum industry, such as: Bulgaria, Czechoslovakia, East Germany, Yugoslavia, Poland, the People's Republic of China, Hungary, the Soviet Union and so forth, as well as in a multilateral framework within the Council of Mutual Economic Assistance (CEMA). Similarly, collaboration activities have been carried out with partners in the developed capitalist countries, such as the United States, France, West Germany and Great Britain; and with other countries in Europe such as Greece and Turkey; with developing nations such as Argentina, Algeria and Indonesia, as well as with other countries in South America, Africa, Southeast Asia and the Middle East. We note that the 10th World Petroleum Congress took place in 1979 in Bucharest.

Despite all the positive results recorded, Romanian scientific-technical collaboration and cooperation activities in the field of the petroleum and gases industry did not, nonetheless, rise to the level of its possibilities with regards to expansion and efficiency, which makes necessary a more intensive participation by our country in international technical-scientific collaboration and cooperative activities in the petroleum industry.

Romania - A More Active Participation in the "United Nations Development Program" in the Petroleum Industry

As a country militating for the establishment of a new international economic and political order, Romania is recognized and appreciated in the world both through its broad collaboration activities with the developing nations and through its activities and initiatives within the United Nations. Through its representatives to the Group of 77 meetings or to United Nations meetings and in the working organs of the United Nations, our country has supported the need to help the poorly developed nations and the developing nations so they can become masters of their own national resources of raw materials and energy and so they can be helped to put their natural resources to better use, thus contributing to raising the economic level of these countries.

Both through the consistency with which our country militates for the solution of the raw materials and energy problems, for the creation of a new international economic and political order and for the elimination of unequal relations and the achievement of general progress, and through the potential of Romanian science and technology in the petroleum industry, which has a long tradition and experience, Romania constitutes an especially interesting cooperation partner for participating in the achievement of certain programs in the "United Nations Development Program" in the field of the petroleum and gases industry.

Our country's reduced level of participation to date in cooperation within the framework of the programs of the "United Nations Development Program" (UNDP) is due to both unjustified restraint in getting involved in certain cooperative actions and insufficient knowledge of the framework and manner of organization of UNDP activities. Among the objectives of the programs recorded in the UNDP priority list and which are of interest for cooperation in the field of the crude oil and gases extractive industry, the following are worth mentioning:

- the promotion of measures to conserve energy, the rational development and use of resources, especially non-renewable resources;

- the creation of a domestic potential in developing nations that will select and negotiate the transfer of technology, as well as achieve the development of certain technologies meeting local conditions and objectives.

The UNDP programs in the field of putting certain hydrocarbon resources to better use constitute for our country not only a means of putting into practice the principles of a policy of being an active militant for the creation of a new economic and political order in the world, but also an especially useful means of putting our crude oil and gases extractive industry's technical-scientific potential to better use abroad.

Romanian science and technology's participation in the achievement of programs financed by the UNDP can refer both to putting to use hydrocarbon deposits in different developing nations and to participating within the frameworks of certain scientific programs of a broader interest, such as: studies to determine the deep structures of the earth's crust in different areas of the world, studies and follow-up observations of potential geophysical fields and the establishment of recent vertical movements in the earth's crust, and complex studies to establish the distribution of temperatures, gradients and geothermal fluxes, and the conturing of perspective reserves for geothermal resources.

Cooperation in Marine Petroleum Activities on the Continental Shelves of Other Countries

Seismic prospecting carried out on the Romanian continental shelf of the Black Sea in order to discover those geological structures favorable to the accumulation of hydrocarbons, an activity begun over 10 years ago, as well as the projects carried out during this period to produce in our country offshore drilling platforms (of the self-jacking type) and the offshore drilling projects to date have laid the bases for a new activity for our petroleum industry. This industry is, thus, acquiring broad perspectives with regards to activities to discover and put into use hydrocarbon deposits on the Romanian continental shelf of the Black Sea and to participate within the framework of cooperation with foreign partners in the exploration and putting into use certain deposits of crude oil and gases on the continental shelves of other countries.

The improvement and continued development of our petroleum industry's potential in this field, keeping in mind the broad perspectives for development in numerous areas of the world in offshore petroleum activities, open a broad field for cooperation for our country's petroleum industry. With regards to these perspectives, the following aspects should be taken into consideration:

- of the total area of the offshore zones with prospects for petroleum and gases, only one-seventh was or is to be explored. Thus, an immense area (approximately 60,000 km^2) is to constitute the object of future petroleum exploration activities;

- hydrocarbon reserves located in marine deposits that have not yet been worked are estimated at approximately 22 billion tons;

- the confusion that rules in offshore oil research activities constitutes an especially favorable time in which our country, as a producer of offshore oil drilling rigs and as one which has specialists in the field of marine geophysical

research, represents a very attractive partner for cooperative actions in projects to discover and put into use marine deposits of crude oil and gases in different parts of the world.

More Efficient Forms of Technical-Scientific Collaboration and Cooperation

In the majority of cases, in resolving certain problems in our petroleum industry regarding the improvement or achievement of new technologies in the field of exploring crude oil and gas deposits, drilling and exploiting crude oil and gas drilling probes, treating drill holes to intensify extraction or working on deposits to increase the recovery factor of the crude oil, the form of technical-scientific collaboration practiced consisted of exchanges of experience, documentation visits by specialists or exchanges of technical-scientific informational or documentation materials.

Under the conditions where our country's scientific and technological collaboration and cooperation with other countries in different economic and technical-scientific fields has developed and has continually improved in step with the progress achieved in the area of cooperation on an international level, limiting these activities in the area of the petroleum and gases extractive industry to merely exchanges of experiences and documentation visits means stripping these activities of the greatest portion of the advantages that can be obtained through effective cooperation by way of a division of effort among partners.

On this basis, an important means of increasing the contribution of technical-scientific cooperation and collaboration on the international level, especially in the cases of partners with a high technical-scientific potential, is practicing certain forms that have superior efficiency, such as:

- the achievement, through joint efforts, of programs in scientific research and technological development and the achievement in production of certain objectives of common interest, using the results of the partner countries as well as those of third parties;

- the joint creation of institutes, laboratories or pilot stations where joint activities in scientific research and technological development can be carried out in accordance with the appropriate conditions;

- the creation of joint groups (with specialists from both parties) for research and development that would carry out their activities to resolve certain problems of common interest on the basis of working programs that are under agreed upon material and financial conditions;

- the reciprocal transfer of technological and industrial knowledge and the common use of licenses and invention patents, as well as the joint development of new technologies of mutual interest;

- the achievement of joint activities to develop or better use certain invention patents belonging to one of the partners;

- cooperative actions for the development of a material base for research and development activities (research equipment, pilot stations, experimental centers and so forth) for the purpose of creating conditions to carry out certain future joint scientific research and technological development activities in the field of the petroleum extraction industry;

- the joint accomplishment of studies and projects and mutually interesting technologies and installations, including those for third parties;

- the granting and receipt of scientific and technical assistance on a contract basis, consisting of consultations during design work, the achievement of studies and projects, the training of specialized personnel for different working techniques and technologies and so forth;

- the carrying out of scientific and technical testing and verifications under agreed upon conditions, as well as carrying out certain technical-scientific services;

- the organization of industrial expositions, accompanied by scientific and technical conferences, as well as scientific symposia and reports with participation by specialists from both parties.

For specific problems, Romanian technical-scientific cooperation and collaboration in the field of the crude oil and gases extractive industry with partners in socialist countries or developed capitalist countries having the experience and the potential at a similar or higher level in comparison to that our petroleum and gas industry, it is possible to achieve projects in scientific research, technological development and industrial progress regarding:

- the development of geological research for hydrocarbons through teledetection and other high-level techniques to discover hydrocarbon deposits located at great depths or in subtle pockets;

- the application of modern procedures (satellite imagery, nuclear methods, electronic methods and so forth) in the technology of geological, geophysical and geochemical research to discover hydrocarbon deposits;

- the improvement of work technologies in drilling shafts and exploiting offshore hydrocarbon deposits and the reduction of energy consumption in the drilling process and the optimum use of the drilling program;

- the elaboration of new methods essentially different from known ones to increase the crude oil recovery factor to 50 to 60 percent.

In the case of collaborating and cooperating with partners in developing nations, where Romanian science and technology can make a contribution to the development of science and technology or to the petroleum extraction industry in these nations, collaboration involves, for the most part, acting as a supplier, for the Romanian side, of technical-scientific assistance for the purpose of finding and putting into use certain hydrocarbon deposits in these nations.

The initiation and carrying out of fruitful cooperative actions within the framework of some of the projects mentioned above, as well as the identification of other new projects for cooperation, requires the Romanian side to have a sustained, permanently aggressive concern for attracting certain valuable partners for cooperation.

8724
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INCREASED DEVELOPMENT OF DOMESTIC ENERGY RESOURCES PLANNED

Bucharest SCINTEIA in Romanian 14 Jul 81 pp 1, 3

[Article by Ilie Stefan]

[Text] "The activities of the 1981-1985 five-year plan are focused on the development of the energy, raw materials, and other materials base. We must do everything in our power to create from domestic resources the largest possible quantities of raw and other materials, by deriving value from domestic reserves, even if some of them contain lesser amounts of useful substances."
Nicolae Ceausescu

A fundamental priority for Romania's socioeconomic development during the 1981-1985 five-year plan is a sustained production growth in branches which must assure raw material and energy resources. Stressing the great significance of this economic imperative in his speech to the Second Congress of Workers' Councils, the secretary general of the party, Nicolae Ceausescu, clearly stated: "The plan places particular emphasis on the stronger development of the raw material base and of domestic energy resources, as well as on the greater development of agriculture, these sectors being the decisive factor in our country's socioeconomic development and in raising the material and cultural standard of living of the people."

Closely correlated with this essential orientation toward the powerful development of the primary sector of the national economy, a larger portion of the material base for fulfilling the 1981-1985 five-year plan will be assured from domestic resources. Thus, based on the development of the extractive industry, agriculture, forestry, and the exploitation of wood, as well as the industrial-scale organization of recycling of useful materials, by the end of the current five-year plan Romania will supply from domestic resources 82 percent of the consumed primary energy, 90-98 percent of its coal, metallurgical coke, milled products, and pipe requirements, 80-90 percent of its lead and zinc, practically all of its aluminum, and about 80 percent of its textiles, fibers, and filaments.

These are ambitious but fully achievable goals: they are founded on a rigorous, profoundly scientific analysis of our country's possibilities, as well as on the current and future requirements of the national economy. It is to Nicolae Ceausescu's unquestionable credit to have recognized that the more intensive mobilization of the national resources of raw materials and energy--especially under

the conditions created by the economic, and particularly by the oil, crisis which has become more acute throughout the world--is a fundamental requirement for the country's socioeconomic development at the present stage, and for assuring Romania's energy independence until 1990.

The demands for assuring as much as possible of the necessary raw materials and energy from domestic production are strongly reflected in the provisions of the new five-year plan. The fulfillment of these provisions implies stronger efforts to fully exploit our country's available resource potential, including those resources located at great depths or those that are of poorer quality. By 1985, in the extractive industry, by expanding existing exploitations and opening new ones, the production of lignite and brown coal will increase more than 2.7 times, so that by the end of the five-year plan over 40 percent of the total extraction volume will be obtained by new units. Concurrently, in order to reduce the currency effort of the national economy, in 1985 the entire production of soft coal will be washed for coke, thus satisfying one-half of metallurgy's cokable coal requirements.

In order to increase coal production at the forecasted rate, the development of extraction in the Oltenia Basin open pits will be accompanied by the placement in exploitation of new pits and mines in the Vilcea, Mehedinti, Banat, and Sf. Gheorghe basins; at the same time, research will be intensified to find coal deposits in the vicinity of Bucharest and in Olt County.

A reading of the current five-year plan provisions will also disclose the particular attention devoted to broader geological projects for discovering and exploiting new oil and gas reserves, and to the application of new technologies which will lead to an increase in final recovery factors for oil deposits, from 32 percent in 1980, to 40 percent in 1985.

The same considerations--meeting as much as possible of the raw materials demand from domestic production--are also at the basis of the provisions regarding the valorification of new ore deposits: the current five-year plan forecasts the placement in operation of capabilities amounting to 20 million tons of ore, which will contribute to a substantial increase in the production of raw materials that are presently imported.

Concurrent with a broader raw material base, the electric power industry will also undergo a significant development. According to provisions, electric power production during the 1981-1985 five-year plan will increase by 22.3 percent. According to our party's energy policy and the Program-Directive adopted by the 12th Congress of the RCP, large structural modifications will occur during the current five-year plan, in terms of increased electric power production from coal and water resources. Thus, while the electric power produced in hydroelectric plants will increase by 10 percent, and that produced with coal and shale by 118 percent, the electricity produced from hydrocarbons will decrease by about 27 percent.

The intensive nature of the economy's growth during the five-year plan of quality and efficiency, is also illustrated by the special attention devoted to expanding our resources through recovery and reutilization of raw and other materials obtained from production and consumption processes. To this end, the plan provides a greater

than 60 percent increase in the degree of recovery and valorification of reusable resources. This approach must assure in all sectors at least 50 percent of the needed raw and other materials, parts, and subassemblies, this being a major objective established by our party's leadership.

In their totality, these provisions constitute a program of unprecedented magnitude and comprehensiveness for the sustained development of the country's base of raw materials and energy. As the secretary general of the party has shown, it is important that these resources of raw materials and energy be identified and effectively exploited; their valorification, even if they are more difficult to reach or if their contents of useful substances are poorer, is economically more advantageous than if they had to be imported at constantly increasing prices from the world market.

Romania's material resources are naturally limited, and it therefore must continue to import a number of basic raw materials such as oil, coke, iron ore, cotton, and so on. Yet, the phenomena generated throughout the world by the shortage of raw material and energy resources are intensifying: every year, the prices of oil and other material resources are running out of control, forcing the importing nations to make additional currency efforts. During 1980 for instance, the oil imported by our country as absolutely necessary to the national economy, has cost nearly 1.5 billion dollars more than in 1979, solely as a result of its price increase.

Under these conditions--when the importation of raw materials strictly necessary to the national economy is particularly costly--we must act with all our forces and means to further develop the domestic base of raw materials and energy, so that we will have recourse to imported resources only within strictly necessary limits. And the ways and means for achieving this goal are clearly formulated by Nicolae Ceausescu in his speech to the Congress of Workers' Councils, and are well stipulated in the 1981-1985 plan. In essence, they are aimed at the full involvement of specialists and all workers in geology and the branches of the extractive industry; in the formulation of valuable methods and solutions for increasing the base of raw materials and energy; in further efforts to discover and exploit new oil and coal reserves, as well as new useful substances; in reducing the duration of prospecting and geologic research; and in perfecting technologies for extraction and preparation of mineral substances.

The country needs more coal, oil, ferrous and non-ferrous ores, and other material and energy resources! In practice, their production can be increased without limit. Responding to the inspiring encouragements addressed by Nicolae Ceausescu at the Congress of Workers' Councils, and at the large peoples' assembly in the city of Tirgu Jiu, geologists, miners, oil workers, and other workers with tasks in this domain, have the great and patriotic duty to work unstintingly, with enthusiasm and revolutionary drive, and most responsibly, for the fulfillment and overachievement of the objectives assigned to them in this year's plan and the entire five-year plan, with the firm conviction that an increase in the country's resources of raw materials and energy is a vital matter in the determined advancement of our nation on the road of building a multilaterally developed socialist society.

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PROGRAM AIMED AT INCREASING OIL RECOVERY FACTOR EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 30, 24 Jul 81 pp 3-4, 14

[Article by Iulian Cohn of the Independent General Directorate for Petroleum and Gases]

[Text] Covering the needs for crude oil to as great extent as possible from our own resources is an important goal in our energy policy. Besides the increases in reserves which may be obtained from geological research work, an important resource is in increasing the final recovery factor. On the basis of indications from the party and state leadership, even in 1974 a program was worked out to increase the final recovery factor at the crude oil deposits (it is forecast to achieve a 42-percent level of recovery by 1990), which comprises a series of measures for the research and application of modern technologies capable of contributing to the increase in quantities recovered from the deposit.

Correct knowledge of the geological and recoverable reserves is one of the most important problems of the petroleum industry, which brings the choice of the exploitation method, rate and levels of production possible to be achieved at one deposit or another, the volume of investments and drilling projects and, in the end, the production costs. In this context the fact should be emphasized that even many years ago we moved from the utilization of exploitation methods using only the deposit's own energy to the successful application of so-called conventional methods at a large number of deposits (water or gas injection), which seek to push or wash the crude oil from the layers through which it flows.

New Technologies--High Performance

On the average, the natural exploitation leads to achieving recovery factors situated between 20-25 percent, factors which may be increased 5-10 percent by applying conventional methods, that is, energy contribution from outside. Special examples of the successful application of conventional processes in Romania are the achievements obtained at the deposits in the oil fields of Ticleni, Cartojani, Boldesti, Moinesti-Lucacesti, Oprisenesti, Cobia south and others, where final recovery factors of between 40-55 percent are insured by water injection.Also kept in mind was the transition to the implementation of new methods through the program increasing the final recovery factor, besides extending the conventional methods and the thickening and completion of patterns for all deposits where their application is possible and indicated; these methods are as follows:

Thermal procedures (the injection of steam and subterranean combustion), whose purpose is to increase recovery by introducing heat into the deposit with effects on reducing viscosity and, thus, improving the flow conditions; these methods are being applied with great success at the deposits in Moreni (steam) and Suplacul de Barcau (combustion). It should be mentioned that the industrial process of moist combustion at Suplacul de Barcau in its extent is the biggest in the world, with the production obtained being around 1,200 tons per day compared with the most developed process in the United States (West Newport), which produces 550 tons per day.

Chemical procedures (the injection of viscous water--with polymers, micelle solutions, alkaline and surface-active substances) which, through the addition of additives to the injection water, seek to create conditions to improve the flow and reduce the quantity of crude oil retained in the pores of the layers;

Mixable procedures (the injection of carbon dioxide or other high-pressure gases) for fluidization of the crude oil and pushing it more easily toward the extraction pits;

Petromining procedures (extraction of crude oil by mining jobs --shafts,galleries or underground pits);

More recent research made both in Romania and abroad has shown that increasing the density of the production and reaction pits, that is, completing and thickening the patterns permit an increase in the recovery factor and, as a result, is a method which should continue to be taken into consideration in the future.

The possibility of applying conventional methods and those which increase recovery to which we have referred is determined by the diversity of the geological-physical characteristics of the deposits which vary within very broad limits from one deposit to another. The main parameters which determine the area of action for the new methods consist of the volume of oil remaining in the deposit following natural exploitation or by injection of water and the deposit's behavior in the past; the geological-physical characteristics of the formation (porosity, permeability, depth, thickness, degree of fissuration or uniformity, nature of the rock, temperature, pressure); the properties of the crude oil (viscosity, specific weight, acidity) and of the deposit's water (salinity, carbonates and so forth). The area of applicability of the new methods depending on these parameters is presented as an outline in the table, from which we may see that no one procedure can be applied to all the deposits and that there still is a big range of deposits for which n one of these procedures is applicable (for example, for the powerfully cracked deposits, nonuniform ones, those with small permeability and so forth).

The experience obtained until now through research and experiments made also has shown that the performances of the same method may vary from one deposit to another, many times unforeseeably. Only through checking of the hypotheses for the research and design and through carrying out pilot experiments of long-range semi-industrial production (2-4 years) for each deposit separately can more complex conclusions be drawn on the possibilities and efficiency of applying one procedure or another.

Increase in the final recovery factor requires application of various methods for a considerably largernumber of projects than forecast initially and the execution of a greater number of jobs (digs, pits, installations, pipes and so forth) to the limit and even beyond the existing capacity for execution , supply which has been forecast in the annual programs of measures.

Methods for Increase in and Areas of Applicability of Recovery

Procedure	Mechanism	Factor in crease (%)	Area of Applicability
Thermal Procedures: Injection of steam	Reduces crude oil viscosity	10-25	Heavy crude oil deposits located at up to 1,000 meters depth and with relatively high permeability
Subterranean combustion	Reduces crude oil viscosity	10-35	Heavy and viscous crude oil deposits situated at up to 1,500 meters depth with thin layers (up to 25 meters) and high permeability
Mixable Procedures: Injection of CO_2	Mixability of CO_2 in crude oil reduces its viscosity and increases volume and pressure	10-20	Deposits with up to 2,000 meters depth and low thickness and permeability greater than 50 millidarcy
Chemical Procedures: Injection of polymers	Increase in viscosity of injection water	15-25	Deposits with above-average degree of consolidation and nonuniformity, with average and high permeability and small thickness (up to 20 meters); relatively viscous crude oils (5-80 centipoise
Injection of surface-active solutions	Reduces interfacial tension	10-20	Relatively permeable deposits containing crude oil with medium density, water with reduced salinity and little clay
Injection of micellary solutions	Reduces interfacial tension	10-30	Gritty, sandy deposits with thickness less than 10-15 meters and permeability greater than 50 millidarcy, containing crude oil with medium density and slightly salty deposit water
Injection of alkaline solutions	Increases viscosity of fluid injected; reduces interfacial tension , moistening with water	5-10	Deposits containing acid crude oils with average density and permeability greater than 50 millidarcy and thickness less than 15 meters

Thus, as a result of the actions carried out in the 1975-1980 period compared with the forecasts included in the program of measures, projects were executed and high achievements were recorded as follows: for carrying out experiments and processes, around 2,400 new pits were dug for injection, reaction and for thickening and completion of patterns compared with the 1,200 forecast in the program; there were 142 projects on which work was done to initiate processes to increase the final recovery factor, which was 60 more than had been established initially; large increases were registered in the volumes of fluids (water, gases and air for subterranean combustion, steam) injected into the deposit, with average annual rates of between 11.8 and 43.4 percent; the activity of research carried out in the laboratory and through job site experiments was carried out by doing 344 studies and deposit projects compared with the 106 forecast in the program.

At the beginning of 1981 the recovery methods had begun to be applied industrially and experimentally in more than 180 projects of the approximately 350 deposits existing in Romania; initial recoverable reserves of these deposits represent more than 75 percent of the country's total. In the 1975-1980 period, year after year, the tasks forproduction were overfulfilled as a result of applying the particular methods, totalling more than 2.5 million tons (or 20.5 percent). The percentage of production obtained by the methods to increase recovery in total production rose from 10.5 percent in 1974 to more than 27 percent in 1980. A special contribution in chieving production in 1980 was made by the combustion processes at Suplacul de Barcau (more than 400,000 tons), of the water injection at Dragoesti (around 230,000 tons), Videle (225,000 tons), Oprisenesti (120,000 tons), Tazlau-Moinesti-Lucacesti (more than 115,000 tons) and by the steam injection at Moreni (more than 107,000 tons).

The Recovery Program

Since conventional methods actually are being applied today in all the deposits where they are indicated, the utilization of some new technologies are required to increase the average countrywide recovery factor for crude oil. The move to apply them, however, means compulsory successive achievement of the following stages: theoretical and pilot research in the laboratory; experimentation on the work site for a portion of the deposit in order to check the theoretical hypotheses and obtain the information needed to design the installations; the move to exploit the deposit on an industrial scale by applying various methods and so forth. Taking into account the current stage of research and experiments carried out, we understand that for the 1981-1985 period a vast program of action must be carried out, one intended to lead to a maximum increase in the final recovery factor. The main directions of the program are:

Experimentation and faster move to the industrial phase of the thermal methods of subterranean combustion and cyclical and continuous injection of steam at all the deposits where their application is indicated (it should be mentioned that experimentation work has begun at most of these deposits);

Complete implementation of the experiments and promotion of the favorable results at all the deposits where the application of the methods of injection with viscous water is suitable;

Experimentation and the move to the industrial application of the injection of carbon dioxide at the deposits where the application of the methods is indicated and where sources of the agent exist nearby;

Introduction of chemical methods at a large number of deposits, that is, injection of micellary solutions and of alkaline or surface-active substances. It should be

mentioned that these methods here as well as abroad are in the phase of laboratory research and in very few cases (in the United States) in the phase of work site experimentation;

Experimentation for the purpose of ascertaining the possibilities for applying certain special nonconventional methods of injection with water or gases (cyclical injection, by alternate combination of water-gas , changing the power lines), which permit increase in the recovery at some deposits with unfavorable characteristics or with very difficult technical conditions for exploitation. At these kinds of deposits the experimentation will have to last at least 2-3 years in order to draw the appropriate conclusions;

Intensification and improvement of research activity with a view to working out new methods and improving existing ones,particularly by the following: reanalyzing the situation of exploitation of the deposits where methods are being applied to increase conventional recovery or thermal recovery with a view to increasing their efficiency, particularly with regard to the potential for recovery, reduction in energy consumption and combatting of the negative effects caused by nonuniformity of the layers; achieving micellary solutions and other surface-active substances adequate for our deposits in the laboratory and pilot stations and experimentation with them on the job site in order to be able to organize their industrial manufacture; adaptation of thermal and chemical methods to increase recovery in the deposits with difficult properties and physical conditions; working out and experimenting in at least three projects with mining operation technologies of the deposits and in a pilot plant for extraction technologies for crude oil from the mining table; research and working out of new methods to increase recovery, based on other principles and on physical-chemical knowledge differing from what is known.

Achievement of this program of action as well as of crude oil production through application of the methods planned of more than 5 million tons by 1985 requires in this five-year plan a special effort of drilling, investment and supply with much more than achieved in the preceding five-year plan. In order to give an example of the increase in effort, we must show that the number of pits to be dug and placed into operation in this five-year plan in order to carry out the experiments and for industrial application of the methods will exceed 6,000, compared with the 2,400 dug in the previous period.

Requirements and Priorities of Action

The current knowledge obtained on the basis of our experiments as well as at the world level, with regard to applying measures to increase recovery, shows that extending it is connected with satisfying more requirements. Among other things, it is a question of utilizing certain much more dense pits rather than exploitation by natural or conventional methods as well as, in the case of thermal methods, a more complicated pit construction; considerably greater energy consumption; more complicated operating conditions, requiring a greater number of interventions and repairs at the pit by brigades; bigger and complex installations for the preparation, treatment and injection of fluids in the layers; a relatively long operating time, that is, low rates of extracting the reserves.

All these lead to the fact that the economic indicators (costs, productivity, rate of recovery of investments and so forth) are below those obtained through natural exploitation or by the so-called conventional methods. However, if we keep in mind

the situation of crude oil prices on the international market as well as its rising trend in the future, it is indisputable that the return price for a ton of crude oil which can be obtained by applying the methods mentioned is below that obtained from import in the great majority of cases.

In connection with the experimentation and industrial application of the new methods, two aspects should be mentioned which must be kept in mind in the future programs, that is, the large volume of investments and the high specific investment brought by the characteristics shown before, as well as the possibility that, in some cases, the results of the experimentation could be negative or that upon industrial application results are obtained which are below the indicators obtained during the experimentation, with the risks being greater as the knowledge of the real situation of the deposit is poorer. For that reason, we feel it necessary once again to stress the decisive importance of obtaining as complete information as possible on the deposit before moving to carry out experiments or to industrial application, which requires appropriate supply. In this context it should be emphasized that although the program places before the oil workers tasks which involve the highest level of knowledge and technicity, existing information, particularly on the properties of the old deposits, as well as the possibilities for obtaining them through investigation are hindered by the insufficient modern apparatus for gathering tests and investigation. At the same time, it should be mentioned that the research done in Romania at some deposits has shown differences (which may reach 20-25 percent) between the values of the reserves calculated previously and those obtained by measurements made with modern apparatus.

Implementation of the program to increase the recovery factor requires the fastest possible solution of certain problems, among which are the following:

Assimilation of variou types of high-pressure pumps with resistance to corrosion, compressors, steam-pressure generators, equipment for making micellary chemical solutions, packers resistant to high temperature and so forth , all within very short periods of time in the machine construction units;

Assumption and introduction into manufacture in the chemical industry of variou chemical products needed to prepare the micellary solutions and surface-active solutions or to increase the productivity of the pits, as well as polymers to get the viscious water;

Having the units of the metallurgical industry obtain various special steels and pipes for casing joints, injection and piping .

But insuring an increase in the crude oil recovery from the deposits also means raising the activity of the entire crude oil extraction industry to a new level. This primarily is connected with reviewing and improving the concept of organization in order to strengthen the technological specialization of the basic sectors. Among the measures required in this area we should mention the organization of special units to increase recovery in the extraction fields, organization of independent drilling units and improvement in the structure of the drilling fields and production. The high level of technicity of the new methods and their complex nature, on the other hand, require special concern with training the operator personnel in the fields. This requires making up personnel of all categories with persons specialized in mechanics, thermoelectric, automation and chemistry as well as achieving firm discipline, raising their knowledge by retraining all personnel in the problems of the new technologies.

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LIVING STANDARD DEVELOPMENTS 1976-81 DISCUSSED

Prague STATISTIKA in Czech No 5, 1981 pp 208-214

[Article by Bozena Nentvichovà : "On Some Aspects of Development of Living Standard between 1976 and 1981 Elections"]

[Text] The tendencies in the development of the living standard which became apparent as early as the first half of the 1970's strengthened during the 1976-1980 period. They originated in the high level of material consumption and general living conditions attained by citizens which was accompanied by the rapid increase in the demands for satisfaction of qualitatively higher, less essential needs.

It was stated at the 14th CPCZ Congress in 1971 that the transformation of labor, development of qualification and education, elimination of differencies between town and village and the changes in the living environment would increasingly affect the changes in the structure ne needs and people's way of life. The importance of the increase in the living standard was emphasized by reference to the fact that the development of the society reached the stage in which a permanent, balanced and overall increase in the living standard became not only an important manifestation of the advantages of socialism, but also a necessary condition for its further socialist development, in which the increase in the standard of living exerted—and would exert for a long time to come--an increasingly active influence on the development for productive forces and represented an irreplaceable stimulus for increased labor productivity. However, the increase in material consumption is not regarded as an end in itself, but as the basis for the overall enrichment of life and development of people's creative faculties, for the development of those elements and aspects which promote the socialist way of life in the society, in individuals and in mutual relations between them.

The 15th CPCZ Congress, which took place in April 1976, evaluated the development during the first half of the 1980's and approved the "Guideline for the Economic and Social Development of the CSSR during the 1976-1980 period". It set the following fundamental objective for the period of the Sixth Five-Year Plan: "in accordance with the promotion of the socialist way of life, to ensure the satisfaction of increasing material and spiritual needs of the population, and further consolidation of its life and social securities on the basis of permanen development and high efficiency of social production and quality of all work."

The living standard attained at the beginning of the 1980's which was made possible by the results of the Sixth Five-Year Plan can be characterized particularly by the following facts:

In nutrition whose structure is continuously improved according to the recommendations of dieticians, the sales and consumption of biologically more valuable food items of animal origin increased. In comparison with 1975, consumption per capita in 1980 increased, according to the preliminary estimates, as follows: of meat by another 3.5 kg to 84.6 kg (17.7 percent increase over the 1970 level); of milk and milk products by 17.6 kg to 228.0 kg (a 16.2 percent increase of 1970); of eggs by 14 to 311 in 1979 (a 12.3 percent increase over 1970). On the other hand, flour consumption per capita declined, while sugar and fats consumption became essentially stable. Fruit and vegetable consumption has as yet not reached the necessary level. The present daily energy value of consumed food already exceeds by 8 percent the recommended nutrition allowance which is fully covered in protein , but exceeded in fats and saccharides. The demands increase for higher quality--and thus also more expensive--products in individual food groups and thus also for corresponding forms of serving meals.

The damands for time and labor savings in preparation of meals are reflected in the increasing consumption of products of the canning and frozen food industries, in the increased volume of serving in public catering establishments both in restaurants and factory and school cafeterias some of which are not able to fully meet demand. This form of eating is gaining increasing importance and is preferred to the preparation of meals in households.

Clothing and footwear are significantly affected by fashion and esthetic influences related to the higher demands for the assortment and quality of products, their easy maintenance, adequate services of repair shops, laundries and dry-cleaning establishments. In 1979, for example, per capita consumption amounted to 50.05 meters of fabrics, 2.86 pieces of clothing, 4.69 pieces of knitted dresses and 4.52 of pairs of shoes. In terms of quantity, textile and footwear consumption is essentially stabilized. There are still considerable possibilities of better satisfaction of citizens' needs in the improvement of structure and quality of textile goods and footwear.

Considerable progress was made during the 1970's in the solution of the housing problem. The annual plan of construction of 100,000 apartments was surpassed for the first time in 1970. A total of 647,000 apartments were constructed during the Sixth Five-Year Plan, that is on the average more than 129,000 per year. In other words, a total of 31,700 more apartments were completed than during the Fifth Five-Year Plan. At the same time, however, considerable numbers of old apartments were eliminated in the last decade.

The increasing demands for comfort and rest after work, for supplementary education and abundant cultural life call also for bigger apartments and better amenities, public utilities and repair and maintenance services, cleaning up of apartments, bathrooms and so on.

According to the population, houses and apartments census taken on 1 November 1980, there was a total number of 4,906,000 inhabited apartments with an average floor area of living rooms of 43.8 m^2 [square meters]. The number of apartments with a bathroom or shower increased from 56.4 percent in 1970 to 79.7 percent in 1980. More than 55 percent of apartments have either central or floor heating. The

number of apartments linked to the main water supply system increased from 75.3 percent in 1970 to 87.9 percent in 1980.

Due to modernization and a larger number of huusehold appliances, the consumption of refined fuels by households continued to increase. The electricity consumption in households per capita amounted to 536.9 kWh in 1979 which was almost 25 percent more than in 1975 and 92.6 percent more than in 1970. Gas consumption in households per capita amounted to 129.4 m^3 [Cubic meters] in 1979 which represented a 15.3 percent increase over the 1976 level.

Sales of durable goods for households increased at a high rate. These products ar naturally more expensive than conventianal types of goods and presume a certain stage of material affluence. The number of households equipped with these appliances is very satisfactory. According to the population, houses and apartments census in 1980,*) per 100 households there were 87 refrigerators (61 in 1970), 87 television sets including 5 color television sets (75 in 1970), 83 washing machines including 23 automatic washing machines (67 washing machines in 1970).

Improved health care was reflected in the further development of preventive and medical care, good nutrition, continuously improving sanitary and housing conditions, better sports and recreational facilities for the citizens. Significant improvements were achieved in care for mother and child, which was reflected in the improvement of indicators of population reproduction. According to the 1 November 1980 population census, the Czechoslovak Socialist Republic had 15,277,000 permanent residents which was 932,000 more than in the population census taken on 1 December 1970.

Apart from material consumption (medicines and drugs, hygiene and beauty aids as well as of sporting goods whose sales or free consumption increased at a high rate), health care is reflected also in the construction of many health establishments, sports and recreational facilities as well as in the increased labor force in these establishments. The citizens themselves through the "Z" [Beautification] campaign significantly participated in the construction of many of these facilities.

The number of inhabitants per physician further declined: it amounted to 315 persons in 1980 (as against 432 persons in 1970 and 366 persons in 1975). additional funds were spent on improving health care in territorial districts, factories and schools. Medical centers were supplied with additional equipment, the bed capacity of health establishments increased. The number of beds in health establishments increased by 5 percent from 1975 to 190,400 in 1980 including those in hospitals by 2.9 percent to 119,200. A further development was registered in medical treatment in spas: more than 2.1 million patients were sent to 133 medical centers in spas in the last 5 years.

Expenditures on medicines and drugs in the health establishments administered by national committees amounted to Kcs 3.38 billion in 1979. Expenditures on medicines per capita amounted to Kcs 221, which was 29 percent more than in 1975 and 132 percent more than in 1970. Some medicines, however, were not available in the required

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*) The total number of appliances in the household was not recorede, only whether the household had the respective appliance.

quantity. The big increase in consumption of medicines makes it imperative to make more economical use of them.

The number of places in day nurseries considerably increased, but--although the plan of expansion of nursery capacities was surpassed--the supply could not cope with the demand. There were already 9.0 places in the nurseries for 100 children of appropriate age in 1980. The number of places in the nurseries increased approximately by 25 percent since 1975 to 89,000 and in the joint "nursery-kindergarten " establishments by almost two-thirds to 23,000 in 1980. A particularly rapid increase was registered in the number of places in the plant nurseries including JZD [unified agricultural cooperatives] which accounted for 25 percent of the total capacity.

A similar situation exists in regard to kindergartens, whose network and capacity also substantially expanded. There are 695,000 children registered in kindergartens during the 1980/1981 shcool year which is 220,000 more than in 1975. The kindergarten is attended by 83 out of 100 children of appropriate age today (67 children in 1975, 58 children in 1970). Although their capacity has been expanded, all children could not be placed. This situation slows down the return of women to work and unfavorably affects the output of some production sectors and services which largely employ young female workers.

Considerable attention was paid during the Sixth Five-Year Plan to the needs of upbringing in schools and education. This resulted in the reorganization of the educational system. There was a constant increase in the number of young people who are preparing themselves, upon the completion of the basic school, for their future employment in vocational or selective schools. There were almost 12 percent of the total number of apprentices in training with a graduation examination [maturita] as compared with 2 percent in 1975. Per 1,000 inhabitants in the 15-19 year group, there were 353 day students at high schools in 1980 (282 students in 1975 and 250 students in 1970), while per 1,000 inhabitants in the 20-24 age group there were 130 day students at colleges and universities (93 in 1975 and 81 in 1970).

Due to the rapid development of education and qualification, proper employment of people with such background becomes increasingly more urgent. There are considerable reserves here because relatively large numbers of persons do not work in the field for which they become qualified by their training or studies. This fact is caused by a variety of factors, such as wage relations, work opportunities in the place of residence and so on.

The increase in the living standard is reflected in the rising demands for transportation and communications services.

In passenger transportation, principal attention was focused on improving transportation in commuting to work, for recreation, pleasure, sports and culture. In this respect, passenger transportation by the subway in Prague is of great importance. At the present time, the Prague metro operates on tracks 30 km long and carried 217 million passengers in 1980, which is more than three times as many as in 1975. However, there still are considerable reserves both by transportation enterprises and passengers in improving travel comfort. Transportation by private cars registered a considerable expansion. According to the population, houses and

enterprises) effectively aims at the elimination, or at least mitigation, of adverse effects of scientific-technological progress--noise, air, water and soil pollution and other damage to the living environment, at providing more technical facilities for towns and communities. These projects have become absolutely indispensable for the satisfaction of citizens' basic needs.

Together with the changes in the structure and forms of satisfaction of needs, there was a significant change in financing consumption (that is, from the resources owned by the individual or from society's funds) during the Sixth Five-Year Plan. Although the amount of products and services supplied to the population free of charge or for a nominal fee constantly increased, the citizens used their monetary income for financing most of their needs.

Total personal incomes amounted to Kcs 357.1 billion in 1980 and rose 22.3 percent in comparison with 1975. Due to changes in living costs, real personal incomes increased 11.4 percent.

The average nominal wage of workers in the socialist sector of the national economy (excluding JZD) increased Kcs 339 in 5 years and amounted to Kcs 2,643 in 1980. The difference between the average wage of the worker in the socialist sector of the national economy (excluding JZD) and average monthly remuneration of the worker in JZD continued to decline in the 1970's and has already been eliminated by now. While the increase in the amount of monetary incomes from wages was also affected, in addition to the prevailing factor, the increase in the average wage, by increased employment, in agriculture the increase in average remuneration was the only factor responsible for the increase in monetary incomes.

The effect of major measures enacted in the area of social security (a new law on social security went into effect at the beginning of the Sixth Five-Year Plan and the benefits were revised on 23 July 1979) was reflected in the increase of personal social incomes, which constituted the most rapidly growing component of total monetary incomes: they increased 31.7 percent in 1980 in comparison with 1975. The average monghly old-age benefit increased from Kcs 953 in 1975 to Kcs 1,185 in 1980. The share of newly granted higher benefits in the benefits structure increased. The total amount of direct monetary assistance to families with children increased from Kcs 15.3 billion in 1975 to Kcs 19.4 billion in 1980.

Social consumption by the population is a significant part the social security of citizens (and some of its components are also an important factor in the replacement of labor and development of man's creative faculties). It registered a considerable increase in the 1970's: it was 27.3 percent larger in 1980 than in 1975. The average rate of social consumption funds per capita is Kcs 8,900 today: Kcs 4,513 in the form of monetary incomes and Kcs 4,387 in the form of products and services supplied free of charge (the respective figures for 1975 were Kcs 7,230, Kcs 3,541 and Kcs 3,689.

Attention paid to the development of the population's social consumption and to the creation of necessary material and personnel conditions for desirable functioning of services is evident from the consistent increase in the labor force and capital assets in the nonproduction sphere. Of the total 280,000-person increase in the

labor force during the Sixth Five-Year Plan, the nonproduction sphere accounted for 168,000 persons or 60 percent. Of the total volume of capital assets in the value of Kcs 2.5 trillion, the nonproduction sphere accounts for approximately 43 percent.

The increase in education and cultural level of citizen and of worker qualification; the improvement of health and reproduction of the population; improvements in environmental pollution control in some parts of the republic; expansion of municipal transportation; transportation connections even with the most remote communities; cheap and good housing; beautification of communities, all this is among the basic, --quantifiable--effects of the nonproduction sphere on which a steadily increasing amount of social consumption funds is spent.

It is rather difficult to determine the relation between results and costs or to find whether the effect increased commensurably to the funds spent. In a way, the socialist society is not interested in expressing this in figures because certain activities are taken for granted. Nevertheless, the criterion of efficiency should also be applied to this area because--although the studies in this respect have as yet not been completed--it is well-known fact that funds are frequently spent uneconomically and that a greater effect could be achieved at the same cost.

Thus in the performance of the nonproduction sphere, it is necessary to examine how much the respective service costs and whether the respective institutions (schools, hospitals, cultural establishments and so on) which render service operate economically. The problem of economical operation is not simple: It is known, for example, that due to the shortage of nurses and charwomen, certain sections of Prague hospitals were closed down and physicians were idle, which made all the operations less efficient.

As the wealth of the society increases, problems arise in connection with economical consumption of products both paid for or supplied to the population free of charge by the service institutions. In a number of instances products are not handled as economically as they used to be in the past. For example, pieces of bread or rolls left behind in ashtrays point both to the inferior quality-of products or to their defective distribution, and to the incorrect estimates of consumption volume by the purchasing agents. Random checks reveal that a similar situation exists in regard to medicines and drugs (citizens do not know how much they receive in this form because they put eye drops, for example, which cost a few hellers in the same category as expensive antibiotics) or textbooks and school aids. It is absolutely imperative that citizens be educated toward economy if funds spent are to be used more effectively.

Since the criterion of efficiency must be observed, the entire nonproduction sphere faces large tasks. The point is to increase efficiency in two respects: more needs must be satisfied with the same amount of funds and the services rendered must be of a higher quality. It is, of course, sometimes difficult to quantify increased efficiency, particularly if it is reflected in the contentment of citizens.

The application of scientific and technological achievements must also contribute to greater efficiency of funds spent on the development of the nonproduction sphere.

apartments census, 38 percent of households possessed a private car in 1980 (13 percent in 1979). Among sales of industrial products, the sales of means of transportation increased most rapidly. There is a similar situation in regard to services paid for by the population, where receipts from the population for services, repairs and maintenance of motor vehicles increased most rapidly.

There were 20.6 telephone stations per 100 inhabitants by the end of 1980. Although the number of telephone stations has continuously increased, the number of requests for installation of telephones is still considerable.

Due to the high degree of satisfaction of needs for nutrition, clothing and footwear, housing, medical care, education, and transportation and communications, the needs related to the overall harmonious development of man rapidly expanded. The less essential a need is, the more services it requires. This lays considerable demands not only on materially providing them, but also presumes the systematic expansion and improvement of the material basis, particularly of the tertiary sectors, granting additional funds and adequate personnel to the service institutions. The satisfaction of these needs also requires enough leisure. Practically every worker has every third day free in the CSSR today. Conditions are therefore systematically created for using leisure for an active rest, for improvement of health and overall development of the personality. The population's earnings and expenditures from social consumption funds make it possible for citizens to use their leisure for improving their education, for attendance of cultural events, for pursuing different hobbies, for improving their health, for recreation and sports.

The number of part-time student-workers increased considerably during the 1976-1980 period: 23 percent of workers were part-time students at all types of high schools in 1980, while their number studying at the institutions of higher learning increased 41 percent since 1975. At the present time, 2 percent of all workers in the national economy are part-time students at high schools and colleges. Under the conditions of full employment, this study is of great importance because it enables qualification improvement without interruption of regular work.

Tourist travel has rapidly expanded. The number of citizens who traveled abroad during their vacation in 1980 increased 41.4 percent in comparison with 1975. During the entire 1976-1980 period, 45,822,000 citizens traveled abroad, which means that on the average every USSR citizen left the country three times. The accommodation possibilities for domestic tourists and the number of beds available to them also increased.

The possibilities of abudant cultural life for the citizens also increased, last but not least also due to the activity of citizens themselves. Within the "Z" campaign there were built, for example, 905 establishments for adult education and 624 community centers during the Sixth Five-Year Plan. The same applies to physical education where, for example, 329 gymnasiums and 176 bathing establishments and swimming pools were built within the "Z" campaign.

The problems of living and working environment began to be more consistently dealt with in the 1970's. The spending of considerable funds primarily from the all-society resources (the cost of these projects can be borne only partly even by big

Scientific progress in medical care, for example, aims at conducting diagnoses by automatic analyzers and evaluation of results by computers. There seems to be a need throughout the world for the central registration of the population's health by means of automatic counters. All this would make the work of workers in the health sector "more productive" and improve the quality of services rendered (but would also require, of course, additional investments).

The same applies to the school system which must insist on the systematic supplementary training of workers that is necessary due to the structural changes brought about by the scientific-technological revolution. On the other hand, better education and the higher educational level of citizens are prerequisites for the implementation of scientific-technological progress and for increasing the wealth of the society, which will make it possible to obtain the necessary knowledge from foreign countries on a much larger scale than before. In this sense, the nonproduction sphere occupies a key position today.

The accumulation of scientific knowledge has become one of the basic conditions of scientific-technological progress. There are considerable possibilities in this respect for integration and international cooperation, both in the area of production and science and research, as well as in the school system, health care, culture and other areas, such as protection of the environment. It is necessary to hold conferences on these problems and learn from other peoples' experiences bearing in mind that every country faces its specific problems.

The necessity of spending social funds more effectively and of more efficient use of the labor force in the nonproduction sphere is emphasized also in the "Principal Directions of Economic and Social Development of the CSSR during the 1981-1985 Period."

The elections to all levels of legislative bodies in the CSSR should provide a stimulus not only for reviewing of how the living standard increased since the last elections, but also for an effective mobilization of internal reserves for the intensification of further development and high efficiency of the economy. Only thus will it be possible to accomplish the key objective of party economic and social policy during the period of the Seventh Five-Year Plan: despite the substantially more difficult external and internal conditions, to maintain and further improve the existing high living standard of the population and its social security in accordance with the results achieved in the development of the national economy.

Note: The 1980 data are preliminary or based on estimates.

10501
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APRIL 1981 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 29 May 81 p 2

[Summary by the Federal Statistical Office: "April 1981"]

[Text] In the development of the national economy the following basic results were achieved in April 1981 (with the same number of working days as in April 1980):

-- in industry, production volume was higher than in April 1980 and shipments by industrial enterprises for domestic trade and exports were increased;

-- in the building industry, the volume of construction performed with internal labor resources was below the level of April 1980;

-- in agriculture, purchases of slaughter animals, slaughter poultry and eggs were larger, but those of milk smaller, than in April 1980;

-- in foreign trade, total imports were larger, while total exports were below the level of April 1980;

-- in domestic trade, the retail trade turnover in all main trade system accelerated.

The enterprise plans of production and of adjusted value added were not fulfilled in industry and building industry in April.

There were 2 fewer working days during the January-April period than during the first 4 months last year. From the beginning of the year to the end of April the annual state plan was fulfilled as follows: 32.9 percent in industrial production volume, 27.7 percent in construction performed with own labor resources, 33.0 percent of purchases of slaughter animal including poultry, 30.1 percent of total imports, 29.9 percent of total exports. The number of working days during the January-April period accounted for 32.7 percent of working days in 1981.

In centrally planned industries, the enterprise plans of adjusted outputs (according to the preliminary results) were generally fulfilled 101.5 percent, but 275 enterprises, or 25.3 percent of the total number, failed to meet this indicator during the January-April period. Particularly low fulfillment of the

plan of adjusted outputs was by the enterprises of the woodworking industry and ferrous metallurgy. In comparison with the same period last year, industrial production volume increased 1.5 percent and its value amounted to Kcs 207.9 billion during the January-April 1981 period. Average daily production increased 4.0 percent during the first 4 months of the year. The state plan anticipates a 2.8 percent increase in production for the entire year. Although the enterprise plans of industrial production were generally fulfilled 100.3 percent, 214 enterprises, or 25.2 percent of the total number, failed to meet the plan targets during the January-April period of 1981. The production plans were not fulfilled primarily by the enterprises of heavy and general engineering, chemical industry, crude-oil-processing industry and woodworking industry.

In the sales of industrial products at wholesale prices, the deliveries for manufacturing consumption increased 3.8 percent, deliveries for export to the socialist countries 1.6 percent and to the nonsocialist countries 1.9 percent during the January-April period of 1981 over the level in the same period last year. Domestic trade deliveries were below the level of the January-April 1980 period, although this indicator in the enterprise plans was met 102.3 percent. The enterprise plans were substantially surpassed in deliveries for export to the socialist countries (by 8.7 percent), while the plan of deliveries for export to the nonsocialist countries was fulfilled 103.9 percent and deliveries for investment projects 101.7 percent during the January-April 1981 period.

Some enterprises, however, failed to meet their sales-plan targets during the January-April 1981 period. The plan of deliveries to domestic trade at wholesale prices was not fulfilled by 15.4 percent of enterprises for which this indicator was specified in the plan, while the targets set for export to the socialist countries were not met by 15.2 percent of enterprises and the targets set for export to the nonsocialist countries by 27.6 percent of enterprises involved.

In agriculture, the spring sowing of grain crops and legumes was completed on schedule, and the sowing of sugar beet is coming to a close. As of 11 May, potatoes had been planted on 98.7 percent of planned areas, corn for grain on 98.2 percent of planned areas. In animal production, the herd of domestic animals continued to increase. The purchase schedule in regard to all main animal products was surpassed by the end of April, while the biggest excess was registered in the purchase of eggs and slaughter pigs. The purchases of slaughter animals including poultry increased 25,000 tons and of eggs 32.9 million, while the purchase of milk decreased 32.7 million liters in comparison with the January-April period last year.

In the building industry, the monthly enterprise plans of construction production were fulfilled 95.5 percent in April. In comparison with April 1980, the volume of construction work performed with own labor declined 1.6 percent and reached the value of Kcs 7 billion. Labor productivity of construction workers also declined 1.5 percent in comparison with April 1980. From the beginning of the year to the end of April, construction enterprises completed work performed with own labor in the value of Kcs 23.8 billion or 2.4 percent less than during the same period of last year. Average daily production remained on the same level as during the corresponding period last year. The enterprise plans of construction

production were fulfilled 96.8 percent and of adjusted outputs 98.5 percent during the first 4 months of the year.

Contracting construction enterprises completed 5,033 apartments from the beginning of the year to the end of April. The annual state plan was fulfilled 7.3 percent [sic] during the 4 months of the year.

Public freight transportation generally met the April transportation targets 102.1 percent. In comparison with April 1980, the volume of goods carried by public freight transportation increased 6.5 percent. The April plan targets were also surpassed in total railroad loading and in average daily loading per freight car unit. The plan for transportation of goods was generally fulfilled 101.3 percent, including railroad transportation 98.9 percent, CSAD [Czechoslovak State Automobile Transportation] 103.6 percent and river transportation 95.8 percent. A total of 206.9 million tons of goods were transportated during 4 months, or 3.6 percent more than during the same period last year. The overall railroad loading volume during the first 4 months of this year increased 3 percent over the level attained during the same period last year.

In foreign trade, in comparison with the same period last year, total exports at current prices increased 7.9 percent and total imports 5.3 percent. By the end of April, the annual plan targets were fulfilled 30.3 percent in exports to the socialist countries, 29.1 percent in exports to the nonsocialist countries, 29.2 percent in imports from the socialist countries and 31.3 percent from the nonsocialist countries.

In domestic trade at current prices, the population bought goods in the main trade systems in the value of Kcs 18.1 billion, or 3 percent more than in the corresponding period last year. The most rapid increase was registered in the following trade organizations: Klenoty [Gems] (105.7), Potravinarsky obchod [Food Trade] (105) and Trade in Industrial Goods (103.8). In comparison with the previous months of this year, the increase in retail turnover of Shoe Trade slowed down (98.8).

From the beginning of the year to the end of April, the retail trade turnover reached the growth rate of 100.2. The enterprise plans for increase in the retail trade turnover were fulfilled 99.3 percent during this period. The highest growth rates in surpassing the enterprised plans was achieved by the retail trade turnover in Klenoty (growth rate 107.3, plan fulfillment 102.9 percent) and Footwear (growth rate 105, plan fulfillment 105.3 percent) during the January-April period. The retail trade turnover in Fruit and Vegetable Trade, Furniture Trade, Textile Trade and in Department Stores remained below the level during the same period last year.

Personal incomes increased 2.3 percent, or Kcs 2.6 billion, during the January-April 1981 period in comparison with the same period last year.

Savings deposits were Kcs 160.5 billion as of 15 April 1981.

Money supply was Kcs 44.4 billion as of 30 April 1981.

Basic Indicators of National Economy's Development in April 1981
Increases Over Comparable 1980 Period (in percent)

	Apr	Jan-Apr	State Plan[1]
Deliveries by Centrally Administered Industry for:			
- Total investments at wholesale prices		- 0.7	3.5
- Domestic Market at wholesale prices	-	- 0.4	1.3
at retail prices	-	- 1.1	2.3
- Export to Socialist countries			
at wholesale prices	-	1.6	1.4
at FOB prices	-	1.2	3.5
- Export to nonsocialist countries			
at wholesale prices	-	1.9	- 0.2
at FOB prices	-	5.0	- 1.0
- Other sales for production consumption and operations at wholesale prices	-	3.8	-
Volume of industrial production	1.9	1.5	2.8[2]
Average number of employees	0.7	0.6	0.5
Labor productivity based on industrial production	1.2	0.9	2.2
Construction:			
Construction performed with internal labor resources	- 1.6	- 2.4	2.8
Average number of employees	- 0.1	- 0.3	0.0
Labor productivity based on construction work	- 1.5	- 2.1	2.8
Housing units delivered by contracting enterprises	-40.3	-50.7	-15.9
Procurement:			
Slaughter animals (including poultry)	2.8	4.5	- 1.4[2]
Milk	- 0.7	- 2.1	0.7[2]
Eggs	4.2	3.8	- 0.8[2]
Retail Turnover:			
Of main trade systems	3.0	0.2	3.0[2 3]
Foreign Trade:			
Export to Socialist countries	6.3	8.3	1.7[2]
Export to nonsocialist countries	-31.1	7.4	2.9[2]
Import from Socialist countries	- 0.8	6.9	1.1[2]
Import from nonsocialist countries	8.0	3.3	2.2[2]
Personal Earnings:[6]			
	3.5	2.3	4.5[5]
of which: wages	3.0	2.1	3.1
actual cash expenditures	3.1	0.4	3.5[5]

FOOTNOTES

1. Increases compared to expected 1980 results.

2. Increases compared to actual 1980 results.

3. All trade systems.

4. Data on actual results refer to actual transactions and the state plan (as distinguished from overall actual results) does not include unplanned actions in the framework of cooperation, unplanned reexport trade, exchanges, and conditional trade transactions, etc.

5. Including estimated interest on loans.

6. Data based on treasury plan of the SBCS (CS State Bank).

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CZECHOSLOVAKIA

MANAGEMENT UNDER SET OF MEASURES REVIEWED

Prague MODERNI RIZENI in Czech No 6, 1981 pp 6-10

[Excerpt from introduction by Eng Leopold Ler, candidate for doctor of science, minister of Finance of the CCR, and chairman of the government Committee on Planned Management Problems in the National Economy]

[Excerpt] The implementation of the Set of Measures which has been going on since the beginning of the year has not been, and will not be, a problem-free undertaking. The entire management system rests to a great extent on the way in which people comprehend it and integrate it into their operation under specific conditions at the ministry, economic production unit, enterprise, factory, and workshop levels. Above all, it is the managerial employees who will set in motion this entire new economic mechanism in everyday, practical activities. The link between the determination of wages payable and the level and efficiency of internal enterprise labor force performance, the connection between the possibility for modernizing capital assets and the generation of internal resources and the utilization of existing capital assets, the realization of social measures for worker collectives according to the assurance of social requirements and achieved economic performance, all are conditions which are substantially more strict than those under which we have operated in the past. And it must be admitted that there are still supervisory managerial employees who have yet to adapt themselves to this harsh reality, judging from the first-quarter results in the fulfillment of the economic plan objectives. On the other hand, there are economic production units and enterprises which prepared themselves well for the Set of Measures, and which have been successfully implementing plan objectives according to the Set of Measures since the beginning of the year. The successes of these organizations are for the most part based on their allocation of the principles of the Set of Measures to their internal enterprise departments in terms of indicators and standards which express concretely the targets of individual workplaces in such a way that the targets for the enterprise as a whole are also met. This is the only proper understanding of the intentions of the management system, which presumes responsible and initiative-taking managerial activity from every managerial employee, who will create through his working and decisionmaking style the "properly creative climate" within the management system and in mutual relationships.

It was emphasized in a number of delegate contributions at the 16th CPCZ Congress that where the workers are aware of their daily, 10-day monthly, quarterly, and

yearly targets, they will succeed in the even fulfillment of the tasks in terms of quantity and quality, people will develop initiatives toward exceeding targets, for the improved satisfaction of social requirements, for the achievement of higher labor productivity, greater efficiency and frugality.

For this reason, we place so much emphasis in the Set of Measures on the consistent application of khozraschet as an inseparable component of the planned management of socialist organizations. Khozraschet has been developed within the Set of Measures as a technique of planned management and industry, as a complete system of economic relationships between society and its economic components. Khozraschet functions on the basis of the plan, especially the five-year plan, which establishes the fundamental tasks, framework and certain basic instruments for the functioning of khozraschet. Khozraschet is utilized, then, for the assurance of the tasks established by the plan, at the same time that it exerts in turn an influence on plan formulation from the viewpoint of management efficiency. To this end, khozraschet employs instruments such as prices, wages, and finance. It must be emphasized that a substantial turnaround in the efficiency of specific khozraschet organizations may be assured only through the unified influence of a comprehensive plan and khozraschet instruments.

The Set of Measures provides a number of preconditions for the functioning of khozraschet, including:
--increasing the responsibility of economic production units and enterprises for performance achieved over the whole range of their activity;
--introducing organizational responsibility for the long-term fulfillment of planned objectives. The main organizational tasks will be evaluated not only annually, but also from the inception of the five-year plan;
--strengthening the role of merit in the whole system of economic incentives, which is an important khozraschet principle: This is achieved in the area of wages through a connection between the generation of wages payable and adjusted internal production and the return on productive assets, and in financial management by increasing the percentage of internal financial resources committed to the financing of the planned requirements of the organization.

The rigorousness of current scientific and technical development, the implementation of complex and costly investment projects and demanding foreign trade; necessitates the resolution of problems in all of these areas the existence of large, economically powerful organizational units. For this reason, we are gradually implementing a principle--making the basic management unit in the enterprise sphere the economic production unit, which will combine production enterprises, research and development firms, enterprises engaged in supplying and marketing, and additional organizations. The report presented by Comrade Gustav Husak, general secretary of the CPCZ Central Committee, at he 16the CPCZ Congress emphasized the following: "Completion of work on strengthening the role of economic production units as an important management element in the enterprise management sphere, assurance of the stabilization, simplification and increased efficiency of supplier-consumer relations, and the establishment of closer ties between the research laboratory and the concrete requirements of managerial practice are all pressing tasks for sectorial ministries in cooperation with economic production units. Increasing the efficiency of management work also means the energetic elimination

of unnecessary and redundant activities and clauses, the rationalization of work methods, and doing away with bureaucratic attitudes and paper-shuffling."

In the report of the CPCZ Central Committee on the main trends of economic and social development in the CSSR from 1981 to 1985, as presented by Comrade Lubomir Strougal, it is mentioned that, "At the same time there will be a retention, and at times a strengthening, of those functions and the authority of the enterprise which are related to its production and social objectives."

For this reason, even enterprise khozraschet must be designed in such a way that the enterprise may be evaluated on the basis of its performance, and rewarded on this basis, while at the same time being given an incentive to contribute to the performance of the economic production unit as a whole. The mutual management relations within the economic production unit, and the resultant authority and responsibility of the enterprises must be defined in the statutes of the economic production unit, which thereby become an important management instrument.

The growing economic pressure being generated by the principles embodied in the Set of Measures, as they have been implemented since the beginning of this year, is necessitating not only a strengthening of the khozraschet of economic production units and enterprises, but also improvements in the system of internal enterprise management, a strengthening of its economic aspects, and a calling forth of effort aimed at achieving the best possible performance. This implies the utilization of internal enterprise khozraschet, which is nearest to the workers, because production targets and efficiency are implemented at the workplace as material units and costs, in norm-hours of labor consumption, in norms for the consumption of materials, energy, and machine use. Internal enterprise khozraschet may exert an effective influence only on the basis of good operational planning, accurate norms and operational management, and on the basis of good documentation. We have enterprises which have achieved excellent performance in their internal enterprise management on the basis of internal enterprise khozraschet, but generally speaking the situation is far from satisfactory. Our experiences from the implementation of the Comprehensive Experiment showed us that those enterprises which have succeeded in implanting these principles and standards within the internal enterprise divisions are the ones which have achieved significantly better management performance. Now it is a matter of increasing the number of enterprises with positive results so that they will constitute a majority of the total in the shortest possible time.

In his report at the 16th CPCZ Congress concerning the major trends in the economic and social development of the CSSR from 1981 to 1985, Comrade Strougal stated: "The improvement of management will continue in the future to be an ongoing, creative process to which economic research must also make a contribution. This is mainly true in terms of long- and medium-range planning, where it is necessary to assure that the economic and social consequences of scientific and technical progress are integrated into the long-range programs for our national economic development. We will devote special attention to problems in the management of external relationships and, in conjunction with this, to currency, finance, and pricing instruments. There is also still no lack of problems in the planning and management of the investment projects."

For this reason, our economic research is assuring the task allotted to it by the federal government in Resolution No 42/1980, and is working on conceptual studies regarding the trends in the further development of the planned management system of the national economy. The expanded theses of these conceptual studies, which will provide for the simulataneous assurance of the above directive of the party Central Committee, will be discussed in detail by the Government Committee on Planned Management Problems in the National Economy at the beginning of the second half of this year.

Just as in the Sixth Five-Year Plan, we are counting on the experimental verification of certain elements of the improved management system in the Seventh Five-Year Plan as well. For instance, proposals have been drawn up for the verification of several additional management instruments in the area of foreign relations, which are spelled out in the Set of Measures for selected branches and fields. Their objective is the achievement of increased effectiveness in exports with the aid of improved incentives for receiving the highest possible prices abroad. We want to perform these experiments in those sectors and fields which realize a significant part of their production on foreign markets and where it is possible to increase rapidly the effectiveness of exports through a targeted structural and product-mix change.

We are assuming that on the basis of a thorough evaluation of the effectiveness of individual principles contained in the Set of Measures for Improving the Planned Management System of the National Economy, the management system will be further intensified and that new elements in specific sectors will be experimentally verified according to need.

Criticism of the growth on the administrative difficulties of management was contained in both main documents of the 16th CPCZ Congress and came as well from the mouths of a number of delegates.

Administrative management stems from the necessary requirement in a socialist economy of managing and directing the behavior of all the factors of production. The development of production potential, scientific and technical progress, the shift to intensive economic development, all lead to an increase in standards and in the complexity of management both for the entire national economy and for its separate components. An increase in the centralization of management means, understandably, an increase in administrative work as well. A reduction in the difficulty of administrative work cannot, clearly, imply a simplification of problems which are difficult in and of themselves and require a disciplined managerial approach.

On the other hand, it is necessary to perceive that the constant growth in administrative work, and the overall style and techniques of management generally, are not only the result of these objective influences but are not adequate to deal with them. They are also brought about by specific tendencies toward a formalistic attitude, which puts great stock in paper-shuffling, and they do not serve the requirements of efficient management. And these are the instances which evoke justified criticism. People have become accustomed to arranging matters in written form, without the essential personal contact. In many instances, matters are approached formalistically, are not resolved according to merit, a process which suits those who fear assuming responsibility for a concrete decision.

There are a number of causes which lead to an increase in administrative work. The administrative demands of management have become a serious problem, one which requires objective evaluation and effective, gradual resolution. For this reason, analyses have begun of the administrative demands in specific sectors. This year, a comprehensive plan is being formulated for the management of sectors and economic production units, each of which must define rationally the tasks, authority, and responsibility of its managerial components. On the basis of the above projects, it will be feasible to formulate and to present to the CSSR Government a more comprehensive program of projects for reducing the level of administrative work in such a way that a whole range of jobs will be taken care of (for instance, planning, finance, statistics, accounting documentation, etc.)

However, we can achieve an immediate improvement in management efficiency if we eliminate everything that is no good to us and which takes away time which we can use for systematic and immediate contact with people, time for the inspection of task fulfillment.

The discussions of the 16th CPCZ Congress unambiguously point to a growth in the role of the individual--the managerial employee in the realization of the strategic line of the party, the struggle for the comprehensive intensification of our economy. The managerial employee who solves specific daily problems through a creative and initiative-taking attitude, who is capable of leading, motivating and organizing workers for the realization of an economic and social program, and who achieves positive results which benefit the entire society will also enjoy the full support of the party organs.

9276
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CHANGES IN CAPITAL FINANCING REVIEWED

Prague MODERNI RIZENI in Czech No 3,1981 pp 28-32

[Article by Eng Stanislav Sourek, Federal Ministry of Finance]

> [Text] Among the new financial regulations which went into effect on 1 January 1981 to implement the Set Measures for the Improvement of the System of Planned Management of the National Economy is also Regulation No 162/1980 of the Code on financing the reproduction of capital assets promulgated by the Federal Ministry of Finance and the chairman of the Czechoslovak State Bank. This decree contains important changes deviating from the current practice of VHJ's and enterprises.

Decree No 162/1980 of the Code implements primarily two basic stipulations of the Set of Measures, namely:

--Increasing the proportion and role of financial resources of VHJ's and enterprises, mainly of profits, in financing their needs, strengthening thereby also the khozraschet nature of the capital investment financing system.
--Applying consistently the criteria of efficiency as a condition of financing.

Two Funds

The most important change in capital financing is that investments of VHJ's and enterprises of practically all industrial and some other branches of the national economy will henceforth be financed for the first time from two funds--the construction fund and the development fund.

The construction fund is used to finance all key capital projects specifically approved at individual management levels, in other words all projects with budgets exceeding Kcs 2 million. The methods of creating and using the construction fund do not essentially differ from the current financing method from the construction fund. This fund is being established by all VHJ's or enterprises (enterprises establish such funds by direction of their VHJ) according to the financial plan from: part of the profit, part of funds amortizing capital assets, the central financial resources of the superior organ or even from the state budget and from

other sources as required by law. Investment credits for capital projects financed from the construction fund are being granted by the State Bank. VHJ's or enterprises of branches not required to establish development funds by law finance all their investments from the construction fund.

VHJ's and enterprises use the development fund to finance projects with budgets not exceeding Kcs 2 million and machinery and equipment not included in the budget of projects under construction. Therefore, included are primarily investments vital for modernizing and raising the technical standard of the production base. The development fund is a material incentive fund which is being established both by VHJ's and enterprises with the VHJ determining how the fund is to be formed, how large it is to be and what conditions will govern its use.

The development fund is being formed from profits and amortization funds of capital assets according to norms set down in the financial plan by the superior central branch organ for VHJ's and by VHJ's for enterprises to last for a considerable period of time (the five-year plan). The following standards govern the formation of the development fund:

--The profit-proportion standard stipulating the percentage of profit;
--The capital asset amortization standard stipulating the proportion of amortization rates.

The norm governing the proportion of profit to be used as an allocation to the fund mandates the fulfillment of two indicators with half the allocation dependent on the fulfillment of each of the two conditions. These indicators are: the profitability of means of production or the yield of capital assets and the distribution structure or the principal markets (where this indicator cannot be determined another mandatory indicator will be selected by a prescribed method). Nonfulfillment of mandatory indicators will result in a proportional reduction of the respective part of the profit allocation and when the lower limit of fulfillment is not attained the allocation lapses.

The State Bank will grant investment credits for projects financed from the development fund. In addition, some resources in excess of the plan can be used as allocations to the development funds:
--part of the preferred price received for technically advanced and first-quality products;
--money from the economic-incentive fund for the stimulation of exports;
--proceeds from the sale and discarding of unneeded and unusable machinery and equipment;
--resources accruing from the permanent accelaration of the turnover of supplies which have become available in the turnover fund by transferring the respective means from the turnover to the development fund.

The proportions of the various financial resources which, according to plan, are expected to contribute to overall capital expenditures financed from the development fund are stipulated by law, namely:
--the allocation from profits must amount to at least 30 percent and that from the amortization funds of capital assets normally to 40 percent of the volume of

investment and payments on investment credits financed from the development fund;
--of the allocations exceeding the plan, a maximum of 25 percent of the standard allocation from profit can be channeled into the development fund (aside from the transfer of means from the turnover fund).

The nature of the development fund renders it necessary to plan investments financed from this fund in a specific manner. These investments are part of the state plan and their limits set by the state plan cannot be exceeded by individual central branch organs. While these organs do not specify further the amounts of investment financed from the development fund, they establish norms for their subordinate VHJ's governing the amounts of the allocations to their development funds, also indicating with the bank's consent the amount of bank credit recommended for these investments. The central organs will set aside the necessary investment reserve for investments financed from the development fund to be used as allocations to the development fund from resources exceeding the plan or from excess profits. A similar procedure is used by VHJ's in their dealings with subordinate enterprises.

Branches not required to establish development funds are specifically identified by law. Included are primarily enterprises managed by national committees, state agricultural production organizations and all state economic organizations whose relationship to the state budget is governed by the financial plan (they do not make relative contributions to the state budget from their profits). In some branches, for example, in building construction, only VHJ's with favorable conditions are called on to establish development funds.

Investments financed from the development fund constitute a relatively sizeable proportion of overall investments differentiated to a considerable degree by individual branches and even more by VHJ's. In industry, the proportion of these investments amounts to about 35 to 40 percent of overall investments but in some VHJ's this proportion is as high as 80 percent and even higher. Investments financed from the development fund are closely related to the overall management efficiency of VHJ's and enterprises, a factor which will help assure maximum efficiency of all capital projects undertaken by VHJ's and enterprises.

There is a rule that VHJ's and enterprises must pay for the consequences of their shortcomings in financing capital projects from the construction fund (cost overruns, failure to meet construction deadlines, etc.) either in full or in part. Detailed guidelines are yet to be issued to implement this important measure imposing rather severe penalties for the occurrence of shortcomings in the part of capital construction financed from the construction fund as a result of using resources from the development fund. This tie between the financing of projects from both the development and capital fund emphasizes the obligation of VHJ's and enterprises to maintain efficiency and meet indicators stipulated for all capital projects.

Financial Resources Are not Enough

Naturally, financing capital projects from the development fund is contingent on the accumulation of adequate financial resources in the fund. The most difficult task is the accumulation from profits of the required share which is designed to act as an incentive for the enterprise to show a profit. Nor is bank credit easy

to get and granted automatically, because the borrower must prove his ability to repay the loan which in turn assures efficient use of the credit. But funding the development fund is not the only condition on which the financing of these capital projects depends. The law requires that on the basis of guidelines drawn up to that end by the respective central organ, the central branch organ set for subordinate VHJ's (and VHJ's in turn for their enterprises) technical economic indicators as a condition for financing capital projects from the development fund. These indicators bear, on one hand, directly on capital investments financed from the development fund (for example, the proportion of modernizations financed by such investments, specific objectives to be attained by modernization, automation, establishment of production lines, etc.) and, on the other, on the impact the investments from the development fund have on the VHJ or the enterprise (for example, the impact on the overall return of machinery and equipment, shift work, renewal of means of production, etc.). These indicators must be fulfilled to assure uninterrupted financing from the development fund. It is the bank's duty to make sure of the fulfillment of the postulated indicators and stop the flow of credit where they are not met. What this means is that VHJ's or enterprises may be unable to finance capital projects even though they have money in their development funds.

The central branch organ has the authority to assign directly specific tasks to their subordinate VHJ's to be financed from the development fund which the VHJ's then are obligated to fulfil as mandatory tasks (for example, capital projects requiring imports, new labor resources, specific high-priority tasks, etc.).

VHJ's or enterprises with poor management records failing to fund their development funds adequately will be able to use them only for payment of their most urgent needs (from capital asset amortization resources) and will have to restrict their capital projects. But such cases will have wider repercussions because the problem does not concern only the VHJ but the entire industrial sector; therefore, the superior organ must take effective measures and even go so far as to impose a consolidation program and set specific tasks aiming at improving management, removing shortcomings and restarting accumulation of financial resources in the development fund to set the VHJ on its rightful course as fast as possible.

Basic changes contained in the new decree on financing the reproduction of capital assets establish an important economic relationship between the entire process of financing capital construction and the impact of the resulting projects and also the overall financial management of the respective VHJ or enterprise. But these are not the only changes. The decree also contains a number of minor changes from current legal practice which together help raise overall efficiency in this area of financial management. And this is not the only decree promulgated to ensure the fulfillment of this goal. The CSSR Government has approved the principles governing the granting of subsidies for investments from the state budget. These principles likewise reflect the importance of the role VHJ and enterprises' development funds play in financing investments and grant subsidies from the state budget only for investments where the funds available to VHJ's and enterprises are inadequate to assure the long-term planned development of an industrial sector.

In granting subsidies for capital projects from the state budget, efficiency of investment and compliance with set technical and economic indicators will be

strictly enforced. The application of the new decree of the Federal Ministry of Finance about penalties to be imposed for failure to bring imported machinery or equipment into operation within set deadlines which went into effect on 1 January 1981 will have a marked impact in practice.

While the new financial regulations implementing the Set of Measures will certainly contribute visibly to raising the efficiency of the entire process of reproduction of capital assets, attaining this goal requires the application of maximum effort in all sectors of planned management as well as in daily practical management decisions and organizational work at all levels.

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PLANNING DIRECTOR INTERVIEWED ON ECONOMIC REFORM

Comment on Second Draft

Warsaw SZTANDAR MLODYCH in Polish 2 Jul 81 pp 1-2

[Interview with Prof Dr Jan Mujzel, director of the Planning Institute, member of the Reform Commission, by Malgorzata Pokojska: "Without Slogans Against the Public"; date and place not given]

[Text] [Question] You are the co-author of the second version of basic assumptions of the economic reform, what actually influenced the commission to again start the work on the draft?

[Answer] Do you mean the commission proper or the editorial team created by the commission?

[Question] You are right of course, this time the work has been performed by an eight-member team of experts. When did it happen?

[Answer] We started about 7 June, when we were sort of "confined to barracks" in Serock, we finished on the 25th.

[Question] The team leader, who at the same time was the secretary of the commission, during an interview published in POLITYKA of 6 June 1981, even had indicated which particular elements would enrich the new draft. He also stated that the work should be finished by 10 June. If it were to actually happen that way there would still be enough time for any eventual amendments to the draft laws on enterprise and self-government, which are being criticized by a part of the work forces even though they are now waiting adoption in the Sejm.

[Answer] I do not know why we waited until June to start work on the second draft of the reform. I was not engaged in the organizational work. It is a fact, however, that from the very beginning, from the moment that the first version of the assumptions was completed, we were all aware of the fact that it would become necessary to undertake work on a second version. In the course of general discussion at the December meeting of the commission, there were many strongly diverging points of view. Following some small changes, the first draft of the basic assumptions was published in January. Perhaps it would have been better if this were preceeded by an explanation regarding the many unresolved differences of position. Some readers had no doubt received an impression that the entire draft had been unanimously accepted by the several dozen members of the commission.

[Question] On the contrary. Immediately after the publication the readers had learned that actually nobody was claiming credit for authorship of "Basic Assumptions." Some of the conferees had actually declared themselves officially as nonparticipants....

[Answer] This really happened in the end. Afterward, there ensued wide public discussion. In the mass media, group meetings, work placesand eventually in specialist circles. Additionally, the commission received letters with remarks, opinions and propositions. This discussion, sharply critical of the document, had shown to what degree it missed social expectations. This input was prepared by the secretary of the commission and was made available to us. When we started work on the second draft we were enriched by these lessons.

[Question] Well then, the dissatisfaction of the authors of the first draft and the sharp public criticism of this document were the deciding factors in the renewed work start.

[Answer] There was one more reason: In addition to the commission there were 11 problem teams at work. For several months already, each team had been working with more or less intensity on problem solutions in defined problem areas. From the very beginning, these teams did not care much for the basic document. Team "X" which prepared the above-mentioned drafts on business and self-determination, was maybe the most loyal one with respect to the basic document. Thus arose a problem of reconciliation of all the work performed by particular task forces during the recent months. The minutes of the "Basic Assumptions" have to be binding on those who prepare detailed solutions--this is a precondition for preparation of a cohesive entity. Of course, we still don't know how the second version will be accepted.

[Question] Does it differ from the first one? Are you satisified with this "second approach?"

It is difficult for me to evaluate it, after all I'm a co-author (we've done away with anonymity). It does seem, however, that if there had been a little more time it could have been better prepared. I think that after a discussion of this draft, and I do expect a critical discussion, we will have a chance to improve it. Do I like it? I'd like to insist that this is a more mature and tremendously more effective document than the previous one. This half-year of great intellectual awakening has definitely borne a harvest.

[Question] On what premises did you begin your work?

[Answer] The premises are similar each time, there simply cannot be any others. In addition to the first draft prepared by the commission there were also some six or seven social proposals. In my opinion they all have originated from the same or, generally speaking, similar assumptions. This resulted in a deep consistency of fundamental lines.

[Question] This is perhaps possible in a more abstract sense.... As for myself I perceive serious differences between the draft submitted by the team headed by Dr Leszek Balcerowicz and the government draft.

[Answer] It seems to me that the fundaments, on which rest all current drafts, are supporting the same point. Among those fundaments I would include: popularization of central planning, focusing of this planning on central decisions, a change in the planning methodology. And as for business--independence, self-government and self-financing.

[Question] But those are only slogans. They are capable of different interpretations. For example, some want the self-government to be the comanager of the business as well, others--want it to govern the business. And both sides quote the same self-government principle.

[Answer] Of course, when it comes to detailed interpretation we can see the beginning of far-reaching differences. However, I repeat that those are only differences in specific solutions. They often also pertain to a certain degree of radicalism in the decisions, in particular where they pertain to the time and method of implementation of the reform. There are those who favor one single strike, even if this were linked with a great degree of social and political risk. It works somewhat on the principle: Let's jump off this cliff--maybe we'll find something interesting at the bottom.

[Question] Are you not an advocate of a one-time, radical reform?

I believe that everyone should have the right to assume a risk, however, as an expert I would never propose that the risk should be borne by a nation of 36 million.

[Question] Do you regard the Balcerowicz team draft as just such a proposal?

[Answer] I would not say that. I did not find any dangers in the text of the draft, but I did find some dangers in many of its interpretations.

[Question] But this proposal stipulates reform at a single sweep, immediately, and to such an extent that there would be no way to turn back. The economists who collaborated with Balcerowicz are of the opinion that by a gradual introduction of the reform there is the danger that the attempt may be forsaken.

[Answer] They are absolutely right. For some time we have been all aware of this danger. However, a question arises--is there any way other than gradually? This is not by reason of bureaucratic resistance or conservative tendencies in the government structure but because of real sociopolitical barriers. As an economist, I would opt for radical solutions without hesitation, they are the cleanest, logical, are capable of giving quick results and finally--they present no dangers of destruction. The crux of the matter is that the society would have to accept them. This means above all they would have to agree to a drastic reform of retail prices. If someone has absolute confidence that this is possible, let him come forward with such an idea. However, my assessment of the situation is different.

[Question] Then in your opinion, the impossibility of passing a one-time change in retail prices would prejudge it in favor of a gradual reform. Then according to your way of thinking, what scale of price reforms would be acceptable to the society?

[Answer] I shall answer your question with a question: During what period of time, in your opinion, one can take away 30-40 percent of earnings from those in the middle income bracket? Because such is the magnitude of the radical reform if you take into account rebates to middle-income groups.

[Question] This question should have been discussed with the population a long time ago?

[Answer] You are right, every day of delay is only making the starting situation worse. The inflation gap and its burden are growing, and with them grows the amount of regulation which they cause.

[Question] I understand that the second draft of the proposal contains a concrete suggestion for solving the pricing problem.

[Answer] The transition period has received detailed treatment in the second draft. As it concerns retail prices, the initial, large step should become accomplished as early as this year. In addition to food prices, I would propose raising the price of some items of industrial origin, in particular luxury, semiluxury and utility items. This would include alcoholic beverages, cigarettes, luxury-type clothing, furniture, household utensils, etc.

[Question] All the previously introduced price increases have included this group of merchandise. Traditionally a large portion of industrial products [consumer goods] is included in the luxury group. Are those prices really so much lower?

[Answer] No, often they are simply too high. But what can you do when you raise food prices, which requires monetary rebates? It will to some degree contribute to the filling of the market gap, which today is estimated at 500 billion zloty per year. In some cases the price increase will upset the proper relationship, however, the far greater misfortune is the existence of devastated markets and a growing gap.

[Question] I hope that the final objective of the price reform is not only a restitution of market balances but also an establishment of proper price relationships.

[Answer] But of course. Nevertheless, today we have to accept certain target priorities, in order to introduce the reform, the most important step will be reestablishment of functioning markets. Current rules have to be supplanted by a market mechanism, but in the first place this mechanism must begin working. This means that a change in supply prices has an equally fundamental importance. The draft of the regulation is already prepared, it is to take effect on 1 January 1982.

[Question] Introduction of a market mechanism is directly tied with abandonment of management by decree.

[Answer] This is our Rubicon, the crucial matter in the reform--a complete and unconditional rejection of everything called "traditional means." This means pinpoint-type directives, limitations and allocations. Otherwise we will become mired in compromises and we have the worst perspective. But this does not mean that the state should forego the obligatory instruments with which to guide the economy, such as, establishment of laws, tax-revenue levels and, in some cases, central determination of certain prices.

[Question] When do you propose we depart from directives and orders?

[Answer] Unfortunately, these methods cannot be completely abandoned during the transition period. Should there be a shortage of something then someone, with a purpose in mind, must do the division.

[Question] When prices and other parameters are properly stabilized, then the means of a deficit will flow where they can be best exploited....

[Answer] It is my contention that every business, every factory should have a chance to live through the reform. During the period of grace (its length ought to be determined) an equalization of the starting conditions would take place. I would not make a rash judgment as to who is better or worse.

[Question] A partial, as I understand it, departure from the system of directives, at the present, and a complete break in the not so distant future does not create, per se, a necessity to create as many as three new branch-type ministries of industry, but--did not just such a proposal come forward?

[Answer] Are you asking me if I agree with this concept? No, I do not--I believe that just one branch-type ministry of industry would be sufficient. The remaining [government] departments will probably mobilize all their forces in order to justify their existence and will attempt to continue to fulfill their distributive functions. This may pose a danger to the reform.

[Question] What are the arguments of those who claim that it would be sufficient to reduce only the number of ministerial branches?

[Answer] Well, those arguments run as follows: the very merger of ministries will lead to qualitative changes which will exclude a possibility of their fulfillment of their directive-distributive fantasies. Generally speaking a problem is being created--to whom do we turn to conduct this reform, because so far we have nothing but opponents?

[Question] This conflict will not arise if technological progress at last becomes a deciding factor as to whether a plant has a reason to exist. In this area, the directive methods have resulted in a complete fiasco. Additionally, scientific research could, to a large extent, be financed by the state.

[Answer] Throughout the world progress is born from business. And everywhere there still exists an unresolved conflict between self-government and managementalism.

[Question] I do not believe that the system, as outlined in the above-mentioned documents, could solve this problem, even to a small degree. What do you propose?

[Answer] I also do not have any illusions with regard to both drafts. I have already said it--I was against the resolutions contained in them. Instead, I propose to go without demagoguery, without slogans against the public; we need a plurality of business types. We need self-governed and managerial businesses, cooperative and public utility businesses. A plurality has an important meaning,

in particular during a transition period, in conditions of great uncertainty. This concept has been noted in the second draft of the reform.

[Question] What types of businesses have been singled out in this document?

[Answer] First of all, the classic self-governing type, this pertains to the majority of businesses. The business operates on the principle of self-financing, the personnel decice on the division of income. However, during the transition period, because of regulation and the fixing of a great number of prices by the state, this model will encounter difficulties. A self-governed business cannot fully spread its wings. This has created a different variant of the economic system, more--shall we say--paternalistic, which is characterized by only a public relations-type of responsibility of the personnel for the economic results. Here, the pay parameters are subject to negotiations with trade unions, based on total indicators of economy. In those businesses there is also an incentive system in the form of a bonus fund. Its growth is unlimited. This model is worth applying where there are many external limitations, such as prices being fixed from above. Also admissible would be a solution in between a fully self-financing and a paternalistic system.

[Question] It seems that there ought to be time to discuss this project and to draw conclusions, before resolutions are passed, as this would prejudge, in a great measure, the shape of the reform.

[Answer] The draft was prepared with the intention that it would be discussed and that it would become the focal point for all other efforts connected with the reform.

[Question] In this interview we have devoted a lot of time to the transition period because you are the author of this very portion of the draft. How long will this period last? When will we begin to feel the positive effects of the reform?

[Answer] It is my opinion that at the turn of 1981-1982, we will introduce the basic proposal of the reform. If during that time, or later, the forces opposing the reform cannot obtain a decision, also if the decisions of political economics are favorable and to the point, then in 1983 we will be able to begin, I hope, to restore and raise the standard of living.

[Questioner] Thank you for the interview.

Pricing Problems Discussed

Gdansk GLOS WYBRZERZA in Polish 10-12 Jul 81 p 3

[Interview with Prof Dr Jan Mujzel, director of Planning Institute in Warsaw by Teresa Kwasniewska: "Price Shock Risk"; date and place not given]

[Text] [Question] Professor, what was announced in the Sejm by the premier has become the theme of the day. There is discussion concerning its different variants. The question which evokes most arguments is whether, in view of the current economic

crisis, the rebate regulations will treat all people equitably, who will principally foot the bill for pushing the reform through and is it a solution of the problem to take away from some in order to help others?

[Answer] Let us recall that the roots of the crisis are buried in the uncommonly large and stubborn errors and irresponsibilities of the socioeconomic policies of the seventies. There was an attempt to replace the burning need for fundamental reconstruction of the ineffective and unaccepted socioeconomic system by indeptedness and thoughtless search for foreign credits. This was the main avenue of approach to effect hasty, attractive growth of investments and consumption. It was accompanied by faulty placement of investment outlays which did not correspond to the needs and were not budget responsive, resulting in overinvestment or eventual neglect of particular areas.

The result of such policies is perhaps the most dangerous aspect of the current crisis--it increases downward trends in production, affects creation of national income and what follows--it unavoidably decreases the possibilities of supply and consumption. Going a step further, one has to say that the underlying causes were the defects of the system, its bureaucratization and antidemocratism.

[Question] The solution of the crisis and above all its market aspects cannot be achieved without a substantial price increase. This is in store for us and do we have to agree to it?

[Answer] Unfortunately yes. We would like, however, to make this operation as painless as possible. We must, therefore, as speedily as we can, do everything within our power to increase supply and to curb demand, i.e., monetary expenditures, without damaging the important social aims or the course of the economy. Currently, every day would represent a massive saving of money not consumed by goods. The current inflation gap, reached in 1981, is 35-40 percent. In this calculation are included a price increase of several percentage points and upkeep costs, meaning growth at the present rate. The combined, projected, worth of market supplies, in the current year, amount to about 1.4 trillion zloty. The combined monetary holdings of the population, in PKO [General Saving Bank] accounts and in ready cash, up to the end of the current year--about 800 billion zloty, this includes probably no less than 200 billion zloty in compulsory savings, which exerts additional pressure on the current balances between supply and demand. In view of such a scale of disproportion any nonpricing means of economic balancing may not be sufficient.

One more argument may be voiced in favor of the price increase: deeply deformed price proportions between basic food articles and services, on one side, and many consumer goods, on the other. This deforms decisions in all areas--production, demand and consumption.

[Question] The rebate rules should be based not only on the type of price increases but also on the specifics of the current situation.

[Answer] Of course! A completely different system is needed for normal, mild inflation, where retail prices grow at a yearly rate of 5-6 percent, such growth will distribute itself uniformly with time and will encompass more items. Another system, if the increase is a violent one, when as a result of a basically one-time operation the general level of prices rises above 20-30 percent, and--this is particularly important--it is concentrated on basic goods whose prices jump two-fold or higher.

In the first case, all kinds of formulas for linking average pay with the consumer price index are possible. In the second case, which is the case currently before us, the adjustments must be instantaneous, direct and in cash.

[Question] According to you then, what are the most salient points of the equalization of losses operation?

[Answer] To give so much to so many in rebate adjustments that the retail-price reform be found acceptable by a deciding majority of the working class and of the entire population. This cannot be formulated somewhere at a desk, in somebody's office, as a result of small internal projects and discussions. It is difficult even to imagine what the scenario would be in case of rejection by the society of the price reform and, in consequence, of the entire reform.

[Question] How can you avoid the eventual risk?

[Answer] First of all, the size and the extent of the increase should not be exaggerated. As an economist I am fully aware that a 40 percent inflation gap and unbelievably low prices of many basic items would demand a large-scale reform. There are already proposals for a one-time, upward price adjustment of over 100 percent. I would caution against this. I believe that a society has a certain absorption limit to "price shock," which occurs when price increases are responsible for crucial changes in living conditions. Thus, in preparation for a price reform I would advocate moderation, consideration and, above all, the gaining of initial support from worker personnel and organizations.

In addition, there are large, built-in reserves of progress existing in our society. Positive ones, resulting from our human, and materiel potential and negative ones, results of massive wastefulness, disorganization and wasted chances. Therefore, I consider that an economic reform in conjunction with accurate and firm decisions by the authorities should, in a short time, bring marked results in production, exports and consumption. This should reinforce the "painless" supply factors of market balance and quality.

Remember the centuries-old principle which states that if we are facing a highly uncertain social decision, it is better to realize it, if possible, by evolutionary methods. Some call it the principle of incrementalism. I believe that such an approach should also be taken with respect to retail price reforms.

[Question] Some people may object to this, there are many daredevils who like to play poker.

[Answer] It is one thing to place in balance one's own income, or even fate, but it is quite another thing to play with the fate of 36 million people. If the so-called economic experts attempt to even suggest such a solution then they are simply irresponsible.

When we talk about refund, it ought to be said that this is a maneuver which should protect, in the first place, the purchasing power of the economically weakest groups. As a rule this causes a relationship change in the division of income. There is a widespread opinion among the people that at the present these relationships are unjust and that the pay/income differences are excessive. We should avoid simplification and emotional involvement when approaching this problem. Statistics prove that during the past year there was a flattening of the differences. Once certain limits are passed, this process would encourage stimulation in the direction of initiative, harder work, energy, resourcefulness--characteristics which are worth their weight in gold when overcoming a crisis.

In case of a sudden price increase, a direct rebate has to be planned differently, with regard to immediate need, basic items, and still differently for items without such character, like luxury,semiluxury and utility items. Whereas in the first group the rebate, for sociological reasons, should be high--it is designed to equalize the entire, or the major portion of the loss suffered by the citizen due to the price increase--then in the second group there is no such compulsion. One may draw an unjustifiable conclusion that the planned increases should include only the articles of the second group, and that no direct rebate should be anticipated. But it is in the prices of basic items that the most drastic low prices are evident, not to mention the most serious supply problems. I would, therefore, favor a reform which would take into account both extremes of the goods structure: basic item group (bakery products, dairy products, energy, etc.) and a large parcel of luxury, semiluxury and utility items.

[Question] With this approach, do you support the direct rebate proposal on general principle, calculated on the basis of the so-called social minimum?

[Answer] All employed persons and all those who receive an income from the socialized sector would be entitled to a uniform, equivalent rebate, which would correspond to the additional costs which the income recipient would incur, based on the level of that minimum. Let us assume that this faxed monthly equivalent amounts of 1,000 zloty. For those earning 3,000 zloty this would mean a rebate of 33 percent, those earning 15,000 zloty--a little over 5 percent. From the point of view of closing the inflation gap this presents a solution of half-efficiency because it requires, in total, large expenditures for bonuses. But it does completely protect, in turn, the incomes of those who earn the least and it gives a return of cost outlays on the national level for the remaining worker group.

The burden of the reform and the achievement of balance would then be borne by those who buy basic items in quantities which are excessive to the [socially indispensable] norm, and who can afford to buy items of a higher order- luxury, semiluxury and utility items. I think this could possibly become a "golden mean" between the reduction of purchasing power and a further flattening of income differences, on one side, and a material stimulus toward productive work, on the other.

[Question] And how much would this cost the economy?

[Answer] The most expensive is the delay of the reform. The delay causes a further devastation of the market and a deepening of the economy deregulating mechanisms.

Economic Reform Problems

Warsaw ZYCIE WARSZAWY in Polish 23 Jul 81 pp 1-2

[Interview with Prof Dr Hab Jan Mujzel, director of Planning Institute and member of Reform Commission, by Jacek Mijkowski: "Do We Have a Chance?"; date and place not given]

[Text] [Question] A fundamental question by the doubtful ones: What will I and my family gain if we speak for the reform. So far we only hear disclaimers.

[Answer] The reform, coupled with a responsible economic policy, will permit us to overcome the current crisis, which is getting deeper and deeper. At this moment, we have a production drop of the order of 16-18 percent as compared to last year. This is a breakdown the likes of which the world has not seen since World War II.

[Question] But more to the point, what will the reform produce?

[Answer] The first thing to improve will be supply. Later, the value of money will be restored. And finally, what is of interest to young people is that the reform will give them a chance for social self-expression, for example, in self-determination of factories, etc. Karl Marx referred to it as overcoming alientation from work--I don't wish to use big words--but there is something to it.

[Question] In addition to talking about the reform, is there anything being done?

[Answer] There are some indications which favor guarded optimism. Since July the reform of the PGR [state farms] and small-scale industry has been in effect. As to whether good solutions have been implemented, this is subject to discussion. It is progress. There is no doubt that these two aspects of the economy will become our own laboratory of the reform and we must watch them closely. Furthermore, three statutes--on business, self-government and trade unions--are in their final stages in the Sejm, provided that the bureaucrats do not foul something up. And finally three matters on which work is continuing--plans for 1982 and 1982-85, the business economics system and retail-price reform. Here lies the crux of the matter--whether the reform will be implemented with the beginning of the next year.

[Question] It is being said that the former reforms did not work because they were introduced under duress (crisis, social pressure, etc.).

[Answer] Those reforms did not work principally because the authorities did not want them. Reform attempts toward the end of the fifties and at the beginning of the seventies were treated by the authorities like an unwanted child. The authorities decided on a reform only when they believed, from a survival point of view, that they were indispensable. And whenever the situation permitted, they immediately sought substitutes so that they could pursue their own way--either by economic maneuvering or by foreign credits--while at the same time backing out of the reform.

[Question] We are now dealing with the same situation.

[Answer] If this is really so, then the reform will not work. However, I wish to believe that the current situation in the country cannot be comparable to the previous ones. A completely different social structure has come into being, different social mechanisms, both in the party and in "Solidarity." I'm building my hopes on seeing that what has toppled over twice will not topple over for the third time.

[Question] What could act as a booster that would pull us out of this morass? In the fifties they exploited human enthusiasm, financing of the progress through limitation of social production ended in the sixties, foreign investments and credits have been exhausted in the seventies.

[Answer] The driving force today must be social awareness. This is most important. The attitude of working groups and their trade and self-government organizations. Additionally, I don't wish to exaggerate, but I believe that our economy is oversaturated with reserves. We have never before had such an intelligent society, such an industrial cadre which has so much matured for participation in a scientific-technical revolution. We have never had--despite horrible errors in investment policies--such a production apparatus as we possess now. There are also negative reserves--wastefulness, disorganization, the wasting of thousands of social chances each day.

[Question] Will it be possible, after 30 years of placing people in ineffective work, that we may return to the honest work ethic?

[Answer] Please look at those Poles who lived here for 30 years and were later thrown into completely different conditions abroad. They managed to show themselves in good light, even to shine, to astound with their resourcefulness, energy, discipline and talent. Time in Poland is passing like a flash now, therefore, the people here must learn faster.

[Question] Will it be possible to reconcile economic efficacy with full employment and social justice, which lately has been understood to be: "equal to all?"

[Answer] Mechanical egalitarianism cannot be reconciled with effectiveness. However, does the reform have to be linked with unemployment? I don't know. I have never encountered sufficient arguments, not in the Planning Commission nor in economic discussions, which would justify such a theory. But it is unavoidable to have a, so-called, translocation of work forces, for which--it has to be admitted--we are not prepared. There most certainly will be friction on this subject. Many people will have a feeling of a personal wrong, and all this makes excellent fuel for attacking the reform.

[Question] In addition to an unwilling population, there is also an unwilling government and an unwilling "Solidarity," all of them afriad to make an unpopular move.

[Answer] The most unpopular matter is the reform of retail prices. Should the government and "Solidarity" decide against it, that would indicate that they have failed to measure up to the level of their historical mission.

[Question] All the previous regimes have tripped on price increases, is this not too much of a burden?

[Answer] It appears to me that at the present we have better chances to introduce price increases than ever before. Earlier, a price increase could not be successful because there was no contact between the government and the population. Today, for the first time in the history of the Polish People's Republic, the government has a partner whom it must regard as a trustworthy source of information on the state of thinking of the working class.

[Question] Is it known how large a price increase would be tolerated, without pain, by the people?

[Answer] This is yet to be verified. We need a yardstick, but above all we need discussion, presentation of drafts, not in bureaus but in workers' dayrooms. This has to be conducted for so long that, eventually, the people will themselves recognize that an increase is just and unavoidable. I'm an opponent of "hurrah" type programs, which claim that the increase will be 110-120 percent or maybe even more. Those concepts are false and they hide a risk of violent rejection of the reform by the society.

[Question] A small increase will not lead to a market balance, so it will be necessary to continue regulation. Thus we will have a piece of the old system in the new one. Will this cause a "dilution" of the reform?

[Answer] Do you know what Milton Friedman, a Reagan economist, said--"We can remedy it all in 24 hours, all you have to do is deregulate prices." And he is right! It should be done just like that, from an economist's point of view. But, is it possible here? Do you perceive any politician who would say this and then assume all responsibility? No. Therefore, all this ballast--regulation, partial retention of unity, etc.--this is the price we pay for preventing social unrest.

[Question] What has to be done, so that after the transitional period, we can immediately squash those "old links?"

[Answer] I propose that the list of controlled goods be prepared by the Sejm and not by the government. However, the government should do everything possible to shorten the list every year. My own thoughts are that during the transitional period three areas should certainly come under control: foreign exchange, electrical energy and coal. Regulation of a great number of goods, that's an exercise in bureaucratics.

[Question] There is still an argument: should one wait first for stabilization and then introduce the reform or should it be done the other way around?

[Answer] I believe the reform should not be delayed. Lack of stabilization is the inherent function of the present system. Stabilization and achievement of balance are possible only then when the system is changed. I have no illusions that we will have to settle for compromises in our solutions. A pure model of the reform, under our circumstances, is unrealistic.

[Question] What, in your opinion, is necessary to complete the "critical mass" before the reform becomes functioning?

[Answer] I regard as the most important component of this "mass" the rejection of traditional directives in the relations between the center and business. Were this to begin working starting next year, then we will reach this critical mass.

[Question] Has the reform a chance of materialization if those who are the least interested--party apparatus, ministries, associations--will make decisions and will instill the reform?

[Answer] I would be wary of such black/white concepts. There is a part of the regime's apparatus that will certainly do everything under the sun to torpedo the reform. However, in the same apparatus there are also many people who are not stupid, who are honest and who are active on behalf of the reform.

[Question] Do you have an actual person in mind?

[Answer] For example, I count on the Ministry of Finance, banks and certain personnel groupings of the Planning Commission. Additionally, there is such a feeling of pressure among the public that even in a branch-type industrial ministry it would be impossible to step out against the reform.

[Question] Maybe not openly, but it can still be sabotaged....

[Answer] Can be, as to that I don't have the slightest doubt. However, is it always done with full cynicism? I doubt it.

[Question] What can be done in order to obtain forceful and active support for the reform?

[Answer] A fundamental matter is the self-determination of "Solidarity" to support the reform. This 10-million-member organization, as a whole, must come out for the reform and at the same time formulate conditions which would have to be accomplished, from a social point of view, in order that the organization itself could actively join in the task. A second matter is the party. Will the new leadership which has taken the helm, become a leadership on the side of the reform? Declarations are not enough. They must be followed by political changes--for the benefit of democracy--definition of the leadership role of the party, increase of the Sejm's prestige, etc.

[Question] There are those who believe that chances for the reform are shrinking with the passage of time: The economic structure is stiffening, people are less willing to see a change and the costs grow larger.

[Answer] This may be so, but at what time in Poland were we really able to undertake a reform? In Yugoslavia, for example, they worked on a reform practically since 1948, when they broke away from the Cominform. Only in 1955 did they decide to introduce the self-government system. The Hungarians started working on a reform immediately after the events of 1956, when the Kadar faction became strengthened, and the reform was introduced in 1968. All this requires time, in particular when one is dealing with such a complicated socioeconomic system.

[Question] Are you convinced that we shall be able to accomplish it all? Do you have any misgivings?

[Answer] When I look at the "finishing touches" applied to some documents which are vital to the reform, I cannot sleep nights. It is improbable, but I fear that I will not be able to catch some of those "postscripts," and that I will not be able to make sufficient noise in time and to avert the thing. I am also afraid that the working class may refuse to accept responsibility, based on the size of their pay, for the financial results of the enterprise--as provided for in the reform. Will they accept? Will they accept only the benefits without the responsibilities? I link it immediately with "Solidarity." I'm banking on them.

I still believe in the instinct of the nation. This is the last trump card that we have to play, will we take advantage of it? Today plaudits earn slander, arguments and mudslinging. But sometime this ferment has to cease. We have to get hold of ourselves and finally do something, even if we do have so many differences among us.

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31 August 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2166

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31 August 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2166

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REPORT ON FULFILLMENT OF 6-MONTH ECONOMIC PLAN FOR 1981

Sofia RABOTNICHESKO DELO in Bulgarian 27 Jul 81 pp 1-2

[Report by Committee on Integrated Social Information System on results of the fulfillment of integrated plan for the socioeconomic development of the Bulgarian People's Republic during the first half of 1981, 24 July 1981, Sofia: "Fruitful Labor, Stable Pace"]

[Text] Workers in the Bulgarian People's Republic made new economic progress during the first half of 1981 as a result of competition launched on a wide scale in honor of the implementation of the decisions of the Twelfth Congress of the Bulgarian Communist Party.

The plan for the social productivity of labor was fulfilled 108.4 percent, the net output plan 107.3 percent, the aggregate profit plan 20.2 percent.

The plan for the treatment of scientific and technical problems was fulfilled 101.8 percent, and the plan for the adoption of scientific and technical achievements in practice 114.7 percent. Four hundred eighty new and improved technologies were adopted, 419 new and improved products, 138 plans for automated systems.

I. Industry

The industrial production plan was fulfilled 102.6 percent. Its volume amounted to 15,125,000,000 leva, increasing 6.0 percent over the first half of 1980.

Broken down by individual economic complexes and ministries, fulfillment of the plan for output disposed of and for rate of growth of production and social productivity of labor is characterized by the following data:

Ministry	Percent of fulfillment of 6-month plan for sale of commodity production	1st half of 1981 as percent of 1st half of 1980	
		Commodity production turned out	Social productivity of labor
Ministry of Power Supply	103.5	108.1	115.2
Ministry of Chemical Industry	100.1	106.5	108.7

(Continued)

Ministry	Percent of fulfillment of 6-month plan for sale of commodity production	1st half of 1981 as percent of 1st half of 1980	
		Commodity production turned out	Social productivity of labor
Ministry of Machine Building	102.6	107.2	111.6
Ministry of Electronics and Electrical Engineering	100.6	112.3	116.6
Ministry of Light industry	102.1	105.5	117.4
National Agroindustrial Union	104.1	103.6	111.4
Ministry of Construction and Construction Materials	98.2	107.1	100.9
Ministry of Metallurgy and Mineral Resources	98.4	112.5	104.4
Ministry of Transportation	101.8	104.6	109.9
Ministry of Forests and Forest Industry	103.4	106.7	115.5
Ministry of Internal Trade and Public Services	102.9	109.0	111.6

Production of basic industrial products increased and the national economy was provided with larger quantities of raw materials and consumer goods:

Commodity / Unit of measure	Output produced in 1st half of 1981	1st half of 1981 as percent of 1st half of 1980
Electric power, 000,000 kw	18,622.0	106.3
Coal, 000 tons	15,652.0	102.3
Rolled ferrous metals, 000 tons	1,589.9	105.6
Electrotelphers, 000 each	58.6	102.8
Motor trucks, 000 each	10.3	93.8
Power transformers, 000 each	4.1	108.9
Soda ash (base 98%), 000 tons	721.2	97.8
Nitrogen fertilizers (base 100% including carbamide), 000 tons	380.4	99.6
Synthetic fibers and rayons, 000 tons	51.9	107.6
Paper, 000 tons	168.6	110.6
Paper pulp, 000 tons	89.7	107.9
Cement, 000 tons	2,663.0	103.9

(Continued)

Commodity / Unit of measure	Output produced in 1st half of 1981	1st half of 1981 as percent of 1st half of 1980
Cotton fabrics, 000,000 meters	174.0	102.2
Woolen fabrics, 000,000 meters	18.3	95.6
Silk fabrics, 000,000 meters	17.6	105.2
Shoes (excluding house slippers and rubbers), 000,000 pairs	9.5	103.7
Meat, 000 tons	211.7	100.8
Meat products, 000,000 tons	45.0	106.6
Butter, 000,000 tons	10.7	93.2

The 6-month plan was overfulfilled in respect of the following: coal; automobile tires; softwood and hardwood boards and pieces; cranes; battery-operated trucks; household glassware and porcelainware; cotton, woolen and silk fabrics; knit outer garments and underwear; canned fruits; kashkaval [yellow cheese]; beer; sugar; and many other industrial products.

Contracts for the delivery of goods for the internal market were fulfilled 103.6 percent. Larger quantities of the following were provided: kashkaval, edible vegetable oils, sugar, hothouse tomatoes and cucumbers, sterilized canned vegetables, compotes, coal electromers, radio receivers, cement, asbestos cement tiles, woodwork, household glassware, woolen fabrics, moquette, glazed tiles, knit outer garments and shoes.

Some economic organizations and units of industry did not fulfill their goals for the production and sale of output. The targeted quantities of the following were not produced: meat, dairy products, brynza [a sheep's milk cheese], canned meat and vegetables, baby foods, bakery products, nonalcoholic beverages, kerosene, antifreeze. Not all economic organizations and units receive an even flow of interdepartmental subcontracted deliveries.

The counterplan for domestic services was fulfilled 102.7 percent. The public's increased needs still are not met, especially for metalworking services, radio and television maintenance and repair, dry cleaning, and construction and repair services.

The production cost of output was cut. Above-target savings of 145 million leva were realized--136 million leva from material expenditures alone. All ministries and departments fulfilled plan for production cost and the reduction of material expenditures, but in some of these there were units that incurred overexpenditures. Net output per 100 leva of fixed production assets increased 3.3 percent over the first half of 1980, while aggregate profit per 100 leva of production assets increased 6.9 percent. Labor productivity grew 11.9 percent.

II. Agriculture

During the half-year great pains were taken to create the preconditions for fulfillment of the agricultural production plan. Measures were taken to stimulate the development of winter wheat on communal farms and the acreage planted to it was greater this year than last. For most spring crops the targeted amount of seeded areas was reached. Weed-killer herbicides were applied on a larger scale than in 1980. More than 500,000 tons of chemical fertilizers were delivered.

In a number of agroindustrial complexes and okrugs weaknesses occurred in respect of planting time and crop cultivation (substandard tillage of the soil, improper use of herbicides and permitting weed infestation, inadequate irrigation etc.).

During most of the half-year agrometeorological conditions were favorable, but in scattered regions, especially in Southern Bulgaria, a dry spell seriously affected agricultural crops. This necessitated mobilization of all irrigation resources. The machinery pool, platforms and storage facilities were made ready in good time for the harvesting of wheat and barley.

The number of head of agricultural animals on communal farms and their average productivity are as follows:

Agricultural animals and poultry	1 July 1981	1 July 1981 as percentage of 1 July 1980
Cattle, 000 head	1,446	99.3
including cows, 000 head	487	101.4
Sheep, 000 head	7,687	96.4
Hogs, 000 head	2,809	99.4
Poultry, 000 birds	28,864	108.6

Average productivity of:	1st half of 1981	1st half of 1981 as percentage of 1st half of 1980
Cows, liter	1,493	100.1
Laying hens, eggs per hen	101	99.0

There was a decrease in all basic species of agricultural animals in the following okrugs: Vratsa, Mikhaylovgrad, Pleven, Burgas, Yambol etc.

In comparison with the first half of 1980, 3,500 more tons of cattle and poultry were purchased from all categories of farms, 13.9 million more liters of milk, but 10.8 million fewer eggs.

However, the 6-month plan for the purchase of cattle and poultry, milk and eggs was not fulfilled. In this regard a number of okrugs lagged behind, with nonfulfillment

of the plan for all animal products occurring in Burgas, Varna, Vratsa, Veliko Turnovo, Shumen etc.

III. Construction

Construction and installation organizations completed 1,681,000,000 leva worth of construction, or 15.5 percent more than in the first half of 1980. Fixed capital worth 1,505,000,000 leva was put into operation. Some 18,435 housing units were completed and delivered to the population. New kindergartens with 1625 accommodations were put into operation. Capital investment starts amounted to 2,681,000,000 leva.

Broken down by individual economic complexes and ministries, fulfillment of the plan for construction and installation work, for the rate of growth of construction production and the social productivity of labor is characterized by the following data:

Ministry	Percent fulfillment of 6-month construction & installation work	1st half of 1981 as percent of 1st half of 1980	
		Construction & installation work	Social productivity of labor
Ministry of Construction and Construction Materials	102.5	115.1	133.6
Ministry of Transportation	109.2	120.9	151.6
National Agroindustrial Union	104.8	109.8	100.1
Ministry of Power Supply	101.5	124.5	117.8
Capital City People's Council	93.2	116.4	144.3
Ministry of Communications	97.5	102.3	126.8

Fulfillment of the capital investment plan fell behind in the first half. Overall nationwide, 38.4 percent of the funds envisaged for the year were taken down. The plan fulfillment of the following is considerably below the nationwide average: Ministry of Electronics and Electrical Engineering, Ministry of Internal Trade and Public Services and Pleven, Pernik, Kurdzhali, Lovech okrugs etc. Some projects were not provided with the necessary skilled workers, construction materials and preliminary estimation data, and it is mainly for this reason that the targeted schedule for putting fixed capital into operation fell behind.

IV. Transportation and Communications

The volume of freight haulage contracted for by railroads and motor transportation was fulfilled 106.9 percent, and the passenger carriage plan 101.2 percent. As compared with the first half of 1980, passengers carried increased 3.3 percent,

the growth in motor transportation being 3.6 percent and that in urban transportation 3.9 percent.

The aggregate profit plan was fulfilled 112.9 percent, the net output plan 104.9 percent, and the plan for the social productivity of labor 105.9 percent. As compared with the corresponding 1980 period, aggregate profit, net output and the social productivity of labor increased respectively 11.8 percent, 9.9 percent and 9.2 percent.

Material expenditures per 100 leva of revenues were cut 2.1 percentage points.

Some technical and economic indicators for the use of transportation facilities improved. The average gross weight of freight cars increased 0.8 percent as compared with the first half of 1980.

Revenues realized from services performed in communications increased 8.4 percent in comparison with the first half of 1980.

The postal system was expanded by 18 PTT [posts, telephones and telegraphs] stations. Some 71,000 new telephone sets were installed.

V. Internal Trade

The plan for total volume of goods turnover was fulfilled 102.1 percent in retail, 102.5 percent in the trade network, and 100.6 percent in public food service. The Central Cooperative Union fulfilled its plan 104.3 percent, the Ministry of Internal Trade and Public Services 101.1 percent. There was also plan overfulfillment in the following economic organizations: Fish and Fish Products SD [expansion unknown; possibly Economic Directorate] 11.4 percent, Automotive Engineering and Auto Service State Economic Trust 6.1 percent etc.

Retail goods turnover in the amount of 5,973,000,000 leva was realized in the first half, which is an increase of 5.2 percent over the corresponding 1980 period.

Sales of certain food and nonfood products as compared with the corresponding 1980 period are:

Products	1st half of 1981 as percent of 1st half of 1980
Meat	106.6
Meat products and canned meats	104.5
Fish and fish products	86.8
Rice	95.4
Edible vegetable oils	97.4
Milk	98.8
Brynza	101.6
Kashkaval	106.2
Butter	102.3
Eggs	103.3

(Continued)

Product	1st half of 1981 as percent of 1st half of 1980
Sugar	108.2
Fresh vegetables	109.4
Fresh fruits	145.4
Canned vegetables--sterilized	85.6
Compotes	87.4
Cotton fabrics	103.2
Woolen fabrics	97.8
Silk fabrics	97.4
Shoes	105.9
Refrigerators, household	112.6
Electric washing machines, household	143.8
Electric cooking stoves	134.5
Vacuum cleaners	110.7

VI. Foreign Economic Relations

Foreign trade increased 1917 percent over the first half of 1980. The increase that was achieved was due mainly to the ever more rapidly growing trade with the USSR and other CEMA-member countries.

Trade increased with the developed nonsocialist countries as well as with the developing countries.

Favorable changes in the export structure continued in the first half of 1981 as well. The volume of goods with a high degree of processing increased more and more.

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SHORTAGE OF GRAIN-STORAGE FACILITIES OUTLINED

Sofia RABOTNICHESKO DELO in Bulgarian 27 Jul 81 p 4

[Article by Vulcho Khristov, adviser in the Council of Ministers: "Safe Cover for Grain! Why Is There Still None, What Are the Consequences, and Where Should the National Agroindustrial Union, the Okrug Agroindustrial Unions, and the Cereals and Feed Industry State Economic Trust Direct Their Efforts?"]

> [Text] In the report to the Twelfth BCP Congress and in the theses adopted by the congress, a speedy increase in the production of grain and the most effective utilization thereof are defined as the main strategic goal of agriculture in the Eighth Five-Year Plan. To achieve an average annual grain production of 10.5-11 million tons, which means providing 1200 kg per capita, all intensive factors (mechanization, use of chemicals, irrigation, productive varieties and hybrids, as well as the new brigade organization) must be fully utilized. The area seeded to cereal and fodder crops will be increased by 2 million decares by using abandoned and drained lands. The National Agroindustrial Union, the okrug agroindustrial unions, the agroindustrial complexes and other agricultural organizations must map out measures to cut grain losses to a minimum during harvesting and storage.

The question of the character and capacity of the storage facility on which the proper preservation of the grain depends has not, however, thus far been decided and remains especially acute. The Cereals and Feed Industry DSO [State Economic Trust], which purchases, stores and processes a great part of the bread and feed grain, has a deficiency in storage capacity of about 2.5 million tons. It has at its disposal only 2.4 million tons of reinforced-concrete elevators and flat storage facilities, equipped with the most elementary mechanization of some of the grain-receiving, cleaning and storage processes. The rest are primitive storage facilities lacking the appropriate equipment. About 500,000 tons of grain are stored on outdoor platforms. The picture is similar in both the agroindustrial complexes and other agricultural organizations.

Given this state of affairs, as calculations show, not less than 10 percent of the grain produced and purchased is lost. In fact, the losses are far higher.

In recent years agricultural organizations have been taking measures to harvest grain in a short time, and much of it straight from the combines. High-power

harvesting and transport equipment is making its way into agriculture. The intake equipment and mechanization at storage facilities, however, are of low efficiency This results in a slowing down of the campaign and in great losses from idle time and input of hard physical labor. The building of buffer capacity would permit the temporary intake of grain from the combines and routeing to permanent storage after cleaning and grading. The storage facilities of purchasing organizations and of agroindustrial complexes are equipped with high-efficiency machinery for cleaning grain of foreign matter. The internal conveyor equipment is of low efficiency and below standard. The storage facilities have no instruments for measuring moisture content and temperature, nor do many have contrivances for active ventilation, present which grain dries with minimum expenditure of fuel. Many of these operations and a number of others are performed manually and slowly; the quality of the grain deteriorates—and hence the quality of the flour, bread and mixed feed.

In 1976 the government made available to the Cereals and Feed Industry DSO funds to build a temporary storage facility. A large part of these funds remains unutilized not only because plans for building reinforced-concrete elevators were not provided on time, but also due to the refusal of the construction organizations to undertake such work. For these reasons the purchasing organizations were obliged to build sheds of iron construction, something which is neither long-term nor efficient.

In 1976 machines were bought from the (Lip) Company for the rapid building of metal elevator cells. Use of these, however, has been unwarrantedly delayed. Thus far cells for about 210,000 tons have been built, but only 30,000 tons have been put into operation. And these have many unsolved questions involving metal corrosion and the manufacture of equipment for intake, cleaning, filling, active ventilation etc. The Agrostroy [agricultural construction] organization set up under NAPS [National Agroindustrial Union] is solving these questions sluggishly.

At the same time the results of the experimental large-diameter reinforced-concrete elevator, built at the city of Grudovo, are encouraging for the present. This method of elevator construction is widely used in the Soviet Union. It has a great advantage: industrial techniques are employed, and standardized prefabricated elements are used. What is bad, however, is that the agroindustrial complexes are not allotting sufficient funds to build storage areas since they are regarded as liabilities.

Discussion is still under way on how to store corn. Various methods are being tried out. Attempts to store corn on the cob in metal crates have proved unsuccessful; a great deal of manual labor is expended. The moist corn kernels are stored --in trenches, wrapped up in polyethylene material. If this technique proves successful, it could be applied for the grain that stays in the complexes for the feed of ruminants. In many places, however, corn is stored on the cob in primitive mesh crates, with great losses occurring too.

Clearly, things must no longer continue thus. Resolute measures are necessary. The necessary conclusions must be drawn from foreign and Bulgarian experience. The National Agroindustrial Union must approve a program for new construction during the years of the Eighth Five-Year Plan, making a final determination regarding

the type, and the method of building storage areas. The right thing will be to site new storage facilities closer to processing enterprises and stock farms in order to reduce transportation, loading and unloading costs.

Serious thought must be given to the modernization of existing facilities. Intake apparatus must be brought into compatibility with the new grain-harvesting and transport equipment. At storage facilities, high-capacity centers must be built with high-efficiency equipment for cleaning grain and routeing it to further storage.

The question of building modern facilities to receive and store grain is urgent and awaits timely solution. Safe cover will create favorable conditions for the reduction of losses and for the safekeeping and most efficient utilization of a raw material that is linked not only with the people's sustenance, but also with the further development of animal husbandry.

6474
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IMPROVEMENTS IN PLANT, VHJ KHOZRASCHET URGED

Prague SVET HOSPODARSTVI in Czech 30 Jun 81 p 2

/Article by Eng Ladislav Benes: "Improving VHJ and Enterprise Khozraschet"/

/Text/ Improving khozraschet is an inseparable component of the modifications of the planned management system of the national economy in the Seventh Five-Year Plan. It is based on proven khozraschet principles as they have been formed during the building of the socialist economy, and will develop them further. These improvements are also related to the new conditions, characterized by increasing difficulties in both the foreign and domestic economies, and a move toward increasing performance, efficiency, and work quality at every VHJ and enterprise.

The assignment of the VHJ as the fundamental unit of management in the enterprise management sphere is resulting in a need to reformulate and reintroduce VHJ khozraschet, and simultaneously and in connection with this to modify the content and form of enterprise khozraschet as a component of a VHJ. To date two types of khozraschet have been known and defined: enterprise khozraschet, carried out at the level of enterprises as the fundamental management link in the enterprise management sphere, and internal enterprise khozraschet, applied within enterprises, at the level of factories, operations, and workshops, even at the level of work crews. Both of these types of khozraschet have definite content and forms. Recently, khozraschet has arisen in the USSR at the ministry level with a narrowly defined content and several special characteristics.

VHJ khozraschet cannot appear as a simple application of enterprise khozraschet to this higher organizational level. This would cause the VHJ to become some sort of a megaenterprise or sectorial enterprises, and the enterprises, from the viewpoint of khozraschet, would turn into mere factories. Such a practice would not increase the efficiency of khozraschet, but on the contrary would reduce its effectiveness in the enterprise management sphere.

VHJ khozraschet is a new type of khozraschet which, to be sure, stems from the basic elements of enterprise khozraschet, but which in its application to a higher organizational level undergoes changes in content and in form. One reason for these changes in the fact that enterprise khozraschet is retained at the enterprise level even while it must adapt itself to the new position of the enterprise as a constituent of the VHJ, with newly defined responsibilities and authority with regard to the objective necessity for centralizing certain managerial functions.

The objective of the creation of the VHJ as the fundamental element of management is to attain greater management efficiency, and thereby also for khozraschet in the enterprise management sphere through the joint action of enterprise and VHJ khozraschet.

The creation of VHJ khozraschet is the main element in the improvement of khozraschet in the Seventh Five-Year Plan. It is a very difficult and responsible task.

The crucial, classical principle of khozraschet is the coverage of organizational costs through its own outputs, that is, receipts for its products, while achieving a set, planned profit. This principle is being preserved in the improved khozraschet of the Seventh Five-Year Plan, and in addition it is being extended by the request that organizations, and above all the VHJ, cover their planned financial requirements (which describe economic needs expressed in financial terms) to the greatest extent possible by generating their own financial resources.

In order that this modified khozraschet principle could be implemented, the practice of leaving some profits at the disposition of organizations to finance their own needs has become more widespread in financial management. This has been achieved by reducing, in 1981, the tax burdens of organizations by granting reductions in taxes on profits while at the same time lowering, or eliminating entirely, subsidies granted from the state budget to organizations for the financing of their investments. This measure has increased the authority of organizations, and above all of the VHJ, to allocate the greater portion of its profits. At the same time, it has also increased their responsibility to generate profits, and therefore also to provide for economic incentives.

Since the beginning of 1981, the average organization is operating with a profit percentage that has increased from 30 percent to 40 to 45 percent. The magnitude of the increase differs in the organizations of various central agencies, and is differentiated further according to VHJ. In several sectors, however, the above trend has not yet been successfully implemented due to insufficient product profitability. For this reason the effect of khozraschet will be restricted in such organizations.

The above principle of khozraschet, i.e., cover planned needs from the resources you have generated, must be applied consistently in enterprise management. With regard to the critical role of the plan in organization management, the above principle is implemented in such a way that an organization covers its planned requirements in finance and in economic incentives according to the level of actual creation of in-house planned resources. This means that the criterion for covering requirements is not the actual volume of resources generated in a specific organization, but the relationship between requirements and resources established in the financial plan of the organization in relation to its material plans.

The application of the above principle will lead to significant differentiation in the possibilities for financing, and in the financial situation of organizations generally. Well-managed organizations which generate resources, and especially profits, in the planned magnitudes, and even in excess, carry out allocations to their own funds at planned levels or at a level determined by established norms for material incentives; this enables them to cover requirements according to the plan and in excess of it. Nondistributed profits in excess of the plan remain at the disposition of the VHJ and are shifted to its reserve fund. On the other hand, poorly managed organizations which do not generate the planned resources must reduce

allocations to their funds, and as a consequence also reduce, in the established manner, the coverage of their planned requirements. This situation would not arise if the VHJ had at its disposal financial resources in a reserve fund which it had accumulated in previous years of good management and which may be used now to cover management shortfalls. The above principle makes possible a balance in the enterprise management sphere between the creation and the use of resources in conjunction with the management efficiency of individual organizations. Absent, ungenerated resources may not even be replaced with bank credit, or through subsidies from either a supervisory central agency or from the state budget.

The application of khozraschet serves to expand the relative independence of an organization, based on an increase in its authority over, and responsibility for, its own management and development. This is provided for by various measures. An organization is managed according to the five-year plan, which defines its requirements and resources, and is the foundation for an evaluation of the performance of organizational management. Organizations cover their planned requirements according to the extent to which they have actually generated the planned resources. Resources created in excess of plan requirements remain with the organization; but the organization may not count on the replacement of shortfalls in its management performance.

The financial relationships of the VHJ, as the fundamental link in management, are simplified both in relation to the state budget and in relation to its supervisory central agency, which reduces the possibilities for operative intervention into VHJ management. Ties to the state budget are limited, as a rule, to tax responsibilities. The relation to the supervisory central agency is restricted basically only to the transfer of capital asset depreciation, or subsidies for investment from depreciation centralized in this manner. Profit is redistributed among VHJs only rarely, so its influence is concentrated fully in the enterprise management sphere. To reinforce its authority and responsibility in management, the VHJ has at its disposition a reserve fund in which all free financial resources are concentrated and which serves to balance deviations in the financial management both of the VHJ and its individual enterprises.

VHJ and enterprise khozraschet is focusing on a broader range of qualitative indicators than previously, in line with the orientation of the economy toward an increase in the efficiency and quality of work. These indicators are becoming components of the plan, and the economic incentives provided by organizations rest on them. We are not, then, merely dealing here with indicators from the area of costs and profits, but with indicators which characterize various aspects of the activities of an organization. These indicators may be divided into three groups. Indicators characterizing the satisfaction of social needs belong in the first group, and are represented by indicators of the structure of demand. In the second group are indicators which express the final contribution of organizations to the national economy, and are represented by labor value added as a specific type of net production. The third group is composed of indicators of efficiency and quality which characterize the overall level of quality of the organizational management (return on production assets or production factors, profit, costs), or of individual factors of production or individual aspects of management (labor productivity, productivity of production assets, machinery, and equipment, inventory turnover time, a differential indicator for exports, price concessions and penalties, losses from poor-quality products, etc.).

The improvement of VHJ and enterprise khozraschet is evident as well in the expansion and intensification of their incentive systems. At the same time these incentive systems are becoming more demanding. Personal economic incentives, consisting of the allocation of wages payable and of work bonuses, is deepening through the division of wages payable into a basic and an incentive component, an expansion of the incentive component to include at least 15 percent of wages payable, the tieing of the development of the basic elements to adjusted labor value added and that of the incentive components to the return on productive assets, and the introduction of additional conditioning indicators characterizing the main material tasks of the economic plan for an organization.

The incentive system in the area of financial management is applied above all through the medium of economic-incentive funds (the fund for cultural and social needs, the development fund, and the fund for material incentives for exports) and the standards for allocations from them. These standards adjust the relationship between the credit due the organization for its managerial performance expressed as the generation of profits and the qualitative indicators, as well as between allocations to the funds and, then, the assurance of the appropriate requirements.

Enterprise incentive systems, representing incentives for worker collectives to stimulate the development of socialist production are undergoing particular expansion in the Seventh Five-Year Plan. New forms of enterprise incentive systems are being introduced.

Enterprise incentive systems are expanding above all in the area of investment financing, where development funds are replacing the funds for small-scale enterprise investments. While the funds for small-scale enterprise investments have been financing only 4 to 5 percent of the volume of investments, development funds are currently financing 30-35 percent of investment volume. And for certain VHJs the percentage amounts to a majority of their total investments.

Enterprise incentive systems are looking differently on the generation of free financial resources which can be at the disposal of the VHJ, both at the level of the VHJ in the form of a reserve fund, and at the enterprise level in the form of undistributed profits carried over from year to year.

Enterprise incentive systems are also involved in inventory development. The constant overfulfillment of the planned level for inventories at the same time that planned inventory turnover time is also being exceeded requires a certain degree of coverage through the transfer of resources from the development fund to the turnover fund. On the other hand, given a long-term reduction in inventories and inventory turnover time in comparison with the previous year, an organization may shift part of its resources from the turnover fund to the development fund.

Insufficient financial resources which result from shortcomings in the arrangement of investments from the construction fund (for instance, the exceeding of budgeted costs) is covered from the development fund. The maximum allowable amount for allocations to the cultural and social needs fund has been raised from 2 percent of the yearly volume of wages payable to 2.4 percent generally and to 2.8 percent for VHJs engaged in exporting.

Increasing the difficulty of incentive systems is based on the fact that these incentives are tied to the fulfillment of various mutually interrelated qualitative indicators, that they stem from the fulfillment of indicators established in the five-year plan and which are cumulative from the start of the five-year plan, that they take account of losses due to low-quality production and that as a rule they include both a stimulative aspect (allocations to funds), and a penalty aspect (reducing allocations to funds).

Once again organizational interest is being stimulated to adopt more rigorous tasks in the annual implementation plans than provided for by the tasks established for individual years of the five-year plan, or in comparison with the reality of last year, both in the area of allocation of wages payable, bonuses for managerial employees, and funds for development and for economic incentives for exports.

The improvement of khozraschet in the Seventh Five-Year Plan represents a significant step forward in the management system of the national economy. At the same time, we are dealing here with a very difficult task whose fulfillment will require substantial effort, above all in everyday managerial work.

9276
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INDEPENDENCE FROM GRAIN IMPORTS SEEN AS LONG-RANGE GOAL

Politburo Member Felfe Speech

East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German Vol 22 No 27, 3 Jul 81 pp 15-18

/Excerpts from speech by Werner Felfe, member, SED Politburo and secretary, SED Central Committee, to a seminar of leading cadres of agriculture, forestry and the food industry held in Markkleeberg: "Higher Output From Every Field, Every Barn"/

/Text/ Consequent upon the Tenth SED Congress a new segment in the work for the implementation of our party program has begun. This confronts all of us with new and greater challenges. It will therefore be necessary to arrive at the appropriate conclusions for our future labors, the contribution of socialist agriculture, forestry and the food industry to the rise in the output of the national economy in the 1980's, for the greatest possible efficiency and product quality.

In the course of exchanges of experiences we must demonstrate and generalize those creative initiatives and best methods of work, which help us more quickly to advance, better meet the greater challenges of the 1980's and further successfully pursue the proven policy of our party, directed to the welfare of the people, the consolidation of socialism and the security of peace.

The main task in its unity of economic and social policy has demonstrably been a stimulating factor for the people and specially illuminated the benefits of socialism. It is highly significant that the Tenth SED Congress decided purposefully to continue this policy and further to improve the material and cultural standard of living of the people on the basis of the greatest possible speed of advance of socialist output, the improvement of efficiency, scientific-technological progress and the rise in productivity.

At the same time our party takes into account that internal and external conditions have changed very greatly. That concerns the much broadened material-technical base of socialism, the greater socialist consciousness of the working people and also the problems related to the higher prices and shortages of raw materials on the world market. Moreover, as a result of the trend to confrontation by imperialism, the international class conflict has become considerably exacerbated, and we are therefore challenged to greater efforts in our struggle to secure and maintain peace. We fully support the peace program proclaimed by the Twenty-sixth CPSU Congress.

We appreciate the foresight of our party, the magnificent efforts of our general secretary, Comrade Erich Honecker, the Marxist-Leninist analysis and appraisal of internal and external developments, as a result of which a clear strategy was drawn up in good time. This tells us how the stable and successful advance of socialism in the German Democratic Republic may be resolutely pursued even in these new conditions

It will be vital to gather economic strength in new dimensions by the extensive utilization of the opportunities offered by the scientific-technological revolution and by coupling them with the benefits of socialism. At the same time we will increasingly develop and use our close fraternal cooperation with the USSR and the other CEMA member countries. Without it we could not possibly carry out our economic strategy.

The economic policy elaborated by the Tenth SED Congress represents a great scientific achievement. It answers the question how we may further advance toward the realization of our party program as related to the organization of the developed socialist society and the creation of the basic prerequisites for the gradual transition to communism in accordance with the objective inevitabilities, and how the national economy must be developed at a stable and smooth pace.

At the same time we are aware that our responsibility for the necessary rise in output has increased correspondingly. As Erich Honecker said at the Tenth SED Congress, "to safeguard that which we have achieved in material and cultural respects and indeed multiply it, we need to raise our economic capacity as never before."

This statement has already profoundly permeated the consciousness of the working class, cooperative farmers, intelligentsia and all working people. Though we are a country poor in raw materials, we may claim something exceedingly valuable: The indefatigable creativity of our people, their readiness to serve and their firm will to buttress by their actions the policy of our party, directed to the welafre of the people.

We are also realizing more and more that there is an indivisible link between the consolidation of real socialism and the security of peace. To give the best for socialism also means the best for our people and each individual, because it helps strengthen the GDR as a pillar of socialism and peace in the center of Europe, because it helps our workers and farmers state as a stable factor of socialism at home and abroad always honorably to comply with its internationalist duties as a loyal and reliable ally of the Soviet Union and Lenin's party as well as honorably provide its contribution to the security of peace. That is how it was and will be always.

Our stable and dynamic development is widely esteemed and appreciated by our allies and, at the same time, serves to increase the attraction of real socialism in the world.

With the slogan "the greatest possible increase in output by rising productivity, efficiency and quality--everything for the welfare of the people and peace!" the cooperative farmers and workers in agriculture, forestry and the food industry joined this mass initiative and are once again proving themselves loyal allies of the working class.

Our success is demonstrated also by our agriculture, forestry and food industry. We have further advanced and strengthened socialist production conditions in rural areas while substantially raising productivity. By now modern farming production cooperatives and state farms for crop and animal production have evolved and consolidated, boasting high achievements. In the past five-year plan period, for example, farming recorded the largest output ever and once again proved itself a stable factor in our social development. This successful advance was possible because the material-technical base of agriculture, forestry and the food industry was considerably strengthened and the stock of capital equipment significantly increased.

The successful development in our rural areas was also made possible because we now have an educated, experienced and hard working class of cooperative farmers, because we have workers in socialist farming, who constantly demonstrate new creative initiatives and actions to strengthen socialism and prove themselves reliable allies of the working class.

At the Tenth SED Congress Comrade Erich Honecker emphasized in the Central Committee Report that "socialist production conditions in rural areas are part and parcel of the socialist system." This statement also underlines the status of socialist agriculture, forestry and the food industry in the uniform reproduction process of the GDR national economy. It is a firm element of our economy and, therefore, carries a great deal of responsibility for steadily raising its contribution to the growth of the national income. It thus exerts a crucial influence on the uniform reproduction process and the continuing successful advance of the national economy, the improvement of efficiency and quality.

At the same time the development of agriculture, forestry and the food industry is a total economic task. As you know, at the Tenth SED Congress Comrade Erich Honecker pointed out the constantly growing services of industry to agriculture and indicated that these proceed at an advanced scientific-technological standard. These achievements by the working class already claim a high standard. They relate to a large part of agriculture's material-technical base. Industry thus exerts a fundamental influence on the yield, productivity and efficiency of farming, the development of production conditions and productive forces in rural areas. Here also we see a demonstration of the leading role of the working class.

Science is increasingly responsible for the evolution of farming. The greater challenges of the 1980's, the new conditions which have arisen for our economy as a whole, require the more and more close linkage of the benefits of socialism with the scientific-technological revolution in farming, forestry and the food industry also.

As the Central Committee Report to the Tenth SED Congress reiterates, the safety of food supplies for the public remains the overriding task for agriculture and the food industry in the new five-year plan period also. Agriculture and forestry supply more than half the domestic raw material yield for our economy. In this field also, therefore, it carries a heavy responsibility.

Significant Rise in Output Required

The further pursuit of our well tested line of the main task in its unity of economic and social policy therefore calls for a significant rise in the output of

agriculture, forestry and the food industry. Required most of all are higher yields on the fields and improved achievements in the barns. It is our aim significantly to raise the domestic yield of crops for livestock production, so that grain and feed imports may be reduced and eventually eliminated. This increase in our own output is all the more important because foodstuffs have a growing role in the international class conflict between socialism and imperialism.

We must confront these facts with open eyes. Our policy is therefore directed toward getting rid of our still persisting dependence on imports of grain and fodder. This means that we must significantly raise grain production in the GDR and, at the same time, endeavor to achieve the greatest possible conservation of feed. Available scientific findings and the results recorded by well managed crop production LPG's and VEG's /State farms/ show that we will be able to meet these targets by way of further intensification and the utilization of all reserves.

In view of the great political importance of grain our now advanced sense of responsibility calls upon us to handle feed as sparingly as possible. It must be our aim for the crop production LPG's and VEG's completely to supply all high quality feed for livestock production. This will require closer collaboration in the cooperation councils.

Every square meter of land must be cultivated, the highest possible yields achieved. Involved here is the need for the more complete utilization of all available fodder reserves. These include kitchen and slaughterhouse waste just as the utilization of feed to be found in glades and meadows, in ditches and other places. It will be necessary always to appreciate that cooperative workers and farmers carry a great deal of responsibility for the all-round strengthening of our workers and farmers state as well as the consolidation of the status of socialism in the world.

The 10 key points of the economic strategy of the 1980's and the special tasks decided upon by the Tenth SED Congress for the growth of the economic performance of agriculture, forestry and the food industry are the focus of our agrarian policy in the coming years. They are the base for the further intensification of output and the broad development of the initiatives of cooperative farmers and workers in the socialist competition.

Carrying out the party's economic strategy in agriculture, forestry and the food industry means raising the output both with respect to volume and quality, while significantly improving the cost/profit ratio and, consequently, the efficiency of production. Our socialist agriculture, forestry and food industry boasts experienced, politically and technically skilled managers and cadres who possess all the qualifications for coping with such challenging tasks.

Main Approach: Intensification

In socialist agriculture, forestry and the food industry also the main approach to the accomplishment of our far reaching targets consists in carrying out socialist intensification in order to significantly improve efficiency and product quality, and in overcoming the still persisting differences in yields and output. In this context scientific-technological progress is increasingly the most important reserve for our total output growth. It is therefore imperative to advance even more resolutely with further intensification, especially of crop and livestock production.

Most of all this means to devote even greater attention to the pertinent factors of intensification, the training and further education of the working people, mechanization, chemicalization, soil improvement, breeding, storage and conservation as the main trends of scientific-technological progress in farming country. At the same time it will be necessary significantly to improve the cost/profit ratio.

As regards the training and further education of cooperative farmers and farm workers, we may boast satisfactory results: 89 percent have received and completed training. Among those permanently working in agriculture 8.3 percent are college and technical school cadres, 6.5 percent foremen. This respectable and steadily increasing potential of education and knowledge among cooperative farmers and farm workers must now be converted to efficient action for raising output and improving quality.

We have achieved a high standard with respect to mechanization. For example 100 percent of grain, 96.6 percent of potatoes, 99.3 percent of sugar beet and more than 94 percent of feed are harvested by machine. At the same time it will be necessary as per plan further to perfect the mechanization of all agrobiological, technical and chemical operations. This will require complex and highly developed machinery systems for the crucial operations on the field, in the barn, for transportation and warehousing. These machines and machinery systems, however, must in future be much better serviced and maintained.

To cite another example: Annually some 350 million tons of agricultural goods are transported and many of them transshipped several times. If we succeed in optimalizing these transport and transshipment processes on the basis of scientifically appropriate computations, we will succeed in freeing many mechanizers for the better utilization of field machinery, permit the use of available reserves--especially in feed management--and help improve working conditions by the elimination of heavy manual labor. Most of all we will be able to conserve motor fuel and other types of energy as well as save a great deal of money in dimensions of significance for the national economy.

Better performance by industry and in-enterprise production of rationalization aids in agriculture, forestry and the food industry are required also to close persisting gaps in mechanization, especially those which endanger the observation of agrotechnical schedules.

Concerning chemicalization we need to improve the quality of agrochemical work by a new standard of cooperation involving the division of labor among agrochemical centers on the one hand and crop production LPG's and VEG's on the other. We thereby aim to see that the available fertilizers are deployed to better effect. Of course this effect depends very largely on the correct timetable for fertilization and plant protection measures.

The brigades of agrochemical centers should be even more firmly assigned to LPG's and VEG's. With respect to plant protection efforts we should endeavor for part of these operations to be carried out by the LPG's and VEG's themselves, especially in the case of enterprises handling special crops. All these issue should be decided in accordance with the principle that the utmost in quality of agrochemical work be achieved as well as costs and energy saved.

The land improvement enterprises, especially land improvement cooperatives, must be directed to a far greater extent to maintenance and the operation of the improvement facilities. In 1980 919,000 hectares were irrigated, 15.5 percent of the agricultural area. Sprinkling accounted for 431,000 hectares of the total. Last year 1,543,000 hectares were drained, 26.1 percent of the agricultural area.

As for the ratio of irrigation to drainage, drainage is definitely to the fore. That applies to fields as well as pastures, especially in the northern districts of the GDR. The experiences of the years 1977-1980 have demonstrated that drainage allows us to achieve a higher increase in yields at lower costs. In the field of irrigation we should concentrate on using further favorable opportunities and on greater efficiency in using the existing facilities.

In the case of breeding, one of the main objects of intensification in agriculture, forestry and the food industry, it is imperative--coupled with concentration on key points--as per plan to breed crop and livestock varieties which guarantee a high yield and the best possible performance. We are fully in support of the initiatives of the scientists at the Quedlinburg Institute for Plant Genetics and many others who intend, for example, to breed such vegetable varieties as are suitable for improving supplies of vegetables to the public all year round.

The tasks involved in raising crop production and, especially, feed output, represent the absolute key points for the implementation of the economic strategy for farming in the 1980's. It will be necessary to substantially exceed the planned yields of 43.2-43.7 deciton grain units per hectares of agricultural area in order to achieve our aim of reducing and ultimately eliminating grain imports.

All Care for the Land

The key question involved in raising yields is the most efficient utilization of the land and the improvement of soil fertility. Not only does this mean that no piece of land may lie fallow, that every field must be tilled and every meadow and pasture utilized. It also means making every effort steadily to improve soil fertility. That is one of the greatest reserves to be developed in socialist farming in order to raise yields. It will therefore be necessary further to perfect and consistently carry out the programs drafted by agricultural production cooperatives and state farms.

In the matter of raising soil fertility the organic substance is of central importance. It is not possible anywhere to feed the soil too much organic substance. The reproduction of soil fertility is an unending process which raises ever new demands.

In our conditions solid and liquid manures are the most important sources of organic fertilizer for the land. They must therefore be utilized fully, especially on cultivated fields. In order to avoid adverse effects liquid manure, especially, must always be used in accordance with agrotechnical and agrobiological requirements. It is therefore imperative to provide the appropriate conditions. At the present time we are still suffering large losses of organic substance and organic nutrients by the improper handling of organic manures as well as inadequate storage capacities.

Properly stored manure should once again come to represent a business card for every LPG and VEG.

As regards storage capacity, we must aim in the short term to provide the necessary facilities. Very important in this connection is a rise in the proportion of dry substance in liquid manure to an average of 5-6 percent. The accomplishment of this task requires close collaboration between the livestock and crop production LPG's and VEG's. Cooperation councils and their party groups should make this an item of special consideration. It is moreover very important to continue developing all reserves for the production of organic substances from other sources.

We all know that in most districts of the German Democratic Republic solid and liquid manures do not suffice to ensure the simple and expanded reproduction of soil fertility. It is therefore necessary to devote closer attention to the so-called humus improving crops. These are most of all legumes and their compounds. Beginning next year it is intended to expand by at least 25 percent the cultivation of legumes and their compounds in main feed crop cultivation. Furthermore we consider it appropriate already in 1981 to raise the proportion of legumes on 250,000 hectares in the course of summer intermediate crop cultivation. From 1982 another 100,000 hectares are to be planted to legumes as intermediate crops. As for the pricing of legume seeds, the economic regulations have provided more favorable terms as of 1 January 1981.

For the sake of better land utilization it will also be necessary to plant a maximum of intermediate crops. That is an enormously important task.

To raise soil fertility we will further require to achieve a stable planting ratio and orderly crop rotation. This was one of the assignments imposed by the Tenth SED Congress and must be carried out everywhere. The prerequisites have been provided. The central organs, for example, have not planned any shifts in the cultivation ratio. From that aspect, therefore, there is no reason constantly to postpone the establishment of firm crop rotation. The sizes of fields must be determined so as to allow for the greatest efficiency. Soil erosion must be resolutely fought.

The improvement in the quality of all types of cultivation significantly affects soil fertility. It is therefore imperative for management operations and the initiatives in the socialist competition to focus on the highest possible quality here. We can best achieve this by even more encouraging quality work in all collectives by rating such work even higher with respect to material interestedness and public moral appreciation.

Yields of crop production for all types of crops must be raised beyond the targets of the directive--on the basis of measures for the improvement of soil fertility and the complete utilization of the land. Grain and feed crops are to be assigned priority.

Briefly summarized, the following tasks are in the foreground:

1. The consistent implementation of the programs for land utilization drafted in the LPG's and VEG's, which must be steadily further perfected and more precisely defined in accordance with the greater demand.

2. The increasingly better supply of organic fertilizer to our land, especially of solid and liquid manure, in order to respond to the demands of the party congress.

3. The cultivation of crops raising the humus content, that is especially of legumes and their compounds. This will also raise the yield of high quality feed.

4. The introduction by every enterprise of crop production of firm and orderly crop rotation, responding to the acknowledged findings of agrarian science.

5. The highest standard of all work in crop cultivation in each enterprise.

The moment of truth in the improvement of soil fertility arrives at the time when yields are reported. The amount of the yields is the criterion of our fulfillment and overfulfillment of the targets set by the Tenth SED Congress for socialist farming and, especially, the crop and livestock production LPG's and VEG's. This is also of decisive importance for the accomplishment of our task to produce grain and feed to the extent required for supplying our livestock from domestic yield. What are our reserves for meeting these challenging targets?

The Tenth SED Congress directive to the five-year plan calls upon us more thoroughly to utilize the yield potential created by plant genetics. That applies in particular to the yield of sugar beet. It is therefore a matter of concern for all, scientists and practitioners alike, by sensible collaboration and socialist cooperation to achieve a fundamental change for the better.

Pasture Land With Large Reserves

Our need to cultivate every square meter of soil, harvest everything that grows and it to the consumer also implies the full development of the yield potential of pasture land, esepcially meadows and pastures. In the pasture land of the GDR meadows and pastures account for nearly 10 percent. Most are to be found on sloping land and moors. We have not yet been able to ensure drainage of extensively used moors. Once we resolve this problem, it will be possible by 1985 more intensively to use another 50,000-60,000 hectares of pasture land. The appropriate conditions should be provided by drainage, the construction of specific mechanization aids and pasture utilization. Total cropping is needed for the more efficient utilization of pasture land.

To secure the necessary livestock production from domestic feed yields we consider it necessary to give priority to these problems in the drafting of LPG and VEG five-year plans. It will be necessary as far as possible to secure agreement within the region between feed yield and feed needs among the cooperation partners of crop and livestock production LPG's and VEG's. These will then require the utmost support by the competent state organs. That also applies to the processing of hay as an important item of feed as well as the utilization of whole plants for ruminants. We recommend therefore that, alongside the drafting of plan documents, programs be drawn up for the joint development of feed management by the crop and livestock production LPG's and VEG's, and adopted by the cooperation councils.

With respect to the production of fruit and vegetables we need even greater efforts to achieve large and stable yields, expand the assortment and lower losses. Required

is the development and production of more specialized mechanization and rationalization aids in close collaboration between horticultural production cooperatives, agricultural production cooperatives, state farms and enterprises for agricultural equipment.

We continue to insist that villages supply themselves with the main vegetable and fruit items. Everybody is responsible, regardless whether engaged in crop or livestock production, whether horticultural cooperatives or the respective section of the Union of Small Gardeners, Settlers and Small Livestock Breeders.

With regard to livestock production our future work starts out from existing large stocks. At 5.7 million beef cattle and 12.9 million pigs in 1980 we had, as the Tenth SED Congress noted, the highest ever stocks of beef cattle and pigs. It will now be necessary with the planned livestock to achieve greater yields. The efforts of all must be directed to raising the yield per animal and achieve improved feed management as well as better rearing.

The efficiency of milk production is largely determined by the milking life of the dairy cows. Four years must be the minimum average requirement in the GDR. Slaughter cattle production must be given priority in the coming five-year plan period.

While the progressive enterprises observe to 100 percent the standards of feed consumption in relation to output, the backward ones exceeded these standards by 6 percent last year. At the same time output per animal in these enterprises was 30 percent lower. To do away with these differences--that is one of the greatest reserves in livestock production also.

Furthermore additional feed production is vitally necessary beginning in 1981. The indiepsnable condition for that achievement is the complete and punctual harvesting of everything which grows as well as intensive intermediate crop cultivation. From that aspect also cooperation relations between crop and livestock production LPG's and VEG's are an objective requirement. In addition it will be imperative even better to develop all possible fodder reserves.

The considerable differences between districts demonstrate the tremendous reserves available if kitchen wastes are recovered. While Potsdam, Frankfurt and Erfurt bezirk cities and communities with more than 5,000 residents managed to recover 132, 127 and 106 kg per capita respectively, Schwerin Bezirk could do not better than 62 kg, Leipzig Bezirk 61 kg and Berlin 41 kg.

Much Appreciation for Private Farming

The Central Committee Report to the Tenth SED Congress set out the demand for the even better utilization of the opportunities for producing crops and livestock products in the private operations of cooperative farmers, the members of the Union of Small Gardeners, Settlers and Small Livestock Breeders, and other producers. We have the greatest appreciation of the strenuous efforts made in this field so as to improve supplies for the public and wish to express our gratitude to all small producers. It will now be important especially further to raise the output of eggs, table poultry, rabbits, honey, skins and furs, wool, fruit, vegetables and tobacco.

The production of geese, in particular, is to be assigned priority. The managements and section heads of the Union of Small Gardeners, Settlers and Small Livestock Breeders have been asked to foster greater initiatives to end the decline in rabbit production.

Satisfactory experiences have been recorded by the kreis councils in the drafting of conceptions for the development of small livestock breeding and keeping as well as small horticultural lot cultivation for the period of the five-year plan. The local councils should fully comply with their duties with respect to securing the utilization of all suitable land in cities and villages as well as providing extensive support and assistance for small livestock keepers and gardeners. They should make every effort to see that the members of the Union of Small Gardeners, Settlers and Small Livestock Breeders as well as other small producers receive sufficient seed and seedlings, grafting stock, fertilizer, young animals and other aids to production. The network of buying offices should be expanded so that all products beyond home consumption may be purchased and supplied to retail stores or processing plants.

The VdgB/BHG /Peasants Mutual Aid Association/Peasants Trade Cooperative/ has been charged with improving supplies for the members of the LPG's, the Union of Small Gardeners, Settlers and Small Livestock Breeders as well as other small producers, and to develop more reserves for the home production of building materials, garden tools and production aids.

It is a basic task for all sectors of agriculture, forestry and the food industry significantly to improve the cost/profit ratio. For farming to make a meaningful contribution to the growth of the national income, it will be indispensable to eliminate all differences. This is one of the greatest reserves available to us. Representative studies have shown that yields in crop production--in exactly the same growing conditions--may vary by 10 decitons of grain units per hectare of agricultural area.

Again in the same growth conditions there is a difference in the cost ratio between the group of the worst and best crop production enterprises amounting to 108 : 76. When we scrutinize this analysis we see that usually the low efficiency LPG's are badly managed, the atmosphere in the enterprise is poor and the turnover of the labor force large. That is confirmed by the fact that the backward LPG's have 15 percent less workers per 100 hectare agricultural area than their progressive counterparts. The capital equipment rate per hectare also is lower by some M1,000. It is therefore imperative for the kreis councils to help the backward LPG's eliminate these differences, based on the proper analysis of the underlying causes. This includes setting out concrete requirements about changing the situation and helping to enforce them on the spot.

These same LPG's should also receive more assistance with housing construction, coping with the undue labor turnover, the better organization of working and living conditions. Wherever people feel happy, know that their efforts are appreciated, and wherever all prerequisites exist for a satisfying atmosphere at work, the working people will repay us by greater efforts to strengthen socialism. Just for that reason it is the moral obligation of party organizations in every respect to help the neighbor who has not yet achieved this high standard.

Of course regular exchanges of experience and performance comparisons are the best and cheapest investment. However, a modern revolutionary is distinguished by working and struggling wherever he is most urgently needed. Such initiatives as in Nischwitz (Leipzig Bezirk), Willmersdorf (Frankfurt Bezirk), Vipperow, Boitzenburg and Mittenwalde (Neubrandenburg Bezirk), where experienced cadres went to work in efficient LPG's, demonstrate the selfless attitude of communists who do everything possible to enable everyone to record the greatest achievements for the strengthening of socialism, the implementation of the Tenth SED Congress decisions.

Young people have also shown their mettle by their revolutionary enthusiasm in the realization of the decisions adopted by the Eleventh FDJ Parliament. Our highest praise must be bestowed where, for example, a kreis youth project in Grimmen Kreis was directed to helping four LPG's by the delegation to them of 20 of the best FDJ members this year and 75 by 1985. It should be a matter of honor for every party organization in every kreis and every district to do everything in its power in order within the briefest delay to overcome the still persisting differences between LPG's and VEG's and thereby develop reserves in new dimensions for the necessary steep rise in the performance of the national economy.

Investments are of paramount importance for the reproduction process in agriculture, forestry and the food industry. The main tendency of our investment policy consists in gradually raising the share of equipment and thereby more favorably organizing the ratio of buildings to equipment. The reproduction of the existing equipment stock must be secure and, in addition, advances achieved in the technical equipment for soil cultivation, harvesting, transportation, handling and the mechanization of animal husbandry.

We have learned that the greatest profit is achieved when we concentrate investments on the rationalization of barns, on conservation and warehousing, humus management and drainage. Of great importance for the implementation of investments is the further lowering of construction costs. Investments will also be directed so as to ensure the replacement of heating oil, the development of alternative energy sources and the use of industrial robots and microelectronics in selected fields of application. Reconstruction and rationalization take absolute priority over new construction. The focus is on the rationalization and reconstruction of barn facilities. Of the greatest importance is the fulfillment of the housing construction program in rural areas. We are confronted with the challenge substantially to raise the output of equipment and rationalization aids. Repair and maintenance services must be guaranteed.

We will have to obtain the necessary capacities for rationalization aid production, mainly by lowering the need for repairs by better servicing and maintenance of equipment, raising the operating periods of machines and tractors as well as ensuring the best possible standard of repairs. Capacities for the increased production of rationalization aids should also be developed in the sector of agricultural building construction.

Wealth of Capital Equipment

A sound cost/profit ratio is largely determined by the more efficient handling of the existing capital equipment. As the Central Committee Report to the Tenth SED

Congress emphasized, the extent of capital equipment stocks in socialist farming in 1980 by comparison to 1970 had risen to well above 180 percent. Consequently depreciations in crop production recorded M203 per hectare of agricultural area and maintenance costs M490 per hectare of agricultural area. These two together account for more than 32 percent of total prime costs in crop production. These few figures exemplify the rise in the place value of the more efficient handling of our basic assets. As capital equipment stocks will continue to rise in the process of mechanization, a large increase in output is the most important prerequisite for the improvement of basic asset efficiency.

The second decisive condition is the lowering of repair costs. It will be necessary, therefore, in the course of the five-year plan period to provide the prerequisites for all tractors, trucks and farm machines to be serviced and maintained at service stations in accordance with the service order. We must furthermore ensure that all tractors, trucks and large machines as well as planting, fertilizing and plant protection equipment is stored in proper shelters. The material interestedness and sense of responsibility of mechanizers and management cadres must be raised with respect to the long life of equipment and the efficiency of supervision to be exercised to this end. The economic regulations in effect should be reviewed and amended where necessary. Agricultural production cooperatives and state farms have achieved satisfactory results whenever they managed to enforce proper order and discipline in the servicing and maintenance of equipment.

Decisive tasks arise from the Tenth SED Congress demand for promptly making the opportunities offered by the scientific-technological revolution the main reserve for the growth of output and efficiency. Now new problems have arisen, and it will be necessary to direct research and innovator initiatives to their resolution in order to meet the great challenges of the 1980's. The Tenth SED Congress described as a priority the breeding of new plant varieties and the improvement of livestock breeds. We must also seek approaches to the better utilization of the free productive forces of nature in order to raise the output of biological raw materials. It is turning out to be more and more necessary conscientiously to coordinate scientific-technological efforts and speed up the transfer of research results to production.

All matters involving the growth and stabilization of yields of agricultural and horticultural crops have their place in the research plans. That applies especially to grain, basic feed and sugar beet. We need new scientific proposals in order decisively to lower losses in production, warehousing and processing. Just as for production, the need in scientific work is for achieving more with the available and planned funds and for obtaining improved results. As regards the use of microelectronics, alternative energy sources and robots, the pertinent tasks are to be included in the five-year plans of research and development. Cooperation with Soviet scientists is to be further deepened.

It is of strategic importance to seek new approaches to the steadily better utilization of the productive forces of nature to raise the production of foods and biological raw materials. That also applies to the issue of the greatest possible energy conservation and the development of new sources of energy.

In view of the horrendous rise in the prices of raw materials and energy sources we have only one way out: First of all as rationally as possible the traditional energy

sources such as brown coal, and secondly to develop new and alternative energy sources.

It is imperative to the widest extent to utilize scientific-technological findings. We must therefore do everything possible to recover energy by means of heat pumps and heat exchangers, and economically develop solar energy by means of solar cells, utilize wind power and obtain another energy source by the production of gases from biomass.

Nobody should be satisfied to merely follow existing examples in our industry. Actually we must organize the mass utilization of alternative energy sources. We need a great initiative push, imagination and commitment in order to provide the material-technical prerequisites for all of this.

The realization of the economic strategy and further social development call for a greater contribution of the social sciences, especially with regard to farm management and business management, the necessary advanced rise in the output of agriculture, forestry and the food industry. To be tackled and dealt with in particular are the new problems arising with regard to the efficient organization of the reproduction process in cooperating crop and livestock production LPG's, their relations with the processing industry and the trade. Here also we must focus on the need to use and convey to the consumer everything which grows and is produced.

We need new knowledge also regarding the management of the various branches of farming, forestry and the food industry, and their interlinking with other sectors of the economy, so that we may learn better to cope with these processes. That includes scientific work for the preparation of the agrarian price reform. Needed generally are far more top performances in the decisive fields, and that within a briefer delay. It is therefore a priority task of the basic organizations and all responsible management cadres to organize the more resolute struggle for great scientific-technological results.

The rapid and broad transfer of new scientific findings decisively depends on the closeness of the links between science and production. We should therefore increasingly utilize the tried and tested methods as well as develop new ones. Party and state organs in the regions as well as economy managing organs should ensure that LPG's and all enterprises incorporate challenging scientific-technological tasks in their five-year and annual plans, and that they direct the initiatives in the socialist competition to their accomplishment. The achievement of the planned profit is to be reported in this field also. All this presumes that all scientific facilities in the region, in particular the district scientific centers, provide concrete and prompt assistance on the spot. That should be secured by contracts and long-range agreements, coupled with the observance of mutual material interestedness.

With respect to the further social development in rural areas we are guided by the fact that the development of socialist production conditions has provided more favorable conditions for the further development of the productive forces.

Agricultural production cooperatives and state farms engaged in crop and livestock production will continue to be the basis of our agriculture. In the coming years it will be imperative further to strengthem them and their cooperative facilities

in every respect. This requires strengthening their own responsibility and overcoming unjustified differences in performance. The focus here is the development of cooperative democracy by the widespread involvement of all members, such as prescribed by the model statutes and model enterprise orders.

The Power of Cooperation

Of fundamental importance is the purposeful further development of cooperation relations between the crop and livestock production enterprises in socialist agriculture. That is an objective process arising from the reproduction process of farming, the sequence land-crop-livestock.

Cooperation represents a significant reproductive power and must be steadily better exploited so that in our conditions of specialization and the division of labor between crop and livestock productoion the common responsibility and coordinated action for high yields in the fields and better output in the barns may further the stable supply of food to the public and raw materials to industry.

The steadily closer cooperation between the livestock production LPG's and their partners, the crop production LPG's, represents an immense reserve for developing in all collectives more initiatives for raising domestic feed production and efficiently using that feed as well as better supplying the soil with organic substances. Reciprocal assistance by way of manpower and equipment is also very important. This procedure enables the social labor capacity and the available stock of capital equipment and circulating funds to be more fully utilized.

Very important in cooperative collaboration is the transfer of the experiences of the best, so that we may produce more, better and more cheaply without adding to costs. These apparently simple methods of cooperation should be far more highly regarded. All this requires the work of cooperation councils and their party groups to achieve a higher standard, and they should therefore receive our full support and assistance.

The cooperation councils carry a steadily growing responsibility, in particular for the coordinated development of crop and livestock production. At the center is feed production corresponding to demand, the efficient utilization of the feed and organic fertilizers as well as the most rational possible utilization of the social labor capacity. The cooperation councils must ensure the use of investments--coordinated between the partners--for speeding up scientific-technological advances and rationalization. Accordingly they will establish common funds for that purpose.

The most advanced type of cooperation is represented by the agroindustrial ssociations. These also are confronted with greater challenges. Maximum results are to be achieved by close cooperation with livestock production. Livestock production must be supplied with all the feed necessary .

Cooperation between LPG's and VEG's on the one hand and processing enterprises and the trade on the other should help improve the public supply of high-quality foods in a broader range. To help this along the experiences of well functioning cooperation associations should be rapidly generalized. Efforts are to be directed mainly

to the most rational possible organization of production stages, the avoidance of processing, transportation and trading losses as well as the improvement of the quality of end products.

The Tenth SED Congress has reaffirmed that the principle of voluntarism must at all times be observed in the deepening of cooperative collaboration. That is why we must proceed gradually, taking into consideration the differences in conditions.

It is an important task for our politico-ideological work steadily further to develop cooperative democracy. That is highly significant for the development of the initiative and creativity of cooperative farmers and the utilization of the enormous potential of cooperative property. Here the councils for agriculture and the food industry at the kreis councils bear a heavy responsibility. As democratic organs they must increasingly deal with all fundamental issues involved in the development of farming and the food industry in the kreis and submit their suggestions to the kreis council for decision. That applies mainly to the targets of the five-year plan and the annual plans, the speed-up of scientific-technological progress, the most efficient use of investments and other material-technical resources as well as promotional means.

The council for agriculture and the food industry critically analyzes the results achieved in production as well as their effectiveness, and thus contributes to the removal of still persisting differences and the development of all reserves.

As stated in the SED Program, our agrarian policy is directed to the perfection of socialist production conditions and the consolidation of the alliance between the working class and the class of cooperative farmers. We thus continue to realize Lenin's plan for the cooperatives. Lenin said: "The farmers appreciate that we have taken power on behalf of the workers, and that we are pursuing the goal of building the socialist order by this power." We are intent steadily better to utilize all the potential of cooperative property and further to strengthen the class of cooperative farmers.

The Tenth SED Congress decided that a new LPG law was to be drawn up. This law will take into account the further development of production conditions in our socialist agriculture and serve to encourage our agricultural production cooperatives. The involvement of cooperative farmers must be ensured to an even greater extent. The preparation and conduct of kreis farmers conferences and the Eleventh Farmers Congress offer a great deal of scope for this.

The economy of every socialist farm enterprise must be so organized (coupled with the observation of its specific conditions) that the best possible results are achieved everywhere, and that production is both efficient and profitable. This applies especially to the further organization of remuneration in the livestock LPG's. The performance principle is totally applicable here also. At the same time such factors as the achievement of top output from home grown feed, lower losses and improved efficiency and quality should be more highly valued.

Focus on Management

The scientific facilities in the field of socialist management, the ministry as well as kreis and bezirk councils must occupy more with the economic problems of

agricultural production cooperatives and state farms as per the greater challenges of the 1980's. It will be necessary by the proper management measures to save money, energy, working hours, feed, transportation, materials and administrative expenditure.

The Tenth SED Congress moved into first place among intensification factors the training and further education of working people in agriculture, forestry and the food industry. It thereby underlined the fact that increased output and growing efficiency largely depend on the knowledge and skills of cooperative farmers and farm workers. Prior training therefore requires constant attention. We need more apprentices, especially for the production sectors, work in the fields and barns.

The high standard of the productive forces and production conditions achieved, the grown socialist consciousness of cooperative farmers and farm workers as well as the new conditions for the rise in efficiency in our national economy imply new challenges to training and education. That applies to the improvement of business, agrarian and economic knowledge in order better to understand the motivation of our policy. It also includes politico-ideological and theoretical instruction in the basic organizations of our party and the social organizations. It is therefore imperative for all party and state organs as well as FDJ leadership organizations to devote the greatest possible attention to these issues.

We should also note that the growing democratic involvement of cooperative members in their agricultural production cooperatives, cooperation councils and kreis councils for agriculture and the food industry as well as their active participation in the social life of the region presume steadily better political and technical education. These are important issues regarding the development of cooperative farmers as a class.

Training and further education must be directed to the crucial key points of further intensification and scientific-technological progress. It must provide sounder knowledge and at the same time foster creativity, initiative, the willingness to perform and conscious work discipline.

The executive boards of LPG's and management organizations of VEG's and other enterprises must ensure the proper training of professional successor generations as well as the job and function related further education of their cooperative farmers and farm workers on the basis of long-term cadre and educational programs in accordance with the new demands. We must also instruct more women farmers to work with mechanized equipment. Needed therefore is even more responsible work in each LPG and enterprise so as to recruit the apprentices required (as far as possible from the ranks of the families of cooperative farmers and farm workers), especially for the production sectors of crop and livestock farming, to train them properly, settle them in their jobs and encourage their development in every respect.

The new criteria of the 1980's are linked with new challenges to the systematic further education of management cadres at all levels, including the personnel in state organs, social organizations and our party, of specialists and all working people. That applies to the syllabus as well as to its rational application. To be comprehensively used are the many opportunities offered by consultation enterprises and scientific facilities for the dissemination of new knowledge, the experiences of the best and innovator solutions.

It is vitally necessary now to direct all forces in the socialist competition to exceed the planned yields per hectare by the exemplary cultivation of all crops, excellent preparation and low-loss harvesting. By the maximum increase in feed output at the best possible quality, the cooperative farmers and workers in the crop production agricultural production cooperatives and state farms will provide the decisive prerequisites for their cooperation partners in livestock production to overfulfill their state targets and competition obligations with regard to slaughter cattle, milk and eggs.

Provided we manage a good harvest this year and carry out the fall cultivation at good quality, we will provide important prerequisites for expanding our domestic fodder basis, so that imports of feed may be reduced and eliminated. A good harvest offers the basis for securely supplying the public with food and industry with raw materials.

Let us resolve at the 1982 Farmers Congress, this great forum of cooperative farmers and workers in our socialist agriculture, forestry and food industry, to report the first satisfactory results in the implementation of the Tenth SED Congress resolutions. I wish all of you new successes and creative powers.

Capacity To Expand Questioned

Cottbus LAUSITZER RUNDSCHAU in German 18 Jun 81 p 3

/Interview with Prof Dr Hans-Joachim Liste, director, crop production section and chief, science program, Martin Luther University, Halle-Wittenberg; date and place not given: "More Grain and Fodder Year After Year--Is It at All Possible?"/

/Text/ Biographic Data on Professor Liste

Hans-Joachim Liste was born in Toeschwitz (now the People's Republic of Poland) in 1934, the son of a farming family. He attended elementary school and graduated from the Halle workers and farmers college.

He continued his studies in Halle from 1955-1959 and graduated as a diploma agronomist. Later he worked at the agricultural faculty of Martin Luther University as a scientific intern, assistant, senior assistant and lecturer. In 1962 Hans-Joachim Liste completed graduate studies in the Soviet Union. In 1973 he was appointed professor. Since 1980 Comrade Liste has been director of the section crop production.

Hans-Joachim Liste joined the FDJ in 1951.

In 1955 he was accepted as a candidate for membership in the SED. Comrade Liste held various party offices, among others he was party secretary of the section from 1972 to 1976. Since then he has been a member of the university party leadership.

Professor Liste is chairman of the advisory council on agrarian science at the Ministry for University and Technical School Affairs, member of the scientific-technological council at the Ministry for Agriculture, Forestry and the Foodstuffs Industry, chairman of the committee on soil fertility of the GDR Society for Soil Mechanics, and candidate of the GDR Academy of Agricultural Sciences.

Hans-Joachim Liste is the author and co-author of several books, brochures and monographs, for example the university textbook "Ackerbau" /Tillage/ (to be published soon) and the book "Fruchtfolgen in der Industriemaessigen Pflanzenproduction" /Crop Rotation in Industrialized Crop Production/

Comrade Liste has been awarded the GDR Medal of Merit and distinguished several times as activist of socialist labor.

Hans-Joachim Liste's wife is also a diploma agronomist. They have two sons, aged 18 and 10.

In the early 1950's a worker employed in GDR agriculture produced food for 5 people, now he produces enough for 35. In 1980 every citizen of the GDR consumed an average of 89.6 kg meat, 15.3 kg butter, 219 eggs, 7.7 kg cheese, 100 kg milk. To meet this demand some 34,500 pigs and 4,600 beef cattle are slaughtered daily. Each day farming also supplies 19,000 tons of milk, 14 million eggs, 8,000 tons of potatoes and 4,500 tons of vegetables. To meet the great demand for animal products, 75 percent of the grain needed in the GDR are used as fodder. The total annual grain requirement amounts to 12 million tons. However, the agricultural area is limited and amounts to only 0.37 hectares per capita, equivalent to a football field. The United States, for example, has available 2 hectares. It is therefore still necessary for the GDR to import about 2-3 million tons of grain per annum, although the price of grain has tripled on the world market in the course of the past 10 years. These facts provide the background to today's interview.

/Question/ Dr Koeniger, G. Boeschow and other readers have written to ask: Though we already have a large food consumption, the demand will continue to grow in the coming years. Will our agriculture be able to cope and produce the yields necessary in crop production?

/Answer/ Let me first say this: The people of our republic are well and steadily supplied with food. And I must add here: At stable prices for all essential foods. Many people in capitalist countries would be happy if they could say the same.

Such achievements of course presume the corresponding efforts in agriculture and the food industry. In particular stable and rising yields in crop production represent a vital prerequisite.

/Question/ Could you give us some examples?

/Answer/ Let me exemplify this by the average GDR grain yield. In 1955 we harvested 24.8 decitons per hectare. Twelve years later we made it 30 decitons for the first time, have since steadily exceeded these hectare yields and are now close to 40 decitons per hectare. Within this range we have top yields in enterprises which average 55 decitons and, on fields with particularly good soil, have managed more than 80 decitons. Even in Cottbus Bezirk, where sandy soil prevails, we are now achieving yields considered impossible 20 years ago. The farsighted farm policy of the party, the socialist development of agriculture and the skills of the people thus yield rich fruit. The successful advance of our socialist agriculture is indisputable. Every social advance but also scientific findings increasingly affect the development of agriculture. Of course our ancestors were equally eager to achieve better harvests. Last century, for example, grain yields doubled by the introduction of fodder croups and vegetables into the rotation, rising from 7-8 decitons per hectare to 14-15 decitons per hectare. The introduction of artificial fertilizers and better plowing succeeded in raising yields once again, to 20-25 decitons per hectare. The socialist intensification of farming has resulted in increased crop and livestock output within a far shorter delay.

/Question/ We are sometimes asked whether we can possibly expect more from fields and meadows. Can the land manage that which we call on it to do?

/Answer/ In the first half of the 20th Century the average rise in the yield of grain amounted to 5-10 kg per hectare and year. In the second half this growth was exceeded. The Tenth SED Congress has set the target of ensuring stable increases in yields of 20-30 kg grain units per hectare. That is a challenging but realistic assignment. After all, we have brought in 2,000-3,000 harvests on our land. So far we have not seen any signs of excess use. Therefore we will be able to harvest more in future also.

/Question/ Comrade Professor: You have already started in on the answer to our next question: Is it really necessary to steadily raise yields, seeing that we are already well supplied?

/Answer/ Oh yes, it is indeed necessary. The reasons are many. I will mention only the rising prices of grain and the growing need for food and raw materials from agriculture. Every ton of grain we produce ourselves saves us foreign exchange.

Grain is becoming more and more costly. It is the only type of crop we have not yet succeeded in providing entirely from our own resources. Let us keep in mind something the people of the GDR (who are well supplied with food at stable prices) should never forget: Hunger rules in many countries on this earth. Malnutrition is growing faster at present than the world population which is rising by 70 million annually. Five hundred million people are malnourished, 50,000 people die of hunger daily. In the face of these facts the imperialists remain cold as ice; they prefer to destroy surplus grain for the sake of profit. By unscrupulous price increases and inhuman trade practices they prevent more help for the suffering people who must cope with the legacy of colonialism.

The working people in farming bear a great deal of political and economic responsibility. They must do everything possible to grow more grain. It was decided at

the Tenth SED Congress by 1985 to produce at least 10 million tons of grain, in other words to harvest more at home and lower imports by more than 1 million tons. Let me say quite plainly: The security of our standard of living and its further gradual improvement, the pursuit of our tried and tested line of the unity of economic and social policy, clearly and unambiguously formulated at the Tenth SED Congress for the coming year, challenge every worker in farming to meet the new and enormously grown demand. The benefits inherent in our society must therefore be linked even more comprehensively with scientific-technological advances and made to serve us.

/Question/ What, in particular, are you thinking of, comrade professor?

/Answer/ First of the experiences of the best which are to be found in every kreis of Cottbus Bezirk also, and their generalization by which the persisting unjustified differences may be more rapidly reduced.

For Cottbus Bezirk and its sandy soil all opportunities should be used even more to encourage the cultivation of wheat and barley. The statisfactory status of winter grain with about 83 percent of the grain area (in 1980) should be maintained.

Considering the large area planted to rye in the district (some 80,000 hectares), every rise in yield assumes enormous importance. And such increases are possible and necessary for rye also. That begins with the appropriate crop rotation. Sometimes people tend to underestimate that, because they believe rye can stand anything. However, if the overall crop rotation is correct, we may achieve 10 percent higher yields, provided the other necessary cultivation measures proceed correctly. Lastely, as regards the 1 million tons which we want to add from GDR output by 1985 or the target for your district by 1985 to raise annual grain production by at least 50,000 tons compared with 1980, we are concerned mainly with bread grain, because that is the most extensive type on the world market. It costs much more than feed grain. Everything therefore calls for the more intensive utilization of the valuable land.

After all, the land is our main means of production. The fields must therefore be tilled with the greatest plan discipline, every square meter of land must be used for food production, because we are unable to increase the agricultural area. That applies also, and quite particularly so, to Cottbus Bezirk where we have an extensive mining industry which will preempt land for a long time to come. It is most important to establish close cooperation between mining and farming, ranging from the technology of coal mining to the recultivation and reconversion of the land by the cultivation of grops which quickly return good yields.

Considering that every square meter of land is important for our food supply, the new land use decree in effect since 1 May has underlined this: Everyone in our country holds a good deal of responsibility for utilizing everything and not allowing even 1 square meter to be alienated unjustifiably. I consider the Cottbus Bezirk program for the long-term improvement of land use to be an important measure in that respect also.

/Question/ In this district the mechanizer movement is largely responsible for the improvement in crop cultivation. What is your appraisal of the role of the mechanizer?

/Answer/ We are particularly concerned with the orderly conduct of cultivation, the careful handling of the land, as the prerequisite of rising yields. This includes stable crop rotations, rational tilling, the use of organic substances, the effective application of fertilizers, the protection of the soil against water and wind erosion. In all of these reserves remain to be developed.

The mechanizer movement and the mechanizer conferences held annually in your district are very helpful.

By passing on the experiences of the best and using them for good cultivation, the work done in Cottbus Bezirk with the mechanizers has acquired a good reputation in the GDR. What is being done in this respect eminently serves the concept that man guides the equipment and determines the standard of work on the land. In crop production that is becoming more and more axiomatic. Every mechanizer must increasingly be his own quality inspector! That is the only way of achieving the best possible cultivation on every square meter. To exemplify this: A plant is not an animal and has no legs. Its main root area runs to a quarter square meter maximum. What it cannot find there in the way of nutrient, it will never be able to get. Careful cultivation, therefore, largely decides the yield. Moreover: Soil organisms are just as sensitive as other living things. The field is not an air strip. Any unnecessary driving across it can only do harm.

/Question/ Maybe you could tell us some of your thoughts on coarse fodder production which seems to be steadily more important?

/Answer/ I said earlier what grain means to us. That is why it is important in livestock feeding to even better use the total of other reserves available. We must get the maximum benefit from coarse fodder. Coarse fodder must yield more energy and protein. It will therefore be necessary to emphasize the cultivation of fodder crops with just such qualities. We will be helped to achieve definite savings of grain in feed management and still ensure excellent performances by the livestock if we cultivate legumes and their grass compounds, make the greatest possible use of green fodder, plant early intermediate winter crops and properly stagger cutting. Nor must we forget the pasture land which, in Cottbus Bezirk, accounts for more than half the coarse fodder area. At the same time it will be necessary steadily to work on the further improvement of soil fertility. I am quite aware that good experiences have been gained here in Cottbus Bezirk. Other important aspects are the intensification of corase fodder cultivation and the raising of potato yields, so that potatoes may again and to a greater extent take the place of grain.

/Question/ At the Tenth SED Congress Comrade Honecker made a remark blaming the weather for some farming problems. What are your comments on the wealther generally?

/Answer/ The sun and the rain have always been natural allies of the farmer. Unfortunately they do not always turn up at the right moment. Remember the extreme drought in 1976, followed by floods in 1977, However, we have also learned that enterprises with good management and satisfactory crop cultivation record far smaller weather related fluctuations in yields. Carefully planned crop rotations, well maintained and fertilized land, working improvement facilities--all these are important factors for stability as against weather effects. We will have more proof this year, when the spring weather was anything but good.

/Question/ In summation of this interview we could conlude by saying that we have satisfactory prerequisites and conditions for achieving the targets of the Tenth SED Congress.

/Answer/ Indeed we have. We have invested a lot in our agriculture. Our expenditure on total nutrients per hectare is among the largest in Europe. Every eighth hectare gets additional irrigation. The money spent on plant protection as tripled in the past 20 years. This rise in expenditure will no longer be feasible in future. More must be done with the available funds. We are concerned with greater efficiency, and that can be secured mainly by rising and more stable yields. Clever and experienced people are working everywhere in our country, and they will be able to do that. Given the wealth of scientific knowledge and the experiences of the best, the challenging targets of the Tenth SED Congress directives are a realistic assignment which we will accomplish together.

/Question/ Many thanks for the interview.

11698
CSO: 2300/286

LAW ON 1980 BUDGET PUBLISHED

Budapest MAGYAR KOZLONY in Hungarian No 40, 10 Jul 81 pp 607-608

[Law No 2 of 1981 On the Execution of the 1980 Annual Budget of the Hungarian People's Republic and the 1976-1980 Fiscal Plan of the Councils]

[Text] Upon reviewing the provisions of Law No 2 of 1970 on public finances, the National Assembly passes the following law:

Part One

Execution of the 1980 Annual Budget

Principle Sums

Section 1

The National Assembly of the Hungarian People's Republic hereby approves the report on the execution of Law No 3 of 1979 on the 1980 annual budget, listing

423,030,000,000 (four hundred twenty-three billion thirty million) forints in revenues,

427,530,000,000 (four hundred twenty-seven billion five hundred thirty million) forints in expenditures, and

4,500,000,000 (four billion five hundred million) forints in deficits.

Detailed Revenues

Section 2

Tax and other payments by enterprise management organizations--not including payments listed under Section 3--amounted to 300,894 million forints, 71.1 percent of our total revenue.

Section 3

Social insurance payments and contributions to the pension fund by enterprise management organs, state-financed institutions and the population amounted to 53,579 million forints, 12.7 percent of our total revenue.

Section 4

Tax and duty payments by the population amounted to 10,727 million forints, 2.5 percent of our total revenue.

Section 5

Mandatory payments from the profits of state financed institutions into the budget amounted to 10,915 million forints, 2.6 percent of our total revenue.

Section 6

Miscellaneous revenues from our international financial relations, domestic credit operations and other sources amounted to 46,915 million forints, 11.1 percent of our national revenue.

Detailed Expenditures

Section 7

A sum of 69,555 million forints, 16.2 percent of our total expenditure, went to investments, to increasing the financial assets of council development funds, to state subsidies for privately undertaken house construction projects, to working capital allocations connected with certain state investments and to central stockpiling.

Section 8

A sum of 131,810 million forints, 30.8 percent of our total expenditure, was allocated for tax rebates and subsidies aimed at enhancing the production and commodity turnover of our enterprise management organizations.

Section 9

A sum of 77,666 million forints, 18.2 percent of our total expenditure, was allocated to finance our social insurance programs, which include family allowances, disability payments, child-care and other types of cash assistance, therapeutical services, pensions and other provisions, as well as matching funds for agricultural cooperative, industrial cooperative and artisan pension funds.

Section 10

(1) A sum of 119,554 million forints, 28 percent of our total expenditure, was allocated to the projects of our state-financed institutions.

(2) The sum stated in paragraph (1) can be broken down according to the following main projects:

20,899 million forints, 4.9 percent of our total expenditure, went to health and social programs, including the maintenance of hospitals, clinics and other medical facilities for in- and out-patients, mother-infant- and child-care, public health and epidemiological services and other sanitary and social projects, as well as to subsidies to keep our health resorts operating;

35,120 million forints, 8.2 percent of our total expenditure, to cultural projects including the maintenance of elementary, secondary and higher educational, scientific research, public educational, art, child- and student-welfare institutions and sports facilities;

16,854 million forints, 3.9 percent of our total expenditure, to defense;

10,905 million forints, 2.6 percent of our total expenditure, to law enforcement and public order maintenance;

6,624 million forints, 1.5 percent of our total expenditure, to central and local administrative purposes;

20,756 million forints, 4.9 percent of our total expenditure, to finance the road- and bridge-maintenance, municipal, agricultural, water-supply management and other economic projects of our state-financed institutions;

8,396 million forints, 2 percent of our total expenditure, to modernizing the fixed assets of our state-financed institutions and to the performance of other tasks.

Section 11

A sum of 28,945 million forints, 6.8 percent of our total expenditure, was paid out to fulfill our international financial obligations, to make interest payments and to carry out other budgetary tasks.

Miscellaneous Orders

Section 12

The National Assembly hereby approves the steps taken by the Council of Ministers and the minister of finance under the authority granted to them in Section 16 of Law No 3 of 1979, to execute the 1980 annual budget; furthermore, it accepts the fact that in thecourse of this process revenues and expenditures fell 470 million forints short of the estimated principle sum.

Section 13

The National Assembly acknowledges the fact that within the amounts specified in Section 1,

the revenues of our state-financed institutions--supplemented by social insurance and pension contributions--which are listed under a separate heading of the budget, fell 1,117 million forints short of the estimated level while expenditures were 287 million forints less than anticipated, and that the implementation of each section was carried out according to Appendix 1, and furthermore,

that state subsidies to the budgets and development funds of the councils exceeded the allocated amount by 1,342 million forints and 475 million forints, respectively, and that implementation on the capital city, megye and municipal council levels was carried out according to Appendix 2.

Part Two

Execution of the 1976-1980 Fiscal Plan of the Councils

Section 14

(1) The National Assembly hereby acknowledges that in accordance with Law No 5 of 1975 on the 1976 Annual Budget of the Hungarian People's Republic, and on the 1976-1980 Fiscal Plan of the Councils--taking also into account those orders which were appended as enclosures by laws passed on the annual state budgets during the extended plan period--the councils received an additional 8,353 million forints for their operating budgets and 1,894 million forints for their development funds in the form of state subsidies.

(2) State subsidies paid out during the extended plan period to capital city, megye and municipal councils were administered according to Appendix 2.

Part Three

Closing Provision

Section 15

This law will enter into force on the day of its promulgation.

(signed)

Pal Losonczi
President
Presidential Council of the
Hungarian People's Republic

Imre Katona
Secretary
Presidential Council of the
Hungarian People's Republic

9379
CSO: 2500/320

LAW ON DEVELOPMENT OF SMALL-SCALE INDUSTRY PUBLISHED

Warsaw MONITOR POLSKI in Polish No 15, 24 Jun 81 pp 113-115

[Text of Council of Ministers Resolution No 112, dated 8 June 1981]

[Text] In the matter of the development of small-scale industry

In order to insure conditions which will permit acceleration of small-scale industry development, and in order to guarantee self-sufficiency, self-government and self-financing of small-scale industry units, as provided for by Art 9 and 25 of the Decree dated 26 October 1960, concerning state-owned enterprises (Dziennik Ustaw [Dz U] 1960, No 18, Item 111), Art 7, Ust 4, Art 8 Ust 4 and 14 of Decree dated 25 November 1970,--Budget Law (Dz U No 29, Item 244), Art 2 and 3 of Decree dated 21 September 1950, concerning taxation of socialized economy enterprises (Dz U No 44, pos 399), Art 58, Para 2 of Statute dated 17 February 1961, concerning cooperatives and their unions (Dz U 1961, No 12, Item 61 and from year 1974, No 47, pos 281, Art 1, 2 and 4 of Decree dated 3 June 1953, concerning stabilization of prices, payments and tariff fees (Dz U No 31, Item 122) also Art 42 of Statute dated 8 June 1972, concerning employment in and organization of crafts (Dz U 1977, No 4, Item 20), the Council of Ministers has decreed as follows:

Para 1. The term small-scale industry includes:

1) enterprises of state territorial industry;

2) key industry units in which the director and self-government of the personnel, in conjunction with a superior unit, acknowledge that they are engaged in an activity described in Para 2;

3) cooperatives and plants of their own cooperative union;

4) units forming part of social organizations conducting economic activity;

5) craft workships and cooperatives, enterprises acting on the basis of a statute pertaining to conduct of commerce and certain other types of activity by units of nonsocialized economy and statute concerning working in and organization of crafts and also persons who conduct folk and artistic craft trade work;

6) partnerships of legal and physical persons named in points 1-5 above, including partnerships with limited responsibilities of legal and physical persons.

Para 2.1. Main tasks of small-scale industry units, in economic activity are:

1) manufacture of goods and provision of services of the market supply;

2) cooperation with small-scale industry units and key industry enterprises;

3) manufacture of goods and provision of services for agriculture and the development of agricultural food processing;

4) specialized, individual and small serial-item production, manufacture and rebuilding of spare parts;

5) export production and economic cooperation with abroad;

6) exploitation of raw-materials and local materials, derivatives and rejects, utilization of nonactive machinery and equipment and nonactive places and production areas;

7) manufacture of construction materials, single-family construction, investment construction and performance of maintenance of habitats, commercial objectives, service facilities, health-service centers, nurseries, kindergartens as well as cultural objectives;

8) publishing production.

2. Tasks named in Section 1, when performed by small-scale industry units which are cooperatives of disabled persons, people's cooperatives and artistic or ogranizational cooperatives conducting economic activity, should be subordinated to social aims, as defined in the constitution of those units.

Para 3.1. Small-scale industry units are guaranteed equal conditions of development and activity.

2. In order to realize the principle stated in Section 1, appropriate ministers, in matters belonging to their sphere of activity, will promulgate necessary regulations and will insure preparation of legal documentation pertaining to:

1) standardization of procedures and conditions for supplying small-scale industry units with goods, raw-materials, machinery and equipment;

2) administration of territories, production localities and services;

3) principles for submitting work and service requests.

3. The minister of finance will define the extent of exemptions and tax relief for newly organized small-scale industry units.

Para 4.1. The principles of the economic-financial system of socialized small-scale industry units are defined in the addendum to this resolution.

2. The principles defined in Section 1, above can also be used by crafts cooperatives.

Para 5. Enterprises of state territorial industry and key industry units, referred to in Para 1, Item 2), will conduct their activity in conformance with the principles stated in Para 4, Section 1, according to the decisions of their self-governing bodies.

Para 6.1. The self-government of personnel of a work palce which is conducting economic activity as defined in Para 2, which is active within the framework of a state enterprise, may, at the request of employees, petition the proper organ with a proposition to render a decision in the matter of its separation to form a small-scale industry unit. The rendering of a decision which denies such a request will require justification.

2. Separation of a cooperative enterprise will take place in the course of and in accordance with the principles expressed in the statute on cooperatives and their unions.

Para 7. Ministers, voivodship chairmen [voivoda's] (including mayors of cities with voivodship status) will guarantee formation of small-scale industry enterprises created from, among others, public funds. Such enterprises may take the form of cooperatives, partnerships of physical persons or partnerships of legal and physical persons.

Para 8.1. Units of small-scale industry prepare their plans of activities independently.

2. In national socioeconomic planning, the activities of small-scale industry units are admitted separately and for informational purposes.

Para 9. Prices for goods and services are established independently by small-scale industry units in accordance with market criteria, with the exception of basic food items, whose prices are fixed, based on pertinent regulations of the Council of Ministers.

Para 10.1. Small-scale industry units may conduct export and import activities and commercial cooperation with enterprises of the countries included in the II payments area [capitalist countries]. The development of cooperation should occur in particular with these countries with whom there exist appropriate international agreements.

2. Socialized small-scale industry units may form export-import enterprises which act on behalf of such units.

3. The minister of foreign trade and maritime commerce, in cooperation with the minister of finance, at the request of socialized small-scale industry units, may grant permission for independent conduct of import-export activities, provided that the conditions for export development are assured.

4. The contents of Para 16, principles which form the addendum to this resolution, will be applied to crafts workshops.

Para 11.1. Small-scale industry units may make purchases directly in production plants, organizations of market and supply deliveries, agricultural producers and

they may also engage in purchasing and acquisition of raw materials, goods and equipment of domestic or foreign origin and purchases from the population for their own production and service needs.

2. Small-scale industry units may make direct purchases, in key industry units, of recycled and rejected raw materials and unexploited machinery and equipment without the intermediate services of specialized units which engage in distribution of such materials, based on principles defined by the minister of materials management.

3. State administration organs and organizations of supply deliveries which distribute materiel and raw materials, will insure that their distribution plans include small-scale industry units which should receive adequate quantities of raw materials and materiel which would be necessary to create conditions which would make possible their rapid development.

4. Depending on the needs, small-scale industry units may organize into voivodship, regional or supply branch units, in the form of voluntary organizations.

Para 12.1. The minister of finance will, by 30 June 1981, establish principles of:

1) a simplified bookkeeping procedure for socialized small-scale industry units;

2) budget cost accounting for socialized small-scale industry units;

3) conduct of foreign-currency exchange for small-scale industry units.

2. The president of the Central Office of Statistics will, by 30 June 1981, introduce a simplified statistical reporting procedure for small-scale industry units.

Para 13. The regulations listed below do not apply to small-scale industry units:

1) Council of Ministers Resolution No 182, dated 9 November 1970, concerning income tax from cooperative activity (Monitor Polski 1970, No 40, Item 299 and 1972, No 10, Item 70 and No 50, Item 265),

2) Council of Ministers Resolution No 183, dated 9 November 1970, concerning principles of fiscal economics of cooperative activity organizations (Monitor Polski 1971, No 33, Item 213 and 1973, No 15, Item 94),

3) Council of Ministers Resolution No 55, dated 9 March 1973, concerning principles of fiscal economics of crafts organizations (Monitor Polski No 15, pos 93),

4) Council of Ministers Resolution No 79, dated 2 April 1976, concerning price controls (Monitor Polski No 19, Item 84),

5) Council of Ministers Resolution No 111, dated 7 August 1978, concerning formation within the Agricultural Cooperatives "Peasants Self-Help" of a fund for the development of food-agricultural processing in gmina's (Monitor Polski No 27, Item 95),

6) Council of Ministers Resolution No 95, dated 30 September 1980, concerning the strengthening of controls for establishment and observance of retail prices (Monitor Polski No 25, Item 135).

Para 14. The following are now defunct:

1) Council of Ministers Resolution No 63, dated 22 March 1971, concerning the extent and direction of activities of socialized small-scale industry (Monitor Polski No 27, Item 171),

2) Council of Ministers Resolution No 167, dated 3 October 1979, concerning the principles of economo-financial system of socialized small industry.

Para 15. This resolution takes effect on 1 July 1981.

[Signed]

Chairman of the Council of Ministers, General of the Army W. Jaruzelski

9511
CSO: 2600/282

POLAND

PROBLEMS OF HOUSING CONSTRUCTION 5-YEAR PLAN DESCRIBED

Warsaw PRZEGLAD BUDOWLANY in Polish No 3, Mar 81 pp 148-151

/Article by Prof Tadeusz Godycki-Cwirko, Lodz Technical College, and Ludwik Andrzejewski, Inwestoprojekt Design Bureau, Lodz/

/Text/ The directions of the systemic construction development in our country will be predicated on numerous parameters, such as, the availability of raw materials, energy and transport. The production potential, which was shaped by a tremendous civic effort in the 1970s, will be one of the major factors. In housing, it means above all the so-called home factories, which were preferred by the decisionmakers over negative evaluations offered by experts.

Therefore, in this situation the projection of the immensely complex function of housing development for the 1980s is an uncommonly difficult task. Nevertheless, these authors hope that their evaluation presented below and which is based to a great degree on a subjective analysis will not suffer from an error greater than that allowed for such studies. Naturally, an assumption was made that the decisionmakers in the 1980s will act in the direction of optimal solutions for individual regions and for the entire country and that these actions will be based on justified technical and economic premises.

The Present Situation

Technology--Multifamily housing construction is dominated by the large-panel technology. In an attempt to fulfill the quantitative plan at any cost, the decisionmaking units of the Ministry of Construction as well as the construction material plants /PMB/ tolerated and even stimulated activities aiming at standardization of prefabs manufactured in the form of big reinforced concrete panels. Then, as if as a result of a conditioned reflex, it became fashionable to create big nationwide systems. In response to critical voices, the so-called open systems were popularized in the belief that they would assure nearly total freedom in shaping the apartment functions and considerable freedom in shaping the building block. These premises full of promise of system openness proved to be fiction in practice. For they were in conflict with the interests of the prefab manufacturers as well as with the prototype projects designed at the central level and put into production throughout the country by means of orders from above before the designs were verified and any errors corrected.

At the end of the 1970s, in support of the so-called open systems, so-called systems integration (IS) was introduced which in conjunction with standardization was supposed both to make large-panel construction more "flexible" and also to increase the production of low-efficiency house-construction factories. This effort was given a big propaganda boost which resulted in availability of great financial resources to carry out extensive research projects on the PR-5 government program. Unfortunately, these projects did not bring the expected results, among others because the IS idea did not show great promise and it was born too late. It would be necessary, then, to bear additional and hard-to-compensate costs connected with the standardization of the equipment in most house-construction factories which operate individually on different bases.

The decisionmakers at the Construction Ministry and PMB, by identifying the industrialization of housing construction with large-panel technology, have popularized it so much that today we can definitely talk about the monoculture of housing construction.

The construction of each new house-construction factory by engaging over 1 billion zlotys (in 1979 prices) and the production potential of construction-assembly plants has delayed and reduced the realization of the housing construction program. In the publication 1 [see Bibliography], the undersigned attempted to answer the question whether the large-panel technology--justified at a certain development stage--required construction of all-round expensive house-construction factories. Why was it not possible to follow the example of the construction of the Przymorze community project in Gdansk and the Dabrowa community project in Lodz and construct communities with many thousand dwellers by utilizing yardtype, partially roofed plants whose investment costs were about 10 times lower than those for house-construction factories and yet the output would not change.

The analyses in 1 showed that the house-construction factories not only did not accelerate the fulfillment of the housing construction plan; in fact they delayed it by 2 years.

Moreover, by replacing ordinary prefab enterprises with house-construction factories a chance was lost to construct several hundred thousand apartments more for the same money. This does not mean, of course, that the ordinary prefab enterprises could have resolved the problem of housing construction in Poland. In the article 2, taking issue with the ideas of Prof A. Paprocki, we wrote: "The progress in housing construction cannot stop on the large panel, and the large panel cannot be the only solution of the housing problem for the simple reason that the economy of our country will not be able to sustain the expense for long."

Today, the need to introduce new, economically justified technologies, not just along with the large-panel technology, but rather to the greatest degree at the expense of it, is commonly accepted.

Raw Materials--Construction Materials--As a result of an ill-considered decision to limit output of the ceramic industry (which led to the closing of many brickyards), reinforced concrete became the basic construction material in housing construction. This material--until the mid-1960s predominantly used in industrial and transportation construction--began to dominate multifamily housing construction. These authors are far from denying reinforced concrete its leading role in contemporary construction,

because it has it now and will continue to hold it in the future. However, we are against the waste of this valuable construction material on those projects where its properties of durability are not utilized. Large-panel construction is an example of such waste of concrete and steel, because in the carrying structures of apartment houses concrete is on the average utilized in about 20-30 percent, and as to steel, the amount used is most often dependent on transport and reloading factors and not on the inner workings of elements in building construction. That is why the buildings constructed by the use of large-panel technology are--according to the authors--about 30 percent heavier than frame buildings and they are more steel-intensive as well.

In the 1970s the decisionmakers did not take into account the fact that the deposits of readily available aggregates were running out in Poland. The construction-development program for the 1980s indicates that the yearly demand for aggregates will increase by some 250 million tons, and yet in order to meet the demand for natural aggregates of good quality the construction aggregates industry ought to supply some 100 million tons of gravel. This is practically impossible, because in order to sift out such an amount of gravel the production of the aggregates would have to increase twofold. Let us not forget also that the exploitation of the very few remaining deposits of good-quality aggregates is related to transport difficulties, because the gravel deposits are unevenly distributed throughout the country (they are mainly located in Lower Silesia).

Now, after realizing the difficulties in meeting the demand of the construction industry for gravel and base coal, more extensive studies of sandtype concrete have began, at least 10 years too late. Our country still has considerable deposits of sand, which are more uniformly distributed throughout the country and thus may to a degree overcome the transport difficulties. However, sandtype concrete as a construction material is inferior to graveltype concrete. Moreover, the use of sandtype concrete requires more cement.

And yet we are already experiencing excessive and ever-increasing utilization of cement. In the years 1970-1976, the total use of cement per cubic meter [cu m] increased from 34 to 56 kg. In comparison with other developed countries which, in the period when there was a good investment situation, utilized yearly some 500 kg of cement per capita, Poland used 645 kg in 1980, and by 1990 it is expected to reach the 870 kg-level. This is much too much considering the fact that engineering construction in our country represents a smaller volume than in the highly industrialized countries. This excessive cement-intensiveness can be explained by the fact in comparison with the Scandinavian countries we use about 40 percent more concrete per square meter of living area in cubic-dimensional construction.

The use of steel is similarly unfavorable; as a result of the introduction of large-plate technology, steel consumption increased from 4.8 kg per cu m of building in 1970 to 10.1 kg per cu m of building in 1976.

Energy-Intensiveness--The building weight increase caused by the use of the large-plate technology was accompanied by a simultaneous growth of material and investment energy-intensiveness, since both steel and cement are very energy-intensive.

In the analysis 3, prepared at the request of the Poland 2000--Polish Academy of Sciences Committee, Prof K. Kopecki, leading energy expert, wrote, among others[1]: "The material and investment energy-intensiveness of construction as well as the exploitative energy-intensiveness of construction have had a dramatic impact on the growth of the European socialist countries, particularly Poland, where the ever-popular myth of abundance and inexpensiveness of fuel also stood in the way of a wise energy policy in the construction area despite numerous voices of criticism. At the same time, it was forgotten that energy-intensiveness materials such as steel and cement (which were energy-intensiveness produced in Poland and some other socialist countries) are synonymous with energy and their wasteful use--as has been the case in Poland--constitutes an activity leading to the economic degradation of the country."

It should be noted here that almost twice as much energy is used for the production of concrete in the prefab factories than on the construction site (463 and 253 kWh per ton, respectively).

Similar observations apply to the energy-intensiveness of steel. Therefore--as Kopecki notes--the reduction of steel-intensiveness is of the utmost importance for the national economy and the same is true of the need for radical reduction of energy use during exploitation of buildings

In the Western countries particularly, the latter problem--related mostly to building heating--grew in importance in connection with the price increase for crude oil, which is the initial product for furnace oil.

For example, in the FRG as of 1 January 1977 very strict norms regulating heat insulation in buildings were introduced. And yet the government energy program of 14 December 1977--Energie Program der Bundes Regierung, zweite Fortschreibung--introduced a further increase in thermal insulation for all buildings which were registered after 1 November 1977. Also, old buildings had to be additionally insulated in accordance with this program whose cost will reach DM 4.35 billion within 5 years; 25 percent of this cost will be covered by the state.

Our apartment buildings and one-family houses register heat losses several times higher than those in the Western countries. For detailed information see the publication 6.

S. Bienias in his article 4 stated: "In order to meet all our heating demands, we will have to burn 63 million tons of fuel next year, but as much as 82 million tons in 1985, because construction growth stimulates a twofold fuel-use increase every 10-12 years. This corresponds to 94 million tons of coal in 1980 and 121 million tons of coal in 1985. Considering the low level of insulation in most buildings, the fuel savings as a result of a greater use of insulation materials and of more thorough

[1]The general energy situation in the country and problems related to the energy-intensiveness of construction processes and to the directions of activities the result of which ought to contribute to a reduction in energy consumption have been comprehensively discussed, among others, in a series of articles published in PRZEGLAD BUDOWLANY, No 6, 1980 (Editor's note).

insulating of buildings ought to reach 40 percent. A simple calculation shows that in the last year of the coming 5-year period coal savings alone would reach some 50 million tons, which is equivalent to the output of 10 average-size coal mines."

The optimistic prognosis of Bienias in regard to saving 50 million tons of coal a year through thermal insulation is unfortunately a very distant vision for this simple reason that the under-invested thermal-insulation-materials industry covers only 20 percent of present demand. This situation could be improved by imports of insulation materials, paid for by the saved coal, as is correctly postulated by Kopecki in his report.

We are concluding this discussion of energy-intensiveness problems with a final quote from Kopecki's report: "...without a rational solution of energy-intensiveness in the construction industry, the energy balance of our nation cannot be completed."

Transportation--Building materials constitute the biggest share in the national transportation system (nearly 65 percent of the total load). According to the OBET /Research Center for Transportation Economics/ prognosis, in the next 5-year period this share is expected to increase to nearly 70 percent. According to B. Zukowski 5,[2] the size of the construction-material loads utilized by the construction and building-materials industry is presently estimated at nearly 2 billion tons, with 93 percent of it handled by truck transportation. Railroad transport and inland-waterway shipping play an important role in the realization of the transportation process (approximately a 40 percent share), however, trucks--by virtue of direct servicing of construction sites--transport every ton of materials and prefab elements delivered to construction sites many times and they carry out big loads of dirt from there.

The transport-intensiveness of construction is a result of the collective interaction of many factors shaping transportation needs as well as of the efficiency factor in meeting these demands by transport itself. Below are the most essential transport-intensiveness factors:

--industrialization and material-intensiveness of individual technologies as well as coproduction connections;

--extent of earth-moving operations;

--organization of material turnover.

The transportation of soil constitutes the heaviest and largest group of loads in construction.

According to Zukowski's prognosis for transportation, the total transport load will increase from about 2,062,000,000,000 tons in 1980 to 2,882,000,000,000 tons in 1990.

This state of affairs cannot be accepted in the 1980s, because construction transport is unusually import-intensive (truck pool, fuel, tires, spare parts). It is also necessary to realize that the further growth of transport forced by transportation

[2] The problems of transportation in construction and building materials industry were comprehensively presented, among others, in PRZEGLAD BUDOWLANY, No 5, 9, 10-11/80 and No 1 and 2/81 (Editor's note).

needs is not absolutely necessary. Random studies by Transbud have shown that the transportation taking place exceeds the needs of construction-assembly production by some 38 percent. For example, the transportation of soil from one construction site studied exceeded the earlier projected transportation estimate by as much as 137 percent.

This fact coupled with the practice of using multilink movement of materials--which often includes repeated storage and transportation--has led to a situation in our country which points to a literally unbelievable multitude of transportation of construction materials and elements (e.g., by a factor of 5.3 in 1975; transportation of 900 million tons while production of construction materials and elements did not exceed 172 million ton). In the existing critical economic situation, coupled with the steadily increasing prices for crude oil, the softening of the negative effects of the transport barrier will be possible only through liquidation of unjustified transportation, an action which should be helped by total elimination of factors contributing to the intensification of transportation needs.

Prognosis

Needs--Estimating the needs of housing construction from a demographic viewpoint, H. Hajduk 7 states that it will be necessary to construct some 4.5 million apartments in the years 1981-1990. Analyzing this task from a demographic position, this figure does not appear to be inflated.

On the other hand, looking at the present production potential of the construction enterprises, it can be said that the construction industry is not ready to fulfill the task facing it, particularly if we add the projected repairs and jobs connected with the restoration of historic sites. It should be also kept in mind that both repairs and restoration are more labor-intensive than new construction.

In the 1980s there will be social conflicts resulting from insufficient area and imperfect functions of apartments constructed in the 1960s and 1970s. It will not be possible to resolve this problem by reconstruction of the existing apartments, because of the negligible flexibility of building structure in the large-plate system.

In the decade 1980-1990, a considerable part of the potential of the construction enterprises will have to be utilized in projects aiming at expanding the technical structure of the cities. It will be also necessary to take care of neglected problems in the area of environmental protection, mainly in terms of construction of sewage-treatment plants in many cities and industrial enterprises.

Another important problem for the coming 10-year period will be realization of water-engineering projects connected with the overall effort to bring order to national water economy. Increased tasks face the construction-installation branch in connection with necessary expansion of the transport and agricultural-food industry. Moreover, as early as the early 1980s it will be necessary to take care of deficiencies present in the insulation materials industry.

Technologies--These authors believe that in the coming 10-year period the construction industry will be dominated by a technology based on the use of concrete prefabs, while in housing construction it will be large-plate technology. This view is not based on the assumption that this technology is the most technically and economically justified. On the contrary, this technology, despite being saturated with heavy equipment, is not modern at all and does not deserve to be called such.

These authors believe that in the coming years energy, transport and raw materials will be the basic factors responsible for the realization of the housing construction plan.

None of these factors encourages the use of the long-time favorite large-plate technology, which is the most energy-, transport-, labor-, and material-, but above all capital-intensive among all other technologies used so far.

In this situation it can be assumed that in the beginning of the 1980s the construction of the minimally effective house-construction factories will be stopped and the saved investments will be used for the construction of factories for insulation materials whose production is necessary to meet the thermoenergy needs and potentials of this country.

It is assumed that the realities of the coming years will force the Polish construction industry to abandon the heavy large-plate construction by the late 1980s. Of course the present way of construction can be maintained--despite the technical and economic reasons against it--however, then it will be necessary to take into account that the realization of the housing construction plan, aiming at meeting the demand of the population, will not be realistic.

In the 1980s and 1990s, the construction industry will not use technologies differing much from what is currently known and used, however, their share in application will radically change. These authors believe that by the late 1980s both general and housing construction will be dominated by frame construction utilizing reinforced concrete with both monolithic and prefab applications and characterized by protective and partitioning walls.

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8609
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SHORTCOMINGS IN TRANSPORT OPERATIONS CRITICIZED

Bucharest LUPTA CFR in Romanian 30 May 81 pp 1, 3

[Unattributed article: "Exemplary Quality in All Our Activity--the Great Duty!"]

[Text] Our transportation is showing a clear improvement in quality from year to year, in proportion to the rise in the people's consciousness and the strengthening of socialist discipline in labor. This is a natural result of the fact that the worker personnel in transportation are understanding more and more deeply the significance of the idea of quality in our branch, in its whole complexity: the goods must reach the destination on time and in the best condition, in all respects.

Perhaps more than in other branches, the quality of transportation constitutes the main condition for good economic and social activity. If the goods do not reach the destination on time, the enterprises can have difficulties in production, the supplying of the population can have problems. If transportation is done poorly, the economy also suffers. Due to the specific character of the work in our branch, a single person who forgets quality can ruin the joint efforts of hundreds or even thousands of railroad workers, drivers, dockworkers or sailors. Just a little negligence, for example, can spoil thousands of tons of goods and cause big material losses--not to mention the possibility of the loss of human life.

It is true that in comparison with the first quarter of last year the total delays for freight trains have fallen by 821,521 minutes. But it is just as true that. nevertheless, in this quarter, in which, as we indicated, fewer delays have occurred, the goods have been 2,840,301 minutes late in reaching the stations where they were expected. This is a direct result of infractions or negligence by those who do not yet understand sufficiently the significance of the idea of quality in transportation.

In 1980, the railroad paid out nearly 5 million lei in damages for goods ruined in transit. In all, last year, the railroad paid out 15 million lei in damages caused by various shortcomings in domestic traffic that reduced the quality of the goods transported. This is a loss for all of us, but the figure in itself does not express completely the losses suffered by our national economy, which was no longer able to utilize these goods at the level of the provisions.

In the first quarter of this year, sums of money for damage to goods caused by violent collisions in shunting and other negligence were charged to personnel at the Arad, Timisoara, Caransebes and other stations. Certainly, one who is guilty of not

performing the official duties for which he receives pay must bear the consequences. However, it is no comfort to anyone that those at fault have brought less money to their families. Instead, we all have to suffer for the harm caused to public property. And such examples of indifference by some for the quality of the activity can also be given from the automotive sector.

Our transportation makes a big contribution to the achievement of trade exchanges with other countries. The greater and greater prestige that products of Romanian make are getting on the international market is causing international freight traffic to grow continually. And with good reason, we can say that the great majority of the working people in our branch are fully aware of the great responsibility that devolves upon them along the line of exportation and do their duty creditably. But in this field too, there are still some who do not follow the conscious general alignment and do harm in one way or another. For various reasons, all referring to our railroads, large sums of money are still paid out for delays in transportation.

Nor are other sectors of our transportation free of such serious drawbacks. Thus, the journey of a truck from Giurgiu to Teheran in international traffic should take 8 days. And yet, the 22-B-6224 and 35-B-963 trucks belonging to the Bucharest ITA /Automotive Transportation Enterprise/ took no less than 20 and 16 days, respectively. We will not go into an analysis of the causes that led to this lateness--technical defects (perhaps as a result of an insufficiently strict technical inspection)--but the fact remains: the transportation was too slow. Likewise, the 23-B-4877 truck from the same enterprise was loaded in Brasov with merchandise for exportation on 12 November 1980 and left the country only on 20 November 1980.

In sea transportation too, we have such cases: the ship "Panciu" is still in the Constanta Port to take on soda for exportation, although it was supposed to raise anchor back on 10 May. The cause of the delay with which it will reach the customer is that railroad cars with the respective merchandise have not arrived at the port. Following the trail of the events, we will perhaps find that the respective RCM /expansion unknown/ or regional unit did not provide enough railroad cars for the load and so on. However, it is a certainty that the transportation will not reach the destination on the agreed date. In addition, shortcomings in quality also appear in domestic river transportation, illustrated by the 287 penalties applied to sailors in 1980, including 143 with cancellation of the work contract, which demonstrates the seriousness of the infractions committed. Certainly, a sailor found on board in a state of inebriation or one who is not present at his post on the departure of the ship on a voyage constitutes a clear danger to the quality of transportation.

The great current duty of the personnel in transportation, as the leadership of the party has pointed out to all the working people in our country, is that of creating a true collective opinion for high quality in the whole activity. Certainly, the work of the guidance and control bodies and the steps that are being taken on various levels have their well-known mission. But more than anything, an understanding of the significance of quality in transportation, strictness and responsibility for one's own activity and for that of the comrades alongside whom one works, can and must constitute a great force in our common struggle to perform the tasks given to us by the party.

12105
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FACTORS TO BE CONSIDERED IN INCREASING PRODUCTION CAPACITY

Bucharest REVISTA ECONOMICA in Romanian No 27, 3 July 81, No 30, 24 July 81

[Article by H. Pincas and Z. Csik]

[No 27, 3 July 81 pp 6-7]

[Text] A major factor in rapidly increasing labor productivity is utilizing all the production facilities now available in the economy at the highest possible levels. In light of the high technical standard in terms of equipment with machines and installations in our enterprises, greater efforts to fully utilize them can ensure not only the sharp increase in labor productivity but also the rise in physical and net output, the regular reduction in materials expenditures and costs per unit of product. At the Second Congress of Working People's Councils Nicolae Ceausescu stressed: "In the main, we now have a strong technical-material base.... Therefore, under this five-year plan we shall work not so much on creating new economic units but on upgrading the technical and qualitative standard of the existing potential, by supplementing the provision of equipment in some sectors, and on utilizing the full capacity of our facilities."

With Existing potential, Greater Output

The prior five-year plan marked a significant stage in the development and modernization of the technical base in industry. The last 5 years saw the completion of more than 2260 industrial units, concurrently with the modernization and retooling of a large number of enterprises, sections and shops. More than two-thirds of the total value of the productive fixed assets in existence are less than 10 years old, and this attests the modern character of our industry.

The level of the median production facilities has shown an upward trend, being about 60% higher in 1980 versus 1975, in the context of achieving a greater load of technical equipment in the production units. The higher dynamics of production facilities in the metallurgical, machine building and chemical industries resulted, in 1980, in the growth of the input of these branches to more than 50% of all facilities for the overall socialist industry. Moreover, it must be emphasized that the input of these branches into the creation of the overall industrial output in 1980 was more than 54%. In 1980, for all the industry, 35% of the capacity increase was obtained on the basis of the higher performance of the productive fixed assets in existence at the beginning of the year and 65% as a result of starting up new units.

Greater inputs (50-55%) of the total capacity increase obtained as a result of better equipment utilization occurred in units of the Ministry of Light Industry and the Ministry of the Machine Building Industry.

As for the utilization rate for production facilities -- calculated on a uniform basis, for all industry, corresponding to an amount of time of three shifts a day -- at the level of 1980 it represents more than 85% in the Ministry of the Metallurgical Industry and the Ministry of the Machine Building Industry and more than 90% in the Ministry of the Forestry Economy and Construction Materials and the Ministry of Light Industry.

Moving to fulfillment of the 1981 plan assignments marks a new, qualitatively superior, stage in Romania's socioeconomic development. During this period, special emphasis is placed on more efficiently using the investment funds, with precedence given to modernization and retooling of the units in operation. The introduction of new units in the investment plan is contingent upon the full utilization of the production areas and production facilities in existence.

Planned for this year is an increase in the median annual facilities, versus the level for 1980, of more than 80 billion lei for all industry (+7%), centered in the metallurgical industry (+28 billion lei), machine building industry (+16 billion lei), chemical industry (+13 billion lei), food industry (+8 billion lei), light industry (+7 billion lei). It must be emphasized that the rise in median capacity based on completion of new investment projects represents more than 35 billion lei, with the greatest volume of the rise being obtained from technological and organizational improvements in existing facilities.

Special tasks are allotted in the area of upgrading the utilization of production facilities, all the more so because the 7% increase in capacity level must ensure an 8% rise in the industrial marketable output versus the level for 1980. Hence, it is planned that this year the rate of utilization of production facilities will reach, on the average per industry, 90.2%, as compared with 86.8% in 1980, with greater tasks allotted the Ministry of the Chemical Industry, for ensuring the rise in the utilization rate from 83% to 90.3%, the Ministry of Mines, Petroleum and Geology, from 84.4% to 90.1%, the Ministry of Metallurgical Industry, from 86.6% to 89.4%.

The only 1% increase in the rate of utilization of production facilities can result in obtaining -- in 1981 -- an additional output valued at more than 10 billion lei.

The increase in the rate of utilization of the industrial production potential is substantiated by corresponding provisions on improving the indices of extensive and intensive utilization of the chief technical installations and outfits and the metalworking machine-tools. For instance, the 1981 plan provides for indices of utilization of the available work time amount which are superior to the levels in 1980 for bucket wheel excavators in lignite pits (from 58.8 to 75%), continuous steel smelting plants (from 64.6 to 80%), tube rolling plants (from 65.7 to 86%), molding and casting lines (from 84.5 to 91%), man-made yarn and fiber plants (from 93.7 to 99%). Moreover, the aim also is to attain in 1981 a median index of utilization of the available work time amount for machine-tools of 86.6% versus 84.7% in 1980.

The plan also specifies levels for the indices of intensive utilization, respectively the specific productions (hourly) per unit of volume, surface or another feature

which is characteristic of the capacity involved, for the major machines and installations in the areas of the mining, metallurgical, chemical, building materials, and light industries.

Touching Upon Planned Parameters

One of the major factors that impede the rise in the rate of loading production facilities involves delays in touching upon the planned parameters for some of the new units put into operation. The surveys conducted indicated that in the units where the management bodies of industrial centrals and enterprises were concerned with complying with the schedules in terms of attaining the planned parameters the results were not slow in coming. Such is the case of the foundry for cast iron parts at the Calan "Victoria" Enterprise, the facilities for the new products of organic synthesis for pharmaceuticals at the Bucharest Drug Enterprise, the furniture factory at the Iasi Woodworking Enterprise, the sections for glass drawing at the Scaeni and Mădias glass enterprises, and others, facilities which attained on schedule the stage indicators specified for the first quarter of this year.

We must point out, however, that at the end of the first quarter of this year a large number of important industrial facilities, whose indicators had been approved by decrees or decisions of the Council of Ministers, still had not attained their parameters (the plant for briquetting lignite with binding agents at the Capeni Mining Enterprise, expansion and redevelopment of the "Ceahlaul" Mechanical Enterprise in Piatra Neamt, the cement plant at the Hoghiz Combine for Binding Agents, the sugar factories at the enterprises for sugar beet industrialization at Corabia and Roman, and so forth). Besides these facilities which have failed to attain the planned parameters for a longer time, there also are some enterprises which, although still within the periods specified in the charts, have not attained the indicators prescribed for the stage of the first quarter of 1981.

The measures taken starting the end of last year by ministries and industrial centrals resulted in a smaller number of facilities whose approved parameters have not been attained as specified in the charts. But further efforts must be made to eliminate the major factors that cause nonattainment of the indicators planned on schedule and which mainly involve: failure to ensure the pattern and quality of the raw materials specified in the tecnical documentations, frequent changes in the product makeup of the output resulting from the requests of some users, faulty operation of some facilities of domestic or foreign make, and so on. It is evident that failure to turn out the outputs related to the new facilities on schedule results in disruption of materials balances, nonfulfillment of the economic contracts concluded with units at home and partners abroad, creation of gaps in the production of other enterprises, and so forth.

Overhaul, Repairs on Schedule

Another factor that affects the full utilization of production facilities involves accidental stoppages of machines and installations caused by mechanical and electric faults. Failure to perform timely and quality overhaul and capital repairs has significantly reduced the production potential of fixed assets in a number of areas and a major contributing factor involved shortcomings in operation and maintenance of the equipment, deficiencies in supplies of spare parts, and so on.

The 1981 plan itemizes the machines and installations that involve necessary capital repairs in accordance with the standards of operation and maintenance, with sepcification of the month when the repairs begin, the period of idling of the equipment involved in the repairs, the value of the procedures and the executant. Moreover, provisions are made for the modernization projects to be completed as part of the capital overhaul, for the purpose of upgrading the technical-economic parameters, efficiency and performance, reducing the consumption rates in terms of energy, raw materials and basic materials, and increasing automation of processes, with all these improvements being reflected in greater production capacity and efficiency of output. The plan specifies -- in addition to the tasks pertaining to capital repairs -- major overhaul for the main machines and installations. In the overhaul plan, a significant section involves production of capital repairs and modernization for a number of machines and installations that are performed by specialized enterprises, with a breakdown of annual assignments for the various quarters and customer units.

In light of these tasks, the results for the first quarter of 1981, unfortunately, are not completely satisfactory. The total value of capital repairs performed on equipment account for only 80% of what the plan specified. While the Ministry of Electric Power and the Ministry of Forestry Economy and Construction Materials exceeded their value plan for repairs, the results at the Ministry of Agriculture and the Food Industry, the Ministry of the Machine Building Industry and the Ministry of the Chemical Industry stand at 63-74%. In the total of 296 machines and installations planned to undergo capital overhaul in the first quarter of this year, these procedures were not commenced on 37 facilities and major overhaul was postponed for 19 installations out of the 61 specified in the plan. Postponement of the date for completing capital repairs and overhaul may temporarily result in obtaining some apparent advantages, materialized in additional quantities of products, but subsequent loss of production -- when the duration and cost of repairs will be far greater -- far exceed the production surplus obtained.

For the purpose of noticeably reducing accidental stoppages and implicitly the frequent loss of production generated by these factors, it is necessary to prepare ahead of time the documentations, the practice standards, the materials and spare parts needed for the repairs procedures, exactly like for the investment projects. In the mining sector, special attention must be paid to upgrading the maintenance of large bucket-wheel excavators. If the operation time amount for these excavators had been utilized as provided for under the plan, 1980 could have seen the obtaining of an extra output of about 6 million tons of lignite, the equivalent of a crude oil import valued at 250-300 million dollars. Greater efficiency could be obtained in this branch by more broadly ensuring centralized execution of some repairs of special installations in coal mines and also the structuring of repairs and maintenance shops in mining enterprises. In the metallurgical industry broader use of repairs procedures that involve replacing subassemblies and spare parts with reconditioned components, for rolling mills, can favorably impact on reducing idling time for repairs. In the machine building industry, efficiency factors include expanding production facilities for repairs in specialized units and broadening the use of computers in planning, monitoring and sensibly using the repairs facilities. It appears that to overhaul equipment characterized by sophistication and great precision it is necessary to create groups of highly trained experts to ensure the repairs involved. As far as large-scale overhaul projects are concerned, as is the case in the chemical and metallurgical industry, conclusion of conventions between enterprises for mutual assistance

with skilled workers during the period for execution of repairs can upgrade quality and cut the time needed for these procedures.

Greater safety in operation of machines and installations and reduced number and duration of accidental stoppages certainly are directly tied to constant upgrading of execution standards of repairs, increase in stocks of spare parts, based on the reconditioning involved, and formulation of regulations for adequate inspection of the procedures completed.

[No 30, 24 July 81 pp 5-6, 12]

[Text] As reported in the first section of the article published in REVISTA ECONOMICA No 27, in addition to the as rapid as possible attainment of the parameters planned for all the units put into operation, thorough structuring of the overhaul and maintenance projects for the machines and installations involved, there also are other factors that may positively affect the superior utilization of the production facilities. Among them outstanding are: ensuring the strictly necessary stocks of raw materials and supplies in the amounts and types which make possible the organization of a continuous flow of processes, conclusion with domestic and foreign partners of economic contracts that insure the marketing of all the production scheduled, good use of the available operation time of machines and installations, proper training of the work force, avoidance of excessive provision of equipment, and so on. We will examine below these factors with their positive and negative impacts on the use of production facilities.

Smooth Technical-Material Supplies

Smooth supplies for production units in terms of raw materials, supplies, fuel and spare parts are essential factors for full and efficient utilization of the capacity of machines and installations. In 1980 the production obtained could have been greater by more than 10 billion lei in the Ministry of Agriculture and the Food Industry, by about 8 billion, in the Ministry of the Chemical Industry, by 4 billion lei, each, in the Ministry of the Machine Building Industry and the Ministry of the Light Industry if supplies would have unfolded in tune with the plan provisions and the economic contracts concluded. Failure to ensure the material resources on time, in adequate quantities and at the proper qualitative level negatively impacted the production level specifically for: nitrogen fertilizer, acrylic fiber, sunflower oil, rolled products and steel pipes, ball-bearings, automation items, knits, and so forth.

Although the ministries, industrial centrals and enterprises are making efforts to ensure the material base needed for completing the production assignments, some difficulties in provision of raw materials, supplies, components and subassemblies have continued to occur this year. For instance, uneven flows in supplies for machine building enterprises were the chief factors in the failure to turn out, in the first 5 months of this year, a large volume of equipment and failure to deliver about 23,000 tons machinery to investment projects, backlogs, in terms of production charts, for trucks, freight cars, electric motors, television sets, and so on. In this context, it is very important for the units under the Ministry of the Metallurgical industry to comply with the current deliveries of metallurgical items, specifically those meant for the enterprises streamlined for the production of equipment,

automotive and railroad transportation facilities, electrical engineering and electronics equipment, and tubular material needed by the drilling sector -- crude oil and gas extraction. Moreover, efficient measures must be taken by the proper organs in the Ministry of the Machine Building Industry and industrial centrals to rigidly abide by the provisions in the cooperative programs between enterprises and dovetail these programs with the specific needs of production during each period, for the purpose of assisting the enterprises in ensuring the appropriate base of raw materials and supplies.

We point out tires among the chemical items where delays in production and delivery generate difficulties in the normal flow of production and full use of facilities in the customer units. For this group of products this year saw a delivery shortage of almost 20% versus the planned level, specifically impacting customer units under the Ministry of the Machine Building Industry, the Ministry of Transportation and Telecommunications and the Ministry of Agriculture and the Food Industry. Special emphasis to equilibrate the tire balance ought to be placed on the projects for swiftly completing the new tire facility at Zalau, which is far behind schedule. Moreover, backlogs versus production charts for ethylene, chiefly caused by operation below normal capacity of the two pyrolysis units at Pitesti, resulted in failure to turn out a large output of polyvinyl chloride at the Rimnicu Vilcea Combine.

In the woodworking sector we must point out that nonproduction of furniture outputs standsat tens of millions lei monthly, as a result of failure to ensure, at the required level and at a smooth rate, some basic materials even from this sector, such as: lumber, chipboard, veneer and also some materials from enterprises under the ministries of the chemical industry, light industry and metallurgical industry. Among these materials we point out rapid drying ground coats, mat varnishes and thinners from Timisoara "Azur" and Bucharest "Policolor," cloth for furniture from the Bucharest and Gheorghieni enterprises, Buzau mirrors, aluminum shapes from the Slatina Enterprise, abrasives from Cluj "Carbochim," and so forth.

These few examples are far from exhausting the issues related to ensuring the material base of production. We only attempted to highlight the significance of and need for constant concerns, at all the organizational levels, for smooth and adequate supplies -- decisive factors in full utilization of the production capacity and as a result regular achievement, month by month, of the planned physical output.

Use of Operation Time Amount

As stressed in the latest party documents, the measures taken to upgrade the work standards for 1981 are aimed at encouraging the activity of most efficiently using the human and material resources of our economy and attaining the greatest possible labor productivity. In this context, the best possible utilization of the available operation time amount of machines and installations is an important resource of efficient use of production facilities, of appreciable rise in labor prod[illegible]vity.

When surveying the stock of machine-tools in the machine building industry [illegible]e that for some groups -- specifically those involving almost 900 process li[illegible] the indices for utilization of the available operation time amount exceed [illegible] the level of the first quarter of 1981). For instance, the time amount was [illegible]

used in the last quarter at the Resita Machine Building Enterprise, Craiova Tractor and Farm Machinery Enterprise, Rimnicu Vilcea Enterprise for Chemical Equipment and Forges, Drobeta Turnu-Severin Railroad Car Enterprise, Tirgoviste Lathe Enterprise, Tirgu Mures "Metalochimica" Enterprise, and other units. Indisputably, this goes to the credit of the collectives of working people in these enterprises that, by rigidly implementing the programs outlined, succeeded in attaining the highest indices of utilization of the units' equipment, obtaining a maximal utilization of the available time.

The overall results could have been better if some enterprises had made greater efforts to capitalize on the production potential of machine tools. In these enterprises, the rate of utilization of the time amount was under 80%, as for instance: Brasov "Hidromecanica (66.9%), the mechanical enterprises at Cimpina (67.3%) and Alba-Iulia (73.5%), Bals Axle and Bogie Enterprise (77.4%), and so forth. As a result of scant concern for ensuring the required work force in terms of size and skills, of frequent stoppages, specifically for repairs following accidents, and of unscheduled shifts, there still is a high rate of unused available operation time of machine tools and consequently the utilization indices were low (during the first quarter of 1981, about 20% of the enterprises where the utilization of the available time amount is surveyed attained indices below 80%).

In order to increase the rate of utilization of the available operation time amount of machine tools it is necessary to update in every quarter -- and even in shorter periods -- the procedures pertaining to loading these facilities for the purpose of determining the availabilities in terms of capacity, the bottlenecks, and, on this basis, the cooperation with the other enterprises, endorsement of technologies, transfers of facilities made available. Moreover, skilled personnel, covering the three shifts, must be provided with priority for high efficiency machines and for low efficiency machines in terms of capacity.

Crucial Role of Work Force

The issues related to the work force, in terms of number and training level, are among the factors that directly impact on the use of the technical production potential. To emphasize the importance of this matter we consider it sufficient to indicate that at the Ministry of the Machine Building Industry, the Ministry of the Chemical Industry and the Ministry of the Light Industry the production obtained last year could have been 1 to 9 billion lei higher if the effects of the manpower shortage would not have made themselves felt.

Considering the fact that in light of this five-year plan, the work force in industry will grow significantly, concurrently with the rise in labor productivity, it is necessary to take adequate measures to recruit and train all the required labor force, specifically the skilled workers, in compliance with the changes that have occurred in the structure and development of industrial branches. Moreover, it is necessary to upgrade the training of the work force, in close relationship to the diversified needs, to the requirements of technological progress, more vigorously tying the educational process to production activity.

For the purpose of ensuring the required number of cadres in industry, specifically skilled workers, special programs that focus on concrete steps are being implemented. Prominent among the projects envisioned are organizational measures for simultaneous

operation of several machines by one worker. The creation of a uniform context for the activity of simultaneous operation (polyservice) of machines and installations must proceed in light of the functional characteristics of the provision with equipment and the structure of production. Outstanding results in polyservice of machines and installations were obtained by the collectives of workers at the Pitesti Automobile Enterprise where polyservice involves toothers, cutters, automatic lathes, and other machines, the Craiova Tractor and Farm Machinery Enterprise, the Bucharest "23 August" Enterprise, and so forth. In units under the Ministry of the Light Industry determining the service areas and the number of machines and installations is based on regulations worked out in industrial centrals, in light of factors that include the type of machine, the chief features of the raw materials and of the finished product.

The ministries and industrial centrals must further effectively promote the program for polyservice of machinery, as one of the major factors of ensuring the work force at the planned levels, creating the adequate technical and organizational conditions. Furthermore, measures ought to be taken to select the work force, for the purpose of upgrading their skills, so that they may operate several different machines.

By and large, the analyses of the impacting factors of production capacity take into consideration the major causes which generate the loading of the production fixed assets, which, moreover, we have examined in this article. But we maintain that these analyses should not overlook the so-called minor causes, which ordinarily -- in all records and reports -- are included and listed in a global section titled "other causes." To highlight the factors of analysis and decision-making in enterprises, we might indicate that in 1980 the output obtained, for instance, in the units of the Ministry of the Metallurgical Industry, could have been by more than 23.2 billion lei higher, the Ministry of the Chemical Industry, by about 1.6 billion lei, and the Ministry of the Light Industry, by almost 1 billion lei, if the so-called "other causes" would have been eliminated.

But what actually are these so-called "other causes," which -- as could be seen -- are by no means negligible? Most of them stem from faulty organization of production and work. Prominent are the problems of indiscipline (leaves of absence or tardiness, unscheduled vacations, and so on). If we analyze the structure of the unused time for the first quarter of 1981, the leaves, vacations without pay and absences without leave account for a relatively great proportion of the total unused time. These shortcomings must be analyzed and measures must be taken, specifically in the units of the Ministry of Mines, Petroleum and Geology, the Ministry of the Machine Building Industry and the Ministry of Agriculture and the Food Industry where the production stoppages produced by these causes account for great proportions of the unused time.

A final problem which we would like to discuss is that involving Romanian-made or imported machines and installations which become available during the production process. The changes in the structure of production, the upgrading of production processes, the reshaping of some sections and enterprises in some cases result in making available some machines and installations or even sophisticated plant. There also are cases (unfortunately, not few) when some imported or domestic-made machines lie idle for a long while before their entering the production flow, and sometimes become available even before assembly. Holding such facilities without using them or with using them on a very small scale involves great loss to the economy. By the

end of the first quarter of 1981 in industrial enterprises of the Ministry of the Metallurgical Industry there were unused machines and installations valued at about 215 million lei, at the Ministry of the Machine Building Industry, 210 million lei, at the Ministry of the Chemical Industry, the Ministry of Forestry Economy and Construction Materials, and the Ministry of the Light Industry, about 150 million lei.

Because specialized facilities, mainly in the nonferrous metallurgical, chemical, and textile industries, make up the greatest proportion, the industrial centrals and enterprises must see to it that they are reassigned and put into operation within the framework of the industries that hold them. For the other facilities, such as machine-tools, reassignment could involve transfer, through the ministry, to the units that need this kind of equipment. Proper use could be ensured for worn-down machines and installations that are available by making use of the components and sub-assemblies recovered.

These are a few suggestions that, if taken into consideration, could help to increase production capacity and thus obtain a significant rise in output.

11710
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MEASURES TO IMPROVE WORK SAFETY RECORD IN TRANSPORT SECTOR

Bucharest LUPTA CFR in Romanian 13 Jun 81 p 2

/Unattributed article: "An Analysis of the Activity of Labor Protection"/

/Text/ Concern for man, a supreme objective of the policy of our party and state, is also illustrated by the constant concern for continual improvement in working conditions.

In our ministry as a whole, 762.8 million lei were spent on activities connected with labor protection in the last 5-year period. The number of work accidents, in all categories, and their frequency have fallen from year to year as a result of the extensive actions of development and modernization of transportation and telecommunications, the large expenditures requested for labor protection and the constant concern on the part of the collective leadership bodies.

Nevertheless, it should be stressed that in the field of labor protection, as in that of traffic safety, we can feel that we have a satisfactory situation only when the work is done everywhere without even the slightest deviation from instructions and the technical rules for labor safety. A number of work accidents occurring during this year too in railroad, ship, industrial-automotive-transportation, construction, postal and telecommunication units, resulting in the loss of the ability to work and even human victims, demonstrate that we still have much to do in this field, that labor protection is not regarded everywhere as an essential factor in organizing and conducting the production process, that there is still much formalism in the control and guidance activity, in the supervision of the workplaces, in the briefing given to the people. The analysis of the activity in the field of labor protection also brought out the fact that, although there are good programs of measures in this regard, the implementation of them has not been pursued attentively and responsibly everywhere, that at the level of some units and even centrals the analyses have been superficial, without getting to the root of the causes and without action being taken in consequence. The cases are not few when the labor-protection departments are staffed with unsuitable personnel or are burdened, contrary to the legal provisions, with other duties than the specific ones of labor protection.

The level of equipping of transportation and telecommunications and their level of professional staffing, attested also by, among other things, the many engineering personnel that we have, constitute sure guarantees that in all our units it is possible to work without the slightest deviation from the technical rules for labor safety. Judging this matter, the conclusions in the analysis undertaken by the

management council of the ministry established a number of additional measures meant to provide flawless work from this viewpoint too in transportation and telecommunications.

On the basis of this decision, in the immediately following period, a detailed and responsible action of self-examination will be undertaken in all the transportation and telecommunication units, in order to find the shortcomings and deficiencies, the potential sources of work accidents, there being established suitable measures with dates of execution and responsibilities. The findings and measures established will be recorded in a written document, signed and retained by the head of the respective unit. This document will serve as a reference point for the authorities of the higher echelons coming for guidance and control, there being introduced the obligation for the management personnel in the ministry, departments, general directorates and centrals that, in the trips made to outside units, labor protection is to constitute a distinct objective of the guidance and control work.

During these actions, the establishment of all the work needed for giving the final authorizations for operating the units that do not have this document will be undertaken, there also being made a check of the degree to which the units that have it still meet the conditions required by the technical rules for labor safety.

Stricter compliance with the methodology for dealing with work accidents is necessary. Many such incidents, for example, have had as a cause the consumption of alcoholic beverages by the accident victims. It must be well specified that such a situation cannot constitute for the head of the respective production process an exoneration but, on the contrary, an aggravating circumstance for tolerating such serious infractions of labor discipline in transportation and telecommunications.

The concern for labor protection does not constitute a campaign but, as the country's laws also say, it must represent a permanent action of great responsibility for all leaders on all levels, for the collective leadership bodies, for the trade-union bodies and organizations, which must keep track of how the legislation in force is followed and applied. Let full attention thus be devoted to the practical briefing and the supervision of its application, to the detailed checking of the workplaces, to the technical propaganda, to the continual improvement of working conditions, to all aspects connected with providing complete labor safety.

12105
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PRESENT STATUS, PROBLEMS, NEEDS OF RAILROADS

Belgrade ZELEZNICE in Serbo-Croatian No 6, Jun 81 pp 71-79

[Article by Stanko Hodak: "The Yugoslav Railroads 'Today and Tomorrow'"]

[Excerpt] There are now eight rail transport organizations associated within the Community of Yugoslav Railroads, four of them organized as work organizations, and four as complex organizations of associated labor. The principles of the internal organization of these organizations differ (some are organized on a geographic basis and others on a functional basis), which is not without significance when joint tasks are being carried out, and it also has a bearing on efficiency and harmony in the functioning of the entire system.

Physical Plant and Equipment

The facilities of the Yugoslav Railroads are typically outdated from a technical standpoint, worn out (about 60 percent), and inadequate for offering a complete line of quality transport services and for the railroads to have a larger share of the transportation market.

The reasons for this situation lie in the very restricted opportunities the railroads have for development and modernization of their facilities.

Because they lack financial resources and because the issue of credit financing of the production of domestic equipment within the country has not been resolved, railroad transport organizations have been purchasing rolling stock by importing it from other countries and from various manufacturers. Since there have been no objective criteria for construction of various facilities, basic transportation facilities in particular, development has been very unsynchronized from region to region, and has depended mostly on the availability of financial resources. This has contributed to adoption of differing technologies, which to a certain extent has contributed to technical and technological disunity, with all the adverse consequences for the optimality and effectiveness of the railroads as a unified and complex system.

Infrastructural facilities constitute about 70 percent of total fixed capital on the Yugoslav Railroads, rolling stock about 18 percent, and other fixed assets 12 percent.

Infrastructural Facilities

The length of built road is 9,381 km, on about 27 percent of which the maximum permissible speed is under 60 km/hr, on 37 percent it is between 60 and 80 km/hr, on about 25 percent it is between 80 and 100 km/hr, and only on about 11 percent of the railroad lines is it between 100 and 120 km/hr.

The situation with respect to the allowed axle load varies greatly from region to region and is still unfavorable; about 53 percent of the road has been equipped for 20-ton axle load, and on 32 percent the allowed pressure is 16 tons per axle or less.

This condition of the road limits optimum use of up-to-date traction and makes it difficult for the Yugoslav Railroads to be part of the European transportation system. Efficient use of equipment, speed, the traffic capacity of lines and the economic efficiency of shipment, as well as traffic safety, are also adversely affected by the uneven technical parameters of the road, such as: numerous sharp curves with improper superelevation, the condition of the roadbed, the high degree of depreciation and wear of the material of the track (about 50 percent), while a considerable portion of the road has not been safeguarded against natural disasters which occasionally threaten rail transportation and result in its interruption.

The slow process of electrification of the road is not affording the railroads the place they should have on the transportation market from the standpoint of fuel consumption and optimality in transportation. So far about 34 percent of the entire railroad network has been electrified, and it handles about 55 percent of the total traffic, while diesel traction is used primarily on the rest of the network, though in some places there are even steam locomotives.

The railroads' carrying capability, and also the opportunities for faster and more efficient performance of transportation services, especially on certain routes with high density (Jesenice--Djevdjelija, Zagreb--Rijeka, etc.) are limited by the small percentage of double-track road, which amounts to only about 9.4 percent of total road length. That is why bottlenecks occur, especially on the main lines, which handle about 70 percent of the total volume of traffic. The level of utilization of sections of the main line between Jesenice and Skopje ranges from 87 to 93 percent, and it is 93 percent in a portion of the double-track road Ljubljana--Zalog--Zidani Most (the level of tolerance, according to regulations in effect on the Yugoslav Railroads, is up to 85 percent on a single-track road and 90 percent on a double-track road, beyond which it is regarded as a bottleneck).

Border stations on international routes, such as Subotica, Sezana, Jesenice, are factors limiting traffic capacity of certain lines, as are certain stations in seaports: Koper, Rijeka, Kardeljevo and Bar, whose inadequate capacities often put restrictions on the flow of traffic.

The inadequate number and poor technical condition of loading and unloading tracks and platforms, sidings, the lack of approach roads, and especially the

inadequate and outdated freight-handling machinery stand in the way of up-to-date handling of freight and adversely affect the pace of development of integrated transportation and optimum use of rolling stock.

Not enough safety-signal and telecommunication installations have been built; they have direct importance for traffic safety and regularity as well as for the transport capability of stations and lines. Of the total 1,217 stations 569, or 47 percent, have modern safety-signal equipment, while on main lines their share is only about 38 percent.

Development of the remote traffic control system is very slow, since it exists on only about 7 percent of the railroad network of the Yugoslav Railroads (Vrpolje--Sarajevo--Kardeljevo--Jesenice--Ljubljana, Belgrade--Lapovo), and there has been a considerable lag in installation of automatic braking devices, which exist on only about 400 locomotives and on about 3,000 km of road.

The system of conventional communications on the network of the Yugoslav Railroads is more favorable, since it makes it possible for information related to the functioning of the railroad system to be transmitted under regular and emergency operating conditions.

However, development of the system of radio-locomotive dispatching communications on main lines, between operational centers, and development of the ultra-short-wave network for urgent interventions, has been very slow, which is impeding the work of the operational centers and other entities when unusual conditions occur.

Rolling Stock

The Yugoslav Railroads have achieved their greatest progress in modernizing traction. The Yugoslav Railroads have 1,444 locomotives: 428 electric, 757 diesel and 259 steam. In addition, the Yugoslav Railroads possess 409 electric- and diesel-motor trains and railcars for carrying passengers, with a total installed power of 2,617,215 kw.

Electric traction has a share of 54 percent in total operations on the network of the Yugoslav Railroads, diesel traction 39 percent and steam traction 7 percent.

Though the distribution of traction by and large meets the present needs of transportation and the degree of modernization that has been achieved, equipment is not uniformly distributed, so that in certain regions a shortage is felt, which is especially pronounced in the Novi Sad, Pristina and Titograd railroad transport organizations.

The problem of a shortage of capacity is severe and is impeding the normal and optimum conduct of traffic both because traction sectors are very short and also because certain railroad transport organizations have closed themselves off.

The high percentage of idleness of traction, which averages 20-28 percent on the network of the Yugoslav Railroads, and even as high as 40 percent for certain series of locomotives and in certain areas, is a particular problem in providing traction for trains.

This high percentage of idleness of equipment is the consequence of its inadequate maintenance because workshops, depots and repair personnel are not sufficiently equipped and competent, because of the constant shortage of spare parts and assemblies, because of poor division of labor in performing maintenance tasks, because relations have not been regulated between repair personnel and the railroad, and because of the insufficient number of experts at all levels who concern themselves exclusively with maintenance. To this we should add the shortage of financial resources, which tends to prolong maintenance and thereby aggravates more and more the problems of rolling stock on the Yugoslav Railroads.

The Yugoslav Railroads are experiencing the greatest lag in development of passenger facilities, passenger cars above all. Of the total number of passenger cars (2,146 cars and 409 motor trains and railcars with 201,519 seats), about 16 percent are under 10 years of age, 63 percent between 10 and 20 years, and 21 percent over 20 years of age. The age pattern is especially unfavorable for railcars, which are about 80 percent amortized and technically completely outdated; it is inevitable that they be cut up for scrap in the coming 5-year period.

Of the total number of passenger cars 53 percent are capable of speeds under 100 km/hr, and at the same time they do not offer even comfortable travel, which is one of the reasons why passengers are leaving the railroad. The shortage of up-to-date passenger cars, as well as the poor maintenance and cleaning of the existing cars, is a particular problem in performance of obligations in international transportation, and as a consequence cars and entire trains of the Yugoslav Railroads are being excluded from international traffic more and more frequently, and foreign passengers are avoiding use of cars of the Yugoslav Railroads because the quality of services is so low.

Since there are not enough passenger cars, they are used intensively, and as a consequence their maintenance is irregular and the percentage of cars out of service is high. On the other hand, in addition to the pronounced problem of cars out of service, the quality of passenger car maintenance is also affected by the lack of the necessary facilities to care for them and clean them, so that these problems, as well as certain subjective shortcomings within the railroad, have a direct impact on adherence to train schedules and on the quality of the transportation service.

The Yugoslav Railroads possess 47,483 freight cars. The size, distribution by types and condition of the stock of freight cars does not meet the needs of the economy, especially in periods when the demand for rail shipment is high. There is a particular shortage of certain types of cars for special purposes, such as special cars for carrying liquids, bulk materials and gases, certain types of closed cars, refrigerator cars, hopper cars equipped for automatic unloading and cars used in combined transportation.

The situation is also unsatisfactory with respect to the age distribution, since in spite of a certain improvement, 34 percent of the freight cars in use are still over 20 years old, and 19 percent are even more than 30 years old. That is why the problem of the number of cars out of service is very pronounced in the use of freight cars, more than 10 percent of the cars kept on inventory being out of service every day, which amounts to about 5,000 cars, though under normal conditions this figure should be about 5 percent.

Failure to regulate loading and unloading on Saturdays, Sundays and holidays is a particular problem in the use of freight cars with the consequence that cars are used contrary to their purpose on those days as storage space, which itself is a way of taking cars out of service.

Yet we should also emphasize the fact that in recent years there have been important changes in the structure of production and in the development of production capacities. The share of finished products and expensive goods is growing all the time in the total demand for transportation service. Shippers want these goods to be carried by equipment which offers the freight full mechanical, physical and chemical protection during transport. There is no question that for rail transportation this means various types of closed freight cars of moderate capacity (the actual static load of the G car ranges about 16 tons). Because of their financial situation, the Yugoslav Railroads are not developing so as to keep pace with this change on the transportation market.

In this situation the shortage of rolling stock on the Yugoslav Railroads is temporarily offset by retaining or leasing foreign cars, but this postpones settlement of the issue of manufacturing them in Yugoslavia, in spite of the considerable outflow of foreign exchange and the fact that in 1980 the domestic industry is underutilized: 58 percent of capacity for freight cars, 34 percent for passenger cars, 60 percent for electric locomotives and 31 percent for diesel locomotives, so that in part they have turned toward the production of highway vehicles.

This survey of the status of capacities on the Yugoslav Railroads indicates that the Yugoslav Railroads are not altogether fit or equipped for the present volume of traffic. It is true that they are in a phase of modernization and development, but progress is rather slow. The shortage of financial resources as well as the differing material capabilities of the various railroad transport organizations and the particular republics and provinces have had the result that the pace of modernization of certain capacities has not been fast enough, and this has diminished possibilities for full utilization of that capacity since there is not sufficient mutual complementarity.

All of this is creating great difficulties in developing technology, in establishing train schedules and in organizing transportation.

7045
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OBLIGATORY REDUCTION OF ENERGY CONSUMPTION PREDICTED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 1-3 Aug 81 p 10

[Article by Radmila Jovanovic: "Warmer Temperatures Only Through Conservation"]

[Text] It was enough for just one large unit--turbine-generator unit No 4 at the Obrenovac Thermal Electric Power Plant--to go off line for a lengthy period of time in the middle of the summer for an appeal to be heard for conservation of electric power, for restrictive measures to be introduced or for one to be prepared for them at any moment, though electric power consumption has already reached a considerably lower level.

It may sound at first improbable, but that is not quite the case. The energy budget for this year--because of the country's restricted payments capabilities--envisages 6-percent smaller imports of crude petroleum than last year and a reduction of derivatives. Even where fuel production and purchases are altogether in line with the projected consumption, this has been achieved with an effort and on the assumption that everyone fulfills his part of the obligation promptly: providing funds for reconstruction of coal mines, for importation of spare parts and equipment for coal mining, that new facilities go on line in the electric power industry, that foreign exchange be furnished to import petroleum, that power generating units, especially the large ones, operate faultlessly and that the heavens are more than generous with rainfall.

A Surprise for Those Who Are Deaf

Even back when the country's energy budget was adopted, objections were made from various republics and provinces and from all sectors of the fuel and power industry, particularly from the petroleum industry and the electric power industry, to the effect that the projection would not be sufficient to cover the planned consumption. There were even quite a few who foresaw that the authorities would have to loosen the reins and increase imports of petroleum and residual fuel oil when the first analysis was made of progress in carrying out the energy budget in May.

As for consumption, there were many reasons for seeking imports of larger amounts of liquid fuel, but it is becoming increasingly difficult for the country to make the international payments. Contrary to expectations, the authorities have just recently insisted that the energy budget for petroleum imports be

adjusted downward this year between 3.6 and 5.7 percent below the projection. In the second half of the year, when winter will be felt, there thus will be considerably less petroleum and petroleum derivatives for energy use than was envisaged, especially since considerably more was imported and consumed in the first 6 months.

The shortage of foreign exchange even for the planned importation of petroleum from the convertible market and the failure to achieve the planned production of coal, unexpected breakdowns and poor hydrological conditions in the summer months are making the energy situation difficult even now. Cautious forecasts covering the period up to the end of the year are fairly well documented.

Domestic production of crude petroleum fulfilled the plan in the first half of the year, and it is expected that that will again be the case up to the end of the year. However, less petroleum than envisaged was imported from the convertible area, which was made up for by considerably larger purchases from the bilateral-payments area. For the 6-month period more was imported than was envisaged in the energy budget. That understandably has diminished the quotas available for purchase in the second half of the year, when, it has been announced, it is expected that the planned purchases will have to be reduced because of the shortage of foreign exchange. In the first part of the year consumption of petroleum derivatives was up, especially that of residual fuel oil, which is the best sign that the recommendations on its substitution have not been implemented.

Substitution a Dead Letter

Considerably less natural gas has been produced than envisaged in the budget, nor were the planned quantities imported, so that many consumers on the eastern branch of the Yugoslav gas pipeline have still not been connected. It is estimated that natural gas consumption this year will be about 400 million cubic meters less than was envisaged, which means that some other fuel is being consumed instead.

Coal production in the first half of the year was also 15.1 percent short. The shortfall was 11 percent for bituminous and better coal, 15 percent for lignite, and 7.3 percent for brown coal, whose shortage is mainly a threat to consumption to heat public buildings and households. It is true that thermal electric power plants are not complaining about the lack of lignite even though less was mined than had been planned. After all, the reasons why production of that coal was down included not only the weather conditions last winter, but also the fact that a large number of thermal electric power plants were undergoing repairs or had broken down, so that by that very fact they were unable to take the planned quantities. Consequently, the demand for coal in thermal electric power plants and also in industry has by and large been met, though the mines have not always been delivering the right assortment. Thus the smaller production of coal has mostly affected consumption for heating public buildings and households.

Underground coal mining, which produces the quality coal, is in a considerably more difficult situation. These mines have operated at maximum capacity, and the shortfalls in production are mainly a consequence of delayed investment in

reconstruction and imports of equipment and spare parts, as well as surprise occurrences of water and fire in certain mines and the lack of railroad cars for shipment. In such a situation it is illusory to hope that the miners will make up for what has been lost in spite of their diligence and efforts. And when we bear in mind that residential consumption received nearly 30 percent less quality coal in the first half of the year than foreseen by the budget, then it is easy to estimate that it will be still more difficult in the second part of the year.

The Large Role To Be Played by the Individual

As for meeting the demand for heating households and public buildings, there is a way out provided that consumers in this sector behave conscientiously enough and purchase coal of lower quality in the remaining days of summer. Kolubara alone--because of the breakdown at the Obrenovac Thermal Electric Power Plant--will have nearly 1 million tons of lignite on inventory whose use most consumers do not even think about during the summer, and they only purchase it in the wintertime, when things get tough and when the middleman charges a price three times as high.

Until recently the demand for electric power was being met normally. The summer drought, the breakdown at the Obrenovac Thermal Electric Power Plant on the 305-MW unit (which is expected back on line only in late November), and then repairs and breakdowns of certain other installations have put thermal electric power plants using residual fuel oil back on line and are urging conservation in the middle of summer. The lack of residual fuel oil, which there will be still less of in future than up to now, nevertheless is jeopardizing their future operation even in a case of the greatest need. Over the next 2 months it is expected to be dry, and the hydroplants will not generate even nearly the amount envisaged. Residential consumption--driven by the smaller supply of quality coal and heating oil--will be putting pressure on the electric power network this winter, which means that there will be a greater power shortage than was envisaged.

The answer to the question of how to get through the winter with the obvious shortage of all types of energy and low levels on storage reservoirs is still simple. What is expected of producers, carriers and suppliers of fuels is well known: that they make maximum efforts toward operation of their facilities at full capacity and that the energy reach the point of consumption as soon as possible, and it is expected of society that it provide the funds in good time to purchase equipment and speed up completion of construction of new facilities in the fuel and power industry. The kind of energy situation that prevails up to the end of the year, however, will depend largely on the role played by consumers as a whole. If even now every individual makes an effort to purchase some kind of fuel and if he conserves electric power even in small ways, then there will be some for others, that is, there will be more for everyone.

In other words, it can be warmer for everyone if everyone consumes power efficiently wherever he is (at home or at his machine).

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2167

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2167

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CEMA INTEGRATION DEVELOPMENTS REVIEWED

Prague HOSPODARSKE NOVINY in Czech 24 Jul 81 pp 1, 4

[Article by Engineer Antonin Indruch, Cand Sci, Office of the CSSR Government Presidium: "Sofia: To the Point and Openly. Development of Integration Among CEMA Member Countries"]

[Text] On 2-4 July 1981 in the capital of the Bulgarian People's Republic, in Sofia, the 35th Session of CEMA took place. The program of this year's session made it possible to deal with all of the important problems of the state and development of the CEMA economic community as it included not only the usual report on CEMA activities, but also an evaluation of the results of the Comprehensive Program achieved over the past 10 years, coordination of plans for the immediate period 1981-1985 and outlining the basic orientations for continued cooperation in the eighties.

The complexity and demanding nature of dealing with the tasks of economic development and cooperation of CEMA member countries in the upcoming period are affected by a slowdown in the development of world economy and deterioration of the international situation. Difficulties in the world economy, particularly the monetary and structural crisis in the capitalist economy, development in the field of fuels and energy as well as wide-reaching changes in price relations undoubtedly affect also the economy of socialist countries.

Member countries of CEMA entered a new decade of their development characterized by exhaustion of extensive growth factors, slowdown in the rate of developing their own fuel and material resources, and continuation of the tendency toward slower overall economic growth. The complexity of today's situation is accompanied by significant changes in the internal as well as external factors of economic growth. Under these conditions promoting increased efficiency of cooperation among member countries of CEMA is markedly gaining in importance. Implementation of measures for long-term goal-oriented programs of cooperation is an important factor in stabilized growth of social production, and in improving its technical level and efficiency. Great reserves can be found in this context in systematic and mutually coordinated structuring of branches of the economy and in coordination of investment policies. An impetus toward continued upgrading of CEMA activities in this direction was provided at the 26th CPSU Congress by the general secretary of the CPSU Central Committee, Comrade L. I. Brezhnev: "Life demands that coordination

of plans be accompanied by coordination of the overall economic policy. On the daily agenda appear even such problems as bringing closer together the structures of economic mechanisms, further development of direct contacts between ministries, associations and plants which participate in cooperation, and establishment of joint enterprises. There are possibilities for even other forms of combining our efforts and resources. Many great tasks await us in this direction. Obviously it would be useful if they could be collectively discussed in the near future by leading representatives of fraternal countries."

That is also why one of the key points on the agenda of the 35th CEMA session was discussion of the results attained in coordination of the five-year plans for the development of the national economies of CEMA member countries for the years 1981-1985 and a proposed Agreed upon Plan of Multilateral Integration Measures for the same period.

The basic objective of economic policy until the year 1985 consists of maintaining and further improving the quality of the attained high standard of living of the populace and its social securities in connection with the results that will be achieved in the development of the national economy even under substantially more difficult external as well as internal conditions of economic development.

Attainment of that objective requires systematic promotion of conspicuous increase in intensification of the Czechoslovak economy, improved efficiency and quality of all labor for implementing effective structural changes in production as well as in consumption based primarily on maximum utilization of the results of scientific-technical development to further strengthen participation of the CSSR in the international socialist division of labor, particularly with the Soviet Union.

Attainable inputs with respect to economic development in the years 1981-1985 permit us to project a 14-16 percent increase in the generation of national income, an 18-20 percent increase in industrial production and a 10 percent increase in agricultural production. At the same time, however, one must take into consideration the worsening exchange rates in regards to both socialist and nonsocialist countries. Thus, we must also take into account a diminishing dynamism in the growth of national income utilization in the years 1981-1985. The results of coordination of plans for the national economy can, for this reason, be considered to represent an important stabilizing factor backing up input and output of two-thirds of the volume of our foreign trade and facilitating completion of projects for the five-year plan.

In monetary value, this involves in the case of the CSSR a turnover in the amount of more than 71 billion in transferable rubles (in 1980 prices). At the same time, Czechoslovak exports to CEMA member countries are to increase by roughly 29 percent and imports by 18 percent. The ratio of exports outstripping imports applies primarily to relations between the CSSR and the USSR.

In assessing the results of coordination of five-year plans the prominent factor in the foreground is providing the Czechoslovak economy with fuels, energy and raw materials. In the course of plan coordination we essentially succeeded in securing for our national economy importation of the basic types of fuels and energy at the

level of 1980 which, together with relative savings of energy amounting to 12 million tons of standard fuel over 5 years, should facilitate the contemplated increase in social production during the Seventh Five-Year Plan. At the same time it turns out that even now we must begin preparation of measures for precluding any worsening of the situation in this area after 1985. By this are meant additional measures for savings of energy and maximum economy in utilization of fuel and energy sources that should become available by that time. Use of our own Czechoslovak know-how alone will not suffice, there will be need for a widely based exchange of experiences and a coordinated approach by all interested countries in this direction. At the same time it will be necessary to work out proposals for further utilization of nuclear energy and proposals for putting new, unconventional sources of energy to use in the economy.

An important consideration is the assuring of supplies to cover the CSSR demand for metals. In view of the high demands metallurgical production places on energy, on the overall limited sources of energy--particularly coking coal--for the current five-year plan and for the foreseeable future we cannot count on continued construction of capacities for basic metallurgical production, and continued meeting of demand will have to be based essentially on utilization of existing capacities. To provide for the contemplated development of the national economy under these conditions, specifically as regards a 33 to 35 percent increase in machinery and electronics production, we must achieve relatively substantial savings in the consumption of metals, at an annual average of 4.5 to 5 percent. We are further obviously interested in maintaining deliveries of iron ores at the 1980 level, not only in regard to the overall quantity of metal, but in regard to its structure, with which deliveries have been traditionally completed.

Our cooperation with CEMA does allow us to deal with the problems of consumption of fuels, energy and raw materials, but that brings even more prominently into the foreground problems regarding efficiency in the processing of these materials. Our orientation must not be exclusively toward the problem of raw material sources, but primarily toward problems of fuel and material conservation and the quality of the evaluative process. The way we process materials, how we utilize raw materials or the amount of effort that goes into creating value and the extent of attaining these values indicates the qualitative level of the reproduction process. Approaches to lowering the demand for material and energy must be sought primarily in production management itself, in the technical conditions relevant to consumption and by structural profiling of the economy.

A complex and considerably multifaceted task on the next 5 years will be an even more intensive incorporation of our processing industry, specifically the machine-building industry, into international specialization and cooperation which will ultimately facilitate domestic specialization and narrowing down of assortments as well as a change in the structure of industrial production. It was stated at the 35th CEMA session that machinery production in CEMA member countries had increased in the Seventies to a level 2.1 times [higher than during the 1960s] and that a substantial contribution to this attainment came from specialization and cooperation in production that has organized on the basis of applicable agreements. This positive development also became reflected in mutual trade among CEMA member countries in machinery and installations, which increased in the seventies 3.5 fold,

whereby the share of specialized deliveries for export increased from 18.1 percent in 1970 to 36.4 percent in 1980. The share of our exports of specialized products in the overall exports to CEMA countries increased from 11 percent in 1975 to 20 percent in 1980 and the share of Czechoslovak exports of specialized machinery in their overall exports to those countries went from 15.9 percent to almost 29 percent. In absolute values, our exports of specialized machinery products to CEMA countries increased 13 fold in 1980 in comparison with 1970 and earned more than 1 billion transferable rubles.

Of particular significance, both from the viewpoint of economic impact and the complexity of solutions, are agreements which form the basis for international cooperation in the development and production of computer technology, as well as specialization and cooperation in the production and delivery of installations for nuclear power plants. Cooperative deliveries of installations for nuclear power plants, together with technical aid provided by the USSR, became the basis for implementation of the program for construction of nuclear power plants through the year 1990, with a total output of 37,000 megawatts.

Specialization and cooperation in production comes to the fore as one of the important factors in increasing the productivity of social labor and should be based on an integrated concept of development aligning the external activity of branches and sectors with intents within the economic sphere. The present participation by Czechoslovak industry, especially the machinery industry, in specialization and cooperation in production cannot still be considered as commensurate to our needs and potential.

Thus, e.g., in CEMA member countries great duplication still exists in the preparation and production of many products which have identical or analogous parameters. Specialization and cooperation still does not apply in all aspects to the entire process of production, research, planning and design, standardization and unification. Development of cooperation in the field of components, spare parts and elements is still lagging.

A special category is formed by problems pertaining to the domesiic market where in the case of consumer goods it is necessary to look for much more intensive ways of enriching the domestic market of our states with available resources. Solution of this problem could be instrumental in substantially expanding the exchange of assortments of individual types of appliances such as, for example, washing machines, refrigerators, black-and-white and color television sets, radios, tape recorders, record players, all video and audio equipment, etc.

Shortcomings also exist in that there still is not a collective approach and coordination with respect to certain measures which are carried out; for example, with respect to the purchase of licenses from third countries, particularly those dealing with finished products. Similarly, the mutual provision of information on long-range directions involving interconnected development and with regard to the demand for, and offers of supply of, technological innovations in CEMA member countries. There are even porblems with regard to the introduction of purchased licneses into the production process, including inadequate interest on the part of enterprises in utilizing these licenses.

Thus far, the possibilities of increasing the effectiveness of production on the basis of international specialization and cooperation are inadequately utilized, particularly as a result of inadequate scientific and technical preparation and the planning of specialization, its technical-economic justification and shortcomings in the existing system of agreements. Another brake is also the fact that a number of pricing, foreign exchange and fiscal questions have not yet been resolved: the question of maintaining the value of demands and commitments, expressed in transferrable rubles; further, the inadequate utilization of the potential presented by international organizations and the scant amount of coordination which exists with regard to third countries in a given area.

The advantages of the international socialist division of labor--particularly its long duration, stability and programmed nature--must not lead to the underestimination of guarantees with respect to the fulfillment of commitments to assure high quality and a good technical level of production, with an emphasis on the development of world science and technology in a given area. Furthermore, it is intolerable that the task of direct consumers should remain as passive as it has been; that deadlines for the modernization of products should not be set, and that manufacturers should be allowed to continue to deliver technically obsolescent products. This way we would reach a situation in which we would have a large number of specialization and cooperation agreements on file, but these agreements would, in not insignificant numbers, assure the production of obsolete products. Progressive treaties would also be changing into instruments for the preservation of technical obsolescence, which would lead to a reduction in the interest on the part of consumers in such products. All of these problems must gradually but resolutely be solved, since the perfection of the mechanism involved in the further spread and deepening of specialization must become a part of the permanent process.

Among the important problems discussed at the CEMA session were problems of scientific and technical cooperation. On the basis of implementation of the Comprehensive Program over the past decade considerable expansion has occurred in scientific and technical cooperation among CEMA member countries. There was a substantial increase in the number of joint research projects which grew from 600 thematical tasks in 1970 to 1,400 in 1980. In the same period the number of projects completed per year increased from 1,100 to 2,000. More than 16,000 projects from the area of theoretical and applied research were completed over the past decade.

Czechoslovak research organizations participated in the solution of a major part of the above mentioned tasks, which is substantiated, among others, also by the fact that in the past 5 years they received from cooperating organizations in other member countries of CEMA over 20,000 sets of scientific and technical documentation, which is more than double compared to the period 1971-1975. Approximately the same number of documentation sets were handed over by the CSSR to other CEMA member countries.

To increase the responsibility of participating parties for attainment of specified objectives of cooperation, primarily in regard to technical parameters and agreed-upon deadlines, Czechoslovakia as a participating side negotiated almost 150 international multilateral and bilateral agreements between 1970-1980 regarding scientific and technical cooperation and another series of pacts regarding scientific and technical cooperation at scientific and technical organization level.

Proposals for further improvements in scientific and technical cooperation, worked out by the CEMA Cuuncil for Scientific and Technical Cooperation, conform on the whole to the high demands that all of us place on the fields of science and technology. Their systematic implementation in the practical activities of the Council organs must now be regarded as the key factor.

The head of the Czechoslovak delegation to the 35th CEMA session, Premier L. Strougal, in his address put particular emphasis specifically on scientific and technical cooperation. His thoughts on the subject lead to the conclusion that scientific and technical development is one of the key prerequisites for attaining the goals that member countries opted for achieving in the coming years. Even though CEMA member countries have at their disposal a scientific and technical base which is truly gigantic on worldwide scale, and achieves top results in individual cases, in several fields they have not managed to match the level of advanced capitalist countries. Aggravated conditions in worldwide economic competition, the need for decreasing the dependence on capitalist markets for selected new technological sectors, as well as the ever more pressing need for transition to intensive development of the national economy, call urgently for deeper and improved cooperation in this area.

Help toward this end must be provided by achieving harmony in the scientific and technical policy of CEMA member countries, joint identification of priority problems and combining of the efforts and resources of interested CEMA member countries toward their solution. Of particular importance is the organization of cooperation throughout the reproductive cycle, organic linkage of scientific and technical cooperation, specialization and cooperation in production in the interest of timely and effective application of the results of research and develomment in economic practice.

Attainment of a basic reorientation in the area of scientific and technical cooperation is of key importance to CEMA member countries. We cannot underestimate the results achieved in the past period, in individual cases they even were at a very high level. Nevertheless--even through the scientific, research and developmental base of the CEMA community is extensive--it shows lower productivity of labor in comparison to the world level, accompanied by a slow rate of introduction of scientific and technical findings into social production. Current contributions made by science and technology or their utilization in CEMA member countries are far from satisfactory. That fully applies to Czechoslovakia as well. In connection with projects for the Seventh Five-Year Plan we must more energetically and more decisively implement intensification and stepped up efficiency in developing the national economy by systematic implementation of measures for improving the system of planned managemnt of the national economy at all levels of management and in all phases of the reproductive process.

Participation of Czechoslovakia in the development of socialist integration is an important element in the process of intensification of the Czechoslovak economy. The results of implementation of the comprehensive Program for the past 10 years brought tangible proof of the beneficial nature of these efforts. In the same vein, the thematic contents of long-term goal-oriented programs of cooperation by CEMA member countries through the year 1990 opened up new approaches to dealing with

topical problems that are facing the economy of the CSSR, as well as that of other member countries of the community.

Economic and scientific and technical cooperation among socialist countries is being implemented under the leadership of fraternal communist or workers parties. It is the result of their constant cooperation and attention which they devote to these problems. The resolutions of the 35th CEMA session represent another step toward deeper cooperation in the framework of our community of nations with the objective of upgrading the integration process to a qualitatively higher level.

8204
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NEW SOVIET-GDR BOOK ON SOCIALIST ECONOMIC THEORY REVIEWED

East Berlin EINHEIT in German Vol 36 No 6, Jun 81 signed to press 13 May 81 pp 618-620

["Heightened Perception of Economic Laws"--Review by Dr Karl-Heinz Graupner, economist, staff employee, SED Central Committee, of book "Oekonomische Gesetze des Sozialismus" (Economic Laws of Socialism), authored by economists from the social science academies of the CPSU and SED central committees, headed by Leonid Abalkin and Gerhard Schulz; published by Dietz Verlag, East Berlin, 1981]

[Text] The 10th SED Congress has emphatically reiterated that the continued shaping of the economy of developed socialism in the GDR is the central concern of the party's social policy. Mainly in the economic field decisions are made on the further successes for which our economic strategy for the 1980's forms the decisive foundation. The policy of the main task is being continued consistently, yet it calls for a new quality of work under our changed conditions.

Our party's orientation fully conforms with the economic strategy worked out by the CPSU at its 26th party congress and its having confirmed the course of the main task under the new conditions. As a key problem for solving the enormous tasks at hand, the resolutions of both party congresses and the materials of the party congresses of other Marxist-Leninist parties in the socialist community have underscored the need to obtain an increasingly deeper understanding of the objective economic laws in their reciprocal interrelation and to disclose, for the sake of making conscious use of them, their complex efficacy in the present and future, because long-term, effective, stable and permanent economic growth, aimed at the good of the people, can be realized only by a policy that resolutely and unwaveringly proceeds from the requirements of the economic laws and the concrete effects caused by them.

The book "Oekonomische Gesetze des Sozialismus" (Economic Laws of Socialism), published recently by Dietz Verlag, East Berlin as a cooperative project of a collective of economic scientists of the social science academies of the CPSU and SED central committees, headed by Leonid Abalkin and Gerhard Schulz, which proceeds from the requirements referred to, proves a scientific accomplishment of high rank.

In fifteen chapters, on a high theoretical level, and based on the progressive experiences and insights of the political economy of socialism, with appropriate acknowledgement given to the accomplishments of both parties, a characterization

of the system of the economic laws of socialism is offered, the interrelations among the economic laws are analyzed in their general, particular and specific nature, and the connections between the economic laws and their various manifestations are presented (cf. pp 47 ff). A theoretical analysis is introduced of the possibilities for quanitifying the economic laws as a precondition for making more effective use of the laws (cf. pp 145 ff), and interesting ideas are developed on how the economic laws and laws of other social domains relate with each other and affect the social and intellectual-cultural development of society (cf. pp 126 ff).

The authors succeed in theoretically and practically grasping the most important problems in the organized economic planning of developed socialism and in elaborating some of its essential features (cf. pp 166 ff). A prominent account is devoted here to an analysis of the effects of the economic laws of socialism under the conditions of socialist economic integration and the ongoing rapprochement among and adaptation of the economic development levels of the CEMA member countries (cf. pp 298 ff).

What mainly distinguishes the book, however, and what particularly enriches our theory and practice, is the fundamental, detailed and consistent analysis of the changed conditions under which the economic laws of socialism take effect, which informs the book as a whole.

As the political economists have time and time again been assigned the task to disclose further the new requirements of the economic laws, resulting from a concrete historic developmental phase, so as to be able to present constructive proposals for a further planned development of the socialist economy and for improving the management, planning and incentive system, the point of departure and the basis for such work must be a precise analysis of the changing conditions under which the economic laws take effect and their manifestations. This is the standpoint from which the authors' collective lets itself be guided as it explores the conditions for those effects in the course in which they proceed and in their complexity and specificity. Within the complex of those conditions the authors include "the socialist production relations in their concrete degree of maturation, the level of the material-technical base of socialism, the social labor capacity, the standard of living including the state of working and living conditions, the natural conditions and resources, the cooperation with the fraternal socialist countries including the stage reached in socialist economic integration, the international correlation of forces as between socialism and capitalism, and the forms of the class struggle between the two world systems" (p 6).

Such an approach is important in more than one sense in the early 1980's under the greatly changed internal and external reproduction conditions.

First, it provides the possibility for further developing the political economy of socialism as a scientific system and enhancing its scientific-productive and political-ideological and, hence, its educational effectiveness.

Second, such an approach, on the one hand, prevents the formulations of the laws from merely being "refined or improved." On the other hand, this also makes perfectly clear that the changes under which the economic laws take effect do not change the nature of these laws but enrich their content and that they embody the nature of socialist production relations more comprehensively and effectively.

Third, this places our scientific considerations still more definitely on the extremely complicated problems of an expanded reproduction of our product and the renovation of our material-technical base by means of scientific-technical progress that goes with it, which is treated as a decisive connecting link for essentially improving our economic efficiency. This is of outstanding importance to materially providing for our steadily improving people's well-being, growth and stability.

Fourth, it reinforces the need to proceed, in theory and practice, from that the economic reproduction process constitutes an organic unity and its phases, elements and aspects have to be conceived of and brought to realization as components of one totality. For instance, the requisite improvement in labor productivity and efficiency is impossible as long as only one or another growth factor is put into effect per se. The authors proceed from the proposition that expanded reproduction in socialism always embraces the unity of the reproduction process of the product, of labor and of the socialist production relations and is inseparably tied up with the further shaping of the socialist way of life. This concept is what buttresses the overall theoretical structure of the views of the authors' collective.

The authors work out that the economic laws of socialism objectively form a uniform system marked by a specific social nature, internal order, sequence of rank and dialectical interaction. They resolutely oppose any moral evaluation of the laws in the system as "important and unimportant," "bad and good," and they also refute the naive notion that is sometimes still encountered, that the system character should have to wait for the coordination of economic tasks--in the outcome of a conscious utilization of the economic laws. They make clear that, instead, vice versa, it is a matter of ever more completely conforming with the system character as it objectively exists.

With their evidence for that the system of the economic laws of socialism includes the general, the particular and the specific ones, the points are made that the new socioeconomic character of the laws is formed by the socialist production relations and that, together with the further perfecting of the socialist production relations and their international spread, the system of the economic laws of socialism keeps developing. The forms and methods for the utilization of the economic laws are demonstrated by reference to the perfecting of management, planning and economic stimulation in the USSR and the GDR. A precise differentiation is made here between the objective effect of economic laws and their conscious utilization by economic management. At the same time, however, more attention is given than it is sometimes done in other relevant literature to existing interactions, to the object-subject dialectics.

Interest is warranted in the explanation and clarification of the well known thesis that the existence of economic laws in no way way results from the existing material-technical factors of the productive forces but from the socialist production relations (cf. pp 98 ff). Nor is there left any doubt that their effect as well as their requirements can only result from the dialectical interaction between the socialist production relations and the productive forces as the unified mode of socialist production. Attention must of course be paid in the analysis of the concrete conditions under which economic laws take effect to the diverse degrees

of maturation in the socialist production relations in the various countries. As early as in the third volume of "Das Kapital" Marx pointed out that even with an economic basis identical in social composition an infinite variety exists of empirical premises, natural conditions, traditions and so forth, in consequence of which the specificity in the effect of universally valid economic laws of socialism and its various manifestations differ accordingly. This means that with every new developmental stage in the socialist production relations will not only the action radius and possibilities for the utilization of the economic laws be expanded, but the content of these laws also will be enriched and the influence they have on all aspects of the economic activity of the international socialist society will be strengthened (cf. pp 311 ff).

Research has reached a stage which underscores the need for further examinations into the system of economic laws and for an analysis of its requirements--as conceived over long term in the central research plan of the Marxist-Leninist social sciences of the GDR for the 1981-1985 period. This task belongs among those basic problems in the political economy that call for constant research, deepening and refinement. At present especially--under the changed reproduction conditions--there are a number of causes that make it especially urgent for political-economic research to attend to that area. The authors of the present book have made a fine contribution to it. That, however, does not excuse political-economic research in this field from the task to disclose further and still more pervasive interconnections and to draw appropriate theoretical and practical conclusions from the further development of the socialization process of production and labor which, among other things, is marked by an increasing intertwining and complexity of our economic and social development (cf. pp 349 ff).

The social conditions, elaborated in this book in their fundamental importance, under which the working people become aware of their role as the proprietors of the means of production, as the producers and landlords of society, as they become directly perceptible to them and promote their personality development, continue to be major emphases in political-economic research. The remarks made about the combines (cf. pp 249 ff) underscore the importance of more intensive research in this field, so as to more deeply account for the objective inevitability in the socialization of production and the necessary consequences of it. In view of the fundamentally changed reproduction conditions at present, the concentrated reproduction capacity of the combines turns out to be the crucial condition for insuring also a dynamic rate of economic growth in the future.

More penetrating theoretical work, furthermore, is needed to determine more precisely still the place of the economic laws of commodity production and distribution within the system of the economic laws. That is so precisely because--as shown in this book--the socialist planned economy objectively includes commodity production for the sake of man.

All in all. an achievement in creative cooperative efforts.

5885
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OFFICIAL DISCUSSES ROLE, FUNCTION OF BULGARIAN NATIONAL BANK

Sofia OTECHESTVO in Bulgarian No 11, 1981 pp 10-12

[Interview with Vasil Kolarov, first deputy chairman of the Bulgarian National Bank, conducted by Petur Gerasimov and Petur Bozhkov]

[Text] Question: Comrade Kolarov, what can you tell us about the role and place of the Bulgarian National Bank in the development of our economy?

Answer: Before making an analysis of some of the characteristic aspects of BNB [Bulgarian National Bank] activities or its tasks in the new five-year period I would like to mention the results of the Seventh Five-Year Plan which have determined our future path to a large extent.

The past five years were quite effective in the development of our economy: we are already familiar with the statistical data which were reviewed at the 12th BCP Congress. Comrade Todor Zhivkov assessed the last five-year plan as being the most fruitful period in the overall development of our socialist country. During each of these years the growth of the national income--the most synthetic measure of the qualitative growth of the economy, in the final account, of the possibility of increasing the well-being of the people--averaged about 6 percent. Such real successes become particularly important against the background of the rather difficult period we crossed both in terms of the foreign economic plan and for a number of objective domestic reasons.

In the past few years the prices of basic raw materials and materials we import rose sharply. Here are some quite descriptive figures: in the 10-year period between 1970 and 1980 petroleum prices on the world market rose tenfold. The prices of other basic raw materials rose on the world trading markets by a factor of about five. We know that our country is not particularly rich in high-grade raw materials and mineral resources and that we are forced to import a high percentage of the raw and other materials and fuels we need.

Bulgaria's participation in socialist economic integration and, particularly, the intensive vital relations and steady rapprochement between the Bulgarian and Soviet economies, which excludes all circumstantial factors, uncertainty or inequality, so typical of international capitalist trade, has an exceptionally favorable impact on the creation of the best possible conditions for the development of the Bulgarian economy during that period.

Some objective problems existed on the purely domestic level as well. We were faced, for example, with a new situation: due to natural causes (a fact which specialists had forecast long ago), starting in 1978, although slowly, the active age population in our country began to decline (in absolute figures). In other words, along with the limited opportunity to increase the labor objects, the second possible "lever" used to increase the national income--increased manpower--has also become virtually exhausted as an extensive development factor. We can no longer include an ever-increasing number of people in the production process. It is precisely the opposite that prevails: the only possibility is to transfer manpower resources from the production area, where labor productivity has risen sharply, to the new plants, enterprises, production facilities and activities. I shall not discuss a number of internal subjective weaknesses for the overcoming of which our party and state fought hard in the past period.

I would like to emphasize, as I enumerate all of these facts, the truly stiff price paid for this roughly 6 percent annual growth of the national income. We know that within the same period of time even many advanced countries throughout the world showed rather modest economic growth indicators. Our conclusion is that, led by the BCP, the Bulgarian people were able to adapt on time, regardless of difficulties, their economy to the new more complex conditions, to ensure the growth of the national income and, therefore, to improve the well-being of the working people. In this respect let us note the great perspicacity and wisdom displayed by Comrade Todor Zhivkov, the first leader of the BCP and of our state, and general secretary of the BCP Central Committee. Always daringly and uncompromisingly he has formulated the main, the strategic problems of our future development. He has done extensive work on such vital problems and is energetically and extensively organizing and ensuring their practical implementation by the party, the state, the economy and society.

Following are a few typical figures which show the qualitative changes which have taken place in our economy. All Bulgarians may be proud of the scale of our exports: in 1980 our country exported goods worth about 8.9 billion foreign exchange leva. Of this amount industrial exports account for about 8.6 billion, or 96.6 percent. Most of our industrial exports consisted of commodities which had nothing to do with agriculture--about 6.4 billion foreign exchange leva or some 72 percent of overall Bulgarian exports. Exported industrial goods of agricultural origin totaled 2.2 billion foreign exchange leva, i.e., less than one-fourth of the entire volume of our exports. Unprocessed agricultural commodities exported last year totaled about 300 million leva, or less than 4 percent of total exports.

Over the past five years the Bulgarian national bank made its modest contribution to the overall economic activities carried out under the leadership of the BCP. In the Seventh Five-Year Plan a reorganization of our banking system was undertaken, with a view to enabling it to influence more actively the positive development of the economy and to encourage even greater effectiveness.

We know that over the past two years we have been gradually applying the new economic approach in our national economy. The BNB has done everything it could to contribute to its successful application. Let us take as an example the elaboration of the basic document on the self-support of each economic organization, the so-called income formation and distribution system. In accordance with the decisions of the

party and the state the bank has helped each economic organization to restructure itself on an essentially new basis so that self-support may become far more realistic. Over the past two years all the income, according to the system, began to be formed exclusively on the basis of the actually received funds deposited to the bank account of the economic organization. This put an end to the old practice of considering as goods sold those which had been only produced and billed. The old system lacked the final aspect, the point at which a commodity is converted to money. Actually, it lacked the stage of the real marketing of goods. Today income is formed exclusively on the basis of actual cash income.

Question: What is the nature of the control function which the BNB exercises in this process?

Answer: When the monthly balance sheets and income charts are submitted, the bank checks whether the cash received by the economic organization is in the same amount as that indicated in the accountability report. The general income, deductions for the budget and for the various funds and, in the final account, the forming of the resulting wage fund, now depend exclusively on the actual revenue. In this respect the bank is directly fulfilling the instructions of Comrade Todor Zhivkov on steadily enhancing the role of currency. Today it is in the interest of an economic organization to market its goods as rapidly as possible and to have its products actually bought by the consumer. All of this is most simply manifested through its income.

In recent years the bank has invested a great deal of effort in promoting the so-called result-residual nature of wages in economic organizations. In other words, wages must be the end, the final result, after all other payments have been made. Any unfavorable development in the work of an economic organization entrusted with the handling of productive capital, labor objects and other resources is directly reflected in the wages. Cost overruns of 100 leva in an economic organization mean that its income is reduced by 100 leva and, hence, in the final account, so is the resulting wage. Today, far more than in the past, managers of organizations and all working people are becoming aware of all expenditures, as good managers should, in order to prevent any wage reduction.

Question: How is the new economic mechanism being applied within the BNB system?

Answer: Starting with 1 January 1981, in accordance with party and state decisions, the bank undertook the application of the new economic approach and the self-supporting principle. This is not a self-seeking aim. Its purpose is to make the bank an even more desirable partner of the economic organizations and their equal economic agent who will have a greater influence on them and will help them to increase their economic effectiveness.

What are the more characteristic features of the application of the new economic mechanism within the bank itself, above all, the application of the result and residual principle to bank personnel wages? This is directly related to upgrading the personnel's specific responsibility for economic activities. Secondly, new bigger (and far more autonomous and independent economically) banking organs were set up, which are acting as equal partners of economic organizations. So-called okrug banks were established, each of which manages the BNB branches in a given okrug.

Another essential feature of the bank's economic mechanism is the improved system of interest rates, which was applied starting with this year. Its principles are simple and effective: they directly stimulate increased economic effectiveness. In a word, they could be characterized as follows: the more effective an economic initiative to be implemented with bank credits is, the lower will be the interest rate charged to the economic organization by the bank, and vice versa.

Question: In practical terms, how is the BNB implementing the new line in the field of crediting?

Answer: Whenever an economic organization decides to make a new investment it must be issued in advance a "visa" by the Bulgarian National Bank, an agreement that the new initiative will be useful and effective. The organization's manager discussed and analyzed with the bank all the necessary substantiating documents such as estimates of economic effectiveness, based on the cost of investments (the cost of the reconstruction or of a new project) and, on this basis, the expected higher returns from the new investments. All this must be substantiated in the proper documents. The bank's economic and engineering-technical experts will conduct the necessary investigations before the bank has agreed to such an investment (or has refused it, should it prove to be unprofitable). In recent years the bank has agreed to allow economic organizations to include in their plans approximately 60 percent of investment requests. Therefore, some 40 percent of investment requests filed by economic organizations were rejected by the bank and, therefore, are not being implemented.

But let us return to the new interest rate. Here is a specific example: if an enterprise wishes to make an investment which will be recovered in more than eight years it will be charged a 9 percent interest, which is close to our maximum, which is 10 percent. Conversely, if the effectiveness of a given investment is such that the investment may be recovered in one to two years, the interest rate would not exceed 2.5 percent. In other words, the interest rate is such as to encourage the economic organizations to make more effective investments.

Question: What are the immediate tasks of the BNB in the new Eighth Five-Year Plan?

Answer: This year and subsequently, throughout the new five-year plan, the process of decisive reorganization of the bank's work will be continued. The theses of the 12th congress formulate the BNB assignments very clearly: credits and interests must play an even more active role in achieving planned proportions and assuring the accelerated use of science and technical progress and high multiplication results. The party's instruction to the bank is to become not only an even more active partner through credits but to begin to act as an associate of economic organizations and share with them material responsibility for final results.

The most complex and an exceptionally important problem is the one of the application of the new criteria in the work of economic organizations and the bank. The BNB is using all the tools at its disposal, such as contracting for capital investments and working assets loans, foreign exchange loans and other forms of work, in applying stricter criteria in assessing effectiveness, as stipulated by the congress. Our objective is not to meet this criterion on the basis of the dynamic principle, i.e., that today's accomplishments be better than yesterday's and tomorrow's better than today's. Now the assessment must be based on a comparison with the best

achievements, whether domestic or foreign. Currently the country is drafting the Eighth Five-Year Plan. The bank units are active participants in this process and it is this strict rating that will become the main factor for the acceptance (or rejection) of an investment project. Together with the economic organizations the bank assesses the level of effectiveness of the specific project compared with leading achievements, both domestic and foreign. To this end the bank uses far more extensive domestic and international information and its own analyses and developments which indicate the actual level of effectiveness of one or another measure.

Question: You mentioned a new form of BNB participation in the economy, not only through loans but as an actual partner of economic organizations.

Answer: Yes, in this area, which is new to us, we must draft specific documents which will stipulate the rules governing the bank's participation in associations. A possible idea in this respect, for example, could be the following: within the limit of a specific amount of bank money, each okrug BNB bank could enter into a partnership with a specific organization in the creation and management of a new joint enterprise. The bank would participate with a specific percentage of capital investments as a coinvestor. Then, together with the respective economic organization, the bank would manage this joint enterprise. Naturally, the bank would invest its funds in particularly effective enterprises which will apply the best achievements of scientific and technical progress.

Assuming that this joint enterprise is profitable, in proportion to the share of participation in its statutory capital, the economic organization and the bank will share the residual income. Conversely, should the enterprise fail to earn an income, the bank would receive nothing, like the economic organization. Furthermore, should the joint enterprise be in receivership, should it go "bankrupt," the bank and the economic organization would lose the corresponding share of their investment.

Question: Assuming that an already operational enterprise were to prove its ineffectiveness in the future, what would be the bank's function?

Answer: The rule of establishing permanent control over the financial and economic condition of the economic organizations is included in the already operational new mechanism. BNB data for 1980, in which all economic sectors apply the new economic mechanism, indicate that most of the economic organizations and enterprises are successfully working on a self-supporting basis and are making their contribution to the achievement of overall positive results. Very few enterprises experienced major financial difficulties. In order to eliminate temporary difficulties, the BNB granted emergency loans and coordinated the efforts of superior organizations so that, in the final account, the problems could be resolved. As to permanent insolvency, the new economic mechanism stipulates that the economic ministries, as the superior state organ, together with the Ministry of Finance, the Bulgarian National Bank and the Committee on Labor must undertake stabilizing measures in the case of organizations in a state of receivership. Should even such measures prove to be insufficient, the respective managements will be discharged for incompetency and deprived of the right to assume subsequently responsible economic positions elsewhere. Naturally, under our socialist conditions this can never bring about social problems which would affect the working people in the enterprise. In such cases,

which would hardly be numerous, the respective productive capital may be given to another organization which will create conditions for their effective utilization. The workers' collective will either remain employed within the same enterprise or will go to related enterprises, without creating social-labor problems, with a view to making full use of the manpower and the productive capital.

Question: How does the bank guarantee the stability of the Bulgarian leva?

Answer: This is a very interesting question. In practice, the bank does not guarantee the purchasing power and stability of the Bulgarian currency in an alchemy laboratory deep within its bowels. The strength and stability of the currency are guaranteed by the labor of the people and our country's economy. Whenever 200 leva are earned for really-accomplished good-quality work, assessed at 200 leva, or, allow me to explain, for work whose quantity and quality is consistent with progressive socially-necessary norms, the stability of the Bulgarian leva is guaranteed. However, whenever an enterprise manager orders the payment of 200 leva whereas the work done was worth 100, it is not the bank but in fact he who authorizes the "erosion" of a particle of the Bulgarian currency.

All in all, no such problem faces the country at large, for we are successfully implementing our plans which determine the basic ratios between wages and labor productivity, between commodities and currency, and so on. Today the money earned by our working people allows them to purchase ever-increasing numbers of more varied and beautiful goods. We can say that the value of the Bulgarian leva is rising steadily. The better plans are fulfilled and overfulfilled, the more stable the Bulgarian currency becomes. Through its overall activities, by supervising the result-residual nature of wages, i.e., by granting loans for effective activities, including the production of more consumer goods and services, and by seeing to it that the economic organizations observe their foreign exchange balances and, hence, ensure positive results in the balance of payments of the state, the BNB is contributing to the enhancement of the strength and stability of the Bulgarian leva.

5003
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COUNTERPLANNING GOALS, PROCEDURES EXPLAINED

Prague HORNIK ENERGETIK in Czech 16 Jul 81 pp 5-7

/Article by Oldrich Bogner, chairman of the central committee of the Mining and Power Industry Employees Trade Union, and Eng Vlastimil Ehrenberger, Candidate for Doctor of Science, minister of fuels and power of the CSSR/

> /Text/ Active worker participation in national economic management, and especially in the formulation, implementation, and control of plan fulfillment, is an important factor in the efficient development of the national economy and in the growing cultural and material well-being of the population. Its basic directions have been established in the document Principles of the Federal Ministry of Fuels and Power and the central committee of the Mining and Power Industry Employees Trade Union for the Organization of Worker Participation in the Formulation, Implementation, and Control of Plan Fulfillment from 1981 to 1985, which is contained in General Guidelines No 2/1981. These principles emphasize the intensification of worker participation, particularly in the preparation and formulation of plan proposals by the technique of counterplanning, which represents a qualitatively higher degree of creative worker initiative.

In addition, the Federal Ministry of Fuels and Power is issuing the following guidelines for the implementation of counterplanning, and for discussion with the central committee of the Fuel and Power Industry Employees Trade Union:

I. Objective and Basic Preconditions of Counterplanning

1. Counterplanning is a technique for formulating an annual plan proposal. Its objective is to mobilize and to utilize the abilities, knowledge, experience, and suggestions of employees toward the discovery of unused internal capacity, thereby providing at all levels of management for the most efficient achievement and surpassing of the goals outlined in the five-year plan, and in some cases the guidelines (focus of projects) for a given year (hereafter "five-year plan guidelines").

2. The mobilization of internal resources through counterplanning during the formulation of annual plan proposals is intended to assure that new possibilities, potentials, and resources for the national economy are known at the time of the

formulation of the implementation plan, and may be used in a planned manner for the assurance of the dynamic and proportional development of the entire economy. This demands a fundamental change in current forms and techniques for formulating plan proposals at both the organizational units of concerns and at the level of the concerns themselves.

3. Counterplanning also stems from the necessity for unifying, in the formulation of annual plans, individual, collective and societywide interests in a common search for the most efficient possible resolution of the matters at hand.

4. The five-year plan guidelines establish, for individual years, the main tasks for concerns and their organizational units, as well as the resources (raw materials, capital stock, employees, financial resources, etc.) for their implementation in the form of binding limits. Therefore, counterplanning is basically focused on the acceleration of the five-year plan guidelines in annual plan proposals.

A precondition for the efficient development of counterplanning is that the more progressive tasks incorporated into a plan proposal not constitute a reinforcement of the binding limits, or of allocations to capital stock, etc., in the planning year, nor an automatic increase in tasks for the following year, but that the advantage stemming from the acceleration process be retained.

5. Counterplanning is connected to economic incentives in accordance with the merit principle. The adoption of more ambitious tasks in annual plan proposals than those required to maintain the objectives of the five-year plan guidelines, or the overfulfillment of an annual plan, will be materially rewarded; failure to maintain tasks outlined in five-year plan guidelines will be punished. Fulfillment of an accelerated annual plan is judged, in principle, as normal plan fulfillment, with the caveat that a moderation or elimination of penalties is established for relevant economic-incentive instruments, so long as failure to fulfill an annual plan does not fall below the level established for tasks in the five-year plan guidelines.

II. Main Characteristics of Counterplanning

1. Counterplanning is applied within the framework of the resources and limits established by the five-year plan guidelines, through their more efficient valuation and especially through the improved utilization of raw material inputs. The essence of counterplanning lies, therefore, above all in the acceleration of the qualitative tasks in the five-year plan guidelines and, in certain instances, in the raising of quantitative objectives as well.

2. Acceleration in terms of the tasks of the five-year plan guidelines must be incorporated into the proposed plans of both the organizational units of concerns as well as each concern separately no later than at the time of presentation of the annual plan proposal. Insofar as a concern, during the period between the submission of the plan proposal and the approval of the state plan, accepts a further acceleration of objectives, as shown by a new plan proposal with all its related components, the increased economic incentives applicable to counterplanning will remain in force. All additional task acceleration is treated as plan overfulfillment, and receives lower economic incentives according to the regulations valid for plan overfulfillment; concerns are to conduct themselves similarly in relation to their organizational units.

3. Tasks which are accelerated in proposed annual plans in relation to the five-year plan guidelines receive material incentives, and those which are underfulfilled receive material penalties:

a) at the concern level, according to the connection between the decisive indicators and the economic-incentive instruments; an increase in the incentive component of wages payable depends on an improvement in the level of the critical indicator, an increase in average earnings or reductions in numbers of employees, an increase in managerial bonuses on the established indicator; a worsening in the level of the critical indicator results in the progressive reduction in the incentive components of wages payable;

b) within concerns, according to the connections and regulations established by the concern in conjunction with the focus of counterplanning at the start of work on the plan proposal.

III. The Focus of Counterplanning

1. During the Seventh Five-Year Plan, counterplanning will be directed, above all, at the qualitative aspects of development, and in the coal industry specifically at an increase in the planned extraction of coal and soil removal, operations whose level is primarily determined in the preproduction and production process. For this reason, it is based on the development of worker initiative in internal enterprise divisions; the task of higher management levels is, above all, to create the necessary conditions for this.

2. The focus of counterplanning is established by the ministry for concerns and, similarly, by concerns for their organizational units, in agreement with the appropriate organ of the ROH /Revolutionary Trade Union Movement/, and on the basis of an analysis of the difficulty of the tasks of the five-year plan guidelines in terms of the concrete conditions facing them, and with a view to societywide requirements. All of this must take place from the beginning of work on the annual plan proposal.

3. Counterplanning within concerns is primarily oriented toward the following components of intensive growth:

--a reduction in the energy- and material-intensiveness of production, achieved through savings in the consumption of raw materials, fuels, energy, and other inputs in comparison with the standards for individual products and groups of products;

--a reduction in the import intensiveness of production, principally by replacing materials which are in short supply or imported with inputs which are domestic and of which there are ample stocks;

--receiving higher prices for exports, particularly by means of an efficient production and supply network, the provision of spare parts, service, etc.;

--an increase in labor productivity through work rationalization, an increase in the quality of labor-consumption standards (performance standards, service and inventory standards) and the expansion of their bases;

--an improvement in the use-qualities of products, an increase in the percentage of quality products and products of a state-of-the-art technological level, a minimization of losses due to low-quality products, especially through a reduction in the number of internal rejects and limitations on the production of products in the lowest quality classifications, etc.;

--a speeding up of the implementation of the results of technical development, especially by shortening the time required to start up the production of new products and technologies,

--improved utilization of fixed assets and inventories, and a reduction in the amount of production inventories through an increase in their turnover;

--reducing the time required to complete construction projects and to make facilities operational, and improving the quality of labor and deliveries;

--a reduction in other production and operational costs, in particular the costs of handling at the enterprise, warehousing, etc.

4. In instances where counterplanning is also directed at the overfulfillment of the quantitative objectives of the five-year plan guidelines, for instance, in coal extraction, overburden removal, the volume of engineering and construction output, the concern and its organizational units must resolve the material requirements primarily by means of reduced consumption; they must resolve any increases in material-input requirements directly with the supplier within the framework of a clarification of supplier-consumer relations during the planning process.

IV. Application of Counterplanning Principles During Elaboration of Five-Year Plan Guidelines and Formulation of Plan Proposals

1. The basic starting point of counterplanning for the organization is the five-year plan guidelines as broken down by the ministry for its concerns, and at the concern level for its individual organizational units.

2. Elaboration of the five-year plan guidelines and the establishment of tasks, resource limitations and economic-incentive instruments must be differentiated according to objectives, and to the greatest extent possible supported by analyses of individual factors, norms, and even labor value added and embodied labor indicators; the ties within individual plan components and among them must be provided for, and the established tasks must be coordinated with the relevant organizations in their fundamental relationships.

3. The concerns rework the tasks, standards, and interrelationships which have been established for them in a differentiated manner for their constituent organizational units in the form of the indicators and relations which best express the assumed contribution of every organizational unit to the achievement of the objectives established for the concerns, and the degree to which a given organizational unit will share, in connection with its actual contributions, in the incentive resources which are generated.

4. In the formulation of five-year plan guidelines, the concerns create the absolutely essential resources to cover potentially higher requirements in connection with the adoption of more demanding tasks by subordinate organizational units; at the same time they have especially in mind requirements for resources in those instances where significant differences exist in the magnitude of economic-incentive instrument rates among subordinate units.

5. The ministry and concerns, in cooperation with the appropriate agency of the trade union, established a binding approach and a time schedule for the creation of an annual plan proposal which provides for a thorough discussion of tasks and conditions, and the incorporation of a broad spectrum of workers into counterplanning.

6. Within the framework of work on annual plan proposals, the concerns and their organizational units, in cooperation with the appropriate organs of the ROH, will see to the thorough acquaintance of all workers with the tasks stemming from the five-year plan guidelines for the year in question, as well as with the conditions for incentives.

7. Concerns and their organizational units, in cooperation with organs of the ROH, are to organize the formulation of an annual plan proposal on the basis of broad worker participation, so that the greatest possible number of employees may share in the preparation of a plan proposal and in efforts to accelerate it. At the same time it is to assure that the resolution of specific problems and tasks assigned to individual worksites within the context of counterplanning will be solved primarily by the foremen, masters, rationalization brigades, socialist work brigades, innovators and those who improve operations.

Their participation must be organized in such a way that the proposal for an annual plan stems from the suggestions, experiences, and comments of the senior employees, the innovators, those who improve operations, comprehensive rationalization brigades of socialist labor, and so that the plan is directed at increasing labor productivity, production efficiency, and the quality of all work. The objective is to qualitatively change the current technique for formulating annual plan proposals.

8. The organizational units of concerns, and the concerns themselves, are to integrate the contributions of counterplanning into their annual plan proposals in the form of a full range of accelerated qualitative indicators and, insofar as it is a question of increased production, only if they have resolved the supplier-consumer relations.

9. The concern and the ministry will evaluate the efficiency of the proposal, the accuracy of the calculation of economic-incentive resources, as well as the assurance through suppliers of any increased raw-material and component requirements. On the basis of this, they will make decisions concerning the integration of the contribution of counterplanning into their own plan proposal and then will inform the formulator of the plan proposal.

V. Economic Incentives

The system and conditions of economic incentives during the application of counterplanning, the relationships among the critical indicators and economic-incentive instruments in cases of the acceleration or underfulfillment of five-year plan

hereafter referred to as "Guidelines and Regulations." The magnitude of incentives provided by the plan is calculated from planned exports in all-charges-paid prices for the appropriate year of the five-year plan, with the aid of the planned economic-incentive norm (Point II/A/2a) of Guidelines and Regulations).

2. For Overfulfillment and Failure to Fulfill Annual Plan Targets

a) The target area for wages payable has been resolved by Ministry of Fuel and Power Guidelines No 5/1981.

Should a concern adopt, in an annual plan, an accelerated target for an indicator critical for the generation of the incentive components of wages payable, and then fail to meet this target in the course of plan implementation, conversion coefficients are applied to reduce the critical indicator in ranges whose boundaries increase by a percentage which corresponds to the increase in the critical indicator adopted in the annual plan (by 1 percent for each percentage increase in the level of the critical indicator);

b) Guidelines and Regulations resolves the area of economic incentives for exports by the application of Financial and Economic Instruments in Foreign Trade for the 1981 to 1985 Period (FMF material, File No XIII/1-8260/80, October 1980);

c) For incorporating in an annual plan higher targets in the conditioning indicators for supplementary allocations to the cultural and social needs fund than those included in the five-year plan guidelines, and then failing to meet them during plan implementation, the allocation to the cultural and social needs fund will be restricted (Section 4, Paragraph 6, Decree No 165/1980, Laws of the CSSR, concerning cultural and social needs funds), even in the event that the magnitude of the conditioning indicators fall below the level in the five-year plan guidelines;

d) When profit targets are exceeded, only 40 percent of the excess profits are aggregated into the basic allocation for the generation of the development fund; the normal rate does not change in cases of fulfillment of overfulfillment of conditioning indicators; if they are not fulfilled, then allocations from profits to the development fund are reduced so that they disappear entirely in a given half-year if an indicator is fulfilled only at an 80 percent level (Section 14, Paragraph 2, Decree No 162/1980, Laws of the CSSR, concerning the financing of capital asset replacement); this applies only to those concern organizational units which have established a development fund;

e) If profit targets are not met during the implementation of an annual plan, the allocation to the development fund is reduced according to the established criteria, i.e., for a shortfall of 1 percent, the allocation is reduced by a specified percentage of the norm, on the condition that conditioning indicators have been met or exceeded; if they have not been met, then reductions are applied in accordance with Part V, Point 2 d) of these procedures. If an organizational unit of a concern adopts, in an annual plan, a higher conditioning indicator target than provided for in the five-year plan guidelines, and then fails to meet it, the conditioning indicators are considered to have been met for purposes of calculating allocations to the development fund, provided they have reached the level provided for in the five-year plan guidelines; a progressive scale for reduction of allocations is applied only in cases of underfulfillment at a level below that of the five-year plan guidelines; this relates only to those concern organizational units which have established a development fund.

guideline tasks in proposed annual plans, and in cases of overfulfilling and failing to fulfill an annual plan, have been established for concerns by FMPSV /Federal Ministry of Labor and Social Affairs Decree/ No 143/1980, Laws of the CSSR, the guidelines for their individual application, and the procedure outlined below.

Insofar as one is concerned about material incentives within the organizational units of a concern, connections based on performance are used which are expressed by indicators which precisely describe, within the framework of internal concern regulations governing counterplanning, the contribution of individual organizational units to the acceleration of the tasks of the entire concern.

The following connections will be applicable at the concern level during the Seventh Five-Year Plan:

1. Accelerating Five-Year Plan Guideline Objectives in Annual Plan Proposals.

a) For the adoption of higher production targets by assigned natural resource units, provided that coal industry concerns do not have worsened cost structures, and that gas, power generation, and uranium industry concerns improve their ratio of costs to performance, the volume of the incentive component of wages payable will increase in direct proportion to the percentage increase in this indicator (or lowered in relation to the overall cost indicator), i.e., the conversion coefficient has the value 1 (Section 7, Paragraph 3a) of Decree 143/1980, Laws of the CSSR);

b) For undertaking a higher target for increased labor productivity through labor-force reduction, the binding limits on wages payable apply without restriction, i.e., there is an absolute limit on the basic and incentive components of wages payable. This makes possible a more rapid increase in average wages in comparison with the five-year plan guidelines:

c) In those concern organizational units in which a development fund has been established, the adoption of higher profit targets for the generation of a development fund results in the application to the excess profit units of an incentive standard, computed in such a way that the basic standard is increased by a percentage determined by the concern for this purpose, but which may not exceed 50 percent (Section 14, Paragraph 6, Decree No 162/1980, Laws of the CSSR, concerning the financing of capital stock replacement).

This procedure is conditioned by the requirement that the organizational unit incorporate into its annual plan proposal conditioning indicators of at least the magnitude established by the five-year plan guidelines. If, however, it adopts conditioning indicators of a lesser magnitude, the allocation is reduced in the appropriate half of the allocation period (i.e., a 5 percent reduction in allocation for each percentage reduction in a conditioning indicator), so that by adopting a plan proposal which is 80 percent of the targets in the five-year plan guidelines, the concern loses its right to an allocation from profits in the relevant half-year;

d) In calculating the resources available for material incentives for exports, concerns are to proceed according to the Guidelines and Regulations for the Application of Financial and Economic Instruments in Foreign Trade for the 1981 to 1985 Period (Federal FMF /Ministry of Finance/ material, File No XIII/108260/80, October 1980),

3. For Nonfulfillment of Five-Year Plan Guidelines

a) When lower production targets are undertaken in an annual plan by assigned natural-resource units in coal industry concerns, and in cases of a worsening in the ratio of costs to performance in concerns in the gas, power generation, and uranium industries, the absolute limit of the incentive components of wages payable are reduced to an extent expressed by a conversion coefficient (Section 7, Paragraph 3c of Decree No 143/1975, Laws of the CSSR, and Article 4, Paragraphs 4 and 5 of FMPSV Guidelines, File No 31-21/80-7700 concerning the procedure for allocating wages payable) for reducing the critical indicator along the following ranges:

1) from 0 to 3 percent by the numerical value 1,
2) from 3 to 6 percent by the numerical value 2,
3) over 6 percent by the numerical value 10;

b) In those concern organizational units in which a development fund has been established, the adoption of a lower profit target in an annual plan than provided for in the five-year plan guidelines results in a reduction in the normal allocation from profits to the development fund of 5 percent for each percent reduction in the target, so that the adoption of a plan target 80 percent of the guidelines will result in the loss of the right to an allocation from profits to the development fund (Section 14, Paragraph 6, Decree No 162/1980, Laws of the CSSR, concerning the financing of capital asset replacement); as far as conditioning indicators are concerned, a reduction in allocations is applied in accordance with the second paragraph of Part V, Point 1c of these procedures.

4. Material Incentives for Managerial Employees

In the area of material incentives for managerial employees (general directors and professional directors of concerns, directors of organizational units and their assistants), the progressive character of the targets undertaken in an annual plan, in comparison with the five-year plan guidelines, influences the magnitude of annual bonuses (FMPSV Edict, File No 31-1673/80-7315, concerning material incentives for managerial employees in economic organizations) in the following ways:

a) For undertaking tasks which stem from the five-year plan guidelines for a given year, a yearly bonus scale is established up to 30 percent of basic pay (up to 40 percent in concerns and extraction organizational units in the coal and uranium industries, including mine construction--hereafter "extraction organizations");

b) For undertaking higher targets, the annual bonus scale is set at 35 percent and, given the assurance of these targets throughout the five-year plan, up to 40 percent of basic pay (45 percent and 50 percent in extraction organizations);

c) For undertaking lower objectives, annual bonuses of up to 25 percent of basic pay are established (35 percent in extraction organizations), and up to 30 percent if these targets have been met throughout the five-year plan (to 40 percent for extraction organizations).

If a concern, or an organizational unit within a concern, undertakes a more ambitious objective in an established indicator and does not meet it, then the annual bonus of the managerial employees for whom this indicator was established as critical will be reduced by 20 percent. In this case, it is possible to raise the annual bonus for these employees by 10 percent of their base pay (Section 5, Paragraph 4 of FMPSV Edict, File No 31-1673/80-7315), as long as the concern or the organizational unit within a concern, has fulfilled the task which stemmed from the five-year plan guidelines for that year.

VI. Procurement of Supplementary Material Requirements

The following procedures will apply to the procurement of necessarily increased quantities of materials within the framework of the negotiation of supplier-consumer relations:

1. For products which necessarily do not offset each other at individual levels of management (so-called nonoffsetting products), or those which are necessarily not negotiated (Section 4, Paragraph 5, Decree No 48/1980, Laws of the CSSR--hereafter referred to as "Decree"), the concern, or an organizational unit of a concern, will negotiate separately a justifiable supplementary supply of raw materials, other inputs, products, fuel and energy with affiliated supplier organizations during the plan formulation process. If they reach agreement, the concern may incorporate an acceleration of the targets in the five-year plan guidelines into the annual plan proposal, while the delivering organization may incorporate the agreement into the appropriate material balance, composed according to Section 19, Paragraph 1 of the Decree.

2. For products which are offsetting at the level of the VHJ [economic production unit], concerns, central agencies, and at the level of the state plan, the proposing concern or organizational unit of a concern must implement separately with its suppliers a documented supplementary request for the purpose of acceleration, and then negotiate its requirements within the framework of supplier-consumer negotiations in the process of plan formulation. It is to proceed in this according to Section 12, paragraphs 1, 2, and 4 of the Decree on the condition that in the draft of the protocol and in the protocol itself there is specific mention of the negotiated supplementary request. At the same time:

a) For products which are offsetting at the level of central agencies, the supplying VHJ and the concerns of the Federal Ministry of Fuels and Power (hereafter FMPE) will also present to their supervisory central agencies, along with their proposed annual plan, the aggregated protocols concerning their negotiations. On the basis of these protocols, the central agencies will draft intersectorial protocols and the FMPE will document its submitted requests for acceleration with a justification for consumption. Section 12, Paragraph 7 of the Decree contains more detailed resolutions;

b) The above procedure also applies to products which are offsetting at the level of the state plan, on the condition that the central agencies submit the intersectorial protocols to the State Planning Commission and, for operations managed by agencies of the republics, to the appropriate planning commission of that republic (along with the appropriate material balances). Section 12, Paragraph 8 of the Decree contains further information.

3. Insofar as it is a matter of increased production incorporated into the draft of an annual plan within the framework of counterplanning, and which is covered in terms of raw materials and marketing, the producing organizational unit of a concern, or its supervisory concern, and in some instances the ministry, will report the increase in production to the appropriate accounting manager, who will aggregate it with the resource components of the relevant materials balances.

4. As long as an agreement at the level of the organizational units of a concern is not reached during the supplier-consumer negotiations regarding increased product requirements, then the supervisory concern may negotiate the increased requirements within the framework of supplier-consumer negotiations. Should there not be an agreement reached at this level either, then it is not possible to incorporate the increased targets into the annual plan proposal.

5. Concerns and their organizational units may apply the above procedure for procuring offsetting products (points 2 and 4) only for those products for which the FMPE is a holder of an inventory under the Unified Procedural Guidelines for the Formulation of Plan Proposals. If concerns and their organizational units propose an acceleration of products for which the FMPE does not hold an inventory, then additional requirements are submitted through the holders of such inventories for other consumers (Section 11, paragraphs 4 and 5 of the Decree).

The procedure for implementing counterplanning represents the concretization of the resolutions contained in Principles for Organizing Worker Participation in the Formulation, Implementation, and Control of Plan Fulfillment from 1981 to 1985, as issued jointly by the FMPE and the central committee of the Mining and Power Industry Employees Trade Union in Directive No 2/1981. This is not intended to replace resolutions concerning the connections among critical objectives and economic-incentive instruments as described in the appropriate regulations, but only to unify their interpretation and to serve as a foundation for the elaboration of internal enterprise regulations governing counterplanning.

The general directors of concerns will give authority to the directors of the concern organizational units to implement, according to their specific circumstances, the regulations of counterplanning down to the level of internal enterprise divisions.

9276
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RIVER-OCEAN CONTAINERIZATION EMPHASIZED

Interview with Cihlar

Prague SVOBODNE SLOVO in Czech 17 Jul 81 p 3

/Interview with M. Cihlar, head of the Department of Water Transportation and Navigation at the CSSR Ministry of Transportation, by Karel Zitek; date and place not given/

> /Text/ In keeping with the principles of the national transportation policy, development of transportation in the Seventh Five-Year Plan will be oriented toward systematically directing division of labor to types of transportation that are less demanding on energy. In addition to railroads, water transportation is also such a type. Key directions of the economic and social development of the CSSR for the years 1981-1985 call on personnel in water transport to increase its volume by roughly 35 to 40 percent.
>
> To find out what tasks they will be faced with, we talked with the head of the Department for Water Transport and Navigation at the CSSR Ministry of Transportation M. Cihlar.

/Question/ What is the position of the water transportation sector in the transportation system of the CSSR? How did it meet the tasks of the Sixth Five-Year Plan?

/Answer/ While railroads currently handle approximately 18.9 percent of the entire volume of transport in the transportation system in tons and 75 percent in T/km /ton-kilometers/, highway transportation (public and plant) 80.4 percent and 21.2 percent, than the share of water transport is 0.7 percent in tons and 3.8 percent in T/km. Growth of transport, which in the Sixth Five-Year Plan reached almost 80 percent, was primarily due to transportation of coal to the Chvaletic power plant for generation of electricity and transportation of construction materials into the Prague region. Even though water transport, as the most energy-efficient, met with essentially good results, it could not--mainly due to lack of facilities--meet all the demands of foreign trade and some of its goods had to be handled by other carriers. According to the directive for the Sixth Five-Year Plan, water transportation in 1980 was to account for 11.5 million tons. Due to exaggerated estimates of the availability of ships, of the national industrial base and development of capacities, the quoted volumes had to be adjusted down to 10.2 million tons. While

the share of water transport in overall transportation may still be low, it is constantly increasing. In 1975, its share in overall transportation was 0.4 percent in tons and 3 percent in T/km; last year it was already up to the mentioned 0.7 and 3.8 percent. By the end of the Seventh Five-Year Plan this share is to increase to 0.9 percent in tons and 4.9 percent in T/km.

/Question/ What harbor and transloading facilities have been put into operation during the Sixth Five-Year Plan?

/Answer/ The transloading facility in the Prague-Smichov harbor was expanded for handling commercial coal and gravel sand, a refueling station was completed on the Elbe River in Hnevice, another part of the harbor in Usti nad Labem was renovated, the most modern transloading facility for power plant coal on the Elbe River was constructed in the Lovosice harbor with a capacity of 10 million tons and construction operations continued in the Bratislava-Palenisko port, an important international shipping center on the Danube River.

/Question/ What does water transportation face in the Seventh Five-Year Plan?

/Answer/ Our goal-oriented plans for the Seventh Five-Year Plan envision the total volume of transportation to amount to 14.3 million tons. Of that number, approximately two-thirds are to accrue to the Czechoslovak Elbe-Oder River Navigation and one-third to the Danube River lines. The growth of transportation volume in tons during the Seventh Five-Year Plan is anticipated to increase by a total of 37 percent in comparison to 1980 when taking into consideration the shipping and transloading capacities which the shipping lines will have at their disposal in the given period. To implement the above-mentioned conceptual intents, the framework for technical development proposed, among others, also a set of selected research and development tasks, the solution of which in regards to an improved technology of the transportation process could result in savings of Kcs 25 million for the shipping lines in investments and annual savings on the order of Kcs 3 million in operating costs. Improvements in towboat technology, and specifically continued utilization of larger tows of barges, will enhance the energy efficiency of navigation.

/Question/ What is planned for expansion of our waterways?

/Answer/ Our navigable water streams with an overall length of 474 kilometers mostly run in parallel with key lines of the Czechoslovak State Railroads and any expansion of waterways further inland would effectively reinforce our transportation system. One of the most immediate tasks will be, e.g., extending the navigability of the Elbe River from Chvaletice to Pardubice regardless of the construction of a new power or heating plant in Opatovice. In the Melnik-Prague sector it is planned to gradually modernize the Moldau waterway for year-round navigation. On the Moldau it will also be necessary to complete the lock at Modrany now under construction, so as to make this sector accessible for year-round freight navigation into the new port being constructed in Radotin. On the Danube River, construction will continue on the system of Gabcikovo-Nagymaros waterworks which, by eliminating the so-called fording sector, will improve navigational conditions on this international waterway.

Use of Lighters

Prague SVOBODNE SLOVO in Czech 17 Jul 81 p 3

/Article by Karol Zitek: "Floating Containers Cross the Indian Ocean"/

/Text/ Do you know what a lighter is? A lighter is a floating container, actually a river freight boat. It can carry as much as a freight train consisting of 50 cars and, without unloading, can reach the other end of the world by crossing the seas. If we load it with products in, let's say, Bratislava, river tugboats will pull it to the "mother" freighter--a lighter carrier--in the Danube River delta. The freighter, using a special elevator--the synchron-lift--loads it together with other lighters on its deck and carries them to their destination. There it again lowers them into water for unloading or for further navigation along the rivers of the given country.

This type of transportation offers many advantages. It is particularly suited for fast and safe transportation of large, integrated yet many multifaceted and demanding cargo.

Use of this system to establish linkage between river and ocean transport--that is the mission of the Interlighter shipping enterprise located in Budapest which originated on the basis of an intergovernmental agreement concluded 3 years ago by Bulgaria, Hungary, the USSR and the CSSR. In a very short time it managed to organize a modern lighter transport on the Danube/Indian Ocean and Danube/Mekong lines. Interlighter services are utilized by both member and nonmember countries together with companies and organizations of yet other countries. In the years 1978-1980 its transport volume doubled.

Interlighter currently has two lighter carriers. The first is called Julius Fucik, the other bears the name of the Hungarian revolutionary figure Tibor Szamuelly. Both are 280 meters long, 35 meters wide and each of them can lift and carry in its hold and on deck 26 fully loaded freight boats--lighters. To date CEMA countries own only two "mother" ships. In the course of the session of the 26th CPSU Congress came publication of the news that the production association in Kherson launched the construction of the first Soviet lighter carrier "Alexei Kosygin" with a carrying capacity of 40,000 brutto registered tons. By means of a 500-ton crane it can lift 82 lighters aboard.

8204
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CRITICAL SHORTAGE OF DESIGNERS DISCUSSED

Prague RUDE PRAVO in Czech 24 Jul 81 p 1

/Editorial: "Increase the Prestige of Designers"/

/Text/ New machining facilities, ships, automobiles, new types of computers, nuclear reactors, microprocessors...Not one of these products, along with thousands of others, could come about without designers, without the daily creative activity of great collectives of people whose work never ends. The designer, whose profession has retained a touch of romanticism even in our times, is a creator, an artist, the hero of science fiction novels played out in future centuries. But we need not look so many years into the future; even now the designer is the person who to a great extent determines the quality of future products, labor intensiveness, material and overhead costs, the technical and economic sophistication of production and, finally, the efficiency of the entire production process. Actually, there is quite a lot connected with the word designer.

It would seem, therefore, to follow that the very basis of the work of a designer would be so attractive that in a period of the advance of science and technology young people would positively flock to design work. Certainly this is where they can pass not only a pleasant moment or two, filled with the satisfaction of creative work, with the happiness stemming from success in creating something new, more improved, prettier and something that will better serve people. In spite of this, however, the situation in many of our design facilities is such that young people either do not come at all, or only for a short period prior to military service, or for 1 or 2 years and then, shorn of their ideal expectations, they move elsewhere. Even this job has two sides, like every other profession. When the young person suddenly begins to realize that he will not be exactly creating space ships at the drawing board, or other attractive products, that it will still be quite some time before he will be able to design by himself a new electric motor, for instance, and finally that the incomes of his comrades in production and elsewhere are increasing faster than his own, then he gives another occupation priority, even though he likes what he is doing. Moreover, it is often true that excellent, experienced designers have no qualms about leaving their profession, because they have the chance to achieve greater material well-being and respect in another position. Society, however, is the loser when they leave.

In RUDE PRAVO we have provided space to more than one admonitory voice, whether from Plzen Skoda, the Gottwaldov Precision Engineering Factories, the Zdar Machine Works and Foundry, or the Jablonec nad Nisou Electro-Praga and other enterprises. All have

had a single common denominator: the Sword of Damocles hangs over our design facilities; keep in mind that the average age in these facilities is about 50, young people are not joining up, with the result that there is no one to whom to communicate the rich experiences which no school can teach. The experienced designers, on whose shoulders rests the further development of our engineering industry, as well as other professions and sectors in which it is impossible to get by without the work of creative hands and brains, have rightly posed the pressing question: Is it possible that only empty positions will remain after us? Keep in mind that the training of our successors is not a matter of 1 or 2 years; the training of a competent designer takes, for practical purposes, 5 years. What is going to happen when we leave?

These are truly justified fears. If we take a look at the report on the Main Trends of Economic and Social Development in the CSSR from 1981 to 1985, delivered at the 16th CPCZ Congress by Comrade Lubomir Strougal, we learn that during the past 10 years the percentage of designers among the total number of technical and managerial employees at our economic production units and enterprises has declined by a full 15 percent. One does not even want to think about what would happen if this trend were to continue into the future. Clearly, without technological development, without the rapid implementation of new ideas, production would not have, figuratively speaking, anything to live on, and our economy could not develop further.

The introduction of the Sea of Measures for Improving the Planned Management System has brought about the first positive changes in the attitude toward technological development, with the result that many enterprises and VHJ are beginning to be more aware of the fact that good design work is the basis of production. Nevertheless, the recognition that scientific and technical development are the axes of management and planning is penetrating societal practice only slowly, scientific and technical plans are not yet the basis of the concept for product development and little weight is given to the opinions of experienced designers and technicians. The result is that instead of consulting with the director, the designer in an enterprise must at times move from his drawing table to the production floor, where for the most part he performs unqualified jobs in order to fulfill the plan.

The lack of interest in the design profession and the high turnover in design firm offices are both leftovers from the extensive development of our economy when quantitative indicators were given precedence over the qualitative. Measuring achieved results solely in terms of tons, kilometers or hectoliters is no longer feasible, and the Set of Measures does not even permit it. This is why it is so important to change attitudes about designers and provide them with the psychic and material recognition and working conditions which they clearly deserve. This was expressed unambiguously from the podium at the 16th CPCZ Congress: If we are to realize the truly efficient implementation of scientific and technical progress as the main axis of the economic development of our society, then we must devote the requisite attention to designers in particular, reconfirm and emphasize their social role and prestige and give them our full support.

This implies that we must concern ourselves with a wide range of issues, beginning with elementary education, but especially in high schools and colleges, which must be focused more directly on the specific design requirements of particular sectors and professions in our national economy. The sophistication of design work, however, also depends on technology and various other aids. Design facilities, however, have

remained, on the average, the same as they were 30 years ago: one may count on one hand the enterprises which have the most modern graphic systems at their disposal, those which are computer-controlled and make possible the saving of 40 percent of the time spent at the drawing board. And at times there are not available even the most fundamental reference books, without which it is simply impossible to perform quality work.

It will be necessary to rid ourselves of the unfortunate practice whereby, on the one hand, the work of a designer is anonymous within the enterprise, to say nothing of beyond its walls (even while the design collective may have received a gold medal at an international trade fair), while, on the other hand, it must always be known exactly who is responsible for the "imperfect brainchild," the occurrence of which is not unusual in areas demanding great rigor, responsibility and high risk.

The range of issues is, of course, much broader. Many pressing problems may be resolved within the framework of the enterprise, VHJ and sector. The most serious problem, however, is that of material compensation, particularly from the viewpoint of many years of experience. Nevertheless, given the current situation, it is scarcely feasible to request from managerial employees greater differentiation between excellent, good, average and poor work results if the current wage scale for designers and their position within the production organization makes possible such differentiation only to a limited extent. This issue must, then, be resolved at the center. And yet another comment in conclusion. Today we are writing about designers, but this does not mean that the serious problems of more rapid scientific and technical development are concentrated only in the above areas. Some time ago we printed an article in RUDE PRAVO by the head technologist of the Prague-Compressors Division of Ceskomoravksa-Kolben-Danek. He called our attention to the fact that a similar situation exists in technology, which is another area where there has been an ongoing departure of employees. It is clear from this that the problems associated with the implementation of new technologies are very broad. The comprehensive resolution of these problems is, however, much more pressing.

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WEST GERMAN ANALYSIS OF GDR INDUSTRIAL DEVELOPMENT, PROGNOSIS FOR 1990

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/Text/ Growing Problems Compelled Renewed Reform Attempts

Economic Problems

For some years past the GDR economy has been confronted with significant structural changes, especially in industry. Since the mid-1970's the hefty rises in world market prices of raw materials and energy have been exerting pressure on the GDR which is poor in raw materials, because it has been unable to raise the prices of its export goods to anything like the same extent. Consequently the terms of trade deteriorated very considerably. Initially the GDR managed largely to evade the pressure for adjustment by borrowing from the USSR and Western industrial countries. As, due to the unfavorable economic development in the Western industrial countries the GDR was unable to raise its export revenues to the extent desired, the foreign trade imbalance grew. The recent new price rises and those to be expected in future have noticeably exacerbated the situation.[1] The GDR must therefore try to reduce the foreign trade imbalance by a large expansion of exports combined with reductions in imports--even at the price of weakening the progress of domestic consumption. Stagnating investments and only slight improvements in domestic supplies adversely affect the production potential and the people's willingness to work.

Increased export efforts require an expansion in the range of goods on offer, especially in direction more refined industrial products and qualitatively improved finished articles, coupled with the simultaneous improvement of export profitability. Cutting back on imports presumes considerable improvements in materials management. Neither is likely without significant changes in the production structure of industry.

The strain resulting from foreign trade difficulties also--and considerably--worsened some domestic problems which have been present for years. The planning system is therefore confronted with the difficult task of achieving adjustments to the changed world economic conditions while taking into account the new even more

troublesom defects in efficiency. The industrial and economic growth of the future crucially depends on both. The five important domestic groups of tasks are dealt with below:

1) More Sensible Deployment of Manpower To Get Rid of Some Persisting Labor Intensive Processes and the Waste of Manpower

Complained of on the one hand is a noticeable lack of manpower, although more than 90 percent of all employable persons in the GDR are at work (including people in training).[2] This arises from the circumstance that manufacture is often far too labor intensive and, moreover, frequently proceeds in obsolete plants. On the other hand manpower is wasted, for example by the rather inadequate organization of processes ancillary to manufacture (such as warehousing, repairs, transportation), and the often extreme discontinuity of production procedures: Downtime and overtime endlessly take turns, labor turnover is persistently great[3] and, finally, control mechanisms and increased administrative duties require manpower which can no longer be used for production.

A few years ago the extreme obsolescence of plant required an expenditure on repairs of about M20 billion per annum. To carry out these repairs 670,000 workers were employed,[4] some 9 percent of all gainfully employed persons. The ratio is probably much the same now. However, this is still not enough to meet the increasing demand for repairs,[5] because productivity in repair work lies 40-45 percent below that in manufacture.[6] As per GDR data the annual output losses caused by downtime related to maintenance correspond to something like the amount of the annual growth in output.[7]

2) More Rational Utilization and Modernization of Existing Plant Combined with Restricted Investment Growth

For many years past the GDR has been inefficient in the use of capital: Too many and inadequately mechanized production processes as well as the insufficient disposal[8] of obsolete and the poor utilization of new plant--due to limited investment allocations. In 1978 so many unplanned projects were receiving investment funds[9] that the authorities had to intervene.[10] At the same time price rises became more and more burdensome.[11] Investments are badly prepared and their implementation takes too long; technical advances also are applied far too hesitatingly. This is due in large part to the enterprises lack of readiness to adopt innovations; on the other hand the regulations in force about the use of profits do not provide them with any real incentive to embark on significant improvements or accept business risks.

In view of the shortage of investments and the full exploitation of the manpower volume, intensification is a pressing need. Accordingly there is constant emphasis on the fact that "modernization of the existing machines and plant may" frequently "achieve the same or greater effect than new investments."[12] Advances in intensification are considered the main source of future growth.[13] Though this policy has been preached for years, it has not yet been possible to overcome the disparity[15] between more "new" and "saved" jobs.[14]

3) The Conservation of Scarce and More Expensive Materials Resources

The worldwide inflation in the price of materials resources compels drastic changes in their use. As more than 70 percent of production costs are accounted for by materials, and because more than half of all manpower in the producing sectors is employed in the production and transportation of energy, raw materials and other materials,[16] it is evident that considerable intensification successes may still be achieved by materials conservation. It is intended, for example, in the chemical industry better to utilize oil and natural gas by a greater degree of refinement, in ferrous metallurgy to make plates less liable to corrosion by galvanization and the application of paint or plastic coatings and, in nonferrous metallurgy, to conserve precious metals by, for example, the improved prefabrication of components for electrical engineering. In general the metal processing industry is expected to conserve materials on the basis of more rational prefabrication in the earlier production stages also.[17]

Future economic growth is to be achieved as much as possible with unchanged or only slightly increased energy and materials consumption. The GDR economic leadership therefore proceeded to ration energy, heating oil and motor fuel,[18] further cut stocks, mandate increased recycling of secondary raw materials[19] and, since 1 August 1980, further restrict the speed limits for commercial vehicles.[20]

As regards the construction industry, the 1981-1985 Five-Year Plan requires[21] material conserving designs to achieve annual reductions in specific materials consumption (3.9 percent for rolled steel and lumber, 2.5 percent for cement), and by 1985 to reduce energy consumption by 30 percent by means of improved insulation. The building materials industry is expected to achieve at least three quarters of the planned output growth without calling on additional energy.

4) Speed-up of Technological Progress

Up to now scientific-technological progress failed to speed up owing to the fact that research tended to be insufficiently relevant to practice and, at the same time, parallel research occurred quite often. Moreover research capacities tended to be fragmented into too many single projects on the one hand, while on the other an insufficient volume of research topics were dealt with; also research institutes were not subject to the principle of economic accounting, nor, in view of the method of price fixing in force, did the enterprises have enough incentive to adopt innovations. It turned out to be a particularly difficult problem that the transfer of research results to production in the GDR took an unduly long time, thus devaluing new developments. Furthermore innovations often involved a great deal of research costs which tended to make them appear less profitable than traditional productions.[22]

Research processes and their possible successes do not lend themselves to proper inclusion in planning, and usually it is almost impossible to predict meaningful development trends. The GDR therefore tries to at least cope with some of the defects mentioned above by incorporating a considerable section of the research potential in the enterprises and combines. Moreover, the danger of falling behind in foreign trade compels the most far reaching encouragement of research at enterprise level also. The proportion of research capacities incorporated in enterprises rose

from two thirds in the early 1970's[23] to 90 percent now.[24] Management is expected rapidly to transfer the best results to production and at the same time achieve the greater refinement of raw materials and other materials. Also expected is the accomplishment of advanced rationalization by way of the increased utilization of microelectronics,[25] electronic control and regulation devices as well as automation technology. In 1980 M7.6 billion in state money were allocated to research and development.[26]

5) Reduction in the Problems of the Management System

In recent years management defects have been noticeable in addition to the defects of a complicated and rather labor intensive planning apparatus,[27] and so have the weaknesses of the methods of efficiency planning[28] introduced in the mid-1970's. GDR authors cite as external features[29]: Declining growth rates, failure to meet demand, downtime, overtime, special shifts, stagnation with regard to innovations, rising employee discontent and increasing complaints from below. The causes of all this are serious functional weaknesses: A communication system oriented more to the demands of the center and therefore neglecting other management levels; overlapping decisionmaking powers of central agencies; lack of consultation in plan drafting; defects in the coordination of relations which transcend industries; reluctance of superior organs to make decisions, and the lack of flexibility in coping with disruptions.

Reform of the Combines

In addition to some improvements in planning methods[30] the GDR economy expects the problems cited to be largely resolved by the latest wave of combine establishment.[31] According to Honecker this is "currently the most important step tward the perfection of management and planning," because "the crucial stages of the reproduction process--from research and development by way of planning and the construction of rationalization aids up to the actual production, inclusive of quality determining components, and the sale of the products at home and abroad--are all handled by the combine."[33] The combines are expected to provide for:

-- The speed-up of scientific-technological advances by combine-germane research,

-- More efficient investments, both by better preparation and by the quickler implementation of projects,

-- Lasting rationalization successes, both by the sensible coordination of output and the disposal of obsolete equipment, accompanied by the greater utilization of new plant,

-- The better resolution of component problems by the incorporation of suitable enterprises,

-- Qualitatively attractive products as well as the increase in exports by improved market research and the incorporation of foreign trade enterprises.

At the same time an improved management system with short lines of communication is to arise by the reduction of the management stages in the national economy from

three (ministry--VVB /association of state enterprises/--enterprise/combine) to only two (ministry-combine). The incorporation of component supplier enterprises is intended to ease part of the hitherto industry-transcending coordinations, and the concentration of capacities is expected to yield definite improvements in efficiency.

The central organs hope to ease their planning and management duties while, at the same time, being able to improve results by carrying out plan coordinations and other synchronization processes with better organized combines, and also by transferring some of the plan breakdown and balancing tasks to combine bodies. The combines are expected on the one hand better to cooperate with the ministries and, on the other, by way of the general director to achieve a certain harmonization of central targets with selected enterprise goals, enforce greater consideration for the real production potential and build up a more appropriate internal organization (for example the greater concentration of production preparatory, executive and sales oriented processes).[34] Intensification successes, in particular, cannot easily be planned "from above." They seem more likely of achievement in the combines directly and, therefore, also more quickly and efficiently. The general director thus assumes a dual function: He is at one and the same time the "agent of the minister" and an "entrepreneur."

Since early 1980 GDR industry and construction has had 129 combines directly subordinated to ministries, which account for at least 90 percent of the persons employed in the centrally managed sector of both.[35] The 110 combines of industry turn out about 90 percent of total industrial production. In 1973 there were only 37 combines in industry, in 1977: 43 (their share in total output was 30 percent). In early 1979 the incidence of combines had risen to 89, accounting for 72 percent of total industrial output.[36] The combines in industry employ an average of 27,000 personnel. Some 60 percent of all combines of industry are subordinated to 4 of the 11 industrial ministries,[37] just below 25 percent to 2 ministries.[38]

Though the primacy of central planning and the central distribution system for work done in previous stages has been basically maintained, this restructuring has given the combines more decisionmaking powers.[39]

-- By eliminating the VVB's the decisionmaking powers of the earlier intermediate management level were transferred to the management bodies of the combines;

-- The growth in size and the incorporation of enterprises not germane to the respective industry has increased the decisionmaking scope of the combines by comparison with the earlier VVB's;

-- Additional powers regarding the internal structure of the combines have clearly expanded the decisionmaking scope of the top combine management at the expense of the combine units;

-- Increased cooperation in coordination processes between general directors and the competent minister have produced a definite increase in the powers of the combines.

Details are settled in the new combine decree.[40] It is particularly interesting that the general director may change or transfer both the functions and duties of combine units as well as set up new operating sections or transfer capacities and productions to other units. He is also entitled to carry out the centralization of tasks (such as research, investment, sales, market research, accounting). By way of state functions the general director assumes price fixing operations, standardization duties and tasks involved in socialist economic integration, in addition to planning and balancing duties.

Despite the greater decisionmaking power of combines, though, the ministries still retain far reaching powers to intervene in actual operative problems, and these powers extend to the combine units. Moreover, adverse effects are bound to arise from the fact that the powers of the general director to restructure and change programs of the subordinated units as well as centralize and redistribute financial resources[41] have further weakened the independence of the units, and this can hardly be considered an incentive for direct improvements in unit output: Units may, for example, be assigned central targets. Funding also is up to the top management of the combine, and this is sure severely to damage unit interest in cost savings.[42]

However, once the initial frictions related to the establishment of combines are dealt with, certain improvements in productivity are likely to arise from sensible restructuring and the reconstruction of entire enterprise sectors.[43] How significant these will be is not yet certain, because the precondition is for the emergence of general directors rich in initiative, who are able not only to break through bureaucratic obstacles while pursuing state targets but also persuade the minister to compromises as regards targets and inspire efficiency-effective improvements despite the price distortions.

It is a help that, since March 1980, two new indices have been introduced in plan reporting, in addition to the gross index "goods production" which has a definitely adverse effect on materials use. They are "net production" and "materials costs per M100 goods production."[44] These indices exert pressure on enterprises and combines regarding the conservation of energy and raw materials. Furthermore, to enforce manpower savings and, therefore, achieve advances in productivity exceeding production growth, it has become mandatory in the coming five-year planning period to more strongly link the plan part "productivity and manpower 1981-1985" with the plan "science and technology."[45] In general the five-year planning of combines will be strengthened, the incorporation of innovation processes in planning increased, the inclusion of long-range development concepts intensified and the importance of qualitative indices raised.[46]

Aspects of Price Problems

It was not possible to obviate by subsidies alone the rise in the prices of raw material imports and the worsening of the geological conditions for the mining of domestic brown coal. Without domestic price changes there would have been no impetus for materials conservation. The crucial problem is that of converting the production structure to the more expensive inputs. The GDR's economic leadership was therefore compelled to raise domestic prices: In early 1976 higher prices were established for raw materials and raw material intensive products[47] and, from 1977

on, for semifinished products, spare parts and some finished products.[48] More price corrections followed in early 1978 for specialized chemical products, machines and equipment as well as more spare parts;[49] since early 1979 higher prices have also been in force for construction and assembly services as well as for finished products.[50] As these price rises were not supposed to affect the consumer, it was necessary to catch the increased costs arising for the producers of consumer goods and industrial consumers who were not permitted yet to raise the prices of their end products, in part by a price equalization fund involving changes in taxation, in part by efforts at improving productivity. This situation is made more serious by the many uncertainties to which enterprises and combines are exposed with regard to future price trends on import and export markets as well as the domestic price policy decreed by the government authorities.

In early 1980 more price corrections were mandated for many of those raw materials and other materials which had already undergone price rises in 1976; however, their level corresponded at best to the cost situation in early 1979, not to the increases which occurred after that point. Prices of raw materials and fuels were raised, also of some construction and assembly services, building repairs, building materials and investment services.[51] In the meantime more corrections have taken place, including higher prices for consumer goods-- especially better quality merchandise.

It is a cause of concern that domestic price corrections always lag behind the increase in import prices. Moreover, the inflated prices of the raw materials involved are merely added to price groups which have always been distinctly distorted and based on sharply differing computations. The price fixing methods for new and further developed products therefore provide no more than a limited incentive for innovation.[52]

Structural Changes Call in Question Earlier GDR Growth Concepts for Industry

Long-range but Outdated GDR Growth Concepts

Two sources provide information about the long-range plan targets for industry of the GDR economic leadership:

-- The long-range development conception[53], to be interpreted as an orientation outline, assumes a 7 percent average annual growth. Actually achieved in the years 1960-1979 was an average of 6 percent (1970-1979: 6.1 percent; 1970-1975:6.8 percent).

-- The plan targets of the now ending 1976-1980 Five-Year Plan[54] assumed a 6 percent annual growth of industrial production. Achieved until 1979 in the course of fluctuating development was an average of only 5.1 percent per annum (1976: 6.1 percent, 1977: 4.7 percent, 1978 and 1979: 4.8 percent each). Should the plan target for 1980 be met (4.7 percent), the actual growth in the total of the five-year plan period will have been 5 percent.

As the 1973 GDR target projection obviously originated at a time when the worldwide inflation of oil and other raw material prices was not yet foreseeable, the noticeable diminution of growth targets for the current five-year plan period and the failure to achieve even these targets must be considered in connection with the

problems discussed earlier. They confronted industry especially--the most important sector of the economy--with significant problems of adjustment. This, precisely, makes any forecasts very difficult now.

Structural Problems To Be Resolved by Industry

GDR industry is compelled to carry out far reaching structural changes, in particular to conserve energy and materials but also because some productions hitherto encouraged seem no longer profitable when considering the new input prices:

-- Necessary for the improvement of the material-technical base is the far reaching encouragement of the use of domestic raw materials and energy coupled with reductions in high specific energy consumption. It is imperative, despite more unfavorable geological conditions, to develop new brown coal strip mines and eliminate the bottleneck electricity production by emphasizing investments (the construction of coal-fired and nuclear power plants). Some 60 percent of all industrial investments are therefore earmarked for securing raw materials and other materials.[55]

Distribution of Industrial Investments (percentages)

	Actual			Plan
	1960-1965	1966-1970	1971-1975	1976-1980[1)]
Basic materials production	66	52.9	55.0	60
Water supply	6	5.9	4	4
Investment goods industries	16	24.8	22.3	19
Near-consumer sectors	12	16.4	17.9	17

1) Official data; in part estimated.

-- In the GDR more than one third of all oil is used for fuel and 40 percent for motor fuel. The conservation of diesel fuel in turn requires a shift of traffic from road to rail, but this presumes far greater electrification of the railway[56] and, therefore, more demand on the expansion of the rail network and the construction of locomotives.

-- The chemical industry accounts for 10-15 percent of oil use.[57] A further restructuring to a more modern refinement chemistry is therefore urgently needed. To be encouraged here on the one hand is oil processing in more advanced forms of utilization and, on the other, the production of synthetic materials, synthetic fibers, pharmaceuticals, dyes, agrochemicals, cosmetics and household chemicals. There are also efforts to revive carbon chemistry in order to utilize brown coal for more refined products by way of carbide, gas and dry distillation productions. Energy and raw materials intensive chemical productions, on the other hand, are to be shifted to CEMA countries which have ample energy and raw materials sources.[58]

-- As for metallurgy, it will still be necessary to encourage the production of high quality steels and rolling mill products while reducing capacities for less refined products (which are extremely energy intensive), and importing more of the latter.

-- The building material industry is faced with the task of promoting the materials needed for modernization and reconstruction measures and, at the same time, increasingly using secondary raw materials. At the same time it must raise the production of high quality insulation and insulating wall components.[59]

-- Construction expenditure on industrial investments is to be reduced by 15 percent through 1985, thereby lowering the construction ratio from 29 percent to 25 percent.[60] This means that industry is to increasingly overhaul existing buildings rather than constructing new ones, so that new construction capacities may be used for housing construction instead.

-- Required are significant improvements in the assortment structure of consumer goods, regarding both quality and customer wishes, in order to better meet the demands of the domestic and export markets.

-- Both the problem of intensification and the desired changes in the product structure at all stages of production pose tremendous challenges to the manufacturers of investment goods. On the one hand they are supposed to develop adaptable capital goods and high capacity and materials conserving plant, on the other hand encourage the production of new types of goods by the appropriate equipment and technologies (such as EDP equipment, semiconductor production, microelectronics, control equipment, modern chemical plant, efficient assembly and transportation processes). This, however, presumes a steady flow of investments by the producers of capital goods and, in view of the shortage of investment resources, it is unlikely that enough of them can be made available. That is why strenuous efforts are made to encourage the production of rationalization aids within the combines themselves, even though this procedure is bound to be less efficient.[61]

The Difficulties of Forecasts

In this situation, featuring many imponderables and considerable structural changes, it is virtually impossible to arrive at a meaningful forecast of the long-term development of industries. Moreover, since 1968 GDR industrial reporting has been converted to a vastly different industry arrangement with only 10 instead of the former 20 sectors, and for which no conversion key has been provided. We therefore lack comparable long-term series of data for the past as well as plausible dimensions for the shifts to be expected in future.

In view of the many problems involved it will be extremely difficult to decide even for industry as a whole whether a return to higher growth rates may be expected in the years 1981-1990--as would correspond to the target conception of the current five-year plan, or whether we must assume as more realistic the maintenance of the earlier medium-term targets or even a lower growth rate.

As we lack any data on the target conceptions of the future five-year plan, it appears appropriate on the one hand to pursue the question how much realism may be

attributed the following two plan variants for the average annual growth of industrial gross production (or productivity) in the years 1981-1990:

	Output	Productivity
1)	+ 6.5 percent	(+ 6.1 percent)
2)	+ 5.5 percent	(+ 5.1 percent)[62]

Variant 1) would presume that the effects on the GDR of the world raw materials crisis could be mastered in the first haf of the 1980's, certainly an unduly optimistic assumption. Variant 2) is based on the annual plans of recent years (1978:+ 5.7 percent, 1979:+ 5.5 percent, 1980:+ 4.7 percent).

On the other hand we must investigate what annual average investments may in future be expected for industry, and how much growth in fixed assets is therefore likely. To do this, however, we need to discuss the complicated valuation problem for capital assets and refer back to the GDR's industrial capital account. This is just as indispensable as the question of the price effects occurring in industrial investments and to be expected in future.

Forecast of the Development of Employment in Industry

Method

Using the figures of population trends, the birth rate and the general death rate in the GDR, an earlier study of DIW forecast the development of the population as well as total employment--divided into 5-year sections:[63] The employment volume (including employed persons not reported in the official statistics) for 1990 may be estimated at 9.36 million.

The forward projection of the statistics of people employed in industry (excluding water supply proceeded in the following three steps (according to official classification):

-- The figures for the period 1979-1980 were based on yearly shares of the additional deployment of 130,000 employees in industry, planned for 1976-1980[64], distributed as per the trend of the DIW forecast data respecting the population of working age.

-- In the DIW study cited the period 1981-1985 was assigned a total increase in employment of 236,000 persons. Taking as a basis the percentage (so far) of persons employed in industry in the total of employed persons (42 percent), we get an absolute increase of 100,000 employees in industry. This volume was allocated to the 5 years as per the forecast trend of the population of working age.

-- Using the same method of calculation, we arrive at an absolute increase in persons employed in industry of only 27,000 in the period 1986-1990, which--in view of the decline in the population of working age from 1987-1988 on--had to be allocated to the years 1986 and 1987.

Results

The industrial employment volume (excluding apprentices) will rise from 3,103 million (1978) to 3,299 million in 1990. That corresponds to a total increase of 6.3 percent and an average annual growth of 0.5 percent. The main reason for this development is the improving age structure of the population. The greatest increases are to be expected in the years 1979-1983--with annual rises ranging from 25,000-40,000 employed persons.

Blue and White Collar Workers (Excluding Apprentices) 1978-1990

Year	1,000 Persons	Increase Compared to the Previous Year (percentage)	Year	1,000 Persons	Increase Compared to the Previous Year (percentage)
1978	3,103	0.4	1984	3,271	0.2
1979	3,130	0.9	1985	3,273	0.1
1980	3,173	1.4	1986	3,283	0.3
1981	3,201	0.9	1987	3,292	0.3
1982	3,232	1.0	1988	3,299	0.2
1983	3,263	1.0	1989	3,299	0.0
			1990	3,299	0.0

Forecast of the Development of Future Gross Fixed Assets

The Industrial Capital Account of the GDR

The starting point for the development of the industrial GDR capital account were the results of the revaluation of the fixed assets of industry as of 30 June 1963[65] at 1962 replacement costs and the official forward and backward projection for the period 1957-1966.[66] As a consequence of the labor intensive revaluation[67] the value of stocks (appraisals differed sharply) rose by an average of 52 percent.[68]

However, these data still suffer the defects of the valuation:

-- As the asset valuation was carried out at 1962 replacement prices, these were subject to many distortions (which existed before the industrial price reform).[69] Also unconsidered were shifts in price ratios, which have occurred since.

-- Even more complicated turned out to be the circumstance that, if the price development of capital equipment was based only on the average revaluation rate, it was impossible from these data--taking into account investments, disposal and disassembly--to find a meaningful link with the prewar assets of the former German Reich, which are now within the territory of the GDR.

A resolution of the latter problem could be achieved only by way of the introduction of a current price index of investment goods.

The average revaluation rate of 1.52 could be interpreted as the average of the rate for the various age groups of the stock. That, however, meant that the

inflation in investment prices in 1962 compared with 1944 could have been substantially greater than 52 percent, because the stock of 1963 included a very considerable proportion of capital goods which were only a few years old--with only a low revaluation rate--, but also a similar proportion of older goods groups--with higher revaluation rates.

Taking into account the scant empirical indications on the development of GDR prices of capital goods, it was possible by way of an empirical model computation to develop a current price index[70] which allowed the construction of a capital account for the period 1936-1978[71] (see table 1). These asset data are also corrected by those price influences hidden in the fixed price system, which constantly occur by disguised price increases by way of changes in the product. These data coupled with data of employment and gross output provided the basis of the following forecast (see table 2).

Various Test Computations

The progress of capital productivity showed distinct jumps in the past, so that the annual average growth is significantly affected by the choice of the period of reference: In the years 1955-1970 it amounted to + 1.4 percent, 1960-1970, however, in view of the distinct decline in the first half of the 1960's, to only + 0.5 percent[72]; 1965-1979 it was + 1.1 percent; 1975-1979 only + 0.6 percent.[73]

It seems hardly imaginable that the GDR could succeed in the next 10 years to raise the level of the average rise in capital productivity to more than 1 percent per annum. I therefore propose in two parallel computations to assume the following average annual growth: A) + 1.0 percent and B) + 0.6 percent. By comparison with the past 3 years both assumptions presume a speed-up in the growth of capital productivity. This is supported by the expectation that the latest wave of combine establishments is likely to result in at least some significant improvements in efficiency.

With respect to the increase in capital productivity listed under A (or B) the following requisite average real growth of gross fixed assets may be deduced from the forward projected values and the above forecast of output:

	A	B
For variant 1:	+ 5.4 percent	(or + 5.9 percent)
For variant 2:	+ 4.5 percent	(or + 4.9 percent)

Projection of Gross Fixed Assets by Means of the Regression Analysis

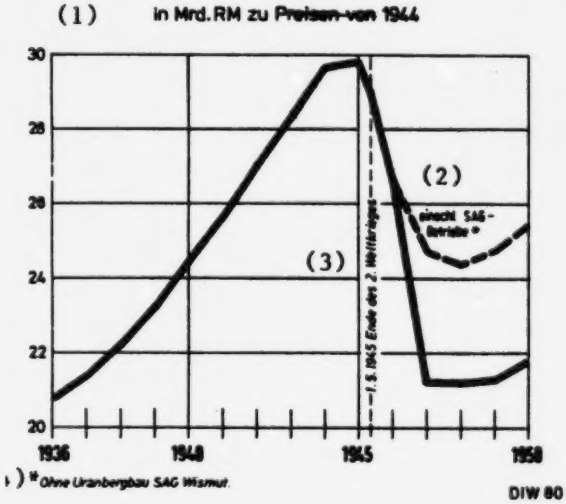
By using the employment data forecast earlier and the two assumed target projections for output it is possible also to ascertain the development of industrial gross fixed assets through 1990 with the help of a linear multiple regression analysis.[74]

In our forecast through 1990 we then get a necessary average annual growth of industrial gross assets for the two variants of output development as follows:

Variant 1: + 6.1 percent
Variant 2: + 5.1 percent

When we compare these results with those obtained by projecting capital productivity, we note a definite resemblance with variant B.

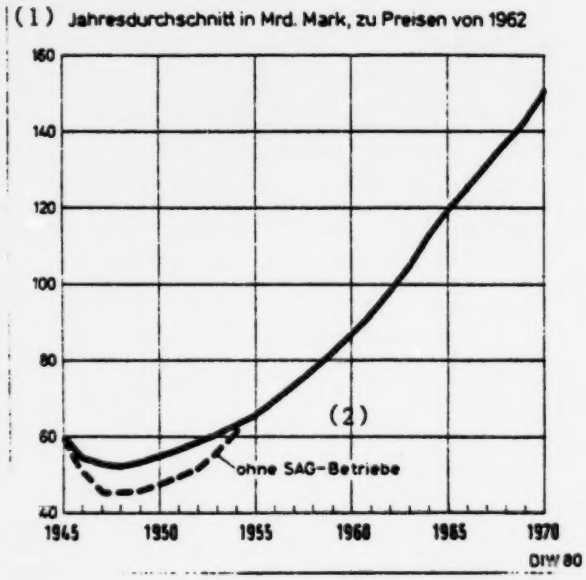
Graph 1--Gross Industrial Fixed Assets in the Territory of the GDR, 1936-1950



Key:

1. Billion Reichsmark at 1944 prices
2. Including SAG /Soviet corporations/
3. 1.5 1945, end of World War II
4. Excluding Uranium Mining SAG Wismut

Graph 2--Gross Industrial Fixed Assets in the Territory of the GDR, 1945-1970



Key:

1. Annual average in billion marks, 2. Excluding SAG enterprises at 1962 prices

Projection of Capital Intensity at Constant Growth

We can also arrive at a forecast when stipulating the growth of capital intensity. It must be admitted, though, that this index tended to fluctuate quite strongly in the past: In 1955-1970 average annual growth amounted to 5.0 percent, from 1970 onward--due to restrained investments especially in the first half of the 1970's--to only 3.5 percent; in 1970-1975 it amounted to 3.4 percent and in 1975-1979 to 3.7 percent.

As, in view of foreign trade difficulties, domestic expenditure in the 1980's will most likely grow less than the produced national product, we can assume only a limited investment development unless private consumption is to be cut very sharply. Even if industry were always to receive preferential treatment with regard to investment allocations, it is not realistic to expect a speed-up in the growth of capital intensity for several years to come. When we trace a trend by the values of capital intensity since 1960, we do admittedly get different forecast data corresponding to the function type used, but all of them have in common a decline in the annual growth.[75] As employment data will stagnate from 1987 on, asset growth will be fully reflected in the intensity figure. Therefore the decline in growth will cease by that year.

It seemed justifiable, therefore, for the sake of simplification to assume a 3.4 percent constant growth in capital resources per employee. Related to the predicted employment trend this corresponds to a 3.8 percent annual growth of assets. By comparison with the test computations carried out in a) and b), we are basing ourselves on a distinctly lower asset growth. This in turn means that the assumed target projection would have to presume rather high average growth in capital productivity:

For variant 1:	+ 2.4 percent
For variant 2:	+ 1.5 percent

Intermediate Results

The earlier results show that the following will be required to achieve the two variants of assumed production target concepts through 1990:

-- Either, upon the assumption of a real annual 3.8 percent growth of gross fixed assets--corresponding to a 3.4 percent annual growth of capital resources per employee--capital productivity would have to rise considerably more than it has done heretofore (+ 2.4 percent or + 1.5 percent);

-- Or, when taking as the basis a realistic increase in capital productivity ranging from 0.6 percent to 1.0 percent per annum, gross fixed assets would have to grow by 4.5 percent to 5.9 percent per annum,[76] more than was achieved in recent years.[77]

As neither is probable, we will have to base the forecast model on the greatest possible growth likely of industrial investments.

Achievable Future Investment Growth

When we calculate the accumulated investment volume of the past 18 statistically reported years, we obtain the following result:

Industrial Investments (excluding Water Supply) Excluding Major Overhauls at Comparable 1967 Prices

1961 to 1975	M 209.1 billion[1)]
1976-1978	M 68.9 billion[2)]
	M 278.0 billion
+ Major overhauls 1961 to 1978[3)]	M 20.9 billion
= Industrial investments (including major overhauls)	M 198.9 billion

1) See "Statistisches Jahrbuch der DDR 1976" /1976 GDR Statistical Yearbook/, p 3.

2) See 1979 GDR Statistical Yearbook, p 79. The values reported there for industry (including water supply) were adjusted by estimated values for water supply and converted from the 1975 price base to the 1967 price base. The conversion factor used was 1.014, the average price factor arising when official investment data for industry for the years 1970-1975 are related to the price basis for 1967 and 1975.

3) Estimated.

Conversion to the 1963 price base is required[78] in order to be able to relate these values to those of gross fixed assets. After the official price adjustment, the accumulated industrial investment volume (at 1962 prices) for the years 1961 to 1978 amounts to M259.9 billion.

This investment volume compares with the officially reported increases in industrial gross fixed assets amounting to M169 billion. This means: Only 65 percent of investment effected increases in assets, 35 percent served to replace equipment disposed of or represented uncompleted projects. When we introduce the hypothetical price index explained earlier, in order to make possible a price adjustment for the "hidden price rises by changes in products" not considered in the official statistics, we see that industrial fixed assets have risen in real terms by barely M133 billion.

At a real 4.5 percent annual growth of gross fixed assets, industrial assets in 1990--at real constant 1962 prices--would amount to M371 billion. The absolute increase by comparison with the 1978 stock would be M152 billion. If we assume 3 percent annually for the fucure development of the prices of investment goods, nominal calculations arrive at an accumulated absolute total rise in industrial assets of M307 billion.[79]

When we assume that the volume of retirement and unfinished projects--related to the investment volume--will amount to 30-35 percent in future also (in view of the serious obsolescence of the GDR equipment stock), we must calculate an accumulated investment volume for industry (excluding water supply) in the amount of M440-475 billion in the years 1979-1990. On the basis of these accumulated values for the 12 years mentioned, and assuming an investment volume of 1978 (including major overhauls) in the amount of M22.1 billion at 1962 prices,[80] this corresponds to an average annual 7.5 percent to 8.5 percent[81] of industrial investments.

The juxtaposition of the average annual growth of investments for various past periods is shown by the growth rates in the following survey.

In the past 10 years average annual growth was well below the at least 8 percent rate required (the exception was 1976, when total economic investments also rose substantially).[82]

Gross Asset Investments[1)]

Period	Total Economy[2]	Industry	
		Including Water Supply	Excluding Water Supply
1960-1975	6.3		6.5
1960-1965	4.9		7.2
1965-1970	9.9		8.9
1970-1975	4.1		3.4
1976	7.4	8.3	7.8
1977	5.6	6.9	
1978	3.0	5.4	
1979	1.4	2.5	
1980 Plan	0.0	2.4	

1) Excluding major overhauls.-- 2) excluding investment participation abroad

In the five-year plan period now ending the planned increase in all investments (excluding major overhauls) amounted to 5.2 percent.[83] No plan figure was published for industry, and growth here probably did not exceed 6 percent. Should the target of the 1980 plan be met, industrial investment would finish with an actual average growth of 5.6 percent (a little less when general overhauls are excluded).

The restriction of investment growth and the plan arrears are due to the GDR's difficulties arising from the substantial increases in prices of raw material imports. There are also the difficulties cited earlier in the investment sector, which eventually had the result that the projects scheduled to begin as per the 1980 plan were cut from 450 to 250.[84]

In the next 10 years raw material problems will continue to loom large and therefore further limit the growth of investments. At best the GDR might succeed in achieving a limited improvement in the goods structure and efficiency of exports by scotching some of the increases in raw material prices by raising export prices and, at the same time, passing on some of the additional costs to domestic consumers by appropriate pricing. However, in view of the necessary further expansion of the domestic raw material base it seems unlikely that the large proportion of industrial investments for the encouragement of the basic material sector can be reduced. It is to be expected, therefore, that both the growth of total investments as well as that of industrial investments will decline by comparison with the current five-year plan average.

Assuming a 4.6 percent annual rise in investments for the economy as a whole, the rise for industry to be predicted can be no more than 5 percent per annum--at best. Here we would have to assume that the in-enterprise production of rationalization aids[85] and the reconstruction of complete plants (instead of some equipment only) will continue to be encouraged[86] in order to raise the utilization of the existing asset stock. This growth of industrial investments (including major overhauls)

would correspond to an annual 3.8 percent[87] growth of assets in real terms--assuming a hypothetical annual price effect of 3 percent.

Forecast Values for Industrial Assets

In accordance with the assumptions of the model computation the gross fixed assets of GDR industry--calculated at constant 1962 prices--will increase from just over M228 billion (1979) to just under M345 billion (1990). This corresponds to a total increase of 51 percent and an annual average rise of 3.8 percent. The following sequence of data gives the details:

Forecast of Gross Fixed Assets of GDR Industry[1)] Through 1990 (in billion marks at constant 1962 prices)

Year	Billion Marks	Year	Billion Marks
1978	218.7	1984	278.3
1979	228.4	1985	288.8
1980	238.0	1986	299.6
1981	247.8	1987	310.6
1982	257.7	1988	321.8
1983	267.9	1989	333.2
		1990	344.8

1) Excluding water supply

Forecast of the Future Outout Volume

Projection of Capital Intensity and Capital Productivity

The data predicted for gross fixed assets and employment enable us to determine the absolute capital intensity for the period of the forecast. The values thus ascertained disclose that we may expect just about 3.4 percent annual average growth in capital intensity in the next 10 years.[88]

To be taken as the basis for 1979 and 1980 annual increases in output development are 4.8 percent and 4.7 percent respectively (1980 plan). The corresponding rates of increase in capital productivity would then be 0.4 percent (1979) and 0.5 percent (1980). The later development of capital productivity can only be estimated. In view of the trend of recent years it appears justified to hazard the optimistic assumption that capital productivity will rise by an average 1 percent per annum through 1990. This presumes that, on the one hand, the planning of major and well prepared rationalization projects as well as the limitation to important and specially productive investment projects will result in distinct advances. On the other it means that decidedly positive effects of combine establishment will have to occur. Although this is a plausible assumption, its quantification is subject to a good deal of uncertainty in view of the many problems outstanding in the internal structure of the combines.

When we stick by our assumption, the following sequence of data presents itself:

Forecast Values of Capital Intensity and Capital Productivity in GDR Industry[1] Through 1990

Year	Capital Intensity[2]	Capital Productivity[3]	Year	Capital Intensity[2]	Capital Productivity[3]
	1,000 marks	Marks		1,000 marks	marks
1978	70.5	1,075	1984	85.1	1,128
1979	73.0	1,079	1985	88.3	1,139
1980	75.0	1,084	1986	91.3	1,150
1981	77.4	1,094	1987	94.3	1,162
1982	79.7	1,105	1988	97.5	1,173
1983	82.1	1,116	1989	101.0	1,185
			1990	104.5	1,197

1) Excluding water supply.-- 2) Gross fixed assets per blue and white collar worker (excluding apprentices).-- 3) Gross output per M100 gross fixed assets.

Projection of Output and Productivity

The values thus ascertained allow us to determine the absolute dimension of productivity[89] for every year of the period forecast. By multiplying these values with the employment data forecast, it is possible to calculate the absolute volume of output. The following survey gives the data ascertained by means of the assumptions of the forecast model:

Forecast Values of Gross Output and Productivity in GDR Industry[1] Through 1990

Year	Gross Output[2] billion marks	Productivity[3] 1,000 marks	Year	Gross Output[2] billion marks	Productivity[3] 1,000 marks
1978	235	75.7	1984	314	95.9
1979	246	78.7	1985	329	100.5
1980	258	81.3	1986	345	105.0
1981	271	84.7	1987	361	109.6
1982	285	88.1	1988	378	114.5
1983	299	91.7	1989	395	119.7
			1990	413	125.1

1) Excluding water supply.-- 2) Gross output at 1967 price base.-- 3) Gross output per blue and white collar worker (excluding apprentices).

Assuming a future annual 5 percent investment growth, a 3 percent annual average price effect for investments and a future 1 percent annual growth rate of productivity, the forecast here presented arrives at the conclusion that

a) Output will increase by an average 4.8 percent in the years 1981-1990, and
b) Productivity will rise by an annual average of 4.4 percent in the same period.

Should investment growth be lower, investment prices rise more, or capital productivity develop less well than assumed, output growth must necessarily be less also. Decisive, therefore, are the combine effects--achievable but difficult to forecast. In the first half of the 1980's they should certainly be assessed higher than thereafter. Should, however, their effect be limited or if initial successes are followed by a lasting decline, the above forecast would be too optimistic.

Table 1--Gross Fixed Assets, Gross Output and Employment in GDR Industry 1960-1978

	(1) Industriebereich	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	(2) Entwicklung 1960-78 1960=100	Entwicklung 1970-78 1970=100
		(3) Brutto-Anlagevermögen (Jahresdurchschnitt in Mrd. Mark[3])												
(4)	Energie- und Brennstoffindustrie	22,2	32,6	39,3	41,0	42,8	44,7	47,0	49,3	51,7	53,9	56,4	254	144
(5)	Chemische Industrie	17,1	23,3	30,5	32,2	33,8	35,8	37,9	40,4	42,5	44,0	45,8	268	150
(6)	Metallurgie	5,3	7,5	9,7	10,1	10,5	11,0	11,5	12,1	12,7	13,3	13,8	260	142
(7)	Baumaterialienindustrie	3,3	4,9	5,9	6,3	6,6	7,0	7,3	7,5	7,9	8,2	8,6	261	146
(8)	Maschinen- und Fahrzeugbau	12,8	19,4	24,5	25,9	27,3	28,8	30,2	31,7	33,4	34,9	36,5	285	149
(9)	Elektrotechnik, Elektronik, Gerätebau	3,7	5,5	8,1	9,0	9,7	10,3	10,9	11,5	11,9	12,4	13,0	351	161
(10)	Leichtindustrie[1]	7,6	9,8	11,7	12,2	12,7	13,5	14,3	15,0	15,8	16,6	17,4	229	149
(11)	Textilindustrie	6,2	7,3	8,0	8,2	8,4	8,8	9,2	9,7	9,9	10,2	10,5	169	131
(12)	Lebensmittelindustrie	7,8	9,2	11,6	12,2	12,7	13,3	13,9	14,5	15,1	16,0	16,7	214	144
(13)	Gesamte Industrie[2]	86,0	119,5	149,3	157,1	164,5	173,2	182,2	191,7	200,9	209,5	218,7	254	147
		(14) Brutto-Produktion (in Mrd.Mark)												
(4)	Energie- und Brennstoffindustrie	5,5	6,8	8,1	8,7	9,1	9,6	9,8	10,3	10,9	11,3	11,9	216	147
(5)	Chemische Industrie	9,9	14,5	21,0	21,8	23,6	25,6	28,1	30,5	32,6	34,2	35,9	364	171
(6)	Metallurgie	6,8	8,4	11,4	12,2	13,0	14,0	15,0	15,8	16,7	17,4	18,1	265	159
(7)	Baumaterialienindustrie	1,6	2,3	3,0	3,2	3,3	3,5	3,9	4,1	4,3	4,5	4,7	289	155
(8)	Maschinen- und Fahrzeugbau	18,0	25,9	36,3	38,1	41,2	43,7	46,4	48,9	52,0	54,9	57,8	322	159
(9)	Elektrotechnik, Elektronik, Gerätebau	5,6	8,8	13,9	15,2	17,2	19,1	21,1	22,7	24,8	26,7	28,8	517	208
(10)	Leichtindustrie[1]	9,8	12,1	16,3	17,1	19,0	20,5	21,9	22,9	24,4	25,3	26,3	269	162
(11)	Textilindustrie	7,2	8,2	10,1	10,6	11,8	11,9	12,7	13,3	14,0	14,5	15,1	210	148
(12)	Lebensmittelindustrie	17,1	20,4	25,4	26,9	28,9	30,2	31,8	33,4	34,5	35,5	36,4	212	143
(13)	Gesamte Industrie[2]	81,5	107,4	145,5	153,8	167,1	178,1	190,7	201,9	214,2	224,3	235,0	288	162
		(15) Arbeiter und Angestellte (ohne Lehrlinge, in 1000 Personen)												
(4)	Energie- und Brennstoffindustrie	198	205	174	183	187	191	195	195	196	199	201	102	115
(5)	Chemische Industrie	304	316	323	323	329	333	334	335	335	334	335	110	104
(6)	Metallurgie	111	116	121	123	123	124	126	127	129	129	129	117	108
(7)	Baumaterialienindustrie	94	89	92	90	94	92	93	94	95	94	96	102	105
(8)	Maschinen- und Fahrzeugbau	660	740	809	806	840	859	864	872	894	903	917	139	113
(9)	Elektrotechnik, Elektronik, Gerätebau	288	316	364	369	404	421	423	429	429	432	424	147	117
(10)	Leichtindustrie[1]	497	458	450	448	488	503	505	505	505	501	497	100	110
(11)	Textilindustrie	329	279	249	244	257	249	245	244	240	237	234	71	94
(12)	Lebensmittelindustrie	221	202	216	220	233	239	241	242	248	260	270	122	125
(13)	Gesamte Industrie[2]	2702	2721	2798	2806	2955[4]	3011[4]	3026	3043	3071	3089	3103	115	111

(16) 1)Ohne Textilindustrie.-2)Ohne Wasserwirtschaft.-3)Zu konstanten Preisen von 1962; jährliche Veränderungen mit Hilfe eines hypothetischen - versteckte Preiseinflüsse berücksichtigenden - Investitionsgüterpreisindex deflationiert.-4)Merkliche Veränderungen durch die Eingliederung industriell produzierender Handwerksbetriebe in die volkseigene Industrie.

(17) Quelle: Manfred Melzer: Anlagevermögen, Produktion und Beschäftigung der Industrie im Gebiet der DDR von 1936 bis 1978 sowie Schätzung des künftigen Angebotspotentials. Beiträge zur Strukturforschung des DIW. Heft 59. Berlin 1980, Anhang, Tebelle 62.

/Key on following page/

Key:

1. Industrial sector
2. Development
3. Gross fixed assets (annual average in billion marks)
4. Energy and fuel industry
5. Chemical industry
6. Metallurgy
7. Building material industry
8. Machine and vehicle construction
9. Electrical engineering, electronics, device construction
10. Light industry
11. Textile industry
12. Essential and nonessential food industry
13. Industry total
14. Gross output (in billion marks)
15. Blue and white collar workers (excluding apprentices, in thousands)
16. 1) Excluding textile industry.-- 2) Excluding water supply.-- 3) At constant 1962 prices; annual changes deflationed with the aid of a hypothetical investment goods price index taken hidden price influences into account.-- 4) Noticeable changes by the incorporation of industrially produced crafts enterprises in state industry.
17. Source: Manfred Melzer, "Fixed Assets, Output and Employment of Industry in the Territory of the GDR, 1936-1978, and Estimates of the Future Supply Potential," BEITRAEGE ZUR STRUKTURFORSCHUNG DES DIW, No 59, Berlin 1980, supplement, table 62.

Table 2--Capital Productivity, Capital Intensity and Productivity in GDR Industry 1960-1978

(1) Industriebereich	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	(2) Entwicklung 1960-78 1960=100	(2) Entwicklung 1970-78 1970=100
	(3) Brutto-Kapitalproduktivität[3] (in Mark)												
(4) Energie- u. Brennstoffindustrie	0,25	0,21	0,21	0,21	0,21	0,21	0,21	0,21	0,21	0,21	0,21	84	100
(5) Chemische Industrie	0,58	0,62	0,69	0,68	0,70	0,72	0,79	0,75	0,77	0,78	0,78	135	113
(6) Metallurgie	1,29	1,12	1,17	1,21	1,24	1,27	1,31	1,31	1,32	1,31	1,31	102	112
(7) Baumaterialienindustrie	0,49	0,46	0,51	0,51	0,51	0,50	0,53	0,55	0,55	0,55	0,54	110	106
(8) Maschinen- und Fahrzeugbau	1,41	1,34	1,48	1,47	1,51	1,52	1,54	1,54	1,56	1,57	1,58	112	107
(9) Elektrotechnik, Elektronik, Gerätebau	1,51	1,60	1,71	1,69	1,77	1,85	1,93	1,97	2,08	2,15	2,22	147	130
(10) Leichtindustrie[1]	1,29	1,23	1,39	1,40	1,50	1,52	1,53	1,53	1,54	1,52	1,51	117	109
(11) Textilindustrie	1,16	1,12	1,27	1,29	1,41	1,36	1,37	1,37	1,42	1,42	1,44	124	113
(12) Lebensmittelindustrie	2,20	2,22	2,19	2,20	2,27	2,27	2,29	2,31	2,28	2,22	2,18	99	99
(13) Gesamte Industrie[2]	0,95	0,90	0,97	0,98	1,01	1,03	1,05	1,05	1,07	1,07	1,07	113	110
	(14) Kapitalintensität[4] (in 1000 Mark)												
(4) Energie- u. Brennstoffindustrie	112	160	225	224	230	234	240	253	264	271	281	250	124
(5) Chemische Industrie	56	74	94	100	103	107	114	121	127	132	137	243	145
(6) Metallurgie	47	64	81	82	86	89	92	95	98	103	107	225	132
(7) Baumaterialienindustrie	35	55	56	70	71	76	78	80	83	87	90	254	139
(8) Maschinen- und Fahrzeugbau	19	26	30	32	33	33	35	36	37	39	40	205	131
(9) Elektrotechnik, Elektronik, Gerätebau	13	18	22	24	24	25	26	27	28	29	31	238	138
(10) Leichtindustrie[1]	15	22	26	27	26	27	28	30	31	33	35	227	135
(11) Textilindustrie	19	26	32	34	33	35	38	40	41	43	45	238	140
(12) Lebensmittelindustrie	35	45	54	55	55	56	58	60	61	62	62	175	116
(13) Gesamte Industrie[2]	32	44	53	56	56	58	60	63	65	68	71	222	132
	(15) Brutto-Arbeitsproduktivität[5] (in 1000 Mark)												
(4) Energie- u. Brennstoffindustrie	28	33	47	48	49	50	50	53	56	57	59	212	127
(5) Chemische Industrie	32	46	65	67	72	77	84	91	97	102	107	331	165
(6) Metallurgie	61	72	94	100	106	113	120	125	130	135	139	227	148
(7) Baumaterialienindustrie	17	25	33	36	36	38	41	44	46	48	48	283	148
(8) Maschinen- u. Fahrzeugbau	27	35	45	47	49	51	54	56	58	61	63	231	141
(9) Elektrotechnik, Elektronik, Gerätebau	19	28	38	41	42	45	50	53	58	62	68	352	179
(10) Leichtindustrie[1]	20	26	36	38	39	41	43	45	48	51	53	269	147
(11) Textilindustrie	22	29	41	43	46	48	52	54	58	61	65	295	158
(12) Lebensmittelindustrie	78	101	117	122	124	126	132	138	139	137	135	174	115
(13) Gesamte Industrie[2]	30	40	52	55	57	59	63	66	70	73	76	251	146

(16) 1)Ohne Textilindustrie.-2)Ohne Wasserwirtschaft.-3)Brutto-Produktion je 1 Mark Brutto-Anlagevermögen.-4)Brutto-Anlagevermögen je Arbeiter und Angestellten (ohne Lehrlinge).-5)Brutto-Produktion je Arbeiter und Angestellten (ohne Lehrlinge).

(17) Quelle: Manfred Melzer: Anlagevermögen, Produktion und Beschäftigung... A.a.O., Anhang, Tabelle 63.

Key:

1. Industrial sector
2. Development
3. Gross capital productivity (in marks)
4. Energy and fuel industry
5. Chemical industry
6. Metallurgy

/Key continued on following page/

7. Building material industry
8. Machine and vehicle construction
9. Electrical engineering, electronics, device construction
10. Light industry
11. Textile industry
12. Essential and nonessential food industry
13. Industry total
14. Capital intensity (in 1,000 marks)
15. Gross productivity (in 1,000 marks)
16. 1) Excluding textile industry.-- 2) Excluding water supply.-- 3) Gross output per M1 gross fixed assets.-- 4) Gross fixed assets per blue and white collar worker (excluding apprentices).-- 5) Gross output per blue and white collar worker (excluding apprentices).
17. Source: "Fixed Assets, Output and Employment..." as before, supplement, table 63.

FOOTNOTES

1. See Erich Honecker: "From the Politburo Report to the Eleventh Plenum of the SED Central Committee," NEUES DEUTSCHLAND, 14 December 1979, p 5.

2. See Joachim Kund: "Approaches to the More Rational Utilization of the Labor Capacity," ARBEIT UND ARBEITSRECHT, No 6/1980, p 245.

3. See Klaus Frank, Peter Glotz: "A Major Metallurgical Enterprise Successfully Fights Manpower Turnover," ARBEIT UND ARBEITSRECHT, No 6/1980, pp 249 ff.

4. See Eberhard Schulz: "Maintenance Resolutely Rationalized," DIE WIRTSCHAFT, No 15/1978, p 5.

5. See "The Management of Scientific-Technological Development in Enterprises and Combines (conference Report)," WIRTSCHAFTSWISSENSCHAFT, No 10/1978, p 1243.

6. See Kurt Matterne and Siegfried Tannhaeuser: "Die Grundmittelwirtschafts in der Sozialistischen Industri der DDR" /Basic Asset Management in the Socialist Industry of the GDR/, East Berlin 1978, p 79.

7. See Second Scientific Conference on "Maintenance," WIRTSCHAFTSWISSENSCHAFT, No 7/1978, p 852.

8. See "On the Age Structure of GDR Industrial Fixed Assets," edited by Manfred Melzer, DIW WOCHENBERICHT No 37/1977, pp 321 ff.

9. In late 1978, for example, Guenter Mittag had to admit "that noticeable economic disruptions are caused when, as this year, investments worth billions are carried out outside the plan." He cited as the cause of this defect that often a small investment expenditure is applied for, which is gradually expanded once project implementation has begun. See Guenter Mittag: "Ninth SED Congress Resolutions Are Consistently Realized," NEUES DEUTSCHLAND, 27/28 May 1978, p 3.

10. See "Joint Decision by the Politburo of the SED Central Committee and the Council of Ministers on the Improvement of the Efficiency of Investments for the Further Strengthening of the GDR's Economic Capacity," NEUES DEUTSCHLAND, 10/11 November 1979, pp 3 f.

11. GDR economists point out instances "where skillful price control proved that up to 50 percent of the prices asked were unjustifiably high." See Kurt Matterne and Siegfried Tannhaeuser: "Basic Asset Management..." as before, p 220.

12. See Ursula Zschau and Willfried Hempel: "Approaches to More Efficient Basic Asset Reproduction," DIE WIRTSCHAFT, No 5/1978, p 3.

13. See Helmut Koziolek: "Intensification--An Essential Feature of the Economy in the Developed Socialist Society," EINHEIT, No 4/1977, pp 274 ff.

14. See H.J. Beyer and W. Packebusch: "Reflections on Job Reduction," DIE WIRTSCHAFT, No 2/1980, p 15.

15. See "Joint Directive by the Politburo of the SED Central Committee, the GDR Council of Ministers and the FDGB Federal Executive Board on the Drafting of the 1981 Plan," NEUES DEUTSCHLAND, 8 July 1980, p 3.

16. See Wolfgang Heinrichs: "Main Approaches to Raising Productivity for the Further Improvement of the People's Material and Cultural Standard of Living," WIRTSCHAFTSWISSENSCHAFT, No 8/1978, p 904.

17. See Helmut Koziolek: "Greater Refinement of Raw Materials," EINHEIT, No 6/1980, pp 589/590.

18. See "Order on Planning, Balancing and Delivery as Well as Reporting and Control of the Consumption of Liquid Energy Sources--Supply Order for Liquid Energy Sources," GBL DER DDR, Part I, No 19/1980, p 180.

19. See "Joint Directive..." as before, p 3.

20. See "Order No 2 on the Speed Limit for Commercial Vehicles to Achieve the Conservation of Motor Fuel," GBL DER DDR, Part I, No 22, 1980, pp 222 ff.

21. See Wolfgang Junker: "The Tasks of the Construction Industry Involved in the Resolute Implementation of the Ninth SED Congress Decisions and in Preparation of the 1981-1985 Five-Year Plan," NEUES DEUTSCHLAND, 20 June 1980, pp 3-5.

22. See Karl-Heinz Graupner/Walter Krzyzanowski: "Central Conference on 'Main Trends of the Organic Coupling of the Scientific-Technological Revolution with the Benefits of Socialism," WIRTSCHAFTSWISSENSCHAFT, No 2/1980, p 210.

23. See Angela Scherzinger: "On the Planning, Organization and Management of Research and Development in the GDR--Aspects of Scientific-Technological Progress," DIW SONDERHEFTE No 116, Berlin 1977, p 148.

24. See NEUES DEUTSCHLAND, 24 October 1979, p 3.

25. At least 25 percent of the energy and raw materials conservation planned for the 1981-1985 Five-Year Plan Period and capable of achievement by science and technology is to be accomplished by way of the use of microelectronics. See Ina Ladig: "Challenge Microelectronics," DIE WIRTSCHAFT, No 6/1980, p 5.

26. See NEUES DEUTSCHLAND, 26 August 1980, p 3.

27. See "Order on the Planning Order of the GDR National Economy 1976-1980," GBL DER DDR, Special issue No 775a, and "Order on the Skeleton Directive for the Annual Planning of Enterprises and Combines in Industry and Construction--Skeleton Directive," GBL DER DDR, Special issue No 780.

28. See Klaus Maetzig, Carla Neumann: "The Perfection of Planning and Economic Accounting in Socialist Industrial Enterprises," WIRTSCHAFTSWISSENSCHAFT, No 8/1975, pp 1238 f.

29. See collective of authors: "Leitungsorganisation in den Betrieben und Kombinaten" /Management Organization in Enterprises and Combines/, East Berlin 1976, p 368.

30. See Manfred Melzer and Angela Scherzinger: "GDR Economic System in Transformation? The Economic Leadership Tolerates More Discussion," VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG DES DIW, No 4/1978, pp 379 ff.

31. See Manfred Melzer, Angela Scherzinger, Cord Schwartau: "Will the GDR's Economic System Become More Efficient by Increased Combine Establishment?", VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG DES DIW, No 4/1979, pp 365 ff.

32. See Erich Honecker; "From the Politburo Report to the Eighth Planum of the SED Central Committee," NEUES DEUTSCHLAND, 25 May 1978, p 4.

33. See Guenter Mittag: "Using the Benefits of Socialism for Greater Efficiency," NEUES DEUTSCHLAND, 26/27 August 1978, p 3.

34. See Willy Hofmann: "Centralizationof Functions in the Combine," DIE WIRTSCHAFT, No 10/1979, p 3.

35. See Guenter Mittag: "Socialist Planned Economy for the Benefit of the People, the Strengthening of Our Republic," EINHEIT, No 9-10/1979, p 938.

36. See Karl-Heinz Arnold: "What is the Progress of the Combines?", BERLINER ZEITUNG, 19 May 1980.

37. These are: Electrical engineering/electronics, heavy machine and plant construction, chemical industry and light industry.

38. These are the ministries for glass and ceramics industry as well as for the construction of general machinery, agricultural machinery and vehicles.

39. See Manfred Melzer and Kurt Erdmann: "Problems of Combine Establishment in the GDR--Economic and Management Aspects," FS-ANALYSEN, No 8/1979, pp 39/40.

40. See "Decree on State Combines, Combine Units and State Enterprises," GBL DER DDR, Part I, No 38/1979, pp 355 ff.

41. See "Financing Directive for the State Economy," GBL DER DDR, Part I, No 28/1979, pp 253 ff.

42. See Eva Girlich, Chrstine Neuhaeuser: "Problems of the Centralization of Financial Resources and Funds in the Combines," WIRTSCHAFTSRECHT, No 1/1979, p 29.

43. See "Complex Reconstruction in the Enterprise," DIE WIRTSCHAFT, No 3/1979, p 14.

44. See Hans-Joachim Beyer, Hilmar Schmidt: "Improved Criteria for Performance Appraisal," DIE WIRTSCHAFT, No 3/1980, p 22.

45. See Gerhard Rahmel and Brigitte Voelkel: "The Plan Part Productivity and Manpower of the Combines and Enterprises of Industry and Construction 1981-1985," SOZIALISTISCHE ARBEITSWISSENSCHAFT, No 4/1980, pp 270 ff.

46. See "New Regulations for Plan Drafting," DIE WIRTSCHAFT, No 7/1980, p 6.

47. See "Orders No Pr 125-139," GBL DER DDR, Part I, No 22/1975, pp 369 ff.

48. See "Order No Pr 210 on Customer Sectors of Products and Services, for the Industrial Prices of Which New Regulations Take Effect on 1 January 1977," GBL DER DDR, Part I, No 18/1976, pp 264 ff.

49. See "Order No Pr 249 on the Scope of Price Index Cards for Planned Industrial Price Changes as of 1 January 1978," GBL DER DDR, Part I, No 14/1977, pp 153 f, as well as "Order No Pr 250 on the Classification in Customer Sectors of Orders Which Take Effect Within the Scope of Planned Industrial Price Changes," GBL DER DDR, Part I, No 14/1977, pp 154 ff.

50. See "Order No Pr 249/1 on the Scope of Price Index Cards for Planned Industrial Price Changes as of 1 January 1978" and "Order No 250/1 on the Classification in Customer Sectors of Orders Which Take Effect Within the Scope of Planned Industrial Price Changes," GBL DER DDR, Part I, No 15/1978, pp 182 ff. See also: "Order No Pr 211/1 on Prices of New Constructions," GBL DER DDR, Part I, No 34/1978, p 376.

51. See the series of various amended or complemented price orders published in: GBL DER DDR, Part I, No 15 and 16'1979, pp 120 ff and 131 ff. See also: "Order No 211/3 on Prices for New Constructions," GBL DER DDR, Part I, No 16/1979, p 136, and "Order No 211/2 Prices for New Constructions," GBL DER DDR Special Issue, No 995/1. Also see "Order No Pr 251/1 on Pricing of Assembly Services," and "Order No Pr 121/1 on Prices for Construction Planning Services," GBL DER GDR, Part I, No 19/1979, p 167. See also "Order No 212 on Prices of Building

Repairs," GBL DER DDR, Part I, No 19/1979, pp 162 ff. See also "Order No Pr 319 on Prices of Bitumen and Tar Mix Additives and Concrete," GBL DER DDR, Part I No 19/1979, pp 176 ff. Further see "Order No 3 on the Fixing of Industrial Prices for Investment Performance and the Export of Plant by General and Main Contractors," GBL DER DDR, Part I, No 19/1979, pp 165 ff, as well as "Order No Pr 205/2 on the Classification in Customer Sectors of Orders Taking Taking Effect Within the Scope of Planned Industrial Price Changes," GBL DER DDR, Part I, No 25/1979, pp 235 ff.

52. See A. Beyer, K. Erdmann, G. Lauterbach and M. Melzer: "GDR Price Problems," in "Analyses and Reports from Society and Science (condensed)," publisher: Institute for Society and Science, No 1/1970, pp 113 ff.

53. See Erich Honecker, "Resolutely Forward with the Further Implementation of the Eighth SED Congress Decisions," NEUES DEUTSCHLAND, 29 May 1973, p 6.

54. See GBL DER DDR, Part I No 46/1976, p 520.

55. See Gudrun Langdendorf: "The Material-Technical Base and the Operation of the Economic Laws in the Organization of the Developed Socialist Society in the GDR," WIRTSCHAFTSWISSENSCHAFT, No 12/1979, p 1416.

56. See Gudrun Langdendorf: "How Can We Further Strengthen the Material-Technical Base," NEUES DEUTSCHLAND, 12/13 April 1980, p 10.

57. See press release by the Schwedt Petrochemical Combine VEB on the occasion of the 1980 Leipzig Autumn Fair, p 2.

58. See Guenther Wyschofsky: "The CEMA Countries Cooperation in the Field of Chemical Industry Multiplies our Forces," CHEMISCHE TECHNIK, No 10/1979, p 495.

59. See NEUES DEUTSCHLAND, 20 June 1980, p 5.

60. Ibid, p 4.

61. See Jonny Haegebarth: "In-enterprise Construction of Rationalization Aids Provides Quick Rise in Efficiency," NEUER WEG, No 16/1980, pp 638 ff. See also K.H. Wilhelm: "In-enterprise Construction of Rationalization Aids at any Price?" DIE WIRTSCHAFT, No 6/1980, p 16.

62. The following annual average growth of productivity was achieved: 1960-1979: 5.2 percent, 1970-1979: 4.7 percent, 1975-1979: 4.4 percent.

63. See "Probable Population and Employment Trends in the GDR Through 1990," prepared by Heinz Vortmann, DIW WOCHENBERICHT No 23/1976. This forecast was based on the 1973 birth rate. In the meantime the GDR has had a baby boom, and no slackening is in sight. The population figure for 1990 would therefore have to be amended to the assumption of 16.5 million instead of 16 million. That change does, not, however, affect the predicted 1990 figure of gainfully employed persons.

64. See "Directive by the Ninth SED Congress on the Development of the GDR Economy 1976-1980 (Draft)," NEUES DEUTSCHLAND, 15 January 1976, p 5.

65. See "Decision on the Preparation of the Revaluation of Basic Assets," GBL DER DDR, Part II/1962, pp 34-35, and "Decree on the Revaluation of Basic Assets," GBL DER DDR, Part II/1964, pp 118 ff.

66. See Manfred Melzer: "The Fixed Assets of Central German Industry 1955-1966," VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG DER DIW, No 1/1968, pp 105 ff.

67. See C. Boltz, H. Frase, W. Siegert: "On Some Problems Involved in the Revaluation of Basic Assets and the Establishment of New Depreciation Rates," EINHEIT, No 8/1963, p 41.

68. See Hans Juergen Hurtig: "What Effect Did the Revaluation of Basic Assets Have?", DEUTSCHE FINANZWIRTSCHAFT, No 6/1964, p 5.

69. See Manfred Melzer: "Price P olicy and Price Fixing Problems in the GDR," VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG DER DIW, No 4/1969, pp 316/317.

70. At price increases of 113 percent (total) in the period 1944-1962 the rise in costs of industrial investments ascertained for the GDR was well below that in the Federal Republic, where costs rose to 160 percent in the same period of time.

71. See Manfred Melzer: "Basic Assets, Production and Employment in Industry in the Territory of the GDR from 1936 to 1978 as well as Estimate of the Future Supply Potential," BEITRAEGE ZUR STRUKTURFORSCHUNG DES DIW, No 59, Berlin 1980.

72. These favorable growth rates are the consequence of the use of official gross output values, not adjusted by hidden price influences, by which the output volume is reported unduly high. Using net output values which must be based on hypotheses only, the growth of capital productivity would turn out to be negative.

73. The results of the past 3 years were lower still: 1977: + 0.5 percent, 1978: + 0.3 percent and 1979: + 0.4 percent.

74. It was possible to ascertain the rates of the regression function (and use them for this forecast) from the data of output, gross fixed assets and employment for the years 1965-1979 and the forward projected values for 1980 based on the 1980 plan. Though there is a correlation between output values and employment data, this is not linear--as shown in the calculated trend values of the regression rates. That is why regression analysis is applicable after all.

75. When based on a parabola as trend function, the annual increase in capital intensity (by comparison with the previous years) steadily declined from 4.0 percent (1970) to 2.4 percent (1990); using a potential function, growth declines from 3.7 percent (1970) to 2.1 percent (1990), and using a linear function annual growth drops from 4.0 percent (1970) to 2.2 percent (1990).

76. This corresponds to an annual rise in capital intensity of 4. percent to 5.5 percent.

77. In real terms the fixed assets of industry rose by an annual average of 5.3 percent 1960-1979; 4,8 percent 1970-1979; 4.5 percent 1975-1979. In recent years growth rates were lower yet: 1977: 4.2 percent, 1978 and 1979: 4.4 percent respectively; about 4 percent are to be expected for 1980.

78. Here we were able to use the price rate of the industrial price reform--1.15. That is the average price rise in industrial gross asset investments during the third stage of industrial price reform. (See Manfred Melzer: "Price Policy and Price Fixing Problems," as before, p 321.

79. To compute this amount the ascertained annual real additions to assets were converted to nominal values by way of the hypothetical price index for goods, continued beyond 1978; we thereby get a forward projection of nominal industrial assets from 1978 (M256 billion) through 1990. The addition of nominal absolute annual values of accruals yields the accumulated total increase in the assets of industry.

80. In 1978, calculated at 1975 prices, the investment volume of industry (including water supply but excluding major overhauls) amounted to M25.61 billion (See "Statistisches Taschenbuch der DDR 1980" /GDR Stastical Manual, 1980/, p 28). After deducting an estimated value for water supply and adding an estimated figure for general overhauls as well as converting to the 1962 price base, a value of about M22.1 billion is shown for industrial investments within the limits mentioned.

81. This model calculation assumes an annual 3 percent increase in investment goods prices--a dimension which corresponds to the average of the price index for investment goods used as a basis for the study of industrial gross fixed assets (See Manfred Melzer: "Fixed Assets, Output and Employment...," as before). If that assumption were to change to either a) a lower rate of price increases--2 percent per annum--or (b) a higher rate of increase--4 percent--, the following investment growth would be required to achieve real industrial assets of M371 billion by 1990 (at 1962 prices): Based on a nominal investment volume of M22.1 billion in 1978, the average annual growth rate of industrial investment in the case of a) would still have to amount to 6-7 percent, and in the case of b) to about 8.5-9.5 percent. As, however, inflation already occurs by way of price rises for imported capital goods, and domestic capital goods are more than ever subject to hidden price increases, variant b) is more likely than a). Therefore the annual investment growth needed to achieve the stipulated final 1990 assets would have to amount to at least 8 percent.

82. In this comparison we must, though, take into account that the actual growth rates of investment must be set somewhat lower when including major overhauls, because major overhauls have increased more slowly in the past than new investments.

83. The planned investment volume of the five-year plan is M242 billion at 1967 prices, excluding investment participations abroad at M234 billion.

84. See Guenter Mittag: "We Continue the Policy for the Welfare of the People by the Plan," NEUES DEUTSCHLAND, 22/23 December 1979, pp 5 f.

85. In 1979 its share amounted to one eighth (at M3.3 billion in M26.3 billion industrial investments, excluding water wupply).

86. See D. Berger, W. Marquart, W. Radecke: "Intensification of the Investment Processes of Industrial Plants," WIRTSCHAFTSWISSENSCHAFT, No 5/1980, pp 603 ff.

87. For 1979 and 1980 nominal growth rates of 2.5 and 2.4 percent respectively represented the basis; derived therefrom are absolute asset data of M228 billion (1979) and M237 billion (1980).

88. For 1979-1990 we would get a slightly lower growth rate of 3.3 percent.

89. Productivity may be expressed as the product of capital intensity and capital productivity:

$$\frac{\text{Production}}{\text{Employed}} = \frac{\text{Fixed Assets}}{\text{Employees}} \times \frac{\text{Output}}{\text{Fixed Assets}}$$

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MITTAG URGES COMBINES TO ECONOMIZE, RAISE PRODUCTION

East Berlin EINHEIT in German Vol 36 No 6, Jun 81 signed to press 13 May 81 pp 531-542

['Economy--Focus of Our Social Policy' feature article by Guenter Mittag, SED Politburo member and Central Committee secretary for economic affairs: "Combines in the Struggle for the Implementation of the Economic Strategy of the 10th SED Congress"]

> [Text] Through the economic strategy issued at the 10th party congress, our party has a cohesive conception that conforms to the criteria of the 1980's. Its purposeful implementation in industry and construction, transportation and communication demands of the combines that they fully exercise their economic responsibility. Which experiences have the progressive combines gained and how can they be used for tapping great performance reserves? Growing importance to the struggle for higher effectiveness in the future attaches to a still better theoretical and practical control of reproduction theory.

Our 10th party congress has made a great decision of importance today as well as tomorrow for our whole republic and for the life of each individual: the policy of the main task in its unity of economic and social policy will be continued through the 1980's. That is a decision of historic scope for the continued stable and successful development of socialism in the GDR. This also increases our political responsibility to buttressing this policy through high and increasing economic achievements, because precisely in this way the advantages of socialism for the life of the people become so persuasively apparent.

This high responsibility has been fully understood by those who attended the seminar the Central Committee held with the general directors of the combines and the central committee party organizers. It was confirmed in the joint letter to Comrade Erich Honecker, SED Central Committee General Secretary and chairman of the GDR State Council, which assumed important commitments culminating in surpassing the quotas of the 1981 economic plan by at least 3 full days of industrial commodity production, and this essentially without any extra material. It will add an additional M 3.5 billion in industrial commodity production to our economic achievements.

That conference of leading functionaries of the combines in industry, construction, transportation and communication also clearly demonstrated that we have the strength and potentials, the possibilities and, above all, the militant determination to continue our very successful course of increasing our performance for the benefit of the people and for strengthening peace.

The Social Dimension in Our Economic Tasks

With the implementation of the decisions of the 10th party congress we have entered a new phase of all our work to which the highest political standards apply. It is ever more obvious that solving economic problems is the central issue of the great class confrontation, of the struggle to further strengthen socialism, for the welfare of the people and for a secure peace. In this respect the GDR, as a cornerstone of peace and socialism in Central Europe, bears a particularly high responsibility. The 10th party congress has most strikingly given expression to the role our state plays as a stable factor of socialism to within and to the outside. That holds true for the course behind us, it is all the more true for the future.

We are certain of our victory. We gain this conviction mainly from the complete identity between our party policy and the CPSU policy, as presented to impressively and convincingly at the 26th party congress by CPSU Central Committee General Secretary Comrade Leonid Il'ich Brezhnev and at our 10th party congress, by Comrade Erich Honecker. Our party always starts from the proposition that the creative application of the experiences of the CPSU in socialist and communist construction is a basic condition for successful advances. We held to that in preparing our 10th party congress, and we shall continue to hold to it in implementing its resolutions.

The socialist competition prior to our 10th party congress, organized by the trade unions, turned into the largest social mass movement toward implementing our party policy which aims at the well-being of the people. And that initiative, unprecedented in the history of our republic, is continuing with stronger force now, after our 10th party congress. More and more people grow stronger in their realization that it is well worth to give one's best for strengthening the socialist GDR because that also is best for the people and for safeguarding our peace--as the election appeal of the National Council of the National Front put it. It is necessary properly to recognize this great moral factor of socialist competition as a powerful impetus for our social development in the future and to act accordingly. Qualitative changes have taken place here which raise at once new demands for all our management activity. The strong economic and political effectiveness of our competition was shown especially during our 10th party congress. The requirements for the 1981-1985 Five-Year Plan, issued by Comrade Erich Honecker on behalf of continuing the main task policy, were responded to through new and high commitments assumed by the Carl Zeiss Jena combines, The Walter Ulbricht Leuna Works, the Fritz Heckert machine tool combine, and the Schwedt Petrochemical Combine.

The 10th party congress drew up an impressive balance-sheet. Our party gave evidence to the whole world showing what political, economic, intellectual and cultural accomplishments a people is capable of if led by a Marxist-Leninist party, if such a party is engaged with all determination in a policy for the good of the

people. It also shows the enormous power and inexhaustible vitality of Marxist-Leninist theory, on the basis of which it is possible convincingly to settle all questions of social development both today and in the future--and there is no other theory that can do so apart from scientific communism.

The course of the main task, of the unity of economic and social policy, expressing the consistent Marxist-Leninist, and that means the scientific, approach our party is taking is our policy fulcrum and pivot in shaping the developed socialist society in the GDR. This course, resolutely pursued by our party, has proven itself also under new and changed international, political and economic, conditions. On its basis those additional social impulses were released that were needed to maintain the continuity in our advances. We could and can tap important economic reserves because we always proceed from directing economic processes politically. That mainly means doing everything to make apparent to everyone what socialism can do and what good it can do for the people. Political leadership here means translating such insights into higher social activity and economic performance. The basic prerequisite for it that decides everything we do have--a clear, consistent party policy aimed at the well-being of the people.

Any responsible manager can clearly sense day after day how much assistance this policy provides particularly for the solution of ambitious tasks. Decisive for the outcome of economic activity on this basis is the ability of each manager to organize his collective in the best possible way, stake out clear targets, distribute capacities correctly, organize the work well, carry out regular controls, recognize fine achievements materially and morally and, not last, keep an open ear to all suggestions, ideas and recommendations from the working people.

So the party policy is implemented, through the people's confidently getting involved in life. That gives rise to those enormous impulses and achievements by which always again new and thus far unknown reserves can be tapped. Thus it is wrong to imagine these reserves could ever be exhausted. That does not conform with real conditions in socialist development. Rather, the growth of such reserves is a decisive basic feature in our society. The main source which makes our performance improvement reserves grow rather than diminish lies in our people's grown intellectual-moral potential. Essentially, any further advance in this field will now depend on how the objectively extant performance capacity and performance willingness of workers, male and female, of the researchers, engineers, chemists and the production organizers can be made socially effective through prudent management activity in such a way that we will meet the tasks of the 1980's--and meet them we shall.

A dynamic rate of economic growth, stability, full employment, the people's prosperity--all that is not only of economic weight but also of great political importance. Here the reality of socialist planning is also truly demonstrated as a vivid social process.

A Clear Strategic Concept

The preparation of the ten key points of our party's economic strategy, as presented before our 10th party congress by Comrade Erich Honecker, is among our party's important scientific-theoretical achievements for the 1980's. It provides our party

with a cohesive conception for organizing our advances in the 1980's, based on the universally valid inevitabilities of socialism and the experiences of a policy tested throughout many years.

Basic elements of this strategy had become fully mature even at the time that we prepared our 10th party congress. They were explained by Comrade Erich Honecker at the 11th Central Committee plenum. But now a new quality has arisen. Through the all-inclusive formulation of the ten key points at the 10th party congress, an all-inclusive strategic and constructive path has been charted by way of solving and further extending our policy as aimed at the well-being of our people. In our economic strategy decisive developmental trends of our productive forces, such as microelectronics, robot technology, the modern materials economy and energy methods, are closely tied up with the fundamental conditions and requirements for shaping our economic reproduction process. The point of departure lies in the fact that an inseparable inherent connection exists that must resolutely be taken into account among all the main trends in the development of the productive forces, so as to insure a high rate of development all-around. Our economic strategy furthermore is based on the realization that the economic prerequisites for a rapid development of the modern productive forces in this process are created directly by improving our efficiency and raising our labor productivity. For that reason every concrete task in the development of the productive forces also shows up as a task in improving our efficiency. It means that for each and every measure, the outcome must be enhanced and the expenditures be reduced. An outstanding role in this is played by the refining of energy and raw material assets our economy has available.

Through using the qualitative growth factors, their focal point being our scientific-technical progress, a better use made of available resources is insured--as is typical of intensively expanded reproduction. This way we insure even under changed reproduction conditions a stable growth of the social end product for public supplies, the economy and export.

This economic strategy for the 1980's forms the basis for all our work. In all matters of the continued struggle for improving the efficiency in every combine and enterprise one thus ought to proceed from these ten key points and how they relate with each other. That applies to the practical work as much as to further qualifying and training the management functionaries. Everywhere the important thing is to focus the work on these new standards, which means changing them in terms of better quality.

(1) The Central Committee General Secretary charged the 10th party congress with the task to take another step toward combining the advantages of socialism with the achievements of the scientific-technical revolution. Science and technology have to guarantee the necessary lead time for an intensively expanded reproduction. Capacities have to be concentrated on new products and procedures that will cause profound economic effects. Social, economic benefit thus has to be the focal point in scientific requirements. It calls for deriving all scientific-technical targets from objectively ripened economic requirements. Scientific-technical work is no end in itself. First come the objectively social and economic needs of society that must be satisfied in the most economical way through high technological and quality production. Therein lies the basic connection between science and production, it being determined by social needs.

Whatever society spends for science and technology, ultimately it must be reproduced, a basic condition being that the economic result derived from science and technology has to be greater by multiples than the original investment. An essential criterion for all science and technology measures lies in saving working hours. Mainly through rationalization on a high technological level, the annual saving in working hours of 490 million in 1981 is to be raised to more than 600 million in 1985. Thus, in the truest sense of the word, we are concerned here with time economy to reduce the socially necessary investment of working time in production and curtail the production cycle and thus also the time it will take for the latest scientific-technical results to take effect.

(2) The 10th party congress assigned the task greatly to increase our labor productivity and to bring it onto a much higher level at a wide breadth, and Comrade Erich Honecker has theoretically worked out what the main factors in improving our labor productivity today are to us.

Cutting back jobs must make possible getting working people to do different work. Their high educational level must be made full economic use of. It is not just a matter of more of an output per working hour but also one of a higher value increase through constantly rising labor productivity. The question then is how the higher educational level of the specialists in the GDR can be used in such a way that a measurably higher increase in labor productivity and a better quality of output result. This touches on questions of proper labor organization, seeing to it that available skills are fully used, as well as of continuing vocational training and providing skills in novel technological processes, microelectronics, for example.

Science and its technological applicability counting among these main factors, the question then arises how scientific data can more purposefully be made effective toward improving our labor productivity, that is to say in particular, where and how new technologies can go into production.

And as the social combination of the production process is stressed explicitly as a main factor in raising our labor productivity, under prevailing conditions the question arises how by means of the already created form of the combines this social combination of the production process is organized and becomes effective in detail. This applies in particular to the everyday concrete organization of the production processes and to insuring a smooth "hand-in-hand labor" in all its sectors. A great need to catch up exists in this area.

(3) There is the task to make economically much better use of our raw materials and fuels. From each kilogram of raw material as many high-grade products have to be produced through skilled labor as are altogether feasible. Then we get to a higher level of refinement for our economic output.

A higher degree of refinement for the raw materials and other materials in production is the key issue for insuring a continuing rate of growth of our efficiency. In terms of our political economy that means adding a greater new value through skilled labor to every kilogram of raw materials used initially. The implementation of this requirement calls for: (a) bringing the production process up to the higher stages in every combine, not to stop with raw materials and semifinished products but actually get to the end products; (b) applying modern technologies

and organizing quality production all through the combines as a unified process; (c) refining mainly domestic raw materials, which would yield the greatest benefits; and (d) refining is an economic problem concerning all branches, and each ministry shall elaborate a uniform conception on it.

Many regard refining merely as a matter of making a transition to a higher production stage. True though that is, one must not stop there. Refining simultaneously concerns the highest international standards in science and technology, the highest possible economic results, and not only new products but also the newest technologies and procedures and the reduction of production consumption. Only through this complexity can refining become effective in the GDR economy.

(4) The task was assigned to conduct the struggle for high-quality products in the sense of economic improvements. Quality work calls for placing it directly on the most progressive scientific-technical data. Quality, not last, is to have aesthetic design features. High aesthetic design in quality production is the basic means for enhancing, or for insuring altogether, the effects achieved through refining.

For the scientific-technical level of production and its increasing effectiveness, an important yardstick is a steady increase of the proportion of goods with the "Q" quality seal within the total production volume. Many combines have reached that kind of a production proportion in the first quarter of 1981. But there still are too few combines that have that kind of quality seal proportion to show for. Yet there is no justification for crass differences in quality levels. They never were justifiable and now, by the criteria of the 10th party congress, they certainly are no longer justifiable.

Improving qualities is the main road toward increasing efficiency. And more than that: the growth of production and of the national income largely depends on better qualities and the economic results derived from them.

(5) The centerpiece of the requirements of the 10th party congress for our economic strategy in the 1980's lies in significantly improving our labor efficiency. An ever better cost/benefit ratio must be accomplished. That concerns in particular our reducing our production consumption. Production must rise faster than our investment of embodied and live labor.

The tasks in years to come will be marked by that an unprecedented performance improvement will have to be insured by what, in principle, is an unchanged or only slightly increased volume of energy sources, raw materials and materials. Therein lies the core of the requirements for significantly lowering our production consumption. The minimum goal in the current five-year plan lies in reducing the specific consumption of economically important energy sources, raw materials and working materials by an annual average between 5 and 5.5 percent. Our dynamic rate of economic growth has to be insured by means of a growth in primary energy of less than one percent per year.

Our strategy on decisively improving our labor efficiency is based on the goal of reducing by 15 percent until 1985 the social expenditures for handling the reproduction process in industry, construction and transportation. Highly important

here is the task to reduce basic material costs per M 100 of commodity production from M 49.78 in 1980 to M 43.38 by 1985. That corresponds to an average annual reduction of this crucial production consumption factor of 2.7 percent. Our party has added the task of reducing prime costs by from 2.3 to 3 percent over the average of the years up to 1985.

(6) Comrade Erich Honecker made a special point at the 10th party congress of the task of comprehensive socialist rationalization. Socialist rationalization in this decade is tied ever more closely to automation. Rationalization is to save working time, enhance the quality of labor and improve the working people's working conditions. The technological level is to be raised in a fundamental manner. The change is to be brought about primarily through a broad application of microelectronics, automated processes and the introduction of industrial robots.

Implementing those tasks requires our understanding the requirements for socialist rationalization after the 10th party congress. What does this involve?

(a) Socialist rationalization at a larger dimension. While during the 1976-1980 five-year plan, 1,664 million working hours were saved, it will have to come to 2,854 million between 1981 and 1985. Those are minimum goals.

(b) The emphasis in socialist rationalization must clearly be placed on the reduction of jobs. Thereby, each combine itself has to create the prerequisites for its expanded reproduction, as exemplified by the Schwedt initiative.

(c) Rationalization turns more and more toward automation so that jobs can be cut back at decisive magnitudes and work be made easier all around. The main means for it comes through the production and use of industrial robots.

For solving these tasks which are so crucial for the GDR economy, the 10th party congress set high targets for the production and introduction of industrial robots. The main issue at present is to organize the use of from 40,000 to 45,000 industrial robots in terms of priorities for 1982 and 1983. In that case the requisite effects in boosting labor productivity will make themselves felt still during the current five-year plan. What matters at this time is to create robot technology principally by in-house construction of means of rationalization and to lend a new quality to it thereby generally in that we consistently concentrate on the introduction of truly most up-to-date technology.

That includes setting up simultaneously groups for applying microelectronics as has been done, for example, at the Carl Zeiss Jena Combine. But it also includes in-house machine tool construction and preparations for the application of electronic circuits and in other fields. And for that one needs personnel. A great reserve is to be found here especially among youth.

(7) Our economic strategy for the 1980's sets new measures for our investment policy. Means are concentrated on socialist rationalization, and valuable scientific insights must be put into effect rapidly. The first consideration is to put progressive technologies into operation which are most highly economical.

The investments are in this sense the motor for boosting the effectiveness of the productive forces through the materialization of the most up-to-date scientific-technical data. To that end it is above all necessary to combine investment activity with R&D in such a way that the systematic introduction of new products, procedures and technologies that conform with highest scientific-technical standards and are of crucial importance for creating a highly effective structure is absolutely ensured. "First and foremost, we must implement progressive technologies that save working hours and material and, indeed, boost the effectiveness of whole economic areas,"[1] as is obviously the case, for example, in the application of microelectronics. It means principal attention is given to technological progress ensuring greatest economy, to be made to prevail by means of investments.

"Investments are measured by the economic effectiveness."[2] On that, the Central Committee report to the 10th party congress observes that in the last five-year plan M 1,000 invested yielded an annual commodity production in the amount of M 630. In this five-year plan period it is to go up to at least M 755. That goal can only be reached if investment efforts are reduced at least by 15 percent up to 1985 and the production periods are shortened by one third to one half. The Central Committee report set the social standard for it: The period from project planning to operations generally must not exceed 2 years--except for some investment projects in the basic materials industry. That requires raising the efficiency and mainly the effectiveness of project planning, to insure much better investment preparation. At least equally important is greatly to reduce the construction portion of the investments. In 1980, it came to 30.2 percent in industry. By 1985, it is to be reduced to at least 25 percent. That calls for the development of new, expenditure-reducing construction engineering and constructive solutions, the mandatory application of best designs, a greater share of reuse and promotional projects, and a constant updating of construction time-frame standards. The main thing is to get a better handle on the requirements for renewal, modernization and reconstruction in the building industry.

(8) The 10th party congress posed the task to produce far more and better consumer goods, mainly on the basis of domestic raw materials. Good design calls for far greater attention. To get a higher grade of commodities, modern production technology, tradition and crafts ought to be more effectively combined. Consumer goods production is of concern to our entire economy.

To a much larger degree than heretofore scientific-technical progress has to bring in newly and further developed products which with their intrinsic value parameters, costs, working life, reliability and designs help set progressive international standards. A decisive basis for that lies in new scientific-technical data from basic and applied research. That holds true in particular for microelectronics, the results of which we must make effective much faster than we have done via a broad palette of high-grade public consumer commodities. That is both a political and an economic issue. Together with reducing energy and material expenditures, the use of scientific-technical progress also pertains to such ambitious objectives as novel construction and design solutions, new production principles, the reduction of end product expenditures, the improvement of the input/output ratio, the simplification of service operations and good design features. That makes it necessary to direct all efforts at these goals--from research all the way to a branch-specific construction of means of rationalization.

Proceeding from their particular production conditions, the combines and enterprises which principally manufacture means of production also have the task to broaden their palette of high-grade consumer goods. Here we have to endorse views by general directors of combines producing means of production to the effect that the grade and quality of the consumer goods have to conform to the good brand names of their means of production.

The issue of consumer goods production is a matter of the party organizations' struggle for the implementation of the resolutions, of the management activity by the general director, of trade union initiative, and of that of the FDJ--in short, of our joint responsibility for the further implementation of the main task in line with the 10th party congress resolutions.

(9) The task was posed to ensure high dynamics for social production and the national income. Anything extra to be distributed must first be produced. Growth is still more consistently to be obtained by means of the qualitative factors. That once again clearly underscored our party's policy position on economic growth in our socialist society. We always let ourselves be guided by the basic orientation in our party program "that the gradual improvement in all working people's standard of living requires high achievements in socialist production and a stable rate of economic growth."[3]

In this future-directed basic orientation we always keep in mind that a crucial source of our strength lies in the close intertwining between the GDR and the USSR economies. There is no other example for it in terms of its scope, depth, variety and socioeconomic premises as well as in terms of its range and quality. The further development of this close economic cooperation which is so extremely beneficial for the economies of both the GDR and the USSR is governed and determined by the purposeful implementation of the GDR-USSR specialization and cooperation program up to 1990. That is more than merely economic cooperation in the narrow sense of the word. It is an organized and vital cooperation among communists and millions of working people for our common goals on the basis of the ideas of Marxism-Leninism that already have assumed their proper shape in our countries.

However much capitalist countries may be shaken up by their crisis and vie with each other in pessimistic utterances about their economic future, and however much they may be talking there about production decline and the shrinking of their standard of living, we look to the future with optimism. We shall also meet the ambitious goals of our new five-year plan--an increasing national income and industrial commodity production to from 128 to 130 percent. This is so because our party reacted in good time to new requirements, analyzed them thoroughly in concert with the working people, and drew far-reaching inferences from them which were then accepted into the appropriate resolutions on the acceleration of our scientific-technical progress, on the rational and circumspect utilization of our available and developing potential, and on the perfecting of management and planning.

(10) Finally, our party's economic strategy for the 1980's considers that the shaping of the developed socialist society, and mainly its material-technical base, is inseparable from an intensive course toward higher economic achievement. In our further production intensification we must proceed still more resolutely and

leave no area untouched. Management, planning and stimulation, every step in shaping our production conditions, and every project in the combines must conform with this principal trend of our economic growth as much as the further development in our territories. For coping with all these matters we must speed matters up.

No doubt, ensuring expanded reproduction as the material basis for the continued shaping of the developed socialist society in the GDR is of crucial importance. There is an inseparable connection between reinforcing the workers and farmers power, ensuring expanded reproduction and thus the growth and continuation of the policy that aims at the well-being of the people.

Growing Importance of the Marxist-Leninist Reproduction Theory

Meeting these requirements calls for the realization that in the future a theoretical and practical mastery of the Marxist-Leninist reproduction theory on behalf of our struggle for boosting production efficiency by way of intensification will gain still greater importance than it had in the past. The whole wealth of ideas by Marx, Engels and Lenin must be mined to that end.

Under prevailing and future conditions, expanded reproduction can be guaranteed only if all factors of its intensive organization are fully put into effect. Among the questions that play an increasingly greater role here are that of rendering the extant people's wealth effective, that of making economical use of science and technology as an expansion potential which--as Marx put it--is independent of the given magnitude of operating capital, and that of accelerating the reproduction cycle.

The basic issue in intensively expanded reproduction is to extract through creative labor based on science and technology a constantly increasing economic effect making for further growth from the constantly larger funds available. Thus it is a one-sided way of looking at it when there is no other aspect but that in consequence of greater basic assets year after year more must be accumulated. Of course, accumulation must grow, but what comes to the fore ever more is that together with increasing the absolute accumulation volume that which is there and the funds that are to be accumulated have to be made more effective.

The theoretical realization of Marx plays a role in this context to the effect that, actually, even simple reproduction embraces elements of expanded reproduction,[4] simple reproduction never merely being a preservation of what there is but it always also implies a higher effectiveness of available funds. This then is a matter of enhancing the degree of effectiveness in the means of production employed, the tools of labor and the instruments of production. Therein lies the core of intensification.

About this Marx expressed some extremely important thoughts, especially in the third volume of "Das Kapital" under the heading of the "economy of constant capital." Their exploration led to the conclusion to make economically effective in a very different way from the way it was done the utilization of what was available, that which had already been produced by man, that is. Marx brings out that the extant volume of embodied labor--which is not exactly small in the GDR and is growing year after year--constitutes its own economic potential to the extent that it is

ever more completely put to use. As the chief factors in the "economy of constant capital" that are of importance to us, the following can be derived from the ideas Marx expounded:

--The economy of what is available is all the greater, the more labor is organized as socially combined labor. Marx speaks of the "economy stemming from the concentration of the means of production and their massive application."[5] Costs for instruments of production do not grow at the same rate as their efficiency. Moreover, the concentration of the means of production obviates the need for all sorts of structures.

--As the second large branch in the economy of the production conditions Marx refers to the "recycling of the excrements of production, its so-called waste products, into new production elements." Here again the principal premise is an "appropriate mass volume of such waste products turning them back again into commercial commodities and thus into new elements of production."[6] All that diminishes raw material costs. In that context Marx says: "Raw material price increases naturally form the impulse for using waste products."[7]

--A third chief factor is the constant improvement of the machinery itself. That holds true for the production of machinery becoming cheaper as well as for the special improvements permitting already available machinery to operate more economically.[8]

--As another important factor Marx refers to the "economy through inventions." By that he mainly means the use derived from the application of extant inventions in breadth.[9]

Of the greatest importance is the acceleration of the reproduction cycle, i.e., the shortening of all its phases and securing smooth transitions among the sectors of the reproduction process. That can yield a great deal of extra reserves because--as far as the time sequences are concerned--funds used become more effective. If, for example, the time needed for producing something is reduced from 30 to 28 days, it is possible to get an extra monthly production per year while keeping basic assets and labor constant.

We also must get a better theoretical and practical handle on the process of value formation as the basis for generating national income and must make conscious use of that for the sake of becoming highly economical. We should give deeper thought, for example, to the remark by Marx that live labor not only creates new value but also preserves the value of past labor. The precondition for that, however, is the "quality of additional labor." It greatly decides whether all the social product created in the preliminary stages is or is not preserved as a value for society. This context acquires the greatest economic weight with regard to product refinement.[10]

Another important basic theoretical statement on the value formation process which simultaneously explains the need for and advantages of refining lies in the explanation Marx has given of simple and complicated labor. "Complicated labor rates only as simple labor raised to a higher power or, rather, as simple labor multiplied, so that a smaller quantum of complicated labor equals a larger quantum of simple labor."[11] The better the quality of labor employed then, the more it

becomes possible to create a larger social product using the same or a smaller number of employees. That also enhances the grade of labor and, through a higher degree of refinement, the social labor productivity and the national income. It furthermore follows from it that the higher the degree of refinement is, the greater become the demands placed for quality work on each individual.

Factually, the quality of labor in the last hour of production controls the success of the economic utilization of all the labor invested in it. That, among other things, also, and especially, underscores the importance of industrial design features which to a large extent decide the salability and the price obtained in selling a manufactured product. This is not, as is sometimes assumed mistakenly, an additional production expense, but it rather is a matter that here the premises are laid altogether for cashing in on the overall value of production.

A higher growth in national income also can come our way through the practical application of the following realization: "Labor through exceptional productive force has the effect of labor raised to a higher power or it creates, over identical time frames, higher values than average social labor of the same kind."[12] That means to say, only that boost of labor productivity is economically effective in a special way that exceeds the average social effort. Then it is, it is to say, that simple labor has the effect of labor raised to a higher power and a greater value increase can be realized. That is why we must not merely measure the growth rates in labor productivity but must compare the levels of labor productivity and organize our struggle on that basis. That also is part of the struggle for top scientific-technical standards. Decisive to it is applied technology--not merely in its technical but also in its economic parameters. In general it must be said that for the GDR economy in the period ahead obtaining an above-average level of labor productivity internationally in important areas will largely decide how our national income develops.

Creatively combining this theoretical wealth of Marxism-Leninism means fully mobilizing scientific management for the shaping of the developed socialist society.

The High Economic Responsibility of the Combines

What matters now is that each combine fully assumes its economic responsibility as a practical mission. Then alone can the strength of the combines be fully mobilized. This responsibility consists in that each combine

--develops its intellectual and material potential in such a way that a steady performance increase becomes possible year after year;
--creates by itself the economic prerequisites for an intensively expanded reproduction by producing the means for it through the use of the qualitative growth factors, especially of science and technology;
--closes the reproduction cycle within in that science and technology, rational production and sales of products, including the foreign trade activity, are organically combined with each other;
--brings its production process up systematically to the higher levels of refinement;
--provides the economy with high-grade consumer goods in attractive designs;
--organizes its export production toward high foreign exchange lucrativeness; and
--develops and furnishes its in-house construction of means of rationalization at a high technological level by use of microelectronics.

As practice has shown, the party organizations in the combines bear a particular responsibility for the further increase in the capacity of the combines toward the implementation of the 10th party congress resolutions. The steady elevation of the party's leadership role in all spheres of society is the most important condition for new victories. After all, our own way of development has proven a thousand times that it is mainly the party's leading role which makes sure that the creativeness of the working people is shown a path and a goal. All that calls for a high level of party work. What turns out to be crucial in this always is that we understand how to make the communists carry the word of the party into the masses, prove themselves at the focal points of events, are informed about the moods and opinions of the people and support anything that gets us ahead.

The party organizations therefore will also in the future be the firm and sure guarantee for seeing the 10th party congress resolutions fulfilled point by point.

FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 57.

2. Ibid., p 58.

3. "Programm der Sozialistischen Einheitspartei Deutschlands," Dietz publishing house, Berlin, 1976, pp 22-23.

4. Cf. Karl Marx, "Das Kapital," Vol II, "Werke" (Works), Vol 24, Dietz publishing house, Berlin, 1963, p 394.

5. Ibid., Vol III, "Werke," Vol 25, Dietz publishing house, Berlin, 1964, p 89.

6. Ibid., pp 89-90.

7. Ibid., p 111.

8. Ibid., p 91.

9. Ibid., pp 113-114.

10. Ibid., Vol I, "Werke," Vol 23, Dietz publishing house, Berlin, 1962, pp 216, 221.

11. Ibid., p 59.

12. Ibid., p 337.

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COMBINE DIRECTORS, PARTY ORGANIZERS DISCUSS ECONOMIC STRATEGY

East Berlin EINHEIT in German Vol 36 No 6, Jun 81 signed to press 13 May 81 pp 543-547

['Economy--Focus of Our Social Policy' feature article by Prof Dr Gerhard Friedrich, deputy director, Central Institute for Economic Management, SED Central Committee; member, GDR Academy of Sciences; chairman, Council for Economic Management Problems; and Prof Dr Willi Land, secretary, Central Institute for Economic Management, SED CC: "Experience Exchange and Performance Comparison"]

[Text] The SED Central Committee sponsored a seminar with the general directors of the centrally managed combines and the central committee party organizers in Leipzig from 27 to 30 April 1981. Its goal and purpose was a thorough study and analysis of the central committee report to the 10th party congress submitted by Comrade Erich Honecker, the general secretary of our party's Central Committee.

General directors and party organizers reported how, on the basis of the broad response to the party resolutions, the work collectives were organizing the fulfillment and overfulfillment of the 1981 plan tasks by heeding the competition appeals from the Carl Zeiss Jena Combine, the Fritz Heckert machine tool combine in Karl-Marx-Stadt, the Walter Ulbricht Leuna Works Combine, and the Schwedt Petrochemical Combine. The commitments of the collectives in all industrial combines to exceeding the industrial commodity output announced in the 1981 national economic plan by at least three daily loads, and this essentially without any extra material, crystallized in a letter from the general directors and party organizers to Comrade Erich Honecker, general secretary of the Central Committee. In it, they unanimously express their firm determination to do everything for implementing the 10th party congress resolutions and carry out the party's economic policy strategy with new ideas and deeds.

The focal point of the whole seminar was placed on the implementation of the ten key points in the party's economic strategy presented by Comrade Erich Honecker at the 10th party congress. Performance comparisons and much experience exchange have disclosed further reserves for increasing our performance and presented ways through which the combines address the new conditions for our struggle in the 1980's. It indicated that many combines have made systematic use of the experiences conveyed in Gera in 1980 in the management and planning of their reproduction process. The level of the cadres and their ability to organize the work of their collectives

in line with the new and greater tasks have grown; important advances have been made in the development, production and application of microelectronics, robot technology and other modern technologies. Many new experiences and insights were gained about how these advances have been organized and how on that basis the new and greater tasks are being dealt with, above all, by visiting the Carl Zeiss Jena combines, the Walter Ulbricht Leuna Works, the Herbert Warnke transformer plant in Erfurt, the Fritz Heckert machine tool combine in Karl-Marx-Stadt, the Wilhelm Pieck Combine in Mansfeld, the Dresden Robotron Combine and the Leipzig-Grimma chemical plant construction combine. The whole discussion brought out clearly how especially through science and technology and a broad mass initiative new efficiency reserves can be tapped in the combines.

The central effort of the experience exchange was taken up by the following matters:

--How must one organize the struggle for economically useable top accomplishments of science and technology in the combines? How should scientific-technical progress generally be integrated in the combines' overall reproduction process to make a more rapid and essentially broader use of scientific-technical data and thereby achieve great and stable economic effects?

This, for example, was brought out by means of experiences in the Carl Zeiss Jena Combine: A resolute focus on a comprehensive implementation and great economic application of science and technology data essentially is based on purposeful long-term conceptual work. The goals for such conceptual work to insure a long-range stable and dynamic development in the combine are derived from ambitious economic requirements and criteria. No one but the general director himself can direct such conceptual work. That also means that clear rules exist in the combine on the responsibility and involvement of the various management areas and levels in the overall scientific-technical and economic strategy and that those rules work.

--How is a far higher level of labor productivity achieved at a broad range? How are science and technology and their technological application brought to bear on it more effectively?

It was shown, among other things, that an important basis for performance development is found in the rational use of public labor capacity. In the Wilhelm Pieck Combine in Mansfeld, for instance, results were achieved through scientific labor organization concepts that are being worked out for any given five-year plan period and refined annually. There are two ways to do this: for one thing, many volunteer scientific labor organization collectives are used in the specialized departments in which appropriately trained working people take part; and then, complex scientific labor organization surveys are conducted aimed, not only, at releasing manpower but also at detecting and implementing performance improvements that are possible in the combine. On personal orders from the general director, three to four complex surveys are annually conducted in enterprises or entire production processes, their results then being argued before the general director.

A "complex program for a more efficient use of the public labor capacity until 1985" is working well in the Robotron Combine. It is based on a thorough analysis of the labor capacity available and of its use and indicates labor expenditures for production up to 1985. Concrete tasks are derived from it for scientific-technical

work, for economic, management and process organization, for needed changes in the manpower structure, for developing qualitative factors in the manpower capacity, and for enforcing the socialist performance principle. Model solutions for the necessary development of the manpower structure in the combine enterprises have been beneficial. They are purposefullly working on making better use of the growing labor capacity and on reducing the proportion of low-requirement activities.

--How does one insure a higher degree of refinement in production?

The seminars discussed the basic requirements resulting from it for management and planning:

---Refining must resolutely be done by way of intensification, which means that better use must be made of available plants through intensification, socialist rationalization and reconstruction to that end.

---It is important to pay the strictest attention, level after level, to an economically efficient use of raw materials and working materials; step by step one must thoroughly account for costs and benefits and coordinate them with the cooperation partners.

---A higher degree of refinement often--especially by means of microelectronics and robot technology--brings important cost reductions and usually leads to a better end product.

The Robotron Combine is working on converting from separate and specific solutions to fully automating production sectors. To create what will essentially be closed technological assemblies for making components and equipment, automated systems are being readied for making mounted conductor plates, electronic components and other processing sectors that are to be handled on priority bases by the combine enterprises in the years ahead. As a basis for a proper automated streamlining of parts and components, technological documentation has since 1978 be handled and controlled as part of the requirement notebooks and conversion documents.

An essential criterion for the refining of working materials used in the Herbert Warnke conversion technology combine is the increased lucrativeness of exports. Particularly by a better scientific-technical level of the products and through the use of microelectronics and automation equipment the effort is being made to get an optimum economic use, through export, out of the least possible national investment of material, working hours and costs. Designers are directed to letting themselves be guided, essentially, in their work by economic requirements such as posed by the international markets. An economic benefit through science and technology is recognized in the combine only when it can be demonstrated by changes in the primary documentation (basic ration cards in the production plans, design specifications and so forth).

The chemical plant construction combine is engaged, in a concentrated and priority-oriented manner, in using microelectronics and robot technology. A microelectronic application guidance center is being set up in the combine as a central R&D and coordination organ for the area of the chemical industry ministry which also handles the coordination, direction and management in the use of industrial robots and sets up models in chemistry.

--What is the struggle like for ensuring high-grade production?

This economic requirement for all combines was discussed in close combination with scientific-technical work, a higher degree of refinement, a greater foreign exchange revenue through export and fully supplying the population with consumer goods. It is a matter of improving qualities on all levels up to the end products. This context provided the participants with many suggestions for enforcing at a greater breadth the struggle for the title "excellent quality enterprise" and boosting the importance of the requirements notebooks for quality projects.

--How does one greatly raise labor efficiency and reduce production consumption?

Some general directors explained the important position they grant in their management activity to the struggle for reducing prime costs and the fine means and methods developed in cost accounting. In particular they are working on long-term concepts for reducing costs and are providing the collectives with concrete assignments along those lines for the different years. At the same time they are doing updated standardization work and are providing monthly estimates on cost trends, and accurate accounting and controls. A struggle to reduce costs, furthermore, also means that managers assume the personal responsibility for abiding by cost allocations, volunteer cost auditors are at work, and conformity is ensured between financial and material planning, production continuity and sales. On that basis clear targets also are assigned for reducing the costs in socialist competition.

In the discussion on reducing production consumption much was made of the problems of the materials and energy economy, which were dealt with primarily in connection with the acceleration of scientific-technical progress. The Walter Ulbricht Leuna Works Combine, for instance, does exemplary energy economy work. It relies on extensively involving the working people and on strict management, planning, controls and accounting for all energy economy tasks. Especially their insisting on high demands placed on R&D and on readying new energy installations has been well worth it. Purposeful work in accordance with ambitious standards and coefficients is a firm element of the competition. The combine carries out complex replacement, repair, rationalization and intensification measures in extant old installations while production is ongoing with the aim of making a much better use economically of available raw materials and fuels. Of special important in this regard is an improved production process organization in reconstructed plants.

--How to ensure comprehensive socialist rationalization. Is investment activity based on the new criteria?

Essential prerequisites for elevating the technical-economic production level must be created in each combine itself. Many general directors referred to the connection between the efficiency of their construction of the means of rationalization and the higher rate of production and efficiency achieved in their combine. What matters now is to orient the construction of means of rationalization in each combine to the qualitatively higher level in the development and application of modern automated equipment. That also is the way to move ahead the operation of more robots to 1982 and 1983, so that they will make a difference, economically, still during the current five-year plan period.

Regarding the use of robots the point was made several times that optimum results are achieved where it is possible to link up several robots and machines. The Fortschritt farm machinery combine in Neustadt reported on a new system, ready to be patented, for coupling robots. Other combines also presented interesting examples, such as an optimum solution in the chemical plant construction combine.

By taking on the design of tested robots, they accelerated operational readiness there. By means of centralizing robot production and the application and production and supplying of software for the whole field of chemical industry and by making use of capacities of the chemical combines it has become possible to produce up to 1985 more than 1,000 robots in the chemical plant construction combine and put them into operation in the chemical industry. At the same time a debate had to be carried on about the fact that in some combines greater efforts are still needed to meet the requisite criteria for the release of manpower anticipated in connection with the use of robots. There was unanimous agreement in the discussions that the ways of small rationalization still practiced often today are in no way any longer adequate to meeting the requirements of the 1980's. More and more of a central need is there to rationalize whole production sectors, as is being done in the heavy machinery and plant construction combines, and to combine with these fundamentally changed technological conditions of whole production sectors the use of robots that have to be financed out of the means of rationalization as such.

Good experiences in an efficient use of investments were taught by the example of the Herbert Warnke conversion technology combine. Thus far not only each project there met its deadlines, but attention also was paid to getting a great economic benefit--relative to the utilization of every monetary unit of investments in equipment. In the Wilhelm Pieck Combine in Mansfeld purposefully conducted complex rationalization solutions permit a considerable production growth while metal supplies have increased but slightly. Such solutions mainly rely on the introduction of novel technologies (strip casting process, the integrated copper-wire-casting-rolling method and so forth), the saving always of one or more production stages, and the reduction of specific energy and material consumption. A crucial material-technical condition comes from the systematic development over more than 10 years of efficient in-house capacities in the construction of means of rationalization and in the building industry. In the Fritz Heckert machine tool combine, combine enterprises provided out of their own reserves decisive potentials for technological R&D. Technological testing departments, for instance, fields of experimentation for technologists and innovators, have been found useful. Technological centers, for "milling," for instance, were decided to be set up by the SED bezirk management in Karl-Marx-Stadt. Models were developed for constructing one's own means of rationalization, for highly efficient technological units (through the use of robot technology), and for novel solutions for organizing the work of technologists. For every developmental project they are setting down systematically how many patents are generated and are to be used in the R&D process. Every R&D project must lead to new machine components, functions and procedures that are worthy to be patented and promote their salability on the world market.

--How do we produce far more and better consumer goods?

It became clear that much greater efforts are called for, in conformity with the criteria set by the 10th party congress, in the combines producing consumer goods as well as in those that principally manufacture means of production, to satisfy public demands for high-grade consumer goods, especially, and to make our consumer goods export more efficient. Greater efforts must especially be expected of the combines that produce means of production so that they will fully meet their economic responsibility. It became evident that in many cases consumer goods are still being produced in disregard of the actual technological structure of a combine or enterprise. If one wants to build up a stable line of consumer goods, however, a commensurate potential of R&D must be made available for it too. A point should be made, for instance, of the consumer goods R&D effort in the Robotron Combine concentrated in the Radeberg plant while the production itself is being organized by way of a division of labor in various enterprises of the combine. The telecommunications electronics combine makes consumer goods while coordinating with the radio and television technology combine that meet with the capabilities of the personnel and the technological equipment in the combine. The electrical machine construction combine likewise has concentrated on the kind of consumer goods production that goes together with the combine's main-line production. In many cases it has been found suitable to set up in the combines that manufacture means of production integral production units for such consumer goods. But efforts also are gaining in importance to reorganize smaller enterprises for the production of consumer goods where previously other combine enterprises kept a hand in their production.

--How can one still more effectively integrate our foreign trade activity with the streamlined management and planning of the combine's reproduction process?

Many fine examples were adduced in the discussion showing how well we have done in involving the foreign trade enterprises in the combines and their twofold lines of accountability.

There is something attractive about the clear integration of the whole sales strategy and, especially, the foreign trade activity within combine management in the Carl Zeiss Jena Combine. They constantly test their own ideas and results against world standards and check the world market and competition conditions. Above all they aim their entire management activity at controlling the reproduction cycle in its unity of R&D, production, sales and economic utilization.

It also was brought out that especially in the field of machine construction greater efforts are still needed to boost the export of installations. That calls for skilled advertising, ensuring the project planning achievements needed for it, intensive market research and, above all, close cooperation among all the combines and enterprises involved.

--How can through performance comparisons within the combine level differences and differences in the development of efficiency be surmounted and reserves be effectively applied to performance growth?

The experience exchange in Leipzig, which itself was conducted on the basis of accurate and detailed performance comparisons, by that token alone became a guideline for action for all the combines. Above and beyond that, all events there paid proper attention to and furnished sound experiences on how performance comparisons should be made. For example by the chemical plant construction combine, where it was possible to reduce significant differences in levels and in the development of achievement and productivity within the combine. Numerous measures were explained with regard to it, including

---consistently focusing on genuine scientific-technical top achievements; the most complicated demands of the world market and the best achievements by the competition are the criterion for one's own efforts;
--more of an analysis of long-term demand developments and the developmental tendencies on the world market by way of cooperating with domestic and foreign users; the development of cooperation with GDR and USSR chemical combines and academy institutes and universities;
--a technological streamlining and specialization of the combine enterprises; setting up technological and testing centers in combine enterprises; assigning responsibilities for the development, project planning and construction of pilot plants to specialized enterprises and areas;
--a reorganization of the vast project planning potential into intelligible, application-oriented areas; and
--working with the "mission chiefs" for scientific-technical top projects; granting the general director's science award, awarding the title of "Best Inventor" in the combine to be earned by way of competition.

It became clear from the discussion that a consistent and idea-rich implementation of the party resolutions is the decisive guarantee for successful management activity. Many central committee party organizers reiterated during the discussion that ensuring the combines' high achievement goals also demanded high-quality work in the party organizations that must be fully oriented to the three main trends for gaining political leadership skills in social processes, through the party, pointed to by Comrade Erich Honecker at the 10th party congress.

Altogether, the experience exchange illuminated through many examples what important economic reserves can be tapped through further improving the effectiveness of qualitative production factors, and especially through the application of most up-to-date scientific-technical data and the broad use of refinement processes. Comrade Guenter Mittag, who had opened the seminar, also gave the final speech at this creative conference, which was marked by an optimistic and combative atmosphere and testified to the readiness by all attendants to do everything they can in successfully implementing the 10th party congress resolutions.

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ECONOMIC EFFECTS OF MICROELECTRONICS DEVELOPMENT DISCUSSED

East Berlin EINHEIT in German Vol 36 No 6, Jun 81 signed to press 13 May 81 pp 554-562

['Economy--Focus of Our Social Policy' feature article by Gerhard Tautenhahn, member, department chief, SED Central Committee: "Microelectronics in Our National Economy"]

> [Text] Based on a strategic conception by our party leadership, the GDR today has achieved efficient capacities in the field of microelectronics and, thus, good starting positions for further accelerating its development and application and reaching international top standards in selected areas. Which are the most important tasks in years ahead for employing microelectronics in their full breadth--while also, and particularly, rigorously developing and using robot technology--and for achieving through a purposeful management of the innovator processes an optimum economic benefit and social effects?

Proceeding from a penetrating and realistic analysis of the results and successes in our development thus far, the 10th SED Congress has worked out, for the next segment of our struggle, the tasks for the continued implementation of our party program goals in the 1980's. As the party congress has resolved, the proven course of the main task, the unity between economic and social policy, is going to continue even under the altered and more complicated conditions! Our economic strategy for it is summarized in the ten key points presented by General Secretary Comrade Erich Honecker in his central committee report to the 10th party congress. Essentially this explains to us that our intensively expanded reproduction becomes more and more the determining criterion of our planned economy.

Its focal point is a better use of all qualitative economic growth factors, mainly of science and technology. It has become necessary to take another step toward combining the advantages of socialism with the scientific-technical revolution and make full use of its inherent opportunities for the performance growth and efficiency improvements of our economy.

Any modern economy finds its level and efficiency increasingly determined by the degree of refinement in its production. A higher degree of refinement for our raw materials and working materials, which must crystallize in new products and technologies with high economic effects, becomes the determining developmental direction in our economy. The key position is held here by microelectronics, the highest form of refinement at present. It helps implement intensification at a higher plane and in new dimensions and permits rationalization effects at heretofore unobtainable economic magnitudes.

In product development and in the technological field, the use of microelectronic components led to considerable consequences. It was possible to improve equipment, machines and installations noticeably, to improve their qualities significantly, and to reduce greatly their material and energy consumption and their production costs. Today we have products and technological solutions that would be inconceivable without microelectronics: modern data processing installations and minicomputers, freely programmable electronic controlling devices for machine tools and industrial robots, electronic teleprinters and medical technological devices and microelectronic controls for rolling mills, chemical installations and in the transportation system. Only by using electronic components can high-grade consumer goods, e.g., television and radio sets, cameras, clocks and pocket calculators, be developed and produced in conformity with the demands of our time. Microelectronics acts as an impulse for scientific-technical progress. It is a result of the scientific-technical revolution, and at the same time always new impulses come from it for a higher level and faster developmental tempo in the science and technology of all branches of the economy.

With respect to the further development of microelectronics this means that research and design work must be further accelerated for new construction elements and components, their production proper as to demands must be organized, and their broad application in the economy must be ensured. That always again requires new high achievements in basic research at the institutes of the GDR Academy of Sciences, in the scientific-technical efforts in electrical engineering and electronics, in machine building, chemistry, metallurgy, the glass and ceramics industry, in the entire economy that is, so that we will be able to keep in step with the international tempo in the development and application of microelectronics.

Fine Starting Positions for the Development and Production of Microelectronic Components

In years past, particularly after the sixth central committee session, we have, on the basis of a strategic conception by our party leadership, established essential elements for our own material-technical base for the development and production of microelectronic components which constantly have to be perfected and further improved. "The GDR is among the few countries in the world today that have the potential for developing microelectronic components in important fields, for producing selected preliminary materials for them and manufacturing high-grade technological equipment for them. In 1976 we still produced only a small number of types of microelectronic components at a value of a few million marks. In 1980 we accomplished a production of nearly one billion marks of them."[1]

Today we have efficient combines in the semiconductor industry, capacities were established for developing the production of highly accurate technological equipment for microelectronics, and we were able to make progress in making high-grade ancillary products available. In the reproduction process of the microelectronics combine all decisive capacities have been melded together—starting from the microelectronics research and technology center down to the foreign trade enterprise--to meet the demands of the industry itself and of our export.

Through socialist cooperative work among the industrial research facilities and the Academy of Sciences, the universities, colleges and technical schools, important preliminary research tasks have been coped with.

These remarkable results were achieved primarily because our party brought about at a good time a clear political-ideological understanding concerning the goals and requirements of the resolutions in the field of microelectronics, came to grips rigorously with any obstructive notions, organized capacities correctly and generalized all positive experiences. It is crucial for the creative activity of the workers and all working people implementing those resolutions that under our social conditions microelectronics cannot become a "job killer" or a "Fury of progress," as in the capitalist countries, wherefore no "prescriptions for survival" have to be figured out either. That sort of problems solely and exclusively stem from capitalist power and property relations. When microelectronics supports the intensification of the capitalist reproduction process it deepens social inequality, sharpens the insecurity about their livelihood in ever broader strata of the working people, increases unemployment and intensifies exploitation. The ordinary working day of the working people confirms this realization of Lenin: "Progress of technology and science in capitalist society means progress in the art of squeezing out sweat."[2] Unequivocally, science and technology are socially determined and invariably serve the interests of the ruling class.

For the people in our socialist republic scientific progress and one of its outstanding achievements, the development and application of microelectronics, are a source for continued economic and social progress. It serves the interests of all working people--which could not be otherwise due to the political power of the workers class and to the public ownership in the means of production, as it shows in reality and is perceived as such by the people--and is of fundamental importance to our carrying on the course of the main task, tried and tested for a decade.

Because the performance and efficiency development of our economy decisively depends on products, technologies and procedures that are based on the application of microelectronics, it, together with such important fields in which it is applied as robot technology and electronic computer technology, is the centerpiece of our economic strategy. The results of the scientific-technical revolution will have to contribute significantly in our economy to boosting our production level in the 1980's. To put the economic and social benefits from the application of microelectronics fully into effect it is a cardinal question for the GDR economy, in line with the 10th party congress resolutions, further to accelerate the development and application of microelectronics. We have a sound basis for solving these tasks--as stated above. At the same time we never ignore that the speed and dynamics in the development, production and application of microelectronics also are rising internationally.

To further extend our positions it is imperative "to supply by 1985 the paramount share of our economic needs for microprocessors from our own production, and also to produce ourselves, by and large, all the ancillary materials for it and all the equipment for essential technological processes. Simultaneously we must reach highest international standards in selected areas and raise the quality of the products and applied technologies onto a new and higher level. All that must be marked by a higher degree of components integration. The developmental speed as well as the broad economic effects of microelectronics production have to be raised noticeably."[3]

How fast the developments are in this field is seen by that, according to international estimates, a degree of integration of several million transistor functions per chip (its size circa 100 square mm) can be obtained in 1985, while at present between 150,000 and 500,000 transistorized functions are feasible on a semiconductor chip. At the same time the assortment of components is broadening constantly.

Making sure that we get the requisite breadth of assortments in electronic components we must steadily improve our own achievements and also insure collective efforts and cooperation with the socialist countries, especially the Soviet Union. To that end we shall further develop and deepen our scientific-technical and economic cooperation with the fraternal socialist countries.

In this field we are using the advantages of socialist society by designing a component assortment governed by economic requirements and considerations. If some users refer to the spectrum of components that exists in the nonsocialist economic region, we must remind them that a very great variety exists for reasons of competition but certainly not for technically justified needs. There are estimates to the effect that circa one-tenth or one-twentieth of the component types available in the world would be sufficient for solving the tasks.

What mainly matters to the enterprises, combines and science institutions is to use the prerequisites existing in our republic and to ensure far greater speed in the application of microelectronics through our own production and the component assortments from CEMA imports.

Passive Components (e.g. resistances, condensers, spooles, control cards) create the mechanical or electrical conditions under which active components can meet their function-directed task. In an extended sense this also includes elements that do not have purely electrical or other physical functions but must rather be considered construction elements, such as switches, plugs, sockets.

Active Components make for reinforcing electrical or physical signals while using outside energy (e.g. transistors, thyristors). Thereby active components alone or in combination with passive components control the basic function of an electronic switchboard or circuit (e.g. amplifiers, oscillators, electronic circuit breakers).

Basic Technology is a technology by which a certain assortment of components can be produced within defined parameters. By altering steps of the process within a basic technology modified technologies arise which permit the production of specific component parameters.

The scientific-technical level of microelectronic components and the productivity in their manufacture go hand in hand with the development and supply of highly efficient technological equipment. That applies, for example, to crystal drawing plants, varnish coating and development plants, high-solubility photolithography equipment, automated assembly and seaming lines, measuring and testing technology and so forth. The fast scientific-technical development in the components sector necessarily demands high speed and scientific lead time in the design and production of technological equipment. According to international estimates, the value of equipment per worker in the semiconductor industry is rising considerably and reaches a level similar to that in the steel industry.

The development of technological methods and equipment for producing microelectronic components thus calls for many different research and design projects. Collectives in many combines of electrical engineering and electronics, machine building, the Academy of Sciences, and universities and technical schools are involved in that in our republic. Also in this field there is and develops an international division of labor within the CEMA framework.

To be able economically to produce components on a par with international standards, we need technological equipment and ancillary supplies in basic and supplementary materials of the greatest purity. On behalf of our continued stable economic development, we have decided to make more and more of such equipment and ancillary supplies available from our own production.

To Ensure Broad Application and High Benefit

The current five-year plan period also places higher demands on using the opportunities of microelectronics. Whereas in the 1970's its use was still confined to specific areas or first applications, it now must be applied in its full range. The effect of that mainly is a qualitative development of the production profile "governed by electronics, and aimed at higher productivity, complete solutions for whole technological processes, an improved materials economy and a longer working life and better quality."[4] That applies, without exception, to all public domains:

Integrated Circuit is an electronic component. It embraces up to many thousand transistors, diodes, resistances and condensers within an area of but a few square millimeters. The various components are electrically connected and housed in plastic or ceramic containers. The number, arrangements and electrical contacts of the various elements and the technology used in their production determine the applicability of any given type in electronics.

Microprocessor--an integrated circuit which, in miniaturized form, realizes the central unity of a digital computer. It contains the computer and control device and a storage unit affecting its internal function. This circuit is a universally applicable programmable standard component, a basic building block for constructing microcomputers and process controlling devices which, among other things, have introduced a technical revolution in machine tool construction.

Microcomputer--a miniaturized digital computer made up of highly integrated circuits like microprocessor, storage circuits and input/output units.

the most rational organization of main, supplementary and subsidiary production processes, the rationalization of routine data processing, including administrative work, better solutions in the field of public health and in improving public services (domestic trade, finance, banking, insurance, travel and traffic). Great scientific efforts are needed, of course, to get all the benefits from the use of microelectronics.

A broad application of microelectronics up to 1985 and beyond forms the decisive basis for a systematic renovation of the technical base of entire industrial areas and many combines and enterprises. That is an essential prerequisite for ensuring high rates of economic growth and efficiency gains. Our party leadership's strategic conception envisages appropriate targets. For example, by means of microelectronics from 20 to 25 percent of the envisaged labor productivity improvement up to 1985 is to be accomplished, thousands of workers are to be released for different jobs, and circa 25 percent of the material and energy savings is to be realized by science and technology.

To get such results, we must convert whole production lines to their end production by means of microelectronic components and component groups or put new products into production. By means of the freely programmable microelectronic control device CNC 600, for example, the labor productivity of various types of milling machines will be improved by 50 percent, programming periods will be reduced by 80 percent, their intrinsic value for the users will go up by 40 percent, and their volume will go down by 35 percent.

By 1985, more than 500 machine tools are to have their electronic controls. With the 1981 economic plan, the scientific-technical work and the responsible and constructive thoughts and acts of the scientists, workers and engineers in machine tool construction are directed at accelerating the application of microelectronics. Additional production lines will be equipped with the control generation of CNC 600, and on that basis we will start with the hand-feed control of CNC-H-600. That is the way to get to a much higher proportion of digitally controlled machine tools so as to arrive at more integrated production sectors and machine systems.

To create a greater constructive and technological lead time for new top achievements by the scientific-technical potential available to us, socialist cooperative work with other areas and science facilities will provide repeatable solutions for computer-assisted design and technologists' jobs in order to rationalize the production-preparation projects in the machine tool enterprises.

Great efforts are also being made with success in processing machine construction to vastly improve the production and end production levels. There the scientific-technical level of the products and the efficiency of polygraphic and textile machine construction are more and more becoming dependent on the use of electronic components and component groups. The proportion of such machines in our overall production has to be raised significantly in the years ahead. To reach that goal, the Textima Combine is setting up its own center for the development and application of microelectronics and, in selected enterprises, the necessary capacities for producing textile machine-specific controls and automation equipment. A few days prior to our 10th party congress, the first installment of this new project,

produced exclusively by the capacities of its own construction department and its own construction of the means of rationalization, was finished and was assigned its proper purpose. That set an essential premise for contributing to a faster application of microelectronics in textile machinery construction through greater efforts of its own. The first results of this development are reflected in the new products, which enjoy international recognition. That ensures and further improves the high scientific-technical level of our textile machinery construction--two thirds of all its products carry the highest guaranty seal.

The development of "Textima-Electronics" is to yield an additional commodity output of more than M 100 million in the current five-year plan period. The use of microelectronics saves a lot of rolling steel and cast iron while it provides the users with more efficient and operationally safe machines.

That is the way that provides the opportunities for all combines to make use of microelectronics at short range and with the highest effectiveness. Yet such successes do not come by themselves. They come as the result of the party organizations' persuasive political-ideological work with the collectives and managers and reflect a combative position and a clear political attitude toward the central committee resolutions and the consequences for one's own work resulting from it. Success will come where the ministers, general directors and plant managers take the lead in coping with such a process and make sure that ambitious tasks are assigned through the science and technology plan and the requisite material conditions are provided according to plan.

The experiences presented also reflect an international trend. It turns out that through the fast inroads of microelectronics into all fields, users, to a high degree, make their own contributions to creating new technological solutions by means of microelectronics. Depending on conditions, these contributions range from their elaborating scientifically sound and clearly defined demands on the components to the designing of specific microelectronic circuits to their own production of such components and complete electronic groups of components and controls.

Rationalization Effects Through Industrial Robots

Industrial robots are one of the most important fields for the application of microelectronics. In the rationalization strategy prepared by the 10th party congress, they occupy an important place in increasing labor productivity and releasing manpower, in improving the efficiency and grade of labor, and in releasing men from heavy physical and monotonous work. "To ensure the steep rise in labor productivity, it is necessary to raise the number of industrial robots to be introduced from the circa 9,000 originally planned in the current five-year plan period to from 40,000 to 45,000."[5]

In our practical work we start from the proposition that industrial robot technology embraces a very broad palette of devices. It includes the universally applicable process-flexible robot--for loading assignments, for instance, or as a technological robot--as much as the simplest manual techniques to carry out different kinds of projects, which however always aims at releasing manpower by means of this technology. Robot technology includes devices that have a rigid

or a programmable sequence of movements on the various construction levels, from the programming via fixed terminals to the free programming with teach-in input, from the simple movement along an axle to the free movement in space. And finally we also are confronted with the task to produce "flexible automation solutions by means of robots of the third generation and fully integrated testing and control devices."[6]

Looking at our experiences thus far in the development, production and use of the robots, it may be said that wherever one has worked with dedication and passion for such innovations, important results have already been achieved. To reach the target assigned by the 10th party congress, we must take every road and use all opportunities that impel us onward fast--mainly the capacity of our efficient combines. Possibilities for ensuring the anticipated number of units must be provided especially through a speedier development and extension and effective use of the central production units for components and robots, an improved organization of the division of labor process, and an expansion of the capacities for the construction of means of rationalization.

To give all enterprises, combines and science institutions access to the experiences gathered in our republic in the field of robot technology, a central data bank with technical-economic parameters is being set up for our entire economy for the development, production and use of industrial robots and the techniques needed for them, its periphery, in the research center of the Karl-Marx-Stadt machine tool construction combine. It serves the dispensation of knowledge and experiences from which the development, production and use of industrial robots and their periphery will benefit, will facilitate flexible automation solutions and other rationalization projects and help prepare management decisions.

Preparing the use of robots is a very comprehensive and complex task which must be pursued purposefully so that we then actually accomplish the possible economic and technical and social results--mainly the planned saving of at least 2.5 workers per robot. That is not possible, however, if the attempt is made of having the robots "grafted on" available techniques. What is necessary instead is to elaborate in the combines--in line with their rationalization conceptions--ambitious application conceptions for robot technology, create application centers and train personnel in good time.

Systematic Control Over Complex Innovator Processes

There is still another significant realization coming out of the experiences thus far in the development and application of microelectronics which should be called attention to. The systematic implementation of and control over such complex technological innovator processes demand solid conceptual work of all economic management levels. That must be closely tied in with the intensification conceptions of the ministries, combines and enterprises and be complex in character, clearly determine the economic, scientific-technical and sociopolitical goals and its own intrinsic tasks, and stipulate accurately the measures for the scientific-technical training for personnel.

Working with application conceptions for microelectronics has stood up well in practice. Wherever they become the management tool of the responsible personnel and assume an important position in the party organizations' political leadership activity things are making fine headway. Where it is not the case, problems arise and the introduction of microelectronics is too slow. More and more clearly our experiences tell us that the application of microelectronics in the various fields of the economy significantly depends on the basic position of the responsible comrades. What is mainly important is to prove and reinforce the conviction, through painstaking ideological work, that even now, with the assortment of components the GDR has currently available, we can apply microelectronics much more rapidly. Special attention must be paid here to the rationalization of technologies and techniques so that we can now already reap higher economic rewards. It requires, above all, that this way the planned saving in labor time is ensured, whereby manpower is released for other jobs, and that a large amount of material and energy is saved. The managers and party organizations bear a high responsibility for that. To be completely clear about that: great effects from the application of microelectronics come not only from its use in production but also from its use within the technologicaly processes, the rationalization of main, supplementary and subsidiary processes.

It is incumbent upon every industrial field and every combine to achieve optimum economic results by means of microelectronics in fulfillment of the 10th party congress resolutions. That calls for prudently figuring things out, for clear stipulations toward elaborating areas of emphasis, and thoughtful conceptual work within the framework of the combines and ministries. Simultaneously, the responsible industrial fields and combines have to work out accurately what their immediate responsibility is to the further development of microelectronics through their own products. That means that for most economic areas the important point is to fix their responsibility and concrete tasks as users as well as suppliers in this crucial area and make them effective through the plan.

The Further Molding of the Socialist Character of Labor

Microelectronics, an outstanding achievement of human creativity, not only has a revolutionizing effect on the material elements in the reproduction process. Its production and application also are tied up with important and penetrating changes in the nature of the working people's labor. Its basic tendency under our social conditions is the further molding of the socialist character of labor. This includes the further reduction in strenuous physical, hazardous and monotonous work as much as the enriching of work with intellectual-creative elements and the increasing combination between physical and mental activity. Proceeding with such objectives, technological processes have to be comprehensively rationalized from the outset. Labor contents must not be simply acknowledged as the outcome of technological processes but must be turned into important initial impulses for technical changes. Changing labor contents in this sense serves the development of socialist personalities and collective relations, increases the pleasure of work and promotes performance readiness.

The changes in labor contents can at present be fully observed in the combines and enterprises that make microelectronic components. This process got started in the application areas of microelectronics such as office and computer techniques, the

telecommunications techniques, in tool and processing machinery construction and the basic materials industry (process automation). A comprehensive and penetrating conversion of the production profile is taking place, for example, in the VEB Robotron accounting machinery plant in Karl-Marx-Stadt. Within a few years a change is being made from thus far mainly electromechanical units to ADP and sorting devices applying microelectronics. Experiences in that enterprise demonstrate that such a production conversion calls for thorough political and technical preparation. Thus, through the use of microelectronics the typical labor content of the production worker in the accounting machinery plant changes from that of an office machine mechanic to that of an electronics specialists. This process calls for long-term planning and training and for rigidly organizing thorough and differentiated political work with the working people.

Naturally, that does not only hold true for the accounting machinery plant. Essential for solving the tasks assigned and thus for the speed in the development and application of microelectronics in the GDR is extensive training, which amounts to systematic advanced training for the working people concerned as much as to providing the proper proportions among the number of specialists, engineers and scientists to be trained in our economy. Universities and technical schools and the Chamber of Technology are making an important and fine contribution in this field. Analyzing the 10th party congress resolutions we have understood that the training of all students in the technical disciplines must be organized and further developed in such a way that all graduates from colleges, technical schools and universities with application skills in microelectronics can get started in their practical work. We must continue to use all opportunities for training and advanced training to cope with the tasks that have to do with the development and application of microelectronics, which are comparable in their magnitude, at least, with the introduction of ADP. The results achieved in our republic with the development, production and application of microelectronics are a sound basis for successfully coping with the new and higher goals the 10th party congress has assigned to us. The whole point is to make still better and more comprehensive use in all fields of microelectronics as an important source for higher efficiency and labor quality.

FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 37.

2. V. I. Lenin, "A 'Scientific' System for Squeezing Out Sweat," "Werke" (Works), Vol 18, Dietz publishing house, Berlin, 1962, p 589.

3. Comrade Erich Honecker, op. cit., p 65.

4. Ibid.

5. Ibid., p 56.

5. Ibid., p 50.

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WAYS TO RAISE EFFICIENCY IN TRANSPORTATION SYSTEM POINTED OUT

East Berlin DDR-VERKEHR in German Vol 14 No 6, Jun 81 signed to press 16 Apr 81 pp 185-188

[Article by Otto Arndt, GDR minister for transportation: "Tasks of GDR Transportation System During 1981-1985 Five-Year Plan"]

[Text] The Tenth SED Party Congress has, in its resolution to continue its policy of placing main emphasis on the unity between economic and social policy in spite of changed foreign and domestic reproduction conditions, demanded tasks of historical significance. The ten main points of the economic strategy for the 1980's decided on by the party congress place high demands on the transportation system. The uniform socialist transportation system of the GDR has increased significance with its capacity and efficiency for the further social and economic development of our country in the 1980's. Along with work, school, and tourist related transportation, it carries responsibility for an important part of the main mission in its unity between economic and social policy. The dynamic growth of our economy, growing specialization, and cooperation on the national and international level, as well as extensive foreign trade relations of the GDR with countries of all continents, require a strong and reliable transportation system.

Our efforts to maintain peace and the military protection of our worker and peasant state are inseparably tied to the precise carrying out of all necessary transport tasks.

These few thoughts already point to the varied, growing interrelationship between the transportation system and important social areas, as well as the economic reproduction process. They show the high degree of responsibility which the transportation system has for the kind of development of achievement and quality, productivity and efficiency, which is worthy of our society.

With a Good Balance Into the 1980's

In goal-oriented realization of the SED resolutions and those of the GDR Council Ministers, the transportation system has reached a significant increase in capacity in the past decade, with a simultaneous improvement of its efficiency, as well as a basic strengthening of its material and technical basis.

Today, public transportation serves more than 11 million people daily. That is 17 percent more than in 1971, although the percentage of privately owned vehicles has more than doubled. The local traffic network has increased by more than 40 percent, the city subway system in Berlin has been further expanded, and in Dresden, Leipzig, Halle, Magdeburg, Rostock and Erfurt the intraurban electric railroad has been rebuilt. In cooperation, the railroad, automobile traffic, inland navigation and sea traffic transport more than 3 million tons of goods, while in 1971 it was still 2 million tons. In the seaports, the turnover capacity rose from 1971 to 1980 by more than 50 percent.

In the railroad system, more than half of the freight train depots were remodeled. Some 1,500 km of railroad tracks were extended in double and multiple tracks. The percentage of modern electro- or diesel-powered railroads has increased from 58 percent to 92 percent.

The maritime fleet has received 100 seaworthy ships. That means that every other ship in our fleet is less than 10 years old.

It was possible to lower absolute energy use by 8 percent during the past 10 years, although there was a 20-percent increase in passenger transportation and a 36-percent increase in freight transportation.

The effective coordination between the central rationalization strategy and enterprise and territorial rationalization has been increasingly successful. In the past five-year plan it was possible to introduce into practice more than 500 research and development results, increase the economic impact of the innovator movement by more than 40 percent to more than 300 million marks in 1980, and decisively improve the use of transportation capacities as the most important aspect of work through the use of complex key technologies and a cargo-handling pool.

This increase in performance brought with it a noticeable improvement in the working and living conditions of the transportation employees themselves. More than 300,000 workers received an increase in salary, and all of them have 3 to 10 days more annual leave than they did 5 years ago. The employees' working conditions also show a noticeable improvement, e.g. hot meals or more housing. All in all, the workers have fought successfully in socialist competition for the realization of the Ninth SED Congress resolutions, and have thus significantly developed the capacity of the transportation system. Sumultaneously, a good foundation was created for compliance with the new and higher standards set by the Tenth SED Congress.

Securing Transportation Performance With Lower Production Costs

The budget cuts for all transportation processes is a logical outcome of the SED's economic strategy for the 1980's.

The task is to carry out necessary transportation performance on the smallest budget.

If one considers that for domestic freight transportation alone more than 17 billion marks or approximately 5 percent of production costs of the entire national economy is spent, then this task, in its entire significance as an economic necessity, becomes clear. The 1985 goal consists of lowering transportation expenses by at least

20 percent. This is twice as much as during the past 10 years and requires that the entire freight transportation be carried out more efficiently, on shorter routes, and with less fuel. This demand was especially emphasized by Erich Honecker, the SED Central Committee's secretary general, in the Central Committee's report to the Tenth SED Congress. This is a complex task, which has an impact on all areas of the national economy, and which must be strictly directed by the transportation system. It means that domestic freight capacity will only increase to approximately 107 percent in spite of dynamic growth in industrial and building production, while in the past five-year plan it was still 116 percent.

Our approach to the task is therefore a shift in emphasis in the economic strategy for the 1980's in four closely related trends:

1. More realistic estimation and planning of economic transportation requirements. In this year's plan, for the first time, compulsory limitations for transportation use were set for various economic areas. Ween the ministries and bezirk councils advise the combines and enterprises under them about these instructions, the necessary experience for better transportation planning must be gained. This is an important prerequisite for working out quotas for respective branches of industry. These quotas are to be introduced and used for determining requirements beginning in 1983.

With the introduction of new domestic freight transport tariffs for the railroad, highways and inland waterways beginning in 1982--planned is an average increase of 60 percent over present tariffs--combines and plants are to be urged to be more frugal in transportation with economic incentives.

2. Optimal coordination between delivery and transportation of goods. Approximately two-thirds of the volume of railroad freight, especially of coal and energy, the building and chemical industries, metallurgy, ore mining and potash, as well as agriculture, forestry and food industry, are included in this process step by step. Altogether, this will result in an annual 2 to 3 percent reduction of transportation costs for all products included--a saving of more than 7 million liters of diesel fuel, and the release of freight space for approximately 3.5 million tons of freight. Good results reached so far in coal and coke transportation to 3,000 destinations support this statement.

3. Favorable work distribution among carriers. This is characterized by the greatest saving in energy possible. Here, we vigorously continue to replace highway transportation with railroad and inland navigation. The key to the quick and energy-economical increase in railroad capacity is an accelerated changeover to an electric railroad system.

It is important to speed up the atuomation, i.e. the mechanization of the railroad through increased use of modern safety and switching technology. In the coming years, it is also intended to give inland navigation--the most energy-efficient carrier--a greater part in domestic freight transportation and thus free the railroad to take over more freight from highway transportation. When it comes to foreign transportation, the rate of exchange will decisively determine distribution among carriers. Here, for example in the relations between the USSR and the GDR,

which are most important for our foreign trade, transport by sea has vast advantages over transport by railroad. This point of view, as well as the dynamic growth of foreign trade by sea, requires a rapid increase in capacity of our seaports and our seafleet.

4. Rational transportation logistics within the individual traffic branches.

Most important here is a more effective use of freight trains, trucks, inland ships and seaworthy ships. We especially emphasize greater speed in loading and unloading around the clock, on weekends and holidays, and on shorter runs; better utilization of freight space corresponding to the type of freight shipped; and the avoidance of damage to the carrier, especially during loading and unloading, as well as quick repair of damaged vehicles. Additional effects are to be gained especially through a more purposeful use of the possibilities of territorial rationalization. The good results reached in using complex key technologies--following the Soviet example of Odessa-Ilyishovsk--where the railroad interacts with the economy, must be further expanded and good results must be generalized even more rapidly. For example, last year freight train space for 4 million tons was saved and used for other purposes. We also expect even greater efficiency from the approximately 1,100 car pools which have been formed by more than 5,000 plants. The example is set by Glauchau Kreis, where car pooling is organized under the strict leadership of kreis party and government officials according to new principles, and where this year alone, a 10-percent lowering of transportation costs is striven for. The existing and yet to be formed cargo-handling pools must contribute even more effectively to the better use of the available technology and personnel resources and speed up transport processes. And, last but not least, the computer-guided control and coordination of vehicles, which must make the largest contribution in the saving of diesel fuel, is an important source of greater efficiency.

High Quality in Commuter, School and Tourist Traffic

The Tenth SED Congress emphasized the important role which the struggle for high quality plays in our economic strategy for the 1980's. We know that exemplary commuter, school and tourist traffic means that social policy has become reality. Greater efforts must be aimed at the effective support of our nation's important--DM 3 billion annually--sociopolitical accomplishments in securing price stability in passenger transportation through satisfactory performance of public transportation and improved quality. A further goal is to make the use of public transportation, especially the railroad, more convenient for the long-distance traveler. Energy-economic aspects will in the future also affect public transportation to a greater degree. This means that railroads and, where street size permits, electrically-powered local transportation, are favored over buses. The key to all these measures is an improved standard in transportation. This means especially lasting improvements in quality. Dispatching processes, especially those controlled by micro-computers, must be improved further, streamlining and scheduling must be organized better, punctuality and cleanliness of vehicles must be increased, and information and welfare of travelers must be improved.

Science and Technology, the Decisive Link in the Chain

A significant increase in efficiency and productiveness of science and technology is the decisive link in the chain to securing transportation system goals. Our

technical progress, especially investments in rationalization, must have priority. It is most important to:

1. Accelerate the speed with which the railroad system is changed over to an electric system.
2. Expand the railroad network through addition of multiple tracks, and mechanize switching yards.
3. Accelerate the equipping of tracks and stations with rational safety and telecommunication engineering.
4. Increase efficiency in seaport transfer by using rational transfer technologies.
5. Consider traffic when adding new residential areas and industrial sites, rationalize commuter, school and tourist traffic.
6. Better automobile maintenance through mechanization, condensation and specialization of repair work.

Between 1981 and 1985, 70 percent of all investments will be in the railroad and navigation systems. The changing role of both commercial and private highway traffic because of energy-economic reasons influences our policy. Future requirements consist primarily of maintaining our country's sufficiently developed highway system and guaranteeing that streets are passable.

Our Own Contribution to Strengthening the Material-Technical Basis.

Our own contribution to strengthening the material-technical basis must be considerably increased through additional rationalization measures in the areas of repair and building. This means better repair work necessary for highly efficient carriers, routes and traffic installations, as well as providing better means of work and economization.

The 1985 goal consists of:

1. Reconstruction and new construction of freight trains.
2. Construction of tourist railcars in our own workhalls.
3. Production of large container cars.
4. Production of means of economization for approximately 1 billion marks in the areas of switching and trackbuilding.
5. Regenerate parts and components for additional 1 billion marks.

Vehicle maintenance is to be increased by approximately one-third, a nearly 50-percent increase for the population. This corresponds to the economic strategy for the 1980's, which also demands from the traffic system achievements that benefit the population. Our own increased building production will mainly be concentrated on switching the railroad system to electric and the construction of an additional 500 km of tracks. Thus, transportation system employees, in addition to repairing and maintaining existing means of transportation, make their own contribution to the further strengthening of the material-technical basis of the transportation system, to greater rationalization, and to the guarantee of the spare part supply.

Qualified Leadership To Be Closely Linked With Socialist Competition

The high demands and higher standards of the 1980's demand new steps in the qualification of government leadership and planning. At present, this concerns especially a greater role for combines as the main form of economic organization. This goal

economic strategy demands that we take new steps when we combine the advantages of socialism with the accomplishments of the revolution in science and technology. To increase the capacity and efficiency of the transportation system, science and technology face the following economic goals in the 5 years 1981-1985: Lowering of transportation costs by approximately 20 percent. This corresponds to a transportation performance of 30 billion tkm. Reduction in energy consumption by 35 Peta-Joules, which corresponds to an equivalent of 6.5 million tons of lignite. A saving of approximately 33 million manhours per year to assure the necessary increase in work productivity by 3 percent per year. Reduction in material consumption by 3 to 4 percent annually, which corresponds to at least 250 million M/annually. Improvement in quality and safety of transport, transfers building and repair processes, as well as of working and living conditions of workers.

To fulfill these goals, approximately 90 percent of the centralized scientific-technical potential is concentrated on the main trends of nationalization. At the same time, scientific-tehhnical work must be used more effectively in all its latitude and variety as the most important source for further improvements in the transportation system. This concerns the work of research institutes and rationalization offices, the innovator movement, the "Fair of the Masters of Tomorrow" movement by our young generation, and the work with plans of technical-organizational measures (TOM plans).

For the future work in research institutes as well as in combines and enterprises, it is especially important to place even more emphasis on those tasks which lead quickly to better performance and efficiency in the transportation system. This requires above all intensifying technical research and thus achieving greater efficiency more quickly. This concerns especially the development and use of highly efficient technologies and the further complex mechanization in loading and unloading processes which save manpower simultaneously. The extensive use of microcomputers is especially significant for scientific-technical progress in the transportation system. Thus, the transportation system, with its various control, automation, production and service processes, and the economization of administrative work, plays a key role and creates important prerequisites for manpower savings, lowering of production costs and raising the scientific-technical standard of transportation and production processes. Points of main effort are: Direction and carrying out of the most energy efficient transportation processes; rationalization of dispatch and service processes in travel and freight transportation; rationalization of railroad and highway traffic; the automation of preparatory processes in vehicle maintenance, including technical diagnostic work; control of switching installations; traffic-dependent control of highway and local traffic; rationalization of data gathering and data processing.

Within the five-year plan, the prerequisites for the production and use of 2,000 industrial robots must be created. First experiences and data about robot technology exist in the national railroad works in Halberstadt. These futuristic technologies are to free approximately 7,500 transportation workers for other jobs by 1985.

The rapid introduction of scientific-technical answers depends decisively on the possibilities created by rationalization efforts. For that reason, the expansion of existing and the development of additional production, building and assembly

capacities are very important. In the course of the five-year plan, it is planned to increase production of rationalization means to 240 million marks annually, and thus almost double them.

Most Frugal Energy Consumption Is Most Important Requirement

Presently, transportation and commuter traffic use up approximately 15 percent, i.e. two-thirds of the GDR's diesel fuel. For the 1981-1985 Five-Year Plan we face the task of carrying out the growing (though less growing) transportation work with approximately 25 percent less diesel fuel and 22 percent less heating oil. This alone shows the size of the goal, and the demands made on the general rationalization of freight transport in the entire national economy. For that reason, it is necessary, in addition to other methods, to better organize the work distribution among the individual branches within the transportation system from an energy-economical viewpoint. In order to transport 1 million tons per kilometer, more than 40 tons of diesel fuel are required for highway transportation, approximately 14 tons for transportation by railroad, and approximately 8 tons for inland navigation. Changing railroads over to electricity is most important for reducing energy consumption; therefore, this is included in the directive by the Tenth SED Congress for the 1981-1985 Five-Year Plan. At least 730 km of railroad tracks are to be equipped with electricity by 1985; this means the speed is to be more than tripled. This will increase the percentage of electrically powered trains to 30 percent. This is also a decisive prerequisite for another 15 million tons of freight, currently transported by motor vehicles, to be taken over by the railroad in the future. This makes possible a saving of 400,000 tons of diesel fuel.

Far greater savings in diesel fuel in highway traffic are also necessary. In this area, it is important to coordinate and strictly control public transportation and commuter traffic more efficiently; to better utilize all technical, organizational and technological possibilities for lowering fuel consumption and to eliminate antiquated vehicles with high energy consumption; to have greater exchange of experiences gained in terms of methods and results of the most successful, with the goal of bringing them quickl into general use.

Rapid Increase in Performance Through Effective Investment Policy

In the transportation system also, a new approach is needed to use the available funds in such a way that its material technical foundation is strengthened in accordance with the high demands of the coming years, and that its capacities, especially that of the railroad and of navigation, are increased further. The most important task consists in concentrating available funds on those measures which most further the rationalization of transport, transfer and production processes. In the transportation system also, investments must become the driving force behind scientific technical progress, in accordance with the requirements of the economic strategy of the Tenth SED Congress for the 1980's.

In order to achieve even greater efficiency with every invested mark, priority must be given to equipment which can be produced quickly and building must be restricted to the absolute mimimum. This guideline is guaranteed through ranking of investment objectives based on the economy. According to it, measures of scientific-

is served by additional training of the leaders in the existing transportation combines and in the railroad, the further perfection of management and planning of motor traffic combines under bezirk management. Through the combination of all state motor traffic, municipal traffic (except for bezirk cities) and maintenance capacities into efficient traffic combines under bezirk management, more efficient planning and better use of available capacities are to be assured. For the purpose of uniform management and control of transport and maintenance processes in street traffic of the bezirks, it is intended to assign to traffic combines additional government balance, coordination and control tasks. It is important in transportation also to utilize all aspects of modern economy under consideration of specific conditions, and thus to assure greater efficiency in work. The managers bear high personal responsibility for higher achievements, for overall improvement in the efficiency and quality of our work. Along with their responsibility for their field of expertise, they must be even more conscientious about the political leadership and education of their collective. It is essentially up to them whether the workers properly understand the basic relationships within our economic-political development and put this realization into practice through conscious socialist conduct. By creating a creative working climate and educating the workers in their collectives, socialist competition has outstanding significance. Through it we realize the greater tasks which the Tenth SED Congress demands for our further economic progress. Experience shows that best results in higher efficiency are achieved wherever there is a close interrelationship between goal-directed leadership, well-thought-out work organization, and mass initiatives in socialist competition. It is important to better organize exchanges of experiences with concrete determinations as to what needs to be changed; to use qualitative standards for evaluation in competition and for comparisons; for each worker to know his part in fulfilling the plan and to receive precise instructions which not only contain quantitative standards, but also allow his work to be judged qualitatively. It is important to include workers in all phases of preparation and realization of the tasks and thus to give them the assurance that their word is of importance in our state. We are proud that we have a large number of proven collectives and personalities in the transportation system today, on which we can rely in the socialist competition for the realization of the tasks demanded of us by the Tenth SED Congress.

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ENERGY MANAGEMENT PROGRAM OF SIXTH FIVE-YEAR PLAN DISCUSSED

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[Article by Gyorgy Darvas and Istvan Papp: "The Energy Management Program of the Sixth Five-Year Plan"]

[Text] In recent years energy supply has come into the center of attention in every country in the world. In the CEMA countries and in the developed capitalist countries a number of programs were prepared which embrace the broader or narrower sphere of energy management.

A number of economists viewed the explosive change in energy prices in 1973 as the beginning of a new epoch in the world economy. Another significant increase in petroleum prices--by almost 100 percent--in 1979 topped off the problems. We also must face the problems of energy supply. In the course of preparing the Sixth Five-Year Plan we turned great attention to the development of a broad energy management program which embraces every sphere of society and the economy, a program which was approved by the government at the end of last year and which was made public at the beginning of this year.

The Role and Significance of Energetics in the Development of the Hungarian Economy

Famous specialists of the developed capitalist countries and some international organizations (for example, the Club of Rome) feel that in the future the development of the world economy will be defined by, among other things, the way in which the energetics problems are solved. These statements are in part exaggerated and in part pessimistic. But there can be no doubt that the way in which the energetics problems are solved will have a significant effect on the economic development of the world--and of Hungary therein. This is also indicated by the fact that the share of energetics in the total imports of the Hungarian people's economy is about 13 percent. The share of the energetics branches and sub-branches in the investments of the socialist sector is 15 percent.

We get an even clearer picture of the increase in the significance of energetics problems if we examine the domestic energy supply as a process, taking into consideration the interdependencies of domestic and international cooperation as well. In 1980 we covered 48 percent of all our domestic fuel needs from domestic resources; 52 percent came from imports. Between 1973 and 1980 petroleum prices in

the non-ruble relationship increased about 11 times; petroleum and petroleum product prices in the ruble relationship increased about 5 times. In the same period the world market price for machine industry products increased only 2-2.5 times. Since the share of fuels is high in our imports and the share of processing industry--primarily machine industry--products is high in our exports, the increase in energy prices, a good bit swifter than the average, is one of the most significant sources of our terms of trade losses.

A review of the development of energetics investments is similarly instructive. In the first place, the world market prices of mechanical energetics equipment were marked up as a result of the worldwide sharpening of energy problems and, in the second place, the change in the structure of fuels used brought with it a significant increase in specific investment costs for the several energetics installations. In recent years--because of the increasing fuel costs--only coal and nuclear power plants have been built around the world in place of hydrocarbon power plants. With the present, extraordinarily high heating oil and natural gas prices the cost of electric energy from coal and nuclear power plants is already lower. At the same time, the specific investment cost for coal and nuclear power plants is 1.5-2 times that for hydrocarbon power plants. This, among other things, is interdependent with the fact that the specific investment cost for domestic power plants (the investment necessary to create 1 MW of power plant capacity) has increased 5-6 times in the past 7-8 years. So we have been forced, and we will be forced in the future, to put a large and increasing proportion of the industrial investments into the energetics branches. In the Fourth Five-Year Plan we turned 28 percent of all industrial investments; this ratio came to 33 percent in the Fifth Five-Year Plan and will come to 39 percent in the Sixth Five-Year Plan.

We can appreciate the true significance of these data if we also take into consideration the fact that the level of industrial investments in the Sixth Five-Year Plan will be 10-15 percent lower than in the Fifth Five-Year Plan while investments for domestic coal mining will exceed by at least 30 percent the investments between 1976 and 1980. In light of these data we can say without exaggeration that an efficient solution of our energetics problems is one of the key questions of the Sixth Five-Year Plan, one which will affect the developmental possibilities of our entire economy, not least of all the developmental possibilities of the processing industry as well.

The ratio of fuel costs in the expenses of enterprises and management organs is constantly increasing with the increase in energy prices.

So we must reckon with the inexorable fact that we can gain access to a unit of extra energy--whether from import or from an expansion of domestic resources--only at the price of expenditures which are increasing more quickly than the average. So we have a vital interest in seeing that we realize our economic growth with specifically decreasing energy expenditures. We should regard the mark up of energy import costs as a lasting process which cannot be reversed in the years which can be foreseen. In the final analysis this makes it necessary for us to draw the proper conclusions, of economic policy significance, in regard to guidance, planning, economic and legal regulation and more rational energy management.

The Development of Energy Use in the Past Period

The energy needs of the Hungarian economy increased relatively rapidly in the past decade, by 3.4 percent per year. The structure of energy use developed "unfavorably"—if we evaluate this from present conditions--for in 1980, as compared to 1970, the ratio of hydrocarbons in all domestic energy sources increased from 43 percent to 64 percent (and the ratio of petroleum therein increased from 29 percent to 36 percent). This approach, however, is ahistorical because it hides the fact that at the time cheaper oil and natural gas were taking the place of more expensive coal; the economic indexes of this, in extraction costs and in the lower investment needs, were a good bit more favorable for us as compared to coal and the spread of hydrocarbons in our energy structure was a great structural achievement for and moderization of our economy beginning with the 1960's, something which corresponded to the progressive development tendencies sensed in the world relationship of productive forces. The explosive increase in energy prices, primarily petroleum prices, in recent years radically changed the situation.

Another factor in the increase in the ratio of hydrocarbons was the manifold increase in the number of automobiles owned by the populace in this decade, which increased to more than one million. The share of highway (truck) transportation increased in freight traffic; hydrocarbon consumption by agriculture increased; and in this time we built up our olefine chemical industry on a chemical industry benzine base. In addition, in the early years of the decade, a number of industrial consumers replaced coal heating with hydrocarbon heating, which was understandable with the cheap hydrocarbon prices.

The following factors were characteristic of the past 10 years:

--The increasing speed of electrical power use (in 1970 we used 27 percent of all energy used to satisfy electrical power needs; in 1980 we used 31 percent);

--Among the producing branches the share of industry in energy use declined (by almost 3 percentage points in 10 years) while that of agriculture increased (by about 2 percentage points in 10 years);

--Energy use by the populace and the communal sector increased. The most characteristic example of this was the dynamic increase in the number of automobiles owned by the populace and in fuel use by the populace.

Between 1970 and 1980 use by the populace took about one-third of the increment in petroleum and petroleum products.

Oil heating spread in the past decade. The populace now has more than 2 million oil heaters and a considerable number are in public use. The amount of heating oil used for these--of the same quality as fuel oil--is about one million tons per year.

Electric power consumption by the populace increased dynamically (the average for the past 10 years exceeds the increase in total eletrical power use 1.8 times). This is closely interdependent with the mechanization of housekeeping and the

development of durable goods supply. The fact that virtually every household has a radio, almost 80 percent have television, 85 percent have refrigerators, 80 percent have washing machines, 22 percent have electric water heaters and about 10 percent have electric ranges plus the fact that there was a swift spread in electric heating all mean that the share of electric power consumption by the populace increased from 12 percent in 1970 to 19 percent in 1980. This increase in itself, however, does not reflect the real technical or technological problem, which is related to the fact that the populace uses a significant part of its electric power consumption in peak times and thus consumption by the populace and the communal sector in peak times reached 40 percent of the capacity of the electric power network.

These internal and external factors had to be reckoned with when developing an energy conception and energy management program for the coming period. In compiling the Sixth Five-Year Plan and the energy management program we started from the following considerations:

1. We must continue to provide the energy sources necessary for social and economic development.

2. It is justified to reckon that in the decade ahead the prices of fuels especially of hydrocarbons, or the ratios thereof will increase further as compared to the present and fuel will continue to be an expensive item--whether we are talking about imports or domestic acqusition.

3. We will have a continuing interest in seeing that we realize our economic growth at specifically decreasing costs in all spheres (the producing sphere and the communal-public sphere) as compared to present and future expenditures for foreign acquisition and domestic production. Taking into consideration our given fuel use structure it is necessary before all else to conserve on petroleum, petroleum products and coke acquired via import.

4. But the moderation in specific energy costs and a change in the fuel structure cannot be the exclusive task of one branch (the energetics branch); rather, it is a comprehensive task embracing every sphere of production, transportation, transformation and distribution. Specific energy conservation must be regarded as one of the chief ordering principles in the operation of the existing production structure and in any expansion thereof. We must also reckon with the fact that a transformation of the fuel structure will be a long, time consuming task (because of the tools and time needed to expand domestic energy sources and taking into consideration the condition of existing consumer equipment, the costs of replacing it and the realistic possibilities of changing consumer habits).

5. In past decades, in the "age of cheap energy prices," the share of hydrocarbons in fuels used expanded significantly in the Hungarian economy. So one can foresee that for a long time it will be rational to exchange energy using, transforming and transporting equipment. This will make economical the utilization for energetics purposes of the domestic fuels (such as coal and wastes) which are relatively cheaper as compared to petroleum and petroleum products which have become expensive and which are constantly becoming more expensive.

To what limit can one consider energy conserving investments rational? It is obvious that these are not needed at "any price" but rather within the limits of economic rationality. They are rational as long as the energy saving achieved by the investment serving to rationalize energy management is greater than the fuel itself, whether we produce it domestically or desire to acquire it from import (in the case of domestic production, naturally, we must take into consideration the investment and operation costs as well, not least of all the circumstances of domestic production which are sometimes worse than the international average, because of quality and the greater expenditures needed). A number of studies show that in many cases, by means of rationalization, the needs can be satisfied at one-third or one-half the cost as compared to import or domestic energy production. So there are large reserves in rational rationalization.

The recognition of these things led to the necessity of working out an energy management program.

What Does the Energy Management Program Contain?

The energy management program contains the savings that can be achieved by organization and maintenance and by means of decreasing specific energy use in the manufacture of specific products and through the modernization of energy demanding technologies. It prescribes measures for the creation of target consumers and for the switching over of existing consumers so that we can save more valuable fuels (primarily hydrocarbons and coke) by using domestic fuels. It includes tasks connected with the manufacture of more efficient, more economical consumer equipment and the creation of producing and distribution capacity which will increase the flexibility of energy management (creation of cracking plants, modernization of gas and electric service, etc.). The program embraces tasks connected with increased use of domestic coal and the energetics use of agricultural and forestry by-products.

In the interest of economical utilization of electric power it prescribes measures for broader utilization of electric power outside of peak periods (stored heating and stored hot water) and, in some cases, where it can be justified economically, the replacement of heating oil with thermal electric power.

In addition to developmental and investment tasks a great role is given to organizational and legal tasks and the entire instrumentarium of regulation. Appropriate price policy guiding principles also aid realization of the program (the development of price ratios encouraging an exchange among the several fuels and a development of the fee system) as do preferences--in harmony with our energy policy goals--provided when offering credit and state supports.

The program turns great attention to ensuring the technical conditions for realization and when designating individual concrete tasks it sets forth conditions for providing the machines, equipment and instruments needed for realization of the tasks. All this shows that one of the chief characteristics of the program is a complex approach. It intends to achieve the goal with a coordinated series of measures embracing every sphere of research, technical development, production, transportation, transformation and marketing and with the necessary concrete and detailed exposition of the ways and means for realization.

Chief Goal of the Program

The chief goal of the energy management program of the Sixth Five-Year Plan is to continue and further develop the conservation processes begun in 1979-1980. In the past 10 years fuel and energy use by the people's economy increased by an annual average of 3.4 percent. Within the framework of the energy management program we hope to hold the increase in fuel use by the people's economy in the Sixth Five-Year Plan to at most 2 percent per year--with an increase in the national income during the 5 years of 14-17 percent.

So the chief goal of the program is to significantly moderate the specific energy consumption of the economy as compared to the previous period, to decrease the growth rate in the use of fuels (especially for hydrocarbons and coke acquired from import).

Over the longer range we want to significantly increase utilization of fuels of domestic origin (primarily coal and nuclear energy) and to gradually decrease utilization of petroleum products for heating purposes. At present we burn more than 2 million tons of heating oil of the same quality as fuel oil. This means that at present prices that part of the populace which uses heating oil is getting budgetary support from the state worth several billion forints per year.

In harmony with what has been said, we want to reduce the ratio of hydrocarbons from the present 64 percent to 59 percent by 1985 and within this to moderate the oil proportion by at least 4 percent. The change in ratio may appear relatively modest and to a large extent this can be justified by the fact that in a number of areas (such as in the heavy chemical industry and in automobile and truck transportation) there is no realistic way to replace hydrocarbons with other fuels by 1985. Changing fuels is possible primarily for certain industrial consumers and communal users--in addition to the electric power plants.

In regard to the use of traditional fuels the program poses a bold and stepped-up task; according to the program consumption by the Hungarian economy in 1985 cannot substantially exceed the 1980 level. This means that the increasing demands which can be expected in the plan period in several areas (for example the extra gasoline consumption accompanying the development of motorization) must be covered by conservation by other consumers, by changing fuels or by stepping up petroleum processing and transformation (creating a cracking plant).

State guidance organs, the enterprises and the populace will have a significant role in realizing the program.

State Tasks

The Sixth Five-Year Plan prescribes about 500 billion forints for development of the producing branches. When determining both state and enterprise developmental tasks we must regard it as a basic ordering principle that these developments result in the most efficient use of the energy available. Another important requirement is that the price policy in connection with various energy sources in the producing sphere encourage every consumer to moderate specific consumption and to change fuels in a rational way.

Realization of energy management tasks realized from central resources in the Sixth Five-Year Plan must be regarded as a state task. (Power plant use of the Central Great Plain natural gas with an inert content; electrification of at least 200 kilometers of rail line; linking the 100,000-120,000 new housing units in the plan period into the gas service; beginning to introduce cycle control to moderate peak electrical output; etc.)

The chief task of state economic guidance in these questions is to make the decisions within its sphere of authority in time, to supervise their execution and to take measures to head off obstacles which may arise. But it is also a state task to take measures interdependent with savings which can be achieved by means of organizational measures and by a better organization of maintenance. This represents many-sided tasks. (For example, modernization of the fuel accounting and certification system, new regulations for a more rational organization of delivery and better utilization of the transport park, creating the technical-economic and maintenance conditions for a more economical operation of the central heating systems, constant modernization of energy use norms, ensuring the appropriate quality of energetics equipment and devices and better energetics efficiency with appropriate standards and by tightening up authorization procedures, etc.)

Based on the authorization procedures, foreign and domestic trade must evidence greater consistency in the areas of import and trade. Deviating from earlier practice they must avoid the import and sale of devices with low efficiency which waste fuel.

Finally, the continual understanding and consistent supervision and rating of the concrete tasks of the energy management program is a state task.

Enterprise Tasks

When defining the tasks of the enterprises we must start from the fact that a consistent price policy in connection with fuels (in which the price of fuels will constantly approach the world market prices) will accomplish the following:

--Make the enterprises, especially the consumers in branches which are relatively energy demanding, interested in modernizing existing energy using equipment, because the investment expenditures connected with rationalization will be returned within a relatively short time out of savings on fuel costs;

--With the increasing prices for fuels the world market is marking up energy conservation equipment and solutions. The value judgment of the market will make manufacturers of energy producing and energy transforming equipment and consumer equipment interested in manufacturing equipment which is efficient from the viewpoint of energy consumption, because the energy savings can be recognized in the prices of these. Even today one of the crucial criteria for the competitiveness of products on the world market is favorable specific energy consumption.

So a consistent realization of price policy has a great role in the realization of the program. In addition the enterprises can count on the fact that more rational energy use by them will be aided by the preferences in the credit policy

guiding principles and in the awarding of state loans and by an import policy which will be more deliberate than at present--taking into consideration the energy management points of view.

The energy management program studied and established--to the degree now known--the things which must be done for a more rational use of existing energy using equipment, for the replacement of heating oil and coke and for a modernization of various energy demanding technologies.

The studies show that in every chief branch of production we have broad opportunities to realize technologies which are more energy thrifty than at present (for example, recycling waste heat, better transformation efficiency in heating, etc.) and to manufacture domestically or acquire from import consumer devices and equipment which ensure more rational fuel use (for example, more efficient heaters, stoves, gas devices, housekeeping devices, etc.).

The significance of technological modernization is well illustrated, for example, in the case of ammonia manufacture. In Plant IV recently put into operation by the Pet Nitrogen Works they use hardly more than one ton oil equivalent energy to produce one ton of ammonia as opposed to the use of 1.5 tons of oil equivalent in plants operating with a less modern technology.

The broad spread of various modern energy consuming devices (equipment) shows very well the broad opportunities for energy conservation. The power required by the older, so-called tube television sets is 140-250 watts as compared to 60-70 watts for more modern (transistorized) sets. If we replaced one million old sets in our homeland we could save power plant capacity of at least 100 MW--considering that the great majority of private television sets are used in peak times. The investment cost of this alone is 3-4 billion forints. (This investment saving is about half the present full delivery price for one million black and white television sets.) Naturally, saving this investment--a one-time expenditure--does not include the energy savings which would arise among the populace, and in the people's economy, in the course of continual operation.

The following more significant specific energy conservation tasks for the several branches should be mentioned:

--According to preliminary estimates about 240,000 tons of coke per year could be saved in ferrous metallurgy by 1985 (by improving the quality of iron ore sinterings, by expanding the number of air heaters for blast furnaces, by oxygen enrichment of the hot blast, etc.).

--Energy use in agriculture could be decreased significantly by modernizing the technologies for drying fodder and products. (For example, energy savings could be achieved by preservation and use of certain crop fodders without drying, by nationwide use of wet storage and feeding of corn, by more modern storage and use as fodder of green fodders, etc.)

--Energy consumption in transportation--primarily in trucking--could be moderated by acquiring and installing instruments to measure consumption performance, by a

development of maintenance and service capacity and by equipping certain trucks with consumption reducers. The further electrification of railroads, shifting freight shipments to the specifically cheaper water routes and a number of energy saving solutions--which could be realized primarily in road construction--would mean more rational energy management in transportation.

The energy management program gives an important role to replacing more expensive fuels with cheaper ones and to the use for energetics purposes of wastes and by-products. It prescribes the replacement of fuel oil and heating oil with coal in areas where this is justified and technically feasible (in the producing and communal spheres alike); it prescribes greater local use of geothermic energy, for example in growing plants; and, in the case of favorable technical and economic experiences with reference plants in the stage of realization, it prescribes use of a relatively large quantity of agricultural wastes (straw, corn stalks, waste wood, biogas, etc.) as fuel.

The recently published "Action Program" summarizes the most important tasks in the realization of the energy management program. We want to encourage the realization of enterprise tasks figuring in the action program primarily by means of economic regulation. Realization of the enterprise tasks will also be aided by credits and state supports in the Sixth Five-Year Plan.

Developmental actions serving energy rationalization will take place as bank deals--after a technical-economic evaluation of the proposals. More significant technological modernizations requiring assets in excess of 300 million forints and the larger support industry developments connected with these can be realized on the basis of ad hoc judgments.

The management organizations can make use of credit and state supports, state loans and basic awards, for the realization of energy management goals, for increasing the energetics efficiency of energy using equipment, devices and technological processes, for a reduction in specific energy use, for economical replacement of heating oil and coke with cheaper fuels, for increasing use and production of domestic coal, for decreasing energy use in transportation, for energotechnological modernization, for energy use of wastes, for improving the quality of building materials and structures, for use as fuel of by-products arising in agriculture and forestry, for use of geothermic energy and for the development of the industrial background needed to realize the program.

Enterprise energetics specialists will have an increasing role. Enterprise energetics specialists can do much for the realization of what is contained in the energy management program, primarily by regular maintenance of energy consuming equipment, by paying attention to the technological prescriptions and by initiating work organization which encourages energy conservation.

In the interest of more efficient energy management every enterprise must carry out an analysis of continuing energy loss, must work out specific energy expenditure indexes for products or for units of value, making a domestic and international comparison, must review production technologies from the energetics viewpoint, must provide instrumentation or automation and continual operational analysis of large

energy using and transforming equipment, must constantly improve the efficiency and operational condition of local energy networks and must work out energy rationalization possibilities by means of proposing and carrying out competitions.

Energy management tasks which are more efficient than those at present must become organic parts of enterprise plans--especially for enterprises carrying out energy demanding activity--in regard to the current medium range plan. In the social debate of enterprise plan drafts special attention should be given to conservation proposals and to creating the conditions for their realization.

Participation of the Communal Sector and of the Populace in Realizing the Program

The energy management program turns great attention to moderating energy use by the communal sector and the populace. Energy use by the communal sector makes up more than one-quarter of all energy use. The possibilities for conservation are significant in this sphere also. We have an especially great interest in conservation of housekeeping heating oil, coke, central heating and hot water. In harmony with the standard of living policy the consumers price policy connected with fuels must take into consideration the interests of the people's economy and should provide an incentive so that the populace will be increasingly thrifty with fuels and so that the structure of energy use should better fit a more economical satisfaction of needs. With a number of measures the energy management program wants to moderate the burdens falling on the populace from an increase in fuel prices. The most important of these measures are the following:

--Creating a way to regulate central heat use and hot water consumption in newly built housing units and introducing billing proportional to consumption.

--Improving the insulation of apartment houses. It is also necessary to make private builders materially interested in using energy saving technical solutions.

--Ensuring the equipment and devices needed to replace the fuels which are to be changed.

--Modernizing the heating, cooking and hot water equipment used by the populace. By 1985 we must be manufacturing coal heaters which are at least 10 percent more efficient. This could result in cheaper energy use in 200,000 households. We want to increase use of energy saving fluorescent lighting; there should be broad use of low consumption television sets, which decrease energy use by 40-50 percent. We should see to the manufactures of switches which will make possible the use of at least 400,000 thermal devices using cheap nighttime current. In addition we should build up a modern energetics technical service and maintenance network with the regular use of which we could, according to the estimates, achieve energy savings of 5-8 percent per year.

We want to encourage the wide spread of energy saving, efficient, modern products and energetics equipment with favorable purchasing credit, exchange actions, etc. Commerce must prepare for the tasks which will fall on it from this process, which includes providing the necessary technical information.

A Few Problems for the Realization of the Program

The Sixth Five-Year Plan--despite its limited investment possibilities--prescribes significant investment and development and intellectual resources for the realization of the energy management program. We want to turn sums amounting to at least 30 billion forints, from various developmental sources (state support, state loans, credit, etc.), to the realization of energy management tasks. For example, the size of the state supports serving energy management goals will increase more than five times in the Sixth Five-Year Plan as compared to the Fifth Five-Year Plan (while industrial investments are not increasing but decreasing). We have given priority to a technical development policy and research which will encourage more rational use of energy.

Although the resources available for development will expand greatly they are not sufficient for the realization of the concrete proposals and ideas worked out in connection with the work done to prepare the program. On the one hand we must evaluate this positively, primarily because in this way we will have an opportunity and the means to choose from among the proposals those which will result in the greatest savings with the least relative cost. It is obvious that in realization priority must be given to the most effective proposals. Indeed! It is appropriate to regard the program as "open," to encourage the working out of additional proposals which--if they are more effective--will force out the prescribed but not yet initiated tasks, or which will provide planning with a foundation for designating tasks which will carry over into the Seventh Five-Year Plan. So constant competition is an essential element and characteristic of the program. At the same time, the large number of ideas requires a selecting of proposals, competition among them, ranking them according to effectiveness in such a way that the "openness" or competition should not contradict the fundamental goals and most important tasks of the program. What should we watch out for especially?

It would cause problems and difficulties if in execution we were not sufficiently consistent in requiring and implementing efficiency criteria (for example, the conservation norms must be constantly adjusted to changes in producers prices); if we did not ensure the ratios prescribed by the program between energy conservation tasks and tasks encouraging an exchange of fuels; if we were to turn the resources available not to energy conservation purposes but rather--going beyond what is prescribed in the program--to an expansion of fuel sources or other tasks.

The initial experiences in execution of the program show that in some enterprise thinking greater weight is given to an exchange of fuels than to absolute conservation of fuel. Indeed, a greater role is given to replacing hydrocarbons with hydrocarbons (for example, replacing heating oil with natural gas) than is given to replacing hydrocarbons with domestic fuels (for example, coal) or replacement with waste materials. Many enterprises want to use only central resources and are not making use of the credit possibilities. These tendencies are not in harmony with the conception of the program. So in the course of executing the program we must select among the enterprise ideas which have developed. The tools of the energy management program must be used to support only those tasks which are in harmony with the goals prescribed in it.

We must see clearly that the realization of the energy management program is not free of problems from the viewpoint of prices. It may appear at first approach that the ever-increasing level of producers prices for fuels would constantly and automatically increase conservation. But this hypothesis is only partially valid. The increase in energy prices can have a fundamental influence on the market competitiveness of a number of producing branches. Naturally unfavorably. So in setting the prices of fuels a number of market economy countries give far-reaching consideration to factors influencing the competitiveness of their own industries. The question of correct price ratios is a special problem. Appropriate price ratios, the correct development of price ratios as among different fuels, has a crucial effect on the economic efficiency of exchanging fuels. If we take into consideration the combined motion of price levels and price ratios and the market competitiveness of the producing branches than we face economic problems affecting both industrial policy and energy policy the solution of which will require great circumspection in developing the price level and determining the price ratios and may require compromise solutions harmonizing contradictory interests.

We are counting on the fact that execution of the energy management program will become an all-social matter--in accordance with its significance. It is very essential, for example, that we turn special attention to energy conservation in the socialist brigade movement, in the labor competition movement and in the innovation movement.

Realization of the energy management program is an organic part of and a condition for successful fulfillment of the Sixth Five-Year Plan. It lays the foundation for one of the basic economic policy goals of the plan, the task of improving the balance situation of the economy, because in the event of its successful execution we can achieve by 1985 savings equivalent to about 1.2-1.5 million tons of petroleum per year, the value of which at today's prices comes to 400-500 million dollars.

It is worth while and necessary to unite and mobilize the creative initiatives and efforts of society for such a magnificent undertaking.

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METHODS, PROBLEMS OF ECONOMIC MANAGEMENT PUT IN PERSPECTIVE

Budapest SZAKSZERVEZETI SZEMLE in Hungarian No 3, 1981 pp 3-9

[Article by Janos Hoos, deputy chief of the Department of Political Economy, MSZMP Central Committee: "Timely Questions of Developing Our Economic Management System"]

[Text] The Socialist Planned Economy

Management of the economy in socialist countries is based on a planned economy. The socialist planned economy manifests itself in that economic development conforms to the plan; in other words, conformity to the plan is the outward form of the socialist planned economy. Conformity to the plan of the socialist economy's development means that--in contrast with the uncontrollable, spontaneous processes in capitalist social formations--social consciousness becomes the dominant: society's economic development is characterized by the realization of objectives set in accordance with the possibilities and common social interests, by approximate coincidence of the objectives and actual economic results.

A planned economy cannot be realized automatically under socialist conditions; it requires purposeful state management. In the realization of its function of managing the economy, the state is guided by the party that leads the construction of socialism and communism. In this way the system for managing the economy can duly take into consideration socialist society's political objectives and requirements.

The socialist state itself must develop the instruments of plan-conforming economic management, ensuring that these instruments will function in mutual harmony and will be perfected continuously. The state's basic tools for plan-conforming economic development are:

--National economic planning (the system of annual, intermediate-range and long-range economic plans);

--The economic and legal system of regulation;

--Economic management's system of institutions and enterprise organization.

Development of Our System of Economic Management

In our country the consolidation of socialist production and social conditions unambiguously reflects the fact that our system of management conforms to socialism's general economic laws and to the specific conditions of the Hungarian economy. The domestic peculiarities of our economic management stem from two circumstances: First, from a the Hungarian economy's high degree of dependence on the external economy, from the great role of foreign trade within the national economy. Secondly, from agriculture's relatively large share of production and export, and from its resulting national economic significance. Both circumstances require of economic management above-average flexibility and rapid adjustment to changing conditions.

Our system of economic management--always taking into account the general laws of socialism as well as our domestic peculiarities--has undergone continuous development. Especially important milestones of this development can be distinguished since 1956. The most characteristic phases of this development have been: abolition of compulsory deliveries in agriculture, reduction of the number of obligatory indicators prescribed by the plan, and the introduction of profit-sharing. Relying on these phases, it was an epoch-making step in our country to develop and introduce the new system of economic management. This mechanism liberated new energies for our progress. It has contributed to a large extent toward the fact that the economy's potential has more than doubled since 1968, the processes of reproduction conform more closely to the plan and are better reconciled internally, and the population's living conditions have improved. But it is likewise true that some of the assumptions we made at the time of developing the system of economic management, regarding the external and internal economic conditions, did not materialize. We found--to mention only the most important assumptions--that the world-economic conditions of our development changed, becoming more difficult than expected. But the internal conditions of economic activity did not change adequately, and this too played a role in that supply and demand were not suitably balanced, and the assumed competition among sellers and a buyer's market did not develop. All this is related to the fact that at the given time we concentrated our efforts too much on the economic regulators and devoted less attention to analyzing what changes our development required in the economic and social processes, in central management, and in the enterprise system.

Another lesson of the more than a decade is that we, amidst our altered external and internal conditions, did not devote sufficient attention to the coordinated development of the individual elements in our system of economic management. The price system, despite significant changes, was not sufficiently flexible, and thus the profit incentive's sphere of influence and intensity declined, enterprise and personal incomes became equalized, the limits of state and enterprise decision-making competences, rights and responsibilities became blurred, and our organizational system became rigid. Here we should mention also the fact that the so-called

"brakes," which were built into our system of regulation temporarily, were never dismantled, not even when it would have been possible to do so; to the contrary, we relaxed the normative nature of our system of regulation, and for this reason the discontinuation of uneconomical production proceeded only at a slow pace, without making much headway.

On the basis of our experience we were forced to draw the conclusion that constant and coordinated development of the elements of our economic management was necessary. Further development is particularly important when significant changes occur in the conditions of economic development, in the economic environment. This does not mean altering the character of economic management, rather the modifications must enhance and ensure more consistent application of the basic principles. The fundamental objective, then, is to find more effective methods and to apply them consistently in the practice of management.

The state of our economic equilibrium and the coming economic tasks require even greater flexibility than up to now, ability to take action and to respond more quickly and decisively. A fundamental task in the area of economic management is to ensure in a planned manner the framework for a rise in efficiency at the level of the national economy. To this end we must know how to maximally utilize the conditions and possibilities of the socialist planned economy. This is a task that cannot be achieved spontaneously, without the purposeful management of society. This necessitates --as stated also in the resolution adopted by the 12th party congress--the coordinated and integrated development of all elements of economic management: of national economic planning, regulation, and the system of organization and institutions.

Principal Directions of Developing Economic Management

National Economic Planning

Our present system of planning was developed after the introduction of the economic reform. Its fundamental tasks, and the basic principles of preparing, approving and implementing the plans, are laid down in the Law on National Economic Planning, enacted in 1972. During the past decade, planning developed in the direction specified by this law, in harmony with the basic principles of economic management. Experience shows that our planning is essentially suitable, and that we have instituted a unified system of national economic plans, differing in their durations. The functions of a planned economy have been realized in our country through the planning system, in such a way that

--national economic planning,
--local-council planning, and
--enterprise (or cooperative) planning

are sovereign, coexisting and organically connected subsystems of planning.

Within the planning system, however, national economic planning (the national economic plans) is of outstanding significance with regard to economic-policy objectives. All this, however, does not mean that there is nothing

more to be done in this area. Planning must serve more effectively the functioning of our economic management system. The principal directions in the modernization of planning can be defined as follows:

--The planning system must serve more purposefully the requirement of the national economy's intensive development;

--It must perfect the harmony of the economic-policy objectives and regulators, respectively the planning of this harmony;

--National economic planning must form a more meaningful relationship with enterprise and local-council planning;

--In the course of drafting the plans as well as during their implementation, planning must stimulate the democratic development of state life, and of the economic sphere in particular;

--In addition to being economic, planning must increasingly become also social; to this end it must take more closely into account also the results of the various social sciences.

Several stages of the outlined direction for the development of planning have already been realized. For example, the Sixth Five-Year Plan--due in part to the requirements of intensive development and to the external conditions--is more flexible and more open than the previous five-year plans; thus it better enhances faster adjustment to the possibilities and conditions, and management and actions that suit the new situations. Despite its open nature, however, the Sixth Five-Year Plan is nevertheless sufficiently specific--regarding the main economic-policy objectives, and the principles of management and regulation that influence economic activity--and it consistently enforces the requirements that stem from the increasingly difficult conditions.

With the Sixth Five-Year Plan, planning has also become more democratic, as this is evident from the public debates on the plan. Parallel with annual and intermediate-range planning, or in substantive connection with them, there is also long-range planning, for the period 1981-1990. Characteristic of this long-range planning is the wide participation of interested organs and an effort to project also the social changes in addition to the economic ones, respectively the social effects of economic decisions and the economic effects of social decisions. In this latter sense, then, long-range planning is striving to advance in the direction of social planning. With all this, of course, the further development of planning cannot be regarded as complete, and it must continue more intensively in the outlined direction.

Perfection of the System of Regulation

Significant results have been achieved also in perfecting the system of economic regulation. The Sixth Five-Year Plan's specific system of regulation represents important progress in comparison with the earlier system of

regulation, and particularly the new price system differs qualitatively from the previous price systems. At an overwhelming majority of the industrial enterprises the change introduced as of 1 January 1981 places the domestic producer prices directly under the control of the world-market prices, and thus the economic units that employ this method of pricing can operate effectively only if they keep pace with international competition also at home.

Experience with the functioning of the new price system has been basically favorable so far, confirming that the new price system is in accord with the basic requirements of economic policy. In the light of our 1980 experience, it can be established that the new price system and price mechanism have a favorable effect on economic work. However, our experience also emphasizes that the new price system's principles and mechanism will have to be asserted even more consistently in the future. But this does not exclude--rather it confirms in many respects--the possibility that there may also be corrections and adjustments when necessary. A particularly important task is to maintain, and even strengthen, the compulsion to export. In the interest of increasing the positive price effects, consistent implementation of the pricing regulations must be ensured, the area in which competitive pricing is employed must be broadened, and simultaneously competition must be strengthened.

From the viewpoint of the new price system's functioning it is important that the other elements of the economic regulators be in closer harmony with the price system, respectively that they reinforce the price system's efficiency-orienting effects. This means first of all that the other elements of the regulators must not limit, through various subsidies and taxes, the price system's function of providing economic perspicacity. It is particularly important to pursue a flexible exchange-rate policy, but also the credit system, and the system of budgetary subsidies and taxes, must act more effectively than at present, in the direction of enforcing the requirements of efficiency. Whenever the automatic mechanisms of the system of economic regulation unambiguously show that a business is unprofitable, and that it is impossible to permanently ensure its efficient operation, suitable measures are necessary to discontinue the economic activity and to redirect its resources to more efficient utilization.

From all this it follows that the key question in perfecting the system of economic regulation is the price system, respectiv ly its consistent application in accordance with the announced principles. Significant tasks have yet to be solved in this area.

In the further investigation of our topic, the wage system deserves special attention. Our present wage system better serves our economic interests than the previous ones did, but the satisfaction of the requirements stemming from intensive development necessitates significant further progress also in this respect. This is not a simple task, because our wage system must be in harmony not only with the requirements of improving efficiency, but also with the requirements of a balance between purchasing power and market allocations. The simultaneous satisfaction of both these sets of

requirements is an exceptionally complicated task. Nevertheless, what has to be done cannot be delayed for long.

A critical analysis of the regulation of wages and earnings reveals that it attempted to solve too many tasks simultaneously, and not always successfully. The principal task was the regulation of personal incomes, respectively of the outflow of purchasing power, at the macroeconomic level. At the same time the regulation of earnings set limits for the management of wages at the enterprises, and for personal monetary incentives. Because the role and essence of the management of wages at the enterprises were determined by the general manpower situation, by the specific labor market that affected the enterprises, by the internal forms of material self-interest, and by various demands placed on the enterprises, the requirements of regulating earnings at the national economic level often were not in accord with the enterprises' potential and sound production policies. The present practice of income regulation is linked in principle to enterprice performances, but actually it has been impossible, or hardly possible, to demonstrate a linkage to performances, on the basis of the ratio of the differences in the level of efficiency, to the differences in wages and earnings.

Under the 1980 system of economic regulation the same problems arose in conjunction with wage regulation as under the earlier conditions. Even today, most operational interventions in the income processes of the enterprises occur through the system of economic regulation. From all this it seems that in this area our most urgent task for the coming period is to create closer harmony between our economic and political objectives--particularly the ensuring of greater differentiation that reflects efficiency and provides more incentive for its improvement--and the individual elements of the system of economic regulation on the one hand, and the regulation of wages and personal incomes on the other.

Development of the System of Institutions and Organization

Development of the system of institutions and organization means perfection of the institutions of central state control, respectively of their decision-making mechanism, and also the modernization of enterprise organization. Significant progress has already been made in both directions. The common characteristics of this progress are: an attempt to achieve the highest possible degree of deliberation; and gradualism, i.e., the avoidance of flash-in-the-pan solutions.

An important milestone in the development of the system of institutions was the establishment of the Economic Committee (Gazdasagi Bizottsag), in addition to the State Planning Commission (Allami Tervbizottsag). The purpose of establishing the Economic Committee was to separate the decision-making and continuous state administration in conjunction with the implementation of the national economic plan, from the economic managing activity of preparing and substantiating the plan. At the same time the number of government committees was reduced, and thus the danger that the decisions adopted by the governmental system might become dissipated declined. (The Committee on International Economic Relations ((Nemzetkozi

Gazdasagi Kapcsolatok Bizottsaga)) and the Interministerial Price and Product Marketing Committee ((Tarcakozi Ar- es Termekforgalmazasi Bizottsag)) were abolished.)

In sum it can be established that two government committees were formed in the area of economic management: one concerned with the more general questions of economic management and with the decisive questions of planning and regulation (State Planning Commission); and the other to direct the implementation of the plans, the government's day-to-day work (Economic Committee). Accordingly, the task of the Economic Committee is to coordinate the continuous, day-to-day tasks of management, but it also has been assigned the task of directing international economic relations. An essential consideration in establishing this committee was that the external and internal economic processes be under unified and continuous central management.

An important step in developing central management's system of institutions was the establishment of the Ministry of Industry, and the expansion of the authority of the National Materiel and Price Office (Orszagos Anyag es Arhivatal). As before, the Ministry of Industry performs branch, public-agency and enterprise-supervising functions. Accordingly, it participates in the formulation and implementation of the economic-policy objectives applicable to the industries that it manages, and coordinates the development of these industries, mutually and with the other branches of the national economy. For the most part it has been relieved of the product-marketing and primary pricing-authority functions that have been taken over by the National Materiel and Price Control Office. The Ministry of Industry is able to ensure conditions far more favorable than previously, for the formulation of an integral industrial policy, for the coordinated elaboration of this policy's system of objectives and instruments, and in general for realizing the management of industry in accordance with the new basic principles of management. Enterprises can thereby enjoy greater independence, together with all the resulting advantages, and central management of industry can substantively become more efficient and effective, due to the fact that it will be able to investigate and analyze, comprehensively and in a coordinated manner, truly significant questions that pertain to industrial policy.

Expansion of the authority of the National Materiel and Price Control Office makes it possible to better integrate into economic management as a whole the market-supervision activity related to day-to-day management, and within this also the general principles of market regulation and its mode of functioning in practice can better meet the requirements of the new stage of intensive economic development.

In the course of the institutional changes in central state control, a framework has essentially developed that will be retained, so it seems, also in the long run. Thus the principal task in the coming period will not be primarily the preparation of new organizational changes, rather

the consolidation of the existing organizational framework and structure, and imparting substance to it, so that this organizational structure may perform its basic function more and more effectively and may overcome as soon as possible the initial difficulties that necessarily accompany changes. Consequently, the primary task in the future will not be structural rearrangement--although it too cannot be excluded when warranted--but the consolidation of the existing structure and the increase of its effectiveness.

Gradual changes occurred during the past period also in the organizational structure of the enterprises. Several large enterprises have been organizationally decentralized, in accordance with the functions of the given enterprises and economic units, or for the more effective performance of these functions. Perfection of the enterprises' internal mechanism, and the granting of greater independence and responsibility to the factory units within these enterprises have been formulated as stricter requirements. This activity is continuing, but here again it is necessary to avoid flash-in-the-pan and perfunctory solutions. In accordance with this, the crietrion for deciding is not size alone, rather the substantive task or function that must be solved. On the basis of the latter it might be warranted to establish small and intermediate enterprises, to organizationally decentralize nationwide large enterprises, or to choose organizational centralization of enterprises when this is warranted, and occasionally to increase the size of an enterprise through organizational solutions.

Flexible Management

The requirements and practice of comprehensively perfecting the system of economic management will necessarily bring about also organizational structural changes that might cause local conflicts. This again raises the question of how to interpret national economic stability and local stability. After careful deliberation, the answer can only be that national economic stability is of fundamental importance, and in its interest it may be necessary to accept in warranted cases even the purposeful disruption of local stability.

In the practice of economic policy, in economic management and in the plans, it is necessary to assert the principle that, amidst changing conditions, complete stability cannot be maintained in every area of the economy, neither in relation to the objectives nor to the employed instruments. Uncertainties necessarily exist also in the plan's assumptions--due predominantly to external conditions, and also because of certain internal factors. Therefore we must pursue a practice of economic management that monitors the processes more closely. When there are significant changes in the basic assumptions, or when the economic processes significantly depart from the expected, economic management must prepare in due time proposals for suitable measures.

Admittedly, more time is needed for the complete unfolding of the forces that stimulate a rise in efficiency, but progress has been slower than

desirable or feasible. Therefore the modernization of management, and within it of economic regulation, remains a continuous and simultaneously pressing task. The greater effectiveness of economic regulation requires that we dismantle the built-in compromises, and that we enhance flexible adjustment to the changing conditions, through timely corrections and careful consideration of the requirements.

Over a long period of time the enterprises have become accustomed to a relatively high degree of stability, but now they must regard as natural the requirement of effective management that flexibly adjusts to changes in the external and internal conditions. The security that far-sighted management demands must be provided basically by the enterprises themselves. Central management must, of course, provide the enterprises with the assitance necessary to this end. Central management can do this basically by catching up more closely with the stricter requirements.

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SITUATION OF HARD CURRENCY EXPORTERS ANALYZED

Budapest FIGYELO in Hungarian 15 Jul 81 p 5

[Report by Mrs Katalin Fazekas-Kovacs, "Profitability and Growth In Non-Ruble Exports"]

[Text] The past year's slacking foreign market demand, resulting from the worsening world economic situation, had a breaking effect on the dynamic growth of exports. In order to evaluate the degree to which the enterprises were able in 1980 to reach, under increasingly difficult conditions and within the framework of the 1980 modification of the price and regulating system, the results expected from this modification (the increase of profitable non-ruble exports, the improvement of production structure and the increase of efficient production), we looked at the export and profit situation of 80 enterprises which are doing most of the non-ruble exporting. (The 80 enterprises with the largest export quotas were selected on the basis of 1979 data.) These enterprises did 85 percent of the non-ruble exports. The enterprises surveyed had a 57 to 97 percent share of the respective industry's exports and thus the industries are well represented.

Higher Revenues

The largest industrial exporters increased their non-ruble exports by 5 percent in 1980 which is hardly different from the increase in the industry as a whole. The entire volume of the exports increased moderately and decreased in metallurgy and in light industry.

Only the surveyed mining and chemical enterprises, i.e., the relatively large exporters were able to increase their non-ruble exports more substantially. In the machine industry and the light industry, on the other hand, the exports increased substantially in those enterprises which were not surveyed, i.e., in those with relatively small exports.

The reason for this is probably that the latter two industries' enterprises that were surveyed, even the profits from non-ruble exports* were lower than in the respective industries as a whole. Profitability in the machine industry's largest

* Export profitability = the relationship (in percentage) between export production and all the revenues from the sales abroad.

exporters was 6.3 percent, in the entire branch it was 7.5 percent; in the light industry, it was 11.7 and 12.4 percent, respectively.

The relationship between the enterprises' non-ruble export profitability and the dynamism of their exports becomes much clearer if we look at it according to degrees of profitability. Enterprises with more profitable exports increased dynamically, those with losses or low profits increased only slightly or decreased their exports.

The average of 9 percent profit of the largest exporting enterprises' 1980 exports had an extreme differentiation between the enterprises. One-seventh of the enterprises had very high, 32 percent export profits.

Similar to the industry as a whole, most of the largest exporters had smaller non-ruble export profits than last year. (The only exception is the food industry.) The chemical industry and metallurgy had the most significant decrease of last year's quota.

Changing Profitability

Of the largest exporters, 63 had less export profits than last year.

Twelve of them had a large decrease, in excess of 20 percent. Most of these were chemical and metallurgical enterprises. This is connected to the fact that these two industries had the highest losses in profits.

The largest exporters--just like the industry as a whole--were able to realize the objective of making non-ruble exports more profitably than domestic trade; the profits of the former are more than twice as high as those of the latter. However, this tendency, which is apparent in the various industries, developed in the individual enterprises as an average of the reciprocal differences between the two markets.

In comparing individually the profits of the largest exporters in some industries (in the machine industry, the chemical industry and the light industry) resulting from non-ruble exports and domestic trade, the following becomes apparent:

-- of the three industries' enterprises surveyed, 18 had a small (5 percent) difference between the profits coming from the two markets;

-- the above difference is more significant in the case of the majority of enterprises (39).

The direction and degree of the differences at these enterprises are shown in the table below:

Differences Between Profits Resulting
From Non-Ruble Exports And Domestic Trade
in 1980

Difference, in %	Number of Enterprises in Machine industry	Chemical industry	Light industry
Enterprises with lower exports than domestic sales			
-- 20 and below	4	2	-
-- 10 to 20	-	2	-
-- 5 to 10	4	1	-
Total	8	5	-
Enterprises with higher exports than domestic sales			
-- 5 to 10	3	2	7
-- 10 to 15	2	3	4
-- 15 to 20	2	1	1
-- 20 and above	1	-	-
Total	8	6	12

There are 12 enterprises in the light industry where export profits are significantly higher than domestic profits; there was no reversed difference in this branch. In the case of most of these enterprises, however, lower domestic profits also mean lower export profits.

In the machine industry and the chemical industry, half of the enterprises had more, and half had less non-ruble export profits than domestic profits. The illustrated difference between the two markets' profits means that the enterprises have a limited interest in boosting their export profits. The world market has a one-sided effect on the domestic users of their products; however, as producers, do not sense the world market's value system.

It is a basic task to improve the profitability of non-ruble exports. This requires more economic pressure resulting in more efficient management and a more favorable export structure.

Enterprise Output

The 1980 changes in the profitability of non-ruble exports, described above, is closely related to the management of the exporting enterprises.

In the food industry, where half of the selected enterprises increased their export profits, the large exporters' profits increased more (by 72 percent) from last year than the industry's other enterprises (by 58 percent). On the other

hand, in most of the industries, decreased export profits are related to a decreased output by the large exporters (which reflect the degree of their interest) when compared with enterprises which are less export-oriented. In the machine industry, for example, the output of the large exporters was 47 percent less, and that of the industry's other enterprises was 35 percent less, than in 1979.

Thus the output of the 80 largest exporters was greatly affected by the changes in export profitability. The selected enterprises decreased their output since 1979 more rapidly than most of the other enterprises which decreased their non-ruble exports. For these enterprises were exporting with great losses or lower profits than the previous year's.

Most of the enterprises which greatly increased their non-ruble exports, decreased their output although at a rate slower than average. This is connected to the fact that profits decreased even for those enterprises which had the highest export profits.

The relationship between export profitability and enterprise output shows that the situation of the export-oriented enterprises became worse in 1980. The exporting activity of the largest exporters show that the increase of the industry's profitable non-ruble exports played a smaller role in the improvement of balance than planned. Most of the enterprises tried to reach their goals related to profitability and increased revenues by stopping unprofitable exports. Thus in many cases the decreased exports were by themselves enough for the enterprises to show an adequate export profit.

Last year's experiences show that the enterprises were not forced enough to explore their internal resources for the improvement of the efficiency of their management and for a better export structure. However, all of this is an indispensable requirement in today's world economic situation which is expected to become even worse; it is a basic requisite for the implementation of national economic goals.

9414
CSO: 2500/338

MANPOWER POLICIES, EMPLOYMENT PUT IN PERSPECTIVE

Budapest FIGYELO in Hungarian 29 Jul 81 pp 1, 4

[Article by Ferenc Munkacsy: "After the Change, Before the Change"]

[Text] Full and effective employment is the dual goal of the Sixth Five-Year Plan's employment policy. Some "unusual" processes have started to operate recently, and knowing about these causes some experts to question whether this dual goal can be implemented simultaneously.

The number of active wage earners decreased during the time period of the Fifth Five-Year Plan, for the first time in decades. A trend we have gotten used to for a long time has also reversed itself in industry, the construction industry and agriculture. Employment which in the past grew rapidly in industry and in the construction industry first became stagnant, then perceptibly decreased. Employment in agriculture, which until now steadily decreased, on the other hand started to increase at the end of the plan's time period, even though probably only temporarily. Moderation of the manpower demand, and the relative increase of manpower migration at the initiative of the employers, were new phenomena in the last 2 years.

My opinion is that more detailed analysis of the processes which took place, and differentiation between phenomena with long-range effects and the temporary ones have great significance. The reality of maintaining full employment and at the same time improving efficiency can perhaps be better evaluated on this basis.

Industry, the "Loser"

In recent decades social policy has been the decisive motivating force behind the state's activity influencing the supply and demand of manpower, and thus the economic policy viewpoints were necessarily forced into second place. Due to the policy deriving from the need of implementing full employment as soon as possible, and from the extensive-type growth, the demand for manpower broke away for a long time from the actual needs, and the manpower supply policy also developed independently.

There is no question that this manpower policy was necessary and unavoidable in the original period of economic development, but by the early 1970's it had become untenable. The supplementary manpower resources had been exhausted, the world

economic environment had undergone radical changes, and because of these, increasing the efficiency became a "question of survival." The general overdemand for manpower became the source of greater and greater social and economic tensions. And, to top it off: the overemployment which developed in most production areas, decreased our competitiveness. (It should be noted that overemployment was characteristic primarily in the industry and in the large-scale industries, while shortages developed in the delivery of services and in the area of smaller operations, which in turn led to further tensions, and tensions of other types.)

Thus by the mid-1970's, modification of the economic directives concerning employment became unavoidable. Bringing the manpower demand closer to the actual needs received more emphasis than before. Modification of the economic regulators also reflected this requirement, but noticeable changes also occurred in the ideologies of the regulatory and social organizations. The "shortage psychosis" subsided and became more bearable.

Attraction of the manpower to areas which until now were unjustifiably lagging, now improved due to various central measures, and to the effect of the monopolistic situation deriving from the shortage: a regrouping of the manpower began, the "loser" of which was industry for the first time in decades. Due in part to the effect of economic regulation, the industrial enterprises understood the need for manpower reductions, which--and this is not unimportant--took place for the most part through passive behavior of the affected economic operating units. Taking active steps to consciously cut the excess manpower was not the typical way this occurred.

The regrouping was regulated by the attracting powers of the "receiving party," thus the process did not lead to unemployment. And because the industrial enterprises did not want to replace some of those who quit, the whole process resulted in a general decrease of manpower demand. And in the final analysis the demand shifted towards the actual need.

All this occurred independently of the change in the economic growth rate. A shift of this type would probably have been unavoidable even if the earlier growth rate had been maintained. But due to the effect of the pressing external circumstances, the dynamics of industrial and construction industrial production significantly decreased. Inasmuch as improving the efficiency of manpower utilization is justified even under such circumstances, it must be assumed that when production just barely increases or even stagnates, the actual demand for manpower will decrease.

Thus during the period when the demand for manpower was to some extent adjusted to the actual needs, the need itself probably also decreased. Therefore there was no sharp improvement in the efficiency of manpower utilization. However, on the other hand it is also true that if the change in attitudes concerning manpower demand had not preceded the slowdown in economic growth, that is, had we managed manpower the old way even under the changed circumstances, efficiency would have significantly deteriorated. Thus, realizing that we witnessed two simultaneous processes here which for the most part were independent of each other, is part of the realistic evaluation.

Questions Awaiting Answers

Outlining the manpower situation expected for the near future is not a simple task because of the above-mentioned contradictions. The least certain factor is the actual manpower need. It is not my job to take a position in this, but I predict that among other things the answer will have to be found for the question of whether the reduced growth rate of industrial production is a temporary or a lasting process? The relationship between economic growth rate and the expected increase of productivity is also unclear. Even a superficial analysis of the available data shows that the assumption according to which the dynamics of productivity can be shaped independently of production's growth rate is in error. This is because the opportunities and conditions for increasing productivity are entirely different in a stage when economic growth is rapid, and in a stage when production is expanding only moderately and when the area of investing is limited. It should also be clarified whether the productivity index calculated simply as the ratio of output to employment is at all suitable to express the effectiveness of manpower utilization.

Even with these open questions we can take a position that the demand for manpower even today significantly exceeds the actual needs and, of course, also supply. Overemployemnt is still characteristic for most of the industry and construction industry. For most of the industry and construction industry the goal is to decrease the demand for manpower, mainly by moderating manpower utilization. But it has not been proven yet whether this tactical element of the employment policy can become the strategic goal of the future.

Attention must also be called to the fact that changes will take place in some of the conditions which influence the employment policy. It can be expected that the appeal of areas which until now have exerted a strong pulling effect on industrial manpower may perhaps decrease compared to the past. That is, from the viewpoint of increasing efficiency it is no longer enough to simply acknowledge the spontaneous decrease of employment, but conscious initiatives must be taken to increase the efficiency of manpower utilization, and where the economical activity can not be expanded surplus manpower must be reduced.

Pay Attention to the Requirements

It is a fact proven in many different ways that enterprises naturally strive to stay alive and even grow, consequently, active steps to decrease employment are essentially foreign to the past behavior of the enterprises. Thus basic condition of efficient employment is for the directing economic authorities to force the implementation of this activity which is important to the national economy but disliked by the enterprises. Last year's production and employment data indicate that this pressure is not strong enough.

However, not only the behavior of the enterprises but also public opinion about manpower migration can be obstacles to implementing the efficiency requirements. We can expect more active migration in the future since the "macrostructural changes" we already discussed, will have to be supplemented by "microstructure changes" resulting from modifications of the product structure. A brisk manpower

turnover in itself would not yet mean a source of tensions since this has been characteristic already in the past. The difference stems from the essential fact that we must increasingly take into consideration the decrease in demand worldwide for manpower. It is very probable that a portion of the justified migration will take place in such a way that the workers change employers or occupations not voluntarily but as a result of pressing economic circumstances.

Unemployment Psychosis?

During the era when manpower was generally in excess demand, the majority of workers were in a favorable situation. They were able to pick and choose among employment opportunities. Thus the migrating manpower "increased in value," and often a change in occupation or employer involved significant financial or other advantages. As the excess demand decreases worldwide the previously attainable advantages will also become smaller or may even be eliminated. Many [workers] will feel slighted by this.

Decreasing the excess supply of manpower in itself also cause local social tensions, without even approaching the world equilibrium. This is so because the need for manpower does not change evenly in the individual geographic regions, or occupations (that is, on the "partial markets"): in one location it may significantly decrease, while in another area it may actually increase. Considering the fact that the transition is difficult between the individual segments, it can easily happen that a noticeable oversupply develops in certain "partial markets," and the automatic mechanisms to handle them are not there--due mainly to the public opinion. But in other areas the excess demand for manpower may remain.

The excess supply which develops from time to time in certain areas of the manpower market requires the state to take steps to maintain full employment. These steps may result in maintaining a manpower demand which exceeds the actual needs (that is, which relaxes the efficiency requirements).

Maintaining full employment is a basic achievement of socialist society. So much so that in case of a conflict between full and efficient employment, the former enjoys the advantage. But the timing when these two requirements are made to confront each other, is not immaterial: Whether this is done when overdemand otherwise characterizes the partial manpower market for the most part, or when the global employment equilibrium is near. If the manpower market is rigid, then full and efficient employment may be in an actual conflict with each other. We cannot expect this to happen within the foreseeable future if the favorable social conditions exist for implementing the necessary manpower migration.

Thus the key question of the manpower situation in the near future is whether the socially necessary mobility which also insures a simultaneous increase in the efficiency of employment can be implemented while maintaining full employment. As a result of the earlier, extensive growth stage, the social conditions are not yet fully available for this. Creating the necessary conditions is a complicated and thankless task because it requires changing old attitudes, but this is unavoidable under the changing circumstances.

8584
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BRIEFS

ECONOMICAL CORN DRYING--The joint enterprise of the collective farms for the industrial-style raising of hogs has evolved an energy-conserving process for corn processing. Results at the farms where it has been tested are encouraging. The process consists of three parts. The first calls for early-maturing corn which can be harvested before the Fall rains and which is therefore low in moisture. Next, a special device pricks the shelled corn thereby enhancing its ability to release moisture during drying. Finally, an ingenious method is used to recirculate and reuse the steam generated in the course of the drying process. It costs 60 forints worth of fuel oil to dry 100 kilograms of corn by traditional methods. Two-thirds of this cost are saved under the new method so that drying a quintal costs only 20 forints. By next year, 30 hog-raising collectives will be able to adopt this method of handling corn for hog feed. [Budapest MAGYAR NEMZET in Hungarian 8 Aug 81 p 3]

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END

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2 September 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2168

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2 September 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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CEMA'S ACTIVITIES IN 1980 DESCRIBED

Moscow APN DAILY REVIEW in English 22 May 81 pp 1-10

[Article: "CEMA'S ACTIVITIES IN 1980"]

[Text] The member countries of the Council for Mutual Economic Assistance, implementing the economic strategy of their communist and workers' parties, have accomplished new achievements in creating the material base of socialism and communism, in raising living and cultural standards of their peoples. The national income of the CEMA member-states increased on the whole by 22 percent in the past five-year period (1976-1980). Industrial output grew by 26 percent. Labour productivity went up by 20 percent. The average yearly gross output in agriculture amounted to 109 percent against 1971-1975.

The implementation of the Comprehensive Program for Further Deepening and Improvement of Cooperation and the Development of Socialist Economic Integration facilitates the joinging of efforts by countries in the interests of resolving key economic problems, strengthening the might, unity and international prestige of the CEMA countries, dynamic and stable development of their national economies, deepening of the international socialist division of labour and levelling of economic development.

The national income of the CEMA countries on the whole increased by 66 percent in the seventies. The volume of capital investment grew by 73 percent, gross industrial output--by 84 percent, gross agricultural output--by 15 percent.

Cooperation in Planning

In 1980, the CEMA member-states and the Council bodies completed on the whole work on coordinating the national economic plans for 1981-1985. The main conditions were thus created for elaborating their national economic plans and for the stable development of their economies in the current five-year period.

The coordination of plans was carried out simultaneously with the elaboration and beginning of the implementation of long-term purpose-oriented programs of cooperation and bilateral long-term programs of developing specialization and cooperation of production. The coordination was conducted with due account for the agreed measures on cooperation in resolving a number of major problems for an extended perspective in the key branches of material production.

The CEMA member-states signed by the beginning of 1981 with a view to implementing the long-term purpose-oriented cooperation programs 121 multilateral agreements on economic and scientific and technical cooperation.

A great deal of work has been done on elaborating a draft Coordinated Plan of Multilateral Integration Measures for 1981-1985. The draft contains major measures on cooperation included in the long-term purpose-oriented cooperation programs and agreed upon during the coordination of plans.

The past year saw the implementation of measures of the Coordinated Plan of Multilateral Integration Measures of the CEMA member-states for 1976-1980. The trunk gas pipeline "Soyuz", Kiembayev ore dressing plant, the first stage of the Ust Ilim pulp-making plant, plants producing iron-containing raw materials and some types of ferroalloy and other facilities were made operational.

Scientific and Technical Ties

In 1980, the CEMA member-states and the Council bodies, in implementing the provisions of the Comprehensive program in the field of science and technology, concentrated their efforts on completing work envisaged by plans and programs of cooperation during scientific and technical research of mutual interest in 1976-1980 and on working out appropriate plans and programs of cooperation for 1981-1985. Special attention was given to measures connected with the implementation of the long-term purpose-oriented cooperation programs and the Coordinated Plan of Multi-lateral Integration Measures.

More than 2,000 scientific studies were completed in the course of cooperation. Work continued on working out a draft section on science and technology of the Coordinated plan for 1981-1985. 50 big assignments were set forth on developing new equipment and technology to be included in the draft section.

The CEMA committee for scientific and technical cooperation examined the results of cooperation on problems in the field of developing MHD-electric power plants, new energy sources and pesticides, as well as proposals for raising the efficiency of the scientific and production association "Interetalonpribor" and organizing cooperation on introducing achievements in the field of welding and all-round use of timber. In welding, about 200 investions were introduced into the national economy of the CEMA countries. Among this is a semi-automatic machine, jointly designed by the "Intermigmag," which features high technical properties.

A general detailed program of cooperation for 1976-1980 in the field of environmental protection and the rational utilization of natural resources was successfully implemented. More than 400 scientific research and designing works were completed. A program of such cooperation for 1981-1985 was worked out. Much attention was given to organizing cooperation of interested countries in implementing the convention and resolution on long-distance transboundary air pollution and of the declaration on low and non-waste technology and reutilization and recycling of waste.

During the period under review, more than 17 new multilateral agreements on scientific and technical cooperation were signed within the CEMA framework,

including general agreements on facilitating the rapid development of science and engineering in the Socialist Republic of Vietnam and the Republic of Cuba.

Problems of Fuel and Energy and Raw Materials

Consistently implementing the program of work on developing energetics, the interested CEMA member-states have worked out and signed an agreement on cooperation and conducting scientific research and designing to develop generating sets with water-cooled and water-moderated reactors with a capacity of 1,000 megawatt and to improve further reactors of this type. Measures were implemented on fulfilling a general agreement on cooperation of the interested CEMA member-states in building on Soviet territory of the Khmelnitsky atomic power plant and an agreement on cooperation in building and launching into operation of the 750-kilovolt electric power line between the Khmelnitsky atomic power plant (USSR) and Rze zow (Poland).

In connection with the launching of the 750-kilovolt electric power transmission line Vinnitsa-the Western Ukraine (USSR)-Albertirsa (Hungary), the countries participants in the Central Dispatching Department carried out measures linked with the mastering of fundamentally new modes of parallel work of the Joint Energy Systems and the Single Power Grid of the USSR, as well as on launching new electric power transmission lines within the system.

The total generation of electricity by the members of the Central Dispatching Department reached in 1980 668.8 billion kW/h and was 3.3 percent higher than in the previous year. The volume of reciprocal energy deliveries amounted to 31.6 billion kW/h. The estimated effect from the coordination of the schedules of loading on individual energy systems and the joint energy system of the CEMA member-states on the whole amounted to 2,036 megawatt in December 1980.

In the field of the peaceful use of atomic energy, agreements were signed and programs adopted on cooperation in developing generating sets with big-capacity water-cooled and water-mode-rated reactors and designing a powerful fast neutron reactor installation. A broad range of neutron-hysical, thermal-hydraulic and dynamic research was made into water-cooled and water-moderated reactors, type 400 and 1,000.

The volume of reciprocal deliveries of nuclear technology between the countries whose economic organizations are members of the international economic organization "Interatominstrument" reached in 1980 more than 38 million transferable roubles. The share of specialised products was 40 percent.

The rated capacity of atomic power plants in the CEMA member-states reached 17,800 megawatt by the end of 1980, including (in thousand megawatt): in Bulgaria--1.32, the German Democratic Republic--1.83, the Soviet Union--13.77 and Czechoslovakia--0.88.

Work was completed on studying the prospects of the availability of oil and gas and determining the basic trends of geological prospecting for oil and gas, compiling maps forecasting availability of coal and on the industrial assessment of promising regions. Vast material was generalized on the geology of oil and gas and coal bearing basins.

A high geological and economic effect was produced during the implementation of the agreement on coordinating surveying and geological prospecting for oil and gas in the corresponding geological regions. Joint research work by specialists from the interested countries made it possible to assess the prospects of availability of oil and gas in the border areas and work out optimal conditions for conducting geophysical surveying. Cooperation on these problems produced an economic effect worth about 40 million transferrable roubles.

In 1980, the Soviet Union provided, by the gas pipeline "Soyuz" which has attained its built-in capacity, Bulgaria, Hungary, the GDR, Poland and Czechoslovakia with 2.8 billion cubic meters of gas each, and Romania with 1.5 billion cubic meters.

In the field of ferrous metallurgy, a number of problems were developed connected with the development of cooperation on ensuring the requirements in special materials for the radiotechnical industry,--electrical sheet steel, metal cord, steel ribbon and high-strength wire, etc.

In the field of non-ferrous metallurgy, the CEMA countries put into operation new facilities mining copper and lead-zinc ores, as well as bauxites, producing alumina and aluminum, melting copper, lead, zinc, and rolling non-ferrous metals.

Agreements were implemented on specialization and cooperation in the production of a number of chemicals, including synthetic rubber, chemical and biochemical fodder admixtures, pharmaceutic products, articles of tyre making industry, herbicides, dyes, energy consuming and low energy consuming products.

The successful cooperation between the CEMA countries in this area reliably ensured the availability of fuel and energy resources and raw materials despite the continuing energy crisis in the capitalist world.

Agriculture and Food Industry

In the selection of agricultural crops and the use of the results produced, the exchange of stock material was expanded, new varieties, hybrids and lines with valuable economic and biological properties and qualities were produced. Important results were obtained in applied genetics, acceleration of the selection process, enhancing the potential of the productive fodder mass and seeds, and raising resistance to diseases and pests.

The results of 76 scientific research works were proposed for use.

Programs were fulfilled on cooperation in designing food industry enterprises in the past five-year period, particularly, poultry processing, cheese making factories and a cannery, all-round mechanized and automated stores of food industry enterprises, etc.

Mechanical Engineering

The year 1980 saw the completion of the drafting of agreements stemming from the long-term purpose-oriented program on cooperation in mechanical engineering. Eighty-nine draft multilateral agreements on specialization and cooperation of production

and proposals for deepening and expanding specialization on the earlier concluded agreements were worked out. Fifty-one agreements on specialization and cooperation of production were drafted. They cover equipment for ferrous and non-ferrous metallurgy, concentration of solid fuel, ferrous and non-ferrous metals, mined chemical raw materials, and corresponding units and parts; equipment for secondary oil refining, producing chemical products; sea-going ships, inner waterway vessels and other vessels; strip mining equipment for ores and non-ore minerals; transport equipment; tractors and agricultural machinery; automobiles; equipment for the food industry and other branches.

A number of agreements were signed, including a treaty on specialization and co-production in the field of metal cutting equipment and auxiliary parts. A treaty was drafted on multilateral international specialization and co-production of individual types of special technological equipment for the production and testing of radiotechnical and electronic articles.

Transport, Communication

The earlier adopted agreements on developing transportation were complemented by another two--on cooperation in the comprehensive development and reconstruction of the motorways Rostock-Berlin-Prague-Budapest-Bucharest-Constanta, and Gdansk-Warsaw-Bratislava-Budapest, Bucharest-Constanta with a branch road Craiova-Calafat-Vidin-Sofia. Much attention was given to the development and intensification of international railways, ensuring the transportation between countries of especially heavy and large-size equipment for atomic engineering, as well as establishing an operative system to control the movement and handling of locomotives and tonnage of interested countries. Work was conducted on improving the International Railway Transit Tariff and rates for the use of freight cars. The implementation was started of the general agreements on cooperation between the interested countries in developing international airports.

Ways were outlined of improving the operation of railway transport, perfect automobile haulage between the CEMA member-states, reconstruct and increase the throughout capacity of international motorways and improve cooperation in the field of water transport. A plan of measures on creating a coordinated automated complex communication system was approved for transferring information of all types at the second stage in 1981-1985.

Consumer Goods Production

New agreements were signed, including those on cooperation in expanding from their own resources furniture manufacturing facilities in Romania and Czechoslovakia with a view to delivering furniture to Mongolia and the USSR during the period ending in 1990, on multilateral international specialization and co-production of selected types of special-purpose furniture. Agreements were drawn up on cooperation in expanding the production of furniture accessories, on scientific and technical cooperation in creating high quality fur substitutes, on cooperation in specialization and co-production of non-woven fabrics.

Monetary-Financial Activity

The CEMA standing commission on monetary and financial affairs, the International Bank for Economic Cooperation and the International Investment Bank took measures to further enhance the role of the collective currency (transferrable rouble).

The overall volume of operations by the International Bank for Economic Cooperation reached 176.3 billion transferrable roubles, including the sum of reciprocal accounts of the Bank members which reached 122.9 billion transferrable roubles, or 107.8 percent of the 1979 level.

The value of transferrable rouble credits granted by the IBEC to the authorized member banks reached 9.7 billion transferrable roubles in 1980, which is 16.8 percent more than in 1979.

In 1980, the International Investment Bank accepted for crediting eight projects for a total sum of the credit worth 157 million transferrable roubles. Forty-seven Bank-credited projects were put into operation between 1971 and 1980. Before 1980 these projects exported to the CEMA member-states more than 5.8 billion transferrable roubles' worth of goods.

Other Areas of Cooperation

Work was carried out in the field of material and technical supplies to implement cooperation in saving ferrous metals, cement, timber and to expand the utilization of scrap metal and waste of non-ferrous metals and secondary plastics.

Cooperation continued in exchanging products of industrial-technical and other designation. A program was approved on establishing a system of standard documentation on the activities in the field of standardization, metrology and quality of products.

In 1980 767 CEMA standards were approved, including 146 for the standard-technical (standardizational) support for the measures on cooperation in the field of energy, fuel and raw materials; 25--in the field of agriculture and food industry; 116--in the field of mechanical engineering, electrical engineering and radio electronics; 43--in the field of consumer goods production and five--in the development of transportation.

International Ties

The CEMA member-states actively cooperate with other socialist countries as well as with developing nations and industrialized capitalist states.

Under an agreement between CEMA and Yugoslavia, the latter continued to participate actively in the work of the Council bodies. Yugoslavia is taking part in more than 80 agreements on multilateral specialization and co-production, scientific and technical cooperation, including those connected with the fulfillment of long-term purpose-oriented cooperation programs. Its cooperation within the CEMA framework covers 23 areas.

Allround cooperation between CEMA and Finland is successfully developing. By the end of 1980, the organizations and firms of the interested CEMA members and Finland concluded 29 agreements. Trade between the CEMA countries and Finland in 1980 reached 4.3 billion roubles against 2.9 billion in 1979. Cooperation covered mechanical engineering, chemical industry, transport and scientific and technical ties.

The CEMA member-states rendered economic and technical assistance to 90 developing countries, including 27 countries in Asia, 43 in Africa and 20 in Latin America.

As many as 4,658 various industrial enterprises and other facilities have been built, are being built or will be built in developing countries with technical assistance of the CEMA countries; 3,157 of them have already been made operational.

Higher and specialized secondary educational establishments in the CEMA countries trained more than 47,000 specialists from developing countries in the past decade. CEMA scholarships are granted to about 3,000 students from 48 developing countries who study in the CEMA countries.

Agreements on cooperation between CEMA and Iraq, between CEMA and Mexico are being implemented.

In 1980, the CEMA carried out regular contacts of various kinds with more than 60 international economic and scientific and technical organizations.

CSO: 2020/60

PARALLELS DRAWN BETWEEN POLISH, OTHER CEMA ECONOMIES

Duesseldorf WIRTSCHAFTSWOCHE in German Vol 35 No 24, 5 Jun 81 pp 32-33, 36-37, 40, 42

['The Report' Feature article: "East Economy: Fear of Area Conflagration"]

> [Text] The events in Poland have alarmed the world, above all the political leaders in the Eastern Bloc. The conditions that gave rise to the storm are present not only in Poland.

"All of the communist states of East Europe are confronted with an economic crisis that may result in political and social tensions more serious than those in Poland."

This is the conclusion drawn by the Joint Economic Committee of the American Congress from a study of the economic development in the Eastern Bloc. The American researchers predict: "The 1980's are shaping up as a decade that will be of crucial significance for the entire Eastern Bloc."

In fact, Poland appears to be merely the visible tip of the iceberg. As is well known, such a cold colossus shows only about one-ninth to one-seventh of its actual volume. The main body (in this case the USSR, the GDR, the CSSR, Romania, Bulgaria, Hungary, Mongolia, North Korea, Vietnam and Cuba) remains below the surface.

Upon closer consideration, the parallels to Poland are quite evident. In Poland, the outbursts of anger were sparked by the meat price increases; sooner or later, however, the entire bloc will be engulfed in a conflagration, unless changes, i.e. improvements, are instituted.

Consumer goods are scarce everywhere. Meat, the most important food item, is in short supply. According to British observers, toward the middle of last year there broke out in the Soviet Union "the worst food shortage in 20 years." Shortly before the beginning of the Olympic Games, meat and dairy products fell into short supply in the entire country--the guests had to be fed.

At the 26th CPSU Congress, which adopted the new 1981/85 five-year plan, it was admitted that the previous plan was not fulfilled. Nor did the Party attain the objective emphatically stated in 1961 by Nikita Khrushchev, namely within 2 decades to lay the foundations of communism: "The USSR will then have at its disposal matchless productive forces; in the field of technology, it will outstrip the most advanced countries, and in regard to per capita production, it will occupy first

place in the world. On this basis, the socialist social relations will gradually turn into communist relations, and production will develop to the point where the needs of society and of all citizens can fully be satisfied."

The Soviet Union is far from attaining this objective. To be sure, no Soviet citizen is starving. The USSR news agency NOVOSTI proudly reports that the citizens of the Soviet Union "drink far more milk than the Americans and consume twice as much butter, more sugar and only somewhat fewer eggs." However, annual per capita meat consumption in the United States (119 kilograms) is over twice as high as that of the Soviet Union (58 kilograms).

The Soviet citizens are as dissatisfied with the supply situation as are the Poles. But they do not say so--at least not as loudly. In the Soviet Union, too, there were strikes and protests--above all in 1980--but they were far less extensive than those in Poland, and the official press passed them over in silence. Strike reports by Western correspondents were denied as malicious defamations.

However, the Soviet Union cannot conceal the fact that its economic growth has been slowing down. In the last 5 years, plan fulfillment averaged no more than 90 percent. Output of key industrial products was far below target. In 1980, the following plan arrears were registered: 30 million tons of oil; 90 million tons of coal; 15 million tons of steel; 40 million tons of fertilizer and 2 billion square meters of fabric. As regards improvement of labor productivity, plan fulfillment amounted to no more than 85 percent. The labor shortage continued to increase.

The new plan is to change everything: improve management, improve planning, and meet the demands of the population. The investment policy remains restrictive: in all sectors, including energy, the emphasis is on economy.

Food production (increases of 4.5 percent annually) is to be given priority. Agriculture remains an area of main emphasis, even though success has been long in coming. For the second time in a row, the grain harvest (1980: approximately 189.2 million tons) fell short of the annual target. According to the U.S. Department of Agriculture, this year's grain harvest could total over 215 million tons, if the weather conditions are favorable; the plan target of 236 million tons will not be met, however.

The abolition of the grain embargo by the American president considerably eases the burden carried by the Soviet Union, but grain is not the only weak spot: the 1980 sugar beet harvest (79.6 million tons) clearly fell short of the plan target of 98.4 million tons. As compared with 1979, total output of Soviet agriculture declined by 3 percent, notwithstanding the fact that the Soviet Government spares no expense in this sector. In the coming five-year-plan, too, 27 percent of total investments will be directed to the agrarian sector. So far, however, the expenditures are out of all proportion to the results. According to Soviet calculations, an investment of 12 billion rubles would be necessary to increase the annual agricultural output by 1 billion rubles per year; and this production increase of 1 billion contains hundreds of millions of additional costs, for most foodstuffs are subsidized by the state. Summing up the investments and subsidies, one arrives at a paradoxical conclusion: the greater the investments in agriculture, the smaller the national income.

Slowed Growth--The FRG's Foreign Trade With the Eastern Bloc Countries in the Last 2 Years (in Million Deutschmark)

Gedämpftes Wachstum

Außenhandel der Bundesrepublik mit den Ostblockländern in den letzten zwei Jahren (in Millionen Mark)

	1)	2) 1979	3)	1980		
	Ausfuhr	Einfuhr	Saldo	Ausfuhr	Einfuhr	Saldo
Sowjetunion 4)	6624	7381	− 758	7943	7517	+ 426
DDR 5)	5093	4792	+ 301	5875	5855	+ 20
Polen 6)	2464	2207	+ 258	2661	2495	+ 166
Ungarn 7)	2140	1687	+ 454	2194	1819	+ 375
ČSSR 8)	1982	1600	+ 381	1892	1901	− 9
Rumänien 9)	1978	1631	+ 347	1623	1599	+ 24
Bulgarien 10)	722	358	+ 364	874	324	+ 550
Kuba 11)	192	56	+ 136	188	105	+ 83
Vietnam 12)	100	9	+ 91	34	12	+ 22
Mongolei 13)	3	2	+ 1	4	2	+ 2

Quelle: Statistisches Bundesamt 14)

Key:

1. Exports
2. Imports
3. Balance
4. Soviet Union
5. GDR
6. Poland
7. Hungary
8. CSSR
9. Romania
10. Bulgaria
11. Cuba
12. Vietnam
13. Mongolia
14. Source: Federal Office for Statistics

The planners are calling for rationalization and increased efficiency in the agrarian sector. But without additional administrative and structural changes, success will be long in coming. But the Soviet leadership--anxious to maintain total control--cannot take the political risk of abandoning the rigid system of planning, of instituting democratization and decentralization of agricultural management.

Nevertheless, private agricultural production is assuming increasing importance. Since the kolkhozes (cooperatives) and sovkhozes (state farms) have not met the expectations, the state is allowing the private producers to increase their output--not out of sympathy for the small farmers, but out of necessity. Business in the free markets is booming; it is developing so rapidly that the leadership now fears the rural population may be tempted by profit considerations to neglect the work in the collective farms and state farms in favor of their private plots. This concern is justified, but the leadership has no alternative. The partner countries cannot be expected to be of assistance. They are in as bad a fix.

The Romanians in particular are having difficulties in the agrarian sector, primarily because they have faithfully been following the Soviet model. Romania's collectivized agriculture still is organized in accordance with Stalinist principles. The machines and tractors are not entrusted to the kolkhozes, but administered by central tractor stations. The restrictions concerning private plots are among the most stringent in the entire Eastern Bloc. The pay of the agricultural workers is far below the wages paid in industry. On 1 January, the state purchase prices for

agrarian products were raised by 12 percent, in order to stimulate production. The increase is financed through the state budget.

The food situation in Romania is quite tense and party leader Nicolae Ceausescu senses the latent unrest. Consequently, he promised that this year there would be no price increases. Nevertheless, the party leadership admonished the population, pointing out that between 1975 and 1980 the consumption of basic foodstuffs had sharply increased, that last year per capita consumption of meat had increased to 62 kilograms from 45 kilograms 5 years ago, and that during this period real wages had increased by 30 percent.

For 1981, the new plan stipulates considerable quota reductions. The national income is to increase by no more than 7 percent (1980: 8.8 percent). However, the 1980 target was not met and in 1979 the increase amounted to a mere 6.2 percent. As for investments, no increases are targeted for this year.

Bulgaria--which aside from Romania has so far been showing the highest growth rates--is pursuing a different strategy. Investments are to be expanded further. But this is the only difference. The economic growth Sofia promises the Bulgarians--who have never been pampered--is of extremely modest scope. Whereas the tourist hotels on Gold Beach and Sun Beach offer opulent meals, the meat counters in the stores for the native population are empty.

This is bound to result in dissatisfaction; it is a signal to the government and the Party to move with caution. The prescription: Agricultural production is to be stimulated; subsidiary farms are to improve the food situation.

However, the improvements are bound to be limited. Both retail turnover and wages and salaries will show only modest increases. The government even announced price hikes, although in view of the events in Poland they are to apply only to the producers. The prices of consumer goods have so far remained unchanged.

After prolonged hesitation, the Soviet Union's most faithful vassal now is seeking salvation in the West. The country plans to purchase technology and to extend cooperative ventures. Western investors are attracted by generous laws regulating the establishment of joint ventures. Sofia does not follow the course of import restriction chosen by its bloc partners for lack of funds. But then Bulgaria's indebtedness vis-a-vis the West (approximately $3.8 billion) still is relatively modest.

In the future, however, it may become more difficult to obtain Western credit. In view of the financial catastrophe that befell Poland, the Western countries are less willing to take risks. The commercial banks in particular will be very slow in granting loans. Western bankers have abandoned as erroneous both the old image of Eastern countries as faithful and reliable debtors and the so-called umbrella theory. To hold a protective umbrella over debt-encumbered partners would overtax the capacities of the Soviet Union: to do this, the Soviet Union would have to put a large part of its gold reserves on the world market. But this would immediately result in a sharp price drop--i.e. an additional depreciation of the Soviet resources.

Meanwhile, the Eastern Bloc countries have become more cautious in taking out loans, even though the demands still are very high; and the demands should be high, since without cooperation with the West, without shipments from the West, the Eastern planned economies would have gone bankrupt a long time ago.

The system of centralized economic planning is not capable of providing performance incentives. And wherever performance incentives are lacking, failures, shortcomings and chaos are the inevitable outcome. Even in those sectors, where free-market elements have crept into the planned economy, the problems are only mitigated, not solved.

A good example in this respect is Hungary, which in many respects deviates from the rigid norms imposed by the system of centralized economic planning. In Hungary, too, the food situation has been deteriorating. In 1980, there was less meat than in 1979. As regards other consumer goods, the demand of the population could not be met. Alarmed by the protest wave in Poland, the leadership hastily revoked food price increases.

The secretary general of the trade union federation SZOT, Sandor Gáspar, urged the government "to protect and maintain the high living standard of the working people." He pointed to the Hungarian trade unions' control and veto right "in all important social and economic sectors." And his admonition was heeded. The minister for domestic trade, Vilmos Saghy, promised the government would "make great efforts to increase food supplies by 10 percent and to eliminate shortages."

The enterprises were instructed to increase the output of consumer goods. And the state expanded consumer goods imports--both from the CEMA partner countries and from the West. The Budapest leadership has not forgotten the events of 1956. It moves with caution so as not to irritate the big brother.

Undoubtedly, the Hungarians live better than their neighbors; in the last few years, however, they have also been living beyond their means. Consequently, purchasing power and living standard are likely to drop rather than rise, especially since a new phenomenon--so far officially nonexistent in the East--is assuming increased importance: unemployment.

The reduction of manpower is a result of the restrictive policy pursued by Budapest. Capital expenditures for enterprises were cut by over 8 percent. Instead of the growth rates of at least 3.5 percent planned for 1980, industrial production decreased by approximately 2.5 percent. Exports were expanded--at the expense of the domestic market--by approximately 5 percent, in order to reduce the foreign trade deficit and to offset the increase in the energy and raw material prices.

The East Berlin leadership pursues a very different strategy. It appears to be satisfied with the agrarian sector, which allegedly will also in the 1980's be able to supply the population with sufficient food. But the problems of GDR agriculture cannot be totally hushed up. Costs are too high and both land and labor productivity are too low. Livestock feed still has to be imported and this necessitates sizable subsidies.

The hoed-crop harvests still fall short of the pre-war level. During the period from 1976 to 1979, the FRG produced 467 quintals of sugar beets per hectare, as

against 266 quintals in the GDR. Ingeborg Hoernecke, mechanizer in the Magdeburg Bottmersdorf Cooperative, gave vent to her disappointment in NEUER WEG, a publication for SED functionaries. She is irritated by the fact "that in the past under feudal conditions--our Boerde region produced over 400 quintals of sugar beets per hectare. And this is not possible under socialism, where each individual can fully develop his or her potential?" It is not possible.

Nor is it possible in the CSSR. The 1980 potato harvest fell short by one-third of the plan target, and the sugar beet harvest fell short by 1 million tons. The grain production target was almost fully met. Gustav Husak, party leader and head of state, urged the agrarian sector "to mobilize all reserves so as to help the country cut back on food imports." Even though the agrarian sector is to increase production by 10 percent, it will not be alloted more investment capital during the period from 1981 to 1985.

This applies to industry as well. Said Husak: "In view of the present conditions, we are forced to reduce the investment share of the national income." In the Seventh Five-Year Plan, the GNP is to rise by 2.7 to 3 percent per year, while industrial output is to increase by 3.4 to 3.7 percent. These are the lowest growth rates in the history of the country. Some Western experts feel that even these figures are too high.

The most serious problem confronting the highly industrialized country is to safeguard sufficient energy and raw material supplies for the production sector. The USSR--by far the biggest supplier in this sector--is no longer able or willing to increase its shipments. And for the Soviet goods the CSSR presently receives, it pays dearly, primarily with machines and equipment.

The country still is paying off the mortgage of 1968. After the occupation, Prague turned more and more toward the East. At first, this appeared to offer certain advantages. Instead of searching for outlets on the difficult Western markets, the CSSR supplied the USSR and other CEMA partners with finished goods in return for raw materials and semifinished goods. Due to the all too easy sales, however, the researchers and industry were not motivated to work on further improvements. Consequently, the technological gap vis-a-vis the world standard grew wider and wider. The shock was bound to come and it came: First there came the new oil prices and then the announcement that the raw material shipments from the Soviet Union would be frozen or even reduced. The only way out: Obtain more raw materials in return for hard currency. But the CSSR lacks foreign currency. And the Prague leadership is wary of going deeper into debt.

That leaves only exports. But what can the CSSR export? Agricultural products must be imported; the exports of Pilsen and Budweiser beer--highly esteemed by Western connoisseurs--are not even sufficient to pay for the grain imports.

Thus the leadership cannot think of anything better than to urge the Czechs and Slovaks to save and work. At the Party Congress, Husak did so unequivocally: "It is no secret that there are people who live at the expense of society, that they are not paid for their work, but for going to work."

The admonitions testify not so much to superiority as to panic--as do the constant, nearly hysterical threats addressed to Poland. The Prague leadership feels

insecure. It fears it may lose control. Events such as occurred in Poland would be an outright catastrophe. And what is true of Moscow, East Berlin, Bukarest, Sofia and Budapest is true of Prague as well: the failure of the planned economy fans dissatisfaction among the people.

The danger is seen in the GDR as well, even though the last SED Congress differed from the congresses of the fraternal parties: an optimistic film was shown and great hopes were held out to the population.

However: The ostentatious optimism obviously was inspired by the events in Poland. The bacillus of "democratic socialism" of the Warsaw type cannot be contained by political borders. There is no telling what the consequences will be for the Eastern Bloc and for Poland itself. The authors of the American study on the Eastern Bloc cautiously state: "The present crisis in the central decision-making organs of the East European economies may not only trigger restoration processes, but also give rise to problems beyond the control of the political authorities in those countries."

Strange Results of Economic Planning

The economic planners in the Eastern Bloc countries are unable to bring into line production and demand. As a result, there are shortages on the one hand and wasteful extravagance on the other hand:

Eighty-six percent of the GDR population have vision problems and approximately 50 percent need glasses; but of those in need of glasses, every fifth individual has to wait for a year and sometimes longer. According to the GDR authorities, the long wait is attributable to "production-related assortment gaps."

For a foundry in the Polish city of Lublin, machines valued at 2.3 billion zlotys were imported. Since the plant has not been built, the Western equipment still is in the warehouse, collecting rust. In the Krasnik Roller-Bearing Plant and in the Stalowa Wola Combine, the unused machinery is valued at 1.6 billion and 1.2 billion zlotys, respectively. In the Machine Building Ministry's enterprises alone, the unused machines--85 percent of which were imported--are valued at 10 billion zlotys. Critics of dubious projects have been eliminated or transferred. In one instance, a deputy minister president turned down a project that he himself had proposed when he held the ministerial office.

On account of paper shortage, the central party organ TRYBUNA LUDU was forced toward the middle of 1980 to restrict its volume from twelve to eight pages. And all of the Polish dailies (with the exception of TRYBUNA LUDU and the Warsaw paper ZYCIE WARSZAWY) now come out only five times a week.

Polish farmers who own tractors and other agricultural machinery are not allowed to do any work for their neighbors. The reason given for the new ruling: The equipment owners could exploit their fellow citizens.

The Opole Food Concentrate Plant was forced to interrupt production of its "Bebico" baby food, because the dairies did not supply any powdered milk. The dairies' capacities are insufficient; the machines are obsolete and the failure rate is high. The plants can meet only 10 to 15 percent of the demand for baby food.

Only 50 percent of the Polish welders have protective goggles and screens.

Due to the grain shortage, Poland's vodka exports are in jeopardy. In the opinion of Food Industry Minister Jan Zaleski, it is paradoxical that while there is sufficient grain for the vodka distilleries, the state farms receive only one-third of the feed grain needed. This year, the vodka exports are expected to decline to 25 million liters (1980: 43 million liters). For that matter, the foreign currency obtained for vodka exports would be sufficient for financing grain imports.

An investigation at Bukarest's international Basarab railroad freight depot disclosed a veritable treasury of Western goods. For 5 months, Austrian testing equipment for the Arad Machine Tool Plant was shunted back and forth between Arad and Bukarest. A West German periscope valued at $300,000 was left for years at the Basarab depot. Seventy-four boxes containing parts for dialysis equipment made in the United States stayed in the warehouse from 1977 to 1980, while pump installations for the Bukarest Vulcan Works lay about for 550 days. Italian printer's ink valued at $80,000 was left at the depot for many months and eventually it dried out.

Two thousand rice combines produced in Krasnoyarsk (Siberia) must be transported by rail to Birobidzhan--a distance of 4,000 kilometers--to be placed there on crawler tracks, whereupon they are dispatched to various republics. Frequently the combines travel 12,000 kilometers before the first productive startup.

On account of inferiour harvesting machines, faulty packaging and negligence during transportation, over 60 percent of the Soviet potato harvest is damaged during the harvest and during transportation, with large quantities of potatos rotting in storage.

Four years ago, the Mosrentgen Plant started production of amplified X-ray apparatus. The price: 90,000 rubles. So far, 400 units have been produced, but no more than 100 units have been installed. The other units stand about in the hospitals--unused. The reason: The units are so complex that the hospital personnel cannot assemble them; and so far the mechanics of the manufacturing firm have not put in an appearance.

Due to the lack of spare parts, 15 percent of all locomotives in the Soviet Union are inoperative on any given day.

Tennis balls are in short supply in the Soviet Union. This is because of the inventiveness of Soviet drivers who by means of the balls improve the poor design of the shock-absorbers of the Soviet Shiguli passenger car (export model: Lada).

Soviet industrial cafeterias are short of forks. Forks are available in the stores, but the stores are not allowed to sell forks on account to cafeterias or restaurants; and the cafeterias are not allowed to pay in cash. The forks in the stores are for the ultimate consumer. To increase production of the eating utensils so as to ensure an ample supply for everybody appears to be an unsolvable problem for the planners.

8760
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DEVELOPMENT OF AUTOMOBILE INDUSTRY OUTLINED

Auto Industry Expanding

Sofia VECHERNI NOVINI in Bulgarian 9 Jul 81 p 1

[Text] The Madara Combine in Shumen, the leader in the Bulgarian automobile industry, is one of the most conspicuous examples of the fraternal integration within the socialist community. It was built 25 years ago with the direct economic and technical assistance of the USSR. Now more than 5,000 trucks roll from its assembly line on to the roads of the fatherland, and it also manufactures tens of thousands of axles, assemblies and fittings, and spare parts for our, as well as for the Soviet and Czech automobile industries.

The Eighth Five-Year Plan opens up new horizons for our automobile industry. Since the beginning of the plan a modern painting facility, with an annual capacity of 30,000 driving axles, has gone into operation. The plant for production of automobile axles, one of the combine's major facilities, will be credited to 1981, as well as the steel foundry, which will produce 10,000 tons of casts annually designated for the production of axles and automobile transmissions.

The expansion of the shop for automobile transmissions will be completed in several years; the opening of the shop for cog-wheels and shafts lies ahead; a building with public utilities and a shop for thermal cleaning of all casts will soon be completed. Together with this the reconstruction of the forge and press shop, the galvanizing shop, and the mechanical repair and assembly shop will continue. A new experimental section for trying and testing the new designs created in the center for development and introduction of trucks in the combine will be built.

In the plant in Preslav, a reconstruction of the shop for specialized tops has begun, we well as the creation of a shop for production of auto-frames. In Novi Pazar the plant for auto-flatcars and trailers will be brought up to date, and in the village of Pliska a big expansion of the shop for auto fittings is imminent.

Together with the creation of a new basis and the reconstruction and modernization of the existing facilities, new equipment is being introduced which will bring about an increase of the productivity as well as the quality of the production. Even before the end of this year the first robots in the combine will be introduced in the painting shop and in the section for mechanical processing of cog-wheels. Automated mechanical lines are being prepared for operation in the plant Mostove,

and new manipulators, in the section for production of semi-axles. The new thermal section will be equipped with automated units, and highly productive machines will be used in all other productions.

The new material basis and its contemporary equipment will let the industrial volume in the combine grow more than 20 times by the end of the five-year plan period. The number of manufactured automobiles will increase from 200 at the beginning 25 years ago, to 8,000 annually. The production of assemblies, fittings and spare parts related to the cooperation of the combine with Soviet and Czech automobile plants will increase considerably.

The regular production of the first Bulgarian light truck Madara-1,300 and the new modification of our minibuses will begin. Special attention will be paid to switching to diesel fuel and to achieving high economy in the new modified trucks. In addition to the three types of driving axles manufactured presently, five additional modifications will be developed. The new mechanical gear box Record-2, which has high technical and exploitational qualities, is designated for the needs of the engine production.

The very fact that 75 million leva have been alloted for new construction, reconstruction and modernization of the production capacities of the combine show that the Eighth Five-Year Plan will mark a new stage in Bulgarian automobile building, that even greater achievements will be made in the integration with the other fraternal socialist countries.

Patents in Automobile Transportation

Sofia VECHERNI NOVINI in Bulgarian 9 Jul 81 p 2

[Text] Contemporary automobiles and electronics. The association hardly brings to mind anything but powerful sports cars and some other makes of cars or light trucks, in brief the latest in car engineering. The introduction of new electronic equipment in order to utilize energy and fuels to the fullest and most effectively has become the most important task of the national economy since the time that a decisive course for intensifying production was adopted. Now, when the labor movement for the fulfillment of the congressional resolutions is spreading with new strength all over the country, new untapped resources for even more economical use of energy are being discovered and harnessed.

The workers and employees of the transportation enterprises and institutes in the capital are contributing to the national movement for fuel saving. New technologies are being sought, programs developed and equipment requiring less energy or fuel introduced.

The auto transportation enterprise OP [Okrug Enterprise] Taxi-Transportation in the capital, which is under the City Transport Chief Administration, has found the greatest reserve for the most efficient utilization of fuels in the development and introduction of new devices which lower the use of gas and diesel fuels. As early as 3 years ago, at the very beginning of the popular movement for economic utilization of energy resources, this enterprise introduced a strict regime for saving

fuel in cars and light trucks. A team from OP Taxi-Transportation, with the help of experts from VMEI Lenin [Higher Machine-Electrical Institute] and the Combine for Diesel Engines Vasil Kolarov in Varna, developed and patented an analog-digital device for controlling the flow of fuel. It can be used by all gas engines and ensures more than 10-percent gas saving. Another important advantage of this device is that it does not release carbon dioxide into the atmosphere. The same group of people created microprocessing device #51810, which achieves a most efficient utilization of fuels and optimally fulfills the task. If programed correspondingly, this electronic device will be able to work in any diesel engine. It also decreases the exhaust gases' toxicity by 60 percent.

Last year this enterprise sought another method to save fuel. The engine of a Lada car was replaced by a diesel one and an electronic device to control its work was installed. The test of about a year and 40,000 km shows that this car uses five times less fuel than gas engine cars. This is a major untapped resource for lowering the cost of traveling on streets in the big city. Their ambition now is to start installing the first electronic devices in taxi-cabs and trucks of the SO [Economic Trust] International Auto-Transportation by the end of this year.

The development and improvement of new devices and equipment is one of the methods of utilizing fuels optimally while protecting the environment from pollution.

9804
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DEPUTY MINISTER DISCUSSES FOOD INDUSTRY GROWTH, OUTLOOK FOR 1981-1985

East Berlin LEBENSMITTELINDUSTRIE in German Vol 28 No 4, Apr 81 pp 145-147

[Article by Prof Dr. Klaus Borkmann, deputy minister, bezirk-managed and food industries: "On the Development of the Food Industry During 1976-1980 and in the 1981-1985 Five-Year Plan Period"]

[Text] 1. Development in 1976-1980 Five-Year Plan Period

Through the Directive on the 1976-1980 Five-Year Plan, our republic's food industry was given the assignment of guaranteeing the rising requirements of the population through a steady and continuing supply in terms of quatity, qualtity, and assortment, with special emphasis on sound nutrition. In order to attain this high goal adopted by the party and the government, the workers successfully undertook major efforts.

The results achieved as of 31 December 1980 prove that our record is good. We can come up with the following situation estimate:

The primary tasks assigned to the food industry regarding the development of industrial commodity production, labor productivity, supply with selected products, and quality improvement were surpassed. The development of the food industry was steady and according to plan.

The result which took effect in terms of supplies for the population rose in the food industry on the whole, compared to 1975, in a higher proportion. In the case of selected products, the following quantitative increases were achieved in 1980, as compared to 1975:

Cocoa products: to 114.3 percent
Non-alcoholic beverages: to 135.0 percent
Beer: to 117.5 percent
Dough products: to 114.6 percent

The foundation of output development consisted of the results of measures taken in the field of science and technology.

Quality development is characterized by the fact that the output of products with the quality grade "Q" was increased to 231.4 percent and that 57 enterprises were able to win the title "Enterprise With Excellent Quality Work."

The output share of newly developed and improved products increased considerably with 186 percent.

The economic-organizational prerequisites created in 1979-1980 for the management of the reproduction process on the basis of high-performance combines constituted the decisive basis for an intensive push in the output and effectiveness increase. In these new economic unit , major progress was achieved in terms of the creation of prerequisites for quaranteeing the complexity of management as well as the discharge of enhanced individual responsibility for the compact reproduction process.

This positive development is reflected proportionately in all branches of the food industry. This is documented by the following examples.

1.1. Stabilization of Supply to the Population

The constant improvement in the supply of the population with products, especially basic items, is illustrated among other things by the rising per-capita consumption:

		1975	1980
Durable bakery goods	kg	4.11	4.36
Cocoa products	kg	2.95	3.38
Confectionery	kg	3.89	4.37
Dough products	kg	2.46	2.80
Beer	l	119.0	139.0
Non-alcoholic beverages	l	70.0	82.0

This result was achieved especially through the following:

The comprehensive utilization of scientific-technological results deriving from research and development and

The specifically goal-oriented and concentrated employment of available investment funds.

Examples for the successfully completed undertakings which were transposed into the production effort are the large-volume fermenters in the open-air design for the fermentation and aging of beer, the production of pastry and confectionery goods on variable assembly line systems, and the use of new emulsifiers in the oil and margarine industry as well as in the candy and bakery goods industry.

The investment funds made available for the five-year plan were used up to the extent of 66 percent for the accelerated development of the bakery goods and beverage industry. In this way it was possible to complete and to place in operation a total of 16 new bakery goods enterprises and breweries between 1976 and 1980.

The following, for example, were built, with the required capacities: the big bakeries at Berlin-Pankow/Heinersdorf, Weissenfels, Annaberg, and Bernau, as well as the beverages enterprises in Neubrandenberg, Dresden, and Postdam, all of which are new structures. In addition, numerous intensification measures took effect through the specifically goal-oriented reconstruction of existing enterprises in the two industry branches mentioned but also in all other sectors of the ministry. Here we might mention especially the measures aimed at the rationalization of production processes in the dough products, durable bakery goods, condiments, and fish industries.

The workers in the ocean fishing, coastal fishing, and inland fishing industries and in the fish processing industry worked extraordinarily hard in order to make fresh fish and fish products available for a reliable supply under ever more complicated international fishing conditions. Here we concentrated the inland fishing industry on trout while the ocean-going fishing industry brought in new types of fish (iced fish, whiting).

On the whole we can say that the supply with food industry products was secured in a stable fashion.

1.2. Quality Development

The criterion for the development of product quality in the food industry is the production of products with the quality grade "Q". The Spirits, Wine, and Champagne Combine has achieved the largest share of these top quality awards to commodity productions subject to mandatory classification at this time with about 63 percent.

The food industry quality level was essentially determined by the 57 previously mentioned enterprises which were able to win the title "Enterprise with Excellent Quality Work." Among that number, 23 have already been awarded the diploma for winning the title ten times while five enterprises were able to earn the diploma for successfully defending their title 15 times. These enterprises turn out about 30 percent of the total food industry commodity output. They are the pacesetters in the branch when it comes to achieving high quality in management, organization, and production.

1.3. Product Development

Regarding product development, visible progress was made in recent years. It includes the entire assortment of production, with special emphasis on specific price categories. One main point in new development here was the production of delicatessen items, particularly from the view point of developing high-grade domestic products to replace direct imports.

Particularly great initiatives were triggered in the field of product development on the occasion of the 30th anniversary of the GDR and by way of preparation of the Tenth SED Party Congress. As part of the obligation movement, new developments and improvements will be made available in 1981 with a value of more than M1.2 billion for the population. Important supply items here above all include new durable bakery goods, ready-to-bake flour, cocoa products, confectionery, low-energy non-alcoholic beverages, delicatessen margarine, and baby foods. By way of example for these new products we might mention the ready-to-bake flour mixtures in six different assortments, durable baking mixes and Danish pastries, instant powdered beverages, the margarine brand "Marella" salad dressings and condiments, five new fish products, new assortments of wine, champagne, and spirits, an assortment of "pizza bakery goods," as well as a special whole-grain bread assortment.

2. Food Industry Development, 1981-1985

During the new five-year plan the important thing is to stabilize the output increase that was achieved and qualitatively and quantitatively to satisfy the continually rising requirements of our population for high-grade food products. For this purpose it is necessary to continue to raise the supply level especially

through higher quality in the cooperation of all branches of the national economy involved in the supply of food stuffs, ranging from agriculture via machine-building and the packaging equipment industry all the way to retail trade.

L. Brezhnev's statement always applies to the GDR food industry when he said the following in the activity report to the 26th CPSU Party Congress: "The specific concern with the specific individual, as well as the production of goods for the population are the most important concern of the party." In order to express these thoughts in fact, our efforts must be oriented toward the following main points:

The level and stability we have achieved in supply, especially with qualitatively high-grade products in bakery and durable bakery goods, confectionery items, as well as in the beverage, dough products, oil and margarine industries, and in the fish industry must be constantly improved and special attention must be devoted here above all to the supply of new products for sound nutrition and for children.

The new development and improvement of products must be consistently concentrated on raising the share of products with the highest quality award and this must essentially contribute to output increases. The international top-level standard must be taken as a criterion here.

The output increase must be achieved mostly through measures in the field of science and technology. Here, highly effective methods and equipment, with low cost and high productivity, assume decisive significance. Valuable imported raw materials must be used efficiently and must increasingly be replaced by domestic raw materials. That applies above all to the candy and pastry, beverage, and bakery goods industries.

The republic's food industry will achieve the following output increases during the period of 1980-1985 as compared to 1980:

Industrial commodity production at industrial sales prices, to 114.2 percent;

Finished products for the supply of the population, to 114.1 percent;

Production with the "Q" quality award, to 148.0 percent;

Labor productivity, to 114.8 percent;

New developments and improvements of products, to 178.3 percent.

The output increase designed here confronts food industry workers with a new and treat best of strength. In addition to consistent planned discipline, it calls for the creative utilization of available reserves, the comprehensive implementation of all measures under the science and technology plan, and investment policy which is specifically oriented toward main points, and the rapidly growing development, production, and use of rationalization resources from the output of the food industry.

Research and development will be concentrated primarily on the following tasks:

New development and improvement of methods for the complex intensification of entire production sectors, for example, in the brewery and distillery industries, but also for the production of new products with high utility values;

The concentration or rationalization in transportation, transloading, and storage processes;

An increase in the degree of refinement of raw materials and intermediate products, for example, crystal fat powder, dry albumin, and enzymes;

Minimizing the specific material consumption, especially in the form of imported raw materials, by using domestic raw materials, but also by lowering the transportation, processing, and storage losses, for example, in grain products used for nutrition;

Reduction of energy use to a minimum, especially in connection with energy-intensive baking, extraction, and distillation processes;

Improvement in the ratio between expenditure and benefit in connection with investments and in product manufacturing;

Development of new raw material bases especially in the case of fish (including the more effective utilization of the entire catch volume);

Employment of microelectronics and development and utilization of handling mechanisms, robots, and automation equipment.

The planned accomplishment of research and development tasks is decisively supported by the further concentration and by a significant increase in the research potential of the food industry in cooperation with the research facilities of the Academy of Sciences, GDR, the universities, as well as colleges and technical schools.

Much attention must be devoted to the development of rationalization equipment construction for the food industry. The rationalization enterprises of the combines must increase the output volume here to about 230 percent by 1985, as compared to 1980. We must in a specifically goal-oriented manner concentrate on the production of special machines, machine systems, and spare parts to replace imports from the nonsocialist world, as well as the supply of handling mechanisms and robots.

Between 1981 and 1985 our investment policy will be essentially determined by the requirements arising from the need to replace fuel oil and the priority completion of new construction and reconstruction projects which have been started. In that connection and in building up new production lines as well as in the rationalization of transportation, storage, and transloading processes, we must without any compromise start with international top-level standards. The planned implementation of investments must be guaranteed through high quality in preparation and the timely involvement of all partners through the combines and economic councils of the bezirks.

The increase in industrial commodity output in the food industry primarily is overshadowed by the aspect of quality improvement. The important thing here not only is to guarantee the quantitative supply in keeping with requirements but also to a much greater extent than has been the case so far to emphasize qualitative development in

keeping with the requirements of nutrition physiology. This is why the task consists of the following:

To include those new developments in the science and technology plans which attain the "Q" quality award;

Decisively to increase the proportional output of existing products which have the "Q" quality award;

Further to develop products with the "I" quality award into top-level quality products;

And to allow reduced goals in the development of products only in special cases which must be the exception.

We are convinced that our republic's food industry workers will--in spite of the continually tighter conditions regarding the supply of raw materials and auxiliary materials--step up their efforts and attain and surpass the high targets of the new five-year plan. Through the pledges made in honor of the Tenth SED Party Congress, to achieve an additional work-day output, the combines and the enterprises of the food industry have created a solid foundation for themselves in this effort.

5058
CSO: 2300/285

LAND USE LAW PROTECTS AGRICULTURALLY USEFUL AREAS

Explanation of Law

East Berlin PRESSE-INFORMATIONEN in German No 43, 14 Apr 81 pp 3-4

/Article by Dr Rudolf Mueckenberger, department chief, Ministry for Agriculture, Forestry and Foodstuffs: "Still More Protection for Agricultural and Forestry Lands." A translation of the official text of the law discussed below follows this article/

/Text/ The GDR Constitution spells it out quite clearly: The land is one of the most valuable natural resources of our country. To protect it even better and use it more rationally, a new "decree on the protection of agricultural and forestry land and secure socialist land use--land use order" (GBL Part I No 10, 14 April 1981), has been promulgated. It replaces a decree dating from 1965 and takes effect on 1 May 1981 .

It is the purpose of the law to help use every suqare meter of land as efficienty as possible. The agricultural enterprises are obligated to cultivate it appropriately, develop more land for farm use and guarantee the steadily greater and stable output per hectare. Moreover the new regulations give greater emphasis than earlier measures to the protection of agricultural and forestry land against diversion by other sectors. That is particularly necessary, because the rapid growth of industry, the infrastructure and, most of all, housing construction requires the availability of land to a certain extent.

Sequence Established

The main points of the decree are those regulations which strengthen protection of the land against nonagricultural use. In future state plan targets will mandate use. Any change must be applied for and is subject to approval.

For investment projects which call for land, such land should first be used which is not farmed or exploited by forestry. If that should not be possible, the land with the lowest yield should be selected. Arable land, fruit orchards and other intensively farmed areas may in principle be diverted only for such investments which cannot be carried out in any other location, such as the extraction of mineral raw materials or the construction of water reservoirs. The earth moved for such purposes must then be used to improve the fertility of other land. Work may begin only after the harvest or on lots kept vacant. When construction is going to take

a long time, only that amount of land will be made available, which is actually needed at any given time.

These aspects will have to be considered as early as the confirmation and approval procedure for the location. The socialist farm enterprises affected will be consulted at the earliest possible moment with regard to the decision.

Socialist Democracy Further Extended

The new law assigns more rights and duties to the councils of local state organs. They will decide in their region whether and on what terms land may be used for non-farming purposes. Depending on the size of the area, the chairmen of kreis or bezirk councils will personally and finally decide the issue, with the advice of the councils for agricultural production and the food industry.

It is appropriate to the development of our socialist democracy that our citizens will in future be actively involved in state management in this field also. Honorary (part-time) land commissions will be set up to assist the councils and strengthen social control, and they will be instructed by the chairmen of the kreis councils. Where necessary that may also be done at bezirk or city/community level. Their duties will include checks both with regard to the efficient agricultural and forestry use of the land in accordance with the type of utilization recorded and its most economical utilization for necessary non-farming measures. They will cooperate in site selection.

Affected farming enterprises must be involved in all decisions on land use. In socialist cooperatives and their cooperative facilities these decisions will be discussed by plenary meetings, functionary meetings or councils of cooperative facilities. No doubt this will better meet the concerns of all those involved. Prompt and comprehensive knowledge of measures to be expected helps properly to exploit all opportunities in order as much as possible to deflect disadvantages for farm production.

Also fully taken into account will be cooperative social property. Early agreement will have to be established with the non-farming user on how to compensate the economic disadvantage arising. Land no longer needed is to be returned to farming to the greatest possible extent.

In general the regulations ensure that socialist agricultural enterprises will be able despite changed conditions to continue their operations, and that the LPG's will not suffer any loss of profit. Compensation is not only financial, in fact priority will be given measures which will be production effective.

The decree also includes analogous rights for the Union of Small Gardeners, Settlers and Small Livestock Breeders and the German Union of Sports Fishermen. Instructions for the public, for example, point out that agricultural land may not be driven on nor garbage deposited on it or in the forest.

In the interest of the most effective utilization of land a fee regulation was issued at the same time. This includes sensible sanctions to be imposed in the case of offenses.

Text of Law

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 10, 14 Apr 81 pp 105-114

/Official text of "Decree on the Protection of Agricultural and Forestry Land and on Assuring Socialist Use of the Land--Land Use Decree, dated 26 February 1981," signed by W. Stoph, chairman, GDR Council of Ministers, and Kuhrig, minister for agriculture, forestry and foodstuffs/

/Text/ Agricultural and forestry land is the irreplaceable main means of production of agriculture and forestry and a crucial source of social wealth. To steadily better supply the public with high-quality food and industry with raw materials from domestic sources requires efficiently to use the agricultural and forestry land available to only a limited extent, to protect it and steadily raise soil fertility. The following is decreed to protect agricultural and forestry land and safeguard the steadily rising agricultural and forestry output:

Section 1

General Regulations

Article 1

Scope

(1) This decree regulates the duties, requirements and conditions to be met before efficiently used and protected agricultural and forestry land (hereinafter designated land) may be diverted, the planning of the availability of land for investments and other measures, and the procedures for granting use rights in cases where land, buildings and facilities are needed for non-farming purposes.

(2) This decree applies to

a) State organs with respect to the duties involved in the management, planning, organization and supervision of the protection of land and the assurance of socialist land use,

b) VEG's /state farms/, LPG's, GPG's /horticultural producer cooperatives/ and their cooperative facilities, producer cooperatives of inland fishermen, the VEB Inland Fishery, state forestry enterprises and other socialist cooperatives, enterprises and facilities which carry on agriculture, forestry, horticultural or inland fishing production (hereinafter designed socialist farm enterprises),

c) Social organizations whose members productively use land for sensible leisure and physically active recreation (hereinafter designated social organizations),

d) State combines and combine enterprises, other enterprises and facilities, state organs and state facilities, social organizations and associations as well as cooperatives diverting land to non-farming purposes, co-use it or restricting its use (hereinafter designated non-farming users).

(3) This decree applies also to other legal entities, owners and users of land (hereinafter designated other users) and citizens with respect to the protection of the use of agricultural and forestry lands as well as farm crops and inland waterways used for fishing.

(4) This decree does not apply to

a) Persons claiming land, buildings and facilities for purposes of national defense,[1]

b) Wismut mining.[2]

The said persons and Wismut mining personnel must adopt suitable measures so that only absolutely necessary land is diverted, co-used or subject to use restrictions.

(5) Articles 11, 14, 15, 16, 18, 21 and 23 are not applicable to the removal of accidents and disruptions as well as prompt precautions against threatening accidents and disruptions of pipes and other facilities on diverted or co-used land. In these cases the measures adopted must be promptly reported to the socialist farm enterprise or social organization, the damage contained as far as possible in the actual conditions by appropriate cooperation with the socialist farm enterprise. Any damage arising must be compensated.

Article 2

Definition

(1) Land in the meaning of this decree consists of

a) Agricultural areas with the exception of kitchen and decorative gardens as well as small gardens which are not small gardens of the Union of Small Gardeners, Settlers and Small Livestock Breeders,

b) Land areas of small gardens, small garden clusters other communal gardens and settlements of the Union of Small Gardeners, Settlers and Small Livestock Breeders (hereinafter designated VKSK small garden clusters),

c) Forest land (forests and woods),

d) Osier plantations,

e) Inland waters used for fishing, including those inland waters which were handed over to the Union of Sports Fishermen of the German Democratic Republic for care and use.

(2) Buildings and facilities in the meaning of this decree are buildings and facilities of socialist farm enterprises and social organizations.

Section 2

Security of Agricultural and Forestry Land Use

Article 3

Aim of Land Use

(1) Land use is aimed at the cultivation of all land recorded as agricultural and forestry land, inland waters and other land for maximum output combined with the steady rise in soil fertility and the productivity of inland waters, the development of more land for agricultural, forestry and fishing use (hereinafter designated agricultural and forestry use), the assurance of steadily greater and stable production per unit of land and, at the same time, the safeguarding of environmental concerns. The most rational possible agricultural and forestry use is to be achieved for land which is subject to multiple use by society (potable water conservancy, flood areas, fishing protection areas, and so on), in accordance with the respective requirements arising from protective regulations.

(2) Land use is targeted, in particular,

a) Steadily to increase agricultural output, raise its efficiency and thereby secure stable and constantly improving supplies of food for the public and raw materials for industry from domestic production, guarantee the appropriate availability of fodder including the necessary fodder reserves for the improvement of the efficiency of livestock, and produce seeds and seedlings as required and at the best possible quality.

b) Permanently to raise timber production and improve the environmental function of forests,

c) Raise fish production and ensure the largest and stables possible production of fry.

(3) Land use by social organizations aims to secure appropriate leisure facilities and physically active recreation coupled with the simultaneous productive cultivation of the land.

Article 4

Requirements on Land Use

(1) Land use by socialist farming enterprises requires in particular

a) The planned use of arable land as per scientifically based and stable crop rotation, the planting of the highest yielding crops obtainable in the respective local conditions as well as the most far reaching possible cultivation of intermediate crops, taking into account the needs of the economy,

b) The intensification of pasture land management,

c) The assurance of all measures needed for the planned expanded reproduction of soil fertility,

d) The implementation of measures for keeping the land, the growing and harvested crops healthy as well as purposefully using plant protection,

e) The expansion of the land fund by cultivation and recultivation,

f) Meeting the demands of environmental control, including protection of waters,

g) The planned management of forestry land by intensification measures to maintain and improve soil fertility, afforestation and reforestation by types of trees appropriate to the location, and the assurance of the orderly maintenance of woods,

h) The efficient use of inland waters for the greatest possible fish production and the assurance of the necessary water quality.

(2) The measures required for all this are to be adopted by bezirk and kreis councils as well as socialist farm enterprises on the basis of economic and enterprise plans as well as long-range programs for improved land use.

Management and Planning

Article 5

(1) Socialist farm enterprises as well as other users are obligated efficiently to use the land.

(2) Socialist farm enterprises must use every opportunity for the planned expansion of the agricultural area, especially arable land, and prevent any unjustified infringement on land use.

(3) The development of areas used for agriculture, forestry and inland fishing must be planned by way of state plan targets by the socialist farm enterprises, the councils of communities, cities, kreises and bezirks as well as the Ministry for Agriculture, Forestry and Foodstuffs and the State Planning Commission. The State Planning Commission submits to the Council of Ministers the state targets for the development of land used for agriculture, forestry and inland fishing (hereinafter designated state plan targets), together with the drafts of the five-year and annual plans. The Council of Ministers subsequently decides on these. On the basis of land use documentation the socialist farm enterprises must bring evidence of land use, and city and community councils must do the same for land not used by socialist farm enterprises.

(4) The councils of bezirks, kreises, cities and communities, in closer cooperation with the socialist farm enterprises, must guarantee and supervise the efficient use of the entire land area of the region. On the basis of the legal regulations in effect[3] land areas with undetermined use must be made available to orderly use, if possible by socialist farm enterprises or the Union of Small Gardeners, Settlers and Small Livestock Breeders.

Article 6

(1) Ministries and other central state organs as well as bezirk and kreis councils are responsible for the implementation of the measures necessary to assure the agricultural and forestry use of the land and for the protection of the land.

(2) The chairmen of bezirk and kreis councils as well as their technical deputies and full-time council members are authorized to assign to socialist farm enterprises and non-farming users obligations for the prompt observation of the duties involved in securing agricultural and forestry land use and for protecting the land as set out in legal regulations.

Article 7

Land Commission

(1) To help kreis councils in the state management and planning of land use, strengthen social checks on the efficient use of the land and the observation of obligations for its protection, honorary, part-time unpaid land commissions are to be set up, headed by the chairmen of the kreis councils.

The chairman of the kreis council appoints the members of the land commission. Land commissions may also be set up at bezirk councils.

(2) The land commission has the duty

a) To carry out checks on the extensive use of the entire available agricultural and forestry area within and without the agricultural and forestry land fund, including the realization of the measures of the long-range programs for improved land use,

b) To review in socialist farm enterprises the orderly recovery and cultivation of the entire available land as per the reported types of use and of crops,

c) To cooperate in the selection of sites and in checks on the observance of measures for the protection of the land if non-farming use of land is indicated,

d) To check at the beginning and during the implementation of non-farming use whether the measures fully agree with the permit and the contract concluded with the socialist farm enterprises, and whether the land use fees are duly paid,

e) To check the punctual return of or making available agricultural and forestry land including recultivation appropriate both in quality and time by the non-farming user for renewed agricultural and forestry use.

(3) The members of the land commission have the right

a) To ask for information and reports within the scope of their duties from the manager charged with the implementation of non-farming use or the chairman, director or manager of the socialist farm enterprise, keeping in mind safety and order. They are also entitled to review any documents affecting the land and its protection.

b) To take the personal particulars of people who infringe the regulations on land use or land protection.

c) Promptly to submit to the head of the land commission proposals for mandatory obligations or fines when noting defects or the persistence of de cts at the time of follow-up checks.

(4) With the approval of the chairman of the kreis council land commissions with the duties and rights listed in paragraphs 2 and 3 may be set up at city and community councils also.

(5) Local councils make sure that the part-time members of land commission are able to identify themselves as such when carrying out their functions as per paragraph 3.

Article 8

Changes in Land Use of Crops as Well as Use Rights

(1) The land must be cultivated as per the type of use recorded in the land use documentation. Insofar as land use documentation is supplemented by a report on types of crops, this also applies to cultivation by types of crops.

(2) Changes in the type of use and crops must be reported or are subject to approval. Changes of use rights in the land are subject to approval insofar as this is provided in the legal regulations on the state management and supervision of real property transactions.[3] Changes in use rights of the land not subject to approval must be reported.

(3) Approval for changes in the type of land use or crops is given by

a) The chairman of the kreis council, after discussion in the kreis council for agriculture and the food industry, in the case of agricultural areas except for conversions to waste or infertile land,

b) The chairman of the bezirk council in the case of forests and woods, osier plantations and inland waters used for fishing as well as the conversion of an agricultural area to waste or infertile land.

(4) Bezirk and kreis councils may assign to their deputies for agriculture, forestry and the food industry or for agriculture and the food industry the duties as per paragraph 3.

(5) If a change in the type of use or crops or use rights is carried out without the necessary approval, the competent kreis council may require land use to be restored to the previous type of use or crop or to the previous user.

Section 3

Requirements Regarding the Protection of the Land Upon Diversion, Co-Use and Restriction of Use

Article 9

Principles for Making Land Available

(1) If, for justifiable reasons, land must be permanently or temporarily diverted, co-used or its use restricted (hereinafter designated non-farming use), care must be taken to ensure that

a) Mainly such land is used as has the least yield capacity or suitability for cultivation,

b) Only the absolutely necessary area is claimed and proof brought of the observation of scientifically, technologically and economically justified land need normatives for frequently occurring similar investments or, in all other instances, the land need is confirmed by an organ superior to the applicant,

c) The land may be used for agriculture and forestry up to the time when it is definitely needed,

d) The new use and the objects erected thereupon agree as much as possible with the interests of agricultural and forestry use, and that--consonant with the status of scientific-technological progress and economic opportunities--damage to agricultural and forestry use by smoke, gas, dust, and so on, is avoided as far as possible.

(2) If, at the time non-farming use is to begin, the land still carries cultivated crops which could not be harvested due to bad weather, the earliest possible harvesting is to be assured before the diversion. The diversion of land not harvested is inadmissible.

(3) To provide maximum security of agricultural and forestry use of the land in cases when, for economically justified reasons, the land is needed for investments and other measures, the following types of non-farming use are to be used and agreed between the non-farming users and the socialist farm enterprises:

a) The restriction of use in conditions which harm especially planting, cultivation or intensification, or result in reductions in yield without the land itself being directly taken over by the non-farming user,

b) Co-use for a limited time, if temporary non-farming use for a period not exceeding 1 year allows the subsequent appropriate agricultural and forestry use of the entire earlier management unit, if necessary with the exception of the location of masts, signals, water levels, and so on,

c) Permanent co-use if non-farming use allows the further appropriate agricultural and forestry use of the entire earlier management unit, if necessary with the exception of the location of masts, signals, water levels, and so on,

d) Temporary diversion if non-farming use prevents the appropriate agricultural and forestry use temporarily but no longer than 5 years, and if, in the case of mining enterprises planning to dump on cultivated land and land suitable for cultivation,[5] planned provisions exist for taking away the dumps,

e) Permanent diversion if the appropriate agricultural and forestry use is impossible for more than 5 years due to non-farming use.

(4) The permanent diversion of land by non-farming users and for investments by socialist farm enterprises excepting those designed to intensify crop production is permissible only within the scope of assigned state plan targets.

Article 10

Protection of the Land Against Permanent Diversion

(1) Land may be permanently diverted from agricultural and forestry use for investments and other measures only if no other suitable land is available, and the diversion has been taking into account in the planning of the development of land funds in the economic plans.

(2) In principle no land may be permanently diverted for tips, construction site facilities, storage depots or garages.

(3) Unless site-related investments so require (extraction of mineral raw materials, the construction of reservoirs, and so on), arable land, orchards, irrigated or drained pasture land, VKSK small garden clusters or parts thereof, tree nurseries, tree plantations, choice seed and seedling nurseries and test farms, wood conversion stocks in areas suffering from pollution by emission as well as industrialized facilities for fish production and pond management may not be diverted as a matter of principle.

(4) The bezirk council will decide the exceptions necessary for overall economic reasons to the provisions of paragraphs 2 and 3. The bezirk council may delegate to the kreis councils decisions on the diversion of arable land up to 0.25 hectares for purposes of necessary social and housing construction.

(5) Non-farming users are obligated in the case of intended investments to investigate whether it is possible to carry out these investments

a) On existing enterprise sites,

b) Outside land used for agriculture and forestry,

c) On land with minimal yield capacity or suitability for cultivation.

The result of this investigation must be submitted in the course of site confirmation and site approval proceedings.

(6) Unless joint implementation of the non-farming measures and subsequent investments is possible or necessary, the measures required for the maintenance of the

production volume in the case of permanent diversion of land, buildings and facilities must be so planned, prepared and carried out that they are definitely production effective at the time of the permanent diversion of land, buildings and facilities.

Article 11

Protection of the Land in the Case of Temporary Diversion, Co-use and Restricted Use

(1) Land used for agriculture and forestry may be temporarily diverted, co-used or its use restricted only if the economic necessity of such diversion, co-use or restriction can be proved. Without the permission of the socialist farm enterprise or other authorized users, non-farming users or citizens may not drive on agricultural or forestry land except on roads or paths, nor may they impede use in any other way.

(2) Any work by non-farming users is permissible only on uncultivated or harvested land. Taking into account the plan quotas of the non-farming users and the possibilities of reconciling them with agricultural land use, the non-farming user and the socialist farm enterprise must agree the point in time when this condition is fulfilled. The temporary co-use of cultivated land is permissible if it does not permanently damage the crops.

(3) The temporary diversion of land for building site facilities, storage depots for building materials and equipment is permissible only within the scope of land need normatives or the land need confirmed by the superior organ. In the case of temporary diversion, brief periods of diversion or diversion in sections must be employed as much as possible to ensure that the use of the land to be made available is secured for that harvest year.

(4) In the construction of above or below ground lines, roads, ditches, and so on, the lines should run at the edge of the cultivation units (fields, parcels). If the lines must run differently for reasons of economy or function, above ground lines, roads, ditches, and so on, are to be so located that the uniform utilization of the cultivation unit remains possible and no odd parcels arise, which can either not be cultivated at all or only with great difficulty. Underground lines must be so laid in accordance with state standards, agreements, and so on, that cultivation is not hindered nor the subsoil of agricultural areas loosened, and that the land may continue to be driven on by farm equipment and trucks without risk.

(5) Underground telecommunication lines must be laid in protected cable strips (5 meters to the side of public or private roads). The depth will depend on state standards. If it is necessary to diverge from the protected cable strip when laying the cables, the provisions of paragraph 4 apply unless there are standards on laying depths.

(6) The non-farming user must make sure that the network of agricultural and forestry irrigation and rainage facilities of socialist farm enterprises continues to function. Any damage to these facilities related to the non-farming measures must be promptly made good at the expense of the non-farming user. Damage arising or noticed later and related to such measures must be made good at the expense of the

non-farming user up to 5 years after the conclusion of these measures unless other legal regulations stipulate the unlimited obligation for the removal of damage. If appropriate documentation is available regarding the network of irrigation or drainage facilities, or if such documentation has to be provided in instances specified in legal regulations,[6] the socialist farm enterprise must convey this to the non-farming user for information before the start of construction.

Article 12

Protection for Cultivated Soil and Soil Suitable for Cultivation

(1) When land is permanently diverted, the cultivated soil no longer needed for farm use and soil suitable for cultivation turned up in the course of construction and not needed for other purposes, provided the quality or volume of such soil may improve the fertility or suitability for cultivation, must be carried off and incorporated in arable land at suitable locations in the management areas of the respective socialist farm enterprise, unless suitable locations of other socialist farm enterprises are closer to hand. If several locations are equally appropriate for the improvement of fertility or the suitability of cultivation of the land, the closest one is to be selected.

(2) In the case of the permanent diversion of land in connection with the extraction of mineral raw materials by strip mining, any opportunity for the selective removal of the most suitable cultivable soil for the optimum reclamation and qualitative improvement of the areas returned must be resolutely used and extended on the basis of soil geological expert opinions (prior expert opinions) and variant investigations to be submitted in the course of investment preparation. In cases where the comprehensive selective preservation of the cultivable soil for restoration is not possible, the cultivated soil must be separately removed and used to restore or improve soil quality at other sites, provided its quality or volume make it possible to improve the fertility or cultivation of land. Is the prompt use of the cultivable and cultivated soil not possible, the respective mining enterprise must dump it for later use in the reclamation of farm land. If the prerequisites for the selective preservation of cultivable soil or the separate preservation of cultivated soil do not exist in brown coal mining, site improvement must be applied.

(3) In the case of the permanent diversion of land any peat on the site (black, white or low moor peat) must be separately extracted, stored if necessary and made available to socialist farm enterprises as a matter of priority, either as compensation for economic damage or for a consideration ex mine.

(4) The measures as per paragraphs 103 must be carried out in accordance with a documentation to be submitted by the non-farming user to the kreis or bezirk council and to be confirmed by the latter. In addition the legal regulations on reclamation[7] apply to land used for mining. The confirmation by the kreis or bezirk council proceeds on the basis of the settlement most appropriate to the economy.

(5) In the case of earth removal involving temporary restrictions on farming in the agricultural area, the cultivated soil is to be lifted off, stored separately and returned to its original site when the work is completed.

Article 13

Protection of the Land in Site Confirmation and Site Approval Proceedings

(1) If the non-farming use of land belonging to socialist farm enterprises or social organizations is envisaged, the non-farming user must agree--before the site confirmation and site approval proceeding--with the socialist farm enterprise or social organization and record such agreement whether and on what terms the stipulated land may be made available, taking into account future economic requirements as well as the completed or stipulated agricultural investments.

(2) In cases where a site confirmation and site approval proceeding is stipulated for an investment requiring non-farming use, all measures for the protection of the land must be reviewed and represent part of the basis for decisionmaking. To be involved are the bezirk council, section agriculture and food industry or section forestry, or the kreis council, section agriculture and food industry. The result of the coordination as per paragraph 1 is to be included in the review. The necessary decisions and measures as per articles 14 and 15 must be prepared simultaneously with the site confirmation and site approval proceedings.

Approval

Article 14

(1) The non-farming use of land, the diversion of buildings and facilities as well as the permanent diversion of land for investments by socialist farm enterprises--excluding those designed for the intensification of crop production--require approval as per Nos 1-3 as well as prior discussion by the council for agriculture and the food industry.

The approval is issued by:

1. The chairman of the kreis council with respect to

   a) Restrictions on farming use,

   b) Permanent or temporary co-use of agricultural areas,

   c) Permanent or temporary diversion of agricultural areas up to 10 hectares per total project in the territory of the kreis, with the exception of decisions as per article 10, paragraph 4,

   d) Diversion of buildings and facilities up to a value of M1 million (new).

2. The chairman of the bezirk council with respect to

   a) Restrictions on forestry and fishing use and the use of osier plantations,

   b) Permanent or temporary co-use of forestry areas, osier plantations and inland waters used for fishing,

c) Permanent or temporary diversion of forestry areas, osier plantations and inland waters used for fishing,

d) Permanent or temporary diversion of agricultural areas exceeding 10 hectares per total project on the territory of a kreis and permanent or temporary diversion if the total project extends to the territories of several kreises, with the exception of decisions as per article 10 paragraph 4,

e) Investments for which the bezirk council issues the site permit,

f) Diversion of buildings and facilities with a value exceeding M1 million (new).

3. The bezirk council, by way of decision in instances as per article 10 paragraph 4, or the kreis council, by way of decision in instances as per article 10 paragraph 4 sentence 2.

(2) The Minister for Agriculture, Forestry and Food Industry may reserve approval of diversion, co-use or restriction of use, especially in consideration of the extent of non-farming use or investments by socialist farm enterprises.

(3) Approval may be issued only if the observation of provisions as per articles 9, 10 and 11 is garanteed. In the case of land, buildings and facilities of social organizations, approval must also be made dependent on the observation of the special state provisions applicable to these social organizations to secure the use of their land, buildings and facilities.

(4) If the review in the course of approval proceedings shows that the intended measures may be carried out with less than the extent of non-farming use applied for, approval is to be given only for the extent actually required.

(5) The permanent diversion of land is permissible only within the scope of the state plan targets of the annual plan. The permits issued are the basis for the inclusion in the draft annual plan of the stipulated permanent diversion of land as an element of the plan targets for the development of the land fund.

(6) The permit may be combined with obligations to secure agricultural and forestry use for the duration of non-farming use or the later return to agricultural and forestry use. If the obligations coupled with the permit are not met, the permit may be withdrawn.

(7) If investments are not begun by the date stipulated in the permit, the permit will be suspended until the non-farming user or the socialist farm enterprise advises the chairman of the kreis or bezirk council of the new date. Subsequent to the advice being received, the following are to be reviewed again:

a) The agreement of the extent of the non-farming use applied for with the terms reviewed in the site confirmation and site approval proceedings,

b) The status of preparation of consequent investments for the diversion of land, buildings and facilities,

c) The attitude of the organ superior to the non-farming user to the status of the classification of the proposed measures in the annual plan,

d) The proposal for the further use of the cultivable land.

This review may be waived if the time of the beginning of the investment is changed by no more than 1 year.

(8) Permits or approvals required as per other legal regulations are not affected.

Article 15

(1) The application for approval must be submitted to the competent kreis council
a) With respect to the permanent diversion no later than 1 year before the beginning of the plan year during which the diversion is to take effect,

b) With respect to the use, co-use and temporary diversion of land as well as the diversion of buildings and facilities no later than 1 year before the proposed begin of non-farming use.

In exceptional instances the application may be submitted no later than 3 months before the proposed start of non-farming use, for example for geological exploration, the construction of small transformers, the erection of simple energy lines (lines for medium and lower voltage or medium and lower pressure) as well as single projects with an area not exceeding 50 square meters.

(2) The non-farming user must submit for review, together with the application:

a) Evidence that the proposed non-farming use is indispensable to the non-farming user for carrying out specific social or economic tasks,

b) The attitude of the socialist farm enterprise to the proposed non-farming use,

c) The confirmation of the superior organ that the prerequisites for the implementation of the non-farming use are present at the proposed date.

(3) In the case of the permanent diversion of land, a special investigation has to be pursued in the course of the approval procedure, respecting:

a) The attitude of the organ superior to the non-farming user to the status of the preparation and classification of the proposed measures in the investment plans of the non-farming user,

b) The preparation of consequent investments for the diversion of land, buildings and facilities,

c) The proposal for the further utilization of the cultivated and cultivable soil.

(4) The socialist farm enterprises or social organizations affected must be involved in the preparation of the decision. In the case of socialist cooperatives and

their cooperative facilities the non-farming use and type of compensation for economic damage suffered must be discussed by the plenary meetings, delegate meetings or councils of the cooperative facilities.

(5) If, on the basis of legal regulations (availment, and so on), a local state organ is to decree non-farming use, a review analogous to paragraphs 2 and 3 must be conducted before the decision.

(6) Insofar as non-farming use is proposed on the basis of investments, the decisions and measures prepared in the site confirmation and site approval proceedings must be taken into account.

Section 4

Duties of the Non-Farming Users Toward the Former Users of the Land

Article 16

Contract Conclusion

(1) The non-farming user must contractually agree the non-farming use with the socialist farm enterprise or social organization at the appropriate time but no later than immediately after receipt of the permit. Contracts on non-farming use take effect only in conjunction with the permit and, in the case of the permanent diversion of the land, with confirmation within the scope of the state plan targets in conjunction with the annual plan. If non-farming use is decreed by state organs on the basis of legal regulations, the rights and duties arising for those concerned are to be agreed.

(2) In the case of socialist cooperatives and their cooperative facilities the contract on non-farming use requires approval by the plenary meeting, delegate meeting or council of the cooperative facility.

(3) If non-farming use affects the cooperation partners of the socialist farm enterprise involved, the decision of the plenary meeting of the socialist cooperative or the manager of the socialist farm enterprise must be prepared in the cooperation council. Unless otherwise provided for by the cooperation council, the socialist farm enterprise, the land of which is restricted in use or diverted from agricultural and forestry use, represents all cooperation partners vis-a-vis the non-farming user in the drawing up of the contract, including compensation for economic damage suffered.

(4) The contract must include in particular:

a) The exact description of the area involved, including the necessary access roads, buildings and facilities (layout description and description as per the real property documentation) as well as the dimensions of the various areas affected,

b) The type of non-farming use including the date and duration of the proposed non-farming use,

c) Obligations by those involved with regard to the maximum assurance of agricultural and forestry production,

d) Regulations for maintenance and breakdowns possibly arising in lines and facilities,

e) The obligation to compensate economic damage suffered.

(5) The agreements as per paragraph 1 do not affect the measures required as per special legal regulations with regard to changes in legal ownership, the acquisition of property, and so on.

(6) If only parts of a piece of real property are affected by the permanent diversion of land, the non-farming user is responsible for this specific part, including the avoidance of damage to bordering agricultural and forestry areas, regardless whether the right of usufruct was changed by a change in legal ownership or acquisition, or whether the right of usufruct was based exclusively on a contract with the socialist farm enterprise.

(7) If, despite the diversion of land, some farming use (hereinafter designated secondary use) is still possible, the non-farming user must contract with the socialist farm enterprise regarding this permanent or temporary secondary use. The contract must include in particular:

a) The rights of the socialist farm enterprise granted within the scope of secondary use, including insurance cover, as well as the obligations arising from non-farming use,

b) The duration of secondary use and prerequisites for the cancellation or amendment of the contract,

c) The reciprocal rights and duties at the end of the secondary use.

No financial consideration for the use of the land may be contracted.

Article 17

Compensation for Economic Damage

(1) The non-farming user must compensate the socialist farm enterprises and social organizations for the economic damage suffered by the diversion of land, buildings and facilities from agricultural and forestry use, co-use or restriction of use (restriction of crop planting, the earlier intensification standard, diversion of drainage, and so on) or additional obligations (division of land, additional path construction, additional tilling, restrictions on the type of use).

(2) With the assistance of the kreis councils the socialist farm enterprise must, by the adoption of suitable measures such as redrawing of fields, exchange of fields, and so on, keep economic damage as low as possible.

(3) The economic damage suffered by the socialist farm enterprises by restrictions on or the diversion of use must--as far as possible--be compensated by comprehensive measures. If investments are required to compensate for the permanent diversion of land, buildings and facilities and in cases where restrictions on use prevent buildings, facilities and fish ponds from being used appropriately, these are to be carried out as per the legal regulations on consequent investments.[8] To be applied for the compensation of economic damage to social organizations are the special state provisions issued for these organizations.

(4) In the development and expansion of strip mines the compensation for economic damage with respect to diverted agricultural and forestry areas consists mainly in the return of reclaimed areas and the extraction and handing over of peat as per article 12 paragraphs 2 and 3.

(5) Financial compensation must be paid for economic damage not fully compensated by consequent investments.

(6) The socialist farm enterprises must ensure that the material and financial resources made available to compensate economic damage are deployed with the greatest possible efficiency for further socialist intensification. To that end cooperation relations among socialist farm enterprises are to be used and further developed, so that such resources may largely be concentrated where they will earn the greatest economic and enterprise profit.

(7) Any compensation for economic damage granted socialist cooperatives or their cooperative facilities for the permanent diversion of land, buildings and facilities, and which represents basic assets, must be reported as state property unless granted as compensation for cooperative-socialist property.

Article 18

Indemnities and Rights to Prevent Interruptions of Land Use

(1) Non-farming users who, without a contract, divert, co-use, restrict or in any other way damage land, buildings and facilities of agricultural and forestry use, or who exceed the agreed extent of non-farming use, must make good all damage arising, including damage to cooperating partners of livestock production. The same applies unless the socialist farm enterprise or social organization is offered a contract immediately after the issue of the permit.

(2) Socialist farm enterprises and social organizations may request the immediate cessation of measures by the non-farming user on agricultural and forestry land for which no contract as per article 16 has been concluded. The chairmen, directors and managers of socialist farm enterprises and managers delegated by them in writing have the right to take the personal particulars of people who infringe the regulations for land use or the protection of the land, and to submit to the kreis council proposals for mandatory obligations or fines. The assertion of further claims for interference with property is not affected thereby.

Article 19

Return of Land

(1) Non-farming users are obligated to make available land not required to socialist farm enterprises or social organizations for agricultural and forestry use.

(2) When non-farming use has finished, all land suitable for agricultural and forestry use must be returned by the non-farming user to the type of use or cultivation stipulated in the approval proceeding. If there is no such stipulation, priority use is to be ensured for the land as agricultural area, especially arable land, and--in the case of temporary diversion or temporary co-use--at least the return to the earlier type of use or cultivation. The non-farming user must ensure the necessary measures for the restoration of soil fertility.

(3) In conjunction with the extraction of mineral raw materials by strip mining, care must be taken to ensure that, in principle, the planned restoration of land to agricultural and forestry use corresponds to the volume of the diverted agricultural and forestry area. The residual excavation area must at all times be planned at the expense of the volume of restoration of diverted non-farming or non-forestry areas. Should that not be possible the residual excavation area may be proportionally deducted from the volume of the diverted agricultural and forestry area, mainly the forestry area. In cooperation with the strip mining enterprise the bezirk council will ensure that land is reclaimed to the greatest extent possible for agricultural use, especially as arable land.

(4) To be ensured is the rapid and efficient provision of the best possible soil fertility and the extensive inclusion of the respective areas in the enterprise reproduction process of the socialist farm enterprise by close cooperation between the non-farm user and the socialist farm enterprise assigned future use in the process of planning and implementing the restoration of land. The reclamation of land used for mining proceeds on the basis of legal regulations.[5]

Section 5

Concluding Regulations

Article 20

Comprehensive Preparation of Consequent Measures for Agriculture

(1) If non-farming utilization exerts significant effects on socialist farm enterprises and the region, the kreis council--and if investment measures are extensive the bezirk council--must comprehensively prepare and organize the necessary consequent measures. Also to be included with non-farming use are related measures (making available living quarters, traffic links, service facilities, and so on).

(2) The kreis council must assist the socialist farm enterprises in the implementation of the measures required as a result of non-farming use. It ensures that all issues relevant to farm production are thoroughly discussed with the working people of the socialist farm enterprise. In the case of socialist cooperatives and their

cooperative facilities this discussion proceeds by way of plenary meetings, delegate meetings or the councils of cooperative facilities.

Article 21

Sanctions

Should

1. Socialist farm enterprises

   a) Without justification fail to cultivate land belonging to their land fund,

   b) Without permission make available to third parties for non-farming use land belonging to their land fund;

2. Non-farming users

   a) Fail to meet the obligations imposed with the permit,

   b) Destroy ripe crops or prevent them from being harvested,

the chairman of the kreis council (in the case of bezirk managed socialist farm enterprises the chairman of the bezirk council) may impose a sanction up to the amount of the soil utilization fee to be paid for this area upon permanent or temporary diversion. These moneys are to be collected at the kreis or bezirk council and earmarked for planned intensification measures in socialist farm enterprises.

Article 22

Appeals Procedure

(1) Appeals may be lodged against decisions as per article 6 paragraph 2, article 8 paragraphs 3 and 5, article 15 paragraphs 1 and 6 and article 21. Those affected by the decision must be informed of their right to appeal.

(2) The appeal must be made in writing within 4 days from the day of the receipt or notification of the decision, citing the reasons. It must be lodged with the state organ which issued the decision.

(3) The appeal has to be decided within 4 weeks. If it is disallowed or not allowed fully, it must be forwarded for final decision within this period

a) To the chairman of the bezirk council if the disputed decision was issued by the chairman of the kreis council or a competent deputy of the chairman or a full-time member of the bezirk council,

b) To the competent deputy of the chairman of the bezirk council or full-time member of the bezirk council if the disputed decision was issued by a competent deputy to the chairman of the kreis council or a full-time member of the kreis council.

The appellant must be informed accordingly. The final decision on the appeal has to be issued within another 2 weeks. If, in exceptional cases, a decision cannot be issued within this period, an interim decision is to be issued at the proper time, citing the reasons of the delay and the probable date of the eventual decision.

(4) If the chairman disallows an appeal against his decision or does not allow it in full, he submits it to the bezirk council for final decision by way of a resolution.

(5) The appeal has a delaying effect.

(6) The appellant is to be notified of the decision about his appeal and the decision justified.

Article 23

Administrative Penalty Regulations

(1) Reprimanded or fined M10-500 may be anyone who deliberately, as chairman, director, manager or senior executive of a socialist farm enterprise

1. Without justification causes land not to be cultivated,

2. Without permission makes land available to third parties for non-farming purposes.

(2) Also reprimanded or fined M10-M500 may be anyone who, as a manager or senior executive of a non-farming user, causes

1. Land, buildings and facilities to be diverted or their use restricted without an agreement or contract with the socialist farm enterprises or social organizations, or fails to meet the obligations assigned with the permit,

2. Land to be diverted or restricted as to use earlier than specified in the permit,

3. The temporarily diverted land not to be returned or the restriction not ended at the stipulated time,

4. Ripe crops to be destroyed or their harvesting prevented.

(3) To be reprimanded or fined M10-M500 may be anyone who deliberately

1. Unlawfully damages crops on cultivated agricultural areas or contributes to the lasting effect of such damage,

2. Without permission by the socialist farm enterprise or others entitled to use the land drives on agricultural and forestry areas outside of roads and paths, or otherwise damages them,

3. Carries out changes in the type of use or crop or the usufruct rights with respect to agricultural and forestry land without the necessary permit or fails either altogether or at the correct time to report any change in the type of use or crop or usufruct rights subject to report,

4. In the capacity of manager or senior executive of a non-farming user neglects the principles established

   a) For making available land as per article 9 paragraphs 1 and 2,

   b) For the protection of cultivable soil as per article 12.

(4) If deliberate administrative offenses as per paragraphs 1-3 were committed for reasons of personal gain or repeatedly within 2 years, and punished by administrative penalties, or if socialist interests were grossly disregarded or considerable damage cuased or could have been caused, a fine of up to M1,000 may be imposed.

(5) The chairmen of the kreis councils or their competent deputies or full-time council members are assigned the duty of carrying out administrative penalty proceedings.

(6) In the case of minor administrative offenses, members of the land commission, who are also staff members of the respective state organ and deputized by the chairman of the kreis council, may issue a caution coupled with a fine of M1-M20.

(7) The law of 12 January 1968 on Combating Administrative Offenses--OWG--(GBL I No 3 p 101) applies to the implementation of administrative penalty proceedings and the imposition of administrative penalties.

Article 24

Implementing Regulations

In agreement with the competent ministers and heads of other central state organs the Minister for Agriculture, Forestry and Food Industry will issue implementing regulations to this decree.

Article 25

Effective Date

(1) This decree takes effect on 1 May 1981.

(2) The provisions relating to the planning of the development of the land are first to be used to draft the 1982 plan in accordance with the plan methodology. Measures by non-farming users which did not require a permit as per the regulations in effect hitherto may be carried out for up to 4 months after this decree takes effect as per the earlier regulations. In cases where permission could be requested within a shorter term as per the regulations in effect hitherto, an application submitted immediately after this decree takes effect will be deemed to have been submitted at the proper time as per article 15.

(3) Losing effect at the same time are:

-- Decree of 17 December 1964 for the Protection of Agricultural and Forestry Property and for the Security of Socialist Land Use--Land Use Decree--(GBL II 1965 No 32 p 233; Ber. GBL II No 42 p 299) in the version of No 64 of appendix 1 to the adjustment decree of 13 June 1968 (GBL II No 62 p 363);

-- Article 3 of the decree of 24 June 1971 on the New Version of Regulations on Appeals Against Decisions by State Organs (GBL II No 54 p 465).

FOOTNOTES

1. In effect at this time are: Part B of the Performance Decree of 26 July 1979 (GBL I No 29 p 265) and the special regulations on planning rights.

2. In effect at this time are the special regulations on Wismut mining.

3. In effect at this time is the Real Property Transaction Decree of 15 December 1977 (GBL I 1978 No 5 p 73).

4. In effect at this time is the Second Implementing Regulation of 26 February 1981 to the Land Use Decree--Changes in the Type of Use and Crops and Usufruct Rights as well as Permission for Co-use and the Restriction of Agricultural and Forestry Use and the Diversion of Land, Buildings and Facilities--(GBL I No 10 p 114).

5. In effect at this time is the definition according to GDR Standards 11482/05--Earth Works; Safeguarding and Dealing with Cultivable Soil (7.73). Cultivable soil strata in the meaning of mining regulations are also deemed to be cultivable land.

6. In effect at this time is Work Safety Order 631/1 of 21 November 1972--Earth Works and Line Laying in the Ground--(Special Issue 747 of the GESETZBLATT).

7. In effect at this time is the order of 10 April 1970 on the Reclamation of Land Used for Mining--Reclamation Order--(GBL II No 38 p 279).

8. In effect at this time is the decree of 13 July 1978 on the Planning, Preparation and Implementation of Consequent Investments (GBL I No 23 p 257).

9. In effect at this time are:

   --Order of 10 April 1970 on the Reclamation of Land Used for Mining--Reclamation Order (GBL II No 38 p 279),

   -- Order of 23 February 1971 on the Recultivation of Land Used for Mining--Recultivation Order--(GBL II No 30 p 245).

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BRIEFS

DECLINE IN COAL PRODUCTION--In the first 3 months of this year coal production was 16 percent higher than the same period last year, in the first 5 months it was 13.2 percent higher, and at the end of the first half of this year it was 12.2 percent higher. In June production was only 6.7 percent above that in June 1980, largely because of the 350,000 ton shortfall at the "Kolubara" mines. Judging from everything, it will not be possible to meet all household needs completely. Total coal production for the first half of this year is 24.7 million tons, including 19.3 million tons of lignite, or 13.5 percent more than last year, 5.2 million tons of brown coal, or 8.4 percent more than last year, and nearly 200,000 tons of hard coal, or 5.3 percent less than in the first half of 1980. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 20 Jul 81 p 29]

ENERGY OUTLOOK--All republics and provinces have drawn up their energy-saving programs. The Federal Executive Council has also issued some recent recommendations. This year 51 million-to-52 million tons of coal will be produced instead of the planned amount of somewhat over 57 million tons. According to the suggested rebalancing of the energy balance sheet, 875,000 tons less oil will be imported than originally planned which does not cover this year's needs. In almost all republics measures to restrict the use of electric power are being introduced but it is realistic to expect that even this will not be sufficient to the end of the year. In such a situation recommendations must be substituted for measures which directly limit consumption. Ways of increasing domestic production of fuels have been known for a long time. For instance in coal mines, miners produced about 3,778,000 tons of coal last year alone through overtime work; yet their demands for better conditions for overtime work have found no response. Because of the lack of investment and foreign exchange funds to import spare parts, equipment has been standing idle in mines where the highest quality coal is.... As a result of the shortage of oil products, liquid gas is being used in motor vehicles, while mazut is being used for drying purposes in sugar mills. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 18 Aug 81 p 1]

KOSOVO PRIVATE FARMS--By the end of the current medium-term period 5.09 billion dinars will have been invested to accelerate the development of the private agricultural sector in Kosovo. It is planned to spend these funds to purchase agricultural machines, develop vineyards, orchards, livestock raising and bee-keeping in the private sector. Funds will be provided by the Federal Fund for Faster Development of Under-Developed Republics and Kosovo, by the International Bank for Reconstruction and Development, and by the farmers themselves. By the end of 1985 it is expected that Kosovo in this way will have 3,886 tractors, 220 harvesting combines,

9,000 machine attachments, 2,000 hectares of vineyards, 1,500 hectares of orchards, 1,300 mini-farms for raising milk cows, 1,000 mini-farms for fattening calves, 1,200 sheep and goat farms, 100 turkey farms, 100 pig farms, and 150 chicken farms. Also, 1.94 billion dinars will be invested during this period in the organization of agricultural cooperatives. [Excerpt] [Belgrade BORBA in Serbo-Croatian 17 Aug 81 p 5]

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END

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2169

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2169

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ERRATUM: In JPRS 78869 of 31 August 1981, No 2166 of this series, the article entitled "Independence From Grain Exports Seen as Long-Range Goal" on Page 16 should have been listed under German Democratic Republic in the table of contents rather than under Czechoslovakia.

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HUNGARY EXPORTS WORKER TRAINING COURSES

Budapest NEPSZAVA in Hungarian 12 Aug 81 p 4

[Summary] Two foreign trade enterprises, Technoimpex and Metrimpex, are finding it profitable to sell skilled worker training courses abroad. At present they are operating training courses for skilled workers at institutions set up in Libya, Iran, Iraq, Algeria, Brazil, Peru and Turkey.

Recently Nigeria has become one of the principal buyers of schools for skilled workers. According to an 8 million dollar agreement signed on the first of July of this year, 30 mobile training units, housed in containers, will be shipped by Technoimpex and its prime contracting partner, Industrialexport, to Abuja, capital of the new federation. Bricklayers, plumbers, painters, locksmiths, radio and television technicians and workers capable of repairing agricultural machinery will be trained at these facilities.

Hungary helps its foreign partners design the training courses. Personnel from Technoimpex see to the maintenance of the Hungarian training equipment. Training Nigerian teachers in Hungary is part of the deal. According to the latest agreement, Hungarian teachers also instruct Nigerian students.

Although such agreements are good business, conditions under which Hungarian instructors and maintenance crew must work are far from ideal. The training centers are often set up in remote villages. There are hitches in water and power supply. Communal facilities are all but totally lacking.

Since the developing countries including Nigeria have started at a much lower level in worker training than the European countries, they are making accelerated efforts to diminish the gap. Over the past 5 years Nigeria has spent 4 billion dollars on expanding education: 150,000 elementary schools have been built. Like other oil-rich countries, Nigeria is readying itself for the post-oil period.

CSO: 2500/351

FIRST HALF YEAR RESULTS IN DOMESTIC TRADE PUBLISHED

Budapest FIGYELO in Hungarian No 31, 5 Aug 81 p 1

[Report by - ai, "Six Months Of Domestic Trade"]

[Text] According to preliminary data, the public's cash revenues increased by 7.2 percent in the first half of 1981, and this means an increase of about 2.4 percent when the 4.5 percent increase of consumer prices are also considered, says the Hungarian National Bank's report on domestic trade.

The consumers' willingness to spend in the last couple of decades has further increased, 80.6 of every 100 forints of revenue was spent on goods which is 2 forints more than in the first half of 1980. The amount and proportion of savings have also increased, manifested in the increase of savings accounts and higher-interest saving bonds. The increase in savings was also affected by a fall in passenger car sales which tied down part of the [car] downpayments.

People put 3.4 percent of their cash revenues into savings as opposed to the 2.5 percent during the first half last year. This increase of 6.4 billion forints of savings is more than last year and about the same as in the first half of the previous year. People spent less on other things.

The six-month domestic trade increase was 9.3 percent in current prices; in unchanged prices, it was 4.5 percent higher than in the first half of 1980 and 2.5 percent higher than in the first half of 1979.

Domestic Trade In The First Half Of 1981
According to the Main Product Categories
(Trade in the First Half Of 1980 = 100 Percent)

(Preliminary Data)

	In current prices	In unchanged prices
Food products	103.4	103.3
Catering	105.6	101.5
Clothing	110.6	104.4
Miscellaneous goods	114.4	106.1

The supply of consumer goods approximated demand more than last year. The improvement was partially due to the larger and better selection of stocks at the beginning of the year. After last year's slump, imports have increased dramatically; however, this was partly the result of making up for last year's lag and the earlier arrival of goods slotted for the second half of the year. The domestic industry's transporting capacity has also improved, partly as a result of lesser problems in basic materials and partly because there were less exports than planned.

The 30 June inventory of food products was 8 percent higher and the first half's average stocks were 9.7 percent higher than last year. Almost all of the increase is a growth in volume. The development of unexplained surpluses were the result of bigger opening inventories and the overestimated procurement not in line with turnover: almost 100 percent of the orders came in because of a balanced industrial supply. Part of the stocks (e.g., rice, sugar) represents advanced stocking and the reason for the extra stocks of noodles are the result of an expected shortage of potatoes which did not take place. The reason for the extra stocks of salt is the arrival of a shipment from Romania in one lot of a several year backlog. Because of an increasing price sensitivity demand for canned food and frozen products has fallen significantly. The "usual" hoarding before the meat price increases was insignificant.

The 30 June closing clothing inventories were 20 percent higher than last year and the average inventories for the first half of the year were 16.4 percent higher, 60 percent of this was an increase in volume. Because of the irregular arrivals of imports, delayed deliveries of seasonal items and advanced orders because of last year's bad experiences, some enterprises ended up with significant surplus stocks. Part of these are current goods (e.g., imported leather goods, Levi jeans); goods in excess of the demand and seasonal and fashion products arriving late will have to be sold at a discount price.

The June closing inventory of miscellaneous articles was 11.4 percent higher than last year and the first six month average inventories were 16.7 percent higher than last year, a little more than half of which was an increase in volume. The increase in inventories understandably did not keep pace with retail trade, the comparative index 0.79. The composition of inventories has not improved significantly and, with the exception of a few enterprises, the inventories are higher than desirable. The changes during the first half of the year include the continuous decrease of extremely large opening inventories in wholesale hardware items have until April and then a dramatic increase in May and June because of the arrival of large import shipments (Polish spin-driers and boilers, Soviet small engines and washing machines GRD washing machines and paper goods) and because of domestic orders in excess of the demand (black-and-white TV sets, oil stoves). Surpluses in furniture resulted from a decreasing demand, and surpluses of washing detergents and cleaners resulted from over-ordering.

However, there are some initial signs in the domestic trade that the enterprises, on the basis of the existing stocks and the realistically expected demand, are slowing down the rate of increase in ordering.

9414
CSO: 2500/340

FINANCING NEW ENTERPRISES EXPLORED

Budapest FIGYELO in Hungarian 29 Jul 81 p 9

[Article by Gyorgy Szakolcai: "The Financing of New Enterprises"]

[Text] In discussions regarding the financing of small enterprises, two contradictory points of view have been conceived: one emphasizes the viewpoint of capital demand and the other of credit worthiness.

The first viewpoint is closely related to the concept that it should be possible to establish such enterprises--according to the concept by Istvan Siklaky which appeared in the No 9, 1981 issue FIGYELO--as a civic right in the cooperative sector. According to this, if we want the right to be more than merely formal, with everyone having a realistic possibility for an undertaking, for example, the development of a small cooperative, then we must assure everyone the possibility to create the starting capital. In other words, we must create the possibility of obtaining the necessary credit for an undertaking for everyone but especially the small worker groups.

Credit Collateral

The classical norms for granting credit and credit collateral may be in opposition to such a view and effort. To be sure, it may be that enterpreneurship is the civic right of everyone, but assuring the necessary capital or providing credit to others is not one's civic obligation. The extension of credit without adequate collateral for establishing a small enterprise is a very risky undertaking; one can hardly conceive of a financial institute which would undertake to do this, or if it does, that it will survive. In addition to credit there is also need for sources, that is, credit cannot create such additional purchasing power for which there is no commodity cover. This real economic problem obviously cannot be solved by any kind of financial maneuvering.

In respect to credit collateral, the classical norm, simply put, is that credit can be extended only to someone who has wealth. But this classical principle was breached a long time ago by practice. Credit collateral can also be material and producer means that can be purchased with credit. The security point of view requires at most that only part of the value of the material or the producer means, and not the entire amount, should be financed with credit.

This description corresponds to actual practice in capitalist countries. Large enterprises which issue bonds have capital, and while the ratio of bonds and shares must also conform with certain empirical values, still the bond collateral is primarily the producer means that are purchased thereby and the accessory production value that can be gained by their use. The collateral of the circulating asset credits (forgotokehitel) is the working capital purchased with credit, and generally the financial institute which extends the credit controls whether the credit use meets the terms of the agreements.

The foregoing is also true of practice in socialist countreis. Here, too, the collateral of the circulating asset credits is primarily the commodities or the producer means which already exist or can be purchased from the credit but may also be the work capacity and the earning capacity of the one who accepts the credit or the guarantor. According to our laws, half of everyone's pay can be garnisheed, and thus the work and earning capacity of a healthy worker with an orderly life style, particularly if he also has a guarantor, is adequate collateral for several tens of thousands forints per year. Thus in consideration of an adequate risk factor and perhaps adequate credit insurance, a certain amount of credit can also be extended on such collateral.

Credit on such principles corresponds to general practice. Everywhere and thus in Hungary, too, a person without any wealth who appropriately bears witness of an orderly life style and earning capacity may receive buyer's credit. In principle, there is no hindrance to extending credit for a small enterprise with such collateral.

Advances for Support Industry

How much credit may be extended on the basis of these principles? The work and earning capacity of the credit applicant may itself be a 20,000 forint collateral, and in fact if he has a guarantor and credit insurance it may be twice as great. But if the collateral for 80 percent of the credit taken for the purchase of materials and producer means is the materials themselves, then the work and earning capacity needs to be collateral for only the remaining 20 percent. More than 100,000 to 200,000 forints of credit can be securely extended per person to the membership of a small cooperative, that is, all in all several million forints. This is sufficient in many branches for a start. Collateral considerations make such an initiative possible.

It is not only the collateral, however, which causes problems, but also the source of the credit as well. In some form, credit always draws resources away from somewhere else, and thus it must be studied whether transferable resources exist.

The credit source may also be the expected value of the production or service that is credited by the small enterprise. Obviously, the basic problem here is whether the product or the service is marketable. The buyer or the client may be the most certain that it is. But credit extended by a buyer or client is no more than an advance. Advance payment may be, therefore, one of the most important sources of small enterprise financing. Credit extension in the form of an advance may also be one of the most important means for large state enterprises, in the framework of small enterprises, to organize themselves a support industries for the manufacture of parts and components--and at lower costs than for production at their own expense.

If we are speaking of the utilization of existing but unused materials or producer means, the money means necessary for making them available can be created by means of credit. A similar situation exists if the credit serves to make advance payment on a production process by which the placement of the products being realized does not appear problematical, and the production time cycle is short. In such a case, we are speaking only of financially bridging a temporary time difference, which if neither the time difference nor the volume is excessively great can also be solved by obtaining credit.

Regrouping of Resources

When conditions are not fulfilled, an appropriate financial source must be looked after. In the economic sense, two sources can be considered savings at the cost of the population's current consumption or the regrouping of resources available to the state (or to a small extent cooperatives or other economic units). One must unconditionally think in terms of this economic category; the savings of the population in the present construction are available to the state whether they appear in the form of savings, saving deposits, or an increase in banknote circulation.

These considerations already show that the sources of credit are in fact tight. The personal consumption of those who participate in small enterprises can be restricted only to a small extent, and from extending the scope of small enterprises we can expect only to a small extent also a decrease in the wasteful consumption that exists in some areas. I believe, however, in the interest of extending the scope of small enterprises we should make possible the organized use of the population's savings for this goal if this were accompanied by a decrease in the sums used for central goals. That is to say, it appears that the increased efficiency, competition and an improving supply situation would be worth the probable small degree of resource regrouping. One of the means of doing this would be if the enterprises could issue negotiable bonds at higher interest rates than offered for savings deposits. There can hardly be any obstacle for the interest on such bonds--by analogy with the usual procedure in international credit circulation--to be flexible, and to vary according to a predetermined system as a function of changes in the consumer price index.

Whether such programs are created or whether existing frameworks, for example, the OTP [National Savings Bank] are used to assure satisfaction of small enterprises' credit demands, it is by all means necessary to settle the conditions for granting credit and the question of credit collateral in a way that it by and large meets the above-described principles.

6691
CSO: 2500/330

PRICE COMMISSION HEAD GIVES DETAILS ON PRICE INCREASES

Warsaw ZYCIE GOSPODARCZE in Polish 2 Aug 81 p 9

[Interview with Prof Zdzislaw Krasinski, chairman of the State Price Commission, by Andrzej Nalecz-Jawecki on 25 July 1981 in Warsaw; "For a Boned Ham, 400 Zlotys?"]

[Text] A. Nalecz-Jawecki: Today is 25 July. From the countless interviews you have granted, it appears that the increase in retail prices is inevitable. People want to know how much everything will cost. Please give us the latest and most recent table with specific prices.

Z. Krasinski: I don't have any final price lists. However, I can give you the newest working version that was developed on 21 July. It will be discussed, revised, adjusted and so on. I want to present it in a popular brochure that will be available in each Ruch kiosk, so that each citizen can subject our proposal to a thorough analysis. Contained in it will be the proposed prices for the most important products.

[Question] Please give us some specific prices for food products. For example, how much will 1 kg of boned ham cost?

[Answer] A cooked boned ham at present costs 150 zlotys; I propose that it cost 400 zlotys. An average loaf of bread, 16 zlotys (0.8 kg); sugar, 40 zlotys; a cake of "country-style" butter, 80 zlotys; macaroni noodles, 28 zlotys; and so forth. I emphasize once again that this is only the working version, an attempt at a proposal.

[Question] If you will permit me, I shall take the entire table for our readers. And now for the second fundamental question--when will all of this happen, and will the price increase take place immediately?

[Answer] Until recently I was for a quick and radical, one-time price increase for food products. At present, I have changed my view a bit. Now I am for an increase in prices by stages, although quickly. I am proposing that a price increase be initiated for bread, farinaceous products, rice, sugar, salt and matches from 15 August of this year. I complete this by suggesting that 1 kg of salt cost 7 zlotys; matches, 2 zlotys; and potato starch, 50 zlotys.

The group consisting of milk, dairy products and vegetable oils would constitute the second stage. We would like to raise the prices for those products in October of this year.

Two groups still remain; i.e., coal, coke, gas, central heating and electrical energy, as well as the meat group, poultry and fish. There are discussions as to which one should be first, fuel or meat? Maybe both groups together? I shall set the deadline; i.e., January-February 1982.

[Question] Will compensation be paid immediately after the first stage of price increases, that is, for bread and grain products?

[Answer] Certainly. And it will be very easy--each person will receive 200 zlotys. That means the additional money will go to each working person, their children, pensioners and so on. Once again, I emphasize that this is only a working version, with consideration of the possibility that persons with higher incomes would receive only 100 zlotys and those earning more than 13,400 zlotys per month generally would not receive any compensation. As regards the second stage--increase for dairy products and vegetable oils--we have counted compensation at about 300 zlotys.

[Question] I wish to print the entire table of the proposed higher prices. Therefore, may we discuss all compensiation for the price increases in food products and furnace fuel, as well as electrical and heating energy? You have worked out four versions...

[Answer] Version A is the most benign for the people, while version D will get us out of this crisis the quickest. The two remaining versions are proposals that fall in between. However, in order to withstand the results of an increase in retail prices, as we have calculated, each citizen will have to receive 1,250 zlotys. And that is the base of departure for all variables.

In version D, those earning less than 3,000 zlotys per month would receive slightly more than the base; i.e., 1,300 zlotys. Those receiving pensions or annuities that do not exceed 2,000 zlotys also would receive more than the base; i.e., 1,400 zlotys. However, those earning more would receive a payment lower than the 1,250-zloty base. Those persons earning more than 13,400 zlotys would get barely 200 zlotys in compensation. Pensioners and annuitants receiving over 6,000 zlotys per month would get 700 zlotys. All children and women obtaining family assistance, without regard to the income allotment, would receive an equal amount of 1,000 zlotys.

If version D were to be adopted, then the money that is not backed and throwing the marketplace into confusion would be withdrawn from the marketplace relatively quickly. Of course, the citizenry, and I am not hiding this in any way, would bear the costs (especially those who make the most money) of the entire stabilization process.

On the other hand, adoption of version A would signify the decision for a gradual achievement of stabilization by spreading the process out over a period of several years. All persons working in the collectivized economy would receive a payment not lower than 1,100 zlotys. I emphasize that even those earning more than 15,000-20,000 zlotys also would receive 1,100 zlotys in compensation. Those obtaining even the highest pensions would receive 900 zlotys each, while all children and women on assistance also would receive 900 zlotys each.

In version A, those earning the least would be paid only minimally more than the compensation base (i.e., only 50 zlotys). On the other hand, those earning the most would receive barely 150 zlotys less than the base amount.

[Question] I understand that the withdrawal of money without backing would take place relatively slowly with version A. But in this table (and also in version B), there is a marked payment of portions of the compensation in National Stabilization Loan [NPS] bonds. They delay somewhat the pressure of cold cash on the stores.

[Answer] Yes. The objective of bonds is in some measure to force people voluntarily to save money. The bonds will be paid monthly in salaries and pensions. Beginning in 1983, we would start a drawing in 40 quarterly installments (that is, for 10 years), and people could exchange their drawn bonds for zlotys. I believe that the bonds should be on a percentage basis, and then from those percentages a bonus system could be established to take part in the drawing.

Of course, in the public consciousness NPS bonds would constitute the freezing of money. But the amounts won't be that large. I estimate that in this way we could hold back about 47 billion zlotys, while the current inflationary spiral stands at approximately 600-700 billion zlotys.

[Question] And so the last bonds would be exchanged for zlotys in 1993? Inherent in this assumption is that we shall have to dig ourselves out of this crisis for the next 11 years. Am I correct?

[Answer] I would not be such a pessimist. It's possible that in 3-4 years the economy will be able to stand enough on its own feet, so that the bonds can be paid off more rapidly. For example, it will be possible to use them to pay for the purchase of various products or for services in the marketplace.

[Question] Let's return once again to compensation. How did you come up with a base equalization of exactly 1,250 zlotys for retail price increases in food products, furnace fuel and energy?

[Answer] That was an arduous and detailed calculation. It was simple for rationed products. A person receives each month 1 kg of sugar, for which the price is increasing from 10.50 zlotys to 40 zlotys. So I wrote down 29.50 for compensation. In the margin next to sugar, we assumed 1.5 kg, counting on an increase in production. In a similar manner, we calculated the size of equalization for other rationed products. In the case of other products (bread, jams, macaroni noodles and so on), we counted the average consumption per person.

[Question] Is there a chance that the higher prices could suppress the waste of agricultural and food products? Your research in Poznan indicates that we waste millions of loaves of bread each year. Many delegates at the Ninth Congress stated that we are simply wasting large amounts of food between the field and the table. It is logical to assume that if we didn't waste so much, then there would be so much more in our stores and on our tables. And moreover, the consumer would not have to pay from his or her own pocket for all the losses.

[Answer] Agricultural products cannot be cheap, because that is the first step to the hell of waste. This also concerns the household economy, as we frequently buy without thinking, for example, more bread than we really need. After that, we throw out stale bread, not bothering in the least because the loss (in zlotys!) is not large. And now after the increase, we shall respect food more than before. Without respect to waste in factories, preserves, storage magazines or stores, I personally

don't know how to suppress it nor how to get to the conscience of producers or to the feeling of civic responsibility. The only thing we can count on is competition established by the economic reform and the strong subjection of wages to economic events. However, this will begin to function only after a certain period of time. In the meantime, the Federation of Consumers [FK] in particular should be relentless in condemning waste and promoting public pressure to mobilize public opinion against large wasters.

[Question] You went to the FK prior to becoming "price minister." This agrees with the federation's opinion that each price should be fair and above all in accordance with the product's quality. And, for example, consumers would like "compensation" for more expansive milk of significantly higher quality. Does the price increase, being an integral part of economic reform, give such guarantees? More expensive, but is quality good for bread, milk, butter, noodle macaroni, pork products and so on? At present, the quality of many products is lousy and sometimes even scandalous...

[Answer] It is not the price increase that guarantees quality. Reform should do it, and therefore independence and competition. Producers must be forced economically to compete though quality and price. All prices will have the characteristics of maximal prices; i.e., each producer will be able to sell for less. Let the collective farms that produce milk at higher cost perish in the marketplace; let them plant clover. If private farmers can produce milk at lower cost, and also butter, they will win the competition to the consumer's benefit.

With respect to milk, however, I feel that the purchase price is too high. In other countries, milk costs less than other products. Eighty zlotys for a cake of butter is indeed a lot. It will be necessary to decide whether or not to introduce next year an experimental price for milk; i.e., between 11 and 18 zlotys per liter.

[Question] Is it possible that the price of 1 kg of marmolade is 42 zlotys? After all, it's made from the "remains" of fruits.

[Answer] But marmolade contains a lot, almost half its weight, of sugar. Of course, if there is a cheap fruit batch--for marmolade, jams, plum jam, canned peas and so forth--then maybe those same products will become less expensive. Producers who are able to buy up raw materials cheaply will emerge victorious in this game. In general, the economic reform will be directed against those who produce at higher cost--let them tremble for their existence!

[Question] Up to now we have spoken only about food and food products. What are the intentions as regards all nonfood products?

[Answer] There are also fewer and fewer industrial goods in the stores. There is also a lot of pressure on them, as they're being bought out. However, in this case, we have another idea; i.e., the Stabilization Fund [FS]. The issue here is not to raise prices formally, but rather to add to them specific amounts that would go to the FS. For example, one would not pay 7.5 zlotys for razor blades at the kiosk, but rather 7.5 plus 10 zlotys, or 17.5 zlotys. Neither the trader nor the producer would have any right to the 10 zlotys. The FS would be a separate fund which would best remain under public supervision.

Payments added on to prices for the FS would be the same size so as to equalize, more or less, supply with demand. If certain products were to begin to accumulate, then we would lower the prices. I believe that these payments should be a movable part "of the price," which would give this country "price" elasticity for the first time.

[Question] The FS would be created by buyers purchasing specific goods; e.g., televisions, tape recorders, razor blades, furniture and so on. On the other hand, you said that it should be under public supervision. I have a simple idea; i.e., since consumers are going to create it from their own pockets, then the manager of FS should be the FK. What is your reaction to that?

[Answer] People must have absolute trust in the FS. Personally, I would not like the manager to be a financial department, or any other institution for that matter. The citizenry might fear that the money was going to be directed toward various other objectives which are important but not the most important from the public's point of view. I am completely in support of the candidacy of the FK to be the manager of the FS.

One thing must be emphasized, however, and that is that it will be necessary to amass funds in the FS for a certain period. It must fill temporarily the function of extracting money from the marketplace. For example, for 1 1/2 years we would do nothing but take in zlotys. Only afterward would we decide whom to finance, which group of producers to assist and so on.

[Question] Therefore, FS is a matter to come after the reform of food prices has been conducted. Let's go back to the latter. A look through all these proposals gives birth to the following question: Will society accept one of these versions and agree to the price list and the amount of compensation?

[Answer] This is exactly why we are presenting the entire issue to society. The awareness must be there that some group will receive an increase in the amount of compensation, but at the same time another group will have some taken away. Working people may receive more, and pensioners and youth less. And so forth. We shall somehow have to decide and to choose. I must emphasize once again that the tables reproduced in ZYCIE GOSPODARCZE are only a working version. May appeal is let's not discuss things too much, but decide on something. Each day's delay means another 1.5 billion zlotys without backing. In other words, the longer we wait to introduce reform of retain prices, the higher the increase will have to go!

[Interviewer] Thank you very much for access to the "working version" and the discussion. In closing, I would like to state that there are many specialists who have different views and different proposals. Even among the editorial staff, there are divided opinions, not to mention society as a whole. This is why in the near future we are organizing an editorial discussion in order to make it possible to present other views. I also invite you to come.

Examples of Proposed Increases in Retail Prices for More Important Articles

Number	Article Name	Measure	Retail price in zlotys current	proposed
1.	Torun bread	0.8 kg	6.70	16.00
2.	Common wheat roll	0.05 kg	0.70	1.30
3.	Poznan wheat flour	1 kg	10.00	22.00
4.	Wroclow wheat flour	1 kg	6.70	21.00
5.	Cream of wheat	1 kg	6.50	23.00
6.	Rural barley porridge	1 kg	10.00	18.00
7.	Choice oat flakes	1 kg	11.00	28.00
8.	Spaghetti noodles	0.5 kg	10.50	28.00
9.	Rice	1 kg	10.00	30.00
10.	Milk with 2 percent fat	1 l	2.90	10.00
11.	Bottled homogenized cream with 18 percent fat	0.25 l	6.20	21.00
12.	Packaged "country-style" butter with 82.5 percent fat	0.25 kg	25.00	80.00
13.	Gouda cheese with 45 percent fat	1 kg	50.00	190.00
14.	"Krajanka" brand cheese with 30 percent fat	1 kg	23.00	84.00
15.	Margarine	1 kg	26.00	80.00
16.	Sugar	1 kg	10.50	40.00
17.	Marmolade	1 kg	10.50	42.00
18.	Highly sweetened strawberry jam	0.46 kg (jar)	7.90	32.00
19.	Plum jam	0.45 kg (jar)	6.60	25.00
20.	First-class heating coal	ton	550.00	2,000.00
21.	Coke	ton	797.00	2,900.00
22.	Boned pork roast	1 kg	90.00	290.00
23.	Boned pork shoulder	1 kg	59.00	190.00
24.	Side of meat	1 kg	30.00	100.00
25.	Roast beef	1 kg	56.00	190.00
26.	Boneless veal	1 kg	80.00	280.00
27.	Boneless meat from adult livestock	1 kg	68.00	205.00
28.	Chicken	1 kg	54.00	135.00
29.	Bacon	1 kg	36.00	115.00
30.	Smoked ham	1 kg	180.00	450.00
31.	Cooked boned ham	1 kg	150.00	400.00
32.	Countrystyle sausage	1 kg	120.00	260.00
33.	Common sausage	1 kg	44.00	200.00
34.	Fresh Baltic herring	1 kg	15.00	40.00
35.	Salted Baltic herring	1 kg	17.00	65.00
36.	Headless, fresh, gutted cod	1 kg	14.00	50.00
27.	Cod fillets	1 kg	25.00	95.00

VERSION A

Compensation (Equalization) for the Increase in Retail Prices for Food Products, Furnace Fuel, as well as Electrical and Heating Energy

Basic compensation = 1,250 zlotys

Specification	minimal to 3,000 zl	between minimal and average 3,001-6,700	between average and 1.5 times its amount 6,701-10,000	between 1.5 and 2 times average pay 10,001-13,400	more than 2 times 13,401 and up
	Rate of monthly compensation in zlotys per monthly wage level				
1. Workers in the collectivized economy-- together	1,300	1,250	1,200	1,150	1,100
--counting NPS bonds	-----	250	350	500	600

	Rate of monthly compensation in zlotys dependent upon the size of monthly pensions or annunities					
2. Pensioners and annuitants--	to 2,000 zl	2,001-3,000	3,001-4,000	4,001-5,000	5,001-6,000	6,000 and up
together	1,300	1,250	1,200	1,100	1,100	900
--counting NPS bonds	---	----	200	250	250	350

3. Children and women obtaining family assistance
   --all children receive 900 zlotys
   --all women receive 900 zlotys

ATTENTION: pensioners and annuitants above 75 years of age will receive the entire compensation in cash

VERSION B

Compensation (Equalization) for the Increase in Retail Prices for Food Products, Furnance Fuel, as well as Electrical and Heating Energy

Basic compensation = 1,250 zlotys

Specification	Rate of monthly compensation in zlotys per monthly wage level: Minimal to 3,000 zl	between minimal and average 3,001-6,700	between average and 1.5 times its amount 6,701-10,000	between 1.5 and 2 times average pay 10,001-13,400	more than 2 times 13,401 and up
1. Workers in the collectivized economy-together	1,300	1,200	1,100	900	700
--counting NPS bonds	-----	300	400	500	500

	Rate of monthly compensation in zlotys dependent upon the size of monthly pensions or annuities: to 2,000 zl	2,001-3,000	3,001-4,000	4,001-5,000	5,001-6,000	6,001 and up
2. Pensioners and annuitants--together	1,400	1,300	1,200	1,100	1,000	900
--counting NPS bonds	-----	------	200	300	400	500

3. Children and women obtaining family assistance
--all children receive 1,000 zlotys--Variable I*)
--all women receive 1,000 zlotys

*)Variable II in individual table

ATTENTION: pensioners and annuitants above 75 years of age will receive the entire compensation in cash

VERSION C

Compensation (Equalization) for the Increase in Retail Prices for Food Products, Furnace Fuel, as well as Electrical and Heating Energy

Basic compensation = 1,250 zlotys

	Rate of monthly compensation in zlotys per monthly wage level				
Specification	Minimal to 3,000 zl	between minimal and average 3,001-6,700	between average and 1.5 times its amount 6,701-10,000	between 1.5 and 2 times average pay 10,001-13,400	more than 2 times 13,401 and up
1. Workers in the collectivized economy-together	1,300	1,100	900	700	400

	Rate of monthly compensation in zlotys dependent upon the size of monthly pensions and annuities					
2. Pensioners and annuitants--together	to 2,000 zl	2,001-3,000	3,001-4,000	4,001-5,000	5,001-6,000	6,001 and up
	1,400	1,300	1,150	1,000	900	800

3. Children and women obtaining family assistance	--all children receive 1,000 zlotys--Variable I*) --all women receive 1,000 zlotys

*) Variable II in individual table.

VERSION D

Compensation (Equalization) for the Increase in Retail Prices for Food Products, Furnace Fuel, as well as Electrical and Heating Energy

Basic compensation = 1,250 zlotys

	Rate of monthly compensation in zlotys per monthly wage level				
Specification	minimal to 3,000 zl	between minimal and average 3,001-6,700	between average and 1.5 times its amount 6,701-10,000	between 1.5 and 2 times average pay 10,001-13,400	more than 2 times 13,401 and up
1. Workers in the collectivized economy	1,300	1,000	700	400	200

	Rate of monthly compensation in zlotys dependent upon the size of monthly pensions and annuities					
2. Pensioners and annuitants	to 2,000 zl 1,400	2,001-3,000 1,250	3,001-4,000 1,000	4,001-5,000 900	5,001-6,000 800	6,001 and up 700

3. Children and women obtaining family assistance
--all children receive 1,000 zlotys--Variable I*)
--all women receive 1,000 zlotys

*) Variable II in individual table

Variable II*)

Differential System of Compensation for Children and Youth Receiving Family Supplements

For each successive child	Age: to 7 years			Age: 7-13 years			Age: over 13 years		
	in families receiving a monthly income per person in zlotys:								
	to 1,600	1,601-2,000	2,001 and up	to 1,600	1,600-2,000	2,001 and up	1,600	1,601-2,000	2,001 and up
	compensation in zlotys								
for the first	700	600	500	950	850	750	1,200	1,100	1,000
for the second	800	700	600	1,050	950	850	1,300	1,200	1,100
for the third and over	900	800	700	1,150	1,050	950	1,400	1,300	1,200

ATTENTION: A family with three children aged 14, 12 and 6, and raising them exclusively on an income of 8,000 zlotys, will receive a supplement of 1,200 zlotys for the first child, 1,050 zlotys for the second and 900 zlotys for the youngest child.

*) Variable I is contained in the respecitive compensation versions A, B and C.

DEMOGRAPHIC PROGNOSIS TO 1985 PUBLISHED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 13, 27 Jun 81 pp 27-29

[Article by Wladyslaw Kondrat and Jadwiga Mijakowska "Demographic Prognosis to 1985"]

[Text] The Central Office of Statistics [GUS] prepared a prognosis of demographic development of the nation and individual voivodships for 1980-1985. Based on this prognosis the final results of the National General Census of 7 December 1978, were accepted, after a mathematical interoplation of the projected status on 31 December 1979. Taken into account in the prognosis were forecast trends of births and deaths, prepared by GUS and approved by the Interministerial Commission for Demographic Prognosis Affairs.

It has been accepted that the fertility factor of women, which was calculated separately for the urban and rural populations in each voivodship, will be the same during the 1980-1985 prognosis period as it was in 1978/1979. Therefore, the small changes in the all-voivodship and all-national levels of population growth factors, both gross and net, will be exclusively the result of changes in the mutual relationships of numbers of women in rural and urban areas as well as in those voivodships which display marked differences, one from the other, as to the level of reproduction. Changes in the structure of women's childbearing age will cause formation of a tendency in the number of births in a particular voivodship.

In accordance with previously used practices, data pertaining to the internal territorial relocations within the nation (migration balance) were prepared by the Planning Commission of the Council of Ministers. In addition, included in the prognosis were assumptions of the Ministry of Internal Affairs pertaining to the projected foreign migration balance of voivodships.

A Population of 37.3 Million in 1985

The results of the prognosis indicate that the population of Poland will increase during A 6-year period from 35.4 million to 37.3 million, i.e., by about 1.9 million inhabitants. Population growth will, therefore, be about 0.9 percent on a yearly average, thus continuing to remain very large.

Born during that period will be over 4 million children and about 2 million persons will die. The national urbanization process, which was apparent during the entire postwar period, will continue to grow. The urban population of the nation will grow

by about 2.3 million in 1985, and will reach 22.5 million, this will make it 61.3 percent of the total national population (in 1980, the percentage of the urban population was 58.7 percent). Such large growth in the urban population has two sources.

First is migration from rural areas. Migration movement in the country-to-city direction is an unseparable component of urban population development. Those movements will become principal factors in this development. It is being projected that during the 6 years as many as 1.2 million persons who currently live in the country will decide to live in the city. This number exceeds by 100,000 the joint natural growth figure forecast for 1980-1985.

Natural growth is the second factor which influences urban population growth. A preponderance of positive migration balances over natural growth has been systematically observed in cities since 1966, however, earlier--with the exception of some postwar years--the natural growth in cities was higher, in some years very much higher, than the migration balance from the country. In the coming years this factor--it is being assumed--will attain an ever increasing significance in the increase in numbers of the urban population.

In the country, mainly as a result of the migration process to the cities, the population will continue to decrease. During the 6 years of the projected period, it will probably decrease by 370,000. Natural growth--although still markedly higher than in the cities, calculated per 1,000 inhabitants--is not able now, nor will it be able in the future, to compensate for the population loss caused by migration. This tendency has been steadily registered since 1974 and will intensify in the coming years. The results of this migration to the cities by the rural population are very serious in some regions with regard to the rural population structure, in particular as it pertains to distribution by sex and age. Migrations are the cause of selective reduction of the rural population because the principal participants are young people and women. This results in two negative processes: accelerated aging of the rural society and its masculinization.

Differentiation of Demographic Development of Voivodships

The first half of the eighties will probably be characterized by further dynamic development of population on the voivodship scale. It is expected that in all voivodships, except one--Sieradz, there will be a population increase. In 1985 this increase, as compared to 1980, will be higher in 22 voivodships than the national rate; it will attain some 4.4 percent. Six voivodships from this group--Legnica, Katowice, Gdansk, Olsztyn, Slupsk and Koszalin will probably achieve a population growth in excess of 6 percent. The most dynamic increase will occur in Legnica Voivodship where the population increase during the projected period will amount to almost 9 percent. Even in the seventies this voivodship had the highest growth in the nation. During the intercensus period 1970-1979, population growth there amounted to almost 20 percent.

In one of the group of 27 voivodships which will have a population growth below the national average, Sierzdz, there will probably occur a slight population drop on the order of some 2,000 persons. In one additional voivodship there will be stabilization, in seven of them the increase will not exceed 2 percent. Those seven are: Czestochowa, Konin, Lomza, Plock, Siedlce, Skierniewice and Wloclawek.

In 1985, as in 1980, almost 40 percent of the population will live in the 9 most densely populated voivodships: Warsaw Capitol City, Bydgoszcz, Gdansk, Katowice, Kielce, City of Cracov, City of Lodz, Poznan and Wroclaw. Those are the voivodships which from the time of their establishment, or at least for the past several years, had a population of over 1 million. During the forecast period, in Warsaw Capitol City Voivodship the population will increase from 2.3 to 2.4 million, in Katowice Voivodship from 3.7 to 4.0 million. In 1985, one more voivodship will be included in the over 1 million club--Opole.

Results of Urbanization on the Rural Population

The level of urbanization is very differentiated on the voivodship scale. It is sufficient to note that during the seventies more than half of the nation's population lived in eight of the most densely populated voivodships: Warsaw Capitol City, Gdansk, Katowice, City of Crawcov, City of Lodz, Poznan, Szczecin and Wroclaw. The prognosis indicates that this concentration of population will be somewhat reduced due to the development of cities which were designated capitols of voivodships created in 1975.

However, in those voivodships in which, until now, the percentage of urban population was the lowest, the course of the urbanization process will be most favorable, with the possible exception of Legnica Voivodship, where despite a high degree of urbanization the increase of urban population will continue to be very substantial. It is projcted to reach about 18 percent during the projection period. Voivodships with the fastest growth of urban population are forecast to be: Biala Podlaska (20.4 percent), Ostroleka (19.3 percent). Lomza (18.9 percent), Chelm (18.5 percent), Zamosc (18.3 percent), Siedlce (16.2 percent), Suwalki and Olsztyn (15.0 percent each). Only 5.8 percent of the nation's urban population resided in this group of voivodships in 1980, in 1985 this will increase to 6.3 percent.

The indicated changes in the structure of the distribution of the urban population, although not very deep, indicate a tendency toward a more uniform development of the urbanization process. In 1985, the number of voivodships which have less than 50 percent of urban population will be reduced by 3, as compared to 1980, when there were 27 such voivodships.

A direct consequence of the urbanization process is a change in the numbers of the rural population. During 1980-1985, there will most probably occur a reduction in the rural population count. This reduction will amount to ver 2 percent on a nationwide scale.

Such a reduction will probably not occur in only 10 voivodships: Warsaw Capitol City, Bielsk, Gdansk, Katowice, Nowy Sacz, Opole, Rzeszow, Tarnow, Krosno and Wroclaw. However, even in the case of these voivodships it is difficult to speak of a significant increase in the rural population. More than anything else it will amount to stabilization. Most of them are strongly urbanized, the fact of a small increase in rural population can be explained in that the numbers of rural persons are needed to work in farming bases of large agglomerates, or that the person must not necessarily work in farming--the proximity of large urban centers permits many to undertake work outside of agriculture without the necessity of moving to the city.

In the remaining 39 voivodships there will be a marked decrease in rural population, in a border case--Bialystok Voivodship--almost 10 percent during the forecast period.

Population Structure According to Sex

In accordance with current trends, the normalization process of the proportions of sex distribution will continue. The so-called feminization index, which expresses the number of women in proportion to 1,000 men, will be lowered from 1,052 (in 1980) to 1,047 (in 1985). At the same time--as indicated by the prognosis--the currently existing differences in this respect between the urban and rural populations will become more pronounced. In 1985, there will be 1,080 women per 1,000 men in the cities while in the country this proportion will be 997 women per 1,000 men. Thus in the country there will occur a numerical overbalance of men. This situation is the logical consequence of the fact that women form a majority among the country to city migrants.

It is forecast that in only three voivodships will there be a slight increase of the feminization index: Gdansk (from 1,030 in 1980, to 1,031 in 1985), Lublin (1,071 to 1,074) and Wroclaw (1,058 to 1,061). In all the remaining voivodships there will be a reduction of that proportion. The greatest decrease will take place in: Ciechanow (1,025 to 1,013), Nowy Sacz (1,005 to 991), Tarnow (1,070 to 1,059), Opole (1,065 to 1,055) and Ostroleka (1,005 to 991). A common characteristic of the above voivodships is a negative migration balance which has been evident there for several years. This is strictly tied with the agricultural character of these voivodships (except Opole) and their low level of urbanization.

In 1985, Ostroleka Voivodship will attain the lowest feminization index (991) among all voivodships. It is also forecast that another voivodship which will experience a numerical overbalance of men in the same year will be Legnica, with a 997 femninization index. In this case the numerical male overbalance among the migrants to Legnica Voivodship will be the reason, influenced by the specific economy of the region.

In several other voivodships, there will appear an only barely noticeable overbalance of women: Suwalki--1,003 women to 1,000 men, Lomza--1,006, Szczecin--1,007, Katowice--1,009, Tarnobrzeg--1,011, Siedlce--1,012, Ciechanow--1,013 Elblag--1,013 and Slupsk--1,014. The majority here are typical migration source voivodships with a low level of urbanization. However, in the cases of Szczecin and Katowice voivodships, the present and future deciding factor is the specific labor situation which results from a demand for male labor skills.

Voivodships with a high feminization index will retain their position, even in the future. It becomes apparent from the prognosis that in City of Lodz Voivodship, in 1985, there will be 1,147 women per 1,000 men and in Warsaw Capitol City Voivodship--1,124.

In the remaining 36 voivodships, the feminization index for 1985 will form about 1,020 to 1,080 women per 1,000 men.

The number of voivodships with a numerical overbalance of men in rural areas, will increase from the present 19 to 29 by 1985. However, in the cities such a situation will not occur in any voivodship, In Katowice, Voivodship the feminization index will be lowered to a level of 1,007. In Legnica Voivodship the same level will be maintained during the entire 5-year period. In a large proportion of voivodships, the forecast level of the feminiation index among their urban population will be considerably higher.

Working Age Population

The results of the latest GUS prognosis indicate that the high rate of growth of working-age population, which was apparent during the seventies, will be somewhat lowered in the next 5 years. This growth will amount to about 650,000 persons; During 1971-1975 it was 1.7 million, during 1976-1980--1.3 million. The apparent growth of working-age population will, during the next 5 years, barely reach 3.1 percent, while total population growth will be 4.4 percent. This marked difference in the growth of the potential labor force will be the direct result of attaining of working age by persons from "low" birth years, people born during the sixties and by the passing of the upper limit of working age by the comparatively high numbers of people who were born during the first half of the twenties.

In a spatial context, the extent of working-age population growth will differ greatly. Comparatively highest growth will be exhibited by the highly industrialized voivodships: Gdansk (5.8 percent growth), Katowice (6.2 percent), Legnica (6.6 percent), these voivodships represent an unusually highly absorptive labor market.

Beside those noted, also distinguished will be voivodships with a large supply of labor resulting from a traditionally high birth rate which has steadily prevailed there. Those are: Nowy Sacz (6.0 percent), Olsztyn (5.9 percent), Opole (5.5 percent), Rzeszow (5.1 percent) and Slupsk (5.2 percent). In these voivodships, according to the prognosis, despite a negative migration balance, a comparatively large percentage of working-age population will be retained.

However, in some voivodships, despite a projected increase in the total numbers of population, there will be a slight drop of the direct number of working-age population. This situation will occur in: Jelenia Gora, Radom, Siedlce, Sieradz, Skierniewice, Walbrzych and Zamosc voivodships. This decrease in the potential number of working-age persons will be caused by the continuously negative balance of internal migrations.

In connection with the continuous, massive population relocations from the country to the cities, which will amount to about 1 million people during the forecast 5-year period, with the simultaneously occurring unfavorable changes in the demographic structure of the population, there also will be a drop in working-age population numbers occurring in rural areas, amounting to some 235,000 people, with a simultaneous growth of working potential in urban areas by about 890,000 persons.

Despite these trends the percentage of working-age population nationwide will be lowered not only in rural areas (from 55.1 percent in 1980, to 54.7 percent in 1985), but also in urban areas (respectively from 62.4 percent to 61.1 percent). This percentage, calculated for the total population of the nation, will be lowered from 59.4 percent in 1980, to 58.6 percent in 1985.

The decreasing trend of the proportion of working-age population among the numbers of total population of the nation will also become evident in a large majority of voivodships. A reverse trend will be observed in only seven voivodships: Lomza, Bialystok, Nowy Sacz, Opole, Ostroleka, Suwalki and Tarnow--those will exhibit a slight increase in proportions of working-age population. It has to be underscored that this increase will occur exclusively among the rural population, however, the course of general changes will go in the opposite direction in other rural areas. The decidedly agricultural character of these voivodships will exert such influence on demographic changes that structural changes in the cities will not be able to counterbalance the consequences of the processes occurring in rural environments.

The largest demographic working [age] potential in 1985, will be available in the following voivodships: Warsaw Capital City--1,537,000 persons; Gdansk--855,000; City of Cracov--765,000; Wroclaw--705,000. Together the above voivodships will have 5,334,000 persons of working age, almost one-quarter of the total working force of the nation. This is witness to a sizeable concentration of human production resources connected with a concentration of the national economic potential.

Voivodships with largest numbers of working-age population are also on the list of voivodships which lead with respect to the percentual participation of that group in total numbers of population of the given voivodship. This list is as follows:

Warsaw Capitol City	--	63.0 percent	Walbrzych	--	61.1 percent
Wroclaw	--	62.3 percent	City of Cracov	--	60.9 percent
City of Lodz	--	62.1 percent	Jelenia Gora	--	60.9 percent
Katowice	--	61.9 percent	Legnica	--	60.0 percent
Szczecin	--	61.9 percent	Gdansk	--	59.9 percent

As can be seen from the above list, those are highly urbanized and industrialized voivodships which represent an unusually highly absorbent labor market.

In voivodships dominated by farming economy, the percentual proportion of working age population is relatively the lowest in the nation:

Nowy Sacz	--	53.4 percent	Zamosc	--	54.4 percent
Lomza	--	53.8 percent	Biala Podlaska	--	54.5 percent
Tarnow	--	53.9 percent	Krosno	--	55.0 percent
Przemysl	--	54.2 percent	Ostroleka	--	55.0 percent
Siedlce	--	54.3 percent			

The situation which was represented above as a projection for 1985, is also typical of the current period and past periods and will probably continue for a long time to come.

Problems addressed in this article do not, by any means, exhaust the list of problems connected with the anticipated demographic processes of the nation and its voivodships.

Editor's Note: The specific data pertaining to the processes presented in this article were presented on the covers of No's 2 and 3 of RN-G-A.

9511
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REORGANIZATION, EXPORTS OF METALLURGICAL MINISTRY DESCRIBED

Warsaw ZYCIE WARSZAWY in Polish 29 Jul 81 p 2

[Article for PAP by Pawel Tarnowski: "The Old Directive-Type System Has Already Broken Down, But the New Mechanisms Still Are Not Operative: The Difficult Beginning of the Ministry of Metallurgy and Industry"]

[Text] Following the meeting between journalists and the chief of the Ministry of Metallurgy and Industry, Zbigniew Szalajda, on the subject of the program of action of the Ministry, it has been my irrefutable feeling that the meeting took place too early. This ministry is a large organizational structure which continually has failed to be defined precisely, and its program of action--if only on account of the lack of fundamental legal documents which are the basis of future reform--is in its infancy.

Therefore, Minister Szalajda presented--of necessity--only part of his forthcoming aims, at least some of which merit social support. Among these are his decision--made, moreover, earlier and at other managerial levels--concerning the granting of every assistance possible to establishments producing machinery, equipment, and supplies for agriculture. Based on the information provided at the meeting, however, it is difficult to find out whether assistance from the ministry is not purely verbal for the time being.

The future marked and economic mechanisms of the reconstructed economy are still not operative. But the old directive-type system has already broken down, in principle. In effect, at the recent meeting Minister Szalajda himself took over the role played by journalists up until then and began to pour out examples of the indolence of industrial establishments which could, but do not want to or could not manage to, discharge tasks for the farmers and the community.

The stardard example of indolence has become the matter of the nails which do not exist but which could be produced in greater quantities, especially since the raw materials exist and the machinery is waiting. However, the minister stated, and appropriately so, that he would not order production of nails based on this information. Today larger scale production apparently is not profitable for such a firm.

Besides the nails, the matters of milk cans (lack of tin) and storage batteries (lack of casings) were also thrashed out. Finally, the minister stated--although he knows this is an unpopular position--that many establishments simply are not using skillfully the prerogatives obtained thanks to the famous and so harshly criticized Resolution 118. Also in this category he included at least some of the dwarfs who are holding up economic reform.

From the responses of the chief of the largest industrial ministry in Poland, it also turned out that as a result of economic reform, the interests of industry are suffering the most, at least at the beginning. For this time Zbigniew Szalajda looked like a fervent opponent of industrial-branch parochialisms, which must yield to generally conceived social interests.

The new ministry was presented as the direct consequence of the proposal for mapped out economic reform. When the ministries are combined, the number of workers remaining in the Ministry of Metallurgy and Industry will be lower than half of the combined number of workers in the three former ministries.

The organizational structure of the ministerial cap also was changed, and completely. Instead of the hackneyed purely industrial-branch divisions (metallurgy, machine building, etc.), a new scheme has been applied. Henceforth, the individual undersecretaries are supposed to occupy themselves with, for example, economic problems, the material economy, foreign trade, scientific and technical progress, etc. It looks as if it will be extremely difficult both for officials at the main office and for the enterprises subordinate to them to become accustomed to the new systems. As Minister Szalajda says, however, there is no turning back, and the fastest possible implementation of reform is simply a necessity.

The issue of the import possibilities of the ministry also was discussed. It was recalled that the industry grouped into the new ministry assures 50 percent of Polish exports to the capitalist countries; to make ends meet we need $200 million, but we receive barely $12 million or so. If we do not come to grips with this situation, many establishments simply will come to a complete halt on account of the lack of imported raw materials and subcomplexes. It is a pity, however, that Minister Szalajda's otherwise appropriate remark was not backed by a specific program to eliminate imports, for which we cannot allow the swollen production profile of many establishments to become contracted today. For such an action would have a greater effect on Poland's current possibilities.

But the most disturbing thing is the fact that the directors of the industrial establishments--in the ministry's opinion--are expected, in their actions, to be not only the representatives of the interests of labor forces and enterprises but also the representatives of higher social interests. The renewed demand placed on these people to be altruistic and to act "for the good of society" can contradict the needs of the firm; it seems to be a misunderstanding, since the very coordination and linking of these interests in favor of economic parameters and not declarations of principle is one of the fundamental tasks of the new ministry.

For the time being, the Ministry of Metallurgy and Industry is having a difficult start. The implementation of its plans has been very poor. The prospects for improvement are rather small. In the opinion of Minister Szalajda, however, the results could be better nearly everywhere if support for reform were expressed not in words but in actions. Without negating this position, it is fitting to state that the ministry could begin with itself.

8729
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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 29 Jul 81 p 6

[Article: "The National Bank of Poland, Warsaw, 29 July 81: Excerpt from Exchange Rate Table No 15/81"]

[Text]

EXCHANGE RATES

Special Currency Exchange Rates in Zlotys

Country	Foreign currency	Foreign Exchange Bought	Sold	Average
Australia	1 Australian dollar	38.48	40.06	39.27
Austria	100 schillings	198.72	206.84	202.78
Belgium	100 francs	85.78	89.28	87.53
Denmark	100 kroner	447.57	465.83	456.70
Finland	100 markkas	742.88	773.20	758.04
France	100 francs	589.35	613.41	601.38
Greece	100 drachmas*)	56.76	59.08	57.92
Spain	100 pesetas	34.52	35.92	35.22
Netherlands	100 florins	1,260.93	1,312.39	1,286.66
Japan	100 yen	14.87	15.47	15.17
Yugoslavia	100 dinars*)	123.28	128.32	125.80
Canada	1 dollar	28.04	29.18	28.61
Lebanon	100 pounds	780.78	812.64	796.71
Norway	100 kroner	562.80	585.78	574.29
Portugal	100 escudos*)	52.77	54.93	53.85
Federal Republic of Germany	100 deutsche marks	1,402.04	1,459.26	1,430.65
United States	1 dollar	33.72	35.10	34.41
Switzerland	100 francs	1,623.44	1,689.70	1,656.57
Sweden	100 kronor	660.83	687.81	674.32
Turkey	100 pounds*)	35.56	34.94	34.25
Great Britain	1 pounds	65.05	67.71	66.38
Italy	100 lire*)	2.82	2.94	2.88

*In buying money from the countries listed below, the following exchange rates are used:

Greece	100 drachmas	55.50
Yugoslavia	100 dinars	84.96
Portugal	100 escudos	51.35
Turkey	100 pounds	30.72
Italy	100 lire	2.74

Special currency exchange rates are used in settlement of accounts for current transactions.

Basic Currency Exchange Rates with a Surcharge in Zlotys

Country	Foreign currency	Foreign Exchange Bought	Sold	Average
Albania	100 leks	181.84	183.86	182.75
Bulgaria	100 leva	2,182.21	2,204.15	2,193.18
Czechoslovakia	100 koruny	211.24	213.36	212.30
Korea	100 won	1,057.19	1,067.81	1,062.50
Cuba	100 pesos	1,730.05	1,747.43	1,738.74
Mongolia	100 tugriks	459.41	464.03	461.72
German Democratic Republic	100 deutsche marks	720.13	727.37	723.75
Romania	100 leu	215.42	217.58	216.50
Hungary	100 forints	130.20	131.50	130.85
Vientam	100 dongs	1,000.28	1,010.34	1,005.31
USSR	100 rubles	2,112.38	2,133.62	2,123.00

Basic currency exchange rates with a surcharge are used for non-trade liabilities.

In purchases of Travelers' Cheques for rubles from the Bank for Foreign Trade of the USSR, payable outside the USSR in the foreign currency of the country of implementation, the exchange rate 4,545.50 zlotys for 100 rubles is used. Exchange Rate Table No. 14/81 from 15/6/81 ceases to be binding.

The Exchange Rate Tables are to be used for reference in all departments of the National Bank of Poland.

8729
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CURRENT ECONOMIC SITUATION REPORTED

Current Economic Communique

Krakow GAZETA KRAKOWSKA in Polish 24-26 Jul 81 pp 1-6

[Text] In this section, GAZETA KRAKOWSKA reporters will be giving collected information, in very abridged form, indicating the state of our economy. This is a new editorial section whose task is to bring closer to our readers a picture of the nation's true economic situation. Information for this section is gathered by our reporters from many qualified and very reliable sources.

These things must be known in order to think about how to get out of this crisis. We are adding no commentary to the text.

Coal

--On Monday, 20 July, 266,700 tons of coal were loaded on wagons, which was 14,500 tons less than on Monday of the previous week.

--The reserves of hard coal in power stations on the 20th of this month were sufficient for an average of 2 weeks. But Dolna Odra had only a 4.4-day reserve, and Lodz had enough for approximately 9 days.

Energy

--Due to a shortage of feldspar from Norway, the power-insulator department of the Jedlina Zdroj Electrotechnical Porcelain Enterprise has been shut down for the last few days. A continued shortage of insulators may interfere with the operation of the nation's energy network.

Transportation

--The catastrophic and unimprovable shortage of spare parts, tires and batteries is beginning to interfere seriously with the operation of the PKS [State Motor Transport] throughout the nation. In many localities, there are dozens of buses daily which do not go on their routes. The greatest reductions are in Bielsko, Gdansk, Kracow, Tarnow and Zielona Gora voivodships.

Metallurgy

--Daily production is falling. Indispensable reserves of fuel and raw materials are being reduced. There is enough charge coal for less than 4 days, aluminum oxide for less than 6 days, and tin for 6 days. About 20 July, the Lenin Ironworks was out of imported ferroalloys and could not produce sheet metal. Sheet metal is used for, among other things, agricultural tractor tire rims. Results: Completed tractors are standing on assembly lines and cannot be turned over to farmers. On 21 July, there were 400 tractors standing that way at Ursus.

Machine Industry

--A shortage of imported crucibles caused production of slide bearings for the Star 200 auto to be interrupted at the Gdansk Plant. A shortage of imported components prevented putting together buses at Jelcz.

Construction

--A shortage of vehicle fuel, spare parts, tires and batteries has brought 2,700 building units to a standstill.

Sanitary Articles

--Water covered the gypsum mine and the Oil Products Enterprise Administration in Lwovek (flood). The resulting additional shortages were:

30 tons of toothpaste, 37 tons of BHP paste, 160 tons of laundry detergent, 80 tons of soap, and 18.5 tons of Nivea and other creams.

Paper

--There is a cellulose shortage. There is a growing threat of a stoppage of paper production, including newsprint, at the Szczecin Paper Enterprises.

Furniture

--In Lodz, polyurethane foam production was stopped due to a shortage of raw materials, directly threatening furniture production.

Mail

--Despite the fact that additional customs clearance points were put into service, there are still in storage 74,000 packages sent from abroad to compatriots in this country.

Meat

--The supply of animals for slaughter is dropping. In the first 20 days of July, it amounted to only 65 percent of the monthly plan.

--Despite the fact that the meat distribution plan for Katowice, Gdansk, Kracow, Lodz, Poznan, Szczecin, Wroclaw and Warsaw was more than 100 percent fulfilled, the quantities still do not cover the [ration] cards our citizens have.

Harvest

--The threat of flooding in certain areas of the country interrupted harvesting. Farmers' other problems: Shortages of spare parts for tractors and tire machines and batteries. In Ciechanow and Kielce voivodships, there is a shortage of canvas and rope for sheafbinders, making it hard to cut grain.

--Plock Voivodship let it be known that as of 21 July the Kraj Agricultural Machinery Factory [FMR] in Kutno would stop production of grain seeders and fertilizer spreaders because of nondelivery of undercoating paint by the Wloclawek Paint and Enamel Factory. The daily production by FMR in Kutno is 70 grain seeders and 60 fertilizer spreaders, earmarked for individual farmers.

Attention--A Useful Idea for Farmers!

--Slupsk Voivodship has arranged for the SKR [Agricultural Circles Cooperatives] to insure the direct transport of grain from the field to the farmer's field or to the GS [Rural Commune Cooperative] store at its own cost, but in accordance with government rates. Transport costs will be refunded to the SKR. In addition, the GS are to delegate their representatives to the SKR for the duration of the harvest, together with additional transport.

Current Economic Communique

Krakow GAZETA KRAKOWSKA in Polish 28 Jul 81 pp 1-2

[Text] Energy

--Things are not bad. On the 24th of this month, hard coal reserves were sufficient for an average of over 2 weeks. However, there was no improvement in the supply of motor fuel for the power industry.

Industry

--The shortage of a variety of imported materials is causing a systematic worsening of the situation and even production stoppages. For example, at the Zamech Mechanical Enterprises at Elblag, there is a shortage of bearing alloy produced in Wroclaw. Because of this, there is already a 2-month delay in deliveries to the shipping industry, and 11 ships are waiting to be completed.

--There is still no feldspar from Norway, and the shutdown in the power-insulator production department of the Jedlina Zdroj Electrotechnical Porcelain Enterprise continues.

--On 20 July, motor insulation sealing was stopped at the Zychlina Electrical Machine and Transformer Manufacturing Enterprises, causing an interruption in motor assembly. Fifteen hundred people employed in production are threatened with a shutdown. The reason: Curtailed delivery of isophane sealing wax from Wroclaw.

--At the Diora Radio Enterprises in Dzierzonow, the production of all types of radio receivers is threatened with a shutdown because of a shortage of ferrite cores. A shortage of imported nickel oxide prevents their manufacture.

--The Sanok Bus Factory is threatened with total production interruption due to a shortage of driveshafts from Starachowice. At Starachowice, in turn, there is a shortage of bearings from Krasnik, and Krasnik has a shortage of imported bearing discs.

--Ursus Enterprises cannot deliver 370 tractors to farmers because of a shortage of wheel rims. Due to a shortage of chains from Austria, sheafbinders and combines for digging potatoes cannot be produced. Because of a shortage of imported tires, the production of combines for beet harvesting is at a standstill. Milkers also cannot be produced, since they are made of parts imported from Sweden.

Construction

--Stoppages are continuing at 29 enterprises because of shortages of raw materials and other components. Due to shortages of fuel, spare parts, tires and batteries, 3,164 construction units are immobilized.

Transportation

--Novy Sacz, Szczecin, Bielsko Gorzow, Koszalin and Kracow voivodships are experiencing serious transportation problems due to the shortage of tires, tubes and batteries.

Agriculture and the Food Economy

--Flour shortages are causing bread shortages in Lomza, Ostroleka, Zamosc, Gdansk, Legnica, Bielsko-Biala, Koszalin and Suwalki voivodships.

--Sugar mills are receiving too little coal. The planned deliveries for July were 300,000 tons of coal, but only 230,000 tons were received. Sugar mills require 20,000 tons of coal daily in order to fulfill the plan.

--The shortage of rope and canvas for sheafbinders is interfering with harvests. Particularly hurt are Ciechanow, Kielce, Bydogosz, Piotrkow, Nowy Sacz, Radom, Kalisz, Przemysl, and Suwalki voivodships. There is a shortage of motor oil (Suwalki, Elblag, Radom). These shortages may even cause harvesting to stop in some areas.

Market

--There is still not enough meat, meat products and poultry to cover ration cards. There is a shortage everywhere of cigarettes and laundry and hygiene products.

--Panic buying of all possible manufactured products is being observed.

Paper

--The minister of domestic commerce and services said that this year's supply of school materials will be greater than last year's. Despite this, there are occasional shortages, provoking panic buying of all possible school materials in stationery stores.

9461
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PRICE COMMISSION CHIEF INTERVIEWED ON PLANNED PRICE RISES

Warsaw TRYBUNA LUDU in Polish 30 Jul 81 p 3

[Interview with Prof Zdzislaw Krasinski, chairman of the Government Price Commission, by Tomasz Jezioranski: "More About Price Increases; The Public Will Decide"; date and place of interview not given]

[Text] [Question] Professor, after the interview you recently granted PAP, the economics department of TRYBUNA LUDU was "snowed under" with telephone calls....

[Answer] And what did they say?

[Question] They had many doubts concerning the increase itself and compensation.

[Answer] And did they oppose the increase as such?

[Question] They did not question its necessity in principle.

[Answer] That's good. The most important thing is agreement as to the principle, in this case, the necessity of the increase. The rest is operational technique, that is, matters to be coordinated with the public. We will do nothing against its will.

[Question] The fact that the majority probably does not question the necessity of price increases, especially for food, does not mean that everyone sees the purpose of this action in the same way.

[Answer] Purpose? There can be only one purpose: To base the price of food and some other articles on the cost of production, to eliminate the lines which burden us all.

[Question] There can be another purpose, namely, to make order in price relations and to create economic conditions for rationally shaping demand. Many people are in favor of an increase which is fully compensated for and which acquaints the public with something new, namely, with price movement. It is important, in raising prices to the level of costs, to transfer into the people's pockets the entire, or almost entire, amount of the budgeted food price subsidies.

[Answer] Six months ago such a plan could still be thought about. In today's state of the market, an increase whose purpose is to correct relations will bring no relief to the public. The plan I propose fulfills the purpose you speak of and furthermore--by eliminating the inflationary curve, the said oversupply of money in the public's hands--will radically ease the burden of buying. It will simply restore balance in the food market.

[Question] Would it be possible, instead of reducing the oversupply by means of drain-type prices, to freeze this money, for example, by annually taxing expenditures above a certain limit at a high rate which would be determined by the balance sheets?

[Answer] Cuba did something like this 20 years ago, and to this day they have been unable to get rid of [ration] cards for everything. Why? Because in this system the motivation to increase work productivity disappears. Here we are touching on a very important point.

So, the plan which I am promoting, however drastic and even painful for society, has intrinsic value, that is, returning value to money encourages work. In the wake of the increase, buying power of a significant portion of the population will markedly decrease and everyone who wants to return to the previous level of consumption will simply have to earn more, that is, work harder.

[Question] That might be a somewhat theoretical point of view, since together with the increase there will be a decreased possibility of earning money. You yourself say that in order for the increase to make sense, it must be connected to the closing of all spigots from which additional money flows to the market.

[Answer] Correct. But by "supplemental" I mean money which would not be the equivalent of greater production, that is, regulating money. Automatically closing all spigots would be contrary to the spirit of the reform, that is, with the principle of "as you work, so you are paid." I must say that the only reason I undertook to work on the concept of price regulation and on persuading society of its necessity is that I see it as an indispensable element of the entire, deep economic reform.

If I did not perceive the sense and necessity of such a reform, I would not agonize over what is after all an unpopular price-regulation matter. Since I believe in the reform and consider it as the only deliverance, I believe that the game is worth the candle, because without price regulation there will surely be no reform. The same goes for the wage and price area. Without an increase today, it will be impossible to put into action corrective price and wage mechanisms tomorrow.

[Question] Are you then basing your faith on a very borderline thing, that is, that a deep reform will become fact? It has many opponents.

[Answer] I know that, but I see how the public is pressuring for reform and how the government, on which much depends, is changing its attitude toward it. The premier, who is a warm and real advocate and patron of reform, is being surrounded by an ever-growing group of young ministers, such as Prof W. Baka, who are reform enthusiasts. They and we are forming an ever-stronger pressure group in the government, pressure for real reform and price increase.

[Question] What is your idea of increases?

[Answer] Even very recently I was a supporter of a nonrecurring increase, but now I am leaning toward a several-step increase, to be implemented during the period of August of this year through January-February of next year. It would include food as well as coal and coke, gas, energy, and central heating. The average increase would be about 130 percent.

Concerning Cost of Living

[Question] With such a schedule, can we even talk about stages, considering the range of articles which the increases would encompass? The government program for emerging from this crisis, proposing an increase in stages, would implement it over a much longer period of time. What would you offer in exchange for such heroic measures?

[Answer] In terms of society, I offer an immediate end to lines, and for the future, a chance for lower prices as food supplies increase. In individual terms, there would be a lowered standard of living for the majority of people, balanced in varying degrees by compensations.

[Question] What would these compensations be?

[Answer] I have worked out four versions which give society, and in practice the unions, the possibility of choice. The common feature of these versions is to give compensation of 1,300-1,400 zlotys to the people who are worst off, that is, the lowest earners and pensioners and annuitants receiving the fewest services.

[Question] From this it would appear that amounts of 1,300 to 1,400 zlotys are to completely make up for the increases. That should mean that the average city dweller spends approximately 1,200 zlotys monthly for food, energy, gas and central heating. I think he spends more.

[Answer] Studies carried out this March by the Poznan Academy of Economics on a representative group of 8,000 families concluded that that is just how these expenses shape up.

[Question] That probably does not take into account marketplace prices, but now more and more people must get their supplies on the free market. Will the average Polish family be able to afford to buy its child eggs at 10 zlotys or cherries at 120 zlotys after the increase?

[Answer] Those with modest means will surely be unable to afford it, but that's the way it is all over the world--expensive items are inaccessible to many people.

Will There Be Enough Credit?

[Question] Well then, according to your plan, will cherries become a luxury affordable only by the rich? I doubt that this will find public support. In your plan, do you take into account the situation in which the average young family on the way up economically--and there are several million such--will find itself? Today they might have some surplus money, but if a price increase takes it away, how ill these people who barely live from payday to payday manage to save for apartment deposits and with what will they furnish their apartments?

[Answer] I am aware that it is precisely young families who will have the hardest time after the increase. That is why I am persuading the minister, M Drazak, to increase credit for young marrieds, and to extend the payments over a longer period. In the West, a young couple with no savings whatsoever can completely furnish an apartment and pay off the loan over 20 years.

[Question] I am afraid that with such increases in the cost of living as are being shaped, many families might have serious difficulty in paying these installments and the interest, which might be the highest of all the socialist nations.

[Answer] Are they really that high? Then they must be lowered. I will add this matter to my list of postulates to go to the Minister of Finance. Any method of bringing people relief while at the same time bringing equilibrium to the market is good.

[Question] But will the market really return to normal, and will the inflationary curve disappear, if these increases are implemented?

[Answer] The inflationary curve would disappear only partially. And if we stop at only the increases for the articles we talked about, the situation in the marketplace will not improve much. Free, overheated and constantly devalued money will continue to empty the shelves of all available goods. Comprehensive action is necessary, and that is why I am thinking of something I call a stabilizing supplement from the purchase of manufactured goods.

Seeking a Balance

I am proposing a temporary price increase up to the balanced-price level for every currently overbought manufactured item. The revenue from this surcharge is to be placed in a special account which would be controlled by, for example, the Consumers Federation. After a while, when the market stabilizes and the production situation begins to develop in the right direction, the collected public funds could be designated for important publicly selected social purposes, while at the same time the surcharge would be reduced. But that is in the future. With the current plan, we would, for the first time in the history of the People's Poland, have a real market balance.

[Question] At the cost of drastically reduced demand.... Are you, as not only a scientist but a politician as well, taking into account that the public might not agree to such a painful remedy and that this is an area in which no error is permissible?

[Answer] I believe in the Polish people's common sense. I believe that it has become apparent to the public that without such a remedy, instead of working and resting, that is, living, we will be standing in ever-longer lines and currency will stop being a means of payment. A vicious circle will develop--an excess of money will put people in lines, and since they will be standing in lines, they will produce less and spend even more time in lines. Sooner or later, everyone will realize that a price reform must be implemented. The longer we postpone it, the higher the increase will have to be.

[Question] All right, but what guarantees does society have that the proposals you are supporting will pay off?

[Answer] Economists, professionals, simply must be trusted, something which has never yet happened in Poland. The results are obvious. Must we get burned again? How many such experiences are necessary?

[Question] Again, this seems to me to be overly theoretical thinking which ignores awareness shaped over years of noneconomic thinking. We have a lot of evidence that people cannot conceive of making order in the economy of a socialist nation at the expense of their budgets. This may be an irrational stance, it may be erroneous, but it must be taken into account.

Only within the Framework of Reform

[Answer] I believe that you misjudge the economic awareness of the average citizen. He has a better understanding and feeling for the rigid economic laws than many would think. Let's not attribute economic underdevelopment to people, since at least their present reaction to the existing situation is entirely healthy. Money is losing value, therefore everyone is getting rid of it en masse in exchange for any goods whatsoever. Such a reaction is very detrimental to the economy and the only thing that matters is to create, with the help of price regulation, a situation in which the healthy human reactions will not hurt the economy and thus the people, but will help. I will give you a typical example to what degree the situation can be helped by increasing prices wisely. At my urging, Poznan Voivodship let meat from farmers' free-market deliveries into selected stores. The cost of pork in these stores is 220 zlotys or less than I anticipate in the new price list. Everyhwere else but in Poznan, the same pork costs 450 zlotys in the market. The difference is taken by the middlemen--the shopkeepers--and people are quite rightly upset by this. Conclusion: A wise increase is still good medicine for the illness of a lean market.

[Question] I am coming back to the question of guarantees. I think that neither such examples nor assurances by economists will be the necessary guarantee. I am wondering if the only validation of price increases is not a deep and rapid economic reform since it is the only guarantee for getting out of the rising curve crisis and also for survival.

[Answer] I agree. The reform is the basic guarantee and that is the stand taken by Solidarity, for example, which simply demands that the price increases be passed at exactly the same time as the set of underlying laws which are being put together for reform. I understand the motivation for such a demand, but the problem is that all the proposed laws cannot be implemented before January, but prices must be put in order now, immediately, since in several months there may be nothing to put in order. I believe, however, that the demanded reform authentication could follow through the working out in the Sejm of the drafts it has for important laws.

[Interviewer] Thank you for the interview.

9461
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LONG-RANGE BUILDING MATERIALS STABILIZATION PROGRAM OUTLINED

Warsaw MATERIALY BUDOWLANE in Polish No 8, 16-30 Apr 81 pp 4-5

/Article by Dr Stanislaw Traczyk/

/Text/ Development of the building-materials industry in 1981-1983 and up to 1985 will be aimed in the first place at:

--decrease of energy consumption and elimination of liquid fuel in favor of coal, primarily in the cement and ceramic industries;

--intensification of the production of heat-insulating materials permitting a decrease in consumption of heat energy in building engineering;

--development of the production of wall and floor materials for individual housing and farm-building construction, as well as general-purpose glass and ceramic products for export and market;

--development of the raw-materials base to ensure continuity of the production of processing industries and the reduction or elimination of imports from the II payments area /capitalist countries/.

It is planned to achieve the increase in production primarily through intensification and modernization of the existing productive potential. It should, however, be pointed out that in such industries as building ceramics, cellular concrete, heat-insulating and raw materials, the modernization measures, because of the technical state of plants, will permit us to alleviate the shortcomings only in a small degree. Here it is necessary to build new plants.

In the presented developmental program up to 1985, in 1981-1983 for the most part modernization undertakings are being envisaged. Only in cases of exceptional lack of equilibrium of demand and supply is the building of new plants being contemplated.

Modernization of Cement Industry

The cement industry is one of the most energy-consuming industries. The unit mean of heat consumption for the production of 1 kg of clinker amounts in the scale of the entire industry (both wet and dry method) to about 1,600 kcal, and is approximately 50 percent higher than that in industrialized countries.

The heat consumption for firing clinker depends on the production method being used and fluctuates from 1,800 kcal/kg with the wet method to 750 kcal/kg with the dry method.

The percent share of the dry method in the overall production of cement is only 40 percent, whereas, for example, in the FRG it is 97 percent; in Japan, 98 percent; in France, 84 percent, and in the GDR, 88 percent.

A full, optimum utilization of the installed productive capacities requires annual supplies of 4.5 million tons of coal and 670,000 tons of furnace oil.

In 1979, the cement industry consumed 3,766,000 tons of coal and 345,000 tons of mazut, while, simultaneously, cement production was reduced by 3 million tons because of fuel shortage. In 1980, production losses amounted to 3.1 million tons.

Taking into consideration the great encumbrance of Poland's fuel balance by the cement industry and, because of fuel shortage, underutilization of the productive capacity in the existing cement plants, there was worked out in 1980 a program conceived on a vast scale, which envisaged:

--a shift from the wet method to the semidry method in the Warta II and Kujawy cement plants, as a result of which there would occur a decrease in heat consumption for the firing of clinker from 1,800 kcal/kg of 1,100 kcal/kg;

--substitution of coal for liquid fuel in the Kujawy, Warta II, Malogoszcz, and Nowiny II cement plants;

--the redesigning of the Przyjazn II cement plant from the wet method to a dry method, which would permit a decrease in heat consumption for the firing of clinker from 1,600 kcal/kg of 800 kcal/kg, while using low-calorie coal.

In the implementation of this program at the cost of about 13.5 billion foreign-exchange zlotys, the participation of the firms of the West in the supply of machinery and equipment has been envisaged. This program was verified in the direction of basing it exclusively on domestic, in many cases prototypical, solutions. The efficient performance of the planned modernization will require cooperation of the ministries of metallurgy, machine engineering and heavy and agricultural machines.

Taking into account the investment capabilities of the national economy, it is proposed to adopt the following immediate range of modernizations aimed at a decrease of fuel consumption in the cement industry.

--so-called small modernization, comprising the reconstruction of heat-recovery zones in rotary kilns and the use of sludge liquifiers to reduce the content of water in the sludge (in seven cement plants);

--reconstruction of Warta II and Kujawy cement plants from the point of view of the replacement of liquid fuel (furnace oil) with coal fines [coal dust];

--installation of sludge concentrators in the Wejherowo cement plant;

--construction in the Strzelce Opolskie cement plant of a pilot installation, making it possible to effect the shift from the wet method to a semidry method while using prototypical domestic equipment.

The achievement of positive results in using this installation would permit the extension of this method to other cement plants.

Implementation of this program requires outlays of 2,015,000,000 zlotys, including construction and assembly work, and 1.18 billion zlotys (in 1981-1983 correspondingly 1,72 billion zlotys and 1.02 billion zlotys) and foreign-exchange funds for the purchase of heat-resistant chains in the II payments area to the amount of 6.9 million foreign-exchange zlotys.

The program envisages the achievement after 1983 of the following effects:

--decrease in consumption of furnace oil by 194,000 tons/year, and ultimately by 431,000 tons/year (1985);

--savings of coal fines with a calorific value of 5,200 kcal/kg in the amount of 246,000 tons/year.

Modernization of Structural Ceramics Industry

The main direction of technical progress in the structural ceramics industry in European countries is the introduction of tunnel kilns, which permits the automation of the process of firing the products, with which is associated a decrease in the consumption of fuel and an increase in the efficiency of kilns.

In Poland's structural ceramics industry, inefficient Hoffmann kilns are installed in more than 300 in 41 plants they can be replaced by tunnel kilns.

As a result of this, besides a substantial improvement in working conditions, there will be achieved an increase in production (215 million /ceramic/ units up to 1985), and a decrease in the consumption of coal in these plants by 21,500 tons in 1985.

Within the framework of rationalization of the consumption of fuels in the structural ceramics industry, it is being envisaged to replace liquid fuel by coal fines.

There are 24 tunnel kilns fired with mazut in Poland. Some of them are of special construction (for example, muffle kilns) or are firing special products (for example, clinker) and cannot be fired with coal.

It may be possible to fit 15 tunnel kilns to fire them with coal burners instead of furnace oil, including 6 by 1983. To avoid production losses and costs connected with a half-year closedown necessary for rebuilding the kiln, the program for the change in fuel will be adjusted to a schedule of kiln overhauls.

As a result of the use of coal burners in six tunnel kilns, an annual saving of 11,650 tons of furnace oil will be achieved as of 1983, while the productive capacity of these plants will decrease in the aggregate by 40 million units.

The necessary outlays for the "implementation of the aforesaid designs amount altogether to 2.92 billion zlotys in 1981-1985, including 1.44 in 1981-1983 for the replacement of Hoffmann by tunnel kilns, and 142 million zlotys in 1981-1985 for the change of fuel being used.

Intensification of Insulation Materials

Increase in the production of heat-insulating materials, this primarily from mineral fibers from domestic raw materials, is a basic condition for achieving saving effects in the consumption of heat energy in building engineering.

The maximum k factor for the external wall of apartment buildings, at present in force in Poland, is 1 kcal/m^2/h°C, and in practice, in large-panel construction, it even reaches a value of 1.7 kcal/m^2/h°C. Also enormous are heat losses of noninsulated farm buildings, which adversely affects the development of animal breeding. The k factor, obligatory in Sweden, is 0.3, and in the FRG--0.7 kcal/m^2/h°C. It is therefore indispensable to act in the direction of constructional and materials-related changes in buildings of all types, in order to effect a decrease in heat losses, and that not only in buildings being erected but also to make existing buildings and installations warmer.

It is intended to achieve intensification of the production of heat-insulating materials through:

--rational processing of mineral fiber produced to ensure that the products have a decreased density together with a retention or even increase of compressive strength--for elements of protective walls and roofs, which will make it possible to utilize fibers 20 percent more efficiently, and the planned effect of insulating capacities being produced at present will amount from 1984 on to 500,000 m^2/year, and ultimately will provide 800,000 m^2 additional insulated surface; it is also being planned to construct three flow-production lines to manufacture panels of the Lamella type, for roofing and insulation, in the plants of Gliwice, Malkinia and Zielona Gora; the cost of installation about 60 million zlotys, including 24 million zlotys for labor; the beginning of the construction of these two lines is being planned in 1983 and that of the third in 1984, which will result in a more efficient (by 33 percent) utilization of fibers and will make possible the additional insulation of 2 million m^2 of surface;

--modernization of the four mineral fiber plants (in Ogrodzieniec, Gliwice, Trzemeszno, Nidzica) in 1981-1985, at a cost of 890 million zlotys, including 328 million zlotys for labor, which will result in a production increase of 35,400 tons annually and in a substantial improvement of the quality of products compared with those manufactured in these plants at present, as well as a decrease in consumption of raw materials per unit production;

--construction of local fiber-glass factories on the basis of waste cullet.

Also being planned are:

--organization of one flow-production line of fiber-glass of the Izolan type in the Poznanskie Zaklady Wyrobow Korkowych /Poznan Stopper Products Plant/ with an output of 500,000 m^2/year (1981-1983);

--establishment of four flow-production lines of fiber-glass of the Izolan type in the PMI /Insulation Materials Enterprise/ in Gorlice with an output of 2 million m^2/year (1982-1984); it will result in overall production of 5,000 tons of fiber-glass products, replacing 12,500 tons of mineral wool;

--continuation and completion of the construction of the mineral-wool plants in Malkinia in 1983 and in Zielona Gora in 1984;

--expansion of the plant in Bojkow (second stage) with a production capacity of 30,000 tons at a cost of 960 million zlotys, including 415 million zlotys for work, beginning from 1983;

--construction in 1983-1985 of a new plant (proposed location Wielun, Sieradz Voivodship with a production capacity of 30,000 tons, cost about 1.1 billion zlotys for work.

As a result of implementation of the program, the degree of coverage of requirements for this product will increase from 38.3 percent in 1981 to 42.4 percent in 1984 and 64.9 percent in 1985.

Assuming that from 1985, in about 75 percent of the implemented material-type tasks of the construction, the factor of heat-insulating power k will be 0.65 kcal/m^2/h^{o}c, the balance of requirements for mineral-wool products and the magnitude of increases in production is as follows: the required investment outlays are, in million zlotys:

Table

	In the Years	Including
Total	6,144	3,826
Including Construction-Assembly Work	3,075	2,055

Production of Small Elements

The small wall and floor elements produced by the Ministry of Construction and Building Materials Industry are to all intents and purposes ceramic products (solid and hollow brick), limestone and sand products and products made from cellular concrete (blocks). The source of the supply of these materials (including small elements of aggregate concrete) which should be taken into account is also local production. It follows from the balance that at the present level of the production of small wall elements, amounting altogether to about 7.2 billion ceramic units, that if modernization-investment action is not taken, there will occur in 1985 a deficit of about 3.0 billion ceramic units (about 2.0 billion in 1983).

Taking into consdieration actual economic possibilities, a complete elimination of deficit of small wall and floor elements is not possible until 1985.

Structural Ceramics Industry

Production capabilities of this industry amount at present to 3.45 billion units of wall products and to 175 million units of floor products. One should emphasize that a shrinkage of production potential, among others because of shortage of raw materials and complete technical depreciation of brickyards amounted in 1971-1975 to 210 million units and in 1976-1980 to about 420 million units.

In 1976-1980 about 110 enterprises were closed down. Out of this number were transferred to local authorities:

--31 enterprises suited to continue manufacturing brick products,

--18 enterprises in which production was undertaken of other building materials (because of lack of raw materials), for example, slag-concrete hollow bricks, cement panels, etc.

It is estimated that the magnitude of decrement (a further liquidation of small, technically worn and uneconomical brickyards) will amount in 1981-1985 to about 450 million units. Part of this potential could be restored within the framework of local production.

Intensification of production in the structural ceramics industry will be achieved by acceleration of development of the production of small-sized wall and floor elements through modernization and building of new plants.

At present under construction are five Lingl-type production-flow lines as a result of which productive capacity will be increased in 1984.

--by 131 million units of wall materials (three flow lines);

--100 million units of floor materials (two flow lines). The comprehensive modernization includes:

--replacement of Hoffmann kilns with tunnel kilns by stages in 41 plants in 1981-1985 at the cost of 2.82 billion zlotys including 1.75 billion zlotys for work. This will make it possible to achieve increase of productive capacity by:

--141 million units of wall materials and 74 million units of floor materials;

--rationalization of heat management in nine plants by stages in 1982-1984, at the cost of 265 million zlotys including 110 million zlotys for work, which will result in an increase of productive capacity by 65 million units;

--small reconstruction-modernization investments by stages in 100 plants during 1982-1985 at a cost of 500 million zlotys including 300 million zlotys for labor; increase of productive capacity--50 million units of wall materials;

--modernization of five limestone-sand plants by stages during 1982-1983. The cost will be 140 million zlotys including 60 million zlotys for labor. Increase of productive capacity--80 million units of wall materials.

Concrete Industry

The production of small-sized wall materials amounted in 1980 to 2,985,000,000 units, that is 4,285,000 m^3. Of these:

--small-sized wall materials of cellular concrete, 2,852,000,000 units, that is, 4.07 million m^3;

--small-sized wall materials of concrete aggregate, 133 million units, that is 215,000 m^3.

Of the overall amount of 2,985,000,000 units, market deliveries of small-sized wall materials amounted to 2,312,000,000 units, that is 77.5 percent of the total production of these materials. On account of this, in the balance representing the degree of market requirements was included about 80 percent of the production of the concrete industry in this group of materials.

To make good the deficit of wall materials, it is envisaged to achieve an increase in their production through modernization of existing and construction of the new plants of cellular concrete.

Taking into consideration the previously carried out modernization work in this industry and the present technical and locational conditions of plants, it is envisaged in 1982-1984 to modernize four plants of cellular concrete in Dlugi Kat, Reda, Laziska and Lubartow, at a cost of 323 million zlotys, including 171 million zlotys for labor.

As a result of these modernizations, productive capacity will increase by 80 million units.

The modernization plans will have but very slight effect on reducing deficits of small-sized products from cellular concrete. For this reason, it is envisaged to build five new plants of ash-based cellular concrete.

In 1980, market deliveries of large-block floor slabs amounted to about 25,000 m^3.

It is estimated that the requirements of individual building for large-block floor elements in 1981-1985 will fluctuate within the limits of 60,000-65,000 m^3.

It is intended to increase the production of floor slabs through:

--the completion in 1981 of the construction of a plant in Gorzkowice having a productive capacity of 29,000 m^3;

--intensification of production through the establishment in 1981 of new production shops in the existing six plants (in Ostroleka, Zelislawice, Rawicz, Warszawa, Poznan, Powodow). The cost will be 35 million zlotys, of which 18 million zlotys is for work. This will produce an increase in productive capacity in the amount of 36,000 m^3.

1015
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OPERATION OF ECONOMIC CONTROL SYSTEM IN INDUSTRY EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 32, 7 Aug 81 pp 15-16, 21

[Article by Cr. Dinu of the Higher Court of Financial Control: "Preventative Economic Control - A Condition for the Judicious Administration of Material and Monetary Funds"]

[Text] The economic-social development of the country involves an ever greater volume of material, human and financial resources whose rational use constitutes an essential condition in the continually upward evolution of our nation. Precisely for that reason, one of the major objectives of the operation of the new economic-financial mechanism is tied to the creation of the conditions for rationally using and applying good administrative sense in the achievement of the country's economic-social program and in raising the workers' level of well-being and civilization. "The essence of the new economic mechanism, noted comrade Nicolae Ceausescu in his speech at the Second Workers Congress, lies precisely in the achievement of production at the highest level of quality, at the lowest level of material and labor costs and with a maximum amount of profitability and profits."

Of special significance in this context is the accentuation of society's control over the manner in which each worker fulfills his tasks and especially over the manner in which the material property and financial resources made available to the socialist units by the state are administered. In this regard, a significant role is played by financial control, in general, and especially preventative financial control, with unanimous recognition going to the fact that it is much more advantageous for society to prevent uneconomical, inefficient and illegal expenditures of funds rather than to later learn of such violations that usually cannot be corrected. The introduction of preventative financial control is the result of the concern for implementing the directives of the top party and state leadership regarding the strengthening of preventative control in the economy and the improvement of the forms through which this is done. Through this control, we achieve a more careful pursuit of the movements of material property within the administration of socialist units, which, up to now, was done of the basis of the responsibility of the compartment chiefs where these operations took place.

The Movement of Material Property Under Rigorous Control

According to Article 4 of Law No 9/1974, amended and republished in December 1977, preventative financial control, which is carried out by accounting-financial personnel, is applied only to those operations which are the source of patrimonial rights and obligations for one socialist unit in relation to another socialist unit or to other juridic or physical persons. The movement of material property within the framework of the socialist units was not subjected to any form of preventative control despite the fact that it influenced the administration of these units. The need to conduct a preventative control over the operations of this type was shown by the analyses conducted on the basis of the annual accounting reviews, as well as by the controls carried out by the Higher Court of Financial Control, the Ministry of Finance and the other financial-banking control organs in the economy. On these occasions, they frequently found violations and shortcomings in the movement of material property and monetary funds within the socialist units.

Thus, there were cases where production was begun on products that did not have assured sales through firm contracts and orders with domestic and foreign consumers or that did not have legally approved prices. This resulted in stockpiling products, thus tying up important amounts of funds and having a negative influence upon the administration of these units. In some cases, investment projects were started that had not been included in the plan or that did not have approved construction documentation, did not have open financing and did not have assured material resources, manpower and the necessary equipment, thus creating great material and financial difficulties for the construction-assembly enterprises. At the same time, some socialist units recorded overruns in material consumption by failing to adhere to established technical norms, a fact that led to a growth in the total production costs and especially material costs, correspondingly decreasing the profits and profitability of these products. At the same time, the control organs in the economy found that there still are inappropriate salary payments made that were not always justified through the achievement of a corresponding physical production, thus increasing production costs with a direct influence upon the profit level.

As a result, the complexity of economic activities under the conditions of exigency imposed by the new economic mechanism makes it necessary for certain operations of a technical and economic nature to be subjected to a preventative, exacting and permanent control by the specialized organs in this field. Starting with all these considerations, the top party and state leadership approved in 1977 the beginning of experimentations at some economic units with the organization and carrying out of preventative economic controls by technical and economic personnel at the section, factory and worksite level. As a result, the Higher Court of Financial Control and the Ministry of Finance, together with some economic ministries, experimented in 1978 and 1979 in representative economic units with the organization and carrying out of preventative economic controls by technical and economic personnel.

Right from the beginning, in the organization and carrying out of the experiment with the new forms of preventative controls, we kept in mind that this was to be carried out in sections, factories and worksites, that is, where the production is done, where the consumption of materials and manpower occurs and where equipment is used and repaired. Similarly, we tried to accentuate the concern and responsibility of the technical and economic personnel, beginning with the fact that, although these operations were promoted by these personnel, they did not always examine with full responsibility the consequences of the decisions they made in their full complexity. This new form of control uses existing formulas, documentation and data and does not make changes to their routing or the norms for their completion and approval.

Close Cooperation Between the Technical and Economic Personnel in Obtaining Maximum Efficiency

The rational management of material and financial resources is a task for everyone and, first of all, for those who work directly in the production process. Precisely for that reason, preventative economic control was conceived to be carried out by the existing technical and economic personnel in the socialist units, with the amount of work for these persons being the same so that their concerns will remain primarily on technical-economic problems. Through this control, a closer cooperation is achieved between the technical-economic organs and the financial-accounting ones in the process of fulfilling plan tasks, creating the basis for a unity of action in fulfilling the physical indicators and the efficiency indicators.

During the current stage, the principal criterion of production is economic efficiency. We are no longer permitted to carry out production under any conditions. This is the moment to move in this regard to a new quality, in the sense of better using raw materials and materials, conserving fuels, obtaining a clear improvement in product quality and achieving a highest possible profitability in all the sectors of activity.

The analysis done by the Higher Court of Financial Control and the Ministry of Finance, together with the ministries and specialists from certain enterprises, as well as the examination of the results of the experimentation, gave the conclusion that the designation of certain technical and economic organs for the carrying out of preventative economic controls upon the movement of certain material property within socialist units, at the section, factory and worksite level, gave these units the opportunity to further and extend the analysis of technical solutions in a spirit of maximum economic efficiency.

Thus, the carrying out of preventative economic controls over the start-up of the production of products brought about an increase in responsibility with regards to ensuring sales and the existence of approved prices for products that are to be

introduced into production, which has contributed to a decrease in the stockpiling of finished goods that are not moving. Thus, for example, at the "Tesatura" Enterprise in Iasi the stocks of finished products were reduced during the period of experimentation with preventative economic controls from a level of 19.2 million lei to 7.6 million lei, while at the "Dimbovita" Footwear Enterprise it went from 21.8 million lei to 11.3 million lei. The carrying out of a preventative economic control on the consumption of materials has contributed, along with other measures, to the elimination of unjustified overruns of the established technological norms, helping to reduce the level of material costs per 1,000 lei of goods production in nearly all the units where the experiment was conducted and even obtaining some savings compared to the planned levels. At the Naval Mechanics Enterprise in Galati and at the Chemical Fertilizer Combine in Tirgu Mures, the level of material costs per 1,000 lei of goods production was reduced during the experiment with this control by 43 lei and 125 lei, respectively, falling below the planned level.

The carrying out of a preventative economic control on the realities of the amount of labor done strengthened the responsibility of the work formation chiefs who fill out the basic documents that serve as the basis for paying salaries. Similarly, the exercise of a preventative economic control on the current and capital repairs made to equipment reinforced the responsibility of the technical personnel in making these repairs on a timely basis and within the framework of the plan for these repairs, thus ensuring the operation of these assets under good conditions.

On the basis of the results obtained during the experiments, the top party and state leadership gave approval in September 1980 for the organization and carrying out of preventative economic controls to be introduced in all those socialist units involved in industrial and construction-assemblies activities, beginning in January 1981, on the basis of a gradual schedule. To this end, the Higher Court of Financial Control and the Ministry of Finance have drawn up the Methodological Norms regarding the organization and exercise of this control, establishing at the same time the operations, documents, verification criteria and functions of those who are to carry out the preventative economic control.

Jurisdiction and Material Responsibility

According to these methodological norms, preventative economic control is carried out under the following conditions:

a) In units that have industrial activities.

The scheduling and start-up of the production of products is verified by the commercial director and the chief of the pricing department who are responsible for the existence of assured sales and legally approved prices. Thus, they prevent the stockpiling of finished products that would lead to tying up funds, penalty payments or interest and would negatively influence, in the end, the financial situation and the results of the unit's activities.

The consumption of raw materials and materials at rates above the established norms is verified by the unit's chief engineer, who has the task of ensuring the most rational use possible of material property, avoiding exceeding the specific approved consumption levels, introducing a strict system of conservation and strengthening the material responsibility of all those who could produce such overruns in their activities.

Salary rights, in the aspect of establishing the local norms for labor and the realities of the amount of labor done, are verified by the technical organs and the chiefs of the work formations, who have the task of preventing the payment of inappropriate salaries and of ensuring that the salaries correspond to the actual work done.

The carrying out of current and capital repairs to fixed assets is verified by the chief of the mechano-energetics department, who has the task of ensuring the appropriate maintenance and operation of equipment and installtions for the purpose of extending their lifetimes and keeping within planned costs, requirements of the new economic-financial mechanism.

b) In units that have construction-assembly activities

The start-up of construction-assembly projects is verified by the unit chief, who must ensure the precise adherence to the conditions outlined in existing law (investments must be recorded in the plan, approved documentation must exist, financial and material conditions must be assured and so forth), thus preventing the material and financial difficulties for builders that could attack those projects that do not fulfill these conditions.

The consumption of materials beyond the established norms by category of project, as a result of changes in certain technologies or substitutions for materials, is verified by the chief of the worksite, who is responsible for staying within the total value for the materials outlined in the work estimate.

The realities of the amount of work done os verified by the group chief, who must ensure an agreement between the physical situation, the work documentation and the amount of work outlined in the work reports, as well as the unified wages in the approved time norms.

The necessary amount of transportation equipment and resources are verified by the chief of the mechanization department, who has the task of ensuring the judicious and efficient use of transportation equipment and resources and staying within the work documentation and approved expenditures.

The reporting of construction-assembly production is verified by the chief of the project scheduling, preparation and follow-up department in groups or independent worksites, who must ensure agreement with the approved work documentation, the actually completed physical projects and the legal conditions for reporting.

Depending upon the volume and the complexity of the operations and the existing specific conditions, the leadership of the ministries and the executive committees of the county and Bucharest municipality people's councils have the right to approve, with the prior approval of the Higher Court of Financial Control and the Ministry of Finance, justified proposals of the collective leadership organs in subordinate socialist units for the carrying out of preventative economic controls by persons employed in other jobs who, however, have in their own jobs the tasks of completing or approving these operations.

According to methodological norms, in cases where the above-noted conditions are not fulfilled, the persons empowered to carry out the preventative economic control will not sign these documents and these operations will not be permitted to take place. In such situations, those who carry out the preventative economic control will effectively notify the unit chief, who will decide on his own responsibility about the halted preventative economic control, making this fact known in writing in this document. Through this provision, the responsibility of the unit chief is strengthened. The technical and economic personnel's tasks and responsibilities along the lines of carrying out preventative economic controls must be recorded in the job description, appropriately meeting the regulations for the organization and operation of these units.

According to the established schedule, preventative economic controls have been instituted, to date, in all those socialist units that have industrial and construction-assembly activities subordinate to the ministries, with the controls to be also introduced during the third quarter of this year in the people's councils. All those who carry out the preventative economic control were or will be instructed at the ministry, central, enterprise or people's council level, as the case may be, with the help of the Higher Court of Financial Control and the Ministry of Finance.

It is true that the preventative financial control outlined by Law No 9/1974 will continue to be carried out under the conditions of the existing norms. Preventative economic controls have the task of anticipating the finding of uneconomical and inefficient expenditures during a stage in which preventative economic controls cannot be carried out and work much in advance or this will negatively influence the administration of the units involved.

Preventative Economic Controls in Support of Carrying Out Self-Administration

In this regard, one can state with full conviction that the correct carrying out of preventative economic controls greatly eases the task of preventative financial control, making it more efficient.

On the basis of the results obtained over 2 years and through the general spread of the preventative economic control at those units that have industrial and construction-assembly activities, the Higher Court of Financial Control, together

with the Ministry of Finance, have the task of presenting to the top leadership of the party and state the conclusions and the measures that should continue to be taken.

Certainly, in the future in addition to the existing responsibilities there should also be a regulation of the responsibilities of those persons empowered to carry out the preventative economic controls, under those conditions where the above-listed criteria are not respected. Thus, for example, in cases where certain socialist units have stockpiles of finished goods for which there are no assured sales and which cannot be sold because of a lack of legally approved prices, those persons who gave approval during the preventative economic control to start the production of these products should be liable for the interest that this unit has to pay for the bank credits that it assumes as a result of tying up its own financial resources in this stock. Such a liability should also be established for those who give the go ahead to begin construction-assembly projects prior to meeting all the conditions outlined by law.

Similarly, in cases where a later financial control finds that inappropriate salaries were paid out, under the category of the amount of work done, in the sense that those listed in a salary status were not present for work during the period or did not make the quantity of products entered into the work report, those persons who signed or approved these documents for the amount of work done should be liable for the damages done, if this cannot be recovered from those to whom the payments were made, according to law.

Special attention must be given on the part of the leaders of the socialist units to those cases where the established consumption norms listed in technological documentation have been exceeded, analyzing the conditions under which such overruns took place and establishing both the measures to prevent this in the future and the material responsibilities of those who are guilty. Such a measure is also designed to contribute to the strict respect for the technologies that have been established and to the existence and maintenance of a climate of order and discipline in production.

In order for this new form of preventative control to be able to constitute an efficient factor in the application of the new economic-financial mechanism in those socialist units that have industrial and construction-assembly activities, it is necessary for the ministries, technical directorates and specialized directorates in the ministries and the leaders of centrals and enterprises to provide support and guidance, permanently controlling the carrying out of the preventative economic controls. Similarly, the organs of collective leadership in the socialist units (enterprises, centrals and ministries) must periodically analyze the problems raised by carrying out the preventative economic controls and take effective measures to eliminate the shortcomings that appear.

At the same time, the organs of the Ministry of Finance, as well as those of the Higher Court of Financial Control, must pursue, direct and control at the ministries, centrals and enterprises the manner in which the preventative economic controls are organized and carried out so that this control operates as a key factor in the application of the new economic mechanism, through its active and effective participation in the better administration of material and monetary resources and in the growth of economic efficiency through the strengthening of order and discipline in all the socialist units.

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BRIEFS

FIRST TRADE SOLAR INSTALLATION--Recently the first solar installation in the trade network was put into operation, a solar installation for the preparation of hot water for consumption in the "AUTOEXPRES" restaurant at kilometer 36 on the Bucharest-Pitesti highway. The solar installation, designed by the Institute for Commercial Design, in collaboration with the Institute for Research in Construction and Construction Economy, is composed of 60 solar collectors which, during the summer season, ensure the heating of 8,000 liters of water a day to a temperature of 60 degrees Celsius. The new installation serves the entire restaurant complex at kilometer 36, which accomodates about 300. The installation results in a saving of fuel amounting to about 20,000 lei a season. It eliminates transportation expenses and the need for maintenance personnel for the hot water heater during the summer. It is expected that during the current five-year plan more of these installations will be set up in Bucharest and in other cities such as Constanta, Tulcea, Bacau, Drobeta-Turnu Severin, Orsova and others. [Excerpts] [Bucharest ROMANIA LIBERA in Romanian 29 Jul 81 p 1]

CSO: 2700/356

ANIMAL FEED COMPONENTS IMPORTED IN 1980

Belgrade EKONOMIKA POLJOPRIVREDE in Serbo-Croatian No 5, May 81 pp 340-341

[Article by Dragan Markovic, Federal Bureau of Social Planning: "1980 Imports of Ingredients for Production of High-Protein Livestock Feed"]

[Text] The faster development of agriculture presupposes a larger share of animal husbandry in total agricultural output. Its larger share follows both from the changes expected in the population's diet occurring as a consequence of the rise of the standard of living, as well as from this branch's orientation in foreign trade. Aside from that, agriculture as a whole undergoes intensification with an increase in animal husbandry's share in agricultural output.

The growth of livestock production is dependent to the greatest degree on the available quantities of livestock feed, its prices and the profitability of using it, as well as on improvement of the genetic potential of the livestock. Intensification of livestock production by altering the pattern of the livestock population with respect to breeds, which has been done by importing highly productive foreign certified breeds for specialized production, has been raising the problem of feeding a properly balanced ration which makes best use of the genetic characteristics of the animals. The significance of balanced rations having been recognized, work began to build mills for the production of mixed feeds and livestock feed mixing units. Moreover, the capacity of these plants quickly exceeded domestic sources of the relevant raw materials, which immediately led to imports of ingredients for the production of livestock feed, which at the outset was relatively cheap, and at the same time to a neglect of the domestic fodder resources. Imports of ingredients for production of high-protein animal feed have been growing steadily.

The total value of imported ingredients for the production of high-protein livestock feed in 1980 represented 89.46 percent of the total value of meat exports, not including viscera, which amount to 63,263 tons, or 4,273,865 dinars. Oilcake and pellets represent 66 percent of the total value of imported ingredients for the production of high-protein livestock feed; in view of our country's climatic conditions, the facilities which have been built for processing oilseed and the demand for oil in the coming period they should come from domestic production. Table 2 shows the figures on nutritional units and digestible protein which can be obtained from the imported quantities of oilcake and pellets, fish meal and meat meal.

Table 1. Quantity, Average Price and Value of Imported Ingredients for Production of High-Protein Livestock Feed in 1980

Type	Quantity, in tons	Price, dinars/kg	Value, in 000 dinars	Distribution by Value
Oilcakes and pellets	147,796	8.05	1,189,772	31.12
Fish meal	79,348	15.43	1,224,537	32.03
Meat meal	9,594	8.31	79,720	2.09
Soybean oilcake*	164,390	8.09	1,329,168	34.76
Total	--	--	3,823,197	100.0

* Converted from the quantity and value of imported soybeans at the rate of 80 percent.

Table 2. Nutritional Units and Digestible Protein Contained in Imported Ingredients for the Production of High-Protein Livestock Feed, Total Weight and Relative Distribution

	Standard Values*		Total Weight, in tons		Distribution	
Type	Nutritional Units	Digestible Protein	Nutritional Units	Digestible Protein	Nutritional Units	Digestible Protein
Oilcakes and pellets	1.26	0.36	186,223	53,207	39.98	33.55
Fish meal	0.75	0.50	59,511	39,674	12.78	25.02
Meat meal	1.35	0.68	12,952	6,524	2.78	4.11
Soybean oilcake	1.26	0.36	207,131	59,180	44.46	37.32
Total	--	--	465,817	158,585	100.00	100.00

* According to Popov.

Table 3. Simplified Example of the Possible Weight Gain of the Respective Livestock Categories Resulting From Imported Digestible Protein in 1980

Type	Available Digestible Protein in Imported Ingredients, in tons	Approximate* Standard Amount of Digestible Protein Per Kilogram of Weight Gain, in kg	Total Weight Gain, in tons
Hogs	72,949	0.52	140,287
Poultry	47,576	0.55	86,502
Baby beef	38,060	0.60	63,433
Total	158,585	--	290,222

* According to Popov, this standard includes nutrition for both weight maintenance and weight gain.

Oilcake and pellets occupy the dominant place in the distribution of the total quantity of nutritional units, with a share of 84.4 percent, while their share on the basis of digestible protein is 70.87 percent.

The principal question which arises is the volume of livestock production that can be achieved with imported nutritional units and digestible protein. To answer this question we must know the approximate distribution of mixed feeds, which in recent years has become steady at these values: mixed feeds for hogs are in first place with about 46 percent, mixed poultry feeds in second place with about 30 percent, and mixed cattle feeds in third place with about 24 percent. On the basis of this distribution of mixed feeds and the total amount of protein we calculate the possible weight gain.

Only one-third of the weight gain of these categories, amounting to 290,222 tons, is covered by imported nutritional units, while the other two-thirds would have to be obtained from domestic sources. This weight gain would have to be adjusted for losses occurring in preparation of the mixed feeds and in feeding the animals. This adjusted weight gain of the respective categories which could be achieved with the digestible protein from imported ingredients for the production of high-protein livestock feed would have a share of about 12 percent in the expected total weight gain of Yugoslavia's animal husbandry. An analysis of Yugoslavia's total fodder budget in 1979, computed in terms of nutritional units and digestible protein, shows that imported ingredients for the production of livestock feed account for 9.8 percent of the total amount of digestible protein. The high share of imported digestible protein, amounting to about 10 percent of the total fodder budget, as well as the steady rise in the prices of these nutrients on the world market cannot be conducive to successful development of animal husbandry in Yugoslavia.

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2170

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2170

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SOVIET ECONOMIC AID TO SOCIALIST NATIONS OUTLINED

East Berlin AW DDR-AUSSENWIRTSCHAFT in German Vol 9 No 26, 24 Jun 81 pp 1-2

[Report by Information Public Relations Department, GDR Ministry for Foreign Trade: "Close Cooperation With USSR Strengthens Material-Technical Base of Socialist Countries"]

> [Text] At the present time, government agreements on economic and technical cooperation are in force between the USSR and 81 partner countries. During the past five-year plan, agreements of this kind were made with 12 countries for the first time. Between 1976 and 1980, 640 fully or partially completed projects of industry or other branches of the national economy were sent to their destination with the economic and technical aid of the USSR. The export of complete plants and materials between 1976 and 1980 amounted to approximately 10.2 billion rubles for the USSR; that means the volume has doubled in comparison with that of 1971/75.
>
> In the partner countries there were constructed, among other projects, power plants with installed capacities of approximately 11,000 MW, plants with the capacity for an annual production of approximately 10 million tons of crude iron, approximately 12 million tons of steel, and 5.2 million tons of cement as well as for the production of 13 million tons of coal annually, and the primary processing of almost 5 million tons of crude oil. The production capacities established with Soviet aid strengthened the material-technical base of socialism in socialist countries and promoted the development of national economies, the elimination of economic deficiencies and the independence of developing countries.

During the past 5 years, 490 projects of industry and other branches of the national economy were produced in socialist countries, 434 of them in CEMA countries, in close cooperation with the USSR. Soviet exports required for complete plants and installations amounted to approximately 6.9 billion rubles, twice as much as between 1971 and 1975. Economic and technical aid concentrated on such key areas of national economies as energy, mining and milling, chemical and petrochemical industries as well as construction industries. Some 65 percent of the total amount of technical aid went to these industries. Through this aid the following increases

in production capacity were achieved between 1976 and 1980: crude iron by 5.5 million tons, steel by 6.5 million tons, steel mill production capacities by 8.8 million tons, cement by more than 4.6 million tons, coal production by 10.2 million tons, crude oil processing by 5 million tons. Installed power plant capacity rose by 7,600 MW, with 2,200 MW in nuclear power plants.

Among the most important projects completed with USSR aid in Bulgaria are the nuclear power plant in Kozloduy, whose installed capacity is currently 1,320 MW, the Bobovdol strip mine with an annual capacity of 4 million tons of coal, and the mining and milling collective "Jelacite" with an annual capacity of 10 million tons of ore. The steelworks collectives Kremikovtsi and Pernik were modernized and expanded. Production was started in the aluminum profile works at Shumen, and in the second expansion stage of the chlorine production in the chemical combine at Devnya.

In Hungary, work was completed at the first 440-MW block of the Paks nuclear power plant, which in the future will have an installed capacity of 1,760 MW. Of great importance for the energy supply in Hungary is the completion of the 750-kv [kilovolt] power line Winniza-Albertirsa. Production was started in the Belapatfalva cement plant, which has an annual capacity of 1.2 million tons of cement, as well as at the crude oil processing plant at Leninvaros. Equipment is being installed for an oxygen conversion plant at the Dunaj Steelworks Combine with a capacity of 1 million tons of steel.

Among the most important projects of technical cooperation between the USSR and the GDR are the thermal electric plant at Jaenschwalde, for which the USSR supplied 500-MW blocks, the Nuclear Power Plant Nord, the Steelworks Combine Ost, as well as several panel processing plants for housing construction.

The most important project of the economic and technical cooperation with Poland is the Steelworks Combine at Katowice, where the first stage of expansion began production during the past five-year plan with a capacity of 4.5 million tons. The approximately 400 km of railroad track from the Soviet-Polish border to the combine at Katowice, which guarantees tariff-free transport of iron ores to Poland and of sulfur, coal and other projects of technical cooperation between 1976 and 1980 were in the fields of energy, gas industry and the construction industry.

In Romania, technical aid from the USSR provided equipment for the country's largest thermal electric plant at Deva, which has a current capacity of 1,260 MW. A plant for the conversion of pentan into isopentan makes possible the production of isoprene rubber from domestic raw materials. In addition, the Steelworks Combine at Galati, the folling mills at Salaj and Zimnicea, three plants for the production of caustic soda, and one for the production of viscose cellulose were provided with installations from the USSR.

In the CSSR, a focal point of economic and technical cooperation is the development of nuclear energy. The nuclear power plant Bohunice I with an installed capacity of 880 MW was added to the network. The USSR also provided equipment for the nuclear power plant Bohunice 2, which will also have a capacity of 880 MW. Preparations are in progress for the construction of the nuclear power plant Dukovany. Agreements were reached for cooperation in the construction of the

nuclear power plant Mochovce (1,760 MW). Rebuilding projects were completed in several production areas in the cellulose and paper collectives Vranov and Zilina. The USSR also provided equipment for the production of unbleached sulfate cellulose, carbon black and color television sets.

Especially rapid progress in economic and technical cooperation was made at construction projects in Mongolia, Cuba and Vietnam. The extent of technical aid for these countries in the past five-year plan period was 2.8 times that between 1971 and 1975.

The projects completed with Soviet aid in Mongolia guarantee approximately 80 percent of the country's coal production, 95 percent of its energy production, 100 percent of the production of copper and molybdenum concentrates, as well as almost 50 percent of its grain, milk and meat production. The most important project is the copper and molybdenum products mining and processing collective at Erdenet, which belongs to the largest of its kind in the world and has a capacity of 12 million tons of ore.

In Cuba about 60 projects were completed with Soviet aid during the past five-year plan period. Soviet exports of equipment and materials for complete plants in 1980 surpassed by four times those of 1975. After the long-distance power line Cienfuegos--Santa Clara--Vicente--Nuevitas was put in service, a unified energy network was created. Other long-distance power lines, such as the one from Mariel to Santa Clara (350 km) and from Rente to Punta Gordo (480 km) were built, the thermal electric plants at Mariel and Santiago de Cuba were enlarged. The first pieces of equipment were delivered for the construction of a nuclear power plant. Also constructed was a plant for the production of sugar cane products, a foundry, a wire milling plant in Jose Marti Steelworks, as well as the container terminal in the harbor of Havana. Five textile plants were rebuilt.

The USSR gave extensive aid to Vietnam for the reconstruction of projects destroyed by U. S. aggression, as well as for the construction and rebuilding of plants. The numerous projects thus built and rebuilt include four coal processing plants, the thermal electric plant at Uong Bi, the repair shop for strip mining equipment in Cam Pha, equipment for the Tinh-tuc tin mine, for the Lao-cai apatite mine, for the Lam Thao superphosphate plant, for the railroad line from Hanoi to Ho-Chi-Minh City, and for the Bim Son cement plant. The largest projects developed by joint operations are the hydrotechnical complex on the Da (Black River) with a hydroelectric power plant of 1,920 MW, and the Pha-lai thermal electric plant, with an installed capacity of 640 MW.

Technical aid by the USSR was also considerably expanded to other socialist countries.

The most important project in the cooperative effort between the USSR and Yugoslavia during the last five-year plan period was the clay works in Birac, which in 1979 reached its projected capacity of 600,000 tons of clay. This work was constructed on a compensation basis. Several power plants, mines, plants for ferrous and nonferrous metallurgy, as well as the crude oil processing industry, were equipped with Soviet technology, including a continuous casting plant with an annual capacity of 800,000 tons of steel slabs, and the steel foundry in Skopje. On a

compensation basis, the USSR also provided equipment for the production of car batteries.

Among the projects which were completed or rebuilt with Soviet aid in Laos are the crude oil base in Vientiane, as well as repair shops for agricultural machinery and automobiles. The first expansion stage of the rebuilt tin processing plant at Phontiou was put into operation, and this enabled Laos to increase its foreign currency earnings. The USSR provided technology for road and bridge construction, as well as for rock quarry operations.

The USSR sent to Kampuchea equipment for the harbors of Kompong Som and Phnom Penh, and for rebuilding the highway network. Agreements were reached on economic and technical aid in the reconstruction of energy supplies for industrial centers, as well as the rebuilding of hospitals, agricultural projects and the technical college.

With technical aid from the USSR the largest thermal electric plant in the DPRK at Pukson was expanded to 1,600 MW, and the construction of the 150 MW power plant Chongdzin, which supplies energy for the metal processing plant Kim Tchak, was completed. The capacities of this plant were expanded, the USSR supplied equipments for the production of microelectric motors and car batteries on a compensation basis, as well as equipment for the steel mill and aluminum plant at Pukson.

Through the economic and technical aid of the USSR, socialist countries strengthened the export powers of their national economies. Between 1976 and 1980, the USSR imported from socialist countries products amounting to almost 15 billion rubles, and these products had been produced in factories which had been constructed, rebuilt or enlarged with Soviet aid.

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CSO: 2300/269

BRIEFS

SUGAR MILL OBSOLESCENCE CRITICIZED--Although modernization of some sugar mills continues during the Seventh Five-Year Plan, the average daily processing capacity per sugar mill in the CSR is 1,200 tons of sugar beets, the lowest in Europe. Extended storage of sugar beets results in increased sugar beet losses. Almost 70 percent of the boilers used by the sugar mills are more than 50 years old, which results in high breakdown rate. The most crucial situation exists at sugar mills located in the North Moravia, South Moravia and East Bohemia krajs. [Prague ZEMEDELSKE NOVINY in Czech 25 Aug 81 p 3]

CSO: 2400/302

CHANGES IN PLANNING ORDER, COMBINE RESPONSIBILITIES ANALYZED

West German Analysis

West Berlin DIW-VIERTELJAHRESHEFT in German Vol 50 No 1, Jan-Mar 81 pp 45-51

/Article by Angela Scherzinger: "Aspects of the New Planning Order in the GDR." A translation of the East Berlin WIRTSCHAFTSRECHT article cited in footnote 18 follows this article/

/Text/ In February 1980 a new plan methodology was enacted in the GDR by means of the "Order on the Planning Order of the GDR Economy 1981-1985."[1] It superseded the old planning order for the period 1976-1980.[2]

The planning order establishes the principles and plan methodological provisions for drawing up the five-year plan. The various sections include general provisions and special regulations for planning the various sectors of the national economy. The planning order is in effect for 5 years; subsequently it is taken further, keeping in mind the experiences gained and new needs.

In this connection the 1976-1980 planning order was a significant step forward. Both the planning per se and the content of planning were regulated in great detail after the various planning steps of science and practice had been thoroughly discussed in the preparatory stage. The final opus extended to 27 sections and 500 pages and was thus much more detailed than earlier orders.

The new planning order continues mostly from this basis and--as far as we can judge --does not involve major changes. However, some conclusions have been drawn from the "experiences and demands" of recent years. To be emphasized in the planning preparation, for example, is the entire process of "intensification," in other words the speeded-up application of scientific-technological advances, the improvement in labor and capital productivity and greater consideration for customer demand. More changes resulted from the new management structure which has arisen in the national economy after the establishment of combines. The combines will be more involved in the planning processes. The following is a survey of the relevant sections of the planning order.

Conceptual Preparation of the Five-Year Plan

The new economic problems and the rapid advance of science and technology at the international level have somewhat shifted the importance of medium-term planning for

the GDR's total planning. Not only will it be necessary to project patterns forward; needed also is the development and implementation of a medium-term growth strategy.[3]

That is the reason why, in contrast to the earlier planning order, a special and detailed section is devoted to the "conceptual preparation of the five-year plan." This conceptual preparation, which represents an important initial value of five-year planning, proceeds at three levels:

1. "Long-range development conceptions for tasks of crucial economic importance." These tasks are decided by the Council of Ministers. Currently they are: The development of microelectronics, the use of industrial robots, electronic control of machines, the use of computer technology, refinement metallurgy and coal processing.[4]

2. Long-range development conceptions for various "areas of responsibility" (such as combines in industry and economy managing organs in other sectors of the economy).

3. Long-range regional development conceptions for the districts and selected large cities and regions.

First planning level: The development conceptions will be drafted with the guidance of the ministers, heads of other central state organs, general directors of combines and foreign trade enterprises, appointed by the Council of Ministers. They must carry out the necessary analytical studies and make available the data required. The Academy of Sciences and the Ministry for University and Technical School Affairs contribute basic research in natural sciences and mathematics. The development conceptions for tasks of crucial economic importance relate to

-- Scientific-technological, economic and social goals (for example to meet public demand, the technical standard of production, the improvement of efficiency),

-- Measures, resources and proposed solutions required to achieve the targets (for example research and development, investment projects, raw materials and component needs),

-- The necessary rise in capacity (for example improvement in quality, increase in output and productivity as well as labor savings, materials conservation, better (misprint--so garbled as to be unintelligible--translator's note) and export profitability.

Second planning level: The long-range development conceptions of the combines are based on long-range economic conceptions of rationalization, the improvement of materials conservation, the development of investments, the "state assignments science and technology" and their own forecasts. In addition market and consumer research will be carried out and involve the foreign trade enterprises and important inland trade organs. Components and the infrastructure will be coordinated with the cooperation partners and bezirk councils. The development conceptions of economy managing organs include information

-- On research, development and transfer,

-- On the improvement of the technological standard of production "by the comprehensive rationalization of general technological processes as well as the renewal, modernization and reconstruction of entire plants and plant sections,"

-- On the development of the production structure for end products and components (including spare part production) and on the increase in the output of products profitable in terms of foreign exchange,

-- On the improvement of productivity and the lowering of specific raw materials consumption.

Third planning level: Development conceptions by the bezirk councils are intended to complete the total conception from the regional aspect. However, the demand for "recognizable economic problems complete with various proposals for their resolution and subsequent decisionmaking" is rather noncommittal.[5]

Planning of Science and Technology

The planning and balancing of vital innovations has been assigned even greater priority in the new planning order--it is to be done mainly by way of the so-called state assignments science and technology. Generally the research and development planning provided for differs from earlier versions by greater conciseness, tighter classification, more lucidity, the clearer demarcation of responsibilities and greater centralization.

Responsible for the drafting and supervision of the state plan science and technology is the Ministry for Science and Technology in cooperation with the State Planning Commission and the industrial ministries as well as the Standardization, Measurement and Commodity Testing Office. Added to the above in matters of the planning of basic research are the Ministry for University and Technical School Affairs and the Academy of Sciences.

All assignments of the so-called state plan science and technology are centrally planned. For the first time the planning order explicitly describes the various elements of the state plan science and technology:

1. "State assignments science and technology."

2. "Single targets for the achievement of top performances" outside the state assignments.

3. Norms for the conservation of working hours, materials and energy as well as for the development of industrial goods production "with the Q quality mark."

4. Targets for the research and development potential.

on 1: State Assignments

By way of the state assignments science and technology those projects are planned, which are designed to result in significant changes in the structure of the economy

or have a certain wide ranging effect (for instance the introduction of microelectronics), Based on the end product, state assignments include all necessary plan data for research and development as well as the connections needed for transfer (investments, components, material supplies). State assignments enjoy absolute priority in research, development and transfer. The investments required are included in the list of centrally planned investments. State assignments transcend departmental planning. By this means the planning of research and development--which tended often to end with the production of a sample or zero series--is to be extended to the production process.

Specific ministries are responsible for the coordinated implementation of the respective state assignments. They in turn appoint general directors of specific combines or managers of institutes "assignment heads" (for the management and coordination of tasks related to the state assignments). In the case of innovation processes with particularly wide-ranging effects and interlinks, the deputies of the minister are the assignment heads. The inclusion of these innovations in the state plan socialist rationalization is to ensure the broad application of the new processes and technologies. The state assignments apply for the entire period of their implementation; their key points are set for the five-year plan.

On 2: Single Targets

Single targets outside the state assignments may relate to basic research, applied research, the development and transfer of completed research projects to production as well as tasks involving standardization, the assignment or acquisition of licenses, and data processing plans. They are to concentrate on

"-- Decisive rationalization aids, components and materials,

-- New technological processes with significant effects on the improvement of productivity and materials and energy conservation as well as other important targets, including important basic research tasks for providing scientific advances in fields decisive for the economy,

-- Products for export, profitable in terms of foreign exchange,

-- High-quality consumer goods for export and domestic supply."

On 3: Norms

Norms for the conservation of resources and the development of industrial goods production "with the Q quality mark" also will be drafted at central level, forwarded to the industrial ministries and thence distributed to the various combines. The combines in turn must deduce therefrom the combine-specific tasks.

On 4: Targets

The aim is in the establishment of the research and development potential (total expenditure, personnel) to take into account appropriate apportionment to research, development, technology, planning, design, patent matters and sample construction.

A commentary to the planning order emphasizes that the new regulations are designed especially to ensure the easier and faster transfer of scientific results to production and a generally smooth handling of innovative processes.[7]

However, we must not forget that it has always been a requirement to accurately plan the decisive integration relations for all items of the state plan science and technology with regard to time schedules and capacities. Evidently the earlier regulations were deemed not stringent enough.

In addition to the state plan science and technology the combines may carry out other scientific-technological tasks on their own responsibility. The volume is not known nor, therefore, the scope enjoyed by the combines in this respect.

Planning of Rationalization

In view of the intensification efforts, rationalization is allocated special priority--that is the rational use and modernization of existing plants and manpower. Consequently, in contrast to the old planning order, rationalization has a section of its own. The starting point of this planning is a "long-range strategic rationalization conception for the national economy" to be drafted by the State Planning Commission. This conception includes the main targets and key points of rationalization for at least 5 years. Also included are the material-technical requisites for the in-enterprise manufacture of rationalization aids and in-enterprise construction departments.

The rationalization conception includes the following targets:[8]

"a) The development of the productivity of blue and white collar workers,

b) The saving of working hours by measures of scientific-technological progress,

c) The freeing of manpower,

d) The in-enterprise manufacture of rationalization aids,

e) The output of in-enterprise construction departments,

f) Key measures for the development of working and living conditions for the working people."

The state plan socialist rationalization summarizes the tasks and projects relating to rationalization, including measures for regional rationalization and the rational use of energy. Analogous to the state plan science and technology, the state plan socialist rationalization also must receive priority in total planning and balancing. The materials and equipment balances, for example, resulting from the state plan must be included in the so-called central S /state/ and M /ministerial/ balances. S balances are drawn up at the level of the State Planning Commission, M balances at that of the industrial ministries. The targets of the state plan are assigned as state plan quotas to the industrial ministries and combines. The state plan is both part of the five-year plan and the annual economic plans. The combines

must ensure that the state plan socialist rationalization is coordinated with the relevant projects in the combine plan science and technology as well as the investment plan.

The combines are entitled to adopt rationalization measures on their own responsibility outside the state plan. However, the combines do not have their own plan section rationalization. The planned rationalization measures must be incorporated in the plan sections "science and technology" or "basic asset reproduction." The manufacture of rationalization aids must be incorporated in the production plan.[9] The following goals are emphasized for the rationalization measures of combines:

"a) Introduction of highly productive technologies and processes for the improvement of the technological standard of production, including the rationalization of auxiliary and ancillary processes,

b) Reproduction of entire technological sections,

c) Introduction of progressive manufacturing processes (series and assembly line manufacture),

d) Measures for the conservation of energy, raw materials and other materials, including measures for rational energy use and rational secondary raw materials management,

e) Development of the capacity of in-enterprise rationalization aid construction by in-enterprise construction departments and of in-enterprise planning,

f) Regional rationalization measures to be carried out jointly with other enterprises, combines and facilities in the region,

g) Reduction in administrative expenditure by the rational organization of labor and the use of EDP, especially for routine processes."

Planning of Industrial Output Appropriate to the Demand

The planning order assigns a much greater importance to production appropriate to consumer demand. Consumer research is to be independently conducted by the combines, in addition to specialized institutions. The following are to be the key issues:[10]

"-- Product specific studies of the trends of consumer demand (influence of scientific-technological progress, use value parameters, materials structure and fashion on supply and demand),

-- The study of the effect of supplies on the development of demand (structural and qualitative aspects, complementary and substitution influences, and so on),

-- Longer-term studies on the interrelationship of demand and production development as the basis of new and further developments of consumer goods,

-- Studies of the development of demand for products in the lower, medium and upper price groups."

Particularly novel by comparison with the old planning order are the so-called assortment conceptions. These are drawn up jointly by industry and the domestic consumer goods trade. At the same time a distinction is to be made between annual and longer-term assortment conceptions. The industrial ministries and the Ministry for Trade and Supply will decide which one is to be used. Assortment conceptions for fashion products will be governed by a special fashion conception. The annual assortment conceptions will include:[11]

"a) The demand as per volume and value,

b) Supplies as per volume and value,

c) Development of product quality (for example material structure, use value, the proportion distinguished by the Q and '1' quality marks, proportion of new and further developed products; products just introduced to production and to be offered to the public are to be reported separately, stating the use values, quality indices, volume and value on the basis of confirmed price norms),

d) Price group structure,

e) Average price,

f) Size group pattern,

g) Delivery periods,

h) Provisions to ensure spare part availability,

i) Provisions on the rationalization of goods turnover and the use and re-use of packaging,

k) Privisions on the development of customer service and services."

Longer-range assortment conceptions include mainly data:[12]

"-- On the development of product quality,

-- On the development of new products and the further development of products (in cluding technical parameters for these products),

-- On the realization conditions for new and further developed products (for example the dates of availability, volume, prices, and

-- On the assurance of replacement part supplies."

The conclusions arising therefrom for research and development must be incorporated in the relevant combine plans.

It is required that the following targets be the basis for the drafting of production plans:[13]

"a) The introduction of new products at better quality and design standard, especially of top performance standards,

b) The achievement of stable quality production and manufacture as per samples,

c) Minimalization of rejects, reworking and warranty costs."

In order to improve the supply of consumer goods to the public, GDR manufacturers of means of production also must, within their potential, produce consumer goods including replacement parts and components. This requirement was also included as a novel provision in the planning order. The economic usefulness of these measures, however, is decidedly dubious.

New Plan Indices

A comparison between the nomenclature of state plan indices in the old and new planning order shows that the plan index system has been extended in some respects. Included, for example, were rationalization and scientific-technological tasks. Involved here are particularly the following new plan indices (quoted verbatim):

-- Measures of the state plan socialist rationalization (tasks and projects with economic targets, completion dates, expenditures and material-technical assurance)

-- Scientific-technological tasks: State assignments as well as single tasks for the achievement of top performances and other socially significant tasks...with performance targets, economic and social targets as well as completion dates

-- Working hour conservation by measures of scientific-technological progress

-- Material and energy conservation by measures of scientific-technological progress with respect to selected product headings

-- Blue and white collar workers employed in planning facilities.

Another new introduction was the index figure end product. It is reported as follows: Sale of industrial goods production less delivery and services for materials consumption (including other deliveries and services) to other enterprises within the combine.

Two more important indices not yet mentioned in the planning order were added by Council of Ministers decision of February 1980:[14] Net production and basic materials costs per M100 goods production. To arrive at net production, total gross production is reduced by production consumption (basic material, ancillary materials, and other prior work). This index figure reflects the value created in the course of production. This means that, at the time of performance appraisal, rewards will no longer to to the enterprise which indulges in indue materials consumption. The index figure basic material costs per M100 goods production is designed to direct attention to sensible materials use and the greatest possible extent of refinement in production.

Also new is the provision that the economic plan will be prepared by combines, in other words state plan targets are centrally provided not only for the ministries but also for the individual combines.[15]

On the Planning of Foreign Trade

Since the last wave of combine establishment, combine powers in foreign trade have been expanded by virtue of the fact that more and more foreign trade enterprises have been subordinated to combines. While the Ministry for Foreign Trade retains its primacy, combines are now involved in various planning stages of foreign trade-related planning via their foreign trade enterprises.[16] That holds true especially for the so-called conceptual preparation of the plans. We find the statement, for example, "the Ministry for Foreign Trade must prepare proposals by sectors and branches with regard to the targets relating to the volume of exports and imports to be coordinated for the five-year plan, and must forward these to the State Planning Commission. It participates in all stages of the preparation and implementation of five-year plan coordination and includes the foreign trade enterprises in this process."[17]

A comparison between the sections "planning of foreign trade and foreign exchange relations" of the old and new planning order reveals virtually nothing of the increased foreign trade functions of combines, because the texts of these sections are almost identical. On the other hand a commentary[18] discloses that,"in accordance with their economic responsibilities, combine have far more planning powers than before with regard to the conceptual preparation of the plan. Even before the State Planning Commission drafts decisionmaking proposals regarding the main development trends of foreign trade, the combines must prepare plan projects as per the decisions made by the party and state leadership on the basic issues of main lines of economic development."

Summary

It is the aim of the changes and insertions in the new planning order to bring particularly urgent economic problems closer to resolution by new planning techniques. That arises from the following considerations:

1) The GDR is compelled to hasten technical advances if it means to counteract another deterioration in its international competitiveness. Due to foreign exchange and embargo problems technical progress can be secured to only a limited extent by imports and the purchase of foreign licenses. At the same time the goods supply on the domestic market must not lag too much behind the growing consumer demand, either in volume or quality. Raw material shortages and rising oil prices require special technical innovations for the conservation of raw materials. The internationally accelerating change in technology, constant structural changes and the increasing diversification of technical developments also represent growing challenges to the planning of innovative processes.

Research and development planning is therefore a matter of particular concern with regard to changes in planning techniques. Among the most important changes are the ones described earlier (mainly the state assignments) by which priority is extended to the planning of important technological structural changes in order to secure the smooth coupling of research, development and transfer to production. The coordination processes here are to be organized more efficiently. Though the planning of

technical advances is relatively concentrated in the hands of the central authorities, the involvement of the combines seems to have decidedly increased. They will, for instance, draft their own long-range development conceptions.

2) In addition to technological progress by way of new plants the GDR considers rationalization, that is the modernization of existing plants, a significant generator of advances in productivity. That is why a section on the planning of socialist rationalization has been included in the planning order. The most important rationalization tasks will be given priority in the allocation of resources and in investment planning. The emphasis as regards this planning is with the State Planning Commission.

The concept of rationalization and its planning organization sharply illuminate the dilemma of scarce resources and the great need for investments. The GDR economic leadership has decided that the central authorities will use economic criteria to allocate the scarce investment resources. That holds true also for centrally planned rationalization measures. Any additional urgent enterprise needs will be taken into account by enabling the combines to decide rationalization measures on their own responsibility and outside the state plan, and that they will be able in particular to undertake their own building and the manufacture of rationalization aids. This has probably improved the rather difficult planning of rationalization. It remains to be seen, though, whether in-enterprise construction on a regular basis will turn out to be an efficient way of producing equipment.

3) The assortment of consumer goods still does not correspond to demand. That is why, for the first time, the combines are to draft mandatory assortment conceptions within the scope of industrial planning, which will include data on the assortment, price group structure and time of availability of the consumer goods.

4) By more intimately involving the combines in foreign trade planning international competitiveness is to be improved and the export enterprises enabled more flexibly to react to events on foreign markets.

When the combines were established, a great deal of controversy raged whether this organizational change had initiated a significant shift of decisionmaking powers from the central level to that of the combines. Lately official speeches have inducated support for both assumptions: Honecker, for example, pointed out "the vast powers enjoyed by our combines with regard to the efficiency and quality of production, their research and development centers, exports and imports."[19] On the other hand, Politburo member Guenter Mittag's announcement at the 13th SED Central Committee Plenum seems to point in the opposite direction. He said that "the Council of Ministers or the State Planning Commission decide" the balances "for vital energy sources, raw materials and other materials, components, rationalization aids, equipment and consumer goods."[20]

The planning order does not provide any additiona clues. On the one hand the combines are increasingly involved in the preparation of decisions, for example the drafting of the long-range development conception for the five-year plan. They also participate more and more in the preparation of the plan. On the other hand the central organs reserve to themselves the most important decisions, for example by way of the state plan science and technology and the state plan socialist rationalization.

Only the future will show in how far the end effect will be an expansion of the decisionmaking scope of the combines.

FOOTNOTES

1. See special issue GBL DER DDR, No 1020a/1980.

2. See special issue GBL DER DDR, No 775a/1974.

3. "As you know, at the latest plenums the Central Committee has intensively dealt with the further preparation of our party's economic strategy for the 1980's... In view of actual events and social needs...it was not possible simply to continue increasing production in the same manner as before." Erich Honecker: "On Topical Issues of GDR Internal and Foreign Policies," NEUES DEUTSCHLAND, 14 October 1980, p 4.

4. See speech by Guenter Mittag, Politburo member and member of the SED Central Committee Secretariat, at the 13th SED Central Committee Plenum, NEUES DETUSCHLAND, 12 December 1980, p 5.

5. On the pragmatism of regional politics in the GDR see Angela Scherzinger and Herbert Wilkens: "Regional Planning and Regional Economic Structure in the German Democratic Republic," SONDERHEFTE DES DIW, No 128/1979.

6. See Planning Order, Part L, p 23.

7. See "New Regulations for Plan Preparation," DIE WIRTSCHAFT, No 7/1980, p 6.

8. See Planning Order, Part L, p 14.

9. See Planning Order, Part L, p 17.

10. See Planning Order, Part B, p 6.

11. See Planning Order, Part B, p 10.

12. Ibid.

13. See Planning Order, Part B, p 7.

14. See Hans Joachim BeyerL "Better Criteria for Performance Appraisal," DIE WIRTSCHAFT, No 3.1980, p 22; also Wolfhard Kunze: "Two New Indices in Management. Planning and Reporting," SAECHSISCHES TAGESBLATT, 6 May 1980.

15. See BERLINER ZEITUNG, 22 December 1980, p 3.

16. See Planning Order, Part A, p 7 (No 6, paragraph 2) and Part A, p 7 (No 7, paragraph 2).

17. See Planning Order, Part A, p 9 (No 10).

18. See Wolfgang Engelmann, Heinz Graf, Peter Schorn: "Legal Problems of the Management and Activity of Combine Foreign Trade Enterprises," WIRTSCHAFTSRECHT No 3/1980, pp 151 ff, here p 154.

19. "On Topical Issues of GDR Domestic and Foreign Policies," NEUES DEUTSCHLAND, 14 October 1980, p 4.

20. See NEUES DEUTSCHLAND, 12 December 1980, p 5

Combines' Foreign Trade Responsibilities

East Berlin WIRTSCHAFTSRECHT in German Vol 11 No 3, Jul-Sep 80 pp 151-155

/Article by Dr Wolfgang Engelmann, Bruno Leuschner College for Economics, East Berlin; Heinz Graf, VEB Fortschritt Agricultural Machinery Combine; and Peter Schorn, Ministry for Construction of General Machinery, Agricultural Machinery and Vehicles: "Legal Problems of the Management and Activity of Combine Foreign Trade Enterprises"/

/Text/ In accordance with the decision by the Tenth SED Congress the establishment and consolidation of combines as the most important step toward the perfection of the management and planning of our national economy[1] has advanced further. The combines are confronted with the duty to combine the decisive stages of the reproduction process, from research through sales, with the greatest possible rise in economic efficiency. Involved here is the more effective mastery of the processes for the achievement of an advanced scientific-technological standard, speeding up in all stages of reproduction, and including--quite especially--sales on foreign markets at the same time as strictly observing the foreign trade monopoly.

That holds good for all combines, regardless whether they cooperate in this respect with the Ministry for Foreign Trade (MAH) or the foreign trade enterprises (AHB's), subordinated to the industrial ministries, whether they have been assigned foreign trade functions or powers to conduct their own business transactions, or whether combine AHB's have been set up.

However, special legal problems arise whenever an AHB is merged with a combine. These problems are serious, not least because a considerable volume of our foreign trade turnover is handled by combine AHB's. The opinions published on the legal problems involved in the management and operation of combine AHB's before the decree of 8 November 1979 on state combines, combine enterprises and state enterprises[2] tended to vary rather substantially.[3] They referred mainly to questions involving the law on cooperation. Involved here in particular were the possibilities and limits of the organization of combine internal foreign trade related processes by the general director of the combine on his own responsibility. If the combines are to meet their obligations (enumerated above) for the greatest possible efficiency of the reproduction process, it is necessary now to take into account and study the issue of the incorporation of AHB's in combines, which transcend the problems of the law on cooperation.

Basic Requirements Arising from the Establishment of Combine AHB's on the Complex Legal Regulation of Internal Foreign Trade Relations

Even before the combine decree took effect it was evident that the legal problems mentioned represent only part of the complex legal system which, in toto, must be adequate to the profound process of change affecting both the reproduction processes in the combines and central state management. In connection with the removal of the AHB's from subordination to the MAH this presents some problems.

On the one hand the legal system must serve the complex management of the total reproduction process by the combine and its superordinated industrial ministry. The cooperation of these legal entities of the reproduction complex, including the combine AHB, in accordance with the principles of democratic centralism, cannot be effectively regulated in law simply by the linear superordination and subordination (constituted by way of competence standards) on the lines industrial ministry-combine-combine AHB. Due to a large extent to the unity of plan, economic accounting and economic stimulation as well as the related and sometimes different interests of these legal entities, it will indeed be necessary to further organize the foreign trade related rights and duties of these legal entities toward one another and, obviously, also outside the management line by control norms. From this aspect the imminent new version of the contract law and the decree of 10 January 1974 on the tasks, rights and duties of state foreign trade enterprises[4] are very important for that system.[5] We assume here that the greater economic responsibility of the combines represents "the basis of the further improvement of central state management and planning of the national economy,"[6] and that this process may be promoted also by the issue of appropriate legal standards.

From these aspects we therefore need a legal system which secures for the combines or industrial ministries--consonant with their greater responsibility for efficient foreign trade operations on the basis of the plan targets and quotas export and import--a higher quality of duties and rights in the deepened cooperation with other combines or the appropriate central state organs, especially the State Planning Commission (SPK) and the MAH.

On the other hand the legal system must ensure the observation of the state foreign trade monopoly[7] in the conditions of combine establishment also, especially the incorporation of AHB's in combines. Precisely in these new conditions special importance lies with the uniform management, planning, organization and supervision of GDR foreign trade on the basis of party and government decisions.[8] In its capacity as central state organ the MAH bears a special responsibility in these matters.[9]

With respect to the central state organs the observation of the foreign trade monopoly is of course not the exclusive task of the MAH, not even in regard to making the rules. Instead, in the course of carrying out their constitutional responsibility (article 9 paragraph 5 of the GDR Constitution) for observing the state monopoly in foreign trade and foreign exchange transactions,[10] the highest state organs of power make many fundamental and operational decisions. The necessity arises therefrom for the more effective cooperation of industrial ministries and combines on the one hand with the SPK, the MAH and other central state organs operating in foreign trade on the other, involving across the board tasks for the observation of

the foreign trade monopoly on the basis of the respective reciprocal rights and duties.[11]

In the matter of the regulation of the deepened cooperation between the organs and economic units mentioned, the joint directives by the Minister for Foreign Trade and the industrial ministers are extremely important, in addition to legal regulations, plan decisions, export and import permits and other management tools specifically related to foreign trade.[12]

In the matter of the observation of the foreign trade monopoly in the conditions of the operations of combines with AHB we are concerned also with the need for clearly defined and unequivocally demarcated rights to functional decisionmaking powers (outside the management line) vis-a-vis the industrial ministries, the combines and their AHB's.[13] Here the mainly process oriented foreign trade planning right must arrive at full agreement with the mainly subject related legal regulations.

In the course of combine establishment and the incorporation of AHB's in certain combines, the following legally relevant basic patterns in internal foreign trade relations must be realized:

In relation to foreign trade our national economy must also yield a linear-functional structure of limited functionalism, consonant with the principles of democratic centralism, and which is coupled with the target-program structure.[14]

Within these structures are, for one, unilinear management lines. A legal term for this is the direct superordination and subordination of the respective managers, including the authorization of the superordinated manager to clothe his decisions in the legal formulation "directive" vis-a-vis the subordinated manager. In this meaning the general director (GD) of the combine AHB is directly subordinated only to the combine GD.

In the linear-functional system we have, secondly, two wide ranging functional management relations. They are not only realized by way of unilinear management lines but also outside of them, based on the respective legal regulations. (Functional management relations, for example, run between the MAH and the combines as well as their AHB's.) Appropriate to them are such legal forms and related rights and duties as "assent" (by, for example, the Minister for Foreign Trade for certain actions by industrial ministers to whom combines with AHB's are subordinated), and also the legal forms (and related rights and duties) "approval," "instruction," "confirmation," and so on.

The aid of the legal forms adequate to the structures of limited functionalism and the relevant rights and duties is therefore needed also to realize functional foreign trade related management relations--such as emanating especially from the MAH.[15] These functional management relations are not identical with the relations arising from the above mentioned (unilinear) superordination and subordination.

For the efficient (in terms of the economy) legal regulation of relations in the structures mentioned, it is imperative to fully meet E. Honecker's challenge that "no works manager may shuffle off his problems on the 'higher ups,' just as no central organ (is) permitted to delegate 'downward' any genuine economic problems."[16]

The effective observation of the unity of central management and own responsibility of combines and enterprises is disrupted whenever definite decisions on specific stages of the decisonmaking problem are either not made at the right time or not appropriately at the respective adequate level.[17] Important in this context is, for example, the necessary organization of the combine GD's request for a decision as per article 24 of the combine VO /decree/.[18]

Combine VO and Combine AHB

On the Legal Status of Combine AHB's

As per the combine VO combine AHB's are constituents of combines (article 1 paragraph 3 in conjunction with article 17 paragraph 3 combine VO). The GD of the combine AHB is directly subordinated to the GD of the combine (article 25 paragraph 1 combine VO), the latter to the competent industrial minister (article 4 paragraph 2 article 24 paragraph 1 combine VO). The fact that the GD of the combine AHB just like the directors of other combine enterprises is subordinated directly to the GD of the combine--and should he also be a technical director of the combine, article 25 paragraph 3 combine VO is equally applicable[19] --derives from a "basic premise" according to which "all questions of the management of the combine arise from the overall responsibility of the general director of the combine."[20] The application of this principle is necessary in relation to foreign trade also fro two reasons again arising from the combine VO:

1. In connection with the management of its reproduction process the combine exercises state functions also (article 4 paragraph 1 combine VO). Pertinent decisions must be made in the combine and must not be delegated to combine enterprises.[21] The respective rights and duties of the combines in MAK balancing (article 11 paragraph 2), pricing (article 20 paragraph 2) and standardization (article 13 paragraph 6 combine VO) each arise from the legal regulations issued for these spheres.[22] As, according to these legal regulations, the combine as an entirety and not only its AHB (for example in foreign trade-related balancing) is authorized and obligated while, on the other hand, the objects affected by the state function largely coincide with the trade assortment of the AHB, internal combine management relations relating to the combine AHB must be realized for the decisions made by the combine to be carried out. That applies--consonant with articles 9 and 10 of the combine VO--not to balancing only but also--as shown below--to planning.

2. Management powers of the combine GD also arise insofar as the combine, as per article 7 combine VO, centralizes the tasks touching upon the accomplishment of foreign trade targets (customer service, and so on). Accordingly (non-contractual) management relations are realized between the totality of the combine and the combine AHB coupled with the observation of the foreign trade monopoly. This underlines the status of the combine AHB also as the "legal status of a combine enterprise."[23] As per article 42 paragraph 2 combine VO, the legal regulations on the tasks, rights and duties of foreign trade enterprises certainly apply to combine AHB's also. At the same time the legal status of combine AHB's is additionally defined by all other relevant subject and process related legal regulations governing their status as combine enterprises (in the totality of rights and duties).

We assume here that the state foreign trade monopoly cannot be observed only by way of regulations exclusively mandatory on AHB's, but that the combines are, in turn, involved in the implementation of foreign trade tasks as per the appropriate regulations.

The VO further rules that relations between the combine AHB and other combine enterprises are governed exclusively by the legal regulations issued for foreign trade (article 23 paragraph 3). Consulting the text we see in relation with article 42 paragraph 2 of the combine VO that the GD of the combine may not only not diverge from the compelling legal regulations defining the respective relations but, moreover, may not diverge either from the equally relevant provisions settled between the Minister for Foreign Trade and the competent industrial minister.

In fact, as relating to foreign trade, it would make little sense to isolate the legal regulation of inter-enterprise relations within the combine from the regulation of other (management) relations in the combine and outside it. Quite mistaken, therefore, are those interpretations according to which the organization of the uniform reproduction process in the combine by systems as per article 29 paragraph 4 and article 23 paragraph 2 combine VO is said to be inadmissible for relations between the combine AHB and other combine enterprises as the result of the provisions of article 23 paragraph 2 combine VO, while the legal regulations issued directly for foreign trade are claimed to be applicable. It is not really possible exactly and comprehensively to subdivide the legal regulations involved into those applicable only to internal combine cooperation and those applicable only to foreign trade.

On the Application of Article 23 Paragraph 3 Combine VO

Even when fully taking into account the applicability of article 23 paragraph 3 combine VO, all legal regulations issued for foreign trade must, in our opinion, be applied to internal combine cooperation relations in such a way that the specific status of the combine AHB as a combine enterprise is kept in mind, while the state foreign monopoly continues to be strictly observed. Erroneous, therefore, are those interpretations according to which this monopoly may be observed only by way of regulations mandatory on the AHB's. Just as subject to these regulations are others involved in the implementation of foreign trade tasks, especially the combines themselves.

Consequently the legal regulations to be applied to cooperation relations with other combine enterprises and the normative regulations by the Minister for Foreign Trade applicable as per the joint directives of the two ministers cannot be so applied as if these AHB's were outside the management powers (organization and decisionmaking powers) of the combine GD. The authority and duty for the organization of internal combine cooperation relations and for arbitration in the case of disputes are direct elements of the management activity of the combine GD, including the AHB directly subordinated to him, because they issue from his comprehensive responsibility. It follows that the cooperation order of the combine applies to the AHB also.

The mandatory norms for foreign trade to be used as per article 23 paragraph 3 combine VO are binding not only on the AHB but also on the combine GD as its superior

manager. That applies, for example, to the status of the combine AHB in accordance with the basic features of the export-commission relation and the related assignment of economic results, the distribution of the risk, the regulation of the transfer of ownership (article 11, article 24 paragraph 1, articles 26, 30, 52 of the fourth DVO /implementing regulation/ to the contract law), the supply monopoly (article 2 AHB VO, article 16 paragraph 2 of the fourth DVO), the linking of domestic to foreign relations (article 7 of the fourth DVO) and others.

Whenever, though, the pertinent norms and joint directives leave scope for decision-making and therefore provisions may or must be made within the scope of this, especially with regard to the relationship between the combine AHB and other sections of the combine involved in foreign trade internal relations, the combine GD issues that decision by way of the specific management resources at his disposal. In other words, he decides by a general act of management (orders) or--possibly in the case of differences between the combine AHB and other sections of the combine--by a single management act.

If, for example, there are disputes about the minimum valuta price to be fixed for the export-commission relationship (article 25 of the fourth DVO), the combine AHB is not able to decide the price of the export contract like another AHB which is not subordinated to the management system of a combine. Consequent upon its incorporation in the combine it must instead obtain a decision from the combine GD. The latter for his part must, in accordance with the relevant legal regulations (such as article 3 paragraph 4 AHVO /Foreign Trade Decree/ and the joint directives, follow the Minister for Foreign Trade's normatives on valuta price fixing. His decisions must keep within this framework and observe the obligations issued him in agreement with article 8 combine VO.

If regulations on foreign trade provide for "coordination" with respect to the distribution of assignments of rights and duties (by long-term contracts, coordination or cooperation contracts), the combine GD may himself issue rules by general or single decision. That applies for example, to issues of the demarcation of operations conducted by the division of labor among all sectors of the combine involved in foreign trade tasks, such as the service organization, the external marketing and purchasing organization, the research and development center, the sector international cooperation, and so on. These management tools also serve the efficient marketing operations of the combine as an economic unit on foreign markets (article 2 paragraph 1 combine VO).

The necessary regulations on the cooperation of the combine units involved may be issued as special sections of the cooperation order or, in coordination with this, as special orders.

Even where individual appraisal of the existence of duties is needed (for instance when considering the aspects of responsibility when sanctions are claimed), only the general director of the combine is entitled to decide conflicts between the combine AHB and other combine enterprises.

On the Regulation of Foreign Trade Planning

The Basic Structure of Legal Regulations in Planning

The detailed legal regulation of planning and balancing has particular importance for reciprocal relations outside linear superordination and subordination.[24] It makes evident the effect of many AHVO provisions and also those in the joint directives by the two ministers on problems of foreign trade planning. These largely subject-related provisions, however, can settle only the beasic features of the planning rights and duties of those involved. That applies equally to the AHB VO and the combine VO.

The joint directives provide important regulations regarding the basic subject structure of planning right relationships. Here--and this has already been stipulated in some instances--the following starting points are to be established:

1. The author (issuer) of the state targets/quotas export and import is the competent industrial minister. The recipient of these plan decisions is the combine GD. Insofar the subject structure of the respective planning right relationships corresponds to the linear structure described earlier. Though these plan decisions also are issued unilaterally, a decision coordination must be added for them to become legally effective.[25]

2. The author (issuer) of the specific indices for the operation of the foreign trade activity (on the use value structure of the export, the politico-regional structure and the valuta earnings to be achieved in the planning period) is the Minister for Foreign Trade. The recipient is the combine GD.

For the duration of the preparation of plan drafts the combine GD must normally ensure constant close links between the combine and the combine enterprises, between the combine and the ministry superordinated to it as well as the SPK (article 9 paragraph 5 combine VO). However, relevant rights and duties also lie vis-a-vis the MAH, and not only in the course of the preparation and defense of plan drafts. In accordance with the joint directives of the two ministers the GD of the combine AHB submits this to the combine GD in the presence of representatives of the MAH.

On the Application of the Regulations of the Planning Order and Other Legal Provisions

The basic subject structure in the conditions of the removal of AHB's from MAH subordination is also reflected in the planning order.[26] Here also the uniform management of the reproduction process united in the combine by way of the plan is envisaged as the main management tool.[27] In the conceptual preparation of the plan the combines have far more planning powers than before, in accordance with their increased economic responsibilities. Even before the SPK drafts decisionmaking proposals for the main development trends of foreign trade, the combines must prepare plan projects consonant with the decisions issued by the party and government leadership on the basic problems and main development trends of economic developments.[28] The plan projects for the development of branches and sectors of the national economy are in turn based on the results of long-range development programs.[29] With the aid of these programs the combines must prepare long-range development conceptions for their sphere of responsibility in accordance with the decisions of the Council of Ministers.[30]

In the course of the various planning stages the combines as a whole are also obligated to undertake planning activities related to foreign trade.[31] The lines of management described earlier are here taken into account.[32] In principle this also applies to planning by spheres of responsibility or balancing.[33] Unfortunately the principles of correlation for specific planning activities are not always so formulated as explicitly to demonstrate the linear-functional structure described before. That happens, for instance, if "organs of foreign trade" are designated--blanket style--as coordination partners[34] or if "the"(unspecified) AHB's are addressed as obligated and authorized partners.

These provisions also support the principle established in the planning order, according to which the MAH participates at all stages in the preparation and implement ation of the five-year plan and "involves the foreign trade enterprises in this process" (Part A, No 10).

These provisions do not contradict our earlier statements, because the responsibility of the combines for the planning of its consolidated reproduction process as per the combine VO (articles 9-11) and the planning order is realized by way of the above mentioned author-recipient relationship provided for in the joint directives.

The foreign trade-related functional management authorities of the SPK, MAH and other central state organs outside the subordination line correspond to these regulations. The fact that the Minister for Foreign Trade is the author of the earlier mentioned specific indices accords with the responsibility (and functional management powers) of the MAH for the planning of foreign trade and valuta relation by countries (planning order Part O No 29.7.2, paragraph 3) established, among others in the planning order (Part O No 29.3.2). Here the planning of the individual items provided for proceeds by way of specific regulations issued by the MAH.

The SPK is competent for the issue of plan methodologies by normative orders. Other central state organs, in coordination with the SPK, issue complementary plan methodological regulations, the MAH, for example, for all organs involved in foreign trade. They are mandatory on the combine and its AHB as normative regulations. They deal with methodological problems involved in the drafting of plans and the reporting thereof. Their observance does not normally give rise to major problems.

The same applies to normative regulations issued by the Minister for Foreign Trade on the management, planning, financing, settling and checking of foreign trade processes; they are mandatory for the combine and its AHB as per the joint directives of the two ministers.[35]

As a rule the issue of single decisions by the Minister for Foreign Trade in the form of plan limits and permits also functions comfortably after the removal of AHB's from MAH subordination. Nor, despite AHB inclusion in combines, do any particular problems arise with regard to AHB incorporation in the system of MAH guidance, reporting and supervision provided for in the joint directives.

The same holds true for the appointment or dismissal of senior cadres of combine AHB's as per article 19 paragraph 3 AHB VO and the need for the Minister for Foreign Trade to confirm these as per article 20 paragraph 2 AHB VO with regard to

the structure and table of organization of combine AHB's. Against some expectations mentioned in various publications, the MAH therefore has definite opportunities for affecting working and living conditions from the aspect of salaries, as per the plans of structures and tables of organization, and thereby ensuring standardized salaries in all AHB's. Still, some problems do arise with respect to planning, involving the legal regulation of functional management activity outside the line of management.

Needed first of all are more detailed reciprocal rights and duties of central state organs, in particular the MAH and the industrial ministries and combines, with respect to the process of the preparation and implementation (including amendment) of the plan decisions state targets/quotas export and import. That involves especially rights and duties with regard to participation in the work on the plan draft, the coordination and consideration of contracts concluded and coordination results as well as requests for decisions to be made. Of particular interest in this context are those rights and duties which are deemed specially important from the aspect of the preparation and issue (including amendment) of specific indices of foreign trade operations.

Secondly we need more detailed regulations of the rights and duties of the above named partners in connection with functional management powers by the Minister for Foreign Trade for the assurance of the uniform valuta price policy in foreign trade, the calculation of the costs of circulation outside the GDR, the delivery, transportation and payment terms to be agreed with the foreign partners, the setting and observance of credit limits, the observance of the requirements of import-export coordination, and so on.[36] In this context those rights and duties of the partners are paramount, which serve the preparation and implementation of the above mentioned foreign trade-related plan decisions. At the same time it is obvious that the Minister for Foreign Trade must be empowered also to issue single functional decisions vis-a-vis the combine GD.[37]

FOOTNOTES

1. See G. Mittag, "Purposeful Implementation of the Main Task," EINHEIT 10/1978, p 989.

2. GBL I No 38 pp 355 ff, hereinafter combine VO.

3. See especially H.-U. Hochbaum, "The Legal Organization of Combine Internal Cooperation and the Future Contract Law," WIRTSCHAFTSRECHT 1/1979 pp 19ff; H. Engler/D. Maskow, "The Implementation of the Foreign Trade Monopoly in the Observance of Foreign Trade Tasks by Combines," WIRTSCHAFTSRECHT 1/1979, pp 21 ff; H. Graf, "On the Organization of Combine Internal Cooperation Relations," WIRTSCHAFTSRECHT 2/1979, pp 8 ff.

4. GBL I No 9 pp 77 ff, hereinafter AHB VO.

5. We therefore think that it will be necessary in the long term to perfect such subject-oriented regulations as the VO of 9 September 1976 on the Management and Implementation of Foreign Trade (GBL I No 35 p 421), hereinafter AHVO, the skeleton statute of the industrial ministries (GBL I 1976 No 7 p 133) and the statutes of central state organs active in the field of foreign trade.

6. G. Friedrich/C. Kroemcke, "Combines--Basis of a Higher Quality of Management," EINHEIT 12/1979, p 1272.

7. That was pointed out correctly by H. Engler/D. Maskow, as before.

8. In GDR writings on economics we still find different interpretations of the nature of the state foreign trade monopoly; see, for example, collective of authors, "Sozialistische Oekonomische Integration, Aufgaben der Industriebetriebe und Kombinate" /Socialist Economic Integration, Tasks of Industrial Enterprises and Combines/, Berlin 1979, p 97; collective of authors, "Volkswirtschaftsplanung, Lehrbuch" /Economic Planning, Textbook/, Berlin 1977, p 478; collective of authors, "Sozialistische Betriebswirtschaft fuer Oekonomen" /Socialist Business Management for Economists/, Berlin 1976, p 746.

9. Article 2 AHVO.

10. To be cited as examples: The Foreign Exchange Law (GBL I 1973 No 58 p 574), Council of Ministers decisions as legal regulation in the meaning of article 7 of the fourth DVO to the Contract Law and the Transfer of Own Business Activity (first implementing regulation of 17 November 1978 to the VO on the Management and Implementation of Foreign Trade--Own Business Activity-- (GBL I No 41 p 443).

11. These development aspects require in the field of foreign trade also (though that is particularly difficult) a greater degree of stability and duration. If there is too much operativeness (coupled with the necessary increase in administrative legal forms) it is impossible fully to exploit the possibilities of socialist law.

12. Unilateral directives and instructions are mandatory only for the appropriate subordination relations--in our case not for the combine AHB unless otherwise jointly agreed with the head of the industrial ministry, or generally mandatory legal regulations provide for functional rights to issue directives and instructions outside the lines of management.

13. If, for example, the regulations of functional management powers do not proceed in the manner recommended, decisions by the industry "side" would largely operate in the subordination line (almost automatically), which derive their obligation from the linear subordination.

14. See collective of authors, "Leitung der Sozialistischen Produktion" /Management of Socialist Production/, Berlin 1977, pp 95 ff.

15. Regulated relative to subjects at the level of the central organs the AHVO settles the rights and duties with regard to coordination (for example in article 3 paragraph 3, article 8 paragraph 3, article 9 paragraph 2, article 11 paragraph 2, article 12 paragraph 3, article 13 paragraph 1, article 16 paragraph 3, article 18 paragraph 2), with regard to assent (for example in article 11 paragraph 7, article 12 paragraph 4), with regard to permits in article 15 paragraph 2, with regard to contract relations in article 12 paragraph 2, with regard to requests for decisions in article 11 paragraph 6, and so on.

16. See E. Honecker, "Speech on the Inauguration of the 1977/1978 Party School Year in Dresden," NEUES DEUTSCHLAND, 27 September 1977, p 5 (B).

17. See the critical suggestions regarding the delays in decisions to be made by central organs, and which relate, among others, to foreign trade issues, by W. Biermann, "Top Achievements by A Superior Attitude to Wor," speech in the course of the discussion at the Eleventh SED Central Committee Plenum, Berlin 1979, pp 102 f.

18. Decisions by the competent central state organs serve the observance of the stipulated cooperation rights by the recipients of the decisions (here the combines and their AHB's) only with the proviso that the authors of the decision ensure the implementation of their decision by providing the necessary prior conditions and subsequent decisions (such as balance changes).

19. This is incorporated also in the statutes of the respective combines.

20. E. Schmidt, "On the Management of Combines and Combine Enterprises," WIRTSCHAFTSRECHT 1/1980, p 11.

21. See H. Buck/L. Schramm, "The Status of the Combine and the Combine Enterprises," WIRTSCHAFTSRECHT 1/1980, p 6.

22. Article 11 paragraph 2 combine VO. That is also provided in the statutes of the combines now revised on the basis of the combine VO.

23. H. Buch/L. Schramm, as before, p 6.

24. Necessary here are not only exactly defined reciprocal rights and duties relating to plan decisions for the purpose of the coordination of various sectors. Within the relationships marked by linear superordination and subordination also a legal settlement is needed for the planning process; principles are not enough. Another opinion is stated by K. Heuer/G. Teupel, "The Textbook of Business and Foreign Trade Law," WIRTSCHAFTSRECHT 4/1977, p 190.

25. Generally on this group of problems: "Wirtschafts- und Aussenwirtschaftsrecht fuer Oekonomen" /Business and Foreign Trade Law for Economists/, Berlin 1977, pp 295 and 305.

26. Order of Planning for the National Economy 1981/1985 of February 1980 (GBL Special Issue No 1020 a-1).

27. GBL Special Issue No 1020 No 48.2.

28. Ibid, Nos 7.1 and 7.2.

29. Involved here are, among others, programs for the improvement of export capacity and export structure as well as the improvement of export profitability (ibid, No 6 paragraph 2).

30. Ibid, No 6.2.

31. For example as per Planning Order, Part A No 11, No 6 paragraph 2, No 7 and No 18 paragraph 1.

32. For example as per Planning Order, Part A No 21 paragraph 2c, No 29 paragraph 1, No 30 paragraph 3.

33. For example as per Planning Order, Part A No 27, Part O No 29, 3.3.

34. Planning Order, Part A, No 33 paragraph 1.

35. Involved here, among others, are normative regulations

-- On the organization of valuta price policy (in observance of his responsibility as per various legal regulations, such as article 3 paragraph 4 AHVO and article 13 AHB VO);

-- On the planning of the financial relations of all AHB's to the state budget (in accordance with article 2 paragraph 2 AHVO);

-- On the preparation of the principles of the establishment of import sales prices and domestic prices for export products or commercial loans (in accordance with article 14 AHB VO and article 12 MAH statute (GBL I 1973 No 55 p 539);

-- On the standardized behavior on foreign markets of all those involved in foreign trade (in accordance with article 13 f MAH statute);

-- On the assurance of the supply and demand monopoly (in accordance with article 18 AHVO and article 2 AHB VO);

-- On the issue of import and export permits (as per the appropriate directives by the Minister for Foreign Trade);

-- On the approval of certain foreign trade contracts (second DB to the AHVO (GBL I 1977 No 32 p 350).

As a rule the cooperation orders of the combines (with AHB's) explicitly indicate the appropriate normative regulations by the Minister for Foreign Trade.

36. In principle such rights and duties--in connection with functional management powers--involve matters with regard to which amendable unilateral decisions may be made at any time with regard to own business activities by AHB's subordinated to the MAH (article 7 paragraph 2 of the first AHVO--GBL I 1978 No 41 p 443); see also H. Engler/D. Maskow, as before, pp 22 ff.

37. General access here is offered by the regulation in article 8 of the combine VO, according to which only those state organs are entitled to issue targets and directives to combines and combine enterprises, which are duly authorized by legal decree (see also H. Buch/L. Schramm, as before, p 6).

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INDUSTRIAL EQUIPMENT EXPORT TO BE GIVEN PRIORITY

West German Commentary

Bonn IWE-WIRTSCHAFTSDIENST in German Vol 22 Nos 25, 26 and 27, 9 Jul 81 p 1

[West German report: "Equipment Export Has Priority." A translation of the law cited below, which appeared in the East Berlin GESETZBLATT, follows this commentary.]

[Text] In the future, the GDR national economy will absolutely assign priority to the export of complete industrial plants which is considered to be particularly lucrative. This has been determined in an order from the East Berlin State Planning Commission and the Foreign Trade Ministry which has already taken effect. Accordingly, the economy-managing agencies and their subordinate enterprises must separately plan and account for plant export. Supplier shipments for plant export must be inserted by the enterprises on a priority basis in the plans and balance sheets, even prior to direct exports. The order states that all possibilities for securing the required supplier shipments from the domestic output of the GDR must be fully utilized. Under certain circumstances, other production undertakings may be postponed or dropped entirely to guarantee these supplier shipments.

Text of Law

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 19, 23 Jun 81 pp 249-252

[Official text of "Order on the Planning, Balancing and Accounting of Equipment Export Including Subcontractor Deliveries and Services Rendered for Equipment Export, 16 June 1981," signed for the chairman, State Planning Commission, by Klopfer, member, Council of Ministers and state secretary, State Planning Commission; and by Soelle, minister for foreign trade. According to the same issue of GESETZBLATT, page 249, the Order on Assuring Deliveries and Services for Equipment Export of 13 July 1978, published in GESETZBLATT Part I No 20, 1978, page 241, has been rescinded by the Council of Ministers.]

[Text] Article 1. Area of Applicability

This order applies to the following:

(a) Combines and enterprises which are employed as general suppliers for plant export (hereafter called general suppliers);

(b) Combines and enterprises which are employed as main contractors (hereafter called main contractors);

(c) Combines and enterprises which provide supplier shipments and/or services for the general suppliers or main contractors to the extent that they are not main contractors of the general suppliers (hereafter called contractors);

(d) Foreign trade enterprises;

(e) Balance-sheet-preparing or balance-sheet-delegated agencies, as well as

(f) Agencies superordinate to the combines, enterprises, and agencies according to letters a to e;

(g) Central and local government agencies

in planning, balance sheet preparation, and accounting of plant (systems) exports and supplier shipments and services for plant exports.

Article 2. General Plant Export Plan

(1) To guarantee complex management and planning for the purpose of guaranteeing the development of plant exports which would be most effective in terms of the national economy, including purpose-related and project-related planning and balancing of supplier shipments and services for plant export, the State Planning Commission, the ministries, in whose area of responsibility plant export projects are being carried out, and the general suppliers, with the cooperation of the main contractors, must draft the general plan for plant exports for the following work steps:

(a) Initiation of plant export projects,

(b) Drafting obligatory offers for plant export projects,

(c) Contract conclusion and implementation of plant export projects.

(2) The general plant export plan must encompass the following:

(a) In the State Planning Commission,

The total index figures for plant export,

The plant export projects which are important to the national economy,

An overview of all plant export projects for which order numbers have been designated,

The requirement for supplier shipments and performance according to Article 3, paragraph 1, for plant export projects;

(b) In the ministries in whose area of responsibility plant export projects are being carried out,

The total index figures for the ministry's plant export,

Additional important plant export projects according to paragraph 3,

An overview over all plant export projects of the ministry, for which order numbers have been designated,

The requirement for supplier shipments and services according to Article 3, paragraph 1, for plant export projects;

(c) Among general suppliers,

The total index figures for plant export,

The plant export projects,

The requirement for supplier shipments and services according to Article 3, paragraph 1, for plant export projects.

(3) The plant export projects which are important to the national economy include the following:

(a) Plant export projects worth more than M30 million (IAP [Industrial Sales Price]),

(b) Plant export projects which are carried out by corporations and which are under corporation management by a foreign trade enterprise of the GDR,

(c) Plant export projects which are separately determined by the State Planning Commission.

The selection of additional important plant export projects is made by the ministries in whose area of responsibility plant export projects are being carried out.

(4) To draft the general plant export plan, it is necessary to issue state assignments and state plan requirements for five-year and annual planning:

(a) Through the State Planning Commission for the following:

The overall index figures for plant export and

The plant export projects important to the national economy;

(b) Through the ministries for the following:

The total index figures for plant export and

The additional important plant export projects.

(5) The general plant export plan must be drafted and submitted in accordance with the methodological determinations in Appendix 1. The general plan must encompass the entire plant export project implementation time frame, also beyond the period of

the five-year plan, broken down by years. In keeping with the progressive processing effort, the particular level of new approaches and contacts for plant export projects, the obligatory offers to be drafted, and the completed contracts for plant export projects must annually be shown in the general plan.

(6) Each year, the general plan must be submitted, by 28 February, to the State Planning Commission, as a proposal for drafting the state assignments for the following year, by the ministries in whose area of responsibility plant export projects are being carried out. The assignments necessary for this must be spelled out by the ministries in keeping with the particular conditions.

Planning, Balancing, and Control of Supplier Shipments and Services for Plant Export as Domestic Consumption

Article 3.

(1) Supplier shipment and services for plant export within the meaning of this order includes supplier shipments and services from domestic sources through the main contractors to the general suppliers and through the contractors to the general suppliers or main contractors. They are required, with relation to a plant export project, for completing the services of the general supplier or main contractor, including construction site installations and assembly equipment at the particular location of the plant, as well as material-technical backup support for training foreign workers, although they are not subject to any further processing stage except for assembly. They encompass the following:

(a) Projects and plant components in keeping with the nomenclature according to Annex 2,

(b) Construction services including construction coordination,

(c) Projecting services, including construction-engineering projecting services,

(d) Scientific-technological services connected with the drafting of documentation or license awards,

(e) Miscellaneous supplier shipments and services (hereafter called supplier shipments).

(2) In the process of the preparation, drafting, and implementation of the five-year plan and the annual national economy plans, it is necessary to make sure, on all levels of management and planning, that the supplier shipments for plant export will be inserted on a priority basis into the plans and balance sheets, also prior to direct exports, in keeping with the state plan index figures for plant export. It is necessary to utilize all possibilities and reserves to secure the required supplier shipments from the domestic output of the GDR. The priority status of supplier shipments for plant export does not authorize anyone to reduce the state assignments or state plan requirements for exports.

(3) General suppliers and main contractors must prove, in justifying the need, that this involves supplier shipments for plant export in accordance with Paragraph 1.

Article 4.

(1) For the purpose of priority planning, balance sheet preparation, and implementation of supplier shipments required for plant export, the State Planning Commission specifies separately marked order numbers for the following work steps:

(a) Drafting of obligatory offer and

(b) Contract conclusions and implementation

for the particular plant export project. The general suppliers request the order numbers through their appropriate government agencies from the State Planning Commission. The request for the issue of the contract numbers must be submitted by the time of preparation of the obligatory offer or upon completion of the plant export contract (on Form 0722). The applications must be process by the appropriate central government agencies and in the State Planning Commission at the latest within 7 days after receipt, in each case.

(2) The specified contract numbers for plant export projects during all production cooperation steps obligate the balancing or balance-sheet-delegated agencies, the combines and enterprises, as well as the economy-managing agencies and government agencies to engage in priority planning and balance sheet preparation as well as the implementation of supplier shipments required for plant export. The order numbers for plant export must be indicated by general suppliers and main contractors or by the contractors of the general supplier in all plan information coming from the consumer and the supplier, along with other required information and in connection with orders or contract conclusions for plant export.

(3) An order number which has been indicated for the "drafting of obligatory offer" work step in a plant export project is valid until the issue of the separately designated order number for the "contract conclusion and implementation" work step. If the contract is not concluded, then the order number must immediately be returned by the general supplier and must be deleted by the State Planning Commission. The order number designated for the "contract conclusion and implementation" work step applies until the completion of the project.

(4) The general suppliers and their higher government agencies must keep an up-to-date overview of the specified order numbers for plant export projects. They must make sure that the order number will be used only for the particular plant export project. The general suppliers must directly inform the balancing or balance-sheet-delegated agencies as well as the supplier enterprises regarding the elimination of order numbers.

Article 5.

(1) Planning the requirement for supplier shipments for plant export must be carried out by the general suppliers and main contractors, the central government agencies, and the State Planning Commission with relation to specific projects. The portion of the requirement which cannot be specified according to specific projects must be recorded in accordance with the items in Article 3, paragraph 1, and must be separately marked. This requirement must be specified in keeping with the level of knowledge as to further processing of plant export projects, related to specific projects, and broken down by work steps.

(2) The nomenclature entitled "supplier items for plant export" according to Appendix 2, must be supplemented, amended, or specifically spelled out in keeping with the requirements of plant exports through the State Planning Commission in coordination with the central government agencies responsible for plant exports and the ministries responsible for preparing balance sheets. The appropriate central government agencies can submit proposals to the State Planning Commission in connection with that, along with the general plant export plan to be submitted in each case by 28 February for the purpose of drafting the state assignments for the following year.

(3) The requirement for supplier shipment for plant exports must be recorded by the main contractors and contractors for the entire project implementation time, they must be spelled out in accordance with the processing level of the plant export projects in the work steps under the heading of initial contract, obligatory offer, and contract conclusion and implementation, and they must on a priority basis be inserted into the plans and balance sheets.

(4) The supplier shipment requirement for plant exports, as planned by the general suppliers and main contractors, must be coordinated for the entire implementation period with the contractors and the balancing or balance-sheet-delegated agencies. The practical implementation possibilities of plant export projects to be initiated as well as the possibilities for plant exports not yet specifically spelled out according to projects must be included in these coordination efforts. In this connection, the general suppliers and the main contractors must work with requirements variations in order extensively to hold down the requirements that are justified in terms of the national economy.

(5) The general suppliers and main contractors are obligated to report the requirement for supplier shipments for the particular planning period in a project-related manner for plant exports to their next-higher government agency. On this basis, the government agencies must forward to the State Planning Commission and to the ministries responsible for the balance sheet the requirement for supplier shipments by 28 February for the purpose of drafting the state assignments for the following year along with the proposal for the general plant export plan.

(6) Starting with the reporting of requirements by the consumer, the balancing or balance-sheet-delegated agencies or the appropriate combines or economy-managing agencies must coordinate the planned requirement for supplier shipments for plant export for each project in accordance with the years involved during the entire period of implementation with the asset-managing agencies and they must, on the basis of the balancing proposals submitted by the suppliers, draft a proposal for the insertion of the requirements for supplier shipments for plant export into the plans and balance sheets. For years going beyond the planning period, it is necessary to include the requirement, justified by plant export projects, as obligatory balancing foundation, in the preliminary estimates. The balancing or balance-sheet-delegated agencies must inform the asset-managing agencies of the general suppliers or main contractors and the latter must inform the general suppliers or main contractors regarding the anticipated manner of meeting their requirements, including the supplier shipment shares, arranged in advance, for the entire period of plan implementation. The supplier shipment shares--including the prearranged shares--must be forwarded to the general suppliers or main contractors immediately or at the latest 4 weeks after the requirement has been reported.

(7) The balancing or balance-sheet-delegated agencies and the central government agencies must include the coordinated balancing proposals in the plan and balance sheet drafts.

(8) In the material, equipment, and consumer goods balance sheets, it is necessary separately to show the assembly of supplier shipments for plant export in keeping with the nomenclature entitled "supplier items for plant export" according to Appendix 2 and to plan them according to supply sectors or asset-managing agencies in a specifically purpose-related manner (as sub-items in the balance sheet portions).

(9) In the construction balance sheet for the five-year plan and the annual national economic plans, it is necessary separately to show the state plan index figure for "construction services including construction coordination for plant export."

(10) In the balance sheets for construction-engineering planning, it is necessary separately to show the state plan index figure for "construction-engineering projecting for plant export." The Ministry of the Construction Industry must forward to the State Planning Commission a project-related document (without using any specific format) regarding the way to provide backup support for construction-engineering projecting, by way of preparation of the state tasks and along with the planned draft.

(11) If supplier shipments for plant export cannot be inserted into the plans and balance sheets, then the balancing or balance-sheet-delegated agencies, appropriate combines, economy-managing agencies, or government agencies, must submit decision-making proposals to secure the supplier shipment. The directors of the appropriate agencies must, within the context of predetermined assets, make or bring about decisions regarding the priority insertion of supplier shipments into the plans and balance sheets (including the possibilities in accordance with Article 8).

(12) If there is a requirement for supplier shipments for plant export, justified in terms of the national economy, after the issue of the state plan requirements for the annual national economic plan, then the necessary decisions must be prepared and brought about by the appropriate ministers according to the principle of priority of supplier shipments for plant export in accordance with the legal regulations. In case of decisions going beyond the authority of the individual ministers, they must submit the problems along with solution proposals to the State Planning Commission.

Article 6.

For the long-term preparation and development of effective production cooperation relationships for supplier shipments for plant export, the general suppliers and main contractors must conclude long-term economic contracts with the contractors on the basis of the state plan requirements in the five-year plan. Long-term economic contracts must basically be concluded as performance [service] contracts. To the extent that contract provisions on annual supplier shipments, the assortment, and the quality cannot be derived or cannot be fully derived from the balance sheets or other plan index figures in the five-year plan, it is necessary, instead of a performance contract, to conclude a contract for the preparation of supplier relationships or service relationships.

Article 7.

(1) The production of supplier shipments for plant export must be determined in an obligatory fashion for the main contractors and contractors as responsibility-area-related index figure for "supplier shipments for plant export" at BP [enterprise prices][1] and in accordance with products in terms of quantity or value[1] with the state tasks and state plan requirements of the five-year plan and the annual national economic plans. The State Central Statistics Administration must each month account for this index figure.

(2) The main contractors and contractors are obligated completely and in an audit-proof fashion to specify the state plan index figure for "supplier shipments for plant export" in the combine and enterprise plan on the basis of the economic contracts or orders through the planned supplier shipments.

(3) Direct exports and the production of supplier shipments for plant export at BP in accordance with Paragraph 1 are to be designated in an obligatory manner for main contractors and contractors as combined index figures under the heading of "export-effective supplier shipments, total, at BP[1], including: direct export at BP, supplier shipments for plant export at BP, (or in case of services at IAP)" along with the state tasks and the state plan requirements in the five-year plan and the annual national economic plans. This index figure must be used as a basis for judging planned drafts and for checking on plan fulfillment on all management and planning levels and must each month be accounted for by the State Central Statistics Administration.

Article 8. Planning, Balancing, and Control of Supplier Shipments for Plant Export as Direct Export

(1) General suppliers may be given the right on the basis of obligatory offers or concluded plant export contracts to enter into economic contracts in accordance with contract law with the main contractors and other contractors of the general suppliers, who constitute a single enterprise result, specifying that supplier shipments must be planned, recorded, and accounted for plant export as direct export. The minister appropriate for the general supplier will rule on this right upon petition in agreement with the minister competent for the main contractor or other contractors of the general supplier; this shall be done immediately but at the very latest within 4 weeks. The prerequisite for this is that the state tasks or state plan requirements for direct export of the participating responsibility areas are maintained as a whole.

(2) If it is determined that the supplier shipments are to be planned and accounted for by the main contractors or other contractors of the general contractors like direct exports, then:

(a) The minister responsible for the general supplier and

(b) The minister responsible for the particular main contractor or contractor of the general supplier

must prepare a joint document and immediately submit it to the State Planning Commission. This document must, for each supplier or service item, document the

maintenance of the state planning index figure for exports of the participating ministries as a whole and it must determine the effects on the state plan index figure for export and other state plan index figures involved as a result, including the material, equipment, and consumer goods balance sheets of the particular main contractors and other contractors of the general suppliers as well as of the general suppliers as such. The document must likewise be forwarded to the State Central Statistics Administration.

(3) If no agreement can be worked out between the responsible ministers, then the State Planning Commission will decide upon petition of the appropriate minister in accordance with the provision of Paragraph 1. In connection with the necessary insertion of the assets into the plans and balance sheets, it is necessary to make sure that the state plan index figures for direct export will be maintained as a whole.

(4) The general supplier is the sole contracting partner for the foreign trade enterprise. The overall responsibility of the general supplier for the implementation of the plant export project also extends to supplier shipments for plant export which are being carried out as direct export transactions. The service evaluation and stimulation of the general suppliers are handled with respect to the total volume of the supplier shipments or services to be performed in keeping with the plant export contract.

(5) The contract terms in the plant export contract (including the law to be applied) are the foundation of the economic contract in accordance with Pargaraph 1. The foreign-exchange price and the export earnings must be aggreed upon between the partners with the cooperation of the foreign trade enterprise. Payment for supplier shipments, which must be planned and accounted for as direct export, is handled on the basis of the contractually stipulated export earnings in keeping with the provisions applicable for exports, by the general supplier.

(6) The general suppliers must document the concluded economic contracts according to Paragraph 1 and their implementation separately in their bookkeeping and statistics. Supplier shipments for plant export, which are to be planned and accounted for as direct export, must not be credited to the accomplishment of the export plans of the general suppliers.

(7) The main contractors and other contractors of the general supplier must record the supplier shipments for plant export, which are to be planned and accounted for as direct export, for export plan accomplishment in accordance with the determinations for the accounting of exports when documents calling for payment are present.

Article 9. Accounting and Reporting

(1) Data recording and the maintenance of documents on supplier shipments for plant export in the bookkeeping and statistics sections of the combines and enterprises as well as documentation in centralized reporting are handled according to the regulations to be issued by the director of the State Central Statistics Administration.

(2) The recording of and the maintenance of documentation on supplier shipments for plant export must be handled in the bookkeeping and statistics sections in accordance with the regulations for performance accounting in the order of 20 June 1975 on bookkeeping and statistics in enterprises and combines (Special Reprint No. 800 of GESETSBLATT) and the order at hand here.

Article 10. Concluding Provisions

(1) This order takes effect upon its publication. It must for the first time be applied for the drafting of the 1982 annual national economic plan as well as the 1981-1985 five-year plan on the basis of the order of 28 November 1979 on the system for planing the national economy of the GDR, 1981-1985 (Special Reprint No. 1020 a to r of GESETZBLATT)[2] as well as the order of 30 November 1979 on the general guidelines for planning in the combines and enterprises of industry and the construction industry--general guidelines--(Special Reprint No. 1021 of GESETZBLATT)[3].

(2) At the same time, the order of 20 January 1976 on planning and balancing of exports of plants including important supplier shipments (Special Reprint No. 826 of GESETZBLATT) is rescinded.

(3) The index figures for the development of plant export in terms of value, as a whole, are to be issued for the 1982 national economic plan and for the 1981-1985 five-year plan together with the state assignments. The break down according to projects as well as detailed requirements planning must be accomplished through the preparation of plan drafts.

FOOTNOTES

1. These index figures must be determined in an obligatory fashion together with the state plan tasks for the 19811985 five-year plan and the 1982 national economic plan.

2. In the version of the order of 30 April 1981 on the supplementation of the system of planning the national economy of the GDR, 1981-1985 (GBL, I, No. 14, p 149).

3. In the version of order No. 2, 20 June 1980, on the general guideline for planning in the combines and enterprises of industry and the construction industry--general guideline--(GBL, I, No. 20, p 205).

5058
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CROP, WEATHER REPORT PUBLISHED FOR JUNE 1981

East Berlin FELDWIRTSCHAFT in German Vol 22 No 8, Aug 81 p 368

[Article by Dr D. Krumbiegel, GDR Meteorological Service, Central Weather Bureau, Potsdam]

[Text] The Weather Picture in June 1981

Warm weather in the first 10-day period was followed by fairly normal air temperatures till mid-month. Then it became somewhat too cool. The last 5-day period was too warm. Frequent rains were abundant widespread in the first two 10-day periods.

At the beginning of the month, daytime average air temperatures rose by from 4 to 8 K above normal. Thereafter, anomalies ranged between +3 and +5 K. On the 10th, it cooled off, at a decreasing ratio from north to south. In the second half of the month, the values in the entire area were mostly from 3 to 5 K below normal. On the 26th, it became warmer again. Daytime maxima initially rose to between 25 and 30°C. Then, to the end of the first 10-day period, they stayed around 20°C. Subsequently, maxima hardly ever went beyond 20°C and partly even dropped below 15°C (especially in the southern bezirks). During the last 5-day period there were maxima around 25°C, on the 28th, around 30°C. Nocturnal minima on ground level hardly dropped below 10°C in the first 10-day period. In the second, they mostly ranged between 5 and 10°C, in the third, mostly around 10°C. On summits there were light frosts on the 13th, 19th and 22nd. Duration of sunshine was fairly normal in the first 10-day period, but there was very little sunshine between the 15th and the 25th.

There was not one day when it did not rain anywhere in the GDR. Rains were especially heavy on the 3rd. In the northern half and in the southwest, from 25 to 50 mm accumulated, locally, as much as 90 mm. The rain fell in the form of frequent and often abundant showers.

Weather Data for June 1981 according to the Chief Climatological Office, Potsdam

1. Average Monthly Air Temperatures and Deviations from Normal Values

Schwerin	14.9°C	- 0.7 K	Erfurt	15.4°C	+0.2 K
Neubrandenburg	15.2°C	+ 0.2 K	Leipzig	16.3°C	+0.5 K
Potsdam	16.6°C	+ 0.3 K	Goerlitz	16.7°C	+1.1 K

2. Average Precipitation according to Bezirks

Rostock	100 mm = 192%	Halle	70 mm = 127%
Schwerin	85 mm = 155%	Erfurt	81 mm = 131%
Neubrandenburg	89 mm = 168%	Gera	53 mm + 77%
Potsdam	80 mm = 148%	Suhl	92 mm = 130%
Frankfurt	70 mm = 127%	Dresden	59 mm = 75%
Cottbus	48 mm = 79%	Leipzig	48 mm = 76%
Magdeburg	100 mm = 192%	Karl-Marx-Stadt	61 mm = 70%

3. Evaporation Potential

Northern bezirks	65...80 mm
Central bezirks	75...90 mm
Southern bezirks	70...85 mm

Soil, Crop and Labor

Surface soil temperatures in the first 10-day period were around 20°C widespread and then, till the 20th, dropped to between 12 and 15°C. Thereafter the surface soil warmed up again, up to the end of the month, to circa 20°C. Subsoil temperatures dropped from their 16 to 18°C initially to 15°C by the end of the second 10-day period. On the 30th, between 16 and 19°C were recorded at a 50-cm depth, and mostly between 14 and 17°C at a 100-cm depth. Ground water was subject to only relatively slight fluctuations at most recording stations. Magdeburg Bezirk had a clear reduction, some stations in the northern half recorded an increase. By the end of the month, in the stratum down to 50 cm below the turf, the values recorded mostly ranged between 50 and 70 percent of useable field capacity. The bezirks of Potsdam, Frankfurt, Cottbus and Halle (regionally) recorded only between 25 and 45 percent of that capacity. After the abundant rains in the first two 10-day periods, the trafficability of acreages was regionally obstructed. By and large, conditions were favorable for soil climatic processes.

In the bezirks of Brandenburg the ground water supply was mostly insufficient for it. From mid-month to the middle of the third 10-day period soil temperatures interfered with structures and nutrient mobilization. The above-normal air temperatures in the first 10-day period greatly stimulated growth and accelerated budding and ripening processes. Then the weather more and more obstructed developments, mainly between the 16th and the 26th. In that period, the growth of heat- demanding varieties like corn, tomatoes, cucumber and beans, was held back. Advantaged were, above all, grasses, clover, cabbages and the potatoes. These conditions were of advantage also for the kernel formation of the grains. Root crops reached their full growth unusually fast. We must expect that the, at times, very high night temperatures and the lack of sunshine have reduced the assimilation gains. Those disadvantages are not likely to have been compensated for by the seasonally conditioned daytime lengths. The weather favored the growth of weeds and fungus. In connection with the heavy rains, winter rye compacted and there was erosion damage especially in the southern bezirks. Locally there even was hail. The wind velocity was so great at the end of the month that much was broken and fruit dropped from the trees. Phenological development was premature throughout, getting reduced from 5 to 10 days initially to 5 days beginning at mid-month. Some phases,

like the sprouting of panicles in oats, and the start of the potato sprout, began 10 to 15 days prematurely. Root crop cultivation was temporarily interfered with, due to the rain, mainly during the first two 10-day periods in the northern bezirks and in the south. And as things came up very fast, the time available for labor was further reduced. Sugar beet allocation was by and large completed during the second 10-day period. Frequent rains made inroads on the effectiveness of mechanical anti-weeding measures. For hay ensilage preparation drying conditions were most unfavorable. The first cut of perennial field forage and pasture land was completed during the second 10-day period, except for the northern bezirks and the mountains. The second cut was frequently started during the third 10-day period. Altogether, the livestock feed quality was diminished by its staying longer on the fields and partly also by the nutrient losses due to the rains. For the potatoes it became necessary to start taking measures to prevent potato rot early in the game. Frequent showers required brief reapplications in protective fungicide spraying. Irrigation requirements existed mainly to the east of the Greifswald-Eisenach line. Starting at mid-month the crops' water requirements dropped because of the subnormal air temperatures. As the rain came down mainly in the form of showers, we must expect considerable run-off losses, the ground water level being of no help there. After it became warmer on the 26th, light and medium soils, especially in the bezirks of Potsdam, Frankfurt and Cottbus, showed increased needs for irrigation.

Meteorological Projections for Farming in August 1981

Potato rot was favored by the June weather. So we must get rid of the tops in good time to prevent tuber infection.

Belated weeds may have affected the root crop. That may complicate harvesting. More weeds also must be expected in the grain, which is not very high and partly not very thick. That will delay the drying off of crops after dew formation or precipitation.

Crops are likely to have adapted themselves gradually to easily available water supplies. Even brief periods poor in rain are likely to require additional irrigation.

5885
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MINISTER DISCUSSES FOOD PRODUCTION, EXPORTS

Budapest MAGYAR NEMZET in Hungarian 2 Aug 81 p 3

/Interview with Dr. Imre Kovacs, deputy minister of agriculture and food industry, by Andras Faludi: "Food Production--Exports" place and date not given/

/Text/ In his report to the national assembly's agricultural committee, Dr. Imre Kovacs, deputy minister of agriculture and food industry, rated our food industry's technological level as mediocre when compared with other European nations, having a significant differentiation. Thus the processing industry is still not always on a par with our long agricultural traditions.

We asked the deputy minister to give us information and explanations about these problems.

Processing

/Question/ How would you characterize our farm production and food processing as a whole?

/Answer/ It is well known, said Dr. Imre Kovacs, that on the average, and in relation to our population, our country is a leading meat and grain producer. We are exporting one-fourth of the entire production, indeed, even more, since production is increasing faster than domestic consumption. Because of industrial developments, the size of the farming lands will continue to shrink in the years to come but, according to plans, farm production must increase by 12 to 15 percent and the food industry's output must increase by 15 to 18 percent by 1985. This can be achieved by increasing yields. In the past years, the food industry has not always been able to keep up with farm production with regard to processing and storing, especially quality. The industry's technological level, when internationally compared, is about 40 to 70 percent of the best. The most up-to-date plants can be found in the meat industry, poultry processing, refrigeration and vegetable oil industry. On the other hand, part of the canning plants, confectionary industry and bakeries are outdated. The biggest problem is that we, as well as the other socialist countries, are lacking support industries which would continually produce enough up-to-date machines and packing materials. So we "piece together" one or another plant from Hungarian-made equipment and machine coming from socialist countries and import the rest from capitalist countries. No matter how well they are organized these plants can never reach an optimal efficiency. The weakest link in every plant is its efficiency. It is for naught to have a high capacity processing machine if the packing line cannot keep up with it, or vice versa.

Reconstruction

/Question/ According to the above logic, it would be imperative to solve this paradox, i.e., to improve the quality of the processing industry.

/Answer/ This is what we tried to do in the past years. For example, we invested 52 billion forints in the food industry between 1975 and 1980, more than in any other previous 5-year plan. We completed 117 large investment projects, each of which cost more than 25 billion forints. The most significant of these are the Freezer Plant in Zalaegerszeg, the Meat Combine of Kaposvar, the Vegetable Oil Factory of Martfu, the Kaba Sugar Factor, the baby food plant of the Kecskemet Canning Factory etc. The biggest problem has always been the acquisition of up-to-date machines. The examination--and updating--of trusts and large enterprises activities was an organizational measure which could have meant better results both in management and in the modernization of industry. As it is well-known, we dissolved the trusts, i.e., the national enterprises in the tobacco industry, the sugar industry, the wine industry and the confectionary industry, and today the factories operate autonomously. In the other industries where the trusts work well, there was a significant change in the tasks, which increased the autonomy of the trust enterprises. Full autonomy or such an increased independent management is an incentive for the factories to lower their costs and make better products; this way they can increase their sales prices as well. It is another matter that since the food industry serves public supply and important export obligations, even the less up-to-date plants must be operated. The situation in these can be changed only through reconstruction.

/Question/ The tasks, then, are clear; knowing this, what is next?

/Answer/ In the present plan period, we cannot make as many investments as in the last 5-year plan. State subsidies, have been reduced. It is more difficult to obtain credit, and very modest internal resources are generated, especially in certain industries. As a result, we will not begin any large investment project until 1985. We will construct a few smaller plants (mills, yeast factories, warehouses). Both our attention and our resources are turned primarily to reconstructions, so there will be a more extensive change of equipment. The present heterogeneous composition must be changed everywhere to equipment of identical output. We must also improve packaging to meet the differentiated demands of the public and of exports. It is not good that the more demanding foreign customers supply the wine industry and the frozen food industry with packaging material, frozen food packages or wine labels, and even the glue. We should also stop importing cans, i.e., "air." It would be possible to solve this if our industrial enterprises would recognize the excellent market possibilities in this area. It seems the chemical industry has already discovered the business opportunities here: it is producing more and more modern PVC bags, boxes and cups. It developed a breathing plastic for packaging bread and they have promised to make the milk bags leakproof.

Machine Production

/Question/ Is it expected that machine manufacturers will also discover the opportunities, that they should pay more attention to agriculture and the food industry?

/Answer/ It is not only expected, it is happening. The machine industry is looking for orders (it's market, too, is affected by the world recession), not as much by producing and offering but rather by inquiring. What is the demand? In cooperation with the affected scientific institutions (including the Federation of Technical and Scientific Associations), we are compiling a list of the machines and equipment needed by agriculture and the food industry and will systematize it and make it available to domestic manufactures. And, then, there are other ways to help ourselves. We can often buy excellent 2 or 3-year old equipment in the most highly developed nations because a firm goes bankrupt or because a machine is set to make square candies but the new fashion is zig-zagged candies. Competition makes even almost-new equipment obsolete. We can purchase these even at one-tenth of the price. The installation of such machines is working out very well, for instance, in the Eger Tobacco Factory and the Rakospalota Vegetable Oil Factory. We are urging the enterprises to look for such solutions as well.

/Question/ You seem to be optimistic despite all the problems. Is it to be hoped that the processing industry will begin to catch up with the potentials in agriculture.

/Answer/ I am sure it will. The past years' investments mentioned are beginning to pay off now. Of course, this does not mean that the industry will have lots of money, for the loans must be paid back. On the other hand, there are four things that cause us to be optimistic. The first is that the domestic economic environment and the increasing autonomy are incentives for the enterprises to modernize and reconstruct, to be more cost-effective and to save energy. In view of the increasing prices of raw mateials and energy, everyone wants to at least stabilize the costs. The second: better marketing can increase the revenues and the easing of the recession may improve our position in foreign trade. The third is the apparent movement in our industry already mentioned. The chemical industry has already discovered that it is profitable to supply agriculture and food industries and I am convinced that the machine industry will also soon recognize this. And finally, the fourth: the urgent demand is pushing every CEMA-country toward specialization and toward the division of food industrial machine production. This will make it possible, within the foreseeable future, to buy better and more modern machines on the socialist market. This way the processing industry can--and must!--reach the level necessary to improve domestic supply and increase imports.

9414
CSO: 2500/335

ECONOMIC PLAN FOR 1981 ANALYZED

Warsaw WIES WSPOLCZESNA in Polish No 4, Apr 81 pp 31-36

[Article by Eugeniusz Gorzelak]

I

[Text] The most synthetic indicator of the socioeconomic development of any country is the level and growth rate of its national income. If we were to evaluate our socioeconomic plan of national development for 1981 in this way, the results would be unfavorable, since the national income to be generated is to represent only 96.3 percent of its 1980 level. This will be the third year in a row in which the national income generated is reduced. In 1979, we noted a reduction of 2.3 percent by comparison with 1978; in 1980, there was a further reduction of 4.0 percent by comparison with 1979. In this way, the level reached in 1981 will represent only approximately 90 percent of the 1978 level.

As a consequence of the tendency toward a reduction in the size of the negative foreign trade balance from year to year, the distributed national income shows further declines: 3.4 percent in 1979, 4.0 percent in 1980 and 4.1 percent in the plan for 1981 for a combined total of 11.1 percent over the 3-year period. If we apply these indicators on a per-inhabitant scale, the decline amounts to approximately 14 percent, since the population increased nearly 3 percent during this period. We are faced with the question of whether there is likewise a drop in the level of the consumption fund to the same degree. The evidence shows that there is not, since consumption in 1979 increased 3.1 percent in comparison with 1978, in 1980 by 1.0 percent and is projected to increase in the 1981 plan by 0.4 percent. Thus, the level of the consumption fund in 1981 will be more than 4 percent higher than in 1978.

This is happening because the share of net investments in the national income for distribution is rapidly declining, i.e., a shift of proportions is taking place in the distribution of the national income between the consumption fund and the accumulation fund: the share of accumulations is falling while the share of consumption is growing. The share of net investments in the national income for distribution amounted to 21.1 percent in 1979, 18.6 percent in 1980 and should reach only 13.9 percent in 1981. This is a fairly meager share, particularly if one makes a comparison with 1975, when it represented 28.4 percent of the national income.

The limitation of the dimensions of investments in the distribution of the national income is expressive of a desire to counteract the decline in the living standard which has occurred in society, particularly among the most poorly paid classes. Special attention has been focused on meeting food consumption needs and on making improvements in the field of safeguarding people's health through improved supply of medicines, better organized medical service and the creation of conditions for the further development of the program of safeguarding the health of society. The goals of the social policy which are found at the bases of the NPSG [National Socioeconomic Plan] for 1981 are also expressed in the continued increase in the number of new dwellings to the maximum number possible under existing conditions, in a change in the conceptions of the system and essential makeup of schooling and in the improvements made in the working conditions of work forces and the like.

II

The most important issue in the maintenance of the standard of living achieved by society is the degree to which food needs are met. In order to understand the intent and the contents of the plan in the field of the food economy, however, we must turn our attention to the general trends in farm production development in recent years, with special consideration given to 1980.

Last year, atmospheric conditions were very unfavorable for crop production, much more so than in preceding years (1975, 1977, 1979). Added to this was a tremendous shortage of the basic means of production and their faulty allocation, which concentraded these means on state and collective farms and limited the supply of them for private farming. The limited use of mineral fertilization and plant pesticides was also highly significant. As you recall, in the five-year plan for 1976-1980, the level of fertilization for 1980 was set at 250 kg of MPK [Nitrogen-Phosphorus-Potassium] per hectare of arable farmland; meanwhile, agriculture was in a position to use only approximately 192 kg of NPK per hectare for the 1980 harvest and individual farmers in some viovodships in eastern and central Poland applied only 110-130 kg (the Ostroleka, Siedlce, Tarnow, Nowy Sacz, Radom, Lomza, Kielce and Biala Podlaska voivodships) because of the insufficient supplies of mineral fertilizers that were delivered to these viovodships. With regard to plant pesticides, there is the justifiable opinion among experts that "economizing" by purchasing the appropriate concentrates from abroad resulted in losses in 1980 amounting to approximately 11 million tons of potatoes, 2.7 million tons of grain and approximately 1 million tons of fruit and vegetables.

Consequently, as a result of exceptionally unfavorable climatic conditions and a severe shortage of the means of production, agriculture in 1980 achieved its worst total production results of the whole 1976-1980 five-year plan period. The value of crop production, which was particularly unproductive, calculated in fixed prices, was more than 15 percent lower than in 1970 (not the best year), and was 22 percent lower than planned.

Only harvests of grain and oleaginous crops were somewhat better than those of the previous years, while the harvests of all other crops were considerably--even disastrously--lower. This is so particularly with regard to potato harvests, which were half the 1979 harvests as a consequence of the universal infestation with potato pests and the flooding of farmlands, and with regard to the harvesting of hay from

meadows and other fodder crops in field cultivation which were reduced because of excessive rainfall. A reduction in the harvests of basic fodder crops must have an effect on the volume of animal production. Clear indications of unfavorable trends in the raising of animals were already evident in the second half of 1980 and were manifested in the increased sales of cows and gilts to procurement centers and in a reduction in animal stock, particularly on nonsocialized farms. A January 1981 census showed that the number of head of cattle diminished on nonsocialized farms by comparison with a similar census in 1980 by 663,000 head (7.5 percent), while there was a decrease of 200,000 cows (4.0 percent), 2,178,000 pigs (7.5 percent), and 99,000 sheep (4.6 percent). The decline in the number of head of cattle and pigs occurred in all voivodships. A reduction in the number of head of cattle likewise took place in the socialized economy.

III

The phenomena manifested in the January census generally corroborated the indicators of the plan in the area of farming assumed in the NPSG for 1981. The reduction in the number of head of pigs will have the most serious consequences for meat consumption. These are registered at the end of June/beginning of July each year (and show a reduction from 23.3 million head to 18.0 million head). The decline in the production of pork slaughter animals which results from the cause-effect linkage between the former and the latter has brought pork production down from 2.17 million tons in 1980 to 1.84 million tons in 1981. There is likewise a decrease in the number of head of cattle from 12.7 million in 1980 to 12.4 million in 1981, which was manifested in the NPSG, and which by now has reached 12 million head. The reduced milking capacity of cows and the increased production and consumption utilization of milk observed by GUS [Central Office of Statistics] in recent months also reduces the procurement of milk from 10.0 billion liters in 1980 to 9.7 billion liters in 1981 (in the MPSG--10.1 billion liters). Similarly, the procurement of slaughter animals at their post-slaughter weight will amount to approximately 2.1 million tons in 1981 in comparison with 2.5 million tons in 1980.

The trend toward declining production, and moreover toward the declining procurement of animal products, brings about a reduction in the per-unit consumption of edible animals products. Thus, instead of having 73.3 kg of meat and meat products per inhabitant as in 1980, we project having only 65.0 kg in 1981 and perhaps even less. A slight reduction in consumption is also projected for animal fats (from 8.0 to 7.5 kg per inhabitant). Sugar consumption will likewise be lower (36.0 kg, down from 39.5 kg). On the other hand, there is the possibility that the consumption of milk and milk products will remain at the same level or will even increase. This is also the case for eggs and egg products, fruit and vegetable fats.

The total value of animal production in 1981, fixed at 269.5 billion zloty in the NPSG, will not be attained and will probably reach only 267.5 billion zloty. Thus, the value of animal production will be less than in 1980 (290.9 billion zloty) by 33.4 billion zloty, which is approximately 8 percent. The situation will be a different one for crop production, which, after a disastrous year in 1980, will increase to a level that is only somewhat lower than that of 1979, in which it reached 342.3 billion zloty. It is currently estimated that in 1980 crop production reached the level of 290.3 billion zloty, which was less than the 1979 level by approximately 15 percent, while in 1981 it will grow to a level of 336.5 billion zloty, or 16 per-

cent (in the NPSG--343.5 billion zloty). The somewhat higher value of crop production assumed by the NPSG will probably not be reached, since the projected quantities of mineral fertilizers for farming will not be supplied. Instead of 196 kg of NPK per hectare of arable farmland as assumed in the MPSG, farming will be in a position to make use of only 190 kg, since the domestic chemical industry is producing less fertilizer than projected and less fertilizer is also being imported.

IV

It should be noted that supplies for the needs of farm production and the rural population of nearly all goods, materials and services are threatened. This is the result of the irregular production of the means of production, which was also lower than anticipated in the NPSG during the first months of this year. As a consequence of various factors, factories producing lime nitrogen and phosphates have gone out of production. The importing of raw materials to produce these fertilizers is faced with serious payments difficulties. This refers in particular to phosphates. Likewise, the importing of potassium fertilizers has not been fully implemented. There are serious delays in the production of calcium-magnesium fertilizers. The importing of concentrates for the production of plant pesticides, which is increased over 1980 totals, is delayed. The importing of fish meal, an important component of poultry feed, is also faced with obstacles.

The problem of concentrated fodder has been difficult to solve for many years now. This year, until the period of the harvest of the first grasses and fodder crops in field cultivation, there has been a marked shortage not only of fodder protein, but also of energy-producing fodder. We were not in a position to balance out our tremendous decline in potato harvests, sugar beet harvests (pulp, leaves) and hay harvests and the like with concentrated feed. Our current imports of grain and fodder straddle a line between the technical possibilities of transport, transshipping, warehouses and the like and they far exceed our payment potential.

In light of the prospects determined by the FAO and by world banks as highly unpropitious for the balance of grain, especially in economically undeveloped countries, we must clearly define our Polish plan of action leading, onthe one hand, to the greatest volume of production possible of domestic grain and fodder and, on the other hand, to checking the increase in consumption of animal products, particularly meat. I believe that in the face of the generally low level of work productivity attained in our country, there is no chance for such a high rate of consumption as at present, much of which are animal products, including meat. At any rate, our country has been in debt since the beginning of the 1970's. The increase in indebtedness was intended to maintain the high level of consumption, which included a large share of meat protein.

Meanwhile, we are lacking the concentrated fodder in our country to meet our obligations in conjunction with contracts for animal products. We entered the year 1981 with a fodder debt to individual farmers exceeding 400,000 tons. If we do not lower the standards of the allocation of fodder in exchange for the amount of animal products supplied within the framework of the government contract, this debt will increase. Farmers are refusing to take a fodder equivalent and demand fodder, and not the money for it. The market price of fodder, which affects only a small margin of the total fodder balance, is very high and does not guarantee any reasonable economic profit for raising animals.

The matter of coal continues to look very bad. Coal mining in Poland in 1979 yielded 201 million tons, and 206 million tons was planned for 1980. In reality, 193 million tons was mined last year, and the plan of 188 million tons for this year has not been accepted by miners. Working a 5-day week, miners have bound themselves to mine 172 million tons in 1981, with further amounts being mined voluntarily on free Saturdays for extra pay. However, the progress of mining in January and February indicates that it will be very difficult for them to reach 188 tons of coal. Being very optimistic and taking into consideration an improvement in mining in the second and third week of February (the period during which I write this), we may estimate that 172-175 million tons will be mined (this includes free Saturdays). This level fixes the market supply and the production and the export of many derivative products which use coal as a source of energy.

Thus, deliveries of many products both on the domestic market and for export will assume a lower volume than planned inthe NPSG. We need not add that the lowered level of exports also reduces the possibility for importing many necessary raw materials, finished products, replacement parts and much necessary machinery and equipment.

Coal mining has a colossal effect on the whole socioeconomic life of the country, both on the direct supply of agriculture with the means of production, e.g., mineral fertilizers, cement and other construction materials and indirectly on all sorts of other deliveries of indispensable means of production.

V

As we evaluate the NPSG for 1981, we may make use of the results achieved in January of this year in two divisions of material production, namely in industry and construction. Both fared worse than assumed in NPSG assumptions. The results showed that industrial production in January was down by 10.6 percent from a year ago, while construction showed a decline of 23.5 percent. The number of persons employed was also lower: in industry, by 0.5 percent and in construction by 4.5 percent. On the other hand, the average wage exceeded the level from January 1980 by 19.4 percent in industry and by 19.5 percent in construction. The production and employment indicators show that labor productivity was sharply reduced, despite a very considerable improvement in the pay scale. The total personnel wage fund was 18.5 percent higher in industry and 14.1 percent in construction.

The increased flow of wages for the populace does not meet with a corresponding flow of goods and services. On the contrary, the available amount of goods and services on the market has been sharply reduced due to a decline in production. Thus it is not surprising that we are beset with a decline in the value of money and with a situation of price increases despite official prohibitions on raising prices. The GUS has put the increase in the costs of upkeep in 1980 at approximately 10 percent. Consequently, both the average wage and the personnel wage fund given above have their real value in January and in all the remaining months of 1981 are much lower than would result from their nominal value. We must continue to expect a further increase in living costs, since there is a tremendous shortage of goods and services on the market in the face of the great purchasing power of society. Under such conditions, no bans on increasing prices can be complied with.

IV

The situation in the balance of payments has a very unfavorable effect on the socioeconomic situation of the country. For many years, our indebtedness to capitalistic countries has been growing. It must continue to grow in order to enable us to maintain our indispensable imports of raw materials, finished products which are not produced in our country and machinery and spare parts. In the coming years, the economy will be encumbered with the tremendous burden of the necessary payment of our debts and the interest on them. All of our income from Poland's exports to capitalist countries, together with the income generated from our services rendered on capitalist markets barely suffice to pay our debts and the interest on them. Thus, practically all of our imports must be acquired by means of new credit, which is increasingly difficult to get, since it is not easy to talk to a new creditor who knows that we have problems with paying our old debts. For this reason, we have tremendous difficulties purchasing the goods we desire, we are unable to get them at a good price or at the proper time and we must pay higher and higher interest rates.

It is practically universally known that for many months our country has been trying to postpone the date for the payment of our credit obligations for several years. This would enable us to correct our balance of payments and to set in order matters of foreign trade--in a word, it would allow the Polish economy a chance to take a deep breath. Immediately before the 26th Congress, the Soviet Union expressed its approval of the postponement until 1985 of the payment of credits extended to Poland from 1976-1980 and also accepted a sharp reduction in Polish exports. In this way, the USSR has granted Poland much economic assistance, which, of course, is nothing new. If the capitalist countries were also to move in a similar direction, Poland's indebtedness abroad would actually increase, but, at the same time, this would enable us to put into effect many rational changes in the Polish economy and it would have a a beneficial effect on preserving the current living standard of society in Poland.

Regardless of any sort of foreign assistance, however, the key to the solution of our enormous socioeconomic difficulties rests within our own hands. We need law and order and honest work, we need resourcefulness in solving our difficulties, we need an increase in labor productivity, not its decline. Only then can the modest but difficult plan for the current year be fulfilled.

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CSO: 2600/272

RESULTS OF HOUSING CONSTRUCTION PLAN ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 30, 26 Jul 81

[Article by Tadeusz Zarski: "Housing Construction 1976-1980"]

[Text] As is generally known, the statistical data concerning the extent of housing construction before and during 1979 did not fully agree with reality. Regarding this fact the Central Bureau of Statistics [GUS] initiated efforts aimed at improving the report's agreement with reality. These efforts consist of eliminating from the previously published figures indicating the apartments built during each previous year those apartments which, according to the receipt records, were occupied in the following year. The results of the work done so far, although not yet complete, have been published in the Small Yearbook of Statistics together with the data showing the results of housing construction for 1980. The most important information concerning this subject is presented in the form of a table. This information points to the following considerations.

The verified data for the years 1976-1979 has proved to be lower by 37,000 apartments than previous editions of the GUS would indicate. The difference wholly concerns the socialist sector construction. In the light of the NSP [National General Census] 1978 data concerning the age of buildings[1], even the initially verified data seem too high. This applies to the period of 1976-1977 for both socialist sector and private construction. This may have resulted from falsified individual reports submitted to the GUS by various institutions. It is not likely that it would be possible in practice to eliminate all these irregularities, which appeared as early as 1950-1960 as well as in the period 1960-1970.[2] In the present situation we must accept and analyze the data from the 1981 Small Yearbook of Statistics as it is.

The five-year plan for the years 1976-1980 anticipated 1,575,000 apartments to be made available with a total floor space of 93.3 million square meters. As the table shows, 1.3 million apartments were built during this period. They represent about 81 million square meters. Thus the plan's expectations were only 83 percent fulfilled for number of apartments and 84 percent as regards floor space. The realiza-

[1] Compare ZYCIE GOSPODARCZE No 12, 1981.

[2] This is indicated by the results of the analyses of the registers from 1960 and 1970.

tion of the socialist sector construction project equalled 81 and 82 percent respectively, however, private construction amounted to 89 and 87 percent of the five-year plan's expectations. One of the characteristic features for the period under discussion was the continually deepening lack of fulfillment of the plan for these particular years.

When compared with previous years, socialist sector construction showed an increase in its extent in 1976 and 1977, however, the remaining 3 years showed a decrease. After 2 relatively good years followed by stagnation in 1978, private construction was characterized by an accelerated decrease in its extent during the following years. In 1980, the decrease in private construction was deeper than that in the socialist sector construction.

Generally speaking, the period of 1976-1980 was unprofitable as far as actual results in housing construction are concerned. This occurreddin a situation when the ratio of investments in the housing economy proportional to the whole of the funds invested increased constantly. Taking prices as unchanged, in 1976-1980 the ratio amounted to 16.9 percent compared with 14.8 percent in 1971-1975. If we take current prices as a basis for our calculations, the increase in the ratio of investments in housing was even more striking. And so in 1975, 12.9 percent of the total amount of investments were assigned to housing construction, in 1978 it was 17.1 percent and in 1980 as much as 21 percent. This has been the highest level for the housing-investment ratio proportional to the total investment effort of the national economy since 1957-1958, the best years for housing construction from this point of view. Obviously, the increase in the ratio of housing construction to the total investment fund was related to a decrease in this fund in 1979 and 1980. However, for all the years of the period analyzed, we have considered the increase in housing investment expenditures in terms of current prices. In 1980, while the size of the actual construction results decreased 20 percent, both in terms of the number of the apartments and floor space, the expenditures for housing construction increased 4 percent in terms of current prices; in terms of constant prices they decreased 11.3 percent at a time when the total sum of involvement expenses by the national economy decreased 8.7 percent.

The information presented shows that the unfavorable tendencies concerning the extent of housing construction were accompanied by equally unfavorable economic factors--reflected in the decrease of investment effectiveness and increased costs. The causes of these bad factors have been repeatedly subject to various evaluations and analyses. We are not going to elaborate on this matter, however, the factors are worth mentioning briefly. Thus, there are the factors which retarded development in construction and which caused deterioration in the economic results:

--The lack of appropriate coordination between housing and communal investments;

--unbalanced development of the building industry in general and, particularly, delayed production of finishing, installation and insulating materials;

--the adoption of so-called "industrialized" construction methods, but only in the area of erecting walls; these methods are characterized by large demands for capital, material, power and transport and they are very inflexible with regard to various requirements;

--the elimination of small industries in providing construction materials, as well as replacement of small-, and medium-sized construction enterprises by gigantic integrated concerns;

--bad organization and management by the state building industry;

--the increase in the prices of retail building materials, not enough supplies of these materials in the market, the increase in the costs of individual wages and insufficient credits for private construction.

All these unfavorable facts, which resulted from erroneous and incompetent policies of investment and building and not from objective causes, have been in existence for a long time. In 1980, their effect was undoubtedly cumulative. Moreover, the "industrialized" construction methods employed in our country have proved to be sensitive to all sorts of failures. Interruptions in the supply of electric power, lack of material and similar factors have paralyzed the socialist sector production of apartment houses to an extent considerably larger than in other areas of economy. As far as private construction is concerned, additional new noneconomic factors appeared in 1980, namely a bad atmosphere in this type of construction caused by the dishonesty of some investors, mainly those belonging to the so-called "prominents". This bad atmosphere along with the investigations by various prosecuting authorities, which were not always carried out against those guilty of crimes only, caused some honest investors to give up the construction of single-family houses. In addition, it is pertinent to remember that before March 1981, mandatory regulations had been in effect allowing only a small amount of credit for private construction. Credits given to compensate for the increase of prices covered a smaller part of necessary expenses every year. And thus, every year a larger part of these expenses had to be covered by the builder out of pocket. As a result, in 1980 the credit limits granted for private construction for the nonrural population were not used for the first time, even though the number of credits in previous years were considerably less than the demand. The payments from the General Savings Bank credits for private construction dropped from 3.14 billion zlotys in 1979 to 2,764,000,000 zlotys in 1980.

Clearly, further development of housing construction depends on overcoming the obstacles mentioned above as well as other immeasurable obstacles of this development. It is necessary to realize that this is not an easy task, since the errors which had been committed found expression in the actual situation in building potential in a broader sense in the areas of both general and civil construction, which requires radical rebuilding. What is worse, the data of the 1981 Small Yearbood indicates further difficulties in the future. Apart from other factors, these expenditures in the communal economy by 10.5 percent in 1980, and in the "construction" sector by 13.8 percent calculating in terms of constant prices, or by 7.7 percent and 10.1 percent in current prices.

As is generally known, the government committed itself in various agreements to shorten the waiting time for apartments. What do the results for the year 1980 look like in light of these commitments?

A commonly used, although insufficiently precise standard for evaluating how well needs have been satisfied in housing construction is to compare the number of new marriages with the number of apartments made available. Such a comparison reveals

that in 1980 there were 88,500 more new marriages than new apartments built. This is the worst result in the last 5 years, despite the fact that there were fewer couples married in 1980 than in the previous years of this 5-year period. In 1977 and 1978, proportional to the number of newly married couples, the number of new apartments were 60,000 short, however, in 1978 and 1979 it was 40,000 apartments. Thus, in 1980 we lost ground in meeting the demands for apartments. The figures concerning the number of people waiting for cooperative apartments [words missing] right to obtain an apartment, i.e., adults who had waited for the required period and made the deposit. By the end of 1970, there were nearly half a million such members of cooperatives, by the end of 1979 a little over 1.5 million, however, by the end of 1980 their number exceeded 1.63 million. In 1980, the increase in the number of waiting fully qualified members of cooperatives amounted to 125,000. Evidently, the period of waiting for cooperative apartments has lengthened and is still increasing. This This fact resulted not only from the low extent of housing construction, but also from a a socially unjust policy for distributing apartments in the years 1971-1980, a policy which favored people working in manufacture and people possessing desirable goods or "big" money. To correct the situation in this area, therefore, requires not only an increase of the extent of construction, but also changes in the principles of distribution and allotment of apartments. I have already discussed this theme several times on the pages of ZYCIE GOSPODARCZE[3], therefore, I will only note that the most urgent task is to determine what actions would be effective in cooperative construction in order to meet the needs of the members waiting for apartments, as well as to make the distribution of apartments agree with the order in which the right to an apartment was acquired, i.e., through obtaining the membership or making the deposit and waiting as a candidate not yet accepted as a member in the cooperative. This obviously does not mean the same as to shorten the waiting period, however, this means of carrying out distribution will ensure the acquisition of a private apartment either in the near or more distant future. This "policy" for distributing and alloting apartments, employed in 1970-1980, did not ensure the fulfilment of this requirement even to a minimal extent, and apart from privileged people, nobody was certain as to whether and when he would receive an apartment. It is essential that limits be set to such a "policy" and all new attempts to avoid an honest procedure be prevented.

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[3]Compares ZYCIE GOSPODARCZE Nos 9 and 11, 1981.

The Results in Housing Construction
for the Years 1971-1980

Years	Housing Construction: Total	Socialist Sector: Together	Socialist Sector: State	Socialist Sector: Cooperative	Private	Fulfilment of the Tasks of the Five-Year Plan in Percents: Apartments	Fulfilment of the Tasks of the Five-Year Plan in Percents: Floor Space
	In Thousands of Apartments						
1976	263.6	200.1	56.6	141.5	63.5	95.8	97.1
1977	265.9	192.3	48.4	143.9	73.6	92.0	94.1
1978	284.4	210.1	52.1	158.0	74.3	90.9	92.3
1979	274.4	202.4	55.5	146.9	72.0	80.8	83.0
1980	218.9	162.9	39.0	123.9	56.0	61.0	61.7
1976--1980	1,307.2	967.8	253.6	714.2	339.4	83.0	84.1
	In Percents 100 = Previous Year						
1976	106.0	105.1	70.5	132.0	109.5	x	x
1977	100.9	96.1	82.6	101.7	115.9	x	x
1978	107.0	109.3	107.6	109.8	101.0	x	x
1979	96.5	96.3	106.5	93.0	96.9	x	x
1980	79.8	80.5	70.3	84.3	77.8	x	x

APPLICATION OF ECONOMIC MECHANISM TO DOMESTIC TRADE VIEWED

Bucharest COMERTUL MODERN in Romanian No 2, Mar/Apr 81 and No 3, May/Jun 81

/Article by Lect Dr V. Mercioiu and Lect Dr D. Patriche, Academy of Economic Studies, and P. Zmeu, deputy director general in the General Trade Directorate of the Municipality of Bucharest: "Some Aspects Regarding the Application of the New Economic and Financial Mechanism in Domestic Trade" (Parts I and II)/

/Mar/Apr 81 pp 1-4/

/Text/ The complexity of the problems raised by the rapid, multilateral development of socialist Romania has necessitated the continual improvement and perfecting of the activity of management of society.

Approaching in a new, scientific, profoundly revolutionary way the problems of the general laws of the development of society and studying with great attention the new phenomena that have appeared in our country in the process of constructing the new society, as well as on a world level, the Romanian Communist Party has succeeded in working out the most suitable ways to solve the complex problems generated by the harmonious development of all sectors of activity, thus contributing to the continual progress of our socialist order.

The construction of the multilaterally developed socialist society and the gradual transition to the construction of the communist society entail the union of the efforts of the whole populace, the inclusion of all aspects of social life, of all areas of society, to an equal extent. This is because, as the secretary general of our party, Comrade Nicolae Ceausescu, pointed out, "Only by providing for the union of all the efforts and for unitary, harmonious management—which would allow rapid progress in all fields of activity on the basis of a sole central plan—will we be able to implement the program for erecting the multilaterally developed socialist society and to create conditions for turning to the construction of the communist society."*

At the same time, the providing of the full efforts of the whole populace and of all fields of social life to fulfill the great tasks of multilaterally developing the

* Nicolae Ceausescu, "Romania pe Drumul Construirii Societatii Socialiste Multilateral Dezvoltate" /Romania on the Way to Constructing the Multilaterally Developed Socialist Society/, Vol 7, Bucharest, Politica Publishing House, 1973, p 35.

homeland has necessitated decisive measures for providing for scientific management of society, indispensable for the harmonious development of all sectors of activity. This implies proper planning that provides for the proportional development of all economic and social fields, in order to avoid the appearance of disproportions or lags, an action that, in its turn, implies thorough knowledge of the generally valid social laws and of the economic and social laws proper to socialism, as well as their correct application to the concrete conditions of our country in accordance with the party's program.*

Militating for the implementation of the vast Program for Forging the Multilaterally Developed Socialist Society and Advancing Romania Toward Communism, established by the 11th party congress, the plenum of the Central Committee in March 1978 discussed and established measures of particular importance with regard to the improvement of economic and social management.

Pointing out that "the diversification and expansion of industry, agriculture, science and culture are determining new measures for improving the production and social relations, for providing as complete an agreement as possible between the production forces and the social relations," the secretary general of the party, Comrade Nicolae Ceausescu, stated, "All these things necessitate...new measures for improving the scientific management and the planning of all economic and social activity, in order to utilize more and more widely the superiority of socialist economic relations, the sole national plan and the force of the masses of working people in all fields of activity."** In the light of these important instructions given by the secretary general of the party, the complex of measures established by the plenum concerns the providing of further improvement in economic and financial management and planning, in the context of the continual growth of the participation of the working people in the adoption of the decisions on all levels of social and state life and the expansion of direct economic democracy, through the promotion of worker self-management and of economic and financial self-administration of the activity of the economic units and, gradually, of all activities in the social sphere.

The improvement of the organizational and management system and the continual adaptation of the economic and financial mechanism to the new requirements generated by the strong growth of the production forces, having as a goal the bringing of the democratic organizational framework into accord with the economic and financial mechanism, in such a way that the planning and management methods provide for an active manifestation of all collective bodies and of the initiative of the masses of working people, raise particular problems from one field of economic and social life to another.

In this context, improvement in economic and financial management and planning, worker self-management and economic self-administration have to be understood in a wider sense and must not be limited only to the sphere of material production. This

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* "Programul Partidului Comunist Roman de Faurire a Societatii Socialiste Multilateral Dezvoltate si Inaintare a Romaniei spre Comunism" [The Program of the Romanian Communist Party for Forging the Multilaterally Developed Socialist Society and Advancing Romania Toward Communism], Politica Publishing House, Bucharest, 1975, p 106.

**Nicolae Ceausescu, op. cit., Vol 15, Bucharest, 1978, p 589.

is because there is no activity in the social sphere that, being useful, is not meant to recover the expenditures made. However, the new measures adopted concern precisely the growth of the role of the financial and banking system, which, providing the financial resources needed for properly carrying out economic activity, must devote special attention to increasing their correct use for stimulating the growth of economic efficiency. At the same time, the new economic and financial mechanism must provide for systematic, permanent financial control in all sectors, stepping in promptly to solve the many problems with which the various branches of economic and social activity are confronted.

In such a view, problems of particular acuteness are raised in the sphere of commodity circulation, within the trade enterprises and units.

In the field of trade activity, which reflects the way in which society, that is, industry and agriculture, provides the products needed for consumption and where values of hundreds of millions of lei are handled annually, the steady application of the new economic and financial mechanism, the promotion of worker self-management and the strengthening of economic self-administration of the enterprises presuppose, in particular, the providing of a wide perspective to the working people regarding their activity, the development of an advanced attitude toward work and public property, of social responsibility for the values entrusted. In trade, a sector whose activity represents an important factor in the party's policy of continually increasing the well-being of the whole populace and the creation of a new quality of life, the participation of the working people must not be viewed as a mere presence in various democratic bodies. In trade, this participation must be materialized in active social actions that lead to the conscientization of the masses of working people who work on various levels, causing them to exercise their management powers in a spirit of high public responsibility and to make decisions on the basis of knowledge of reality and of the profound implications that trade activity has for the standard of living, the level of civilization of the whole populace.

In order to create a suitable framework for applying the new economic and financial mechanism, on the basis of the decision of the plenum of the RCP Central Committee in March 1978 a restructuring of the system of economic and financial indicators was undertaken, with priority being given, in particular, to the indicators that express the qualitative aspects, those of efficiency, in economic activity, indicators capable of accurately measuring each work staff's contribution to the creation of national income. An important place in this system of indicators now used on a wide scale is occupied by "net output"--as a basic instrument of the new economic and financial mechanism, the main factor in orienting all economic activity toward maximum efficiency, for accenting the intensive aspects of expanded reproduction. It is true that, with regard to trade activity, this indicator has a very limited applicability, its use being found only in the public food sector and its own investment, transportation and service activities. However, this aspect must not hinder in any respect the steady promotion of the new economic and financial mechanism in the enterprises [words missing] of net output must not be viewed as a panacea or as a factor that, through its mere introduction, solves the problems of economic development. Since the goal pursued by introducing the new economic and financial mechanism is the growth of economic efficiency, on the basis of the experience accumulated, the utilization of the efficiency indicators has been expanded. This has caused there to be a system of indicators, both at the level of the national economy and at

an enterprise level, capable of reflecting the principal aspects of economic efficiency.*

In such a context, the process of promoting the new economic and financial mechanism in the activity that the trade enterprises and units perform has a wide field, it being possible to refer to: the way of substantiating and dimensioning the plan targets; the place and role of the decisionmaking factor; the improvement of the system of relations that is the basis for forming the commodity supply; the system for taking over, storing and selling the lots of goods; the improvement of the system for financing and crediting the different actions; the new way of preparing the income and expense budget; the matter of giving the working people in trade a personal interest in properly carrying out the process of supplying the population; the improvement of the system of relations between the different links of the trade apparatus or between them and the financial and banking apparatus; and so on.

In proportion to the general development of the national economy and the growth of national income and of the monetary incomes of the population, through the Directive Program for Increasing the Standard of Living in the 1981-1985 Period and Continually Raising the Quality of Life, provision is made for the continual growth of the population's consumption of goods and services, there thus being ensured the satisfaction of the demand of the population in a better and better way. As a result, trade will have to continually increase the volume of goods sold, with the scientific substantiation and correct dimensioning of the plan targets constituting, in this context, an extremely important requirement for the normal functioning of the new economic and financial mechanism.

However, the new content of the systems for organizing and managing the trade enterprises, promoted after the application of the new economic and financial mechanism, also consists of the fact that the growth of the role of the unitary management of economic and social life, on the basis of the sole plan, is achieved not in contradiction, not to the detriment and through the reduction of the autonomy of the economic units, but, on the contrary, under the conditions that give them such powers and prerogatives that they have the possibility of manifesting their initiative to the full in preparing and substantiating the plans, in adopting the decisions that concern the attainment of the plan objectives and in resolving at a high level the many and complex tasks that devolve upon them. The growth of the autonomy of the trade enterprises, as, in fact, of all the economic units, is also helped by the preparation of uniform and complex standards and quotas for consumption, technological matters, and planning of financial resources, personnel quotas, stock quotas and so on. All of them, formed into a sensible system of standards and quotas in trade activity, have the mission, on the one hand, of giving clarity and direction to the activity of the enterprises and, on the other hand, of stimulating, supporting and utilizing in a suitable way the initiative of all the economic units. As a result, the trade enterprises, with the effective help of the higher bodies in charge, have proceeded to promptly, responsibly solve the problems regarding the establishment of the sales targets, those referring to the coverage with goods and the development of the technical-material base, those of providing manpower or that of establishing the financial resources. Throughout the process of devising and substantiating the plan

* M. Paraluta, "The Improvement of Economic and Financial Management and Planning. Worker Self-Management and Economic Self-Administration of the Enterprises," REVISTA ECONOMICA, Nos 42-45, 1980.

targets and assigning them to the units, at present, both the organic integration of trade activity into the provisions of the sole national plan for economic and social development and the functional automony of each unit are provided, in the context of the steady promotion of worker self-management, backed up with suitable centralized management.

Pointing out these extremely valuable aspects for trade activity, we must nonetheless bring up a few aspects that ought to further receive special attention, with more realistic solutions being sought. Thus, some higher-ranking bodies continue to understand narrowly the gain in autonomy by the enterprises, provided by law, in the manner of dealing with the increases in tasks from doing away with the localization of certain assortments according to zones or units and so on. In some cases, the training and improvement of the work force or the resolving of some aspects in the field of investments also fits into the same category of problems. In addition, some changes in the plan targets, made by the higher-ranking bodies toward the end of periods, also seem unsuitable. These changes, in addition to the fact that they distort the financial indicators of the enterprise, also have negative effects on the human aspect of self-management, weakening the long-range view of the masses of working people regarding their activity.

The sensible establishment of the place and role of the decisionmaking factor has also constituted another important aspect of the improvement of the system for organizing and managing the economic units, resolved by introducing the new economic and financial mechanism. Referring to this, the experience in past years demonstrates the great importance that is attached to the bringing of management and thus of the decisionmaking level closer to the place where the fate of the practical activity is determined.

Starting from such premises, the trade enterprises are now showing a particular interest in thoroughly going into efficient methods in the practice of scientific management, down to the level of each department and workplace, in such a way that each economic link constitutes an important participant in the process of development of society.

In this context, the relations of the trade enterprises with the market are taking on new dimensions. The degree of involvement of these enterprises in market activity, the spread for satisfying the population's requirements, is increasing. At the same time, however, the respective enterprises' possibilities of knowing the market, of utilizing the conditions that the new economic mechanism offers for obtaining high efficiency, have increased.

Knowledge of the market--an essential obligation in the context of the new mechanism--entails an activity of research and of systematic study of all its aspects. The complex of proposed marketing techniques and activities, in this regard, can be integrated functionally into the system for organizing and managing the economic units, providing a scientific substantiation of the decisions that are to be made, both at an enterprise level and at an operational-unit level.

Both the bringing of management, of the decisionmaking level, closer to the place where the fate of the practical activity is determined and the incorporation of marketing techniques and instruments into the general orientation of the activity of the enterprises now entail the establishment of modern, scientific ideas regarding

the management of trade activity, regarding the coordination of the marketing activities possible to undertake in the process of supplying, storage, displaying or selling. In this direction too, it is necessary to point out the fact that in the commodity-circulation sector, despite the objective requirements and the extensive literature in existence, some of the principles and methods of modern management of the trade enterprises have not yet been generalized. The improvement of economic and financial management and planning and, in particular, the promotion of worker self-management require as a scientific necessity the adoption and utilization to a greater extent of modern, scientific management methods varying according to commercial links in relation to their tasks and role. The use of these methods is all the more necessary if one considers the fact that, under the influence of technical progress and of the growth of the population's requirements, the duties of the trade workers are more and more numerous from one period to another, continually growing in diversity and complexity.

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/Text/ Within the complex of measures regarding the application of the new economic and financial mechanism, an important role goes to economic contracts.

In this regard, the reanalysis and reapproval of the law on economic contracts by the Grand National Assembly have created a suitable legal framework that, through the improvements made in the old legislation on contracts, comes to solve a number of problems of great acuteness for trade activity.

Thus, in particular, the close blending of the planning activity with that of concluding the economic contracts stands out among the improvements made, with, according to the new legislation, the contract-concluding period overlapping the preparation of the plan for the next period. Under these conditions, the general assemblies of the working people in the domestic trade enterprises proceed to approve the plan in complete certainty with regard to providing the supply of goods. This new aspect has the mission of stimulating and orienting trade, the links of the trade apparatus, toward realistically substantiated economic activity in all respects.

Another improvement offered by the new legislative framework refers to the establishment of long-term contractual relations. This improvement takes on a particular value for the economic units that operate in domestic trade if we also consider another new provision of the law on economic contracts, which concerns the reviewing of the contracts concluded on a long term, each year, along with the approval of the annual plans. Therefore, under the conditions in which each contracting link, through the long-term contracts, has the commodity supply provided for at least 5 years, determined on the basis of the material balances, and annually can make the necessary changes in relation to the market's new orientations, a high degree of flexibility and adaptability to the population's requirements is provided to trade, a phenomenon with vast consequences regarding the efficiency of the activity that is performed in this sector.

In connection with these improvements, the provision referring to thorough study of the market also seems extremely important. This provision concerns, in particular, the improvement of the collaboration between the trade and producing enterprises with regard to creating and forming the commodity supply. However, the responsibility of the trade enterprises increases very much since, according to these

provisions, the initial supply of the producing enterprises will have to be formulated on the basis of the information offered by the trade enterprises with regard to the market's requirements, information achieved by means of studies made among the population. The respective provision has the mission of leading to closer collaboration between the producing enterprises and the trade enterprises with regard to organizing the activity of studying the market, in order to obtain high efficiency. Through joint efforts, it is necessary to arrive at a research system, organized according to a unitary view, that provides competent information both for trade and for production.*

All these provisions, correlated with the ban for the industrial enterprises with regard to introducing into manufacture products that do not have the certainty of sale provided by means of contracts, have as a goal the improvement of the contractual relations between industry and trade, thus helping to consolidate worker self-management and strengthen economic self-administration within all the commercial links.

In addition to these improvements, commercial practice also brings out other problems that await better solutions. Among them, we bring to attention two aspects. The obligation of the enterprises and the industrial centrals to take for execution all orders that correspond to the national economy's needs is stipulated in the new law on economic contracts. At present, the respective provision is taken into account by the producing enterprises only with regard to foreign economic relations. Practice demonstrates that it must also be promoted in domestic trade relations and the trade enterprises, knowing better the needs of the consumers, could exercise a continual and effective influence on the various producers. A third aspect refers to the fact that, given the continual growth of the autonomy of the trade enterprises and the steady promotion of worker self-management, these links should become holders of contracts, there being given up the current system of coparticipation established by means of memorandums concluded between enterprises and the territorial trade directorate. A suitable solution to this problem would lead to a considerable increase in the responsibility of the trade enterprises with regard to providing the commodity supply, more sensible management of stocks, better substantiation of the various plan indicators and, ultimately, the strengthening of the system of economic self-administration.

For domestic trade, within which most of the goods meant to satisfy the population's needs are circulated, the system of takeover, stocking, storage and preservation and the selling of the lots of goods raise problems on whose solution the efficiency not only of the trade activity but also of the whole chain that forms the distribution circuit for the products (producing, transportation and trade enterprises) depends. The strengthening of the economic self-administration promoted by the new economic and financial mechanism entails, as a major imperative, the shortening of the period of time for restoring to society the funds entrusted for administration. Under these conditions, the improvement of commercial logistics has an extremely important role. Treating the process of physical distribution as a system with all the components and functions properly balanced, commercial logistics involves a continual reevaluation of the organizational possibilities, capacities and responsibilities of management with regard to transportation, the organization of warehouses, inventory

* E. Barat, "The Improvement of the Contractual Relations Between Producers and Merchants," COMERTUL MODERN, No 4, 1978.

control, the selling of goods and the circulation of the information that is the basis for orienting and carrying out the distribution process.

Within the market for the consumer goods meant to satisfy the population's needs, the activity--both the production activity and the trade activity--is much more complex, the risk factor with regard to orienting the production and marketing of products is greater, in comparison with the other articles meant for the industrial market, it being determined mainly by fashion, seasonality, changes within the segments of consumers and so on. In this context, the producing enterprises and the trade enterprises are obliged to approach the market in an active way and in a varying view, in the sense of adapting the entire activity to the more and more marked vitality and mobility of the requirements of the consumers.

However, the application of the new economic and financial mechanism in trade activity further entails intense concerns for improvement in commercial logistics. In this direction, it is necessary to make room for new ideas about distribution.

The exact definition itself of the concept expressed by the term "physical distribution" constitutes an important point of departure in this evolution, it including all of the economic activities that have the goal of presenting the requested product in the required quantity, in the accepted place, at the proper price and at the desired time. In this view, the delivery of goods constitutes an essential element that lies between production and the act of sale, profoundly influencing the whole process of managing the enterprises. As a result, the selection of a certain delivery system must be done in accordance with the possible influences that appear during the various stages of the distribution process, that is, on elements such as the formation of reserves, the reception of orders, the circuit of containers, the relations between the enterprises and the transit system, the service system and so on.

In the same context of improvement in commercial logistics, the improvement of the system of packaging and preserving the goods constitutes an important problem. Despite the progress achieved, the situation in the field of packaging and preserving the parameters of the products is still not satisfactory from the viewpoint of diversification, of construction solutions, of the forms, dimensions, graphic arts, color and quality of materials. In addition, it must be mentioned in the systemic context in which the container is now put--with its many interconnectable elements--that while along the line of the display containers studies concretized in measures for improving them have been undertaken, the same thing cannot be said in the case of those for transportation. This aspect hinders both the operations of handling and transportation and those of reception, storage and preparation of the lots of goods for selling in the retail units.

Within physical distribution, subject to analysis, the activity of transportation must also receive special attention. The contribution of this sector, which interacts strongly with the other aspects of trade activity, must not be limited just to improvements of a technical nature or in organization of the fleet of means but must turn to the introduction of unitary routes or other forms of complex transportation.

The continual improvement of the technologies for reception, stocking and storage also constitutes a phenomenon of great importance in the promotion of the new economic and financial mechanism in trade activity. Trade research must find methods of mechanizing the technological processes for handling and storing the goods,

systems for making up the lots for reception and delivery, and so on, all of them studied in accordance with the application of the principle of grouping the goods into units for handling, the construction of warehouses, the storage technologies adopted, the capacity of the equipment, modernization, and the construction solutions adopted in the supplied network.

The circulation of information, as a constituent element of the commercial logistic system, also raises important problems in organizing the process of distributing the goods. In this respect, we regard as priority directions: the improvement of the system for establishing the information needed by the trade departments; the rationalization of the primary documents and of their circulation; the improvement of the data-transmission system; the proper utilization of information; and so on.

Considering that the proposed improvements in the logistic system with regard to taking over, stocking, storing, preserving and selling the goods have an important role in properly carrying out all trade activity, it can be judged that they have extremely favorable influences on the more rapid completion of the money-commodity-money cycle, thus helping to speed up the whole process of obtaining the net income necessary both to the trade enterprises and to society on the whole.

In the Romanian Communist Party's view regarding the manner of worker self-management, an extremely important role is attributed to the income and expense budget--as an instrument by means of which the principles of the new economic and financial mechanism are applied.

On the basis of achieving in practice the principle of worker self-management and of economic and financial self-administration, steadily promoting the direct responsibility of the collective leaderships, of all the working people, each organizational link within the domestic trade apparatus has proceeded to prepare its own income and expense budget, starting from the necessity of providing from its own activity both the financial resources needed and an increase in profit and in the level of profitability.

The practice in the last 3 years has revealed that, within domestic trade activity too, the income and expense budget has become a basic instrument of the collective leaderships of the units for the achievement of worker self-management, the strengthening of economic and financial self-administration and the providing of self-financing. The income and expense budget of the units in trade, as in the other sectors, synthesizes, in terms of money, the economic and social activity, the manner of administration of material and monetary resources, the results obtained and the degree of efficiency of the activity performed. The analyses made during the last period in the various domestic trade enterprises have showed that, within them, the income and expense budget does not represent just a routine matter in management work but, in the context of the existence of a suitable framework for organizing the economic and financial activity on the principles of self-management, self-administration and self-financing, it has begun to contribute to the maximization of the economic results through the obtaining of bigger and bigger profits and of a high degree of profitability. Moreover, it is judged that, in the great majority of the links of the trade apparatus, the preparation of the income and expense budgets represents times of analyses, discussion, choices and decisions, thus mobilizing the staffs of working people that perform their activity in domestic trade,

in order to utilize the whole material, financial and human potential and, in these ways, to increase the economic efficiency of the activity performed.

Considering that, according to the principles for applying the new economic and financial mechanism, the income and expense budget should be drawn up in such a way that it synthesizes, in terms of money, the entire economic activity performed in each unit and should reflect the manner of administration of material and monetary resources, as well as the results obtained and the degree of efficiency and profitability, it is still possible to find in domestic trade activity some problems whose solution must constitute a priority objective of the improvement of the activity performed in this field.

As has already been pointed out, the income and expense budget must constitute the means of analysis and control--in the course of fulfilling the plan targets--thus ensuring, permanently, the financial equilibrium of each economic unit. This means that all the worker personnel in trade, in all the units and departments, must systematically and rigorously keep track of the way in which the budget's provisions are fulfilled, proceeding to prompt steps in accordance with the situation in each field.

According to this principle, two important aspects appear: the first one refers to the fact that, along with the adoption of the income and expense budget by the general assembly of the working people, a realistic assignment of its provisions to each operational unit or functional department must be achieved; the second one is that it is no longer possible to tolerate any unit or activity with losses within enterprises profitable as a whole. This means that in trade activity it is necessary to proceed to reduce the frequent changes in the plan targets, especially toward the end of the fiscal period, a practice that, in the most frequent cases, does not permit the realistic localization of the lags or of the excesses in expenditures, hindering the taking of prompt corrective steps when they are necessary. In addition, it is necessary to proceed decisively to eliminate the system that still allows a number of unprofitable units to operate at the expense of good and efficient units. We feel that such a system prevents a critical analysis and reduces the attention of the management personnel of the different coordinating links on such units. The collective leadership bodies must thoroughly and strictly analyze all these units, departments and activities, creating both a hostile opinion regarding them and a climate suited to the adoption of measures that could lead to their being made profitable. Among them, the expansion of the commission system in trade operations, of the selling of goods on commission or for shares of the receipts, the raising of the quality of the services for the population, and the adoption of business hours that correspond to the choices of the wide masses of consumers deserve greater attention than thus far.* All these measures must be oriented in such a way that the respective units' own efforts to reduce expenses and increase the quality of the services performed and of the manner of serving the population are the basis for growth in profitability.

As an aspect that involves the entire activity of domestic trade--both on a macroeconomic level and on a microeconomic level--it should be pointed out that the income and expense budget must be founded on a series of special programs with regard

* Gh. Sica, "Profitability, an Essential Expression of Economic Efficiency," ERA SOCIALISTA, No 19, 1980.

to properly supplying the population with goods and services and better organization of the different sectors and activities, firmly basing any such activity on the economic principles of high efficiency.*

* R. Ciurileanu, "The Income and Expense Budget, an Instrument of Worker Self-Management," ERA SOCIALISTA, No 21, 1980.

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IMPROVEMENTS IN MACHINERY, EQUIPMENT MAINTENANCE PROCEDURES

Bucharest REVISTA ECONOMICA in Romanian No 29, 17 Jul 81, No 31, 31 Jul 81

[Two-part article by Barbu Gh. Petrescu, deputy director general of the Central Institute for Economic Research]

[No 29, 17 Jul 81 pp 5-6]

[Text] At the present time, it is extremely important for the entire national economy to increase the degree of utilization and modernization of machinery, and to extend the lifetime of equipment through constant maintenance and restoration of performance to initial technical and economic levels. At the recent Congress of Workers' Councils, Nicolae Ceausescu has stressed that "during the last decade, and especially during the 1976-1980 five-year plan, we have built large industrial enterprises endowed with modern machinery and equipment... That is why during the current five-year plan we will act, not so much to create new economic units, but to raise the technologic and qualitative level of the existing potential, completing the endowment in some sectors and using the full capabilities of the means at hand."

In this context, the modernization-maintenance efforts for machinery, equipment, and installations, as well as the reutilization of their components, represents a problem which must be regarded in a unified light. These actions must be properly organized since they comprise technical and economic factors which assure production continuity and a consistent increase in labor productivity; they must be approached in a unified manner, in close correlation and interdependence, so as to assure maximum efficiency and an uninterrupted operation of the fixed assets assigned to industrial units. Only in this new framework will it be possible to continue to assure the best conditions for higher technologic discipline and product quality, and to obtain large savings of materials, time, and money. Moreover, an extremely important matter at present is to devote greater attention to continued improvements in the methodology and results of the action taken to correlate the volume of necessary spare parts in user enterprises, with the capabilities available in production units, especially in the machine building industry.

Present Status of Action for Rational Utilization of Fixed Assets

The improved organization, development, and diversification of our branches, has endowed Romania's industrial enterprises with a large number of machines, tools, and installations; the maintenance of their quality and their scheduled repairs are

Table 1. Production and consumption of new spare parts, and rebuilding of used ones.

		1980 (achievements)	1981 (plan)
Total for the economy	a-b	217	219
	c	100	118
Machine Building Industry	a	231	248
	b	857	939
	c	100	308
Chemical Industry	a	225	239
	b	205	214
	c	100	103
Metallurgical Industry	a	251	253
	b	218	287
	c	100	100

a = Production of new parts (including assimilations)
b = Consumption of new parts (including assimilations)
c = Rebuilding of used parts (in local fabrication)

fundamental elements for a normal and properly paced manufacturing process, as well as for their judicious utilization at technical and economic indicators stipulated in annual plans, so as to assure the achievement of the planned material production in all sectors of activity. In this light it is easy to see that the rigorous and on-time application of programs for high-level utilization of tooling and installations at the present stage assumes an important role, and that the utilization, maintenance, and steady modernization of machines and installations must be considered as a continous process which assures the annual growth of utilization indicators, and the achievement of higher production with much greater labor productivity.

It is known that the value of fixed assets in the national economy has increased from year to year, from 1.203 billion lei in 1976, to 1.876 billion in 1980. Concurrent with the fixed assets, the volume of repairs during 1980 has also grown two-fold with respect to 1975; of these, capital repairs have amounted to 7.9 and 15.9 billion lei respectively, while maintenance, inspection, and programmed current repairs represent 23.7 and 47.7 billion lei. The higher growth of the volume of repairs within the value of fixed assets during the preceding five-year plan, from 2.62 percent in 1975 to 3.39 percent in 1980, is due to an extension in the standard durations of service of fixed assets; these extensions have averaged 34 percent in the economy as a whole, or about 6.5 years, which has meant a larger number of capital repairs for such machines, installations, and tools as locomotives of various powers, railway cars, ships, metallurgical installations, large power production plants, and so on.

Based on the volume of capital repairs, maintenance, inspections, and current repairs, the demand for spare parts in 1980 has increased nearly three-fold with respect to 1975. Since 1975, requirements for important spare parts were met entirely from the production of new parts; but due to formulated and applied

comprehensive technical and economic measures, we have undertaken to organize and modernize the recovery and rebuilding of used parts, so that only 80 percent of the need was filled from the production of new parts (including assimilations), with the remainder being met from rebuilding activities (table 1). Notable among the 1980 achievements in recovering and rebuilding used parts, are those of units in the Ministry of Transportation and Telecommunications (about 1.5 billion lei), the Ministry of Agriculture and the Food Industry (1.2 billion lei), and the Ministry of the Metallurgical Industry (0.6 billion lei). The 1980 production of spare parts was assigned mainly to the repair and maintenance of machines, tooling, and installations in agriculture and the food industry (18.2 percent), transportation (14.9 percent), the mining and oil industry (11 percent), the chemical industry (9.51 percent), and the metallurgical industry (9.5 percent).

During the 1981-1985 five-year plan it is expected that the value of fixed assets in the economy will increase by about 900 billion lei, so that by 1985 these assets will total 2,800 billion lei, for an increase of 50 percent over 1980. This represents an endowment which must be maintained and utilized much better, concurrent with an intensified action of modernization. It is therefore expected that correlated with the value of fixed assets, the total volume of repairs will increase by 37 percent during 1985 as compared to 1975, of which 21.9 billion lei represent capital repairs, and 65.7 billion represent absolutely necessary maintenance, inspection, and current repairs (table 2).

In order to meet a greater demand for spare parts under the best possible conditions, the production capabilities of specialized units have been expanded and new units have been placed in operation; they will assure not only current production, but also the spare parts needed for proper maintenance and modernization of machines, tooling, and installations that are already in place (as for instance those at 23 August, the Bucharest Heavy Machinery Enterprise Autobuzul, Mecanica Fina, the Bucharest Machine Tool and Aggregates Enterprise, the Pump Enterprise, Republica, and so on). It can therefore be said that between 1981 and 1985, the production of spare parts is expected to increase at an average annual rate greater than 15 percent, which is about 2 percent higher than that of the 1976-1980 period; higher growths will be seen in the production of spare parts for machine-tools, electric motors, hydraulic machinery, petroleum, mining, and metallurgical tooling, as well as for tractors, cars, and trucks.

Capability Reserves and Means of Utilization

Significant reserves remain in the utilization and maintenance of fixed assets, as a result of some shortcomings in production activities. They involve primarily:

Damages to tooling and installations in some enterprises due to improper utilization and failure to respect inspection and repair schedules;

Long duration of repairs at times, either because of insufficient training of personnel in the mechanical-power sector, or because of other causes (at the enterprises Conect, Enterprise for Electronic Measurement and Industrial Instruments, Aversa, 23 August, Vulcan, Semanatoarea, Electronica);

Failure to supply spare parts in the quantities, qualities, and at the times stipulated in maintenance programs (at Electronica, Pump Enterprises, Enterprise for Electronic Measurements and Industrial Instruments, Conect, Cinescoape, and so on).

Table 2. Repairs and spare parts requirements correlated with the value of fixed assets in some ministries (1975 = 100).

		1980 (achievements)	1981 (plan)
Total for the economy	a	183	202
	b	201	210
	b1	201	210
	b2	201	210
	c	270	283
Machine Building Industry	a	152	171
	b	342	412
	b1	342	412
	b2	342	412
	c	1103	1170
Chemical Industry	a	152	219
	b	342	355
	b1	342	355
	b2	342	355
	c	1103	2438
Metallurgical Industry	a	159	171
	b	193	234
	b1	194	234
	b2	192	234
	c	274	344

a = Value of fixed assets
b = Volume of repairs, where:
  b1 = capital repairs (according to plan)
  b2 = current repairs and maintenance
c = Spare parts requirements expressed in the value of production of goods and calculated in prices of production and delivery for 1980

With these in mind, and in order to complete the resources of spare parts so as to fully meet the needs of repair and maintenance operations, the analyses and studies performed by balance coordinators and by the major ministries involved, must devote greater consideration to the capabilities of machine building units existing at each fixed assets holder, and on this basis establish concrete tasks for each group of spare parts and plan assignee. This requirement is made even more imperative by the fact that the study carried out for the years 1976-1980 has disclosed that the calculations for spare parts have taken into account only the annual consumption for repairs and maintenance of existing fixed assets, without considering back-up stocks for efficient repairs of accidental breakdowns of machines, tools, and installations that are extremely important to the fulfillment of production plans, as well as compulsory stocks of spare parts for mass products which are no longer manufactured but which are still in use, since the latter have a different operation rate and are not included in annual consumptions. Consequently, for the years 1981-1985, in order to assure effective interventions for the repair of machines, tools, and installations involved in the fabrication of technologic parts, back-up stocks which have to be completed annually have been formed, which can be used by owner economic units only with the approval of their parent ministry, in case of damages.

It is well known that when machines, tools, and installations are no longer manufactured, their producers have the obligation to continue to produce spare parts for their maintenance and repair, for a technically and economically justified period which shall be no shorter than five years; this period is established in a long-range contract with balance coordinators when spare parts are produced on that basis, or with the approval of contract coordinators when the parts are produced on other bases. But since this requirement is not being respected in some situations, both the balance coordinators and the supplying units must devote greater attention to the fabrication--for even more than five years when necessary--of necessary spare parts, even when the machinery is no longer being manufactured.

At the same time, to improve the entire scheduled activity of maintenance and repair of existing machines, tools, and installations, it appears necessary to continue to specialize and develop existing spare parts production capabilities, or to create capabilities which will fill the need both from the production of new parts and from the rebuilding of used ones.

[No 31, 31 Jul 81 pp 5-6, 19]

[Text] In recent years, industrial units have substantially increased the modernization of machines, tools, and installations, their maintenance and repair, and the rebuilding of used parts. In what follows, we present some aspects of the experience gathered in this domain, whose extension can lead to higher productivity, improved quality, and ultimately, significant savings through the rebuilding of used parts.

Generalization of Advanced Experience

1. The formulation of special activity programs at the enterprises of the Industrial Central for Telecommunications and Automation Equipment, for instance, has sought: better correlation of maintenance and repair activities with technical planning, spare parts, and SDV (tools, devices, and controls); worker specialization and the formation of specialized teams to fabricate certain types of spare parts and perform various repairs and reconstructions; rational and optimal stockage of spare parts; and the rebuilding of complex and highly valuable spare parts--as components of tooling produced domestically or imported.

A study supports the fact that the major effects of the program's application in the central's economic units during 1976-1980 have been: improved quality of repairs and spare parts reliability (by about 65 percent); duration of repair cycles reduced by 10-30 percent; immediate prevention of accidental breakdowns; strong increase in the uniterrupted operation of equipment, and therefore its their degree of utilization, by nearly 30-35 percent; significant additional production and higher labor productivity; substantial reduction in repair-rebuilding expenses (by about 15-25 percent). The results of rebuilding and reutilization activities alone are remarkable from the standpoint of efficiency (table 3), which makes it necessary for this type of activity to be steadily intensified.

2. The rebuilding action at the Bucharest Enterprise for Electric Machinery was specialized by groups of machines, tools, and installations, as a function of technologies appropriate for the geometry, functionality, and quality of materials

Table 3

Part nomenclature	A	B	C
Press clutch drums	140	110	330
Press clutch plates	900	30	70
Main shafts for automatic lathes and receivers	200	300	200
Receiver heads for automatic lathes	200	200	100
Screws (sets) for parallel lathes and milling machines	400	150	600
Helicoidal screws for thermoplastic and rigid plastic injection machines	200	100	600
Beds for hydraulic and mechanical presses	100	600	3000
Pump blocks for hydraulic presses	20	500	4500
Hydraulic distributors for hydraulic presses and injection machines	100	200	1400

A = Approximate amounts, parts/year
B = Rebuilding costs, lei/part
C = Domestic or importation savings, lei/part

of the spare parts. This unit has in fact devoted great attention to the rebuilding, with maximum technical and economic efficiency, of large parts made of materials that are in short supply, and for smaller parts, specific rebuilding technologies such as metallization, hard chroming, welding, and so on, have been planned for 1981-1985.

To obtain good results in the rebuilding or reutilization of used parts, a number of measures have been taken since the beginning of 1980, the more important of which are: instruct technical engineering personnel and coordinating foremen in the rebuilding and reutilization of parts, stock, and subassemblies in use; organize by sections and specialization, repair teams according to groups of machines, tools, and installations; establish stocks of parts and subassemblies to be rebuilt, as well as of those which can continue to be used; formulate internal technologies in repair sectors for rebuilding parts and subassemblies. Some of the items rebuilt during January-December 1980 and the first six months of 1981, have been: shafts for gearboxes and reduction gears, wheels for bridge cranes, electric clutches, hydraulic and pneumatic control parts, devices for sheet metal stamping machines, and so on.

3. At the enterprise for agricultural machinery Semanatoarea, the action taken to rebuild used spare parts has been oriented along groups of materials--ferrous (in particular alloys) and non-ferrous (bronze and brass)--and is primarily aimed at the reutilization of large components from some machines to fabricate smaller ones for the same types of machines. For instance, used shafts from excentric presses of 500 and 250 tf, as well as from other types of equipment, have been used to make shafts for smaller presses of 75 and 63 tf, leading to annual savings of 10 tons of steel alloys. An efficient rebuilding method used in this unit, has been to weld-load the

surfaces of shafts that are not particularly stressed, and to machine them after stress relieving, a technology used for parts for shears, presses, transporters, and so on. To remove play and wear, the enterprise has used a hot pressing method for some shafts, or reaming of large gears and flywheels, and has protected lathe and milling machine bearings with tin and brass coating.

4. Organization of spare part repair, fabrication, and rebuilding along work groups (one for active tooling and installations, and one for passive equipment), and of these work groups along teams and groups or equipment. In department 2800 of the Baneasa Enterprise for Radio Parts and Semiconductors, such an organization has made it possible for rebuilt stocks of spare parts and subassemblies to amount to a few ten percents of the total spare parts requirements, as a result of operations which in effect amount to millions of lei per year.

Despite this, the experience of recent years has shown that for a wide range of spare parts and subassemblies, particularly needed for pumps, compressors, steam boilers, internal combustion engines, tractors, diesel road vehicles, construction equipment, cars, and so on, physical shortcomings do exist, both in the production of new parts and in the rebuilding and reutilization of many fixed asset subassemblies, which in many enterprises create many difficulties in the utilization of fixed assets.

Requirements for Efficient Maintenance of Fixed Assets

Improvements in the maintenance of fixed assets make it necessary to increase the efforts devoted to the assurance of spare parts, both through effective and quality manufacture of new parts at the levels of the demand, and through rebuilding. In this respect, we believe it useful for specialists to continue to devote attention to the following ways and means for action:

Constant and more effective adaptation on the part of balance coordinators, together with producers and major users, of spare part inventories to types and models in fabrication, so as to include new items which become needed as spare parts, as well as to determine consumption norms as rigorously as possible, taking into consideration real usage as a function of each part's reliability, both as a new part and with a view to the introduction of more extensive recovery and rebuilding. In this respect it is imperative for balance coordinators, together with economic ministries which mass produce machines and tooling--and their principal users, to formulate inventories and norms for recovering parts and subassemblies from dismantled fixed assets, taking into account the possibility of using these parts in existing equipment or in the production of new machines.

Special support should be extended by institutes of research, design, and technical engineering, which together with product modernization should also draw up spare part inventories, consumption standards for new and rebuild parts, repair norms, and especially technologies for rebuilding used parts, since in our opinion, rebuilding technologies are one of the basic means for assuring maximum utilization efficiency for available machines and tooling;

For a more rigorous determination of needs, more consideration must be given to the fact that although beginning in 1976 inventories of production in physical units were introduced into the plan in order to focus the attention of industrial production units on fulfilling the spare parts plan, especially for those in short

supply, the practical results of this action have been only partially complete. In our opinion, the cause for this partial success was an inadequate knowledge of the correlation between the technical condition of machines, tools, and installations, of the current situation of maintenance, repair, and rebuilding of spare parts (structure, quantities, values, deadlines), and of available production capabilities and programming, all of which imposes urgent energetic actions to eliminate such shortcomings wherever they occur. In this respect we believe it would be useful to expand reporting activities, at least once per quarter, and to achieve the inventoried production of spare parts to assure the supervision and adoption of necessary measures. Greater contribution to this action must be made by economic units equipped with machines, tools, and installations, who must order and list their annual parts requirements, while balance coordinators must establish production quotas and levels--respecting parts inventories, consumption norms, and repair schedules--starting with recovery and rebuilding tasks for used parts, and taking into consideration existing stocks left over as a result of incomplete utilization of supplies from preceding periods. For products whose fabrication is discontinued as part of the formulation of annual plans, and based on a communication from the producing ministry, as well as approval from the Ministry of Supply and Management of Fixed Assets, balance coordinators together with inventory holders, could establish in accordance with work standards and inventories, the quantities of spare parts that must be retained or additionally introduced in production, and thus form compulsory stocks to assure the operation of products for a technically and economically justified period of time until the entire inventory of products is removed from use, but for no less than five years, with the Ministry of Finances establishing special credit conditions;

For the execution and delivery of new spare parts, it appears necessary for economic ministries, industrial centrals, and producing enterprises, to assure the production capabilities necessary to produce all the needed new spare parts established by consumption norms, and to contract for the assignments made by balance coordinators as part of the quotas approved by the plan for each parent ministry;

Economic ministries, industrial centrals, and enterprises that produce machines, tools, and installations, or that have cooperated in the fabrication of finished products, should provide the spare parts needed to maintain these machines throughout their operation period, in the amounts required and justified on the basis of consumption norms for new parts. In transfering fabrication, the enterprise which does the transfer must assure the supply of spare parts needed until the new producer begins to fabricate them, for a maximum of one year;

User enterprises--which produce rebuild spare parts--supported by industrial centrals, must establish in proper time the production and delivery prices of these parts, so that the latter can be taken into account in establishing plan tasks; for the years 1981-1985, the recovery and rebuilding of used parts should be scheduled and the program should be constantly monitored, especially since for this period economic ministries have established in annual plans, specific indicators for rebuilding activities as well as the manner in which these should be reported, thus creating all the necessary conditions for an efficient activity;

Analysis on the part of specialized organs of possibilities for organizing the fabrication of spare parts in specialized departments or shops, established to assure the complete utilization of capabilities assigned for these products at the levels stipulated in the plan; this proposal takes into consideration the fact that under present conditions, spare parts are generally produced by the same capabilities which are used for basic production, and which give priority to products that are more valuable in industrial and goods production;

Rational and efficient sizing of capabilities assigned to the production of spare parts, as a function of the demands placed by new investment objectives; in this respect, we should mention that because demands are not known at the time when investment documents are formulated, some approved capabilities cannot meet the actual demands of users;

Organize within the small industry the production of low technology and short run spare parts, with the support of interested industrial centrals.

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CSO: 2700/337

NETWORK OF 'MICRO' HYDROELECTRIC POWER PLANTS PLANNED

Bucharest SCINTEIA in Romanian 7 Aug 81 p 3

/Article by Ioana Dabu: "The Great Constellation of Micro Hydroelectric Power Stations"/

/Text/ Ten thousand little lights shining in a constellation contained in the contours of Romania. We could describe in this way an eventual luminous map with the micro hydroelectric power stations that have begun to be built this year throughout the country.

The 1st year of this 5-year period thus marks the starting point in materializing the national program for utilization of micro hydroelectric power potential, presented, with good reason, alongside of the new sources of energy for the not at all negligible contribution to the country's power production. More precisely, the achievement of 133 such facilities (with installed powers varying from 0.03 megawatts to 2 megawatts), including 36 in the investment plan of the people's councils and 97 in that of the Ministry of Electric Power, is planned for the first stage.

In order to find out what the premises are for achieving, in particular, the 101 such facilities planned for this year, we spoke to Comrade Engr Eugen Cuculescu, coordinator of the program for designing the micro hydroelectric power stations, from the Institute for Hydroelectric Power Studies and Designs of the Ministry of Electric Power.

/Eugen Cuculescu/ As early as November of last year, our institute prepared and distributed the model designs and the directives regarding the micro hydroelectric power stations scheduled for 1981, it remaining that in ensuing years this activity too is to be decentralized on a county level, both through the county and regional electrical network enterprises and through the water-management offices. Since it is planned that this activity is to be achieved on a county level, in preparing the model designs we intended the construction schemata to be as simplified as possible, realizable on a basis of local materials, with the help of the work force on the spot, with the installation of all the equipment being done by the county electrical enterprises. Consequently, the entire conception of the construction of the micro hydroelectric power stations is simple, so that their planning, achievement and operation can be done on a county and communal level. Considering that the model designs have been conceived for the different types of conditions characteristic of our country, this will facilitate very greatly the planning on a county level and will shorten the period of preparation for the work.

We note that to the same end--that of speeding up the establishment of the new facilities--the institute has organized intensive training "on the fly" for the personnel from the county electrical network enterprises, even during the planning and execution of the work. Thus, the designs are passed through the filter of the design institute throughout the process of their application, benefiting promptly from all the "retouching" needed.

By speeding up the planning to the utmost, conditions have been created so that many of the facilities may be tackled as early as the first quarter of this year. And if we consider the fact that the period of time for achieving them is only 9 months to 1 year (in contrast to the big hydroelectric power projects that take 5-10 years), we can define one of the main advantages that the construction of micro hydroelectric power stations has, the advantage that the investment (amortizable in a period of only 5-15 years) can produce very quickly.

/Constantin Manoliu/ Amortizable in 12 years--our first investment of this kind--the micro hydroelectric power station on the Timisesti-Iasi feedpipe, whose achievement is beginning this year, is to go into operation in 1982--Engr Constantin Manoliu, technical director at the Group for Communal and Housing Administration of Iasi County, informs us. At present, everything is prepared for the start of the work. We have the working design, we have made contact with the equipment suppliers, we have a firm order with Resita for the turbine needed. Although our county is not very rich in small watercourses, we too are nonetheless counting on utilizing the existing potential. In fact, we were among the first in the country who requested help from the ISPH /Institute for Hydroelectric Powers Studies and Designs/, which trained personnel for us, thus creating conditions for us to take over on a county level the planning of the subsequent facilities. To begin with, we have identified sites for another seven micro hydroelectric power stations (on the existing accumulations or those in the course of achievement in the range of the county), which we have proposed to achieve during the current 5-year period.

/Eugen Cuculescu/ However, the enthusiasm exhibited at the level of the benefiting counties is not sufficient. For fulfilling the program for 1981 in the best way, besides mobilizing the local enterprises to immediately start the work associated with the micro hydroelectric power stations--Engr E. Cuculescu wants to point out--it is also necessary to obtain in time the necessary turbines and generators from the machine-building industry, as well as the pipe for carrying the water.

There are also some encouraging elements in this chapter: the turbines needed for these micro hydroelectric power stations are completely designed at the present time and the Resita Machine Building Enterprise and the Reghin Enterprise for Equipment and Spare Parts have also achieved some models. It is necessary, too, to point out the example offered by Mures County--the achiever of the first micro hydroelectric power station connected to the national power system--which initiated the construction of micro hydroelectric generating sets at the enterprise in Reghin, capable now of meeting the need for turbines for many other facilities in the country. In addition, the achievement of such technological equipment is being undertaken in Timisoara. In the near future, after the assimilation of such turbines into current manufacture, they are to be achieved even in small local shops for metal constructions.

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2171

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10 September 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2171

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RESULTS OF INTERNATIONAL MARKET RESEARCH CONFERENCE ANALYZED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 29 No 5, May 81 signed to press 15 Mar 81 pp 610-616

/Report by Herbert Ehrlich and Thomas Stuerzer on international conference on "The Contribution of Consumer and Market Research to the Fulfillment of Foreign Trade Tasks Toward Socialist and Non-Socialist Countries," sponsored by Bruno Leuschner School of Economics, East Berlin, 21-23 October 1980: "Consumer and Market Research in the Foreign Trade of the Socialist Countries"/

/Text/ On the occasion of the 30th anniversary of the Bruno Leuschner School of Economics, Berlin, the foreign trade section sponsored an international scientific confernce on the topic "The Contribution of Consumer and Market Research to the Fulfillment of Foreign Trade Tasks Toward Socialist and Non-Socialist Countries," held on 21-23 October 1980.

The conference was organized by the school's faculty for foreign trade organization and market research in coordination with the Ministry for Foreign Trade and with the involvement of the study group "consumer and market research" at the Chamber of Technology. Sixty-five representatives from scientific facilities and market research institutes in eight CEMA member countries, from GDR central state organs as well as combines and foreign trade enterprises attended. The conference aimed at an exchange of experiences about the status and problems of the subject matter and organization of market research in the foreign trade of the socialist countries. Also discussed were new trends in cooperation with regard to research, instruction and business practice.

The conference opened with a plenary session addressed by Professor Dr Sieber, rector of the School of Economics, and Professor Dr Winkler who read the introductory lecture. It then split into two study groups:

1. On the subject matter, methods and problems of consumer and market research in the further development of economic relations with socialist and non-socialist countries.

2. On the organization of consumer and market research and its inclusion in management and planning.

The basis for the exchange of opinions and experiences in the study groups was provided by theses and the introductory lecture, in the course of which Winkler dealt with two main tasks with respect to the improvement of market research.

To begin with she dealt with market research as a management task. Starting from the demands arising on the socialist economy from the growing foreign trade relations and some increasingly complex processes within the national economy and on foreign markets, she showed that market research is able to a certain extent to minimize the elements of uncertainty in longer-term management and planning decisions by the provision of decisionmaking bases and variants supported by knowledge of the demand and the realization conditions. Required for this is advance knowledge regarding:

-- The dynamism of needs and demands;

-- The trends of market development in connection with scientific-technological advances;

-- Specific production and investment problems of the main users;

-- The conditions for the introduction of new products to the markets.

Subsequently the lecturer assessed the status and problems prevailing in the management of consumer and market research in GDR foreign trade. The process of consumer and market research in business practice is characterized mainly by its incorporation in central regulations such as the planning order or the general directive on enterprise planning, but also by the more consistent translation of research results to the decisionmaking process of the industrial combines. Nevertheless some defects still persist, due largely to the sometimes negative attitude of some management cadres to market research and also to the lack of sufficient market research cadres.

Next Winkler dealt with the complexity of market research, which she ascribed to the complexity of the reproduction process on the one hand and the complexity of the market on the other. Though the market is an economic category with the factors supply, demand and price, its extent, structure and dynamism are affected, directly or indirectly, by a plethora of political, geographic, historical, ethnic and other factors. The efficacy of such factors and their observance in market analyses was demonstrated, especially, by way of market research relating to the export of plant to developing countries.

In conclusion the lecturer emphasized the particular significance of long-range market studies for the preparation of product and market strategies by the combines. She warned against largely short-term oriented market research which usually cannot effect more than adjustment to current market events.

The first study group, dealing with problems of market research in foreign trade with socialist and non-socialist countries, began the discussion by noting the fact that the subject matter of studies and the methodological operation of market research are largely determined by the inevitabilities of the market. Subsequently

market research was dealt with in three sections--foreign trade with socialist, capitalist and developing countries.

Discussed with regard to market research in foreign trade with the socialist countries were especially its connections with the various processes of socialist economic integration as well as problems involved in data compilation and exchange among the countries concerned.

Several speakers, such as Professors Golubkov (USSR) and Nikl (CSSR), held that knowledge of the demand in the CEMA member countries is turning into an objective necessity for the further development of integration within the scope of CEMA, because all measures serve to meet the demand in the member countries.

At the same time Professor Szabo (People's Republic of Hungary) stressed that the study of prices and other marketing conditions is important, especially to realize the results of coordinated integration projects. Nor should we forget that capitalist competition is increasing on the markets of the socialist countries also, and that these therefore require thorough study (proposed by Dr Stephani, GDR).

Interesting results of analyses were presented by Professor Faude (GDR) who concluded from structural appraisals of the foreign trade of the CEMA member countries that qualitative aspects will have to predominate in future market research. To be emphasized, in other words, is their contribution to the accomplishment of top achievements in the production and export structure, greater concentration in the export assortment and the removal of inefficient parallel productions among the CEMA member countries.

In view of the fact that the compilation of informative data is the decisive foundation of market research, the discussion devoted a great deal of attention to the issue of market information. Szabo and Nikl especially called for the greater utilization of the results of domestic market research in the socialist countries for the purposes of foreign market research; in other words assessments of the demand should be exchanged between the interested partners, possibly for a fee. Nikl also advocated the utilization of CEMA organs for the exchange of information.

At this time some reservations still persist with regard to the exchange of market research information among the CEMA countries. Stuerzer (GDR) therefore demonstrated that the use of available sources of information in the socialist countries (plans, statistics, technical publications, and so on) may yield relatively accurate assessments of demand and sales potential within the medium term. On the other hand, a problem is presented by longer-range estimates which are increasingly needed for the deepening of integration. The most promising method is each country's own efforts at forecasts on the basis of a coordinated methodology and the summation of the results as well as increased cooperation in the assessment of the development of demand and markets.

The discussion on market research with regard to capitalist countries included a wide range of study tasks. The aim at all times is the achievement of a contribution to the improvement of the efficiency of foreign trade by means of thorough market research.

Professor Levshin (USSR) and Dr Nistorescu (Socialist Republic of Romania), in particular, emphasized that market research must thoroughly investigate general trends on international capitalist goods markets in order to recognize general market requirements resulting from scientific-technological advances, monopolization, foreign exchange and price trends, and other factors. Furthermore it must analyze the actual market situation in the various countries. In this context it was pointed out that a great deal of attention needs to be devoted to the efficacy of the capitalist competition. Studies of the big corporations are vitally important, because these firms are the socialist countries main competitors on most markets and in most industries. Rast (GDR) stressed the necessity for studying the big corporations also from the aspect of their being potential customers and cooperation partners.

As the efficiency of foreign trade relations largely depends on the prices to be earned or paid for exports and imports, and because the forecasts of price trends also represent an important basis for the planning of foreign trade, the need for price research was especially emphasized. Dr Brode (GDR) surveyed the new period of world market trends, which began in the early 1970's and resulted in a far higher level of prices for all important raw materials, greater price dynamism and fundamentally changed price ratios between important groups of goods.

It is impossible nowadays to separate price trends from the development of foreign exchange rates. That is why the influence of monetary factors on price trends was also dealt with. Professor Wenger (GDR) was particularly concerned with this issue. He pointed out that we must expect the rate of inflation to continue high in the 1980's, though there will be some variations and, therefore, the price risk will persist (in other words the possibility of devaluation of foreign exchange earnings subject to payment delays). Also expected to continue is the strong influence of fluctuating foreign exchange rates on capitalist world market prices. Accordingly the task of market research will be to maintain steady observation of all influences on the level of capitalist world market prices and arrive at the appropriate conclusions for the concrete organization of export and import prices by the socialist countries.

Market and price research on the capitalist markets must be considered from long-term as well as short-term aspects. Long-range market estimates are required especially to support the market strategies in socialist foreign trade, while short-term studies serve the annual planning and preparation of business transactions. Trade cycle research was described in the discussion as a particularly difficult though eminently necessary task. It must analyze short-term cyclical processes on capitalist markets and provide assessments of their probable trends. Dr Wunderlich (GDR) dealt with this issue in particular and showed that both cyclical (for example investments) and noncyclical factors (for instance scientific-technological advances) tend to affect business. At the same time he called attention to a system of indices with the help of which the respective cyclical situation may be characterized or demonstrated.

However important it is for market research to point out the qualitative aspects of all the factors influenceing the efficacy of foreign trade from the aspects of markets, it is equally important to quantify the development of market categories in order to arrive at conclusions about the concrete sales strategy and operational-

tactical marketing. That is why some of the speakers in the discussion dealt in detail with the possibilities of quantitative forecasts of market and price trends by the use of mathematical-statistical procedures. Dr Polyakov (USSR) pointed out that the achievement of the greatest possible accuracy of this information presumes a system of methods. This includes various complicated procedures which can be managed only by the use of electronic data processing. At the same time, though, it is necessary to couple economic-mathematical models with export estimates, because not even quantifying methods can forego subjective assessments and experiences. The USSR boasts a wealth of experiences in the field of forecasts of market and price trends for raw materials. Wagenbreth (GDR) presented a result which had made it possible by way of a regression analysis to demonstrate the main factors influencing the trend of prices for machine construction products.

As regards market research in foreign trade with developing countries, the discussion dealt with three groups of problems. The first topic was the task of market research in the preparation of the export of plant. Here the special challenge to market research is represented by the sheer complexity of the studies, an aspect mentioned also in the lecture at the plenary meeting. At the same time, as Drs Zopf and Schleife (GDR) explained, it is necessary to take into account the different conditions in the various countries and even within a single country (for instance between various regions and industries).

The complexity of market research makes possible and necessary its close links with the other sub-processes of complex marketing--especially advice to the user, customer service and commercial activity. Dr Bienieck (GDR) described the reciprocal links here.

The attendants also discussed the possibility of using the national development plans of the developing countries as a source of information for market research. While basically approving this possibility, Dr Halpap (GDR) pointed out the sharp differences between these planning instruments, consonant with the actual situation in the various countries.

The second study group of the conference dealt with the organization of consumer and market research in GDR combines and foreign trade enterprises as well as the inclusion of the results in management and planning processes. Particularly welcome is the fact that more than half the members of the study group were senior cadres or scientific personnel from the market research units of combines and foreign trade enterprises. Represented were the following industries: Machine tool construction, printing machine construction, farm machine construction, data processing equipment, electrical engineering, scientific device construction, heavy machine construction, chemicals and various consumer goods sectors.

The discussion concentrated on the following key issues:

1. The incorporation of appropriate results of consumer and market research on foreign trade in the management and planning process of combines and foreign trade enterprises.

2. The organization of consumer and market research in combines and foreign trade enterprises--especially from the aspects of the productive division of labor and the evolution of various types of socialist cooperation.

As regards the first key issue it was shown that now and in future long-range conceptual efforts for the development of optimum export patterns are a requirement of skilled management in the field of foreign trade. Needed for his is long-range advance knowledge, both in the field of science and technology and in that of economics.

Drs Ebersbach, Hoffmann and Neumann (GDR) in particular explained the tasks involved here for market research. The audience was specially interested in learning that the printing industry is working on long-range product and export strategies, some of which range up to the year 2000. Indispensable here is knowledge of long-term trends in the scientific-technological field and also of the trends of user needs and the receptivity of foreign markets. Long-range market research is able to demonstrate results with regard to the last named subjects of study. Dr Stegemann emphasized that the results of market research are an indispensable prerequisite for the preparation of appropriate market introduction conceptions.

Professor Vasilev (People's Republic of Bulgaria) informed the group that, in answer to a poll conducted in Bulgaria, 150 specialists from 32 foreign trade organizations affirmed the following: The efficiency of Bulgaria's foreign trade could be raised by at least 1 percent per annum, provided market research were perfected in the system of the foreign trade enterprises, the industrial ministries and the industrial units which handle import and export transactions.

As regards the second key issue, Dr Ehrlich (GDR) began the session by presenting the following research results:

a) Regardless of the subordination of the foreign trade enterprise, it continues to carry a specific responsibility in the field of market research. This follows for one from its status as an organ of circulation, for the other from its specific information basis which is directly linked with the subordination of the external sales and purchasing organs on foreign markets to the general director of the foreign trade enterprise. This specific responsibility of the foreign trade enterprise must definitely be taken into account in the search for criteriafor the division of labor between production enterprises and foreign enterprises in the field of market research.

b) We have learned from practical investigations that the following criterion of the division of labor represents a useful orientation for practical market research: Combine enterprises/export suppliers in their capacity as producers should bear the main responsibility for technical-economic market research.

   That includes:

   -- Customer demand research, especially the analysis and forecast of the influence of scientific-technological progress on the development of customer demand and the basic consequences arising therefrom for the customer structure in foreign trade;

   -- The study of user needs or consumer habits abroad in connection with proposed new products (taking international trends into account);

-- The study of the ratio of demand for new items and replacement with regard to certain products, especially in view of the influence of scientific-technological progress;

-- The study of costs and results with regard to new products, especially with the aid of technical-economic product comparisons at international level and taking into account international price trends.

Foreign trade enterprises should bear the main responsibility for trade-commercial research. That includes the following studies:

-- Influence of the trade regime of the GDR's trading partners on the receptivity of markets for GDR products;

-- Influence of the competition on the GDR's export opportunities;

-- Influence of quality, use value features, customer service, price and various other commercial aspects on the marketability of the products.

The discussion confirmed this orientation as useful in business practice.

Dr Bayer, O. Harke and Dr Auerswald (GDR) pointed out in this connection that it will be necessary by close cooperation between theory and practice to achieve the gradually more precise definition and wider practical testing of this orientation. In the course of the discussion the relationship between "coordinating function" and "productive function" of the market research departments in combines and foreign trade enterprises received a great deal of attention. Among the speakers were Dr Auerswald, Dr Busse, O. Harke, Dr Neumann (GDR).

All agreed that the further improvement of conceptual work in combines and foreign trade enterprises calls for the discharge of both functions by the market research departments. However, an objective prerequisits is the recruitment of more personnel and more funding, whether in combines or foreign trade enterprises, so that genuine partnership relations may be developed. The discussion showed that considerable differences exist in the various industries with regard to the powers and capacities of market research departments.

Busse, for example, reported considerable powers and goods results as regards the department in the Buna combine. Similarly satisfactory results were recorded in the Farm Machine Combine, Robotron Combine and SKET Magdeburg Combine. In the combines of machine tool construction, on the other hand, the market research capacities were insufficient to develop productive partnership relations with the market research department in the Machine Tool Export-Import foreign trade enterprise.

Dr Koeppen (GDR) spoke about the experiences of the Heim-Electric Export-Import /domestic electrical appliances/ foreign trade enterprise with regard to the conclusion and implementation of cooperation agreements between the market research unit in the foreign trade enterprise and the corresponding units in the various combines. Such cooperation relations are useful for facilitating the work of management in handling cooperation between combines and foreign trade enterprises in

the field of market research. Scuccess is particularly likely when there are clear criteria of the division of labor and the definition of work assignments.

The majority of speakers emphasized that the process of combine definition under way in the GDR offers favorable prerequisites for strengthening socialist cooperation in the field of market research. Tried and tested types of such cooperation are market handling groups or temporary study groups for the joint handling of a specific research topic. Socialist cooperation in the field of joint data collection for market research has already developed in the field. At the same time some speakers warned against overemphasis of temporary study groups.

Skilled market research represents a tremendous challenge to the training of the market research cadres in combines and foreign trade enterprises. The speakers agreed that such cadres must have sound knowledge of Marxist dialectics, political economics and methodology. Consequently there was a call for steadily deepening knowledge and the passing on of experiences.

Professor Brendel, director of the foreign trade section, concluded the session by summarizing the most pertinent conference results and underlined the lines of research which will have special importance for the ongoing improvement of market research. These include:

1. The study of factors initiating future processes on the markets. In other words market research must not be exclusively oriented to current market processes, because this may lead to wrong conclusions regarding the choice of future export patterns, new and further developments and the development of efficiency. Furthermore there may be a danger of preserving arrears in science and technologies as well as obsolete foreign trade patterns.

2. The intensification of market research with respect to socialist countries. That means:

   -- A greater contribution to the preparation and implementation of such integration measures as help the resolution of the complicated problems relating to resources, patterns and efficiency;

   -- Discovery of the top international standards (scientific-technological advances, productivity, costs) by which to judge the measure of economic cooperation;

   -- Increased import market research to develop more potential integration and thereby ease the tensions in relations with the non-socialist economic area.

3. Greater emphasis on theoretical work on the status of the market in the process of socialist economic integration.

   Proceeding from the analysis of some qualitative changes in the reciprocal exchange of goods between the socialist countries, the speaker drew the conclusion that we should not speak of a "straight" exchange of goods occurring on the market and an exchange resulting from "types of integration," which occurs in part outside the market. This was justified by the argument that all goods are a

unity of value and use value; that goods produced by the division of labor also cross national borders and change ownership; that the value for these goods also is not determined by the cost of production but of reproduction, and that in socialism also the market provides the conclusion of the planned appreciation of socially expended labor. In view of the fact that market processes will continue to be highly significant for the effective realization of results from integration measures, consumer and market research is tremendously important for preparation and realization.

In conclusion the speaker dealt with the socio-economic related differences in consumer and market research with respect to trade with socialist and non-socialist countries. He suggested that it will be necessary to devote greater attention to the reciprocal relations, connections and repercussions arising from the cooperation of the CEMA member countries and their relations to capitalist industrial countries and developing countries.

11698
CSO: 2300/298

COMMENT ON WASTE, CORRUPTION IN AGRARIAN ECONOMY

Sofia KOOPERATIVNO SELO in Bulgarian 2 Jul 81 p 1

[Article by Aleksandur Aleksandrov: "Determining the Cost of Our Efforts"]

[Text] Socialist ownership is the foundation on which we are building the all-round progress of the people and the state. It is from it that we draw the interest used for our personal material well-being. Our attitude toward it, in turn, is the measure of the value we assign to personal and collective efforts and the materials we produce.

We have learned how to produce more and more. In the case of the countryside, of agriculture, we justifiably say that it is already providing food for 1.5 Bulgarias and will feed the equivalent of two Bulgarias in the near future. However, the moment we speak of the protection of socialist property, no one would dare claim that everything is going smoothly in this direction. Let us recall and admit that in the first years of the building of socialism we had a truly praiseworthy attitude toward public property. We guarded it closely. After we succeeded, the mentality of the rich beggar took over: there is plenty of everything, what if someone has loaded a cart with corn or has picked a basketful of cherries or grapes, taken a bale of hay, left a machine in the field or spent several hundred or thousand leva on guests whose number was ten times less than the sponsors of the celebration. Let us pursue this line of thinking. What if hundreds of sheep or several dozen cows have died because of poor feeding and care; what if someone is using as his private farm 10 or 20 decares of land more than he is allowed?

Let us follow the control organs along fields, gardens and farmyards. Now, when many crops are being harvested, we shall see a richer and...sadder picture. We shall see spoiled fodder, unmowed meadows, traces of wasted grain strewn from the fields to the reception centers and abandoned cases, plastic buckets, polyethylene fabrics or bags. We shall see the familiar "dear native pictures"--along the roads, one tree after another bending under the weight of the fruit and many passenger cars with uninvited pickers. Perhaps soon once again the glow of burning straw along the wheat fields will light up the darkness....

Last year, the Vinprom SK [Economic Combine] alone in Burgas gave the APK [Agroindustrial Complex] in its area 200,000 buckets, 70,000 of which were wrecked! These are 70,000 buckets at 2.5 leva each! In the first quarter of this year, in Varna Okrug, as many farm animals died as would be admissible for an entire year. In Nikolovo

Village (in the area of the Ruse APK), we are told by our correspondent in Ruse Okrug, the building of the buffalo-raising farm is so neglected that the roof and the walls may crumble on top of the animals at any time. Again in the Ruse APK not one of the 800 decares in clover has been mowed....

Recently, in the area of the APK in Kraymorie, Burgas Okrug, alone more than 800 cases of the seizure of cooperative land by private individuals were discovered. It is true that measures were taken but that was only after a few drops had turned into a flood. What kind of "exposure" is this? How can we speak of any merit on the part of managing and control organs who may discover that a brigade leader, in this case Mariya Ilieva, at the Kharmanli-Sever APK, credited cooperative farmers with 10,000 leva more than the worth of the actual work they had done in picking grapes and fruit?

It would be hardly possible to determine precisely the size of losses in agriculture resulting from waste, thefts and poor management. Whatever the case, in the final account, such losses affect us personally and are certainly equal to losses caused every year by hail and frost.

All of us could indicate many reasons for encroachments on socialist property and for its poor management and waste. However, no objective reason may be cited even when the scarcity of warehousing or shelter space is mentioned. The reason is that the losses which we could prevent within a single year would provide us with enough funds to build the necessary warehouses and the simple and inexpensive sheds.

We have three powerful weapons at our disposal with which to ensure the total protection of socialist ownership: public intolerance, strict control, and the law. However, public intolerance is being steadily made helpless by the mentality of acquisition, while control is eroded by the erroneous view shown by some that it constitutes a warning to the waste-makers, the thieves and the indifferent farmers who should settle their accounts on a "preventive" basis before investigations are started. The law, which has the final and, in many cases, the decisive say is being applied tolerantly by investigators, prosecutors and judges. A balance of the "crime-punishment" ratio in agriculture, regardless of the okrug, would indicate that indeed "nothing terrible happens" if public property is stolen or if negligence is displayed.

The time has come to seek merciless moral and material compensations and to prosecute through the courts anyone who has encroached on the public wealth or has caused its waste. Only in such a case shall we be fully entitled to speak of our socialist property.

5003
CSO: 2200/120

BULGARIAN-MADE STARTERS, GENERATORS INSTALLED IN LADA CARS

Sofia OTECHESTVEN FRONT in Bulgarian 2 Jul 81 p 1

[Article by Atanas Atanasov, Komsomol secretary at the Dinamo Machine Building Plant in Sliven: "Integration Plant"]

[Excerpt] Bulgarian generators and starters, produced by the Dinamo Machine Building Plant in Sliven, equipped 3.5 million Lada cars operating throughout the world. The plant produces 65 percent of the generators and starters used in Soviet automotive manufacturing. "The enterprise can justifiably be described as the offspring of Bulgarian-Soviet friendship and of economic integration between our countries.

In 10 years Dinamo rapidly increased its output. The VAZ plants were waiting for its output, for which reason new technology had to be mastered, highly-skilled cadres trained and the quality of the plant's output improved within an exceptionally short time. New shops were opened, highly productive machinery was procured and the people were trained to manufacture precise and complex items. In 1979 the plant produced its two millionth starter; in 1980 it produced its three millionth generator. The plant has already developed its own traditions and assumed its place in socialist automotive manufacturing.

Today the Dinamo plant is a modern and exceptionally promising enterprise totally related to Soviet machine building.

Ninety-eight percent of its output goes to the fraternal Soviet Union. The plant makes extensive use of new technologies. Its production variety is steadily expanding. Fraternal cooperation has been organized between the plant and its Soviet colleagues. Currently the value of its overall industrial output equals 35 million leva while the variety of goods produced has been increased several-fold.

Reference note:

The goods produced by the Dinamo plant come in three groups: the first is the production of generators and starters for Lada cars manufactured at the Tol'yatti plant. The second is microengines for computers; the third is a set of electric power drives for metal cutting machines. Recently the plant undertook the production of G-108 tractor generators, Perkins-type starters for the diesel engines plant in Varna, and so on. Within a single year the state saved 2.7 million leva in foreign currency from the production of microengines for computers. Over a two-year period the overall industrial output rose by 37.76 percent; within the same period labor productivity rose 24 percent.

5003
CSO: 2200/120

BRIEFS

NEW-MODEL TRUCK--Shumen, 1 July--Today the assembly conveyor belt of the Madara combine in Shumen completed its first Liaz-Madara model truck of the modified "Standard Series-100" type. The production of the truck was mastered with the help of Czechoslovak specialists. This is a new step in the fraternal integration of Bulgaris and Czechoslovakia in truck manufacturing. The new truck is distinguished by considerably changed basic units and assemblies. Its higher technical standard is consistent with contemporary truck models. It is a semi-trailor with a 25-ton freight capacity. It has a powerful 289 horsepower engine and the driver's cabin is comfortable and entirely redesigned. [Text] [Sofia OTECHESTVEN FRONT in Bulgarian 2 Jul 81 p 1] 5003

CSO: 2200/120

MINISTER DISCUSSES ADVANTAGES OF COGENERATION

Prague HOSPODARSKE NOVINY in Czech 31 Jul 81 pp 8-9

[Article by Eng Vlastimil Ehrenberger, Candidate for Doctor of Science, CSSR Fuel and Energy Minister: "Contributions Proportionate to the Difficulty; a Well-Thought-Out Conception for the Development of Centralized Heat Supplies Has Become Essential"]

> [Text] In the CSSR, just as in all economically advanced countries with similar climatic conditions and developed industry, most primary resources--about 40 percent--are consumed in the form of heat. The centralization of heat production at large facilities makes possible a saving of about 10 percent of total fuel consumption, in comparison with decentralized production. Cogeneration of heat and electricity in the heat-production cycle makes possible an additional saving of 15-20 percent, in comparison with the separate generation of these forms of energy in the usual facilities. From this it is clear that heat generation is again becoming one of the important components of broadly based and coordinated efforts aimed at reducing the consumption of fuels, especially heating oils, and at increasing the efficiency of energy utilization.

In the current situation, as well as over the long term, and in view of the limited supplies of primary resources, the political consequences of heat generation and its influence on the environment, this entire issue is becoming not only a matter of the efficient use of fuels, but also a necessity and, basically, the sole possibility for assuring a supply of heat for industry and the population.

Providing supplies of heat represents a serious problem from these viewpoints and ways are therefore being sought to provide the most efficient possible resolution. The advantages provided by the centralization of heat sources and, especially, of cogeneration facilities from both an energy-related and economic viewpoint have led to the intensive development of such facilities in a number of countries, both in extent and technical aspects.

Cogeneration facilities are the most extensive in the USSR, where more than 800 cities are supplied from cogeneration plants, and where the largest systems for providing centralized supplies of heat have been built. For instance, Moscow is supplied from 14 cogeneration plants with an installed electrical energy capacity of roughly 6,100

megawatts and from a number of heating plants. The overall heat output of the system is more than 24,000 megawatts; the length of the primary network stretches more than 3,500 kilometers. Its technical sophistication is characterized by the use of 250-megawatt cogeneration turbines. One-third of the output of all thermal power stations in the USSR comes from cogeneration sets, a fact which has a significant influence on the achievement of low specific fuel consumption in electricity generation. This technical sophistication is also characterized by work leading to the utilization of nuclear energy for providing heat supplies.

The advantages of planned management have also been utilized for the development of cogeneration in other socialist countries, and especially in Poland, Romania, and in the GDR. Centralized supplies of heat and the cogeneration of heat and power is also developing in capitalist countries, where it is being met with stiff competition from other techniques. It is most widely used in Denmark, where only combined sources may be built, i.e., cogeneration plants or electric power plants with an additional heating capability. The energy crisis has sharply strengthened interest in cogeneration in recent years. Existing systems for supplying large cities and entire agglomerations are, therefore, being developed further and new ones are being built. Recent examples include Helsinki, Stockholm, Mannheim, Heidelberg, Ruhr-Mitte, etc. On the other hand, minicogeneration plants are also being constructed, outfitted with internal combustion engines, and supply a selected area with heat and electricity (unit cogeneration stations or total energy systems). This indicates that all possibilities for the utilization of the combined production of heat and electricity are currently being studied and implemented throughout the world.

Overall, a tendency is currently predominant to create large economic systems, at the same time that even reconstructed condensation power plants are being used for the delivery of heat. In the future, a shift to the use of nuclear energy is being heavily counted upon. In France, for instance, all the nuclear facilities so far constructed have the built in capacity to use 10 percent of their steam output for the delivery of heat. The first nuclear power plant providing a large amount of heat is the Gosgen plant in Switzerland: it supplies a papermaking factory, located 1.7 kilometers away, with steam (80 tons per hour). Plans also exist for the transfer of heat output equalling 2,000 megawatts from a nuclear power plant to Stockholm, a distance of about 135 kilometers.

Attention is also being devoted to the utilization of wastes as fuel, under which systems incinerators as a rule will function as sources of heat for the heating network. There are also thoughts of linking nontraditional resources into the cogeneration system. There are great expectations as well for systems designed with a view to process regulation, and which are therefore outfitted with automated systems for the direct control of the recipient facilities or the transmitting stations, which will have great impact on the conservation of thermal energy.

We Have Lacked the Requisite Pace

Cogeneration in the CSSR, the beginnings of which go back to 1928, has a long tradition, and has been at the head of worldwide technical development during certain periods and within certain sectors. For its time, the Brno system was large and technologically advanced. The Holesovicka cogeneration station in Prague occupied first place worldwide with its boiler pressure of 13.0 megapascals. At the Usti nad Laben consumer interchange stations, successful use was made of power limiters which made the operation of the whole system more efficient.

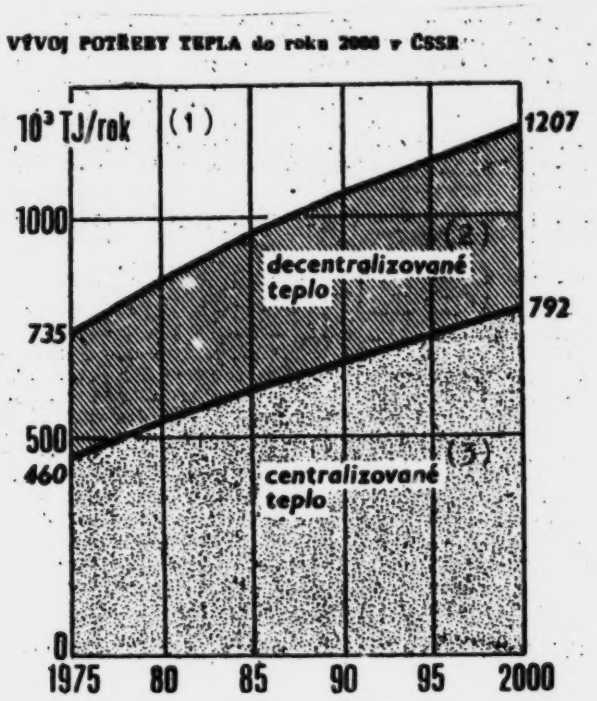
The real boom in the centralized supplying of heat began in this country, however, after World War II. A number of systems were built to supply entire agglomerations. An example of these is the system in the Ostrava-Karvinska region, which is the largest in Europe outside the USSR. Likewise, on the research and development side, we have developed a number of progressive pieces of equipment and technical components. Czechoslovak cogeneration turbines have even been successfully used abroad. As early as 33 years ago we were experimenting with the channelless design of heating systems; regulators were designed for consumer interchange stations and for long-distance measurement and indication of the condition of a heating network. More than 20 years ago we developed an original apartment thermostat, but we are still waiting for it to be introduced into apartments. Recently, computational analogs of thermal networks have been developed, and the first cogeneration plant dispatcher constructed with the use of collective remote control.

Nevertheless, the spread of cogeneration, utilizing for the most part our low-quality coal, was significantly limited in the period of optimistic waiting for sufficient liquid and gaseous fuels. This caused the existing cogeneration systems not to develop at the requisite pace, and a failure to assure the renewal of vanishing resources. At the same time, possibilities for the construction of new, centralized, that is, heating and power systems were far from fully utilized and the construction of smaller sources was permitted, especially of unit boilers for enriched fuels. Nor was provision made for the production of the necessary components and equipment for the centralized supplying of heat, including regulational and measuring equipment.

A Number of Advantages

To date, the idea of the general usefulness of cogeneration and of deliveries of heat overall has been very difficult to incorporate into our planning process, despite the fact that the provision of supplies of heat is an essential condition of life for the population. An interruption in heat deliveries always results in significant dissatisfaction, economic damage to industry and in its totality thereby also influences the political sentiments of a given area. At the same time, cogeneration systems are always of a local character, and there is no significant possibility of assistance for them from territorially distant sources. Systems for the centralized supply of heat are not linked in a countrywide or international system such as exist for electricity and gas. With this in mind, we must reevaluate very rapidly our approach to cogeneration and provide it with a proper conceptual focus. Furthermore, we may no longer permit a situation under which questions of heat supplies are resolved as regional questions. The necessity for this stems not only from our fuel and energy situation, but also from ecological effects and other causes. In view of the significance and seriousness of providing a supply of heat, the choice of an overall conception and technical solution is a task of fundamental significance for the entire national economy. It is primarily a matter of the proper management of the line between centralized and decentralized supply. The attractions of the centralized method include greater equipment efficiency, i.e., lower consumption of fuel and the possibility of utilizing lower quality fuels, the suppression of the unfavorable influences of heat sources on the environment and labor force conservation.

Figure 1. Development of Heat Needs in the CSSR, to the Year 2000 (in thousands of thermal units per year)



Key:
1. thousands of thermal units per year
2. decentralized heat
3. centralized heat

The possibility for reducing the consumption of heating oils and replacing them with domestic coal is of fundamental significance given the new fuel-supply situation. It means in essence that we must once again return, in the area of heat generation as well, to fuels available to us, above all to lesser quality coal. The overall tautness of the fuel balance, however, calls attention to another attraction of centralized supply, i.e., that after the construction of large systems, the possibility remains of shifting to nuclear energy to supply heat. Centralized supply, however, places more difficult demands on careful planning preparation and on overall conceptual and technological resolutions.

If the attainable advantages of centralization in supplying heat are to be fully utilized, a cogeneration system must be comprehended as a component which in a fundamental way contributes to the formation of the whole area and its organization from the viewpoint of urbanization and the location of industry. It will be necessary to change current practice, under which energy generation has been placed before the task of supplying a given locality with heat, sometimes under very difficult conditions. At the same time, measures on the side of heat consumption may not only create favorable conditions for the implementation of centralized supplies, but also

contribute an important societywide effect. For these reasons, the provision of a supply of heat and an appropriate technological solution must never be conceived as a passive, but as an active element in the planned arrangement of the appropriate localities and of entire areas.

Resources in centralized systems are more efficiently utilized in relation to their output than resources used in decentralized systems. This difference is sufficient to more than compensate for heat losses which arise in the heat networks of centralized systems. In addition, the qualifications of service personnel have an important influence. It has been shown, for instance, that poor service of apartment house boilers can lead to an increase of about 20 percent in yearly fuel consumption, not even counting the other losses which arise in this type of equipment. Centralized supply not only requires quality service personnel, but the relevant equipment must be outfitted to a much greater degree with measurement and regulational technology. Centralization also has a favorable effect in that it reduces the number of employees required for service and equipment maintenance, because the number of boilers and other equipment declines with an increase in their size.

Centralization also has a favorable effect on the cleanliness of the environment, which is without doubt an important issue today. Centralized heat sources are always situated away from centers of consumption and are equipped with higher smokestacks and scrubbing apparatus for flue gases. During the cogeneration of electricity and heat there is a significantly reduced quantity of emmissions. In comparison with supplying the same amount of heat from decentralized facilities and electricity from condensational power plants burning the same fuel, the quantity of emissions is reduced by 20 to 50 percent at centralized facilities. Cogeneration facilities set up for the long-distance transmission of heat are located still farther from cities, so that there is practically no effect on pollution levels above the city being supplied. A fine example of this is the radical improvement in air quality, characterized by reduced concentrations of sulphur dioxide (SO_2) in various cities which was achieved by the development of supply through cogeneration. Centralization and, in particular, supply through cogeneration also significantly reduces the difficulties caused by the distribution of fuels to smaller, decentralized facilities, and the removal of ashes.

In recent years there has been a yearly decline in the heat value of our brown energy coal of roughly 1 percent, which is the result of the composition of the extractable fuels. This reality is forcing the modification and rebuilding of electric power plant boilers and other equipment. This is creating the possibility of also utilizing this reconstruction to modify the power plants for the generation of heat. This trend is favorable not only from the viewpoint of fuels, but also for conserving investment resources and eliminating difficulties in finding new, appropriate building sites for energy facilities. It is possible to say that all power plants, to the extent that they are appropriate from a technical viewpoint, will also be utilized gradually to varying extents as sources of heat. This is causing the former sharp distinction between heating plants and condensational power plants to blur.

Advantages of Regional Systems

Because electric power plants are customarily far from the largest cities, it is necessary to build long-distance thermal feeder lines to transmit the heat. This is the way that the more extensive parts of a system for the centralized supplying of

heat are put in place. And clearly, additional localities within the area gradually hook up to these systems. In regional systems, the importance of coordination of the intentions and requests for heat individual consumers becomes most important. This coordinating activity must be based on societywide viewpoints, must respect the intentions and the requests of sectorial plans, the ecological and raw-material potential of the surrounding territory and the most efficient possible technical resolution.

Regional systems have important advantages but require the transmission of heat over greater distances and the construction of long-distance thermal feeder lines. This places great importance on the task of optimally resolving the design of such a system in terms of the utilization of all appropriate existing resources, including an efficient configuration for the transmission and distribution of heat. Heat transmission over longer distances and the construction of thermal feeder lines is, of course, a costly affair. A comparison with another solution, i.e., the construction of local cogeneration facilities, shows, however, that long-distance heat transmission is more cost effective. The construction of new facilities with all of the necessary equipment is, you see, always more costly than bringing the heat to a specific location through a long-distance feeder from an existing facility, even if it has been rebuilt.

The appearance of large, regional systems for the centralized supplying of heat must also be comprehended as an essential step toward the utilization of nuclear facilities for heat deliveries. Nuclear sources, whether they be electric power stations or heating plants, have a large thermal output, and to make use of it, it is necessary to have a sufficiently large and prepared system composed of facilities operated with fossil fuels which can fulfill the role of peak-load generators.

But this trend toward the development of large regional systems in no way means the end of small, isolated systems, which still must be constructed and used in those areas where the conditions for large systems do not exist. Small systems are a typical case in which direct sectorial cooperation could and should be implemented. A good example would be the delivery of heat from a factory power plant or heating plant to neighboring factories, settlements and towns. For this reason, it is not only proper fully to support an interest by factories to use their heating plants for deliveries of heat to the immediate area, but it is even necessary to insist on this action from them, as is done abroad.

Principles of a Long-Term Policy

A solution to these issues, however, has so far foundered on organizational fragmentation and an ambiguous designation of the responsibilities of organizations sharing in the provision of a supply of heat. As a result, construction has so far been limited to a large extent to decentralized, provisional and replacement sources of heat, for the most part designed for enriched fuels. So far there has not been a pooling of the investment resources of various sectors for economically efficient centralized supply. This in turn has made it impossible to utilize to a larger degree the advantages of a coordinated resolution of the heat supply problem, the cogeneration of heat and electricity, or to achieve significant savings of fuel or employees, or make improvements in the environment.

For this reason the CSSR Government, in Resolution No 130, 31 May 1979, approved the principles of a long-range energy policy in the area of the construction and operation of equipment used to supply the national economy and the population with heat. The following aspects of this resolution bear emphasis:

--Beginning in 1981, the fuel and energy sector will methodologically and conceptually administer the development of the centralized supply of heat in the CSSR.

--In individual localities, the Federal Ministry of Fuel and Energy [FMPE], and organizations authorized by the FMPE, will issue binding guidelines for the purposeful centralization of heat sources without regard to the sectorial membership of operators and consumers.

--The development of centralized heat supplies may be realized only on the basis of specifically targeted energy projects and thermification studies which will periodically be brought up to date and made more precise. The final approval of the thermification studies and the appropriate parts of the specifically targeted energy projects rests with the FMPE.

--National committees organize the pooled capital investment in equipment for the centralized supplying of heat in accordance with the approved targeted energy projects and thermification studies, in support of which the State Planning Commission will create the conditions in the state plan in terms of allocating investment resource and fuel constraints, as well as from the viewpoint of essential conditioning investments, all of course in accordance with the possibilities of the national economy.

--The FMPE and its authorized organizations will provide methodological and technical assistance to the national committees during the preparation for the construction of equipment for centralized heat supplies.

--The administration, operation, and development of cogeneration equipment outside the fuel and energy sector will be assured by the current administrators themselves; the final position regarding the size of installed electrical capacity and the use of facilities for supplying additional consumers in the region with heat in accordance with the electrification law will be given by the FMPE or one of its authorized organizations.

--The FMPE and its authorized organizations will see to the administration, operation and development of equipment for the centralized supplying of heat, which belongs under their authority, and in new locations to an extent determined by the state plan.

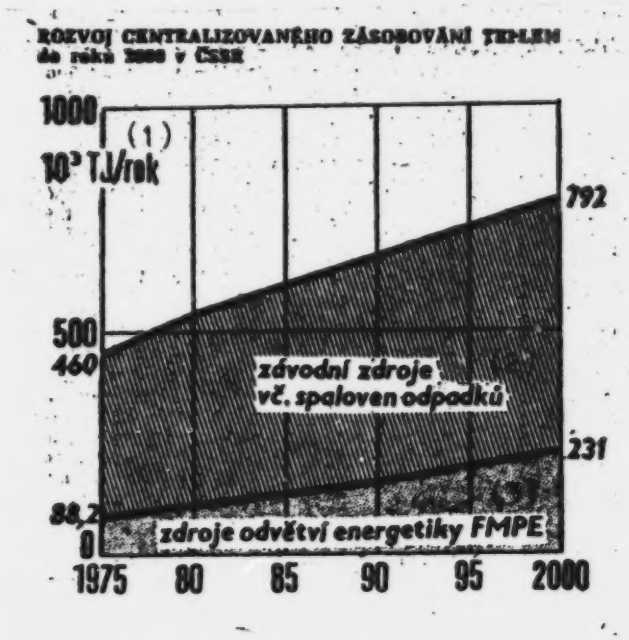
To aid in the implementation of these principles, the CSSR Government approved, in its Resolution No 384, 27 November 1980, "Guidelines for the Methodological and Conceptual Management of the Development of Centralized Heat Supplies," in which a precise approach is established for assuring coordinated development. At the same time, a CSSR Government Commission for resolution of the issues connected with the smooth supplying of the national economy with fuels and energy assigned the FMPE the task of preparing a draft law concerning the provision of heat, and presenting it for discussion prior to the end of 1982. This task is already being intensively worked on.

In addition, the CSSR Government assigned the FMPE the function of accounting manager for thermal energy. This function will likewise be discharged without regard to sectorial influence and will become an important element of consumption rationalization and in the use of thermal energy and the primary fuel base generally. It will also interact with the methodological and conceptual management of the development of the centralized providing of heat in the CSSR.

New Resolutions Are Being Sought

The formulation of a draft law concerning the provision of heat has particular significance, because in this area there does not exist a comprehensive legal modification similar to the legal modification in the area of the production, distribution and consumption of electricity (Law No 78/1957, Laws of the CSSR), or in the area of the production, distribution and utilization of heating gases (Law No 68/1960, Laws of the CSSR). Only with the enactment of this law will the entire area of the provision of heat reach the same level as electricity and gas. The objective of the modification

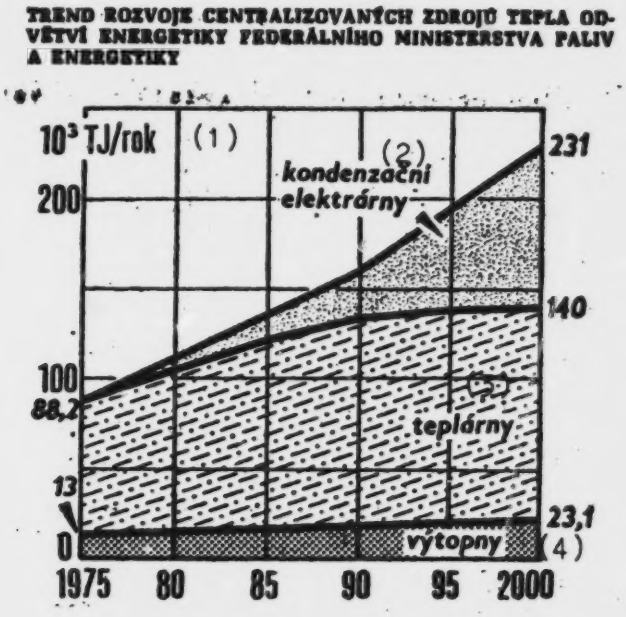
Figure 2. Development of Centralized Supplying of Heat in the CSSR to the Year 2000



Key:
1. thousands of thermal units per year
2. factory sources, including incinerators
3. Facilities of the energy branch of the FMPE

will be the satisfaction of planned heat requirements for heating, ventilating, cooling, air conditioning, the preparation of thermal service waters, and for technological processes in which heat is directly used. The goal, then, will be the achievement of maximum conservation both in the area of sources and transmission of heat, and in the area of its consumption and rationalization. The construction and hookup of uneconomical heat consumers will not be permitted.

Figure 3. Development Trend of Centralized Heat Sources in the Energy Branch of the FMPE



Key:
1. thousands of thermal units per year
2. condensational electric power plants
3. heat and power plants
4. heating plants

The formulation and promulgation of a law requires, however, a longer period of time. Therefore, until this time it is necessary to see to the consistent fulfillment of the guidelines for the methodological and conceptual management of the development of the centralized provision of heat approved by CSSR Government Resolution No 384/1980. Within the framework of the fulfillment of these objectives, a set of binding technical and economic indicators has already been issued for the centralized supplying of heat, a methodology for accounting for heat requirements and their coverage in individual systems, a technique for formulating developmental thermification studies and guidelines for a rational operational system, and for maintenance of the heat-generation facilities and the thermal network. Moreover, a design has been submitted to the Presidium of the CSSR Government for modifications of the equipment for the centralized supplying of heat; the Government Presidium approved this with Resolution No 191, 4 September 1980.

A basic component of the system for the methodological and conceptual management of the centralized supplying of heat in the CSSR are the regional concern centers of Czech Energy Plants and Slovak Energy Enterprises. In conjunction with the appropriate divisions at the general directorates and specialized division at the FMPE,

a unified line of conceptual and methodological management is formed without regard to the sectorial influence of operators and investors. The implementation of all these measures opens the possibility for really solving the heat-supply problem at a new organizational and technological level. This follows also from the necessity for seeking new, progressive solutions which are governed by the following conditions:

--fuel consumption for heat generation exerts a major influence on primary energy-resource accounts;

--the current and prospective primary energy-resource balance rules out the development of a heat-supply network on the basis of enriched fuels, aside from the fact that there will also be a shortage of the better solid fuel mixtures;

--ecological considerations dictate that heat-generation facilities burning lower grade coal be located at a distance from consumption centers;

--a need has become evident for supplying larger cities from multiple sources, with all the units linked into a common heat and power system with the parallel operation of facilities controlled from a heat- and power dispatching center;

--future construction of major heat- and power-generation facilities, both classical and, especially, nuclear, will require large, integrated heat- and power-generation systems.

An Uncompromisingly Outlined Direction

The FMPE, in its long-range program for the development of the centralized supplying of heat, respects the conditions of our fuel and energy base and the necessity for resolving heat sources in such a way as to realize the greatest possible fuel savings. We are, therefore, giving absolute priority to the cogeneration of heat and electricity, which means that the heating-plant method of assuring heat supplies will gradually become the exception, over the long term.

Along this line, we will continue to insist uncompromisingly on the proper design of heat sources throughout the national economy. At the same time, we will construct classical heat and power stations and, in some cases, heating plants, only in those locations where it is not possible to assure a supply of heat from nearby condensational power plants. During the Seventh Five-Year Plan, we want to begin the construction of heat sources for a part of Prague (Malesice III, Treboradice III), for Ostrava (Trebovice IV), for Usti nad Labem (Trmice IV), for Brno (Cerveny Mlyn), for Ceske Budejovice (Vrato), for Prerov (boiler 4), for Martin (IV), for Kosice (hot-water boiler 4), and in addition, to begin the construction of heat and power plants for Tabor, Gottwaldov, and Zvolen toward the end of 1985 and the beginning of 1986.

The conversion of condensational electric power plants to heat and power operations has become a fundamental conceptual direction in the assurance of centralized heat supplies. This direction presumes that the basic heat will be provided from the system of electric power plants, initially coal-fired and subsequently nuclear. Transit heat pipelines capable of transmitting thermal energy over great distances to regional thermification systems will constitute the basic component. At the same time, priority will be given to those hot-water systems which are feasible. It will be necessary gradually to convert steam systems to hot water, or at least not expend their use.

This basic long-range direction follows from the conditions of our fuel and energy base, which is characterized by a lack of enriched and solid fuels appropriate for burning at large urban and industrial agglomerations.

An essential precondition of this design, however, is implementing the participation in this capital investment in the form of associations of those sectors requesting heat. This issue has been in the past and will continue in the Seventh Five-Year Plan to be the most problematical of all.

The conversion of condensational electric power plants to heat and power operation will apply most of all to older electric power plants, which are already not desirable from the viewpoint of the electrification system, and which have finished their useful life. Their equipment is fully depreciated from an economic viewpoint, but with renovation is suitable for further operation to produce heat. Conversion will be undertaken at newer electric power plants in those instances when it is economically favorable to use them for the above purpose.

The realization of this conversion program is designed to result in annual fuel savings by 1990-1995 of 1 million tons of standard fuel, about 50 percent of which will be enriched fuels which may then be used in other localities where it will be impossible to use any other type of fuel.

We are expecting to initiate conversion projects during the seventh and eighth five-year plans in the following areas: Melnik-Prague, Chvaletice-Kolin, Tisova-Sokolov, Komorany-Chomutov, Ledvice-Teplice, Opatovice-Pardubice, Porici II-Janske Lazne, Detmarovice-Havirov, Hodonin-Hodonin, Bohunice-Trnava, Novaky-Prievidza, Temelin Nuclear Power Plant-Ceske Budejovice, Tisova-Cheb, Prunerov-Chomutov, Pocerady-Louny, Mochovce nuclear power plant-Levice. Other possibilities are being studied.

The investment requirements of this program are imposing, but the payback periods are, on the average, favorable for these projects, averaging 3.6 years. At the same time, the investment intensiveness is fully comparable to that of the decentralized method of construction of generation facilities for heat, yet is more favorable. Likewise there arise needs for increased deliveries of piping materials for the long-distance heat pipelines and for water treatment plants. Along these lines, we must modify the supply capabilities and the product mix of our engineering industry. The consumption of metals is comparable to that required by other means for assuring a supply of heat, because demands decline for the construction of local generating facilities.

Figure 4. Production of Centralized Heat in Individual Sectors in 1985. (draft of Seventh Five-Year Plan)

(in thousands of thermal units per year)

	CSR	SSR	CSSR
Total Heat Production	427.8	192.6	620.4
composed of:			
production from fuel in generation facilities	401.5	163.3	564.8

FMPE	130.2	34.9	165.1
Federal Ministry of Metallurgy and Heavy Engineering	62.4	27.4	89.8
Federal Ministry of Machine Building	26.9	13.3	40.2
Federal Ministry of Electric Power Enterprises	7.6	3.6	11.2
Federal Ministry of Transportation	6.2	1.4	7.6
Ministry of Industry - CSR	115.0	-	115.0
Ministry of Industry - SSR	-	61.6	61.6
Ministry of Building - CSR	13.9	-	13.9
Ministry of Building - SSR	-	5.5	5.5
Ministry of Agriculture and Food - CSR	34.2	-	34.2
Ministry of Agriculture and Food - SSR	-	13.6	13.6
Other (National Committees)	5.1	2.0	7.1
Secondary Energy Resources	25.1	21.8	46.9
Production from nuclear fuel	-	1.2	1.2
Production from other sources	1.2	6.3	7.5

During the 7th and 8th five-year plans we will make progress in the use of nuclear sources for supplies of heat, and nuclear generation should exert a significant influence on this area in the 9th and 10th five-year plans. We are dealing here with nuclear power plants with an offtake of heat and with nuclear heating plants which will be constructed in areas where it is not possible to provide for heat from

nearby classical or nuclear electric power plants. The era of utilization of the atom for providing supplies of heat has already begun with the construction of the thermal feeder line from Bohunice to Trnava, and will continue with the utilization of the nuclear power plants at Temelin and Mochovce. The first nuclear plant is planned for the Ostrava and Karvina region, with construction to begin in the Eighth Five-Year Plan.

A lack of appropriate fuels, the taut investment situation and, on the other hand, increasing demands for supplies of heat and ecological pressures are combining to make the supplying of heat one of the most complicated and demanding tasks confronting our energy industry at this time. In conjunction with nuclear energy, we are dealing with a complex of extraordinary tasks which place high demands on the managerial and organizational abilities of the FMPE. The fulfillment of this task requires, therefore, the efficient and purposeful cooperation of all sectors which are affected by these objectives.

Large demands will be placed on the producers of equipment for the centralized supplying of heat. They must be concerned not only with the assurance of the requisite deliveries and product mix, but also with improvements in the equipment and apparatus which is produced. Differences between needs and requirements for heat and the possibilities inherent in the fuel and capital investment accounts may be moderated only by a thoroughly thought out design, the most technically sophisticated implmentation possible and the efficient management of operations. The mastery of the current difficult situation also requires intensive efforts in the areas of heat consumption, a reduction in demands for deliveries, reduced heat loss in buildings through improved construction and limitations on demands for heat for technical processes by improving them and rationalizing their management.

The proper measurement of heat consumption also has an important influence and can favorably influence attainable savings of heat and, therefore, fuel.

The development of centralized heat supplies, including the assurance of economical heat consumption throughout the national economy represents, in the aggregate, an unusually extensive and difficult task. The contributions which will stem from the implementation of the program for the development of centralized heat supplies for the national economy are, however, proportionate to the difficulty of the task. The above conception of this development has, therefore, become essential in view of the current and prospective fuel and energy situation of our country.

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PROSECUTORS TO GIVE GREATER ATTENTION TO ECONOMIC CRIMES

Violations by Plant Managers

East Berlin NEUE JUSTIZ in German Vol 35 No 2, Feb 81 pp 54-56

/ Article by Dr Harri Harrland, deputy general prosecuting attorney of the GDR: "Consistently Implementing the State Prosecutor's Control Over Adherence to the Law"/

/Text/ The approach to the Tenth SED Congress is characterized by the initiative and creativity shown by millions of working people in our country in the implementation of the policy decided by the Ninth SED Congress for the welfare of the people. This policy corresponds to the nature of our workers and farmers state which thereby guarantees its citizens a decent life: A life without exploitation and crises, where nobody fears for his job, where everyone is needed and enjoys satisfactory prospects.

This atmosphere of security and the creativity of the people calls for a high standard of socialist adherence to the law and justice. This humanistic achievement, an essential feature of socialism, must be nurtured and further expanded, because the greatest possible public confidence in the law, justice in all matters, whether major or minor, is the inevitable condition for the further organization of the developed socialist society.

Arising therefrom are, among others, higher demands on the state prosecutor's general control over adherence to the law, which has always been an important state guarantee of the uniform administration of justice in the socialist society. It will be necessary to increase its contribution to the development of socialist behavior and the realization of the rights and duties of the citizens.

Requirements for the Further Improvement of the Efficacy of Control

It is an important concern of the general control over adherence to the law also to encourage the socialist civic and legal consciousness of the citizens and help develop their appreciation of the fact that this is a significant task for all organs of the party, the state and the social organizations.

The more profoundly the leadership forces in particular in the state and economy manage to understand the nature of socialist law as the expression of the power of

the working class and the policies of its Marxist-Leninist party, the more persuasively and uncompromisingly will they champion its exact realization. The more clearly they comprehend the law as an instrument of our state for the enforcement of objective social inevitabilities, the more conscientiously and inflexibly will they guide their daily lives by its criteria.

In this context it is the task of the public prosecutors in their operations fully to respond to the greater challenges to the consolidation of state discipline in the 1980's. It is imperative in all offices to make the general control over adherence to the law a solid element in the public prosecutors work, and to ensure its growing social efficacy. Without a doubt control efforts have lately increased, especially legal educational work in the actual enterprises. However, we must not be complacement. Both from the aspect of the scale and the quality of the general control over adherence to the law wide differences in standards still persist between various districts and some kreises. That must not continue. Especially the public prosecutors in districts and kreises should increase their efforts to ensure that the legal responsibilities involved here are fully observed.

To show that we are able to cope with the great challenges of the 1980's we must keep in mind mainly two related issues: First the quality of our control measures, secondly their strict application in offensive conflict with all persisting types of the underestimation of the law.

As to quality, we will have to be more careful for our protests and other control acts to be politically well founded and legally accurate, strictly related to the matter in hand as well as clearly and comprehensibly worded. At times, for example, offenses against legal duties are not concretely enough described but kept too general or, occasionally, replaced altogether by general political agitation. Concreteness and legal accuracy, though, are the essential prerequisites for the addressee to arrive at the proper conclusions. Sometimes protests and suggestions still tend to be verbose and moralizing. That harms their efficacy. "Brevity is the soul of wit" is a basic rule quite apposite in this field also, a command of rationality, in other words it is common sense. To give an example: To demonstrate clear legal criteria it is quite unnecessary to cite every single pertinent legal provision.

In this context we will have to give greater weight to instruction and control as well as to further education.

Greater efforts are needed in order to actually enforce that which state prosecutorial control is meant to enforce, so to raise our efficacy that illegal situations are in fact corrected and more effectively prevented in the future. It is incompatible with the with the growing demands on adherence to the law that in some areas the same offenses are censured over and over again without any real change in the situation occurring. Here the public prosecutor must act far more resolutely and decisively.

Admittedly, there are already evident efforts to ensure that offenders are called to account either materially or by disciplinary proceedings, but generally they do not yet meet the requirements and possibilities. Just because of the specific educational effect more resolution will have to be displayed in this respect.

We will continue as per plan to strengthen and improve general control over adherence to the law mainly by way of criminal procedure. Untouched thereby is the legal obligation of the public prosecutor to follow up all indications of offenses, even if there is no connection with crimes. That holds true most particularly for the assurance and strict enforcement of the rights and duties of citizens.

To realize the meaning of socialism means to do everything possible for the welfare of the people. In this connection the party of the working class does not admit any doubt that the rise in the growth rate of the economic capcity beyond the hiterto customary extent is the key to the steady pursuit of the policy of the main task in the unity of economic and social policy.

As far as politico-ideological work is concerned, it is vital in all essential matters to specify the contribution of the public prosecutors offices to the smooth advance of the national economy and show how to organize it more effectively by the realization of the unity of criminal prosecution, general control over adherence to the law and publicity. The challenging economic targets not only call for the further development of creativity; they also require the strict observance of the law by all working people, especially managers, in order to prevent any waste of public property, to conserve and defend everything which has been earned. Here we must remember that, in the conditions of exceptional challenges to economic performance, demands on managers also grow insofar as they must resolutely orient their decisions and measures to total societal interests on the basis of the laws and other legal regulations. More than ever must we now call upon our managers to consciously observe legal regulations even when dealing with difficult problems.

Politico-Ideological Work for the Further Strengthening of Adherence to the Law

Even more resolutely, in particular, must we discover and prevent with even greater revolutionary intolerance any infringements which encourage crims against socialist property and the economy. It is unacceptable for negligence to be tolerated even in cases of serious crimes against public property.

In order further to strengthen state and labor discipline we must resolutely proceed against infringements which are a reflection of mismanagement and sloppiness. Control over adherence to the law should help on the one hand to inspire politico-moral debates on the attitude to socialist property, on the other hand resolutely ensure that the property of the people is better defended from the management side, and that effective measures of reporting and supervision are enforced. It will certainly be necessary more severely to intervene in cases of illegal individual and collective selfish efforts which, by their very nature, reflect disregard of total societal interests.

Politico-ideological education must emphasize persuasive opposition to certain superficial "arguments." Some managers think, for example, that adherence to the law may involve disadvantages in the matter of materials acquisition, that--given the manpower situation--economic benefits must outrank the observance of legal regulations, or that the strict implementation of the laws hinders plan fulfillment. In the debate with such antisocial modes of thought we must not leave any doubt that our socialist society cannot allow anybody to resolve his problems against the interests and at the expense of society. Whenever at this time the economy, the

the main task, economic utility and adherence to the law are alleged to oppose one another, this is usually a sign of enterprise egotism and always implies a lack of total economic modes of thought. Actually there is no such opposition.[2] After all, involved here is adherence to not just any law but to our socialist law. This genuinely serves the united realization of socialist policies, not least our economic policy. That is why it is imperative consciously to handle general control over adherence to the law as an efficient resource in the struggle against those approaches to central issues, which are confined to enterprise or local help, and to help assure the observance of the interests of the nation and the people as a whole.

The creation of a general climate of intolerance to all infringements, administrative, safety and disciplinary offenses must continue to be a major concern of politico-ideological efforts for the consolidation of adherence to the law. In the economy this must be coupled with the consistent enforcement of the principle of the inviolability of socialist property.

On occasion, due to misunderstood tolerance, managers in the economy fail resolutely enough and without regard for the persons involved to penalize offenses against the law and against discipline. Some indeed consider it "hard line" to resolutely insist on disciplinary or material responsibility. However, let us make this perfectly clear: Socialist education is unthinkable without a general climate of intolerance to any behavior injurious to society. Whenver, for instance, it is not a matter of course for offenders to be held materially responsible as per the legal regulations for any damage caused to socialist property, such a climate will hardly flourish. Consistence in the application of legal remedies is indispensable for the further definition and victory of the socialist lifestyle.

Refuted by socialist practice is the "argument" that a resolute reaction to and punishment of offenses against the law and discipline is liable to encourage labor turnover. In the working class especially a genuine need for efficient smooth flowing production, for secure, uninterrupted and creative work, is steadily coming to the fore. "Precisely those enterprises where order, discipline and safety are highly valued are able to retain their work force."[3] That is also a proper principle for the work of the public prosecutors.

Work and enterprise collectives whose projected output meets the great challenges of the 1980's are now turning more and more against obstructions and defects. This growing intolerance of offenses, of idleness and other infringements of work and state discipline, reflect a profoundly healthy and satisfactory climate which must be encouraged by fully responding to the management responsibilities for the enforcement of adherence to the law, to order and safety.

In order to strengthen the emphasis on the general control over adherence to the law it will be necessary to carry out appropriate subsequent checks. Of course such checks are not possible nor needed in all cases. However, where violations were serious--especially in cases were serious crimes against socialist property were made possible and even facilitated--a thorough subsequent check must certainly be carried out after some time has elapsed. This offers a field of operations especially to the departments for the control of adherence to the law at the prosecutors offices at district level. They should be regularly employed on such checks.

We will then at the same time obtain suitable points of departure for regular investigations by the prosecutors offices as provided in article 30 paragraph 1 sentence 2 StAG /public prosecutors law/. These are also necessary in order to achieve even greater preventive efficacy.

Lastly to be better used are the opportunities offered by the general control of adherence to the law for causing superordinated state and economy organs more conscientiously to carry out their own checks of subordinate facilities. District public prosecutors should increasingly direct their attention to this issue also. To do so they need to pursue an appropriate operational link with kreis public prosecutors, especially in cases when their warnings are not adequately taken to heart.

The Effective Organization of Public Prosecutorial Publicity

The improvement of the efficacy of the general control of adherence to the law calls for the appropriate public appearance of the public prosecutor. Much depends on our ability to conduct the critical dispute with underestimates of the law wherever that is shown to be necessary. We therefore need even more resolute efforts "on the spot," so that all concerned may maintain the proper attitude to offenses, and nobody is allowed to "get around" this.

Insofar more efforts are required in the 1980's for improving the politico-ideological efficacy of our work. This includes stronger opposition to unsocialist attitudes and behavior which mean, in particular, phenomena such as selfishness and greed, exaggerated consumerism as well as petit bourgeois considerations of prestige and boastfulness. We must resolutely proceed against any influences amounting to the dismissal of the ideals and value concepts of the working class, to disregard of socialist rules of behavior.

We have always interpreted the publicity work to be done by public prosecutors a firm element of the comprehensive political work with the masses, organized and carried out by the party of the working class. Now it will be necessary to incorporate our efforts even more effectively and responsibly in this work of ideological education. It is vitally necessary "further to raise the socialist consciousness of the broad masses, actively to develop their Marxist-Leninist ideology and communist ethic," further to strengthen their civic and legal consciousness, so that "the kind of social life and individual behavior characteristic for the developed socialist society may become more and more marked in all spheres of life."[4]

In accordance with the specific nature of his function this contribution by the public prosecutor must consist mainly in initiating and pursuing the lively response to all concrete illegal behavior, its causes and implications. That must continue to be the focus of the politico-ideological work to be done by him. It will be necessary "increasingly to discuss attitudes to work, responsibility, honesty and discipline, the full exploitation of capacities..., to remove abuses and resolutely combat any red tape."[5] Here also the leadership responsibility of district and kreis public prosecutors is growing. They must ensure that our powers are brought to bear with regard to all problems involved in the necessary change in the attitude to adherence to the law and state discipline.

It is of the utmost importance further to strengthen the relations of trust with the masses, and even more encourage their activism with regard to the enforcement

of the legal order. We do not merely spout democracy, we promote it steadily because the evolution of socialism is unthinkable without the conscious massive democratic cooperation of the working people. That is among the most important guarantees for the consolidation of adherence to the law.

FOOTNOTES

1. See J. Streit, "Topical Tasks of the Public Prosecutor System," NEUE JUSTIZ 1980, No 10, p 434.

2. On the relation of adherence to the law and usefulness, which--in theory and practice, in this or that form--constantly resurfaces as an issue, see also D.Seidel/ G. Stiller, "Scientific-Technological Advance and Socialist Adherence to the Law," NEUE JUSTIZ 1978, No 12, pp 517 ff.

3. See H. Moebis, "Fre and Conscious Discipline," EINHEIT 1980, No 9, p 902.

4. "Programm der SED" /SED Program/, Berlin 1976, pp 21 and 53.

5. "Aus dem Bericht des Politburos an die 12. Tagung des Zentralkomitees der SED. Berichterstatter: Genossin Inge Lange" /From the Politburo Report to the Twelfth SED Central Committee Plenum. Reporter: Comrade Inge Lange/, Berlin 1980, p 62.

Thefts of State Property

East Berlin NEUE JUSTIZ in German Vol 35 No 5, May 81 pp 210-212

/Article by Dr Walter Girebe, Jurisprudence Department, Humboldt University, East Berlin: "On the Social Nature of Crimes Against Socialist Property"/

/Text/ Crimes against socialist property and also those against personal and private property predominate numerically in the total of crimes noted in the GDR. They account for about half of all registered crime, and 50 percent of all crimes against property are directed against socialist property.[1]

The damage caused by these crimes and the destructive effects arising therefrom are considerable, especially because they often tend to diminish the economic successes achieved by our national economy. The struggle against these crimes is therefore always within the purview of the prosecuting organs.[2] The development of crimes against property in recent years shows how complex the struggle against this type of offense really is, and how great are the efforts needed to overcome their causes.

The Tenth SED Congress emphasized that SED policy will continue to focus on the purposeful pursuit of the resolute implementation of the main task.[3] This necessarily requires the further evolution of socialist property conditions and their effective defense against any attacks hostile or dangerous to society. In order correctly to comprehend the antisocial and dangerous essence of these attacks, we must clearly show their social nature and the direction of attack represented by the crime actually committed.

It was pointed out repeatedly in the past that crimes against property are a phenomenon profoundly alien to the socialist lifestyle, negating the right and duty to honest work and violating the principle "from each according to his abilities, to each according to his performance" which is part of the constitution of our society. At the same time such acts give rise to many destructive effects on the relationship with fellow men and the evolution of consciousness. Yet this correct and generally valid statement does require further and more profound discussion.

The classics of Marxism-Leninism recognized that property always represents a social relationship, that the concept of property expresses the "behavior of man toward his natural production conditions as his own, as presumed by the fact of his existence."[4] It follows that crimes against property are directed not against the respective "thing" but always against quite specific social conditions and relations. These social conditions and relations are variously organized, consonant with the different types of property in the GDR, and are therefore treated differently by the criminal law of the GDR.[5] Consequently it is necessary correctly to present the respective specific circumstances and give them expression in the appraisal and evaluation of the crime against property.

State Property as Total Societal Property

Though state property is made available to various state combines, enterprises, organs, facilities, and so on, for administration, utilization (including multiplication) and disposal, it always remains total societal state property.[6] There is no such thing as a division into the property of specific facilities, enterprises or institutions. State property is indivisible, and nobody has the right to claim "his share" from the state. There is no "subjective property right" of the individual to state property.[7]

The observance of the ownership function by the socialist state is one of the crucial methods of the exercise of power by the working class, led by its Marxist-Leninist party. Renunciation of the state type of ownership would inevitably result in the loss of its meaning as general state property, the loss of a crucial aspect of the exercise of power by the working class and, consequently, imperil the achievements of socialism.[8] State organs, facilities and enterprises as legal entities acting on behalf of the socialist state may therefore be assigned parts only of the united state property for management or operational administration.[9]

Ownership, Utilization and Disposal Powers in State Property

State enterprises, combines, and so on, exercise certain rights on behalf of the socialist state and accept corresponding duties in the economic utilization of the parts of the united state property entrusted to them. Analogous to personal property, these rights and ownership powers are subdivided into ownership, utilization and disposal powers. Their sum total represents the substance of proprietorship.[10]

These aspects are of particular significance from the standpoint of the penal code also, because it is a characteristic feature of crimes against property that they are not directed against socialist proprietorship as such either by virtue of the individual offense nor in their totality. They do not attack the basic production

conditions. The criminals do not steal any factories or industrial plants belonging to the people. The criminal acts, instead, refer to the illegal acquisition of tools, money, consumer goods of all kinds, jewelry, and so on. The theft of such items belonging to socialist property, while signifying damage to socialist property by way of socialist assets or the intrinsic value of the property, does not attack property relationships as class relationships.

By his crime against property the offender damages the new relations between people, which have evolved on the basis of socialist ownership and living conditions. At the same time we must remember that crimes against property not only damage socialist property stocks or existing assets but also injure it in other economic connections (such as the use of the economic levers wages, premiums, prices, profits, and so on). This becomes most evident when the objects stolen from socialist enterprises are urgently needed to maintain the orderly production process (for example large quantities of building materials or parts of vehicles, machines or electrical dev ices). Occasionally entire production lines may be disrupted or plants made idle by such crimes.

These other material effects produced by the crime against property must be taken into consideration when appraising the objective seriousness of the crime. In how far they should be counted against the criminal with respect to the sentence imposed will depend on many aspects which I am not going to deal with at this point. Directly affected thereby is the question in how far these subsequent effects of the crime were realized by the offender upon commission, and whether his action meets the criteria of an economic crime as well as those of a crime against property.[11]

From the aspect of damage to property relationships we must further take into account the fact that the offender, upon appropriating certain items, deprives the legal holder of socialist property of the opportunity to own, utilize and dispose of these items. The legal holder of socialist property is injured in his property rights (the powers of ownership, utilization and disposal). Here we clarely see the close interrelationship, the dialectical unity of property and proprietorship. While property involves the attitude of man to his natural production conditions as his own, the process reflected therein of the acquisition of the results of production, proprietorship represents the manifestation of the property in the sense of the ownership of property objects.[12]

As the state has allocated to the state enterprises, combines, and so on, the operational administration of certain parts of the total societal state property, so that they may accomplish the state tasks assigned them, the state enterprises, combines, and so on therefore also preserve the property rights arising from the property. They are authorized on the basis of legal regulations to own, utilize and dispose of the state property entrusted to them by the socialist state.

Ownership powers reflect the right of the owner to exercise actual domination (material domination) of the objects of his ownership rights (objects and rights).

In the case of state property those state enterprises, combines, and so on, in other words those facilities and institutions hold ownership powers, which were assigned the operational administration of these objects. This does not preclude the possibility of this ownership being transferred to other enterprises or individuals.

The enterprise, for example, provides tools, protective clothing or other objects to its employees for their sole use, or it may issue them money or materials for permanent or temporary exclusive safekeeping (article 262 paragraph 1 labor code).

In these cases the enterprise remains the indirect owner in the meaning of the civil law; the employee becomes the direct owner. Article 158 penal code says that he "who unlawfully acquires for himself or others objects allocated to him, or which have come in his possession by other means" is to be punished for theft. This refers precisely to the above mentioned type of direct ownership. In the case of the first alternative to article 158 penal code (taking objects to acquire them illegally), the offender lacks this ownership relation which must always provide the opportunity of directly affecting the respective object, keeping it under supervision.

The utilization and disposal powers of the enterprises also arise from the economic function of state property and the normative enactments issued thereto. If certain objects are illegally taken from state property or its legal holder (regardless whether by theft or fraud), the result is damage to the authorized holder with respect to his utilization and disposal powers over these objects. He is no longer able appropriately to use and dispose of these objects.

This is not only a legal issue but--and in the first place--a political and economic issue, because involved here is damage not only to the authorized holder in his legal ownership rights but also to the economic function which is always target and purpose oriented in the socialist planned economy. Following the theft of tools or materials, the VEB, for example, is no longer able to appropriately use and dispose of these objects.

Cooperative Socialist Property

In contrast to state property, cooperative socialist property which, on the basis of state property only, may exist as the foundation of socialist production conditions, is always collective property. Crimes against property damaging the cooperative property therefore always injure the respective collective.

Though crimes of this kind fall under the same penal provisions as those directed against state property (articles 157 ff penal code), the specific contexts and different relations should be clearly explained in each criminal procedure.

In recent years facilities have evolved in agriculture especially, which transcend single cooperatives (for example intercooperative construction organizations or agrarian-industrial associations). The property situation in such cases must be elucidated by way of model statutes, model inner structures and other legal provisions.[13] Involved here may be such facilities as are of an intercooperative nature (ZGE's) or those which combine both state socialist and cooperative property (ZBE).[14]

...

If, therefore, we aim properly to appreciate the social nature of crimes against property, it is important to recognize that involved here are two levels of a genuine life process:

1. The level of economics, that is the production and reproduction of the living conditions of society, and

2. The level of the ideological reflection, that is the politico-moral and legal interpretation of this process.

Upon this assumption every criminal procedure should clearly show

-- Against which of the types of property listed in article 10 of the constitution and article 157 of the penal code the crime was directed,

-- That attacks on state property always involve damage to the total societal property which has been assigned to certain state enterprises, combines, and so on, for operational administration as per its economic function,

-- Which legal holder of socialist property (enterprise, combine, and so on) was damaged by the crime, and

-- What is the concrete result of that damage, in other words which specific conditions were damaged by the crime, and what disadvantages arose therefrom for the legal holder of the socialist property.

To raise the efficacy of criminal procedures consequent upon attacks on socialist property, the investigating organs, public prosecutors and courts must initiate purposeful measures for the permanent removal of causes and conditions found to be encouraging such crimes. In each stage of the proceedings the respective responsible organ of the administration of justice must ensure that inadequacies in the defense of socialist property are removed, defects in the accounting and voucher system eliminated and gaps in supervision avoided. To do so they should use the most suitable methods--such as suggestions, recommendations, protests or court censures. In connection with the preparation, conduct and evaluation of criminal procedures in crimes against property it will also be necessary to support the movement for exemplary order and safety and thereby encourage the responsibility of senior cadres and all working people for the defense of socialist property against attacks of any kind.

FOOTNOTES

1. The crime statistics for 1978, for example, record

   A total of 126,620 crimes
   30,687 crimes against socialist property
   33,140 crimes against personal and private property.

   See "Statistisches Jahrbuch der DDR 1979" /1979 GDR Statistical Yearbook/. Berlin 1979, pp 380 f.

2. See, for example, the Eighth Supreme Court Plenum of 3 October 1973 (NEUE JUSTIZ 1973, No 22, pp 655 ff), the Thirteenth Plenum of 8 December 1974 (NEUE JUSTIZ 1975, No 3, pp 71 ff) and the Twelfth Plenum of 15 June 1979 (NEUE JUSTIZ 1979, No 7, pp 297 ff.

3. See E. Honecker, "Bericht des Zentralkomitees der SED an den X. Parteitag der SED" /SED Central Committee Report to the Tenth SED Congress/, Berlin 1981, p 48.

4. K. Marx, "Grundrisse der Kritik der Politischen Oekonomie" /Outlines of the Critique of Political Economics/, Berlin 1974, p 391.

5. See articles 10 and 11 of the constitution and articles 157 ff and 177 ff penal code.

6. Occasionally we hear the question whether, for example, the illegal removal of objects from one VEB by the employee of another VEB may, for this enterprise, actually be considered theft to the detriment of socialist property as per article 158 penal code. In my opinion this question must basically be answered in the affirmative, even though criminal sanctions need not necessarily be imposed (see article 3 penal code).

7. See J. Becher, "Social Ownership of the Means of Production," DEUTSCHE ZEITSCHRIFT FUER PHILOSOPHIE 1973, No 11, p 1365.

8. See V.I. Lenin, Collected Works, supplementary volume 1917-1923, Berlin 1971, p 77.

9. This principle is reflected in, for example, article 19 paragraph 1 civil code.

10. See "Grundriss des Zivilrechts"/Outline of Civil Law/, No 1, Berlin 1977, p 19.

11. See "Materials of the Thirteenth Supreme Court Plenum," NEUE JUSTIZ 1975, No 3, pp 72 and 77. On the Twelfth Supreme Court Plenum see H. Keil/S. Wittenbeck, "Raising the Social Efficacy of Legal Decisions for the Defense of Socialist Property!" NEUE JUSTIZ 1979, No y p 297.

12. See "Outline of Civil Law, as before No 2, Berlin 1977, p 15.

13. See Model Statutes of the Crop and Animal Production LPG's of 28 July 1979 (GBL Special Issue No 937); K. Buss/G. Puls/R. Trautmann, "Further Development of LPG Law," NEUE JUSTIZ 1977, No 5, pp 129 ff; M. Mueller, "How Are the Model Statutes Doing in Our Socialist Agriculture?" EINHEIT 1980, No 1, pp 39 ff.

14. The third type of socialist property listed in article 157 penal code (property of social organizations of the citizens) will not be dealt with here.

11698
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ACTIVITIES OF ENTERPRISES ABROAD DESCRIBED

Budapest NEPSZABADSAG in Hungarian 22 Jul 81 p 10

[Article by Sandor Demscak, director general of Hungarian Foreign Trade Bank: "Hungarian Enterprise Abroad"]

[Text] We are living at a time when the slogan "let's export more and at better prices" is being written on the flag of almost every country. The rise in oil and the other raw material prices have caused balance-of-payment deficits making indebtedness a common trend.

The deepening economic crisis in the leading capitalist countries and the competitive struggle that has arisen from the serious situation of recession are making our exports more difficult as well. But experience has also shown that an increase in our exports and an improvement in their profitability are possible in spite of all difficulties. In the situation that has developed, however, the increased direct presence of enterprises in the markets has become a vital question. "Market presence" is of course also possible in other, indirect, ways, but decades of experience have shown that even close contact between the most skillful local agent or importing enterprises and Hungarian vendors do not have the advantages that the Hungarian enterprises in the buying countries provide.

Varying Forms

The presence of our enterprises in export markets has taken many legal and economic forms.

A large number of the enterprises with bases abroad functioning as independent legal entities are under joint ownership. Companies with both foreign and Hungarian participation are generally established in those cases where the representative of a Hungarian enterprise participates as a foreign partner in the new undertaking. In such forms, the interests come into being as the result of a mutual agreement. The Hungarian enterprise gives up a part of its profit, to be sure, but it preserves the market connection of its former agent, and it expects that the share of its profits which it has given up will not be much greater than the former agent's fees would have been. The foreign partner can count on being able to transmit more strongly the effects of the market forces to the production enterprises in Hungary through the joint enterprise, and income may increase through closer cooperation by selling greater quantities of goods that meet market demands.

In other cases the Hungarian enterprise seeks a local capitalist partner or partners because their market organization and situation guarantee in advance that its goods will be sold.

A foreign enterprise with totally Hungarian ownership is generally formed when the domestic leadership has available experts suitable to direct the work of the foreign market. In such a case the Hungarian enterprise itself possesses the capital and all other conditions necessary for the undertaking.

Three-fourths of the more than 100 Hungarian enterprises operating abroad are of a commercial nature, dealing with selling our export goods on the market. Formation of enterprises has not played a role in Hungarian export plans for a long time, but the economic reform introduced in 1968 gave a significant impetus in this direction. The first timid steps were followed by accelerated development. Nowdays, more than a fifth of our non-socialist exports are accomplished through trade enterprises based abroad. For the exports of our largest enterprises in foreign commerce or with rights in foreign commerce, this proportion is more favorable. Nearly half of the exports of Hungarotex and Medimpex and one third of the exports of Egyesult Izzo [United Incadescent] are handled by our foreign network.

The content of the work of the trade enterprises in many cases in the nature of an agent. This undoubtedly represents a step forward compared to the time when the existing market organization, not in the hands of the Hungarian enterprises, directed this same work. But a more advanced and effective method, as experience has shown, is "market presence" with sub-enterprises operating with their own market capital and working at their own costs. Decisions are then made locally and on the spot without any intermediate links in the chain. The local directors enjoy great freedom to carry out their ideas.

The enterprises often perform a market distribution function as well, thus displacing the local middlemen and insuring profit for themselves. The independence of the directors does not preclude a close connection with the mother enterprise, rather it requires one, thus transmitting market influences back home. In reality the companies working at their own cost can be regarded as truly efficient Hungarian commercial enterprises operating in the countries of the buyers. In this direction it would be necessary to develop further the work of companies performing the functions of an agent. It is mainly from them that we can expect the solution to problems that go beyond increasing exports, such as researching the possibilities of re-export or organizating their market cooperation.

The establishment of production enterprises serves mainly to increase development machine industry exports.

The less developed capitalist countries are attracting foreign production capital through government tax, credit, and other concessions. The Egyesult Izzo joint enterprise in Ireland came into being on this basis recently bringing about new job opportunities and making possible to continually increase Izzo's machine, equipment, semi-finished and finished goods exports and an improvement in their profitability.

What the Developing [Countries] Need

There is an ever increasing demand in the developing countries for enterprises selling "turn-key" systems to participate in the operation of the systems in the form of a joint enterprise. For it has happened--especially in the few oil-exporting countries--that the turn-key systems, delivered with the most modern technology, have not worked after delivery or have worked only with reduced capacity. Today the condition is often made when the order is negotiated that the company supplying the equipment retain an interest in its economic operation possibly even through capital participation and also take part in the management of the plant. The advantages and guarantees that the purchaser obtains in this way make it worthwhile to allow the supplier to share in the profits.

As aresult of all this, it is understandable that the [question of] establishing production enterprises abroad does not arise in the form of "do we want to or not?" but as an important means of realizing our long-range export policy. For this reason more courageous advances on the part of our enterprises would be necessary in this area. It is true that the establishment of production enterprises abroad is more difficult, more complicated, riskier, and requires more capital than the establishment of trade enterprises. Our enterprises are very reluctant to devote financial resources from their development funds for this purpose. It is also true that we have a few bad experiences behind us. Because of poor results or losses we have had to dissolve several of the enterprises we established abroad. This, of course, applies not only to producers. Everyone who enters the capitalist market, be it foreign trade, industrial, or even a catering enterprise, must realize that the market does not forgive even the slightest mistake. The profit column is the only means to measure activity. In most cases the reason for failure is a poorly chosen partner, incorrectly assessed market possibilities, insufficient capital for the continuation of activity, or lack of ability of the management.

Credit, Guarantee, Advice

It would be appropriate at some other place to talk about the experiences of the most successful of our foreign enterprises. Among those enterprises that are operating well we find the most varied fields represented. The transportation trade, insurance, providing of services, and tourism are all represented.

How can the enterprises be helped so that undertakings like these will be more successful? Looking at the problems, it is obvious that we need "bread as well as advice". The "bread" is to meet the needs for capital. The foreign enterprises source of money (up to the limit of its capital participation) is the development fund of the mother enterprise. The question is: what kind of possibilities are there beyond the classic bank activities for alleviating problems in the area of need for capital?

The Hungarian Foreign Trade Bank, under authority from the Ministry of Finance, can now participate as an enterprise partner abroad in the establishment of purely Hungarian or of joint production enterprises. Up to the limit of its capital participation this means a lightening of the load from the point of view of the enterprise's development fund. The formation of the Interinvest Development Society with the centralization of the free development funds of the foreign-trade enterprises has opened up great possibilities for easing the supply of capital. The undertakings of a trade enterprise established abroad can gain momentum through

funds received from the society. Interinvest also assists already existing foreign interests to accept new Hungarian enterprises entering the market or even to establish new ones jointly. This applies to the industrial production establishments as well.

As for the advice: the financial institutions, including the Hungarian Foreign Trade Bank have been involved with the establishment of foreign enterprises for many years. The bank has not only accumulated a lot of experience, but it has also created connections with foreign partner institutions, commercial, legal, and accounting offices, and in some places also with the authorities concerned. Within the framework of having responsibility for these activities, the bank assists in selecting foreign partners, establishing financial, legal, and other conditions, and in obtaining licenses from the authorities. It participates in financing the operating enterprise: it extends direct credit, assists in obtaining local bank credit with advantageous conditions, it extends guarantees for them, and gives advice on financial questions.

Of course we do not advise any Hungarian enterprise to consider establishing a foreign sales and production enterprise encompassing the whole world like the multinational enterprises have. But in no case can we give up on the idea of establishing a foreign marketing system when we can establish long term profitable exports through it.

9611
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REGIME'S NEW POLICIES IN RETAIL TRADE ELABORATED

Budapest ALLAM ES IGAZGATAS in Hungarian No 7, Jul 81 pp 621-620

[Article by Dr Gabor Dobos, "New Policies in Retail Trade and the Catering Industry"]

[Text] "Individual and family labor resources must be better exploited. The majority of workers in their free time engage in a kind of work and money-making which is beneficial for both the national economy and the individual. This is an auxiliary resource for our development: it contributes to satisfying the rapidly expanding and changing demands and to the growth of national assets. Its economic, legal, management and supervisory aspects must be regulated in harmony with social interests and must be linked to socialist enterprises." (From the resolution of the 12th party congress.)

1. In the past 3 decades, domestic trade has gone through significant developments. The number of stores and cartering establishments has doubled, and business had a six-fold increase (based on constant prices). In 1952, there were 32,900 retail stores in the country, while today, including private trade, 65,300 stores serve the population with ever higher standards.

The great majority of the stores and catering establishments are operating within the framework of the socialist sector. These stores are doing 97 percent of the business.

In 1948, at the time of nationalization, the retail trade network was extremely segmented; the numbered of stores and catering establishments was 90,200 at that time. The number of stores today is only about two-thirds of that, and there are only 4 percent more catering establishments now than 32 years ago. On the other hand, there were only 25 department stores in the country in 1948, as opposed to today's 140 department stores and 900 supermarkets. These hardly more than 1,000 units are doing more business in themselves than the 71,600 stores did before the nationalization.

The number of large stores is increasing where the consumer can shop with relative comfort and speed. In spite of a significant concentration, the number of small stores and catering establishments is large in this area. Three-fourths of the stores belong to this category and do one-third of the business. In certain specialties (meat, vegetables, tobacco, delicatessen, liquor) the small stores are doing 60 to 80 percent of the business.

In addition to the decisive role of large stores, the small units are indispensable in serving the population. This is also corroborated by the data of the other socialist countries and some developed western countries. Because of the relatively high number of small stores, each store has 2 to 6, and each catering establishment has 5 to 8 employees in the socialist countries.

The small stores are indispensable primarily in towns, villages and residential districts but are popular even where large stores are accessible. Some consumers like the personal contact with the sales people, and this can be had primarily in the small stores. Pleasant small restaurants add color to the trade network and shape of the city.

At the same time, because of objective and subjective reasons, the enterprises closed many small stores, primarily because of labor shortage but also because running the small stores profitably was problematic for them.

The managers of small stores are not interested enough in serving the needs of the consumers and in doing more business. Wages based on commissions have not in themselves proven to be incentive enough. The incentive for efficient management, a better use of live labor and assets, and making more profits is especially lacking and thus material waste and costly, and operational losses are frequent. It is a paradox that the small stores are not or are hardly profitable for the enterprises but at the same time are indispensable for the population.

The stores and catering establishments are at present working with two forms of accounting:

--the larger stores have a so-called strict accounting, whereby cash receipts are registered on cash registers or by those means and the store (or department) is required to give a daily accounting.

--the smaller stores generally use the form of free registering, whereby they must forward all of their cash receipts but do not have to report them every day because there are no proofs of sale. Full-scale accounting is possible only later, during inventory. But even then, there is no possibility to make the manager accountable for the extra profits resulting from the nature of the product, the way of serving or cheating the customer, or from the illegal sale of unreported or so-called foreign products for private profit. (According to the professional slang; a foreign product is one which is not ordered by the store manager through the enterprise channels but is bought with his own money from the producer or retail merchant and is sold for his own additional profit.)

The operating system of the larger, so-called strict units is not going to be changed significantly in the future. It is necessary, however, to give more authority to store managers in establishing prices and wages and in the management of sales. In addition, they must be given more incentives, and the accounting must be simplified.

It must be noted here that the expansion of strict accounting is not feasible. To supply today's free registering units with cash registers would require an investment of 1.5 billion forints and an additional 10,000 to 12,000 employees.

Extensive surveys and experiments show that the problems of managing the small stores, free registering cannot be solved either by stricter supervision or by additional administrative measures. This is why it was imperative to find new ways of management. The new way is the so-called contract management, built on the manager's total independence and keen interest.

The eesence of it is:

-- based on a legal civil contract, the managing organization (enterprise) sublets its individual stores to a private enterpreneur or enterpreneurs up to a maximum of 5 persons;

-- the store space and the fixed assets remain the property or tenancy of the enterprise but are used by the enterpreneur; in addition, the latter may use a significant part of the working assets (products, materials, rolls and semi-fixed assets), acquire the right of operating the store and the ideological benefits that a newly opened store yields;

-- the store manager makes the commitment of operating the store according to its nature, of stocking and selling products according to the needs of the population and, in the catering establishments, of making and serving foods and beverages. (The merchandise turnover must be conducted according to official regulations!)

-- the store's direct expenses are covered by the revenues and the manager pays the enterprise a blanket fee fixed in the contract to cover its general expenses and to offset lost profits;

-- the income that remains after honoring his obligations to the managing enterprise is at the manager's free disposal (this income is taxable);

-- the manager may use his own cash in financing the store's working assets. The value of working assets given to the manager for use is fixed in the contract. The financing of additional working assets is the manager's responsibility;

-- the manager operates under the enterprise's name and thus he does not need a private vendor's license for he is considered a wage earner (however, for the duration of the contract, he is not considered as an employee);

-- those working in the store remain the enterprise's employees.

In essence, then, the manager works in the store given to him by the contract in the name of the enterprise but at his own responsibility and risk. He independently organizes and manages purchases and sales, and he is the one who decides on the use of assets. He can purchase his products anywhere. The various administrative limits cease to bind him. In this kind of contract arrangement, generally those official regulations must be followed which also involve private merchants.

The independence and decision making of the contract manager described above is similar to those of tenants. Significant differences are, however:

-- the manager is not considered a private merchant;

-- the store's workers are not the manager's employees but those of the enterprise;

-- the manager works partly or entirely with enterprise resources.

The same or better service for the consumers and the safeguarding of consumer interests is accomplished primarily by the financial interest of the contract store managers. A healthy competition is supposed to be created which will also serve the consumer's interests. In addition to the foregoing, consumer interests are also served by various official regulations that include contract stores as well. Such are the General Trade Regulations which deal with the stores' external and internal order, service, packing, measuring, computing, cash handling etc. The contract store must also adhere to public health regulations and price regulations.

The contract store is thus part of socialist trade. For the stores remain the properties of enterprises or cooperatives, and this will be also shown on their sign-board. If they prove to be useful, they will rather strengthen than weaken our socialist trade precisely by better serving the population and by contributing to the profits of the enterprise or cooperative.

2. The expected benefits of the contract stores are:

-- By the elimination of purchasing regulations, direct acquisition from household plots and artisans may increase. This way the product will not have to be transported so far, there will be a wider selection of products, productivity will increase and thus supply will improve. In addition to an increase of basic products, it is expected that the product originating from central stocks will reach the consumer where and when he wants it. This will be accomplished by the manager's increased independence and financial interest.

-- Store hours will better adjust to business and the population's demands.

-- The interest will be incentive for the managers to give the customers courteous and fast service and to expand their clientele.

-- The contract store managers' financial interests and their own investments will be an incentive for them to steadily increase business, to use labor and assets efficiently and to rationally decrease costs. The store managers will, supposedly, carry out their tasks with a smaller labor force and will increasingly use the help of the members of their family. Work intensity will also increase. It is possible that smaller repairs and maintenance will be carried out by the managers and their family.

-- The managing organizations' incomes and budget revenues may also increase. A more efficient management and the fees coming from taking away part of the present illegal income of the free registering stores' managers may increase the enterprises' profits by roughly 10 to 15 percent. In addition to the resulting profit taxes, higher income taxes will also boost the budget revenues.

-- Central management will be simplified and thus there will be less red tape. Because of the managers' independence, the management of this new type of store will give minimal work to the managing organizations. With the labor force that is freed this way, the enterprises' and cooperatives' central labor force may be reduced and these forces may be better concentrated to manage the larger stores. Later the number of enterprises may probably be reduced as well.

-- Private financial assets may be used in financing commerical working assets. The blanket fees coming from store managers may be expected to amount to 1.5 to 2 billion forints by 1985. Part of this investment will decrease the OTP's [National Savings Bank] deposits, but it might be possible to somewhat decrease nonproductive investments and value accumulations.

3. The introduction of contract stores will be gradual; we can realistically expect that of the 65,000 stores only 6,000 to 7,000 will become contract stores and catering establishments by 1985. (The deadline for the latter is 1 January 1983).

Essentially, the introduction has just begun, and the experiences are generally favorable. The system is thus just in its beginning phase, and like anything new it also has its opponents. Of course, some kind of individual interest lies behind most objections. Why should it be favored by self-employed people, for instance, who belong at present to the category of illegal money makers? At the enterprises, too, the central labor force may be reduced, indeed, some organizational changes may also come about. This is how it can happen that some consider private enterprise and investment of private funds as "reprivatization."

It has also come up that the new stores will perhaps draw the labor force away from other stores. This is possible because a sales person in a contract store doing a brisk business may receive extra bonuses from the manager in addition to his salary and thus he can earn more. But legally! Since palm greasing will be little in these stores. Nevertheless, we must not be afraid of an increased labor shortage. First, because the manager increases his own individual income by saving on wages. At the same time, his family may help him out without any further contract with the enterprise. In this sense, then, the labor force in commerce will rather increase.

But if the labor force would begin to move toward the new stores, and since their labor requirements are quite limited, a kind of competition would develop after some time which would be an incentive to organize professional training and, generally, for more professional work.

There are those who are afraid that the contract store workers will be exploited. This is made impossible by our socialist system and, because of the character of the work, even that kind of "exploitation" is impossible when sloppy workers "exploit" the hard workers since the state pays them from the latter's output.

We must also face the expected danger that some will receive excessively high an income. This will be offset by the taxable salary of the manager. But if he turns out significant profits from the store which did not bring in much before for the enterprise then let him have part of these profits. This must be considered as a regulated income differentiation based on socialist income distribution, since this means for society a reduction of costs; or if he draws

business away from somewhere else, then they doing better work are gaining an advantage for themselves by as compared to one doing poor work.

4. It may be considered a new form in commerce that the decree on state store rental includes state catering establishments with a limited number of employees and that it is possible to carry on private trade in 20 other fields.

By eliminating various limitations and red tape, and by allowing a higher number of employees, the number of private merchants may be increased and thus "monopoly" may be reduced and competition may be increased.

The private merchant or tenant has been allowed up to now to employ 1 to 4 employees or family members, depending on the kind of store. According to the new decree, he will now be able to employ, depending on the kind of the store, 2 to 6 employees and a maximum of 6 family members.

5. The introduction of the contract store is being done in accordance with principles of cooperative policies in public consumer and marketing cooperatives. The National Council recommended that the cooperative organs employ the contract system primarily in the catering establishments of Budapest, the cities and larger resort areas. Regarding small retail stores, the new form of accounting will be expedient in stores selling produce and other small stores where the contract form would be more efficient.

The National Council instructed the cooperatives to operate their newly opened units in the cities (and affected by the statutes) according to the strict or contract system and not to renew expiring free register contracts but to change them to strict or contract system. After the assessment of the new experiences and after making the necessary changes, the types of units will be expanded on the basis of the expected improvement in supply, management and efficiency. The cooperative's top executives should decide on this after considering the opinions of the members and the executive committee.

In order to implement cooperative characteristics, the following must be taken into consideration:

a) with the introduction of new form will not change the legal regulations of cooperative, the principles of cooperative policies and the rights of the cooperative membership and staff. Special attention must be paid in small communities to the existing obligations to supplying the members where most of the adult population belongs to the cooperative. When it is determined that stores will adopt the new form of management, cooperative democracy must be implemented 100 percent. The management should seek the advice of the area's executive committees and thus establish eligibility. The executive committees, on the other hand, should seek the membership's advice in formulating their opinion. Members and the area's population should be timely and adequately informed about the decisions. The store manager should become a member of the cooperative.

The cooperative law, constitution and internal regulations provide the members and autonomous organs with numerous rights connected with economic activity to implement proprietory supervision and membership interests.

The employees of these stores are also eligible for all benefits and bonuses that the other members of the given cooperative are receiving without regard to the type of operation.

b) The individual stores will be integral parts of the cooperatives' entire activity. The public consumer and marketing cooperatives and enterprises, in addition to their commercial activity, will also be engaged in planned activity in production contracting, production and processing. The managers of small production will be involved in the manufacture of food and other industrial products. The population's steady supply of produce will be based on contracts not only with small farms but also with large enterprises. On the one hand, the cooperatives will sell the consumer goods they made and, on the other hand, they will buy through their own stores the products produced by the membership and the population. It is in interest of the cooperatives and society to make this new form of management an incentive for making the cooperatives' auxiliary activities more efficient.

c) The cooperatives traditionally take part in the implementation of unified village policies and in the community's socialist public life. The workers of the individual stores take part in the cooperative's social and campaign functions.

The National Council recommended that the cooperatives make contracts which implement not only the decree but also the characteristics of the cooperatives. Thus in drawing up the contracts, among other things, the following must be taken into consideration:

ca) in order to implement a uniform business policy, it is expedient to make an agreement with the store manager, in addition to specific conditions, that

-- he will sell goods produced and processed by the cooperative's own plants;

-- he may use the cooperative's internal services (transportation, repair, maintenance etc.);

-- in connection with the store's operation, he will do necessary management work and acquisition in accordance with the cooperative;

-- he will provide subscription meals according to demand.

cb) In order to implement the rights of members and staff, the store manager

-- will provide members with free and other benefits as determined in the by-laws and membership meetings;

-- will carry out, adequately and according to the general regulations, the tasks related to reimbursements (e.g., registration, cashing of cash-notes), since according to cooperative by-laws, the members are eligible, on the basis of using the cooperative's services and regardless of the type of operation, for reimbursement of purchases and sales;

-- accepts according to the law that, even in the case of contract stores, the executive committees make recommendations or express their opinion on developments, employment, wages, rewarding the manager, terminating his employment, store hours, and determining the store's specialty;

cc) acknowledges that according to cooperative law it is the responsibility of the supervisory committee to continually supervise the cooperative's entire activity. The supervisory committee has the right to inspect documents and to request information from the manager or the employees. They are required to furnish the requested information.

The executive and supervisory committees have the right to examine questions related to safeguarding the small producers' interests and the cooperative's property, and questions included in the contract. They check the comments of the consumers and members and, through sample shopping and other methods, keep an eye on pricing, quality, exact measuring, order, cleanliness and culture of the units.

The National Council recommended that the cooperatives implement the cooperative policy requirements on the basis of the characteristics of the individual residential areas and the interests of the respective memberships.

The contract stores continue to remain the property of the cooperatives and integral part of socialist trade.

6. It is expedient to pay attention to the following in relation to the activity of the authorities:

Contract stores must also adhere to the General Trade Regulations and the requirements related to the field of business, dealing with consumer complaints about quality, consumer comments, public health, measuring, fire regulations, labor regulations and pricing.

The contract store's business profile may be changed only with the consent of the enterprise and the permission of the local trade commission. It may be specified in the contract that it is mandatory to regularly market products that are important from the aspect of public supply (e.g., potatoes in stores that sell produce).

Consumer complaints must be dealt with according to the general regulations even in the contract stores. Considering that the store is operated under a subcontract by the management organization, the orders directed to the management organizations must be followed.

On this basis, consumer complaints related to food, household products and chemical products must be dealt with by the contract store's manager even if the product in question was not purchased in his store but is one that he sells too.

The costs related to consumer complaints must also be accounted according to the general regulations and according to the decree 13/1978. (III.1.)MT. This may be done two ways. The manager either passes on the costs to the delivering enterprise or reports the costs to his parent management organization within the specified time period. In the latter case, in order to hold to the deadline specified by the statute, the manager must make the documents necessary for the claim available to the management organization. The claim must be handled separately at the management organization and the store manager is entitled to the money. The contract must specify the way data must be supplied and the related deadlines.

The contract store must also conspicuously and accessibly display the book for consumer comments. One copy of each comment must be sent to the enterprise within 8 days from the time of the comment. The manager must examine the complaint and take the necessary steps; he must also make a record of his actions both in the book and in the copy sent to the enterprise. The enterprise keeps an eye on the measures and, if necessary, initiates action.

The issuance of private vendor's licenses must serve the trade policies. In case of professional, official and moral qualifications the license must be issued if the trade activity applied for serves public interest and public needs. Thus the councils must see to it that the lack of state or cooperative stores in their areas are made up by private trade. There are, however, certain areas where consumer demand must be carefully examined (e.g., fashions, knitwear, technical goods, etc.). At the same time, correct trade policies will make it possible in these areas to eliminate the unwanted monopoly created in earlier years.

In all areas of trade the helping family member must be supported in his private trade activity when this activity is justified from the aspect of public supply if he is eligible according to the statute and wants to take over the job of his family member who must stop working because of age or health situation.

If the store offered is not rented by anyone and the enterprise will not operate it, the supervisory organ will require the enterprise to surrender the closed store to the authorities in case it serves primary public needs, or to advertise its availability for private tenants.

If the store's operation and profile is not necessary in the area requested by the applicant, the best thing for the supervisory organ to do is to designate to the qualified applicant another area or profile where there is a need for private trade.

If, on the basis of long-range planning, one can reckon with the establishment of a state or cooperative store in the area specified by the applicant, it is expedient to offer a private vendor's license limited to a specified time period.

9414
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SLOWER GROWTH RATE IN FOOD INDUSTRY ANALYZED

Budapest FIGYELO in Hungarian 12 Aug 81 p 13

[Article by Dr Laszlo Nemeti: "The Reason for Slower Growth"]

[Text] Hungary is practically self-sufficient in food. Imports, which amount to about 10 percent of the food industry's total production, are products which cannot be produced here because of the country's climate conditions (coffee, cocoa), or which are not produced in sufficient quantities (beer), and are placed in the country's stores for the purpose of increasing selection.

However, emphasizing the responsibility of the food industrial enterprises for the supply is becoming more and more debatable since this to a large extent hinders the independent economic operation of the enterprise and in some cases also hinders bringing decisions advantageous to the enterprise.

The last decade's growth in the food industry also contains the more significant structural changes. Thus, the ratio of processed products increased particularly during the time period of the Fifth Five-Year Plan. The weight of food processing within the total food production increased by 1 percent in the last 5 years, to 44.2 percent. But this ratio is still low, and indicates the small extent of processing Hungarian foods. That is, a modern food production structure has higher than 50 percent processing ratio.

Increasing the extent and improving the quality of processing the agricultural raw materials assumes certain economic ratios between the producing and processing spheres. In this country the ratio of products consumed in raw and processed forms is around 1 to 0.7, while in the capitalist countries with advanced agriculture and food industry this ratio is 1 to 1.5, but even among the socialist countries in the GDR, for example, it is 1 to 1.3 now. In harmony with the standard of living, the growth rate of processing the agricultural products must surpass the growth rate of producing raw agricultural products.

The growth rate considered to be desirable for the food industry improved only slightly during the second half of the decade also, since for one percent growth in agricultural production the food industry's production increased by only about 1.2 percent.

Of course, when such comparison is made between the growth of the food industry and of agriculture, one cannot ignore the foreign trade relationships, the efforts aimed at keeping and expanding the foreign markets, whether our foreign partners want raw or processed products, and how the export profitability indices are developing as a function of this.

What Do They Pay More For?

However, the export profitability considerations by themselves are not always the decisive factors either, since no agricultural exporter will ignore the development of its food industry as well as possible, in order to realize the higher added value incorporated in the processed products.

In addition to the limits on growth opportunities, the reason for domestic processing growing even slower than would be justified is that the processed goods, or their majority are sold on the domestic as well as on the foreign markets unprofitably, due primarily to the rise in packaging and energy costs.

The value judgment of the foreign markets also had a large role in the growth of our food industry falling behind, since the export profitability of raw products is better most of the time. It is worth while noting here that the foreign market prices are generally most favorable for raw materials (for unprocessed products in agriculture), and for products processed at high technological levels.

In the one case we are dealing with realizing the natural, and in the other, the technical monopoly's benefits. The domestic food industry's technical level--with the exception of a few new and modern plants--can be judged average or poorer, thus we are in a disadvantageous situation on the world market primarily because of the low levels of our processing. And the backwardness of the domestic support industries also have a large role in this.

The slow change in the ratio of raw material production to processing, and the slow-down in the food industry's growth rate are creating more tension, not only in food production but also in other areas of the people's economy.

Meat Industry in the Forefront

The food industry's inventory of fixed assets increased by about 200 percent between 1971 and 1980. In spite of this, the manufacturing capacities of several specialized branches did not provide for processing the increasing quantities of agricultural raw materials, on the contrary, the tensions increased in some branches of the industry.

It is typical for the structural changes in the food industry's specialized branches that by the mid-seventies the share of industrial branches producing food industry products of animal origin increased, and that of vegetable origin--primarily the mill industry--decreased. In the first half of the decade the former had a growth rate of 6.2 percent, the latter 3.3 percent.

However, in the second half of the decade the rate of production decreased somewhat in the industries processing raw materials of animal origin, while it increased to a certain extent for those of vegetable origin--primarily as a result of growth in the sugar industry and in the vegetable oil industry. But even so, the differences between the growth rates of the two branches remained significant (6.1 percent, and 3.8 percent, respectively).

The share of the meat, poultry and dairy industry of the total production value was 41.1 percent in 1970, 43 percent in 1975, and increased to 43.5 percent by the end of the decade. It must also be noted here that during this time the direct meat processing activity of the large agricultural operations increased significantly,

and even the AFESZs slaughterhouses [supply] 3.9 percent of our bone-containing raw meat production. Thus in part these slaughterhouses have taken over the domestic supply. The lower transportation costs and fresh merchandise, as well as the greater selection of meat products favorably influenced the economic results of the small producers also. The meat industry and the poultry industry in 1980 took good advantage of the favorable export opportunities.

Even the increasing share of the canning, sugar and vegetable oil industries was unable to counterbalance the decrease in the ratio of the industry's branches which primarily process raw materials of vegetable origin. An increasing portion of the grain produced was exported, or used for fodder. A significant feed blending capacity has been built up in the agricultural operations, which also caused the decrease in the mill industry's production. Today the major agricultural operations handle 24 percent of the blended feed production. The advantages of this manifest themselves in lower transportation costs, and in the better quality and freshness of the blends.

Wine processing must be specially mentioned, where today the wine industry's share is only 42 percent, while the share of the major agricultural operations is 58 percent. The transfer of wine processing into the large agricultural operations gained expression particularly in quality, and in the increase in the selection of wines with regional character. This is an advantage in the domestic supply, as well as in export relationships.

Even though there were some overlaps, or parallel developments in some places in the processing capacities, competition between the enterprises in any case resulted in improvements of supply and quality, increased selection, and to a large extent in increasing the standards of economic operation.

Thus the various growth rates in the individual industrial branches were caused by variations in raw material supply, in processing capacity, in the domestic consumption, and the varying effect of export-import on the individual industrial branches. Further expansion of the capacities can be economically solved by insuring the independence of the enterprises, and with the aid of regional coordination.

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ECONOMIC GROWTH FACTORS, STATISTICS STUDIED

Bucharest REVISTA ECONOMICA in Romanian No 33 14 Aug 81 pp 6-7

[Article by Angelica M. Vrabie of Galati: "Factors and Characteristics in the Growth Process of the Romanian Economy"]

[Text] As the secretary general of the party pointed out at the Second Congress of the Workers Councils, the victory of the antifascist and antiimperialist, national and social liberation revolution, and then the socialist revolution, led to profound economic-social revolutionary changes in our country. The bourgeois-landowner social order was overthrown and the exploiting class and any form of oppression were forever eliminated. We successfully built the new socialist order. On an economic level, Romania was transformed from an agrarian nation with a poorly developed economy, characterized as primarily agrarian, into a country with a strong industrial-agricultural economy in full development. A new technical-material base was created, with industrial production being approximately 50 times greater than in 1938, the people's spiritual and material standard of living was greatly improved.

Research into this broad process of economic growth, which was intensified after 1965 and especially during the stage of creating a multilaterally developed socialist society, presents, certainly, interest and the understanding of those factors that stimulated it and its characteristics during the different stages it has passed through.

If we identify economic growth with the growth of national income and consider as direct factors of this process the human potential with its two facets (the number of people employed and the efficiency of their use as reflected in the growth of labor productivity) and material potential, which stimulates the dynamics of national income by reducing material production costs within the structure of the social product, it becomes possible to also determine the contribution of these factors.

Calculations show the fact that during the entire 1970-1985 period the growth of the employed population as the country's principal wealth made a predominant contribution, even covering the negative influence of the material production costs in 1980. Social product and national income are created, however, by the workers employed in the area of material production, an area that in recent years has

accounted for over 88 percent of the employed population. In this regard, comrade Nicolae Ceausescu stated: "We must keep in mind that only on the basis of production activities of all the workers will we obtain efficiency and ensure everything that is necessary for the progress of our country and for the completion of the Prgogram of creating a multilaterally developed socialist society."[1]

The contribution of the segment of the population directly involved in production to the growth of national income also depends upon the modernization of the structure of this involvement in favor of industrial activities, activities that currently employ 71 percent of the employed population in the country and that will employ 78 percent in 1985. An analysis of the figures on the shares of the branches in the structure of the national income compared to their share in the total number of persons employed shows, according to the data in the last statistical yearbook, that in 1979 the people employed in the non-agrarian branches produced 88.7 percent of the national income. Industry alone contributed 66 percent. The extension into agriculture of those fields based on contemporary technology, irrigation, land improvement, use of chemicals, improvements to plants and animals, animal raising in industrial complexes, development of small industry, the most rapid possible transformation of agriculture into a variant of industry and the firmest possible implementation of all the measures outlined at the Agricultural Congress will allow net production in this branch to increase by 38.6 percent in 1985 compared to 1980, and to correspondingly increase the contribution by agriculture to the growth of national income.

Relying upon a higher rate of growth of the national income (compared to 1970, 70.8 percent in 1975, by 2.44 times in 1980 and by over 3.43 times in 1985) with a relatively reduced rate for the number of persons employed (2 percent, 7 percent and 18.8 percent, respectively, for the same periods) shows the continuing decline in the contribution of the quantitative facet of the workforce, of only 2.8 percent in 1975, 4.9 percent in 1980 nad 17.7 percent in 1985, correspondingly increasing the contribution of the qualitative facet of the workforce, which intensified the growth of the dimensions of the national income by over 85 percent during the entire period under analysis. The explanation lies in the fact that technical progress firmly applied in all fields produced profound qualitative changes in working conditions and necessitated personnel with professional training and general education at the level of knowledge offered by contemporary technology. As a result, it becomes even more necessary to improve professional training during the current stage and to move to a new quality in all fields of activity. For that reason, the secretary general of the party, comrade Nicolae Ceausescu recently stressed: "Let it be well understood that without ensuring a continuing improvement in the level of professional and technical training of all personnel we cannot achieve the objective to moving to a new quality in the entire economy and all social life, and we cannot obtain a higher technical level of production."[2]

One opportunity to reflect, even if only approximately, the role of training the workforce in achieving economic growth is to report the total worker salary fund at 145 billion lei in 1975 and 221.3 billion lei in 1980, with the minimum salary for an unskilled worker at 1,114 lei and 1,425 lei. respectively, for the same years. Calculations show that to produce a national income of 362 billion lei in 1975 and 516.4 billion lei in 1980, it was necessary to employ 13,016,000 and 15,530,000 workers, respectively. In reality, the national income was produced by a workforce of only 10,150,800 and 10,400,000 workers (excluding the influence of other factors), which we can evaluate as being a result of increasing worker qualifications and labor productivity.

The contribution of a higher qualified workforce and the possibilities for applying acquired knowledge depend to a significant degree upon the level of technical equipment used by the labor force. The increase in the technical equipment used by the workforce by 2.27 times during the 1970-1980 period (the relationship between the increase by 2.47 times in the volume of fixed assets and 1.07 times in the number of persons employed) had as an economic result the growth in labor productivity by 2.29 times (the relationship between the increase by 2.243 times in national income and 1.07 times in the number of persons employed). The growth in labor productivity thus contributed to the growth in national income, compared to 1970, of 89.3 percent in 1975, and 95.6 percent in 1980, and will contribute with 85.2 percent in 1985. This evolution means a relative reduction in the contribution from labor productivity compared to the growth of the dimensions of national income. For that reason, comrade Nicolae Ceausescu indicated: "In order to lift us to the level of the developed countries and keeping in mind that in some sectors productivity in Romania is two and even three times less, we must take all the measures and concentrate all our forces to achieve during this five year plan a powerful growth in labor productivity in all the branches of the national economy."[3]

Taking into consideration the second factor of economic growth, the material potential, we have in mind both the fixed assets and circulating assets, with both being found again in the structure of the social product in the form of material production costs. As a part of the social product, national income becomes larger as material production costs become smaller, which completely justifies the consideration for reducing material costs as an important factor in order to increase national income.

From the need to increase the level of technical equipment used by the workforce, the volume of fixed assets continually increased, reaching 1,870 billion lei at the present time and will reach approximately 3,000 billion lei in 1985, representing 120,000 lei for each inhabitant of the country. Correspondingly, there has also been an increase in the specific consumption of the fixed assets per unit of increase in the national income (calculated through the relationship of the volume of fixed assets at 757 billion lei in 1970 and 1,870 billion lei in 1980, against an increase in national income of 212 billion lei and 516.4 billion lei, respectively)

from 3.57 lei in 1970 to 3.62 lei in 1980. A positive aspect with direct implications upon the growth of national income is that within the framework of fixed assets the portion dealing with production has increased on a priority basis, reaching 71.3 percent in 1979, with industry accounting for over 61 percent.

Similarly, within the framework of fixed production assets, the active portion, of equipment, increased, reaching approximately 48 percent, and accentuated the level of renewing and modernizing these fixed assets, with real positive effects upon the efficiency of this equipment. Currently, 83 percent of the fixed assets in the economy have been put into operation in the last 15 years, while during the last five year plan approximately one-third of the total. If we keep in mind the structure of fixed assets by branch, as is reflected in the data in the last statistical yearbook, the degree in which these assets influenced the growth of national income is shown by the coefficients of dependency calculated through the relationship of the percentage of the branches within the structure of the national income to their percentage in the total amount of fixed assets, with superunified coefficients in construction for the entire 1970-1979 period, while in industry and agriculture only in 1979. This shows that per unit of fixed assets there is an ever greater portion of national income, higher by 1.48 times in construction, 1.36 times in agriculture amd 1.34 times in industry.

The growth of national income per leu of fixed assets, that was .34 lei between 1971 and 1975, was at .26 lei during the 1976-1980 five year plan, which denotes the need to intensify efforts to more efficiently use the equipment in the national economy. Comrade Nicolae Ceausescu stated: "We have available the fixed assets capable of satisfying, under good conditions, the demands of economic-social development,"[4] and "we must use them as we should to ensure that they produce fully and economically."[5]

As a part of the social product, national income becomes larger as costs for labor performed become smaller. The higher and increasing percentage of these costs in the social product (58.8 percent in 1979, compared to 56.9 percent in 1965 and 48.8 percent in 1950) proves, however, that the process of economic growth has required the transformation of an ever greater amount of material resources into finished products (specific material costs per unit of national income was in 1980 1.5 lei compared to 1.38 lei in 1975 and 1.37 lei in 1950). Furthermore, according to the estimates in party documents, for some products the consumption rates are greater by 20 to 30 percent compared to many of the developed countries. This is the source of the conclusion that material resources were not used in the most efficient manner and that their contribution to the growth of national income was still low. In addition, according to calculations we see that due to the material production costs the growth in national income was negatively influenced in 1980 by .5 percent, which equals 1.0328 billion lei. Comrade Nicolae Ceausescu stressed: "We must especially consider the norms for material and energy consumption to be maximum levels and we must take all measures to improve technologies and to redesign and update products on the basis of the smallest possible rates of material consumption."[6]

The coefficients of dependence between the percentage of the national income and that of material costs in the structure of the social product, superunified at the level of the national economy for the entire 1970-1980 period, show that national income was created with higher rates of material consumption. Although for 1980 the coefficient was slightly reduced, it nonetheless remains high. The secretary general of the party, comrade Nicolae Ceausescu referred to this, stressing: "Similarly, it is necessary for us to work fully decisively to better use raw materials and materials and to obtain from one ton of raw materials or materials an amount of production of much greater value."[7]

It is known that the preponderance and characteristics of the factors for increasing national income impart certain traits to the entire process of economic growth. According to the statistical data and the plan provisions the role of the different factors in increasing national income during the period of 1970-1980 for the entire economy, compared to 1950, allows us to see certain trends over time in the process of economic growth in our country.

The Role of Different Factors in Increasing National Income During the Period 1970-1985 Compared to 1950

	Years			
	1970	1975	1980	1985
Role of Labor Productivity	102.4	98.8	99.6	97.2
Role of Number of Employed Persons	3.6	2.3	1.8	1.9
Role of Material Production Costs	- 6.0	- 1.1	- 1.4	.9

Source of the data: For the 1950-1979 period, "The Statistical Yearbook of the Socialist Republic of Romania, 1980, Central Statistical Directorate, pp 96, 97, 112, 113; for the 1980-1985 period, "The Directives of the 12th Party Congress," Politica Publishing House, Bucharest, 1979, pp 18, 45; and the Law for the Approval of the Sole National Economic-Social Development Plan for Romania During the 1981-1985 Period, SCINTEIA, No 12086 of 2 July 1981.

The calculations show that in the entire 1950-1985 period for a growth of 20.63 times over in the national income a predominant contribution (over 97 percent) comes from qualitative facets of the workforce, that is, the efficiency in the form of labor productivity. This shows that certain intensive factors were also operating in our country's economy.

Among the branches of the economy, the greatest contribution to the growth of labor productivity was in agriculture, eliminating the negative influence of two other factors - the reduction in the number of persons employed and the growth

of material production costs. In construction, the contribution of this factor was between 76.4 percent and 84.9 percent, with a relative stability after 1975. In industry, it was constantly over 64 percent, and in transportation and telecommunications the contribution of labor productivity was at the lowest figure, between 47.2 percent and 55.6 percent.

The decline of the role of labor productivity at the level of the entire economy in the structure of the factors for economic growth, from 102.4 percent in 1970 to 97.2 percent in 1985, must also be evaluated in connection with the evolution of the other intensive factor, the reduction of material production costs, in the sense of changing this into an effective factor for increasing national income. We are thinking that while in 1970 material production costs decreased by 6 percent the growth in national income, by 1985, on the contrary, they will be transformed into a factor for increasing growth, with their contribution being .9 percent. This aspect leads to the conclusion that the qualitative facets and intensive factors have been extended during the period of creating a socialist economy so that our production potential will be more and more efficiently used.

The continuing decline of the role of the quantitative factor at the level of the entire economy, with the number of people employed in increasing national income from 3.6 percent in 1970 to 2.3 percent in 1975 and to only 1.9 percent in 1985, strengthens even more the conclusion regarding the stress upon the intensive nature of our economic growth during the current five year plan. Among the material production branches, industry, transportation and telecommunications have had a priority influence upon the general trend. In construction, the maintenance of the contribution of the quantitative factor at a high level has been brought about by the dynamics in the number of persons employed, which is nearly double that in transportation and telecommunications and three to four times greater than in industry. In agriculture, the negative value of the quantitative factor is the result of the massive movement of the rural population towards non-agricultural activities.

In accordance with the Law for the Approval of the Sole National Economic-Social Development Plan for Romania During the 1981-1985 Period, by associating the average annual rate of growth of national income of 6.1 percent, which will bring about a 134.3 percent increase in this income in 1985, with a growth of only 10.6 percent in the number of persons employed, paralleling an increase to 89 percent in the percentage of skilled workers, and with a 5.5 to 6 percent reduction in material production costs on the basis of raising the basic raw materials and energy use indices for the entire industry (calculated on the basis of the value of goods production) by 30 percent and with stress placed upon the other qualitative facets of development, one can arrive at the conclusion that the process of economic growth in our country will take on an intensive nature. Furthermore, as comrade Nicolae Ceausescu stressed at the Second Congress of the Workers Councils "the general characteristic of the plan constitutes the transition from extensive development to an intensive one,[8] with this taking place precisely by way of a new quality in the economy and all fields of activity.

FOOTNOTES

1. Nicolae Ceausescu, "Speech at the Plenary Session of the Romanian Communist Party Central Committee of 16-17 December 1980," Politica Publishing House, Bucharest, 1980, p 29.

2. Nicolae Ceausescu, Speech regarding the economic-social development of Romania during the 1981-1985 five year plan, the growth of the role of the workers councils and the development of workers socialist democracy in our country, SCINTEIA, No 12080 of 25 June 1981.

3. Nicolae Ceausescu, Idem.

4. Nicolae Ceausescu, Ibidem.

5. Nicolae Ceausescu, "Speech at the Plenary Session of the National Council of the Socialist Unity and Democracy Front of 23 December 1980," Politica Publishing House, Bucharest, 1980, p 14.

6. Nicolae Ceausescu, Speech regarding the economic-social development of Romania during the 1981-1985 five year plan, the growth of the role of the workers councils and the development of workers socialist democracy in our country, SCINTEIA, No 12080 of 25 June 1981.

7. Nicolae Ceausescu, "Speech at the Plenary Session of the National Councils of Workers of 13 June 1980," Politica Publishing House, Bucharest, 1981, p 11.

8. Nicolae Ceausescu, Speech regarding the economic-social development of Romania during the 1981-1985 five year plan, the growth of the role of the workers councils and the development of workers socialist democracy in our country, SCINTEIA, No 12080 of 25 June 1981.

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FOREIGN INVESTMENT IN YUGOSLAVIA DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 20 Jul 81 pp 19-22

[Text] Recently there have been several official announcements that changes can be expected in certain statutes regulating the so-called higher forms of economic cooperation between Yugoslav organizations of associated labor and foreign firms. Just to give some examples, Veselin Djuranovic, chairman of the Federal Executive Council, spoke about this during his visit to West Germany and during meetings with German business executives, and Zvone Dragan, vice chairman of the Federal Executive Council, spoke about it at a press conference for foreign journalists in June and earlier that same month in Dubrovnik at a meeting of Yugoslav and American business executives.

When changes in statutes covering this field are mentioned, the reference is above all to two laws: the Law on Foreign Investment in Yugoslav Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 18, 1978), popularly referred to as the Law on Joint Ventures, and the Law on Long-Term Industrial Cooperation, Business-and-Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons (SLUZBENI LIST, No 40, 1978), referred to in short as the Law on Transfer Technology. In the text below we will therefore be referring only to them.

The Law on Patents was recently passed, so that at present it would be pointless to speak about changes in that law, until experience shows up its weak points and strong points, though there were quite a few objections to the texts of the drafts, and there are criticisms even now of the text as adopted. There are several other statutes (the Law on Sales of Medical Drugs, foreign exchange regulations, etc.) which in the opinion of certain foreign business executives and even certain of our own should be changed, but it is generally thought that they are less important.

The point of departure in an examination of this subject matter is the interest which Yugoslavia has officially confirmed on many occasions in developing forms of economic cooperation such as joint investments, long-term industrial cooperation or transfer of technology. The previous motives for this, such as the contribution to the country's export efforts, or access to the very best technology, are now joined by an interest, especially as far as joint ventures are concerned, in restricting the contracting of foreign indebtedness and in having a portion of additional capital for development come through direct foreign investments.

Yugoslavia's interest goes back a long way and has been manifested in adoption of statutes beginning in the sixties. It can be said that they have in common a characteristic caution, which is understandable when one bears in mind that this was a move into uncharted waters, we had no experience of our own, and there were certain ideological and other burdens to be borne. That accounts for the gradual nature of the granting of various rights and opportunities both to the foreign and also to the domestic partners, on the one hand, combined with a restriction of the rights and powers reserved for government agencies. In other words, we detect a tendency, not always consistent, for ever broader areas to be left to contractual relations between domestic and foreign partners, instead of being regulated by law.

As for joint ventures, Table 1 shows the situation as of 31 December 1980. By comparison with the status 1 year earlier we see that during 1980 only eight new contracts were recorded on joint ventures (three with firms from West Germany, two with firms from Sweden, and one each with firms from Britain, Switzerland and the United States). This is truly very few and seems to support the correctness of the assertion that the new 1978 law did not favor the conclusion of new contracts. Moreover, the table does not show the terms under which the contract was concluded, that is, it does not show whether the clause was applied anywhere which allows for exemption from the provisions of the law if the Federal Committee for Energy and Industry deems it warranted.

Table 1. Investments of Foreign Nationals in Organizations of Associated Labor (contracts and joint ventures) From 1968 to End of December 1980

Region/ Country of Origin	No of Contracts	Investments in Dinars				
		National Share	%	Foreign Share	%	Total
EEC	121	24,812,363,145	87.77	4,458,416,282	15.23	29,270,779,327
Federal Republic of Germany	52	6,943,288,655	86.08	1,123,036,932	13.92	8,065,725,587
Italy	31	3,392,409,832	78.35	937,622,534	21.65	4,330,032,366
France	11	866,940,314	74.93	290,032,057	25.07	1,156,972,371
United Kingdom	12	12,136,297,403	87.22	1,777,852,761	12.78	13,914,132,164
Belgium	6	922,261,960	88.11	124,460,760	11.89	1,046,742,720
Holland	3	160,133,085	67.90	75,690,813	32.10	235,823,898
Luxembourg	4	384,995,631	75.35	125,950,249	24.65	510,945,880
Denmark	2	6,034,265	58.00	4,370,176	42.00	10,404,441
EFTA	33	6,299,583,984	74.70	2,133,756,966	25.30	8,433,340,912
Austria	7	1,537,047,196	85.81	254,189,738	14.19	1,791,236,934
Switzerland	19	4,112,200,663	71.52	1,637,129,778	28.48	5,749,330,403
Sweden	6	550,007,825	71.12	223,353,950	28.88	773,361,775
Finland	1	100,328,300	83.95	19,183,500	16.05	119,511,800
CEMA	2	219,500,000	52.59	197,900,000	47.41	417,400,000
Czechoslovakia	1	75,200,000	55.79	59,600,000	44.21	134,800,000

Table 1 (continued)

Region/ Country of Origin	No of Contracts	Investments in Dinars: National Share	%	Foreign Share	%	Total
German Democratic Republic	1	144,300,000	51.06	138,300,000	48.94	282,600,000
Developing countries	1	175,680,000	80.00	43,920,000	20.00	219,600,000
India	1	175,680,000	80.00	43,920,000	20.00	219,600,000
Other regions	42	7,533,799,037	68.71	3,430,478,837	31.29	10,964,277,874
United States	30	7,259,362,147	68.31	3,368,043,499	31.69	10,627,405,646
Canada	1	25,125,000	75.00	8,375,000	25.00	33,500,000
Lichtenstein	8	235,119,657	85.19	40,887,067	14.81	276,006,724
San Marino	1	6,869,753	53.00	6,092,047	47.00	12,961,800
Panama	2	7,322,480	50.83	7,081,224	49.17	14,403,704
	199	39,040,926,166	79.26	10,264,472,085	20.74	49,255,398,213

Source: Federal Committee for Energy and Industry.

Table 2. Distribution of Foreign Investments by Sectors*

Economic Activity	No of Contracts	Investments, in millions of dinars: Total	Foreign Investment Alone	Foreign Investment in Sector Relative to Total Foreign Investment, %
	1968-1980			
1. Chemical industry	27	5,843	2,503	24.7
2. Metals industry (metal manufacturing)	17	2,269	495	4.9
3. Wood and paper industry	8	3,094	442	4.4
4. Metals industry (products of nonferrous and ferrous metallurgy)	12	22,218	2,958	29.2
5. Food manufacturing industry	17	2,577	553	5.5
6. Transportation equipment industry	17	5,860	1,753	17.3
7. Power machines and appliances	14	1,395	234	2.3
8. Natural rubber	8	2,178	597	5.9

Table 2 (continued)

Economic Activity	No of Contracts	Investments, in millions of dinars: Total	Investments, in millions of dinars: Foreign Investment Alone	Foreign Investment in Sector Relative to Total Foreign Investment, %
9. Miscellaneous	44	1,137	591	5.8
Total	164	46,532	10,126	100.0
		1976-1980		
1. Chemical industry	10	4,293	1,987	25.1
2. Metals industry (metal manufacturing)	7	1,871	356	4.5
3. Wood and paper industry	5	736	241	3.0
4. Metals industry (products of nonferrous and ferrous metallurgy)	7	16,427	2,724	34.5
5. Food manufacturing industry	10	2,210	441	5.6
6. Transportation equipment industry	8	3,807	1,206	15.2
7. Power machines and appliances	6	527	162	2.0
8. Natural rubber	4	1,367	337	4.2
9. Miscellaneous	18	902	476	6.0
Total	75	32,145	7,930	100.0

* Not including contracts which have expired.

Source: Communication of the Federal Committee for Energy and Industry to OECD.

Table 2 shows the number of contracts on joint investments still in force by industries. Of the eight new contracts which we said were registered in 1980, three were in the metal manufacturing industry, two each in metals production and the food manufacturing industry, and one in the chemical industry. Not a single new contract was recorded in the other industries.

The situation is certainly unsatisfactory and justifies the intention to make investments in Yugoslavia more attractive to foreigners by amending the laws. The question is what should be changed and how long this will take. The first suggestions have already been made in the Yugoslav Economic Chamber (section for the United States), and the Federal Executive Council formed a group 2 months ago which is working on this, but if the effort continues at the present rate, there is reason to fear that a great deal of time will be lost.

OECD Suggestions

Foreigners--diplomatic missions and representative offices of business firms, business associations, certain firms, and so on--have made a number of oral and written criticisms and suggestions about what in their opinion should be changed and about what solutions would be most acceptable to them. This has also been done by international organizations such as the Organization for Economic Cooperation and Development--OECD (which will soon bring out a new publication on foreign investments in Yugoslavia similar to its publication under the same title in 1974), the European Economic Community, and so on.

OECD, for example, feels that several provisions of the Law on Joint Ventures might be amended, supplemented or abolished, without this infringing on the basic laws of Yugoslavia nor detrimentally affecting its economic interests. What is more, this would result in more foreign investments. In the first place, the restrictions on the transfer of profit (Articles 23-25) should be abolished; in the opinion of OECD, this would result in very low expenditures of foreign exchange compared to the deficit in the balance of payments. To continue, restrictions on the right to liquidate the joint venture should also be abolished (Article 12). This ought to be left to the interested parties, and mandatory prior notice might possibly be prescribed. The OECD also feels that putting a limit on the rate of profit (Article 19) is a measure which could result in distortion of business behavior and could have a negative effect on the profitability of business operation. "Under the specific conditions of the Yugoslav regime, this setting of the rate of profit in advance, which severely punishes only the foreign investor for mistakes in evaluation, certainly acts as a disincentive on foreign investors."

The OECD also relates foreign investments to the new law on transfer of technology, though the connection is only indirect, feeling that its provisions might be a source of problems in the sense that investors might be led to doubt the readiness of the Yugoslav authorities to be concerned about the interests of the contracting parties and to protect them. The OECD argues that the provisions on the transfer of profit and proceeds from liquidation and on repatriation of capital might be derogated (Articles 33-35) by enforcement of the regulations of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries, that is, by its Article 177, which envisages measures temporarily restricting international payments, though mention is made that this has not been invoked to date.

Finally, the OECD also mentions restriction of the foreign investor's share to 49 percent (room being left for exceptions) as a hindrance, though not a large one, since it says that the average share of foreign partners is about 20 percent. It nevertheless believes that the average would be higher if it were not for the 49-percent limit.

Members of the EEC have by and large agreed on the objections which they have. They object to the fact that the Law on Joint Ventures does not entitle the investor to make decisions in the management field and that the joint business board must in any case follow the decisions of the bodies of self-management (Article 16). The objection to Article 17 is that it provides that the foreign

investor may not have a permanent share in the profit, but rather this share terminates when he is paid the value of the capital he has invested or when the contract on the joint venture expires. "Thus in a sound enterprise the foreign investor will be paid rather quickly and kicked out."

The objection to Article 19 has to do with prescribing the maximum allowed profit of the foreign investor, which is utterly inconsistent with the idea of investing capital in an undertaking that involves a risk. On the other hand no restriction is put on his share in covering losses. There is criticism of the provision of Article 23, under which the foreign investor can reinvest only convertible currencies. Members of the EEC also criticize the provision of the Law on Foreign Exchange Transactions ... (Article 134) under which the foreign investor can transfer in foreign exchange his share of the profit only if it has been earned by exporting, and in most of the republics this is further limited to half of the amount which the joint venture has realized through exports. This, representatives of these countries argue, then stands in the way of import substitution, exports to markets in the nonconvertible area, etc.

In a letter to the chairman of the Federal Committee for Energy and Industry the United States-Yugoslavia Business Council stated objections in November 1980 to several articles of the Law on Joint Ventures and suggestions on how they should be amended. It felt that Article 19 (setting the maximum on profit) would best be omitted, since it is not likely that a Yugoslav organization would sign a contract with a foreign partner that would allow the latter excessive profit. Should the article not be abolished, its adverse effect might be mitigated if provisions were incorporated whereby profit rates would be examined over a longer period of time, since a joint venture could have losses in the first year, while the later profit might be higher and the envisaged profit would therefore be obtained as an average. It is also proposed that the base on which profit is computed be increased to keep pace with inflation.

The objection is made to Article 23, Paragraph 2, that it does not stimulate the reinvestment of profit, since it provides that only the proceeds from exports are to be reinvested. It is proposed that possible sublegal regulations could make it possible to reinvest both the foreign exchange portion and also the dinar portion of profit. It is also proposed that since the mechanism for reinvestment is not clear the law provide that it be permitted if the partners so agree and if this is envisaged by the original contract on the joint venture or an annex to the contract.

It is said of Article 42 that it represents an important unutilized area for potential cooperation, since it provides that under certain conditions the Federal Executive Council may approve joint ventures which are not oriented toward export. The council sees here broad opportunities for import substitution, of manufacturing materials above all. But if investments are to be attracted, it proposes that the Federal Executive Council publish guidelines in advance on which projects will be given serious consideration.

Finally, there is objection to the clarification offered by "certain segments of the government" to the effect that only the partner's own capital may be a source of financing of a joint venture, and that credit granted to the joint

enterprise does not so qualify. Or that the partners are responsible for guaranteeing or repaying credit in proportion to their share in the capital. This would considerably augment the investor's risk and run counter to customary practice in the world, and it warns that adoption of such ideas would threaten an inflow of investments from the United States.

Similar objections can be heard from Austrian sources. In connection with the obligation to limit the transfer of profit solely to the income from exports, it asks what real influence the foreign investor has on the exports of the joint enterprise? And further, how in any case is the foreign partner to know how large exports are, since the exports may go through him, but need not, so that it all comes down to trust? As for putting a maximum on the rate of profit, the comment made by one potential Austrian investor is that if the joint undertaking performs better than that, it will be penalized.

Similar objections are also contained in many other documents available to us, among them certain analytical papers by individual scientists. Though they contain certain other details and more extensive explanations which potential foreign investors and their legal advisers take very seriously, we will not speak about them here.

On Transfer of Technology

As for the Law on Transfer of Technology, the main objections pertain to its Articles 24 and 37. Thus members of the EEC have objections to five subparagraphs of Article 24. They find no justification for the provision of Subparagraph 4, to the effect that the seller of the technology must give the purchaser information on all improvements and make those improvements available to him, since this diminishes the seller's interest in even concluding a contract that would entail such obligations. The same applies to Subparagraph 5, under which the seller of technology must guarantee delivery of raw materials, manufacturing materials, spare parts and equipment, while the customer has no obligation to obtain supplies from him. It is felt that this is an unequal contract, since the seller can keep in inventories and finance goods without knowing whether the buyer of his technology will request them at some moment.

There is also trouble with Subparagraph 6 of Article 24, which provides the responsibility of the seller of the technology for the results envisaged by the contract, though he has no insight into whether his instructions are being followed and the manner in which they are being followed. The situation is similar with Subparagraphs 7 and 8 of the same article, which envisage a guarantee from the seller of the technology that harmful consequences will not ensue from its application, that is, a guarantee that he will compensate possible damage.

The EEC also has objections to several provisions of Article 37. These countries feel that it is not clear whether the protected mark (trademark and service mark) is a portion of the technology. This especially applies to Subparagraph 2 of that article. Moreover, it is felt that the provision of Subparagraph 5, prohibiting restriction of the Yugoslav organization from using the technology it has purchased and selling the products or services after the contract expires [sic], since it discourages the owner of the technology from granting it to Yugoslav organizations.

There are two objections which can be made to Subparagraph 7, under which restrictions may not be imposed on the Yugoslav organization with respect to the purchase or use of raw materials, manufacturing materials, parts and equipment. One has already been mentioned (the Yugoslav organization's right to buy where it wishes, but the obligation of the seller of technology to furnish it whenever it is sought), and the second is that the seller of the technology must be certain, if he is to bear a series of liabilities, of the quality of the raw materials being incorporated into the product for which he is liable and in whose quality he is interested even aside from all liability, since he is interested in his own reputation. Finally, it is felt that the very prohibition against restricting exports to certain countries, as formulated in Subparagraph 10, is not in the best interest of the contracting parties.

The Americans (the United States-Yugoslavia Business Council we have mentioned) propose that Article 24 refrain altogether from a detailed enumeration of all the possible cases in which a contract will not be approved and that this be replaced by a provision under which the fact of approval or registration by the Federal Committee for Energy and Industry is regarded as a final decision that the contract conform to Article 24.

Objections have also been made to individual subparagraphs of Article 24. For instance, a formulation is proposed for Subparagraph 7 (on the seller's guarantee that application of his technology will not have harmful consequences): "... the foreign person's guarantee over the life of the contract that the use (application) of the technology, if it conforms to the contract and instructions of the seller of the technology, will not have harmful consequences...." A formulation is also proposed for Subparagraph 8: "... guarantee of the seller of the technology that he will compensate users or third parties for loss resulting from defects in the technology in cases when the technology has been used during the life of the contract in conformity with the contract and the instructions given by the seller of the technology...." This means that the person suing for compensation of a loss must prove that the technology is defective.

The objection to Subparagraph 5 of Article 24 is identical to the one made by the EEC and is also related to Subparagraph 7 and Article 37. It is proposed that the language of Subparagraph 5 of Article 24 be softened and that instead of the absolute obligation of the seller of technology to deliver raw materials and other things to the customer, it state that he issue a guarantee that he will endeavor as best he can to deliver or make provision for delivery of raw materials, and so on.

The proposal is also made for new language in Subparagraph 4 of Article 24, under which the seller of the technology would not have to give all improvements to the customer without payment, but would only be required to offer them to him, but the two parties would agree on the price, but it could not be less favorable than the one which the grantor of the license has offered to others. There is also an objection to Subparagraph 10 of Article 24, which pertains to respecting the secrecy of information for 3 years after the expiration of the contract. The Americans feel that certain technology ages rapidly, while other technology, especially manufacturing technology which shows how to make a product in the cheapest way, does not go out of date for a long time. For that

reason a potential licensor will not conclude a contract under the conditions required by the Yugoslav law, or will conclude it over a much longer period of time than he would otherwise do. The following language is therefore proposed for Subparagraph 10: "A guarantee of the contracting parties that information furnished in confidence during the negotiations and during the life of the contract will be regarded as a trade secret until such information becomes public property; upon expiration of the contract the recipient of the technology shall have the right to such information for his own use, but he shall not pass on such information to third parties."

The Purpose of the Trademark

The Americans are also in a quandary about the application of Article 37 to trademarks, i.e., as to whether they are covered by the word "technology," say, in Subparagraphs 1 and 8. They feel that they should not be so covered, since if they were, the licensee could alter the mark or use it for products manufactured according to another or altered technology, and that would be contrary to the purpose of the existence of trademarks, which indicate to the customer good consistent structure or quality. They also feel that if "technology" does cover the trademark, Subparagraph 5 of Article 37 would imply the licensee's freedom to use it even after the license expires. For all these reasons it is proposed that Article 37 state that "technology" does not include trademarks, unless it is explicitly so stated, as it is in Subparagraph 9.

The first part of Subparagraph 2 of Article 37 is interpreted to mean that the domestic organization is forbidden to allow the licensor the right to protect his own trademark in Yugoslavia. It is said that this is unacceptable for licensors, and it is proposed that the law leave it to the contracting parties to decide who shall have the right to protect the trademark in Yugoslavia. It is also proposed that the provision of Subparagraph 4 of Article 37 not apply to trademarks.

Finally, the Americans feel that Subparagraph 7 of Article 37 is too rigid (the reader will recall that it provides that the buyer of technology may not be restricted from obtaining raw materials, manufacturing materials, spare parts and equipment from third parties). They say that while certain raw materials can be fully described in specifications, others--certain parts of aircraft, active ingredients in the case of pharmaceutical products, and chemical catalysts--cannot. This especially applies if a Yugoslav organization wishes to use the trademark of the licensor. The latter will either demand that he monitor the quality of such a product or will refuse to sell the license to the trademark. It therefore proposes that the law leave it to the contracting parties to state in the contract that the licensee in Yugoslavia will purchase from the licensor certain raw materials or components when the two of them and the Federal Committee agree that inspection of quality has essential importance to the proper functioning of the technology or effectiveness of the products.

Austrian sources by and large make the same objections as those already cited. They have in addition one very major one which pertains to the provision that the foreign exchange realized by exporting products and parts on the basis of a contract on long-term industrial cooperation may altogether be used to import

products or parts on the basis of that contract (Article 47), while regulations applicable to regular exports and imports apply to exports and imports beyond that period.

The question is what will happen at the very outset of production, during the period that the facility is being brought up to capacity? For example, the contract between Pobeda and Stayr provides that the ratio 1:1 will be attained in 4 years. But up until that time? The way out, in the opinion of the Austrian business executives, is to make it possible for the Yugoslav organization to import in this early phase under the regime envisaged for products covered by industrial cooperation even over and above the value of its exports, this to be made up for in the later phase.

Proposals of the "Working Group"

This will conclude our survey of the objections and suggestions from abroad. As for the proposals from within the country, there are quite a few of them, but most have not been altogether formulated, or they are not accessible to the public. Though one working group has offered its proposal for amending the law on transfer of technology in the mechanism of the economic chambers. It feels that no general or substantial changes are necessary, but mainly improvements of particular provisions which, often in the very first context, dampen the interest of foreign partners in transfer of technology to Yugoslavia altogether, and above all the most up-to-date and sensitive technology. The working group agrees with the proposal of the United States-Yugoslavia Business Council on the language of Subparagraph 10 of Article 24 on protecting the secrecy of information, and it refers in this connection to the recommendation of UNIDO [United Nations Industrial Development Organization].

The working group also agrees with the objections about including the trademark in the "material right to technology" (Article 37--various subparagraphs), feeling that this causes confusion and that in practice it is impossible that provisions dealing with the application, improvement and addition to technology also apply to the trademark and the service mark. It therefore proposes that the applicability of these provisions to the trademark and the service mark be excepted.

It goes on to say that the prescription of Article 37, Subparagraph [number omitted, but Subparagraph 2 is apparently referred to--translator's note] is altogether unclear and incomprehensible. The question arises how the recipient of the technology could get into a situation where the organization granting the technology leaves legal protection to him, i.e., [protection of] a patent which he himself does not have, but which can only be possessed by the organization granting the technology? The working group proposes that this subparagraph either be eliminated or given some meaning.

Most of the problems in concluding contracts, the working group feels, are created by Subparagraph 10 of Article 37, which prohibits any sort of restriction of the Yugoslav organization's right to export except to the countries in which the organization granting the technology has his own production operation or has granted an exclusive license for manufacturing to a third party. The working

group feels that this provision must be softened so as to be more mindful of countries in which the organization granting the technology has already granted to a third party an exclusive sales license or has other legitimate commercial interests. The group says: "with respect to this or certain other provisions of the Law it would be more useful for the Law to offer principles and a mode of regulation, rather than to prescribe a mandatory content of the contract. In such a case the competent registering agency could evaluate with more flexibility the extent to which these principles have been realized."

Table 3. Regional Distribution of Joint Investment Projects From 1968 to the End of December 1980*

Republics and Provinces	No of Contracts	Investments, in millions of dinars		
		Total	Yugoslav Capital	Foreign Capital
Yugoslavia	164	46,532	36,406	10,126
Bosnia-Hercegovina	28	4,708	3,433	1,275
Montenegro	3	987	853	134
Croatia	31	6,067	3,617	2,450
Macedonia	6	1,291	1,119	1,171
Slovenia	39	4,903	3,834	1,069
Serbia proper	42	25,859	21,627	4,233
Vojvodina	13	2,095	1,523	618
Kosovo	2	622	450	172

* Not including contracts which have expired.

Source: Communication of the Federal Committee for Energy and Industry to OECD.

Finally, the working group finds on its own initiative that there is no need for the provision of Subparagraph 4 [should be "Paragraph 4"] of Article 35, which, along with many certifying statements which are sought, also requires a report from the Federal Bureau of Patents concerning the condition of engineering and technology in the world which can be applied to the production which would commence after the technology is acquired.... The Federal Bureau may issue certificates on patented products, which today represent only a small portion of technological development. All the rest are technologies which are unprotected, but are secret. For these and other reasons, the working group finds, this provision is superfluous, since it is not clear how the Federal Bureau of Patents can furnish competent opinions on the state of engineering and technology in the world.

It is certain that opening up public discussion on amendments of the two laws we have been discussing here would offer an occasion for many of our theoreticians and practitioners to express their opinion. The more open and frank the discussion, the faster the optimum solutions will be arrived at. Our recent bad experience with certain statutes which were not handled in this way should be a lesson to us.

7045
CSO: 2800/330

FINAL ACCOUNT OF 1980 FEDERAL BUDGET EXPENDITURES

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 42, 31 Jul 81 pp 1061-1110

[Final account of 1980 Federal Budget adopted by the SFRY Assembly in a session of the Federal Chamber on 15 July 1981]

[Text] I. General Section

Article 1

Actual revenues and the actual distribution of revenues in 1980 were as follows:

1.	Sum total of revenues collected according to the balance sheet of the Federal Budget	131,897,873,505.07 dinars
2.	Sum total of actual distribution of revenues according to the balance sheet of the Federal Budget	132,024,419,050.57 dinars
3.	Outstanding obligations	126,545,545.50 dinars

Article 2

The outstanding obligations under the Federal Budget for 1980, which are to the Federal Secretariat for National Defense and pertain to the financing, development and modernization of the Yugoslav People's Army, in the amount of 126,545,545.50 dinars, shall be paid out of the Permanent Federal Budget Reserve.

Article 3

A survey of revenues as anticipated and collected and of expenditures as anticipated and made according to the Balance Sheet of the Federal Budget for 1980 follows:

I. Revenues

Classification Number: Revenue Form 1	Classification Number: Revenue Sub-form 2	Revenues 3	Anticipated in Budget 4	Anticipated in Rebalanced Budget 5	Actual 6
		Type 03. Turnover Tax on Products			
03-1		Basic turnover tax on products	48,859,000,000.00	47,870,000,000.00	47,399,837,870.74
	03-1-1	Portion of the basic turnover tax on products	48,859,000,000.00	47,870,000,000.00	47,399,837,870.74
		Total Type 03	48,859,000,000.00	47,870,000,000.00	47,399,837,870.74
		Type 05. Fees			
05-1		Administrative fees	153,500,000.00	302,300,000.00	229,692,265.29
	05-1-1	Consular fees	84,300,000.00	233,600,000.00	182,516,272.99
	05-1-2	Customs fees	62,700,000.00	62,700,000.00	42,566,879.60
	05-1-3	Other federal administrative fees	6,500,000.00	6,500,000.00	4,609,112.70
05-3		Court fees	1,200,000.00	1,200,000.00	67,127.80
		Total Type 05	154,700,000.00	304,000,000.00	229,759,393.09
		Type 06. Customs Duties and Charges			
06-1		Customs duties	13,572,000,000.00	13,572,000,000.00	10,618,025,330.25

I. Revenues (continued)

1	2	3	4	5	6
06-2		Special import charges and fees and storage charges	17,019,000,000.00	6,818,000,000.00	10,076,435,341.10
	06-2-2	Special charge to equalize the tax burden on imported goods	6,062,500,000.00	2,090,000,000.00	4,961,793,598.80
	06-2-3	Special charge for the keeping of customs records	1,106,800,000.00	1,106,800,000.00	1,056,943,777.55
	06-2-4	Special fee on imported goods	9,800,200,000.00	3,571,700,000.00	4,055,521,902.00
	06-2-5	Storage charges on goods stored in customs warehouses	49,500,000.00	49,500,000.00	2,176,062.75
		Total Type 06	30,591,000,000.00	20,390,000,000.00	20,694,460,671.35
		Type 07. Revenues Under Specific Federal Enactments, Revenues of Federal Bodies, Agencies and Organizations, and Miscellaneous Revenues			
07-2		Revenues of federal administrative agencies	1,654,600,000.00	1,704,600,000.00	1,874,174,217.18
	07-2-1	Revenues of federal bodies, agencies and organizations	1,654,600,000.00	1,704,600,000.00	1,874,174,217.18
07-4		Miscellaneous revenues	913,800,000.00	996,400,000.00	686,041,352.71
		Total Type 07	2,568,400,000.00	2,701,000,000.00	2,560,215,569.89

I. Revenues (continued)

1	2	3	4	5	6
		Type 08. Revenues From Other Sociopolitical Communities			
08-1		Contributions of the republics and autonomous provinces	36,914,500,000.00	38,469,500,000.00	38,469,500,000.00
	08-1-1	Contribution of the Socialist Republic of Bosnia-Hercegovina	4,763,900,000.00	4,961,800,000.00	4,961,800,000.00
	08-1-2	Contribution of the Socialist Republic of Macedonia	2,096,800,000.00	2,186,200,000.00	2,186,200,000.00
	08-1-3	Contribution of the Socialist Republic of Slovenia	6,110,600,000.00	6,370,600,000.00	6,370,600,000.00
	08-1-4	Contribution of the Socialist Republic of Serbia, not including autonomous provinces	8,938,000,000.00	9,319,900,000.00	9,319,900,000.00
	08-1-5	Contribution of the Socialist Republic of Croatia	10,011,700,000.00	10,428,600,000.00	10,428,600,000.00
	08-1-6	Contribution of the Socialist Republic of Montenegro	701,500,000.00	728,500,000.00	728,500,000.00
	08-1-7	Contribution of the Socialist Autonomous Province of Vojvodina	4,145,000,000.00	4,320,900,000.00	4,320,900,000.00
	08-1-8	Contribution of the Socialist Autonomous Province of Kosovo	146,200,000.00	153,000,000.00	153,000,000.00
		Total Type 08	36,914,500,000.00	38,469,500,000.00	38,469,500,000.00

I. Revenues (continued)

1	2	3	4	5	6
		Type 09. Loan Credits and Exemptions and Other Resources of the Current Year			
09-5		Credits taken	9,200,000,000.00	22,544,100,000.00	22,544,100,000.00
	09-5-1	Resources of the Yugoslav National Bank	9,200,000,000.00	9,200,000,000.00	9,200,000,000.00
	09-5-2	Federal bonds		13,344,100,000.00	13,344,100,000.00
		Total Type 09	9,200,000,000.00	22,544,100,000.00	22,544,100,000.00
		Total revenues for distribution (Types 01-09)	128,287,600,000.00	132,278,600,000.00	131,897,873,505.07

II. Distribution of Revenues

Classification Number					
Distribution Group	Distribution Sub-group	Distribution of Revenues	Anticipated in Budget	Anticipated in Rebalanced Budget and Other Adjustments	Actual
1	2	3	4	5	6
		Basic Purpose 01. Funds for Operation of Administrative Agencies			
01-1		Funds which workers realize as the income of the work community	3,271,270,250.00	3,939,804,658.00	3,939,403,405.00

II. Distribution of Revenues (continued)

1	2	3	4	5	6
	01-1-1	Funds for personal incomes	3,146,190,250.00	3,741,138,882.00	3,704,787,546.00
	01-1-2	Funds for community consumption	125,080,000.00	198,665,776.00	198,615,859.00
01-2		Funds for material costs	286,944,460.00	325,304,855.55	322,730,629.56
01-3		Funds for special purposes	6,128,918,290.00	6,156,778,162.45	6,043,397,151.56
	01-3-1	Funds for personal incomes and other personal benefits of officials and delegates	296,029,300.00	350,566,971.00	344,770,458.05
	01-3-2	Other special purposes	2,053,477,330.00	1,916,546,525.35	1,837,098,062.06
	01-3-3	Funds for general public purposes	2,760,111,660.00	2,870,364,666.10	2,849,093,430.10
	01-3-4	Current financing of federal directorates for commodity reserves	1,019,300,000.00	1,019,300,000.00	1,012,435,201.35
01-4		Noneconomic investments and equipment	2,200,967,000.00	1,969,797,100.00	1,986,667,100.00
		Total Basic Purpose 01	11,888,100,000.00	12,391,684,776.00	12,272,188,286.12
		Basic Purpose 02. National Defense and Social Self-Protection			
02-1		Funds for the Yugoslav People's Army	73,597,800,000.00	76,275,800,000.00	76,275,686,906.55

II. Distribution of Revenues (continued)

1	2	3	4	5	6
	02-1-1	Funds for the Yugoslav People's Army in the current year	72,677,800,000.00	75,355,800,000.00	75,355,800,000.00
	02-1-2	Funds to cover expenditures related to the rendering of services for entities outside the YPA	920,000,000.00	920,000,000.00	919,886,906.55
		Total Basic Purpose 02	73,597,800,000.00	76,275,800,000.00	76,275,636,906.55
		Basic Purpose 04. Funds Transferred to Other Sociopolitical Communities			
04-2		Supplemental funds	13,833,900,000.00	14,333,900,000.00	14,258,024,060.00
	04-2-1	Supplemental funds to the budgets of republics and autonomous provinces	10,871,300,000.00	10,871,300,000.00	10,871,300,000.00
	04-2-2	Special supplemental funds to the budgets of republics and autonomous provinces	2,962,600,000.00	3,462,600,000.00	3,386,724,060.00
		Total Basic Purpose 04	13,833,900,000.00	14,333,900,000.00	14,258,024,060.00

II. Distribution of Revenues (continued)

1	2	3	4	5	6
		Basic Purpose 05. Obligations To Finance Public Services			
05-9		For old-age and disability insurance	18,988,700,000.00	19,170,700,000.00	19,170,674,965.15
05-11		For welfare of disabled veterans	4,996,600,000.00	5,696,962,000.00	5,696,805,034.85
		Total Basic Purpose 05	23,985,300,000.00	24,876,662,000.00	24,867,480,000.00
		Basic Purpose 06. Other General Public Purposes			
06-2		To sociopolitical organizations	606,300,000.00	606,155,000.00	605,235,000.00
06-10		Subsidy to the Fund of Solidarity With the Nonaligned Countries and Developing Countries	100,000,000.00	100,000,000.00	80,021,852.00
06-11		Compensation to the Social Accounting Service	160,200,000.00	160,200,000.00	160,200,000.00
		Total Basic Purpose 06	866,500,000.00	866,355,000.00	845,456,852.00
		Basic Purpose 07. Funds of the Federal Reserve			
07-1		Transfers to the permanent budget reserve	235,700,000.00	235,700,000.00	235,700,000.00

II. Distribution of Revenues (continued)

1	2	3	4	5	6
07-2		Current budget reserve	228,900,000.00	312,098,224.00	276,153,973.65
		Total Basic Purpose 07	464,600,000.00	547,798,224.00	511,853,973.65
		Basic Purpose 08. Funds Placed in Time Deposits and Set Aside, Obligations and Other Purposes of Interest to the Federation			
08-4		Obligations under credits	3,651,400,000.00	2,995,400,000.00	2,993,718,972.25
	08-4-2	Other obligations carried over from past years	3,651,400,000.00	2,995,400,000.00	2,993,718,972.25
		Total Basic Purpose 08	3,651,400,000.00	2,995,400,000.00	2,993,718,972.25
		Total distributed and unassigned revenues	128,287,600,000.00	132,278,600,000.00	132,024,419,050.57

II. Detailed Section

Article 4

The anticipated and actual revenues of the Federal Budget for 1980 are as follows:

1. Total anticipated revenues 132,278,600,000.00 dinars
2. Total actual revenues 132,024,419,050.57 dinars

Article 5

A survey of the anticipated and actual distribution among those disbursing and using the funds, the distribution by purposes, and an item-by-item survey by distribution groups and distribution subgroups are given below:

Item No	Distribution Group or Subgroup	Basic and Detailed Purpose	Anticipated in Budget	Anticipated in Rebalanced Budget and Subsequent Adjustments in Budget (transfers from one accounting item to another)	Actual
1	2	3	4	5	6
		Section 1. State Presidency of the Socialist Federal Republic of Yugoslavia			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
1	01-1-1	Funds for personal incomes of personnel	15,421,870	18,775,093.00	18,775,093.00
2	01-2	Funds for material costs	200,000	250,000.00	220,429.70

Article 5 (continued)

1	2	3	4	5	6
3	01-3-2	Funds for personal incomes and other personal benefits of officials	17,609,920	23,472,282.00	23,166,115.70
4	01-3-2	Funds for personal incomes of miscellaneous personnel	2,212,720	2,868,023.00	2,823,800.50
5	01-3-2	Compensation for separation from family	450,000	420,000.00	419,740.00
6	01-3-2	Traveling expenses	1,500,000	1,200,432.00	1,112,874.50
7	01-3-2	Office supplies	300,000	400,000.00	393,144.75
8	01-3-2	Postage and telegraph and telephone service	550,000	550,000.00	549,948.60
9	01-3-2	Public relations	800,000	552,810.00	627,141.05
10	01-3-2	Trips and visits	14,300,000	14,300,000.00	11,051,225.20
11	01-3-2	Remuneration of nonstaff personnel	100,000	43,072.00	39,771.65
12	01-3-2	Subscription to official gazettes, magazines and newspapers	500,000	500,000.00	397,714.10
13	01-3-2	Costs of manufacturing medals and decorations	8,500,000	12,600,265.00	12,593,243.25
14	01-3-2	Costs of services	40,000	17,000.00	13,814.70
15	01-3-2	Lump-sum payment to chauffeurs for irregular working hours	502,000	525,000.00	523,538.55
16	01-3-2	Funds to purchase uniforms and work clothes	30,000	42,000.00	37,330.00
17	01-3-2	Addition to equipment and furnishings	700,000	570,000.00	517,258.20
18	01-3-2	Expenses of the Federal Council for the protection of constitutional order	80,000	68,000.00	62,272.60
19	01-3-2	Expenses of the National Defense Council	55,000	65,000.00	60,774.75
		Total Basic Purpose 01	63,851,510	77,218,977.00	73,285,230.80

Article 5 (continued)

1	2	3	4	5	6
		Total Section 1 (Items 1 through 19)	63,851,510	77,218,977.00	73,285,230.80
		Section 2. SFRY Assembly			
		Title 1. SFRY Assembly			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
20	01-1-1	Funds for personal incomes of personnel	109,593,180	131,195,624.00	131,195,624.00
21	01-2	Funds for material costs	250,000	250,000.00	250,000.00
22	01-3-2	Funds for personal incomes and other personal benefits of officials	101,472,000	110,101,402.00	107,937,253.00
23	01-3-2	Postage and telegraph and telephone service	4,335,500	5,535,500.00	5,467,853.60
24	01-3-2	Compensation for overtime	7,200,000	4,720,000.00	4,719,917.15
25	01-3-2	Remuneration of nonstaff personnel	2,000,000	1,600,000.00	1,594,546.40
26	01-3-2	Operating expenses of delegates and assembly bodies	30,000,000	30,000,000.00	24,301,969.90
27	01-3-2	Purchase of domestic and foreign books	330,000	97,000.00	84,908.50
28	01-3-2	Subscription to official gazettes, bulletins and magazines	1,200,000	1,026,000.00	918,118.70
29	01-3-2	Publication of transcripts	7,000,000	2,060,000.00	613,570.00
30	01-3-2	Preparation of publications of the SFRY Assembly, reports, bulletins and other assembly materials	8,000,000	5,016,000.00	3,942,404.15

Article 5 (continued)

1	2	3	4	5	6
31	01-3-2	Expenses of parliamentary delegations	8,600,000	4,453,000.00	3,833,088.95
32	01-3-2	Public relations	826,000	660,800.00	532,602.10
33	01-3-2	Purchase of clothing and footwear	800,000	640,000.00	516,242.80
34	01-3-2	Membership dues in the Interparliamentary Union	450,000	450,000.00	433,581.35
35	01-3-2	Services rendered by others	400,000	368,000.00	240,907.20
36	01-3-2	Costs of maintaining the motor pool	6,000,000	7,000,000.00	6,973,751.95
37	01-3-2	Print shop expenses	4,125,000	4,125,000.00	4,122,760.80
38	01-3-2	Purchase of equipment	16,000,000	23,980,000.00	23,138,065.50
39	01-3-2	Share in preservation of the main museum layout of the Museum of the First and Second Session of AVNOJ [Antifascist Council for the National Liberation of Yugoslavia]	1,800,000	1,800,000.00	1,800,000.00
40	01-3-2	Preparation of topic reports, analyses and studies	1,000,000	200,000.00	160,000.00
41	01-3-2	Office supplies, petty supply items, paper and other expendable materials	8,000,000	8,340,000.00	8,129,676.90
42	01-3-2	Expenses of the Commission of the Federal Chamber of the SFRY Assembly for Preparation of the Law on Basic Rights Under Old-Age and Disability Insurance	3,000,000	625,000.00	336,026.80
43	01-3-2	Expenses of the Commission for Monitoring Enforcement of the Law on Associated Labor	1,500,000	550,000.00	461,770.50
44	01-3-2	Tito's Scholarship Fund for Young Workers and Workers' Children of Yugoslavia	300,000	300,000.00	300,000.00

Article 5 (continued)

1	2	3	4	5	6
45	01-3-2	Expenses of the Commission of the Federal Chamber of the SFRY Assembly for Preparation of the Law on the Bases of Socioeconomic Relations in Management and Economic Employment of Funds for Expanded Reproduction	1,500,000	80,000.00	53,400.00
		Total Basic Purpose 01	325,681,680	345,173,326.00	332,058,040.25
		Total Title 1	325,681,680	345,173,326.00	332,058,040.25
		Title 2. Bureau for Petitions and Grievances			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
46	01-1-1	Funds for personal incomes of personnel	7,618,820	8,430,986.00	8,430,986.00
47	01-2	Funds for material costs	250,000	250,000.00	191,188.55
48	01-3-2	Funds for personal incomes and other personal benefits of officials	795,040	916,442.00	916,439.95
49	01-3-2	Assistance to petitioners	50,000	50,000.00	50,000.00
50	01-3-2	Addition to equipment and furnishings	55,000	55,000.00	--
		Total Basic Purpose 01	8,768,860	9,702,428.00	9,588,614.50
		Total Title 2	8,768,860	9,702,428.00	9,588,614.50

Article 5 (continued)

1	2	3	4	5	6
		Title 3. Secretariat for Legislation of the SFRY Assembly			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
51	01-1-1	Funds for personal incomes of personnel	4,609,840	5,166,282.00	5,136,282.00
52	01-2	Funds for material costs	147,400	147,400.00	120,016.05
53	01-3-2	Funds for personal incomes and other personal benefits of officials	1,080,820	1,286,598.00	1,286,207.00
		Total Basic Purpose 01	5,838,060	6,600,280.00	6,542,505.05
		Total Title 3	5,838,060	6,600,280.00	6,542,505.05
		Total Section 2 (Items 20 through 53)	340,288,600	361,476,034.00	348,189,159.50
		Section 3. Council of the Federation			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
54	01-1-1	Funds for personal incomes of personnel	10,170,880	12,363,300.00	12,363,300.00
55	01-2	Funds for material costs	176,000	234,000.00	232,751.40
56	01-3-1	Funds for personal incomes and other personal benefits of officials and persons with special status	40,384,730	44,530,430.00	44,530,430.00

Article 5 (continued)

1	2	3	4	5	6
57	01-3-2	Lump-sum payment to chauffeurs for irregular working hours	565,000	525,000.00	520,026.80
58	01-3-2	Traveling and moving expenses in Yugoslavia	550,000	550,000.00	550,000.00
59	01-3-2	Traveling expenses abroad	70,000	56,000.00	35,448.75
60	01-3-2	Postage and telegraph and telephone service	320,000	340,000.00	340,000.00
61	01-3-2	Subscription to reports and other sources of information and the like	600,000	463,500.00	427,664.75
62	01-3-2	Public relations	98,000	75,000.00	74,176.00
63	01-3-2	Reimbursement of members of the Council of the Federation for the cost of using a portion of their dwelling to conduct official business	645,000	662,500.00	662,500.00
64	01-3-2	Purchase of clothing and footwear	70,000	102,000.00	84,753.95
65	01-3-2	Purchase of equipment	60,000	60,000.00	--
		Total Basic Purpose 01	53,709,610	59,961,730.00	59,821,051.65
		Total Section 3 (Items 54 through 65)	53,709,610	59,961,730.00	59,821,051.65
		Section 4. Office of the President of the Republic			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
66	01-1-1	Funds for personal incomes of personnel	21,058,990	23,526,665.00	23,526,665.00

Article 5 (continued)

1	2	3	4	5	6
67	01-2	Funds for material costs	16,200,000	15,620,000.00	15,620,000.00
68	01-3-2	Funds for personal incomes and other personal benefits of officials	3,833,300	3,833,300.00	3,503,234.00
69	01-3-2	Sponsorship and aid	100,000	4,649.45	4,649.45
70	01-3-2	Costs of purchasing gifts related to trips and visits	9,000,000	6,700,000.00	5,517,097.35
71	01-3-2	Traveling expenses in Yugoslavia and abroad	1,317,000	1,897,000.00	1,871,898.65
72	01-3-2	Addition to furnishings	2,000,000	2,000,000.00	1,775,077.75
73	01-3-2	Expenses of maintaining structures, equipment and furnishings	7,315,000	9,037,366.55	9,000,608.50
74	01-3-2	Personal incomes of seasonal personnel	150,000	520,024.00	516,251.00
75	01-3-2	Compensation for overtime	1,200,000	1,502,960.00	1,473,363.90
76	01-3-2	Remuneration of nonstaff personnel	1,700,000	1,700,000.00	1,279,404.15
		Total Basic Purpose 01	63,874,290	66,341,965.00	64,088,249.75
		Total Section 4 (Items 66 through 76)	63,874,290	66,341,965.00	64,088,249.75

Article 5 (continued)

1	2	3	4	5	6
		Section 5. Federal Executive Council			
		Title 1. Federal Executive Council			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
77	01-1-1	Funds for personal incomes of personnel	46,700,100	56,409,707.00	56,088,371.00
78	01-2	Funds for material costs	1,350,000	1,100,000.00	1,054,579.55
79	01-3-2	Funds for personal incomes and other personal benefits of officials	25,207,180	30,433,950.00	30,230,774.30
80	01-3-2	Compensation for separation from family	840,000	960,000.00	960,000.00
81	01-3-2	Remuneration of nonstaff personnel	330,000	280,000.00	277,581.70
82	01-3-2	Office supplies	228,000	228,000.00	201,593.55
83	01-3-2	Subscription to newspapers, magazines and other publications	700,000	1,060,000.00	1,059,858.05
84	01-3-2	Traveling and moving expenses in Yugoslavia	2,500,000	2,100,000.00	2,083,844.40
85	01-3-2	Costs of leasing compartments on the Yugoslav Railroads	2,000,000	2,250,000.00	2,241,034.00
86	01-3-2	Traveling expenses abroad	16,500,000	19,950,000.00	19,925,542.00
87	01-3-2	Expendable materials and furnishings	80,000	3,000.00	2,934.00
88	01-3-2	Printing and copying of materials for meetings	2,500,000	5,100,000.00	5,094,490.35
89	01-3-2	Funds for operating expenses of CEMA Commission	1,823,360	923,360.00	913,230.00

Article 5 (continued)

1	2	3	4	5	6
90	01-3-2	Public relations	3,000,000	3,172,000.00	3,171,628.50
91	01-3-2	Expenses of international cooperation	14,000,000	11,765,000.00	11,737,002.50
92	01-3-2	Operating expenses of the Federal Legal Council	450,000	495,000.00	491,022.45
93	01-3-2	Operating expenses of the Federal Economic Council	450,000	470,000.00	465,331.85
94	01-3-2	Purchase of equipment	10,000,000	10,420,000.00	10,400,309.60
95	01-3-2	Expenses of the staff services of the Federal Executive Council	250,000	350,000.00	271,229.30
96	01-3-2	Operating expenses of the Federal Social Council for Affairs of the Social System	3,300,000	1,850,000.00	1,832,345.55
97	01-3-2	Operating expenses of the Federal Social Council for International Relations	1,200,000	690,000.00	637,103.50
98	01-3-2	Operating expenses of the Federal Social Council for Economic Development and Economic Policy	2,700,000	950,000.00	925,148.00
99	01-3-2	Operating expenses of the Council for the Environment and Land Use Planning	5,450,000	2,700,000.00	2,656,211.80
100	01-3-2	Operating expenses of the Commission of the Federal Executive Council for Relations With Religious Communities	420,000	170,000.00	113,166.70
101	01-3-2	Operating expenses of the Commission for Nuclear Energy	1,250,000	200,000.00	194,102.00
102	01-3-2	Operating expenses of the Yugoslav Commission for Cooperation With UNESCO	7,000,000	5,900,000.00	5,571,014.65
103	01-3-2	Membership dues in international organizations	11,032,330	16,714,310.00	16,714,308.30

Article 5 (continued)

1	2	3	4	5	6
104	01-3-2	Educational grants	300,000	250,000.00	194,002.90
105	01-3-2	Renovating and equipping dwellings of officials	1,500,000	9,760,000.00	9,493,168.65
106	01-3-2	Expenses of vacant dwellings	370,000	370,000.00	149,430.50
107	01-3-2	Moving expenses	50,000	70,000.00	65,510.80
108	01-3-2	Compensation for overtime	381,000	859,000.00	815,598.70
109	01-4	Installment payments on aircraft	79,540,000	16,840,000.00	13,740,000.00
		Total Basic Purpose 01	243,491,970	204,593,327.00	199,771,469.15
		Basic Purpose 06--Other General Public Purposes			
110	06-10	Subsidy to the Fund of Solidarity With the Nonaligned Countries and Developing Countries	100,000,000	100,000,000.00	80,021,852.00
		Total Basic Purpose 06	100,000,000	100,000,000.00	80,021,852.00
		Total Title 1	343,491,970	304,593,327.00	279,793,321.15
		Title 2. Protocol Department of the Federal Executive Council			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
111	01-1-1	Funds for personal incomes of personnel	633,480	954,414.00	954,414.00
112	01-2	Funds for material costs	88,000	48,000.00	14,624.15

Article 5 (continued)

1	2	3	4	5	6
113	01-3-2	Funds for personal incomes and other personal benefits of officials	722,370	818,444.00	528,852.55
114	01-3-2	Compensation for overtime	105,000	145,000.00	143,036.00
115	01-3-2	Public relations	7,000	7,000.00	648.00
116	01-3-2	Purchase of uniforms	13,000	13,000.00	9,749.00
		Total Basic Purpose 01	1,569,350	1,985,858.00	1,651,323.70
		Total Title 2	1,569,350	1,985,858.00	1,651,323.70
		Title 3. Service of the Federal Executive Council for Defense Preparations			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
117	01-1-1	Funds for personal incomes of personnel	4,758,260	5,600,792.00	5,600,792.00
118	01-2	Funds for material costs	325,000	325,000.00	324,984.55
119	01-3-2	Funds for personal incomes and other personal benefits of officials	403,010	908,136.00	872,314.00
120	01-3-3	Defense-related projects	14,000,000	14,000,000.00	11,999,572.00
121	01-4	Financing the program of Phase I of shelter construction and adaptation	113,226,000	125,760,000.00	125,760,000.00
		Total Basic Purpose 01	132,712,270	146,593,928.00	144,557,662.55
		Total Title 3	132,712,270	146,593,928.00	144,557,662.55

Article 5 (continued)

1	2	3	4	5	6
		Total Section 5 (Items 77 through 121)	477,773,590	453,173,113.00	426,002,307.40
		Section 6. Constitutional Court of Yugoslavia			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
122	01-1-1	Funds for personal incomes of personnel	8,804,580	10,969,185.00	10,969,185.00
123	01-2	Funds for material costs	750,000	765,000.00	760,588.55
124	01-3-1	Funds for personal incomes and other personal benefits of officials	7,849,140	9,613,918.00	8,702,859.70
125	01-3-2	Compensation for separation from family	240,000	240,000.00	240,000.00
126	01-3-2	Costs of proceedings	160,000	210,000.00	207,225.20
127	01-3-2	Publication of Reports of Decisions and Opinions of the Constitutional Court of Yugoslavia	826,000	746,000.00	729,987.50
128	01-3-2	Traveling expenses abroad	70,300	120,300.00	120,300.00
129	01-3-2	Per diems of chauffeurs	60,000	16,000.00	--
130	01-3-2	Lump-sum payment to chauffeurs for irregular working hours	262,140	262,140.00	139,693.85
131	01-3-2	Purchase of clothing and footwear	20,000	20,000.00	14,850.00
132	01-3-2	Purchase of and addition to equipment	100,000	--	--
133	01-3-2	Living expenses of delegations	200,000	137,000.00	86,393.55

Article 5 (continued)

1	2	3	4	5	6
134	01-3-2	Expenses of arranging materials of the Second, Third and Fourth International European Conferences in 1974, 1976 and 1978, respectively	120,000	94,000.00	86,181.00
		Total Basic Purpose 01	19,462,160	23,193,543.00	22,057,264.35
		Total Section 6 (Items 122 through 134)	19,462,160	23,193,543.00	22,057,264.35
		Section 7. Federal Court			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
135	01-1-1	Funds for personal incomes of personnel	12,344,380	13,702,504.00	13,702,504.00
136	01-2	Funds for material costs	1,450,000	1,530,000.00	1,524,135.10
137	01-3-1	Funds for personal incomes and other personal benefits of officials	7,191,290	7,191,200.00	6,803,686.00
138	01-3-2	Compensation for separation from family	180,000	180,000.00	180,000.00
139	01-3-2	Publication of Reports of Court Decisions	300,000	270,000.00	270,000.00
140	01-3-2	Traveling expenses in Yugoslavia	130,000	73,000.00	57,248.00
141	01-3-2	Traveling expenses abroad	65,000	65,000.00	54,004.10
142	01-3-2	Translation into the languages of the nationalities and ethnic minorities	10,000	5,000.00	2,537.75
143	01-3-2	Costs of court proceedings	10,000	10,000.00	3,400.00

Article 5 (continued)

1	2	3	4	5	6
144	01-3-2	Purchase of and addition to equipment	200,000	--	--
145	01-3-2	Current maintenance of buildings, equipment and furnishings	260,000	200,000.00	200,000.00
146	01-3-2	Expenses of receiving foreign delegations	80,000	--	--
147	01-3-2	Public relations	80,000	48,000.00	46,916.85
148	01-3-2	Awards and compensation to lay judges	20,000	20,000.00	7,760.85
149	01-3-3	Defense-related projects	40,000	10,000.00	5,495.65
		Total Basic Purpose 01	22,860,670	23,304,794.00	22,857,688.30
		Total Section 7 (Items 135 through 149)	22,860,670	23,304,794.00	22,857,688.30
		Section 8. Federal Public Prosecutor's Office			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
150	01-1-1	Funds for personal incomes of personnel	4,770,360	5,342,404.00	5,342,404.00
151	01-2	Funds for material costs	430,000	430,000.00	429,606.65
152	01-3-1	Funds for personal incomes and other personal benefits of officials	3,313,350	3,959,496.00	3,954,060.60
153	01-3-2	Compensation for separation from family	180,000	180,000.00	180,000.00
154	01-3-2	Traveling expenses abroad	100,000	--	--

Article 5 (continued)

1	2	3	4	5	6
155	01-3-2	Translation of official court documents from and into foreign languages	120,000	--	--
156	01-3-2	Costs of conferences and of monitoring and studying social relations and developments	120,000	120,000.00	120,000.00
157	01-3-2	Traveling expenses in Yugoslavia	75,000	75,000.00	75,000.00
158	01-3-2	Expenses of receiving foreign delegations	177,000	217,000.00	217,000.00
159	01-3-2	Public relations	40,000	40,000.00	40,000.00
160	01-3-3	Defense-related projects	20,000	--	--
		Total Basic Purpose 01	9,345,710	10,363,900.00	10,358,071.25
		Total Section 8 (Items 150 through 160)	9,345,710	10,363,900.00	10,358,071.25
		Section 9. Federal Attorney General's Office			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
161	01-1-1	Funds for personal incomes of personnel	2,624,220	3,434,715.00	3,434,715.00
162	01-2	Funds for material costs	200,000	220,000.00	218,106.50
163	01-3-1	Funds for personal incomes and other personal benefits of officials	1,187,320	1,422,015.00	1,420,439.00
164	01-3-2	Expenses of trial and executive proceedings and of representation in Yugoslavia	20,000	20,000.00	3,990.20

Article 5 (continued)

1	2	3	4	5	6
165	01-3-2	Expenses of conducting suits being tried abroad and traveling expenses	386,430	366,430.00	135,315.70
166	01-3-2	Public relations	5,000	5,000.00	2,482.10
167	01-3-2	Expenses of receiving foreign delegations	20,000	--	--
168	01-3-3	Costs of meetings	30,000	10,000.00	--
169	01-3-3	Defense-related projects	10,000	10,000.00	--
		Total Basic Purpose 01	4,562,970	5,488,160.00	5,215,048.50
		Total Section 9 (Items 161 through 169)	4,562,970	5,488,160.00	5,215,048.50
		Section 10. Federal Public Defender of Self-Management Law			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
170	01-1-1	Funds for personal incomes of personnel	1,960,830	2,165,274.00	2,165,274.00
171	01-2	Funds for material costs	420,000	370,000.00	370,000.00
172	01-3-1	Funds for personal incomes and other personal benefits of officials	1,542,220	1,852,476.00	1,852,476.00
173	01-3-2	Traveling expenses abroad	70,800	--	--
174	01-3-2	Purchase of equipment	50,000	--	--
175	01-3-2	Public relations	30,000	30,000.00	30,000.00
176	01-3-2	Costs of conferences and seminars	40,000	40,000.00	40,000.00
177	01-3-2	Expenses of receiving foreign delegations	30,000	--	--

Article 5 (continued)

1	2	3	4	5	6
178	01-3-3	Defense-related projects	15,000	15,000.00	15,000.00
		Total Basic Purpose 01	4,158,850	4,472,750.00	4,472,750.00
		Total Section 10 (Items 170 through 178)	4,158,850	4,472,750.00	4,472,750.00
		Section 11. Federal Council for Misdemeanors			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
179	01-1-1	Funds for personal incomes of personnel	2,877,140	3,669,142.00	3,669,142.00
180	01-2	Funds for material costs	340,000	240,000.00	240,000.00
181	01-3-1	Funds for personal incomes and other personal benefits of officials	2,208,970	2,705,396.00	2,705,396.00
182	01-3-2	Traveling expenses in Yugoslavia	30,000	20,000.00	20,000.00
183	01-3-2	Purchase of equipment	30,000	--	--
184	01-3-2	Costs of translation from and into foreign languages	15,000	--	--
185	01-3-2	Operating expenses of ad hoc members of the council	100,000	20,000.00	20,000.00
		Total Basic Purpose 01	5,601,110	6,654,538.00	6,654,538.00
		Total Section 11 (Items 179 through 185)	5,601,110	6,654,538.00	6,654,538.00

Article 5 (continued)

1	2	3	4	5	6
		Section 12. Federal Secretariat for Foreign Affairs			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
186	01-1-1	Funds for personal incomes of personnel	261,762,310	307,542,500.00	307,542,500.00
187	01-2	Funds for material costs	40,000,000	50,999,569.55	50,744,658.56
188	01-3-1	Funds for personal incomes and other personal benefits of officials	12,154,570	16,104,570.00	16,044,838.40
189	01-3-2	Remuneration of nonstaff personnel	1,290,000	1,101,000.00	940,580.00
190	01-3-2	Compensation for work at night, on Sunday and on holidays	3,000,000	2,050,000.00	2,050,000.00
191	01-3-2	Public relations	1,500,000	800,000.00	675,894.95
192	01-3-2	Expenses of delegations	11,500,000	11,500,000.00	9,127,235.30
193	01-3-2	Expenses of fixing boundaries with neighboring countries and of the Commission for Codification of International Law	2,471,000	2,471,000.00	1,908,313.80
194	01-3-2	Expenses of consultation and meetings of the group of nonaligned countries	6,749,000	6,749,000.00	2,026,742.90
195	01-3-2	Expenses of the Yugoslav delegation's participation in the Conference on Security and Cooperation in Europe	432,740	1,600,739.75	1,600,739.75
196	01-3-2	Operation of radio equipment	9,200,000	9,950,000.00	9,454,955.60
197	01-3-2	Expenses of temporary housing	4,500,000	3,967,000.00	3,944,617.20

Article 5 (continued)

1	2	3	4	5	6
198	01-3-2	Compensation for separation from family	1,530,000	1,190,000.00	1,189,335.85
199	01-3-2	Translation of international treaties into the languages of the nationalities and ethnic minorities of Yugoslavia and other expenses	2,000,000	810,000.00	810,000.00
200	01-3-2	Collection and processing of archive materials	1,900,000	1,900,000.00	1,809,101.30
201	01-3-2	Membership dues in international organizations	48,945,450	61,195,767.10	61,195,767.10
202	01-3-2	For purposes of documentation	6,830,000	5,200,000.00	4,924,742.40
203	01-3-2	Addition to and replacement of equipment	5,000,000	78,878.50	78,878.50
204	01-3-2	Scientific research papers, studies and analyses	16,000,000	16,000,000.00	15,139,569.65
205	01-3-2	Specialized training of personnel for the communications service	520,000	655,000.00	329,055.00
206	01-3-2	Rent and maintenance of the office space of the Protocol Department	700,000	700,000.00	700,000.00
207	01-3-3	Expenditures for personnel and material outlays of diplomatic and consular missions abroad	1,510,000,000	1,658,341,900.00	1,658,341,900.00
208	01-3-3	Obligations comprising installment payments on buildings purchased abroad on credit to meet the needs of diplomatic and consular missions	40,693,000	47,692,235.10	47,692,235.10
209	01-3-3	Replacement of the travel documents of Yugoslav nationals abroad	18,000,000	5,700,000.00	5,274,646.65

Article 5 (continued)

1	2	3	4	5	6
210	01-3-3	Physical and technical security	1,500,000	1,500,000.00	718,536.50
211	01-3-3	For information activity among Yugoslavs working and living abroad temporarily	5,000,000	4,200,000.00	4,095,957.30
212	01-3-3	Expenses of repatriation and deportation of Yugoslav nationals from abroad	2,196,000	1,396,000.00	1,396,000.00
213	01-3-3	Expenses of preparing and holding the 59th Congress of the Association for International Law	4,000,000	4,000,000.00	3,993,295.90
214	01-3-3	Preparation of publications and documents on foreign policy	2,180,000	2,180,000.00	1,869,980.65
215	01-3-3	Miscellaneous grants in aid in conformity with the principles of international solidarity	2,000,000	--	--
216	01-3-3	Defense-related projects	8,000,000	8,200,000.00	8,174,078.90
217	01-3-3	Specialized education of personnel	2,000,000	2,000,000.00	2,000,000.00
218	01-3-3	Share of the SFRY in financing UN peacekeeping forces in the Middle East	2,901,790	2,901,790.00	2,901,790.00
219	01-3-3	Expenses of holding the 21st Meeting of the General Conference of UNESCO	150,000,000	100,000,000.00	100,000,000.00
220	01-4	Financing the program of investment projects of the Federal Sectretariat for Foreign Affairs	423,890,000	477,464,000.00	477,464,000.00

Article 5 (continued)

1	2	3	4	5	6
221	01-4	Financing the program of investment projects to build facilities to meet the needs of foreign diplomatic and consular missions in Belgrade	39,770,000	53,429,000.00	53,199,000.00
222	01-4	Construction of the Canadian embassy building in Belgrade	10,670,000	10,990,100.00	10,990,100.00
223	01-4	Equipment for physical and technical security	4,947,000	--	--
		Total Basic Purpose 01	1,665,732,860	2,882,560,060.00	2,870,349,048.26
		Basic Purpose 07--Funds of the Federal Reserve			
224	07-2	Undistributed funds	6,400,000	6,400,000.00	6,400,000.00
		Total Basic Purpose 07	6,400,000	6,400,000.00	6,400,000.00
		Total Section 12 (Items 186 through 224)	2,672,132,860	2,088,960,050.00	2,867,749,048.26
		Section 13. Federal Secretariat for National Defense			
		Basic Purpose 02--National Defense and Social Self-Protection			
225	02-1-1	Funds for the Yugoslav People's Army in the current year	72,677,800,000	75,355,800,000.00	75,355,800,000.00

Article 5 (continued)

1	2	3	4	5	6
226	02-1-2	Funds to cover expenditures related to rendering services to entities outside the Yugoslav People's Army	920,000,000	920,000,000.00	919,886,906.55
		Total Basic Purpose 02	73,597,800,000	76,275,800,000.00	76,275,686,906.55
		Total Section 13 (Items 225 through 226)	73,597,800,000	76,275,800,000.00	76,275,686,906.55
		Section 14. Federal Secretariat for Internal Affairs			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
227	01-1-1	Funds for personal incomes of personnel	503,321,450	638,414,513.00	638,414,513.00
228	01-2	Funds for material costs	50,000,000	64,000,000.00	64,000,000.00
229	01-3-1	Funds for personal incomes and other personal benefits of officials	4,456,290	5,323,337.00	5,323,337.00
230	01-3-2	For designated purposes	186,000,000	266,900,000.00	266,900,000.00
231	01-3-2	Purchase of clothing and footwear	10,000,000	12,100,000.00	12,100,000.00
232	01-3-2	Education and training of personnel	8,000,000	12,300,000.00	12,300,000.00

Article 5 (continued)

1	2	3	4	5	6
233	01-3-2	Preventive medicine, insurance of personnel and lump-sum grant in aid under Article 37 of the Law on Performance of Law Enforcement Functions in the Jurisdiction of Federal Administrative Agencies	1,600,000	1,300,000.00	1,300,000.00
234	01-3-2	Expenses of building maintenance	6,500,000	5,100,000.00	5,100,000.00
235	01-3-2	Moving expenses and shipping costs	3,500,000	1,000,000.00	1,000,000.00
236	01-3-2	Compensation for separation from family	3,400,000	10,220,000.00	10,220,000.00
237	01-3-2	Remuneration for occasional, temporary and other jobs	2,000,000	2,500,000.00	2,500,000.00
238	01-3-2	Purchase of sports equipment	250,000	300,000.00	300,000.00
239	01-3-2	Expenses of the Center for Personnel Education and Training	3,000,000	1,500,000.00	1,500,000.00
240	01-3-2	Compensation for overtime and nighttime work	2,000,000	2,100,000.00	2,100,000.00
241	01-3-2	Obligations to law enforcement agencies in the republics and autonomous provinces under Article 43 of the Law on Performance of Law Enforcement Functions in the Jurisdiction of Federal Administrative Agencies	28,000,000	59,500,000.00	59,500,000.00
242	01-3-3	Compensation for personal incomes and other expenses of security personnel employed in diplomatic and consular missions	40,228,130	66,690,105.00	66,689,975.00

Article 5 (continued)

1	2	3	4	5	6
243	01-3-3	Expenses of the transit and reception center for refugees	1,600,000	950,000.00	950,000.00
244	01-3-3	Defense-related projects	6,000,000	3,000,000.00	3,000,000.00
245	01-3-3	Funds for work of the Institute of Security and Social Self-Protection	12,000,000	52,000,000.00	52,000,000.00
246	01-3-3	Operating expenses of the Institute of Security and Social Self-Protection related to rendering services in Yugoslavia for foreign services and for third parties	65,000,000	19,100,000.00	19,100,000.00
247	01-4	Financing under the modernization program	58,600,000	61,275,000.00	61,275,000.00
248	01-4	Purchase of transportation equipment and helicopters	21,800,000	12,800,000.00	12,800,000.00
249	01-4	Construction of reception centers for foreigners	6,000,000	6,000,000.00	6,000,000.00
250	01-4	Construction of hangar and workshop for helicopters	22,000,000	22,000,000.00	22,000,000.00
		Total Basic Purpose 01	1,045,255,870	1,326,372,955.00	1,326,372,825.00
		Total Section 14 (Items 227 through 250)	1,045,255,870	1,326,372,955.00	1,326,372,825.00

Article 5 (continued)

1	2	3	4	5	6
		Section 15. Federal Secretariat for Finance			
		Title 1. The Secretariat			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
251	01-1-1	Funds for personal incomes of personnel	43,972,700	51,983,509.00	51,983,509.00
252	01-1-2	Funds for community [social service] consumption of federal bodies, agencies and organizations	125,080,000	198,665,776.00	198,615,859.00
253	01-2	Funds for material costs	2,845,000	3,145,000.00	2,845,388.35
254	01-3-1	Funds for personal incomes and other personal benefits of officials	4,859,720	6,294,070.00	6,027,472.30
255	01-3-2	Compensation for separation from family	180,000	215,000.00	204,872.00
256	01-3-2	Collection of evidence on Yugoslav property abroad	16,000	16,000.00	--
257	01-3-2	Operating expenses of the customs commission	86,000	88,000.00	87,880.00
258	01-3-2	Translation from and into foreign languages	55,000	55,000.00	9,122.05
259	01-3-2	Traveling expenses abroad	1,357,000	2,047,000.00	2,039,658.70
260	01-3-2	Remuneration of nonstaff personnel	82,000	127,000.00	20,170.00
261	01-3-2	Compensation for overtime	322,000	602,000.00	593,457.80
262	01-3-2	Cooperation with international financial organizations	333,000	228,000.00	158,236.00

Article 5 (continued)

1	2	3	4	5	6
263	01-3-2	Financing the personnel development program	170,000	30,000.00	--
264	01-3-2	Purchase of and addition to equipment	530,000	30,000.00	--
265	01-3-2	Printing the budget and the final account of the budget	55,000	55,000.00	--
266	01-3-2	Preparation of financial publications	75,000	75,000.00	--
267	01-3-2	Expenses of the Commission for Preparation of Changes in the System	500,000	500,000.00	452,293.60
268	01-3-2	For designated purposes	190,000	452,468.00	431,818.00
269	01-3-2	Funds for new projects and tasks within federal bodies and agencies	64,983,680	37,964.00	--
270	01-3-2	Funds for alignment of personal incomes in federal bodies and agencies	158,031,730	1,735,117.00	--
271	01-3-2	Funds to finance scientific research projects and scientific studies	30,000,000	30,000,000.00	29,428,198.85
272	01-3-2	Funds to maintain the CEMA Commission in the SFRY	350,000	50,000.00	--
273	01-3-3	Compensation for property nationalized in Yugoslavia	8,400,000	8,400,000.00	1,225,998.00
274	01-3-3	Compensation and commissions paid to the Social Accounting Service	10,696,000	10,696,000.00	8,807,239.30
275	01-3-3	Rent on the Ethiopian Embassy	46,000	46,000.00	36,000.00
276	01-3-3	Expenses of the Commission for Revaluation of Capital Assets	100,000	200,000.00	187,559.50
277	01-3-3	Defense-related projects	35,000	35,000.00	28,500.00

Article 5 (continued)

1	2	3	4	5	6
278	01-3-3	Funds for operation of the Fund of Solidarity With the Nonaligned Countries and Developing Countries in 1980	1,384,200	634,290.00	252,706.15
279	01-3-3	Supplemental share of the SFRY for the selective augmentation of the capital of the International Bank for Reconstruction and Development	35,937,000	35,937,000.00	35,937,000.00
280	01-3-3	Expenses related to the annual assembly of the International Bank and International Monetary Fund	1,000,000	493,000.00	213,479.55
281	01-4	Funds for assessment of non-economic capital investment projects required by law	236,874,000	--	--
		Total Basic Purpose 01	728,546,120	352,373,194.00	339,596,418.15
		Basic Purpose 04--Funds Transferred to Other Sociopolitical Communities			
282	04-2	Supplemental funds to the Socialist Republic of Bosnia-Hercegovina	4,364,800,000	4,364,800,000.00	4,364,800,000.00
283	04-2	Supplemental funds to the Socialist Republic of Macedonia	1,989,500,000	1,989,500,000.00	1,989,500,000.00
284	04-2	Supplemental funds to the Socialist Republic of Montenegro	2,207,500,000	2,207,500,000.00	2,131,624,060.00
285	04-2	Supplemental funds to the Socialist Autonomous Province of Kosovo	5,272,100,000	5,772,100,000.00	5,772,100,000.00

Article 5 (continued)

1	2	3	4	5	6
		Total Basic Purpose 04	13,833,900,000	14,333,900,000.00	14,258,024,060.00
		Basic Purpose 05--Obligations To Finance Public Services			
286	05-9	Supplemental earmarked funds to the Old-Age and Disability Insurance Community of SR [Socialist Republic] Montenegro to cover the deficit in the Old-Age and Disability Insurance Fund	469,480,000	469,480,000.00	469,480,000.00
287	05-9	Funds for preferential pensions of military personnel under the provisions of the Law on the Obligations of the Federation for Pensions of War Veterans	1,552,970,000	1,552,970,000.00	1,552,970,000.00
288	05-9	Funds for adjustment of military pensions	848,750,000	848,750,000.00	848,750,000.00
289	05-9	Supplemental earmarked funds to cover the deficit in the Military Personnel Old-Age Insurance Fund	3,653,000,000	4,331,000,000.00	4,331,000,000.00
		Total Basic Purpose 05	6,524,200,000	7,202,200,000.00	7,202,200,000.00
		Basic Purpose 06--Other General Public Purposes			
290	06-11	Compensation to cover expenses of the Social Accounting Service for tasks in keeping records, monitoring and preparing reports and analyses	160,200,000	160,200,000.00	160,200,000.00

Article 5 (continued)

1	2	3	4	5	6
		Total Basic Purpose 06	160,200,000	160,200,000.00	160,200,000.00
		Basic Purpose 07--Funds of the Federal Reserve			
291	07-1	Transferred to the permanent federal reserve	235,700,000	235,700,000.00	235,700,000.00
292	07-2	Current budget reserve	222,500,000	305,698,224.00	269,753,973.65
		Total Basic Purpose 07	458,200,000	541,398,224.00	505,453,973.65
		Basic Purpose 08--Funds Placed in Time Deposits and Set Aside, Obligations and Other Purposes of Interest to the Federation			
293	08-4-2	Obligations under foreign loans and for nationalized foreign property	22,000,000	22,000,000.00	20,318,972.30
294	08-4-2	Obligations on the basis of credits extended to SR Montenegro to repair earthquake damage	10,000,000	8,066,903.00	8,066,903.00
295	08-4-2	For repayment of credit for agricultural surpluses used to finance the Federal Budget for 1965 and the Federal Budget for 1966	144,000,000	117,759,000.00	117,759,000.00
296	08-4-2	Obligation of SAP [Socialist Autonomous Province] Kosovo assumed to repay the foreign loan for the Ibar-Lepenac Hydropower System	75,000,000	99,712,847.60	99,712,847.60

Article 5 (continued)

1	2	3	4	5	6
297	08-4-2	Funds to redeem bonds and cover differences in rates of exchange of currencies from past years	1,349,300,000	1,264,006,925.95	1,264,006,925.90
298	08-4-2	Repayment of credit to the Yugoslav National Bank related to performance of the Program of Permanent Federal Commodity Reserves in 1975	259,000,000	152,381,547.60	152,381,547.60
299	08-4-2	Repayment of credit to the Yugoslav National Bank related to performance of the Program of Permanent Federal Commodity Reserves in 1976	517,000,000	212,803,640.40	212,803,640.40
300	08-4-2	Repayment of credit to the Yugoslav National Bank related to performance of the Program of Permanent Federal Commodity Reserves in 1975	170,500,000	3,897,004.25	3,897,004.25
301	08-4-2	Repayment of credit extended to carry out the Program of Permanent Federal Commodity Reserves in 1978 (SLUZBENI LIST SFRJ, No 60, 1975)	250,000,000	219,354,238.10	219,354,238.10
302	08-4-2	Funds to repay international credits for improved transportation routes in SR Montenegro	66,300,000	94,258,000.00	94,258,000.00

Article 5 (continued)

1	2	3	4	5	6
303	08-4-2	Funds to bridge differences between subscription dates of the loan and the lending of resources of the Federal Fund for Credit Financing the Economic Development of the Economically Underdeveloped Republics and Autonomous Provinces	623,900,000	623,900,000.00	623,900,000.00
304	08-4-2	Obligations to the African Development Fund	70,000,000	69,325,000.00	69,325,000.00
305	08-4-2	Contribution to the International Development Association IDA	49,700,000	49,664,880.00	49,664,880.00
306	08-4-2	Member's share in the Inter-American Bank	35,000,000	45,689,340.00	45,689,340.00
307	08-4-2	Contribution to the International Finance Corporation	8,600,000	12,580,173.10	12,580,173.10
		Total Basic Purpose 08	3,651,400,000	2,995,400,000.00	2,993,718,972.25
		Total Title 1	25,356,446,120	15,585,971,418.00	15,459,193,424.05
		Title 2. Federal Foreign Exchange Inspectorate			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
308	01-1-1	Funds for personal incomes of personnel	34,569,500	39,743,210.00	39,743,210.00
309	01-2	Funds for material costs	1,622,000	1,910,493.00	1,910,493.00

Article 5 (continued)

1	2	3	4	5	6
310	01-3-1	Funds for personal incomes and other personal benefits of officials	404,500	155,754.00	254,703.30
311	01-3-2	Remuneration of nonstaff personnel in foreign exchange inspectorates in the republics	80,000	26,000.00	24,521.30
312	01-3-2	Traveling expenses of foreign exchange inspectors in Yugoslavia	2,600,000	2,024,240.00	1,910,197.00
313	01-3-2	Rental and maintenance of office space	600,000	887,267.00	887,267.00
314	01-3-2	Traveling expenses abroad	600,000	600,000.00	427,201.25
315	01-3-2	Purchase of equipment	600,000	600,000.00	399,853.30
316	01-3-2	Public relations	5,400	5,400.00	901.80
317	01-3-3	Defense-related projects	95,000	95,000.00	45,298.65
318	01-4	Purchase of office space	2,910,000	2,910,000.00	2,910,000.00
		Total Basic Purpose 01	44,086,400	49,057,364.00	48,513,646.60
		Total Title 2	44,086,400	49,057,364.00	48,513,646.60
		Total Section 15 (Items 251 through 318)	25,400,532,520	25,635,028,782.00	25,507,707,070.65
		Section 16. Federal Secretariat for Foreign Trade			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
319	01-1-1	Funds for personal incomes of personnel	40,283,840	46,166,350.00	46,166,350.00

Article 5 (continued)

1	2	3	4	5	6
320	01-2	Funds for material costs	3,800,000	4,020,000.00	4,015,380.05
321	01-3-1	Funds for personal incomes and other personal benefits of officials	5,081,080	5,751,255.00	5,684,351.75
322	01-3-2	Compensation for separation from family	300,000	300,000.00	282,500.00
323	01-3-2	Compensation for overtime of typists based on quota, remuneration of nonstaff personnel, and compensation of professional commissions and working groups	500,000	250,000.00	169,511.20
324	01-3-2	Preparation of bulletins, other materials and forms for administering the foreign trade and foreign exchange systems	230,000	230,000.00	220,802.70
325	01-3-2	Scientific information and documentation work and consultation furnished by particular institutions	120,000	120,000.00	105,000.00
326	01-3-2	Expenses of foreign and domestic delegations	2,900,000	2,000,000.00	1,479,741.00
327	01-3-2	Remuneration for translation of various technical materials and foreign publications from foreign languages	55,000	55,000.00	--
328	01-3-2	Purchase of clothing and footwear	35,000	35,000.00	22,231.60
329	01-3-2	Current building maintenance	200,000	100,000.00	25,575.00
330	01-3-2	Membership dues in international organizations	7,892,500	12,472,500.00	11,925,821.60
331	01-3-2	Purchase of equipment	700,000	--	--
332	01-3-2	Expenses of personnel development programs	250,000	--	--

Article 5 (continued)

1	2	3	4	5	6
333	01-3-3	Defense-related projects	140,000	170,000.00	148,473.00
		Total Basic Purpose 01	62,487,420	71,670,105.00	70,245,737.90
		Total Section 16 (Items 319 through 333)	62,487,420	71,670,105.00	70,245,737.90
		Section 17. Federal Secretariat for the Market and General Economic Affairs			
		Title 1. The Secretariat			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
334	01-1-1	Funds for personal incomes of personnel	18,523,850	23,072,762.00	23,072,762.00
335	01-2	Funds for material costs	2,350,000	2,750,000.00	2,750,000.00
336	01-3-1	Funds for personal incomes and other personal benefits of officials	3,650,060	4,304,730.00	4,304,670.00
337	01-3-2	Compensation for overtime	250,000	250,000.00	250,000.00
338	01-3-2	Traveling expenses abroad	363,000	293,000.00	293,000.00
339	01-3-2	Expenses of international cooperation	210,000	210,000.00	210,000.00
340	01-3-2	Purchase of equipment	427,000	--	--
341	01-3-2	Traveling expenses in Yugoslavia	1,000,000	350,000.00	350,000.00
342	01-3-2	Data processing expenses	150,000	--	--
343	01-3-2	Membership dues in international organizations	1,769,320	1,769,320.00	1,769,320.00

Article 5 (continued)

1	2	3	4	5	6
344	01-3-2	Remuneration of nonstaff personnel	50,000	100,000.00	100,000.00
345	01-3-2	Funds to finance costs related to analyzing and forecasting economic trends	3,200,000	3,200,000.00	3,200,000.00
346	01-3-2	Costs of devising a uniform methodology for monitoring economic trends	920,000	920,000.00	920,000.00
347	01-3-3	Defense-related projects	60,000	60,000.00	60,000.00
		Total Basic Purpose 01	32,923,230	37,279,812.00	37,279,752.00
		Total Title 1	32,923,230	37,279,812.00	37,279,752.00
		Title 2. Federal Market Inspectorate			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
348	01-1-1	Funds for personal incomes of personnel	20,288,910	23,790,726.00	23,790,726.00
349	01-2	Funds for material costs	1,900,000	2,302,721.00	2,302,721.00
350	01-3-1	Funds for personal incomes and other personal benefits of officials	401,260	1,295,840.00	887,606.00
351	01-3-2	Compensation for overtime	200,000	160,000.00	150,000.00
352	01-3-2	Remuneration of authorized organizations and specialists for checking the quality of products being imported	2,000,000	1,602,279.00	1,602,279.00
353	01-3-2	Traveling expenses abroad	200,000	140,000.00	140,000.00
354	01-3-2	Expenses of inspection for quality	500,000	450,000.00	450,000.00

Article 5 (continued)

1	2	3	4	5	6
355	01-3-2	Rent	800,000	800,000.00	800,000.00
356	01-3-2	Expenses of international co-operation	60,000	60,000.00	60,000.00
357	01-3-2	Remuneration for expert testimony and expert evaluation	900,000	510,000.00	500,000.00
358	01-3-2	Purchase of equipment	350,000	350,000.00	350,000.00
359	01-3-2	Purchase of professional publications	100,000	100,000.00	100,000.00
360	01-3-2	Traveling expenses of market inspectors in Yugoslavia	3,000,000	2,600,000.00	2,600,000.00
361	01-3-2	Public relations	10,000	10,000.00	10,000.00
		Total Basic Purpose 01	30,710,170	34,171,566.00	33,743,332.00
		Total Title 2	30,710,170	34,171,566.00	33,743,332.00
		Title 3. Federal Directorate for Reserves of Industrial Products			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
362	01-3-4	Funds for operation of the work community	20,300,000	20,300,000.00	20,300,000.00
363	01-3-4	Funds for designated purposes	242,300,000	242,300,000.00	242,300,000.00
		Total Basic Purpose 01	262,600,000	262,600,000.00	262,600,000.00
		Total Title 3	262,600,000	262,600,000.00	262,600,000.00

Article 5 (continued)

1	2	3	4	5	6
		Title 4. Federal Directorate for Reserves of Food Products			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
364	01-3-4	Funds for operation of the work community	33,200,000	33,200,000.00	26,335,201.35
365	01-3-4	Funds for designated purposes	723,500,000	723,500,000.00	723,500,000.00
		Total Basic Purpose 01	756,700,000	756,700,000.00	749,835,201.35
		Total Title 4	756,700,000	756,700,000.00	749,835,201.35
		Total Section 17 (Items 334 through 365)	1,082,933,400	1,090,751,378.00	1,083,458,285.35
		Section 18. Federal Secretariat for Justice and Federal Administrative Organizations			
		Title 1. The Secretariat			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
366	01-1-1	Funds for personal incomes of personnel	10,063,660	12,753,223.00	12,753,223.00
367	01-2	Funds for material costs	778,000	778,000.00	778,000.00

Article 5 (continued)

1	2	3	4	5	6
368	01-3-1	Funds for personal incomes and other personal benefits of officials	2,531,570	3,813,413.00	3,813,413.00
369	01-3-2	Compensation for separation from family	381,120	456,120.00	456,120.00
370	01-3-2	Expenses of extradition	826,000	826,000.00	750,000.00
371	01-3-2	Traveling expenses abroad	100,000	100,000.00	100,000.00
372	01-3-2	Translations of petitions and documents from foreign languages	22,000	22,000.00	22,000.00
373	01-3-2	Expenses of expert testimony and expenses of litigation	50,000	50,000.00	--
374	01-3-2	Consultations involved in drafting legal enactments and traveling expenses related to consultations	26,000	436,000.00	436,000.00
375	01-3-3	For performance of the work program of the Institute for Comparative Law	2,950,000	3,210,000.00	3,210,000.00
376	01-3-3	Funds for operation of the Center for Advancement of Federal Administration	2,837,000	3,703,308.00	3,703,308.00
377	01-3-3	Compensation to the Health Center of the Federal Secretariat for Internal Affairs for outpatient services	450,000	450,000.00	450,000.00
378	01-3-3	Funds for the AVNOJ Prize	2,591,550	2,591,550.00	2,591,550.00
379	01-3-3	Mosa Pijade Fund for Advancement of Representational Art	1,474,200	1,474,200.00	1,474,200.00
380	01-3-3	Funds for operation of the Commission on Objects Bearing the Likeness of the President of the Republic	140,400	140,400.00	140,400.00

Article 5 (continued)

1	2	3	4	5	6
381	01-3-3	Funds to carry out the work program of the Museum of the Revolution of the Nationalities and Ethnic Minorities of Yugoslavia	8,551,280	10,077,710.00	10,077,710.00
382	01-3-3	Share in financing international meetings and other undertakings	1,000,000	65,000.00	--
383	01-3-3	Funds to pay for office space	115,000	115,000.00	115,000.00
384	01-3-3	Defense-related projects	35,000	35,000.00	35,000.00
385	01-4	Housing construction related to rotation of personnel	29,100,000	61,460,000.00	61,460,000.00
386	01-4	Completion of construction of the office building of federal bodies and agencies at No 104 AVNOJ Boulevard in New Belgrade	14,550,000	106,573,146.60	106,573,146.60
387	01-4	Construction of housing for retired personnel of the Federal Secretariat for Internal Affairs	12,610,000	12,610,000.00	12,610,000.00
388	01-4	Investments to erect the building and the permanent exhibit layout of the Museum of the Revolution of the Nationalities and Ethnic Minorities of Yugoslavia	10,000,000	22,001,000.00	22,001,000.00
		Total Basic Purpose 01	101,392,780	243,741,070.60	243,550,070.60
		Total Title 1	101,392,780	243,741,070.60	243,550,070.60

Article 5 (continued)

1	2	3	4	5	6
		Title 2. Data Processing Center of Federal Bodies and Agencies			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
389	01-1-1	Funds for personal incomes of personnel	8,178,990	12,432,542.00	12,432,542.00
390	01-2	Funds for material costs	885,000	885,000.00	885,000.00
391	01-3-1	Funds for personal incomes and other personal benefits of officials	628,880	667,255.00	667,255.00
392	01-3-2	Remuneration of nonstaff personnel	35,400	35,400.00	15,000.00
393	01-3-2	Traveling expenses abroad	60,000	60,000.00	29,000.00
394	01-3-2	Purchase of specialized literature	2,770,000	337,000.00	337,000.00
395	01-3-2	Material costs related to publication and storage of documentation and information materials	330,000	270,000.00	270,000.00
396	01-3-2	Operating expenses of the electronic computer	1,180,000	1,180,000.00	1,180,000.00
397	01-3-2	Expenses of preparing designs of the information system	500,000	400,000.00	250,000.00
398	01-3-2	Purchase of equipment	177,000	177,000.00	170,000.00
		Total Basic Purpose 01	12,252,270	16,444,197.00	16,235,797.00
		Total Title 2	12,252,270	16,444,197.00	16,235,797.00
		Total Section 18 (Items 366 through 398)	113,645,050	260,185,267.60	259,785,867.60

Article 5 (continued)

1	2	3	4	5	6
		Section 19. Federal Secretariat for Information			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
399	01-1-1	Funds for personal incomes of personnel	21,789,380	24,247,607.00	24,247,607.00
400	01-2	Funds for material costs	700,000	700,000.00	696,634.25
401	01-3-1	Funds for personal incomes and other personal benefits of officials	2,057,730	3,887,971.00	3,877,945.00
402	01-3-2	Subscription to newspapers, magazines and publications	825,000	825,000.00	824,975.80
403	01-3-2	Expenses of visits by foreign guests and journalists	3,000,000	3,000,000.00	2,999,781.10
404	01-3-2	State visits--foreign newsmen accompanying heads of state	1,400,000	1,400,000.00	1,397,637.05
405	01-3-2	Publication of bulletins and expenses of holding press conferences and publishing activity related to the work of the Federal Executive Council	3,700,000	3,700,000.00	3,699,339.05
406	01-3-2	Performance of the international relations program of the Federation of Yugoslav Newsmen	900,000	900,000.00	900,000.00
407	01-3-2	Expenses of multilateral cooperation of the nonaligned developing countries in informing one another	300,000	300,000.00	298,220.20

Article 5 (continued)

1	2	3	4	5	6
408	01-3-2	Addition to and replacement of equipment	206,000	206,000.00	3,332.60
409	01-3-3	Publishing activity, press releases, purchase of publications about Yugoslavia in foreign languages, news and documentary films, news photos, exhibits, special projects, the Secretariat's operating fund and costs of shipping information and propaganda material	25,000,000	25,000,000.00	24,999,257.95
410	01-3-3	Purchase of periodicals intended for foreign countries	37,000,000	37,000,000.00	37,000,000.00
411	01-3-3	Radiobroadcasting for foreign countries	66,700,000	67,350,000.00	67,350,000.00
412	01-3-3	Radio programs and news coverage and TV programs intended for abroad	2,774,000	2,774,000.00	2,774,000.00
413	01-3-3	News agency services	125,724,000	131,724,000.00	131,724,000.00
414	01-3-3	Expenses of preparing newsreels	17,802,000	17,802,000.00	17,802,000.00
415	01-3-3	Information, propaganda and culture and entertainment activity aimed at Yugoslav workers and emigres abroad	15,500,000	15,500,000.00	15,491,078.50
416	01-3-3	Informing the foreign public over radio and television	16,000,000	9,350,000.00	9,350,000.00
417	01-3-3	International Press Center in Belgrade	6,500,000	6,500,000.00	6,500,000.00
418	01-3-3	Defense-related projects	10,000,000	10,000,000.00	8,760,211.50
419	01-3-3	Regular maintenance expenses of the Service for Defense Preparations of Radio Yugoslavia	4,500,000	4,500,000.00	4,500,000.00

Article 5 (continued)

1	2	3	4	5	6
420	01-3-3	Regular maintenance expenses of the Service for Defense Preparations of the News Agency TANJUG	900,000	900,000.00	900,000.00
421	01-4	Construction and modernization of the technical facilities of Radio Yugoslavia	32,500,000	39,971,000.00	39,971,000.00
		Total Basic Purpose 01	395,778,110	407,537,578.00	406,067,519.75
		Total Section 19 (Items 399 through 421)	395,778,110	407,537,578.00	406,067,519.75
		Section 20. Federal Committee for Energy and Industry			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
422	01-1-1	Funds for personal incomes of personnel	20,010,450	22,977,904.00	22,977,904.00
423	01-2	Funds for material costs	1,700,000	1,600,000.00	1,300,000.00
424	01-3-1	Funds for personal incomes and other personal benefits of officials	3,323,090	3,889,536.00	3,889,536.00
425	01-3-2	Expenses of international co-operation within Yugoslavia	600,000	500,000.00	400,000.00
426	01-3-2	Traveling expenses abroad	1,200,000	1,100,000.00	850,000.00
427	01-3-2	Compensation of members of the commission and remuneration of nonstaff personnel	200,000	170,000.00	40,000.00
428	01-3-2	Costs of holding meetings of the committee	340,000	240,000.00	220,000.00

Article 5 (continued)

1	2	3	4	5	6
429	01-3-2	Membership dues in international organizations	6,078,360	6,078,360.00	6,078,300.00
430	01-3-2	Compensation for separation from family	80,000	80,000.00	80,000.00
431	01-3-2	Share of the costs of the International Study of INFCE [expansion unknown] in 1980	440,000	140,000.00	140,000.00
432	01-3-2	Compensation for overtime	80,000	30,000.00	20,000.00
433	01-3-2	Purchase of equipment	180,000	80,000.00	60,000.00
434	01-3-2	Expenses of carrying out the work program of the Commission of the Federal Executive Council for Nuclear Energy	1,000,000	500,000.00	200,000.00
435	01-3-3	Defense-related projects	470,000	470,000.00	250,000.00
		Total Basic Purpose 01	35,701,900	37,855,800.00	36,505,740.00
		Total Section 20 (Items 422 through 435)	35,701,900	37,855,800.00	36,505,740.00
		Section 21. Federal Committee for Agriculture			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
436	01-1-1	Funds for personal incomes of personnel	15,151,840	17,782,338.00	17,782,338.00
437	01-1-1	Funds for personal incomes of personnel in border stations	31,919,410	39,650,379.00	39,650,379.00
438	01-2	Funds for material costs	2,000,000	2,000,000.00	2,000,000.00
439	01-2	Funds for material costs of border stations	10,000,000	8,370,000.00	8,369,962.90

Article 5 (continued)

1	2	3	4	5	6
440	01-3-1	Funds for personal incomes and other benefits of officials	2,914,540	4,300,032.00	4,300,032.00
441	01-3-2	Contribution to the World Food Program	3,700,000	3,700,000.00	3,700,000.00
442	01-3-2	Expenses of international cooperation in water management	680,000	640,000.00	640,000.00
443	01-3-2	Compensation of members of special commissions	300,000	300,000.00	300,000.00
444	01-3-2	Expenses of monitoring chemicals for plant pest and disease control	10,000	80,000.00	90,000.00
445	01-3-2	Expenses of monitoring chemicals for livestock pest and disease control	48,000	48,000.00	48,000.00
446	01-3-2	Expenses of the Yugoslav Committee for the International Hydrology Program	3,000,000	2,900,000.00	2,900,000.00
447	01-3-2	Administration of measures in the border zone in the field of veterinary science and plant pest and disease control	3,800,000	300,000.00	300,000.00
448	01-3-2	Expenses of international cooperation in the fields of agriculture and forestry	2,000,000	2,000,000.00	2,000,000.00
449	01-3-2	Expenses of holding meetings of the committee	350,000	150,000.00	150,000.00
450	01-3-2	For holding seminars, giving courses and preparing enactments in the field of veterinary science and plant pest and disease control	1,600,000	1,600,000.00	1,600,000.00

Article 5 (continued)

1	2	3	4	5	6
451	01-3-2	Remuneration of nonstaff personnel in the field of plant pest and disease control at border crossings	300,000	250,000.00	250,000.00
452	01-3-2	For monitoring movements of plant pests and diseases on the quarantine list	600,000	600,000.00	600,000.00
453	01-3-2	Membership dues in international organizations (FAO)	11,556,000	17,776,000.00	17,776,000.00
454	01-3-2	Compensation for overtime in the field of veterinary science at border crossings	400,000	300,000.00	300,000.00
455	01-3-2	Compensation for overtime in the field of plant pest and disease control at border crossings	700,000	350,000.00	350,000.00
456	01-3-2	Certification of new varieties and approval of organizing the production of seeds and nursery stock	2,000,000	2,000,000.00	2,000,000.00
457	01-3-2	Remuneration of nonstaff personnel for animal pest and disease control at the border	330,000	230,000.00	230,000.00
458	01-3-2	For verification and application of new technologies and techniques in agriculture and forest management in accordance with the policy governing economic development in 1980	2,000,000	1,298,000.00	1,298,000.00
459	01-3-2	Preparation and printing of instructions for administering regulations and carrying out measures under the jurisdiction of the Federation	1,100,000	1,800,000.00	1,800,000.00

Article 5 (continued)

1	2	3	4	5	6
460	01-3-2	Holding fairs, exhibitions, conferences, symposiums and congresses to promote agriculture	1,400,000	1,450,000.00	1,450,000.00
461	01-3-2	Monitoring, establishing and carrying on cooperation with countries with which Yugoslavia has intergovernmental committees and commissions, and especially with the developing countries	1,000,000	650,000.00	650,000.00
462	01-3-2	Purchase of and addition to equipment	1,500,000	1,500,000.00	1,500,000.00
463	01-3-2	Costs of ascertaining the behavior of active ingredients of pesticides	400,000	400,000.00	400,000.00
464	01-3-2	Operating expenses of the commission and the working bodies of the committee	400,000	602,000.00	602,000.00
465	01-3-2	Expenses of the Yugoslav Commission for Protection Against Pollution of the Sea and Other Waters and Inland Waterways	230,000	50,000.00	50,000.00
466	01-3-2	Diagnosis of virus diseases	300,000	300,000.00	300,000.00
467	01-3-2	Preparation of the Symposium entitled "Corn Production, Technology and Use"	900,000	660,000.00	660,000.00
468	01-3-2	Final preparation of integrated measures for plant pest and disease control and introduction of nonpesticidal measures to combat plant diseases and pests	800,000	800,000.00	800,000.00

Article 5 (continued)

1	2	3	4	5	6
469	01-3-2	Expenses of preparing the Third Conference of European Associations of Agrarian Economists	750,000	750,000.00	750,000.00
470	01-3-3	Defense-related projects	900,000	800,000.00	800,000.00
		Total Basic Purpose 01	105,149,790	116,396,749.00	116,396,711.90
		Total Section 21 (Items 436 through 470)	105,149,790	116,396,749.00	116,396,711.90
		Section 22. Federal Committee for Transportation and Communications			
		Title 1. The Committee			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
471	01-1-1	Funds for personal incomes of personnel	18,264,130	23,289,268.00	23,289,268.00
472	01-2	Funds for material costs	1,800,000	2,090,000.00	2,090,000.00
473	01-3-1	Funds for personal incomes and other personal benefits of officials	3,636,090	4,086,781.00	4,086,781.00
474	01-3-2	Drafting of technical regulations	950,000	950,000.00	950,000.00
475	01-3-2	Expenses of international cooperation	1,500,000	1,500,000.00	1,500,000.00
476	01-3-2	Traveling expenses abroad	2,500,000	2,500,000.00	2,500,000.00
477	01-3-2	Compensation for the work of commission members	450,000	450,000.00	450,000.00

Article 5 (continued)

1	2	3	4	5	6
478	01-3-2	Printing of international licenses and permits in the transportation sector	170,000	170,000.00	170,000.00
479	01-3-2	Purchase of and addition to equipment	250,000	60,000.00	60,000.00
480	01-3-2	Membership dues in international organizations	11,066,360	7,722,868.00	7,722,868.00
481	01-3-2	Expenses of participation of Jugoregistar specialists on projects of interest to the Federation	1,180,000	3,680,000.00	3,680,000.00
482	01-3-2	Compensation for separation from family	200,000	200,000.00	200,000.00
483	01-3-2	Costs of meetings of the committee	300,000	300,000.00	300,000.00
484	01-3-2	Expenses of representative offices abroad	1,155,380	1,055,380.00	1,055,380.00
485	01-3-2	Maintenance of two-way scheduled air service between Belgrade and Tirana	5,200,000	7,048,000.00	7,048,000.00
486	01-3-2	Maintenance of two-way scheduled air service between Belgrade and Malta	9,400,000	9,400,000.00	9,400,000.00
487	01-3-2	Compensation of airports for work to meet the needs of air traffic safety	16,000,000	16,000,000.00	16,000,000.00
488	01-3-2	For safety of shipping and maritime transportation	62,088,000	62,088,000.00	62,088,000.00
489	01-3-2	For safety of shipping in river transportation	63,000,000	63,000,000.00	63,000,000.00
490	01-3-3	Defense-related projects	300,000	300,000.00	300,000.00
491	01-3-3	Funds for operation of the Geomagnetic Institute and projects of interest to the Federation	13,000,000	13,843,492.00	13,843,492.00

Article 5 (continued)

1	2	3	4	5	6
492	01-3-3	Funds to cover obligations resulting from passes issued in passenger transportation	90,000,000	100,000,000.00	98,677,462.30
493	01-4	Financing the program for modernization of the Institution for Maintenance of Maritime Waterways and the Institution for Maintenance of Inland Waterways	24,700,000	26,604,000.00	26,604,000.00
494	01-4	Funds for regulation of the Danube River	141,000,000	111,000,000.00	111,000,000.00
		Total Basic Purpose 01	468,109,960	457,337,789.00	456,015,251.30
		Total Title 1	468,109,960	457,337,789.00	456,015,251.30
		Title 2. Federal Flight Control Administration			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
495	01-1-1	Funds for personal incomes of personnel	298,668,380	348,062,289.00	348,062,289.00
496	01-2	Funds for material costs	3,500,000	3,800,000.00	3,798,613.45
497	01-3-1	Funds for personal incomes and other personal benefits of officials	910,560	1,072,110.00	1,067,676.35
498	01-3-2	Operating expenses of facilities	60,000,000	53,900,000.00	50,826,006.34
499	01-3-2	Rent	1,542,270	1,542,270.00	1,252,118.00
500	01-3-2	Expenses of aircraft use	8,000,000	10,000,000.00	9,994,869.75

Article 5 (continued)

1	2	3	4	5	6
501	01-3-2	Compensation for work at night, on holidays and overtime	9,300,000	9,300,000.00	8,580,489.95
502	01-3-2	Remuneration of nonstaff personnel	1,424,600	744,600.00	742,581.55
503	01-3-2	Expenses of vehicle use	6,000,000	8,000,000.00	7,853,194.45
504	01-3-2	Insurance	4,645,500	3,925,346.00	2,700,100.20
505	01-3-2	Traveling expenses in Yugoslavia	8,000,000	6,490,000.00	6,446,899.50
506	01-3-2	Print shop expenses	630,000	650,000.00	492,422.50
507	01-3-2	Purchase of clothing and footwear	5,329,850	5,329,850.00	5,270,343.60
508	01-3-2	Bank service charges	1,400,000	1,500,000.00	1,497,145.02
509	01-3-2	Traveling expenses abroad	1,265,000	635,000.00	513,709.25
510	01-3-2	Membership dues in international and other organizations	193,150	193,150.00	192,696.40
511	01-3-2	Purchase of equipment for safety in the workplace	868,430	868,430.00	747,363.35
512	01-3-2	Expenses under guaranties issued	60,000	60,000.00	1,111.70
513	01-3-2	Addition to equipment and furnishings	1,500,000	200,000.00	168,506.40
514	01-3-2	Postage and telegraph and telephone service	24,580,240	20,480,200.00	19,133,471.60
515	01-3-2	Property storage and security	1,836,500	1,836,500.00	1,827,541.80
516	01-3-2	Medical examinations and screening of pilots and chauffeurs	1,073,900	1,073,900.00	829,898.45
517	01-3-2	Purchase of school supplies and textbooks for training program	520,000	520,000.00	349,694.40
518	01-3-2	Public relations	115,000	35,000.00	30,533.95
519	01-3-2	Expenses of resurveying air navigation charts	1,750,000	1,750,000.00	1,716,990.00

Article 5 (continued)

1	2	3	4	5	6
520	01-3-2	Expenses paid under military regulations	2,000,000	2,000,000.00	1,384,987.45
521	01-3-3	Defense-related projects	260,000	260,000.00	184,148.75
522	01-4	Financing the program for integration of joint services for guiding civilian and military aircraft	194,000,000	159,318,000.00	159,318,000.00
523	01-4	Financing the program for modernization of joint services for guiding civilian and military aircraft	184,300,000	153,528,000.00	153,528,000.00
		Total Basic Purpose 01	823,673,380	797,054,685.00	788,511,403.10
		Total Title 2	823,673,380	797,054,685.00	788,511,403.10
		Title 3. Federal Administration for Radio Communication			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
524	01-1-1	Funds for personal incomes of personnel	16,977,240	20,541,788.00	20,541,788.00
525	01-2	Funds for material costs	880,000	968,440.00	968,440.00
526	01-3-1	Funds for personal incomes and other personal benefits of officials	765,500	918,332.00	918,332.00
527	01-3-2	Compensation for overtime	150,000	167,000.00	167,000.00
528	01-3-2	Maintenance of monitoring and measuring centers	400,000	400,000.00	400,000.00
529	01-3-2	Property insurance	1,500,000	900,000.00	900,000.00

Article 5 (continued)

1	2	3	4	5	6
530	01-3-2	Purchase of and addition to equipment	243,000	51,000.00	51,000.00
531	01-3-2	Motor pool expenses	291,000	421,000.00	421,000.00
532	01-3-2	Traveling expenses in Yugoslavia	450,000	450,000.00	450,000.00
533	01-3-2	Traveling expenses abroad	479,180	489,180.00	489,180.00
534	01-3-2	Purchase of clothing and footwear	25,000	15,000.00	15,000.00
535	01-3-2	Drafting of specialized and technical regulations, instructions and studies	20,000	15,000.00	15,000.00
536	01-3-2	Data processing of information and documentation	700,000	700,000.00	700,000.00
537	01-3-3	Defense-related projects	300,000	190,000.00	190,000.00
538	01-4	Financing the Program for Development and Modernization of Work on Planning Radio Frequency and Monitoring Radio Communications	19,885,000	22,279,000.00	22,279,000.00
		Total Basic Purpose 01	43,065,920	48,505,740.00	48,505,740.00
		Total Title 3	43,065,920	48,505,740.00	48,505,740.00
		Title 4. Federal Aviation Inspectorate			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
539	01-1-1	Funds for personal incomes of personnel	9,653,470	14,471,199.00	14,471,199.00
540	01-2	Funds for material costs	1,720,000	2,000,000.00	2,000,000.00

Article 5 (continued)

1	2	3	4	5	6
541	01-3-1	Funds for personal incomes and other personal benefits of officials	399,610	492,250.00	492,250.00
542	01-3-2	Expenses of aircraft and automobile use	700,000	700,000.00	700,000.00
543	01-3-2	Purchase of clothing and footwear	180,000	180,000.00	180,000.00
544	01-3-2	Expenses of international cooperation	30,000	30,000.00	10,000.00
545	01-3-2	Traveling expenses abroad	959,000	959,000.00	759,000.00
546	01-3-2	Remuneration of nonstaff personnel	200,000	20,000.00	20,000.00
547	01-3-2	Traveling and moving expenses	1,050,000	950,000.00	950,000.00
548	01-3-2	Purchase of and addition to equipment	1,000,000	1,000,000.00	300,000.00
549	01-3-2	Expenses of translation	40,000	40,000.00	6,000.00
550	01-3-2	Expenses of organizing conferences	30,000	30,000.00	10,000.00
551	01-3-2	Expenses of specialized education and training	90,000	90,000.00	50,000.00
552	01-3-2	Expenditures for work at night and on holidays	30,000	30,000.00	20,000.00
553	01-3-2	Public relations	5,000	5,000.00	5,000.00
554	01-3-2	Compensation for personnel transport to and from work	100,000	100,000.00	100,000.00
555	01-3-2	Studies and analyses	100,000	100,000.00	5,000.00
556	01-3-2	Membership dues and assessments	120,000	120,000.00	120,000.00
556	01-3-3	Defense-related projects	20,000	20,000.00	5,000.00
		Total Basic Purpose 01	16,427,080	21,337,449.00	20,203,449.00
		Total Title 4	16,427,080	21,337,449.00	20,203,449.00

Article 5 (continued)

1	2	3	4	5	6
		Total Section 22 (Items 471 through 557)	1,351,276,340	1,324,235,663.00	1,313,235,843.45
		Section 23. Federal Committee for Labor, Health and Social Welfare			
		Title 1. The Committee			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
558	01-1-1	Funds for personal incomes of personnel	28,420,970	34,221,737.00	34,221,737.00
559	01-2	Funds for material costs	900,000	800,000.00	800,000.00
560	01-3-1	Funds for personal incomes and other personal benefits of officials	3,274,020	4,052,676.00	4,052,676.00
561	01-3-2	Traveling expenses abroad	2,250,000	1,800,000.00	1,800,000.00
562	01-3-2	Traveling expenses in Yugoslavia	800,000	700,000.00	700,000.00
563	01-3-2	Traveling expenses of foreign specialists and their Yugoslav escorts, expenses related to meetings and negociations with foreign delegations and diplomatic and other representatives	900,000	650,000.00	650,000.00
564	01-3-2	Compensation for work of members of standing specialized commissions	350,000	350,000.00	350,000.00

Article 5 (continued)

1	2	3	4	5	6
565	01-3-2	Expenses of holding meetings of the committee and its constituent bodies to prepare the health service for nationwide defense	600,000	500,000.00	500,000.00
566	01-3-2	Costs of publishing reports of the labor inspectorate	180,000	30,000.00	30,000.00
567	01-3-2	Membership dues in international organizations	27,041,100	35,241,100.00	35,241,100.00
568	01-3-2	Certain projects in the field of the pharmaceutical service and medical supply of interest to the Federation which will be contracted out to appropriate professional institutions	820,000	820,000.00	820,000.00
569	01-3-2	Purchase of and addition to equipment	2,650,000	350,000.00	350,000.00
570	01-3-2	Translation of material from foreign languages	82,000	82,000.00	82,000.00
571	01-3-2	Purchase of specialized literature	75,000	75,000.00	75,000.00
572	01-3-2	Remuneration of parttime and nonstaff personnel	1,000,000	1,300,000.00	1,300,000.00
573	01-3-2	Compensation for overtime related to public health control at the border	295,000	195,000.00	195,000.00
574	01-3-2	Rent and maintenance on office space for border public health control	450,000	600,000.00	600,000.00
575	01-3-2	Purchase of uniforms for border public health inspectors	140,000	140,000.00	140,000.00
576	01-3-2	Expenses of protecting the country against the importation of infectious diseases	2,000,000	2,710,000.00	2,710,000.00

Article 5 (continued)

1	2	3	4	5	6
577	01-3-2	Expenses of analyzing medical drugs	360,000	360,000.00	360,000.00
578	01-3-2	Expenses related to public health control at the border	1,000,000	1,300,000.00	1,300,000.00
579	01-3-2	Expenses of medical treatment of foreign nationals in Yugoslavia	500,000	400,000.00	400,000.00
580	01-3-2	Protection against ionizing radiations	240,000	100,000.00	110,000.00
581	01-3-2	Material support and housing of refugees	3,984,300	4,434,300.00	4,434,300.00
582	01-3-2	Certain projects in the field of health care of direct interest to performance of federal functions which will be contracted out to the Federal Bureau for Health Care	6,000,000	6,000,000.00	6,000,000.00
583	01-3-2	Expenses of monitoring the pollution of international and interrepublic waters	1,100,000	1,100,000.00	1,100,000.00
584	01-3-2	Operating expenses of the interarea working group to coordinate the effort of federal agencies in carrying out the decision of the United Nations World Conference of the International Year of Women	1,900,000	1,900,000.00	1,900,000.00
585	01-3-2	Yugoslavia's obligations as a member of the World Health Organization	200,000	70,000.00	70,000.00

Article 5 (continued)

1	2	3	4	5	6
586	01-3-2	Expenses of preparing the national study within the framework of the OECD project to survey integrated social welfare policies on behalf of the developing countries	150,000	50,000.00	50,000.00
587	01-3-2	Material support and housing of the family of Danijel Tekesta and Anihita Ratebzad	427,400	227,400.00	227,400.00
588	01-3-2	Yugoslav Committee for the United Nations International Year of the Child--1979	1,500,000	1,500,000.00	1,500,000.00
589	01-3-3	Financing activities directed toward Yugoslav nationals working abroad	15,000,000	15,000,000.00	15,000,000.00
590	01-3-3	Funds for the May Day Prizes	1,453,000	1,453,000.00	1,453,000.00
591	01-3-3	Defense-related projects	130,000	130,000.00	130,000.00
592	01-4	Construction of housing in connection with assimilation of refugees	11,640,000	11,640,000.00	11,640,000.00
		Total Basic Purpose 01	117,812,790	130,292,213.00	130,292,213.00
		Total Title 1	117,812,790	130,292,213.00	130,292,213.00
		Title 2. Federal Bure ı for Employment Security			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
593	01-1-1	Funds for personal incomes of personnel	14,861,500	15,483,738.00	15,483,738.00
594	01-2	Funds for material costs	1,884,500	1,884,500.00	1,884,500.00

Article 5 (continued)

1	2	3	4	5	6
595	01-3-1	Funds for personal incomes and other personal benefits of officials	1,148,500	1,148,500.00	1,137,027.00
596	01-3-2	Material costs of standing joint commissions which Yugoslavia has with foreign countries	549,000	549,000.00	549,000.00
597	01-3-2	Compensation for separation from family of social workers abroad and expenses of sending those social workers abroad	5,800,000	5,500,000.00	5,100,000.00
598	01-3-2	Expenses of printing and publishing bulletins and reports	240,000	240,000.00	240,000.00
599	01-3-2	Official trips in Yugoslavia	330,000	240,000.00	240,000.00
600	01-3-2	Compensation for overtime and nighttime work	15,000	--	--
601	01-3-2	Traveling expenses abroad	900,000	300,000.00	300,000.00
602	01-3-2	Purchase of specialized literature	50,000	50,000.00	50,000.00
603	01-3-2	Purchase of and addition to equipment	200,000	100,000.00	100,000.00
604	01-3-3	Defense-related projects	30,000	30,000.00	30,000.00
		Total Basic Purpose 01	26,008,500	25,525,738.00	25,114,265.00
		Total Title 2	26,008,500	25,525,738.00	25,114,265.00
		Total Section 23 (Items 558 through 604)	143,821,290	155,817,951.00	155,406,478.00

Article 5 (continued)

1	2	3	4	5	6
		Section 24. Federal Committee for Affairs of War Veterans and Military Disabled			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
605	01-1-1	Funds for personal incomes of personnel	4,430,180	5,212,575.00	5,212,575.00
606	01-2	Funds for material costs	366,160	366,160.00	366,160.00
607	01-3-1	Funds for personal incomes and other personal benefits of officials	1,151,930	1,472,011.00	1,472,011.00
608	01-3-2	Traveling expenses abroad	236,890	236,890.00	219,395.55
609	01-3-2	Traveling expenses in Yugoslavia	200,000	200,000.00	133,384.60
610	01-3-2	Translation of disability and other documents and materials from foreign languages	42,500	20,000.00	--
611	01-3-2	Expenses of holding meetings of the committee	210,000	110,000.00	58,754.40
612	01-3-2	Funds for exceptional projects and tasks in preparing bills and sublegal regulations in the field of welfare of war veterans and the military disabled	150,000	22,000.00	--
613	01-3-3	Management of graves and cemeteries of Yugoslav war casualties and veterans	2,000,000	1,000,000.00	919,903.00
		Total Basic Purpose 01	8,787,660	8,639,636.00	8,382,183.55

Article 5 (continued)

1	2	3	4	5	6
		Basic Purpose 05--Obligations To Finance Public Services			
614	05-9	Funds for preferential old-age pensions (not including military old-age pensions) in the context of the provisions of the law on obligations of the Federation for Old-Age Pensions of War Veterans	12,464,500,000	11,968,500,000.00	11,968,474,965.15
615	05-11	Funds for disability benefits of military disabled	3,715,500,000	4,142,091,933.50	4,142,091,933.50
616	05-11	Funds for health care of military disabled	892,800,000	1,241,806,489.90	1,241,806,489.90
617	05-11	Funds for the war veteran's supplement	94,200,000	53,935,120.85	53,935,120.85
618	05-11	Compensation paid to holders of the 1941 Partisan Commemorative Medal and other decorations	262,700,000	230,236,813.15	230,236,813.15
619	05-11	Disability benefits of recipients abroad	31,000,000	28,352,584.60	28,195,619.45
620	05-11	Funds for health care of military disabled in fulfillment of the plan for cooperation with the People's Republic of Poland	400,000	539,058.00	539,058.00
		Total Basic Purpose 05	17,461,100,000	17,665,462,000.00	17,665,280,000.00
		Total Section 24 (Items 605 through 620)	17,469,887,660	17,674,101,636.00	17,673,662,183.55

Article 5 (continued)

1	2	3	4	5	6
		Section 25. Federal Committee for Legislation			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
621	01-1-1	Funds for personal incomes of personnel	6,505,480	8,781,279.00	8,781,279.00
622	01-2	Funds for material costs	354,000	354,000.00	354,000.00
623	01-3-2	Funds for personal incomes and other personal benefits of officials	1,785,440	2,356,866.00	2,356,866.00
624	01-3-2	Compensation for separation from family	180,000	180,000.00	180,000.00
625	01-3-2	Translation and copying of material	38,500	38,500.00	38,500.00
626	01-3-2	Traveling expenses in Yugoslavia of committee members and of its constituent bodies	850,000	850,000.00	530,000.00
627	01-3-2	Public relations	25,000	25,000.00	20,000.00
628	01-3-2	Purchase of equipment	60,000	60,000.00	--
629	01-3-2	Remuneration of nonstaff personnel	100,000	200,000.00	200,000.00
630	01-3-2	Commission for legal affairs of CEMA	500,000	500,000.00	--
		Total Basic Purpose 01	10,398,420	13,345,645.00	12,460,645.00
		Total Section 25 (Items 621 through 630)	10,398,420	13,345,645.00	12,460,645.00

Article 5 (continued)

1	2	3	4	5	6
		Section 26. Federal Customs Administration			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
631	01-1-1	Funds for personal incomes of personnel	825,626,000	928,838,020.00	928,838,020.00
632	01-2	Funds for material costs of the Federal Customs Administration	9,000,000	9,000,000.00	9,000,000.00
633	01-2	Funds for material costs of customhouses	60,000,000	70,500,000.00	70,500,000.00
634	01-3-1	Funds for personal incomes and other benefits of officials	2,839,200	2,839,200.00	2,839,200.00
635	01-3-2	Rent	8,250,000	10,150,000.00	10,150,000.00
636	01-3-2	Reimbursement of loss under Articles 252, 283 and 356 of the Customs Law	300,000	500,000.00	500,000.00
637	01-3-2	Traveling expenses abroad	600,000	900,000.00	900,000.00
638	01-3-2	Compensation for work on Sunday, at night and on holidays	16,500,000	18,500,000.00	18,500,000.00
639	01-3-2	Compensation for the work of customs examination outside the town where the customhouse is located	2,950,000	2,250,000.00	2,250,000.00
640	01-3-2	Maintenance of buildings, train platforms and other structures	3,500,000	3,000,000.00	3,000,000.00
641	01-3-2	Expenses of the Council of the Customs Service	30,000	30,000.00	30,000.00
642	01-3-2	Purchase of clothing and footwear	16,000,000	12,400,000.00	12,400,000.00

Article 5 (continued)

1	2	3	4	5	6
643	01-3-2	Membership dues in international organizations	853,000	1,503,000.00	1,503,000.00
644	01-3-2	Purchase of automobiles	1,500,000	1,000,000.00	1,000,000.00
645	01-3-2	Expenses of maintaining the Electronic Computer Center	9,000,000	12,600,000.00	12,600,000.00
646	01-3-2	Expenses of preventing customs crimes and operation and maintenance of equipment	10,000,000	7,100,000.00	7,100,000.00
647	01-3-2	Expenses of the boarding school	1,000,000	1,000,000.00	1,000,000.00
648	01-3-2	Expenses for systematic examinations of personnel	1,600,000	1,550,000.00	1,550,000.00
649	01-3-2	Expenses of insuring personnel	1,500,000	1,500,000.00	1,500,000.00
650	01-2-2	Compensation for overtime work in customhouses	1,500,000	600,000.00	600,000.00
651	01-3-2	Rewards for detection of customs violations	1,600,000	1,600,000.00	1,600,000.00
652	01-3-3	Defense-related projects	2,000,000	2,000,000.00	2,000,000.00
653	01-4	Financing the program for modernization of the customs service	242,000,000	195,323,000.00	195,323,000.00
654	01-4	Supplemental funds because of the increased volume of construction	69,000,000	69,000,000.00	69,000,000.00
		Total Basic Purpose 01	1,287,148,200	1,353,683,220.00	1,353,683,220.00
		Total Section 26 (Items 631 through 654)	1,287,148,200	1,353,683,220.00	1,353,683,220.00

Article 5 (continued)

1	2	3	4	5	6
		Section 27. Federal Bureau for Social Planning			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
655	01-1-1	Funds for personal incomes of personnel	26,806,050	30,696,451.00	30,696,451.00
656	01-2	Funds for material costs	4,300,000	4,572,000.00	4,571,044.85
657	01-3-1	Funds for personal incomes and other benefits of officials	7,175,050	9,067,112.00	8,971,658.45
658	01-3-2	Traveling expenses abroad	440,000	340,000.00	334,272.60
659	01-3-2	Periodicals and other publications	600,000	--	--
660	01-3-2	Remuneration of nonstaff personnel and expenses of surveys	400,000	645,500.00	630,274.00
661	01-3-2	Purchase of and addition to equipment	2,100,000	257,500.00	257,500.00
662	01-3-2	Compensation for overtime	450,000	1,250,000.00	1,100,446.00
663	01-3-2	Preparation of expert evaluations and other documents	900,000	2,341,000.00	2,340,882.00
664	01-3-2	Professional consultations and conferences	800,000	150,000.00	150,000.00
665	01-3-2	Publication of the bulletin "Economic Trends in the World and Their Influence on the Yugoslav Economy"	3,510,000	3,510,000.00	3,510,000.00
666	01-3-2	Methodological research	2,925,000	2,925,000.00	2,909,179.30
667	01-3-2	Filing archive materials	250,000	295,000.00	294,712.50
668	01-3-3	Defense-related projects	150,000	150,000.00	142,226.80
		Total Basic Purpose 01	50,806,100	56,199,563.00	55,908,647.50

Article 5 (continued)

1	2	3	4	5	6
		Total Section 27 (Items 655 through 668)	50,806,100	56,199,563.00	55,908,647.50
		Section 28. Federal Bureau for Prices			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
669	01-1-1	Funds for personal incomes of personnel	7,930,290	10,654,580.00	10,654,580.00
670	01-2	Funds for material costs	900,000	1,206,500.00	1,206,500.00
671	01-3-1	Funds for compensation of personal incomes and other personal benefits of officials	2,105,110	2,362,630.00	2,233,870.00
672	01-3-2	Costs of printing publications	50,000	20,000.00	20,000.00
673	01-3-2	Compensation for overtime	183,000	163,000.00	163,000.00
674	01-3-2	Purchase of equipment	165,000	165,000.00	--
675	01-3-2	Expenses of holding meetings of the Bureau's Council	100,000	100,000.00	100,000.00
676	01-3-2	Expenses of professional collaboration with official entities of the price bureaus of the autonomous provinces	100,000	50,000.00	50,000.00
677	01-3-2	Expenses related to drafting upcoming sublegal regulations	70,000	40,000.00	40,000.00
678	01-3-2	Traveling expenses abroad	80,000	12,000.00	12,000.00
679	01-3-2	Translation into the languages of the nationalities and ethnic minorities	30,000	--	--
680	01-3-3	Defense-related projects	30,000	35,300.00	35,300.00
		Total Basic Purpose 01	11,743,400	14,809,010.00	14,515,250.00

Article 5 (continued)

1	2	3	4	5	6
		Total Section 28 (Items 669 through 680)	11,743,400	14,809,010.00	14,515,250.00
		Section 29. Federal Bureau of Statistics			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
681	01-1-1	Funds for personal incomes of personnel	89,625,150	106,090,000.00	106,090,000.00
682	01-2	Funds for material costs	8,850,000	9,450,000.00	8,960,017.85
683	01-3-1	Funds for personal incomes and other personal benefits of officials	1,537,330	1,859,449.00	1,858,505.00
684	01-3-2	Fire control and workplace health and safety	82,000	82,000.00	71,702.65
685	01-3-2	Traveling expenses abroad	330,000	630,000.00	532,648.10
686	01-3-2	Membership dues in international organizations	10,300	10,300.00	10,300.00
687	01-3-2	Expenses of statistical studies	5,500,000	3,500,000.00	3,499,895.85
688	01-3-2	Expenses of the Automatic Data Processing Center	3,500,000	5,500,000.00	5,060,904.35
689	01-3-2	Leasing of machines for automatic data processing	2,151,000	2,151,000.00	2,145,870.25
690	01-3-2	Expenses of publishing activity	5,000,000	5,000,000.00	4,756,603.20
691	01-3-2	Maintenance of buildings, equipment and furnishings	500,000	200,000.00	200,000.00
692	01-3-2	Expenses of postgraduate study in the field of statistics	840,500	240,500.00	38,082.00

Article 5 (continued)

1	2	3	4	5	6
693	01-3-2	Expenses of the population, household and housing census	9,000,000	9,000,000.00	9,000,000.00
694	01-3-3	Defense-related projects	160,000	160,000.00	3,554.00
		Total Basic Purpose 01	127,086,280	143,873,249.00	142,248,283.25
		Total Section 29 (Items 681 through 694)	127,086,280	143,873,249.00	142,248,283.25
		Section 30. Federal Bureau for International Scientific, Educational and Cultural, and Technical Cooperation			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
695	01-1-1	Funds for personal incomes of personnel	19,903,130	24,947,329.00	24,947,329.00
696	01-2	Funds for material costs	1,210,000	1,210,000.00	1,187,536.65
697	01-3-1	Funds for personal incomes and other personal benefits of officials	1,941,740	2,794,011.00	2,784,291.05
698	01-3-2	Addition to and replacement of equipment	500,000	500,000.00	56,836.75
699	01-3-2	Membership dues in international organizations	64,346,850	86,539,292.00	86,171,158.60
700	01-3-2	Contribution to the United Nations mission in Yugoslavia	4,650,000	4,856,000.00	4,856,000.00

Article 5 (continued)

1	2	3	4	5	6
701	01-3-3	Expenses of regular schooling, specialization and study trips of foreign nationals in Yugoslavia	63,208,000	49,208,000.00	49,094,200.00
702	01-3-3	Expenses of preparing specialists for departure, participation in the salaries of Yugoslav specialists and aid in organizing the Center for Training Personnel in the Developing Countries	27,000,000	27,000,000.00	26,181,214.55
703	01-3-3	Preparation of studies, expert evaluations, technical documentation, publications, international seminars, special courses for the developing countries and production of films	6,000,000	6,000,000.00	5,372,269.60
704	01-3-3	Cultural and educational cooperation with the developing countries	10,000,000	6,500,000.00	6,442,799.45
705	01-3-3	International seminar entitled "The University Today"--participation of representatives from the developing countries	120,000	120,000.00	120,000.00
706	01-3-3	International negotiations and meetings of joint commissions, traveling expenses in Yugoslavia and abroad	5,000,000	3,497,000.00	3,155,440.90
707	01-3-3	Share in the salaries of instructors teaching the children of Yugoslavs employed temporarily in the countries of Western Europe	75,000,000	82,836,029.00	82,353,358.10

Article 5 (continued)

1	2	3	4	5	6
708	01-3-3	Translation and copying of studies, reports, analyses and other material	826,000	826,000.00	237,356.80
709	01-3-3	Compensation for health care services rendered to the personnel of the United Nations mission in Yugoslavia	50,000	50,000.00	2,926.45
710	01-3-3	Compensation for certain tasks in the jurisdiction of the Federation rendered by the Yugoslav Bibliographic Institute	1,115,000	1,115,000.00	1,114,634.20
711	01-3-3	Information activity	1,510,000	1,510,000.00	1,469,601.30
712	01-3-3	Center for Guidance and Organization of Mutual Cooperation of the Nonaligned Countries in the Fields of Science and Technology	9,000,000	3,803,000.00	2,419,778.95
713	01-3-3	Defense-related projects	113,020	113,020.00	90,068.80
		Total Basic Purpose 01	291,493,740	303,424,681.00	298,056,801.15
		Total Section 30 (Items 695 through 713)	291,493,740	303,424,681.00	298,056,801.15
		Section 31. Federal Hydrometeorology Bureau			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
714	01-1-1	Funds for personal incomes of personnel	72,934,350	83,628,423.00	83,628,423.00
715	01-2	Funds for material costs	6,000,000	6,000,000.00	5,972,006.10

Article 5 (continued)

1	2	3	4	5	6
716	01-3-1	Funds for personal incomes and other personal benefits of officials	750,250	2,519,752.00	2,508,210.80
717	01-3-2	Compensation for work on Sunday, at night and on holidays	3,816,420	4,716,420.00	4,373,366.05
718	01-3-2	Compensation of Radio Belgrade for broadcasting water levels on the Danube	3,150,000	1,380,000.00	1,380,000.00
719	01-3-2	Expenses of telecommunications	6,555,000	7,455,000.00	7,417,467.00
720	01-3-2	Traveling expenses abroad	300,000	397,000.00	394,306.75
721	01-3-2	Membership dues in international organizations	1,200,000	15,851,844.00	13,804,670.55
722	01-3-2	Expenses incurred in earning income from publishing activity	175,000	75,000.00	74,544.30
723	01-3-2	Addition to equipment	330,000	330,000.00	330,000.00
724	01-3-2	Printing the Yearbook, the Climate Atlas and other specialized publications	1,650,000	950,000.00	945,330.40
725	01-3-2	Maintenance of buildings, equipment and furnishings	3,520,000	2,120,000.00	2,155,600.35
726	01-3-2	Traveling expenses in Yugoslavia	900,000	724,000.00	716,120.60
727	01-3-2	Purchase of clothing and footwear	600,000	600,000.00	589,441.25
728	01-3-2	Motor vehicle maintenance and fuel	450,000	530,000.00	508,791.10
729	01-3-2	Rent on office space	2,500,000	2,620,000.00	2,417,005.75
730	01-3-2	Expenses of training hydrometeorologists	500,000	200,000.00	199,455.00
731	01-3-3	Defense-related projects	200,000	158,000.00	157,033.45
732	01-4	Financing the Program for Development and Modernization of the Air Navigation Weather Service in Yugoslavia	23,377,000	26,557,000.00	26,557,000.00

Article 5 (continued)

1	2	3	4	5	6
		Total Basic Purpose 01	138,908,020	156,812,439.00	154,088,772.45
		Total Section 31 (Items 714 through 732)	138,908,020	156,812.439.00	154,088,772.45
		Section 32. Federal Bureau for Standardization			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
733	01-1-1	Funds for personal incomes of personnel	21,774,350	27,550,653.00	27,550,653.00
734	01-2	Funds for material costs	1,540,000	2,070,000.00	2,052,968.40
735	01-3-2	Funds for personal incomes and other personal benefits of officials	1,134,040	1,351,773.00	1,351,723.35
736	01-3-2	Expenses of preparing and distributing Yugoslav standards and technical specifications	8,850,000	7,150,000.00	5,761,637.25
737	01-3-2	Translation of Yugoslav standards into the languages of the nationalities of Yugoslavia	3,500,000	3,500,000.00	3,447,000.70
738	01-3-2	Membership dues in international organizations	1,994,400	2,664,400.00	2,646,727.70
739	01-3-2	Purchase of equipment related to translation of Yugoslav standards	1,200,000	--	--
740	01-3-2	Expenses of the Commission for Standardization of Motor Vehicles	2,360,000	1,860,000.00	1,630,000.00

Article 5 (continued)

1	2	3	4	5	6
741	01-3-2	Expenses of administering the certification system	2,500,000	200,000.00	200,000.00
742	01-3-3	Defense-related projects	77,000	77,000.00	43,229.75
		Total Basic Purpose 01	44,929,790	46,423,826.00	44,683,941.15
		Total Section 32 (Items 733 through 742)	44,929,790	46,423,826.00	44,683,941.15
		Section 33. Federal Bureau for Patents			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
743	01-1-1	Funds for personal incomes of personnel	17,574,850	22,125,489.00	22,125,489.00
744	01-2	Funds for material costs	1,000,000	1,000,000.00	1,000,000.00
745	01-3-1	Funds for personal incomes and other personal benefits of officials	723,220	1,318,292.00	1,318,292.00
746	01-3-2	Expenses of printing patent documents	550,000	4,230,000.00	4,230,000.00
747	01-3-2	Traveling expenses abroad	500,000	500,000.00	400,000.00
748	01-3-2	Purchase of and addition to equipment	1,500,000	800,000.00	800,000.00
749	01-3-2	Printing the patent herald	350,000	1,103,000.00	1,103,000.00
750	01-3-2	Preparation of forms and materials for photocopying	230,000	343,000.00	345,000.00
751	01-3-2	Preparation and shipment of patent documentation	250,000	250,000.00	250,000.00
752	01-3-2	Expenses of publishing activity	30,000	--	--

Article 5 (continued)

1	2	3	4	5	6
753	01-3-2	Expenses of printing international patent documentation	200,000	--	--
754	01-3-2	Expenses of professional conferences	25,000	--	--
755	01-3-2	Filing of patent documents and archive materials	200,000	140,000.00	140,000.00
756	01-3-2	Purchase of nonpatent literature for the Center for Patent Documentation and Information	300,000	300,000.00	300,000.00
757	01-3-2	Translation of international patent documentation and classification	30,000	30,000.00	30,000.00
758	01-3-2	Expenses of the Federal Coordinating Committee for Creativity	350,000	350,000.00	350,000.00
759	01-3-3	Defense-related projects	40,000	10,000.00	10,000.00
		Total Basic Purpose 01	23,853,070	32,501,781.00	32,401,781.00
		Total Section 33 (Items 743 through 759)	23,853,070	32,501,781.00	32,401,781.00
		Section 34. Federal Bureau for Standards and Measures and Precious Metal			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
760	01-1-1	Funds for personal incomes of personnel	47,800,620	59,281,690.00	59,281,690.00
761	01-2	Funds for material costs	5,000,000	5,100,000.00	4,543,666.75

Article 5 (continued)

1	2	3	4	5	6
762	01-3-1	Funds for personal incomes and other personal benefits of officials	759,600	1,525,521.00	1,490,393.00
763	01-3-2	Rent	460,000	835,000.00	833,153.20
764	01-3-2	Purchase of laboratory equipment and other equipment and furnishings	7,000,000	6,240,000.00	6,149,190.00
765	01-3-2	Expenses of improvement of the service	264,000	264,000.00	116,023.65
766	01-3-2	Membership dues in international organizations	476,100	508,200.00	508,200.00
767	01-3-2	Traveling expenses in Yugoslavia	10,000,000	9,000,000.00	7,975,080.45
768	01-3-2	Traveling expenses abroad	100,000	190,000.00	190,000.00
769	01-3-2	Expenses of international cooperation	105,000	25,000.00	3,740.00
770	01-3-2	Costs of publications issued	613,000	463,000.00	187,408.00
771	01-3-2	Expenses of current building maintenance	2,800,000	4,630,000.00	4,440,321.05
772	01-3-2	Expenses of truck maintenance	950,000	950,000.00	753,888.50
773	01-3-2	Public relations	8,800	8,800.00	8,513.20
774	01-3-2	Purchase of protective clothing and footwear	400,000	130,000.00	101,349.60
775	01-3-2	Purchase of professional publications and literature	140,000	190,000.00	190,000.00
776	01-3-2	Nonautomatic data processing	350,000	100,000.00	90,810.00
777	01-3-2	Expenses of translation into the languages of the nationalities and ethnic minorities of Yugoslavia and from and into foreign languages	72,000	22,000.00	6,450.00
778	01-3-2	Expenses of printing forms related to earning income	650,000	1,300,000.00	1,059,380.50
779	01-3-2	Expenses of information activity	300,000	130,000.00	85,853.25

Article 5 (continued)

1	2	3	4	5	6
780	01-3-3	Defense-related projects	120,000	120,000.00	120,000.00
781	01-4	Laboratory construction and adaptation	2,910,000	2,910,000.00	2,910,000.00
		Total Basic Purpose 01	81,279,120	93,933,211.00	91,045,111.15
		Total Section 34 (Items 760 through 781)	81,279,120	93,933,211.00	91,045,111.15
		Section 35. Federal Geology Bureau			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
782	01-1-1	Funds for personal incomes of personnel	3,289,850	3,622,343.00	3,622,343.00
783	01-2	Funds for material costs	185,000	255,000.00	255,000.00
784	01-3-1	Funds for personal incomes and other personal benefits of officials	354,730	1,104,644.00	1,100,528.65
785	01-3-2	Expenses of the standing delegation for cooperation with CEMA in the field of geology	580,000	385,000.00	176,812.20
786	01-3-2	Expenses of the Yugoslav Committee for the International Program of Geological Correlation	500,000	500,000.00	472,292.35
787	01-3-2	Preparation and printing of the Comprehensive Geological Map of Yugoslavia	9,759,100	9,709,100.00	9,687,102.70
788	01-3-2	Expenses of the Commission for the Comprehensive Geological Map of Yugoslavia	65,000	65,000.00	30,536.00

Article 5 (continued)

1	2	3	4	5	6
789	01-3-2	Shipping costs	40,000	--	--
790	01-3-2	Purchase of equipment	232,960	14,960.00	14,121.00
791	01-3-2	Expenses of compiling the balance of mineral raw materials and subsurface water of the SFRY	530,000	480,000.00	420,954.20
		Total Basic Purpose 01	15,536,640	16,136,047.00	15,779,690.10
		Total Section 35 (Items 782 through 791)	15,536,640	16,136,047.00	15,779,690.10
		Section 36. Yugoslav Archives			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
792	01-1-1	Funds for personal incomes of personnel	11,327,840	15,204,725.00	15,204,725.00
793	01-2	Funds for material costs	2,354,000	1,808,000.00	1,808,000.00
794	01-3-1	Funds for personal incomes and other personal benefits of officials	1,056,250	1,265,095.00	1,265,091.55
795	01-3-2	Compensation for separation from family	60,000	60,000.00	60,000.00
796	01-3-2	Compensation for overtime	650,000	890,000.00	858,177.75
797	01-3-2	Public relations	65,040	32,040.00	31,370.50
798	01-3-2	Costs of protecting archive materials in case of war	500,000	500,000.00	500,000.00
799	01-3-2	Membership dues in the international fund for development of archives	150,000	180,000.00	180,000.00

Article 5 (continued)

1	2	3	4	5	6
800	01-3-2	Expenses of maintaining the building, equipment and furnishings	250,000	100,000.00	75,892.40
801	01-3-2	Traveling expenses abroad	250,000	220,000.00	137,446.90
802	01-3-2	Expenses of preparing the project (publication, research, photographing archive materials in Yugoslavia and abroad, analysis and preparation of archive materials for automatic data processing)	350,000	--	--
803	01-3-2	Expenses of publishing activity	1,000,000	1,000,000.00	1,000,000.00
		Total Basic Purpose 01	18,013,130	21,259,860.00	21,120,704.10
		Total Section 36 (Items 792 through 803)	18,013,130	21,259,860.00	21,120,704.10
		Section 37. Administration for Personnel Affairs of the Federal Executive Council			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
804	01-1-1	Funds for personal incomes of personnel	1,284,040	1,538,195.00	1,538,195.00
805	01-2	Funds for material costs	120,000	120,000.00	108,772.55
806	01-3-1	Funds for personal incomes and other personal benefits of officials	782,490	1,190.638.00	1,188,073.80

Article 5 (continued)

1	2	3	4	5	6
807	01-3-2	Funds for personal incomes and other personal benefits of officials on waiting status and persons with special status	21,399,300	22,584,913.00	22,543,062.85
		Total Basic Purpose 01	23,585,830	25,433,746.00	25,378,104.20
		Total Section 37 (Items 804 through 807)	23,585,830	25,433,746.00	25,378,104.20
		Section 38. Department for Rendering Services To Meet the Needs of Public Relations of Federal Bodies and Agencies			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
808	01-1-1	Funds for personal incomes of personnel	72,362,860	89,213,400.00	89,213,400.00
809	01-2	Funds for material costs	2,300,000	3,409,672.00	3,409,672.00
810	01-3-1	Funds for personal incomes and other personal benefits of officials	373,950	843,419.00	843,419.00
811	01-3-2	Expenses of maintaining structures and equipment	58,646,640	67,697,733.00	67,697,733.00
812	01-3-2	Expenses of maintaining and improving the Jelen Hunting and Forest Preserve, Belgrade	27,500,000	27,500,000.00	27,500,000.00

Article 5 (continued)

1	2	3	4	5	6
813	01-3-2	Expenses of maintaining and improving the Koprivnica Hunting and Forest Preserve, Belgrade	3,540,000	3,540,000.00	3,540,000.00
814	01-3-2	Remuneration of nonstaff personnel	1,000,000	667,570.00	667,560.00
815	01-3-2	Compensation for overtime and nighttime work	6,000,000	7,145,000.00	7,145,000.00
816	01-3-3	Defense-related projects	120,000	106,337.00	106,337.00
817	01-4	Purchase of vehicles and equipment	63,050,000	45,455,000.00	45,455,000.00
818	01-4	Construction work	15,714,000	27,309,000.00	27,309,000.00
819	01-4	Erection of a wire fence and purchase of equipment for the Jelen Hunting and Forest Preserve	8,730,000	8,730,000.00	8,730,000.00
		Total Basic Purpose 01	259,337,450	281,617,131.00	281,617,121.00
		Total Section 38 (Items 8[illegible] through 819)	259,337,450	281,617,131.00	281,617,121.00

Article 5 (continued)

1	2	3	4	5	6
		Section 39. Department for Administrative and Accounting Functions of Federal Administrative Agencies and Federal Organizations			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
820	01-1-1	Funds for personal incomes of personnel	47,678,930	60,309,582.00	60,309,582.00
821	01-2	Funds for material costs	5,000,000	4,800,000.00	4,800,000.00
822	01-3-1	Funds for personal incomes and other personal benefits of officials	460,100	1,117,321.00	1,117,321.00
823	01-3-2	Expenses of franking the mail	2,000,000	1,350,000.00	1,350,000.00
824	01-3-2	Spare parts for printing presses and supplies	1,085,960	1,085,960.00	1,085,960.00
825	01-3-2	Compensation for overtime and nighttime work	2,900,000	3,500,000.00	3,500,000.00
826	01-3-2	Remuneration of nonstaff personnel	280,000	3,000.00	3,000.00
827	01-3-2	Purchase of equipment	3,000,000	4,127,000.00	4,127,000.00
		Total Basic Purpose 01	62,404,990	76,292,863.00	76,292,863.00
		Total Section 39 (Items 820 through 827)	62,404,990	76,292,863.00	76,292,863.00

Article 5 (continued)

1	2	3	4	5	6
		Section 40. Administration for Management of Office Buildings of Federal Bodies and Agencies			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
828	01-1-1	Funds for personal incomes of personnel	94,530,980	119,404,567.00	119,404,567.00
829	01-2	Funds for material costs	3,000,000	3,706,000.00	3,310,082.10
830	01-3-1	Funds for personal incomes and other personal benefits of officials	378,030	683.274.00	682,810.00
831	01-3-2	Overhead expenses related to maintenance of buildings and equipment	120,000,000	111,300,000.00	108,998,908.30
832	01-3-2	Purchase of equipment and reconstruction projects	85,000,000	31,080,000.00	15,997,253.95
833	01-3-2	Insurance on buildings and equipment	3,540,000	4,140,000.00	4,140,000.00
834	01-3-2	Telephone expenses of joint switchboards	12,023,490	16,823,490.00	16,823,460.00
835	01-3-2	Compensation for overtime and nighttime work	3,800,000	3,800,000.00	3,790,480.00
836	01-3-2	Work clothes, footwear and equipment for workplace health and safety	1,786,000	1,786,000.00	1,674,492.85
837	01-3-2	Contribution for use of municipal land	6,774,000	7,074,000.00	7,062,907.70
838	01-3-2	Transport services	1,005,870	5,005,870.00	3,771,030.05
839	01-3-2	Expenses of establishing special telephone communications	9,350,000	4,350,000.00	3,870,778.40

Article 5 (continued)

1	2	3	4	5	6
840	01-3-3	Defense-related projects	900,000	520,000.00	493,205.45
841	01-4	Purchase of equipment for the new office building of federal bodies and agencies	74,690,000	70,666,853.40	70,666,853.40
		Total Basic Purpose 01	416,778,370	380,340,054.0	360,686,829.20
		Total Section 40 (Items 828 through 841)	416,778,370	380,340,054.40	360,686,829.20
		Section 41. Garage of Federal Bodies and Agencies			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
842	01-1-1	Funds for personal incomes of personnel	46,231,690	53,145,840.00	53,145,840.00
843	01-2	Funds for material costs	3,044,400	1,594,400.00	1,594,400.00
844	01-3-1	Funds for personal incomes and other personal benefits of officials	360,640	432,544.00	432,544.00
845	01-3-2	Compensation for overtime	5,964,490	7,964,490.00	7,964,490.00
846	01-3-2	Purchase of spare parts and expenditures for miscellaneous purposes	30,000,000	32,000,000.00	32,000,000.00
847	01-3-2	Remuneration of nonstaff personnel	30,000	30,000.00	30,000.00
848	01-3-2	Purchase of equipment and automobiles	13,000,000	--	--
849	01-3-2	Purchase of tools and pieces of equipment	250,000	--	--

Article 5 (continued)

1	2	3	4	5	6
850	01-3-3	Purchase of transportation equipment for national defense purposes	5,000,000	15,700,000.00	15,700,000.00
		Total Basic Purpose 01	103,881,220	110,867,274.00	110,867,274.00
		Total Section 41 (Items 842 through 850)	103,881,220	110,867,274.00	110,867,274.00
		Section 42. Department of Translation			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
851	01-1-1	Funds for personal incomes of personnel	29,242,600	38,679,271.00	38,679,271.00
852	01-2	Funds for material costs	2,500,000	2,200,000.00	2,200,000.00
853	01-3-2	Funds for personal incomes and other personal benefits of officials	2,500,000	2,200,000.00	2,200,000.00
854	01-3-2	Compensation for overtime and nighttime work	1,700,000	2,700,000.00	2,700,000.00
855	01-3-2	Remuneration of nonstaff personnel	1,800,000	1,800,000.00	1,460,000.00
856	01-3-2	Compensation for separation from family	1,700,000	1,700,000.00	900,000.00
857	01-3-2	Traveling expenses abroad	670,000	70,000.00	70,000.00
858	01-3-2	Advanced professional training, specialization of translators for foreign languages	600,000	80,000.00	80,000.00
859	01-3-2	Purchase of and addition to equipment	3,000,000	3,000,000.00	--

Article 5 (continued)

1	2	3	4	5	6
860	01-3-2	Funds to establish the terminology bank	500,000	500,000.00	500,000.00
861	01-3-3	Defense-related projects	100,000	50,000.00	50,000.00
		Total Basic Purpose 01	42,197,040	51,229,748.00	47,089,748.00
		Total Section 42 (Items 851 through 861)	42,197,040	51,229,748.00	47,089,748.00
		Section 43. Administration of Brioni Island			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
862	01-1-1	Funds for personal incomes of personnel	28,202,100	33,880,801.00	33,880,801.00
863	01-2	Funds for material costs	18,000,000	19,800,000.00	19,800,000.00
864	01-3-2	Funds for personal incomes and other personal benefits of officials	364,310	440,932.00	440,932.00
865	01-3-2	Funds for personal incomes of seasonal personnel and non-staff personnel	10,640,000	7,350,000.00	7,350,000.00
866	01-3-2	Compensation for overtime	1,500,000	1,500,000.00	579,453.55
867	01-3-2	Expenses of maintaining structures and equipment	51,000,000	51,880,000.00	51,880,000.00
868	01-3-2	Purchase of equipment and furnishings	8,500,000	8,500,000.00	8,500,000.00
869	04-1	Construction and adaptation of structures	6,984,000	7,594,000.00	7,594,000.00
		Total Basic Purpose 01	125,190,410	130,945,733.00	130,025,186.55

Article 5 (continued)

1	2	3	4	5	6
		Total Section 43 (Items 862 through 869)	125,190,410	130,945,733.00	130,025,186.55
		Section 44. Yugoslav Commission for Cooperation With the United Nations Children's Fund (UNICEF)			
		Basic Purpose 01--Funds for Operation of Administrative Agencies			
870	01-3-2	Traveling expenses in Yugoslavia and visits of foreign officials	86,000	86,000.00	86,000.00
871	01-3-		86,000	86,000.00	86,000.00
871	01-3-2	Traveling expenses abroad	127,000	127,000.00	127,000.00
872	01-3-2	Printing the bulletin	24,000	24,000.00	24,000.00
873	01-3-2	Contribution to UNICEF	4,300,500	6,415,500.00	6,415,500.00
874	01-3-2	Obligations to the UNICEF program	300,000	300.00	300.00
		Total Basic Purpose 01	4,837,500	6,952,500.00	6,952,500.00
		Total Section 44 (Items 870 through 874)	4,837,500	6,952,500.00	6,952,500.00

Article 5 (continued)

1	2	3	4	5	6
		Section 45. Supplemental Funds to Sociopolitical and Public Organizations			
		Basic Purpose 06--Other General Public Purposes			
		Sociopolitical Organizations			
		Subsidy to the Central Committee of the League of Communists of Yugoslavia			
875	06-2	International activity	18,100,000	18,100,000.00	18,100,000.00
876	06-2	Defense-related projects	1,650,000	1,650,000.00	1,650,000.00
877	06-2	Financing the program for scholarly documentation on the international working class movement	3,800,000	3,800,000.00	3,800,000.00
878	06-2	Newspaper KOMUNIST	56,400,000	56,400,000.00	56,400,000.00
879	06-2	Bulletin JUGOSLAVENSKI POLITICKI MJESECNIK [YUGOSLAV POLITICAL MONTHLY]	2,900,000	2,900,000.00	2,900,000.00
880	06-2	Program for financing publishing activities directed abroad	13,500,000	13,500,000.00	13,500,000.00
881	06-2	Financing operation of the Josip Broz Tito Political School in Kumrovec	16,850,000	16,850,000.00	16,850,000.00
882	06-2	Publishing the collective works of Josip Broz Tito	10,200,000	10,200,000.00	10,200,000.00

Article 5 (continued)

1	2	3	4	5	6
		Subsidy to the Federal Conference of the Socialist Alliance of Working People of Yugoslavia			
883	06-2	Financing the work program of the Federal Conference	81,161,000	81,161,000.00	81,161,000.00
884	06-2	Subsidy to the newspaper BORBA	91,000,000	91,000,000.00	91,000,000.00
885	06-2	For the journal JUGOSLAVENSKI PREGLED--in Serbo-Croatian	2,650,000	2,650,000.00	2,650,000.00
886	06-2	For the journal MEDJUNARODNA POLITIKA--in Serbo-Croatian	2,850,000	2,850,000.00	2,850,000.00
887	06-2	For the journal ZENA DANAS [WOMAN TODAY]	1,350,000	1,350,000.00	1,350,000.00
888	06-2	Financing the work program of the Yugoslav council for environmental protection	4,100,000	4,100,000.00	4,100,000.00
889	06-2	Financing the work program of the federal council entitled "The Local Community and Family"	1,600,000	1,600,000.00	1,600,000.00
890	06-2	Financing particularly important international public organizations and civic associations	3,990,000	3,990,000.00	3,990,000.00
		Subsidy to the Presidium of the Conference of the Socialist Youth League of Yugoslavia			
891	06-2	Financing the work program of the Conference	29,800,000	29,800,000.00	29,800,000.00
892	06-2	Celebration of Youth Day	14,500,000	14,500,000.00	14,500,000.00

Article 5 (continued)

1	2	3	4	5	6
893	06-2	International seminar "The University Today"	820,000	820,000.00	820,000.00
894	06-2	For the newspaper MLADOST	10,960,000	10,960,000.00	10,960,000.00
895	06-2	For the journal IDEJE	2,800,000	2,800,000.00	2,800,000.00
896	06-2	For the Youth Labor Festival	1,050,000	1,050,000.00	1,050,000.00
		Subsidy to the Federation of Associations of Veterans of the National Liberation War of Yugoslavia			
897	06-2	Financing the work program of the Federation	21,600,000	21,600,000.00	21,600,000.00
898	06-2	For the newspaper 4 JUL	7,200,000	7,200,000.00	7,200,000.00
		Subsidy to the Yugoslav Red Cross			
899	06-2	Financing the work program of the Presidium	14,022,000	14,022,000.00	14,022,000.00
900	06-2	Missing persons service	1,700,000	1,700,000.00	1,540,000.00
901	06-2	Defense-related projects	1,700,000	1,700,000.00	1,540,000.00
902	06-2	Mediterranean Conference of National Red Cross and Red Crescent Societies	1,000,000	1,000,000.00	1,000,000.00
903	06-2	Center for training Red Cross and Red Crescent personnel from the developing countries and nonaligned countries and also in those countries	3,750,000	3,750,000.00	3,750,000.00
904	06-2	Membership in the League and the International Red Cross Committee	865,000	865,000.00	865,000.00
905	06-2	Meeting related to Balkan co-operation	400,000	400,000.00	--

Article 5 (continued)

1	2	3	4	5	6
906	06-2	Peace Commission of the Red Cross League	200,000	200,000.00	--
		Subsidy to the Yugoslav League for Peace, Independence and Equality of Nations			
907	06-2	Financing the work program of the League	2,180,000	2,180,000.00	2,180,000.00
		Subsidy to the Federation of United Nations Associations of Yugoslavia			
908	06-2	Financing the work program of the Federation	645,000	645,000.00	645,000.00
		Subsidy to the Federation of Reserve Military Officers of Yugoslavia			
909	06-2	Financing the work program of the Federation	7,500,000	7,500,000.00	7,500,000.00
		Federation for Physical Education of Yugoslavia			
910	06-2	Expenses of international activities of Yugoslavia in the field of physical education	99,600,000	99,600,000.00	99,600,000.00
911	06-2	Extraordinary program of sporting events being conducted only in 1980	22,800,000	22,800,000.00	22,800,000.00
912	06-2	Expenses of the Eighth Mediterranean Games	37,539,000	37,539,000.00	37,539,000.00

Article 5 (continued)

1	2	3	4	5	6
		Popular Technology--Federation of Organizations for Popular Technical Education of Yugoslavia			
913	06-2	For international activities of Yugoslavia in the field of popular technical education	9,640,000	9,640,000.00	9.640,000.00
		Yugoslav Firefighters Federation			
914	06-2	For fire control	1,928,000	1,783,000.00	1,783,000.00
		Total Basic Purpose 06	606,300,000	606,155,000.00	605,235,000.00
		Total Section 45 (Items 875 through 914)	606,300,000	606,155,000.00	605,235,000.00

END

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11 September 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2172

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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JPRS 78960

11 September 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2172

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CSSR INTERNATIONAL RAW MATERIAL, GOODS TRADE

Prague HOSPODARSKE NOVINY in Czech 17 Jul 81 pp 8-9

/Article by Dr Jana Sereghyova, CSc., Economic Institute of the CSAV /Czechoslovak Academy of Sciences/

/Text/ In view of the more or less open door policy in economic relations pursued by our country, recent trends involving goods traded by us prevailing on international markets cannot but have a vital effect on the economic efficiency of our entire reproduction process. The impact will be reflected not only in conditions governing our economic relations with countries other than those in CEMA but to a large degree also in the assortment of goods traded and the growth rate of our trade with the other CEMA countries.

Fuels

The very fact that roughly 40 percent of our fuel and energy needs still must be met by imports is proof that the conditions governing these imports will continue to affect future economic growth in a decisive way.

The gist of the problem is the enormous increase of world crude oil prices which rose more than 18-fold in the course of the seventies. True, the impact of this price shift on our economy was largely mitigated by the fact that most of our oil imports come from the Soviet Union which--in accordance with pricing principles governing trade between CEMA member states--supplied us oil at prices which, especially after 1979, were less than half the then prevailing world market price.

On the basis of preliminary calculations, it was assumed that as of 1981--due to slower increases of Soviet oil deliveries--an increasing volume of our crude oil imports will have to be acquired in developing countries. Due to accelerated intensification of coal mining and the initial success in implementing the Long-Term Conservation Program for Rationalizing the Consumption and Use of all Types of Fuel and Energy the need for imports was reduced to a point where Soviet deliveries to a large extent will meet our requirements till 1983. In this way, the need to import an increasing volume of our oil consumption at world market prices was postponed by several years which represents an important saving for our national economy.

Nevertheless, the expenditures for imported fuel resources must be expected to begin rising as of the beginning of the eighties onward. For one thing, the increases in world market oil prices which occurred in the past decade will gradually be reflected also in the contractual prices for oil deliveries from the Soviet Union. In addition, we will have to share the costs connected with gaining access to and opening up some new fuel deposits, primarily in socialist countries. But the granting of long-term intergovernmental credits is also becoming the key to assuring a stable flow of oil from developing countries and this element will gain in importance from the second third of the eighties on. Thus, the multiple price increase of imported oil must be augmented by considerable capital and credit costs which will help broaden our sources of supply both within and outside CEMA.

The future development of world market oil prices is difficult to predict, among other reasons, because the multiple price increase of the late seventies was caused mostly by other than economic reasons (primarily as a result of the conflict between Iran and Iraq). Considering that the resource at issue will run out as early as the beginning of the next century and that many developing oil-producing countries are already curtailing production increases and soon can be expected to use increasing quantities of their oil as raw material in their newly established petrochemical plants, the probability that oil prices will continue to rise appears credible.

By the end of the eighties the importance of our oil imports serving energy production will probably decline gradually. Not only will the generating capacity of our nuclear policy industry increase considerably by then but some vital projects of the Unified CEMA Energy Program will also be completed which will enable us to draw vast amounts of power from nuclear power plants built (partly with our capital participation) on the territory of the USSR. But as soon as the new capacities of our petrochemical industry come on line, oil import needs will rise. The changed conditions under which these imports will have to be effected will, therefore, continue to constitute a heavy burden for our economy. The new uses for oil--its application in the petrochemical industry--will allow us to compensate for the increased expenditures connected with these imports.

Metal Ores

The relatively high needs of our engineering industry and the considerable proportion of ferrous and nonferrous metallurgical products of our industrial production--which, with its roughly 11 percent, is among the largest in the world--continues to consume ever new massive imports of ferrous and nonferrous metals. Their future price development on world markets will constitute another important factor which will affect the efficiency of our production and its integration into the international division of labor.

Most ore deposits situated near population centers or near the seashore will soon be exhausted and as a result in the course of the eighties such imports must be expected to at least double in price as a result of vastly increased transportation distances from faraway deposits. Here too, financial participation in opening up new deposits will probably be required potentially also for establishing the infrastructure needed to open up new resources in uninhabited regions.

In the Soviet Union, which currently supplies roughly 83 percent of our import needs of iron ore and roughly three-fourths of our imports of most nonferrous metal ores, new capacities are being opened in time before increased domestic consumption of metals overtake supply; this concerns mostly only the requirements of CEMA countries which, therefore, readily participate in financing these capital projects. This capital participation assures us deliveries of these ores above the scope of existing trade agreements. Therefore, these investments will enable us to receive these mining products in the course of the eighties mostly from the USSR, which is in our interest not only because such deliveries can be paid for in clearing but also because such trade protects us from speculative price fluctuations when these products have to be purchased from developing countries or on the free market.

But the need of capital participation arises also in dealings with developing countries because many of them lack the capital necessary for investments and those able to procure the necessary means prefer to invest them into industrial projects. Amortizing the capital invested in mining usually takes longer and such investments are seldom free of risk. To the extent to which our ore import needs--mainly of nonferrous metals--will exceed the supplies received from the Soviet Union and the other CEMA countries we will also have to accept these risks and offer credits or capital in return for such imports, which will raise their cost to us above the expected increases of world market prices.

It is worthy of note that of all mining products, world market prices of iron ore have risen relatively least, only somewhat more than twofold, which is due to the existence of extensive and, within the foreseeable future, inexhaustible iron ore deposits indicating that this trend is likely to continue also in the eighties. But the world market prices of most nonferrous metals ores have risen much sharper in the seventies reaching the three- and even fourfold level of their initial price. But this trend can hardly be considered representative of the decade ahead because it was influenced to no small degree by the crisis gripping the economies of the capitalist states for the seventh year in succession. Should the expected rebound occur in the economies of these states in the second half of the eighties then the world market prices of these products are likely to rise at a faster rate also because the attempts of the principal developing producer countries to coordinate their price policy on world markets will not only result in their stabilization but in a continued rise in the prices of the mining products they export. But such a price shift would not be reflected in the mutual exchange of goods between CEMA countries until the beginning of the nineties so that in this decade only the continuation of the rising trend in prices of mining products is to be expected.

The consequences of the above increase in the price of an important proportion of the raw material and energy input into our production process could easily be overcome if the world prices of industrial products--amounting roughly to four-fifths of our overall volume of exports--rose at the same rate or even faster than their production-cost increases due to our need to import mineral raw materials and fuels (which was so till the middle of the seventies). But the world market prices of industrial products kept increasing at a much slower rate till 1977 so that they barely doubled between 1970 and 1977.

The world market prices of industrial products began to rise faster only as the end of the seventies. But this faster price increase was not uniform and varied with the type of goods and even with their individual modifications.

Since then a similar differentiation has also taken place in the conditions governing the purchasing and sale of individual types and models of industrial goods, in the requirement to sell goods on credit, in demand, etc., which are as important as the price for the prospect of our foreign economic relations.

Engineering Products

For our economy, which pays for roughly half of its hard currency imports with the export of engineering products, the impact these new trends have had on international trade is of crucial importance. As early as in the mid-seventies a number of products began rising in price at almost the same rate as mineral raw materials. But such prices are--and continue to be--achievable only for machines and instruments serving the purpose of reducing the consumption of materials or energy or for those designated to raise markedly the efficiency of production equipment and possibly also for installations representing advanced technologies or designed for the production of goods of advanced characteristics.

In the past, the price increases of such machines and instruments made up largely for the average increase in the cost of engineering products which at the end of the seventies and the beginning of the eighties already amounted to almost 20 percent a year. But included in this price increase were also some conventional machines and mechanisms and even some types of engineering consumer goods classified as innovatory of a lower order. But these included only technically highly advanced and reliably functioning models which in addition were properly serviced. The prices achievable for other engineering products, i.e., those which do not meet the highest standard in all respects, continue to advance much slower and frequently the price gains do not even make up for the inflated prices prevailing on capitalist markets. The prices of such products actually stagnate or even decline slightly.

But exporters of such low-quality or technically already obsolescent products currently face not only the unfavorable ratio between rising production costs and stagnating sales prices, but are also losing their markets.

In developing countries, this is due primarily to a shift of demand toward high-performance equipment which at the same time is economical in material consumption to compensate for the increased cost of energy and materials; this is their only means of overcoming the discriminatory practices which capitalist countries are beginning to introduce in their endeavor to reduce imports.

In addition, developing countries which do not have oil to export will soon find it difficult to pay for imports--as is clearly becoming evident already--and this will limit their future imports to complete capital projects sold on long-term credit, which for the seller is fraught with considerable risk and forces him frequently to refinance such sales on financial markets. Therefore, exports to these countries will continue to mean not only higher production but also nonproduction costs which exporters of this category of engineering products are usually unable to make up for fully by the prices they are able to get, which are usually low.

On CEMA member state markets, export possibilities for engineering products other than those of highest technical quality and economic value are waning primarily as a result of the transition of most of these countries to high-performance production methods. This means that each capital project must meet the world standard and the

envisioned modernization of production equipment, reflect the latest state of the art in scientific and technical respects to permit not only increasing their efficiency further but also producing exportable goods economically with respect to material and energy inputs.

Socialist manufacturers able to satisfy the increasing demand for production equipment meeting the above high standard enjoy tremendous export opportunities and are probably also able to achieve higher prices for their products. This is so even though in the coming five-year plan these states are expected to slow down somewhat their capital investment activity which will probably be reflected in lower imports on their part. On one hand, the still relatively high percentage of imports of engineering products which these states buy on capitalist markets but, on the other, their endeavor to increase purchases of engineering products made in socialist countries offer suppliers of such products even under these conditions considerable opportunity to increase their volume of business further. But this is contingent on their ability to supply products and guarantee their servicing as the world's leading manufacturers are able to do and comply with the same short delivery times and other conditions, as well as on their ability to keep pace with frequent technical improvements which are now routinely taking place in all advanced engineering sectors.

While in trading with partners in socialist countries meeting the above conditions may be the key to a desirable increase of the volume of business, in exports of engineering products to advanced capitalist states the achievement of the above standards is an absolute prerequisite for doing business. In the case of production equipment, this is so primarily because, what with present higher than normal expenditures connected with individual production processes, losses caused by low technical and economic performance standards (whether manifested by frequent breakdowns, poor servicing equipment or abnormally high consumption of materials or energy) are so high that they cannot be made up by price concessions. Therefore, such production equipment is unsalable. These criteria may not be as strict in the case of machines and instruments destined for smaller manufacturers or in the case of engineering consumer goods, but the price concessions needed to compensate for even the smallest shortcomings are such that the desirability of exporting such products becomes questionable.

Of course, in the years ahead engineering products satisfactory in all respects will also become harder to sell on the markets of advanced capitalist countries. The low level of economic activity caused by the crisis has not only intensified competition between West European, American and Japanese engineering firms as never before but has also increased their adaptability of requirements of individual customers and the frequency of offering ever new innovations. In addition, the endeavor of these concerns to run their plants at full capacity has induced them to supplement their production programs with a number of technically less demanding products whose production they used to leave to their competitors.

It is becoming obvious that in the years ahead exporters of engineering products will meet up with stiff competition in all their markets and that they will be able to hold their own both on socialist as on capitalist markets only if they are able to fulfill all requirements.

Metallurgical Products

In the international trade with iron metallurgy products--which occupy an important place in our export assortment, amounting to almost 10 percent of our overall exports--exporters have had considerably smoother sailing so far. Over the past 10 years, the price level of all these products has moved up roughly in concert with the price of iron ore. Seemingly these are goods which were affected by the "inversion" of the price shears (i.e., by the advance of the increase of raw material prices over the increase of the price of industrial products) only minimally.

Analysis of past development of prices of individual types of metallurgical products discloses that the sustaining element of this favorable price trend was the marked rise in the price of the most sophisticated products (valuable alloyed steels, thin electroplated sheet metal, microminiaturized bearings, etc.), while the price of crude iron and basic steel products--whose production requires the highest energy input--manifest only a slight lead over raw material and energy costs. It is hard to tell whether the upcoming price increase of energy resources will result in a further curtailment of this lead or in a rise in the price of these products. But the fact that demand continues strong on the markets of both socialist and capitalist countries indicates that the trend is more likely to point in the latter direction.

Fast economic growth and especially the accelerated development in the construction and engineering industries which continued throughout the past decade in all CEMA member states created an unlimited market for products of both metallurgical categories. Increased emphasis on the qualitative aspect of production requirements and on material economy in the engineering industry as well as the endeavor of these states to substitute purchases previously made on capitalist markets with products made in socialist countries may lead in the eighties to a shift of demand to technologically more advanced products (which is even more likely to happen because capital projects started in the past five-year plan will strengthen self-sufficiency in basic iron metallurgical products in most of these countries).

In the decade ahead, the market potential for these products is also promising in developing countries because with the progress of the industrialization process the consumption of metallurgical materials whose technologically more advanced products these countries are not yet able to produce themselves usually also rises.

But assessment of the future market outlook for both categories of these metallurgical products in advanced capitalist countries cannot be based on their current market situation because these countries are importing vast and increasing quantities of crude iron and basic steel products irrespective of the fact that an important part of their domestic production facilities continues to be idle. This is so because importing these products frequently appears to be cheaper than producing them in view of the high expenditures for raw materials and energy required for their production.

But it may be that melting processes achievable with a lower energy input which are being introduced in these countries will soon strengthen the competitive position of their own metallurgical production which would curtail the need for imports. To what extent foreign importers could retain their share of the market under such conditions will depend, on one hand, on the size of price concessions they would be willing to grant and on trade restrictions affecting the import of metallurgical products which are beginning to be applied with increasing frequency in most West European countries even now.

Should the situation in iron metallurgy of the advanced capitalist states develop as indicated above, then the best market prospects will also be here for highly refined metallurgical products. But their salability in these countries will depend--even more than elsewhere--on the ability of foreign suppliers to deliver them not only at a cheaper price than domestic producers but also in the same wide assortment and workmanship. It appears that especially in the long run the market potential for exporters of metallurgical products on all their markets will depend increasingly on their ability to satisfy the demand for specific characteristics of highly refined metallurgical products which as a result of fast-moving technical progress in related industrial branches are becoming progressively more sophisticated.

Chemicals

Similar changes are also noticeable in the international trade of petrochemical products which have always played an important role in the Czechoslovak foreign trade balance. While in the past they figured mostly as important import items, in the seventies they have also become an important part of our export assortment.

Worthy of note is the anomalous development of world market prices of these products in the past decade due primarily to the multiplication of the prices of products based on distillates, especially on fuels and primary gasoline, which occurred immediately following the "price explosion" on the international raw-materials market. In contrast, prices of products made from secondary or tertiary oil-processing fractions--for example, the prices of ethylene, styrene, butadiene etc.--increased over the years considerably slower than the price of the raw material used for their production (which was also the cause of the downfall of many capitalist concerns, especially of those which were not part of oil monopolies).

It was not until 1978 and 1979 after oil import prices doubled again that the largest West European chemical concerns began restricting competitive business practices, which in the course of several months resulted in a 30 to 80 percent increase of world prices of the above-mentioned petrochemical products. But a continued rise in the price of these products is being kept down by the possibility of producing many of them from other cheaper raw materials (for example, from condensates of natural gas, from coal, etc.) and also by the fact that they are also beginning to be produced in developing countries, whose enterpreneurs usually are content with lower profits.

In OPEC countries, the establishment of such enterprises is motivated primarily by their effort to replace the export of oil by the export of basic petrochemical products to drive the oil monopolies from the exclusive positions which they still occupy in primary oil processing. But in the other developing countries petrochemical enterprises are frequently being established by chemical companies of advanced industrial capitalist states which are thereby transferring to these countries the environmentally harmful part of their production programs. Therefore, many traditional exporters of the above-mentioned products will become their importers. Thus, a new market will be opening up in these countries, a market which may not even be affected by continuing weak consumption. But it must not be overlooked that this favorable outlook for exports of the above categories of petrochemical products is in no small measure due to the fact that--because of the above realities--many of these products have become low-profit export items.

Smaller CEMA member countries will obviously trade petrochemical products by exchanging assortments leaving out the technologically simpler compounds. On the basis of bilateral and multilateral agreements on specialization in the chemical industry concluded between these states and the Soviet Union, these products will then appear mainly among their import items because in the near future the Soviet Union will become the most important supplier of power and of material-intensive petrochemical products within the CEMA community. This solution helps the other member states achieve large-scale economies by freeing them from the need to procure for their petrochemical production raw materials in short supply, which gives them at the same time the advantage of being able to pay the Soviet Union for these products with their advanced chemical products whose manufacture requires less valuable materials and smaller energy input and which command higher prices.

In the international trade with chemicals, ever more advantageous prices are being paid for highly refined products produced currently by sophisticated technologies developed by research. Such petrochemicals are, for example, variously shaped synthetic fibers, high-strength plastics usable as construction materials in lieu of metals for engineering and construction purposes.

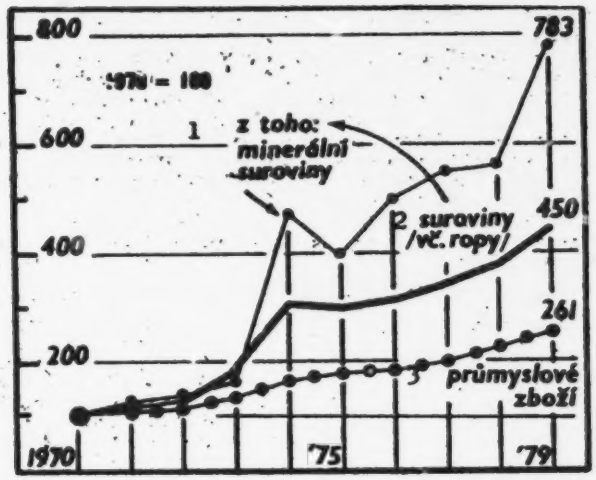
Advanced chemical products already command prices exceeding by a multiple their material costs and their prices are likely to continue rising.

It need not be stressed that the socialist world market where some of these products are still in short supply offers unlimited opportunities. But here as on capitalist markets the prospects of their producers will depend primarily on their ability to keep improving their production processes, which in the seventies has been happening in all advanced chemical production sectors.

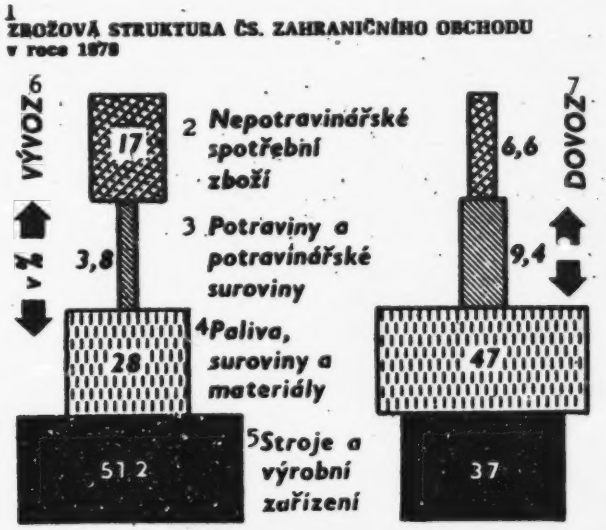
Consumer Goods

Industrial consumer goods constitute another group of products which in the past decade was more strongly represented in our export assortment (about one-sixth of all exports at the end of the seventies) and constituted one of our principal means of payment in reciprocal trade relations, for example, with the Soviet Union and some advanced capitalist countries. Therefore, changed conditions in trading in these goods on international markets are of importance to our economy.

Judging by the recent development of the comprehensive price index of individual types of consumer goods, it is clearly evident that it rose slower than world market prices of raw materials and that for a number of years it has lagged behind even the price-level increase of other industrial goods. This is partly due to the relatively high energy efficiency of these production branches, but this development reflects mostly the accelerated penetration of suppliers from developing countries on the international market. These suppliers usually establish themselves on international markets by making large price concessions, cutting their calculations to the bone which they are able to do because of the relatively low wages paid in these countries and because they frequently process cheap domestic raw materials. This is compounded by the fact that in the past decade these suppliers usually placed such goods on the market before demand for them strengthened which depressed the prices which they could have achieved.



Key: 1. Including Mineral Raw Materials
2. Raw Materials (Including Petroleum)
3. Industrial Products



Key: 1. Product Structure of Czechoslovak Foreign Trade in 1979
2. Nonfood Consumer Goods
3. Foodstuffs and Food Industry Raw Materials
4. Fuels, Raw Materials and Materials
5. Machinery and Production Equipment
6. Exports
7. Imports

But important for future development of the market situation is the fact that these suppliers are able to hold their own only in disposing of lower quality consumer goods and even when they are able to meet basic quality indicators they are usually incapable of keeping pace with fast changes in fashion, innovatory assortment changes or changes of characteristics of given types of goods. They compete only with suppliers exporting assortments and products of the same quality while suppliers offering more sophisticated, fashionable or otherwise better products are usually commanding higher prices. This is also manifested by the widening span between the lowest and highest per-kilogram price achievable in international trade for the same type of consumer goods which in the case of items of daily use fluctuates between triple and quintuple the basic price and, in the case of durable consumer goods, amounts to differences of up to an order of magnitude.

Everything indicates that demand for consumer goods will continue to grow in both groups of countries to satisfy the rising expectations of their populations. Therefore, exporters flexible enough to use the trend fostering innovation which their material and engineering base allows who are able to keep pace with sudden changes in fashion and consumer habits occurring on all foreign markets, face bright sales prospects. They may be able to sell their goods at profitable export prices approaching and sometimes even surpassing the profits accruing to exporters of technologically less advanced industrial products used for industrial production.

All this leads to the recognition that the differentiation which took place at the end of the seventies and the beginning of the eighties on international markets in the trade of industrial goods is characterized primarily by the fact that world prices and the marketing potential for technologically less advanced mass-produced products are rising slower than the prices of most raw materials and fuels required for their production while the price levels and the marketing potential for products exhibiting characteristics in high demand--especially innovations of a higher order--are already rising at faster rates.

The consequences of the "price explosion" in the international trade in raw materials which till the end of the second third of the seventies plagued the economies of all countries exporting predominantly industrial products are, therefore, currently being increasingly felt by exporters of industrial products of lower technological standard primarily of functionally or quantitatively inferior products while exporters of industrial goods of top quality and latest design are able to weather the impact of these changes on international markets.

Therefore, qualifying for the second of the above two groupings would offer Czechoslovakia the best opportunity for overcoming the deleterious impact which the above changes on international markets of the various types of goods have had on our economy. The increase in lead time between expenditures for material and fuel inputs into our reproduction process and the amount of hard currencies which can be earned by exporting part of these inputs achievable in this way represents one of the most effective economy measures for raising the export potential of our economy primarily by increasing the value of our exports without an excessive increase of raw material inputs and imports required by our production of exportable goods.

8664
CSO: 2400/282

STATISTICS PROVIDED ON HOUSING CONSTRUCTION, RENOVATION

East Berlin PRESSE-INFORMATIONEN in German No 51, 7 May 81 pp 1-4 of supplement

[Article by press office, Chairman, GDR Council of Ministers: "Housing Construction Program--Cornerstone of the Social Policy of the Working Class Party"]

[Text] At the beginning of the 1970's the SED decided to solve the housing question in the GDR as a social problem following a long-term program lasting until 1990. This task was destined to become the cornerstone of the social policy of the working class party. At the Ninth SED Congress it was included in the SED's program. The 10th SED Congress decided to continue the housing construction program in such a way that the established goals are unconditionally achieved and the people's housing needs are satisfied in the best possible manner with the funds used. In the process, construction, renovation and maintenance are developing into an increasingly more solid unity. The good results in this sector make it possible for the advantages of socialism to emerge in an increasingly clear manner.

Important material prerequisites for a socialist way of life are created by the construction of dwellings and the appropriate social facilities, by city planning and by better design of villages and settlements. Good living conditions are consonant with the essence of the mature socialist society, they promote happy family life, the social activity of the citizens and activity at work which is full of initiative.

Much Was Achieved, Much Remains To Be Done

In the proclamation of an Election by the National Council of the GDR National Front there is this statement: "Noticeable for millions are the results of our housing construction program which was and is the cornerstone of our social policy. More dwellings, schools, kindergartens and day nurseries, places of culture, sport and recreation were developed than in any previous 5-year period. Our cities and communities became more comfortable. Historical house-lined streets were restored, our social heritage is lovingly nurtured."

In the past 10 years the living conditions of 4.2 million citizens improved--thus, for every fourth person in the GDR. The scope of housing construction doubled between 1971 and 1980. In this period 1.4 million dwelling units were built new or renovated. In all, in the past decade approximately M100 billion were spent

for comprehensive housing construction in which more than 200,000 individuals involved in construction are active. In 1980, for example, 10 percent of our total national income was funneled into this sector.

The directive by the 10th SED Congress concerning the Five-Year Plan for development of the GDR economy in the period 1981 to 1985 provides for the new construction and renovation of 930,000 to 950,000 dwellings. This will create better living conditions with stable rents for an additional 2.8 million citizens. Thus, for example, all newly built dwellings in 1980 are equipped with a hot water connection, an indoor toilet and bath or shower stall. Some 96 of every 100 new dwellings have central heat.

The dynamic development of our housing construction substantially increases the housing inventory. There will be above average development of housing construction in the next few years in those areas where there are the greatest housing problems to be solved. This applies to Berlin, the capital of the GDR, Karl-Marx Stadt, Leipzig, Dresden and Halle Bezirks. At present in the GDR there are about 6.7 million dwellings. When we figure the balance in 1990 about how the housing construction program was fulfilled, the credit side will then show about 2.8 to 3 million new or renovated units. That is 45 percent more dwellings than existed in 1975.

This is guaranteed by the steadily increasing performance capability of GDR construction. From 1976 to 1980 investments amounting to M13 billion were made in construction. This is M3 billion more than in the previous 5-year period.

The readiness of the working people to contribute with their own efforts and financial resources to improving living conditions continues to be supported. From 1971 to 1975 about 125,200 dwellings were created by cooperative housing construction; between 1976 and 1980 the number was 197,480. For the period 1981 to 1985 it has been determined that the share of the dwellings to be built for workers housing construction cooperatives will amount to 42 to 45 percent of industrial housing construction.

The Social Character of the Housing Construction Program

In the GDR today every fourth citizen lives in a dwelling which was built new or renovated in the past 10 years. At the seventh construction conference Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR National Council, stressed the fact that "as part of the totality of our economic and social policies the successes in housing construction are advantageous to the people's social safety, security and confidence in the future." It is in keeping with the character of our social order that two-thirds of new housing construction was allocated to workers' families. A family with many children occupied every 10th dwelling, every 5th one was given to young married couples.

The deeply social character of the housing construction program is also expressed in the fact that the state assumes the largest part of the cost of building and maintaining residential structures. Stable and low rents are among the most important principles of the housing policy. Rents will not be raised in the 1980's, either. Thus, their share in the family budget will steadily decline as a result of the

annually increasing real income of the citizens. At present it amounts to 3 to 5 percent. In the construction of owner-occupied housing, which is particularly for the benefit of workers and families with many children, credits on the conditions of repayment in the future are also allowed which place no greater burden on the residents than the rent for a comparable dwelling.

The GDR is among those countries which give special attention to the maturing generation. The housing construction program is also typical of this fact. With the creation of 54,829 places in day nurseries and 91,122 in kindergartens, the goals of the 1976-1980 Five-Year Plan were exceeded by 16 and 20 percent, respectively. In the education sector, a total of 16,208 new instructional rooms and 735 new school gymnasiums have become available since 1976. Today every third pupil is given instruction in a new school which was built after 1971.

The goals which are being pursued until 1985 with the construction of social facilities are impressive. The plan calls for 13,200 to 13,500 instructional rooms, 750 school gymnasiums, 120,000 places in kindergartens and 50,000 to 60,000 in day nurseries, 18,000 to 19,000 places in retirement and nursing homes and 18,000 to 21,000 places in residential buildings for older citizens. Beyond this, in line with the state normative provisions for spending, the food, cultural, service and sport facilities, stores and medical facilities essential in residential areas are being built.

The antisocial and inhumane housing policy in imperialist countries is in complete constrast to the high achievements of our socialist state which are directed toward the welfare of the people. In the FRG the renter pays, for example, an average of 15 percent, in large cities even 25 percent and more of his net income for a dwelling with normal equipment. In addition, there are the steadily increasing heating costs which are not included in the rent.

In contrast to our great efforts to solve the housing problem there is in many imperialist countries, including the FRG, a decline in the construction of new housing. It is expressed by a growing housing shortage. Especially families with many children and older people must suffer from this. By way of contrast, vacant dwellings in many large cities are again the cause of protest by the largest sectors of the population. They are an expression of an unrestrained striving for profit, an expression of land and rent speculation by private home owners which mocks the interests of the working population.

GDR Capital--Largest Construction Site in the Republic

With the realization of the housing construction program the face of the GDR capital Berlin has undergone fundamental changes in the past few years. To an increasing extent it measures up to the functions of the political, economic and intellectual-cultural center of the republic. Between 1976 and 1980 81,428 dwellings here were built new or renovated. During the period 1981 to 1985 100,000 dwellings are to be created, including 65,000 new ones and 35,000 renovations. Chief sites for new construction are Berlin-Marzahn, the Street of Liberation, Hohenschoenhausen-Nord and Kaulsdorf-Nord. In Berlin-Marzahn, currently the GDR's largest area of new construction, almost 40,000 dwellings will have been built by the time of its completion in 1984. In the future there will also be intensified new housing construction in the downtown area. In this way 4,000 dwellings will be built on vacant sites and in spaces between buildings. That is an additional important step toward perfecting the structure of the city.

Citizens of Berlin and their guests from all parts of the republic spend rewarding hours, for example, in social facilities which have come into being since 1976. The most important of these include the Palace of the Republic, the Pioneer's Palace and the sport and recreation center which was completed just a few weeks before the 10th SED party Congress. On any day about 18,000 visitors relax there at sports and games.

As the capital, Berlin's share in GDR construction increased from 817 percent in 1975 to 9.9 percent in 1980. In developing the city, construction worker collectives from all the bezirks in the republic make a big contribution. From 1976 to 1980 they completed construction amounting to M5.2 million. Among other things, they completed 4,893 new dwellings and 33 small department stores.

The housing construction program encompasses the entire republic. In the past few years large new residential areas were developed, primarily in the bezirk cities. This created important prerequisites for restoring, to an increasing extent, the traditional city residential sectors. But also in smaller cities living conditions for the citizens are being improved. This in quite apparent in Anklam, Rathenow, Nordhausen and many other cities.

City Planning Quality Being Improved

The tasks of the housing construction program also include achieving a higher level of quality in city planning. While in the past few years considerable emphasis was placed on creating new residential areas, in the future to a greater degree the city is to be further developed as an economic and cultural entity. Construction policy is based on the fact that our standard of living is basically determined by comprehensive and harmonious development of all functions of the city--living, working, culture and recreation--and a meaningful combination of them. This is how extensive areas of new construction come into being which are characterized by appropriate, characteristic design. Residential complexes in the GDR capital Berlin Rostock, Frankfurt/Oder, Cottbus, Potsdam, Erfurt underscore the fact that it is more successful to combine efficient industrial construction with architectural variety and the possibilities for comprehensive satisfaction of needs.

Since July of last year more than 200 development plans for residential areas have been revised in the GDR in order to guarantee that, with the means used, the best possible results are achieved. Accordingly, it was possible to start additional construction of approximately 20,000 housing units without impairing the city planning solutions--5.5 percent more than initially planned. Some 240 hectares of valuable building land are thus preserved. Moreover, about M280 million of investment, which would be needed to develop new land for building, are not being used.

Higher Living Quality Through Renovation

Residential buildings in our republic and the construction-based facilities that are part of them represent a value of M170 billion, 28 percent of the current value of the basic assets of our economy. They must be maintained and cared for. In respect to the use of the people and means available to do this, the basic principle applies: maintain that which is worth maintaining, modernize that which is worth modernizing and renew and supplement that which is no longer usable. Thus, the housing construction program includes new construction, modernization, reconstruction and maintenance as a single entity. Solutions for modernizing and maintaining structures are contained in a plan, passed by the GDR Council of Ministers

in December 1980, having to do with developing performance and efficiency in kreis-administered construction from 1981 to 1985.

The extent of the task which must be dealt with in the GDR in this area is also characterized by the fact that at present every second to third family lives in housing whose sanitary equipment does not meet modern needs. Primarily multifamily buildings require a considerable expenditure for repairs because of their high average age.

In the past five-year plan period about 250,000 dwellings were renovated. To renovate a dwelling, including the necessary repairs, the city spent funds amounting to as high as 70 percent of the new value. In the next few years renovation efforts will be concentrated to a greater degree on multifamily buildings in the residential sections in the downtown area. From 1981 to 1985, 330,000 to 350,000 dwellings will be renovated, over 30 percent more than from 1976 to 1980.

While the ratio of new construction to repairs and renovation jobs was about 75 to 25 in the period from 1976 to 1980, in the current five-year plan period it will be 60 to 40. In 1981, in addition to 117,000 dwellings which are to be built new, 57,500 existing dwellings are to be renovated. After 1985 the share of dwellings to be renovated will also rise substantially.

In renovation, primarily those construction measures are implemented which have a great influence on the well-being of the residents. These include, first off, modern sanitary and electrical equipment in the houses and repairs to roofs and chimneys. The multistor buildings in the traditional residential sectors, the workers residential centers of the cities, represent a special problem area.

At present, more than half the dwellings have an indoor toilet, a bath or a shower. Every fourth to fifth dwelling is centrally heated. Four of 10 dwellings have a central supply of hot water and 92 percent of the dwellings have a direct water connection. These good results are also being systematically expanded.

Construction Repairs Increase

The tasks of the over 300,000 individuals involved in kreis-administered construction--state-owned construction enterprises, production cooperatives, artisan enterprises, enterprises of the Municipal Housing Administration and private construction enterprises--include construction repairs. Kreis-administered construction has a basic assets inventory of M2.9 billion. Since the establishment of the GDR approximately M50 billion have been spent to maintain and modernize residential structures. From 1976 to 1980 repairs amounting to almost M14 billion were done on residential buildings. The planned task could thus be exceeded and a part of the backlog demand still existing, which comes as a result of the high average age of the dwellings, could be reduced with specific efforts. However, there is still a rather substantial bottle-neck in roof and facade repairs.

In 1980, M930 million more were made available for construction repairs on residential buildings than in 1976. In these 5 years--from 1976 to 1980--the number of fast repair services has also increased fourfold. These are facilities which handle, on a short-term basis, smaller problems in response to requests by housing communities and the responsible legal entities, respectively. At present there are

800 of these repair services which for the most part are utilized by the VEB Municipal Housing Administration and building management, respectively, or by the workers housing construction cooperatives.

The outfitting costs of a repair service to repair a roof, for example, come to M12,000. Repair services, such as emergency help in the case of modest damage to sanitary, electrical and heating equipment, or mobile joiner's workshops, which go from house to house as a modern construction car and handle requests, were also established. By the end of the current five-year plan period repairs will increase to 125 percent compared with 1980.

The seventh construction conference valued the systematic maintenance of residential buildings and communal facilities as a task of very great political importance. By 1985 1.3 million dwellings are to be repaired. Thus, in this sector twice as much work will be done than in the period 1976 to 1980. The rapid completion of urgent repairs is given a boost by the proposed creation of 400 to 500 additional mobile rapid repair services and average services.

An indispensable prerequisite for achieving an even more rapid increase in output in kreis-administered construction is smoothly functioning product group work. At present, almost all state-owned kreis construction enterprises work together in product groups, 80 percent of the construction PGH [artisan producer cooperatives] and almost 30 percent of the private building trade enterprises and use advanced experiences to improve their own work. In Halle and Magdeburg Bezirks, within the framework of product groups, output comparisons between assembly line collectives are implemented and material exchanges sponsored. Certain basic assets are lent out between the groups.

Construction repairs and modernization projects are especially effective in those kreises in which, in line with the design for developing kreis-administered construction, the advantages of territorial rationalization are extensively utilized. In this respect the kreis construction authorities in Rostock and Schoenebeck are operating in an exemplary manner. Through their organizational work in these kreises productivity-determining machines as well as construction site facilities are jointly utilized. The annual value of cooperation outside the enterprise, primarily in the production of rationalization means and in the perfection of technological processes in the state-owned and private building trade enterprises, amounts on the average to several hundred thousand marks in the kreis.

Join In! Competition--Chief Locus of Citizen Initiative

Every year in the "Join in!" competition construction work of about M2 billion is completed to maintain and beautify residential quarters. In this connection, there are primarily good experiences when the citizens and housing communities become involved in preparing the tasks for repair work in and on the residential buildings. With the involvement of the growing initiative of the people, from 1976 to 1980, among other things, more than 700,000 dwellings were repaired in the "Join in!" competition and in at least 2.5 million dwellings repair jobs were done.

The orderly maintenance of residential buildings is in many respects a reflection of the activity of the local state units and the social organizations. Here is

the most important area for the activity of the citizens in the "Join in!" competition. Promoting it systematically is a responsible task, because maintenance of structures is by no means of less importance than construction itself.

Repair support centers also serve to promote and support citizen initiatives. There are approximately 3,000 of these facilities in the residential areas. They supply the people and the housing communities with construction materials and replacement parts that are typical of repairs, they loan hand tools, small mechanical items and equipment for self-help. They likewise implement construction conferences and other measures of acquiring knowledge for independent construction activity in the dwelling and on the residential building. By 1985 approximately 700 to 1,000 additional repair support centers are to be created for the people.

Scientific-Technical Progress in Close Cooperation With the Soviet Union

The increase in output required to realize the demanding construction tasks demands energetic acceleration of scientific-technical progress. The people involved in construction have embarked on achieving more than 50 percent of the production increase using material saved and three-fourths without additional utility energy. Construction costs are to be reduced overall by 15 percent. Solutions are being developed for new housing construction which will make it possible to reduce energy consumption for space heating purposes overall by 40 percent by 1985.

To repair roofs and facades the plan calls for developing by 1985 in all GDR bezirks 1,000 additional technological lines in order to achieve a favorable balance between cost and result in the area of building renovation, too. The goal in the next 5 years is to save, by means of these rationalization measures, costs amounting to M150 million and 20 million work hours.

The use of Soviet experiences is of considerable value for the planned acceleration of scientific-technical progress. Thus, in the past few years the scientific-technical cooperation between the GDR and the Soviet Union was concentrated on joint effective and practical solutions for the construction of housing and social buildings, on structures of concrete, steel concrete and metal design and on the development of dense silicate concrete. Thus, construction people in the GDR in Magdeburg and Soviet construction people in Gorki each built a residential area using the same principles. By constant close exchange of experiences new, efficient city-planning architectural recommendations are presented and at the same time further developed designs and technologies as well as forms of organization for comprehensive housing construction are used.

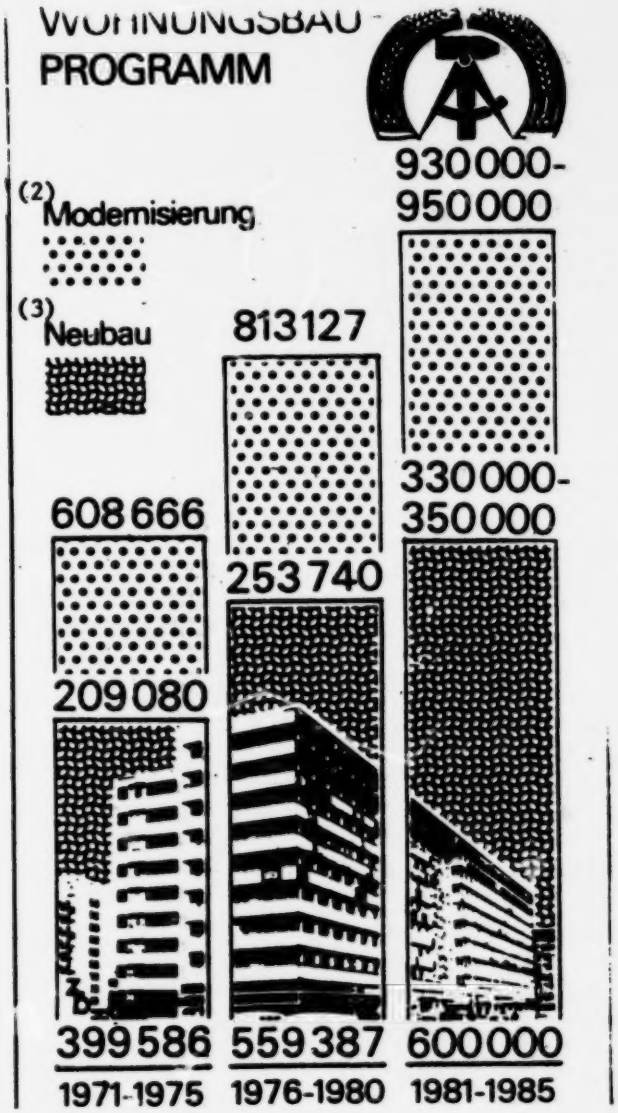
In a factory in Milmersdorf which was dedicated a few days prior to the 10th SED Congress in the GDR, and in an enterprise in Grodno (USSR) finished parts of dense silicate concrete are produced. This new construction material, which was developed on the basis of Soviet research results and which can be used in housing and industrial construction, is characterized by an extraordinarily high material economy. To produce one cubic meter of concrete only 185 kg of lime are used in place of 350 kg of cement.

The construction experts, innovators and rationalizers also have an essential interest in seeing to it that the maintenance, repair and renovations measures in the housing sector become more efficient from year to year. With the introduction of efficient technologies for roof and facade repair, including renovation of the

dwellings, it was possible to achieve good results, especially in the Berlin, Leipzig, Cottbus and Werdau construction repair combines and enterprises, respectively. Thus, there was success in Werdau in reducing construction costs per dweli dwelling from M15,700 to M14,000, in increasing work productivity in such a way that in a year on the average a labor force can renovate 2.1 dwellings rather than the 1.7 that had been the case, and in shortening from 900 to 720 hours the cost in work time for renovating a dwelling with simultaneous repair of the building.

Through the creation of technological lines for repair jobs on roofs and facades and through the formation of special brigades for restoring house chimneys the share of industrial construction methods increased from 5 to 30 percent in the past five-year plan period. For example, in the framework of a technology for roof repair a crane tower was used by the Berlin-Weissensee Construction Repair VEB. This made it possible to use preassembled chimney components. In contrast to traditional methods, this resulted in an increasein work productivity to 250 percent.

By 1985 in all kreises and cities several technological lines are to be used for the most varied repair jobs with the goal of a 15-percent cost reduction. Additional reserves will be developed by achieving GDR optimum values and eliminating still extant differences in level. Enterprise rationalization designs and competition programs show concrete ways to this end.



Key:

1. Housing Construction Program
2. Renovation
3. New Construction

Housing conditions have improved for every fourth citizen since 1971:

from 1971 to 1975 for 1.8 million citizens;

from 1976 to 1980 for 2.4 million citizens;

by 1985 housing conditions for 2.8 million more citizens will be improved with stable rents.

The construction of owner-occupied homes is an integral component of the comprehensive housing construction program of our republic. The following number of owner-occupied homes were built:

30,580 between 1971 and 1975;

60,430 between 1976 and 1980;

65,000 additional ones are planned for the period 1981 to 1985.

12124
CSO: 2300

OFFICIAL ANALYZES STATUS, GOALS OF FERROUS METALLURGY

Budapest NEPSZABADSAG in Hungarian 26 Aug 81 p 10

[Article by Dr Emil Furjes, chief counsellor of the Ministry of Industry]

[Text] The change in the international business situation has had a profound effect on ferrous metallurgy because 25 percent of our products are sold to capitalist countries. Most of the basic materials and energy required to produce metallurgical goods are imported. Nowadays, prices realized on the world market are barely 80 percent of 1980 prices whereas the price of energy and material inputs has risen by 4-5 percent. These mixed trends have had an adverse effect on the world market competitiveness of our metallurgical products, especially hot-rolled goods, and we are obliged to reduce the quantity of such goods sold abroad.

This has led to much debate about the future of ferrous metallurgy: Some argue that this industry which employs 75,000 persons should be developed to reduce the technological gap in international standards; others, that the industry should remain at present levels. Still another view is that present levels should merely be maintained. Since, due to current prices, our metallurgical products receive a lower than average rating from the viewpoint of income realized and rentability as compared to the national economy as a whole, it is even argued that there is no point in maintaining current levels of production.

Sales of metallurgical products on capitalist markets in 1980 yielded $307 million. Sales volume and value will be lower this year amounting to a 6 percent drop in volume and a 25 percent decrease in dollar returns. Despite this, domestic production is advantageous to our economy: Foreign trade statistics reveal that the cost of a ton of imported rod steel is $60-80 higher than that of domestically produced rod. The difference stems from shipping, handling and customs charges.

Domestic demand for metallurgical products has moderated and is now about 1 percent higher than in 1980 while our exports to socialist countries will remain at roughly the 1980 level. A summation of the foregoing reveals that the decline in production volume amounts to about 5 percent which, although having a negative effect on enterprise profitability, presents no insurmountable problems.

Material and energy account for 75 percent of the value of metallurgical goods. In view of the fact that the technical standard of our production equipment is

below the international average and that material, energy and manpower consumption are consequently higher than said average, we conclude that our international competitiveness will decline unless the current product structure is changed. Therefore, products which cannot be manufactured on--or only at a loss on--modern, highly productive equipment must be transferred to equipment of lower productivity where they will remain cost effective. Finally, we must attempt to produce and use goods of a grade which will permit reduction of specific steel use.

After evaluating the results of the first half year, the Ministry of Industry has drawn up a plan for measures to minimize losses. In response to the measures, the metallurgical enterprises have taken the required steps, and the favorable effects of this action should become apparent in this year's results.

Although lower production will reduce dollar income, there has been development in a number of important areas, in material and cost management, organization of production, in an improved product structure and in technology.

As a result of priority investments, prerequisites for qualitative change have been established at the Lenin Metallurgical Works and the Danubian Iron Works. In the near future the production ratio of converter steel will exceed 40 percent, and a similar ratio will be attained in the case of continuously crystallized [sic] semifinished products. Installation of ladle metallurgical equipment and the electric furnace will allow a rise in standards for quality steel production bringing them on par with top international standards and domestic requirements.

The previously noted trends are already apparent in the long-term plan concepts for ferrous metallurgy which have been prepared in the form of topics for debate: In working out this material, the Ministry of Industry took into account prevailing conditions, world market prognoses and development of domestic demand. We can state authoritatively that only development goals which give priority to greater modernization, reduction of live and embodied labor and improvement of quality are realistic.

In order to follow these lines, domestic metallurgy must switch from a quantitative approach to more rapid reaction to market changes and attempt to broaden the selection of goods which sell readily and production of which is cost effective. Despite limited material conditions, the means needed to achieve this can be forthcoming; the subjective conditions can be made favorable.

CSO: 2500/367

PROBLEMS OF PARTS FOR AGRICULTURAL MACHINERY AIRED

Budapest FIGYELO in Hungarian 15 Jul 81 p 11

[Report by Peter Bonyhadi: "Spart Aprt Supply--Are They Left to Themselves?" This article is based on an editorial roundtable discussion with Janos Binczki (Agricultural Machinery Spare Parts Supply Enterprise), Gabor Buda (Ministry of Agriculture and Food Industry), Sandor Holics (Mezogep Trust), Jozsef Horvath (Peace Cooperative of Kislang), Kornel Kovacs (TESZOV of Szekesfehervar), Endre Orthner (Red Dawn Cooperative of Aba), Geza Soos (Argotrust), Zsombor Szekely (TESZOV of Pest Megye) and Istvan Szekeres (National Council of Producer Cooperatives).]

[Text] Almost 100,000 different kinds of spare parts are needed for the more than 1,300 types of machines used in farming. More precisely, this is the number of spare parts that should be regularly supplied and stocked. The conditional tense is no accident! The selection of most spare parts cannot either periodically, permanently or not at all satisfy the demand.

But even if spare parts happen to be available frequently they cannot be purchased, except in complete part units. For instance, a connecting sleeve, valued at 600 to 800 forints, was needed for the fan of a Raba 180 tractor. This part was not available by itself. Instead, a complete fan was offered for 16,000 forints.

The point is not whether farming equipment is generally used with sense and care but that often spare parts are needed when under no circumstances should the machine have broken down. These are manufacturing flaws! In one case 24, mostly new tractors were examined and not even one was found where the 4 cylinder valves, carburetors and fuel pumps were set to the same specifications.

The common scene is that while the farms are urged to conserve energy, most of the time the new machines "exceed" the official norms of fuel consumption. And even if the farms wanted to replace these faulty parts, which in themselves are not expensive but have a greatly influence on fuel consumption, they often cannot be found.

A Letter Instead of a Part

Not only the spare part supply but also warranty service is slow. Interestingly, not because of a lack of organization but in many cases because of a certain overorganization. One extreme example: the feed chain of a combinedbroke down. The cooperative notified the warranty service enterprise which referred the cooperative to the trade enterprise, saying that "we do not replace major parts." The combine

was inspected by official mechanics who found that the combine's feed chain broke because of faulty use (!?) and refused to give a warranty replacement.

Now it was the cooperative's turn. It asked the Quality Control Company to examine the faulty part and it was found that the feed chain broke because of a manufacturing fault. The specialists who took part in the inspections, met again and agreed to accept the MERT verdict only if the cooperative agreed to a special material examination. This cost the cooperative a mere 9,000 forints. The examination corroborated the MERT findings.

The report was filed and the cooperative was waiting for the feed chain. They received another letter instead in which the authorities said that they would not accept the findings of this examination either because the feed chain had 5,000 links and only one had been examined. The warranty replacement or servicing of the chain would not be offered.

And probably of the tens of thousands of machines on the 1,500 large enterprises, this is not the only machine and only farm with which this happened or could happen.

Repair or "Patching Up"

In spite of all this, the farms usually accomplish the work that can be done only with machines. True, because of the lack of spare parts, they may till with a borrowed tractor or the neighboring farms lend their combines at harvest time but only after they are done with their own work. The farm which uses borrowed equipment can, therefore, do the necessary work generally only after the agro-technically and biologically optimal time. Late tilling for corn, for instance, can result in 4 to 5 quintals of crop reduction and every day lost at harvest time may reduce the crop by 1 quintal.

Except for specialized parts, no machine is idle in the cooperatives just because the supply-man could not get a screw. The repair shop can duplicate many things but these parts, no matter how qualified the people who make them are, are not perfect from the technological and safety aspect. Not to mention that if there is an accident because of the home-made parts, that person responsible is the one who ordered their manufacture and installation.

Home-made parts also decrease the efficiency of repairs. For example, only the shop manager can decide how to fix a simpler engine breakdown, or what parts must be made or put in. These repairs are more expensive than a factory-packed new replacement.

Not only the mechanics but also the operators shy away from such repairs, since their output and safety depends on whether the repair was professionally done or it was only a patch job. For example, on one of the farms, a combine's drum basket, which broke and could not be replaced, was welded. In principle, the machine was fixed but there was no guarantee how long the welded basket would hold and how many revolutions would be needed for it to fly apart.

These problems are not being solved by the cooperative experiments either which have been initiated by spare part trading enterprises and cooperatives. Although in principle it would be possible to make an agreement that a few of the constantly

unavailable parts could be, as a service, manufactured by qualified farm themselves, but this would necessitate such technological and production requisites which could be met only through special material handling and material control.

But no one supplies the cooperatives with the basic materials needed for making parts. This is why those farms which have the proper equipment make parts only for themselves at their own risk and only so many as they need.

Since supplying spare parts for large farms has been a problem ever since we have had machines, there is the question that since they had to cope with this problem, why can't they continue to cope with it until we find a solution?

Putting aside the lack of goodwill when such ideas emerge, the problem of spare parts is not only a question of viewpoint. For at the present level of machine supply, the machines have a much longer useful life than 10 or 15 years ago.

What Is Impossible To Plan

It is not possible anymore to throw out a machine just because it broke down and it might be more worthwhile to buy a more modern one. If only because the new machine may first of all be more expensive but also it will not do more. Because of the reduced state subsidies--even though there are no subsidies for spare parts--the farms think twice before buying a machine. They are trying to put the machines to maximum use, and this of course results in a shorter useful life and thus a smooth parts supply would be necessary for scheduled maintenance and regular repair.

And here we return again to the starting part, to the question of actual responsibility. In Hungary, the enterprises of the Agrotrust (the Agricultural Machinery Spare Parts Supply Enterprise and the Agricultural Supply Enterprise of Pest, Nograd and Komarom Megyes), the Mezogep Trust and the RABA factory deal with spare part manufacture and trade. They would then be responsible for the shortage. This supposition is, however, only partly justified.

More than half of the 30 different kinds of power machines and 1,300 other machines used in farming are imported, mostly from CEMA-countries. The farmers' justified demand that a machine importing contract should be signed only if the importers also guarantee a smooth supply of parts, is not happening in practice. Because the delivering enterprises are interested only in making complete machines, not parts. This could be changed, for example, in a way that is done in other countries which have a developed farm machine industry, namely, they sell machines at a relatively low price but parts more expensively. That is where the profits are made.

Domestic Production

The spare parts supply is also slowed by red tape. We have partners who owe us 3 million rubles worth of spare parts from the past couple of years. They are, of course, paying the penalties but that will not make the machines go. In a somewhat larger area, this year's spare parts import quota was 54.5 million rubles.

The spare parts trading enterprise, on the basis of comestic demand, added an additional 4 million rubles and the final order came to 58.1 million rubles. Up until 3 July 1981, they were able to sign contracts only for 47.8 million rubles. The

missing items, about 10 million rubles worth, are included from year to year in the shorgage lists, i.e., they are never deleted from the lists.

With regard to administration: as opposed to telex orders to other manufacturers and immediate air transports, the other--mainly CEMA--partners require the ordering of an entire year's supply in the first quarter of the previous year, 15 to 20 percent of it remaining only on paper nevertheless.

This kind of advanced ordering is difficult or impossible to coordinate with agriculture's seasonal demand for parts. For it is extremely difficult to forecast the useful life of parts, i.e., there are huge differences between the forecasts and reality. The use of machines is affected by the weather, soil conditions, crop volume and quality, etc. In a dry summer, for instance, fewer parts are needed for combines and more for irrigating systems. And there is no way to change the orders at the enterprise level.

Last year, for instance, all work had to be done in bad weather and thus everything was wearing more but mose of the specific orders for parts had to be filed before March of the previous year.

The domestic manufacture of parts, which would alleviate the problems, unfortunately is not only a matter of decision. (Lack of manufacturing equipment that needs special materials and machines, insufficient demand for economical mass production, etc.)

At any rate, it seems a promising beginning that the Mezogep Trust made an agreement with a GDR partner enterprise for the domestic production of 200 kinds of parts in a volume that will also accommodate GDR needs. But this is only 200 among the several tens of thousands of imported parts.

If not to the same extent, but there are problems even with the marketing and parts supply of Hungarian-made machines. For example, the parts for Hungarian-made tractors disappeared overnight, because the manufacturer for internal enterprise reasons, stopped for two months deliveries of parts which were based mostly on imports.

The Mezogep Trust's enterprises meet production plans by an average of 96 to 98 percent. Meeting the demand for parts is a basic requisite for bonuses in those enterprises. But there are still some enterprises which, after delivering the ordered volume of parts, are not willing to make any more even though the demand exists.

It happened at some of the trade enterprises that they were short not only of parts which were not made in large enough volume by the domestic machine industry but also of those which they had in stock but did not know about.

In view of this (or in spite of it?) we still cannot take the comfortable attitude of "it is not our fault," for unused resources exist.

The Old Is More Expensive

The first and most obvious solution would be to establish state exchanges wher the farms would offer their surplus stocks to one another or to the trade enterprises. In an organized way, machine disassembly plants could be established primarily in the headquarters of production organizations where it would be possible to purchase either individual parts or complete engines.

The idea is not new and there are already a few of these sites but the parts "mined" here are as expensive as the new ones which, moreover, also carry a warranty. (It is, of course, another matter that the new parts may not have been available for years.)

The farms also have much to do, but in order to carry out scheduled preventive maintenance (which is one of the requisites of sensible and careful use) a general practice, a minimum of 70,000 square meters of factory maintenance and repair shops would have to be built. And knowing the farms' financial situation (since there is no state subsidy for this), the implementation would require in excess of two plan periods.

9414
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PRICE COMMISSION HEAD STRESSES PRICE REFORM

Gdansk GLOS WYBRZEZA in Polish 17 Jul 81 pp 1-5

[Interview with Prof Zdzislaw Krasinski, government plenipotentiary for price reform, by Wojciech Rybowski on 13 July, place not given]

[Text] [Question] Last January the Poznan Economic School team under your leadership finished its work on the food price reform proposal, and in June you became a government minister. For many, many years in our country no government post has been offered to a man because he had a good idea (by the way, a painful one as well) and who was not a party member. How did it happen?

[Answer] In April I got a call from the Council of Ministers Office. I was asked if I wanted to become the chairman of the State Price Commission [PKC] to introduce the food price reform. I said, no.

[Question] Why?

[Answer] Because the PKC chairman does not have enough authority to make such reform successful. The change of prices cannot be a goal in itself. It must bring about a market equilibrium and create the conditions for normal functioning of the economy and the society. If I became the PKC chairman, I would be able to suggest a price reform, but I would not be able to have any influence on the decisions by ministries shaping, for example, earnings, that is, demand. Their decisions could bury the reform.

[Question] What happened then?

[Answer] A couple of days later I was offered the position I am occupying now. As a result of this, I have broad authorities to carry out the price reform and stop decisions which could harm it and bring even more chaos to the market and the entire economy.

[Question] Have you made any use of your authority?

[Answer] Yes. I stopped the implementation of decisions regarding the increase in student aid (scholarships) and income supplements for dependents.

[Question] You began with an unpopular move....

[Answer] These decisions were supposed to be implemented as of 1 July. They will be implemented eventually, but a little bit later. Specifically—after the change in retail prices. Otherwise, they would only contribute to a greater disorganization of the market at this time.

In general, I am aware of the fact that I have a thankless task to perform, at least initially.

[Question] What are you suggesting at this point?

[Answer] A radical hike in food prices. They should be raised on the average by 123 percent.

[Question] According to official sources, W. Gomulka raised food prices by 10-11 percent in November 1970, the Gierek-Jaroszewicz team wanted a 38 percent increase in June 1976. We all know what these changes led to.

[Answer] If we don't make any prices increases soon, by December at the latest everything will have to be rationed. And this is not a scare tactic. This scenario is a consequence of the ever-increasing inflationary curve. It is possible that one will be able to purchase only unfitting shoes, defective shirts, and products of this sort. But even that is not certain. I am already receiving signals that some enterprises are now engaged in product exchange without any money turnover. This can happen on the market as well, as it did, in fact, at the Cracow market in August 1917. There only product exchange was allowed and purchasers who wanted to pay with money were chased away and shouted at: we don't want this kind of garbage.

The other alternative is a money reform, which would mean that in a matter of days we would earn 50 to 30 percent less.

[Question] I am sure that some readers will say that you are exaggerating.

[Answer] Prices are the most sensitive instrument of the economic mechanism. They are the most perfect part of the living economic organism. Unfortunately, man in his unlimited pride enslaved this instrument, particularly in Poland. In the highly developed countries, foodstuffs, after adding all processing, cultivation, and transport costs, are on the wholesale level twice as expensive as the produce sold by the farmer. In Poland, they were 50 percent higher in 1955, but only 9 percent higher in 1979, and 10 percent lower in 1980! Budget subsidies for prices were constantly increasing, thus creating growing anomalies and absurdities. This year's price increases for farm produce have only aggravated the problem. Processed products are 20 percent cheaper than the agricultural produce. Consequently, bread and grits are used as animal feed, and milk from the retail network is used to feed cows.

I believe that the people understand the need for the price change.

[Question] Where does not belief come from?

[Answer] From long-term studies and analyses. What I am going to say may sound shocking. One month after the attempt to raise prices in June 1976 we carried out a study which shows that 70 percent of the 13,000 polled farmers agreed with the idea

alone. You may ask, why was it not approved by the people? The introduction principle on which it was to be based was the reason. First of all, 97 percent of respondents noted that each price reform benefits the wealthiest ones and negatively affects the poorest. This was true. The compensatory payments projected at the time called for 250 zloties for those earning 1,500 zloties or less, and 800 zloties for those earning 8,000 zloties and more. Second, the respondents stated that no reform had so far led to better supplies in stores, or to a market equilibrium. This statement was not correct. In 1959, a relatively high price increase was introduced which was followed by a full year of good supplies of everything. Later a rigid price system destroyed this positive effect. The third answer was: We do not want to be surprised and treated like children.

I think that the suddenness of the surprise was the greatest psychological error. It gave birth to the understandable self-defensive reflex so common to all living organisms. That is why it is good that we are discussing the price changes now not only in our quiet offices but also in the press.

[Question] I still do not believe that the people will agree to a 123 percent hike. After all, in the January price reform proposal you suggested only a 66 percent increase....

[Answer] Let's tackle it point by point. The price increase draft, suggesting a 66 percent hike was presented to 1,500 families, a representative statistical sample for the entire population. About 80 percent of the respondents approved a possible reform. They were clearly divided, however, in regard to the method of its implementation; 42 percent were for a one-stroke introduction, while 48 percent favored a multiphase implementation. The rest had no opinion. Naturally, the reform provided for compensatory payments as well.

[Question] The economic situation has significantly worsened since January, but is the change so dramatic that it warrants--in your opinion--a 123 percent increase instead of a 66 percent raise?

[Answer] Unfortunately yes. I am also assuming that the price reform would be implemented in September. The longer it takes, the worse the situation becomes. The longer it takes, the bigger the increase. Only six months ago I believed that it was necessary to convince those favoring a multiphase increase of the advantage of a one-stroke implementation. At present, the scale of reform as well as the considerable number of those favoring a multiphase implementation have decided the issue: It is necessary to prepare a multiphase implementation draft.

[Question] Is it ready now?

[Answer] Well, yes, but it has to be perfected. We realized that literally only a couple of days ago as a result of suggestions made in the Sejm Committee discussion and later at the Council of Ministers meeting. Further changes may be related to the consultations I am going to have in a couple of days (the interview with Minister Krasinski took place on 13 July) with the trade unions.

[Question] What are the basic precepts of the price reform?

[Answer] An average increase of 123 percent spread over three or four phases. However, in order to achieve the projected goal, the time span between the phases cannot exceed two-four months. Naturally, the reform will provide for compensatory payments, or rather cost-of-living adjustments.

[Question] Why not compensatory payments?

[Answer] Some people tell me: You want raise prices and additionally reduce our incomes. They read "compensatory payment" as reduction of income. That is why we use the term "adjustment."

[Question] What is projected for the first phase?

[Answer] Higher prices for bread, flour products, and milk. This may increase expenditures per capita by some 200 zloties per month. I wish to emphasize here that the high- and mid-level incomes will qualify for full adjustments, and the low-income families will get as much as 300 zloties.

[Question] You want to make everybody happy?

[Answer] Most people, I am not in the position to satisfy everybody. For example, my secretary will lose on this deal despite the adjustment. She likes rolls so much that she consumes six of them for breakfast, two for lunch, and then another one before dinner. Let me note here that she is healthy.

However, during this first phase I wish to show most of all that the devil is not so black as he is painted. I just wish to prove that this adjustment--excluding a few exceptions in my secretary's category--will be really full, that the raise does not have to be a shock, and what is more important, that the equilibrium in foodstuffs will be returned to the market.

[Question] Do you really believe that?

[Answer] If I did not I would not have accepted this office. I can give you a convincing--in my opinion--example. Currently, the demand for bread is much greater than one or two years ago. Bakeries cannot produce enough. The reason (not the only one though)--low price, and consequently about 30-40 percent of bread is used for animal feed. After the price change, 1 kg of bread--don't confuse it with a loaf which is smaller--should cost 21 zloties (now 9.6 zloties). No doubt the demand and waste will decrease.

In the second phase, the raises will cover vegetable oil, dairy products and sugar, and in the third phase--meat, fish animal fats and groceries. Those with lowest incomes would also receive full adjustment in cash, those better off--a little smaller adjustment, depending on income increases with increased share of adjustment paid by state bonds. The bonds would earn interest and additionally would be drawn in state-sponsored lotteries (the drawing system and the prizes have not been determined yet).

[Question] You mentioned three stages, where is the fourth one?

[Answer] A separate phase would cover price increases for coal, coke, electricity and heat. The miners say that we consider coal Polish gold, but for 1 ton of this gold (present price about 500 zloties) one can buy--as they say--two good cocks on the market. The present price hampers the production growth of this product which is indispensable to our economy. It must increase. This would occur in the second or third phase of the reform, and the changes listed by me earlier would be shifted respectively.

[Question] This is not the only variant of the price reform, I presume.

[Answer] Earlier I had a chance to discuss at various forums a nonrecurring hike variant, which was not accepted, when I presented a two-phase variant, which after debates at the Sejm Commission and at the Council of Ministers meeting was corrected. This was two-three days ago. I think that raises in three or four phases are a good solution, and the variants should focus on adjustments (e.g., to include state bonds or not). And earlier today I presented yet another idea. The food price increase scale can be lowered a little, while part of the inflationary overhead can be recovered by means of an additional so-called stabilization supplement, added to the prices of industrial products.

[Question] Please explain what that means.

[Answer] Since I am afraid that soon the money supplies available will be used en masse against the industrial products on the market, it might be necessary to announce temporarily, e.g., for one or one and a half years that a razor blade costs 7 zloties, but from 1 September 1981 until 1 September 1982 it will cost 7 zloties + 10 zloties (it should be marked this way), that is 17 zloties. Similar action should be taken for other goods which are threatened by a sellout now or in the immediate future. A customer would have two options: either to buy a lot, store it and prepare for the future, thus spending much more money, or to buy only as much as he needs at the time, thus spend less in the belief--and I wish to emphasize this--that within a year the price will return to its former level. This way the food price increase could be smaller, and at the same time the supplement, which in reality many pay in the form of bribes, would not fall into private hands. How do you like that?

[Question] It depends on, first of all, what would happen to those supplements--who would control them, what purpose they would be used for. Secondly, I would say that in theory this could be a good instrument to balance the market, but I do not know if this idea has been tested in practice, if any country has implemented this idea.

[Answer] You have touched on a very important question. The condition for success in introduction of the supplement is confidence by the people, their belief that the money will not disappear somewhere, that will not be used for some unclear purpose. I am suggesting that the supplement be used for the creation of a special stabilization fund which would be controlled not by the party, government, or similar body, but by a civic panel, elected through a special ballot. This public body could decide what to spend the money on--education, medicines, schools, or other purpose. For example, a part of this fund could be used to cover the budget deficits (such as, interest on foreign loans, among others). This body would decide everything.

As to the other question, just recently, struggling with her own economic problems (naturally, less serious than ours), Yugoslavia introduced the stabilization supplement. The result is that the demand for products which had quickly disappeared from shelves has clearly dropped. The people are satisfied with the market balance.

[Question] Price constitutes--as you stated--the most important element of the economic mechanism. It is difficult, then, to overestimate its role in the comprehensive economic reform being prepared now. In your opinion, should the change in retail prices precede the reform or be a part of it?

[Answer] Equally important, or perhaps even more significant for the economic reform is a change in supply prices. They are too low as well. They have to be raised.

[Question] But it is of great importance to assure so-called price compatibility, that is, a fairly close relationship between supply and retail prices. Moreover, the level of retail prices alone is an important question for the reform. After all, their level determines, among others, customers' decisions, and effective demand constitutes indispensable economic information for the consumer.

[Answer] This is how I understand the role of prices in the economic reform. It is this important role that predicates the necessity to both raise supply prices and bring their structure closer to the structure of prices on the world market as well as the need to raise retail prices. However, the latter particularly now must to a greater degree play the balancing rather than the cost or revenue function on the market. The change in retail prices will constitute both the introduction to the comprehensive economic reform and later its element.

[Question] "Solidarity" strongly and rightfully so emphasizes the relationship between price changes and economic reform.

[Answer] The acceptance by this union of price increases is predicated on its belief that the planned and soon-to-be-implemented reform will be deep and comprehensive. And "Solidarity" is right of course. After all, properly functioning prices are an indispensable element of accounting carried out by competing enterprises. And the reform ought to break monopolies and allow the functioning of the market mechanism. For the price increases cannot be perceived as justified if the mechanisms necessary for proper functioning of the market are not activated. This is a very logical way of thinking. This is why I promised that if I notice before the second phase that there is resistance against introducing the economic reform, that there are setbacks, I would resign from my position.

On the other hand, in such a reformed system prices cannot be rigid, they must change.

[Question] Could they be lowered as well?

[Answer] Naturally. And this could happen quite fast. It may happen that due to price increases stores are filled with certain goods. Why not lower their prices? Moreover, prices in Gdansk and Zakopane may differ. Why not sell milk cheaper in season instead of wasting it? Reducing prices is possible, and I am saying this

not off the top of my head but from experience. I am not in favor of only higher prices. They are indispensable now to balance the market. In general I am in favor of flexibility.

[Question] To many these are just fantasies. But since you are spinning them now, what about ration coupons?

[Answer] The consequence of the above scenario is the end of ration coupons. I wish they would die a natural death. As I see it, in the store on one shelf there will be goods for cash and on another one, for coupons. If the consumers in order to save time and nerves start buying more and more from the first shelf and less and less from the second one, we will be able to eliminate coupons.

[Question] Now let us return from the trip to the future back to the present. From your earlier statements one can conclude that you see the chance of regaining balance only in taking money away from people and not in adding goods.

[Answer] Not true. I am for stimulating production of market commodities. The only problem is that right now there is no motivation for greater effort, more efficient work and initiative because little can be purchased with the money and coupons filling our pockets. Money loses its value almost from one minute to another. It is impossible to stimulate production in this situation. Therefore, we have to start with my proposal and the projected price reform closely relate to the economic reform, which is also strongly emphasized by me.

[Question] What will happen, however, if, despite the studies indicating that the people agree with the price reform, in reality the society will suffer a shock and will not accept it?

[Answer] We will plunge into unbelieveable economic chaos. By the end of the year--as I mentioned before--everything will be rationed, or we will experience a universal commodity exchange.

[Question] Let me end with a question which was directed by a ZYCIE WARSZAWY reporter to Prof Jozef Popkiewicz from the Wroclaw Economic School? "What would you say if you had five minutes on television and during this time you would have to convince the public that the price reform is necessary?"

[Answer] I would answer the way Prof Popkiewicz did. That is I would not say anything popular.... On the contrary, I would only say unpopular things. That after the price reform in the first month everybody will have enough money only until the 15th, the next month--until the 20th, then--perhaps until the end of the month, but with difficulty. Then I would say that everybody will have to get used to austerity and think hard about how to make more money. And that the enterprise will give them a chance to earn more, but only if they work more efficiently. Such post-operative shock will have to last for about a year. Then you can settle up accounts with me. Either you trust me or not. If not, plunge further down.

[Question] And you think that people would buy that?

[Answer] I think that easier than a promise of golden mountains....

[Interviewer] Thank you for the interview.

8609
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HOUSING CONSTRUCTION PROSPECTS FOR 1981-1990 ANALYZED

Warsaw PRZEGLAD BUDAWLANY in Polish No 5, May 81 pp 266-270

[Article by Dr Eng Boleslaw Jozwik, Warsaw: "Possibilities for Development of General Construction During 1981-1990--Article for Discussion"]

[Text] Housing construction, next to the food situation, lies in the focus of public attention and at present is one of the nation's two most important problems. All who are interested in this problem ask whether it is possible to accelerate significantly the development of housing construction, and how it can be done.

The state of construction cannot be considered separately from the state of the entire economy and any marked growth of construction cannot occur without improvements in the nation's economic situation. That situation, in its turn, hinges on political and social factors. The restoration of the public's trust in the authorities is needed, as is the democratization of political and social life. Without that democratization the economy cannot improve, as is clear considering that the nation's economy can save itself from its current profound crisis only through the tremendous and spontaneous effort of the entire nation. That effort should not only be organized but also purposive, effective, and not wasteful. First of all, the public should be imbued with the conviction--so foundering in recent years--that we all work for the common good, for our own sake.

The further growth of the nation's economy is a function of the public's moral-ethical state. Improvements in that state depend, in their own, on the democratization of political and public life and the restoration of complete rule of law. Only full respect for the rights of the individual and effective public control of the activities of the machinery of state and self-government organs, as well as control of the activities of enterprises and social organizations, will make possible the moral renewal of the nation and the reconstruction of the economy, including construction. The moral renewal of the nation means the surmounting and reduction in extent of such public trends as bribery, drunkenness, prevarication, chiseling, dishonesty, the desire to live well at the expense of others and the lack of respect for human dignity. The Polish economy will not survive its crisis until these negative trends are eliminated from the life of the nation.

The state of any field of the economy is affected both by subjective factors (moral state of society and its will to improve its condition through enhanced effort) and objective ones of which the most important, properly speaking, is the selected direction of development. That direction should be adapted to the state of the economy,

the availability of energy and supplies of appropriate materials and products and the possibilities of transport, and it should consider the manpower resources and the effect of subjective factors. Here it is essential that the material effects of the operation of every branch of the economy should be fully and unqualifiedly accepted by society, because this acts as a factor channeling the nation's energies for the implementation of the selected objectives.

Production Base of General Construction[1]

In 1980 there were 147 prefabricated large-panel products plants active within the Ministry of Construction [and Construction Materials Industry]. Their rated productive capacity is 9,545,000 sq m u s [square meters of usable surface] and their actual capacity is about 8.2 million sq m u s annually.

In addition, within the ministry, 12 large-panel prefabricated products plants with a rated annual production capacity of 2,771,000 sq m u s and an actual annual capacity of about 1.98 million sq m u s are either under construction or in the activation stage. Another ministry, the Ministry of Mining [and Power Industry] operates eight large-panel prefabricated products plants with an aggregate production capacity of 619,000 sq m u s.

Further, the Ministry of Agriculture [and Food Economy] operates 11 active plants with an annual production capacity of 501,000 sq m u s, plus 3 more plants under construction or in the activation stage, with an aggregate capacity of about 96,000 sq m u s. The latter are designed chiefly for single-family housing construction.

The CZSMB [Central Union of Housing Construction Cooperatives] operates 13 large-panel prefabricated products plants for single-family housing construction with an aggregate annual production capacity of 322,000 sq m u s.

Altogether, there are in this country 194 large-panel housing construction plants (active or in the activation stage) with an annual production capacity of about 11.72 million sq m u s (about 193,000 dwelling units annually). Of this total the Ministry of Construction accounts for 159 plants with a combined production capacity of 10.18 million sq m u s annually (about 179,000 dwelling units), of which 27 plants with a production capacity of about 910,000 sq m u s (about 14,000 dwelling units) are designed to produce prefabricated products for single-family housing construction. It should be stressed here that there are no particular differences between the large panel designs used in multifamily and in single-family housing construction. Thus, individual plants may produce prefabricated products for both multifamily and single-family buildings.

The Ministry of Construction also controls 86 large-block prefabricated products plants with an annual production capacity of 3.45 million sq m u s (about 56,000 dwelling units).

The CZSMB operates five large-block plants with an annual production capacity of 48,000 sq m u s.

The Ministry of Agriculture operates 15 large-block plants with an aggregate production capacity of 660,000 sq m u s.

[1]Unpublished source data

Altogether in this country there exist 106 large-block prefabricated products plants with an aggregate annual production capacity of 4,158,000 sq m u s (about 68,000 dwelling units).

In addition, there are eight shell-structure prefabricated products plants ([producing] SBO [expansion unknown], and T- and H-frames) with an aggregate annual production capacity of about 450,000 sq m u s. According to the 1980 Plan, the output of ZLS [expansion unknown]-system frames was to reach 480,000 sq m u s and that of poured-on-the-spot reinforced concrete, for multifamily and attendant housing construction, (SBM-75, ROW), approximately 300,000 sq m u s.

SBO-, T-, ZLS-system frames are used only for communal construction, while H-frames and the SBM-75 poured-on-the-spot system are used for both housing and communal construction. Communal construction projects also are built by the multiblock system (schools, preschools, nurseries, boarding homes, etc.), as well as on using certain multipanel systems, chiefly Wk-70.

Altogether the Ministry of Construction controls a production base serving to implement about 14.55 million sq m u s annually in general construction.

Overall, the nation's production base assures building about 17.11 million sq m u s annually (nominally, about 19.24 million sq m u s), of which about 13.58 million is for housing construction (approximately 280,000 dwelling units) and about 3.53 million for communal construction. The construction is chiefly based on the use of concrete (except the ZLS system).

As regards single-family construction the pertinent facilities are assigned to serve socialized construction alone.

The Nation's Needs for General Construction

Urban housing situation. It is difficult to assess the urban housing situation on the basis of official statistics. The accuracy of the previously published official data is doubtful, and there are no other, more reliable sources. On the basis of statistical data[2], the following figures may be assumed:

--Number of urban dwelling units	5.765 million
--Number of dwelling units built in the postwar period	about 3.36 million
--Number of dwelling units unfit for use	about 650,000
--Number of families in Poland having or desirous of having their own households	10.91 million
--Of which: urban families	about 6.98 million
--Number of youth 15-19 years old	3.087 million
--Number of males and females 20-29 years old	6.564 million

[2]ROZNIK STATYSTYCZNY GUS 1979 [Statistical Yearbook for 1979, Main Office of Statistics] plus unpublished sources.

--Number of marriages in 1978	327,000
--Number of deaths in 1978	325,000
--Number of deaths in 1978 at age above 60	230,000
--Number per year within the 15-19 years age group	615,000
--Number per year within the 20-29 years age group	656,000

Since teenagers are a numerically smaller group than persons in the next higher age group, it can be assumed that the average annual number of marriages during the 1981-1985 period will be about 305,000, about 200,000 being in urban areas.

Each year some dwelling units are made available owing to the demise of one or both spouses occupying an autonomous dwelling unit. It may be assumed that in this way the housing needs of some 50,000 families are satisfied, even if the released dwelling units are occupied by the family members of the deceased persons.

The actual housing demand in cities is approximately 6,890,000-5,765,000+ 650,000+ 200,000-50,000 = 1,925,000 dwelling units.

In addition, the average annual increase in housing demand is about 150,000 applicants. To shorten to 5 years the mean waiting time for housing after 1985, it would be necessary to build about 430,000 new dwelling units in cities each year.

Restoration of old urban housing stock. It should be borne in mind that, in addition to building new housing, the satisfaction of current and future urban housing demand will require the restoration of old housing stock. In the cities, there exist some 2.4 million dwelling units built prior to 1939, of which more than one-half require replacement of structural elements and renovation. If this is not done within the next 10-20 years, that housing will become completely unsuitable. More than one-fourth of the older dwelling units and about 60,000 of the dwelling units built in the postwar period are by now no longer usable.

It should be stressed that the restoration of old housing stock also entails protection of the nation's cultural relics. Renovation also requires special attention, considering that the inadequate protection of the natural environment and the threat presented by industry and by car exhausts accelerate the disintegration of older buildings.

The problem of the capital repair of buildings erected after 1945 also becomes increasingly greater. It is estimated that the number of dwelling units in buildings urgently needing capital repair is approximately 390,000.

Rural housing situation. According to statistics, there are 3.59 million rural dwelling units, of which 1.79 million were built after the war. The number of unusable dwelling units is about 780,000.

There are 4.02 million rural families with households of their own. About 105,000 new marriages annually are registered in the countryside.

When determining the urban housing demand, it should also be considered that the proportion of older people in the countryside is higher than in the cities. A three-generation household is a common phenomenon in the countryside. Thus, rural housing demand may be estimated as follows: 780,000+(4,020,000-3,590,000) 0.500+105,000-120,000 = 980,000 dwelling units.

Rural housing consists at least 90 percent of detached single-family houses.

The determination of the rural housing demand is necessary because, in order to halt the migration of the rural population to the cities, rural housing construction must be given priority before urban housing construction. Building materials should be allocated in accordance with that priority. Such allocations should also include assignments of materials for productive farming structures.

The demand for communal construction. This demand is extremely difficult to estimate closely. It has been growing for many years owing to the lower priority it received compared with housing construction itself, and because in some fields it was satisfied less than in others.

The actual demand for communal construction can be estimated at 25 percent of the needed useful surface area of urban dwelling units and 15 percent of rural dwelling units.

The demand for urban communal construction is:

1,895,000.56.0.25 = 25,100,000 sq m u s.

and the demand for rural communal construction:

980,000.75.0.15 - 11,000,000 sq m u s.

The overall national demand for communal construction amounts to 36.1 million sq m u s.

The demand for communal construction chiefly concerns the construction of public health and social welfare facilities, as well as of educational, cultural, trade, and service facilities.

The 1980 Construction Plan and Its Fulfillment

The poor state of construction in Poland is illustrated by the fulfillment of the 1980 Construction Plan. That plan envisaged the construction of 13.15 million sq m u s of multifamily housing (267,200 dwelling units), 9.1 million of single-family housing (92,800 dwelling units), and 5.65 million of communal buildings. The overall plan was for 27.9 million sq m u s about 20.32 million of it in socialized construction.

Following its revision, the plan envisaged the construction of 9.67 million sq m u s of multifamily housing (8,561,000 of it to be handled by the Ministry of Construction), and 3.7 million of communal construction.

The actual fulfillment in 1980 was about 5.98 million sq m u s (about 120,000 dwelling units) of multifamily housing, of which the Ministry of Construction accounted for about 5.22 million (about 105,000 dwelling units); about 950,000 (about 11,000 dwelling units) in socialized single-family construction; and about 2.1 million in communal construction. Altogether, about 9.03 million sq m u s was built in general construction, which equals about 43 percent of the 1980 plan prior to its revision and about 60 percent of the plan as regards multifamily and communal construction prior to its revision. This is less than in the previous years, even after allowance is made for the declines in the statistics for the preceding years. Thus, such a volume of construction greatly lags behind the needs of society.

Causes of the Crisis in General Construction

General remarks. The decline of general construction is due to many factors, of which the most important are as follows:

1. The targets set by the plan exceeded the production potential of the enterprises and plants. So far, output targets have not been matched to the supply and transport potential, production capacities and power supply.

2. There have been frequent stoppages and slowdowns of production owing to lack of materials, stoppages in electric power supply, shortcomings of transportation, and poor organization of work.

3. Labor productivity and the quality of work have declined.

4. An improper direction of the development of general construction was adopted. In multifamily housing construction emphasis was placed on the material- and energy-intensive large-panel construction technology. A complement to that technology is large-blcok technology, whose proportion is steadily decreasing. In communal construction, the solutions applied have not been coordinated with the material possibilities. In single-family housing construction for nonrural population there is a lack of a rational developmental concept, and there is also a shortage of the necessary quantities of building materials.

5. An imporper investment policy was adopted, resulting in excessive investment in the prefabricated concrete components industry ("housing factories") along with the neglect of the building-materials industry, chiefly as regards ceramics, installation materials and products, and insulating materials and chemicals. This engendered material barriers to the growth of construction.

6. The introduction of the monopoly of plastic concrete as a building material (and not only as that) resulted in an excessive demand for aggregates and cement, which in its turn led to shortages of these materials and a marked decline in their quality.

Material intensiveness of multifamily housing construction.[3] The consumption of the principle building materials for the erection of multifamily housing is as follows (outside the areas of mining damage), given the currently applied construction techniques:

--cement, 270-350 kg, mean 350 kg/sq m u s;

--aggregates, 1,400-1,770 kg, mean 1,690 kg/sq m u s;

--reinforcement steel, 24.3-43.6 kg, mean 28.7 kg/sq m u s.

In mining-damage areas the consumption of these materials to erect housing structures alone is as follows:

--reinforcement steel, 24.3-43.6 kg, mean 28.7 kg/sq.m.u.s. [as published]

--aggregates, 2,030-2,460 kg, mean 2,280 kg/sq m u s;

--reinforcement steel 35.5-45.3 kg, mean 42.1 kg/sq m u s.

At present 25-27 percent of the nation's general construction is done in these areas.

In multifamily housing construction (inclusive of the infrastructure of settlements--small-scale architecture, roads, canals, etc.) the consumption of building materials is as follows:

--cement, 390-460 kg; meant 430 kg/sq m u s;

--aggregates, 2,200-2,540 kg, mean 2,400 kg/sq m u s;

--reinforcement steel 29-48 kg, mean 35 kg/sq m u s.

The consumption of cement and reinforcement steel is increasing. The increase in cement consumption is due to the steadily worsening quality of the aggregates (granularization) and cement, the failure to adapt the produced varieties of cement to the concrete mixes and mortars per index unit, the higher proportion of concrete mixes having a liquid or semiliquid consistency (battery forms), and improper storage techniques (mixing of cements from different cement plants in silos).

The higher consumption of reinforcement steel is due to the frequent changes in reinforcement diameters owing to the shortage of rods with the right cross section, the increased mass of rods owing to the sizing of rolling-mill facilities, the increased amount of defects and waste owing to uncoordinated deliveries of rods of the needed length, and the need to reinforce additional structural elements.

Similarly, the consumption of aggregates is greater than it should be, owing to shortcomings in their onsite disposal and the differences between nominally and actually consumed quantities of aggregate.

[3]Data based on author's own research.

Possibilities for Improvement in General Construction

Multifamily urban housing construction. For the next 15 or so years we must continue to carry out multifamily urban housing construction on the basis of large-panel technology. The "baggage" of that technology, in the form of 167 housing construction factories and 91 large-block plants, predetermines the directions of housing construction for the near future. This potential must be exploited in order to assure at least a partial amortization of the funds expended on building many of these plants. Besides, there do not exist any alternative solutions suitable for immediate application. In view, however, of the uncertain solutions, limited durability of buildings, and material- and energy-intensiveness of large-panel technology, that technology should not be further developed, and instead only the existing facilities should be exploited. On the other hand, the continuing decline in large-block construction should not be further developed, and instead only the existing facilities should be exploited. On the other hand, the continuing decline in large-block construction should be halted.[4] Large-block technology is superior in many ways to large-panel technology. It provides a most flexible and open solution serving to design buildings of the most varied shape. Moreover, among the large-sized prefabrication techniques, it provides the most durable and certain solution and, after the application of a thicker layer of cellular-concrete insulation, buildings erected from large-block components will have a low energy-intensiveness when in operation. The assembling of large-block components is relatively easy and safe.

The large-block system at present is based on a high consumption of cement--mean of 343 kg/sq m u s, and aggregates, averaging 1,780 kg/sq m u s. Most of the cement and aggregates is consumed on the construction site, owing to the use of thick leveling layers in ceilings and fairly thick interior and exterior wall layers. More careful production and more precise assembling of the prefabricated components could result in reducing the thickness of these layers. The use of plastic gypsum and plastic wall plaster (PMT) should also contribute to a marked reduction in the consumption of cement and aggregates. Large-block technology requires less reinforcement steel than the other technologies.

The new developmental directions of multifamily housing construction should be based on free competition of construction technologies. The selection of any particular technology should be decided by means of a thorough technical-economic analysis, which will assure natural elimination of inefficient construction techniques.

It appears that the crisis being experienced by multifamily housing construction will grow further during the next 2-3 years. Unless effective countermeasures are taken in time, this will lead construction to a profound impasse. We must prevent a situation in which deficient construction in the future will require spending greater production resources to correct mistakes than are at present being spent on the erection of buildings of poor quality. The greatest number of shortcomings and mistakes characterizes large-panel technology.

Given the present profile of multifamily housing construction, it is not possible to increase the number of dwelling units under construction owing to the existing material problems, especially the cement problem.

[4]Cf. The pertinent article in PRZEGLAD BUDOWLANY No 4, 1981 (Editor's Note).

General urban construction at present uses (for buildings and infrastructure of communities) about 5.1 million tons of cement,[1] i.e. about 20 percent of the total output of that material. When communal construction and urban utility installations are included, this consumption reaches about 7.1 million tons or about 36 percent of the entire cement output. Had general construction been following the original unrevised plan, it would correspondingly, given the current rate of consumption, require about 9.3 million tons of cement or, including communal construction and urban utility installations, 11.8 million. This is 20 percent more cement than is currently used by construction as a whole (except rural construction) in the construction and installation operations of all socialized construction enterprises.

The construction of more housing requires the prior expansion of the building-materials industry--of all of its fields in proportion to needs and with allowance for the planned directions of action. This concerns chiefly the reconstruction of the ceramics industry and the adaptation of its production profile to needs. The industries producing insulating materials and installation materials and products also urgently require expansion.

The production of cellular concrete should be developed on a larger scale, particularly as regards 30 and 18 cm thick blocks.

It is necessary to bear in mind the principle that the production of building materials should precede the needs of construction.

Single-family housing for the nonagricultural population. In the present situation of construction, an increase in new housing can be chiefly achieved by developing single-family housing in the form of segment-type row buildings, on using the most simple and cheapest techniques. If single-family housing is to provide a developmental housing base for urban working people, it must be low-cost, material-saving and equipped with facilities of a standard corresponding to that of multifamily housing. Detached or semidetached single-family houses are too material- and energy-intensive to operate (excessively large exterior wall surfaces compared to useful surface area). Besides, this kind of single-family housing involves limited terrain use--it occupies large areas, which are becoming scarce in cities.

Single-family, two-floor row housing can achieve a population density no smaller than that of multifamily housing. Besides, the cost per sq m u s of such dwelling units, when built by improved traditional techniques, is much lower than that of dwelling units in buildings erected from large panels. Row houses can be readily equipped with the necessary facilities. Since linking single-family housing projects to the urban sewer system is often very costly owing to the peripheral siting of these projects, it is necessary to draft projects for small local sewage treatment plants (series of Imhoff collectors). The traditional cesspool-type sewer system should be restricted, because cesspools are mostly not watertight (or "loosened" by users) and contaminate the soil, thus menacing the health of the local residents. In addition to sewage-treatment plants, single-family row-housing communities should be provided with community heating plants and water mains systems.

Single-family housing construction for the urban population should be based on various forms of investment, but preference should be given to private home construction handled by the cooperatives. In addition to this form, it is possible to develop the

construction of apartment buildings by cooperatives and plants, as financed by banks or labor establishments.

Given the nation's present economic situation it is tremendously important that single-family housing construction can and should to a greater degree use up the cash resources of the population and liberate its initiative. In single-family, two-floor row-housing construction of dwelling units averaging 65 to 95 sq m in area there exists a greater possibility for the integration of three-generation families, which is a highly desirable development on moral, social and also economic grounds.

Single-family housing communities in cities should be built by contractors operating adequate production facilities. These contractors should be provided with sufficient material supplies to assure an efficient and rapid course of construction. The builders may be state enterpirses, cooperatives, construction teams at labor establishments or the residents themselves, as supported with equipment and experts by specialized state or private companies. The future residents should, if they do not take part in the construction itself, be assured of taking part in supervising and controlling the construction.

To eliminate many improprieties accompanying the expropriation of sites for single-famlily and multifamily housing construction, it is necessary to introduce the principle of compensation for land based on real, free-market prices. This principle should apply to any expropriation of land.

Rural housing construction. The most important problem of that construction, in addition to the shortage of building materials, is the installation of utility lines in rural areas. Given the conveniences of the communal principle of providing utilities (electric power, water mains, even sewer systems with local sewage-treatment plants, facilities and equipment of rural cooperatives, stores, reading rooms, depots, roads, transportation), the concept of creating farm clusters is undoubtedly justified. However, the plans for territorial development which serve as the basis for determing the sites of rural communities often are drafted without a prior study of local conditions and consultation of the concerned residents, by fiat of community heads. These plans are introduced by administrative procedures, which always leads to distortions and abuses.

The development of clustered rural communities should be based on the principle of free choice, without any compulsion. The attendant exchange of certain lands should be based on accurate taxation and free-market prices of land.

It is the state's duty toward rural construction to provide a sufficient quantity and variety of building materials and equipment and technical assistance. The technical consultation needed in the countryside should be subsidized by the state but organizationally attached to rural self-government units or to the occupational or social organizations of farmers. The rest should be left to the farmers themselves.

Communal construction. So far the principal shortcoming in that respect has been the rigid and limited extent of that construction in newly built housing communities and the architectural monotony of structures.

The program for communal construction is being fulfilled much more slowly than that for housing construction. Construction is limited to standard shopping pavillions in the ZLS or T system, schools, preschools, nurseries, and occasionally trade-and-service pavillions in the large-block system, Ruch [newsstand] kiosks, vegetable kiosks--and that is all. And yet this is the only chance for communal construction to imprint the anonymous and faceless housing communities with the stamp of individuality and character. Communal buildings should be a fabric linking new communities with the existing city into a single organism. Close application of standard system designs in communal construction undoubtedly facilitates the construction of housing communities but it does not improve their esthetics. It should always be borne in mind that /human needs are varied and are not limited solely to sleeping, eating, and caring for children in the absence of parents/ [in boldface].

Summing Up

1. General construction, especially housing construction, is in a deeply critical situation which will continue to worsen for the next 2-3 years. Unless effective countermeasures are taken, construction will reach a total impasse.

2. The crisis of general construction is due to the poor state of the entire economy. It has been affected by the worsening moral-ethical atmosphere of the public, numerous abuses, poor organization and improper selection of developmental directions of construction, and mistaken investment decisions in this field. At present, the development of general construction is hampered most by material shortages. There is a shortage of all building materials. In multifamily housing construction the increase in output is hampered must by shortages of cement, reinforcement steel, and heat-insulating materials.

3. Housing construction based on large-sized prefabricated components, including large panels, should be continued for the next few years, because there is no other choice and the so-called offsite housing construction factories, built at great expense, have to be at least partially utilized. This type of construction, however, displays various major shortcomings and defects which must be urgently eliminated so as to avoid a still deeper crisis and total impasse in the future.

4. Housing construction based on large-sized prefabricated components, especially large panels, should not be further developed in view of its highly material- and energy-intensive nature, high cost, and, especially, the material problems, especially the cement problem.

5. To build more housing, priority should be given to expanding and modernizing the building-materials industry, including the great neglected construction-ceramics industry and other industries producing materials needed by construction.

6. The increase in urban housing stock is primarily achievable through single-family housing construction, which should be developed in the form of low-cost, two-floor row (segment) houses. Here priority should be given to private housing built by cooperatives, although cooperative apartment buildings and housing for plant workers should also be developed.

7. The construction of single-family housing for workers may be handled by state enterprises, cooperatives, labor establishments and associations of private residents with the aid of cooperatives or labor establishments. What is important is that communities of single-family houses for workers be built efficiently and rapidly.

8. The state should give preference to this type of housing construction by providing it with every kind of assistance such as the supply of the needed building materials and equipment and financial and technical assistance.

9. Priority in deliveries of building materials should be given to rural construction, which also should be provided with technical and financial assistance on a scale greater than previously.

10. The problem of providing urban and rural single-family housing communities with sewer systems and community sewage treatment plants should be solved.

11. It is high time to initiate the renovation of old housing stock on an appropriate scale. Capital repair of multifamily apartment buildings should also not be forgotten.

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INCREASED INVESTMENTS FOR CHEMICAL INDUSTRY DEVELOPMENT DISCUSSED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish Feb 81 pp 18-21

[Article by Mieczyslaw Lesz: "Investments and the Further Development of the Chemical Industry"]

[Text] The chemical industry is a source of progress for the entire national economy. The effect of the chemical industry on all the other branches of industry and activities of the national economy continues to grow. The chemical development of the national economy is one of the trends of technical and economic progress.

The significance of the chemical industry is based on the possibility of replacing natural materials such as natural fibers, metals, rubber and wood with chemical products. These products are often cheaper, easier to work and process and at times possess better user properties.

The chemical industry permits various economic activities to be intensified. One has only to mention the role in agriculture of chemical fertilizers, plant insecticides and chemical additives to fodder, the role of oxygen as a factor intensifying metallurgical processes, of acetylene in metal cutting and so forth.

That is why the chemical industry developed worldwide faster than other branches of industry. If the 1970 level is accepted as 100, then for the CEMA countries of Europe the index of industrial production for 1978 was 172 and for the chemical industry it was 203, for Western Europe it was 121 and 138 respectively, and for the United States it was 121 and 168. The share of the chemical industry in highly developed countries approaches and even exceeds 20 percent of the total value of industrial production (France, the FRG).

In Poland during the 1960-1976 period, the share of the chemical industry in industrial production increased from 5.5 percent in 1960 to 11.2 percent in 1976. Since that time, however, this share decreased to 10.8 percent in 1979.

The chemical industry was also treated unfairly in the allocation of investment funds and the processing capacity of the construction industry. As a result, the growth rate of outlays for the 1970-1978 period was 17.5 percent lower than the outlays for Polish industry as a whole. During this period, the chemical industry's production equipment increased at a slower rate than for the remaining industries, especially after 1975.

If the value of fixed assets in 1970 is set at 100, then their value in 1975 in fixed prices for industry as a whole was 158.9, and for the chemical industry (excluding fuels) it was 154.2. Although the difference in growth rate still was not too large (4.7 points), it increased greatly in the following years. In 1978, this index of the growth of value of fixed assets was 215.9 for industry as a whole and 192.9 for the chemical industry. Thus the difference in the growth rate of fixed assets is already 23 points.

As a result, among the European CEMA countries Poland was in last place in the amount of chemical production per resident. If the value of chemical production per resident in Poland is set at 1, then in Romania it was 2.03, in the GDR--1.94, in Bulgaria--1.68, and in the USSR and Czechoslovakia--over 1.63.

The underdevelopment of Poland's chemical industry is attested to by its position in the world regarding the production of the most important semifinished chemical products. With regard to industrial production, our country occupies 10th or 11th place in the world, but in the production of plastics, ethelyne and propylene it occupies 19th place, and for synthetic rubber, 15th place.

This is not an advantageous structure for the chemical industry. The structure of the world's chemical industry changed quite fundamentally over the last 10 years. The share of such organic products as plastics, synthetic fibers, rubber and products of small-scale chemical industry increased. In Poland's chemical industry these trends occurred in an unsatisfactory manner, and here and there regressions occurred, especially after 1975.

For example, during the 1970-1975 period, the share of plastics in total chemical industry value increased from 9.8 percent to 13.8 percent, but in the following years it fell to 13.3 percent. The share of dyes, a Polish export specialty, fell from 1.9 percent in 1970 to 1.5 percent in 1979, the share of paints and laquers decreased and so forth.

As a result, during the last few years the chemical industry has increasingly been unable to discharge its obligations to the national economy, the effect of which was to slow down the ongoing chemical-development processes and to weaken the foreign-trade balance regarding chemicals.

The Status of Investments in the Chemical Industry

The main reason the chemical industry is lagging is the extensive nonfulfillment of the 1976-1980 investment plan. Resources allocated in the plan for the needs of the chemical industry were shifted during the course of the plan's execution to other projects (the Katowice mill, the Polonez automobile, color TV and so forth).

During the five-year plan, the government passed six resolutions increasing the chemical industry's tasks and resources. They concerned increasing the export of pharmaceutical products, expanding co-production, expanding the tractor industry and the production of large-load-capacity vehicles (tires), and building a fertilizer factory in Police.

These resolutions established additional nonplan investment outlays amounting to 39 billion zlotys. Since the basic investment plan for the chemical industry

approved by the government amounted to 208.6 billion zlotys, the additional tasks represented 18.7 percent of the basic plan. All together, the sums of the basic plan and the additional tasks balanced out to 247.6 billion zlotys, including 101.7 billion zlotys for construction-assembly work.

However, in the annual plans these sums were reduced significantly. During the 1976-1977 period the annual outlays were in general in agreement with the allotments in the five-year plan, but as the years went by the annual allotment was decreased, and the difference relative to the five-year plan became increasingly greater. In 1978, it amounted to 11.2 billion zlotys, which represented 25 percent of the plan for that year; in 1979, it was 26.8 billion zlotys, which meant that the annual plan was reduced relative to the five-year plan allotment by two-fifths. The total sum for the annual plans was 189 billion zlotys, and the construction-assembly work plan specified 74.7 billion zlotys. But the actual sum realized at the end of 1980 was at most 187 billion zlotys and only 63 billion zlotys was realized for construction-assembly work, but at the same time costs increased greatly.

Thus the actual sums expended will be 76 percent of the overall goals, and only 62 percent of the construction-assembly work plans which determines the possibility of assembling machines. The value of construction-assembly work, which in 1975 reached 16 billion zlotys, has gradually decreased to the level of 9.7 billion zlotys in 1979.

The underrealization of the annual plans is the result of contractors not meeting their obligations, even for plants that are especially important to the national economy as, for example, the fertilizer factory in Police.

Very often contracting enterprises, already involved in developing a construction site, were withdrawn from work already in progress and directed to other construction sites having a higher priority as established by central economic authorities.

This frequently caused long delays in the scheduled completion dates of some of the most important investments. Some of them were not completed at all by the end of 1980 and will pass over, with delays, into the next five-year plan. The construction of the styrofoam division in Oswiecim is 50 months behind schedule; the epoxy resins plant in Sarszyn, 24 months; the rubber belts department in Wolbrom, 24 months. The caprolactum (an important semifinished product for synthetic rayon) factory in Pulawy was placed in operation after a delay of 21 months; the carbon disulfide factory in Grzybow, 17 months; the soda factory in Inowroclaw, 17 months; and so forth.

It is estimated that the total value of production lost as a result of investment delays for the 5-year period 1976-1980 was about 100 billion zlotys, including about 55 billion zlotys for 1980 alone. The effects are being felt in the production of finished chemical products as well as in the production of semifinished products, the raw-material base for finished chemical products.

Thus in 1980, in relation to the five-year plan there will be a deficit of 450,000 tons of nitrogeneous fertilizers and 100,000 tons of phospatic fertilizers in pure form; 63,000 tons of fodder phosphates, an important fodder component; 40,000 tons of carbon black; 50,000 tons of lacquer products; and 280,000 tons of plastics. There also will be a shortage of many semifinished products needed for the production of plastics, fibers, and tires. For example, relative to the five-year plan there

will be a deficit of 50,000 tons of rubber; 100,000 tons of styrene (plastic); 250,000 tons of benzene (fibers); 150,000 tons of methanol; and 60,000 tons of formalin (phenol plastic). Relative to the five-year plan, market supplies in 1980 were short by about 14.7 billion zlotys, and supplies for export by about 33 billion zlotys.

This state of affairs seriously affected the foreign-trade balance. The import of rubber and plastics exceeded the amount specified in the five-year plan, and the export of lacquers and chemical fertilizers decreased. The import of plastics alone is now approaching 200,000 tons annually despite the drastic limitations on the use of plastics.

Investments realized on the basis of self-repayment have become a serious problem. In most industrial ministries they were in principle proexport investments; that is why one-half of the contracted loans for them have not yet been repaid.

It is different in the chemical industry. Because of the inability to realize important investments any other way, plants associated with meeting the most urgent needs of the country, for example, tire factories and fertilizer plants, were included in these investments.

As a result of these facts and the overall delays in investments, the chemical industry paid back only a small part of its debt despite the fact that a portion of funds derived from other projects that were not constructed on a credit basis was designated for this purpose.

In developing the chemical industry, complimentariness of investments is very important so that flowlines (which are often long and complicated) not be disrupted. In many instances the principle of complimentariness was not respected. It seems that enterprises producing raw materials were at times idle for long times because plants scheduled to use the raw materials were not finished on time, or product-finishing plants scheduled to receive raw materials were finished ahead of time (for example, as a result of not completing a construction-assembly work program, an example of this is the polyethelyne installation in Plock which was idle for this reason for 2 years).

Now we will discuss some of the most urgent chemical industry investments associated with complex economic problems.

Chemicals for Agriculture

In 1976, in Poland about 193 kg of pure fertilizers were applied per hectare of cropland. In the years that followed, it decreased slightly, down to 189 kg in 1979. But this was much less than the amount of fertilizers applied in the other socialist countries of Europe. In 1977, it was 262 kg/ha in the GDR, 236 in Czechoslovakia and 221 in Hungary.

If we want to increase yields considerably, we must achieve 230-250 kg/ha in 1985 and about 280 kg/ha in 1990 independent of the fact that fertilizers are not yet used effectively in Poland. The relationship in Poland of four-grain yield to fertilization for the 1979-1976 period is given by the equation:

$$\text{Yield in q/ha} = 29.8 \log .00448 \text{ (fertilizer applied in kg/ha)}$$

It is a curve diminishing the effect of the upside protrusion. This means that the marginal growth effect for each additional unit of fertilizer applied is less with a large dose than with a small one.

Over the past several years, private farms in Poland have received fertilizers at the 159 kg/ha level as opposed to over 310 kg/ha for the state farms [PGR]. If some of the fertilizers now being delivered to state farms were transferred to private farms, a significant increase in yield could be obtained.

Furthermore, if the state farm amount were to be inserted into the yield equation--which was verified for the whole country for a 7-year period--that we could expect a four-grain yield of 43 q/ha. During that time period, in their best year the four-grain yield for the state farms was 34.1 q/ha.

This means that we must continue to strive for greater effectiveness of applied fertilizers and for increased applications of fertilizers. To meet these goals, it is necessary to complete the construction of the complex of fertilizer plants in Police and to expand the nitrogeneous fertilizers factory in Wloclawek during the 1981-1985 period. To increase further the production of nitrogeneous fertilizers, additional investments should be made in the next 5-year period.

An important problem is to increase by 50 percent the supplies of plant insecticides, especially herbicides, because increased application of fertilizers also stimulates weed growth. Since 1975, plant insecticide supplies decreased from 59,900 to 44,400 tons, and herbicides from 16,800 to 14,300 tons. This trend must be reversed decisively, and investments in this area must be undertaken with utmost speed.

Another extremely important problem is increasing the supplies to phosphate compounds used as additives to fodder since they greatly increase the effectiveness of the feeder process. None of the decisions and resolutions in this area have been implemented. About 30,000 tons of fodder phosphates are now being produced, but the resolutions of the 15th Plenum of the PZPR Central Committee projected 100,000 for 1980 (the demand is about 130,000 tons in terms of pure components). To achieve this, a plant costing about 1 billion zlotys should be built, possibly in Gdansk because phosphate supplies are shipped in.

Plastics

The worldwide demand for plastics continues to grow. One ton of plastics replaces 6-8 tons of steel, 8-12 tons of lead and 2-3 tons of aluminum. Plastics are easier to process than metals (injection). Thus plastics are being used more extensively in construction, agriculture, the automobile industry, electrical engineering, the furniture industry, packaging and so forth.

The situation regarding the production and use of plastics in Poland is bad, and in the last several years it has become outright catastrophic. In 1970, Poland with its production of 6.9 kg/resident led Hungary and Yugoslavia. In 1978, the index of production per resident was 19.9 kg for Hungary and 13.6 for Yugoslavia, but in Poland it was only 13.5. In the 1970-1975 period, plastics production increased 88 percent in Poland but only 11.8 percent in the 1975-1979 period. In 1975, Czechoslovakia produced almost as much plastics as Poland--about 420,000 tons annually (which was twice as much more per Czechoslovak resident). In 1978, however, Czechos-

lovakia produced 810,000 tons of plastics (53.8 kg/resident) while Poland's production increased to only 467,000 tons (13.5 kg/resident).

In this manner, the gap that divides us from the highly developed countries has still been increasing, especially if one considers that the production of plastics in 1979 did not increase and even decreased slightly (energy disruptions). As a result of such a turnaround, plastics that were once exported are now imported, for example, polyvinylchloride.

Poland is probably the only country in the world which has regulations limiting the use of plastics, that is, a list was prepared of articles in which the use of plastics is not allowed.

In 1980, the production of plastics increased somewhat as a result of initiating the production of polyethylene in Plock. The production of polyvinylchloride will probably begin in 1981 in Wloclawek. This will bring 1982 plastics production to about 780,000 tons. But at that time all possibilities for a raw-materials base for plastics will be exhausted. To expand this base for future years, it is essential to build after 1982 a new pirolysis plant for gases and benzene and a new carbide plant--in case it is not possible to increase oil imports--for example, three 60-MW furnaces which would make it possible to produce another 100,000 tons of polyvinylchloride annually and about 110,000 tons of other plastics (vinyl acetate, acrylate, derivatives of 1.4 butanedial).

Poland has a well developed scientific-research base for some specialty plastics. Since their production base for the most part consists of plants in Tarnow, their commercial names begin with "tar," for example, there is tarflen and tarnamid, and for those not produced in Tarnow there are polycarbonates and epoxies. These plastics, the demand for which amounts to only several or at the most tens of thousands of tons, have varied applications such as machine parts with high mechanical strength, plastics highly resistant to strong chemical environments, plastics for anti-corrosion coatings, translucent and electroinculating plastics, lacquers, adhesives and putties.

To expand this production--now at the pilot-level stage--appropriate investments must be made, especially in the nitrogen plants in Tarnow and the chemical plants in Bydgoszcz and Sarszyn.

All of these named specialty plastics are good export articles. Their production should double or triple within a 5-year period.

The Small-Scale Chemical Industry

Today the production value of the small-scale chemical industry is almost one-third the total value of all chemical production. The small-scale chemical industry has incurred very few deficits for the national economy. During the 1975-1977 period, the small-scale chemical industry branch produced 29.5 percent of the total production value, but it used only 11 percent of the investment funds, 9.9 percent of the coal, 0.4 percent of the natural gas and 4.7 percent of the electric power. At the same time, the small-scale chemical industry branch provided 34.7 percent in the chemical industry's total accumulation.

Above all, the small-scale chemical industry supplies all kinds of auxiliary agents for softening plastics, for giving special finishes to fibers (nonshrink, nonwrinkle and so forth) and for rubbers and gums. Small-scale chemical industry products include detergents and cosmetics, which today occupy an important position in the chemical trade. It also includes photochemical materials and magnetic tapes. To a great extent, demand for these articles is satisfied by imports. Finally, it includes adhesives and dyes, our export specialty.

Investments associated with the development of the small-scale chemical industry are scattered all over the country because they are often linked only with a department of a production plant of a relatively large combine. About 28 billion zlotys should be allocated for these investments for the 1981-1985 period.

A separate problem in the area of small-scale chemicals is the production of medicines (pharmaceuticals). During the last 8 years the value of produced pharmaceuticals increased 2.2 times, achieving a value of 25.4 billion zlotys in 1978 which permitted a significant increase in exports. Nevertheless, the pharmaceutical industry is an object of criticism by the public because it is not able to satisfy the country's demands. Poland's pharmaceutical industry meets 82 percent of its demand, the remaining 18 percent is satisfied by imports. Over one-third of its production is designated for export, which represents one-sixth of all chemical industry exports. The pharmaceutical industry manufactures about 1,200 different medicines; nonetheless the shortage of a number of specifics is apparent, even those manufactured in Poland (in insufficient quantities, for example, M tablets).

It should be emphasized that the industry has an outstanding scientific-research base which also involves the higher schools. In particular such specifics as antiasthmatics, vitamin B6, antiphlogistic and antiallergic ointments, and so forth have been developed and marketed for the past several years. Some of these medicines are already being exported.

The pharmaceutical industry is characterized by its low capital intensiveness, 0.7 zlotys/zloty, and an increased production of about 60 percent will require investment outlays on the order of 22 billion zlotys during the 1981-1985 period.

Renovation Investments

Renovation investments are a separate general problem. It is not only a chemical industry problem. Since the time when all of a plant's amortization funds were taken away in order to centralize them, there has been a lack of renovation investment funds throughout Poland's industry.

For the chemical industry, this is especially ominous because operations in the active centers are such that equipment depreciates very quickly. For many years now, for the entire chemical industry (which has over 320 billion zlotys of fixed assets, including 167 billion zlotys for machinery and equipment) barely 1.7 billion zlotys have been allocated for this purpose. If it is assumed that these funds are used only to replace machinery and equipment, then this means that one-hundreth of the owned equipment is replaced annually.

Already such a state of affairs is producing very bad effects. The failure rate of equipment is increasing dangerously. In 1975, production losses resulting from

failures amounted to 323 million zlotys, but in 1978 it already was 1,704,000,000 zlotys, a fivefold increase in a 4-year period. It has come to the point that the operating indices for equipment are deteriorating as a result of depreciation. For example, installations exist in which the energy used per unit production is higher than it was even several years ago (carbide, viscose rayon).

Several independent institutions have conducted analyses of funds needed to replace fixed assets. The estimates vary from 3.9 to 4.0 billion zlotys annually. All calculations indicate that about 40 percent of current depreciation charges should remain with the production plant so that worn out equipment could be replaced on time.

The chemical industry is encountering two serious barriers in its repair and replacement-modernization investment activities, they are: the weakness of Poland's production base for chemical machinery and equipment, and the weakness of Poland's construction-assembly contracting operations. Recently, to improve the situation in this area, the government passed a resolution transferring a portion of the construction industry's potential from the Ministry of Construction and Construction Materials Industry to the Ministry of the Chemical Industry and also obligating the heavy machinery industry to manufacture each year a specified number of chemical machines and equipment independently of the chemical industries own expansion of its production facilities.

Over the past several years, the chemical industry had been seriously neglected, which has already caused serious economic damage. A solution to this problem is to increase investment outlays for the industry such as to accelerate its growth rate relative to those industries that were favored during the 1976-1980 period (steel mills, machine industry). The trends of these investments have been outlined in this article.

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14 September 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2173

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14 September 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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PROBLEMS OF LABOR FORCE REALLOCATION, RESTRUCTURING DISCUSSED

East Berlin TRIBUENE in German 29 May 81 p 5

[Interview by Manfred Strzeletz with Prof Dr Otto Reinhold, member, SED Central Committee; rector, SED Central Committee's Academy of Social Sciences: "An Altogether Very Courageous Resolution; Or, What Is New About a Supposedly Old Story--Continuation of the Main Task Is the Best Demonstration of the Continuity of SED Policy"]

> [Text] Only a few weeks ago, on 21 April, we commemorated the 35th anniversary of the existence of the Socialist Unity Party of Germany, the party of the German working class, which had put together a program document with the goal of establishing a socialist social order. A unified revolutionary process followed, during which the transition was made from the antifascist-democratic upheaval to the socialist revolution. At the present time we are shaping in our republic a developed socialist society and in this manner we are creating fundamental prerequisites for the gradual transition to communism. This strategy was continued by the 10th SED Congress; it will require our attention during the next few years. Continuity and consistence for 35 years since the establishment of the SED, clear goals for the future course. The last item, in particular, was the topic of our discussion with Prof Dr Otto Reinhold, member of the SED Central Committee and delegate at the 10th SED Congress.

[Question] The 10th SED Congress was able to present an outstanding balance of our development. What are the reasons for the good results of the second half of the 1970's, in other words, the period between the Ninth and the 10th SED Congress?

[Answer] If we wanted to use a common denominator for everything, we might say that at the end of the 1970's and the beginning of the 1980's we succeeded in making better use of the advantages, the possibilities and the motivating forces of socialism. But let us look at some of the details. The SED and the workers were working together to prepare a clear concept for overcoming new problems.

They succeeded in getting our entire society ready to deal with scientific-technical progress and the necessary increase in effectiveness.

Because of the situation that had emerged at the end of the 1970's, the enemies of socialism speculated that it would not be possible to continue the policy of the main task, the unity of economic and social policies. Indeed, it was not easy to make a decision. Nevertheless, our party developed another concept for dealing with these speculations, which was not to give in but accept the challenge to formulate the necessary terms and new tasks and to fight for their fulfillment.

[Question] But what are the prerequisites?

[Answer] We have at our disposal vast intellectual and material capacities, we possess a significant educational and scientific potential, a capable material-technical base. Another contributing factor is the close cooperation with the Soviet Union and the other socialist countries. All these things, if they are used properly, turn into a source of great capabilities and significant economic growth.

Of no less importance is the fact that during the 1970's workers found out that any increase in productivity does in one way or another improve their working and living conditions, that good work benefits the worker himself. By building on this concept, we succeeded in developing an extensive mass initiative to concentrate competition on those areas that today are the greatest source of increased productivity. In the process, labor union activities played an extraordinarily big role.

[Question] What are the characteristics of the continuing policies of the party?

[Answer] They are evident in the resolution of the 10th SED Congress, which states that the policies of the main task are to be continued during the 1980's as well. Some will be saying that this has been done for years. But that is only partially true. The new element, and we can certainly call it a courageous endeavor, consists of continuing these policies in spite of big changes. For that reason, I think, this resolution is not of any less strategic significance than the one that was made during the Eighth SED Congress and which dealt with the transition to the policies of the main task or the resolutions of the Ninth SED Congress which were incorporated in the SED program. Of course, this continuation is only possible if, from time to time, new conditions are considered and overcome.

[Question] What are some of the major changes?

[Answer] Essentially, extensive growth conditions in our republic have been exhausted; from now on quantitative growth is only possible by using qualitative growth factors. On the outside, the international situation has become more tense; furthermore, we were also affected by changes on the world market, above all, high prices for raw materials and fuel. Thanks to our concept, however, we will be able to overcome the problems that lie before us and continue to follow the policies of our main task.

[Question] Is there not a certain risk involved for the party?

[Answer] That may be so, but what policy is without risk? Anyway, scientific analyses as well as worker activities have shown that it is possible to overcome problems. Nevertheless, the SED never left any doubt that the demands placed on society and the individual are high, that the problems that will have to be solved are complicated and difficult. At the same time, however, the SED is also convinced that we have the ability for it.

[Question] According to information released during the party congress, the GDR succeeded in achieving a dynamic increase in economic productivity. It occurred in spite of the current economic conditions in the world, many of which have been unfavorable for us for some time. At what price did we accomplish this?

[Answer] There were and are changes that are unfavorable, but there are also those that are favorable for us. We created for ourselves an efficient material-technical foundation, an extensive scientific potential. Our capabilities increased to use them more efficiently. The problem is that we have to use the favorable conditions in such a manner that we can compensate for unfavorable changes. The results of party congress preparations show and the resolutions of the party congress come to the conclusion that these opportunities must be fully utilized.

We need an annual increase in the national income of approximately 5 to 5.5 percent. But we can no longer achieve this quantitative growth through additional raw materials, energy and labor but only through more efficient use of qualitative factors. Many combines and enterprises have already done this as proof that it can be done.

[Question] During the last 5 years, however, we have also reduced some of our production targets. Does that mean that we had to retrench after all?

[Answer] In some areas we actually did reduce our goals. To give you an example: Originally we wanted to import and process more petroleum than is presently proposed in our five-year plan. To be sure, we are producing more by refining our current stockpiles to a higher degree and by splitting petroleum more profoundly. It also demonstrates our energy policy which seeks to replace expensive petroleum wherever possible with domestic raw materials--brown coal. Similar things are taking place in other areas of our economy.

This strategy causes a significant change in the structure of our economy. Microelectronics, computer and robotics technology were developed to a much greater extent than had been planned, other areas were reduced. But also within the individual areas there will be many changes. Chemistry, for instance, has to date been primarily concerned with the lower processing steps of chemical products. Now we are establishing a course which will be directed at refining the products to a considerably higher degree and, as a consequence, the structure of the chemical industry will be changed. On one hand we are accelerating development, on the other hand we are reducing it. As a matter of fact, there are even cuts. If you wish, it is the process we are using to adapt ourselves to changing conditions that develop.

[Question] The leading role of the SED was apparent during the party congress, which established the goals for future years. But how can it be realized during an ordinary working day?

[Answer] Certainly, the preparation of an appropriate strategy is a crucial element of the leading role of the party. It is of no value, however, until the effort succeeds to convince everybody of its rightfulness and win them for its realization. It is therefore a decisive matter to draw the appropriate conclusions in enterprises and combines. In this respect tremendous work has been done by the SED in conjunction with labor unions and other social organizations. Important measures had already been taken during the preparation for the party congress. A characteristic example was the formation and reorganization of combines and the fact that they were given greater responsibility for the reproduction process in their areas.

The goal is that every combine creates a clear concept for its area. It is not possible without comprehensive democratic discussion on socialist competition, the renewal movement and other measures that create the prerequisites for participation by everybody in one form or another in order to realize this concept.

[Question] Competition is unequivocally concerned with hard economic goals. In what way, however, is it also related to consciousness?

[Answer] These hard economic goals can only be achieved if prerequisites are established in other areas of social life and other social processes. One of the most important ones is the development of consciousness. I would only like to point out a few facts:

The party congress clearly established that economic growth is absolutely necessary, but it also stated why. It is necessary for many measures in the area of social policies, the increase in the material and intellectual standard of life. Essentially it is an ideological question.

Our strategy takes for granted that everybody cooperates actively and creatively, but that requires the right attitude about work. An excavator from Senftenberg spoke during the party congress. The equipment which he operates costs M 46 million. Anyway, whether he uses the excavating machine effectively depends essentially on his attitude toward his work, his consciousness. The party congress emphasized the importance of science and technology. The relationship to science, to scientists becomes the central question, and it depends on consciousness too.

[Question] Putting scientific-technical progress into practice is in many respects not without problems, right?

[Answer] Quite aside from the fact that a clear concept is necessary, that a firm alliance between the working class and the intelligentsia is important, the use of new technologies, procedures, of microelectronics, robots and other factors demands that outdated techniques and technologies be eliminated and old habits be discarded. Many old ways are deeply rooted and tough. To combat them requires courage, steadfastness and a high level of consciousness.

Finally, it must be made clear that the achievement of our goals carries enormous international weight and contributes to the political and social stability of the GDR which, in turn, is of utmost significance on the borders of NATO. At any rate, it is also an important ideological question. Without any reservations, it can certainly be said that higher economic tasks can only be mastered if the effort is combined with a higher level of consciousness.

[Question] During the party congress there was much praise for the work and effectiveness of labor unions. Special recognition was given to the ideological work. What will be the responsibilities of the Free German Labor Union Federation during the 1980's?

[Answer] It was said that preparations for the 10th SED Congress represented the biggest mass initiative in the history of the GDR, and the Free German Labor Union Federation made a decisive contribution. With respect to the ideological demands of the 1980's, I believe that these questions will move into the foreground. First of all, it must be made clear that life can only continue to improve and the policies of the main task can only be realized through work, through increased productivity in industry, through improved efficiency.

It must be recognized that scientific-technical progress is the most important source for increasing productivity. Certainly, any kind of improvement of work is important; nevertheless, during the 1980's it will be necessary to introduce fundamental changes. For instance, we want to install between 40,000 and 45,000 robots and use microelectronics extensively. In my opinion it is of primary importance that it is clearly understood that the solution of these tasks represents a decisive prerequisite for the continuation of the main task.

Second: Scientific-technical progress in the GDR does not mean unemployment or social conflicts. That does not mean, however, that there are no social problems connected with it. Microelectronics, for instance, will in many areas create changes in work content and the manner and characteristics of work. There will be new demands on technological discipline and quality. The release of workers could require a change from one collective to another or even a transfer to another plant. Considerable effort is required to solve these problems in a manner that is consistent with socialism.

Finally, third: Bourgeois ideologists are spreading the idea that the world of rationality--as produced by scientific-technical progress--requires certain compensations provided by something irrational, religiousness or similar things. Naturally, as Marxist-Leninists we reject this view. Nevertheless, we can only meet the high demands made on us by scientific-technical progress if the intellectual-cultural level is raised simultaneously, which is possible through efforts in many areas; the more the scientific-technical development advances, the more weight this realm will carry in our lives and, in my opinion, it will also add another focal point to the activities of labor unions.

[Question] During the 10th SED Congress discussion also touched on the fact that social progress is becoming more and more dependent on the mastery of science. Does this not make it necessary to lend more weight to the steadily increasing importance of the intelligentsia in addition to the working class?

[Answer] First of all, it has to be acknowledged that the proportion and the importance of the intelligentsia is increasing. At the present time, 185 out of 1,000 GDR citizens graduated from college or a technical school. The proportion will increase during the next few years. In sociologic research we are already assuming that before the turn of the century approximately 25 percent of all employees will belong to the intelligentsia.

This does not mean, however, that the leading role of the working class will be diminished or reduced. There will be no changes in those factors that make the working class the leading force, their crucial position in production, for instance, or their connection with the party. But among these factors is always the alliance with the intelligentsia which, however, must be shaped in accordance with the conditions of scientific-technical progress. Nevertheless, one thing will certainly have to be taken into consideration, which is the fact that the largest percentage of the intelligentsia comes from the working class; either they themselves or their parents were workers.

The decisive aspect as far as we are concerned is the fact that the growth of the intelligentsia is related to a closer cooperation between the working class and the intelligentsia. It is caused by substantial changes in physical and mental work, by the fact that in many areas the proportion of mental work is increasing and heavy physical labor is being reduced. But also the work of the intelligentsia is changing; in many areas it is organizing production directly. Work places that were formerly reserved for laborers are today occupied by engineers and certified engineers. All these things lead to an ever increasing cooperation as well as a certain change-over of individual groups of the intelligentsia to the working class. The reverse process can also be expected in the near future. There are signs that a similar process is also beginning to take place in agriculture. These two processes create the prerequisites for the elimination of essential differences between the two groups, prerequisites for the gradual development of a classless society.

[Question] Is the qualification as a skilled worker still adequate to enter the 1980's with a good conscience?

[Answer] The skilled worker will certainly remain the central figure in our economy, but there will be considerable changes in the demands that will be placed on a skilled worker during the course of the 1980's. The skilled worker of 1985 will no longer be the same as the one at the end of the 1970's. Again I am referring to microelectronics. It changes many working conditions, it requires new approaches to certain technological processes. There has already been a great deal of discussion about the question whether changes should be made in our training of skilled laborers and the structures of skilled labor. The general view is that a change in the basic structure is not necessary, at least not during the next few years. The specific requirements of the individual will certainly change considerably. It is extraordinarily important to make preparations for these changes. We need workers who are very much involved in the adoption of new techniques. It requires a certain ideological attitude, the willingness to fight for these new things and to spread them to many areas.

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ROUNDTABLE DISCUSSION SUPPORTS DISSOLUTION OF LARGE ENTERPRISES

Budapest NEPSZABADSAG in Hungarian 2 Aug 81 p 5

[Roundtable discussion with Gyula Dianovszki, director of the Salgotarjan Iron Works and Stove Factory, Matyas Halbritter, chief engineer at the Gyor Cookie and Wafer Factory, Nandor Nemeslaki, director of the Aron Gabor Machine Factory, Mrs Kalman Tompos, vice director of the Kispest Textile Factory, and Janos Bokor, chief of main department at the Ministry of Finances and secretary of the interministerial committee. Our editorial office was represented by Katalin Bossanyi: "Of Autonomous Enterprises' First Experiences"]

[Text] What was the justification for dissolution? How are the conditions created for autonomous operation? Is it possible to swim in deep water without a life saver? These were the topics of our roundtable discussion.

They Are Not Afraid of Deep Water

[NEPSZABADSAG] In your own case, what was the justification for breaking away from the large enterprise? How did you find out about the decision and what did the workers think of this step?

[Dianovszki] We broke away from the Lampart Enamel Works and, I can say, to the satisfaction of all concerned. For this large enterprise was not held together by anything except its name. The factories had their autonomous profiles. We did not cooperate with each other. Nor did we enjoy the benefits of greater or faster development possibilities resulting from large enterprise organization. For the Enamel Works was a poor enterprise, always running after demands, always starting behind time with development projects. As an example, I will mention only our case. The development of coal firing furnaces and stoves will bear fruit at Salgotarjan only this year although, because of the well-known energy problems, this was needed already 2 or 3 years ago. We had and have conceptions to make up for the lag, we are not afraid of swimming in deep water. In the interests of the success of further organizational changes, I do not want to conceal that it was only last November that we learned that we could operate independently beginning with 1 January of this year. And this is very little time to make the necessary preparations for the change.

[Halbritter] The Hungarian Confectionary Industry broke up last year into autonomous enterprises on the basis of a central decision. At our place, the

reaction to the news was mixed, for our factory, founded in 1900, is so obsolete that actually the baking powder is the only thing holding together the aged buildings and production lines. Reconstruction has been postponed for years, only the manufacture of cikoria has been started. All of this is a huge disadvantage at the start. I support autonomy, however, for up until now we have only been able to blame the higherups if we disliked something; on the other hand, from now on it depends on us how to implement our ideas.

[Nemeslaki] We broke away from the United Incandescent where we transferred in the early 1970's from the ex Food Industrial Equipment and Machine Manufacturing Enterprise. The old traditional Aron Gabor Machine Factory was constantly being reorganized in the last few decades to the detriment of its traditional profile. No special justification was needed at this time for the break. The truth is that there were no good industrial policy arguments for the merger to begin with. And without trying to offend United Incandescent, I must mention that our inheritance is still rather meager: our profile is heterogeneous, most of it cannot be manufactured profitably. We were given the assignment to stand on our own feet independently. I am confident that we will succeed, for almost 130 years of traditions oblige us.

[Mrs Tompos] Earlier, the Kispest Textile Factory was an autonomous enterprise with an entire vertical profile, processing cotton into ready-to-wear outer garments, and I will not conceal that ever since 1962, when the Cotton Pressing Enterprise was established, many people questioned the economic and market benefits of the merger. The efforts to become autonomous were strengthened in 1978. The Cotton Pressing Enterprise was economically extremely weak at that time and even the central authorities began to urge for the problems to be solved faster through organizational changes, i.e., through the establishment of smaller and more flexible enterprises. The decision was postponed, however. The higher authorities were dealing only with the management of the large enterprise, so the preparation time allotted was not long enough for a thorough job; this put us in a very difficult position. We lost our self-confidence and evidently the management lost it too. At the end, we learned only on 22 December that we would be severing our ties with the Cotton Pressing Enterprise beginning in January.

[Bokor] One of the lessons of the organizational changes to be learned is that it is still unclear how much time is optimally needed between the times of the decision and the [actual] break for the preparation and information gathering. If too little time is given it is evident that the change, which is never without any problems, will be even more difficult; if the time is too long, an unnecessary undecisiveness will result. Indeed, there are instances where the waiting period of several months was used by the parent enterprise to "strip down" its factory unit even more and--because of self-justification or prestige?--to weaken the chances of becoming autonomous. However, in the case of Kispest Textile [Kistext], the point is not this. For it was instrumental in the postponement of decision making that the organizational inspection coincided with a more general economic reorganization of the large enterprise. However, the decision to sever ties was already made in the middle of last year. It is the earlier supervisory branch ministry's fault that the interested parties were not informed of this in time.

Various Cases of Getting Started

[NEPSZABADSAG] After the organizational decision is made, legal separation is relatively fast and simple. It is much more difficult to create the conditions for the everyday independent operation. How did you begin, and how did the central authorities and the parent enterprise help you?

[Dianovszki] Earlier, only our product developing apparatus was strong but we had absolutely no planning, pricing and marketing specialists needed for an independent operation. Fortunately, we were able to hire a young and highly trained economist for the position of economic director, and he was fast in organizing his small but efficient team. This might be decisive in our further development, for we would like to put our market policy and budget management on an entirely new basis. Up until now we did not even know at what price our products were commanding, we were not able to look into the large enterprise's marketing policies, and we did not know the reasons for the losses either. Now, however, we feel market factors directly. With regard to the parent enterprise, the division of assets took quite a long time, the final balance has just recently been finished. It is still unclear how the burden of paying interests on earlier loans should be divided. In these questions there are still quite a few points to be resolved.

[Halbritter] We should pay more attention to the fact that the initial chances of the enterprises are very different. Our grievance is that we were number one for years in the work-competition between the Hungarian Confectionary Industry's enterprises (this was the "substitute" for eigen-accounting and direct interest in profit), indeed, we even won it recently, but our development possibilities were not in proportion to our output. Now, on the other hand, we are standing in the middle of an expensive and unfinished investment project which we did not support to begin with. We wanted instead to increase our production of flour goods (cookies, wafers, tea biscuits, etc.) but we were not part of the decision making at that time. Because of sociopolitical reasons, our prices are low and we still do not have enough profits for both making the payments on previously and centrally obtained loans and finishing the investment project.

[Nemeslaki] In our opinion, too, the circumstances are more important than the division of assets. We can prove, for instance, that earlier Incandescent had sold half of the factory plant but it was not we who received the money and that it was the central office which received the revenues for work done by us. But since a foundry investment project is still in progress, we must carry all of its burdens. The profit sharing and investment costs are out of proportion--to our disadvantage. We want to build an autonomous enterprise organization the simplest way. We do not have any main departments, there will be no more hierarchical organization: the tasks, incentives and responsibilities will be tailor-made for each person.

[Mrs Tompos] From a legal and financial aspect, indeed, from the aspect of separating the quite complex production obligations and marketing relations, we were able to establish the necessary autonomy--and this is acknowledged even by outsiders. This is due mainly to the fact that the Cotton Pressing Enterprise

gave us an adequately experienced team of executives. A lot of good will and encouragement was demonstrated on the part of the central authorities. For instance, the bank gave us liquidity and bridging credit backing during the transition period and the well-balanced everyday management. It is a concern, however, that our loan application for our spinnery has not yet been approved. So much the more because our conception was supported by every authority, our loan application meets all national economic requirements and, in addition, its implementation would make it possible to obtain a significant amount of imported yarn. Actually, we did not ask for any special consideration, only for speedy approval. Now we are behind even our lagging original plans of transition. It seems that in our case the biggest problems are always protraction in decision making.

[Bokor] According to the decrees, those who have the assets and use the finished investment project must continue to pay back the loans. Let us look at it this way: this is the price of autonomy. Sharing always has problems and we must try to come up with rational compromises that are mutually acceptable. Everyone was prepared to deal with the possible initial tensions resulting from inherited problems and limited possibilities for development, although the latter is usually a problem even in enterprises which "stayed in one piece." The only question is whether the solution to these problems can be found faster in large enterprise organizations or whether it is precisely the autonomy that in time might find an efficient way to deal with them.

Higher Than Average Risk

[NEPSZABADSAG] Although very little time has passed since this new autonomy, it has been long enough to talk about the initial experiences and, based on them, about the stabilization of management, further objectives and the possibilities for competition.

[Dianovszki] We inherited significant losses from the Enamel Works and we have been able, already this year, to reduce these--just as a result of the collective's freed up energy. We will begin next year with a large-scale production of coal-firing furnaces and stoves. We will make 200,000 by 1985. At the same time, we are updating our other products and, where possible, we are going to meet the market [demands]. For instance, our planned domestic production for this year was decided by meeting with the domestic trade enterprises, asking them to fill out test forms and thus we could commit ourselves to a steady supply according to the demand of the various areas. Regarding our exports, this was the area where most of our losses have occurred. Not because our electric stoves are not up-to-date but because there were so many "middlemen" between us and the customer that the prices could not cover the costs. This is why we changed our strategy. In addition to the joint West German-Hungarian enterprise, we are searching for other marketing possibilities. Thus we hope that our export profits will increase and, as a result, our domestic profits will also increase without disregarding the regulations.

[Halbritter] Despite our great difficulties, our hope is not only external intervention. True, we have worked out--to be realistic six different versions--

our state loan application for the reconstruction of the production of flour products; it will be reviewed, no doubt, according to the national economy's capacity. Of course, in the meantime we are not just sitting and waiting. We are expanding the scope of our external cooperative and subcontracting partners. We are cooperating in packing with secondary cooperative industries and council enterprises, i.e., we are leasing them simple machines which are unprofitable to use within our factory but which can be used by them to make profit in confectionary production. Thus we will be able to increase our production this year by 12 to 13 percent. This will not eliminate but will at least reduce the lag.

[Nemeslaki] We began with "cleaning our profile." For we cannot go back to the times of "brass cannons." Our present foundry development plan creates an excellent basis for the elimination of unprofitable castings and the introduction of products for which there is a longer range demand. This is nothing else but the production of brake drums for passenger cars and trucks--which we have already started. This way we will not have a loss this year either. As to machine production, we are going to have only three profiles instead of the earlier mixed-up profiles; for instance, we signed a contract with the Machine Industry Technological Institute. We would make the prototypes of their designs here, and we will also offer to start mass production if there are buyers for them. In addition, we are expanding our primary contracting and repairing capacity, using the knowledge and enterprising spirit of our existing team. I think that the creation of a new and competitive profile at the renowned Aron Gabor entails higher-than-average risks but if we succeed, it will bring profits both for us and for the national economy.

[Mrs Tompos] We have worked out a 3-year stabilization program for the Sixth Five-Year Plan during which we want to eliminate, by ourselves, the inherited disadvantages. Part of this is the already mentioned credit application which is supposed to coordinate our vertical profiles. We want to increase our production flexibility and profitability through a rapid change of products, quality improvement and market research. We have a great need for this, since our area is perhaps the most competitive. In addition, our greatest "opponent" at home is our ex-parent enterprise, the Cotton Pressing Enterprise. Although we are turning out profits at present, they are very modest. We must change this. Our export profits are expected to increase within a short time through a better selection of capitalist exports and better market research. At home, we are going to change to smaller scale production and to the manufacture and faster service of a wider variety of textiles. These efforts make it possible for us to somewhat increase our profits.

[Bokor] The government established last year ar interministerial committee to modernize enterprise organization. So far we have analyzed the situation in 60 large management units and recommended organizational changes in 33 of them. Through the decentralization, 18 trusts and large enterprises will be dissolved and 123 new and autonomous enterprises will be established. The efforts of the four enterprises present here corroborate our experience--which, incidentally, we reported recently to the Council of Ministers--that the measures taken to modernize enterprise organizations proved to be right, the autonomous enterprises

are able to stand on their own feet. Indeed--and this has been demonstrated with several illustrative examples during our present talk--by breaking away from the large enterprises, they are proving to be much more flexible and initiative-taking by exploring their resources faster than expected and drawing dividends from their spirit of enterprise which up until now had been pushed into the background for various reasons.

I think it is also noteworthy that the Salgotarjan Iron Works and Stove Factory and the Aron Gabor Machine Factory were able to reduce their losses by themselves and in such a short time. Again, this corroborates our experience that the new autonomous enterprises' initial stabilization of management does not need special regulations and benefits. On the other hand, they may need help in the form of rewriting developmental credits and, in case of new investments, a more limited use of their own resources. However, this will require individual consideration. For it is evident that if we expect the enterprises to be more flexible, the central authorities must also be more flexible. On the other hand, I find it surprising that the parent enterprises are not giving more help to their "children" as they are taking their first independent steps. Indeed, we can sometimes see thwarting instead.

They Can Stand on Their Own Feet

[NEPSZABADSAG] We have just heard about respectable efforts (and we can see these at other enterprises as well) to cope with the ever stricter requirements of management. The chances of the brand-new autonomous enterprises are not diminished by the fact that they must learn how to swim in the deep water when--to remain with the analogy--there is a storm and when even those enterprises which have much more experience in management are crying for help?

[Bokor] I agree that whoever can show results in today's difficult world economic situation--be that an old autonomous enterprise or one which has just been "thrown into the deep water"--deserves respect and recognition. I do not believe, however, that the organizational changes cause further difficulties for the enterprises. On the contrary: the reason why the government decided now to change the organizational structure is the difficult economic situation when it expected precisely the more flexible and more market-oriented enterprise organizations to help ease the situation. The need for modernizing the enterprise and management organization has been apparent for some time, for it was clear that of the three most important elements of economic management (planning, regulation and organization), it was precisely the organization of some trusts and large enterprises which stood in the way of more up-to-date organizational methods. All of this played a key role in the fact that our economy has not always been able to respond to changes in the world market as rapidly as it would have been desirable. This is why the organizational revisions that began last year, such as the establishment of smaller and more flexible enterprises and the modernization of the existing large enterprises' internal organization must be a process, not just a one-time campaign. The same way as our methods of planning and regulation must be adapted to the changing situations, this is also true with regard to enterprise organizations. But both the management organs and the enterprises in question must play from now on a much larger role in this: they must show more initiative and a larger field of action.

9414
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EMPLOYERS' ROLE IN OCCUPATIONAL REHABILITATION REEXAMINED

Budapest FIGYELO in Hungarian 5 Aug 81 p 2

[Article by Dr Ilona Gere: "Rehabilitation. Good Intentions Are Not Enough"]

[Text] The goal of occupational rehabilitation is twofold: First, to create conditions under which people with altered capacity to work can be fully productive, thus enabling them as much as possible to view themselves as complete individuals when it comes to performing their jobs. Secondly, to do this in such a way so that their employment does not force us to give up efficiency, either. This is not an easy task, yet it is one which must be solved at all cost, especially now when our economy is faced with efficiency requirements which are even more demanding than before. This may have a significant effect on occupational rehabilitation-related demands, as well as on the activity itself. Under these circumstances we can hardly require our enterprises to live up to their obligations as determined in 1967, nor can we enforce this in the future without reexamining the matter and making the necessary corrections. This can only be done after all the new possibilities and potentials offered by the present course of our economic development have been fully explored.

It was, for the most part, the shortage of manpower which motivated the basic idea behind Decree No 1 of 1967 on rehabilitation, which assumed that enterprises needed to reemploy workers with altered capacity to work. During the extensive period of economic development the primary method used by enterprises trying to solve their manpower problems was to set up factory units and enterprise offices in the country. The question of modernizing internal manpower reserves--including workers with altered capacity to work--was never discussed in detail.

During the present, intensive period of economic development, however, when our fundamental interests dictate that we strive for efficiency, we must try hard to explore and effectively utilize our internal reserves. At first glance it may seem that this economic situation should have a definitely positive effect on the employment of people with altered capacity to work. This is because under the present circumstances enterprises cannot afford to employ their workers in ways which are not in full harmony with their abilities. Efficient personnel management, however, leads to new problems, for in certain areas it may create manpower surpluses. On the one hand, there is hope, that as a result of pressures for more efficient employment practices, those workers with limited

capacity to work who are presently on the payrolls can be employed in positions which are in accordance with their abilities, at the same time, however, their employment opportunities will gradually decrease. (Assuming that the orders presently in force will continue to remain in effect.)

In light of these facts, our most important task is to clarify the role of our enterprises in the area of rehabilitation work, that is, in the employment of workers with altered capacity to work. Is it realistic of us to expect efficient management--that is, maximum performance in addition optimum personnel management--of our enterprises, while at the same time demanding that they employ workers with altered capacity to work, reminding them of the humanitarian obligations of enterprise management?

The person who is unable to live up to the requirements of his original position following his illness or injury, yet is still able to perform on the same level with his healthy colleagues working in the same line of work, doing the same job in a different area of the enterprise--without requiring any changes to be made at all--starts out with the same chances as a healthy worker, as far as the enterprise's manpower management is concerned. (Here for the moment we are going to disregard certain attitude problems, such as unfounded prejudices toward all people with health handicaps.) In cases where the only way a person with limited capacity to work can achieve the performance level of his healthy colleagues is with the help of some kind of intervention (i.e., work-place adaptation, retraining, etc.), and where his rehabilitation is not conducted during the period he is on sick leave, or disability-pension leave, the enterprise must suffer the loss of idle time, meaning reduced or no performance. If this happens at a time when there is no manpower shortage and when healthy people are also applying for a given position, can we--knowing the efficiency requirements facing us--pass judgment over an enterprise which decides to select the healthy applicant? I feel that under such circumstances we should not leave the decision up to the humanitarian behavior of the enterprise, but instead we should try to find a format that would ensure the employment of workers with limited capacity to work. We need to examine what kind of incentives could be introduced to help us achieve this goal; whether there is even a basis for expecting such incentives to be effective, and if it is necessary at all to find ways to make their employment mandatory (i.e., by introducing a quota system).

Finally, there are those who even after going through the best possible rehabilitation program are unable to perform with full efficiency and on the same level with their healthy colleagues within the enterprise's sphere of activities. These include people who, while in a given field are capable of performing the same tasks as their healthy counterparts, are unable, for example, to work 8 hours straight through, or find the enterprise's work pace overly strenuous. In such cases enterprises are often forced to pay low wages, while the person is struggling to achieve results which are beyond his ability, or is constantly trying to catch up.

Under such circumstances it does not make much sense to try to force rehabilitation within the enterprises. Other solutions must be found to employ these people. Solutions which would enable them to continue performing socially useful

work, while their employers would not be constantly pressured by efficiency requirements. For we know that working places which employ large numbers of workers with highly diminished capacity to work are usually not profitable. But can we measure everything with the yardstick of efficiency? Shouldn't humanitarianism carry the same weight in our socialist society as efficient management? Isn't it inhumane and immoral to include these places among those enterprises and cooperatives which need to improve the efficiency of their management, thereby--as it has been shown in several instances--sentencing them to slow death?

One final thought: Can we be certain in all cases that it is the physiological characteristics of a person which make him unable to perform a given task? Isn't it possible that there are certain jobs that put pressures on the human body which even the healthiest person cannot endure without some damage? Who is responsible in such cases? Our society? The rate of our economic development? It is true that recently there has been a drop in the number of "classic" industrial accidents and work-related injuries, but couldn't we consider some of those who have become disabled due to excessive pressures victims of industrial accidents? Not to mention a whole line of irresponsible and inhumane acts which the "little guy" who is suffering their consequences could never prove the enterprise is responsible for (i.e., a decision by an enterprise to purchase an equipment which has the potential to cause acoustic trauma and not buy a noise filter for it to save money).

These problems give rise to a whole line of new questions (i.e., where does the responsibility of the individual end; where does the responsibility of the enterprise and our society begin; when and in what ways is an enterprise obligated to take care of its employees, etc.) on which we can no longer delay taking an unequivocal stand.

9379
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NEED FOR RATIONALITY IN ENERGY MANAGEMENT DISCUSSED

Budapest NEPSZABADSAG in Hungarian 6 Aug 81 p 3

[Article by Istvan Papp, chief of National Energy Management Authority: "A More Rational Energy Management"]

[Text] The external and internal conditions for the national economy's energy supply have changed significantly in the last decade. Among other things, the world market price of crude oil increased ten-fold, and the specific investment costs for energy development had a four or five-fold increase. At the same time, our domestic energy supplies can satisfy only about half of our energy needs. And since these can be increased very little because of our natural characteristics, our increased energy consumption can be satisfied only through imports which are more and more expensive and less and less available.

Consequently, an efficient use of energy is a basic econopolitical question. The burdens of energy supply can be diminished only if the rate of increase in the use of energy slows down and, as a result, energy consumption per each unit of national revenues decreases, and if, within that, the use of crude oil, the most expensive source of energy, is significantly decreased.

These objectives brought about significant changes in the requirements concerning energy management. For in the decades that were considered the age of cheap energy, our energy management was characterized by the fact that a continuous supply was the main concern, cost was deemed unimportant. At the same time, the 1973-1974 oil price explosion found us in a period (we were about half way through the implementation of a hydrocarbon program which had a late start in comparison with the developed nations) when crude oil played an increasing role in our economy. However, there was no intensive oil refining (such as cracking which yields gasoline and diesel fuel from heating fuel) and thus we used too much crude oil for fueling.

The Initial Steps

The most important task, then, was the correction of these proportions, in addition to the halting of waste and the introduction of a rational energy management. However, this process began later than it would have been desirable and the effects of the initial measures taken to rationalize energy management became apparent only in 1979. And although new trends began to unfold in 1980, these were still only the first steps.

The intensification of the favorable trends and the speeding-up of the process was served by the Sixth Five-Year Plan's government program of energy management which prescribed the conservation of energy in the amount that is equivalent to 1.5 million tons of crude oil, through an extensive exploration of the possibilities of conservation and through a guarantee for the necessary means.

According to the program, energy use may increase by an annual maximum of 2 percent with an average annual economic increase of 2.5 to 3 percent. Within that, the use of electricity may increase by 3.4 percent while the proportion of hydrocarbons must decrease by 5 percent. In practice, this means that there is a 0.7 percent increase in the use of energy for each unit of increase in national revenues. This corresponds with the trends in the developed industrial nations.

The implementation of the program has begun and experience shows that there are already significant results. This is also shown by this year's data on energy consumption. In the first 2 quarters, instead of an increase of 2 percent, we used 2 percent less energy than in the same period last year. Within this, we burned less crude oil and, in general, the use of crude oil and the number of products made from it decreased, and thus the imports decreased as well.

There were several factors that played a role in this. For example, industrial production did not increase as much as planned and the production structure has also changed somewhat. The industries with smaller energy needs increased their production while those with high energy needs, e.g., metallurgy, construction and the chemical industry, did not produce as much as planned. The first steps were taken in changing the structure of transportation. For example, the efficiency, and thus the proportion, of water transport has increased very rapidly. Energy use was also slowed down by the increase of the fuels' producer prices and the gasoline's consumer prices, by a mild winter, but the results of conservation and energy rationalization are also significant.

Examples To Follow

The enterprises and cooperatives took many measures to stop energy waste and to make energy management more rational. There have been many excellent initiatives taken in industry, for instance. Some enterprises began to work out the norms for the specific use of energy for energy-intensive products and technologies. The Danube Iron Works uses its own resources for the implementation of an energy rationalization project. The Hungarian Ship and Crane Factory is increasing the use of coal. The Magnesite Works is working out effective intensives to decrease energy use.

The agriculture reacted fast to the increase of fuel prices. Feed storage without drying is spreading and 29 farms are building burning equipment that uses agricultural by-products.

In addition to all of this, numerous enterprises started energy rationalization investment projects. In the first half of 1981, almost 4 billion forints worth of investments have been started at the enterprises and proposals worth about the same amount are on the drawing boards. All of this proves that the enterprises increasingly take the initiative, although at this time few proposals promise absolute energy conservation, there is more demand for state subsidy than planned and less

use of their own resources and credit. We must therefore have a stricter evaluation and selection of enterprise proposals.

The first steps in the implementation of the government program of energy management are, then, as a whole, favorable, although numerous other measures are needed for an extensive rational energy management. Considering, for example, that in 1978 we were still lagging behind the developed countries by 20 to 30 percent in the specific use of energy, there are many possibilities and tasks left in this area, which are, of course, different from industry to industry. For in the past years we have built several up-to-date and efficient factories. The cement factories using the so-called dry process, the olephine works, the PVC factory, the new aluminum oxide factories and the new artificial fertilizer plants are on a par with international standards even from the aspect of energy use. On the other hand, there is a lag in metallurgy where the unused resources that result from difficulties in marketing are hindering a more efficient specific use of energy that is too high to begin with.

A Many-Sided Task

The economy's energy-intensiveness, however, depends not only on the applied technology but also on the production structure. In many cases, we export goods that are processed very little and thus have a relatively high energy content. Such are, for instance, steel products that are rolled at high temperatures, the PVC powder, the ethylene, the aluminum block or the alfalfa flour. A further processing of these and the exporting of goods with a lower energy content could decrease the economy's energy-intensiveness.

The development of the background industry is among the possibilities that could indirectly decrease energy-intensiveness. The machine industry must play a larger role in making equipment and appliances that help saving energy. There is a need, for instance, for enough high-quality and efficient household appliances that are moderately priced, for this is the best way in which the population's use of energy can be influenced and at the same time the industry's export capacity would also be increased.

In addition to all of this--and we must come to the most important direct possibilities in energy conservation--the enterprises' energy management must be improved. It is a problem, for example, that although the enterprises have done much to make use of the obvious ways of energy conservation, the systematic examination of the losses has not reached the desirable level. We must give more support for the efforts of the enterprises, indeed, we must require these efforts, for this is the way in which we can lay the foundation for the exploration of new possibilities of rationalization.

The successful implementation of the government program of energy management and the development of a rational conservation thus requires continued efforts despite the favorable results achieved up until now. In addition to the concrete measures mentioned earlier, we must further intensify the unity of views and actions which was successfully served up to now even by the social organizations, among them the party organizations, the National Council of Trade Unions and the Federation of Technical and Scientific Associations.

9414
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NEW LAW ON COMMUNAL ECONOMY PUBLISHED

Bucharest BULETINUL OFICIAL in Romanian Part I No 48, 9 Jul 81 pp 1-15

/Law No 4 on the Communal Economy/

/Text/ On the basis of Article 57 of the Constitution of the Socialist Republic of Romania, we hereby sign and order to be published in BULETINUL OFICIAL Law No 4 of 1 July 1981 on the Communal Economy.

Nicolae Ceausescu
President of the Socialist Republic of Romania

Bucharest 9 July 1981

Law on the Communal Economy

The RCP Program for Construction of the Fully Developed Socialist Society and for Romania's Advance Toward Communism focuses the whole task of building the new order upon the welfare and happiness of the individual and the material and cultural progress of the entire people.

Proper distribution of the means of production throughout the nation, rapid growth of the productive forces, and rapid socioeconomic development of all urban and rural communities are giving the citizens increasingly good working, housing and living conditions.

The state allocates a large part of the national income to a series of socioeconomic measures for good management of communities and increasing satisfaction of the general working and living requirements of the residents of the cities and communes of Romania.

In keeping with the rate of the communities' development and the objectives of the Uniform National Plan for Romania's Socioeconomic Development, the communal economy must be constantly perfected according to the principles of workers self-management, economic-financial self-administration and self-financing. It is also necessary to provide for the most efficient use of material and financial resources, improvement and diversification of public services, and improvement of the communities' technical-municipal equipment.

All activity in connection with the communal economy is to be directly supervised by the people's councils, who are responsible for its proper organization and performance and for involving all citizens in the solution of the public problems in the affairs of every community.

It is the patriotic duty of all citizens as owners, producers and beneficiaries of the national wealth to take an active part in the self-government of the communities wherein they live and work and in the work on technical-municipal projects, and to make a real contribution according to law to the municipal development and embellishment of all municipalities, cities and communes.

For purposes of uniform legislation for conducting and improving the communal economy and heightening the responsibility of the people's councils, communal economy units, other socialist units and the citizens, the Grand National Assembly of Romania hereby ratifies the present law.

Section I: Basic Principles

Article 1. The communal economy is conducted according to the party's and state's policy of uniform socioeconomic development of the nation's communities for purposes of rational organization, modernization, embellishment and harmonious development of all communities as well as self-government, most effective use of material and financial resources, and exploitation of local resources to improve the citizens' working, housing and living conditions in accordance with the program for raising the public's living standard.

Article 2. All communal economy activity is conducted according to the provisions of the plan for regional socioeconomic development as an integral part of the Uniform National Plan for Romania's Socioeconomic Development, with strict observance of the legally approved studies, outlines and specifications of regional and community systematization.

Article 3. Depending on the urban or rural character of the community, its size, importance and prospects of development, and its particular socioeconomic conditions, the communal economy is organized and conducted differently as follows:

a. In Bucharest municipality;

b. In the county seats and other municipalities;

c. In cities;

d. In communes.

Article 4. Communal economy projects and other technical-municipal projects are implemented in stages according to the possibilities of the national economy and with the greatest possible use of local resources, economical use of the lands, and strict obervance of the buildable limits, in accordance with the programs for the communities' socioeconomic development and with an eye to gradual disappearance of the essential differences between city and village.

Article 5. The people's councils coordinate planning and correlated implementation of all municipal projects regardless of their beneficiaries or administrators, according to law and for purposes of uniform performance of technical-municipal operations, preservation and maintenance of existing equipment in operating condition, avoidance of repeated demolition and restoration of streets and sidewalks and other lines of communication and prevention of their deterioration.

Article 6. The people's councils are responsible for the management, direction and coordination of all communal economy operations in municipalities, cities and communes and provide for organization of those operations on the principles of workers' self-management, economic-financial self-administration, and self-financing.

For purposes of consistent application of the new economic-financial mechanism to the activity of the communal economy units, the people's councils are required to take measures on behalf of efficient management and use of the material and financial resources entrusted them, strict observance of the legally provided consumption norms, reduction of material inputs and elimination of losses (especially of energy, fuels and water), and steady growth of the local budgets' incomes from communal economy activity for purposes of complete coverage of the outlays essential to the efficiency of that activity.

The material and financial resources of the communal economy units are secured by performing profitable services and economic activities for the public and socialist units and by the citizens' participation in projects and payment of the legally provided fees.

Article 7. Communal economy activity is to provide, according to law, for the supply of drinking water, local transportation, heating of dwellings and social-cultural capacities, administration and maintenance of the state-owned housing reserve, public lighting, cleaning and maintenance of streets, other lines of communication and recreational green areas, environmental protection, recycling of reusable materials, and organization and development of other activities contributing to good service to the citizens within the respective community.

Article 8. In the performance of their functions in connection with the communal economy, the people's councils concentrate all their efforts on further strengthening ties with the citizens, encouraging their initiative and participation in work on roads, straightening riverbeds, consolidating banks, installing the water supply, sewerage, green areas and places of recreation, exploiting all local resources, and other projects contributing to the good management and embellishment of the communities.

Article 9. It is the duty of the residents of municipalities, cities and communes to contribute materially and in labor, according to law, to the construction, maintenance and repair of the technical-municipal facilities and other projects in the public interest and to control, according to law, the workers' performance of communal economy operations.

The people's councils are required to organize according to law the citizens assemblies where the mayors of the communes, cities and municipalities as well as the chairmen of the executive committtees of the county people's councils will submit for discussion the community development programs, reports on fulfillment of approved decisions, and measures for citizens' participation in the prompt and proper performance of municipal operations.

The people's councils organize collectives composed of workers, specialists in various activities, deputies and the best managers which, jointly with representatives of the socialist democracy and unity organizations and citizens committees, control application of the legal provisions to the communal economy.

[illegible] Organization and Responsibilities of Communal Economy Activities in Bucharest Municipality

Article 10. The following main communal economy activities are organized in Bucharest municipality, Romania's capital, in keeping with its political, social and economic importance:

a. Supply of the public and the socialist units with drinking and industrial water via the communal networks in a centralized system; sewerage and purification of used household waters and rainwater; long-range development of a modern water and sewerage network;

b. Public transportation by streetcars, trolley buses, buses and the metro, as well as transportation of freight and other goods for the public and socialist units;

c. Construction, modernization and maintenance of streets and other thoroughfares; long-range construction of a modern street and pedestrian network and a direct connection between the main residence districts, the central area, and the industrial districts;

d. Organization and rationalization of motor and pedestrian traffic; introduction of modern systems for directing traffic;

e. Heating dwellings and socioeconomic units by district heating and other heating systems; more productive exploitation of fuel and energy resources, and use of new energy sources;

f. Public lighting;

g. Administration and maintenance of the state-owned housing reserve;

h. Development of a complete network of services to the public and socialist units including laundries and chemical cleaning establishments, auto repairs, storage /coserit/, domestic services etc; further modernization of service units;

i. Clearing, collecting and exploiting street and household wastes; draining places with standing water; rat and insect control;

j. Environmental protection; combatting health hazards and other pollutants;

k. Maintenance of green areas, parks, public gardens, athletic fields, places of recreation and children's playgrounds; proper use of local lakes, and development of the rest and recreation centers in the vicinity of the capital according to the approved town-planning outlines;

l. Administration of the cemeteries and the crematory according to the legal regulations.

Article 11. The People's Council of Bucharest municipality is responsible for the proper organization and operation of the communal economy, the efficient use of all resources and installations used in that activity, and provision for communal economy services and operations of better quality, for which purposes it performs the following main functions:

a. It provides for the industrial and drinking water supply in a centralized system, adequate connections between various sources of supply, quality control of the water sources at the intakes from rivers, lakes and subterranean catchments, and organization of the pumping systems and intake stations to supply water in the higher quotas set for buildings and capacities, as well as rational use of the water sources and prevention of waste and losses in the feed, distribution and consumer networks.

b. It controls the industrial and other socialist units' fulfillment of their legal obligations to procure industrial water from their own sources, recycle it, and purify the used waters.

c. It organizes motor traffic by setting rationalized routes and maintaining mobility of transportation, with priorities on the industrial areas and improvement of traffic in the peak periods. It takes measures for rational operation of the motor park and other transport means for local use, improvement of its use coefficient, strict observance of the consumption norms, and improved occupational training of personnel. It maintains correlation of public transportation with interurban, rail and air transportation.

d. It provides for street maintenance and repairs and prompt restoration of deterioration for the proper flow of motor and pedestrian traffic, as well as modernization and construction of thoroughfares according to the provisions of the town-planning outlines and with priority on those to be traveled by public transportation. It determines the places for parking and public notices.

e. It provides for heating of dwellings and socioeconomic units through development of the district heating network, the most efficient use of the other heating systems, more productive exploitation of the energy resources, and use of new energy sources. It takes measures to automate the heating plants and stations, to operate them economically, to exploit the reusable heat sources from the industrial districts, to conform to the regulation inputs of energy and fuels, to make repairs and inspections in the summer months, to conserve fuel to be used in the cold months of the year, and to interest the tenants associations and citizens in the programs to conserve energy and fuels.

f. It takes steps to provide public lighting according to the legal provisions.

g. It takes measures for proper administration and maintenance of the housing reserve and controls the citizens' observance of the legal provisions on use of dwellings and the sanitation and cleanliness of the latter, the interior yards, and the walks and green spaces pertaining to the buildings. It is responsible for administration and performance of maintenance and repairs of the state housing reserve according to the legal provisions.

h. It provides for cleaning of streets, markets and other public places, snow removal, and organization of the system for collecting street and household wastes in standardized containers and transporting and storing them, and for sorting and exploiting the reusable material resources through specialized units and centers. It takes measures for mechanization of the sanitation operations.

i. It develops and diversifies small industry and services for the public and socialist units in the communal economy.

j. It takes the legally provided environmental protection measures, organizes actions with the citizens' extensive help for the maintenance and care of the green areas, parks, public gardens, athletic fields, places of recreation, childrens' playgrounds, grounds for growing trees and flowers, lakes and rest and recreation centers in the vicinity of the capital, and takes measures to develop them in strict conformity with the legally approved town-planning outlines and specifications.

k. It sets prices and rates for communal economy activities according to law.

l. It provides according to law for substantiation and implementation of investment projects in the communal economy for purposes of public use of the facilities essential to the industrial areas and districts and the housing units in their vicinity.

m. It determines the communal economy activities performed by the people's councils of the sectors of the municipality, encouraging their initiative in implementing effective communal economy actions.

n. It performs any other legally provided functions in connection with the communal economy.

The People's Council of Bucharest Municipality is fully responsible to the residents of the municipality for the proper organization and performance of the communal economy activities.

Section III: Organization and Performance of Communal Economy Activities in Counties, Municipalities, Cities and Communes

Part 1: County People's Councils' Role in Organizing and Implementing Communal Economy Activity

Article 12. The county people's councils are responsible for all communal economy activity performed in the municipalities, cities and communes within the county, and they are required to determine the measures necessary to implement technical-municipal projects and other communal economy activities in accordance with the town planning outlines and plans, allowing for the particular conditions, urban or rural character, size, importance and developmental prospects of the communities.

Article 13. The county people's councils initiate studies and programs to develop the communal economy in correlation with the territorial-administrative units' aims for socioeconomic development and sees that all communal economy activity is included in the plans for regional socioeconomic development.

Article 14. The county people's councils are required to distribute the material and other resources provided in the plan for the communal economy activity in every municipality, city and commune, in accordance with the approved consumption norms and standards, and to take the necessary measures to institute a strict regime of economy, to lower the regulation inputs of materials, fuels and energy, to use the material resources economically, and to place new material and energy resources in economic circulation.

Article 15. In the performance of communal economy activities the county people's councils are required to intensify the use of all local raw material, material and energy resources, with special emphasis upon:

a. Water supply, based on simple systems, from rivers, water tables and other nearby sources;

b. Use of local materials to maintain dwellings, roads, bridges and footbridges, to improve unhealthy lands, to regularize watercourses, and to build and maintain dikes for protection against floods;

c. Heating dwellings by use of combustible materials resulting from forest hygiene or wastes that cannot be effectively exploited otherwise and by use of new energy sources;

d. Development of efforts to collect and exploit reusable material resources.

Article 16. The county people's councils are responsible according to law for guidance and coordination of all service activity in every municipality, city and commune and for good organization of the service units, regardless of affiliation, for purposes of efficient use of the local labor force and material resources and proper satisfaction of the public's demands.

In the course of the programs to develop services to the public, the county people's councils are required to take steps to increase the volume of communal economy services and to expand their range, in such a way that the operations will be performed at the lowest possible costs and greater profits.

Article 17. The county people's councils are required to provide for formation of the financial resources needed to completely cover the communal economy outlays for each community by developing profitable activities, ensuring collection of the communal rates and fees, and using other legally provided resources.

The county people's councils are also required to control and check the execution of the communal economy units' budgets of incomes and outlays in accordance with the plan provisions, conformity to and reduction of their planned production and operating costs, efficient use of all their resources, and performance of profitable activities that will enhance the communal economy's contribution to the incomes due the local budget.

The county people's councils set prices and rates according to law for communal economy activities conducted within the counties.

Article 18. The county people's councils are responsible for the well-organized administration and maintenance of the housing reserve, control the municipal, city and communal people's councils' fulfillment of their obligations in that respect, and check the citizens' observance of the legal provisions on hygiene and cleanliness of dwellings, outbuildings, yards, premises and streets and sidewalks in front of buildings.

Article 19. The county people's councils are required to check and control the municipal, city and communal people's councils' provision for citizens' participation in the projects concerning proper management of the communities, as well as their strict observance of the legal provisions on exercise of workers control over the performance of communal economy activities.

Part 2: Organization of Communal Economy Activities in Municipalities, Cities and Communes

A. In Municipalities

Article 20. The following main communal economy activities are organized in municipalities according to the latter's socioeconomic importance, size and degree of development:

a. Supply of industrial and drinking water through the public network, development of the network of supply from nearby sources, and sewerage and purification of used household and industrial waters and rainwater;

b. Public passenger transportation and transportation of freight and other goods for the public within the community according to the legal provisions;

c. Construction and maintenance of streets and other lines of communication and their modernization, especially of the main thoroughfares;

d. Differentiated heating of dwellings and socioeconomic units by district heating, by other systems exploiting the local possibilities and the reusable energy resources, and by use of new energy sources;

e. Public lighting;

f. Administration and maintenance of the state-owned housing reserve;

g. Services including laundries and chemical cleaning establishments, auto repairs, public baths, storage /coserit/, domestic and other services to the public and socialist units;

h. Snow removal and community sanitation, including the citizens' involvement in collecting, transporting, storing, sorting and exploiting household and street wastes as reusable resources;

i. Environmental protection and control of health hazards and any pollutants;

j. Maintenance of parks, public gardens, other green areas, places of recreation and children's playgrounds;

k. Administration of cemeteries and crematories according to the legal regulations.

B. In Cities

Article 21. In cities communal economy activities are conducted in keeping with the existing technical-municipal facilities, the number of inhabitants, the local material potentials and the developmental prospects of the community.

Article 22. The following main communal economy activities are organized in cities:

a. Drinking water supply, especially by means of simple systems for catchment from nearby sources and construction of draw wells, wells and installations for intake from local sources and for treating the water at minimum cost;

b. Evacuation of household waters and rainwater through simple local systems and purification of same;

c. Transportation of passengers and freight and other goods for the public and socialist units, ordinarily in cities and health resorts with populations over 15,000. In the other cities and health resorts transportation may be organized according to the legal provisions by the county people's councils in the light of the distances of travel, the topography of the community and the locations of the economic capacities and residence districts.

d. Public lighting;

e. Administration and maintenance of the state-owned housing reserve;

f. Maintenance, modernization and construction of streets, bridges and footbridges, particularly with stonework and use of light coverings of local materials;

g. Maintenance of services and small industry for the public and socialist units, depending on the development and characteristics of the city;

h. Priority use of local resources to heat dwellings and other socioeconomic capacities;

i. Street cleaning, snow removal and other sanitation operations;

j. Collecting, sorting, storing and exploiting reusable material resources and street and household wastes;

k. Environmental protection, improvement of unhealthy lands and consolidation of the banks of bodies of water.

The residents regularly contribute materially and in labor to the performance of communal economy operations in cities.

C. In Communes

Article 23. Residents of communes in particular directly contribute their labor to the performance of communal economy activities. The main communal economy activities that are organized and conducted in communes are as follows:

a. Procurement of drinking water, usually from draw wells, wells and catchments from nearby springs, in accordance with the standards of hygiene and protection against pollutants; evacuation of rainwater through open channels and ditches, collection of used waters in septic tanks, and other such operations, with provision for safeguarding the quality of the water table;

b. Maintenance and repair of roads, bridges and footbridges, especially by stonework, earthworks and other operations using local materials; keeping roads clean, digging and deepening ditches, snow removal, and other sanitation operations;

c. Collecting, sorting and storing reusable material resources without interference with agricultural lands;

d. Heating with local resources, branches, brush and other remnants of forest hygiene, and the reusable material and energy resources from the agricultural mechanization units or other facilities in the area;

e. Provision for public lighting;

f. Disposal of household wastes by each household, including their use as fertilizer as the case may be;

g. Consolidation of dikes, banks of bodies of water, and other protections against floods; improvement of unhealthy lands, cleaning ditches, and projects to embellish the villages;

h. Installation of communal public baths and performance of other services to the public.

Part 3: Municipal, City and Communal People's Councils' Functions in the Communal Economy

A. Municipal and City People's Councils' Functions

Article 24. The municipal and city people's councils are responsible for all communal economy activity, for which purpose they perform mainly the following functions:

a. They provide for the drinking and industrial water supply, proper maintenance and operation of the installations, prevention of waste and losses in the water networks, and exploitation of new water sources in the nearest areas, since intakes over long distances are prohibited where water tables exist.

b. They take steps to maintain the installations for sewerage and purification of used waters.

c. They control the socialist units' fulfillment of their legal obligations to procure industrial water from their own sources, to recirculate it, and to purify the used waters.

d. They provide for improvement of the use coefficient of local transport means as well as their operation according to the legal provisions.

e. They take measures to maintain, modernize and construct streets and other lines of communication under their administration. They organize motor traffic by setting rationalized traffic routes and maintaining mobility of traffic. They determine the places for parking and public notices.

f. They take measures for heating dwellings and socioeconomic units and for preparation and supply of hot water to households within the consumption norms. They see to operation of existing heating systems to full capacity, conservation of energy and fuels, and use of new energy sources.

g. They take steps to provide public lighting according to the legal provisions.

h. They take measures according to law for administration and maintenance of the housing reserve and control citizens' observance of the standards of hygiene and

cleanliness of dwellings, outbuildings, yards and premises, as well as their fulfillment of their legal obligations as tenants.

i. They take measures to implement sanitation operations and to collect and exploit street and household wastes, to recover reusable materials and energy resources, to improve swampy lands, to drain standing waters, and to control rats and insects.

j. They develop and diversify small industry and services for the public and socialist units in the communal economy.

k. They take the legally provided environmental protection measures and organize actions with the citizens' extensive help to maintain and improve green areas and places of rest and recreation under the municipalities' and cities' administration, in strict conformity with the legally approved town-planning outlines and specifications.

l. They perform any other functions provided by law in the communal economy.

B. Communal People's Councils' Functions

Article 25. The communal people's councils organize, manage and coordinate all communal economy activities in the communities composing the communes, for which purpose:

a. They submit the programs and measures essential to the good management of the communes for discussion and approval in the citizens assemblies.

b. They take steps to encourage the residents of the communes to transport crushed rock, gravel and other materials with their draft animals and to perform operations of their own to maintain and repair roads, bridges and footbridges, to clear and restore ditches, to consolidate the banks of bodies of water, to maintain the dikes for protection against floods, and other such purposes.

c. They control all citizens' fulfillment of their legal obligations for proper maintenance of dwellings, outbuildings, yards and premises and their care, cleanliness and sanitation and for maintenance and cleaning of streets, roads and ditches.

d. Jointly with the health organs they control and enforce observance of the hygienic standards in maintenance of draw wells, wells and other sources of drinking water, deposit of household wastes, drainage of residual waters, and control of rats, insects and centers of infection.

e. They mobilize the residents for forest hygiene and cleaning operations, collection of branches, and removal of stumps and other timber remnants. They see that the resulting timber is distributed among the residents for use as fuel in proportion to the labor contributed by each.

f. They help the citizens to build simple installations for use of new energy sources (solar energy, wind power, biogas and the like) and use all waterfalls for purposes of building small hydroelectric power stations.

g. They take measures to interest the residents in projects for the embellishment and good management of the communities by means of intercommunal competitions.

h. They provide for discovery and use of local resources to implement communal economy activities.

i. They collaborate with the interurban transport units of the Ministry of Transportation and Telecommunications in organizing citizens' transportation to other communities.

j. They control the punctual performance of the approved communal economy operations. They report to the citizens assemblies on the performance of communal economy activities.

Section IV: Performance of Main Communal Economy Activities

Part 1: Water Supply and Sewerage

Article 26. In communities where water supply and sewerage networks are organized, the communal economy units provide for:

a. Operation of the installations for industrial and drinking water supply (catchment, treatment, pumping, transportation, storage and distribution of water) to meet the quantitative and qualitative requirements of the public and the socialist units by priority use of local sources and use of simple systems (draw wells, wells and catchments at springs);

b. Procurement of subterranean, river or lake water and evacuation of used waters and rainwater after purification, by adopting optimal technical-economic measures for use of the supply sources, the nearest intakes and the shortest routes;

c. Avoidance of water intakes from remote sources or under uneconomic conditions;

d. Care of the areas protecting catchments, treatment installations, cisterns, pumping stations, acqueducts and other special water supply constructions. They are legally responsible for the potability of the water.

e. Correlation of new projects for water supply and development of existing capacities with projects for sewerage and purification of used waters, as well as their simultaneous implementation; development of the networks for sewerage and distribution of drinking water with emphasis upon the requirements of new housing units;

f. Construction and operation of the installations and networks for collecting, transporting, purifying and evacuating used waters and rainwater, the local sewerage systems (drains, emergency ditches, septic tanks et al.), and the baths, swimming pools and other public installations.

Article 27. The public drinking water supply has priority over any other uses of water.

The executive committees of the county and Bucharest municipal people's councils may approve the use of drinking water for other purposes if there are surpluses above the public's drinking water requirement.

Article 28. In order to make proper use of the water, the communal economy units are responsible for:

a. Rational operation of the installations according to the planned quantitative and qualitative technological parameters;

b. Maintenance of the installations and the entire water supply system in a state of regular operation, as well as the system of sewerage and purification of used waters to prevent flooding of the streets and other lines of communication;

c. Elimination of losses in the distribution networks and of waste of water by consumers.

Article 29. In order to enforce the socialist units' legal obligations for water management, the communal economy units take measures for:

a. Complete fulfillment of the industrial units' legal obligations to procure industrial water from their own sources and to purify the used waters to be discharged into the public sewerage network;

b. Regular control over the way the socialist units connected to the public networks for drinking and industrial water supply perform their tasks of rational use of water received, reduction of water consumption through its repeated use, conformity to the approved discharges, replacement of drinking water with industrial water in the production process, use of their own water sources to full capacity, and maintenance of internal installations in perfect operating condition;

c. Regular control over the way units with their own water sources meeting the standards of potability maintain them in operating condition;

d. Prohibiting evacuation into the public sewerage network of used waters with pollutant discharges or concentrations of pollutants exceeding those permitted by the technical standards or specified in the contracts concluded for those services;

e. Collaboration with the units discharging used waters into the public sewerage network in the latter's studies, research, tests and preparation of plans to determine and produce the most efficient technologies, installations, equipment and apparatus to purify used and muddy waters.

Part 2. Local Passenger and Freight Transportation

Article 30. In communities with organized local transportation of passengers, materials and freight the local transport units:

a. Study and determine the transport requirements of the public and socialist units and constantly check the changes in those requirements in order to proportion the necessary vehicle park, the maintenance and repair stations, and the requirement for manpower and spare parts.

b. Determine the routes for streetcars, trolley buses and buses and prepare their schedules in correlation with the public's requirements for adequate travel.

c. Rationalize the use of public transport means by minimizing the number of stops, increasing speeds, ensuring regular and safe operation, reducing consumption of fuels and electric power, and tightening personnel discipline.

d. Monitor and control travel of the vehicles on the routes, taking prompt steps to repair defective vehicles and installations and to clear the routes.

Article 31. On behalf of rational and efficient operation of the transport means, the local transport units are responsible for:

a. Maintenance of the vehicles and auxiliary installations in proper technical condition and improvement of the use coefficient of the motor park;

b. Cleanliness and proper appearance of the vehicles;

c. Improvement of the self-charging system in the case of public passenger transport means and control of the application of that system;

d. Observance of the approved consumption norms for fuels, lubricants and electric power, conservation of same and elimination of any waste;

e. Adequate equipment of the maintenance and repair stations for the vehicles so that they can perform prompt and efficient maintenance and repair operations.

f. Improving the effectiveness of local transportation by more productive use of the material resources, optimal travel conditions, and reduction of operating costs.

Article 32. In order to tighten discipline in local transport operations, the units are required to provide personnel with proper working conditions and training, to improve their occupational qualifications, and to enforce order and safety in motor traffic.

Local transport personnel are required to make a positive contribution to fulfillment of all the units' tasks, to maintain proper and considerate behavior toward the citizens, to properly operate and maintain the transport means, installations and other equipment for which they are responsible, to strictly observe working hours, timetables and traffic regulations, and to help conserve fuels, lubricants and electric power.

Part 3: Production and Distribution of Thermal Energy

Article 33. In the communities wherein production and distribution of thermal energy are organized, the communal economy units provide for:

a. Distribution of thermal energy produced in the thermoelectric power plants under the Ministry of Electric Power and in the units under other ministries or people's councils in order to heat dwellings, social-cultural units and other consumer units and to prepare and supply hot water for households.

The socialist units and other juristic persons may construct, according to the legal provisions, thermal energy sources for their own consumption if the communal economy units cannot fully supply them with thermal energy.

b. Limitation of the power plants burning liquid fuel, greater productivity of the installations in the heating plants, elimination of defects in the maintenance and operation of the boilers and heating networks and stations, replacement of installations with high inputs, concentration of small power plants in large ones, and gradual conversion of power plants burning hydrocarbons to coal;

c. Optimal operation, with safety and high economic effectiveness, of the installations for production and distribution of thermal energy, in order to reduce the inputs of fuels and electric power and to conform to the legally approved consumption norms;

d. Rational operation of the installations for production and distribution of thermal energy according to the operating parameters and qualitative regulation of those parameters according to the outdoor temperature in order to secure the legally provided heating temperatures;

e. Greater productivity and modernization of equipment and installations for production of thermal energy, elimination of energy losses, conservation of fuel, and expanded use of solid fuels and other energy sources;

f. Strict observance of the fuel consumption norms set for heating dwellings and preparing hot water for households, with introduction of strict discipline and elimination of any kind of waste;

g. Formation of a fuel reserve for use in the winter months out of the savings below the consumption norms made in the warm seasons of the year by interesting the tenants and citizens associations in this program.

Article 34. The communal economy units are required to perform maintenance and repair operations on the power plants, heating stations and networks for distributing thermal energy during the summer months in order to obtain optimal productivity, reduce fuel inputs, eliminate any kind of waste, and strictly conform to the approved consumption norms and for the good service and supply of the public with thermal energy.

Article 35. The communal economy units are required to expand the system of individual heating with stoves and inferior local solid fuels as well as any other local systems exploiting such fuels.

Part 4: Administration and Maintenance of the State-Owned Housing Reserve

Article 36. The people's councils administrate the state-owned housing reserve through the specialized units under them according to the provisions of Law No 5 of 1973 on Administration of the Housing Reserve and Regulation of Relations Between Landlords and Tenants.

Article 37. As beneficiaries of dwellings in the state housing reserve, the citizens are required to strictly observe the legal provisions in force concerning administration of the housing reserve and regulation of the relations between landlords and tenants.

For proper maintenance and management of dwellings, the citizens are obligated:

a. To make proper use of the components of constructions and installations as well as parts of the building in common use and its outbuildings;

b. To perform maintenance and repair operations promptly and replace the components of constructions and installations according to the legal standards in force;

c. To preserve and maintain the cleanliness and hygiene of the dwellings, internal yards and green spaces belonging to the building;

d. To pay the specified rent regularly, as well as their quotas of the costs of maintenance and repair of the parts and installations of the building that are in common use and the other costs of use of the dwellings according to the legal provisions;

e. To observe the standards of socialist coexistence and to help prevent or settle any disputes about housing.

Nonfulfillment of the tenants' legal obligations concerning use of rented dwellings in the state housing reserve entails their eviction in the cases and circumstances specified by Law No 5 of 1973 on Administration of the Housing Reserve and Regulation of Relations Between Landlords and Tenants.

Article 38. For purposes of good management of the state-owned housing reserve under the people's councils' administration, the specialized units under them provide for:

a. Punctual and proper performance of maintenance and repair operations on the fronts of buildings, the outbuildings and the pertinent components of constructions and installations for which the said units are responsible according to the legal provisions;

b. Use of housing space for its purpose with observance of the legal standards in force;

c. Guidance and support of the tenants' associations in the activities in which they participate and in good management and maintenance of the dwellings and the parts and installations in common use, according to law.

Article 39. The people's councils are responsible for the good management of the housing reserve under their administration and are required to regularly control the specialized units' performance of their tasks in this connection according to law and to take the necessary measures.

The people's councils are also required to strictly enforce the standards of public hygiene and to control the citizens' maintenance of the hygiene and cleanliness of dwellings, yards, outbuildings, premises and streets and sidewalks in front of buildings.

Part 5: Public Lighting

Article 40. The communities' public lighting is provided on the basis of the contracts concluded between the people's councils and the units of the Ministry of Electric Power according to law and differently according to the category and importance of the community.

Article 41. The people's councils are required to control strict observance of the technical standards of public lighting as regards location of the lighting installations and their regulation intensity, and to take steps to provide public lighting economically and differently for the summer and winter months, with strict observance of the legally approved consumption norms for electric power and prevention of any kind of waste.

Article 42. The people's councils are required to control the rational use of the power networks for public lighting and the operations for their maintenance, repair and modernization, as well as those to maintain the appearance and performance of the installations.

Part 6: Maintenance, Modernization and Construction of Streets, Roads and Other Communication Lines and Organization of Motor Traffic

Article 43. In the course of maintenance, construction and modernization of streets and other lines of communication, the communal economy units see that the operations are performed in strict accordance with the town-planning outlines and the construction of new capacities, on the basis of the traffic studies.

The communal economy units are also required to detect defects in the street network and to repair them as soon as possible after they occur, and to make prudent use of the cash reserves, equipment, transport means, installations and materials by adopting economic measures and technologies that can be readily implemented and utilizing local materials as far as possible.

In organizing the workloads to perform operations for construction, modernization and maintenance of the street network, it is the responsibility of the communal economy units to adopt the necessary measures to avoid blocking motor traffic.

Article 44. In organizing motor traffic within communities, the communal economy units are required to arrange for:

a. Preparation, jointly with the specialized organs, of general traffic studies in correlation with the town-planning outlines of the communities and their stages of socioeconomic development;

b. Organization of motor traffic in communities on the basis of the general traffic studies in order to provide for rationalized traffic routes and the mobility and safety of the vehicles and pedestrians by means of road improvement projects, installations to direct traffic, road signs and markers, and other installations and improvements;

c. Procurement of the technical-material base and recruitment of the specialists needed to modernize, maintain and install traffic signals and to perform other operations essential to the mobility and safety of the motor traffic in communities;

d. Construction of installations to direct traffic, road signs and markers and their maintenance in perfect working condition; improvement and modernization of traffic signals and installation, maintenance and operation of parking lots;

e. Organization of vehicle parking in communities in lots installed for the purpose, on streets and in other public spaces on the terms set by the executive committees of the county and Bucharest municipal people's councils;

f. Circulation of the traffic regulations among the citizens.

Part 7: Community Sanitation

Article 45. For purposes of organizing community sanitation, the communal economy units provide for:

a. Cleaning public thoroughfares, collecting and transporting (at the time intervals and to the places designated by the executive committees and bureaus of the people's councils) street and household wastes, others of the same category, rubbish and debris from demolitions, and neutralizing and exploiting same in accordance with the standards of hygiene and health;

b. Collecting household articles no longer needed in the public's households and other reusable material resources at the designated places or from the citizens' homes as the case may be, as well as sorting, storing and exploiting them;

c. Efficient use of equipment, materials and personnel for purposes of permanent community sanitation;

d. Immediate intervention with tools, equipment, manpower and the public's help to remove snow and restore the normal functioning of the street and road network;

e. Organizing disposal of animal carcases in communities where no specialized units have been organized;

f. Controlling insect pests in recreational areas,parks and other green spaces, ridding public places of rats, draining places with standing water and swampy lands and taking the necessary measures to prevent their formation in communities;

g. Community sanitation operations to avoid environmental pollutants.

Article 46. In the performance of community sanitation activities, the deputies and permanent commissions of the people's councils, the citizens' committees, socialist units, public and youth organizations, and tenants associations are obligated to encourage the public to help with their labor, draft animals and other resources essential to the efficiency of those activities.

Part 8: Improvement of Green Areas

Article 47. The green areas and places of recreation are maintained and improved by the communal economy units with strict observance of the legally approved town-planning outlines and specifications.

Article 48. With extensive aid from the citizens, the communal economy units take measures for:

a. Preservation and protection of the existing vegetation and embellishment of the green areas and places of recreation;

b. Production of the tree and flower planting stock needed for the green areas and priority development of shrubs and perennial plants;

c. Maintenance of the surfaces and banks of the recreational lakes and of the other lakes and marshes under the communities' administration;

d. Maintenance and operation of the pleasure craft and other facilities for cultural-educational events.

Section V: Citizens' Participation in Communal Economy Activities

Article 49. The residents of municipalities, cities and communes participate in the adoption and implementation of all measures concerning the self-government of the communities and their modernization, embellishment and municipal development.

Citizens attend the assemblies legally organized to discuss the programs for the communities' technical-municipal development and the people's councils' reports on the communal economy, and they participate in the adoption of decisions concerning the municipal projects to which the public contributes materially and in labor, and in the discussion of all problems concerning the good management of the community.

Article 50. For purposes of implementing municipal projects, it is the duty of the workers to participate with their labor, tools, draft animals and other resources of their own, according to the nature of the operations, in the actions organized by the people's councils with the aid of the deputies, permanent commissions, citizens committees and tenants associations.

In order to meet general needs of the communities, the residents pay the legally set communal fees and make the cash contribution determined in the citizens assemblies to implement projects in the public interest.

Article 51. The tenants associations, as organized forms of citizens' participation in good management and maintenance of dwellings and in various municipal projects, are required to take steps to mobilize their members and persons residing with them for actions to improve, maintain and embellish the green spaces and children's playgrounds and for cleaning sidewalks and walks, removing snow and ice, planting trees, and other such actions.

The general assemblies and committees of tenants associations regularly control their members' (landlords or tenants) observance of the regulations on conservation of drinking water, heat and electric power, and natural gases, taking the necessary measures to eliminate any losses or any kind of waste.

Article 52. The workers control teams perform, according to law, their functions of control in the communal economy units over the activities of thermal energy and water supply, public transportation, sanitation, improvement and maintenance of parks, public gardens and green spaces, collecting, storing, sorting and exploiting reusable material resources, and other communal economy activities.

Citizens have the right to notify, according to law, the competent organs of any defects in communal economy activity and to make suggestions to eliminate them and to improve the activity.

Article 53. The main communal economy activities implemented with the citizens' participation are:

a. Projects for water supply, installation and maintenance of new water sources, construction of draw wells, wells, catchments at springs, intakes and other such projects;

b. Improving and regularizing watercourses, building and maintaining dikes, and other projects for protection against floods;

c. Maintenance and repair of streets, roads, ditches, bridges and footbridges;

d. Street cleaning, snow removal, draining swampy lands, and shoring sliding lands;

e. Maintaining green areas, places of recreation, athletic fields and children's playgrounds; planting fruit trees, melliferous species, trees, shrubs and flowers;

f. Collecting reusable materials and storing and sorting them at the designated points;

Article 54. Residents of municipalities, cities and communes are responsible for keeping their own households clean as well as the premises of residential buildings and the adjoining sidewalks and streets, for maintaining the appearance of dwellings and premises and caring for the plantings in yards and in front of the buildings. They are also required to participate in rat and insect control operations.

Citizens are also required to give the collection units used materials and articles that are no longer needed in their own households and to deposit household wastes in the designated places and to keep those places clean.

The obligations specified in the first paragraph concerning maintenance of cleanliness, appearances and hygienic conditions apply correspondingly to the socialist units as well.

Article 55. Citizens using the heat and water lines and sewerage connections have the following obligations:

a. To observe the technical standards for the proper operation of those installations and the measurement and control devices and to prevent their deterioration;

b. To contribute to conservation of the supplied heat and water by eliminating any kind of waste of them;

c. To keep the manholes of the installations clean and accessible;

d. To allow personnel authorized by the management of the communal economy units access to the manhole and installations to effect control, record consumption, and perform maintenance and repair operations.

Section VI: Relations of Communal Economy Units with Citizens and Socialist Units and Other Juristic Persons

Article 56. In order to meet the citizens' requirements, the communal economy units in municipalities, cities and communes have the following main obligations:

a. To respond promptly to the citizens' requests and to resolve the petitions, suggestions and notices based upon them;

b. To take measures for prompt implementation of operations and remedial actions requested by citizens and for immediate restoration of temporarily interrupted services;

c. To provide drinking water, heat and the other utilities according to the legally set standards as well as sewerage, removal of household wastes and other continuous or periodic communal economy services;

d. To take measures for further improvement of communal economy services according to the residents' demands.

Article 57. In the performance of their functions the communal economy units:

a. Issue permits or agreements according to law to perform communal economy services and operations and to construct interior water supply, heat and sewerage installations.

b. Set the terms for the use of lands above or adjoining water supply, heating, sewerage and transport constructions or installations, or they prohibit the holders of said lands from performing any operations or storing materials that might impair the efficiency of those constructions or installations.

c. Place restrictions on consumption of water or thermal energy or cut off the supply of same in cases of force majeure or irrational or abusive use, promptly notifying the beneficiaries.

d. Install supports, moorings and dials for communal economy networks and installations on buildings and other constructions regardless of the titles whereby they are held.

e. Remove, in accordance with the legal standards, branches, roots and shrubs if their proximity to the municipal networks and installations might cause damage or impair their efficiency.

For purposes of control over the performance and technical condition of the communal economy installations and for their maintenance and repair, personnel authorized by the communal economy units also have access to constructions on the premises of their holders, on the terms specified in the contract.

If the communal economy units cause any damage by the way they perform their functions, the injured party will be compensated according to law.

Article 58. Construction of new networks for water supply, sewerage, distribution of heat and electric power, transportation and other communal economy activities as well as development of existing networks are implemented according to a uniform plan, on the terms and with the approvals provided by law, with grouping of the lines, avoidance of crossings, and strict observance of the legal standards for use of the land and systematization of the municipal networks so as to eliminate repeated interference with the structure of the public thoroughfares or their deterioration.

Individuals or juristic persons are required to permit temporary use, according to the legal provisions, of the lands they hold for purposes of maintenance or repair of the constructions and installations for water supply, heating, sewerage, sanitation, transportation and other communal economy activities.

Article 59. Agricultural lands or those in the forest reserve are occupied for use by the communal economy units in the performance of their functions only with the

approval and on the terms provided by law for withdrawal from crop production or from the forest reserve, so that the operations will be performed as a rule in the periods when the agricultural lands are not being harvested.

Urgent emergency operations to repair breakdowns or disturbances in the communal economy constructions or installations located on agricultural lands or those in the the forest reserve may be performed immediately, with notification of the holders of those lands.

In the cases specified in the second paragraph, the communal economy units will ask the executive committees of the county or Bucharest municipal people's councils, within 24 hours of the occurrence of the breakdowns or disturbances, to approve continuation of the emergency operations. Approval is granted within 48 hours of the request.

Article 60. The communal economy units will pay rent for temporary use of lands for more than 30 days regardless of the holders of the lands.

The rent for state-owned lands is equal to the fee for use of the lands specified in Annex No 2 to Law No 59 of 1974 on the Land Reserve. In the case of lands held by economic units required to pay a fee for their use, the rent will be paid on account of said fee.

For lands owned by cooperative organizations or other individuals or juristic persons, the executive committees of the county and Bucharest municipal people's councils will set rates for the annual rent, not to exceed the maximum rate provided by the legal standards for the areas of yards and gardens not rented along with the dwellings.

Article 61. Upon completion of the operations, the communal economy units are required to restore the affected lands and capacities to the condition in which they were before the start of those operations.

Article 62. The supply of drinking and industrial water and thermal energy, reception of used household waters and rainwater in the public sewerage network, removal of household, street and other wastes of the same category, and other continuous or periodic communal economy services will be implemented on the basis of a contract concluded between the communal economy units and the beneficiaries.

The contracts concluded with juristic persons or individuals benefiting by water supply or sewerage services will include clauses concerning the quantity and quality of the supplied or evacuated waters as well as the measures to be applied according to law in case of violation of those clauses.

If the beneficiaries are individuals or juristic persons other than the socialist units, the contract is concluded with payment of a sum in advance not to exceed the value of the average consumption or the service for a period of 45 days.

The sum payed according to the third paragraph is returned upon conclusion of the contract after the debts due are subtracted.

Article 63. The communal economy units have the sole right to perform operations for water supply, heating and sewerage lines or connections and to install measurement and control devices. In case of expansion of the municipal networks, these

operations may also be performed by the construction-installation units with the previous agreement of the communal economy units.

The entire cost of the lines, connections and measurement and control devices, calculated at the prices applicable to the state socialist units, is paid by the holders of the right to ownership or administration of the buildings where such operations are performed.

The lines and connections installed on the terms of the present article as well as the measurement and control devices are entered as fixed assets in the communal economy units' inventories, and the outlays on their repair or replacement are paid out of those units' funds.

Article 64. Water and thermal energy consumption is regularly determined on the basis of the recordings of the measurement and control devices. Until those devices are installed, consumption is determined on a flat-rate system by comparison with the consumption of similar subscribers equipped with such devices and according to the criteria set by the Committee on People's Councils' Problems.

If there is just one measurement and control device for several beneficiaries, they may install such devices at their own expense in order to settle the consumption of each among the beneficiaries.

The socialist units are required to procure the measurement and control devices for the services specified in the first paragraph out of their own funds and to request the communal economy units to install them.

Article 65. The socialist units are required to make, according to the legal provissions, their catchments of drinking water if the nature of the production requires it (or those of industrial water) and to maintain the sources of drinking water in operating condition, while meeting the requirements for potability.

To make the most rational use of the water received, the socialist units connected to the public networks for drinking and industrial water supply are required to take measures to reduce their consumption of water by repeated use of it, to conform to the approved discharges, to replace drinking water with industrial water in the production process, to use their own water sources to full capacity, and to keep their internal installations in operating condition while observing the technical standards in force.

The socialist units also participate in municipal projects in accordance with the legal provisions.

Article 66. Communal economy services are paid for according to the legally set rates.

The sums to be paid for communal economy services rendered on the basis of a written contract are determined monthly or quarterly. Sums owed by socialist units can also be paid every 10 days or fortnightly, and the payments will be regularized at the close of the past month or quarter.

Article 67. Individuals and juristic persons other than socialist units benefiting by communal economy services are required to pay the value of the invoices within 5

days of receipt of the bill. Payment may also be made out of current accounts at the Savings and Loan Bank or the bank units.

Late payment of the sums due after the due date has expired entails an increase of 1 percent for each day of delay.

If the sums due, including the increases, have not been paid within 40 days of the expiration of the time limit specified in the first paragraph, the communal economy service unit may suspend execution of the contract.

Article 68. Holders of the right of use over buildings which have no water supply or sewerage installations but which are located near streets equipped with public drinking fountains and sewerage networks are considered de jure subscribers to these services and are required to pay for them according to the criteria set by the Committee on People's Councils' Problems.

Holders of the right of use over buildings not benefiting by the service of removal of household, street and other wastes of the same category are considered de jure subscribers to that service and are required to pay for it.

Section VII: Final Provisions

Article 69. The Committee on People's Councils' Problems provides for uniform implementation of the party and state policy on the communal economy and functions as a central coordinating organ for the national economy in that field.

In performance of its functions, the Committee on People's Councils' Problems collaborates with the ministries and other central organs concerned and issues technical standards for operation and maintenance of communal economy constructions, installations and equipment and for control of their operatic , as well as standards for construction, modification, inspection and repair of the interior water, sewerage and heating installations constructed by the socialist units qualified for such operations and by the authorized installers.

Communities' cemeteries and crematories are administrated according to the standard regulation prepared by the Committee on People's Councils' Problems jointly with the Ministry of Health.

Article 70. Communal economy units organized on the principles of workers self-management and economic-financial self-administration draft , according to law, their own budgets of incomes and oulays, which are integral parts of the local budgets.

Article 71. Communal economy units are organized according to the volume and complexity of their activities, under the county and Bucharest municipal people's councils and in accordance with the legally set uniform structural standards.

Communal economy subunits are also responsible for their activities to the people's councils of the communities wherein they operate.

Article 72. Offenses against the communal economy are determined and sanctioned by decree of the State Council.

Article 73. Violation of the provisions of the present law entails disciplinary, material, civil or criminal liability as the case may be.

Article 74. The present law goes into effect 90 days from the date of publication in BULETINUL OFICIAL.

Law No 129 of 1938 on Organization of Communal Operations, amended in MONITORUL OFICIAL No 48, 26 February 1944, with the subsequent modifications is abrogated as of the effective date of the present law, as well as any other previous legal provisions on the subject regulated by the present law.

This law was ratified by the Grand National Assembly in the session of 1 July 1981.

Chairman of the Grand National Assembly
Nicolae Giosan

Bucharest, 1 July 1981
No 4

5186
CSO: 2700/335

PROBLEMS IN INTEGRATING NEW INDUSTRIAL TECHNOLOGY DISCUSSED

Bucharest SCINTEIA in Romanian 4 Aug 81 pp 1.3

[Article by Engr Ion Crisan, director general of the Central Institute for Machine Building]

[Text] The address of the party secretary general to the Second Congress of Working People's Councils again emphasizes that a task of research in the machine building industry under this five-year plan involves a more active input into raising the technical and qualitative level of production, into enhancing automation and control of production processes, stepping up the mechanization and automation of production. These lines of technological progress certainly raise specific problems that need to be resolved at a qualitative level which is superior to that reached in the prior stage.

The close link between organization and technological progress is a basic feature of modern production processes. It stems from the fact that — in the context of modern technology, which involves very sophisticated facilities — technological progress does not mean only putting into operation a machine or a production line. Integrating new technology does not limit itself to assimilating a new specific procedure. Actual capitalization on a stage of technological progress involves creating the appropriate technological system, in other words, integrating new technology into the economic body that is supposed to apply it.

An example of improper assessment of this link is provided by the manner in which some machine building enterprises are utilizing the numerical control machines. These machines involve outstanding advances of modern technology because the use of numerical control permits the highly accurate automatic processing of most sophisticated parts. Nevertheless, many numerical control machines in enterprises operate as conventional machines, hence without profiting of the advantages offered by the new technology with which they were provided. Examination of the causes of this situation points out to neglect of some organizational conditions that are characteristic of this technology, notably: structuring and expansion of programming, including computer-aided programming; provision of the required tools, including the facilities for preparing these tools; ensuring of current maintenance, including complex electronic equipment. All these conditions are largely dependent on the training of the specialized personnel needed. The positive impact of adequate organization can be noted at enterprises such as Brasov "Hidromecanica" or Bucharest Heavy Machinery Enterprise which make intensive use of the numerical control machines with which they have been provided.

Another example involves mechanization and automation of assembly. It is known that mechanized and automated assembly can result in great labor savings, with a very positive impact on the quality of output. However, not all machine building enterprises are making the efforts needed for the application of a superior assembly technology. In such cases, the search for "objective causes" in the inadequate size of manufacturing series should be replaced by careful study of the organizational conditions required. Experience has shown that greater structural standardization and rationalization of production programs can bring the batches of products or component assemblies to the level required for moving to mechanized assembly. But use of this highly efficient technology necessitates a set of organizational measures regarding smooth provision of parts and the quality of execution of parts. It is evident that a modern assembly line can operate only if each work station is timely provided with all the necessary components, and this involves proper coordination of the entire production process. The procedure still found in some enterprises, that involves partial assembly, while waiting for backlogged supplies, is very damaging to the efficiency and quality of production. Moreover, mechanized and automated assembly requires constantly good quality parts. Accidental correction and adjustment procedures in line cannot be accepted; these procedures can be avoided by accurately machining the parts and by introducing corresponding procedures of trimming, checking, sorting, and so forth. Only in this way modern assembly technologies also act as discriminating filters in terms of output quality.

Beyond these specific examples, there are overall organizational requirements designed to structure the framework needed for actively promoting technological progress in industry. These requirements flow from the guideline of modern technological organization, according to which one can economize simple labor only by some expending of complex labor. The main requirement involves adopting a dynamic, flexible concept on technology. Technology does not involve -- as some engineers still believe -- an accumulation of given conditions, but a means to produce better, swifter and cheaper. The proper technical provision with equipment of our enterprises can be better utilized by continuous modernization of technology. In this context, the role of technologists in institutes and enterprises is very important. They must work hand in hand so that new technological systems, after formulation and testing in institutes, may as rapidly as possible be used in the greatest possible number of enterprises. This activity of tailoring the new technologies to the specific conditions in each enterprise, of technically and organizationally integrating technological progress in each individual case involves a large volume of work done by the engineer, to which we must pay increasing attention and from which we must demand more and more. The manner in which this integration is handled ultimately reflects the flexibility of the industrial system, respectively, its adaptability to the dynamic requirements of our economy.

The best results were obtained where the problems of technological modernization were not assigned only to the technical development departments but from the start involved a complex program for all the work collective, with the multiple aspects involved in the promotion of technological progress.

11710
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REDUCED 46-HOUR WORKWEEK TIED TO PLAN FULFILLMENT

Bucharest ROMANIA LIBERA in Romanian 4 Aug 81 pp 1, 3

[Interview with Apostol Sima, director of the Directorate for Organization and Standardization of Work in the Ministry of Labor, by Mircea Scripca]

[Text] Participants in the session of the Political Executive Committee of the Central Committee of the RCP held on 14 July 1981 examined the status in implementation of the decisions of the Central Committee of the RCP, the National Council of Working People and the directives of party secretary general Nicolae Ceausescu, regarding the overall application this year of the reduced 46-hour workweek and also the measures which should be taken to switch, by the end of the five-year plan, to the 44-hour workweek in all the sectors of activity. In regard to the results obtained so far in this important project, to the measures envisioned, and to the tasks allotted all the parties involved, we requested details from Apostol Sima, director of the Directorate for Organization and Standardization of Work in the Ministry of Labor.

[Answer] Reducing the length of the workweek is an essential goal of our party policy, for the continuous upgrading of the material and spiritual well-being of all our people, for the full assertion of human individuality. According to the Program approved by the December 1977 National Conference of the RCP and the decisions of the 12th Congress of the RCP, beginning in January 1978 we started, on a phased basis, the program for reducing the workweek from 48 hours to 46 hours and granting one day off a month to the workers in socialist units.

For completion of the tasks under the Program for reducing the workweek, the ministries, the central and local bodies, the industrial centrals and economic units, with the participation of trade unions and under the leadership of party organs and organizations, worked out local programs to ensure conditions for switching to the reduced workweek, by a better organization of production and work, by assuring the technical and material base, better utilization of the work time.

[Question] How many working people has this program encompassed so far?

[Answer] More than 75 percent of all workers. Naturally, benefitting of the monthly day off have been the units that have properly organized their work and have attained the indicators involved. We must also point out that there have been enterprises which, because of shortcomings in organization of production and work, in the area of technical and material supplies, in utilization of production facilities and work force, and

because of insufficient support from ministries and industrial centrals, did not attain the indicators set and, hence, were not able to benefit of the day off during the period involved.

For the purpose of switching, in the overall economy, to the reduced 46-hour workweek, the Central Council of the General Union of Trade Unions, in conjunction with the leading bodies of ministries and other central organs, has structured projects to support enterprises and centrals in updating and supplementing the programs of measures, to ensure the conditions needed for completing the plan assignments, in the context of the reduced workweek. This drive has encompassed all units in industry and the other economic branches. In light of the specific activity of each unit, there were formulated more than 28,000 measures, whose efficiency, assessed at some 486 million man-hours, results in raising hourly labor productivity this year more than 4.2%, needed to fulfill the production tasks with the number of workers planned in a shorter span of time.

[Question] What details can you provide in relation to the application of the 46-hour workweek on an overall scale?

[Answer] According to the criteria established, the day off will be granted by enterprises on the basis of monthly attainments or attainments accumulated from the beginning of the year, in terms of the following plan indicators: value of the marketable output sold and paid for; industrial output in physical units; labor productivity calculated on the basis of the net output; quality of output; exports, including deliveries for export, established under cooperation, of subsupplier units; maximum expenses for each 1000 lei in marketable output.

As a rule, the day off is granted to all workers of the enterprise, on the first Saturday of the month. If during specific periods the conditions characteristic of the activity in some enterprises require that it run continuously (in agriculture, forestry, construction, food industry, tourism, and other seasonal endeavors) the day off is granted on another day of the month, or based on accumulation during the periods with slower business.

Personnel in industrial centrals, in ministries and the other central and local organs will be granted one day off a month, if all plan indicators set for the reduced workweek, for the entire central and respectively, ministry, central or local organ, are attained.

Application of the reduced workweek in transportation, services, trade and other fields of endeavor will proceed in such a manner as to ensure smooth unfolding of activity.

[Question] What needs to be done for completion of tasks tied directly to the application of the reduced workweek on an overall scale?

[Answer] A very important factor involves discussion -- at the general assemblies of working people which are being held during this period -- of the specific avenues to completing these tasks, for the application of the reduced 46-hour workweek. Based on the surveys conducted, the proposals of working people, measures will be adopted geared to result in attaining the plan indicators set, in meeting the criteria for the application of the reduced workweek on an overall scale.

As pointed out at the meeting of the Political Executive Committee of the Central Committee of the RCP, held on 14 July 1981, it must be understood that for the reduction of the workweek, it is necessary to obtain the identical production in a shorter period of time, and this requires constantly dovetailing the work rates with the technical-organizational measures introduced, designed to additionally increase labor productivity.

The conditions exist for the application of the reduced workweek in all the economic branches. For this the collectives of working people in units must firmly move to scientifically structure production and work, to responsibly implement the measures pertaining to reduction of auxiliary and unproductive personnel and transfer of this personnel to productive activities, expanding operation of several machines, intensive utilization of machines and installations, mechanization and automation of processes, and improvement of skills in all categories of personnel.

To this end, all workers must be involved in exemplarily fulfilling the plan assignments for all indicators, strengthening order and discipline in all the fields of endeavor, continuously reducing the operating costs and the consumption rates for energy, fuel and raw materials.

The ministries will monthly analyze the status in implementing the measures under the programs worked out for the application of the reduced workweek and will promptly resolve the problems which the enterprises confront in this drive. The Ministry of Labor, the State Planning Committee and the Central Directorate of Statistics, in conjunction with the Central Council of the General Union of Trade Unions, will closely monitor the implementation of the programs for the application of the reduced workweek on an overall scale, supporting the units in attaining the goals prescribed.

For the purpose of moving, by the end of the five-year plan, to the reduced 44-hour workweek, it is necessary to take specific measures in advance in order to ensure the conditions required for granting -- on a phased basis -- two days off monthly.

The entire activity for the application of the reduced workweek on an overall scale will proceed under the direct leadership of party organs and organizations, and steps will be taken to involve all working people in implementing the programs outlined.

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END

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2174

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16 September 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2174

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ECONOMIC RELATIONS WITH USSR EXAMINED

Sofia IKONOMICHESKA MISUL in Bulgarian No 3, 1981 pp 37-49, signed to press on 26 Feb 81

[Article by Zhak Aroyo: "The April Line and All-Round Rapprochement with the Soviet Union"]

[Text] The April 1956 plenum, which was held on the eve of the total victory of socialist production relations in Bulgaria, became the harbinger of a new historical period in the country's development and laid the beginning of a new line in its policy. The April line is a line of building a mature socialist society in the Bulgarian People's Republic. The new historical prospects of our country formulated hitherto unknown tasks, raised complex problems and faced the country with the need for essentially new solutions. The party systematically developed the strategy of the new stage in the building of socialism, gradually developed its elements, opened possibilities and earmarked the tactics and specific means for their implementation. For the past 25 years the April line has been proving its accuracy, viability and constructive nature. It is embodied in the real processes of the progressive building of mature socialism and is taking the country closer to the next stage--the stage of transition to communism.

I

In the area of international economic cooperation and of the active involvement of Bulgaria in the international socialist division of labor, the April party course is a course of all-round rapprochement with the Soviet Union, of close cooperation with the socialist countries and of steady intensification of Bulgaria's participation in international economic life. From a relatively closed development, which characterized the initial years of the building of socialism in our country, Bulgaria penetrated profoundly into the international socialist market. This course gradually displayed its actual forms and essential parameters in the course of its consistent development through several stages.

The first of them was defined in the resolutions of the December 1963 BCP Central Committee Plenum, which laid a base for the rapprochement between Bulgaria and the Soviet Union. At the plenum Comrade T. Zhivkov stated that total rapprochement with the Soviet Union is the foundation for the fertile strengthening and development of the state sovereignty of the Bulgarian People's Republic and of its political strength and influence throughout the world and that the economic tie with the land of the soviets will strengthen even further the power of the state

and its economic independence. The course of rapprochement with the Soviet Union gave our development material strength and became a basic factor in building a mature socialist society in the country. Subsequently, at the 10th party congress, the line of rapprochement with the Soviet Union and of close cooperation with the socialist countries was asserted even more emphatically. It was emphasized that the building of a developed socialist society in Bulgaria is impossible without the closest possible political, economic and cultural cooperation and integration with the socialist countries and, particularly, the Soviet Union. The BCP program stipulated that "the mature socialist society offers even more favorable conditions and opportunities...for raising to a qualitatively new level mutual aid, cooperation and integration with the socialist countries. In this respect, friendship and cooperation with the USSR are of decisive significance."[1]

The second step in the consolidation and concretizing of the April line of all-round rapprochement with the Soviet Union and close cooperation with the socialist countries took shape with the decisions of the July 1973 BCP Central Committee Plenum. This plenum, which formulated the basic trends in the development of cooperation with the USSR, described the content of the course of all-round rapprochement with that country and drew basic conclusions regarding the development of the national economy under the conditions of the rapprochement. It was pointed out at the plenum that the general laws in the development of the global socialist system are manifested most extensively through the all-round cooperation and integration between the socialist countries and the Soviet Union. Historical, political, economic and other conditions make this country a link and basic nucleus of multilateral cooperation among socialist countries. The foundations of the general and multilateral cooperation and unified development are laid as a result of the close cooperation of each of the countries with the Soviet Union. This situation is defined by the objective process of production internationalization and the requirements of the contemporary scientific and technical revolution. The plenum stipulated as the main task in the field of international cooperation the need for a new qualitative content in the processes of rapprochement between Bulgaria and the USSR in such a way that our development has the same rhythm as the Soviet Union, identical criteria and joint efforts and coordinated activities in the political, economic, ideological, scientific, cultural and military areas. In other words, as comrade T. Zhivkov metaphorically pointed out, we must act like a single organism supported by a single vascular system.

The July Central Committee plenum called for the economic integration between Bulgaria and the Soviet Union to be such as to link directly and to an ever growing extent our reproduction process with that of the USSR. The purpose is for our national economic complex, while preserving and developing its autonomy, to become functionally and ever more closely unified with the Soviets, based on a single coordinated policy in which the optimum concentration and specialization of our output and high economic effectiveness may be reached. The plenum earmarked the main directions along which the process of economic rapprochement between Bulgaria and the Soviet Union must develop intensively. They cover the most important areas of the production process such as power industry, extracting industry, machine building, chemical industry, transportation and others. The great importance of foreign trade and the need to develop it quickly and dynamically and for the coordination of monetary-financial and price relations with the Soviet Union were emphasized. Particular emphasis was placed on the development of integration in science and technology, the creation of an efficient system of

reciprocal relations and complementing scientific and technical potentials and the elaboration of a joint long-term strategy for the integrated development of basic scientific and technological areas of both countries. The need was indicated to coordinate the operational mechanisms of the two national economies and for the improvement of the reciprocal integrative mechanism. The need to create joint programs for the development of integration in the individual production areas was particularly stressed.

The decisions of the July BCP Central Committee plenum show the way to the intensive economic rapprochement with the Soviet Union, the close and direct interweaving of the two economies and their complementing and creation of prerequisites for their unification. The earmarked processes of cooperation with the Soviet Union reveal the outlines of new deeply qualitative economic processes of strategic importance to Bulgaria's economic development. They are the manifestation and actual implementation of the party's April line of economic cooperation and rapprochement with the USSR.

By the end of the 1970's the decisions of the July BCP Central Committee plenum were practically implemented in the jointly elaborated General Plan for Production Specialization and Cooperation between Bulgaria and the Soviet Union. Essentially, the general plan is a broad program which shows the main directions of the economic rapprochement of our country with the Soviet Union in the 1980's and subsequently. Its content was concretized (and continues to be concretized) through a number of sectorial and other jointly elaborated programs which include precisely determined ways, means, processes and qualitative parameters of economic rapprochement in the respective areas. The implementation of the tasks formulated in the general plan will create a new circumstance in the economic relations between the two countries, a circumstance of the closest possible interweaving of their economic structures.

Economic rapprochement with the Soviet Union does not isolate our country from cooperation with the other socialist countries, nor does it oppose this process. On the contrary, it becomes a material base for an even broader development of close economic relations with the other CEMA-member countries. It is on this basis that Bulgarian output is specializing and concentrating and is acquiring the possibility of modernizing and upgrading production quality and, thus, creating favorable conditions for useful economic cooperation with the other countries. It is well known that international economic relations are as successful, durable and mutually profitable as are equivalent relations among partners. Cooperation with the USSR makes it possible for Bulgarian production to be enhanced and improved. This is a prerequisite for the development and nationalization of its relations with the other countries. Intensive bilateral cooperation with the Soviet Union becomes a prerequisite for the expansion and strengthening of multilateral cooperation within CEMA. This concept is confirmed by the elaboration of long-term multilateral target cooperation programs. Their realistic nature is based, above all, on lasting and profound bilateral relations between each CEMA-member country, on the one hand, and the Soviet Union, on the other.

II

Under our contemporary conditions the implementation of the April line of increased Bulgarian participation in the international socialist cooperation outlines a number of new aspects. They do not apply to Bulgaria alone or exclusively to its relations with the Soviet Union but, in a number of respects, affect the other

members of the socialist comity. Today economic development has raised integration processes to a higher level. It is creating and demanding an increasing number of new practical methods and raises new requirements. In the area of economic rapprochement between Bulgaria and the Soviet Union several new aspects can be formulated. Added up, they also define its qualitative improvement in the process of the implementation of the April line. The main such aspects may be summed up in the following several propositions:

First, the programmatic nature of economic relations. The economic cooperation programs are not a record of existing relations but outline future processes of cooperation and of the development of new structures and of their complementing and reciprocal coordination. Gradually, they become the base for the closest possible and most direct permanent ties between the countries. A brilliant manifestation of this new characteristic feature of rapprochement with the USSR was the elaboration of the general plan for specialization and cooperation between the two countries for the period through 1990 and their concretizing in the package of sectorial programs.

Second, the comprehensive nature of economic relations. Relations between Bulgaria and the Soviet Union are expanding both horizontally and vertically. They cover simultaneously production and closely related processes of coordinated development of science, technology, transportation and others. Cooperation assumes a multiple-aspect closely synchronized nature.

Third, the scale of reciprocally coordinated cooperation processes. Reciprocal economic relations between the two countries have already gone far beyond conventional foreign trade relations in the course of which available commodity surpluses are traded. They are assuming an organic nature and are becoming ever more direct, covering production, scientific and technical relations, and operating in accordance with the coordinated strategy of development of national economic complexes. Results of the economic relations between the countries are no longer expressed exclusively and strictly in terms of foreign trade results. Foreign trade is merely an intermediary factor of relations. The main effect comes from production, science and technology and the benefits of cooperation based on a coordinated strategy.

Fourth, the original and profound nature of forms of economic integration. This, too, is a new and important aspect, although it is merely at its beginning. As we pointed out, joint plans and programs are being drafted involving a variety of interesting forms of coordination of economic development, such as the coordinated plans for multilateral integration measures and long-term cooperation target programs, which are implemented on a multilateral basis, as well as bilateral long-term target programs with the USSR and others. Joint companies, bureaus and enterprises are set up. Common production, energy, transportation and other systems are organized. Everyone is familiar with the Ilichevsk-Varna transportation line, petroleum and gas pipelines built through joint efforts, the developing unified energy system, the joint design institutes which were set up and other new interesting forms of close cooperation.

Fifth, broadening of the time span of integration. To an increasing extent one-year and five-year cooperation treaties are becoming links of a longer range coordinated development to which they are subordinated and thus become a solid foundation for a guaranteed long-term development of the national economies.

Sixth, the ever greater impact which integration processes have on the development of production relations on the national economies and in international socialist economic relations. The processes of shaping international socialist production relations as a separate system of the appearance and specific development of international socialist ownership, based on the national autonomy of the country's economies, are assuming ever more real forms. A system of international monetary-financial relations is developing and consolidating. Social forms of international cooperation are becoming apparent as a manifestation of the internationalization of production relations.

Seventh, the development of bilateral relations with the Soviet Union and, specifically, between the Soviet Union and Bulgaria, is becoming an ever stronger foundation for the development and strengthening of cooperation between each individual country and the remaining SEMA-member countries, and for the development of multilateral cooperation within the framework of this system.

The new and very characteristic aspects of economic relations between Bulgaria and the USSR go beyond the framework of ordinary economic cooperation. They are acquiring an ever clearer manifestation of deep unifying integration processes which prepare the ground and express and, by themselves, become a factor of comprehensive rapprochement between the two countries, as a qualitatively new phenomenon in the development of integration.

As a phenomenon and concept rapprochement is a new feature in the historical progress of society and the development of political economy. A substantiated description of this phenomenon was provided by Comrade L. Brezhnev at the 25th CPSU Congress.[2] He stated that rapprochement may be characterized as a triple process of equalization of economic levels in the development of the socialist countries; standardization of the basic and most characteristic features of their economic structures and forms of production relations and economic management mechanisms, and the closest possible and organic functional unification of the national economies and the establishment of unified reproduction processes and unified economic structures. These characteristic processes of rapprochement are economically based on the comprehensive and dynamic development of the national economic complexes, their steady growth, structural improvements and increased effectiveness.

The party's April line in the area of international socialist economic cooperation meets in full the requirements for rapprochement and the view of it as a synthetic pattern in our contemporary life. Furthermore, it broadens its content by including in rapprochement processes other areas of social life such as politics, culture, defense and so on. In this sense, it considers it as a broad and expanding process of all-round rapprochement between Bulgaria and the Soviet Union, between the two countries, the two nations and the two national economic complexes.

III

The party's April line of all-round rapprochement between Bulgaria and the USSR and of intensifying cooperation with the other CEMA-member countries created conditions for our country to participate actively in the extensive development of socialist integration functions and their advancement and establishment in this part of economic life. The development of such functions, in turn, is contributing to Bulgaria's dynamic progress and to increasing the effectiveness of its public economy and the solution of the complex economic problems of our time.

The structural function of socialist integration was the one which developed most intensively. Economic rapprochement between Bulgaria and the Soviet Union and integration with the remaining CEMA-member countries created actual material prerequisites for profound and highly effective structural changes in the material and technical foundations of our national economy, the modernizing of the sectorial structure and its ascension to the level of the highly developed countries in the world. Between 1960 and 1979--the period during which the beneficial April line was being implemented in all areas of our economic life--the share of industry in the public product rose from 58.1 to 67.9 percent; in the national income it rose, respectively, from 47.4 to 60.0 percent. Meanwhile, agriculture--one of the basic Bulgarian economic sectors--lowered its share in the public product from 21.5 to 11.9 percent and in the national income from 26.6 to 14.4 percent. Changes in Bulgaria's foreign trade confirm the significance of foreign economic relations in the posting and implementation of such a profound and progressive structural change in our country's national economy. Within the same period (1960-1979) exports of industrial commodities increased their share in the overall exports of the country from 84.4 to 97.1 percent, while agricultural exports declined from 59.3 to 23.6 percent.[3]

The importance of the foreign trade structural changes in terms of the national economy becomes even clearer by pointing out that exports of industrial commodities of known agricultural origin rose from 25.1 to 73.5 percent, while exports of raw agricultural commodities dropped to 2.9 percent. Particularly indicative are data on changes in the structure of exports of industrial commodities. Whereas in 1960 exports of machine building and metal processing goods accounted for no more than 13.9 percent, in 1979 they had reached 44.5 percent.[4] Meanwhile, the share of machine building and metal processing in overall industrial output rose from 12.4 to 28.8 percent. Similar processes occurred in the chemical industry as well.

Two processes become quite apparent: first, the close synchronizing of the structural changes in domestic production and exports and, second, the faster development of exports compared with the growth of output, both generally and by basic and relatively more effective sector. Both trends prove the active role which foreign economic and, above all, integration processes play in the positive changes taking place in the structure of our national economy.

The effective function of socialist integration or, more specifically, its role of creating conditions for higher national economic effectiveness, developed extensively. Effectiveness is mainly the result of higher labor productivity and of savings in labor and materials in the course of the production process. Rapprochement with the Soviet Union and the development of integration processes with all other SEMA-member countries influence the effectiveness of the national economy in several directions. The main one is related to the structural changes in public production, as we mentioned. This is one of the most essential sources of increasing labor productivity in the national economy as a whole. The increased share of sectors with a relatively high labor productivity leads to an overall increase in the level of labor productivity in the national economy. The data mentioned above concerning this process in our country show that in recent years and in close relation to changes in foreign economic relations it was the production of essentially sectors with a relatively higher labor productivity that increased. This was the main foundation for the increase in the overall effectiveness of the national economy in our country.

Imports of highly productive equipment are having a strong influence on labor productivity as well. The reflection of such imports in our economy may be judged by data on the import of machines and equipment for industrial purposes, which enhance the overall technological level in our country and help to increase its productivity. Between 1960 and 1979 equipment imports in our country rose from 324.8 million foreign exchange leva to 2,732,500,000, or by a factor of more than 8.[5]

Foreign economic relations affect the effectiveness of the national economy also through the training of highly skilled cadres, mainly in higher educational institutions. This influence is proved by data on higher engineering-technical cadres trained abroad. Their number rose from 72 in 1960 to 433 in 1979; all in all, within that period 1,758 engineering-technical cadres were trained abroad. Considerable aid was given in the training of our specialists through other forms of instruction as well as the assignment of highly skilled foreign specialists to our country for the purpose of sharing their experience and training cadres in assembling and operating highly productive equipment. Soviet aid was particularly substantial.

The expansion of the resource function of socialist integration had a major impact on the development of our country. Its essential influence on our economy was determined by the poorer natural resources at its disposal with the simultaneous strong increase in its needs for fuel, raw materials and other resources needed by the national economy. We know what role the Soviet Union played in the solution of this exceptionally important problem in terms of Bulgaria's contemporary development. Thus, for example, imports of fuels, mineral raw materials and metals by our country rose from 179.9 million foreign exchange leva in 1960 to 3,045,200,000 in 1979; their share in the overall imports of the country rose from 23.9 percent (which was already significant) to 28.2 percent.[7] In 1979 alone we imported from the Soviet Union 4.519 billion kilowatt hours of electric power, 4.586 million tons of pig iron, 110,000 tons of sheet steel and many other raw and other materials needed by our economy. In 1979 we imported mineral raw materials, petroleum and materials for the production of goods whose volume was higher by a factor of about 16-17 percent compared with 1960 import levels.[8] We can confidently state that in terms of the resource function the integration between Bulgaria and the USSR has reached its highest development and has become an example of the outstandingly socialist nature of its manifestations. No examples may be found outside the socialist world in which an industrially strongly developed country would satisfy so generously and at such favorable conditions a smaller and less developed country.

The production function of socialist integration developed as well. It expresses most vividly the profound nature of integration processes and broadens our country's participation in the international division of labor. The nature and results of the effect of this function are found in the close interweaving of our national output with the production of other socialist countries, the Soviet Union above all, their reciprocal complementing and the gradual development of functionally consolidated reproduction processes. In the further development of this function, the trend in the process of rapprochement between Bulgaria and the Soviet Union is that of reaching a profound functional unity in the reproduction process of both countries.

Bulgaria's increased participation in the international division of labor proves the development of this function of socialist integration in the development of the Bulgarian economy. It is revealed most completely in the role which foreign economic relations play in the development of the Bulgarian economy. Compared with 1960, in 1979 the national product of our country had risen by 434.1 percent while the national income had risen by 390.2 percent. Meanwhile, Bulgarian exports rose by 973.7 percent. The clearly manifested faster development of exports (which more than doubled within that period) indicates the extent and rapidity with which Bulgaria is becoming part of the international division of labor. In 1979 our country's exports were worth 7,666,800,000 foreign exchange leva; exports totaled 7,363,400,000, while the public product produced was worth 47,364,800 leva and the national income, 17.666 billion leva.[9] A comparison between these data shows (naturally, bearing in mind their conditional nature) that Bulgarian exports account for about 16 percent of the social product and 43 percent of the national income. This indicates the great extent to which our national output is linked to the international market and the role which exports play in the development of our output.

At the present stage in the development of the socialist countries, including Bulgaria, the scientific and technical function of socialist integration assumes a main significance. This applies to one of the most important areas of cooperation among CEMA-member countries, related to the main features of our time--taking extensively into consideration the requirements of the scientific and technical revolution. Bulgaria's integration with the Soviet Union in this area of social life, as well as with the other socialist countries, is extremely necessary, for the independent scientific and technical potential of our country is low while its financial opportunities for the development of scientific research on a broad front are limited. Its development in science and technology can be achieved exclusively on the basis of the strict choice of directions and areas of scientific and technical life in which Bulgaria makes a real contribution. In all other areas the country must become integrated with the other CEMA members. Bulgaria can achieve a proper advance and participate in the work along with the highly developed countries only on the basis of scientific and technical cooperation.

In pursuing the course of scientific and technical integration and in accordance with the Comprehensive Program, our country has already concluded more than 150 agreements in this important area of cooperation. It is participating in the activities of 55 coordination centers and 32 other organizations engaged in the coordination of scientific and technical activities. In the past 5 years Bulgaria joined in the elaboration of 16 problems and 55 topics within the framework of the Coordinated Plan for Multilateral Integration Measures.

The capital-forming function of socialist integration is continuing to operate, although under different conditions. It is related to the role which foreign economic relations and integration processes play in forming the capital assets of the national economy, their updating and their development in accordance with the requirements of technical progress. The rich variety of new labor tools which are applied on a daily basis and used by the highly developed countries in their production process makes the technical facilities available in the production process quite dynamic. To an increasing extent the periods of moral obsolescence of equipment are being reduced, particularly in the latest industrial sectors such as electronics, machine building and so on. The timely replacement of assets with new and more productive ones complicates this problem and requires substantial investments. It is related to the rapid development of technical progress. Today

this cannot be accomplished without integration processes. Bulgaria takes this stipulation into consideration and is extensively developing its foreign economic relations in the area of labor tools. Their importation, mainly from the Soviet Union, makes it possible to resolve one of the severe contradictions in the technical development of our country. In 1979 Bulgaria imported labor tools worth 1,547,700,000 foreign exchange leva, or an increase of almost 469.3 percent compared with the 1960 level. In 1979 imported labor tools accounted for about 27.5 percent of the country's total imports.[10] These figures reveal the process of expansion and renovation of our country's fixed capital, based mainly on integration processes with the Soviet Union and the other socialist countries.

The food supply function of socialist integration, related to the enhancement of the living standard of the nations and the creation of material prerequisites for a socialist way of life, is assuming increasing significance in our time. Although Bulgaria is a country with a developed food industry and agriculture and is in a position to satisfy most of its food requirements, under present circumstances the problem cannot be resolved autarkically and within the framework of the national economy of any separately taken country. Integration in food supplies, although developing relatively more slowly, is necessary. Without it the food problem cannot be resolved completely. Of late, it has been facing individual countries ever more frequently. It has become aggravated and threatens to develop into a social problem unless energetic measures are taken to ensure its resolution. In our country the food problem was not aggravated especially, for the party's Central Committee and the government have been taking measure's for its resolution. Here priority is given to the grain and animal husbandry problems. Bulgaria's food exports are small. Between 1960 and 1979 they rose to only 391.0 percent and their share in overall exports declined considerably, from 22.7 percent in 1960 to 9.0 percent in 1979.[11]

IV

A number of phenomena in global economic developments are facing today the socialist countries, including Bulgaria, with a number of difficulties and trials. Let us emphasize among them the drastic aggravation of the problem of resources, created by the increased demand for effective fuels and raw materials; the incredibly fast and systematic increase of world prices which, furthermore, has varied greatly for the individual groups of commodities; the protectionism applied by a number of highly developed capitalist countries and the discrimination they have imposed in their trade with the socialist countries; the increasing shortage of a number of energy sources and raw materials and so on. In the case of Bulgaria and the other socialist countries, these phenomena in the global economy were external, objective and, to a certain extent, inevitable. The country was unable to surmount them entirely despite the fast and energetic measures which were taken to prevent their negative influence.

The April principles of state and party work called for the profound and comprehensive study of contradictions and difficulties in economic life, the exposure of their roots and factors in order to surmount them and explained them to the people frankly so that they may be mobilized in the struggle to eliminate them. These principles led our party to penetrate into the essence of contemporary economic phenomena and contradictions in the world and to define their nature, their impact on the national economy and the means for their elimination with a view to launching

an energetic struggle against them It sought reserves and factors for surmounting contradictions in economic development mainly through upgrading the effectiveness of the national economy and the intensification and advancement of integration with the Soviet Union and the other CEMA-member countries. The development of the internal effectiveness factors required the intensification of foreign economic relations in the way that the development and advancement of foreign economic relations called for the total mobilization of the internal factors of economic growth. The other SEMA-member countries were confronted with the same need.

Today the members of the socialist comity must surmount a relative lagging in some integration sectors so that integration may become an even stronger and more aggressive factor in the economic growth and effectiveness of their national economies. In the course of its development so far integration has had to meet mainly the requirements of the extensive processes in the individual socialist countries. It was engaged essentially in meeting their growing needs for fuels, raw materials, materials and basic equipment. This stage has already been crossed. The socialist comity is progressing toward accelerated intensification which creates new integration problems. The task now is to develop and expand even faster the production of highly effective equipment and of modern and most advanced labor tools and production mechanization and automation facilities. This requires, above all, the intensification of the process of international production specialization and cooperation, directing it to the decisive sectors and turning it into an extensive prerequisite for upgrading its effectiveness. It is very important for international specialization to be developed in depth through the broadening of its machine assembly, spare part and technological aspects. This process can and must lead to the elimination of duplication in the items produced by the individual countries, something which prevents them from fully expanding reciprocal trade and leads to a certain imbalance in economic relations. This will create the opportunity for the full development of the production capacities of the socialist comity and the organization of functional international production systems. The overall solution of this problem indicates ever more strongly the need for the elaboration of a long-term structural policy coordinated among the individual countries, a policy which would clearly outline prospects in the development of the national economies and of foreign economic relations.

It is particularly imperative to broaden scientific and technical cooperation and its international specialization so that its direct ties with the production process may be intensified and that it may become a main factor in further production intensification. Our comity can and should produce most modern equipment related to the development of the new modern production sectors, create prerequisites for the use of comprehensive mechanization and extensive automation of production processes, and become a leading factor in technical progress in the world. The adverse circumstances prevailing on the global capitalist market and the steadily rising prices of highly productive modern equipment force us to seek jointly means for the faster solution of this basic problem of our development, above all within the framework of the socialist comity. The formulation of a long-term scientific and technical policy of CEMA-member countries, closely coordinated with a long-term economic policy, should be subordinated to this requirement.

The intensification of the socialist division of labor calls for the respective development of the cooperation mechanism and its adaptation to the new integration ways and means and processes. As current practices, successes and unresolved

problems show, the main direction must follow the line of the further intensification of coordination of basic parameters in the development of the national economies, their structures, their capital investments for the development of basic and new sectors, the establishment of functional economic complexes and the joint determination of the basic directions of the development and intensification of the international division of labor in science and technology. We must pursue the further utilization of commodity-monetary relations for the stimulation of integration processes and the solution of the most important problems facing the comity. Changes in the functioning and management of the national economic mechanisms will require corresponding changes in the mechanism of cooperation. The economic approach to management will probably expand its effect to the field of international economic relations as well, while economic effectiveness will become the basic criterion of reciprocal integration processes and cost effectiveness will be increasingly applied in international economic relations.

Many of these exceptionally important problems facing the socialist comity are already being resolved. A major step forward was taken with the elaboration and joint adoption of the long-term target cooperation programs. The measures they involve cover the most important areas of economic development and international cooperation. Essentially, they are the extension of the basic stipulations contained in the comprehensive integration program of CEMA-member countries, adopted 10 years ago. A number of other cooperation problems have been included in the bilateral production specialization and cooperation programs, mainly between the Soviet Union and other CEMA-member countries. Quick and energetic steps must be taken for the implementation of these programs which are also the base of the factors which enable us to surmount the aggravation of a number of contradictions in the development of the socialist countries under the influence of global circumstances and of some adverse processes in the national economies and the cooperation among countries.

The development of integration processes and the rapid surmounting of all the circumstances which do not contribute to their further intensification represent a basic external factor in the development of the national economies. The solution of this problem, however, can be achieved only on the basis of the mobilization of internal resources, the surmounting of internal contradictions within the national economies and the creation of an atmosphere of steady economic upsurge. It is only thus that foreign economic relations may be expanded and become a factor of economic growth. Well aware of the main importance of internal economic development factors of the country, our party has reacted to them promptly. At the 1978 National Party Conference it brought up and formulated the main economic contradiction in our economy and earmarked the means for its elimination.

Today our country faces the need for a sharp and quick turn toward economic intensification. A number of circumstances in the country's development emphasize this need. Let us point out, for example, the developing manpower shortage, the growth of production capital intensiveness and material intensiveness, a certain slowdown in the growth rates of labor productivity and, hence, the economic growth of the country, the inadequate development of scientific and technical progress compared with requirements, insufficient production specialization and others. The party has made a profound study of the nature of these phenomena and has exposed their reasons. On this basis the main ways for their elimination over the next few years were established. In this case the only task is to upgrade national economic effectiveness.

The upgrading of social production effectiveness requires, on the one hand, the full mobilization of internal resources and comprehensive, rapid and extensive economy of labor and materials in the national production process. On the other, it requires an overall profound synchronization of internal economic development with foreign economic relations, with the processes of economic rapprochement with the Soviet Union and further integration with the other socialist countries. The difficulties facing our economy and the economies of the other socialist countries cannot be surmounted without the unification of internal and external factors of economic growth. It is precisely this that has become an important prerequisite for the intensification of the international division of labor in the socialist comity and for the finding of new and effective forms of cooperation consistent with modern requirements.

The further development of the socialist comity will require the even greater intensification of integration and the improvement of its forms and control mechanisms. This will be entirely consistent with the objective phenomena of our time and with the basic requirements of the economic laws of socialism. It will contribute to the even fuller utilization of the advantages of the socialist system and to the reaching of its internal objectives.

In following the Leninist April line of economic management, the Bulgarian Communist Party is formulating its policy in the field of foreign economic relations in full harmony with the requirements of our time. It linked the destiny of the country with the members of the socialist comity and directed the development of the economy according to the laws governing the global socialist economy. The April strategy it formulated is that of economic rapprochement with the Soviet Union and close cooperation with SEMA-member countries. It is only on this basis that the internal forces of the national economy can be deployed and that its immediate and more distant objectives achieved.

FOOTNOTES

1. "Programa no Bulgarskata Kommunisticheska Partiya" [Program of the Bulgarian Communist Party], Sofia, 1971, p 47.

2. L. Brezhnev, "CC CPSU Accountability Report and the Forthcoming Party Tasks in Domestic and Foreign Policy," Sofia, 1976, p 9.

3. "Statisticheski Godishnik na Narodna Republika Bulgariya, 1980" [Statistical Yearbook of the Bulgarian People's Republic, 1980], pp 139-378.

4. Ibid, pp 378, 379.

5. Ibid, p 371.

6. Ibid, p 439.

7. Ibid, p 381.

8. Ibid, p 404.

9. Ibid, pp 138, 374, 139.

10. Ibid, pp 375-376.

11. Ibid, p 378.

5003
CSO: 2200/130

EDITORIAL URGES UNCOMPROMISING STRUGGLE AGAINST ECONOMIC CRIMES

Sofia RABOTNICHESKO DELO in Bulgarian 29 Jul 81 p 1

[Editorial: "Irreconcilability and Strict Control!"]

[Text] The industriousness of our people is legendary. This is a quality which the people have retained to this day as they are building their new life, and as the appearance of our socialist homeland is changing through their dedicated labor, making it more beautiful and richer and making the people's life more prosperous. That is why it is no accident that Comrade Todor Zhivkov emphasized at the 12th BCP Congress that over the past decade we have built yet another, a second Bulgaria. This success is the embodiment of the vital force of our social system and the dynamics with which our country is confidently marching toward its future.

These are not mere words of complacency. Thus, the country's productive capital rose from 33 billion leva in 1970 to about 77 billion leva at the end of 1980. Compared with the Sixth Five-Year Plan, the national income produced in the Seventh Five-Year Plan was 24 billion leva higher. The result of such accomplishments are our prosperity and the systematic satisfaction of the material and spiritual needs of the working people. This principle is an inseparable part of our party's social policy and of its concern for the people.

In our country the people are the only beneficiary of the results of their toil and of the goods they have created. That is why it is our common obligation to protect and increase the national wealth. In this respect, in the past few years the new economic mechanism has proved to be an efficient approach to limiting irresponsibility.

The tremendous majority of people are honest, dedicated and industrious. However, there also exist unconscientious citizens who want unearned income and to prosper at the expense of state property. Carelessness, waste and criminal negligence are allowed in many plants, enterprises, construction projects and fields.

The trend of economic crime in some basic sectors such as trade, agriculture, forestry and industry is alarming.

What are the reasons for this phenomenon, which is alien to our socialist reality and morality? Above all, the poor management, the low conscientiousness and low feeling of responsibility of some people and consumerist feelings. Not least are the insufficient and ineffective control and public tolerance of the violators.

Some cases offer very indicative examples of dulled vigilance, carelessness, amazing trust and economic shortsightedness. The materially liable official at the National Standing Exhibit of the State Committee for Science and Technical Progress was able to appropriate for his own use 108,000 leva with the help of 1,000 fictitious documents despite four financial audits conducted by the internal departmental control organs! Last year unfinished construction worth more than 1.6 million leva was "accounted for" at the Heavy Machine Building Combine in Radomir. Some time ago RABOTNICHESKO DELO published material describing the way managers of warehouses, procurement workers and warehousing personnel of the Wholesale Trade and Comestible Goods enterprises in Plovdiv appropriated for their private use entire trucks filled with goods quite openly.

The fact that there are such cases proves the existence of misconceived tolerance or oversight. A situation has developed in which frequently economic managements seem to feel more responsible for the fulfillment of the production plan than the preservation of the public property, although one is indivisible from the other. The results of departmental control, compared with state control, are lower by a factor of 5-7. There have been cases of bribing auditors who then become accessories to economic crime.

It is true that the activities of state control organs, the Prosecutor's Office and the Ministry of Internal Affairs in the exposure of economic crime are improving steadily. In the Seventh Five-Year Plan the number of exposed cases rose by 56 percent. However, true success can be achieved in this respect by waging the struggle on a broader basis and by nipping the roots of the phenomenon in the bud and taking into consideration social factors, dynamics of interests and needs, level of conscientiousness and others.

The educational work conducted within the labor collectives on the protection of socialist property remains unsatisfactory. The specialized prevention council set up at enterprises and departments sometimes exist almost entirely on paper. The feeling of responsibility on the part of some economic managers has lowered.

In order for such weaknesses to be eliminated strict order must be introduced at work places in plants, enterprises, stores, establishments, everywhere. Each collective must develop a sharpened feeling concerning violators. The role of social control and of reports by working people must be decisively strengthened and new forms of feedback and for the application of moral sanctions must be sought. We must develop the type of control system which will not be influenced by departmental interests. Preventive activities must be synchronized at all levels. Stricter penalties must be imposed for negligence, misappropriations, and economic incompetence, so that the strictness of the penalties must block carelessness and irresponsibility.

The role of the party organs and organizations as the guiding units in the establishment of more effective control, the education of the masses and the transformation of the labor collectives into full owners of socialist property must be clearly enhanced. Direct party control must be strengthened even further.

At the stage of building a mature socialist society in our country the protection of public property assumes particularly great political and ideological significance. It becomes not only a social and moral but a strategic question, for it

determines largely the results of our labor and our future successes. A guarantee for this is found in the high conscientiousness of our people, their moral purity and their industriousness. That is why uncompromising intolerance must be shown toward those who encroach upon socialist property and violate the moral principles of our society. An irreconcilable, systematic and consistent struggle must be waged against them and against manifestations of tolerance and indifference!

5003
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SLUGGISHNESS OF CONSTRUCTION INDUSTRY QUESTIONED

Sofia OTECHESTVEN FRONT in Bulgarian 31 Jul 81 p 2

[Article by Engineer Zheko Zankov: "Have We Thrown Away the Yardstick of Kol'o Ficheto?"]

> [Text] How was the "Novotel Evropa" built? We would have many specialists if everyone would practice his skill. More productivity from the new equipment!

According to the new economic approach all social activities must be profitable. In construction, however, we frequently come across phenomena which hinder the efficient organization of the work despite the very good conditions provided by the state.

In 1965 Sofstroy had mechanization facilities worth about 8 million leva and employed 10,000 people. In addition to public and consumer service buildings, that year it built about 7,000 housing units, only 2,000 of which based on the large-panel method. The average area was about 80 square meters. In 1979 the Sofstroy DSO [State Economic Trust] had mechanization facilities worth more than 30 million leva and employed about 17,000 people. In addition to public and service buildings, the organization completed and delivered 8,600 housing units of a reduced size of 65 square meters; 6,600 of these were large-panel units.

If we compare the area we would see that with four times more equipment and a 70 percent increase in personnel, in 1979 the output was precisely that of 1965!

With every passing year an ever increasing number of materials, equipment and manpower are used per unit of housing output. The time has come, therefore, to ask ourselves the reason for this stagnation in our construction. Why is it that it is so difficult for global leading experience to enter our country? Why is it that our effectiveness remains quite low?

We had the opportunity to observe the fast and effective construction of the "Novotel Evropa" by a French construction company. Actually, the method it used was quite similar to that of the Bulgarian "wide area monolithic" system. The construction was carried out with Bulgarian materials and the foreign workers were not better trained than ours. Yet, their labor productivity and the quality of their work were far higher than ours. What was the reason for this difference?

Perhaps it was even the fact that the French company used under our conditions a method similar to the Bulgarian "wide area monolithic" system. Meanwhile, we were

trying to apply the Swedish "Albetong" system with extensive imported scaffolding. The Swedish system was designed for areas not prone to earthquakes and for conditions dissimilar to ours.

The accurately chosen construction-structural system, quality designing, rational organization of the work at the construction site and competent technical management were of decisive importance to the successful building of the hotel.

I do not mean by this that we have an insufficient number of specialists. On the contrary, the number of engineers and designers who are not working in their profession for a great variety of reasons is rising with every year. However, the opposite also happens: people with a skill inconsistent with their position are appointed at all levels in construction work.

> Between the plan and the first dig. Where does the poor organization begin? The secret of constant digging.

Another phenomenon is the separation of designing from direct production work. This increases superficial designing which is uncoordinated with available materials, mechanization facilities and available manpower.

The separation of designing from execution leads to the following weaknesses:

Lack of qualitatively drafted urban construction solutions with the necessary flow and synchronization of performance of low construction, such as sewer and water lines, heat supplies, road construction, landscaping and others;

Urban construction solutions for high construction are uncoordinated with ground conditions, ground waters, other buildings, number of stories and so on;

High quality blueprints with most competent technological and economic substantiations are not drafted;

The most efficient and economically most advantageous construction-structural system is not chosen;

There is a lack of qualitatively and competently drafted designs by the production organization at the construction site;

There are no effective indicators or mechanisms for material incentive. Frequently the principle followed is "the more the work drags on the higher the fees and the bonuses and the easier the fulfillment of the financial plan becomes."

For many years urban planning was focused only on preliminary and idea stages which most frequently never reached the level of blueprints and implementation. When we initiate a construction project we do not know the duration of construction time, the cost or the materials, manpower and mechanization facilities which will be required at each execution stage.

This is the reason for endless redrafts of urban construction plans. The initial designers must assume moral and material responsibility and superficial developments should not be encouraged with the help of additional fees.

This is also the reason for the unsynchronized completion of roads and engineering facilities and for endless digging through recently completed streets and sidewalks.

Last autumn a U-shaped concrete-lined ditch for electric cables was installed under the sidewalk of Dundukov Boulevard. Soon afterwards new digging was required for additional cables. Two months later the boulevard was dug up for a third time, again because of cables.

> Sand pillows are a design weakness. "Shistoporit" should not be used in foundations. Manpower must not be wasted.

Obviously, the economically, technologically, structurally, operationally and other most suitable solutions for lowering the cost and speeding up execution and preventing the waste of materials, mechanization facilities and manpower, are still not being sought in the course of designing.

Low large-panel block buildings were erected at the Sukha Reka site in Sofia. In this area firm soil--gravel--is found about 3.5 meters below ground. Since no basic solution and a design for foundations in which firm soil is found at a greater depth exist in the case of large-panel housing construction in Sofia, a thick sand pillow, two meters high, had to be poured.

Such sand pillows represent a great loss to the national economy, for this is a quarry material which is poured into an already made cavity, thus losing naturally provided construction grounds. Worse cases exist such as, for example, that of the Lyulin complex, where the cavity was filled not with sand but with concrete which was described as "foundation" concrete but which was 1.60 meters thick. In a single part of the complex about 70,000 cubic meters of concrete were wasted, for this "foundation" concrete was laid with a pump. This means that in addition to 20,000 tons of cement another 85,000 cubic meters of quarry materials brought in from Pazardzhik, Blagoevgrad and the Danube River were lost. The same material could have been used for the building of many stores, garages or children's establishments....

The new administrative building of the okrug design organization was drafted in such a way that the cost was deliberately increased by about 300,000 leva. Later on the concreting of the floors was made in such a way that after a 6-year wait they could no longer be unglued and installed! For the past 6 years the totally lost construction site on Budapeshta Street, in the center of the capital, stands like a monument to our design and construction weaknesses....

Let us also mention the question of the "shistoporit." We began to produce this material in order to improve insulation and lighten the weight of buildings. However, in a number of cases this material has been misused, as was the case of the future foreign trade bank, the construction of which has remained frozen in the center of Sofia for many years. About 700 cubic meters of shistoporit concrete were used in laying the foundations.... Thus the construction workers increased

the cost of the foundations and thus easily fulfilled their financial plan. As to the building itself, on the one hand, the foundations are more expensive by several hundred percent while on the other the lightweight foundations reduce the building's safety....

Have we lost totally the sight of the real indicators which determine the qualities of a project? Have we forgotten the cost per square meter of output, the amount of steel and concrete used per square meter, what is the percentage of unused area, how long should a construction project last with a specific labor productivity? Yet it is precisely such indicators which must determine the merits of a design and the amount of fees and bonuses!

Not a single construction project in Sofia begins with the building of underground facilities and access roads and only then undertaking the construction of the building itself.

We still have no project on which the work is being done according to a precise technological system, backed by charts on the optimum number of workers to be employed at the individual stages. It is a general phenomenon to strip the projects down to the inoperative level and, when the work is resumed, there is a substantial manpower surplus and no sequency in the work is observed. The result is a greatly reduced quality, a lot of tearing down, patching up and correction of improperly made parts. More than 30 percent of the manpower is wasted.

> The possibilities of the Bulgarian "wide area monolithic" system. Better organization, lower capital investments and less heavy work.

A substantial amount of new heavy-duty mechanization facilities have been procured for construction work. The Bulgarian "wide area monolithic" construction system matches its possibilities best. The construction project remains accessible to the use of heavy mechanization facilities in the implementation of all processes from the foundations to the roof. This makes it possible for the mechanization facilities to replace the use of manpower in rough and finishing operations.

The system offers possibilities of totally free planning and requires no capital investments. It uses a small amount of personnel and may be combined with the production of light panels by large-panel construction facilities. This means that some of the elements of large-panel construction may be used in the construction of house buildings even more than eight stories high.

It is entirely within the range of possibilities of a comprehensive technological crew of 40 people to build in a single year as many as 100 apartment units, totally completed. A personnel of 2,000 people could build 5,000 apartment units annually. Such results may be increased over 2 to 3 years, reaching 6,000 to 7,000 apartment units per year (3-3.5 apartment units per year per worker). With such an organization, no more than 10,000 people (excluding those engaged in large-panel construction), Sofstroy would be able easily to carry out any given assignment in Sofia.

To this effect we must consider Sofia as a single construction site in which we must synchronize all operations with the help of most progressive technologies and most skilled technical management. It is thus that within a short time we will no longer speak of shortages of manpower, materials and mechanization facilities and of the nonfulfilled plan for housing and consumer services construction....

5003
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ECONOMIC PLAN FULFILLMENT FOR FIRST HALF 1981 PUBLISHED

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/Article by Federal Bureau of Statistics: "Report on the Development of the National Economy and Fulfillment of the Plan in the CSSR in the First Half of 1981--To Intensify Positive Directions in the Development"/

/Text/ Prague, 27 Jul--In accordance with Main Directions of Economic and Social Development of the CSSR, approved by the 16th CPCZ Congress, the dynamism of our national economic development was affected in the first half of 1981 by the transition to the type of development that concentrates on conservation of raw materials, power, investments and foreign exchange. The rate of the economic growth to the comparable number of workdays agrees in essence with the objectives of the plan, except for the construction industry. The economic development was advantageously influenced by the pledge campaign at the occasion of the 16th CPCZ Congress and of the elections to representative organs on all levels.

In the first half of 1981, industrial production increased 1.8 percent and the volume of construction works declined 2.8 percent over the first half of 1980. Average daily production in industry was up 2.6 percent and in construction declined 2.0 percent; its dynamism decelerated over the 6-month period. The highest rates of growth were achieved in electrical engineering and in certain branches based on utilization of domestic raw materials, such as the cellulose and paper industry, the wood-processing industry, and the glass, ceramic and porcelain industry. Our national economy and our population received continuous supply of fuels and power. The amount of goods hauled by our public transportation system increased 3.6 percent over the same period in 1980.

The timetable for the procurement of basic animal products was surpassed. As compared with the first half of 1980, the procurement of slaughter animals (including poultry) was up 3.3 percent, of eggs 3.2 percent, while the procurement of milk was down 1.6 percent.

The relative decline of the cost of materials in the first half of this year was favorable. Qualitative changes in our economy, however, are less evident than the plan had envisaged and our possibilities would permit. With increasing competition in world markets, the unsatisfactory contribution of scientific technical development and, most of all, the slow progress of innovation and improvement of the quality of goods are preventing our export potential from advancing at a faster rate. In terms of good use of work time, of replacement of manpower with technology and of full utilization of the available machinery, the situation remains unsatisfactory.

The growth rate of exports surpassed the dynamism of imports; the turnover in foreign trade with the socialist countries increased faster than that with the capitalist states. Total sales transactions in foreign trade were up 6.3 percent over the first half of 1980, of which those with the socialist countries up 9.4 percent. Exports were up 7.9 percent, of which those with the socialist countries up 9.3 percent; imports were up 4.6 percent, of which those with the socialist countries up 9.5 percent.

The volume of completed investment projects and deliveries fell 2.6 percent below that of the first half of 1980. Planned schedules for construction projects continue to be unfulfilled and deliveries of capacities for utilization continue to lag.

In conjunction with economic achievements, the financial income of our population increased 2.4 percent nominally and almost 2 percent actually. Its effect on our domestic market did not meet the projection of the plan. The volume of savings by our population increased; primarily deposits in state savings banks were up. Furthermore, the social consumption of our population increased. Planned relations between the growth of labor productivity and average wages were not achieved in either industry or construction. Constructed were 25,661 housing units.

In order to fulfill the tasks of the plan for the current year, it is necessary to focus on the positive directions in our economic development even more than before, to suppress negative phenomena, to exploit much better the unused potential of our national economy, and to implement the Set of Measures for Improving the Planned Management System of National Economy valid as of 1 January 1981.

Industry

Industrial production in centrally managed industry in the first half of 1981 increased 1.8 percent over the same period of 1980, of which the increase in production amounted to 1.3 percent in the CSR and 3.1 percent in the SSR. Average [illegible] duction was up 2.6 percent, which is up 0.2 percent as compared with the objectives of the annual state plan.

In conjunction with the preparation for structural changes during the Seventh Five-Year Plan, with limited possibilities of importing certain raw materials and with a gradual transition to more intensive directions in the development of production, the progress of production in individual branches was differentiated according to the plan. The rate of growth in the electrical engineering industry and in certain branches processing mainly domestic raw materials was more rapid, while production in the mining industry and in the chemical and oil-processing industries declined slightly.

As a whole, enterprise plans for gross production were exceeded 0.3 percent, however, numerous enterprises failed to meet their planned tasks. Difficulties with steady fulfillment of planned production tasks became evident especially in the general engineering, heavy engineering and electrical engineering industries, in the leather-processing and shoe-manufacturing industries. On the whole, enterprise plans for adjusted value added were surpassed by 1.3 percent.

Total deliveries of products and goods in centrally managed industry were up 1.0 percent in comparable wholesale prices. Over the same period of 1980, deliveries for consumption in production and services increased 1.4 percent, deliveries for export

to the nonsocialist countries 0.1 percent and deliveries for export to the socialist countries, 0.8 percent. The volume of deliveries to our domestic market remained on approximately the same level as in 1980. In accordance with the objectives of the plan, the volume of machinery and equipment delivered for capital investment increased 1.7 percent.

The achievement of the planned structure in the production of more sophisticated assortments of goods and of the sales structure caused problems which in turn adversely affected the overall steady progress of production, fluid consumer-supplier relations and thus, also the comprehensive fulfillment of the plan. All indicators stipulated for continuous control of the fulfillment of the plan were met in the first half of the year by about one-half of all the organizations for which they had been specified.

In total achievements, the level of costs in industrial production developed favorably. The share of total costs, including the share of costs of materials in outputs, which declined below the level of the first half of 1980, failed to meet the level envisaged by the state plan for the year. Advantageous achievements in cost development affected the development of profitability where the achieved level was below the plan both in return on costs and in return on operating assets.

Labor productivity increased 2.0 percent in conversion to a comparable number of workdays (on the basis of gross production), while the annual plan envisaged a 2.1 percent growth. Average wages of industrial workers was up 2.0 percent (annual plan 1.8 percent).

In the first half of the year, employment in centrally managed industry increased 15,600, i.e., 0.6 percent, over the same period of 1980, and amounted to 2,622,000 persons. The number of workers increased 0.2 percent in the CSR (planned annual growth 0.3 percent) and 1.6 percent in the SSR (planned annual growth 1 percent).

Individual branches scored the following achievements in the first half of the year:

The fuel and energy base in general successfully maintained continuous supplies of the main types of fuels and power to our national economy. The total plan for coal mining for the first half of the year was exceeded by 612,000 tons and 50 percent of the annual tasks were fulfilled. All coal-mining enterprises fulfilled their plan. Delays are still evident in stripping of overlying soil, where the plan was fulfilled 96.0 percent.

Power generation was up 1.4 percent, of which 74.8 percent in the nuclear power plant; its production amounted to 8.2 percent of total power generated.

Production in the metallurgical industry increased 1.3 percent, of which production in ferrous metallurgy increased 2.3 percent and production in ore mining and metallurgy of nonferrous metals declined slightly.

Total engineering production increased 3.3 percent, of which the most dynamic increase, 5.6 percent, was achieved by the electrical engineering industry. Some enterprises encountered problems in their attempt to meet the structure of assortments of goods, which adversely affected continuity in the fulfillment of planned deliveries, particularly for export and for the needs of capital investment. Consolidation of advanced modern branches of production, particularly electric engineering, continued during the first half of the year.

Production of Important Industrial Goods

	Unit of measure	Effect of the first half of 1981	Fulfillment of state plan for the year[1]	First half of 1981 in percent of the first half of 1980
Bituminous coal (basic mining--for sale)	1,000 ton	13,982	50.3	96.7
Brown coal, including lignite (basin mining --for sale)	1,000 ton	47,921	49.9	102.0
Electric power	Mil kWh	36,932	50.3	101.4
Crude steel	1,000 t	7,772	49.5	103.4
Rolled stock	1,000 t	5,324	48.0	100.3
Plastics	1,000 t	433.5	45.4	98.4
Synthetic fibers	1,000 t	85.1	54.0	102.0
Tires for passenger cars and trucks	1,000 units	1,632	50.8	102.3
Passenger cars	1 item	92,082	52.0	95.5
Trucks	1 item	23,968	51.8	105.7
Agricultural machinery and equipment	Kcs million	1,191.7	47.5[3]	105.0
Household refrigerators	1,000 units	189.0	54.6	106.1
TV sets	1,000 units	208.8	52.9	101.1
Concrete	1,000 t	4,958	44.8	99.5
Lime	1,000 t	1,599	50.7[3]	105.8
Furniture of wood and other materials[2]	Kcs million	3,413	48.3[3]	102.1
Cotton textiles	million meters	288.7	48.7	100.9
Footwear, total[2]	million pairs	59.6	51.6	99.2
Meat in slaughter treatment	1,000 t	490.7	51.6	105.2
Dairy butter	1,000 t	60.3	47.4	94.5
Refined sugar	1,000 t	112.7	12.6	82.7
Beer	1,000 hl	11,645	49.2[3]	102.2

Due to limited sources of imported raw materials the volume of production of the chemical industrial remained on approximately the same level as during the corresponding period of 1980; production of the rubber and asbestos industries increased 3.2 percent; production in the chemical and oil-processing industries declined 1.8 percent.

Production in the wood-processing industry increased 2.9 percent, 2.7 percent of which in the wood-processing industry and 3.2 percent in the cellulose and paper industries.

[1]The share of the annual time fund in the first half of the year was 48.8 percent.
[2]Not including local industry and the Association of Manufacturing Cooperatives.
[3]Fulfillment of the annual enterprise plan.

Total production in light industry was up 2.2 percent. The glass, porcelain and ceramic industries achieved a faster growth rate at 2.7 percent; production of the processing industry 1.7 percent, and the polygraphic industry 0.8 percent.

The industry of construction materials increased its production 1.8 percent. Higher increases were noted in the manufacture of ceramic tiles--17.5 percent, of lime--5.8 percent, and unburned masonry materials--6.5 percent; however, the production of concrete declined 0.5 percent, which was due in particular to the nonfulfillment of the plan for construction work and with measures for conservation in the consumption of concrete.

The food industry reported a total increase of 1.9 percent in its production, of which production in the milling and baking industry went up 4.6 percent, and in the meat industry 1.6 percent.

Agriculture

Due to favorable weather, seasonal tasks in the spring were completed promptly and well; the plowed-under areas did not exceed the average of several years. The dry and cool weather in April and the continuous lack of precipitation in May and June adversely affected most crops during their vegetation period. Hard night frosts damaged certain crops in the fields, fruit trees, shrubs and early vegetables.

The cultivation plan was fulfilled this year in areas growing sugar beets, oleiferous crops and mainly also potatoes. The planned area of arable land cultivating fodder crops was surpassed by 7.5 percent and cultivating vegetables by 7.1 percent. The area growing grain crops was 2.4 percent below the plan.

The development of animal production was limited from the beginning of the year by the sources, structure and quality of fodders. The objective of the plan to regulate the inventories of hogs was only partially fulfilled. The inventories of livestock remained on approximately the same level as in the first half of 1980.

Inventories of Livestock as of 1 July (Agriculture Total)

			In thousands of head
	1980	1981	Index 1981/1980
Cattle total	5,056	5,131	101.5
of which cows	1,877	1,878	100.1
Hogs total	7,903	7,871	99.6
of which sows	599	548	98.0
Poultry total	61,232	60,988	99.6

In view of the adopted measures, the inventories developed more advantageously in the CSR than in the SSR. The inventories of hogs in the CSR declined 1.6 percent over the first half of 1980, while in the SSR the inventories of hogs were 1.8 percent above the same period of 1980.

Raising of pigs and calves in the socialist sector increased over the comparable period of 1980 due to a lower mortality rate. On the statewide average 54.3 calves were raised per 100 cows, and 8.55 pigs per sow. Average per hen production increased to 126.9 eggs.

The inferior quality of fodders was reflected this winter in lower milk production in cows and in continually stagnating daily average weight increments in hogs and cattle in fattening stations. The average daily productivity of cows in the socialist sector amounted to 8,46 litres; total milk production declined 22 million litres over the first half of 1980. The average daily weight increment was 0.50 kg in hogs and 0.68 kg in the cattle.

Of the total task stipulated for the year by the state plan 50.4 percent of slaughter livestock (including poultry), 48.8 percent of milk, and 52.0 percent of eggs were procured in the first half of the year.

Repairs of mechanized equipment for harvesting fodder and grain crops could not be accelerated this year again. The availability of the equipment remained on approximately the same level as last year.

Forest Economy

In the first half of this year, 53.4 percent of the total annual task stipulated by the annual plan, which amounts to 18,254,000 cubic meters of wood, were produced, i.e., 9.75 million cubic meters. Deliveries of timber amounted to 8.55 million cubic meters, i.e., 50.2 percent of the plan for the whole year. Within the total production 4 million cubic meters of down timber were processed.

Water Economy

The production of drinking water increased 28 million cubic meters over the first half of 1980, to a total 790 million cubic meters. The share of the population supplied with water from public water mains increased from 69.8 percent in the first half of 1980 to 70.9 percent, and the share of the population residing in houses connected to public sewer systems increased from 57.2 percent to 57.9 percent.

Construction Industry

Construction enterprises completed construction projects built by their own work force for Kcs 38.4 billion. The volume of construction projects declined 2.8 percent over 1980, although according to the plan it should increase 2.7 percent over the entire year. Furthermore, construction works, especially construction projects for capital investment are not being completed in agreement with delivery contracts. Considerable imbalance was evident in the fulfillment of the planned tasks by individual construction enterprises; 74.9 percent of enterprises failed to meet the planned volume of construction work by their own workers.

The unsatisfactory results achieved by construction enterprises stem in particular from inferior organization of construction work in numerous enterprises, with consequent underutilization of machinery, chronic excessive scope of unfinished construction projects and with inadequate preparation of building sites and plans for many construction projects.

The volume of adjusted value added of construction enterprises amounted to Kcs 15.6 billion, and the enterprises fulfilled their plans 98.5 percent. Positive achievements were noted in the development of costs of materials without depreciation, whose share in the outputs of construction enterprises fell below the plan.

The number of employees in construction enterprises declined 0.5 percent as compared with the first half of 1980 and amounted on the average to 546,000 persons; the number of workers in construction projects decreased 0.8 percent.

The development of the relation between the growth of labor productivity and average wages was unfavorable. As compared with the planned objectives, the development of labor productivity was adverse, having declined 2.3 percent over the same period of 1980. The average monthly wage amounted to Kcs 2,870 and increased 0.8 percent over the first half of 1980.

Transportation and Communications

In the first half of 1981, 321 million tons of goods were hauled by public transport, 142.5 million tons of this by railroads.

Railroad loading amounted to 120 million tons, which represents a 2.1 percent increase over the first half of 1980. Among the main substrates, the loading plan for crude oil, tars and their products and the loading plan for individual mineral raw materials have not been fulfilled. In terms of the qualitative indicators, the plan of average static load of a car unit and the plan for labor productivity for a service locomotive in traction were fully met; however, the turnaround time of a car unit developed adversely, amounting to 4.18 days (as compared with the planned 4.06 days).

The CSAD /Czechoslovak Automobile Transportation/ hauled 173.3 million tons of goods on highways, which is 9.8 million tons more than in the first half of 1980.

River transport shipped 5.3 million tons of goods, i.e., 12 percent more than in the first half of 1980. Higher transport of power coal for the Chvaletice power plant shared to a major extent in that increment.

In the first half of the year, 1,301,000,000 passengers were transported by public passenger transport, which is 6.4 million persons more than during the same period of 1980. The CSAD transported 1.1 billion persons, and the CSD /Czechoslovak Railroads/ 207.4 million persons.

During the first half of the year, the metro transported 129 million passengers as compared with 110 million passengers during the same period of 1980, i.e., 16.8 percent more.

The number of telephones in service increased 36,000. There are 3,186,000 telephone units in operation, which represents a density of 20.84 units per 100 citizens.

Capital Investment

In the first half of the year investment projects and deliveries (not including action Z and programs undertaken by the population) amounting to Kcs 56 billion were completed, which is 2.6 percent less than in the same period of 1980. The planned volume for the year was fulfilled 41.0 percent--42.2 percent in construction works and 39.4 percent in deliveries of machinery and equipment.

Investment projects and deliveries completed in the CSR amounted to Kcs 36.1 billion, and in the SSR to Kcs 19.9 billion.

Relatively more favorable results were achieved in construction projects with a budget in excess of Kcs 2 million, especially in mandatory projects. In the first half of the year, 42.0 percent of the volume of projects and deliveries planned for the year and 45.1 percent in construction projects designated as mandatory projects were fulfilled in construction projects over Kcs 2 million. Despite a better overall fulfillment of the volume of construction projects designated as mandatory tasks, a certain part of those capacities did not begin operation on the planned deadline, mainly because of unsatisfactory site and planning preparations and because of inefficient organization of construction work.

Some of the new capacities introduced into operation in the first half of the year are: the Krajka /Lace/ of Kraslice in the Libavske Udoli /Libava valley/--modernization project for manufacture of 13,943,000 square meters of curtains and laces annually; the meat plant in Sudena, second stage, 9,500 tons of meat products annually; the repumping hydroelectric station on the Cierny Vah River--turbogenerator 2--110 MW; the Czechoslovak-Soviet Friendship chemical plants in Zaluzi--new refinery processing 3 million tons of crude oil annually; the grain silo in Hodonice--50,000 tons; the industrial school in Most--16 schoolrooms for 576 students.

Scientific Technological Development

The achievements of scientific-technological development, its emphasis and focus on vital tasks, social efficiency, promptness and scope of implementation and application of the achievements of science and technology still fall short of our potential and of the needs of our national economic development.

The volume of new products increased; its share in the total volume of production as well as the achieved quality of goods, however, remain unsatisfactory even in branches which should be the bearers of technological progress, such as the engineering and electrical engineering industries.

In the first half of the year, 94.6 percent of the research and developmental tasks of the state plan were met and 90 percent of the state plan tasks in introducing new technologies in production were met. The fulfillment of research and developmental tasks of the state plan was higher than in the first half of 1980.

Examples of successfully introduced new technologies in production are: introduction of the production of wheel sets with adjusted dimensions and form; introduction of the production of seamless microalloy pipes; introduction of the constructions of industrial buildings with a labor input of 1.13 h/cubic m /hours per cubic meter/ capacity of the building space and multilevel buildings with a labor input of 3.17 h/cubic m capacity; introduction of the production of the NC system and readout with solid algorithms; introduction into full-scale operation of integrated shaping in the manufacture of parts made from metal plate; introduction of technology for the manufacture of hybrid integrated multilayer circuits with a range of complexity from 100 to 300 units per circuit.

In the first half of the year, the CSSR concluded 18 agreements on scientific-technical cooperation with the CEMA member states, i.e., 4 agreements more than in the same period of 1980.

Foreign Trade

In the first half of the year the basic objective of the plan for foreign trade--for exports to exceed imports--was successfully met in general as well as in relation to the nonsocialist states.

Rate of Growth of the Transactions in Foreign Trade in the First Half of 1981 in Percent (First Half of 1980 100)

Total export	107.9	total import	104.6
of which:		of which:	
to the socialist countries	109.3	from the socialist countries	109.5
to the nonsocialist states	106.2	from the nonsocialist states	97.7

Integration of the CSSR in the international division of labor, primarily within the CEMA community, provides the stabilizing factor in foreign economic relations. As compared with the first half of 1980, the exchange of goods with the CEMA member states increased 8.5 percent, 13.3 percent of this with the USSR.

The development of trade with the socialist states was favorably influenced by the process of socialist integration which provides preconditions for more efficient exploitation of material and natural resources by joint participation in the construction of raw-material capacities. The process of specialized production and cooperation, particularly in the engineering and metal-processing production area, continued to develop advantageously.

Living Standard

In the first half of 1981 a total of 6.57 million persons were employed in the socialist sector of our national economy (not including the JZD [unified agricultural cooperatives]), i.e., 0.7 percent more than in the same period of 1980. Employment increased at a faster rate in the SSR (1.5 percent) than in the CSR (0.3 percent). Most of the increment in the number of workers continued to incline in the direction of nonproduction branches.

In the first half of 1981, the financial income of our population amounted to Kcs 176.8 billion, which was Kcs 4.2 billion, or 2.4 percent, higher than in the same period of 1980. Incomes from wages accounted for Kcs 2.9 billion and social income for Kcs 0.4 billion in the increase of financial income. Financial income in the first half of the year increased 2.1 percent in the CSR and 3.2 percent in the SSR.

The average monthly nominal wage of the workers in the socialist sector of our national economy (not including the JZD) was Kcs 2,639, and the increase over the first half of 1980 amounted to 1.9 percent. Real wages were up 1.3 percent. The realized financial income of our population was up 1.2 percent. The increase of deposits and cash of our population amounted to Kcs 9.8 billion. Deposits increased markedly higher than in the first half of 1980 also because of deficient supplies of goods for the domestic market. State savings banks granted loans in the amount of Kcs 4.9 billion.

The dynamism of retail trade was slower in the first half of 1981 than envisaged in the plan primarily due to the unsatisfactory structure of supplies of goods and diminished interest of consumers in purchasing certain types of products, particularly their declining interest in passenger automobiles, furniture and certain types of textile goods.

According to estimates, all retail systems earned Kcs 120.2 billion During the first half of the year, i.e., 0.2 percent more than during the same period of 1980. Retail turnover in the CSR remained on approximately the same level as in the first half of 1980, while in the SSR it rose 1.3 percent.

Food continued to be supplied to our domestic market without any major fluctuations; deficiencies in the line of products were occasionally evident. The situation was more complicated with supplies of industrial products. Demands of our population for various types of products, such as textiles, pharmaceuticals, household and sports needs, etc. were not fully satisfied. When purchasing passenger automobiles, the focus was on Czechoslovak-made cars.

During the academic year of 1980-1981, 388,800 students attended day courses in all types of secondary schools, and 151,500 students attended institutes of higher education. An additional 170,400 persons were upgrading their qualification in work-study programs, more than one-fourth of them in institutes of higher education.

In the first half of the year, 25,661 housing units were completed in all types of housing construction, which was 9,479 less than those completed in the same period of 1980. In the first half of 1981, 28.4 percent of the annual plan for housing units were fulfilled, which is 4.1 point less than last year; the plan for the completion of housing units had envisaged a more gradual decline. Less favorable results were due to a major extent to the necessity of some of the construction enterprises to complete their work in housing units which had been turned over to the investors at the end of 1980 but which because of defects could not be released for occupation to residents.

Of all the completed housing units, 4,920 were built by community action programs, 8,833 by cooperative programs, 3,175 by enterprise construction, 8,733 in individual construction. The construction of 39,200 housing units, or 4,800 less than in the first half of 1980, was initiated.

In the first half of 1981, there were 121,000 live births, i.e., 6.7 percent fewer than in the same period of 1980. The natural increment amounted to 31,000 persons. The number of marriages declined and the rate of divorces increased slightly.

The development of population was more favorable in the SSR than in the CSR. Toward the end of June the population of the CSSR was 15,313,000, 10.3 million in the CSR and 5,013,000 in the SSR.

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LIVESTOCK PRODUCTION FOR 1975-1980 ASSESSED

Prague NAS CHOV in Czech No 6 Jun 81 pp 237-240

[Article by Dr Engr Josef Krecek, deputy director, Agricultural Production Sector, Federal Ministry of Agriculture and Food: "Assessment of Livestock Production for the Year 1980 and the Entire Sixth Five-Year Plan]

[Text] The Sixth Five-Year Plan called for consumption of food of livestock origin per inhabitant to attain 87 kg of meat, 216 liters [L] of milk and dairy products (not to include butter) and 302 eggs. This presupposed an increase in production for the market in the course of the Sixth Five-Year Plan in comparison to the 1975 level for individual livestock products: total of animals for slaughter (without poultry) by 279,100 metric tons [t], i.e., 19.7 percent; this amount includes an increase for horned cattle for slaughter by 118,300 t, i.e., 18.5 percent and pigs for slaughter by 161,000 t, i.e., 21.8 percent; poultry for slaughter by 49,100 t, i.e., 27.6 percent; milk by 690.3 million L, i.e., 15.1 percent and eggs by 298.4 million units, i.e., 12.9 percent.

At the same time the Sixth Five-Year Plan envisioned an increase in gross livestock production from Kcs 42,201,000,000 to 47,960,000,000 i.e., 13.6 percent and livestock production for the market to increase state funds from Kcs 33,212,000,000 to 39 Billion, i.e., 18.6 percent.

For the year 1980,in compliance with the production base potential and material resources the state implementation plan set a lower rate of increase than for other years. Even so it involved challenging tasks which, in comparison with the situation in 1979, called for incresaing the procurement of livestock for slaughter, without poultry, by a total of 17,800 t, i.e., by 1.1 percent, which includes procurement of horned animals for slaughter by 18,500 t, i.e., by 2.8 percent; eggs for consumption by 80 million, i.e., 3.1 percent.

Due to high demand for nutritive fodders, a stagnation of tasks in the production and procurement of pigs and poultry for slaughter was expected to set in during the final year of the Sixth Five-Year Plan.

Analysis of the results attained in the years 1976 through 1980 shows that even though very valuable achievements were made in that period, the goals of the Sixth Five-Year Plan as a whole in regards to livestock production had not been met. Gross livestock production increased 11 percent and livestock production for the market during the Sixth Five-Year Plan increased 13.9 percent.

Livestock production for the market in the case of all animals for slaughter (except poultry) for the years 1976 through 1980 increased 18 percent. From this amount the procurement of horned cattle for slaughter increased 9 percent and that of pigs for slaughter 31.6 percent. Procurement of poultry for slaughter increased 44.5 percent, milk 12.7 percent and consumer eggs 14.3 percent. This shows that the quotas called for by the planned could be met and exceeded in production for marketing of pigs for slaughter, poultry for slaughter and eggs for consumption. On the other hand, the quotas for production and procurement of horned cattle and milk failed to be met.

The attained production and procurement provided an increase in the consumption of meat from 81.1 kg in 1975 to 85 kg in 1980, milk from 210.4 l to 233 l and eggs from 297 units to 320 (preliminary data).

In 1980, gross livestock production in comparison with the Penultimate year of the Sixth Five-Year Plan increased 3.6 percent and livestock production for the market 3.1 percent.

Among the key livestock products the state procurement plan for livestock for slaughter as a whole, not including poultry was met 100.2 percent, poultry for slaughter 105.4 percent, milk 103.1 percent and eggs 102.4 percent.

The extent of meeting individual tasks in the procurement of livestock products for the year 1980 is shown in Table 1.

In comparison with 1979, total procurement of livestock for slaughter (not including poultry) increased 21,700 t, including 8,400 t of horned cattle for slaughter, 13,600 t pigs for slaughter, 7,100 t poultry for slaughter, 242.3 million l milk and 143 million eggs.

Analysis of meeting procurement goals by regions shows that in the last year of the Sixth Five-Year Plan procurement of livestock for slaughter (without poultry) was met by all regions except the East Slovakian Region. The planned procurement of horned cattle for slaughter was met only by the South Moravian Region. All other regions made up for losses in meeting the horned cattle quota by increased production and procurement of pigs for slaughter, the quota for which was exceeded in all regions. Except for the West Slovakian and East Slovakian Regions all other regions met the plan quota for procurement of sheep and goats.

The plan quota for milk procurement was met by all regions except the East Slovakian Region. Quotas in the production of poultry for slaughter for the market in 1980 were met by all regions and in procurement of eggs for consumption only the Central Slovakian and East Slovakian Regions were lagging.

Favorable carrying out of the state plan for procurement of livestock products was primarily facilitated by improved utility value of livestock (Table 2).

In comparison with 1979, the average annual milk yield of cows increased 133 l, including increases in the CSR by 170 l and the SSR by 47 l.

Table 1. Meeting of the Plan for Procurement of Livestock Products in 1980 in Totals for Sectors

	Ukazatel (1)		Státní provádecí plán (2)	Skutečnost (3)	Rozdíl proti plánu (4)
(5)	Jatečná zvířata	ČSSR	1595	1599,0	+ 4,0
	celkem bez drůbeže	ČSR	1110	1113,5	+ 3,5
	tis. t	SSR	485	485,5	+ 0,5
(6)	z toho: jatečný skot	ČSSR	679	668,9	— 10,1
	tis. t	ČSR	492	484,8	— 7,2
		SSR	187	184,1	— 2,9
(7)	jatečná telata	ČSSR	18	16,8	— 1,2
	tis. t	ČSR	13	12,6	— 0,4
		SSR	5	4,2	— 0,8
(8)	jatečná prasata	ČSSR	888	902,4	+ 14,4
	tis. t	ČSR	602	612,4	+ 10,4
		SSR	286	290,0	+ 4,0
(9)	jatečné ovce	ČSSR	10	10,9	+ 0,9
	a kozy	ČSR	3	3,7	+ 0,7
	tis. t	SSR	7	7,2	+ 0,2
(10)	Jatečná drůbež	ČSSR	228	244,7	+ 16,7
	tis. t	ČSR	150	161,6	+ 11,6
		SSR	78	83,1	+ 5,1
(11)	Mléko	ČSSR	5010	5162,9	+152,9
	mil. l	ČSR	3600	3758,9	+158,9
		SSR	1410	1404,0	— 6,0
(12)	Vejce	ČSSR	2620	2683,2	+ 63,2
	mil. kusů	ČSR	1850	1932,0	+ 82,0
		SSR	770	751,2	— 18,8

Key:
1. Index
2. State Implementation Plan
3. Attained amount
4. Divergence with plan
5. Total of livestock for slaughter without poultry in thousands of t
6. Including: horned cattle for slaughter in thousands of t
7. Calves for slaughter in thousands of t
8. Pigs for slaughter in thousands of t
9. Sheep and goats for slaughter in thousands of t
10. Poultry for slaughter in thousands t
11. Milk in millions of l
12. Eggs in millions of units

Calf breeding per 100 cows increased 1.07 units and breeding of piglets per sow by 0.39 pieces. In comparison to 1979 the increases in breeding amounted to 27,200 calves and 487,700 piglets. Average egg yield per hen increased by 4 eggs.

The average daily increment in the weight of pigs during fattening to include pre-fattening increased 0.011 kg. The stepped up increment represents an increase in production of pigs for slaughter by 16,600 t. Less favorable was the development in the average daily increase in weight in fattening of horned cattle which in comparison with 1979 increased only 0.01 kg. The average slaughter weight of horned cattle for slaughter including cows increased 7 kg, of which young horned cattle for slaughter accounted for 10 kg. Increased slaughter weight of horned animals for slaughter made it possible to deplete the stock by 20,900 animals less than was the case with the slaughter weight achieved in 1979.

Table 2. Development of Indices of the Utility Value of Livestock in Individual Years of the Sixth Five-Year Plan in Comparison with the Year 1975

Ukazatel (1)	Jednotka (2)	Rok (3)	ČSSR	ČSR	SSR
Průměrná dojivost na krávu od začátku roku za sektory celkem (4)	l	1980	3084	3119	3003
		1979	2951	2949	2956
		1978	2931	2957	2889
		1977	2885	2919	2805
		1976	2804	2845	2709
		1975	2803	2845	2703
Průměrná dojivost na krávu od začátku roku za socialistický sektor (5)	l	1980	3104	3117	3070
		1979	2970	2942	3039
		1978	2952	2949	2960
		1977	2908	2909	2908
		1976	2831	2832	2828
		1975	2828	2831	2822
Odchov telat na 100 krav (6)	ks pcs	1980	98,48	100,46	93,58
		1979	97,41	98,98	93,46
		1978	97,62	99,31	93,33
		1977	96,35	99,08	91,88
		1976	95,16	96,87	91,17
		1975	92,62	94,15	88,48
Odchov selat na prasnici (7)	ks pcs	1980	16,71	16,97	16,18
		1979	16,32	16,23	16,29
		1978	16,88	16,80	16,45
		1977	16,90	17,02	16,66
		1976	16,34	16,45	16,11
		1975	15,86	16,37	14,88
Průměrná snáška vajec na slepici za sektory celkem (8)	ks pcs	1980	228	235	214
		1979	224	229	215
		1978	226	229	219
		1977	225	229	217
		1976	226	227	206
		1975	218	224	206
Průměrný denní přírůstek prasat ve výkrmu (9)	kg	1980	0,516	0,523	0,502
		1979	0,505	0,507	0,502
		1978	0,507	0,515	0,498
		1977	0,513	0,519	0,502
		1976	0,507	0,513	0,498
		1975	0,508	0,517	0,490
Průměrný denní přírůstek skotu ve výkrmu (10)	kg	1980	0,72	0,71	0,74
		1979	0,71	0,69	0,77
		1978	0,73	0,71	0,77
		1977	0,75	0,74	0,79
		1976	0,74	0,73	0,78
		1975	0,76	0,74	0,82
Průměrná porážková hmotnost skotu (11)	kg	1980	473	476	465
		1979	466	466	467
		1978	477	479	471
		1977	473	475	468
		1976	484	490	465
		1975	493	502	472
Průměrná porážková hmotnost telat (12)	kg	1980	87	88	85
		1979	88	88	88
		1978	89	89	89
		1977	90	90	92
		1976	96	96	98
		1975	101	99	107
Průměrná porážková hmotnost prasat (13)	kg	1980	110	109	110
		1979	110	109	112
		1978	109	108	109
		1977	108	107	111
		1976	104	103	106
		1975	102	102	103

Key:
1. Index
2. Unit
3. Year
4. Average milk yield per cow from beginning of the year, total for sectors
5. Average milk yield per cow from beginning of the year for the socialist sector
6. Calf breeding per 100 cows
7. Piglet breeding per sow
8. Average egg yield per hen, total for sectors
9. Average daily increase in the weight of fattened horned cattle
10. Average daily increase in the weight of fattened horned cattle
11. Average slaughter weight of horned cattle
12. Average slaughter weight of calves
13. Average slaughter weight of hogs

In the course of 1980 there also occurred a decrease in the losses caused in livestock production by mortality of livestock. Mortality of piglets decreased against the 1979 level from 7.3 percent to 6.9 percent and mortality of other categories of pigs from 7.2 percent to 6.9 percent. Losses of calves for the same period increased from 5.1 percent to 5.4 percent. In other categories of horned cattle, mortality decreased from 1.8 to 1.7 percent.

Results of detailed investigations conducted on a regular basis by the veterinary service with particular emphasis on agricultural enterprises with a higher level of losses due to mortality show that the weakest link is constituted primarily by shortcomings in organization and management of breeding, in nutrition and care and often also in inadequate zoohygienic conditions of sheltering animals in stalls and stables.

The share of regions in upgrading the utility value of livestock in the national republics in 1980 is shown in Table 3.

Table 3. Development of Utility Value of Livestock in 1980 in Comparison with 1979

Kraj (1)		Průměrná roční dojivost na krávu l (2)		Odchov telat na 100 krav ks pcs (3)		Odchov selat na prasnici ks pcs (4)		Průměrný denní přírůstek skotu ve výkrmu kg (5)		Průměrný denní přírůstek prasat ve výkrmu včetně předvýkrmu kg (6)		Průměrná roční snáška vajec na slepici ks pcs (7)	
		1980	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979
Středočeský	1	3033	2800	95,88	95,06	16,39	15,8	0,85	0,82	0,535	0,512	227	223
Jihočeský	2	2935	2785	103,95	102,87	17,51	16,9	0,75	0,73	0,528	0,509	225	225
Západočeský	3	2985	2774	99,43	97,05	17,76	16,9	0,71	0,68	0,525	0,513	228	221
Severočeský	4	2970	2734	98,72	95,90	16,29	15,4	0,83	0,80	0,518	0,492	235	227
Východočeský	5	3249	3143	103,51	101,99	17,10	16,7	0,88	0,86	0,532	0,519	237	233
Jihomoravský	6	3311	3128	99,51	98,47	17,09	16,3	0,77	0,76	0,515	0,499	244	236
Severomoravský	7	3154	3055	102,06	100,38	16,84	16,3	0,71	0,71	0,507	0,497	243	231
Západoslovenský	8	3487	3442	96,22	96,32	16,65	16,8	0,79	0,83	0,512	0,515	225	226
Středoslovenský	9	2821	2690	90,86	91,37	15,09	15,0	0,70	0,72	0,492	0,478	216	214
Východoslovenský	10	2616	2555	91,88	90,71	15,80	16,2	0,68	0,72	0,477	0,477	194	196

Key:

1. Region
   - 1 Central Bohemia
   - 2 Southern Bohemia
   - 3 Western Bohemia
   - 4 Northern Bohemia
   - 5 Eastern Bohemia
   - 6 Southern Moravia
   - 7 Northern Moravia
   - 8 Western Slovakia
   - 9 Central Slovakia
   - 10 Eastern Slovakia
2. Average annual milk yield per cow
3. Calf breeding per 100 cows
4. Piglet breeding per sow
5. Average daily increment in the weight of fattened horned cattle
6. Average daily increment in the weight of fattened hogs to include prefattening
7. Average annual yield of eggs per hen

Even in the last year of the Sixth Five-Year Plan the highest milk yields were attained by agricultural enterprises in the regions of Western Slovakia, Eastern

Bohemia and Southern Moravia. Pure natality in the case of calves exceeded 100 calves per 100 cows in the regions of Southern Bohemia, Eastern Bohemia and Northern Moravia and in the case of piglets 17 piglets per sow in the regions Western Bohemia, Southern Bohemia, Eastern Bohemia and Southern Moravia. In daily weight increment the most successful was the Western Slovakian Region even though it marked a decrease in comparison to 1979. In daily increments in live weight of fattened hogs the best results were achieved by the regions of Central Bohemia, Eastern Bohemia, Southern Bohemia and Western Bohemia. The highest yield of eggs per hen was registered in both regions of Moravia.

Development of Fodder Consumption

An analysis of the consumption and reserves of fodder processed on the basis of statistical data showed that meeting of quotas in livestock production in 1980 required in the socialist sector 9,056,800 t of nutritive fodders and 5,912,600 starch units. In comparison to the 1979 level, this represents a 39,000 t increase in nutritive fodders and 296,100 in starch units with a decrease in bulk fodders.

An analysis of fodder consumption for 1980 shows an overall improvement in the utilization of nutritive and bulk fodders in both republics and the reported consumption of fodders is commensurate to the attained livestock production results. This is documented also by the fact that an increment in gross livestock production of 3.6 percent was achieved by a mere 0.4 percent increment in the consumption of nutritive fodders in comparison with 1979.

Development of the consumption of nutritive fodders per unit of livestock product by regions over the past three years in listed in Table 4.

Table 4 Outline of Nutritive Fodder Consumption for the Years 1978 through 1980 by Regions and Republics (in kg)

Kraje, republiky (1)		Na 1 litr mléka (2)			Na 1 kg jatečného skotu (3)			Na 1 kg jatečných prasat (4)			Na jedno vejce (5)			Na 1 kg brojlera (6)		
		1978	1979	1980	1978	1979	1980	1978	1979	1980	1978	1979	1980	1978	1979	1980
Středočeský	1	0,28	0,29	0,27	2,84	2,80	2,54	3,83	3,83	3,71	0,17	0,17	0,16	2,75	2,67	2,72
Jihočeský	2	0,28	0,27	0,26	2,83	2,89	2,83	3,66	3,71	3,62	0,16	0,16	0,15	2,68	2,53	2,59
Západočeský	3	0,28	0,29	0,27	2,86	3,13	2,87	3,72	3,69	3,63	0,16	0,17	0,16	2,55	2,49	2,50
Severočeský	4	0,29	0,31	0,29	3,05	3,28	2,63	3,79	3,80	3,81	0,17	0,18	0,17	2,75	2,62	2,56
Východočeský	5	0,28	0,30	0,28	2,87	3,03	2,69	3,73	3,71	3,62	0,18	0,17	0,17	2,58	2,57	2,56
Jihomoravský	6	0,29	0,29	0,26	2,50	2,55	2,24	3,78	3,79	3,68	0,17	0,17	0,17	2,69	2,59	2,59
Severomoravský	7	0,28	0,30	0,27	2,60	2,68	2,50	3,82	3,81	3,74	0,18	0,17	0,17	2,50	2,43	2,53
Západoslovenský	8	0,29	0,29	0,26	2,47	2,30	2,06	4,01	3,93	3,94	0,17	0,18	0,18	2,86	2,73	2,75
Středoslovenský	9	0,30	0,31	0,29	2,74	2,78	2,47	4,05	4,10	4,00	0,17	0,18	0,18	2,97	2,98	2,86
Východoslovenský	10	0,29	0,29	0,27	2,70	2,66	2,50	4,25	4,28	4,14	0,18	0,17	0,18	3,00	2,92	2,83
ČSSR	11	0,28	0,29	0,27	2,68	2,73	2,48	3,86	3,87	3,77	0,17	0,17	0,17	2,78	2,67	2,66
ČSR	12	0,28	0,29	0,27	2,72	2,83	2,57	3,77	3,77	3,67	0,17	0,17	0,17	2,66	2,57	2,58
SSR	13	0,29	0,29	0,27	2,60	2,51	2,27	4,06	4,06	3,99	0,18	0,18	0,18	2,93	2,84	2,80

Key:

1. Region
   - 1 Central Bohemia
   - 2 Southern Bohemia
   - 3 Western Bohemia
   - 4 Northern Bohemia
   - 5 Eastern Bohemia
   - 6 Southern Moravia
   - 7 Northern Moravia
   - 8 Western Slovakia
   - 9 Central Slovakia
   - 10 Eastern Slovakia
   - 11 CSSR
   - 12 CSR
   - 13 SSR
2. Per liter of milk
3. Per kg of horned cattle for slaughter
4. Per kg of hogs for slaughter
5. Per egg
6. Per kg of broiler

Confrontation of the data in this table with similar data for the first 2 years of of the Sixth Five-Year Plan indicates a decreasing trend in the consumption of nutritive fodders for all livestock products.

Despite the overall favorable partial improvements in the level of fodder management, regular inspections of compliance with the obligatory system of management of fodders in regions and districts have disclosed persistence of unused resources, particularly enterprises with comparable production conditions.

Development in Inventories of Livestock in Relation to Meeting the Quotas of 1980 and of the Entire Sixth Five-Year Plan

In the course of the Sixth Five-Year Plan inventories of horned cattle increased 436,000 animals, hogs 1,175, of which sows accounted for 63,600. There was also a favorable increase, particularly in the CSR, in the inventory of sheep, even though it involved mainly small breeders and farmers from the private sector. An even rate of development in relation to quotas has also been maintained in poultry inventories.

However, undesirable stagnation continues to persist in cow inventories. The development of livestock inventories in 1980 and throughout the Sixth Five-Year Plan is shown in Table 5.

Table 5. Outline of the Development of Livestock Inventories for the Year 1980 and the Sixth Five-Year Plan

Ukazatel (1)		(2) Stav k 1. 1.			Index 1981/76
		1981	1980	1976	
Skot celkem (3)	ČSSR	5 001 574	4 914 784	4 554 803	109,8
	ČSR	3 498 785	3 428 954	3 205 234	109,2
	SSR	1 502 809	1 485 810	1 349 569	111,4
z toho krávy (4)	ČSSR	1 901 719	1 903 305	1 902 942	99,9
	ČSR	1 317 098	1 318 952	1 322 971	99,6
	SSR	584 623	584 353	579 971	100,8
Prasata celkem (5)	ČSSR	7 893 613	7 580 281	6 683 312	118,1
	ČSR	5 105 489	4 796 932	4 278 445	119,4
	SSR	2 788 124	2 791 329	2 408 867	115,8
z toho prasnice (6)	ČSSR	572 088	585 101	508 644	112,5
	ČSR	388 414	384 620	324 976	113,4
	SSR	203 672	200 481	183 668	110,9
Ovce celkem (7)	ČSSR	909 677	875 404	804 510	113,1
	ČSR	307 771	290 114	256 024	120,2
	SSR	601 906	585 290	548 846	109,7
z toho bahnice (8)	ČSSR	432 774	409 887	368 372	117,5
	ČSR	112 408	104 706	83 392	134,8
	SSR	320 365	305 181	284 980	112,4
Drůbež celkem (9)	ČSSR	47 282 892	46 350 823	40 129 790	117,8
	ČSR	31 472 029	31 926 096	26 481 435	118,8
	SSR	15 810 863	18 424 727	13 648 355	115,8
z toho slepice (10)	ČSSR	22 383 074	21 845 723	20 901 508	107,1
	ČSR	14 925 553	14 590 711	13 856 991	107,4
	SSR	7 457 521	7 255 012	7 002 517	106,5
Koně (11)	ČSSR	44 889	46 751	62 451	71,9
	ČSR	24 400	24 788	30 506	80,0
	SSR	20 489	21 963	31 945	64,1

Key:
1. Index
2. State as of 1 January
3. Horned cattle, total
4. including cows
5. Hogs, total
6. including sows
7. Sheep, total
8. including ewes
9. Poultry, total
10. including hens
11. Horses

All the planned inventory indices for 1980 have been met and exceeded except for cow inventories. In comparison with the same period of 1979, increasing of inventories of all livestock met with success with the exception of cows and poultry. The relative shares in the increase of horned cattle inventory are 55 percent calves under 6 months old, 19 percent heifers over 6 months old, 26 percent bulls and oxen over 6 months old undergoing fattening. The inventory of bulls in fattening increased almost 4 percent in comparison to 1980.

An increase in the inventory of hogs became essentially reflected only in the development of the hog herd in the CSR. A lower increment in the number of sows caused a disproportionate increment of hogs in the CSR in comparison to the need for meeting the planned quota for increasing the natality of piglets.

In the relatively favorable development of the inventory of sheep, which increased by 34,300 animals, a share of more than 66 percent goes to ewes. An increase in the inventory of ewes creates the prerequisites for a higher rate of reproduction in sheep breeding in the current year. From the overall increase in the inventory of sheep, 36.6 percent accrue to the socialist sector and 63.4 percent to all other breeders.

Development of livestock production in the Sixth Five-Year Plan leads to further stepping up of its intensity (Table 6).

Table 6. Outline of Development in Intensity of Livestock Production During the Sixth Five-Year Plan (in Regions and Republics)

(1) Kraj, republiky		(2) Na 1 ha zemědělské půdy						(3) Na 1 ha orné půdy					
		jatečná zvířata celkem[1] (4) kg		jatečný skot (5) kg		mléko (6) l		jatečná prasata (7) kg		jatečná drůbež (8) kg		vejce (9) ks pcs	
		1975	1980	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980
Středočeský	1	244,5	283,6	105,2	114,7	777,5	871,8	159,7	194,6	28,6	38,0	527,0	597,4
Jihočeský	2	219,4	253,3	104,2	114,2	738,5	848,4	156,9	190,3	40,5	51,8	488,1	544,8
Západočeský	3	184,7	204,9	94,7	99,2	736,8	793,6	127,3	147,3	28,3	40,4	503,5	573,4
Severočeský	4	183,8	190,9	90,5	85,1	638,2	685,4	127,8	146,2	39,5	57,1	651,9	837,5
Východočeský	5	238,6	276,1	108,4	117,5	950,9	1045,7	166,2	207,0	37,6	51,3	551,9	614,5
Jihomoravský	6	251,4	298,1	109,0	123,3	751,6	866,7	170,7	208,0	36,3	49,3	465,0	514,1
Severomoravský	7	210,4	248,0	100,0	114,4	750,5	892,3	140,4	171,9	33,5	50,5	443,4	532,3
Západoslovenský	8	240,6	383,1	85,1	91,8	603,4	741,6	182,8	224,2	36,3	49,7	381,2	462,3
Středoslovenský	9	118,1	137,3	61,2	61,0	372,8	465,6	112,2	173,6	36,5	57,7	461,8	563,8
Východoslovenský	10	123,8	133,7	69,2	61,6	359,2	417,1	86,1	124,0	35,2	58,8	318,6	473,7
ČSSR	11	204,0	234,1	92,1	97,9	657,0	755,8	150,0	186,5	36,2	50,6	470,5	554,7
ČSR	12	224,4	258,0	103,1	112,3	771,9	870,7	153,7	186,2	36,1	49,1	511,9	587,3
SSR	13	168,9	193,1	73,3	73,2	459,8	558,3	142,5	187,4	36,5	53,7	385,2	485,2

Key:

1. Region, republics
   - 1 Central Bohemia
   - 2 Southern Bohemia
   - 3 Western Bohemia
   - 4 Northern Bohemia
   - 5 Eastern Bohemia
   - 6 Southern Moravia
   - 7 Northern Moravia
   - 8 Western Slovakia
   - 9 Central Slovakia
   - 10 Eastern Slovakia
   - 11 CSSR
   - 12 CSR
   - 13 SSR
2. Per hectare of agricultural land
3. Per hectare of arable land
4. Livestock for slaughter, total[1]
5. Horned cattle for slaughter
6. Milk
7. Hogs for slaughter
8. Poultry for slaughter
9. Eggs

[1]Not including poultry

Quotas of Production for the Market of Key Livestock Products in the First Year of the Seventh Five-Year Plan

In comparison with the situation attained in 1980, the quotas for procurement of animals for slaughter are lower by 13,000 t, i.e., 0.8 percent. Procurement of milk is being increased 37.1 million l, i.e., 0.7 percent. Procurement of hogs for slaughter should decrease 28,500 t, but that of horned cattle is to increase 16,100 t. The plan quota for market production of poultry for slaughter is lower by 13,200 t, i.e., 5.4 percent and eggs by 23.2 million, i.e., 0.9 percent. The plan adaptation is in conformance with measures for economy in the use of nutritive fodders.

The development of inventories of horned cattle and hogs undergoing fattening forms a solid basis for achieving the annual quota in procurement of animals for slaughter. An increment in the market production of horned cattle for slaughter in 1981 and the subsequent years of the Seventh Five-Year Plan will, however, call for implementation of extraordinary measures designed to promote effective utilization of inventories undergoing fattening and increasing their numbers. Procurement of horned cattle for slaughter in agricultural enterprises will have to be oriented toward attaining an average slaughter weight of horned cattle, to include cows, of a minimum 480 kg in the CSR and 469 kg in the SSR. This will require prevention of removing from stock of horned cattle not ready for slaughter.

8204
CSO: 2400/291

STRUCTURE, OPERATION OF PUMPED STORAGE STATION DESCRIBED

Leipzig ENERGIETECHNIK in German Vol 31 No 7, Jul 81 pp 243-246 manuscript received 3 Dec 80

[Article by Manfred Hempel, Dresden; member, Chamber of Technology (KDT), VEB Combine for Power Plant Construction, East Berlin: "The Markersbach Pumped Storage Station--A Modern Peak Load Plant in the GDR Energy Industry"]

[Text] The Markersbach Pump Storage Plant was built in the upper Erzgebirge [Mountains] in the cavern design with a total final capacity of 1,050 Mw and an individual machinery unit output of 175 Mw. The plant is used for storing surplus electric energy during low-load times, for the preparation of peak-load availability during times of heavy electric energy needs, and besides, it is available as quickly ready reserve for the interconnected electric energy grid. Commissioning began in 1979 and will be completed in 1981.

1. Introduction

This article gives an overview of the design and arrangement of the most important structural components and systems in the Markersbach Pump Storage Plant (PSW). It is intended to promote a better understanding of the special problems of high-intensity-current engineering, safety-engineering, and automation plants covered in four other articles in this issue.

The location of the Markersbach PSW in the upper Erzgebirge was selected as a result of a competition "on the collection of proposals for the erection of pumped storage plants" launched in 1961 by the KDT (Chamber of Technology).

The site's advantages reside in the following:

The relatively great fall head,

The topographic conditions for the construction of an upper storage basin with optimum basin shape, for blocking the Middle Weida Valley for the lower storage basin, and the relatively favorable surface area availability for construction site establishment and above-ground installations,

The favorable geological conditions for the erection of the propulsion water pipelines and the machinery control room,

The comparatively low expenditures for clearing the construction site, as well as preliminary and replacement investments,

The good possibilities for connection with the interconnected power grid.

2. Investigation of Variants and Planning of Markersbach PSW

The following were started in 1964 on the basis of a study:

A more detailed geological reconnaissance,

The surveying of the site and the preparation of topographic maps on a scale of 1:1,000 and

Studies of alternate solutions.

The latter first of all covered above-ground power-house designs and were concentrated on the following:

Optimum size of machinery units,

Start-up and braking system,

Economical water diversion during construction time,

Possible division of upper storage basin,

Sealing the upper basin.

This effort included considerations on savings of construction capacity and imported components and the study of alternate solutions was expanded to include a cavern solution. The following problems were taken up, among others:

Cavern in upper or lower location,

Lining the propulsion water pipelines,

Need for separate caverns for globe valves, transformers, and control systems,

Development of drainage plant.

The overall concept developed from that was confirmed in 1967 and became the foundation of further preparations and practical implementation.

3. Engineering Concept, Design, and Structure of Plant

3.1. General Remarks

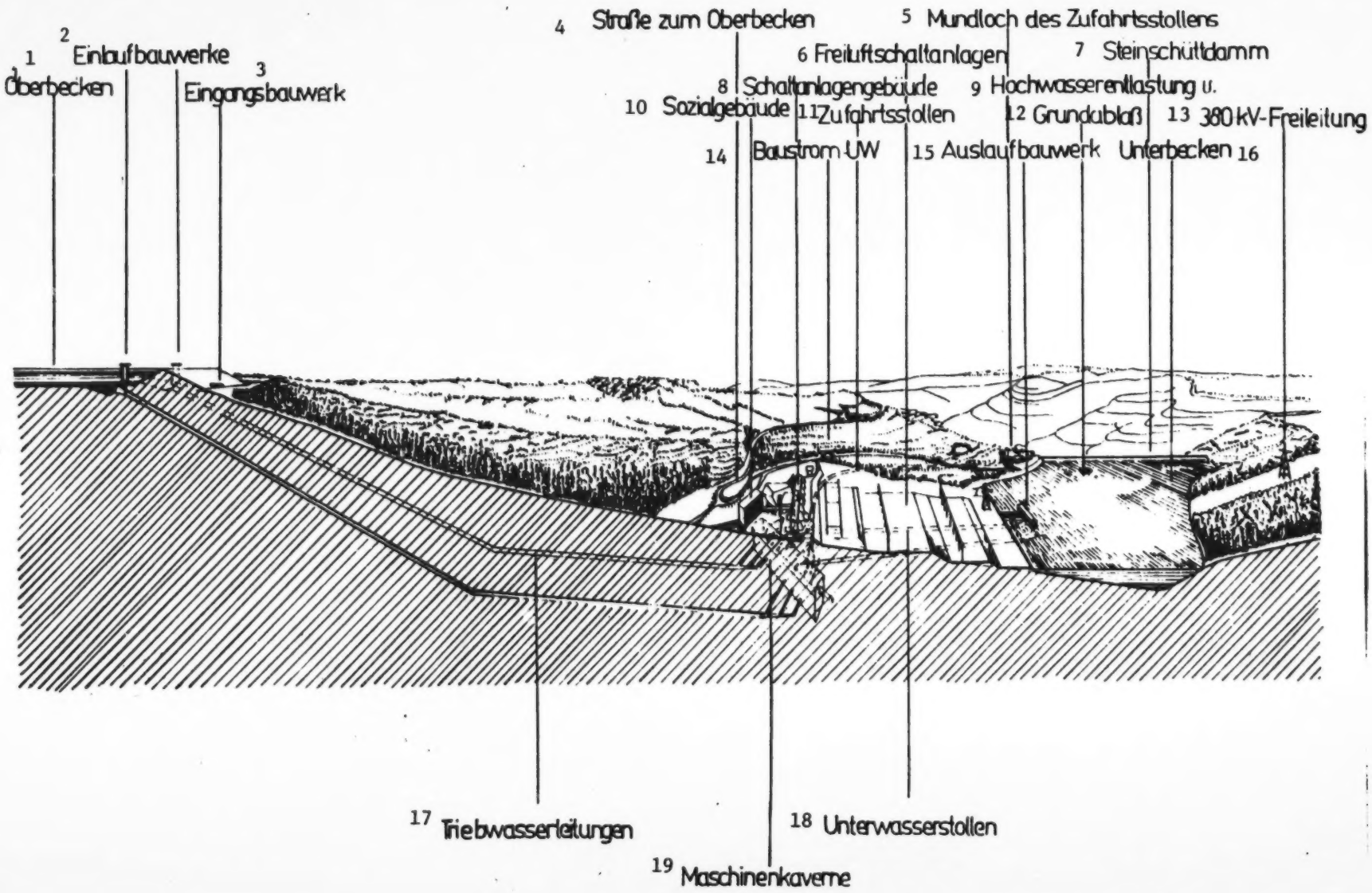
The plant was erected at an elevation between 500.00 m above sea level and 850.00 m above sea level. It was equipped with six pump turbines of 175 Mw ≙ 1,050 Mw, each. The maximum output during turbine operation is 1,176 Mw; the starting output during pump operation is between 1,092 and 1,260 Mw. This gives us an adjustment spread of about 2,200 Mw. The average fall head is 287 m; the work capacity of the upper storage basin, with the entire storage volume fully utilized, is 4.0 Gwh. When all machines are used, we get a basin emptying time of about 4 hours and a basin filling time of about 5 hours. The guaranteed efficiency for the entire plant is 71 percent.

3.2. Design and Structure of Plant Division

Figure 1 shows an overview of the most important plant divisions.

[See following page for Figure 1]

Figure 1. Overall arrangement of pumped storage plant. Key: 1--Upper basin; 2--Intake structures; 3--Intake building; 4--Road to upper basin; 5--Inlet opening of access tunnel; 6--Open-air [outdoor] control systems; 7--Stone embankment; 8--Control systems building; 9--High-water drain; 10--Recreation building; 11--Access tunnel; 12--Underground drainage outlet; 13--30-kv overhead line; 14--Construction current, substation; 15--Outlet building; 16--Lower basin; 17--Propulsion water pipelines; 18--Underwater tunnel; 19--Machinery cavern.



[See caption to Figure 1 on preceding page]

3.2.1. Lower Storage Basin

This basin was made by damming the middle Weida as a valley dam with a useful content of 6,159,000 m^3. The dam structure is a stone embankment with a bitumen outside seal, a cubic volume of 842,000 m^3, and a sealing surface of about 23,000 m^2. The length of the dam top is 390 m, the width of the dam base is 208 m, and the dam height is 53.5 m. When all six machines are used, we get a reservoir storage level fluctuation of up to 20.7 m.

Connected to the dam we have the ground drainage structure with flood-water drainage system for 1,000-year flood water. Connected in front of that we have coarse and fine screens. In case of damage, they can be replaced by emergency screens which can be floated in with the help of a cargo barge. At the end of the first third of the lower basin, we have the drainage structure for the underwater tunnels with a height of about 39 m. Dam bars are provided as closing members and they are inserted into the screen recesses, when necessary, with the help of a full portal crane.

3.2.2. Cavern Including Access Tunnel

The mining job involved in the cavern came to about 150,000 m^3 with a length of 146 m, a width of 24 m, and a height of 43 m. In the cavern we have the machinery units, consisting of pump turbines, synchronous machinery, start-up motors and blocking members as well as the auxiliary machine and electrotechnical systems. The machinery control system, the in-house requirements main switching system, and the control stand as such are outside the cavern.

Horizontally, the cavern is subdivided as follows:

The east assembly block,

The middle block,

Six machinery blocks with three machines, at a time, being combined into a half-plant,

And vertically into five floors.

By way of hoisting equipment, two main cranes, with a carrying capacity of 1.57/0.39 MN and two auxiliary cranes of 49 kN have been built in. To lift the heaviest construction component (the rotor of the synchronous machine, weighing about 305 t) the two main cranes were connected with a cross-beam.

We determine the cross-correlation function with the help of the relationship:

In the east assembly block, we have four central fan units for cavern air conditioning on floors 4 and 5. Floor 2 constitutes the preliminary assembly surface for the synchronous machines. All floors can be reached via a passenger elevator from floor 1.

The auxiliary and secondary systems not directly connected with machinery are located in the middle block. They include mainly the following:

On floor 1:

The day-rooms and sanitary facilities for operating and maintenance personnel;

The access tunnel also comes out on floor 1; the open surface is used for transloading equipment from road vehicles to the cranes and for intermediate storage; besides, the preliminary assembly of the scroll cases of the pump turbines was accomplished there;

On floor 2:

General in-house requirement systems, 10 kv and 380 v AC as well as 220 v DC for the cavern division and one, each 220 v and 60 v DC batteries;

On floor 3:

Cable rooms for the electrical systems on floor 2;

On floor 4:

Oil systems, basin filling pumps--in the same place, later on, an emergency power unit, one DC battery, 220 v and 60 v, each;

On floor 5:

Condenser plant for blower air, seepage water pump system and cooling water pump system.

The invidual floors are connected by a passenger elevator also in the middle block.

Figure 2 presents an overview of the middle block.

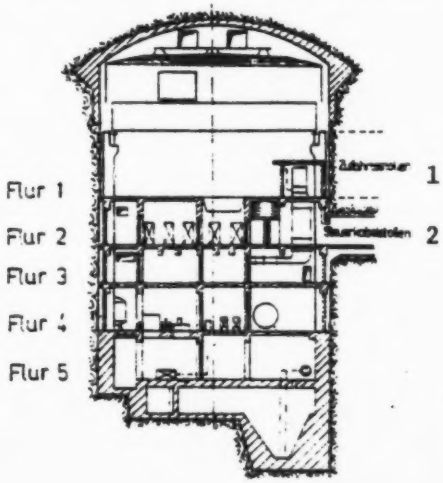


Figure 2. Cross-section of middle block. Key: 1--Access tunnel; 2--Control cable tunnel; Flur--floor [level].

The machinery blocks extend over all floors, starting with the suction pipe on floor 5. On floors 4 and 5 we have the pump turbine including the globe valve and the compressed-air tanks; on floor 2 we have the synchronous machine and floor 1 we have the start-up motor and the automation systems. Besides, we also find here the auxiliary and secondary systems which are connected with the machinery.

Figure 3 shows the basic setup.

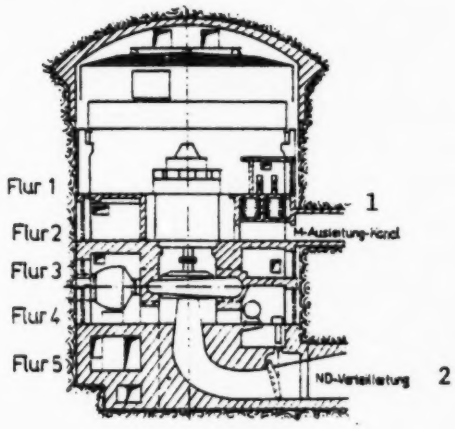


Figure 3. Cross-section of machinery block. Key: 1--Machinery [middle?] evacuation duct; 2--Low-pressure distribution; Flur--floor.

The pump turbines are equipped with a Francis flywheel. Depending upon the static fall head, the actual output during turbine operation is 106-196 Mw; the power required for pump operation--in case of reversal of direction of rotation--is 182-195 Mw at a standard rpm of 375 min^{-1} and a water flow rate of 75 m^3/sec or 64 m^3/sec. The blocking on the high-pressure side is accomplished by means of globe valves and on the low-pressure side by means of valve locks in the suction pipes. The hydraulic machine is rigidly connected with a synchronous machine which is designed for an apparent power of 220 Mva at cos ϕ = 0.8 and with a terminal voltage of 15.75 kv. Start-up during pump operation is accomplished by means of the start-up motor with a standard output of 13.5 Mw. For control purposes, the pump storage units are fully automated.

By means of a corresponding arc shape in the roof vault, a system of prestressed rock anchors, and permanent structural control systems, the cave in the rock is so secured and watched that static safety is guaranteed over a period of at least 100 years.

The cavern can be reached through elevators in the control cable shaft and in the machinery evacuation shafts. The shafts furthermore contain staircases or ladders. Access is provided via an access tunnel of 800 m length.

3.2.2. Propulsion Water Pipelines and Underwater Tunnels

Between the upper storage basin and the cavern we have two propulsion water pipelines underground with a diameter of 6.20 m. The average length is about 1,060 m, with a steep portion of about 650 m with 30°(= 57.74 percent) and a flat portion of about 410 m with 8 percent gradient. The pipelines are lined with steel, having a

wall thickness of 16-45 mm. The dimensioning was based on the supporting carrying effect of the mountains and the concrete back-filling. A force-locking connection between steel and concrete and rock is provided through injections. Three machines, at a time, are connected to the propulsion water pipeline by means of high-pressure distribution pipelines. The connection between the cavern and the lower basin is provided by two, about 330-m long underwater tunnels, each, with a diameter of 8.70 m and a gradient of about 11 percent. Here again, three machines at a time are connected to a tunnel via armored low-pressure distribution pipelines. The tunnels themselves are lined with B-300 concrete. The opening into the lower basin is located at the drainage structure (see Section 3.2.1).

To increase the static and operational safety, the steel armoring was provided on the inside with high-grade corrosion protection.

3.2.4. Upper Storage Basin

The upper storage basin was formed as a man-made basin with a useful energy content of about 6 million m^3 in a mass adjustment on a mountain top through a combined stone and earth embankment and it was sealed with bitumen-concrete. The dam's cubic volume is about 3,020,000 m^3; the length of the dam top is about 2,590 m, the width of the dam base is 80-100 m, and the height of the dam averages 18 m. When the storage capacity is fully utilized, the segment fluctuation comes to as much as 15.10 m. To detect and check on possible seepage water, a 1,100 m drainage tunnel is arranged below the bottom in the middle of the basin. Running from the inlet structure it simultaneously serves as access tunnel for the two intake buildings. They are located in the basin, directly above the upper intake openings of the propulsion water pipelines. As locking member, one sluice gate, each, has been built in. Screens are provided directly at the intake.

3.2.5. Above-Ground Facilities and Shafts

A 30-kv and a 220-kv outdoor control installation was erected at the lower basin for energy supply and evacuation. Connections are established with the 30-kv grid and the 220-kv grid via one double line, each. The machine control panels, the in-house requirement systems, and the control stand are housed in a separate building (see Figure 1). The 235-Mva block transformers are located directly next to that building.

Connection with the cavern is accomplished via two machinery drainage and ventilation shafts with a depth of about 90 m and a diameter of 6 m. A third shaft with a diameter of 6.90 m was dug for the control cable connections between the control stand and the cavern. A shaft, previously dug for geological exploration, is used to ventilate the below-ground installations.

An administrative and recreation building was erected at the lower basin for the plant management and for personnel support. The control building can be reached from that building via an enclosed connecting bridge.

3.2.6. Control and Measurement Systems

The buildings at the Markersbach PSW are monitored by means of conventional-geodetic and modern remote-measurement methods. This facilitates situation controls at the

dams, level-reduction and inclination observations, as well as the measurement of the water pressure along the bottom and the stresses in the mountains and in the inserted structural concrete elements. The measurements are made by means of frequency comparison methods based on the oscillating cord method. The measurement figures are transferred to a measurement center where they are recorded and collected for analysis.

4. Summary

On the basis of favorable topographic and geological conditions and the possibility for insertion into the interconnected electric power grid, a pumped storage plant was erected at Markersbach in upper Erzgebirge. With a final output capacity of 1,050 Mw in turbine operation and individual machinery output capacities of 175 Mw, as well as the use of pump turbines, it will be one of the biggest and most modern pumped storage plants in Europe after completion.

The plant's significance springs from the following:

The supply of peak-load energy during times of maximum electric energy need,

Use of the basic load power plant during low-load times through pump operation,

Rapidly usable reserve in case of breakdowns in the base-load power plants, in case of major consumers, or in the interconnected electric power grid, as well as in case of major load change speeds in the grid.

The lower basin was formed by closing off the Middle Weida River while the upper basin was built as a man-made basin. The machinery unit is housed in a cavern. Connections to the storage basins are provided by underground propulsion water pipelines or underground water tunnels. Energy is supplied and evacuated via outdoor switching installations and 380-kv as well as 220-kv overhead lines.

Modern control measurement systems are used for safety-engineering surveillance of the above-ground and below-ground structures.

The plant's commissioning was started in 1979 and will be completed in 1981.

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5058
CSO:2300/305

DEVELOPMENT OF NON-RUBLE FOREIGN TRADE ACCOUNTS EXAMINED

Budapest FIGYELO in Hungarian No 29, 22 Jul 81 p 2

[Article: "The Balance During the First Half Year"]

[Text] This year's plan, like last year's, has made the improvement of the national economy's balance position, and primarily the foreign trade balance the chief task of economic effort. The goal of improving the foreign trade balance in ruble accounting trade is the reduction of the balance deficit; in the non ruble accounting trade, the goal is [trade] balance equilibrium.

During the last period of our foreign trade, the beginning of the year--we are referring to the first quarter--our non ruble accounting trade was quite favorable. Compared to the same period last year, imports decreased while the forint value of exports increased by a few percent. During the first quarter of the year--we have had no example of this in a long time--non ruble accounting trade closed out with a small favorable balance. However, the export-import dynamics of the second quarter turned out to be quite different. The final result of the first half year was characterized by the continued increase of the initially low import volume, while the dynamics of the export growth progressively declined up to mid-year. However, the first and second quarters, which differed in import-export development and dynamics, achieved a nearly balanced equilibrium state when combined. To be more precise, the amount of import surplus in the non-ruble accounting trade during the first half was less than it was the year before.

Not only the value, but also the volume of non-ruble accounting imports increased significantly. (In industrial consumer goods, spare parts, food industry raw materials and foodstuffs, among other things.) This fact is noteworthy because the stagnation of the non-ruble accounting imports in 1980 decidedly influenced and shaped the balance situation in 1980, while this half year's totals were favorable--more favorable than during the same half in 1980, despite a greater volume and amount of imports.

As far as the balanced export components of the near equilibrium trade balance are concerned, the results discernable in the greater export performance of the Hungarian economy are such that while they are noteworthy facts in themselves, they are at the same time indicative of the temporary and chronic shortcomings in non-ruble accounting exports. The export growth of the first half year was

due totally to agriculture and the food industry. But even this statement needs to be elaborated. The foreign currency return of the non-ruble accounting exports, which exceeded that of the first half of 1980, can be credited to wheat, meat and vegetable oil exports. (Good harvest, relatively favorable price levels and newly engaged capacities). The industrial performance did not reach the level of the same period last year.

Non ruble accounting exports for the first half year were widely differentiated by industry branch and merchandise category. Machine and light industry exports stagnated at the base period level. Metallurgy exports declined significantly because of unusually unfavorable marketing and price conditions. Because of depressed prices, the aluminum industry also held back exports during the first half year. In the chemical industry there are examples of products whose exports increased, stagnated and declined. The export volume and value of artificial fertilizers increased significantly, while that of plant protection agents and PVC declined because of unfavorable market and price conditions. The export decline, or rather, the withholding of exports of metallurgy, aluminum industry and PVC products during the first half of the year is understandable, since the maintenance or increasing of the previous export levels would have resulted in significant losses. However, the export stagnation of the processing industry--machine and light industries--cannot be attributed to the "account" of unfavorable market conditions exclusively.

The volume of processing industry exports stagnated already last year. The continuation of this trend suggests that the marketability and competitiveness of processing industry products, and the flexible and rapid adaptation of production to market demands remains unsatisfactory. The slight increase in industrial production during the first half year was based on scheduling ahead and overfulfillment on domestic orders.

During the January-April period, for example, the machine industry's total sales--based on comparable prices--increased by 6.2 percent, but domestic sales by 13 percent. In light industry, total sales increased by 4.8 percent while domestic sales increased by 7.6 percent. In chemical industry, total sales increased by 5.4 percent, and domestic sales by nearly 19 percent. It is common knowledge that the production of the previously mentioned industry branches stagnated or decreased during last year. During the first half of this year, however, their production increase was higher than the industry average by about 3 or 4 percent, but hardly because of increased foreign market sales.

From the standpoint of achieving and maintaining [trade] balance equilibrium, on which market we realize the export increase has no particular significance. (In this respect, market policy, price and transportation cost considerations are primarily to be weighed.) From the perspective of the marketability of our non ruble accounting exports, however, the observation that very little of our export growth is in the direction of developed industrial countries is not unimportant. This calls attention to the fact that products which are easily salable on "all markets"--let us be more specific, on the markets of developed capitalist countries--continue to be in scarce supply in our export structure.

It appears at first glance that the rather favorable balance of the non ruble accounting trade at the end of June has created a better position for accomplishing the main tasks of our economic effort than existed at the same time last year. However, it is also a fact that the maintenance and possible improvement of the near equilibrium status will be exceedingly difficult. While the stock of foreign trade orders in early July is larger in volume than it was during the same period last year, it is hardly sufficient--especially in processing industry exports--to be the foundation of the growth dynamics necessary for a balanced trade equilibrium. During the first half year, the favorable exchange rates were also a positive influence on the balance situation. During the second half though, a worsening of the terms of trade can be expected. It must be also expected that the export growth rate for agriculture and the food industry will decrease during the second half of the year, and will not be able to supply the necessary non ruble accounting surplus export by themselves. Naturally, other unexpected factors detrimental to the maintenance and improvement of the balance situation may also accrue along with the expected ones. Even without these, it is apparent that the exports of the processing industry will have a key role in the development of the balance situation of non ruble accounting exports during the second half year. Moreover, this is an absolute condition for the development of this year's industrial production, since domestic sales can hardly be increased throughout the remainder of the year, and the opportunities in ruble accounting exports are also limited. The processing industries can develop and expand their production only through increasing the volume and returns from non ruble accounting exports. It is still an open question whether willingness and capacity will team up with economic constraint.

9093
CSO: 2500/325

BRIEFS

NEW ALUMINUM FOUNDRY--At a cost of 577 million forints the Ajka Alumina Factory and Aluminum Foundry has built a new casting facility. The new facility will produce 2,700 tons of casting annually thereby increasing production, when combined with output of the existing foundry, to 4,000 tons of aluminum castings annually. The new facility utilizes the very latest technology: Through the offices of the Chase World Information Corporation which acted as intermediary, its main cooperation partner is the Advance Pressure Casting firm. Not only is the latter helping to organize operations and taking part in shipping various types of production equipment but it is also participating in the export sales of 2,700 tons of castings annually. Manpower for the new facility was obtained through internal regrouping and retraining of workers. The plant already has such notable customers as General Motors, Telefunken, Volvo and the firm, Black and Decker. [Budapest NEPSZAVA in Hungarian 24 Aug 81 p 4]

PROBLEMS OF ELECTRICAL MACHINE INDUSTRY--The electrical machine industry is losing a substantial volume of trade as a result of the tense situation in the Middle East. This market is buying far fewer refrigerators, washing machines, electrical appliances and power plant equipment from us than it originally planned. Hungarian enterprises are taking numerous steps to offset such losses in non-ruble accounting trade through long term deals with certain Western firms. The Ganz Electrical Works, the Electrical Equipment and Appliance Works and several other enterprises are pushing so-called third market cooperation on the basis of mutual benefit with certain West European firms. EVIG (United Electrical Machine Factory) has set up close cooperation with the American Gettys firm in increasing production of certain machine tool components as well as manufacture of special pumps. A joint enterprise has been set up under the name Sphero-EVIG, and production has already begun at the Cegled plant. Products resulting from the cooperation will be sold on non-ruble accounting third markets by the Swiss Vortex AG. This deal results in a profit of 30 percent. HIM (Hajdusag Industrial Works) is negotiating a noteworthy agreement with the AEG Telefunken firm of the FRG. Under the terms of the present agreement HIM is producing 40,000 Mini and Midimat automatic washing machines on the basis of a Telefunken license. Actually, HIM has an annual capacity for 100,000 such machines. Of the 40,000, 15,000 are shipped to capitalist markets. The FRG firm also assembles 40,000 such machines yearly. Heads of the two firms are discussing the possibility of having HIM take over the entire production of Telefunken washing machines. This would increase export of said machines to capitalist countries to 55,000 units per year and yield an additional income of 10 million-12 million dollars to the national economy and would utilize the capacity of HIM nearly to the full. [Summary] [Budapest NEPSZAVA in Hungarian 24 Aug 81 p 4]

CSO: 2500/369

SOLUTIONS TO ECONOMIC CRISIS REVIEWED

Warsaw ZARZADZANIE in Polish No 3, Mar 81 pp 2-6

[Article by Janusz Goscinski: "How to Get Out of the Crisis"]

[Text] A large group of people, simply an enormous machine, was activated to prepare what are actually some very general assumptions on economic reform. These assumptions were then discussed in the workplaces, in the professional circles, and in the schools. One part of the assumptions was devoted to the economic prerequisites for reform. The authors correctly stated that if the reformed principles for the planning and functioning of the economy are to be effective, a social and economic policy that will enable mechanisms to really function is indispensable. These mechanisms, how they operate and reveal themselves in economic life, were not, in the reform assumptions, defined clearly, nor--I would say--even in a confused way. However, I will deal with this problem in the next article. Here I would like to dwell on another, but equally important subject.

Thus carrying the basic thought further, it should be said that the odds for effectively activating economic mechanisms, i.e., the planning and functioning of the economic center and organizations, require that the acute sore points in the economic organism or, in other words, the acute conditions of economic imbalance, be alleviated.

This is an extremely important prerequisite. It represents the viewpoint--contrary to the position of many economic activists, especially those at the highest levels--that the introduction of reform principles and regulations cannot be based on the stipulation of recovery of economic balance. Putting it differently, there is no logic, in my opinion, in the reasoning:

First Balance, Then Reform

Such a position is unacceptable, both on the part of the community as well as from the economic standpoint. It is, in fact, based on the "tacit" assumption that no reform will result from such a position, for the initial requirement will not be met until 4 or 5 years have passed.

But on the other hand, it is essential that conditions be created for gradual recovery of economic balance, by initiating and consistently activating processes that will reduce imbalance and tensions in various fields of economic life. Reform cannot be effectively applied if there is unceasing, deep, structural imbalance. Therefore, neither can any logic be found in this approach: /First reform, then recovery of balance/ [in boldface].

Both approaches should be rejected as extreme. This, then, means that a search for realistic and effective solutions is necessary.

What should such an approach and solutions (composed of variants) contain?

I believe that there should be conditions for a /self-stimulating system/ [in boldface], that follows a growth-rate recovery spiral. And what does such a vague expression mean when translated from professional jargon into Polish? It means that:

-- first, measures must be undertaken which will cause the economy to "start", at which time unfavorable trends will be halted (e.g., continued decline in national income, labor productivity, export production, etc.) and, in a particularly good case, a gradual favorable trend will begin;

-- the "start", the movement from place, will activate some economic processes and mechanisms anticipated in the reform (after it has been radically changed in comparison with the discussed assumptions), which will accelerate these processes and tendencies toward improvement, toward growth in economic efficiency;

-- the strengthening of favorable tendencies by the activated mechanisms will produce successive "slight accelerations" of desirable economic tendencies and this will make the economic mechanisms more effective

and so on!

Thus the "acceleration" rate, starting from a minimum, almost imperceptible amount, would "grow" due to the spiral: halting of decline--activation of economic mechanisms (principally the market)--appearance of a growth rate--stimulation of mechanisms--acceleration of growth rate, etc.

The "growth rate spiral", described in such a, let us say, essay way, appears to be a simple, indeed a "natural", mechanism. And it could be, if we

-- knew how to activate it, instead of struggling with desperate attempts at ad hoc measures,

-- would support it, or possibly not interfere with the processes provoked by correctly constructed parameters and regulators (e.g., prices, interest rates, tax rates, etc.).

But unfortunately we do not know how to activate it! For too many years the economic center activated planning-bureaucratic mechanisms that destroyed the living tissue of the self-regulating processes. For too long it has applied primitive methods for activating simple measures (and economic systems) to manage highly complex, conjectural, uncontrollable (to the expected degree) processes and structures. The center believed, and continues to believe, that it is dealing with processes that are fully describable, observable, and, as I have already emphasized, controllable.

Thus we must learn this "along the way", attempting to repair what we so systematically and effectively damaged. The fact that we do not even known what to call

these mechanisms is shown by the reform assumptions, where not even one control process was called by name, which indicates that the assumptions are of a sloganistic and not of an instrumental nature.

The reply to the question on how to get out of the crisis is therefore the reply to the question: To be or not to be. And this is no exaggeration.

On Some Proposals

Prof Stefan Kurowski sees the principle "culprits" of the crisis in the policy of advocating exports in recent years, in connection with improvements in terms of trade which resulted in a catastrophic depletion of the domestic market (see PRZEGLAD TECHNICZNY-INNOWACJE, 1980, No 51/52, pp 8-9) and growth in imports-intensiveness, both of investments and production from the second payments area [capitalist countries], which, with the stubborn adherence (in Kurowski's opinion) to the principle of paying off these credits and the current costs of these credits, produced an indebtedness spiral, while at the same time it preserved the illusion of a "good" payer, as Poland always was and wishes to remain. As a result of these and other elements of economic policy, faulty material structures appeared which would have to be changed through conversion, using an investment maneuver for means of consumption.

Kurowski's proposal can be arranged in a four-stage sequence of actions which must be taken to solve the crisis.

The first stage is a moratorium on payments (and, I believe, on the interest, for its share in the payments in 1981 and subsequent years plays an increasingly larger role). The second stage would consist of a gradual equalization of the trade balance in foreign turnovers, i.e., on balancing exports with imports. This would, in a third stage, give imports something of a "breather", facilitating a growth that, through imports of raw and other materials, would produce a growth in the degree of utilization of production apparatus. This, in turn, would lead to a growth in export opportunities which would improve market supplies and further accelerate the growth of exports. And here we are dealing with a quasi self-stimulating arrangement. The beginning of this process is a moratorium which is evaluated from the standpoint of the possibility of achieving, and not unilaterally suspending, solvency, so optimistically, in my opinion, that it borders on a banking "miracle". And this world does not acknowledge miracles, only cruel, cold, calculations and level-headed judgment.

Prof Czeslaw Bobrowski, in an updated report ("Into the Wastebasket", ZYCIE GOSPODARCZE, No 49, July 12, 1980), presented another concept, another totally different viewpoint.

The entire maneuver here can be divided into three stages which, as the author stresses, somewhat overlap in time. The first is based on recovering market balance, i.e., on supplying the people with nonrecurring and recurring consumer goods. After this would come the time for eliminating disproportions in development and utilization of manufacturing apparatus. First the disproportions in infrastructure would have to be eliminated, especially in energy and transport, which would take 3 to 4 years. Because the policy of the 1970's led to total disorder of the economy in its

inter-subsector and interbranch system (from this, apparently, came the sonorous name for this policy, the harmonious, proportional development), the second stage would also be based, along with the infrastructural problems, on putting it into order. Only then would the time for the third phase come, that of improving the standard and quality of life, i.e., the social infrastructure (education, health service, culture), the growth of real wages, investment, etc.

This simple scenario assumes as its starting point not so much foreign trade and the sphere of credits, as market balance, and especially the interests of the consumer. It is, therefore, more comprehensible to society, more attractive and more encouraging to better work as a moral equivalent for a better market. But this stimulation is very shortlived and could easily turn against its stage director. This scenario shows no real opportunity for solving the crisis in the beginning phase. The question, therefore, remains--how to move from dead center.

Nevertheless, I believe that both ways of getting out of the crisis, although intellectually appealing and quite consistent, insofar as dividing them into stages is concerned, are unrealistic and isolated from actuality. They may be regarded as wishful thinking.

The scenario must have a greater internal logic, more comprehensively considered pro's and con's, inhibiting factors and prospects.

The Subject of the Scenario

The starting point is the fact that economic imbalance has become transformed into a crisis, i.e., it has passed from shallow to deep, unceasing and structural economic imbalance.

The concept of economic balance belongs to complex categories, because, as in the case of complex functions, it is also a function of functions. It is comprised of many elements. Our economy has lost stability, i.e., its ability to maintain the value of the most important variables (e.g., growth rate of national income, size of investment, export-domestic market ratio, both in consumption as well as in supply, ratio of income from labor-retail prices-supply, and a threatening, rapidly growing inflationary curve) on a specified level or within the limits of acceptable boundaries. As a result, five markets can be named in which imbalance is unceasing, of long duration, and threatens to remain and further deepen if extraordinary measures are not taken. These markets are: consumption, investment, agriculture, foreign trade and labor.

On each of them there appear--frequently confused with one another or treated interchangeably--elements of economic and social policy with elements of functioning, with a faulty, crises-impelling central planning system, ineffective principles for stimulating and evaluating economic organizations, and an autocratic system of enforcing the social character of means of production.

Thus, mistakes in economic policy in the investment sphere have resulted in "overloading" the national income with investment and consolidating the disastrous material structure of the economy, about which I wrote earlier ("Strategy of Economic Development - Problems of Selection", ZARZADZANIE, 1980, No 5). In turn, the system of functioning led to disastrous inefficiency in investment processes and unbalanced

production, workforce, and power capacity. Planned costs and building cycles were exceeded and investigations were conducted on manufacturing capability. These are, we might say, two different horses pulling one cart, with one, the inferior and less disciplined one, sooner or later taking the lead over the other and frustrating the pulling.

The authors of the scenario of means and methods for recovering economic balance must, if the scenario is to be of instrumental value, do two things:

-- make an honest diagnosis of the sickness of a given market, describe its condition and the mechanisms which brought about this condition, and make a short-term forecast of the trends on this market;

-- find the interdependency (relationship) between that market and the others, attempting to find out which of them in the cause-effect relationship fulfills the role of causes, and where the effects of a specific policy, or of functioning, repeatedly appear.

The second is difficult--extremely difficult, for we have become accustomed to treating the processes occurring in the economy as simple and deterministic, whose behavior is the result of impulses. What delusions there were in store for us, and above all, this center, which M. Ostrowski and Z. Sadowski so clearly described in "Developmental Challenges", and which I was able even earlier to stress (ZARZADZANIE, No 11, 1979). Life is brutal, and especially economic life, where the longer economic laws are ignored the higher the price that is paid. The drama, however, lies in the fact that the center ignores the laws and society pays the price.

And so the economic process and the behavior of the economic systems are only partially observable and to a lesser degree controllable than even the "pessimists" would wish. Inflation, income from work and wages, the decline in cattle and swine population in the villages and labor productivity in the factories, are examples of processes which--if they were simple, i.e., with few variables and known relationships between them--would be easy to retain and correct. But they are not. And in the meanwhile, the center continues to act as if they were. The theory is even promoted that it would be easy to reverse the unfavorable tendencies if everything took place in an atmosphere of agreement, national accord, harmony, in a word--in a social Shangri-la. Gentlemen! Which moon are you living on? What has gotten into your heads? A social Shangri-la? No conflict, or putting them off until later for there are more urgent matters to take care of? For whom? For those, who for years have been paying for the successive errors and distortions? That is demagogy, dictated, very likely, by fear for job, for immunity for voluntaristic manipulation of the economy!

Thus the task is difficult. But if we were to construct a square matrix relationship between economic categories in a form characteristic for indirect movement, i.e., if we were to include in the matrix the following categories:

-- production of consumer goods (P_C),

-- production of capital goods and supply (P_{IZ}),

-- income from labor and incomes of economic organizations, including also private farms (Y),

-- savings for consumption (postponed consumer demand O_C),

-- savings for production, i.e., investment, including also private farms (O_I),

-- consumer demand (D_C) treated in the indirect movement as consumer expenditures on the market,

-- investment demand (D_I),

-- investment used directly for consumption (I_C),

-- investment in group A means of production (I_A),

-- export of consumption means and goods (Ex_C),

-- export of investment and raw materials (Ex_{IZ}),

-- consumption import (Imp_C),

-- import of raw materials and investment (Imp_{IZ}),

then it would appear that taking into account in the matrix only the direct dependencies among the listed categories, we obtain as the leading category, "leading" the others, income (Y), which on a 14-element diagonal has a so-called power equal to at least 8. The successive stimulators are: demand with the same force of reaction on the consumption sphere as on investment, and as the next factor--investment stimulating both spheres with the same force, now questionable due to the long-term violation of proportions and delays in the sphere of consumption investment.

The weak influence of savings results from the fact that both voluntary savings as well as those forced by faulty structure and supply quality, are not what they should be, i.e., a stimulus for development, but are a threat to both the consumer-goods and capital-goods markets. They hang over it! Their activation would cause a pressure that the economy could not cope with. And so in the present situation these stimulators of development have become threats to the economy. Therefore, savings reserves must be increased and frozen, i.e., the incomes must be withdrawn from the market. And the scenario must take this into account.

Let us now note and analyze what happened on the market in the context of incomes as the pointer on the scale of the present situation and the tendencies observed in the economy. At the turn of 1979 to 1980, the inflationary gap in the consumption sphere was established at about 80 billion zlotys. In the second half of last year, as a result of general wage increases, an average of 11 percent, the inflationary gap grew 60 to 70 billion zlotys and the growth tendency in 1981 will average about 40 billion zlotys quarterly. This means that without further wage increases, the current year will show a tendency towards the formation of an inflationary curve on a scale exceeding 200 billion zlotys if this process is not first halted and then slowly reversed.

The growth of incomes (Y) of the people (more precisely, urban and rural households) is not, what is worse, related to a growth in labor or to a growth in labor productivity, for this fell in 1980, or to an extensive growth of wages through a growth in employment. The growth in income from labor, and annuities and pensions, is the equivalent not of labor but of an increase in living costs. It is, therefore, almost entirely an inflationary growth, disorganizing the consumer market, if it can be disorganized any further. Hence we have the first unpopular proposal. Further wage increases /should and must/ [in boldface] be related solely to a /labor equivalent/ [in boldface] in 1981, and in my opinion, during all of 1982. The other side of the coin, however, is the supply of goods and services, its size and structure. What are the prospects here, if we refer to domestic production and its curtailment on the consumer goods market as a result of the need to export? And what are the prospects of importing consumer goods in the face of the present and galloping foreign debt? And how is the inflationary curve to be reduced by retail prices?

Everyone of these questions must be answered in the scenario. But I am not concerned here with presenting the situation on each of the five submarkets. I am concerned with the principles for constructing a scenario, which must be done, in order to see what the prospects are of emerging from the crisis.

A Method for Analyzing Problems and Prospects

I believe that each market should be examined after first describing the tendencies that exist in that market and their cause-and-effect connections with other markets in terms of improvement inhibitors and stimulating factors or conditions. I suggest that the scenario authors proceed in each field according to the following sequence:

-- prepare a list of factors or conditions inhibiting the recovery of balance on a given market,

-- determine the strength of the connections between the elements on this list,

-- rank them from strongest to weakest (without attempting to weigh them precisely, which would require certain studies),

-- prepare a list of stimulating factors or conditions and addressing them to the inhibiting factors (not necessarily in a 1:1 ratio).

Examples of Inhibiting Factors in the Consumption Sphere

1) growth in wage fund, retirement funds, scholarship funds, etc., or nominal wages; data on the present situation were given earlier, which in any case does not exhaust the entire matter,

2) inflationary curve, i.e., that part of the increases which has no equivalent in production and services, and that part of present wages which is not accompanied by a flow of goods and services, and also savings with an immediate requirement, which are a deferred consumer demand,

3) low, unadjusted retail prices for food articles and durable goods, causing great pressure on the market,

4) weak money of shrinking value, causing "flight" from the money which increases the pressure on the market and the purchase of all kinds of goods,

5) weak hoarding incentives, especially interest on savings and other deposits, and also so-called final deposits and prepayments frozen for long periods,

6) not tieing wages and their growth (bonuses, plant funds, family allowances, etc.) to results of economic organizations, and the disrupting relationships: wages-work-productivity,

7) inefficient distribution of goods, inflexible division, rationing and allocations of bulk goods on a regional basis, contributing--aside from losses and thievery during transport--to reducing the already insufficient quantity of goods,

8) insufficient supply, due to lack of mechanisms other than planned assortment, serving to adapt the structure of supply to the structure of demand,

9) calamitous utilization of manufacturing apparaus and its potential capacity; in 1980 average utilization of industry's production capacity was established at about 60 percent,

10) low quality of many products, causing waste not only in the production phase but also in utilization (guaranteed repairs, exchange during the warrantee period, lack of spare parts, etc.).

The size of each of the factors given can be calculated (condition, resources, or intensity of flow).

The example given pertains to the first point in the method of preparing a scenario. Let us use another example.

Coordinating the Inhibiting and Stimulating Factors on the Investment Market.

This pertains to the last point in the method for programming a scenario.

1. Overloading the national income with investment. An inhibiting factor.

Comment: It is true that the rate of investment decreased in the second half of the 1970's, but it continues to be much too high for the national income, particularly in view of its drop in 1979-1980. This rate amounted to 28.4 percent of the income in 1975 and dropped to 23.4 percent in 1979. We may also, in the diagnosis, use a time series of investment outlays (if we assume 1970 as 100, then in 1975 they amounted to 115.2, fell in 1978 to 100.9, and in the following year to 92.3). It is worth noting that during 1976-1980, 2.1 trillion zlotys were committed in new investments, which exceeded the value of completed investment projects by 500 billion zlotys in the same period.

A. Maintaining the share of I in D_N during the years (a stimulating condition): 1981-1982 at the level of 15 to 17 percent D_N (in 1981 current prices), and in 1983-1984/5 an increase to 17-19/20 percent, which is caused by the fact that in

1980, freezing in incompleted investment projects amounted to over 750 billion zlotys and outlays indispensable for the completion of these investments would amount to 1.23 trillion zlotys.

Let us now note another component element of the calculation, given the inhibiting factor an arabic numeral and the stimulating factor a capital letter.

2. Unreasonable scope of investment. An inhibiting factor.

The investment burden, or funds frozen in uncompleted investment projects, totaled 750 billion zlotys in 1980, and the combined commitment of investment funds, or the full value of planned outlays of implemented investments, was estimated at about 1.2 trillion zlotys. If the ratio of frozen outlays to value of annual outlays was 1:1 in 1975, in 1979 it was 1:1.7. During these same years, the ratio of outlays indispensable for completion of begun investments to annual outlays was 1.98 and 3.02, respectively. This deconcentration brought about a reserve of equipment, which up to the last quarter of last year had not been conveyed for assembly, amounting to 50 billion zlotys, and the equivalent of 44 percent of this equipment was imported from the second payments area [capitalist countries].

B. The maneuver of freezing investment and reallocating outlays. A stimulating factor.

B1 -- freezing investment outlays by delaying carefully selected investments, estimating that the combined value of the delaying investment should fluctuate betwee 160 and 200 billion zlotys.

B2 -- conducting a maneuver consisting of transferring half the funds indispensable to the continuation of the delayed investments in 1981-1982 to the budgetary reserve and gradually using them for noninvestment purposes, and reallocating the other half of the released funds for investment in the following three basic directions;

-- agriculture and industry which directly services agriculture -- 30 to 40 percent of the disposable funds;

-- works which protect and secure the close investments -- up to 10 percent of the funds;

-- outlays connected with savings in consumption of raw and other materials, energy, etc. (e.g., insulation of buildings, combustion processes, replacement of transmission lines to reduce electric power losses, combatting corrosion, and many others) 20 to 30 percent of released funds;

-- food and services industry -- about 20 percent of the funds;

-- reserves for unexpected and undefined a priori expenditures.

The reallocation list given is general and by way of example. The scenario must anticipate and program amounts based on a multi-variant calculation of requirements and costs.

Other elements of the scenario--omitting amounts and reasoning--appear to be:

On the inhibitor side:

3. Growth in capital-intensiveness of investment due to the necessity to protect the natural environment (10 to 12 percent increase in outlays is assumed, or the cost-estimate value of these expenditures), mechanization and automation of technological processes, mechanization and chemical development of agriculture, purchases of licenses and know-how, growth in prices and inflationary spiral (also covering import), and accessibility in the field of raw materials investment to geologically and locationally more difficult natural resources.

4. Faulty material structure of the economy.

5. Investment pressure existing in the current system of planning and financing investment and disastrous investment cycles and inefficiency.

6. Import-intensiveness of investment.

7. Faulty producer-goods prices, scarcity of rents of land, etc.

On the stimulating factor or condition side:

C. Changes in ratio of new and modernization investment in favor of the others, so that their share in 1982 would not be less than 40 to 45 percent and would continue to grow.

D. Changes in the basic relationships of investment policy, i.e., to finally break the dogma of supremacy of the resources of group A in favor of group B industry, services and agriculture, and within the framework of agriculture to abandon the principle of supremacy and socialized favoritism so damaging to private farms.

E. Applying a principle of self-financing of the development of economic organizations and a new system of crediting investments, without regard to their size and nature.

F. Change in the system of planning and balancing investments, etc.

Within the framework of this scenario, particular importance is attached to a technique which reduces the incompatibility of internal plans by coordinating delayed investments with:

-- the rate and scope of investment works not delayed and calculated in part (if in total, then these investments also would have to be delayed) for servicing the delayed investment,

-- orders for equipment placed abroad, engineering licenses or patents,

-- "released" materials and engineering supplies, related to plans and balances on delayed investments,

"released" amounts of demand for electrical energy and fuels, both for the construction phase and the later utilization phase, reduced by the energy and fuels necessary for works protecting the delayed investment,

-- "released" demand for raw materials and co-production deliveries in the production phase of future installations, whose construction was delayed for a specified time,

-- a reduction in employment in the investment phase and "released" human potential and equipment to conduct the maneuver of accelerating other installations,

-- a reduction in employment and the wage fund, together with the services planned for the future operational phase,

-- the size and structure of production which will not take place because of investment delays, and the costs of undertaking such production in active plants or in international cooperation and commercial exchange,

-- the balance and possible export-import balance, meaning with the "release" of pressure for import of supplies for future production and with the "losses" in future planned export which will not take place because a given investment was delayed.

There are more such component elements in the coordinated "gains and losses" account. I wanted here just to give an idea of them and to call attention to the fact that there are techniques that are excellent for this purpose. But it is necessary not only to know them but how to use them.

The solution to the crisis is a strategy with many unknowns, implemented under conditions of great uncertainty and attainable with the understanding that this strategy will not be, for it cannot be, implemented in a social Shangri-la. It requires vision, boldness of thought and quick decision, simply determination in acting and boldness in entering into social conflicts, for without consumption and inflationary "sacrifices", there is no strategy for solving the crisis. And action is necessary now, immediately, or even sooner. But who will take this risk? Who will have enough courage, initiative, resoluteness and authority?

9295
CSO: 2600/280

ANTI-CRISIS STAFF FOR ECONOMIC PLANNING CONSIDERED

Warsaw TRYBUNA LUDA in Polish 28 Jul 81 pp 1-5

[The first version of the 1982 law on planning]

[Text] Our Own Information

Changes in the planning system were previously discussed by Team II of the Commission for Reform Matters. They will be published in the coming weeks after additional remarks from it's members are reviewed.

Matters of equal difficulty remain to be coordinated--a shift from the accepted concepts to the legal parlance of the planning law, as well as prompt establishment of a method for working out the national socioeconomic plan for the coming year that does not contradict the ultimate solutions adopted in the assumptions of the reform.

The second half of Monday's deliberations by Team II for planning matters was devoted to the latter problem.

The issue is especially difficult when it is considered that the 1982 plan is being worked out under exceptional conditions--a large deficit of raw materials, market goods and everything that is derived from imports. It is also known that the regulations adopted for implementing the plan for the next year--a year that is to be a transition period for instituting reform--will be evaluated by the work force of plants, and all of society as a test of the authorities' desire to carry out extensive reform.

In compliance with the government's program for overcoming the economic crisis, in the coming year absolute priority will be given to: food and means of agricultural production, medicine, items of personal hygiene, clothing and goods for young children and youths, energy and energy-type raw materials and export production.

It is envisaged, therefore, that there will be a need to implement special "operating programs." In order to apply the ideas with optimal results, it is important not to continue the directive-type methods which were applied on a broad scale as dictated by the situation. An alternative among others, is to

change from a system of organizational-unit [plant and equipment] distribution of scarce goods--distribution of goods per ministries, associations, enterprises and the like--to a system of distribution of goods for chosen goals. This would be consistent with the spirit of reform although it would be organizationally difficult.

One of the proposed organizational variants envisages, for instance, the appointment of a special anti-crisis staff which would distribute goods in short supply to the enterprises which would provide the most optimal, documented tenders for their use in top priority production.

It is important to know what is available in order to distribute. Therefore, as it was emphasized in the discussion, a strong balance of basic raw materials, fuel, market goods, foreign currency, work force and the like will be of major importance in working out the plan for next year as well as the following years.

A proposal was also discussed to establish wage control in the event that enterprises become independent, labor productivity decreases and the inflationary curve rises.

During the first portion of the meeting, members of the Team for Planning Matters along with members of Team X for Matters of Self-Government and Legal Bases for Functioning of the Economy evaluated the first version of the planning bill prepared by the Team X. It was decided to appoint a joint working group to prepare a revised version of this draft.

9820
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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2175

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18 September 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2175

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ROMANIA SEEKS TO EXPAND CEMA MACHINERY, EQUIPMENT TRADE

Bucharest REVISTA ECONOMICA in Romanian No 33, 14 Aug 81 pp 18-19

[Article by Cornel Lazar and Ion Stan]

[Text] The Socialist Republic of Romania, consistently furthering a policy of continuously expanding foreign economic relations, pays special attention to developing trade interchange and economic collaboration and cooperation with all the socialist countries, in the first place with the CEMA countries. Dwelling on the basic guidelines of the 1981-1985 Five-Year Plan, Nicolae Ceausescu pointed out in his address to the Second Congress of Working People's Councils: "The plan provides for further expansion of relations with CEMA countries and, in this context, greater specialization and cooperation in production, for the purpose of increasingly meeting the mutual needs for raw materials, energy sources, supplies, machinery, equipment, and so on."

In the economic relationship with the socialist countries a significant role is assigned to cooperation in the area of the machine building industry which by its input into the continuous upgrading of the means of production, manufacturing of durables, improvement of the technical standard and rise in the efficiency of the social output is a basic branch for economic growth.

The machine building industry in this country -- specifically in the last 15 years -- has experienced very rapid development rates, that are superior to those in the overall industry. On this basis it has increased its input into Romania's industrial production and in 1980 it was 34.3%. The new five-year plan anticipates that by 1985, versus 1980, the industrial output of the machine building and metalworking industry will go up 52.5% and this corresponds to an average annual rate of 8.8%; developing at a rapid rate will be the subbranches of electronics and microelectronics, facilities for automation and control of production processes, machine tools, fine mechanics, optical equipment, hydraulic and pneumatic equipment. The production of the machine building industry will provide 80-85% of the machinery and installations needed for the investment program under the five-year plan and the doubling of exports. The rise in the volume of output and the upgrading of the technical standard of products have resulted and will continue to result in increasingly meeting the domestic needs for machinery and equipment, in creating more favorable conditions for expansion of foreign trade, for broader participation in international specialization and cooperation in production.

Stable Relations, Expanding Trade

Romania's machinery and equipment trade with socialist countries in the last 5 years accounted for about 60% of the volume of our machinery and equipment trade and developed on the basis of conventions for specialization and cooperation in production and long-term trade agreements, and this has lent stability to the relationships with these countries.

During this period, the volume of mutual deliveries of machinery and equipment between Romania and the other member countries of CEMA has been growing, based on the growing potentialities of the machine building industry in this country and in light of the growing needs for machinery and equipment required to implement the investment program. For instance the volume of this trade went up in 1980, versus 1975: with the German Democratic Republic, 2.5 times; with Bulgaria, Czechoslovakia and the Soviet Union (that continued to be Romania's main trade partner), 2.1 times; with Poland, twice and with Hungary, 1.8 times. Because of the more rapid rise in exports, by the end of the prior five-year plan, an approximation was achieved in terms of the volumes of exports and imports of machinery and equipment in the trade with CEMA countries. Moreover, a specific improvement was obtained in terms of the pattern of machinery and equipment exports to these countries, by increasing the deliveries of more advanced products. For instance, there was an increase in the volume of metalworking machine tools and electrotechnical products and additions to export lists included new groups of items in the area of the electronics industry, that were not delivered before or were supplied in very small quantities -- for example, telecommunications equipment, measurement and control apparatus, and electronics items.

A significant factor in increasing the volume of exports involved the participation of Romanian economic and foreign trade organizations in specialization and cooperation in production, on both bilateral and multilateral bases. During the 1976-1980 period, specialization and cooperation in the production of the machine building industries of CEMA countries involved the chief subbranches and groups of machines, such as: metalworking machinery and equipment, equipment for the power industry, plant for oil extraction and processing, vessels and seagoing equipment, tractors and farm machinery, railroad rolling stock, motor vehicles, ball bearings, radio engineering products, electronics and electrical engineering products, and other equipment. The specialization projects were finalized by the conclusion of 85 multilateral conventions.

During this period the Romanian organizations participated in 45 specialization conventions, with our country specializing in terms of more than 1600 type-sizes of equipment out of the almost 5000 included in the conventions involved. During the same period, a large number of bilateral understandings on cooperation and specialization in production were concluded with various CEMA countries.

The more intensive specialization in recent years has been coupled with significantly broader trade in specialized items. For instance, the volume of specialized product exports went up in 1980 by a factor of more than 2.6 compared to the 1975 level.

Greater Involvement in Bilateral and Multilateral Conventions

The years 1979-1980 saw the unfolding of ample projects for extending the life of and broadening the conventions on specialization and cooperation in production concluded for the 1976-1980 period and for working out proposals on specialization for new groups of machines and equipment. CEMA bodies have so far worked out over 100 conventions and Romanian organizations expressed their interest for particpating in 80 of them (12 in the electrical engineering industry, 11 in the electronics and computer industry and 57 in other fields of the machine building industry). Romanian economic organizations figure as specialized parties in the production of more than 3700 of the total of more than 9500 type-sizes contained in the 80 conventions.

In light of the ever increasing potentialities of our machine building industry, the Romanian economic organizations figure as specialized parties for a much broader list of products than that under the prior five-year plan, in accordance with the national programs for the development of the machine building industry, with the requirement as to maximizing exports and meeting domestic needs. The main groups of machines that provide a greater input into trade exchanges for the 1981-1985 period involve oilfield equipment (for which Romania is the principal exporter), railroad rolling stock, metalworking machine-tools, tractors and farming machinery.

Moreover, Romanian economic organizations have specialized in turning out a number of new products or products in whose specialization they were not involved during the previous period, such as equipment for nuclear-electrical plants, electric powering units for machine-tools, equipment for the metallurgical, mining and food industries, products of the radio engineering and electronics industries and computer facilities.

Concurrently with greater involvement in multilateral conventions, special emphasis was placed on concluding new bilateral understandings on specialization and cooperation in production, centering on completing projects in areas that had not been covered by multilateral conventions or that had not been handled in CEMA context.

The understandings for bilateral specialization with other CEMA countries focus on a broad list of major products of the machine building industry: ships, electrical engineering equipment, tractors and farm machinery, in relationship with the Soviet Union; optical and fine mechanics equipment, electrical separators and power transformers, and diesel-hydraulic locomotives, in relationship with the German Democratic Republic; machine-tools (heavy turning mills, jig borers), integrated circuits and semiconductor devices, in relationship with Czechoslovakia; lifting and transportation equipment (16-ton cranes), machine-tools, sound boxes, in relationship with Poland; hydraulic units, assemblies and subassemblies for motor vehicles, medical equipment, in relationship with Hungary; trucking facilities (special trucks, tipping trucks, refrigerating vans, motor and electric stackers), machine-tools for general purposes, in relationship with Bulgaria.

Based on the bilateral and multilateral specialization understandings concluded so far and on those under negotiation, it is anticipated that the volume of specialized product exports during the 1981-1985 period will grow by a factor of almost 2.5, versus the level for the 5 prior years. Hence, the volume of specialized product exports under this five-year plan will account for more than 60% of total deliveries

of machinery and equipment agreed upon when the plans were coordinated and under the long-term trade agreements. In some areas (oilfield equipment, railroad rolling stock and ball bearings) the deliveries being made under the conventions for specialization in production exceed this level and will be major factors in attaining the export of machinery and equipment in CEMA countries for the products involved.

Directions of Expanding Specialization, Cooperation

Despite the positive results obtained in comparison with the previous period Romania is still having a small input into total machinery and equipment trade. Even though we are involved in most of the multilateral specialization conventions, the volume, structure and efficiency of this involvement insufficiently reflect the current stage of development in the machine building, electrical engineering and electronics industries, the actual potentialities for participation in specialization and cooperation in production being far greater. Moreover -- as it also followed from the analysis of this activity within CEMA framework -- specialization and cooperation in production on a multilateral basis has so far been a minor factor in meeting the needs for machinery and equipment in short supply, which is imported for hard foreign currency, in increasing the production series, in improving the quality and technical standards of products, in raising the efficiency of production and exports.

At the time of the analysis of the improvements which should be made in the activity of specialization, the Romanian delegations in CEMA organs constantly strove for greater efficiency of this activity. In this connection, the Romanian delegation to the 34th and 35th meetings of the CEMA Session indicated that the countries' efforts must center on specialization and cooperation in the most advanced branches of modern production, in which we are not able now to meet the needs of our economies and on significantly improving the quality and technical standard of specialized products so that these may effectively help to accelerate progress in our countries and enhance participation in international exchanges. Futhermore, emphasis was placed on the need for chiefly focusing the specialization and cooperation efforts on the areas that promote absorption of new technologies, expansion of production series, use of existing production capacities and broadening of exchanges involving specialized products, specifically in key branches and subbranches, for which we still need to use some imports involving hard foreign currency.

Proceeding from the considerations pointed out by the delegations of member countries, the CEMA organs formulated and adopted measures on upgrading this activity which chiefly involves: acceleration of scientific and technical progress, by creation and integration of new technology and enhancement of the technical standards of the products that are delivered on a mutual basis; provision of the necessary amount for CEMA countries and increase in deliveries of specialized products, elimination of unjustified imports of machinery, equipment, subassemblies, parts, supplement products and supplies from third countries; enhancement of the complex character of cooperation, by way of correlating the activity of collaboration throughout the research-design-production-marketing cycle; broadening of specialization and cooperation for the various subassemblies and parts, based on the use of modules and standardized components.

In addition to the general, principled guidelines incorporated into the measures listed above, it was agreed upon that the specific activity of cooperation and specialization during the next period should focus on products that are central to the

national economies at this stage, such as: automatic equipment and systems for controlling technical processes, semiconductor units and special materials characterized by a high degree of purity for the electronics and especially microelectronics industry, systems of machines for complex mechanization of agriculture, systems of machinery and equipment -- including industrial robots -- for mechanization of loading-unloading, transportation and storage, systems of modern machinery and equipment for open-pit ore mining, equipment with economical consumption of fuel, energy, and so forth.

In light of the important tasks allotted the machine building industry in our country under this five-year plan, provisions have been made for further enhancement of the participation of Romanian economic organizations in specialization and cooperation in production in this area with the other CEMA countries. To this end, the Romanian delegations to CEMA work bodies, the internatonal economic organizations created by CEMA countries and the work groups under the intergovernmental joint commission for bilateral cooperation requested that the activity of cooperation focus on resolving priority issues of our economic development, with the aim of broadening trade among CEMA countries, fully utilizating the production capacity, arranging, under cooperation, for the production of new items, especially those in short supply, raising the efficiency of production and the volume of machinery and equipment exports.

While broadening and enhancing cooperation with their counterparts in the other CEMA countries, in all socialist countries, the Romanian economic organizations and enterprises also work to expand international participation and specialization in advanced areas of the production in the machine building industry, to promote, on this basis, mutually advantageous and equitable exchanges of machinery and equipment.

11710
CSO: 2700

BRIEFS

ALBANIAN TRADE WITH SARAJEVO FIRM--The Sarajevo firm "Energoinvest" recently signed an agreement with the Albanian firm "Makinaimport" in Tirana for the export of 521,000 dollars worth of industrial equipment for petro-chemical installations and refineries. In addition, "Energoinvest" is studying an Albanian request for the export of equipment for the extraction and transporting of oil. The Sarajevo firm "Energoinvest" also produces this equipment. [Excerpts] [Ljubljana DELO in Slovenian 5 Aug 81 p 2]

CSO: 2800/347

INCREASES IN MACHINE AUTOMATION SUMMARIZED

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 2

[Article by Jan Bauer, Czech Statistical Office: "Increase in the Technical Sophistication of Machinery and Equipment"]

> [Text] In accordance with the planned development of our national economy and the need for ever more complex and higher quality information at all levels of managerial agencies, a biannual statistical study of the technical sophistication of machinery and equipment was initiated in 1976. The conducted studies have included energy-generating and working machinery (the third and fourth categories of the JTZP [?Unified Capital Asset Classification System]) at centrally managed industrial and construction enterprises. The total value of the machinery studied represented 70 percent of the overall machinery stock in the industrial and construction sectors of the CSR. (In 1976, machinery valued at Kcs 161.1 billion was studied, while machinery valued at Kcs 187.9 billion was studied in 1980.)

The value of the averaging qualitative indicator, "average degree of technical sophistication," increased from 2.8 to 2.9 points in the 4-year period 1976-1980. In view of the stable value for the percentage of mechanized and manually operated machinery (a group which represents almost half the total volume of machinery and equipment being studied), the above period saw a decline in the percentage of partially automated machines (from 43.1 percent of the 1976 total to 41.1 percent in 1980), in conjunction with a simultaneous increase in the percentage of fully automated machines (from 10.7 to 13.7 percent of the total). Machinery with programmable controls experienced a significant increase (including both partially and fully automated machines)--increasing from 4.5 to 8.9 percent of the machinery being studied during the period in question. The development of the technical sophistication of machinery and the equipment is, naturally, progressing unevenly in specific sectors. Several economic factors are at work here, as well as various characteristic influences stemming from differences in production technologies, factors which may even limit the potential level of automation which is attainable. This is especially true of construction. The results achieved here must be evaluated with a view to the prevailing technological conditions and the development potential of a significant part of its machinery base. Construction machinery and equipment, under the methodology of these studies, may in no instance exceed the second level of the classification scale, despite the fact that in many cases its work productivity and technical specifications correspond to world standards.

The following table makes clear the evolution in the numbers of partially and fully automated machinery and equipment as a percentage of the total in critical sectors from 1976-1980:

Sector	Partially automated machinery		Fully automated machinery	
	1976	1980	1976	1980
Fuel Industry	33.2	28.1	9.7	25.1
Energy	81.4	71.0	0.4	7.2
Ferrous metallurgy	40.2	36.9	8.3	8.8
Chemical industry	47.9	45.2	21.7	17.8
Machine building	33.3	35.5	7.7	8.9
Textile industry	52.0	53.7	21.1	25.6
Food industry	29.4	36.1	3.1	2.6
Construction	15.4	19.0	0.3	0.5
CSR total	43.1	41.1	10.7	13.7

The values on this table are given in percentages, with 100 percent representing the total number of machines being studied. A number of organizational changes took place between 1976 and 1980 in the inclusion of enterprises under specific sectors. The most important such shift was that of the Factories CSSP Zaluzi Chemical from the chemical sector to the fuels sector (it was shifted back again in 1981, a change that is not reflected here), a change very evident in the above table in the fully automated machinery columns, because this enterpirse is among the most important in the CSR, both in terms of the technical sophistication of its machinery stock and in terms of the value of its output.

In addition to the sectors cited above, one must point to the high degree of technical sophistication achieved in the equipment of the electronics industry (where 16.4 percent of the machinery was fully automated by 1980), the woodworking industry (15.1 percent fully automated), the paper and cellulose industry (32.4 percent fully automated), the glass, ceramics and porcelain industry (18.7 percent fully automated), and the confectionery industry (15.6 percent fully automated). At present, and for various reasons, even an average degree of automation has not yet been achieved in the nonferrous metallurgy sector, the construction materials sector, the printing industry, and in frozen food, medicinal products, and tobacco production.

The sectors which in 1980 had the highest percentage of machinery with programmable controls for the production cycle were the fuel industry (22.6 percent--again due to the shift of the CSSP Chemical Factories), the confectionery industry (16.6 percent), machine building (12.9 percent), and the textile industry (12.5 percent); the overall norm for the CSR amounted to 8.9 percent.

Mechanical machinery (in some cases manually operated or driven) accounts for more than 60 percent of each unit of output in the food industry (61.3 percent in 1980), in frozen food production (63.8 percent), in nonferrous metallurgy (69 percent), in the construction materials industry (69.8 percent), and in construction (80.5 percent).

An increase in the technical sophistication of machinery and equipment in critical sectors has been one of the factors characteristic of the recent years of the Sixth Five-Year Plan. A detailed view shows that this increase has not occurred without certain disproportions and imbalances of development, but a positive trend has been maintained in the application of scientific and technical developments to practical production. The preconditions have thus been created for the further dynamic and highly efficient increase in the overall production of our national economy in the coming years of the Seventh Five-Year Plan.

9276
CSO: 2400/296

IMPLEMENTATION OF CENTRAL HEATING SYSTEMS DISCUSSED

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 1, 2

[Article by Eng Ivan Machacek: "Implementation of a Central Heating Program"]

> [Text] The Main Trends in the Economic and Social Development of the CSSR for 1981-1985, as approved at the 16th CPCZ Congress, set the objectives of achieving savings in primary energy resources and available labor, while at the same time conserving natural resources through the accelerated implementation of a central heating program based primarily on brown coal.

The most attention must be devoted to the cogeneration of electrical energy and heat, the conversion of several older condensational power plants to heat and power production, the realization of a program to replace enriched fuels, and the improvement of cooperation in sectorial, district, and regional planning, including the pooling of investment resources for resolving the heat-generation problem.

The advantages of central heating and the utilization of the cogeneration of heat and electricity over the production of heat in heating plants or local boilers and of electricity in separate condensational power plants are indisputable:

--greater energy efficiency is achieved, i.e., fuel savings for a given amount of delivered heat;

--it utilizes a lower value fuel, brown coal, of which there are domestic reserves, and reduces the burning of enriched fuels, which are imported;

--it improves environmental quality, a fact which is coming to the forefront as a significant advantage of the cogeneration of heat and electricity, given the growing concentration of population in the larger cities;

--it makes possible significant labor force reductions.

In view of the gradual and prospective introduction of nuclear sources as the fundamental sources of the electrical system, the possibility of using exisitng condensational electric power plants, after their reconstruction, for heat generating operations to supply areas with heat through long-distance thermal feeder lines is becoming more attractive.

In spite of the fact that fuel consumption for heat generation has represented almost 40 percent of the overall primary energy resource balance, in this country heat has not as yet been the object of accounting and the administration of the supplying of an area with heat has been characterized by fragmentation. The economic advantages of supplying heat from a centralized heat and electricity cogeneration facility have not been exploited. To a large extent, construction has taken place on decentralized, many times provisional and backup, heat sources, without initiating a pooling of the investment resources of many sectors to achieve an economically efficient central heating system which would assure optimal and efficient heat supplies.

A change in the fuel and energy situation has forced a new view of the solution to heat-generation objectives. It is no longer possible to go the route of small heat sources burning higher valued, enriched fuels, and constructed by individual sectors in a given area for themselves. The new situation demands that the heat source be removed from the consumer, that it utilize lower valued brown coal for the cogeneration of heat and electricity, which in the future can be on a nuclear basis.

CSSR Government Resolution No 130/79 established the principles of a long-range energy policy for the sector responsible for the construction and operation of facilities for supplying the national economy and the population with heat. Guidelines for the methodological and conceptual administration of the development of central heating (hereafter CZT) have been approved by CSSR Government Resolution No 384/80. According to these government resolutions, beginning in 1981 the fuel and energy sector will methodically and conceptually direct the development of CZT in the CSSR, without regard for the sectorial membership of operators, investors, and consumers of heat, with the goal of implementing the coordinated development of a heat supply and reaching the requisite technical and economic levels for equipment used to produce and distribute heat.

The development of CZT is designated territorial units (so far these have been units where it is economically possible to build at least one CZT system with public distribution, and a maximum thermal load of more than 25 megawatts) can be realized only on the basis of focused energy projects and developmental heat-generation studies, for which the Federal Ministry of Fuels and Energy and its authorized organizations will issue binding policies, including policies for the efficient centralization of sources without regard to the sectorial membership of either operators or consumers.

The district centers of the CZT concerns of the the Czech Energy Factories and Slovak Energy Enterprises comprise a fundamental element in the system of methodological and conceptual administration of the development of CZT. These district centers provide methodological and consulting assistance to appropriate agencies and national committees for the formulation of proposals of designs for the development of CZT. At the same time, the proposed design for the development of CZT is the responsibility of either the organization which manages the basic central heat source in the existing CZT system, or the organization in the interest of which the development of a CZT system is to be realized, i.e., the national committee in those territorial units where there does not yet exist a CZT unit. National committees organize the pooled capital investment in equipment for the development of a CZT, in accordance with the approved focused energy projects and heat-generation studies, while the administration, operation, and development of heat-generating equipment outside the fuel and energy sector is provided for by the current administrators.

This new approach to influencing the conceptual management of CZT system development, to the pooling of resources for capital investments, to the assurance of the operation and maintenance of heat sources and the heat network is the beginning of a systems approach to the development of the heat-generation industry which will lead to the naming of the fuel and energy sector as the accounting manager for heat, and which will find codification in the heat legislation now being prepared.

Within the framework of the Sixth Five-Year Plan, the fuel and energy sector received, in the area of heat generation, at construction sites of both the ZU (binding task) and CPS (centrally evaluated construction) categories, 1,413 tons per hour of steam, and 2,704 gigajoules per hour of hot water with an electrical output of 131 megawatts. The implementation of the state target program for the rationalization of the consumption and utilization of fuel and energy requires, on the one hand, a gradual conversion of the older condensational power plants to the cogeneration of heat and electricity, and, on the other hand, the implementation of long-distance transfers of heat through long and technologically demanding thermal feeder lines to heat-consumption locations. This will lead to preparation for the implementation of long-distance thermal feeder lines.

The utilization of heat from nuclear power plants will make possible, over the long term, the implementation of a unified long-range energy policy in the area of heat supply.

9276
CSO: 2400/296

RUST PROTECTION OF GAS PIPELINES IN BRIEF

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 2

[Article: "Pipeline Rust Protection"]

> [Text] Direct damage attributable to rust each year in our national economy are estimated at Kcs 5 billion. Rust also represents a systematic danger for the pipes of the transit pipeline.

For this reason, antirust teams are at work along its entire route. They have at their disposal more than 2,700 inspection and measurement facilities and about 150 cathode protection stations. At these stations, the teams conduct regular monthly inspections of the condition of the pipes. The activity of the inspection and measurement facilities is verified at 6-month intervals. The overall amount of measurement, however, is much higher, because rust amounts are measured on all parallel running lines of the pipeline. Moreover, it is likewise verified whether other metal structures which cross the pipeline path are being jeopardized by the cathode protection.

Rust caused by so-called stray earth currents is the greatest danger for the long-distance pipeline. Their source is primarily electrified track systems. The current flows from the trackbed to metal structures located in the earth and causes rapidly advancing rust which for the most part concentrates itself on small surfaces. This can eat through unprotected pipe in the relatively short time of several months. For this reason the external insulation of the pipe is carefully inspected. This insulation must be of such quality as to protect the longest possible section of pipeline with the smallest possible output of the cathode protection stations.

9276
CSO: 2400/296

CONSTRUCTION INDUSTRY PERFORMANCE EVALUATED

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 2

[Article by J. F.: "On Evaluating Construction Performance"]

[Text] Just as in other national economic sectors, the improved planned management system assumes that construction will also shift from planning and evaluating performance by means of gross production indicators to a new concept--evaluation through adjusted labor value added. On the basis of these figures, labor productivity calculations will be made and, what is especially important, will form the basis for the calculation of the basic components of wages payable. Adjusted labor value added figures then, without a doubt, are becoming one of the critical indicators both for the establishment of goals and for evaluation of the performance of construction organizations in the coming years.

The Set of Measures for Improving the Planned Management System of the National Economy after 1980, however, states, "Both qualitative and quantitative indicators expressing the relationship of an organization to society are to be given first priority as the starting point for inspection, evaluation and incentive systems for plan fulfillment." There is never to be, in other words, a single peak indicator for evaluating performance, but an adequately established system which will guide organizational and individual activity in the desired direction.

Based on the situation at the end of March, construction enterprises in the East Bohemian Kraj and received for the current year from their supervisory agencies between four and eight binding indicators by which to control and evaluate plan fulfillment. The plan itself contains 121 previously established indicators for the comprehensive evaluation of plan fullment, indicators which orient the attention of the enterprises above all to efficiency and frugality in the production process. Most often, individual enterprises are given concrete tasks in terms of assuring a requested level of labor productivity from adjusted labor values added, the achievement of a specific profit volume, or the maintenance of a usable volume of wages payable.

A second large group is represented by indicators of marketing structure. Here the most often assigned objectives relate to the assurance of labor values carried out under supplier contracts for overall capital investment, as well as the assurance of these values on projects with more than Kcs 2 million in budgeted costs, capital investment projects on the territories of the capital cities of Prague and Bratislava, and in the North Bohemian Kras.

For the time being, the supervisory elements are devoting less attention to capital development and technical development in establishing these binding limits for individual enterprises. This year only six tasks of the entire number assigned fell into these two areas, and moreover some of these had not yet been precisely defined at the end of the first quarter.

In principle, individual indicators are divided into three main groups, which emphasize, within the framework of supplier-consumer relations, the necessity for assuring established marketing directions, monitoring the efficiency and frugality of the production process, and seeing to the fulfillment of investment and technical development tasks. It is a question, then, of implementing the basic trends in the future development of construction, which stem from an analysis of its current condition and evolution.

9276
CSO: 2400/296

DIVERSITY OF ELECTRONIC DEVICES FRUSTRATES REPAIR EFFORTS

Budapest MAGYAR HIRLAP in Hungarian 16 Aug 81 p 7

[Article by P. T.: "Trotting After It"]

[Text] Lapped by Electronics--The Fate of 17 Billion

When the layman hears the word computer, a hall appears before his mind's eyes, where ladies with fine hands and gentlemen with smart looks work magic on modern and elegant "whatchamacallits" standing in rows and performing their program-determined tasks while discretely sparkling and clacking. And all this commands such reverence. But who would think of tipping his hat to a machine laying on the edge of a table and looking similar to an old-time typewriter? Perhaps, if the person operating it shows us what such a small tabletop minicomputer is capable of doing. Because it will be discovered then that--on a smaller scale--it can do practically everything its "uncle" can, who fills a whole room.

When It Conks Out

Let nobody think that I wrote the above simply for the reason of generating a good mood. Rather, to illustrate attitudes. The computer (that is, the big one) is a serious thing. It must be cared for. Any possible error it may make--no need even to try to prove it--can be the cause of economic losses. Thus we have to sacrifice to repair and maintain it--and we do sacrifice. (It is a different question that providing this service is also not free of problems--but more about this at some other time.)

But if the small machine conks out, well, so what.... Of course it, too, must be repaired, but whoever would attribute much significance to it if it could not be done. And, on the surface, things seem alright this way, since the larger one deserves more attention. However, while--thanks to the central computer technology development program--the number of machines officially recorded as computers increased significantly, the growth in the number of other modern information technology equipment--now also electronic, but no record of them is being kept--increased even faster. So much so, that the value of these latter is now estimated at 17 billion forints--it has practically reached the value of all machines recorded as computers. Of course, many different things belong in this circle--called information technology equipment, for the lack of a better name--: from typewriters through pocket calculators and automatic bookkeeping machines to the minicomputer, and even beyond that--since the border between

computer technology and information technology is becoming fainter and fainter. But only about 6 to 7 billion of the above mentioned 17 billion is the value placed on the traditional (mechanical and electromechanical) office machines and management technology equipment, while the value of electronic and microelectronic equipment inventory is 10 to 11 billion.

Smaller, council-managed enterprises, industrial cooperatives and private sector small businesses repair some 10 to 15 percent of this machinery group which is quite heterogeneous in its make-up, but is highly valuable; 4 to 5 percent is repaired by the owners themselves, while the majority of it (roughly 70 percent) is cared for by one single enterprise, the Information Technology Enterprise [ITV] (until recently the Office Machine Technology Enterprise). At the same time, we don't even have anyone now to care for 5 to 10 percent of the machinery park.

There Should Not Be 50 Kinds

The enterprise mentioned above, ITV, began by repairing typewriters and other traditional office machines, but nowadays it is "trotting" after electronics.

"Yes, because we are afraid that technology will put us a lap behind"--says Dr Gyula Toth, the manager of ITV.

"In the past, figuratively speaking, all a mechanic needed was a good screwdriver. But today the mechanic needs diagnostic equipment, and even support machinery. Not to mention the fact that this work also requires a staff of mechanics with more and more training, and also greater mobility--that means repair trucks. We now keep in repair 640 different makes of machines, but this number may be higher tomorrow. Because if someone is traveling abroad and takes a liking to--let's say--a smart little computer, he will buy it for his enterprise even if it costs as much as two passenger cars; because it fits in just a briefcase! Then here at home he expects us to repair it for him when it malfunctions, and wants us to get spare parts for it. Just as an example: today we keep in stock about 90,000 different types of materials and spare parts, and there are some electronic panels valued as high as 70,000 forints."

[P. T.] "Are you thinking of central coordination?"

[Dr Toth] "Yes, so that there would not be 50 different types of machines, originating in the most diverse parts of the world, all doing the same job."

[P. T.] "Would this solve the service problems?"

[Dr Toth] "It would help. But even apart from this, we should catch up to the increasing requirements."

We Cannot Do It on Our Own

[P. T.] "The breakthrough on the electronics front could have been expected."

[Dr Toth] "Yes, but in the meanwhile we, considering the fact that we take care of two-thirds of the machinery park, had to create a nationwide service network. And a modern one--inasmuch as possible. But this ate up all the money we could spend on development, and we did not receive one penny of subsidy. This is not to lay blame, because now the development of our nationwide network has been completed. It will be difficult for us to grow any further out of our own strength."

The problems which are already now visible, but which will manifest themselves even more sharply in the future, are illuminated by Dr Guyla Fonyodi deputy director in charge of finance:

"Until May of this year our profits were subject to normative control, so that in practice we were allowed to make only a specified and constantly decreasing profit. Thus the share of the profits we could spend on development was also getting smaller. It is true, however, that in May we received 'exemption' from this. The higher-level functional management--even if belatedly--acknowledged: protecting property of significant value demands progressive development of the repair and maintenance function. We were thus given the opportunity to increase our profits to 'decent' limits, and it is hoped that over the long range this will also provide the solution."

[P. T.] "Why only in the fugure?"

[Dr Fonyodi] "There is no way to catch up to ourselves from our own resources. If we could catch up now, the new opportunity furnished by the regulation would insure that--in addition to performing many other tasks--we could also keep up with the growth of technology. Inasmuch as there is no possibility of doing so, I am afraid that our catching up will be very slow in spite of all our efforts, and this may cause the national economy significant losses."

[P. T.] "What would you need?"

[Dr Fonyodi] "We are being squeezed, first of all, by the need of quickly and significantly expanding our revolving assets. We need a one-time addition of about 100 million forints to our revolving assets; to have the ITV recognized as a special service enterprise, because today the fact that we are considered an industrial enterprise limits our opportunities--from development to the paying of wages."

Below Average

[Dr Toth] "Yes, it is one of our grave problems"--the manager takes over--"that the average yearly wage we pay is about 5,000 forints lower than the industrial average. At the same time most people working for us are familiar with electronics, qualified mechanics who know special machinery whom we are less and less able to pay the wage they deserve. If an enterprise is looking for such a person, they can easily 'promise more' than the wages we can pay, because their wage levels can 'support' a few higher paid mechanics. And we cannot imitate them in this."

[P. T.] "Now that you will be able to make more profit, will you be able to afford wage corrections?"

[Dr Toth] "We will do what we can. We want to spend the planned profit sharing on wage improvements. But this is not much, it will be only about 50 forints per person. Because of the 'basic principle' in force, it is impossible to correct 'damaged' wage levels from our own resources. Of course, it may appear that all we can do is to cry and complain. The truth is that we are concerned primarily not for the enterprise's future but for the national economic property in question. We are thus concerned with more general interests,and even more so with the fact that the delivery of service keeps stalling more and more often, which may bring on two different 'solutions': If we cannot repair the broken-down machines in time and properly, the enterprises might buy new machines to replace ones which could still be used, and I don't need to say that this is waste. And, if they cannot do this, then work which could be done more efficiently will suffer, since this is the very service information technology equipment provides. That is, in either case the national economy loses."

Hope in Vain

Admitting the importance of providing satisfactory service for the information technology equipment—and because the enterprise's concerns seemed justified--, I spoke with several financial experts about the possibility of development of this area. Their unanimous opinion can be briefly summarized this way: in essence, what is involved here is that one enterprise decided to change its structure (or more likely was forced to do so). But to keep winking for state subsidy is hoping in vain, no matter how much the development is in harmony with the national economic interests. There is, however, the possibility of applying to the Hungarian National Bank for a loan (which will, of course, have to be paid back with interest) or they can submit a proposal to the State Development Bank for so-called basic state grants (which, on the other hand, annuity obligations).

Naturally I received no answer to the question of under what conditions may the ITV be granted the above mentioned financial help--no such answer could be given in the absence of a specific loan application or proposal. But that much is probable: their justifications will be understood, especially if they can support them from the aspect of expected profitability as collateral. And the "exemption" granted in May, and, of course, the appropriate enterprise marketing policies may provide realistic hopes for this.

8584
CSO: 2500/360

DEVELOPMENT OF POWER INDUSTRY OUTLINED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 81 pp 29-31

[Article by Jan Galka: "The Development of the Power Industry Considering the Country's Current Situation"]

[Text] In the No 2, 1980, issue of INWESTYCJE I BUDOWNICTWO, I published an article titled "Investment Goals for the Power Industry" in which I outlined in a very general way a power industry development program for the 1981-1985 period based on the guidelines promulgated by the Central Committee at the Eighth PZPR Congress.

Since that time, however, events have occurred in our country which make it necessary to determine to what extent the assumptions presented in that article regarding the development of the power industry and their justifications are valid today, and to determine what has changed and what requires revisions considering not only the country's economic situation but also the new social conditions under which we are now working. To be more specific about that last statement, I have in mind not only the negative consequences of shaken social discipline (it should be added that I am not investigating here the reasons for this state of affairs since that is not the subject of this article) but also the positive phenomena, for example, the activization of a large group of people seeking new ways of solving Poland's social and economic problems.

After this expository introduction, I want to emphasize the statement from the guidelines promulgated by the Central Committee at the Eighth PZPR Congress that I quoted in the first article: "...satisfying the demand for fuel and energy in one of the basic conditions for achieving the nation's socioeconomic development goals." Regardless of what these goals may be, which must be revised fundamentally, not only is the statement regarding the necessity of satisfying the demand for fuel and energy still valid but it takes on special meaning under the new conditions.

The latest phenomena that have arisen in the national economy and the country's social situation require that certain revisions be made, quantitative as well as qualitative. The basic phenomena are:

1) the necessity of revising the program because of fundamental changes in the fuel base;

2) the necessity of implementing the advanced fuel-and energy-conservation procedure which will have a significant effect on the rate at which new power capacity is installed;

3) the decisions to integrate further the CEMA system by constructing via joint efforts the Khmel'mitskiej atomic power plant and, in association with this, the suitable expansion of Poland's transmission system;

4) the new social conditions having a large effect on conditions for realizing the program.

I will attempt to describe below the effects of these phenomena on the program formulated within the framework of the cited article.

The statement that "the backbone of the development of the power industry in the 1981-1985 period will be the Belchatow mining-energy complex" continues to remain in force. It is true that the realization of this complex is being temporarily thwarted and I am sorry to report that the approved goal to place this power station's first 360-MW power unit into operation in December 1980 was not achieved. This is not the place for detailed explanations because the reasons are many, starting with material shortages and ending with the drastic limits on imports which significantly hampered work progress. The construction of the power plant's first power unit is in the final stage and the power unit will be connected to the network in the next couple of months. However, the basic thesis that it is the backbone of the 5-year program not only remains in force but has gained prominence because the negative balance for hard coal has increased.

Things are different concerning the construction of the Opole and Zaton electric power plants. The realization of the former has been subject to many impediments and the realization of the latter was delayed. For the Opole power plant, the plan specified that all six 360-MW power units would be in operation by 1985, that is, projected full power would be achieved. But the decrease in hard coal output and that which follows--great difficulties in balancing its accounts--mean in general that it is necessary to revise the construction program for hard coal-fired plants and to adapt this power plant to burn coal of significantly poorer quality than initially projected. As a result of these considerations, a program to redesign some boiler fuel system installations in this power plant has been established, and only three power units are projected to be placed in operation during the 1981-1985 period, the first of which should be operational in 1984.

The decision to build the Zaton power plant, whose operation was to be based on the Turow deposits, was undertaken too hastily. A closer analysis of Turow's mining capacity indicates that significant modernization and reconstruciton of the working faces are necessary before there can be any talk of expanded mining and construction of new electric power plants. Thus the construction of this power plant must be postponed for about 3 years. Fortunately the investment outlays to be frozen there are relatively small.

Finally, it was necessary to revise the expansion plan for the Polaniec electric power plant. As it now stands, the Polaniec plant was designed to burn coal having a heat value of 4,7000 kcal/kg. Unforturnately, as with many other electric power

plants, guaranteeing supplies of coal having this projected quality is not possible. In association with the increasingly poor quality of hard coal delivered to power plants, one can debate whether the power plants should be adapted to the coal now being mined or if coal quality should be improved by enriching it at the mining enterprises. Personally, I am very convinced that the transport of millions of tons of ashes all over the country and the effects of burning this type of coal on the natural environment, even the utilization of thousands of hectares of land under the ash-stacking yards, do not justify this practice and that the coal should be enriched at the mining enterprises. However, taking this position does not change the fact that it will not be possible to achieve immediately. For this reason, it was decided to expand the Polaniec power plant based on the use of the increasingly poorer quality coal and to adapt its planned equipment to this end. This means that above and beyond the eight 200-MW power units that are currently projected, we will not achieve the hoped for results from the Polaniec power plant in the current 5-year period.

With the concurrence of the Main Inspectorate for Energy Management and the Ministry of Administration, Local Economy and Environmental Protection, the program for the development of a centralized heating plant system was changed to partially compensate for the decrease of power resulting from the changes in the electric power plant construction program, in which the share of heating capacity based on water boilers for heat-generating units under associated management has been decreased.

The increasingly severe shortage of fuel and energy occuring in the world and the rapid increase in their costs make it essential to review the uses of fuels and energy. Economy in this area, to be applied as extensively as possible, has become the order of our time. Of course the passage from an obligatory, ordered system of conservation to a completely voluntary system of conservation, one that will produce the desired results, will be a long process requiring changes not only in the way most people think but also changes in the economic sphere. But obligatory, ordered conservation will still have to be in operation for a long time because of the shortage of power in the system and the increasing fuel shortages. The reductions in electric power supplies caused by the low fuel supplies in the electric power and heat-generating plants that were reported in the press at the end of January and beginning of February were the first symptoms of this phenomenon.

Considering the current construction cycles for electric power and heat-generating plants, power engineers and others must draw proper conclusions from this because decisions made today will produce results in 7 years at the earliest. This applies primarily to the problem of developing a nuclear power industry (the construction of the Zarnowiec and Kujawy power plants) and the ongoing, though relatively expensive, program to exploit Poland's modest water energy resources. The concern here is about developing the energy of the lower Vistula River and, to start with, the Ciechocinek dam which, in addition to producing electric power, will assure proper conditions for constructing the Kujawy nuclear power plant. These are power plants that represent a start in the use of new fuels for generating electric energy.

Such a revised program envisages the delivery for use during the 1981-1985 period of about 7,500 MW of electric power which, with economical management, should balance power demand in 1985 (this will not be achieved during the 3-year power industry development program which was developed by the ministry as a part of the program to stabilize the national economy).

In the program to expand the electric power network, new elements have arisen as a result of signing the multilateral agreement concerning the joint construction by the CEMA countries of the Khmel'nitskiej atomic power plant and, in association with this, the transmission of electric power via Poland's transmission system. This will require the construction on Polish territory of a 750-kV line on the Rzeszow-to-the-border line, a 750/400-kV system station in Rzeszow, and a suitable extension of the 400-kV transmission system. These investments should be realized in the 1981-1983 period. Executing this program will require special efforts by power engineers and builders and, most of all, the enterprise will require special equipping because the construction of this system requires a qualitatively new type of power industry construction.

The presentation of this program in a period when the main motto for the national economy is to restrict the investment front and to delay a number of investments already begun may appear to be unseemly and for some readers it may suggest an association with the universally disapproved era of the propaganda of success.

In attempting to formulate such an opinion, however, one should remember two basic truths which cannot be shaken:

1) the power industry is now one of the primary factors hindering increased production in all areas of economic activity, including the program to solve the food problem;

2) currently the cycle to realize energy investments requires not only an accurate definition of the development program but also its consistent realization during the 1981-1985 interval as well as during the 1981-1990 period, and for the development of the brown coal industry, even beyond 1990.

Assuming that the currently revised energy development program will be accepted, its realization will proceed (and is proceeding) in an atmosphere of continuous pressure. In my opinion, during the next several years these pressures will not decrease; on the contrary, they will increase. The concern here is not only the well-known shortages of materials, the qualitative and quantitative underdevelopment of the industry manufacturing machinery and equipment for the power industry, and the underdevelopment of the construction-assembly industry, but also their effects on the proper implementation of the currently obligatory assignments contained in Resolution 118/80 of the Council of Ministers concerning changes in the system for managing state enterprises in 1981, commonly called the small economic reform and the projects associated with the so-called big reform. I realize that in criticizing these acts I may be branded by the "activists" as a hardheaded bureaucrat, but nonetheless it does not alter the facts that the introduction of these reforms without undertaking specific actions during the transitional period when the unstabilized economy certainly will not promote the complete elimination of at least the system of regulation can cause confusion and definite perturbations in investment activity, for example, in coproduction and in material-technological supplies. If we add to this the generally valid thesis concerning the need to radically limit investments and imports (especially from the second payments area), and the need to emphasize investment activities in areas that have to date been neglected, then it should be stated that the master builders of the power industry face very difficult tasks.

To recapitulate: construction associated with solving the fuel and energy problem will require special treatment for a long time, regardless of the difficulties in which the national economy now finds itself and regardless of the necessity of shifting limited investment resources into other areas of the national economy.

11899
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MUJZEL DISCUSSES NEED FOR COMPROMISE IN ECONOMIC REFORM

Warsaw TRYBUNA LUDU in Polish 6 Aug 81, pp 1, 6

[Article by Prof Dr Jan Mujzel, director of the Institute for Planning: "Necessary and Unnecessary Compromises"]

[Text] The lack of sociopolitical premises caused the failures of previous attempts--both the earlier ones, from the years 1956-57 and the later ones, from the years 1971-73--to deviate from the traditional economic system. Today, sociopolitical premises are beginning to take shape more favorably than at any other time in the postwar period. The Ninth Special PZPR Congress declared itself in favor of radical and early systems reform. The resolution of the congress treats reform as one of the main elements of the socialist restoration of the economy and society.

Active attitudes towards reform, recognition of the urgent need for it, and determination of actions on its behalf are developing also among the trade union links, including "Solidarity," but primarily in the large industrial establishments.

Recently, differences have been revealed in government and trade union documents concerning some of the principles and solutions of the reform system. I believe that we will succeed in overcoming these differences in a climate of businesslike discussion and that the implementation of reform will be able to be based upon the involvement and collaboration of the basic forces of our society.

The economic conditions for reform are different. And the initiation of its course will take place under exceptionally unfavorable conditions, significantly worse than several months ago.

It was known from the start that interdependence balance-reform contains the major dilemmas for initiating reform, in addition to the sociopolitical premises. However, it had not been presumed that these dilemmas would become so difficult, or that the planning of reform would be threatened by so many perils.

Lack of balance and sociopolitical barriers preventing the achievement of reform in the coming months or even years compel us to arrive at some compromises. Consequently, the first packet of solutions which are supposed to form the framework of the new system as early as 1982 will have to vary from the systems vision and from its ultimate shape. The reality of the reform is contained here, but so are the dangers facing it. After all, compromise in this field means the creation of situations

filled with contradictions, with limited effectiveness of new solutions and with the probability of attempts to reserve the direction of the evolution of reform.

From the standpoint of the chances for reform, therefore, the principle of keeping compromises and so-called transitional solutions to an absolutely indispensable minimum seems necessary. The lack of determination is threatening here at nearly every step with the prospect that reform will be turned back once again onto the path of feigned changes.

Unfortunately, it is extremely difficult to distinguish necessary compromises from unnecessary, forced, and argued compromises not because there is no avoiding them objectively, but in the name of routine and the "old" defense. And therefore, the adherents of real systems changes are faced with the urgent task of recognizing unnecessary and destructive comprimises and the struggle to eliminate the latter from new draft laws and applicable solutions.

I think it is precisely these unnecessary compromises which have turned up in the draft laws on state enterprises and on the self-government of their work forces. They were criticized and discussed during work on the laws, yet they remained and were even strengthened. This issue is important for at least two reasons. First, it concerns acts of fundamental importance for the functioning of these enterprises and the way in which they are managed by state organs. Second, the basic features of future enterprises--their independence and self-government--have become the terms of unnecessary compromises.

The elimination of so-called traditional directives (directive-type tasks and allocations and allotments of funds) in the management of enterprises by the economic authorities. The opposition of the systems--the one which we wish to form and the traditional one--is expressed the most fully in this principle. It is a key opposition, and at the same time probably the most threatened element of reform.

The establishment of the enterprise director. The basic regulation of the draft law on state enterprises (Article 26) assumes the selection and establishment of the director by the founding organ, or the state authority (the Minister or governor) with the consent of the work force council. And only in some cases, on the strength of an order to establish an enterprise or particular executive determinations, can a report issued by authorities of a government organ and council be reversed.

I am personally convinced of the need to preserve the influence of state supervision on personal and wage decisions concerning the director. This view is justi i d by:

--the conditions for strengthening the long-term (developmental, innovative) orientation of the enterprise, and

--the fact that the state budget cannot shirk its responsibility for compensating the work force in the case of a tenuous financial balance of their enterprise.

However, in an autonomous enterprise this influence should not lead to the equal standing, as it were, of the director (the executive organ) and the council (the representatives' organ). That is at cross purposes with the nature of an autonomous enterprise and with the conditions for its correct functioning.

The faulty notion of equal ranking is strengthened by the principle adopted in the draft law on the self-government of the work force (Article 40), a principle authorizing the director not to carry out the resolutions of the council if, in his opinion, this could "cause the essential infringement of social interests." Virtually everything that does not serve the director and his founding organ can be inserted into this formula.

The division of decision-making authority between the council and the director. Porbably under the provisions of the thesis on equal ranking, the draft law on self-government of the work force strives in particular to define the legislating and consultative powers of the council (Articles 22 and 23). This enumeration cannot be an exhaustive one. As a rule, broad areas remain for interpretation and arguments. But the problem does not end here. The council has been granted the right to approve plans for enterprises. But what will these documents contain?

After all, under the new system the enterprises themselves are to determine the method of constructing and presenting plans. All of this prompts all the greater doubts that the council has been left only consultative powers in a number of matters specified in the draft law and fundamental for an enterprise, such as: the association, division, and elimination of an enterprise; the conclusion of long-term agreements with other organizations and state organs, etc.

I think that the aforementioned compromises can have a number of negative effects. I will mention one--in the sphere of self-financing. The thesis is widely promoted that independent and autonomous enterprises should operate on the basis of self-financing. This principle is regarded appropriately as the condition for efficiency and for the forces balancing the economy. Its most difficult aspect, but also perhaps its most essential aspect, is the adoption by the work forces of wage responsibility for the financial results of the enterprise. This responsibility cannot be decreed--the work forces have to assume it consciously. The state budget can and should attenuate this responsibility, but only in critical situations and within a scope limited both with regard to the level of guaranteed remunerations, and with regard to time.

All of this is logical and convincing provided that the authority goes together with the responsibility, that is, that the work forces become the real, leading organ of the autonomous enterprise. All limitations on these activities undermine the reality of consistent self-financing and the mainsprings of effectiveness contained in it.

The concept of current Polish reform was founded on the principles of socialization and self-government, and--in my opinion--this is appropriate on all accounts. However, the complexity of the Polish economy, the variety of situations, and also the uncertainty characterizing decisions of this kind demand that we permit, in addition to self-governing enterprises as the dominant type, also other types, such as, let us say, enterprises under state management, capital companies, and public enterprises endowed or not with the classic institution of worker self-government. These enterprises would differ from the autonomous enterprises either in the strengthened action of state organs, or in the stronger factor of managerism (professional managerial positions) or in the advocacy of the role of a capital share, or also in the exclusion of the principle of maximization of a financial result.

In the approach to the construction and functioning of enterprises, what we need is simply pluralism, formulated clearly and with the internal consistency of each of the types preserved.

Article 47 of the draft law on enterprises empowers organs of authority to apply directive-type tasks to the enterprises in some fields. An effort has been made to weaken the antieffective character of these tools. Towards this end, the two complementary principles of the contractual course and compensation by the budget for possible losses have been introduced.

We can dismiss the contractual course, since an enterprise has no right to deny the conclusions of an agreement. Elimination of discrepancies is to be based, therefore, on the obligation to equalize losses, which I consider a questionable solution.

First, this will create procedures for auction and disinformation. Thus, it will undermine powers of effectiveness not only in the area of directives but enterprises as a whole.

Second, if compensation yields a surplus, the directive becomes unnecessary. But if the compensation is incomplete, it has to restore all the well known negative effects of the directive-type system.

Third, the undermining of conditions for consistent self-financing would ensue. For the financial results of many enterprises would depend on an essential or very essential manner on the directives and the course of action.

I consider the maintaining of traditional directives in whatever fields to be a dispensable compromise. There are no objective obstacles to having production in the divisions mentioned in Article 47 of the draft law on enterprises take place with respect for the independence of enterprises and with the use of policy tools which are not at cross purposes with that independence. I have in mind the prices supplementing financial tools and--in case of need (such as with export)--licences.

In the discussion of the directive system, or rather its elimination, the year 1982, the so-called transitional period, and state control of some of the most temporarily deficient and basic means of production remain a separate issue. It is necessary to make allowance for state control and also for the fact that this may require some area of directive-type tasks for producers and suppliers of distributed resources. This should be expressed in the draft law on enterprises.

However, legal authorization to apply directives cannot be general and blanket in any case, which was evident in the final phase of preparation of the present draft laws. Such a concession to directives is justified in a simple link with state materials and foreign currency control, and only in the area of this control which is expiring, as defined by the resolution of the Sejm.

8729
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CURRENT ECONOMIC SITUATION REPORTED

Krakow GAZETA KRAKOWSKA in Polish 14-16 Aug 81 p 2

[Text] Industry

Many enterprises have experienced work stoppages and disturbances due to limited supplies of electric power. Also noted is the disturbance of work discipline because of insufficient food supplies.

Coal supplies are short in the power industry. The lowest supplies are at the Halemba, Jaworzno and Siersza power plants. Average supplies of coal to these plants is less than its consumption.

Difficulties in the supply of materials to the machine industry are causing production shortfalls of many products. Insufficient supplies of sheet metal from the Lenin Steel Plant limited supplies of rims and cabins for tractors. As a result, 100 tractors could not be supplied to customers.

In seven enterprises of the rubber industry production of tires and tubes has been curtailed due to lack of raw materials.

Stand-downs of spinning machines in the wool industry have occurred for the same reason.

Transport

A significant number of vehicles in the construction industry continue to be idle due to shortages of fuel, tires, batteries, spare parts and oil.

In Walbrzych, Bielsko, and Koszalin Voivodships, and in Warsaw, approximately one-third of the buses were not running due to the shortages cited above.

On 10 August a power shortage caused a stoppage of streetcar service in Gorzow from 1000 to 1300 hours.

Agriculture

Continued good weather is helping in the harvest of grains.

Preparations for potato digging in Slupsk Voivodship are hampered by a shortage of chains for rotating potato diggers.

During the last free Saturday and Sunday flour mills produced 13,800 tons of flour. This is a 25-percent increase over the amount produced during the average workday of three shifts.

From 1 to 10 August, 20,200 tons of meat were purchased compared to 36,900 tons purchased during the same period last year.

During a general village meeting the farmers of Pakoslaw renounced 50 percent of their ration of meat and meat products, to be consigned for the use of hardworking miners and other workers. They appeal to other farmers in the country to follow their example.

CSO: 2600/334

FINANCE DIRECTOR INTERVIEWED ON DEBT REFINANCING

Warsaw ZYCIE WARSZAWY in Polish 28 Jul 81 pp 1-2

[Interview with Zygmunt Krolak, director of the Currency-Finance Department at the Ministry of Foreign Trade, by PAP journalist Henryk Borucinski: "Deferment of Repayments and What Then?"]

[Text] "Refinancing of Polish debts will definitely not be enough to rebuild the Polish economy"—declared the often quoted by our press, Prof Richard Portes of the University of London, in one of his articles. Our economic functionaries are perfectly aware of this, particularly foreign trade and bank employees, because refinancing depends on obtaining new credits, usually bearing high interest rates for the repayment of the old ones. These may be credits for the purpose of repaying installments as well as interest—we have negotiated such an agreement in Paris with the governments of creditor countries.

However, we must pay the current, new, substantially higher interest on the refinanced credit installments, including interest. Refinancing, therefore, indicates a significant increase of indebtedness and only its repayment is postponed. Is refinancing our "solution"? Does it allow for a way out of the crisis? This topic is discussed with Zygmunt Krolak, director of the Currency-Finance Department at the MHZ [Ministry of Foreign Trade] by a PAP journalist.

[Question] What is the status of negotiations on the deferment of our debt repayments?

[Answer] We have completed negotiations with the governments of countries which have given guarantees on credits to Poland. These governments made the first step, during the Paris meeting, in the direction of making possible, prospects of eliminating our debt towards these countries. If you will recall, we received approval for the deferment of repayments of credit installments and interest falling due in 1981 in the total amount of about 2.6 billion dollars. The next essential step for normalizing our economy would be the undertaking of a similar decision by private banks.

[Question] To the best of my knowledge, these negotiations are not proceding easily...

[Answer] Difficulties do, in fact, arise. Banks are demanding the current repayment of interest which under our conditions is not a trivial sum. It is estimated that the sum total of interest to be paid in 1982 may exceed 3 billion dollars. In addition, American banks are reluctant when it comes to the postponement of repayments and require guarantees that we will be solvent. They are insisting on the introduction of their own controls in terms of reducing consumption and domestic expenditures in Poland. Negotiations which took place with representatives of private banks in Zurich do not indicate that they are about to relax their conditions.

[Question] And if we do come to terms with the private banks, will this mark the beginning of our climbing out of "the pit"?

[Answer] No, we need a third step: credit to "activate" our economy. Presently, our exports do not make up for indispensable imports. Our economy needs an initial impetus. In this case, reference is being made to money for the importing of raw and other materials. We must fully utilize our manufacturing potential for a substantial increase in exports and to eliminate the importing of certain products.

Without these additional credits, we will not be able to come out of the vicious circle of constantly falling production, exports and imports, because it is a kind of negative feedback. For example, in the firsh half of the current year, our trade with capitalist countries fell as much as 25 percent. Owing to tremendous efforts, we have maintained our level of trade with socialist countries and we have even increased imports from these countries in the amount of approximately 1 billion foreign-exchange zlotys; this made it possible, to a certain degree, to compensate for the decline in trade with countries of the II payments area [capitalist countries] but only to a certain degree.

[Question] In a situation where our exports may not compensate for imports, the refinancing alone without additional credits designates an added burden on the economy rather than relief.

[Answer] Of course. I would like to add to this that during the current year, our economy has not received any relief. In the first half of 1981, credit repayments, including interest, amounted to about 2.5 billion dollars and besides this, Western banks withdrew their short-term deposits from the Bank of Commerce in the amount of about 700 million dollars.

[Question] It can be said then, that this is a series of actions by Western banks leading to the deepening of our crisis...

[Answer] Maybe that is saying it too strongly, but the fact is that in banking circles of certain Western countries, our postulates are not met with understanding. However, we do have indications that industrialists from these countries are putting pressure on the banks to give Poland comprehensive assistance in finding a way out of the crisis.

[Question] Perhaps that is so, because to Western industrialists, we continue to represent an important partner, a good selling market, an exporter of

important raw materials. Producers are simply looking ahead and in broader terms.

[Answer] Our needs find understanding in many countries but not in all; for example, they are not met with understanding in banking circles of the USA, the FRG or France, even though we have presented to the Western countries a report on the state of our economy and a plan of recovery from the crisis that was favorably accepted. This was supported by documents prepared for the Ninth Extraordinary Congress of the PZPR, by a government program for surmounting the crisis as well as stabilizing the country's economy, by proposals concerning the directions of economic reform and recently by resolutions passed at the Ninth Congress.

It is known that actions have been undertaken in many economic areas having a direct bearing on the activation of vital mainsprings for the economy's growth; I would like to mention coal, agriculture and change in retail as well as producer prices. In practice, however, the governments of, among others, the USA and FRG in formally accepting our position, claim that they do not have influence over private banks to which Poland has turned for credit.

[Question] Apparently, the banks are not completely convinced of our ability to come out of the crisis...

[Answer] The brutal truth is that without credit for stimulation of the economy, we will indeed not come out of the crisis.

[Question] This, in truth, sounds like blackmail but it is, I suppose, simply the economic and political reality of our country. With additional credits, the Western banks would enable us to repay them. Delay in these decisions plunges our economy even deeper.

[Answer] Obviously, this may appear to be blackmail to those who are uninformed, but Professor Portes, whom you quoted in the beginning, has a point of view identical with ours: in order to pay off the credits--we must not only secure new ones for refinancing but also for the activation of the economy. Our guarantee to our creditors is the introduction of economic reform. This constitutes an enormous undertaking and could not have been introduced overnight. The reform will allow for the utilization of our great industrial and agricultural potential. We want to achieve an annual increase of exports in an amount surpassing 15 percent with a substantially lower, parallel increase of imports.

[Question] How much do we need for this "activation"?

[Answer] The amount withdrawn by the banks would suffice for the first half-year, i.e., approximately 700 million dollars, but as time passes, we will need more. Besides our cash needs, we presently need about 2 billion dollars of credits for raw and production materials. We realize, of course, that the fundamental problem is to make a definite break in the falling trend of export production and to restore complete rhythm to production and a high export growth rate.

[Question] A significant number of our economists and bankers feel that it would be easier for us to solve financial matters if Poland were a member of the International Monetary Fund [IMF].

[Answer] They are indeed right. As one of the founding countries of the UN, Poland was a member of the International Monetary Fund and the World Bank from the time these organizations were established. We are fully entitled to membership in these two financial departments of the UN and, by virtue of this, to the securing of considerably greater credit privileges than those offered by private banks. It is to be expected that the general conditions under which we could obtain credits from the IMF would be considerably less stringent than those which the private banks are trying to impose on us.

[Question] I am hopeful that this money will not come in contact with anyone of those who squandered a considerable portion of past credits?

[Answer] Results of the Ninth Extraordinary Congress and the first undertaken decisions indicate that this is not hope but a certainty.

[Question] Thank you for the discussion.

9853
CSO: 2600/288

PRINCIPLES INVOLVED IN ECONOMIC MECHANISM IMPLEMENTATION

Bucharest ERA SOCIALISTA in Romanian No 11, 5 Jun 81 pp 1-3

[Article by Dr Cornel Iuga, deputy minister of finance]

> [Text] The need felt to undertake new actions to improve the economic-financial mechanism resulted from a critical analysis of the measures taken, particularly in the last 15 years, in this field and from the current and long-range requirements for the development of our socialist society. As we know, the March 1978 RCP CC Plenum pointed out that our system of leadership, of planning and the economic levers and means entered into contradiction with the broadly democratic framework of leadership of the national economy created after the 9th party congress. Institutionalization of the principle of collective leadership at all levels, for example, sought full assertion of the workers' collective thinking in working out and substantiating the decisions on activity at all social-economic levels of the country. Also, the increase in the economic units' role in planning activity has had positive effects at the micro- and macroeconomic level.

A detailed examination of the way in which the decisions adopted have been implemented shows that, although to a great extent the normative framework insures conditions for an active role of the collective leadership organs in the production units to direct economic life, actually their duties were being reduced, in particular, in fulfillment of the plan tasks established at the central level, and they still are being reduced in some cases. At the same time, for a long time, elements of excessive centralism and petty administrative directing have been kept in relations between units and the state budget and between the units and society.

Actually, what was the system of economic relations between the state and the units until several years ago? This was based exclusively on results. In other words, the better a unit worked and obtained higher profits, the more it had the duty to deposit more in the state budget. On the contrary, if it worked more poorly and obtained poorer results, it made smaller deposits, while if the unit was not capable of covering its expenses from its own incomes, they were, in the end, covered from the budget. In practice, around 95 percent of total profits achieved by the economic units were being drawn to the disposal of the state budget or the higher organs which, in turn, were covering nearly entirely the needs for the enterprises' financial capital. This was an abnormal, totally unstimulating system which, I would say, tolerated and even favored negative phenomena in economic activity.

One of the main shortcomings demonstrated in the old system of directing the economy was that the quantitative aspects predominated in the activity of leadership, planning in general and less the qualitative aspects. Actually at the base of this system, as we know, was the indicator of "value of total production" and all the units were trying to fulfill the indicator by manufacturing products with the biggest possible material consumption or, without there being a need, moving products from one unit to another, phenomena which artifically loaded total production.

These are just several of the reasons which meant that the March 1978 RCP Central Committee Plenum would adopt decisions intended to provide the framework and conditions needed to make the transition to the new economic-financial mechanism.

First it was necessary that a system of indicators be promoted in leadership activity which would concentrate the units' concerns on qualitative aspects, on aspects of economic efficiency of all activity. For that reason, as the central plan indicator, the indicator of "value of total production" was replaced with an indicator which expressed not only the volume of activity but, in particular, the qualitative results of economic activity, the contribution of each production unit to the creation of national income and that is the indicator of "value of net production."

But, as we know, nobody--neither the economy as a whole nor each citizen--satisifed their needs by proceeding from value indicators, no matter how expressive they were. In order to answer and satisfy the actual demands, the specific demands of the national economy and of the population, we need material goods and physical products. That is why, along with the indicator of "value of net production," the important indicator of "physical production" was introduced into the system of leadership and planning, precisely so that the economic units would be concerned, equally, not only with achieving the value indicators but also the variety structure of products, as it is imposed by the needs of the national economy and the population. And what is more, as specified in the party documents, nor is the fact that the value of net production and physical production was placed at the basis of the system of indicators enough . Because we do not produce for the sake of producing and material goods must enter into economic circulation, physical production must be transformed into production-good, in other words, it must be sold and received. The indicator of "production-good sold and received" gives expression to the finality of economic activity, the certainty that each product was requested by the economy and the population, its countervalue was received, while the economic circulation may begin again.

Reconsideration of the role of the indicator of "production-good sold and received" in the framework of the new economic-financial mechanism has stimulated the enterprises' concerns with having better knowledge of the beneficiaries' requirements and has made it understood as clearly as possible that it is not enough to produce and that an enterprise's mission may not be reduced merely to manufacturing various goods, but that production must be in agreement with social need, verified on the market by the sale and receipt of its countervalue. Only in this way does it become possible to reunite the financial resources needed for continuity of production activity.

Although in the recent period some positive results were obtained in preventing products being placed into manufacture without insured sale and in reducing stocks of finished products beyond the norm and in speeding up the dispatch and receipt of the countervalue of the production-good, in a number of units, particularly in the industries of machine construction, light, forestry economy and construction materials, there still are stocks exceeding current needs; the volume of products, jobs and goods sent and in the process of being received is high and even a rising trend has been demonstrated so that currently, as value, it currently is exceeding the set stocks of finished products.

These negative phenomena cause tie-ups of capital, difficulties in providing the ability to pay, frequent resorting to bank credits, which in the end leads to a reduction in the units' profits and their own resources to established development reserves and material incentives. At the same time, the enterprises' financial resources are negatively affected, sometimes with large amounts, as a result of precisely this failure to respect the contractual clauses on the quantity and terms of delivery and dispatch of goods in advance, without prior agreement from the beneficiaries or inappropriate quality, errors in invoicing of the products and so forth. Let us recall that during last year temporary refusals for payment continually rose to several billion lei.

These are just several facts which bring out the need for more efficient intervention, prompt intervention, from the financial-banking organs to have the economic units provide forms and means of payment in the contracts which insure faster discounting as well as strict respect for the delivery obligations for the goods on schedule, timely and correct compilation of the discount documents, having the beneficiary take receipt of the goods recieved and make available their payment on the dates established so that each enterprise permanently maintains its ability to pay.

Within the framework of the economic-financial mechanism, there is special importance in the value relations and financial relations. One may say that the changes made in this area, to a great extent, bring a new content to the mechanism.

One of the requirements sharply facing the financial-baking organs was to eliminate subjectivism in establishing the duties of the economic units toward society, since, as I have said, the better a unit worked and the bigger profits it obtained, the bigger deposits it made to the budget. It is necessary that when the units' obligations are determined, consideration should be taken not only of the results they have obtained but also what they have received from society , knowing that the same volume of profits may be obtained with a larger or smaller volume of capital.

From these considerations there was a need to find objective ways to establish the obligations belonging to the units toward society, on this basis providing the conditions for making the transition from economic management to the economic self-management and self-financing of the enterprise. Today we can say that the organizational, institutional and legislative framework has been created, one which permits us to actually speak of economic-financial self-management and worker self-leadership.

As we know, a unit organized on the principle of economic management has a legal personality, its own assets, it closes accounting balances, it has contractual relations with other economic units, it has operational independence and so forth. All these features also are being preserved in economic-financial self-management. The single requirement toward the socialist units in the system of organizing economic management was that they should carry out their activity so that they could cover expenses from their own incomes and also obtain a certain profit. What profit? As much as each one could; the important thing was to obtain it!

But this requirement was not always respected, either, since some units in industry, construction and agriculture were not covering expenses from their own incomes and were being subsidized by the state. Whereas losses in some units in the extraction industry, for example, were caused partly by the need to utilize certain useful mineral substances with a lower content or which were located in more difficult exploitation conditions, the inappropriate financial results in units of the processing branches were caused by shortcomings demonstrated in reaching the parameters planned,

by incomplete use of production capabilities, by exceeding material and energy consumption as well as the planned expenses in general.

Economic-financial self-management also has as the departure point the supplementary economic requirement for each unit to be capable of covering its expenses from its own incomes. But, according to the demands of the new economic-financial mechanism, we no longer can stop with this requirement. Economic-financial self-management requires much more.

First, the requirement has been expressly formulated for the economic units not to obtain financial results of any size but at least results of a size that they are able to repay society what they have received from it. Here we have a primary objective criterion for establishing the obligations which the units have toward society: each one must take action so that what it has received in capital from society should be repaid on time.

This measure is able, through economic methods, to bring an increase in the responsibility of the enterprises and their holding organs to select the paths for fulfilling the development goals, for increasing production, that is, through better use of the capabilities they have available and rise in labor productivity by reducing consumption standards, improving the quality of products and so forth, in other words, due to intensive factors. Clearly, the path for intensifying production and, on this base, reducing the investment effort is more profitable both for the units as well as for society, while the new economic-financial mechanism concentrates its concerns precisely in this direction.

However, if matters could be limited just to this requirement, it would not be possible to fulfill the political, economic and social goals of developing the country's production potential. If each economic unit is capable merely of repaying what it has received from society, this means that society can provide merely the resources needed for simple reproduction and not also for broader reproduction. Also, we cannot omit the fact that society's needs are not only strictly material ones. As a complex organ, society must also cover spiritual needs, development of education and culture, health protection and so forth. Under current conditions, capital also is needed to strengthen the country's defense capability.

Precisely in order to satisfy all the requirements involved in development and other general needs of society, the new economic-financial mechanism and economic-financial self-management require the economic units not only to obtain results from which they can cover the obligations they have toward society by repaying what they have received from it but also to obtain results which bring the largest possible contribution to creation of the resources needed for society's multilateral development.

For that reason, there has been institutionalization of the obligation for the industrial units to make certain deposits into the state budget, at the disposal of society, from net production. Drawing off a portion of the value of net production for society is established by shares differentiated by ministries and centrals and, in justified cases, by enterprises, depending on the volume of profit, level of profitability of production and needs of self-financing.

If economic-financial self-management were to stop with just the requirements mentioned until now, the question could be asked: Fine, the units cover their expenses, they pay back what they have received from society, they make their contribution

to the general development of society, but what do they get after the activity carried out, are they given incentives to obtain results and bigger and bigger profits?

For the purpose of answering this logical, natural demand and to provide material incentives for the economic units to obtain better and better results, the legal regulations on the new economic-financial mechanism establish that, after the units have satisfied their obligations toward society, the profit achieved remains at their disposal for self-financing, that is, for creating the capital needed for broader reproduction, development of production and so forth. Thus, from the profits they obtain, the units establish their "economic development capital" and the "circulating resources capital." Last year, in order to establish this capital, the units kept and utilized from the profits achieved more than 28 billion lei, which is 31 percent more than in 1979. Thus, they are being stimulated to obtain as big results as possible which would provide them with the resources for self-financing.

Placed on an economic base, the concept of material incentives takes on a rich content, with material incentives being understood both as an incentive as well as a responsibility for utilizing the capital entrusted and for increasing economic efficiency. Truly, by recognizing that they are the ones who can use a portion of the profits, that they have the opportunity to develop, that they can improve their technical-material base, profile and structure of production, the units are directly concerned with working with expenses which are as small as possible and with obtaining profits which are as big as possible.

In the new economic-financial mechanism, material incentives do not stop at the unit level, as a participating agent in the economic process, since, as we well know, in the end the central role in the production process is played by the people, who have the triple quality in our society of being owners, producers and beneficiaries of the goods produced. Thus, it has appeared absolutely necessary for the collective of workers to be directly concerned for the unit to work as well as possible and to obtain the biggest profits possible.

Answering this need, the opportunity has been created for a fund to be formed from the unit's profits for housing construction and other social investments, for improving working and living conditions for the people in the particular unit, for establishing a "special fund" (for day care centers, nursery schools, medical treatments, rest and so forth). True, the ones going to treatments, to rest areas or who have children in the day care centers and nursery schools also pay something. But this "something" is less than half of the expenses which society has.

The current economic-financial mechanism has brought some innovations in providing each person with a material incentive so that the unit where he works "goes" well and obtains the biggest possible profits. The law has provided that a fund be established from the unit's profits, one which pro ides individual material incentives in proportion to the results obtained. It is a question of the "fund for workers' participation in the profits."

The five-year plan we are going through takes into consideration an increase in the share of the workers' incomes coming from the funds for participation in the profits. Currently, in accordance with the law, a share of 3 percent of planned profits is allocated to establish the participation fund. The law offers the opportunity for a portion of up to 25 percent to be kept by the unit in the units which obtain profits

over the plan which, basically, means a supplementary national income and this is to increase the participation fund of the workers in the profits.

Finally, among the conditions needed to consistently apply self-management and self-financing in the activity of all the economic-social units, is bringing up to date and improving the correlation of production and delivery prices, on economic principles, for products by the socialist units as well as the production, contracting and acquisition prices in agriculture. Proceeding from the changes which have occurred in the level of production costs, particularly in the extraction industry, and from the large increase in foreign prices for raw materials and imported materials, the new prices, placed into application at the start of the year, have been given a size so that they insure profitability for all the branches and subbranches of the national economy, so that they stimulate and amplify concern with continually reducing costs, increasing labor productivity and increasing economic efficiency.

The new economic-financial mechanism has created some of the most favorable conditions to raise the parameters of efficiency to heights unknown until now in our country. Of course, these conditions do not lead automatically to the results possible. There is a need for perseverent activity, for creative thought, for high responsibility in applying all the measures included in the party and state documents.

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AGRICULTURE MINISTRY REORGANIZED, NEW UNITS ESTABLISHED

Bucharest BULETINUL OFICIAL in Romanian Part I No 44, 30 Jun 81 pp 1-16

[Council of State Decree No 170 of 27 June 1981 on Amending Council of State Decree No 298/1979 on Organization and Operation of the Ministry of Agriculture and Food Industry and Establishing Research and Production Units in the Area of Zootechnics, Animal Nutrition and Veterinary Medicine]

[Test] The Council of State of the Socialist Republic of Romania decrees:

Article 1. Council of State Decree No 298/1979 on the Organization and Operation of the Ministry of Agriculture and Food Industry is amended as follows:

1. Article 11b) is to have the following content:

11b. The zooveterinary general economic directorate, which has in its organization:

The directorate for cattle raising and production; the directorate for hog raising and production; the directorate for sheep raising and production; the fodder base directorate; the veterinary health directorate; the directorate for production, economic and financial plan; the state veterinary health inspectorate.

2. Appendices Nos 3, 3A-J as provided in Article 11 are amended and replaced with Appendices Nos 1, 1A-J*in this decree.

3. Article 13 is to have the following content:

Article 13. The zooveterinary general economic directorate is responsible for:

a) Fulfilling plans from the single national plan for social-economic development for numbers, production, takeovers and deliveries to the state fund and efficiency indicators in the area of animal raising throughout the country;

b) Working out and having unified application of the research and production programs for animal improvement, reproduction and nutrition throughout agriculture and of techniques to carry out animal production;

c) Providing animal health;

d) Providing the necessary fodder base, improving meadows and the processing and good management of all categories of fodders.

* The appendices are being sent to the institutions concerned.

4. Article 21, paragraph 1, will have the following content:

The department of state agriculture, the department of the food industry, the Academy of Agricultural and Silvic Sciences, the Zootechnical General Economic Directorate, the Horticulture General Economic Directorate, the general economic directorate for the mechanization of agriculture, irrigation, transport and production of equipment for agriculture and the food industry and the general economic directorate for land improvement and construction in agriculture have legal personalities, are plan holders, list separately in the single national plan the tasks for all indicators,are directly responsible for fulfilling the indicators established.

5. Article 23 is to have the following content:

Article 23. The departments and general economic directorates provided in Articles 13, 15, 16 and 18-20 are headed by one leadership council and one executive bureau, organs of a deliberative nature, which are established and operate in accordance with the provisions of Decree No 76/1973 on Leadership of Ministries and Other Central Organizations of State Administration on the Basis of the Principle of Collective Leadership.

6. Article 25 is to have the following content:

Article 25. Technical-economic councils, in accordance with Decree No 78/1973,are organized and operate in the organs of collective leadership of the general econnomicdirectorates provided in Articles 13 and 18-20.

Article 2. The Institute for Animal Biology and Nutrition, with headquarters in Balotesti Commune, Ilfov agricultural sector, is established as of 1 July 1981, with its purpose of activity being to do scientific research in biology, genetics, reproduction and animal nutrition, to establish the optimum composition of the fodder rations, to work out production techniques for the combined fodders and to produce zooforturi [word unknown].

The Institute for Animal Biology and Nutrition is established by reorganizing the Research Institute for Animal Nutrition in Balotesti, which is abolished. The provisions of Article 3 of Council of State Decree No 29 /1977 on Completion of the Organization Structure of the Research Institute for Animal Nutrition is preserved.

Article 3. The Institute for Animal Biology and Nutrition operates on the basis of the principle of economic-financial self-management, is a legal person and is organized as a small research and production institute in accordance with the legal standards on organization and leadership of socialist state units and the unified norms of structure approved for research units by Decree No 297/1973.

The Institute for Animal Biology and Nutrition may utilize the position of scientific secretary, also.

The institute fits into degree I of organization for production activity, level II for salaries and personnel with higher studies proven by research activity and group IV of branches for salaries for personnel with higher studies not proven and those without higher training.

Article 4. The Institute for Animal Biology and Nutrition coordinates all scientific research activity in a unified way and is responsible for it in the area of zootechnics in all research and production units, for which purpose:

a) Together with beneficiaries, it works out programs and plans for scientific research, technological development and the introduction of technical progress and presents them for approval of the Academy of Silvic and Agricultural Sciences and the ZooveterinaryGeneral Economic Directorate;

b) It is responsible for fulfillment of the goals in the programs and plans approved at the level of the technical-economic parameters forecast;

c) It advises on the techniques worked out by the research units in the zooveterinary area as well as the solutions needed to fulfill the goals of the programs;

d) It seeks the application and generalization of the results of the research concluded in model units as well as other units.

Article 5. The Institute for Animal Biology and Nutrition has a council for zooveterinary research which discusses and makes proposals to improve the activity of genetics, reproduction, selection, nutrition, the animals' health protection and establishing of zones by species and breeds of animals and pasture areas.

The council for zooveterinary research is comprised of the directors of institutes, central stations and research and production stations, specialists from education, leaders of centrals and production units, specialists from the Ministry of Agriculture and Food Industry and from other central organs.

The composition of the Council for Zooveterinary Research and its duties are set by the leadership council of the Ministry of Agriculture and Food Industry.

Article 6. The research and production institutes in zootechnics are under the Zooveterinary General Economic Directorate in the Ministry of Agriculture and Food Industry. The research and production institute for chicken and small animal raising is under the central for poultry production.

The research and production institutes may have under them research and production stations, with legal personality.

The research and production units in zootechnics are directly responsible for carrying out the program to provide selected material anfor reproduction and for establishing the most economical technological solutions. Also, together with the zooveterinary economic general directorate, they are responsible for applying the results of research in production, up to achievement of the technical-economic parameters forecast, in the units within the territorial zone which was established for them by the Ministry of Agriculture and Food Industry.

Article 7. Starting 1 July 1981 the research and production units provided in Appendix 2 are established, with the name, headquarters, subordination, degree of organization for production activity and level of pay and group of branches for the personnel in the research activity as mentioned in that same appendix. The purpose of activity is as provided in Appendix 2A.

The research and production units established in accordance with paragraph 1 operate on the basis of the principle of economic-financial self-management, have a legal personality and are organized in accordance with legal norms for the organization and leadership of socialist state units and the unified organizational norms approved for research units by Decree No 297/1973.

Article 8. Starting 1 July 1981 the research and production units provided in Appendix 3 amend their name, headquarters, subordination or purpose of activity, while the units provided in Appendix 4 are abolished, with their activity being taken over by the research and production units provided in that same appendix.

Article 9. The research and production units in zootechnics may have in their organization zootechnical complexes and slaughterhouses and may utilize the job of epizootologist for production activity in accordance with the criteria approved for state agricultural enterprises by the appendix to Article 2, paragraph 2, and Article 20, paragraph 3, of Decree No 162/1973 on Establishment of Unified Standards for Organization for Economic Units.

Article 10. The research and production institute for pasture crops, together with the county enterprises, is responsible for improvement and exploitation of the pastures to have complete provision of the fodder crop seeds needed to improve the pastures throughout the country.

Article 11. Starting 1 July 1981, Appendix 5, point 5, to Council of State Decree No 298/1979 is amended as follows: "State department for agriculture" is replaced with "Zooveterinary General Economic directorate," while the purpose of activity has the following content: "It organizes the production, research, industrialization and utilization of products in the area of poultry and small animal raising."

Article 12. Starting 1 July 1981, Semtest, the enterprise for testing reproducers and the production of frozen semen under the Ministry of Agriculture and the Food Industry moves, as a unit without legal personality, under the research and production institute for cattle raising in Balotesti, preserving its organizational structure, duties and current salary level.

Article 13. Starting 1 July 1981, the veterinary diagnostic health central laboratory under the Ministry of Agriculture and the Food Industry, as a unit without legal personality, moves under the Pasteur veterinary research and biochemical preparations institute, preserving its organizational structure, duties, financing system and current salary level and operating as a specialized unit to serve units of the Ministry of Agriculture and the Food Industry.

Article 14. Starting 1 July 1981, the laboratory for poultry tumoral viruses within the central for poultry production moves into the structure of the Pasteur veterinary research and biochemical preparations institute and is organized in accordance with the unified norms of organizations approved by Decree No 297/1973.

Article 15. The assets and liabilities established on the basis of the balance closed on 30 June 1981, together with the economic and financial plan indicators with contracts concluded and with areas intended for fodder base, move from the units abolished to the units established in accordance with this decree, on the basis of protocol.

Article 16. Worker personnel moving from the abolished units or those reorganized to the units established in accordance with the provisions of this decree are considered transferred in the interest of their job.

Personnel transferred in the interest of their job or moved within the same unit to jobs with smaller salary levels as a result of application of the provisions of this decree enjoy the rights provided in Article 21 of Decree No 162/1973 on Establishment of Unified Norms of Structure for Economic Units.

Scientific research personnel keep their job and scientific degree they had.

Article 17. The provisions of this decree are applied within the limit of the economic-financial indicators approved for the Ministry of Agriculture and the Food Industry for 1981.

Article 18. The provisions of the Council of State Decree No 367/1980 on Measures for Reasonable Utilization of Personnel in Socialist Units do not apply for the positions blocked in the units established or reorganized in accordance with this decree as well as for positions in the budget and economic apparatus of the Ministry of Agriculture and the Food Industry.

Article 19. Appendices Nos 1 and 2 to Council of State Decree No 400/1977 on Amendment to Appendices to Decree No 162/1973 are completed with the provisions of Appendices Nos 5 and 6 to this decree.*

Article 20. Appendix 5, letter A and B, to Council of State Decree No 298/1979 on Organization and Operation of the Ministry of Agriculture and the Food Industry are amended and completed in accordance with Appendix 7 to this decree.

Article 21. Appendix 6 to Council of State Decree No 298/1979 on Organization and Operation of the Ministry of Agriculture and the Food Industry and Appendices Nos 3 and 4 to Council of State Decree No 32/1980 on Organization of General Directorates for Agriculture and the Food Industry for Counties and Bucharest Municipality, as well as the unified state and cooperative agroindustrial councils, are amended in accordance with Appendix 8 to this decree.

Article 22. The State Planning Committee and the Ministry of Finance, within 45 days of the date that this decree goes into effect, on the basis of the proposals of the Ministry of Agriculture and the Food Industry, will place for approval the amendment of the plan indicators by holders with the resultant effects and preservation of the budgetary balance approved as a result of application of the decree's provisions.

Article 23. Appendices Nos 1-8 are an integral part of this decree.

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* The appendices are being sent to the institutes concerned.

Appendix 2: List of Research and Production Units Being Established

Name of Unit	Headquarters	Organ to Which it is subordinate	Pay Level	Group of Branches	Degree of Organization
Dulbanu research and production station for cattle raising	Amaru Commune, Buzau County	Balotesti research and production institute for cattle-raising	III	IV	III
Dancu research and production station for cattle raising	Holboca Commune, Iasi County	"	III	IV	III
Margineni research and production station for cattle raising	Margineni Commune, Neamt County	"	III	IV	III
Mures research and production station for cattle raising	Arad Municipality, Arad County	"	III	IV	I
Sercaia research and production station for water buffalo	Sercaia Commune, Brasov County	"	III	IV	III
Palas research and production institute for sheep and goat raising--small institute	Constanta Municipality, Constanta County	Zooveterinary General Economic Directorate	II	IV	I
Carei research and production station for sheep raising	Carei City, Satu Mare County	Palas research and production institute for sheep and goat raising	III	IV	II
Uzunu research and production station for sheep raising	Calugareni Commune, Giurgiu County	"	III	IV	III
Secuieni research and production station for sheep raising	Secuieni Commune, Bacau County	" "	III	IV	III
Bilciuresti research and production station for sheep raising	Bilciuresti Commune, Dimbovita County	"	III	IV	III

Appendix 2 (cont)

Name of Unit	Headquarters	Organ to which it is subordinate	Pay Level	Group of Branches	Degree of Organization
Caransebes research and production station for sheep raising	Caransebes City, Caras-Severin County	Palas research and production institute for sheep and goat raising	III	IV	III
Reghin research and production station for sheep and goat raising	Reghin City, Mures County	"	III	IV	II
Peris research and production institute for hog raising-small institute	Peris Commune, Ilfov agricultural sector	Zooveterinary general economic directorate	II	IV	I
Gornesti research and production station for hog raising	Gornesti Commune, Mures County	Peris research and production institute for hog raising	III	IV	I
Avrig research and production station for hog raising	Avrig Commune, Sibiu County	"	III	IV	I
Oarja research and production station for hog raising	Oarja Commune, Arges County	"	III	IV	I
Focsani research and production station for hog raising	Slobozia Commune, Ciorasti, Vrancea County	Peris research and production institute for hog raising	III	IV	I
Let research and production station for hog raising	Borosneu Mare Commune, Covasna County	"	III	IV	III
Fierbinti research and production station for hog raising	Fierbinti-Tirg Commune, Ialomita County	"	III	IV	I
Balotesti research and production institute for poultry and small animal raising *	Balotesti Commune, Ilfov agricultural sector	Poultry production central	II	IV	I

* It is organized on the structure of a center for research and production.

Appendix 2 (cont)

Name of Unit	Headquarters	Organ to which it is subordinate	Pay Level	Group of Branches	Degree of Organization
Tirgu Mures esearch and production station for fur-bearing animals	Tirgu Mures Municipality, Mures County	Balotesti research and production institute for poultry and small animal raising	III	IV	III
Brasov research and production institute for natural steppe vegetation crops[1]	Brasov Municipality, Brasov County	Zooveterinary general economic directorate	II	IV	II
Arges research and production station for natural steppe vegetation crops	Pitesti Municipality, Arges County	Research and production institute for natural steppe vegetation crops	III	IV	III
Timisoara research and production station for natural steppe vegetation crops	Timisoara Municipality, Timis County	"	III	IV	III
Vaslui research and production station for natural steppe vegetation crops	Vaslui Municipality, Vaslui County	"	III	IV	III
Voluntari center for research and biological preparations for poultry and small animals[2]	Voluntari Commune, Ilfov Agricultural sector	Pasteur institute for veterinary research and biological preparations	II	IV	I

For research and production units which are organized in accordance with this decree, 180 people with higher studies may be utilized in addition to existing personnel for research activity.

1. It is organized on the structure of a center for research and production
2. It is organized as a unit without legal personality by processing activities and appropriate material base from the laboratory for poultry tumoral viruses under the central for poultry production, as well as the research laboratory for poultry diseases and the laboratory for vaccine production for poultry and small animals within the Pasteur institute for veterinary research and biological preparations and its purpose of activity is to do research on disease in poultry and small animals, to produce and check vaccines and diagnostic sets used in poultry and small animals and to produce and check poultry and small animals free of specific pathogenous germs.

Appendix 2A: Purpose of Activity of the Research and Production Units Established in Accordance With Article 7

Name of Unit	Purpose of Activity
Dulbanu research and production station for cattle raising	Does research in the area of cattle raising for breeds and zones established. Achieves goals of research in the programs of selection on the quality breeds farms; it applies its own technological solutions for operations on the bases and it produces and delivers breeding material. It provides for application of the research results in the production units.
Dancu research and production station for cattle raising	"
Margineni research and production station for cattle raising	It does research in the area of cattle raising for breeds and zones established. It achieves goals of research in the programs of selection on the quality breeds farms; it applies its own technological solutions for operations on own bases and it produces and delivers breeding material. It provides for application of the research results in the production units.
Mures research and production station for cattle raising	"
Sercaia research and production station for water buffalo	"
Palas research and production institute for sheep and goat raising	It does research to improve breeds of sheep and goats and establishes operating techniques to increase the quality and production of meat, milk, wool and skins. It coordinates research activity done in the stations. It organizes and is responsible for activity to produce biological material for the quality breeds and it delivers from its own production reproduction little rams and lambs for units in Romania and for the population's farms. It provides for application of research results in the production units. It coordinates and is responsible for activity which tests the reproducers and the production of frozen semen in the area of sheep and goat raising.

Appendix 2A (Cont)

Name of Unit	Purpose of Activity
Carei research and production station for sheep raising	It does research in the area of sheep raising for the breeds and zones established. It achieves research goals from the selection programs on the quality breeds farms; it applies its own technological solution for operation on own farms and produces and delivers breeding material. It provides for application of the research results in the production units in the zone established.
Uzunu research and production station for sheep raising	"
Secuieni research and production station for sheep raising	"
Bilciuresti research and production station for sheep raising	"
Caransebes research and production station for sheep raising	"
Reghin research and production station for sheep and goat raising	It does research in the area of sheep and goat raising for the zones and breeds established. It achieves research goals from the selection programs on the quality breeds farms; it applies technological solutions for operation on the bases and produces and delivers breeding material. It provides for application of research results in the production units in the zone established.
Peris research and production institute for hog raising	It does research to improve hog breeds and establishes operating techniques to increase meat production. It coordinates the research activity done in the stations. It organizes and is responsible for activity to produce quality breeds of hogs and delivers breeding baby boar and sows for hog breeding farms in Romania and reproduction sows for cross-breeding farms. It provides for application of the research results in the production units. It coordinates and is responsible for activity to test the reproducers and production of frozen semen in the area of hog raising.
Gornesti research and production station for hog raising	It does research to improve hog breeds and it establishes operating techniques to increase meat production for the breeds and in the zone established. It produces and delivers biological breeding material. It provides for application of research results in the production units.

Appendix 2A (cont)

Name of Unit	Purpose of Activity
Avrig research and production station for hog raising	It does research to improve hog breeds and it establishes operating techniques to increase meat production for the breeds and in the zone established. It produces and delivers biological breeding material. It provides for application of research results in the production units.
Oarja research and production station for hog raising	
Focsani research and production stationfor hog raising	"
Let research and production station for hog raising	"
Fierbinti research and production station for hog raising	"
Balotesti research and production institute for poultry and small animal raising	It does research to improve poultry breeds (hens, turkeys, ducks, geese) and small animals and establishes operating techniques to increase meat, egg and fur production. It produces more productive hybrids. It coordinates research activity done in the stations. It produces and delivers biological material of highly productive value. It provides for application of research results in the production units.
Tirgu Mures research and production station for fur-bearing animals	It does research to improve the breeds of fur-bearing animals. It works out raising techniques to increase production and quality of the furs. It provides for application of research results in the units and delivers biological breeding material.
Brasov research and production institute for natural steppe vegetation crops	It does research to produce natural steppe vegetation with higher production of fodder mass with high nutritional content. It produces new varieties of fodder crops. It coordinates research activity being done in the stations. It works out techniques for improvement and rational exploitation of the natural steppe vegetation. It is responsible jointly with the county enterprises for improvement and exploitation of the natural steppe vegetation and for complete provision of the fodder crop seeds needed to improve natural steppe vegetation throughout the country and it produces seeds from superior biological links. It provides for application of research results in the units in the zone established.

Appendix 2A (Cont)

Name of Unit	Purpose of Activity
Arges research and production station for natural steppe vegetation crops	It does research to produce natural steppe vegetation with higher production of fodder mass with high nutritional content and to create new varieties of fodder crops. It works out techniques for improvement and rational exploitation of the natural steppe vegetation in the zone established. It produces seeds from biological superior links. It provides for application of research results in the units in the zone established.
Timisoara research and production station for natural steppe vegetation crops	"
Vaslui research and production station for natural steppe vegetation crops	"

Appendix 3: List of Units Changing Their Name, Headquarters, Subordination, Purpose of Activity, According to the Case

Old Name	Old headquarters	New Name	New headquarters	Subordination	Purpose of Activity
Research institute for bull raising	Corbeanca Commune, Ilfov agricultural sector	Balotesti research and production institute for cattle raising--small institute	Balotesti Commune, Ilfov agricultural sector	Zooveterinary general economic directorate	Does research in area of improving breeds and raising techniques for cattl Heads selection programs on the quality-breeding farms. Coordinates the activity done in the stations. Produces, utilizes biological material for reproduction and other animal and vegetable products. Provides application of research results in production units. Coordinates and is responsible for activity testing reproducers and for production of frozen semen in cattle raising
Tirgu Mures zootechnical research station	Tirgu Mures municipality, Mures County	Tirgu Mures research and production station for cattle raising	---	Balotesti research and production institute for cattle raising	Does research in area of cattle raising for breeds, zones established. Fulfills research goals in selection programs on quality breeding farms; applies technological exploitation solutions on its own bases; produces, delivers breeding material. Provides application of research results in production units.

Appendix 3 (cont)

Old name	Old headquarters	New Name	New headquarters	Subordination	Purpose of Activity
Maramures Zootechnical Research station	Sighetu Marmatiei Municipality, Maramures County	Sighetu Marmatiei research and production station for cattle raising	---	Balotesti Research and production institute for cattle raising	Does research in area of cattle raising for breeds, zones established. Fulfills goals of research in selection programs on quality breeding farms; applies technological ploitation solutions on own bases; produces and delivers breeding material. Provides application of research results in production units.
Jucu zootechnical research station	Jucu Commune, Cluj County	Jucu research and production station for natural steppe vegetation crops	---	Brasov research and production institute for natural steppe vegetation crops	Does research to obtain natural steppe vegetation with high production of fodder mass, with high nutritional content and to create new varieties of fodder crops. Works out techniques to improve and have rational exploitation of natural steppe vegetation in the zone established. Produces seeds of superior biological links. Provides application of research results in units of the zone established.

Appendix 3 (cont)

OldName	Old headquarters	New Name	New headquarters	Subordination	Purpose of Activity
Rusetu zootechnical research station	Rusetu Commune, Buzau County	Rusetu research and production station for sheep raising	---	Palas research and production institute for sheep and goat raising	Does research in sheep raising for breeds, zones established; fulfills research goals in selection programs on quality breeding farms; applies technological exploitation solutions on its own bases; produces, delivers breeding material. Provides application of research results in production units of zone established.
Cristian zootechnical research station	Cristian Commune, Sibiu County	Cristian research and production station for sheep and goat raising	---	Palas research and production institute for sheep and goat raising	Does research in sheep, goat raising for breeds, zones established; fulfills research goals in selection programs on quality breeding farms; applies technological exploitation solutions on own bases; produces breeding material; provides application of research results in production units of zone established.
Popauti zootechnical research station	Rachiti Commune, Botosani County	Popauti research and production station for sheep raising	---	Palas research and production institute for sheep and goat raising	Does research in sheep raising for breeds, zones established: fulfills goals in selection programs on quality breeding farms; applies technological exploitation solutions on own farms ; provides application of research results in production units of zone established. Produces breeding material.

Appendix 3 (cont)

Old Name	Old headquarters	New Name	New headquarters	Subordination	Purpose of Activity
Research institute for beekeeping	Bucharest Municipality	Research and production institute for beekeeping, Bucharest--small institute	---	Bee-raising farms association of the Socialist Republic of Romania	Does research in area of beekeeping: bee genetics and improvement, technique for raising bees, honey-bearing resources and polinization of plants; bee health protection, superior utilization of bee products, designing of installations and equipment for beekeeping. It produces and delivers biological material for re roduction, therapeutic preparations for beekeeping use, therapeutic bee products.
Pasteur institute for veterinary research and biological preparations	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---
Veterinary health central laboratory for diagnostics*	Bucharest Municipality	---	---	Pasteur institute for veterinary research and biological preparations	

* Preserves its current financing system.

Appendix 3 (cont)

Old Name	Old headquarters	New Name	New headquarters	Subordination	Purpose of Activity
National center for raising and qualifying thoroughbred horses	Bucharest Municipality	National center for raising horses and qualifying thoroughbreds	---	Zooveterinary general economic directorate	Responsible for propagation and development of horses throughout country. Does research to improve breeds of horses for work and sports. Tests performances of horses obtained in activity of improvement and produces and delivers breeding material. Organizes horse races on basis of regulations for horse racing approved by Ministry of Agriculture and the Food Industry.
National center for animal reproduction and selection*	Balotesti Commune, Ilfov agricultural sector	---	---	Zooveterinary general economic directorate	---
Central station for production and research for sericulture	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---
Central laboratory for checking foods of animal origin*	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---

* Preserves its current financing system.

Appendix 3 (cont)

Old Name	Old headquarters	New Name	New headquarters	Subordination	Purpose of Activity
Central laboratory for scientific control of biological products and veterinary drugs	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---
Enterprise for disinfection and rat and insect control	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---
Protan enterprise	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---
Enterprise for testing reproducers and production of frozen semen, Semtest	Balotesti Commune, Ilfov agricultural sector	---	---	Balotesti research and production institute for cattle raising	---

* They keep their current financing system

Appendix 4: List of Units Being Abolished

Unit Name	Headquarters	Subordination	Unit Taking Over Activity
Central research station for hog raising	Peris Commune, Ilfov agricultural sector	Academy of Agricultural and Silvic Sciences	Peris research and production institute for hog raising, Ilfov agricultural sector
Central station for poultry research	Balotesti Commune, Ilfov agricultural sector	Academy of Agricultural and Silvic Sciences	Balotesti research and production institute for poultry and small animal raising, Ilfov agricultural sector
Brasov central research station for natural steppe vegetation crops	Brasov Muncipality, Brasov County	Academy of Agricultural and Silvic Sciences	Brasov research and production institute for natural steppe vegetation crops, Brasov County
Palas central research station for sheep raising	Constanta Municipality, Constanta County	"	Palas research and production institute for sheep and goat raising, Constanta County
Mures state agricultural enterprise	Arad Municipality, Arad County	Arad state agricultural enterprises trust	Mures research and production station for cattle raising, Arad County
Oarja state enterprise for hog raising and fattening	Oarja Commune, Arges County	Arges state agricultural enterprises trust	Oarja research and production station for hog raising, Arges County
Let state enterprise for hog raising and fattening	Borosneu Commune, Covasna County	Covasna state agricultural enterprises trust	Let research and production station for hog raising, Covasna County
Gornesti state enterprise for hog raising and fattening	Gornesti Commune, Mures County	Mures state agricultural enterprises trust	Gornesti research and production station for hog raising, Mures County

Appendix 4 (cont)

Unit Name	Headquarters	Subordination	Unit Taking Over Activity
Avrig state enterprise for hog raising and fattening	Avrig Commune, Sibiu County	Sibiu state agricultural enterprises trust	Avrig research and production station for hog raising, Sibiu County
Focsani state enterprise for hog raising and fattening	Focsani Municipality, Vrancea County	Vrancea state agricultural enterprises trust	Focsani research and production station for hog raising, Vrancea County
Niculesti state enterprise for hog raising and fattening	Niculesti Commune, Dimbovita County	Dimbovita state agricultural enterprises trust	Peris research and production institute for hog raising, Ilfov agricultural sector

Appendix 7: List of Amendments to Appendix 5 of Council of State Decree No 298/1979 on the Organization and Operation of the Ministry of Agriculture and the Food Industry

List of Units Under the Ministry of Agriculture and the Food Industry

A. Units Directly Under the Ministry of Agriculture and the Food Industry

I. Centrals and Other Similar Units

The text of positions 1-5 are to have the following content:

1.	The central for utilization of grains and technical plants	Bucharest Municipality	Organizes the contracting, takeover, storage and utilization of grains, technical crops and vegetable crops for the state reserves and fodder reserves; it administrates the state grain reserves; it provides delivery of products from its area of activity for export; it insures and is responsible for activity of port operations for the import and export in its area of activity.
2.	Flax, hemp and cotton trust	Bucharest Municipality	Contracts, organizes and guides production of seeds andstalks of hemp and flax and cotton production; provides the material-technical base needed for this production, it carries out activity of research on the cotton crop and primary processing of textile crops as well as introduction of advanced techniques into the production process; it processes the production of fibers, hemp, flax, cotton and hemp, flax and cotton seed.
3.	Plafar Trust	Bucharest Municipality	Provides for contracting, acquisition, production and utilization of medicinal plants, aromatic crops from spontaneous flora, poppy and mustard, to provide the drug industry, cosmetics products, market fund and other domestic and foreign beneficiaries with medicinal and aromatic plants from spontaneous flora, poppies and mustard.

Appendix 7 (cont)

Zooveterinary General Economic Directorate

4. Trust of enterprises for combined fodder production	Bucharest Municipality	Organizes the production of sale of combined fodder as well as production and sale of corn seeds; it provides the production of protein-vitamin-mineral (PVM) concentrates of specific premixes for intervention and the improvement of manufacturing techniques; it provides the development of the industry for producing combined fodders correlated with the zootechnical development program.
5. The Poultry production central	Bucharest Municipality	Organizes the production, research, industrialization and utilization of products in the area of poultry and small animal raising.

II. Enterprises and Other Similar Units

Name	Headquarters Location	County
State commission for Research and Homologation of Varieties	Bucharest Municipality	--
Central laboratory for phytohealth quarantine	"	--
Prodexport foreign trade enterprise	"	—
Fructexport foreign trade enterprise	"	
Vinexport foreign trade enterprise	"	--
Romagrimex foreign trade enterprise	"	--
International automobile transport enterprise	"	--
Computer and information systems center	"	--
Special center for improvement of vocational training of cadres in Baneasa agriculture	"	--
Center for improvement of economic-administrative cadres in Dobrostea cooperative agricultural units	Merisani Commune	Arges
Center for teaching material and agricultural propaganda	Bucharest Municipality	--

Appendix 7 (cont)

Zooveterinary General Economic Directorate

12.	National center for animal reproduction and selection	Balotesti Commune	Ilfov agricultural sector
13.	National center for horse raising and qualifying of thoroughbreds	Bucharest Municipality	
14.	Central station for sericulture production and research	"	
15.	Central laboratory for control of foods of animal origin	"	
16.	Central laboratory for scientific control of biological products and veterinary drugs	"	
17.	Enterprise for disinfection, rat and insect control	"	
18.	Protan Enterprise	"	

B. Enterprises and Other Units of Legal Personality Under Centrals and Other Units Directly Under the Ministry of Agriculture and the Food Industry

The following title is introduced following position 40: "Zooveterinary general economic directorate."

The title "Department of State Agriculture" is replaced with the title "Zooveterinary General Economic Directorate" following positions 111.

Appendix 8--Excerpts: List of changes to Appendices Nos 3 and 4 of Council of State Decree No 32/1980 on the Organization of General Directorates for Agriculture and the Food Industry in Counties and Bucharest Municipality as well as State and Cooperative United Agroindustrial Councils, With Amendments Made by Council of State Decrees Nos Nos 167 and 168/1980 and No 70/1981

Appendix 3: Enterprises and other similar units under the general directorates for agriculture and the food industry through trusts in them:

A. Through trusts of the state agricultural enterprises

II. Arad state agricultural enterprises trust: Position 8 cancelled
III. Arges state agricultural enterprises trust: Position 6 cancelled
XIV. Covasna state agricultural enterprises trust: Position 4 cancelled
XV. Dimbovita state agricultural enterprises trust: Position 8 cancelled
XXIV. Mures state agricultural enterprises trust: Position 4 cancelled
XXIX. Sibiu state agricutural enterprises trust: Position 3 cancelled
XXXVI. Vrancea state agricultural enterprises trust: Position 3 acancelled.

Appendix 4: List of enterprises and other similar units under the Ministry of Agriculture and the Food Industry, departments, general economic directorates, centrals and trusts as well as the Academy of Agricultural and Silvic Sciences which also are under the general directorates for agriculture and the food industry

Arad County:

16. Mures research and production station for cattle raising	Arad Municipality	Balotesti research and production institute for cattle raising

Position 14 to Appendix 3 to Council of State Decree No 167/1980, completing Appendix 4 to Council of State Decree No 32/1980, becomes position 15.

Arges County:

13. Oarja research and production station for hog raising	Oarja Commune	Peris research and production institute for hog raising
14. Pitesti research and production station for atural steppe vegetation crops	Pitesti Municipality	Brasov research and production institute for netural steppe vegetation crops

Bacau County:

12. Secuieni research and production station for sheep raising	Secuieni Commune	Palas research and production station for sheep and goat raising

Appendix 8--excerpts (cont)

Botosani County:		
10. Popauti research and production station for sheep raising	Rachiti Commune	Palas research and production institute for sheep and goat raising
Brasov County:		
14. Brasov research and production institute for natural steppe vegatation crops	Brasov Municipality	Zooveterinary general economic directorate
16. Sercaia research and production station for water buffalo raising	Sercaia Commune	Balotesti research and production institute for cattle raising
Buzau County:		
14. Rusetu research and production station for sheep raising	Rusetu Commune	Palas research and production institute for sheep and goat raising
16. Dulbanu research and production station for cattle raising	Amaru commune	Balotesti research and production institute for cattle raising
Caras-Severin County:		
9. Caransebes research and production station for sheep raising	Caransebes City	Palas research and production institute for sheep and goat raising
Cluj County:		
13. Jucu research and production station for natural steppe vegeation crops	Jucu Commune	Brasov research and production institute for natural steppe vegetation crops
Constanta County:		
15. Palas research and production institute for sheep and goat raising	Constanta Municipality	Zooveterinary general economic directorate
Covasna County:		
13. Let research and production station for hog raising	Borosneu Mare Commune	Peris research and production institute for hog raising
Dimbovita County:		
13. Bilciuresti research and production station for sheep raising	Bilciuresti Commune	Palas research and production institute for sheep and goat raising
Giurgiu County:		
13. Uzunu research and production station for sheep raising	Calugareni Commune	Palas research and production institute for sheep and goat raising

Appendix 8--excerpts (cont)

Ialomita County:		
14. Fierbinti research and production station for hog raising	Fierbinti Commune	Peris research and production institute for hog raising
Iasi County:		
16. Dancu research and production station for cattle raising	Holboca commune	Balotesti research and production institute for cattle raising
Maramures County:		
8. Sighetu Marmatiei research and production station for cattle raising	Sighetu Marmatiei Municipality	Balotesti research and production institute for cattle raising
Mures County:		
14. Tirgu Mures research and production station for cattle raising	Tirgu Mures Municipality	Balotesti research and production institute for cattle raising
18. Reghin research and production station for sheep and goat raising	Reghin City	Palas research and production institute for sheep and goat raising
19. Gornesti research and production station for hog raising	Gornesti Commune	Peris research and production institute for hog raising
20. Tirgu Mures research and production station for fur animals	Tirgu Mures Municipality	Balotesti research and production institute for poultry and small animal raising
Neamt County;		
13. Margineni research and production station for cattle raising	Margineni Com. Commune	Balotesti research and production institute for cattle raising
Satu Mare County:		
14. Carei research and production station for sheep raising	Carei City	Palas research and production institute for sheep and goat raising

Sibiu County: Position 13 in Appendix 13 to Council of State Decree No 168/1980, completing Appendix 4 to Council of State Decree No 32/1980, becomes position 14.

14. Cristian research and production station for sheep and goat raising	Cristian Commune	Palas research and production institute for sheep and goat raising
15. Avrig research and production station for hog raising	Avrig Commune	Peris research and production institute for hog raising

Appendix 8--excerpts (cont)

Timis County:		
16. Timisoara research and production station for natural steppe vegetation crops	Timisoara Municipality	Brasov research and production institute for natural steppe vegetation crops
Vaslui County:		
13. Vaslui research and production station for natural steppe vegetation crops	Vaslui Municipality	Brasov research and production institute for natural steppe vegetation crops
Vrancea County:		
9. Focsani research and production station for hog raising	Slobozia-Ciorasti Commune	Peris research and production institute for hog raising
Bucharest Municipality:		
26. Research and production institute for beekeeping	Bucharest Municipality	Beekeepers' Association
32. Balotesti research and production institute for cattle raising	Balotesti Commune, Ilfov agricultural sector	Zooveterinary general economic directorate
33. Balotesti Institute for animal biology and nutrition	Balotesti Commune, Ilfov agricultural sector	Zooveterinary general economic directorate and Academy of Agricultural and Silvic Sciences
35. Peris research and production institute for hog raising	Peris Commune, Ilfov agricultural sector	Zooveterinary general economic directorate
36. Balotesti research and production institute for poultry and small animal raising	Balotesti Commune, Ilfov agricultural sector	Central for poultry production

Positions Nos 26 27, 28 and 29 of Appendix 27 to Council of State Decree No 70/1981, completing Appendix 4 to Council of State Decree No 32/1980, become positions Nos 28, 29, 30 and 31.

ECONOMIST DISCUSSES CONTROVERSY OVER ECONOMIC POLICY

Belgrade SOCIJALIZAM in Serbo-Croatian No 6, Jun 81 pp 914-929

[Article by Aleksander Bajt: "The Economic System and the Effectiveness of Socialist Self-Management (Causes of Our Economy's Unsatisfactory Results)"]

[Text] It was obvious during 1979 that something was wrong with our economy. The payments deficit became so large that it was augmenting our foreign indebtedness beyond our abilities to pay the interest and repay the principal. The country became accustomed to spending considerably more than the product it produced. It became obvious that something had to be done, something very radical. Opinions were divided on what that something should be.

The aggravation of relations in 1979 was caused in large part by the rise in the price of petroleum on world markets in 1973 and in late 1979. There was room, then, at least in principle, for the assessment that the adverse economic situation was the consequence of external factors and that there was a need for appropriate adaptation of the domestic economy: in more specific terms, for substitution of imported petroleum by domestic sources of energy and for a corresponding reduction of total spending to bring relations into line. Such assessments were in fact made. We also think that timely raising of the prices of petroleum derivatives and other measures toward substitution of imported petroleum by domestic sources would have prevented the gigantic growth of the deficit and would at the same time have mitigated certain structural problems (the orientation toward motorization and the excessively rapid development of industries related to motorization, along with investments in highways). Yet the economy, as it has several times in the past, would sooner or later have fallen into a recession even without the rise in the price of petroleum. The deficit in the balance of payments would have experienced a considerably smaller growth, but it still would have reached a high level. Much like the development after 1956, 1962 and even 1968, the rapid economic development after 1976 bore within it all the well-known elements of inevitable crisis, just as capital investments swelled, personal consumption expanded, and, since ex ante savings were inadequate, inflation became increasingly difficult to stifle. The fact that it was "enriched" by an additional destabilizer, the exceptional expansion of spending for nonproductive purposes (as a consequence of expansion of the administration in the economy and, above all, in the social services and the government at all levels), did not alter the essence of the problem. The rise of prices on world

markets only worsened a situation that was already difficult. Had that not occurred, the recession in 1980 would have been similar to those in 1961, 1965, and 1966-67, caused above all by restrictions, by restricted demand, but not by interruption of flows of reproduction within production itself, that is, on the supply side, which was a specific feature of 1980 and the following year. Had it not been for that, much like the previous ones, the recession would have been shorter. The end of the present recession is not in sight at this hour. It is not to be determined by reduction of nominal expenditure, but only by an accompanying contraction of real expenditure within the limits of the real social product.

In other words, when we assert that something is wrong with our economy, then we can agree that the cause of the troubles is the unsatisfactory manner in which we conduct our economic activity. Even if the present problems had been altogether brought about by external factors, the cause of our difficulties would be the economy's inability to adapt to the altered external conditions of economic activity.

I believe that the level of consensus on this observation is such that no further arguments are needed to support it. The degree of ascent diminishes essentially, or even disappears, when we undertake to identify those links in the mode of economic activity which have failed. To be sure, E. Barone, L. Mises, Fr. Hayek and others have argued that the socialist economic system is a priori incapable of functioning successfully because private ownership has been abolished. Many present-day economists, not sufficiently well known or authoritative for us to refer to them by name, even feel that the self-management form of socialism, not merely the socialist economy in general, is incapable of yielding results which might be compared with those of capitalistic economies. Though we do not share the opinion of the self-management idealists, among whom is J. Vanek, for example, who hold that a self-managing economy, because of its social characteristics, a priori is more economically efficient than capitalistic economies, which is especially doubtful in a less developed country, we nevertheless feel that a self-managing economy (like any other economy) can under certain conditions function successfully and can even yield the best economic results under favorable circumstances. We therefore are not entering into the question of the a priori ability or inability to function of a socialist economy and a self-managing socialist economy in particular. That is, from our point of view it is given, given moreover not as a model, but historically.

The only relevant judgment as to whether some historically given economy can function satisfactorily is pronounced by practice, that is, by the results of its economic activity. According to certain of its results, especially on the basis of the growth rate of the social product, and especially the growth rate of industrial output, the Yugoslav economy, as the only historically given self-managing economy, was for many years at the very top of the world ranking of economically successful countries. Can the latter half of the fifties, with the large expansion of agricultural production, and the first half of the sixties, with the large expansion of industrial output, be taken as evidence that a self-managing socialist economy is more effective than other economies? Though many economists have drawn such conclusions, they are non sequiturs by definition.

Those years provide evidence that the mode of economic activity introduced in 1956 and thereafter was more successful than the previous administrative direction of the economy on the basis of central planning, but only pertaining to our specific application of that direction in that period and under the specific external conditions of that time (the Cominform), and nothing more than that. As self-management developed, the macroeconomic results of the Yugoslav economy became better and better, but that trend slowed down at the beginning of the seventies. A. Sapir, in the prestigious ECONOMIC JOURNAL, put the question in the title of his article on the Yugoslav economy: "What Happened to the Yugoslav Miracle?" Since post hoc does not signify propter hoc as well, the present lower growth rates cannot be regarded as a consequence of self-management's development, and still less an expression of the inherent inability of a socialist economy to function effectively. Economic growth, and indeed other characteristics of economic and social development, are determined by numerous factors, both endogenous (those decided upon by decisionmakers in the economy themselves) and exogenous (those on which decisionmakers in the economy have no influence: for example, natural resources or world prices). In the absence of a knowledge of these factors, when their contributions to economic development are not quantified, it makes no sense to compare different economies. Is the mode of our economic activity less successful owing to the fact that the higher price of petroleum transferred a large portion of our social product into the pockets of petroleum producers, which diminishes the available product? In other words, practice, as a criterion of theory, in this case of socioeconomic models, does not furnish unambiguous answers. A thorough scientific analysis of the factors determining the results of economic activity is needed.

No one has even undertaken to analyze the factors that determine the results of economic activity, much less carried it out. It goes without saying that it could not be the subject of a brief article like this one, whose purpose is to indicate the directions in which the research of economic science and the efforts of economic policy should be directed. To that end we shall offer a survey of the assessments to date of the reasons for the unsatisfactory functioning of the Yugoslav economy, we shall compare them to one another, we shall see what is sensible in them and what is not sensible, which assessments are actually mutually contradictory and which only appear to be as a consequence of insufficient precision in expression and a terminology that has not been sufficiently developed, and on that basis we shall attempt to furnish our own assessment of the directions in which efforts should be concentrated in order to improve the manner in which we carry on economic activity.

The Economic and Socioeconomic System

Most of the debate about the causes of the unsatisfactory economic results has been devoted to the system. Many economists judge that our economic system is no good, that it is the cause of the economy's unsatisfactory results. It is not defective because of certain adverse circumstances of an external or internal nature preventing it from demonstrating its effectiveness, but because of its inherent incapacity. Under the impact of all external or internal conditions, whatever they might be, it suboptimizes economic results, transforms potentially excellent results into average results, and potentially average results into poor results or even very poor results. In the opinion of Branko

Horvat, the present unfavorable economic situation "is inevitably the result of a number of blunders in building our economic system,"[1] while Ljubomir Madzar says "that in building our economic system ... it seems that we have not been fortunate."[2] To be sure, the two of them belong to the same house. But similar themes can also be heard from quite different houses. According to Aleksandar Vacic, "our present economic system has not been fully worked out ..., it has not been sufficiently articulated in economic terms."[3] Opinions like these are not isolated, exceptional and singular. The message sent by a large conference of Yugoslav and foreign economists, on the theme "Problems of the Economic System of Self-Management," which was organized by the Montenegrin Academy of Sciences and Arts last September, was essentially the same. We have again been pointing up this problem in the Yugoslav Economic Chamber. As a matter of fact a majority of our articles over the last 2 years have emphasized the inappropriateness of the system and the way in which it might be improved.

When the economic system, the "blunders in building it," are criticized, this does not mean that one starts from the premise that the object of the criticism is a system which has been fully erected and which, because of "blunders in its construction," cannot perform the function intended for it. In actuality there is no fully rounded-out system with such characteristics. There do exist individual instruments, but with respect to the impact which they are supposed to have, they are not connected to one another, and their intensity is such that their influence on the economy is in many cases in the opposite direction from what was anticipated. To illustrate, we will take interest rates, the price which must in our system be paid by the seller rather than the purchaser of a commodity. The main objection to the system is based on the fact that it has not in fact been built, that the necessary attention has not been paid to setting it up, and that it is omissions of this type that are the essence of the "blunders in building" the system. Given the abundance of other work to do, preoccupied with work in other domains, we have simply omitted to complete the construction of the economic system. This job has not yet been taken to the end either with the Law on Associated Labor nor with the laws embodying the system which were supposed to give it concrete shape. To the extent that those laws introduce certain instruments, they introduce them in the background, they are preoccupied with more primary interests, and for that reason alone we cannot expect them to be systematic. However, even taken individually and altogether in isolation, regardless of their place in combined action with other instruments, they are not as a rule satisfactory. Minimum accumulation, which is introduced by the Law on Associated Labor, I have already cited as an example in a previous article.[4] One can therefore understand why these laws also become an object of criticism, why Zoran Pjanic feels that "without disputing what is good in the laws embodying the system, they should be subjected to serious analysis, beginning with the Law on Associated Labor."[5] My assessment of the Law on Associated Labor, back when it was enacted, was that in what we might call its enforceable provisions it inadequately safeguarded the economic realization and reproduction of its own fundamental socioeconomic foundations, social ownership above all. Ivan Maksimovic has taken a critical attitude toward the laws embodying the system from precisely that viewpoint. "Social ownership ... presupposes incorporation of a number of normative elements into the system." However, "not one of those elements has been worked out adequately in terms of the system."[6]

At the very beginning of the present debate concerning the Yugoslav economic system, in particular that debate which was started last fall by DUGA and EKONOMSKA POLITIKA, there were certain misunderstandings which do not contribute to straightening out relations in our economy. As we see it, those misunderstandings occurred because of a reluctance to go to the heart of the argument because of the specific approach which our economists take to economic problems and also because the terminology used in our socioeconomic life is not sufficiently differentiated. In the eyes of many those who stress the need for additional work on our economic system or indeed even its revision were seen as initiating a discussion of the foundations of our socioeconomic system, social ownership and self-management. However, the economic system is one thing, and the socioeconomic system another. By the economic system we mean the mechanism whereby the socioeconomic system, that is, the system of socialist self-management, functions, and that mechanism includes not only the market, but also the mechanisms for social guidance of development, both direct (administrative-planning) as well as indirect (the instruments of economic policy). In many cases the concept of the economic system is even confined to this latter, the system of instruments of economic policy, the desire being to emphasize the specific nature of this manner of guidance by contrast with administrative and planned guidance of development, but also by contrast with the free operation of market forces.

The foundations of our socioeconomic system were not put on the agenda in any phase of the discussion of the Yugoslav economic system. They were accepted as a premise, as the point of departure of the debate, moreover verbis expressis. Yugoslav economists, both as a body and each individually, identify with the system of socialist self-management to such an extent that that ought to be clear even without explicit statement to that effect. When the system is being criticized, and that means the economic system, or, still more definitely, the system of economic policy instruments, it is being criticized because its inappropriateness is preventing the socioeconomic system which is the most progressive in social terms from affirming itself as also the most effective in economic terms.

In order to avoid misunderstandings, economists try to be precise about the nature of the economic system which should undergo revision. That was the purpose of coining such terms as "instrumentalization of our system" or its "operationalization" and "parametrization." Certainly these are not equivalent concepts. The system, and here we mean the socioeconomic system, should be made operational, that is, capable of operating effectively. That is what is meant by its operationalization. And that is achieved by introducing instruments of economic policy whereby the decentralized decisionmaking in organizations of associated labor, which by their nature are guided by their own criteria as economic entities, criteria such as income, will be guided toward attainment of the social optimum both in the domain of division (distribution--social ownership) and also use (allocation--growth) of the social product. When the instruments of the economic system are quantified, measured out in doses, that is, when their intensity has been defined (for example, the level of the tax rate, the discount rate, the specific rate of exchange of the dinar, and the like), then from the standpoint of the economy they are operative as parameters in its decisionmaking, and in that sense they supplement market parameters such as prices, interest

rates and others. In their operative effect instruments are always parametrized, even when economic policy makes no decision on that point, that is, when no one is concerned about their parametrization. In other words, if we do not advocate parametrization of the economic system, then that means that we want to impart to the instruments of the economic system such intensity that they will be brought into quantitative relations with one another that will guarantee both distributive (social ownership) and allocational effectiveness of the economy (rapid growth).

In a desire to avoid misunderstandings concerning their proposals as to how the system should be improved, some economists, France Cerne above all, are more and more referring to the economic "mechanism." The purpose is to emphasize that it is the mechanism of the system, rather than the system itself, which needs to be improved further and indeed needs to be revised.

Perhaps it would be more correct if the term "mechanism" were not confined to its normative side. As a matter of fact, the mechanism of the system is determined by many factors, including the normative system (= the system of economic policy instruments). However, that is not essential to our line of argument.

Institutionalization of the Economic System

Operationalization of the economic system, which, in the opinion of a majority of economists, has been systematically neglected, has, however, enjoyed a very rapid development in another direction, that is, in the direction of institutionalization. That is, out of a desire to make the system of socialist self-management capable of effective operation, the normative enactment to state the constitution and Law on Associated Labor in concrete terms, above all the laws embodying the system, have been setting up institutions and the modes and forms of the system's operation, as well as the organizational characteristics of that operation, including the organizations responsible for operation in particular areas.

The basis of this type of operationalization, that is, operationalization in the sense of institutionalization, is the system of self-management accords and social compacts, as well as income-sharing relations between basic and other organizations of associated labor founded on self-management accords and social compacts. This system has been applied as a uniform, all-inclusive and universal system. In other words, certain of the laws embodying the system, such as the Law on Planning, the Law on Prices, and the Law on Expanded Reproduction, state in concrete terms the universal principles of the system in basic sectors of economic activity. That system is now more or less "rounded out," completed, so that it constitutes a consistent whole.

Though in their appeals for revision of the economic system economists have not been thinking of institutionalization of the laws embodying the system, at least not primarily, that has been precisely the premise on which many reactions have been based. The basic counterargument consists of the observation that the new system has just begun to operate, that in many areas it is just now being introduced, while moreover certain parts have not yet been completed even today. It

is therefore felt that the criticism is at the least premature and therefore improper. One should wait a sufficiently long time to be able to make an objective assessment of its results.

The objection must be honored, but only in part. It is true that certain consequences of introducing some innovation, in this case the new economic system, can be examined only after its lengthy application. It is particularly true that an accurate quantitative assessment of its good points and bad points can be made only after a lengthy time. As a rule balance sheets are drawn up for a period in the past. On the other hand, however, it is obvious that before any innovation, any new economic system, is introduced, an attempt must be made to examine all its possible good and bad points, including an assessment of their dimensions and also the possibility of their occurrence. This is undoubtedly in the interest of the system itself and in the interest of confirming its validity in practice. If this is not done before the innovation is introduced, then it must be done during its introduction, immediately after its introduction, the sooner the better. Criticism of an innovation which is being introduced must be regarded as an integral part of the effort to introduce it and to have it operate satisfactorily in practice. The practice of our knowing only all the bad things about a system being dismantled and only all the good things about a system being introduced, a practice in which the good and bad assessments of the same system follow one upon the other in very short intervals of time--should be labeled not only unscientific, but also politically irresponsible. Every innovation, and especially a new economic system, may suffer a priori from two types of shortcomings. That is why every innovation, especially a new economic system, should be tested in advance for the two types of possible causes of subsequent disappointments. The first are the secondary consequences of introducing the innovation, which as a rule are adverse. The possibility cannot be excluded that secondary adverse consequences may outweigh the outright favorable results. In any case, a balance sheet should be drawn up of both and an examination made of the price which has to be paid in the form of negative effects to achieve the favorable effects of the innovation. The second is the incompleteness of the system relative to the goals which are to be achieved. The system may incorporate a number of necessary conditions for its satisfactory operation, but it is still lacking a sufficient condition. In that case its application to attain the particular goals may signify an attempt with unsuitable means. The system of social compacts and self-management accords is a case that comes under both categories.

With respect to the first it should be said that like any, legal-normative institutionalization (there are, of course, other kinds of institutionalization: even the market, for example, is in essence an institution), the system of social compacts and self-management accords, including the income-sharing relations which are to result from it, presupposes a certain bureaucratization of processes in the conduct of economic activity. The very conclusion of compacts and accords involves certain, to use Marx' terminology, faux frais in that system of economic activity. To this we should add the organizational efforts to furnish the physical conditions for concluding the compacts and accords, for maintaining and enforcing them. It is therefore inevitable to include administrative procedures, by contrast with business procedures, and that means administration as well. There has to be monitoring. Every accord is loaded with the

elements of its nonobservance, of failure to adhere to the agreed behavior. The monitoring mechanism may be very expensive, and not only that but ineffective as well. The more principals there are in the individual accords and compacts, the more likely they are to be violated, and the more likely it is that monitoring will be ineffective. As a rule the amount of agreement stands in a negative correlation to its effectiveness.

In the concrete case of the system of social compacts and self-management accords, a more important question is whether the system that is being applied in practice does in fact include a sufficient condition for its effectiveness. The following needs to be said in that connection.

Institutionalization of a system, and here we are referring to the conclusion of social compacts and self-management accords, defines the procedures and organizational forms for concluding compacts and accords, but not the criteria of economic decisionmaking. The decisionmaking of economic entities can itself be guided and determined by normative acts, as a rule by setting the limits in which that decisionmaking can occur. That is the case of administrative economies, economies, for example, of the central planning type. Our institutionalization of the economic system does not determine the conduct of economic activity and the quality and quantity of economic decisions, but the form in which those decisions are made. In principle this form is neutral with respect to the economic decision itself. It not only does not prejudge anything, it does not even wish to prejudge anything. "The economic decision is a matter of the accord or compact." In that sense institutionalization in this form is economically hollow, vague and indifferent. The Law on Planning can serve as a very apt example. It foresees in detail the procedures and organization of self-management planning, but does not mention in a single article the planning methods and the planning criteria, that is, the economic essence of planning. The Law on Prices is similar. To be sure, it does contain certain criteria governing pricing, which makes it appear that it is not subject to the same criticism. However, the criteria are altogether vague, especially in their mutual relations, and to some extent they make no sense whatever (for example, the movement of average labor productivity). What is far more important, the price is a phenomenon which is shaped on the market under the impact of supply and demand, and the setting of any other price, be it based on certain criteria or not, will be harmful to the economy's effectiveness in both allocation and distribution.

If decisionmaking in the form of concluding self-management accords and social compacts is to be economically definite, the institutionalized procedures and forms need to be supplemented with the parameters and criteria of decisionmaking. Otherwise decisionmaking will inevitably be arbitrary and will be chaotic on the scale of the economy as a whole. In a market economy the market offers the basic parameters for the conduct of economic activity, operating on the basis of the material interests of economic entities (entities which are "maximizing their private product") as the criteria of economic decisionmaking. If decisionmaking in economic units is to be as effective as possible, economic policy should promote the operation of the market toward pure competition, which ensures a uniform price, by all available means, including normative acts, and going all the way to purely administrative measures. In addition, if economic

policy is to link decisionmaking together on the basis of market parameters and maximization of income to form an economic system that is effective as a national economy, it must through the instruments of economic policy influence individual economic effectiveness (profitability) in a direction that simultaneously guarantees both distributional (social ownership) and allocational effectiveness (growth of the social product). The first is necessary so that we can call the system socialist, so that the constitutional principles concerning social ownership are not left as empty words on paper, and the second so that the social product will be maximized. Not only the latter, but even the former, is well known even in many highly advanced capitalist countries.

Though the foundations for the opposite line of argument can be found in all our normative acts from the constitution on, it can still be argued that the system of accords and compacts have been conceived and carried out as a substitute for both the market and the economic system in the sense of economic policy instruments. As Aleksandar Vacic put it, "recently a kind of substitution of theses has emerged more and more, a kind of quid pro quo: instead of economically sound parameters, that is, to speak the language of the Law on Associated Labor, bases and scales--either institutions (self-managing communities of interest) or individual self-management acts (self-management accords and social compacts) are offered." Everything that in market economies is determined by the market and, in the present-day market economy. In the opinion of certain economists, this would create a kind of socialist market that would do away with the anarchy of the ordinary "marketplace" market.

The basic question is How, in what way? Economic entities do not enter into the process of concluding self-management accords and social compacts as angels, but as entities that have material interests, out of a desire to fill as big a plate as they can for themselves out of the common pot, and these are moreover entities with widely varying economic and political strength. In the conclusion of compacts and accords, which by their nature are always particular and partial, the stronger will unconditionally get more, and the weaker less, which will be a permanent thing, which will be true even in those cases in which such results would be prevented even by an altogether free ("marketplace") market, without any sort of correction through the instruments of the economic system. What happened last year, and to a considerable extent has been continuing this year, that is, the creation of parallel, "gray," in any case partial, markets, moreover not only in the foreign exchange sector, but above all in dinar sales (aside from the price, contracts cover shares in the covering of losses, in the rise of production cost, in financing capital investment projects and even expenditures for social services, the sale of nonexistent products, committed products, and the like), must be regarded not as the results of the pathological innovativeness of the commercial departments of enterprises, but the natural, that is, the inevitable and foreseeable, result of substitution of accords and compacts for the market and the economic system.

One of the ways out of this situation was for someone outside the system of accords and compacts, that is, outside associated labor, to assume responsibility for the correctness of the conclusion of accords and compacts, to act in fact like an outside conductor who unites the individual musicians into a single

concert ensemble. One of the candidates for that conductor's position is the government, and the subjective forces are the other. The present system functions in large part on that basis, though it is obvious that this system would not conform to authentic self-management. This would be a rigged and controlled self-management, a self-management under someone's sponsorship, a negation in fact of self-management. This is unacceptable even on purely practical grounds. It is not possible to conduct from a single center such an orchestra as a modern national economy. This means that the conducting should be entrusted to the government or to the political organizations at lower levels. Theory envisages, and practice confirms, that both the government and the political conductors at the lower level will in such a case so identify themselves with those they are supposed to be conducting that they are transformed from administrative or political entities into economic entities with material interests similar to those possessed by their own sector of associated labor. In this way geographic fragmentation is added to the fragmentation of the market caused by the conclusion of partial compacts and accords. The patriarchal and parochial system of leadership, known from feudal society, obviously leads to similar results in all periods of history.

Since for obvious reasons and without specifically arguing the point we are avoiding substituting the system in which the government administration runs the economy for the self-management system of decisionmaking, the only other solution is to subordinate the conclusion of compacts and accords to the market and, if in addition to individual effectiveness one also wants to guarantee the effectiveness of the socialized economy, subordination to the economic system as well, in the restricted sense set forth above. According to that solution, the conclusion of social compacts and self-management accords is not a substitute for the market and the economic system. It is the form and means whereby market laws, corrected by the economic system, are realized. The degree to which the conclusion of accords and compacts realizes market relations corrected by the economic system must be regarded as the criterion of the successfulness of its operation. This is the solution we favor.

The market, corrected by the instruments of the economic system, facilitates development of authentic self-management by contrast with rigged self-management. By means of the instruments of the economic system economic policy guides economic decisionmaking only indirectly, creating conditions in which the economy itself, in its own interest, maximizing its income, takes decisions whereby the social product is also maximized. For example, the policy of a realistic rate of exchange of the dinar will bring it about that the exports of a rather large portion of domestic industry will bring in larger income than sales on the domestic market, and the manufacturers themselves, in their own interest, without being assigned ("addressed"--to use the terminology of Soviet planning) export obligations by the community for foreign economic relations, will decide to export, not thereby discharging any sort of patriotic duty, but simply maximizing their own product and thereby, possibly without even knowing it, maximizing the product available to society as well. All the actual economic decisions, that is, decisions which cause changes in the economy, not only those whereby the physical form of existence of a given value is altered (transformation of commodities by the market and production), but above all those whereby the product

comes into existence, is distributed and is used, are made by associated labor itself. No one outside associated labor is issuing it instructions as to how to make the choice among the numerous alternatives. Through its instruments the economic system guides the economy toward making decisions which maximize the social product in that it makes those decisions more effective both from the individual standpoint, from the standpoint of individual organizations of associated labor, and, in a broader aspect, from the standpoint of the individual workers as well. This is the essence of "creating conditions in which the economy itself, in maximizing its own product, also maximizes the social product."

Thus the market and the system (planning is immanently included in the decisionmaking of the economy both on the basis of market parameters and also the parameters of the system) become a sufficient condition not only of economic effectiveness, but also of authentic self-management, and moreover of self-management that is specifically socialistic.[7] In that sense we must agree with Branislav Soskic when he says that "the more our economy is a market economy, with elements of economic policy, social compacts and appropriate planning, of course, the more it will also be self-managing."[8] Since the market does not in and of itself maximize the social product, and certainly does not favor the establishment of socialist social relations, which means that this cannot be done by uncoordinated decisionmaking of self-managing organizations of associated labor either, the economic system emerges as a decisive condition of the system of self-management both in terms of distributional and allocational effectiveness and also in terms of authentic self-management. So, if something is wrong in the economy, and that is the case with our economy in recent years, the economic system is to blame by definition. Were we to take the view that no objection can be made to the system, but that the economy and associated labor are behaving contrary to expectations, that would be the same as the argument that associated labor is not capable of seeing its own interests or, once having seen them, is unable to behave in conformity with those interests. Such a thesis would in principle signify our denying the possibility that a self-managing economy can function and would mean that we see in self-management only a special form of worker participation in management of the economy, which in essence belongs to entities outside associated labor.

This concept of the economic system raises the question of the place which the conclusion of self-management accords and social compacts has in the taking of economic decisions by associated labor. If maximization of the social product can be achieved on the basis of market parameters and the parameters of the economic system, then the question arises: "Why should it be realized in the form of self-management accords and social compacts?" Though we cannot enter into that problem in this article, by all appearances its solution should be sought in several directions.

First, in all cases in which the conclusion of accords and compacts violates the unified nature of the market by setting special conditions of trade for narrow groups of economic entities, thereby creating partial markets, as is the case with the present "self-managed" sale of foreign exchange, there is no place for it in our system of economic activity. Associated labor as a whole, all the buyers and sellers, must be oriented toward the same unified market, so that the

influence of each of them on the price will be diminished as much as possible. The main variable of the compact or accord on trade ought to be the amount, but not the price. Accords and compacts on the conditions of exchange between sellers on the one hand and buyers on the other, since they inevitably contain elements of a cartel, are contrary to the constitution and the Law on Associated Labor, which prohibit the formation of any monopoly.

Second, cooperation among producers ought to be the true domain of accords and compacts. Because present-day production processes and products are extremely complex, many products--more precisely, their components--are produced in numerous enterprises. For technological and economic reasons the integration of all the interdependent processes within the confines of a single organization of associated labor is often not the optimum solution. The coordination of autonomous interdependent producers is the principal domain for the conclusion of self-management accords and social compacts, and the main subject matter of the accords and compacts is the systematic division of labor on behalf of optimum utilization of fixed capital.

Third, when the main foundation for the conclusion of accords and compacts is technological and organizational in nature, then the accords and compacts whose purpose pertains by nature to capital, to the accumulation of capital to finance capital investments, obviously have no sound economic basis. As a matter of fact, they are the consequence of the nonexistence of a capital market. In principle everything we said in making our first point above about the conclusion of compacts and accords concerning the sale and purchase of goods also applies to the "sale" and "purchase" of capital.

Economic Policy and the Economic System

If we proceed from the position that the problem of the economic system has been cleared from the agenda once and for all by the institutionalization of self-management decisionmaking, and when associated labor cannot be blamed for the present difficulties for the reasons given above (though such cases do exist), then obviously the guilty party has to be someone else. Recently increasingly frequent mention has been made of economic policy, of its ineffectiveness, its inconsistency, its sluggishness, the tardy adoption of measures, and so on. Since the Federal Executive Council is the principal economic policymaker, the blame can be definitely placed both in institutional and personal terms. There were several such judgments early in the year.

Among economists, the most stubborn admonishments about economic policy as the source of our difficulties have been coming from Marijan Korosic. "I think," he said in a discussion organized by EKONOMSKA POLITIKA late last year, "that in its basic determinants our economic system--only social ownership and self-management have been mentioned (in the discussion--A. B.) ... as a derivative, but also as a basis, I derive decentralized decisionmaking--is an effective economic system, an economic system which can yield results...." However, "we have such bad economic policy ... it is not able to coordinate those decentralized decisions to the necessary degree."[9]

The term "economic policy" has a rather indefinite meaning. We can conceive it very broadly, as the overall policy governing some society's social and economic development, in which case it encompasses both the selection of the socioeconomic system and also development strategy, including long-range planning as well. When decentralized decisionmaking of associated labor is set in opposition to the need to coordinate that decisionmaking, the possibilities are much more restricted for interpreting the term "economic policy." There is no doubt that instruments such as the rate of exchange of the dinar, direct and indirect taxes, the tax base, the discount rate, the charge for capital, the setting of quotas on credit, the terms for repayment of credit, subsidies and compensation payments, the linking of personal incomes to labor productivity or income, the indexing of claims and obligations, minimum personal incomes and the like, have an influence on the decisionmaking of economic units. It is for that reason in fact that they are referred to as instruments. "Economic policy" can coordinate "decentralized decisionmaking," obviously in order to attain the distributional and allocational optimum, which is different from those instruments. For example, the charge on capital is not used by us, except in a marginal form. The basic principle of distribution is the growth of both personal incomes and accumulation in case there is a growth of income, but in annual resolutions it is set forth concretely in the linking of personal incomes to the nominal income. With few exceptions there is no indexing. Indirect taxes take the form of the turnover tax rather than an added value tax. The rate of exchange of the dinar, subsidies and compensation payments and many instruments not mentioned are part of the set of instruments of "economic policy."

It is obvious that it is not just the specific choice of instruments, but also their quantification, their measured application, that decides the way in which the conduct of economic activity by organizations of associated labor will be influenced. If the charge on capital approaches zero or is negative, if the rate of exchange of the dinar is far below the equilibrium level, if indexing is unknown, it would be difficult to assert that economic policy uses the charge on capital, the rate of exchange of the dinar, or productivity (= indexing) as its instruments. In other words, selection of the particular list of economic policy instruments also implies selection of certain narrow or broad limits of their quantification. A realistic rate of exchange of the dinar, a realistic positive rate of interest, a lagging of personal incomes behind income or behind productivity imply certain limits within which the quantification of instruments may vary.

In the domain of economic policy there are two rather different activities related to the set of economic policy instruments. The first is the selection of instruments, the system of instruments, including the overall quantification envisaged for them, and the other is the manipulation of their specific quantification, their adaptation to the needs of the specific economic situation. Selection of the type of tax, its base and the taxpayer is a matter that falls under the first of these activities. The setting of specific tax rates that are to apply to particular periods of time, however, falls in the second of the activities mentioned. As a rule, the first activity pertains to parliaments, to legislative bodies, and the latter to executive bodies, to governments. Indexing the rise of personal incomes to the rise of income falls under the first activity, while fixing the interval by which the growth of personal incomes is to

lag behind the growth of income falls under the second. Selection of the discount rate or legal reserves as a means of influencing the volume of credit is a part of the first activity, while setting the level of the interest rate or of the legal reserve is a domain that comes under the second activity, and so on.

I suggest that we refer to the selection of the system of instruments, including their overall quantification, that is, quantification of the possible ranges, as selection of the economic system, but retain the expression "economic policy" for the second activity. We have drawn a line of demarcation between the economic system in the sense of the system of instruments of economic policy, between the economic system in the sense of institutionalization of the conclusion of accords and compacts, and also between the economic system in the sense of the socioeconomic foundations of the conduct of economic activity, to such an extent that misunderstandings are no longer possible. It is true that in this context economic policy is confined to current economic policy. However, it is in that sense that this expression is mostly used.

We will quickly concur in the assessment that current economic policy cannot be successful if it must operate under the conditions of defective instruments, the nonexistence of certain necessary instruments, an incorrect combination of instruments, and so on. "Policy cannot work wonders if the system together with its mechanism is inappropriate," France Cerne has said in a passage already referred to. In our article entitled "The Effectiveness of Economic Policy"[10] we portrayed the economic system as a limit on the effectiveness of economic policy. Current economic policy can manipulate the intensity of the instruments that exist, but it cannot alter their existence or their mix, nor can it introduce new instruments. Take, for example, the principle: more income--more for both personal incomes and accumulation. This linking of personal incomes to the income of the organization of associated labor inevitably breaks down remuneration according to work and thereby contributes, indeed contributes directly, to inflation. However this correlation is quantified, a greater or smaller lagging of personal incomes behind the income of the organization of associated labor inevitably raises personal incomes higher than the growth of labor productivity, especially in a system where income as shown in bookkeeping exaggerates the actual nominal income for several reasons (the negative rate of interest, assets which have not been revaluated). It is true that current economic policy--more precisely, its makers, the executive bodies of government--can by their initiative make a considerable contribution to improvement of the system of instruments in legislative bodies, but in that area they are neither the only factors nor the decisive ones. For example, even before last year's devaluation the Federal Bureau of Prices was preparing a detailed proposal based on intersector relations for passing on the rise in the value of the dollar to our domestic prices. Because of resistance in certain quarters, republic resistance above all, the proposal did not "make it," and as a consequence the value of the dollar was passed on to domestic prices anarchically, much in the way the explosion of world prices in 1974 was passed on, much more speedily.

Thus when Marijan Korosic criticizes economic policy for its inability to coordinate the operation of the decentralized system of decisionmaking, he actually means by economic policy, according to the terminology proposed here, the economic system, that is, the system of economic policy instruments, especially

since the most important elements of the economic system he mentions are social ownership and self-management, decentralized economic decisionmaking, which, according to the proposed terminology, which has now been widely adopted, belong to the socioeconomic system, to its foundations. In other words, here again the views are similar, but not identical.

This by no means signifies, of course, that economic policy makes no mistake. During last year we often gave favorable marks to its operation. However, once we have agreed on the policy of the realistic rate of exchange of the dinar, and indeed on an active policy in that regard, then that policy should be carried out. When the prices of petroleum on the world market and also the prices of petroleum derivatives in neighboring countries and/or the overall level of domestic prices rise, there is a need to adapt domestic prices of petroleum derivatives as well. When it is obvious because of the scarcity of supply that the market cannot operate, that in fact it does not exist, it is a mistake to leave the setting of prices to the "conditions of the market." When the dinar is proclaimed to be the legal means of payment, and the economy is declared to be a unified monetary region, then it really is inconceivable that economic policy can look upon the buying of foreign exchange and the use of foreign exchange as a means of payment in transactions between domestic economic entities as a passive observer. Yet that is not the subject matter of this article.

FOOTNOTES

1. DUGA, Vol 6, No 191, 1980, p 22.

2. EKONOMSKA POLITIKA, Vol 29, No 1494, 1980, p 21.

3. Discussion at a conference in the Presidium of the LCY Central Committee in Zagreb held on 5-6 March 1981.

4. A. Bajt, "Social Ownership in the Constitution and in the Law on Associated Labor," SOCIJALIZAM, No 2, 1977, pp 410-427.

5. Conference in Zagreb, 5-6 March 1981.

6. DUGA, Vol 6, No 174, 1980, p 24.

7. See Aleksander Bajt, "The Market and Socialism, Self-Management Socialism in Particular," EKONOMSKA REVIJA, No 29, 1976, pp 15-26.

8. Statement at the conference in Zagreb on 5-6 March 1981.

9. EKONOMSKA POLITIKA, Vol 29, No 1494, 1980, p 26.

10. Yugoslav Economic Chamber, 79/XII, p 8 ff.

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STATUS OF MERCHANT MARINE IN 1980

Belgrade TRANSPORT in Serbo-Croatian No 6, Jun 81 pp 19-25

[Article by Gordan Matijevic: "Business Operation of Work Organizations in Maritime Shipping in 1980"]

[Excerpts] 1. Principal Conditions for the Business Operation of Maritime Shipping in 1980

The conditions for the economic activity of our maritime carriers have been coming up against two basic factors on the basis of which they actually earn their income, and those are the situation on the international market for cargo space and the domestic measures of economic policy.

In 1980 there was a certain integration of international visible trade, and accordingly conditions for economic activity on the world maritime market were somewhat more favorable, which provided for somewhat more favorable employment of available tonnage.

This invigoration of trade provided the basis and occasion for raising shipping rates in all types of shipping (see the section on shipping rates), since they were necessary to cover at least a part of the rising cost.

This kind of situation was based mainly on the more favorable movement of the market for raw materials, grain and coal, and also on the fact that the volume of orders for building new ships in the world is still low, and ships previously tied up have mostly been scrapped, which has diminished the pressure of available capacity and created room on the market for better employment of the existing fleet. However, the benefits of the higher shipping rates were diminished by the very pronounced rise in the price of fuel, and in line shipping by fuel and also galloping inflation in many parts of the world.

With respect to types of ship tonnage, employment on the international market was as follows:

a) Operation of Line Shipping

The UNCTAD Code was adopted, that is, division of cargo according to the formula 40:40:20, by which a majority of countries are trying to employ primarily their own fleet in export and import transactions, so that very little room is left for contracting out shipping business on the open market. That space will be filled by those who go into the competition with the best-equipped up-to-date vessels which have been purchased cheap. In order to operate as little as possible under the uncertain conditions on the international market, our ships should become involved still more in carrying our own overseas imports and exports, and our fleet should be renewed.

In the first half of the year a tendency arose toward a settling down on the line shipping market, and there was also a decline in the congestion in seaports. The second half of the year was at the center of events in the Near East and the war between Iran and Iraq (70 ships are still held up in the Shatt-al-Arab). There were disruptions in the frequency and regularity of lines in that sector. Yugoslav carriers were affected by the blockading of four ships ("Lika," "Krasica," "Uljanik" and "Istra"), and especially by the loss of the vessel "Una" [garbled sentence] ... on that line and brought about very sizable losses (elimination of vessels from business operation, high premiums for extra war insurance, the costs of maintaining the blocked vessels, etc.).

Line shipping conducted its business operation under the constant pressure of rising operating costs. Fuel costs had the most significant influence on that trend, and this caused many carriers to reduce service speed to reduce fuel consumption as much as possible.

b) Tramp Shipping (Dry Cargo)

The business operation of vessels in tramp shipping was mainly satisfactory thanks to the conditions that prevailed on the world market for shipping space.

The lowest index number for employment of vessels under voyage charter was recorded in January 1980 at 194 and the highest in December at 241 (the base July 1965-June 1966 = 100).

In the employment of vessels under time charter the lowest index number of revenues was recorded in February 1980 at 327 and the highest at 421 (base 1971 = 100).

It is a general observation that in 1980 revenues were higher than realistic expectations, which were based on the world economic recession, above all in the highly advanced countries, which has a particular importance for maritime trade.

c) Tanker Shipping

An ever greater interest in prompt shipment was evident in late 1979, which meant a minimal improvement after a lengthy period. That situation on the market lasted only until mid-January 1980.

In view of the fact that exports of petroleum from the OPEC countries in 1980 were down 12 percent from 1979 and that exports from those countries represent over 90 percent of the world volume of crude petroleum carried by sea, it is obvious that no better situation on the tanker market could even be expected. The employment and purpose of the tankers were to some extent adapting to these conditions (reduced speed, retirement from service, use of tankers as floating warehouses). The facts we have enumerated help to prevent a still greater drop in revenues.

d) Operation of Coastal Shipping

Coastal shipping with a fleet of 18 vessels and 15,000 deadweight tonnage had relatively adequate cargo to carry throughout the year. Domestic cargo was offered, mainly wood, cement, petroleum derivatives, etc. The relatively good supply of cargo made it possible to obtain return cargoes in the employment of vessels.

A sizable portion of shipping was with North African ports and the ports of Italy.

The level of revenues was slightly higher than in 1979. The volume of traffic in domestic coasting was at approximately the same level as in 1979, with somewhat higher rates because of the general rise in costs. High port costs in domestic seaports for the vessels employed in this kind of shipping, especially for international voyages, had a rather adverse effect on operating results.

Coastal shipping, especially cargo shipping, is deriving its existence less and less along our coast, though more than 2.5 million tons of cargo were carried in domestic coasting. Inadequate use is being made of this cheapest form of cargo transport even in this time of expensive imported fuel.

Status of the Fleet

At the end of 1980 our merchant marine had 339 vessels with 2.5 million gross register tons, 3.8 million deadweight tonnage and 18,655 passenger places. The number of vessels remained the same as in the previous year, but the growth in deadweight tonnage was only 2.8 percent.

Average vessel age has been deteriorating steadily. More than half of our vessels are unable to enter several world seaports, since at the end of 1980 the merchant marine had 171 vessels over 15 years of age, which means 51 percent of the existing fleet, while the figure 10 years ago was 38 percent. Of those vessels 111 are over 20 years old, 42 are over 30 years old, and one vessel in international navigation is over 50 years old. This indicates that in terms of age our fleet is considerably above the world average, which obviously indicates that it is very old and technologically outdated, and is in urgent need of replacement.

Since the present system makes it difficult to replace the older part of the fleet, the Yugoslav Merchant Marine is put in a position where it cannot keep up

with the introduction of new vessels (with more up-to-date and economical technology), as is now being done on a large scale by other maritime countries in the world. More rapid development of the fleet could contribute still more to stabilization of the economy, especially in foreign economic relations, by creating a larger influx of foreign exchange for the country's balance of payments.

The opportunity was not taken to purchase vessels under 5 years old, whose price was 25 percent of their actual value during the period of the recession of the world maritime market between 1975 and 1979. Carriers were unable to take advantage of this favorable moment on the world market because of the administrative ban on imports as a consequence of the foreign exchange and customs system. The fact is that a physically worn-out and uneconomical fleet could have been replaced by purchasing vessels under those exceptionally favorable conditions, which would have increased the generation of funds for depreciation and reinvestment for faster construction in domestic shipyards.

Domestic Economic Policy Measures in the Context of the Business Operation of Maritime Shipping in 1980

The devaluation of the dinar had a dual effect on the business operation of maritime shipping. It was favorable in that the fleet works mostly on the convertible market, and it was adverse because it pays a major portion of its expenditures in foreign exchange.

The way in which the law on foreign exchange transactions has been enforced so far indicates that there must be a correction of Article 77 (which speaks about the recording and concluding of contracts concerning prices of shipping services with domestic shippers in international transport); however, even today this problem has not been solved.

The issue of acknowledging the influx of foreign exchange realized through the current account has still not been settled in spite of the action taken with the competent federal agencies.

The question of payment of the tax on shipping revenues in certain seaports (the so-called income tax) has dragged on now for decades, and appropriate steps have been taken with the competent federal agencies so that in future these income taxes are not paid in the various countries on the shipping charges collected. These expenditures amounted to $2,073,739 in 1979 and $2,117,731 in 1980.

Shipping revenues collected in dinars from domestic shippers for goods carried to and from countries with which we have a bilateral payments agreement have not been treated in conformity with the present legal system (the Law on Foreign Exchange Transactions, the order on dinars of foreign exchange origin, the self-management accord on stimulation of exports). The action taken with the competent agencies has still not yielded favorable results.

2. Status and Trend of Capacity of the Yugoslav Merchant Marine

As of 31 December 1980 the Yugoslav Merchant Marine had 339 vessels with an average of 11.6 years, a total of 2,460,240 gross register tons, deadweight tonnage of 3,806,421, and 18,635 passenger accommodations.

Table 1. Survey of Ship Capacity Over the Last 3 Years

Description	Status of Fleet 1978	1979	1980	Index 1980/79
Number of vessels	337	339	339	100.0
Gross register tons	2,336,745	2,389,233	2,460,240	103.0
Deadweight tonnage	3,618,568	3,701,842	3,806,421	102.8
Passenger accommodations	17,832	17,323	18,635	107.6
Horsepower	1,373,586	1,417,779	1,456,857	102.8

It is evident from the table above that the fleet remained at last year's level in the number of vessels, while in gross register tons it grew 3 percent and in deadweight tonnage only 2.8 percent. That is what it had in 1976 with 322 vessels with an average age of 10.6 years, 2,002,230 gross register tons and a deadweight tonnage of 3,059,557 and 17,331 passenger accommodations.

So, in 1980 there was the following increase over 1976:

Number of vessels, only	5.3 percent
Gross register tonnage	22.9 percent
Deadweight tonnage	24.4 percent
Passenger accommodations	7.5 percent

This growth of capacity is very modest over 1976, and it was achieved mainly by purchasing vessels abroad. However, most disturbing is the rise in the average age of capacity in terms of gross register tons, which increase from 10.6 years in 1976 to 11.6 in 1980. These figures indicate that our fleet is considerably older than the world average, which obviously proves that the Yugoslav fleet is very old and technologically outdated and urgently needs to be replaced.

The process of simple reproduction in maritime trade over the last 5 years has not been taking place because of the impossibility of making appropriations to funds to renew the fleet. Work organizations in the merchant marine depreciated their vessels in 1977, 1978 and 1979 at the lowest legal rates, since the gross income they earned in their business operation was not sufficient to cover the full amount of depreciation. In that period the high losses because of the recession on the world market were covered by reduced depreciation, as can be seen from the following table:

Table 2

In billions of dinars

Description	1971	Index Base	1974	1975	1978	1979	Index	1980	Index
Purchase value of capital assets	8.6	100	10.8	18.9	29.0	32.6	379	44.3	515
Total depreciation	0.6	100	1.7	1.4	1.1	1.8	300	2.9	483
Gross income	3.6	100	7.9	8.9	12.5	16.3	453	28.1	780
Share of depreciation in fixed capital, %	7.0		16.1	7.4	3.7	5.5		6.5	
Percentage of the fleet over 15 years old (based on the number of vessels)	38.5		45.9	47.8	52.8	51.6		52.8	

A survey of the trends of these elements convincingly indicates the drastic decline in reproductive capacity (depreciation) in the work organizations of the merchant marine. The negligible appropriation of funds for depreciation relative to fixed capital is very striking; this shows a very disturbing situation, since the funds set aside were far below the needs for simple reproduction. For example, in 1974 depreciation was 16.1 percent, while 4 years later this appropriation amounted to only 3.7 percent, and in 1980 it was 6.5 percent.

This poor reproductive capacity of the merchant marine has brought about a steady deterioration of the composition of the fleet with respect to age, which is making it difficult to operate on the world market, especially since many countries have adopted regulations prohibiting vessels over 15 years old from entering their seaports (today our fleet has 171 vessels or 50.4 percent of capacity over 15 years old).

Moreover, there is still another proof that our fleet is getting older, that is, that simple reproduction is not taking place, as indicated below.

At the end of 1980 the capacity of the merchant marine under 10 years old in terms of gross register tons amounted to 40.4 percent of total capacity, whereas this share was as follows in previous years:

In 1979	39.1%	In 1977	50.5%	In 1975	55.6%
In 1978	43.1%	In 1976	54.1%	In 1974	58.6%

So, it is also evident from these indicators that the aging process of our fleet is continuing even yet, since the share of vessels under 10 years old has dropped all of 18.2 percent since 1974, which indicates the seriousness of this problem. This lag in development of the fleet, in modernization and in the

application of new shipping technology that meets the requirements of the contemporary market is having the consequence of diminished competitiveness on the world maritime market.

3. Performance Indicators and Economic Results

a) Cargo and Passenger Traffic

Table 3. Total Traffic Volume and the Share of Types of Traffic Carried by Our Vessels, in thousands of tons

Type of Traffic	1979	1980	Distribution, % 1979	Distribution, % 1980	Index
Exports	1,175	1,258	4.9	5.1	107.1
Imports	4,974	6,386	20.9	25.7	128.4
Exports + imports	6,149	7,644	25.8	30.8	124.3
Transit	469	726	2.0	2.9	154.9
Total through Yugoslav seaports	6,618	8,370	27.8	33.7	126.5
Between foreign ports	14,479	14,066	60.9	56.7	97.1
Total international traffic	21,097	22,436	88.7	90.4	106.3
Coasting	2,670	2,368	11.3	9.6	88.7
Total cargo carried	23,767	24,804	100.0	100.0	104.4

It is evident from the table above that the total volume of cargo traffic carried by our vessels was up 4.4 percent over the previous year. Total international traffic increased 6.3 percent, while coasting between domestic ports was down 11.3 percent. The carrying of export cargo was up 7.1 percent, while import cargo showed an increase of 28.4 percent, so that the participation of Yugoslav vessels in carrying Yugoslav exports and imports increased 24.3 percent as a whole. The volume of transit cargo carried by our vessels through Yugoslav seaports increased appreciably. However, foreign vessels are still carrying 85.2 percent of the transit cargo. Viewed as a whole, the volume of traffic through our seaports increased 26.5 percent, while the volume between foreign ports dropped 2.9 percent from the previous year.

Yugoslav imports and exports had a share of 30.8 percent in the total volume of cargo carried by our vessels (25.8 percent the previous year), but their transit cargo represented 2.9 percent (2 percent the previous year); that is, our vessels carried 33.7 percent of the cargo in international trade coming into our seaports and leaving our seaports (27.8 percent the previous year). Of the total volume of cargo carried between foreign ports they carried 56.7 percent (60.9 percent the previous year). On the basis of this volume of traffic by types international traffic represented 90.4 percent (88.7 percent the previous year), and domestic coasting 9.6 percent (11.3 percent the previous year).

If we analyze the distribution of exports and imports over the last 5 years, we can conclude that the share of our fleet has been modest in carrying Yugoslav imports and exports moving by sea. However, it was thought that the year 1978 would mark the turning point and that the growth trend could be more favorable

in future operation to the benefit of the domestic flag. But in spite of all the expectations we have the opposite phenomenon in 1979 and 1980, i.e., a drop in the share of our fleet (relative to 1978) in carrying cargo representing Yugoslav exports and imports. In 1980 our vessels carried 5.4 percent more of Yugoslav exports than in the previous year, while they carried 20.2 percent more of Yugoslav imports; that is, in 1980 the overall share of Yugoslav exports and imports carried by Yugoslav vessels increased 17.2 percent over 1979; in terms of distribution (a minimum growth is recorded) our fleet in 1980 had a share of 32.3 percent of exports (last year 32.9 percent), 27.8 percent of imports (last year 26.6 percent) and 28.5 percent of total exports and imports (last year 27.6 percent). So, we can conclude that the share of the foreign flag in carrying Yugoslav exports and imports has remained very high.

Table 4. Distribution of Yugoslav Imports and Exports Between Yugoslav and Foreign Vessels, total = 100

Description	1976	1977	1978	1979	1980
Exports					
Total	100.0	100.0	100.0	100.0	100.0
Domestic vessels	36.4	33.6	39.2	32.9	32.3
Foreign vessels	63.6	66.4	60.8	67.1	67.7
Imports					
Total	100.0	100.0	100.0	100.0	100.0
Domestic vessels	25.6	25.7	28.2	26.6	27.8
Foreign vessels	74.4	74.3	71.8	73.4	72.2
Total					
Total	100.0	100.0	100.0	100.0	100.0
Domestic vessels	27.8	27.4	30.4	27.6	28.5
Foreign vessels	72.2	72.6	69.6	72.4	71.5

Table 5. Total Volume of Passenger Traffic, according to figures of the Federal Bureau of Statistics, in thousands

Type of Traffic	1979	1980	Distribution, % 1979	Distribution, % 1980	Index 1980/79
International	151	126	1.9	1.7	83.4
Domestic	7,904	7,175	98.1	98.3	90.8
Total	8,055	7,301	100.0	100.0	90.6

b) Foreign Exchange Results

It is evident from the following table that total inflow of foreign exchange in 1980 increased 39.6 percent over last year in spite of the slow renewal of capacity over the last two medium-term periods, while the outflow of foreign exchange had almost the same growth trend as the inflow of foreign exchange and increased 39 percent. The net inflow of foreign exchange increased appreciably, by 40.5 percent, which proves that business operation on the world market was optimal. Because of the higher costs incurred in foreign exchange the rate of

the net inflow of foreign exchange increased a minimal 0.7 percent over the previous year.

Table 6. Foreign Exchange Balance Sheet for Business Operation of Maritime Shipping in 1980, in millions of dollars

Description	1978	1979	1980	Index 1979 = 100 1978	Index 1979 = 100 1980
Inflow of foreign exchange	540.1	672.4	938.7	80.3	139.6
Outflow of foreign exchange	327.3	391.8	544.5	83.5	139.0
Net inflow of foreign exchange	212.8	280.6	394.2	75.8	140.5
Rate of foreign exchange expenditures, %	60.6	58.3	58.0	103.9	99.5
Rate of net foreign exchange, %	39.4	41.7	42.0	94.5	100.7

Foreign exchange results in 1980 improved because of invigoration of international visible trade and the somewhat more favorable conditions that resulted for conduct of economic activity on the world maritime market, i.e., there was a rise in shipping rates in all activities. In this connection we should be mindful of the fact that in spite of the improved market conditions (higher rates), there was a further rise of operating costs, i.e., their growth trend in 1979 continued, which had an impact on the growth of the outflow of foreign exchange in 1980. Nevertheless, with respect to the outflow of foreign exchange work organizations managed through certain efforts to diminish certain expenditures incurred in foreign exchange over which they were able to have an effect in their business operation, so that the rate of foreign exchange expenditures dropped from 58.3 to 58.0 percent.

It is also important to emphasize that maritime shipping provides every other dollar to Yugoslavia from the exporting of transportation services, and this amounts to more than one-tenth of total commodity exports. In conclusion we can observe that maritime shipping has been achieving an ever more sizable inflow of foreign exchange every year, and if the question of more rapid development of the fleet were resolved, it could contribute still more to the country's economic stabilization, especially in relations with foreign countries.

4. Financial Results on the Basis of Business Operation in 1980

The business operation of maritime shipping in 1980 was affected by an appreciable weakening of the recession from the previous years, and this also had an effect on shipping rates, which showed a satisfactory growth trend.

However, on the one hand there was a further rise in operating costs, so that the results of work organization were not as good as they would have been.

Table 7 presents indicators on the business operation of work organizations in the merchant marine.

Table 7

In millions of dinars

Description	1979	1980	Index
I. Gross income	16,302	28,095	172.3
II. Expenditures	11,882	19,637	165.3
Depreciation alone	1,803	2,250	124.8
III. Income	4,420	8,458	191.3
1) Division of income by purpose	1,527	3,045	199.4
a) Taxes and contributions paid out of income	270	493	182.7
b) Share of income for depreciation above the minimum rates	11	660	--
c) Share of income for insurance premiums	405	665	164.0
d) Share of income for interest	578	837	144.9
e) Share of income for other service charges	11	35	306.0
2) Net income	2,893	5,412	187.1
a) Share of net income for personal incomes	2,316	3,238	139.8
1. Net personal incomes	1,567	2,188	139.7
2. Taxes and contributions from personal incomes	690	962	139.2
3. Net personal incomes on other basis, including contributions	59	88	149.9
b) Portion of net income for subsidized workers' meals	4	6	149.7
c) Portion of net income for workers' annual vacations	16	12	72.4
d) Portion of net income for housing construction	232	465	200.5
e) Portion of net income for other social services	111	254	227.6
f) Portion of net income for the business fund	84	1,110	1,314.5
g) Portion of net income to improve plant and equipment	13	65	483.9
h) Portion of net income for the reserve fund	105	238	227.0
j) Portion of net income for other funds	8	19	238.8
k) Portion of net income for other purposes	2	4	205.0
IV. Loss	--	--	--
Uncollected revenues	159	399	251.0
Less computed depreciation (on the basis of Article 28 of the Law on Depreciation)	82	--	--

It is evident on the basis of the following survey that sources for repayment of credit increased 111.8 percent, while obligations under repayment of credit on capital assets increased 47.2 percent, and it can be said that organizations of

associated labor in the merchant marine improved their ability to make investments over the previous year.

Table 8

In millions of dinars

Description	1979	1980	Index
Total depreciation fund	1,813.9	2,910.6	160.5
Resources of the business fund for capital investment	84.5	1,110.5	1,314.5
Total	1,898.4	4,021.1	211.8
Repayment of credit on capital assets	1,268.4	1,867.7	147.2
Remainder	630.0	2,153.4	341.8

However, these funds represent the carrier's own share in the amount of 20 percent for the purchase of vessels in 1980 in accordance with the Self-Management Accord on Development of Shipping up to the Year 1985, while the carriers will have to obtain the remainder of the funds necessary to purchase the vessels primarily by taking out mortgages.

In view of the fact that over the last 3 years the carriers have covered high losses by means of reduced appreciation at the minimum prescribed rates, in accordance with Article 28 of the Law on Depreciation, then it can be said that the financial result achieved in 1980 is satisfactory.

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SEAPORT OPERATION IN 1980

Belgrade TRANSPORT in Serbo-Croatian No 6, Jun 81 pp 25-28

[Article by Atanasije Spasic]

[Text] According to the preliminary data of the Federal Bureau of Statistics, total cargo traffic in all Yugoslav seaports in 1980 was 33.9 million tons. This volume of traffic is a record never achieved since the existence of Yugoslav seaports, and it is 9 percent over the previous year.

This high increase in total seaport traffic did not affect the growth of commercial commodity traffic of work organizations administering seaports, since it was achieved primarily thanks to the increase in imports of petroleum through the petroleum pipeline at Omisalj, which does not fall within the domain of those work organizations.

Over the last 10 years total commodity traffic in all Yugoslav seaports has varied as follows:

1971	20.9 million tons	1976	25.1 million tons
1972	19.5 million tons	1977	26.1 million tons
1973	20.9 million tons	1978	27.1 million tons
1974	23.8 million tons	1979	30.1 million tons
1975	22.4 million tons	1980	33.9 million tons

It can be noted in this series that over the last 3 years seaport traffic has been growing at a faster rate than in previous years. This was achieved because of the high growth in the traffic of crude petroleum and bulk cargoes.

The distribution of seaport traffic by principal types of cargo traffic in 1980 and its relation to results in the previous year are shown in Table 1.

By contrast with the results in the previous year, which were adverse because exports remained at the same level, and transit even dropped from the 1978 level, in 1980 there were favorable trends, as shown by the figures on the 7-percent growth of exports through seaports and 9-percent growth of transit by comparison with 1979.

Table 1

In thousands of tons

Description	1979	1980	Index 1980/79
Total traffic	31,097	33,943	109
Breakdown:			
Coasting	5,907	5,541	94
Exports	3,262	3,500	107
Imports	16,409	18,885	115
Transit	5,519	6,017	109

The growth of exports is the result of stronger Yugoslav foreign trade with overseas regions, while the relatively high increase of seaport transit was affected considerably by the technological modernization of certain of our seaports, above all the port of Koper, within the context of concerted efforts of all the branches of transportation in Yugoslavia to introduce as soon as possible joint technology for integrated cargo transport. In 1980 integrated transport through the port of Koper (ferry, container and ro-ro), and partially also through Rijeka, contributed to the growth of transit traffic of general cargo and to preventing a further reorientation of that transit cargo to competitive foreign ports, which had been attracting it because of their more advanced systems for integrated transport.

Commodity imports through our seaports showed a high 15-percent growth over the previous year in 1980 as indeed in previous years because of the further increase in imports of crude petroleum and bulk cargoes.

The distribution of total seaport traffic by types of cargo traffic, expressed in percentages, has been as follows over the last 3 years (Table 2).

Table 2

Description	1978	1979	1980
Total seaport traffic	100.00	100.00	100.00
Coasting	18.05	18.99	16.32
Exports	11.83	10.49	10.31
Imports	49.07	52.77	55.63
Transit	21.05	17.75	17.73

The results above indicate that imports continue to be dominant in the cargo traffic through our seaports; in 1980 they had a share of 56 percent in total seaport traffic.

The principal Yugoslav seaports that figure in the data of the Federal Bureau of Statistics are Koper, Rijeka, Sibenik, Split, Kardeljevo, Dubrovnik and Bar. The port of Zadar, which in recent years has been progressing rapidly and whose

cargo traffic in 1980 was twice that of the port of Dubrovnik, is still not recorded as a principal seaport in the official statistics, so that we also are unable to include it in this portion of the analysis because we lack the pertinent data.

The only seaports increasing their total cargo traffic in 1980 relative to the previous year were Koper (7 percent) and Sibenik (15 percent). There was a decline for all the other principal ports, as follows: 7 percent for Rijeka, 26 percent for Split, 4 percent for Kardeljevo, 14 percent for Dubrovnik and 7 percent for Bar. These relations can be seen more clearly from the comparison given in Table 3.

Table 3

In thousands of tons

Principal Seaports	Actual Cargo Traffic 1979	Actual Cargo Traffic 1980	Index 1980/79
Koper	2,367	2,536	107
Rijeka	16,419	15,197	93
Sibenik	791	912	115
Split	3,087	2,269	74
Kardeljevo	3,760	3,620	96
Dubrovnik	382	330	86
Bar	1,634	1,514	93

The basic global assessments of this trend in total cargo traffic for the various principal seaports in 1980 can be reduced to the following:

a) The port of Koper in 1980 achieved a very good leap forward in its traffic, since the growth of total cargo traffic through that seaport resulted from the high growth of transit cargo traffic (all of 64 percent), which was achieved by modernizing the operating technology in that seaport, that is, by mastering and applying the technological procedures of integrated container and ro-ro transport.

b) The port of Sibenik achieved a high growth of its total traffic (15 percent) as a result of a very high growth in imports of phosphate rock. This seaport is already realizing favorable results from its specialization in this type of cargo, and we can expect it to have still greater success when construction is entirely completed on the modern terminal for transshipment and handling of phosphate.

c) The decline of traffic through the ports of Rijeka and Split is the consequence of commencement of the successful operation of the Yugoslav oil pipeline. That is, the oil pipeline in the port of Omisalj has taken over a portion of the imported crude petroleum which was transported through these seaports. This has especially affected the port of Split, whose cargo traffic dropped all of 26 percent in 1980 because of its loss of crude petroleum.

d) A certain decline of seaport traffic experienced by the other principal seaports in 1980 was the consequence of trends in our foreign trade.

The distribution of the total cargo traffic among all the Yugoslav seaports is shown for the last 3 years in Table 4.

Table 4

In percentage

Description	1978	1979	1980
Total cargo traffic	100.00	100.00	100.00
Breakdown:			
Koper	7.63	7.61	7.47
Rijeka	53.18	52.80	44.77
Sibenik	3.05	2.54	2.69
Split	9.47	9.93	6.68
Kardeljevo	11.72	12.09	10.66
Dubrovnik	0.88	1.23	0.97
Bar	4.62	5.25	4.46
Other seaports	9.45	8.55	22.30

The figures show that the share of the various seaports in this distribution changed in 1980 with respect to their ranking, since the port of Koper moved ahead of Split. This ranking in 1980 was as follows:

1. Rijeka
2. Kardeljevo
3. Koper
4. Split
5. Bar
6. Sibenik
7. Dubrovnik

Table 5 shows total cargo traffic in the various principal seaports over the last 10 years.

The following basic conclusions can be drawn from the overall analysis of the consolidated figures shown in Table 5:

a) All the principal Yugoslav seaports except the port of Dubrovnik achieved a growth of their cargo traffic over the last 10 years, especially the ports of Kardeljevo and Bar, whose traffic has doubled.

As for the port of Koper, which also progressed in that period, cargo traffic cannot be used for a realistic conclusion, since its makeup is very favorable and contains a predominant share of general cargo carried at high rates.

Table 5

In millions of tons

Year	Koper	Rijeka	Sibenik	Split	Kardeljevo	Dubrovnik	Bar
1971	1.9	10.7	0.6	1.8	2.2	0.4	0.8
1972	1.9	9.4	0.7	1.6	2.0	0.3	0.8
1973	1.9	10.5	0.9	2.0	2.5	0.2	0.9
1974	2.0	12.7	0.9	2.5	2.5	0.3	0.9
1975	1.9	12.0	0.9	2.2	2.2	0.2	1.0
1976	2.1	14.0	0.8	2.3	2.9	0.3	1.1
1977	1.9	14.1	0.8	2.5	3.0	0.3	1.1
1978	2.1	14.7	0.8	2.6	3.2	0.2	1.3
1979	2.4	16.4	0.7	3.1	3.8	0.4	1.6
1980	2.5	15.2	0.9	2.3	3.6	0.3	1.5

b) While the ports of Kardeljevo and Bar progressed thanks to new electrified railroad lines linking them in the meantime to the broader hinterland, the port of Dubrovnik stayed stagnant, since in that period of time a narrow-gauge rail line was discontinued, and it completely lost its rail connection with the hinterland. However, it is significant that this seaport did not surrender and that even without the rail line it is achieving the same results as in previous years, which is a reliable evidence of its vitality, which deserves support.

c) The port of Rijeka has been our largest and leading seaport over the entire 10-year period. Its total cargo traffic has always been twice that of the total traffic for all the other seaports. This is also true of traffic in 1980 if we omit petroleum imports.

d) The central Dalmatian ports of Split and Sibenik also have not given up in spite of construction of Kardeljevo and Bar, to which a portion of the previous traffic of these seaports has moved. The result for 1980 is disturbing for the port of Split, since it almost lost its petroleum traffic, while in the case of Sibenik the situation is the reverse, since this seaport is recording a new growth of its traffic and is strengthening its future prospects by specializing in phosphate traffic.

e) In 1980 the port of Koper improved still more the makeup of its traffic and achieved a volume of more than 1 million tons of transit cargo. This seaport is being transformed at an ever faster rate into technologically the most modern seaport in Yugoslavia, which has among other things been facilitated by its very favorable position from the standpoint of transportation geography.

The Yugoslav seaports, especially Koper, Rijeka and Bar, have over the last several years made great efforts and invested sizable financial resources to mitigate and if possible eliminate their lag behind the technologically advanced competitive foreign seaports in use of the modern technology of integrated transport. These three of our seaports already possess container and ro-ro terminals with modern equipment, among which the port of Koper takes first place.

Table 6 shows the volume of container traffic in our seaports over the last 3 years.

Table 6

Description	Grouping as a Whole	Seaport Koper	Rijeka	Kardeljevo	Bar
1978					
Number of containers, converted to 20-ft containers	30,832	19,574	10,895	79	194
Volume of cargo in tons	226,834	142,119	81,905	410	2,400
1979					
Number of containers, converted to 20-ft containers	45,453	31,023	13,975	143	313
Volume of cargo in tons	364,343	239,948	119,995	2,100	2,300
1980					
Number of containers, converted to 20-ft containers	54,565	37,831	15,941	230	563
Volume of cargo in tons	477,945	320,990	150,305	3,050	3,600

The conclusions we can draw from this survey are these:

a) that container traffic in our seaports has doubled in just 3 years both in the number of containers and in the volume of incoming and outgoing containerized cargo;

b) that the volume of container traffic in 1980, which was nearly 500,000 tons of cargo, is a very favorable phenomenon if we bear in mind that all our seaports were lagging far behind in application of the modern technology of integrated transport up to 1977;

c) that the port of Koper, which in 1980 had a share of 68 percent of total traffic of containerized cargo through all our seaports, has made the greatest contribution to this rapid progress in container traffic;

d) that the ports of Koper and Rijeka are far ahead of the southern ports of Kardeljevo and Bar in the volume of container traffic, which indicates that this traffic is not yet developed in these southern seaports and also is indicative of the prospects of our northern Adriatic seaports in this respect; it is appreciably more favorable because of their favorable position from the standpoint of transportation geography.

We should specifically mention that the port of Koper had a transit container traffic in 1980 amounting to 12,798 containers and 99,000 tons of cargo. The port of Rijeka, whose transit traffic included 2,046 containers and 28,728 tons of containerized cargo, also had a certain share in the transit traffic of containers in 1980.

7045
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CRISIS IN MOTOR VEHICLE INDUSTRY DELINEATED

Belgrade DUGA in Serbo-Croatian No 190, 6 Jun 81 pp 34-35

[Article by Slobodan Anastasijevic]

[Text] Just as most frequently other things from the outside world arrive in Yugoslavia with a delay, so it is with the crisis in the automobile industry, which has gripped the habitat of Ford, Leyland, Volkswagen and Renault. It has recently arrived here in Yugoslavia, and has thundered into the factory yards in Kragujevac, Sarajevo and Koper very powerfully.

The Past

European automobile production experienced a real boom in the first postwar decade which had been suppressed until then by the needs for military machines. If we exclude America, with its untouched industry that even before then was working at full steam and where the transformation to peacetime automobile production did not present a problem, we see in destroyed and desolate Europe that automobile plants began to be born from the ashes. Seemingly overnight small workshops became great factories that, although they produced millions of automobiles, still did not succeed in satisfying the hungry market.

At that time, too, the first Yugoslav automobile producer appeared, making the popular Fica with its two somewhat larger brothers, the Tristaca and the Type 1100 (one of the forgotten but certainly most successful Fiat models, which held up much longer in traffic on poor highways, than it did in production). But while the Volkswagens, Renaults and Fiats, along with other models, were coming off the assembly lines by the millions annually, the Zastava production record grew more slowly, from 10 to 15,000, and then to 20, 30, 50,000....

Along with the Zastava, assembly plants appeared in Sarajevo, Novo Mesto, and Koper, and most recently in Kikinda, not to list all the other places that wanted to grab any little scrap from the laden banquet table.

When the European automobile market and the world market began gradually to stagnate, and while the best sales experts began to tear their hair, because first sales slowed, and then leveled off, and then finally started to fall, Yugoslav auto production (still largely the Fica) still grew ploddingly, while

the buyers simply lay seige to the sales offices and looked for some sort of "connection" in all directions.

While it remained more than modest in comparison to demand, domestic production was nevertheless well protected by high import duties. That situation coddled the producers and their representatives. Probably nowhere else (except in Eastern European countries) did automobile expediters appear who, naturally for lots of money, could shorten the waiting period through their connections. Meanwhile, at the sales centers people behaved as though they were distributing an inheritance to orphans, not as though they were selling goods from which they made their living. Buyers often were met with such words as "Well, wait a minute, where do you think you're headed?" "What is this, you think you should get to choose the color as well?" "You have been waiting a year? Well, wait, I waited for you quite a bit too, if you don't want it, kiss off and leave it." "It isn't technically correct, you say? If you don't want it, just say so, I have someone who does. Take it and get it corrected later." And the buyers, smaller than poppy seeds, agreed to postponed delivery, and to price increases, and to car colors that they didn't like; without a mutter they took cars that even after repair service were found to have dangerous flaws. They took it all in stride, to be able to rattle their keys as soon as they could, and then to forget all the unpleasantness and humiliation.

That was the time, 10 years ago, when the then director of the Zastava factory could call all his buyers speculators! To the question as to why he slowed deliveries nearly to a stop just before a price increase, he was able "wittily" to note: "Well, the buyers are speculating too, they are buying cars because they know that they will be even more expensive tomorrow!" He could say that with complete calm and remain alive, for that is the way it was in times past.

The Present

In recent years we have read quite a lot about the strict limitation of imports of small engine European automobiles into the United States, about strikes in Britain and at the Fiat factories, about declines in car sales throughout the world because of reductions in the work week, about increasing demand for smaller cars and ever less for larger ones.... We observed all that, if not with malice, then with indifference. Those were their problems!

In the meantime, Zastava surpassed the dream level production of 100,000 automobiles per year, for here in Yugoslavia things were still moving forward, and how! The caricaturists drew us as people with wheels instead of legs, with an instrument panel instead of a brain, and they predicted a dark future for us, as we dragged ourselves into the dog houses while our cars spent the night in a luxurious garage.

That was the caricaturists. The producers, meanwhile, had a different view. Until very recently the factory at Novo Mesto did not consider that it was playing with its reputation or morale by violating both the law and good manners by leaving buyers to wait up to 2 years, with the factory requiring further prepayments while it was exporting automobiles abroad at the expense of the domestic market. Of course, Novo Mesto overdid it with its high-handed attitude toward

its customers, but then other producers did not really behave any differently either. At the same time, administrative agencies introduced ever higher duties and stricter restrictions (increases in all kinds of taxes, parking restrictions, and the "even-odd" law). Of course, at the time when world automobile producers were already suffering to maintain their sales, a representative of the Belgrade transportation authority permitted himself the totally open declaration that he intended to introduce a traffic system that would make driving unpleasant for the drivers and squelch their desire to drive their cars into the center of the city.

We can attest that his intention was fulfilled.

Thanks at least for the honesty!

And then the crisis reached us in Yugoslavia. While we were reading about whether the Japanese themselves would limit exports of their small-engine cars to America, or whether the American administration would force them to do so, while we were reading of individual factory closings, about the fall in automobile stock prices on the world market, as if all of this was happening on another planet. The crisis did not modestly knock at our door, but rather it crashed the gates of our automobile industry.

Sales fell off suddenly, practically all at once. Many formerly sought-after models are being sold with almost no waiting period. For the first time, a license factory, the Cimos plant at Koper, was closed. That means there will be no more Spaceks, Amis or Diana cars. Temporary production cutbacks are also taking place here in Yugoslavia, while unsold automobiles are piling up, and the buyers today are met in a much different, one would freely say more courteous fashion.

But it is late and in vain to curry the buyers now. Not only are cars being bought in fewer numbers, they are also being driven less. Gasoline sales have dropped noticeably, and this is the surest measure for determining how much Yugoslavs are driving. And that decrease cannot be attributed casually to that initial shock after every price increase. There are many reasons for the fear that in the future, we will drive shorter distances and less often.

Well what of it, someone will say, at least we will save valuable resources. That is correct, but on the other hand, we will lose incomparably more. In order to warm himself, a man need not cut off the branch he is sitting on. And automobilism here is just such a branch, and one of the thickest. Have we begun to feel that? The days of the future will show.

The Future

Yet certainly something can be foreseen, hopefully with fewer mistakes than 10 years ago, when we prophesied for ourselves the frightful picture of choked streets and cities, when the only solution seemed to be an enormous expansion of the highway system. We reckoned that we would have to learn how to walk on car roofs, instead of sidewalks. Who could see an end to that unheard of increase in the number of automobiles, which in 20 years increased twenty-fold.

But lo, that growth has been stopped completely unexpectedly, in a manner that no one foresaw. One reason, but only one, is the same as throughout the world. But we also have our own traditional domestic characteristics.

"Automobilization," the number of cars per capita here in Yugoslavia has reached the level of moderately developed countries. That means that there are still potential buyers. But old Henry, the founder of the Ford dynasty, already recognized when he introduced the first assembly line that increased and accelerated production would do him no good without sufficient good roads. Therefore, he bought roadbuilding stocks in huge numbers.

Here in Yugoslavia, the roads as well as the market are saturated with automobiles. On the most important routes, we have roads capable of handling only an extremely low traffic flow. The Bratstvo-Jedinstvo (Brotherhood and Unity) highway from Jesenica in Slovenia to Djevdjelija on the Greek border resembles an express highway for only a small part of its length; for most of the way it is not even a first class highway. There is the Adriatic main route, narrow and full of curves, and then the Subotica-Belgrade and Nis-Pirot roads, totaling about 3,000 kilometers of (generally bad) roads, which during the 3 summer months are supposed to carry millions and millions of cars of all types, domestic and foreign, including transit travel.

If the number of foreign cars on our highways declines this summer, the reasons will be clear: Many will prefer to choose a different route, through Italy, Hungary or Romania, avoiding Yugoslavia, where they are faced by dangerously damaged roadways, long delays, endless lines of cars, and frequent tragic accidents....

That is how it is on the highways; it is even worse in the cities.

While the number of cars and the population of the cities has multiplied many times, the road space has remained essentially the same. Skyscrapers and mammoth blocks of buildings have been constructed in narrow streets without parking space, although such buildings require broad boulevards and much open space surrounding them. Entire new settlements have been built, relatively far from the cities, but the main streets in those settlements are so narrow that 2 trolleybuses cannot pass easily on them. Then the cries of the non-motorized residents are in vain when they ask to have public transportation lines extended to their new settlements.

Someone got the idea of building the elaborate Beogradjanka building, with a large department store inside, but without a single parking space in front.

An exceptionally striking error in that regard (unfortunately, in certain other regards as well) is found in the western approach to Belgrade. In one enormous 30 story building there are nearly 200 families, most of whom earn enough to buy automobiles, while in another nearby commercial building, there are more than 1,000 employees. For those 2 buildings, a very conservative estimate would call for about 1,000 parking places. Yet the plans called for, and the final number constructed, was only 50!

Under such circumstances, the person who has a car suffers torment trying to figure where he can put it, and the person who does not, seeing the torment of his neighbor, has an increasingly difficult time deciding to buy one himself.

"For days, even weeks, I do not move my car," said one resident of the notorious Belgrade "blue zone," adding, "If I drive somewhere for a visit, or to see someone off, or meet someone at the station, I will have a difficult time finding a parking place there for even 10 minutes. Then when I return, I know for certain that I will not find a place to park anywhere in the area, let alone on my own street."

The situation, however, is similar if not worse in other Yugoslav cities. Try, let us say, to find a parking place in Dubrovnik, Rijeka, or Split... When they arrived in Cacak, one wife enthusiastically stopped her husband: "Why should we go to the ocean for our vacation, look at the parking place we have found right here!"

That is also one of the Yugoslav, domestic reasons for car ownership stagnation.

The time has come to pay for the old mistakes. Those mistakes were made by the automobile industry, but also by those around and related to it. Naturally, the producers will be the first to pay their share, and perhaps someone will maliciously think, "What of it, that is what they deserve!"

But take it easy, the turn for others is coming as well. The number of car sales has declined, and the number of kilometers driven has gone down, leading chiefly to woe for the producers. But if less gasoline is sold, that means less money for roads, and for the state treasury, and for services. There will be less business at innkeeping establishments and resorts, less income for many other people who do not live directly from the automobile industry. Their reduced buying power will affect the reduced strength of the producers, which again will indirectly influence those others, and thus a vicious circle develops.

If the purchase price of an automobile is spread over 5 years, and to that we add annual registration fees, insurance, fuel costs, service, maintenance parts and other expenses, depending on the type of automobile we reach a figure of 70,000 to 100,000 dinars. That is what an automobile costs its owner each year, and that is also a typical annual income. If there are fewer automobiles, there will be less business and fewer employed!

The consequences, at least for now, cannot be anticipated. We can only hope that this woe will pass, as the sun comes out after the rain. We can also hope that after all of this, we will retain some of the lessons it offers, and that the producers and we the consumers in the future will behave in more responsible ways not only toward one another, but also together toward the automobile, toward that machines that has left its mark on an entire century.

And until those better times, we shall ponder, not which automobile, but should there be an automobile at all

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2176

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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SOME CHANGES, PROBLEMS UNDER SET OF MEASURES DISCUSSED

Bratislava PRAVDA in Slovak 16 Jul 81 p 3

[Article by Jozef Krsko: "More Attention to Dealing with People: Three Views of Implementation of the Set of Measures at the Machinery Construction Plant in Liptovsky Mikulas]

[Text] First view--from the office. "Preparations for implementation of the Set of Measures for Improving the Planned Management System in our plant," said engineer Juraj Cefo, the deputy director for marketing and economy in the Pisek Machinery Construction Plant, Liptovsky Mikulas branch, "started immediately after it was published. First by studying it ourselves and then explaining the rules to the plant's personnel. We tried to familiarize people primarily with the functioning of those indices which they themselves affected the most. With this intent in mind we also worked out tables.

"They show in an outline all the indicators, to include who can affect them and how from the viewpoint of economic results. For example, profitability of production assets can be positively affected by the plant's supply department through lowering production stockpiles, production can do it through cutting down the extent of unfinished products, lowering costs of all kinds, etc. Value added can be negatively influenced by workers through poor-quality production, increases in consumption of materials, failure to meet production deadlines, inadequate sorting of scrap metals and the like. These tables and then, in January, also the similarly processed specific tasks of the yearly plan," in the words of Juraj Cefo, "reached every single work team."

Consolidation of the interests of individuals, production teams and the plant, namely motivation for meeting the individual indicators, is to be promoted also by the system of premiums which has been implemented in the plant since the first day of April. Of decisive effect on premiums is meeting output norms, their extent being contingent on full use of manpower and quality of work.

"Results obtained with the implementation of the improved rules in the plant in the first half of the year have been positive," stated Cefo. "For instance, losses from poor-quality production have been 26 percent lower than expected. Similar achievements were also attained in the remainder of the monitored indicators."

In the Pisek Machinery Plant, Liptovsky Mikulas branch, they recomputed the results attained in 1980 into the new indicators and compared them with the results achieved from January to May 1981. In exports to socialist countries, the growth index was 128.6, in meeting the spare parts quota 130.8, in profits 135.6, etc. Thus--according to the assessment of the plant economist--nothing but positive results which, among other things, indicated a change in the attitude of personnel to the quantity, quality and cost of production.

Second view--from the assembly shop. "You can feel the changes in our shop," said Ladislav Osko, the chairman of the plant organization of the CPCZ who works in the department for technical assembly control, by way of confirming the above findings. "I can say that in comparison with the past year the quality of labor increased substantially. The people are getting used to working in a new way, improving the quality of their work, because they know that every poorly produced product will be returned to them for repair and, consequently, they actually wind up losing time and money."

Technical controllers can be hoodwinked. Be it the one who checks individual parts, or the one in assembly. Not one of them can control all the operations and all the parts. After some time, and it usually is quite short, any eventual shortcomings are discovered. Then they can have much more wide-reaching consequences. In addition to the price of the spare part and the work of the repairman the cost of transportation would also have to be paid for, no small amount. After all, up to 60 percent of the machinery goes for exports.

Changes can also be seen, for instance, in more use of shift work. Even the assembly shop operates in two shifts, something of a rarity in our machinery construction plants. True, even the machine builders and assemblers in Liptovsky Mikulas were not and are not exactly elated over working a second shift. But they see that there is justification for it.

"It's needed," was the comment made on the second shift by Vladimir Brtan, an assembly team foreman. In two words he said it all. Such as that while all assembly was done in one shift they had to wait for one another, because the overhead traveling crane could not keep up with all of them and then they had to make up for lost time in overtime. He also mentioned that an eventual expansion of the shop and purchasing of additional equipment while inadequate use is made of existing equipment would only lower return on investment in production assets.... Of equal importance, from the viewpoint of the new indices of production efficiency, is lowering of production costs. Until recently, money was "evaporating" in the assembly shop and had a bad smell to boot--that of trichloride which is used for degreasing products. The tub holding the trichloride has always had a lid, but when they placed into it a product that was higher than the tub's walls, it could not be covered. Almost a full barrel of the chemical evaporated from the tub in a day.

"We increased the height of the tub walls so that today it can be covered up even when it contains a product for degreasing," stated worker Ivan Kasanicky.

Implementation of the Set of Measures brought also some beneficial results for the shop personnel.

"There was quite an improvement in intraplant cooperation," rejoiced worker Peter Mlynarcik. "Now, compared to what things were in the past, we get all parts on time so that we can work continuously, without idle time, without rush work."

We are satisfied when we were leaving the assembly shop together with Ladislav Osko. Just as Juraj Cefo did before, the shop's workers also assessed the working out and implementation of the rules of the Set of Measures in the plant positively.

Third view—from the metal-working shop. With their last payday in mind, the workers from the economic center 110, fitters, planers, boring machine and lathe operators, met to discuss the system of premiums. While collective performance norms apply in the assembly shop, in machining professions they apply individually. That is why workers from the metal-working center were more sensitive in their reactions to some problems. In the second quarter of the year, their meeting of performance norms became complicated by shortages of materials. But the issues did not concern problems from just this area. The problems, as they are felt by the workers of this center, can be summarized in four basic points.

Lathe operator Jan Galfy: "I operate the lathe alternately with a partner. In the past year, unlike him, I was really exerting all my efforts at work and now I am the loser. My partner gets away with doing less work, but he gets more money for it."

Several workers: "Is it normal to have already the third system of premiums since the beginning of the year?"

Grinder Julius Bartik: "We cannot even figure out the premiums under the new system. We don't understand it and it seems to us that it is all being done intentionally."

Several workers: "We had some comments in regards to the system of premiums, but to this day nobody has given us any answers to them."

From the documentation put at our disposal by Juraj Cefo it is easy to find out that even though Jan Galfy was not right when specifically referring to the case involving May (he met the performance norm for May only 138 percent yet his partner, with whom he alternates at the lathe, met it 152 percent), he is right in principle. Last year's exertion, in comparison with his partner, is actually costing him money. The reason is that last year he was meeting the performance norm at an average of 139.6 percent and his partner only at 120.5 percent (even the foreman confirmed that it was so because he did not try hard enough). However, this year their last year's results were evenly increased for meeting of norms—by 1.1 percent. Thus, Jan Galfy's planned meeting of the performance norm this year stands at 140.7 percent, while his partner's is only 121.6 percent.

For all practical purposes this means giving preferential treatment to a worker who posted a poor record the previous year, because he is capable of exceeding not only the prescribed increase (1.1 percent) but, as confirmed by meeting the norms for May, by even more. This, of course, will become reflected also in higher premiums which increase by one-half percent for each 1-percent increase in exceeding the planned quota, up to one-fifth of overall premiums. On the other hand, a worker

who produced better in the past is assigned higher quotas which are harder to exceed. So, in the end, it is actually true that he gets less money for more work, which goes against the principles of the Set of Measures.

The remaining problems mentioned above have the same common denominator--inadequate political preparation. One thing is for sure: implementation of the Set of Measures into practice will not be without conflicts. Definitely not without conflicts with disorderly characters who do not and will not find the new rules to their liking. When these types of conflicts are involved, everything is as it should be. But when dissatisfaction is voiced by conscientious workers, and Comrade Ladislav Osko did rate the discussion participants as such, a mistake must have been made somewhere.

The current stage of implementation of the Set of Measures into practice is marked by a search for optimum forms of unifying the interests of workers with societal interests. In the Pisek Machinery Construction Plant, Liptovsky Mikulas branch, they will have to probe both the positive and the negative aspects. The problems tend to concentrate primarily around the question of premiums. Not every comment made during discussing the latter can be considered for inclusion, but every one of them must be truthfully and understandably answered. Failure to do so will lead the people to justifiably believe that problems are intentionally being obscured, which will inevitably be reflected in the results of their efforts. The Set of Measures for Improving the Planned Management System of National Economy, however, pursues directly opposite goals. Its introduction into practice must be perceived not as adapting the rules to the plant's conditions on paper, but, first of all, as daily dealing with people.

8204
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UTILIZATION OF HYDROPOWER IN CSSR REVIEWED

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 3

[Text] The increase in the price of fossil fuels and the costs of building conventional energy resources calls for a reexamination of all aspects of acquiring such energy resources because they are uneconomical at their former prevailing price relations. Improving the exploitation of the power-generating potential of Czechoslovak rivers by building multipurpose water works, additional hydroelectric power plants and rebuilding and modernizing smaller no longer operating hydroelectric plants presents the same problem.

According to calculations the theoretical hydroelectric potential of Czechoslovak rivers is estimated to be 28.6 billion kWh yearly. Taking into consideration other than energy-related water requirements, technical territorial construction conditions, limits to exploiting the hydroelectric potential of lesser streams and the state of the art of current hydroelectric production technologies, the potential annual hydroelectric capacity which could be built is estimated to total 10 billion kWh. Consideration of the necessary capital investment and the corresponding power yield of individual hydroelectric projects indicates that of the above total 7.6 billion kWh of annual power production capacity would be economically advantageous.

Average annual power production by existing Czechoslovak hydroelectric and accumulation power plants is now about 4.1 kWh which means that only about 53 percent of the existing power generating potential of our rivers is being exploited.

The current contribution of hydroelectric power plants to the CSSR energy balance represents in fuel equivalent approximately 4.5 million tons of brown steam coal or 1.1 million tons of oil products for power production. In 1980, hydroelectric power plants supplied 1.4 percent of the Czechoslovak requirement for primary power and 2.1 percent of the domestic energy supply.

Even though the contribution of hydroelectric power plants to our power requirement is very small, it is important because of the qualitative characteristics of hydroelectric power. It is a renewable primary source of power with very low production costs. Hydroelectric power plants are highly flexible power resources used largely to supply the peak power load needed during morning and evening hours.

Commensurate with the requirements of the Czechoslovak electrification system, the installed capacity of hydroelectric power plants in the last 10 years was increased 48 percent to 2,284 MW. In 1980, accumulation and hydroelectric power plants contributed 9.5 percent to the overall installed capacity of Czechoslovak power plants and pumped-storage power plants designed for secondary generation by nighttime power from thermal and nuclear power plants contribute 4.5 percent of installed capacity.

The above represents considerable effort and expenditure which were invested into the development of our hydroelectric generating potential. The great increase achieved in installed capacity of hydroelectric power plants between 1971 and 1980, amounting to 742 MW, was accomplished mostly by the construction of pumped-storage power plants whose output increased by 680 MW, i.e., more than tenfold, while the capacity of hydroelectric power plants using the energy of flowing water directly increased only 10 percent.

In the 20 years ahead, the envisioned potential multipurpose exploitation of older and new water works, construction of new hydroelectric power plants, reconstruction and modernization of small hydroelectric plants currently out of commission will gradually increase the economically achievable hydroelectric generating potential to 70 to 75 percent of capacity and gain thereby an additional annual output of 3.5 billion kWh. The fuel equivalent contribution of Czechoslovak hydroelectric power plants would thus increase 85 percent and amount to approximately 8 million tons of brown steam coal or 2.0 million tons of oil products used for power production.

Of the envisioned 3.5 billion kWh increase of primary generating capacity by hydroelectric power plants by the year 2000, the major proportion of 2.0 billion kWh (57 percent) is expected to be completed by the end of the eighties as the Czechoslovak share of the Gabcikovo and Nagymaros hydroelectric power plants on the Danube under construction by joint effort with the Hungarian People's Republic. By exploiting the joint Czechoslovak-Hungarian stretch of the Danube, the economically achievable hydroelectric potential of the CSSR will increase up to 29 percent and demonstrate the key importance of the hydroelectric power plants on the Danube for continued development of this resource for our economy.

But the construction of multipurpose water works on the Danube is technically and economically very demanding and time consuming. Aside from the power yield, the project is expected to provide for flood control of the adjacent territory, improve navigation, agricultural production and forestry. According to project calculations of the Danube water works the envisioned production benefits divided among four categories (power production, navigation, Danube flood control and the dredging of gravelsand) should repay the capital investment into the production part of these works in 7.2 years of gross annual revenue. Even though these calculations are based on price relations prevailing in the sixties, it can be safely assumed that the adverse price trend characterizing capital deliveries and budget expenditures for the projects which has developed since the time of preparation of the projects will be compensated for largely by an increase in the cost of and expenditures for comparable energy resources which could be acquired practically only by imports. It is obvious that the economic profitability of the Danube water works and power plants will be essentially dependent on the duration of the time of their construction as a result of the long immobilization of considerable financial means and production capacities

which in other sectors of the national economy and even in the power-production sector could be used for projects with shorter payback and construction times.

According to the inventory of projects planned until the year 2000 and the respective technical and economic calculations, the completion of the cascades of hydroelectric power plants on the Vltava and Vah rivers and the construction of additional hydroelectric power plants on the Labe, Berounka, Ohre, Morava, Dyje, Hron, Bodrog and Hornad Rivers will increase annual power production capacity by approximately an additional 1.5 billion kWh. This would require the construction of up to 60 larger size hydroelectric power plants with roughly two-thirds of them with a capacity under 10 MW, with approximately 800 million kWh in annual output derived from small hydroelectric power plants with an output lower than 0.2 MW. This demonstrates the considerable scope of the construction work and technological equipment required by this undertaking which would have to proceed without interruption with priority given to the economically most promising hydroelectric power plants. The power-supply contribution of the Czechoslovak hydroelectric industry, expressed in terms of fuel equivalent, would equal roughly 7.6 million tons of brown steam coal per year if the above construction program were implemented.

The trend of world market prices of fossil fuels justifies the rationale of undertaking the project and increases the benefits which would accure from the exploitation of potential hydroelectric resources even considering their wide geographic scatter and the necessity of building a great number of small hydroelectric power plants. A change in the economic assessment of and opinion about the advisability of building small hydroelectric power plants can be noted in a number of countries. In the Polish People's Republic, for example, the possibility of erecting 5,000 small hydroelectric power plants each with a capacity under 1 MW is under consideration. The Bulgarian People's Republic has about 800 MW installed capacity in hydroelectric power plants each with an output smaller than 5 MW and an average overall annual output of about 370 million kWh. The USSR has a total of 600 MW installed capacity in small power plants with an annual output of around 700 million kWh each with a capacity under 5 MW and in recent years reconstruction and modernization of smaller hydroelectric power plants is in preparation or already under way with the objective of raising their capacity by another 5,000 MW and power output by 6 billion kWh annually. In France, hydroelectric power plants with a capacity under 1 MW yield 1.4 billion kWh a year and even very small power plants with an output lower than 50 kW are being built. Similarly in Norway, construction of power plants with an output of 25 kW and higher is being considered. In the United States, construction of 1 to 15 MW hydroelectric power plants is part of many improvement projects representing a potential of 5,100 MW capacity.

In the thirties, more than 12,000 small hydroelectric power plants with an overall capacity of 229 MW were registered in Czechoslovakia but in 1953 only 5,500 of them were still in operation and in 1966 only 600 remained. In the postwar era only two small hydroelectric power plants with an output smaller than 2 MW were built in our country. In 1980, according to preliminary information, only 134 small hydroelectric power plants with an overall capacity of 60 MW were still in operation in the CSSR. An updated, thoroughly documented report will become available when the processing of results of the inventory which is being conducted in accordance with the CSSR Government resolution adopted at the end of 1979 is completed; the

government has also approved the Principles Governing Intensive Exploitation of the Hydroelectric Potential of Waterways in the CSSR for Power Generation by Small Power Plants.

The economic advantage of hydroelectric power plants exploiting the primary hydroenergetic potential of waterways is based primarily on the fact that they are a domestic renewable primary energy resource. Compared to thermal or even nuclear power plants their higher specific capital costs also cover costs which would have to be expended on coal mine expansion or the development of industrial branches manufacturing products needed to pay for fuel and energy imports. Beyond that, from the societal viewpoint, the key item of construction expenditures of hydroelectric power plants is only the amortization of the water works and the equipment while in thermal power plants it is the expenditures for fuel derived from the construction costs and the disposal of ashes. Fuel transportation and ash disposal likewise require considerable capital and construction expenditures. Other hydropower advantages include up to 10 times lower specific consumption of power for its production compared with power produced in thermal or nuclear power plants.

Further, most hydroelectric power plants are located near population centers and do not require expensive transmission and transformation installations. Eydropower is being supplied to consumers with fewer losses caused by the superimposed power-distribution system.

From the societal viewpoint, the economic results of enterprises managing the CSSR hydropower industry are considerably distorted by the inclusion of frequently excessive rental payments for the use of water works whose beneficiaries are forest and water management organizations. To create favorable conditions for the continued development of hydropower, it will be necessary to revaluate the amounts of the rental payments to bring them down to realistic levels. Some progress has already been made in this respect in that the CSR and SSR forest and water management ministries have reduced this year the rent for the use of water works for small-scale hydroelectric power generation by the Federal Ministry of Fuels and Energy by 80 to 95 percent and abolished rental payments for other ministries.

A vital problem in modernizing existing and building new smaller hydroelectric power plants is the production and availability of necessary spare parts and of the required assortment of small hydraulic turbines, generators and control equipment. This problem can be mastered by building on the experience of former producers of traditional equipment. The CKD Blansko Works developed very rapidly 0.5 to 10 MW elbow-type direct current turbines used in exploiting the head of existing weirs without the need of large investments. Beyond that, our engineering industry can also sell hydropower equipment advantageously on foreign markets because practically worldwide demand exists for this technology. Praise is due to the CVUT [Czech Institute of Technology] for meeting the existing needs of the small hydroelectric power plant sector by coordinating doctoral theses and study themes in this field and assigning them to building construction, engineering, electrical and architectural schools of higher learning; without the framework of these studies the possibility of using mass-produced 50 to 1,100 kW propeller pumps is also being explored. Their use would reduce expenditures for the envisioned modernization of existing and construction of new small hydroelectric power plants.

Czechoslovakia has very advantageous conditions for the construction of pumped-storage hydroelectric power plants which can improve the functional application of hydropower by exploiting idle capacity for peak-load power requirements and also within the framework of international cooperation of electrification systems of the CEMA member states. In the future, the expansion of pumped-storage hydroelectric power plant construction will increase steadily, in parallel with the transition to the buildup of installed nuclear power generating capacity and the rise of the popu-proportion of nuclear to overall capacity of own power generating resources.

The degree of exploiting the full potential of fuel elements in the types of nuclear power plants under construction depends on the evenness of the daytime and nighttime load and over the lifetime of the fuel elements, a condition which can only be met by the availability of a corresponding proportion of flexible peak-load-supply installations. The shortage of high-quality fuels renders prohibitive the construction of the necessary proportion of peak-load capacities in the form of flexible oil- or gas-fired thermal power plants as a supplement to power plants whose output is hard to regulate and in our conditions the hydropower alternative does not represent a feasible solution of this problem for technical and economic reasons.

By the end of 1981, the CSSR Stechovice II, Dobsina, Ruzyn, Liptovska Mara and Dalesice pumped-storage power plants currently in operation have an overall installed capacity of 491 MW. The construction of six units of the Cierny Vah pumped-storage power plant, each with a capacity of 110 MW, will be completed in 1981 and 1982 and another, the Dlouha Strane pumped-storage power plant with an overall capacity of 600 MW, is under construction.

In recent years, the annual output of pumped-storage power plants was about 500 million kWh, an output which falls short of the capacity of these plants. The causes of their temporary lower output are the lowering of the rate of interest of power consumption and the flattening out of the load curve as a result of organizational measures taken because of the existing fuel-supply situation facing power plants. At present, nuclear power plants constitute only 5 percent of the installed capacity of Czechoslovak power plants. Gradually, with the startup of additional nuclear power plants, the capacity of pumped-storage power plants will be exploited more efficiently.

Pumped-storage power plants operate with an efficiency of 70 to 72 percent, which means that approximately 1.4 kWh nighttime or low-load period power are needed to supply 1 kWh of peak load power. Thus the technological quality and the operating efficiency of Czechoslovak pumped-storage power plants equals the world standard. Therefore, in addition to supplying peak-load power, which according to international tariffs costs two and a half times more than nighttime power, they are also used for standin service, such as during power outages due to power plant breakdowns, to compensate for load changes by domestic customers and within the framework of international cooperation for the regulation of frequency, mastering load gradients and complying with the rules of international cooperation. Czechoslovak pumped-storage power plants are also expected to be used to raise the value of cheaper nighttime power which, according to long-term agreements, will be supplied by the Soviet Union and part of their installed capacity will also be made available to other countries within the framework of parallel cooperation of the interconnected electrification systems of CEMA member states.

Available studies indicate that in the CSSR suitable landscape conditions exist for the construction of pumped-storage power plants in up to 300 locations and of these about one-third were evaluated with a view to selecting appropriate sites for the foreseeable future in the order of priority. Thirty-seven locations selected for detailed study offer the possibility for establishing a capacity of up to 23,400 MW with an annual output of 36.5 TWh assuming a daily supply of turbine-generated power over 3.5 to 7 hours according to operating conditions of individual power plants.

Future development of pumped-storage power plants in the CSSR will depend on the needs of the electrification system and especially on the rate of increase of the percentage of power generated by nuclear power plants. As planned, nuclear power plants should be generating more power than the currently predominating coal-fired plants as early as the second half of the eighties. This indicates the tentative peak-load power requirements to be supplied by pumped-storage power plants and the time needed to prepare for the capital construction involved. The operation of nuclear power plants requiring annual replacement os spent fuel elements causes interruptions in their power supply in the course of the year. International experience has demonstrated that the use of pumped-storage power plants is highly advantageous in that it ensures operational stability and the uninterrupted supply of power to customers by a system with a high percentage of nuclear generating plants whose output is hard to regulated.

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BEZIRK-LEVEL COMBINES CREATED FOR WHOLESALE CONSUMER GOODS TRADE

Objectives of Reorganization

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/Article by Harri Gerold, economist, general director, Central Commodities Office for Wholesale Trade in Commodities for Everyday Needs, East Berlin: "Requirements of Productive Wholesale Trade in Commodities for Everyday Needs"/

/Text/ Over the last 5 years, wholesale trade in commodities for everyday needs has produced major achievements in the area of supply and has been instrumental in increasing the economic effectiveness of the domestic consumer goods trade. This is illustrated by the following figures:

Item	1976	1980	Development (in percent)
Wholesale trade turnover (in billions of marks)	22.1	27.0	122.2
Labor productivity (in thousands of marks)	828.0	937.0	113.2
Transshipment figure	15.3	16.3	106.5
Freight shipments (in millions of marks)	1,123.0	1,219.0	108.5

Net profits were raised to 111.7 percent during this period. The approximately 43,000 employees in the wholesale trade in everyday commodities who work at the 65 wholesale trade enterprises and 363 warehouse facilities, which include 680,000 square meters of main work area, are entrusted with a capital goods inventory valued at about M 1.8 billion. To cope with the steadily increasing transshipment operations, the share of goods moved on pallets was increased from 1.79 million tons (68 percent) in 1976 to 2.16 million tons (80 percent) by 1980.

In the area of commercial transport, second-shift deliveries increased from 30 percent in 1976 to about 40 percent in 1980. Despite the concentration and specialization of production, the wholesale everyday commodities trade works with 18 accounting organs and about 4,000 industrial and agricultural enterprises as a result of the great variety of goods.

Delivery ties with the retail sector are maintained with about 70,000 sales outlets, market halls and rural shopping centers, approximately 34,000 restaurants and hotels and 31,000 social consumers.

Supply Responsibilities

In accordance with the large proportion of basic commodities contained in its trade program, the wholesale trade in everyday commodities bears great political responsibility for supplying the public. As a result of the increased demands of the 1980's, it is charged with the following responsibilities:

Assurance of a stable supply of basic commodities needed in the daily life of every family, regardless of its income level; continued gradual improvement in supplying the public with the trade program's remaining assortments of products by making the most effective use of the goods available for consumption in terms of supply policy and the economy as a whole;

Intensification of trade processes based on scientific-technical progress in the entire marketing chain, from production to retail trade; assurance of tangible growth in economic productivity and a continued increase in the economic effectiveness of trade activity;

More effective use of social labor resources combined with improvement of working and living conditions; increased willingness to achieve on the part of all employees, especially through support for initiatives in socialist competition and innovator affairs.

Principal Ways To Improve Management and Organization

Incorporated in the plan for further improving management and planning in wholesale trade in commodities for everyday needs are the actions needed to meet the stiff requirements for upgrading management in the areas of supply and trade processes as well as for making further improvements in economic organization. These measures are to be implemented consistently and uniformly in all bezirks in accordance with clear priorities.

Further Development of Supply Management

Supply management takes in research on marketing and demand, the structuring of product assortments, the planning of finished goods inventories, the purchasing and movement of goods, the organization of ordering and delivery and supply information and control — all of which processes are interdependent. All the way from the ZWK WtB [Central Commodities Office for Wholesale Trade in Commodities for Everyday Needs] to enterprise departments, uniform supply management is to be developed on the basis of the plan through the coordinated efforts of all the organs and

enterprises involved in supplying the public with commodities for everyday needs. Improved forecasting and a prompt recognition of and immediate reaction to potential supply problems must become the main element of operational supply management. There must be no compromises in basing the work on the comprehensive organizational regulations for uniform management of supply at all levels in the wholesale everyday commodities trade. Demand research and the ascertainment of demand must be organized more effectively and conducted in a strictly uniform manner. Within the framework of bezirk-level economic organization, a higher quality of work is needed in ascertaining demand. The trade sector must coordinate its uniform position on demand with industry as a basis for drawing up general plans for product variety. Further work has to be done on planning the finished goods inventories, inventory development and reserves in order to assure a stable supply of goods for everyday needs. The system of central control nomenclatures must be improved to comply with supply requirements.

Wholesale purchasing must guarantee the finished goods inventories provided for by the plan and must be organized for great effectiveness. By means of a precise delivery schedule structure that includes units of 10, quality parameters and rules for packaging and transport, the contracts must ensure the continuity and stability of goods delivery, and thus of supply.

Implementation of the contracts must be strictly supervised. The existing communications- and orders-manager system has to be organized in such a way that it is capable of assuring a constant overview and the ability to respond by all those involved in supply; this process must range from material-technical supply guarantees in accordance with the plan and account balancing to the arrival of goods on the market. Large contingency stocks serve to compensate for unforeseeable fluctuations in demand.

Necessary to all this is a direct-line organization, interrelation and comprehensive evaluation of supply information. Using available EDP programs, the existing periodic information system is to be upgraded for use in the long-range and operational management of supply at all levels, thus assuring a prompt and more accurate identification of the most important data. The information systems operated by production, trade and statistics are to be coordinated and standardized to avoid duplication of effort. Introduction of the ESER [uniform electronic data processing] system between 1980 and 1983 in all enterprises of the wholesale everyday commodities trade are providing for the district and central organs new information options which meet the growing demands for improved supply management. At the same time, during the period before 1985 we must lay the groundwork for employing microelectronics in the wholesale trade in everyday commodities, with emphasis on controlling the processes involved in moving goods in the warehousing sector, rationalizing the ordering and delivery system (dropping the punch-card system in the tub file) and upgrading supply management.

Operational supply management in the area of everyday commodities must manage the planned finished goods inventories in such a way that a continuous supply throughout the year is assured and the bezirk supply plan is implemented. This calls for continuing the comprehensive transference of good results obtained in working with district general supply plans, and for further expanding the work of dispatchers in the operational control of goods delivery and inventory transfers in line with

experiences in Berlin. The bezirk-level wholesale trade programs for everyday commodities must be standardized to ensure uniform and direct management of supply.

Cooperation With Production

The increasing socialization of socialist production is creating new conditions and opportunities for advancing cooperation between trade and production. It must be oriented toward the following priorities in particular. Based on societal development and the needs of the people, long-range programs in consumer goods production and agriculture must be used to establish points of departure for programs to modernize important groups of products — like those for supplying children's needs, facilitating housework and for dietary products. A key point here is the modernization of a variety of standard articles which, using domestic raw materials, can be produced, shipped and offered for sale in large, high-quality lots that produce a good economic result; at the same time, packaging units and product assortments are to be made as effective as possible. Interlocking production balances are to ensure that the production and circulation sectors bring into the planning by production, transport and trade the raw-materials, packaging, transport and material-technical prerequisites needed to carry out this program.

On the basis of these long-range programs, expert assistance is to be given to industry in drawing up long-range product assortment plans for the five-year plan periods. They are to be carried out precisely in the annual plans. Effective influence is to be brought to bear on quantity, value, price group structure, delivery schedules and other qualitative features until they assume their place in the concrete supply scheme.

In close cooperation between trade and production, commodity purchasing must assure the finished goods inventories provided for by the plan. It must be organized very effectively, since the centrally organized purchasing system includes only those selected product assortments that are characterized by great variety and depth, interchangeability and large number of suppliers, since purchasing for the other product assortments is decentralized but accomplished in accordance with central overall conditions, and since purchasing is carried out through bezirk-level purchasing collectives by qualified retail trade personnel.

Cooperation With Retail Trade

The further strengthening of cooperation between wholesalers and retailers in commodities for everyday needs must be aimed at jointly mobilizing all forces to achieve good district supply results based on bezirk supply plans. This calls for full implementation of the stipulated measures for improving the organization of ordering and delivery procedures. On the basis of specific local conditions, these measures are to concentrate on the following areas:

Increasing the stability of goods transshipment and its economic effectiveness;

Making goods delivery as efficient as possible;

Upgrading sales organization and continuing with standing orders;

Increasing order and reliability in the delivery of goods from the wholesale trade to the retail trade.

The proven organizational forms of current cooperation — for example, work with managers' meetings, coordination councils and joint work groups involved with processes and product assortments — must be made more obligatory and directed toward a uniform, coordinated management of the processes.

Increasing Productive Capacity

The uniform and direct management of trade activity must ensure that finished goods inventories provided by the plan are moved from the production site to retail trade at the lowest possible cost to society. Management must place added emphasis on guaranteeing optimum cooperation among labor, means of production and work materials in the process of moving goods, backed up by a thoroughgoing analysis of the processes involved. The coordination of intensification plans for the years 1981 through 1985 with industry's combines, plus topical planning in the field of science and technology, are to be used to determine how to organize on the basis of a joint process analysis the economically most efficient distribution of goods from the production site to retail trade. The work should be focused on the transshipment of bulk goods such as detergents, water softeners, sugar and flour from production sites to major retail trade outlets using a self-contained container system involving no warehousing.

A large increase in productivity for the wholesale trade in everyday commodities requires above all the further improvement of work with norms and standards; it also calls for orienting accounting, statistics and industrial management work toward the exploitation of reserves and for making the economic control and internal auditing system fully effective.

Priorities here are consistent elimination of the unjustified differences in performance among the wholesale enterprises for everyday commodities; the minimization of trade costs and radical reduction of trade losses; increased effectiveness of capital goods and circulating capital; exploitation of reserves in the area of energy use and the economical use of materials; and increased order and reliability.

Establishment of Bezirk-Level Wholesale Trade Combines

As a result of the greater demands on supply and trade activity in the 1980's, and considering the concentration processes taking place in production, it is objectively necessary to continue to develop the economic organization of wholesale trade in commodities for everyday needs.

In accordance with the established basic policy, preparations will start on 1 January 1981 — beginning in Erfurt Bezirk — for the formation of bezirk-level wholesale trade combines for the everyday commodities trade. The combines, with bezirk-level management, will function as district administrators of finished goods inventories and as uniform, bezirk-level management organs for supply and trade processes. They will thus ensure more favorable conditions for state management of supply and economic activity as practiced by the bezirk councils.

Bezirk-level wholesale trade combines are being established with a view to various aims and responsibilities:

Effective long-range and operational management, planning, organization and control of supply and trade activity;

Increased effectiveness of trade activity through centralization of the functions of supply management and cooperation in the combine, industrial management, accounting and statistics, and through economic control and internal auditing;

An increased capacity for cooperation vis-a-vis the production enterprises, especially as regards the expansion of direct distribution lines to the food industries of the bezirks; increased capacity for cooperation vis-a-vis retail trade, concentrating on improvements in the existing organization of orders and deliveries;

A growing productive capacity achieved through rationalization, concentration and specialization of goods transshipment processes in the bezirk in accordance with uniform bezirk criteria;

Better use of social manpower resources along with reduced management and administrative costs achieved by doing away with intermediate levels of management and implementing modern methods of accounting with the aid of EDP.

Effectiveness of the Central Commodities Office

If the level of supply and trade work and their management is to be upgraded according to uniform standards, and the bezirk councils are to receive support in carrying out their responsibilities, the effectiveness of the ZWK WtB must be increased along the following lines:

A strengthening of its role as the central administrator of capital and capital goods vis-a-vis the industrial combines and other account-balancing organs in the production sector; development of uniform principles of cooperation, particularly a uniform and efficient organization of orders and deliveries between the wholesale and retail trades;

Establishment of a scientific-technical lead for the entire wholesale trade branch;

Development of model projects and re-utilization options aimed at the intensification of trade processes and broad implementation of the best existing options;

Uniform development of EDP programs and establishment of a research lead for the application of microelectronics;

Development of the best options, performance norms and standards, as well as an analytical investigation of the reproduction process of bezirk-level economic organizations.

The better coordination of supply work and economic activity attainable with this economic organization constitutes an important starting point for increasing the productive capacity of wholesale trade in everyday commodities and the willingness

of its employees to achieve. Crucial to this is a better quality of personnel work as well as basic and advanced education. The aim is to achieve a larger proportion of qualified advanced- and technical-school cadre in the ZWK WtB and in the bezirk-level economic organizations, with available personnel reserves linked with formation of the combines. New forms of basic and advanced education are to be employed. Examples of this are the drafting of apprenticeship certificates for management and mid-level personnel working in wholesale trade in everyday commodities (including ones on the application of microelectronics) or the use of slide shows with sound tracks for training employees in the process of moving material goods.

Fifteen Combines by 1983

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[Article by Dieter Meiran, economist, deputy general director, Central Commodities Office for Wholesale Trade in Commodities for Everyday Needs, East Berlin: "Combine Formation in Stages"]

[Text] Our strategy is supported by the objective demand and the desire to raise the quality and effectiveness of economic management to a new and higher level, to realize new dimensions in the growth of productivity and effectiveness. A basic prerequisite here is to gain such control over the complex economic reproduction process — from raw materials production to the production process and on to the effectiveness of consumer goods supply — that the greatest possible effectiveness is achieved as regards the overall economic result and supply to the public. Wholesale trade in everyday commodities has its own important contribution to make to this process because it occupies a key position in supplying the public with goods for everyday needs, thus bearing a decisive responsibility.

If we are to be able to meet the new economic standards, we must develop a system of uniform and direct management, planning and organization of supply and trade activity based on the level of development attained in the supply, trade and economic processes, the extent of concentration and centralization of functions and processes, and evaluation of the experiences of industrial combines.

The decisive step to be taken here in terms of managerial and economic organization is the development of highly productive bezirk-level economic organizations, ending in the formation of bezirk-level combines for wholesale trade in commodities for everyday needs. The formation of such combines is in line with the objective developmental trends toward concentration, specialization and combination. It simultaneously takes into account preceding developments with concentration and specialization in the production sphere and substantially increases the degree of effectiveness of the overall economic process contributed by strong partners in the circulation sphere.

Management Close to the Process

Bezirk-level combines for wholesale trade in everyday commodities are being formed in three stages. They build on one another and must be observed absolutely to ensure that a substantive change actually takes place and that the combine formation process does not become bogged down in questions of structure.

The first stage is that of exploring all the possibilities and potential offered by the existing system of management organization and economic organization. The aim here is to improve the management of trade and supply processes in line with the new demands and to increase economic results substantially.

The second stage involves the systematic implementation of measures designed to centralize functions and processes that can be carried out more efficiently and effectively by a central bezirk-level organization. Included are the following responsibilities:

Market research and demand research, planning of finished goods inventories and commodity purchasing, contract control;

Planning, accounting and analysis using the OAZ [expansion unknown]
Gera is setting up a model program which will be available for duplication beginning in the last half of 1981;

Rationalization and upkeep, including scientific and technical planning, reproduction of capital and investment activity;

Personnel work, basic and advanced education and social affairs.

Wholesale trade in commodities for everyday use has developed to the point where these first two stages are now being carried out in all bezirks.

It is especially the second stage — that of centralizing functions and processes in the leadership work and responsibility of bezirk directorates — that constitutes attainment of a first step and a conversion to management which is in close touch with the process. This very implementation by the bezirk directorate of management close to the process is an important phase in preparing for the transition to the direct process management that must be fully implemented once the combine is established. This phase must not be underrated but should be used extensively to upgrade the qualifications of employees and management personnel in all sectors and at all levels.

Direct Preparation

The third stage is direct preparation for combine formation. According to initial findings, this third stage is being carried out in two distinct phases with the following main activities. The first phase involves obtaining the decision by the state, which calls for working out a common position in the management collective of the bezirk directorates and with the directors of the GHG's [wholesale trade cooperatives] regarding the level of development in the bezirk-level economic organization and regarding the steps to be taken in forming a combine.

Also necessary is advance coordination of this basic conception with the bezirk council, its decision to be followed by the drafting of an initial plan for development of combine management of wholesale trade in everyday commodities in the bezirk.

Building on these steps, a proposed resolution is then drawn up and combined with the order for formation of the State Combine for Wholesale Trade in Commodities for

for Everyday Needs and the final plan; approval is then obtained by the bezirk council from the Minister for Trade and Supply, and the resolution is passed by the bezirk council.

As early as this preliminary stage, there must be coordination and close collaboration by the regional social and state organs.

The second stage involves the direct preparations at the bezirk level of economic organization. This process is managed directly and personally by the chief director of the bezirk directorate. The basis for this is the general plan passed by the bezirk council and the order for formation of the State Combine for Wholesale Trade in Commodities for Everyday Needs. The general plan contains at least the following information:

What objectives and measures should be used to fulfill the four basic demands on wholesale trade in everyday commodities for the 1980's as described earlier — especially the continued upgrading of supply management, the intensification of trade processes and increased economic effectiveness? Also included here are determinations concerning responsibility vis-a-vis the kreis councils and district social organs;

Precise definition and determination of additional measures aimed at consistently continuing to centralize under the responsibility of bezirk directorates the functions and processes begun in the second stage;

Development of a highly productive future main enterprise capable of a control function, accompanied by a determination of the form the combine is to take. In line with existing district conditions, two combine forms are being used in wholesale trade in everyday commodities:

Type A — Main enterprise with affiliated enterprise departments

Type B — Main enterprise with enterprise departments and additional combine enterprises

In both cases the main enterprise is under the direct management of the combine director.

Action and Schedule Plan

The general plan also contains an action and schedule plan that covers specifically and in detail all tasks, schedules and responsibilities:

Formation of a bezirk-level operational staff headed by the main director and composed of the following members: party secretary and BGL /plant trade union executive board/ chairman of the bezirk directorate and future main enterprise; sector directors and head accountants of the bezirk directorate; directors of the GHG and the VEB Commercial Transport;

Formation of work groups for: political-ideological work and development of initiatives; supply management/trade/cooperation; movement of goods/goods transshipment;

scientific-technical development and intensification, including EDP; economic effectiveness and social manpower resources; economic control/accounting and statistics; management and organization; personnel work and social development.

The work groups are headed by members of the central operational staff. Following receipt of a staff-approved manual of duties for their sphere of responsibility, they are charged with working out efficient methods and sequences and with drafting the most important managerial and organizational documents. They participate in the introduction, impl ementation and verification of the individual measures;

Drafting of personnel plans and, once approval has been obtained from the bezirk council, holding personnel discussions as soon as possible regarding filling the key position in the future combine;

Drafting of the by-laws and obtaining approval by the bezirk council following prior approval by the Ministry for Trade and Supply;

Drafting of a plan for political-ideological and organizational preparation for overall bezirk-level economic organization, including a training program, and conduct of training for management personnel;

Drafting of additional important directives as well as management and process documents;

Guarantee of accountability and receipt of information; cooperation with the district state and social organs as well as with the cooperation partners of retails trade and production.

The most important task in this second phase of the crucial third stage is for the bezirk-level central operational staff, headed by the chief director, and its work groups to assure the following conditions:

That clear political leadership for these processes and concentration on key substantive issues will preclude any unilateral reduction of tasks to the level of economic and managerial organization measures;

That the long-range personnel plans will bring a new quality to combine operation methods and to direct process management by the bezirk directorate, and that these plans will lead to the development of stable management collectives;

That all employees of the future combine will receive prompt information and be included in the accomplishment of combine tasks; socialist competitions are to unleash comprehensive new initiatives designed to increase economy and performance in the supply sector.

Higher Level of Supply

One of the ways in which wholesale trade in everyday commodities is responding to the increased demands of the 1980's is by improving its management and organization. The focus here is on the establishment by 1983 of 15 highly productive bezirk-level economic organizations in the form of state combines for wholesale trade in everyday

commodities. Substantive preparation is and will continue to be the decisive criterion for determining the time for formation of a combine, a determination to be made exclusively by the bezirk council. This is to guarantee that the combine will assure a higher level of supply operations in providing the public with basic commodities, while simultaneously making a greater economic contribution to overall economic effectiveness. This is the sole standard by which to judge the respective level of preparation and to measure the performance of the combine.

Experiences of Erfurt Combine

East Berlin DER HANDEL in German Vol 31 No 2, Mar-Apr 81 signed to press 16 Feb 81 Supplement pp 6-9

[Article by Siegfried Schaedler, economist, combine director, VEB Combine for Wholesale Trade in Commodities for Everyday Needs, Erfurt; Dr Bernd Meininger, deputy combine director, Erfurt; and Dr Norbert Pietsch, Institute for Socialist Economic Management, Leipzig Trade College: "Improved Management and Organization of the Supply Processes"]

[Text] The fundamental objective of combine formation in wholesale trade in commodities for everyday needs is that of adapting the level of management and organization of this important sector to the qualitatively greater demands of the 1980's. The existing forms and methods of management and planning in the bezirk-level everyday commodities trade are no longer adequate to meet the standards established by these demands.

Limits of Increased Productivity

The present structure of bezirk-level economic organizations in terms of organization and commercial law and the resulting methods of operation employed at the individual management levels — especially the bezirk directorates — have reached their objective limits of productivity. In part, this structure stands in clear contrast to the growing demands for efficiency and the level of socialization actually attained in the transshipment of commodities. Management and organization of bezirk-level trade in everyday commodities cannot objectively guarantee the necessary reliability of demand forecasting and observation of the market, uniformity in commodities purchasing and contract implementation, or the direct management of supply processes; this is because of an enterprise-oriented coordination of manpower and duties in these sectors. Management relationships within the framework of district state supply management — especially with the kreis councils — are overly complex in some instances, and there is inefficient duplication of effort and parallel effort. These factors set individual enterprise limits to comprehensive utilization of existing warehouse capacity, further specialization and concentration in the transshipment of goods, assurance of uniform bezirk transshipment of containers and empties, as well as the most efficient use of social manpower resources. Heavy spending for management and coordination can be only partially effective in mobilizing existing reserves when it comes to reducing costs for the purchase and shipment of goods, reducing managerial and administrative costs, implementing uniformly the model values attained in labor productivity, as well as reducing trade losses. The result is unacceptably great differences in performance levels among enterprises within the bezirk, differences that are not disappearing fast enough.

It can be concluded that the present arrangement of bezirk-level economic organizations for wholesale trade in everyday commodities — set up as bezirk directorates, which are predominantly administrative in terms of orientation and function, serving as economic management organs and legally autonomous wholesale trade enterprises and enterprise departments — no longer meets the requirements for effective and efficient management and organization of trade processes.

Inefficient intermediate levels of management, as well as duplicate and parallel efforts, hinder the effective implementation of uniform and responsive management of goods transshipment and supply processes at the bezirk level.

Wholesale trade in everyday commodities has become a main link in the continuing development of management and organization in the socialist consumer goods trade. In this regard the basic provisions of the Decree on State Combines, Combine Enterprises and State Enterprises are to be applied in various ways, and the experience gained thus far in industry and trade — especially with wholesale trade in everyday commodities in the capital city, Berlin — is to be given careful consideration.

Consequently, the order of the day in this trade sector is to form bezirk-level combines which will effectively model their reproduction processes according to uniform branch standards and criteria, and which will accomplish their district supply tasks in a stable manner while assuming increasing responsibility for their own operations.

The formation of bezirk-level wholesale combines for trade in everyday commodities is based on the principle of establishing a uniform transshipment, supply and reproduction process in the bezirks, combining these elements in a self-contained, highly productive economic unit at the bezirk level. This will bring about more favorable conditions that will enable the local state organs to exercise in full their district responsibilities for managing, planning and coordinating the process of supplying everyday commodities; wholesale trade in these goods will thus more effectively be brought in on the more efficient organization of and managerial control over district processes — in accordance with its objective position in terms of goods transshipment and the supply effort. In addition, all internal reserves aimed at increasing the effectiveness of trade activity in the wholesale everyday commodities trade will be mobilized uniformly within the branch.

Effective Supply Management Close to the Process

The Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs is subordinate to the bezirk council and is largely responsible for supplying the bezirk with everyday commodities. It ensures a stable supply of basic commodities, an economically effective assortment of goods commensurate with supply policy and the well-planned use of finished goods inventories based on the bezirk supply plan. It supports the bezirk council as well as the kreis councils in their effective, farsighted management of the everyday commodities supply system aimed at implementing the bezirk supply plan and district rationalization plans. As the bezirk-level administrator of finished goods inventories, it plans, balances accounts for and guarantees these inventories for the bezirk.

Fig. 1.
Leitungsgrundstruktur des volkseigenen Kombinates Großhandel WtB Erfurt

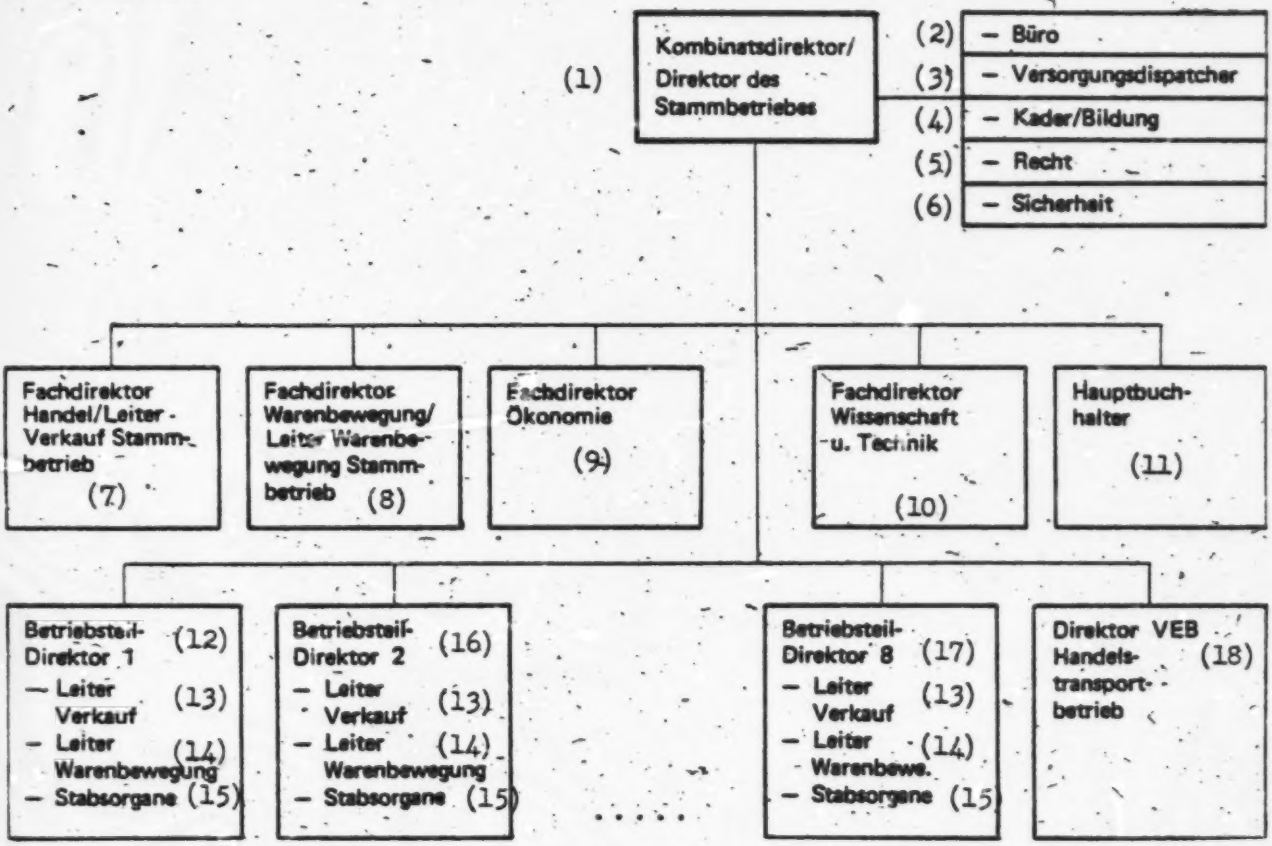

Fig. 1. Basic Management Structure of the State Combine for Wholesale Trade in Commodities for Everyday Needs, Erfurt

Key:

1. Combine director; director of main enterprise
2. Office
3. Supply dispatcher
4. Personnel/Education
5. Legal affairs
6. Security
7. Technical director for trade/ main enterprise manager for sales
8. Technical director for goods movement/ main enterprise manager for goods movement
9. Technical director for economy
10. Technical director for science and technology
11. Head accountant
12. Director, Enterprise Department 1
13. Manager for sales
14. Manager for goods movement
15. Staff organs
16. Director, Enterprise Department 2
17. Director, Enterprise Department 8
18. Director, VEB Commercial Transport

On the basis of the combine type of management in the areas of ascertainment of demand and market observation, the purchasing of commodities and implementation of contracts, the Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs assures that quality preparation precedes the decisions covering the effective use of finished goods inventories by the local state organs. It is characterized by a substantially greater capacity for cooperation with industry and retail trade, since it is expanding direct marketing ties with the bezirk's food industry and is continuing to work with the retail trade to improve ordering and delivery procedures.

The combine assures substantially greater productive capacity and effectiveness through uniform use of the bezirk's goods transshipment potential and its realization, through organization by the combine of planning, industrial management, accounting and statistics as well as economic control, and through a tangible reduction of managerial and administrative costs.

The combine operates on the main-enterprise principle, with eight affiliated enterprise departments and one combine enterprise for commercial transport. The combine director handles the management and planning of the uniform reproduction process within the combine as well as the duties of the Erfurt main enterprise. The combine's technical directors and other management employees have corresponding process responsibilities.* The combine is thus characterized by an effective and closely process-related management of supply, transshipment and reproduction processes.

The uniform, long-range development of the economic unit as a whole is assured by the establishment of comprehensive sectors of process responsibility as well as by the extensive centralization of management duties and processes in the combine management body in unison with the main enterprise. This simultaneously enables the enterprise departments to concentrate fully on carrying out their supply missions and coping with the goods transshipment process.

The formation of the Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs is the result of a fairly lengthy and continuous development of economic organization at the bezirk level and a step-by-step application of the basic principles of combine-style management. The necessary measures were strictly administered on the basis of a general plan approved by the Erfurt Bezirk Council following prior approval by the Minister for Trade and Supply. The collectives were regularly drawn into this task via the socialist competition.

Greater In-House Responsibility

The Process of preparing for and forming the combine produced greater and greater effectiveness and in-house responsibility when it came to accomplishing the supply tasks assigned to wholesale trade in everyday commodities. The following examples, among others, show this to be true:

The establishment of better guarantees for assurance of planned finished goods inventories — especially the decentralized ones — by means of strict supervision of contract implementation;

* Decree on the State Combines, Combine Enterprises and State Enterprises, GESETZBLATT DER DDR, Part I, No 38, 13 November 1979, Art 26, para 2, p 27.

Uniform management of the supply sequence and the assured provision of long-range supply information reports, especially concerning the drawing down of finished goods inventories;

Expansion of the service and consultation function in the EIZ [Purchasing and Information Center], the stabilization and expansion of standing orders, and a new quality of cooperation with retail trade in the coordination councils;

Drafting and implementation of a dispatcher, information and reporting ordinance concerning the operational management of supply — in close cooperation with the local state organs and the retail trade.

By exhausting the existing production and management potential, achieving greater uniformity in the processes and continuing with measures aimed at concentration and specialization, we were able even in the preparatory phase of combine formation in 1980 to achieve substantial economic results compared to 1979.

This is shown, for example, by an increase in net profits to 118.2 percent. This means that in the case of the index figure for net profit per M 100 in goods turnover, a value of M 1.26 was achieved. Labor productivity increased to 106.1 percent, which corresponds to a turnover valued at M 1.107 million per employee. Wage cost outlays were reduced to M 0.75 per M 100 in goods turnover compared to M 0.83 in 1979. The index figure on risks in goods transshipment dropped to M 1.33 compared to M 1.39 in 1979.

The centralization of processes made it possible in 1980 to free 12 employees in the control and management sector to help out in the transshipment sector. On the basis of these results, the combine has set lofty goals for 1981 aimed at continuing to increase effectiveness and has incorporated them in the competition program.

The following measures are planned:

To prepare for the 10th Party Congress by reducing trade costs by the amount of 1 workday;

To reduce the risks in goods transshipment to M 0.70 per M 1,000 in goods turnover;

To use the Schwedt Initiative to save a planned 145,000 working hours and free an additional 24 workers (VbE [full employment unit]) from the control and management sectors for work in moving goods; to forgo the use of 30,000 working hours above the plan and to free 7 workers; to earn a net above-plan profit of M 1.2 million by mobilizing additional reserves.

Experiences Gained From Preparatory Phase

Long-range continuous planning was an essential factor in the successful start of operations by the Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs. This is experience that can benefit management's approach in all bezirks. Preparation for combine formation must be used in order to apply basic principles of the combine type of management within the framework of the existing economic structure. Effectiveness reserves are thus mobilized within a short period, and

the political-ideological and process- and management-related prerequisites are established for formation of the combine. In terms of process-related prerequisites, the following points are key elements:

Bezirk-level centralization of tasks, thus strengthening the impact of the bezirk directorates as process-management organs;

Modernization of the GHG's in the bezirk capitals to make them into productive units and future main enterprises;

Mobilization of existing reserve capacities for goods transshipment by means of further concentration and specialization.

Bezirk-level centralization should be directed toward those tasks which can be handled better on a centralized basis, which create conditions more conducive to the direct management of supply and which promote the establishment of a self-contained reproduction process (ascertainment of demand, planning of finished goods inventories, purchasing, bezirk-level rationalization capacities, expansion of bezirk-level maintenance systems, accounting and statistics tasks using the bezirk -level OAZ as employed by Gera Bezirk, economic control, bezirk-level vocational training and others).

Also involved is a change in the working methods of existing management sectors within the bezirk directorates in the direction of the comprehensive and direct management of processes designed to assure uniform procedures at the bezirk level of economic organization. More effective technical instruction and coordination are laying the groundwork for the move toward centralization and process responsibility. The tasks involved in further streamlining the wholesale enterprises of the bezirk capitals differ greatly from bezirk to bezirk. Key elements here are those of increasing productivity by acquiring new warehouse capacities and using them effectively as well as improving manageability by establishing a comprehensible internal structure for these large units.

At the heart of further concentration and specialization in the movement of goods lies the specific transshipment characteristics of product assortments and kinds of stock as well as the differing requirements of specific groups of customers (smallest-scale retailers, large-scale consumers).

The formation of the Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs also makes obvious the need to establish essential political-ideological and management-related conditions in addition to the process-related prerequisites.

The following ones are particularly important:

Avoidance in principle of reducing tasks to the level of economic and managerial organization measures by establishing clear political leadership for the processes and concentrating on key substantive issues;

Assurance of a coordinated approach and strict state control over time sequence and processes in the bezirks on the basis of general plans to be approved by the bezirk councils;

Establishment of stable management collectives and, on the basis of long-range personnel plans, the establishment for the long term of management-related prerequisites with respect to the new quality of working methods and the direct management of processes by the bezirk directorates;

Assurance that the working people receive up-to-date information and are comprehensively included in accomplishment of the tasks, and that the socialist competition produces new initiatives in supply and economy;

The substantive priorities, the sequence and the time for prepraing for and forming the combines must be determined in the bezirks on the basis of central guidelines and their own analyses of initial district conditions.

Playing roles here are the size of the bezirks, the level of concentration, specialization and centralization that has been reached, the available material-technical base and its level of development, the schedule for initiation of the ESER projects and the application of microelectronics. A successful approach has been that of incorporating these tasks in the long-range intensification plans and establishing close collaboration between central and bezirk-level organs.

All measures are to be prepared in such a way that firm guarantees are given for stability in the supply work performed by the wholesale trade in everyday commodities and that the collectives are thoroughly attuned to the new tasks and conditions for the long term.

Responsibilities of State Organs

East Berlin DER HANDEL in German Vol 31 No 2, Mar-Apr 81 signed to press 16 Feb 81 Supplement pp 10-12

[Article by Guenter Koenig, economist, deputy chairman for trade and supply, Erfurt Bezirk Council: "More Effective State Management and Planning"]

[Text] As early as 12 July 1973, with the Law on the Local Assemblies and Their Organs in the German Democratic Republic, responsibility for supplying the public with commodities for everyday needs was transferred to the bezirk and kreis councils. In preparing for the 10th SED Party Congress, we analyzed the level that has been attained in management and planning by the state in the area of supplying everyday commodities. We then decided on measures designed to help the bezirk council and kreis councils better carry out their responsibility for the management of production in their areas and that of the wholesale and retail trades for supplying food, nonessential foods and beverages and industrial goods for everyday needs.

Management bases its work on the bezirk supply plan that is passed each year by the bezirk legislature together with the national economic plan; in the kreises and the cities of Erfurt and Weimar (no kreis affiliations), it is based on the general supply plan covering the period of the national economic plan. Using these documents, we are making a reality of the principle that supplying basic commodities at stable prices is and will continue to be our main concern.

Goal-Oriented State Influence

In the management and planning of wholesale trade in everyday commodities and the exercise of responsibility by the bezirk council and kreis councils for their bezirk directorates and wholesale enterprises for everyday commodities, the existence of two levels of management in the bezirk and in the kreises proved to be an objective obstacle in assuring a high degree of mobility, a stable supply system and cooperation with the production enterprises. Up until 31 December 1980, bezirk wholesale trade in everyday commodities was managed by the bezirk directorate and three enterprises charged with responsibility for several kreises. Our bezirk's kreis councils were thus unable to exert sufficient influence on the purchasing process, the realization of finished goods inventories for their areas, inventory development and management decisions in the wholesale trade. So it became necessary to take further steps toward more effective state management.

Consequently, drawing on the speech by Comrade Erich Honecker in Gera and the Politburo conference with the general directors of industrial combines conducted by the secretariat of the SED Bezirk Directorate, we at the Erfurt Bezirk Council analyzed the management and planning relationships within wholesale trade in everyday commodities and decided to establish a wholesale combine for these commodities, with management at the bezirk level. The "General Plan for Further Improving the Organization and Management of Wholesale Trade in Everyday Commodities," approved on 5 August 1980 by the minister for trade and supply, established the basic orientation here and was of great assistance in preparing for the combine style of management. The further development of management and organization for wholesale trade in everyday commodities constitutes a step toward realizing a scientific-technical lead in the wholesale sector and represents a comprehensive form of influence for the local state organs over the management of supply in this sector.

The Erfurt Bezirk Combine for Wholesale Trade in Commodities for Everyday Needs was established on 1 January 1981. The bezirk council has jurisdiction over the combine. It is managed according to the main-enterprise principle, meaning that the combine director also manages the main enterprise. The combine operates on the basis of its by-laws, which were approved by the bezirk council.

A special responsibility for the combine derives from the supply complex for industrial goods for everyday needs. We have given consideration to this task and have charged the combine director with conforming to the Council of Ministers' resolution dating from 27 November 1980 — concerning the production and supply of 1,000 small items — by organizing close cooperation with the directors of wholesale industrial goods enterprises based on the Law on Contracts. Quite a number of these "1,000 small items" belong to the everyday industrial commodities assortment. This requires regular personal and sectoral coordination with industry's bezirk-level combines; the resolution makes specific provision for this coordination.

Efficient and Effective Purchasing of Commodities

Via the combine the bezirk council assures a high degree of reliability in predicting demand. The point of departure for management decisions is and will continue to be public demand for a variety of everyday commodities. The demand outlook is determined through observations of the market by the trade management organs and

production enterprises of our district. The combine director was given a demand research group for this purpose. Drawing on this demand research as well as central supply index figures, the combine is able to prepare for and conduct the purchasing of commodities for the bezirk efficiently and with great effectiveness.

Participating in this on the kreis level for the combine's enterprise departments — coordinated by the deputy chairmen for trade and supply at the kreis councils — are the retail trade outlets, restaurateurs and large-scale consumers. Individual district peculiarities in consumption are taken into account here. The bezirk council's deputy chairman for trade and supply reviews and approves the purchasing plans for centralized as well as decentralized purchasing.

Even in the preparatory stage of combine formation, in the fourth quarter of 1980, purchasing was organized along the lines of the combine style of management and was thus prepared for the transition. The future combine director was in charge of centralized purchasing. The work group assigned by the bezirk council was informed of the results of bezirk-level purchasing by way of the status of contract conclusion, including the stipulated price group shares. This made it possible to exert influence on production combines and enterprises directly with the Ministry for Trade and Supply during the purchasing process.

We base our purchasing planning on the objectives of the bezirk supply plan and the finished goods inventories called for by the plan. In accordance with differentiation principles as well as district demand factors, these plan volumes are passed on by the bezirk council to the kreis councils as a compulsory volume for the year with quarterly and monthly estimates. The kreis is thus provided with management index figures which they can use to assure a stable and continuous supply of everyday commodities for the national economic plan period.

Highly Organized Information System

The combine is obligated to report monthly to the local state organs regarding the level of implementation for supply plan categories; used for this is information put out by the State Central Administration for Statistics and the domestic trade sector's VEB OAZ. Also included here is oversight of compliance with contracts, especially regarding enterprises that are located in the area. This process is evaluated twice weekly by the bezirk and kreis supply commissions.

Forecasting is an important element in supply management, especially in the case of everyday commodities. Regular assessments have to be made regarding the development of goods procurement, fluctuations in demand, inventory developments in the retail trade sales outlets and stability of supply in the three price groups. We have therefore set up a kreis-to-bezirk information system that draws on the weekly meetings of the supply commissions; also linked to the system are trade management organs and wholesale enterprises. Questions that cannot immediately be resolved operationally are discussed 2 days later by the bezirk supply commission. The result is council motions on management decisions to be implemented by the state apparatus in the production and trade enterprises.

Better Exercise of State Responsibility

What experience was gained after a month of combine-style management of wholesale trade in everyday commodities in Erfurt Bezirk? The good political preparations for conversion to the combine style of management in this sector that were carried out under the leadership of the party in the bezirk and the kreises during the last quarter of 1980 made it possible to further improve supply management beginning with the first day of the combine's existence.

There is substantial room for improvement in the way the local organs exercise their responsibility for managing supply processes in the wholesale everyday commodities trade. Contact with and the policing of operations by the kreis council within its district was tightened up, with the result that more and more problems that can be solved within the district are now being discussed and resolved there. Responsibility for supply management in the district can be better exercised when the kreis councils are thoroughly familiar with their inventories of everyday commodities and receive a monthly accounting through the combine.

In addition, by Friday of every week the combine provides the deputy kreis council chairmen with concrete information for the week ahead on the average supply of goods at the wholesale Purchasing and Information Center /EIZ/ for the individual categories of commodities. The report is broken down according to commodity group and type of product, number of product types, existing delivery arrears, list of products not in stock and notification of the next delivery date.

Formation of the combine has increased the effectiveness of state supply management by the bezirk council. Council resolutions and decisions by the deputy chairman for trade and supply and the bezirk supply commission are conveyed all the way to the last kreis in the weekly combine management conferences, within 24 hours at the latest. The kreis supply commissions meet on Tuesdays; on Tuesday afternoons the enterprises for everyday commodities hold their evaluation sessions. In accordance with the proviso principle, the bezirk council's deputy chairman for trade and supply receives reports from the kreis councils. He has this information by Wednesday noon at the latest. The bezirk supply commission meets on Tuesday; the combine director holds an evaluation session with all managers of the enterprises on Friday. State guidance in the area of everyday commodities supply is thus passed on directly to the kreises, with no intermediate level of management.

Formation of the combine has also made it easier to solve key problems that come up in the wholesale trade in everyday commodities. For example, it was necessary to find warehouse capacities for the bezirk's luxury food items program on short notice. The gradual expansion of warehouse capacities for these products, the establishment of delivery ties with the new Sondershausen warehousing district and the reduction of traffic from the Erfurt district had to be organized on short notice. Without the combine this task would have been extremely difficult to accomplish. The combine now has a clear overall plan according to which warehouse capacities are to be expanded gradually until 30 June without making additional investments while maintaining a stable supply of basic commodities.

Increased Influence Over Production

Formation of the combine brought increased influence over the production enterprises in the matter of product assortments for everyday needs. We had already obtained

good results with concentrated purchasing in the past, and the first weeks of this year indicate that concentrated contract controls are having an extremely positive effect on inventory development and reduction of delivery arrears throughout the bezirk.

Formation of the combine has made it possible in conformity with the supply situation to implement concentrated, uniform wholesale assortment controls for the entire bezirk in accordance with priorities established by the combine director.

Essential prerequisites for realizing the responsibility, tasks and principles of management contained in the by-laws of the Combine for Wholesale Trade in Everyday Commodities are increased party influence and improved political-ideological work. At the same time the SED Bezirk Directorate's Secretariat approved the formation of the combine, it decided to establish for the whole combine a council of party secretaries to be headed by the full-time party secretary in the main enterprise. This will assure the leading role of the party organization in the wholesale everyday commodities trade in accomplishing supply tasks in the combine. It will also be a constant aid to the combine director and the managers of enterprise departments in making a reality of the combine style of management in the wholesale trade sector.

The bezirk council makes monthly assessments of the level of improvement attained in state management and planning of supply and the work done by the combine management. It is thus guaranteeing complete fulfillment of the task contained in the SED Bezirk Directorate's action program in preparation for the 10th SED Party Congress — that of resolutely improving the quality of supply management and increasing the economic effectiveness of all trade processes by applying the results of science and technology.

Advantages for Retail Trade

East Berlin DER HANDEL in German Vol 31 No 2, Mar-Apr 81 signed to press 16 Feb 81 Supplement pp 12-13

[Article by Bernd Weyrather, economist, deputy technical director for commodities for everyday needs, Erfurt Bezirk Retail Trade Directorate: "Combine Formation Makes Closer Cooperation Possible"]

[Text] It is our opinion that formation of the combine has been instrumental in attaining greatly increased productivity, an achievement being demanded of the entire domestic consumer goods branch of the economy. As the state retail trade organization (HO) of Erfurt Bezirk, we therefore welcome the changes in the management and organization of wholesale trade because we are convinced that close socialist teamwork with our largest and most important cooperation partner will enable us to accomplish even better than before our most important task — that of assuring a stable supply of basic commodities.

Although we can look back on decades of good cooperation, we expect the continued upgrading of supply management in the wholesale trade sector to produce even better collaboration on all critical matters so that we shall be able to meet fully the demands of the 1980's. We are aware in this regard that the improvement of the wholesale trade's supply management system has to affect our own management of

supply under the state retail trade system. Thus, a uniform and effective collaboration must be assured involving all organs and enterprises with supply responsibilities.

Expectations

What expectations do we have of wholesale trade in everyday commodities, and where do we see possibilities for better cooperation?

Under the division of labor practiced in the combine, the enterprise departments concentrate on marketing and goods transshipment while the combine management focuses on preparations for purchasing. This establishes more favorable conditions for working out basic policy at the bezirk level, for laying the groundwork for and implementing the purchase of commodities, since it makes possible better agreement and coordination with retail trade.

We see in combine formation greater opportunities to influence the product assortment structure, especially the more effective use of planned finished goods inventories.

Furthermore, better opportunities are provided for increasing the effectiveness of goods transshipment processes and structuring channels of trade more efficiently, both of which are essential intensification factors for the two partners.

We are also anticipating better work in the area of operational supply reporting using the dispatcher regulations agreed upon by both parties and the exchange of supply situation information in managerial conferences and bezirk-level work groups in the trade sector.

Our final expectation is even greater effectiveness for the new ordering and delivery system that was initiated and carried out in 1980, with the work focusing on assortment and services catalogues, order catalogues and standing orders.

Priority Tasks

We consider the five basic matters that follow to be critical to continued cooperation with wholesale trade in everyday commodities. We are optimistic in our approach to accomplishing the tasks we formulated together for 1981. We shall be concentrating on several priorities:

Winding up the process of introducing the new assortment and services catalogue in the first quarter of 1981 based on the unity of supply mission, assortment and services catalogue and orders catalogue;

Greater effectiveness of EIZ's and their increased use by retail trade sales collectives. In this regard, we plan to revise customer plans and establish a new cycle for customer visits to ensure that all supply facilities — including rural sales outlets — seek out their EIZ at least once every 4 weeks;

Upgrading of the standing order system, so that all 38 of Erfurt Bezirk's state retail trade stores reach and exceed the number of basic food and household chemical

products stipulated in the bezirk council's action plan. In this area we have made joint provision for 1981 for increasing by an additional 20 percent the fixed number of products in the categories of basic foods, household chemicals and consumer cosmetics; we also plan to raise the non-warehouse transshipment of goods from 22,500 tons to 24,000 tons and to deliver 92 percent of the total goods volume in rolling containers, on flat pallets and in crates;

Further stabilization and expansion of multiple-shift goods delivery, with the goal of 45 percent of total volume delivered after business hours;

Third-shift delivery to five large stores in the bezirk.

If the most important objective of the newly formed Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs is a more stable supply service and greater economic effectiveness, it is the task of socialist retail trade to achieve bo criteria within its own bezirk-level system and to assure their direct effect in production as well as the wholesale and retail trades. As Erfurt Bezirk's state retail trade organization (HO) and a socialist cooperation partner, and in the interest of stable supply for the public, we shall support in every way possible our State Combine for Wholesale Trade in Commodities for Everyday Needs in its efforts to further streamline and develop its new management system.

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GOVERNMENT PUSHES DECENTRALIZATION OF INDUSTRY

Budapest MAGYAR HIRLAP in Hungarian 25 Jul 81 p 7

[Interview with Chief of Main Department, Ministry of Finance, Janos Bokor by Peter Tromboczky: "A Formula for Independence. Trusts and Enterprises Closing Down. Modernization of the Organizational System"]

[Text] As we reported yesterday, on Thursday the government heard a report on the various steps that have been taken so far to modernize our system of enterprise organization and laid down the course for future action.

Trusts and large-scale enterprises are closing down while smaller units are becoming independent. Next to the reorganization of our system of industrial management, the modernization of our enterprise organizations, a process that is already under way, has been perhaps the most hotly debated issue for the past year and a half not only by those directly affected but also by a great number of outsiders.

Increasing Competitiveness

Recognizing the fact that the organizational make-up of enterprises does not coincide in every detail with the economic policy goals of our government, at the beginning of 1980--in order to promote modernization of the enterprise structure--the Council of Ministers established an interministerial coordinating committee.

We talked to the secretary of the committee, Ministry of Finance Main Department Chief, Janos Bokor, about the reasons behind and the purpose of the organizational changes, the results of which have been achieved so far and our tasks for the future.

[Question] First of all, tell us something about the reasons behind these enterprise "reorganizations."

[Answer] Many have pointed out on several occasions that under the present conditions of economic management it has become increasingly necessary to improve the competitiveness of our enterprises if we are to be able to flexibly adjust to domestic and foreign markets or to prices for that matter; the working man, our small and large communities alike should have a greater stake in production.

[Question] Why is this being hampered by the existing enterprise organization that has evolved over the years?

[Answer] The point has to be made that it does not hamper everything everywhere. The reason I stress this is because otherwise one might get the impression that all large-scale enterprises, without exception, for which changes have been recommended were inefficiently managed. Or turning it around, that in those enterprises where changes have not been called for everything is in order. The idea was to change those large organizations where on the basis of the in-depth studies conducted by the ministries in charge, and given the existence of favorable conditions, reorganization could be expected to improve economic results and better facilitate the meeting of market demands. It was for this reason the position was taken that for some of the enterprises examined that the proposed organizational changes are not justified, or that--since the conditions referred to do not exist--it would be more expedient to reevaluate the organization of a given enterprise or trust at some future date.

But to answer your question, of the three most important elements of economic management, i.e., planning, regulation and organization, it is precisely this last one which has failed to keep up with the significant changes that have taken place in the other two. What we have found in effect, is that it is primarily the factories and plants of large-scale enterprises and trusts which have failed to adequately respond to external influences. Yet our government's economic policy would require just that, namely that those influences which affect the enterprise as a whole be carried as far and to the lowest [management] levels as possible. For this could bring about the release of certain inner forces which for the moment still play only little if any role in promoting improved work efficiency.

Decentralized Spheres of Authority

[Question] There are, therefore, two roads that can lead us to this goal...

[Answer] One of the tasks undertaken by the committee was to come up with a recommendation for establishing independent enterprises through organizational transformation of our large-scale economic units. The other task which we have placed similarly great emphasis on is the modernization of the intra-enterprise guidance-incentive system. This--i.e., the establishment of an internal organizational system--is something that cannot be carried out based on a prescribed formula. All we can do is to draw up the theoretical requirements. One such requirement is to recognize that the individual units within our larger organizations also need greater independence than before. More specifically, they need to have the power to make independent decisions concerning questions of economic management which in turn could serve as the basis for the establishment of incentives. This is what we mean by "decentralized spheres of authority." The opportunities for such a move are the greatest in those places, where the majority of the units are horizontally connected to one another, in other words, where they are in fact only legally parts of the enterprise and trust framework, in practice they all turn out end-products.

[Question] Looking at it from the outside the solution appears simple: Issue a decree ordering the decentralization of authority and make it mandatory for all enterprises.

[Answer] The problem is that--due to the diversity of their make-up--each enterprise requires a specific solution which is different from the others, therefore, it would be difficult to sum it all up in the form of a simple "decree." In addition, today it is still not simply up to the director to choose which decisions to reserve for himself and which ones to "pass down." We need to create external conditions which better allow and even promote such a development, and which do not require frequent intervention on the part of the enterprise management. At the same time this also means that our organs which provide external guidance for the enterprises must also institute changes in their methods if they are to give substance to this frequently talked about concept of enterprise independence. What this means is that the system of relationships between the branch ministries of guidance and the enterprises which we have grown so accustomed to should also undergo changes. The ministries should not undertake tasks which require operative guidance, instead they should develop concepts that will facilitate enforcement of our government's economic policy within the given branches. It is already in this direction that our newly formed Ministry of Industry is organizing its work.

Not a Campaign But a Process

[Question] What would you say is the most characteristic of the recommended changes that have already been put into effect?

[Answer] First of all the fact that the committee did not undertake the task of transforming the organizational system of our entire economy. All it has done is to try to expedite, as much as possible, the implementation of those steps which can be safely taken, that is to say, to get the changes under way. Further steps will also have to be taken, especially in certain branches of the machine industry, light industry and construction materials industry. What we have before us, therefore, is not a campaign but a process. Our eventual goal is to create conditions which would allow significantly more initiatives to be taken at all levels than presently possible, to allow us flexibility in shaping our economic organizations--naturally, only after thorough preparations had been made.

In the case of 27 of the 60 large economic units examined, we did not recommend any changes in their organizational framework. Eighteen trusts and large-scale enterprises have closed down or are in the process of closing down, while in other cases several smaller, although still significant subsidiary factories and factory units employing up to several thousand people in some cases, have decided or are in the process of deciding to go on their own as independent enterprises. Thus, through decentralization, 123 enterprises have been or are about to be established. In order to enhance cooperation various associations have been set up by the enterprises in a number of areas. There have also been some mergers in some cases. Fifty-five trusts and large-scale enterprises have had their system of internal management and incentives reviewed.

[Question] What are your observations regarding some of the more important organizational changes that were put into effect in the course of last year and this year?

[Answer] Not enough time has gone by for us to give an unequivocal assessment of our newly independent enterprises' economic performance. It is also undeniable, however, that it is not an easy task to radically change an organization, it entails temporary difficulties. It is just like an operation: painful but necessary. We are, however, already seeing a stirring of inner forces within our newly independent enterprises. They want to prove themselves. They want to prove that they can stand on their own feet.

9379
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INSTITUTIONAL ROUTINES LIMIT REFORM'S SUCCESS

Budapest FIGYELO in Hungarian 12 Aug 81 pp 1, 4

[Article by T. Katalin Forgacs: "The Guided and the Guides"]

[Excerpts] As for Hungary it is at least throught provoking that to this day there is no effective, institutionalized form of feedback from the managers, the enterprise leaders, to central guidance to indicate how the economic regulators are working in practice. Let me emphasize, I do not think there are too few reports and research institute projections on this subject. The guiding organs are amply supplied with balance reports, obligatory statistical reports, data services and written material on enterprise opinion surveys. So there are plenty of formalized links governed by decree. But direct dialog or feedback is more rare; there are few consultations with the enterprises--especially under the swiftly changing conditions of today. It is true that in recent years thate have been positive initiatives at the Chamber of Commerce in the direction of creating a sort of enterprise leader forum to encourage a dialog between the enterprise sphere and the guiding organs. And the most recent measure by the National Materials and Price Office (the "Number 13") came into being following prior consultations with the enterprises.

A positive initiative has been taken at the Revenues Main Directorate of the Ministry of Finance also. In the future it will be the task of the supervisory organization not only to examine the formal legality of management but also to prepare analyses--even critical ones--concerning the effective mechanism of the regulators.

But even today, in the state administrative organs, it is still common for the responsible officials to learn via the economic press about anomalies which have been created or which could be created at the enterprises by this or that regulation passed by them.

"I Know That You Know That I Know..."

The lack of dialog contributes to an intensification of mutual distrust or, by another name, bargaining. Unfortunately we have historical traditions for the latter also. The enterprises count on this or that intervention by the authorities in advance and the authorities calculate in advance that the managers will try to "adjust" the regulators which are prepared not exactly to their size. As long as we have this mutual distrust we can hardly put an end to that frequently condemned

bargaining between state guidance and the enterprises--together with all the well recognized consequences which definitely hold back our economic development.

Laszlo Antal calls this general form of behavior the base view, one where the enterprises have a basic interest in hiding their internal reserves from the guiding organs. "The basis for this distorted interest is primarily the formal and informal subordination of the enterprises, the way they are embedded in the hierarchic guidance apparatus. The base view can be derived from enterprise interests consolidated into a form of behavior based on the reactions of interventions of the guiding organs...but it is not a one-sided characteristic of the enterprises, rather it presumes definite reactions of the guiding organs upon which the enterprises count...."

On One Team, Against One Another

The interventions made the base view permanent even if this is directly counter to the intent of the guiding organs. The enterprises feel that such interventions cannot be avoided in the future either. So both sides count on the exaggerations of the other, count on reserves which can develop because both sides know in advance that there is a mutual calculation of the behavior of the other.

The fact is that the atmosphere of distrust, the unique and permanent bargaining, is not the result of incorrect behavior by individual enterprise leaders or individual officials working in economic guidance. Even if there are subjective, bad habits they must be regarded as the consequence of a cause lying much deeper--the shortage economy and a form of management in which profit interest is not realized consistently. The economic guidance organs--yielding to the constraints of the shortage economy--exercise pressure on the enterprises in the interest of achieving economic policy goals with a combination of administrative and incentive tools and moral influence--the shadow mechanism. And the enterprise leaders--as a result of their unique subordinate relationship--do not object even to those regulators which prove worst--they just put something aside. For they have no legal defense against the interventions of the guiding organs--their premiums and income depend on the judgment of higher authority. Indeed, there is no need today to offer justification for relieving an enterprise leader. Nothing serves in an organized way interest protection in connection with the career or prestige of enterprise leaders. As a result the distrust is recreated again and again; in an unfortunate way those playing on the same team are playing against one another.

Even now, after 1980, we can still say that in many respects the practice of economic guidance is reminiscent of the earlier solutions which kept the base view alive. This is indicated by the 1981 modifications withdrawing surplus profits, the corrections to the price changes, the way wage development indexes are reviewed, the special incentive measures passed in the interest of increasing export volume, etc. It is not yet possible to decide whether the contradiction between the practice reminiscent of the past in so many respects and the more determined efforts in the direction of a basic change in economic guidance (see the new work methods of the Ministry of Industry which expressly forbid the ministry to deal with enterprise production matters) is a temporary concomitant of an adjustment to a radically new situation or whether one should see in this the danger of a survival of the

earlier practice, including the efforts of the enterprises to set something aside for themselves.

With Imprecise Instruments

In the cited article Laszlo Antal comes to the conclusion that "going beyond the general regulatory frameworks the elimination of the economic behavioral characteristics which we call the base view will require trust on the part of the enterprises."

I would add one thought to this conclusion. Trust--at least in the long run--can be lasting only if the partners understand each other's problems. So it would be desirable for officials working in economic guidance organs to work a few years in the enterprise sphere. It is true that this would not be enough to completely eliminate the base view, the bargaining. Despite this I feel that economic regulation would come much more into harmony with the nature of enterprise work, with its entrepreneurial character, if the experts in the guiding organs had more enterprise experience. This "cure" would contribute something to at least moderating the base view even if it did not lead to a radical extirpation of it.

At present there are unfortunately few experts with enterprise experience in the state administrative apparatus. (Of course, it might be the theme of a separate study why young, ambitious graduate economists have such a horror of the idea of going to work at an enterprise at the beginning of their careers. Perhaps there are too many enterprises where beginners do not get worthwhile work?) And the movement tends to be in one direction; experts do go from enterprises into the guiding organs--this is counted as advancement, a promotion. But it is rare for a ministerial representative--if he has spent a few years in state administration--to happily undertake to view things from the other side, even for a few years. Of course, due to the nature of the experts, their personality, there are those who understand the macro-interdependencies and there are those of a managerial frame of mind who do significant work in the enterprise sphere. I would urge, not a campaign, but a planned rotation among these types. In general it would be desirable that an expert should not enter economic guidance without enterprise experience.

The present "alignment" is not fortunate partly because in this way those making the regulations, formulating the regulators, adjust their instruments not to the real but rather to a simulated economic medium--lacking appropriate enterprise experience. (In the words of Kornai: "Since 1968 there have been over one hundred regulations to control enterprise profit and profit shares.... The unending perfection of them undermines their effect.... The rigidly of an only half proven institutional system is faced with the uncertainties caused by the unending process of improvement and the disadvantages of instability.

Another danger lies in that form of behavior or unique interest which generally characterizes officials working in large official organizations--independent of the country or social system.

Hungarian sociological researchers also have already refuted the hypothesis that an individual organization can really act as the representative of some general economic interest. Although those working there still claim to be able to do so in many

places it is increasingly admitted that every stratum of society--including officials--must reckon with the representation of definite group interests as well.

From An Ivory Tower?

So what is the basic interest of an official? It is to carry out the directives ever more precisely, without contradiction, and win the recognition of his own community. There is nothing strange in this; as a social being it is one of the basic needs of a person to achieve success in some community, to feel that his activity is recognized and respected. (To quote Kornai again: "The economists and planners working in central organs are not the impersonal representatives of all-social rationality, they are not the philosophers of Plato's ideal state who embody a wisdom floating above society.")

The professional literature dealing with this theme agrees in stating that in those large organizations where the performance of those working there is difficult to measure the judgment of their work is decided by the extent to which they are capable of identifying with the goals of the given institution, with the generally accepted behavioral norms--in a word with the internal game rules. (Of course, this is also true to a certain extent in the enterprises, but the difference is an essential one; in the enterprise sphere performance can be tied to some objective criteria in the majority of activities.) According to one American study ("Measuring Economic and Social Performance," Columbia University Press, 1973): "The criteria for promotion--under circumstances where the value of the work and the magnitude of the performance are not known--cannot be, by definition, output or productivity. What takes their place is, primarily, loyalty to the given organization and its leadership, to the behavioral rules accepted by it. Such loyal bureaucrats will hardly 'rock the boat.'... For the most part these people--keeping in mind the security of their own positions--are necessarily conservative in the sense that they are convinced that, in regard to the hierarchy and practice of their organizations, what is is good. The trouble is that with the passage of time these organizations or institutions, where adherence to the routine and not actual performance is the criterion for success, become less and less effective, their decisions become increasingly clumsy and they are less and less able to respond flexibly to the demands of a changing external world."

8984
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TRAINING OF BUSINESS MANAGERS VIEWED

Budapest MAGYAR NEMZET in Hungarian 11 Aug 81 p 8

[Interview with Dr Tibor Folkmayer, chairman of instruction at the National Management Training Center, by Janos Korompay; place and date not given]

[Text] In the last 3 years, almost 1,500 people took various courses at the National Management Training Center. Ninety percent of those who studied enterprise management were directors-general, directors, and their subordinates. There are always many applicants and people who have been recommended to take courses; this shows that management training continues to be an important task. We asked Dr Tibor Folkmayer, chairman of instruction at the National Management Training Center, what the goals and objectives of the institution are.

[Answer] The structure and contents of our courses are varied according to demand. Courses with specific objectives draw many people; this indicates that they are voluntarily chosen. Complex courses have students who have been assigned to them. The objective courses, which last 3 to 8 days and deal scientifically with concrete topics, seem to satisfy the demands of management trainees.

Through Commitment

[Question] In your opinion, is the triple requirement timely? We are asking this because the requirements are also classified as knowledge, attitude, decision making, aptitude and so forth.

[Answer] The triple requirement is still timely. The manager serves the interest of society and is politically committed; this must be manifest in his action and behavior. He is a representative of power although he can exercise his power only in his service to society. Management today is not as simple as we are trying to approach it. In evaluating management, the criterion is not just the results achieved but also the socialist character leading to the results. The reform of economic management presented, of course, new requirements for the managers. The most important task since then, and today, is to foster continually management aptitude. Of course, to accomplish this, we must be more familiar with the managers and their personalities and must know better in what area, what kind of organization and which level of management they would do the best work.

[Question] How do the managers themselves see the requirements?

[Answer] Most of them believe that they are living through the most critical period of the past 20 years. The enterprises are the areas of clash between the contradictions of social and economic movements. For example, the enterprise manager is responsible, among other things, for the attitude and relationship to work of those people whom he is managing. The managers feel the burden of the new requirements but they also feel increasingly that their interest and recognition are not on a par with the requirements and responsibilities. They deserve more confidence, autonomy, objective and lasting standards, professional knowledge and consistency in the evaluation of their work.

An Increase of Interest

It would be a mistake not to take into consideration that the manager is looking for self-fulfillment in his work and a sense of accomplishment and relates his achievements to the satisfaction of his own demands. Very probably a high management interest would increase efficiency as well. If the manager finds that his accomplishments are rewarded by adequate financial and moral recognition, then he is going to find ways to increase efficiency, including the expansion of knowledge necessary for better management.

[Question] How is the manager's performance evaluated? Is it possible at all to evaluate it?

[Answer] I think the quality of management definitely shows over a longer period of time and can almost be evaluated. The leadership is reflected in the efficiency of the organization. Thus it cannot be true that a very bad manager can succeed in keeping his position for a long time at the top of an economic organization.

[Question] You have many courses and you also have an advisory service. You have qualified instructors and staff but are not practical knowledge and matter of everyday life missing?

[Answer] Most of our staff have several degrees, speak foreign languages, and are recognized in scientific circles. I still think the question is justified, because practical preparation plays a key role in our work. The specialists working in management training must meet very high requirements. They not only must be experts in their own field but must also be familiar with the environment in which their students are working. We must increase the number of those instructors who, in addition to their familiarity with practicalities, are also receptive to theoretical questions, can research the unclarified problems of their courses, are capable of synthesizing their findings and also have personal experience in management.

The Necessity of Revival

[Question] There is politically and economically important cadre work behind management training. How open and democratic is this activity here?

[Answer] I had the opportunity recently to look into two studies that summarized the valuable experiences of our cadre policy. I will select one or two thoughts from these studies. About 25 percent of the appointments were unsuccessful. The other is that the managers consider personal connections as the most important factor in their advancement. It is my own experience that the effects of contraselection also play a role in the fact that the career of management does not draw enough talented and qualified young people. In the industrial branch where I worked, 15 top enterprise managers, 2 directors-general and 1 deputy director-general were retired 5 years early for health reasons, and 9 high-level executives died before the age of 60. It is apparent, then, that--not counting the period of the change of power--a consistent and strict cadre policy was never more needed than today. It is perhaps not an exaggeration to say that a significant source for development is the revival of management. Being confident in this, I add that the managers themselves are urging that those be called to account who breach management ethics and to replace those who prove to be unqualified. There is a moral courage for the revival that will be the source of our new social and economic accomplishments.

[Question] Let us expand the topic: What are the characteristics of our management culture?

[Answer] Most managers, in analyzing the tasks, are concerned with looking at their immediate and wider environments and mutual relationships. They are receptive to the new and are flexible. But another group cannot recognize the realities and they blame their own weaknesses and the weaknesses of their organization exclusively on factors outside their control. They do not have a capacity for innovation and have not updated their knowledge; this is why their thinking is inflexible and why their management activity is built on principles based on the indisputability of their management authority. Their activity is characterized by red tape, personal connections and opposition to fresh ideas. Finally, there are those who understand the relationships, recognize the things that have to be done, are capable of action, but do not act. They do not stop the flow of events but they do not speed it up either. They are careful, do not take risks, avoid conflict and thus are outside the main current of events. It is evident, then, that we must increase the number of those belonging to the first group.

Planned Replacements

[Question] What do you think of a manager who holds a job for a long time?

[Answer] Long-time service, according to experience, has the inherent danger of self-overestimation. A manager may consider his own actions and methods as exclusive; either he does not recognize the necessity for a change or, if someone else recognizes it, then he is opposed to him by virtue of his authority and power. Thus he may hinder progress. The manager unequivocally serves progress for about 6 to 8 years. After that, his activity is often accompanied by negative phenomena. The solution is, then, a planned replacement of managers. Public opinion should also be informed that the cadre replacements in top management are the results of a conscious and carefully examined system.

[Question] Can, in your opinion, the managers be elected?

[Answer] The institutional and general election of managers is not feasible in the economic sphere.

[Question] Finally, what is, in your opinion, the place and role of management training in our educational system?

[Answer] The government is dealing with the place and role of the institutional system of management training. I would thus mention only one thought: management training is in the sphere of higher education but its conceptual implementation includes characteristics that are different from university and college instruction. We must continue to have institutions that help meet the third element of the triple requirement system by offering the necessary new knowledge.

9414
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MERITS OF ALLOWING ENTERPRISE BANKRUPTCY QUESTIONED

Budapest MUSZAKI ELET in Hungarian 24 Jul 81 p 5

[Article by Nandor Bognar: "Deficit Enterprises: A Part of Risk Taking or the Dunce's Seat?"]

[Text] The term is not new, we have known it for years: deficit enterprise. Deficit is where the receipts are smaller than the expenditures or where the production costs are greater than the value of the goods produced or the services performed.

Of course, this is nothing new--at least the definition is not. It figures in any textbook on industrial economics. The situation is different with the concrete, tangible appearance of deficit; we are not, let us confess it, used to that. We may smile cunningly and say that even in this we have caught up with the developed West. We could say, with some famous economists, that the worse it is, the better. That is to say, the sharper the market struggle, the more quickly enterprise mistakes, which exist anyway, will come to the surface and the more quickly those enterprises that cannot meet the competition will appear. Let the rotten apples fall. Perhaps, as many do, we may sound the alarm in terror: if a socialist industrial enterprise, where people work honestly and where they have made no special mistakes, has a deficit, then thus truly is the end of the world.

But this is not the end of the world. Various market effects are shaking the ground underneath a goodly number of our mellowed factories. It is worthwhile to examine the chief factors one by one, if only to decide what opinion we should have about the deficit enterprises.

The reports prepared for the recently concluded session of the National Assembly, or rather those prepared for the preceding parliamentary committee sessions, which the daily papers recently published in detail, are suitable for this review. We can learn from them, for example, that the profits of industry in 1980 fell below those of the preceding year by 25 percent and fell below the planned level by 15 percent. For the honor of industry it must be said that, although there was a deficit totaling 10.7 billion forints for four management units, this did not reach 10 percent of the preceding year. The number of deficit units decreased by one, since in 1979 even one ministerial enterprise was a deficit one, while in 1980 only cooperatives closed with a negative balance.

(What will happen with them? In two management units the deficit can be handled on their own from the reserve fund; in one cooperative the reserve fund and aid offered by the OKISZ [National Federation of Artisan Cooperatives] will cover the deficit; one cooperative has ordered financial reorganization proceedings.)

Let us look at a few of the components. What makes up these balances? Producers' prices increased more than planned. However, this did not result in profit above the plan because industry lagged in price increases; this worked to increase costs. Production volume was below the plan--especially in the machine industry--and this tended to decrease profits. The transformation of the production structure increased profits for a few enterprises, but this was not significant in regard to industry as a whole.

Most frequently the price and regulator systems are mentioned as the cause of missing incomes; these changes did make possible greater differentiation than earlier. Some enterprises were capable of adapting more quickly, others more slowly; a good many reacted only with significant delay. From every report and account, even in the year just past those managing more effectively did not succeed in developing more strongly.

The picture would be incomplete without mentioning the construction industry. While perhaps out of place here, in any case it is thought-provoking that in the past plan period personnel decreased by 14,300 instead of the planned 6,000-8,000. This decrease affected primarily the physical workers; thus, about 10,000 fewer worked at construction and assembly work. The profit of the contracting construction industry decreased in 1980 to about half that of the preceding year. Ten management units showed deficits. As the report of the ministry states, both the number of deficit organizations and the size of the deficits increased many times compared to preceding years.

Thus, the enterprise picture that can be read from the data deviates from the customary one. The question after all this is: Should we get accustomed to the idea that some of our enterprises have deficits, is this phenomenon a necessary concomitant of our management? Many say that the question is an artificial one thus put, and they are right. Wherever there are undertakings, wherever the management units can make a profit, there must be losses also. If this is how it is, then we must prepare ourselves for an increase in the number of deficit enterprises.

Is the increasing number of negative balances good for us; is it true that the worse it is, the better it is? It is worthwhile to think this through, primarily from the consideration of whether every deficit is a real one, whether deficits arise where they are justified. This question arose at the session of the construction and transportation committee of the National Assembly discussing the results of last year. At that time a leader of the construction ministry put it this way: the regulators should not be "smeared" by deficit management. In general the organizations that were weakly profitable otherwise also fell among the deficit ones.

If we are to stick to the list of deficit operations, it must be noted that there is another list. We know that even those enterprises about which we heard good reports could have been deficit enterprises. But they are not, because they received help. We are not talking about moral help or friendly sympathy, we are talking about material help. Hardly a firm in our homeland would not have appeared, at least temporarily, on some such list.

Of course, there is central support, just as there are central tasks. But those statements in the ministry reports that bad management is not adequately reflected in enterprise income warn us that it would be justified to decrease further, and decrease greatly, the magnitude of supports.

In our economic language, we attach other expressions to deficit--lack of funds, financial reorganization, bankruptcy. Only one thing cannot be associated with it--the economic insecurity of the workers. However unfavorable the results achieved by an enterprise in our homeland, nobody is out in the street.

Certainly being a deficit enterprise will not in itself put any management unit, any collective, in the dunce's seat. A deficit is not a contagious disease that must be hidden; today the names of enterprises with negative balances appear in the newspapers. Indeed--see the Council Construction Industry Enterprise of Heves Megye--the calling to account of the leaders affected also appears in the papers. We understand, and understand ever better, what a deficit is; somehow we do not take it seriously enough.

One National Assembly representative put it this way: the trouble is that here the job always gets done, finally, somehow. The building is built, the series intended for export is finished, and then this erases the errors of management. The existence of a deficit does not shake the enterprise; it has no special force to make the leaders rethink the events--not even to speak of the environment, of the "potentially deficit" sister enterprises. If we would recognize that a deficit is nothing more than a part of undertaking things, a part of risk taking, then the matter would be ripe for a fundamental analysis--and not only behind closed doors, at managers' conferences, but, in any given case, at workers' meetings--and not only at the places giving birth to the negative balances but elsewhere as well.

Open analysis would bring a double profit. It would decrease the private charges about hidden bankruptcy and millions in supports and then there might be a realization of the principle that "the clever learn from the troubles of others." It is hardly necessary to prove the economic profit of all this.

8984
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FIVE-DAY WORK WEEK INTRODUCTION PROVES COMPLEX

Budapest NEPSZAVA in Hungarian 9 Aug 81 p 5

[The Ministry of Labor's bulletin: "Questions Concerning 5-Day Workweek--The Length of Working Hours, Breaks, Overtime, Collective Contracts"]

[Text] In preparation for the introduction of the 5-day workweek, the management organizations raised several questions regarding the application of regulations. These questions were raised primarily about the length of the working day, breaks, the possibility to change in 1981, and the change itself.

In connection with these questions, the following information was given at the Ministry of Labor:

The resolution of the Council of Ministers, which deals with the introduction of the 5-day workweek and the resulting changes of working hours, prescribed that the now generally valid 44-hour legal workweek be reduced to 42 hours and that the 40- to 44-hour workweek of those working in two or more shifts or in continuous work schedules be reduced to 40 to 42 hours. Within this framework, each management organization decides on the length of the workday, considering its own characteristics and possibilities.

The regulation concerning longer-than-general workweeks remained unchanged; in work areas that are entirely or partly based on standby, the employer may determine a longer-than-general workweek (after the change to the 5-day workweek, more than 42 hours). Thus, for those who worked more than 44 hours, the number of hours does not have to be reduced. In these areas, working hours must continue to be specified either in the collective contract, labor regulation or working contract; of course they can be reduced.

The hours for those working in areas endangering health are generally not reduced; hours were, and are, determined by the length of the generally valid workweek but by the type of work. (Here the number of hours may be reduced for those who work in several shifts and whose workweek before the change exceeded 40 hours.)

Breaks are no longer part of legal working hours now that the 5-day workweek reduced working hours. In practice, the definition of the break is often the source of confusion; in some cases not only the lunch break but the other breaks built into the norms are considered in setting the norms, are included.

Because of the type of work, individual shifts are interrupted, for resting and health reasons, by breaks of specified lengths; these are built into output requirements and, for those earning hourly wages, into the work schedule. (During this time the workers can relax, do gymnastics, eat, wash, etc.) According to special regulations and the collective contract, these breaks may remain part of working hours; they are not considered extra breaks.

The length of extra breaks are significantly affected by the type of work and the work schedule. These breaks generally interrupt the working hours. The only possible deviation is justified by the nature of the work, technology or the work schedule, e.g., if technology does not make it possible for the workers to leave the room, workers in areas endangering health can eat during the longer breaks specified for health reasons or the main meal is before or after the shift. In such cases the extra break can be given without interrupting the working hours, i.e., before or after work. A place for the break must be guaranteed in the collective contract.

Extra wages for extra breaks outside working hours must be discontinued after the introduction of the 5-day workweek. In order to avoid a decrease of wages, these special wages must be built into the regular wages (into the basic wage for those who are paid by the hour). Consequently, the sum previously paid as a supplementary wage cannot continue to be paid, for it means a similar distinction.

Following this building in, it is not necessary to pay special wages for the extra break that is mandatory after 3-1/2 hours of overtime. Such an extra wage must not, and technically cannot, be built into the wages of the workers concerned, because this was not part of the regular wages. (A significant part of this wage is built into wages by the increase in overtime pay that results from building in extra wages for the regular extra breaks.)

The change to a 5-day workweek does not change the areas where the workers are not entitled to extra breaks. Thus, those workers who, because of the nature of their work, can eat within the working hours, whose work is based entirely or partly on standby or who regularly work less than 6 hours (or on those working days when the working hours are less than 4 hours), are not entitled to extra breaks. The regulation may not be defined as valid only for nonphysical workers. On the basis of this regulation, as before, only those workers who, because of the nature of their work, work entirely or partly in unfixed hours or in a standby position and thus can eat without interrupting their work, are not entitled to an extra break.

Nonphysical workers who do not belong to this category continue to be entitled to an extra break. However, the former regulations made it possible to have this break within working hours. The new regulations have done away with this kind of an extra break: beginning with the introduction of the 5-day workweek, even nonphysical workers must have their extra break outside working hours.

Beginning with 1 July 1981, only those working in specified areas or shifts may change to the 5-day workweek.

In the statistically separate plants, factory units and shops of the management organizations, the change may be effected only if production is continuous (in three or more shifts) in the given unit.

All units of the management organization may change to the shorter week if the number of workers working in three or more shifts or in continuous schedules is more than 50 percent of the number of physical workers. In ambiguous cases, the proportion must be determined on the basis of the planned 1981 average number of workers.

Some management organizations are already on a 5-day workweek. These employers may apply the new regulations concerning the 5-day workweek (length of working day, extra breaks, vacations) according to the general rules, beginning with 1 July 1981 or 1 January 1982.

Management organizations may change gradually to the 5-day workweek. The gradual change may include the degree of decrease in working hours, the number of free days, the individual (statistically separate) units and the types of work. Efforts must be made, however, to make the change in as few degrees and in as short a time as possible.

Employers that operate continuously, in several shifts or seasonally and those in the field of public supply and service may determine work schedules differently than required by the general regulations. Thus, they may give more or less free days than average.

In addition to these possibilities, the management organizations should try to guarantee their workers 2 free days every week. However, there are types of jobs where such a work schedule is impossible to implement.

Even in one-shift jobs, the management organization works out the form of introducing the 5-day workweek jointly with the local union organization. If economic interests or the workers interests make it necessary, then it must be specified in the collective contract whether the annual working hours are attained by longer working hours or by extra work on a specified number of free days (about 6 to 8 annually).

Saturday, 2 January 1982, must be substituted as a working day on 12 December 1981 at those management organizations that have not changed to the 5-day workweek by 1 January 1982 or where this free day would interfere with their operation or with public supply and services.

9414
CSO: 2500/349

ENTERPRISE PARTY ORGANIZATION VIEWS LIFE AFTER REFORM

Budapest NEPSZABADSAG in Hungarian 7 Aug 81 p 3

[Article by Istvan Verbo, secretary of the party committee at the Dunai Vasmu (Danubian Iron Works): "One Step Further Ahead"]

[Text] Last year we celebrated the 30th anniversary of founding the Danubian Iron Works. During these 3 decades our place of work has developed into one of the most significant major enterprises of the domestic industry and metallurgy. With the careful use of our equipment, valued at 11.5 billion forints, each year our enterprise contributes a production value of 15.5 billion forints to implementing the national economic plans. Today the Danubian Iron Works produces 37 percent of the pig iron, 32.2 percent of the Siemens-Martin steel and 74.2 percent of the continuously produced steel made in this country and all the domestically produced metallurgical coke.

Our enterprise employs 12,500 people, including 10,500 physical workers; most of them are well-trained journeymen. Of our 2,000 employees, 850 have university or college degrees. To a large extent this rich intellectual basis made possible doubling the value of our production in the last 12 years. We closed the Fifth 5-Year Plan with a total of over 4 billion forints of profit. I can state, without immodesty, that our party organization of 2,050 members, with its political work of organizing the operation, was also a great help in achieving these results. The fact that early this year our party committee decided that we must change our working methods and we must seek new solutions, seems to contradict this statement. But progress caused us to come to this conclusion.

Everything Is Changing Around Us

The foreign and domestic economic circumstances, and based on them the enterprise's external economic environment as well as its internal conditions, have undergone significant changes. By changes I mean the continuous price increases for materials and energy, as well as modifications in the pricing and economic regulatory systems, with greater emphasis being placed on the quality requirements. As a result, the imperative necessity has been to transform the production and product structures. Also the changed control of industry further expanded the enterprise's economic independence.

These factors forced the enterprise's management to develop new economic policies. The circumstance that one of our most significant operating units, the Siemens-Martin steel works, had reached the upper limit of its technical performance capacity and the amount of its production could not be increased, also forced it to do this. The need for more efficient economic opration and financial considerations urged us to expand our opportunities with new, more modern types of steel and to join the quality of competition on the world market. A wage system had to be developed within the enterprise to correspond to this demand in order to provide the incentive for such production.

While such fundamental changes are going on around us, the methods and style of the production-organizing party work cannot remain static. We can best help the economic management in working out rapid. flexible decisions that properly conform to the changing market demands and in developing the political atmosphere to encourage the initiative spirit and ensure tranquil production conditions, if our economic-organizing activity shows an example, if it points ahead.

Our party executive committee and our party committee yielded the right to discuss all those questions on which decisions are rendered by our economic management. This discussion is totally unnecessary today; at times it is also the source of unproductive arguments. Now at the meetings of our organizations only those problems and tasks that exert a decisive effect on the life of our entire enterprise are discussed. The enterprise's Sixth 5-Year Plan and our annual economic operating plans are examples of such topics.

Our method of operation differs from that of the economic management. The party committee members visit those interested in the decisions and conduct a free-flowing exchange of ideas with them about the planned solutions or possible better ways prior to our meetings. Of course, the job of the party committee members is not only to collect the various comments and suggestions in this manner but also to evaluate the political effects of the economic decisions in the field, while members possess all the facts possible--among ourselves we call this method political legwork.

We cut in half the number of meetings that our organizations hold. Thus, we have more time to help our basic party organizations not only to define the goals and provide direction but also to provide direct help. The party committee's task force on economic policy systematically follows with attention all information supplied by the basic party organizations, summarizes their experiences, and not only provides a timely warning to do what needs to be done as determined through this work but also prepares detailed proposals for the solutions. By analyzing our joint tasks, and by discovering the broad interrelationships between our jobs, the committee also helps further train those in the basic party organizations who are in charge of production.

Successful implementation of the investment program in the steel converter works, which will thoroughly modernize and expand our steel production, is a factor in our enterprise's life that will determine its fate. When the project began, our party committee organized a special task force to help the project.

This task force maintained regular contact with the party organizations of the enterprises participating in the investment and provided our party committee with continuous information about the program's implementation. In our council room we graphically illustrated and followed on a gigantic clock every move and the completion of job phases of the birth of the new facility, on the basis of these reports. Not only the task force but also the entire party committee provided direct assistance in the necessary regrouping of manpower for the organizational tasks at peak work periods, at the critical points in the investment's implementation.

If Necessary, We Take the Initiative

I will emphasize that not once did we take over the responsibilities of the economic management. When we faced an especially difficult task that primarily had to be solved by outside enterprises, we asked their party organizations to help us. Within the Danubian Iron Works we made it the basic obligation of the party members working on the investment to volunteer first for the extra jobs that needed to be done. Such unceasing attention and help to the project made it possible for our party's executive committee and for our party committee, on the basis of the appropriate information and experience, to cooperate with the economic management on implementing the investment program. The economic-organizing work, consistent attention and innumerable timely intercessions of our party organization also contributed to our being able to say with confidence that the new steel plant will commence operation months ahead of schedule. Thus, adjusting the political work to the changing circumstances in our plant does not mean that our party organization's activity to help production has been pushed into the background. Quite the opposite is true; as I tried to illustrate, we do not get lost in the details, we concentrate our attention on the most important tasks and, if it is really necessary, we take the initiative.

Setting up our new maintenance organization is a beautiful example. Until now, each of our factory units had a separate maintenance department supervised by the local economic management. Within the Danubian Iron Works over 3,000 people worked in this manner in smaller groups.

Because of such fractionation of our resources, each year we had to order spare parts costing several million forints from outside enterprises for our machinery and equipment. The economic management created the central maintenance organization; not the least reason for this was saving this recurring expense. Since this reorganization directly affected more than 3,000 people, our party committee also took a stand on the decision; we participated in the cadre work relating to this job and in the selection of new supervisors.

The extent of the change is well illustrated by our machine shop within the central maintenance organization, for the most part, being able to handle the replacement of the worn-out and damaged parts of our machinery. This is the solution to the economic part of the problem in question. This had to be accompanied by information, the wisdom of explanation and understanding, since someone who until now did maintenance work only in the rollerworks did not gladly take on the added responsibility of also working on the Martin furnace, under new

circumstances. We also had to consider the need that this large-scale reorganization not cause one moment of delay in production in the iron works. All Hungarian industry would feel the disadvantages of a shutdown of this expensive equipment. Therefore, after the decision was announced but before the operational reorganization, we created the unified party leadership of the new central maintenance organization. Thus, before this new unit even began to work, its party organization stood ready as an organized political force, properly prepared to do its job. This is another example for what I mean by our having to be one step ahead in order to provide meaningful help to the successful economic work.

8584
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WESTERN COMMENT ON ENERGY SHORTAGE, RAIL PROBLEMS

Zurich NEUE ZUERCHER ZEITUNG in German 20 Aug 81 p 4

[Article: "Introduction of an Electic Power Conservation Program in Serbia--Load Capacity Deficiencies in Yugoslav Railroads"]

[Text] Belgrade, 17 Aug--The "first phase" of an electric power conservation program was recently introduced in Serbia; in the fall, the "second phase" will bring about even more drastic restrictions. Several Yugoslav regions depend on electric power supply from Serbia, which has now been reduced by about 25 percent. There may be a number of reasons for power shortages in midsummer but, says Belgrade's daily POLITIKA, "there is no excuse for it." Among the reasons for these breakdowns is the fact that a number of engine complexes in Serbian power plants are no longer productive and that new power plants, whose power production had already been counted upon, are not yet ready. In addition, hydroelectric plants are short of water and coal-powered plants are short of coal.

Unwieldy Organization

The Yugoslav national railways are short of freight cars to transport coal from the mines to the power plants; in Bosnia-Herzegovina alone the coal mines suffered a loss of about 120 million dinar during the first 6 months of this year, since 140,000 tons of coal could not be mined for this reason. The railroads in turn complain about obsolescent rolling stock and about its unwieldy internal organization which, among other things, suffers from its autonomous administrative system and from the extensive autonomy of Yugoslavia's six republics and two autonomous provinces. There are therefore, they say, not just "one" Yugoslav railroad management, but eight. As one top executive of this institution, which has for years been caught in a crossfire of public and official criticism, told Belgrade's weekly NIN, the assembly of a train which crosses five regions on one of the most important traffic arteries, requires organizational and jurisdictional cooperation of 52 so-called "basic organizations of socialized labor." But that type of cooperation just does not exist. A massive enterprise like the railroads can function only, says Director Filipovic, when all its components, down to the smallest one, are integrated like a well-oiled watch movement.

Attractive freight transport offers from foreign contractors cannot be accepted because some of the railway stations do not have the requisite capacity and because obviously nobody does anything about it. The deplorable situation is well

illustrated by some impressive figures: The Yugoslav railroads are short 13,000-14,000 cars and 200-300 locomotives to meet their current obligations. Only two of the 18 locomotives belonging to the Montenegro railroad organization are operable; only about half of the 500 cars of the Sarajevo railroad are operable.

Poor Morale

The Yugoslav railways are not only operating at a great deficit; they also cause a disproportionate expenditure of foreign currencies. As is being emphasized again and again, the blame for this belongs not only to the poor morale among the poorly paid employees and workers of the railroads, but also to a number of firms. It became known recently that imported goods had remained at freight terminals for several weeks because the importers concerned did not take the trouble to see about offloading. This causes enormous payments to foreign railroad companies. This item alone cost the Yugoslav economy $86 million last year; experts say that one fifth of that sum is justifiable at most.

The Federal government has recently announced drastic measures to combat this abuse. Anyone who in the future causes damage to the public interest by his negligence will be assessed stiff monetary fines. But these measures will hardly be sufficient to avoid a winter full of power shortages for the Yugoslavs.

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23 September 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2177

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DEVELOPMENT OF MACHINE INDUSTRY DISCUSSED

Tirana RRUGA E PARTISE in Albanian Apr 81 pp 5-14

[Article by Llazar Xhajanka on the problems of the recent plenums of the Albanian Workers Party Central Committee: "Centralization, Specialization and Cooperation--Important Factors for the Development of the Machine Industry"; passages between slantlines printed in boldface]

[Text] Under the direct and continuous concern of the party, today our country has a powerful machine industry which has become a great support for the development of the economy and of the defense power of the country.

During the Sixth Five-Year Plan, many important and complicated spare parts were designed, tested and produced, such as engine axles, helicoidal cogwheels, heads and blocks for engines and many other spare parts for the petroleum and mining industries, for the heavy machines for the hydroelectric power stations, for the construction sector and so forth. The task assigned by the Seventh Party Congress to supply 95 percent of the needs for spare parts with domestic products was fulfilled. Along with the assimilation of a broad range of spare parts, important results were also achieved in the production of machines and pieces of equipment in order to improve the level of mechanization of work processes in the various sectors of the economy up to the construction of lines, plants and complete projects.

Today our machine industry is passing into a new stage of development. Along with the task of satisfying the needs for spare parts, priority is given to the task of designing and producing, completely with our own forces, machinery and equipment for complete projects and for increasing the production of machinery and other means such as tractors, trucks, combines, vessels of medium tonnage, probes for deep drillings and so forth. /"Our country,"/ Comrade Enver Hoxha said at the Eighth Plenum of the Party Central Committee, /"is entering more broadly into a new stage of the machine industry, the stage of the machine building industry"/ (Enver Hoxha, "The Progress of the Country Is Inseparable From the Development of Science and Technology," Pamphlet, p 22).

The implementation of the qualitative leap which has begun and which is being developed for the design and industrial production of machines and pieces of equipment for the various branches of the economy is not only a necessity required by the present stage of development of the economy, but is also fully able to be implemented, because all the objective and subjective conditions have been

created to place the machine industry, as Comrade Enver Hoxha said, on completely new rails, in order to modernize it in regard to planning and cooperating, by intensifying and extending centralization of production into specialized units, in accordance with the technological similarity of parts.

/Intensification of specialization and of centralization and the extension of cooperation are not only important factors for improving the productivity of social labor, but also a necessity for executing advanced technology./

It is a fact that efforts have been made and are being made for the specialization of production in the machine industry. However, so far, efforts have been directed mainly toward specialization according to projects and very little toward specialization according to technological similarity of work parts, specializing only some lines and sectors in some large plants.

Of course, even specialization according to projects marks a great positive step forward, compared to that stage when machine plants or workshops used to deal with the production of all kinds of goods and with the satisfying of the needs for all kinds of goods. Nevertheless, it does not eliminate, but it continues to maintain and to manifest, in a mild form, some of the weaknesses which used to characterize production in the past, and still remains far away from some good features which characterize specialized production according to the technological similarity of the parts.

For example, it is known that the plants and workshops with specialization according to the project still continue to produce a very large nomenclature of parts in relatively small quantities: this objectively complicates and does not sufficiently stimulate the perfection of technology of production. This fact constitutes one of the reasons why, even today, in some plants and workshops which are specialized, production technology is below the level of technical and material possibilities at the disposal of these plants and workshops and below the capacities of workers who work in them.

Specialization according to the project has not been able to eliminate some duplication in the production of similar or identical parts, joints, pieces of equipment, instruments and consumer goods. Thus, for example, today many plants and workshops of our country simultaneously produce pistons, engine axles, jackets, cogwheels and so forth which, regardless of their construction and different dimensions and regardless of whether they are used for vehicles, tractors and so forth, but because they have the same production technology, can be centralized for their production in plants specialized in accordance with the technological similarity of the parts. Of course, not all duplicate products for the same parts are based on specialization according to the part. Often, they are affected by departmental and local favoritism existing in some cadres and workers who cannot easily detach themselves from the outdated concept "of providing everything within the enterprise or within the government department." On the basis of this concept, some executive committees of the district people's councils and some central departments entrust some plants with production tasks which are outside their field; the fulfillment of these tasks has forced them to

set up small sectors and units which work with low technical and economic indicators. Thus, for example, in Tirana alone there are seven galvanizing units which are used very little and, in spite of this fact, the electrical-medical plant has put in its research-scientific work plan a study on the establishment of another galvanizing line.

The disharmony existing in some of these plants and workshops between the structure of the production of a large nomenclature of spare parts, on the one hand, and the machine base, on the other hand, is another factor which greatly influences the failure to properly utilize some kinds of metal-cutting machines in a broad and thorough manner. For example, it happens that in a workshop, lathes are more heavily loaded; while other machines, such as grinding machines, cogwheel machines, cutting machines and so forth, are not properly loaded. Also, because of the lack of necessary technical training, of technological documentation and of many pieces of equipment and of instruments required for the production of various kinds of parts of a very large nomenclature, it happens that in some cases the preparation of work processes takes a long time.

It has been proven that such shortcomings and weaknesses can be considerably eliminated through the centralization and specialization of production according to the technological similarity of the parts by applying more broadly the technology of work in group. However, to pass gradually and rapidly to such a concentration and specialization of production in the machine industry, it is necessary, first of all, to have deep convictions about the necessity of further and continually perfecting the scientific organization of production in general and of centralization, specialization and cooperation in particular in the struggle against every remnant of manifestations of the artisan spirit and of tendencies and close practices of governmental and local favoritism. Failing to do this, it is not possible to struggle successfully against those manifestations of expectation, of spontaneity, of delaying, of voluntarism and of subjectivism observed in the execution of the tasks for centralization and further specialization of production and for the expansion and intensification of cooperation in the machine industry.

Practice has proven that in the machine industry, as anywhere else, centralization and specialization of production have greater priority over the small and scattered production. Working in groups, for example, makes it possible to increase the number of articles in series production and to reduce the number of pieces of equipment, of instruments and of the necessary technological documentation and, at the same time, insures high yields in work and good quality in production. Thus, for example, centralization of the production of jackets for engines, pistons, bushings, pumps and so forth at the "Enver Hoxha" auto-tractor combine and at the UMB [agricultural machine plant] in Korce made it possible to reduce production expenditures 2-4 times and to improve quality in a noticeable manner. At the "Enver Hoxha" auto-tractor combine, as a result of the use of technology of work in groups and of universal assembly equipment, expenditures for pieces of equipment and for various cutting instruments were reduced by about 60 percent. On the basis of this experience, the combine workers are struggling to create 15 other lines concentrating on the production of parts according to technological similarity.

This experience, however, is not being disseminated as required in the other enterprises, especially, in those of the petroleum machine industry and elsewhere. Therefore, it is necessary for the responsible government departments, the government and economic organs in the districts, and the party committees and party organizations to give greater concern to this problem, so that all the people everywhere will be put in positions of work and in positions of making concrete implementations in this field.

In the framework of the further expansion of centralization and specialization of production in the machine industry, more attention should be given to centralization and specialization of production according to the similarity of technological processes in the specific stages of the processing of parts, in order to set up, in accordance with opportunities, conditions and needs, units or plants for foundry, forging, thermal processing, and for the production of welded metal constructions which will work to satisfy the needs of the entire economy. Such organization of production improves the level of the utilization of productive capacities and production quality and further develops planned cooperation for a regular satisfaction of all the needs of the enterprises for relevant articles.

Specialization of production according to the technological similarity of technological processes of the production of parts becomes even more complete under the conditions of unification and standardization of spare parts, instruments, joints and machines. Implementation of such a measure, in addition to other things, reduces planning work about 50 percent and creates favorable conditions for the production of spare parts and joints at low costs.

Component parts of the perfection on scientific bases of work organization in the machine industry also are the expansion, intensification and perfection of cooperation on the level of entire industry, along with the expansion of centralization and specialization of production. These two processes are so closely linked together that they cannot be understood and developed without each other. Therefore, all development, intensification and perfection carried out in the field of centralization and specialization of production also requires development, intensification and perfection in the field of cooperation.

When one speaks about cooperation in the machine industry, first of all, we understand the production of machines and of pieces of equipment with semi-fabricated items, parts, joints, aggregates and so forth supplied by the enterprises specializing in these products and specific processes and operations of metal processing executed in other enterprises.

So far, cooperation is being more broadly implemented in the machine industry and is being planned in the casting of parts and in the preparation of some articles such as electrical engines and special parts and in the production of machines for complete plants. However, as the party has pointed out, much remains to be done in the field of cooperation, both in regard to its expansion and in regard to its organization and implementation in practice, because, with its present development and with its weaknesses and shortcomings in implementation, cooperation does not respond to the present stage of development of our machine industry and to the satisfying of requirements for fulfilling the great tasks entrusted to the machine industry during this five-year plan.

Evaluating with a critical eye the relatively low level of production in the machine industry, obtained through cooperation, as well as the weaknesses and shortcomings existing in organization and implementation in this field, it appears that this unsatisfactory situation has its source in a narrow and rather artisan concept of cooperation; this is expressed later in planning and is usually characterized by tendencies to underestimate the tasks of cooperation in their practical fulfillment. Thus, for example, beside the total planning for cooperation in forging and pressing activities, in operational works of metal cutting machines, in thermal treatment and so forth. And, what are the consequences? The most varied and only negative consequences. First, the establishment and implementation of the very necessary relationships in cooperation for the kinds that we mentioned above is left to the spontaneity and voluntarism of some cadres who can accept or reject taking upon themselves the implementation of such unplanned tasks. Second, the establishment of relationships in cooperation is based on acquaintanceship and friendship on the basis of the watchword "give me this and I will do that." Third, as these obligations are not in the plan, the production team is faced with some material and other difficulties in regard to their implementation. Fourth, for the same reason, the production team does not feel itself fully obliged to devote the same concern to executing this production on time and with good quality as it does to fulfilling its own planned tasks.

From what we said above, it appears that the expansion of production achieved through cooperation in the machine industry and the establishment of this cooperation on scientifically organized bases set forth, above all, the task of extending and perfecting the planning of these requirements and needs, along with the correct evaluation of requirements, needs and possibilities for cooperation in order not to allow them to be treated as an optional task, outside the plan.

We stress this because of the fact that, although the implementation of the plan tasks for the production of machines and pieces of equipment for the projects of the Seventh Five-Year Plan requires a great increase in production through cooperation, it is observed that so far the tasks of cooperation are not being fully planned. Thus, many enterprises have planned a very small increase of cooperation for 1981, compared to 1980. For example, the enterprises in Tirana District have planned an increase of casting through cooperation of only about 6 percent and an increase of 12 percent for readymade articles, while they have reduced cooperation for the production of forged semi-fabricated materials. Therefore, it is necessary to struggle with great severity, concretely and systematically against every manifestation of governmental and local favoritism which impedes the expansion and satisfying of the needs and tasks in regard to cooperation. We stress this, because, it is observed that in some cases government departments see and treat cooperation in a narrow manner, solely to satisfy the needs of their enterprises, without taking into consideration the specialization of the specific enterprises. For example, the "Partizani" plant for more than 15 years has been casting iron platforms for pressing, which are produced by the electrical-technical enterprise in Tirana; however, with the transfer of the latter to the Ministry of Industry and Mines, the "Partizani" plant does not agree to cast these platforms and this task was assigned to the machine workshop in Peshkopi which is not specialized for this kind of production. It is with the same severity, force and systematic manner that we must struggle against every artisan spirit which has led and is

leading to the erroneous practice that every enterprise should produce everything by itself, without taking into consideration, for example, that some parts can be assured more quickly, less costly and with required quality by specialized plants and workshops.

The radical shift required to be carried out in the machine industry, as a condition on its part for fulfilling the great and specifically new tasks entrusted to it during the present five-year plan, makes it necessary to adopt ideological, political and technical-organizational measures which would bring a noticeable and radical improvement to the field of cooperation. In this framework, a first-rate importance is given to the coordination of the problems of cooperation between the government departments, the executive committees of the district people's councils and the managements of the enterprises under their jurisdiction. The draft of the cooperation plan on the basis of requirements and productive capacities of the enterprises, relying on planning methodology, and the assignment of detailed concrete tasks in these plans and, in the meantime, the determining of the personnel to monitor and be responsible for the fulfillment of these plans, all constitute an essential condition for raising cooperation to the level of the implementation of the assigned asks. Of course, here we can also have problems of jurisdiction. Thus, in regard to castings, forgings, parts, and readymade articles, the plan for cooperation can be made up to the level of central departments and of intergovernmental departments; while, for operational works, planning for cooperation is carried out by the executive committees of the district people's councils on the basis of requirements for and correct informations on free productive capacities to be received from the enterprises. So that consumers will be better acquainted with the possibilities and types of cooperation taken upon themselves by the productive enterprises, it would be valuable to draft specific nomenclatures for every kind of cooperation which will be distributed to all the enterprises in the district.

In the machine industry an important place with a great volume of skilled work, which is mainly linked with design, is given to the technical preparation of production from the construction and technological point of view. To implement this task, some study and design institutes have been created and are in operation, such as the Institute of Mechanical Studies and Designs, the Institute of Metallurgy and others and a great number of technological and construction bureaus attached to the production plants of the machine industry and a great number of technical and technological bureaus attached to the other production enterprises of the country, where thousands of trained cadres, specialists, technicians and creative workers are activated.

Today all these organisms work for designing machines, pieces of equipment, lines and complete projects; of course, this is done on the basis of a general guideline in regard to the activity of every one. Thus, for example, the designs of machines and pieces of equipment serving for the mechanization of work processes and which are produced in series are mainly executed by the technological and construction bureaus of the machine producing plants. The one-piece machines, which have served for the mechanization of work processes in the various enterprises, have been designed mainly by the technical and technological bureaus of these enterprises. The designs of machines for standard units and for their

unification and standardization have been carried out by the Institute of Mechanical Studies and Designs. While the designing of machinery and equipment for the new projects, because of the complexity, difficulties and great volume of work, was done by work groups established for this purpose at the Institute of Mechanical Studies and Designs, the Institute of Metallurgy and so forth and at some technical and technological bureaus of large machine enterprises.

Such a guideline and work organization have produced positive results, especially, the execution of designs with work groups, where hundreds of production specialists have been activated; without the contribution of these specialists it would have been impossible to implement such a voluminous designing work with relatively short deadlines. Nevertheless, it must be admitted that construction and technological designing work of special machines or of complete projects has not preceded production properly and always; as a matter of fact, in some cases, it has been one of the reasons why the schedules for starting production have not been respected.

It is a fact that, despite continuing development every year, labor productivity in designing still remains relatively low. This situation has its source mainly in the little experience and insufficient training of the cadres concerned with the designing of machinery and equipment and, among other things, in the fact that at school they did not receive sufficient knowledge and did not gain practical experience in the execution of skilled and independent design, construction and technological work. However, some weaknesses and shortcomings in the organization and management of work have also had an influence on the relatively low labor productivity in design work; these include, the frequent changes of the participants in work groups. These frequent changes have been the cause for designers not to specialize in the use of groups of similar machines and not to adequately use the experience they had gained in previous designs in the designs that they executed later. Almost the same factors have been influential in the quality of designs which has not always been at the required level and in the fact that, in many cases, work has been aimed more at copying the existing machines, without thinking much about improving the construction and about the technical parameters.

The solution of these problems becomes especially acute when we confront the great tasks assigned to the machine industry in the Seventh Five-Year Plan in general and, within this framework, the tasks assigned to all study, research, experimental and mechanical design organisms. It is enough to stress that during this five-year plan the sectors under the jurisdiction of the Ministry of Industry and Mines alone require about 25,000 tons of machinery and equipment for the new projects and lines. And all these machines and pieces of equipment have to be designed from the construction and technological aspect. For their construction designing alone there will be needed more than 850,000 basic drawing forms. Therefore, it is obvious that there is a great volume of work that must be confronted by the designing sector from the qualitative and quantitative aspects.

In these conditions, the improvement of productivity and of quality of planning work is set forth before us as a priority matter; while, the main factor for us in achieving this has been and is the perfection of work organization, where we have the greatest reserve, a reserve which has not been properly utilized until now, as well as the possibility of improving productivity and quality of planning work in a relatively more rapid manner.

We believe that one of the ways to perfect the work organization which will improve labor productivity and quality would be the expansion of centralizing, profiling and designing forces according to the kinds of machines and according to their construction similarity. This centralization, profiling and specialization can be implemented in the special plants of the machine industry, in enterprises and in the Institute of Mechanical Studies and Designs. Thus, centralization of designs of all hydraulic machines, centrifugal pumps, water pumps and so forth can be expanded at the UMB [agricultural machine plant] in Korce; the designing of different agricultural machines at the UMB in Durres, Fier, Shkoder and Gjirokaster, distributing the work among them; the design of petroleum machinery at the petroleum plants; and the design of auto-tractor machinery at the "Enver Hoxha" auto-tractor combine; and so forth. Designing of these machines in series by the producing enterprises themselves, among other things, will make it possible to follow up and control the progress of production technology much better than until now to, improve the quality of designs and to continually reduce production costs of machines. While, designing of some kinds of standard machines used by all sectors of the economy, such as lifting machines, transporting machines and breaking machines, of pieces of equipment under steam and so forth and of nonstandard machines and pieces of equipment needed for the construction of new projects can and must be centralized on the level of the institute.

As shown by experience, centralization of designs improves specialization of designing cadres and creates conditions for raising standardization, typification, unification and quality of designs to a higher level. According to approximate studies, such an organization of design work would increase labor productivity 2-4 times and, consequently, creates the possibility for releasing a considerable number of people from designing work, people who could be engaged in the scientific organization and management of production. Such a concentration of designing work also creates more favorable conditions for increasing knowledge of and disseminating advanced experience on a broader scale and for implementing the new advances of science and technology.

To confront the very great needs of the production of many machines and pieces of equipment, it is essential, it was stressed at the Eighth Plenum of the Party Central Committee, that every technological bureau put itself in the role of the production manager considering itself as an unit with a special importance in the organization and management of production on scientific bases. It is important to correctly understand Comrade Enver Hoxha's recommendation that "the time now has come and opportunities have been created to think and work with greater perspective to design and produce new types of machines and pieces of equipment with technical and economic indicators and parameters that will respond to the present level of techniques and technology; we must not begin solely with the

idea of producing that type which can be implemented and constructed more easily, which is not always the best and the most suitable" (Enver Hoxha, "The Progress of the Country Is Inseparable From the Development of Science and Technology," Pamphlet, p 20).

In the present stage of development of our science and technology, when almost every new initiative for technical progress in production stems from the technological bureaus, it is necessary that these bureaus be reinforced with more capable people and better organized, improving relationships between the number of workers with construction training and the number of workers with technological training in favor of the latter. The experience of the "Enver Hoxha" auto-tractor combine and of the agricultural machine plant in Durres and other things show that the design groups attached to the technological bureaus must be reinforced with production specialists who are a great support in regard to technological design and experimentation work.

Good experience has been gained in the study and design of new machine lines, units and plants. Through the work groups attached to the plants' technological bureaus, efforts have been made to study and draft the designs for the expansion of the plant for the production of instruments in Korce and the agricultural machine plants in Durres, Shkoder, Gjirokaster and elsewhere. However, the tasks assigned to this field are very great. The construction of a great number of new projects in the machine industry and the expansion and reconstruction with a more advanced technology of many existing projects require a voluminous study and designing work of high scientific and technical level. However, the execution on schedule and with good quality of these technological projects requires further improvement of work organization for their study and design. We stress this because of the fact that the technological projects designed until now have not always had advanced technical and economic indicators and, in certain cases, there have been violations of design rules. To eliminate these shortcomings, among other things, a bureau could be created at the Institute of Mechanical Studies and Design. This bureau would deal exclusively with these designs, closely cooperating with some work groups of machine plants on the specific problems. The organization of this bureau, undoubtedly, would increase labor productivity and improve quality in the design of new machine lines and plants.

Of course, the expansion and perfection of centralization, specialization and cooperation, as a condition for implementing the great revolutionary change in our machine industry, depends on many factors. However, as Comrade Enver Hoxha recommended, above all, it is necessary that the ideas of this problem be changed from the ministry down to the grassroots and be evaluated at the proper level by the party organizations, the scientific institutions, the economic and government organs, the technical and technological bureaus, the specialists and all the workers of the machine industry. On the basis of a new, wider concept and of a great evaluation of this problem, /other factors will be activated,/ everything which should be done will be thought of and will be scheduled, and work for executing programs will be properly organized.

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NEED FOR EXPANSION, IMPROVEMENT OF COMMUNAL SERVICES SEEN

Tirana RRUGA E PARTISE in Albanian May 81 pp 32-40

[Article by Valentina Leskaj: "Let Us Expand Communal Services, Improve Them and Make Them More Accessible to the Families"]

[Text] Because of the great role they play in the life of the people and because of the facilities they create for the families, communal services have continually received the attention of the party, of the state organs and of the mass organizations. During recent years, too, according to the party guidelines, a number of important measures were taken in order to respond in the best way possible to the quantitative and qualitative needs of the working people. As a result of these measures and efforts to implement the increasing tasks entrusted to the communal service workers, work in the communal sectors has been expanded and improved. This is also proven by the fact that in 1980, compared to 1975, the volume of adjustments and repairs increased 10.3 percent; the volume of communal services, 13.3 percent; the sewing of ready-made clothes, 29.8 percent; the repair and construction services, 29.4 percent and so forth; these percentages were, in general, higher than the increases in the growth of the population.

All sectors of communal services are working so that, as the Seventh Party Congress recommended, "The people will be served in a cultured and rapid manner and conditions will be created so that workers will not lose time in carrying out services and repairs" (Enver Hoxha, "Report to the Seventh Congress of the Albanian Workers Party," p 74). In implementing this recommendation, the Ministry of Communal Economy, the communal sections attached to the executive committees of the district people's councils and the enterprises of this system, insuring better and better the leadership of the party organs and of the basic party organizations, are establishing closer cooperation with the mass organizations, especially, with the organizations of the Albanian Trade Unions, the Albanian Democratic Front and the Albanian Women's Union. In order to correctly understand the communal problems and solve them completely, joint groups, aktivs and seminars have been organized with these organizations, as well as direct meetings with the people, at which meetings communal service workers have confronted social opinion and have been acquainted with the pluses and minuses of their work and with the thought and requirements of this social opinion and, afterwards, have set forth the tasks for improving work in these sectors.

However, we must admit that, despite the results achieved, there are still many problems in the field of communal services which require a better solution. The continuing improvement of the welfare of the people and of their cultural level is increasing more and more among other things, the demands for quality in the services and for making them as accessible to the families as possible, so as to save time especially for women concerned most with those family tasks many of which are closely and directly connected with the level of communal services. The recent analysis of these problems by the Ministry of Communal Economy are the General Council of the Albanian Women's Union disclosed a number of issues; we are treating some of them in this article.

During recent years, fruitful efforts were carried out in order to expand the network of communal services, increase the variety of communal services and make them as accessible to the families as possible.

In 1980 alone, 11 new communal enterprises and some other units attached to the existing communal enterprises were created and put into operation. The communal enterprise No 1 for artisan articles was established in Tirana and work is being carried out to make of this enterprise a school for all the artisan enterprises of the other districts. In order to serve the city and village people in the best way possible, some other enterprises with about 200 service activities are scheduled to be created in districts this year.

However, these data are too general; although they tell about an increasing and expanding development of communal services, they do not still concretely tell about these specific problems of this service, such as the range of the kinds of services carried out by the communal enterprises, the expansion of the network of services and making them as accessible as possible to the residential areas and so forth. A closer examination of the situation shows that, despite improvements in these directions, there still are many problems which require a more correct evaluation and greater efforts in order to solve them.

It is a fact that the increase of the kinds of services in some districts has been a component part of the expansion of the network of communal services. Thus, for example, today there are 100-110 kinds of services carried out in Tirana, Durres and Shkoder districts. However, we cannot say that the same concern has been shown in some other districts, such as in Puke, Kolonje, Mirdite, Mat and Tropoje districts and elsewhere, where only 60-65 kinds of services are carried out, some of the most necessary services are lacking, such as, among other things, the services for the sewing of quilts, for dry cleaning and so forth. And, this situation can neither be explained nor justified by "a lack of objective conditions" as one can hear from some cadres in these districts. Practice shows that with some more interest and determination, every district has the opportunity to further expand the range of the kinds of services, although, perhaps, initially, on a rather limited level from the viewpoint of expansion of some kinds of services.

The expansion of communal services in residential areas, especially, in villages, is a more complicated problem. It is a fact that now communal services in some small industrial and agricultural areas and, especially, in villages,

are still very limited. As a result of the measures being taken, beginning this year, the district communal enterprises will expand their services activities in these small industrial and agricultural residential areas and in villages, with calculated steps, until the conditions for expanding their network of services have been created in these areas, too. For this, among other things, we can take as an example the experience of Korce and Shkoder districts and implement it everywhere; the communal enterprises of these districts dispatch, to small areas and villages, groups of specialists, including specialists in dyeing and soldering and so forth who receive suggestions and carry out various services for workers.

Another very important step would be to dispatch some kinds of services to the houses themselves; this action would greatly relieve the people of the difficulty of taking the objects they want to repair to the service centers themselves; it also creates the conditions for eliminating cases when these services are done in a private manner. The first steps in this direction have been taken. Thus, 80 percent of television and radio sets, washing machines, stabilizers and so forth are repaired at residences in Tirana, Durres, Elkbasan, Shkoder and Korce and elsewhere. In Tirana and in some other districts repair work is done at home, for example, mattress repair, furniture polishing, repair of some wood and metal articles and the repair of hydraulic equipment; and kerosene is sold in the apartments.

Of course, these achievements in executing some kinds of services in homes show, although it is only a beginning, that the possibilities exist for such an expansion. Certainly, the best and most complete use of these possibilities everywhere requires research work on the part of the state organs and communal enterprises so that the demands of the citizens will be better known and that the ways of implementing them will be determined more correctly. These organs must also eliminate the hesitation of some workers of the communal services enterprises to carry out services in the citizens' homes, because this hesitation is one of the reasons preventing some work from being carried out in homes, services such as carpentry, repairs of stoves and springs and other furnishings which people find it difficult to bring to the repair centers; therefore, sometimes people find incorrect ways of repairing them privately in their homes by different specialists. From approximate data, it appears that in Shkoder last year only 25 percent of the carpentry work was done in houses by communal sectors and 75 percent was done privately. The same situation occurred in Tirana, Durres, Vlore and so forth. We must emphasize that among specialists who hesitate and find all kinds of justifications in order not to go to perform services in houses, when they are sent by the enterprise, there also are people who eliminate every "hesitation" and have no "difficulty" at all in going to the houses of the citizens to carry out private work. This fact can be fully used to reject the baseless excuses of the communal enterprises for not performing some kinds of services in the houses of the citizens.

The maintenance services of state and private dwellings must be further expanded. By establishing special enterprises and sectors for this purpose, a noticeable improvement was achieved in keeping tens of thousands of state apartments and private dwellings in good condition. Nevertheless, communal enterprises must further increase their efforts to keep dwellings in good condition, responding more promptly to the requirements and needs of the people for their maintenance work.

The satisfying of the people's requirements for services, along with the increasing and expansion of residential areas, makes it essential to carry out a complete study of the people's needs for services and to strengthen and improve the educational, organizational and controlling work in order to eliminate those concepts and thoughts which divide communal services into small and big services and into more profitable or less profitable services. At a first glance, for example, the requests for selling pine twigs and wood chips for starting a fire at kerosene shops or for selling them together with firewood, seem unimportant. But, what emerges if one concretely analyzes the starting of a fire without pine twigs? It is known that, as a rule, to start burning wood in the stove one uses kerosene. How much kerosene does one need for this operation? It has been calculated that every family uses about 10 liters of kerosene each winter for starting fires at home; this means that a quantity of kerosene evaluated at about 11 million leks is spent [every winter] in all the country for this kind of operation.

Of course, this is a small example, but it shows that nothing should be treated as a "small" thing in communal services. The people need many kinds of services; for them they are "big" services and "small" services only in regard to the expenses required for their implementation; while, in regard to satisfying or not satisfying the requirement, every service they need has its own importance and, if this requirement is not fulfilled, it creates difficulties for them. Therefore, it is necessary for the workers of the communal services enterprises to listen attentively to the demands of the people for services and to implement them in the best way possible. They and, especially, women who in some enterprises of this sector compose the greater part of the collective, on the basis of the real demands of the people for services, must continually think of making suggestions about and of finding the possibilities for expanding the range of services and making them as accessible to the people as possible.

New possibilities have continually been created and are being created for improving the quality of services, and where these possibilities are used good qualitative indicators are achieved; this fact is accompanied by the increase of the demands of the people for these kinds of services.

It is a positive fact that the quality of services has been increased every year. Some tailoring centers in Tirana, Korce and Durres and some chemical cleaning and wood working sectors have especially distinguished themselves by work with good quality.

The combining and centralization of many small and very small services into large servicing centers is influencing the improvement of quality of some services. So far, 120 of such service units have been established and their number is continually increasing. Their establishment at the repair-clothing and footwear enterprise in Tirana has created possibilities for a more cultured and better organized service with better quality. Service activity with greater culture is also found in other units in various districts of the country.

Nevertheless, the problems of improving quality in communal services remain on the agenda as very acute problems, especially, in regard to the knitwear, quilt-working, tailoring, laundry-dyeing, and communal-dwelling sectors which are still far from responding to possibilities and to the demands of the customers.

In general, subjective causes are the basis of services of poor quality carried out by some sectors of the communal service. No kind of justification can cover the poor work done by some repair-clothing and footwear sectors where, in some cases, technical conditions are not implemented and, consequently, clothes are sewed with defects, sizes of models are not respected and, even sometimes, people go so far as to spoil the material brought by the client. Also, no "objective" reason can absolve such shortcomings as those at the knitwear center in Shkoder where knitwear is given to clients unwashed and not ironed or at the quilt-working center in Tirana where quilts are kept in dusty places.

More efforts are required today in regard to improvement of quality of services and to keeping dwellings in good condition, such as efforts to place and repair plumbing installations to plaster and paint houses, to lay slate and tiles and so forth, whose quality depends both on the level of training of workers of the communal service enterprises and on the quality of raw materials and materials supplied to these enterprises.

Without reducing the degree of responsibility of the communal enterprise workers in regard to the poor quality of some of these services, we must stress the fact that many enterprises for the production of raw materials, although the kinds and quality of the materials to be supplied to the communal enterprises are specified in their contracts, do not respect them. This also happens sometimes with a government department. The housing communal enterprise in Shkoder, for example, needs cement of the "400" brand for the production of prefabricated elements which, according to the plan, has to be supplied by the cement plant in Shkoder, when it is known that this plant does not produce this brand of cement. The use of poor quality cement will inevitably influence the quality of prefabricated products, just as the supply of communal enterprises with plumbing materials of poor quality, with lime not properly burnt, with tiles that break as soon as laid down and so forth will influence the quality of services and repairs.

Every citizen has the right to ask for good quality services, just as it is his duty to produce with good quality everything which the people need, including those products and raw materials used by communal enterprises.

However, poor quality work done in some servicing centers has its roots in some aspects of liberalism and indifference, in the lack of control and in the lack of requirement for reporting observed in the leadership organs of the communal enterprises in regard to the work and products of their workers and in regard to the quality of materials and raw materials received by these enterprises from other sources. Still much remains to be done in these two directions. Can one say that control and requirement for reporting are in order in general and, particularly, in regard to the quality of the services, when there are cases, for example, like that of the communal enterprise for the repair of clothing and footwear in Tirana which during the first 9 months of 1980 had exercised quality control only over 6,048 services, while, during the same period the knitwear sector alone of this enterprise had carried out about 45,000 services? Deceiving is the requirement for reporting among the workers themselves of these sectors who, some more and some less, must make every foreign manifestation and attitude in work the object of their analyses and debates.

Rightfully, the citizens have their demands in regard to the quality of services and a whole healthy social opinion exists in this direction. The task of all party levers in the communal enterprises is not only to know, but also to thoroughly evaluate these requests and this opinion and, by judging the real situation of work in enterprises, sectors, units and various sections, to implement collectively and separately, according to their specification, the educational, organizational, technical and administrative measures which assure success in work.

From many analyses done, it appeared that the main factors determining the quality of services have been and are the level of self-knowledge and the level of professional skills of the workers of this sector. Therefore, both those cases of pursuit of personal interests manifested in some workers and expressed in their tendencies to fulfill and overfulfill norms to the detriment of the quality of work and of services and those cases of poor quality services because of the low educational, technical and professional level of many workers, must greatly disturb all the party levers in the communal service enterprises. In order to change the situation, where 80 percent of the workers have middle education, it is necessary to better evaluate schools and courses without interruption of work and to better organize their attendance. It is particularly the work in training courses that needs qualitative improvement. We stress this fact because, for example, the tailoring establishments in Berat have had the same schedule for some consecutive years and even this schedule is repeated several times with the same workers; while, in Vlore, Lushnje, Sarande and Mat courses are attended by few participants. The insufficient efforts of some workers of the communal enterprises to improve their technical and professional level is negatively influenced by the concept "I have a profession, what do I need school for." However, along with the measures which must be taken to improve work quality in these fields, it is necessary for the leadership organs of the communal enterprises to be more demanding in regard to the acceptance of new workers so that the workers who start work now in the sectors of these enterprises will have at least the required educational level.

The good work being done now by the communal enterprises is also expressed in accelerating the deadlines for the service. It is important to consider some electrical and hydraulic services, as emergencies, to observe prearranged schedules for painting, and to have a better organization of work for some occasional cases of repairs and so forth.

Nevertheless, we cannot say that this problem is fully solved, because in some sectors of the communal-housing enterprises and in some sectors for knitwear articles and special tailoring, deadlines for the execution of services are often prolonged up to 2-3 months. The distribution of wood, too, sometimes takes up to a month to be carried out. There are violations of deadlines in housing maintenance. The government has allocated funds for the maintenance of dwellings and has set the deadlines for controlling and servicing; however, some sectors entrusted with the maintenance of dwellings do not always show proper care for them; consequently, it happens that windows rot because of the failure to paint them on time and walls crack and plaster falls down as a result of the depreciation of plumbing.

All possibilities have been created for the communal enterprises to plan and to execute on time the necessary services and repairs in this great treasure entrusted to them to keep in good condition, on the basis of information received from the citizens and by exercising a systematic control, and to eliminate all the cases that can damage it. And the possibilities for implementing services on schedule, especially when deadlines are set by the service sector itself, exist for all services and repairs.

In regard to respecting servicing deadlines, as an essential condition for passing to the stage of accelerating them, two priority problems emerge--problems which must be emphasized more--the strengthing of proletarian discipline in work and improvement of work organization, especially in the small organization.

It is a fact that during 1980, the communal system workers had 17,000 days of unjustified absences and temporary work disability in some enterprises of this system was 6 percent. It is a known fact that many workers of the communal services do not use their 8-hour shift for effective work; on the contrary, they roam about in clubs; and there are many among them who sometimes use a part of their 8-hour shift for doing private services. And, it is precisely this situation which gives priority to the necessity of strengthening work discipline, as an essential condition for implementing services on schedule, for respecting their deadlines.

Of course, intensification and qualitative improvement of concrete educational work with the objective of increasing the sense of responsibility in every worker in regard to the task entrusted to him by society, has been and is the main path for strengthening work discipline. However, this educational work would produce desired results if it is accompanied and supported by measures aimed at perfecting work organization and at strengthening control. We stress this because, despite some measures adopted in the recent years for perfecting work organization, there are still shortcomings and weaknesses in this field; they create favorable terrain for the violation of work discipline and, often, are the main reason for the failure to implement services on time and with required quality. From some recent inspections, it has been learned that, in many cases, workers are not assigned work objectives on time nor are their materials given on time. During repair activities, works are distributed for several projects and, consequently, for some of these projects works are delayed. In some enterprises, control links are weak. For example, the quality controllers and cashiers are absent; there are cases when materials and, even, money are kept by workers themselves. The distribution of specialists and of new workers is not done everywhere in a studied manner, on the basis of the norms for work assignment and so forth. For example, in 1974 City Quarter No 1 in Tirana had one technician for 1,500 apartments; today it also has one technician, while the city quarter has 4,400 apartments.

The communal sections attached to the executive committees of the district people's councils can be more influential in improving work in these directions. The workers of these sections are obliged to make responsible and help the workers and cadres of the enterprises of this sector which they supervise and those of the other enterprises which have obligations toward the first ones.

Close cooperation and coordination of activities between the communal enterprises and the mass organizations is very important for the correct and timely settlement of many problems of the communal services. There are some problems of this sector which can be solved in the best way possible only on the basis of this cooperation. Just as until now issues, such as the maintenance of dwellings and of the intermediate places outside them, the hygiene and greeneries of the intermediate places and the struggle against the manifestations of lack of discipline among some communal workers, against poor quality work and against the exercise of private professions, all can and must become the objects of this cooperation and coordination and of the forces and of their joint activity.

The women's organization of Zone No 3 in Tirana and those of Berat, Korce, Mirdite, Lushnje and other districts have frequently organized social control and confrontation meetings with the workers of the communal services to discuss the problems concerning good maintenance of dwellings and the common environment, the economical use of water and of electric power, the use of all attenuating conditions which the communal service guarantees and so forth. The Democratic Front organizations have also been broadly activated in problems of this nature.

Nevertheless, there are still problems which must attract more the attention of these mass organizations. Among other things, the social activities of these organizations can be a great influence, especially, in increasing the citizens' concern for the proper use of dwellings and eliminating every case of carelessness and of uncultured activities which lead to the deterioration of boards, plumbing and electrical installations, stairs, walls and of the environment around the dwellings. Despite the efforts and initiatives undertaken by the organizations of the Albanian Women's Union and the Albanian Democratic Front, still, in some cases, work is not systematically done everywhere in regard to the cleanliness of common areas and in regard to the creation of a milieu always clean and cultured. This happens because some citizens still preserve the concept "those are matters concerning the communal service and it must look after them." Expenditures made by the state for the service sectors, especially, for keeping dwellings, streets, water mains and so forth in good condition are considerable. To take care of their use in a proper manner and to contribute to keeping them in good condition is as much the expression of the cultural level of everyone as the implementation of an individual obligation toward society.

The year 1981 is also a year of great work for the workers of the communal enterprises. In comparison with 1980, services, repairs and works on order will increase about 11 percent. Great amounts of work will also be carried out in regard to the construction of canals and water mains, asphalting of streets, greenery and embellishment of residential areas, expanding of beaches and so forth. Executing these works requires, first of all, the greater mobilization of the workers of the communal services and, especially, their comprehensive efforts in order to put every service and work on the healthiest scientific bases, an action which constitutes the basic factor for knowing and implementing the increasing demands, for improving quality and for respecting deadlines. However, in regard to the role that the communal services play in our life and in regard to the necessary influence to be exercised by all the people in the fulfillment of these services on time, the creation of a healthy social opinion and the mobilization of the working masses in solving the communal problems constitute another important work problem for the party organs, the basic party organizations, the government organs and the mass organizations.

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PLAN FULFILLMENT REPORT FOR FIRST HALF OF 1981 PUBLISHED

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[Excerpt from the report by the Slovak Bureau of Statistics: "Development of National Economy and Fulfillment of the Plan in the First Half of 1981 in the SSR and CSR"]

[Text] Excerpt from the Report by the Slovak Bureau of Statistics

According to preliminary results for the first half of 1981, the major part of the objectives stipulated by the state plan of operations have been fulfilled.

Industry

As compared with the same period of 1980, the volume of total deliveries of goods increased 3.4 percent and deliveries to cover final needs rose 3.9 percent. On the whole, the timetables of enterprises were met. The most dynamic growth was noted in deliveries for exports to the socialist states, up as much as 10.6 percent, while exports to the nonsocialist states remained on the 1980 level. Deliveries for investment increased 8.3 percent, for domestic trade 3.3 percent, and for consumption in production 3.3 percent.

Deliveries for domestic trade at retail prices increased Kcs 985 million in the first half of 1981 as compared with the same period in 1980, of which consumption products of machine engineering accounted for Kcs 47 million and products of the food industry Kcs 722 million.

Based on the implementation of the principles stipulated by the Set of Measures, adjusted value added is being applied since the beginning of the current year in the industry as the criterion for the assessment of labor and material incentives. Their volume, which amounts to Kcs 29.8 billion, represents 48.3 percent of the enterprise plan for the year.

Production in the centrally planned industry in the SSR was 3 percent above the first half of 1980, and average daily production increased 3.8 percent, after consideration of the effect of continuous operations.

In volume of production, enterprises overfulfilled 0.4 percent, i.e., Kcs 354 million, however, 53 enterprises underfulfilled their planned tasks Kcs 566 million.

The coal industry produced 2.86 million tons of brown coal and lignite. The enterprise plan was fulfilled 100.8 percent and the annual task 50.4 percent.

Electric power generation increased due to continuous operations in the nuclear power plan which in the first half of the year generated 3,019,000,000 kWh electricity, sharing 28.7 percent of its total production.

Metallurgical production increased 5.8 percent, in particular by more comprehensive exploitation of the capacities in the East Slovakia Iron Works and in new operations.

Production in general engineering rose 5.4 percent, of which electrical engineering accounted for 8 percent, heavy engineering 6.3 percent, and general engineering 4.6 percent. The machine engineering industry increased the deliveries of its products for export by 9.3 percent as compared with the first half of 1980. The share of the advanced sectors of production--especially electrical engineering--was enhanced in the structure.

The volume of production in the chemical industry declined slightly in accordance with the objectives of the plan. The rubber industry increased its production 4.2 percent. Production in the chemical and oil-processing industries declined 4.5 percent because it focused on better and more comprehensive utilization of petrochemical raw materials.

The wood-processing industry increased its production 2 percent, and the cellulose and paper industry 5.7 percent, while the wood-processing and furniture-manufacturing industries failed to meet all the tasks of the plan.

Production in light industry rose 3.8 percent, however, the line of its consumer products has not been updated to a desirable extent. Growth was more dynamic in the textile industry (4.4 percent) and in the shoe-manufacturing industry (4.3 percent); production in the glass industry rose 2.1 percent and in the garment industry 3.7 percent, but declined 0.4 percent in the polygraphic industry.

The industry of construction materials raised its production 2.8 percent, which made it possible to satisfy the needs of our national economy.

The production of the food industry rose 4.3 percent, of which 2.2 percent was in the dairy industry, 2.1 percent in the meat-processing industry, 7.1 percent in the bakery industry, 11.5 percent in the wine industry and 3.6 percent in the brewery industry.

In adjusted value added, labor productivity was 3.2 percent above the first half of 1980 and accounted for two-thirds of the increase of value added. The timetable for labor productivity was fulfilled 100.8 percent. The average wage of industrial workers in the SSR amounted to Kcs 2,695.

Industrial development was enhanced by the increase of 11,000 workers whose number rose to 688,000.

Agriculture and Forest Economy

Agricultural crops were cultivated on an area of 1,526,600 hectares. The uncultivated and unplanted areas amounted to a total of 6,894 hectares, which is 37.6 percent less than last year. Most of the uncultivated and unplanted areas consisted of lands temporarily reserved for recultivation, amelioration and other types of construction programs (gas pipelines, electric lines, etc) and waterlogged lands.

Grain crops were cultivated on 885,500 hectares, which is nearly 35,000 hectares less than in 1980, and 32,000 hectares below the plan. The acreage of grain crops, including maize, was reduced by 26,000 hectares, and the area of legumes by 9,000 hectares.

Animal production achieved several favorable results in utility value and in the manufacture of products. As concerns replacement of livestock in the socialist sector, hog-raising was slightly up, while calf-raising declined; 56.3 calves were raised per 100 cows, and 8 pigs per sow, however, the results of lamb-raising in sheep farming were low. All sectors averaged 1,536.4 litres of milk per cow, i.e., 13.2 liters more than in the first half of 1980, with total milk production up 14.8 million liters to 783.6 million litres.

The achievements in the manufacture of animal products beneficially affected the development in the market production for state funds. Furthermore, the tasks planned for the procurement of basic types of animal products were fulfilled in the structure, with the exception of slaughter calves. Deliveries above the plan included 1,300 tons of slaughter cattle, 2,000 tons of slaughter hogs, 69 tons of slaughter sheep, 144 tons of slaughter poultry, 3 million liters of milk and 5.7 million eggs for consumption.

As compared with the first half of 1980, an additional 13.4 million liters of milk and 19.1 million eggs for consumption were procured. In agreement with the tasks of the plan, the procurement of slaughter poultry was down 1,700 tons.

The state forest economy produced almost 2,875,000 cubic meters of timber, i.e., 5.1 percent more than in the first half of 1980, and 55.6 percent of the plan for the whole year. The state forest administration fulfilled 51 percent of its plan for the year by delivering more than 2.48 million cubic meters of lumber. Forests were planted on more than 15,000 hectares, of which 5,000 hectares were on unforested lands.

Construction and Transportation

The production for construction was unable to overcome the imbalance in the work schedule and to meet the planned structural and material standards of works. One of its positive aspects was more thorough concentration of its capacities on mandatory construction projects, where the planned tasks were overfulfilled 2.7 percent, however, the fulfillment of the plan in individual construction projects was uneven.

The contracting construction organizations delivered projects in the total amount of Kcs 13.3 billion, i.e., Kcs 457 million above the same period in 1980. The tasks planned for the volume of production in the branch of basic constructions were fulfilled 95.9 percent, and in construction organizations of the Ministry of Construction of the SSR, 95.5 percent.

The average monthly wage of construction workers amounted to Kcs 2,793. The relations between the growth of labor productivity and the average wage developed adversely.

Public freight transport hauled 129.4 million tons of goods and raw materials, i.e., 4.3 more than in the same period of 1980. The transport plan was fulfilled 101.3 percent. Railroad transport accounted for 47.8 percent, and highway transport by the CSAD [Czechoslovak Automobile Transport] 50.9 percent in total transport.

Railroad freight transport hauled 61.9 million tons, which is more than in 1980, but less than stipulated by the plan. Railroad loading reached a volume of 33.4 million tons, i.e., 0.6 percent more than stipulated by the plan and 1.4 percent more than last year.

Highway freight transport of the CSAD overfulfilled its 6-month plan by more than 2 million tons. The transported goods and raw materials amounted to 65.9 million tons, or 8.3 percent above the same period in 1980.

River transport shipped 1.6 million tons of goods, i.e., 14.1 percent more than in the first half of 1980.

In accordance with the plan, the branch of communications fulfilled the tasks of automation and modernization of the relay network, including increases of telephone units; 24,300 telephone units were installed, 4,900 of them in housing units. There were 577,000 telephone units in the SSR at the end of the period under discussion.

Development of Some Basic Factors in the Growth of Production

Further growth of employment also contributed toward higher creation of material resources. The average number of workers in the socialist sector of the national economy (not including united agricultural cooperatives) increased 1.5 percent over the first half of 1980, i.e., to 1,929,000 persons. In addition, 105,000 women were on maternity leave. The share of working women in the total number of workers was 45.1 percent.

The average monthly wage in the organizations of the socialist sector of national economy (not including the united agricultural cooperatives) rose 1.7 percent to Kcs 2,608.

The volume of works and deliveries achieved in capital investment amounted to Kcs 199 billion, which is 41.4 percent of the plan for the year. More favorable results were noted in mandatory construction projects with an actual 45.5 percent

of the state plan. Due to uneven fulfillment of the plan, insufficient supplies and certain other problems, the volume of works and deliveries fell 3 percent below that of the first half of 1980.

In overall housing construction, the volume of works and deliveries fulfilled was Kcs 3.1 billion, i.e., 44 percent of the plan for the year.

Institutes of the research and developmental base in the SSR employed 51,000 individuals. The state plan for technological development consists of 116 tasks. There are problems with the solution of 16 tasks, 2 of which are scheduled for completion in the fourth quarter. Three tasks were resolved. The tasks of the state plan for technological development have not been implemented to satisfaction. The number of tasks scheduled for implementation was fulfilled 88 percent.

With overall costs slightly lower, favorable results were achieved in reducing material consumption. As compared with the same period of 1980, the share of the material costs without depreciation and of services of nonmaterial natures per Kc of performance declined by halir 0.61, of which in the main component of material costs--material consumption--by halir 1.46. Nevertheless, the share of wage and other personal costs, as well as of financial costs per Kc of output, has increased.

Living Standard

As compared with the first half of 1980, cash incomes of the population rose 3.2 percent to Kcs 53.3 billion. Incomes from wages were up 3.6 percent, and social income 1.2 percent. The rate of growth of social incomes decelerated particularly because of a lower birth rate and the ensuing reduction of population incentives.

Cash expenditures by the population rose 2.2 percent, with higher bank deposits and cash on hand than last year. Payments for services increased 4 percent.

In the first half of the year, retail turnover of the main trade systems amounted to Kcs 31.8 billion, or 1.3 percent more than last year.

As for industrial products, consumers were more demanding as concerns quality and utility values of goods.

The housing fund was further expanded by the completion of 8,400 housing units, however, this represents only 19.7 percent of the plan for the year. The principal contracting organizations of the Surface Construction economic production unit fulfilled 53 percent of their tasks for completion of housing units in the 6-month period, with a shortfall of 4,400 housing units. The Surface Construction branches in Bratislava and Nitra were the only ones to meet the plan. The number of housing units completed in the krajs of Central Slovakia and Eastern Slovakia was low. In Bratislava, the capital city of the SSR, 1,647 housing units were completed, i.e., 38.3 percent of the plan for the year. Construction of 14,400 housing units was launched, 9,100 under contract and 5,300 housing units by self-help programs.

Almost 240,000 children were placed in nursery schools as of 31 March 1981, which is nearly 82 percent of the total number of children aged 3 to 5 years, and 10,000 more than in the same period of 1980.

Academic high schools, secondary vocational and professional schools (without the superstructure types of study) admitted 31,700 students, and 5,388 students were registered in secondary vocational schools in courses of study with examination of maturity.

Our national economy requires that 13,500 candidates, or 16.9 percent of the population born in a particular year, be admitted to institutes of higher learning. More than 23,000 candidates applied.

In order to offer our population better health care, all health institutions expanded their bed capacity to almost 54,000 beds, of which more than 35,000 were in hospitals and lying-in hospitals, and 10,600 in institutes for balneological therapy. As compared with the first half of 1980, the number of medical personnel increased 3.6 percent, with outpatient care accounting for 2.5 percent.

The number of places available in daycare centers increased 2.263 to a total capacity of 42.178 places.

There were 17,000 marriages, or 1,200 below the level of the first half of 1980. Live births declined 1,800 to a total of 47,000, and 25,000 citizens died, which is down 1,700. Therefore, the natural increase of 22,000 remained basically on the level of the same period of 1980.

At the end of June 1981, the SSR had 5,013,000 citizens, which is 32.7 percent of the total population of the CSSR.

Excerpt from the Report of the Czech Bureau of Statistics

In the first half of 1981, the national economic achievements on the territory of the CSR demonstrated positive trends in the creation of material resources and in the development of certain factors affecting efficiency standards.

The volume of industrial production rose 1.3 percent above the first half of 1980. In agreement with the objectives of the plan, priority was accorded especially to the development of production in electrical engineering and some other branches based on processing of domestic raw materials.

The plan for production of goods was fulfilled 100.5 percent, and 49.9 percent of the volume planned for the year was achieved. Planned production was not met by 18 VHJ [economic production units] and 90 enterprises.

Deliveries by industrial enterprises on the territory of the CSR for domestic market at retail prices were 1.4 percent below the first half of 1980. Their planned volume was fulfilled 104.2 percent. All ministries fulfilled their planned deliveries. Deliveries for export to the socialist countries in prices quoted as "all charges paid to border" fell 2.3 percent below the first half of

1980, and their planned volume was fulfilled 112.4 percent. Deliveries for export to the nonsocialist countries increased 6.5 percent and the plan was fulfilled 109.4.

As compared with the same period in 1980, production in heavy engineering rose 0.4 percent, in general engineering 2.6 percent, and in electrical engineering 4.7 percent.

Due to aggravated geological conditions, the total volume of production in the coal-mining and coal-processing industries declined 1.5 percent as compared with the first half of 1980, while the production of gas and resins increased 3 percent. Produced were 14 million tons of bituminous coal, i.e., 3.3 percent less than in the first half of 1980, and 45.1 million tons of brown coal and lignite, i.e., 2.4 percent more than in the same period of 1980. The plan for the production of bituminous coal was fulfilled 100.2 percent and 101.3 percent for brown coal and lignite. Heat and power generation fell 1.2 percent below the first half of 1980.

As compared with the same period last year, the chemical industry increased its deliveries for the domestic market by 1.2 percent, for export to the socialist countries by 22.3 percent, and to nonsocialist countries by 23.8 percent.

The wood-processing industry focused on more economical utilization of that vital domestic raw material, particularly by fully utilizing the capacities newly put into operation at the end of the Sixth Five-Year Plan. In accordance with the plan, deliveries for the domestic market were 2.3 percent below the same period of 1980.

Light industry fulfilled its demanding tasks in deliveries to the domestic market and for export. Light industry increased its deliveries for the domestic market 0.2 percent over the same period in 1980.

Deliveries of construction materials for the domestic market rose 3 percent over the first half of 1980.

The production in the food industry developed in accordance with the supply of raw materials from our domestic agricultural production and from imports. Deliveries of food products for the domestic market increased 3.8 percent over the same period of 1980.

Labor productivity was up 2.6 percent as compared with the first half of 1980, and its planned level was exceeded. The growth of labor productivity contributed 64.6 percent of the total increase in industrial production on the territory of the CSR.

The volume of construction work performed by internal labor resources of the CSR-based construction enterprises was 2.6 percent below the first half of 1980, and the plan was not fulfilled. The volume of construction work was not met by 107 of the 145 CSR-based enterprises.

In agriculture, the plan for the cultivation of grain crops was fulfilled 98.1 percent, wheat accounting for 96.5 percent, barley 96.6 percent and rye 102.6 percent. Legumes were cultivated on 87.2 percent, and sugar beets on 99.6 percent of the planned acreage; potatoes were planted on 101.3 percent of the planned areas. Procured were 575,000 tons of slaughter animals (not including poultry), i.e., 6.2 percent more than in the first half of 1980. Procurement of slaughter poultry amounted to 75,000 tons, i.e., down 2.9 percent, of milk to 1,833,000,000 liters, i.e., down 2.9 percent, and of eggs to 999 million, i.e., up 2.4 percent.

The forest economy produced 6.8 million cubic meters of timber and fulfilled 54 percent of its plan for the year.

As compared with the same period of 1980, railroad loading on the CSR territory increased 2.5 percent and the plan for the 6 months was overfulfilled 0.2 percent. Highway freight transport by the CSAD hauled 4.9 million tons, i.e., 4.8 percent more substrates than in the first half of 1980. Autobus transport of the CSAD carried 8.8 million passengers, i.e., 1.3 percent more than in the same period of 1980. Municipal mass transid systems transported 1.16 billion persons, i.e., 1 percent more than in the first half of 1980. River transport of the Czechoslovak State Labe-Oder River Navigation Lines transported 0.4 million tons, i.e., 11.1 percent more goods than in the first half of 1980. The amount of coal hauled on the Labe River for the Chvaletice power plant rose 25.2 percent.

The CSR national economy completed investment projects and deliveries (not including Action Z, construction programs undertaken by citizens, etc) in the amount of Kcs 36.1 billion. The volume of construction work was down 0.2 percent and the deliveries of machinery and equipment 10.4 percent below the same period of 1980.

Total cash incomes of the population increased 2.1 percent over the first half of 1980, of which wage incomes accounted for 2.5 percent and social income 1.3 percent. A worker in the socialist sector of national economy earned an average monthly wage of Kcs 2,650, i.e., Kcs 49 more than in the first half of 1980.

The Czech State Savings Bank granted 6.7 percent more loans to the population than in the first half of 1980. In particular, the volume of loans for purchase of goods increased. Loans granted by the state to newly married couples amounted to Kcs 751 million and state benefits granted to the newborn amounted to Kcs 160 million.

Savings deposited by citizens in the Czech State Savings Bank increased Kcs 3.9 billion since the beginning of the year. This was Kcs 1.7 billion more than in the first half of 1980. Total deposits as of the end of the June amounted to Kcs 112.9 billion, i.e., Kcs 10,957 per CSR citizen.

Retail turnover of main trade systems increased Kcs 152 million at current prices, or 0.2 percent, as compared with the same period of 1980. The turnover in the trade network remained at approximately the same level, and in public dining increased 1.6 percent. In the first half of the year retail turnover fell 1 percent below the plan.

All types of construction programs planned by national committees completed 16,792 housing units, i.e., 23.1 percent less than last year, and fulfilled 25.8 percent of the plan for the year. This proves that progress in the fulfillment of the plan for the year was less dynamic than last year because the share for the first 6 months of 1981 represents 28.2 percent of the housing units to be completed in 1981. Before the end of June, construction of 24,873 housing units began, i.e., 8.1 percent less than in the first half of 1980.

The population developed less favorably than last year. During the first half of 1981, there were 74,000 live births, i.e., 7,000 less than in the same period of 1980. There were 35,000 marriages and 13,500 divorces. Natural increase of the population amounted to 9,000 persons, i.e., almost 1,000 below the first half of 1980. As of the end of June, the CSR had 10.3 million citizens.

9004
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FIRST HALF 1981 ECONOMIC DEVELOPMENTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 31 Jul 81 p 2

[Report by the Federal Bureau of Statistics: "Report on the Fulfillment of the Plan for the First Half of 1981"]

[Text] During the first half of the current year the following results were achieved in the development of the national economy:

During this period enterprise plans were surpassed in industry in all sales indicators, in the volume of industrial production as well as in adjusted value added; in agriculture, the timetable for the procurement of all basic animal products was surpassed; in public freight transport, the total planned transport tasks were surpassed. During the first half of 1981, the construction industry failed to meet its enterprise plans in indicators of construction production and in adjusted value added; furthermore, retail sales of main trade systems remained below the planned level. In foreign trade, the share in the state plan for the year achieved during the first half of 1981 in general was higher in exports than the actual result for all of 1980, and lower in imports.

In general, during the first half of the year the state plan for the year was fulfilled 49.6 percent in the volume of industrial production, 45.3 percent in construction work performed by internal labor resources, 50.4 percent in the procurement of slaughter animals, including poultry, 44.9 percent in total imports, and 47.7 percent in total exports. With the exception of the construction industry, the results achieved in the first half of the year, converted to a comparable number of workdays, are essentially in agreement with the objectives of the plan.

As compared with the same period of 1980, the volume of industrial production in centrally planned industry increased 1.8 percent and the average daily production 2.6 percent. The state plan envisaged a 2.4 percent increase for 1981. In the first half of the year, enterprise plans for the volume of industrial production were fulfilled 100.3 percent. However, 23 percent of the enterprises failed to meet their planned tasks. During the first half of 1981 the most dynamic growth in volume of production was achieved, and enterprise plans were overfulfilled, in electrical engineering, in the rubber industry, in the cellulose and paper industry, and in the glass, ceramic and porcelain industry. The sum total

of enterprise plans for adjusted value added was overfulfilled 1.3 percent in the first half of the year. Labor productivity in centrally planned industry, calculated on the basis of the volume of industrial production and converted to a comparable number of workdays, increased 2 percent in the first half of the year over the same period of 1980; the state plan for 1981 envisaged a 2.1 percent growth.

In sales of industrial products (at wholesale prices), deliveries for exports to socialist countries increased 0.8 percent over the first half of 1980, deliveries for exports to the nonsocialist countries 0.1 percent and deliveries for the domestic market remained on the same level as in the first half of 1980. Deliveries for consumption in production and operations increased 1.4 percent during the 6-month period. In accordance with the objectives of the plan, the volume of machinery and equipment delivered for current construction projects declined 1.7 percent. All indicators specified for investment control of the fulfillment of the plan were met during the first half of the year by about 50 percent of all organizations for which they had been stipulated.

In agriculture, 6.7 percent of the planned grain-growing areas were harvested as of 13 July. In the second crop of acreage planned for cultivation of multiannual fodder crops on arable lands, 36.3 percent were harvested, as were 9.7 percent of the planned meadow areas. On the planned acreage, the harvest of 19.9 percent of winter rape and 39.7 percent of early potatoes was completed. In the first half of the year, livestock inventories remained on approximately the same level as during the corresponding period of 1980. During the first half of 1980 [sic] in animal production the procurement of slaughter animals, including poultry, increased 3.3 percent, and of eggs 3.2 percent, while the procurement of milk declined 1.6 percent. In comparison with the same period of 1980, the procurement of slaughter animals, including poultry, was 29,600 tons higher, of milk 41 million liters lower, and of eggs 42.5 million higher in the first 6 months of this year.

In construction, during the first half of the year construction enterprises performed construction work by internal labor resources in the value of Kcs 36.4 billion, which is 3.9 percent less than specified for this period in enterprise plans, and 2.8 percent less than in the first half of 1980. Average daily production in the construction industry declined 2 percent as compared with the same period of 1980. Planned production has not been fulfilled by 75 percent of construction enterprises. In addition, construction projects have not been fulfilled in capital investment. In the 6-month period, enterprise plans for adjusted value added were fulfilled 98.5 percent. In the first half of the year, construction projects delivered by contractors amounted to 15,742 housing units, i.e., 22.8 percent of the state plan for the year. In view of the planned objectives, the development of labor productivity was also unfavorable, as it declined 2.3 percent as compared with the same period of last year. As compared with the first half of 1980, the number of workers in construction enterprises declined 0.5 percent and their average monthly wage increased 0.8 percent.

Investment work and deliveries performed (not including Action Z and the citizens' programs) amounted to Kcs 56 billion, which is 2.6 percent less than in the same period of 1980. The volume planned for the year was fulfilled 41 percent, of

which 42.2 percent in construction works and 39.4 percent in deliveries of machinery and equipment. The shares in the state plan for the year were more favorable in construction projects with more than Kcs 2 million of budget costs and in construction projects designated as mandatory tasks.

In the first half of the year, public freight transport hauled 321 million tons of goods, of which railroads accounted for 142.5 million tons. In the first 6 months of the year, the planned transport tasks were fulfilled 101.5 percent, in railroad transport 99.4 percent, in transport by CSAD [Czechoslovak Automobile Transport] 103.3 percent and in river transport 100.1 percent. The total volume of the hauled goods was 3 percent higher in the first half of 1981 than in the same period in 1980. The planned tasks were overfulfilled in railroad loading which increased 2.1 percent over the same period of 1980. The average turnround of a car unit developed adversely in the first half of the year, amounting to 4.18 days (as compared with the planned 4.06 days).

In foreign trade (at current prices), the rate of growth of exports in general as well as regards the nonsocialist countries developed more dynamically than that of imports. The turnover in foreign trade with the socialist countries increased more rapidly than that with the capitalist states. The total turnover in foreign trade was 6.3 percent higher than in the first half of 1980, of which that with socialist countries was 9.4 percent higher. Exports increased 7.9 percent, of which those to socialist countries increased 9.3 percent, and imports 4.6 percent, of which those from socialist countries increased 9.3 percent. As compared with the same period of 1980, goods exchanged with the CEMA members countries were up 8.5 percent, of which goods exchanged with the USSR increased 13.3 percent.

In domestic trade (at current prices) main trade systems in the first half of the year sold goods in the amount of Kcs 101.1 billion, which is 0.6 percent more than in the first half of 1980. Main trade systems fulfilled their enterprise plans for higher retail sales by 99.2 percent; footwear stores surpassed their enterprise plans most conspicuously--by 3.6 percent. According to the estimate, the transactions in all trade systems during the first half of the year amounted to Kcs 120.2 billion, i.e., 0.2 percent more than in the first half of 1980. The state plan for all systems stipulated a 2.4 percent increase for the whole year of 1981. The rather unsatisfactory structure in the supply of goods and the declining interest of consumers in purchasing certain types of products resulted primarily in slower dynamism than envisaged in the plan.

In the first half of 1981 the cash income of the population, which amounted to Kcs 176.8 billion, increased 2.4 percent as compared with the same period in 1980. Incomes from wages accounted for Kcs 2.9 billion, and social incomes Kcs 0.4 billion, in the increment of the population's cash income.

Actual cash expenditure of the population increased 1.2 percent.

Deposits made by the people and their cash on hand increased Kcs 9.8 billion.

As of the situation on 30 June 1981, the currency amounted to Kcs 44.98 billion.

Basic Indicators of National Economic Developments in June 1981

Increases over comparable period in 1980 (in percent).

	June	January - June	State Plan[1]
Deliveries by centrally administered industry for:			
- total investments at wholesale prices	*	- 1.7	- 2.3
- export to socialist countries at wholesale prices	*	0.8	- 1.1
- export to nonsocialist countries at wholesale prices	*	0.1	0.3
- other sales for production consumption and operations at wholesale prices	*	1.4	*
Volume of industrial production	3.4	1.8	2.4
Average number of employees	0.6	0.6	0.5[2]
Labor productivity based on industrial production	2.8	1.3	2.1[2]
Construction:			
construction performed by internal labor resources	- 2.3	- 2.8	2.7
average number of employees	- 0.6	- 0.5	0.5
labor productivity based on basic construction work	- 1.7	- 2.3	2.1
housing units delivered by contracting enterprises	-28.2	-35.9	-19.1
Procurement:			
slaughter animals (including poultry)	1.8	3.3	- 1.4
milk	- 1.4	- 1.6	0.7
eggs	1.8	3.2	- 0.9
Retail turnover			
of the main trade systems	3.3	0.6	2.4[3]
Foreign trade[4]			
export to socialist countries	6.8	9.3	7.3
export to nonsocialist countries	- 4.3	6.2	9.1
import from socialist countries	0.2	9.5	12.4
import from nonsocialist countries	-16.7	- 2.3	6.7
Personal earnings[6]	1.6	2.4	3.6[5]
of which: wage incomes[6]	1.0	2.6	3.1[5]
actual cash expenditures[6]	4.8	1.2	3.3[5]

FOOTNOTES

1. Increases compared to actual 1980 results.

2. Increases compared to expected 1980 results.

3. All trade systems.

4. Data on actual results refer to actual results, the state plan (as opposed to actual results) does not include unplanned actions within the framework of cooperation, unplanned reexport trade, exchanges, and conditional trade transactions.

5. Including estimated interest on loans.

6. Data based on treasury plan of the SBCS [Czechoslovak State Bank].

9004
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SITUATION OF INVESTMENTS IN PLAN PERIODS EXAMINED

Budapest PARTELET in Hungarian No 8, Aug 81 pp 17-22

[Article by Arpad Kovacs: "Plan and Investments"]

[Text] In the Fifth Five-Year Plan period the investments of the socialist organs exceeded the planned 870 billion forints by 5.6 percent. Over a 5 year average, 23.5 percent of the national income was devoted to investments. The ratio of savings came to 27 percent.

In the recently closed period, the plan counted on an equal distribution between state and enterprise investments. But because of the rapid growth of enterprise investments, this target was not achieved. The ratio of actual enterprise investments, was 17 percent greater than planned, and came to 55 percent. The primary reason for this was that at the start of the plan period the expansion of convertible export commodity bases and the exhaustion of supplementary manpower resulted in the starting of many investments amounting to considerable sums of money. (Between 1976 and 1977, they approved the start of more than 2,000 investments through credits or supports). Thus more facilities were under the process of implementation at one time than we were capable of implementing in optimum time with available capacities.

In accordance with plan goals, the ratio of investments for expanding convertible export commodity bases increased within enterprise investments. As compared to the targeted 45 billion forints, they approved credits of 55 billion forints, and with which we created a capacity to expand nonruble account exports by about 90 billion forints. By marketing the products made with the help of these credits, we shall be able to realize an additional foreign exchange revenue of 1.2 billion dollars. Our experiences with the already concluded investments for export expansion have been favorable in respect to efficiency. Construction demand is considerably lower than average, implementation is more rapid. Machine imports which represent modern methods and technologies significantly exceeded the average. Investment costs exceeded the targeted goals by more than 5 percent.

Investment purchasing power increased more rapidly than planned. The credit and support system of developments could not fulfill its role of regulating purchasing power. However, regulator modification and the limiting measures taken in the last 2 years of the plan period improved the planned nature of the investments. Of the monetary resources for investment outlays, the ratio of eigen resources was the same as during the preceding plan period. The ratio of state budgetary sources declined by a small extent, and the ratio of credits increased to the same extent.

During the plan period, the specific costs of investments for both supplementary purposes and expansion increased significantly (by 52 percent). Of this, price level increases were lower (14 percent), which for the most part was the result of central price revisions. The increase in construction prices was caused by price changes in construction materials, tariffs and cost accounting norms. The effect of price increases for import machinery was significantly moderated by changes implemented in the exchange rate. Basically, the most important factor in the cost increases was the emphasis placed on quality improvement rather than on expansion of capital stocks.

In accordance with plan guidelines, no fundamental changes were made to the main economic structure. In the Fifth Five-Year Plan period--except in agriculture--investments in the basic producer branches increased more rapdily. Eighty percent of the investments served the development of material branches. There were differences between the investment growth rates of various economic branches and sub-branches, but there was no sub-branch in which development did not take place.

The new fixed assets placed into operation during the Fifth Five-Year Plan period, increased the gross value of 1975 operational fixed assets by 44 percent. Considering discarded equipment and other reductions, the new operations increased the value of the fixed asset inventory by 33 percent.

Total ongoing investments rose approximately 1.5 times during the plan period. Concentration on completing [investments] improved in the second half of the plan, but still the value of incomplete investment stock in the past year exceeded the sum paid out that year for investments. Therefore, we must deal more intensively hereafter with the factors that make for incomplete stocks with better preparation, and by reducing completion time for construction and mechanical work.

Continuation of Engineering-Technical Programs

The plan is counting on a 14 to 17 percent increase in the national income for the Sixth Five-Year Plan period. In order to improve the trade equilibrium situation of the economy and to coordinate production and consumption appropriately, domestic consumption of the national income may expand more moderately than the national income, or a total of 4 to 5 percent. About one-third of the increment in the national income must be devoted to improving the foreign trade balance. In domestic consumption, in harmony with the requirement to protect living standards and improve living conditions, the ratio of consumption will increase to between 81 and 83 percent, and the ratio of savings will decline to between 17 and 19 percent. Together with the amortization base, this ratio will also determine the possible size of the economy's investments.

According to the plan, we can devote 1,020 to 1,040 billion forints to investments in the socialist sector in 5 years which, considering price changes as well, will allow the approximate volume, of investment activity realized in the Fifth Five-Year Plan.

There will be no essential changes in the investments ratio of the direct producer branches and the nonproducer infrastructure. The producer investments will directly serve economic growth. The structure of investments in the direct producer branches will be significantly modified. The volume of investments in energetics will increase, while in the other producer branches somewhat more moderate investments may be realized than in the previous plan period. It is important that the sources for

producer investments should actually serve product modernization, the modernization of technology and methods, and the state of organization to increase efficiency and to generate more national income per unit of investment. If the available sums are well used (for example, if the construction time declines, more machinery is acquired, the level of preparation, planning and implementation is improved, then the continuation of engineering-technical progress will be possible.

A moderation in the investment level, or its level maintenance for 5 years, does not mean an easing of the requirements related to their realization. In this period it will be necessary to moderate the ratio devoted to the establishment of new capacities and increase the ratio used to modernize and add existing capacities. The ratio of profitable investments which are relatively less capital intensive and can be realized within a short time will continue to rise. New investments in harmony with the plan goals can be started only if the conditions for concentrated realization can be created within a technically justified period of time. Fewer new investments will start, and this will make it possible to concentrate attention on works already in process. It is particularly important that an increasing ratio of investment means be used for development goals that will effectively improve the economic balance.

More limited possibilities require more deliberate decisions, such as also means their ranking according to efficiency. The principles for defining the state and enterprise spheres of decision will not essentially be changed. Outside of certain developments in energetics, only a very small number of basic material-industrial investments, and outstandingly important producer or infrastructural investments can be implemented in addition to those already started. Among the large producer investments preferences are given to outlays for expanding domestic energy and raw material sources. In this plan period such large important investments will begin, among others, as the coking plant at the Danube Iron Works, the Many mine operation, the Fenyofu bauxite mine, the reconstruction of the Szolnok Paper Factory, and the implementation of Mecsek coking coal production. The start of several large investments can be weighed only later as a function of the development of resources. Some of the large developments which cannot be planned as state investments may be implemented as enterprise investments. (Such, for example, is the construction of the cracking plant.)

Large, important investments will be completed in the 5-year plan period. These include: the Danube Iron Works converter steel plant, semiprocessing at the Light Metal Works, the Bito II bauxite mine, the Halimba III bauxite mine, and the Markushegy mining operation, as well as the Szekszard Meat Combine, the LKM [Lenin Metallurgical Works of Diosgyor] Combined Steel Works, the Budapest Trash Incinerator Plant, the large Sport Hall, and the reconstruction of Ferihegy airport.

Market initiative developments aimed at transforming the production structure and increased competibility will be taken up on the basis of enterprise decision and risk undertaking. The dynamic development of efficient, exportable production is a complex activity wherein important factors are technical development and commercial work in addition to investment and production organization tasks.

Among producer investments the ratio of enterprise decided investments will continue to grow. In their financing, a greater role will be given to credits which select development ideas on the basis of profitability and the criteria of [trade] equilibrium improvement. In the Sixth Five-Year Plan period, 60 percent of the credits that can be extended for enterprise investments will be devoted to investments aimed at expanding profitable exports or to a favorable decrease in imports. To implement

investments whose profitability exceeds credit policy guideline levels, the enterprises may receive in state fund allowances on interest payment obligations if the enterprise or cooperative has tied its means to other productive developments. The ratios for the formation of enterprise self-development sources in the new price system correspond better than heretofore to the efficiency relations.

The scope and extent of state supports is narrowing. Their use is possible in those areas where the new price system can be used in a limited way, or it is unconditionally necessary to fulfill international obligations or to realize special economic goals. For example, such goals in the Sixth Five-Year Plan period may be: the development of economically operational goals; the production of energy-saving construction materials; the development of mass produced construction materials and devices; certain activities of the food industry; the development of agricultural construction, machine purchases and new planting sites; and the development of ship transportation. There is also possibility of supports for developments promoting the realization of branch goals. Such are efficient energy use; the manufacture of prefabricated products, semi-finished products, components and parts; the utilization of waste and secondary raw materials; public services; environmental protection; and area development.

An investment of 355 to 370 billion forints will serve industrial development. Only the most necessary energetics and basic material industry investments can be realized with state-decision development. In other areas of industry, particularly in the processing industry, the development of production, the modernization of technology, the transformation of the production structure, and the improvement of competibility can be implemented in the enterprise sphere of decision through the modernization and reconstruction of existing plants. In the development of the processing industry the role of state decision and financing is declining. State loans or fund allowances may be used for enterprise investments by observing efficiency conditions.

An investment of 128 to 135 billion forints will serve agricultural development. The realization of production tasks is served by better use of the stock of means in agriculture and the complex mechanization of production processes.

The aluminum industry, the petrochemical and the computer technology program is proceeding basically in accordance with determined goals and directions, but with consideration for the altered circumstances. We are starting pharmaceutical-herbicide-intermedier manufacture as well as the realization of the central development program for the production of electronic parts and components. A special program is being prepared to improve energy management, and developments which better utilize wastes and secondary raw materials as well as wood. Their realization will occur in the general decision and financing system.

Better Utilization of Means

The demand for fixed assets is growing in the present intensive phase of our economy. Investments and reconstructions are all more costly. The planned increase in national income compared to the preceding period will require a greater specific utilization of means. Fixed asset inventory with a production goal will increase more rapidly in 5 years by 24 to 27 percent whereas production will increase by 16 to 18 percent. As a consequence, capital efficiency in the plan period as a whole will continue to deteriorate, and this will also limit the increase in economic efficiency.

The stock of fixed assets which grew significantly between 1976 and 1980, and is still available today, and the latent reserves in the exploitation of existing means together with the increase in the stock of means between 1981 and 1985, varying in structure by branch and enterprise, provide a basis for increasing production and the necessary structural changes. In addition to investments, an important means for enterprise development is the better utilization of existing means, producer capacities, and the manufacture of good quality products that can be profitably sold on all markets. In many cases, the better utilization of fixed assets will provide the possibility for an economic increase efficiency in production without investments. But experience shows that in some instances the utilization of producer equipment and machinery lags behind possibilities even where the manufactured products are modern.

Our reserves in the utilization of capacities are bidirectional. On one hand, the better use of high-value and high-productivity machinery and equipment will make it necessary to operate more than one shift; and on the other hand, a more even loading and operation of the machinery within the existing work schedule is also a task. Implementing these tasks raises organizational requirements. Machine operation, material and parts supply, technical preparation, work and plant organization, and work distribution must be further improved. At the same time, the use of superfluous means and the discarding of obsolete, amortized fixed assets is also an important task. It is a requirement that enterprises should emphasize rational and economic solutions which are appropriate to the goal, and those organizational reserves through the utilization of which investments may be not only postponed but even entirely spared. The necessary capacities can be provided in ways other than by new investments.

Improving the efficiency of investment activity is possible by reducing the required implementation time. A condition of this, however, is an improvement in the balance between investment solvency earnings and the implementation capacities, the appropriate regulation of the number and volume of investments underway at one time, the creation of a higher technical and organizational level in preparation and implementation, and an increase in its efficiency. It is important both in the preparation and realization of investments that purpose and savings as well as responsibility should be realized in that the investments should be implemented by the planned deadline with the prescribed economy, in good quality, and within the cost provisions. Successful carrying out of the proliferating tasks requires that all the participants in the investments should improve their work and that the investors, the planners and implementers should intensify and coordinate their efforts better.

The development tasks called for in the Sixth Five-Year Plan are raising in many respects new and greater requirements on the enterprise collective where the investments are being realized. It is important that the investment activity should fit into the whole management of the enterprise. The goal is to coordinate financial sources and means, and for the enterprises to conduct a development policy using their own resources but adapted to the goals of the national economic plan. At the same time, they should take initiatives to see that they can obtain more credit sources beyond their own resources by reducing expenditures and increasing profitability. In view of the more moderate investment possibilities they should better consider for what kind of goals they want to devote their development monies. They should give priority to those investments which from the viewpoint of the production structure are more advantageous and can be more rapidly realized.

In planning their investments, the enterprises should investigate what kind of resources are necessary to supplement the existing producer means, machinery and equipment; how many investments are underway and from what sources their completion can be assured as rapidly as possible; what is the spin-off effect of developments that have already been realized; what means are necessary to operate the existing investments more efficiently; what magnitude of resources are available in the given period to start new investments; and whether the necessary material and technical conditions (construction, implementation, planning capacity, machine purchase possibilities) can be provided.

The enterprises should regard it as a basic requirement that the expansion of the fixed assets should be accompanied by increased operational efficiency and an improvement in means utilization. They should reckon realistically with the possibilities of establishing the import needs of investments. It is important that the enterprises be aware that given the present possibilities, a given investment decision is accompanied by greater risks than formerly, and in a given case it can have a significant negative effect both on enterprise and on economic results.

Today investments are still important in areas where stagnation or retrodevelopment might be justified. In these areas it is also a special task to consider the investment questions.

With the Help of the Party Organizations

Experiences thus far in the way the Sixth Five-Year Plan has been received indicate that in the interest of meeting the goals of party organizations and economic policy they regard it as necessary to realize even stricter requirements affecting investment activity. They support the solution of tasks with great activity and help in creation of the political conditions. It is indispensable that the district and work place party organizations and the communists who work there should interpret and carry out their tasks according to the 12th Congress resolution, and that they discover the contradictions which make their work more difficult.

It is the primary task of every party organization to help in the fulfillment of the plans and in increasing the efficiency of economic sork by means of political work. In addition to finding solutions to daily tasks, it is also a requirement on the party organizations that they should devote attention to questions concerning long-term development and as a part of this work they should control and assist in the formation of development and investment processes. The party organizations can play a great role in the more rational utilization of capacities and in a substantial improvement of work and plant organization. With better work organization and without an outlay of means, production efficiency can be increased by expanding cooperation relations, by pacing the rate of production, by better work preparation, or by smaller supplementary means outlay. The party organizations should support developments which make better management possible and are in accord with realities, and they should oppose an outlook and practice which does not adjust to conditions and which seeks for solutions in state supports.

The party organizations should help restrain that improper practice which is directed at starting investments as soon as possible without due care to adequate ground work. The efficiency and organization of the investment process is determined primarily by preparation or by the level of guidance. Therefore, the party organizations should devote greater attention to this. They should prepare themselves better than heretofore for attending to the political tasks related to making an investment operational, and controlling their implementation.

After formulating the goals in the planning process, the attention of the party organizations should be concentrated on seeing that the local conditions are assured for carrying out the tasks. Great attention must be devoted to discovering the causes of less economic production and the adjustment of investment and development activity into the system of enterprise management. Within the political guidance and control of economic work, they should concentrate their attention primarily on local tasks necessary for the improvement of the equilibrium, for the economic increase of export capacility, and for the development and investment activity serving these goals. For the consistent carrying out of tasks they should mobilize and help prepare the enterprises for accepting the greater requirements and for maintaining the necessary attitude.

The party organization should also devote particular attention to organizing the socialist work competition movement in order that the transformation of the production structure, the intensification of economic exports, the fulfillment of quality requirements, and the increased organization of investments are placed in the forefront of work competition. That is, in order to closely link these things to the altered requirements, they should help in the realization of investment goals conceived in the economic and enterprise plans.

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CSEPEL WORKS ROLE IN CEMA NON-FERROUS METALLURGY NOTED

Budapest KOHASZAT in Hungarian Vol 114 No 7, Jul 81 pp 318-320

[Article by Tamas Grof, technical director, and Dr Bela Albert, department head, Non-Ferrous Metallurgical Plant, Csepel Works]

[Text] The Non-Ferrous Metallurgical Plant of Csepel Works participates in the cooperation among CEMA countries in many ways as the representative of Hungarian heavy non-ferrous metallurgy. The cooperation is realized in the field of production by means of specialization of manufacture and utilization of manufacturing capacity; cooperative manufacture is developed; and there is cooperation in scientific and technical areas within the scientific and engineering councils, extert brigades, and aspirant training. There is also exchange of information.

We have recently commemorated the 30th anniversary of the foundation of the Council of Economic Mutual Assistance. This milestone is the occasion for reviewing and analyzing the ties that bind the Non-Ferrous Metallurgical Plant of Csepel Works to the socialist economic community manifesting itself by this organization.

As we all know, international division of labor developing within the framework of socialist integration -- as a result of political cooperation -- creates a closer relationship among the participating countries than does capitalist integration, and provides broader and closer relationships among the member countries. As the Declaration of Foundation also points out, CEMA combines the resources of the member countries, coordinates their activities, facilitates systematic and accelerated development, and raises the standard of living in the member countries at an above-average rate.

It is precisely this latter goal, the primary political goal, which represents the basic condition of the international division of labor among the socialist countries and ensures that the aimed-for mutual advantages are realized.

The Non-Ferrous Metallurgical Plant of Csepel Works participates in all cooperative endeavors of CEMA, ranging from scientific-technical relationships to the exchange of goods. This intensified activity is not only in the best interests of the enterprise. Much more so, it is the manifestation of the fact that the Non-Ferrous Metallurgical Plant of Csepel Works, the sole heavy non-ferrous metallurgical facility in Hungary, represents national interests -- or, in other words, is responsible for these interests. Let us just think of the many needs of electrical technology, electronics, and instrument manufacture in terms of quantity, quality, and the multitude of products. It would be impossible to meet all these needs -- which show an increasing trend in all respects -- at the required technological level without making full use of the production capabilities of all member countries, each being based on the individual country's traditions and production culture, and providing for a means to ensure the exchange of products. Further along the line of this reasoning, we need technical development for tomorrow's products, and for this we need the exchange of experiences and the advantages arising from scientific and technical cooperation.

The Non-Ferrous Metallurgical Plant of Csepel Works, aware of its role in the national economy, and conscious of its responsibility, joined this cooperative effort in all its ramifications, and entered the chain of socialist integration.

The most important part of the work takes place within the Permanent Committee on Non-Ferrous Metallurgy, of which the chairman is a Hungarian, where the enterprise is always represented. The primary activity of the committee is the coordination of the five-year plans for non-ferrous metallurgy; the establishment of the technical guidelines governing the development of products and semi-finished products in the area of non-ferrous metallurgy; ensuring the utilization of free manufacturing capacities in the area of non-ferrous metallurgy; cooperation in the field of product interchange; handling of the problems related to the ore-exploration, ore processing, metal utilization, and metal replacement; and specialization of the manufacture of non-ferrous semi-finished products. The work of the committee plays a decisive role in the operations of the enterprise.

The so-called "Metal Processing" working committee, established to promote the utilization of free manufacturing capacities, contributed materially

to the fullest and most economical utilization of the tube- and bar-manufacturing capacities, which were established in part with Soviet-made equipment.

The enterprise is also involved in another committee, the so-called "Rare Metals" working committee, to ensure the manufacture of its fine-metallurgical products in economical quantities. We submitted bids during last year for nickel wire and strip, manganese-nickel wire, Permalloy and Fe-Ni strip, refinable copper-chromium-zirconium and copper-beryllium bar, and brass condenser pipe to Bulgaria, Poland, Czechoslovakia, and the DDR, in the amount of approximately 10-20 tons per year.

In the course of their work, the working committees concluded agreements for the specialization of production. Representatives of our enterprise took part in the formulation of the specialization agreement and its discussion. Product-interchange activities resulting from product specialization developed primarily with the Soviet partner. Within the framework of this cooperation, we supply condenser pipe and brass wire to the Soviet partner, and receive hot-rolled brass and copper strip in exchange. In addition, we purchase Soviet-made hot-rolled beryllium-bronze strip, which we then convert into thin strip by a technology representing high-level engineering and requiring high precision. Almost all the product is then returned to the USSR. We are exporting copper-chromium-zirconium bar to the USSR since a few years, obtaining most of the starting material (cathode-grade copper and copper-chromium prealloy) from the Soviet partner. Receipt of our non-ferrous metal requirements within the framework of socialist integration is illustrated by the foregoing and also by the fact that the USSR also supplies us with cathode-grade nickel and zinc ingot. Almost 3700 tons of our products involve some product exchange with the USSR.

Our relationships with the other socialist countries are similar in character. Our enterprise supplies iron-nickel strip to the DDR in exchange for semi-finished products for eyeglass-frame manufacture and Alpaca wire. In exchange for tube and bar products, Romanian and Czechoslovak enterprises obtain sheet-metal products from us. Within the framework of our close cooperation with the Polish partner, crankcases made of aluminum alloy for road-vehicle manufacture represents an important item.

Our experiences with production cooperations of this kind were favorable, and we desire to expand them. For example, in exchange for exported brass bar and pipe, we seek a source of import of prefinished copper pipe made by pilgering. This would enable us to utilize our copper-pipe manufacturing capacity more fully and more economically, and would permit its expansion.

It is a known fact that many rare-earth metal additives, such as zirconium, yttrium, indium, and cesium, provide favorable technological and application characteristics to precision-metallurgical products. Hungary uses no more than 100 kg of these rare metals and certain high-purity metals per year. Concentrated and economical production of these metals, and the supplying of the individual member countries is made possible by specialization of manufacture and centralized handling of the requirements. This is also part of socialist integration.

Production cooperation means not only exchange of products but also the meeting of the occasional needs of the member countries for special products, often required in small quantities only. As an example of this kind of cooperation we mention the fact that Hungary has prepared the manufacture and proceeded with actual production of matte-finished nickel strip, needed by the USSR.

We have already mentioned that the CEMA countries conduct more and more technical and scientific cooperation, and develop the appropriate forms for such cooperation. The Non-Ferrous Metallurgical Plant of Csepel Works operates in this area both through the Non-Ferrous Metallurgical Permanent Committee and through bilateral agreements.

Our participation in the exchange of technological and scientific data manifests itself in the interchange of research results and the participation in expert brigades set up for this purpose.

It was through exchange of information that we learned the results of studies in the DDR concerning the physical and technological characteristics of oxygen-free copper made in vacuum furnaces or by means of continuous casting. This subject is closely related to our degasification studies made with the aid of mass spectrometry. Our Polish partners taught us how to carry out precise analyses of gasesous impurities.

Soviet experts gave us the vacuum-melting technology for nickel, copper, and their alloys in induction, arc, and electron-beam furnaces.

Material supplied by us within the framework of information exchange concerned primarily the melting in vacuum-induction and electron-beam furnaces. Studies of desoxidation in vacuum-induction furnaces; crucible reactions taking place in nickel melting; technological results in vacuum-melting of copper, nickel, and their alloys; and effects of melting speed on the gas and contaminant content of high-purity nickel made in vacuum and electron-beam furnaces are the most noteworthy items we have provided.

The work of our brigade set up for studying the manufacture of pipe and bar of non-ferrous metals is also worthy of mention. The delegations of CEMA countries learned in our enterprise primarily the modern manufacture of brass condenser pipe in modern, three-strand Kieserling equipment, and were also advised about the annealing and heat treatment of these products in Ebner furnaces with roller floor. In exchange, our experts were given the opportunity to become acquainted with the manufacture of condenser pipe (mostly made of copper-nickel alloy) in highly efficient pilgering equipment, carried out at the Non-Ferrous Metallurgical Factory in Artemovsk, USSR.

Among our direct bilateral activities, we mention our participation in the project led by the Soviet-Hungarian Intergovernmental Scientific and Technological Cooperation Committee, dealing with the manufacturing technology of high-quality steels, transformer steels, and dynamo steels. We succeeded in developing an industrial method for 0.05 to 0.35 mm thick, cubic-textured strip production.

Soviet and Hungarian strip were compared with the aim of developing current technologies in the course of the dynamo-strip studies.

The cooperation with the Non-Ferrous Metallurgical Ministry of the USSR deals, among others, with the systematic crystallization of non-ferrous metals. The aim of these studies is the selection of graphite-crystallizing basic materials for increased lifetime of the expensive crystallizer. These projects make it possible that we obtain the basic material for crystallizing graphite from socialist sources.

Our scientific and technical relationships with the DDR are manyfold and have a long past history. The major part of our cooperation with the Mansfeld Combine, and its various plants and institutions, is in the area of processing of copper scrap, copper refining, copper electrolysis, and some aspects of drawing and electrolysis of copper wire, and rolling of non-ferrous metals. In addition and related to the above, we exchange specialist brigades to the various plants for various periods of time to enable them to broaden their knowledge and to learn about technical operations elsewhere.

We believe that our relationships with the Aue plant of the Albert Funk Combine of Freiberg are very important. The two plants have similar product line, so that there is even more scope for joint experiments and exchange of technological experiences.

Insofar as the fine-metallurgical products are concerned, we first mention soft-magnetic strip. In this subject area a complex test series was started with the aim of the elucidation of melting and casting technology, magnitude of forming, and the relationship between strip thickness and magnetic parameters. The jointly obtained results were utilized in part for vacuum-metallurgical development in our enterprise. Documentation was also exchanged. In exchange for the manufacturing technology of soft-magnetic strip Type P 50 000, we received the documentation for the magnetic strip Type Muniperm 100.

Bar and strip products capable of being manufactured by means of systematic crystallization and -- related to this -- joint studies on the instrumental examination of surface and internal defects of strip products represented a new subject area.

In the future, we hope that solutions to the question of modern energy transmission with minimum loss will be found by using superconducting cables. A team studies niobium-titanium and vanadium-gallium superconductors; in this study the team is joined by Soviet, East-German, and Hungarian institutions. In addition to other domestic institutions, the Non-Ferrous Metallurgical Plant of Csepel Works also participates (the latter through the Intergovernmental Coordinating Committee on Rare Metals).

It can be seen from the foregoing that our enterprise is committed to socialist integration: It is actively engaged in various scientific and technical cooperative projects. We plan additional joint scientific projects, such as the examination of the domain structure of magnetic materials used in industry (through the Academy of Sciences of the USSR), textural studies (through the Institute of Metal Physics in Cracow of the Academy of Sciences of Poland), and matters related to the cermet-strip manufacturing technology (through CEMA institutions still to be included).

The CEMA agreement provides for the period of the Sixth Five-Year Plan further developments in the graphite crystallizer. We are also interested in subjects related to new corrosion-resistant condenser pipe, specifically micro-alloyed materials and corrosion testing technology.

The fact that our enterprise has entered licence marketing and procurement indicates that we are desirous of expanding our technological scope. It is our intention to market the intellectual capability of our experts, codified in patents issued to the Non-Ferrous Metallurgical Plant of Csepel Works. Among these patents the following are worthy of special mention: Manufacturing technology of copper and copper-alloy strip products capable of being intensively cold-formed and having isotropic

mechanical properties, and a modern method for processing scrap to obtain the starting material for high-purity copper. Furthermore, our enterprise cooperates closely with other countries, primarily the USSR and the DDR, on the subject of licence procurement. There are tests underway of novel, Soviet-developed spring strip based on copper.

There is also cooperation involving the opportunity for our experts to study in the USSR as aspirants. In our opinion it is an important fact that our Soviet partners provide us with special articles and books as needed. On the other hand, our enterprise has the opportunity to publicize its scientific and technical achievements and products in the form of lectures at Soviet special exhibitions and fairs, permitting us to avail ourselves of the potential of these events.

Mention should also be made of those aspects of CEMA scientific and technical cooperation which cannot be properly reflected in protocols and final communiques. The joint studies and information exchanges, primarily during mutual visits, permitted personal friendships to develop among the participating experts, and permitted existing friendships to deepen. Such friendships do not involve the competitive struggle, the acquisition of development results at any cost, or similar endeavors: after all, they exist on the basis of socialist integration. Instead, the goal is to facilitate interchange of knowledge and to transfer experiences which may at first glance appear to be minor but which are often of decisive importance in actual practice.

We wanted to illustrate the role of the Non-Ferrous Metallurgical Plant of Csepel Works in the CEMA cooperative effort in the area of non-ferrous metallurgy. Of course, we could not cover the subject fully; for example we said nothing about the development of joint standards. The experience of our enterprise in the recent past confirmed that there is good justification of socialist integration, and that it uncovers still unexploited resources within the member countries' economies, which can be channeled to existing problems and tasks. Our enterprise, supporting Hungary's policy of making full use of these potentials, will continue these efforts, as outlined in the Complex Program.

2542
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CEMA COOPERATION FOR EXPLOITATION OF NON-FERROUS METALLURGY

Budapest KOHASZAT in Hungarian Vol 114 No 7, Jul 81 pp 320-321

[Article by Dr Karoly Budai, head of the Hungarian section of the CEMA Permanent Committee on Non-Ferrous Metallurgy]

[Text] The author describes the work of the CEMA Permanent Committee on Non-Ferrous Metallurgy in the areas of coordination and scheduling of the excess capacities of the non-ferrous metallurgical facilities of the member countries for mutual advantage.

The rate, character, and extent of the production of metallurgical plants does not usually conform precisely to the needs of the users of the products. Whenever new plants are started up, there is a sudden increase in productive capacity. Yet, the needs of the users of the products usually grow at a steady rate in the order of magnitude of a few percents per year. As a result of this, there is usually shortage before the startup of a new plant and an overcapacity after the startup. This means that there is unutilized capacity for a time. It also means that the product concerned has to be imported before the new plant is started up. Once the new capacity is available, there will be unused manufacturing capacity or an export potential (up to the extent of the difference between unutilized capacity and current need).

The fact that several countries usually carry out similar development projects simultaneously causes this effect to become even larger since the free capacities are added up.

The CEMA Permanent Committee on Non-Ferrous Metallurgy has analyzed these factors and created a special team for dealing with them. The team was charged with the task of coordinating and scheduling the deficiencies and excesses of non-ferrous metallurgical capacities for mutual advantage.

All CEMA countries -- Bulgaria, Hungary, the DDR, Poland, the USSR, Czechoslovakia, Romania, and Yugoslavia -- are represented by delegates.

The procedure of the team is summarized as follows:

- The delegations of the individual countries meet twice each year. At the November meeting they discuss the cooperation possibilities and conditions during the first half of the next year, and at the May meeting they discuss these for the second half of the year.

- Approximately one month before a meeting, the delegates of the individual countries inform each other in writing about capacity shortages and excesses in their respective countries up to the meeting's scheduled time. This enables the delegations to organize themselves for the discussions and for the conclusion of any agreements that may ensue.

- The production enterprises, foreign-trade enterprises, and -- if necessary -- the governmental organs in charge participate in the individual national delegations.

- Unlike other similar organizations, this team has no permanent executive body (such as Intermetall and Interchim.).

The lack of the utilization of metallurgical capacities may manifest itself in a given year merely in terms of product assortment; however, its effects might be felt over a period of several years. In the event that there is a possibility of cooperation over a period of several years, this might become the basis for longer-range joint action or may result in the establishment of production specialization.

Making use of this possibility, the team developed a production specialization agreement to facilitate the conclusion of long-term international agreements in the field of semifinished non-ferrous metallurgical products. A specialization agreement of this kind was first signed during the 1975 to 1980 period. Preparation of an agreement to cover the next plan period (between 1981 and 1985) is underway.

The mutual deliveries specified in this agreement ensure that producers and customers have a dependable source of supply for a period of several years,

so that they are adequately provided with work and materials. At the same time, it becomes possible to develop the production capacity for the given item in a systematic manner and in some instances to meet the needs of several countries by creating more economical production conditions.

According to the practice that has developed, the customer party provides the raw material (non-ferrous metal) to the manufacturer; thus, the arrangement resembles contract work.

The team was set up in 1965, and during the last 15 years approximately two million tons of non-ferrous metals were processed according to the scheme. Calculations indicate that approximately 600 million dollars was saved (in terms of manufacturing costs; not counting the value of the materials processed), in freely convertible currency.

Hungarian deliveries within the total deliveries are tabulated below.

Table 1
Metal shipments of CEMA countries in the last 15 years

Export, import	1979		1965-1979	
	1000 tons	%	1000 tons	%
Total export	214	100	2020	100
Hungarian, included in the above	18	8.4	159	7.9
Total import	214	100	2020	100
Hungarian, included in the above	69	32.2	485	24.0

It can be seen from the table that we made good use of the opportunity of eliminating more and more the consequences of the shortage of our manufacturing capacities by utilizing manufacturing capabilities existing in CEMA countries. In the process we also saved investment costs, since we eliminated the need for building domestic facilities for some products which we obtained via this cooperation and specialization.

On the basis of detailed data it is evident that we were the third largest exporting country and the largest importing country.

To sum up, the team's work was useful for Hungary and the other CEMA countries since

- the non-ferrous metallurgical plants could operate more economically and the production facilities could be utilized more efficiently;

- the expenditure of freely convertible currency could be reduced since less non-ferrous metal had to be imported;

- metallurgical developments could be better coordinated;

- personal relations were established as a result of the operation of the team, contributing to the continued success of the project.

2542
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INFLATION IN POLISH ECONOMY DURING 1981-1983 ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish 9 Aug 81 pp 1, 9

[Article by Wiktor Herer and Wladyslaw Sadowki: "Phenomenon and Mechanisms": passages in slantlines printed in boldface]

[Text] Examining the shelves of our food stores one gets the impression of them having been battered by a passing hurricane that has swept away all the goods. Never in our postwar history have the shops looked that way, not even in the worst time when physical consumption of particular foodstuffs was several times lower than it is now. This total decay of the foodstuffs market is not proportionate to the drop in the amount of supplied goods. It is taking place even with no cuts in supplies or with relatively slight cuts.

In the last few months, the plague has increasingly spread to the manufactured goods market where acute shortages are beginning to extend to yet new commodity groups. In this market, a severe shortage of goods can be attributed to the slump in production only to a certain degree. Where then, should we look for the main cause of the consumer market falling apart right before our eyes?

At the root of this threatening phenomenon is above all a rapid spurt in the growth of inflationary curve. It is combined with the irregularity in the consumer goods flow to the market resulting mainly from arythmical imports of raw materials supply. This irregularity in the final count deepens and accelerates the process of destruction of the entire market by causing panic buying and hoarding financed by the cash fund held in expectation of goods.

Counterbalancing the growth of the inflationary curve becomes an absolute necessity. However, a clear and as precise as possible understanding of the nature of this phenomenon and a quantification of the economic ratios contributing to it are the indispensable premise for any course of action to that end. This is what the present article is devoted to.

Formula of the Inflationary Curve and Its Applications In the Environment of the 1981-1983 Period

Let us start with a definition of the phenomenon in question. By the inflationary curve we mean the amount of money released as remuneration for labor and various other forms of monetary income which is not covered by respective goods and services and at the same time is not associated with regular voluntary savings of permanent character or the creation of necessary emergency fund at the disposal of the population. Thus, the inflationary curve includes monetary funds of the population less voluntary permanent savings and necessary emergency funds.

The mechanism of formation and development of the defined inflation curve is described on the following simplified assumptions: - the physical supply of goods and services and their prices are not subject to change over the entire period under consideration;

- the overall nominal income is stable as well, that is to say unchanged by shifts in the labor force or rate of remuneration.

These assumptions merit more remarks. Having introduced them, we provide an opportunity to examine the mechanism of formation of the inflationary curse under the most simple conditions, revealing to the fullest the essence of its functioning. This mechanism works with stable supply of goods and stable income just as well.*

But that is not the end yet. The drawbacks of these analytically convenient assumptions are essentially very few, however, they allow, in our present environment, a comparison with what we can term /"the critical mass"/ of the inflationary phenomenon with which we actually have to deal in our economic practice.

Basing on the above-mentioned assumptions, the inflationary curve can be described by the following simple equation:

$$I = at + b$$

where

I - fund of money at the disposal of the population, kept in expectation of goods and not regarded as permanent savings,

t - time (independent variable),

a - index, defining the flow increment in the inflationary curve, constant in all the years of the analyzed period, according to the accepted assumptions,

b - constant describing the inflationary curve at the beginning of the analyzed period (at t + 0).

The difference between the magnitude of the flow of the populations' monetary income allocated for market spending and the amount of annual flow of market goods supply generates growth of the I curve. This difference (the at member in Formula 1, at a = 0) creates the /inflationary gap/, or the flow of money, allocated for purchases, which, not having found market coverage, augments the inflationary curve and accounts for its increments over time (annually, quarterly, monthly, etc.). Due to the permanent increase of /the curve/ by the magnitude of the gap, this curve

* The above goal could also be achieved on a perhaps more realistic assumption, according to which absolute increments of nominal value or goods and services delivered to the market in particular years equal absolute increments of total nominal income of the population.

at any given moment* represents the magnitude of the gap accumulated over the period under consideration, plus the initial magnitude of the curve at the beginning of the period (constant b in equation 1).

On the basis of the above, the inflationary curve at the end of any given period could be seen as a combination of two elements:

- initial inflationary fund (constant b in equation 1),

- /flow/ increasing the initial fund, or the increments of the fund over time (coefficient a in equation 1 times t, the time elapsed since the beginning of the period under construction).

Of crucial importance is the destructive impact of the inflationary curve on the market. It can be measured by the I : T ratio. where T is annual flow of goods to the market, constant over the entire period, according to the accepted assumptions. Now let us try to apply this simple equation to our reality.

On January 1, 1981 the inflationary curve stood at 0.2 trillion zlotys according to the most conservative estimates. Decisions on increases in wages, social security benefits and procurement prices passed in the second half of 1980 boosted the nominal income of the population in 1980 to the level of 1.9 trillion zlotys. After the subtraction of 50 billion zlotys due to the annual increase in savings resulting from the standard savings trend, the total comes to 1.85 trillion zlotys a year. The flow of market supplies in 1980 totaled 1.4 trillion zlotys. With the results of price increases on alcohol in 1981 in the picture, it comes to 1.45 trillion zlotys a year.

If, in accordance with the assumptions, the flow of income as well as the supply of goods and services, are to remain unchanged, it can be asserted that the inflationary gap in 1981 will be in the vicinity of 0.4 trillion zlotys, that same statistic representing at the same time the annual increment of the inflationary curve.

Plugging the above estimates into equation 1 leads to the following conclusions:

- in the second half of the 1970s, a continuous growth of the inflationary curve occurred, leading to the already mentioned level of 0.2 trillion zlotys at the beginning of 1981. (This is the amount of the initial inflationary fund, or constant b, in equation 1).* At the time, the magnitude was already considered too large. It was estimated to be one of the main causes for the lack of overall market equilibrium and partial equilibriums.

- in the year 1981, a /rapid acceleration/ in the growth of the inflationary curve is occurring. Its annual increment in 1981 will reach about 0.4 trillion zlotys (this is the magnitude of at in equation 1, at t = 1). Accordingly, the curve at this yearend will reach 0.6 trillion zlotys, or, in other words, will /increase threefold/ over the year 1981.

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* It is apparent that a change in the beginning of the analyzed period, for example from January 1, 1981 to July 1, 1981 would cause the numerical value of constant be to change.

- if, according to our assumptions, nominal income of the population is not to grow in 1982 and 1983, and the amount of market deliveries of goods and services is to remain steady at the level of 1980 (with an allowance for increased prices of alcohol), then, in the absence of a price-income reform the inflationary curve will continue to increase in a linear fashion as equation 1 suggests, at an annual rate of 400 billion zlotys. Under these conditions the curve at the end of the following years will assume the following shape:

	1980	1981	1982	1983
inflationary curve at yearend - I, trillion zlotys	0.2	0.6	1.0	1.4
value of market deliveries of goods-T	1.45	1.45	1.45	1.45
ratio of the inflationary curve to the annual value of market delivery at yearends, percentages - I : T	14	41	70	97

This rapid growth in itself would not be a threatening phenomenon if it were not for the disastrously high and at the same time rapidly increasing ratio of the curve to the market deliveries of goods (I : T) coupled with this high rate of growth attained from the beginning of 1981.

The level and development of this ratio is the foremost testimoney to the gravity of our situation. On top of that, it should be mentioned that all the above statistics have been calculated on simplified assumptions eliminating the factors further aggravating our market situation. This is the meaning of the simplified assumptions of no further growth in nominal income of the population past April 1981, and of market deliveries of goods and services stabilizing at the level of 1980. The results obtained so far must be interpreted as saying that /even if nothing happens that might aggravate the market situation in the way of increasing the inflationary gap generated in the first quarter of 1981, the inflationary curve will grow at a dizzying rate, causing increasing destruction of the market and the monetary system/.

Predicted Consequences of the Inflationary Curve Growth

While examining this threatening phenomenon, one should bear in mind that so far we have been witnesses to only the initial stage of accelerated (in comparison to the pre-1981 period) accumulation of the inflationary curve. Under the circumstances, every one of us should ask himself a question: how can our market fare at yearsend 1981 and in the following months, when a fast-growing and powerful flow of additional money will be superimposed over the decreasing supply of consumer goods and the already totally collapsed foodstuffs market? How will the exchange of goods and money binding the individual peasant agriculture to the economy work out? Especially worrisome should be the threat to the steadiness of bread supply to the urban population. Unless the raise in procurement prices of grain is accompanied by a substantial raise in the price of bread and other baked goods reimbursed by adequate wage increases, it is bound to cause further increase in the use of bread and cereals for animal fodder. This, in its turn, can bring about an absolutely

unique phenomenon of artificial hunger - a paradox for the country boasting one of the highest per capita bread production rates.*

The Inflationary Curve and Classical Inflation

The formation and growth of the described inflationary curve definitively sets our inflation apart from inflation processes that have occurred throughout domestic and foreign history. The essence of these processes can be found in the /simultaneous/ growth of nominal income of the population and prices preventing the formation of a gap between the flow of monetary income and market supply. Such a mode of simultaneous increases in prices and monetary income, if rapid, can certainly be very painful for broad strata of the population (examples of such relations can be found in Great Britain and Yugoslavia). This mode does not, however, obliterate the market nor does it undermine the foundation of monetary turnover. At the same time, consequences of the inflationary process unfolding in Poland before our eyes are different indeed. Ours is the kind of inflation that /destroys and kills/ the market. This is its /peculiar feature/ setting it apart from other inflationary processes observed throughout economic history. Thus, we are witnesses of a unique and at the same time menacing phenomenon, which has never occurred on that scale in either our or any other country. One can consider that the processes described by us are far enough removed from the classical "inflationary spiral" based on simultaneous growth of prices and wages for the very term "inflation" possibly being inappropriate as a definition of what is happening in our country.

Opportunities for Limiting the Curve Without Price Increases

It is evident that all of us would like to find means of decreasing the curve that are not fraught with social conflicts. From this point of view, an eradication or at least a significant limitation of the curve can be best achieved by respective increases in production. But what kind of production should it be? Agriculture should be altogether exempted from anti-inflation measure. With the current ratio of procurement and retail prices of food, any increase in food production, valuable as it is /from the point of view of meeting the country's nutritional needs/

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* Bread as opposed to meat is a peculiar commodity. It provides for the most basic needs of the human organism which should be met by the entire population of the country. However, bread consumption is highly differentiated not only in relation to the kind of job, but also to the conditions of life and especially to different consumer habits and so on. Hence, the introduction of bread rations established at the average level under the conditions of sharply differentiated consumption would doom a segment of the population to something we might call the brink of physical hunger. This will be the case even if the differences in consumption are partially taken into account, especially the ones resulting from the strenuousness of one's job since only these differences are easily discernible. Increasing the rations as far as the existing limited options would allow would definitely not prevent "the artificial hunger" of some people, but would unmistakably encourage a considerable waste of bread by others. This waste would also accompany the phenomenon of artificial hunger" with the rations set at the average level anyway.

precipitates a new flow of additional money with no market coverage. At the same time, in industry even a return to the 1980 production level (the one we have assumed as the base for our estimates of the inflationary curve), or getting out of the deep "low" into which we are still plunging, is too difficult a task to be considered achieveable this year. And let us after all, look into the amounts that are to be reckoned with here. Even if we were to secure in, for instance, 1983 a 5 percent increment in market supplies over the 1980 level under some very favorable circumstances, this would only provide about 70 billion zlotys worth of additional market supplies. This additional increment of market supplies would then have to offset the inflationary curve, which, should the events be allowed to take their course, would reach an immense quota of 1.4 trillion zlotys, as was estimated above. /Being fully aware that influencing the supply is the most important task of any anti-crisis program we should nonetheless assert that now even a relatively substantial increase in supply cannot play an appreciable role as a factor counteracting the disastrously high and rapidly growing inflationary curve/.

Now let us switch to the demand side of the balance. One can enumerate dozens of publications offering different, generally feasible proposals of how to drain the inflationary curve by reducing demand in the ways that are less socially sensitive. Let us mention some of them:

- encouraging the growth of savings,

- taxing high incomes,

- special-purpose savings earmarked for sought-after goods,

- national loan.

While these instruments are being enumerated, they seem to be very attractive solutions. It looks less so when one starts figuring out their market impact, pencil in hand. Quantification shows that not only the impact of each of the measures on its own but even their combined impact is very small compared to the scale of the inflationary curve. All the measures can tie up not more than 40-60 billion zlotys net. From the drain effect point of view, only the net result counts, i.e., the one obtained taking into account that, for instance, special-purpose savings as well as the taxation of high incomes reduce permanent savings. For sure, these instruments would have been very effective had they been implemented 2 years ago. The present scale of the skyrocketting inflation curve is too large for the combined drain effect of all these socially safe instruments of demand reduction to be of appreciable economic consequence. Taxing high incomes should be seen primarily in the context of political impact (honoring the principles of social equity). The drain effect of all these measures is, however, of no appreciable importance.

Those advocating the eradication of the inflation curve by creating unemployment are totally wrong. Let us assume for a moment that a proposition has been accepted to reduce empllyment in the socialist sector by 5 percent, or 600,000 persons thus creating a respectively strong unemployed labor force. In this way, the wage fund can be reduced by definitely no more than 50 billion zlotys (wages of those laid-off would be lower than the average). Now let us compare - even without the fundamental societal imperatives in the picture - the social upheaval which could result from the creation of a 600,000-strong unemployed labor force to the relatively small effect of this operation.

By the same token, no drain affect should be expected from reductions in investment. Reductions of the wage fund in the capital investment sector should because of social concerns be accompanied by channeling of respective moneys into retraining the labor force, assistance in starting up farmsteads and workshops, creating new jobs in the service sector and into social programs (earlier retirement). These measures, similarly to the ones aimed at changing the structure of production in the investment sector, can increase the volume of market deliveries only after 2 or 3 years. What conclusion does this lead to? In the present pathetic situation only such measures count in the attainment of market equilibrium which can immediately generate a large effect. In the case of investment, such effects due to social, economic and technical (lead time) considerations can be neither too large nor immediate.

Let Us Not Hide the Bitter Truth

Telling truth to the society is a professional responsibility of the economist. It is so just as well when the truth is unpleasant - and in summation we must conclude that the eradication of the inflationary curve or even a considerable reduction in its further growth cannot be carried out in a way other than a /substantial increase in retail prices/ of all consumer items in various degrees with only a /partial reimbursement/ to the society by respective growth of monetary income.

We are well aware of the socio-political barriers into which any drain-type price reform is bound to run. It is, however, evident to us that by carrying it out a social explosion cannot be risked. A price reform can only be carried out if there is an assurance gained through prior negotiations of it not disrupting social peace.

Each drain-type price reform must strike a compromise between what is the most rational from an economic standpoint and what is possible given the socio-political limitations any economic policy must respect. The task of this paper is, however, to present only the economic end of a price adjustment. This paper can be of use only if compared with the socio-political reality of our country. The lack of extensive elements of such a comparison does not allow us to consider the present paper a realistic program of overcoming the crisis.

9761
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ROLE OF SCIENTIFIC RESEARCH IN PRODUCTION PROCESS VIEWED

Bucharest REVISTA ECONOMICA in Romanian No 34,21 Aug 81 pp 9-10

[Article by Mihail Florescu, minister secretary of state of the National Council for Science and Technology: "Science as an Essential Factor for Intensifying Economic-Social Progress"]

[Text] The Romanian Communist Party Program of creating a multilaterally developed socialist society and advancing Romania towards communism has as its supreme goal the continued improvement of the material and spiritual well-being of all the people and the growth of the degree of civilization of our nation. All efforts for the development and modernization of national economic structures and for the accelerated growth of the social product and national income are subordinate to this goal.

In the drawing up of the modern concept of creating a multilaterally developed socialist society, a decisive role was played by the secretary general of the Romanian Communist Party, comrade Nicolae Ceausescu. At the time of the Ninth Party Congress the role of science and the technical-scientific revolution in the building of socialism and in human knowledge and the concepts of materialist-dialectical and historical philosophy was permanently stressed. This is how comrade Nicolae Ceausescu referred to this thesis in 1970 at the International Physics Congress in Bucharest: "It has always been known that science has played a giant role in society, in the efforts to more profoundly understand the secrets of the universe and to master the laws of nature and in the acceleration of the material and spiritual progress of mankind. The role of science has become even greater today, during the era of a rapid contemporary technical-scientific revolution when, on the basis of the discoveries made by scholars and researchers, man has boldly ventured into space and has come to ever more thoroughly conquer the secrets of the atom. In our times, science has directly become an important force of production. Incorporating its results into practical work has brought about a giant growth in society's material wealth and an unprecedented growth in the people's potential for creative work. Through its decisive influence on social affairs, science is ever more affirmed as an immense boon to civilization."[1]

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[1] Nicolae Ceausescu, welcoming speech at the 16th International Physics Congress, "Ampere," in Bucharest, 1 September 1970, "Romania on the Path of Creating a Multilaterally Developed Socialist Society," Vol 5, pp 75-79.

Under favorable social and political, national and world conditions, science is capable of contributing to the solution of the great problems of mankind today, to the use of inexhaustible and renewable energy natural resources, to the better use of natural resources and raw materials, to the elimination of the terrible food crisis which is causing hunger for three-fourths of mankind and to an equitable quality of life for all mankind, for all peoples cooresponding to a high level of civilization.

A Force of Production With Remarkable Effects

The transformation of science into a direct force of production and the expression of this process in its full scope are taking place through the direct incorporation of science in the production process, through the creation and use of new means of work and tools of work having superior properties and through the improvement of all the means of production, the quality of the workforce and the change of the content and the growth of efficiency of the work process. In order to be expressed as a force of production, any science must directly serve material production and social-economic practice. This role, first of all, is played by the natural sciences: physics, chemistry, biology. The exact sciences, mathematics and cybernetics, are also playing to an ever greater degree the role of direct forces of production, offering knowledge of a fundamental or applied nature. Second, the technical sciences, as long as their laws, principles, models and methods can be applied in practice, are also playing a part in this role.

The introduction of the modern means of cybernetics has raised the role of science in industrial production. The automation of technological processes through the use of microprocessers, the introduction of robots into production lines and the large scale use of mini-computers are the elements of an industrial revolution that is based upon principles and devices of a high scientific level. Such achievements were possible through the organization of a broad fundamental and applied scientific research program.

In our country, the organization and direction of scientific research, the evaluation of the scientific human and material potential and its assignment and use according to the needs of the national economy represent concerns of the first order. The provision of an ever higher material, financial and human potential constitutes a priority objective of economic policy. If in 1965 the number of people involved in research was 50,000, in 1980 it reached 200,000 and in 1985 it will reach 245,000. Fixed assets have increased in 1980 by 4.5 times compared to 1965, while expenditures for research have increased during this period from 5 billion lei (the 1961-1965 five year plan) to 48 billion lei (the 1976-1980 five year plan), and they will reach 70 billion lei in the 1981-1985 five year plan.

Concomitantly with the development of the material base, a continuing action has taken place in research to improve leadership and the organizational structure. Today, all activities for scientific research, technological development and the introduction of technical progress is coordinated and guided in Romania by the National Council for Science and Technology. As a deliberative and broadly representative party and state organ, it is composed of over 300 reputed scientists (general directors and directors of institutes, presidents of academies, university professors, academicians and researchers from institutes, industrial centrals and enterprises). Scientific research is carried out in each branch or field of activity by research institutes or centers, with the number of these places throughout the country reaching nearly 200. Their activities are coordinated in a unified manner by 10 central research institutes and 3 specialized academies. In the ministries, there are technical directorates and in the centrals and enterprises there are design departments which, paralleling research activities, have the express task of applying to production completed scientific research. Moreover, science and research are continually moving in all economic affairs, with a conclusive expression of this being the broad specific actions that are carried out within the framework of "Romanian Science and Technology Week."

One of the principal tasks is to shorten the research-production cycle, to increase the economic efficiency of scientific research and to reduce the costs in the complete research-application-development cycle. This requries broad interdisciplinary cooperation and the permanent presence of scientific research and technological engineering throughout the cycle, up to the point of start-up of operation and the achievement of designed parameters. Studies in marketing, capabilities and the provision of raw, energy, ecological and social materials must constitute the basis of applied scientific research.

Science has become a direct force of production in the sense of its participation in an essential role in the direct determination of the content and the results of production processes, both through its ability to innovate and optimize and through its decisions and solutions. The practical, specific effects of science are always included in the results of production activities, which science constantly intensifies.

The advance of civilization through science principally stems from its ability to generate new items for use and to create technical solutions that will ensure either a new way to satisfy certain known needs or a way to satisfy certain new needs, without reducing in the slightest way its contribution to increasing labor productivity and reducing material costs in the production processes that produce new items for use. Furthermore, the efficiency that is obtained with the help of science if tied to the evolution and timely spread of certain quantitative aspects that lead to a new economic quality.

Beginning with the major role of scientific research in promoting technical progress, the guidelines for the future economic-social development of Romania foresee that research will have to permanently stay ahead of the development of production, with it concentrating on the solutions of those problems that stem from the major directions of economic-social growth. First of all, technical-scientific research's staying ahead of production is a decisive problem for ensuring the continuing process of economic development. This stems from the fact that research must make those scientific discoveries needed by production and express them in means of production, in high-efficiency technologies and in the organization and training of a highly-qualified workforce. Second, this staying ahead is a problem of timing, which means that technical-scientific research must develop at a rate faster than production.

A Decisive Role in the Process of Developing and Modernizing the Economy

Experience shows that scientific research and the degree and rate of applying its results in the economy, especially in material production, become essential factors of economic development. This gives research a special role in the overall process of social reproduction. In this regard, it is a clear fact that in the economically advanced countries the greatest part of production growth is currently provided by the promotion of technical-scientific progress which, for its part, depends to an ever greater degree upon the level, scope and results of scientific research. Under the stimulus of research and other determining factors of the contemporary technical-scientific revolution, broad changes have taken place or are being carried out in the individual branches of production, there has been an increase in the degree of processing raw materials, new branches and products have appeared and there has been an upgrading to a great degree of the variety of production in the traditional branches.

In this regard, in Romania, as well as in other countries, the most important change is in the accentuation of the industrial nature of production. Under the conditions of a sustained evolution of production in the principal branches of the national economy, in 1970 the percentage of industry contained in the creation of the social product and national income was 63 percent and 59 percent, respectively, compared to 46.6 percent and 44 percent in 1950. Significant changes have occurred in these three decades in the social structure of our country. If in 1950, 12 percent of the people were employed in industry, in 1979 it was 37.7 percent. In construction the growth was from 2.2 percent to 9.1 percent. In agriculture the percentage fell from 74.1 percent to 30.7 percent while grain production increased from 8,982,500 tons to 19,337,200 tons, or 2.15 times over, and total agricultural production increased by 2.8 times over. During the same period, the percentage of workers within the total number of employed persons increased from 25.3 percent to 69.6 percent. These changes in the social structure are not just of a quantitative nature, but also have a revolutionary qualitative significance in the social and political affairs of the country in the sense of strengthening the role of the working class both in the production of material goods and in political and social activities.

In accordance with the fundamental objective of the current stage, creating a multilaterally developed socialist society and advancing Romania towards communism, the 1981-1985 five year plan will continue to ensure a sustained development of society's technical-material base. Industry has a significant role in creating national income and carrying out expanded reproduction. Industry's key position is not just the result of quantitative development, but also of changes that have occurred in its structure under the impact of the technical-scientific revolution and that have allowed it to make a broader contribution to equipping overall material production with high technology, using new sources and putting to better use those involved to a greater degree in the economic circuit.

For the purpose of modernizing the structure of industrial production in step with the requirements of technical-scientific progress, the basic branches - electrical and thermal energy, metallurgy, machine building and chemicals - were ensured a high rate of growth so that they considerably increased their contribution to the achievement of industrial production. Thus, we reached the point that those branches which ensure the higher use of material resources (the corresponding sectors in machine building, chemicals, metallurgy and so forth) totalled over half of the country's industrial production in 1980.

The Social Impact of the Spread of the Scientific-Technical Revolution

The social sciences are called upon to increase their contribution to improving the organization of leadership and national economic planning. Our party has frequently stressed that these sciences must work more and more efficiently in the direction of knowing and understanding the general laws of societal development and, especially, come up with solutions for their application to the specific conditions of Romania. With regards to the role of the social sciences in the development of our country and society in general, the secretary general of the party, comrade Nicolae Ceausescu pointed out at the 10th Congress in August 1969: "Alongside the positive sciences that increase the creative potential of modern man, the social sciences help the people in understanding and interpreting the world and in understanding the interdependency between the different objectives laws that govern society, and offer answers to the questions regarding the great changes that are taking place in the development of social affairs both in country and in the entire world. Our party asks the workers in the field of the social sciences to concentrate their activities to study the phenomena which characterizes our country's current development and to make deal with the new problems raised by the development of human society during the contemporary era. We need truly scientific researchers in the fields of economics, philosophy, sociology, history and law who can offer materials for conclusions in solving the problems of the development of our society."[2]

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[2]Nicolae Ceausescu, "Romania on the Path of Creating a Multilaterally Developed Socialist Society," Vol 4, Bucharest, Politica Publishing House, 1970, pp 323-324.

Science and technology have numerous implications in social affairs, bringing about profound changes in the awareness in our ear. Knowing the newest scientific achievements in the world and the confrontation of ideas in scientific thought and contemporary social-political thought and understanding the realities in our society constitute fundamental requirements for all social-economic activities and, in the final analysis, for the scientific leadership of socialist society.

The human factor has decisive importance for scientific research and technological innovation, as well as for the use of scientific-technical advances. In this regard, we have the problem tied to the growth of the scientists' social responsibilities and those of the specialists in research and technological engineering for forming their moral-political profile and for increasing their contribution to the proper direction and organization of research activities and their organic link to the most current problems of economic and social progress. Within this framework, there are the concerns for continuing to raise the qualifications and broadening the horizons of knowledge of all workers and for developing their social awareness.

Constituting elements of decisive significance for the development of production and for the improvement of leadership methods in economic and social affairs, science and technology represent, at the same time, among the most powerful factors for lifting all the people to a high level of culture and civilization. The person involved in the great transformations that our society is experiencing is to an ever greater degree involved in new responsibilities, in the sense of participating not only in social work, but also in managing economic-social affairs. This requires the growth in his degree of competency through multilateral development of his personality, understanding this to be not only a broadening of his horizons of knowledge and the creation of an advance concept about nature and science and an appropriate moral and political awareness, but also a receptivity for new things.

The profound implications of science in contemporary society are to an ever greater degree influenced by the creative activities of man. The current development of the forces of production needs not so much the physical efforts of man, but his efforts for technical action and innovation based upon thorough scientific thought. In addition to the essential modifications brought about by the scientific and technical revolution in the material base of society, it requires changes at least as important with regards to man. In this direction, education has an ever more important role. The quality of instruction and the amount of knowledge held by the human factor and his ability to take actions on this basis are decisive for all economic-social activities. In this regard, we can point out that the 1978/1979 school year produced 152,000 high school graduates (compared to 13,000 in 1950/1951); professional and apprenticeship training produced 71,600 graduates (24,700 in 1950/1951); and higher education had 35,300 graduates (9,500 in 1950/1951). We find a substantial increase in all the forms and levels

of education, with the most important being recorded within the framework of high school education. The new concept of education promoted by our party begins with the premise that under the conditions of the unusually accelerated rate in which science and technology is progressing - having as a result an ever more accentuated specialization of human activities and, at the same time, an increased mobility in professions - only an education integrated with scientific research and production activities, ensuring a broad training profile, is capable of contributing to the multilateral development of man.

Science with its multiple values in the end determines the level of knowledge, education and production, and conceptually determines the level of the quality of life and civilization, and influences all social, material and spiritual life in society.

8724
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AGRICULTURAL PROGRESS, PLANS FOR FUTURE DESCRIBED

Bucharest REVISTA ECONOMICA in Romanian No 34,21 Aug 81 pp 11-12

[Article by Marin Constantin: "Achievements and Prespectives for Romanian Agriculture in Carrying Out the New Agricultural Revolution"]

[Text] The 12th Congress of the Romanian Communist Party, outlining the path for and objectives of agriculture during the 1981-1985 five year plan and in the future, especially accentuated its role in the strategy of the overall development of the national economy, keeping in mind the need to increase the contribution of this branch to the creation of national income, to the satisfaction of the scientifically substantiated consumer requirements for all the people and to the supply of the raw materials processing industries, as well as to the provision of certain increased quantities of products slated for export.

Multilaterally dealing with the current problems of Romanian agriculture, comrade Nicolae Ceausescu emphasized in his Report to the Congress: "An essential objective of the future five year plan is the carrying out of a profound agrarian revolution involving both the technical-material base and the organization of production. To this end, we will ensure the rational use of the entire land area, the completion of the process of establishing regions for crops and crop rotation, the complex mechanization of projects, the introduction of chemicals into production, the full modernization of fruit tree growing and wine growing, the continued growth and improvement of animal breeds and the radical solution of the fodder problem."

These guidelines, translated into objectives and tasks in the Plan for the Development of Agriculture and the Food Industry during the 1981-1985 Period, adopted as law by the Grand National Assembly, call for the acceleration of the process of intensive development and modernization of agriculture as a priority branch of the Romanian economy.

The Development of the Technical-Material Base

The development and modernization of agriculture's technical-material base have been and are fundamental coordinates of the agrarian policy of our party and state. Characteristic in this regard is the continued growth of investments in agriculture: from 5.8 billion lei during the 1951-1955 period, the allocated investment funds increased to 37 billion lei in 1961-1965, 77 billion lei in 1971-1975 and 120 billion lei in 1976-1980.

The growth in absolute terms of the investments from the state funds and the increased percentage of these funds within the total amount of investments in agriculture constitutes a graphic expression of the assistance that our state has given to the development of agriculture, especially in the last 15 years. Thus, in the last five year plan the investment funds allocated to agriculture from the state's resources were equal to those allocated to the entire national economy during the 1951-1958 period, exceeding the total amount of investment funds allocated to agriculture during the first four five year plans (1951-1970). At the same time, we must keep in mind the important financial and material efforts made by the state in the industrial branches, such as machine building, chemicals, construction materials and so forth, to create new facilities and a modern production potential that provides agriculture with the technical-material base necessary for intensifying vegetable and animal production.

The study of the allocation of investments by category of agricultural unit shows that a good portion was given to the state agricultural enterprises, keeping in mind their role in the modernization and promotion of technical progress at the level of the entire branch and their contribution to the achievement of the state fund of agricultural products. Significant investments were also allocated to the agricultural machinery stations, units that are continually growing and in which nearly all the tractor and agricultural machinery pools are concentrated. To this, we can also add the ever greater help that was given to the agricultural production cooperatives by the state through credits for the development of production capacities. At the same time, depending upon the degree of their economic-organizational consolidation and the development of public property, the cooperatives' own investment funds have increased from year to year.

As a natural result of the efforts in the area of investments made by the state and the agricultural production cooperatives, there has been a continual increase in the fixed assets in the socialist units in agriculture. Thus, in 1980 the value of these assets was over four times greater than two decades ago.

Of greatest significance for the progress of agriculture is the manner in which investments are used and the directions in which they are applied. The party and state leadership, and comrade Nicolae Ceausescu personally, have decisively directed the investments allocated to agriculture towards the development and modernization of the technical-material base in the principal fields of activity, which directly ensures the growth of agricultural production and economic efficiency.

Projects planned for irrigation, brought about because of an insufficient amount of precipitation, a limiting factor in obtaining higher and stable production in the most fertile regions of the country, have had the principal percentage within the framework of the investments allocated for land improvement projects. The

surface area under irrigation has increased from 42,500 hectares in 1950 to over 2,300,000 hectares in the present. Similarly, great efforts have been made in investments to combat soil errosion and excessive humidity, to use sandy soils, correct acid and salty soils, carry out diking and draining projects, and so forth.

Putting to use the advantages of organizing our country's agriculture in large socialist units having a high degree of production concentration and specialization capable of ensuring an increase in labor productivity has required an increase in supplying these units with agricultural tractors and machinery through the allocation of a significant portion of investments for the complete and complex mechanization of agriculture. Compared to 1938 the tractor motor pool has increased 38 times over, by 1980. As a result, the arable surface area per physical tractor has decreased from approximately 2,500 hectares in 1938, or 320 in 1949, to 83 in 1980. Parallel with this, there has been an increase in the supply of a broad variety of agricultural machinery.

In addition to mechanization, the chemicalization of the production processes has become one of the principal factors of the technical-scientific revolution in Romania's agriculture. It is a significant fact that from less than one kilogram of active substance per hectare, which was the average level of consumption of chemical fertilizers in 1950, we reached 27 kilogram of active subtance per hectare in 1965 and approximately 130 in 1980. Concomitantly, there has been a considerable increase in the variety of pesticides used.

The unusually favorable conditions existing in our country for the development of wine growing and fruit tree growing and the need to raise the productivity and economic efficiency of these sub-branches were put to better use through the allocation of investments for the extension of the lands used for wine and fruit tree growing and through the creation of plantations in intensive systems of tens of thousands of hectares and the modernization and intensive management of existing plantations.

Concomitantly with the solution of the cereal grain problem, the intensive use and modernization of agriculture require a considerable increase in animal production. Increasing the percentage of this production within the total of agricultural production to approximately 50 percent has been one of the major objectives of our party's agrarian policy. In order to do this, at the initiative of the party and state leadership we have moved to the elaboration and implementation of the national program for the development of zootechny, within the framework of which a central place is held by the creation and development of production capacities having an industrial technological flux in the state agricultural units, during the first stage, and later in the agricultural production cooperatives. These capacities, true factories for producing meat, milk and eggs, reached in 1980 over 600,000 places in cattle raising farms, over 6.5 million in pig raising farms, approximately 2 million in sheep raising farms, over 28 million in

chicken farms and approximately 13 million for egg-laying chickens. Under these conditions, the contribution of the industrial complexes to the total amount of zootechnical production in the socialist sector of agriculture approached 75 percent for meat and over 90 percent for eggs.

The design, construction, supply and organization of activities and production in the industrial-type large zootechnical units, some of which, such as the pig raising complexes and the poultry combines, are at a high level on a world-wide scale with regards to capacities and certain levels of production performance, have resulted in the accumulation of an especially valuable experience and a true treasure of lessons and conclusions, permitting, at the same time, the formation of a numerous group of engineers and technicians specialized in industrial-type zootechny. All these achievements have been expressed as a precious asset of Romanian technical and organization intelligence that has been and is being used in cooperative actions in agriculture which Romania is carrying out with a large number of countries and, first of all, with the developing nations.

A Superior Production Potential

The growth of the potential of Romanian agriculture has found its expression in the continuing increase of agricultural production, with an average annual increase of five percent. In the 1971-1980 decade, the value of total annual agricultural production recorded an increase of approximately 180 percent. In the last five year plan, an average annual production of cereal grains of 19.4 million tons was achieved, or 4.5 million tons more than during the 1971-1975 period. There was also a considerable increase in the production of vegetables, potatoes, fruits and grapes, and there was an increase in the number of all types of animals, especially for pigs, sheep and poultry. Compared to the average annual levels recorded during the previous five year plan, we recorded increases of 560,000 tons of meat, 10.3 million hectoliters of cow milk and approximately 2 billion eggs.

The important successes obtained during the period since the Ninth Party Congress in the development of our socialist agriculture, as well as the qualitative leap that is foreseen for its evolution during the 1981-1985 five year plan and in the future, are indissoluably tied to the daring thought and the practical activities carried out by the secretary general of the party, comrade Nicolae Ceausescu, to his ability to decipher the constantly new requirements of development and to his giving clear expression to them in elaborating the party's agricultural policy.

The scientific analysis of the realities in Romanian agriculture and the defining of its principal trends have found their expression in the elaboration of an original and broadly encompassing concept regarding the role and place of agriculture in the national economic complex.

Beginning with the reality that our agriculture constitutes a basic branch of the national economy, the party places in the center of its agricultural policy the achievement of a modern, intensive, high-productivity agriculture that can apply the newest advances of science on a broad scale. Comrade Nicolae Ceausescu pointed out at the Second Congress of the Peasantry that: "It is clear that without an intensive agriculture of high productivity organized on the basis of the newest advances of science we cannot ensure either the creation of a multilaterally developed socialist society or the building of communism in our country."

The achievement of such an agriculture is the equivalent of a revolution in the techniques and technologies used in our agriculture. First of all, it will be achieved through: the provision of a powerful technical-material base; the broad penetration of technical progress along its principal directions - the growth of the production capacity of the land (which, regardless of the type of property - state, cooperatist or private, represents a national asset and the wealth of all the people); the mechanization and automation of production processes; the multilateral use of chemicals; the application to production of the advances of the biological sciences, especially in nutrition and genetics; the increase in the training of the workforce; and the continued improvement of the activities of the new organizational structures and, first of all, of the unified state and cooperatist agro-industrial councils.

The result of the concerns in the abovementioned directions will represent the development and ever more pronounced affirmation of an industrial-type agriculture which, in the future, will lead to the transformation of activities in agriculture into a variation of industrial work.

It is especially important that the agriculture in the current five year plan be helped on a technical basis that will mark a powerful development and modernization. To this end, the total volume of investments for agriculture is to rise to 155 billion lei. The technical base of our agriculture will be characterized by an increase in the number and diversity of tractors. We will provide the necessary number of 80 horsepower tracked tractors to mechanize agricultural work of hillsides, and there will be an increase in the percentage of specialized tractors for mechanizing horticultural work. The agricultural units will receive, in correlation with the structure of their energy base, modern machinery of high productivity which, through their combination, will permit the power of their motors to be more efficiently used. There will also be an increase in the degree of universality in agricultural machinery by equipping them with different active components.

Similarly, during the current five year plan irrigated areas will increase by approximately 600,000 hectares and we will carry out projects to combat excessive humidity on another 940,000 hectares and to combat soil erosion on 575,000 hectares.

At the end of the five year plan, for each hectare of arable land, vineyard and orchard the amount of chemical fertilizer (active substance) will be approximately double compared to that used in the 1976-1980 five year plan. Industry will deliver over 16 million tons of chemical fertilizers (active substances), allowing the achievement of an average annual consumption of 320 kilograms per hectare. Larger amounts of concentrated fertilizers will be used, and we will move on a broad scale to the use of liquid fertilizers containing nitrogen, fertilizers having a foliage action and so forth.

Obtaining a certain agricultural production that is ever larger calls for carrying out certain sustained actions for raising the level of professional training of all agricultural workers. Concomitantly with the provision and stabilization of the workforce, we have the problem of creating a group of certain agricultural workers having a multilateral training capable of employing modern technical means with maximum efficiency.

Similarly, of great significance are the objectives that foresee the maturization of the different elements of closing the gap between the two main sectors of Romanian agriculture - the state sector and the cooperatist sector - through an intensification of cooperation and association in production, the extension of cooperation between them and the development of common elements that bring them closer together, with an important role being played in this regard by the unified state and cooperatist agro-industrial councils. Recently, the Political Executive Committee of the Central Committee of the Romanian Communist Party approved measures for the more judicious sizing of these councils by reducing their number and maintaining a single station for the mechanization of agriculture at each council, measures that will create even better conditions for the rational use of the land and for the growth of production.

In accordance with the decisions of the 12th Party Congress and the provisions of the new five year plan, agricultural production (an annual average for the period) is to grow by 24.4 to 27.4 percent compared to that of the 1976-1980 period, thus providing an appropriate supply to the people and meeting all the requirements of the national economy.

The plan calls for agricultural production to reach in 1985, under normal climatic conditions, 28.5 million tons of cereals, 1.2 million tons of sunflowers and rape, 12.6 million tons of sugar beets, 6.7 million tons of fall potatoes 6 million tons of field vegetables, 3 million tons of fruits, 2.4 million tons of grapes and so forth. In zootechny, it calls for the number of animals in 1985 to reach 7 million head of cattle, 15 million pigs, 21.5 million sheep and goats and 63.3 million egg-laying poultry. We will put into operation 375 new facilities (over 180,000 places in cow farms, 440,000 places in cattle raising farms, pig farms having a total capacity of 310,000 tons of live-weight pigs and new poultry raising complexes).

Agriculture will have a stronger material base and a more modern one which will give a guarantee for the complete fulfillment of the plans that are drawn up. The results, however, are influenced by the intensification of organizational work so that each agricultural unit and each farm will intensively use the agricultural lands, mechanical equipment will be used with a maximum of efficiency and new projects will enter into operation on schedule.

Corresponding to the objectives established by the current five year plan, agriculture must satisfy the people's consumer demands for agro-food products at a higher level, which, in 1985, will reach a level per inhabitant of 68 kilograms of meat and meat products, 222 liters of milk and milk products, 290 eggs, 39 kilograms of sugar and sugar products, 160-170 kilograms of vegetables and vegetable products, 100 kilograms of potatoes and so forth.

The tasks and objectives of the current five year plan require giving special significance to raising the efficiency of agricultural production, giving all the responsible authorities in agriculture the tasks of managing the existing human, material and financial resources with a high degree of responsibility so that each expenditure made will yield a maximum amount of production. Paralleling the continued modernization and development of the technical-material base, we will work to create all the conditions necessary for applying the new economic-financial mechanism and self-management and self-administration. This will give them both the opportunity to contribute to the development of society and the means necessary to establish their own funds for self-financing, as well as for meeting those expenditures slated for certain social needs.

The continued supply of agriculture with modern technical resources and the increase in the qualifications of the workforce will bring about a substantial increase in labor productivity. Thus, in 1990 a worker in agriculture will have to provide the food for 25 persons, or five to six times more than at the present time. At the same time, there will be an increase in the percentage of industrial production in the villages, where during the same period a significant number of industrial projects will be built in these rural locations. This construction will be capable of creating the conditions to transform 300 more town centers into agro-industrial cities by 1990.

This will bring about a greater stability in the rural population and will contribute to the gradual disappearance of the essential differences regarding the working conditions and the life styles of the workers in industry and in agriculture, and to the growing homogenization of the general level of civilization of our socialist society.

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2179

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2179

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USEFULNESS OF PRIVATE PLOT IN AGRICULTURE EMPHASIZED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 29 Jul 81 p 7

[Text] There is still some vagueness about a perfectly clear problem. The problem concerns the development of private plots by people occupied in agroindustrial complexes and in other areas of public activity. There is vagueness in the practical application of party and governmental decisions, as well as in the theoretical concepts of some individuals, who sometimes occupy responsible posts in the system of social management.

Two concrete cases support my thoughts.

The first one is related to the 2, or even 3 years' groping of an administration, whose employees wanted permission to cultivate several hundred square meters of uncultivated land each. Officials of the okrug and obshtina level created all kinds of obstacles in order to thwart the intention of the employees under the pretext that the land was used as pasture or under the specious pretext that the "hungry field" was not worth the attention, because if it had been good, the cooperative farm would never have abandoned it in the first place...These acts and explanations reveal an inactivity prompted by a sectarian attitude towards an important additional resource for the national economy.

The second case is even more significant. Some people, in connection with a story about excesses in the private plot system published in a central paper, contend that this form of management is a "restoration of old habits." Nobody argues that to have 300 sheep in one's private yard is incompatible with the rule of socialist relations of production. However, it is unjustified to generalize from one distortion and to thwart the whole intention of the policy for the development of the private plot and the subsidiary farm.

Private plots have been neglected for a long time in our country. There were even some paradoxes. In one Thracian village for example, the beds of radishes and lettuces, which were grown in the private gardens, were plowed up and uprooted with tractors. In other places the industrious owners were fined and publicly accused for taking care of their private plots.

The nihilistic attitude towards this management form is rooted in public farming itself, because of its ability to achieve greater efficiency. The higher productivity created justified optimism and led us to view collective farming with

extreme attention. And this was justified, because the expanded farming provided excellent examples and showed that the concentration of production creates extremely good results in labor productivity by lowering the cost of production, and by utilizing to the full the fixed capital and the land.

The development of large-scale cooperative agriculture was accompanied by "waste products," so to speak. We have in mind the attempt to get rid of everything that hampers the large-scale activity, of everything that does not lend itself to cultivation in the enlarged agricultural system.

With the enlargement of our agricultural system, some lands were left out, either because they were not sufficiently fertile, or because they were inconvenient for machine cultivation.

The practical result of this was that by leaving out land from some cooperative and agroindustrial complexes, the already exiguous fund of tillable land was decreased even further. The effectiveness which was achieved was at the level of the individual economic units. At the same time, however, conditions for the decrease of the national economy as a whole were created. This phenomenon created a trend which made the land shortages more acute, and many agricultural leaders justifiably sounded alarm.

Another negative effect of the expansion is that some crops which do not lend themselves to mass cultivation were abandoned. There was a "hunger" for some small vegetables like okra, savory, parsley, and celery.

The large farm created a tendency and preference for crops requiring less labor. And that is precisely why agricultural products which required more labor disappeared from the market despite the great demand. The abundance of cheap, mass-produced crops, which have a decisive importance for the development of agriculture and the economy as a whole, cannot fill up the little vacuums."

The picture will be incomplete if we do not point out that a part of the population is not involved actively in productive labor, despite the existence of good conditions for this. There are many retired people, students, housewives, people occupied in the industry and administration who feel a need for manual labor in their free time. This problem is related not only to people's health, but also to education, because not using this untapped resource of work time undermines society's efforts to create labor discipline in the young generation and to increase the urge and desire for productive labor. Condemnation to inactivity creates consumer attitudes. It encourages people to waste their free time in senseless activities and empty pleasures.

Should we be slaves to the sectarian concept that in socialism large-scale agriculture is incompatible with private plots, that they are mutually exclusive? This question is especially valid now, with the party emphasizing the problem of intensification of material production as well as the nonmaterial sphere and paying special attention to seeking new untapped resources. Should we regard as absolute the concept that it is possible to solve the supply problems if we rely solely on cooperative agriculture?

In a number of countries in the socialist community the private plot has found its appropriate place. In Hungary, for example, it provides 40 percent of the vegetables (especially early ones), 50 percent of the pork production, the major part of raspberry production, production of rabbits, cherries, sour cherries, goose liver, etc. This does not diminish the importance and power of cooperative and state farming, which provides 99 percent of the grain and huge amounts of important key products.

The private plot is given great importance in the USSR. The 26th CPSU Congress paid attention to its further development. Our party, in its search for untapped resources and better supply of the population, correctly directed the attention of the people to the private plot as an additional source for a broader and more varied assortment of foods and for a fuller satisfaction of consumer needs. There is a two-fold benefit: on the one hand the private plot will bring additional quantities of agricultural products to the market, and on the other hand, by satisfying the needs of the producers themselves, it will lower the quantity of consumer goods bought by government and cooperative stores. Here we have not taken into consideration the beneficial effect which this system will have on the health of those people who move less and less and lead a sedentary life.

And what about the danger of "restoration of old habits?" The question is theoretically solved. Marxist-Leninist economic science states that the old relations of production can be restored only if hiring of somebody else's labor is involved. But where is the exploitation in this case? Where is the potential danger that the private plot will create daily and even hourly capitalism, when the social conditions will counter even the smallest symptoms of such development?

Our people say that he who is afraid that the birds will eat the seeds should not sow millet. Should we refrain from sowing millet just because we fear restoration of old relations of production, even if there are no real conditions for that?

Quite real, however, is the danger that unconscientious citizens will neglect their duties to the collective farm, giving preference to their garden or field. Unfortunately such people are still to be met. The unconscientiousness and the awakening of the petty-bourgeois and philistine views in the individual person are not the only, not even the main cause for this. The imperfections of the mechanism which regulates the processes in this area and the insufficient power of the restrictions which limit the field of manifestation of the private plot can be blamed for such cases. If one citizen can take care of 500 sheep in his private plot, he will admittedly neglect his duties in the public sector. But who allowed the raising of so many sheep? Do we not have restrictive measures and agencies which have to see that laws are enforced? In any case, the fault is not with the policy, and that is why we should not throw out the baby with the bath water.

We can be satisfied that party and government made the right decision when they considered the private plot an important reserve in the national economy. Through its better use we will contribute to carrying out the process of comprehensive intensification. We should not restrain the development of the private plot, but rather help actively in solving the problem for fuller and quicker realization of the task of meeting the material needs of the people.

9804
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EXPLORATION, PRODUCTION OF GAS, OIL, 1979-1980

Zagreb NAFTA in Serbo-Croatian No 6, Jun 81 pp 277-285

[Article by Ifet Ibrahimpasic and Nikola Cizmic, mining engineers of INA-Naftaplin; Ljubica Milovanovic, economist of Nafta-gas; and Damir Rajkovic, assistant in the School of Mining, Geology and Petroleum Engineering of Zagreb University; submitted 22 April 1981]

[Text] The article presents the results of explorations and production of petroleum and gas in the enterprises INA-Naftaplin and Nafta-gas in 1980 and production at INA-Nafta in Lendava. The basic characteristic of drilling activity is the increase of exploratory drilling over 1979 (a rise of 13 points, while production drilling increased only 2 percent). There was a 2-percent increase in petroleum production over 1979, but natural gas production dropped 2 percent; 4,244 $\cdot$ 10^3 tons of petroleum and 1,869 million cubic meters of natural gas were produced. The decline in natural gas production occurred as a consequence of the natural gas imported from the USSR. This especially affected the production of natural gas in Nafta-gas, which was down about 20 percent from 1979.

1. Activity of INA-Naftaplin in 1980

The results of exploration for petroleum and gas deposits and their exploitation in 1980 was characterized by a number of factors, such as:

i. the making of purchases of equipment planned previously,

ii. fulfillment of the schedule for explorations in SR [Socialist Republic] Croatia, and

iii. enlargement of reserves of petroleum and gas and their inclusion in the production process.

These factors are mutually dependent. Because of discrepancies between them, there was a drop in the volume of activity, i.e., the program for medium-term development in effect was revised, and new guidelines were issued for activity

in the various fields in petroleum engineering of INA-Naftaplin covering the period 1973-1982. Explorations in 1980 also were conducted under very complex conditions as to the structure of rock strata in the deeper parts of the Pannonian Basin. Explorations in the northwest portion of the Adriatic on the platform "Panon" were also stepped up.

While capital construction was increased, the consumption of material and financial resources was rationed. In 1980 there was notable engineering and technological activity in all production units (OOUR's [basic organization of associated labor]), as follows: "Drilling," "Repair," "Production," "Special Mining Operations," "GIR" [geological explorations and field development] and "Commercial."

In operations to drill deep wells in 1980 total fulfillment was 90 percent of the plan, 69 percent of which was exploratory drilling and 119 percent was development drilling. This result in fulfillment of the drilling plan is related to certain unforeseeable difficulties, such as: the lack of casing pipe in the diameter 0.340 meter (13 3/8"), the time lost because of floods (Vrb-1, Br-1), and waiting that had to do with operational discrepancy between different technological activities, i.e., OOUR's ("Drilling," "Special Mining Operations," "Repair" and "Production").

Total drilling in 1980 was 196,153 meters. Development drilling was 135,774 meters, and exploratory drilling 44,991 meters in the Pannonian Basin, 3,923 meters in the Dinarids and 11,465 meters in the Adriatic.

Sixteen drilling rigs were anticipated to fulfill the drilling plan in 1980 (201,400 meters). However, 15.71 rigs were actually in operation, and the drilling per rig in 1980 was 12,486 meters, which is an increase of 164 meters over 1979 (12,322 meters).

The average depth of production wells in 1980 was 1,978 meters, while a value of 2,636 meters was attained for exploratory wells, representing an increase of 154 meters over 1979 for production wells and a decrease of 492 meters for exploratory wells.

Table 1. Results of Drilling by INA-Naftaplin in 1980

Indicators	1979	1980
1. Total drilling in meters	189,882.70	196,152.80
a) Exploratory drilling for petroleum and gas	57,703.20	60,378.50
b) Development drilling for petroleum and gas	132,179.50	135,774.30
2. Number of wells drilled	112	111
a) Exploratory drilling for petroleum and gas	27	34
b) Development drilling for petroleum and gas	85	77
3. Drilling success		
a) Total number of wells drilled	112	111
b) Positive for petroleum and gas	50	53
c) Dry (negative) wells	30	33
d) Wells being tested and also new projects	32	25

Table 1 (continued)

Indicators	1979	1980
4. Number of drilling rigs in operation	15.41	15.71
5. Meters drilled per rig	12,322	12,486

Activity of the INA-Naftaplin Work Organization by Technological Spheres of Operation in 1980

OOUR "Production"

Table 2 shows the results achieved in oil and gas production in 1980. It was achieved at 17 fields, of which the most important are Benicanci, Zutica, Struzec, Ivanic Grad, Klostar, Sandrovac and Jamarica. The other fields were less productive. In the process of exploiting the petroleum fields, aside from the primary procedure of extraction (natural drive), practical use was made of subsurface pumps, gas lift and water flooding. Thanks to optimum utilization of reservoir patterns and conditions for raising petroleum to the surface, petroleum production in 1980 was 3,056,388 tons, which is a relatively satisfactory achievement. To this assertion we should add the difficulties in purchasing vital technical equipment such as: rocker-type pumping units, compressors, tubing and other material urgently necessary for supplemental treatment such as oil-water separation.

Table 2. Oil and Gas Production of INA-Naftaplin in 1980

	Achieved in 1979	Achieved in 1980
Petroelum, in tons	2,971,700	3,056,388
Gas, in thousands of cubic meters		
a) Natural gas	591,937	707,022
b) Casinghead gas	213,930	276,219.2
Total (a + b)	805,867	983,241.2
Liquefied gas, in tons	48,402	53,405

The shortfall of about 2 percent in gas production from the planned amount (999,461 $\cdot$ 10^3 cubic meters) occurred because the Molve field was put into production behind schedule. In 1980 453,814 $\cdot$ 10^3 cubic meters of gas were imported of the planned 517,539 $\cdot$ 10^3 cubic meters of gas. The reduction of imported gas depended on the supplier.

The amount of liquefied gas produced was 53,405 tons, which is 27 percent less than the output planned in 1980 (73,000 tons).

The reasons for this reduction in the production of liquefied gas are tardiness in putting the ethane installation on stream (scheduled for 1 July 1980) and repair work being done at the Kutina Nitrogen Fertilizer Plant.

OOUR "Drilling"

The results of drilling operations have been presented in Table 1.

OOUR "Repair"

The results achieved in repair work in 1980 exceeded those achieved in the previous year. Repair work was done at 637 wells, and of this 422 jobs were classified as current repairs. In the breakdown of total work of well repair, there was a 40-percent reduction in overcoming uncovered productive rock interspaces, while major overhauling of wells increased 44 percent. Major overhaul of equipment was also up 72 percent over 1979, and current repair work on equipment was up 10 percent. Total employment of repair cranes in 1980 was up 13 percent. Better organization of work (introduction of a third shift) and the increase in the number of repair rigs from 15 to 16 contributed to these results.

We should emphasize a particular difficulty for repair operations in activation of wells in the Drava Basin because of the high temperatures and pressures. In order to ensure the production of petroleum and gas in 1980 the operating capability of OOUR "Repair" was mostly employed in production fields. Various measurements and tests in wells, and production stimulation work to increase the flow of the wells were performed with difficulty because of the shortage of supplies and equipment: steel cable, chemicals for muds, tubing, perforation material, etc.

This past year, 1980, has been characterized by introduction of new facilities and equipment for repair operations, such as: the Cardwell-XIII repair installation, the Cardwell-XI (following the breakdown), National JVS-400 pumping units, a device for cleaning the threads on pipe, a device for testing the hermetic seal of joints in tubing and casing, new surface equipment, and subsurface equipment.

The most up-to-date technical equipment was used in equipping and testing deep exploratory wells (Stevkovica, Boksic, Kutnjak) and the very deep wells at Molve and Kalinovac (Mol-4, -11 and -12, and Kal-2). Extremely valuable experience was gained in this work which could be of tremendous benefit in future operations. Aside from these operations, OOUR "Repair" also recorded activity in 1980 in taking hydrodynamic measurements (measurements on a cable and measurements with a quartz manometer, referred to as the wire line technique, etc.).

A number of operations were performed at wells of Naftaplin, Nafta-gas and Nafta Lendava. An installation for work with liquefied nitrogen was employed, especially at the ethane and ethylene installation, the central gas station in Molve, and on gas pipelines. Thus nitrogen consumption in 1980 was threefold the figure envisaged in the plan. Because of the shortage of flexible tubing, the installation for this was not entirely utilized.

OOUR "Special Mining Operations"

The technology of "Special Mining Operations" in 1980 was characterized by difficulties in importing supplies, equipment and spare parts for special mining equipment (CA, electric well logging apparatus, etc.).

Difficulties were occasionally manifested in obtaining cement as well as chemicals for making "well cements" and those which are used in production stimulation operations. Toward the end of gradually resolving this problem (imports from abroad) specialists in the OOUR "Special Mining Operations" made an effort at substitution of imported supplies and equipment by domestic products such as Class G cement, hydrofluoric acid, oil for saws, filters to keep out sand, spare parts for surface and subsurface well equipment, containers for powders and liquids, etc.

The activity of the OOUR "Special Mining Operations" in 1980 was carried on in sectors according to the division of labor that has been adopted: technology of mining operations, mining measurements, maintenance and transport. Natural conditions related to drilling very deep wells in the Drava Basin represent the basic complexity in the productive activity of the OOUR "Special Mining Operations." The high temperatures (gradient 4-5.5° C/100 meters) and the hydrodynamic conditions in the wells represent technical difficulties to successful performance of electric logging measurements, the testing of wells (DST [(?) digital seismic test]), cementing strings of casing, etc.

Everything done in this field deserves to be emphasized as an achievement on which future technical and technological exploratory activity should be built.

OOUR "GIR"

Geological field exploration and development of INA-Naftaplin in 1980 confronted a number of new discoveries which were basic to the conduct of activities in the various fields of operation.

The main problems of exploration were related to the Pannonian Basin. The offshore Adriatic, including the locality J-18 which has been discovered, was an essential component in activity of establishing the commercial gas content of limestones, by contrast with the gas deposits previously discovered in the northwest portion of the Adriatic, in Quaternary sandy deposits and spatially separated deposits.

The region of the Dinarids is characterized by the regional nature of explorations, along with the importance of gathering petroleum-geological data.

Pannonian Basin

Exploratory work in this basin was conducted in all depressions, and particularly at the localities Molve, Zebanec, Voloder, Kutnjak and Klokocevci. Stari Gradec, Kalinovac (west), and other localities are unusually interesting.

During 1980 16 wells were drilled in the Pannonian Basin, while another 3 are in the process of drilling. The drilling done amounted to 44,990.6 meters. Exploratory drilling was carried on in the Sava, Drava and Mura depressions. Preparatory work for testing and equipping the wells was done at many localities.

Seismic measurements covered the region singled out for the drilling of prospecting wells as well as to round out the regional network of wells.

About 1,014 km of seismic profiles were run with 12-fold coverage. It was proven that the vibroseis is urgently needed as a source of seismic energy, especially in those regions where satisfactory results have not been obtained by the logging technique used up to now.

Geological studies and detailed engineering studies were prepared for many sites interesting from the standpoint of exploring hydrocarbon deposits.

Offshore Drilling in the Adriatic

The activity of offshore geological exploration in the Adriatic was stepped up last year. These operations included geology, geophysics and exploratory drilling. Data obtained previously on gas deposits in Quaternary sands and in Mesozoic carbonate rocks were reinterpreted. A study was prepared concerning the gas content of the locality referred to as No 18.

Marine seismic measurements were taken over 2,648.5 km of profile. Measurements were made of seismic velocities at the wells J-18/6 and J-18/4, and shallow seismic tests were made of the seabed at a total of eight locations. In addition, airborne thermal prospecting of the western coast of Istria was done in order to establish the distribution of occurrences of gas under the seabed.

During 1980 10 wells were drilled at locality No 18, total drilling amounting to 11,465 meters. This result was achieved in 8 months, and the rest of the time the platform "Panon" was employed on work in the Italian portion of the Adriatic seabed.

Last year four directionally drilled wells were drilled for the first time from the platform "Panon" from well J-18/8, and thus technical and technological experience was also gained in this way.

The Dinarids

Exploratory drilling in the Dinarids in 1980 consisted exclusively of the work of drilling the Poljice-1 well.

This work was characterized by problematical conditions which arise from well-known phenomena, such as complete losses of circulation, the grabbing of drilling tools, the breaking down of the walls of the bore hole, etc.

Drilling the Poljice-1 well has particular importance from the standpoint of regional exploration of the Dinarids with respect to narrowing the region to be explored for finding hydrocarbon deposits.

Activity of INA-Naftaplin Abroad

INA-Naftaplin maintained the continuity of its foreign operations in 1980. The areas of its involvement in exploration outside the country were expanded.

Korea

A work site was established in early 1980 for exploration and possible production of petroleum in Korea Bay. Geophysical work was completed in June 1980. The work was done by the GECO geophysical company from Norway. Further activity will continue depending on the results of the interpretation.

Gabon

After completion of work in drilling the first well, specialists of INA-Naftaplin reinterpreted the geological and geophysical data obtained. In early 1981 conclusions were drawn concerning the conditions for future involvement of INA-Naftaplin in a partnership with other companies in exploring hydrocarbon deposits in that country. We should also mention that Nafta-gas is one of the partners in explorations in Gabon.

Vietnam

INA-Naftaplin, in partnership with the German firm DEMINEX, has completed final interpretation of the geophysical and geological data obtained. The results are favorable. Since DEMINEX, as the operator, did not reach agreement with Petrovietnam on a particular change in the conditions of the contract concerning continuation of operations, they were terminated at the end of 1980 in what is referred to as exploration bloc 15.

However, in blocs 04 and 12 INA-Naftaplin has had a 10-percent share in exploration conducted jointly with AGIP of Italy and Hispanoil of Spain. During 1980 three wells were drilled, while one well was abandoned for technical reasons. Certain amounts of petroleum and gas were discovered, but they have no commercial value. AGIP made a complete study of the results of the explorations to date in that area, and the duration of INA-Naftaplin's further activity in Vietnam will depend on those results.

China

In 1980 INA-Naftaplin shared in the costs of seismic work done in the Yellow Sea with some 30 companies, among which ELF of France is the operator. The results of interpretation of the seismic data have been delivered to the appropriate authority in China. In the southern part of China the operator is AMOCO of America. The field work has been completed.

Interpretation of the geological data is under way, and the results will be processed by the spring of 1981.

Angola

The work organizations INA-Naftaplin and Nafta-gas have a 10-percent share in the costs of exploring bloc 3 of the offshore area of Angola, divided in equal 5-percent shares. The operator in this activity is ELF Aquitaine of France, which has a 50-percent share. The other partners are MOBIL with 25 percent and AGIP with 15 percent. The geophysical work began in late 1980.

Indonesia

A contract for exploration of the seabed of the eastern Java Sea in Indonesia was concluded with the Indonesian company PERTAMINA at the end of last year. INA-Naftaplin has a 20-percent share in the costs, while AGIP of Italy has a share of 50 percent and UNION Texas of the United States has a share of 30 percent. The geophysical work began during 1981.

INA-Naftaplin's Work Abroad as a Contractor

Drilling in Iraq on the basis of the contract in force was continued in 1980. The Emsco A-1500 drilling rig drilled a third well. Because of the events in Iraq (October 1980) the work was halted temporarily. INOC and INA-Naftaplin are negotiating the continuation of work with the Emsco A-1500 rig and expansion of drilling with a Cardwell rig and repair work with our equipment.

During 1980 a contract was concluded with AGIP to rent the platform "Panon" for drilling in the Italian portion of the Adriatic seabed.

In view of INA-Naftaplin's staff of specialized personnel, there are large opportunities for hiring out specialized petroleum engineers in many countries in the world. Favorable results have already been achieved in this respect (Vietnam and elsewhere).

Preparations were made in 1980 for contracts on involvement of foreign partners in exploring a portion of the Adriatic seabed. The taking of bids is now under way, and an exploration program is being drafted.

Exploration in the seabed of the middle Adriatic will be stepped up with the acquisition of semisubmersible platforms (by purchase or construction in Yugoslav shipyards).

INA-Naftaplin's Technical and Technological Activity in Field Development

Exploitation of existing petroleum and gas fields and development of newly discovered fields involves the use of a number of technical and technological procedures on which attainment of the optimum economic extraction will depend. On the basis of studies of each individual field structure and the natural conditions of the reservoirs the appropriate studies were compiled on petroleum and gas reserves, and the various fields were evaluated.

In fields with known hydrocarbon reserves, depending on the effectiveness of application, the method used is to maintain reservoir pressure by injecting water into petroleum reservoirs, such as: Ivanic (since 1972), Zutica (since 1976) and Benicanci (since 1975). Other smaller fields were examined in the same context in 1980.

In 1980 77 development wells were drilled, 5 of which are in the phase of completion. Total development for field development was 135,774.3 meters. This made it possible to maintain the level of petroleum and gas production from existing fields for the future. By regulating field exploitation and by programming drilling operations optimum extraction of petroleum and gas has been achieved.

Automatic data processing in this work has contributed to more effective activity of INA-Naftaplin in exploring deposits and in the production of hydrocarbons.

OOUR "Commercial"

The past year has been characterized by the measures adopted in the country for economic stabilization. During 1980 a number of problems were solved in INA-Naftaplin related to the purchase, sale and storage of supplies and equipment urgently necessary to carrying on the technological process of exploration and exploitation of petroleum and gas fields in SR [Socialist Republic] Croatia. We should emphasize that these measures, especially the shortage of foreign exchange, had an adverse effect on the necessary adjustment of capacity of all OOUR's in INA-Naftaplin and also on the purchase of producer goods. By the end of last year and in early 1981 this was affecting the production of petroleum and gas and also the discovery of new reserves of hydrocarbons.

Fundamental Problems in the Future Activity of INA-Naftaplin

The need for sources of energy, on which the country's ecoromic development depends, necessitates programmed exploration of the rest of the interesting reservoir structures under the land and sea. The drilling to ever greater depths (5,000-6,000 meters and deeper) involves a number of problems: that is, from the necessary investment of considerably greater financial resources in exploration to the technical and technological difficulties of overcoming the more complicated natural conditions involved in the location of the petroleum and gas reservoirs. Very deep wells open up rock strata with occurrences of hydrogen sulfide, which figures as the most adverse factor in the processes of drilling wells and exploiting deposits. Special technical and protective equipment and many inhibiting materials must be used to eliminate its well-known destructive and dangerous effect. In addition, the high geothermal gradients in the deep Pannonian Basin put a limit on the range of application of existing technical equipment. The presence of carbon dioxide in natural gas is also adverse because of corrosion of steel and the necessary treatment of the gas during the process of exploiting the field. The hydrodynamic conditions in the wells in certain regions being explored are very complicated, which necessitates a search for more up-to-date technical and technological solutions. Many of them involve the direct purchasing of technical equipment and expensive specialized devices abroad.

In view of these and other factors in present and future activity, we can say that personnel in all specialized disciplines within the work organization INA-Naftaplin face a strenuous commitment of their mental and physical efforts.

2. Exploration, Drilling and Production of Petroleum and Gas by the Work Organization Nafta-gas in 1980

Exploratory operations were conducted during 1980 in Vojvodina, parts of Serbia proper, Kosovo and abroad.

The preparation of studies and scientific research occupied an important place in 1980, as exemplified by preparation of the Study of the Level of Exploration and Potential Possibilities of Discovery of New Reserves of Petroleum and Gas in SAP [Socialist Autonomous Province] Vojvodina, Analysis of the Status and Possibility of Exploring "Nonstructural" Traps in SAP Vojvodina, Status and Program of Exploration and Exploitation of Thermal and Thermal Mineral Waters, Program for Exploring the Application and Sale of Thermal Mineral Waters and Geothermal Energy, preparations for drafting the Study Evaluating the Promise of Petroleum and Gas Exploration in SR Bosnia-Hercegovina, Study of the Petroleum-Geological Characteristics and Evaluation of the Promise of the Exploratory Area Garet Tesselit in Algeria and Study of the Promise of the Exploratory Area Cama Marin in Gabon, and work continued on the study "Evaluation of the Technical and Technological Feasibility of Using Secondary Recovery Methods at Existing Oil Fields in SAP Vojvodina."

Geological Work

Geological work consisted of supplemental explorations of northern and northwestern Serbia (Macva and the Sava Valley), covering an area of about 5,300 square kilometers, and within SAP Kosovo on the sheets [?] Prizren, Kacanik, Kukes and Gostivar.

Exploration of oil shale was conducted in the Vranje, Krusevac and Vranje-Mionica basins.

Geophysical Studies

Geophysical studies were conducted using geomagnetic (aeromagnetic) and seismic reflection methods, and they were conducted both in areas of SAP Vojvodina as well as in areas of Serbia proper.

Geomagnetic measurements were taken using aeromagnetic methods in areas of Srem and Backa over an area of about 11,000 square kilometers.

Seismic studies were conducted by the reflection method with multiple coverage on areas of SAP Vojvodina amounting to 1,130 square kilometers and SR Serbia amounting to 358 square kilometers. The seismic studies were mainly detailed in character, and their purpose was to discover new localities or define existing ones more closely in areas of SAP Vojvodina (environs of Kikinda, Vojvoda Stepa,

Vladimirovac--Banatsko Novo Selo--Dolovo, Turija--Backo Gradiste--Gospodjinci--Zabalj) and Serbia proper (the broader environs of Pozarevac, Ritopek--Begoljica--Kamendol, and the Mlava Basin).

Operations Abroad

Total investments during 1980 in operations abroad amounted to 219,937,000 dinars.

People's Democratic Republic of Algeria

Work was done in 1980 to carry out the 1979 contract. A wholly owned company Nafta-gas Algeria was established and entered in the register in Algeria. A geological and geophysical study was made of the exploration area Garet Tesselit and seismic operations in this area were programmed on that basis.

Field seismic operations were conducted in area No 1, which was promising, and 390 km of seismic profiles (11 profiles) were run, and this work was done by the DTP [expansion unknown] seismic team.

At the end of December preparatory work was done for letting the contract for seismic work, which is to be done by the Geophysical Institute of Belgrade.

Tunisia

On the basis of the results obtained from the first exploratory well Neapolis-1 (written off as negative) at the Enfida concession in Tunisia. After performance of these exploratory operations Buttes prepared a study on the feasibility of this concession and proposed a new program of exploration. The plans call for preparing another 700 km of seismic profiles and drilling two exploratory wells. The partners in financing these operations are AGIP, Nafta-gas and Petroswed. SP Buttes is in the process of transferring the position of operator to AGIP.

Gabon

On the basis of work done so far in the exploratory area Cama Marin a study assessing the promise of the next exploratory area of this concession was prepared. The assessment was that the promise of this concession has been diminished considerably and the risk of further exploration has increased. An agreement was reached with the partners that the French firm ELF Gabon take over the obligation to finance 60 percent of the costs of the exploratory well which is to be drilled within a period of time allowed by performance of operations required under the contract.

The site will be proposed by ELF Gabon after a new interpretation of the seismic data.

People's Democratic Republic of Korea

Field seismic work has been completed on the offshore concession in Korea amounting to 2,536 km of seismic profiles, as well as gravimetric and geomagnetic measurements in the concession. Upon receipt of other seismic profiles and also the gravimetric and magnetic measurements, these measurements were conducted by the Norwegian company GECO. Work will be done to interpret the results of these measurements, and that will serve as the basis for adopting a program of operations for 1981.

China

During 1980 the processed seismic profiles and data of gravimetry and magnetometry were received on the concession in the Yellow Sea in China, and geological data were purchased from the Chinese for two exploratory wells (Huang 4 and Huang 6), which were drilled within the exploratory area in which the seismic measurements are being made. Analyses of samples taken from these wells were also obtained.

Geophysical data for these areas in the Yellow Sea are now being interpreted. The geophysical interpretation is being done by the Geophysical Institute of Belgrade.

This interpretation will be used by Nafta-gas as material for preparing the study assessing the promise of this area as a participant in this geophysical program.

Angola

In late 1980 a group of partners was formed to explore for petroleum in offshore bloc 3 in Angola. Aside from ELF Aquitaine of Angola (the operator), the other participants are AGIP, Mobile Oil, Naftaplin and Nafta-gas.

It has been agreed that in addition to the documentation that exists, approximately 6,400 km of seismic profiles, gravimetry and magnetometry would be done, and eight exploratory wells would also be drilled during the exploration period, three of them in 1981.

Geophysical measurements and processing are to be done by the French firm C. GG. By the end of 1980 5,710 km of seismic, gravimetric and magnetometric measurements had been done.

Drilling and Testing for Petroleum, Gas and Thermal Waters

The purpose of drilling has been to explore and discover new deposits or to define and establish the contours of deposits discovered previously. In 1980 75 wells were drilled. Drilling for petroleum and gas was done with 10 drilling rigs, and the average depth (oil and gas wells) was 1,826 meters (2,385 meters of exploratory wells and 1,465 meters for development and production wells).

Table 3. Drilling Results

Indicators	1979	1980
1. Total drilling in meters	120,757	13,422
a) Exploratory drilling for petroleum and gas	56,087	64,498
b) Exploratory drilling for thermal waters	2,537	6,387
c) Development drilling for petroleum and gas	62,133	61,537
2. Number of wells drilled	64	75
a) Exploratory for petroleum and gas	24	27
b) Exploratory for thermal waters	4	6
c) Development-production wells for petroleum and gas	36	42
3. Drilling success	64	75
a) Positive for petroleum and gas	41	45
b) Positive for water	2	2
c) Negative	10	8
Petroleum and gas	--	7
Water	--	1
d) Being tested for petroleum and gas	11	17
e) Being tested for water	--	3
4. Number of rigs in operation	9	10
5. Meters drilled per rig (for petroleum and gas)	13,136	132,422

Petroleum and Gas Production

During 1980 Nafta-gas produced a total of 1,183,000 tons of petroleum and 876 million cubic meters of gas.

Table 4

Indicators	Results for 1979	Results for 1980
Petroleum in tons	1,167,610	1,183,293
Gas in thousands of cubic meters	1,103,656	875,695
a) Natural gas	995,521	728,523
b) Casinghead gas	108,135	147,173

3. Results of Drilling in Yugoslavia in 1980

The results of drilling in 1980 indicate augmented activity of explorations, which is altogether in line with the fact that as much petroleum as possible needs to be furnished from domestic production. In view of our country's great dependence on imports, this is the only way of offsetting to some extent the adverse effect of the steady rise of petroleum prices on the world market. That is why more attention was paid in 1980 to exploratory drilling in order to discover new deposits or to find and activate deposits already discovered.

The volume of exploratory drilling in the SFRY was 131,264 meters in 1980, which is 13 percent more than in 1979. Of this the volume of exploratory drilling by

Nafta-gas increased 20 percent, while that of INA-Naftaplin was 5 percent. The level of production well drilling by and large stayed at the level of last year, increasing a total of 2 percent.

The results achieved can be regarded as satisfactory for several reasons. Drilling activity, exploratory drilling in particular, has been done at ever greater depths, where the conditions are considerably more adverse (high pressures, temperatures, greater solidity of the rocks being drilled, etc.). The reasons for this is the ever greater degree of exploration, above all of the Pannonian Basin, which is the only region producing in Yugoslavia, as well as the ever greater activity in the Dinarids and especially in the Adriatic, where the drilling conditions are considerably different.

This to some extent indicates the level of risk in exploration, which is manifested in the share of negative wells, which runs nearly 50 percent (47.7 percent) in INA-Naftaplin; in Nafta-gas it is somewhat lower, but still considerable, and amounts to 32 percent.

In addition, there is the constant problem of difficulty in obtaining expensive specialized equipment from abroad because of restricted imports and the shortage of foreign exchange. And, third, in spite of the more difficult operating conditions, the output per rig has remained unchanged, which suggests the conclusion that performance has improved.

Table 5. Results of Drilling in Yugoslavia in 1980

Drilling Results	1979	1980	Index 80/79
INA-Naftaplin			
1. Total drilling in meters	189,883	196,153	103
a) Exploratory drilling	57,703	60,379	105
b) Production wells	132,180	135,774	103
2. Number of wells drilled	112	111	99
a) Exploratory	27	34	130
b) Production	85	77	91
3. Drilling success*			
a) Positive wells	57	58	102
b) Negative wells	55	53	96
c) Share of negative wells in total wells drilled (%)	49.10	47.70	97
4. Number of rigs in operation	15.41	15.71	102
5. Number of meters drilled per rig	12,322	12,486	101
Nafta-gas			
1. Total drilling in meters	120,757	132,422	110
a) Exploratory drilling	58,624	70,885	121
b) Production wells	62,133	61,537	99

Table 5 (continued)

Drilling Results	1979	1980	Index 80/79
2. Number of wells drilled	64	75	117
a) Exploratory	28	33	117
b) Production	36	42	117
3. Drilling success*			
a) Positive wells	45	51	113
b) Negative wells	19	24	126
c) Share of negative wells in total wells drilled (%)	29.70	32.00	108
4. Number of rigs in operation	9	10	111
5. Number of meters drilled per rig	13,417	13,244	99
Total			
1. Total drilling in meters	310,640	328,575	106
a) Exploratory drilling	116,372	131,264	113
b) Production wells	194,313	197,311	102
2. Number of wells drilled	176	186	106
a) Exploratory	55	67	140
b) Production	121	119	98
3. Drilling success*			
a) Positive wells	102	109	107
b) Negative wells	74	77	104
c) Share of negative wells in total wells drilled (%)	42.50	41.00	96
4. Number of rigs in operation	24.41	25.71	105
5. Number of meters drilled per rig	12,726	12,780	100

* In classifying wells being tested as positive and negative, 20 percent were tabulated as positive and 80 percent negative.

4. Petroleum and Gas Production in Yugoslavia

The total growth of petroleum production in Yugoslavia in 1980 was 99,000 tons, or slightly more than 2 percent over the previous year. Over that same period gas production dropped 2 percent, which was because of the considerably smaller production of gas by Nafta-gas (production was down 21 percent). Gas production increased 22 percent over 1979 in INA-Naftaplin.

This kind of production was achieved mainly from existing fields through optimum regulation of reservoir conditions and better use of the available operating time of oil drilling bits.

If in this connection we take into account the effect of natural depletion, which averages 8-12 percent per year, and certain difficulties in acquiring urgently needed equipment and certain supplies for supplemental treatment of rocks

and petroleum, then this production can to some extent be regarded as a satisfactory achievement.

Table 6. Petroleum and Gas Production in Yugoslavia

Petroleum Production, 10^3 tons	1979	1980	Index 80/79
INA-Naftaplin	2,972	3,056	103
Nafta-gas	1,168	1,183	101
INA Nafta, Lendava	5	5	100
Total	4,145	4,244	102
Natural Gas Production, millions of cubic meters			
INA-Naftaplin	806	983	122
Nafta-gas	1,104	876	79
INA Nafta, Lendava			
Total	1,910	1,869	98

7045
CSO: 2800/344

PETROLEUM REFINING, 1979-1980

Zagreb NAFTA in Serbo-Croatian No 6, Jun 81 pp 286-289

[Article by Vilim Boranic, chemical engineer, Zagreb; submitted 15 May 1981]

[Text] On the basis of the available data the article analyzes trends in petroleum refining in 1979 and 1980. Because of difficulties in purchasing petroleum refining in 1980 was 7 percent less than in the previous year, i.e., it amounted to 14.8 million tons. Because of the diminished amounts of imported petroleum, its share dropped relative to that of domestic petroleum. The level of production of the various petroleum products, as in the past, depended on the available secondary refining processes and also the needs of the market.

The operation of the refineries in 1980 was impeded for several reasons--irregular and tardy delivery of imported petroleum (whose importation has been diminished) had an impact on planned utilization of available capacities, and the further rise in the price of petroleum as well as of supplies and producer goods, when there were ceilings on the prices of the finished products, had an adverse effect on the economics of operation.

Table 1. Petroleum Refining in Yugoslavia

Year	Domestic Petroleum		Imported Petroleum		Total	
	10^3 t	%	10^3 t	%	10^3 t	%
1979	4,081	25.8	11,740	74.2	15,821	100.0
1980	4,232	28.6	10,565	71.4	14,797	100.0
Index	103.7	--	90.0	--	93.5	--

According to figures published in the Statistical Bulletin (Vol 1, No 2) of the General Association of Organizations of the Yugoslav Petroleum Industry an analysis has been made of petroleum refining in 1980 as a whole, i.e., without entering into the problems of the particular refineries. We should mention that the figures for 1979 as given for certain items in that bulletin differ from those published in NAFTA, 31, pp 288-293 (No 6, 1980), since at that time the data were preliminary.

In 1980 a total of 14.8 million tons of petroleum was refined, which is 6.5 percent less than in the previous year, when 15.8 million tons were refined, which means a drop of 1 million tons. The relations between the amounts of domestic and imported petroleum refined over the last 2 years is shown in Table 1.

As we see from the table, the quantity of domestic petroleum refined increased from 4,081,000 tons in 1979 to 4,232,000 tons in 1980, or by 151,000 tons, which is an increase of 3.7 percent. This is the largest increase over the last 3 years; that is, in 1978 the increase of domestic petroleum refined was 115,000 tons, and in 1977 it was 59,000 tons.

On the other hand in 1980 slightly more than 10.5 million tons of imported petroleum were refined, as against 11.7 million tons in 1979, which is nearly 1.18 million tons less, for a drop of 10 percent. It is a number of years since the amount of imported petroleum refined has decreased.

The share of domestic petroleum in total refining increased from 25.8 percent in 1979 to 28.6 percent in 1980, while the share of imported petroleum dropped from 74.2 percent to 71.4 percent.

Domestic petroleum was refined by refineries favorably located relative to the oil fields, while imported petroleum was distributed according to the agreement among the refineries.

Primary capacities for petroleum refining amounted to 25.5 million tons in 1980, and when this is compared to the petroleum refined, the average utilization of capacity was only 58 percent. New facilities for primary refining of petroleum were completed at the refinery in Bosanski Brod in late 1980, and their effect will be felt only this year.

The new refinery in Skopje (2.5 million tons per year) will for technical reasons go into trial operation this year, while construction of new facilities for petroleum refining at Lendava have been halted; that is, the construction would come into consideration only after 1985.

Since the refineries have been refining all the available quantities of domestic petroleum, the importation of petroleum had to be the regulator in meeting the country's demand for petroleum products. But the quantity of imported petroleum was planned at a lower level for financial reasons that have to do with foreign exchange, but even this diminished amount of imported petroleum, for financial and technical reasons, did not keep pace with demand during the year, and from time to time there were shortages on the market of certain petroleum products. The imbalance was corrected by importation of finished petroleum products and the export of surpluses as an interventionary measure.

Table 2 shows the production of the principal product groups, whose level, as in the past, depended on the characteristics of the petroleums refined, the facilities available for refining and finishing, and the needs of the market, which varied considerably in pattern in the winter and summer months.

The table gives separately the production for the market and the internal consumption of the refineries and the loss in refining.

Table 2. Yields of Petroleum Refining in Yugoslavia

Product	1979 10^3 t	1979 %	1980 10^3 t	1980 %	Index
Motor gasoline	2,413	14.9	2,188	14.5	90.7
Jet fuel and kerosene	332	2.0	335	2.2	100.9
Diesel fuel, household heating oil and extralight heating oil	4,755	29.5	4,482	29.6	94.3
Furnace oil	5,077	31.5	4,572	30.2	90.1
Asphalt	739	4.6	643	4.3	87.0
Other products	1,656	10.3	1,723	11.4	104.0
Total for the market	14,972	92.8	13,943	92.2	96.2
Internal consumption	892	5.5	923	6.1	103.5
Refining losses	273	1.7	262	1.7	96.0
Petroleum refined and additives	16,137	100.0	15,128	100.0	93.7

As is evident from the table, the yields of products in 1980 did not change essentially from 1979, except in the case of furnace oil, whose share in 1980 was 30.2 percent, against 31.5 percent in 1979, and "Other products" whose share increased from 10.3 percent to 11.4 percent.

Motor gasoline production in 1980 was 2,188,000 tons, while in 1979 it was 2,413,000 tons, or 225,000 tons less, a drop of 9.3 percent. The reason was on the one hand the reduced demand of the market (2,152,000 tons as against 2,359,000 tons) and the increased production of primary gasoline on the other hand (897,000 tons as against 844,000 tons). Relative to the petroleum refined, the share of motor gasoline in 1980 was 14.5 percent, while in 1979 it was 14.9 percent.

The production of jet fuel and kerosene increased in 1980 by only 3,000 tons, or 0.9 percent: from 332,000 tons in 1979 to 335,000 tons last year. That is why the share relative to the petroleum refined rose slightly: from 2.0 to 2.2 percent.

The product group consisting of the so-called intermediate distillate, i.e., diesel fuel, household heating oil and extralight heating oil, had a production in 1980 of 4,482,000 tons, as against 4,755,000 tons in 1979, which means a drop of 273,000 tons, or 5.7 percent. Nevertheless, the share relative to the petroleum refined remained almost the same. In 1979 it was 29.5 percent, and in 1980 it was 29.6 percent. The level of production depended on the petroleum available and the demand of the market.

The production of residual furnace oil--not including internal consumption--was 4,572,000 tons in 1980, as against 5,077,000 tons in 1979. A drop, then, of 505,000 tons, or 9.9 percent. The share relative to the petroleum refined dropped from 31.5 percent in 1979 to 30.2 percent in 1980.

The largest drop in production, 13 percent, was recorded for asphalt. In 1979 this production was 739,000 tons, and in 1980 643,000 tons. The share relative to the petroleum refined dropped from 4.6 to 4.3 percent.

In the case of the so-called "Other products," which are primary and special gasolines, white spirits, aromatics, petroleum coke, lubricant oils and greases, and paraffin, production increased by 67,000 tons, or 60 percent. That is, 1979 output was 1,656,000 tons, while in 1980 it was 1,723,000 tons, and the share rose from 10.3 percent in 1979 to 11.4 percent in 1980.

This means that in spite of the diminished quantity of petroleum refined, the refineries managed to produce a larger quantity--in large part--of better-quality products.

Viewed as a whole, the quantity of products destined for the market dropped about 1 million tons, or 3.8 percent.

The internal consumption of the refineries increased from 892,000 tons in 1979 to 923,000 tons in 1980, which is 31,000 tons, or 3.5 percent. Relative to the petroleum refined the share of internal consumption in 1980 was 6.1 percent, as against 5.5 percent in 1979. The reason for this is the suboptimal use of facilities for primary petroleum refining because of the smaller quantities of petroleum refined.

Table 3. Relations Among the Principal Products in Petroleum Refining

	1979		1980		
Product Groups	10^3 t	%	10^3 t	%	Index
Motor and primary gasoline	3,257	20.2	3,085	20.4	94.7
Intermediate distillates	5,087	31.5	4,817	31.8	94.7
Residual products	6,708	41.6	6,138	40.6	91.5
Other products and loss	1,085	6.7	1,088	7.2	100.3
Petroleum refined and additives	16,137	100.0	15,128	100.0	93.7

Nevertheless, losses in refining dropped 4.0 percent; in 1980 they amounted to 262,000 tons, and in 1979 they were 273,000 tons, which means a drop of 11,000 tons.

Table 3 shows the relations among the four principal product groups:

i. motor and primary gasoline,

ii. intermediate distillates, i.e., jet fuel, kerosene, diesel fuel, household heating oil, extralight heating oil,

iii. residual products, i.e., furnace oil together with internal consumption and asphalt,

iv. all other products and loss.

As is evident from Table 3, a drop in output was recorded over the previous year for all products in 1980--except for "Other products and loss" (taken together), where the result was unchanged. Further, the first three product groups comprised 93.3 percent of the initial raw material in 1979, and the figure in 1980 was 92.8 percent. The largest drop in production (9.5 percent) was for residual products, whose share in refining was 40.6 percent in 1980 and 41.61 percent in 1979. We should emphasize that these shares are averages, since at the new refineries, which have capacities for secondary refining by conversion, the yields of residual products are even below 30 percent, while at the other refineries these shares are considerably higher than 40 percent.

The share of "Other products and loss," taken together, increased from 6.7 percent in 1979 to 7.2 percent in 1980, although the absolute sum remained almost the same: 1,085,000 tons as against 1,088,000 tons. The production of lubricants in the refineries and enterprises which prepare them by purchasing the necessary components totaled 162,000 tons in 1980 as against 182,000 tons in 1979. Motor oil accounted for 91,000 tons of this in 1980 (100,000 tons in 1979), industrial oil 67,000 tons (as against 76,000 tons) and mineral lubricant greases 4,000 tons (6,000 tons). Difficulties in purchasing components had an essential impact on the production of lubricants--especially in the case of manufacturers who import the necessary components.

During 1980 the refineries once again, in spite of the difficulties which they faced, took it as their permanent task to make considerable efforts to maintain the high quality of their products achieved in the past, and they also introduced certain new lubricants with an improved level of quality. In so doing they showed concern about the ever stricter standards of consumers, and they also tried in their work to reduce environmental pollution to the maximum possible degree.

Aside from the refining of petroleum, the year 1980 was also difficult for the refineries in the field of expanded reproduction, and the construction of certain installations was slowed down, and that of others halted indefinitely. Yet certain installations were completed and went on stream. Thus at the end of 1980 the refinery at Bosanski Brod completed construction of a new installation for primary petroleum refining, and, together with the available installations it already had, it is able to refine 5.5 million tons of petroleum annually, and facilities were built for production of blown oil in Novi Sad. A new catalytic cracking facility at the refinery in Rijeka is near completion.

The year 1980 was the last year of the 5-year planning period covering activity from 1976 to 1980. It is therefore of interest to compare the achievements in that period to the projections covering the same period.

The plan for the period from 1976 to 1980, which was drawn up immediately after 1973, when it was not yet possible to foresee the consequences of the rise of petroleum prices, adjusted the refining of petroleum to the consumption of its products. It accordingly envisaged a development of refinery capacity to reach 27.6 million tons of annual petroleum refining capacity in 1980. The plan also provided that all the domestic petroleum produced would be refined in refineries,

along with amounts of imported petroleum so that together they would regularly meet the country's needs for petroleum products, which foreseeably could have reached about 19 million tons. Within that framework it was envisaged that petroleum imports would increase at an annual rate of about 9.6 percent, so that they would amount to 13.9 million tons in 1980. In addition, the construction of primary and secondary petroleum refining facilities would be so oriented that the ratio of white to black products would be 75:25.

Table 4. Refinery Yields in the Period From 1976 to 1980

10^3 tons

	1976	1977	1978	1979	1980	Growth Rate 1976-1980
Petroleum refined						
Domestic	3,880	3,868	3,983	4,081	4,232	2.2
Imported	7,901	9,967	10,245	11,740	10,565	7.5
Total	11,781	13,835	14,228	15,821	14,797	5.8
Products obtained						
Motor gasoline	1,923	2,190	2,301	2,413	2,188	3.3
Jet fuel	325	330	299	332	335	0.7
Diesel fuel, household heating oil and extra-light heating oil	2,969	4,147	4,268	4,755	4,482	10.7
Furnace oil	3,975	4,559	4,638	5,077	4,572	3.5
Asphalt	391	537	635	739	643	13.2
Other products	1,197	1,012	1,213	1,656	1,723	9.5
Internal consumption	825	868	865	892	923	2.9
Refining loss	176	212	281	273	262	10.4

We should emphasize that these planning projections were not altogether fulfilled.

Refinery capacity amounts to 25.5 million tons per year, which is less than the projected 27.6 million tons per year, but if construction of new facilities at the refinery in Bosanski Brod and the new refineries in Skopje and Lendava had been entirely built by 1980, total capacity would have been 31.9 million tons per year, that is, far higher than the planning projections, and even further above real needs.

Construction of secondary refining facilities has been behind schedule, and in 1980 the average ratio of white products to black was 60:40, even though the refineries with complex technological process are already coming close to the ratio that was sought.

During the last year covered by the plan petroleum imports were down, and the average growth rate of imports over the 5-year period was 7.5 percent instead of

the projected 9.6 percent. The trend of annual yields of the various products over the period from 1976 to 1980 is shown in Table 4. It is evident from that table that total petroleum refining increased over that period from 11.8 million tons in 1976 to 14.8 million tons in 1980, or at an average annual rate of 5.8 percent. Petroleum refining in 1980 was only 569,000 tons greater than in 1978.

The trend in the production of the various products showed a varying dynamic behavior; the highest growth rate (after asphalt) was for the diesel fuel group, where the rate was 10.7 percent, and motor gasoline (3.3 percent) and furnace oil (3.6 percent) had a low growth rate.

However, examination of the causes of the different growth rates for the various products goes beyond the scope of this analysis.

7045
CSO: 2800/344

PRICES, IMPORTS, CONSUMPTION OF OIL PRODUCTS

Zagreb NAFTA in Serbo-Croatian No 6, Jun 81 pp 290-293

[Article by Vojteh Brajcic, vice chairman of the business committee of INA "Trade" in Zagreb; submitted 14 April 1981]

> [Text] The basic characteristics of developments on the Yugoslav market of petroleum derivatives over the past year, 1980, can be reduced to two observations. First, the high prices of derivatives along with stagnation (and decline) of real personal incomes tended to diminish the demand for derivatives which are part of personal consumption. Second, the occasional shortage of certain derivatives, gas oils and heavy heating oils above all, particularly at the beginning of the year, led to forced conservation and a somewhat lower consumption than that which probably would have occurred if there had been enough derivatives.

By and large the past year occurred on the Yugoslav petroleum derivative market in the context of two tendencies which have both tended to diminish consumption of petroleum derivatives in our country.

The prices of petroleum derivatives (Table 1) increased in nominal terms 58-85 percent over the previous year. If we adjust these values for the rise in the cost of living, which was 30 percent, we get a 22-percent growth rate of prices for, say, gasoline. Since personal incomes have not been keeping pace with the cost of living, this growth rate is about 7-8 percent higher in real terms, or a total of 30 percent for gasoline, 35 percent for diesel fuel, 50 percent for household heating oil and 40 percent for heavy furnace oil.

Assuming an elasticity coefficient of motor gasoline consumption of 0.3, it would be realistic to expect consumption to drop about 9 percent per vehicle, which by and large is what happened. According to the figures of the Bureau of Statistics, a total of 255 passenger vehicles were produced in Yugoslavia in 1980, of which 25,000 were exported, while at the same time 42,000 cars were imported. If we take into account the scrapping of old vehicles, we can conclude that at the end of last year Yugoslavia had 2,532,000 registered passenger cars, as against 2,419,000 cars recorded a year earlier, or only 4.5 percent more, which would be the lowest growth we have experienced in recent years.

In 1980 7.7 million foreign vehicles crossed the border, which is a drop of 22 percent from the 9.8 million that crossed it in 1979. By and large the drop occurred in local border traffic, while the number of foreign tourists increased from 6.0 million to 6.4 million, and the number of nights which foreign tourists spent in lodgings increased from 33.5 million to 37 million. Total gas sales in this sector, however, were down about 80,000 tons, and are estimated at about 300,000 tons, or 14 percent of total gasoline consumption in Yugoslavia. In 1980 a total of 2,117,859 tons of motor gasoline were sold, as against 2,328,556 tons in 1979, which is a drop of 8 percent.

Consumption per passenger car, when we exclude consumption by other vehicles and foreign passenger cars, was 688 kg, as against 789 kg in 1980. By comparison with the last year before the crisis, which was 1973, when consumption per vehicle was 929 kg, this is a drop of 26 percent. Thus in the average consumption per vehicle we found ourselves in the company of Italy, France and certain other countries at the bottom of the ladder of European countries in this respect.

The prices of household heating oils, which rose from 4.51 dinars in 1979 to 8.33 dinars in 1980, or 85 percent, had a restricted effect on consumption. The rise in real terms, adjusted by the cost-of-living index, was 42 percent, and all of 50 percent if we include the drop of personal incomes.

Taking the elasticity coefficient, which is 0.4 here, we might have expected consumption to drop as much as 20 percent, at least as far as general consumption is concerned, and it accounts for about 70 percent of the total consumption of these derivatives. On the average, since prices obviously did not tend to bring about a decline in consumption in the public sector, it was realistic to expect a 15-percent decline in consumption of extralight heating oils. The actual decline of consumption, however, was 6 percent, to which the exceptionally severe winter, which also affected part of 1980, certainly contributed, since under normal circumstances it would have increased consumption about 10-15 percent over its normal level. Total consumption of extralight heating oil was 1,695,044 tons, as against 1,796,621 tons in 1979.

Table 1. Nominal and Real Prices of Petroleum Derivatives in Yugoslavia 1973-1979

Sales Prices	1973	1979	1980	Index 80/79	Index 80/73
Average Nominal Prices Per Liter					
1. Motor gasolines	3.18	11.24	17.74	158	558
2. Diesel fuels	1.69	8.10	13.46	166	796
3. Extralight heating oil	1.40	4.51	8.33	185	595
4. Heavy heating oil	0.69	2.69	4.62	172	670
Average Real Prices Per Liter*					
1. Motor gasolines	11.09	14.54	17.74	122	160

Table 1 (continued)

Sales Prices	1973	1979	1980	Index 80/79	Index 80/73
2. Diesel fuels	5.88	10.52	13.46	128	229
3. Extralight heating oil	4.87	5.87	8.33	142	171
4. Heavy heating oil	2.39	3.50	4.62	132	193

* Remark: The real prices were computed on the basis 1980 = 100 according to the cost-of-living trend (INDEKS, No 2, 1981, Federal Bureau of Statistics, Belgrade). Cost-of-living indices 1980/1979 = 130; 1980/1973 = 348. The index numbers of the real growth of personal incomes 1980/1979 = 93.

The nominal prices of diesel fuel last year rose 66 percent, which in real terms represents an increase of about 35 percent. At an elasticity coefficient of 0.1, we might have expected consumption to drop about 3 percent. Actually it recorded a 2-percent drop.

The number of trucks in 1979 increased by 18,000 which were produced in domestic factories and 3,500 which were imported. The number of tractors increased from 297,000 in 1979 to about 325,000 in 1980.

Public highway carriers showed a 2-percent drop in passenger traffic in 1980 over the previous year. The volume was 928 million passengers, as against 950 million in 1979. Freight traffic in 1980 was 18.9 billion ton-kilometers, as against 17.7 billion ton-kilometers in 1979, or an increase of 7 percent. Everything we have said resulted in a consumption which was 2,948,000 tons in 1980, as against 3,005,000 tons in 1979.

The prices of residual fuel oil in 1980 rose 72 percent in nominal terms from 2.69 to 4.62 dinars per kilogram. Consumption was affected less by the price than by the temporary shortage of this product, but also by the exceptionally favorable hydrological conditions in 1980, which made it possible to considerably reduce consumption of residual furnace oil in thermal electric power plants, a difference estimated at about 300,000-400,000 tons.

Last year there was also an increase in the consumption of natural gas over 1979 by about 700 million cubic meters, which could objectively replace 500,000-600,000 tons of residual fuel oil or other derivatives (or other fuels), so that this fact also contributed to the reduced consumption of heating oils in Yugoslavia.

Under these conditions the consumption of residual fuel oil dropped in 1980 to 6,293,000 tons from 6,862,000 tons, which was the figure recorded in 1979.

Less asphalt was also produced in 1980 than a year previously. The total was 638,000 tons, as against 785,000 tons in 1979, or a drop of 12 percent.

Motor oil sales were 111,000 tons, or a drop of 3 percent. The amount of motor oils relative to motor gasoline and diesel fuel has continued to drop and amounted to only 2.1 percent in 1980, which is close to the usual percentages (between 1.7 and 1.9 percent) of the advanced countries.

Industrial oils and greases had a consumption of 254,000 tons, or an increase of 3 percent. Jet fuel sales rose 8 percent from 345,000 tons to 351,000 tons, mainly because of increased domestic traffic. The unfavorable prices, as well as the shortage of this article, had a considerable impact on the consumption of foreign airlines.

Table 2. Imports of Derivatives in Yugoslavia

Product	1978	1979	1980	Index 80/79	Index 80/78
	In Thousands of Tons				
Gas oil	219	106	201	180	92
Heating oil	961	1,015	695	68	72
	In Millions of Dinars				
Gas oil	504	532	1,779	334	353
Heating oil	1,478	2,474	3,530	143	239
	Average Price in Dinars Per Kilogram				
Gas oil	2.30	5.02	8.85	176	384
Heating oil	1.53	2.44	5.08	208	332

Source: INDEKS, No 2, 1981, Federal Bureau of Statistics, Belgrade.

The shortage of liquefied gas on the domestic market was felt especially in the winter months of 1979 and 1980. Total sales were 392,000 tons, which is 5 percent less than a year before.

In 1980 the Yugoslav market consumed a total of 15,507,000 tons of derivatives as against 16,383,000 tons in 1979, or a drop of 5 percent.

There have been no essential changes in the pattern of consumption. Furnace oil had the highest share at 42.4 percent, which is slightly less than in 1979, when residual fuel oil had a share of 41.9 percent of consumption. The slackened supply of this article on the domestic market certainly contributed to that. This share is still above the yield of the Yugoslav refineries, where it has been about 32 percent in recent years. The difference was made up from imports, which amounted to about 700,000 tons (Table 2).

The share of gas oils remained at the same level of 29 percent, while the share of gasolines dropped from 15.2 percent to 14 percent.

Table 3. Sales of Petroleum Derivatives in Yugoslavia

In thousands of tons

Article	1977	1978	1979	1980	Index 80/79	Index 79/78	Distribution 1980	Distribution 1979
1. Primary gasoline	65	172	272	424	156	158	1.6	1.1
2. Aviation gasoline	17	16	18	18	100	114	0.1	0.1
3. Motor gasoline, 86 octane	519	588	572	506	88	92	3.4	3.8
4. Motor gasoline, 98 octane	1,600	1,746	1,757	1,612	92	101	10.6	11.4
Total motor gasolines (3 + 4)	2,119	2,334	2,329	2,118	91	100	14.0	15.2
5. Special gasoline and white spirits	77	69	70	64	91	102	0.4	0.5
6. Kerosene and jet fuel	259	318	345	351	102	108	2.1	2.1
7. Diesel fuel	2,532	2,693	3,005	2,949	98	111	18.0	17.6
8. Extralight and special	1,384	1,777	1,797	1,695	94	101	10.8	11.6
Total gas oils (7 + 8)	3,916	4,470	4,802	4,644	97	107	28.8	29.2
9. Furnace oil	5,982	6,391	6,862	6,293	92	107	42.4	41.7
Not including internal consumption (refineries)	4,713	5,746	6,373	5,785	--	--	--	--
10. Asphalt	551	643	785	638	81	122	4.7	4.2
11. Motor oils	108	109	114	111	97	103	0.7	0.7
12. Industrial oils	135	226	247	254	103	109	1.5	1.5
13. Industrial greases	8	9	10	10	100	110	0.1	0.1
14. Paraffins	6	9	10	11	110	110	0.1	0.1
15. Gas	361	414	413	392	95	100	2.5	2.7
16. Other	106	144	107	179	167	74	1.0	0.9
Grand total	13,710	15,324	16,383	15,507	95	107	/100/	/100/
Consumption as fuel	12,654	13,944	14,749	13,816	94	106	90.0	91.0
Consumption for other purposes	1,056	1,380	1,614	1,691	103	118	10.0	9.0

Source: Sales figures supplied by members of the business communities of Nafta of Zagreb and Petrolunion of Belgrade.

Remarks to Table 3:

1. Includes internal consumption of the refinery and bunkering of ships and aircraft.
2. Motor gasolines include 86-octane and 98-octane motor gasoline.
3. The group "Gas oils," aside from diesel fuel, also includes extralight household heating oil and special industrial heating oil.
4. "Furnace oil" includes light, intermediate and heavy furnace oil.
5. "Other derivatives" include aromatics, petroleum coke, etc.

As for gasolines, we should mention that the share of regular is continuing to drop and amounted to only 24 percent in 1980. It is obvious that the Yugoslav market wants a gasoline with a higher octane number, and our refineries are already quite late in this regard.

The share of other products has mainly remained unchanged. On the Yugoslav market 13,846,000 tons of total consumption of petroleum derivatives went for energy consumption, nonenergy consumption was 1,691,000 tons, or 10 percent of total consumption, as against 9 percent a year earlier.

Natural gas consumption on the Yugoslav market was limited by domestic production, which in 1980 was 1,869 million cubic meters, and by imports amounting to 1,607 million cubic meters. In all, then, consumption was 3,476 million cubic meters, or 30 percent more than in 1979.

Table 4. Production and Imports of Natural Gas in Yugoslavia

In millions of cubic meters

	1979	1980	Index 80/79
Production	1,910	1,869	98
Imports	753	1,607	213
Total	2,663	3,476	131
Inventories	--	16	--
Consumption	2,663	3,460	130

7045
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SLOVENIAN ENTERPRISES TO PRODUCE COMPUTERS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 17 Aug 81 p 14

[Text] Three Slovenian complex organizations of associated labor, Iskra, Gorenje and Elektrotehna, following several years of negotiations, have finally agreed to jointly develop the production of electronic computers. The announcement that agreement had been reached was made at the last meeting of the Executive Committee of the Slovenian Economic Chamber by Janez Kocijancic, director of Intereksport of Ljubljana, who has also been the chairman of the initiating committee for establishment of a joint organization for production of computers. The new organization whose founders will be the republic as a sociopolitical community and the three complex organizations we have mentioned, will operate under the auspices of the republic Executive Council and the Slovenian Economic Chamber. The initial capital and necessary personnel will be furnished by the founders. The new organization's development and business operation will be guided by a separate public body--its council.

The new work organization (which will not be divided into basic organizations of associated and will have collective business management) will take over the production programs which have been developed up to this point by the work organizations Delta, which is a part of Elektrotehna, and Elektromehanika of Kranj, which is a part of Iskra. Its main goal will be to organize and develop production of microcomputer systems. The founders have assumed the obligation, in collaboration with other interested organizations, to devise a joint program for development and production of a single electronic computer for business, processing, research and educational purposes.

The reaching of agreement was slow and painful in spite of the encouragement that came from republic bodies and agencies. One reason for this is certainly the relations which the domestic manufacturers have established with foreign partners. Iskra (under a license of CDC) and Delta have been manufacturing computers, while Gorenje has a contract on industrial cooperation with the American firm Burroughs, but has not yet begun the production of computers.

Delta is the leader in the volume of output (last year it produced some 50 computer systems worth about 700 million dinars) and faces a restriction on imports of manufacturing materials. In answer to the question of a delegate in the Assembly which was intoned like a protest Iztok Vinkler, chairman of the republic

committee for culture and science, was to answer that the purpose of restricting imports was not to block technological development, but with the necessary measure to provide guidance and to prevent uneconomical and socially irresponsible development in the production of computers.

The Executive Council of the Slovenian Assembly has emphasized several times that developing the production of computers and data processing equipment has strategic importance to the republic's long-range development and for that reason the interest of one particular organization of associated labor cannot be allowed to outweigh the common interest.

7045
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MONTENEGRO'S FOREIGN INDEBTEDNESS REQUIRES NEW STEPS

Titograd POBJEDA in Serbo-Croatian 30 Aug 81 p 5

[Article by Branislav Radunovic]

[Text] At this point there are quite a few reasons why our republic's debts and indebtedness are being talked about in quite a different way and much more boldly than this was done 5 years ago or even less. First of all, the reader must know that our overall development up to this point has been based largely on capital investments, and that means on resources in the form of foreign credits, and to a lesser extent on growth of income and labor productivity. To be still more specific, for long years Montenegro has been among those regions of our country which have been spending most of their income to build new projects and for reconstruction of existing ones. That is why we have constantly been confronted with investment projects of considerable size for which funding has not been provided, and this is one of the essential causes of the slow activation of new factories, excessive cost overruns and the lengthy "tying up" of a considerable portion of the resources of society. At the same time, all those failings have been "covered" mainly with credits from abroad.

Thus Montenegro has come into a situation where today it has the highest level of foreign indebtedness of all the republics and provinces. That debt is twice as high as the national average, and the major portion of it, 61 percent, is in convertible currencies.

The largest users of foreign credits, and that means that they are also the largest debtors, have been the Aluminum Combine, the Boris Kidric Steel Mill, Jugooceania, the Electric Power Industry of Montenegro, the 13 Jul Agricultural Combine, the Pljevlja Thermal Electric Power Plant, the port of Bar, the Titograd Railroad Transportation Organization, and others. The Aluminum Combine and the Boris Kidric Steel Mill alone account for 40 percent of Montenegro's total debt. These two organizations will also have the highest payments to make up to 1985.

An Obligation Which Necessitates Radical Changes in Behavior

For all those reasons large tasks await the Montenegrin economy, especially the 20 or so work organizations which are its largest debtors, in the current 5-year

period with respect to economic cooperation with foreign countries. That is why it is necessary for all planning entities, and especially sociopolitical communities where those organizations of associated labor are located, to reassess as soon as possible the realism of the development plans adopted for the period up to 1985 and provide the money to reschedule obligations by reducing resources for new investment projects, thereby helping the process of reducing the economy's indebtedness.

Work organizations exporting goods and rendering services must in 1985 achieve an influx of 523 million dinars of foreign exchange, which is about 240 million more than achieved last year. This change of direction is indispensable in order to diminish the deficit in the balance of payments and to halt the growth of indebtedness. All computations show that it is possible to achieve this if exports cover at least 70 percent of imports. That, of course, is without petroleum, and the figure would be 53 percent when petroleum is included. (This "difference" alone puts a burden of about 190 billion dinars on the republic's payments-balance position in the form of goods imported this year!)

Nor can we get around the reminder that our republic has assumed an obligation to maintain its indebtedness at last year's level during this year and the next 4 years. This is undoubtedly a big job for the economy and a complex task for the entire society, one which requires many changes in operation and in behavior. Above all on the part of those agencies and organizations which are directly concerned with export and import policy.

Structure of the Economy Dictates a High Share of Imports

Montenegro cannot be satisfied with the results in international economic exchange achieved during the past planning period. For the simple reason that except for last year the coverage of imports by exports was only 40 percent. We had hoped that this initial year of the new planning period would bring certain encouragement in this respect, but this did not happen. On the contrary, the results of 7 months of visible trade with foreign countries show that the coverage of imports by exports has dropped to 21 percent in trade with the convertible area and that the deficit in visible trade has reached the amount of 3.87 billion dinars. Judging by certain signs and estimates, we can expect that this deficit will be corrected somewhat by the end of the year, but certainly not as much as the economy would like.

In seeking an answer to the question of whether Montenegro can free itself of this high dependence on imports, the point of departure is always that the growth of industrial output, whether we like it or not, depends largely on imports for the production process without which many industries would not be able to perform their planned tasks, much less surpass them. At this point we should also mention the importation of equipment from the convertible market, for which Montenegro allocated a huge amount of foreign exchange in the last planning period, but the situation has not changed for the better even this year. To illustrate, of the total value of imports during the first 7 months of this year (4,927 million dinars) 1,855 million dinars were set aside to purchase equipment. Nor, surely, will that be all, since the demands of work organizations to import

equipment in the current year are tenfold greater than the amounts which were recently approved by the Executive Council of Montenegro.

It is obvious, then, that the structure of a large portion of our economy, created by the investment policy conducted up to now, also dictates a large importation of equipment, manufacturing materials and raw materials. The simplest thing, but not the most expedient, would be to adopt certain restrictions. Reduction of imports of this kind would not be very helpful either to work organizations or to the economy in general. There are, however, quite a few opportunities for this to be done in other sectors. We are referring above all to greater and better organized use of our own economic potential, selection of products for export, orientation toward products that represent a higher degree of manufacturing and especially toward products which can come out of our own R&D program.

In addition, there is often no monitoring of the spending of foreign exchange, which is so scarce, for goods we do not absolutely need, particularly consumer goods. We are continuing to import quite a bit of food, which we could reduce, if not eliminate altogether, if more orderly relations prevailed on our market.

Society Is No Longer Able To Pay the Bills for Unprofitable Investment Projects

The new stabilization measures, which actually are not temporary in nature, orient all entities toward mandatory reduction of imports--through greater use of our own raw materials and through development of our own production and equipment, on the one hand, and by strengthening the orientation toward exports in industry on the other. This is the basic strategy in the plans for Montenegro's future development. That is also why it is being clearly pointed out in every segment of associated labor and in all sociopolitical communities that without an established export policy it is not possible to resolve the three important problems of reducing the deficit in visible trade, guaranteeing an adequate growth rate of industrial production and reducing foreign indebtedness.

In all these efforts one must not forget that now and in the future the "republic treasury" will be opened less and less frequently and that more and more often work organizations will have to reduce their business accounts and compare them with the law of value in its international dimension so that they can be more competitive on the foreign market in terms of their productivity and product quality. And something else: There will be fewer debts only when people understand and confirm in practice that society is no longer able to pay the bills for unprofitable investment and uneconomical economic performance.

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CSO: 2800/341

INITIAL ESTIMATES OF 1982 ELECTRIC POWER DEMAND

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 3 Aug 81 pp 14-15

[Text] The Executive Committee of the Community of the Yugoslav Electric Power Industry recently examined what is referred to as the preliminary electric power budget of Yugoslavia for 1982, that is, the first estimates of consumption and production of electric power, which is arrived at on the basis of the data furnished by the republics and provinces. The basic characteristic of this budget is that it foresees a shortage of about 4,300 gigawatt-hours of electric power. Plans have been made to generate about 67,000 Gwh next year, which is 6 percent higher than the plan for this year. However, a much larger jump has been anticipated in consumption. According to the estimates of the republics and provinces, about 71,300 Gwh of electric power would be consumed next year--12 percent more than this year. This occurred above all because a very high increase has been planned in the consumption of direct consumers (30 percent), though provision has not been made for a single major facility to go into operation. Looking back, over the past medium-term period electric power consumption increased at an average annual rate of 7.7 percent, and under this year's electric power budget, consumption was supposed to be 7.4 percent greater than last year.

One of the conclusions of the executive committee was that the republics and provinces have planned their consumption unrealistically and that it should be brought into more realistic limits in the coming period, during adjustment of the budget. According to the estimates of the load control service of the Yugoslav Electric Power Industry, it is most likely that consumption will be about 68,000 Gwh next year. But even with consumption at that level great difficulties are expected in supply during the winter periods of next year, especially in the first quarter.

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ECONOMIC EFFECTS OF BELGRADE--BAR RAILROAD ASSESSED

Belgrade TRANSPORT in Serbo-Croatian No 7, Jul 81 pp 19-21

[Text] It was 5 years ago that the first train made its ceremonial run along the line from Belgrade to Bar. This is an occasion to sum up the results and the problems and to indicate the prospects for development of a transportation system consisting of the railroad line with the port at Bar as one of its junctions, as well as to examine the overall economic effectiveness in the region which is taking economic advantage of the new route.

When this transverse route reached the Adriatic Sea, our country obtained one more window on the world, one which provides the shortest connection to the sea for about 45 percent of the area of the country and at the same time opens up a real opportunity for larger amounts of transit cargo to be routed through our country.

All countries in the world are trying to derive benefit from the natural resources which they have. Today we think of those resources in broader and broader terms. One aspect is using the shortest and cheapest routes for freight, and at present maritime routes are the cheapest. The Mediterranean, which as a practical matter connects the advanced countries of Europe with the developing countries of Africa, Asia and the rest of the world, is one of the vital transportation nexuses, one in which we are all directly involved in through our policy of self-management and nonalignment and by virtue of our geophysical position and position in transportation. A comprehensive study needs to be made of advantages, potential and opportunities for development, the most economical investments should be chosen, and there should be persistence in implementing the transportation policy that is agreed on.

The commitment of our socialist self-managing community to carry out the construction of the transportation system we have been talking about has been succinctly summarized by Dr Mirko Dokic in the following observations concerning its benefits:

i. reduction of operating costs in maritime transportation,

ii. reduction of shipping charges for freight because the roundabout route has been shortened,

iii. savings in interest on working capital because goods spend less time en route, and

iv. national income is augmented in economic activities under the impact of the railroad's construction.

The new transportation system was unable to offer all the economic benefits immediately to economic activities for the well-known reasons that all the components in the system had to be synchronized and worked out. Viewed from the standpoint of the national economy a rail rate system is being shaped in transportation which by virtue of the level of shipping rates should facilitate the most favorable development of the process of expanded social reproduction. It is still necessary for a great deal of work in all areas to be made in our society so that rate policy keeps pace with developments in operation of the economy in interest of faster overall social development.

The effects in freight traffic on the Belgrade--Bar railroad and transshipment in the port of Bar will be illustrated with the year 1980 as an example, i.e., in terms of the benefits of lower shipping costs on the shorter route for only a portion of the total freight carried. Imports and exports of goods transshipped in the port of Bar and carried on the Belgrade--Bar line showed an upward trend in all the past 5 years, even in 1979 when the earthquake on the Montenegrin coast considerably diminished the capacity of the port's docks and installations. Traffic was as follows through the port of Bar in 1980, the year we have taken to illustrate the effects of the railroad:

General cargo	498,000 tons
Bulk cargo	637,000 tons
Total	1,135,000 tons

Most of the cargo was carried by rail, but part was carried by highway vehicles, which is an objective necessity and need manifested in all seaports. There is considerable dispersion of import and export cargo through Bar over a broad region of Yugoslavia. We will examine the economic benefits only for a part of the volume of cargo that was transshipped, that portion associated with Serbia proper, as follows:

General cargo	300,000 tons
Bulk cargo	300,000 tons
Total	600,000 tons

a) The following elements were chosen in working out the calculation of the shipping costs for 300,000 tons of general cargo, that is, the saving on shipping costs through Bar as compared to the other seaport which is nearest:

i. the same port costs in comparative seaports,

ii. the average shortening of the shipping route by 150 km,

iii. shipping charges computed at the railroad rate schedule in effect for 1980,

iv. the computation was made for a 20-ton shipment,

v. all freight was computed as second-class freight in the rate schedule, which for the given elements in the calculation amounts to 148 dinars per ton. In actuality a large portion of this freight was carried under the first rate class, but in selecting our adjusted averages we intentionally chose the unfavorable lower rate.

300,000 tons x 148 dinars per ton = 44.4 million dinars saved because of the shorter shipping rate.

b) Similar assumptions were taken for 300,000 tons of bulk cargo, that is, the actual shortening of the shipping route of cargo through Bar to the ultimate user as compared to the other seaport which is nearest:

i. the same port transshipment costs in the comparative ports,

ii. the average shortening of the shipping route by 100 km,

iii. shipping charges computed at the railroad rate schedule in effect for 1980,

iv. the computation was made for a 20-ton shipment,

v. all goods were computed in rate-schedule class 4, which is 94 dinars per ton.

300,000 tons x 94 dinars per ton = 28.2 million dinars saved in shipping costs.

The total saving is:

For 300,000 tons of general cargo	44,400,000 dinars
For 300,000 tons of bulk cargo	28,200,000 dinars
Total	72,600,000 dinars

Cargo handling in the port has had an upward trend over the last 5 years:

In thousands of tons

	1976	1977	1978	1979	1980	Cumulative Total
General cargo	332	341	387	435	498	1,993
Bulk cargo	460	474	553	702	637	2,826
Total	792	815	940	1,137	1,135	4,819

This transverse route has provided enormous advantages in linking together the various regions of the country; it has made it possible to derive a proper benefit from the natural resources that exist and to facilitate uniform development within the framework of our self-managing community.

We have included in general cargo miscellaneous piece and packaged cargo: sacks, bales (jute, wool, cotton, raw cellulose, etc.), palletized cargo, finished and semifinished products of the manufacturing industry, products of ferrous and nonferrous metallurgy, structural fabrications, industrial equipment, and the like.

We included in bulk cargo basic raw materials which are transshipped in the port, and these are iron ore, raw magnesite, concentrates and grain. In the year we have analyzed it was again true that a portion of the cargo was trucked from other seaports to the area served by the port of Bar, which was done at shipping costs that were twice or three times as high as the shipping charges by rail and in the knowledge that there is unused capacity available on the Belgrade--Bar railroad.

The regions of southwest Serbia, the Morava Valley, and eastern Serbia, with their economic potential, have tremendous economic advantages and savings in the shipping of goods if they ship their imported and exported goods, especially in economic cooperation with overseas countries, by the Belgrade--Bar railroad to the port of Bar.

These economic benefits necessitate that an organized, comprehensive and attentive approach be taken to establishment of self-management links and conclusion of self-management agreements concerning still more advanced and intensive use of the facilities which have been built, which is the largest contribution to the overall measures of stabilization of the economy, to the strengthening of income-sharing relations and to the development of a socialist society.

The economic benefits for SR [Socialist Republic] Montenegro from construction of the railroad line and seaport are twofold:

i. firmer and economically more optimum linkage with the other republics within the SFRY, along with facilitation of better economic developments within the framework of the unified Yugoslav market, and

ii. use of the shortest route in overseas imports and exports of approximately 500,000 tons of freight. By and large this traffic is already using facilities of the seaport and railroad line as a regular thing.

The benefits are also being manifested more and more in use of the railroad to carry freight from the broader area served by the port and for the shipment of transit freight. The growth of freight traffic, along with the favorable economic benefits, also acts in turn as a thrust for the growth of maritime shipping, which represents one of the important levers of development in our society's economic system.

The general characteristics of the overall constructive trend of growth in the shipping of freight on the Belgrade--Bar railroad and use of the port of Bar is the ever greater economic competitiveness of shippers and users of cargo-handling services on the international market, which is expressed in lower shipping costs of both raw materials and also finished products. Actually the economic benefits of the national infrastructure such as railroad lines and seaports afford their benefit in the income of the final users of that infrastructure.

In past years the problems have been characterized by objective difficulties which arose in using the entire system consisting of the railroad line and the seaport. In summary form they are as follows:

i. when the rail line was built in Bar, appropriate freight stations and passenger stations were not built in good time. The absence of a switchyard in Bar is now being solved by building new tracks,

ii. as the rail line was being built, faster work should have been done to work out the system of industrial sidings at work organizations immediately along the line,

iii. the cars are old, the choice of specialized types of cars is small, and there is also a shortage of locomotives for traction,

iv. certain terminals in the port were not built, and the need for them has been felt: the terminal for edible oils, the grain silo, which is only now being completed, and also the terminal for special cargo, and

v. serious difficulties were especially pronounced on the rail line and in the port because of the earthquake which struck the Montenegrin coast on 15 April 1979, when nearly 70 percent of the infrastructure in the port was destroyed.

Subjective factors have been under the considerable influence of objective conditions in work organizations on the railroad and in the port and are mainly the same as those encountered by all work organizations which are part of the national infrastructure.

The overall problems are multiplied in their adverse impact when that infrastructure is under construction for a long number of years, especially if work organizations are burdened by high obligations resulting from credit, which is the case with the work organizations in rail transportation and with the seaport. The more refined equipment which is being used more and more in transportation, the new technological procedures and processes necessitate more diverse and specialized training of personnel and also a complete system of management and operation, along with strict respect for work discipline in performance of work tasks.

In spite of all the objective and subjective difficulties, this transportation system is more and more affording markedly favorable economic benefits in the transshipment and shipping of goods for the broader area which it serves.

We have intentionally not analyzed the benefits from transshipment and shipping of liquid cargoes for two reasons:

i. the lasting orientation to import crude petroleum through the oil pipeline that has been built from the terminal on Krk to Pancevo for all the needs of domestic refining,

ii. at present negligible amounts of other liquid cargoes are being transshipped in Bar to meet the needs of the Montenegrin economy.

The prospects for development of this transportation system are depending upon the measures which need to be taken for normal use of the facilities which have been built:

i. rounding out equipment and the system of traction on the railroad,

ii. reconstruction and synchronization of development of port installations, and

iii. completion and affirmation of related activities.

Transportation policy within the framework of our self-managing community, which is being undertaken by its various public and economic entities, is an essential factor that determines the direction and extent of development of our transportation system.

One of the conditions for transportation's development is that an examination be made of mutual relations and homogeneity within economic development commitments and possibilities, i.e., examination of development of an integrated transport system which on the basis of present-day technical and technological advances would yield the most favorable benefits in the rendering of shipping services.

The designed capacity of the Belgrade--Bar railroad to carry domestic freight, imports and exports and transit freight amounts to more than 7 million tons of freight per year. Assuming transportation policy is carried out as it has been outlined, and that means modernization of rolling stock, updating shipping technology, improvement of organization of work and business operation, faster economic development will be possible for the regions the rail line passes through. Before the earthquake the port of Bar was equipped to handle about 4 million tons of cargo. Reconstruction and implementation of development plans should equip the port to handle more than 5 million tons of cargo, which opens up prospects for optimum transport of imports and exports and the offering of transit services.

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JAT RESULTS FOR THE FIRST FIVE MONTHS OF 1981

Belgrade TRANSPORT in Serbo-Croatian No 7, Jul 81 pp 39-40

[Text] According to operational data supplied by SPI [(?) Institute of the Transportation Industry], the aircraft of Jugoslovenski Aerotransport [JAT] carried a total of 1,297,130 passengers in the first months of this year, which is an increase of 12.1 percent over the same period of last year. If we compare them with the results for 1979, they are off somewhat, by 12.9 percent to be exact. This May alone a total of 359,923 passengers were carried, or 16 percent more than last May, but the figure is down 10.7 percent from May 1979.

Passenger traffic in this part of the year, according to the data supplied, is somewhat better than in the same period of last year. Nevertheless, it is still below the results which JAT recorded in 1979, which was its record year.

Viewed by types of traffic, the greatest jump has been made in long-route transportation. The increase was 37.3 percent over last year and even 23.5 percent over 1979.

Better Than Last Year on All Routes

In the 5 months a total of 1,212,070 passengers were carried in regular traffic, which is 12.4 percent more than last year. By comparison with 1979 this is a drop of 12.9 percent. In regular traffic 7,396.7 tons of cargo were carried, or 4.2 percent more than last year. If we compare this with 1979, the record year, cargo traffic has fallen off 5.6 percent.

In the breakdown by types of traffic, the result in long-route transportation is convincingly the best. The passenger volume was 40,479 passengers, which is all of 37.3 percent more than last year and 23.5 percent more than in 1979. In long-route transportation a very good result was also recorded in cargo transport. The volume of traffic was 1,801.7 tons of cargo, which is 71.1 percent more than in 1980 and all of 95.8 percent more than a year previous to that.

On domestic routes 839,167 passengers were carried in this part of the year, which is 12.7 percent more than in 1980. However, we are still below the results achieved in 1979 in the volume of passenger traffic in domestic transportation, all of 14.4 percent. Cargo traffic was 3,608.3 tons of cargo. Here

there was a dropoff from the same period of last year, a drop of 10.5 percent. If we compare this result to 1979, we find that the drop was still greater at 16.8 percent.

In European and Mediterranean traffic JAT aircraft carried 332,436 passengers, which is 9.2 percent more than last year. Traffic was down 12.3 percent from 1979. Over that same period 1,986.8 tons of cargo were carried, which is 1.3 percent less than in 1980 and 22.9 percent less than in 1979.

The passenger volume in charter traffic was 85,060, which is 8.5 percent more than in the same period of last year. Nevertheless, the number of passengers carried on charter flights was 11.7 percent less than in 1979. At the same time 157.5 tons of cargo were carried, which is 242.8 percent more than last year and 37 percent more than in 1979.

A Growth in the Passenger Volume in Domestic Traffic During May

A total of 326,513 passengers were carried in regular traffic in May, which is 18.8 percent more than last May. Compared to the same months of 1979, the passenger volume was down 11.4 percent. In that same month, 1,540.3 tons of cargo were carried in regular traffic, which is an increase of 5.4 percent over 1980. Cargo traffic was 11.4 percent less than in 1979.

In May of this year long-route transportation once again recorded very good results. The passenger volume was 10,182, or 61.9 percent more than in May 1980. The result is also improved over 1979 by all of 9.1 percent. At the same time 400.5 tons of cargo were carried, which is 60.7 percent more than last May and 130.2 percent more than in May 1979.

In domestic traffic 225,560 passengers were carried, or 18.9 percent more than in May 1980. The passenger volume was down 12.5 percent from May 1979. At the same time, 773.6 tons of cargo were carried, which is 0.5 percent more than last May or 26.2 percent less than in May 1979.

In European and Mediterranean transportation 90,771 passengers were carried, which is 15.3 percent more than last year. However, even in European and Mediterranean transportation the passenger volume was below the 1979 figure, the volume of passenger traffic in May was down 10.2 percent from that figure. The volume of cargo carried in May was 366.3 tons, which is 17.1 percent less than in May of last year and 29.1 percent less than in May 1979.

The passenger volume in charter traffic this May was 33,410. The result in charter traffic was down 5.5 percent from May 1980 and 3.9 percent from May 1979. The volume of cargo was 12.7 tons. This is 14.7 percent less than in 1980 and 75.5 percent less than in May of the year previous to that.

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2180

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29 September 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2180

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West German Commentary

Bonn IWE-WIRTSCHAFTSDIENST in German Vol 22 No 20, 26 May 81 p 1

[Unattributed report: "GDR Has Reservations About Mixed East-West Enterprises." A translation of the Potsdam-Babelsberg STAAT UND RECHT article cited below follows this report]

[Text] The GDR is extremely skeptical about mixed East-West enterprises such as the ones that exist in Romania, Hungary, Bulgaria and Poland as part of the economic cooperation between socialism and capitalism. Mixed enterprises in which Western firms are involved up to 49 percent could be quite effective in selected fields, so said the East Berlin journal STAAT UND RECHT, more serious, in the view of that journal, however, was the fact that thereby capitalist enterprises were granted the possibility of a direct influence, even if limited, on the socialist economy. The Western firms, furthermore, sought to draw mixed enterprises into their own market strategy but were hardly ready to offer them, or seek for them, sales opportunities in the Western industrial countries. Altogether, mixed enterprises were only of minor importance to economic cooperation between the two systems.

Concern Over Western Influence

Potsdam-Babelsberg STAAT UND RECHT in German Vol 30 No 5, May 81 signed to press 24 Mar 81 pp 420-430

[Article by Dr Marianne Andrae, GDR Academy of Political Science and Jurisprudence: "Mixed Enterprises in Socialist Countries--An Organizational and Legal Form of Economic Cooperation Between Systems"]

[Text] The task to make foreign economy more effective as a basic problem of the whole economic growth of the GDR, to organize and thoroughly examine export production for the nonsocialist economic region under the intensified world market conditions, to find out which further essential conclusions have to be drawn for all fields in the further development of our foreign economy[1] requires, among other things, to examine and perfect existing organizational and legal forms of the economic cooperation between the systems. For that it is also necessary to analyze the approach taken by other CEMA states in this field. To that we intend to make a contribution by discussing some legal problems that have to do with the setting up and the activities of mixed enterprises in the territory of socialist countries.[2]

Characteristics of Mixed Enterprises in Socialist Countries

Among the CEMA countries, Romania, Hungary, Bulgaria and Poland use mixed enterprises in their territories as a special form of cooperation with partners of nonsocialist countries and promote their being set up. Those countries have issued legal provisions which set down the general framework for the establishing, and the activity, of such enterprises.[3]

In conformity with legal arrangements made by Romania, Hungary, Bulgaria and Poland, mixed enterprises may engage in production, commercial and service activities and may be set up for the areas of scientific-technical research. By using foreign capital and important latest technologies, know-how, equipment and installations, mixed enterprises are intended to produce high-grade commodities at low costs for their own economy and for export. In this context they are principally oriented to a long-term involvement in the international division of labor, the expansion of export into nonsocialist countries, higher foreign exchange benefits and reduction of imports.

Mixed enterprises are economic organizations in which, along with domestic socialist economic organizations (combines, enterprises, foreign trade enterprises), enterprises of nonsocialist countries hold shares in form of monetary investments (foreign exchange), real value (e.g. plants) or scientific-technical services. Regulations in Romania and Poland keep the maximum of foreign participation down to 49 percent. The same holds true as a general principle for Hungary and Bulgaria. This principle of a minor partnership aims at ensuring the predominance of socialist property and production relations in accordance with constitutional provisions in those countries even when foreign capitalist enterprises are permitted shares in economic organizations.

Such enterprises are subject to the legal order of any given socialist state, its general rules or the special ones set up for them, including those of social law (organizational law). They owe their origin to the legal order of that state, from which they also derive their competence, and are, in legal terms, domestic economic organizations.

Mixed enterprises are set up on the basis of contracts (social contract, statute, framework and supplementary contract) with foreign partners by socialist economic organizations authorized to do so. The contracts settle, among other things, the partnership relations, the relations of assets, the economic activity of the enterprise and its management and profit distribution.

A characteristic feature is the sharing in the economic yield of the enterprise by the domestic and foreign partners, expressed in the share of profit and loss through the business activity. Shared profits depend on the percentage share of investment. Transfer of profit revenue by foreign partners into the currency agreed upon is ensured by legal regulations and partly also depends on foreign exchange management. The foreign partner, on the other hand, takes the risks for his shares in the joint business enterprise at least up to the level of his investment.

The foreign partner shares in the management and planning of the activity of the mixed enterprise which, in principle, entails all fields of economic activity down to production proper. In other forms of cooperation a foreign partner is likewise granted advisory and control rights in handling projects, but they are not on the level of his right to participate in decision-making within the framework of mixed enterprises. So the management participation by the foreign partner becomes a crucial criterion for mixed enterprises with their seat in socialist countries. It is handled within the organs of the enterprise in which both domestic and foreign partners are represented.

Establishing mixed enterprises on the territory of socialist countries requires special central state controls to make sure that their activities are tied in with the socialist state and social order, their overall economic effectiveness is ensured even with regard to long-term stresses on the economy through the guaranteed transfer of the profit and liquidation shares of the foreign partner in foreign exchange, and so that they present no interference factor in the further development of the socialist social order. Thus the setting up of mixed enterprises on the territories of Romania, Hungary, Bulgaria and Poland is subject to strong standardized state licensing authorizations. The basic contractual documents are examined through state licensing procedures, at which time also the economic efficiency of the concrete project has to be demonstrated. By means of the state licensing procedure it is ensured that the setting up and the activity of such enterprises conform with the overall social and economic development conceptions of a given socialist state. The socialist state determines their number, exercises an influence on the matter of their activity, and sees to it that the objective of their being licensed is taken account of in the contractual documents.[4]

The Conditions for the Economic Activity of Mixed Enterprises

One of the most complicated problems in establishing and in the activity of mixed enterprises is setting down the conditions for their economic activity. The main thing that matters here is to ensure their overall economic effectiveness with a view to the fundamental principles in the state and economic order of a socialist country in question while providing the capitalist enterprise with guarantees for the material incentive it finds in this form of cooperation. Now it has been found that, to implement such an objective, economic and legal conditions have to be created that in part greatly deviate from those of state economic organizations. That holds true, among other things, for the planning of economic activity and its being tied in with national economic planning, the relations with economic management organs, the integration within the supply and sales system of the country in which the enterprise has its seat, the foreign economy activity, the foreign exchange management, the assets economy, the state budget relations, and the conditions for employing associates, especially the foreign ones. The scope and substance of these special conditions set down, depend in these countries on their system of economic management and planning and their foreign economic relations, the place and competencies of state economic organizations, and the relation between domestic and foreign market prices.

Uniformly one starts from the proposition that the mixed enterprises fund their economic activities, including their foreign economy activity, themselves, make their own profits and bear possible losses themselves. They are included within the given

national and planning systems with an eye to what is particular about them. The latter mainly means that regardless of the relevant position taken by comparable state economic organizations, far-reaching organizational independence is granted to planning their own economic activity. Relations with the economic management organs mainly come in the form of consultations and agreements on coordination.[5]

Normative conditions for the economic activity differ greatly in the various countries, which to a large part has to do with differences in the states' domestic systems of management, planning and economic stimulation. In Romania, for instance, a mixed enterprise is, in principle, treated as a foreign enterprise. It gets a special status that is completely different from that of state economic organizations. Payments and settlements of accounts, and calculations and accounting, in principle, are made in foreign currency. Supply and sales relations with domestic economic organizations are based on contracts with Romanian foreign trade organizations, and their bases are the world market prices. In principle, a mixed enterprise is entitled, however, to conclude foreign trade contracts directly.[6]

In Hungary, mixed enterprises in principle come under the economic, financial, currency and foreign trade controls that also apply to state economic organizations. Some exceptions are allowed for through special legal regulations. They also use the opportunity to grant some branches or economic organizations more favorable conditions, so that in justified cases mixed enterprises can get special favors, e.g., with respect to depreciation.[7] These conditions, which depart from those for state economic organizations, are not principally set down by normative rules but individually, within the framework of the state's establishment procedure in accordance with the concrete project in cooperation and the contract terms negotiated.[8]

Property Right Relations in Mixed Enterprises

The nature of the property rights relations have no immediate practical importance for any particular project, to be sure, but is important for an overall analysis of this form of cooperation between the systems.

As mixed enterprises, legally, rate as domestic economic organizations and fall under domestic law, the problems of their property rights must, with an eye to what makes them specific, also be solved on the basis of the property rights system in any given socialist state. There are two facts here that call for special attention:

1. Any share invested by a state economic organization is state or public property. Were one to turn part of the social property by this investment into some sort of enterprise property, this would contradict the essence of public ownership. The principle anchored in the Constitution, which makes the socialist state the holder of public property, must also be realized in the property rights constellation of the mixed enterprises. The state's ownership position is documented by the state management and control over the process that establishes the enterprise. The socialist state decides which national economic organization gets involved and makes available, or authorizes the use of, the necessary funds out of public property. The profit shares accruing to the participating state economic organization are elements

of public property. The socialist state assumes the property rights through the participating state economic organizations in the given case.

2. Mixed enterprises are characterized by their independence in the exercise of property rights. This is a critical prerequisite for combining over long range socialist and capitalist property within the scope of the enterprise. It makes possible, on the one hand, the use of all the assets in the economic interests and, on the other, respects the interests and participation by the foreign partners within the framework of the organs of the enterprise in exercising property rights with respect to the total property.[9] The state socialist character of property shares is no obstacle for it, nor does it reduce the creditability of the enterprise. Through confirming the founding documents and the domestic licensing act a socialist state grants competency to the mixed enterprise which ensures the fulfillment of the contractually agreed functions and meets the specific needs of this organization. That also includes the granting and recognition of independence toward assets and the legal competencies that come with it.

In accordance with whatever legal form is adopted, the foreign partner becomes the owner of his shares in conformity with his partnership relations with the assets of the mixed enterprise, or the assets invested become state public property. Regardless of which property rights constellation is chosen, the public appropriation process in these organizations is marked by its long-term, even if temporary, connection with the opposite type of ownership in terms of its public character. On the one hand, the majority share of socialist property in general, the central state management and control over the founding procedure, and the work of the domestic partner organizations within the management organs provide for the public ownership to remain the critical factor in the public appropriation process and keep the activities of the organization from contradicting the overall social interests of the socialist country in question. On the other hand, this brings out the difference from other socialist economic organizations in that state, as the process of social appropriation is more or less strongly also marked by the participating foreign capitalist enterprises. They are granted participatory decision rights and thus an influence on the production and utilization process in the enterprise, so as to take their interests in this form of cooperation into account.

Legal Forms of Mixed Enterprises

Romania, Hungary and Poland at this time use for mixed enterprises legal forms derived from capitalism, such as the limited liability company or the joint-stock company. It is possible to use them because these are legal forms created in capitalism for mergers or investments of capital and because the general abstract legal principles applying to them, for liability, profit and risk distribution, legal independence for mergers while securing the founders' management and control, are also applicable to mixed enterprises. Moreover, these legal rules grant much leeway for contractually shaping the relations among the founders as well as the organizations themselves. Within this framework, it facilitates agreements in conformity with the objectives and position of mixed enterprises in any socialist country. Where traditional rules do not meet their purpose in a socialist country, or where necessary rules are lacking, special rules are created. These normative regulations--which differ in substance and scope--contain provisions concerning the public legal relationship itself, e.g., on the substance, the partners, the duration

and the management of the enterprise, the size of the partnership, the capital investments and their ratings, the content of the contract or statute and the determination and distribution of profits. One must further refer to the legal terms for the economic activity which critically shape the whole legal status of mixed enterprises. Here it becomes clear that, first, by use of traditional legal institutions taken over from capitalism, a specific domestic legal form for mixed enterprises evolves in these countries as the organizational and legal form for economic cooperation between the systems. In Bulgaria the mixed enterprise was normatively ruled on in its essential features, as a nonjuridical and as juridical person, in decree no. 535, without any reference to the inherited forms of business organization.

What is specific about mixed enterprises, and this also shapes their legal structure, is that they are of a twofold character. For one thing they are domestic economic organizations. Thus they are of a national character and are part of the economic system in a socialist state. But then they are also forms of cooperation relations between the systems, and so have something peculiarly international and are subject to the general conditions for the development and conduct of inter-system economic relations. The national rules of the game as used in the four CEMA countries makes possible, as an adequate legal method, combining both aspects organically within the legal rulings. It conforms with the national rules that an enterprise is, in principle, subject to the legal codes of the given socialist state, while through the special rules account is taken of its specific international aspect, i.e., of the participation by foreign capitalist partners as a form of inter-system cooperation. The character of domestic economic organizations is reflected in particular by the state licensing and authorization procedures, by rules that ensure the major partnership of domestic socialist economic organizations and their crucial influence on the management of the enterprise, and by the rules which ensure that the enterprise is integrated with the given economic system, while due regard is given to its particular features. The international specifics are expressed by the creation of mixed enterprises on the basis of contractual commitments and special conditions for their conducting their business and by far-reaching contract privileges in the shaping of intra-organizational legal relations and relations among the partners.

The Place of Mixed Enterprises in Inter-System Cooperation

The criteria pointed out here indicate that enterprises are a possible and, for selected projects, an effective form of inter-system economic cooperation. That holds true in particular for the close, complex and interdependent cooperation among the partners and the profit and loss participation by the foreign partner, which stimulates his interest in seeing the enterprise become economically highly effective. This is, among other things, an important aspect in cases where the foreign partner brings in scientific-technical data and through his profit and loss sharing often is much more interested in their effective use and constant perfection than in other forms of transfer of technology. The mixed enterprise must itself put up the costs for the participation by the foreign partner, and what it costs depends on how economically effective it is. As the economic objectives of both partners are realized only through the activity of the enterprise, there is an inducement, for the sake of the mixed enterprise, that the opportunities provided the single partners are used, e.g. in research and in the sale of the products.

The factors presented also explain how especially relevant it is to license mixed enterprises in socialist countries. Setting them up affects the appropriation, planning, management and organizational process in a partial area of the economy because it admits a direct influence and participatory decision-making by foreign capitalist enterprises in domestic economic organizations, if to a limited extent and within an established framework.

Especially the possibility that comes from property law participation of gaining a direct influence on the science and technology, production and sales in a mixed enterprise is seen as a crucial factor in capitalist enterprises having turned to this form of cooperation.[10] These enterprises seek to draw the mixed enterprise into the overall enterprise strategy of the foreign partner. That applies, e.g., to the desire to supply a large part of the equipment for the enterprise, to have a decisive say-so about its technical development and production structure through bringing in techniques and technology, and to secure for itself in the phase of economic activity a large share of the ancillary supplies, mainly high-grade components. But by means of these mixed enterprises they also seek new sales outlets in that or other CEMA countries or in certain developing countries, wherefore use then is to be made of the relations and preferential terms for organizations in the country where the enterprise has its seat.[11] In turn, there is only little readiness to grant mixed enterprises sales opportunities in the developed capitalist countries which are doing little to help them find any there. And that makes it rather complicated to commit the contract documents to one of the most essential economic goals pursued through the licensing of mixed enterprises, increased exports into the nonsocialist economic region.[12] Thus a decisive importance to implementing economic objectives during the phase that precedes the setting up of such an enterprise attaches, among other things, to partner selection, market analysis, determining economic benefits, carefully defining the object of the joint business activity, ensuring exports and foreign currency revenue, and negotiating the various contract conditions including the licensing contract.

Altogether one may take it for granted that mixed enterprises with their seat in the territory of socialist countries do not constitute a main form of inter-system economic cooperation, comparable to other contractual forms of cooperation, even for CEMA countries that have made the economic policy decision to admit them. Their value rather lies in being a supplementary form of cooperation for selected projects where a desired economic objective cannot establish such cooperation in any other form. Within this limited scope mixed enterprises may, in certain relations, provide cooperation at mutual advantage in forms that are expedient for both sides. Within the system of economic organization in any one CEMA state as such they are likely to be only of minor importance, even if particular projects are engaged in fairly large economic projects.

In this context one must take issue with views expressed in the bourgeois literature to the effect that joint enterprises are in fact the highest form of cooperation, the development of which in inter-system cooperation is either not possible or greatly confined due to characteristic features inherent in the socialist economic and social system.[13] What is taken as the yardstick for inter-system cooperation relations here are the typical capitalist forms of cooperation under the conditions of monopoly capital, particularly in the form of the various mergers which are an element of the concentration, centralization and intertwining process of capital

in science and technology, production and sales. Such forms of cooperation within the capitalist economic system, which imply the power concentration of capital and often aim at economically subjugating the economically weaker partner, inhere in that system and can thus not be applied to inter-system cooperation relations as they do not conform with the principles in this cooperation. It is correct, therefore, to emphasize that in the inter-system economic relations some forms of cooperation that exist in the relations among countries with a capitalist market economy and presuppose the private ownership in the means of production, cannot apply or can do so only to a limited extent.[14] What we are rather concerned with is the use and development of, partly, specific and organizational forms that take into account the difference of economic systems due to the opposed nature of property and production relations and, on that basis make possible the development of equal and mutually advantageous cooperation relations. The state management and planning system in the economy and foreign economy of socialist states, based on the public ownership in the means of production, is no obstacle but is, rather, an essential premise for it. For that reason one must resolutely reject any efforts which would make the development of inter-system cooperation relations, of which mixed enterprises are one form, dependent on the preconditions in the internal economic and foreign economy system of socialist states, and which in essence constitute an assault on fundamental principles of socialist management, planning and economic stimulation, and thus on the economic foundation of the socialist social order.[15]

FOOTNOTES

1. Concerning foreign economy tasks, cf. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 11. Tagung des ZK der SED" (From the Politburo Report to the 11th SED Central Committee Session), Berlin, 1979, pp 37 f; G. Beil, "Discussion Speech," ibid., p 173.

2. On the legal status of mixed enterprises in the territory of socialist countries, cf, in particular, M. Andrae, "The Legal Rules in the Founding and Activity of Mixed Enterprises in Romania, Hungary and Poland and Investment Participation by Foreign Enterprises in Yugoslavia," AKTUELLE BEITRAEGE DER STAATS- UND RECHTSWISSENSCHAFT, No 209, Potsdam-Babelsberg, 1979.

3. The most important regulations are in Romania: Decree 424 and 425, 2 November 1972, BULETINUL OFICIAL, Part I, No 121, 4 November 1972; in Bulgaria: Decree 535, DURZAVEN VESTNIK, 28 March 1980, No 25, p 273; in Poland: Council of Ministers Resolution No 24 and Guideline on the Founding and Activity of Enterprises With Foreign Capital Participation Domestically, of 7 February 1979, MONITOR POLSKI, 23 February 1979, No 4, Pos. 36; Finance Minister Decree on Some Principles in the Financial Management of Corporations With Foreign Capital Participation and Authorization for Engaging in Some Foreign Exchange Business by These Corporations, 18 June 1979, MONITOR POLSKI, 30 June 1979, No 16, Pos. 97; in Hungary: Finance Minister Decree No 28, 1972 in the version of Decree No 7, 1977, MAGYAR KOZLONY, 6 May 1977, No 35; Finance Minister Instruction No 5, 1979, FINANCE MONITOR, 25 July 1979, No 10, p 123. Partly the rules are reprinted in M. Andrae, op. cit., pp 101 ff. A survey of existing enterprises is given in the following EEC documents: "East-West Industrial Cooperation," United Nations, New York, 1979; "EEC/Trade/132" p 14, note 48; "Joint Venture Legislation in Eastern Europe and Yugoslavia: A Survey of Recent Developments, 1977-1979," "EEC/Trade/AC," 14R/ 2 of 29 April 1980, pp 7, 14. Thereafter, in Romania thus far 9, in Poland, 5, in Hungary 4 mixed enterprises were set up, some of them, mixed banks.

4. The characteristics described illuminate the difference in principlle between the mixed enterprises and the international economic organizations in socialist countries reflected in the functions of the legal rules, their content, the methods in applying the rules and the legal forms. The latter are essentially joint organizations of the CEMA countries, set up jointly in the process of socialist economic integration by the socialist states involved and exercising joint coordinating or economic management functions within the system of socialist international economic cooperation. On international economic organizations, cf. L. Ruester, "Die internationalen oekonomischen Organisationen der RGW-Laender--Rechtsfragen" (The International Economic Organizations of the CEMA Countries--Legal Matters), Berlin, 1980, pp 96 ff.

5. In Bulgaria, for instance, standardized explicitly in Article 13 of Decree 535, op. cit.

6. Cf. C. Alexandru, "Some Economic and Financial Problems in the Activity of Mixed Enterprises in the Territory of Romania," FINANZE SI CREDIT, 1973, No 5, pp 34 ff.

7. Cf. B. Csikos-Nagy, "East-West Cooperation from the Microeconomic Vantage Point," MARKETING IN UNGARN, 1970, No 4, pp 9 ff.

8. Cf. I. Toldy-Osz, "Possibilities of Joint Enterprises With Western Participation," MARKETING IN UNGARN, 1979, No 4, pp 21 ff.

9. With reference to this aspect one also finds the view expressed in the literature that the mixed enterprise owns its assets. Cf. T. Popescu, "The Legal Position of Mixed Enterprises in Romania," "Jahrbuch fuer Ostrecht," Tuebingen and Basel, 1973, Vol I, pp 166, 161; T. Sarkozy regards mixed enterprises as civil law proprietors, in "Property Rights Problems in International Economic Mergers With Special Reference to CEMA Integration," "Acta Juridica," Tomus 20 (1-2), Budapest, 1978, pp 130 ff.

10. Cf. F. Levcik and J. Stankovsky, "Industrial Cooperation Between East and West," Vienna and New York, 1977, p 89; B. N. Richman, "Multinational Corporations and the Communist Nations," MANAGEMENT INTERNATIONAL REVIEW, Wiesbaden, 1976, Vol 3, p 9; H. J. Moecke, "Legal Matters in the Economic Cooperation Between East and West," W. von Amerongen, ed., "Rechtsfragen der Integration und Kooperation in Ost und West," West Berlin, 1976, p 372.

11. Cf., e.g., F. Levcik and J. Stankovsky, op. cit., p 89; P Ploetz, "Kooperationserfahrungen der Bundesrepublik Deutschland mit Jugoslawien" (Cooperation Experiences of the FRG With Yugoslavia), Hamburg, 1974, p 125.

12. Cf. B. Csikos-Nagy, op. cit., pp 12 f; I. Toldy-Osz, op. cit., pp 21 ff.

13. Cf., e.g., S. A. Ehrhardt, "Joint East-West Ventures," "Osteuropa--Gemeinschaftsunternehmen im Rahmen der industriellen Ost-West Kooperation" (East Europe--Joint Enterprises Within the Framework of Industrial East-West Cooperation), Frankfurt/Main, 1977, pp 12, 50 ff.

14. Cf. B. Csikos-Nagy, op. cit., p 6.

15. Such demands are raised implicitly or, at times, explicitly. E.g., H. F. Buch speaks of "prerequisites in terms of the political system" that would have to be created by the socialist countries for the further development of inter-system cooperation and comes up with a list of demands aimed in particular against the socialist countries' foreign economy system, cf. H. F. Buch, "Improving the GDR's Foreign Economy Efficiency Through East-West Enterprise Cooperation," DEUTSCHLAND-ARCHIV, Cologne, 1980, p 498.

5885
CSO: 2300/329

CSSR FOREIGN TRADE 1976-1980; TRENDS FOR 1981-1985 VIEWED

East Berlin DDR AUSSENWIRTSCHAFT in German 22 Jul 81 p 1, 2

[Text] Foreign trade involving a third of the goods produced each year is of vital importance to the Czechoslovak economy. The export and import quotas set for the 1976-80 Five-Year Plan were met, according to information released by the CSSR Ministry of Foreign Trade. In 1980 the foreign trade balance amounted to the equivalent of Kcs 162 billion in foreign currency, a 66.3 percent increase over 1975. This represents an average annual increase in the 5-year period of 10.7 percent exceeding by far the increase in the national product and in industrial production. Between 1976 and 1980 exports increased faster than imports. On the average, exports increased by 11.5 percent while the corresponding figure for imports is 10 percent. Crucial for these results were the 1980 volumes of exports and imports which with 14.6 percent and 7.6 percent represented the highest export and lowest import volume of the past five-year plan.

The export volume achieved in 1980 enabled the CSSR to reduce its long-standing foreign trade deficit since 1973 which reached its peak in 1979 with Kcs 5.6 billion to the equivalent of Kcs 1.1 billion in foreign currency.

According to plan the CSSR intends to pursue this trend in the development of its foreign trade relations in the 1980 to 1985 Five-Year Plan as an integral part of its economic policy. The planned increase in the country's exports is expected to surpass imports. This is viewed as indispensable because prices on international markets, especially those of raw materials and fuels essential to the national economy, rose markedly while only 80 percent of these increased costs were covered by price increases of goods exported by the CSSR. This foreign trade objective is to be fulfilled primarily by reacting more flexibly to developments on foreign markets and improving the structure of exported goods, their technical standard and quality.

Economic Relations to CEMA Countries--a Stable Base for Foreign Trade

The trade relations with socialist countries, whose proportion of the overall Czechoslovak foreign trade volume increased over that of the 1971 to 1975 period attaining 71.5 percent in the last five-year plan, are of vital importance. Steady intensification of socialist economic integration with CEMA countries, especially with the Soviet Union, again proved to be a stable base for continued development of the CSSR national economy. Participation in the implementation of 106 multi-

lateral and more than 240 bilateral agreements on production specialization and cooperation and in joint CEMA projects as well as in the construction of the Sojuz natural gas pipeline and Kijembaj asbestos mining and processing project has assured the CSSR of supplies not only of deliveries of necessary fuels, raw materials, machinery and equipment but provides it also with a long-range stable market for its products.

In the 1976 to 1980 period 67.1 percent of the CSSR foreign trade was with CEMA countries. Trade volume with these countries increased on the average by 10.4 percent a year with exports increasing by 11 percent and imports by 10.1 percent. The lions share goes to the USSR and amounts to 35.8 percent of the CSSR foreign trade in 1980 and to 51.3 percent of the trade with CEMA countries. Between 1976 and 1980 the annual rate of increase of the Czechoslovak exchange of goods with the Soviet Union reached an average of 12.9 percent, exceeding thereby the respective figure of the overall Czechoslovak foreign trade volume. Trade relations with the Vietnamese Socialist Republic, the Mongolian Peoples Republic and the Republic of Cuba also exhibited higher than normal growth. Of other socialist countries, trade with the Yugoslav Socialist Federated Republic reached a steady dynamic rate of development. Omnilateral economic, scientific and technical cooperation with socialist countries, especially with the USSR, constitutes the basis for continued development of foreign trade relations and the achievement of higher quality by comprehensive integration of production. According to preliminary high estimates exports to CEMA countries will increase by around 29 percent and imports by around 23 percent in the 1981 to 1985 period with deliveries to the USSR increasing by 45 percent and purchases from the USSR rising by 38 percent. In 1985 the USSR proportion of the CSSR trade with socialist countries will amount to about 55 percent.

Continued Increase of Trade Relations with Developing Countries

In the period from 1976 to 1980 the CSSR continued to consolidate its trade relations with developing countries. In 1980 alone 55 documents were ratified as proof of a bilateral desire to explore the potential for broadening and intensifying trade relations. In the period from 1976 to 1980 the exchange of goods with developing countries increased annually by 10.9 percent on the average. This exceeded the rate of increase of the CSSR foreign trade volume. But the proportion of trade with developing countries between 1976 and 1980 shrunk somewhat compared to the period from 1971 to 1975.

Within this group of countries Brazil, Syria, Iraq, Libya, India, Iran and Egypt are the trade partners with the largest volume. The exchange of goods with Brazil, Syria, Argentina, Malaysia, Algeria, Tunisia, Afghanistan and Ethiopia increased dynamically. The exchange of goods with India has stabilized while trade with Egypt, Libya, Iraq, Iran, Morocco and other countries fluctuated widely from year to year during the past five-year plan.

In the 1981 to 1985 Five-Year Plan the development of trade relations with developing countries is expected to intensify. Among export goods, machinery and equipment will again predominate primarily for economic sectors serving to consolidate the independence of these countries by opening up their natural resources and raising the living standard of their peoples. The imports from these countries will yield ever richer fruits of already existing production cooperation and of that in preparation.

High Increases of Exports to Capitalist Industrial Countries

In 1976 to 1980 trade with capitalist industrial countries exhibited a rate of increase slightly above average. The annual increase amounted to 9.8 percent. This rate of increase was due mainly to the 1980 foreign trade volume when the CSSR increased its export to these countries by almost 25 percent over 1979; imports increased by 9 percent. As a result the CSSR was able to reduce its trade deficit (which in 1978 and 1979 was the equivalent of Kcs 4.3 billion in hard currency) with this group of countries by about the equivalent of Kcs 2.4 billion in hard currency while its volume of trade with Common Market countries was essentially balanced last year.

From 1976 until 1980 the volume of foreign trade with Austria, Switzerland, Greece, Belgium, the U.S., Canada and Australia was better than average while the exchange of goods with the FRG, by far the foremost trade partner among this group of countries, rose in this period by 10.4 percent annually.

Compared to the 1971 to 1975 period the proportion of the capitalist countries' trade with the CSSR diminished.

In the period from 1981 to 1985 the CSSR will conduct its trade relations with capitalist industrial countries on the basis of the principles of self-determination and mutual advantage designed to broaden economic, scientific and technical cooperation.

I

Entwicklung des Außenhandels

	Umsatz		davon Export		Import	
	in Mill. Dev.-Kčs					
1976	100 133	(11,1)[1]	52 137	(11,7)	55 996	(10,4)
1977	121 459	(12,3)	58 366	(11,7)	63 213	(12,9)
1978	131 683	(8,6)	63 699	(9,2)	68 074	(7,7)
1979	145 916	(10,8)	70 156	(10,2)	75 760	(11,3)
1980	161 973	(11,0)	80 433	(14,6)	81 540	(7,6)
1971/75	376 146	.	185 869	.	190 277	.
1976/80	669 164	.	324 581	.	344 583	.

[1] Jeweils Steigerung in % zum Vorjahr

Quelle aller Tabellen: „Jahrbuch des Außenhandels der Tschechoslowakei" der entsprechenden Jahre, „Außenhandel der Tschechoslowakei" 4/81.

Key: Development of foreign trade

Total Volume	Export Portion	Import Portion

in Kcs foreign currency equivalent

[1] Each time an increase by % over preceding year

Source of all tables: "Yearbook of Czechoslovak Foreign Trade" of the respective years, "Czechoslovak Foreign Trade", April 1981.

II

Warenumsatz mit sozialistischen Ländern

	1976	1977	1978	1979	1980
	in Mill. Dev.-Kčs				
RGW-Länder					
UdSSR	32 926	41 397	45 862	51 887	58 638
DDR	13 118	14 123	15 634	15 618	15 999
VR Polen	9 934	10 725	11 433	11 874	13 216
Ungarische VR	6 664	7 056	7 854	8 310	8 017
SR Rumänien	3 439	4 322	4 792	5 018	4 762
VR Bulgarien	3 000	3 206	3 309	3 443	3 502
Republik Kuba	672	570	677	894	1 215
SR Vietnam	136	230	281	308	361
Mongolische VR	158	170	196	220	268
Andere sozialistische Länder					
SFRJ	3 547	3 743	3 897	4 770	5 775
VR China	727	917	1 438	1 507	1 110
SVR Albanien	269	238	222	333	.
KDVR	87	110	137	169	.

Key:

Volume of trade with socialist countries

1976 1977 1978 1979 1980
in Kcs foreign currency equivalent

CEMA countries
USSR
Peoples Republic of Poland
Hungarian Peoples Republic
Romanian Socialist Republic
Bulgarian Peoples Republic
Republic of Cuba
Socialist Republic of Vietnam
Mongolian Peoples Republic
Other socialist countries
Yugoslav Socialist Federated Republic
Peoples Republic of China
Socialist Peoples Republic of Albania
Korean Democratic Peoples Republic

III

Warenumsatz mit ausgewählten Entwicklungsländern

	1976	1977	1978	1979	1980
	in Mill. Dev.-Kčs				
Brasilien	727	970	907	848	1006
Syrien	536	752	630	720	1004
Irak	606	571	437	582	982
Libyen	255	191	725	601	800
Indien	520	560	516	599	791
Iran	620	922	674	317	785
Ägypten	536	1214	573	654	708
Argentinien	143	263	345	344	438
Libanon	147	266	312	278	312
Malaysia	29	78	167	238	258
Algerien	86	154	136	173	255
Afghanistan	55	173	123	136	210
Marokko	115	105	84	143	166
Äthiopien	21	39	44	82	119
Tunesien	67	61	73	84	102

Key: Volume of trade with selected developing countries

Brazil, Syria, Iraq, Libya, India, Iran, Egypt, Argentina, Lebanon, Malaysia, Algeria, Afghanistan, Morocco, Ethiopia, Tunisia

Warenumsatz mit ausgewählten kapitalistischen Industrieländern

IV

	1976	1977	1978	1979	1980	Veränderung 1980 gegenüber 1979 in %	darunter Export	Import
	in Mill. Dev.-Kčs							
BRD	5868	6763	7457	8824	9535	+ 8,7	+28,5	− 7,9
Österreich	2364	2944	4028	4020	5062	+25,7	+41,3	+12,3
Großbritannien	1520	2252	3486	2539	3706	+30,5	+14,9	+41,7
Schweiz	1707	2163	2540	2935	3527	+20,2	+48,5	+ 6,0
Italien	1396	1508	1534	1842	2136	+19,2	+17,6	+21,2
USA	1890	1878	1945	1976	2052	+ 3,8	+28,1	− 3,0
Niederlande	1368	1526	1414	1671	1851	+27,9	+38,8	+19,7
Frankreich	1517	1322	1473	1611	1723	+ 6,9	+12,7	+ 0,9
Belgien	993	1127	1099	1104	1244	+12,7	+11,6	+13,6
Kanada	412	343	396	889	1013	+14,5	− 9,2	+26,1
Schweden	770	812	919	947	1006	+ 6,2	+ 2,6	+ 9,6
Griechenland	368	436	521	615	708	+15,1	+11,6	+19,9
Finnland	394	350	414	452	600	+33,8	+27,6	+38,2
Japan	407	391	396	476	542	+13,7	− 8,3	+34,6
Dänemark	447	393	378	453	502	+11,3	− 2,0	+28,1
Australien	252	293	321	374	406	+ 8,6	+16,3	+ 4,8
Norwegen	272	262	273	208	354	+32,1	+30,5	+67,0

Key:

Volume of trade with selected capitalist industrial states

1976	1977	1978	1979	1980	Change in 1980 over in %	Export Portion	Import Portion

FRG, Austria, Great Britain, Switzerland, Italy, U.S., The Netherlands, France, Belgium, Canada, Sweden, Greece, Finland, Japan, Denmark, Australia, Norway

Außenhandel nach Ländergruppen

V

	1975	1976	1977	1978	1979	1980	Anteil 1971/75 in %	1976/80	1980 zu 1975 in %
	in Mill. Dev.-Kčs								
Umsatz	97 347	106 133	121 459	131 683	145 916	161 973	100	100	66,3
davon									
sozialistische Länder	68 775	77 307	86 953	96 749	104 529	113 188	69,4	71,5	64,5
darunter									
RGW-Länder	64 283	73 251	81 954	89 906	98 075	106 181	64,5	67,1	65,0
kapitalistische									
Industrieländer	21 754	23 465	25 617	27 283	33 139	37 310	22,3	21,8	71,5
Entwicklungsländer	6 878	6 061	8 889	8 651	9 196	11 675	7,4	6,7	67,8
Export	48 451	52 137	58 266	63 600	70 156	80 433	100	100	72,6
davon									
sozialistische Länder	33 377	38 701	42 760	46 800	50 767	55 974	70,3	72,3	67,7
darunter									
RGW-Länder	31 021	36 207	40 001	43 890	47 543	52 373	65,3	67,7	68,8
kapitalistische									
Industrieländer	9 255	9 582	10 734	11 606	13 964	17 663	21,1	19,6	88,5
Entwicklungsländer	4 019	3 934	4 732	5 243	5 645	7 017	8,6	11,3	74,6
Import	50 716	55 996	63 213	68 074	75 760	81 540	100	100	60,8
davon									
sozialistische Länder	35 398	39 106	44 193	48 949	53 775	57 214	68,5	70,8	61,8
darunter									
RGW-Länder	33 264	37 044	41 953	46 325	50 732	53 728	63,9	66,6	61,5
kapitalistische									
Industrieländer	12 459	13 543	14 883	15 817	18 235	19 808	25,3	24,9	58,9
Entwicklungsländer	2 819	2 527	4 137	3 308	3 750	4 458	6,3	5,6	52,1

Key:

Foreign trade with groups of countries

	1975	1976	1977	1978	1979	1980	Share 1971/75 in %	1976/80	1980 to 1975 in %
Volume									
of this									
socialist countries									
of these CEMA countries									
capitalist countries									
industrial countries									
developing countries									
Export									
of this									
socialist countries									
of these CEMA countries									
capitalist countries									
industrial countries									
developing countries									
Import									
of this									
socialist countries									
of these CEMA countries									
capitalist countries									
industrial countries									
developing countries									

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ELECTRIFICATION PROGRAM OF RAILWAY SYSTEM ANALYZED

Cologne DEUTSCHLAND-ARCHIV in German Vol 14 No 5, May 81 signed to press 28 Apr 81 pp 487-505

['Analyses and Reports' feature article by Dr Hansjoerg F. Buck, economist, All-German Institute, Bonn: "Key Efficiency Efforts in the GDR Transportation System Up to 1985: Defusing the Energy Crisis by Accelerated Electrification of the Reichsbahn?"]

[Text] 1. GDR Transportation System Development Level with Special Emphasis on Railroads

At the end of 1978 and 1979, the track length of the GDR Railroad Line Network came to about 14,200 km. This means that we have 13.2 km of rail line for every 100 km^2. This dense network thus approximately corresponds to that of the FRG (1977 = 12.6 km per 100 km^2 including the lines of railroads not owned by the West German government). The quality of the track and the right-of-way development of course is considerably less in the GDR.

The lines of the GDR railroad daily handle about 7,200 passenger trains today, including more than 500 express and fast trains. Every day, an average of 3 million t of freight are being carried on the tracks of the GDR Railroad. The freight volume carried by the railroad per year since 1977 requires a rolling stock of 50 million car units for transport.

At this time there are about 470,000 persons[1] working in the various branches of the GDR transportation systems (railroads, motor transport, urban commuter traffic, inland navigation and maritime shipping, as well as civil aviation). Every day, more than 5 million workers use public transportation to travel to and from work, on recreation trips, and to attend athletic and cultural events.

2. Carrier Energy Consumption Figures

About 15 percent of the total energy volume generated in the GDR are used by the transportation system for transportation purposes[2]. The transportation industry is the chief consumer for diesel fuel. About two-thirds of the imported or domestically produced diesel fuels are going to the transportation industry (including factory transportation).

The diesel fuel consumption in the GDR transportation system presently is between 2 and 2.5 million t per year. In addition, the carriers annually require more than 500,000 t of hard coal to meet their own requirements[3].

The total annual fuel volume required in the case of diesel oil is broken down as follows over the various carriers: the chief consumer is motor transport with 53 percent; the railroad must get 35 percent of the total output and maritime shipping and inland navigation get 12 percent of the fuel volume produced. This distribution structure coincides with the specific energy consumption of the individual transportation system. For a transportation output of 1 million gross t-km, the GDR Railroad must spend an average of 6.5 t and the inland shipping units must use up to an average of 5.2 t of diesel fuel. In contrast, truck transportation requires 19.5 t of diesel fuel for the same transportation performance. The specific energy consumption for truck transportation thus is about three times higher than for the other two carriers.

3. Major Measures to Save Energy in Transportation Systems

On the basis of the continuing hefty increase in the price of petroleum on the world market and the CEMA market--something which has been going on since 1973-1974--the continually rising consumption of petroleum derivatives has become an oppressive expenditure burden for the GDR. In 1970, the GDR government trade monopoly was still importing a ton of crude oil at a price of 39 Valutamark (= 8.35 Transferable Rubles); in 1977 it already had to pay 233 Valutamark (= 49.89 Transferable Rubles) for the same quantity of oil (in other words, a five-fold price rise)[4]. The consequences of this enormous rise in import costs was illustrated by the East Berlin technical periodical DIE WIRTSCHAFT with the help of the following example:

"On the basis of foreign trade structure, expenditures for imports keep growing on an order of magnitude of billions of marks along with the rise in world market prices. For example, in 1979, compared to 1970, converted for the same quantity of crude oil, we must export three times as many machines, for coffee twice the number of trucks, for skins and hides twice the number of electric motors"[5].

The GDR economy's ever-growing petroleum requirements furthermore increasingly constitute a burden on the government foreign-exchange exchequer because the GDR must cover its oil consumption--which is not guaranteed by means of Soviet shipments and which it pays for through commodity deliveries--by means of additional purchases on the world market which must be paid for with convertible currencies.

During the new five-year plan (1981-1985) which has just started, the GDR government therefore plans noticeably to improve the efficiency of the transportation system by means of the following measures and at the same time drastically to reduce the energy consumption of the carriers:

1. Accelerated electrification of main lines of the railroad and increased transfer of transportation tasks so far handled by diesel locomotives to electric locomotives;

2. Commissioning of already closed railroad lines, to the extent that the age of lines so permits and to the extent that a resumption of traffic is practical for the sake of saving oil imports and foreign exchange;

3. Shift of as many freight shipments as possible from highway to rail through reduction in truck traffic in order to cut back fuel and lubricant consumption in the transportation system[6].

The government production combines and trade enterprises must thus, as of the autumn of 1980, stop all truck shipments over distances of more than 150 km and must shift those shipments to the railroads. Even in case of transportation distances of only 10 km, the railroads should handle the transportation of commodities if the place of shipment and the destination have a rail connection. Shipment of bulk goods by truck is generally forbidden as of 1 January 1981.

4. Crash programs for the establishment of "factory transportation pools" involving enterprises which are located in the same vicinity (in other words, formation of truck pools above the enterprise level) whose management is directed to coordinate the factory's own truck shipments in order to avoid deadhead runs, to determine short transportation routes, and to accomplish optimum loading of available transportation space (in other words, reducing the specific fuel consumption per ton-kilometer)[7].

5. Rigorous restriction of bus transportation in connection with long-distance travel by passengers. Moreover, railroad bus trips and commuter bus lines should be discontinued wherever this is possible without unacceptable difficulties in worker commuter travel and student commuter travel and where the railroads actually can handle the additional customers. Bus travel in the future should on a priority basis only handle feeder services for the railroads, for the rapid-transit lines, and for the streetcar lines[8].

6. All government enterprises, trade enterprises, and motor transport combines as of the end of 1980 will get fuel and lubricants only in return for a procurement certificate after the requirements and the utilization purpose for the desired allocations have first been examined by the government (in other words, fuel quotas).

In addition to the implementation of these reorganization goals, the GDR government has assigned the following specific tasks to the transportation industry for the new 1981-1985 five-year plan.

Performance Sectors	Planned Performance Increases by 1985 Compared to 1980 (1980 = 100)
1. Increase in number of passengers carried by public transportation system to	104%
2. Increase in passenger transportation performance to	105%
3. Increase of transportation volume carried by public carriers and factory transport to	109%
4. Increase in freight transportation output to	114%
6. Reduction in specific transportation expenditure by about	20%
6. Reduction of specific energy consumption[1]	
For railroads, by about	28%
In maritime transport by	10%

Performance Sectors	Planned Performance Increases by 1985 Compared to 1980 (1980 = 100)
In freight motor transport using diesel fuel by	7.5%
and	
For inland navigation by	6.9%[2]
7. Desired average increase in transportation industry labor productivity per year	2.4%
8. Reduction of specific carrier material consumption annually by	3-4%

1. The specific energy consumption tells us how much power is needed (current, diesel fuel, coal) to attain a certain transportation output, measured in millions of gross-ton-kilometers. For the definition of the other performance figures or index figures mentioned in this table see LEXIKON EISENBAHN, second edition, published by a group of authors, Transpress VEB publishers for transportation industry, East Berlin, 1973.

2. The reduction in the specific energy consumption, demanded for all carriers, would add to up to a saving of 3 million t raw brown coal.

3. If the desired productivity increase is achieved, that would correspond to a saving of more than 3 million working hours.

Source: see Rudolph Schulze (GDR Minister of Post Office and Telecommunications): "The Further Increase in the Contribution from Science to the Development of the Transportation and Communications System," WISSENSCHAFTLICHE ZEITSCHRIFT DER HOCHSCHULE FUER VERKEHRSWESEN "FRIEDRICH LIST," Dresden, No 1, 1981, pp 14-24; and Fritz Mueller: "Main Tasks for Research and Technology of Transportation System During the Period of 1981-1985," DDR-Verhehr, East Berlin, No 4, 1981, pp 114-119. See also Rainer Hopf: "GDR--Freight Transportation Back to the Rails," WOCHENBERICHT DES DEUTSCHEN INSTITUTS FUER WIRTSCHAFTSFORSCHUNG, Berlin, No 8, 1981, 19 February 1981, pp 83-89.

4. GDR Railroad Conversion to Diesel Locomotives (1956-1978)

About two-thirds of the freight transportation volume (excluding maritime shipping) are today being handled in the GDR by the German Railroad[9]. Before going into the seventies, the railroad had to handle even considerably higher percentages of the daily transportation volume. In 1965, 80 percent of the freight transportation output were handled by railroad and in 1970 that carrier still had to handle about 70 percent of the domestic transportation requirements. The railroad's loss of significance since the sixties as a carrier is due to the fact that growing shares of the freight transportation volume were taken over by motor transport (including in-factory transport) or were shifted to pipeline transport.

In 1955, the GDR government decided, starting with the next five-year plan, to replace the steam locomotives gradually as traction machines and to switch to diesel locomotives instead. The diesel locomotives required for the conversion of the traction machine pool were to be imported mostly from the Soviet Union[10].

But because the expansion and rationalization of industrial capacities had strict priority, the resultant necessary neglect of required transportation facility construction (for example, the construction of modern railroad stations and switching stations), the neglect of transportation route construction, and the only inadequate modernization of rolling carriers, led to a situation where the exchange of traction machines and the general overhaul of the line network only made slow progress in the railroad.

In the 1971-1975 long-range plan, the GDR government had established the goal of so expanding the locomotive pool in diesel engines by 1975 that, starting in 1976, 83 percent of the required railroad traction output could have been handled by diesel locomotives[11]. In point of fact however the railroad management, using the diesel and electric locomotives made available to it by the end of 1975, was only able to handle 71 percent of the traction output which was necessary to handle the railroad's reliably guaranteed scheduled passenger traffic operations. Regarding the required traction performance for passenger transportation, the GDR railroad in the middle of the seventies still depended to the extent of not quite 30 percent on the services of the steam locomotives (see also Table 1)[12].

Table 1. Share of Various Types of Traction in Actual Train Movement Performance of Railroad, 1960-1980 (in %)

Jahr / Traktionsarten 3	1960	1965	1970	1975[1]	1980[2]	30. April 1980	31. Dezember 1980
Dampflokomotiven 4	94,4		42,3	29,0	8-5	8,9	8,3
Diesellokomotiven 5	0,7	3,0	41,5	71,0	92-95	71,7	71,8
Elektrische Lokomotiven 6	4,9		16,2			19,4	19,9
Insgesamt 7	100,0		100,0	100,0	100,0	100,0	100,0

Key: 1--Passenger transportation only; 2--Planned for the end of 1980; 3--Types of traction; 4--Steam locomotives; 5--Diesel locomotives; 6--Electric locomotives; 7--Total. Source: "The Passenger Transportation Performance in the GDR," DIE WIRTSCHAFT, No 6, 19 March 1975, p 17. Elfriede Rehbein: "Planned Cooperation of Inland Traffic for the Sake of Socialist Economic Development," WISSENSCHAFTLISHE ZEITSCHRIFT DER HOCHSCHULE FUER VERKEHRSWESEN "FRIEDRICH LIST," Dresden, No 2, 1980, pp 281-290. O. Arndt, "The GDR Transportation System during the Second Half of the Seventies," EISENBAHN-JAHRBUCH 1977, East Berlin, 1977, p 17; "Facts and Figures: on 'Day of the Railroad Worker' and 'Day of the Transportation Worker' on 8 June 1980," PRESSE-INFORMATIONEN, published by the press office attached to the chairman of the GDR Council of Ministers, No 63 (4893), 29 May 1980, pp 5-6. Hubert Egemann, director, transportation and communications department of the SED Central Committee: "Efficient Transportation Helps Lowering Production Consumption," DIE WIRTSCHAFT, No 3, 19791, p 15.

According to the latest official survey of 31 December 1980, the train movement work in the GDR Railroad is distributed over the individual types of traction as follows: the contribution from steam locomotives to the overall output has shrunk to about 8 percent. The bulk of the required train movement performance must today be provided by diesel locomotives (= 72 percent). In contrast, it was impossible during the seventies to achieve a considerable increase in the use of electric

locomotives for transportation functions. On 31 December 1970, the share of electric traction out of the total train movement output came to about 16 percent. Just 10 years later, that output share did not grow to any major extent. On 31 December 1980 it was only 4 percentage points more than at the end of 1970 (see Table 1).

Although the transportation service requirements leveled upon the railroad rose rapidly during the sixties and seventies[13], there is every indication that the GDR was able to renew and expand the line network of the railroad, the railroad stations and switching stations (junction stations, marshalling yards) and the railroad loading facilities only to a comparatively modest degree. The GDR thus is the CEMA country whose tracks during the period of 1965-1979 shrank most as a result of shutdowns and line closings. At the end of 1979, the railroad only had 89 percent of the track available which it was able to use in 1965 (see Table 2). This net reduction in track length is certainly not due only to the deliberate closing of lines in order thus to increase the efficency and economical operation of railroad transport. An important cause of the shrinkage of the line network would also seem to be represented by the fact that, due to the lack of investment funds for the renewal of rail sections in need of repair, certain railroad lines had to be abandoned.

Table 2. Increase or Decrease of Railroad Tracks in CEMA Countries, 1965-1979. Status as of 31 December

Jahr 1	2 UdSSR	3 Polen	4 Bulgarien	5 Rumänien	6 ČSSR	7 Ungarn	8 DDR
			9 Schienenstrecken in km				
1965	131 388	26 862	4 094	10 979	13 301	9 850	15 930
1979	141 125	27 271	4 341	11 113	13 142	8 039	14 164
Zu- oder Abnahme der Schienenwege in km von 1965 bis 1979 (netto) 10	+ 9 737	+ 409	+ 247	+ 134	− 159	− 1 811	− 1 766

Key: 1--Year; 2--USSR; 3--Poland; 4--Bulgaria; 5--Romania; 6--Czechoslovakia; 7--Hungary; 8--GDR; 9--Track in km; 10--Increase or decrease in track length, in km, 1965-1979 (net). Source: STAT. JAHRB. DER MITGLIEDSLAENDER DES RGW [CEMA Member Nation Statistical Yearbook], published by the CEMA Secretariat, Moscow, 1979, p 311 f., and Moscow, 1980, p 275 f.

From the rather scant official reports one can calculate that during the period of 13 years from 1966 until 1978 about 1,850-1,900 km of track were newly built (in other words, averaging 144 km per year)[14]. This new construction volume during the same period of time is offset by a gross loss of about 3,600 km of track.

Investment measures intended to improve rail traffic were concentrated almost exclusively on the double-track expansion of the main lines in order to increase the line handling speed and to step up the travel speeds on the trunk lines[15].

In the GDR, the planned and actual figures for the revenue and expenditure calculations in the government budget are mostly secret. In spite of this general information gag, there are however several sectors in economic and community life --for example, the sector of industry and the social welfare and health system--

whose financial relationships to the government budget are being reported relatively in detail. But the information situation is particularly poor regarding the financial allocations given by the government to the transportation industry. Here, secrecy is very strict. In addition to the armament industry and the military establishment, the GDR transportation industry is that sector of government management activity for which data on the amount of expenditure for individual carriers and utilization purposes can be determined only to a very poor extent. This is why we can presently come up only with a time series on the overall development of the GDR unit budget expenditures for the current maintenance of the enterprises and installations of all carriers and for the maintenance and repair of existing transportation routes of all kinds. But this expenditure series alone clearly documents the fact that the transportation system as a whole during the seventies almost constantly was among the neglected sectors of the economy[16]. With the exception of 1972, during all years, between 1971 and 1979, the total expenditures in the GDR unit budget rose faster than the expenditures for the maintenance and overhaul (makeup of worn-out components plus replacement procurements) of the transportation enterprises and transportation routes (see Table 3). During 1976-1979, the government in East Berlin did not allocate any more budget funds for the financing of these tasks than were spent back in 1972 for these purposes. This stagnation in fund allocation is surprising above all because there is a great makeup need in the GDR in terms of repair and renewal measures for transportation routes and transportation installations. This need arose above all because (with the exception of oversees ports and maritime shipping) the GDR transportation system as a whole during the fifties and sixties was treated rather like a step-child when it came to the allocation of investment funds.

Table 3. GDR Public General Budget Expenditures for Transportation System, 1968-1979
(Government Expenditures by Central Government, Bezirks, Kreises, and Communities)

Jahr 4	5 Ausgaben für die Unterhaltung der Verkehrseinrichtungen und Ausgaben für die Wartung, Instandsetzung und Generalreparatur von Verkehrswegen (Straßen, Schienenwege und Wasserstraßen) sowie von See- und Binnenhäfen und Flugplätzen[1]	6 Erhöhung oder Kürzung der Staatsausgaben für die Unterhaltung von Verkehrseinrichtungen und für die Instandhaltung von Verkehrswegen aller Art	7 Steigerung oder Kürzung der Haushaltsausgaben für das Verkehrswesen (ohne Erweiterungsinvestitionen) in vH zum Vorjahr	8 Steigerung der Haushaltsausgaben des Staates insgesamt in vH zum Vorjahr[2]
	9 in: Millionen Mark (Ost)		10 in: vH	
1967	11 Vor 1968: Keine Angaben			
1968	2300,0[3]			
1969	2400,0[3]	100,0[3]	4,3	8,5
1970	2500,0[3]	100,0[3]	4,2	8,1
1971	2753,2	253,2	10,1	13,7
1972	3106,9	353,7	12,8	9,1
1973	3329,0	222,1	7,1	9,6
1974	3221,2	– 107,8	– 3,2	11,9
1975	3535,5	314,3	9,8	11,6
1976	3007,3	– 528,2	– 14,9	2,5
1977	3123,7	116,4	3,9	6,2
1978	3114,9	– 8,8	– 0,3	5,8
1979	3024,3	– 90,6	– 2,9	6,5
1980				

Key: 1--Excluding net investments for construction of new transportation installations (= new railroad stations, new superhighway gas stations, etc.) and new transportation routes (= new right-of-way, new superhighways, etc.); 2--The calculated increase rates in the GDR public general budget are based on the sum of all budget expenditures for the individual years, excluding the contribution revenues from social security and excluding cash carryover; 3--Estimated; these data among other things include the following expenditures for the highway system (care and maintenance of roads of all kinds): 1968 = 1,108.8; 1969 = 1,372.7; and 1970 = 1,539.3 million East Marks; 4--Year; 5--Expenditures for maintenance of transportation installations and expenditures for repair and general repair of transportation routes (highways, railroad tracks, and waterways) as well as maritime and inland ports and airports[1]; 6--Increase or reduction in government expenditures for maintenance of transportation installations and for repair of transportation routes of all kinds; 7--Increase or reduction in budget expenditures for transportation systems (excluding expansion investments) in % compared to the preceding year; 8--Increase in government expenditures, total, in %, compared to preceding year[2]; 9--In millions of East Marks; 10--In %; 11--Prior to 1968: no data.

The still existing makeup requirements in terms of repairs and maintenance as well as renewal investments also is indicated by the distribution of budget funds shown over the various transportation industry utilization purposes--a distribution which was made in 1978 (see Table 4).

Table 4. Distribution of Budget Expenditures for Transportation Industry Tasks in 1978

Transportation industry utilization sectors and utilization purposes	Expenditures in millions of East Marks	Share of expenditures for individual utilization sectors and utilization purposes in %
Expenditures for maintenance of transportation installations of all kinds and for repair and renewal of transportation routes	3,115	100
Including		
Expenditures for railroads (excluding expansion investments)	1,100	35
Including expenditures for repairs of right-of-way and tracks	740	24
Expenditures for highway repair	1,700	55

Source: explanations for budget calculation of GDR Council of Ministers for the People's Chamber for FY 1978.

In terms of transportation policy, the decision, made during the middle of the fifties, to convert the traction machine pool of the railroad from steam locomotives to diesel-oil-powered locomotives, was entirely in line with convincing concepts of practical operation. Starting with the oil prices at that time, the GDR transportation policy was able to build on the idea that the operation of the new traction machines would cause only comparatively minor fuel costs. As a result of the conversion, it was possible to reduce the absolute energy consumption of the railroads (measured in kilojoule per gross-ton-kilometer). In this connection GDR Deputy Transportation Minister Schmidt provided the following figures in August 1980:

"Between 1970 and 1978, for example, we in the GDR increased the transportation output for freight (excluding maritime transportation) by 36 percent, for passengers by 29 percent, and we reduced the absolute energy consumption by about 8 percent in that connection. The traction conversion, in other words, the replacement of steam locomotives, took the lion's share in this result[17].

Another advantage of this conversion consisted in the fact that the railroad, as a part of continuing conversion, needed to bring in less and less freight-space-intensive coal and coke quantities to meet its own requirements from the USSR, from Poland, and from domestic mines and to transport those quantities to the supply depots; as a result of that it was possible to relieve the already overtaxed transportation capacity of the GDR Railroad.

In contrast to what happens when we convert to railroad operations using electric locomotives (electrification of rail transport), the modernization measure selected caused only comparatively low investment costs. If the GDR government during the second half of the fifties or during the sixties had decided energetically to push the electrification of the main lines of the GDR Railroad, then the attainment of this goal would have gobbled up a considerable portion of the annual investment funds which then would have had to be used for the procurement of lattice towers, overhead contact lines, signal and safety systems, track-model switching stations, current supply stations and traction vehicles and for the construction of longer bridges and track foundations. Since the expansion of industrial capacities (chemical industry, steel production, machine-building, electrotechnology, electronics, vehicle construction) was considered to be much more important and was pushed, no funds were available for comprehensive electrification projects (including foreign-currency reserves). In addition we have the fact that the GDR, in view of its many decades of chronic energy shortage, would not have been in a position at all to guarantee the current supply for a large number of electrified lines (above all in the winter) in short-range or medium-range terms. This is why, prior to any electrification of the main line network, with a length of 7,600 km, it would first of all had been forced to undertake expensive expansion of the power plant capacities which were too small and it would furthermore have been forced to take care of a considerable increase in brown coal mining. Because of these difficulties, there was no electrification of the main trunk lines in the GDR with the exception of a few intensively used short sections.

5. GDR--Caboose at the End of the Electrification of Tracks in Eastern and Western Europe

In the socialist economic alliance, the GDR presently is the caboose in the train of electrification by domestic railroad lines. Only 11 percent of the existing line networks have been electrified so far (see Table 5). In the CEMA, Bulgaria with 33 percent and the Soviet Union with 30 percent show the highest shares of electrified tracks.

Out of the 1,621 km of tracks--which according to data from the people in East Berlin and CEMA statistics had been electrified by the end of 1979 in the GDR--during the same year however only 1,292 km were included in the electrified line network of the railroads. The remaining 329 km of track under wire involved the lines inside factories which were being used by the factory railroads of the big combines. For example, the big combines in the brown coal and potash mining industry of the GDR are operating a rather far-flung factory railroad network with a corresponding traction machinery and freight car stock. The power supply for these factory railroad networks is handled almost exclusively by the power plants of the combines themselves.

Table 5. Length of Tracks of CEMA Countries and Share of Electrified Rail Lines in 1979

Staaten 8	9 Länge des Streckennetzes der Eisenbahn im km	10 Darunter:	
		11 Länge der elektrifizierten Schienenwege in km	12 Anteil der elektrifizierten Eisenbahnstrecken an der Gesamtlänge der Schienenwege in vH
1. Bulgarien	4341	1449	33
2. UdSSR	141 125	42442	30
3. Polen	27 271	6887	25
4. ČSSR	13 142	2969	23
5. Rumänien	11 113	2202	20
6. Ungarn	8039	1488	19
7. DDR[1]	14 164	1621	11

Key: 1--Bulgaria; 2--USSR; 3--Poland; 4--Czechoslovakia; 5--Romania; 6--Hungary; 7--GDR[1]; 8--Countries; 9--Length of railroad line network, km; 10--Including; 11--Length of electrified tracks, km; 12--Share of electrified railroad lines out of total track length, %. (1) Including the electrified line network of the factory railroads of the big combines in the GDR with a length of 392 km; source: STATISTISCHES JAHRBUCH DER MITGLIEDSLAENDER DES RGW, published by the CEMA Secretariat, Moscow, 1979, pp 311-312, and 1980 edition, Moscow, 1980, pp 275-276; FAHRT FREI (Journal of the Railroad Workers) of the GDR No 3, 1981, pp 6-7.

If we disregard the electrified line network of the GDR factory rail lines, then, at the end of 1980, only about 9.4 percent of the railroad tracks had been converted to electrical operation. This corresponds to a total electrified distance of 1,305 railroad line kilometers[18].

The GDR continues to limp along behind the construction and modernization work of the other CEMA countries also regarding the tempo of right-of-way electrification. The leaders in rail line conversion to electrical railroad operations in the CEMA are the USSR, Poland, and Romania. The gap which has developed in the electrification tempo between the GDR and the CEMA countries over the past 14 years can be determined by the fact that only a little more than one-tenth of the line was electrified, in the GDR between 1965 and 1979, which during the same period of time was converted to electrical operations in Poland, a neighboring country (See Table 6).

Table 6. Tempo of Track Electrification in CEMA Countries, 1965-1979
Status as of 31 December

Rangfolge im Elektrifizierungstempo	1	2	3	4	5	6	7
Jahr 8	UdSSR	Polen	Rumänien	ČSSR	Bulgarien	Ungarn	DDR
		9 Elektrifizierte Schienenstrecken in km					
1965	24 902	2227	58	1790	414	556	1057
1979	42 442	6687	2202	2989	1449	1488	1621
Zunahme der elektrifizierten Schienenwege in km 1965–1979 10	+17 540	+4460	+2144	+1199	+1035	+ 932	+ 564

Key: 1--USSR; 2--Poland; 3--Romania; 4--Czechoslovakia; 5--Bulgaria; 6--Hungary; 7--GDR; 8--Year; 9--Electrified rail line in km; 10--Increase in electrified rail line in km, 1965-1979. Source STATISTISCHES JAHRBUCH DER MITGLIEDSSTAATEN DES RGW, published by the CEMA Secretariat, Moscow, 1979, pp 311-312 and 1980 edition, Moscow, 1980, pp 275-276.

The tempo of rail line electrification in the GDR from one five-year plan to the next has been slowing down since the beginning of the sixties (see Table 7). Between 1971 and 1975, the GDR transportation industry merely managed to convert a line section of 97 km to electrical operation. The modernization attempts reach their absolute low point however in 1977-1978. According to official data from the CEMA secretariat in Moscow, the GDR during those two years merely managed to increase the electrified lines by 6 km (see Table 7).

Table 7. GDR Rail Line Electrification Tempo, 1960-1980

2 Jahr 3 Zeitraum	4 Länge der elektrifizierten Schienenwege in km	5 Ausbautempo bei der Elektrifizierung der Schienenstrecken gemessen in km
1960	708	
1965	1057	
1960–1965		349
1970	1357	
1965–1970		300
1975	1454	
1970–1975		97
1975	1454	
1976	1508	54
1977	1511	3
1978	1514	3
1979	1621	107
1980'	1634	13

Key: 1--Preliminary results; 2--Year; 3--Time span; 4--Length of electrified tracks, km; 5--Rail line electrification development tempo, km. Source: STATISTISCHES JAHRBUCH DER MITGLIEDSSTAATEN DES RGW, published by CEMA Secretariat, Moscow, 1979, pp 311-312; and 1980 edition, Moscow, 1980, pp 275-276. "How Can One Transport Passengers and Freight with Less Energy?" NEUES DEUTSCHLAND, 7 August 1980, p 3; "The Tasks of the Transportation Industry in 1980" (daily report), DDR-VERKEHR, No 4, 1980, pp 112-115, and FAHRT FREI (Journal of the GDR Railroad Workers), No 3, 1981, pp 6-7, and No 5, 1981, pp 6-7.

Table 8. Length of Tracks in CEMA Countries and Some Selected Western Countries and Share of the Particular Electrified Rail Lines out of the Total Line Network Status as of 31 December 1977

Staaten 4	5 Länge des Streckennetzes der Eisenbahn in km	6 Darunter: 7 Länge der elektrifizierten Schienenwege in km	8 Anteil der elektrifizierten Eisenbahnstrecken an der Gesamtlänge der Schienenwege in vH
RGW-Staaten 9			
1. Bulgarien 12	4295	1485	35
2. UdSSR[1] 13	139762	40518	29
3. Polen 14	26832	6308	26
4. ČSSR 15	13190	2830	22
5. Rumänien 16	11127	1702	15
6. Ungarn 17	8190	1307	16
7. DDR 18	14215	1511[2]	11[2]
Sonstige sozialistische Staaten 10			
Jugoslawien[3] 19	10000	2911	29
Westliche Industrieländer 11			
1. Schweden 20	12060	7480	62
2. Italien 21	19780	9680	49
3. Japan 22	20000	8000	40
4. Bundesrepublik Deutschland 23	31578	10860	34
5. Frankreich 24	34590	9340	27
6. Großbritannien 25	17810	3740	21
7. USA	296000	2880	1

Key: 1--According to Soviet data, steam locomotives in 1954 still accounted for 94.6 percent of all traction work done by the USSR state railroads. Only 5.4 percent of the needed transportation power was supplied during that year by modern types of traction (diesel and electric traction); 27 years later, in 1977, the state railroads had managed to replace steam locomotives entirely with modern types of traction in railroad operations; in 1977, almost 50 percent of the total train traction output was produced on the previously electrified lines; 2--Including the electrified tracks of the factory rail lines of the government enterprises with a length of more than 300 km; excluding the electrified sections of the factory rail lines, the share of the GDR railroad lines converted until then came to only 8.5 percent in 1977; 3--Status as of the end of 1979; the Yugoslav government planned to electrify about 50 percent of the line network by the end of 1985. Sources: STA ISTISCHES JAHRBUCH DER RGW-STAATEN, published by CEMA Secretariat, Moscow, 1979, pp 311-312; and 1980 edition, pp 275-276; STATISTISCHES JAHRBUCH DER DDR 1978, p 194; STATISTISCHES JAHRBUCH DER BUNDESREPUBLIK 1979, p 270; Technical Journal DIE WIRTSCHAFT, No 4, 1979, p 32; FRANKFURTER ZEITUNG, "Looking at the Economy," 17 May 1980, p 2; Roland Erdmann, "National Economic Effectiveness of Traction Conversion in Soviet Union," SCHIENENFAHRZEUGE, East Berlin, No 6, 1980, pp 271-273; and FAHRT FREI (Journal of the GDR Railroad Workers), No 3, 1981, pp 6-7; 4--Countries; 5--Length of Railroad track network, km; 6--Including; 7--Length of electrified tracks, km; 8--Share of electrified railroad sections out of total trackage, %; 9--CEMA countries; 10--Miscellaneous socialist countries; 11--Western industrial countries; 12--Bulgaria; 13--USSR[1]; 14--Poland; 15--Czechoslovakia; 16--Romania; 17--Hungary; 18--GDR; 19--Yugoslavia[3]; 20--Sweden; 21--Italy; 22--Japan; 23--FRG; 24--France; 25--Great Britain.

After the complete stoppage of electrification attempts in 1977-1978 and the extremely moderate modernization successes during the years after 1970, the GDR for the first time in 1979 again managed to electrify a noteworthy portion of the domestic trackage by concentrating investments on main lines which were in need of overhaul and through numerous crash programs in specific places. On the whole, it was possible to open line sections with a length of 107 km for electrical operation (see Table 7). Considering this outstanding result for 1979, the GDR between 1976 and 1979 converted an average of 42 km of rail line per year to electrical operation[19].

A comparison with the degree of electrification of the railroad networks in the Western European countries likewise showed that the GDR is still a developing country in this area. Even in Great Britain--which, among all Western European countries, so far has converted its railroad operations to electrical traction to the least degree --the share of electrified lines out of the total line network is twice as great as in the GDR (see Table 8).

6. Central Goal of Transportation Policy under New Five-Year Plan for the Electrification of 730 km Railroad Line by 1985

Since the energy costs for railroad lines pulled by diesel locomotives have risen tremendously (fuel costs, lighting costs, heating costs) "the prerequisites are being created for a faster electrification tempo in the German Railroads in 1981-1985 in the transportation industry and in other sectors of the national economy"[20] (according to official government statements). In a report delivered to leading transportation industry officials in February 1980 in Gotha, Transportation Minister Otto Arndt mentioned the stepped-up conversion of the GDR Railroad to electrical operation as the central task in the GDR Railroad system for the eighties. The cadre derective contains the following passage:

"Electrification is and remains the most important rationalization measure of the DR [German Railroad] for the next several years in order to meet the growing transportation tasks coupled with a simultaneously declining expenditure of primary energy by about 20 percent and a reduction of the manpower expenditure by about 10 percent by the year 1985. On the basis of the high energy efficiency of electrical traction and the fact that domestic construction capacities and locomotives made in the GDR can be used, the tempo of electrification must be speeded up considerably. Our considerations at this time are aimed at speeding up the work to connect our capital to the electrified line network from Halle and Dresden and to continue the electrification effort toward the north in order thus to connect the Rostock overseas port as an important traffic junction point with a rapidly growing freight volume to the electrified railroad net. In that way we could have through-going electrical operation on two main trunk lines between Rostock and Bad Schandau and from Rostock all the way to Erfurt and that would enable us decisively to increase the capacity of those lines to handle traffic"[21].

Scientific engineering and operations management studies prove that electrical train traction guarantees by far the most efficient energy utilization and a very reasonable cost for train operation. Judging by the specific energy consumption[22], the traction and transport output achieved by electric locomotives is superior to the output of all other means of transportation (see Table 9). This is partly due to the fact that, when we use electric traction vehicles, we can considerably increase

the train performance compared to steam and diesel traction. Another advantage of this type of traction consists in the fact that the daily distance covered by the traction vehicles can be increased enormously. Electric locomotives, for example, in the Soviet state railroads, cover an average of 17 percent more line distance per day than diesel locomotives.

Table 9. Energy Consumption of Various Carriers Compared

Verkehrsmittel 3	4 Angaben in Kilojoule je Bruttotonnenkilometer
1. Gütertransport	
6 - Lastkraftwagen	720
7 - Güterzug (durch Diesellokomotive gezogen)	262
8 - Güterzug (durch Elektrolokomotive gezogen)	88
2. Personenbeförderung	5 Angaben in Kilojoule je Personenkilometer
9 - Personenkraftwagen	2000
10 - Kraftomnibus	680
11 - Tatra-Straßenbahn	310
12 - Personenzug (durch Diesellokomotive gezogen)	445
13 - Schnellzug (durch Diesellokomotive gezogen)	340
14 - Personenzug (durch Elektrolokomotive gezogen)	144
15 - Schnellzug (durch Elektrolokomotive gezogen)	114

Key: 1--Freight transportation; 2--Passenger transportation; 3--Means of transportation; 4--Data in kilojoule per gross t-km; 5--Data in kilojoule per passenger-km; 6--Truck; 7--Freight train (pulled by diesel locomotive); 8--Freight train (pulled by electric locomotive); 9--Passenger vehicle; 10--Bus; 11--Tatra streetcar; 12--Passanger train (pulled by diesel locomotive); 13--Express train (pulled by diesel locomotive); 14--Passenger train (pulled by electric locomotive); 15--Express train (pulled by electric locomotive). Source: Ministry of Transportation GDR.

Key: 1--Electrified; 2--Under construction, completion 1981; 3--Under construction, completion 1982; 4--Under construction, completion 1983; 5--Completion 1984-1985; 6--International boundary; BRD--FRG; VR--People's Republic; CSSR--Czechoslovakia.

The advantages listed here are confirmed by Western performance comparisons. According to data from the West German Federal Railroads, the operation and maintenance of diesel locomotives, roughly speaking, is twice as expensive as the use and maintenance of electric locomotives[23].

According to the East Berlin government's transportation policy plans, another 730 km of tracks are to be electrified during the new five-year plan of 1981-1985. The attainment of this goal presupposes that each year an average of 146 km of electrified rail line can be completed and placed in operation. The electrification program drafted for the new five-year plan (1981-1985) includes the establishment of continuing electrical connections between Halle/Leipzig--Berlin, Dresden--Berlin, Berlin--Rostock/overseas port, Rostock--Warnemuende, as well as Magdeburg--Stendal plus the connection of these already partly electrified lines to the already converted line network of the GDR Railroad[24].

In order to attain the "electrification of at least 730 km of heavily used lines" by 1985, the East Berlin economic leadership is apparently planning to increase the annual construction volume from year to year. Without this continuous increase in the development activity, it would be impossible to attain the five-year plan goal with a construction volume of 730 km of newly electrified rail line since the development goals for 1981-1982 are far too low. Deputy GDR Transportation Minister Guenther Knobloch had this to say at a meeting of party and railroad labor union cadre activists on 30 December 1980 in East Berlin:

"Our 1981 target is the commissioning of 72 km of electrified lines in the Luckenwalde--Ludwigsfelde and Elsterwerda to Uckro sections as well as the transformer plants in Doberlug--Kirchhain and Ludwigsfelde. At the same time we must create the prerequisites for opening up 110 km of electrified line in 1982. This means that, in 1981, in addition to the sections to be placed in operation, we must put the pylon foundations down on another about 140 line km and we must build the pylons on another approximately 100 line km and we must assemble about 300 km of chain systems"[25].

In 1980, the Transportation Ministry established a "electrification" department to improve investment planning and execution and to coordinate all management activities connected with electrification. Besides, the Presidium of the Council of Ministers in its 15 May 1980 resolution appointed a "government assistant for electrification of the German Railroad." This official among other things is to make sure that the resolutions of the Council of Ministers, which are required for the accelerated electrification of the line network, will be discussed with the necessary care in the party and government apparatus, that they will be properly prepared and that they will then be carried out with the necessary degree of urgency.

On 1 January 1980 a special plant for conversion work was furthermore established in the management sector of the GDR state railroad with the designation "electrification and engineering construction enterprise of the railroad." This enterprise is supposed to combine all conversion capacities gradually. Its tasks also include the construction of assembly vehicles and equipment as well as the production of rationalization equipment to facilitate the modernization investments and to reduce their costs[26].

The GDR hopes that electrification will above all lead to a reduction in expensive fuel imports and more productive energy-industry utilization of the still abundantly available domestic brown coal from which around 85 percent of the electric current generated in the GDR are so far being obtained[27]. According to the targets in the new five-year plan, the total of the rationalization and reform measures provided for in the transportation industry and partly already tackled is supposed to facilitate a reduction in the specific energy consumption of the German Railroad by 28 percent, in maritime transportation by 10 percent, in motor freight transportation by 7.5 percent, and in inland navigation by at least 7 percent. These savings correspond to an equivalent of 30 million t raw brown coal.

7. Planned Electrification Not Possible with In-House Resources

It would hardly seem possible to attain this objective with in-house resources. The following economic and technological obstacles and difficulties in the railroad and transportation sector alone are responsible for this.

1. In almost all line sections earmarked for conversion, it is necessary first of all to reinforce and renew the track bed, the bridge crossings, and the track foundation. Otherwise, the electric trains would not be able to use their possible advantageous running speeds and it would be impossible to achieve the desired faster "passage" of freight trains per line section and time unit on account of the risks connected with that.

Besides, tunnels must be made wider, highways and pedestrian bridges must be raised or tracks must be lowered; signal bridges and pipelines must be moved, platform roofs must be shortened protective devices in the safety area of overhead lines must be built and expensive transformer plants must be erected because they are needed to convert the railroad current from the current in the nationwide grid. In addition we have the following:

2. A part of the lines earmarked for electrification must first of all be provided with a second track and that considerably increases the investment costs of the modernization projects.

3. A considerable part of the transportation facilities of the GDR Railroads throughout the country (switching stations, signal systems, communications links, car cleaning and maintenance plants, railroad electric power plants, switch heating systems, etc.) is obsolete and the frequent repairs resulting from that condition are impaired by chronic spare parts shortages and are thus delayed in terms of time. Besides, the transloading and unloading work on the marshalling yards in the junction stations, and in the terminal stations is frequently insufficiently mechanized and that delays the processing of transportation space and slows down progress in the efforts to increase labor productivity.

4. The DR furthermore still suffers from a considerable shortage of required special transportation equipment and containers in rolling stock (for example, special tanks and container cars) so as to speed up, facilitate, and reduce the costs of handling special freight.

On account of these two last-mentioned bottlenecks, the economic management and the railroad management can concentrate the capital to be made available to the transportation system only to a limited degree on the electrification of rail lines because otherwise there would be highly disadvantageous effects in the other sectors of railroad operations and in the transportation industry as a whole. But even if this expensive investment task can be carried out by 1985, the GDR with a share of 15 percent of electrified line still represents the Caboose in this form of transportation system modernization in the CEMA and in Europe.

What additional GDR management weaknesses in the economy as a whole will make the implementation of the electrification goals presumably impossible--without any outside aid?

1. The GDR industry presently does not have the required capacities for turning out the entire range of capital goods required for conversion in terms of type and quantity, by itself. Besides, an overview of the development of production and export results for rail vehicles over the past 10-15 years shows that the GDR

industry has quite obviously reached the limits of its performance for these products and that major output increases to correct the bottlenecks in railroad transportation space presumably will not be possible in the foreseeable future. This is why the DR management has been trying since 1979 to purchase second-hand freight cars from the West German Railroad. In 1979 the East German Railroad procured about 2,000 open, two-axle freight cars from old West German inventory. Last year, another 800 open "sugar-beet cars" were purchased in addition and in 1981 the East Berlin economic management once again wants to obtain the same number of cars from the central West German Federal Railroad office in Minden.[28]

2. About 60 percent of the raw materials, which the GDR economy needs to make the quantity of goods and services produced during the year must be imported from abroad. This dependence in terms of raw materials and the progressing deterioration in the terms of trade due to the rapid rise in costs of energy sources and raw materials obtained abroad since 1975 have been exerting a still growing export compulsion upon the GDR economy. To meet the needs for energy and raw materials, the country must, also against its will, increase the export of finished goods (capital goods and consumer products) way above proportion. The forced exports reduce the domestic investment possibilities and deprive the consumer goods market of the higher quality demanded there in consumer goods.

Because these foreign-trade burdens will by no means become lighter by the middle of the eighties as far as the GDR is concerned but instead will presumably become much harder, the country will, during the five-year plan which has just started, also be forced to continue to sell rolling stock and capital goods for the railroads to the CEMA countries and to Western countries--in other words, the very type of equipment which is urgently needed to modernize the train operations of the East German railroads.

According to statements from the GDR Transportation Ministry on 30 December 1980, the DR, during the 1976-1980 five-year plan which had just ended, obtained 749 diesel and electric locomotives of all kinds. About 580 of those new traction vehicles according to preliminary data are imported diesel locomotives whereby 282 of these traction machines were procured from the Soviet Union. It follows from this that the GDR Railroad over the past 5 years was merely allowed to purchase about 160 new electric locomotives. With this additional number, the railroad management also had to fill all gaps which had arisen when old traction machines had to be taken out of the inventory.

Table 10. Production and Export of Selected Rail Vehicles and Miscellaneous Transportation Equipment by GDR Industry, 1965-1978[1]

5 Art der hergestellten Schienenfahrzeuge und sonstigen Transportmittel	1965	1970	1975	1976	1977	1978	6 Steigerung oder Rückgang der Produktion und des Exports im Jahre 1978 im Verhältnis zu 1970 in Prozent[4]
1. Diesel- und Elektrolokomotiven[2] 7	572	633	444	422	414	461	−27 vH
2. Eisenbahnpersonenwagen 8	1088	1519	1628	1720	1765	1521	+/−0 vH
3. Eisenbahngüterwagen 9	2172	5709	5047	5430	5567	5527	− 3 vH
Nachrichtlich: 10							
I. *Produktionsziffern weiterer Transportmittel* 11							
1. Lastkraftwagen 12	15179	24180	35845	35919	37236	36735	+53 vH
2. Omnibusse 13	542	2587	2466	2482	2707	2784	+ 8 vH
3. See- und Küstenfrachtschiffe 14	47	38	24	25	26	26	−32 vH
II. *Export ausgewählter Schienenfahrzeuge und Transportmittel* 15							
1. Reisezugwagen 15a	1069	1071	1115	1157	1148	1199	+12 vH
2. Lastkraftwagen[3] 16	6551	12276	24671	24221	21448	23489	+91 vH
3. See- und Küstenfrachtschiffe 17	27	41	25	23	21	23	−44 vH

Key: 1--In the GDR, the official statistics do not publish any data on the number of diesel and electric locomotives, railroad freight cars, and buses exported. This is why the production figures shown only give us a rough indication as to the possible inventory increase, for example, in selected rail vehicles. Moreover, the State Central Statistics Administration does not publish any time series regarding the annual inventory changes for the steam, diesel, and electric locomotives used in domestic train operations and on any changes in the rolling stock for freight cars and passenger cars (broken down by standard cars, special cars, sleeping cars, and dining cars). This is why unfortunately we cannot determine roughly how many locomotives and railroad cars the East Berlin economic leadership imported annually to supplement the railroad rolling stock or how many it was able to import on the basis of limited foreign exchange reserves. Due to these information gaps, we cannot come up with any precise data as to how the East German Railroad's transportation capacity for rolling stock of all kinds went up for example during the period of 1970-1980, per year; 2--During 1970-1978, the GDR procured the following numbers of diesel locomotives from abroad: 1965--72; 1970--37; 1975--182; 1976--142; 1977--100; 1978--122; 3--Including special trucks; 4--The determination of the increase or decline in the production and export performance here is made without considering the changes which took place during the period of the survey regarding the size of the utility value(yield/quality) and the price of the product types exported; 5--Type of rail vehicle made and miscellaneous transportation equipment; 6--Increase or decline in production and exports in 1978 compared to 1970 in %[4]; 7--Diesel and electric locomotives[2]; 8--Railroad passenger coaches; 9--Railroad freight cars; 10--Specifically; 11--Output figures for additional transportation equipment; 12--Trucks; 13--Buses; 14--Ocean-going and coastal freighters; 15--Export of selected rail vehicles and transportation equipment; 15a--Passenger motor coaches; 16--Trucks[2]; 17--Ocean-going and coastal freighters. Source: STATISTISCHES JAHRBUCH DER DDR 1974, pp 301 and 304; and 1979 edition, pp 119, 231-248, especially p 234; see also pp 193-203. vH--%.

From the transportation-industry data available for the period of the past 5 years, we can figure out that the GDR economy exported more than 90 percent of its diesel and electric locomotives made in 1976-1980 (totaling about 2,150 units) to foreign countries, primarily to the USSR and other CEMA countries. Although the GDR industry annually produces between 1,500 and 1,700 railroad passenger coaches, the East German Railroad over the past 5 years only got 1,658 new passenger motor coaches from the economic management to modernize its rolling stock. This again shows us that the GDR, due to the pressure of the foreign-trade burden, is presently forced to sell four out of every five annual output volumes of railroad passenger coaches during any specific period of the long-range plan to foreign countries. In conclusion, the following data show the investment bottlenecks which the GDR Railroad has to struggle against. Although a large portion of its safety, signal, and communications systems should urgently be exchanged and above all modernized, only 20 new track model plants have been installed for the entire train operation volume of the GDR railroad over the past 5 years between 1976 and 1980--that is to say, four during every year[29].

3. The foreign currency yield from Western exports and capital transfers is presently not enough to purchase the structural components and equipment needed for electrification from Western industrial economies especially since about 40 percent of the annual export earnings in terms of convertible currencies deriving from commodity shipments and license sales must be spent for debt servicing[30]. Apart from other loans from Western free-enterprise economies, there is therefore only the possibility of importing the missing capital goods from the Soviet Union and other CEMA countries and in return to make additional quantities of GDR commodities available which are particularly in demand. This however presupposes that, to meet this demand in the CEMA, unused production capacities are available and that the already heavily overtaxed export strength of the GDR will be sufficient to make additional quantities of export goods available so that the domestic output gaps in terms of railroad capital goods can be closed.

4. On the basis of the ambitious expansion and modernization plans for the USSR state railroad, Soviet industry has since the beginning of the seventies been constantly fully committed to the limit of its capacity for railroad equipment and rolling stock. According to the long-range plan targets for the tenth five-year plan, which ended on 31 December 1980, the Soviet state railroads were supposed to get 3,000 km of new rail lines, 2,800 km of second track on the most frequently used line sections, and more than 4,000 km of newly electrified tracks by the end of last year.

Looking at the planned construction results of 5,800 km of new tracks, the Soviet Union by the end of 1979 however had completed only a distance of 2,865 km[31]. Just one year prior to the end of the five-year plan, the target for the new construction of rail lines, contained in the long-range plan, has been attained only to the extent of 49 percent.

In the electrification of rail lines on the other hand the Soviet economic management was able to achieve better results by the end of 1979. During the 4 years of 1976-1979, a total of 3,519 km of railroad tracks were converted to electrical operation in the USSR[32]. If the Soviet economy in 1980 likewise managed to electrify about 1,300 km of rail line, as during 1979, then the economic

planners in Moscow would have achieved the expansion and modernization goals in that field[33].

The considerably faster tempo of electrification of Soviet rail lines, as compared to the GDR, is determined and explained above all by the following special tasks which the railroad power grid and electric facilities of the state railroads (transformer plants, transformer stations, etc.) were assigned in the USSR in connection with the opening up of the eastern parts of the country.

At the end of 1975, more than 2,600 collective farms, more than 1,100 state farms, and about 1,800 industrial enterprises were supplied with electric energy from the railroad power grid in the Soviet Union. Overall, the state railroads had to supply more than 25 billion kwh to these energy consumers. This energy volume, which was just turned over, corresponds to the total annual energy generation in the Hungarian People's Republic or 26 percent of the electric energy generated in the GDR in 1978[34].

In addition to the above-mention ambitious expansion and modernization goals for the line network, the 1976-1980 plan period furthermore included a tremendous increase in the rolling stock of the Soviet state railroad. During the past five-year plan, the economic management wanted to make available to the railroads, from domestic production and imports, a total of 2,200 electric locomotives, 6,400 electric motor coaches, 2,500 switching locomotives, and more than 400,000 passenger coaches and freight cars--all of them new[35].

In view of these expansion goals, which will not turn out any more modest during the coming five-year plan (1981-1985) either, and keeping in mind the fact that the USSR is the biggest net importer of rolling stock in the CEMA, the chances for the GDR getting the desired number of railroad capital goods items from the USSR look relatively poor[36]. In addition there is the fact that the GDR until far into the eighties must anticipate a progressing deterioration in its terms of trade in dealing with the Soviet Union. The consequence is that it must supply the leading power in the CEMA with more and more industrial finished products (especially high-grade machinery and industrial equipment) in return for the same quantity of energy sources and raw materials procured. Because of the continually growing foreign-trade burdens--resulting from the price gap between the development of raw material prices, on the one hand, and the development of prices for industrial finished products, on the other hand, the import leeway of the East German economic management during the coming years will keep shrinking. In this tight situation one can hardly expect any help from the East. Because of the rigid bilateralism in trade relations between countries with government-controlled trade, the GDR cannot hope that it might be able considerably to overdraw its payment balance account in dealing with the Soviet Union[37]. From this situation analysis we can conclude that even the rather modestly designed electrification plans of the GDR Railroad are on rather shaky grounds.

FOOTNOTES

1. See Hubert Egemann, "The Transportation System's Contribution to the Further Accomplishment of the Primary Mission," EINHEIT, East Berlin, No 11, 1978, pp 1145-1151, specifically p 1147.

2. See the article entitled "On the Requirements for the Eighties: How Can One Transport More Passengers and Freight with Less Energy?" NEUES DEUTSCHLAND, 7 Aug 80, p 3.

3. See Hubert Egemann, "The Transportation System's Contribution to the Further Accomplishment of the Primary Mission," loc. cit., footnote 1, p 1146.

4. During the same period of time, the import prices for cocoa and coffee went up by about 500 percent and for nonferrous metals, cotton, and grain they went up about 300 percent for the GDR.

5. Concerning these data, see DIE WIRTSCHAFT, No 10, 1979, p 19.

6. See Klaus Otto (GDR Ministry for the Construction Industry): "Cooperation between Construction Industry and Transportation System," KRAFTVERKEHR, East Berlin, No 6, 1980, pp 274-275.
Guenther Knobloch (Deputy Transportation Minister): "Division of Labor, Production Cooperation, and Modern Technologies--Basis for Effective Transportation Work," DDR-VERKEHR, No 11, 1980, pp 364-366.
Heinz Schmidt (State Secretary in GDR Transportation Ministry): "Shifting Transportation from Highway to Rail," PRESSE-INFORMATIONEN, published by Press Office Attached to the Chairman of the GDR Council of Ministers, No 149, 4979, 18 December 1980, p 2.
"Rationalization in the Transportation System--Prerequisite for Greater Effectiveness," (conference report), DDR-VERKEHR, No 12, 1980, pp 400-404, specifically p 402.

7. See Gerhard Fiedler, "On the Effectiveness and Further Development of Factory Car Pooling," KRAFTVERKEHR, East Berlin, No 5, 1980, pp 217-219; "79 car pools in Rostock Bezirk," NEUES DEUTSCHLAND, 20 November 1980, p 2. In this connection, see the constructive analysis by Herman Wagener (professor, "Friedrich List" Transportation College): "Ways to Reduce Freight Transportation Expenditure," DIE WIRTSCHAFT, No 10, 2 October 1980, pp 16-17.

8. At the end of 1978, there were 17,350 bus lines with a total length of 610,000 km in bezirk-managed motor transport and in urban commuter transportation in the GDR. In urban commuter transportation alone at the same time there were 678 urban bus lines with a total length of 6,352 km. The vehicles used in bezirk traffic and in urban commuter traffic currently carry about 2 billion passengers. More than 23,000 buses are currently licensed in the GDR for urban and long-distance transportation (not including small buses). Most of them were imported from Hungary (Ikarus buses). The GDR today has a relatively dense network of bus lines so that almost every town in the country is included in network planning and line layout. See among other things the central

organ of the FDGB [Free German Labor Union Federation], TRIBUENE, 15 November 1977, article entitled "The Most Frequently Used Carrier (Buses Carry almost 2 Billion Passengers per Year)," NEUES DEUTSCHLAND, 7 February 1978, p 2 and STATISTISCHE JAHRBUCH DER DDR 1979, p 194 and pp 200-202.

9. Freight transportation performance measured in ton-kilometers. In 1976, the railroad's contribution to the total freight transportation volume (excluding maritime shipping) came to 68 percent; in 1977 it was 66 percent and in 1978 it was 65 percent. See STATISTISCHES JAHRBUCH DER DDR 1979, p 195.

10. From the "Voroshilovgrad Diesel Locomotive Works" production association alone the GDR procured 800 diesel locomotives since the end of the sixties. The locomotive delivered by this combine (Russian designation TE-109) is equipped with an AC and DC gear and with a four-stroke diesel with a capacity of 3,000 hp. Depending upon whether the freight train or passenger train version of the locomotive was ordered and depending upon the customer's choice, the traction machine can be designed for a planned speed of 100, 120, and 140 km/hr. In the GDR, these three modifications are designated 130, 131, and 132. As a function of the possible speed, the locomotive is equipped with electrodynamic brakes and electrical train heating. See Igor Sukhov: "The Export of Diesel Locomotives," in AUSSENHANDEL, published by the USSR Ministry of Foreign Trade, Moscow, No 1, 1981, pp 28-30.

11. See the "Law on the Five-Year Plan for the Development of the GDR National Economy, 1971-1975," dated 20 December 1971, GBL [Legal Gazette], Part I, No 10, pp 175 ff, specifically, p 185.

12. See "Performance Development in GDR Passenger Traffic," DIE WIRTSCHAFT, East Berlin, 19 March 1975, p 17.

13. The most important causes of the rapid expansion of the demand for railroad transportation services are as follows: (1) the increase in the transportation volume resulting from economic growth; (2) the need for transit shipments resulting from the GDR's central location in Europe (for example, the transportation of large containers in transit between Western Europe on the one hand and Poland and the Soviet Union on the other hand); (3) The rapidly growing number of foreign trade shipments on the basis of the constantly growing service exchange between countries with government-controlled trade (in other words, the effects of the desired socialist economic integration of the CEMA countries in one huge economic area). In the CEMA, the railroads in 1980 presumably will have to carry about 50 percent of the freight volume exchange in international trade among the CEMA countries. See among other things "Common Tasks of CEMA Countries in the Transportation Industry," DDR-AUSSBENWIRTSCHAFT, No 3, 18 January 1978, pp 1-2; "Freight Transports in Transit via the GDR Railroad Net," DDR-AUSSBENWIRTSCHAFT, No 26, 28 June 1978, p 15; Boris Busygin, "Modern OPW [Joint Freight Car Pool] Cars on Far-Flung Rail Net," (more freight transportation across international boundaries), NEUE ZEIT, East Berlin, 22 January 1979, p 5.

14. During the 1976-1980 five-year plan, 800 km of second tracks were supposed to have been laid according to the directives of the ninth SED Party Congress.

By the end of 1979, 655 km of that planned distance had been completed. See among other things "Line Network of the Railroads Becoming More Efficient," NEUES DEUTSCHLAND, 19 January 1978; "Development of GDR Railroad Lines Network --A Success Story," DDR AUSSENWIRTSCHAFT, No 1, 4 January 1978; "Another 160 km of Second Track," NEUES DEUTSCHLAND, 4-5 March 1978, p 3; "Facts and Figures: On the Occasion of 'The Day of the Railroad Workers' and on the Occasion of 'The Day of Transportation Workers' on 8 June 1980," PRESSE-INFORMATIONEN, published by the Press Office attached to the Chairman of the GDR Council of Ministers, No 63, 4893, 29 May 1980, pp 5-6.

15. Of the current figure of about 14,200 km of track, about 7,600 km are on the trunk lines. The remaining 6,600 km are secondary lines. About 80 percent of all transportation services performed by the East German railroads are rendered on the trunk lines. Consequently, the work load of the trunk lines is extremely heavy. About 40 percent of the main lines cannot be further burdened in the transfer of transportation missions. See the following sources: "Development of Railroad Line Network in the GDR--A Success Story," DDR AUSSEN-WIRTSCHAFT, No 1, 4 January 1978; and "The Line Network of the Railroad Is Becoming More Efficient," NEUES DEUTSCHLAND, 19 January 1978.

16. The downgrading of the transportation system when it comes to investment fund allocation, ordered due to a real capital shortage, did not extend to the construction and development of overseas ports (with emphasis on Rostock) and maritime shipping (creation of a government-owned merchant fleet).

17. See also "How Can One Transport More Passengers and Freight with Less Energy?" NEUES DEUTSCHLAND, 7 August 1980, p 3. If we base the determination of the output increases in the GDR transportation industry on the official data supplied by the 1971 issue of the Statistical Yearbook, then the freight shipments increase for goods (excluding maritime transportation) during the period between the end of 1970 and the end of 1978 would come to 39 percent instead of the 36-percent figure given.

18. See in this connection "Facts and Figures on Electrification" and "Triple the Electrification Pace" (reports and articles on efforts to convert the GDR Railroad to electric traction), FAHRT FREI, No 3, 1981, pp 6-7.

19. This figure extensively coincides with the statements made by Deputy Transportation Minister and State Secretary in the GDR Transportation Ministery Schmidt on 7 August 1980 in an interview. He said: "Between 1976 and 1980, we electrified an average of 40 km per year. In view of the energy industry aspects, the pace here should be stepped up." See the mentioned interview under the title "Concerning the Requirements for the Eighties--How Can One Transport More Passengers and Freight with Less Energy?" NEUES DEUTSCHLAND, 7 August 1980, p 3.

20. See "On the Requirements of the Eighties--How Can One Transport More Passengers and Freight with Less Energy?" NEUES DEUTSCHLAND, 7 August 1980, p 3.

21. See "The Tasks of the Transportation Industry in 1980" (report on a seminar with leading cadres in the transportation industry in Gotha on 21 and 22

February 1980), DDR-VERKEHR, No 4, 1980, pp 112-115, specifically, p 115.

22. The specific energy consumption of transportation carriers is in each case determined with reference to one t of cargo moved (including the weight of the vehicle) per km.

23. Of course, in comparing efficiency we must not overlook the fact that electric traction also requires a series of follow-up investments which due to the attendant additional expenditures somewhat reduce the advantages of this type of traction. That includes for example the fact that the switch to efficient electrical train operation for passenger and freight transportation calls for the lengthening of most train platforms and station tracks as well as a reorganization of the freight car pool from two-axle to four-axle, six-axle, and eight-axle cars.

24. See "Rationalization in the Transportation Industry--Prerequisite for Greater Efficiency in Transportation Work" (report on the transportation industry's rationalization conference on 22 October 1980 in Berlin), DDR-VERKEHR, No 12, 1980, pp 400-404, specifically 402; see also Eberhard Russek: "Trains on Trunk Lines under Long Wire," NEUES DEUTSCHALND, 29 October 1980, p 3.

25. See Guenther Knobloch, "Reduce Expenses, Increase Efficiency," FAHRT FREI, East Berlin, No 1, 1981, p 7; see also "Railroads Quickly Electrifing Network," NEUES DEUTSCHLAND, 27 January 1981, p 2.

26. See the report by GDR Transportation Minister and German Railroad General Manager Otto Arndt on the topic "Implement the Electrification Decision with a High Level of Party Orientation and Consistency," FAHRT FREI, No 3, 1981, p 6.

27. According to official data, the GDR presently has raw brown coal deposits amounting to 18-20 billion t. By 1990, the annual mining volume is to be increased by one-fifth to a figure of 300 million t. To achieve this extraction volume, it will be necessary to open up a total of 21 new strip mines. See NEUES DEUTSCHLAND, 4 June 1980.

28. According to official data from the West German Federal Central Railroad Office, the open freight cars sold as a rule are between 30 and 40 years old and can no longer be economically utilized on the lines of the West German Federal Railroad. The GDR needs the car type purchased above all to transport brown coal, concrete gravel, limestone, crushed rock, fine gravel, sand, and other construction materials. About 18 percent of the freight transported annually by the East German Railroad consists of construction materials (excluding cement and lumber). If we add these two types of freight, then the freight volume carried by the railroads in the GDR will be made up to the extent of 24 percent of raw materials in the broader sense. Judging by the transportation volume in tons, the transportation of coal, coke, and construction materials requires 53 percent of the East German Railroad's transportation capacity. Without the re-use of cars taken out of the inventory of the West German Federal Railroads, the GDR economy and transportation managers would not

be able to divert at least a part of the construction material shipment volume from the highways and carry it by rail (the idea being to cut down truck transportation to save fuel and lubricants made from oil). See the report entitled "West German Federal Railroad: 'GDR' Interested in Second-Hand Freight Cars," DIE WELT, 11 December 1980, p 12. See also the interview with State Secretary in the GDR Transportation Ministry Heinz Schmidt in NEUES DEUTSCHLAND, 18 January 1981, p 2; see also STATISTISCHES JAHRBUCH DER DDR 1979, p 190.

29. See Hoffmann, Otto and Gerhard Scharschmidt, "DDR-Aussenhandel--gestern und heute," East Berlin, 1980, p 71; Robert Menzel (GDR Deputy Transportation Minister): "Further Raising the Party's Fighting Strength," FAHRT FREI, No 1, 1981, pp 6-7. Guenther Knobloch: "Reducing Expenses, Increasing Efficiency," ibid., pp 6-7 and Table 10.

30. For further documentation, see Hannsjoerg Buck, "The Payment Balance Policy of the GDR and the European CEMA Countries (Stabilization Measures Taken by Central Planned Economies to Restore Balance of Payments)," published by All-German Institute, Bonn, 1980, pp 57 ff.

31. See STATISTISCHES JAHRBUCH DER MITGLIEDSSTAATEN DES RGW, published by CEMA Secretariat, Moscow, 1980, pp 275-276.

32. The annual electrification results in the USSR during the first 4 years of the Tenth Five-Year Plan came to 793 km in 1976, 802 km in 1977, 604 km in 1978, and 1,320 km in 1979. See STATISTISCHE JAHRBUCH DER MITGLIEDSSTAATEN DES RGW, published by CEMA Secretariat, Moscow, 1980, p 275-276.

33. In point of fact, the USSR Council of Ministers on proposal of the GOSPLAN (State Planning Commission) decided in 1980 once again to convert 1,300 km of rail line to electric traction and to orient the investment efforts in the transportation sector primarily toward the attainment of this goal. The tremendous efforts required by this undertaking in terms of the Soviet Union's management and investment power can be determined in the light of the fact that the USSR in 1980 decided in only 12 months to convert just as many railroad kilometers to electric traction as the GDR and Hungary, for example, have presently, on the whole, in terms of electrified lines. See Roland Erdmann: "National Economic Effectiveness of Traction Conversion in the Soviet Union," SCHIENENFAHRZEUGE, No 6, 1980, East Berlin, pp 271-273, specifically p 271.

34. See Roland Erdmann: "National Economic Effectiveness of Traction Conversion in Soviet Union," SCHIENENFAHRZEUGE, No 9, 1980, East Berlin, pp 271-273, specifically p 272.

35. About 60 percent of the freight transportation volume annually developing in the Soviet Union are delivered to the desired destinations with the help of the railroads. The Soviet state railroads account for about 40 percent of the passenger traffic volume handled. The most important undertaking concerning the further expansion of the USSR rail network since 1974 has been the construction of the BAM (Baikal-Amur trunk line). The construction of the BAM and other lines behind the Ural Mountains and in the Central Asian republics calls for tremendous expenditures in terms of finance capital, material

resources, manpower, and time. They exceed the expenditures for line expansion in the European part of the Soviet Union by a multiple. The line of the BAM is 4,315 km long. To complete this track layout, it is necessary to lay 3,114 km of new tracks. The line runs throughout seven mountains and among other things across seven of the biggest rivers in Siberia and the Far East. These natural obstacles require about 3,700 engineering structures (mostly bridges) to complete the entire project, along with the construction of countless tunnels with a total length of 32 km and the establishment of 60 supply and railroad stations. At this time, there are 70,000 persons working to complete this transportation project. The construction of the second big east-west artery in the Soviet Union according to preliminary estimates will cost 1 billion rubles. The single-track line of the BAM is designed for a transportation volume of 30-35 million t of freight per year. Electric, gas-turbine, and diesel locomotives with capacities of 8,000-12,000 kp are being used on the line. They can pull trains with a load of 6,000-9,000 t. For train operations on the BAM, it is necessary to produce an extra, super-heavy electric locomotive type which can meet the performance demands on that line and which would offer a guarantee that a well-working train operation can be maintained also under difficult climatic conditions with major temperature differences. The super-heavy electric locomotives are being built in the enterprises of a big combine in Novocherkassk (Ukrainian SSR). According to the development plans of this combine, the plants under its control between 1983 and 1986 are to turn out about 2,000 of these special traction machines. See also A. G. Schuchard: "The BAM in Words and Pictures," FAHRT FREI, East Berlin, No 21, 1980, p 10; and "USSR--Rising Need for Rolling Stock," DDR-AUSSENWIRTSCHAFT, No 34, 20 August 1980, p 13.

36. For example, about 80 percent of the rolling stock exported by Poland are purchased by the Soviet Union.

37. Regarding the balance of trade and the balance of payments policy of the partner countries in the CEMA, see specifically Hannsjoerg Buck: "The Balance of Payments Policy of the GDR and the European CEMA Countries," loc. cit., footnote 30, pp 20 ff.

5058
CSO:2300/325

NEW MEASURES TO BOOST PRIVATE SECTOR REVEALED

Budapest NEPSZABADSAG in Hungarian 30 Aug 81 p 4

[Article: "On the Agenda of the Presidential Council--Unexploited Creative Energies"]

[Text] A series of measures are being continued to help satisfy in a fuller and better way the increasing and constantly more varied demands of the population. In this spirit, the Presidential Council at its Friday session passed law decrees on the further development of the legal conditions for small shop and cooperative management. These statutory provisions form a part of the realization of broad-scale development tasks designed to develop cooperative and retail goods production.

The statutory provisions which are now approved create the possibility, among other things, for the establishment of forms which adjust more rapidly and flexibly to changing requirements and of small cooperatives and industrial and service teams. Orders are approved for the further development of small industry which provides an important part of the services extended to the population. At the same time, the Council of Ministers is authorized to frame rules, varying from present regulations regarding the cooperative form and the economic task force of a "corporation complete with rights as 'legal person.'"

Beginning 1 January 1982

The new statutory provisions which will come into force on 1 January 1982 will reflect the spirit of the resolutions by the 12th Party Congress. As is well known, one resolution specifically established: "An improvement in living standards requires a better satisfaction of the demands for services...and we should stimulate with economic means and promote with more flexible organizational forms an expansion of the scope of services and an improvement in quality." The congressional resolution also stated, and this was taken into account by the drafters of the statutory provisions, that in addition to the efficient use of the work time base, the new organizational forms must also make it possible to make better use of individual and family manpower reserves. To a considerable extent, this contributes to a more flexible satisfaction of the expanding and rapidly changing demands and to an increase in the national wealth.

Thus the present measures are designed to satisfy actual social demands and needs. We expect them to provide an area of operation for creative energies that have not been tapped thus far: primarily in the expansion of services and making them of a

a higher level, they should be profitable and contribute to an improvement in the population's living conditions, and to strengthening the socialist bases of the society and economy.

New Forms

Small cooperatives may be formed at the initiative of the members primarily for the improvement of services and the expansion of their sphere. It may have workers both in the main and the auxiliary occupational sphere, who are active both in a membership or employee relationship. In this form the responsibility of the members will be expressed more than heretofore. They are the ones who can decide how large a share of the small cooperative revenue can be devoted to development and how large a share to increasing the earnings of the members and the employees.

Industrial producer and service specialty teams can be established in the framework of cooperatives that are already operating; as indicated by their names, these teams offer primarily services, or they manufacture products which cannot be produced economically in a large factory. They enjoy relative economic-property independence, and relationships with the "parent cooperative" are regulated by agreement.

A current operating form is the agricultural specialty team. The existing orders, however, had made it possible to establish these only in agricultural producer cooperatives and in general consumer and marketing cooperatives. Such a specialty team may be established in the future also on state farms and other state enterprises performing agricultural work.

The economic work task force is a new organization form. These may be established independently or in relation with a state economic organ. The basic goal here, too, is to develop consumer and other services to improve small shop production and supply. If the work task force operates as an enterprise economic work task force, it uses primarily enterprise means. The enterprise has greater influence on the management of this organization and on its entire activity, but its responsibility and risks are also greater.

Modification of the legal regulation of small shops has simplified official procedures and eliminated such earlier limitations as unjustifiable encumbering the satisfaction of actual demands.

The increased exploitation of reserves that are latent in small shop management has made it necessary to continue the development also of serveral other economic forms which are already in operation. Wider opportunities are opened in cooperation with large socialist factories by new orders on the basis of which the economic work task forces or small shops to be established can lease small shop industrial or service units which meet primarily the needs of the population.

Social Interest

The orders which have now been approved set the economic, legal and directive and supervisory limits of the new organization in harmony with social interests. Among other things, the regulation assures a legal area of mobility, an activity which up

to now was permitted without license, and was thus essentially uncontrollable. It develops controllable processes which can be regulated and creates the possibility for assuring harmony between the work performed and the revenues deriving from the new forms. All in all, it strengthens the influence of the large socialist factories over those dealing with supplementary activity.

Other statutory provisions regarding the new forms and relating thereto, including decisions expanding the scope of those entitled to social insurance allocation forms, will appear at the end of September.

6691
CSO: 2500/368

WELFARE FUND TO COVER HIGHER MEAT PRICES

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 29, 22 Jul 81 p 20

[Article: "Increase in Consumer Meat Prices--Enterprise Welfare Provisions"]

[Text] The increase in the consumer price of meat and meat products is also making the modification of enterprise welfare provisions necessary. Thus the following should be noted:

1. The operating standard for enterprise child institutions is increasing by 70 forints per person (50 filler per portion) beginning with the first of July, because of the increase in the cost of the raw materials of food.

Thus, from 1 July 1981, the standard is:

for infant care, 28,500 forints per person per year;
for kindergarten, 11,840 forints per person per year.

2. For in-plant meals, the cost increases will be absorbed by the welfare fund. The compensatory fee which workers pay for plant meals cannot be increased because of the increase in the consumer price of meat.

As a matter of information, we are repeating that taking the nutritional standards of the budgetary establishment as a basis, because of the increase in the consumer price of meat, and as a result of the forint value of the meat content of plant meals, the nutritional standards must be increased by, on the average, 4 to 5 percent in order to maintain the food level. In the case of a principal meal, this requires at least a 50 filler per portion raw materials standard increase.

3. The price measure also affects the food costs of enterprise operated resorts. It would be appropriate to establish the new raw material standards for meals in cooperation with SZOT [National Council of Trade Unions] resorts. The resort compensatory fee which workers pay will not increase in 1981.

For orderly accounting purposes, it is necessary that enterprises turn increasing attention towards the harmonization of greater tasks and the sources of available welfare and cultural funds. We must endeavor to have more intelligent management in order to prevent monetary tensions which may arise because further supplementation from the contributory fund may be necessary because of the measures. In

addition, we want to call attention to the fact that beyond the raising of the enterprise meals standard which was necessitated by the increased consumer prices of meat, the further raising of the meals standards by increasing the compensatory fee of the workers is not timely. At the same time, the enterprises also ought to provide for the necessary modification of the collective agreement. (Joint communique of the PM-Mum-SZOT [Ministry of Finance-Ministry of Labor] numbered 320/1981, dealing with certain problems touching on enterprise welfare provisions related to the increase in consumer prices of meat)

9093
CSO: 2500/353

NEW RULES FOR AGRICULTURAL SHAREWORK ESTABLISHED

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 29, 22 Jul 81 p 20

[Article by Gyorgy Dudas of the Directive and Legal Affairs Division of MEM [Ministry of Agriculture and Food Industy]: "Conditions of Sharework"]

[Text] MEM decree 38/1977 (XI,5) used to regulate the possibilities and conditions of sharework for large agricultural enterprises. This decree, however, regulated sharework only as far as cultivation of arable land is concerned. Because of the effects of the favorable experiences acquired here, the request to extend the opportunities presented by this type of activity to other areas of agricultural effort was initiated from several quarters.

In the year's 35th issue of MAGYAR KOZLONY, the decree of the agricultural and food industry ministry, MEM number 11/1981 (VI,19) was published, providing for the possibility of extending sharework to the nearly whole spectrum of agriculture and forest management.

Appropriately, the sphere of the large agricultural enterprises in which sharework can be performed is broadening to include fishing production, cooperatives, state farms and tree farms, as well as farming organization included in the forestry management branch.

Beyond broadening the scope for large agricultural enterprises, the range of activities also increased to include nearly the whole branch, in addition to the cultivation of plots. There can be sharework in keeping animals owned and used by the large enterprises, in fishing and in the preparation of animal products (for example, egg production, sheep shearing). The extension of sharework to keeping animals is promoting the utilization of available animal keeping facilities in family farms, and also results in savings on new facilities for the large farms.

According to the decree, in essence any contract or agreement to perform strictly agricultural or forestry management activities can be shareworked. In addition to serving the interests of individuals, this is of great significance to large farms, because it can result in the mobilization of not yet utilized labor force reserves and the easing of the labor force tensions which arise particularly at harvesting.

The continued increases in the cost of energy sources and economy considerations have brought wood, which can be considered a traditional energy source, to the

center of attention. According to the decree, there can be sharework even in the various forms of wood production, and the gathering of sawmill scraps can ease the occasional shortages of wood fuel. The felling and cutting of timber under these conditions is not only encouraged, but is profitable on the national economy level.

Since the opportunities for sharework have been made all inclusive, it has become possible for large agricultural plants to make their labor organizations flexible, and also for the shareworkers to better harmonize the work performed on their own farms with their participation in the common effort. In essence, the previous decree, which specified a maximum of 3000 working hours, was superseded because of such considerations. The fact that the decree does not determine the maximum limits of sharework also greatly increases the self reliance of large farms. It now becomes possible for large farms to make unprofitable activities more profitable by using shareworkers.

According to the decree, the following may contract sharework through a work agreement:

a) those who work for large farms (employees), even beyond their working hours and jobs specified in the labor contract;

b) those who are not employed by a large farm.

A member of a production cooperative may accept sharework within the framework of a work agreement even outside of working hours and job areas determined by the labor contract.

On the basis of the practical experiences to date, statutory provisions guarantee the opportunity for contracting sharework through work agreements or labor contracts even with groups of employees of large farms.

The directive affecting private interests--which at the same time are a matter of concern to the large farm--which specifies that restricting regulations which exist for moonlighting, additional occupations and the performance of work under other legal or labor relationships brought about by memberships in a production cooperative, do not extend to shareworkers.

Naturally, the content elements of contracts, or rather agreements, are also paralleling the changes which came into existence with the new decree. For example, the division of working hours collectively performed must be specified in group work contracts or work agreements.

An important element of contracts is the price. The price of the product must be calculated first according to authorized prices, or if these do not exist, they must be specified by the agreement drawn up between the large farm and the one undertaking the work.

The sharework contract may not hire other labor forces to help perform the work, except family members who are not already included in the labor or membership relationship.

If the sharework contractor is planning to include family members into the effort, they must be listed in the contract or agreement along with the number of working hours that can be credited to them.

While the decree has eliminated the previous maximum working hours, there is a significant personal concern in regulating the daily hours of work within some framework. Statutory provision expresses this by obligating the large farms to determine the daily hours expected to be required by taking standards into account. The daily hours of work must be so determined that workers in a membership relationship be ensured 8 hours of rest; those in an employee relationship must be ensured 11 hours of rest daily.

The establishment of the amount of share is a significant problem. In contrast to the previous regulation--as we already mentioned previously--there is no upper limit here either. When the agreement is established--depending on the work involved--the amount and value of the yield and the probably amount of necessary work must be taken into account. After the completion of the work, the large farm and the shareworker are required to hold an accounting and to establish the wages, or rather, to establish the total of the production cost from the value of the share.

9093
CSO: 2500/353

GREATER USE OF ORGANIC FERTILIZER URGED

Budapest FIGYELO in Hungarian 5 Aug 81 p 11

[Article by Dr Attila Santha: "450 Million Loss Each Year"]

[Text] In the last decade, interest centered on the use of animal byproducts, primarily for environmental protection. The large quantity of organic manure generated has caused pollution with which it is more and more difficult to contend. In addition, the extremely rapid rise in the prices of industrial equipment and materials urged the farms to use animal byproducts. Recently it has become generally known that increased replenishment of the organic materials in the soil is necessary for better utilizing the chemicals, as well as decreasing their harmful effects.

Byproducts of Increased Value

About 22 million tons of manure fertilizer are generated in Hungary [yearly], of which only 16 million tons are used on the fields. Only 30 to 40 percent of the approximately 22 million cubic meters of diluted manure is used. Nevertheless, the plant nutrient content of the organic fertilizers generated in raising livestock is equivalent to about 300,000 tons of chemical fertilizers.

In analyzing the decline in the use of organic fertilizers, we must look at the development of the main-product cycle that emerged in the mid-1960's.

The industry-type branch development relying on inexpensive industrial materials and energy at best recognized only the vertical relationships between main products--and even that was the source of many tensions let's recall only the relationship between fodder production and livestock raising. The branch connections based on byproducts were practically eliminated.

Because of inexpensive industrial equipment, the independent and isolated development of the branches also agreed with the interests of the farms; increasing the production of the main product resulted in much larger economic profit than by using the byproducts. Therefore, not only was organic fertilizer [not] used in growing plants, but also livestock raising was unwilling to incorporate the valuable byproducts from plant growing and from the food industry into the structure and increased technology of livestock feeding.

The erroneous agronomic assumption that with the intensive application of chemical fertilizers there is no need to replenish the organic materials, also played a role in neglecting to use organic fertilizers. Since the organic fertilizers are materials with lesser concentration, using them is more costly than using chemical fertilizers. Of course, the relatively inexpensively produced chemical fertilizers were sold with significant state subsidies.

[Graph: "The STAGEK MEM (Statistical and Economic Analysis Center, Ministry of Agriculture and Food Industry) Data"

Agricultural and Food Industrial Foreign Trade in 1975 through 1980

Key to the graph:

1. Export
2. Import
3. Agricultural products
4. Food industrial products
5. Billion forints
6. Years 1975 through 1980]

Because machinery development was focused on the main products, the modern machinery lines needed for using organic fertilizers were not developed. Thus, this operation could not fit into the industry-type plant-growing technologies.

The increase in material and energy prices increased the value of byproducts in [livestock] feeding, as plant nutrients and as energy sources.

Recently a number of solutions were worked out for the use of byproducts. Undoubtedly those solutions for using byproducts that, when applied, will produce an economic advantage for the enterprise, may become popular. In order to make such decisions, one must know not only the costs of utilization but also the value of the byproducts.

The Costs of Substitution and Utilization

Accounting keeps a record of the byproducts of livestock raising at an accounting price that is standard for the whole country. The accounting price is not suitable as the foundation for economic oeprating decisions related to the use of byproducts. A more realistic economic evaluation of the byproducts could be determined if those prices were determined on the basis of the products that they replace. Thus, the value of organic fertilizers could also be determined primarily on the basis of the value of the active ingredients in chemical fertilizers of equivalent value with their plant nutrient contents. (The value of organic fertilizer is higher than this, but the value represented by the organic material is difficult to express in terms of numbers.)

If we consider that the cost of active chemical fertilizer ingredients equivalent to 1 kilogram of active organic fertilizer ingredients is 5 forints including the cost of application, then at the branch level, where there is a 100 ft per ton accounting cost also charged against the cost of using organic fertilizers, the replacement of each kilogram of chemical fertilizer with equivalent organic fertilizer causes a significant cost increase of more than 12 forints. This can by only decreaded [but not eliminated] by the favorable effect of the organic fertilizer, which was not considered in devising the accounting cost.

At the enterprise level, where the 100 ft accounting cost is not charged as an expense, because cost and result equalize themselves among the branches, replacing chemical fertilizers with organic fertilizers is cheaper by about 3 ft per kilogram of active ingredients.

The farming operations are using chemical fertilizers almost exclusively to satisfy the nutrient requirements of crop growing, while a significant portion of their organic fertilizer inventory goes to waste.

For each kilogram of organic fertilizer active ingredients not used but replaced with chemical fertilizers, the farm not only takes on the cost of purchasing the chemical fertilizer. It also gives up the economic advantage from the value of organic fertilizer, calculated on the basis of the effective ingredients in chemical fertilizers, significantly exceeding the cost of application.

Since each year 6 million tons of organic fertilizers go unused, each year the agricultural operations lose about 450 million forints.

The managers of the [agricultural] operations are waiting for solutions for using the byproducts, [solutions] that can be implemented without any significant investments. But this is an unfounded expectation because the use of byproducts requires significant investments in industrial-type agricultural operation. Under the given circumstances studies must be directed primarily at determining the most favorable solutions.

The large volume and relatively low value of byproducts will undoubtedly result in the application of solutions depending on the operation's given circumstances, rather than in the universal application of some kind of standardized technology.

8584
CSO: 2500/362

CURRENT ECONOMIC SITUATION REPORTED

Economic Communique, 4 Aug 81

Krakow GAZETA KRAKOWSKA in Polish 4 Aug 81 pp 1, 3

[Text] Agriculture

Ten percent of the harvesting equipment is out of service due to a shortage of spare parts. The SKR [Agricultural Circles' Cooperative] and PGR [State Farms] in Ciechanow Voivodship resorted to making cloth for their sheaf-binders by hand.

Industry

In a number of plants, production was limited or halted due to a shortage of raw materials and erratic cooperation of other plants.

In the FSC [Truck Plant] in Starachowice, the engine assembly line was closed until 3 August, while the assembly of trucks has been halted until 6 August due to a shortage of gear-boxes manufactured in the FPS [expansion unknown] plant in Tczew, fuel injectors from the WKS [expansion unknown] plant in Mielec, body parts from the FSS [expansion unknown] plant in Kielce, gas tanks from the JZS [Jelcz Automotive Plants] in Jelcz, brakes from the FOS [expansion unknown] plant in Lodz, etc. At present, the Starachowice plant manufactures only spare parts.

Due to a shortage of borax imported from hard-currency countries, production of enamelware in Rybnik, Olkusz, and Myszków may have to be halted.

Due to a shortage of raw materials, production of powder laundry detergents was cut by 50 tons, soap, by 40 tons, and toothpaste, by 30 tons.

Farm machinery production has been suspended because of a shortage of Polish-made products, primer paint and V-belts and a shortage of funds for the import, among other items, of Galla chains for sheaf-binders and harvester combines, rubber parts manufactured in FRG and pipes manufactured in France.

A total of 3,800 tons of coke were not produced due to a shortage of coking coal (in Zdzieszowice and the Kósiuszko works) and work crews (in the Lenin Steel works). Production quotas for steel were not met. However, surplus production of non-ferrous metals was reported.

Transportation

In the Transbud association, 3,129 transport units were out of service, including 1,904 units due to a shortage of fuel. Severe disruption in city transit systems and the busing of workers were caused by a shortage of tires, batteries and spare parts.

Construction

There is a shortage of electricity and coal for the production of cement and powdered aluminum for concrete. On 29 July the resulting losses reached approximately 6 million zlotys on the basis of sales prices.

Postal Service

On 28 July, approximately 9,500 packages from abroad were expedited; a total of 89,500 packages are still in storage.

Market

Meat supply to the market has not changed. Ration coupons are still not fully covered by supplies.

There is a shortage of bread flour in Skierniewice, Bielsko-Biala, Leszno, Jelenia Góra, Suwalki, Sieradz and Ostroleka Voivodships.

Economic Communique, 6 Aug 81

Krakow GAZETA KRAKOWSKA in Polish 6 Aug 81 pp 1, 3

[Text] Agriculture

Nationwide, with the exception of the northeastern voivodships, the weather was favorable for harvesting. In several regions (Chelmsk), farmers are being assisted by factory workers and youth groups. The POM [State Agricultural Machine Centers] are working as usual.

On 1 August, in Gorzów Wielkopolski Voivodship near Międzychód, the grain was beaten down by a hail storm.

In July, 110,200 tons of meat, or 97.9 percent of the monthly quota, were purchased from meat producers. During the same period a year ago, 161,700 tons were procured.

Industry

A continuing shortage of raw and other materials is resulting in a drop in the rate of production. Temporary shutdowns continue in the ZTS [expansion unknown] plant Gamrat in Krosno, the ERG [expansion unknown] plant in Jaslo, the State Oil Refinery in Jaslo, the Glass Works in Krosno, and the Rubber Industry Plants in Sanok.

In Wroclaw Voivodship there is a shortage of ethyl gasoline 94 and 78. The CPN [Petroleum Products Center] has no ethyl gasoline in stock to supply Wroclaw Voivodship.

Due to a fire in the power drive unit of the conveyor-belt system in the coal mine in Belchatów, an excavator was out of service for approximately 10 days.

On 2 August, a crump occurred in the Coal Mine Zabrze that did not pose any threat to the life of the miners.

The iron and steel industry production quotas were not met. On 1 August, the daily quotas for non-ferrous metals were fulfilled.

Transportation

The PKS [State Motor Transport]continues to have shortages of spare parts, tires, and--in many parts of the country--fuel. This situation makes it difficult to maintain normal bus service. The PKS office has prepared alternative bus schedules.

A shortage of spare parts and fuel continues to hamper the operation of city transit in Bielsko-Biala, Gdańsk, Koszalin, Piotrków Trybunalski, Tarnów, and Walbrzych Voivodships.

Food Economy

A PGR cattle farm in Grudzowice in Przemysl Voivodship reported incidents of cattle poisoning. A total of 97 animals had to be slaughtered. The meat was examined by the veterinary service and was determined to be fit for human consumption.

Also in Przemysl Voivodship a hog disease, the so-called Cieszyn disease, has been discovered at four locations. The veterinary service continues to take intensive preventive measures.

Economic Communique, 7-9 Aug 81

Krakow GAZETA KRAKOWSKA in Polish 7-9 Aug 81 pp 1, 6

[Text] Industry

A poor supply of foodstuffs and manufactured goods and no improvement in the supply of raw and other materials for manufacturing plants still negatively affect production results. Production irregularities continue, absenteeism is increasing, and utilization of work time and production potential is worsening. In some plants, absenteeism has reached 20 to 30 percent, and the utilization of production potential is only 50 to 60 percent.

The machine-building industry is facing increasing difficulties due to a shortage of imported raw materials. The shortage is most acute in the engine-building

industry, foundries, plants manufacturing hardware and enamelware, ship-building, automobile industry, and rolling stock production.

Production of many chemical goods continues to be insufficient, mainly due to a shortage of imported raw materials. In the Cosmetics Plant in Poznań, for example, production of creams, toothpastes, and soaps was temporarily suspended.

A difficult situation persists in the rubber industry, especially in the Stomil Plants in Dębica regarding the production of tires and tubes for cars and bicycles. However, production of paint used in containers for the food industry has been resumed after a fairly long period in the Polifarb Plants in Wroclaw.

The knitwear and cotton industries continue to limit their production due to a shortage of imported spare parts for machinery and equipment, raw materials, dyes, and chemicals.

Agriculture

On 4 August, the southern part of Kielce Voivodship suffered from a severe hail storm. The most extensive damage estimated to be between 250 and 300 million zloty occurred in the gmina [rural parish] of Wiślica. Hail storms moved also across Katowice Voivodship. In some villages, all crops were destroyed. In Kalisz Voivodship, the harvest was temporarily halted due to intensive rains.

A shortage of string for sheaf-binders continues. In Slupsk Voivodship this shortage is particulary acute.

In Zielona Góra Voivodship, large areas of grain have been beaten down and overgrown with weeds; this results in breakdowns of machinery.

Market

The supply of rational goods is irregular. There are still shortages of meat. In Koszalin Voivodship, village stores were noted to have increased supplies of canned fish, variety meats, salt, and cigarettes.

There is an adequate supply of potatoes and vegetables on the market.

In Bielsko-Biala and Wroclaw Voivodships, bread was periodically unavailable in retail outlets.

In Katowice Voivodship, the supply of milk covered 87 percent of demand. There was a shortage of cream, cheese, cottage cheese, powder, laundry detergent, personal hygiene products and matches.

Transportation

The railroad system is operating without problems. The number of freight cars available surpassed the demand. Thus it was possible to fulfill all the needs of the coal mining industry and Baltic ports.

On the other hand, difficulties in the PKS [Polish Motor Transport] transit system are mounting. It is increasingly difficult to maintain regular bus schedules due to a shortage of spare parts, tires, and fuels.

9852
CSO: 2600/308

POLAND'S ECONOMIC WOES ANALYZED

Hard Currency Debts

Budapest HETI VILAGGAZDASAG in Hungarian 8 Aug 81 pp 11-12

[Article by Andrzei Lubowski: "Polish Debts; Where Have All Those Billions Disappeared To?"]

[Text] For the remainder of the year Poland is going to need at least another $2 billion in new loans just to pay for its foreign purchases of the raw materials, parts and equipment that are essential to keep its production going--announced Zygmunt Kroliak, head of the foreign exchange and financial department of the Polish Ministry of Foreign Trade. In his article written for HVG [HETI VILGGAZDASAG], Andrzei Lubowshi, a specialist of the economic weekly ZYCIE GOSPODARCZE, takes an in-depth look at the circumstances which have led to the acculumation of Poland's mountain of debts.

Hardly a year ago it was still only through the Western mass media that Poles were able to learn about the extent of their country's indebtedness. It was not until the strikes in August of last year, when the Minister of Finance appeared on TV, that the first official reports were released concerning debts to the West, which at that time were estimated to be at more than $20 billion. At that time the announcement came as a shock to many Poles. Since then, however, this amount has steadily increased, and today it has already reached $25 billion. Reports after reports are being published in the Polish papers about the ongoing financial negotiations with Western creditors on the subject of rescheduling earlier debts and obtaining new loans.

The country needs to have its payments postponed, for otherwise, officially too, it would have to declare bankruptcy. The following figures convincingly confirm this: This year Poland is supposed to repay $10 billion, yet its total dollar revenues from its constantly declining Western exports are not even expected to add up to $7 billion, in other words, they will not even cover this year's import bills.

At the end of April, the Polish government and the governments of 15 of the largest capitalist creditor countries came to an agreement. Poland will be allowed to receive bank loans for a period of eight years, which it can use to repay 90 precent of its debts falling due this year, (in addition to the installments due, its debts now will also include the interest). Altogether, these loans will amount

to $2.5 billion, to be repaid between 1986-1989. While this is a considerable extension, it is still only the first step, for the agreement pertains only to government guaranteed loans. Outstanding Polish debts to Western commercial banks--to which government guarantees do not apply--are even greater than these. For several weeks now, there have been continuous negotiations with representatives of 450 banks about the possibility of deferring payments (the last meeting was held in Zurich), but the final outcome of those talks can by no means be taken for granted.

Even if they end successfully, relief will be short: with the coming of fall a new round of talks will get under way immediately, to discuss the rescheduling of those debts which are projected to fall due in 1982 and in subsequent years. We can expect, that by then our foreign partners will no longer be satisfied with learning about the program we intend to use to revitalize the Polish economy; they will also want to see the first signs of recovery.

The weight of foreign debts is becoming an increasing burden on the Polish economy. A considerable segment of industry has become virtually paralyzed, and there is a shortage of raw materials, parts and other important products. This is the heavy price which we must pay now for the economic policy blunders of the 70's, for our incompetence, giant mania and occasional adventurism.

Shortly after taking office, Gierek announced his so called active credit policy. It was called active to distinguish it from the extremely cautious borrowing policies of an earlier Polish leader, Wladislaw Gomulka. When in December 1970, he left the scene, Poland had virtually no foreign debts, which meant considerable help for Gierek. Gierek's and Jarosewicz's new economic policy was based on the notion that foreign technology purchased on Western credits would give the Polish economy a powerful shot in the arm, and that it would, within a short period of time, boost the production of modern easy-to-export products. This, in turn, would make it possible for the country to repay what it had borrowed. The large-scale buying fever which ensued, however, led to the purchasing of not only truly needed, but also several unnecessary import items.

Blinded by the glory of quick successes--economic growth and the rate of investments indeed picked up--the decision-makers forgot about the costs and about the nation's ability to repay its debts. Under the spell of modernization, that is to say, make-believe modernization, the essential question: "how much is all of this going to cost us?", was often swept under the rug.

Between 1971-1980, Poland purchased $57.9 billion worth of goods from the West, but could only sell $42.1 billion worth of products in turn. Consequently, the total foreign trade deficit for the 1970's reached $15.8 billion. This is how much Poland's present foreign debts would amount to if we discounted the fact that banks are not charitable institutions, and that they do charge interest on their loans. Total interest charges on the loans obtained during the past decade amount to $7.8 billion.

Now, that the country is up to its neck in debts, when you have to stand in line even for cigarettes because there is no foreign exchange left to pay for the cigarette paper, we hear the same question everywhere: What was the $25 billion

foreign loan spent on? Where has the money disappeared to, which instead of giving it new momentum, has knocked out the Polish economy?

It would be an exaggeration, of course, to say that Poland has completely wasted this $25 billion. Western credits have undoubtedly helped to modernize Poland's production capacity. The price of this modernization, however, has proved to be excessively great. Upon closer examination, it turns out that only 25 percent of the Western loans have been expended on buying machines and other equipment, and that 15 percent was spent on grain and fodder imports. The rest, some 60 percent, was eaten up by purchases of foreign raw materials, semi-finished industrial products, parts and other accessories. And it is this last import demand which has placed the greatest burden on the national economy, and which is the most difficult to eliminate. This 60 percent is the embodiment of probably the most serious mistake which has resulted from the investment policies of the 1970's: the creation of a production structure which has become dependent on large-scale Western imports, and the establishment of factories and even whole branches of industry which are unable to operate without a continuous inflow of import products from the West. Suspension of imports has often been the equivalent of stopping production.

In the words of Lorenz von Stein, an economist who lived in the last century, "if a country is without debts, it means either that it is doing too little for its coming generations, or that it is expecting too much of its contemporaries." The economic blunders of the past decade in Poland, including the country's credit policy, have demanded an enormous price from contemporary Poles and at the same time, I am afraid, also from the future generations.

First Half 1981 Foreign Trade Performance

Budapest HETI VILAGGAZDASAG in Hungarian 8 Aug 81 p. 11 inset

[Article by Gyorgy Tausz: "An Account"]

[Text] How did Poland's foreign trade develop during the first half of 1981? In its report recently made public in Warsaw, the Polish Bureau of Statistics has determined: exports and imports fell 17.3 and 7.4 percent, respectively, below last year's levels. The decline was especially great in dollar-cleared trade, compared to the same period last year: exports dropped by 21.5 percent to $2.5 billion, imports by 21 percent to $3 billion. In rubel-cleared trade, during the first half, exports amounted to 2.9 billion rubels, 14 percent less than a year ago; imports, however, increased by 5.4 percent, to 3.4 billion rubels.

Industrial production during the first half of 1981 was also lower by 12.5 percent than during the same period last year. Losses were especially considerable in the energy industry and in the production of raw and basic materials, which created supply problems in the processing industry and in other branches of the economy, and made cooperation among them difficult. As the TRYBUNA LUDU pointed out, the sore point of the national economy continues to be the decline of coal- and electric energy production. The amount of coal brought to surface so far, has been 21.8 percent below last year's level

The Poles' investment troubles did not lessen during the first half of the year. The main problem continues to be the enormous unfinished investment stock which was inherited from the previous economic management. Although this year the value of investments placed into operation has been 2.8 percent higher then during the first half of last year, amounting to 64.9 billion zlotys, some 50 billion zlotys worth of projects could not be completed. The situation is especially difficult in housing construction: so far, the construction industry has only met 31.4 percent of its housing construction plan for this year, and has delivered only 82 thousand residential units to the population, 35 thousand units less than during the first half of 1980. The situation is further worsened by the fact that in seven voivodships they have not begun construction of a single residential building, and that work on health, education and cultural projects has also been slow.

What is remarkable, however, is that despite the decrease in production, the number of employed has grown by 45 thousand, that is, by 0.4 percent, and wages have increased by 26 percent. During the first six months of the year, the population's cash income exceeded 961 billion zlotys, reaching a level which is 172 billion zlotys, that is, 21.8 percent higher than the comparable figure for the same period last year. The key role in this growth can be attributed primarily to increases in wages and social benefits, and also the the raising of state purchase prices. The rapid growth of incomes had a serious impact on the domestic market situation, which was further aggrevated by similarly unfavorable developments in the state purchases of agricultural products. Retail sales were only able to increase by 0.5 percent. Compared to last year's levels, for example, 22.9 percent less meat, 15.5 percent less milk, and 3.7 percent fewer eggs were purchased by the state during the first half of this year. Due to the reduction of state purchases, efforts to meet demands were completely unsuccessful. It has become increasingly difficult to honor ration-coupons.

In the stores, a growing number of products are being added to the list of shortage goods: cigarettes, matches, vodka, detergents, shampoo and toothpaste. To make matters worse--as it was reported in ZYCIE GOSPODARCZE--since June there has been an increase in demand for durable consumer goods, and as a result, there are many places already where stores have even run out of clothes. It is beginning to look more and more as if people were buying things just to get rid of their money.

Plans For Reform

Budapest HETI VILAGGAZDASAG in Hungarian 1 Aug 81 pp 6-8

[Article by Aleksander Paszynski: "Polish Reform Plans; The Beginning of the Road?"]

[Text] Has the 9th Congress of the PZPR helped to bring the Polish economic crisis closer to an end? As Aleksander Paszynski, economic editor and also assistant chief editor of the weekly, POLITYKA, explains in his most recent article for HVG: congressional resolutions indicate--as do the continuing debates about economic subjects--that the search for a way out has begun, even though the economic situation is temporarily deteriorating.

The special congress of the PZPR pledged its firm support for the earliest possible introduction of the economic reform. The majority of the delegates who spoke during

the plenary debate--especially those serving on the congressional problem-solving committee in charge of the reform and economic policy-related matters--expressed their criticism in pointing out that the reforms were taking too long to prepare, and that there seemed to be some hesitation on the part of the state administration to implement those reforms.

"We are fully determined to work expeditiously and consistently toward implementing the principles of the reform"--said the prime minister. "The time-table of the reform has been prepared. We have begun a sweeping reorganization of our central economic management. Drafts for legislative measures vital for our economic management and state administration have been completed. Since 1 July, our state farms and small-scale industries have been operating according to the new system already."

Of the government proposals put before the delegates at the 9th Congress, the following time-table has emerged: within the next two or three months, all statutory provisions and all of the various resolutions, decrees and directives which have regulated our national economy so far, will have undergone a general review. Those statutory provisions which are in conflict with the main goals of the reform, and which--in the prime minister's words--tie up "initiatives and serve as a cover for overcautiousness and passivity" will be rescinded.

The last quarter of the year will be an extremely important period in the implementation of the reform: that is when the new principles and economic measures will be put in their final form. Expeditious preparatory steps are needed, so that starting the new year, the fundamental branches of the national economy can already begin operating according to the new principles. The government is naturally aware of the fact, that the serious imbalances and disproportions which exist in virtually all spheres of the national economy, will make it more difficult to implement the reform. The fact, however, that during this temporary period things such as certain raw- and subsidiary materials and foreign exchange will have to be distributed centrally, should not be used as an excuse for putting off the reform. To ensure that this does not happen, the government has set up a commission for reform affairs--naming professor Baka as government commissioner--whose job, among other things, is to prevent the presently required restrictions and any methods which are incompatible with the concept of the reform from causing delays in the sweeping implementation of the reform.

The positively pro-reform tone of the congressional addresses and resolutions was, I feel, perhaps even more important than the detailed observations made in them. I have written on several occasions, that the failures of Polish economic reforms are to be attributed to the fact, that in the past economic policy was never in firm support of reforms. Now the situation has changed. In his speech, prime minister Jaruzelski outlined some preliminary measures which will virtually insure that this time the reform does not remain merely a dead letter.

In addition to pledging its support to the reform, the congress also accepted the government's program which is aimed at bringing the crisis to an end and stablilizing the national economy.

The document put before the congress calls attention to the fact, that the rate at which the government program can be implemented will equally depend on the successful work of our economic management organs, on the initiatives of our enterprises

and on the commitment of our society. The implementation of the program will also be affected by the conditions attached to our foreign payments falling due, by the world market situation and by objective conditions which are hard to determine in advance; consequently, any forecasts as to the precise date by which the crisis will be eliminated, can, by definition, only be prognostic in nature.

This is important, because according to all estimates and predictions received for 1981 so far--as the government document points out--we have to expect a further worsening of the situation. Based on various situation analyses, and assuming that external conditions will be at least moderately favorable and that the goals of the program will be successfully achieved, the following are considered to be the most probable target dates for regaining our pre-crisis levels:

-- in plant growing, within 2-3 years;
-- in livestock breeding, within 3 years at the earliest;
-- in industrial production, within 3-4 years;
-- in the national income, within 5-6 years;
-- the reduction of our foreign debts can begin within 6-7 years.

Although the market situation will noticeably improve, in all likelihood there will not be any significant improvements in the supply of meat and meat products until 1984, at the earliest. Even so, however, the 65 kg level of per capita meat consumption will not be possible to reach again until 1985.

The level of our national economy, however, which is expected to become restored within a few years, will have to be characterized by a different--compared to its pre-crisis status, more favorable--structure in three areas:

-- The structure of industrial production must better adjust itself to the national economy and especially to market and export demands. (According to the program, total industrial output in 1985 will be 5 percent higher than in 1980.)

-- The energy and material intensity of production must be significantly decreased, and all waste in the utilization of basic raw materials such as coal, and subsidiary materials such as cement, must be eliminated.

-- Income differences must be reduced, and the principle of waging according to the quantity and quality of work must be strengthened. In addition, we must adhere much more closely to the fundamental principles of socialism in the sphere of distribution.

As we can see, bringing the crisis to an end will take time; at least 3 to 4 years in the most important areas. Yet in the meantime, the population's power of resistance to the crisis is rapidly weakening. Following the Kutno "hunger march," Solidarity and the branch unions joined forces in demanding that the Ministry of Internal Trade rescind the 20 percent reduction in meat rations announced for August. The government, in agreement with the union, finally decided to reinstate the 3.7 kg ration, starting in September. To make this possible, however, an additional 20 thousand kg of meat is needed for September already, which can only be supplied from abroad. In order to tap surplus purchasing power, the government

has introduced a price increase plan, which calls for a 200 to 400 percent increase in the price of various foodstuffs. The national arbitration board of the Solidarity union--claiming to speak for all of its 10 million members--has announced that it would accept the plan only if the proposed price hikes are introduced as part of the general economic management reform, and if those living on low wages and pensions are given a compensatory increment to their income. It is a favorable sign, that Solidarity has expressed its willingness to agree to a freeze on wages until the end of the year.

To quote from the government program presented at the 9th Congress of the PZPR: "Failure to unite all of our social forces, would mean delays in the implementation of the program."

9379
CSO: 2500/364

WEST GERMAN ANALYSIS OF POLISH INDEBTEDNESS TO WEST

West Berlin DIW-VIERTELJAHRESHEFT in German Vol 50 No 1, Jan-Mar 81 pp 53-64

[Article by Heinrich Machowski: "The Indebtedness of the People's Republic of Poland to the West--Current Status and Outlook"]

[Text] The Current Economic Situation in Poland

Poland's economic difficulties, which as early as 1979 had assumed threatening dimensions, grew increasingly critical last year (see Appendix, Table A1). The country's gross national product, which according to the plan was to increase by 1.5 to 2 percent, declined in 1980 by 4 percent; after 1979 (-2 percent), this was the second decline in the entire postwar period. In industry (-3 percent), in the construction sector (-10 percent), and especially in the agricultural sector (-15 percent), the results fell short of the level attained in the preceding year. Output of numerous industrial products decreased--in some instances considerably: Hard coal production decreased by 8 million to 193 million tons--a direct result of the new working time agreement concluded between the "Solidarnosc" Mining Union and the Polish Government; among other things, this agreement stipulated abolition of the excessive Sunday and holiday shifts. Consequently, hard coal exports had to be reduced by over 10 million tons to 31 million tons (income loss: U.S.$350 million).

In the agricultural sector, it was the potato and forage crop harvests in particular that were unusually bad. While the country's grain harvest (16.5 million tons) exceeded by more than 1 million tons the level attained in the preceding year, it fell short by 3 million tons of the average harvest total during the period from 1971 to 1975. The result: Contrary to the plan, last year Poland had to import from the Western countries (above all from the United States) U.S.$1.8 billion worth of grain and feedstuffs (9 million tons--a 26-percent increase); the Polish foreign-trade deficit in agricultural products and foodstuffs has increased further. Since meat production declined as well (-2.5 percent), the population's meat supply situation has been deteriorating further. Imports of 50,000 tons of meat from Western Europe in the last quarter of 1980 (value: U.S.$60 million) did not noticeably improve the supply situation.

The average wages and salaries nominally increased by 13 percent (to 5,755 zlotys per month); for the most part, this increase ensued from the pertinent agreements between the trade unions and the government. Pensions rose by an average of just under 10 percent. According to official data, the cost-of-living expenses for

Poland's private consumers increased by 10 percent; thus the purchasing power of wages and salaries increased by a mere 3 percent, while that of pensions actually declined. The prices of basic foods showed an above-average increase, i.e. 14 percent (potatoes: +44 percent; vegetables: +33 percent; meat and meat products: +20 percent; fruit: +19 percent). The plan fulfillment report points out in particular that low-income workers, large families and pensioners had to accept a decline in their standard of living. All in all, the domestic disequilibrium has become intensified and social dissatisfaction has increased.

The shortcomings and interruptions of export production and the high import requirements in regard to grain, livestock feed, meat and other producer and consumer goods resulted in a situation where--contrary to the plan targets--exports declined (in real terms) by over 4 percent; the import volume dropped by no more than 3 percent. The terms of trade deteriorated by 1 percent; in the trade with the socialist countries, this negative price effect was felt more strongly (-2 percent), as compared with the commodity trade with the rest of the world (-0.5 percent). In 1980, Poland's indebtedness to the West increased by over 10 percent to U.S.$23 billion. But from the USSR, too, Poland imported U.S.$900 million worth of goods on a credit basis.

The economic development in Poland during the period from 1970 to 1980 can be summarized as follows: As a politically and psychologically understandable and economically sensible reaction to the worker unrest in December 1970 and in the spring of 1971, the then new Party leadership under Gierek had proclaimed an economic program characterized by the following priorities:

--Rapid improvement of the people's standard of living;

--full employment;

--industrialization and modernization of the entire national economy so as to catch up with the development in the leading Western industrialized countries.

In order to attain these economic policy objectives, it had been planned to draw to a greater extent on foreign credit ("active credit policy").

This policy, which initially produced tangible results, is now considered a failure. The marked acceleration of investment activity during the first half of the last decade, which was financed not through reduction of consumption, but largely through Western loans, did not yield the results hoped for. On the contrary: The Polish economy's structural imbalance--foreshadowed by the one-sided development of heavy industry during the first phase of industrialization after 1945--has been further aggravated by the intensified expansion of industry. It is above all the bottlenecks in the energy and raw material sectors, in agriculture and in the transportation sector that have increasingly impeded the production process. In consequence of this, the rate of economic growth has been declining. For this reason and on account of the Western recession, the expansion of exports to the West has since 1974 been slowing down. The deficit in the Western trade balance could not be reduced fast enough. This and the growing interest rates caused a further rise in Poland's foreign debt. To slow this increase, it was necessary to curtail Western imports. This in turn resulted in increased supply shortages in Poland's industrial sector and the share of idle industrial capacities is

increasing.[1] At present, the shortage of energy and raw materials is the most serious obstacle to economic growth in Poland.

By means of a 3-year stabilization plan, Poland wants to revive the economy by 1983. This program, which upon its completion is to form the cornerstone of the 1981/85 Five-Year Plan, is presently (end of February 1981) still on the drawing board. So far, not even the economic policy goals for 1981 have been definitively articulated; the reason: great uncertainty at the domestic and at the foreign-economic "front."

Thus, even though the planners expect an economic growth rate of between 1 and 1.5 percent, they do not rule out the possibility of another setback, primarily because the development of the country's industrial production cannot be predicted with certainty. It would be quite a success, if hard coal production could be stabilized at the 188 million-ton level--this quantity would be necessary to meet the minimum domestic demand (167 million tons) and the existing long-term export contracts (21 million tons). However, this production goal can be attained only if the miners produce 16 million tons in voluntary weekend shifts--and precisely this is doubtful.

Furthermore, success will largely depend on whether or not the state's economic policy instruments will be sufficient to increase agricultural output--and in Poland, this means above all: the production of the private farmers--to the extent desired. It is planned preferentially to supply the agricultural sector with producer goods and capital, to help the private farmers in marketing their products, to introduce autonomy in the agrarian sector and--last but not least--to give legal protection to the private farms.

As regards the national economy as a whole, the state has announced an extensive economic reform. It is uncertain, however, whether this will generate the impulses effecting the--urgently needed--increase in labor productivity. This reform package comprises the following measures: democratization and decentralization of planning; full autonomy for the enterprises; profit-orientation as an enterprise leitmotif; reorganization of overall economic cost accounting and pricing, including the prices of foodstuffs, etc.—this catalogue not only indicates the direction of the reform course, but also illustrates the difficulties involved in this operation.

As far as the foreign-economic flank is concerned, an arrangement was made with the Soviet Union, which gives Poland a little more breathing space: The Soviet loans effected by the end of 1980--according to Western estimates, these loans total U.S.$3.5 billion--need not be paid back before 1985; moreover, in addition to a Soviet $1 billion loan it received for 1981, Poland can this year purchase $2 billion worth of Soviet goods on credit. The GDR, too, is prepared to lend assistance to Poland (commodity credit: $95 million; financial credit: $80 million).

As regards the current financial situation vis-a-vis the West, the picture is not clear. In order to insure the necessary supplies and to prevent plant shutdowns, Poland must import from the West at least $9 billion worth of goods. At the same time, old loans in the amount of $7.5 billion must be paid back. In addition, there is the interest--amount unknown—to be paid on the current loans. With its own export revenues valued at $8-9 billion, Poland must this year take out new loans in the amount of over $10 billion. In the next 2 to 3 years, Poland's

situation is not likely to improve; so what Poland needs from the West is a medium-term stopgap loan.

Kania and Jaruzelski need not only confidence and discipline at the domestic front, but also understanding and support from the Eastern and Western countries. If such support does not materialize, it will probably be impossible to solve Poland's present economic difficulties. The unfortunate aspect of this situation is that for a few years fewer consumer goods will be available to the population.

The Development of Poland's Western Trade in the 1970's

In the Polish foreign-trade statistics, a distinction is made between the socialist trade partners (at the last count, this group comprised 13 states[2]) and the nonsocialist (or capitalist) trade partners. The second group is divided into economically developed countries (called Western industrialized countries in the following[3]) and developing countries.

For the purpose of foreign-trade planning, the foreign partner states are assigned either to Currency Area I (countries, with which Poland maintains a clearing system for inconvertible currencies) or to Currency Area II (countries, with which Poland transacts the monetary transfers in convertible currencies). The present study focuses on Currency Area II.

The list of countries belonging to Currency Area II is not published. It is known, however, that at present Poland transacts all transfers involving Western industrialized countries in convertible currencies. Table A2 indicates that this applies also to most of the developing countries and to some of the socialist trade partners (People's Republic of China, Yugoslavia). Comparing the data this table presents on the Polish trade balance deficit--this deficit is the principal cause of Poland's indebtedness to the West--one notes that one can fall back on the data concerning trade with Western industrialized states whenever there is a lack of information on trade in convertible currencies.

As is shown by the following percentages (total imports and/or total exports = 100), in the first half of the 1970's Poland's foreign trade with countries belonging to Currency Area II (A) and with nonsocialist countries (B), including Western industrialized countries (C) developed more rapidly than did the country's foreign trade as a whole:

Year	Exports			Imports		
	A	B	C	A	B	C
1971	37.5	37	30	33.5	33	27
1975	42.5	40	31.5	59	54	49
1979	40.5	39	31	50	45.5	38

Western imports in particular increased sharply during the period from 1971 to 1975--a development that was reversed in the second half of the last decade in the course of the accommodation policy initiated at that time. At the last count, however, 50 percent--a marked increase over 1971--of all imports still came from Currency Area II; among the CEMA states, Poland thus appears to be the country with the highest degree of engagement in trade with the West.

The following table on foreign trade as a whole and trade with the nonsocialist countries shows the crucial role Western imports played in the development of Poland's total imports during the period from 1970 to 1980 (price increases have been taken into account):

Development of Poland's Foreign Trade Broken Down by Region, 1965-1980[1] (real average annual changes (%))

1) Jahre	2) insgesamt	davon: sozialistische Länder 3)	nicht-sozialistische Länder 4)
	5) Ausfuhr		
1970/65	+ 9,5	+ 10,0	+ 9,0
1975/70	+ 11,0	+ 12,0	+ 8,5
1980/75	+ 4,0	+ 3,5	+ 4,5
	6) Einfuhr		
1970/65	+ 8,0	+ 10,5	+ 6,0
1975/70	+ 15,5	+ 8,5	+ 26,5
1980/75	+ 1,5	+ 6,5	- 3,5
nachrichtlich:			
Terms of Trade 1980[2] (1975=100)	96,6	96,0	98,7

7) 1) Für 1980 vorläufige Angaben.- 2) Index der Ausfuhrpreise in vH des Index der Einfuhrpreise.

8) Quellen: Zycie gospodarcze, Nr. 41/1980, Rocznik handlu zagranicznego 1980, und Trybuna Ludu vom 5. 2. 1981.

Key:

1. Years
2. Total
3. Socialist countries
4. Nonsocialist countries
5. Exports
6. Imports
7. Footnotes in the table: 1) For 1980, provisional data; 2) index of export prices in % of the import price index.
8. Sources: ZYCIE GOSPODARCZE, No 41, 1980; Rocznik handlu zagranicznego 1980; TRYBUNA LUDU, 5 Feb 81.

On account of the sharp increase in Western imports during the period from 1971 to 1975, the growth rate of total imports during this period doubled in comparison to the second half of the 1960's. As a result of the curtailment of imports from the nonsocialist countries during the period from 1976 to 1980[4]--which considerably aggravated Poland's supply situation--the rate of growth of total imports declined considerably.

Table A3 shows that during the period from 1976 to 1979--in contrast to the preceding 5 years--the Polish Foreign Trade Ministry obviously succeeded in meeting the plan targets for imports from the West. The fact that during this period the deficit in Western trade exceeded by U.S.$3 billion (i.e. by nearly 50 percent) the deficit projected must be attributed exclusively to nonfulfillment of the export plan. This result is in keeping with what had been assumed in regard to the capacities of government foreign-trade planning in the East European planned economies: within the framework of the government foreign-trade and valuta monopoly, fulfillment of the import plan is much more likely than is fulfillment of the export plan;

for exports largely depend on activities in foreign markets that are outside the sphere of influence of the planning agencies. This statement is not invalidated by the development during the period from 1971 to 1975, when the export plan targets were nearly met, while the import plan targets were greatly exceeded; for this must be attributed primarily to the euphoria of the first upswing phase of the Gierek Administration's "new economic policy" and thus probably was entailed by the times.

All in all, during the period from 1971 to 1979 the Polish deficit in trade transactions in convertible currencies amounted to just under $16 billion. Thus it was over half as much again as the deficit projected, primarily because of nonfulfillment of the export plans.

During the period from 1971 to 1979, Poland could finance no more than 70 percent of its imports from Currency Area II with its own export revenues (see Table A2). As regards the trade with Western industrialized countries, the average cover rate was as low as 63 percent, with annual fluctuations ranging between 105 percent (1971) and 52 percent (1976).

Breaking down the balances by key commodity groups, one notes marked differences between the period from 1971 to 1975 on the one hand and the following 5 years on the other hand (see Table A4). During the period from 1971 to 1975, the Polish deficit (just under $7 billion) resulted primarily from the trade in electrical engineering products (which term should be taken here in the broad Polish definition), i.e. primarily producer goods (over $5 billion). At that time, the Western industrialized countries' share of Poland's total imports of this group of products increased sharply--by over 25 percent--to 49 percent. Thus these imports represented an important--albeit not quantifiable--contribution to the domestic accumulation of fixed assets. During this period, investments in fixed assets increased by 18 percent annually, while the productive fixed assets of the industrial sector expanded by one-third. In 1975, Poland attained full employment.

During the period from 1976 to 1980, the development was different. The deficit amounted to just under $10 billion, primarily on account of the sharp increase in imports of agricultural products (from $1 billion to over $4 billion) and chemicals (from $1.7 billion to just under $4.5 billion). The--price-related--considerable improvement of the energy trade balance (from $2 billion to over $5 billion) was not sufficient to offset this disadvantageous development.

Thus an increasingly large part of the Western loans was used to pay for commodity imports rather than for capital goods. According to data supplied by the Polish Foreign Trade Ministry, in the 1970's $12 billion was spent just to finance the grain and fodder imports (including the interest on the loans).[5] This is the main reason why Gierek's "active credit policy" has failed; for a long time, it had no longer been a question of whether Poland should take up foreign loans, but merely how much, how soon and for what Poland should borrow. During the period from 1976 to 1979/80, the Polish leadership gradually came to ignore these criteria.

This development led to momentous consequences: Western imports were curtailed even in areas where they were absolutely necessary for Polish industry and agriculture. The following table shows the Polish economy's great dependence on Western imports in regard to key products.

Share of Key Raw Material Imports from Nonsocialist Countries of Poland's Total Imports (%; probably 1978)

Item	Percent
Tin	100
Tungsten ore	100
Fish meal	100
Grist and oil cake	100
Rubber	100
Leather	100
Coffee	100
Cocoa beans	100
Wool	99
Grain	99
Phosphates	77
Cellulose	60
Lead	55
Paper and cardboard	54
Metallurgical products	34
Iron ore	29
Oil	28
Petroleum products	27
Cotton	27

Source: HANDEL ZAGRANICZNY, No 12, 1980.

Development, Volume and Structure of Poland's Indebtedness to the West

The data available in the West on Poland's indebtedness in convertible currencies are fragmentary and not always free from inconsistencies.[6] But they enable us to draw a number of safe conclusions concerning the development, present volume and structure of these debts.

According to the official plan fulfillment report for 1980, Poland's indebtedness to the West at the end of the year totaled U.S.$23 billion, as compared with $20.4 billion in the preceding year.[7] The latter figure confirms the accuracy of the CIA estimate of Poland's indebtedness to the West, which is summarized in the following table.[8]

The rapid increase in Poland's foreign debt in the course of the 1970's is interconnected with the growing trade deficit vis-a-vis Currency Area II.

Incidentally, Poland's payments balance deficit (commodities, services and transfers) vis-a-vis the West was even greater; according to data supplied by the Polish Foreign Trade Bank (Bank Handlowy), during the period from 1976 to 1979, it amounted to U.S.$11 billion, i.e. $2 billion in excess of the trade balance deficit during the same period.

The national economy's growing encumbrance by the foreign loans is reflected in the debt settlement and interest rates. In the discussions on the problems

Selected Data on Poland's Indebtedness to the West

1) Jahr	Defizit gegenüber dem Währungsgebiet II 1) 2)	Verschuldung jeweils zum Jahresende 3)		6) Jährliche Tilgungsraten	7) Jährliche Zinszahlungen	8) Schuldendienstquote 3)	9) Zinsendienstquote 4)
		4) Brutto	5) Netto 2)				
	in Mrd. US-$					in vH	
1971	- 0,10	1,14	0,76	-	-	-	-
1972	0,14	1,56	1,15	0,20	0,07	15,3	4,0
1973	1,61	2,80	2,21	0,30	0,19	19,4	7,5
1974	3,78	4,64	4,12	0,51	0,40	23,5	10,3
1975	6,79	8,01	7,38	0,74	0,48	28,0	11,0
1976	9,73	11,48	10,68	1,21	0,66	41,4	14,6
1977	11,74	13,97	13,53	1,97	0,92	56,8	18,1
1978	13,64	17,84	16,97	2,87	1,47	75,9	25,7
1979	15,84	21,10	20,00	3,60	2,20	88,2	33,4

10) 1)Kumulierte Werte.-2)Bruttoverschuldung abzüglich Forderungen an westliche Geschäftsbanken.-3)Tilgungs- und Zinszahlungen in vH der Exporterlöse im Währungsgebiet II.-4)Zinszahlungen in vH der Exporterlöse im Währungsgebiet II.

11) Quellen: National Foreign Assessment Center: Estimating Soviet and East European Hard Currency Debt, Washington 1980, und Tabelle A 2.

Key:

1. Year
2. Deficit vis-a-vis Currency Area II
3. Indebtedness at the end of the given year
4. Gross
5. Net
6. Annual repayment rates
7. Annual interest payments
8. Debt settlement rate
9. Interest rate
10. Footnotes in the table: 1) Cumulative values; 2) gross indebtedness minus claims vis-a-vis Western banks; 3) repayment and interest rates in % of the export revenues in Currency Area II; 4) interest payments in % of the export revenues in Currency Area II.
11. Sources: National Foreign Assessment Center: "Estimating Soviet and East European Hard Currency Debt," Washington 1980; Table A2.

pertaining to the nation's foreign debt, a repayment rate of 25 percent frequently is considered a "alarm signal." The World Bank--according to which the 1985 debt settlement rate for oil-importing developing countries of medium income (the 1978 per capita GNP averaged U.S.$1,250) amounts to 29 percent--refers in this connection to a critical level.[9] However, historical experience does not support the assumption that there may be a critical level of this rate; consequently, its applicability as an indicator regarding the assessment of a country's indebtedness is limited.[10] As regards the actual encumbrance of the payments balance, the interest rate is of significance insofar as the interest payments--in contrast to the repayment rates--cannot be refinanced.

The repayment rate also depends to a large extent on the due dates of the loans taken up. According to the above-mentioned CIA estimate, at the end of 1979 38 percent of the loans taken up by Poland were due in 1980; 20 percent are due in 1981, and the rest, in the next few years. If one accepts the data of the Bank Handlowy--which do not take into account short-term loans (maturity under 2 years)--the due dates are as follows: 1980: 27 percent; 1981: 27 percent; 1982 and later: 46 percent.[11] According to the Polish Foreign Trade Ministry, over 70 percent of all medium- and long-term liabilities contracted by the end of last year will become payable between 1981 and 1983;[12] this illustrates the urgency of the Polish demand for debt conversion.

Of great significance in connection with the discussion on debt conversion is the question concerning the share of the officially backed debt and of the loans granted by private commercial banks (commercial debt). According to CIA estimates, the share of the commercial debt in Poland's total foreign debt has leveled off at 75 percent in the last few years. According to other sources, the officially backed debt accounts for between one-fourth and one-third of the Polish debt.[13]

A second distinction, which partially overlaps with the distinction mentioned,[14] is that between trade-related credits and financial credits. Table A5 shows the relation between the two types of credit during the period from 1978 to 1979.

This table also provides information regarding Poland's most important creditors; generally speaking, very little information is available in this regard. Portes presents an OECD list of the most important state creditors (order as of end of 1977): France, Austria, Great Britain, Federal Republic of Germany, Japan, United States, Italy, Sweden, Belgium, Switzerland and Canada; Portes points out, however, that in the last few years the United States has moved up a number of places on account of Poland's credit-financed grain purchases.[15] A Polish list of creditors (end of 1980) is headed by the Federal Republic of Germany,[16] the United States, France, Great Britain and Austria; it is not by accident that the government representatives of these five states are a kind of "task force" in the debt conversion negotiations between Poland and the state creditors.

Ways and Means of Solving the Polish Debt Problem

Under the present economic conditions, it is impossible to make any predictions concerning the future development of the Polish payments balance vis-a-vis the West. The above-mentioned 3-year stabilization plan for the period from 1981 to 1983 is supposed to create the economic conditions necessary for gradual equalization of this balance. One can safely assume--and this concurs with Polish estimates--that this goal will not be attained until 1984, most likely not until 1986. Thus Poland's Western liabilities are bound to increase further, presumably to between U.S.$30 billion and $33.5 billion. To be sure, the annual rate of incurring new debts will be declining (according to some estimates, from $3.5 billion in 1981 to 0.7 billion in 1985) and in Poland this is considered a precondition for maintaining the country's borrowing power in the Western money markets.

In view of this situation, one can assume that from 1981 until 1985 Poland's credit requirements will total $28 billion to 30 billion; of this total, conversion of payable repayment installments accounts for $19 to 21 billion; the rest is "new money" for financing the current payments balance deficits.

Poland needs this extensive support by the Western creditors as a kind of "help for self-help." For without this credit allocation, it will be impossible to implement the program for increasing exports--which is quite ambitious anyway. For in the next few years the Polish Government wants to increase the country's exports to the West by nominally 14 to 15 percent annually so as to be able to increase Western imports by an average of 4 to 5 percent; according to Polish estimates, in real terms this would mean an annual increase in exports by 3 to 5 percent[17] and a decline in imports by 5 to 6 percent annually. On the other hand, some economic theorists argue that in order to be able to reduce Poland's foreign debt in the second half of this decade the increase in the country's Western exports would have to exceed by 12 to 13 percentage points the increase in imports.[18] This would be equivalent to a real reduction of Western imports by 8 percent annually. It is doubtful whether the Polish economy could overcome all this without a decline in economic growth or other dislocations. In the short term, the only way to reduce these difficulties would be to curtail agrarian imports through a lasting increase in domestic production.

In consequence of the plan to equalize the payments balance, in the coming years--in contrast to the last decade--Poland's domestic production (the national income produced) must grow at a faster rate than domestic commodity consumption (national income consumed). To minimize the negative effects of this policy on the living standard of the Polish people, it is planned radically to curtail investments: the macroeconomic investment rate (investments as a percentage of the national income consumed)--which in 1975 totaled 28 percent, and in 1979, 23 percent--is to be reduced to 14 percent by the end of 1983. But even in that case it is doubtful whether private and public consumption can be maintained at the previous level. The trade unions claim that to reduce Poland's indebtedness to the West by the end of this century, one would have to allocate annually 10 percent of the GNP,[19] but these figures cannot be substantiated.

Finally, there is the question concerning the conditions attaching to the new loans granted to Poland; for the Western--public and private--creditors obviously are no longer prepared to make available new funds without the possibility of exerting a certain influence on Poland's economic policy. Poland does not belong to the International Monetary Fund;[20] consequently, debt conversion along IMF lines is out of the question. The IMF usually imposes on the borrowing country strict economic policy-related conditions, thus increasing the creditors' surety. As an alternative, the Polish Government could at regular intervals inform the Western creditor states--represented by the so-called Committee of Five--on the goals and the development of its economic policy. Finally, there is a political approach: The Western creditors could implement the Polish debt conversion in collaboration with the CEMA states, which would be represented by the CEMA Investment Bank; for the CEMA countries, above all the Soviet Union, likewise want to see the Polish Government overcome the present economic crisis.

FOOTNOTES

1. According to the most recent data, the capacity utilization rate presently amounts to no more than 60 percent; as regards the newly established production equipment, the utilization rate does not exceed 50 percent (see ZYCIE GOSPODARCZE, No 9, 1981).

2. Albania, Bulgaria, People's Republic of China, CSSR, GDR, Yugoslavia, North Korea, Cuba, Mongolia, Romania, USSR, Hungary and Vietnam.

3. OECD countries and South Africa.

4. It is estimated that in 1980 alone Western imports declined--in real terms--by 11 percent.

5. See TRYBUNA LUDU, 15 Jan 81.

6. See above all Richard Portes, "The Polish Crisis: Western Economic Policy Options," London, 1981.

7. This is the first time that the country's indebtedness has been officially disclosed (see TRYBUNA LUDU, 5 Feb 81). According to representatives of the "Solidarnosz" Union, however, Poland's foreign debt totals over U.S.$26 billion (see ZYCIE GOSPODARCZE, No 9, 1981.

8. By and large, the CIA estimate conforms with other Western estimates: According to the Bankers Trust Company, Poland's Western debt totals--in gross--$21 billion (1979) and $17.5 billion (1978); the Chase Manhatten Bank states the debt amounts to a net total of $20.7 billion (1979) and $17.0 billion (1978). It is not known, however, whether these estimates were produced independently.

9. See "World Development Report 1980," Washington, 1980, pp 14 and 32 ff.

10. See "Debt Problems of Developing Countries," OECD, Paris, 1974.

11. These loans were in the following amounts (billion U.S. dollars): 1980: 5.24; 1981: 5.16; 1982 and later: 9 (see R. Portes, op. cit., p 58).

12. TRYBUNA LUDU, 15 Jan 81.

13. NEUE ZUERCHER ZEITUNG, 28 Feb 81.

14. In 1980, Poland applied for Western loans in the amount of $7.7 billion. Of this total, officially-backed debt was to account for 63 percent; trade-related credit was to account for 50 percent, and financial credit, for 13 percent; the rest would be private bank loans; of this remainder, financial credit was to account for 20 percent, and trade-related credit, for 16 percent (see THE ECONOMIST, 21 Feb 81).

15. See R. Portes, op. cit., p 27.

16. As to the extent of Polish borrowing in the FRG, there are great differences of opinion between Polish and German institutions. According to Polish data, at the end of 1979 Poland's indebtedness to FRG banks totaled $4.7 billion; German banking circles claim the Polish debt amounted to no more than $2.6 billion.

17. Such a volume should be well within the limits of the OECD markets, provided that no new protectionist measures impede East-West trade. See

Jochen Bethkenhagen; Hans Martin Duseberg; Maria Lodahl, and Heinrich Machowski, "RGW, EG und Ost-West-Handel--Moeglichkeiten der gesamteuropaeischen Zusammenarbeit unter den Bedingungen der regionalen Teilintegration" [CEMA, EC and East-West Trade--Possibilities Regarding All-European Cooperation Under Conditions of Partial Regional Integration], DIW report reproduced in manuscript form, Berlin, 1980, pp 269 ff.

18. See Zbigniew Karcz, "Once More on the Problem of Indebtedness," HANDEL ZAGRANICZNY, No 12, 1980, pp 6 ff.

19. See ZYCIE GOSPODARCZE, No 9, 1981, p 11.

20. The Polish trade unions consider Poland's--politically related--nonaffiliation with the IMF to be a great obstacle to the country's foreign-trade policy (ibid.).

Table A 1. Indicators of Poland's Economic Development, 1960-1980 (real changes,%)

Indikatoren 1)		1970/60[1)]	1975/70[1)]	1980/75[1)]	1979/78	1980/79
Produziertes Nationaleinkommen	2)	+ 6,0	+ 9,8	+ 1,7	- 2,3	- 4
Verwendetes Nationaleinkommen[2)]	3)	+ 5,8	+ 12,0	+ 0,5	- 3,3	- 4
Beschäftigte[3)]	4)	+ 3,3	+ 3,5	+ 0,6	+ 0,1	- 0,1
Arbeitsproduktivität	5)	+ 2,6	+ 6,1	+ 1,4	- 2,4	- 2
Bruttoproduktion der Industrie	6)	+ 8,4	+ 10,4	+ 4,4	+ 2,1	- 1,3[4)]
davon: Produktionsgüter	7)	+ 9,6	+ 10,6	.	+ 1,6	.
Konsumgüter	8)	+ 6,6	+ 10,4	.	+ 2,4	.
Bruttoproduktion der Landwirtschaft	9)	+ 2,3	+ 3,7	- 1,8	- 1,4	- 9,6
davon: Pflanzliche Produktion	10)	+ 2,6	+ 2,3	- 3,9	- 3,8	- 15,2
Tierische Produktion	11)	+ 1,9	+ 5,3	+ 0,8	+ 1,4	- 3,3
Bruttoanlageinvestition	12)	+ 7,4	+ 18,4	- 2,2	- 7,9	- 10,5
Anlagevermögen[5)]	13)	+ 5,1	+ 8,0	+ 8,1	+ 7,9	+ 4,0
Export	14)	+ 10,2	+ 10,7	+ 4,0	+ 5,7	- 4,3
Import	15)	+ 9,4	+ 15,4	+ 1,2	- 2,4	- 2,8
Reallöhne und -gehälter[3)]	16)	+ 1,8	+ 7,2	+ 1,6	+ 1,2	+ 2,5
nachrichtlich:	17)					
Geldeinnahmen der Bevölkerung	18)	+ 6,6	+ 13,0	+ 10,8	+ 9,0	+ 11,5
Nominallöhne und -gehälter[3)]	19)	+ 3,7	+ 9,8	+ 8,7	+ 8,8	+ 12,8
Lebenshaltungskosten	20)	+ 1,9	+ 2,4	+ 7,0	+ 7,5	+ 10

21) 1) Im Jahresdurchschnitt.- 2) Inlandsverwendung von Gütern und materiellen Leistungen. Das verwendete Nationaleinkommen unterscheidet sich vom produzierten Nationaleinkommen im wesentlichen durch den Außenbeitrag.- 3) Ohne Privatwirtschaft.- 4) Umsatz.- 5) Im produzierenden Bereich.

Quelle: Zycie gospodarcze, Nr. 40/1980, und Trybuna Ludu vom 5. 2. 1981. 22)

Key:

1. Indicators
2. National income produced
3. National income consumed
4. Manpower
5. Labor productivity
6. Gross industrial output
7. Incl.: Producer goods
8. Consumer goods
9. Gross agricultural output
10. Incl.: Plant produce
11. Animal produce
12. Gross investments in fixed assets
13. Fixed assets
14. Exports
15. Imports
16. Real wages and salaries
17. Based on reports
18. Monetary income of the population
19. Nominal wages and salaries
20. Cost of living
21. Footnotes in the table: 1) Annual average; 2) domestic consumption of goods and material services; it is the external contribution that constitutes the main difference between the national income consumed and the national income produced; 3) excluding the private sector; 4) turnover; 5) in the producing sector
22. Source: ZYCIE GOSPODARCZE, No 40, 1980
TRYBUNA LUDU, 5 Feb 81

Table A 2. Development of Poland's Foreign Trade With Countries of Currency Area II[1] (A), Nonsocialist Countries[2] (B), and Western Industrialized Countries[3] (C), 1971-1979 (billion U.S. dollars)[4]

1) Jahre	2) Ausfuhr			3) Einfuhr			4) Saldo[5]		
	A	B	C	A	B	C	A	B	C
1971	1,45	1,43	1,15	1,35	1,33	1,10	+ 0,10	+ 0,10	+ 0,05
1972	1,77	1,78	1,50	2,01	2,07	1,82	- 0,24	- 0,29	- 0,32
1973	2,53	2,53	2,20	4,00	3,79	3,49	- 1,47	- 1,26	- 1,29
1974	3,88	3,67	3,01	6,05	5,84	5,33	- 2,17	- 2,17	- 2,32
1975	4,36	4,12	3,25	7,37	6,80	6,17	- 3,01	- 2,68	- 2,92
1976	4,52	4,42	3,52	7,46	7,37	6,77	- 2,94	- 2,95	- 3,25
1977	5,09	4,88	3,82	7,10	7,04	6,32	- 2,01	- 2,16	- 2,50
1978	5,72	5,50	4,42	7,62	7,39	6,51	- 1,90	- 1,89	- 2,09
1979	6,58	6,35	5,05	8,78	8,04	6,67	- 2,20	- 1,69	- 1,62
1971 bis 1975[6]	13,99	13,53	11,11	20,78	19,83	17,91	- 6,79	- 6,30	- 6,80
1976 bis 1979[6]	21,91	21,15	16,81	30,96	29,84	26,27	- 9,05	- 8,69	- 9,46
1971 bis 1979[6]	35,90	34,68	27,92	51,74	49,67	44,18	- 15,84	- 14,99	- 16,26

5) 1) Länder, mit denen Polen seinen Zahlungsverkehr in konvertierbaren Währungen abwickelt; die Liste dieser Länder wird nicht veröffentlicht.- 2) Länder Asiens (ohne China, Mongolei, Nordkorea und Vietnam), Afrikas (ohne Südafrika), Amerikas (ohne Kuba) und westliche Industrieländer.- 3) OECD-Staaten und Südafrika.- 4) Umgerechnet mit Hilfe des vom Statistischen Hauptamt in Warschau angewandten Dollar-Kurses: 1 Devisen-Zloty (DZ1)= 0,25 US-$ (1971), = 0,272 US-$ (1972), = 0,301 US-$ (1973 bis 1977), = 0,316 US-$ (1978) und = 0,324 US-$ (1979).- 5) Überschuß: +, Defizit: - .- 6) Kumulierte Werte.

6) Quellen: Rocznik handlu zagranicznego, diverse Jahrgänge, und Handel zagraniczny, Nr. 12/1980.

Key:

1. Years
2. Exports
3. Imports
4. Balance
5. Footnotes in the table: 1) Countries with which Poland transacts the monetary transfers in convertible currencies; the list of these countries is not published; 2) countries in Asia (excluding China, Mongolia, North Korea and Vietnam), Africa (excluding South Africa), America (excluding Cuba) and Western industrialized countries; 3) OECD states and South Africa; 4) converted on the basis of the dollar rate used by the Warsaw Central Statistical Office: 1 valuta zloty = U.S.$0.25 (1971), = $0.272 (1972), = $0.301 (1973-77), = $0.316 (1978), = $0.324 (1979); 5) surplus: +; deficit: -; 6) Cumulative values
6. Sources: "Rocznik handlu zagranicznego," various years; HANDEL ZAGRANICZNY, No 12, 1980

Table A 3. Planned and Actual Development of Poland's Foreign Trade With Countries of Currency Area II, 1971-1979 (billion U.S. dollars[1])

1) Jahre	2) Ausfuhr		3) Einfuhr		4) Saldo[2]	
	Plan	Ist	Plan	Ist	Plan	Ist
1971	1,35	1,45	1,43	1,35	- 0,08	+ 0,10
1972	1,74	1,77	2,09	2,01	- 0,35	- 0,24
1973	2,41	2,53	3,19	4,00	- 0,78	- 1,47
1974	3,37	3,88	5,00	6,05	- 1,63	- 2,17
1975	5,42	4,36	6,83	7,37	- 1,41	- 3,01
1976	5,78	4,52	8,04	7,46	- 2,26	- 2,94
1977	5,99	5,09	7,49	7,10	- 1,50	- 2,01
1978	6,38	5,72	7,87	7,52	- 1,49	- 1,90
1979	6,80	6,58	7,68	8,78	- 0,88	- 2,20
1971 bis 1975[3]	14,29	13,99	18,54	20,78	- 4,25	- 6,79
1976 bis 1979[3]	24,96	21,91	31,08	30,96	- 6,13	- 9,05
1971 bis 1979[3]	39,24	35,90	49,62	51,74	- 10,38	-15,84

5) 1) Umgerechnet mit Hilfe des vom Statistischen Hauptamt in Warschau angewandten Dollar-Kurses: 1 Devisen-Zloty (DZ1) = 0,25 US-$ (1971), = 0,272 US-$ (1972), = 0,301 US-$ (1973 bis 1977), = 0,316 US-$ (1978) und = 0,324 US-$ (1979).- 2) Überschuß: +, Defizit - .- 3) Kumulierte Werte.

6) Quelle: Handel zagraniczny, Nr. 12/1980.

Key:

1. Year
2. Exports
3. Imports
4. Balance
5. Footnotes in the table: 1) Converted on the basis of the dollar rate used by the Warsaw Central Statistical Office: 1 valuta zloty = for the individual dollar rates, see Key of Table A 2 (table footnote 4)
6. Source: HANDEL ZAGRANICZNY, No 12, 1980

Table A 4. Balances[1] of Poland's Foreign Trade With Western Industrialized Countries[2], Broken Down by Key Commodity Groups[3], 1970-1980[4]

1) Warenhauptgruppen	1971/1975[6]	1976/1980[6]	2) Veränderung
Insgesamt 3)	- 6,82	- 9,96	- 3,14
davon: 4)			
Brennstoffe und Energie 5)	+ 2,14	+ 5,27	+ 3,13
Erzeugnisse der: 6)			
metallurgischen Industrie 7)	- 2,15	- 1,96	+ 0,19
elektrotechnischen Industrie 8)	- 5,17	- 6,34	- 1,17
chemischen Industrie 9)	- 1,67	- 4,46	- 2,79
mineralischen Industrie 10)	- 0,07	- 0,12	- 0,05
Holz- und Papierindustrie 11)	+ 0,09	+ 0,38	+ 0,29
Leichtindustrie 12)	+ 0,08	+ 0,46	+ 0,38
Nahrungsmittelindustrie 13)	+ 0,96	+ 1,12	+ 0,16
sonstigen Industrien 14)	- 0,23	- 0,42	- 0,19
Agrarerzeugnisse 15)	- 0,93	- 4,12	- 3,19
Erzeugnisse der Forstwirtschaft 16)	+ 0,12	+ 0,22	+ 0,10
Sonstige Erzeugnisse 17)	+ 0,01	+ 0,01	-

18) 1) Überschuß: +, Defizit: -.- 2) OECD-Länder und Südafrika.- 3) Nach der einheitlichen Warenklassifizierung der polnischen Volkswirtschaft.- 4) Für 1980 vorläufige Angaben.- 5) Vgl. Tabelle A 2.- 6) Kumulierte Werte.- 7) Einschl. Elektronik, Maschinenbau, Fahrzeugbau, Metallverarbeitung, Feinmechanik und Optik, Werkzeugbau, Schiffsbau.- 8) Baumaterialien, Glas und Keramik.

19) Quelle: Rocznik statystyczny handlu zagranicznego, diverse Jahrgänge, und Biuletyn statystyczny, Nr. 12/1980.

Key:

1. Key commodity groups
2. Change
3. Total
4. Incl.
5. Fuel and energy
6. Products of the
7. Metallurgical industry
8. Electrical engineering industry
9. Chemical industry
10. Mineralogical industry
11. Lumber and paper industry
12. Light industry
13. Food industry
14. Other industries
15. Agricultural products
16. Forest industry products
17. Other products
18. Footnotes in the table: 1) Surplus: +, deficit: -; 2) OECD countries and South Africa; 3) according to the standard commodity classification of the Polish economy; 4) for 1980, provisional data; 5) see Table A 2; 6) cumulative values; 7) incl. electronics, machine building, automobile construction, metalworking, precision mechanics and optics, machine tool building, shipbuilding; 8) building materials, glass and ceramics
19. Sources: "Rocznik statystyczny handlu zagranicznego," various years; BIULETYN STATYSTYCZNY, No 12, 1980

Table A 5. Long-Term and Medium-Term Borrowing, 1978 and 1979 (million U.S. dollars)

Country	Trade-related credits			
	1978		1979	
	Long-term (5-10 years)	Medium-term (2-5 years)	Long-term (5-10 years)	Medium-term (2-5 years)
Belgium	5	95	1	111
France	117	466	124	553
Netherlands	-	123	22	144
West Germany	22	538	131	872
UK	191	306	140	440
Italy	65	190	21	278
Austria	121	228	57	366
Switzerland	22	185	35	219
Sweden	10	142	13	182
Canada	44	4	30	99
US	69	596	20	732
Japan	-	69	213	54
Other countries	196	632	24	829
Total	863	3,579	831	4,879

Financial credits

1978		1979	
Long-term			
French syndicate	30	West German syndicate (vanadium)	430
Swiss syndicate (copper)	29	Dutch syndicate	60
International syndicate (copper)	250	International syndicate	550
British syndicate (Ursus factory)	70	West German syndicate (copper)	120
France (machine industry)	11	West German syndicate	60
West Germany (steel industry)	11	Austrian syndicate (trucks)	50
Japan (machine industry)	11	Italian syndicate (cars)	195
Other countries	146	Japanese syndicate (chemicals)	100
Total	558	French syndicate (ports)	60
		French-Swedish syndicate (dairy products)	30
Medium-term		Swiss syndicate	25
Socialist countries	248	French syndicate	30
Belgium	60	Arab countries	150
Bahamas (copper)	20	Socialist countries	200
France	22	Other countries	232
Britain (car industry)	25	Total	2,209
Japan (coal)	36		
France (chemical industry)	40		
Total	480		

Source: Bank Handlowy. They state that all long-term credits are government-guaranteed credits, and they estimate that about one-third of medium-term credits are also government-guaranteed credits. The item "other countries" includes also suppliers' credits guaranteed by Bank Handlowy. The breakdown by countries follows the residence of the creditor or agent of the syndicate.

Source: Richard Portes op.cit., p 56

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LEGAL, INSTITUTIONAL ASPECTS OF EAST-WEST TRADE REVIEWED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 2 Feb 81 pp 15-28

[Article by Dr hab Krystyna Michalowska-Gorywoda, assistant professor at the Institute of International Law at the Main School of Planning and Statistics (SGPis)]

[Text] Immediately after the Second World War and during the 1950's a dominating form of economic relations determined the trade exchange, which in turn was grimarily goods turnover. However, the steadily advancing development of productive forces, the intensifying international division of labor, and the improvement of international political relations, resulted in new forms of East-West economic cooperation. Since the second half of the 1960's, industrial cooperation as well as scientific and technical collaboration appeared between the socialist and capitalist countries. Industrial cooperation has all the makings to become the future form of collaboration that simultaneously activates the traditional exchange of goods.

Changes that occurred with material forms of economic cooperation among states with different social and political systems, also impacted the legal and institutional character of this cooperation.

Trade Agreements

From the end of the war until the mid-1950's trade between socialist and capitalist countries took place predominantly as bilateral intergovernmental commercial and payment agreements. Only in a short period, including the second half of 1945 and the beginning of 1946, commercial relctions between certain newly established European socialist countries and capitalist countries of Western Europe were still based on prewar commercial pacts or were, in general, devoid of any contractual settlements[1]. Trade understandings from the first postwar decade were short-term agreements, generally for 1 year. Their scope reflecting the existing forms and scale of economic collaboration, was very narrow and applied predominantly to two issues: conditions of commercial exchange and system of account settlement for goods delivery. Agreement resolutions had a very detailed character and they assumed the form of very simple, often bound (commodity for commodity) commercial transactions, with a strictly limited number of articles. Although these agreements were

1. Compare for example E. Palyga, "Binding Power of Polish Commercial Agreements Concluded Before 1 September 1939." LAW IN FOREIGN TRADE, 1973, page 31.

intergovernmental, they resembled commercial transactions.[2]

On the other hand, settlements of accounts, provided in agreements for deliveries, we in the majority of cases executed in clearing. In these agreements a prolongation clause was frequently included, with the agreements extended several times, as a rule by a 1-year period. Only quota lists attached to the agreements or supplementary protocols were subject to modification. The revision of quota lists or of supplementary protocols was entrusted to mixed committees instituted by certain agreements. However, natural premises for the development of economic East-West cooperation, which appeared after the Second World War, were seriously affected at the beginning of the 1950's by the new political and economic situation. The intensification of political tension and the economic blockade of socialist countries also affected the character of mutual treaty relations. During this period tendencies to conclude new economic agreements, even for the period of one year, weakened; most often previously concluded understandings were extended. At times, however, even such an extension did not occur; that resulted in nonagreement, which, for example, occurred with Poland and France in 1950 and in the first half of 1951. Evidently, it is difficult to evaluate how much a lack of legal basis for the Polish-French trade exchange affected the value of turnover between these two countries; nevertheless, negative consequences are recognized.[3]

Tendencies initiated in the mid-1950s for the reduction of political tensions, as well as for the normalization of economic relations between countries with different socioeconomic systems, resulted in substantial modifications in the legal and institutional frameworks of economic cooperation. From the mid-1950's one notices a rapid retreat from yearly economic agreements as not providing a formal guarantee of long-term exchange, and a tendency to establish long-term understandings, developed more formally and substantially. The first such agreement, signed during the so-called cold war, was the commercial pact concluded for the years 1951 to 1955 between the Soviet Union and Finland. From the mid-1950's other socialist countries started entering bilateral long-term commercial agreements with capitalist countries, predominantly from Western Europe. Initially, these long-term commercial understandings were concluded for 2 to 3 years, and later for 5 years.

The long-term commercial agreements, supplemented with annual protocols, had a much wider scope than the annual pacts. Clauses in these agreements reflected contemporary detente tendencies in East-West commerce. They applied most favored nation clauses and liberalized turnover, diversificated exchange structure, mostly through the extension of machines and appliances participation. These were remarkably important for the actuation of exports from socialist countries to the capitalist markets and also for credit transactions. In these agreements, lists and guaranties of quantities of goods for exchange were included; generally they were only indicative character and thereby not strictly limiting the balance of commercial and financial flow between the parties. Toward the end of the 1950's--along with the reinstatement

2. S. Dlugosz, "Assumptions of Economic Agreements with Developed Capitalist Countries." LAW IN FOREIGN TRADE, 1971, fasc 26-27.

3. S. Dlugosz, W. Szczepaniec, ECONOMIC RELATIONS OF POLAND WITH THE DEVELOPED CAPITALIST COUNTRIES. Warsaw 1974, p 225.

of the West-European capitalist currency convertibility and of the socialist countries in mutual settlements of accounts, a departure occured in many cases from the clearings system, with a transition to settlements in convertible currencies. For example, the USSR and Italy turned to settlements in convertible currency (Italian lira) in 1957, and the USSR and France in 1960. Despite the widely observed tendency for settlements in convertible currency, toward the end of the 1950's, clearings were still operative for 30 percent of European East-West commerce.

As normalizing tendencies were strengthening in commercial East-West exchanges, expressed in a slow but steadily progressing liberalization in the capitalist countries of imports from socialist countries, so the quantity as well as the scale and the contents of clauses inserted in bilateral long-term commercial agreements, we also changing.

Agreements on Economic Cooperation

From the second half of the 1960's, economic cooperation broadened between socialist and capitalist countries. In regard to industrial cooperation and scientific and technical collaboration, constantly growing significance of these new forms of collaboration required proper legal and institutional adjustment and frameworks to permit maximizing potential benefits, especially in industrial cooperation.

Initially, the treaty practice progressed in two directions. In the first period (the end of the 1960's and beginning of the 1970's) agreements concerning economic collaboration, and thus including industrial cooperation and scientific and technical collaboration, were concluded on the government level, either independently from commercial agreements or, in certain cases, included in commercial agreements as appropriate clauses on economic agreements, usually already included in the title. Both solutions were applied by individual socialist countries in their treaty relations with European countries. For example, Poland, which among socialist countries from the beginning displayed a particular treaty activity in with capitalist countries, in the second half of the 1960's concluded agreements on economic, industrial and technical collaboration, independent of commercial agreements. Such understandings have been signed by Poland with West-European countries such as Italy (1965), Belgium (1965) and Holland (1967). On the other hand, in 1969, applying the second method of contractual formulation in negotiating economic collaboration, Poland signed with France a 5-year agreement for trade and economic and industrial collaboration. This agreement stipulated that countries, as parties to such agreements, are interested in the development and intensification of their economic relations not only in terms of a traditional trade turnover but also of a broadly understood economic collaboration and, in particular, industrial cooperation. In this connection, both countries committed themselves "to facilitate the implementation of transactions pertaining to this collaboration. With this aim the sides agreed to grant to each other the most favored nation clause within the framework of their legal rules, particularly as concerns the system of import, customs and financial procedures" (art 3, par 2 of the agreement). Considering numerous tariff walls in mutual commerce--among them, and in particular, quantitative restrictions--both countries stipulated that they would undertake necessary measures in order that "deliveries resulting from transactions concerning collaboration would be realized without quantitative restrictions" (art 3, par 2).

Almost identical commitments for industrial cooperation between the contracting parties are included in the agreement on the goods exchange and economic, scientific and technical collaboration, signed by Poland and the FRG (for 1970-1974) and also by Poland and Great Britain (1971). In this respect the procedure of other socialist countries was similar to Poland's.

On the basis of economic collaboration agreements on the governmental level, enterprises, firms and economic organizations of contracting parties signed direct cooperation contracts. The control of implementation in intergovernmental agreements on economic collaboration was entrusted to commissions or mixed committees, which included representatives of both sides.

In time, the range of articles as well as the period of binding time for intergovernmental agreements on economic cooperation was constantly extended. For example, the relatively wide range of articles of economic collaboration has been provided by the economic collaboration and commercial exchange between Poland and the FRG, concluded in 1970. The following have been included in economic collaboration and cooperation:

a) Mutual deliveries of raw materials, intermediate products, parts and subassemblies for their processing, tooling (including the turnover of finished goods) and assembly in one or both countries, as well as the sale of goods to the market of one or both countries, independently of where these products have been deployed or refined, or to third markets;

b) expansion and modernization of existing plants or construction of new plants, modernization of technical or technological processes in one or both countries by delivery of machines and technical equipment or licenses, know-how, technical and technological documentation by economic units of the second country interested in obtaining products manufactured on the basis of delivered equipment, licenses and so on;

c) deliveries of raw materials, intermediate products, parts and subassemblies or end products for the current production of economic units of the second country for the expansion or completion of their production program or sale. Initially the binding time of these agreements generally was a 5-year period. Such pacts are now on principle, concluded for 10 years; 27 October 1971, for the first time in economic relations between countries with different sociopolitical systems, a long-term agreement on economic, industrial and scientific-technical collaboration was signed between the USSR and France. Nevertheless, agreements are also concluded for longer periods; for example, the understanding on the development and intensification of a long-term economic and industrial collaboration between the USSR and the FRG, concluded on 6 May 1978 in Bonn for 25 years.[4]

In the 1970's this qualitatively new legal and institutional basis of economic East-West collaboration developed rapidly. In a decisive majority of cases they

4. VNESHNIAYA TORGOVLIA [FOREIGN TRADE], No 8 p 39.

are binding along the commercial agreements of long standing.[5] However, in particular situations the long-term agreements on economic collaboration temporarily constitute the only bilateral contractual framework of these relations. This happens, for example, in the treaty practice between CEMA and EEC; because of the EEC commercial toward third countries, commerce between these parties occurs without contractual bases, on the strength of autonomous decisions of EEC authorities.

Agreements on economic cooperation have a framework character from the point of view of collaboration, as well as of realization means. They do not constitute a formal commitment from the countries parties to these agreements--for specific activities; however, they obligate them to create a favorable atmosphere for collaboration, undertaken in certain fields by proper groups, as provided by these agreements. Direct relations of collaboration are left to business concerns, economic organizations and associations of the contracting parties.

The essential purpose of long-term agreements is promoting, facilitating and strengthening the economic, industrial and scientific-technical collaboration;[6] taking advantage of new possibilities of collaboration, resulting from the economic development of partners, and creating continuous and stable perspectives of cooperation on the basis of long-range activities.

In every agreement the preferred fields of cooperation are enumerated by the interested parties. In certain cases such definition has a more explicit character; in other cases, general or exemplary character. All agreements provide the possible expansion of the range of cooperation.

Forms of economic, industrial and scientific-technical cooperation vary greatly. With industry and other subsections of the economy, the cooperation between enterprises and the economic organizations of the contracting parties may be carried out by direct contacts between them, such as common research in the field of planning and common undertakings, common research works and cooperation in the production and sale of particular industrial products, and sometimes expansion of mutual tourism.

In technical cooperation and in applied sciences, the long-term agreements provide the following: exchange of licenses and technical documentation, exchange of information, cooperation in developing new technologies, common elaboration of subjects in the field of applied science, advancement and exchange of technical personnel, and organization of conferences, seminars and exhibitions.

All these explicitly mentioned, as well as other, form of cooperation are realized by proper economic subjects of contracting parties, while governments of states--the parties to the agreement--perform only the role ofstimulator in establishing contacts between industries, economic organizations and domestic organizations as

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5. From the document of the Economic and Social Council of the UN "Register of Long-Term Agreements on Economic Cooperation and Trade" (TRADE/R 308, 13 September 1979) commercial agreements binding i mid-1979 between socialist and capitalist countries amounted to 109, while comercial and technical agreements amounted to 177.

6. As a rule, the issues of scientific-technical collboration are included in the stipulations of these agreements. However, agreements on these subjects are sometimes concluded separately.

the actual agents of cooperation. Only relations established between actual agents of cooperation have the character of commitment.

In long-term agreements on economic cooperation established between socialist and capitalist countries, particular attention is attached to industrial cooperation, considering the role of this form of cooperation in intensification, change of structure and better equalization of trade turnover between particular countries. Such agreements stress government support for all initiatives aimed at establishing cooperative relations. However, as in relation to other forms of cooperation, these decisions are more declaratory, particularly for capitalist countries. Whose influence on the activity of establishments is limited.[7] Cooperative undertakings have to be implemented on the basis of long-term understandings, concluded between establishments of interested countries under the laws of the given countries. The long-term nature of cooperative contracts has to secure durability for this form of cooperation. It has an essential significance, because it is consistent with the character of manufacturing and modernization of products' process and acts long-term for the stabilization and improvement of the trade exchange structure with foreign countries.[8]

The form of industrial cooperation is decided by the interested enterprises. Certain international agreements give examples of cooperation forms; these do not, as a rule, cover the range of potential possibilities. In most agreements, the territorial range of cooperative undertakings is not limited to that of the contracting parties but includes third countries.

Financing is a very essential matter in establishing cooperation between enterprises of socialist and capitalist countries. This problem is reflected in proper intergovernmental agreements. The contracting parties advise that, in agreements and contracts between financial and banking institutions of the interested countries, the objectives and assignments of long-term agreements on economic collaboration and industrial cooperation be considered. In particular, conditions of credit, which--by governments' declarations--should be as convenient as possible, have priority. All activities on behalf of economic, industrial, scientific and technical cooperation, in accordance with the pacts, will be undertaken in the most liberal spirit, not disturbing the international commitments of countries, as parties to the agreement.

Contracting parties, resolve themselves first to commitments from their membership in GATT. Long-term agreements on economic cooperation do not include explicit provisions directly concerning trade exchange and policy--i.e., they don't include standard clauses for commercial agreements in certain formulations of these agreements. However, there still are ideas from commercial policy. The question here particularly concerns statements that economic cooperation, and primarily

7. A. Calus, "Legal Aspec s of Industrial Cooperation With Capitalist Countries." FOREIGN TRADE, 1974, No 10.

8. M. Dobroczynski, "International Industrial Cooperation in Europe." INTERNATIONAL AFFAIRS, 1975, No 3.

industrial cooperation--which stimulates the growth of commercial exchange--will profit from the most favorable treatment, based on rules binding in contracting countries. This most privileged treatment will relate, among other things, to customs duties and liabilities applying to export or import of goods and services, and methods of establishing such payments or liabilities, rules or duties formalities.

The Role of Mixed Commissions On Matters of Economic Cooperation

Due to the structure of long-term economic, industrial and scientific-technical agreements concluded by socialist countries with capitalist countries, particular tasks and responsibilities are vested in mixed commissions appointed by these agreements to develop economic cooperation. Generally these institutions supervize the fulfillment of agreement provisions.

The aims and assignments of mixed commissions are defined in the agreements themselves or in annexes to them. First, mixed commissions supervize the relation of agreements; second, they ensure the coordination of cooperation between the agreement parties and, third, their activity ought to promote the advancement and development of this cooperation. The means that the mixed commissions use to fulfill their assignments vary; they include analyses of cooperation development, investigation of programs and propositions for the promotion and development of cooperation, recommendations to government organs concerning means needed to realize particular agreements, and information exchange on essential courses of economic development of parties to the agreement. Mixed commissions also constitute an important forum for representatives of the planning organs of the contracting parties. Such meetings instruct the parties about the aims and methods of planning and about the economic development of the interested states.

Representatives of both countries join the mixed commissions as chairman (as a rule a ranking minister or vice-minister), his deputy, secretary, members and, if need be, other experts. In certain agreements, for example, between Poland and the Benelux, a recommendation includes on the commission representatives of interested industries and economic organizations.

Mixed commissions may confer in annual ordinary and extraordinary sessions in both countries alternately at jointly established dates. During the sessions they review economic relations between partners, particularly the realization of industrial cooperation, and they evaluate accomplishments. They exchange information about new directions preferred by both states and possibilities of cooperation. The following long-term decisions of agreements are made: liberalization of turnovers included in cooperation understanding or the question of creating new facilities for industrial cooperation.

Therefore, the mixed commissions constitute the essential element in realizing economic cooperation of long-term intergovernmental agreements. Their activity and authority bear substantially on the intensification of this cooperation, attested to by experience.[9]

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9. For more on the subject of mixed commissions, see E. Sutkiewicz, K. Michalowska-Gorywoda, LONG-TERM PACTS ON ECONOMIC COOPERATION BETWEEN SOCIALIST COUNTRIES AND COUNTRIES OF WESTERN EUROPE. Warsaw 1976, pp 101-103. Compare also K. Rucinski, A. Wieczorkiewicz, "Long-Term Economic Understandings of Poland with Capitalist Countries." INTERNATIONAL AFFAIRS, 1973, No 12.

Mixed commissions have, in many cases, separated those branches and subsectors of industry in which cooperation is particularly advantageous for both sides and which were granted preference. The mixed commissions contributed considerably to forming new legal bases for economic cooperation between socialist countries and the highly developed capitalist countries, which establish long-term programs of economic, industrial and scientific-technical cooperation.

Long-Term Programs of Economic Cooperation

The basic aim of long-term programs for economic cooperation is realizing long-term pacts on economic cooperation and specializing the means for implementating tasks designated by these pacts. Long-term programs of cooperation, which have recommendations to enterprises, firms and economic organizations of both sides, designate in detail fields in which particularly profitable and long-lasting cooperation perspectives exist, and they enumerate specific enterprises that would serve these tasks.

The USSR-French program signed on 10 July 1973 in Moscow as the first in history of treaty relations between the countries of East and West, quotes five essential directions of cooperation between these countries: --cooperation in building large industrial installations in the USSR (for example, a Soviet truck factory on the Kama River) and in France (a metallurgical combine in Fos-sur-Mer),--supply by France of machinery, equipment and licensee for plants built in the USSR, these deliveries will be partially or totally paid by the USSR in goods produced in these plants;--coproduction for markets of both parties, as well as for markets of third countries;--cooperation to promote Soviet export to France in order to actuate and compensate the trade exchange;--increase of Soviet purchases on credit of complete French installations, technology and finished goods.

On the other hand, in the program signed in October 1975 by Poland and the FRG, the following fields of economic, industrial and technical cooperation are listed, above all: coal and energy, iron, steel and nonferrous metals industry, machinery and motorization industries, electronics, ship-building, chemical, building trade, agriculture and food industries. Cooperation of both sides is anticipated in the markets of third countries, as well. In relation to each preferred field of cooperation, long-term programs specify concrete cooperative enterprises, possibly undertaken by industries and economic institutions of both contracting parties. Long-term programs on economic cooperation between socialist and capitalist countries also include declarations by governments of the contracting parties of their support for intensification in the program fields. This is expressed in recommendations, that the governments address to the proper agents of cooperation to contracting in a short time suitable agreements and understandings to implement the essence of the program.

The period for long-term programs developing economic cooperation is generally 10 years, as in the long-term cooperation agreements (for example, the program on the development of economic, industrial and scientific-technical cooperation between the USSR and Sweden, signed in April 1975). However, this period may sometimes be longer (for example, the program on the development and intensification of commercial-economic, industrial and scientific-technical cooperation between the USSR and Finland signed in May 1977 and operative until 1990).

The legal and institutional bases of East-West economic cooperation developed during a number of years and are a fundamental and flexible instrument of foreign economic policy. Its efficiency depends essentially on the political will of the contracting parties to fill in these agreements with practical activities.[10]

Between The Socialist Countries And Countries of EEC Specific Character of Treaty Relations

The markets of EEC member countries have a particularly important value for the socialist countries. Trade between these parties constitutes the main stream of turnover in East-West commerce. Some 80 percent of commodity turnover of socialist countries with Western Europe goes to EEC countries. Until 1975 commercial and economic relations between these countries were controlled by the bilateral intergovernmental agreements. However, the EEC Treaty of Rome obligated its members to a common trade policy toward third states after the transition period in the community (31 December 1969). With these decisions, the governments of individual EEC countries have lost the right of negotiating and concluding bilateral commercial agreements with third states. Their powers in this field were taken over by the community's commission operating on the basis of a mandate and instructions furnished by its Council of Ministers.

In relation to socialist countries, which have not recognized the EEC and have not agreed to negotiate with the commission, the date of introducing the Common Market procedure for commercial policy was somewhat delayed, because the last bilateral agreements ended in 1974. From 2 January 1975 bilateralism in mutual relations between a socialist country and an EEC country was replaced eventually by the Common Market procedure. Since socialist countries rejected negotiating Common Market commercial agreements with the EEC commission, on 1 January 1975, a period started of defacto nonagreement exchange between socialist countries and EEC countries, based only on autonomous decisions of community authorities. The deadlock in conceiving economic cooperation with the EEC countries has increased the existing uncertainty in mutual trade relations. This has influenced the recently increased activity of the socialist countries as well as the EEC governments to work out new legal and institutional bases of economic cooperation, bases that have not entered the range of EEC joint commercial policy. Not only socialist countries are interested in securing a harmonious development of mutual commercial and economic relations. On a certain scale, this possibility is, at least for now, created precisely by these long-term agreements on economic, industrial and scientific-technical cooperation. In this context one has to look at the intensification of ventures that emerged at the beginning of the 1970's in the field of contracting such agreements between socialist countries and EEC member states.

The further development and intensification of economic relations between both groups of countries, based on long-term agreements on economic, industrial and scientific-technical cooperation, will depend essentially on the development of EEC external commercial and economic policy.

The lack of precision in the Treaty of Rome on common commercial policy, particularly concerning its scope--as in relation to other problems of commercial policy--causes

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10. Compare M. Dobroczynski, "Directions of Politics in Economic East-West Relations." INTERNATIONAL AFFAIRS, 1978, No 3.

a basic divergence of attitudes on one side between EEC member states and on the other between the commission and community parliament, as to the degree and the character of mutual competence in concluding and implementing long-term bilateral pacts on economic cooperation. The Treaty of Rome also lacks any decision on agreements on economic cooperation. Although separate EEC member states were concluding similar bilateral agreements on economic collaboration and industrial cooperation with other third countries, only the long-term agreements with socialist countries created reservations and controversies at the EEC community organs. A situation for this particular interest of the EEC commission and parliament on economic cooperation was created by the interpellation of a member of the European parliament, the Belgian Glinne, he addressed the EEC Council of Ministers and the commission with the question if, by contracting a long-term agreement on economic cooperation (1972) with Poland, France had broken Common Market rules concerning compliance with the consultation procedure. Replying to this, the EEC commission stated that France acted in accordance with the binding rules by informing a posteriori other countries of the EEC community and commission about the conclusion of this understanding, this type of pact, is not covered by the consultation procedure established in 1961 and modified in 1969.

Nevertheless, the EEC commission, recognizing these understandings as an important instrument for stimulating commercial exchange between the countries of Eastern and Western Europe, has stated the aim of establishing proper forms of Common Market control. This is, in the commission's opinion, necessary to assure full efficiency of common commercial policy, which can be obtained only, when it also includes certain aspects of agreements in economic collaboration and industrial cooperation.

Simultaneously, the EEC commission, like the European parliament, constantly insists on attaching great importance to the development of industrial cooperation with socialist countries, because it sees a dynamic future form of cooperation, profitable for both sides.[11] In the commission's opinion, taking into consideration the interests of EEC member states, to establish and accomplish cooperative understandings with third countries, particularly the socialist and the so-called petroleum-rich, constitutes an important means for securing stable deliveries of raw materials, fuel and energy. However, first, cooperation with socialist countries will concern "large-scale projects requiring the cooperation of several European enterprises [Western-postcript by K.M.G.], industrial as well as commercial;" second, "the appearance of new and very dramatic competitors" (concerns the United States and Japan (postcript by K.M.G.),[12] third, the EEC project of creating an economic-and-currency union, community action in the field of long-term pacts on economic collaboration and industrial cooperation requires an unquestioning undertaking.

Initially the attitude of the EEC commission concerning bilateral agreements on economic cooperation was very strict. It postulated a complete takeover of these understandings, jointly with their negotiation on the level of the community,

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11. JOURNAL OFFICIEL, 1973 No C 67.

12. Document COM/73/1275, final of 3 October 1973. Compare also the so-called "Klepsch Report--European Parliament." Document from session 1974-1975--Doc. 425/74, 9 January 1975.

through uniform Common Market rules, as with commercial agreements. However, due to pressure exerted on the commission by member states, particularly France and the FRG, the commission revised its initial proposals, as reflected in a commission decision submitted to the Council of Ministers in October 1973, which constituted the first stage of a united action planned by the commission.[13] Recognizing the right of EEC member states to bilateral negotiation of understanding, the commission suggested obligatory consultation in negotiation stages, as well as measures undertaken by member states during the implementation of pacts on economic cooperation. Moreover, the EEC commission postulated the inclusion of a revision clause in these pacts, similar to the so-called EEC clause inserted in the commercial pacts, allowing the change of conditions when necessary because of further integration within the community.

The discussion of commission projects exposed essential differences among EEC member states regarding economic collaboration with socialist countries.[14] The so-called EEC minority, namely, small countries, generally declared themselves for the commission project. However, the governments of countries like France, the FRG or Italy, with a greater commitment to business transactions with the East, displayed a less than favorable attitude toward these proposals, considering them an attempt to limit their sovereignty and autonomy in economic contacts with socialist countries. After prolonged negotiations, a preliminary resolution concerning mutual information was adopted by the Council of Ministers on 25 June 1974, and a final decision was taken on 22 July 1974.[15] It obligates the member states to inform the commission and remaining states of the intention to start negotiations for a pact on economic cooperation with third countries (this, however, concerned mostly socialist countries), to transmit texts of the pact, and also to inform on the pacts' means and undertakings that may concern EEC activities, particularly its commercial policy. The consultation procedure, whose mode and terms have been precisely defined by these decisions, simplifies the mutual exchange of information and views on control from the point of view of agreement conformability, as well as actions of the mixed commissions, with the principles of common EEC commercial policy, and also on the coordination of means within the community, relating to the importation of goods subject to cooperation agreements. On the other hand, concerning the commission postulates on including in the pacts the revision clause on economic cooperation, the Council of Ministers decision accepts the necessity of such a clause but leaves to the member states a free hand on its scope.

The decision of the EEC Council of Ministers regarding economic and industrial cooperation does not have any great practical importance; one must examine it

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13. JOURNAL OFFICIEL, 1973, No C 106.

14. More on this subject, see T. Kolodziej, "EEC and Industrial East-West Cooperation." INTERNATIONAL AFFAIRS, 1975, No 7-8.

15. JOURNAL OFFICIEL, 1974, No L 208.

primarily through the prism of program and propaganda effects. However, in the future, one must count with a serious limitation of management by EEC member states in concluding and implementing long-term agreements on economic, industrial and scientific-technical cooperation. It is important, since the question concerns the limitation of the independence of countries in matters that were not included in mutual economic EEC policy by the Treaty of Rome.

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PAPER SHORTAGE IN PRINTING INDUSTRY DISRUPTS ECONOMIC ACTIVITIES

Warsaw POLIGRAFIKA in Polish No 4, Apr 81 p 73

[Text] The drastic limitation this year in paper allotments for printing plants (with the exception of book production) has resulted from (1) the lack of foreign exchange to purchase cellulose and (2) the shortening of work time in the paper mills. Particular difficulties are presently being experienced in printing plants designated for the printing of job-work, printing for mass use and packaging. It is not possible to transpose those printing plants from day to day to publishing production. This would require the exchange of machinery, which in the present situation is impossible as a result of a lack of foreign-exchange funds for the eventual purchase of machinery.

The government's decision to allot an additional 12,000 tons of paper for the needs of the book publishing houses at the expense of the printing of job-work and packaging has caused in effect, however, not only perturbations in the printing industry. It threatens serious consequences for the supply of indispensable print for an enromous number of businesses in the country.

It is a matter of great concern during this difficult supply situation for paper to conserve the expensive material to a maximal degree. Everyone agrees with this, understands and values it. There are many types of print, which in the current situation one can do without. Action shown on television gives many reasonable examples. We must learn to collect wastepaper and returnable packaging (and there is a lot of this paper). In some countries, over 50 percent of the paper supply comes from recycled wastepaper.

The drastic cut limiting the printing of job-work and packaging may cause within several months or even weeks the complete paralysis of activity among such institutions as banks, insurance societies or others like public utilities. They cannot function without print. It is already happening that some businesses, citing a lack of necessary blank forms, are purchasing several reams of paper in the stores in order to make copies at the xerographic printers of the forms necessary for normal activity.

Everyone must limit his or her needs during the situation existing at present. However, if the global limitation reaches let's say 25 percent of hitherto existing allotments, there is a chance of somehow making our way out of this. Formats can

be reduced and some printing can be stopped for a while in production (certain reserves exist). Maybe even a 30 percent reduction in allotments for this assortment of printing could possibly get us out of these difficulties. But if allotments for some users are cut by 70 percent or more, the situation may be catastrophic. For example, is it possible not to do payroll in some plant or institution because of a lack of blank forms? Is it possible to function for the time being without cashier receipts? Examples could multiply. At the same time, the serious increase this year of publishing production and the earmarking for this purpose of additional amounts of paper will not see the desired result because the printing industry simply will not adapt. It would require additional capital investments.

Such is the necessity for a renewed analysis to be conducted as quickly as possible of the government's decision from December of last year with respect to the proportion of paper distribution for book publishing and printing for mass use. An increase in the production of books is necessary, and public pressure in this regard is justifiable. However, moderation must be maintained so as not to cause the complete disorganization of economic life in hundreds or thousands of plants and institutions resulting from a lack of truly indispensable blank forms. Let's establish specific conservation tasks for everyone, but make them realistic!

9807
CSO: 2600/333

DIRECTIONS FOR DEVELOPMENT OF MARITIME ECONOMY OUTLINED

Disproportions in Development of Maritime Economy

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4 Apr 81 pp 19-20

[Article by Tadeusz Lodykowski]

[Text] Disproportions or lack of harmony in the development of the maritime economy today occur in a few areas.

The most important area, and the reason for the existing gap, is the lack of internal harmony among the various elements of the maritime economy. These are fairly obvious matters, well-known among those dealing with that economy; e.g., disproportion between the growth of the merchant fleet and of seaport transshipment capabilities for certain types of cargo, disproportion within the deep-sea fishing branch, the fishing fleet and the state of land facilities, disproportion between the dry-dock facilities and the maintenance needs of the merchant and fishing fleets. These are some of the most often mentioned disproportions.

We do not very often emphasize the other areas of the disproportions, such as the gap between what the maritime economy could contribute to the national economy and what it does. If we are talking about the further development of the maritime economy, we must especially analyze this aspect. There still is the problem of unused potential of this using the sea for broadly understood economic purposes. The potential of this economy is not always fully perceived by the decision-making centers, or by the decision makers, who act under the pressure of current investment processes and basically forget strategic aims, which should be extracting the maximum benefits from the maritime economy for the national economy.

The third area is the disproportion between the current needs of the maritime economy and the ability to satisfy them. Again, unless this problem is solved, it is hard to talk about maximum or optimal use of the maritime economic potential.

This lack of proportion among the growth of individual components means that we cannot obtain the potential from the development of a given branch. For instance, if a detail necessary to develop the technology of transportation is containerization, then to produce the expected effects, technology must be so developed that the progress of each of its elements corresponds to the progress of other elements. The weakest and the least developed link determines the effects of the total.

As practically all the elements of the maritime economy are directly connected with the international market, it is necessary to mention one more area of disproportion, the disproportions between the level of quality of merchant fleet, ports, shipbuilding and fishing industries in highly developed countries and in Poland. In view of the keen competition usually dominating the international market, the elimination of this disproportion is especially important.

A final area of disproportion is the lack of harmony between the development of the maritime economy as a whole or of its individual branches and the development of other branches of the national economy related directly or indirectly to the maritime economy and its individual elements. This includes the shipbuilding and metallurgical industries, deep-sea fishing, the food industry, etc.

Despite the editor's request not to concentrate this article exclusively on investment requirements, we cannot totally disregard them. If we want to bring harmony to the development of maritime economy, if we want to use its potential to the maximum and if we want to achieve the proper level of satisfying our needs, we cannot do so without determining the investment tasks. The most essential thing for the maritime economy at this moment is to use most effectively--and cost-effectively--investment resources that are less than the needs.

The most urgent task is to list the investment requirements and determine the priorities and the investment stages in order to shorten as much as possible the time needed to achieve maximum results. Ongoing investments were meant to help the harmonious development of the maritime economy. First, investments that have been started should be completed. For instance, the container facility in Gdynia is an urgent task since it will determine the effectiveness of the fleet, the port and the movement of general cargo. There are several other previously decided investment tasks; e.g. the grain-fodder facility and the already started ore facility at the North Harbor.

One problem that must be attended to, is to select the source of ships to be purchased by Polish shipowners. This is also the problem of maintaining the proper proportion in the shipbuilding industry between production for export and for domestic customers. It would be highly desirable if the Polish shipbuilding industry could maintain and reinforce its position in the world market but it would be even better if, at the same time, its production could satisfy the basic needs of domestic customers. It is an unnatural situation, not found anywhere else in the world, not with that at this time not one freighter is being built for domestic shipowners.

To maintain the position of the Polish shipowner in the international maritime transport system, until now an important position and significant for our balance of payments, deliveries to domestic shipowners from Polish shipyards must be increased. These desires collide with the facts, with the established priority of orders. If we really plan to allot a share of this production to Polish customers, we must aim at a period when this is possible; i.e., after 1983.

Even greater attention must be directed to the development, or rather regression, of the cruise fleet. During the last few years, maritime tourism saw a lack of coordinated efforts. The Polish Baltic Shipping Company in Kolobrzeg had problems with the profitability of the ferry transport service. The Polish Ocean Lines are considering the successor to the Batory. The Gdansk Shipping Company and the

Szczecin Shipping Company are functioning and they are also planning the development of maritime tourism. The Gdansk Shipping Company is planning to build a passenger ship for the North and Mediterranean Seas. Each shipowner has his plans and ambitions. There is a need to coordinate the efforts, plans and projects. Who should do it? the ministry? regional organizations of the planning commission? Maritime tourism's future is dim if it continues to be handled as it has been.

Measures for Developing Maritime Economy

Warsaw INWESTYCJE i BUDOWNICTWO in Polish Apr 81 No 4 pp 20-22

[Article by Roman Lawnicki]

[Text] The choice of direction for investments in the maritime economy is related not only to the effectiveness of individual ventures in individual branches of this economy but also to a systematic analysis of the operation of the whole maritime sector in relation to the national economy and the future international connections of Polish maritime commerce.

An editorial discussion confirmed the need to distinguish two phases of investment programing:

--the preparation of basic assumptions and directions for investments in the years 1981-1985; i.e., during the period of limited domestic investments; this period must be characterized by the elimination of bottlenecks in the maritime economy;

--the determination of long-range investment direction until 1990, and even beyond, depending on the type and size of the undertakings.

This article deals with the basic investment assumptions and directions in the coming years under conditions of decreased investment funds.

The needs for investing in the maritime economy are determined by:

--the technological progress of world shipping, which at this stage requires certain investments to create a container system and to modernize the liner fleet;

--the necessity of eliminating losses, most of which are excessive foreign exchange expenditures caused by delays of harbor modernization and the "import" policy for overhaul of the domestic fleet and container equipment; I fully agree with Prof Lodykowski's article about the disproportions in the maritime economy and its weakest links;

--the possibility of obtaining better payoffs from development efforts in the maritime economy than from efforts aimed at comparable results in other fields. For instance, there are no indications that in the near future the relative cost of fish and animal protein will change; this of course, makes investment in the area of deep-sea fishing profitable despite the difficult legal and political situation of world fishing.[1]

--the purchase of equipment and tools essential for achieving higher mechanization of labor, especially in the shipbuilding industry, where the level of productivity,

technological progress and equipment do not meet world standards;

--the revised level of continuing investments in ports and shipyards previously decided as highly important to the national economy;

--the delayed development of elements of the seashore settlement system directly connected with the maritime economy and whose transportation problems in the Gdansk metropolitain region and the Szczecin conurbation impact the ties of the ports with their inland supporting facitilies.

In the discussion, the first priority was given to containerization of sea transport. The concentration of investment activities on the construction of the container facility in Gdynia until 1983 should be the highest priority of the maritime economy; also, it is necessary to accelerate the companion tasks necessary for efficient operation of the container terminal. Primarily, the container overhaul plant should be an integral part of the container center in Gdynia. Having this plant operational will mean the elimination of foreign exchange expenditures, which in the first six months of 1980 amounted to almost $1 million (the expenditures of Polish Ocean Lines). The solution need not involve construction of a new plan; the problem could be solved by adapting an unused, existing industrial facility.

The second group of undertakings tied to the food industry would include the investments related to the fish-processing industry:

--modernization of the ice-making plant for increased production;

--an increase of frozen and chilled storage floor area;

--the production of transportation for frozen fish;

--modernization of production flowlines in coastal fish-processing plants.

The fishing sector of maritime economy is a component of the national food program (per capita consumption is about 7.5 kg annually); the arrears in the modernization of inland facilities should be made up as soon as possible in order to use the catch more rationally.

The nation's economic difficulties in the past few months and the resulting slowdown of work in the seaports gave rise to voices claiming that further investments in the ports are pointless. The error of such opinions is obvious, they do not consider future trends of the economy and the removal of barriers to Polish foreign trade thanks to more effective transactional motivation. Undoubtedly, the forecasting of maritime foreign trade volume is a most difficult activity; presumably, in the second half of the '80's, the trend of coal export and iron ore import will continue at the level of the '70's and the import and export of other bulk goods--i.e., mostly raw material for the chemical industry--will increase. In view of this, the specialized facilities currently under construction for transshipment of coal and ore should be completed.

In the Polish seaports no specialized grain and fodder transshipment facilities are equipped with modern transshipment technologies or deep draft docks for mooring large grain bulk carriers of 60,000 to 70,000 in dead weight. For a dozen years, the problem of constructing a modern grain-fodder terminal in the Gdynia harbor was under discussion. The so-called transshipment facilities operating in the

ports of Gdansk, Gdynia and Azczecin permit the annual output of 3 million tons of grain and fodder imported aboard small and medium-size ships. What caused the delay in constructing a grain-fodder terminal and what is the basis of delay now?

First, the planners' expectations regarding Poland's self-sufficiency in grains and fodder have not materialized. This self-sufficiency theory constituted the main reason for the negative decision on the undertaking under discussion. In fact, the imports of grain and fodder systematically increased during the postwar period; in the years 1978-1980 they reached the level of about 8 million tons annually. Our agriculture fully covers the consumer and grain industry needs; despite this we should anticipate that importing grain and fodder will be a permanent element of our trade because of the profitability of animal breeding based on this import and the export of meat.

Polish agriculture enters into the animal-breeding economy with a clear program for further development. Having a port grain-fodder terminal means that:

--the time needed to transship grain and fodder will be shortened (the average daily rate of transshipment in a reputable West European port is about 29,000 tons while in a Polish port it is about 4,500 tons of grain); specialists calculated that, for example, in 1979 transportation of grain and fodder from United States and Canada cost us about $30-35 million more because it takes longer to unload in Polish ports;

--the annual cost of so-called off-lighterage on the order of $10 million can be eliminated;[2]

--the costs of prolonged loading of railroad cars, of inadequate silo storage capacity and of the lack of specialized equipment to load barges can be limited.

Without a port grain and fodder terminal, the national economy loses about $50 million dollars. With the outlays necessary to build a terminal, the costs of construction could be amortized within 3 years.

The conclusions based on the preceding discussion constitute the synthesis of this article:

1) recognition that some ongoing and some new investments are essential, that they would eliminate bottlenecks in the system, prevent "impotence" in the face of difficulties and losses and prevent the failure to derive full benefits that the maritime economy can deliver,

2) allocation to maritime enterprises of a portion of foreign exchange profits earned by these enterprises for the purpose of financing their own modernization investments.

FOOTNOTES

1. In the 1970's, certain limitations of the freedom to fish appeared as the result of:

   --protection of some species for biological reasons and introduction of so-called fishing allotments by the international fishing conventions;

   --coastal states declaring their ownership of living sea resources and establishing maritime economic spheres (generally 200 miles).

2. In the Polish ports there are no facilities to unload ships carrying grain and fodder and having draft over 31 feet; i.e., for ships greater than 25,000 tons in dead weight.

The cost of transporting 1 ton of grain from the United States to Europe by a bulk carrier of 60,000 to 70,000 tons dead weight is about $30 less than by a ship of 12,000 tons dead weight. Thus, when the grain is brought by large bulk carriers, a partial unloading of grain into smaller ships takes place within our ports; this causes additional cost of the so-called off-lighterage.

8801
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FISHING FLEET 1981-1985 PLAN PUBLISHED

Warsaw BUDOWNICTWO OKRETOWE in Polish No 1, Jan 81 pp 22-26

[Article by Boguslaw Piskorski, Master Engineer: "Polish Fishing Fleet During the Five-Year Plan 1981-1985"]

Features of the Fleet Owned
Deep-sea fishing fleet

[Text] The fishing fleet regulated by fishing enterprises which are under the control of the Fishing Industry Association is composed of three large groups: the deep-sea fishing fleet, the auxiliary fleet and the fishing cutter fleet operating in the Baltic.

The first of these had 116 ships at its disposal at the end of 1979, the second was made up of 9 and the third has as many as 226 ships. The type of ships, their age and that of the enterprises are shown in Tables 1 and 2.

The largest deep-sea fishing enterprise from the standpoint of fleet size is PPDiUR "Odra" ["Odra" State Maritime and Fishing Facilities Enterprise] in Swinoujscie which has 49 trawlers at its disposal. In second place is PPDiUR "Dalmor" in Gdynia. It operates 40 trawlers. The PPDiUR "Gryf" in Szezecin has a fishing flotilla composed of 27 ships.

However, there is a complete difference in the age and therefore, the quality of ships standing at the disposal of the particular maritime shipowners.

The youngest fleet is at the disposal of "Gryf." The average age of this enterprises' ships is 6.5 years.

"Dalmor" operates a considerably older fleet. The average age of its ships is approaching 11 years. The oldest are the B-15 type ships whose average age reaches 15 years. In this group, a real "old-timer" is the trawler "DALMOR" GDY-300 which is beginning its 22nd year of operation. B-22 type ships have on the average surpassed 9.5 years of life. B-419 and B-414 type ships belong to the youngest.

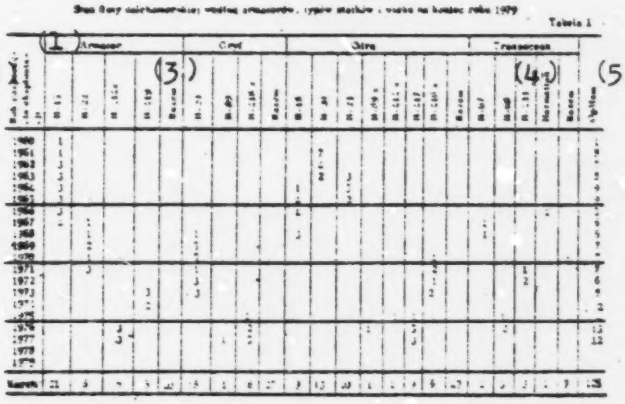
The oldest and most operated fleet is at the disposal of "Odra" in Swinoujscie whose ships are on the average nearing 12 years of age. This shipowner's B-20 type ships are beating a group record for age having already surpassed 17 years and are rapidly approaching the set limit for ship life of 20 years. Not much younger are

the B-23 type trawlers having already exceeded 15 years of operation and the B-18's which are on the average 14 years old. The remaining ships belonging to "Odra" are young (B-418, B-414, B-89, and B-417). However, this young group of ships (4 years old) numbers barely 11 units together, therefore, less than one-fourth of the entire number in possession.

In the group of deep-sea fishing ships, the auxiliary fleet PPURM "Transocean" [expansion unknown] should also be discussed. From September 1980, it numbers a total of 10 ships. Their average age is seven years.

The average age of the entire deep-sea fishing fleet of all four of the above discussed enterprises is rapidly approaching 10 years. It may generally be said that this is not a bad situation, if it were not for the fact that the age of our fleet has been rapidly increasing for the last three years. This can be seen directly from Table 1. In the years 1978 and 1979, not even one ship was added to the fleet and in 1980 only a transport ship, TERRAL, was added. This is serious because without reinforcement of the fleet with new acquisitions, the average age of the entire fleet is increasing in proportion to the passing calendar years, thus, in the last three years our fleet has aged three years. It will become more and more difficult to rejuvenate the fleet.

Table 1. State of the deep-sea fishing fleet according to shipowners, ship types and age at the end of 1979



Key:
1. Shipowner
2. Year of starting operation
3. Total
4. Harmattan [ship type]
5. Total sum

Baltic Fleet

Let us continue on to the Baltic fishing cutter fleet (Table 2). The largest enterprise in this group, taking into account the size of the fishing cutter flotilla, is PPiUR [Fisheries and Fishing Facilities Enterprise] "Szkuner" in Wladyslawowo. At the end of 1979, it had at its disposal 52 fishing cutters of four types. Immediately after "Szkuner" is the shipowner from Ustka--PPiUR "Korab" with a flotilla numbering 50 ships also of four types. In third and fourth place are PPiUR

"Barka" and PPiUR "Kuter" owning 46 and 45 fishing cutters respectively. The least numerous fishing cutter fleet is owned by the shipowner from Hel--PPiUR "Koga." Under its banner, 35 fishing cutters put out to sea to fish.

Table 2. State of the fishing cutter fleet according to shipowners, ship types and age at end of 1979

Stan floty kutrowej według armatorów, typów statków i wieku na koniec roku 1979

Tabela 2

(1) Rok rozpoczęcia eksploatacji statku	17 m				19 m		25 s						25 sA						TR-27		B-410						B-403			Ogółem (2)					
	Σ	Ba	Kb	Ku	Σ	Ku	Σ	Ba	Ko	Kb	Ku	Sz	Σ	Ba	Ko	Kb	Ku	Sz	Σ	Ko	Σ	Ba	Ko	Kb	Ku	Sz	Σ	Ba	Sz	Σ	Ba	Ko	Kb	Ku	Sz
1950	1		1																											1			1		
1951	1		1																											1			1		
1952	3		3																											3			3		
1953	2		2																											2			2		
1954																																			
1955	2		2																											2			2		
1956	2			2																										2				2	
1957	4	1	3																											4	1		3		
1958	20	9	2	9			3		2			1																		23	9	2	2	9	1
1959	3	2	1				10		2			6																		13	2	2	1		6
1960	4	1	2	1			8		3	2		3																		12	1	3	4	1	3
1961	2	2			2	2	5		4			1																		9	2	4		2	1
1962	1		1		2	2	6		1			5																		9		1	1	2	5
1963					2	2	7	1	1	1	1	3																		9	1	1	1	3	3
1964							7	2	1	2	1	1																		7	2	1	2	1	1
1965							6	1	2	2		1																		6	1	2	2		1
1966							5	2		2	1																			5	2		2	1	
1967							3			1	2								1	1										4		1	1	2	
1968							1				1																			1				1	
1969																																			
1970	2	2																												2	2				
1971	2	2					1		1				2			2														5	2	1	2		
1972													9	3		4		2												9	3		4		2
1973													17	4	2	4	4	3												17	4	2	4	4	3
1974													18	2	3	2	4	7												18	2	3	2	4	7
1975													11		4		6	1			2					2				13		4		6	3
1976																					14	2	3	4	3	2				14	2	3	4	3	2
1977																					4	1	1		1	1	3		3	7	1	1		1	4
1978																					7	5		2			3		3	10	5		2		3
1979																					10		2	4	3	1	8	4	4	18	4	2	4	3	5
(3) Razem	49	19	18	12	6	6	62	6	17	10	6	23	57	9	9	12	14	13	1	1	37	8	6	10	7	6	14	4	10	226	46	33	50	45	52

(4) Objaśnienie skrótów: Ba - Barka, Ko - Koga, Kb - Korab, Ku - Kuter, Sz - Szkuner. Σ - suma

Key:
1. Year of starting operation
2. Total sum
3. Total
4. Explanation of abbreviations: Ba = Barka, Ko = Koga, Kb = Korab, Ku = Kuter, Sz = Szkuner. Σ = Sum

When it comes to the average age of ships used for fishing in the Baltic, the youngest fishing cutter flotilla is that of PPiUR "Szkuner." The average age of ships belonging to this shipowner is nearing 11 years (the oldest unit in operation in operation dates back to 1958).

In second and third place are "Barka" and "Koga". Their ships are nearing the average age of 12. Ships belonging to PPiUR "Kuter" are even older and are already over 12 years old, therefore, in principle they have entered their second phase of life.

The oldest fishing cutter flotilla is owned by PPiUR "Korab". Its ships have already surpassed 14 years of age.

There are in principle seven cutter types operating in our state fishing cutter fleet. Forty-five 17-meter fishing cutters from the years 1950-1962 belong to the first group and four cutters of the same type from the 1971-1972 period. Their average age is 21 years! Six 19-meter fishing cutters built in the years 1961-1963 and averaging 17 years in age belong to the second group. The average age of these oldest fishing cutter groups treated jointly exceeds 20 years. The third and fourth group consists of fishing cutters of the B-25s and B-25sA type. Of the first type, we have a total of 62 from the years 1958-1971 with an average age of 17 years. Of the second type, we have a total of 57 from the years 1971-1975 with an average age of 6 years. The fifth group is represented by only one ship (TR-27) from 1967. The average age of these three groups of fishing cutters treated jointly (B-25s, B-25sA and TR7) amounts to over 11 years. The sixth and seventh group consists of the newest stern trawlers of the B-410 and B-403 type from 1975-1979. In total, we have 51 fishing cutters of both types.

The average age of our entire fishing cutter fleet at the end of 1979 surpassed 12 years. The cutter fleet is, therefore, 2 years older than the deep-sea fishing fleet but its prospects are better since it undergoes a continual rejuvenation process. Each year, it is systematically reinforced with new products from the shipyard, "Ustak and with B-410 and B-403 trawlers. Deliveries of these cutters in the last years were as follows: 1976--14, 1977--7, 1978--10, 1979--18, 1980--14 fishing cutters.

Science and Training

For a complete picture, the above description of the state and age of the marine fishing fleet should be supplemented with additional information about scientific-research ships which are under the ownership of the Maritime Fisheries Institute [MIR] and about ships under the control of fishing schools. This, MIR owns a total of eight ships (Table 3) of which at least two ships require urgent renovation.

Table 3. Scientific research ships

Statki naukowo-badawcze — Tabela 3

(1) Nazwa statku	(2) Pojemność brutto RT	(3) Rok budowy	(4) Wiek
"Baltica" Gdy 201	159	1952	27
"Doktor Lubecki" - Gdy 100	119	1960	11
Gdy - 151	-	1972	7
Gdy - 152	-	1971	8
"Profesor Bogucki"	23/1	1976	3
"Profesor Siedlecki" Gdy 130	2790	1970	9
"Sepuka - II"	17	1975	4
"Wieczno" - Gdy 202	502	1961	18

Key:
1. Ship name
2. Tonnage carrying capacity, gross register tons
3. Year built
4. Age

On the other hand, two ships work directly for the needs of naval training (Table 4).

Marine fishing schools have very old ships at their disposal. It should be added, however, that for purposes of training new cadres, there are two, new ships under the direction of PPDiUR "Gryf" and PPDiUR "Odra", namely: ADMIRAL ARCISZEWSKI--Szn 19, type B-89 with a carrying tonnage capacity of 2620 RT [Register Tons] built in 1976, which went into operation in May 1977 as well as RYBAK MORSKI--Swi 228, type B-89 with a carrying capacity of 2599 RT built in 1975 and which began operating in July 1976.

Table 4. Fishing training ships

Statki szkolne rybołówstwa

Tabela 4

(1) Armator	(2) Nazwa statku	(3) Pojemność brutto RT	(4) Rok budowy	(5) Wiek
(6) Technikum i Zasadnicza Szkoła Rybołówstwa Morskiego, Darłowo	"Franek Zubrzycki" II	165	1953	26
(7) Zespół Szkół Rybołówstwa Morskiego, Świnoujście	"Emilia Gierczak" Swi 150	692	1957	22

Key:
1. Enterprise
2. Ship name
3. Tonnage capacity, Gross Register Tons
4. Year built
5. Age in years
6. Technical and Basic School of Marine Fishing, Darlowo
7. Consolidated Schools of Marine Fishing, Swinoujscie

Principal Tasks of Fishing Industry for the Period 1981-1985

Present state of Polish Fishery

Presently, our marine fishing supplies the market, export and non-consumer purposes is ensured by marine fishing hauls in the amount of approximately 800 thousand tons annually. From these raw materials, the fishing industry supplies 265,000 tons of finished products to the domestic market, exports 50,000 tons of consumer products and supplies 60,000 tons of fish meal and 20,000 tons of other products. Supplies of fish meal promote, in turn, an increase in the results of meat and poultry raising.

The demand for fish and other processed products is far from being satisfied. To obtain the set goal of 10 kg per resident would require at the present time an increase in supplies made to market of nearly 100,000 tons to the order of magnitude of 350-360,000 tons. An increase in supplies to 300,000 tons is an absolute necessity. However, to obtain this goal, it is essential that the fishing fleet be reinforced and renovated to the extent presented further on in the article.

Poland's participation in worldwide fishing in 1979 amounted to 1.1 percent and in 1980 it fell to about 0.94 percent. Of 800,000 tons fished only 25 percent comes from our own fishing zone in the Baltic. Further possibilities of developing

fishing in the Baltic are exhausted since there exists a real danger of overfishing this biologically limited sea area. For this reason, maintenance of a certain level in Polish fishing hauls or their augmentation depends on the growth of deep-sea fishing which produces 75 percent of the fishing hauls of which a subsequent 75 percent comes from foreign economic areas. Therefore, the second condition for maintaining fishing on a high scale is the development of cooperation with coastal nations.

The combined tonnage of our deep-sea fishing fleet slightly exceeds 232,000 RT. The average age of this fleet is about 11 years--as presented above. This fleet is aging rapidly since it has not had additions of new ships since 1977. At the end of 1985, the average age of our fleet will reach 16 years and 35 percent of the number and 28 percent of the tonnage will require scrapping because it will have surpassed 20 years of operation. A subsequent 12 ships will require scrapping in 1987.

The fleet of refrigerated ships and motherships under the control of PPURM "Transocean" gives only a 50 percent assurance of transporting Polish fish products.

The situation is better in the fishing cutter fleet whose average age at the end of 1979 was 12 years but its process of rejuvenation with small B-410 type trawlers is being accomplished gradually giving real promise of maintaining this fleet's age on a rational level.

The costs of obtaining protein goods from fishing are 35 percent lower than protein from beef and pork meat. This proportion has held for the last dozen or so years. The foreign-exchange-intensiveness of the fishing industry, taking into account fuel costs, is lower than the foreign exchange of the meat industry with consideration given to the purchase of fodder.

Due to the nature of this article, discussion is not made of problems of the fishing industry not dealing with fleet matters, namely: land bases, processing plants, cadres, fish commerce, transport, etc.

Fundamental Problems of the Fishing Industry in 1981-1985

The major problem of the fishing industry in the upcoming 5-year period is the restitution of the fishing potential intended for scrapping. The decline in the fishing potential at the end of 1985 will as a result of the necessity to scrap 42 trawlers, amount to 130,000 tons of annual fishing hauls. The decline in the potential of the fishing cutter fleet is estimated at 39,000 tons of fish, thus, altogether the amounts fished are decreasing by about 170,000 tons.

A decline in fishing would create a series of negative consequences for the national trade and economy. It would indicate the following:

- a decline in final output by about 65,000 tons,

- a decline in fish meal production by about 13,000 tons which denotes a reduction in supplies of animal meat by 7-8,000 tons.

As a result of a decline in the fishing potential, deep-sea fishing felets from other nations would undoubtedly take over the fisheries abandoned by Poland and in

addition, mainly in Szczecin, Swinoujscie and Gdynia, a glut in the working forces numbering in the tens of thousands would be created and the loss of qualified workers would be irreversible.

Ships which the industry intends for scrapping after a 20-year operating period (for some of them a 24-year period of operation has been established) must succumb to it for three fundamental reasons:

- with consideration for the safety of navigating, ships with reduced functioning dependability cannot be operated for long distances from home; e.g., fishing in the Antarctic or the Pacific and according to a 2-year system of operation without coming home. Thus, even if the navigability of these ships could be maintained at great costs, the possibilities of operating them will be very limited.

- lack of repair capacities in the country's shipyards. A sum of 2 billion zlotys i.e. 400 million zlotys annually ought to be allocated for repairs on B-15 and B-18 series ships. In the meantime, the current level of the fishing industry's needs is 70 percent taken care of by repair shipyards rendering services to the order of 600 million zlotys. The maintenance of technical readiness of 30 ships (25 percent of the state of the fleet) by appropriating for this purpose 60 percent of a shipyard's offered repair capacity is unacceptable because this would cause a significant decline in the fishing capacity of the remaining fleet. Providing for all of the needs would require expansion of the shipyard which is an expensive and lengthy process.

- for certain ship types (e.g., series B-23) there is at present a lack of appropriate fishing areas. These ships were built for operation in nearby fisheries and therefore, their processing abilities and holds are too small.

As a result, there is no technical alternative for maintaining the level of Polish fishing hauls without building a new fleet.

From the conducted economic calculations, it appears that in general, replacing the old fleet would in a matter of 5 years reduce operating costs by 3.5 billion zlotys (which constitutes about 40 percent of the capital investments for building). It should be stressed that approximately 2.5 billion zlotys from this savings will concern the direct foreign-exchange expenses for the operation of ships and for fuel purchases.

A parallel effect is the lessening of pressure on the potential of repair yards by 1.6 billion zlotys during the five-year plan (320 billion zlotys annually). This nearly equals the amount of the currently unprovided needs of the shipyards' repair branches.

Program of Development for the Branch in the Years 1981-1985

Taking into account a realistic evaluation of the fishing branch's potential and the sensible savings of investment means, combined with their maximum effectiveness, the program of development for the maritime fishing industry up to the year 1985 concludes with the following directional dimensions:

- attainment of 900-950,000 tons in fishing; of this amount 200,000 tons from the Baltic and 700-750,000 tons from deep-sea fishing.

- attainment of 300,000 tons supplied to the market with 275,000 tons of this amount in fish and fish products of marine origin with a concurrent improvement in the system of supplies (increase in the supply of fillets, smoked fish, marinades and delicatessen),

- maintaining of fish meal supplies in the range of from 50-60,000 tons as well as 3-4,000 tons of cod-liver oil and other oils.

The accomplishment of such a plan would enable to strengthen the role of Polish fishing in the world and would restrain Poland's participation in worldwide fishing constituting at the same time, an increase in fishing proportional to the growth of the Polish population.

In order to achieve the above presented assumptions, it is necessary:

a) to replace 41 ships of the deep-sea fishing fleet which is approaching 20-25 years in age with 45 new ships making possible, among other things:

- to carry out fishing with gathering devices in unclaimed areas (jiggers, tuna boats),

- a relative decrease in fuel intensiveness of the deep-sea fishing fleet and its total operating costs.

b) to build 12 ships for the auxiliary fleet which will help avoid foreign-currency expenses for transports by means of foreign fleet which, by way of example, amounted to almost $9 million in 1979.

c) to carry into effect the "Baltic plan" within bounds of a complex concept of development of the Polish fishing zone in the Baltic. This plan encompasses the replacement of the scrapped cutter fleet as well as many investments involved in providing for a direct land base.

Characteristics and Magnitude of Tonnage Necessary to Carry Out Tasks

On the basis of research conducted by the Maritime Fisheries Institute [MIR], the Fishing Industry Association described nearly 2 years ago, the foreseen need for fishing tonnage in the upcoming five-year period of 1981-1985 (Table 5). Moreover, the fundamental features and requirements concerning the ship types were defined. They are as follows:

Planowane dostawy statków w latach 1981-1985

Tabela 5

(1) Typ statku	1981-1985	1981	1982	1983	1984	1985
(2) Trawler-przetwórnia 2200 t	10	-	-	3	3	4
Trawler-przetwórnia 1500 t	10	-	2	3	3	3
(3) Trawler-sejner-jigger, 700 t	20	-	-	7	7	6
(4) Tuńczykowiec, 800 t	5	-	-	1	2	2
(5) Transportowiec, 5500 t /B-361/	8	2	-	2	2	2
Transportowiec, 1500 t, /B-361/	2	1	1	-	-	-
(6) Zamrażalnia-przetwórnia 3000 t	2	-	-	-	1	1
(7) Kuter 28 m, 70 t	30	2	5	6	9	8
(8) Kuter naukowo-badawczy, 100 t	1	-	-	-	1	-

Table 5. Planned ship additions in 1981-1985

Key:
1. Ship type
2. Factory trawler
3. Seine-jigger trawler
4. Tuna boat
5. Transportship
6. Freezer-factory ship
7. Fishing cutter
8. Scientific-research cutter

Factory Trawler 2100 t

Ocean trawler for stern fishing and processing of fish on the Atlantic, Pacific or Indian Ocean within the range of acquired limits and partnerships; or fishing on ocean inclines and shallows. A trawler should have the ability to produce fillets, stuffing, halved fish carcasses [tusz], fish meal and oil as well as pure krill meat by shelling, low-chitin fodder meal and the raw materials for the production of chitin (frozen carapece).

The ship should possess:

- the ability to fish with two and three troll-nets alternately as well as with two troll-nets parallel,

- a production plant for fish meal with an output of 100 tons of raw material per day,

- a processing plant adapted for the quick conversion of processing machines suited to the fishing area by the application of adjusted assembly hatches and universal foundations,

- freezing capacity of 60 tons/day,

- three holds (for frozen products, for frozen products and fish meal, for fish meal),

- fuel capacity for 70 days,

- stocking capacity of 150 days,

- average fishing capacity of 20-30 tons/day,

- average carapece haul capacity of 85 tons/day.

It is estimated that the demand for them will be 10 units from 1981-1985 and 6 units from 1986-1990.

In general, this ship is viewed as a suitable mutation of a B-407 type ship with more substantial changes in the processing and production of fish meal which will be described following tests on the first ship of this type to be built in 1981.

Factory Trawler 1500 t

The general features of the ship are like those of the above described factory trawler 2100 t with the following differences:

- the production of fish meal with an output of 75 tons of raw material/day,

- freezing capacity of 50 tons/day,

- fuel endurance of 60 days,

- stocking endurance of 120 days.

Demand: 1981-1985--10 units and 14 units between 1986-1990.

The ship's construction may be based on one of the existing trawler hulls; however, it should have a bulbous bow and be adapted to ice fishing and in terms of power.

Ship Averaging 700 tons

Ship intended for stern fishing by means of a trawler system in shelf waters which are within the limits of agreements and cooperative partnerships in the Atlantic, Pacific and Indian Ocean as well as for squid fishing in ocean waters outside of claimed zones.

The following, approximate, principal parameters of the ship are foreseen:

- length 60 m
- volume 700 m^3
- power S.G. [expansion unknown] 2,000 HP
- speed 13 knots
- crew 35 persons

The ship should have a stern deck structure for trawler fishing and about 30 hook-type squid hoists operated automatically for squid fishing and:

- plate freezers with a capacity of 30 tons/day,
- fish meal production block with an output of about 12-25 tons of raw material per day,
- capacity for the easy exchange of processing machines
- fuel capacity (fish) 40 days
- fuel capacity (squid) 60 days
- stocking capacity 120 days

Demand: 1981-1985--20 units and 22 units between 1986-1990.

A certain number of ships of this series should also be adapted for the use of a purse seine.

Tuna Boat 800 t

Ship for tuna fishing, for operation in tropical areas of the Atlantic, Pacific and Indian Ocean mainly outside of claimed zones. The eventual construction of tuna seines is being considered.

A more precise description of the ship type, its intended purpose and parameters constitutes the subject for a separate analysis.

It is estimated that in 1981-1985 the need for this type of ship will be 5 units and in 1986-1990--10 units.

Transport-Freezer Ship, 5500 t, B-364

Motor-driven transport ship adapted for the transport in its refrigerated holds of: frozen fish and fish products in cartons, salted fish in barrels, fish meal, cod-liver oil in tank containers, provisions, containers and fuel for fishing ships. Trans-loading at sea and from fishing ships will be handled by the ship's own cargo handling crew. The ship's principal parameters are:

- navigational range	12-14,000 nautical miles
- maximum length	140 m
- region of navigation	unlimited
- volume of ship's hold	8,200 m^3
- speed	18 knots
- number of crew	60 persons

Demand: 1981-1985--eight units and two units in 1986-1990.

Transport-Freezer Ship, 1900 t, B-361

Motor-driven transport ship intended mainly for the purpose of receiving frozen fish and fish products at sea and transporting this cargo to destined ports in refrigerated holds at -28°C and fish meal refrigerated at +15°C. In addition, the ship will be used to supply provisions and packaging containers to fishing ships and to transport frozen and cooled commercial cargo (citrus fruits),

- navigational range	7,000 nautical miles
- area of activity	unlimited
- volume of ship's hold	1,200 m^3
- speed	15.5 knots
- crew	27 persons

Demand: 1981-1985--three units and two units in the years 1886-1990.

Ship for Fish Pick-Up at Sea 3000 t

Specialistic ship for receiving and processing fish at sea and for preserving and transporting them. The hold's volume should ensure a storage capacity of about 1,000 tons of fish in cartons while the processing plant should have the capacity of processing about 200 tons of raw products per day for fillets and halved fish !tuszki!.

It is estimated that the demand for this type of ship will be two units each in 1981-1985 as well as in 1986-1990.

25-meter, Baltic Stern Trawlers

Trawler, 25 meters in length, modernized and improved according to suggestions discussed during meetings in the shipyard "Ustka" in 1979. The demand for it will be 30 units in the 1981-1985 period and 20 units in 1986-1990.

Scientific-Research Cutter

Ship approximately 30-35 m in length intended for scientific research in the Baltic dealing with oceanography-ichthyology as well as fishing techniques and technology. It is predicted that one ship will be operated in the 1981-1990 period.

The one true supplier of the above featured ships or those of a similar type are the Polish shipyards. They are technologically capable of building all the types of units needed by our maritime fishing. It is only a matter of properly channeling their tasks so that our national needs are fulfilled in first order.

The matter of training ships whose stately [matuzalemowy] are given here in the beginning must inspire concern, requires a separate solution. An attempt at organizing all the training on modern trawlers, type B-89 "RYBAK MORSKI" and "ADMIRAL ARCISZEWSKI" turns out to be impossible. The students of the Naval College and the Agricultural Academy in Szczecin as well as the students of the Sea Fishery Technical School in Kolobrzeg fill nearly to an excess the training capacities of these ships, thus, creating the necessity in the next few years of securing suitable training ships for the Technical and Basic Sea Fishery School in Darlowo and for the Complex of Sea Fishery Schools in Swinoujscie. Such ships could surely be also built by our shipyards; we need only to quickly begin crystallizing our proposals and then begin developing the project.

There are, however, serious obstacles on the way to the realization of this plan: Will the shipyards receive the task of building training-ships; will new, indispensable means be found? It should be remembered that these means represent a need of about 20 billion zlotys for the realization of the entire maritime plan of the fishing industry. Although, this is not a small sum, it must be spent if we wish to maintain a vital level of fish consumption in Poland which represents a substantial and relatively inexpensive supplement to the serious protein deficiency in our country.

Fishing Fleet Repairs

In shedding light on the matters of the Polish maritime fishing fleet and the needs of our fishing industry in terms of renewing the tonnage in the next few years, the problem of ship repairs and the needs existing in this area cannot be omitted.

Baltic Fleet

Our fishing fleet is repaired in part in its own repair shops called the Shipowners Repair Centers [AOR] as well as in shipyards belonging to the Association of Maritime Repair Yards.

The AOR's existing alongside all of the five Baltic fishing enterprises perform in essence all of the required repairs on all the fishing cutters availing themselves in part of the assistance of larger repair centers located in certain fishing cutter enterprises when it comes to 4-year repairs and in particular use the assistance of the Fishing Repair Yard which is a strong AOR of the enterprise "Szkuner" in Wladyslawowo. As a result of the introduction into operation, in the last few years, of new but heavy B-410 type trawlers built in the "Ustka" Shipyard, problems arose during repairs of these ships because of a break-down in the underwater parts of the hoisting equipment. To overcome these difficulties, modernizing work is being conducted on the slip of "Szkuner" and "Barka" and the construction of a vertical hoist in "Kuter" is being undertaken but for the time being and to a limited degree, fishing cutter enterprises are forced to avail themselves of the assistance of the maritime repair yards which have the proper capacities at their disposal.

Deep-Sea Fishing Fleet

In the area of the deep-sea fishing fleet, the AOR's of three of our large, deep-sea fishing enterprises; i.e., "Dalmor", "Gryf" and "Odra" perform a wide range of inter-voyage and annual repairs; on the other hand, major ship repairs are handled in the maritime repair yards of Gdansk, Gdynia, Szczecin and Swinoujscie.

Our fishing industry also has at its disposal a service-transport fleet made up of 10 ships which are centralized in the hands of the specialistic shipowner PPURM "Transocean." This shipowner does not have its own AOR and is forced to refer all repairs to the repair yards.

For a complete picture, it should be added that a certain number of repairs--mainly preventive in nature and due to damage--is carried out abroad by fishing shipowners. This is necessary in certain situations because of a long, as much as 2-year cycle in operation and also because of the great distance from home. However, these repairs are carried out with the assistance of our own crews and specialists (sent out) from the country, most often in planes, to the most distant ports of the world and selected shipyards abroad employed to carry out essential heavy work and labor on the underwater parts of ships.

It should be stressed, however, that the greatest weight of fishing ship repairs rests on our repair yards which, unfortunately, have not been accepting or performing for years, the entire, necessary scope of repairs. The repair needs of the fishing industry are taken care of in 70 percent by shipyards of the ZMSR [Association of Maritime Repair Yards] and not only in terms of quantity but also--as is sometimes the cause for very serious perturbation--in a technological sense. The shipyards simply are not accepting certain kinds of work; e.g., maintenance-painting, electrical, work related to the repair of very large electrical machinery, etc.

From the point of view of the fishing industry, the development and modernization of our ship repair enterprise in a short amount of time is simply essential. Otherwise, we will be forced to seek assistance abroad to an increasingly greater extent, spend valuable foreign-exchange currency instead of employing our own workers. Under-repaired ships navigating in very difficult sea areas will succumb to accelerated decapitalization, the technical readiness of a very expensive fishing fleet will decline which, consequently, will not be capable of fishing and supplying the country with the necessary amount of fish and fish products.

COMMUNIQUE ON BREAD-CEREAL PRICES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 24 Aug 81 p 2

[Article: State Price Commission announcement relative to the increase in retail prices of bakery goods and grain-flour products]

[Text] The State Price Commission announces a change in the prices of bakery goods and grain-flour products, as well as a system of compensations with the purpose of making them effective 31 August 1981.

1. PRICE LIST

Bakery goods retail price list

1. Item	2. Assortment	3. Weight	4. Current official price in zlotys per unit	5. Proposed retail price in zlotys per unit
		I. Basic bakery goods		
1.	Whole-meal bread	1.0	--	18.00
2.	Rye bread	0.5	4.00	9.50
		0.8	6.00	15.00
		1.0	8.00	19.00
		1.6	11.00	29.00
3.	Graham bread	1.0	4.00	20.00
4.	Graham roll	0.05	0.70	1.50
		0.10	1.30	2.80
5.	Common bread	0.5	--	10.50
		0.8	6.70	16.00
		1.5	--	29.00
6.	Common bread on doily	0.5	--	11.00
		0.8	--	16.50
		1.5	--	30.00
7.	Milk bread	0.5	--	11.00
		0.8	6.00	17.00
		1.5	--	30.00

8.	Zakopane bread	0.5	3.30	12.00
9.	Wheat bread	0.7	6.50	16.00
		1.5	13.00	30.00
10.	Lecithin bread	0.5	7.00	15.00
11.	French baquettes	0.40	8.00	13.00
		0.25	6.00	9.00
12.	Bread rolls			
	- wheat roll	0.05	0.70	1.50
		0.10	--	2.80
	- Poznan	0.05	0.80	1 50
		0.10	--	2.80
	- Kielce rolls	0.50	5.00	12.00
	- hot dogs	0.20	2.60	5.50
	- baton	0.20	2.60	5.50
	- kaisar rolls	0.05	1.00	1.60
		0.10	1.90	3.00
	- caraway rolls	0.05	1.00	1.90
		0.10	1.90	3.30
	- salted rolls	0.05	1.10	1.90
		0.10	2.00	3.30
	- cracknel	0.10	2.10	3.30
		0.20	4.00	6.20
	- Malgorzatki	0.20	3.90	6.00
	- Crescents	0.05	1.10	1.90
		0.10	2.00	3.50
	- choice rolls	0.40	3.20	12.00
13.	Buttered rolls and crescents			
	- wheat roll	0.05	1.10	2.00
		0.10	2.10	3.80
		0.20	--	7.40
	- crescents	0.05	1.20	2.20
		0.10	2.20	4.00
		0.20	--	7.70
14.	Plaited, decorated breads	0.20	6.40	9.00
		0.50	6.50	19.00
		1.00	12.00	36.00

NOTE: The prices of semi-sweet rolls with various fillings (such as marmalade, poppy, cheese, etc.) are determined by producers in their own area.

II. Supplementary bakery goods

1. Item	2. Assortment	3. Weight (kg)	4. Current official price in zlotys per unit	5. Proposed retail price in zlotys per unit
15.	Whole grain rye bread	0.8	15.00	22.00

16.	Whole-meal honey bread	1.0	8.80	21.00
17.	"Pumpernickel" bread	0.25 0.05	4.00 7.20	9.00 15.50
18.	Tourist bread	0.50	2.20	11.50
19.	Bran bread	1.0	10.00	22.00
20.	Beskid bread	0.5 1.0	4.00 8.00	11.00 21.00
21.	Malt bread	1.0	7.00	23.00
22.	Old Polish Bread	1.0	7.00	20.00
23.	Warsaw bread	0.8	6.00	20.00
24.	Turkish bread	0.20	7.40	10.50

III. Dietetic bakery goods

1. Item	2. Assortment	3. Weight (kg)	4. Current official price in zlotys per unit	5. Proposed retail price in zlotys per unit
25.	Low sodium dietetic mixed bread	0.5 1.0	4.00 8.00	10.50 20.00
26.	Low sodium dietetic wheat bakery goods			
	- Rolls	0.20	2.20	5.50
	- Bread	0.5	4.80	11.50
27.	High protein dietetic bread	0.5	10.00	16.50
28.	Starchy dietetic bread	0.5	9.00	40.00
29.	Gluten dietetic bread	0.40	9.00	30.00

IV. Regional and trademark bakery goods

1. Item	2. Assortment	3. Weight (kg)	4. Current official price in zlotys per unit	5. Proposed retail price in zlotys per unit
30.	Zabludow bread (Bialystok voivodship)	1.00	7.00	21.00
31.	Krzycki bread (Wroclaw voivodship)	0.8	6.00	15.00
32.	Wroclaw bread (Wroclaw voivodship)	1.0	12.00	27.00

33.	Toasted bakery products	0.52 0.78	10.00 14.00	18.00 26.00
34.	Salty "Solinki" sticks	0.10	6.00	9.00
35.	Sweet sticks with poppy	0.10	6.00	10.00
36.	"Grissini" cakes	0.15	8.00	11.00
37.	Cocoa cakes	0.15	8.00	12.00
38.	Dessert cakes	0.15	8.00	12.50
39.	Crisp bakery goods	0.22	6.00	17.00
40.	Crisp bakery goods	0.25	--	18.00
41.	Crisp bakery goods "Milch"	0.25	8.00	20.00
42.	Crisp bakery goods "Roggen"	0.25	8.00	20.00

V. Bread crumbs

Bulk	1.00	10.00	38.00
Packaged	0.50	5.50	20.00

Retail price list of grain products

Item	Article	Type of packaging	Sale unit	Retail prices Old	New
1	2	3	4	5	6
		I. Wheat flours			
1.	Tort type 450	Paper bag	1 kg	10. -	26. -
2.	Pure wheaten flour	Paper bag	1 kg	7.50	26. -
3.	Wroclaw type 500	Paper bag	1 kg	6.70	23. -
4.	Mazovian type 450	Paper bag	1 kg	10. -	25. -
5.	Poznan type 500	Paper bag	1 kg	10. -	24. -
6.	Corn	Paper bag	1 kg	6. -	19. -
7.	Type 650	Paper bag	1 kg	6. -	21. -
8.	Rye flour type 1250 for sour soup	Paper bag	1 kg	3.75	20. -

Item	Article	Type of packaging	Sale Unit	Retail prices Old	New
1	2	3	4	5	6
		II. Cereals			
9.	Semolina	Paper bag	1 kg	6.50	26. -
			0.5 kg	3.30	13.50
10.	Prepared semolina	Paper bag	0.5 kg	6.20	16. -
11.	Hulled wheat	Paper bag	1 kg	5.40	22. -
12.	Mazovian pearl barley	Paper bag	1 kg	7.50	24. -
13.	Kujavian hulled barley	Paper bag	1 kg	7.20	23. -
14.	Country barley	Paper bag	1 kg	10. -	22. -
15.	Roasted whole buckwheat grits	Paper bag	1 kg	27. -	70. -
		Polyethylene bag	1 kg	29. -	72. -
16.	Roasted cracked buckwheat grits	Paper bag	1 kg	22. -	62. -
17.	Cracovian buck-wheat	Paper bag	1 kg	36. -	80. -
18.	Corn (cereal)	Paper bag	1 kg	8. -	24. -
19.	Millet (cereal)	Polyethylene bag	1 kg	25. -	42. -
			0.5 kg	13. -	21.50

Item	Article	Type of packaging	Sale Unit	Retail prices Old	New
1	2	3	4	5	6
		III. Flakes			
20.	Oat, regular	Small carton	0.5 kg	3.90	15.50
21.	Oat, choice mountain	Small carton	0.5 kg	5.50	17. -
22.	Oat, choice amateurish	Small carton	0.5 kg	5.50	17. -
23.	Oat, quick cooking	Small carton	0.5 kg	5.80	18.50
24.	Barley, quick cooking	Small carton	0.5 kg	4.50	17. -
25.	Rice, quick cooking	Small carton	0.4 kg	5. -	19. -
			0.75 kg	9.50	36. -

Item	Article	Type of packaging	Sale Unit	Retail prices Old	New
1	2	3	4	5	6
		IV. Macaroni			
26.	Popular, without egg	a)	1 kg	7.20	33. -
		b)	0.5 kg	4.20	19. -
27.	Popular, 1-egg	a)	1 kg	9.70	39. -
		b)	0.5 kg	5.30	21. -
28.	Popular, 4-egg	a)	1 kg	16.50	56. -
		b)	0.5 kg	8.50	30.50
29.	Italian, without egg, long forms	a)	1 kg	11.50	39. -
		b) or c)	0.5 kg	6.30	22. -
	Short forms and semolina	a)	1 kg	11. -	37. -
		b) or c)	0.5 kg	6. -	21.50
30.	Italian, 1-egg, long forms	a)	1 kg	12.50	45. -
		b) or c)	0.5 kg	6.80	20.50
	Short forms and semolina	a)	1 kg	12. -	43. -
		b) or c)	0.5 kg	6.50	24.50
31.	Italian, 2-egg long forms	a)	1 kg	14.50	50. -
		b) or c)	0.5 kg	7.80	28. -
	Short forms and semolina	a)	1 kg	14. -	48. -
		b) or c)	0.5 kg	7.50	27. -
32.	Italian, 4- egg, long forms	a)	1 kg	20. -	62. -
		b) or c)	0.5 kg	10.50	34. -
	Short forms and semolina	a)	1 kg	19. -	60. -
		b) or c)	0.5 kg	10. -	33. -
33.	Italian, 5- egg, long forms	a)	1 kg	22. -	68. -
		b) or c)	0.5 kg	13.50	37. -
	Short forms and semolina	a)	1 kg	21. -	56. -
		b) or c)	0.5 kg	13. -	31. -
34.	Wroclaw, choice, long forms	a)	1 kg	21. -	50. -
		b) or c)	0.5 kg	11. -	28. -
	Short forms and semolina	a)	1 kg	19. -	48. -
		b) or c)	0.5 kg	10. -	27. -
35.	Lublin, "extra" long forms	b) or c)	0.5 kg	17.50	48.50
	Short forms	b) or c)	0.5 kg	17. -	45.50
36.	Gorzow, "extra", long forms	a)	1 kg	30. -	69. -
		b) or c)	0.5 kg	15.50	37.50
	Short forms and semolina	a)	1 kg	28. -	65. -
		b) or c)	0.5 kg	14.50	35.50
37.	Lubus, long forms	a)	1 kg	25. -	49. -
		b) or c)	0.5 kg	13. -	27.50
	Short forms	a)	1 kg	23. -	47. -
		b) or c)	0.5 kg	12. -	26.90
38.	Zulawy, choice, long forms	a)	1 kg	25. -	56. -
		b) or c)	0.5 kg	13. -	31. -
	Short forms	a)	1 kg	23. -	54. -
		b) or c)	0.5 kg	12. -	30. -

a) paper bag; b) small carton; c) small carton or polyethylene bag.

Item	Article	Type of packaging	Sale Unit	Retail prices Old	New
1	2	3	4	5	6
		V. Breakfast flakes			
39.	Corn flakes	d)	0.25 kg	14. -	20. -
40.	Wheat flakes	d)	0.25 kg	10.50	14. -
41.	Rye flakes	d)	0.25 kg	10. -	14.50
42.	Barley flakes	d)	0.25 kg	10.50	14.50
		VI. Rice			
43.	Regular rice	a)	1 kg	8. -	28. -
44.	Choice rice	a)	1 kg	10. -	30. -

a) paper bag; d) plastic bag.

2. PRINCIPLES OF COMPENSATION

In order to equalize the higher living costs for people as a result of the increase in prices referred to in No 1 above, it is proposed to grant compensation to each person in a uniform amount of 150 zlotys a month, provided, that persons receiving pensions or annuities of less than 3,500 zlotys a month, as well as persons living on social welfare, or the alimony fund will receive 200 zlotys a month per person.

The basic compensation quota is based on a study of individual consumption of bakery goods and their products conducted in 6,400 households. This pertains to the consumption of bakery goods and macaronis. With reference to the results of this study, the consumption of bakery goods was raised from 8 to 10 kg, something which is linked with their higher consumption because of the shortages of other food articles. The consumption of the remaining products (flour, groats, flakes, rice, was calculated on the basis of ration card allowances).

In order to calculate compensation the following monthly consumption level of individual articles was adopted: bakery goods - 10 kg, flour - 1 kg, cereals and flakes - -.75 kg, macaronies - 0.2 kg, and rice - 0.17 kg. The average prices of these products up to the present respectively were: 9.80 zl, 8.[illegible] zl, 8.75 zl, 18.90 zl, and 10 zl.

The new average prices are: bakery goods - 21.20 zl, flour - 24 zl, cereals and flakes - 23.50 zl, macaroni - 45 zl, and rice 30 zl. Thus, expenditures on these articles rise correspondently each month: for bakery goods about 114 zl, flour about 15.05 zl, cereals and flakes 11 zl, macaronis 5.20 zl, and rice 3.40 zl. Overall, expenditures rise about 148.65 zl. For example, a two-person working family will receive 300 zl a month, a three-person - 450 zl, four-person - 600 zl, etc. If there is a person in the family who is receiving a pension (annuity) of up to 3,500 zlotys a month, then the compensation quota will be appropriately higher.

The compensation applies to:

1. Workers employed in socialized work establishments;

2. Persons receiving pensions or annuities;

3. Family members of persons named in 1 and 2, for whom a family allowance is received, and persons for whom this allowance is not received, but who because of their age or health condition are not able to work;

4. Holders of scholarships, and pupils employed on the basis of an agreement to learn an occupation;

5. Persons maintaining themselves on allowances paid from the social assistance fund or the alimony fund;

6. Mothers receiving an educational allowance;

7. Other persons who were named in the attached interpretations of the Ministry of Labor, Wages and Social Affairs.

The first compensation payment for workers and their families, holders of scholarships, and students will take place with receipt of the next remuneration or grant after implementation of the new prices, and for pensioners and annuitants, simultaneously with the payment of pension or annuity in September.

Until final arrangements for compensation payments are made by the Social Security Agency (ZUS), which because of technical reasons will take 2-3 months, retirees and annuitants will be paid a lump-sum amount of 600 zlotys, which will be regarded as an advance compensation payment.

Detailed principles and compensation payment procedures will be found in this explanation.

The course of consultations with trade unions up to the present permits saying that the necessity for raising the price of bakery goods and grain-flour products is generally acknowledged. In principle, the basic amount of compensation is not questioned. On the other hand there are various opinions as to whether the compensation amount should be identical for everybody, or whether it should be differentiated depending on the amount of earnings, pensions, annuities, incomes per family member, expenditures for heating and cooking, children and teenager ages, etc. For example, on 8 September 1981, the trade union labor center of the National Consultative Commission (KPP) "Solidarnosc" proposed the following system of compensation:

I Compensation in the case of earnings--according to the amount of monthly earnings*)

to 4,000 zl -- 200 zl
4001 to 5,000 zl -- 180 zl

5001 to 7,000 zl -- 150 zl
7001 to 10,000 zl -- 120 zl
above 10,000 zl -- 100 zl

II Compensation in the case of pensions and annuities--according to the amount of monthly pension or annuity benefit

to 2,300 zl -- 200 zl
2301 to 2,500 zl -- 180 zl
2501 to 3,000 zl -- 160 zl
3001 to 4,000 zl -- 150 zl
4001 to 6,000 zl -- 120 zl
above 6,000 zl -- 100 zl

III Compensation in the case of family allowances

1. for children -- according to age up to 6 years -- about 100 zl, above 6 years*) -- about 180 zl

2. for remaining family members being supported, those employed as well as pensioners (annuitants) -- about 150 zl.

IV Compensation in the case of scholarships to students and pupils whose families do not receive family allowances**) -- 180 zl

V Compensation in the case of apprentice salaries**) -- about 180 zl

VI Compensation in the case of persons receiving social benefits***) -- about 200 zl

VII Compensation in the case of farmer pensions and annuities****) -- about 150 zl

*) Higher compensation in individual pay levels in relation to similar pension and annuity levels, is explained by the fact that, as a rule, a larger number of persons are supported from earnings.

**) Higher compensation in consideration of the organism's higher needs.

***) Higher compensation in view of the highest poverty level proven for this portion of the population.

****) It is also possible to consider a different compensation division, for example, similar to the proposal announced with respect to pensions and annuities on the basis of employment and disability.

The compensation plan presented to trade unions was accepted by the Consultative Commission of the trade unions, and also by the Confederation of Autonomous Trade Unions. The State Price Commission states that the proposals on compensation differentiation presented by the Socio-trade Labor Center "Solidarnosc" also could be

adopted on condition that all trade unions agree on a position in this matter. However, much time is required for this because a strong differentiation of the compensation system would not allow immediate implementation on account of technical considerations. It would, for example, be necessary to identify each worker, each retiree and each child with respect to the amount of their remuneration, age, etc.

In view of the urgent need to check the waste of bakery goods and grain-flour products, and with the exhaustion of any further grain milling and bread baking expansion capabilities, the Price Commission proposes price changes from 31 August 1981, simultaneously stating that the compensation system presented may be modified depending on the progress of discussions which the present decision does not foreclose.

Regardless of this, the State Price Commission will instruct scientific establishments to sound out public opinion.

The introduction of new retail prices will make possible the application of new economic principles in the grain-milling and baking industry. Consistent with economic reform guidelines which establish self-government, independence and self-financing, new operational principles for this industry will become effective 1 October 1981.

Following implementation of new retail prices, the Ministry of Domestic Trade and Services will be watching the market situation closely with respect to grain-flour products, and depending on the shaping of demand, will be taking decisions to cancel controls on the sale of these articles.

EXPLANATION

IN THE MATTER OF PAYMENT OF COMPENSATION BECAUSE OF THE INCREASES IN RETAIL PRICES IN GRAIN-FLOUR PRODUCTS, AND PRINCIPLES OF REIMBURSEMENT AS A RESULT OF THE REVISION OF FOOD PRICE RATES.

In connection with the retail price increases of bakery goods and grain-flour prices the Ministry of Labor, Wages and Social Affairs, and the Ministry of Finance clarify the following:

1. Regardless of the persons mentioned in the communique, compensation applies to the following:

1) persons engaged in trade or craft contract work on behalf of the socialized economy.

2) persons employed in the agency-commission system, and as a result covered by social security,

3) persons engaged in work of a permanent nature on the basis of commission-agreement, and as a result, covered by social security,

4) temporarily unemployed persons receiving allowances from the trade activation fund,

5) persons drawing alimony fund benefits,

6) persons receiving an educational allowance from socialized work establishments,

7) persons employed in socialized work establishments who receive a sick allowance from ZUS funds,

8) creators, based on principles defined by the Minister of Culture and Art by agreement with the Minister of Labor, Wages and Social Affairs, and Minister of Finances, if they are not receiving compensation from some other source.

2. The basis for payment of compensation to members of working families, with the exception of persons named in point 3, constitutes evidence of family allowances.

3. Supported persons, for whom a family allowance (supplement) is not received, means persons who because of age or poor health, confirmed by a doctor's certificate, are incapable of work, as well as wives of workers who do not meet these criteria (pensioners, annuitants) who are raising or have raised a child. This also includes persons receiving alimony from workers, pensioners or annuitants if they meet the criteria mentioned above.

4. Workers receive compensation for the persons mentioned above on the basis of a declaration filed with their work establishment. In the case of persons from 19 to 60 years of age, this must be accompanied by a doctor's certificate which confirms an inability to work. This requirement does not pertain to youth in school for whom a family allowance is not being received, for example, persons living in a boarding school, or wives of workers (pensioners, annuitants) who are raising or have raised a child.

5. Socialized work establishments pay compensation to:

1) Workers, family members and other persons who depend on their support,

2) persons doing trade or craft contract work,

3) persons employed in the agency-commission system,

4) persons engaged on work of a permanent nature on the basis of a commission-agreement,

5) students employed on the basis of an agreement to learn an occupation,

6) persons serving apprenticeships,

7) mothers on maternity leave for whom a family allowance is not received,

8) pensioners and annuitants whose right to pension or annuity has been completely suspended.

6. The payment of compensation in work establishments operating according to the principles of economic self-financing strains operating costs, and budget resources for current operations in establishments covered by the budget. The payment of compensation in establishments operating in accordance with accounting principles is treated as a justified unfeasibility of the planned lowering of costs and financial accumulation. These compensations are regarded as a methodological change in the meaning of the rules on the establishment of a deduction base for material incentive funds.

7. The Social Security Agency pays compensation to:

1) pensioners and annuitants, members of their families and other authorized persons supported by them. These payments are made from the resources of the pension fund, the farmers' pension fund and the combatant fund,

2) socialized work establishment employees whose sick leave allowance is paid by ZUS. These payments are made from budget funds earmarked for such allowances,

3) persons receiving benefits from the alimony fund if they do not receive compensation from some other source.

8. The Polish State Railway (PKP) pension office disburses allowances to railroad worker pensioners and annuitants.

9. The compensation of students (doctoral), as well as of family members maintained by them, is paid by higher schools of learning from their funds. A condition of compensation is a declaration on the nonreceipt of compensation from another source.

10. Persons receiving allowances from the social welfare fund are paid by local social welfare offices.

11. Persons who are temporarily unemployed and benefiting from allowances paid from the vocational activity fund, as well as other persons supported by them, are paid by local employment establishments--as a debit against that fund.

12. Compensation is vested for each calendar month and is paid in advance on the schedules anticipated for the payment of allowances or benefits (with the qualification mentioned in rule 3. above).

13. Compensation is also vested in persons undertaking work for the first time, and in persons who change their employing department. Along with a change in employing department in a given month, or in case of coincidence of entitlement to compensation under different titles, only one compensation will be vested.

14. Working pensioners and annuitants whose right to pension or annuity has not been suspended receive their compensation from ZUS. When a worker retires on a pension or annuity his compensation is paid by ZUS.

15. If a worker (a person doing trade or craft contract work) is employed in more than one work establishment, his compensation is paid by the establishment identified by him as his principal employer.

16. In general, compensation does not apply to months in which the worker was not entitled to any remuneration or allowance from social insurance.

17. Compensation is paid by socialized work establishments outside of planned pay funds, and is not calculated as a basis for determining:

1) tax on the pay fund,
2) compensatory tax,
3) contributions for social insurance,
4) individual pay components,
5) pensions and annuities, allowances from social insurance or other social benefits or services.

18. Receipt of compensation does not affect rights eligibility based on the amount of salaries and incomes.

19. Budget-financed units and plants whose activity, among other things, includes the furnishing of meals, will introduce appropriately higher reimbursement rates for such meals in accordance with the decisions of appropriate ministers which were made in consultation with the Minister of Finance and the Minister of Labor, Wages and Social Affairs.

20. Increased outlays in units and budget offices in which the benefits based on meals furnished are gratuitous, or partially repayable--will be covered in entirety, or in an appropriate portion from state budget funds.

21. Units not being budget units and establishments cover higher expenses resulting from the increased retail prices of some foodstuff articles from their own funds and from payments for meals served.

22. With respect to collective nourishment at establishments--work establishments will set new charges for the use of work canteens, and for nourishment in establishment restaurants, and will observe the principle of users paying the full cost at retail prices of grain products used in the composition of meals.

23. Appropriately higher reimbursement charges for services rendered should be applied in the case of an activity conducted within the framework of the Workers Vacation Fund, or a socio-financial activity conducted by an establishment with financing from the establishment's social funds when, among other things, the activity is based on serving meals.

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CSO: 2600/318

GROWTH OF CHEMICAL INDUSTRY IN FIRST 4 MONTHS OF 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croation 15-17 Aug 81 p 2

[Article by Dusan Ivanovic]

[Text] Yugoslav business interests were certainly pleasantly surprised by the results of development in the chemical industry in the first 4 months of this year, particularly since the factors that accompany its prosperity are both numerous and objective. Although it would have been satisfying had its growth rate in the present intermediate period been the 8.5 percent rate that was recorded, the industry also accomplished results that could only be hoped for. Specifically, basic chemical production is currently growing at a rate of 15 percent in comparison with the same period last year, while processing of semimanufactured materials showed 11 percent, and rubber processing 8 percent growth. Thus it would be desireable for this to continue, although it is hard to believe that it will. It is well known that growth will slow in the second half of the year due to shortages of raw materials and semimanufactured materials, particularly imported goods.

Even with all these factors in mind, authorities nonetheless estimate that both the basic and the processing branches of the chemical industry, along with the tire and rubber industry, will continue to record a growth rate above that of Yugoslav industry as a whole in the coming months. The growth, however, will not be as convincing as during the first 6 months. Finally, when all the factors that affect production positively and negatively have been felt, the overall results in the chemical industry will correspond to the growth rate anticipated for this year and for the intermediate plan period. In the first 4 months, foreign trade results were also good, with the basic and processing chemical branches exporting more than 300 million dollars worth of products. That meant an improvement of fully 87 percent in comparison with the same period last year. Rubber processing plants also more than doubled their exports, bringing in nearly 45 million dollars of foreign exchange income.

All of this would be fine, except for the fact that imports for the chemical industry also showed a high growth rate, even though it was less than the growth in the rate of exports. Imports were 78 percent higher than during the same period last year. Rubber processing recorded successes, because there imports fell by 58 percent.

Export-import trends in the chemical industry show more dynamic fluctuations than those in industry as a whole. It is also significant that the ratio of these two factors are swinging markedly in the direction of exports.

The Parameters Are Not So Elastic

The chemical industry, however, is only a part of industry as a whole, where the growth rate is supposed to be about 4.5 percent. Furthermore, economic investments in this period of development are to be rather limited, and the chemical industry can expect to receive some 90 billion dinars in investments. With that amount of money, it should develop fully twice as fast. In fact, it can count on some 10 percent of total economic investments, which are aimed at strengthening its production potential. Obviously, the parameters for its prosperity are not so abundant and elastic; in other words, a great deal is expected from the chemical industry, but without corresponding investments.

In the chemical industry itself, the advantage should go to basic chemicals, which should comprise 60 percent of the total, and not 45 percent as presently (with processed chemicals making up the remainder). That means that at least some 80 percent of investment capital should be directed into development of the basic chemical branch, which stagnated in the past intermediate plan period, or grew at only half the rate recorded by the processing branch.

With this amount of investments for development, about 14 billion dinars would remain for developing the processing branch, and 4-5 billion for the rubber industry.

Despite restricting factors, the chemical industry should reach a significant turning point in its development, for in order to develop optimally, any economy must have at least 10 percent of its industry devoted to chemical production. Indeed, some branches, such as the pharmaceutical industry, depend directly on the chemical industry, which produces raw materials and semimanufactured materials; a similar situation is found regarding the production of mineral fertilizers and protective substances.

There Have Been Enough Lessons

It is certain that the results of development and operations in the chemical industry will be affected considerably by prices for raw materials and semimanufactured goods, primarily in foreign markets, since the industry is such a large importer. It would be desirable for exports not to grow at a rate above 8 percent annually, in order to reach a total of 1.6 billion dollars by the end of the current intermediate period, with the proviso that in the same year, imports should not total more than 2.6 billion dollars. These 2 numbers are projected on the basis of price trends in the past year. It is not impossible that major variations could occur.

For that reason, it is essential to develop domestic raw material supplies. There have been too many lessons learned concerning that fact. For caustic soda alone, based on last year's prices, it will be necessary to designate 6 billion dinars worth of foreign exchange, for caustic soda must be imported because domestic

production cannot satisfy demand. A very similar situation is found concerning calcinated soda, another basic chemical product, and with numerous other basic substances that are essential for the production of pneumatic equipment and supplies, synthetic fibers, detergents, etc.

We must reach a decision as to whether we will explore domestic phosphate deposits, or continue to import almost the entire quantity needed by Yugoslave industry. In the same way, where the rubber industry is concerned, we must decided whether we will buy rubber tree plantations in the outside world, or force the use of synthetic rubber that can be produced by processing crude oil, which is becoming ever more expensive. A large share of imports for the chemical industry, about 27 percent, goes for purchasing technology. Annually, about 200 agreements are concluded with foreign firms for various technological processes. Clearly, a selective approach is essential here as well.

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2181

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2181

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CEMA COMMITMENT TO NUCLEAR ENERGY DEVELOPMENT AFFIRMED

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 p 26

/Article by Prof Dr S. Collatz: "Nuclear Energy--A Decisive Primary Source of Energy"/

/Text/ The exhaustion of the deposits of important raw materials, in particular oil, looms in the not too distant future. Worldwide, however, we cannot really speak of the exhaustion of fossile energy sources. Oil deposits known at present will yield about $130 \cdot 10^9$ tons SKE /hard coal units/, enough for only about 30 years at present world levels of consumption; geologically proven stocks of brown and hard coal amount to more than $3,000 \cdot 10^9$ tons SKE. They would be capable of guaranteeing primary energy supplies for several centuries to come. Unfortunately the problems of regional distribution are immense. Many industrial and developing countries do not have adequate coal deposits. Inherent in the far reaching conversion of current energy sources to coal are tremendous technical-economic and ecological problems. Special problems also arise in the transportation of large quantities across long distances and by the pollution caused by coal burning.

How Large Are Stocks of Nuclear Fuels?

Nuclear energy has emerged at the international level as the long-range alternative to coal-based energy. The operation of nuclear reactors for large-scale electricity generation has given evidence of the reliable, economical and environmentally harmless production of energy from nuclear fuels. However, the scientific-technological advances for the full revelation of the nuclear energy potential have not yet been concluded. More long-term and extensive scientific-technological development work has to be done to settle the problem of fissionable materials supply by fast breeder reactors, the development of nuclear fuel processing facilities and possibly alternative processes to obtain fissionable materials. The fast breeder reactor is capable of converting more uranium 238 (natural uranium consists to 99.29 percent of the uranium isotope 238 and to 9.71 percent of uranium 235) into the plutonium isotope 239 (which can also be used as fissionable material) than the fissionable material it requires for energy generation, in other words it is capable of "breeding" a surplus of fissionable material for use in other nuclear reactors.

Current estimates of accessible uranium ores mentions some 5 million tons. If used in fast breeder reactors this would yield $10,000 \cdot 10^9$ tons SKE of primary energy, that is more than coal. If, on the other hand, only thermal nuclear reactors were

to be operated--capable of converting only a little of the uranium 238 content of the nuclear fuel into plutonium--the 5 million tons of uranium would produce only about $300 \cdot 10^6$ tons SKE of primary energy, roughly 2-3 times the primary energy value of the oil stocks still available. Consequently a nuclear energy system based only on thermal nuclear reactors would provide energy to only a similarly limited extent as oil does at the present time.

In some regions of the world importance for primary energy supplies will also be claimed by some processes utilizing renewable energy sources, such as solar power, water power, wind power, geothermal power, biomass, and so on. None of these, though, are likely to be in the main stream of world energy systems in the next 50 years.

GDR energy supplies currently depend mainly on brown coal. In addition we have imported oil, natural gas and hard coal as well as a little domestic natural gas. Already a respectable proportion of electricity (11 percent) is generated by nuclear energy. The following conditions will largely determine long-term GDR primary energy supplies: Annual raw brown coal output is unlikely to be raised beyond 300 million tons. The inflation of primary energy prices on the world market will continue. Imports cannot, therefore, be raised to any great extent. Moreover, oil and natural gas (and gradually coal also) will have to be increasingly used as raw materials. The Tenth SED Congress therefore drew the following conclusions regarding the development of the primary energy base: First of all, by virtue of rational energy use, the national income must grow more rapidly than primary energy needs, and secondly primary energy production will have to be consistently oriented to the utilization of brown coal and nuclear energy.

On the Status of Nuclear Energy in the GDR

This task represents a tremendous challenge to our industry responsible for energy supplies, even if the growth rates of primary energy production are significantly reduced as the result of rational energy use. The annual volume of raw brown coal output can be achieved and maintained beyond 10-20 years only by the greatest effort, because mining conditions are steadily worsening (deeper seams, smaller deposits, growing population density, and so on). Of course any large-scale transition to a basically new primary energy production technology such as nuclear energy production implies difficult tasks for the industry. We did make a good start on nuclear energy by the construction of the Bruno Leuschner nuclear power plant in Lubmin. This now has four thermal pressurized water reactors with an output of 440 megawatt per block. Electricity production costs in Lubmin are below those of new brown coal power plants. The construction of this nuclear power plant proceeded on the basis of a government agreement with the USSR which supplied the bulk of the equipment. For a country the size of our republic the independent development and production of nuclear power plants makes little sense in terms of economics. That is why the CEMA countries agreed in various resolutions jointly to deal with the introduction of nuclear energy in the national economies of their countries, based on the solid reactor developments in the USSR. Two government agreements regulate the CEMA countries cooperation in the maturation of the 1,000 megawatt thermal pressurized water reactor and the development of a high-capacity fast breeder reactor. A general agreement of the member countries largely settles the production specialization for the equipment of nuclear power plants with thermal pressurized water reactors.

Needed at the national level is the construction and expansion of capacities for greater involvement in the production of equipment for nuclear power plants. That is why this task was incorporated in the Tenth SED Congress directive to the 1981-1986 Five-Year Plan. It will be necessary gradually to reorient to nuclear energy the capacities which will be set free by the tapering off of the construction program for steam power plants based on raw brown coal. Research and development also have been given qualitatively new assignments. The specifics of nuclear energy present a tremendous challenge to the quality of the technologies and the plant designed for many years of operation.

International Trends of Nuclear Power Plant Construction

Nuclear power can be effectively developed only by far reaching international cooperation, because the total expenditure definitely exceeds the resources and possibilities of the average industrial country, let alone a developing country. In the capitalist economic region the United States took the lead in the development and large-scale industrial use of light water reactors (thermal pressurized water reactors, hot water reactors) for the production of electric energy in the 1960's and 1970's. Once some capitalist countries began to make use of the development results, independent reactor development trends arose in Europe (France, Britain, the FRG) and Japan. Some other industrial countries joined in and participated in the production of equipment. Canada pursues a relatively independent approach (natural uranium reactors).

In the capitalist world discussions on the safety of nuclear energy plants have been wide ranging. They inspired anxiety and concern among the peoples. It may be assumed that these discussions are stimulated by monopolist interests so that, for example, nuclear energy should not damage the giant oil business. Basically, though, they lack any factual scientific-technological base though the complex challenges of this new technology should not be underestimated. Next to hydro power nuclear energy is the method of energy production involving the least damage to the environment. The risk of serious breakdowns has been minimized by extraordinary technical efforts from the very beginning of nuclear development. Nor is there any real cause for pessimistic forecasts with regard to the not yet fully resolved development problems of the nuclear fuel cycle, especially the long-term storage of radioactive waste. Technical solutions are on the horizon, and for the most part it is now a matter of economic considerations only with regard to the large-scale accomplishment of the tasks involved.

What must be taken very seriously indeed, though, are the doubts of the left forces in the capitalist world. They question whether capitalist production methods as such are suitable for handling nuclear energy without injurious effects on the people.

Goal of Nuclear Energy in the Soviet Union

The solid reactor development in the USSR has provided the basis for the use of nuclear energy in the socialist camp.

Currently two nuclear reactor types are used on a large scale in the Soviet Union, the pressurized water reactor and the pressure pipe reactor. The characteristic

feature of the pressurized water reactor is a huge pressure vessel made of steel (4 meters in diameter, 12 meters high, working pressure 15 megapond), which houses the entire reactor. Operating in the USSR, the CEMA countries and Finland are many nuclear power plants with 440 megawatt capacity blocks. Taken into service in 1980 was the first nuclear power plant block of this type of reactor to produce 1,000 megawatt. In the coming 20 years this reactor will represent the main variant of nuclear energy use in the CEMA region. Any further increase in the block output of pressurized water reactors involves enormous difficulties.

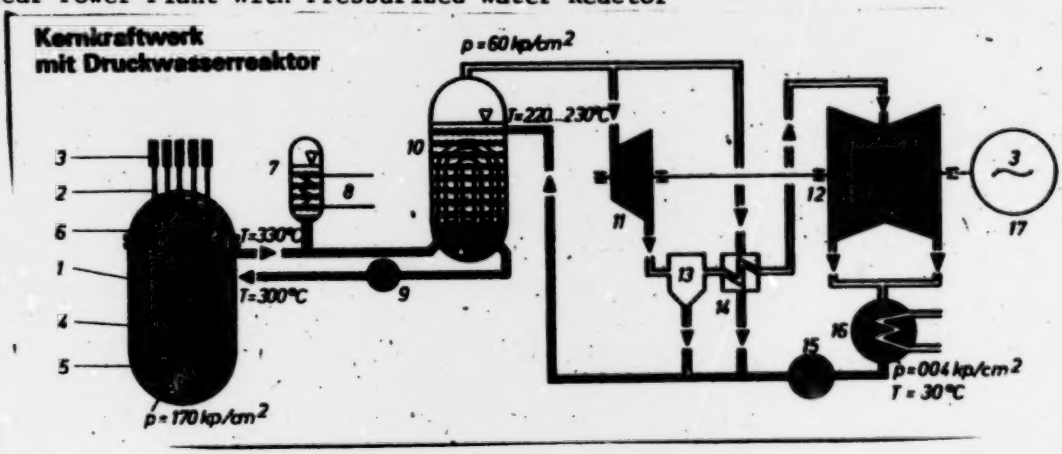
Parallel to the pressurized water reactor the USSR developed the pressure pipe reactor. Here water, the meadium carrying heat, flows in pressure pipes through the core of the reactor, and no pressure vessel is needed. A 1,000 megawatt nuclear power plant block is operating in various USSR plants. A nuclear power plant with a block output of 1,500 megawatt is under construction. In this type of reactor it is easier to achieve increased output than in the pressurized water reactor. No construction of this type of nuclear power plant is currently envisioned outside the USSR.

For reasons of nuclear energy strategy regarding the long-range assurance of nuclear fuel needs, the USSR emphasizes the development of the fast breeder reactor. By taking into service an industrial prototype reactor with a 600 megawatt block output (the BN-600 in Beloyarsk), the USSR has again demonstrated its leading international status in this field. In the 1990's the large-scale industrial use of the fast breeder reactor is to begin by way of the projects for a BN-800 (800 megawatt) and BN-1600 (1,600 megawatt). Parallel to the operation of the fast breeder reactor it will be necessary to close the nuclear fuel cycle, that is ensure the recovery of the plutonium produced from the nuclear fuel used in the operation of the reactor. This requires special nuclear chemical reprocessing plants which are still in the development stage at the present time, in order to allow large-scale operations on an international scale.

In the first stage of nuclear energy use the focus is on the production of electricity. As electricity represents only a fraction of the energy use of the national economy (about 10 percent), the use of nuclear energy for other purposes must be contemplated in the long run. Given the technical parameters of present day reactor development, the next objective appears to be nuclear energy use for the production of low temperature heat. The chief problem here is the distribution of the heat produced. For cost reasons nuclear energy plants always require relatively large production units. They could therefore be used only to supply distant heat. The simplest varient for using nuclear energy to produce heat consists in taking steam from nuclear power plants. If more than 10 percent of the steam produced are to be removed, specialized nuclear thermal plants must be developed. Unfortunately the practical application of these two variants is rather limited due to the enormous demands on the locations of such nuclear power plants or nuclear thermal plants. Consequently the USSR is now developing a specialized nuclear thermal plant with a block capacity of 500 megawatt thermal output, the AST-500. In present circumstances it would be easier to operate with a smaller block output (100-200 megawatt) in the distant heat networks of the CEMA countries. However, it is very difficult indeed to realize smaller block capacities at acceptable investment costs.

In the long run nuclear energy will also be used for technological high-temperature processes in the metallurgical and chemical industries. First of all it will be necessary to achieve the technological development of the high-temperature reactor. The large-scale operation of such reactors will not be possible worldwide before the year 2000. A qualitatively new stage of nuclear energy will be initiated by nuclear fusion. As, however, large-scale development has not even begun, the industrial operation of such facilities cannot be expected before 2010-2020.

Nuclear Power Plant With Pressurized Water Reactor



Key:

1. Core
2. Control rods
3. Control rod drives
4. Thermal shield
5. Pressure vessel
6. Reactor lid
7. Pressure mount
8. Electric heating
9. Principal circulating pump
10. Steam generator
11. Turbine (high pressure part)
12. Turbine (low pressure part)
13. Water separator
14. Superheater
15. Pump
16. Condenser
17. A.C. alternator

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CSO: 2300/324

AGRICULTURAL DEVELOPMENT IN CEMA COUNTRIES ANALYZED

Budapest GAZDASAG in Hungarian No 1, 1981 pp 114-132

[Article by Andras Csepely-Knorr and Laszlo Szakonyi: "The Development of Agriculture in the European CEMA Countries"]

[Text] Studies casting light on the development and circumstances of the agricultural production of socialist countries can contribute to a discovery of the developmental possibilities of Hungarian agriculture and to improving the conditions of its competitiveness. In the course of our studies we analyzed the seven European member countries of CEMA. (Due to the restrictions of space we had to ignore an examination of Yugoslav agricultural development, which is instructive in many respects.)

The Growth of Production

In the majority of the European socialist countries the socialist reorganization of agriculture lasted from the end of the 1950's to the beginning of the 1970's. This meant that the large farms that were created "tooled up" and overcame their initial problems in the first part of 1960's. So it is appropriate to begin the examination of the development of agricultural production with the period following this. To eliminate, or at least moderate, the effect of weather factors we examined the changes as 5 year averages (a 3 year average in the last period, to use the data available). (See Table 1.)

Table 1. Annual Average Growth Rate of Production (percent)

(1) Ország	1966—1970	1971—1975	1976—1978	1976—1978
	(2) az utóbbi öt év átlagához képest évek átlagonként			(3) 1961—1965 teljes időszak átlagában
Bulgária (4)	4,7	2,3	2,8	3,3
Csehszlovákia	3,5	2,8	2,5	2,9
Lengyelország	3,0	3,2	1,0	2,4
Magyarország	3,0	3,5	4,1	3,5
NDK	3,7	2,1	1,9	2,6
Románia	4,2	4,8	7,4	5,8
Szovjetunió	4,1	2,5	2,6	3,1

(5) *Forrás:* 30 éves a KGST. KSH, 1979.

Key:
1. Country
2. Average for these years as compared to the average for the preceding 5 years
3. As an average for the entire period 1961-1965
4. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
5. Source: "CEMA is 30 Years Old," Central Statistics Office, 1979

The development of agriculture was at a swift rate in the period between 1966 and 1970 despite the fact that weather conditions frequently did not favor agriculture. Two factors played an essential role in achieving these results (in addition to the relatively low base), in the first place the economic consolidation of the large farms and in the second place those measures which were taken in every member country to develop production, strengthen the material-technical base and increase the material interest of the large farms and of those working in agriculture. The rate of growth decreased in the first half of the 1970's in four countries (Bulgaria, Czechoslovakia, the GDR and the Soviet Union). Polish, Hungarian and Romanian agriculture, however, were able to increase production dynamically and they stood out among the member countries with their rate of growth. In the years 1976-1978 the growth rate of only Hungarian and Romanian agriculture increased, while that of the other countries essentially stagnated, or decreased. Looking at the development of almost two decades the production of Romanian agriculture certainly increased most swiftly, by an average annual 5.8 percent. That of Hungary took second place with 3.5 percent; Bulgaria and the Soviet Union followed with a growth of 3.3 percent and 3.1 percent respectively. And Czechoslovakia, the GDR and Poland ended the series with average annual growth rates of 2.9, 2.6 and 2.4 percent respectively.

It is obvious that this slowing of the rate must be judged differently in the GDR and Czechoslovakia, which had achieved a high production level earlier, than in, for example, Polish agriculture, which is based largely on small scale production and shows more modest results. (We will return to this question.)

In order to increase the standard of living of the populace there was need in the socialist countries, and still is a need today, primarily to improve the supply of proteins and supply more animal products. More recently this has been linked to increased consumption of vegetables and fruits, in the interest of achieving a more healthy food consumption structure. As a result of effective measures taken in the interest of a better supply of proteins of animal origin the stocks of hogs and poultry have increased in the majority of the member countries. The industrial type raising of poultry and the switch to industrial type production methods for poultry industry products contributed to this in virtually every country. In addition to larger stocks the growth in the production of beef is the result of, on the one hand, the spread of intensive calf raising and beef fattening methods and, on the other hand, improving the breeding stock and partially changing the breeds.

The specific production achievements in the various countries deviate greatly in animal raising in a way similar to crop production. This statement applies to meat production also. The experiences show unambiguously that at our present level of development human factors play the primary determining role in production achievements. The potential productivity of breeds, animal keeping technology and the feeding which is an organic part of this and animal hygiene all have an effect on the number and ratio of the increment raised. Exploitation of the possibility differs from country to country but there are also significant differences among types of animals. In contrast to crop production it is an essential difference that the development of animal raising, and thus the increase in meat production, can be achieved by extensive means, thus by increasing stocks. The extensive and intensive path of development played a role in every country, at different times, and will play a role in the future also in increasing meat production. (See Table 2.)

Table 2: Annual Average Growth Rate of Per Capita Meat Production (percent)

(1) Ország	1966—1970	1971—1975	1976—1978	1976—1978
	(2) az előző öt év átlagához képest években, átlagosan			(3) a teljes időszak átlagában 1961—1965
Bulgária (4)	1,0	13,0	9,3	7,6
Csehszlovákia	10,1	11,7	11,0	10,9
Lengyelország	4,7	22,5	0	8,7
Magyarország	10,6	16,8	5,9	11,0
NDK	13,6	17,7	—1,0	9,8
Románia	20,9	21,5	11,1	17,7
Szovjetunió	18,6	6,5	0	8,1

(5) *Forrás:* Negyedéves Statisztikai Közlemények. Mezőgazdasági Adatok. KSH, 1980.

Key:
1. Country
2. Average for these years as compared to the average for the preceding 5 years
3. As an average for the entire period 1961-1965
4. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
5. Source: Quarterly Statistical Publications, Agricultural Data, Central Statistics Office, 1980

The deviation among the individual countries is significant in the dynamics of growth. It can be established unambiguously that the rate of growth decreased everywhere by the end of the 1970's (least of all in Czechoslovakia). The zero growth data for Poland and the Soviet Union and the decreasing production of the GDR merit special attention. The growth of agriculture as a whole was lowest in these three countries in these years and it appears that this was not sufficient to supply the increasing population with more meat products from domestic production (population decreased in the GDR). We will see the consequences of this when we examine the role of agriculture in foreign trade.

Bulgaria, Czechoslovakia, Hungary and Romania increased per capita meat production consistently, if to varying degrees. Looking at the period examined as a whole the growth rate was lowest in Bulgaria as a result of the very weak growth in the years 1966-1970 (an average of one percent per year). Romania leads--in a manner similar to total agricultural production--followed by Czechoslovakia and Hungary, and then the other four countries.

The rate of growth is a good indication of the dynamics of development, although since they started from differing bases it does not give a true picture of the level of development of agriculture. A knowledge of this is essential for a correct judgment of the rate of growth. The quantity of all grain types and of meat production, per unit area or per capita, from domestic production is more or less suitable to indicate the production level and the degree of supply.

The average data for the 3 years 1976-1978 are a good indication of the essential differences between the countries. (See Table 3.)

Table 3: Specific Indexes of Grain and Meat Production (average for the years 1976-1978) (figures in kilograms)

/kg/

(1) Ország	(2) Egy hektárra jutó gabona-termelés	(3) hús-	(4) Egy lakosra jutó gabona-termelés	(5) hús-
	kg/gabona terület	kg/mg-i terület	kg/fő	kg/fő
Bulgária (6)	3425	102	895	69,7
Csehszlovákia	3802	190	674	89,1
Lengyelország	2615	142	594	79,5
Magyarország	4077	194	1162	124,6
NDK	3506	276	525	104,2
Románia	3015	99	889	68,4
Szovjetunió	1704	24	815	55,9

(7) *Forrás:* FAO Production Yearbook 1978. FAO, 1979.

Key:

1. Country
2. Grain production per hectare of grain area
3. Meat production per hectare of agricultural area
4. Grain production per inhabitant
5. Meat production per inhabitant
6. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
7. Source: FAO Production Yearbook, 1978; FAO, 1979

The specific indexes are favorable in our homeland. Calculated by sowing area for all cereals per hectare Hungary was the first to achieve yields greater than 4 tons as a 3 year average and we are in second place, after the GDR, in total meat production per unit of agriculturally cultivated land. Our position is even more favorable in production per inhabitant for both grains and meat production; by the end of the 1970's we surpassed by 20 percent those CEMA countries which had achieved the best results in these areas, Bulgaria in cereals and the GDR in meat production.

The rank order of the countries is also a good indication of differences in rate of growth and actual level achieved and this is influenced by the arable land possibilities, the quality of the land and climate factors. So the data serve to describe the situation, not to pass judgment.

The Division of Labor Between Large Farms and Small Producers

In the majority of the socialist countries the production of the household plots and auxiliary farms is very significant. On the basis of 17 stressed products representing 80 percent of production, calculated at ruble prices, the activity of small producers in 1974 accounted for between 11 and 35 percent of the gross agricultural production value of the socialist countries (Poland excepted). The greatest proportion was for the labor-demanding crop production and the animal husbandry branches. Thus small producers produced 6-64 percent of the potatoes, 14-44 percent of the vegetables, 38-58 percent of the fruits, 19-59 percent of the meat and bacon, 16-65 percent of the poultry, 9-53 percent of the milk and 41-68 percent of the eggs in the various countries.

Since the beginning of the reorganization of agriculture in the socialist countries there have been periods when agricultural small production has been limited by administrative means for political considerations. Measures which upset the balance

of economic development and ignored the scantiness of economic resources caused serious damage to the countries. Thus, in general, these measures were ultimately reviewed.

(In our study we will not deal with Poland and the German Democratic Republic. Relationships which differ from the other socialist countries are characteristic of Polish agriculture; 75 percent of the agriculturally cultivated area is privately owned so small production cannot be regarded as an activity auxiliary to large scale socialist farming. In the GDR the ratio of type I and II cooperatives is relatively high--14 percent--and the ratio of household plot farming, especially animal husbandry, is very high on these. The statistical publications of the GDR do not distinguish the household plots of the cooperatives but in general include the data in the socialist sector.)

In Bulgaria, despite the reduction between 1960 and 1968, the share of small production in the gross production of agriculture is considerable; in 1968 it provided 22 percent of all crop production and 33 percent of animal husbandry. The number employed in agriculture is decreasing as a result of industrialization and the modernization of agriculture and parallel with this there is a reduction in the number of and production by the farms of producer cooperative peasants. At the same time the ratio of auxiliary farms of workers, employees and industrial cooperative members has increased several times.

In 1970, overestimating the possibility for a swift development of large agricultural farms and for the industrialization of agriculture and overestimating the ability of the people's economy to bear the load, they introduced strict limitations, but these were reviewed and substantially moderated in 1971. This included a change in the goods transfer obligations of state and cooperative purchasing organizations. In 1973 the Council of Ministers rescinded additional, still existing limitations. As a result of this small production in 1974 reached 16 percent of the gross production of agriculture. The growth in production prompted the leadership of the branch to make surprisingly high prescriptions. According to the program prescribed for 1980 the cow stocks of the small producers will increase to 200,000 as compared to 43,000 in 1974 and hog stocks will increase from 480,000 to 2.5 million, which will be followed by a significant increase in production. (For example, they are planning state purchases of 650 million eggs annually.) The fivefold increase in animal stocks, although it contradicts international and domestic experience, could contribute to a resolution of balance problems.

In Czechoslovakia a conception aimed at forcing back small production has been implemented rather strongly. Although the CPCZ took action against measures of an administrative character the government measures (passed in 1972) regulating the activity of agricultural producer cooperatives continue to limit small production. There can hardly be any doubt that the limitation on small production influenced the average annual growth of 2.6 percent between 1971 and 1975 which fell below the achievement of the preceding five-year plan period (3.6 percent) and even the planned growth (2.7 percent), despite which small production provided 15 percent of the gross agricultural production value even in 1974.

In Romania small production is more heavily concentrated on the household plots of workers on the large farms than it is in the other countries. The reason for this is that the ratio of the populace making their living from agriculture is still very

high (almost 50 percent). In 1968 the household plots provided 40-48 percent of all grape and fruit production, 42 percent of the meat, 39 percent of the milk and 63 percent of the eggs. In order to encourage the production of animals and animal products--in addition to increasing the state purchasing prices and periodic delivery price premiums--the small producers get an animal breeding premium and, if they meet certain conditions, can get partial exemption from the income tax. As a result of the incentive measures small production had a share of 31 percent in 1974 in the gross production of Romanian agriculture, which was developing at a swift pace.

In the Soviet Union, at the end of the 1950's, the kolkhoz peasants marketed 19-21 percent of the products produced in crop production and 21-24 percent of the animals and animal products. The period was characterized by contradictory positions in connection with small production and in the middle 1960's the production of household plots declined. As a result 33 percent less reached the city kolkhoz markets and market prices increased by an average of 27 percent, including an almost 40 percent increase in the kolkhoz market price for products of animal husbandry. The March 1965 plenum of the Central Committee of the CPSU pointed out that there must be a change in the judgment of the personal auxiliary farms, which had been unjustifiably restricted in preceding years. Since then it has been possible to report on consistently formulated and implemented measures in the Soviet Union. The measures were justified in part by the fact that the individual auxiliary farms made it possible to exploit reserves for an increase in agricultural production without capital investment by the state and in part by the fact that the Soviet state had an interest in maintaining the individual auxiliary farms of the workers because at the given level of the development of the forces of production they constitute an important source for raising the standard of living.

The 10 percent expansion of small production played no small role in the increase in agricultural production between 1966 and 1970. Despite this, its share in gross production decreased and was 21 percent in 1974. In addition to the realization of this natural process, however, one cannot ignore the change in volume which is in the opposite direction. Between 1950 and 1975 the share of small production in the production of meat and animal products decreased to less than half. At the same time the quantity of meat production increased by 44 percent in small production and that of egg production increased by 118 percent.

Small production in the Soviet Union is increasingly differentiated. As an average for the years 1953-1955 21.6 percent of the small producers were workers and employees; their ratio increased to 45 percent as an average for the years 1971-1974. In this latter period the small farms of workers and employees provided 46.3 percent of the gross production value of small production. In the future one must reckon with this in production and in the generation of income alike.

From both the theoretical and practical viewpoint the 26th congress of the CPSU passed a resolution of great significance in regard to encouraging production on household plots. The resolution prescribes the creation of material and moral conditions which will increase the interest of citizens in household plot farming. This has been supplemented by measures serving development which the Soviet leadership has taken in recent years to strengthen the role of household plots and which are intended to raise household plot farming from an activity tolerated at the "theoretical level" to an undertaking encouraged and espoused centrally. The consistent realization of this means a serious step in exploiting the reserves of food production.

In Hungary, in the 15 years between 1961 and 1975, the production of large farms and small producers developed very differently in regard to both volume and structure (calculating at unchanged 1968 prices). Compared to the dynamic growth rate achieved by the large farms, an annual average of 5.3 percent for the 15 years, the one percent increase of small production is very modest. As a result of this the relative share of production by large farms and small producers changed fundamentally also. In 1961 small production reached 84 percent of the production of the large farms but in 1975 it reached only 48 percent.

Within production the change in the share of the two main branches, crop production and animal husbandry, is worthy of note. As an average for the years 1961-1965 there was a very great difference between the shares of the two main branches. In animal husbandry small production exceeded large scale production by 31.7 percent while in crop production it reached only 42.4 percent of it even then. As a result of the differing growth rates the share of small production has decreased in both main branches. In 1975 the share relative to large scale production was only 28 percent in crop production and 84 percent in animal husbandry.

The superiority of the large farms in crop production cannot be disputed because they farm the overwhelming share of the land; in addition to plow land, vineyards and orchards used as household plots the small producers are limited primarily to garden production around the house. In contrast to this they have a very significant capacity available in animal husbandry the exploitation of which is economically rational because the investment--primarily construction--possibilities of the large farms are limited. The development of large scale animal husbandry and replacement of the capacity of the small producers would require large investments. For a rather long time still the utilization of the animal husbandry capacity of the small producers will offer a good opportunity to supplement large scale production and satisfy the increasing (domestic and export) needs of the people's economy for meat and animal products.

In our homeland also the structure of small production has changed greatly and this process has not yet concluded. In the past 15 years the production of the household plots of producer cooperative members increased by an annual average of 0.2 percent while the annual average growth rate for agricultural production by workers, employees and pensioners was 2.7 percent. The ratio as an average for the years 1961-1965 was two-thirds to one third, to the benefit of the household plots; by 1980 this had changed to roughly half and half. The change took place relatively equally in both main branches. We must note that in the period of the Fourth Five-Year Plan the production of the household plots, within small production, began to decline. Because of the decreasing number of those making their living from agriculture we cannot regard this phenomenon as reversible; it will make permanent the growth within small production of the share of the worker and employee strata. This process can be moderated in many branches with appropriate tools, by realizing a correct economic view and by improving material-technical supply, the linkage system, product trade, etc.

According to one of the views in connection with small scale agricultural production producer use (materials, material costs, services) represent a relatively modest ratio in production--the manual labor of the producers is definitive. The logical extension of this conception is the hypothesis that the production value of or sales receipts for products produced in small production are essentially the personal income

of the small producers (in commodity production directly in money or indirectly via purchases not made in the case of production for one's own consumption). In this case increasing production leads to increasing the income of the small producers. This train of thought is no longer valid.

In the 1960's the rate of growth in production was still certainly swifter than that for producer use but the situation reversed already in the period of the Fourth Five-Year Plan--in every group the growth in producer use was at a substantially higher rate than that for production. The results achieved in production technology on the large farms had an effect on small production also. Every year there was an increase in the amount of artificial fertilizer, crop protection materials, industrial fodders and other production tools used, which manifested itself in a swift increase in producer use, increasing the ratio as compared to production. Expressed in percent of gross production it exceeded 45 percent in every small production group in 1975. In regard to the future also we must certainly count on a growth in producer use at a rate exceeding that of gross production.

Between 1961 and 1975 the total gross income as characterized by the difference between gross production value and producer use increased by an annual average of 4.6 percent in small production. The growth rate was 3.1 percent on the household plots and 5.8 percent on the auxiliary farms. Not only was the growth rate on the household plots smaller and decreasing over the years but between 1971 and 1975 even the total income was smaller. The income of the cooperative peasantry from small production decreased from 9.5 billion forints in 1970 to 7.7 billion in 1975 while that of the worker class increased from 7.1 billion to 10.2 billion.

The technology invading small production and the increasing use of tools of production of industrial origin is already encouraging and in the future will increasingly encourage the small producers to specialize. Only in this way can they make effective use of the industrial materials and tools which are becoming more expensive but which are used in ever greater quantities despite this. This means that the ratio of personal consumption will decrease as compared to production.

In the Fourth Five-Year Plan period trade in agricultural products in small production increased dynamically, by 13.4 percent per year. In contrast to the relatively modest growth rate for crop production, 3.5 percent, the great increase in porker sales (from 2.4 billion forints to 8.5 billion forints) resulted in a 17.6 percent growth rate for animal husbandry. The change in ratio between the two small producer groups can also be felt in commodity trade. During the plan period the share of the auxiliary farms increased from 22.7 percent to 31 percent.

In addition to commodity production one should not ignore the role of small production in partially satisfying personal consumption and thus relieving provincial foodstuffs trade, which is struggling with difficulties. In 1971-1975 the ratio of personal consumption from production was 40-60 percent for vegetables, 30-50 percent for fruits, 40 percent for slaughter hogs and 80 percent for slaughter poultry. Small production activity provided for consumption by the 1.6 million producing families a quantity of goods which the commercial network, even if it had the appropriate large scale production background, could not provide the populace for a long time yet if it were to meet the needs adequately in time and space.

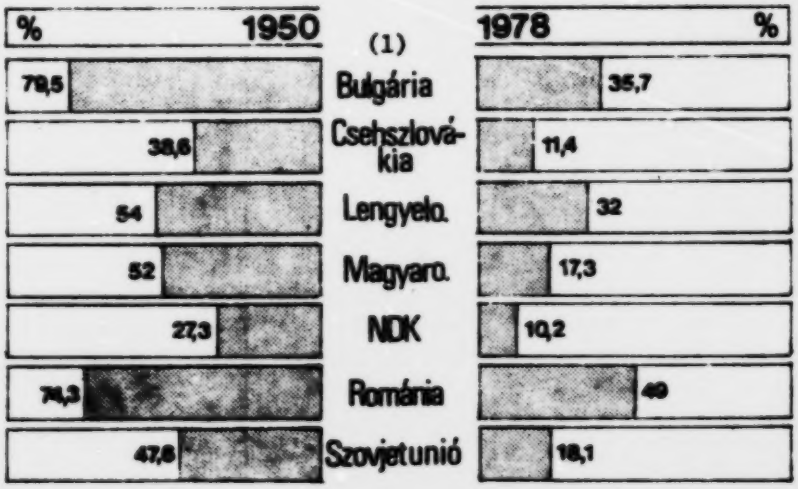
To sum up, we can say that, of the socialist countries, in the Soviet Union and in Bulgaria (in harmony with our domestic practice) a uniform economic policy "treatment" of the small producers is becoming increasingly general in many respects. In Romania small production is still limited primarily to the household plots of the producer cooperative members, but the state is aiding their development with planned economic tools. Czechoslovakia is the only country where they have tried a gradual suppression of small production on the basis of more or less central intentions. (Most recently, however, they have reviewed this position.)

In every country the degree of reduction in or the encouragement of growth in small production is now primarily an economic question. The ability of the economy to bear the burden determines whether the investments of the large farms from central developmental funds are sufficient to replace the small production capacity and, parallel with this, build up additional capacity to ensure the development of the branch. In addition, the differentiated developmental levels of the productive forces of the branches play an important role in the development of the relatively diverse production scales. In our social policy small production has a planned place within the socialist economy and from the economic viewpoint the household plots and auxiliary farms have become a very important part of large scale production.

Development of the Ratios of the Populace Making a Living from Agriculture

The ending of traditional small peasant farming and the development of the large farms in itself meant that a smaller labor force could carry out the same activity. The improvement in technical supply and the gradual spread of modern production and animal husbandry technologies strengthened this and meant a crucial change in the number of people making a living from agriculture and in their ratio within the people's economy. The decreasing ratio of active earners employed in agriculture and forestry indicates the gradualness and, at the same time, the swift rate of the change. (See Figure 1.)

Figure 1: Ratio of Active Earners Employed in Agriculture and Forestry



Key:
1. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union

The ratios themselves do not indicate unambiguously the technical supply to agriculture and even less the changes which have taken place in the level of farming. The size and composition (cultivation branches) of the useable agricultural area available in the various countries, its ratio in relation to the size of the population, in this connection the domestic supply capability of agriculture, the weight of export and import of agricultural products and foodstuffs, the volume and developmental level of industrial production are all factors which require a larger or smaller proportion of agricultural workers--independent of the technical supply or developmental level of agriculture.

Compared to capitalist agriculture (as an apparent contradiction) the organizational structure and activity sphere of large socialist farms limits the reduction in the number and ratio of earners. All the machine work devoted to basic agricultural activity, transportation of the materials and tools used in production and of the products produced, and maintenance, repair and even renewal of buildings and machines are satisfied within the large farms with their own tools and manpower. In general, to differing degrees in different countries, a significant proportion of these jobs are performed as services in capitalist countries. (And the personnel of the service organizations or enterprises are counted statistically not in agriculture but rather in the service branches.)

In addition, the role of processing, industrial and construction industry activity in the large farms is significant. This--especially in Hungarian agriculture--is the chief limiting factor on a swift reduction in the number and ratio of agricultural earners. Despite all this (with the exception of Poland and Romania) the ratio of the population making a living from agriculture has decreased to less than half together with a dynamic increase in production. The number and ratio of those employed in agriculture is still substantially higher in Poland because of the definitive ratio of small farms, in Romania because of the lower level of technical supply and in Bulgaria because of the greater ratio of labor-demanding cultures.

The Spread of Large Scale Technology

In agriculture also (as in every producing activity) the replacement of live work is possible only with the use of modern technology. In agriculture one can add to this the need to develop biological factors.

It is customary to characterize the level of mechanization by the degree of mechanization of soil work and harvesting, on the one hand, and of the chief phases of animal husbandry (for example, milking, feeding, watering, manure removal) on the other. The mechanization of soil work and the harvesting of grains with combines has been solved on the large farms of the socialist countries. Making general the machine harvesting of sugar beets, potatoes and a few vegetable types is well along. In animal husbandry the first thing was the spread of self-watering equipment, then complete mechanization in broiler raising became general. Mechanical milking is spreading quickly as is the use of stable and mobile feeding equipment and manure removers.

One index of modern farming ensuring large yields is the amount of artificial fertilizer used per unit area. Artificial fertilizer use calculated in effective material (average dispersion) per hectare of plow land differs extraordinarily in

the several countries, the spread is very great. (See Table 4.) The data prove convincingly that by 1960 Czechoslovakia and the GDR, traditionally forced to import foodstuffs but with developed industries, far surpassed the other countries in artificial fertilizer use. So the higher production level which developed is not by chance. In regard to the growth rate for use Romania, Hungary and the Soviet Union are in the lead. Of these our homeland has approached best of all the two leading users. We should note that in the years following 1975 the amount of artificial fertilizer effective material used per unit area decreased in the GDR. Other developments to ensure the harmony of production factors became primary in the GDR.

Table 4: Development of Artificial Fertilizer Use

Ország (1)	(2) Felhasznált hatóanyag 1960	1970	1980	A növekedés évi átlagos üteme 1960—1980-ban, (3) százalék
	(4) kilogramm/hektár			
Bulgária (5)	37	154	187	9,4
Csehszlovákia	99	246	341	7,1
Lengyelország	47	160	245	9,6
Magyarország	31	161	303	13,5
NDK	196	332	360	3,3
Románia	8	72	151	17,7
Szovjetunió	11	46	81	11,7

(6) *Forrás:* A Kölcsönös Gazdasági Segítség Tanácsához tartozó tagországok mezőgazdasága. (Statisztikai Adatgyűjtemény), 1974. Negyedéves Statisztikai Közlemények. Mezőgazdasági Adatok 1979. 4. KSH, 1980.

Key:
1. Country
2. Effective material used
3. Annual average rate of growth in 1960-1980, percent
4. Kilograms per hectare
5. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
6. Source: "Agriculture of Member Countries Belonging to CEMA" (Collection of Statistical Data), 1974; "Quarterly Statistical Publications, Agricultural Data, 1979," 4, Central Statistics Office, 1980.

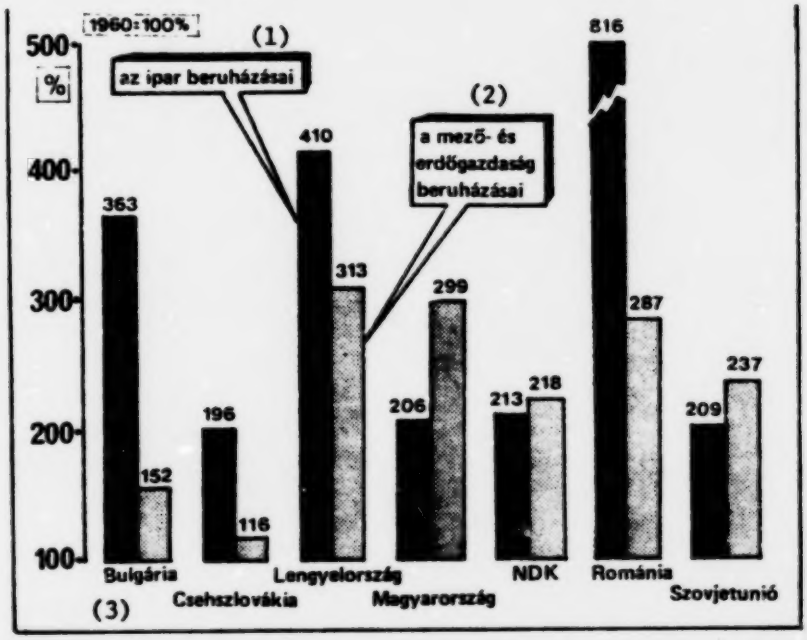
Within the framework of the chemicalization program the composition and variety of crop protection materials and herbicide materials changed qualitatively. Very concentrated and more effective products took the place of the materials used earlier--most of them very bulky. At the same time (but to a differing degree in different countries) the idea came to the fore to coordinate the chemicalization program for agricultural production with the requirements for environmental and nature protection.

In the 1960's the development of agriculture in the countries carrying out the socialist reorganization also meant that a large part of the animal stocks of the small farms were transferred to the socialist farms. This change of sector tied down significant investment assets without increasing productive capacity (stocks) at the level of the people's economy. At the same time the change of sector presumed the acquisition of a large scale machine park in the place of the small peasant tools of production. With the aid of these, however, not only was the earlier horse powered work replaced with better quality work (not least of all work done in time) but also specifically greater yields were achieved.

In addition to the burdens of the so-called sectoral change it was necessary, in the course of the swift progress, to expand the fixed assets of the large farms in

accordance with the demands being made in regard to the development of production. The growth indexes for investments in the several countries bear witness to the solution of large and extraordinary tasks. (See Figure 2.) Because of the differing volumes of the base period (1960) and because of the very differing character of individual years one cannot draw unambiguous conclusions from the indexes. The different countries cannot be compared with one another on the basis of these indexes. But it is striking that the growth indexes for agricultural investments in several countries exceeded the industrial index. This indicates not only the earlier, relative backwardness of agriculture but also underscores the weight of the investment tasks connected with the socialist reorganization and sectoral change.

Figure 2: Average Volume of Productive Investments for 1970-1973 (1960 equals 100)

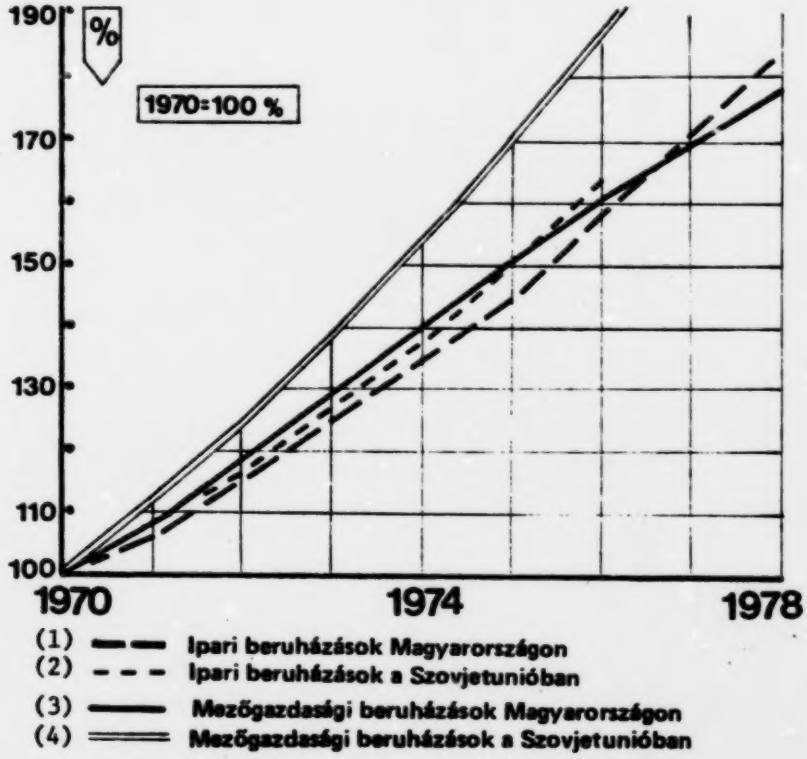


(4) Forrás: A Kölcsönös Gazdasági Segítség Tanácsához tartozó tagországok népgazdasága. Statisztikai adatgyűjtemény, 1974.

Key:
1. Investments of industry
2. Investments of agriculture and forestry
3. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
4. Source: "Economy of the Member Countries Belonging to CEMA," statistical data collection, 1974

In Hungary after 1976 the "sign" of the rate difference between industrial and agricultural investments changed; the dynamic of industrial investments, compared to 1970, was somewhat swifter than the rate of growth for agricultural developments. It is worthy of note that in the Soviet Union (in the interest of the effort directed at better domestic supply and self-supply) the situation which had developed in the 1960's continued unchanged and even strengthened; the growth rate for agricultural investments, compared to 1970, exceeded the growth in industrial investments by 24 percentage points. (See Figure 3.)

Figure 3: Industrial and Agricultural Investments in Hungary and the Soviet Union (1970 equals 100)



(5)
Forrás: Statisztikai Évkönyv, 1978. KSH
A Szovjetunió számokban, 1976.
A Szovjetunió Minisztertanácsa mellett működő Központi Statisztikai Hivatal, 1977.

Key:

1. Industrial investments in Hungary
2. Industrial investments in the Soviet Union
3. Agricultural investments in Hungary
4. Agricultural investments in the Soviet Union
5. Sources: Statistical Yearbook 1978, Central Statistics Office; "The Soviet Union in Figures," 1976; the Central Statistics Office working with the Council of Ministers of the Soviet Union, 1977.

The Weight of Agriculture in the People's Economy

As a result of the industrial development carried out in the socialist countries in the past 30 years (within the framework of catching up with the industrially developed countries) the rate of growth of industry and of industrial production surpassed agricultural growth. As a result of this deliberate economic policy a significant change took place in the economic structures of the CEMA countries.

The effect of the structural change appears in the various economic branches and thus in the ratio of the contribution of agriculture to the national income also.

(See Table 5.) Despite a decreasing trend in its contribution to the national income, agriculture represents a significant proportion and in essence this determines (together with other criteria) its role and significance in the economies of the member countries.

Table 5: Contribution of Agriculture and Forestry to the National Income (Percent)

Ország (1)	1950	1960	1970	1975	1977
Bulgária	42,5	32,2	22,6	21,9	18,3
Csehszlovákia	16,2	14,7	10,1	8,3	9,1
Lengyelország	47,9	30,3	17,5	15,1	15,8
Magyarország	47,7	29,2	16,8	16,3	18,3
NDK	28,4	16,4	11,6	10,0	10,1
Románia	27,3	34,9	19,1	16,6	16,9
Szovjetunió	22,2	20,7	22,0	16,8	17,1

(2) *Forrás:* 30 éves a KGST. KSH, 1979. Negyedéves Statisztikai Közlemények. Mezőgazdasági Adatok 1979. 4. KSH, 1980.

Key:
1. Country: Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
2. Source: "CEMA is 30 Years Old," Central Statistics Office, 1979; Quarterly Statistical Publications, Agricultural Data 1979, 4, Central Statistics Office, 1980.

A substantial difference can be found in the trends for the 1960's and for the 1970's. In the 1960's, when (with the exception of the Soviet Union) the number of those making their living from agriculture decreased swiftly parallel with the formation of the large farms, industry went through a stage of extensive development, partly supported on the work force being freed from agriculture, and the contribution of agriculture to the national income decreased greatly. In general, with the exception of the already strongly industrialized Czechoslovakia and GDR, the drop in the proportional share exceeded 10 percentage points. In the 1970's this trend slowed substantially, and this is also true of Czechoslovakia and the GDR. In contrast to the spectacular decrease the moderation over 7 years moved in general between only 1-4 percentage points. As a result of deviant results for individual years there was even an increase, for example between 1975 and 1977 (with the exception of Bulgaria).

The development of data on the contribution to the national income can be basically influenced by changes in the price system, in the industrial and agricultural price ratios. A significant increase in producers prices can compensate for a decrease in production ratios. And vice versa, a great increase in the prices for the tools of production can impair the effect of a respectable expansion of production. Finally, in the case of the always depressed agricultural prices, the character of the change can be felt well enough but the contribution to the national income may show an unrealistically low ratio. So, once again, the figures indicate only general trends.

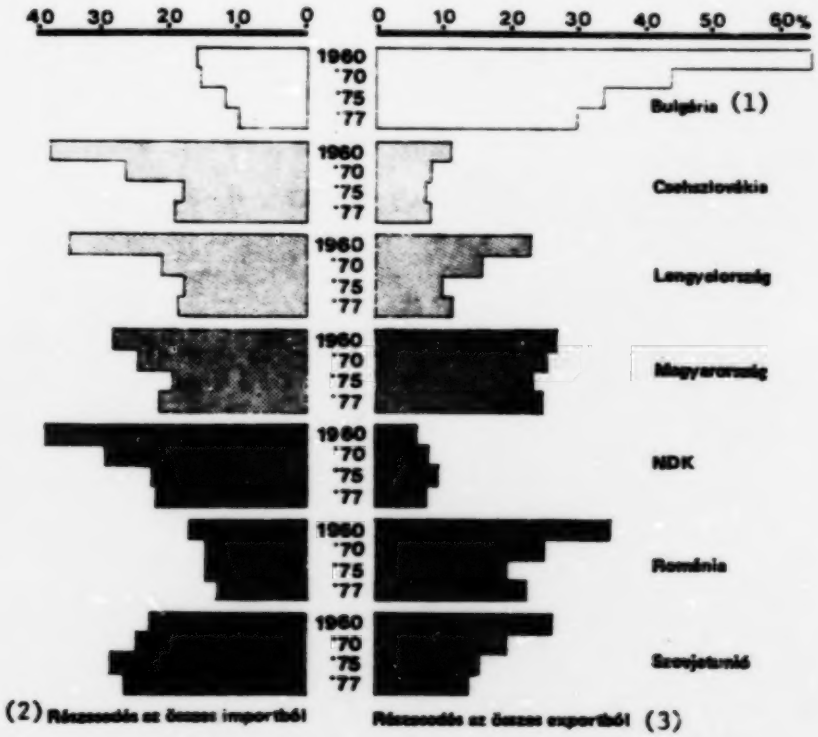
The Role of Agriculture in Foreign Trade

Every CEMA country strives to supply its populace with an increasing quantity of improving quality fresh and processed foodstuffs, which is the prime task of agriculture. In addition, with the aid of foreign trade, they satisfy their mutual

needs, including a growing trade which serves the goal of expanding variety. Beyond this, however, the net exporter countries sell a part of their agricultural products to third countries, creating import possibilities for their people's economies.

The ratio of agricultural and foodstuffs industry products is decreasing in the foreign trade of the CEMA countries. (See Figure 4.) But the decrease (in a manner similar to the contribution to the national income) is in large measure the result of the swift industrialization, of the great increase in trade in fuels, raw materials and industrial products and, last but not least, of the international division of labor realized thus far. In regard to volume foreign trade in agricultural and foodstuffs industry products has not decreased; indeed it has increased for the more important products such as grain, vegetables, fruits, vegetable oils, and meat and meat products. Trade in wool has remained at an almost unchanged level and only trade in sugar and milk products has decreased.

Figure 4: Share of Agricultural and Foodstuffs Industry Products in Foreign Trade



(4) Forrás: A KGST tagországainak statisztikai évkönyve, Moszkva, 1971.

Key:
1. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
2. Share in all imports
3. Share in all exports
4. Source: Statistical Yearbook of the CEMA Member Countries, Moscow, 1971

In regard to the background industries, the branches of the chemical industry manufacturing artificial fertilizer, crop protection materials and herbicides could not keep up with the increasing demand in Czechoslovakia, Poland and Hungary; the net import of all three countries increased to a significant degree in the 15 years studied. In contrast to this the Soviet Union consistently remained a net exporter, indeed it significantly expanded its net export, which was certainly aided by the relatively low level of domestic use.

The machine industry background shows an essentially similar picture. The difference, in part, is that in the three net importer countries the rate of growth was substantially slower and did not exceed the degree of value deterioration in money. The net export of the Soviet Union gradually decreased and in the first half of the 1970's it was forced to net import; in the second half of the decade the foreign trade balance for this product group was around zero. Looking at the background industries as a whole it can be established that while the average for the years 1961-1965 made possible a modest net export beyond full domestic supply (27.6 million dollars) the foreign trade balance shows a net import of 311.7 million dollars per year in the first half of the 1970's and an average of 245.6 million dollars for 1976-1977.

It is customary to mention two problems in connection with the foreign trade balance for agricultural products and foodstuffs. The first is that, because of the natural conditions, many products cannot be produced in the various countries, thus their import is not caused by the deficiencies of agricultural production. In our homeland these include tropical fruit, coffee, tea, cocoa, cotton, spices, etc. But in our opinion the task of supplying the populace should mean that agriculture provides all those products necessary for the given standard of living, either from direct production or from exchange of goods carried out via foreign trade. Thus the net balance for the foodstuffs economy is the difference between the export and import value of all products in the main product groups independent of whether the products in question can be produced in the given country or not.

The second problem is connected with the tools of production. The increasing tool needs of agriculture sometimes cause problems and can make questionable the further expansion of production, which appears to be excessive, at the price of material sacrifices. The situation is complicated by the fact that a single country cannot be self-sufficient in the manufacture of the tools of production so it is difficult to distinguish an "unjustifiably large" import from the natural exchange deriving from the international division of labor. We will proceed correctly in this area if we examine foreign trade by chief product groups and burden agriculture with the costs of net import or exempt it by the value of net export.

The foreign trade data of the Food and Agriculture Organization (FAO) of the UN give an interesting picture of the effect of the foodstuffs economy and background industry of the countries on the foreign trade balance. (The foreign trade data of the FAO make possible a survey of four socialist countries. See Table 6.)

Table 6: Foreign Trade Balance of the Background Industry and of the Foodstuffs Economy (millions of dollars)

(1) Megnevezés	1961-1965	1966-1970	1971-1975	1976-1977
	(2) évek átlagában			
(3) *Csehszlovákia*				
Műtrágya- és növényvédőszer-ipar	—17,7	—47,5	—96,0	—169,0
Erő-, mezőgazdasági gépek és berendezések	—18,2	—32,8	—78,7	—25,2
Háttéripar összesen	—35,9	—80,3	—174,7	—194,2
Élelmiszer-gazdaság	—510,2	—626,2	—889,3	—1159,3
Együtt	—546,2	—506,5	—1064,0	—1353,4
Lengyelország				
Műtrágya- és növényvédőszer-ipar	—39,2	—61,8	—87,9	—240,2
Erő-, mezőgazdasági gépek és berendezések	—27,8	—8,7	+0,2	—45,1
Háttéripar összesen	—67,0	—70,5	—87,7	—285,3
Élelmiszer-gazdaság	—163,1	—154,7	—423,3	—1031,8
Együtt	—230,1	—225,2	—511,0	—1317,1
Magyarország				
Műtrágya- és növényvédőszer-ipar	—29,3	—44,3	—143,8	—201,2
Erő-, mezőgazdasági gépek és berendezések	—27,2	—31,2	—66,1	—84,7
Háttéripar összesen	—56,5	—75,5	—209,9	—285,9
Élelmiszer-gazdaság	+42,0	+113,8	+412,0	+523,0
Együtt	—14,5	+38,3	+202,1	+237,1
Szovjetunió				
Műtrágya- és növényvédőszer-ipar	+52,6	+125,8	+287,4	+470,8
Erő-, mezőgazdasági gépek és berendezések	+134,5	+82,4	—126,8	+49,0
Háttéripar összesen	+187,1	+208,2	+160,6	+519,8
Élelmiszer-gazdaság	—511,2	—461,2	—610,4	—6879,5
Együtt	—324,1	—253,0	—449,8	—6359,7

(4) *Forrás:* FAO Trade Yearbook, 1965—1978. FAO, 1979.

Key:
1. Designation
2. Average for the years
3. Five categories for each of four countries (Czechoslovakia, Poland, Hungary and the Soviet Union): Artificial fertilizer and crop protection materials industry; Forestry and agricultural machines and equipment; Background industry, total; Foodstuffs economy; Combined.
4. Source: FAO Trade Yearbook, 1965-1978, FAO, 1979.

The development of the foreign trade balance for agricultural products and foodstuffs shows a picture which is partly similar and partly different. The situation was similar in Czechoslovakia and Poland where the volume of net import increased year by year; but the situation is the same in the Soviet Union also. In contrast to these three countries Hungary increased many times its modest net export of the first half of the 1960's, the average annual growth rate of net export for the 15 years is 21 percent.

In the period examined the net balance combined with the background industries was passive in Czechoslovakia, Poland and the Soviet Union and the volume of net import increased very greatly, exceeding 9 billion dollars in 1976-1977. In contrast to this the foodstuffs economy of Hungary produced the foreign exchange needed to import tools of production and to import the agricultural and foodstuffs products which cannot be produced in our homeland. In addition to a high level of domestic supply there was increasing export; taken together with the background industry the mildly passive balance of the first half of the 1960's changed its sign and the active balance increased year by year and in 1976-1977, despite the unfavorable weather characterizing these 2 years, provided a net export of 180 million and 294 million dollars respectively.

Changes in the Level of Foodstuffs Supply

The level of foodstuffs consumption is determined in part by domestic production and in part by the degree of foodstuffs import and export, in harmony with standard of living policy. The substantial differences which can be found in consumption can be explained in some cases by consumption habits but to a larger extent they are influenced by the economic situation of the countries, including the level of agricultural production. (See Table 7.)

Table 7: Per Capita Consumption of Foodstuffs in 1978 (kilograms per capita)

(1) Megnevezés	(2) Bulgária	Csehszlovákia	Lengyelország	Magyarország	NDK	Szovjetunió
Cereáliák (3) (liszt-egyenérték)	159	107	120	118	94	140
Zöldségfélék (frissre számítva)	127	72	92	86	98	90
Burgonya	30	88	166	63	139	120
Hús, húskészítmény	64	83**	79	72**	86***	57
Hal, halkészítmény	7	5	7	3	7	17
Tej-, tejtermék (friss tejre számítva)	217	220***	450	155***	—	321
Tojás, db/fő	197	315	219	320	284	230
Növényi zsírok	15	7	3	4	2	8
Cukor- és édesipar (cukorra számítva)	35	37	43	34	39	43

(4) * Adatszolgáltatás hiányában Románia nélkül.
(5) ** Szalonna nélkül.
(6) *** Vaj nélkül.
(7) *Forrás:* KGST Statisztikai Évkönyv. Moszkva, 1965—1979. évi kötetei.

Key:

1. Designation
2. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Soviet Union
3. Cereals (flour equivalent value); Vegetables (calculated as fresh vegetables); Potatoes; Meat and meat products; Fish and fish products; Milk and milk products (calculated as fresh milk); Eggs (number per capita); Vegetable fats; Sugar and sweets industry (calculated as sugar)
4. Not including Romania, since data are not available
5. Not including bacon
6. Not including butter
7. Source: CEMA Statistical Yearbook, Moscow, volumes for 1965-1979

In addition to the level of consumption attained it is essential to examine the trends or growth rates since the two together are suitable for drawing appropriate conclusions. (See Table 8.)

Table 8: Annual Average Change in Per Capita Consumption of Foodstuffs--1965-1978 (percent)

Megnevezés (1)	(2) Bulgária	Csehszlovákia	Lengyelország	Magyarország	NDK	Szovjetunió
Cereáliák (3)	—1,5	—1,5	—1,2	—1,1	—0,5	—0,8
Zöldségfélék	+0,9	—0,5	—0,7	+1,0	+3,4	+1,7
Burgonya	+0,2	—0,4	—2,0	—2,2	—0,9	—0,4
Hús, húskészítmény	+3,3	+2,3	+2,7	+2,6	+3,0	+2,6
Hal, halkészítmény	+5,7	+0,9	+3,0	+3,5	—2,1	+2,3
Tej, tejtermék	+3,6	+1,9	+1,6	+3,7	—	+1,9
Tojás	+5,4	+2,5	+2,3	+4,2	+2,3	+4,9
Növényi zsírok	+2,2	+2,5	+5,8	+9,6	—2,7	+1,1
Cukor, édesipari termék	+3,5	0,0	+2,1	+0,9	+2,0	+1,8

Key:
1. Designation
2. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Soviet Union
3. Cereals; Vegetables; Potatoes; Meat and meat products; Fish and fish products; Milk and milk products; Eggs; Vegetable fats; Sugar and sweets industry products

In the course of evaluating the growth in production we have already touched on the tasks connected with raising the standard of living and developing healthy eating habits and the results achieved in production. The information pertaining to consumption supplements this. Consumption has increased in every country. This is supported by the dynamic increase in the consumption of protein of animal origin on the one hand and by the decrease in the consumption of cereals and potatoes on the other. But this healthy change poses ever greater tasks for agricultural production in the various countries. The significant differences which can be found (and which have been reported already) in the foreign trade balances for the chief product groups indicate significant differences. If we compare the data for the foreign trade balances with the level of consumption and changes therein then we can come to the conclusion that of the seven countries examined Czechoslovakia, Poland, the GDR and the Soviet Union will be net importers over the long run also. One can reckon with a swift increase in import especially in Poland (independent of the extraordinary situation of 1980) and in the Soviet Union, because of the lower consumption level. Taking into consideration the size of the population the European member countries of CEMA, taken together, will increasingly become net importers. A recognition of this is reflected in those measures with the aid of which they are trying to further increase foodstuffs production, decreasing the growth rate in the negative balances for the chief product groups.

If we weigh the situation realistically we can with justice calculate that the importance of foodstuffs will increase in trade with the socialist countries. But the level of consumption achieved in the socialist countries also warns us that what is involved in the importer countries is not simply quantitative growth but rather a sort of progress which will demand appropriate variety and good quality products.

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PLANS FOR USE OF CHEMICAL BYPRODUCTS

Tirana PROBLEME EKONOMIKE in Albanian No 1, Jan-Mar 81, pp 65-71

[Article by Genci Luarasi: "Intermediate Products of the Great Chemical Industry and the Outlook for Their Future Use"]

[Text] The goal of our party's economic policy has been to develop a strong and stable economy by relying on our own material resources, an economy capable of responding to all the demands of socialist construction. Year after year, the branches of our industry such as the extracting, the metallurgical processing, the mechanical and the energy industry have continued to develop. The chemical industry was established as a new branch of our industry at the same time as the other industries. This industry of important dimensions set up in the Fourth 5-Year Plan is characterized by its rapid development which has made it a dominant branch of our industry. The pace of its development doubled in 1979 as compared to 1975.

Although a new branch, the chemical synthesis industry is an actual branch of our industry in which the materialistic treatment of matter finds true expression; it is a branch in which the word "waste" does not exist. The progress of chemistry, among other things, as K. Marx has written, showed in a convincing manner how to put back into circulation in the reproduction process the scraps left over from production and consumption, creating in this way material goods without preliminary capital expense. In the development of chemistry, the fundamental law of transforming raw materials for the benefit of human society finds true expression. The purpose of the chemical industry is to produce raw materials which are used in the chemical industry itself, in other branches of the economy and in consumer products. With the development of the technical and scientific revolution this branch of our industry, developed with our own forces, will continue to expand even more in the future.

Development of the Country and Role of the Chemical Synthesis Industry

Our country is rich in mineral resources, metallic and nonmetallic, which are the basis for the development of chemical synthesis. We are now at that stage of our development in which the extracting industry, relying on its own forces, provides the economy with such valuable minerals as copper, iron, chrome, coal, petroleum, gas, rock salt, pitch, etc., making it possible for us to produce different brands of pig iron and steel; electrolyzed copper, ferrochrome and

products from complex petroleum processes, acids and bases, sodium and polyvinyl chloride, paper and pulp. In the same way, the energy industry has grown to the point where it encourages the expansion of the chemical and electrochemical industry by helping to automate the complicated processes of chemical synthesis, providing measuring and controlling apparatus for monitoring production from a distance. On the other hand, to build new plants and factories, it is absolutely necessary to further develop the construction industry in order to produce the heat-resistant materials and stable connections needed for the conditions and the processes of chemical synthesis which develop under high and medium temperatures and pressures.

In our rapid, many-branched development, chemical synthesis today takes a central position. It transforms the underground resources into material goods. The first objective of our chemical synthesis industry is to utilize fully our superphosphate, nitrate and soda producing plants, which are equipped with modern technology and which respond with their production to the needs of the economy. Year after year, production has increased and the chemical industry has expanded. Thus, for example, the sulphuric acid which is produced is used not only for the manufacture of phosphates, but today is used in the chemical synthesis of more than 30 chemicals necessary for the economy, such as aluminum sulphate, sodium dichormate, copper sulphate, nickel, iron and others. In addition, nitric, hydrochloric and chloric acids, calcified and caustic soda, carbides and pesticides are also produced. Therefore, here as in other countries, in the beginning, inorganic chemical synthesis was developed first. It utilized the raw mineral materials of the country and obtained a significant number of products from their processing. These are the intermediate products which help in the production side of the economy and also provide goods for the consumer market. The synthesis of organic compounds will be developed in the future. In 1980, the per capita increase in production for certain important chemicals was: sulphuric acid 30 kg, sodium carbonate 9 kg, and caustic soda 6 kg. Since chemical fertilizers increase production, chemistry has become very important for high yields in agriculture. In order to assure these high yields an average of 180 kg, of active raw material ($P_2O_5 + N_2$), will be used per hectare. The production of pesticides is growing and to protect plant life they will be used at the rate of 38 kg per hectare.

Our socialist economy, as a strong and diverse economy, was developed with the objective of responding to the most important needs of our production and of the defense of our country. It includes in its usable assets necessary raw materials, as well as products of the chemical industry, such as synthetic fibers, varnishes and paints, plastic materials, organic salts, chemical fertilizers, organic products, sulphuric, hydrochloric and nitric acids and so on, which are produced or will soon be produced domestically, because now all the capabilities have been created, primarily because of the intermediate products which we obtain from our chemical synthesis industry and from the products of our chemical-base industry. Our economy has an immediate need of 42,000 tons of the above products. This need, expressed in word and deed by the principle of relying on our own forces, is implicit in the acceleration of every effort to exploit rapidly and with complete efficiency all the possibilities which exist, using not only the intermediate products we are familiar

with and which are available to us, but also those that will be produced in the process of developing and expanding our chemical-base industry and our chemical synthesis industry.

Chemical-Base Industry

When we speak of a chemical-base industry, we think of producing chemical products which serve as manufacturing tools in the production branches of the economy, as well as finished products that are used in the branches of the economy which serve the consumer market. For example, in the future, sulphuric acid which is derived from the mineral pyrite must also be obtained from the processing of pyrite concentrates, which need to be studied in order to find the most advantageous process of firing them. Large amounts of sulphuric acid will have to be used to transform nitric acid with a concentration of 63 percent, to nitric acid with a concentration of 98 percent. This also applies to the production of oleum with 20 percent free anhydrous sulphuric acid. These will also be used in organic synthesis to produce explosive materials. Great amounts of sulphuric acid will be needed to increase the production of phosphate base chemical fertilizers by using domestic raw materials. In addition, sulphuric acid will be used in the copper electrolysis processes to produce the valuable metals selenium, copper sulphate and nickel. The need for an increase in the production of sulphuric acid will become even greater if we consider that in the future the production of ammonia and nitric acid will have to increase in order to assure chemical fertilizers with a nitrogen base. The production of soda, polyvinyl chloride, hydrochloric acid and chlorine are of special importance in increasing the production of inorganic and organic chemical products.

Today, we import more than 15,000 tons of products derived from chemical synthesis: hydrochloric, sulphuric, carbonic, phosphoric and nitric acid salts, as well as magnesium, aluminum, lead, chrome, iron and copper salts.

Therefore, the chemical industry has been developed as a branch of our heavy industry responsible for basic products and with high levels of concentration on technical bases. The production capabilities of sections and plants are such that they fulfill the needs of the economy. But, in the present stage of our development and the rapid growth which is foreseen for the Seventh 5-Year Plan it is necessary, while maintaining the connections between the different branches, to further expand the chemical industry. The capabilities and the material reserves exist to achieve this goal. For example, the complex processing of polymetallic minerals and sulfides will give us the principal bulk of our sulphuric acid. The time has come, therefore, to evaluate our technical and economical resources in all their complexity: planning their course from the time of their discovery to their removal from the mines and up to their enrichment and processing in the metallurgical and chemical industries. This will result in the most effective use of the elements involved. The largest amounts (roughly 80 percent) will be used in the manufacture of chemical fertilizers; the rest, together with HNO_3 98 percent CL_2 and oleum, will be available for organic synthesis. By processing ethylene, acetylene, paraffin, and cyclic hydrocarbons we will be able to produce synthetic varnishes and paints,

synthetic fibers and rubbers, basic materials for detergents, and chlorinated and sulfurated products. The assurance of the synthesis of organic acids is of very great importance to our food industry and to our economy. The growing production of synthetic compounds absorbs 2,000-2,500 tons of formalin. It is necessary, therefore, to study the possibilities of producing formalin domestically (around 3,000-5,000 tons a year). The production of paraffin can and should be considered in the same way.

Studies to produce, with our own raw materials, inorganic acid salts, such as H_2SO_4, HNO_3, and oxides of some metals FeO, Fe_3O_4, CuO, Al_2O_3, CrO_3, CoO_3 and so on, are very necessary.

Many products which have been produced for specific industrial use gain, with supplementary processes, a wider range of usefulness. Thus, for example, KMC which is produced to fulfill the needs of the petroleum and textile industry can also be used to produce detergents. The same thing can be done with arylalkylsulfonate, pyrophosphate, ferrokromlignosulfonate, and calcium lignosulfonate. More technological studies are taking place to produce pesticides domestically in order to stop completely the import of "Lirolan," "Ferizan," "Delicia," "Geodrine," "Rangalit karbon," etc.

From an economical point of view, the chemical industry is a very profitable branch, because of the fact that chemical intermediate products are themselves basic products in the development of a series of new activities of great profitability. They can be principal products in chemical activities (sulphuric acid, ammonia, soda etc) or side products (natrium fluorosilicate, calcium carbonate and natrium sulfate). Because of the conditions of our chemical industry a good part of these chemical products are exported as sulphur and chemical and nitrogenous fertilizers. In this way the chemical industry constitutes an important factor in strengthening the material and technical base of socialism.

Intermediate Products of Chemical Synthesis

All chemical products which by themselves are not directly utilized in the sphere of the consumer market are subject to synthesizing processes and become intermediate products which are used in the manufacture of final products. Because intermediate products are interrelated it is important to study and plan their chemical processes and production to the optimum, relying on their dependencies, the influences and the proportions of this or that intermediate product. In this observation, therefore, the grouping of these products and the material and consumer assets are very important and must be considered, so that the processing of these chemicals will be done sequentially. If the groupings are made on the basis of the natural affinity between the intermediate products themselves, we can have a finished product at low cost. At present we import synthetic fibers (polyester, polyamide, acrylic, nylon and kapron) at the rate of 1.7 kg per capita. However, in the future, within the conditions of the deep improvements that have taken place in the petroleum and gas industries in our country, these fibers will be produced domestically (2-4 times more). In order to do this, we must first ensure the compositions of intermediate products such as prophylene, ethylene, butane, butadiene and so on, in addition to those

that are already produced here such as sulphuric acid and ammonia. We must operate in the same way in producing different plastics, such as rubber, which is becoming a widely used material and is in great demand in many branches of our industry. It is sufficient to say that our textile industry has developed enormously. The production of cotton and woolen cloth has increased and the industry has now started to produce synthetic fibers. The domestic production of these fibers is a present-day necessity. We have the capabilities and they are to be found within the chemical synthesis industry itself.

The use of chemical fertilizers is very important in developing agricultural production. One of the most important victories of our party's economic policy has been to raise the yield of bread grains from 7 quintals per hectare to 30 or 35 quintals per hectare, assuring in this way the production of bread grains domestically. Although we have made progress by using more and more chemical fertilizers and active materials, in the future, we need to regulate more carefully the ratio of phosphates to nitrogen, which at present is low (1:0.49) when it should be 1:0.84. In the course of the Seventh 5-Year Plan we shall use more chemical fertilizers per hectare. This presents us with the task of increasing the production of our chemical fertilizers by relying on our own mineral resources. It is well known that mineral phosphates with 28.5 percent phosphorous anhydride can be produced economically, whereas the processing of those with less than 17 percent is more costly. Under these conditions acute problems arise which need an immediate solution, such as the production of low cost fertilizers from raw materials with a low content of phosphorous anhydride so that all the needs of our agriculture for fertilizers with 1:0.84 ratio of phosphorus and nitrogen will be met. This can be achieved by 1985, if approximately 70,000 tons of phosphorous anhydride can be produced, that is about 3 times more than was produced in 1980. At the same time, it would be beneficial to think of producing domestically, sometime in the future, complex concentrated fertilizers, such as ammonium phosphate and diammoniumphosphate and so on, with active elements of 16 to 50 percent phosphorous anhydride, and 11 to 24 percent nitrogen which are produced by using ammonia, nitric acid and phosphoric acid, the by-products of the chemical synthesis industry. Therefore, it would be advantageous to process our phosphorous minerals to produce phosphoric acid. It is true that capital investments are required to establish a phosphoric acid industry, but it would open up prospects of being able to produce more effective fertilizers, as well as a number of phosphorous chemical products such as phosphoric acid salts, which are active ingredients used in laundry detergents, catalysts and phosphates.

The most important ingredient, however, for an increase in chemical-base products, is the greatest possible utilization of the productive capabilities of the existing plants. During recent years the unrestricted capabilities of these plants have been almost completely utilized. Thus, the sulphuric acid plant in Lac has raised its production capacity by 33 percent by completing certain modifications and making some improvements in the organization of work. The same can be said of the nitrate plant in Fier. There is room for improvement, however, in the production methods in the sulphuric acid line No 2 in the urea and superphosphates plant in Lac, and in other chemical and metallurgical plants. At the present stage of our development, our principal task is to

demonstrate the close ties that exist between technical and economical studies and the advantages of expanding them in order to raise industrial production. This is one of the immediate tasks for increased productivity in the existing chemical plants.

At the same time it is necessary to design new plants by relying on the experiences we have gained so far: introducing new methods and utilizing our abundant resources in a complex manner. As a result of these designs a sulphuric acid plant is being planned with a capacity of 60,000 tons of raw pyrite concentrates, which are by-products of the fine enrichment of coke derived minerals. Therefore, a free by-product will be exploited and new ways will be found to process polymetallic minerals which cannot be exploited in a pyrometallurgical way.

Petrochemistry Is the Source of a Series of Intermediate Products From Chemical Synthesis

Petroleum and gas are complex resources with a wide range of usefulness. The deep processing of petroleum will open up prospects for the development of our petrochemical industry. In the years to come our chemical synthesis industry will have available a number of intermediate organic products, such as tar, xylene, toluol, benzole and others, which will be derived from this refining. Arylalkylsulfonate will also be produced to fulfill the needs of the detergent industry. The production of petroleum coke is worthwhile since it is replacing some of the metallurgical coke. We are at present isolating sulphur, some of which is exported and some of which is used to produce pesticides. These primary products will in the future be accompanied by unsaturated hydrocarbons such as acytelene, propylene and paraffin. At the same time, we must separate from petroleum, gas and the coking of coal, aromatic and cyclic hydrocarbons to be used as bases in the production of several organic products. If we process and utilize inferior quality petroleum, gas and coal resources thoroughly, they will provide us with synthetic fibers, plastic materials, epoxy varnishes, solvents and other substances. Under these conditions, therefore, it is very important to define correctly the prospects for the chemical synthesis industry by combining the production of compounds of intermediate products and end products.

Simultaneous with the production of chemical base compositions, our chemical enterprises can also produce reagents and salts from principal acids. These can be realized "flexibly" by different processes such as baking, steaming, crystallization or philtering. Thus the ratio of copper and nickel sulphates used in the copper smelting plant in Lac could help the chemical enterprises in Durres and Tirane to project similar production lines. Today, in addition to the designing of standard type plants for chemical base products, the capabilities exist to design units for intermediate products and reagents.

During the synthesis of most of the intermediate chemical products, besides the raw material stage, there is a need for catalysts as substances which are not involved in the chemical synthesis itself, but, because of their chemical properties, direct the synthesizing process to achieve the required reaction. Since

every chemical process needs a specific catalyst an increase in intermediate products will generate the need for catalysts in kind and quantity. Al_2O_3, Fe_2O_3, CuO and others are among the more simple catalysts. For the needs of our chemical industry we import V_2O_5 base catalysts for the manufacture of sulphuric acid, and margarine, for use in some work processes in the Fier ammonium nitrate plant and in the plant for the deep processing of petroleum in Ballsh, and so on. The need for catalysts will grow. The question arises: can we produce them domestically? In order to do this we must, first of all, make a technological and economical study to define the raw materials and the ways to produce domestically some of the simpler catalysts, such as metal salts, metal oxides, acids and bases. In this matter we are still on unexplored territory; we have no experience, but if the situation presents us with the task, and we possess the important experience of having solved complex and difficult problems in the past by relying on our forces, it will become necessary for us to tread these paths in the future. He who faces problems with courage finds a solution to them.

The increase in intermediate products is related to the development of a number of new branches. There are two branches which are of fundamental importance, these are the branches responsible for inorganic and organic products, which have developed rapidly even in our country. The organic branch, as the newest branch, has a great future ahead because its products are more numerous.

In the years to come, by implementing the recommendations of the Eighth Plenum of the Central Committee of the AWP [Albanian Workers Party] for the development of science and technology, as well as the tasks which were defined in the Ninth Plenum of the Central Committee of the AWP, the industry for chemical synthesis, relying on its own forces, will develop further in depth and in breadth. The economy will receive new chemical products, such as artificial and synthetic fibers which will not have to be imported any more. Studies will be undertaken to produce synthetic organic dyes for the textile, paper, plastics and leather industry. With the exploitation of intermediate products, chemical synthesis, through the deep processing of mineral and organic materials, will have a greater influence on the development of our socialist economy.

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FINANCIAL MANAGEMENT IN FIRST HALF 1981 SUMMARIZED

Prague SVET HOSPODARSTVI in Czech 14 Aug 81 pp 1-2

[Article by Engineer Milan Jurceka, Cand Sci, Federal Ministry of Finance, "Financial Management in the 1st Half"]

> [Text] Meeting of quotas in the first half of 1981 progressed under the conditions of an improved system of planned management expressed in the Set of Measures which became effective as of the beginning of the current year. This became reflected in the management of state budgets particularly by granting reductions in share of profit payments, changes in financial and economic tools in the area of foreign trade, limiting of allocations for investment to economic organizations and specific subsidies for investment in the sphere of national committees and adjustment of wholesale prices with an impact on sales tax. The mentioned changes make a direct comparison of the results of management of state budgets in the first falf of 1981 with the same periods of previous years impossible.

The results of state budgets' management are tied to meeting of basic indices of the state plan for the first half of 1981 which are characterized by growth of industrial production more or less in accordance with the plan, favorable development in the cost of materials and considerable failure to meet quotas in building and construction. Basic data regarding the results of financial management of state budgets (not including national committee budgets) in the first half of 1981 are offered in the table concluding this article (data in millions of Kcs).

In keeping with the coordinatory function of the state budget of the Czechoslovak federation, state budgets of the republics received in the first half of 1981 allocations in the total amount of Kcs 47.06 billion, of which amount Kcs 27.84 billion accrued to the CSR and 19.22 to the SSR. Allocations and subsidies from the state budgets of the republics to national committee budgets amounted in the first half of 1981 to Kcs 26.03 billion, of which amount Kcs 17.62 billion accrued to the CSR and Kcs 8.41 billion to the SSR.

In regards to volume the most significant item in the state budgets' income was formed by payments from economic organizations. For the first half of 1981 all centrally controlled economic organizations (not including the impact of foreign trade) rendered total payments of Kcs 46.87 billion representing 48.0 percent of the year's plan (last year 48.6 percent of the year's plan). Share of profit payments amounted to Kcs 20.28 billion, i.e., 48.0 percent of the yearly plan (last year 48.6 percent), social security contribution payments amounted to the sum of Kcs 12.21 billion to meet the plan to 48.3 percent. Meeting of payments by economic organizations depends primarily on meeting the plan for qualitative indicators of financial management in state economic organizations. Of the full year's quota for profit generation 49.5 percent were met in the first half of the year, the share of cost of materials in output was 0.29 point lower than called for by the yearly plan. However, the favorable meeting of the costs is marred by an imballanced development in costs during the course of the year.

One of the most stable income items of the state budget is represented by sales tax of which Kcs 36.16 billion were collected in the first half of 1981, i.e., 47.8 percent of the yearly plan. Nevertheless, in comparison to the first half of 1980 measured in terms of the full year's results for 1980, meeting of the quota in the first half of 1981 lags by 1.7 points. They key cause of lag in meeting the planned quota for sales tax was an adverse development in supplies for the consumer goods inventory (as of 31 May 1981 the plan was met only to 40.3 percent). Shortcomings in meeting the planned sales tax quota were posted primarily by federally controlled organizations which by 30 Jun 1981 met only 45.0 percent of the yealy plan, i.e., by 11.7 points points less than last year. The result was affected primarily by a failure to meet the planned sales tax quota in the sector of machine building which in the first half of 1981 made payments lower by Kcs 850 million than last year. Even though the problems apply to production and marketing of a number of machinery products, the worst impact on returns from sales tax was due to lower sales of passenger cars of which 51,136 units were sold in the first half of 1981, i.e., less by 15.2 percent than for the same period of 1980.

Among the other more significant items of income for state budgets, the income tax for the first half of 1981 amounted to Kcs 19.78 billion, i.e., 49.3 percent of the yearly plan (same as last year). Financial and insurance institutions paid into the state budget Kcs 5.70 billion meeting 50.2 percent of the yearly plan quota.

In the area of state budget expenditures more than half of all resources is expended on financing the budgetary sphere. Expenditures of centrally administered budgetary and support organizations in the first half of 1981 drew on 45.4 percent (last year 47.1 percent) and amounted to the sum of Kcs 65.92 billion. Lower drawing on funds for expenditures in comparison with the past year was brought about, among other things, by a relative slump in drawing on capital appropriations (29 percent this year, 30.8 percent last year), but mainly by the fact that social security expeditures amounting to Kcs 33.30 billions drew on 48.7 percent (last year 50.0 percent). This was primarily due to a lower incidence of influenza infections in the first half of 1981 and a lower number of live births.

Compliance with the principles of the Set of Measures and limitation of capital investments brought about in 1981 a decrease in allocations to economic organizations, which in the first half of 1981 reached Kcs 18.92 billion by drawing on 40.9 percent of the quota for the year. In comparison with the same period of last year, this translated primarily into a significant limitation of allocations for investment which in the first half of 1981 amounted to Kcs 3.20 billion, which in comparison with last year represents a decrease of more than 50 percent.

The results of financial management of state budgets in the first half of 1981 indicate that not all sectors managed to meet the mid-year quotas in full and with the requisite structure and quality and that some branches still persist in using old routine methods of plant management and organization. For that reason, meeting of this year's quotas will call for even more intensive implementation of positive trends in economic development than has heretofore been the case, suppression of all negative manifestations, a distinct improvement in utilization of all unused resources of the national economy, meaning a much more emphatic implementation of the Set of Measures for Improving the Planned Management System of National Economy.

Tabulation of the Results of Financial Management of State Budgets (Without National Committee Budgets) in the First Half of 1981 (in millions of Kcs)

Indicator		Approved Budget 1981	Quota met by 30 Jun 1981	Completion Percentage
Total state budgets	Income	261,983	123,814	47.3
	Expeditures	261,983	123,548	47.2
	Difference	-	266	-
Of the above:				
State budget of the Czechoslovak federacy	Income	56,348	31,709	56.3
	Expenditures	56,348	31,415	55.8
	Difference	-	294	-
CSR state budget	Income*	132,539	60,680	45.8
	Expenditures	132,539	60,708	45.8
	Difference	-	28	-
SSR state budget	Income*	73,096	31,425	43.0
	Expenditures	73,096	31,425	43.0
	Difference	-	-	-

* Including allocations from the Czechoslovak federal budget

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WEST GERMAN ANALYSIS OF FIRST HALF 1981 ECONOMIC PERFORMANCE

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 31, 30 Jul 81 pp 363-366

/Article by Dr Doris Cornelsen, German Institute for Economic Research (DIW), West Berlin: "Not an Entirely Successful Start on the New Five-Year Plan--the Economic Situation of the GDR at Mid-1981." A translation of the first half 1981 plan fulfillment report cited in footnote 1 is published in JPRS 78726, 11 Aug 81, No 2158 of this series, pp 8-28. A translation of the article cited in footenote 3 is published as part of a series of related items under the heading, "Development, Use of Industrial Robots Discussed," in JPRS 78838, 26 Aug 81, No 712 of EAST EUROPE REPORT: SCIENTIFIC AFFAIRS, pp 10-33/

> /Text/ It became evident after publication of the five-year plan in April 1981 that the GDR economic leadership had based the targets of the first year of the 1981-1985 plan period on the target conceptions for the entire plan. Growth was to speed up, the main goal being a rise in exports. No more than below average growth rates were envisioned for investment and consumption. The results of the first half year are remarkable in terms of output. However, in the utilization structure they do not quite conform to the plan data, and therefore confirm the skeptical assessment of the medium-range concept.

The State Central Administration for Statistics' report[1] presents the following results for the first half of 1981 (percentage growth compared with the corresponding period of the preceding year):

	1981 Annual Plan	First Half 1981 Actual Results
Produced national income	5.0	5.0
Industrial goods production	5.0	4.6*)
Net product of industry	.	6.0
Specific materials consumption	.	- 5.0
Domestic utilization:		
Investments (in centrally managed industry)	2.5	4.0
Retail turnover	4.0	3.3
Foreign trade turnover	16.0	12.0

*) Published was a rate of 5.4 percent, adjusted by working days

The rates for the produced national income and the net product of industry must be assumed to have been rounded off. As, however, the first half of 1981 had 1 working day fewer than that of 1980, planning might have taken this into account and budgeted the proportions accordingly. In any case the growth rates for the total economy and industrial output are notable and divergences from the plan insignificant. The stabilization of growth has thus continued.

On the other hand the successes of the competition campaign in honor of the Tenth SED Congress--much touted in the plan fulfillment report--are not readily discernible. The report mentions a 5.4 percent growth in industrial output (adjusted by working days). Considering that the annual target is 5.0 percent, this result is by no means outstanding.

In this plan fulfillment report the State Central Administration for Statistics published the rise in industrial goods output broken down by industrial ministries and thereby considerably expanded statistical information.[2] It is now possible to compare the plan estimate with the actual development. However, this comparison is still somewhat limited by the fact that we do not know whether the plan growth rates for 1981 as a whole also apply to the first half. At the same time the adjustment by working days with regard to the actual development in the first half removes any obvious differences.

A comparison between the annual plan and the results of the first half produces the following data:

-- Despite the reported overfulfillment, growth rates in four sectors--chemical industry, the construction of general machines, agricultural machines and vehicles, the glass and ceramics industry, bezirk managed industry and food industry--remained well below plan estimates. In the case of the chemical industry the shift from petrochemical to carbochemical processes may have resulted in greater loss of growth than expected; in the case of machine construction the slight gain is likely to be below the plan. As far as bezirk managed industry and the food industry are concerned, the five-year plan actually assumed a smaller rise than the 1981 plan.

-- In all other sectors the plans were exceeded, in some to a considerable extent. That holds true especially for electrical engineering and electronics. The increase here amounted to nearly 11 percent; the plan had assumed only 9 percent. The intensive encouragement of this sector is by now quite unmistakable in the development of output.

In every case the structure of growth rates in industrial production conformed to the medium-range conceptions: The emphasis is on the electronics and machine construction sectors which are crucial both for the equipment of GDR industry and a rise in exports. Light industry, bezirk managed industry and food industry--all of which produce primarily for domestic consumption--rank somewhat lower.

Indicators of Economic Development in the GDR (percentage changes by comparison to the previous year)

		1980 (1) 1.Halbjahr	1980 (2) Jahr (3) Ist	1981 (1) 1.Halbjahr	1981 (2) Jahr (4) Plan
(5)	Produziertes Nationaleinkommen	5	4,2	5,0	5,0
(6)	Industrie				
(7)	Industrielle Warenproduktion	5,9[1]	4,6[1]	4,6[2]	5,0
(8)	dar.: Im Bereich der Industrieministerien	6,1	5,4	5,0[2]	5,8
(9)	Arbeitsproduktivität[3]	5,7	5,1	4,6[2]	5,0
(10)	Bauwirtschaft				
(11)	Produktion des Bauwesens	3,7	2,2[4]	.	3,8[5]
(12)	Bauproduktion der Volkswirtschaft	14,0[6]	12,8[6]	4,6[2]	2,8
(13)	Fertiggestellte Wohnungen (in 1 000 Wohnungen)	77,8	169,2	88,4	174,5
(14)	davon: Neubau (in 1 000 Wohnungen)	54,4	120,2	60,4	117,0
(15)	Modernisierung (in 1 000 Wohnungen)	23,4	49,0	28,0	57,5
(16)	Landwirtschaft				
(17)	Tierische Marktproduktion[7]	5,9[4]	2,4[4]	5,5[4]	- 1,1[4]
(18)	dar.: Schlachtvieh	6,9	2,7	10,0	- 0,8[8]
(19)	Milch	3,6	1,7	- 1,0	- 1,3[8]
(20)	Eier	5,9	5,7	3,1	- 3,4[8]
(21)	Einzelhandel				
(22)	Umsatz, gesamt[9]	5,7	4,3	3,3	4,0
(23)	davon: Nahrungs- und Genußmittel	2,1	2,9	2,9	3,3
(24)	Industriewaren	9,6	5,8	3,8	4,6
(25)	Außenhandel, Umsatz [9][10]	.	10,3	12,0	16,0
(26)	Investitionen[11]	2,4	1,3	.	.
(27)	dar.: Im Bereich der Industrieministerien	9	4	4	2,5
(28)	Nettogeldeinnahmen der Bevölkerung	3	2,8	3,3	4,0

(29) 1)Aus Index-Angaben berechnet.-2)Tatsächliches Ist, d.h. unter Rückrechnung der offiziellen - arbeitstäglich bereinigten - Angaben.-3)Bereich der Industrieministerien, Basis Warenproduktion.-4)Geschätzt.-5)Bauproduktion im Bereich des Ministeriums für Bauwesen.-6)Nur Betriebe des Wirtschaftsbereichs Bau; zu laufenden Preisen.-7)Staatliches Aufkommen an Schlachtvieh, Milch, Eiern und Wolle; bewertet in Getreide-Einheiten.-8)Mengenmäßige Planung.-9)Jeweilige Preise.-10)Einschließlich innerdeutscher Handel.-11)Ohne Generalreparaturen und Auslandsbeteiligungen.

(30) Quellen: Durchführung des Volkswirtschaftsplanes 1980 bzw. 1981 im ersten Halbjahr (Neues Deutschland vom 12./13. Juli 1980 bzw.vom 16./19. Juli 1981); Durchführung des Volkswirtschaftsplanes 1980 (Neues Deutschland vom 17./18. Januar 1981); Economic Commission for Europe, Genf; Gesetz über den Volkswirtschaftsplan 1981 (GBl. der DDR, Teil I/1980, Nr. 35); Berechnungen und Schätzungen des DIW.

Key:

1. First half
2. Full year
3. Actual result
4. Plan
5. Produced national income
6. Industry
7. Industrial goods production
8. In the sphere of the industrial ministries
9. Productivity

/Key continued on following page/

10. Construction industry
11. Output of the construction industry
12. Building production of the national economy
13. Completed housing units)
14. New buildings) 1000 units
15. Modernization)
16. Agriculture
17. Animal production for the market
18. Slaughter cattle
19. Milk
20. Eggs
21. Retail Trade
22. Total turnover
23. Essential and nonessential foods
24. Industrial goods
25. Foreign trade, turnover
26. Investments
27. In the sphere of the industrial ministries
28. Net cash earnings of the population
29. 1) Calculated from index data.-- 2) Actual result, that is returning the official data, adjusted by working days.-- 3) Sphere of the industrial ministries, basis: goods production.-- 4) Estimated.-- 5) Building production in the sphere of the Ministry for Construction.-- 6) Only enterprises of the economic sector construction; at current prices.-- 7) State yield of slaughter cattle, milk, eggs and wool; value given in grain units.-- 8) Quantitative planning.-- 9) Respective prices.-- 9) At current prices.-- 10) Including inner-German trade.-- 11) Excluding major overhauls and investments abroad.
30. Sources: Implementation of the economic plans in the first half of 1980 and 1981 (NEUES DEUTSCHLAND, 12/13 July 1980 and 18/19 July 1981); implementation of the 1980 economic plan (NEUES DEUTSCHLAND, 17/18 January 1981); Economic Commission for Europe, Geneva; "Law on the 1981 Plan" (GBL DER DDR Part I/1980, No 35); DIW calculations and estimates.

Investments, Consumption and Foreign Trade

In contrast to production, there is less conformity of plan and actual results in the utilization structure. Here investments rose somewhat more, consumption and foreign trade rather less than expected.

Assessment is rather difficult in the case of investments. No plan data were available for the total economy, only for centrally managed industry (+ 2.5 percent), and these were exceeded (+ 4 percent). However, the half year report is not free of ambiguities: Insufficient distinction is made between material investments (equaling production, including plant not yet completed) and completed investments. When we consult the published absolute figures and the results of the first quarter also, we get a very steep increase for the economy as a whole, but this may be due to the transition to the 1980 price base.

Industrial Goods Production in the Sphere of the Industrial Ministries

(5) Ministerium für ...	(1) Plan 1981	(2) Ist 1. Halbjahr 1981 1)	(3) Angegebene Planerfüllung 1. Halbjahr 1981 in vH
	(4) Zunahme in vH gegenüber dem entsprechenden Vorjahrszeitraum		
(6) Kohle und Energie	3,0	3,7	101,5
(7) Erzbergbau, Metallurgie und Kali	5,8	6,2	101,1
(8) Chemische Industrie	6,3	4,0	101,2
(9) Elektronik und Elektrotechnik	8,9	10,9	101,7
(10) Schwermaschinen- und Anlagenbau	5,9	6,6	101,4
(11) Werkzeug- und Verarbeitungsmaschinenbau	9,1	9,9	101,2
(12) Allgemeiner Maschinen-, Landmaschinen- und Fahrzeugbau	7,8	7,0	101,4
(13) Leichtindustrie	4,0	4,5	101,6
(14) Glas- und Keramikindustrie	5,1	4,4	101,5
(15) Bezirksgeleitete Industrie und Lebensmittelindustrie	6,2	4,5	101,6
(16) Industrieministerien, insgesamt	5,8	5,8	101,4

(17) 1)Arbeitstäglich bereinigt. (Die bereinigte Zuwachsrate ist um rund 0,8 Prozentpunkte höher als das kalendermonatliche Ergebnis).

(18) Quellen: Mitteilung der Staatlichen Zentralverwaltung für Statistik über die "Durchführung des Volkswirtschaftsplanes 1981 im ersten Halbjahr". (Neues Deutschland vom 18./19. Juli 1981); Gesetz über den Volkswirtschaftsplan 1981 (GBl. der DDR, Teil I/1980, S.354).

Key:

1. 1981 Plan
2. Actual results, first half 1981
3. Plan fulfillment reported for first half 1981 (percentages)
4. Percentage rise compared with the corresponding period of the previous year
5. Ministry for
6. Coal and Energy
7. Ore Mining, Metallurgy and Potash
8. Chemical Industry
9. Electronics and Electrical Engineering
10. Construction of Heavy Machinery and Equipment
11. Construction of Machine Tools and Processing Machinery
12. Construction of General Machinery, Agricultural Machinery and Vehicles
13. Light Industry
14. Glass and Ceramics Industry
15. Bezirk Managed Industry and Foodstuffs Industry

/Key continued on following page/

16. Total industrial ministries
17. 1) Adjusted by working days. (The adjusted rate of growth is about 0.8 percent above the result per calendar month).
18. Sources: Report by the State Central Administration for Statistics on the "Implementation of the 1981 Economic Plan in the First Half" NEUES DEUTSCHLAND, 18/19 July 1981; "Law on the 1981 Economic Plan," GBL DER DDR, Part I/1980, p 354.

It is to be assumed that total investment activity was in fact greater than provided for by the plans. This also corresponds to the extensive tasks to be achieved in the transformation of the economy as a whole and could hardly be managed by an investment rate tending to decline. Another substantial rise was recorded in the construction of new housing (6,000 units more than in the first half of 1980).

As regards the special case of the wquipment of the national economy with industrial robots, recent GDR reporting has contributed to a certain confusion. We learn from a recent publication that the GDR has now shifted from a narrow to a broad definition of the term. Consequently industrial robots are no longer only equipment which is readily programmable and movable in at least three directions; they are all other automation aids also. A comparison of the different data demonstrates this broadening (numbers of industrial robots actuall in use and planned):

	Narrow Definition	Broad Definition
Late 1979	160	.
Late 1980	320	.
1981 Plan	700	.
Mid-1981	.	7,000
Five-year plan target for 1985	7,000	40-45,000

The data available from other countries also indicate that the prevalence of industrial robots largely depends on their definition.

In the case of the development of net incomes, the plan target was not quite achieved in the first half, recording an increase of only 3.3 percent. At the same time the development of net earnings (at 3.9 percent) speeded up somewhat. Noticeable is the slight rise (3.3 percent) in retail turnover. While the turnover of essential and nonessential foods just about increased in conformity with the medium-range trend, that of industrial goods achieved only a 4.4 percent rise. Due to the substantial price increases for better quality goods, the improvement in real supplies was well below expectations.

As expected, subsidies from the state budget rose substantially. On 1 January considerable price increases took effect consequent upon the new price policy in farming and the planned industrial price changes. The 1981 state budget estimated a 17 percent increase in price subsidies. Actually the increase amounted to 21 percent in the first half.

With regard to foreign trade, the main task of the current five-year plan, the 1981 plan estimate has so far failed to be met. Planned was a 16 percent rise in foreign trade turnover; only 12 percent were recorded in the first half. The plan

fulfillment report shows a strong rise in trade with the Soviet Union (17 percent). Soviet statistics for the first quarter suggested that the GDR raised its exports to a far greater extent than its imports. On the other hand neither the planned rise in turnover nor a greater increase in exports was achieved in trade with Western industrial countries. According to data from the partner countries GDR imports grew more than exports in the first months of 1981. The same applies to inner-German trade. Here GDR purchases rose by 8 percent in the first 4 months, deliveries by 4 percent. Though in the upshot the GDR retained a slight delivery surplus, the trend of the previous year was reversed. Once again the development of GDR purchases demonstrates more dynamism than that of its deliveries.

It is evident that such a trend in the trade with the West runs counter to GDR planning. The entire medium-range plan and the 1981 annual plan are so structured as to raise GDR exports far more than imports in order to lessen the foreign trade deficit. The weaknesses of this concept have been exhaustively dealt with elsewhere.[4] In the main they consist in the GDR's simplistic expectation that its exports will be easily marketable. At least as far as Western trade is concerned this is certainly a mistaken assessment.

The total of first half results, therefore, is not so favorable as the high rates of growth for the total economy and industry initially tend to suggest. The GDR will have considerable problems regarding the realization of its medium-term foreign trade strategy: It is not enough for output as such to rise, it will be necessary to produce items competitive on the world market, which are also properly profitable in terms of foreign exchange.

FOOTNOTES

1. NEUES DEUTSCHLAND, 18/19 July 1981, pp 3 ff.

2. These rates were last supplied for the results of 1972 and the first half 1974.

3. "Industrial robot technology...must not be defined so narrowly. Nowadays we interpret this term to mean the totality of capital equipment serving the independent handling of production parts, tools and materials for the automation of main and ancillary processes." "Industrial Robot Technology Now," DIE WIRTSCHAFT No 6/1981, p 21.

4. See "GDR Economy in Structural Change. On the Situation of the GDR Economy at the Turn of the Year 1980/1981 ," edited by Doris Crnelsen, DIW WOCHENBERICHT No 6/1981.

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ANALYSIS OF 1981-1985 PLAN DIRECTIVE SEES FOCUS ON EXPORTS

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 31, 30 Jul 81 pp 355-362

/Article by Doris Cornelsen, German Institute for Economic Research (DIW), West Berlin: "Main Task Export--The Directive on the 1981-1985 Five-Year Plan for the GDR Economy." Translations of articles cited in footnotes below are published under quoted headings in the following JPRS issues of this series: Footnote 1--"Directive on 1981-1985 Five-Year Plan Published," 78163, 27 May 81, No 2130, pp 2-56; footnote 8--by Jochen Bethkenhagen, "Energy Problems Seen Restricting Economic Growth," 77656, 24 Mar 81, No 2109, pp 4-15; footnote 9--by Guenter Mittag: "Mittag Urges Combines to Economize, Raise Production," 78885, 1 Sep 81, No 2167, pp 64-76; footnote 11--interview with Otto Reinhold, "Problems of Labor Force Reallocation, Restructuring Discussed," 78970, 14 Sep 81, No 2173, pp 1-6. A translation of Erich Honecker's article cited in footnote 6 is published under the heading "Honecker Reviews Evolution, Tasks of SED," in JRPS 78364, 23 Jun 81, No 1891 of EAST EUROPE REPORT: POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS, pp 4-11/

> /Text/ At the Tenth SED Congress in April 1981, the directive on the 1981-1985 Five-Year Plan was submitted and adopted. As per GDR reports the plan tasks are now to be discussed by enterprises and employees. Subsequently the law on the five-year plan will be drafted and probably enacted by the People's Chamber toward the end of the year. The report of the SED Central Committee to the party congress included a complementary "economic strategy for the 1980's." The guidelines of both the directive and the strategy are: The greatest possible growth by the exploitation of all opportunities offered by modern technology, drastic increases in exports little increase in investments and private consumption.

The "Tenth SED Congress Directive on the Five-Year Plan for the GDR Economy 1981-1985" fixed noteworthy goals. Conspicuous are the high growth rates of output and the discrepancy between them and the planned development of domestic expenditure (average annual growth as percentages):

	1976 to 1980		1981 to 1985
	Plan	Actual	Plan
Produced national income	5.0	4.1	5.1 to 5.4
Industrial goods production	6.0	5.0	5.1 to 5.4
Domestic expenditure:			
Investments (domestic)	5.2	4.8	1.8 to 2.3
Retail turnover (nominal)	4.0	4.1	3.7 to 4.1

Following the changes in price policy at the consumer level and the introduction of new assortments at higher prices, the rise in nominal retail turnover is no longer identical with an improvement in real supplies. Even if we assume a price rise of only just above 1 percent--and that is surely the lower limit--, the real rise in private consumption must be assessed at less than 3 percent. Planning through 1985, therefore, calls for a great deal of economic growth without a corresponding rise in investments and without the real additional performance being reflected in a corresponding improvement in living standards.

Focus: Foreign Trade

The powerful effort demanded of the GDR economy in the new five-year plan is explicable only against the background of the country's foreign trade problems. Since prices began to climb on the world market in 1973, the GDR's balance of trade has been in deficit every year. In the past five-year plan period the GDR's deficit achieved unprecedented amounts. The total of the past 5 years amounted to almost 29 billion VM /valuta marks/.[2] Most of it by far arose in trade with the Western industrial countries (25 billion VM), but even trade with the Soviet Union is now in imbalance (9 billion VM). None of the export efforts of recent years managed to halt this development. While GDR exports rose by about 10 percent in the average of the years 1976-1980, the growth of imports was just as great. Largely this was due to the difference in prices. Adjusted by price, exports did rise more than imports. However, in the balance of trade the financial result alone counts, not the transfer of non-monetary assets.

According to Western estimates GDR debts in convertible currencies amounted to some $10 billion[3] at the end of 1980, and of course these debts must be serviced. Interest payments currently swallow more than a third of the value of exports to the West. A reduction of these payments is therefore one of the most important challenges in this five-year plan period. Many other reasons also advocate priority for exports:

-- Trade with the Soviet Union has been in deficit since prices have risen in the CEMA region. The accumulated balance almost exactly corresponds to the higher price of oil in the same period; this means that the GDR was able up to now to finance the additional burden by loans. At some time, however, the Soviet Union is bound to press for at least the equalization of the annual balances, especially because aid to the People's Republic of Poland represents a considerable drain.

-- According to official reports the GDR has up to now aided the People's Republic of Poland by supplies of goods ("valuta goods" to the value of M300 million)

and "unrequited aid in freely convertible currency" (250 million VM). The possibility cannot be ruled out that there will be more pressure on the GDR as the country with the highest standard of living in CEMA.

-- The accumulated deficit in trade with the FRG amounts to DM3.9 billion (end 1980). Not assured as of now is the financing of part of this deficit by the swing in its present amount of DM850 million in the next 5 years also. Unless otherwise agreed, the swing will decline to DM200 million from the beginning of 1982. Especially in view of the FRG's currently tense budget situation, no economic concessions are like to be granted the GDR if it maintains its present stance vis-a-vis visitor traffic. The GDR would then have a choice between taking out additional loans on commercial terms or a rapid increase in exports--unless it can manage to lower imports.

GDR Foreign Trade by Groups of Countries

	1975	1976	1977	1978	1979	1980[2]	(1) Struktur 1975	(1) Struktur 1980	(2) 1980 gegenüber 1975[4]
	(3) in Mrd. VM[3]						(4) in vH		
(5) Einfuhr der DDR, gesamt	39,29	45,92	49,88	50,71	56,43	62,97	100,0	100,0	10,3
(6) Sozialistische Länder[5]	26,16	29,11	34,21	35,45	36,36	39,87	66,6	63,3	9,9
(7) dar.: RGW-Länder[6]	24,94	27,93	32,70	34,03	34,73	37,90	63,5	60,2	10,0
(8) (dar.: UdSSR)	(14,09)	(14,91)	(17,66)	(18,60)	(19,66)	(22,21)	(35,9)	(35,3)	(9,4)
(9) Westliche Industrieländer[7]	11,41	14,62	13,16	12,90	17,37	19,19	29,0	30,5	10,3
(10) Entwicklungsländer	1,72	2,19	2,51	2,36	2,70	3,91	4,4	6,2	15,9
(11) Ausfuhr der DDR, gesamt	35,11	39,54	41,84	46,17	52,42	57,13	100,0	100,0	10,2
(6) Sozialistische Länder[5]	25,69	28,22	31,25	24,40	38,53	39,26	73,2	68,7	9,8
(7) dar.: RGW-Länder[6]	24,32	26,71	29,54	32,58	36,87	37,39	69,3	65,4	10,0
(8) (dar.: UdSSR)	(12,45)	(12,88)	(14,79)	(16,31)	(19,61)	(20,40)	(35,5)	(35,7)	(10,2)
(9) Westliche Industrieländer[7]	7,88	9,59	8,60	9,10	10,91	13,77	22,4	24,1	9,4
(10) Entwicklungsländer	1,54	1,73	1,99	2,67	2,97	4,11	4,4	7,2	19,3
							(13) Saldensumme 1976-1980		
(12) Saldo, insgesamt	- 4,18	- 6,38	- 8,04	- 4,54	- 4,00	- 5,84	- 28,80		
(6) Sozialistische Länder[5]	- 0,47	- 0,89	- 2,96	- 1,05	+ 2,18	- 0,62	- 3,34		
(7) dar.: RGW-Länder[6]	- 0,62	- 1,22	- 3,16	- 1,45	+ 2,14	- 0,52	- 4,21		
(8) (dar.: UdSSR)	(- 1,64)	(- 2,03)	(- 2,87)	(- 2,29)	(- 0,05)	(- 1,82)	(- 9,06)		
(9) Westliche Industrieländer[7]	- 3,53	- 5,03	- 4,56	- 3,80	- 6,45	- 5,43	- 25,27		
(10) Entwicklungsländer	- 0,18	- 0,46	- 0,52	+ 0,31	+ 0,27	+ 0,20	- 0,20		

(14) 1)Zu jeweiligen Preisen; Wertstellung fob; Verkäufer- bzw. Käuferland.-2)Vorläufige Angaben.-3)VM=Valuta Mark, statistische Recheneinheit zum Ausweis des Außenhandels der DDR; Umrechnungskurs; 4,67 VM = 1 TRbl (Transfer-Rubel); der Umrechnungskurs zu den westlichen Währungen schwankte mit den Paritätsänderungen zwischen dem Rubel und den konvertierbaren Währungen; für 1980 galt: 1 VM = 0,597 DM.-4)Durchschnittlicher jährlicher Zuwachs unter Berücksichtigung des Gesamtvolumens 1976 bis 1980.-5)RGW-Länder sowie VR China, Jugoslawien, Nordkorea und ab 1978 auch Laos.-6)Albanien, Bulgarien, Kuba, Mongolei, Polen, Rumänien, CSSR, UdSSR, Ungarn sowie ab 1978 auch Vietnam (vorher als sozialistisches Land ausgewiesen).-Alle sogenannten "Kapitalistischen" Länder Europas sowie Australien, Japan, Kanada, Neuseeland und die USA.

(15) Quellen: Berechnungen des DIW anhand der Angaben in: Statistisches Jahrbuch der DDR 1980; Statistische Jahrbücher und Außenhandelsjahrbücher Polens; Statistische Jahrbücher des RGW sowie Partnerlandangaben.

/Key on following page/

Key:

1. Structure
2. 1980 compared with 1975
3. Billion VM
4. Percent
5. Total GDR imports
6. Socialist countries
7. CEMA countries
8. (USSR)
9. Western industrial countries
10. Developing countries
11. Total GDR exports
12. Total balance
13. Net balance amount
14. 1) At current prices; value date fob; seller or purchaser country.-- 2) Preliminary data.-- 3) VM--valuta marks, statistical accounting unit showing GDR foreign trade; conversion rate: 4.67 VM equal 1 TRbl /transferable ruble/; the conversion rate to Western currencies fluctuates with the changes in parity between the ruble and the convertible currencies; in 1980 1 VM equaled DM0.597.-- 4) Average annual growth taking into account the total volume 1976-1980.-- 4) CEMA countries plus the People's Republic of China, Yugoslavia, North Korea and, from 1978 on, Laos.-- 6) Albania, Cuba, Mongolia, Poland, Romania, CSSR, USSR, Hungary and, from 1978 on, Vietnam (formerly recorded only as socialist country).-- 7) All so-called "capitalist countries" of Europe plus Australia, Japan, Canada, New Zealand and the United States.
15. Sources: DIW computations based on data in "Statistisches Jahrbuch der DDR 1980" /GDR 1980 Statistical Yearbook/, statistical yearbooks and foreign trade yearbooks, CEMA statistical yearbooks and data reported by partner countries.

As usual the directive's statements on exports and imports provide little information. Less than 5 percent of the total text is devoted to foreign trade, and that deals largely with the importance of "socialist economic integration." The only quantitative goal mentioned is the 50 percent rise in exports to the socialist economic region compared with 1980. The Central Committee report to the Tenth SED Congress additionally notes that total foreign trade turnover is to rise by 36 percent. The long-term agreement on trade with the Soviet Union[5] provides for a turnover of 58 million TRbl (at 1981 prices).[6]

A more detailed picture emerges in the following:

-- Trade with the Soviet Union will expand to an above proportional extent. Real exports from the GDR will rise substantially, stagnation is likely for real imports. This is the only way for the GDR to compensate the further worsening of the terms of trade (raw material and energy prices) as well as reduce the annual deficit--if not convert it to a surplus.

-- Similar considerations apply to trade with the West. Here also a worsening of the terms of trade for the GDR must be assumed and consequently its aim by the

end of the plan period to earn a surplus in the annual result. The planned real increase in exports will probably be greater than the rate reported for the socialist countries.

-- Not even a surplus in the balance of trade with the Soviet Union and the Western industrial countries will suffice to resolve the GDR's foreign trade problems by the end of the five-year plan period. The current accumulated deficit is too great and initially--in the first years of this plan period--bound to increase even further. A genuine reduction in the debts incurred up to this point is unlikely in the current plan period. The best that can be expected is an improvement in the ratio of debts to exports.

-- It should be noted that the economic leadership still assumes a real increase in imports in the coming five-year plan period and directs to export increases all its efforts at easing the foreign trade balance. Also to be contemplated would be a real reduction in imports. Possibly the authorities still do not have too much confidence in the efficacy of the planning instruments for lowering the specific consumption of energy and materials in the economy as a whole.

The imponderables in the emphasis on export loom large indeed. On the output side they consist in the uncertainty whether it will be possible to carry out the advances in output to the extent planned despite the extreme restriction of means for consumption and investment. We cannot assume as certain with regard to foreign trade (at least with Western countries) that the GDR's offer of export goods will meet a corresponding willingness to purchase. The concept is understandable, its realization in doubt.

The "Economic Strategy of the 1980's"

The capacity of the GDR's total economy will rise only slightly in the plan period. The increase in the numbers of employed (for age reasons) is somewhat lower than in the past five-year plan period (increase in the numbers of employed--in thousands):[7]

1976 to 1980:	310
1981 to 1985:	235

This time the directive--other than for the previous five-year plan--does not provide any information about the sectors of the economy, which are to have more employees. We know from experience, though, that more than half the possible increase in the past was directed to the nonproducing sectors. The producing sectors will therefore be able to manage only a very small part of their growth by adding manpower.

In view of the ambitious growth targets, the planned development of investments is certainly very small indeed. Fixed assets will actually grow a little more slowly than before.

Continuing with the basic trends of the directive, the substantial rise in output in the five-year plan period is to be achieved with roughly the same expenditure of raw materials and fuels. Of course planning principles always included the demand

for greater materials conservation, but in this plan the targets are very much more ambitious (percentage decline in total specific materials consumption):

1976 to 1980: 3.0
1981 to 1985: 5.0 to 5.5

In the coming years primary energy yields are to rise by only 1.7 percent in the annual average.[8] While former energy savings were facilitated by shifting to oil and natural gas (with greater energetic effect), they are now rather more difficult by the greater emphasis on brown coal. From this aspect too, therefore, the situation has become more difficult.

In view of these limiting factors the planned growth rates for the produced national income-- 5 to 5.5 percent--are remarkably ambitious. Evidently the plans are based less on the available potential than on the desirability of the target: A real 8 percent and above growth in real exports simly presumes high growth rates of the total economy.

Of course there are considerable reserves in the economic process of the GDR. They are now to be developed at full throttle, with the aid of an "economic strategy for the 1980's," extensively described by Erich Honecker in the Central Committee Report to the Tenth SED Congress. Involved are 10 headings,[9] and these in fact may be summarized in the urgent demand for

-- "Intensification," in other words the improvement of the efficacy of existing resources,

-- Rising productivity

-- Structural changes favoring products at higher processing stages, better quality and greater profitability in terms of foreign exchange.

Within this concept the demand for structural changes is particularly significant.[10] The productive base of the entire national economy is to be transformed by exploiting every opportunity offered by modern technology, especially the introduction of microelectronics and robot technology.

People in the GDR are well aware also that these targets are very ambitious.

Structural Change in Industry

In the coming five-year plan period the development of GDR industry will clearly be dominated by structural change. That is evident in the different development of industry by sectors, the change in goods output within the sectors, and the increase in export targets. The industrial output of the national economy is to rise by 5.0-5.5 percent per annum.[12] Particularly emphasized is the sector electrical engineering/electronics. With a growth target of more than 9 percent annually it is right at the top. Promotion had concentrated here already in the past five-year plan period, and here--by contrast to all other sectors--the plan target was actually exceeded. In the new plan period the economic leadership expects electrical engineering/electronics, especially microelectronics, to provide the crucial impetus for raising the technological standard in all sectors of the economy.

The planned development in machine construction enjoys a similar emphasis. Growth is to amount to just above 7 percent, about 10 percent in machine tool and processing machine construction. This sector presumably is expected to support a considerable part of the planned export offensive. However, the importance of expots of equipment and plant profitable in terms of foreign exchange is stressed with regard to nearly all machine construction products listed in the directive. In addition it is emphasized that optimum proportions must be established between the component industry and final production--a problem which obviously plagues every level of production in GDR industry.

The "chemicalization of the economy," a catchword ever since the great chemical program of the late 1950's, has been given renewed emphasis in the current five-year plan. Concentrated in the chemical industry are the tasks involved in the greater refinement of oil and the renewal of carbochemicals on the basis of domestic brown coal. The planned (roughly) 6 percent annual growth takes into account the fact that the times of outstanding growth are finished in this sector, due to the reduction in oil use. At the same time, though, the plan rates are greater than the realized development in the last five-year plan period when restructuring began. More refinement is also the slogan for the metallurgical industry.

A characteristic feature of the greater utilization of domestic raw materials is presented by the goals for brown coal mining. In former years output was basically supposed to remain the same (some 250 million tons), now raw brown coal output is to be raised to 285-290 million tons by 1985.

The targets for light industry are set lower. Growth rates have not been published for other sectors; within the framework of the planned total growth, however, they can advance by only about 20 percent, 3.7 percent per annum.

Greater Realism in Agricultural Targets

Recent official pronouncements about agriculture in the GDR bear the mark of realism. On the one hand results largely confirm the economic leadership's approach to "industrialized production methods: Though domestic consumption rose, the GDR has achieved a great deal of self-sufficiency with respect to most farm products, and living conditions for the rural population have noticeably improved. On the other hand some problems are acknowledged: For example the large subsidies needed and the difficulties arising in the enforced separation of crop and animal production as well as the large scale of operations. These difficulties are evident mainly in crop production, where output stagnated in the course of the past five-year plan period, and targets failed to be achieved.

The current five-year plan includes agriculture in the problems of the economy as a whole. It is emphasized that this sector also must contribute to the easing of the foreign trade balance. Crop production has even been elevated to the rank of an instrument of the class conflict.[13] Crop and, in particular, feed production is to be increased so much that imports may be replaced altogether. Confirming with general economic targets, investments in agriculture are to consist less in new constructions than the rationalization of existing facilities.

Plan Estimates of Industrial Goods Production in the Sphere of the Industrial Ministries

(5) Bereich des Ministeriums für ...	(1) 1980 gegenüber 1975 in vH[1]		(2) 1985 gegenüber 1980 in vH[2]	
	(3) gesamt	(4) jährlich 3)	(3) gesamt	(4) jährlich 3)
(6) Kohle und Energie	128,4	5,4	.	.
(7) Erzbergbau, Metallurgie und Kali	127,3	5,0	.	.
(8) Chemische Industrie	144,5	7,6	133-135	5,9-6,2
(9) Elektrotechnik, Elektronik	145,7	7,8	156-158	9,3-9,6
(10) Schwermaschinen- und Anlagenbau	139,6	7,0		
(11) Werkzeug- und Verarbeitungsmaschinenbau	156,0	9,3	141-143[4]	7,2-7,4
(12) Allgemeiner Maschinen-, Landmaschinen- und Fahrzeugbau	142,0	7,3		
(13) Leichtindustrie	140,0	7,0	126-128	4,7-5,1
(14) Glas- und Keramikindustrie	144,1	7,6	.	.
(15) Bezirksgeleitete Industrie und Lebensmittelindustrie	133,5	6,0	.[5]	.
(16) Industrieministerien, insgesamt[4]	137,9	6,6	131-133	5,6-5,8
(17) nachrichtlich: Istergebnis	131	5,5	.	.

(18) 1)Ansatz des Fünfjahrplans 1976 bis 1980 (GBl. der DDR, Teil 1/1976. Nr. 46, S.524).-2)Ansätze der Direktive des X. Parteitages der SED zum Fünfjahrplan 1981 bis 1985 (Neues Deutschland vom 18./19. April 1981).-3)Errechneter durchschnittlicher jährlicher Zuwachs.-4)Werkzeug- und Verarbeitungsmaschinenbau allein: 160-165; 9,8-10,5.-5)Lebensmittelindustrie allein: 113-115; 2,5-2,8.

Key:

1. 1980 compared with 1975 (percentage)
2. 1985 compared with 1980 (percentage)
3. Total
4. Annual
5. Sphere of the Ministry for
6. Coal and Energy
7. Ore Mining, Metallurgy and Potash
8. Chemical Industry
9. Electrical Engineering/Electronics
10. Construction of Heavy Machinery and Equipment
11. Construction of Machine Tools and Processing Machinery
12. Construction of General Machinery, Agricultural Machinery and Vehicles
13. Light Industry
14. Glass and Ceramics Industry
15. Bezirk-Managed Industry and Foodstuffs Industry

/Key continued on following page/

16. Total, industrial ministries
17. Reported actual result
18. 1) "1976-1980 Five-Year Plan Estimates (GBL DER DDR Part I/1976 No 46 p 524.-- 2) "Tenth SED Congress Directive Estimates Regarding the 1981-1985 Five-Year Plan" (NEUES DEUTSCHLAND, 18/19 April 1981).-- 3) Computed annual average growth.-- 4) Machine tool and processing machine construction on its own: 160-165; 9.8-10.5.-- 5) Food industry on its own: 113-115, 2.5-2.8.

These measures do not end the process of industrialization in farming, they merely slow the rate of advance.[14] The announcement was also made that a new LPG law will take effect by the end of the five-year plan period and the farm price reform concluded. It is likely that the price reform will proceed from the start made last year[15] and prices for working requisites raised at the same time as prices of farm product. The cost/yield ratio, therefore, is to receive more attention in this sector also, and agriculture will be made to adopt the necessary cost/yield approach.

Concentrated Investment Activity

According to the directive M268-272 billion have been earmarked for investments in the economy 1981-1985. Distributing this amount to the various years, a roughly 2 percent average annual growth emerges. That is very little in view of the ambitious growth targets.

The directive is not very informative about quantitative investment targets. All the more detailed are the descriptions of the qualitative tasks:

-- Assurance of the energy and raw material base by the development of new strip mines, the construction of a modern briquette factory, expansion of power plant capacities, the construction of chemical factories, the expansion of the East Iron and Steel Works Combine.

-- Thorough-going improvements in the entire technical and technological standard of production by the use of microelectronics, automation and industrial robots.

-- Continuing pursuit of the housing construction program.

-- Electrification of the railroad.

-- Reconstruction in all sectors.

Unistakeably this continues the tendency discernible since the mid-1970's of raising industry's share in total investments, presumably at the expense of all other sectors. And yet it is hard to see how this voluminous program is to be carried out: The basic materials sector will attract more than half of industrial investments, and the introduction of microelectronics and robot technology alone represents a project outlay of several billions.

Indicators of GDR Economic Development (average annual percentage changes)

	1971 - 1975	1976 - 1980		1981 - 1985
	(1) Ist	(2) Plan	(1) Ist[1]	(2) Plan
(3) Produziertes Nationaleinkommen	5,5	5,0	4,1	5,1/5,4
(4) Industrie				
(5) Industrielle Warenproduktion	6,5[2]	6,0	5,0	5,1/5,4
(6) dar.: Bereich der Industrieministerien	6,6		5,5	5,5/5,9
(7) Arbeitsproduktivität	5,2[3]	5,4[4]	4,7[3]	5,1/5,4
(8) Bauwirtschaft				
(9) Bauproduktion	5,7[5]	5,0[6]	4,5[5][7]	3,4/3,7[6]
(10) Produktion im Bereich des Ministeriums für Bauwesen	6,7[2]	6,5[8]	5,3[7]	4,2/4,6[8]
(11) Fertiggestellte Wohnungen[9]	122	150	163	186/190
(12) davon: Neubau	80	110	112	120
(13) Modernisierung	42	40	51	66/70
(14) Landwirtschaft[10]				
(15) Bruttobodenproduktion[11]	2,3	3,6/4,5	0,4	2,0/2,2
(16) Ernteerträge: Getreide	7,8	1,8/3,9	1,4	2,0
(17) Kartoffeln	- 4,2	.	- 2,9	3,0/3,9
(18) Zuckerrüben	0,9	.	2,2	2,4/3,7
(19) Tierische Marktproduktion[12]	6,2	2,8	3,8	0,9/1,0
(20) dar.: Schlachtvieh	7,6	3,0	4,4	1,2/1,3
(21) Milch	4,2	2,6	2,4	0,4/0,5
(22) Eier	7,6	1,9	4,7	1,0
(23) Verkehr				
(24) Gütertransportleistung	3,6[13]	5,4/6,2	- 0,2[13]	2,1/2,3
(25) Binnenhandel				
(26) Einzelhandelsumsatz[14]	5,0	4,0	4,1	3,7/4,1
(27) davon: Nahrungs- und Genußmittel	3,5	2,5/3,0[15]	3,5	(< 0)
(28) Industriewaren	6,9	4,5/5,0[15]	4,8	(> 0)
(29) Außenhandel				
(30) Umsatz[16]	13,4	.	10,2	6,3
(31) davon: Einfuhr	14,1	.	10,3	.
(32) Ausfuhr	12,8	8,4[17]	10,2	8,4[17]
(33) Investitionen[18]	4,1	5,2[19]	4,8	1,8/2,3
(34) dar.: in der Industrie	4,7	.	6,4	.
(35) Nettogeldeinnahmen der Bevölkerung	4,8	4,0	3,8	3,7/4,1

(36) 1)1980 vorläufig.-2)Aus Index-Angaben berechnet.-3)Bruttoproduktion je Arbeiter und Angestellten.-4)Im Bereich der Industrieministerien (Basis Warenproduktion).-5)Wirtschaftsbereich Bau.-6)In der Volkswirtschaft.-7)Geschätzt.-8)Bauproduktion.-9)Durchschnittliche Jahresleistung in 1000 Wohnungen.-10)Ist-Angaben: durchschnittliche jährliche Veränderungsarten unter Berücksichtigung aller Jahreswerte des jeweiligen Beobachtungszeitraums gegenüber dem Jahresdurchschnitt der vorhergehenden Fünfjahrperiode. Plan-Angaben: durchschnittliche jährliche Veränderung ausgehend vom Jahresdurchschnitt der vorhergehenden Fünfjahrperiode im Hinblick auf das geplante Volumen des Endjahres 1980 bzw. 1985.-11)Gesamtheit der pflanzlichen Produktion je Flächeneinheit; ermittelt unter Zugrundelegeung des Getreide-Einheiten(GE)-Schlüssels der DDR.-12)Summe des staatlichen Aufkommens an Schlachtvieh, Milch, Eieern und Wolle bewertet in GE.-13)Unter Berücksichtigung von Schwankungen im Berichtszeitraum.-14)Zu jeweiligen Preisen.-15)Warenbereitstellung.-16)Zu jeweiligen Preisen; einschließlich innerdeutscher Handel.-17)Export in sozialistische Länder; zu konstanten Preisen.-18)Ohne Generalreparaturen und Auslandsbeteiligungen; zu Preisen des Jahres 1975; unter Berücksichtigung der durchgeführten Gesamtvolumina im jeweiligen Berichtszeitraum.-19)Geplantes Volumen von 234 Mrd.Mark im Zeitraum 1976 bis 1980, bezogen auf die Investitionen des Jahres 1975; jeweils zu 1967er Preisen.

(37) Quellen: Statistische Jahrbücher der DD; Statistische Praxis; Economic Commission for Europe, Genf; Entwurf der Direktive des IX. Parteitages der SED zur Entwicklung der Volkswirtschaft der DDR 1976-1980 (ND vom 15.1.1976); Fünfjahrplan 1976-1980 (GBl. der DDR, Teil I/1976, Nr. 46); Direktive des X. Parteitages der SED zum Fünfjahrplan für die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985 (ND vom 18./19.4.1981); Planerfüllungsberichte; Berechnungen und Schätzungen des DIW.

/Key on following page/

Key:

1. Actual
2. Plan
3. Produced national income
4. Industry
5. Industrial goods production
6. Sphere of the industrial ministries
7. Productivity
8. Construction industry
9. Building production
10. Output in the sphere of the Ministry for Construction
11. Completed housing units
12. New construction
13. Modernization
14. Agriculture
15. Gross crop production
16. Harvest yields: Grain
17. Potatoes
18. Sugar beet
19. Animal production for the market
20. Slaughter cattle
21. Milk
22. Eggs
23. Transportation
24. Freight transport performance
25. Domestic trade
26. Retail trade turnover
27, Essential and nonessential foods
28. Industrial goods
29. Foreign trade
30. Turnover
31. Imports
32. Exports
33. Investments
34. in industry
35. Net cash incomes of the population
36. 1) Preliminary 1980 data.-- 2) Computed from index data.-- 3) Gro s output per blue and white collar worker.-- 4) In the sphere of the industrial ministries (base goods production).-- 5) Economic sector construction.-- 6) In the economy.-- 7) Estimated.-- 8) Building production.-- 9) Average annual output in 1000 housing units.-- 10) Actual results reported: Average annual types of change taking into account all annual values of the respective period of observation compared with the annual average of the preceding five-year plan period in consideration of the planned volume of the final years, 1980 and 1985 respectively.-- 11) Total of crop production per unit of land; ascertained by using the grain unit (GE) key of the GDR.-- 12) Total of the state yield of slaughter cattle, milk, eggs and wool valued in GE.-- 13) Taking into account fluctuations in the period under review.-- 14) At current prices.-- 15) Availability of goods.-- 16) At current prices; including inner-German trade.-- 17) Exports to socialist countries; at constant prices. 18) Excluding major overhauls and investments abroad; at 1975 prices;taking into account the total volume transacted in the respective period reported.

/Key continued on following page/

19) Planned volume of M234 billion in the period 1976-1980, related to the investments of 1975; both at 1967 prices.

35. Sources: GDR statistical yearbooks; STATISTISCHE PRAXIS; Economic Commission for Europe, Geneva;"Draft Directive of the Ninth SED Congress on the Development of the GDR National Economy 1976-1980"(NEUES DEUTSCHLAND, 15 January 1976);"1976-1980 Five-Year Plan" (GBL DER DDR Part I/1976 No 46); "Tenth SED Congress Directive on the 1981-1985 Five-Year Plan" (NEUES DEUTSCHLAND, 18/19 April 1981); plan fulfillment reports; DIW computations and estimates.

Considering that investment resources are very limited and selected sectors emphasized, the danger of structural aberrations cannot be excluded. The directive therefore stresses the principle of intensification and rationalization: The best possible yield must be achieved with the resources available, specific consumption lowered, and reconstruction (that is renewal of what is available) rank above new starts; the share of construction must be lowered as well as the proportion of incomplete investment projects. We must doubt whether any coordinated development can be achieved by this approach.

More and more important for investments, especially in industry, is the in-enterprise construction of rationalization aids. Here the combines are obviously given some scope for independent decisionmaking, outside the more stringent controls on investments within the framework of their medium-term rationalization conception.[16] The volume of rationalization aids manufactured within the various enterprises is to double by 1985; their share in total capital equipment investments in industry--amounting to about 16 percent in 1980--will thus rise to more than 25 percent.

Reduced Development of Consumption

Planning in the sector of income and consumption initially differs little from the plan figures in the previous five-year plan period. The net cash incomes of the population are again set to rise by 4 percent per annum (average). The proportion of earned income in cash incomes is to be raised; in contrast to the past five-year plan, when pensions were raised twice and therefore rose faster than earned incomes, no expensive sociopolitical programs seem to be contemplated this time.

The growth rate of retail turnover is to amount to 4 percent per annum, the same as for cash incomes. However, the plans already point out that the offer of high-quality consumer goods is to be emphasized. According to the new pricing principles these goods are considerably more expensive than the traditional assortments. Nevertheless the authorities expect the change in the structure of public demand to continue.

This type of consumer policy is appropriate in view of the scarcity of resources. A large sector of the public will be prepared to pay higher prices for better quality goods, provided always that these goods are actually available in the appropriate quality. The rapid expansion of turnover in stores selling luxury goods and fine foods tends to support this assumption. It would be risky, though, for planning to rely unduly on these structural changes: The increase in net cash incomes does, in any case, lag behind the expected extra output, and if considerable proportions

of the additional income are swallowed up by higher prices, adverse effects on the willingness to work may follow.

In any case--despite the constantly emphasized continuity since the Eighth SED Congress, we may note a distinct shift from earlier goals. Despite official protestations to the contrary, the improvement of the people's material and cultural standard of living is no longer the "main task" in the 1980's. Instead the economic leadership is evidently determined to carry out a consistent policy with the aim of balancing the current account, even at the risk of internal friction.

Nor are the social funds from the state budget--M234 billion in the five-year plan period 1976-1980 and M295 billion 1981-1985--enough to improve the real standard of living. Following the substantial rise in subsidies to offset higher prices, the 1981 budget alone appropriates an amount of just under M58 billion. That is almost 20 percent of the figure cited in the five-year plan altogether. If these figures are reliable, no more increases are planned. That, however, contrasts with the further "planned industrial price changes" and the farm price reform heralded.

Summary

Despite the repeatedly emphasized unity of the policy line since the Eighth SED Congress (1971), the SED's new economic conception differs altogether from the basic tendencies of the 1970's.[17]

The approach adopted at the Eighth SED Congress had focused on consolidation. The remarkable growth policy of the 1960's--increase in the investment rate, encouragement of leading industries--was replaced by a balanced policy. Encouraged were the basic materials industries, component industries and--though accompanied by some cuts--the infrastructure, especially transportation. With the adoption of the "main task," the improvement in the people's material and cultural standard of living, the public's consumer needs were also to be emphasized. Already at the time, though, it was stressed that the necessity to export exerted a certain compulsion toward an ongoing and not merely consolidating structural policy. Following the change in world market prices of energy and raw materials in the second half of the 1970's, this necessity grew even stronger. Slowly the priorities shifted toward exports.

The 198-1985 Five-Year Plan means that the SED has moved away from the concepts of the Eighth SED Congress:

-- Though not in so many words, the improvement in the people's standard of living has de facto ceased to be the "main task."

-- The most important economic target now is the rise in exports and export rates.

-- As regards structural policy, the authorities seem to have returned to the conceptions of the 1960's: Instead of consolidation, the technologically leading industries once again are the focus of attention.

In the past five-year plan period the GDR economic leadership reacted with remarkable flexibility to the change in economic conditions. Serveral profound changes

in economic organization, the evaluation of performance and pricing were carried out. The directive for the period 1981-1985 does not announce another transformation of the economic mechanism. It merely emphasizes that the planned industrial price changes will continue to be resolutely employed with the aim of lowering costs, and that a price reform for farm products is in preparation. The economic leadership is betting on the success of the measures so far carried out and also on its economic strategy, especially structural policy. It is doubtful whether this is able to trigger adequate growth impulses.

FOOTNOTES

1. NEUES DEUTSCHLAND, 18/19 April 1981, pp 3 ff.

2. VM--valuta mark, statistical accounting unit to record GDR foreign trade; conversion rate 4.67 VM equal 1 TRbl; the conversion rate with Western currencies fluctuated with the parity changes between the ruble and convertible currencies; in effect for 1980 was: 1 BM equaling DM0.597.

3. As early as the end of 1979 the GDR's per capita debts in convertible currencies amounted to $503, only 10 percent less than those of the People's Republic of Poland ($562). Admittedly, GDR debts are only twice the amount of its exports to the West, Polish debts quadruple the amount.

4. Guenter Mittag in the Politburo report to the Thirteenth SED Central Committee Plenum, NEUES DEUTSCHLAND, 12 December 1980, pp 3 ff (p 4).

5. NEUES DEUTSCHLAND, 20 March 1981.

6. Erich Honecker, "The SED--Marxist-Leninist Advance Guard of the Working Class and the Entire Working People," EINHEIT, No 4/5, 1981, pp 323 ff (p 328).

7. "Probable Population and Employment Trends in the GDR through 1990," edited by Heinz Vortmann, DIW WOCHENBERICHT No 23/1976, p 228.

8. "GDR Energy Industry Beset With Difficulties," edited by Jochen Bethkenhagen, DIW WOCHENBERICHT No 5/1981.

9. NEUES DEUTSCHLAND, 12 April 1981, pp 6 ff. Guenter Mittag, Politburo member in charge of economic issues, assessed the economic strategy as follows: "The drawing up of the 10 key points of our party's economic strategy in the 1980's, submitted to the Tenth SED Congress by Comrade Erich Honecker, is among the most important scientific-theoretical achievements of our party at the present time. Our party now has a rounded conception, based on the generally valid inevitabilities of socialism and the experiences of a policy tried and tested in the course of many years, in order to organize the advance to the 1980's." Guenter Mittag, "Combines in the Struggle for the Implementation of the Economic Strategy of the Tenth SED Congress," EINHEIT No 6/1981, pp 531 ff (p 533).

10. "In view of the actual facts of the matter...we could not be satisfied to continue raising our output more or less in the manner heretofore practiced," Erich Honecker, at the inauguration of the 1980/1981 party school year in Gera. NEUES DEUTSCHLAND, 14 October 1980, pp 3 ff (p 4).

11. See, for example, Otto Reinhold, "A Definitely Courageous Decision, or the New Features of an Allegedly Old Hat," TRIBUENE, 29 May 1981, p 5.

12. The increase in industrial goods production in the economy is thus as great as the increase in the produced national income. Earlier the increase in industry used always to be 1 percent higher than total growth, the other sectors (especially agriculture and forestry, retail trade) recorded below average growth rates. The deviation from the usual growth model probably does not signify the catching up of the other sectors; it surely arises from the targets for industry: It is supposed to manage largely without raising materials consumption, so that the rise in industrial goods production (gross) may be identical with the 1 percent greater increase in the net product of industry in the produced national income. However, at no time in the 1970's was an increase recorded for the net rate.

13. "As you well know, foodstuffs are increasingly significant in the international class conflict between socialism and imperialism." Erich Honecker, "Central Committee Report to the Tenth SED Congress," NEUES DEUTSCHLAND, 12 April 1981, p 8.

14. Horst Lambrecht and Konrad Merkel, with the collaboration of Wolfgang Steinbeck, "Consumption and Production of Farm Products in the GDR--Analysis and Forecast," published by the Federal Minister for Food, Agriculture and Forestry in the series "Agriculture--Applied Science," (No 240) with the heading "GDR Farm Policy," Muenster-Hiltrup 1980.

15. BAUERNECHO, 6 June 1980.

16. "Order on the Order of Planning of the GDR Economy 1981-1985 of 28 November 1979," GBL DER DDR, special issue 1020a, 1 February 1980, Part I p 17.

17. See Doris Cornelsen, "GDR Industrial Policy--Changes from 1945-1879," DEUTSCHLAND ARCHIV, special issue (in preparation).

11698
CSO: 2300/330

SMALL FARMERS RECEIVE HIGHER PRICES FOR PRODUCTS

Details on Price Changes

East Berlin BAUERN-ECHO in German 24 Jul 81 p 7

[Unattributed article: "More Favorable Price Regulations for Beekeepers and Rabbit Farmers--Council of Ministers Passes Measures To Promote Initiatives of Small Producers"]

[Text] On 1 July, 1981, new measures to increase the supply of honey, rabbits, rabbit pelts, and fowl, decreed by the GDR Council of Ministers to implement the Tenth SED Congress' resolutions took effect. Their goal is to give effective support to the initiatives of all small producers for the utilization of still available reserves. Priority is thereby given to the exploitation of locally available fodder (for instance on shingle) as well as the utilization of available stable facilities which can be made accessible without much expense on the holdings of collective farmers, VKSK (Union of Small Gardeners, Settlers, and Small Livestock Breeders) members and other small producers, for increasing the supply of honey, rabbits, rabbit pelts, and fowl.

More Honey for the Population.

Since the demand for honey cannot presently be satisfied, in honey production also, the task gives precedence to increasing state honey supplies by developing harvest reserves and the planned expansion of bee colonies in the next few years. It is thereby taken into consideration that the keeping of bee colonies is connected with certain production uncertainties and that increased expenditures are necessary for the formation of additional bee colonies as well as for the development of additional swarming times, such as forest swarms.

On the basis of the above mentioned Council of Ministers' resolution, appropriate regulations for furthering bee-keeping and honey production were issued through the minister for agriculture, forestry and foodstuffs industry in the decree of 30 June 1981. These apply to citizens who keep bees in their spare time or professionally. This decree stipulates that to enhance material stimulation for the numerical increase in bee colonies a premium of 50 marks be paid for each bee colony kept over and above last year's.

According to the decree, those colonies are considered bee colonies which, in the year under consideration, have been or are being utilized as economic enterprises.

The basis for computation to determine the number of additional bee colonies kept, as compared with last year, is the report issued as of the key date of 31 October on the livestock stand, their reproduction and their comparison with the same key date of last year.

What is to be achieved with the payment of this premium is the stabilization and expansion of the stock of bee colonies, which has regressed in the past few years, as a prerequisite for increasing production in the coming years.

The payment of this premium for exceeding a certain sales achievement of honey per bee colony is to motivate the bee-keepers to sell any honey over and above their own needs to the procurement enterprises.

For quantities of honey delivered to the procurement enterprise which exceeds 4 kg of honey per colony in the case of stationary colonies, and 10 kg of honey per colony in the case of migrant colonies, a purchase premium in the amount of 7 marks per kg of honey will be paid in addition to the prevailing purchase price of 8 marks per kg of honey. In determining the computation basis for minimum sales achievements per bee colony, the various production possibilities were taken into consideration.

The prevailing stock of bee colonies as of 31 October of the current year as well as the total quantity of honey sold to the procurement enterprise for instance in 1981 serve as computation basis for the payment of the purchasing premium.

Thus, a migrant bee-keeper with a stock of 20 bee colonies on 31 October, 1981, would, in the event of sales of 420 kg of honey to the competent procurement enterprise, receive the following remuneration:

420 kg of honey @ production price of 8 M/kg of Honey = 3,360 marks;

sales accomplishment computed per bee colony = 21 kg;

minimum sales accomplishment 10 kg of honey per bee colony;

purchase premium to be paid per bee colony (11 kg X 7 marks) = 77 marks;

for 20 bee colonies = 1,540 marks;

total remuneration = 4,900 marks.

In 1981 the bee-keeper thereby achieves additional income in the amount of 1,540 marks.

Thus, even those bee-keepers who have so far engaged in stationary bee-keeping are to be motivated to change, by means of utilizing a travel wagon, to traveling around with the bee colonies, since especially through traveling around considerable harvesting reserves can still be developed.

Premiums for the increase in the number of bee colonies kept, separated into stationary and migrant colonies, as well as for the increase in sales accomplishments of honey are to be requested by the bee-keepers on or before 31 October from the section chairman.

The section chairman requests these premiums separately for each bee-keeper on or before 30 November from the competent department of the poultry-raising VEB or the equivalent enterprise. The premiums are paid by the poultry-raising VEB to the bee-keeper sections or directly to the individual bee-keepers on or before 31 December of the current year.

Bee-keepers who sell honey during their travels not to the procurement enterprise responsible for their place of residence, but to another procurement enterprise, are given a receipt for the quantity of honey sold. This receipt is then to be turned over to the procurement enterprise responsible for their place of residence via the chairman of the VKSK's bee-keepers' section for computation of the purchase premium. Bee-keepers who do not belong to the VKSK will request premiums at the closest VKSK's bee-keepers' section in the kreis after the determined dates.

Further Incentive for Fattening Rabbits

The Council of Ministers' resolution laid down further orders for stimulating the production of rabbits for meat, as well as the purchase of rabbit pelts. Virtually all the rabbits for the supply of the population are provided by small animal-breeders. An adequate economic incentive is therefore of great importance. Considerable reserves in rabbit production consist of an increase in the rearing capacity of female rabbits. By focusing on achieving a third and fourth litter, possible reproduction of female rabbits can be better utilized and thereby more young animals readied for fattening.

To support these initiatives, a further price markup of M 1.50 per kg, in addition to the current producer price and the price markup of M 1 per kg, is paid from 1 February to 31 July for product classes I and II.

Thus, a rabbit-keeper with a total quantity of 40 kg, if classified in product class I, can get the following revenues for the sale of 10 rabbits for slaughter during the period of 1 February to 31 July:

40 kg X M 6 kg producer price = 240 marks

40 kg X M 1 kg price markup = 40 marks

40 kg X M 1.50 kg markup = 60 marks

total revenues: 340 marks

Through this regulation, the rabbit-keeper obtained additional income totaling 60 marks.

High-Grade Pelts

Since at present the demand for rabbit pelts cannot be met, measures for increased supplies, especially through improved purchase activity, were taken in the Council of Ministers' resolution.

By reducing the purchase product classes from four to three types, a simplification of quality classification is to be achieved, which facilitates the objective quality classification on the part of the buyer.

Thereby, better possibilities are also created to expand the net of procurement points for rabbits by including peasants' trade cooperatives and local procurement points for rabbits. By raising the purchase price per pelt on the average by 1 mark, a greater incentive for the production and sale of qualitatively high-grade rabbit pelts is simultaneously created. Thus, as of 1 July, 1981, the following prices are paid for the purchase of fresh as well as dried rabbit pelts:

Product class 1, M 4.50. Product class II, M 3.00. Product class III, M 0.50.

These measures create further possibilities for a meaningful utilization of spare time, and the individual animal-keepers are effectively supported in opening up production reserves.

Moreover, the efforts of the procurement enterprises for the organization of uninterrupted purchases and the furnishing of young animals adequate to meet demand are furthered. Thus, measures for the furtherance of the purchase activity were laid down in the Council of Ministers' resolution. Accordingly, as of 1 July, 1981, increased purchase commission rates for rabbits and fowl, as well as goslings and young hens are taking effect.

Small Farm Production Data

East Berlin NEUES DEUTSCHLAND in German 16 Jul 81 p 2

[Article by Horst Thomas: "Small Gardens Bring Great Benefits--Individual Producers Deliver Significant Quantities of Eggs, Rabbits, Hides, Honey and Fruit; New Wholesale Prices"]

[Text] Almost every third citizen of our land is owner of a small garden in the front or back of his house, or in a settlement. This serves the purpose of supplying the owner himself with vegetables and fruits. With the sale of fresh produce, the small producers make at the same time an important contribution to the provisioning of the population in our country's cities and communities.

In many of these gardens, small animals are also kept or bred. In the Union of Small Gardeners, Settlers, and Small Livestock Breeders (VKSK) alone, more than 1 million members contribute in their own way useful work to the increase of economic output in our republic. More than half of all fresh fruit for sale comes from small gardens. Nine-tenths of the honey, 47 percent of fresh eggs, almost all rabbit meat, and also all rabit- and marsh beaver pelts are provided by the small gardeners, small animal breeders, and settlers.

The small producers develop reserves and play a role in bringing more and more products by their own efforts into the market. The initiative is also stimulated through new financial regulations. Thus, this month, new procurement prices well above the previous ones became effective for honey, rabbits, and rabbit pelts.

In the past five years, tens of thousands of citizens were again given the opportunity in our republic to put land to use for small garden purposes and for spare time utilization. A total of 1,128 locations for small gardens and 65,594 small gardens were established. This makes 8,659 VKSK sections and 670,688 small gardens. In 1981, another 17,550 small gardens are to be given out. In many places, small, and sometimes hitherto unused, areas are cultivated, on the edge of town or in the villages, which cannot be effectively serviced by large agricultural machinery.

It is the intent of the VKSK members to produce more than 100 kg of fruit and vegetables per 100 square meters of garden area. In all, in 1981 the VKSK members want to place about 165,000 tons of fruit and 115,000 tons of vegetables at the disposal of the population.

Many sections concentrate on the kinds of vegetables which, for labor-economic reasons, are planted in socialist agricultural enterprises to only a limited extent. Thus, they provide for an ever-wider assortment of kitchen herbs, radishes, kohlrabi, garlic, leeks and other crops. More than 15,000 procurement centers have been set up for the small gardeners.

VKSK members, moreover, devote time to the keeping and raising of almost 20 species of small animals of about 500 breeds. Thus, about 34,000 bee-keepers are keeping about 467,000 bee colonies. In more than 1,000 sections, the goal is to sell 17 kilograms of honey per migrant colony and 6 kilograms per stationary colony. The bee-keepers of the Hohen Neuendorf section want to surpass these 1981 goals by one kilogram each. In toto, the association's spare-time bee-keepers want to fill 14 million jars of 250 grams each for sale.

Some 160,000 tons of rabbit meat and 8 million rabbit pelts come from sections which devote themselves to these activities. In Gnoien, the members are aiming at 16 young animals per female rabbit and 150 kilograms of breeding animals and rabbits for meat. The fodder comes primarily from local reserves. Many of the 59,000 quality-fowl breeders enrich supplies with goose meat. More than 8,000 tons of goose meat came from them in the last five years. The goal for 1981 is 1,600 tons.

Other high-quality pelts come from 3,500 fur-bearing animal breeders. In Mieltiz, Gera-Land Kreis, 33 section members are aiming at delivering 2,500 nutria and 700 mink pelts this year. In 1980, 1,680 of the former 630 of the latter came from them. In toto, it is the goal of these fur-bearing animal breeders in the GDR to prepare 150,000 nutria and 65,000 mink pelts this year.

State organs and peasants' trade cooperatives (BHG) give the VKSK valuable support. For 700 million marks, tools and materials for home, farm, and garden are being supplied. Among other things, the BHG offers seeds, and plants, fruit copses, young animals, feed-, fertilizer-, and plant protection materials, as well as building materials. They also establish lending centers.

9011
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COAL INDUSTRY DEVELOPMENT ANALYZED

Bonn INFORMATIONEN in German No 10, May 81 pp 9-11

['Background' report by the FRG Ministry for Inner-German Relations: "The Soft Coal Industry in the GDR"]

> [Text] In the GDR energy industry, the soft coal industry continues to take first place. According to the latest GDR information, soft coal production is scheduled to be increased to 300 million tons annually by 1987/88 and will continue to secure some 80 percent of the electrical energy generation. According to GDR calculations, the soft coal reserves will last another 60 to 70 years approximately so that the soft coal industry is regarded as a "secure bridge into the nuclear energy age" in the GDR. However, the necessary technical equipment of soft coal mining is becoming larger and more sophisticated and thus more expensive. In the report of the Central Committee presented at the Tenth SED Congress, General Secretary Erich Honecker termed the "expansion of a strong energy and raw materials basis", applicable especially to soft coal, a "basic prerequisite for the continuation of stable economic development."

In 1960 GDR raw soft coal production had already reached 225 million tons; it increased to a peak of 261 million tons by 1970 and, due to a temporary preference of other raw material sources, dropped to 247 million tons in 1975. Since that time the annual production increased again and stood at 258 million tons last year.

With regard to worldwide soft coal production (more than 900 million tons in 1979), the GDR is the No. 1 producer by a wide margin, followed by the USSR with an annual production of slightly more than 200 million tons, and the FRG which produced some 130 million tons of soft coal in 1979.

As in recent years, the soft coal industry accounts for approximately 80 percent of the GDR electrical energy production and is thus the main contributor.

The most important operations of the soft coal industry include soft coal open-pit mines, soft coal pit mines and briguet plants, mostly operating in combines. Power plants are directly connected to the mines or plants. At present the following

seven soft coal combines exist in the GDR:

- Bitterfeld
- Borna
- "Erich Weinert" Deuben
- "Glueckauf" Knappenrode
- Regis
- "Geiseltal" Grosskayna
- Senftenberg.

GDR information, however, does not disclose the respective output of each of the combines. It is only known that most of the soft coal is produced in the Cottbus Bezirk. The Senftenberg combine alone with its 13 open-pit mines produces over 50 percent of the GDR soft coal output. Open-pit mines in the Leipzig Bezirk produced approximately 10 percent of the soft coal in 1980.

Reserves

According to GDR data, the GDR has approximately 45 billion tons of soft coal reserves at its disposal, which have been located geologically, of which 18 to 21 billion tons can be mined industrially applying the latest state of the art. Only less than half of this amount is located in fields containing more than 250 million tons; the larger portion lies in smaller fields which frequently contain less than 100 million tons of coal. More than 50 percent of the GDR reserves are located in the Cottbus Bezirk.

Most recent geological research has revealed that major soft coal deposits can be expected in the North of the GDR as well. These deposits, which were not taken into account in the above-mentioned reserve figures, might further improve the GDR's energy basis after the turn of the century.

Technical Development and Economic Expenditure

Due to the relatively small size of the GDR soft coal fields and problems of capacity in heavy machinery construction, heavy equipment of relatively low capacity was generally used in soft coal open-pit mines in the GDR from the 50's to the mid-70's. For 1979 the number of heavy equipment was quoted to be 316, including 240 heavy-duty excavators, 16 winding bridges, 60 reclaimers and 785 coal wagons. By mid-1980 the number of heavy equipment increased to 361.

In recent years the equipment for the removal of waste was also greatly improved. This had become necessary because ever larger amounts of waste had to be removed in soft coal mining. Today waste removal is effected by means of waste winding bridges (AFB). Their capacity has meanwhile become a decisive factor for the production volume of the open-pit soft coal mines.

The first AFB type was installed in the "Glueckauf" Knappenrode open-pit mine in 1958 and could handle a mining height of 34 m. In the meantime AFBs for mining heights of 45 to 60 m have been developed and put into operation. A comparison: The average output of a 34-m AFB is approximately 100,000 cu.m daily, while the newest 60-m AFB features a daily output of up to 300,000 cu.m.

As mentioned, the waste quantities which have to be removed in order to produce the soft coal have increased constantly over the years, e.g. in 1960, 2.8 cu.m of waste had to be removed per cubic meter of soft coal produced in the GDR open-pit mines, whereas the figure is at 4.7 cu.m today and is expected to go up to nearly 6.0 cu.m by 1990.

It is these waste problems that have contributed to considerably higher economic expenditures in soft coal production. According to GDR figures, the cost price of soft coal production rose from 6.70 marks per ton in 1971 to 11.02 marks in 1979.

Increase in Production

In 1978/88 the GDR expects to achieve an annual soft coal output of 300 million tons; this is to serve the purpose, among others, of expanding electrical energy generation and reducing high-priced petroleum exports. At present the GDR industry is already producing carbochemical products in an annual amount corresponding to a 7 million ton petroleum share; this figure is expected to increase to 11 million tons by 1990.

In addition, coal refinement is also important for the energy industry. It is true that the efficiency of energy conversion from soft coal to electrical energy in thermal power plants hardly exceeds and will continue not to exceed approximately 35 percent (international average achieved at present); however, if synthetic gas is produced from soft coal, an efficiency of 50 percent or better could be achieved. This is the reason why the generation of synthetic gas is to be increased by 40 percent by 1990, from 5 billion cu.m at present.

In order to achieve the planned increase in soft coal production, a minimum of 16 new open-pit mines are scheduled for development by 1990. According to GDR Minister for Coal and Energy Wolfgang Mitzinger, this will not be possible if the speed used so far is applied (6 to 8 years from the start of development until the start of production).

Therefore, according to the above, "scientific and technological measures in preparation and concentrated use of invested capital" are scheduled to shorten the average times of new developments to 3 or 4 years. For this purpose, Mitzinger stated, labor from other economic sectors will have to be relocated to work in soft coal mining.

The new development of additional open-pit mines, however, is not only necessary to produce more soft coal, but also for the purpose of compensating for the continuous loss of exploited open-pit mines. Of the 35 open-pit mines producing in the mid-70's, for instance, approximately one-third was exploited in 1980. Of the 30 open-pit mines presently in operation, 11 will have been exploited by the late 80s.

9544
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NATIONAL CURRENCY PUT IN PERSPECTIVE, DEEMED STRONG

Budapest MAGYAR NEMZET in Hungarian 23 Aug 81 p 9

[Article by Katalin Botos: "The Forint Today"]

[Excerpt] Our forint is now 35 years old. Not long ago we remembered its birth: the Hungarian government introduced the currency on 1 August 1946 to replace the pengo which had set a world record for inflation. Its course since then has not been strewn with flowers, and what it will be like in the future depends on our economic policy, the consistent realization of our principles, and the work of all of us.

The history of money is the history of economy. The greatest change in the "life" of the present forint occurred in the 1960's when we carried out important reforms both in production and trade and in the economic mechanism. Among other things, the 1968 reform set as the goal to activate the commodity-money relations, and attempted to create a regulated domestic market and to unify the variety of monies that existed before. One of the basic ideas of the economic renovation was that its development could no longer be based on national self-sufficiency (autarky): the value judgment of the external market would have to be recognized for the sake of better adjustment to the world market. Therefore, we introduced the foreign trade price multipliers which link external and internal prices and which we gradually wanted to invest with an exchange rate function.

The operation of exchange rates requires flexible producer and consumer prices. Proceeding from this principle, the Hungarian reform set as its goal to perfect our price system in this direction, and if our partners should take similar steps then we would carry out a comprehensive price and currency reform. The realization of these plans was obstructed by two circumstances: on one hand, by the fact that because of our more narrow foreign economic environment the anticipated measures were not carried out; and on the other hand because the world market price explosion and crisis made our own work basically more difficult. The complicated price support system that was used in the first period scrambled our domestic prices and budgetary relations, while our external equilibrium became more unfavorable. And yet for an increase in the foreign economic role of the currency it was necessary in any event to have certain price, or capacity and foreign exchange reserves. It was a dispensable condition that in the case of every small country the foreign trade balance must show a surplus--this would not even be

possible for the countries as a whole; but it was indispensable that the national economy in question should be in a certain equilibrium with the foreign economy. That is, it should have partners who on occasion balance the deficit foreign trade performance capability with an influx of capital. (Permanently accumulating price losses and increasingly greater import demand, without a correponding increase in export capability, will not favor an increase in the foreign economic role of the currency.)

The only "positive feature" of the crisis was it made it clear to everyone that participation in world market work specialization was an imperative necessity. We need to continue developing our regulators in such a way that they will strengthen this process--and this gave an impulse to the development of our currency relations.

Particularly in times of recession like these, it is difficult to break into the world market with finished products in theprogressive branches, and therefore we sought to increase more than merely traditional commercial trade. Foreign trade and international credit can be conducted in several convertible currencies without any problems and in fact this is the practice. But neither in foreign trade nor in production is it a matter of indifference to the Hungarian economy under what conditions it gains or uses the foreign currency. In a developed monetary system these are difficult to establish without realistic prices and exchange rates; but cooperation and joint undertakings are impossible without joint thinking in the forint and the foreign exchange.

(In any event, in the 1970's our country was in the vanguard of those urging East-West cooperation however, because of the unfavorable business cycle the interest of the foreign partners became somewhat moderated. As for joint undertakings, 54 joint and 16 Hungarian-interest enterprises were operating in 1980 in the developed capitalist countries, and three joint undertakings were established on Hungarian territory.)

First: the Price Reform

The condition for the development of our exchange rate system was above all the reform of the price system. At first, we made only partial changes, but then in accordance with the new circumstances we implemented a comprehensive price and regulator modification. We set the producer price ratios in the competitive sphere by following the world market price ratios. We brought the consumer price ratios, aside from determined sociopolitical subsidies, closer to the producer price ratios which were developing in this way. We also eliminated from the new price system certain calculation factors, and thus finally in this way the producer and the consumer price levels approached each other.

Parallel with these processes, we modified the exchange rate system. In 1976 we declared that our country would use a dual exchange rate system, one commercial and the other noncommercial. Over the years we gradually reduced the commercial exchange rate: on one hand, to moderate the factoring in of the world market inflation into enterprise costs; and on the other hand, to stimulate our exporters to more effective price work. (The difference between the price multipliers and the noncommercial exchange rates which came to 100 percent when the reform was introduced was reduced by 1979 to 75 percent, and to 40 percent with the 1980 price reform.)

The 1980 price measures increased the effect which had resulted from the earlier upward appreciation policy of the exchange rate. In case an enterprise could not compensate for the decrease in the exchange rate by raising the export foreign exchange prices, its revenues in forints would decline. This would be true not only for exports but also on the domestic market according to the new price mechanism. (In the meaning of competitive price formation, the enterprises have to reduce also their domestic prices if their export profitability deteriorates.) This regulation multiplies the compulsive effect of the exchange rate, and stimulates the enterprises to eliminate uneconomic exports. Now we need to find the methods for creating the appropriate incentives for the development of economic export and the capital mobility and institutional conditions necessary thereto.

The development of the monetary systems requires, to be sure a modern, flexible financial and institutional system. Closer credit relations and the reviving trade and joint undertakings require that the banks should be there "on the market," and be incisively familiar with the financial and economic conditions of the given countries. This is promoted by bank representatives and joint financial institutions.

There is a Hungarian representation in the foreign banking institutions. In November 1979, the Central European International Banking Corporation was formed with the MNB [Hungarian National Bank] and six foreign banks as co-owners. (This is the first bank which was established in a socialist country as a joint undertaking. Its task is to promote international trade: to this end, it has authority to conduct convertible foreign operations in any part of the world. In this respect, it was freed from Hungarian foreign exchange rules, and thus it can independently undertake foreign trade and financing, the extension of export development credit, and participation in joint undertakings.) Hungary also has foreign bank interests in Vienna and London; the Hungarian National Bank maintains representational offices in New York, Paris, Zurich and Frankfurt, and it is a stockholder in the Bank for International Settlements in Basel. All of them have the goal of linking the Hungarian bank and financial system into the "circulation" of the international credit and money markets, and to be a natural and reliable partner of foreign money proprietors and creditors.

To this day, the Hungarian forint has traversed a long way toward an international currency. But the Hungarian consumer is primarily interested in what he receives in Hungary for the money. He knows that in recent times consumer prices have increased relatively fast, while incomes are exactly now--it seems--being "tightened up" by higher requirements. It is no wonder that there are many who recall with some nostalgia the time when the purchasing power of their pay was very great, eggs and fruit and swimming pool tickets cost only fillers. But we are inclined to forget that within the past quarter century the consumption structure has expanded with a wide range of goods. Or, for example, that the passport has now become a civil right, and that world visits have become an everyday matter. (In 1951 only 19,000 Hungarian tourists went abroad. By last year this figure rose to 3 million and 164 thousand!)

And we do not often mention that other countries are also subject to similar and even greater difficulties . "I wish their problems were mine," people say when during a tour they see that the stagnation in developed capitalist countries has

occurred along with a much higher standard of living. But the forint cannot be blamed for the relative lag. We have done a great deal and we are doing much more to make up for what was left undone: in any event, there is no "miraculous" money and currency policy. Today almost everyone in the world is constrained to manage more economically, particularly in the national economies that are poor in energy resources: it is from here, this less than problem-free situation, that we must find the way to further progress.

Worth Working For...

Amid today's problems, two paths are open to economic policy: it can seek to keep prices stable, something which can be accompanied by disadvantages; or it can permit a certain rise in the price level and take care that it will be the most efficient producers and workers who obtain additional income. In this way, the distributable goods which are more tightly available will not put an end to the active role of money: it will still be worthwhile to work for it because the desired goods are available.

What is the foreign evaluation of our currency today? On balance not unfavorable. In comparing the forint, which represents the Hungarian economy, with their own experiences and those of other countries, the foreign experts see results. Our CEMA partners value highly the fact that we successfully guarantee the foundations of currency stability and the corresponding commodity supply. The capitalist countries, on the other hand, state that the Hungarian economy has considerable liberalized its foreign trade, and its directive system has also developed greatly. They believe that to a certain extent the forint has already achieved de facto convertibility.

6691
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ROLE OF WORLD MARKET PRICES ELABORATED

Budapest MAGYAR HIRLAP in Hungarian 21 Jun 81 p 7

[Article by Istvan Matko: "Our Price Policy: As the World, the World Market; Adjusting to the Living Standard"]

[Text] We have left behind us years which required of us a renewal, and explanation of facts connected with prices, and the application of continued discussion about them. The subject has a long previous history with definite critical points: in May 1966 the MSZMP Central Committee established the price policy principles and they were mentioned in other resolutions, among which the April 1978 decision set the modifications in the price system development. Naturally the price policy became a component part of the regulation system, the Sixth Five-Year Plan law.

Still, the subject of price comes to the fore from time to time in official forums, just as it does in private conversations. The fact that price is perhaps the most mobile factor in economic events is probably the cause of this. With the change of the world and world market, prices change too, stimulating the producer one day, slowing him down the next; yesterday prodding him with increased demand, and today making him disrupt the level of supplies. The economy must adjust to these changes if we want to work and live in harmony.

Balance Requirements

Our price policy recognizes these facts. As an instrumental system for planning and guidance, prices must correctly orient and motivate economic decisions. They must promote efficient growth and use of economic resources, adjustment of production to demand, rapid development of technology, dispersion of modern products, the development of the economic consumer network, and the supply-demand balance. Enough can be done in these tasks only if they do not separate the economy from the surrounding world market development, and if they are not too late. This is the case even though it is not easy to set up such synchronization, for example, because in a given case the price increases and the social policy of the socialist state support deviating requirements.

Before the start of the Sixth Five-Year Plan in September 1980, the Parliament discussed the work program of the government. Gyorgy Lazar, the chairman of the Council of Ministers, was hardly acting randomly and stated, referring precisely to these conditions: "We have achieved processes promoting the renewal of the

balance at the cost of difficult implementation of decisions sensitively affecting the entire society in many cases. The question crops up repeatedly and among many people of whether there was any real need for a radical modification of economic relations, especially production and consumer prices. I can say with conviction and with a good conscience that there was such a need. This was primarily true because if production and consumption continue to be separated from real value and interest relationships, this could only mean postponement of the solution of growing contradictions. On the average the work of the government would certainly have been easier if it had not gone ahead with necessary measures, and we admit this, measures which were unpopular but economically unavoidable. However, in the future the government will not be free to avoid difficult decisions if in this way it can prevent deterioration of the situation and create conditions for improvement."

These jobs and tasks have not lost any of their validity. Recently at a meeting of one of the Parliament committees, they summed up the short-term and long-term tasks of the consumer price policy. It became clear that the task of our price policy, in keeping with the times, is to reconcile the world economic processes with our standard of living policy, and in particular to see that real wages do not decrease. In the language of mumbers this means that this year a 4-5 percent average increase in the consumer price level can be permitted along with a nominal wage increase of 4-5 percent. Of this approximately 2.5-2.6 percent will be achieved in the enterprise sphere, while 2-2.1 percent will be achieved by means of central measures. In both spheres the effect of foreign market prices will be decisive in domestic price increases.

Respect for Realities

The Sixth Five-Year Plan does not count on such comprehensive price measures as was the case on 23 July 1979, but it is inevitable that we use effective price increases to prevent the separation of consumer prices from justified production expenses. It is first necessary to advance in the direction of prices conformable to value in those areas and systems where our foreign trade interests demand it: balance improvement remains an important unaltered goal. As the industrial committee established at their Thursday meeting, the process of balance improvement unfortunately indicates a reduction in imports rather than an increase in exports. Therefore it is expedient to continue to influence price proportions so that the consumers better understand the interest of the national economy.

The noticeable price increases for fuels in recent years and this year provide an example of this for understanding: the fact that gasoline prices reflect more realistic cost relationships, has benefited the state's coffers more than any call for austerity or any propaganda compaign. Of course the purse-squeezing gasoline price increases affecting car owners also demonstrates another important requirement of our price policy. namely that the real users and consumers of consumer goods, in our case gasoline, pay for them. It is easy to understand that those who do not own cars do not fuel this burden, and at the same time the fact that society does not subsidize this consumption does not add to the fuel bills of the automobile owners. This expresses one of the significant phases in today's price policy: respect for realities. But let us return to our original idea: what economic goals today compel permanent maintenance of prices, including consumer prices, or of their increase or reduction?

What should be mentioned first is the fact that the role of prices to stimulate production must definitely be preserved, and we cannot for a minute permit the balance of supply and demand to be upset. The point of departure for our price policy is unchanged: the forint will remain good money as long as its purchasing power is preserved, as long as goods can be obtained for it, [and moreover such selection and quality as is justified by the nation's production system and level of development and [required] by the achieved standard of living and consumer habits.]

This has a number of important conditions. Now it is sufficient to refer to the fact that the producer, for example the food producer, will be interested or not in satisfying consumption, dependent on price flexibility. If the vegetable or fruit grower, or the stock farmer, does not get the price on the market which covers his expenses and includes a proper return, he will immediately decide not to raise vegetables or produce meat. The state can try special support systems, but this leads to a negative two-tier price system hypocritical, insoluble inconsistencies and preserves uneconomic production and bureaucracy.

But two important conditions are required for prices to be sufficiently flexible, the range of free prices and modification of official prices. This in practice presumes that our price policy itself be flexible, based on uniform principles, and complete with a stable system of conditions and requirements, which it consistently applies, and at the same time is capable of rapid price modifications at need, if foreign market or domestic economic processes do demand. Along with price formation and control, guidance in product turnover has also come under the sphere of authority of the National Material and Price Office, the implementing and coordinating apparatus, set up for the practical implementation of our uniform price theory. Suitable forms of pricing have developed (although more changes can follow): today in the entire consumption sphere of the people, 8 percent of the products pertains to a fixed price form, 30 percent to a "maximized" price form, 7 percent to an officially restricted price form and 55 percent to a free price form.

What is the guarantee that the requirement of relative price stability can be met in the midst of such "degrees of freedom", which is an important criterion in preserving the standard of living? In the long run this applies to the feasibility of the price policy no less than the pertinent system of measures.

Recognized-Accepted

Experience shows that the stabilizing instruments introduced into the price mechanism work effectively. (Often over effectively, too, disrupting the rapid adaptability of prices.) This has also been true more than once in the recent past when we found flagrantly bad enterprise price formation and miliions in economic penalties. The fact is that the instruments built into the price mechanism, price control, the cost-accounting obligation, the preliminary obligation of registering an intention to raise prices, the right of the Price Office chairman to veto, and others have helped the consumer price level operate successfully with central control. Economic guidance keeps the price processes operating in the market in hand and under control. Of course, we cannot ignore the fact that the market price level has affected social classes differently. The 9 percent consumer price rise, planned in 1980, reached 9.1 percent. However, the perceptible increase was higher by 0.4 percent among white collar workers and 0.2 percent among pensioners, and was 0.4 percent points lower among peasants and cooperatives and people with a second income.

From a proper time perspective it can also be said that public opinion has recognized --and accepted--our price policy and the structure associated with the prices of our economic guidance. Although in the case of important consumer items, it is not easy to demonstrate that price increases have not seriously affected anyone, experience has shown that if the reasons are clear and if the background of the price changes can be properly identified with reality by the people, they then look upon the changes in view of future goals and effects, and not with annoyance. This means that an important achievement in our successful price policy is the publicity which makes it possible for public opinion to attentively follow the price plans and the sequence of our steps in economic policy.

6806
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REGULATOR EFFECTS ON ECONOMY NOTED

Budapest MUNKA in Hungarian No 7, 1981 p 1

[Article by Janos Vajda: "Our Economy--After Course Modification"]

[Text] It is a commonplace observation that "this year" is of particular importance to the development of the economy. Still we shall seek to analyze the past months of 1981. Not only the modified economic regulator system and the new producer price mechanism, which was "run in" after initial jolts changed the course of the economic processes; in the final analysis we are speaking of the start of the Sixth Five-Year Plan. In the investigations of the branch and the functional state directive organs, or on the basis of the evaluations by the trade unions, what sort of experiences can we filter from the statistical figures to characterize the first quarter?

The picture would not be complete if we did not refer to where we started, that is, what were the characteristic production and managing results and difficulties in 1980? The economic regulators that were put into effect were called on to stimulate the restoration of the economic equilibrium, to increase the adjustment capability of the enterprises (cooperatives) and the expansion in the share of products that could be favorably sold in international competition, with care that the standard of living did not suffer and that, if possible, the living and working conditions of the workers would continue to improve somewhat.

We succeeded in approaching these goals. The indebtedness process, in effect, came to an end. The foreign trade balance in nonruble relations showed only an insignificant deficit, there was an equilibrium in purchasing power and commodities, and per capita income did not decline. Nevertheless, production and management for the year 1980 were not free of strains and unfavorable trends. In changing the product structure, we did not achieve the necessary coverage, and the freed capacities were by no means converted to the manufacture of new and profitable products. Expectations were not fulfilled in realizing a positive two-level price system, namely, that the producer price level exceed the consumer price level by a good several percentages. This situation (which developed because producer prices were higher than planned) may exert a certain pressure on consumer prices. Moreover, those reserves that sought to guard against a factoring-in of inflation by means of a so-called active exchange-rate policy (the upward evaluation of the forint as compared to convertible currencies), are being exhausted.

The trade unions must strengthen their price control activities. To protect living standards and consumer interests, the trade unions have tried to persuade the enterprises to be moderate when they shape their producer prices. But in everyday practice a contradiction that is difficult to solve hinders the readiness of the enterprise and trade union organs and of the branch and central leaderships. The group interest, the direct incentive of a given producer unit or of the workers of an industrial branch, stimulates an increase in producer prices and the acquisition of the additional income obtainable in this way. But the general interests of the national economy or the living standard policy exert an effect in exactly the opposite direction. We have not yet succeeded in finding a reassuring cure for the "schizophrenia" of the local trade union bodies. Indeed, over the long run it will hardly be effective to appeal to self-consciousness and to political maturity as opposed to material incentive that can be measured in forints.

The most debated factor in the regulator system is wage and earnings regulation, based on basic incentive and limited by built-in "restraints." Most characteristic today is the wage-fund control system; 85 percent of those employed receive their pay on this basis. During the year, nominal wages rose 1.4 percent higher than planned. The chances for wage increases were improved partly by a greater-than-expected ratio in manpower reduction and to a lesser degree by surplus profits in several subbranches and in enterprises. Corrections in the wage index because of the new producer price system allowed a fair number of enterprises a greater scale of wage increases.

Because of the moderate wage policy of the enterprises, significant wage reserves, approaching 4 million forints, were formed last year. But the current year's regulator modification strictly restricts the use of wage reserves. The position of the trade unions is that the present enterprise indexes are not the most suitable to determine wage development possibilities. If we disregard its worthy incentive for greater achievement and the necessary degree of differentiation, wage regulation is a good regulator of purchasing power; from this point of view it assures a very important equilibrium between commodities and the outflow of money volume. However, because of the 20 percent decline in the sharing fund linked to wages, the profit incentive is slowly becoming nominal. To restore the incentive strength of profit to its role, we must change the relevant modes of regulation.

Let us turn to an evaluation of development in the first quarter of this year. As we stated, the economic processes are not free of certain contradictions. The greatest result is in the further improvement of the economy's external balance. But in analyzing the kind of processes that caused the improvement, the results are not so attractive. Compared with the first 3 months of the preceding year, production in socialist industry increased by 1.9 percent. The acceleration was particularly great in cooperative industry with an 8.7 percent increase, while state industry produced 1.5 percent more. In daily average production, the improvement comes to 3.2 percent, inasmuch as there were fewer working hours in the first quarter than last year.

Outstanding results were achieved in the export economy of several important branches; for example, bauxite mining increased its performance by 23 percent, the communications and vacuum technology industry by 14 percent, poultry and egg processing by 12 percent, and the weaving industry by 11 percent. As compared to the plan and the base, however, concrete element manufacture, the metalware industry, iron metallurgy and the cotton industry lagged.

6691
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PROPER USE OF WAGE INCENTIVES WEIGHED

Budapest MUNKA in Hungarian No 7, 1981 p 4

[Article by Csaba Vertes: "Shall We Provide Incentive Cleverly or Wisely?"]

[Text] Let us avoid the answer to the question in the title and look first at the examples.

Chemical Industry Plant

Imported material substitutes for production, in large volume, for consumer products purchased regularly by everyone. If anywhere, intensifcation is necessary here. The manufacturers discovered the method (they felt that there were somewhat considerable achievement reserves) and used the idea. The group that achieves more can earn substantially more than in the previous ways. Is this logical? It is not to us.

The manufacturers, in fact, were thinking according to a two-times-two logic. They also reassured themselves that, with a wage surplus paid in this manner, additional production with considerable profit, or with immediately marketable comodities, was latent. Still they observed the developments with anxiety. The anxiety was not without reason: Within several months the achievements bolted to such an extent that they could have maintained the tempo only if they had basically exceeded the enterprise wage level set by the regulators. Within a short time, they stopped the experiment. Achievements plunged immediately.

Construction Industry

Within the industry is a provincial enterprise with a good reputation, the native land of the so-called "lump sum wage remittance." The essence of the method is that the wage costs for a certain job are deteremined in advance and in a lump sum. If the team works more rapidly and with better organization, it will still receive the predetermined wage.

We cannot say that this experiment also failed. It is still being tried here and there, but very cautiously, surrounded by many safeguards, with wage sums considerably cut, compared to the start, or without particular results. Here, too, it soon became evident that wage remittance without limits releases incredible achievement reserves and accelerates the work tempo to an extent that cannot be maintained with the money that is being paid.

Here the modernization of the product structure, among other things, is a question of survival. According to the studies of the Labor Research Institute, very few people working in the industry can be "transferred" relatively easily and rapidly to some kind of new technology; few have skills that are convertible. Thus, it is necessary to seek the better ones. The first question of those chosen is, "how much more will I get if I learn the new job?" There is no answer. An enterprise manager who is worth anything cannot make an irresponsible promise. Whoever prepares himself to work within 1 1/2 or two years at a new job that requires greater skill and more modern techniques, who will deal with the manufacture of more marketable and profitable products, should be patient and mainly self-conscious; he should see that he is learning for the future. Most of those concerned, however, lack these noble human qualities, unfortunately. The efforts at modernizing the product structure are already hindered at this point.

And Agriculture?

Here, according to common belief, wage regulation is more flexible and liberal. Following is a quaotation from the manager of a producer cooperative in a main branch system: "This year's plan for crop production is 72 million forints. One hundred eighty of us have a wage fund of 9 million forints. But the crop production plan could be fulfilled with 160 workers, naturally with more work and care or for higher wages. Thus, we could release 20 men to other branches if we could share their wages among the remaining 160. But we cannot, because this would exceed the wage level. I do not understand this: Why do so many assume that the regrouping of manpower, accompanied with greater incentive wages, would lead to inflation? Our 20 men would continue to work for us but would create new values in another branch. The remaining 160 men would produce, by working more, as much as the present force of 180 men."

Let Us Experiment

Let us experiment and look about among the managers; their incentive system has a close relationship with enterprise results.

"The manager's annual income," says one of the managing directors of the wine industry, "depends on the annual results of the enterprise. To attain the most favorable revenue position, the enterprise must be managed in such a way that every year it will bring out the most and the best, and even more in succeeding years, from the collective. This cannot be, however, There are, of necessity, deliberate, accepted stagnation periods in enterprise management, for example, when we are preparing for developments required by market changes perceived well in advance. The regulators, however, must be considered: From year to year, how much in increased results should they raise the base that will serve as the basis for achievement evaluation? This regulation, founded on a base outlook, stimulates the managers to fragment the existing and relatively easily used internal reserves, to distribute them over a number of years so that even in the most unexpected situations they may be able to produce some kind of "result" compared to the prevailing base. The incentive system honors only the increment, in the case of unskilled worker as in the case of the managing director."

And Now Back to the Basic Question

"Shall we provide incentive cleverly or wisely?" We must regulate and control the outflow of the wage fund, which appears as purchasing power. If there is no adequate volume of commodity to back up the wage fund, that is, if the purchasing power has no commodity cover, then there is trouble. Only, in the case of an excessively rigid wage and earnings regulation that excessively fears money inflation, we must reckon with another kind of inflation: the inflation of achievements. This is not a technical-financial question but a sociopolitical one. This lesson can be constantly generalized: While we jealously guard the value stability of the forint, we forget about the values latent in achievement reserves.

These examples urge on us some kind of middle-of-the-road solution. In fact, if someone works more, produces more and at greater value, what should he not receive substantially more pay, at least in ratio to his increased achievement? If someone is also performing another's work and is promoting our much-lauded manpower rationalization, why should he not also receive the wages of his colleague? Why do we not give managers the possibility of also engaging in larger undertakings? Most do not willingly take risks because the condition of "neither success nor failure" means for them (and for everyone else) the most favorable income position attainable.

The ideal of our wage and earnings regulation is the middle way: the one who performs what he should, and not too much because our achievement requirements are low. Let the question posed in the title remain unanswered.

6691
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INVESTMENT PROBLEMS IN ECONOMIC REFORM DISCUSSED

Directions of Reforms in Investment System

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 81 pp 1-3

[Article by Albin Plocica]

[Text] Today we want to discuss changes and new solutions of the investment system and the building industry against the background of "Basic Principles of the Economic Reform." Considering the broad range of problems, we will limit ourselves mainly to economic solutions of the investment system, assuming that:

--the investment system is closely connected with the overall national economy and considerably dependent upon it and at the same time should contain specific solutions arising from specific investment activity;

--the economic system reform depends not only on purely economic and organizational solutions but to a considerable degree on changes in the management system, enhancement of economic democracy and autonomy in management;

--the effectiveness of economic solutions and parameters has definite limits, especially when we are dealing with a considerable maladjustment of the economy, with a lack of equilibrium and controllability: from that point of view, to assure the efficiency of the economic solutions adopted in the investment system reform, a certain period is required, as well as definite actions, not always economical, that cause the economy to respond to economic instruments and be controlled by those instruments.

Our discussion demands a critical attitude toward the solutions contained in the principles of economic reform as it relates to the investment and construction system in this country. The question is whether these solutions form a viable investment system, whether they are justified from the social and economic points of view, whether they match the specifics of investment and construction activity and solve the main problems in controlling that activity, whether the reform proceeds to overcome the basic shortcomings of the investment process and whether the equipment in the practical instrumentation is satisfactory and realistic for introduction under ordinary conditions.

But besides this critical attitude, the discussion should offer a proposition complementing and particularizing, or alternatively serving as a complete and progressive investment and construction system and its introduction into practice.

The basic principles of the system of economic reform should contain a series of very essential and progressive theses relating to the investment system. Some are formulated directly and others indirectly, and still others must be deduced from the entirety of the "Basic Principles." Many important elements of reforming the investment system are missing from that document.

Which very important elements of the new investment system are contained in the principles of the economic reform?

First, they contain considerably decentralized investment decisions and considerably increased independence of all direct participants in the investment process, that is, investors, builders, planners and producers of capital goods, building materials, etc.

Second, the principles of the reform envisage the distribution of all investment in the economy to four groups, according to level and organizational unit. The investments are 1) central, 2) economic organizations, 3) state-owned local and 4) investment with its own population resources. This distribution is meant to decentralize investment decisions, limit competence and localize responsibility for the undertaken investment as well as establish conditions for independent and rational economy of resources within the respective areas (capital investment groups).

Third, the system and methods of controlling investment processes are changed; that is, conversion from directive-distribution methods to legal regulation and economic parameters, such as prices and their relations, taxes, the principles of the system of economic enterprises, the principles of the incentive system, the distribution of income and profit, the economy of enterprise funds, building standards, economic contracts, etc. This means, in the sphere of investment and construction, the relinquishment of investment allotments, directive-type indicators in the area of tasks for construction enterprises, allocation of materials and equipment, the administrative system of distribution of construction and assembly tasks and work, etc.

Fourth, conversion is the basis of action for enterprises in the self-financing investment process; that is, covering production and capital investment from economically managed income and profit. This means a break with the widely used allocation system of assets and covering expenditures on investment activity through redistribution of resources on the scale of an association or government department, as well as taking on investment or production based on their own saved assets.

Fifth, there is an important element of the investment system, one contained in the principles of the economic reform regarding the enterprise, requiring independent decision by enterprises regarding the distribution of saved income or profit to the personal income fund (wages, prizes, etc.) and also to the enterprise

development fund (that is, for capital investment, renovation, research, etc.). This is a new instrument. It was taken from Yugoslavian and Hungarian solutions. The system can make direct and independent substitutions in enterprises between the growth of wages and growth of capital investment.

Sixth, the reform plan envisages changes in the investment financing system and considerable reduction of the role of banks and the banking system in investment and construction activity. The changes are based to a considerable degree on the principle of investment self-financing through economic organization, establishing the size of capital investments in economic organizations on the basis of their own assets, supplemented by bank credit. Such credit must be allocated on the basis of effective competition; that is, on the basis of the most effective indicators of the represented investment intentions in particular sections of the economy or branches of production. Under the reform, great tasks fall on the banks and the banking system, interacting the banking system assets with the size, proportion and effectiveness of investments made and the course of investment processes.

The economic reform contains other important but generally adopted elements of the investment system. They concern, for example, a different system of preparation of investment plans, a different relation of central investment plans to those of economic organizations, other principles of organizing investment processes, etc.*

What can be said in general about these main points and solutions? Most of them are right in direction but incomplete and still do not form an investment system. Hence, these principles must be discussed, examined and supplemented. The concept of the investment system contained in the principles of the economic reform must be substantiated and supplemented with a series of practical instruments. Some approaches are too general and susceptible to various interpretations.

Some elements of the system are controversial because they conform inadequately to the specifics of the investment process. The discussion of the reform principles that must take place will gather a series of elements to elaboration of the desired investment and construction system.

We ask then whether the proposed investment system halfway solves the basic problems and shortcomings and the existing investment process and activity. What problems and effects have appeared for many years in a chronic and very troublesome way to produce a series of important economic consequences and losses?

The first such problem is an uncontrollable rush toward excessive investment, leading to overinvestment, with all its consequences. The second problem is too broad a front of investment in the economy, leading to dispersion of outlays and assets, high freezing and commitment of investments, lengthening of the investment cycles and reduction of the effectiveness of incurred outlays.

The third problem is a strong tendency to increase new, extensive investments and decrease intensive investments, including modernization investments.

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* I presented these problems in more detail in the previous issue of INWESTYCJE i BUDOWNICTWO [No 3, 1981]

The fourth problem is the tendency to prefer investment in heavy industries and neglect, both in the plans and in the course of their realization, investment in social consumption and in consumer goods. Such neglect led to great disproportions in the economy.

A fifth, very lasting, phenomenon in investment activity was a tendency to a mania for largeness, not only in the general scale of investment but also in relation to particular enterprises and investment objects in various sections of the economy, especially in industry and some areas of agriculture.

Another lasting phenomenon was a lack of balancing investment plans with the resources for their realization, aggravated by implementation of the plans.

In investment activity there is a rather broad field for superficial and subjective investment decisions in all stages of management.

Which principles of the economic reform relating to the investment system will help to eliminate these phenomena and which will be effective in solving these problems?

Many of those phenomena will be counteracted. For example, they should partially reduce the rush toward investment, contributing to greater rationality of investment decisions, weakening the tendency largeness of investment, better consideration of modernization investments, etc. Those solutions regarding the parameters of indirect reaction may prove unsatisfactory in solving many urgent investment problems.

The resources and mechanisms for reducing the rush toward investment, contained in the reform principles, depend on limiting the scope of central administrative decisions, on greater independence of enterprises, on linking operational activity with investment activity in the enterprises and on substituting resources for wage increases and enterprise development. The centrally established directions and instruments of credit policy and the banking system also will affect the dimensions and structure of investment. The group of investments subject to central decision should play an important role in this area.

However, in these principles of economic reform more instruments appear for regulating investment dimensions and fewer for regulating the investment structure. This problem of basic importance has not been completely and conclusively solved in the reform principles.

The role of the central investment plan and its connection with plans for investment, planning, construction and other undertakings is not completely clear. The question is whether the nationwide plan must determine the investment policy in the country and whether it has to be a resultant quantity used for the plans of economic units or all participants in the investment process between whom differences and conflicts of interests occur. If the central unit plan must determine investment activity in the country--and it should play such a role--then, first, an entire system must be created for developing the principles (forecasts, programming, balancing, analysis and selections) of such a plan under the new

economic system. Second, the system of widely accepted information and influence on all participants in the investment process is needed. This system, the method of information transmission and influence and also the elimination of reaction to that information and implementation of broad social preferences must be developed. A system for establishing parameters and methods of correcting them must be well developed; they must be the basis for investment selections and decisions not only of investors but also of planning bureaus, construction contractors, producers of machinery and equipment, etc.

Many types of activity are required, including the development and practical application of:

--the forecasting of socioeconomic processes and the long-range programming of investments on different scales and on different levels of the economic system;

--a complex method of economic planning and balancing of investment programs, with the resources required for their implementation, scaled to the economy, in branch and territorial cross sections;

--a method of optimizing investment programs and plans for various objective functions;

--a system of social control of investment plans on the central and field levels and that of the enterprises, as well as more thorough methods of appraising drafts of investment solutions on their merits.

An indispensable condition of investment system reform and rationalization of production and investment decisions is the elaboration and practical application of an economically justified system of procurement and selling prices for raw materials, materials and energy, and capital goods (machinery, equipment and building materials) for building production and the consumer good manufacture. The selection of rational economic decisions and correct cost effectiveness analysis, especially when selecting kinds of investment (new or modernization), also require revaluation of fixed assets in the economy.

Because of the present low prices for existing assets and high prices for new capital goods, the results of cost effectiveness analysis of modernization investments are distorted and unfavorable, compared with new investments. These low prices of assets worsen the results of cost effectiveness analysis of modernization and suggest that often it does not pay to modernize. These paradoxes in selecting the type of investment are deleterious and should be eliminated.

We have briefly touched upon only problems regarding the directions and conditions of the economic reform in the investment sphere; they need a complete and constructive discussion.

Obvious Problems in Investment System

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 81 pp 4-5

[Article by Zdislaw Sadowski]

[Text] We are inclined to reply negatively to the main question, whether the basic reform principles limit the desired investment system. These principles minimally reflect the work of Group V of the Reform Commission, which deals with the investment system. The output of that groups is important material, which unfortunately has not been covered in the press.

Only very general lines have been sketched in the reform principles. It is difficult to speak of a clear solution of the investment problem. Only one basic matter is stated there: a tendency to reduce centralization in investment decisions. That text can be variously interpreted. The creators of the text appreciated the importance of the investment system. Proper definition of the entire economic system is a key matter. The reform document does not exhibit an understanding of this.

The investment system is therefore the key to restoring the health of the economy; the main faults of our former system of management are reflected in it. The system did not fulfill the promised expectations in a planned socialist economy. One basic cause was attempting to conduct only coordinated investment activity. However, this was not achieved, not only in the last decade and, moreover, not only in our country. This is a more difficult problem than expected from theory and desires.

This diagnosis is important for all the conclusions and postulates that are advanced. Thus, for example, the defects of our investment system were revealed not merely as a result of the rampant voluntarism of individuals, which emerged in the last decade. Those defects lie deeper--this system in general performed badly much earlier; only the degree of its collapse was lower. The system never led to coordination and harmonization of investment activity or, as a result of investment activity, to structural adjustment set between supply and demand in all sectors of the national economy. The present grave crisis to a great extent has revealed earlier problems.

This ascertainment is indispensable for the proper demonstration of problems that must be kept in mind when attempting to formulate solutions for economic reform.

Some of those problems have readily found answers; others still have no answer. The latter are obviously more important in the sense that they require more attention.

Included in the first group are problems relating to the decision structure. Better solutions can be developed relatively easily to give a clearer determination of who, and in what region, can and should decide about starting investment enterprises. Such solutions were outlined in the basic reform principles, although they are very satisfactorily represented by some of the preceding speakers. It

is mainly a question of decisions reserved for the main decision-making center and those subjected exclusively to the management of economic units, and therefore of enterprises and field organizations. No one has yet changed the latter and their role must be enhanced each time. They cannot be forgotten, because one very basic problem of the economy is the chronic lack of teamwork of the two structures--the branch and the field--with each other.

The problem of distribution of decisions can be solved; here the Group on Investment Matters has gone much further than the reform principles. Thus, for example, an important postulate regarding decisions has been formulated so that the majority of investment decisions are made on the "micro" scale and therefore by the enterprise and field organization; for the main decision-making center only a relatively small pool of decisions is reserved. Opinions vary on where to draw the line. Some reserve for the main decision-making center decisions on large investments relating to the infrastructure. Some allocate to that center some key decisions on production investments with a great influence on the structure of the country's economy. (I am in the second category). Designation of the latter solution presents no basic difficulty, however.

Therefore, the other type of problems, with no satisfactory solutions, is more important. Two main problems are:

1) limitation of investment pressure;
2) assurance of structural coordination.

Saying that these two problems have not been solved does not mean, however, that they cannot be solved. A solution has simply not yet been found; it's only necessary to look for it. Therefore, the key question is how to limit the pressure and how to assure structural coordination.

Recognition that the two matters cannot be settled by decision centralization, is a great achievement. Therefore that breakthrough in thinking is needed to allow the introduction of that centralization by the back door. Such tendencies occur even at this meeting. Centralization is introduced by the back door by at least two methods. First, if the area of action of the main center has not been clearly designated, there is no assurance that centralization does not work in some way. Second, if solutions shift the burden of decision to a different apparatus--for example, a bank--that also is centralization. Shifting the decision to a bank settles nothing; urgent problems of the decision criterion remain.

Another extreme depends on complete decentralization and shifting of investment decisions to the enterprises and local authorities. However, as Assistant Prof Plocica rightly pointed out, experience indicates that decentralization does not pass the test either. The Yugoslavian experience does not pass the test. Almost the same problems seen in it: an excessive development of the investment front, low effectiveness of investment, etc. Why does that happen in a system granting full right of investment decisions to the enterprise, with very limited supervision from the center, which deals only with large investments in power engineering and the like? Where does the excessive pressure of investment demand come from under those conditions? Autonomous enterprises that decide about their internal tribution

distribution of income tend toward investment, not accumulation: they want to invest but prefer to obtain resources externally. Because it was easy to obtain foreign credits, Yugoslavia found itself in a situation similar to ours in nature, although not in acuity. This is shown by the need to use any regulating mechanisms in good time. Yugoslavia must find in investment financing its own method of matching its resources with the outside resources. In our former thinking this direction was represented by the necessary coupling of one's own resources with bank credit in financing all investments to assure an active role of the bank in investment selections.

The Yugoslavian solutions contain an interesting element that answers the argument frequently advanced against the self-financing of investments: that it leads to petrification of structures (one who has many assets has large investments). The Yugoslavian solutions depend on the establishment by the enterprises of the possibility of investing not in themselves: they can jointly form banks--their network numbers several hundreds--where enormous financial resources can be set aside for investment credits to other enterprises. While interesting, this solution might not be suitable for our country. It must, however, be examined in detail. There is no reason to retain the idea that a single bank must finance investment, or three banks. Is it possible to mobilize a considerable number of small commercial and investment banks? This is a matter of possibly using enormous investment resources in enterprises for different purposes unconnected with a given enterprise, without centralizing the disposition of those resources.

The assurance of structural coordination is another question. This problem is completely open. Shifting investment selections to microeconomic organizations in a price system that will be defective for a long time would lead to erroneous decisions from a societal view. Structural warp would arise from a defective price system. As long as the price system is defective, therefore, the action of those managing the center through direct decision is inevitable. However, the problem of the area of that interest is important, and also of its limiting forms. Director Caczek today expressed the idea that coordination should be accomplished by a different planning level. For such a solution to be satisfactory in the transitional period, two matters must be clearly stated. First, that other level is not the departments but the associations. Second, the role of those associations in the economic organism would have to be determined completely differently than usual. That role must depend on the management of the entire investment and innovation process (attention has been turned toward the combination of these two lines) not through direct planning but through programming and preparation for those conditions. That thought has not been described anywhere in the principles of economic reform.

Another aspect of structural coordination arises because highly capital-intensive investments often cannot be realized (even in capitalism) by individual enterprises that do not pay for them. However, in such cases there also is no need to involve the central level immediately. It also is possible here to consider the possible use of elements of the Yugoslavian and Hungarian experience and seek solutions through syndicates of enterprises interested in broader programs (water resources, for example).

Therefore, there are no ready-made solutions for the problems under consideration. One must seek them, avoiding hasty and routine answers, especially since the main problem is not an "ultimate" system but a system suitable for the needs of the very near future. The system should not be encumbered by the sins of excessive centralization and cannot be based on the enterprises' freedom of decision. This is the main difficulty. As a result, a reduced role of cost effectiveness analysis in investment selections cannot be anticipated from improving the computation formulas. The main consideration is not the formulas but the investment system.

Problems in Reforming Investment System

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 81 pp 6-9

[Article by Henryk Swidzinski]

[Text] The principles of the reform have become the subject of lively social discussion, inspiring both controversy and critical attention, as well as the proposal of alternative solutions.

The basic direction of the reform will not cause major reservations. The basic elements are universally accepted; that is, reduction of the bureaucracy of the management and planning systems; assurance of the independence and autonomy of enterprises on the basis of cost effectiveness analysis and self-financing; increase of the independence and powers of local agencies; departure in the central control system from administration directed distribution methods to indirect action with economic, financial and parametric instruments; improvement of the pricing system and the relationship of prices for raw materials and supplies to world prices; development of horizontal partnerships between enterprises on the basis of contracts and financial responsibility, and also enhancement of the role and function of banks.

The reform principles include many useful propositions but they are not satisfactorily related into a consistent and complex system as a real mechanism for the functioning of the economy. Likewise, not all the themes of the new system have been sufficiently sketched and discussed, including the complex and extensive area of investment problems.

The document devotes too little space to the concept of the investment system and organization of the investment process under the new system. That area has many blank, unclear spaces. Some matters more widely considered and emphasized do not always have basic importance. For example, the division of investment into four basic categories is considered a leading element of the investment model: central investment, investment of economic organizations, investment of field agencies and investment of one's own population.

This division cannot be treated as a primary model solution. Such an aggregate division of investment has always existed and cannot be seen as model changes in the management and control of investment activity. The problem is not formal divisions of investment or even the linking of each category of investment with the corresponding decision level and sources of financing. It is a mechanism to assure

rational proportions between individual forms of investment and at the same time to assure optimal structures and harmony of all investment activity in the national economy. Determination of reasonable boundaries between the centralized and decentralized spheres is especially essential.

The degeneration of the former system of management and planning, which led to well-known results in the nation's investment and economic situation, was caused above all by an overgrowth of central decisions and disturbance of the rational proportions in the investment structure. This excessive investment centralism, despite formal division of investment according to managers, disturbed the proportions of the plan, destroyed the system of the investment front and caused gigantic freezing and commitment of investments. What guarantees the division of decision-making control in the propositions when such phenomena arise? The propositions contain no guarantee; the designation of the essence of central investments is too vague and does not dispel those fears. The investment categories within this division gives a certain priority to central investment. The proposition that the center, within the framework of central investments, will decide only "about specific enterprises or programs having strategic importance," does not solve this problem. The concept of "startegic investment" is very extensible and ambiguous; any content and range of material can be substituted. Additional reservations concern inclusion in the category of central investments not only individual, exactly designated undertakings but even so-called "programs," and therefore entire assemblage of investments.

This does differentiate enough between the sphere of investment reserved for the central level and the sphere of investment for economic organizations, especially in the same areas of production. Large investment enterprises with a high estimated value, raised as central investments, as a rule enjoy higher prestige, rank "breakthrough force" than the investments of their own enterprises (especially modernization), scarcely perceptible from the central level. At the same time, in view of the effectiveness and speed in obtaining effects, the preference system should be formed inversely.

It is necessary to limit clearly the range of central investments and define the areas of the economy in which they can occur; for example, the large technical infrastructure; the fuel, energy and raw material base, national defense and enterprises involved with integrated international obligations.

This is necessary in particular to prevent, in the same areas and branches, the qualification of investments as central investments or as investments of economic organizations from depending only on the dimensions and estimated value of the investments. Practice has shown that this is an illusory criterion, which does not assure primary utilization of the less expensive and less capital-intensive possibilities for the development and improvement of production through investments of the enterprises themselves. Conversely, it forms artificial pressure on the center to raise large investments in the central decision procedure. These matters require closer scrutiny and appropriate systems regulation.

One must think over the whole investment model under the reform, which generally forms a completely new qualitative system of relations between the center and the enterprises. The function and range of action of both the central organs and the economic units vary.

The traditional system had a multilevel management hierarchy, through which proceeded a decision cycle and the regulation of investment activity. This did not assure proper treatment of investment needs of units below the hierarchy.

A basic assumption of the new system is the provision of central control and determination of the socioeconomic development goals, with the simultaneous opening of a broad field for developing grass-roots initiatives of economic and local organizations in realizing those goals, while preserving their economic independence and freedom of decision.

The practical solution of this assumption will not be easy under the new system. Instead of direct methods of transferring tasks of the central plan (the National Socio-Economic Plan--NPSG) to economic units through a vertical system of management by means of limits, orders, directives and specific individual investment tasks, economic, financial and parametric instruments, through which central requirements meet the corresponding enterprise initiatives, must be developed.

Within the NPSG framework only central investments will be decided specifically, upon the previously mentioned assumption of their essential limitation in comparison with the past. The remaining investment area will be defined only in the aggregate and as a guideline, in the form of cumulative estimates and not particular limits and tasks on an organizational unit (plant and equipment) basis. Consequently, the basic content of the plan will be formed on a direct system of "enterprise-bank" relations, on the basis of the economic-financial system and solutions of the credit system.

Everything previously handled by the ministries and Planning Commission in the formation of the actual investment plan is transferred to the bank. The role and responsibility of the bank are growing immeasurably. The bank will be the actual manager of the credits at its disposal, in accordance with the NSPG provisions; the investment structure and dimensions will be formed. The task of controlling investment activity also falls on the bank. Therefore corresponding investment activity control must be developed in the bank, control to guard against excessive investment freezing and commitment and simultaneously impel investors to efficient and on-schedule realization of investments and planned effects.

Is the bank equal to that task? This is a gigantic organizational problem; for its solution, efficient regulators in the credit and financial policy of the bank, and also personnel reinforcement, must be developed.

The next matter, which not only in the next few years but even in the next five-year period will have special importance in investment policy, is the creation of suitable systems solutions to intensify the modernization processes as the main direction of investment in the sphere of production.

Insufficient attention is devoted to this question. An especially essential and important matter is the activation of modernization processes and the adaptation of the productive apparatus to balance drastic tensions in supply, especially with energy, fuels, raw materials and supplies, and imports. Shortages and lack of supply impede the use of existing productive capacities in nearly all branches and areas of production.

The economic and financial system ought to control investment and the effort of economic organizations above all to remove "bottlenecks," which restrain the use of basic productive capacities, and the technological displacement of manufacturing processes mainly in the use of scarce factors of production. Solutions of this system ought to be developed naturally, not as directive and administrative action toward modernization, above all, of the intensifying type; that is, those correcting efficiency and expressed as amended material costs (mainly on deficit sectors) in the improvement of the up-to-dateness, quality and durability of goods and their ability to compete as exports.

With especially acute shortages, particularly in energy, fuels and raw materials, extensive modernization oriented mainly toward the growth of production and not toward the consumption of scarce components of supply, not only does not attenuate those difficulties but intensifies them. Therefore, in the area of modernization itself a need arises for differentiation of the investment and credit policy as a function of modernization that creates a preference for intensive-type modernization.

The former directive and administrative control of investment activity was not organizationally adapted to the solution of those problems. The centralist distribution of allotments, resources and tasks could not meet the requirements and start motivational actions of direct economic units in that direction.

Besides, the former anachronistic system and structure of producer prices did not contribute to this. Lower prices for raw materials, energy and materials reduced their weight in the cost structure and did not cause corresponding reactions of economy.

The material intensiveness and energy intensiveness per unit of national income in Poland are several times greater than the comparable values in other industrial countries of Europe. This is also a gigantic latent reserve; activation could contribute essentially to improving the economic situation. At the same time it is difficult to free the reserve from the central level. It is concealed inside productive processes of the economy, in its various elements, in the structure of technology and design of production, in the apparatus of the manufacturer and the organization of production, in the material and supply economy--in a word, in all nooks and corners of the enterprises. Only the immediate managerial personnel and the factory collectives know the location of those reserves and only they are able to release them efficiently. The reform principles formally create the conditions for independent initiatives of enterprises in resolving those problems above all through their own investments raised from the development fund and basic credits.

In the reform principles all enterprise investments will be divided into two groups: renovation-modernization investments ("small-scale modernization") and "expansion" investment (including general modernization). This is in essence today's obligatory division. However, allotment reduction of enterprise investments and the transition to control through economic and financial instrumentation are a modification based on the systems.

The basic source of financing investments of the first group (renovation-modernization) will be one's own resources, formed in connection with writeoffs from depreciation and profit and therefore correlated through depreciation with the state of the fixed assets and partially through profit with the profitability of the enterprises. The financing of the second group (expansion investments) is based on the obligatory allocation of their own resources and supplementary bank credit.

These solutions contain the incentive for economizing on one's own resources within economic activity, as well as elements of control through the credit system in relation to expansion investments.

Although useful in its assumption, the systems concept conceals certain hazards. The proper functioning of this system in practice depends on the fulfillment of certain conditions and requirements. A basic condition is the accurate establishment of the financial norms governing the formation of one's own resources. The stream of resources flowing from such norms ought to correspond objectively to the substantiated need for investment in the enterprise, readjusted to the actual state and degree of consumption of fixed assets. The situation can arise in which, in enterprises and branches with sufficient fixed assets at their disposal and requiring complete modernization, those norms related to the value of the old fixed assets; reduced again and again, do not assure a suitable level of the enterprise's own resources to cover the costs of purchasing new equipment, at the much higher level of their prices above the book value of the withdrawn fixed asset.

At the same time, in enterprises with new fixed assets the same norms can create much more resources than necessary to cover the needs for the modification and modernization of production equipment. Connecting sources for forming the development fund with profit can deepen that disproportion still more. The enterprise will prefer the more profitable route.

High profitability shows directly that the enterprise uses its fixed assets completely and effectively and that the structure and technical-economic condition of the assets are good and do not require modernization investments. However, low profitability in the enterprise directly shows a need for appropriate modernization and correction of fixed assets by investments.

Against this background, a division of enterprises into "rich" and "poor" can be outlined. This type of distortion and disproportion occurred among other places where large economic units have been introduced. Some enterprises like Petrochemia have had at their disposal such gigantic resources of their own that they have surpassed all their modernization and investment needs.

The problem of proper and accurate determination of the financing norms can be decided with respect to the decentralization of investment authorizations. Irregularities in that area can cause a tendency to administrative intervention and failure of the system.

At the same time, with the formation of rational and efficient solutions in the economic-financial system and the instrumentation of direct control of investment activity, a need exists for improvement of planning methods of the central plan. The development of preplan studies, and even of preprogram studies, becomes especially urgent.

In the existing situation of balanced tensions, in all sectors of the economy it would be necessary to make a thorough analysis, in the complex inter-subsector input-output system, of the state of nominal production capacities and the reasons for their non-use according to production factors, in order to detect in another way inconsistencies in the harmony of entire national economy. A map of the inter-subsector dependences, along with estimates of the reserves of existing production equipment in use, would be the basis for selecting places where appropriate preferences in instructions and regulations of the NPSG, and also the credit policy of banks, were noted. Investment, especially of the modernizing kind, in those sectors would eliminate as rapidly as possible inter-subsector bottlenecks and assure optimization of the entire economic system.

Precisely this direction under the new system ought to become the main part of the preprogram work to form both the macroeconomic conception of the central plan and the delimitation of its goals and directions and also become the basis for use of all instruments of economic interaction.

The remaining problem is the implementation of the reform. It is widely considered that, with profound investment imbalance and a need to make drastic decisions about discontinuing many hundreds of investments, reforms cannot be introduced because the methods of direct limitation of outlays cannot be given up. The question has to be posed differently. The three-year stabilization program now prepared must establish a program in the existing program for the termination of continuous investments, decide on the range of completely discontinued investments and also determine the updated schedules for the realization and termination of those investments acknowledged as the most urgent and conforming with present socioeconomic goals and needs. This "hard" program for the realization and termination of continuous investments must not be subjected to any further expansion or supplementation. New investments even in preferred areas ought to follow the new system's solutions. It would be necessary to initiate some elements of the new system, and in particular to create the possibilities of effectiveness--without constraint of plan limits--for quick-return investments linked with the solution of especially important problems, such as the activation of market or export production and the conservation of energy and other scarce materials and supplies.

In the NPSG, in the general investment balance, it would be necessary to allocate the unaddressed pool of outlays, increased in subsequent years in proportion to the termination or continuation determined by the socioeconomic goals, for quick-return modernization, assuring the realization of those goals. The system of quick-return modernization, beyond the limits of outlays established in the plan, has been verified in practice and brings especially high and useful economic effects. An example is the effects envisaged from investments for financing in 1979 and 1980. The average economic effect per zloty of investment (cost-estimate) per year will be:

--from 1.35 to 1.50 through increased market production;
--from 0.44 to 0.53 through increased export production;
--from 0.20 to 0.40 through the increase of other economic effects, that is, a total of 1 zloty of investment thus expended brings a saving of 2 to 2.4 zloty.

An overwhelming majority of the modernization tasks thus realized has attained the required rate of return in the planning period. In the relatively small portion of the tasks that did not attain the required rate of return, delay was caused mainly by shortages in energy supplies or shortages of raw materials and supplies.

In a number of cases, modernization costs are lower than planned. This indicates the advisability of further developing this form of investment.

Therefore, Existing Order No 16 of the Planning Commission chairman relating to non allotment forms of investment, in the course of so-called quick-return modernization, through appropriate expansion and attenuation of too severe requirements (at present a repayment period of 24 months, a realization cycle of not more than 8 months, a quota of construction and installation work not greater than 10 percent of the cost and a maximum cost of 25 million zloty) and through expansion of those investment categories to areas especially sensible in the economy (especially expanded production of supplies for agriculture and the food economy), could rapidly set in motion through investments considerable effects in overcoming economic difficulties, with useful efficiency relations. This would be a step toward conducting efficiency competitions in the allocation of investment credits.

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FINANCE MINISTER INTERVIEWED ON MONETARY REVALORIZATION

Warsaw TRYBUNA LUDU in Polish 8-9 Aug 81 pp 3,5

[Interview with Finance Minister Marian Krzak on monetary revalorization, by Ryszard Bilski]

[Question] During the last session of the Sejm [Parliament] you made, Comrade Minister, an announcement--applauded by the members of Parliament--that once the officially announced increase of retail prices is enacted, it will be followed by revalorization of savings deposits in the PKO [General Savings Bank] and the cooperative banks. What will be the basis of such a revalorization?

[Answer] Our objective will be to protect the value of the deposits; therefore deposits will grow at the same percentage rate as the average level of prices. We shall take two courses of action: first, an increase of interest on the savings deposits; and second, revalorization.

The revalorization--according to the projected assumptions--will be nonrecurring and will take place after the last stage of the price increases, provided of course that the public agrees to price control by stages.

The revalorization will cover all types of savings bankbooks, including the so-called single-purpose bankbooks, but the basis for increasing the deposits will not be the same in each case. For instance, the criterion for the housing bankbooks will not be the increase of food prices or of the prices of other consumer goods, but the price of an apartment that the cooperative movement pays to the building contractors. The savings for the purpose of purchasing housing have for a long time been guaranteed by the state, but I must say that the present system should be improved and we intend to do that.

[Question] What can the owners of the motor vehicle bankbooks expect?

[Answer] As we know, last year's prices of cars are binding for this year. We intend to pay much higher interest, as on long-term deposits, on bankbooks that have not been drawn out by lot. Here I would like to remind you: the number of those who want to buy a car is around three times higher than the number of cars planned to be produced in the years 1982-85. Therefore, those unlucky persons who have to wait longer will be compensated. I hope that in the future the accumulated savings will become a real source for financing

the development of automobile manufacturing and for providing better for those who save to buy a car. We shall work on that.

[Question] Your assurance about revalorization shows that the recent rumors about money conversion are false. I ask you, however, to define clearly the stand of the Ministry on that point.

[Answer] There will be no money conversion. There is neither need for that nor...possibility. One resorts to that kind of the financial maneuver only in special cases, i.e., when it is necessary to remove from the market cash piled up in a way contrary to our social aims. Recent examples in the mass media of the monetary reforms in FRG and Poland in the first years after World War II are no analogy at all to the present situation, because in the FRG they eliminated the money of Hitler, and in Poland, the money issued during the war. Large savings were not made then. But a precedent had been created--the conversion did not infringe on the savings deposits kept in the banks. Besides, there is some thought of a stabilization loan at a high interest rate, long-term and guaranteed. So what would be the point of money conversion, if we can replace with bonds a part of the inflationary curve.

[Question] Then, Comrade Minister, in your opinion, why do people so fear that money conversion will take place?

[Answer] During discussion on changes in retail prices and on the improvement of their structure, very often opinions are expressed that instead of raising the prices, it would be better to strengthen the currency and increase its value. One must admit that those are attractive proposals, but they are based on wrong assumptions.

Not to mention the fact that money conversion would destroy society's trust in the forthcoming economic reforms. The gist of the problem is that one cannot separate money from price, because the life of the money begins with price. It is its first step. After all, price is nothing other than the value of the merchandise expressed in money. If prices are wrong, then money, too, is wrong.

[Question] Agreed. But the value of money is quickly decreasing, probably faster than productivity. To restore the currency's value and to strengthen its role in society's economic life--is, too, the problem of restoring trust. It is indispensable and urgent.

[Answer] Clearly, but through putting the whole price system in order. Here I would like to underline: the system of prices. The increase of this or that price is not important in itself, but what really matters is to guarantee the permanent existence of balanced prices. Any price that is not a balanced price weakens money and cancels the function of money, and above all the most important function--that permits the exchange of money at any time, for any merchandise, without obstacles and limitations.

Only balanced prices guarantee the proper realization of one of the most basic principles of our political system: to each according to his work. Because

what is the use of the wage ratios, if the wrong structure and wrong level of prices make it impossible to use, as it is today, the income in accordance with the needs of society? Even the best system of rationing and prepayments will not secure that. When people have money but cannot buy as much meat as they need, when their access to manufactured goods is limited, then the incentive for productive work declines.

[Question] But balanced prices may be established on different levels. The present speculative prices of some goods in the bazaars that are many times higher than the prices on the price lists, may, too, be considered as a kind of balanced prices.

[Answer] I'll say this briefly: in order to have fair and objective balanced prices, there must be competition. And the conditions of competition are favored and guaranteed by the economic reforms. It is impossible--in my opinion--to have reform without changing the prices, because then one could not say that the plants are independently operated and financed.

Besides, let us remember that a reform is a "road through hell" and not along a smooth highway. Anyone who thinks that reform means less work and effort is deeply mistaken. What do we need most? Intensive but sensible work paid for in accordance with its proportions.

[Question] The present realities are: for each commodity the balanced price would have to be higher than the present legal price.

[Answer] But please do not forget that at present in many cases the low prices are obligatory--unfortunately--only on paper. They are real only under government rationing, that is, when the possibility of using all income is limited. On the other hand, once the balanced prices are introduced, the increase in the cost of living will be lessened by a proper system of compensation.

[Question] The term proper means: giving to some people and taking away from others.

[Answer] Only partly, yes. The more we protect the savings deposits and the more the idea of stabilization loans is developed, the less the drain from the system of compensation.

In the long run the balanced prices should contribute above all to the development of production. I say "should," because one more condition is indispensable: the same price for both the consumer and the producer. Only then the social preferences expressed by the acceptance by the buyers of the higher (balanced) prices will encourage the producer; he will become really interested in producing.

[Question] People fear the announced reform of prices, and their fears have their sources in the deep conviction that the market mechanism--generally speaking--does not facilitate the realization of the social aims, and does not protect the interests of the working people.

[Answer] I want to add that an illusion has been created to the effect that the state can freely set prices and increase wages. Nothing could be more untrue and destructive.

Keeping prices on the same level at the same time that wages increase--during the last 12 months wages increased by 27 percent--and in the face of decreasing production has brought about the empty shelves in the stores.

The social rights in the form of wages and income are much higher today than the market value of merchandise. That is why nobody is able to realize in full those rights.

People received more money and Saturdays off, but labor productivity has not increased.

The argument for free Saturdays: "This way or that, there is nothing to produce from"--is basically false. It means that we want to live at the expense of others. Raw materials are either obtained in the country or bought abroad in exchange for goods we have produced here. Owing to the pressure for shorter work time and for excessive wage increases and not to speak about the errors committed in the past, the driving wheel has been set in motion backwards; this especially concerns the raw-materials sectors.

Unfortunately, voluntariness has become nowadays the disease of those who proclaimed the war against it.

Going back to the main subject. The market will henceforth be regulated, but not confined. The main instruments for economically influencing the market and the producers--besides prices--will be credit, interest rates, and taxes. Doubtlessly, the price of credit will increase, but simultaneously with interest on savings deposits.

[Question] Comrade Minister, how is that: first we were told that the implementation of economic reform should be preceded by the reform of producer prices; it was even pondered how the budget could protect society--at least for several months--from unavoidable increases in retail prices. And now it is the retail prices that are to be increased first.

[Answer] The first prices to be increased will be food prices. We have, however, already behind us the increase of procurement prices, which are the producer prices of food. So I do not see here any change in the tactics or logic.

I consider it unthinkable to increase, for instance, the price of coal first for the individual consumers and later for industry. This must take place either simultaneously or in the reverse sequence. As for the balanced prices, I emphasize--the same price for the consumer and the producer, taking into account the costs of turnover.

[Question] Our zloty is rapidly falling, the best proof of which is the quick increase in the foreign currency exchange rate. For one dollar they pay in Warsaw 250 zlotys, and in other cities, apparently even more.

[Answer] The maximal, real exchange rate of the dollar, even under the present critical conditions, after deducting subsidies, is around 70 to 100 zlotys. The increased demand for dollars hoists up the price; this is understandable. People buy up foreign currency because they get in the Pevex shops merchandise unobtainable on the market. The possession of foreign exchange permits one to open private accounts that today are necessary for travel abroad. Finally, people think that it is the best way to invest their money.

[Question] Isn't that true?

[Answer] In my opinion, the ones who make the best bargain are those who sell dollars at such a high price, because I am convinced that the value of dollar will not further increase after the reforms are made. The price reform and at the same time economic reform will strengthen the position of the zloty in relation to other currencies.

[Question] A few months ago at a press conference, you promised, Comrade Minister that next year we would kiss the foreign exchange zloty goodbye--that artificial creation that confounded and darkened the image of foreign trade and our economy.

[Answer] I do not take back my word. We have already prepared a decision that, beginning from 1 January 1982, the foreign exchange zloty will exist no more. Standardization of the foreign currency exchange rate will take place then. Accounts and statistics will become clearer.

It will be simply a Polish and not a foreign-currency zloty. It is necessary, however, in the long run, to do everything to make the zloty as strong as foreign currency.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 15 Sep 81 p 4

[Text]

Polish National Bank Warsaw 15 September 1981

Excerpt From Foreign Exchange Rate Table No 17/81

Special Currency Exchange Rates in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Australia	1 Australian Dollar	39.28	40.88	40.08
Austria	100 Schillings	197.61	205.67	201.64
Belgium	100 Francs	84.77	88.23	86.50
Denmark	100 Kroner	441.37	459.39	450.38
Finland	100 Markkas	754.08	784.86	769.47
France	100 Francs	579.53	603.19	591.36
Greece	100 Drachmas*	57.70	60.06	58.88
Spain	100 Pesetas	34.99	36.41	35.70
Holland	100 Florins	1,169.10	1,216.82	1,192.96
Japan	100 Yen	14.78	15.38	15.08
Yugoslavia	100 Dinars*	125.10	130.20	127.65
Canada	1 Dollar	28.18	29.34	28.76
Lebanon	100 Pounds	792.25	824.59	808.42
Luxemburg	100 Francs	84.77	88.23	86.50
Norway	100 Kroner	557.88	580.66	569.27
Portugal	100 Escudos*	52.04	54.16	53.10
Federal Republic of Germany	100 Marks	1,385.03	1,441.57	1,413.30
United States	1 Dollar	34.21	35.61	34.91
Switzerland	100 Francs	1,590.93	1,655.87	1,623.40
Sweden	100 Kroner	651.19	677.77	664.48
Turkey	100 Pounds*	34.06	35.46	34.76
Great Britain	1 Pound	62.88	65.44	64.16
Italy	100 Lira	2.78	2.90	2.84

* In purchase of currency from below listed countries the following exchange rates are used:

Greece	100 Drachmas	54.98
Yugoslavia	100 Dinars	86.20
Portugal	100 Escudos	51.09
Turkey	100 Pounds	31.17
Italy	100 Lira	2.76

Special currency exchange rates are used in settlement of accounts for current transactions.

Basic Currency Exchange Rates With a Surcharge in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Albania	100 Leks	181.84	183.66	182.75
Bulgaria	100 Leva	2,182.21	2,204.15	2,193.18
Czechoslovakia	100 Koruny	211.24	213.36	212.30
People's Republic of Korea	100 Won	1,057.19	1,067.81	1,062.50
Cuba	100 Pesos	1,730.05	1,747.43	1,738.74
Peoples Republic of Mongolia	100 Tugriks	459.41	464.03	461.72
German Democratic Republic	100 Marks	720.13	727.37	723.75
Romania	100 Lei	215.42	217.58	216.50
Hungary	100 Forints	130.20	131.50	130.85
Vietnam	100 Dongs	1,000.28	1,010.34	1,005.31
USSR	100 Rubles	2,304.42	2,327.58	2,316.00

Basic currency exchange rates with a surcharge are used for non-trade payments. For travellers checks purchased in rubles from the Foreign Trade Bank of the USSR, and payable outside the USSR in the currency of the country where used, the exchange rate of 4,654.5 zlotyz for 100 rubles will be used. Exchange rate table No 16/81 dated 21 August 1981 is no longer valid.

Exchange rate tables are available for view at all branches of the Polish National Bank.

CSO: 2600/340

GROWTH OF CHEMICAL INDUSTRY IN FIRST 4 MONTHS OF 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15-17 Aug 81 p 2

[Article by Dusan Ivanovic]

[Text] Yugoslav business interests were certainly pleasantly surprised by the results of development in the chemical industry in the first 4 months of this year, particularly since the factors that accompany its prosperity are both numerous and objective. Although it would have been satisfying had its growth rate in the present intermediate period been the 8.5 percent rate that was recorded, the industry also accomplished results that could only be hoped for. Specifically, basic chemical production is currently growing at a rate of 15 percent in comparison with the same period last year, while processing of semimanufactured materials showed 11 percent, and rubber processing 8 percent growth. Thus it would be desirable for this to continue, although it is hard to believe that it will. It is well known that growth will slow in the second half of the year due to shortages of raw materials and semimanufactured materials, particularly imported goods.

Even with all these factors in mind, authorities nonetheless estimate that both the basic and the processing branches of the chemical industry, along with the tire and rubber industry, will continue to record a growth rate above that of Yugoslav industry as a whole in the coming months. The growth, however, will not be as convincing as during the first 6 months. Finally, when all the factors that affect production positively and negatively have been felt, the overall results in the chemical industry will correspond to the growth rate anticipated for this year and for the intermediate plan period. In the first 4 months, foreign trade results were also good, with the basic and processing chemical branches exporting more than 300 million dollars worth of products. That meant an improvement of fully 87 percent in comparison with the same period last year. Rubber processing plants also more than doubled their exports, bringing in nearly 45 million dollars of foreign exchange income.

All of this would be fine, except for the fact that imports for the chemical industry also showed a high growth rate, even though it was less than the growth in the rate of exports. Imports were 78 percent higher than during the same period last year. Rubber processing recorded successes, because their imports fell by 58 percent.

Export-import trends in the chemical industry show more dynamic fluctuations than those in industry as a whole. It is also significant that the ratio of these two factors are swinging markedly in the direction of exports.

The Parameters are not so Elastic

The chemcial industry, however, is only a part of industry as a whole, where the growth rate is supposed to be about 4.5 percent. Furthermore, economic investments in this period of development are to be rather limited, and the chemical industry can expect to receive some 90 billion dinars in investments. With that amount of money, it should develop fully twice as fast. In fact, it can count on some 10 percent of total economic investments, which are aimed at strengthening its production potential. Obviously, the parameters for its prosperity are not so abundant and elastic; in other words, a great deal is expected from the chemical industry, but without corresponding investments.

In the chemical industry itself, the advantage should go to basic chemicals, which should comprise 60 percent of the total, and not 45 percent as presently (with processed chemicals making up the remainder). That means that at least some 80 percent of investment capital should be directed into development of the basic chemical branch, which stagnated in the past intermediate plan period, or grew at only half the rate recorded by the processing branch.

With this amount of investments for development, about 14 billion dinars would remain for developing the processing branch, and 4-5 billion for the rubber industry.

Despite restricting factors, the chemical industry should reach a significant turning point in its development, for in order to develop optimally, any economy must have at least 10 percent of its industry devoted to chemical production. Indeed, some branches, such as the pharmaceutical industry, depend directly on the chemical industry, which produces raw materials and semimanufactured materials; a similar situation is found regarding the production of mineral fertilizers and protective substances.

There Have Been Enough Lessons

It is certain that the results of development and operations in the chemical industry will be affected considerably by prices for raw materials and semimanufactured goods, primarily in foreign markets, since the industry is such a large importer. It would be desirable for exports not to grow at a rate above 8 percent annually, in order to reach a total of 1.6 billion dollars by the end of the current intermediate period, with the provise that in the same year, imports should not total more than 2.6 billion dollars. These 2 numbers are projected on the basis of price trends in the past year. It is not impossible that major variations could occur.

For that reason, it is essential to develop domestic raw material supplies. There have been too many lessons learned concerning that fact. For caustic soda alone, based on last year's prices, it will be necessary to designate 6 billion dinars worth of foreign exchange, for caustic soda must be imported because domestic production cannot satisfy demand. A very similar situation is found concerning calcinated soda, another basic chemical product, and with numerous other basic substances that are essential for the production of pneumatic equipment and supplies, synthetic fibers, detergents, etc.

We must reach a decision as to whether we will explore domestic phosphate deposits, or continue to import almost the entire quantity needed by Yugoslav industry. In the same way, where the rubber industry is concerned, we must decide whether we will buy rubber tree plantations in the outside world, or force the use of synthetic rubber that can be produced by processing crude oil, which is becoming ever more expensive. A large share of imports for the chemical industry, about 27 percent, goes for purchasing technology. Annually, about 200 agreements are concluded with foreign firms for various technological processes. Clearly, a selective approach is essential here as well.

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CSO: 2800/339

TRANSPORT PROBLEMS IN YUGOSLAV-SOVIET TRADE

Belgrade TRANSPORT in Serbo-Croatian No 7, Jul 81 pp 6-7

[Article by Avdo Zvonic]

[Text] The twenty-first session of the Intergovernmental Yugoslav-Soviet Committee for Economic and Scientific and Technical Cooperation was held at the end of May this year. At the session, a positive evaluation was made of cooperation between the two countries so far, and a framework was established for future advancement of that cooperation. As at earlier sessions, the problem of transport was highlighted this time, with emphasis on the fact that transport represented a limiting factor in the implementation of commerce.

At the 17th session of the intergovernmental committee, held from 24 to 26 September 1979 in Belgrade, it was resolved that a task force would be formed of representatives of the two countries, to work on cooperation in transport. The task force was to prepare proposals for a long-term plan of cooperation between the two countries in the area of transport. From that time until April of this year, the task force held three meetings, at which its members prepared and finally approved the "Long-Term Cooperation Program Between Yugoslavia and the USSR in Transportation for the Period 1981-1990." The task force also dealt with transport problems in current trade, for certain bottlenecks in transport are retarding the dynamics of trade.

All of the deliberations of this task force were dominated by the same problems of transport restrictions in transit through neighboring countries such as Hungary and Romania, and on toward the USSR. These are caused in large part by unfavorable dynamics of goods deliveries, and by enormous increases in the shipment of goods in the fourth quarter of every year. These problems could be avoided by concluding agreements on shipments and open lines of credit, as well as by exercising more resolve in using means of transportation other than the railroads; other types of transportation have greater potential that it not being used.

The formation of the task force proved to be justified, in that its activities since its establishment have given positive results, even though a significant part of the problems it should solve remain for the coming period.

It should be stressed that the transport problem relates primarily to goods moving from Yugoslavia to the USSR (amounting to about 1.4 to 1.5 million tons), with

fewer difficulties coming in shipments from the USSR to Yugoslavia (where about 12 million tons are involved). The reasons relate to the nature of goods and greater or lesser burdening of transport routes, as well as to greater or lesser reliance on particular modes of transport. Specifically, the basic transport problem is in railroad transportation from Yugoslavia to the USSR, while other forms of transportation have much greater potential capacity than is being utilized.

The degree to which the problem of transportation in Yugoslav-Soviet economic cooperation has burdened that cooperation for the past few years is shown by the fact that the Yugoslav Economic Chamber's Section for the Advancement of Cooperation with the USSR has formed a Commission for Transport with the aim of more complete examination of the problem from the point of view of involved associated labor organizations.

In connection with existing difficulties in railroad transport, which were particularly pronounced in the second half of 1980, the Federal Committee for Transport and Communication and the Yugoslav Economic Chamber's Section for the Advancement of Cooperation with the USSR addressed a questionnaire to all foreign trade and production organizations that are involved in exports from Yugoslavia to the USSR, to determine their plans for 1981 regarding the use of particular forms of transportation and transport routes for implementing Yugoslav exports. Analysis of the data gathered led to the conclusion that, despite previous difficulties in railroad transport, Yugoslav exports should still be sent by rail (comprising about 90 percent of the total) and by existing available transport capacities.

At the latest session of the task force, the possibilitied for using new rail routes for the transit of Yugoslav goods through Bulgaria and Poland to the USSR were considered. Special attention was also devoted to preparing an agreement on container shipments on particular modes of transportation. This topic will be discussed at a special session at the coming task force meetings.

Measures are being taken to prepare the conditions for opening the highway route between Belgrade and Moscow, as well as to open up a maritime line from the Adriatic to the Black Sea for shipping foreign trade goods in both directions.

The volume of rail shipments for 1981 from Yugoslavia via Hungary was set at 900,000 tons (including 600,000 tons of hydrated alumina); this represents and increase of about 200,000 tons compared to the final totals for 1980. Shipments through Romania were set at 500,000 tons, which also represents an increase of about 200,000 tons compared to last year's final totals. These increases in rail shipments from Yugoslavia to the USSR provide for all goods shipments under conditions of balanced shipping dynamics with the aim of placing the least possible limitations on Hungarian and Romanian railroads; such restrictions did occur in the first and second quarters this year. In the first 5 months of the year, about 80 percent of planned goods shipments took place on these routes. Hydrated alumina shipment totaled about 75 percent of the planned amounts, with frequent delays. The Romanian railroads also imposed transport limits, although the transport plan using this route was overfulfilled, totaling 120 percent of the planned amount. Relative to the monthly quotas that were approved directly by the Soviet railroads for Yugoslav goods, shipment accomplished via Hungary totaled only 65 percent, and that via Romania but 79 percent of the plan, and it is estimated that the major difficulties in railroad transport to the USSR will continue to be present, chiefly due to transfer problems on the part of the USSR.

In the first 4 months this year, Yugoslav highway shippers used 864 permits for shipping Yugoslav goods to the USSR. (In 1980 a total of 1,158 were used, with but 98 in the first 4 months. Highway transport has become very actively involved in implementing goods shipment between Yugoslavia and the USSR, particularly for those goods that can support the relatively high shipping costs of this mode of transportation.*)

In the first 3 months of the year, river transport from the Soviet Union totaled about 103 percent, and from Yugoslavia about 110 percent of the plan, but it must be stressed that this mode of transportation is insufficiently utilized, particularly for shipments from Yugoslavia to the USSR. There is available capacity that must be used much more effectively in implementing Yugoslav exports to the Soviet Union.

The planned volume of maritime shipping for exports from Yugoslavia in 1981 is strikingly low, amounting to but 10,000 tons. This is absolutely unsatisfactory, particularly when we keep in mind the present and anticipated difficulties in railroad shipping during the year.

In that connection it was recommended at the third session of the task force for foreign trade and transport organization that the 2 countries consider the possibility of increasing shipments on sea and river routes in 1981, specifically for supplemental shipments between the 2 countries. No effect can be expected on regular shipments, since most foreign trade agreements on deliveries for the year have already been concluded. This fact leads to the conclusion that this type of transport must be involved more effectively in foreign commerce between Yugoslavia and the USSR in the period ahead.

For years, river shippers and maritime carriers, as well as air carriers, have been offering their services, most often at favorable rates, but re-orientation from the traditional shippers has gone slowly. If the truth be told, inflexibility regarding modes of transportation has emerged as a consequence of the failure to solve problems of container shipping in Yugoslavia in general and especially in transport with the USSR. For this reason, an agreement was reached to consider and prepare agreements on containerization this year for river, railroad and combined shipping. This should be the subject of discussions this year in order to resolve the problems starting in 1982.

It was also determined that a redirection of goods from the railroad to other modes of transport is imperative, for obviously all previous requests for timely agreements and the establishment of credits for balanced transport have not provided encouraging results. This fact highlights the need for agreements on switching goods of interested organizations of associated labor to certain modes of transportation, and for continued efforts to achieve more balanced deliveries in each quarter of the year.

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* These discussion were accompanied by a willingness on the Soviet side to set up 2 centers on Soviet territory for transferring goods being shipped by highway and for assuring return loads.

BRIEFS

CROATIAN ENERGY SHORTAGE--This year there will be about 14 percent less oil derivatives available on our market than last year. Most noticeable is the lack of mazut, resulting in a very difficult situation for the Croatian electric power industry, which is based on mazut-fired thermal electric power plants. It was specified that this year these plants will operate only 3,000 hours which means using a little less than 50 percent of their capacity and consuming 620,000 tons of mazut. Operating time can be increased in an exceptional case by a special FEC decision. At present there is not enough liquid fuel for them not for other large consumers. INA has requested that total amounts of mazut for Croatia be increased this year from 1,650,000 tons to 1,857,000 tons, but even then there will be a shortfall of about 327,000 tons. In regard to liquid oil gas, Croatia this year would need 173,750 tons for mass consumption and the economy, as well as for new industrial consumers, i.e., six plants [named] which were designed to operate on gas. However, the energy plan for this year which calls for a total country-side consumption of 463,000 tons of oil gas, or 10 percent more than last year (and 17.3 percent more for Croatia) will not be possible to achieve. Croatian consumers also lack about 1.3 million tons of coal which will not be easy to buy in other republics because 400 to 1,500 dinars per ton is being asked as money to be pooled to develop production. The energy situation in Croatia this winter will be very difficult and one of the most complex up to now, because of the lack of oil derivatives which results from the fact that our own production will be only 10.97 million tons [of refined oil] and 460,000 tons of oil products, considerably below actual needs. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Sep 81 p 5]

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END

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5 October 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2182

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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JPRS 79135

5 October 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2182

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ENTERPRISES REQUIRED TO PROMISE MORE PRODUCTION TO EARN MORE

Bratislava PRAVDA in Slovak 15 Aug 81 pp 1, 2

[Article by Editor Jozef Krska: "Enterprises Which Promise More and Keep Their Promise Will Earn More"]

[Text] Having been discussed at the manufacturing collectives, in workshops, factories and other enterprises, the questions of implementation counterplanning have now become of concern to the general directorates for the economic production units [VHJ]. The effectiveness of the proposals from individual enterprises, the correctness of the calculations of the monetary incentive funds, and assurance of possible higher raw-material and material needs provided by suppliers are now being evaluated on the middle management level.

It is true, however, that general directorates for the VHJ have not entered the process of implementation counterplanning just now. In fact, they have influenced it since they received the directive for 1982 from the central authorities.

Increased Attention to Planning Preparations

The quality and amount of production at the enterprises of the VHJ Strojsmalt play an exceptionally important role in satisfying the citizens' needs. It is because in the area of this unit--the producer of manufactured consumer goods--it is a question of producing products which concern almost every citizen. Even in their case, implementation counterplanning provides the opportunity of utilizing the existing reserves for increased production of goods in short supply, the increased utility of the products, a decreased loss from imperfect manufacture, the acceleration of the introduction of the technological development results in practice, and the like. Therefore, we asked Eng Jozef Lizal, the economic director of the VHJ Strojsmalt about the aim of implementation counterplanning and about some new facts of experience they had obtained in the process.

"Our directorate," he says, "has adopted the method of implementation counterplanning as one of the decisive methods for economic development. Therefore, we have paid increased attention to this method. The tasks and possibilities for fulfillment of the 1982 directive were first discussed by our trade union committee. Then, the 1982 directive was passed to the managers of the enterprises in the presence of two or three of their deputies. Apart from the general tasks of the VHJ, we analyzed primarily the main structural changes in manufacture and

marketing for our enterprises, methodical changes in the enterprise plans for 1982 and the relations between the plan's propcsal with the creation of special compensation funds, the cultural and social services fund, and other funds. Apart from emphasizing fulfillment of concrete tasks, we directed the enterprises to surpass the directive in the area of effectiveness, primarily the agreement of the indices of rentability and operating assets, and adjusted value added output and profits.

There Will Be More Refrigerators, Kitchen Utensils and Shower Stalls

At present, the domestic market is saturated with some kinds of goods, for example, electric heat-storage spaceheaters, automated washing machines, partially also by solid-fuel stoves. This has caused problems in fulfilling the directive. The market requires 20,000 fewer electric heat-storage spaceheaters than it was determined by the directive, which represents a difference of about Kcs 120 million. On the other hand, according to the findings of the members of the VHJ Strojsmalt general directorate concerning their selection of products, citizens feel the shortage of refrigerators, kitchen pans and pots, meat grinders, and shower stalls. Implementation counterplanning should also be used to eliminate, or at least to relieve, the shortage of these kinds of goods. Elektrosvit Nove Zamky and Calex Zlate Moravce have adopted a plan in which they pledged to supply the domestic market with more refrigerators than had been determined by the directive--both enterprises together will supply 5,000 units more. The producer of steel and cast-iron ware Norma Frydlant nad Ostravici pledged to offer Kcs 4.5 million more goods than required by the directive. Kovosmalt Filakovo, however, in the case of both kitchen ware and meat grinders accepted only the tasks determined by the directive. However, according to the members of the VHJ Strojsmalt general directorate, it will be a success if they only managed to fulfill the tasks given by the directive (in terms of time, this year's production objectives for meat grinders are being fulfilled, only 67 percent since the knives necessary for the grinders have not been supplied); we suppose that Kovosmalt could be more inventive in increasing manufacture of goods in short supply. For Elektrosvit Nove Zamky, the 1982 directive determined the manufacture of 9,500 shower stalls, which are also in short supply. Their implementation counterplan pledged that 15,000 shower stalls would be produced.

As opposed to the same period of last year, the VHJ Strojsmalt enterprises succeeded in decreasing the material demands in manufacturing 1.8 percent and complaints 18 percent in the first half of this year. In the implementation counterplan for 1982, the general directorate again oriented the initiative of the best workers, inventors, operation improvers, members of expeditor teams and teams of socialist work to this area. The pace of decrease in production costs was required to be accelerated. Most enterprises understood this task and approached the implementation counterplan accordingly. It is also thanks to them that the entire VHJ can pledge that it will exceed the index of the adjusted value added output given by the 1982 directive by 1.2 percent. However, not all enterprises approached the tasks in this way. Enterprises which have promised increased production and higher quality goods with reduced material consumption at the same time, and keep the promise, will receive more. For instance, if Calex Zlate Moravce fulfills the adopted implementation counterplan, the volume of wages will be increased 2.5 percent and in Tatramat Poprad 1.1 percent.

9814
CSO: 2400/300

FORMER ATOMIC SPY DEFENDS GDR ATOMIC POWER USE

Bonn DIE WELT in German 19 Aug 81 p 3

[Article by Hans-R. Karutz, Dresden: "Fuchs: GDR Industry Needs Atomic Power"]

[Text] In the "Ecumenical Cafe" of the Dutch Reformed Community in Dresden one man drew up a balance sheet for the GDR economy which, to Western ears, sounded pitiless. The man was Prof Klaus Fuchs from Dresden. As a former Soviet atomic spy in Great Britain he had once attained world renown; today, as a member of the SED Central Committee, he is a close confidante of the GDR leadership. The nearly 70-year old nuclear scientist, who very rarely makes public appearances, was speaking during a discussion evening as part of the conference of the World of Churches.

Before the 10th SED congress in April of this year Fuchs said that the question had seriously been raised whether the so-called "primary task" of the economy--reduction of the housing shortage by 1990, a higher standard of living--could be fulfilled at all. "Since 1976," he continued, "there has been the problem of rising costs for raw materials, such as oil, and problems in the balance of foreign trade, in which we are involved." He was referring to the GDR's strong dependence on the economic interlinking within the Soviet bloc.

Energy was crucial for the further development of industry. Fuchs said: "In that regard things are not looking good in our country. Oil, natural gas and coal have to be imported. Sixty percent of our primary energy comes from our own lignite. The costs of reducing the housing shortage are growing."

Nuclear energy, which was already supplying 12 percent of total energy production was left as the "sole source." Fuchs performed this calculation: "In order to achieve the necessary growth of 5 percent in national income, we will have to manage with less than a 1-percent increase in primary energy in the future." Previously, industry in the GDR had achieved its plus figures with an annual increase in energy consumption of three percent. That was no longer possible.

Only a campaign initiated 16 months before the last SED party congress, with new commitments by the workers, had made it possible to avoid making cuts in the growth forecast. Indirectly, Fuchs also mentioned the increasing pressure on workers in the GDR to meet norms: There were certainly many "for whom it is too much to constantly renew their thinking about their work."

In order to exercise a restraining influence on the internal debate about the dangers of an accident in a nuclear power plant, Fuchs said on this delicate point: "An international exchange of experience on the questions of reactor safety has begun. The advantages of the Western and Eastern designs in construction have been combined."

Before an extensive new construction program for nuclear power plants in the GDR began, GDR experts had carried out prolonged tests at the Rheinsberg research center, north of Berlin, in which "weak points" had once again been identified. Fuchs conceded: "The problem of residual risk remains." Still, GDR citizens would have to expect the construction of additional nuclear generating stations.

Fuchs left no doubt that the rise in the standard of living, which had been promised and publicly pressed for time and again by head of state Erich Honecker, would not be attainable without the extensive use of nuclear energy. Nuclear energy was the only means of solving the increasing problems of growth in the GDR's economy.

In the discussion Fuchs also talked about the problem of disposal, in particular since he was asked about the project in Gorleben and about the GDR's storage sites for nuclear waste. He said that he was "not well enough" acquainted with the Gorleben plans; in any case this project was of a quite different kind than the collection sites for radioactive waste on the territory of the neighborhing GDR. Fuchs added: "'Unfortunately,' there were no agreements on the subject between the two countries."

In an aside Fuchs mentioned a "breakdown" in a Soviet power plant, but he characterized reports of a sizeable nuclear accident with devastating consequences as "fairy tales." Even the topic of the GDR's own atomic bomb did not come up for discussion in the group: "The question does not exist, it will never exist," Fuchs said. In the Soviet bloc Moscow has the nuclear monopoly.

9581
CSO: 2300/314

PETROLEUM SUBSTITUTION PROGRAMS DESCRIBED

East Berlin DIE WIRTSCHAFT in German Vol 36 No 4, 9 Apr 81 p 23

[Article by Mariano Pelagalli and Hein Klare, GDR Academy of Sciences: "The Substitution of Petroleum in the National Economy"]

[Text] World supplies of mineable coal are about eight times larger than the deposits of obtainable oil known today. Geological supplies of coal represent a potential reserve for several centuries, with which mankind can be supplied with carbon dependent products, even if demand rises.

Against this, oil is the current international preference because it can be easily obtained, transported and refined, compared to coal. In 1980 about 3 billion tons were processed, about the same amount as for hard and soft coal. It can be foreseen that oil deposits will be exhausted in a short time historically, and the cost of drilling and refinement of crude oil will continue to climb. This is forcing consideration worldwide of how oil and oil products can be used more efficiently, with the aim of using them preeminently as chemical raw materials.

Basically the economy of the GDR has available for its use Soviet oil and natural gas as well as the main source of energy, its own lignite. If coal supplies worldwide are sufficiently large to ensure the future, our economy has the additional task of using lignite more efficiently, since our deposits will allow current rates of mining for only 80 to 100 years.

The extensive expansion of generating station capacity based on lignite is being restricted by this fact today.

However, the first significant step that the economy must take in the plan for the next five years is a far-reaching diversion of heating oil from being burned to more intensive refinement. That is to say, it is a question of substituting coal and natural gas for heating oil.

In the future, oil should be used preeminently in a material-economic fashion, with the aim of seeking more intensive refinement of oil. Currently 50 percent of our oil is being used to produce energy as heating oil. But the combustion of oil constituents is inefficient, since the cost of synthesizing them from hydrocarbons or of obtaining them from coal is higher than the combustion heat obtained.

With the startup of a cracking and aromatic complex at the Schwedt combine, heating oil yield is being reduced and a greater proportion of petroleums, diesel fuels, aromatics and olefins is being manufactured.

Previous consumers of heating oil must be gradually shifted to other sources of energy, primarily to lignite and natural gas. The lignite will be used as rough or screened coal, as coal dust or as dried lump coal. Heat plants and heat generating plants are being shifted to operation on unprocessed lignite. Transporting the unprocessed coal over distances of more than 100 km must be avoided, since it contains about 50 percent water. For consumers at greater distances from the pitheads it will be necessary to dry the coal to a water content of 20 to 30 percent in order to lower transportation costs and to make the use of lignite more effective.

For burning and drying processes pulverized fuel is being manufactured, which is used primarily in the cement industry, in the manufacture of coarse ceramics, in the drying of phosphate, in the manufacture of gypsum and sulfuric acid and in various other technical drying processes. In the long term a greater material-economic use of lignite is necessary, since oil reserves are limited. We will increasingly apply the removal of valuable coal constituents before they are used for energy and the planned manufacture of chemical raw materials from coal or from coal gasification and subsequent synthesis.

The share of nuclear energy (nuclear power plants and in future quick breeders as well) in the generation of electrical energy, which is currently about 10 percent in the GDR, must be futher increased so that enough lignite remains after the year 2000 for material-economic use. The splicing in of process heat, which is created in high-temperature nuclear reactors, can help to save our fossil carboniferous resources.

Production of Synthetic Gas

The synthetic gas needed for large chemical syntheses and the hydrogen needed for hydrogenation can be produced both by the splitting of oil tailings and of natural gas and by the gasification of low-temperature lignite coke or of lignite.

Currently about 15 percent of the volume of synthetic gas is produced in Winkler generators (Leuna combine and the combine factory Zeitz of the PCK [Petrochemical Combine] Schwedt). Coke yielded during gas carbonization of lignite briquets is the gasification material.

Expansion of this raw material base and of the capacity to manufacture synthetic gas from lignite is planned. To this end, the gas combine Black Pump is developing a process to gasify pulverized coal under pressure. The gas can be manufactured either as synthetic gas or as sewer gas.

Since the normal unprocessed lignite deposits of the GDR are balanced to supply the major power plants and as raw material for conventional coal processing, silt-bearing lignite must be used as the raw material for gasification. The deposits at the Wallendorf, Egeln and Luetzen sites make up about 10 percent of the unprocessed coal deposits in the GDR.

Through gasification and subsequent syntheses chemical raw materials and intermediate products such as urea, ammonia, methanol, phosgene, hydrogen and higher alcohols are made available. Additionally, a gas can be prepared for metallurgy to yield porous metal after the direct-reduction process.

Degasification of Lignite

In the GDR the lignite processing works Espenhain and Deuben and the combine factory Boehlen of the PCK Schwedt are carrying out gas carbonization of lignite briquets, which consumes about 6.5 percent of the lignite mined.

The reconstruction of the low-temperature carbonization plant as Espenhain is planned in order to guarantee a stable supply of 500 kilotons of tar and 1,500 kiltons of low-temperature coke annually to the economy.

Low-temperature tar can be used to manufacture electrode coke for the production of electrodes and anodes and oils for fuel production. Phenols and pyrites for the chemical industry are also produced.

So far ketones, quinolines and other high-value coal constituents have not been derived, since the suitable processes have not been available. Low-temperature coke is a suitable raw material for gasification to produce synthetic gas using the Winkler process. The Soviet Union is also developing a layered turbulence gasification process, whose suitability for use in producing low-temperature coke still has to be invesitgated.

Low-temperature coke is a pollution-free, smokeless fuel which is used to generate energy in industrial power plants. Gas recirculation is an effective method of processing coal, reaching an energy efficiency of over 80 percent. With the reconstruction of the low-temperature carbonization plant the tar yield of the furnaces and the availibility of the plant should be improved. Plans call for a reduction in harmful emissions as well.

An additional degasification process, which is being used in the GDR in the Black Pump gas combine and the Lauchhammer lignite processing works, is high-temperature lignite coking. The high-temperature lignite coke is being used to supply the populace, industry and other areas of the economy with a smokefree fuel for the production of carbide and for ore sintering.

The resulting light- and middle-distillates are refined into fuels, while the phenols are used as raw material in the chemical industry. The tar will be used for the future production of electrode coke.

Coal Liquefaction

In addition to the hydrogenation of tars, a further way of obtaining high-grade energy sources and chemical raw materials from coal is coal hydrogenation using the Bergius-Pier method and obtaining extracts by the Pott-Broche process.

The hydrogentaion of lignite can take place at temperatures of 573° to 773° Kelvin and at pressures of 200 to 700 bar. A Bayer mass is mixed with predried coal as

a catalyst. At standard pressure about 2,500 m^3 of hydrogen was required per ton of petroleum.

A modified development of this process to meet today's requirements is expected through the Carbochemical Scientific-Technical Center.

Another possibility of obtaining hydrogen-rich hydrocarbons is extraction by the Pott-Broche method using hydrogen donors.

To increase extraction yields, lignite can be treated hydrothermally, when the coal is heated with saturated steam at temperatures around 573° Kelvin or a coal-water-suspension is introduced and can be used as the hydrogenation agent carbon monoxide. This process is currently being developed by the Academy of Sciences of the GDR.

If one compares the costs of the various coal purification processes used to produce high-grade energy sources and chemical raw materials, it can be seen that 6 to 10 million tons of unprocessed lignite are needed to replace 1 million tons of oil (see figure). Added to this are the higher investment costs and a larger labor force than is required for oil refining.

Besides increasing the number of existing coal processing plants, it is necessary to develop new methods in order to expand the supply of raw materials for the chemical industry over the long term through carbochemical processes.

The replacement of heating oil, which must take place much more rapidly, will result in a rise in the amount of unprocessed lignite to more than 250 million tons annually. It will be problematic to maintain this rate of mining over the longer term, so nuclear power assumes an increasing importance.

9581
CSO: 2300/321

TRADE UNIONS DEEMED IMPORTANT IN MANPOWER RELOCATION

Budapest NEPSZABADSAG in Hungarian 13 Aug 81 p 5

[Interview with Ferenc Kiraly, chief secretary of the Zala Megye Trade Union Council, by Laszlo Karacagi; place and date not given]

[Text] The direction and character of labor movement, and the related social, group and individual interests have changed several times in the past years. Accordingly, the union also had to update its safeguarding of interests. Was it possible to keep in pace with progress? What are the most important local experiences and tasks in labor management? These were the questions raised in our interview with Ferenc Kiraly, chief secretary of the Zala Megye Trade Union Council.

From Surplus to Shortage

[Answer] No matter what part of the country he happens to be in, a man from Zala megye will always meet someone from his home megye, says Ferenc Kiraly, beginning the conversation. Many people moved away from this land, for historic reasons. There was much poverty and a lack of jobs in the megye both before and, for a long time, after the liberation. The situation began to change later but even in the early 1960's, more people per 100 moved away than in Szabolcs-Szatmar megye. At that time, the union considered as one of its fundamental tasks the creation of more job opportunities. We, as of course all other megye organizations which had anything to do with employment policy, were under tremendous pressure. What new plant should be built and where? Who should be employed in it? It was very difficult to answer these questions.

[Question] What led to the labor shortage?

[Answer] Rapid industrial growth (10 to 12 percent annually) began in the late 1960's. In 1973, people stopped leaving. And 1 or 2 years thereafter, total employment was achieved. There was a similar process in the neighboring megyes as well, which affected the movement of manpower. We continued with the construction of our investment projects: we opened a poultry processing plant and a cooling house in Zalaegerszeg, and the United Incandescent built a factory in Nagykanizsa. And when all this was ready or almost ready, it became apparent that there were places where we could not find enough workers. We had to change our employment policy. We introduced very strict regulations which were supposed to limit the movement of manpower or at least to direct it toward production units that are more efficient from the standpoint of the national economy.

Many people viewed this as an infringement on the right to choose one's job, criticizing the unions that they supported these measures. Our answer was that the primary function of the unions is to safeguard social interests. And this makes it necessary to use the available manpower as efficiently as possible, i.e., it should be used in the new and modern factories. Incidentally, we did not limit individuals in their right to choose their job; the only thing we did was to decide, in the order of importance, which factory may increase its staff and which one may not.

To Reduce the Number of Conflicts

[Question] Reorganization and shuffling of manpower, for the purpose of changing the production structure, have begun in the last years in this megye too. What stage has the process reached by now?

[Answer] The megye's factories are relatively new and up-to-date. This also means in practice that there is no need for any significant regrouping of manpower or for any change in the production profile. However, there are minor movements, of course. The enterprises and cooperatives began an extensive study in 1979 to explore manpower resources. As a result, a total of 430 workers changed jobs within the enterprises and 450 jobs were discontinued. The Crude Oil and Natural Gas Mining Enterprises and the Zala Megye State Construction Enterprise had the greatest staff reductions: their staff was reduced by 150 and 70, respectively.

The generally accepted method of staff reduction is not lay-off. By their own decision, the enterprises do not hire new employees and only partially fill vacant jobs. As a result of these measures, the industry had a staff decrease of 800 this year, the manpower movement is only three-fourths of last year's; work morale has also improved.

In the long run, however, this method of staff decrease has inherent dangers, for it may have an unfavorable effect on the labor structure. For there is no assurance that only dispensable employees will retire or look for another job.

[Question] The regrouping of manpower may cause many conflicts. Did you hear of such complaints?

[Answer] There are, of course, individual complaints which are impossible to eliminate entirely. Statistics corroborate this. There were 738 labor disputes in our megye last year; most of them were dealt with locally, only 70 were forwarded to the Trade Union Council.

In our opinion, the movement of manpower is taking place at present with no significant conflicts. There was not a single case in recent years which excited a lot of interest. The United Incandescent took over the Precision Mechanics Enterprise. Four hundred out of 1,000 employees were assigned to making light fixtures, but there was nothing to do for the remaining 600. They were making water softening equipment. This profile was not part of the Incandescent's production and plans and thus it was slotted for discontinuation. However, both the workers and executives were staunchly opposed to the plan. The dispute lasted 2 or 3 years until a solution was found: the unit was taken over, with the same profile, by the 4 April Machine Industrial Works.

[Question] What can the union do in such cases to safeguard the workers' interests?

[Answer] We urged the authorities to finally decide on the workers' fate, for there is nothing worse than being up in the air.

In general: in such cases, the task of the enterprise union organs is (and we expect them to carry it out) to observe the ideas of the enterprise's economic management and help it to implement them. In changes that affect the workers, it is extremely important to make an appropriate preparation for the change, e.g., in manpower regrouping all affected workers must be informed in due time, and the possibilities must be in harmony with individual objectives. In addition, they must be given adequate time and a chance, of course, to learn their new tasks without any financial loss.

With the Union's Help

[Question] Do the unions have enough power and authority to affect employment policies at all levels?

[Answer] There were some people who criticized us because in the past years we allegedly "did not veto enough" executive decisions. But there was no need for more veto. This does not mean, of course, that the union agrees always and totally with the economic management and its decisions in labor and other things. The point is, rather, that the economic management does not allow the conflicts to grow to the point where a veto may result; instead, they strive to find a solution rapidly that is acceptable for the union as well.

On the other hand, it became general practice that the enterprise union organizations are solicited to take part in the planning and the preparation of decisions: the new programs and proposals are mostly discussed in a wider circle with the union's consent.

[Question] Does the union have such an authority in the workshop, in the office, in the factory?

[Answer] Here we have many more problems. As it is known, the stewards' rights and authority extended significantly in recent times. It is our general experience that most of them meet the new requirements and gain the respect necessary for their work. But there are economic managers who still do not consider the steward as a partner and do not ask for his opinion.

The stewards play a big role in manpower management. For they are the ones who first recognize local conflicts and are important links in the workers' chain of information. And their work is the area where the unions' role and authority in avoiding or eliminating conflicts must be increased even more in the future.

9414
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BANKING REFORM, ROLE IN ECONOMIC PLANNING ENHANCED

Warsaw DZIENNIK USTAW in Polish No 17, 10 Jul 81, pp 193-195, Item 82

[Text of Banking Law revision dated 3 July 1981]

[Text] In order to increase the role of banks in the planning system and in order to create conditions for a comprehensive banking system reform the following is enacted:

Article 1. In the law dated 12 June 1975 [Banking Law] (Dziennik Ustaw [Dz.U.] No 20, Item 108) the following changes are made:

1) In Article [Art] 4;

a) in section [sec] 2, the words: "of Finance Minister" are amended to read: "of Bank Council presented after coordination with the Finance Minister,"

b) in sec 3, the words: "of Finance Minister" are amended to read: "of Council of Ministers,"

c) sec 4 is deleted.

2) Following Art 4, articles 4^1 and 4^2 are added with following text:

Art 4^1.1. The coordinating and consultative organ of the banks is the Bank Council.

2. The Bank Council is composed of:

1] The president of the Polish National Bank [NBP],

2] Bank presidents (bank directors) of banks operating on a national scale,

3] Representative of the National Council of Bank of Food Economy,

4] Representative of the Chairman of Planning Commission of the Council of Ministers,

5] Representative of Finance Minister.

3. The president of NBP will preside over the Bank Council and will represent it to outside interests.

Art 4^2.1. The purpose of the Bank Council includes:

1] preparation of assumptions of guidelines for monetary and credit policy,

2] consultation on draft plans pertaining to credit, national balance of payments and monetary balances of citizen's incomes and outcomes,

3] review of bank statements pertaining to the realization of monetary and credit policies, credit plan, national balance of payments and citizen's incomes and outcomes,

4] review of analytical and prognostical reports which were presented to the Council of Ministers,

5] consultation on drafts of legal acts pertaining to the amount of credit interest rate and monetary funds or banking statements and banking fees and commissions,

6] consultation on drafts of legal acts pertaining to the banking system and the establishment of detailed principles of organization of such system.

2. The Bank Council, within the framework defined by law, will undertake resolutions which shall be binding on all banks.

3. In case of conflict between the Finance Minister and the Bank Council, relative to a specific resolution, such conflict will be resolved by the Council of Ministers.

4. The president of NBP will oversee the execution of Bank Council's resolutions.

5. The specific extent and mode of operation of the Bank Council will be defined by the Council of Ministers.

3) In Art 8, sec 4, and in Art 9, the words: "Finance Minister" are amended to read: "President of NBP."

4) In Art 11:

a) in sec 2, delate words: "and the Food Economy Bank." Also, the words: "Finance Minister" are amended to read: "Bank Council as coordinated with the Finance Minister,"

b) following sec 2, add sec 3, which reads as follows:

"3. The statute of the Food Economy Bank will be voted in accordance with the provisions of the law governing cooperatives and their unions. Its resolutions, within the extent that this bank will conduct a national bank function, should be in accordance with the instructions from the Council of Ministers."

c) temporary sec 3, is hereby renamed sec 4,

d) temporary secs 4 and 5 are deleted.

5) In Art 13, sec 1, the words: "Finance Minister" are amended to read: "Bank Council" and word: "to order" is amended to read: "to resolve."

6) in Art 20, sec 1, is amended to read:

"1. The annual balance sheet and the annual statement of NBP, after a review by the Bank Council, together with recommendations coordinated with the Finance Minister, pertaining to apportionment of profits, will be presented, during the time period ending on 30 April, of the year following the reporting period, for confirmation to the Council of Ministers.

7) In Art 21:

a) in sec 1, the words: "of Finance Minister" are amended to read: "of Council of Ministers,"

b) secs 3, and 4, are amended to read:

"3. The president of NBP is appointed and recalled by the Sejm, on a recommendation of the Premier of Council of Ministers. NBP president takes part in Council of Ministers' meetings.

4. NBP vice presidents are appointed and recalled by the Premier of Council of Ministers on a recommendation by NBP president, other members of NBP directorate are appointed and recalled by the NBP president."

c Following sec 4, add sec 5 which reads as follows:

"5. The president of NBP will issue directives as authorized by law."

8) in Art 25, the words "Finance Minister on recommendation by NBP president" are amended to read: "NBP president in coordination with the Finance Minister."

9) in Art 26:

a) in sec 1, the words: "Finance Minister on recommendation of the NBP president" re amended to read: NBP president,"

b) in sec 3, in words "Finance Minister" are amended to read: NBP president."

10) in Art 27:

a) sec 1, is amended to read:

"1. Monetary instruments which, because of use or abuse, do no longer come up to the standards set by the NBP president will lose their legal monetary value. The conditions for exchange of such monetary instruments will be defined by the NBP president."

11) in Art 28, sec 2, is amended as follows:

"2. NBP president sets a cash plan which will delineate the extent of growth or reduction of money in circulation."

12) in Art 29:

a) sec 2, is amended to read:

"2. NBP president presents to the Council of Ministers, for confirmation, draft of the credit plan, following consultation with the Bank Council."

b) added sec 3, will read as follows:

"3. The Council of Ministers will present to the Sejm, together with the national budget plan a credit plan and a plan for monetary balance."

13) in Art 32, sec 2, the words: "to the Finance Minister" are amended to read: "after consultation with the Bank Council to the Premier of the Council of Ministers and to the Finance Minister."

14) in Art 38, sec 2, the words: "Finance Minister" are amended to read: "NBP president."

15) Articles 43-49 are amended to read:

"Art 43.1. Activity of the Food Economy Bank is in the hands of its directorate. The head of the directorate is the bank president who, together with the directorate, is responsible for the activities of the bank and for achievement of assigned goals, he also represents the bank in outside activities.

2. The members of the Food Economy Bank directorate include: the president, vice presidents, other members of the directorate including those who perform those functions socially.

Art 44. The following constitute organs of the Food Economy Bank:

1] national -- National Congress of Delegates
-- National Council of the Bank
-- Bank directorate

2] regional -- Voivodship Congress of Delegates
-- Voivodship Councils of the bank

Art 45. The constitution of the Food Economy Bank describes in detail:

1] objectives, basic tasks and activities,

2] bank organization, principles of directorate's activities and the president, the methods of opening and closing of branches and other operational locations,

3] composition and precedure for calling national or regional organs of the bank and their tasks, determination of different types of centralized funds of cooperative banks,

4] own funds and general principles of fiscal economy.

Art 46.1. The president of the Food Economy Bank is appointed and recalled by the Premier of the Council of Ministers on a joint recommendation of the National Bank Council and the Finance Minister.

2. Vice presidents and other members of the directorate of the Food Economy Bank are appointed and recalled by National Bank Council on recommendation of the Food Economy Bank president after coordination with the Finance Minister.

3. The method of appointment, recall or suspension of members of the directorate is prescribed in the Food Economy Bank's constitution.

Art 47.1. The following are authorized to issue statements pertaining to meaning of the law and propertiary responsibilities as they pertain to the Food Economy Bank:

1] bank president,

2] two members of the directorate,

3] one member of the directorate and an authorized plenipotentiary, within the limits of his authorization.

2. In order to facilitate the carrying out of the prescribed activities and specific acts, the directorate may appoint a plenipotentiary who can act alone, however, only within the limits of his authorization.

Art 48. Cooperative banks act in accordance with the provisions of the law governing cooperatives and their unions as well as the provisions of this law and are subject to registration in the register of cooperatives.

Art 49. Cooperative banks are formed to serve the population and administrative units which located within the sphere of the cooperative banks' activities. Persons so served live basically on the territory of a single gmina or city.

16) In Art 51:

a) in sec 1, item 2, delete words: "within the sphere and on the principles defined by the Finance Minister."

b) sec 2 is deleted.

17) Art 60 is deleted.

18) in Art 61, after words: "through the Finance Minister" add: "after consultation with the NBP president."

Article 2. Until such time when proper organs will issue implementing regulations in accordance with Article 1, above, the regulations currently in force will remain binding.

Article 3. This law becomes effective upon publication.

Signed

President of the National Council H. Jablonski
Secretary of the National Council E. Duda

9511
CSO: 2600/324

IMMEDIATE REFORM URGED TO FACILITATE NEW MINISTRY EFFECTIVENESS

Warsaw TRYBUNA MAZOWIECKA in Polish 5 Aug 81 p 4

[Interview with L. Szalajda, minister of Metallurgy and Machinery Industry by Waleria Mikolajczk, date and place not given]

[Text] A month after the Ministry of Metallurgy and Machinery Industry was created to replace the three ministries of Metallurgy, Machinery Industry and Heavy and Machinery Industry, a press conference was called by the new industry during which its head, minister L. Szalajda, responded to numerous questions from the reporters.

The reporters wanted to get a comprehensive picture of the activities and intentions of the new ministry, and it must be said that from the minister's answers--after they have been arranged--such a picture emerges. Therefore, the undersigned considers it appropriate to cite here almost in their entirety both the questions and the answers, changing at times only their sequence in order to obtain a logical whole.

[Question] Will the new ministry be something more than the sum of the three old ministries, what will be its shape and mode of action?

[Answer] Combining the three ministries was not a goal in itself, but the consequence of activities in the direction of economic reform. If it is carried out--and I have been and am its advocate--the creation of a new system of control and management of the economy has to be acknowledged as one of its elements. The new ministry must, therefore, be an organ which will fulfill management functions in conditions of economic reform. In my opinion, that depends, among others, on the minister's not being, as he has been up to now, a representative of the interests of his own administrative branch but, on the contrary, a representative of the total governmental and social interests of his branch, an achiever of the administrative program, even though at times it might be detrimental to his own branch. Our new ministry will be better able to achieve these total social goals, since it now has at its disposal a very considerable industrial potential: between 10 and 20 thousand plants employing about 1.6 million people.

What we have already succeeded in doing in a short time for agriculture can serve an an illustration of the advantages resulting from combining the three industries into one organ. We have already held a series of meetings with the people responsible for the production of farm machinery, and in just a few days a detailed plan

to increase production will be ready: how much of what kind of machinery, in which plants, with the help of what means will be known. All industry responsible to the ministry will implement, as a priority, co-production tasks for the production of farm machinery. In metallurgy all production for agricultural needs has been designated as a priority. It has been decided to raise the import ban of small parts for farm machinery.

[Question] But how will the model of the new industry specifically look?

[Answer] We are cooperating to work out such a model with Professor Baka, the minister of economic reform. We are in the process of working out this model, although there are differences of opinion between us. According to my expectation the reform can begin to have an influence at the enterprise level no earlier than in the third quarter of 1982, and for the level of organizations with authority over the enterprises--by the end of the next year at the earliest. But in the meantime something must be done. An example: at this moment all correspondence comes to the ministry in such a way and demands that matters be dealt with in such a mode as if no changes had occurred, as if there had been no merger. Someone must deal with this. Thus, in the meantime do I have to have some kind of apparatus or not? Well, Professor Baka is of the opinion that the ministry's structure should be established so that it would immediately adjust to the economy's ultimate model, whereas I consider that for the time being it has to be functional during the transition period.

[Question] But are any kind of specific plans by the ministry regarding this structure and mode of action?

[Answer] They are very far advanced, almost completed plans. The structure of the new ministry--I regard this as the most important--eliminates the system of branch management of the sub-sectors responsible to us. No one--including the state deputy secretary--will answer for any branch. The whole structure will be bloc-functional. Several blocs will arise, the deputy secretary will be responsible for each.

We foresee four basic blocs: the economic, whose task, among others, will be to create management systems and economic and trade systems; a developmental-technical-scientific; export-import; raw materials-materials. There will be one more smaller social-cadre bloc, which will attend to cadre politics by working together with the trade unions, the Sejm and the mass media. We also foresee the creation of a operational control of production bloc for the interim period to bring the industries to operate on bases of the reform. It will be divided into elements for controlling the present industrial tasks working on meeting the needs of the food economy, the machinery industry, the electrotechnical and electronic industry, as well as metallurgy.

[Question] How is the implementation of current tasks in the ministry?

[Answer] It has to be said that the implementation of plans is poor. The poor outcomes are a manifestation of the economy's general deep crisis. But even with the resources of raw materials and materials which are on hand, the outcomes could be better if the support for realizing these tasks were expressed in actions and not in words. Nothing stands in the way, for example, of producing more nails. The

materials for their production exist. However, the plant which makes them has given itself a shorter work week. The machines are standing, and there are no nails on the market. Why, the Plock Harvesting Machinery Factory soberly went to work, raised the production of even new stocks: hay-raking machines, drying plants. The realization of tasks will be even better than planned.

So it is a matter of people, climate, plant management and of trade union and party echelons. Why, in other plants is all the energy of good directors expended on disputes with trade unions, on pondering over complaints that the director had not allowed them something mentioned in the bulletin or mass media. Conflicts arise as to whether in general this director should be there or not, or whether one can employ former secretaries. And the work lies undone. Also nothing is standing in the way of taking advantage of the authorizations conferred by resolution 118 to introduce certain elements of economic reform in the plants now. No one is giving thought, for example, to eliminating over employment and assuring equitable wages for the remaining workers and an appropriate work output for the plant. The process of shifting the labor forces does not have to be, after all, controlled from above. It can be spontaneous.

[Question] You have spoken here a little about activities on the behalf of agriculture, but what specific actions aside from programs has the ministry taken to assist that sub-sector of the national economy?

[Answer] The association "Agroma" has been instructed to prepare lists of domestic metallurgical products of unsuitable quality going to plants which produce farm machinery and also lists of imported metallurgical products which are lacking. On the other hand, the distributor association Centrostal is directing the orders for each of these stocks to a specific steelworks, which will have to acknowledge the order.

[Question] That means that it will be done again by the directive-distribution method. What does this have to do with reform?

[Answer] It is easy to talk about sabotaging the reform, but the reform is not yet in operation. Thus for the time being I must still have some kind of authority in order to demand a certain production. The worst part is that if I want to demonstrate that authority, the plants do not listen to me. At one time I could curb them with capital expenditures. Now there are hardly any capital expenditures. What can I do to them? Lower the wage-fund, the employment? After all, they have resolution no. 118. That is precisely why I favor intorducing the reform as quickly as possible.

[Question] Where do you find resistance to the reform?

[Answer] Those setting up barriers can be easily found everywhere, but they are a margin that matters little and small in number. I have seen them everywhere where people want to spoil something by overelaborating it. Is such "prolongation" of the matter of autonomy necessary? Would it not be better if we already had that statute? Perhaps the matter of electing or naming a director is important, but is it worth squabbling about? The formulations in the government's proposal are completely acceptable. A second category of people setting up barriers to reform

are those otherwise completely decent people who seriously doubt whether a rapid, radical reform is generally possible. Finally, I have seen a third category of individuals hampering the reform in the enterprises. There are a considerable number of people there who "shoot in the air" instead of getting down to work and introducing those elements of reform which can already be realized.

[Question] What kind of contraindications do you see to influence enterprises with exclusively economic tools while "remitting" to yourself the matter of naming a director?

[Answer] It is a matter of the State's having its own representative in the elements of the economy, an agent who will represent the State's interests. Perhaps in 4 or maybe in 2 years it would be possible to return to the eligibility of directors. But today that would greatly impede management. It would be unreasonable to constrain social interest.

9541
CSO: 2600

PROSPECTS FOR DEVELOPMENT OF MARITIME FLEET ANALYZED

Development of Ocean Line

Warsaw BUDOWNICTWO OKRETOWE in Polish No 1, Jan 81 pp 12-15

[Article by Ryszard Ulanowski, Master of Engineering and Technical Director of Polish Ocean Lines; Piotr Dzida, Master of Engineering, Head of Department of Maritime Capital Investments at Polish Ocean Lines: "Evaluation of the National Shipping Industry in the Development of the Polish Ocean Lines Fleet"]

[Text] The stormy development of the size of the world fleet which began in the 1960's underwent a sudden collapse in the mid-'70's. Fluctuations in the situation of liquid and bulk cargo transports had a direct effect on the demand for ships of this type. Shipyards which were being expanded at the turn of 1960/1970 with the intention of building large tankers and bulk-cargo ships were forced to drastically reduce their production and even change the production profile.

A different situation existed in regard to ships used for transporting dry and not bulk cargo or, in other words, general cargo. In this instance, such a sudden collapse was not noted and the demand for new ships of this type did not undergo greater deviations from the holding trend of growth. Nevertheless, the world economic situation exerted an enormous influence on changes in the structure and quality of the world fleet intended for the transport of general cargo. Several increases in the costs of fuel, crews, servicing of ships in ports, repairs as well as worsening conditions in trans-loading in most ports of the world forced such and not another road of development.

In the 1970's, two directions became apparent which had a substantial influence on the development of ships for the transport of general cargo and which issued forth from the vital necessity of rationing the costs of investments, maintenance and operation. The first direction was the introduction and expansion with increasing momentum of the use of new technological forms of transport, of loading and unloading general cargo; the substituting of the until recently dominant in this field of maritime transport conventional ships with specialized ships, such as: semiconductor ships, container ships (ro-ro [roll-on-roll-off]), vehicle-carrier ships, LASH ships, multi-purpose ships.

An example here may be the growth of the world fleet of vehicle-carrier ships (ro-ro), presented in the table below:

Table 1. Number of vehicle-carrier ships (ro-ro [roll-on-roll-off]) in operation.

[illegible] pojazdowców (ro-ro) w eksploatacji

Tabela 1

(1) Rok	(2) Liczba	(3) RT brutto	(4) Nośność
1970	141	484 361	611 068
1973	318	1 290 636	1 532 860
1976	424	1 861 757	2 320 636
1979	720	4 072 644	5 217 453

1. Year
2. Number
3. Gross Register Tons
4. Deadweight Tons

New transport techniques result from changes in the form of cargo which has undergone unitization and is transported in containers, pallets, bolsters, port trailers (roll trailers), etc.

This turning-point in liner shipping service has already become permenently set and is now an accomplished fact from which there is no turning back. The problem at the present moment is based only on the numerical ratio between these forms in their respective relationships and on adpating to the ports and infrastructure of the serviced geographical region. The above will dictate the acceptability of an appropriate concept of a ship type or its series.

The huge capital intensiveness of every such modern investment should be stressed because aside from the cost of purchasing a ship, the cost of containers, bolsters, port trailers should also be included bearing in mind the number of several complete sets required for each ship depending on the frequency of voyages made, the number of base-ports and radius of the land area serviced by these ports.

However, the effects of these new undertakings exceed considerably and are incomparable with the results obtained from a conventional method of operation. The shipowner who does not keep pace within this process is in danger of the inevitable decline in performance results, the shrinking of reserves intended for development and in effect being unable to continue existing.

The second direction which appeared in the last decade was the achieving of the greatest fuel conservation and improving the performance of propulsion systems. Several price increases in fuel indicated the need for a new outlook on the matter of ship speed in regard to the profitability of a given shipline's service.

The average fuel prices in dollars took on the following appearance in recent years:

Table 2. Fuel prices

(1) Rok	(2) Paliwo ciężkie 1500 Sek RI	(3) Paliwo silnikowe
1971	20	30
1975	75	105
1980	180	330

1. Year
2. Heavy fuel 1500 Sek [expansion unknown], RI [expansion unknown]
3. Engine fuel

The furious trend for the obtainment of increasingly higher speeds in newly built ships noted in the 1960's has succumbed to a significant slowing down. Even though, matters of competitiveness in the service offered, the necessity for maintaining regular schedules, etc. are still taken into account--the shipowners are generally moving away from the high speeds even in the existing ships, reducing their operating speed well below that which was assumed while building several years ago. The anticipated expansion in the early 1970's of turbine propulsion (steam and gas) as well as the dominance of medium-speed engines over internal-combustion propulsion did not come about.

Instances of converting power plants into internal-combustion plants are even being noted while the low-speed engine has strengthened its position considerably. Tests of using the heaviest fuels even as high as 6,000 sRI together with coal dust are being conducted.

The solution which has as its objective, the attainment of the greatest fuel conservation and increasing propulsion efficiency while in use is finding an increasingly widespread application:

--selection of a special hull shpae,

--reduction in the number of rotations of screw propellers,

--application of special paint coatings such as the anti-lichen, self-polishing system.

Ways are being sought for the most economical propulsion of power generators on ships through the use of shaft generators, turbo generators supplied by waste-recovery boilers utilizing to a mazimum the waste-heat from the main engines.

State of Affairs of the PLO [Polish Ocean Lines] Fleet in 1980

The state of the PLO fleet on 31 December 1979 was as follows: 172 ships with a deadweight of 1,118,993 tons; in this number there were:

15 ships up to 4 years old
25 ships from 4 to 8 years old
33 ships from 9 to 12 years old
71 ships from 12 to 20 years old
28 ships over 20 years old.

In recent years, PLO received a new series of ships which, at least to a certain degree fulfill the requirements of modern transport technology:

Semi-Container Ships

Type B-438--"FRANCISZEK ZUBRZYCKI"	--7 units
Type B-467--"JOZEF KONRAD KORZENIOWSKI"	--3 units
Type B-340--"PROFESOR MIERZEJEWSKI"	--3 units
"JACEK MALCZEWSKI" built in Canada	--4 units

Vehicle-Carrier Ship (Ro-Ro)

"INOWROCLAW"--7,000 deadweight tons; built in Finland.

Railroad Ferries

Type: "MIKOŁAJ KOPERNIK" built in Norway --2 units.

Refrigerated Ships

Type B-437--"DZIECI POLSKIE" --2 units.

The reconstruction of five small ships was also carried out by adapting them to the transport of containers and a purchase was made of one small vehicle-carrier ship (ro-ro)--"STAROGARD GDANSKI."

The remaining ships of our liner fleet are conventional ships not adapted to the needs of modern operation.

The unfavorable state of affairs was increased by the lack of possibilities for the realization of our 1976-1980 plan which envisaged the delivery of 44 domestically made ships (565,000 deadweight tons) and 7 imported ships (81,000 deadweight tons); altogether 51 ships (646,000 deadweight tons).

This plan was realized to the extent as follows:

domestic deliveries	--14 ships (153,000 tons)
imported deliveries	-- 7 ships (81,000 tons)
for a total of	--21 ships (234,000 tons)

which constitutes 41 percent of the perceived number and 36 percent of the deadweight tonnage.

The above list would not even require any comments, if it were not for the fact, that among the above mentioned 44 ships contained in our 1976-1980 plan and confirmed as deliveries from our own domestic shipyards by the interministerial agreement between MPCiR [Ministry of Heavy and Agricultural Machine Industry] and MHZiGM [Ministry of Foreign Trade and Maritime Industry], modern ships from the point of view of transport technology were expected, therefore, the following:

--con-ro [container-roll-on-roll-off] type ships at 19,000/23,000 deadweight tons,

--ro-ro vehicle-carrier ships at approximately 20,000 deadweight tons, 7,000 tons and 3,000 tons.

Many reasons contributed to the fact that these ships "did not make it" in the number of deliveries made by our shipyards. In other words, the completion of deliveries became so drawn out in time that, in effect, during the last, entire 5-year period we received ships planned and what's more, contracted for the first years of that period (1976-1980). Modern, badly needed ships which were anticipated in our plans for 1976-1980 were simply pushed beyond the 5-year period of 1976-1980. What is even worse, is that despite efforts made in the form of interventions, postulates, presenting the situation at forums of the highest ranking government and Party officials--from 1976, it has not resulted in the signing of any agreements for the building of new ships between PLO and CMIE "Centromor" [expansion unknown] acting on behalf of the Shipyard. We are faced with the necessity of searching for other possibilities of new ship deliveries. Based on the principle of credit purchases under a mortage lien, we have in recent years entered into contract with foreign shipyards:

--The shipyard--Marine Industries Limited in Sorel, Canada, for the building of four semi-container ships at 17,000 deadweight tons, load carrying capacity of 417 TEU [Twenty-Foot Equivalent Units] and a speed of 20 knots. The ships were delivered in the years 1979-1980 and destined for the Australian line and that of the Far East;

--The shipyard--Rauma Repola in Raume, Finland for the construction of a vehicle-carrier ship (ro-ro) "INOWROCLAW" at 7,000 deadweight tons, a load carrying capacity of 350 TEU and speed of 17 knots--the delivery took place in 1980 and was assigned to the English line;

--The shipyard--Chantiers Navals de la Ciotat and the shipyard, Chantiers de l'Atlantique in St. Nazaire--France for the building of four combination ships with chamber-container holds and part vehicle-carrier ships (ro-ro) with a conventional ramp commonly called, "Con-ro" ships at 22,000 deadweight tons with a load carrying capacity of 1,400 TEU and speed of 21.5 knots; delivery is predicted for 1981 and destined for the North American line;

--The shipyard--Astinerose Espanoles SA in Puerto Real, Spain, for the construction of 4 ro-ro type ships at 21,000 deadweight tons, load carrying capacity of 1,100 TEU and speed of 20 knots; delivery is predicted for 1981-1982 and destined for the Australian line.

1981-1985 Plan for Development of PLO Fleet and Potential for Its Ralization

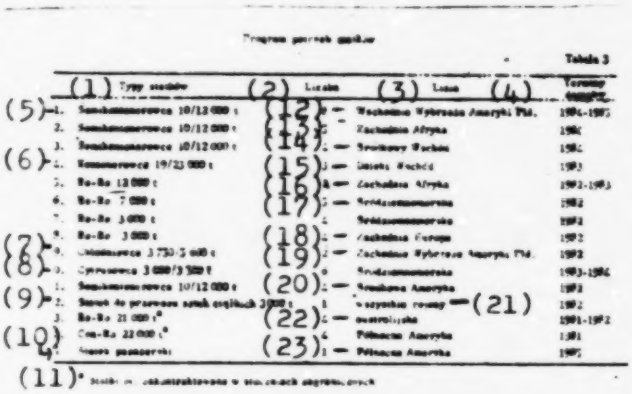
In 1978-1979, the 1981-1985 Plan for the development of the liner fleet was worked out at Polish Ocean Lines. The following were accepted as points of reference: the actual operating situation of individual lines, the need to scrap ships after they have surpassed 20 years in operation (67 ships at 431,096 deadweight tons) but above all, the need for introducing new transport technologies and specializations. The growth trend for the number of serviced lines was not envisaged.

In principle, our plan anticipates the retention of the existing services while expecting to change their quality. The introduction of new ships for various lines constitutes a, "to be or not to be" dilemma with the ultimate result of withdrawing from serving a given geographical region. The new plan also had to take into account the unaccomplished projects of the last 5-year period.

As a result of our own research and also on the basis of studies conducted by the Maritime Institute, we had presented to our department in mid-1979 a document, entitled: "A Verified Plan of the Tonnage Needs of PLO in the years 1981-1985."

This plan included the following ship types and anticipated delivery dates:

Table 3. Plan of ships needed



(1) Typy statków	(2) Liczba	(3) Linia	(4) Termin dostaw
1. Semikontenerowce 10/12 000 t	(12)	Wschodnie Wybrzeże Ameryki Płd.	1984-1985
2. Semikontenerowce 10/12 000 t	(13)	Zachodnia Afryka	1984
3. Semikontenerowce 10/12 000 t	(14)	Środkowy Wschód	1984
4. Kontenerowce 19/21 000 t	(15)	Dalekie Wschód	1983
5. Ro-Ro 12 000 t	(16)	Zachodnia Afryka	1982-1983
6. Ro-Ro 7 000 t	(17)	Śródziemnomorska	1982
7. Ro-Ro 3 000 t		Śródziemnomorska	1982
8. Ro-Ro 3 000 t	(18)	Zachodnia Europa	1982
9. Chłodniowce 3 750-5 000 t	(19)	Zachodnie Wybrzeże Ameryki Płd.	1982
10. Cytrusowce 3 000/3 500 t		Śródziemnomorska	1983-1984
11. Semikontenerowce 10/12 000 t	(20)	Środkowa Ameryka	1983
12. Statek do przewozu sztuk ciężkich 2 000 t		Wszystkie rejsy	1982
13. Ro-Ro 21 000 t*	(22)	Australijska	1981-1982
14. Ro-Ro 22 000 t*		Północna Ameryka	1981
15. Inne pasażerski	(23)	Północna Ameryka	1985

(1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23)

* Statki w budownictwie w stoczniach zagranicznych

1. Ship types
2. Number
3. Line
4. Delivery dates
5. Semi-container ships 10/12,000 tons
6. Container ships
7. Refrigerated ships
8. Citrus-fruit carriers
9. Ship for transport of heavy pieces
10. Passenger ship
11. Ships already under contract of foreign shipyards
12. Eastern Coast of South America
13. West Africa
14. Mid-East
15. Far East
16. West Africa
17. Mediterranean
18. West European
19. Western Coast of South America
20. Central America
21. All regions
22. Australian
23. North America

The realization of this plan is becoming increasingly more pressing. Despite many long-time efforts, it has not been possible to obtain assurance to this very day for the realization of this plan through work commissioned to our domestic shipyards. The country's industry must finally declare itself in regard to its capacity for set-date deliveries of the particular ship series since it is known that, technical capacities do exist. The majority of ship types presented in the plan may be built in all of our shipyards. Despite the lack of an interministerial agreement or even contracts for the building of ships, intensive design work is being conducted by planning-design bureaus with the active participation of PLO; however, even with the most intensive work and the rapid overcoming of formal barriers that exist in the investment process, we realize that we may expect the accomplishment of our plan in the years 1983-1985, at the earliest.

We are of the opinion that the most important supplier of ships to PLO must be our country's own shipping industry. Calculations of the profitability of exports of ships built by our shipyards for foreign shipowners in relation to the profitability of operating these units by PLO, reveal unequivocally a decided advantage and gains for the national economy by virtue of operating the ships by our domestic shipowner.

A binding agreement between MHZiGM [Ministry of Foreign Trade and Maritime Enterprises] and MPMCiR [Ministry of Heavy and Agricultural Machine Industry] should be brought about as soon as possible; such an agreement should find the acceptance of the Planning Committee in the form of guaranteeing to PLO all deliveries encompassed by this plan.

Besides the above mentioned, most important argument for the building of the Polish fleet in Polish shipyards, attention should also be called to the other, by no means trivial arguments:

1. A domestic purchase does not encumber the country's foreign-exchange balance of payments;

2. The majority of ship types specified in the plan is contained in the production profile of our country's shipyards;

3. Simplification of ship designing resulting from the use of Polish regulations as well as knowledge of the domestic shipowners' requirements and on the other hand, the shipowners knowledge of our shipyards' technical capacities;

4. Greater possibilities of using domestic devices and equipment known to the shipowner;

5. Unification of domestic devices and equipment facilitates the shipyard's planning, purchases and assembly while it simplifies and decreases considerably the shipowner's costs of replacement parts management;

6. Avoiding foreign-exchange costs of inspection and simplifying procedures involving agreements, inspection and pickup of units.

In conclusion, we believe that a system of regular renovation of our domestic fleet in our own shipyards must come about, which will assure a rhythmic inflow of new

tonnage in proportion to the shipowner's needs without detriment to the expert activity of the shipping industry.

The purchase of ships abroad is a last resort, which according to us may be justified only in certain cases involving the building of special types of ships whose introduction into production in our domestic shipyards would be unprofitable.

The building of the, included in our development plan, new passenger ship to serve the Gdynia--ports of North America line requires a separate discussion. Because of the decision of MHZ GM to extend the operating time of the ship, "STEFAN BATORY" for another 4 years, the realization of building a successor for our passenger flagship in our domestic shipyards should already be currently ensured on the basis of the already worked out plan, through the collective efforts of the Shipyard "im. A. Warskiego" in Szczecin, for the ship--"POLONIA."

Due to the required several-year cycle of designing, preparation and the building itself of this complex ship, binding and definite decisions must be undertaken as soon as possible.

Evaluation of Technical and Production Potential of Repair Shipyards

The basic demand made by every shipowner in regard to a shipyard boils down to the delivery of a ship in keeping with its operational expectations and technical requirements. Unfortunately, in our case, this obvious postulate is met with serious obstacles. Many ships were delivered to PLO on the basis of "take it as it is for you may not get anything." As a result, series were produced which were adapted to PLO's needs by way of mutual giving in--on the one hand, a technically difficult modification of a completed design previously intended for a completely different shipowner and on the other hand, by way of changes in PLO's expectations.

That such practices must undergo changes should be obvious to both directly interested parties and probably also including the shipyards themselves. We consider it essential that mutual confrontations be conducted already at the proposal stage.

We wish to reaffirm our high opinion of our shipyards' design-planning departments--this is probably the brightest side of our cooperation with shipyards. It should only be regretted that in their practice up to now, the designers hands were overly tied down in regard to the use of innovative planning solutions and modern equipment. This was also the reason why certain demands made by the shipowners based on many years of operating experience remained only as wishes. Excessive restrictions proceeding on authority for the importing of equipment components very often brought fatal results. Very good design solutions become buried by the use of inappropriate, untested material and components. An example of this may be automatic systems solutions, where a few economical replacement components practically eliminated their usefulness under ship conditions and after several years or even months they were not even fit to be repaired.

The designing of hulls, power plants or superstructures does not arouse any greater objections on our part; the situation is worse in the designing of structural hitches related directly to trans-loading and transporting of cargo. Here the designers' lack of personal experience can be felt in the direct contact with the technology

of trans-loading in ports and that of transport, especially in regard to the most modern ship types.

We value highly the quality of ships produced in our shipyards, however, maintenance and the interior finish leave a lot to be desired. The reasons for this state of affairs are generally known--poor quality of irregularly supplied paints, lack of appropriate finishing material and tools for interior finishing work. Because of shortages in the shipyards' supply of a full range of products, certain installations are rescaled out of necessity.

The weakest point of the delivered ships are installations originating from the shipyards' sub-suppliers. The unfavorable opinion of their unprofessionalism has increased in recent years. In practice, there has not been an installation in the ships delivered in recent years that has not failed already during the warranty period.

For our part, we render ships accessible for experimental purposes and for testing while in use, of every prototype mechanism reported by ZPO [Shipbuilding Industry Union]. The experience gained from such cruises together with comments from first-time users, our crews, will serve the achievement of the best solutions. Unfortunately, our remarks do not always find understanding and are often ignored.

We hope that the present small group of equipment producers who fully appreciate the opinion given on the operation of their installations and use it to improve them, will expand with the assistance of the shipyards which, after all, are interested in a good opinion of their final products--ships.

Final Conclusions

We are witnessing serious changes in the structure and quality of the world liner fleet. The Polish shipowner should merge with this current of modernization with the effective assistance of Polish shipyards, which must constitute the main source for the systematic building of its fleet.

The best operational and technical indicators should increasingly typify this fleet. The joint efforts of shipyards and shipowners will serve this national endeavor.

Prospects for Tramp Fleet

Warsaw BUDOWNICTWO OKRETOWE in Polish No 1, Jan 81 pp 19-21

[Article by Pawel Bobryk, M.S., Polish Steamship Company--Szczecin: "Prospects for Expansion of Tramp Fleet and Ship Delivery Needs from Domestic Shipyards"]

[Text] Fleet Expansion up to the Present

The problem of prospects for tramp fleet expansion should be examined on the basis of the evaluation of development and potential up until now which is available to us at the threshold of the 1980's.

Popular opinion with which one can be met equally among people directly connected with the maritime industry as well as among laymen, refers to the decade of the 1970's as "the decade of the tramp fleet." I would like to conduct here, a synthetic

and at the same time critical evaluation of this expansion which will later on permit a better description of the conditions and prospects for further expansion. In the 1970's, dynamic expansion took place of the fleet of universal bulk-cargo ships (series of ships with a unit deadweight tonnage of 3,500-71,000 tons) and the building from basics of a fleet of tankers for the transport of crude oil (ships with a deadweight tonnage of 137-145,000 tons). The increase in the number of ships was not large (1971--108 ships; 1979--115 ships), however, there was a three-fold increase in the fleet's deadweight tonnage from 1,137 tons in 1971 to 3,227 tons in 1979. A not too large increase in the number of ships with a nearly three-fold increase in the fleet's tonnage is the result of a consistently conducted policy throughout the entire decade of the 1970's of rejuvenating the fleet by scrapping or selling ships that were worn out physically and morally [as published]. During this period, all ships of war-time construction were removed from operation (ship types such as, "LIBERTY," "EMPITE" and others) which at the end of the 1950's made possible the initiation of ocean related services by the fleet belonging to PZM [Polish Steamship Company]. All ships built in the 1950's were also removed, among these, the first Polish coal-ships (with the exception of the ship, "SOLDEK"). In consistently fulfilling the concept of building a modern, competitive fleet adapted to market demands, ships which did not meet these criteria were also removed from operation; e.g., part of the series of universal tramp ships, type B-512. In as much as the above outlined activities having for their goal the rejuvenation of the tramp fleet were consistently accomplished during the entire decade of the 1970's, so the purchase of new ships took place by leaps and bounds and was not a consistent attainment of the earlier described tonnage needs of the shipowner. Like the entire national economy, so the first-half of the 1970's was a period of rapid growth. During this time, deliveries of new ships amounted to 60 ships with a combined deadweight tonnage of 2,354,117 tons. The average tonnage of one ship increased from 9,400 tons to 27,100 tons.

The dynamic growth in the years 1971-1976 involved both the dry, bulk cargo transport fleet and the fleet for the transport of crude oil and petroleum products. However, there were various conditions on which the expansion of these groups of ships was based. The fleet of tankers was purchased within the bounds of the realization of a complex plan for the importing of crude oil by way of sea which constituted only one of its elements. The time-limit for undertaking an otherwise valid decision of building a petroleum terminal, a refinery and a fleet, although, objectively necessary was exceptionally unfavorable and until today has a bearing on the economic consequences of the realization of the entire plan with the fleet included.

However, this is not the place for the evaluation of this complex problem. It should be emphasized that the fleet of tankers constitutes the only group of ships which was ahead of the needs of Polish foreign trade and was at the same time stricken by a severe and long-lasting crisis in the world's freighter market. The expansion of the tramp fleet for the transport of dry, bulk cargo was characterized by a high degree of dynamics.

The growth indicator for the years 1970-1978 was 13.5 percent annually. Despite this, the fleet's transport potential tended below the needs arising from the supply of bulk cargos of Polish foreign trade (phz). A shortage in the fleet's tonnage in proportion to the optimal level required to satisfy the needs of phz resulted from the more rapid increase of phz's turnover by way of sea (approximately 13.8 annually

from 1970-1978), the extension of the transport lines of trade (the average transport distance increased from 2,333 nautical miles in 1970 to 2,934 miles in 1977) and the radical worsening of fleet servicing in our domestic ports.

The expansion of the Polish Steamship Company's fleet in the years 1971-1976 was dependent on the suppliers of ships from domestic and foreign shipyards. During those years, domestic deliveries amounted to 612,577 tons; i.e., nearly half of the deliveries of new tonnage for the transport of dry, bulk cargos.

The above presented data indicate that the first-half of the 1970's was a period of intensive development which introduced fundamental changes in the quality of the Polish tramp fleet's structure adapting it to the rapidly increasing turnover by way of sea of Polish foreign trade. A modern fleet of bulk-cargo ships was created which was capable of successfully competing with other transporters in terms of the standard of services offered and also in terms of prices. This made it possible for our domestic shipowner to take over the transport of much of Polish foreign trade's cargo remaining under the foreign control of transport. The created potential was, nevertheless, barely sufficient to satisfy the transport needs of Polish foreign trade and therefore, the fulfilling of an instrumental fleet function without the opportunity for a profitable and important in the balance of payments country--exporter of transport services (with the exception of the above mentioned Polish foreign trade cargo presently remaining under the foreign control of transport). At a moment when the large, modern potential of the tramp fleet created between 1971-1976 and the shipowner's position on the freighter market could have begun to bear fruit in the form of export of transport services, the expansion of the fleet was drastically halted. With a lower than in previous years but continuously high degree of growth of Polish foreign trade's turnover by sea which amounted to 7 percent annually during 1975-1978, a severe deficiency in tonnage began to appear from 1977. This deficiency was and still is, unfortunately, becoming worse by the lack of an appropriate port base and inefficiency of the entire transport in the hinterland. In order to maintain its position in the servicing of Polish foreign trade's cargo with much of it being under the foreign control of transport, the Polish Steamship Company was forced to charter foreign tonnage. The number of this fleet's charters increased astronomically from 1976 when 17 ships were chartered, which transported 41,000 tons, to 117 ships in 1978 with transports as high as 5,066 tons. Last year, a decline in foreign tonnage charters occurred. It was caused by a policy of "foreign-exchange conservation," whose effects were obviously felt in the amount of transports and their participation in the turnover by sea of Polish foreign trade which fell from 55.8 percent to 51 percent in 1979.

Expansion at a Halt

The above remarks were necessary even though they stray from the mainstream of reflections on the expansion of the tramp fleet in the second-half of the 1970's and the prospects for expansion during the current decade. I stated above that the expansion of the tramp fleet was drastically halted after 1976. Fundamental questions begin to appear as a result:

--What caused the halting of the harmonious and dynamic expansion of previous years?

--What are the consequences of this situation?

--What actions did the Polish Steamship Company take to change this situation?

--And finally, what were the reasons why the Polish shipping industry "turned its back" on the needs of the country's tramp fleet?

An answer to all the presented questions requires a thorough analysis of the conditions of expansion of the entire national economy in the decade of the 1970's, a description of the influence of the tramp fleet in terms of the turnover and effectiveness of Polish foreign trade and a critical analysis of the strategy of recent years for the fleet's expansion and that of the domestic shipping industry. I am hopeful that such a complex analysis will be completed as soon as possible and will make possible a description of the expansion strategy for both navigation and the shipping industry in the 1980's. At this point, it is enough to state that from 1977 to the present time the planned deliveries to the tramp shipowner amounted to four ships with a deadweight tonnage of 141,455 tons (in this number--one ship with a deadweight tonnage of 38,000 tons, delivered in 1977 constituted "a slip" from previous years. This is approximately 14 percent of the plan for tonnage deliveries contained in proposals of the 1976-1980 5-year plan. The domestic shipping industry was to deliver during that period, a minimum deadweight tonnage of 872,000 tons. The actual deliveries were 103,171 deadweight tons; i.e., approximately 12 percent of the expected deliveries for the 1976-1980 period. I have presented these figures intentionally in order to undermine the prevailing myth, even among professionals directly connected with the maritime industry, about the decade of the 1970's as the "decade of tramp navigation." Naturally, the achievements of the first-half of the 1970's are incapable of being undermined because this was a period of very dynamic expansion. However, we should be aware that in navigation, whether be it tramp or liner navigation, complete results are brought about only through harmonious development without the hindrances of 5-year plans of this or another form of navigation. With very high capital intensiveness of navigational expansion along with relatively short ship life, this statement has a double importance. At the present time, after a 4-year period (actually 6 to 7 years when taking into account the realization of orders for new ships) of halted expansion, it should be emphatically stressed that continued dynamic expansion of the tramp fleet is a necessity. The view that there is a necessity for investing in a capital intensive area of the economy which, in addition, would not be market production sounds simply indecent today. However, I will try to present below the as complete as possible reasoning, to the extent allotted by the limits of one article, for the argument about the necessity of continued dynamic expansion of the tramp fleet.

Plan for Expansion of the Polish Steamship Company's Fleet

At the threshold of the 1980's decade, the Polish Steamship Company has at its disposal a fleet with a deadweight tonnage of 3.2 million tons and an average age of not quite 7 years. At the same time, the shipowner has the established position, on many world markets, of a sound and competitive transporter. Transports which last year (1979) amounted to 33,298 tons (including our own and foreign tonnage taken under T/C [expansion unknown]) was composed of 89 percent Polish foreign trade's cargo which constituted 51 percent of tis turnover by way of sea. This is an enormous potential and yet highly insufficient both from the point of view of the optimal safeguarding of the interests of Polish foreign trade as well as that of the unused possibilities for a considerably greater, active effect on the shaping of

the nation's balance of payments. In working out the 1981-1985 plan for the expansion of the tramp fleet, the shipowner based itself on the following assumptions:

--the optimal level of the tramp fleet's participation in servicing cargo from Polish foreign trade, which should be attained in the next few years, amounts to 65 percent of the turnover by sea. On the basis of the latest "pessimistic" prognosis for Polish foreign trade's* turnover, the transport needs will be 40 million tons in 1985 and 45 million tons in 1990; i.e., 5 and 10 million tons respectively more than in 1980,

--despite the curtailed growth rate of Polish foreign trade's turnover by sea, the tonnage needs of foreign trade will continue to increase at a rate faster than the total world rate of turnover. This results primarily from the anticipated changes in the directional-geographic structure of turnover where a decided increase in transports on a maritime scale will take place with a decreasing proportional participation in the Baltic and European range,

--the achieved level of fleet expansion, its new structure and the shipowner's position on the navigational market make possible a much more active than until now influence on the country's balance of payments through an increase in the export of transport services. It should be noted, incidentally, that in recent years a decline in transports occurred to the advantage of foreign contractors resulting in a tonnage shortage and inadequacy in fulfilling the principal needs of Polish foreign trade,

--other factors, such as: lack of prospects for a substantial improvement in the services of both domestic ports as well as some foreign ones and prognosis for the shaping-up of the situation in the world's economy and directly in the freighter and tonnage market as well as others.

Based on the above assumptions and conditions, the plan elaborated by the Polish Steamship Company for the expansion of the tramp fleet until 1985 anticipates the delivery of 58 ships with a combined deadweight tonnage of 1,200 tons and the fleet's net increase to the amount of approximately 1 million deadweight tons. This plan includes ships, only for the transport of dry bulk cargo with a unit deadweight tonnage of from 3,000 tons to 60,000 tons. Deliveries of bulk-cargo ships with a deadweight tonnage of about 26,000 tons, 38,000 tons and 8,000 tons are given priority. The severe shortage in tonnage can already be felt at the present time with ships of 26,000 tons and 38,000 tons while ships with 8,000 tons, although in great demand, do not appear in the quantity structure of the Polish Steamship Company's fleet. The shipowner does not exclude building of specialized ships, such as: chemical cargo carriers, liquid gas carriers (NH^3) or ships for the transport of cement in bulk. However, this is strictly conditioned by definite needs and the transaction of long-term transport contracts with Polish foreign trade. I would also like to note the possibility of building bulk-cargo ships, "BALTIMAX," with a deadweight tonnage of approximately 120-130,000 tons destined primarily for the transport of iron ore. The building of such ships is conditioned, however, by the time-limit set for the completion of the ore cargo handling base and making it available for use in the North Port. Thus, it can be seen that the plan for the expansion

*Prognosis for the transport of bulk cargo by Polish fleet until 1990, Maritime Institute, Gdansk 1980.

of the tramp fleet is "conservative" in its structure, in the good sense of the word; i.e., it encompasses universal bulk-cargo ships, very well-known to the shipowner and which exhibit high operational efficiency. This is an important statement, in view of the currently prevailing discussions about voluntarism and lack of imagination, in reference to the effects of the undertaken investment decisions.

Fleet Expansion Financing

The preceding considerations have clearly shown, I hope, the growth of the fleet in recent years, assumptions and conditions of its expansion plan as well as the magnitude of the tramp fleet's tonnage needs. What still remains is the answer to the question, perhaps themost important one, namely regarding the source for financing this expansion and the role of the country's shipping industry. In the binding financial system of shipowner enterprises, there exists in practice, the possibility of increasing the fleet's transport potential in three ways:

--with cash pruchases of ships in domestic shipyards,

--credit purchases in countries of the II payments area [capitalist countries] under a mortgage lien and,

--through the creation of partnerships with mixed capital, appointed for the purpose of financing the building of the fleet.

The order in which the forms of financing were mentioned is not incidental and reflects the hierarchy which they should assume in the expansion of the fleet. The basic form of financing should be planned, cash purchases made in the country's shipyards. Two remaining forms of financing are envisaged to be supplementary forms. The actual practice in recent years was exactly the reverse; i.e., purchases under mortgage liens and the obtainment of tonnage by way of entering into partnerships with foreign partners constituted the major source of new ship deliveries.

This was an abnormal situation, unheard of in any country possessing a developed shipping industry potential and in my opinion, a situation which must undergo a radical change.

For Export or For the Country?

The question is often asked, whether the potential of the shipping industry is capable of providing for the needs of the domestic shipowners and to turn out a specified production for export and what should the proportions be between deliveries for the country's shipowners and export. This question is unfounded, rather it ought to be unfounded in the instance of a properly functioning economic system of accountability. The only criterion which should decide about the division of production into domestic deliveries and those for export ought to be the overall economic account of profitability. The current methods of profitability accounting, although formally possessing such a feature would in practice boil down to economic profitability in a given department. Each department, in turn, had its own priorities, limits, export tasks, etc. Together this would lead to the forgetting of the actual account of profitability and the national economic scale. In order for the above questions to be truly without purpose, a plan needs to be worked out, as soon as possible, for a system which would change the current situation. The pro-

blem is very complicated and required extensive discussion by all professionals connected with the maritime economy; the conclusions stemming from such discussion ought to be brought into effect, as soon as possible, in the form of appropriate legal actions. In leaving the open problem of a model of cooperation between the shipping industry and the domestic shipowners, I would like to touch upon yet another problem, namely, the often presented alternative whether specialized ships with a complex construction and technology should be built for our country's shipowners or rather ships of a simple construction intended for tramp navigation. Here also, as above, in the matter of the separation into domestic production and export, only a thoroughly conducted economic account should be a deciding factor. The opinion regarding the greater profitability of building specialized ships is valid but only in terms of cash transactions and with the accessibility of all markets to the domestic shipowner. In our country's present economic situation and the possibilities of purchasing ships abroad limited to a few countries, such an opinion is not valid. The answer is obtained only after an analysis of the specific conditions under which Polish ships are sold for export and compared to the purchasing conditions of Polish shipowners.

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SEFER INTERVIEWED ON TRENDS, ACCUMULATED PROBLEMS

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[Interview with Berislav Sefer, Belgrade University professor and member of the Croatian delegation to the Chamber of Republics and Provinces of the SFRY Assembly, by Boris Kutin]

[Text] In his most recent book "Socijalna politika" [Social Welfare Policy] Dr Berislav Sefer, full professor at Belgrade University and a member of the Croatian delegation in the Chamber of Republics and Provinces of the SFRY Assembly, has portrayed many things rather differently from the usual assessment. This especially applies to expenditures for social services and personal consumption, social security, housing policy and many other aspects of social welfare policy, which he says is not an equal partner of economic policy, but has been applied to remedying the social consequences of the mistakes of economic policy, investment policy above all. The author of this book argues convincingly that the present orientation of economic measures leads primarily to diminished personal consumption and social services, that these measures have not put any sort of a magic wand in our hands with which we can extricate ourselves from our difficulties--and that this orientation leads nowhere.

Question: You are harsh, sometimes even caustic. Yet this is a scientist's book, not that of a politician.

Answer: If someone sees an objective exposition of the facts and criticism of points of view which are not based on the facts to be sarcasm, then the problem of sarcasm is his, not mine. I can only say that I am consistent. I wrote what I had established, what I am convinced is the truth. The book was written by Berislav Sefer as a man who has devoted almost his entire life to that problem area. There is no point at which one could draw the line between the scientist and the politician.

Question: Yet we are convinced that there is a substantial difference and that we have not heard you speak out as a sociopolitical figure along these lines.

Answer: That isn't quite right. That isn't right at all. I spoke about this on two occasions in the Council for Social Welfare Policy of our republic, and I have actually spoken many times in the committees of the Assembly. I might cite innumerable examples, but here is just the most recent one, in the Federal

Assembly: I spoke in detail about the matters which I describe in the book, I was not in the least less harsh, but....

Question: But?

Answer: The delegates did listen attentively, but my words did not get a broader hearing. There was no debate.

Question: Does anyone ever ask you how it is that now you are advocating different solutions, and different views, that is, why it is that you did not undertake different measures when you had the scissors and cloth in your hands--we are thinking of the period when you were vice premier?

Answer: I repeat, I am not doing anything differently, I am not thinking differently at all. While I was still vice chairman of the Federal Executive Council, I knew that these issues would arise sooner or later. Anyone can seek the answers to them in two books. One came out back in the period of my vice premiership, the other soon thereafter. But we have the bad habit of remembering from what someone says or writes what fits our own conception of the problems.

Question: Let us be more specific. You say that we speak too sweepingly about personal consumption and expenditures for social services, that one of the mistakes is that we separate them from real economic events as though they were some independent economic category.

Answer: Exactly. When we mention consumption, it is usually portrayed as an independent category separate from production, and sometimes even as something alien, almost hostile, but at the very least is something which is harmful to production. Which means that we have forgotten the fundamental Marxist proposition that production basically creates both needs and consumption. Certainly we are preoccupied with the fact that we have excessive consumption and that we are spending beyond our means, but we have been little concerned or not enough concerned with the questions of why this has happened and of whether this is true at all. We have been neglecting the tremendous economic, political and social influences of the present economic situation on the standard of living.

Question: Are we spending beyond our means in the realm of the standard of living?

Answer: If we are to judge by the course of our general debate and the kind of measures that have in general been taken--yes. But I must say that I have not come upon professional and scientific proof of this. The level of the share of personal consumption in the social product was lower last year than in 1970 and lower even than in 1955. I must also say in this connection that about 10 percent of the resources for personal consumption are not domestic resources, but come from abroad. In other words, this is not our consumption and it is not our income, so that that kind of consumption cannot be set against the domestic social product, nor should it be assigned to burden the situation in the country.

Question: So that no one is led into a misunderstanding: what sort of resources are those?

Answer: The answer to that is really very simple. This is the money of Yugoslavs temporarily employed abroad. There is a great deal of that money, but from the professional standpoint we have been devoting too little attention to it. By and large everything we have done in this area was to demonstrate our interest in having Yugoslavs deposit their foreign exchange in our banks--at a rate of interest. I think there is no need to point out how little that is, how no one can actually state in detail what purposes the remittances of foreign exchange have served, and what their intensity has been.

Question: If we compare the growth of personal consumption and the social product, what do we see?

Answer: First of all, that personal consumption has been rising more slowly than the social product. Over the last 10 years 36 percent of the real growth of consumption has gone for the unemployed, 11 percent for new pension recipients, and 30 percent of that increase has been based on resources coming from abroad. Barely 9 percent has been spent to raise the personal incomes of workers. I think it is clear that we have achieved a rise of real personal consumption by virtue of social transformations and thanks to the increased resources of Yugoslavs abroad. If we look at expenditure for social services, it is indeed large. But if we lump it together with diminished personal consumption, then the sum total of consumption (personal consumption and social services), it will be at the average level of countries with low income. Yet we are among the countries with moderately high income, we are credited with this even by official statistics. Let us give the figures, which need no detailed comment at all: In the period between 1970 and 1980 the index of the real social product per employee rose 22.56. On an annual basis that is 2.15 percent. Over that same period real personal incomes increased only 11.7 percent, barely 1.15 percent per year. We are dealing, then, with a 50-percent lag. We get a still blacker picture if we go back only 5 years. Between 1976 and 1980 the real social product per employee rose 12.79 percent (2.3 percent annually), and personal incomes only 4.18 (1.1 percent annually). It must be completely clear to any layman that the real personal incomes of the workers, in the form of aggregate potential purchasing power, could not have been causing excessive expenditure nor troubles related to it.

Question: And how about now when real personal incomes are dropping?

Answer: That complicates the matter still more. Last year real personal incomes dropped 8 percent, and this year's trend is at present at least that much. That is a great deal, to put it mildly. Now we are dealing not only with a social welfare problem, but also with a classical economic problem. That is, it is as clear as the hand before your face that we cannot build a highly organized and highly productive economy by dropping real personal incomes and with their generally low level. Instead of becoming a category of economic and social welfare policy, the standard of living is becoming a category of social welfare itself. Social welfare policy, by comparison with economic policy, has fallen into such a subordinate position that it is not capable of even resolving social welfare problems, much less stimulate economic development. On the contrary: At this point it is even restricting it. It is the rule, and no exception, that we are protecting the "losers," that we are protecting production with a low

rate of profit, that we are protecting sick leave which at times is a cover for everything but illness, and so on. We are using income, then, for all those purposes so that very little of it is left for that role of an incentive which it ought to have and for the standard of living in general.

Question: The gap is obviously large. Where should the principal blame be placed?

Answer: On investments--above all. They have truly been huge. They have caught hold of the community, caught hold of people, increased their personal and community needs, altered the conditions of the life around them, their habits, and virtually everything, but they have not yielded a growth of income to match those major social changes which the investment projects themselves brought about. There is no question that it is our investment spending that has cast us down so low. Over the last decade investments have taken up 39.7 percent of the social product, which is far beyond any sort of realistic capabilities. In 1978 gross investments in countries with low income took up 21 percent, in countries with moderate income 25 percent, and in the industrialized countries 22 percent. Only the countries in the OPEC grouping, which are exporters of capital, did gross investments absorb 31 percent. Moreover, according to the figures of the International World Bank, the level of gross investments in Yugoslavia has been 18 percent higher than the level of our own resources. So now we are no longer able to furnish the foreign exchange for the imports we need, a need created by the investments. It has come time to pay off the debts, and, of course, there must be a contradiction between production capabilities and the need for them. It truly astonishes me that no one talks about the fact that there are some sort of objective contradictions that prevail in this society. One of them against which we will be waging a difficult struggle for a long time yet is the contradiction between the objective needs which are present in our development today and the low production potential which we have in the present composition of our population. The economic system has emphasized social changes, but now they are being complained about and judged to be a social evil, a burden. But if we do not get back to economic laws and if we do not realize what can and cannot be done in this area, we have no reason to be surprised that we are violating not only agreements, but even laws. After all, neither the former nor the latter can be independent of real economic and social laws. And if we want to neglect social laws, we can do so only with the coercion of the state and the government administration, and that certainly means some other socioeconomic system than self-management.

Question: Get back to laws?

Answer: Yes. Not literally, not in the broader sense. I am convinced that at one time we paid more respect to economic laws. There was more logic, a better understanding of things. But today the current economic policy is extremely oversimplified. It is short-term, it is not capable of foresight and planning over any lengthy period. Instead of organizing ourselves in the ramified economic system of self-management, which would be capable not only of correcting the difficulties, but also of achieving progress, we have gone astray into decentralized administration. That is why there is no coordination, things are

not related to economic laws, nor even to everyday logic, what was once called the peasant's common sense. It is no wonder, then, that the set of instruments very soon ceases to have an impact.

Question: That means, in other words, that we have indeed less self-management?

Answer: No, in general we have more of it, since we have developed its institution nearly to perfection. But in reality we have less of it, since the extent of self-management is the degree to which associated labor is the vehicle of development, the extent to which it truly disposes of income in the full breadth of that term, and not within the exceptionally modest limits which even then have never been altogether guaranteed. I see this as the standard of self-management, not some sort of institutionalization whose sole claim to self-management is that it bears the name. There is simply no way that we can determine everything, or, more accurately, practically everything--including even personal incomes (and also decide everything) outside the basic organization, and then tell associated labor to manage itself. No, it is not a heretical assertion at all that we have developed self-management to an exceptional degree from the institutional standpoint, but we have narrowed it from the economic standpoint.

Question: You say that it is amazing how at times a complete ignorance is displayed concerning matters which are altogether clear.

Answer: That is true. This especially applies to analysis, since we are oriented toward creating the social product, and we have left everything else to one side. However, there has been a need for us to take a step beyond bourgeois economics and seek values in that context. On the other hand, I can also say that we have the kind of analysis they have in a state-controlled economic system, that is, analysis from a single point. In the analytical field it is obvious that we have not equipped ourselves adequately so that we could facilitate a different orientation of development.

Question: Not even in income-sharing relations?

Answer: As all the figures demonstrate very eloquently, we have not been successful in this. For years we have been getting by by combining politics and the market. The whole time our plans have been declarative, admittedly good from the strategic standpoint, but lacking the instruments with which we might fulfill them. In terms of their goals all those plans were beyond real capabilities, and that is why we have been unable to fulfill a single one of them. I must add--so that people will not think that I take a dark view of everything--that much of that was also accomplished. Now it is again a question of compromises in the bad sense of the word. The point of our planning is more for everyone to find his place. But there cannot be enough money for everything we have conceived a desire for. It is a bit different with income-sharing relations. We are always pouring ourselves too little pure wine so that this kind of institution, which in essence is the most progressive, might come to life. But income-sharing relations precisely require clear conceptions and stability. The trouble is who today, with a 50-percent rate of inflation, would attempt to establish ties and real income-sharing relations outside the work organization

or even outside the republic when he cannot calculate even approximately what the next day will bring?

Question: Once again about investments. What else can you say concerning them?

Answer: Much more than will fit into an interview of this kind, and even then if we were to speak only about them. We really have spoken and debated a great deal about this phenomenon, but obviously we are still too weak to put our foot on its tail, to bring it within realistic limits. When real savings, real money was lacking, we used short-term resources for long-range projects. That is, we did our building with expensive resources of low quality. In addition to that, investment projects in Yugoslavia have not been balanced at all. Technological and market research has been negligible. Moreover, the computation of profitability was made for the domestic market, when the world market should have been the sole criterion.

Question: Surely you would not say that we are all to blame for this situation?

Answer: I ordinarily avoid statements like that, but what I am about to say will not be much better than mere rhetoric. What is at fault above all is statist megalomania, the power of individuals who have become the principal factors in decisionmaking concerning development. This does not apply solely to the republics, but also to regions and still smaller areas. The consequences of this kind of pattern is that relations within associated labor are severed. This also occurred because we have been constantly developing self-management from the institutional standpoint, but in practice there has been a divergence, there has been administrative decisionmaking, in which no one any longer pays respect to economic laws. I repeated this because it seems to me extremely important, since this pattern of behavior has left more than what we would call a great deal of room for voluntarism of the most diverse kinds.

Question: How is associated labor to be freed of tutelage?

Answer: I don't know that there is any such formula, but I imagine that it would be different without the (administrative) pressure, that associated labor would no longer operate from one day to the next, that it would not seek its little place in the sun, but would fight for its own prosperity with programs that would on the one hand be ambitious, but would boomerang unmercifully if they missed their target.

Question: Which means, then, greater responsibility.

Answer: That is right. Moreover, in the broadest sense of that word. Responsibility must be borne by those who prepare the decisions, by those who adopt them, and by those who carry them out. I think--that is, I am firmly convinced--that in this sense we should also amend our laws. A worker who does not work, who refuses to work, who is not competent, has too much protection. I will not go into the details, but we are all well aware that it is practically impossible to remove anyone who has been hired from his job. We can say without excessive exaggeration that every employed person has a monopoly on his job regardless of how he does it. In a situation when motivational factors for

better and more creative work and business operation have become very slack (actually we still do not know how to properly evaluate competent and creative work), this kind of monopoly position is manifested in the form of idleness, poor use of work time, irresponsibility, a high level of sick leave, and so on.

Question: Even now it is easier to identify idleness in the economy than idleness in noneconomic activities.

Answer: Of course, that is nothing new. It is actually that way everywhere, not just in our context. But we might take pains and find some sort of linkage offered by the theoretical foundation of free associated labor. As far as I know, no integral and overall assessment of present relations in that area has yet been made. And while there is a great deal of criticism, there is too little understanding of why things are as they are. All the assessments speak mainly about how spending in the social services exceeds capabilities and that the economy is increasingly burdened.

Employment in the social services has been growing faster than in material production. Communities of interest are becoming new sources of administrative power which are redistributing the income of the workers in material production--not on the basis of exchange of labor, but by virtue of fiscal instruments. All of this certainly has a minus sign in front of it, which is one aspect, while on the other it supposedly leads toward the free exchange of labor. Certainly the solution lies in this latter direction, though it is by no means so simple and within reach as one might conclude from the way the situation is evaluated in everyday politics. So long as we are discussing the relationship between the social services and material production, let me add these few words: It occurred to someone that supposedly workers in material production are poorly paid by comparison with those in the social services (and immediately there was a hue and cry). And so today we are all convinced that this is the truth, though there is not the least evidence to support such an assertion. But it is a firm fact that creative and highly competent work is poorly rewarded regardless of whether it is done in material production or outside it.

Question: You also analyzed the contradictions between social transformations, social and cultural needs, and what the economy is able to afford.

Answer: We must emphasize first of all that social transformations not only create needs, but also the awareness of those needs, and that awareness is always beyond the real capabilities of the economy. Development policy has been turning in a circle for a long time now. Everywhere we preach that we cannot spend more than we have and are creating (that is at least quite clear, and there are even too many reasons for this simple law), but we do too little to explain how we can and must produce more, along with specific programs, with alternatives, which we would be able to carry out. We must realize after all that the usability and effectiveness of economic resources is dropping, while social changes and needs are rising. The contradictions, that is, are becoming stronger, and a kind of conflict is arising between needs and possibilities. Let us put that a different way: The differences are wider between the proclaimed social goals and the results achieved. That is why the real value of the social progress that has been achieved is underplayed in people's minds,

since it is not measured by the parameters of time and rapid progress which we unquestionably have achieved in the social welfare field, but it is compared solely with the proclaimed goals. And people forget, or do not see, that usually those goals have been unrealistic.

Question: Which under the given social conditions means....

Answer: When we cannot reestablish harmony between the economy and social development at a higher level of economic development and more rapid expansion of economic resources, then policy resorts exclusively to restricting consumption within the limits of income. And this cannot be done otherwise than by restrictions which take the form of coercion, of administrative intervention. In doing this we create the illusion that by putting pressure on consumption as the last link in the cycle of reproduction, we will also change relations in the process of production and distribution. Though this is still by no means within the range of consumption, still less is it within the range of the capabilities of administrative regulation of economic flows. And alas all this has little influence on social development. Not only are aspersions cast on it for not being mindful of the economy, but it is even blamed for spending the modest income it does have. The active role of factors in economic development is thereby rendered altogether worthless. Under such circumstances social welfare policy becomes a government policy of protecting the standard of living and of reducing the differences in personal incomes, administrative allocation of housing, and the like. It is interesting and significant that in this situation the role of the government as protector receives the full support of the individual, since most people are near the average or below it, and it seems to them that protection of the government is needed precisely to protect their own standard of living.

Question: So that we move up among the "above average"?

Answer: When you say "above average," you are probably not thinking of those who gained that status through their work. We are talking, then, about those others. There are quite a few of them. It is not a question of organizing a witch-hunt at this point, but we still ought to change many things in that direction. I quite confidently say that in our country no one can become so rich as to be a bad example, as to be a pariah. By working honestly that is. It is true that I cannot prove this assertion of mine, but I am deeply convinced that the really rich are unjustifiably privatizing social income in various ways. Directly or indirectly. To be sure, the tax system is poor and ineffective (we should alter it as soon as possible to make it an instrument of economic and social welfare policy), but its enforcement is still worse, though it is not (solely) to blame for the great number of rich people who have no place in our system. There should be particular control over the sale of real estate so that there will be harsh taxation of speculative income earned in this way. The emphasis is on the word "speculative," since by no means every sale of real estate is a speculation, especially when there is such a great shortage of housing. Doesn't it seem to you quite illogical in a socialist society with self-management for income from, say, royalties to be taxed at the same rate as income from authentic creative work?

Question: One of the things you advocate in your book is shorter working hours. What is the reason for that?

Answer: It really is not difficult to interpret--from the economic, social and human standpoint. It must be our goal that machines operate 24 hours a day, that the individual works less, that everyone have access to both work and a job. The economy must orient itself in that direction. As a society based on the principle that "everyone must achieve his own happiness," as Kardelj aptly put it, this is certainly very logical and, what is more, necessary. Socialism must make it possible for a man to experience the fullest, richest and freest life possible. All this will be achieved in material prosperity at the point when he has more time for himself. That future is no longer so very far away at all. Even now we ought to be preparing programs in which we would begin to shorten working hours at a comparatively rapid pace. Perhaps this sounds somewhat revolutionary, but it is not. It can be proven mathematically that such a process is realistic, though today it is not exactly easy to get a job and though the trend is making it even more difficult. Especially because of the workers returning from employment abroad. With better organization and higher productivity we would not only maintain real personal incomes at the same level with shorter working hours, but we could even raise them further. We would also raise the level of our self-management.

Question: And that is very significant, isn't it?

Answer: Yes, it is. The world, which is seeking new socioeconomic and even political resolutions to the ever greater contradictions which are restricting progress on the present socioeconomic foundations, is extremely interested in the experiences of the Yugoslav economic system of self-management. The world is in any case extremely interested in the social aspect of the development of self-management, which, if we succeed in carrying out the planned reforms, will become still more attractive. After all, as a socioeconomic and political system self-management is also confirmed by the respect for the social goals in socialist development. That is why it is also important from the international standpoint that we develop social welfare policy to the degree we are objectively capable of. And here--in spite of everything--I am an optimist!

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PROBLEMS IN TIVAT AIRPORT OPERATION

Titograd POBJEDA in Serbo-Croatian 19 Aug 81 p 5

[Article by Spiro Raceta: "A Stepmotherly Attitude"]

[Text] The Tivat Airport is very important to the Montenegrin coast, especially in the summertime. Which means that it is indispensable, and probably that was the decisive factor in the decision to build it.... However, OUR JAT [Organization of Associated Labor Jugoslovenski Aerotransport] seems not to be interested in the fate of its OOUR [basic organization of associated labor]. A few days ago the personnel of the airport were working around the terminal building and operational area, they were finishing up the extensive apron, instead of receiving and dispatching passengers.

"This is a real misfortune when the principal air traffic junction for the Montenegrin coast receives only one aircraft in mid-August, and it comes around noontime. So, do not be surprised when I say that in the first half of the year we had a loss of $3.6 million in our business operation. Yet JAT, instead of increasing the number of flights of its aircraft to the Tivat Airport, reduced them to the number of flights in 1973!? Contrary to the business policy and to the needs of Montenegro to increase its tourist traffic in order to heal the wounds of the earthquake more rapidly in this region, passengers wait for 45 days to get a seat in an airplane," says Predrag Celanovic, engineer and manager of Tivat Airport.

Number of Flights Cut in Half

The plan for passenger traffic will not be fulfilled this year, nor probably up to 1985. The reason lies in the business attitude which JAT is taking toward this airport and, at the same time, toward tourist activity in Montenegro, since a major portion of the lodgings are concentrated on the coast. This is having an adverse effect on the inflow of foreign exchange. To make it all stranger and more incomprehensible, JAT is not even carrying out the volume of traffic announced in the official flight schedule for its aircraft, but emphasizes "losses in operation." In order to establish better relations the opstina assembly and airport management jointly accepted to reimburse JAT, as the largest air carrier in Yugoslavia, for all losses that might occur in operation on routes to Tivat. The Tivat Opstina Assembly and the airport sent such a proposal to JAT before the season began. A response has not yet come back. The

silence is all the stranger because JAT has always called upon Tivat and SR [Socialist Republic] Montenegro to cover losses it incurs on the Tivat--Belgrade route.

"Since the earthquake Montenegro has made great efforts and invested large resources in reconstruction of hostelry facilities, since it sees in its tourist industry a source of inflow of foreign exchange. A first necessity in achieving that goal is to put transportation facilities in order, and facilities for air transportation have priority importance among them. The irony is that JAT, at a time when they were most needed, has cut the number of flights of its aircraft to Tivat in half. To illustrate, the number of flights to Belgrade has been reduced 30 percent, while the Tivat--Zagreb route and Skopje--Tivat route, though at least 90 percent of the seats in the planes have always been sold, have been discontinued," Predrag Celanovic said.

The height of JAT's stepmotherly attitude toward Tivat Airport, contrary to all the standards of self-management behavior, is to be seen in settlement of the balance sheet for division, a procedure that has gone on for all of 6 years now. It is a consequence of that that the Tivat Airport, especially since the earthquake, has found itself in a very difficult position. To make it all stranger and more incomprehensible the people in Tivat do not at this point even know all they should about the status of the credit they received at one time to build the airport. That is, the investments were committed from several sources, strictly earmarked. Some of the resources were not to be repaid! JAT retained the right to use the funds and to collect interest, and it left the Tivat Airport to make the annual payments! Thus the airport has been prevented from taking advantage of the deductions which it has received from SR Montenegro.

Below Expectations

The Tivat Opstina Assembly, with the full support of the Fund for Reconstruction and Construction of the Earthquake Damage has together with the airport invested nearly $90 million to repair the runway, tower and operations area of Tivat Airport. The funds were to be "returned" through an increased number of flights and larger passenger traffic. Now that it is all ready, JAT is reducing the number of flights to Tivat and thereby to the Montenegrin coast?! The consequence is that the resources invested to repair Tivat Airport cannot be economically justified at this point, but the losses are piling up. Viewed as a whole, passenger traffic at the Tivat Airport this year is nearly down to half of what it was in 1978. In the first 6 months of the year scheduled flights brought 28,125 passengers, and only 304 JAT aircraft were involved in its traffic. In addition to that, there were another 113 aircraft with 1,523 passengers. On international lines there were 229 aircraft with a passenger volume of 21,618. Tivat also received 16 small foreign aircraft with 576 passengers. All of that is far below expectations and far from the real capabilities of this airport. Who benefits from such a policy? asks Predrag Celanovic, manager of Tivat Airport.

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YUGOSLAV-CHINESE ECONOMIC COOPERATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Aug 81 p 3

[Article by Mladen Baclic: "Fewer Programs--More Realism"]

[Text] In the field of industrial cooperation Yugoslavia and China have agreed on the programs on which they will both concentrate their attention in the coming period. A smaller number of projects has been selected for further talks, but there are considerably better prospects for contacts to culminate in contracts concerning them. The judgment is that this is a more expedient way of improving the economic relations of the two countries than discussing possible cooperation "over a broad front," which in past years has not been very crucial.

The competent authorities and business executives of the two countries judge that the greatest opportunities for advancement of future industrial cooperation lie in the fields of machine tools, tools, tourist buses and bearings, and then in the electrical products industry, telecommunications and electronics, as well as in the production of equipment for rail transportation, and then in the field of building materials, metallurgy, light industry and the pharmaceutical industry. It has also been concluded that more concrete talks should be conducted concerning joint efforts on third markets of great interest to the two partners, especially with respect to doing construction work and equipping capital investment projects abroad.

The program of 110 projects for possible cooperation in the industrial sector, which was the topic of discussion before the meeting of the Joint Commission for Industrial Cooperation in Peking from 26 May to 4 June this year, was thereby reduced to realistic limits: to projects closer to realization. It is this that the two sides see as an opportunity for cooperation to be built in future on long-term business arrangements rather than on momentary interests and short-term contracts, as has been the case up to now. The price of these short-term contracts is a rather low volume of trade between Yugoslavia and China.

Trade last year amounted to about $160 million in both directions even though both sides pointed out that the opportunities were considerably greater and that maximum advantage should be taken of them. These observations, and the "output" as well, are recurring again this year. Mutual deliveries amounting to $300 million have been planned for 1981, but in the first half of the year the actual value of trade was only some $40 million. On the basis of the contracts in

effect and those in the offing it is estimated that trade will not exceed $100 million in both directions by the end of this year.

One of the reasons why the arrangements have mainly been short-term is the program of economic stabilization in Yugoslavia and the reorganization of the Chinese economy, under which that country has revised a number of projects already begun, while it has not yet adopted development plans up to 1985. In addition, China's strongest sector is light industry, and that activity is highly developed in our country as well, which leaves less room for increasing conventional forms of trade on that basis. That is why China and Yugoslavia want to improve cooperation on the basis of more up-to-date and stable forms of economic ties such as specialization, cooperation and joint efforts on third markets.

Detailed Negotiations Are Under Way

Within that context China and Yugoslavia have shown an interest in expanding long-term cooperation with Livnica zeleza i tempera (Iron and Malleable Cast Iron Foundry) of Kikinda in the field of machine tools, that is, surface grinders and special grinders, and also with other Yugoslav partners on programs for various tools and measuring instruments. There is also a desire for cooperation in the production of tourist buses and bearings and with respect to joint development and production of low-voltage switches with Energoinvest of Sarajevo.

It was also agreed that further studies would be made of possibilities for Yugoslav exports in the electronics field: digital electronic switchboards (centrale) and teleprinters, microwave digital relay devices, radio communications equipment, and typewriters for the English alphabet; and then possibilities of delivering technology for manufacturing masks for the production of printed circuits and also the technology for production of multilayer ceramic capacitors and the possibility of scientific-technical cooperation on infrared and laser technology. Projects for Chinese exports in the electronics field are manufacturing technology for navigation radars, technology for production of connectors, and then electronic measuring and monitoring instruments and apparatus; as well as special materials for the electronics industry, active and passive components, technology for artificial crystals, specific radio equipment....

Provision has also been made for the possibility of exchange between Yugoslavia and China of refrigerated freight cars and brake equipment, castings for freight cars, couplings and axle assemblies, technology for an electronic axle counter and a radiotelephone for locomotives in switchyards. The Chinese side is also interested in importing equipment for the production of nonmetallic minerals, and it would deliver raw nonmetallic minerals on that basis.

It is obvious that the partners themselves are resolved to pursue overall improvement of mutual economic relations according to the agreement--by concluding long-term arrangements.

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AGRICULTURE'S NEED FOR IRRIGATION DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Sep 81 p 7

[Article by Djura Djukic: "An Old Surprise Called ... Drought"]

[Text] The caprices of nature have by no means been mastered when it comes to food production. Drought is a phenomenon which since time immemorial has been reducing yields in certain of our regions, especially in the eastern part of the country where the soil is most fertile (Vojvodina). At the same time excessive water, torrents and floods, destroys yields in certain parts of the country. There are frequent years when a drought or flood afflict agriculture.

The problem of drought is a very urgent one, since the dry ground and sun have been baking the corn these past several weeks, and the harvest will fall off appreciably as a consequence. This in turn means that it is time to pay more attention to the uncontrolled natural phenomenon, though it ought not to be a topic of discussion when we take into account that Yugoslavia is among those countries which have an abundant amount of water. Rivers, watersheds, lakes, subsurface water, thermal springs, and storage reservoirs! Yugoslavia has an average annual rainfall of 1,002 mm, but that average is not distributed in the best way. There are various zones such as the mountain zone, the Pannonian zone, the coastal zone and the Vardar zone. The amount of water our country has can best be seen during the floods, but the unsuitable distribution of the rainfall can best be seen in a time of drought.

The Best Quality Soil Is the Thirstiest

The Pannonian climate comes under the continental type, and it embraces Vojvodina, parts of Slavonia and Serbia, where the temperatures are high in the summertime. True subtropical temperatures, with not enough rain. Droughts are most common in the latter half of the summer, as is indeed the case this year. When the occasional showers come, it is usually late for the crop's recovery.

The solution has been found long ago--irrigation. It is more talked about than worked on. It is significant that the best quality soil we have--crnica (black soil) or chernozem, ritska (bog) crnica, and smonica [another black soil]--is also usually the thirstiest in dry years. Construction of the network of irrigation canals has gone slowly, so that in Yugoslavia today, according to official figures, no more than 1.5 percent of the arable land is irrigated. This is

approximately 154,000 hectares. Irrigation offers a large opportunity for increasing agricultural production, but unfortunately it is not being utilized.

The pace of irrigation in this country is indicated by the figures covering the period since 1957. In 1957 a total of 82,991 hectares were irrigated, most by the surface method. Two years later irrigation covered 89,175 hectares, and 10 years after that, in 1969, 135,205 hectares. Another decade has passed, a very important one, up to 1979, since it recorded efforts of every kind to intensify agricultural production (except irrigation), and the area irrigated increased by less than 20,000 hectares, that is, to 154,330 hectares.

Yet the natural conditions exist for irrigating a considerably larger area. It is thought that the potential area for irrigation covers about 3.6 million hectares. In Vojvodina alone, when the hydro system is rounded out, about 350,000 hectares could be irrigated!

More Irrigation Systems Have Been Started Than Finished

It is significant of our irrigation problem that several undertakings have dragged out for a very long time. More irrigation systems have been started than finished. Little has been invested, and there has not been much persistence in completing these important undertakings. There are thus irrigation systems under construction in Macedonia, in Kosovo, and in Vojvodina, where the Danube-Tisa-Danube hydro system has undertaken many functions, among which the principal one is drainage. But its irrigation role is still modest, since the system of small irrigation ditches has not been built.

Farm policy, which confronts the old problem of irrigation, must be more up to date. The loss to crop yields is argument enough. The need exists for higher yields in both sectors, as well as for stabilization of yields. We are all familiar with the fluctuations which occur because the water pattern is not regulated and which detract from the multiannual averages over lengthy periods of agricultural production.

Irrigation would also make possible something else which is very important when it comes to food production--a second harvest. With the timely aid of water the land could be used from early spring to fall for various crops, for stubble crops and double harvests, since these are regions which have high temperatures and other conditions favorable to vegetation.

Yugoslavia is a hilly and mountainous country, and its most important farming region, Pannonia, extends only over 23 percent of the country's total area. This area should have high yields, but they cannot even be imagined without the influence of the principal factor in stabilizing them--water, which means irrigation.

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BRIEFS

NEW COAL MINES--Next year the "Kolubara" Mining-Energy-Industrial Combine will begin opening an additional surface mine. The western "Tamnava" field comprises over 14 square kilometers and has estimated reserves of over 300 million tons of lignite. In order to get to the coal, however, over 570 million cubic meters of earth has to be removed. By 1985 four villages of 62 farms cultivating 410,000 hectares of land will have to be moved from the area and by 2012, the last year in which coal from the "Tamnava" field will be mined, 297 households will have been moved from the area. Geologic exploration has shown that large coal reserves exist in the village of Rasna near Pozega. This mine was closed 7 years ago because it was considered uneconomical and the amount of coal was believed insufficient, but the energy crisis has forced a reconsideration and it has been shown that exploitation would pay off. Estimated reserves in this area are about 3 million tons of lignite which can be surface-mined. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Aug 81 p 6]

FUEL PROBLEMS FOR ZAGREB--According to the plan, this year the city needs 210,000 tons of coal, but only 150,000 tons have been covered by contracts. One-half of this amount [210,000 tons] was consumed by the end of July. At present there is a deficit of 60,000 tons; one-quarter of this will be provided from imports of briquettes from the GDR, while the remainder will come from domestic coal mines which also in previous years delivered quantities above that contracted for. Wood will also be delivered this year without contracts having been made in advance because work organizations have refused to make contracts due to price disparities. But all needs have been met up to now and about 3,000 cubic meters of wood are stored, awaiting buyers. Supplies of liquid fuel will be more difficult. At present there is enough heating oil and diesel fuel, but this does not mean that storage tanks will remain full to the end of the year. Consumers have thus far, it seems, been holding back because of the high prices. Saving and care in consumption is recommended, since restrictive [lowered] plans for consumption will not be met. There will also not be enough mazut, since a 40-percent deficit was recorded even at the time the Yugoslav balance sheet was drawn up. By the end of the year the city should be supplied with 134,000 tons but how these will be distributed is a problem because reserves are low. Imports have been approved to make up the shortage of 5,000 tons of liquid oil gas, but there is not enough foreign exchange to pay for this. The problem has been to some degree alleviated by the fact that the Ivanic Grad-Zagreb gas line was recently put into operation which will supply not only Zagreb but other parts of Croatia, part of Bosnia-Hercegovina and Slovenia. Thus, the situation is not alarming, but there will be difficulties. [Excerpt] [Belgrade BORBA in Serbo-Croatian 3 Sep 81 p 2]

SUPPLY PROBLEMS IN BOSNIA-HERCEGOVINA--In the first half of this year retail commodity trade in Bosnia-Hercegovina was 1.2 percent less compared to the same 1980 period, while wholesale trade was as planned, but since May the trade sector has stagnated. In the coming period difficulties are predicted in the supply of flour, milk, edible oil, sugar, perhaps coffee, coal, and oil and oil derivatives. The reason is that producers are offering fewer quantities of these goods on contracts or self-management agreements while demand is increasing. Flour supplies will be very difficult; this republic's mills are already reducing operation and some have stopped operating because of the unfavorable wheat situation. There are adequate sugar supplies at present but it is uncertain whether this will last to the end of the year. At present there is a shortage of construction materials, especially cement, lumber, iron for reinforced concrete, zinc-coated sheet metal, electric installation material, plumbing material, etc., because of increased demand, especially as a result of the earthquake in the Bosanska Krajina area. Coal deliveries are also very slow. In the last 8 months about 40 percent of the annual consumer amounts needed for the year have been delivered. There is not only a shortage at the mines, but also not enough railroad cars for coal transport. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Sep 81 p 12]

LESS GASOLINE--In the first 8 months of this year 502,000 tons of crude gasoline was produced, instead of the 849,000 tons which was planned; thus, the plan was only 59.2 percent fulfilled. The reasons for this exceptional shortfall in this basic petrochemical raw material should not be sought in reduced processing of crude oil but above all in the economic accounts of refineries which prefer to produce more expensive and frequently poorer quality derivatives. According to the Yugoslav plan, this year 1,350,000 tons of primary gasoline was to be produced but now a maximum of 1,270,000 tons is expected but only if the planned quantities of imported oil will continue, which however has not been the case up to now. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Sep 81 p 1]

LACK OF COAL IN VOJVODINA--According to the plan, Vojvodina needs this year 1.52 million tons of coal (1 million tons for mass consumers, 450,000 for industry, and 70,000 for transportation). Industrial and transportation needs have been largely met, but about 192,000 tons are lacking for consumers (157,000 tons from domestic mines and 35,000 tons from imports). Payment for coal will continue to be a problem because basic banks do not have funds to grant credits for trade organizations to purchase coal. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Sep 81 p 1]

REDUCED OIL PRODUCTION--Yugoslavia's largest oil producer, INA-Naftaplin in Zagreb, will produce less domestic crude oil and gas this year. In the first half of this year over 1.47 million tons of oil was produced, or 2.8 percent (58,796 tons) less than in the first half of last year. The basic reasons for this are the larger amounts of water in the oil in almost all the oilfields, especially the Ivanic-Grad, Klostar, Dugo Selo, Struzec, Stevkovica, Sandrovac, and Zutica fields. There have also been frequent breakdowns in the operation of depth pumps. Recently a number of measures have been taken to improve operation, such as the use of new wells in some fields so that even now maximum production is developing. But it is not very likely that the losses can be made up. The same situation holds true for gas production. This year 576.51 million cubic meters were produced, which is 17.2 percent (or 6,257 tons) less than the plan. Needs could not be met

even though 3 percent more gas was imported this year; imports amounted to about 225 million cubic meters. In the first half of the year 12 percent less gas was delivered [by INA-Naftaplin] than the plan called for. Here INA-Naftaplin is faced with problems regarding the maximum use of gas fields. Also, the new Molve gas field is being put into operation behind schedule. In the first half of this year consumption of oil derivatives was 9 percent below that of last year. However, deliveries of oil products will be affected also by the fact that 875,000 tons less crude oil will be imported this year. The lack of foreign exchange to import equipment and producer goods is also the reason that INA-Naftaplin well operations were 6 percent below the plan in the first half of this year. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Sep 81 p 2]

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ECONOMIC AND INDUSTRIAL AFFAIRS

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COUNTERPLANNING EXPLAINED IN EXAMPLE

Prague RUDE PRAVO in Czech 13 Aug 81 p 5

[Interview with the Eng Kozelkova, staff member of the State Planning Commission, by RUDE PRAVO reporter Michal Ac; Date and place not given]

> [Text] Recently our workers have been paying increased attention to counterplanning. This is understandable because some past "rules of the game" have changed and thus the questions asked to gain understanding of the new rules are legitimate. A frequently asked question is what benefits will accrue to factories and individuals from counterplanning and whether the risk is not likely to be greater than the effect resulting in increased material incentive payments when the more ambitious plan is fulfilled. Therefore, we have addressed several questions to Eng Eva Kozelkova, a staff member of the State Planning Commission.

[Question] Until now overfulfillment of planned tasks did not result in markedly improved remuneration. Enterprises which did not care to "complicate their lives" by trying to achieve better results could expect almost the same reward as those which made the effort to uncover all the hidden reserves they could at the time of preparation of the plan. How does counterplanning meet the need for more discriminating material incentives?

[Answer] The material incentive basis of counterplanning is to reward enterprises pledging to improve on the tasks set by the five-year plan or on the guidelines suggesting annual quotas at the time when the annual plan is being prepared. The rewards granted such enterprises will exceed those earned by enterprises which simply manage to surpass the plan without prior pledging.

It is natural that failure to fulfill assigned tasks in accordance with khozraschet principles is penalized. Here a very important change from past practice has occurred which needs to be emphasized. In the past, failure to fulfill even a voluntary pledge to exceed the plan meant a rather severe penalty. The new measures, which will take effect in 1982, are designed to alleviate fears arising from the assumption of a certain risk connected with pledging. Therefore, it needs to be stressed that enterprises pledging to exceed the five-year plan or the guideline for the annual plan and then do not succeed in meeting their pledge in all respect will receive a higher reward than enterprises which did not pledge but have nevertheless succeeded in exceeding the plan. Naturally, this principle governing rewards will be applied only

if qualitative indicators of the assigned tasks meet those stipulated in the five-year plan or the guidelines for the annual plan.

[Question] Could you give us an example of how the new rules will be applied in practice?

[Answer] The application of the above-mentioned principle in practice and the specific wage benefits accruing from it can be illuminated by pointing to the increased profitability of production funds, i.e., to the indicator on which the incentive wage component depends. Let us assume an enterprise expected by the guideline to show an 8 percent return on capital assets with the corresponding allocation of Kcs 10 million for wage incentives. The management of the enterprise, weighing how to fulfill the task best and what inputs to use, has to decide between three alternatives. The first alternative involves pledging to raise fulfillment of the task set by the guideline by one-tenth (i.e., to 8.8 percent) which would yield Kcs 11 million for the incentive wage component as a result of having exceeded the approved state plan. The second alternative also assumes pledging to exceed the guideline by one-tenth but with the pledge implemented only partially (to 8.4 percent) and the incentive wage component amounting to Kcs 10.5 million corresponding to that level of fulfillment (95.45 percent). The last alternative assumes fulfilling the task only as specified by the guideline. Then, when the enterprise exceeds the plan by 10 percent, the incentive wage component in this case will be Kcs 10.4 million because, in computing the true incentive wage component, the disadvantaging conversion coefficient comes into play. In this case it is assumed that the enterprise belongs to an industrial sector assigned the 0.4 coefficient.

The above example demonstrates that the enterprise will gain the greatest material advantage by choosing the first alternative when the plan is exceeded as a result of pledging. At the same time it is evident that by pledging to exceed the plan at the time of its preparation the enterprise will earn more money than by simply exceeding the plan during implementation even if it does not succeed in fulfilling the pledge fully.

The above example also demonstrates one very important aspect of counterplanning. Failure to fulfill the pledge to exceed the plan (except in case of underfulfillment of the five-year plan or the annual guideline) does not penalize the enterprise, which otherwise is the standard procedure in case of failure to fulfill the plan. Naturally, enterprises, collective and individuals who correctly perceive the needs of society but whose efforts do not succeed by 100 percent do not deserve to be penalized.

[Question] From what has been said, it follows that fears of taking the risk by accepting counterplanning are unfounded. As a matter of fact, by pledging an enterprise will acquire greater means for payment of incentives than by exceeding planned tasks without pledging even it it should not succeed in fulfilling its pledge by 100 percent. But what about the workers in the collective, the individuals?

[Answer] One of the most important stipulations of counterplanning is explaining the tasks and conditions governing material incentives to individual subdivisions of the enterprise and converting them into indicators which everybody can understand and and which reflect clearly the advantage accruing to individuals and collectives. For example, the workers must be informed how pledging to exceed the plan and reduce

thereby the material consumption standard etc. will be reflected in their wages. Counterplanning can become an effective method of helping to draft annual plans which aim at uncovering and utilizing hidden reserves only if the new rules are conceived in such specific and self-evident terms. The success of counterplanning will depend primarily on the ability of economic managements and trade union organizations to acquaint workers with the tasks at hand and rules and indicators to involve them in fulfilling the annual plan.

In this context it needs to be stressed again that counterplanning is a form of worker participation in management which, to put it succinctly, means more productive utilization and greater supply of resources, improved efficiency and quality of production, all of which contribute directly or indirectly to improved and fuller satisfaction of societal needs. In enterprises, it has a broad rationalizing impact on the preparatory stage of drafting plans which include specific measures designed to improve management and organizational work at all levels of economic production units. The full impact of all the rationalization efforts by workers will be potentiated if the decision making processes at higher management levels are also improved as a result.

[Interviewer] Thank you for the interview.

8664
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STREAMLINING, SAVINGS IN PRODUCTION STRESSED

Prague PLANOVANE HOSPODARSTVI in Czech No 7, 1981 pp 11-19

[Article by Eng Ladislav Riha, ScD, university lecturer, Ministry of Construction and Technology of the CSR: "Further Attention to the Comprehensive Socialist Rationalization Program"]

[Excerpts] The comprehensive socialist rationalization program is based on systematic evaluation of progressive knowledge and experience gained during the building of socialism and in its administration. At the same time, it must be systematically enriched with scientific achievements. Scientific knowledge penetrating into the process of rationalization will act as an increasingly more relevant factor determining the character of the process of rationalization. In order to meet the demand of comprehensiveness, the purpose of rationalization must be improvement of individual operations in every connection, relation and consequence.

The assignment called for planning of a program for comprehensive socialist rationalization. This correct and necessary focus became directly reflected in the fulfillment of the tasks of the Fifth Five-Year Plan. The comprehensive socialist rationalization program contributed to a decisive degree to our entire national economy in reducing the requirements of materials and energy and in better utilization of work forces. Furthermore, it became an important factor in more expeditious exploitation of those scientific and technological achievements that were not investment-intensive; it also contributed toward better exploitation of fixed assets.

Among the several state rationalization programs drafted, pilot programs gradually crystallized in the following areas:

-- fuel and energy consumption;

-- economical use of metals;

-- operations, transport, packaging and storage.

Furthermore, the economic result of the programs for the development of automated control systems appears in the form of actions of comprehensive socialist rationalization aimed at conservation and better utilization of work forces, above all in management and administration.

Comprehensive socialist rationalization made considerable contribution to the Fifth Five-Year Plan; for example, the goal of planned savings of fuels and energy which amounted to approximately 6 million tmp [tons of standard fuel] was exceeded by more than 10 percent. Good results were achieved also in recycling of waste raw materials and materials, in rationalization of services, etc.

The importance of comprehensive socialist rationalization further increased during the Sixth Five-Year Plan in conjunction with the necessity to focus all attention on a more efficient national economy, particularly on the best possible valuation of all types of fuels, energy, raw materials and materials. The rationalization program also contributed very significantly to conservation and thus mitigated negative external effects of world economy on our economy. To a major extent it shared in the development of production, cost reduction, conservation of fuels, energy, raw materials and materials, in higher labor productivity, exploitation of fixed assets, innovation of goods and so on. For example, in the branch of fuels and energy more than 12 million tons of specific fuels were conserved.

According to analyses completed in selected branches and sectors, comprehensive socialist rationalization shared in general about 40 to 50 percent in the growth of production, about 30 to 40 percent in the growth of labor productivity and 40 to 50 percent in savings of production costs. These results demonstrate the effect of the fulfillment of state rationalization programs and of rationalization programs prepared by VHJ [economic production units], enterprises and plants for the entire 10-year period.

This focus offers propitious preconditions for further application of rationalization methods in the Seventh Five-Year Plan. In the planned management system of the national economy, a programmed, goal-oriented approach will be implemented on the level of state plans. As envisaged, the state goal-oriented programs will focus on the implementation of vital projects of societywide importance in selected branches of production, on efficient use of fuels and energy, and on the development of the energy base, transportation and processing of materials, on efficient utilization of metals, etc. and on the implementation of such programs in appropriate sectors of the national economic plan. State goal-oriented programs, which will be centrally assessed and controlled, will become a tool of structural changes in our national economy. In addition, to a certain degree they will help integrate the hitherto split and disjoined program planning. On the level of central management, their objective focus to a great extent will replace state rationalization programs. Their most significant projects in efficient utilization of fuels and energy, storage and processing of materials and efficient utilization of metals will be implemented in the framework of state goal-oriented programs.

Our national economy will not become more efficient only by implementing great, demanding projects characterized by structural changes, but also by rational exploitation and utilization of all economic assets in every place of work, and by enriching labor with all available scientific achievements, both in the production and nonproduction areas. If we proceed from the principles on which the development of comprehensive socialist rationalization is based, it is self-evident that the application of programmed, goal-oriented approaches on the level of central management must not weaken rationalization programs on lower organizational levels.

The principle on which comprehensive socialist rationalization programs for the Seventh Five-Year Plan are based should not be changed. Acting to reduce the amount of direct labor as well as past labor inputs and production costs, it should contribute toward a more efficient national economy and toward the fulfillment of the planned tasks. By the same token, it should proceed from the tasks and objectives of the directives for the development of the national economy and help in specific situations to accelerate the dynamism of the development by raising social labor productivity.

Rationalization must be implemented thoroughly in conjunction with the application of all new scientific and technological achievements, with the application of the results of research and development, and with the implementation of inventions and improvement proposals.

When drafting comprehensive socialist rationalization programs, minor rationalization measures should no longer be underestimated, because as a rule, they can be introduced without capital investment and with fast return on capital.

The focus of rationalization programs on other sectors, for example, health care, social care, the educational system, culture, etc., is determined mostly by basic functions of the pertinent institutions. Its objective is the most efficient utilization of health care, cultural and educational facilities and, furthermore, of social resources, with simultaneous improvement of the standard of the services rendered and with advancement of educational programs.

In considerations concerning the focus of comprehensive socialist rationalization, in addition to economic results, some other factors should be taken into account, especially elimination of hard and strenuous physical work, improvement of the working environment, effect on the environment, higher cultural standards and overall humanization of labor.

It is, therefore, appropriate to underline here that the existence of state goal-oriented programs does not preclude elaboration and implementation of comprehensive socialist rationalization programs; on the contrary, next to programs organized on the level of central management, the most economical management and development of efficiency in production and labor processes should be promoted systematically and tenaciously on every level of organization and management. As demonstrated by achievements of the last two five-year plans, the most suitable means for fulfilling these demands is represented by comprehensive socialist rationalization programs which have already been tested in terms of methods, forms and concepts of implementation and which do not need to be changed.

It is, therefore, obvious that the reduction in the consumption of energy and materials and other national economic tasks may be only partially covered by the actions of state goal-oriented programs and thus, the contents of comprehensive socialist rationalization programs will remain an important part of the envisaged contributions of the VHJ and enterprises. For that reason it is advisable to continue promoting their planning, to follow their outcome, and to control them methodically. At the same time the Set of Measures for Improving the Planned Management System of National Economy After 1980 envisages that economic plans of the ministries, enterprises and plants will be implemented by means of technical and organizational measures, including measures pertaining to organization and management. Comprehensive socialist rationalization

programs also provide the best means for this task. In the period of the Seventh Five-Year Plan they should include the following:

-- all vital areas of consumption, particularly of fuels and energy, raw materials and materials (especially metals and other materials, for example, concrete, timber, etc.);

-- reduced consumption of direct labor, for instance, in processes of production, handling and circulation, in organization and management, etc.;

-- rationalization of services;

-- recycling of waste and unused raw materials and materials (for example, certain metals, wood pulp, paper, textiles, certain chemical materials and products, etc.);

The Seventh Five-Year Plan will be implemented under conditions of seriously limited resources of fuel and energy, which will inhibit the development of our national economy. As compared with 1980, the state goal-oriented program for rationalized consumption, conservation and utilization of fuels and energy envisages savings of more than 10 million tmp in the target year of the five-year plan, and about 12 to 15 million tmp more before 1990. During this period, changes in the structure of resources and untapped assets will become evident; there will be fewer available resources yielding fast return, not intensive in terms of investments and obtainable frequently at the cost of noninvestment assets; in the fore will be investment programs focusing on demonstrable savings in the above-mentioned area. A major role will be played here by the implementation of scientific and technological achievements on which the prepared program counts.

Furthermore, it will be imperative to develop and improve application of semiconductor technology, particularly of efficient components to drive machinery and equipment. Electronics, especially microminiaturization, will facilitate automatic control of technological and other processes so as to achieve optimum fuel and energy consumption. Understandably, modernization of all types of equipment consuming fuel and energy will pose a continuous task.

In the nonproduction sphere new, progressive systems for heating, control and measuring heat consumption must be introduced; heat conservation must become the same focus of interest as electric power. Major tasks will involve better thermal insulation of building frames and optimum supply of heat and electricity to the population.

Also, waste heat offers ample opportunities for recycling; its potential will rise with the construction of nuclear power plants. Efforts will be made to use solar energy and to utilize low-potency heat by means of heat pumps.

Experience has shown that extensive initiative of all working people must be promoted in order to implement the measures of this goal-oriented program which is based on the specifications of the Long-Term Program for Rationalization of Consumption, Conservation and Utilization of All Types of Fuels and Energy. It consists of eight vital branches for the purpose of:

-- reducing waste in the processing, conversion and transportation of fuels and energy;

-- reducing consumption of power in metallurgical industry;

-- achieving rational consumption and utilization of fuels and energy in machine engineering;

-- achieving rational consumption and utilization of fuels and energy in chemical and consumer industries;

-- achieving rational consumption and utilization of fuels and energy in the production and use of construction materials;

-- achieving rational consumption and utilization of fuels and energy in agriculture and food industry;

-- more efficient utilization of fuels and energy in the nonproduction sphere.

The purpose of specific actions comprising 47 percent of the contents of the above-mentioned program is to reduce the power consumed in our national economy by about 150,000 thermal units by 1985 as compared with 1980 and to save in addition almost 170,000 thermal units by further actions implemented on lower levels of management. As compared with 1980, rational consumption and utilization of fuels and energy will reduce power consumption by a total of 22-25 million tons of standard fuel equivalent in the target year of 1985.

Analogically, it is necessary to pay special attention to conservation of metals in production proper as well as in the construction of machinery and equipment, in consumer areas, etc. Here again the state goal-oriented program envisages major achievements. By the same token, it should be considered that in view of limited resources of metals, rationalization in that area is gaining increasingly more importance because while saving every unit of metal we are also conserving fuels and energy.

Specific measures of this program deal with conservation in the production of metals, metallurgical products and semifinished products, as well as with processing and use of recycled waste metals, with conservation in the production of castings, forgings and pressings, and with powder metallurgy; in the use of metal materials this involves rational construction and design of machinery and equipment, utilization of modern technology in the production of machinery, substitution of materials in the construction of machinery and equipment, including the use of nonmetallic materials, protection of metals against corrosion, and higher efficiency of metals in consumer areas; in the use and disposal of metals, this concerns efficient repairs and maintenance of machinery and equipment (including replacement of parts), and also rational utilization of waste metals, etc.

An important requirement of rationalization in this area is to create for it preconditions in the planned management system, especially in price-setting, price relations and material incentives, in standardization (particularly technological norms) and norms of material consumption, information, consultations, development of initiative,

etc. At the same time, it must be emphasized that electricity, heat and fuels are conserved when metals are saved, which further enhances the efficiency of these rationalization measures.

In recent years the state program entitled "Rationalization of Operations in Transport, Packaging and Storage," declared by the government of the CSSR in 1971, has become an important tool of management in achieving the projected national economic results in transportation and operations. The tasks outlined for 1976-1980 called for saving of 56,700 workers and of Kcs 2.6 billion in costs. Following the implementation of several measures, these goals were overfulfilled by 10 percent. In the Seventh Five-Year Plan the main tasks in this area will involve:

-- consolidation of the systematic approach and effect of the center in enforcing planning and implementation of specific vital rationalization programs by the state goal-oriented programs;

-- intensification of the management and regional rationalization complex in handling the materials under the conditions of individual ministries and of our entire national economy.

The two state goal-oriented programs based on those principles are "Rationalization and Modernization of Storage Economy" (coordinating project manager--Administration of Federal Material Resources) and "The Progressive Transport Systems" (coordinating project manager--Federal Ministry of Transportation).

The purpose of the former is to introduce a reliable and efficient storage system facilitating regular and orderly supply, particularly to housing centers (in the first stage, supplies to production and population of the capital cities of Prague, Brno and Bratislava, even during emergency situations). At the same time, historical centers of those cities are to be decongested in order to improve the environment of their residents.

The purpose of the latter program is to set preconditions within the expansion of the transport system during the Seventh Five-Year Plan to increase distinctly the share of an advanced transport system in total freight transport and thus, to reach the common objective of the haulers and transporters--rationalization of freight shipments and continuous handling of goods so as to render the processes of production, including economic and material supply, more efficient. This concerns in particular a streamlined design of transport systems in the transporting and hauling branches of domestic and international freight transport, including subsequent handling of the material. The program involves the development of containerization, especially of the container shipment system, palletization and concentrated loading and unloading systems.

The rationalization program has passed through a period during which its basic principles were put to test; rationalization developed on a broad scale and boosted the dynamism and efficiency of Czechoslovak economy. The demanding tasks of the Seventh Five-Year Plan require that in the future years we focus on pinpointing resources and untapped assets in order to accelerate economic development along with the maintenance of high standards in covering the increment of national revenue (production, volume of outputs) by higher social productivity of labor. This concerns primarily:

-- the fullest possible utilization of material resources and untapped assets so as to cut the consumption of all kinds of fuels and energy, propellants, raw materials and materials, especially imported ones, and their efficient use and valuation;

-- the fullest possible utilization of fixed assets in production, their intensification and modernization, and upgrading of the efficiency of capital investment;

-- extensive innovation of products and improvement of their technical economic standard, quality and dependability, and thus, also of their overall efficiency;

-- application of achievements of research and development, inventions and improvement proposals, so as to accelerate the improvement of the technological standard in production, of the quality and reliability of the manufactured goods;

-- better utilization of work forces by improved organization of labor, elimination of time waste, introduction of efficient labor processes and conditions, utilization of objective norms and standards of time consumption, efficient arrangement of work places, improved working conditions and environment, elimination of strenuous physical labor, replacement of work forces by technology, etc.;

-- higher efficiency of labor in the tertiary sphere and in other nonproduction activities, better and expanded services to the population;

-- more efficient management and administration, and introduction of computer technology in administration proper as well as in the management of the processes of production and nonproduction.

Rationalization represents a specific area in enterprises and organizations managed by national committees. Next to enterprises of the production type where the above mentioned principles may be applied, there are organizations managed by national committees providing various services for our population and engaging in activities stemming from their cultural, educational and social functions. It is necessary to see to it that in such establishments economic points of view be combined with the fulfillment of their societywide tasks. This applies especially to the educational system, culture and health services.

In other sectors of national committees (commercial enterprises, enterprises of water economy, transportation, highway economy and local economy) rationalization programs must focus mainly on upgrading quality while reducing the costs of their operations. Essentially the same principles as in economic organizations may be implemented here. Their specific direction is determined by the plan of performance.

Furthermore, rationalization efforts must be focused on programs in which efficiency cannot be expressed numerically, which do not have any direct economic effect, but which help improve the working and living environment and are socially and politically significant.

9004
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SALES OF L-410 AIRCRAFT, MODIFICATIONS DISCUSSED

Prague LETECTVI A KOSMONAUTIKA in Czech No 16, 1981 pp 601-603

[Interview with Eng Stanislav Boura, by Doctor Jan F. Sara: "LET into the Future"]

[Text] [Question] It would be quite unfair to the readers of LETECTVI A KOSMONAUTIKA to introduce the Uherske Hradiste-Kunovice national enterprise Let. This factory, which in 5 years will mark the 50th anniversary of aviation work in Kunovice and which this year will celebrate the 30th anniversary of its modern history, has become one of the pillars of our aviation industry during recent decades. The Blanik glider, the Aero 45 and Morava series of 2-motor taxis, the Cmelaky for agriculture and, recently, the "410s" in particular are designs which extend far beyond merely the limits of knowledge of aviation experts, as well as the borders of Czechoslovakia.

We have not, however, visited the director of Let, Eng Stanislav Boura, in order to reminisce - this has already been done for us on the pages of LETECTVI A KOSMONAUTIKA by aviation historians (we have particularly in mind the monograph article by Eng Jan Krumbach in the final two issues of 1976). - In the first place, congratulations and, if we might, let us move right to the present time...

[Answer] Our largest and highest quality product is the L-410UVP aircraft, for which the domestic routes of the Soviet airline Aeroflot are waiting, and where the majority of our production will be used. The current favorable situation which allows us to fly the aircraft to the USSR immediately after they are finished is the outcome of many years of great labor effort on the part of our whole enterprise collective. This climaxed in July 1979 with the issuance of a Soviet temporary certificate of air-worthiness for the model L-410UVP, which made it possible to implement state and operational tests in the Soviet Union, and particularly during July 1980, when a Soviet certification of air-worthiness was issued, marking the opening of flight operations in the Soviet Union carrying passengers on board airplanes produced here.

The issuance of this certification is a significant event in civil aviation not only for our enterprise, but for the USSR as well, because the L-410UVP is the first aircraft which obtained this certification under the new Soviet NLGS-2 standards. The achievement of this goal represented a huge volume of work for all the employees of our enterprise. The conduct of the tests, certifications, analyses, and problem resolution lasted for more than 3 years. During the state trials in the Soviet Union, 100 air hours were logged on two prototypes, and several thousand hours were logged during operational tests on 10 aircraft in the Saratov oblast. A number of

Soviet institutions and research institutes shared in the conduct of these tests and air trials; this cooperative project was then successfully ended with the issuance of the certificate. This made it possible for our enterprise to start up mass production, to provide smooth deliveries of these aircraft to the Soviet Union, and thereby create clear opportunities for the individual years of the Seventh Five Year Plan. This, of course, does not end work on the L-410UVP aircraft. On the contrary, the employee collective in the mass production division of our enterprise is working on designs for the further expansion of the use of this aircraft in the operations of various users. Just last year a deluxe version of the L-410UVP was designed and built for the GDR. This year an ambulance version has been designed, the production of which has just been started. A model for parachutists has also been designed and is now undergoing flight tests. Likewise, the documentation will be completed this year on the L-410UVP in its aerial surveying and mapping version. And there are still other applications of the aircraft. Preliminary orders have indicated an interest in modifications for geological, fishing, and argicultural purposes.

The aviation division at our factory is not represented only by airplanes, but also by the production of components for the M-601 engine, which we supply to the Prague Motorlet national enterprise. From the time of the decision by the Aero general directorate in 1975 to establish its motor base in our enterprise, both the mix and amount of produced components has significantly expanded. The volume of our production is attested to by the fact that this year we have completed delivery of radial-flow compressor rotors and casing systems for axial-flow compressors for more than a thousand engines, which is definitely not a negligible level of assistance to improve facility utilization at the Motorlet national enterprise.

This increase in the engine-building facilities and expansion of the mix of components produced for the M-601 engine will continue to be implemented in the upcoming years of the Seventh Five Year Plan, and include the taking over of production and assembly operations for the remaining compressor components during 1982.

If we speak of our enterprise as a unit, then it is impossible to leave out our second production program, i.e. the production of radar detection technology. From the modest beginnings of when production was taken over, and independent development base of high technical sophistication has been created at our enterprise. Its employees have focused their work mainly on the field of various types of antenna mechanics. And even though we do not deliver these products directly to customers, but provide them for other units assembled by Pardubice Tesla national enterprise, they still contribute to the reputation of our enterprise. The extent and mix of radar products will also expand in future years. Many significant successes have been achieved recently in enterprise activities. This fact commits us to continue our conscientious and good work in future years as well. We have a positive potential in all production programs and it is therefore incumbent on us all to fulfill the assigned tasks. This will in no sense be easy especially given the increasing production volume under the conditions pertaining to the application of the economic regulations of the Set of Measures. A mature labor collective, the guarantee of long-term contracts with the USSR, combined with a clear concept worked out in close cooperation with the CPCZ All-Factory Committee in the spirit of the conclusions of the Sixteenth CPCZ Congress regarding enterprise conditions through the target years up to 1990, all create the optimal conditions for the assumption and fulfillment of additional, still more demanding tasks.

It is my pleasure to emphasize in this regard, that the results of recent years, and especially of 1980, have been achieved also thanks to the full support and assistance of the supervisory general directorate of Prague Aero and the general director, Comrade Josef Skarohild, who personally and in a decisive manner resolved the most serious problems connected with the certification of the L-410UVP aircraft, as well as with the concpetion of the development of aviation production, and thus with the development of our enterprise.

[Question] You spoke about the highest quality, and largest product. What is the current "through time" at Let, how many machines do you produce in a month?

[Answer] The successful completion of technical development tasks for the L-410UVP aircraft and the obtaining of the Soviet certification has created positive conditions and space for the enterprise to increase smoothly the production of aircraft, even though we are limited by deliveries of the M-601B engines from Motorlet. For this reason as well our enterprise is expanding the production of engine components for Motorlet national enterprise, and helping in this way to improve the utilization of its facilities. But, for a concrete answer to a concrete question. The average monthly production in 1981 is 6 L-410UVP aircraft. This number will be increased gradually in each year of the Seventh Five Year Plan, and by 1985 we expect to reach an average monthly production of 8.3 L-410UVP aircraft, which amounts to 100 planes a year.

[Question] One type then, is being produced at full throttle, but the "drafting tables" are certainly a few years ahead. To the extent that it is not a secret - what are you planning for the future?

[Answer] It is a necessity of life for every production organization constantly to see to the development of its own production program and thereby create the preconditions not only for its own development, but also for the development of our entire national economy. The central program of our enterprise will continue to be aviation production in the field of small transport aircraft. In view of the fact that most of our production is exported, and given that our major consumer is the Soviet airline Aeroflot, our innovation program has an important mission, i.e. the satisfaction of our main customer, taking care of his needs in the development of small aerial transportation, i.e. for aircraft to handle transportation along local routes. Our new transport aircraft is supposed to replace the well known Jak-40 model, which is no longer satisfactory from the viewpoint of future aircraft requirements for local routes.

We are aware that the success of our design is dependent, among other things, on a thorough recognition of the requirements of the future customer, beginning with specifications for the performance and characteristics of the airplane, its operational sophistication, reliability, lifespan, and ending with its overall costs of operation. The basis of a recognition of these requirements are already incorporated into aircraft of the L-410 series, which have been made operational in the USSR after close cooperation between the CSSR and the USSR. The operational experiences gained from the L-410A, 1410M, and mainly the L-410UVP have been and remain important sources of information for decisionmaking concerning the designs for a future model, which would bear the mark L-610.

Cooperation with the USSR on the L-610 program is significantly more extensive than before. While in the case of the L-410 we received information concerning the characteristics of the aircraft from the viewpoint of the operator, for practical purposes, when the aircraft prototype already was standing at the airport, and the designers had to reconcile the existing design to his requirements, for the new model we know the needs of the main customer at the very beginning of the studies and design work. The views of the customer and the possibilities for realizing them have been mutually negotiated and the required agreements concerning technical specifications were reached.

All aspects of these requirements have a high level of technical sophistication. Among the most important of these is the ability to operate from short runways with natural surfaces, and under all the anticipated operational conditions found in the USSR, as well as a long useful life, reliability, operational economies including minimal maintenance requirements, while at the same time meeting the standards of Soviet regulations for aircraft construction.

We performed a number of analyses in order to choose a design that would meet operator specifications. From these analyses it followed, for instance, that the high demands for energy efficiency of the installed propulsion system could be fulfilled only by a turboprop engine with a modern, slow turning, "quiet" propeller. The appropriateness of this choice of propulsion system was confirmed by concurrently appearing designs for this type of aircraft worldwide. The aircraft will have two engines. Following experiences in the operational verification of the L-410 aircraft in the USSR, we have stayed with a cantilevered, high-wing design with a high level of mechanization of the wing itself. The vertical empennage area with twin rudders has a horizontal empennage area located at its end. The heavy duty, retractable landing gear is attached to the fuselage. The aircraft has a pressurized cabin, because the cruising altitude at which the specified efficiency in fuel consumption is obtained has been raised to 6,000 meters.

Its equipment is significantly more modern than on the current models. It covers all requirements stemming from the resolution of the flight and navigational tasks arising from expected operations.

The overall conception of the aircraft has been designed so as to assure a high level of operational self sufficiency.

The design approach established by the Aero general directorate did not, however, include only the development of the aircraft itself and the engine units, but also the remaining requirements of the operator which are necessary to see to the fulfillment of the transportation tasks facing this type of aircraft. For these reasons, development has taken place, parallel to that of the aircraft, of a simulator to train pilots, as well as an inspection and diagnostic system needed to speed up, objectivize, and implement modern maintenance procedures, and a number of necessary ground installations connected with the servicing of the aircraft. The theoretical and practical training of the user personnel will also be an object of our attention. In other words, we want to do all we can to see to it that the customer can initiate intensive operations immediately after the delivery of the first aircraft. It is clear that to achieve these objectives it will be necessary to develop this new program in very close cooperation with the appropriate agencies of the USSR, and with broad cooperation among the enterprises of our Aero general directorate, the Federal Ministry of Machine Building, and others.

The principles of this cooperation and participation are established in an intergovernmental agreement between the CSSR and USSR concerning cooperation in the development and production of a short-haul aircraft and its delivery to the USSR. This document is the basis of measures for the Ministry of Machine Building of the CSSR and, in our field, of a directive from the general director which defines very precisely the entire conception of the development of the Czechoslovak aviation industry.

The difficulty of our task may be best appreciated by a comparison of certain characteristics of the Jak-40 aircraft with our new aircraft, which is to achieve:

--significantly reduced consumption of construction materials per passenger kilometer (by 30 percent);

--significantly lower fuel consumption per passenger kilometer (by 50 percent);

--half of the required runway distance (800 meters) on a natural surface, in comparison with a concrete or asphalt surface as required by the Jak-40 aircraft.

[Question] I realize that to use a congratulatory message on the anniversary of an enterprise for questions such as the next one is not completely "fair," but nevertheless we would be grateful for your answer. Our agricultural pilots have already almost come to terms with the fact that they will not get the Cmelaky from you, even though there does not exist at present in the CEMA member countries an exact replacement in the same price category. The termination last year of production of the Blanik L-13 glider is, however, still a live question - and not only among members of Svazarm. In the words of a representative of the Omnipol foreign trade enterprise, published here last year, "...it is a shame that no way was found to continue production and development, because the export of this glider has been relatively profitable and effective, both to socialist and nonsocialist countries." Certainly, it was not a matter for your enterprise alone, the decision was also made elsewhere, but given the feedback, there are clearly few among those interested in this field, and even fewer experts, who are convinced that the decision was proper. We are aware how many people were working on the Blanik, and how much they will increase the production of the L-410UVP, All of this can be expressed financially and calculated in all kinds of ways from this data, but still it makes no sense to us, as they say (and not only financially) "all things considered"...

[Answer] Halting the production of the Z-37 agricultural aircraft at our enterprise was by no means a simple matter. The implementation of this decision was influenced by many considerations, some of them international in nature. Our supervisory organ, the Aero general directorate, is aware of the current needs for agricultural aircraft in our country as well as others, and allows room for research into various realization possibilities. The current situation is being influenced as well to a large extent by delays in production and deliveries of such aircraft from Poland. Consolidation of L-410UVP aircraft production at our enterprise can have the effect in future years of creating certain excess capacity and space for an evaluation of the feasibility of starting up again the production of agricultural aircraft, either as originally designed or with new modifications. Both of these alternatives, however, are limited by several factors which are not immediately resolvable at the present time.

As far as the Blanik is concerned, I can give you a more favorable and unambiguous answer. Production has started up again. With the cooperation of the Aero general directorate the conditions were created at our enterprise to do this. A new glider is being produced under the name of the L-13A. It is based on the original design with several modifications, mainly consisting of the use of reinforced wings from the motorized L-13SW glider. These modifications have significantly improved the reliability and life span of the glider.

The first deliveries of the L-13A will be realized as early as the fourth quarter of this year and plans are to continue the production of this model in future years as well.

[Question] The answer to this question as well as awaited primarily by readers from flying clubs, who are well aware of the many years of good relations between Let - the Slovak Flying Club - the operating equipment of the Svazarm Aerotechnik Central Committee. On what principle is this cooperation based and how is it developing?

[Answer] Much has been said that is positive about the cooperation of our enterprise with the Slovak Flying Club and the Svazarm Aerotechnik Central Committee equipment in Uherske Hradiste, because this cooperation is mutual, positive, and informal.

Cooperation with the Slovak Flying Club is not conditioned solely by the fact that many employees of our firm are members of the Flying Club, but also by mutual interests in the development of Czechoslovak aviation and, therefore, by common objectives as well. This cooperation takes many forms encompassing the areas of management, culture, and education.

Regarding Aerotechnik, a neighboring factory with the same type of production, we are bound to them by very good relations and we cooperate closely with them. This is attested to by the fact that we produce for Aerotechnik about 70 percent of the components and systems for the L-13SW motorized glider. For their part, our enterprise received from them formulated design documentation for the wings to be used on the L-13A glider, including the necessary fuselage modifications. Such forms of cooperation are to the advantage of both partners and I am convinced that in future years we will find other avenues.

[Question] To conclude our conversation, you will, I guess, by happy to invite our readers to the Tenth Aviation Day of Svazarm with Flowers, which will take place this year at your airport. And also to the upcoming machinery trade fair in Brno, where you will certainly be an exhibitor this year as well...

[Answer] Aviation days have become a beautiful tradition. They present an unusual show for the viewers and an opportunity to demonstrate the finished work of our workers and technicians, to get a look at the mastery of our pilots, parachutists, and other active participants in aviation activities. We are glad that the jubilee Tenth Aviation Day with Flowers will take place at our firm in the year when our enterprise is also celebrating a jubilee - our 30th anniversary.

At the machinery trade fair in Brno this year we will exhibit the L-410UVP in the standard USSR version. We are certain that this product will represent our firm well, even though we will not compete this year for the gold medal. We already have been awarded a gold medal in 1978 for our exhibition of the ambulance version of the

L-410M. I would like to point out that this is not the only gold medal that our enterprise has won. The L-410UVP aircraft has been judged "the best product of the Federal Ministry of Machine Building in 1980." This evaluation not only pleases us, but commits us as well to additional good work.

[Question] Thank you for the interview, and we wish Let many more successful years!

9276
CSO: 2400/310

PIECEWORK PAY, QUALITY PRODUCTION URGED

Prague RUDE PRAVO in Czech 5 Aug 81 p 1

[Editorial: "Work Quality and Compensation"]

[Text] Comparison of the volume of work that has been performed with its quality, on the one hand, and the compensation provided for it, on the other, belongs among the most sensitive issues in the broad spectrum of tasks which must be fulfilled as a precondition for the realization of the Set of Measures for Improving the Planned Management System of the National Economy. The Set of Measures, to be sure, has been in force since the beginning of this year, and some of its provisions are already being implemented, but the practical application of other, more basic, concepts is still running up against persistent elements of the old ways of thinking, approaching work and problem-solving. For this reason, it is still necessary to fight constantly for the realization of the Set of Measures on these fronts.

It is primarily a matter of areas related to the evaluation of labor quality and compensation, in other words, issues which in many instances cannot be brought into line with the intentions of the improved management system without conflicts. This is true because in recent years there has been a disruption of the relationship between performance and its financial valuation, a weakening in the incentive character of both the basic and flexible components of wages, brought about by a loosening of financial discipline, but also by longer standing and disruptive abuses and their influence on the value of money (for instance the various forms of tips, bribes, overpayments, etc.). There have also been negative consequences from an expanding equalization of compensation which has come about through the reduction, or total neglect, of differences in quality and efficiency among individual workers of the same collective, and which has not brought about an improvement in the performance of the less productive workers, but rather cooled the enthusiasm for work of the better employees.

Introduction of the merit principle for determining the level of compensation for work has been sluggish. There is no lack of examples, certainly, of how the work collectives in many factories have come up with their own solutions, brought about order, and of how they openly discuss performance discrepancies and the resultant numerical expression of these differences in compensation, but we are still far from an overall change in the system. This is also confirmed to a certain extent by the report on the results of national economic development for the first 6 months of this year, particularly in those sectors marked by a relationship between labor productivity and wages.

One must take into account that the development of labor productivity in industry, its increases in relation to the growth of wages, exhibited a more favorable relationship than last year, even though it is still not keeping up with plan guidelines. The increase in labor productivity was one-tenth of a percent less than planned, while wages increased two-tenths of a percent more than projected. This relationship worsened significantly, however, in construction, where productivity decreased perceptibly in comparison with last year, even while wages continued to rise. A certain amount of this, to be sure, can be accounted for by a change in the character of construction work--a low percentage of work handled by heavy machinery (the initial stages of construction) and a high percentage of finish work, which is more labor intensive--but this does not explain everything.

It follows that the effort to introduce some order into the compensation system, to emphasize, through wages, sophisticated, quality performance, and to pay for low-quality work only what it deserves, is for the time being having a hard time making an impact on daily practice. Therefore it behooves managerial employees at specific organizational levels to consider why they have done so little to date in this regard. Because bringing order to the compensation system is above all a matter for managers--though there has been no lack of examples of work collectives which have themselves actively initiated efforts toward the solution of this problem. It is on the whole, however, naive to think that people will arrange this themselves, that they will express themselves and encourage their immediate superiors (masters, union chiefs, shop foremen, and the like) to cease the current practice of equalization in the evaluation of the contributions of individual employees for the purpose of determining wages.

It is logical that there is a fundamental difference between bringing order to the compensation systems of industry and construction, one which follows from the nature of the work performed. In industry, the master or workshop foreman is with his collective for practically the entire work day, while in construction the masters of the construction foremen are for the most part content to "distribute" the work in the morning, after which they pay little attention to the conduct of the collective, whether it performs or does not perform, whether idle periods occur because of poor work organization, material deliveries, etc. And it is no surprise then, that under such a system of "supervision," payment is often made not for work, but for wasted time. The above shortcomings also follow, however, from the fact that in construction a piecework wage system is not sufficiently widespread, which means that wages are not determined in advance in terms of a specific volume of labor (if this were the case, obviously, it would not be a matter of how long the work is in progress, and workers employed on the job would themselves have a stake in the project rising under their hands).

The disparity between the volume and quality of work performed and the compensation received for it has its own undesirable consequences. The volume of financial resources allotted to wages and compensation is not determined at random, but is tied to the plan as an essential component of costs calculated beforehand for expected performance. And furthermore, the economic-incentive fund established by the plan is assured in later plan segments by the volume of relevant production for the domestic market and services for the population. Thus, to pay out more than justified by realized performance reduces the efficiency of economic activity and at the same time disrupts the balance between goods and services on the domestic market. The disrupted

balance in this area is then fertile ground for excess payments for goods in short supply, bribes for the priority delivery of certain services and other abuses.

Bringing order to the compensation system, then, has a deeper significance than is at first evident. It is a matter of fortifying respect for the currency as such, strengthening the actual value of compensation earned by justifiably quality work, the creation of an atmosphere of broad citizen cooperation in the punishment (a better expression would be prevention) of various "curiosities" in areas where there is no basis for them. Surely, it is comprehensible that a person who has had to earn his money honestly by performing a certain amount of quality work will not be inclined to pay more for goods or services than officially established (he will not bribe). Nor will he be inclined to allow himself to be clearly defrauded, a situation which, however, cannot be prevented by any number of inspections, but above all by the citizens themselves.

In productive activities, it is possible with relative precision to determine the relationship between increased labor productivity and wages. This relationship is less clear in nonproductive, or administrative and similar activities. This does not mean, however, that we are not to devote attention to them. Here also it is essential to monitor systematically whether the volume of performed activity is in accord with the number of employees, to see that working time is not wasted and that payment is made not for time spent in a chair, but for actual work. The monitoring of the latter activities is the more difficult, because for the most part they cannot be standardized. This, however, should in no case lead to a lack of interest by managerial employees in the efficiency of such work.

The Set of Measures is conceived in such a way that the individual components complement each other, mutually influence and support each other, and so that the overall result of enterprise management is determined by the interplay of many individual activities (and, understandably, the quality of their realization). This does not mean, however, that it is possible to avoid the introduction of less pleasant, unpopular measures and expect that adjustments will result from the effects of the additional measures from the above Set. This would be a fundamental error. The desired increase in the efficiency of social labor may be achieved only through the constant and consistent implementation of all the measures with the same intensity. Because just as the various measures mutually reinforce each other, so the omission of any one of them will weaken the effect of the others. It is basically a matter of communicating vessels, in which the efficiency of the whole system is, practically speaking, determined by its weakest place. Or it may be compared to a column of vehicles traveling along a road that does not permit them to pass each other--it is obvious that the speed of the column cannot exceed that of the slowest vehicle.

It is likewise logical that in such an extensive complex as the Set of Measures, its specific points have differing significance and a different share in the projected final outcome. The merit principle for compensation is one of those which are of the greatest significance. It is precisely for this reason that it must be given constant attention and care, that it must be introduced consistently into practice, that individual conflicts not be avoided, but rather that all honest employees be won over through patient explanation and persuasion to its application throughout the breadth of the national economy and life of the society.

9276
CSO: 2400/301

HUNGARIAN FOREIGN TRADE PERFORMANCE IN 1980 ANALYZED

Budapest FIGYELO in Hungarian 12 Aug 81 p 9

[Article by Mrs Imre Csordas and Dr Jozsef Szatmari: "Greater Risk, Smaller Profit"]

[Text] The new system of income regulation that was introduced in 1980 for the foreign-trade enterprises had been elaborated with due consideration for the Sixth Five-Year Plan's tasks in conjunction with the external economy. It will be of interest to examine how the results of the foreign-trade enterprises developed amidst the functioning of the new regulators.

The foreign-trade enterprises' new system of income regulation is based on the introduction of commission and markup schedules that are about 60 percent lower than the previous ones, parallel with the abolition of the foreign-trade tax, capital use charge, and wage-commensurate charges. The objective in setting the new commission rates and markups was to enhance the fulfillment of import and export targets, encourage the spreading of new, more modern forms of foreign-trade relations, give preference to the establishment of partnerships for working the foreign markets jointly, reinforce the orientation on foreign markets, provide incentives for more intensive pricing and savings in sensible management of costs, and make the enterprises more cost- and profit-sensitive. Another essential element of the system of income regulation is that foreign-trade enterprises exporting for their own account fall under the same consideration as the producer enterprises.

Our conclusions are based on the findings of a study that the Ministry of Finance Chief Directorate of Revenue (PM Beveteli Foigazgatosag) undertook in 1980 of the foreign-trade enterprises dealing in farm and food-industry products, basic materials and light-industry products, and which the directorate is continuing this year at the foreign-trade enterprises dealing in machine-industry products. In our analyses we have made use also of the enterprises' balance-sheet reports, and of foreign-trade statistics. Thus our conclusions apply to foreign trade's sector of "trade in commodities and intellectual products," respectively to the enterprises of this sector.

Terms of Trade by Commodity Groups

The combined effect of the comprehensive measures adopted to promote fulfillment of the plan's objectives is best reflected in the changes of the terms of trade. The terms of trade are a composite indicator of nonruble-denominated foreign trade. They incorporate the increase in the volume of economical exports, the development of the export of new and more modern products of better quality, and the curtailment of uneconomical exports. Furthermore, they include the effect of the economical use of imports, and the results of price work on foreign markets in the case of both export and import. The terms of trade improved in 1980, for the first time in years. It is interesting to analyze how much the foreign-trade enterprises specializing in the various branches contributed toward the improvement of the terms of trade, or how their activity influenced the development of the terms of trade.

1980/1979 Indices of Nonruble-Denominated Foreign Trade

Foreign-trade enterprises by specialization	Import price index	Export price index	Terms of trade index
Agriculture & food industry	113.7	106.3	106.9
Basic materials:			
Sources of energy	137.0	133.7	102.5
Materials	114.1	113.5	100.5
Consumer goods	112.7	109.0	103.4
Machine industry (machinery)	109.9	110.4	99.5
Jointly	113.8	111.9	101.7

The greatest improvement occurred in the case of farm and food-industry products, primarily as a result of meat and grain exports by TERIMPEX [Foreign-Trade Enterprise for Livestock and Crops] and AGRIMPEX [Agricultural Foreign-Trade Enterprise]. Likewise significant is the improvement in light industry, resulting from higher export prices, from new and modern products, and--last but not least--from the introduction of the competitive pricing system. Abandonment of the export of uneconomical products also improved the terms of trade, although it did cause a dropout in volume. The terms of trade worsened only in the case of machinery, and this calls attention to the poor export prospects of Hungary's machine industry.

The combined total gross sales of the foreign-trade enterprises dealing in commodities and intellectual products dropped by 0.2 percent in 1980 in comparison with the preceding year. Within this exports rose by 0.3 percent, and imports declined by 1.4 percent. In sum, the turnover developed favorably, and this can also be said of the balance of nonruble-denominated trade.

On examining the individual specialized areas of commodity trade it can be established that the rate of increase in export was the highest (10 percent)

at the foreign-trade enterprises dealing in farm and food-industry products. The convertible-currency export of the enterprises in this group was three times their import. AGRIMPEX played the leading role in this outstanding result, increasing its export by 35 percent.

The foreign-trade enterprises dealing in basic materials (metallurgy, and the chemical industry), which account for one-third of the total trade turnover, increased their export by 2 percent. METALIMPEX [Foreign-Trade Enterprise for Steel and Metal] and MINERALIMPEX [Foreign-Trade Enterprise for Oil and Mine Products] increased their export by taking advantage of the favorable situation on the world market. Otherwise the foreign-trade enterprises dealing in basic materials are "consumers" of convertible foreign exchange, because the nonruble-denominated export accounts for only 69 percent of the import. Light-industry export dropped by 6 percent in comparison with the base period. The enterprises in this branch nevertheless achieved a net surplus in their turnover denominated in convertible foreign exchange: nonruble-denominated export was 133 percent of the import. The decline in export can be explained by the selection of products to exclude uneconomic export. At the same time, the majority of the enterprises were able to realize favorable price increases, particularly HUNGAROTEX [Foreign-Trade Enterprise for Textile Goods] and TANNIMPEX [Foreign-Trade Enterprise for Leather and Fur].

Machine-industry export amounted to 93 percent in comparison with the base period. Most of the enterprises in this branch belong among the "consumers" of convertible foreign exchange. On this basis we believe that a dropout of export with a high import content--provided this occurs in the case of uneconomic products--helps to improve also the terms of trade.

The foreign-trade enterprises' profit stems from several sources. In the case of export and import for their own account, they may add their markup according to the schedules specified in the price-authority regulations, besides the normative and nonnormative settlements with the state budget on export for their own account. Prescribed commission schedules apply to export and import that the foreign-trade enterprises undertake as agents. The commissions are intended to cover the costs and to provide a minimum profit. Even under this form of relationship, however, the foreign-trade enterprises may egree with their principals to share the price profit above a certain limit. In the case of partnership deals, the partner enterprises reimburse the foreign-trade enterprises' expenses, and the foreign-trade enterprises may realize a profit in the attained prices.

The foreign-trade enterprises handled 5 percent of the export and 4 percent of the import as transactions for their own account. Within the total volume of export for the foreign-enterprises' own account, 59 percent was in ruble-denominated export, and 41 percent was in nonruble-denominated export. At the foreign-trade enterprises dealing in commodities, export for their own account represents about 5 percent of their total activity and provides 25 percent of their total profit.

In the course of evaluating the profits on transactions for the foreign-trade enterprises' own account, we investigated two things: whether the correct prescribed markup was employed, and the export-related settlements with the state budget. According to the balance-sheet data for 1980, eight foreign-trade enterprises exceeded the prescribed markup. The overcharging was very substantial. (A more detailed breakdown and evaluation of this overcharging are still in progress.)

On exports for their own account, the foreign-trade enterprises dealing in commodities obtained several billion forints in refunds of the producer's differential compromise turnover tax, and also aid for the modernization of production. In our opinion, such refunds and aid were excessive and unwarranted in all instances when the export suppliers had not paid differential compromise turnover tax and the exports were not industrial ones. That the refunds and aid were probably excessive may be inferred also from the fact that often the foreign-trade enterprises do not pass on these benefits to their suppliers, presumably because the suppliers don't press the foreign-trade enterprises to calculate the refunds, etc. in the transfer prices.

Questionable Earnings

The volume of imports for the foreign-trade enterprises' own account increased by 6 percent and, with the application of the new markup schedules, generated 807 million forints of profit, in comparison with a loss of 558 million forints the preceding year.

The foreign-trade enterprises dealing in commodities conduct about 90 percent of their business on a commission basis or under a partnership agreement. To cover their costs (and average profit) the foreign-trade enterprises are entitled to officially established commission rates or allowances for overhead. Moreover, they are entitled to pass on directly certain incurred costs. Last year, in accordance with the regulations, commission payments were reduced to 40 percent in comparison with the preceding years. The allowances for overhead should also have dropped to that level, because in terms of content and intended purpose they are the same as commissions. However, the allowances for overhead dropped to only 80 percent in comparison with the preceding year, and thus the investigated foreign-trade enterprises dealing in commodities had about 700 million forints of questionable earnings.

In cases when the foreign-trade enterprises are entitled to pass on their incurred costs, they may bill only for their actual expenses. However, the foreign-trade enterprises dealing in commodities passed on 386 million forints more than their actual expenses. The foreign-trade enterprises in the area of agriculture and the food industry accounted for 23 percent of this unauthorized billing; the foreign-trade enterprises dealing in basic materials, for 18 percent; in light industry, for 17 percent; and in the machine industry, for 42 percent.

In addition to trading for their own account, the foreign-trade enterprises operate on a commission basis or as partners. For their activity the foreign-trade enterprises get a commission or allowance for overhead (as discusssed above), or they split the profit with the partner enterprise. An increase in

earnings resulting from such a sharing of the profit is a favorable phenomenon because it is a concomitant of a greater price profit or, in the case of a closer relationship, of an improvement of efficiency and particularly of profitability at the producer enterprise.

Declining Share in Partnership Deals

To improve the efficiency of foreign trade, changes have occurred in the relations between the producer and the foreign-trade enterprises: partnerships and bureaus have been formed. Many enterprises have modified and streamlined their earlier contractual relations. This process has been the most pronounced at the foreign-trade enterprises in light industry, but is noticeable also at the foreign-trade enterprises in agriculture and the food industry, and at the ones dealing in basic materials. In the machine industry this process did not unfold. The reason, we believe, is that it is becoming more and more difficult to sell machine-industry products on capitalist markets, and therefore the foreign-trade enterprises are striving to participate in such sales without assuming any risk, merely on a commission basis.

The findings of our investigation seem to indicate that the foreign-trade enterprises which prefer partnership relations are assuming a greater burden than previously, and this is reflected also in the development of the profits of the partnerships. As a result of all this, the earnings of the foreign-trade enterprises have also undergone change.

The fact that the foreign-trade enterprises' profit on partnership deals dropped to 78 percent of their profit from such deals in 1979--i.e., their losses increased--indicates that the foreign-trade enterprises are receiving a smaller share of the profit but are assuming greater risks than previously. For the profitability of export has not declined, as evident from the improvement of the export price index. However, an increase of the foreign-trade enterprises' profit on import partnership deals is not desirable, because this would have an adverse effect on the efficiency of production activity, through higher production costs and a lower profitability of export.

1014
CSO: 2500/358

SIX MONTH PRODUCTION FIGURES ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish 19 Jul 81 pp 1, 2

[Article by Ch. M.: "The Half-Way Mark"]

[Text] Usually, we have titled our discussion of economic results for the first half of the year as "The Half-Way Mark." Of course, we meant the half-way mark of the annual plan. Today, it is tempting to put a different meaning on this traditional title. Are we at the half-way mark of the economic crisis, or will the falling trends continue until the end of the year, or perhaps there is a chance that the current unfavorable, to put it mildly, trends can be reversed.

It is hard to deduce any favorable signs from the statistical data. The 9th Congress is debating a program to solve the crisis--perhaps a spark of hope will come out of it. Before we turn to that hope, let us look at the hard economic realities as they were in the first half of the year. Granted, that we need hope badly in our difficult everyday life but this hope must be based on facts and not only on desires and wishes.

Production of goods worsened in June in most respects. Sales of industrial production was 16.9 percent (over 48 billion zloty) lower than in June last year and 0.1 percent lower than in May this year. As there were more working days in June than in May, the decrease for comparable period of working time was 2.6 percent in relation to May of this year. The Main Statistical Office keeps monthly record of the quantity of production for the most important products. That record shows that the list of products whose production was lower this year than the last is getting rapidly longer and the index of decrease is generally in double digits. Every month it is more difficult to find any products whose production rate exceeds 100.

The overall data for industrial production in the first 6 months are shown in Table 1.

[Table 1 on following page]

Table 1

Item	1981 Jan-Jun	1981 Jul
	Increase (decrease) in comparison with the corresponding period in 1980	
Production sold:		
Actual index	-12.5	-16.9
Index adjusted for comparable working time	- 8.0	-16.0
Average employment	- 0.3	- 0.3
Wage fund	24.1	29.2
Average monthly pay, net	24.5	29.7
Production, sales per employee:		
Actual index	-12.3	-16.6
Index adjusted for comparable working time	- 7.7	-15.7

Let us also look at some economic data by month shown in Table 2.

Table 2

Rate of Production by Month in 1981
(the corresponding period in 1980 = 100)

Item	Jan	Feb	Mar	Apr	May	Jun	Jan-Jun
Sales of industrial production (in constant prices)	90.3	90.3	90.4	88.5	82.7	83.1	87.5
Wage fund in socialized enterprises and industrial plants	117.3	119.4	127.2	127.2	128.4	129.2	124.1
Production of hard coal (in tons)	77.8	78.5	81.2	82.0	72.3	77.7	78.2
Purchase of cattle for slaughter in tons of meat	93.2	88.6	75.8	85.0	77.2	69.7	81.6
Supply of goods for the market (in current prices)	101.2	101.9	99.1	103.2	94.8	97.1	100.5
Export (in foreign exchange zlotys)	77.6	79.8	78.7	93.3	80.0	86.5	82.6
Import (in foreign exchange zlotys)	99.6	101.4	97.9	93.6	80.7	88.8	92.6

Commenting on these two tables is not a pleasant task. They show that everything went down except wages which went up exceptionally fast. It is obvious that under these conditions, the increase of wages becomes symbolic. Perhaps this is not the best term but the economists will have to invent a term for an increase of wages which formally is a real increase (retail prices increased no more than 10 percent) but which does permit to buy anything. The significance, of course, is not in the name but in the socio-economic impact of this phenomenon.

The excess of demand over supply exists not only on the domestic market but practically in the whole economy. The demand for raw materials, energy, imports, investments is much greater than the capacity to supply, the availability of means of payment, etc. This is the kind of demand which is not merely theoretical but which is backed up by possession of zlotys (albeit also theoretical). It cannot, however, be termed effective demand because both the population and the enterprises cannot buy what they need. The accumulation of enterprises' demand is decreasing fast this year but this is primarily a result of decreasing production and only secondarily a result of higher costs caused by higher wages.

It is most difficult to find an answer to the question that are the reasons for the current state of affairs. The explanation that everything is due to the errors of economic policies in the 1970's is not enough. The negative results of the shortage of supplies grow, there is a cumulative effect. There are no mechanisms that automatically counteract against the falling trends of production and the responsiveness of the economy to central direction is limited. This is due, among other things, to the fact that the command economy management methods used hitherto are changing very slowly.

Without absolving anybody for the slowness in preparing the report on the national economy and the program for solving the crisis, or to put it in more general terms, without absolving anybody for the certain paralysis at higher management levels, it is necessary to state that our work is poorer, not better, than prior to the August [1980] upheaval. The productivity is falling, and not only in places where there are shortages of raw materials and energy. The organizational effectiveness in many enterprises and institutions is deplorable and the ability to adjust to the changing conditions is practically nil.

In most individual instances excuses can be found--when a shipment of cigarettes arrives to a neighborhood tobacco store, all workers stand in line rather than at their machines. People cannot be expected to be flexible when rigid regulations are still in force. The new causes of the crisis are superimposed on the old ones and this deepens the social and economic effects of the crisis.

The above mentioned automatic developmental mechanisms can start working only after the introduction of economic reforms, i.e. in a year or 18 months. Agriculture and small producers could be an exception. However, to attain social effects from increased agricultural production requires radical changes in the operation of many elements outside agriculture. To cite an example, if we are not able to complete the overhaul of sugar mills and if we do not furnish them with coal in the next few weeks (and no one konws where to get that coal). The expected good grain harvest and high yield of sugar beets, will not help to improve the supply of sugar because we will not be able to refine the beets into sugar.

Similar situation exists in other sectors. In the investment and construction sector, despite the decrease of outlays by 19.7 percent, there is no sign of more intensive work. In the first 6 months, the production plan of socialized construction industry was fulfilled by 64.9 percent. This index is a bit higher than last year but this is hardly a consolation since dwelling units valued at about 50 billion zloty, which should be serving the people and the economy are still not ready.

In the whole economy, the residential construction industry completed 82.1 thousand dwellings. In relation to the plan, this may be considered a passable result but the term "passable" is relative because, first, this is still about 35 thousand units less than during the first 6 months of the previous year and, second, it is very disturbing that the, so-called, raw [preliminary] stages are poorly advanced which to a great extent determines the next year results. It is enough to say that in seven voivodships not one new block of apartments was started during the first 6 months. A similar situation prevails in the public facility construction, that is investments in health service, education and culture.

We discuss the domestic market situation (its statistical aspects) in another article on this page. Here, we note that this June the monetary income of the population was 28.4 percent higher (35.7 billion zloty higher) than in June last year and the goods supplied to the domestic market were lower by 2.9 percent (3.4 billion zloty lower). As the quantities of cattle bought for slaughter decreased, the amount of meat was insufficient to honor fully all ration coupons.

In June, it was noted that the sale of goods other than food increased rapidly which (in view of the lack of attractive products) became "flight from money" and took place at the expense of a decrease of stocks.

In foreign trade, we note that both export and import are still lower than last year. In June, export was 13.5 percent lower than in June 1980 and import was 11.2 percent lower; the decline of imports applies only to the Second Payment Region (capitalist countries and Yugoslavia) by 25.2 percent but export declined to both the First Region by 6.8 percent and to the Second Region by 20.9 percent.

These are the hard economic facts. And what about the hopes mentioned at the beginning? The government program for how to get out of the crisis includes the statement that, if the program is implemented successfully the highest pre-crisis level of national income can be reached in 5 to 6 years. This sounds depressing, especially that this 5 to 6 year period necessary to make up for the losses is conditional, i.e. if things go right. If they do not the period will be even longer. As an economist I have to accept this reasoning, as a citizen, however, accepting the correctness of this reasoning, I believe something else is more important. It is more important to break the now prevailing trends and to reverse the process of accumulating negative events and to achieve some positive results at least in some sectors. This could stimulate social forces on which depends most of all (incomparably more than on the authorities) how long and how costly will be the way out of the crisis. This is the reason why our society places such high hopes on the ongoing debates of the 9th Congress. Although the Congress cannot produce one more ton of coal nor another pack of cigarettes, it can do a much more important thing: organize social activity, break the feeling of impotence and provide a clear, even if painful and difficult, view of what can be achieved and under what conditions. If this happens, the symbolic half-way mark may become the starting point and if this does not happen then the economy may collapse with all the consequences for our social life and the future of our nation.

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EMPHASIS ON FASTER DISCOVERY, RECOVERY OF NEW COAL DEPOSITS

Bucharest REVISTA ECONOMICA in Romanian No 34, 21 Aug 81 pp 21-22

/Article by Stelian Comeaga and Gheorghe Draghici: "Shortening the Period for Putting the New Coal-Extraction Capacities into Operation"/

/Text/ The vast process of economic and social development of the country requires bigger quantities of raw materials. Coal, as a main source of energy, occupies an important place among them. Consequently, the specialists and all the working people in the field of geology and coal extraction are engaged in devising and applying new technologies for developing the existing capacities and putting into operation as soon as possible new facilities that would cause the fulfillment and overfulfillment of the targets for this year and for the whole 5-year period.

Intensification of the Activity for Opening up New Deposits

According to the targets set, the production of electric power achieved in thermoelectric power stations using coal and bituminous shale will be over 55 percent in 1985, as compared with 40 percent in 1980. Along with and in connection with this, a 9-percent average annual rate of growth of coal production is expected during the current 5-year period, it being estimated that a net level of 85.6 million tons of coal will be attained in the last year of the 5-year period. As part of these provisions, the production of lignite and brown coal, the main power-producing coals, will be 2.7 times higher than that achieved in 1980, reaching 75 million tons in 1985.

The expected levels will be achieved mainly through the development of the existing capacities. However, over 40 percent of this growth devolves upon the new capacities consisting of mines or quarries that are to be put into operation during this 5-year period at deposits where the determination of the reserves was the object of geologic exploration work during the previous 5-year period. However, the achievement of the stipulated production of lignite and brown coal will also require the opening and the putting into operation of mines and quarries at deposits where the geologic research is in progress, for distinguishing the reserves, including determining their qualitative characteristics. With this end in view, it is necessary to perform important boring work, lab determinations and analyses regarding both the coalbeds and the rock below and above them.

In consequence, the research activity is oriented toward discovering new coal deposits in all the basins in the country that have favorable conditions, with the volume of prospecting and exploration work being continually on the rise (156 percent more in 1981 than in 1979). Thus, the mining and boring work has been increased in the Cimpulung-Muscel, Vilcea, Mehedinti, Caransebes, Lugoj-Sinersig, Sfintu Gheorghe-Covasna, Bihor and Salaj basins and the research has begun in the zones of Falticeni-Boroaia, Suceava County, Oas, Satu Mare County, Lapus, Maramures County, Caiuti, Bacau County, and others. At the same time, as part of the concern for finding new solutions for growth in coal production, complex work was initiated and has been going on intensely in the field in 1980-1981 in all zones with coal under investigation, there being selected as priority ones those where it is possible to create conditions for immediately proceeding to extraction.

For each of the above-mentioned perimeters there have been drawn up work programs that include the volume of mining and boring work, the timetables for performing it, the executing units within the MMPG /Ministry of Mines, Petroleum and Geology/, and the surface construction (roads, overhead powerlines, water regulation and so on) in the execution of which the participation of specialized units within other ministries and central and local bodies is necessary. In order to make it possible to form a picture, albeit a partial one, we will mention that, for 1980-1981 alone, the mining and boring work needed for investigating the respective zones and proceeding as soon as possible to coal extraction totals the following volumes: over 100,000 meters of boring for geologic research, about 73,000 meters of underground mining work and 2,255,000 cubic meters of excavation in quarries.

Due to the geologic composition of our country's territory and, within it, the distribution of the formations bearing or liable to contain coalbeds, the great percentage of the geologic research work for power-producing coal occurs in the expansion of the deposits under exploitation in Oltenia, the biggest coal basin in our country. At the same time, the concern for the discovery and wide utilization of mineral resources within the framework of the industrial development of all areas of the country has necessitated that, in the geologic research programs, importance be accorded to the sedimentary basins in order to identify new coal accumulations. With this end in view, geologic research is being done in those basins where the presence of coal has been identified or those with a prospect of such a substance, there being taken into account in scheduling the research the zones and areas short in energy resources. Thus, prospecting and exploration work for coal is in the process of being done in Vilcea County, in the expansion of the Schitu Golesti basin in Arges County, in the sub-Carpathian zone in Wallachia and Moldavia, in the western part of the Moldavian platform, in the Birsei and Oas basins, in the Silvania depression, in the basins of Almas Valley, Borod and Lugoj, in the Bozovici depression and so on.

The majority of the coal accumulations identified in the above-mentioned basins are in difficult geologic conditions for mining, due mainly to the location of the coalbeds below the hydrostatic level, having above or below them layers of sand with water under pressure. For this reason, the cases are frequent when the coalbeds come into direct contact with the water-bearing sand or are located between layers of unstable sand or plastic argillaceous rock.

Consequently, the planning and execution of the work of exploiting the deposits--each of them in specific geologic conditions--raise a great number of aspects.

Analyses and solutions of the most efficient kind are needed for detailing the knowledge of the potential of the reserves. For instance, at the coal deposit identified in the southwestern part of the Oltenia basin, in the Prunisor-Izvorul Onestilor-Livezile perimeters, represented by two lignite beds of 2-4 meters in thickness, where the sand below and above them is hard to dry, research with mining work and experimental faces along with research through boring has been adopted. In another part of the country, in the Birsei basin, where a lignite deposit in which the coaly complex reaches 25 meters in thickness has been identified, a zone with conditions for exploitation by quarrying has been found. Since its cover consists of deposits with big lithologic variations, the geologic research is being detailed through the making of experimental trenches from which samples are to be taken for burning tests in thermoelectric power stations and, ultimately, for determining the quality of the reserves extracted under industrial conditions.

In all cases, special programs drawn up according to facilities, with the application of extraction technologies using suitable modern means, are planned or completed for raising the degree of knowledge of the reserves to the level needed for the requirements for planning and executing the mining work of exploitation.

Concentration of the Efforts on Priority Objectives

Besides the steps taken to intensify the geologic research work and increase the speed of the boring and mining work, the research programs adopted must also lead to the shortening of the periods for putting into service the reserves of coal in the deposits. The planning of the research work has been provided by the exploration organizations in collaboration with the specialized institutes, with the sites and dimensions of this work being established, so that, in the case of favorable results, the work can also be used for future operations. In this way, as early as the research phase, conditions are created for shortening the period for attaining the planned production capacities at the above-mentioned facilities and, along with the research work, even extracting amounts of coal that will help to reach the planned outputs.

Moreover, after the conclusion of the geologic research and for the purpose of continuing and finalizing the work in the investment activity, there follows the stage of preparing and approving, at intervals, the technical and economic documentation for substantiation. For this purpose, planning staffs are set up that, in proportion to the distinguishing of the base of reserves, must draw up as soon as possible, at a high level of efficiency and quality, the plans for proceeding to exploit the new coal mines and quarries. The reduction of the period for proceeding to production is facilitated as early as the phase of conceiving the geologic research, in that both the mining work of geologic research and some surface work connected with it are placed and dimensioned in such a way that they can also be used for the future investment and production activity, with them being taken over as fixed assets.

Of course, in order to do the geologic, investment and extraction work, various pieces of equipment suited to the specific conditions in this sector of activity must be provided completely and in time, by redistributing either the existing equipment or that stipulated in the procurement plans. While some equipment for the digging of mines and the extraction of coal from underground has been provided in this way, in order to perform the greater volume of geologic work it is necessary to supplement the work force and correlate it with the other indicators of the plan and

with the level of technical equipping and to utilize it with higher productivity and greater efficiency in all units and workplaces.

The implementation of the programs of activities, both for increasing the production of coal and for intensifying the geologic work and starting as early as possible the production activity in the new zones, necessitates some actions and measures such as:

The improvement of the degree of knowledge of all basins with prospects of coal by concentrating the efforts in order to raise the quality of the geologic and geophysical prospecting in all stages. In this regard, it is necessary to intensify the prospecting and geophysical methods, both of the kind of those used at present and, especially, through the introduction of the specific seismic methods (detailed seismometry) for determining as exactly as possible the coalbeds and their position and dimensions. The application of the improved methods must be extended to all prospective zones in the country, depending on the needs for deciphering the concrete geologic conditions and on the situation of the apparatus required;

The providing of equipment and materials (conveyor belts, dump trucks of various types, cutters and excavators, rollers, metal shacks and others) by the MATMCGFF /Ministry of Technical-Material Supply and Control of the Management of Fixed Assets/ and the MICM /Ministry of the Machine Building Industry/ and the suitable supplementation of the equipment plan with apparatus capable of achieving, quantitatively and qualitatively, performances of speed and precision at the level of the world technology in this field;

The more rapid issuing of the approvals for access to the land involved and for starting the work in all the basins, with the consent of the holders, on the basis of the decisions of the county people's councils, the MAIA /Ministry of Agriculture and the Food Industry/ and the MEFMC /Ministry of Forestry Economy and Construction Materials/;

The execution of the surface work (roads, overhead powerlines, telephone systems, river regulation and so on) at the proper time and under conditions of greater quality by the MEE /Ministry of Electric Power/, the MTTc /Ministry of Transportation and Telecommunications/, the National Water Council and some county people's councils (Vilcea, Arges, Dimbovita, Covasna, Salaj, Timis, Caras-Severin and Mehedinti) and the obtaining of the complete local cooperation needed for providing the housing and social conditions for the worker personnel called upon to perform lengthy actions, sometimes of a pioneering nature, in zones less emphasized thus far.

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7 October 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2185

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7 October 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2185

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MINISTER ON BROWN COAL MINING, RESULTANT POPULATION DISLOCATIONS

East Berlin TRIBUENE in German 25 Aug 81 p 3

[Interview with Wolfgang Mitzinger, minister for coal and energy, at a recent TV press conference; the questions were posed by five journalists, including Joachim Blady for TRIBUENE: "A Program for Brown Coal in Hitherto Unknown Dimensions--Question on the Situation in the Brown Coal Industry for the Minister for Coal and Energy"]

[Text] [Question] How much brown coal is being mined in the GDR?

[Answer] Last year crude brown coal production was 258 million tons. The plan for the current year calls for the production of 262 tons. Fifty million tons of brown coal will be briquetted and distributed by coal trade organizations to households by 31 October. That, of course, will depend on whether our consumers will lay in adequate quantities of coal by the end of September when supplies at surface mines are largest and also when the needed transportation facilities are available.

[Question] The 10th party congress has set the task to prepare for the conversion of the entire economy to an as yet undetermined extent to the use of brown coal. What will this mean to the brown coal industry?

[Answer] It confronts us and the miners with the task of supplying even greater quantities of crude coal. Responding to the resolution of the 10th party congress the miners have adopted the socialist pledge to produce 6 million tons of crude coal in excess of the amount stipulated by the state plan and remove overburden for the mining of additional 3 million tons of brown coal. The result achieved by 31 July: The brown coal production goal set by the state plan was exceeded already by 3.4 million tons of crude coal and 29 million cubic meters of overburden were removed. Our coal miners deserve our thanks for the excellent result achieved in the socialist competition.

[Question] What proportion of our republic's overall primary energy supply does brown coal constitute?

[Answer] In 1979 brown coal accounted for 63.5 percent of the overall primary energy supply which this year will increase to 65 percent and by 1985 to 67 percent. Then, in accordance with the resolution of the 10th party congress production should amount to between 285 and 290 million tons of crude brown coal. But sooner or later every

coal deposit gives out. By the end of the five-year plan strip mines yielding 40 million tons will be depleted so that by that time we will have to open up new sources yielding 70 million tons by intensifying mining in existing surface mines and by opening up new deposits.

[Question] In the past it took up to 10 years to prepare for and open up new deposits. Can this process be accelerated?

[Answer] The fast pace of developing brown coal production forces us to find a solution also for this problem. Therefore, we have resolved to open up 50 new surface mines within a time span of 3 to 4 years. This has succeeded already in the case of the Delitzsch-Southwest strip mine whose opening took 4 years.

[Question] Our briquetting plants are rather old. Given this reality, how can their output be raised and working conditions improved?

[Answer] Not all are obsolete. One third of our coal briquetting capacity was established after 1949. But, of course, we also have coal briquetting plants in production which were established around the turn of the century and which are still producing good quality briquettes. Our task is to modernize them so that they meet new standards--primarily safety standards. Modernization will entail raising the output of these plants. This we have succeeded in doing from 15 to 25 percent. But these reconstructions were primarily also designed to improve the working and living conditions of workers in these plants.

[Question] The cost to the consumer of a quintal of briquettes does not amount to much. How much does their production really cost?

[Answer] It is the policy of the party of the working class to keep prices of basic necessities of life at a stable level. Coal briquettes belong to this category. If the citizens had to pay the actual cost of the briquettes they use they would have to more than double their present price.

[Question] What will happen to villages which will have to be razed to make room for new surface mines?

[Answer] This constitutes one of our most involved problems because it displaces people from their homes. Such procedures are governed by laws which are being strictly adhered to. It is not possible to bypass a village in stripmining. Before overburden can be removed site displacement regulations must be invoked. These stipulate that the necessary measures can be taken only in agreement with local councils. Every brown coal mining establishment has an office which will answer all questions citizens might ask. For example, people who insist on living in their own home will receive preferential treatment. All stipulations are designed to further the workers' welfare.

[Question] What happens to depleted strip mines?

[Answer] Strict laws are in force mandating recultivation. Cereal crops can be grown again on such recultivated land after a short period of time and early in the

process plans are drawn up jointly with local councils setting down what is to happen in every particular location. This is how Senftenberg lake, two and a half times bigger than the Mueggel lake in Berlin, came into being.

[Question] How long before our surface mines are exhausted?

[Answer] The surface mines being opened up at present are expected to be productive as a rule till about 2020 to 2030. But this will not exhaust the brown coal deposits. Together with our geologists we are engaged in exploring the sites of new deposits which will be exploited by wholly new methods. In this way brown coal supplies will last us far into the 21st century.

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REFORM'S WAGE SYSTEM NOT AS GOOD AS EXPECTED

Budapest FIGYELO in Hungarian 12 Aug 81 p 3

[Article by Klara Szekffy: "Experiences of Wage Regulation"]

[Text] How then has the new pricing system changed the scope for enterprise wage policy? Have the modifications introduced in January 1980 encouraged the development of a flexible, balanced enterprise wage policy? We sought an answer to this on the basis of a small scale survey of 13 enterprises prepared by the Labor Affairs Research Institute. Without exception the large enterprises participating in the survey work with a wage-bill regulation system which encourages the search for manpower reserves (at 9 units the possibility of increasing the wage bill is tied to enterprise performance and at 4 units it is tied to a central decision).

The enterprises surveyed deviated significantly from one another in 1980 on the basis of their production-marketing possibilities and realized profits but they implemented almost equal average wage increases by 4-6 percent.

The new elements of wage regulation intended to encourage flexibility and long range thinking (reserve formation, advanced wage development, relaxation of average wages, modification of wage rate items) were of only theoretical significance for the enterprises participating in the survey. Changes carried out in other areas of regulation and the concrete conditions of management held back their application.

One of the goals of the regulators was to strengthen normativity. The experiences of the enterprises show that movement is slow and limited. The interest relationships of those playing a role in the economy have not changed and so the modifications could have had little effect in advance. Beginning with 1 January 1980 it was not supports but rather withdrawals which came into the center of the bargaining connected with the regulator system and holding back normativity. This switch did not change the fact that the enterprises are not trying to meet a general standard but rather are trying to adjust the standard to individual conditions and thus they are still not forced to improve their activity.

Prices and Wages

This can be seen very well in the development of prices and wages. The switch to the new price base considerably changed the profitiability of the enterprises but the effects of this could be predicted only in part. Regulatory bargaining had a

strong effect even in the development of the new price system so it was not only differences in efficiency which influenced the initial profit levels. Postponing the introduction of the price mechanism for a quarter year also meant the permanent loss of a part of the enterprise profit since justified price increases could not be realized. Other measures serving to protect the domestic price level (for example, rate of exchange appreciation) and partial recognition of justified price increases (by the center) further decreased the possible volume of profit or limited the scope provided by the regulators. A survey done in the enterprise sphere shows that as a result of the decrease in profit the wage development index did not make possible the greater wage increases which could have been realized in the neighborhood of the upper limit of the zone without taxation. It is an example of the failure to recognize the uncertainty connected with the price system and its effect on profit and wage development possibilities that the supervisory organs "offered" their enterprises very moderate wage increases compared to the increase in the consumer price lvel and the tax-free wage development possibilities. One enterprise writes as follows about this: "Our supervisory organ considers a maximal wage level increase of about 6 percent acceptable for its enterprises."

According to the survey done at the 13 enterprises the experiences with the 1980 functioning of the price system, the deficiencies and compromises, meant that it was difficult to achieve even the planned increase in nominal wages while adhering to the prescriptions. The regulator system continues to contain the static characteristics of the system of planning; it conceives of development as rectilinear, as an even improvement in performance, and does not honor periodic, dynamic growth--which occurs more frequently in reality.

The Elements of Inflexibility

The enterprises working under conditions of wage-bill regulation object to the wage development index used. In the process of developing the regulator system--as is well known--they tried to tie the development of wages to an index with the aid of which one could on the one hand, relax the link between profit and wages and, on the other hand, decrease the effect of variations in profit on the development of wages. This led to the use of the added value index in which there are elements--of essentially unchanging size or ratio--in addition to profit. But the enterprises feel that the ratio of the elements which they cannot influence is excessively large. Frequently an unrealistic increase in profit would be needed to increase wages, to improve the wage development index. Experience also shows that the increase in profit deriving from an improvement in efficiency is not enough to realize an acceptable average wage increase while, as a result of the drop in domestic and foreign market demand, there is no possibility to increase profits by increasing production volume.

The enterprises also consider the norms for wage regulation too severe; in their opinion there is an attempt to realize the central will most strongly in this area, with strict prescriptions which go into details.

For a considerable number of enterprises the investments realized in preceding years hold back the realization of elements which would improve flexibility within wage regulation. The development decision, the weighing of credit assumption and the development of repayment conditions all took place under different economic

conditions so the enterprises must turn a large part of their profit and frequently of their reserves to making repayments. When putting new capacity into operation they must frequently increase personnel also, but wage-bill regulation encourages reductions in personnel. Due to both these factors--the limited wage development possibility due to credit repayments and the strong incentive to reduce personnel--a significant number of enterprises can feel a contradition between the requirements made by the regulators and the managemnet possibilities.

This contradiction caused confusion in a number of areas in our survey--for the enterprises participating in the Eocene program, in the press industry and in foodstuffs trade--because the moderated personnel increase makes the solution of their tasks dubious. They now want to solve this with new wage preferences, and it may be necessary to change the forms of wage regulation. Of course, the enterprise behavior reflects the effects of the economic environment and the wage regulation system is only one element of this--and not a determining one.

The Effect of Relaxing the Brake

Of the modifications introduced at the beginning of last year the most significant appear to be the relaxation of the average wage brake and the ability to use the wage bill saved by decreasing personnel for a 3 percent increase of the wage level. The previous 6 percent average wage brake held back differentiation. The "brake" made it impossible for some enterprises to make any considerable improvement in their position on the labor force market and it made this possible for others only at great cost. This limits modification of wage ratio distortions within the enterprise and, because of the wage ceiling, it makes it less possible to recompense outstanding performance.

Because of the average wage brake they could not use wages freed by the departure of workers to hold or provide incentive for manpower and so the enterprises did not make any great efforts to liquidate manpower surpluses. Increasing the "brake" from 6 to 9 percent resolves this rigidity somewhat but one cannot expect from this an elimination of the leveling of the wage level among enterprises. If the enterprises make use of the possibility of increasing the wage level given by a reduction in personnel--which is made possible by a reduction in personnel in most places--then the differentiation (between 3 and 9 percent) can still not be greater than

At the same time--as a result of market constraints and the functioning of the new price system--the ability to increase the wage level by improving the wage development index can be only moderate even with great efforts, so the majority of the enterprises remain well below the upper limit of the zone without taxation. With severe restrictions the enterprises can use their wage reserves for advanced wage development but--as we will see below--even those with favorable prospects are reluctant to do so. And the high tax deters them from raising the wage level above 9 percent, so wage development by the enterprises is limited to a relatively narrow zone. Differentiation between enterprises and within an enterprise is held back also by the fact that in a period of price level increases and real wage reductions there is a significant increase in worker resistance to any attempt to differentiate wages. The enterprises are continuing to use the method of "backward planning" under the increasingly difficult economic conditions and one of them is planning to increase production to achieve even the wage development accepted by the enterprise collective (if the market will accept it).

In those areas where the manpower reduction is greater than the average those striving to increase wages object to the 3 percent use limit. At the same time we occasionally find an opinion according to which the reserves which can be mobilized are slowly being exhausted. There will probably be an increasing number of those who will be reaching the limit of the "buffer" reserve which is necessary to carry out their changing production tasks and overcome the difficulties deriving from their production-trade contacts. With the "hardening" of this limit there will be an end to the incentive meaning of and wage development possibility deriving from the discovery of reserves--if we conceive of reserves as static.

Antipathy to the Reserve

The central intent in regard to the possibility of generating wage reserves was to weaken the base view and permit the development of a longer range enterprise wage policy. On the basis of the experiences of the past year the enterprises feel that this element of regulation increases their freedom of movement only in theory. Because of the moderated wage level increase possibility there is nothing to save, and they have no interest in doing so. They see the chief contradiction in the fact that while they have an opportunity to generate a wage reserve there are severe restrictions on the magnitude and rate of use. Thus, in our opinion, the real function of the wage reserves is strict control of the wage level and thus of buying power.

At present deviating regulations apply to the wage reserves generated before 1980 and those generated after 1980. The declared reason for the very meticulous, strict regulation is that the size of the wage reserves not only reflects the efficiency differences between enterprises but also, for reasons independent of the enterprise, would lead to deviating wage differences the free use of which is not justified.

Prior to 1980, in many cases, it was not possible to realize economically justified wage increases because the prescriptions of wage regulation encouraged this--and they "had" to generate a wage reserve. The prescriptions which went into effect in 1980 attempted a deliberate whittling down of accumulated wage reserves. (They could be used with conditions which, in general, were met only by enterprises which were worse or weaker than the average.) The ability to mobilize the reserves is also held back by the fact that the generation possibility is "more strict" so frequently the enterprises get into a situation where, lacking a reserve appearing in the wage level, they cannot mobilize their reserves appearing in the wage bill. A few enterprises can bridge over this by using to increase personnel the wage bill which cannot be used to increase the wage level.

Resistance to reserve generation is rather general because of the limits on use. The enterprises are also uncertain because the wage reserves generated in 1976 and in 1978 were withdrawn in 1979, citing the difficult situation of the people's economy. So, above a certain limit, they do not generate reserves in advance. Some enterprises cite the following argument against the reserve system: In the interest of maintaining and improving their position they are striving to achieve a high earnings level, so they are making a maximal effort to exploit all possibilities to increase the wage level. They generate reserves only if, for some reason, they do not assume the burdens of greater wage increases. The workers also are demanding ever fuller exploitation of the possibilities to increase wages.

An examination of the monthly development of average wages shows that the enterprises have been very cautious in increasing wages. Nominal wage increases have been very moderate in the first half of the year but in the last quarter, including December when they had more reliable information about the development of profits, they carried out large wage increases and tried to exhaust the wage development resources. (See the graph!)

It is a well known phenomenon that at the end of every year--in the interest of fulfilling the plans--overtime and greater performance cause an outflow of wages. But at the end of 1980 there was a greater than average wage increase and what lay behind this phenomenom was primarily an attempt to exploit as fully as possible the wage development possibilities. The reservations in regard to the wage reserve system also played a role in the great year-end jump.

An Expensive Advance

The enterprises consider advanced wage development to be the weakest part of wage regulation. This element does not increase the flexibility of decisions and it is not an organic part of wage regulation as a whole. The conditions under which it can be used are complicated and excessively strict. According to its declared purpose it is intended the aid those enterprises which are struggling with a temporary decline. But it cannot be used in two consecutive years and it reduces wage development for the year following the year in which it is used. This condition in itself limits the sphere of enterprises making use of advanced wage development and some of the changes which reduce the possibilities for increasing wages--changing the product structure, technological reorganization, changing markets, etc.--do not run their course in a single year or rarely result in a significant increase in profit (and wages) in the second year. Thus advanced wage development can overcome only the one-time problems (reorganization, temporary business cycle changes) of a dynamically developing enterprise while the majority of enterprises are much more likely to be in a period of seeking paths, struggling with lasting business cycle difficulties. The tax burdens on wage advances are large also--a 100 percent payment obligation applies to both the wage bill and the wage level. Since it considerably decreases the profit level and this smaller profit continues to be burdened with the same payment obligations there are few enterprises capable of undertaking the great tax burdens out of a shares fund which is a good bit smaller than in preceding years. And, finally, making use of advances is held back by the limited foresight of the enterprises; they consider the market situation and changes in the regulators to be unforeseeable.

Wage regulation is generally criticized for its complex formulation, which has frequently caused misunderstanding and difficulties in interpretation. From the viewpoint of preparation for the next economic period the new decrees and prescriptions are made public too late, and this prompts the enterprise leaders to build up superfluous reserves and postpone decisions.

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MEHES ADDRESSES MINERS' DAY CELEBRATION IN SZOLNOK

Budapest NEPSZABADSAG in Hungarian 6 Sep 81 p 3

[MTI report: "Miners' Day Rally in Szolnok; Speech by Lajos Mehes"]

[Text] Celebrations organized on the occasion of the 31st Miners' Day were held throughout the country on Saturday.

The central celebration took place in Szolnok, the center of the Great Plain oil industry. More than 1,200 workers, representing coal, oil, ore and mineral miners, participated in the great rally in the banner decorated sport hall in Tiszaliget. Lajos Mehes, minister of industry and member of the Political Committee of the MSZMP, and Sandor Jakab, deputy first secretary of the SZOT [National Council of Trade Unions], took a place on the presidium and those present included heroes of socialist labor and leaders of party, state and social organs of the megye and city. After the singing of the National Anthem the rally was opened by Aladar Papa, director general of the Great Plain Petroleum and Natural Gas Producing Enterprise, and then a speech was given by Lajos Mehes.

In his introduction he greeted those participating in the rally and all members of Hungarian mining society in the name of the Central Committee of the Hungarian Socialist Workers Party and the government. As he said: "Today the Hungarian working people greet that stratum of the worker class which has won, with its sacrificing diligence, expertise and exemplary behavior in the struggle to build a developed socialist society, the sincere and great respect of our socialist homeland, our people and our nation." With words of reverence he spoke of those miners who sacrificed their lives in the struggle with nature, in work which demands hard diligence, of the martyrs of the Hungarian and international mining society.

Together--With the Workers of Other Branches of Industry

"When we speak of the respect for the miners," Lajos Mehes then said, "we are also always speaking, expressly and in thought, of a feeling of belonging together. This is a trade which has long been characterized, by the very nature of the work, by working together, by depending on one another, by responsibility for one another and by watching out for one another. Out of these smaller or larger communities working together there have developed the best of the work groups, the leading socialist brigades which follow and make their own the principles and practice of this magnificent movement on the job, in public life and at home alike. When I greet, with the

special respect due those at the forefront, the members and leaders of the socialist brigades, thus the masters of their trade, I wish them further successful work.

"It is a beautiful tradition that at such times their fellow workers celebrate together with the miners, as the strongpoint of the worker class, and this affinity manifests itself not only today and not only at celebrations. In the course of history miners, foundrymen, iron workers and the workers of other trades have struggled together against exploitation for a life worthy of human beings. It is due to this uniting of them that the great mining-foundry-iron industrial regions have always been strongholds of revolutionary ideals.

"It is a new aspect of this year's Miners' Day," the minister pointed out, "that after more than three decades the 'family members' belonging to one industrial ministry are again celebrating together. It is our aspiration to make use of the advantages of this united organization for the benefit of the worker class, to see that the miners producing the raw material and the foundrymen, power plant workers, chemical workers, machinists and those working in light industry and other industrial branches, who process their product, should work in a closer unity then heretofore for the realization of our common goals.

"It is a key question of party policy," he then emphasized, "that we must strive with all our strength to preserve what we have achieved in regard to the standard of living. A significant factor in this is how we make use of our domestic raw material resources and how we manage the energy at our disposal." He said that during the past five-year plan mining achieved significant results, thus laying the foundations for the Sixth Five-Year Plan. As the result of prospecting in hydrocarbon mining the petroleum and natural gas reserves increased by 36-37 million tons; in the first 4 years they succeeded in finding the 30 million tons prescribed for the plan period. Test drilling activity has been further modernized and substantially more wells have been sunk with less equipment to increasing average depths. The industry overfulfilled the 10.4 million ton prescription for petroleum production by 200,000 tons and in 5 years made available to the economy, primarily to the populace, about 3 billion cubic meters of natural gas above the plan."

The Need for Coal is Increasing

Speaking of future tasks Lajos Mehes emphasized that hydrocarbon production must be kept up to level in the Sixth Five-Year Plan. This is no small task because it means that we must find new exploitable reserves equivalent to 35 million tons of petroleum and must produce 2 million tons of petroleum and 6 billion cubic meters of natural gas per year. Recognizing this great task the workers of the branch have begun to realize the plan. In the first half of this year they overfulfilled by almost 6 percent the test drilling plan which lays the foundations for the future and produced 1,000 tons more petroleum and 73 million cubic meters more natural gas.

"Coal mining," the minister continued, "provides almost half of domestic fuels production. Due to the increase in world market prices this production is increasingly profitable so we are striving to reduce imports and make increased use of domestic coal. With further mechanization of working mines and better exploitation of their capacity we can satisfy the quantitative needs of consumers with coal production of about 25-26 million tons per year. The Sixth Five-Year Plan prescribes for coal

mining an annual production of 25-26 million tons. This corresponds to the previous 5-year level and at first glance it does not appear to be too great a task. But when we consider that the old mines are being quickly exhausted in a few of the historical basins, primarily Tatabanya and Dorog, even maintaining the level will require great diligence. To supplement the mines which are being exhuasted we will put one new mine in operation in Oroszlany and one in Tatabanya one year earlier as compared to the program.

"The biggest change in use is that in recent years the coal needs of the populace have been slowly but constantly increasing. The mines were not prepared for the production of good quality coal on this scale and, because of the preponderance of production of power plant coal, they did not turn sufficient care to enrichment, purification and briquette manufacture. Thus, while we are now at the world level in supplying the populace with electricity, gas and fuel oil the supply of coal, briquettes and coke to the populace leaves something to be desired. Supplying coke for our foundries and steel mills requires significant imports. For this reason the government decided to develop the Mecsek mines, the only basin in our homeland which produces cokable coal."

Care for the Miners

The minister also spoke of improving the living and working conditions of miners: "We have the obligation to care many ways for the creative human being, for the miner. This was indicated by the congress resolution when it made possible the favored construction of 10,000 miners' dwellings. In the course of the plan cycle we can build housing for 6,200 coal miners, 900 uranium miners, 450 shaft sinkers and 450 ore and mineral miners. Increased protection of the creative human being prompted our party and government to shift to the 5 day work week in mining, among the first This happened in many plants on 1 July. With today's celebration the loyalty bonus for oil miners working at changing work sites goes into effect. These measures, mentioned as examples, and every other technical and social policy act must serve the goal of having the miners live under the living and working conditions which they have earned by their sacrificing diligence."

In conclusion Lajos Mehes wished every member of Hungarian mining society much success in their work, strength and health and joy and happiness in their individual and family lives and he concluded his speech with the centuries old miners' greeting: "Good luck!"

After his speech Lajos Mehes handed out decorations; 40 received the gold degree of the Mining Service Medal or the ministerial decorations for Outstanding Miner and Outstanding Work. The central miners' day rally ended with closing words by Robert Vandorffy, director of the Petroleum Prospecting Enterprise.

As one spectacular event of the holiday programs they dedicated the jubilee square in Dorog honoring the 200th anniversary of local mining and the 800th anniversary of the settlement. In the center is a stylized model of a mineshaft made out of concrete, the work of sculptor Ferenc Arvai. Also in Dorog they dedicated the shaft tower of a mine no longer operating as a memorial to the mining settlement, on Kalvaria Hill. A mining memorial was unveiled in Anna Valley and on the occasion of the holiday they handed over the renovated and enlarged Attila Jozsef Culture House

in Dorog, the largest cultural institution in the coal basin. At the Tatabanya mines they commemorated the victims of the 1919 police massacre and the revolutionary struggles of the miner forebears.

The miners of Salgotarjan, Kazar, Matranovak, the Rakoczi mine and Doroghaza celebrated jointly at Nagybatony and 340 of them received decorations. Those at Nograd also had Soviet, GDR, Polish and Czechoslovak miner guests. In Tapolca, the center of domestic bauxite mining, Istvan Soltesz, deputy minister of industry, greeted the celebrants at a rally held in the mining further training institute. Also in Tapolca they dedicated a museum which exhibits historical mementos of bauxite mining.

In Kincsesbanya they celebrated miners' day be dedicating a mine. Production began on Saturday in the newest unit of the Fejer Megye Bauxite Mines Enterprise, the Bitto II bauxite mine built as a state large investment. In Pecs they opened the first exhibit of the underground mining museum; the exhibit is called "The World of Stone." In the evening there was a torchlight parade of miners to Cserteto where they laid a wreath on the miners' monument. There was also a wreath laying in Komlo at the monument to miner martyrs.

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UNION SECRETARY URGES INCREASED POLITICAL CO-OPTION OF WORKERS

Budapest NEPSZAVA in Hungarian 30 Aug 81 p 3

[Article by Gyula Virizlay, Secretary of the National Council of Trade Unions: "On Improving the Work of the Trade Unions"]

[Text] The trade union movement is an important factor and social force in the construction of a socialist society. Thus it is only natural that there is an increasing demand for qualitative improvements in the work of the trade unions.

This is one of the reasons why the next period will be such a significant test of strength for the trade unions in their efforts to carry out their mission with better quality. While the rights are there at every level, it is not easy to exercise them. Exercising these rights during a "calm" and consolidated period is not the same as asserting them during a period when important measures have to be decided on and put into effect.

Quality Requirements

The trade union movement is capable of recognizing social demands and efforts and of determining their order of priority, but is also able to work increasingly harder toward satisfying them. Trade union work of satisfactory quality is not something to be left up to the individual to decide for himself "whether he wants to do it or not". It is a requirement which takes more than just good intensions: it calls for action, clear and decisive action. In order to do quality work, naturally we must also ensure that we have the proper circumstances and conditions. It is clear and understandable, that proper guidance, control and assistance can only be provided through a combination of realistic resolutions or guiding principles, well-timed direction with substance, high-quality verbal and written information and personal conversations. Quality work requires an ability to think, to analyze, to recognize interrelationships, a determination to be firm, talent to sense and perceive the workers' thoughts, in other words, skill and a gift for leadership.

Naturally, it is not easy to work, think and keep several various considerations in mind this way. This is precisely why the quality of union work today has been often inconsistent. Moreover, if management is not sufficiently thorough and consistent, then "relaxation" may turn into a kind of harmful work practice. Life, the demands and tasks associated with trade union work have also been undergoing dynamic changes; so much so, that we must constantly reword our arguments, and repeatedly and critically review our methods. If we fail to do this, we find that our efforts and our attempts to modernize are often ineffective. At the same time, self-examination also gives us a sense of security and self-confidence in performing our tasks.

Another condition for maintaining the quality level of work is to ensure that our trade unions approach and judge every question within their domain in accordance with their specific mission. We are serving the same cause as our government, and our interpretations of our fundamental goals are identical. Still, we must look at the agenda of implementation, the various measures and their effects from a slightly different point of view. This unique approach of the trade unions is a manifestation of, and is in connection with the everyday functioning of power. It also expresses a continuous social reaction, which is alwyas fresh and realistic, and which are not bound by formalities.

Trade union work must also avoid chasing numbers. As a result of the large number, and often poor quality of measures, the implementation of resolutions have frequently led to a cover-up of many deficiencies. This includes everything, starting from the way we interpret the resolutions of our higher organs, the way we adapt them and utilize them in our work, and in general, the extent to which we take those resolutions seriously. In some areas these resolutions still do not enjoy the kind of reputation they need to have, causing delays and sluggishness in their implementation right from the outset, and often even after that. Protracted, time-comsuming conferences and long drawn-out speeches are among the "great enemies" of efficient work.

It is a long established truth, that it is more difficult to speak succinctly, factually, concisely and clearly than it is to paraphrase or repeat something. Many believe, that the importance, the logic, the conciseness and enjoyability of a given speech largely depends on the qualifications of the presenting official. And if this is indeed true, then this problem must be viewed as something which hinders the quality of trade union work. This, too, can and must be remedied.

These are not unfamiliar ideas, since for years now we have been telling and promising one another that we are going to make changes, although unfortunately there have been only very few improvements and changes made. I believe that on this point it is especially worthwhile to appeal to the individual responsibilities of our leaders. When weighing the abilities and work achievements of a leader, we must also determine whether he is able to improve the performance quality of the organization under him to meet the requirements of our times and of the tasks facing us today. If he is not, then no spectacular statements or reports are going to change the fact, that the quality of his work is still not up to standard.

Possibilities of Educational Work

In order to improve the performance quality of trade union work, we must pay closer attention than before to education, to socialist values and behavior to ways of changing peoples' consciousness and to public thinking. We are building an advanced socialist society, therefore we must achieve a permanently higher level in all areas, including economic, political and social matters. Economic development is a complex qualitative task which only man can solve. Socialist construction requires not only working hands, but also our heart, our brain, our head, our faith and our initiatives. Socialist construction requires not only that we be guaranteed certain rights, but also that we fulfill some obligations in order to achieve a higher standard, which will eventually "pay off" by enabling us to provide similarly high quality in meeting various demands.

Lenin had recognized the man-forming and character building effects of revolutionary change and self-transformation. The classics had emphasized that the socialist man, the socialist character, is not a kind of ideal which possesses certain clearly defined human characteristics that are detached from reality. No! The building of a socialist man is actually a process, a condition under which individual abilities can assert themselves. In a developed socialist society we are able to pay attention to the most fundamental interests, efforts and demands of our workers, and combining them with our common basic interests, to funnel them unto a unified course. The development of our society has opened up increasingly broader prospects for the development and evolution of the individual, and has provided a growing number of ways for him to express and to work actively--within the community!--toward fulfilling his interests and wishes. As a result, there are growing signs that our country's social outlook and social conditions are becoming determined by increasingly more advanced socialist phenomena, human characteristics and community values, which is an indication of our future, i.e., that we are on the right path toward achieving our goal. Educating people in this direction takes considerable time and effort.

We want more people to understand our policies, and we want them to work increasingly harder to ensure that those policies are successfully implemented. And this is not easy. Education and refinement is a process. Man's personality develops throughout his entire life time: it becomes fuller, richer, stronger and more perfect. We have always known that knowledge is power and that simple-minded and obstructive thinking serves no one's interest. Our goal is to transform our workers into warriors who consider their struggle for society and humanity to be their primary responsibility; this challenge, however, can only be met by those who understand life, the world and politics. Schools, books, theaters, museums, etc., are naturally of significant help in this. The goal of our educational work, therefore, is to promote socially productive activities, without which construction of a developed socialist society would be inconceivable.

Culture In Everyday Life

The trade unions should use everyday work as their basis for explaining, proving, establishing and including among the norms by which we live the notion that it is not enough just to live somehow, from one day to the next, but that we must also see, understand and feel the value, the significance and the meaning of life.

We are talking here about the many-sided educational effects of day-to-day trade union work, about trade union work as a whole, and consequently, also about the representation and safeguarding of our workers' interests. The work of our trade unions itself must be performed in such a way so that it will make it easier to break down and identify our goals, principles and policies.

The facts of everyday life, the correlation between principles and facts have always had a tremendous impact on the workers' consciousness. Our workers, therefore, must feel that they are involved in the management process. Becoming a part of the management process is not automatic; in fact, initially we may even find some resistance to the idea. Thinking as part of the community, in the interest of the community, taking part in public affairs and dealing with management-related problems require major behavioral changes. How well the trade unions are able, through their educational efforts, to bring about such changes is at the same time also a measure of the quality of their work.

Whether or not we can find a solution to many of the problems of social life will depend on how actively these workers can master the achievements of culture, and on the extent to which those achievements become a part of their everyday life and needs. The high culture of work is becoming increasingly closely connected with the culture of everyday life and relaxation. The development of socialist democracy is the result of man's increased political maturity and his ability to exercise his rights, to respect his obligations and to understand the inseparable relationship between them.

The life of the worker has changed: he is living under different conditons, the technological development at his place of work has accelerated, his working conditions have improved and his cultural life has expanded. The life of the peasant is also radically different. He is operating machines, learning new techniques and is basing his production on scientific principles.

Satisfying the need for a more effective spreading of socialist values--including work ethics--and for bringing those values into closer relationship with material interests has become perhaps the most timely of all the tasks which are facing our trade unions today. The shaping of a socialist man is a complex process, for he must undergo a profound internal transformation: he must be concerned about others and work for society, too; he must study and must never be indifferent; he must be activie both in his studies and in public life, and he must recognize that money is not everything and that there are also other things in life which a person needs to live a full life. The fight against money-grubbing, apathy and other negative tendencies is also a part of our ideological struggle, it is also taking place at work, thus it is one of the important tasks of trade union work.

Active Concurrence

Better conditions do not automatically lead to higher levels of thought and consciousness; nor do they automatically bring harmony between performing one's obligations and exercising one's rights.

Unlike the capitalist system which "ensures" discipline, quality and efficiency by applying technological pressure and by creating unemployment and an uncertainty of existence, we try to achieve and constantly raise those standards by doing more than just developing our technology and improving the conditions of our socialist society; we do it by using methods of persuasion.

There can be no doubt as to which is more difficult! The key to our success is our ability to rely on the internal strength and willingness of our working class. But when is this internal strength present and how can it be brought about? What does its effectiveness depend on? "It is present when there is something I can believe in, something I can be enthusiastic about, something that I can see as getting closer to reality every day, someting that I can rise up to and be inspired by." This is not a spontaneous process. Its final product is different both in quality and in its goal and meaning from the discipline and efficiency obtained by force in the capitalist countries. The main strength of our system lies in the trust and faith of our people and in their concurrence with our policies. What we need is active concurrence, manifested in everyday work and production outputs. The efforts aimed at furthering that goal will determine the quality and effectiveness of the trade unions' work.

In order for trade-union work to have a more profound and thorough effect, the trade union movement must have even better defined work forms and methods within their centers, but especially in their local organizations. The reason for this is that along with the need for qualitative changes in trade union work, these too have become ready for improvement. The opportunity for making these improvements are there, since we have a growing number of officials and actives "coming up", who possess the abilities, the views and the feel for movement-related activities that they must have to be able to perform, manage and practice trade union work at a higher level of quality, and who also have the means to do it.

The development of the Hungarian trade union movement has been healthy; it has a load-bearing capacity which constantly increases, and it can meet all the challenges facing it. We can say this all the more, since we are aware of the weaknesses of our own work and because we are determined to rectify them during the coming years.

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ACADEMICIAN SUMMARIZES HUNGARY'S POSITION IN WORLD ECONOMY

Budapest NEPSZABADSAG in Hungarian 20 Aug 81 p 9

[Article by Jozsef Bognar, "World Economy, Hungarian Economy"]

[Excerpts] Should Not Be Isolated

After making a prognosis of so many problems, pressures and confusions, the question arises: what kind of a rational economy should a small country have which has chosen socialism for its form of renewal and is a member of the CEMA? Could a policy which would minimize the CEMA-countries' foreign economic (i.e., non-socialist) relations for a while not guard us from confusions, uncertainty and pressures? And if perhaps it is not possible to be isolated which was true during the early 1950s (because the elements of change are also present in our economies), would it still be possible to carefully limit our foreign relations?

Since it is evident that our relations with CEMA-countries will continue to be very important in the future from the aspect of both the development and the stability of our national economy, it is also clear that in the period of mutual dependence of national economies, limiting existing relationships with capitalist countries would be dangerous politically and from the aspect of security, economically disadvantageous and from the aspect of our future development disastrous. This kind of action would be dangerous politically and from the aspect of security because it would be tantamount to voluntarily giving up possibilities for influencing the situation through the help of positive or rational power factors found in other parts of the world or to prevent the catastrophe. We would abandon our allies or potential allies who are joining us in our struggle for peace, nuclear disarmament and the normalization of international relations. Economically, a limitation of relations would mean a slow-down of our technical progress and prevent us from using foreign resources; this would happen during a period when the socialist countries' economic growth is dependent upon structural changes, technical development and efficiency. It would close us off from the other members of the world economy when circumstances are compelling a new international division of labor. To approach the question from another angle: in relation to the world, we would lag behind economically. From the aspect of our future, political consolidation is, of course, imperative but it is also important whether, as a socialist nation, we can keep pace with the elements of change upon which the revival of the economies and civilization depends.

About Strategy

What kinds of alternatives for action do we have in case we do not consider isolation or a conscious reduction of relationships to be feasible? First of all, it is adaptability which means a relative harmony between our own economies' capacity for action and their mechanisms with the expected processes and demands of the world economy. Adaptability has various, mutually complementing forms in economic management (perhaps also in general politics but I do not wish to touch upon this problem here). Certain actions originate directly from the given social value system (in our case, from socialism) and are directed toward the implementation of social goals. Another sphere of action is related to what the society and the economy in the course of action for reaching these goals. The actions in this area are more closely related to the circumstances (primarily the balance situation). And finally, there are also emergency actions which result from the effects of certain processes upon us which we cannot change. The origin of these processes may be the past, or they could be our own earlier committed mistakes or missed opportunities; but it could also be the result of powerful external factors.

If we take it into consideration that we are facing a double lack of balance (our own, manifest in the balance of payments and in the budget, and an international which, as a result of high energy and raw material prices, can be bridged only with a radical reduction of costs), then it becomes evident that the importance of actions, connected with circumstances (balance conditions) and necessities, increases and, for the time being, the proportion actions related to social goals must decrease. In addition to stressing the world economic requirements, it must also be pointed out that the "economic policy of adaptability" does not contradict the requirement system resulting from the intensive development of the socialist economies. The problem was rather that we were not able to start taking this road without externally generated necessities because a large part of public opinion, which signifies the regime's strength, could not adopt the necessary program of action. This is why it is necessary today to accept decisions in the form of "emergency actions", the necessity (unavoidability) of which is justifiable by the socialist economy's developmental requirements.

Comprehensive Reform Policy

However, the economic policy (the economic policy of adaptability or intensive development), defined in the October 1978 and December 1979 resolutions of the MSZMP's Central Committee as well as in the 12th congress, is not only an economic question but also a political, social, cultural and scientific problem. The problems can be solved, therefore, only in the framework of a comprehensive and continuous reform policy which we began to implement in recent years as a token of national unity. This comprehensive and continuous reform policy began with the premise that socialist society's internal development consists not only in perfecting the inherited--and then changed--order of ownership and class relationships. For it is unavoidable that we adapt the structure of society, its control, institutional and management systems, the socially preferred content of culture, the object of scientific research and the planning of production and marketing to the changing internal needs and to the rapidly changing external requirements. In the course of the implementation of this reform policy, practical action was centered, even up to now, on a combination (compromise) between the existing situations and pursuits originating from the value system. We must strive for this even in the course of developing the system of action to adapting ourselves to world economy.

In the continued development of the reform policy based on national consensus, we must not forget that there are many actions in the economy but these actions are not necessarily identical with the interests and pursuits of the existing institutional systems. The number of actions will even increase in the future; not only because our social, economic and organizational forms are becoming more differentiated, but also because the significance of use, even in relation to production, is going to increase. For this reason, it is going to be very important to convince public opinion not only about what must happen but also about how the public must act and what it has to do in the changed situation. Information on economics in general, and on foreign economics in particular, has improved significantly in the last years (and we acknowledge this with appreciation) but the field of action of even the more simple undertakings and even those of households in the new situation is broader than that of information. This is why it is very important to adapt the new fields of the information system to the fields and needs of the systems of action.

There Is A Way Out

Many doubts are raised in significant areas of our public opinion, including intellectual circles, whether today's world, full of dangers and pressures, makes it possible at all to implement a differentiated and subtle international system of economic actions necessary. We live on a single globe and in a world encompassed by a system that is very sensitive to mutual effects. However, the mutual effects do not mean identical actions and situations, for the starting point of actions is always one's own value system. Consequently, the world is going to be full of contradictions even in the coming decades; i.e., some countries or regions will stagnate and others will develop relatively fast. And politically, there will be antagonisms not only between the capitalist countries and the developing world but also within individual countries. Conservative or anti-socialist forces may become stronger (although there are opposing interests even within such interest groups) but if they are not capable of solving the problems of their own country or international questions, then, according to the laws of political shift system existing in the western countries, they will be replaced by other forces. And, in relation to the economy, nothing changes the fact that the western countries have a necessity to export (it is defined and stressed as "imperative export" in the report of the committee set up by president Reagan). For this reason, we may extend our international economic relations even with the capitalist world to a necessary and rational extent by rationally modifying our economic structure, increasing our economy's efficiency and developing a sensible and careful foreign economic policy. To accomplish this, we also have to, of course, have adaptable and flexible foreign economic diplomacy as well.

A creative solution of our economic questions is our most important task both from a national aspect and from the aspect of the socialist system, for the solution of this problem will determine for decades whether we can catch up to the economically most developed countries or whether even those countries will get ahead of us which are behind us now but are better endowed with natural resources.

9414
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OFFICIAL ANALYZES 6TH FIVE-YEAR PLAN FOR AGRICULTURE

Budapest GAZDASAG in Hungarian No 1, 81 pp 44-57

[Article by Ervin Zsuffa, Deputy Chief of Department of Economic Policy of the MSZMP CC: "Unchanged Basic Principles, New Tasks--Development of the Agriculture during the Time Period of the Sixth 5-Year Plan"]

[Excerpts] Development of Agriculture

Production Tasks

The Sixth 5-Year Plan specifies that the production of agriculture products is to increase by 12 to 15 percent. The rate is somewhat lower than the result achieved during the previous plan period, yet meeting it will require great efforts and well organized work. It deserves attention that agriculture's contribution to the national income must be increased at a rate close to production. In accordance with this, agriculture's productive utilization can be only 18 to 19 percent higher, in contrast with 26 percent growth in the previous 5 years. The sum which can be spent on investments will not change significantly, but at the same time due to the expected slow growth of the household plot operations, a greater share of the growth than before will have to be produced in the large operations. This means that the state farms and the TSZ's [producer cooperatives], similarly to the previous 5 years, will again have to increase their production of agricultural products by about 18 to 19 percent.

The wieght of the task is also illustrated by the fact that the plan calls for rapid growth--17 to 18 percent--of plant growing. Even though this main branch requires less investments, but until now our rapidly growing agriculture has not been able to achieve such a rate. For example, in the plan period just completed, the increase of plant growing was 11 percent. We must also consider the projected smaller expansion opportunities of productive utilization. This is important because in recent years the growth rate of financial expenditures in plant growing was three times higher than production. Thus the task can be fulfilled only if the expansion of production is based on the rapid growth of yields, and if we create all the conditions for this. The weight of the tasks is illustrated by the fact that by 1985 we must achieve average productions of 5 tons of wheat, and 6 tons of corn per hectare. Today these yields are considered outstanding in worldwide respects. But, if they are reached, in addition to completely filling the domestic needs it will also be possible to significantly increase exports.

Increasing the growing acreage of industrial crops by a few percent is justified. Sugar and vegetable oil sales are certain and economical, thus besides acreage much attention must also be paid to increasing the average yields and quality. On the other hand, the ratio of fodder crops must be significantly decreased, for the benefit of industrial crops and grain. The foundation for these planned decreases must be prepared by increasing the average yield of bulk fodders, better utilization of the grass growing areas, and by using more agricultural and food industrial byproducts as feed.

The primary task of the horticultural branches is to fill the domestic needs. In begetable production efforts must be made to develop a production structure corresponding to the demand, and to increase the level of fulfilling the quality requirements. In addition to modernizing the existing acreage, we must plant 14,000 to 16,000 hectares of grapes and 24,000 to 26,000 hectares of fruit orchards. But in all branches the most important thing is to increase yields.

In the livestock raising in contrast to 20 percent in the last 5 years, a growth of 10-11 percent must be achieved. The slower development is justified by the financial limitations on expanding e capacities of the large operations, and by limitations on sales opportunities to foreign markets. Even so the plan expects livestock raising in the large operations to increase by 18 percent. This can be achieved primarily by better utilization of the existing spaces, improving the raising technology, and opening up the biological reserves. Weighing also the profitability of export. the planners started out from the point that slaughter animal production must be increased for domestic consumption and for export, while milk and egg production only for the purpose of satisfying the domestic demand.

Production expansion in the feed grain consuming branches--with the livestock inventory essentially unchanged--has to be based on improving the specific indicies. Slaughter hog production can be increased by shortening the production cycle, improving the raising conditions and feeding, and decreasing the losses caused by animal health care problems. It must be emphasized that in addition to modernizing the existing equipment and expanding the feed lots by reconstruction, it is also indispensible to build new spaces for more animals. But the basic condition for fulfilling the plan is stabilization of the slaughter hog quantity production achieved by the household plot operations and the auxiliary farms. Care must therefore be taken to insure the conditions for uninterrupted production. Expansion of the slaughter poultry production in accordance with the export opportunities is justified. In this branch it is also especially important to flexibly conform to the market demands with respect to quality, product composition and quantity.

In the cattle branch the expected significant decrease in the cattle stock of small producers must be counterbalanced partly by increasing the milk yield by about 10 percent. Meat production based on bulk feeds, and the frugality with expenditures are important tasks. The plan expects the largest amount of growth in sheep production. Continuation of the favorable tendency which developed in recent years can result in about 20 percent increase in the number of animals and dynamic growth of the slaughter sheep export.

The most important task in livestock raising (and perhaps in the entire agriculture) is improvement of the feed management. We must achieve significant decreases in the

the amount of imported protein feeds, and in grain fodder consumption in the cattle and sheep branches. Production must be based on bulk feeds which are cheaper to produce, and on the better utilization of the grass areas and byproducts. In the grain fodder consuming branches the amount of feed used to produce unit quantities of product, or even more so the cost of feeding must be decreased. In the interest of this it is necessary to modernize the entire system of feed management.

Conditions of Production

The plan expects the plowland area to decrease by only 55,000 hectares by the end of the present plan period, after 241,000 hectares were removed from production during the last 5 years.

Increasing the present 1.5 million tons of chemical fertilizer active ingredient consumption to 1.9 million to 2.0 million tons is indispensible for the planned yield increase in crop growing.

To develop agriculture, the plan includes investments in the value of 128 billion to 135 billion forints. Within this the ratios of mechanization and of modernization of reconstructive character, and the ratio of expansion will continue to increase. Modernization of the machinery park will result in a 14 percent increase in tractor pulling power. In the investments we must endeavor to quickly implement those establishments which need smaller expenditures, are economical in terms of materials and energy, and which are suitable for accepting profitable technologies. The plan law states that solution of the production tasks must also be aided by state assistance of the investments. In accordance with this, state subsidies will continue for improvements, new plantations, and machinery purchases. Also, assistance will be available for construction projects important for the national economy (for cattle and hog raising facilities), or loans with favorable terms will be made available.

The relative independence of agricultural production has come to an end with the development of modern large scale operations. Production tools of industrial origin are indispensible, and a well built infrastructure is also important. The efficiency of production largely depends on the standards of these. At the same time an increasing ratio of agriculture's products gets to the consumers in a processed state. Thus the degree of development of the processing industry and of domestic and foreign trade, and the closeness of their relationships are also definitive in character. Therefore, the development of the entire production path, coordination of food production with the industrial background and with commerce are fundamental tasks. Any shortcomings appearing in this area, and the differing levels of the individual stages must be eliminated as soon as possible if we want to remain competitive on the world market.

Principles of Agricultural and Cooperative Policy

Large Agricultural Operations--Household Plot Farms

Hungary's agriculture has several sectors which makes it possible to utilize the productive forces in the most expeditious manner. Correct evaluation of the roles of the major agricultural operations and of the household plot farms was an important factor in the results. The state farms and cooperatives formed the basis of growth. For example, during the Fifth 5-Year Plan the large operations increased

their agricultural production by 19-20 percent, the household plot and auxiliary farms by 7-8 percent. The large operations produced four-fifths of the increment. On the other hand, the support of the household plots made it possible to use the development funds the availability of which is always limited, for expanding production and for modernization. The significance of this practice is illustrated by the fact that if the capacity of the household plots and auxiliary farms had to be created in the large operations, then just replacing the equipment which would have been lost to production would have consumed the agricultural investments of two 5-year plans. In addition to the rapid growth of production, this solution also provided the way for practical distribution of the work. It is typical that grain production which is easy to mechanize has been practically forced out of the household plot operations, but vegetable and fruit production which are labor-intensive, as well as the raising of livestock have significantly increased.

Household plot operations and the way they are perceived, have undergone a major change. During the time after the agriculture's socialist reorganization, self-sufficiency and supplementing the members' income derived from the joint operation used to be considered the main functions. Later it was recognized that utilization of the existing productive capacity and the fractional working hours otherwise lost is advantageous also to the national economy, and in addition to self-sufficiency the production of goods can also be expanded. In accordance with this emphasis was placed on helping and supporting the household plot farms. This policy resulted in significant production increases. But problems also appeared, among which the strong fluctuation of production and the cutback of several important production branches must be emphasized. In order to eliminate these unfavorable phenomena, in the second half of the 1970's emphasis was placed on "integrating" the small production. At that time the attention was extended besides the household plot operations of TSZ members to the so-called auxiliary farms. The significance of this is illustrated by the fact that in Hungary practically every second family is busy with some form of agricultural production.

Actually, integration means that cooperation between the large operations (state farms, producing and consumption cooperatives), and the household plot and auxiliary farm operations was made closer and better organized. There is a great need for this since this form of small scale production is not independent, and is viable only when helped by the large operations. (For example, the overwhelming majority of the feed required by the highly valued household-plot livestock raising is produced by the large operations.) The services of these economic units play an important role in organizing the small-scale production, supplying the producers, and buying up the products. At the present time 110 people in the state farms, 2,800 in the TSZ's, and 3,500 in the AFESZ'a [General Consumer and Marketing Cooperatives] are working on helping and organizing the production of the household plots and auxiliary farms.

As a result of the work becoming organized, production further increased. This way it was possible to achieve that the household plots and auxiliary farms even today have more than 30 percent share of the agricultural production, their production of goods is becoming specialized, and at the same time better planned, and in this manner they fit organically into our socialist economic system.

It is obvious today that theoretically recognizing, or even helping small scale production is not enough; maintaining the level of production in the household plots and auxiliary farms is a complex task:

--the producers have to be supplied with the necessary equipment (feed, seed, chemical fertilizer, hand tools, small machinery, etc.);

--financial interest must be continuously maintained;

--it is necessary to take care of the certainty of production and sales;

--the producers must be helped with various services, for example, by transportation, professional advice, etc.

Household plot operations have less stability than large scale production, since even the temporary absence of the above mentioned conditions leads to an immediate decrease of production. But the risk can be decreased by well organized work. And what is even more, if integration will continue to gain strength, even more can be achieved than the one percent per year growth projected for the time period of the Sixth 5-Year Plan. Their participation can be increased especially in poultry and small animal production, and in vegetable and fruit production. But the state farms, the agricultural and consumption cooperatives, and the enterprises also have a large role in this. Thus it is of decisive importance that the economic units organizing the work and providing the services also derive financial benefits from this.

The Hungarian practice of household plot operations is favorably acknowledged here at home as well as abroad. In my opinion the experience gained in two decades can also provide useful hints in other areas.

Economy, Independence, Financial Interest

The prevailing of the principles of economic independence and financial interest is a significant driving force behind growth. Legally, the cooperatives are independent from the instant they are formed, their tasks are determined by their self-governing organs. (Even before 1968 the cooperatives had no plan obligations) As the economic conditions changed, the economic foundations of independence gradually also came into existence. In accordance with this, the independent activity of the cooperatives was also able to develop. The independence of the state farms became complete somewhat later, but today there is no meritorious difference between the two sectors from this viewpoint.

The advantages of independent economic operation manifested themselves mainly in the vigorous growth of production and sales, in flexibility, and in the efforts to achieve profitable economic operation. In addition to this, the economic operation became better planned. Credit for this is due to the fact that the coordinated operation of the various elements of the regulatory system (price, subsidy, tax, credit, etc.), even in spite of the problems, relayed well the goals defined in the national economic plan.

The price ratios, and the profit content of producer prices have a very great significance because the principle of financial interest prevails. The purchase price of production equipment and the selling price of agricultural products greatly influence the decisions of the farms, thus price regulation has a decisive role in relaying the production tasks. The household plot operations react with particular sensitivity to changes in prices and price ratios.

State assistance for development and operational purposes is made available as a supplement to the pricing system--according to rules publicized in advance. This regulatory tool, the size of which is decreasing, is especially suitable for providing incentives for developments in accordance with the national economy's goals. Credit can also be used to influence developments, if the producer prices have the appropriate profit content. Discounted interest rates, or setting the loan's expiration date to suit the purpose can also shepard the investment decisions in the desired direction. Until now this opportunity has not been used sufficiently. During the Sixth 5-Year Plan the regulation will provide a way to increase the role of credit.

A several-channel taxing system is operational in agriculture. Large differences between the tax rates is a common characteristic between land tax, the gross income tax, and the tax regulating the way personal incomes develop. The proper size of taking away income is one of the most sensitive points of regulation. Farms producing with higher costs in areas of unfavorable natural conditions receive complete freedom from taxation, or a discount in the interest of maintaining their production--because their products are needed. On the other hand, the increase of production can be expected primarily from the good operations, therefore, care must be exercised lest excessive taxation end their interest in growth. Experience has proven the past practice to be correct. The tax system's operation according to the tried and true principles is also one of the key questions of fulfilling the tasks ahead of us.

The areas with unfavorable natural conditions need help even beyond preferential treatment in taxation. The utilization of tools is more effective in operations with better natural conditions. But even beyond the national economy's needs and the demand to farm the whole productive land area, a large amount of lagging behind in some areas is also intolerable politically.

Therefore, the farms with unfavorable natural conditions are also given extra support. A shift in approach is illustrated by the fact that in the beginning the "weak ones" were given general and not sufficiently selective support. Later the emphasis was placed on income supplements. Today the goal is to organize strongly selective growth to correspond to the given production conditions, and to organize profitable supplementary business branches. Excessive differentiation of the development resources is a new problem which will have to be solved in the coming years. That is, it is not acceptable that several hundred farms do not even have their own resources needed to maintain their production levels.

Financial interest also applies to the workers. When the cooperatives were formed, in many places the emphasis was still on creating minimum personal incomes. But the peasantry's income rose rapidly as a consequence of the producer cooperatives gaining strength. It is a historical achievement that by the end of the 1960's its level was the same as that of the [industrial] workers. Extension of the social security, introduction of the retirement income system, and other social policy measures also significantly improved the living conditions of the peasants.

All this has had a strong and favorable effect on agricultural production. The experience of our peasantry convinced it that it had acted correctly when it embarked on the path of cooperative farming. It must be largely credited to this that it considered the joint farm more and more to be its own, and worked accordingly.

The close relationship between the farm's success and personal incomes has led to dynamic but differentiated growth, and nationally to the rapid increase of productivity. The system which has developed, continues to be able to operate. Efforts must be made that the peasantry's income grow in proportion with that of the workers. But the principle of socialist distribution must be implemented even more consistently in setting the wages for work. It must be achieved that the quality and quantity of the work done be better expressed in the incomes.

Flexible Activity Area

It is an opinion accepted in broad circles that it would be favorable for the Hungarian economy if more small and medium sized enterprises operated than now operate. But, in spite of a decade and a half of experience it has not yet been realized sufficiently that many largely independent industrial divisions are working within the framework of agriculture. According to the statistics, for example, in 1978, 6,560 industrial departments operated in the large agricultural operations, and their production value was 35.6 billion forints. Better organized utilization of these small and medium sized facilities would ease the shortage appearing in these type of capacities.

Experience proves that these departments have a high degree of independence, even a freedom to enter into undertakings if you will, and have the mobility corresponding to this. This is easy to understand, since the managers of the farms concentrate their attention mainly on the basic activity. It can be asked why aren't they fully independent then; Why do they accept that the state farm or cooperative takes away a part of their profit? There are several reasons for that. In my opinion, first of all the fact that financial tools are necessary to establish even a small enterprise or a small cooperative, and the source of this is difficult to create independently, without dependence on other organizations. The other reason may be that the undertaking involves a real risk. They have to bear the changing demands, the income's fluctuation, and the consequences of possibly going under and starting again must also be accepted. A base with the appropriate financial background is needed for all this, since the other possibilities of movement of capital are strongly restricted.

The Certainty of Production and Sales

The certainty of production is an important question. The more and more modern production equipment and the advanced production technology help the stability of agricultural production. It can be seen, however, that even with the high production standards there is a strong dependence on the natural factors. For example, the averages of the last two years' wheat production show a difference of over 30 percent. Even though this is an extreme case, but the statistical data illustrate that even in countries with advanced agriculture, a 15-20 percent production fluctuation between years is a natural phenomenon. (The differences are even larger in horticultural branches.) Under such circumstances everything must be done that at least the other factors increase, rather than hinder the certainty.

One of the most important tasks is to provide as good a supply of the material needs to production as possible. For example, it was possible to eliminate the cyclic fluctuation of household plot hog raising, which caused much damage, primarily by setting up a feed sales network covering the whole country, by providing supply in accordance with the demand. The supply of industry-made materials and equipment has improved much. But there still is a shortage of modern harvesting machinery and

small machines which can be used in household plot operations, and the unsatisfactory quality, unreliability and periodic lack of some of the machinery, equipment, chemical fertilizers and pesticides are problems. Whether or not agriculture will be able to fulfill its task, improve the efficiency of production, depends largely on the levels of supply.

The certainty of sales largely influences the decision of producer. If placement of the merchandise is assured, they produce more rapidly even in the hope of smaller profits. But the production of some products was set back for several years due to the sales difficulties experienced from time to time. The contract system is an important factor in the certainty of sales. To the farms, the contract offer of the processing and wholesale buying enterprises represents concrete information about the national economy's needs. For the most part the contract is guaranteed even before the production process begins, that the products to be produced will be sold, or bought up. In spite of its faults, this system operated well in the period of economic management by shortages. But at the present time harmony between the supply and demand of food products is more favorable, and this requires closer coordination between production and the needs. In accordance with this, in recent years emphasis has been placed on the long range contracts. Even more results can be achieved this way by strengthening the guarantee elements, and by cooperation becoming multi-layered. However, it is seen more and more clearly that the traditional solutions by themselves will not be sufficient.

Every year a larger and larger proportion of the food is sold on foreign markets, the absorbing capacity and demands of which change often. Thus, the flexibility of the entire system must be increased. The weight of this task is illustrated by the fact that, for example, the poultry industry sells 60 percent of its products abroad, or by another approach the value of the meat industry's annual export is 500 million dollars. The new situation requires closer cooperation between agriculture, the food industry and commerce, and their coordinated development. Integration, which results in competitiveness: in quality improvements, decrease of expenses, and greater flexibility, can be developed in several ways. Further development of the contract system, mutual coordination of interests, as well as the associations which insure the joint interests can also have roles in this. So far, there are only some promising initiatives in this area. Working out the correct solutions will be one of the most important tasks of the coming years.

Coexistence of the Modern and Traditional

The Sixth 5-Year Plan's investment projections are limited. Calculated at unchanged prices, there will be an opportunity to make approximately as much investments in agriculture as in the previous 5 years. Thus if we want to keep up with the progress taking place in the world, it will be necessary to even more consistently continue the proven practice. A significant portion of the financial tools will have to be concentrated on developments which contain modern technology, and which increase efficiency. Even so, the rejuvenation and modernization of existing buildings and equipment will characterize the coming years. During the course of this, efforts must be made also to expand the capacities, and to coordinate with the processing industry. Replacement of the worn-out machinery must be separately emphasized because continued operation of the old power and work machines also endangers the reliability of production, and the working of productive land.

Concentration--Specialization--Economic Cooperation

Growth of the production forces causes necessary changes in the operation's circumstances. The more modern and higher performance production equipment (costing more and more) required the increase of concentration. This process--going beyond growth resulting from accumulation--took place basically by mergers of the state farms, and by cooperatives uniting into one. This concentration provided space to accept modern technology, and supplied the financial foundation to finance the developments. The enlarged enterprise frameworks made it possible for the intellectual powers to join forces, to organize specialized production units, to join them within the operation.

In agriculture the enterprise's structure is approximately in harmony with the present level of advancement of the production forces. In Hungary one can find large, strong agricultural operations suitable also for solving major tasks, average sized farms capable of accepting modern technology, as well as agile little cooperatives. In some cases it was necessary to provide incentives to develop them, but for the most part one had to guard against excessive mergings surpassing the growth of the production forces. In the second half of the 1970's it also became justified to hold down the accelerated process, because modernization of the internal organization fell behind the increased sizes. But in parallel with this, emphasis was placed on economic cooperation to help better organize the economic operation, reasonably concentrate the financial and intellectual resources, and help specialize production and the services. Development of this tendency was also helped by simplifying the legal and financial regulations. It is noteworthy that more than 80 percent of the economic associations operating in Hungary are agriculture oriented. Their weight is illustrated by the fact that in 1979 they had an income of 46 billion forints from sales.

Democracy Prevails

In our agriculture the cooperative sector is strongest. The cooperatives are democratic in structure by their very nature, thus prevalence of the democratic principles has great traditions. At this time I would like to elaborate on some of the characteristics typical to agriculture, from among the ways socialist democracy manifests itself in our entire society.

The Leninist cooperative principle of voluntary action was important when the individual peasants joined the cooperatives. Joining and quitting the cooperative is on the voluntary basis now, too. In our present practice the important basic principle appears with an expanded concept. Participation in the social distribution of work (in carrying out the economic tasks), or for example in the associations is based on the voluntary decision of the communities. Honoring this is of definitive significance also in considering the tasks of the future.

Graduality helped the individual farmer convert to joint farming. The more simple-type cooperatives did not have great significance in Hungary. But the household plot operation or the share operation represented sufficient transition even for the individual to conform. The principle of graduality is consciously implemented in our agriculture even today. For example, the change-over is ownership conditions is taking place one step at a time. It is important that the land area used by the

cooperative but owned by the members should become public property without financial sacrifice and without harm to one's interests. Integration of the food production (closer cooperation, economic associations, the development of agroindustrial associations) can also be implemented in several steps. It would also be harmful to rush unreasonably this tendency-type process.

Self government is characteristic to the cooperatives. In their internal affairs the members (general meeting), or the organs or persons elected by them have the authority to make decisions. The cooperative's members feel that their joint operation is their very own. In accordance with this, they live with their rights with increasing activity and responsibility.

As a consequence of the increased sizes of the cooperatives the roles of their self-government forums became questionable. Conforming to the developed situation, the cooperative law made it possible for only the most important questions to remain under the exclusive authority of the general membership meeting. In other matters the meeting of delegates, management, or the committees have authority to make decisions. At the same time, in the interest of direct participation by the members, the work-place communities which include all the members, received the right to participate in discussions, and in some cases to make decisions. The time passed since the modification has proven the correctness of this measure.

The significance of democratic operation continues to grow. The economic tasks are bigger, and the conditions more difficult. Only healthy communities can gain the upper hand over the increasing burdens. Strengthening the sense of responsibility and creative initiatives is very important. The basic condition for this is that the cooperative's members and workers be well informed about their farm's affairs, and participate not only in carrying out the decisions but also in preparing them and in making them. Democracy's growth can greatly help our economic work and improve society's spirit.

This outline review of the characteristic traits of the agricultural and cooperative policy also illustrates that solving the new tasks will continue to make it necessary to consistently apply the principles, but to also flexibly adapt them to the changing circumstances.

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PRICE INCREASES AS PART OF ECONOMIC REFORM SUPPORTED

Need for Price Reform

Warsaw ZOLNIERZ WOLNOSCI in Polish 23 Jul 81 pp 1, 2

[Interview with Professor Zdzislaw Krasinski, Government Plenipotentiary for Price Reform and Chairman of the State Commission for Prices, by Roman Przeciszewski; date and place not given]

[Text] The following modern rule has been proven by life here several times already: when a farmer sells his produce on the market for more than yesterday's price we take out the money, count it, and pay (lately 450 zlotys for 1 kg of pork roast) despite grumbling, complaining, and grieving in the process. However, when it is the state which raises the price the affair becomes very political and grumblings, complaints, and grievances change into an imperious protest of the masses. This is how it has been so far. And what will happen next? This is a very timely question, because higher food prices will soon become a fact, or as some say, a necessary evil. The inflationary "curve" instead of dropping rises more and more every day, more expensive (not necessarily more attractive) articles disappear from stores, the state subsidizes some products with astronomical sums (360 billion zlotys this year, but only 25 billion zlotys in 1970), and in addition to that we are earning more now than we are producing. Economists scream and sound the alarm that if things continue this way we will face a total disintegration of economy.

The task of implementing of the new price system--based on relationships between the people's income and the production costs--entrusted by the government to Professor Zdzislaw Krasinski, State Minister for Price Reform and Chairman of the State Commission for Prices, is certainly not an easy one. However, minister Krasinski is optimistic, which can be exemplified by his statements in the press, radio, and TV....

[Question] Mister minister, 9 years ago during a conference at the PZPR Central Committee Institute of Social Sciences you said that if a price reform is not introduced quickly we will pay dearly later. You were called a pessimist....

[Answer] I was rather an optimist, because I signaled a state which could develop and at the same time I believed that my words would be properly accepted. Unfortunately, there was a silence, and 4 years later the strangest and most ill-conceived reform, which did not solve anything, was introduced. And indeed--we had to pay dearly.

[Question] Indeed, we are paying now by standing in lines all night with ration coupons for basic food products and lack of basic everyday articles. People are tired, if not discouraged and bitter, and also distrustful. This could be seen after your TV appearance on the show entitled "Letters about Economy," when you presented the vision of Poland without ration coupons and lines, and with loaded shelves, perhaps that is why the feeling of disbelief prevailed. I heard people calling you an optimist, fantasist, and utopian.

[Answer] I wish to repeat it again: this vision is real. In a year and a half, perhaps a bit longer, it will be possible to achieve a market balance. However, people must trust the government as a basic condition for success. Let us finally implement the reform of retail and producer prices as soon as possible. It would be good if the people froze their savings accounts for 2-4 years. The state would guarantee them full revalorization of their savings and would additionally pay 4 to 5-percent interest. This way we would get rid of the inflationary gap which threatens us more and more, our lives, and our economy. Today one-third of our daily pay has no equivalent in goods. In this situation there is no need, I think, to convince anybody of the need for a reform.

[Question] I agree, the people are also for a price reform which is reflected in the polls conducted, among others, by the Public Opinion Research Center and a team of Poznan economists led by you. Let us remember, however, that the majority of these people supported the reform in the belief that it would also shorten the waiting time for goods as well as offer an assortment and improve the quantity, and quality. And yet let us admit sincerely that this reform will not stop the nightmare of queues.

[Answer] The price reform alone will not definitely assure plentiful goods. Good supplies can be secured only in conjunction with economic reform. To introduce a price reform without an economic reform would be the most idiotic idea and one which I would never support. I say openly: I do not want to be a thief, I want to establish the market balance.

[Question] It will be difficult to convince the people. During the PUWP Congress you were invited to the meeting of the Panel VII--discussing the development of market production and the directions which could bring the market balance--where supposedly the reform project was severely criticized.

[Answer] On the first day of the meeting the participants split into two camps. One half was for the price increases, the other half was against the reform. The opponents' voices were sharp indeed. I was asked to comment on the subject. I presented the situation as it was, as dark; I told them that the hoarding of the second group of products--non-food goods--had already started and that we were only weeks away from the situation which had been predicted and warned against by economists already in April: virtually empty shelves in stores. Delegates said that mine was the most dramatic presentation on the panel....

[Question] The arguments were convincing, so it seems....

[Answer] Though I did not know about it on the first day of the meeting, on the second day--my biggest surprise of all was that there were only two voices against

the reform. And that was not all. After the discussion I was approached by its biggest "opponent" and the one who had defended his position the longest; he told me: I am your ambassador, and [I think] price increases are indispensable.

[Question] What conclusion can be drawn from that?

[Answer] We must break the psychological resistance to the price increases prevalent in the society. The argument which focuses on the economic collapse, on the one hand, and on the improvement of the quality of life, on the other, should convince everybody. The truth should be presented without beating around the bush.

[Question] Mister minister, time is running out and the shelves are getting emptier every day. Something must be done now....

[Answer] True, there is hardly any time left, and there is practically no time for talk. That is why we are proposing an increase in prices now for only some foodstuffs. Among them is bread, which is being bought up for feed and as a result of this in the Czestochowa province, for example, the lines for bread are as long as the ones for meat. We want to increase price of bread to 21 zlotys per 1 kg. We are also projecting an increase of prices for sugar to 40 zlotys per 1 kg, for rice to 30 zlotys, for cereals to 21 zlotys, for flour to 19 zlotys, for salt to 7 zlotys, for matches to 2 zlotys per box. The price of milk will remain the same for now.

[Question] The people will be more interested, perhaps, in the principle of compensation.

[Answer] We have carefully calculated the resulting cost of living increase. It was not difficult given the fact that most of these articles we are being purchased now by means of coupons and thus the amounts and quantities are measurable on a monthly basis. Moreover, we have accepted the "Solidarity" estimate that an average Pole consumes 10 kg of bread a month. Thus, the available information allowed a quick estimate that the cost of living would increase by 195 zlotys per month. And yet we will give everybody including annuitants and pensioners as well as employees of both the socialized and nonsocialized sectors who receive family supplements, a compensation of 200 zlotys. It appears then that there is nothing to negotiate. There is no reason for further delay, and each week the price increases are delayed for the above mentioned articles means a continuation and deepening of the critical and crisis situation. We would like to introduce the new prices as early as this August.

[Question] Let us suppose that the new prices for bread have just been introduced. What will happen a week from now?

[Answer] First of all, there will be bread in stores. The farmer will not be buying bread to feed his pigs, because its price will be higher than the price of grain. Secondly, it will be possible to choose products like 10 years ago. I have the 1976 price list--dug out from a sack--which did not reach the public. It has prices listed for bakery goods we have managed to forget about by now. I want to invite you to my office after the price increases. We will make a tour of stores and see the changes with our own eyes.

I want these price increases to be a lesson which will restore confidence among people and which will convince them that such a move can restore a market balance. After all, this economic instrument has worked without difficulties for thousands of years.

[Question] As I understand it, this will be the first stage of the price increases. But will happen next?

[Answer] By as early as August, we ought to present to the public for discussion a proposal regarding a universal reform of retail prices, which would take into account the producer prices as well. Based on the list of basic consumer goods and their price increases we have established the compensation levels. The compensation ceiling will reach 1350 zlotys. We will give it to nearly all population groups. The compensation level will be slightly decreased for persons with the higher levels of remuneration, annuities, or pensions. The affluent groups, however, will be given one half of the compensation in the form of state bonds.

[Question] Mister minister, would you please raise the curtain of mystery and give us a few examples of new prices.

[Answer] Milk will be 10 zlotys per 1 liter, butter 80 zlotys per 1 cube [kg].

[Question] The new prices are also supposed to balance the production costs, and these--as practice has shown--are often too high and vary from one enterprise to another, and from one region to another.

[Answer] I agree that fixed prices coming from above may not take into account poorly operating enterprises. I can see that already in proposals for price increases reaching the State Price Commission [PKC]. This situation, however, can last only until the introduction of the economic reform. Later the prices will be regulated by the market mechanism and we at PKC will monitor the cost of living increases and make public the names of those whose production is the most expensive. Please remember that with the achievement of self-management and independence the enterprises will find themselves in a competitive situation and that those whose production is the most expensive will disappear from the market as a result of our monitoring by the Consumers Federation and people. This competition could also lead to a situation where the price of a given product is lower than the officially fixed one.

[Question] Let us return to the discussion at the party Congress again. In your conversation with the ministers of Finance and of Domestic Trade and Services, which we were able to watch on TV, you also mentioned a proposal to introduce a so-called stability supplement. How would it work?

[Answer] A stability supplement would be added for the period of 12-18 months to the prices of those articles which disappear from the market, those which are bought up regardless of need for reserves, and which are among the most attractive ones. After stability to the market is restored the previous prices could be restored. It would not be a typical price increase and therefore nobody would be hoarding these articles. The supplement, which would be added to the permanent price of articles, would not go to the treasury of the Ministry of Finance, but

would go into the stability fund which would be under public control. Every week data on the fund's growth and its use would be made public. This way people would know what was happening to this money and that it was being used to subsidize the lowest annuities and pensions, hospitals, education, and maintenance of vacation houses. This drainage of money from the market would be socially very useful.

[Question] Mister minister, you have written that "Freeing Polish society from favoritism, influence-peddling, graft, kickbacks for favors cannot be too difficult to accomplish by a normally thinking society which wants to recognize the simple principle that work equals wage equals consumption level." The title of this publication was "The Price Reform We Will Accept?"

[Answer] We must get rid of the embarassing situations listed in the above quote. And I think that the people want that too.

[Question] This is what your optimism comes from today?

[Answer] That is right.

Immediate Price Increases Analyzed

Warsaw KURIER POLSKI in Polish 4 Aug 81 p 3

[Article by Andrzej Mozolowski]

[Text] A man can develop immunity to everything. Even poison administered for a long time in small dosages finally makes an organism unresponsive to an amount which would kill a normal person. It seems to me that this kind of process is taking place presently in our society: threatened continuously and mercilessly for many months with economic catastrophy it has stopped worrying. Everyday doses of black pessimism have produced antibodies defending the social organism against collective hysteria.

It is not easy to scare the Poles, as many have learned lately; they will get mad, cuss, demand divine (and human) wrath for the guilty ones, but they will show no fear and replace it with mad humor. This courage (some call it imprudence, others lack of imagination) has more than once saved and more than once ruined us throughout history. When was one or the other is of no consequence; I will not join the century-old big national debate between the devotees of courage and honor and supporters of prudence and caution. Important is what we should do now: be afraid or to sneer at danger?

Three, 5, and 8 years ago--try to recall--we were complaining (and how!) about the lack of products on the market, shortages in stores, and the pain of shopping. Today we remember this period as a time of plenty. Only today we have realized that the store shelves can be literally empty. It is so bad that it cannot be worse.

Cannot it be, really? Will we not have days when we will miss today's level of product availability?

We Will, We Will...

Naturally, we may reach such time. I am deeply convinced that if we do not bring ourselves to take very decisive steps the market will fall apart in 2, or in 3 months at the latest. There will be no market at all. But we will continue to have very long lines for rationed products (of which there will not be enough to go around), completely empty stores, and raging speculation on the private market. The zloty will cease to be money.

Everything points in this direction. It is enough to have just a little imagination. It is enough to look at the economic performance indicators for the first 6 months published by the State Main Statistical Office [GUS] and realize how they reflect the reality we are experiencing every day to understand that every day another 1.5 billion zlotys is poured on the market without having any coverage in products... and imagine results of this continuing processes in a month, 2, or 3 from now. It is enough to look at the crowd attempting to buy just anything in the "Jubiler" stores for zlotys despite the fact that the price of gold has been just raised by 50 percent! Nothing helped. The inflationary curve and the "hot money," which burns fingers and forces its owner to get rid of it will wipe out everything reaching the market and everything which is not perishable regardless of production or import increases.

There is also another important phenomenon: farmers refrain from selling their produce, particularly cattle. This is not surprising: what would they do with the money? What could they buy? Why save to see the money lose its value even more? And the money in the form of a calf or a hog does not lose its value at all. On the contrary, it greatly appreciates very much. First, because the animal gains in kilograms, and second the market price of these kilograms increases.... Thus, it is clear to me that what happens today will continue: there will be more meat in cow barns and in pigpens and less on the controlled market where even today there is not enough to cover the demand regulated by ration coupons despite large imports (how low have we sunk--we, former exporters of meat!).

There is only one solution left: a price reform, with price increases accompanied by appropriate compensations. Everybody agrees with that. Many, however, do not agree that the increases should be very high, and many do not believe that the compensations will be equitable. "Solidarity," on the other hand, gives its approval to the price changes on the condition that this operation will be a part of a universal economic reform.

Well, 5 years ago price increases did not have to be as high. It was enough to raise them by 30 percent, at least as the food products are concerned. Last January it would have had to have been at 66-percent. In August, if the reform can be implemented, we would have to accept an average increase in food prices of 123 percent. By the end of this year it would reach 145 percent, and by the beginning of next year--200 percent. This fast moving rate of price increases of course is a result of the loads of money being pumped into the market without product coverage.

It Would Be Unbearable

Thus, the price increases must be very high today in order to prevent even greater increases a month later, and to prevent the collapse of the market in 2 months, which I mentioned above. Second, the price increases must be introduced immediately. If the government cannot accept the fact that it must approve all reasonable proposals made by "Solidarity," and if "Solidarity," in turn, cannot understand that it must give in all those areas where its resistance would prolong negotiations (both conclusions only seem to be illogical) the time will come when there is nothing left to negotiate, because it will be too late. Of course, the price reform must be a part of the universal reform (this was strongly emphasized by the government spokesman and the State Price Commission chairman, Prof Z. Krasinski), however waiting for one until the other is completed would be a crime against the society.

Third, and last, the price reform should be carried out in one step. Only then can it do away with the entire inflationary curve, and restore a balance to the market, and thus fill the empty shelves. Full shelves, in turn, will be such a shock to every citizen of the PPR that it in fact will repay him or her for the unpleasant shock caused by the price increase. Otherwise, the unpleasant shock of price increases will linger while a visible effect of such step will not materialize. This would be unbearable....

In conclusion I wish to say: Let us not be afraid of the price reform.

Those who tell us that it is enough to increase production and apply various salutary quarter-measures, are mistaken because this is nonsense.

Let us put trust in our own strength and let us believe that we will be able to carry out the entire operation honestly, and that the largest material losses will be suffered by those who earn the most. Our common benefits will be still greater. I think that there is no other alternative. Naturally, we can continue our protests, demonstrate people's anger, organize hunger marches, and demand improvement from the government--these are understandable reactions of social despair. Their effectiveness is nil, however. Our protests will have the same effect as protests against an earthquake in Iran or demands for better weather during harvest time from our government....

8609
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CONTINUED DOWNWARD ECONOMIC TREND INDICATED

Warsaw ZYCIE GOSPODARCZE in Polish 30 Aug 81 p 2

[Article by Ch. M.: "The Economy in July: From GUS [Main Office of Statistics] Materials"]

[Text] The adverse tendencies present in our economy since the beginning of the year have persisted at full strength last July as well. Sold production of socialized industry was 17.2 percent (45 billion zlotys) lower than in July of previous year, and 10.9 percent (26 billion zlotys) lower than last June. The decrease in production in July compared with the preceding months is of a seasonal nature and it occurs each year, but this year it is--especially in terms of comparable hours of work (in July work time was one work day shorter than in June)--relatively more steep than the average for the preceding years.

The gap between size of production and payments from personnel wage fund in industry has further broadened. These payments were 26.3 percent higher than a year ago. After the amounts ensuing from the wage adjustments performed since the second half of last year are deducted, the increase in the wage fund amounts to 8.9 percent.

The basic figures on the economic situation during the 7 months (January-July 1981) are presented in the table below.

	January--July 1981	
	In Absolute Figures	January-July 1980 = 100
Production sales of socialized industry (1981 prices in billions of zlotys)	1,697.9	86.4
Hard coal extraction (in 1000 tons)	94,995.0	78.7
Electric power generation (in millions of kwh)	67,210.0	94.6
Personal monetary income of population (in billions of zlotys)	1,130.8	122.9
Personal monetary expenditures of population (in billions of zlotys)	938.8	112.9
Average employment in socialized economy (in 1000 persons)	12,032.6	100.5
Net personnel wage fund in socialized economy (in billions of zlotys)	538.0	127.5
Livestock procurements in terms of meat, 1000 tons	1,243.5	80.9
Market supply of goods (current prices, in billions of zlotys)	819.2	101.4
Foreign trade (in millions of foreign-exchange zlotys):		
Exports	25,158.0	81.7
Imports	28,894.0	90.6

The data contained in the above table should be complemented with the information that labor productivity in industry, in terms of value of sales per employee (after allowing for price movements) declined 13.3 percent during the period in question.

We do not as yet have the figures on the amount and structure of investment outlays during the last 7 months. On the other hand, [we know that] the plan for releasing completed projects by socialized construction for use during that period has been 58.9 percent implemented. So far as housing construction is concerned, 93,500 dwellings were released for occupancy in Poland. This is 26.6 percent less than in a like period last year (33,900 fewer dwellings). Particularly disturbing is the decline in the release for occupancy of dwellings in single-family private housing construction. Altogether, during the last 7 months, private rural and urban housing construction accounted for the completion of 13,300 dwellings, whereas the figure for a like period last year had been 21,400 dwellings.

The number of newly started apartment buildings this year continues to be extremely low (in socialized construction the pertinent housing starts amounted to 596 housing complexes designed for 27,500 dwellings). In addition to the material difficulties, a major contributing factor is believed to be the conversion of construction enterprises to the economic-financial system ensuing from Decree 118 (the so-called small reform). Under this system, buildings not received by investors are not included in the plan and not cleared through the bank. Hence, construction enterprises are reluctant to start construction on undeveloped land, and delays in this respect are quite considerable.

As regards the situation in agriculture it will still take some time before crop production results are known. On the other hand, we have already reported the data on the June livestock census. Here, too it is difficult to make forecasts for the immediate future, because animal husbandry is in a complicated situation. Thus, e.g. the prices of piglets persist at an extremely high level--74.8 percent higher than last year. This would indicate that farmers are interested in restoring livestock raising. At the same time, though, the index for young sows is declining and it has moreover been doing so month after month, more steeply.

A similar situation exists in cattle raising. The free-market price of cows is high--more than twice as high as they were last year, but at the same time the mass slaughter of calves is taking place. This is probably due to the high milk-procurement prices.

It is to be assumed that farmers will decide whether to continue livestock raising only in the next few weeks, once the data on the final harvests of root crops are known and once the farmers themselves can get some idea as to their fodder supplies.

For the time being, however, procurements of livestock for slaughter are declining. In July they were 26.6 percent lower than last year, and the volume of contracts for September and October is 28-40 percent lower than it had been a year ago.

Some optimism--though this concerns a rather distant future--may be derived from the fact that sales of artificial fertilizers have increased: in July they were 17.2 percent higher than in a like period last year.

The market situation has further worsened in July. Total monetary income increased by 30.4 percent in July, but the market supply of goods was (in current prices) 3.6 percent higher than a year ago. It should be borne in mind, moreover, that a year ago in July the level of market supplies had already been particularly low. Compared with June 1980, the July market supply was 4.2 percent lower.

A particularly difficult situation persists on the meat market. The supply of meat and meat products (by weight) in July was 21,900 tons lower, i.e., 13.4 percent lower than a year ago. This decline has been particularly sharp in the major urban centers, now that the meat distribution list--mandatory in previous years--has been abolished. Thus, e.g., deliveries to Warsaw Province in July were 38.8 percent lower; to Lodz City Province, 28.0 percent; and to Katowice Province, 28.1 percent. On the other hand meat deliveries in the more agricultural provinces (Bielsk Podlaska, Ciechanow, Leszczyna, Lomza, Siedlce, Pilsk) were higher than a year ago--by up to 40 percent.

As regards the market supply of goods which attract the longest queues, the decline in their supply compared to July, 1980 in percent was as follows:

Fish and fish products	23.4
Cigarettes	8.0
Vodkas	25.9
Wines	40.2
Laundry soap	31.4
Detergents	19.7
Toilet soap	36.0

Another negative phenomenon which grew worse in July was the mass purchases of non-food manufactured goods. Their sales increased by 23.5 percent compared with the same period last year. This increase took place chiefly at the expense of a decline in trade inventories.

Foreign trade in July drastically diminished in volume. Exports were 24.3 percent lower, but imports were 20.0 percent [higher]. This worsened the already unusually difficult balance-of-payments situation.

It is difficult to identify at least one field in which the halting of tendencies toward decline can be established on the basis of concrete data. Many people are asking themselves how long will this situation persist. It is not possible to answer this question solely on the basis of old statistics. However, in July the government program for stabilization was finally adopted, and the weather and harvesting operations so far offer realistic prospects for bumper harvests. Consistent action within the framework of the structural changes, voluntary work on 8 free Saturdays in the extractive and raw materials industries--in accordance with the appeal by the Solidarity KKP [National Consultative Commission], and rewarding the labor of farmers represent factors which can put a halt to the negative tendencies continuing in the economy. At the same time, these factors provide the minimum conditions for the economic reform.

All this, however, does not change the fact that the next few months will still be estremely difficult, because the effects of these positive actions will not

manifest themselves immediately. This is true especially considering that these factors are very strongly linked to the socio-political situation and their effect may be forfeited if that situation is exacerbated. Let us hope, though, that common sense will win and that by year end we shall be able to record the first positive manifestations in the economy.

1386
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ROTAR INTERVIEWED ON DEFICIT IN FOREIGN TRADE

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1597, 9 Aug 81 pp 10-11

[Interview with Metod Rotar, federal secretary for foreign trade, by Scepan Rabrenovic in Belgrade: "Eight Offers Carry Less Weight Than One"; date not specified]

[Text] The large Federal Government Headquarters in New Belgrade no longer shows signs of haste, there are no more meetings--the season of annual vacations has begun. Only the duty officers are to be found in the offices, and the members of the Federal Executive Council, their deputies, assistant secretaries, advisers and numerous personnel have been replaced by workers renovating the building. And a week ago, when this interview was conducted, the corridors and offices echoed with the voices of painters, carpenters and plumbers, so that we were hard put to find a quiet corner. (It was quite by accident that it was called the "Slovenian Lounge.")

The subject of our interview was Metod Rotar, federal secretary for foreign trade and member of the Federal Executive Council. Nor is this an accident: some of our numerous economic troubles are being explained by the unfavorable balance in foreign trade. But let us introduce him to you: Metod Rotar is not a "career politician"; before being elected to this position he was the head man at the Bank of Ljubljana, and before that he spent 20 years working at Iskra. He says that he will go back into business after his term of office expires.

Metod Rotar begins by telling us the figures on visible foreign trade to date:

"Up through 27 July total exports were up $1 billion over the same period of last year. Exports were up 21 percent, which is at the level of the plan. Already we have come close to a figure for the value of exports close to $6 billion."

And the Government Will Be Involved

"Over that same period imports rose 19 percent, so that visible imports are about $700 million higher than we planned. That gives us a trade deficit with the convertible area of between approximately $800 and $900 million larger than

we planned for this period. The largest rate of increase was for imports of noncapital producers' goods (repromaterijal), which in and of itself might be a good thing, since work organizations, I assume, have been building up inventories, so that in the third and fourth quarter there should be a growth of production on the basis of those imports."

[Question] Does this mean that the payments deficit could be larger this year than was planned?

[Answer] We are doing everything now to provide additional incentives for exports, since the trends so far this year have compelled us to do so. We have reached an agreement with the Economic Chamber of Yugoslavia on this matter, and I think that a promising approach has been taken.

I hope that this agreement will yield results and that by the end of the year, in the time that remains, we will be able to export between $3.5 and $4 billion worth of goods to the convertible market.

We ought to take more advantage of the possibility offered by the markets of the developing countries. In the first half of this year we exported $850 million worth of goods to those markets, but by the end of the year we could export goods worth another $1 billion or more. We should first provide greater incentives and motivation in terms of income to our large organizations organizing work on capital investment projects abroad to increase incorporation of our materials and equipment into those projects. Second, we should see by what means and in what manner we might encourage joint efforts. I must, of course, say at once that in this we dare not "play for fun," but will have to "play for money," and that means that we would have to have firm obligations guaranteed by the banks so that matters do not stop at the point of a promise of cooperation.

Beyond that, we also should change the way in which our trade policy has been conducted up to now and also the activity of the government itself. It is not enough for us merely to send delegations or to maintain routine relations through joint committees, but we must be more directly involved in events as they occur rather than in making extensive preparations and writing up high-sounding platforms. Contacts should be made on the basis of specific transactions, and the government itself should be involved. Some might say of us that now the government is getting involved in business, but just look at what is being done by ministries of the government in France, Great Britain or the Federal Republic of Germany.... They are constantly and directly involved in individual transactions. The situation has changed. Take, for example, the petroleum market: At a time when the differences between fixed arrangements is somewhere about 20 percent, many petroleum-producing countries are interested in stabilizing their deliveries. That is why they are looking for arrangements, for transactions whereby we would be able to pay for petroleum purchased from them. The world is now adapting to the new situation, and we ought to see what we can do, and in all of this there is also a need for help from the government.

Following Conclusion of an Agreement

[Question] To what extent have "disagreements" with the countries of the European Economic Community tended to reduce exports to the convertible area?

[Answer] There are some things I really cannot understand--there is no other or better comment I can make on this. Our ties to Western technology are lasting ones, that is where they purchased our technology, many noncapital industrial goods are also bound up with that technology, perhaps in a larger amount than was necessary, and the bulk of our indebtedness is in the West, and we must also conduct a large portion of our business with that region. Through our exports we must build up a capability for making payments in the West. However, we have large problems and large complications following Greece's entry into the European Economic Community. Nor is that the only reason. After all, how is one to explain to Yugoslavs after an agreement has been concluded with that community that was supposed to stabilize our economic relations that the first consequence of that agreement is an increasingly large payments deficit? Yet it is only 7 months since the agreement was concluded. I am dissatisfied with that relationship, I can't improve on that as a comment.

[Question] At the same time the people in the West are still objecting that we are establishing more and more economic ties with the East.

[Answer] The Western press has recently been harping on that, and various real political speculations have even been devised in that connection. But I do not want to get in a debate with them. Our commitments are well known: We are a nonaligned country, and that means that we cooperate and trade with everyone. It is also in our economic interest to develop full-fledged economic cooperation with socialist countries as well. This is so natural that I am amazed that anyone should question such a proposition. These countries are our neighbors, and what is more natural than to cooperate with one's neighbors? We also have here the market of the Soviet Union, which is as large as any market there is, we have no alternative to that market, and we must have a permanent presence on it.

It is indispensable that we be present on all markets, it is just a question of proportions. It is not true that we are fleeing the West--wherever goods find a market, that is where they go. There are many methods, some of them well known and others not well known, for applying in practice what we refer to as protectionism.

[Question] Nevertheless, exports to the East do not have equal weight with exports to the convertible area.

[Answer] I would not agree with that. I don't know what is the basis for your drawing such a conclusion.

[Question] We recall the discussions in the Yugoslav Assembly conducted concerning the payments-balance and exchange-balance positions of the republics and provinces. The clearing dollar does not have the importance of the convertible dollar.

[Answer] The clearing dollar can be used only to purchase goods in the clearing area. That is the first thing. Second, if we want to purchase a large portion of noncapital producers' goods and equipment in the convertible area, then we will need convertible currencies for that purpose.

Building Rather Than Prohibiting

[Question] To "get away" a bit from concrete problems. One gets the impression, and comments along this line come primarily from the economy, that our foreign trade policy is essentially restrictive.

[Answer] I am very sorry if that is the prevailing conviction. Since I have been doing this job, and it was the case even previous to that, I have been committing myself to a policy of stimulating exports, and I have depended on restrictions only when the incentives did not yield definite results, and even then as an extreme measure.

[Question] It is in this area, many people say, that economic laws are least operative. Moreover, there are also "current" obstacles: In order to increase its export capabilities a work organization may need at times to import just one machine to eliminate what is referred to as a "bottleneck" in production, yet that import transaction is not approved. Or, for example, when it is a question of importing small amounts of noncapital producers' goods.

[Answer] If one gets such an impression, then the reason is first of all that every restrictive measure, even the smallest one, arouses more public interest. But I do not at all agree with the judgment that our policy is restrictive in this field. If that were the case, then our policy could not be given a passing grade; it would mean that we are not capable of building, but only of prohibiting. It takes more knowledge to build, more courage and more risks are involved, but prohibitions require only someone's support. The orientation of the Federal Executive Council, especially in recent years, has been to stimulate production in its policy, and that means production for export as well.

[Question] When one speaks about a restrictive policy in this field, then the reference is among other things to the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries.

[Answer] That would not be my judgment. As you know, I am involved in the work of a commission which is supposed to answer the question of whether that law is acting as a disincentive, that is, is having a disintegrative effect concerning foreign economic relations. I would not be able to say anything definite about this at this point, since it has been agreed within all three federal social councils that assessments are not to be made until the job is completed.

[Question] We are aware that such an agreement is in force, but you yourself know that it has already been violated by some.

[Answer] That is true, but another caution has been issued for assessments not to be made until the job is completed. All I can say to you now is that I believe that the agreement will be constructive. Perhaps that is not a sufficient

statement, but I am persuaded that after the sessions on Brioni it has been confirmed that the problems are no longer black and white and that many issues will be reduced not just to actual provisions of that law, but to the practice which has been introduced. But let us leave that topic for now.

[Question] The Yugoslav State Presidency has also issued the judgment that the "level of unity of the domestic market is not satisfactory." If that is the case within the country, then there can be no unified effort abroad. Meanwhile other assessments indicate that that law bears quite a bit of the blame for this.

[Answer] Eight offers carry less weight than one, that is certain. We ought to have a Yugoslav offer and to take the most optimum advantage of what we have, we should not be exporting raw materials, but manufactures, manufactures, moreover, in the highest phases of processing. It seems to me that people are becoming more aware of this necessity and that an intervention by the Yugoslav State Presidency in the most effective way would create the conditions for qualitative changes. The results will show whether those changes have been compelled under pressure or we are dealing with a change in the way of thinking and pattern of behavior. By the end of this 5-year plan we ought to create tolerable conditions in the trade balance so that we are able to trade with all countries of the world, since that is demanded by the interests of our economy, so that we can keep pace with technological development and achieve a growth which will guarantee us jobs for our young trained people.

7045
CSO: 2800/356

KOSOVO TRADE UNION PRESIDENT INTERVIEWED

Belgrade RAD in Serbo-Croatian No 35, 28 Aug 81 p 4

[Text] It has not been 2 months since Sefcet Jasari was elected president of the Council of the League of Trade Unions of Kosovo, yet in conversation with him one does not get the impression that he is new to that duty.

It is as if his 11-year absence (while he was an official in agencies of the League of Trade Unions of Serbia and of Yugoslavia in Belgrade) had not separated him from the conditions and difficulties in the province. Nor did the summer vacation period prevent him from quickly "taking things in hand": this year he simply did not leave his post. Neither was he disturbed by the fact that he was left essentially alone at the Council Presidium of the League of Trade Unions of Kosovo, for five of the total seven members professionally engaged at the Presidium recently left to assume new duties.

With all that, Sefcet Jasari must complete tasks that had already been begun at the Council Presidium of the League of Trade Unions of Yugoslavia. In recent days he was also a guest visiting the trade unions of Finland, since there was no reason to cancel the previously arranged visit.

[Question] I hear that despite all your responsibilities, you frequently visit labor organizations....

[Answer] That is my first and most important obligation. Every week without exception I have at least one conversation with workers of some collective, and at least one conversation with activists in some opstina organization of the League of Trade Unions.

[Question] In that way you avoid losing contact with the base?

[Answer] That is not all. That is the only place where I can find out what the trade union must strive for and advocate first of all, and which topics dare not be avoided. For example, a few days ago I talked with cultural workers at Kosovska Mitrovica. There were more than 1,000 of them. When I finished, they asked questions. Thirty teachers asked for the floor, and their questions ranged from hostile ones at one end of the scale to ones that showed total ignorance on the other. After that conversation, I told the comrades that on the basis of these questions, I could prepare an excellent action program for the Trade Union Council of Kosovska Mitrovica. I still think that, and I am even more convinced of it.

[Question] Since we are already talking about cultural workers.... There is an impression that trade union organizations in educational, scientific and cultural institutions receive no attention at all. Would you comment?

[Answer] In the future we will concern ourselves at least as much with the work of the trade unions in those areas as with the trade union efforts in production organizations of associated labor. There an ideological and political differentiation will continue to prevail, for there are still hostile activities, passivity and opportunism....

[Question] Ideological and political differentiation has not followed the desired course. What are the possibilities for speeding up that process?

[Answer] We will continue to expand the front of that action. Specifically, we are conscious that we will not have a completely favorable political situation until the economic situation becomes much better. And then, the economic situation cannot be corrected without an entirely new attitude toward work, toward self-management responsibilities, toward all the functions that stem from the election to responsible functions. The trade union is insisting on that most of all.

[Question] How does that look in practice?

[Answer] We are still making a great deal of use of analyses of 6-month reports of operations as a discussion subject at meetings of basic organizations of trade unions on all aspects of production, self-management, and responsibility. We usually use the following procedure: first the appropriate services inform the workers well concerning all important questions, and then the workers talk. The meeting cannot end until tasks are approved for everyone, from the direct producer to the general director, or president of the operations council. We insist particularly on the approval of such conclusions.

[Question] The success of such an orientation in the work of the trade unions depends largely on the people that are at the head of the trade union organizations....

[Answer] Whoever does not contribute to the implementation of the functions of the trade unions will have to go. In the future we will be forced to make a connection between activity and the results of that activity. We can no longer tolerate the absurd situation in which the trade union organization works well, while at the same time the operational results of the collective are poor, distribution of earnings does not stimulate production, there are many unjustified absences from work, etc. How can work be good when the results of that labor are poor?!

[Question] What have the meetings accomplished so far?

[Answer] Although in some collectives and even in entire opstinas the production plans have not been fulfilled, the physical volume of production in the province has not lagged behind last year's totals for the same period. It is even somewhat higher. When, however, qualitative elements of operation such as labor productivity, economy of operation and profitability are considered, things are not

going well. Why not? Distribution is a separate problem. The trade union will deal with that subject first of all. The organization of work is no better, and finally, there are many absences from work.

[Question] At the Trepca complex workers are complaining that many young workers have a bad attitude toward their work obligations. How do you explain that?

[Answer] I will have to see it. But one thing is certain: at Trepca there are plants with extremely difficult working conditions. They are practically unbearable. Young people accept employment in such conditions very reluctantly. But there are certainly other reasons as well.

[Question] For a long time still, employment will be one of the greatest problems in Kosovo. There has been much talk about possible solutions, such as coordinating education with economic needs, developing agriculture, making greater investments in processing operations that would employ more workers....

[Answer] When we talk about accommodating personnel needs to the economy, we must stress that frequently the economy itself is not in a position to say what sort of trained personnel it needs. Therefore, incomparably more caution must be used in that aspect of planning. The schools and university departments are not always to blame. And another thing: educational institutions in Kosovo must look at the needs of the Kosovo economy as well as the needs of the economies of other republics and the province of Vojvodina. That is of special importance to Kosovo, since for a long time yet we will have to count on employing a significant number of our workers outside the province.

[Question] Does that mean that you think that is better that the workers go to the places of employment, rather than the other way around?

[Answer] No, I think that it is better to establish places of employment where there are workers. Perhaps someone will think that I say that because I am only considering the interests of Kosovo, but I really think that is right. The most realistic approach, however, would be a combination where workers would go to the places of employment, while other, new places of employment are being opened in places that have many unemployed workers.

[Question] What about investments in processing facilities? Who knows how many times it has been said that we have built too many processing plants in the country, while we ignored the raw material base. Now the opposite is being said about Kosovo.

[Answer] The situation you are speaking about is not typical for Kosovo. On the contrary, here a completely opposite situation is to be found. With a new orientation, we will not only insure many more jobs, but we will also create opportunities for more rapid employment of women. Until now they have been in an unequal situation: in mining and metallurgy, the branches of industry that are developing most rapidly here, there was no place for women. And yet how much could be said about the meaning for Kosovo of having more employed women, what that would mean for their emancipation, for the upbringing of children and youth....

[Question] When you spoke of low productivity, poor economy of operation and poor profitability, you mentioned poor organization of work as one of the causes. Does that mean that better organization would reveal reserves for employing more workers?

[Answer] Of course! The trade union will prepare a voluminous analysis that will show all the reserves that are concealed in already built facilities. For example, we seriously are considering shortening the working time in plants with particularly difficult working conditions, which would make possible a fourth shift and naturally, would employ new workers.

[Question] Apparently the trade union is in a real offensive.

[Answer] There is much to do. I would again stress the meaning of the activities of trade union organizations in schools and universities. Many cultural workers know nothing about either the Trepca or the Obilic complexes, and those who have been there at least once will not stress that fact. Thus, let the professors and their students and pupils go to the factories more often.

[Question] Once again we must note that, apparently, you attribute great importance to direct contact with the so-called common man?

[Answer] The enemy would hope precisely that we solve our problems now in some other way, but we must rely on the working class, on self-management, and on the type of self-management that will assure greater effectiveness.

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BRIEFS

ENERGY, FOOD PLANS FOR 1982--Next year, according to the preliminary working version of the draft resolution of the Social Development Plan submitted on 15 September to SFRY assembly delegates, the social product should increase by about three percent, industrial and agricultural production about four percent, exports of goods and services about seven percent, and imports should be held to this year's level. Also planned is an increase in employment of two percent and of labor productivity of one percent. Petroleum imports would be 10,375,000 tons, oil derivative imports 460,000 tons, while domestic production of oil and gas would be higher than this year. Wheat production is planned at about 5.6 million tons, and corn production at 10 million tons. More sugar beets and oilseed crops are to be planted in order to produce about 880,000 tons of sugar and about 250,000 tons of edible oils; also planned is the production of 1,335,000 tons of meat and about 4,550,000,000 liters of milk. At the same time a reduction in investments is planned: 3.5 percent in fixed assets compared to this year. The share of such assets in the social product will be reduced and only economic projects for which rapid development has been agreed on will be built. [Excerpt] [Belgrade BORBA in Serbo-Croatian 16 Sep 81 p 4]

RAILROAD CARS--There are a total of 47,000 domestic freight cars operating on the 10,000 kilometers of track in our country, which is at least 8,000 to 10,000 fewer than is needed by our economy for the regular transport of goods. Nevertheless, Yugoslav railroad freight cars are not off-loaded Saturdays, Sundays, or holidays. According to the latest facts, freight cars are more and more frequently remaining idle even on working days (i.e. 50, 60, even 80 hours on the average, instead of the 6 hours according to the "norm" at present). Foreign freight cars bringing imported goods are also held (an average of 13 days) here which will cost our society over 1.5 billion foreign exchange dinars this year. Added to this are the penalties work organizations pay to the railroads for holding cars over the "norm" time (for every hour over the "norm" up to 230 dinars per car has been paid up to now). Work organizations have paid all this, yet cars continue to be..."warehouses." But the biggest damage is imposed on those enterprises which are waiting for deliveries of raw materials, coal, oil, and semi-finished goods [in unloaded freight cars]. Not only work organizations are to blame for holding railroad cars, although their workers are often not adequately stimulated from a material viewpoint and loading and unloading is poorly organized. Railroad stations, also, are frequently not equipped with the machinery or track structure for fast loading and unloading. There are also not enough locomotives. In regard to the use of freight cars, the situation is so complicated that the FEC (Federal Executive Council) has been forced to introduce more order, discipline and responsibility by its latest decree on railroad freight transport, according to which high penalties will be paid for holding

freight cars over the deadline. But this decree alone cannot solve this problem which is a reflection of deeper problems and disorders both with the railroads and in the economy (inadequate interest in increasing income along with higher labor productivity, etc.). [Excerpt] [Belgrade KOMUNIST in Serbo-Croatian 11 Sep 81 p 3]

BOSNIAN-KOSOVO FIRMS--Representatives of the business councils of the "Vatrostalna" plant in Zenica and the "Feronikl" combine in Glogovac near Pristina signed a self-management agreement on long-term business and technical cooperation. The Zenica [refractory materials] plant [producing industrial furnaces, water-, cooling towers, etc.] is building thermal units valued at 30 million dinars in the "Feronikl" Combine and will undertake the complete refractory maintenance of these units. By the end of next year the combine should put its capacities into operation, with the production of about 12,000 tons of pure metals and 56,000 tons of ferronickel, largely for export. Present ore reserves in Glogovac and vicinity will make such production possible for the next 20 years. The Zenica plant will soon sigh a similar agreement with the "Feni" combine in Kavadarci [Macedonia]. Because of its use of "Feronikl" and other industrial capacities in Trepca and Obilic, the Zenica plant's work units will be headquartered in Glogovac. [Excerpt] [Sarajevo OSLOBODJENJE in Serbo-Croatian 10 Sep 81 p 1]

YUGOSLAV-IRANIAN TRADE--The joint protocol on expanding economic relations with Iran which was signed at the end of last week in Belgrade concluded four days of Yugoslav-Iranian discussions on economic cooperation. Most attention was given to possibilities for including our organizations in developing the agro-industrial sector in Iran. Special Iranian interest was expressed in cooperating in the field of agricultural machinery. Last year total commodity trade amounted to $146 million, and in the first 8 months of this year $166 million worth of goods was traded. By the end of the year total commodity trade is expected to be about $300 million. In 1982 economic cooperation between the two countries could reach a value of about $500 million. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19-21 Sep 81 p 9]

YUGOSLAV-EGYPTIAN TRADE--In the first 7 months of this year about $152 million in goods was traded ($100 million in Yugoslav exports and about $52 million in Yugoslav imports). This is considered quite good. The record volume of trade for all of last year was $215.7 million. By the end of 1981 trade is expected to be $180 million, or possibly $200 million in value. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 10 Sep 81 p 1]

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END

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13 October 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2186

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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NEW EXPRESS HIGHWAY--The newly-constructed Prague-Mlada Boleslav-Turnov express highway will open for traffic on 1 October 1981. [Bratislava SMENA in Slovak 26 Sep 81 p 5]

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FORMATION OF COMBINES IN BEZIRK-MANAGED INDUSTRY CONTINUES

Greater Efficiency, Flexibility Sought

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 p 16

[Article by Inge Raabe: "Far-reaching Effects." For translation of related information see various items published under quoted headings in the following JPRS issues of this series: "Bezirk-Managed Industry to Be Reorganized Into Combines," 79045, 23 Sep 81, No 2178, pp 59-66; and "Bezirk-Level Combines Created for Wholesale Consumer Goods Trade," 79022, 21 Sep 81, No 2176, pp 11-33]

[Text] That 54 bezirk-managed combines are going to be set up still this year in various territories of our republic amounts to something more certainly than another economic management measure for completing the formation of large economic units. Its objectives and effects are more far-reaching. Here one must realize the position the bezirk-managed industry holds within our economy. It is being made attractive by the motley palette of indispensable products: consumer goods desired for our domestic market and export, the one thousand small items and, no less, the various ancillary supplies and investment goods without which our economic organism could not function. Another advantage lies in the smooth production of small volumes and a small number of units, of accessories, fashionable and seasonable products, and the capacity to react quickly to changing needs and to use basic assets and manpower flexibly. Over against that, however, we find those disadvantages that result from the small size and fragmentation of production, mainly as far as productivity and efficiency development is concerned. How then must we proceed in making still better use, if possible, of the advantages while minimizing the detrimental effects, when we still have for quite some time take account of the fragmentation of our production?

Even from those two angles it is a logical decision not to enlarge the centrally managed combines still further but largely to combine the bezirk-managed enterprises into independent economic units on the principle of output or technological similarities. That is an example of facing newly ripened requirements and organizing and structuring social production for getting a maximum performance growth.

Just as setting up centrally managed combines, so also in the territory the merging of enterprises is the first step toward high and stable performance improvement. Many further steps must be taken until an economically efficient production profile

is formed in every combine, such as the concentration of scientific-technical personnel and capacities, as is being prepared and implemented also in the Karl-Marx-Stadt territory. By setting up scientific-technical centers the R&D potential of the bezirk-managed combines is meant to be strengthened noticeably and concentrated on those priorities that are critical for future performance growth. That will also help accelerate the innovator process and their own technological research and take care of the product assortments, in scientific-technical terms and in terms of design features, in such a way that they will have good chances on the world market. Indivisible from that is the step of concentrating and strengthening the construction of means of rationalization so that the new products are made the modern way and economically efficient main production lines can form gradually, in precision devices, light fixtures and economically important ancillary products, for instance.

While in this initial phase other issues may appear to be more important, we yet cannot postpone deliberations and concrete steps toward getting ready for the use of microelectronics and robot technology also in these combines, in terms of our economic strategy. For what Comrade Erich Honecker has said about the profound economic effects of the use of these modern productive forces applies increasingly to all branches of production. The cooperation of bezirk-managed and centrally managed combines in charge of comparable production is bound to intensify. It will become urgent for the production groups to bring about a uniform scientific-technical policy in their branch, help as many enterprises as possible to approach the level of the most advanced ones, and organize the contest for the best products.

Because there are quite some bezirk-managed combines without a branch-specific production profile, it is all the more necessary to combine the work meaningfully and to use manpower flexibly and provide training accordingly. These are equally important conditions for flexibility and a rapid reaction capacity as are, e.g., adequate capacities for building devices, tools and doctrines. Ultimately, however, flexibility depends on the managers' attitude, we were told by the director of one such newly formed combine. And that is a realization that is not only confined, it seems to us, to the problem of flexibility.

For there is another important aspect here: the formation of combines in the bezirks produces not only economic effects. It also challenges and fosters political attitudes and insights among the managers. It gives rise to expectations among the working people that the growing economic capacity of the bezirk-managed combines will provide them with more progressive and interesting labor contents and with more pleasant living conditions. The interest in the process of combine formation shown in trade union meetings and plan discussions indicates there is a certain pride in now being integrated as a worker or engineer within economically important production units. In small towns and communities where newly formed combines are being set up citizens and territorial organs are looking for positive effects on their public life. These then are far-reaching effects. Not to slight such expectations and motivations in their internal organization of the bezirk-managed combines is also obligatory for all managers because fulfilling them can arouse all sorts of initiatives, initiatives urgently needed for the ambitious tasks of the new economic units.

Experiences in Karl-Marx-Stadt

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 pp 16-17

[Interview with Heinz Findewirth, chairman, Karl-Marx-Stadt Bezirk Economic Council, by Inge Raabe; date and place not given: "More Desired Consumer Goods Through Increase in Performance"]

[Text] [Question] Bezirk-managed industry in Karl-Marx-Stadt is known for its considerable share in the production of desired consumer goods and the thousand small items. How do you meet the demand to bring out such products at still larger volumes and in better qualities and more economically while also satisfying your various ancillary supply requirements with respect to the centrally managed industry?

[Answer] Implementing the 10th SED Congress decisions also requires of the enterprises in our bezirk an unprecedented performance increase for the 1980's. State quotas up to 1985 plan a 136.4 percent increase of commodity production over 1980. That comes to an increase of M 556 million. Labor productivity thus must grow faster. The priority is a production growth of high-grade consumer goods for the population and for lucrative export and the output, proper as to demands, of the so-called thousand small items. Such a performance development also demands of the bezirk-managed industry to accelerate its scientific-technical progress and create the prerequisites needed for it in terms of economic organization, in accordance with the economic strategy decided on at the 10th party congress.

It means we cannot at random decide our developmental tempo but must seek ways for a faster performance increase, both quantitatively and qualitatively.

The main way for an increased performance in the 1980's was pointed out to us by what our general secretary, Comrade Erich Honecker, said at the 10th party congress, that we have to tap great reserves for an increased output of desired assortments through creating bezirk-managed combines. Thus, by using the positive experiences of the combines in centrally-managed industry, and of the bezirk-managed combines in the foodstuffs industry and in services, we contemplate seven more bezirk-managed combines under the economic council for Karl-Marx-Stadt Bezirk.

If one looks at our spectrum of products, ranging from precision devices, polytechnical instruction tools via synthetic items and chemical products, domestic and kitchen equipment, radio sets and light fixtures, storage, hoisting and transportation devices all the way to artifacts from the Erz Mountains, it becomes clear that it is by no means easy to implement in every case the merging of enterprises into combines in terms of production lines and technologies and to take account of any given developmental conditions and future performance requirements so that they will become genuine sources for growth.

And we are here not merely concerned with further development but with creating efficient economic units that ensure a higher grade of management of the reproduction process from R&D all the way to sales and work in accordance with the economic cost accounting principles.

That is why we intend to set up combine managements on the basis of parent enterprises, not all in Karl-Marx-Stadt but in concentrated territorial areas, for domestic and kitchen equipment in Schwarzenberg, for instance, or for artifacts from the Erz Mountains in Marienberg. That makes higher demands of course on personnel work and on material-technical arrangements. Our experiences and insights tell us it is a complicated but the right course.

Two combines have become fully operational since early in July; by October this year the formation of combines is expected to be completed.

[Question] How does the economic council manage this process, it being its competent organ, which methods are standing up and which experiences do you think are essential?

[Answer] The forming of bezirk-managed combines places high demands on us right now. That simply follows from the fact that in terms of time the forming of the combines must coincide with our ensuring the fulfillment and targeted overfulfillment of the annual plan and with preparing the 1982 plan and the five-year plan up to 1985 as a unified management process.

Then, together with the forming of the combines, we must also develop a higher grade of management activity by the economic council. It has been found of benefit in our bezirk that from the outset, under the leadership of SED bezirk management and its first secretary, Comrade Siegfried Lorenz, the forming of bezirk-managed combines was made a matter of concern for the whole bezirk and that the concrete measures required for it also were set down.

I should like to point out in particular the support we got from the bezirk management working team, the kreis managements in territories where combines were formed, and the party deputies. It has also been found useful that through creating a working team of the bezirk council, headed by the first deputy chairman of the council, all matters concerning the forming of the combines were constantly discussed with the competent members of the council, the Workers and Farmers' Inspectorate and the finance organs, and the necessary measures were taken.

Another great advantage I should like to point out is that centrally managed combines that have their seat in the bezirk assumed sponsorships for a combine each. That means the general director deputized one of his department chiefs to take an active part in drawing up management documents and to advise on matters of long-term production and technological development and also organize the personnel and material support. So he can affect the selection policy in his combine so that the bezirk-managed combines take on still more useful basic assets. In this fashion the office machine plant aids the polytechnical and precision instruments combine that was newly formed, and the IFA Combine helps the radio and household equipment combine that still is to be formed. Many other combines in the centrally managed industry have assumed similar commitments.

All this has provided us with a uniform political-ideological and also organizational starting basis for carrying these processes through.

[Question] In forming bezirk-managed combines it is probably very important to know exactly beforehand how production reserves are to be tapped for above-average performance increases and for better qualities and efficiency. What, do you think, are the priorities there--with whatever may be specific of the various combines?

[Answer] In this five-year plan we intend to come up with average growth rates between 35 and 44 percent, in the consumer goods even between 50 and 70 percent, and considerably accelerate the tempo of new and advanced developments. The measures needed for it are set down in long-term development conceptions and established as concrete tasks in the annual plans. The decisive production reserve, it seems to me, is the concentration of manpower and funds, which often can only become possible and economically effective in larger economic units. Let us take the key issue of science and technology: most small and medium-size enterprises have no or only relatively small R&D capacities.

The same is true of technology. To accelerate our speed and forcefully enter the market with new desired consumer commodities, the R&D personnel in bezirk-managed combines is to be combined in some sort of scientific-technical center and new personnel is to be brought in, too. For production and technological development to proceed in the right rhythm, the construction of the means of rationalization is to be strengthened. We proceed in two ways here. For one thing we integrate our bezirk-managed VEB mechanization with the new combines, and then we seek meaningfully to reorganize local enterprises of the metal-working industry into producers of means of rationalization. Just as in the centrally managed combines we can of course also more purposely and with great efficiency use investment means in these new and larger economic units. Market research and sales can be conducted more skillfully, and certain capacities can be jointly constructed and used, to mention just a few outstanding advantages of the formation of combines.

[Question] It is no secret that bezirk-managed enterprises have no large management machinery and the director of the enterprise not rarely assumes several functions in his own person. Larger units, however, must be managed differently, and our basic Marxist knowledge tells us that in the final analysis it is the personnel that counts. What about personnel recruitment?

[Answer] Indeed, the personnel is the most important part, and the most difficult problem, in this process. In many smaller enterprises we have, to be sure, proven and reliable directors and staffs. But even in case of partial concentration, the personnel is not sufficient for combine managements that must skillfully direct the reproduction process all the way from R&D to sales.

That is why the economic council has recruited personnel from its own ranks for managing the new combines. But mainly the centrally managed combines in the bezirk have delegated, in socialist assistance, specialists and politically experienced associates to the new combines. We are also getting much help from the universities and technical schools in our bezirk.

Looked at under the aspect of our social labor capacity, it is an advance on future achievement, to be sure, but I think it is the only way. This personnel, as much as the experienced associates already in place, now must grow into their new and more extensive management tasks in order to enable the working people in the combine enterprises to meet their demanding and higher requirements. That is principally a political

task because higher achievement in the bezirk-managed combines depends on the working people's creativity and their active participation in the further development of socialist cooperative work in implementation of the 10th SED Congress decisions.

Dresden Creates Seven Combines

Dresden SAECHSISCHE ZEITUNG in German 15 Jul 81 p 3

[Interview with Hans-Ullrich Schoene, deputy chairman, Dresden Bezirk Council and chairman, Economic Council, by Joerg Marschner, SAECHSISCHE ZEITUNG; "How Will the Small and Medium-Sized Enterprises Master the 1980's? Combines Also in the Bezirk-Managed Industry--What Goals Are Connected with This? Growing Responsibility in Consumer Goods Production--What Does This Require?"]

[Text] [Question] The production spectrum in the approximately 200 enterprises and combines of bezirk-managed industry ranges from mixers, bird cages, leather goods via thousands of other consumer goods all the way to highly sophisticated testing devices. The 10th party congress directive stresses their great responsibility in "further raising the production of nicely designed consumer goods and rapidly improving the supplies for assortments in the 'thousand small items' of everyday need." What does that mean concretely for the 25,000 working people in the bezirk-managed industry?

Q Production to Be More Than Doubled

[Answer] That can be explained accurately. Raising industrial commodity production in our area by more than 30 percent. As the number of manpower declines, labor productivity must grow still faster. As to consumer goods production in particular, technical consumer goods must be doubled. And for a final comparison: right now 18.3 percent of the commodity production subject to checks and classification carries the Q guaranty seal. By 1985, it is to have gone up to circa 40 percent.

[Question] Such goals far exceed the usual growth rates. And they are surely not to be reached in the usual manner either.

[Answer] No doubt about that. By party leadership and government decision, now, after the extremely fine experiences with the centrally managed combines, we also form further combines in the bezirk-managed industry. That is only one point, if a critical one, in our new approach.

[Question] And which combines are these in the bezirk?

[Answer] On 1 July, the Dresden Elaskon Combine for chemical products went into operation, and on 1 August the Weesenstein Thermophor Combine for heat and dust exhaust techniques will follow. On 1 October we will set up the combines of Teko, Dresden for electrical and mechanical household devices, Mewa for metal goods, Plastik Sebnitz, Brillant Dresden and lumber. That will then combine circa 98 percent of our capacities in combines, since the bakery goods and beverages combines have already been in operation for some time.

Avoid Superficial Preparations

[Question] The term combine by itself is not likely to make any difference. The success of the new economic structure will largely depend on the attitude the people take. What has been initiated?

[Answer] We already have discussed and taken appropriate measures in our 28 May bezirk party activists meeting. The questions that have to do with and result from the setting up of combines were thoroughly discussed with each enterprise collective, with each working person in fact. We tolerate no superficiality here. Everyone--that is our goal--must understand the why and wherefore and identify himself with it. That at present is a big chunk of the discussion of the directive among us. Hans Modrow, first secretary of SED Bezirk Management, had asked us with special urgency at that bezirk party activists meeting to develop from the very start a spirit of community and of being totally committed to the combine. In the staff meetings that is our concern in many collective and individual talks.

Which Advantages Are Involved?

[Question] Not everyone immediately understands the advantage in forming collectives. There also may be quite some enterprise collectives which could think of themselves as somewhat misplaced in being made to join a particular combine. Then they easily come up with such notions as "formalism" or "it just means more management expense." What precisely are the advantages we have concretely in mind for the combines?

[Answer] In principle the very same as for the combines in the centrally managed industry. It comes down to the advantages of concentration and specialization through as cohesive and uniformly managed a production process as possible. And it mainly applies to the field of science and technology which must become economically much more effficient.

[Question] But you still will not get more research personnel and more engineers through these combines, will you?

[Answer] Not for the time being. But up to 1985 we shall have to expand our engineering capacities considerably, out of our own resources, through training, and that starts this year already by sending people for training. Furthermore there are effects that must make themselves felt rapidly. For instance: the Brillant Combine will embrace 30 enterprises. Leather goods and packaging materials will be made there. Today's VEB Brillant has many departments of high technological capacity. The working crews have 23 university and technical school graduates, and its degree of automation and mechanization lies around 65 percent. And then we have the VEB Kombipack with more than 250 capable workers. But there only two university and technical school graduates are involved in R&D. Most women and men still do manual work. That large the differences are. Especially through the concentration of technical-scientific capacities within one combine we must start at once overcoming such differences, gradually yet expediently, and get the whole thingonto a higher level. For that we must make use of all opportunities for working together with the many science institutions in the territory.

The Next Step

[Question] What then are the first steps that are being taken in the new combine?

[Answer] Being an economic council, we also concentrate much of our capacity on supporting the new combines in developing a genuine scientific-technical strategy up to 1985, which will include output development as well as rationalization. The ten points of our economic strategy must thus also become the guideline for action in the bezirk-managed industry. Simultaneously we intend to extend the plan lead to at least 3 days by the end of the year, essentially by means of the funds earmarked in the plan.

[Question] Microelectronics, optimum refinement, robot technology should then not just become catch-phrases. That is a high demand. Which particular problems are central to this?

[Answer] I can only mention a few. Our consumer goods production responsibility to the population and for our exports calls for much higher speed in revitalizing our products. Thus far we have put into production consumer goods at a value of M 100 million annually; that must be increased significantly. We want to get a turnover of our production assortments every 4 years, and this does not only means products as such, but products that help determine world standards.

At the party activists meeting referred to we therefore took issue with the work done with obligation notebooks, which is still most inadequate. Sure enough, 34 of them were accomplished within the first quarter this year, but only few of them aimed through their objectives at genuine top achievements.

Just as critically and constructively we are now considering how to double our own construction of means of rationalization up to 1985, more efficient investment activity, a consistent improvement of our materials economy, and the construction and use of robot technology.

Microelectronics and Robots--No Catch-Phrase

I must refer still to another example to show to what extent truly different opportunities arise from the forming of combines: VEB Praecitronic becomes the parent enterprise for the Teko Combine which, as mentioned, will start operations on 1 October. One top product of this enterprise, as one knows, went along into space with our Sigmund Jaehn, which only proves its capability in the electronic and microelectronic field. It can and will, within the combine, systematically radiate into enterprises making technical consumer goods and others. This is not actually in the first place a matter of technical knowledge but one of applying it, of the experiences in the struggle for scientific-technical top performances, that has to become standard procedure.

[Question] That makes sense. But when it becomes a matter of the whole robot technology, is one not expecting too much even of a combine in the bezirk-managed industry?

[Answer] Everyone's cooperation will be needed here so that up to 1985 we can build 1,000 industrial robots within our republic's bezirk-managed industry. Here, above

all, our rationalization enterprise Kosora in Dresden must operate at a new qualitative level. Together with institutions in Gera and Karl-Marx-Stadt we are getting set to form a consortium as a scientific-technical center for developing second-generation industrial robots especially adapted to our needs. That includes cooperation with the Microelectronics Research and Technology Center and the Technical University, Dresden.

[Sign off] Thank you for the interview.

Five Erfurt Combines Described

Erfurt DAS VOLK in German 10 Aug 81 p 3

[Interview with Comrade Helmut Bauer, deputy chairman, Erfurt Bezirk Council and chairman, Economic Council, by Jochen Thiele; date and place not given: "Five Combines Have Their Premiere"]

> [Text] Biographic information: Comrade Helmut Bauer (57), since March 1980 deputy chairman, Bezirk Council for the bezirk-managed industry and local supplies economy; chairman, Economic Council; finance employee by trade; distinction: Patriotic Medal of Merit, in bronze.

[Question] A few days ago, on 1 August, there occurred a premiere in our bezirk in that two new bezirk-managed combines were formed, and three more are to follow. What names are we going to have to get used to?

[Answer] One has already been known for years: Sponeta Schlotheim. The other combine names are: Elektrogeraete Apolda, Maschinenbau Arnstadt, Chemisch-Technische Erzeugnisse Gotha and Schnittholz & Holzwaren Nordhausen. These five combines are going to combine 82 small and medium-sized enterprises in our bezirk-managed industry with circa 13,000 working people.

[Question] Whether the names are known or new--firm signs will have to be replaced in any case. Will that be the only innovation?

[Answer] We don't care about formal, external changes. After the formation of 157 centrally managed combines in industry and construction was found expedient in our republic, and so was the work of the bezirk-managed beverages combine and the pastry and bakery goods combine for some time, we now are taking another step toward improving our efficiency through more effective management and planning. The standards for the new bezirk-managed combines were unequivocally formulated by the 10th party congress. They are meant to expand supplies of consumer goods for the population, especially those of the "thousand small items," improve spare part supplies, and make a more effective contribution to our exports. Our potential, thus far fragmented over many small and medium-sized enterprises, is to be used in a more concentrated fashion, especially in R&D and in socialist rationalization.

The new bezirk combines will have a greater total capacity than that of the sum of its enterprises because they also make possible a higher degree of specialization and

cooperation. They offer more favorable prerequisites for effectively rationalizing the entire reproduction process--from R&D through production to sales--and ensuring a higher performance boost within our five-year plan. Thus the bezirk-managed combines are a logical consequence of our party's economic strategy.

Incidentally, as far as the names of the enterprises are concerned, they all remain the same, except that we now add which combines those enterprises are part of. We also favor what is rational in this case and hold no brief for tape-worm designations.

[Question] You mentioned the intended effects of the combines. Will they also become noticeable through the use of microelectronics and robot techniques?

[Anawer] This surely would be asking too much of a small enterprises with a few dozen people. But at the scale of a combine even a small enterprise can get the needed rationalization aid. By 1985 we intend to use 250 robots in the bezirk-managed industry. The VEB engineering and mechanization office in Gotha, our rationalization workshop, as well as a stronger construction of means of rationalization of our own in our combines, bear a great responsibility for it. The advantages of microelectronics we intend to use, for example, for grill equipment and adjustable flatirons. But these are merely timid beginnings. We need a higher speed too--also, and especially, for reducing the developmental time frames for new products, mainly for consumer goods.

[Question] When will the citizens in our bezirk be able to notice advantages of the new combines?

[Answer] Let's not make any bones about it. After having thoroughly prepared the formation of the combines, the development conceptions and competition initiatives by the work collectives in the combine enterprises intend to prove the advantage of combines for public supplies as fast as possible. And here we have some assortments where we will be able to meet demands more adequately still this year or next and others, where we need much more time yet to meet demands completely by means of creating the greater capacities required for it.

Supplying consumer goods and the "thousand small items" will also be on the agenda at the next bezirk assembly session. In preparation for that conference we have good examples coming from the many collectives of the bezirk-managed industry which we must promote and generalize on further. For meeting demands still this year, the working people in the VEB Schlotheimer Lederwaren Taeschnerwaren, of the VEB Glasveredlung Luisenthal, intend to produce additional fire-resistant household glass, and those in the VEB Plastverarbeitung Ruhle, more plastic household items and electrical installation material. The "thousand small items" are especially close to our heart because they can cause so much annoyance by not being among the supplies that are offered. Greater efforts will be devoted this year to the production of clothespins and clotheslines from the synthetics processing combine, of drawing-instruments and drawing-compasses for school work, of pocket knives and coal ignition devices. Yet the list of items that trouble us still is too long--so that we must increase our efforts.

[Question] Bezirk combines and enterprises have a multifaceted assortment spread. Along with the products referred to there are, after all, also the beverages and baking goods and the many ancillary supplies and the investment commodities that are much in demand in our economy. Can the combines get a handle on all that much?

[Answer] It is not going to be easy or free of problems. We also think the goals of the directive ambitious and do not have all the guarantees yet in our pocket. Yet with the resolutions from the party congress and from our bezirk management and with the combine programs as worked out, we have a good idea of the performance increase required. The work collectives in the combine enterprises and the responsible managers have rallied to its implementation.

In this we want to make use in our work of the fine experiences of such centrally managed combines and enterprises as Umformtechnik Erfurt, Fahrzeugelektrik Ruhla, Chemieanlagenbau Erfurt-Rudisleben, Funkwerk Koelleda, the Paul Schaefer shoe factory in Erfurt and the Nordhausen motor works. Our next and important task now is to extend the plan lead in the bezirk-managed industry by two days of output from the end of July to the end of August, and by 3 days of additional output by the end of the year.

Data on Combines:

Since 1 August 1981:

Kombinat Elektrogeraete Apolda: 17 enterprises; 3,600 working people; electrical household equipment, light fixtures, electrical engineering and electronic products.

Kombinat Sponeta Schlotheim: 16 enterprises; 4,400 working people; sports and cultural items, leather and fine leather goods, clothing.

Starting 1 October 1981:

Kombinat Maschinenbau Arnstadt: 16 enterprises; 1,400 working people; tractor-trailers, small hoisting devices, camping trailers, pocket knives, automobile accessories.

Kombinat Chemisch-Technische Erzeugnisse Gotha: 23 enterprises; 2,300 employees; rubber and synthetic parts, varnishes and dyes, coal ignition material, synthetic household commodities, mineral materials and foodstuffs, packaging material.

Kombinat Schnittholz und Holzwaren Nordhausen: 10 enterprises; 1,000 working people; lumber, cases, tool parts and raw lumber commodities.

Magdeburg Combines Formed

Magdeburg VOLKSSTIMME in German 9 Jul 81 p 3

[Excerpts from report of SED Magdeburg Bezirk Secretariat delivered by Comrade Heinz Herzig, secretary, SED Magdeburg Bezirk Management: "With All Our Strength for Our Good Policy for the Welfare of the People"]

[Excerpt] We focus on turning our exports to the nonsocialist economic region into a major aspect of our work.

Comrade Heinz Herzig then announced that the secretariat had decided on measures for ensuring a rapid performance increase.

"The implementation of our party's economic strategy has to be aired in combine conferences."

It was necessary in this to review the extant management documents, such as the campaign programs of the basic organizations, the intensification conceptions and others, especially with regard to the use of microelectronics and robot techniques, the materials economy, the solving of research tasks in cooperation with the institutes of the Academy of Sciences and other science institutions, and the development of the construction of means of rationalization, in accordance with the higher demands.

"Bezirk-managed combines are being formed. They include: VEB Kombinat Fahrzeugbau und -zubehoer, Kakerbeck; VEB Kombinat Wirkstoff- und Mineralstoffmischungen Oschersleben; VEB Kombinat Unitras Magdeburg; VEB Kombinat Haertol Magadeburg; VEB Kombinat Giesserei und Ofenbau Koenigshuette; VEB Kombinat Magdeburger Kultur- und Lederwaren; VEB Kombinat Schnittholz und Holzwaren Magdeburg, with its seat in Haldensleben."

East Berlin Services Combine

East Berlin BERLINER ZEITUNG in German 28 Aug 81 p 3

[Article by Karin Stemmler: "Berlin Combine Presented: Services from Head to Toe--Newly Formed Combine Will be Able to Do More for the Berliners"]

[Text] Based on the fine experiences with setting up combines in industry, transportation, construction and communication, the 1,200 enterprises in the bezirk-managed industry in the GDR will now also be combined into such large economic units. In the bezirk-managed industry we mostly deal with small and middle-sized enterprises responsible for the production of the so-called thousand small items, many consumer goods and technical equipment, ancillary supplies, services and repairs, as well as baking goods and beverage enterprises.

Five More Combines by the End of the Year

We now have five combines of the bezirk-managed industry in Berlin. Five more will be set up by the end of the year. The purpose of this merger: consumer goods supplies for the population are to increase, mainly those of the thousand small items and spare parts. That will create prerequisites for rationalizing the reproduction process, from R&D to sales, and achieving the intended performance growth.

For the services combine Berlin, set up on 1 July 1981, this means perceptibly improving services, repairs, and the level of customer service.

Every day 18,000 families take advantage of the services of the combine by handing over their shoes, umbrellas or pocketbooks for repair to any one of the 110 outlets, having their hair done in one of the salons of the service enterprise, trying on a tailor-made suit or having photographic films developed. The combine's labor force of 4,100 offers its customers 139 different types of services and repairs at this time.

Signboards Remain Unchanged

The combine includes seven enterprises which all remain economically and juridically independent:
--VEB Dienstleistungsbetrieb Berlin (the parent enterprise of the combine). Its signboard, "DLB," is displayed on many streetcorners. It handles more than 100 different services and repairs. This enterprise was recently awarded the challenge banner of the Council of Ministers and the FDGB National Executive Committee;
--VEB Glas- und Gebaeudereinigung, responsible for cleaning public buildings and the facilities of public health, education and commerce as well as workers' housing;
--VEB Schuhreparaturen Berlin, where shoes, saddles, leather goods and leather clothing can get repaired;
--the Berlin fashion center, a state-owned enterprise, that makes coats, jackets and outfits for ladies both in series and to size;
--VEB Modische Herrenanzuege that makes men's suits and dinner jackets and takes on orders on tailor-made clothes;
--VEB Berliner Tischlereibedarf, responsible for interior decor and furniture manufacturing and for supplying the Berlin carpenters with wood, plates, furnishings and moldings; and
--the service information office where employees inform the citizens about various services and counsel them. This enterprise also includes an extensive advertising service.

What advantages are coming from these combines?

Enhanced Achievements Through Improved Organization

Combine director Manfred Haessner has this to say: "As shown by the experiences in the centrally managed combines, a concentrated use of funds and capacities creates more favorable prerequisites for economic growth. That is also true for services. One task of the science and technology area which is being handled in our combine right now is to make services more expedient by going into industrialized methods and insisting on the application of optimum technologies."

By aiming the potentials of all enterprises in the science and technology area at joint major focal points, the level, not yet satisfactory in some types of services, is to be raised. So the combine is oriented toward elaborating and introducing optimum technologies for making outer female garments and shoe and umbrella repairs. And in doing this, through a reorganization of the workshop run-through, e.g., the number of umbrella repairs and new stock is to be raised from an average of 200 per day at this time to 340, without resorting to any additional labor.

The combines are also of benefit to the cooperation with the producers of those consumer goods that can later be repaired in the service area.

During Production Keep Repairs in Mind

"We must reach the point," Manfred Haessner says, "that even when we design a new product we jointly work out repair techniques."

DLB has already made good connections with the Karl-Marx-Stadt VEB umbrella plant. The "Planomatic" model was handled through cooperation so that it can be rationally

repaired. Something similar is now also being contemplated in the Pentacon Combine for fotolaboratory equipment and the Textima Combine for tailor equipment.

Another emphasis is placed on the construction of our own means of rationalization.

Means of Rationalization for Crafts

"With the forming of the combines we got the task to supply, above and beyond our own needs, the private and cooperative crafts in the capital with tools and support mechanisms," the combine director said. Right now, for instance, they are working on means of rationalization for fotolaboratories.

All factors referred to, the creative participation by the working people and skilled management and planning, are a condition for the Services Combine's achieving its goal of coming up with two extra days of services that will make a difference to the Berlin population by the time of the sixth best workers conference.

Karl-Marx-Stadt Services Combine

East Berlin DIE WIRTSCHAFT in German Vol 36 No 3, 12 Mar 81 p 3

[Interview with Bert Roos, combine director, Karl-Marx-Stadt Services Combine, Main offices in Werdau, by Harry Pollei, date and place not given: "Concentration of Forces on High Performance"]

[Text] [Question] Comrade Roos, you have for more than 10 years been the director of a bezirk-managed combine, the remarkable development of which is attested to by evident facts. Even a few years ago our newspaper was in the position to give a brief yet persuasive resume about the advantages of this large economic unit in the services sector (DIE WIRTSCHAFT, No 13, 1975, p 6). Which experiences in combine development do you regard as especially important from today's vantage point?

[Answer] First and foremost, SED bezirk management has issued a clear political guideline for the tasks and role of the services combine in our bezirk and has given political leadership to the process of combine development all these years. In conformity with this line our competent management organ, the bezirk council, developed a long-term conception for developing an efficient economic organization for household services and repairs. Through the formation of two textile cleaning combines and our services combine we then got the prerequisites for achieving a much higher performance through concentration and specialization. The economic advantages that come from our combining our forces have now been better utilized. Furthermore, strong combines also have much greater opportunities in the bezirk-managed economy to secure our expanded reproduction, that is to say, improved public supplies in the years ahead, through science and technology, rationalization, and improvements in labor organization and in the working people's working and living conditions.

[Question] Many of the experiences with setting up combines in the centrally managed industry thus can also be used in the bezirk-managed economy. What now are the special advantages of a services combine in a bezirk?

[Answer] Along with the economic advantages due to concentration and specialization, a combine also has opportunities to perfect economic management in the bezirk. Thus our combine evolved into a reliable partner of the state management organs and into the central agent for the planning and assessment of household services demands in our bezirk. As an important state-owned supplier, the combine guarantees the cooperation with the private and cooperative crafts. Also the relations with the final producers of important consumer goods run of course on an entirely different course from those of the many small service and repair enterprises. Through the services combine we now have a capacity in the bezirk that can centrally and comprehensively organize the relations with the local people's representations. It presupposes that the combine's management personnel and specialists grow into these tasks. We had to undertake thorough analyses and start long-term conceptual work, in short, had to assume management tasks and apply management methods that have become indispensable today for coping with large modern economic units. It has also brought down the costs for management and direction all around, the costs per M 100 of output by circa 28 percent in 1980, compared to 1975, and the total prime costs, per M 100, by circa 23 percent.

[Question] You gave the clue yourself just now saying "personnel had to grow into these tasks." Where did they come from?

[Answer] We rely on managers and associates who in the past worked in smaller and medium-sized service enterprises. They surely had to learn a lot that was new, but most of them approached their new tasks with enthusiasm, a readiness for risks and many creative ideas. Yet we have to make no secret of the fact that when the combines were first being formed there were managers of enterprises and workshops who did not care to give up their former "independence." In some kreises and towns, on the other hand, there was a tendency for state functionaries, after the combine was formed, no longer to consider service and repair jobs their own business, in shifting their responsibility over to the bezirk or the combine. Precisely because of such personnel problems and subjective impediments it became so important to turn political-ideological work into the centerpiece of combine forming.

[Question] How did the working people in the smaller service enterprises react to their being taken over into the combine?

[Answer] They were very open-minded. Especially when we could tell them precisely how their work and working conditions would change for the better. In many cases that became factual very fast. Through increasing performance and higher labor productivity their income rose, the combine has improved social and cultural conditions to offer, and many other matters besides. No longer can it be ignored today that with the performance development of the combine its social reputation also was enhanced and, with it, the appreciation for the work achievements of our associates. Very many associates and collectives in the combine have received state distinctions, in part very high ones--just as in the large industrial enterprises with their fine traditional reputations.

Many associates can no longer imagine work under the former conditions because we have, after all, meanwhile 1,200 technicians trained in the combine's own vocational training facilities. A regular staff has formed, and the fluctuation quota in recent years was barely higher than 5 percent. That should demonstrate clearly enough how the working people reacted to the transition toward the combine.

[Question] What opportunities does the services combine have for rationalizing and using local reserves?

[Answer] Without rigorous rationalization the combine's performance development would not be feasible. On the other hand, only in a larger economic unit can the scientific-technical potentials needed for it be developed. Being a bezirk combine we are of course deliberately using the local reserves and specifics. The concentration and specialization of certain types of services required as their prerequisite, for instance, for the use of modern technologies the development of central workshops and the creation of appropriate means of rationalization. Within the scope of territorial rationalization we therefore created an efficient construction of means of rationalization in the local supply economy and our own construction department that employs construction workers in the combine who previously had nothing to do with it. By means of these capacities we are now in the condition to rationalize, step by step, important processing activities and repair processes as well as auxiliary and sideline processes. Simultaneously our construction of the means of rationalization also supports other VEG's, PGH's and private craftsmen in their rationalizing their own production shops. Many examples for the use of local reserves are found also in our creating workshops and outlets for our services combine. With the support from kreis or municipal councils such places, important as they are for our supply situation, were set up in old structures, in old factory buildings, for instance, calling for relatively low maintenance efforts. Local social forces often also participate in it in their own interest.

Rationalization, just as the intensification of our reproduction process in general, has long been managed as strictly in our combine as in large industrial combines. We have our own intensification program, an extensive science and technology plan, an active innovator movement, and many volunteer collectives for scientific labor organization or for solving technical and technological problems. The acceleration of our scientific-technical progress is the centerpiece of socialist competition in the combine, and not only by way of talking about it. The people who are working with us know that only this way can we provide more and better services for the population in the future and can do it as expediently as possible.

Karl-Marx-Stadt Precision Instruments Combine

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 p 17

[Article by Wolfgang Hoborka, director, VEB Karl-Marx-Stadt Polytechnical and Precision Instruments Combine: "Creative Cooperation Demanded]

[Text] We face the task to boost our output significantly in all enterprises and achieve a significantly higher economy. On that our management activity concentrates its political work.

What has helped us in forming our combine? Mainly the fact that from the very first day of getting ready for it we enjoyed the full support of the party, the trade union, the territorial organs and the centrally managed combine enterprise for office machinery as sponsors. Thereby it was possible to prepare the management personnel and working people in the 14 combine enterprises politically and technically for the ambitious goals of the combine. They amount to increasing up to 1985 our

industrial commodity production by from 42 to 44 percent, our consumer goods production by 50 percent, and to more than doubling our export. At least 25 percent of our annual output is to represent new and advanced developments. For that we need the ideas and deeds of all working people. Management has formed three working groups. The science and technology working group was responsible for designing the development conception up to 1985. Production-specific emphases in it, among other things, are precision drawing-equipment, instruction tools, barometers, weather stations and daylight writing projectors. In the 1982 plan discussion we shall concentrate the manpower and means of R&D and technology on products such as
--microcomputer training systems for training in universities and technical schools and for adult training;
--a digital testing ground, equipped with microelectronic components;
--weighing facilities with microelectronic controls; and
--various further developments in the field of precision testing techniques.

The economy working group--in concert with the science and technology working group--presented the material and financial draft plan. It contains product-specific and technological developmental trends for the various enterprises. The production of means of rationalization will be raised by 25 percent still this year. One combine enterprise is being outfitted for constructing them itself, and we shall specialize within the combine the production of means of rationalization and special machinery.

The organization working group finally, under the direction by the sponsorship enterprise deputy, worked out the statute for the combine, the structural and business distribution plan, the framework information system, the cooperation regulations, the accords on the working and living conditions, and the structure of the organization--documents into which many experiences of the centrally managed combines have been channeled. Along with elaborating these management and planning instruments, the party delegate and I visited the enterprises and discussed with managers and staffs the advantages as well as the complicated tasks in the merger, and the questions of plan implementation and long-term development, and mainly also the political-ideological work in the collectives. Because it essentially depends on the organization and awarness of the working people how we can reach our ambitious economic goals together.

Halle Robot Construction Combine

Halle FREIHEIT in German 1 Jul 81 p 3

[Article by Jochen Pirlich: "Combine for Robot Construction"]

[Text] The VEB Kombinat Anlagen- und Geraetebau Halle was formed yesterday. This is the first of seven combines of the bezirk-managed industry being set up in the bezirk in the next few weeks. Some 4,300 working people combined their potential in order ever better, and systematically, to satisfy the requirements of the economic laws. That is in line with our economic strategy for the 1980's and wholly in the spirit of carrying on our policy of the main task.

The enterprises of the new combine, by producing installations and equipment for socialist rationalization, bear a high responsibility for rapid advances by the other combines in the bezirk-managed industry. Combine director Frithjof Kleen had

already stated at the bezirk party activists' meeting: the construction of means of rationalization will go up by 250 percent until 1985. Such a demand calls for a clear fighting position by the communists and all working people on the tasks of science and technology.

In this the combine enterprises do not start at ground zero of course. Valuable experiences are provided by the working people of VEB Rationalization Halle. Together with the table service designers from Dessau they put an industrial robot into operation that makes possible increasing the output of 252,000 teaglass holders to a total of 500,000. At the same time much manpower gets released for other tasks, and monotonous manual work is eliminated.

Here one can clearly see how, to quote Karl Marx, on the basis of a social division of labor, through concentration, specialization, cooperation and combination, new potentials can be tapped for performance boosts, with the working people multiplying their capacities.

Forming bezirk-managed combines is objectively necessary for extending the main task in its united economic and social policy. As presented at the 10th party congress, what matters is to tap new great reserves for boosting the output of a diversified assortment of high-grade consumer goods that meet the needs of the population. It is something the installation and equipment designers fully intend to meet, as was emphasized yesterday.

Halle Precision Machinery Combine

Halle FREIHEIT in German 17 Aug 81 p 3

[Article by R. Salzmann: "So That Everyone Quickly Makes a Commitment for 'His' Combine"]

[Text] A production exhibit was recently held on the Peissnitz in Halle. It was sponsored by the VEB Precision Machinery Combine Halle which was newly set up on 1 July 1981. All enterprises united within the combine exhibited their wares. Every manager who now belongs to the combine was to see himself what products were being produced, "under one roof." And the managers and experts of the small enterprises, who before had mostly known of each other merely by name, made vivid use of this exhibit. They were not stingy in offering recommendations and suggestions on how what was there should in the future be further developed or how some things should be tackled quite differently. The presuppositions for that are now extant. Now the effects of the combines can be fully brought to bear also on the bezirk-managed industry.

This year 54 combines of the bezirk-managed industry will be set up in our republic, as resolved by the 10th SED Congress. Halle Bezirk will get seven of them. Some 187,000 working people in circa 1,200 enterprises already have a nicely delineated field of responsibilities. Along with the bakery goods and beverage industry, this part of industry also produces the so-called thousand small items and many consumer goods, technical equipment and much equipment for other branches. Moreover, they are also producing for export.

The preconditions for meeting the increased demands are more favorable in the combine. Technological processes are uniformly managed. The possibilities for combination, cooperation and specialization are now fully at hand. The more effective structure set up for it, however, will not do it by itself. Critical remains here too that the working people in the various combine enterprises recognize the economic necessity and the advantages belonging to a socialist combine.

It is necessary to stimulate and develop thinking in terms of the combine like this so that everyone will as quickly as possible commit himself to "his" combine and its targets. That was the whole purpose of the products exhibit on the Peissnitz in Halle.

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LITTLE FLEXIBILITY FOR COMBINES SEEN

Central Control Maintained

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 36, 3 Sep 81 pp 405-408

/Article by Angela Scherzinger: "GDR: Changes in the Planning Method." A translation of the article by Angela Scherzinger cited in footnote 1 is published under the title "Changes in Planning Order, Combine Responsibilities Analyzed" in JPRS 78937, 9 Sep 81, No 2170 of this series, pages 6-18. A translation of the article cited in footnotes 4 and 6 follows this article/

> /Text/ In the GDR the general principles and special provisions for drafting the five-year plan are fixed in a planning order. This is valid for 5 years at a time and subsequently further developed, using the experiences gained and in consideration of new requirements. The "Order on the Order of Planning for the GDR Economy 1981-1985" was enacted in November 1979.[1] This superseded provisions in effect from 1976-1980. However, while this planning order (running to several hundred pages) was drafted, the economic organization prevalent in the GDR changed radically. In 1979-1981 combine managements replaced the Associations of State Enterprises.[2] The new plan methodology, therefore, was completed at a time when no real experience of combine management was yet available. Consequently it is not really surprising that many sections were amended in April 1981 by the issue of a supplementary order.[3]

It is unfortunately impossible in this report to deal exhaustively with the plan target system amended by this supplementary order. We will therefore deal only with those changes which may serve to illuminate the fundamental problems of the GDR economy. Essentially these are the problems of growth and plan fulfillment, efficiency, productivity and resources.

Manpower Savings

The manpower shortage has long plagued the GDR. Consequent upon the demographic development it was possible to increase the labor force by a total of 300,000 in the last five-year plan period. This growth, however, is bound to slow down because the birth rate had declined in the period 1963-1974. On the other hand more manpower is needed, not only for expanding factories in the producing sector but also for services, trade, health care and cultural facilities. The rational deployment of the manpower available and the review of jobs available are therefore described as urgent tasks for the next few years.[4]

A new target figure--labor to be set free--obligates all combines purposefully to abolish jobs and free manpower. Enterprises are urged to follow the example of the so-called Schwedt initiative. In 1978, with the slogan "fewer people to produce more," the Schwedt Petrochemical Combine initiated a competition designed to free manpower by improving productivity.[5] It is reported[6] that 1,840 employees have been set free in Schwedt since that time. The 1981 goal is 2,400. The approach chosen is the thorough review of all jobs with the help of scientific labor organization, the avoidance of technological downtime and the general improvement of productivity. The manpower freed may then be deployed in other departments of the enterprise, for example in new plants or on shift work. To be achieved by this means is the end of a long criticized state of affairs--namely that enterprises call for additional manpower immediately upon the construction of new capacities.

It is emphasized that other combines have also succeeded in considerable job abolition. Singled out are the combines Carl Zeiss Jena, Conversion Equipment Erfurt, Polygraph Leipzig, ORTA-Hydraulics and the Fritz Heckert Machine Tool Construction Combine.[7] On the other hand there are complaints that this process has not yet prevailed in all combines. Accusations were leveled in particular regarding the fact that the Schwedt initiative has received scant attention in East Berlin, where many new plants and capacities are planned to arise.[8]

No doubt the new target is designed to compel the enterprises to supply exact plan figures of jobs to be eliminated.

Combine Efficiency

A new phenomenon emerging after the establishment of combines in the GDR is the appraisal of the efficiency and capacity of the various enterprises by the economic leadership. Before combines were established efficiency comparisons could be carried out rather easily by contrasting enterprise results. The combines, on the other hand, generally occupy monopoly status in their respective sector of production. Consequently new criteria for performance appraisal have to be sought. The new law therefore provides that every combine must put out a catalogue of indices permitting the economic leadership to arrive "at central economic verdicts regarding costs and results."

This catalogue of indices is not to be available after conclusion of the plan year only; indeed it is to be part and parcel of combine plan drafts and forwarded together with them to the industrial ministries. The catalogue of indices of every single combine amounts to an abridged version of the detailed plan drafts and encompasses the 30 most important performance indices, including no less than 7 indices referring to foreign trade.

Exceeding the Five-Year Plan

Another new provision formulated in the supplementary order deals with the setting of plan targets for the enterprises. Basically enterprises used to be required already to exceed the set tasks in the early stages of the plan discussion. Whenever it seemed to them feasible to do so, they drafted a so-called counterplan by 1979, involving the additional obligations accepted. This counterplan was then taken into account by the State Planning Commission in drafting the central plan. Though

the counterplan has been abolished as an independent planning tool, enterprises are still expected to announce their potential excess output in the course of the plan discussion. The enterprises benefit from exceeding the plan by being able to allocate special moneys to enterprise funds once they have completed their additional obligations.

As per the supplementary order the plan over-challenge of the five-year plan is to begin at a higher level now. The plan targets drafted by the State Planning Committee are to be reviewed by the industrial ministries. The combines catalogues of indices will represent the basis of this review. The aim is "to overcome unwarranted differences in standards and rates of growth." In the process of central plan drafting the ministers are to submit proposals to the State Planning Commission. It is quite on the cards that their more intimate knowledge of the various enterprises will enable the ministries to discover weaknesses as well as reserves. On the other hand this procedure is liable to give rise to conflicts between the industrial ministries and the combines.

The proposals are largely to concern themselves with qualitative indices, and here again concentrate on the following areas:

Improvements in the efficiency of research and development as well as speeding up the transfer of research results to production;

Lowering materials consumption and costs;

Raising exports and confining imports to the absolutely necessary minimum;

The development of high-quality consumer goods in all combines;

The more efficient utilization of investment resources and the greater utilization of machines and plant.

Development of New Consumer Goods

A new line was adopted in 1979 with regard to consumer policy in the GDR.[10] In addition to goods designed to meet so-called basic needs--still offered at a steady and sometimes heavily subsidized price--higher quality goods were introduced to the range. The pricing principle here is the necessity to cover costs, earn profits and yield taxes. These goods are sold in department stores, not only specialty shops. They include mainly high-quality products of the goods groups clothing, furniture and technical consumer goods but also high-quality foods. The 1981-1985 Five-Year Plan emphasizes the need for raising the output of such goods in particular.

The supplementary order establishes that the plan target system will be supplemented by the target "production of new consumer goods by volume and value." The production of high-quality consumer goods has thus been included in planning. To make sure that the new--and more expensive--consumer goods are actually distinct from the usual products as regards quality and use value, special criteria were defined for new consumer goods. These include:

1. Considerably better use values, for example better performance, longer life, lower maintenance costs, improved design.

2. The use of new materials or production processes.

Microelectronics

Microelectronics are generally considered the essential impetus for scientific-technological progress. The GDR economic leadership was therefore intent on drafting targets designed to record productivity advances arising from the use of microelectronics. They are the following indices:

1. Savings in working hours,

2. Labor savings,

3. Savings of selected materials,

4. Energy conservation.

From 1982 on the combines are to submit such "application concepts" with regard to microelectronics as part of the plan draft to the industrial ministries, the State Planning Commission and the Ministry for Science and Technology.

Summary

The change in the organization of the economy was geared to assign to the combines the task independently and on the basis of state plan targets to plan and manage the entire production process, ranging from research and development by way of planning, the in-enterprise construction of machines and tools (rationalization aids) and the assurance of component supplies, to the ultimate production and sale of the products. Enterprises and facilities were affiliated to them for research, component supply, the construction of rationalization aids and the handling of foreign trade.

Though the 1981-1985 Planning Order and the new supplementary order stress the role of the combines as "the most modern type of management of socialist industry," the importance of central state planning of basic economic issues is reemphasized. The new regulations actually deal only with this second aspect. We look in vain, even in the supplementary order, for any formal confirmation of increased decisionmaking powers of the combines. The plan target system has been so arranged that the central authorities right of interference in the combines remains secure, and that the central decisions by the supreme management organs retain priority status. The system emerging from the planning order and its supplement remains strongly controlled by the administration and target-related; application and coordination procedures are clumsy and have little flexibility.

Nevertheless there can be no doubt that the status of the combines has been strengthened for all practical purposes, and that not only with regard to their advisory function before the drafting of state plan quotas but also to the planning of the combine structure. The lack of codification of combine powers in the planning order

may be due to the still inadequate period of testing. It may also be that, depending on the production profile of the various combines, their scope varies and therefore escapes a general statement. "Combine effects" in the shape of greater enterprise efficiency can therefore be expected only as the result of a flexible interpretation of the new provisions. In any case the methodological scaffolding presented tends more to hinder than encourage independent initiative.

FOOTNOTES

1. "Order on the Planning Order of the GDR Economy 1981-1986 of 28 November 1979," GBL DER DDR, special issue No 1020a, 1980. See Angela Scherzinger: "Aspects of the New Planning Order in the GDR," VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG, No 1/1981, pp 45 ff.

2. See Manfred Melzer, Angela Scherzinger, Cord Schwartau: "Will the GDR's Economic System Be More Efficient by Increased Combine Establishment"", VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG, No 4/1979, pp 365 ff.

3. "Order on the Supplementation of the Planning Order of the GDR Economy 1980-1985," GBL DER DDR, Part I 1981, pp 149 ff (supplementary order).

4. Reply to questions regarding the labor capacity, PRESSE-INFORMATIONEN, issued by the Press Office, chairman of the Council of Ministers, 4 August 1981.

5. NEUES DEUTSCHLAND, 21 July 1978, p 3,

6. Reply to questions..., as before, p 6.

7. "Necessary Rationalization Push Is Systematically Realized," PRESSE-INFORMATIONEN, 5 June 1981, p 4.

8. See "Berlin and the Schwedt Initiative," BERLINER ZEITUNG, 19 March 1981.

9. "Supplementary Order," as before, p 154.

10. See Erich Honecker, "From the Politburo Report to the Eleventh SED Central Committee Plenum," NEUES DEUTSCHLAND, 14 December 1979, p 5.

Labor Shortage Discussed

East Berlin PRESSE-INFORMATIONEN in German No 89, 4 Aug 81 pp 2-6

/Report by Press Office of Chairman, GDR Council of Ministers: "Answers to Questions About Working Capacity"/

/Excerpts/ Better Deployment of Social Labor Capacity of the Utmost Value

"Labor is the source of social wealth," Erich Honecker emphasized at the Tenth SED Congress. To raise its efficacy is the most important aspect involved in the accomplishment of the new and greater tasks of the 1980's and the pursuit of the

policy of the main task for the welfare of the people. In the past decade every working hour has gained immeasurable significance. In 1970, 23 working hours were needed in the GDR for every M1,000 of industrial goods production. By 1980 this need had been lowered to 14 hours, and by 1985 we aim to use only 12 hours. This development largely reflects the rising standard of skills of our working people.

To put it briefly, we understand the term "social labor capacity" to mean the total of the knowledge, abilities and skills used in the work process by all able-bodied members of society. The total of gainfully employed persons in the economy, in turn, represents the utilized and effective social labor capacity. At present almost 93 percent of the able-bodied GDR population are gainfully employed. It is virtually impossible to improve on that figure.

In the period 1981-1985 demographic conditions will generally permit another rise in manpower. But we must already gear ourselves to the fact that manpower growth will decline from about the mid-1980's on, due to natural conditions. In the beginning 1990's we must expect fewer workers than now. Every year fewer young people enter working life, a consequence of the decline in the birthrate from 1963 to 1974. Moreover the natural growth in the social labor capacity does not always coincide with the extent of industrialization in the various districts. As a consequence the labor force will already stagnate if not actually decline in the industrial conurbations through 1985.

In this field also, therefore, the appropriate approach is that of intensification. With the help of comprehensive socialist rationalization we will multiply productivity in crucial economic sectors. We must recruit working people for other jobs by freeing manpower, especially for the better utilization of available and newly created modern plants and equipment.

Manpower savings and the freeing of labor by socialist rationalization such as demonstrated by the Schwedt initiative are therefore turning out to be a focal issue of the greatest possible growth in performance. The best combines convincingly show the merits of this approach. That is why the Tenth SED Congress directive requires more and more enterprises and combines to achieve the more rapid growth of productivity by comparison with goods production. In the first half of 1981 this was already done in 42 of the 134 industrial combines.

According to its program, the SED "...devotes the utmost attention to the development and rational deployment of the social labor capacity. That includes the planned employment of the labor force in accordance with skills, knowledge and abilities. The complete utilization of social working hours and the avoidance of downtime are prerequisites for the steady improvement of productivity. This purpose is also served by scientific labor organization..."

At the present time the growth of the national income is accounted for to 90 percent by improvements in productivity. This alone shows why our economic strategy for the 1980's aims again and significantly to raise productivity and achieve a much higher standard in many sectors. That, however, requires the most efficient deployment of our social labor capacity.

Do We Have Too Many Jobs or Too Few Workers?

Some 94 percent of the population are gainfully employed. We have achieved full employment. Our attention now is focused mainly on more efficiently using our labor capacity by socialist rationalization and the increased application of WAO /scientific labor organization/. That responds to our economic strategy for the 1980's.

However, in the course of quite a long time more jobs in the GDR were created than abolished by investments. 1980 was the first year we succeeded in halting or turning around this trend in some sectors. It is our aim in the current five-year plan period to use investment policy in order to abolish more jobs than create new ones.

Demographic developments also require us to free manpower for new tasks. We must improve the manpower structure especially by raising the percentage of people directly employed in production. In his report on the Tenth SED directive Willi Stoph described as a key issue the abolition of jobs and the recruitment of manpower for the operation of new production capacities. He said "we have no alternative but to free manpower to an unprecedented extent by way of socialist rationalization."

An example is set by the working people in the Schwedt Petrochemical Combine VEB and their initiative "fewer people to produce more." By abolishing 1,840 jobs in time for the Tenth SED Congress--the aim is a total of 2,400 by the end of 1981--they demonstrated how more rationally to deploy the available labor capacity by the economic utilization of science and technology and the rationalization of production processes.

More to achieve with the manpower available also means to lower losses of working hours--the spectrum ranges from technologically caused downtime to defects in labor organization. Here are to be found substantial reserves indeed. We do not have a lack of manpower. We must simply better and more efficiently use the available potential, our greatest reserve.

What Is the Role of Training and Further Education

To cope with the rising production tasks with the same if not smaller labor force it will be necessary to rationalize in large dimensions in order more efficiently to deploy the manpower available. An important factor is the need for more fully utilizing the rising standard of education for the speed-up of scientific-technological progress.

From 1970 to 1980 more than 700,000 advanced and technical school cadres began work. Their numbers have doubled in that period. Their further education "...will in future achieve a status comparable to their initial education," Erich Honecker stressed in his report to the Tenth SED Congress. "It must be so organized that it connects with the results of training, takes into account the differentiated and rising challenges to the professional work of the advanced and technical school cadres and leads to the quick incorporation in practice of the latest research results.

The proportion of employees with a completed education rose from 70.7 percent in 1975 to 80.2 percent in 1980. In 1970 only 23 percent of all working people were

graduates of the 10 or 12-grade general educational polytechnical secondary school. The percentage has risen to 47 now. Roughly 95 percent of young people now beginning work have completed vocational training. The better utilization of the standard of skills offers enormous reserves for the improvement of our economy's efficiency.

In 1970 92 percent of full-time employees worked 43.75 hours and 8 percent 42 hours per week. In 1980, 77 percent worked 43.75 hours, 7 percent 42 hours and 16 percent 40 hours.

Consonant with the SED's educational policy the educational standard of the working people will continue to rise in the coming years also. Every fourth employed person attends training or further education courses. The report to the Tenth SED Congress states the necessity "to insist on the obligation of combines and ministries to further educate the working people in order to ensure the security of production, smooth flowing production processes and the enforcement of order and discipline during working hours." It is imperative more consistently and promptly than ever to prepare the working people for new jobs in production. We also assign the utmost value to the loyalty of young skilled workers to their particular enterprise, so that their professional experience may be steadily more useful.

By way of adult education 310,400 working people became skilled workers in the 1976-1980 plan period. More than half were women. In 1980 4,605,700 foremen and skilled workers were employed in the economy, 1,404,700 more than in 1970. In our given circumstances that is a crucial aspect of the development and growth of the social labor capacity.

The advanced educational and training standards of our working pepple have turned out a limitless performance factor for the intensive growth of the economy. The importance of education grows with the further advance of our social development. Science and education more and more profoundly permeate our lives. It is one of the benefits of socialism that training and further education can be coordinated with the requirements of the development of scientific-technological advances in industries and sectors as well as with further social development. Increasingly to utilize this benefit as planned means that the source of our social wealth will flow more and more abundantly.

What Is the Influence of Science and Technology on Man Hour Savings and the Freeing of Manpower?

Decisively to raise the efficiency of labor and to this end in particular use the latest achievements of science and technology--that is the focal task of the economic strategy drafted for the 1970's by the party of the working class.

In 1980 more than 95 percent of the increase in productivity in industry were the result of the extensive utilization of science and technology, compared with 55 percent in 1975. "If we were to combine all measures of science and technology, a total of 2,854 billion working hours could be saved in the economy. That would correspond to the annual working hours of more than 300,000 employees in the course of this five-year plan," notes the Central Committee report to the Tenth SED Congress.

Here impressive reserves are still to be found, because the progress of the combines in the saving of man hours still varies very widely. We are concerned here with the management of time in the very real meaning of that term. To be considered is not only the improvement of the technological and organizational standard of production by scientific-technological work but also the development of new products--always from the aspect of economic results. This must begin as early as target setting. For years the Jena Carl Zeiss Combine VEB, for example, has endeavored to achieve 30 percent greater productivity in the development of new products compared with earlier merchandise. As a result this combine was able to save 62 million additional man hours over and above the target of the past five-year plan. Such an achievement is possible only when everyone is fully aware of the impact of his work.

We need to lower the socially required working hours used in production as well as cut down the production cycle and therefore the time within which the latest scientific-technological results take effect. Required, for example, are new basic technologies, flexible automation, high-capacity manufacturing processes and new energy conserving procedures.

The use of microelectronics in new products may replace earlier labor and materials intensive mechanical, hydraulic, compressed air components and subassemblies by more efficient control and automation devices. For example up to 90 percent of mechanical components are eliminated in typewriters and printing machines, watches and cameras, communication equipment and other devices. Manufacturing costs thereupon decline by up to 70 percent.

In the scope of the industrial ministries the proportion of fully and partly automated machines and equipment in the capital asset stock rose from 33 percent to 49 percent in the period 1970-1980. This is the approach to be emphasized now, especially by way of the use of robots, to eliminate jobs in appreciable dimensions and comprehensively ease labor. Each robot is to free at least 2.5 workers.

Not least will it be important fully to utilize the considerable educational standard achieved by the working people in the GDR and, by the planned cooperation of combines and enterprises, the facilities of science and education, further to develop this potential.

The combines are increasingly using the rising standard of skills more rationally to design departments and eliminate jobs. Since 1978 the Robotron Combine VEB has recruited 1,200 of its own workers for the departments research and development, design and technology.

What Constitutes the Great Value of the Schwedt Initiative "Fewer People to Produce More"?

No enterprise may be laggard with regard to the task of eliminating jobs in appreciable dimensions and freeing workers. The working people of the Schwedt Petrochemical Combine VEB's parent enterprise have pointed the way by their initiative "fewer people to produce more." This initiative is evidence of their profound appreciation that every sociopolitical step forward now requires more improvement in productivity than was the case in the 1970's.

It is therefore necessary even more emphatically to orient rationalization to the elimination of jobs. In the Schwedt combine the working people are concentrating especially on the creation of larger operating departments in the factories, the build-up of larger and more efficient structural units, the expansion of in-enterprise construction of rationalization aids, the extensive application of data processing, the elimination of unwarranted costs for management, planning and reporting. Research and development are used to provide material and energy conserving processes and, at the same time, to contribute to the introduction of new technologies requiring the least possible manpower. By the Tenth SED Congress the Schwedt people had managed to free 1,840 workers for employment in other departments. Rationalization to an unprecedented extent is demonstrably the only correct approach. The attainable goal for the end of 1981 is the freeing of 2,400 workers--more than 20 percent of the personnel employed by the parent enterprise. These working people will be employed in particular in new production facilities of the enterprise, in the construction of rationalization aids and other departments.

The Schwedt initiative is no universal panacea, though. It was certainly appreciated as an inspiration by many other enterprise and combines. The East Iron and Steel Works Combine, for example, will free 240 workers by rationalization this year. These workers will be operating new plant or work on the construction of rationalization aids. The Schwedt Paper and Cardboard Works VEB, the Finowtal Chemical Factory and others also recorded good results when following the Schwedt initiative. In a growing number of enterprises this initiative turned out to be suitable for settling manpower problems within the enterprise and without outside recruitment.

The main basis for progress was the WAO. This assumed a new standard in the petrochemical parent enterprise. While WAO used to be the concern of specialists, it is now handled directly by those affected. The decisive ideas and suggestions on rationalization are received from those whose jobs are being reviewed.

The Schwedt people know that the demands on the enterprise collective for raising efficiency and productivity are growing as steadily as their own needs, and that further progress is possible only by their own efforts. That is why they are already planning the next step toward rationalization. In the years 1982-1985 they aim to free another 750 workers.

Foreign Trade Problems Persist

Bonn DIE WELT in German 7 Sep 81 p 11

/Article by Peter Weertz, Leipzig: "The GDR's Foreign Trade Position Is Difficult and Contradictory; Leipzig Fair--Honecker at the Hoechst Exhibition"/

/Text/ The "difficult times for politics" often cited in Leipzig apply to trade also. At the start of the Leipzig Autumn Fair the roughly 600 exhibitors from the FRG expect normal but varying progress. According to Prof Rolf Sammet (Hoechst), negotiations on medium-sized equipment transactions are under way. "At a time of zero growth, the 3-5 percent rate of growth achieved by our trade are remarkable," said Council of State Chairman Erich Honecker at the Hoechst stand.

The key items of the fair are chemicals, consumer goods, textiles and vehicles. According to Sammet the chemical industry has long been the "outrider in inner-German trade." Its share in total deliveries and purchases amounts to 14 percent. However, the all too well known excess capacities, especially for plastics, have definitely depressed expectations. These difficulties were certainly exacerbated by the new chemical production line in Schkopau (Saxony), which was supplied by Hoechst in spring 1980.

Admittedly, investment policy has changed in the meantime. Now rationalization has priority, and--as a result--medium and small machines and plant. Major industrial projects in the GDR's economic plans were reduced due to the lack of investment resources. Moreover there is a manpower shortage.

It remains to be seen whether discussions will start in Leipzig on the interest-free overdraft (swing) in the amount of DM850 million, due to expire at the end of this year. Should the agreements not be extended, the swing will automatically decline to DM200 million, although the FRG will be able to add to that. As it is East Berlin is currently utilizing the swing to only slightly above DM700 million.

Fair observers appraised the GDR's foreign trade situation as difficult and contradictory. East Berlin wishes to limit its foreign debts and also wants to export more in order to be able to pay the high import prices of crude oil and raw materials. They are therefore quite right to make foreign trade a vital matter. Unfortunately export results have so far failed to meet East Berlin's expectations. Particularly large deficits are recorded in trade with France, Austria and Britain. In its foreign trade with Japan the GDR's imports are 3 times higher than its exports. To this we must add the enormous export obligations toward the CEMA countries, which swallow up 63 percent of GDR foreign trade.

In 1980 the Western industrial countries accounted for 30.5 percent of GDR imports and 24.1 percent of GDR exports.

These factors affect the fair and subsequent business transactions. As per the data of the German Industry and Trade Association no economic revival has resulted from the establishment of combines. However, East Berlin has managed to improve its standing in inner-German trade. In the first half the surplus in goods trade amounted to DM192 million (1980: DM273 million), and liabilities declined from DM3.9 billion to DM3.7 billion.

At the same time, though, the growth of inner-German trade slowed down from 19 percent to 4 percent. This year the Federal Economics Ministry expects a volume exceeding DM12 billion (1980: DM11.72 billion). West German exhibitors think that a stronger revival of inner-German trade is likely only in very few sectors.

According to an interim report delivery contracts by West German firms are 8 percent above the level of the previous year. Machine construction maintained the same volume. Growth was recorded by steel, hard coal, crude oil, chemicals and clothing.

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HUNGARIAN-SOVIET ECONOMIC RELATIONS DESCRIBED

Budapest NEPSZAVA in Hungarian 29 Aug 81 p 4

[Article by Pal Emod: "Signficance and Future of Cooperation"]

[Text] In today's situation of the world economy when selling conditions are increasingly difficult, all enterprises, socialist and capitalist, small as well as large endeavor to build long-range production and market relationships. This is so because it lends certainty to production, and makes it possible for the enterprise, armed with this background, to flexibly conform to the other, rapidly changing demands.

Of course, when the specialization and cooperative relationships were set up between the CEMA countris, the above mentioned viewpoints did not yet play the most important role. Obviously, in enterprises linked to each other with the tight threads of planned economy, the mutual coordination of the plans is the thing that leads to longer range cooperative projects. Let's consider, for example, that Hungary agreed not to build passenger cars, but at the same time pledged to build as many buses as are needed to also cover the needs of its CEMA partners. Or, there is the Friendship, of the Brotherhood oil piplines: the petroleum received from the Soviet Union is indispensible to our country's raw material supply. The two governments have therefore made a long-range agreement which also contains the delivery and payment conditions. Let us quickly note here that we are not the only ones desiring such agreements. The Soviet Union is linked also to the Western European countries with quite a few gas and oil pipelines. Indeed, the business deal of the century is now being negotiated which would make it possible for the Soviet Union to sell several tens of billions of cubic meters of natural gas each year to the Western European countries.

The Advantages of Lasting Cooperation

Thus the conclusion is a logical one. At the beginning of a new 5-year plan--and a new 5-year plan has just now begun in 1981--each country must consider those opportunities which are hidden in the cooperative relationships.

The news received about the Hungarian-Soviet trade suggest lasting trade and production cooperation projects. Let's take at random some of the MTI's [Hungarian Telegraph Agency] reports!

29 May: The Videoton RT [Limited Liability Company] signed a more than 70 million ruble contract with the Soviet Elektronorgtyechnyka for the delivery of computers and peripherial equipment in 1982. At the same time, the METRIMPEX [Foreign Trade Enterprise of the Instrument Industry] agreed with its Soviet partner to import high performance computers in the value of 10 million rubles.

23 June: The Hungarian Ship and Crane Factory has already made its 1982-83 export contracts with the Soviet Sudoimport foreign trade association. Thus in the next two years they will build in Angyafold, river and seagoing floating cranes, tugboats and barge towboats for Soviet orders for a total of 80 million rubles.

6 July: An agreement has been reached between Budavox and the Mashpriborintorg for the delivery of complete telecommunication technology systems, and also individual equipment. One of the contracts deals with the sale of 160 traditional telephone switching centers valued at 35 million rubles. The total capacity of these centers is 126,000 telephone lines. The other agreement is for 5 million rubles and specifies the export of Hungarian radio telephones.

One-Third of the Export, One-Fifth of the Import

An the "production" is the harvest of just barely one month. Of course, it must also be known for this that the longer, 5-year agreements are extended practically automatically. For example, in the vehicle industry. As it is well known, the Raba factory of Gyor supplies rear assemblies and Ikarus buses, and in exchange for it we buy front assemblies and trucks, for example, Kamaz brand heavy vehicles. And as long as we are on the subject of the vehicle industry, let's also review the details of the passenger automobile cooperation. We buy finished Lada brand cars for Hungarian instrument panels, locks, horns, and other component parts--which we build in runs of 300,000 to 400,000 each. We get 25,000 to 40,000 Lada cars per year.

When, in March of this year, the foreign trade ministers of the two countries signed the 1981-1985 trade and payment agreement, they agreed to 34 billion rubles' worth of trade. This is also when it was made public that about one-fifth of our import from the Soviet Union, and one-third of our export there is conducted within the framework of specialization and cooperation agreements. The alumina-aluminum agreement will continue until 1985, the olefin agreement has been extended to 1990, and the computer technology program--called ESZR [Uniform Computer Technology System] in CEMA's terminology--specifies the export of over 2.5 billion forints' worth of Hungarian products. The agrochemical agreement deals with mutually providing some plant protection chemicals and other chemical materials, and if we also include the pharmaceutical industry agreement here, the latter two programs each cover trade in the value of 20 billion forints.

In the Intensive Stage

These high value programs, agreements for several billion forints or rubles often conceal the difficulties involved in cooperation. That is, the socialist economies in recent years entered the stage of intensive growth. And now it is worth while reviewing the earlier practice in the area of cooperation also. Hungarian economists, such as Jozsef Fay and Rezso Nyers mention in the columns of KULGAZDASAG

[Foreign Economy] that more work must be done in pricing and financial questions. In the case when the pricing systems differ in the countries, and the exchange rate is not realistic, the profitability of cooperative production and sales cannot be guaranteed. It is possible that both countries are interested in supplying certain products, but the enterprises are not. That is, there are examples for conducting mutual deals below the world market prices, and this, for example, can cause losses to the enterprises in a competitive pricing system.

Thus, the experts dealing with the CEMA relationships and the Hungarian-Soviet production cooperation nowadays often mention the importance of having to decide the financial (pricing) questions at the same time the natural (quantitative) conditions are specified. The foundations are there for the further growth of the cooperation if the enterprise's interest coincides with the national economic interest better than in the past.

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RETAIL PRICE REFORM ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish 30 Aug 81 p 9

[Article by Tadeusz Kierczynski and Urszula Wojciechowska: "Should There Be and What Kind of Retail Price Reform?"]

[Text] In discussions to date about retail price reform, arguments are often used which indicate a greatly varying understanding of this problem. To confirm this, it is enough to quote only the most representative sources. Thus, Z. Krasinski is of the opinion that reform for which he is fighting with admirable obstinacy will bring about, "...the lowering of the living standard for most of society," because "...as a result of the increase, the buying power of a considerable part of the population will decrease significantly and anyone who will want to return to their former level of consumption will simply have to earn more and, therefore, work harder."[1] In the government plan for stabilization it is written as follows: "The passing of price reform is not popular in society and will, indeed, cause a decline in the real income of the average and above-average classes of the population. However, this social price must be paid. In the present situation, the losses connected with the price increase will be, to a large extent, nominal losses because with the currently great and still growing shortages of goods, the decline in the living standard has actually already taken place."[2]

It is apparent that the authors are not decided whether the decline in the living standard will take place after the reform or if it has already taken place! J. Lewandowski has doubts also of a fundamental nature; he is skeptical whether it is at all worth raising the prices on food commodities. "Experience to date indicates, however,--he writes in his article in 'Polityka'--that price increases on food commodities are least suited for being the proper instrument of subduing the general pressure of demand on the consumer goods market."[3]

It is no wonder that in the midst of such scholarly arguments (the report was consulted by eight professors) trade unionists lose interest in the undertaking which will undoubtedly bring about a "decline in the standard of living" and in addition it is not known whether it can reduce at all the pressure of inflation?

Three Variants of Price Reform

To conduct an analysis of the effects of retail price reform, and examination of three of its variants presently entering into play in Poland seems necessary:

Variant A (minimal). Prices are raised to a level necessary to insure that costs be covered but with minimal profitability. In practice, this indicates the need for price increases on all food (with the exception of vegetables, fruit and eggs), energy, coal and communication, above all urban communication. Compensation is received by everyone in the full amount on the basis of ration-card norms or average usuage where there are no ration cards. The source for the financing of compensation are the existing budget subsides which finance losses incurred by enterprises. Reform based on such principles does not touch the inflationary gap, thereby, requiring the retention of the ration-card system. The effect of the reform on changes (substitutions) in consumption trends will be greatly limited. In order to strengthen it, the reform may be supplemented with a price increase on financially productive commodities but not requiring compensation (alcohol, gasoline, imported tobacco, as well as goods of a higher order which under our hardship conditions have a luxury status; e.g., taxes on imported automobiles, "high-gloss" furniture, color television sets, furs, carpets, porcelain, etc., etc.). All the mentioned goods should possess stable prices of balance.

Variant B

The overall price increase will be high enough to close the inflationary gap, that is to say, to create a situation whereby the current total supply of goods and services would provide for, with small reserves, the total demand. This situation is similar to the one we had in the years, 1953-1977-1978. The attainment of an overall balance will not denote the existence of stable, specific balances on all the major markets. Above all, such balance will not be achieved on the meat market. The demand for meat will increase as a result of using means, for this purpose, from the inflationary curve and also decreasing other expenses and consumption trends. To insure equilibrium on the meat market, it will be necessary to maintain regulations supplemented eventually by commercial prices. This may concern other products as well (ex. coal). The lowest price increase necessary to close the inflationary gap will be achieved when compensation will not be used at all. However, this is impossible since it leads to a situation in which too many articles become completely unattainable for the poor while the entire movement of prices may lead to a lowering of this consumer group's social level to below the minimum. However, the higher the compensation for the poor, the higher will be the overall price increase and a greater deflation of wages and further departure from the principle of division according to the nature of work performed.

Variant C (maximal). The general price increase is so high as to eliminate not only the inflationary gap but also the inflationary curve, which means, that part of savings which took place during previous periods as a result of the gap's existence. The increase in prices should at the same time insure stable, partial balances on all the basic markets so that all forms of regulations become eliminated. The huge dimensions of the necessary price increases force high compensation, thereby, severly restricting the application of the principle of division according to the nature of work performed.

Effects of Reform

The effects of retail price increases carried out according to the mentioned variants appear in many areas. The most important of these are the following:

1. The physical dimensions of society's total consumption.

2. Share in consumption of various income groups.

3. The structuring of the public's financial savings.

4. State of the market's balance and the associated with it degree of difficulty in making purchases.

5. Work incentives.

6. Regulating the economy; i.e., bringing about economically and socially justified price ratios and the proper structure of wages and the population's other forms of income.

In further analysis, we shall omit the areas mentioned in points 4, 5 and 6; the effect of price increases in these areas is quite obvious. In the continuing discussion, the effect of price increases on the market's balance and the elimination of queues and speculation is the most prominent. The effect of price increases on raising the value of currency, increasing interest in remuneration and, thereby, creating stronger work incentives is also evident. Price reform also allows to regulate--the historically formed and in general, currently irrational price ratios. All of these are commonplace truths, although, this does not mean that they are unimportant! The effects of price reform are much more complex in the first four mentioned areas.

Price Reform and the Physical Dimensions of Consumption

In general, price increases which are not accompanied by full compensation of nominal incomes lead to a drop in consumption--this is an elementary truth (presented in simplified form). This statement is not valid, however, for the present situation in Poland. With the current low level of consumption, presenting to the reform the task of reducing it even further is definitely unacceptable. This is our opinion and that is why we do not quite know how to comprehend the point of view according to which all of society must lose as a result of the reform. In the sense of the physical dimensions of consumption, society as a whole should not and does not have to lose. Just as "a change in prices alone will not bring about an increase in products"--as was aptly stated by one of the workers at the steel mill, "Warszawa" at a meeting with minister Krasinski--so their amount will not decrease. Therefore, if society as a whole will not lose in the sense of the physical dimensions of consumption, then we may speak of the "loss" in two ways: first--certain income groups may lose as a result of a change in their participation in the total consumption and second--the public's losses may be associated with phenomena involving financial savings.

Who Gains--Who Loses as a Result of Reform

The current market situation in Poland is a certain form of inflation, which may be described as supply-type inflation (or more bluntly, "queue-type inflation"). This phenomenon, although known in other socialist countries (ex., USSR, Bulgaria Romania), has not yet appeared anywhere on such a scale and in such proportions.

Under the minimal variant of reform, supply-type inflation is transformed into traditional inflation (prices) only in those segments of the market where balanced prices will take place; i.e., alcohol, tobacco, gasoline and "luxury" goods. In other segments, the situation will not succumb to change because cost prices, fully compensated, will be even lower than balance prices.

Under these conditions it is easy to describe which groups of the population will gain and which ones will lose as a result of price reform. Generally, those will gain who are at the end of the line and for whom there is just not enough with the current prices on goods. On the other hand, those who have access to goods, in one way or another, will lose. Specifically, introducing a higher than up to now price of balance that gives equal access to goods for everyone, will expose three large groups of the population who are currently at the head of the line, to losses in the form of a physical decline in consumption and in the living standard:

1. Employees of trade and prominent persons who have the right to lay aside merchandise for themselves sanctioned by practice or regulations;

2. "hard-working people who want to and can spend many hours of the day or night in line. This group includes retirees, housewives and unreliable employees;

3. speculators who by obtaining goods in one way or another profit from their resale.

The gains and losses of compensation will appear on a small scale only when the actual consumption of individual persons will differ from the average consumption used for determining compensation where there are no ration cards. The large scale of differentiated and organizationally complicated compensation in variants B and C will cause a wide range of losses and gains. As a rule, the former affect the wealthy, among which are hard-working laborers and the creative intelligentsia. Higher income groups will not receive compensation--the high increase in prices will, therefore, contribute to the limiting of consumption. This decline will not affect the consumption of basic commodities but goods of a higher order. To maintain until now the level of food consumption, savings on clothing will have to be made, on expenditures for relaxation and recreation, on the use of automobiles, etc. The most needy groups will receive compensation and, in addition, wage increases enabling them to attain a social minimum. Thus, goods saved by higher income groups will increase the consumption of the needy. It may be expected that the structure of consumption by the latter group will also undergo changes; a considerable increase in the prices of basic commodities will result in the decline of their consumption on behalf of goods of a higher order, thus, becoming attractive to the higher income groups. It is clear that everyone standing "at the head of the line" must take a loss in these variants as well.

The Effect of Price Increases on the Public's Savings

We had written above that with the existing low level of consumption, its further decline is not possible as a result of the price reform. The public will, therefore, have to purchase the same as until now (let us hope, that in the near future--greater) quantity of goods for a greater than until now sum of money, without receiving the fully compensational increase of minimal income. The direct consequence of such a process will be a decline in the public's ability to save or more precisely to augment funds. Under the existing market situation which is accompanied by wage

increases--the public has become accustomed to accumulating funds. The price reform will change this situation all the more radically--the higher the price increase. Under the first variant of reform--the ability to augment funds within all the income groups of the population will decline. Under the second variant--groups with currently low incomes will start saving while the higher income groups will not save at all or considerably less. Finally, the third reform variant which is characterized by a very high price increase will force practically all the income groups to spend the accumulated funds because the present incomes will prove to be insufficient.

How should the described phenomena be evaluated? Can the decline in the public's ability to accumulate funds (savings), as a result of price reform, be unequivocally evaluated as a loss borne by society?

In a normal economic situation--the increase in prices which will force the liquidating of savings by society and will reduce its ability to save--should be recognized as an undertaking directed against the public's interests; for it indicates that in order to maintain present consumption, society must pay with the level of future consumption whose decline results from a drop in savings. The public's losses are particularly severe in terms of savings placed in PKO [General Savings Bank] which, minister Krzak affirms is in accordance with the truth--are always protected, in Poland. Revalorization of these savings, which may be expected, causes the loss of savings as a result of price increases to be even more severe. Therefore, theoretically, we have found the sore point of price reform--a place where social losses are exposed.

The period in which we are living has, after all, its own laws and, therefore, general norms should not be applied to it--those which are adapted to average (normal) socio-economic conditions. Such is also the case in the area under discussion. We speak of--funds, while we should be saying--momentary symbols without backing. Of what value are funds accumulated in the years 1980-1981 if in just the first half of 1981, the paid out wage-fund was about 26.5 percent higher than in the first half of 1980 with a decline of about 1.8 percent in the retail sales of goods as well as a 12.5 percent decline in social industry's production.[4] These are funds which came about by way of accumulating monetary symbols without backing--funds representing obligations which we will not be able to fulfill not only today but for a long time to come.

Thus, reform--more precisely--the increase in prices will expose society to losses in the form of a drop in funds and the ability to augment them without raising the level of consumption. This is not a loss resulting from price reform but from the most fundamental elements of the Polish socio-economic crisis expressing itself by a severe decline in national revenues and production, with a concurrent rapid rise in the population's nominal income. The public's funds created under these conditions must, sooner or later, succumb to depreciation. If this does not occur as a result of an increase in prices, then with some postponement--although, shorter than some people presume--other measures will lead to the same outcome. Maintaining of the present price level, for a longer period of time, must indicate a considerable expanding of the range of regulation with corresponding consequences for financial management. Huge funds, accumulated in this way, are in the long-run, intolerable because:

--they paralyze whatever incentives associated with the attainment of current incomes--this is an overall social aspect of our argument, and in addition,

--the value of these savings is sharply reduced by the black market which substitutes the State, with interest, in the process of price increases. That is why, we believe that in the situation where prices would remain at the present level, monetary conversion would inevitably have to be expected which would accomplish the task of reducing funds bearing down on the economic system beyond the limits of its endurance. The social severity of the foreign-exchange reform would be, in our opinion, greater than the losses suffered as a result of the price increases.

Our Reform Proposals

We have conducted, above, a listing and arrangement of phenomena being unable to exhaust their topic fully or even analyze them more closely in one article. Nonetheless, the article should not end without a proposal and the taking of a stand on such a crucial matter.

In regard to this, we would like to voice our opinion on behalf of the minimal variant from among the above mentioned variants. The following arguments speak for this variant:

1. This variant permits the raising of prices on basic products to a level which insures the profitability of producing them while compensating all citizens the entire difference of the price increase on the basis of the amounts received with ration-cards or the average consumption. This makes it possible to count on the relative ease of receiving social approval for such price increases because the shifting of the consumption of these goods among the particular social groups will be insignificant. The poor will gain somewhat as a result of taking on average amounts of consumption with the accompanying compensation while the wealthy will lose some for the same reasons. At the same time, identical conpensation, in terms of the amount, deflates the system of wages less than compensation greatly differentiated according to the level of income necessary in variants "B" and "C".

2. An increase in prices without compensation to a level of balance, on alcohol, tobacco, gasoline and goods regarded as luxuries--will, indeed, strike a heavy blow to those groups of the population who currently have access to these products at low prices (i.e., those standing at the head of the line). However, this will allow the purchase of these goods for people earning well but who presently cannot see their turn coming in line; whereas speculators and bribe-takers will be losers.[5]

3. The discussed minimal variant of price increases will be sufficient for the needs of future economic reforms because in expressing costs (without, however, reflecting the degree of scarcity of goods) it creates the basis for self-financing of enterprises and agriculture.

4. Although, the price increase on basic goods has a primarily nominalistic character even with full compensation and ration-cards, it will show society the costs of production and the value of food and fuel. Such economic instruction will simplify the elimination of ration-cards in the future (i.e., when the supply of goods increases appropriately) and the conversion to balanced prices without the shock that may be presently observed. The basic flaw of the variant under discussion seems to be the necessity for retaining or even perhaps expanding the ration-card system. However, is this really a flaw under conditions of a fundamental (drastic) decline in consumption? Under present conditions, it is necessary to combine in the system, the distribution of the fund of egalitarian consumption with strong materialistic incentives for those groups of workers and employees earning good salaries and on whose shoulders rests the principal load of overcoming the economic crisis.

Egalitarianism is necessary in a situation of a severe decline in consumption, which we are experiencing. This is also a social necessity. On the other hand, however, overcoming the crisis and further economic development are impossible without creating or restoring agressive incentives for productive work on the part of highly qualified workers and those working under the most difficult conditions as well as of the cadre that decides about technical and organizational progress and also about the development of culture and education.

Postulates for the radical approximating of these groups' wages (and even if brought to extreme limits--equalizing of existing differences) to the level of average wages will lead to a rapid exit from all occupations where the work is difficult and dangerous. A part of the highly qualified cadre will also change jobs whereas a part will decrease their efforts and commitment. It may be expected that only a part of the workers and the most self-sacrificing and patriotic cadres will not react at all to the relative and absolute reduction of wages. However, the influx of new people into these occupations will diminish.

Egalitarianism should be ensured on the way to:

--providing basic products for the population in the process of ration-card regulation and a system of standard goods;

--a strong, clearly felt development of the infrastructure which improves the quality of life of large groups of the population, above all: nurseries, kindergartens, soup-kitchens, trade networks [as published];

--undertaking large capital expenditures to overcome the underdevelopment of public transportation systems giving it absolute priority over individual motorization;

--increasing family benefits.

The ration-card system provokes much controversy. Despite all its shortcoming, it was used, however, in Europe historically speaking when supplies waned, even when they were lower than currently in our country or relatively higher (e.g., in Great Britain, in Germany during and directly after World War II). In our situation, this system fulfills three functions:

1. It insures the fair (egalitarian) distribution of basic goods;

2. adjusts the degree of consumption of particular commodities to the economy's capacities in the most clear-cut way possible;

3. prepares the basis for price regulation by defining the amounts on which compensation will be calculated.

The existing ration-card system should, of course, be given more elasticity, made more efficient, protected against abuse.[6] It is possible that regulations will have to be expanded (ex., electricity, gas, coal, eventually even gasoline for certain consumers--veterinarians, country doctors).

The plans proposed by Prof Popkiewicz and Prof Krasinski and the government as well for presently eliminating ration-cards on the way to price increases (according to variants B and C) are premature, because:

--We are in a phase of general stagnation, perhaps even of a decline in production (meat) and supplies made to market; until now regulations were eliminated in the USSR, Germany and Great Britain and also in Poland (1953) when production increased and appropriate supplies were accumulated;

--there is a lack of wage increase regulators in the form of self-financing based on self-government--a situation which upon the carrying out of price increases, threatens with a wave of wage demands supported by strikes which will destroy the effects of price reform.

Under these conditions, plans for the elimination of ration-cards on the basis of price regulation will lead either to the destruction of the motivational power of wages (when equalization of wages occurs as a result of compensation only for the low wage-earners) or with a different system of compensation will lead to hunger rations for low wage-earners and retirees.

FOOTNOTES

1. TRYBUNA LUDU, No 176, 30 July 1981.

2. Government Program...TL [expansion unknown] July 1981, p 33.

3. J. Lewandowski: "Prices and Compensation," POLITICS, Vol 31/1981.

4. Compare GUS [Central Office of Statistics] regarding the socio-economic situation in the country in the first half of 1981--TRYBUNA LUDU, 28 July 1981.

5. Marginally speaking, an increase on prices of alcohol to a level of balance is the only socially accepted solution. Increasing production, ration-cards or measures used by the militia to combat speculation are either unacceptable or ineffective. That is why the tolerating of current prices and the present situation in this important segment of the market must provoke amazement and outrage.

6. It is odd that in introducing the ration-card system, our representatives in Moscow, London and the Colonies were not obligated to send data concerning the functioning of regulations in those countries and subsequently why these excellent solutions were not adapted to our conditions.

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END

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2187

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15 October 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2187

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YUGOSLAV-HUNGARIAN COMMODITY TRADE LIST, 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 9, 31 Aug 81 MEDJUNARODNI UGOVORI pp 570-573

[Order of the Federal Executive Council Ratifying the Protocol on Trade and Goods and Services Between the Government of the Socialist Federal Republic of Yugoslavia and the Government of the People's Republic of Hungary for 1980, with annexes, signed 19 December 1979 in Belgrade]

[Excerpt] List A/1980. Exports From the People's Republic of Hungary to the Socialist Federal Republic of Yugoslavia, in thousands of U.S. dollars

No	Designation	Unit of Measurement	Quantity	Value
1	2	3	4	5
1	Machines, equipment, highway and rail vehicles, instruments, products of the electrical equipment and electronics industries, volume products of machine-building, parts	$		70,000
	Including:			
	Cooperation in the production of highway vehicles and in the motor industry	$		35,000
	Miscellaneous cooperation in industrial production	$		5,000
	Pieces of equipment for locomotives and parts for rail vehicles	$		1,000
	Machines and equipment for the Danube--Tisa--Danube Canal	$		2,600
	Agricultural machines and equipment for the food manufacturing industry	$		2,000
	Power engineering, electrical and electronic equipment and parts	$		5,000
	Parts for highway vehicles and garage equipment	$		4,500

List A/1980 (continued)

1	2	3	4	5
	Miscellaneous instruments and apparatus	$		1,000
	Tools and products of the metal manufacturing industry	$		4,000
2	Long-term collaboration:			
	Pulpwood for Djuro Salaj of Krsko	m^3	280,000	
	Pulpwood for Matroz of Sremska Mitrovica	m^3	150,000	
	Ammonia for RTB Bor [Bor Copper Mine and Smeltery] Generaleksport of Belgrade	t	35,000	
	Ammonium sulfate for RTB Bor Generaleksport of Belgrade	t	20,000	
	Carbamide for RTB Bor Generaleksport of Belgrade	t	20,000	
	PVC pellets for RTB Bor Generaleksport of Belgrade	t	2,500	
3	Products of ferrous metallurgy	t	66,000	
4	Exchange of products of ferrous metallurgy	$		20,000
5	Products of electrometallurgy	$		1,000
6	Coking coal	t	260,000	
7	Ethylene	t	10,000	
8	Propylene	t	12,000	
9	Polypropylene	t	5,000	
10	Sulfuric acid	t	20,000	
11	Synthetic resins	t	2,100	
12	Sodium hydroxide	t	20,000	
13	Acetate (isobutyl and butyl)	t	1,500	
14	Oil for impregnating wood--creosote	t	5,000	
15	Ammonia	t	30,000	
16	Chemical agents for plant pest and disease control	$		500
17	Carbamide	t	20,000	
18	Tires and industrial rubber goods	$		2,000
19	Benzene	t	7,000	
20	Xylol	t	2,000	
21	Toluol	t	6,000	
22	Miscellaneous chemical products	$		3,000
23	Drugs, raw materials for drugs and chemicals for drugs and chemical reagents for laboratories	$		2,000
24	Propane-butane	t	4,000	
25	Miscellaneous products of the nonmetallic minerals industry	$		1,500
26	Blown oils	t	10,000	

List A/1980 (continued)

1	2	3	4	5
27	Paraffin	t	1,000	
28	Finishing in the petroleum industry	$		2,000
29	Silica sand	t	12,000	
30	Molding sand	t	5,000	
31	Perlite (crude)	t	18,000	
32	Cement	t	250,000	
33	Pulpwood	m^3	50,000	
34	Miscellaneous products of the wood and paper industries	$		3,000
35	Textile products, raw materials and semifinished products	$		9,000
	Including:			
	Raw materials for the textile industry	$		2,000
36	Industrially produced consumer goods	$		6,000
	Including:			
	Housewares and camping equipment	$		4,200
37	Books, films and miscellaneous products of the printing and publishing industry	$		1,000
38	Raw and processed foods	$		10,000
39	Border commodity trade	$		12,000
40	Services (transportation, tourism, etc.)	$		65,000

List B/1980. Exports From the Socialist Federal Republic of Yugoslavia to the People's Republic of Hungary, in thousands of U.S. dollars

No	Designation	Unit of Measurement	Quantity	Value
1	2	3	4	5
1	Machines, equipment, highway and rail vehicles, instruments, products of the electrical equipment and electronics industries, volume products of machine-building, parts	$		70,000
	Including:			
	Cooperation in the production of highway vehicles and in the motor industry	$		35,000
	Miscellaneous cooperation in industrial production	$		5,000
	Industrial accessories and fittings	$		4,000

List B/1980 (continued)

1	2	3	4	5
	Power engineering, electrical and electronic equipment and parts (including storage batteries)	$		5,000
	Pumps and parts	$		1,000
	Agricultural machines and equipment for the food manufacturing industry	$		2,000
	Parts for ships and cranes	$		1,000
	Parts for highway vehicles and garage equipment	$		4,500
	Tools and products of the metal manufacturing industry	$		5,000
2	Long-term collaboration:			
	Paper pulp for Lignimpex of Budapest (Djuro Salaj--Videm-Krsko)	t	40,000	
	Paper pulp for Lignimpex of Budapest (Matroz of Sremska Mitrovica)	t	20,000	
	Monobasic ammonium phosphate for Chemolimpex of Budapest (RTB Bor)	t	80,000	
	Triple superphosphate for Chemolimpex of Budapest (RTB Bor)	t	80,000	
3	Ferroalloys (ferrochromium, ferromanganese, ferrosilicon)	t	5,000	
4	Castings	$		1,000
5	Exchange of products of ferrous metallurgy	$		20,000
6	Products of ferrous metallurgy	$		2,000
7	Coke	t	200,000	
8	Semifinished copper products	$		1,000
9	Lead	t	1,000	
10	Zinc metal	t	5,000	
11	Metallic silicon	t	500	
12	Cable	$		1,200
13	Polyols for polyurethanes	t	2,000	
14	Monobasic calcium phosphate	t	5,000	
15	Zinc oxide	t	800	
16	Methanol	t	7,000	
17	Chemical agents for plant pest and disease control	$		1,500
18	Boric acid	t	1,000	
19	Calcium carbide	t	1,000	
20	Low-density polyethylene	t	5,000	
21	Trinitrotoluene	t	1,100	
22	Tires and industrial rubber goods	$		2,000
23	Miscellaneous chemical products	$		3,000
24	Drugs and pharmaceutical and laboratory raw materials	$		1,300

List B/1980 (continued)

1	2	3	4	5
25	Barite	t	12,000	
26	Feldspar	t	10,000	
27	Miscellaneous products of the nonmetallic minerals industry, including refractory material	$		2,000
28	Asbestos-cement pipe	t	3,000	
29	Hydrated lime	t	70,000	
30	Beech lumber	m^3	5,000	
31	Railroad ties	m^3	8,000	
32	Miscellaneous products of the wood and paper industries	$		4,000
33	Cigarette paper	$		4,000
34	Textile products, raw materials and semifinished products	$		9,000
	Including:			
	Raw materials for the textile industry	$		2,000
35	Industrially produced consumer goods	$		6,000
	Including:			
	Housewares	$		4,200
36	Books, films and miscellaneous products of the printing and publishing industry	$		1,500
37	Agricultural products and processed foods (including deliveries based on the Danube--Tisa--Danube Canal Project and tobacco)	$		10,000
38	Border commodity trade	$		12,000
39	Services (transportation, tourism, etc.)	$		80,000

List C/1980. Exports From the People's Republic of Hungary to the Socialist Federal Republic of Yugoslavia Covered by Trade in Goods and Services and Economic Cooperation in Border Commerce, in thousands of U.S. dollars

No 1	Designation 2	Value 3
	Industrially Produced Consumer Goods	3,350
1	Metal housewares, industrial goods and small farm machines	600
2	Products from synthetics, household chemical products and cosmetics	300
3	Miscellaneous glass products	400
4	Lamps	200
5	Textile products	1,200

List C/1980 (continued)

1	2	3
6	Furniture and components	500
7	Athletic equipment and toys	150
	Agricultural Products and Processed Foods	2,950
8	Eggs	300
9	Poultry for the food manufacturing industry	600
10	Vegetables, fresh, dried and canned	750
11	Miscellaneous agricultural products and processed foods	1,300
	Building and Other Materials	1,600
12	Building materials for flood control	1,400
13	Lime for sugar mills	200
	Products of cooperation between LIO of Osijek and Lenfono ipari Vallalat	1,500
	Exchange of assortment between department stores	2,000
	Fair exhibits	100
	Miscellaneous finishing and services	500

List D/1980. Exports From the Socialist Federal Republic of Yugoslavia to the People's Republic of Hungary Covered by Trade in Goods and Services and Economic Cooperation in Border Commerce, in thousands of U.S. dollars

No 1	Designation 2	Value 3
	Industrially Produced Consumer Goods	4,400
1	Metal housewares, industrial goods	600
2	Products of synthetics, household chemical products and cosmetics	1,500
3	Textile products	1,200
4	Furniture and components	500
5	Footwear	600
6	Plastic soles and molds	300
7	Sporting goods and toys	150
	Agricultural Products and Processed Foods	3,250
8	Canned meat products	400
9	Cigarettes	150
10	Chestnuts	300
11	Beer	2,000
12	Miscellaneous agricultural products and processed foods	400

List D/1980 (continued)

1	2	3
	Building and other materials	250
	Products of cooperation between LIO of Osijek and Lenfono ipari Vallalat	1,500
	Exchange of assortment between department stores	2,000
	Fair exhibits	100
	Miscellaneous finishing and services	500

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YUGOSLAV-CZECHOSLOVAK COMMODITY TRADE LIST, 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 9, 31 Aug 81 MEDJUNARODNI UGOVORI pp 575-577

[Order of the Federal Executive Council Ratifying the Protocol on Commodity Trade Between the Socialist Federal Republic of Yugoslavia and the Czechoslovak Socialist Republic for 1980, with annexes, signed 29 October 1979 in Prague]

[Excerpt] List A/1980. Exports of Goods From the Socialist Federal Republic of Yugoslavia to the Czechoslovak Socialist Republic

No	Product	Unit of Measurement	Quantity	Value in 000 $
1	2	3	4	5
1	Agricultural products and processed foods, including fresh fruit, vegetables, dried prunes and seed			5,500
2	Canned fish products			4,000
3	Tobacco and tobacco manufactures			12,000
4	Wine			1,000
5	Sorghum straw			1,000
6	Veneer and plywood sheets			8,000
7	Lumber			600
8	Miscellaneous paper, cardboard and paper containers			500
9	Bauxite	t	150,000	
10	Concentrated chromium ore	t	15,000	
11	Electrolytic zinc	t	5,500	
12	Zinc dust	t	4,000	
13	Rolled and drawn aluminum products, including aluminum tubing	t	2,000	
14	Rolled and drawn copper and brass products	t	1,000	
15	Miscellaneous chemical raw materials and products, including dibasic calcium phosphate, and exchange of chemical products			17,000

List A/1980 (continued)

1	2	3	4	5
16	Miscellaneous pharmaceutical raw materials, products and drugs, including veterinary preparations			6,000
17	Delivery under a special contract			8,000
18	Products of the electrical equipment industry, including telephone cable			10,000
19	Automobiles	units	2,000	
20	Machines, equipment and parts, including machine tools and agricultural machines and tractors, as well as delivery of equipment for Czechoslovak exports of power plants and other capital investment projects			50,000
21	Railroad cars, tank cars and parts for railroad cars			5,300
22	Parts and equipment for motor vehicles			8,000
23	Gears			12,000
24	Tools and instruments			3,000
25	Miscellaneous metal products, includ- plumbing fittings, rolling-element bearings, typewriters, etc.			5,200
26	Castings and forgings			7,200
27	Storage batteries			3,000
28	Tires and industrial rubber goods			3,500
29	Exchange of products of ferrous metallurgy			9,000
30	Textiles and textile products			17,000
31	Hemp and oakum			2,000
32	Footwear and leather products			6,000
33	Consumer goods, including furniture			15,000
34	Viscose fiber	t	3,000	
35	Electrocorundum			2,000
36	Books, films and printing services			700
37	Exchange of building materials, including asbestos-cement products			5,000
38	Erection of construction projects and construction services			35,000
39	Transportation services, including petroleum pipelines			90,000
40	Tourism			20,000
41	Miscellaneous invisibles			10,000
42	Deliveries related to industrial cooperation			60,000
43	Deliveries related to the Danube--Tisa--Danube Canal Project agreement			13,000

List A/1980 (continued)

1	2	3	4	5
44	Deliveries related to the NK [expansion unknown] agreement			25,000
45	Deliveries related to the Jadran department store			2,000
46	Cooperation in agriculture: UPI of Sarajevo, AGROKOMERC of V. Kladusa and others, with TRANSACT of Prague			3,000
47	Deliveries related to the contract between KTK of Visoko and METALIMEXA of Prague			8,200
48	Miscellaneous			6,000

List B/1980. Exports of Goods From the Czechoslovak Socialist Republic to the Socialist Federal Republic of Yugoslavia

No	Product	Unit of Measurement	Quantity	Value in 000 $
1	2	3	4	5
1	Coking coal	t	600,000	
2	Rolled and drawn products of ferrous metallurgy, including semifinished products	t	110,000	
3	Miscellaneous products of ferrous metallurgy			5,000
4	Machines, equipment and parts, including machine tools and agricultural machines, tractors, power plants and other equipment for capital investment projects			105,000
5	Miscellaneous products of the electrical equipment industry			1,500
6	Miscellaneous metal products			2,000
7	Trucks and special vehicles			14,000
8	Automobiles	units	7,500	
9	Parts for highway vehicles and tractors			8,000
10	Parts for railroad cars			1,000
11	Rolling-element bearings			3,000
12	Tools and instruments			4,000
13	Deliveries under the special contract			10,000
14	Miscellaneous pharmaceutical raw materials and products			1,000
15	Miscellaneous chemical raw materials and products, including monoethyleneglycol, and exchange of chemical products			20,000

List B/1980 (continued)

1	2	3	4	5
16	High-density polyethylene	t	2,000	
17	Polypropylene	t	2,000	
18	Synthetic rubber	t	1,500	
19	Tires and industrial rubber goods			5,500
20	Raw and calcined clays	t	33,000	
21	Kaolin	t	35,000	
22	Exchange of building materials, including asbestos-cement products			6,000
23	Glass products, including thermal glass			2,500
24	Glass wool			1,700
25	Exchange of products of ferrous metallurgy			9,000
26	Textiles, footwear and processing materials			25,000
27	Consumer goods, including musical instruments and sporting goods			16,000
28	Wood products			6,000
29	Pulpwood			6,000
30	Miscellaneous paper, including kraft paper and scrap paper			3,000
31	Books, films and printing services			200
32	Deliveries related to industrial cooperation			60,000
33	Deliveries related to the NK contract			20,000
34	Deliveries under the aluminum contract			16,000
35	Cooperation in agriculture of UPI of Sarajevo, AGROKOMERC of V. Kladusa and others, with TRANSAKT of Prague			14,000
36	Tourism			3,000
37	Transportation services, including gas pipelines			40,000
38	Deliveries related to the contract between KTK of Visoko and METALIMEXA of Prague			8,200
39	Miscellaneous			2,000

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CSO: 2800/370

YUGOSLAV-POLISH COMMODITY TRADE LIST, 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 9, 31 Aug 81 MEDJUNARODNI UGOVORI pp 578-581

[Order of the Federal Executive Council Ratifying the Protocol Between the Government of the Socialist Federal Republic of Yugoslavia and the Government of the People's Republic of Poland on Mutual Delivery of Goods in 1980, with annexes, signed 7 December 1979 in Belgrade]

[Excerpt] List A/1980. Exports From the Socialist Federal Republic of Yugoslavia to the People's Republic of Poland in 1980

No	Item Designation	Unit of Measurement	Quantity	Value in 000 $
1	2	3	4	5
1	Deliveries on the basis of cooperation and specialization			111,700
	Including:			
	Motor vehicle industry--automobiles			50,000
	Brake equipment for the motor vehicle industry			4,000
	Starters in the motor industry			600
	Automotive electrical equipment			1,000
	Trailers and semitrailers			1,000
	Industry of tractors and agricultural machines			28,000
	Spare parts alone	$2 million		
	Rail vehicle industry			600
	Electronics industry			8,700
	Electrical equipment industry			2,500
	Machine tool industry			6,500
	Woodworking machines alone	$.5 million		
	Construction and roadbuilding machine industry			2,500
	Household appliance industry and bicycles			3,000

List A/1980 (continued)

1	2	3	4	5
	Plumbing fittings industry			300
	Industry of medical equipment and instruments			3,000
2	Equipment for power engineering and the processing industry			11,000
	Including:			
	Equipment for power engineering	$9 million		
	Equipment for the processing industry	$2 million		
3	Miscellaneous machines and equipment			11,100
	Including:			
	Railroad tank cars	units	300*	
4	Buses	units	510	
5	Construction machines, subassemblies and parts			10,000
6	Machines for the textile, leather and footwear industries			1,800
7	Spare parts for IMR [Rakovica Motor Industry] motors--33			300
8	Assemblies for trucks			1,000
9	Parts for buses			5,000-6,500
10	Equipment for mining and parts			8,000
11	Products of the electrical equipment industry			2,000
	Including:			
	Transformers			
12	Tools			2,500
13	Office machines and calculating equipment			1,000
14	Ball bearings and parts			1,200
15	Metal products			3,000
16	Electrical porcelain			3,000
17	Abrasives			2,000
18	Castings			3,000
19	Semifinished aluminum products	tons	2,000	
20	Products of the wire and cable industry			3,300
21	Exchange of products of the wire and cable industry			3,700
22	Alumina	tons	135,000	
23	Metallic silicon	tons	1,500	
24	Nickel (in the form of ferronickel)	tons	2,500	

* Delivery in the fourth quarter of 1980 with possible partial delivery in the first quarter of 1981.

List A/1980 (continued)

1	2	3	4	5
25	Ferrochromium	tons	1,000	
26	Ferrosilicon	tons	3,000	
27	Exchange between steel mills			15,000*
28	Burned magnesite	tons	15,000	
29	Refractory bricks	tons	7,800	
	Including:			
	Acid-resistance and fireclay	tons	3,000	
	Silicate	tons	2,000	
	Magnesite bricks and other shapes	tons	2,800	
30	Miscellaneous nonmetallic minerals			300
31	Bentonite	tons	18,000	
	Including:			
	Drilling and casting			
32	Asbestos products			400
33	Laboratory and industrial glass			200
34	Paper and finished paper products			1,500
35	Sorghum straw			400
36	Beech lumber	m^3	7,000	
37	Ash lumber	m^3	1,500	
38	Pharmaceutical products and raw materials			6,000
39	Products of the rubber industry			1,500
40	Aluminum hydroxide	tons	20,000	
41	PVC pellets	tons	2,000	
42	Polyvinyl acetate	tons	1,000	
43	Phthalic anhydride	tons	1,000	
44	Lampblack	tons	2,000	
45	Miscellaneous chemicals			4,000
46	Exchange of fibers and yarns for the textile industry			4,500
47	Alcoholic beverages			1,000
48	Tobacco	tons	400	
49	Freshwater fish	tons	3,400	
50	Young fish	tons	450	
51	Seed corn	tons	8,000	
52	Miscellaneous agricultural products and processed foods			2,300
53	Knitwear and other textile products			10,000
54	Exchange of materials and products of the leather industry			2,400
55	Housewares			p.m.
56	Cooperation in the production of housewares			1,000

* With the possibility of increasing to $25 million.

List A/1980 (continued)

1	2	3	4	5
57	Industrially produced consumer goods			9,000
58	Films, books and philatelic articles			1,000
59	Exchange of goods between organizations for domestic trade and cooperative organizations			6,000
	Including:			
	Exchange between cooperative organizations	$4 million		
60	Miscellaneous			3,000
61	Tourist services			13,000
62	Construction services			p.m.

List B/1980. Exports From the People's Republic of Poland to the Socialist Federal Republic of Yugoslavia in 1980

No	Item Designation	Unit of Measurement	Quantity	Value in 000 $
1	2	3	4	5
1	Deliveries on the basis of cooperation and specialization			111,700
	Including:			
	Motor vehicle industry--automobiles			50,000
	Brake equipment for the motor vehicle industry			4,000
	Starters in the motor industry			600
	Automotive electrical equipment			1,000
	Trailers and semitrailers			1,000
	Industry of tractors and agricultural machines			28,000
	Spare parts alone	$2 million		
	Rail vehicle industry			600
	Electronics industry			8,700
	Electrical equipment industry			2,500
	Machine tool industry			6,500
	Woodworking machines alone	$.5 million		
	Construction and roadbuilding machine industry			2,500
	Household appliance industry and bicycles			3,000
	Plumbing fittings industry			300
	Industry of medical equipment and instruments			3,000

List B/1980 (continued)

1	2	3	4	5
2	Turnkey projects			34,000
	Including:			
	Power engineering projects	$22 million		
	Equipment for sugar mills	$4.4 million		
	Other equipment	$7.6 million		
3	Mining equipment and parts			16,200
4	Construction machines, assemblies and parts			12,000
5	Textile machines and parts			3,000
6	Tools			2,000
7	Miscellaneous machines, equipment and parts			25,000
8	Trucks and parts	units	200	
	Spare parts alone	$2 million		
9	Roller bearings and parts			5,200
10	Products of the electrical equipment industry			500
	Including:			
	Transformers			
11	Office machines and calculating equipment			1,000
12	Parts for buses			2,000
13	Metal products			3,000
14	Abrasives			1,000
15	Rolled products	tons	80,000*	
16	Exchange of products of ferrous metallurgy			15,000**
17	Exchange of products of the wire and cable industry			3,700
18	Coking coal	tons		p.m.
19	Bituminous or better coal	tons	120,000	
20	Graphite electrodes			400
21	Sulfur	tons	60,000	
22	Synthetic rubber	tons	1,200	
23	Pharmaceutical products and raw materials			1,000
24	Products of the rubber industry			1,500
25	Paints and pigments			4,000
26	Dibasic ammonium phosphate			4,000
27	Lye	tons	15,000	
28	Ammonium sulfate	tons	10,000	
29	Polypropylene	tons	5,000	
30	Carbon disulfide	tons	12,000	

* With the possibility of an increase, provided specifications are agreed on.
** With the possibility of increasing to $25 million.

List B/1980 (continued)

1	2	3	4	5
31	Melamine	tons	2,000	
32	Nitric acid	tons	10,000	
33	Miscellaneous chemicals			8,000
34	Cement	tons	200,000	
35	Refractory raw materials			1,600
36	Miscellaneous nonmetallic minerals			500
37	Pulpwood of softwood species	m^3	40,000	
	Including:			
	[?] contracts carried over	m^3	20,000	
38	Softwood lumber	m^3	15,000	
39	Scrap paper			400
40	Paper and miscellaneous paper products			1,000
41	Exchange of fibers and yarns for the textile industry			4,500
42	Glass, industrial and for construction			2,000
43	Vodka			500
44	Frozen fish	tons	4,000	
45	Miscellaneous agricultural products and processed foods			5,100
46	Products of the textile industry (fabrics, knitwear and accessories)			10,000
47	Exchange of materials and products of the leather industry			2,400
48	Cooperation in the housewares industry			1,000
49	Crystal and glass for furniture			700
50	Porcelain, porcelite and ceramics			2,000
51	Industrially produced consumer goods			5,000
52	Films, books and philatelic articles			100
53	Exchange of goods between organizations for domestic trade and cooperative organizations			6,000
	Including:			
	Exchange between cooperative organizations	$4 million		
54	Miscellaneous			3,000
55	Tourist services			3,000

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CSO: 2800/370

YUGOSLAV-MONGOLIAN COMMODITY TRADE LIST, 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 9, 31 Aug 81 MEDJUNARODNI UGOVORI pp 583-584

[Order of the Federal Executive Council Ratifying the Protocol on Mutual Delivery of Goods Between the Government of the Socialist Federal Republic of Yugoslavia and the Government of the Mongolian People's Republic for 1980, with annexes, signed 24 January 1980 in Ulan Bator]

[Excerpt] List A. Exports From the Mongolian People's Republic to the Socialist Federal Republic of Yugoslavia in 1980

No	Commodity Designation	Unit of Measurement	Quantity or Value
1	2	3	4
1	Intestines (sheep and goats)	Thousands of bundles	125
2	Other intestines	Thousands of accounting dollars	120
3	Wild boar meat	Tons	8
4	Rabbit meat	"	25
5	Venison	"	35
6	Wild fowl	Thousands of birds	120
7	Camel hides	Thousands	35
8	Sheep skins	"	20
9	Groundhog hides	"	10
10	Goat hair	Tons	17
11	Coarse mane	"	25
12	Deer horns	"	7
13	Souvenirs and products of folk handicrafts	Thousands of accounting dollars	60
14	Miscellaneous goods	"	100

List B. Exports From the Socialist Federal Republic of Yugoslavia to the Mongolian People's Republic in 1980

No	Commodity Designation	Unit of Measurement	Quantity or Value
1	2	3	4
1	Factory-made garments	Thousands of accounting dollars	500
2	Knitwear	"	220
3	Leather footwear	Thousands of pairs	25
4	Drugs	Thousands of accounting dollars	100
5	Bay leaves	Tons	1
6	Cigarettes	"	10
7	Automatic dialer, Model ATV-12-50	Complete units	6
8	Plumbing and industrial fittings	Thousands of accounting dollars	430
9	Electric hot plates	Thousands	10
10	Egyptian cotton thread	Tons	5
11	Miscellaneous goods	Thousands of accounting dollars	200

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CSO: 2800/370

YUGOSLAV-CHINESE COMMODITY TRADE LIST, 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 9, 31 Aug 81 MEDJUNARODNI UGOVORI pp 585-587

[Order of the Federal Executive Council Ratifying the Protocol of the Second Meeting of the Yugoslav-Chinese Commission for Commodity Trade, with annexes, signed 26 December 1979 in Belgrade]

[Excerpt] Indicative Commodity List of Yugoslav Exports to PR China for 1980

No 1	Commodity Designation 2	Unit of Measurement 3	Quantity or Value 4
1	Sugar	t	50,000
2	Cellulose fiber	t	5,000
3	Rayon	t	500
4	Copper sulfate	t	7,000
5	PVC	t	4,000
6	Miscellaneous paints and varnishes	$	3,000,000
7	Cellulose pulp	t	10,000
8	Cellulose	t	15,000
9	Paper	t	5,000
10	Polyester fiber	t	1,000
11	High-density polyethylene	t	1,000
12	Sodium hydroxide	t	5,000
13	Plywood	m^3	5,000
14	Welded galvanized pipe	t	20,000
15	Fittings	$	2,000,000
16	Machine tools	$	500,000
17	Tractors	--	--
18	Grain combines	units	168
19	Combine attachments for rice harvesting	units	69
20	Combine attachments for corn harvesting	units	32
21	Miscellaneous machines and equipment	$	15,000,000
22	Ships	units	15
23	Marine engines	units	18

Indicative Commodity List of Chinese Exports to the Socialist Federal Republic of Yugoslavia for 1980

No	Commodity Designation	Unit of Measurement	Quantity or Value
1	2	3	4
1	Tung oil	t	200
2	Peanuts in the shell	t	1,000
3	Cotton fabrics	$	4,000,000
4	Silk fabrics and brocade	$	4,000,000
5	Raw silk fabrics	$	3,000,000
6	Oth r textile products	$	2,000,000
7	Honey	t	3,000
8	Cacao beans	t	300
9	Cacao cake	t	300
10	Tea	t	100
11	Miscellaneous spices	$	1,000,000
12	Walnuts and other nuts	$	1,500,000
13	Essential oils	$	100,000
14	Miscellaneous hides	$	7,000,000
15	Salted intestines	$	1,500,000
16	Hog bristles and horsehair	$	2,000,000
17	Horns, hooves and fish bones in pellet form	$	1,000,000
18	Feathers	$	1,000,000
19	Dried fruit	$	1,000,000
20	Colophony	t	1,000
21	Rugs (carpets)	$	1,000,000
22	Miscellaneous furs	$	500,000
23	Office and school supplies	$	1,000,000
24	Sporting goods	$	1,000,000
25	Toys	$	1,500,000
26	Other products of light industry	$	3,000,000
27	Miscellaneous footwear	$	2,000,000
28	Parts for umbrellas	$	1,000,000
29	Musical instruments	$	1,000,000
30	Photographic and cinematographic cameras and binoculars	$	1,500,000
31	Enamelware, eating utensils and household appliances	$	2,000,000
32	Timepieces	$	1,500,000
33	Paper products	$	500,000
34	Rubber and plastic products	$	500,000
35	Petroleum	t	100,000
36	Gasoline	t	100,000
37	Petroleum coke with low sulfur content	$	400,000
38	Paraffin	$	500,000
39	Paints	$	600,000
40	Silicon carbide	$	5,000,000
41	Pharmaceutical raw materials	$	5,000,000

Indicative Commodity List of Chinese Exports to the Socialist Federal Republic of Yugoslavia for 1980 (continued)

1	2	3	4
42	Chemical raw materials	$	3,000,000
43	Embroidery	$	3,500,000
44	Porcelain		
45	Handicrafts (of straw, bamboo, wood, leather, glass and other materials)	$	1,500,000
46	Coking coal		
47	Tungsten	t	25
48	Antimony ore (approximately 25-30 percent antimony)	t	3,000
49	Mercury	t	10
50	Tin	t	200
51	Ferrotungsten	t	100
52	Ferrotitanium	t	50
53	Ferromolybdenum	t	50
54	Ferrophosphorus	t	200
55	Ferrovanadium	t	50
56	Calcined bauxite	t	10,000
57	Raw magnesite	t	15,000
58	Fluorite	t	4,000
59	Talc, powder	t	40
60	Mica, flake	t	250
61	Miscellaneous tools	$	1,000,000
62	Synthetic diamonds	$	250,000
63	Measuring instruments	$	500,000
64	Miscellaneous machines and equipment	$	15,000,000

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CSO: 2800/370

BRIEFS

ALBANIAN-SLOVENIAN TRADE--Ljubljana, 2 October--There is a shortage of light bulbs in the shops. In Metalka they have in stock 25 w., 40 w. and 60 w. bulbs, with small coils. In Maximarket they have 40 w. bulbs, colored and plain, also with small coils. In the Elektrotehna shops they have 25 w., 40 w. and 60 w. bulbs and they expect a shipment of 40, 60, 75 and 100 w. bulbs with regular coils next week. An additional 100,000 light bulbs will be imported from Albania. [Excerpts] [Ljubljana DELO in Slovenian 3 Oct 81 p 2]

CSO: 2800/15

GRAIN PRODUCTION RESULTS EXAMINED

Sofia KOOPERATIVNO SELO in Bulgarian 2 Sep 81 p 1

[Report by Toma Khristov and Emil Ivanov]

[Text] The major strategic task set by the 12th BCP Congress of achieving a fast upsurge in the production of food and fodder grain is the basis of the plans and accomplishments of agricultural workers throughout the country. In the very first year of the five-year plan, despite adverse weather conditions, satisfactory results were obtained from the autumn grain crops. Compared with last year, average yields per decare rose by 39.4 kg for wheat and 50.8 kg for barley. The farmers in six okrugs decisively crossed the 500 kg average yield per decare. For the fifth consecutive time Razgrad Okrug took first place among grain producers with 561 kg of wheat and 493 kg of barley per decare. Many APK [Agroindustrial Complexes] and brigades reached record yields of 600-700 kg per decare.

Many weaknesses, however, are paralleling these successes. The desired turn in production on the basis of the full utilization of all intensive factors, as stipulated by the congress' decisions, was not reached everywhere.

Higher grain production from autumn crops is an exceptionally important problem not only for agriculture but for our entire people. This was the topic of yesterday's expanded plenum of the Central Council of the National Agroindustrial Union, held in Sofia, with the participation of the BCP Central Committee Agricultural Department. The meeting was attended by Angel Bobokov, head of the BCP Central Committee Agricultural Department, Dimitur Karamukov and Nikolay Georgiev, BZNS [Bulgarian Agrarian National Union] Standing Committee secretaries, secretaries of okrug BCP committees in charge of agriculture, senior personnel of the BCP Central Committee and Council of Ministers apparatus and of ministries and central departments, chief inspectors of main directorates of the NAPS [National Agroindustrial Union], managers and specialists of OAPS [Okrug Agroindustrial Unions] and of APK, general directors of state economic trusts and scientific production trusts, scientific workers, heads of industrial production brigades and frontranking workers.

The meeting was chaired by Vasil Tsanov, BCP Central Committee secretary.

The report "On Further Intensification of Grain Production from Autumn Crops" was delivered by Aleksandur Petkov, chairman of the Central Council of the NAPS (published separately in this issue with abbreviations).

The report, which triggered the great interest of those present, was followed by statements and constructive suggestions.

Tson'o Markov, Razgrad Okrug BCP secretary, describes the experience and problems resolved by grain producers in Razgrad Okrug. In substantiating the great importance of strains and strain structure in the success achieved by the okrug, he stressed the need for the High Grade Seeds and Planting Material NPO [Scientific-Production Trust] to become an organization for the application of the greatest achievements of Bulgarian and world selection.

Zapryanka Zdravkova, head of an industrial production brigade at Kon'ovo village, Sliven Okrug, and Stanko Georgiev, head of a new-type industrial production brigade in Byala Slatina, shared their experience.

Senior Scientific Associate Aleksandur Karaivanov, director of the Wheat and Sunflower Institute near General Toshevo, discussed Bulgarian achievements in wheat selection.

The experience of Pleven Okrug in the organization of control activities in the autumn crop grain production was described by Nikola Kostadinov, chairman of the OAPS control council.

After stressing that the achieved successes were the result of substantial changes which had been made in the style and method of work of party and economic cadres in many okrugs and APK, and pointing out that comprehensive grain production intensification had not been reached, Comrade Vasil Tsanov stated:

At the current stage of agricultural development, a turn toward increasing grain production can be achieved only on the basis of the accelerated and comprehensive application of the latest achievements of science and leading experience and above all through the fullest possible utilization of the biological possibilities of the strains. With the existence of a major genetic potential and a relatively high level of material and technical supplies, the new technologies and technological solutions must play a revolutionizing role in ensuring an upturn in grain production. In this connection, he discussed the role of reduced cultivation in ensuring good quality preparation of the soil and sowing in terms of lowering material outlays and increasing production results. He paid particular attention to comprehensive chemization which offers the greatest possibilities for increasing output and reducing its cost.

Strict Specific Technological Discipline is the New Name for Success in Grain Production Today

Comrade Vasil Tsanov stressed the great and decisive role of the brigade organization of labor and discussed what must be done in the future. This very year all the necessary conditions must be secured for increasing labor productivity through the fullest possible utilization of machine systems, fertilizers and chemicals.

He then discussed the major role of the party committees and organizations, a role which must be raised to the level of the new requirements. Increased grain production will be fully successful when it is headed and managed specifically, efficiently and on a broad scale by party committees and organizations. The extensive

use of new technologies and strict observance of technological discipline must become the main features of their work. The new organization and new technologies must become the guiding principles of the daily work of all specialists. The fate of the important and responsible assignments which the party has set for our agriculture has always depended on the efforts of our primary managers and specialists. The task now is for them to prove yet again their initiative and innovative approach to the work. They must undertake the raising of our grain production to the level of world standards ambitiously and firmly. This is the major task which the party is assigning to the specialists and agriculture works, Comrade Tsanov emphasized.

The speaker further pointed out that increased wheat and barley yields in 1982 will depend largely on the timely and high-grade preparations of the areas and the seeds. The implementation of these tasks is lacking in many parts of the country and if the work were to continue at the present pace, plans will remain wishes only. The reasons for this are subjective. The organization of labor must be improved within the shortest possible time and all available equipment must be used most fully.

Finally, Comrade V. Tsanov discussed the implementation of some current agricultural tasks. Despite the relatively improved organization of the harvest, this year the picking of some fruits and vegetables, mainly tomatoes, green peppers, onions and peaches has fallen behind. Shumen, Silistra, Yambol and other okrugs are behind in harvesting their tomato crop; Mikhaylovgrad and Silistra Okrugs are behind in harvesting the green pepper crop, while Varna Okrug is behind in harvesting the onion crop. Vratsa, Mikhaylovgrad and Yambol Okrugs are behind in picking the oriental tobacco, while Mikhaylovgrad, Plovdiv, Turgovishte and other okrugs are behind in picking the wide-leaf tobacco crop. There are also delays in the purchasing and export of tomatoes and peppers.

This situation regarding the harvesting, purchasing and export of produce, particularly of fruit and vegetables, demands an immediate critical analysis of the existing organization and the adoption of fast measures. Each okrug and APK must review its schedules and ensure the fullest and most expedient utilization of brigade labor. Particular attention must be paid to material incentives. The work of food industry enterprises may be controlled most closely and their capacities must be used to the fullest extent.

There are delays also in the fulfillment of the plan for the purchasing of meat, milk and eggs, mainly from private plots. This calls for the adoption of measures in all okrugs and complexes. Attention must be focused mainly on improving the feeding and care of the livestock, ensuring the processing of roughage and decisively improving the organization of the work in livestock farms.

Changes were made in the membership of the NAPS Central Council which elected Rumen Boyadzhiev first deputy chairman of the NAPS Central Council Executive Committee and Tseno Khinkovski and Nikolay Tsonev deputy chairmen.

Speech by Aleksandur Petkov, NAPS Central Council Chairman

Sofia KOOPERATIVNO SELO in Bulgarian 2 Sep 81 p 2

[Text] Today's expanded session of the National Agroindustrial Union Central Council is dedicated to one of the most important problems in agriculture--the further intensification of autumn crop grain production.

It is not our purpose to go over the agrotechnology and means used in growing wheat and barley, in the old and traditional manner. The task is to assess in accordance with the decisions of the 12th BCP Congress the most essential and basic aspects of the growing of wheat and barley on an intensive basis, determine weaknesses in the application of technical progress and see what we lack and what we must do.

This task calls above all for full material and technical backing of the production process. Unquestionably, this is the main, the basic feature. However, it imperatively imposes new and stricter requirements regarding the precise use of technology. Any deviation from technological requirements will bring about far more serious consequences. It will reduce yields and increase production outlays considerably. Consequently, we cannot discuss intensification merely from the point of view of material resources but must speak of the overall intensification of grain production. More than ever before we need discipline, responsibility and intolerance of weaknesses. Only thus can we resolve the main strategic task formulated by the 12th party congress: the drastic increase in grain production, which is the basis of our entire agriculture.

In the public farms within the NAPS system, the average yield per decare this year reached 438 kg for wheat and 377 kg for barley. These achievements are record setting in terms of our country. In the case of wheat we crossed the 400 kg of grain per decare barrier.

The plan for the production of wheat and barley was overfulfilled. Compared with 1980 wheat production rose by 552,000 tons, which is a new production record.

We are pleased by the fact that this success was reached thanks to the full utilization of intensive factors. Compared with last year, average yields per decare rose by 39.4 kg for wheat and 50.8 kg for barley.

For the fifth consecutive time Razgrad Okrug obtained the highest yields per decare, averaging 561 kg for wheat and 493 kg for barley. Ruse Okrug averaged 544 kg of wheat and 479 kg of barley. Noteworthy are the results obtained in Tolbukhin Okrug, where on an area of 1,244,000 decares wheat production averaged 530 kg per decare with a total of 660,000 tons of grain, or 73,000 tons more than last year; a total of 442,000 tons were sold to the state, or 19 percent of the entire food grain sold in the country. Preliminary estimates show that wheat growing in Tolbukhin Okrug has the lowest production cost.

Silistra, Varna and Shumen Okrugs averaged more than 500 kg per decare. Exceptionally high wheat yields were obtained by the APK in Yuper Village, Razgrad Okrug, 628 kg per decare; Ruse Okrug, 610 kg; and Kavarna, Tolbukhin Okrug, 601.5 kg. The APK in Kameno, Burgas Okrug, was in a leading position this year for barley production, with 565 kg per decare, followed by the APK in Kubrat, with 561 kg.

Possibilities of obtaining the highest possible wheat yields were tested with the use of intensive technology developed by the Wheat and Sunflower Institute near General Toshevo. The industrial production brigades at Dyankovo Village from the Razgrad APK and Senovo Village from the APK in Senovo Village obtained from 1,000 decare areas, respectively, 1,059 and 1,029 kg of grain per decare. These results indicate the levels to which we must aspire.

There is progress but there is no major change in the work as a whole in all areas and okrugs in the country.

This is confirmed by this year's results, which show that different yields have been obtained with identical or similar production conditions and material and technical facilities.

Disparities between the highest and lowest average yields are substantial: 77 kg of wheat per decare and 132 kg of barley per decare, in the okrugs of northern Bulgaria. Major disparities are found also between neighboring okrugs operating under similar conditions. Thus, Shumen Okrug averaged 502 kg of wheat per decare and Veliko Turnovo Okrug averaged 443 kg, or a difference of 59 kg; Mikhaylovgrad Okrug averaged 407 kg of barley per decare, compared with 277 kg averaged by Vidin Okrug.

Disparities in average yields over the past 2 years are particularly indicative in the case of Sliven and Stara Zagora Okrugs. Despite relatively less favorable soil conditions, Sliven Okrug is producing substantially higher wheat and barley yields.

Disparities exist also in the average wheat and barley yields of APK and brigades which work under virtually identical conditions.

Thus, for example, the APK in Nova Zagora averaged 517 kg per decare of wheat whereas the neighboring APK in Radnevo averaged 406 kg; the average yield of the Sredets APK in Sofia was 450 kg per decare, whereas the APK in Elin Pelin averaged 324 kg. In Shumen Okrug the APK in Venets Village averaged 515 kg of wheat per decare while the APK in Dibich Village averaged 461 kg.

Substantial disparities exist also among industrial production brigades within the same okrug. The industrial production brigade at the APK in Burgas averaged 703 kg per decare of wheat, compared with 495 kg which the industrial production brigade of the APK in Pomorie averaged. In Vratsa Okrug, in the Byala Slatina APK, industrial production brigade No 1 averaged 619 kg per decare while the brigade in Selanovtsi Village of the APK in Oryakhovo, which worked under better conditions, averaged 479 kg.

The legitimate question arises as to the reasons for such major disparities.

Let us take into consideration the fact that the lower results achieved by some okrugs and the major disparities between individual production units have been influenced somewhat by adverse weather conditions such as the particularly severe drought in southern Bulgaria. Furthermore, in the 1980-1981 farming season, the necessary fertilizers and herbicides were not procured on time everywhere for the autumn crops. Also insufficient was the quantity of wheat and barley harvesting equipment. The resupplying of the farms with highly productive machines is taking place at a slow rate.

However, it would be a major error to ignore or fully excuse the role of the subjective factor: The work of the state and agricultural organs, organizations and cadres.

Al. Petkov went on to say that the study of successes and weaknesses shows the existence of objective conditions for increasing grain production in all okrugs and APK.

This can be accomplished, he emphasized, only through the accelerated intensification of grain production, based on the latest achievements of scientific and technical progress and leading experience. The objective which we set ourselves is to obtain additional grain production above the state-planned assignments for the Eighth Five-Year Plan and, the very next year, to average for the country at large 460 kg of wheat and 400 kg of barley per decare, thus increasing such crop yields by 820,000 tons compared with this year.

In the droughty areas of southern and eastern Bulgaria, where virtually every year corn and other spring crop yields from nonirrigated areas are lower than those of wheat, we shall convert to the extensive single-crop growing of wheat or other autumn crops, using a special technology and new intensive methods, mainly chemization.

What are the factors which determine the further intensification of wheat and barley production?

First. Fuller utilization of the biological possibilities of the strains.

The stricter requirements concerning growing conditions are those of strains with higher productive possibilities such as Pliska, Charodeyka, Kardam, Vratsa, Sadovo 1, Trakiya, Yubiley and Zlatna Dolina. These strains must be sown on the most fertile soils in the flat areas with good preceding crops. Their share in the strain structure must be increased steadily, for they allow the use of more intensive technology. Basically, they are more suitable for northern Bulgaria. Some of them, however, such as Trakiya, Vratsa and Charodeyka, can be successfully used in southern Bulgaria as well.

Less demanding while still high yielding are the Kiten, Kaliakra 2 and Kubrat 1 strains. They could be planted on weaker soils and on elevated and slanted areas in northern and southern Bulgaria, with moderate and well-balanced fertilizing.

Sadovo 1, Dobrudzha 1, Skitiya and others are intermediary strains with very good plasticity. They yield high and stable crops and good returns under a variety of conditions, particularly after later preceding crops. Sadovo 1 and Sadovo Super are very suitable for use in southern Bulgaria.

The most suitable in the high elevation plains and the foothill areas are strains with a longer vegetation period and higher stems, such as Kubrat 1, Kremena and Ludogorka.

The use of highly intensive strains, their proper zoning and the fullest possible utilization of their biological possibilities calls for elevating strain support, seed production, seed control and seed storage work to a higher qualitative level.

The practice of the accelerated multiplication of new highly productive strains is proper. So far, however, this process has been left to the initiative of the OAPS and APK. It is neither guided nor controlled. In practice, this leads to strain pollution. In this case the fault is exclusively that of the scientific institutes, the High Grade Seeds and Planting Material Trust and the Seed Control Inspectorate, which are unable to control this process and have been outstripped by practical experience, although in many cases this has been achieved at the expense of the quality of the new strains. That is why the quality of the seeds and the accelerated

multiplication and zoning of the strains must be specially controlled by the specialized seed production organs.

Second. New solutions may be found in the area of preparing the soil for autumn crop sowing.

Third. Deadlines for sowing and sowing norms must be observed strictly.

Planting crops with the best possible density (700-800 ear-bearing suckers per square meter) is an important prerequisite for high and stable autumn crop yields. The time of sowing and the sowing norm are of decisive importance in reaching this objective.

Every year the country is late in sowing autumn crops on an area of more than 1.5 million decares. This drastically lowers yields by 100-120 or more kg per decare.

It has become the practice of many okrugs, such as Sofia, Kyustendil, Pernik, Pleven, Veliko Turnovo and others, to ignore such deadlines and drag out the sowing campaign excessively. It is frequently considered that the sowing campaign ended within the proper time although this does not correspond to the truth. Actually, we are kidding ourselves and then start looking for objective reasons.

Another important prerequisite is the quality of the sowing. Here again there are many omissions: The seeds are unevenly planted. Unsowed strips are left between two runs of the sowing machine; the edges of fields and around poles remain unused. Although everyone knows of such omissions, they are not being corrected, for most specialists and mechanizers have already become accustomed to them. That is why the quality of the sowing must be checked twice: immediately after the work and after the sprouting. The system of paying the mechanizers must be changed as well: they must be paid 50 percent after the sowing and the balance after the sprouting. Managers and specialists in industrial production brigades and agroindustrial complexes must be held liable for substandard sowing.

We must not underestimate the proper determination of the sowing norm based on specific conditions.

The best sowing norms (450-600 germinating seeds per square meter for wheat and 350-400 for barley) must be differentiated in accordance with the characteristics of the strain, the quality of the presowing cultivation and the time of sowing. Gross errors are frequently made by allowing high sowing norms in early sowing strains and low norms in late sowing and under adverse conditions. Norms below the best ones are admissible only with the accelerated multiplication of new strains.

Four. New features in fertilizing and plant production of wheat and barley must be given extensive support.

Fertilizing is a most intensive factor in winter crop technology and played a decisive role in the good results obtained this year. Even under the conditions of the most droughty areas in southern Bulgaria this year, wherever adequate fertilizer was used, good results were achieved.

Fertilizing offers many additional unused possibilities for further production intensification in our wheat and barley growing. It must be organized on a strictly scientific basis, according to soil and plant requirements. In this respect the N. Pushkarov Study and Design Institute must play a decisive role. This requires a change in its current workstyle and method of taking soil samples and determining the need for fertilizer in accordance with soil types. Formalism in the drafting of the tables must be eliminated. Such tables must be of effective use to specialists in their work, rather than be left unused in their offices.

The experience of Razgrad, Ruse, Tolbukhin, Burgas and Sliven Okrugs, which converted to a new fertilizing system with a balanced ration of nitrogen, phosphorus and potassium, must be applied in all okrugs this very year. It is not a question of fertilizing in the conventional meaning of the term but of feeding the plants. The nitrogen system in the soil must be controlled throughout the entire vegetation period. In this respect both Bulgarian and foreign fast methods have been developed for determining the amount of nitrogen in the soil. Their practical utilization must be accelerated.

The fertilizing of wheat and barley must always be combined with the fertilizing of the other crops within the crop rotation system. We must eliminate the tendency to engage in groundless intensive nitrogen fertilizing of rich chernozem soils and fertilize more heavily undernourished crops, particularly those growing on the underproductive soils of the mountainous and foothill areas of Burgas, Yambol, Khaskov, Sliven, Kyustendil and other okrugs.

Early winter fertilizing with the full nitrogen norm, particularly in slanted areas, and the late use of carbonide in droughty soils, for the sake of feeding the autumn crops, involves substantial losses and must not be allowed.

The experience of Razgrad Okrug in multiple application of nitrogen must be used more extensively throughout the country, particularly in the rugged areas of mountainous and foothill parts of the country as a correcting fertilizer for undernourished crops and in conversion to superintensive technologies for the raising of maximally high yields.

The further intensification of wheat and barley growing requires the use of potassium fertilizers. They must be applied not only in soils lacking potassium but in soils where potassium is in adequate supply, but where intensive technologies are being used.

Leaf fertilizing plays a major role in increasing autumn crop yields. Its use must be increased, particularly when conditions for effective correcting soil fertilizing are lacking (lateness). This can be combined successfully with the struggle against pests and diseases.

Under contemporary conditions of intensive grain production the quality and quantity of the grain are directly related to the extent of the struggle against weeds, diseases and pests. Our work so far indicates that this can be effective only if developed within the crop rotation system.

As a result of the systematic use of the same fertilizers, in recent years the density of resistant weeds has increased (Vratsa, Veliko Turnovo and Vidin). The

amount of wheat weeds has increased and reached threatening dimensions in some okrugs (Vidin, Khaskovo, Sliven, Stara Zagora and others). Currently wild oats may be found throughout the country. About 22 percent of the areas in barley and 18 percent of those planted in wheat are with weeds. The situation with the stable wide-leafed weeds is even worse.

In many okrugs (Gabrovo, Kyustendil, Lovech, Turgovishte and others) weeds have grown on a comprehensive basis, covering from 30 to 80 percent of the area in autumn crops.

The task is this very autumn to undertake the struggle against wheat weeds in all okrugs, for which purpose the necessary herbicides are being procured.

This is a major task which must be taken under control and successfully carried out under the guidance of specialists from the Agrochemical Services DSO [State Economic Trust], the OAPS and the APK.

Heavy losses are inflicted on wheat and barley by their enemies such as the grain bug, the aphid and the darnel ryegrass. In some areas heavy losses on autumn crops are caused by the wheat bulb fly and, last but not least, the field mice. The necessary chemicals are being secured for the struggle against all such pests.

In order to eliminate these and other weaknesses in plant protection, it is imperative to reorganize the work of the Agrochemical Services DSO, by improving forecasting and reporting, upgrading the skill of specialists and performing cadres and undertaking the prompt use of the latest herbicides.

Greater intensification, increased percentage of one-crop cultivation and improved yields require the more extensive use of biological stimulators and plant regulators. Particular attention must be paid not only to the presowing treatment of the seeds for the loose smut but to spraying the crops against lodging, using retardants against root rot, the powdery mildew and the ear blight in wheat. The use of fungicides such as Baytan, Fundazol and Bayleton and of the new retardants must go beyond the experimental area and be produced in bulk. We must most daringly broaden areas planted in seeds subjected to laser treatment.

Five. Some basic aspects of raising two consecutive wheat crops.

Because of the developed structure of the crops, under our conditions the sowing of two consecutive wheat crops is inevitable in some parts of the country. For the country at large, today 3-3.5 million decares of barley and 21 percent of the wheat are cultivated as a single crop. In connection with the stipulation that areas in corn must be reduced and more wheat planted in the area of the Black Sea and in southern Bulgaria under nonirrigated conditions, these areas will be expanded by yet another 4.3 million decares, 2 million of which will be in wheat alone.

The following question arises: Could yields close to or similar to those obtained from areas with a preceding trench crop be obtained?

The experience of some countries advanced in this respect, the studies conducted by our institutes and the experience of some APK indicate that not only barley but

wheat grown as a single crop could yield high and stable harvests on the basis of a strictly defined technology.

What is its nature? It is the following:

The timely allocation of areas and the burning of the stubble;

Immediately after the burning, the soil must be plowed to a depth of 18-20 cm;

More fertilizer must be used with complete balancing of nitrogen, phosphorus and potassium, with 25 kg of nitrogen, 18 kg of phosphorus and 15 kg of potassium per decare, together with the necessary additions of microelements;

The mandatory treatment of the seeds for root rot with Baytan, Fundazol or Benleyt;

The selection of strains which are most resistant to root rot and ear blight;

Mandatory treatment of the crops in spring with fungicide systems such as Bayleton and TIL-250 for fungal diseases;

The use of retardants against lodging and of other biologically active agents.

The speaker went on to draw particular attention to upgrading barley yields as a major reserve for increasing grain production.

We pay particular attention to barley production, said he, for every year we plant about 4 million decares in barley in the country, yet the yields are low and unsatisfactory, ranging between 320 and 330 kg. This was the first year in which we averaged 377 kg per decare.

To begin with, we must abandon the view that we have no suitable strains for high yields. The results which I indicated at the beginning of this report on high yields obtained by individual APK and industrial production brigades and yields of 900 to 1,000 kg per decare in production experiments conducted at the Barley Institute in Karnobat indicate the substantial and unused reserves which exist with the strains at our disposal. The reason for their lack of use is the erroneous practice in many okrugs and APK which are organizing their barley production on the basis of a single strain, which leads to the adverse consequences of single-strain cultivation.

Secondly, we are insufficiently familiar with the production technology for this crop. Practical experience indicates that we are not properly familiar with the decisive aspects which determine the size of the crop.

The preparation of the soil and the sowing are substandard. Frequently the sowing is done too early, as a result of which the crops are dense and disease-prone starting with the autumn. This year again, as a result of the very early sowing, such crops were noted in Vidin, Mikhaylovgrad and Tolbukhin Okrugs, some of which had to be replowed in the spring. This practice must be terminated and the most favorable sowing periods observed.

Thirdly, the great importance of fertilizers and plant protection is underestimated.

Some of the basic reasons for low barley yields are improper use of fertilizer and of plant protection means. The stipulations issued on the use of fertilizer in wheat are equally applicable to barley. However, some characteristics exist in this case which are not understood and erroneous methods are applied. Particularly important in the case of barley is the proper ratio among nitrogen, phosphorus and potassium, which is usually violated. A characteristic feature in nitrogen fertilizing is its application depending on the condition of the plants. Nitrogen must be applied on two separate occasions: the first during the most favorable period and the second at the stalk shooting stage.

Barley is subject to lodging. That is why the use of retardants in this case is more important than in wheat.

We can no longer tolerate the high percentage of contamination with the stinking smut, which is another reason for the reduced yields although adequate chemicals exist to fight it. The time has come to find out who is responsible for this type of work.

The Barley Institute in Karnobat bears a high share of responsibility for the low results. Unlike the Wheat and Sunflower Institute near General Toshevo, it was unable to develop a specific technology by okrug and microrayon. Also insufficient is the practical assistance which it is giving to the APK. The level of its selection work is low. So far it has not developed Bulgarian strains consistent with the new requirements.

The chairman of the NAPS Central Council emphasized the importance of the industrial production brigades as the main factor in increasing autumn crop grain yields.

The high results achieved in wheat and barley production, said he, are due largely to improvements in the brigade organization of labor in accordance with party stipulations and the decisions included in the theses of the BCP Central Committee Politburo based on the report by Comrade Todor Zhivkov delivered at the National Conference of the Party, State and Agricultural Aktiv, held on 2 April 1980.

This year 160 feed grain new-type brigades were organized in the country. They cultivate 25 percent of the overall area planted in wheat and barley. According to preliminary estimates, they account for 27 percent of the country's overall output, averaging for all brigades 495 kg of wheat and 425 kg of barley per decare. Yields far exceeding the country's average for such crops have been reached.

Also indicative are the economic results of the industrial production brigades. Good economic results were achieved by the brigades in Lozenets, Shabla and Zakhari Stoyanovo Villages in Tolbukhin Okrug; in Boyanovo Village and the OSPZ in Bezmer, Yambol Okrug; in the Dobrotitsa Village, Silistra Okrug; in Vulchi Trun and Odurne Villages, Pleven Okrug; by the Second Brigade in Byala Slatina and the brigade in Zhitnitsa, Varna Okrug and others.

Some brigades obtained low production results, such as those in Vulchedrum, Mikhaylovgrad Okrug; Oryakhovitsa, Pleven Okrug and Vyatovo, Ruse Okrug.

The conclusion of the obtained production and economic results is that the new-type brigades are the most suitable organizational form through which the principles of the economic approach and cost-effectiveness and of the further intensification of grain production can be applied most successfully.

It is the belief of the NAPS Executive Committee that in order to reach even greater results in grain production in the future, the agricultural organizations must undertake as their prime task the comprehensive development of new-type brigades, covering the entire grain production process. Practical results indicate that we have grounds for converting from experimentation with to mass use of the new brigade organization.

It is the primary task today of all APK administrative councils and all agricultural organizations to focus their efforts on bringing up to date the engineering plans drafted last year but as yet unapproved and the formulation of new ones so that, by the end of this year, we may establish and develop in all agricultural organizations new-type brigades in charge of the entire grain production system.

The new tasks, Al. Petkov pointed out, require the full mobilization of the forces of scientific research and engineering-application organizations within the NAPS system, for the sake of providing consistent and systematic scientific management in the autumn campaign.

It is necessary, above all, to issue within the immediate future strict and scientific technological rules governing the implementation of the new measures.

Comrades:

We are on the threshold of the most important and most difficult campaign in agriculture--the autumn campaign. Its successful implementation will determine not only the spring crop and the fulfillment of this year's plan but the solution of the main problem of obtaining higher wheat and barley yields. This calls for the full mobilization of the forces of all farm workers, mechanizers, specialists and managers.

Such are the more important questions to which I was instructed to draw your attention. Allow me to re-emphasize in conclusion that the task we are setting ourselves is a very big one and calls for the adoption of exceptional measures, above all by the cadres and working people within the NAPS system.

At the same time, we are confident that we shall continue to enjoy the total support of party, state and public organs and organizations for the successful implementation of this year's plan and for achieving an even more bountiful harvest next year.

5003
CSO: 2200/1

COAL MINING, OVERBURDEN REMOVAL IN FIRST HALF OF 1981

Prague SVET HOSPODARSTVI in Czech 13 Aug 81 pp 1, 2

[Article by Roman Fojtik, FSU [Federal Office of Statistics]]

[Text] The coal mining industry, managed by the Federal Ministry of Fuels and Energy (FMPE), has entered the first year of the Seventh Five-Year Plan facing the heavy burden of having to supply the nation's fuel and energy base with solid fuels as a result of the enormous task it confronts in the field of capital construction to open up new deposits in order to replace production from old mines which are gradually being exhausted. The financial resources invested must be recovered as fast as possible in the form of black or brown coal.

Fulfilling this requirement is contingent on the ability of the suppliers of the giant coal diggers and of other mining equipment to deliver high quality, reliable products of highest efficiency. It is only natural that ample supplies of spare parts needed for maintenance and repairs must be available. The miners in the coal mines and the workers in engineering works will be able to meet these expectations of our national economy only if these requirements are fulfilled.

According to preliminary data overall coal production by the coal industry of the FMPE in June of this year amounted to 10,141,000 tons of coal and lignite whereby the plan was fulfilled by 101.8 percent, exceeding it by 183,000 tons. This is 169,000 tons more than last year's corresponding production (index 101.6). All coal mining industry enterprises exceeded their assigned monthly quotas with OKD (Ostrava-Karvina Mines) Ostrava leading the list with 98,000 tons of excess coal production (and fulfilling the plan by 105 percent).

The coal production volume for the first half of 1981 was 61,903,000 tons of coal and lignite which with a surplus of 612,000 tons exceeds the semiannual plan by 0.9 percent and that of last year by 464,000 tons (index 100.7). Thereby the annual state plan was fulfilled by 50.2 percent.

From January till June of this year overall black coal production was 13,982,000 tons with OKD Ostrava fulfilling the plan by 100.3 percent with 12,287,000 tons and a surplus of more than 38,000 tons accruing to the national economy. The production from this coal basin reduced markedly the production shortfall of 68,000 tons which occurred in May as the result of the accident at the k.p. (communal enterprise) Mine of First May and of the continuing difficulties at the k.p. J. Sverma Mine attributable to coal tectonics.

By producing 1,695,000 tons the Kladno Black Coal Mines fulfilled the planned tasks in the first 6 months by 100 percent which is 111,000 tons (or 6.2 percent) less than last year. The production shortfalls which occurred in January and May of this year were made up by production increases in the other months.

Brown coal and lignite mining concerns exceeded their assigned quotas for the first 6 months by 574,000 tons (1.2 percent) and last year's production by 934,000 tons corresponding to an index of 101.9. Thereby the annual brown coal mining plan was fulfilled by 50.2 percent. The proportion of the North Bohemia volume of production is 69 percent or 33,073,000 tons. The North Bohemia miners fulfilled by this output the specified 6 months plan of the enterprise by 101.1 percent exceeding it by 362,000 tons. Thereby the annual state plan was fulfilled by 49.1 percent. Compared to last year this year's index is 101.5 (a 500,000-ton increase).

In the first 6 months of this year production of the enterprise Sokolov Brown Coal Mines and Briquetting Works was 10,970,000 tons representing an excess of 200,000 tons above the plan and 540,000 tons above last year's production or an index of 105.1.

Employees of the Prievidza Coal and Lignite Mines fulfilled their 6 months task by producing 3,879,000 tons of coal and fulfilling the plan by 100.2 percent.

SHD (North Bohemia Brown Coal Mines) Most has three plans for the removal of overburden including the operational overburden removal plan, the tentative operational plan for overburden removal from the technological site TC3 and the capital investment plan for overburden removal from the technological site TC2 at the Vrsany Mines. The key volume of overburden removal is being accomplished operationally by the removal of 73.2 million cubic meters in the first 6 months, fulfilling thereby the ministry's plan by 101 percent (+017 million cubic meters). The annual operational plan for the removal of overburden was fulfilled by 47.6 percent. The tentative operational overburden removal plan form TC 3 was fulfilled by 51.6 percent by the removal of 13.1 million cubic meters (shortfall 2.9 million cubic meters) and the annual plan was fulfilled by 31.0 percent.

The supply of solid fuels to customers was carried out without interruption according to their requirements. As of 30 June 1981 coal reserves at FMPE thermal power plants were 921,000 tons of black coal and 2,766,000 tons of brown coal.

8664
CSO: 2400/315

HALF-YEAR ECONOMIC PERFORMANCE ANALYZED

Budapest HETI VILAGGAZDASAG in Hungarian 15 Aug 81 pp 4, 5

[Interview with Bela Szikszay, deputy director of the economic-political department of the Central Committee, by Matyas Vince, no date or place given]

[Text] This year's plan set as the main goal of economic work an improvement in the economy's balance situation. In the light of this, how did the increase in industrial production develop in the first 6 months of 1981, what trends are perceptible in domestic and foreign marketing, how can the investment sphere be evaluated, and what are the consequences of all these things? We sought for answers to these questions from Bela Szikszay, deputy director of the economic-political department of the MSZMP Central Committee.

[Question] The Sixth Five-Year Plan is counting on a deliberate slowing down of economic growth. Of course, behind the average figures for the economy as a whole, there is the latent intention that for efficiency goals some enterprises should develop rapidly while other should stagnate, or even regress. How did all this go in the first half of the year, what trends exist in development differentiation?

[Answer] Mainly because of the seasonal nature of agricultural production, we do not have a complete midyear picture of economic growth. But the half-year performance of the producer branches outside of agriculture give us a mode of evaluation, and other processes of economic development can also be compared to the plan.

In the first half-year, industrial production increased by about 2 percent. This is positive in view of the fact that the production decline has stopped. It is more complicated, however, to evaluate growth. It is true that this solid rate of development is below the 3 to 3.5 percent planned for the whole year. To attain the production increase called for in 1981, we would have to increase industrial production by at least 4.5 percent in the second half, something which is not supported by industry's volume of orders thus far.

There is a considerably differentiated development latent in average industrial growth. Production in mining and the construction industry is 2 percent lower than it was in the first half a year ago, and metallurgy is 2.6 percent lower. On the other hand, light industry produced 3.1 percent more than in the first half a year ago, and the machine and chemical industries 3.3 percent more.

The picture is even more varied if we examine certain sub-branches within industry. For example, if we substract from the production of the chemical industry the achievement of the oil refining industry, which represents a large share and which produced less last year because of the decline in needs, then production in the other chemical industry branches increased by 6.8 percent. The production of the household and cosmetic supplies industry was 36 percent higher than the level attained in the first half a year ago, and in the meantime it also carried out important structural transformations.

Within the machine industry the picture is similarly differentiated. The communications and vacuum engineering industry, for example, produ-ed more than]0 percent above what it did last year, something which is also noteworthy because more than 60 percent of the products are exported. The production increase in the equipment industry has been of a similar degree. At the same time, the transportation vehicle industry produced less: 11 percent fewer buses, 18 percent fewer bicycles than in the first half of last year. All these things indicate that production development is also strongly differentiated at the enterprises.

[Question] We can really evaluate this highly varied production development picture, which is chequered in some cases with regression, only if we look at the marketing directions. How well were the enterprises able to sell their goods on the domestic market or on foreign markets?

[Answer] Marketing by industry gives an interesting picture: in the first half year it delivered to wholesale and retail trade 6 percent more goods for investment than the year before, and 5 percent less than in the first half of last year for foreign trade. The picture becomes more colorful if we examine the development of industrial exports by sub-branches. Deliveries abroad declined by 3 percent in the machine industry, 4 percent in the textile industry, and 30 percent in metallurgy as compared to the same period last year. At the same time, the communications and vacuum engineering industry exported 8 percent more than for the same period last year, the equipment industry and the pharmaceutical industry both 11 percent more.

Let us not ignore the fact that we did not exactly plan such marketing directions. Our plans called for an increase of 2 percent in domestic trade, 9 to 10 percent in ruble account export, and at least a 7 percent increase in dollar account export. However, I must add that in the meantime the conditions changed substantially as compared to the conditions in the plan. I am thinking, above all, of the situation which has come about in the developed capitalist countries, which is worse than had been assumed. The recession has been prolonged, competition has become keener, and increasing protectionism sets increasingly greater obstacles to efforts at export growth.

The unfavorable development of the capitalist market has hit hard at our entire industrial export. In such a market situation, it is very difficult to obtain favorable prices, something which sensitively affects the economy of production and profitability at many enterprises; it can also lead to unused capacities, and in the wake thereof to work organization problems. In regard to prices let me mention metallurgy. The export contract prices in the first 6 months of 1981 for rod and sectional steels were 12 to 13 percent below the annual average price level in 1980, and similarly for aluminum ingots 15 percent below.

In contrast with the deterioration of foreign market conditions, the domestic demand grew. The revival of domestic trade, perceptible also in investments, showed a greater demand. The financial situation of the enterprises was more favorable than in recent years, their payment ability also improved, and financial problems were evident in narrower scope. The enterprises overcame the uncertainties that were evident last year as a consequence of the modification in the price mechanism and regulators, and the pressure of these changes and its effect on tightening the conditions of enterprise resource formation turned out to be less than the enterprises counted on a year ago or more.

At the same time, I regard it as a matter for rejoicing that the reaction capability of enterprises and central guidance has improved. I do not believe that given the rapidly changing economic conditions, chiefly external, we can continue to handle mechanically, or if you will "in the old way," the developments in the production of branches and enterprises which deviate from the plan. In judging their activity we must all the more weigh whether they are operating according to the requirement system of economic policy, whether they are reacting to changes, and whether they are conducting their activity exactly according to the numerical prescriptions of the plan. Taking all this into account, it is my opinion that ratios of industrial marketing that deviate substantially from the plan reflect at the same time deviation from the requirements of the plan, mainly in respect to exports. The economic situation of the country does not justify the relaxing of requirements. We need to take effective steps to see that the incentive for export growth and its economic compulsion are both strengthened.

[Question] We have more or less reviewed the changes in industrial production and marketing. In fact, it would be premature to make an exact forecast for agriculture in regard to the whole year. But the first half year certainly provides us with agricultural data which it would be worthwhile to mention.

[Answer] Uncertainty in judging the development of agricultural production is understandably great. This is particularly true of plant production, the developments in which were significantly influenced by last autumn's unfavorable weather and this year's changeable spring weather. According to preliminary estimates we did not produce the planned volume of wheat, which does not endanger the country's domestic supply but does affect the volume available for export. As for now, the production outlook for corn is favorable. The consignments of fruit and vegetables are favorable, and the market prices are also perceptibly lower than a year ago. Achievements in livestock breeding, both from the viewpoint of stock and yield, is developing favorably. On this basis, planned meat and animal product production appears attainable, and this will also create a favorable situation in export.

I would also like to speak briefly of the construction industry. In the first 6 months of the year, production in the implementing construction industry lagged almost 3.5 percent behind last year. A role was played in this by the moderation of investment demand, the development of housing construction quotas, and structural changes in the demands related to the construction industry. Both a capacity shortage and excess are being experienced by the construction industry, and adjustment to the changing demands will develop with considerable difficulty.

In summary, I might say that production inindustry and other main economic producer branches appears to be developing somewhat below the planned level. But differentiation in development has accelerated significantly, and it is a good sign that it

was primarily those sub-branches and enterprises that were able dynamically to develop their production which were capable of a rapid change in their production structure, of flexible adjustment to demands, and of better exploitation of the possibilities latent in production factors. But unfortunately it is rather clearly shown by the relatively low growth and export data that these are still not general or of the desired extent.

[Question] In regard to industrial investments, you mentioned that enterprise investments were greater than last year. What in general is the investment situation?

[Answer] In the economy as a whole, investment activity cannot be called overheated. In the first half year, investments of the socialist sector, at current prices, lagged 5 percent behind last year's, and at comparable prices 8 percent. This corresponds with our intentions. We devoted about 11 percent less to state investments than last year, but enterprise and cooperative investments somewhat exceed last year's first half-year level and goals. This indicates that in the enterprise sphere--rather sporadically, it is true--greater development resources exist than those justified by plan and management development. In any event, we must guard against letting the surplus resources that have appeared in the enterprise sphere from leading to the development of a new investment peak. At the same time, it would be a correct endeavor if the enterprises used their development resources and credits primarily for the expansion of convertible export commodity bases and for finding economic substitutes for imports.

[Question] Purchases by the population is the other large area of domestic consumption. How did this develop in the first half year?

[Answer] In the first half year of 1981 the population received 7.5 percent more income from central sources than in the first half of last year. This included a 5 percent increase in wage and wage-type incomes, a more than 8 percent rise in incomes related to agricultural production, and an 8.6 percent rise in social allowances in cash. In the first half of the year, retail trade came to more than 177 billion forints, which at current prices was 9.3 percent higher than last year. Taking into account the fact that in the first half of the year retail prices increased by 4.4 percent, the commodity volume sold by way of retail trade surpassed by 4.6 to 4.7 percent the registered volume for the same period in 1980.

[Question] Creation of an import and export balance is an important goal. Have we succeeded in achieving the desired results in this area?

[Answer] The goals for foreign trade that were set in the 1981 plan appear to have been fulfilled only partially in the first half year. The total volume of imports, in accordance with estimates, increased a little less than 3 percent. But there are deviations from the plan in respect to distribution by main relations. In the first half year, we imported 3.5 percent less in ruble trade than the year before, but in nonruble trade imports increased by 9 percent. The half-year growth in exports came to 5.5 percent. Exports in ruble trade, at comparable prices, expanded by 2.7 percent, less than estimated in the plan but in harmony with imports. On the other hand, the increase in the volume of exports in nonruble trade came to 7.9 percent, which is essentially in accord with estimates. But we must perceive that the dynamic increase in dollar trade exports in the first half year was contributed to by circumstances--for example, surplus agricultural exports--on which we cannot count in the next.

[Question] In summary, how would you evaluate the first half year, or what deduction can be drawn for all this for the second half of the year?

[Answer] In important respects, the development of the economy in the first half year developed in harmony with the main requirements of the plan. This is indicated by the fact that the nonruble foreign trade balance improved as compared to last year's, and significant supply problems did not appear either in the sphere os consumption by the population or in production. But in addition to these positive processes, economic processes were also developing which deviate from the main goals in several areas. By this I mean primarily the increase in domestic sales which exceeds the goals, while consumption by the population and enterprise investments are at a higher level than called for in the plan. Thus the necessary harmony does not exist between the development of the equilibrium situation and the improvement of efficiency on one hand and consumption and the development of accumulation on the other. Correcting this is an important task in the coming period, all the more because we cannot count next year either on an improvement in the external conditions of our development. But that we are not helpless in face of these changes is indicated, among other things, by the positive examples of the first half year and the increasing number of enterprises capable of adjusting to the stricter conditions.

6691
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INCREASED EXPOSURE TO CURRENCY RATE FLUCTUATIONS NOTED

Budapest FIGYELO in Hungarian 2 Sep 81 p 5

[Interview with Chief of Main Department, Ministry of Foreign Trade, Imre Dunai by Ivan Wiesel: ""Floating' Forint. More Frequent Currency Rate Quotations; Financial Settlement of Exports and Imports"]

[Text] A more and more frequently arising problem facing enterprise management during the past few months has been the constant fluctuation of forint to foreign currency exchange rates which, together with price calculations based on world market prices, has hampered the preparation of economic calculations and the drafting of plans. We went to see Imre Dunai, Chief of Main Department, Ministry of Foreign Trade, about this problem, and here are his answers to our questions:

[Question] One of the key elements of our active exchange rate policy is the monthly readjustment of the forint's exchange rate by the Hungarian National Bank to reflect international money-market conditions. How has the fluctuating exchange rate affected the work of our enterprises; how has it influenced their interests and what kind of problems has it given rise to an enterprise management?

[Answer] The capitalist monetary system has been characterized by a systematic flotation of exchange rates since 1973. The "free" development of currencies has meant that the value of a currency in relation to another can change by several percentage points within a matter of a few weeks or even days. Under these circumstances we have found it necessary to ensure that our capitalist currency to forint exchange rate quotations also express the lasting exchange rate ratios of the marget.

As a result of these monthly readjustments of exchange rates, our producing enterprises have become more exposed to the effects of the foreign market in an increasing number of areas. Since the introduction of flexible exchange rate quotations, our enterprises have not been able to base their calculations on the monetary forint value of a given currency; instead, they began to view currency prices as unique price-factors, assessed on the basis of daily and forward exchange rate quotations and forcasts from foreign markets. Increasing attention has been paid, therefore, to possible fluctuations in the forint rate of a given currency between the time an offer becomes an agreement and the time that agreement begins to yield revenues. I would point out, that most of our enterprise have been working according to these principles for some time already, especially in the area of credit sales, but with the introduction of monthly quotations this practice has expanded and has become a foreign-exchange based system of calculations. To put it succinctly: Our

enterprises forint and foreign exchange interests have come significantly closer to one another. Consequently, the work of our foreign trade enterprises--who are the primary transmitters of foreign market influences--has become easier, since the unity of interests between them and their consigner, the producing enterprises has become strong. Cooperation has improved, our pricing actions and our defense against exchange rate risks have become more effective. Speculation, based on discrepancies between foreign and domestic exchange rate ratios which disregards the foreign exchange interests of our national economy has significantly decreased. At the same time, the monthly fluctuations of exchange rates have also increased our procedural tasks, although the modernization and computerization of these procedures has played an increasing role in helping to reduce this excess burden.

[Question] In the future there will be even more exchange rate fluctuations, which means that the exchange rate of the forint will virtually float. What effect is this going to have on the export and import activities of our enterprises; how will our clearing procedures and foreign exchange sales change, and as purchases occur, how will this affect the relationship between our foreign trade and producing enterprises?

[Answer] After a while we had to realize that even our monthly readjustments of forint rates have not been sufficient to ensure proper flexibility. There have been instances, where in a given month the actual money market value estimate of certain currencies and their corresponding prices listed in our domestic exchange rate quotations differed by as much as several percentage points. To a certain extent, this has turned enterprise interests in the wrong direction, for often they have been taken advantage of at the expense of macro-level foreign exchange interests. Let us say, for example, that they decided to clear a given export in DM, and that by the middle of the month of the transaction the DM is devalued against the dollar by 3 to 4 percent; (under the above system) they would not suffer a loss even if the price level of the DM were to remain unchanged. In fact, if the receipt of the foreign exchange occured still during the month of the transaction, a 1 to 2 percent price increase would even earn them extra forint receipts. A price increase of this size is something which they have been easily able to convince their partners to accept.

The shift from monthly currency rate quotations to more frequent currency rate fluctuations will help to further refine our foreign trade work, and since our forint quotations will not automatically reflect those currency rate and value fluctuations occuring on the foreign markets which are less significant, the system will not become autotellic and the additional administrative costs involved will definitely remain in proportion with the benefits we aim to achieve. The reason I can say this is because together with the introduction of more frequent currency rate quotations, there will also be a simplification and easing of the financial settlement process which will free our enterprises of the additional burdens they would otherwise have to face. As far as our foreign trade statistical records are concerned, they will continue to operate under the old system, in other words, data processing will continue to be based on first-of-the-month foreign exchange scales.

Financial settlements will be conducted as follows: In exports, the basis of settlement between our foreign trade and producing enterprises will be the forint value of the foreign currency invoice. The conversion to forint will be done at the exchange rate which is in force on the day of billing. Upon receipt of the foreign currency equivalent, the forint conversion of the goods value will be based on bank vouchers needed to ensure proper crediting, at the exchange rate quoted on the day the voucher is issued. The exchange rates on these two days may differ.

In the case of relationships which are based on a consignatary partnership format, the advantages or disadvantages resulting from this difference will be enjoyed or borne by the consigner producing enterprise. The settlement of export credit balance discounts by the bank will be simplified. What this essentially means, is that it will not settle the difference of exchange with the enterprises until the credit balance is realized. Naturally, discounts at limited exchange rates would be an even more obvious solution.

In import settlements it has also become necessary to modernize our previous practices. The essence of the new solution is that those rate changes which occur between the moment the import's forint cover becomes payable and the time the business transaction is settled will no longer be entered in the accounts.

[Question] In the course of the debate over exchange rates, suggestions have been made that in order to divide up the risks stemming from frequently fluctuating exchange rates, we should also introduce forward (terminal) exchange rate quotations, which would serve as a prognostic tool for the Hungarian National Bank. What kind of developments can be expected in this area?

[Answer] One of the important tasks of banks in international trade is to promote transactions by providing credit and by assuming risks. It was for this reason, that as we began preparing for the introduction of more frequent exchange rate quotations we also began to stress the need for the earliest possible implementation of forward exchange rate quotations. By purchasing and selling foreign exchange based on terminal rates, the commercial bank assumes the risk of exchange rate fluctuations. From the point of view of foreign trade this has still another advantage: Our enterprises will be able to defend against the risk of exchange rate fluctuations not only in exports but also in imports.

I believe that our forward exchange rate deals can be brought into harmony with the insurance system presently in effect, and that our enterprises will be able to take advantage of it at the same cost which is presently offered by exchange rate risk policies and without any additional administrative inconveniencies.

Forward exchange rate quotations are actually prognoses which enable banks to predict prospective exchange rate developments. In fact, they are more reliable than other types of forecasts, for they are closely connected with the bank's business interests. This is why I hope that in the future we can also begin listing forward exchange rates and use them as the basis of our foreign exchange purchases and sales.

9379
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FULL-EMPLOYMENT MUST BE MAINTAINED DESPITE REFORM

Budapest NEPSZABADSAG in Hungarian 15 Sep 81 p 4

[Article by Katalin Szikra (Mrs Falus): "Full-Employment and Efficiency"]

[Text] The rate of economic growth has slowed in our homeland--as in many other countries in the world--and it cannot be expected to accelerate substantially in the coming period. Slower growth must be coupled with intensive technological progress and a modernization of the production structure. If this is realized some of the management organs will be freeing up manpower and thus demand for manpower will decrease in the material branches as a whole. This trend already separated appeared in recent years and--most certainly--it will continue in the future. So there will probably be an end to the great and almost general over-demand for manpower which has been customary for a long time. In some places--contrary to what has been the case--suitable employment of the available labor force could cause problems.

According to some views "one need not fear a little unemployment, it would only improve work discipline." In reality, however, there has never been unemployment which affected only the shirkers and the negligent. Unemployment is not so selective. It threatens primarily those working in declining or stagnating production branches and--at least this is the experience of capitalist countries--especially the young, the women and the older people among those seeking work. In any case, work discipline is not simply a function of unemployment or full-employment. More recent studies indicate that unemployment does not favor an increase in productivity either. In general the growth in productivity slows after a long period of unemployment. The growth in productivity is slower than the average in those industrially developed capitalist countries in which unemployment is especially high. Workers in such a situation--fearing that they will be let off--try to hold back technological development and this coincides with the caution of investors who, as a result of the social-economic uncertainty, do not exploit every possibility for technological development. We cannot ignore these interdependencies, but what is more important than this is that we must maintain full-emplohment in the future also, despite all difficulties, as one of the chief achievements of our socialist system. This requirement, however, places many tasks on the economy and on society.

Before all else we must strive in the course of modernizing the product structure to "move"--insofar as possible--not the worker but the work, to bring new tasks

to the manpower available in the given place, because the regrouping of employees is always accompanied by serious problems. Over-stressing this aspiration, however, causes harm. The enterprise must do everything to ensure efficient, economical employment of those employed by it; but if this is not possible then it must release the superfluous or uneconomically employed manpower. The enterprise, however, cannot bear the burden of the transfer or regrouping. So central measures must aid a flexible movement of manpower, a global and structural harmony of manpower supply and demand. The reluctance of the enterprises to free manpower which becomes superfluous derives--in part--from the fact that we are not adequately prepared socially to help the placement elsewhere of workers who become superfluous at one enterprise.

The structure of employment must be adjusted in part to the production structure and in part to the development of productivity, which varies by branch and area of activity. As a result manpower must be regrouped from socially less efficient areas to those which are more efficient.

The number of those employed in industry decreased somewhat even during the Fifth Five-Year Plan, primarily as a result of a moderation in manpower supply. In the future, however, we must reckon with a further reduction in personnel deriving from production policy and efficiency considerations in industry. This is justified by the still significant personnel reserves of the processing industry and by its more favorable possibilities for increasing productivity as compared to other branches. A significant number of the workers released by industry can be placed in the service branches, such as trade and transportation, which have increasing manpower needs due to more limited possibilities for increasing productivity and which are already struggling with manpower shortages. The repair and service networks being developed will also need substantially more manpower than at present.

We can also calculate that the weight of small and medium enterprises will probably increase in both industry and the service branches and this will increase their need for manpower too. The total investment needed to create a job in these areas is generally smaller than in large enterprises. This also makes it advantageous to create new jobs here. The new organizational forms being created today, the small cooperatives and work communities, may create more favorable possibilities for this. The growth in the number of those active in the private sector, either independently or as employees, is also accompanied by new manpower needs.

In contrast to industry the number of workers in agriculture increased somewhat at the end of the Fifth Five-Year Plan. This phenomenon, however, is only temporary because over the longer run we can reckon with a necessary reduction in the agricultural population. Employment considerations, however, justify a more moderate migration from agriculture than in the past. A significant number of those being freed from agricultural activity in the narrower sense--land cultivation, animal husbandry--can find new jobs in agricultural operations, primarily in the auxiliary branches and small plants of the producer cooperatives. (About one-third of those working in agricultural operations already carry out industrial jobs.) Commercial and transportation activity linked to agriculture

and the quite backward village service network must be developed at a swifter pace also.

For a long time it has been the aspiration of our employment policy to attain a maximal growth of manpower supply and of the social worktime base. This situation is now changing. Improving efficiency and bringing manpower needs and manpower supply into balance may make necessary a deliberate reduction in the social worktime base, even if a manpower shortage is still characteristic in a few areas. Modernizing the production structure and manufacturing processes will make necessary the retraining or further training of workers in many enterprises and this may be accompanied by taking some of those affected out of productive work temporarily.

The most readily available way to reduce the social worktime base is a general shortening of the workweek. The full scale introduction of the 5-day workweek, soon to be realized, actually indicates this path. Further similar measures cannot be expected in the near future. In addition, it must be seen that a differentiated effect cannot be attained by a general worktime reduction; indeed, shortening the workweek will increase the manpower shortage in those areas still struggling with such difficulties.

The age limit for retirement also has a significant effect on manpower supply. The age limit for retirement in our homeland is among the lowest in the world so a further reduction would not be justified, especially of we note that under present conditions it would involve the loss of much knowledge and experience. It might be useful, however, to make the lower limit for retirement flexible. There are examples of this in many countries. It might continue to be possible for the employer to terminate the work relationship under the heading of retirement only at age 55 or 60 but the worker might request retirement even earlier, after a sufficient number of years on the job, obviously with a proportionally smaller pension. This would be most attractive for those who might continue useful activity after retirement in the "second," supplementary economy or in the family.

It would be useful for many people--and for the entire economy--if much greater scope than at present were given to part-time employment or to periodic--seasonal--employment. (In industrially developed countries the number and ratio of those employed part time is significant.) There would be a demand for this in our homeland also, primarily among mothers but also among those continuing their studies in evening or correspondence schools. We might also include here employment at home--there are still many untapped possibilities in this area. Expanding seasonal employment is especially important in the tourist industry and in the area of services connected with recreation. Today they frequently employ here workers in a year-round work relationship, where it is not rational.

The spread of abbreviated, part-time and seasonal employment--for which many economic and legal conditions exist--may be favorable primarily for women and mothers. In this vein there might be legal recognition, in some cases, of the social utility of child care, housekeeping and care for the sick or aged within the family. This would increase the possibility for women to make a real decision between work outside of and within the family. We took a large step in this direction with the introduction of child care aid but further development might

justify additional measures. It would require primarily a change in attitude and a further development of the social allotments and social insurance conditions system so that a woman (and her family) should not suffer serious disadvantage if she only took care of her family for a certain period of her life.

To sum up, we must continue to maintain full-employment in our society in the future also but in such a way that this should not cause a serious burden to society, individuals or families and that it should be appropriate for individuals and families. This will require well thought out action, flexible practice and an entire series of additional central measures.

8984
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CHANGES IN MANAGERIAL CONDUCT AT TWO ENTERPRISES NOTED

Buadpest NEPSZABADSAG in Hungarian 16 Sep 81 p 10

[Article by Karoly Kuszmann: "Market Strategy at Two Enterprises--DIGEP; and by Karoly Kemenes: "Market Strategy at Two Enterprises--Red October Men's Clothing Factory"]

[Text] An improvement in the competibility of our economy depends to no small degree on how much better we will succeed in adjusting to domestic and foreign market demands than heretofore. This assumes and requires in enterprise management that in medium-term plans it will count over the long term on expected market demands and competitive conditions in their thinking on the development of the product structure, of enterprise internal organization, and of the domestic and foreign trade relation system.

In the following we shall show the experiences of two enterprises which conduct different activities as related to the development of market strategy--experiences which theygained in preparing their medium-term plans.

Marketing at the Diosgyor Machine Factory

In the 1963, DIGEP [Diosgyor Machine Factory] was formed with the consolidation of three smaller machine industry enterprises, including 10,000 workers and with the full production structure of the legal predecessors. Beginning in the second half of the 1970's the enterprise's production structure was substantially transformed, but the economic difficulties stemming from the changes caused the enterprise serious problems, particularly because of a large manpower emigration. The stabilization began in 1978 with a consistent change in the product profile, an increase in productivity, and a reduction in personnel. As a result of this process, the enterprise's personnel fell to 8,500 while its competibility improved. This is also expressed by the fact that its production value almost doubled by 1980 as compared to 1963.

Relation to Foreign Trade

Important changes also occurred in respect to the enterprise's market relations and its forms. Formerly, information flowed through the foreign trade enterprises to production development via product development. DIGEP was at first in a self-accounting relationship with the foreign trade enterprises, but later it conducted

its foreign trade through a commission system. Although this represented an advance over the former relational form, the information gained through the commission system was sparse, and therefore a cooperative organization based on mutual incentive replaced the commission contract in order to establish closer relations with foreign trade enterprises. The risk undertaken by foreign trade made the market information more reliable. Enterprise export orientation increased vigorously; exports rose more than five times by 1980 as compared to 1963, including a quadrupling in ruble account exports and a ten-fold increase in nonruble account exports.

By the mid-1970's, a decision had come to a head that further export growth could be expected only if we organized direct enterprise representation on certain base markets. DIGEP established its own buyers' service in four countries. Information received from these places helped in the pre-evaluation of market possibilities, the modernization of products, the provision of information to potential consumers, and drawing attention to out products.

By relying on market information, DIGEP in the course of the 1970's gradually cleaned up and narrowed its product profile. And in order to improve the economy of the production, we strove to share the profile with the domestic manufacturers.

With the amalgamation, the full exchange of the range of products we brought with us was not possible because of the nonconvertible capacities (forge plant). We had to seek for the possibilities available to use the capacities for which an opportunity arose by way of participation in the domestic and foreign vehicle industry program.

For a rapid and flexible satisfaction of demands, we had to make the planning engineers available also. We took our builders, plant engin-ers out to the market, where they had direct contact with the buyers and could familiarize themselves with the operational experiences of the machinery sold or of the consumers of the products. The buyers' service and servicing stations at the foreign base markets turned out from this point of view to be good schools, and they also fulfilled preparatory functions in their servicing and information services.

Prime Contractor Activity

The prime contractor activity which was developed in the 1960's was concentrated primarily on the food industry and agricultural cold storage. On the basis of foreign and domestic experiences gained during the exercise of this activity, we undertook in the 1970's with an expansion of the sphere of activity to deliver complete forge plants and cable factories as prime contractors. In the development of the latter two profiles, outside of industrial background and intellectual capacity, even the decades-old technological practice of our forge plants was helpful. Activity in simple machine sales has expanded into machine sales paired with technology and technical advice, when in accordance with the conditions of the investor the operating capability of the complete facility must be guaranteed. The complexity and extent of such transactions can in some cases exceed the material-intellectual load-bearing capability of an enterprise, and therefore in 1980 the interested Hungarian cable machinery manufacturing enterprises--HTG [Telecommunication Machine Factory], PG [Pest area Machine Factory], and DIGEP--and the owners of the special cable manufacturing technologies--MKM [Hungarian Cable Works)--established prime contracting cooperation with the foreign trade enterprise TECHNOIMPEX, whose service will extend to the turning over of the occupancy key.

Organizational Modifications

In order to increase the inclination for undertakings and shorten the running through time, organization modifications were carried out in 1981, and the directives of the trade manager were given jurisdiction over the engineer-production area. With this the execution of the market-political decisions of an enterprise can be put on a compulsory track in all three areas and the flow of market information into the production process can be assured; it is now possible to proceed from the demands of the buyer in developing a construct.

What kind of deduction can we draw from the foregoing? Although we can find a good many elements of marketing in the Diosgyor Machine Factory even before the reform of economic management, our receding at the end of the 1960's from the rigid system of plan direction increased the demand for a better knowledge of the market. Despite its economic difficulties, the DIGEP in the 1970's was able to provide sufficient intellectual and material resources that in addition to a change in the mode of outlook it could promote through operational measures the development of new forms for a market presence.

The measures undertaken in the past 10 years have started a process as a result of which we can say that our enterprise is now making use of the possibilities afforded by marketing.

Medium-Term Planning at the Red October Men'- Wear Factory

The VOR [Red October Men's Wear Factory] is an enterprise employing 3,600 people. Its profile is the manufacture of men's suits, of which it makes about 1 million units annually. More than 60 percent of the factory's production is for export, and therefore the management results depend largely on rapid adjustment to world market relations.

We sought to take account of these characteristics during medium-term planning in the following way:

--The medium-term plan does not have a base outlook because the numerical data, given their changing content (for example, changes in the exchange rate), are becoming less and less comparable.

--The contents of the medium--term and annual plans are not identical. The medium-term plans tend to set the goals rather than methods and means. For example, we cannot numerically state what the enterprise's profits will be in 1985, but it can be set as a goal that in accordance with the prevailing internal regulator system it will be of a size necessary to attain the enterprise's investment and wage development goals.

--Finally, the role of enterprise strategy in long-term plans is much more important than formerly. This is true both in respect to production policy--changes in the product structure--and in respect to market policy--marketing ratios.

Domestic Supply

Our enterprise regards domestic supply as especially important. Not only because the enterprise was founded essentially for the satisfaction of domestic demands but also because a balanced supply is an important element of living standards. To improve domestic supply, we must not only solve quantity but also selection problems.

Together with the domestic trade enterprises we wish to develop the transaction system. In this framework we will emphasize commercial and business points of view and force into the background the administrative character of transactions, the periodical calendar system of contracts, and the schematic distribution of products. It is expected that the new system will be realized in 1982.

Nonruble account export makes up more than 40 percent of our enterprise's production--with by far the greater part as contract work--, the bulk of which goes to countries of the Common Market. We work in a competitive price system, and the profit level of ruble export and domestic products is a function of the results in nonruble exports.

Increasing Exports

In developing a strategy for nonruble export markets in the coming years, we shall have to take into account that there is an overproduction of textile products primarily because of the growing textile industry in developing countries. Western European currencies are deteriorating strongly vis-a-vis the dollar, and because of increasing unemployment we can count on West European import restrictions.

In consideration of the foregoing, the market strategy of our enterprise is the following:

We must compete with the developing (primarily Far Eastern) countries in quality and service and not in prices.

On the strength of the products' quality, we can carry out price raises annually at a minimum no less than the rate of inflation in the given country, including exchange rate losses in our calculations.

We must develop our contract work relations into such production of marketing cooperation as will not be affected, or only slightly, by possible import restrictions.

In addition, we must work out, in case of possible restrictions on contract work, a strategy that will offer a solution that avoids important disturbances in the flow of trade.

At the level of ruble account export, we are striving to improve economy. Our ruble exports are directed to the Soviet Union. On this market, too, we must count on a constant growth in demands. Not only style but also wearability is a requirements. Competition is constantly increasing, the Western firms are trying to enter this large market, and we will also have to compete with them.

Industrial Association

I think that it also belongs to our foreign market strategy that in addition to activity within the enterprise we should modernize our relations with the foreign trade enterprises. There are also additional opportunities for efficient and economic improvement of foreign trade work, for example, the gaining of independent foreign trade rights or the establishment of a new speciality foreign trade enterprise by way of industrial enterprise association, and so forth. A number of textile clothing industrial enterprises have requested and been granted export rights in the recent past. This is how these enterprises are seeking to increase export efficiency.

Several enterprises in the textile clothing industry are planning to establish a new specialty foreign trade enterprise in the form of an industrial association. The establishment of a new enterprise makes sense, if the efficiency of market work is improved thereby, or if it is less expensive than the current one. Economy calculations have not yet been prepared. It is in this framework that we must plan the profile of the new enterprise, the anticipated trade, the number of founding members, the organization of the new enterprise, its relationship to other foreign trade enterprises, the foreign representation, and the size of the founding capital and its distribution among the founding enterprises. In the knowledge of all these things, it will be possible after the economic calculations have been made to decide whether it is worthwhile and in what form to establish a new foreign trade enterprise.

In summary, we may say that the altered and rapidly altering economic environment requires of the enterprises a new attitude and mode of thinking. This is what we want to develop with medium-term planning.

6691
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ROLE OF WHEAT IN CROP STRUCTURE WEIGHED

Budapest FIGYELO in Hungarian 19 Aug 81 pp 1, 11

[Article by Bela Gyori: "Wheat at the Farm and on the Market"]

[Text] This year wheat was put into storage three weeks sooner than usual. It is generally known that the world market considers wheat a solid product. Even though the world market price of bread grain decreased after December's high on the commodity market, it stabilized by the end of the spring. News was received even before the Soviet-American grain trade agreement in Vienna that China has pruchased 14 million tons of bread grain, more than ever before. India, which for years has been self-sufficient and even exported, will buy wheat again this year. News of significant declines in production was received this summer from the Southern and Eastern European countries. Yield decreases in some Central European countries were as high as 40 percent. A reliable "average" crop was harvested in Hungary in the summer of 1981.

We harvested this average yield from smaller acreage. In the last three years--even though each year the agricultural operations planned to grow wheat on 1.3 million hectares--for various reasons they never reached the planned level. Wheat grain was harvested from 1,135,000 hectares in 1979, from 1,276,000 hectares in 1980 and from 1,152,000 hectares in 1981.

There are several reasons for this year's acreage "result," which can be called low. It is a well-known fact that 30 percent of the wheat in Hungary is planted after a corn crop. Thus, the yield on this area depends on autumn weather. The autumn of 1980 was rainy and cold. On several tens of thousands of hectares planting could not be finished as planned. Crop death in the winter and spring was also significant. Thus, the planned 1,300,000 hectares was decreased by 148,000 hectares. The farms had an opportunity to compensate for the wheat with other spiked crops in the spring. This was done.

The planted wheat also suffered during the spring. Six weeks without rain during April and May essentially hurt the crop, which was not gaining sufficient strength because of the autumn and winter weather. Thus, instead of the usual 5 to 6 million roots per hectare of earlier years, the famrs could expect an average of only 4.5 million roots per hectare. Due to the winter and the unfavorable planting conditions even before that, germination also was insufficient. (Plants that sprout will grow an average of 0.3 spikes. Thus, if plant development is healthy, one root of wheat will grow 1.3 spikes.) The decreased root count and the poorly, or not at all,

developing sprouts in the final analysis resulted in 30 percent fewer spikes due to warm weather early in the year. In addition, spike size was also smaller than desirable. All these factors determined the 1981 crop.

In Sunflower's Shadow

This weather was also worthwhile noting because in recent times many people felt that wheat's position in the farm's economics has weakened. It is a well-known fact that in our wheat, sunflower and corn crop system, using one and the same set of machinery, sunflower has the highest net income and also the lowest investment demand. This is followed by wheat, and corn comes far behind it. Since 1979 the sunflower planting area has been increasing more and more. According to the official data, this year it has reached 302,000 hectares. (Last year it was 260,000 hectares. Still earlier, it was about 170,000 hectares.) Considering that, because of plant health care and soil potential management, the sunflower can follow itself only once every 7 years, only 14 percent of the planting area can be used for this purpose. In the domestic plowland planting structure the sunflower has reached the point of acreage tolerance. Therefore, farm management interests warn the TSZs [producer cooperatives] not to increase the sunflower growing acreage, even in the hope of favorable net income prospects.

However, overall this farming decision was implemented at the expense of not wheat but corn. The sugar beet growing area also increased by 20,000 hectares, essentially at the expense of corn. However, on the other hand, the growing areas of other spiked crops--specifically autumn and spring barley, and more recently even oat--all unanimously expanded at the expense of wheat. This is far from being a harmful process since, with these other spiked crops, the farms can stretch the harvesting time, increase equipment utilization and in essence decrease their specific costs.

Farm Management Positions

The cooperatives decreased those specific costs that, on the other hand, sharply increased for other reasons. Fuel and plant-protecting chemical prices, taxes and the public burden increased much, but it was possible to decrease the costs per standard hectare by smart product structure selection and by better utilization of machinery and manpower.

Overall, in 1981 the growing area of autumn barley increased by 25,000 hectares, spring barley by 31,000 hectares, and oat, which until now has been the orphan among plants, by 25,000 hectares. This successful growth will presumably be further escalculated by a spectacular result or two. For example, the Dalmad State Farm has been harvesting 70 to 75 quintals of barley per hectare for the third year in a row. Barley is competitive in terms of net income and absolute yield, without any doubt. If we look at it in this manner, the growing area of spiked crops was only 70,000 hectares more in 1980 than in 1981.

Based on these facts, the Ministry of Agriculture and Food Industry [MEM] summarizes the intentions of the farms and concludes that they can plan 1.3 million hectares of wheat-growing area again for 1982. Calculation shows that in the competition among crops, the present farming management position of wheat has not weakened.

Limitations

Some lessons can also be learned from the 1981 wheat harvest. The new types--namely the Martonvasari 4, 5 and 8, as well as several Szeged types and some wheat types from abroad with excellent biological characteristics--are rapidly gaining ground. However, the stagnation in chemical fertilizer use makes the discovery of new growing potential doubtful, which is the greatest [single] loss of the domestic crop growing.

The farming operations are purchasing the biologically available, accepted values in the form of more expensive seeds, but they cannot take optimum advantage of this, due to the lack of revolving assets. Modern genetic foundations can even moderate the unfavorable weather conditions under the proper circumstances--and thus the yield-affecting effect of the bad weather; the unfavorable winter and this year's wet and later hot spring were counteracted by good agrotechnology (the right kind and amount of machinery), sufficient amount of chemical fertilizers, and expeditious plant protection. But in farms with unfavorable natural conditions, or ones struggling with their supply of revolving assets or where growth is not possible, all these prevail in the reverse, and to a much increased extent.

Chemical fertilizer utilization did not increase in 1981 at the same rate, either, as planned for yield increase. A significant spread continues to prevail in the amount of effective ingredients applied per hectare. Indeed, there were even more extremes. The use of miscellaneous chemical fertilizers measured in terms of active ingredients for wheat growing varies between 100 and 400 kilograms among the farms.

Even though the operations purchased 25 percent more spare parts in the first half of 1981 in terms of value than a year earlier, this represents only an increase in value and not in actual utilization. It is difficult to establish how much this 25 percent increase--at current prices--means in terms of real value. The fact that commerce did not even accept 15 percent of the spare parts ordered for 1981 by the month of August, also limits the technical "opportunities." During these weeks, MEGEV's [Agricultural Machinery Spare Parts Supply Enterprise] inventory is 500 million forints smaller than usual (and this is for inventory whose price levels are higher). The dry summer, when there were fewer repairs and consequently also fewer spare parts used, improved the situation somewhat. The important thing is that agriculture's present supply of spare parts will fundamentally influence not only the autumn harvest but also the planting necessary for next year's crop.

When the 1982 intentions of the farms to grow wheat were analyzed, it was discovered that 400 of the 1,330 producer cooperatives are operating under unfavorable natural conditions. Under today's circumstances, these farms cannot increase their use of chemical fertilizers, can spend only limited resources on technical development and have difficulty obtaining new [seed] types. The wheat-growing efforts of the middle of the field and of the 400 farms "falling behind" also provide additional lessons.

Interest in Export

An unreasonable competition for prestige prevails in our ecoomic operation to chase [higher] yields. In all certainty, the spirit of this competition will also affect those farms with unfavorable natural conditions. It may be that those operating

under poorer conditions would be better off setting their goals in terms of absolute, net income increases instead of in terms of fulfilling quantities. Situations can be imagined where often 25 quintal performances would be more profitable than 35 quintal results. But certain guide organs are driving for quantitative performance. Besides this, it must also be taken into consideration that the large volume branches (wheat, corn, cattle) at the same time also bear the burdens of the farm's fixed expenditures.

The production results of the already mentioned 400 agricultural operations have set the tone of this year's wheat production level and will also determine it for the Sixth Five-Year Plan. By 1985 the plan expects 14 million to 15 million tons of grain products to be produced. The success of meat production --2.2 million tons according to the plan--depends on this. According to TOT's [National Council of Producer Cooperatives] opinion agriculture may reach this volume of production if the production conditions of the 400 farms in critical situation are corrected. The high numbers in the plan are justified by the need for sales on foreign markets, rather than by the domestic demand.

Thus, the leading 400 to 500 agricultural operations can keep up with expenditures by increasing their yields. Those in the middle can also make a decent net profit. In the 400 farms operating in the danger zone, however, the enterprises' results in wheat growing do not make technical development possible under the present conditions; neither the planting area nor the yield can be increased. The wheat season just concluded also proved that.

The world market recognizes a price difference of 10 percent to 20 percent between fodder wheat and bread grain for human consumption. However, the farms gained supplementary income to counteract the rise in expenditures and costs by being able to sell B-2 wheat of flour quality as bread quality. This represents an extra income of about 25 forints per quintal. (Wheat's average wholesale price is 370 forints per quintal.)

However, according to the 1981 data, it is not probable that the world's grain supply will by 1985 reach the peak developed at the end of the 1970's, even though in 1981 U.S. farms are harvesting 10 percent more spiked grain than a year ago. Results from the Soviet Union's harvest, which lasts until October, are not yet known. According to the FAO's estimates supplies will increase but will not reach the usual 60 million-65 million ton sales supply. These numbers inherently determine the world market position of wheat.

8584
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MAJOR DEAL IN EXPORTED CHICKEN FACTORIES DESCRIBED

Budapest FIGYELO in Hungarian 19 Aug 81 p 11

[Article, no author given: "Babolna's Largest Export Undertaking"]

[Text] The Babolna Agricultural Combine--in accordance with the 1977 resolution of the Hungarian-Soviet intergovernmental commission--entered into a contract in 1978 with the Traktoroexport Soviet foreign trade enterprise to build four huge poultry plants in the Soviet Union. The significance of this agreement is much greater than that of the average trade contract. Implementation of the program is progressing very well, and the Soviet technicians are achieving outstanding results at the facilities already in operation. That, in addition to industrial and agricultural products, the combine is also selling significant intellectual export, gives special significance to this cooperation. [The combine] is also giving to the Soviet agriculture one of its systems--the industry-type poultry meat production system--in which 10 years' of research and experimentation of a larger collective are incorporated.

Poultry meat and egg production are the most significant branches of the major famous Hungarian agricultural operation. Worldwide it is among the top five poultry-producing firms, and its production base is also among the largest. It is winning more and more awards in international competition with its products under the Tetra trademark. The last time, for example, it won first prize with its poultry hybrid at CEMA's official performance examination in Bulgaria. It also placed first at CEMA's testing station in Czechoslovakia on the basis of the last 3 years' combined results.

In addition to supplying over 300 major Hungarian enterprises with raw materials, the Babolna Combine also exports to more than 30 countries on three continents--Europe, Asia and Africa. It exports 40 percent of its incubator egg and day-old chicken production. Its production systems were growing at such a high rate in recent years that their complete export became possible. The cooperation with the meat program of the Soviet Union's Tenth Five-Year Plan, which is the combine's largest undertaking so far, stands out among these foreign sales. More poultry houses will be built in the Soviet Union than are operating in Babolna.

Within the framework of the contract valued at 80 million rubles, the combine also supplies day-old poultry and the premixed feeds and vitamins indispensable to the Babolna feeding recipes for the one-year guarantee period of the production project.

Four poultry plants are being built in different locations in the Soviet Union: in Kiev, Yesentuky, Minsk and Dnyeprodzerzhinsk. The first two will be breeding facilities; that is, they will raise parenting couples, and the eggs will be given to incubator or fattening facilities in their vicinity. In the other two, parenting couples will be kept only to supply their own needs, and their main purpose will be fattening poultry.

Plans for the 516 poultry houses to implement the program were prepared by Babolna technicians, and their manufacture commenced in 1978. The buildings were so designed that the animals will not feel the outside temperatures even in Minsk or in Yesentuky, where temperatures of -40° are not uncommon.

Most building elements and automated technological equipment were built in the combine's industrial facilities in cooperation with several Hungarian enterprises. For example, the Mosonmagyarovar Agricultural Machine Factory of the Raba firm supplied some of the feeding equipment, the April 4 Machine Factory furnished the thermogenerators and the Iklad Industrial Instrument Factory made the ventilating equipment. Production and delivery were programmed into the combine's computer center, each plant provided precise daily information about its tasks and thus, meeting the deadlines could be controlled.

Some construction was also completed before the deadlines. Last year 120 buildings were dedicated in turn-key condition. Thus, several facilities are already in production at all four locations, with material supplied from Babolna. Over 8 million one-day-old chicks have been sent out. In June, generally at least one chartered plane carrying chicks left the Ferihegy airport every day; but some days 4 or 5 of them left.

When the day-old chicks are settled into the facilities, the Babolna advisers are already there. They helped direct the construction and installation of the technological equipment from the very beginning. Twenty-five Babolna technicians are providing to the Soviet operations everything that needs to be known about the industry-type production system. At the same time a group of Soviet technicians learned the technology in Babolna.

Workers of the new operations are employed at already operating facilities for a month or two prior to reporting to their jobs, in order to learn the processes. The feeds--naturally in accordance with the given local conditions--are compounded on the basis of Babolna recipes. Great care is taken to observe health care precautions and to organize the work. (This represents no minor task since each plant includes 12 to 13 buildings, and 22,000 to 25,000 broilers are being fattened in each building.)

As a result of careful and highly professional work coupled with good technology, even better indexes are being achieved at the plants already in production than those guaranteed by the combine. The Babolna people guaranteed that by precisely following their technology the broilers will reach an average weight of 1,500 grams in 56 days, using raw material from Babolna.

The 1 million broilers so far delivered to Dnyeprodzerzhinsk reached an average weight of 1,790 grams in 59.6 days, and in Baranovichi the average weight was 1,727 grams in 54.8 days. There are plants at this latter location where broilers with average weights of 1,800 to 1,900 grams were sold. In the breeding plant, egg production began in February of this year, and 2 million eggs were shipped to broiler plants in Stravopol, Zakavkaz and the Ukraine.

Thus, the Babolna system has passed the test well so far. But the Babolna technicians have much to do until the final exam. This year they will have to turn over to production 324 buildings in turn-key condition. Only 72 will remain for next year; construction of the last facility must be completed in May 1982. During the guarantee period (one year) they must export a total of 2.1 million day-old chicks for breeding, 23 million day-old chicks for fattening, 4,000 tons of premixed food and 20 tons of vitamins. The Soviet poultry operations will reach their planned production levels in 1983, when they will supply Soviet consumers with 140 million broiler chickens per year.

The combine will supply the equipment of the plants built in the Soviet Union with spare parts for 10 years. It is expected that on the basis of its results it will be able to sell additional plants to the Soviet Union.

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MINISTER INTERVIEWED ON ECONOMIC CONCERNS

Warsaw TRYBUNA LUDU in Polish 12-13 Sep 81 pp 3, 4

[Interview with Professor Antoni Rajkiewicz, Minister of Labor, Wages and Social Affairs by Krystyna Kostrzewa; date and place not specified]

[Text] [Question] "Comrade Minister, the Polish family has many reasons to be concerned about its standard of living..."

[Answer] "The concerns are justified. The standard of living of many families has already declined, not so much from a lack of money as simply from a scarcity of goods. The very need to stand in line for hours and the introduction of ration cards for basic commodities have dragged down our standard of living and, of course, man does not live by bread alone."

[Question] "The average worker's family is concerned about food, for you speak of a need for further self-sacrifice, instead of an improvement in comforts, as in the past."

[Answer] "What you say is true. If we are to recover from the day of crisis we are experiencing, if "tomorrow" is to be better some day, then we must agree today upon temporary reduction of our living standard, we must agree on self-sacrifice."

[Question] "Excuse me, Comrade Minister, are you complaining about that?"

[Answer] "Why, yes! Upon assuming recently the position of Minister of Labor, Wages and Social Affairs I saw that I would have a thankless role to play and that I would more than once have to tell people of the need for self-sacrifices. To have a clear conscience and at the same time better understand the difficulties of life, I decided to renounce the ministerial salary of 27,000 zloty and remain at my professional salary of 11,150 zloty. The position of minister had attracted me, not as a personal, prestigious and financial promotion, but as a definite service to the state which finds itself in a state of emergency and I did not want to start that service with an increase in personal income. One must have a living standard similar to that of other families. I usually work 12-14 hours a day. If someone is interested in my family situation, I say: my wife receives a pension after 33 years of factory work, my son, like a majority of this year's university graduates, is having trouble obtaining work, and my daughter had to stop factory work after giving birth to a child and is now receiving help from her parents. Like a large portion of young married couples."

[Question] "Now that you mention young married couples, are you satisfied with the recently introduced system of educational subsidies for persons who raise small children. One hears many words of criticism."

[Answer] "Under our ordinary economic conditions that subsidy represents progress. It is not satisfactory, however. It is only the beginning of the way selected by us to help young mothers, for it is they who avail themselves of the subsidy above all. We would like that subsidy in the future to be higher and paid for a longer time and to embrace a wider group of mothers. But the realization of the next stage, which it is desired to emphasize quite forcefully, depends exclusively on the economic possibilities of the country."

[Question] Which other very important social questions have been settled during the past year? One speaks of the past year, as it involves the administration-working-class agreements signed in the past year, in which social questions occupied an important place."

[Answer] "Personally I appreciate the work done so far on the social minimum and on the preparation of a new pension-annuity system. I will ignore what has been done, and it is considerable, to increase wages, for we have not always been the better for that action, as we see today in the market and in the workshops, where wages sometimes become separated from labor productivity. If it is a question of annuities and old-age pensions, a plan is being drafted for increase of the lowest and a new rule covers the rest of the very important matters connected with them. We will try to send the draft to the Sejm once more in the coming year.

"Speaking very generally, it would be a question of defining the lowest services on the basis of the actual living costs, of canceling old portfolios and of assuring constant revalorization of annuities and pensions. After many consultations with the trade unions we are still gathering opinions. It is a question of returning the draft to the Sejm for new basic modification."

[Question] "And the social minimum?"

[Answer] "Our price reform, prepared after various consultations, is a new development. Besides, it is desired to make it clear, for many misunderstandings have grown around the social minimum, that after all it is not a question of passing a resolution regarding the minimum and of paying a minimum to each. The life of most of society forms on a higher level and in that case depends on its own efforts, the qualifications of the workplace, labor productivity, etc. The minimum has to serve as an instrument in the system of social policy, in the formation of the lowest wages and pensions, the level of family allowances and other services. And it has already begun to serve, although it cannot be introduced universally for the reasons mentioned. Also, because of increased difficulties in supply, which in practice undermine almost all calculations of a basket of necessities and services and living costs."

[Question] "The objection is usually made to the ministry that many important points of social agreements are not accomplished on time."

[Answer] "That objection is made far and wide. At the time of the origination of the Gdansk agreement and some others I was still employed as a specialist and was

not yet a minister. I turned attention to the difficulties which could arise in the course of its implementation. However, emotions prevailed, as did the will to resolve the really dangerous conflict by peaceful means. Who could really be sure that in Poland one will have to wait only 5 years for an apartment? But there is such a point of an agreement.

"The other side is not keeping the remaining conditions of the agreement. Instead of calm, efficient work, through the entire year there were unrest, strikes, trouble spots, additional problems in various branches, groups and plants. A considerable loss of national income has occurred. The ministries are not helped by most of the trade unions, which are not cooperating as yet, which in practice has the result that each consultation and each conversation with our side has to drag out. It is simply necessary to work with each union separately. Union pluralism is a fact I do not intend to question, but new methods of action must be worked out. It also is obvious on the part of the ministry, above all within the framework of the Committee for Collaboration with Trade Unions. In that case I wish to add that the collaboration of the system is good with some groups, the workers of 'Solidarity' and other trade unions."

[Question] "Isn't it possible, however, in the name of the mutual confidence of society in power and the reverse, to leave the matter of agreements in the status quo?"

[Answer] "I am for the conversion of the said agreements, for a general agreement. It is the entire mass of them, a total of several hundred. I am for consolidating and categorizing the said agreements, of separating those of nation-wide and broadly social importance to accomplish a balance of branch or ministerial affairs. Then it is ne-essary to establish the new, real terms of realization of all those matters, the validity of which under present or future conditions cannot be questioned. It also is necessary to determine the exact and valid conditions for the solution of the said matters. For both sides."

[Question] "What is to prevent this from being done?"

[Answer] "Constant tension, trouble spots, the need to extinguish sparks, the rapidly growing difficulties of daily life and the need for on-the-spot action. But that's not all. It also is a question of having the largest trade union, Solidarity, clearly define its character, whether it is a union which watches over the interests of the working people or a very broad socio-political movement which aims to form an opposition. The symptoms of the latter are well-expressed and remind us that they clash with the principles of the union. Therefore the implementation of previous agreements depends not only on us. It also depends on whether a partner starts to take into consideration the economic realities or is willing to take them into account in discussing each of the social affairs. As yet the economic realities of the country fo not seem to be adequately taken into consideration in Solidarity. Moreover, all trade unions must be present during the conversion of agreements, for wages, social matters, etc, affect not only members of Solidarity.

[Question] "Doesn't this mean that the Ministry of Labor, Wages and Social Affairs has suspended its activity...?"

[Answer] "We have more work than ever and must solve a multitude of problems without regard for difficulty of the problems--those connected with agreements and new problems. We would have to act at once to moderate present difficulties and their effects, and at the same time think about the past social policy."

[Question] "Exactly, the Polish family which I referred to at the start of our conversation is concerned about its living standard not only because of the perpendicular increase of prices for food, increasing difficulties of supply or a need for resignation to increase in prices. They are also concerned if they lose part of their incomes as a result of increasing unemployment, especially young people entering adult life or women."

[Answer] "We are undertaking measures to limit the effect of the crisis in the sphere of employment. There are immediate actions to be carried out.

For graduates of schools and educational institutions, for whom there is a scarcity of work in industry, administration and other spheres, we want to create other possibilities of work and making a living. We propose, for example, the formation of youth work co-operatives which would undertake various socially useful tasks. I am thinking, among others, of help during the harvesting and processing of farm produce, during the transportation and distribution of help flowing from abroad, and of various services for institutes and private individuals. We are looking at the possibilities of work in socialist and capitalist countries. We are working on the real possibility of increasing the employment of youths in coal mines and in the mining of other raw materials.

"As regards women, our position is that they cannot be artificially forced against their will into the home. The estimation of their usefulness in each unit, in an industrial plant, in an office, etc, must always be made in accordance with occupational criteria and not wages. I agree that our previous wage system is constructed on the work of more than one individual in a family and some reduction of employment would painfully affect the living standard of the said family.

"Upon occasion it is desired to assure that, in spite of the need for substitutes and reduction of the living standard of society as a whole, the very weakly situated family will be preserved. How? Through the revision of very low wages, through higher than average compensation for price increases, through the distribution of social services. It is not just a question of money. Material services are also important. Among other things, foreign aid is and will be provided for very poor people."

[Question] "An objection which I address to our national policy sounds as follows: actions immediately outgrow the systems, the complex. For years it used to be that now I add to one, now to another, here and there some rush about, if it is recalled that broadly social solutions are the most important and enduring. The programs and their consistent realization are considered in definite time-limits."

[Question] "The objection is in part valid, even if we disregard the present time of deep crisis which really requires the postponement of certain matters and the development of immediate actions. However, as a ministry we are not working on the complex solution of many important matters from the sphere of social policy, a systems, complex and more enduring solution.

"In spite of the crisis, which really is adverse to the social sphere, we have raised the question of reorganizing wages. It is well-known that the many muddles prevailing with us in wages occur as unsubstantiated disproportions in the wages of different occupational groups and between branches and systems, and the wage structures are in many cases complicated, unjust and incomprehensible. And alienated from economic rights. A special commission has been set up which deals with all this, obviously with the participation of the trade unions. They deal with it while taking into consideration the economic reform soon to be implemented as well as previous postulates of society."

[Question] "Reform of the labor law also is linked with a systems, complex social policy."

[Answer] "A special commission has also been formed for that. Work also continues on the reform of social insurance and necessary changes in the employment policy. It must be recalled that many of the matters we have discussed are closely connected with a complex social policy. For example, annuities and pensions, the social minimum and ways to preserve the family. In the next few years the social policy will be aimed precisely at the groups of the population which appear to be the worst off, although it is clear it also cannot give up efforts to raise the living standard of the rest of the population. However, the principle of connecting productivity and efficience of work with wages must dominate.

"One thing is certain: today and certainly in the course of the next couple of years we must live frugally but at the same time we must shelter those in the greatest need. This is in accordance with the principle of social justice. Social policy must be just in all its elements. Not only theoretically, but also in the general feeling of the people and especially of those who work efficiently and perform their occupational duties properly."

A discussion followed the conversation.

2415
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EXCLUSION OF RESOURCES MANAGEMENT IN ECONOMIC REFORM ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 37, 13 Sep 81 p 4

[Article by Jerzy Pawlak: "Management of Natural Resources"]

[Text] The "basic assumptions of economic reform" do not conform to the principle of comprehensiveness. Lack of comprehensiveness refers to management of natural resources in general and mineral raw materials in particular.

The degree to which discovered and identified deposits of the more important minerals are mined is as follows: hard coal, 40 percent; brown coal, 62 percent; copper ore, 40-60 percent; sulfur, 40 percent; rock salt, 10 percent; crude oil, 10-15 percent; and zinc and lead ores, 62 percent.

Assuming this level of exploitation of deposits and the anticipated mining up to 1995, and in the following years at the level of anticipated extraction in 1995, then we will have enough mineral raw materials, beginning with the current year, to last us as follows: hard coal, 105 years; brown coal, 73 years; copper ore, 50 years; sulfur, 68 years; crude oil, 34 years; zinc and lead ores, 20 years.

Our greatest mineral wealth--hard coal-- is mainly stoking coal. We have very little coking coal.

These figures give pause for thought, for in the light of them the premise of great abundance in our country is not so valid. Can our management of mineral resources be regarded as rational? The answer is: Unfortunately, no.

First of all, we have not been able to overcome the prevailing impression here that mineral deposits are free property. As a consequence, the mining industry gets them for nothing and then for all practical purposes alone and with no economic responsibility decides which beds to mine and which to ignore. These decisions sometimes are irreversible and the abandoned beds are lost for future generations also. This is the result of a mandatory method of including geological resources with the so-called recoverable reserves and industrial reserves and with the division of decisionmaking competence in these matters. Recoverable reserves are those geological resources whose mining is economically justified. The decision on whether geological resources are counted as recoverable reserves is made according to recoverability rate criteria, i.e., the geological and mining parameters of the bed, the technological-quality parameters of the minerals, and economic indexes. The mandatory method of applying a profitability analysis of extraction, which is based on

an investment effectiveness formula, is very important. Yet the function of an investment effectiveness analysis is to select a technique, to choose technological and technical solutions for specific investment ventures. However, in determining whether mineral beds can be profitably mined, we make a choice not so much of a technique as of a method of satisfying the need for mineral raw materials. That is, between importing and investing in our own mining industry. The formula for analyzing investment effectiveness is not adequate for this purpose, and the analyses made on this basis is incomplete. It takes into account only the costs borne by the enterprise which is working the mineral beds or by the ministry which is mining the minerals. Thus this is, at the most, a ministerial analysis and not an overall-social analysis. In view of this, does society bear the outlays when, in the obligatorily conducted recoverability rate analysis of mineral reserves, it has not been considered? The answer, unfortunately, is in the affirmative. Furthermore, in addition to this analysis, society bears:

-- outlays for geological searches. In the required analysis, only outlays for identifying previously discovered beds are taken into account, for these are financed from investment funds. Outlays for research and geological searches are financed from the budget and thus are not included in the analysis, even though their share in total outlays for geological work amounts to 12 to 90 percent, depending on the raw material;

-- outlays for environmental protection, in connection with restoring geological and biological balance disturbed as a result of minerals extraction;

-- outlays for regenerating the consumed mineral raw materials. Because most mineral raw materials cannot be regenerated, the analysis should include costs of research on substitute raw materials;

-- losses of those unextracted portions of beds which, as a result of decisions now made on their extraction, will be not extracted in the future.

The effect of such a procedure is also an artificial lowering of prices of mineral raw materials, which increases the demand for them, causing waste and a growing need for further searches. The result of this also is that the investment venture results of the mining industry are wrongly calculated and that the decisions being made on profitability are also incorrect, since actually, it may be otherwise. But this is only the first phase. The industrial reserves, i.e., that part of the recoverable reserves that will be mined, are separated out of the recoverable reserves. The basis for such a decision is a bed development plan together with a technical and economical mining analysis. The economic qualification for classifying recoverable reserves as industrial reserves is that the planned unit cost of extracting the raw materials from a specified deposits bed, or the average cost of extracting the raw materials on the scale of the entire deposit, where various parts of the deposit are mined simultaneously, not exceed the unit cost for a given raw material or for a specified deposit. This condition is easier to meet if the more favorable beds are classified as industrial reserves, rejecting the poorer beds from the standpoint of mining.

In the functioning system of managing mineral raw materials resources, the extraction profitability analysis is the only economic instrument. Aside from its shortcomings,

the informational-decisionmaking system, which is inconsistent and scattered, plays an important role. There is no single manager in Poland who would be responsible for managing the country's raw materials base. Authority for making decisions now rests with the ministers who supervise the mining enterprises. Each of these ministers makes decisions on the basis of the goals of his own ministry, and not on the overall-social goal, which does not at all conform with the short-term goals of the individual ministers. Furthermore, there is no one to make decisions on competitive applications of a specific mineral.

The Central Office of Geology fulfills only an advisory function in this regard. Thus we have a vicious circle. The ministries mining the mineral deposits maximize extraction, for that is the basic goal of their operations. Maximization of extraction causes the elimination of the poorer, from the mining standpoint, deposit beds. As a result, new searches for deposits are demanded. The effect is insufficient exploitation of deposits, on the one hand, and a demand for increased raw materials investment on the other hand.

The deficiencies in the present system of organizing and managing mineral raw materials resources point to the need to change the approach to the management of these resources. First of all, the subordination of the management of mineral deposits to the mining industry must be discontinued. The goal here cannot be maximization of extraction, but efficient management of deposits, taking into account both current social needs and the interests of future generations. The basis of such efficient management should be cost effective analysis, which takes into account not only the direct costs of extraction, but also the indirect costs, i.e., costs which the mining enterprise now does not bear, but which society has to bear. This means that new instruments will have to be selected, new mechanisms and management methods, adapted to the specificities of natural resources. That is why the following are indispensable:

-- Organizing a decisionmaking system dealing with the management of deposits in such a way that there will be cohesion between the goals of the individual decisionmakers and the overall-social goal;

-- Changing the now-binding formula for extraction profitability by including in it the indirect outlays connected with minerals extraction;

-- Applying a principle of "selling" identified deposit beds to the mining instrustry with payment for use of natural resources, and including these payments in both the recoverability rate analysis and the extraction costs;

-- Changing the system of financing geological work by creating a fund for geological searches from part of the sales of resources and payments for use of reserves, and using this fund to finance the comprehensive process of geological work, from research to identification;

-- Appointing a single chief organ of state administration, responsible for management of natural resources.

In a planned economy, theoretically, conditions for implementing the principle of efficient management of natural resources are better. Thus far, this opportunity has not been taken advantage of. In any case, theory here is not enough. Preparation and application of a system of organization and management, peculiar to natural resources, is indispensable. Prof A. W. Sidorenko, former Minister of Geology in the USSR and member of the USSR Academy of Sciences, believes that the era of treating individual deposits of resources from the standpoint of the interests of individual ministries has ended. If natural resources are to be used efficiently, and all elements of nature are slowly becoming such resources, then one manager of these resources must be appointed, who will manage these natural resources on the basis of scientific principles.

The present economic reform cannot ignore this strategically important field of management. If it does, the reform will be incomplete and our successors will be justified in accusing us of lack of imagination.

9295
CSO: 2600/1

PRECONDITIONS FOR ECONOMIC REFORM ASSESSED

Warsaw TRYBUNA LUDU in Polish 21 Sep 81 p 3

[Article by Krzysztof Krauss: "How to Get Out of the Crisis -- On the Foreground of Reform"]

> [Text] Seemingly it is only a matter of weeks or months until the comprehensive, deep reform, which is supposed to introduce new, and in many cases innovative, methods of stimulating the growth of management efficiency, will be applied. This reform, a Ninth Extraordinary Party Congress resolution states, "is a basic condition for the success of the program for getting out of the crisis and creating the foundations for Poland's socio-economic development".

Officially, it is to go into effect at the beginning of next year. In actuality, this is not a single administrative act but a multistage and multiplane process, which has already begun. It began in the sphere of legal actions, with the debate on the draft laws on state enterprises and on state enterprise workforce self-government.

These laws, as soon as possible, should be supplemented with drafts, submitted for wide public discussion, of legal regulations pertaining to planning, the economic system, the principles of taxing enterprises, and the banking system. The complete set of these documents, based on proposals worked out during discussions in the Commission for Economic Reform over many months, should put the legal state in order, clear the foreground for reform from the standpoint of official solutions, and establish the socialist character of the transformations being made in the management of the economy.

Tests in the Factory

At present, in accordance with the PZPR Central Committee's Third Plenum decisions, (and in some enterprises it has already taken place) the next plane of economic reform application is beginning. It is the "try-on" taking place in all workplants and also in the branches and subsectors, for functioning under new economic and legal conditions. That is, the creation of their own types of opening balances with which the enterprises are to cross the threshold of independence, self-government and self-financing, and the realization of all of the consequences, positive and

negative, which the enterprise workforce and its management personnel will have to bear in assuming not just the broader authority but also the responsibility.

"Operating scenarios" must be prepared in each enterprise and in all of its organizational elements. These must contain, on the one hand, the most complete, consistent and logical mechanisms for translating the general reform principles into detailed, working solutions, operating within the economic units. These mechanisms must be adapted to the specifics of those branches and enterprises. They must be such as to ensure the integral unity of the rules in effect in the enterprise's relations "on the outside" with the "rules of play" which it will apply in its own arrangements.

On the other hand there must be the "operating scenarios" which will put into motion those activities that prepare the ground for initiatives that serve to make decisions on the efficient organization of work, its effectiveness and productivity under actual conditions of demand for an enterprise's products and services. The following must be taken into account: The supply of raw and other materials and energy, the restrictions in investment and foreign exchange (production programs, employment problems, scientific and technical advancement, work standardizing systems, cost accounting, material and nonmaterial incentives, co-production, etc.)

These activities also include (to which attention was called during the PZPR Central Committee's Third Plenum) honest preparation and practical verification of such important instruments linking strategic planning on the State level with the enterprises' independence as new price systems, new principles for establishing wages, new forms of budgetary settlement of accounts, etc. These are naturally only "new rings", only fragments of the mechanism which is to be put into effect at the beginning of next year. But the saying that "the devil lurks in details" contains some truth. A situation cannot be permitted under which all of the machinery that has been put into motion will become jammed at the beginning simply because one of the details of this machinery, these cogs, does not fit and does not function as it should.

The Most Urgent Actions

These are matters that are frequently written about and discussed. There is, however, still one plane which determines the preparation of a foreground for reform and the establishment of conditions on which this reform will take place. This plane is at least as important as the previous ones, but on the whole it is not fully recognized. That is the group of emergency actions aimed at returning, in the shortest possible time, organizational and technological order and discipline in the economy, halting the decline in production, the national income and foreign trade turnovers, using those means which are already available. This is a set of emergency measures directed at alleviating tensions in energy and raw and other materials balances, at reducing the inflationary threat and restoring the value of money, at normalizing the market at least relatively, and at gradually reducing the growth of the foreign debt.

Such an outline of the most urgent actions is called "The Government Program for Overcoming the Crisis and Stabilizing the Country's Economy". It covers an extensive set of measures in six basic fields:

-- halting the drop in production and beginning its gradual increase;

-- restoring market balance;

-- budgetary economies;

-- putting the situation on the investment front and research and development facilities in order;

-- employment dislocations;

-- restoring payments balance and beginning pro-export structural conversions in the economy.

Protected Zones

The basic premise of the emergency program is the thesis that getting out of the crisis should be begun first of all with the elimination of waste in factors of production. In addition to long-range activities aimed at an overall increase in management efficiency, the "protected zones" must be clearly defined in the initial period and attention must be concentrated on them, assigning them absolute priority, even at the cost of the remaining zones. These "protected zones" are food, and in connection with this, fodder and means of production for agriculture; medicines and personal hygiene items; basic clothing and footwear articles for children and youth; electric power and energy raw materials, and export.

If necessary to reinforce the "protected zones", those resources which are now earmarked for the remaining goals should be taken. This, however, is not an action that can be continued indefinitely--it has limits. The economy is a system of interconnected instruments and even if restrictions on industries not serving the "protected zones" were to appear to be simple and easy, with time the existing structural tensions would deepen. The same with transferring funds from the investment section to the consumption section.

That is why, without abandoning this type of operation when it is indispensable, it is necessary, first of all, to do everything possible to increase the amount of goods and services and the generated national income, and consequently, the national income for distribution.

The fundamental barrier to production growth and, in consequence, growth of national income, is the shortage of raw and other materials. A great deal can be achieved by reducing the consumption of materials per unit of production, but this requires a great deal of time, and the raw materials are needed right now. That is why now, as an additional activity and not as a substitute for improvement in management of raw and other materials, the main effort should be directed at increasing the production of domestic raw materials and the growth of imports of raw materials in those cases where this would result in an improvement in the utilization of machinery.

There are fields in which past neglect has now reduced the productivity of the entire economy. Giving them particular attention--the government program cites private peasant farms and the entire food economy sector, small-scale manufacture, trade and services--would thus produce a "cumulative effect". At the same time, these are the areas of management where activation of automatic processes of development can be most rapid.

The implementation of the emergency program should be based--obviously--first of all on instruments corresponding to the logic of the new economic system, but the situation is exceptional and because of this in specific justified cases extraordinary measures may be applied. Such, for example, as distribution, different forms of rationing, etc.

Time is Running Out

The stake, for which the game is being played, is an improvement in the economy which would bring it as close to normal as possible. And this stake is extremely important: the more "normal" the economy, the more certain the ground on which the initiative of independence, self-government and self-financing of enterprises will develop. The sooner economic reform produces results, the wider will be its scope and the deeper the changes that it brings.

Thus this is also--a consistent implementation of the emergency program--an integral plane of preparations for economic reform. In the cycle of articles, talks, public opinion polls, news, all under the common title, "How to Get Out of the Crisis", we wish to take part in the implementation of this program, assist in its actualization.

We have little time and it is growing short. The crisis, which was deep a year ago, is now even deeper. Our joint aspiration, and also our joint duty, is to halt any farther downfall and to finally come out "on the straight". That the hopes which we have placed in economic reform not be wasted and that this opportunity be fully taken advantage of.

9295
CSO: 2600/6

MINISTRY OFFICIAL INTERVIEWED ON PROBLEMS OF DISPARITY IN SALARIES

Warsaw TRYBUNA LUDU in Polish 17 Sep 81 p 3

[Interview with the Director of the Economics Department at the Ministry of Labor, Wages, and Social Services, Krzysztof Gorski, by Zofia Krzyzanowska: "The Dead Zloty and the Live Zloty: Restoring the Health of the Policy on Wages" Passages enclosed in slantlines printed in boldface]

> [Text] During the 1976-1980 period labor productivity increased 11.6 percent while nominal wages increased 55.3 percent. During the [first] five months of this year labor productivity declined 11 percent compared with a like period last year, while wages climbed by an additional 23.6 percent. Is it possible in such a situation to speak of a wages policy and... of the ways and means of restoring the health of that policy? This is the question we asked of the Director of the Economics Department at the Ministry of Wages, Labor, and Social Services, Krzysztof Gorski.

[Answer] Considering that last year we spent about 190 billion zlotys on wage raises and that the inflationary curve reached 500 billion zlotys, it is obvious that we are operating with a "dead zloty"--a zloty that is not offset by [the supply of] goods and services. The amount of these "dead zlotys" increases each day by about 1.5 billion zlotys.

This is one aspect of the situation. Another is the proportions of the distribution. Operating on the basis of even these "bad" zlotys would have a definite social purpose if we were to reach with them the lowest-income groups; then this would serve the cause of equalizing the changes for everyone.

Hence our program objectives are primarily to protect the interests of the weakest groups--workers with the lowest incomes, pensioners, beneficiaries, families with many children, etc. But this programmed protection as well as, in particular, the practical possibilities for its implementation, are limited by the pressure of the demands of the strongest groups.

/In practice there exists the "bargaining policy" which, contrary to all assumptions and declarations on the part of both the government and the trade unions, results in an increase in wage disparities among branches, plants, and individual

/wages within plants. Another consequence of this policy is the loosening (or even disruption) of the bond between the effects of labor and its remuneration./ To be specific: the construction industry output during five months of this year fell as much as 20 percent while at the same time wages increased 29.5 percent.

In the course of a year the wage increases in construction averaged 1.736 zlotys per worker, while the much less well-paid workers in the communications industry during the same period received wage increases averaging 1,002 zlotys each. The victors in the bargaining policy are the branches to which priority has traditionally been given and which hence in most cases pay the better salaries, at the expense of the weaker branches such as the consumer industries or the service industries. This is a persistent and deepening process, because the numerous public agreements, agreements with the branches, etc., being not always precisely formulated, provide grounds for unending disputes.

How to Stop Bargaining

[Question] What are the possibilities for changing this situation?

[Answer] /First of all, it is necessary to put an end to the practice of raising wages and conferring privileges on discrete worker groups in an uncoordinated manner based on negotiations with these groups./ Even if this concerns obligations ensuing from signed agreements. /Secondly, it is necessary to sit down at a common table with all the interested parties, and chiefly with the trade unions, and agree upon the principles and procedures of the wages policy or rather of the entire incomes policy for the next few years./

This would concern two groups of issues: first, joint determination of specific wages/policy priorities and, second, joint determination of the methods and instruments of implementing that policy. The latter problem is also particularly essential in view of the fact that, in accordance with the premises, as of 1 January 1982 we will enter upon the economic reform.

/The Ministry has prepared a study containing moderately comprehensive proposals concerning the basic directions of the wages policy for the next few years./ The study was drafted last June and it has gained preliminary approval of the government. It appears that this study can provide a good foundation for initiating discussions with the trade unions.

The Lowest and the Highest

[Question] What are the basic premises of that study?

[Answer] I believe that priority should be given to revising the current rate-scale system, which is obsolete especially from the standpoint of the reform, under which a large part of remuneration will hinge on economic performance. Thus, fairly rigid solutions will have to be abandoned in favor of their more flexible counterparts providing economic organizations with greater room for maneuver and with greater possibilities for utilizing profits sensibly as labor incentives.

/The rate scale which we proposed evaluates labor on the basis of two fundamental criteria: degree of complexity, autonomy, and method of execution, on the one hand, and the training or education required on the other. This is complemented by a rate scale pertaining to difficult working conditions,/ which we construe as physical effort, arduousness of labor, and health hazard and menace. /This is further complemented with a rate scale for management functions/ which takes into account the magnitude of personal responsibility and risk and the complexity of the management function.

The new rate scales should be provided together with new graduated wage tables and accompanied by maximal unification of the various forms of additional pay; extra pay for second-shift work, extra pay for night work, extra pay for seniority, etc.

[Question] What about the lowest and highest wages?

[Answer] As regards lowest wages, the views of this question have by now been clearly settled. /The minimum wage should provide a periodically adjusted social minimum for the single individual./ Of course the lowest wages would remain a centrally determined category during the economic reform as well. /As for the problem of the highest wages, it is more debatable./ This concerns both the postulated disparities among lowest, medium, and highest wages and the differences in the views as to whether a rigid wage and salary ceiling should be centrally determined or indirectly manipulated into being. As regards the former question, we assume that /in the actual situation we should aim at maintaining the ration between lowest and highest wages at 1:7 or 1:8./

Thus we arrive at a ceiling of 20,000-21,000 zlotys monthly. But already in 1980 this ceiling was exceeded by 8,400 persons, including 3,600 blue-collar workers. Currently the group with highest incomes is much larger, with as much as 80 percent being represented by blue-collar workers from the privileged branches such as mining, construction, and transport. But we have this principle: no one should be deprived of the wage or salary level he already has reached. Besides, fixing an absolute wage and salary ceiling would be an obstacle on the path of complete utilization of individual initiative and possibilities. /Hence we wish to consider that ceiling as merely a limit beyond which the equalization tax applies. This tax makes allowances, besides, for the family situation [size] of the worker./

A Lost Occasion

[Question] As is known, on 1 January 1982 an overwhelming part of our enterprises will start operating under the new conditions of the economic reform. This conversion will take place in the presence of faulty proportions among wages, a disorderly level and ratio of prices, and the inflationary curve, which result in a shrinking ["dead"] zloty. Does not this endanger the success of the reform? And under these conditions, just how real will be the new wages policy?

[Answer] We too are struggling with this problem. From the standpoint of the reform, it would be ideal to start it with "good" money and a fairly well-ordered price system, but neither exists.

[Question] In view of this, might not it be appropriate to concurrently introduce a reform of wages and prices?

[Answer] In the first drafts of our study we assumed the possibility of introducing a single large-scale wage-and-price measure before this year would be over. As is known, for many reasons this idea is not realistic. /Thus there arises another solution, which is certainly worse and more difficult: a gradual reduction of wage disparities and the equally gradual--stretching over two or three years--attainment of "good money," after the introduction of the economic reform. This is, I repeat, a more difficult solution, becuase, after the economic reform is introduced, we should not in principle resort any longer to direct subsidy-type wage controls. We will thus be able to operate only with indirect means./ It should also be considered that the greater part of all earned income is not offset by the supply of goods and services, which is bound to adversely affect the incentive function of remuneration. This restricts the effects of the reform.

The Need for Bargaining

[Question] In view of this, is not there a danger that "wage bargaining" will continue and will result in a further increase in wage disparities, and will not this make questionable the effectiveness of the reform?

[Answer] Hardly. Despite everything I remain an optimist. Although the situation is complicated, we still have a chance of sailing into calm waters. But the time at hand for working out common concepts and a common consensus with all partners is running out. /One thing is certain to me: the current policies should be continued neither during the three months still remaining until the introduction of the reform nor during that reform itself./

This is in the common interest of both the government and all--I emphasize, all--the trade unions. /We must sit down as soon as possible at a common table and make the effort and show the desire for joint action as partners in order to agree upon the plan and methods of the wages policy in the presence of the reform as well as in the situation in which we are making the start. If this fails, if we shall continue the wages policy on the basis of uncoordinated sector-by-sector negotiations and compromises, we may all bear equal responsibility for the failure of the reform--a reform in which the public is placing such great hopes. I personally am convinced that no one wants it to fail.

1386
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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 25 Sep 81 p 4

[Text]

Polish National Bank Warsaw 25 September 1981

Excerpt From Foreign Exchange Rate Table No 18/81
Special Currency Exchange Rates in Zlotys

Country	Foreign Currency	Foreign Exchange and Money Purchase	Sale	Average
Australia	1 Australian Dollar	39.07	40.67	39.87
Austria	100 Schillings	201.19	209.41	205.30
Belgium	100 Francs	86.37	89.89	88.13
Denmark	100 Kroner	449.42	467.76	458.59
Finland	100 Markkas	769.83	801.25	785.54
France	100 Francs	590.18	614.26	602.22
Greece	100 Drachmas*	61.07	63.57	62.32
Spain	100 Pesetas	36.59	38.09	37.34
Holland	100 Florins	1,224.83	1,274.83	1,249.83
Iceland	100 Kroner*	427.50	444.94	436.22
Japan	100 Yen	14.71	15.31	15.01
Yugoslavia	100 Dinars*	84.43	87.87	86.15
Canada	1 Dollar	27.95	29.09	28.52
Lebanon	100 Pounds	761.50	792.58	777.04
Luxemburg	100 Francs	86.37	89.89	88.13
Norway	100 Kroner	560.27	583.13	571.70
Portugal	100 Escudos*	53.44	55.62	54.53
Federal Republic of Germany	100 Marks	1,412.60	1,470.26	1,441.43
United States	1 Dollar	33.77	35.15	34.46
Switzerland	100 Francs	1,631.49	1,698.09	1,664.79
Sweden	100 Kroner	629.17	654.85	642.01
Turkey	100 Pounds*	33.62	35.00	34.31
Great Britain	1 Pound	62.02	64.56	63.29
Italy	100 Lira*	2.81	2.53	2.87

*In purchase of currency from below listed countries the following exchange rates are used:

Greece	100 Drachmas	56.04
Yugoslavia	100 Dinars	78.32
Portugal	100 Escudos	51.44
Turkey	100 Pounds	30.77
Italy	100 Lira	2.91

Special currency exchange rates are used in settlement of accounts for current transactions.

Basic Currency Exchange Rates With a Surcharge in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Albania	100 Leks	181.84	183.66	182.75
Bulgaria	100 Leva	2,182.21	2,204.15	2,193.18
Czechoslovakia	100 Koruny	211.24	213.36	212.30
People's Republic of Korea	100 Won	1,057.19	1,067.81	1,062.50
Cuba	100 Pesos	1,730.05	1,747.43	1,738.74
People's Republic of Mongolia	100 Tugriks	459.41	464.03	461.72
German Democratic Republic	100 Marks	720.13	727.37	723.75
Romania	100 Lei	215.42	217.58	216.50
Hungary	100 Forints	130.20	131.50	130.85
Vietnam	100 Dongs	1,000.28	1,010.34	1,005.31
USSR	100 Rubles	2,304.42	2,327.58	2,316.00

Basic currency exchange rates with a surcharge are used for non-trade payments. For travellers checks purchased in rubles from the Foreign Trade Bank of the USSR, and payable outside the USSR in the currency of the country where used, the exchange rate of 4,672.54 zlotys for 100 rubles will be used. Exchange rate table No 17/81 dated 15 September 1981 is no longer valid.

Exchange rate tables are available for view at all branches of the Polish National Bank.

CSO: 2600/12

POLAND

IMPLICATIONS OF PGR (STATE FARM) REFORM DISCUSSED

Basic Principles of Reform

Warsaw TRYBUNA LUDU in Polish 29 Jul 81 p 4 [Passages enclosed in slantlines printed in boldface]

[Article by Marcin Makowiecki]

[Text] /As of 1 July new principles of the management of the state sector in agriculture and a new economic-financial system for PGRs [State farms] have become effective. The draft of the pertinent decree of the Council of Ministers had been worked out according to the premises of the economic reform and, prior to its approval, submitted for discussion to the concerned occupational-professional community./

The new system reflects the principle of uniform economic conditions in every sector of agriculture. This has become possible due to the increased procurement prices--as of 1 April and 1 July this year--which markedly improve the profitability of production.

Of what do the new forms of PGR management consist? Primarily, the traditional system of directive-type management, with its centralization of decisions "from the top" on production tasks that often conflicted with the possibilities and interests of the farms, has been abolished. The traditional system hobbled initiative and reduced the management of production to the implementation of tasks set by the top.

/The new system provides PGRs with complete autonomy, chiefly financial. Henceforth the management and the crew must plan and organize production and select technologies so as to be on their own. The state will influence the directions of production by the parametric system of management--that is, by applying periodically updated procurement prices, as well as prices of capital goods and materials--and, among other things, by means of taxation./

The starting premise is that present procurement prices, which are identical for all sectors, enable state farming enterprises to operate profitably. Accordingly, the basic criterion for assessing management efficiency can be the financial performance--the profits from sales of production.

The adoption of this premise has led to eliminating the traditional subsidies and extra payments to equalize prices or offset partially production cost. All of the enterprise's activities, including investments, will now be financed from its profits. Of course, bank credit will be available, but in the form of interest-bearing loans that must be paid from gross receipts.

The traditional subsidies greatly affected the financial performance of state farms but not their production level. The state exchequer simply paid subsidies to the farms regardless of their performance.

Under the new system a complete elimination of subsidies is not envisaged. They will, however, be allotted solely for defraying farm expenditures to implement tasks of national importance; e.g., the cost of pedigreed livestock raising, seed growing, training, public campaigns, dissemination of agricultural progress, preservation of cultural relics, etc.

/The introduction of the principle of the full financial autonomy of enterprises entails major organizational consequences. First, the enterprise will operate on the basis of its own production plan, current and long-range. Second, in accordance with the general premises of the economic reform, the conception of the plan and the manner of its fulfillment will be developed and evaluated by enterprise self-government, which will be endowed (in a future decree on enterprises) with broad competences./

The intent of the newly introduced PGR changes is to link economic performance to the material interests of the farm's personnel. This is assisted by the distribution of profits, with part of the remuneration of employees contingent on the financial performance of the enterprise.

The profits of the state farm are earmarked for repaying the accrued bank loans and setting up special funds: reserve, bonus, social and developmental funds. Each of these funds has its own purpose; e.g., the reserve fund is intended to cover temporary losses or to augment bonuses and special expenditures should they be smaller than in the preceding year, while the development fund is used to finance investments and repay the principal and interest of loans contracted for that purpose.

/Enterprises that operate profitably and whose performance improves, set up a bonus fund and a social fund. These funds are part of the motivational system prompting the personnel to increase labor productivity and economical operation. On profitable farms bonuses may reach 60 percent of the wage fund. Bonuses will be also granted to employees of unprofitably operating farms--but only to those whose performance improves. Such bonuses may not, however, exceed 15, 25 and 30 percent of the wage fund, respectively, during the first 3 years of recovery of profitability./

The adoption of profits as the sole criterion for assessing the performance of an enterprise might in certain instances result in some negative effects. For example, profits can be increased by limiting outlays and conducting extensive farming. Such effects can, however, be counteracted with the aid of appropriate economic instruments; for instance, among other things, maintaining high prices for those agricultural products requiring substantial outlays will result in a

high level of production and profitability. Similarly, intensive farming will be encouraged by a high level of fixed production costs (depreciation of fixed assets, land tax, insurance premiums, etc). Only high-level and intensive production can cause the cost per product unit to be relatively lower, which, in turn, is decisive to the enterprise's profitability.

Thus, this system best fits the good and highly productive farms. What happens to the farms operating under difficult conditions, without appropriate buildings and on poorer or completely bad soils? After all, in recent years quite a large number of such farms has arisen. In such cases, the application of certain financial relief from taxes and insurance premium is under consideration, along with valuation according to a soil classification system based on the concept developed by JUNG [expansion?]. This concerns, however, only a certain group of farms, because the general rule is that profitability is a prerequisite for the existence of an enterprise.

/Some of these enterprises operate in the red, as is known. In many cases this is due to difficult farming conditions, but in still more cases this is due to organizational mistakes, improper technology (e.g., the costly farm-"palaces"), mistaken direction of production and simple mismanagement. The authors of the reform provided the farms with a chance to overcome the crisis. For the first 3 years, they will be able to offset their losses with the aid of lump-sum bank loans./

If, however, in the course of these 3 years, the enterprise does not become profitable, it shall be closed or reorganized so as to assure profitable operation. This principle must be ruthlessly followed to put it plainly, no one will have to subsidize operations in the red.

By providing for this possibility, the creators of the system expressed the general principle that enterprises--and not only those operating at a deficit--should select for themselves an organizational form to assure profitable operation. This is an important decision, which halts various "initiatives" for arbitrary subdivision or consolidation of farms without regard to economic effects.

The process of the adaptation of organization to farming conditions has commenced. Certain combined farms established without regard to economic realities have been dissolved. Other combined farms will continue. The decision will be up to the farms themselves. What matters a great deal is that these successive reversals not result in forfeiting any actual accomplishments and outlays on farm expansion.

Autonomy imposes on the enterprises and their personnel new obligations. They must answer the question of whether, given their present structure of production, they satisfy the fundamental condition: Will they be permanently profitable? If not, what should be done to improve financial performance?

/The PGRs on their new road--autonomous and self-governing--represent a new factor in our agriculture and the first step toward the general economic reform. Thus, they may meet quite a few obstacles during the initial period, the more so as others--the community and the cooperating institutions--must also adapt to this new situation. Certainly, there will be unavoidable attendant

difficulties, but no one should lose his nerve or patience. The new system requires of everyone a period of adaptation./

Interview, Deputy Minister of Agriculture

Warsaw CHLOPSKA DROGA in Polish 1 Jul 81 p 3

[Interview with Andrzej Kacala, deputy minister of agriculture, by Anna Turska, no date or place given]

[Text] Certain people are rubbing their hands on learning that we will parcel out the PGRs. We shall eat legendary hogs feeding on American grain to the bursting point (11 kg of grain per kg of weight increment of meat and fat), whereupon we will shut down those showcase farm-palaces and commence low-cost fattening on private plots and on the farms of farmer-laborers, whose joblessness will again be a rural phenomenon. The PGRs are not liked and nearly everyone is glad that this favorite son of socialist agriculture finally will get its retribution. Formerly this Benjamin used to receive presents and was praised and petted, and now he will be treated the same as everyone else.

Were the picture of state farms to be imagined solely on the basis of press lecturers--with the exception of ROBOTNIK ROLNY [THE FARM WORKER], which, by its very nature, is more knowledgeable--one would think that they are a millstone on the neck of our agriculture, that they are of no use and only cause losses and disaster. Piglets die and are buried instead of being transported to Bacutil; calves drop dead; bulls die of hunger; cows give no milk although they stand in luxurious ultra-expensive pens, in which one only needs to push buttons for the milking to take care of itself. Aircraft shower fertilizer over fields and subsequently an entire cavalcade of machines harvests 200 quintals of sugar beets per hectare. And all this is centrally directed from the edifice at 30 Wspolna Street in Warsaw.

This Must Be Reformed

Although the general condition of state farms is not as apocalyptic as might ensue from my somewhat satirical introduction, experts in this branch do perceive shortcomings in the performance of state-owned agriculture. For a long time the need to fundamentally reform their operation has been discussed on state farms. A proposal for a new economic-financial system and management structure has been drafted over many months. It has been assessed both locally, by the trade unions and also by the Commission for the Economic Reform. This proposal has met with far-reaching approval. Quite a few additional comments and suggestions have been made; they do not affect the fundamental premises and instead provide a needed complement. This broad consultation and discussion, conducted last spring, have at the same time been regarded as preliminary training for the new system, which becomes effective 1 July.

[In this connection, the following is the text of my interview with the deputy minister of agriculture, /Andrzej Kacala/]

Question: State farm consortiums will be abolished and the administration of PGRs will be carried out with the aid of associations. When will that happen?

Answer: That will happen as of 1 July this year. The consortiums will still operate for some time, but at the same time the associations will be set up. We expect the consortiums to continue until year-end, or perhaps even longer, since they have several tasks to perform. First, they must assist the state farms in introducing the new system, which is no easy task. Second, they should assist in the organization of associations and, primarily, association bureaus. The traditional consortiums often comprised several provinces each, whereas not it will be necessary to establish associations in every province. There were 27 consortiums, whereas there will be 44 associations.

Besides, a consortium is an economic organism conducting economic activities. Under current regulations, these activities have to be discontinued, so that the associations will still for some time have to perform the functions of consortium-dissolving commissions.

Question: Afterward, will the association take over the functions of the consortium?

Answer: No. The functions of the future association must be absolutely different from those of the consortium. The grouping of enterprises in associations is intended to derive economic benefits from joint activity. The association will be headed by a council consisting of farm directors and representatives of employee self-government from the farm personnel. The council will decide on all issues important to members of the association.

The council will be assisted by the association bureau [central office], which may also perform assignments for individual farms such as the providing expertise and assistance in organization for the investment process.

The association will represent the interests of the state farms in contacts with other companies and assist in drafting plans, introducing [technological] advances, etc. It will not, on the other hand, perform any directive-type functions, unless the association's council votes upon some recommendation to be carried out by the farms. The farms themselves will decide their own directives, rather than bureau functionaries. This may apply only to certain problems; e.g., joint investment undertakings or the distribution of scarce capital goods. The efforts to obtain and distribute capital goods are the largest task of the associations and at the same time their greatest source of troubles, because the reform in the PGRs is preceding reform in an overwhelming number of other enterprises.

Question: The introduction of the reform will surely be accompanied by extensive changes in employment and, of course, administration?

Answer: The association bureaus will employ a much smaller number of personnel than the consortiums [central offices]. Certain consortiums [central offices] employ more than 100 people, and the average is about 40 to 50 people, whereas an association bureau will employ only as many persons as deemed necessary by the association council, most likely, 15 to 20 persons. Of course, some consortium employees will be transferred to the association bureaus.

Question: Apparently quite a few combines [combined farms] will be disbanded?

Answer: They already are disbanding. If this is justified, we do not hinder it. However, we strictly observe the following principle: if the maker of the proposal to disband a combined farm or to secede from it--that is, an enterprise that often, at the expense of others, received extra funds and subsidies--operates something such as a workshop serving others, we cannot accept the proposal. Separating such a good enterprise from the combine would weaken the other enterprises and cause economic harm. In such instances, the personnel of the entire combine must make their opinions known.

Question: The equalization of operating conditions of PGRs with those of the other sectors of agriculture--of what will it consist?

Answer: The state farms will have to pay taxes just like private farms--on the same principles--and they will have to apply for loans to the same banks, too--loans that will not be written off.

Question: Will pedigreed livestock raising be handled by the voivodship associations?

Answer: Pedigreed breeding and seed growing will remain within the system of the national consortium or association. This concerns the production of the means of production for the needs of the entire country, and so it must be balanced under the national rather than voivodship system. Otherwise, every voivodship would produce for itself alone or primarily, and the regions with the largest numbers of pedigreed-breeding and seed-growing stations would be in the most advantageous position.

* * *

Revisions and discussions have long been under way. The past farming year represented, in a sense, a broad trial period during which no central indexes were imposed from the top. But that was only a foretaste of autonomy, because some consortiums did not abandon directive-type management. Autonomy and self-government are tremendously fashionable and desired features, but their actual application does not, in general, proceed smoothly.

There will be many, various stumbling blocks. It is not easy to execute a complete 180° turn and to break the habit of not only issuing detailed directives but also waiting for the directives. It is difficult to abandon the treadmill and to determine the best path on one's own: the directive-type system has been mandatory for too many years. Thanks to the clamor for self-government, however, perhaps those who are capable of making astute and courageous decisions on their own will finally make themselves heard; perhaps due to such people the PGRs will cease to be a whipping boy and an example of proverbial unpunished waste and inefficiency, with wellsprings largely in the system of management.

Interview, Central Administration Official

Warsaw ZOLNIERZ WOLNOSCI in Polish 26 Aug 81 p 4

[Interview with Zygmunt Zason, deputy chief director, PPGR Central Board, by Roman Lerther, no date or place given]

/Perusal of the Decree No 114 of the Council of Ministers, which reforms the economic-financial system of the state farms and becomes effective 1 July, inevitably suggests that it can be described as a revolution. Certainly socialized agriculture will survive this revolution if it introduces the provisions of the reform without distortions. Some will say that we have had plenty of such revolutions. As a matter of fact, the PGRs have served as a permanent experimental field for the introduction of ever new, and sometimes conflicting, concepts. That is why it is not surprising that people approach this next experiment with mixed feelings. "Have they reasons for it?" I asked the deputy chief director of the Central Board of PPGR, engineer Zygmunt Zason./

Answer: Assuredly, they do. That is why changing their mentality is a most important matter: [there is a need for] such actions to build confidence and assure belief that this is not a short-term reform that will be supplanted by others. The Council of Minister decree that introduces the new economic-financial system, proceeds from principles adopted in the agricultural policy directives determined by the Politburo of the PZPR Central Committee and the Presidium of the Supreme Committee of ZSL [United Peasant Party]. The system is based on the concept of one agriculture in the entire Poland, divided at most into good and bad rather than into sectors. Oneness also means identical conditions for all.

What else characterized this reform? The principles of economics were based on actions tested for several decades in such a large sector of the economy as private farming. Hence, this is nothing new: the peasant operated on these principles, and we wish to do the same. Ever since the abolition of compulsory deliveries, private farming governs itself by exactly the same rules as those now proposed for PGRs.

Question: Since this is so simple, could it not have been done earlier?

Answer: No, it could not, for various reasons. We started to experiment in the early 1970's, and we already had a method, but--I do not know how to say it--it simply could not be done in the past. The entire economic lobby was convinced that Poland could attend exclusively to developing its industry, and that, on the basis of the principles followed by the Netherlands, Belgium and other such countries, it could produce goods--e.g., automobilies, color TV sets and many other showpieces--sell them and buy food from the proceeds. The development of industry rather than of agriculture was to become the basis of the prosperity of the entire nation. One thing was not borne in mind, however. Holland does indeed import a lot of food, but it also grows a lot of its own food; it makes substantial outlays for this purpose, invests in the food sector and assures the proper conditions for its smooth development.

Question: In retrospect, was it exactly these conditions that left so much to be desired in our country?

Answer: Precisely, it was. That is why we must provide real, competitive conditions and demonstrate the superiority of the socialized economy in action rather than in theory. Its superiority can be demonstrated once we base all agricultural production on cost-effectiveness analysis. We cannot operate as we did in the past when, for instance, it was decided that the state farms would plant rapeseed on 250,000 hectares because the peasants did not plant it.

Question: State farms have been acting as a life belt: what failed in private farming was repaired by means of directives in socialized farming.

Answer: Of course they have. Only if actual cost effectiveness is taken into account, along with proper utilization of the conditions on a particular state farm, will it be possible to compete with good private farmers. Gmina heads or reeves do not order peasants to get rid of sows and replace them with calves. Had they tried to do so, they certainly would have been threatened with wagon stakes and driven away. Yet on state farms decisions of this kind are taken quite frequently.

The new reform postulates two-level planning. At the central level will be plans-forecasts. Peasants [private farms] account for about 80 percent of the production. But what plans comprise them? None do. At most, a gmina has certain expectations based on control lists. If 80 percent of production can be planned on the basis of a forecast, why should not the remaining 20 percent also be planned on that basis? Thus, on the one hand is the plan-forecast and on the other, the plan for the state farm, since, pursuant to the adopted principles, it must conduct cashless transactions.

The comptroller of the state farm will be its financier--its bank. The annual plan is needed precisely so that it can serve as the basis on which the bank determines the financial performance of the state farm. In addition, there is a need for a long-range plan postulating directions of development based on available data. Plans of this kind serve as the basis for financing by the bank, which analyzes them and, in the event that the adopted premises are wrong, will comment something like "Sorry, but we do not like it. You are too extravagant, your income is inadequate. We are discontinuing our financing of you: we do not have money to throw away."

Question: Don't you think that the bank's role is too big?

Answer: It is by no means. After all, throughout the world the bankers decide on the economy. If a proprietor is a good manager and keeps a lot of money in the bank, for which the banker even pays him interest, the banker likes such an enterprise. Whereas, if another entrepreneur always borrows money and is in debt, the banker is distrustful toward him and has a great influence on him. We too should adopt this principle.

Question: Then what happens with the smaller, poorer, more modest enterprises? After all, they cannot obtain trust and developmental credits anywhere.

Answer: That is not important. Would you pay interest to someone who is shiftless and a poor credit risk?

Question: I would hardly. But what happens if such enterprises go bankrupt and are dissolved.

Answer: I will repeat: that is not important. We expect that. The bank says: "Your situation is bad. The plan is bad. Kindly revise it and submit a program for financial recovery, if you wish to be on your own." Then the entire crew, self-government or KSR [Workers Self-Government Conference] get together, draft a specific plan and submit it to the bank. The plan is evaluated by experts, who decide whether it is realistic and verify its fulfillment each year.

Question: In view of this, do we have that many experts at the banks and good experts at that, who will not make mistakes?

Answer: We have, not only at the banks but also outside the banks, as provided for in the decree. Consider the following provisions of the decree: "...the superior organization (and hence also the voivodship governor) may initiate an assessment of the performance of an enterprise at an earlier period--i.e., prior to the lapse of 5 years, since these 5 years represent the period for surmounting a difficult situation; 1 year is too short to assess the performance of a farm--if there is no improvement in financial performance, instances of mismanagement occur or the assessment is demanded by at least one-third of the employees or by the enterprise director. The findings of that assessment may represent the basis for submitting to the superior organization a proposal for recalling the director or carrying out a reorganization. The assessment of performance of an enterprise is carried out by a team whose members include, in particular, representatives of the association collegium, self-government of the crew, the financing bank and the superior organization."

This shows that the decision is not that of the bank alone. The bank is the principal alarm system, as it were, which perceives and notifies any irregularities. Your fears about weak enterprises are groundless. A weak enterprise must perform well, and that is the gist of the matter.

Question: Your farms will finally begin to operate on normal and logical principles of doing what is worthwhile and profitable instead of doing what results in a continuous deficit subsidized by the state.

Answer: Yes, I repeat, we are not introducing anything novel or revelatory. The enterprises will begin to pay attention to what is profitable to them. They will not be hobbled by any indexes and directives. Of course, for example, that state farms may have to supply underfattened 80-kg slaughter hogs due to the meat shortage. But if they do, it will be on the basis not of some compulsory principle but solely of the principle that if a 100-kg hog costs 86 zlotys per kg, the state farms will be paid, say, 100 zlotys per kg for supplying the smaller hogs. It is up to the individual state farm to accept this offer. Is not that some offer?!

If we put in order one thing--the principles of long-range, medium-range and annual operation--there still remains another, the question of what type of production to choose on the basis of known prices. If a private farmer finds some crop unprofitable, he ceases to grow it, whereas until now the state farms had no such freedom of choice.

Question: And the state farms had to be subsidized. What amount was reached by annual subsidies for the PGRs?

Answer: It was an extremely large amount. But let me put it differently. If the current new prices had been introduced a couple of years ago, we would have been operating at a profit of 30 billion zlotys annually, without any subsidies at that. This alone illustrates how everything has been turned upside down. I am telling you the truth: things have not yet been righted. Because if there is to be one agriculture, then the conditions must be the same everywhere. In reality, however, the burden of various fees and income tax per hectare is greater on state farms by a factor of 7 than on private farms. State farms pay about 2,200 zlotys and peasants, 300; this problem has not yet been settled by the reform.

Another problem that the reform will not solve solely by virtue of its introduction is the need to make people interested in good work. This concerns the entire motivational system. Our economy is publicly owned. In this connection, the interests of the state and, what goes with it, of every citizen must be protected. The personnel of the state farms cannot eat everything that they produce.

Hence, we expect that profits, the financial performance, will be the sole appropriate criterion for evaluating an enterprise. Of these profits 30 percent must be earmarked for the so-called development fund. An additional 10 percent must be earmarked by the enterprise for the so-called contingency fund to protect itself against lean years. The remaining 60 percent should be distributed among the personnel as a wage-equalizing element, the social fund, etc. In principle this is the only thing with which I disagree and have opposed wherever I could. There is one more limiting factor: 60 percent of profits, but not more than 60 percent of the wage fund. I consider this a misunderstanding, although generally speaking profits are a definite incentive for good work.

Question: But there also is the danger that all enterprises will concentrate on profitable production. There are rumors that most enterprises will concentrate on grain rather than on livestock raising.

Answer: That is true. But that is a different problem--a problem of prices. After all, state farms do not fix prices. The mistake is made elsewhere, since one thing is decidedly more profitable than another. This simply is directing the economy by means of economic parameters. If this is not done competently, the economy is in shambles. Thus, if milk production is more profitable than meat production, people will produce milk instead of pork, and conversely. But in Poland we need everything, and do you think that we are being menaced by overproduction of anything?

Question: I suppose not.

Answer: That is right. And I too do not believe it. Imagine that suddenly grain instead of meat is produced in this country. What will happen? We will sell grain and use the proceeds to buy meat. Thus, if state farms do what brings them profit, that is all to the good--that is the point. For example--and this cannot be said by the minister, because he is the minister, but I am free to say it--there is no sense to promote intensive fattening of cattle in Poland, because beef is for the wealthy. And we are not wealthy--let us not kid ourselves.

We must solve the meat problem as Hungary did--by [producing] pork instead of beef. The latter is tremendously "land-intensive": each kg of weight gain of cattle--or 60 decagrams of beef--requires 3.5 kg of feeds plus 7 units of fodder. In contrast, each kg of weight gain of hogs requires 4.5 kg of fodder, and the meat yield is higher--75 decagrams. Hog raising is profitable for us; much has been accomplished already in this field.

But everything has its limits, including meat production. We must be clearly aware of the extent to which meat production is profitable, taking into account the available domestic feed supplies. It is said that Poland cannot feed itself. But that is not true. Poland can feed itself, provided that we harvest 40 quintals of grain per hectare.

Question: Locally, on the state farms, fears of this reform are being voiced. It is even being said that this means throwing these farms into deep water to sink or swim. A comprehensive economic reform still has not been introduced, the traditional price relations still persist and there is no legislation on enterprises and self-government. Yet such a sick organism is ordered to begin acting under completely different conditions. People are afraid; they have suddenly become frightened by that idea of autonomy.

Answer: And what would a private farmer do? Answer me. All the time he acts and lives. For some 15 years now, ever since the abolition of compulsory deliveries, he acts, plans and lives. Why are the [state farm] directors suddenly afraid of everything? Then let them be directors no more. They must understand that subsidies have been discontinued forever. Let them produce what is profitable. Let me once more emphasize that we have not invented anything new. This system has been working for years; why should it fail on state farms? If a private farmer figures out that it will pay him to sign a contract for growing rapeseed, he signs it. If he figures out otherwise, he does not sign it. This is the gist of that whole philosophy. The three Ss--self-government, autonomy [samodzielnosc] and self-financing.

Question: How long will we have to wait for the results of the reform, to learn whether it succeeds?

Answer: We will see in 3 years. After that period the weak farms must either show a profit or be eliminated. There is a lot of work to be done immediately. What counts is not moaning, hand-wringing or looking to the top--because the top cannot advise anything now--but calculation, once more calculation and action.

Question: Thank you for the interview.

Interview, Gdansk Association Officials

Gdansk GŁOS WYBRZEŻA in Polish 6 Jul 81 p 5

[Interview with Zenon Krzyzaniak, director, Gdansk Province Consortium of State Farms, and his deputies, Stanislaw Lukowicz and Henryk Ossowski, by Jaroslaw Galikowski, no date or place given]

State farms are the first economic organizations to operate, as of 1 July, in accordance with the principles of the

economic reform being prepared. Early last June the Council of Ministers voted the "Decree Concerning the Economic-Financial System of State Agricultural Enterprises and Certain Consortiums of the Ministry of Agriculture." We interviewed Zenon Krzyzaniak, director of the Gdansk Province Consortium of State Farms, and his deputies Stanislaw Lukowicz and Henryk Ossowski about the nature of that decree and the manner in which it shapes the new look of state farms.

Question: Why were state farms selected first?

Answer: A beginning must be made somewhere. Presumably, the situation of the food market prompted this selection, since improvements on that market also require improvements in the agricultural system. Moreover, there is the conviction that farming is amenable to a relatively rapid surmounting of the crisis situation and attainment of positive results. Since we are the first, we shall in a sense be the trailblazers for the economic reform in the absence of the indispensable legislation needed for introducing that reform, such as a decree on worker self-government, a decree on enterprises, etc. This will cause problems when introducing the new economic-financial principles on state farms, since they will have to collaborate with enterprises operating on traditional principles.

Question: What issues have been regularized by the decree of the Council of Ministers?

Answer: First of all, this decree introduces full autonomy for state farms in determining the directions and size of production and selecting technologies adapted to the production and economic potential of the individual farms. Thus, the decree conclusively abolishes the mandatory directive-type system. The basic organization will be an enterprise or agricultural station that operates on the principle of cost effectiveness and prepares its own balance sheet.

Within the Gdansk PGR Consortium cost-effectiveness analysis had already been introduced early in 1980 at all agricultural PGR enterprises and combined farms, with the exception of the PGR Pruszcz Combined Farm and the Kartusa State Farm in Lezno. We have tried to develop these farms in regard to acreage and contiguity of lands so as to base their management on the "one-man" criterion; that is, so that they could be operatively managed by single individuals.

Question: Full autonomy means departure from centralistic multilevel management. In view of this, what will happen to the PGR Central Board and the PGR province consortiums?

Answer: The PRG Central Board was dissolved as of 1 July. As for the voivodship consortiums, they will exist until the end of 1981. They are to be superseded by voluntary associations operating at the voivodship level, whose function with regard to the state farms will be to provide services and consultation. The association council may be a kind of institution coordinating the activities of state farms in a voivodship.

Question: What happens to the subsidies [to state farms], especially the so-called objective subsidies, which have been so upsetting to private farmers?

Answer: Subsidies of this kind have been abolished. On the other hand, the decree provides for a system of purposive subsidies such as extra payments to state farms for the agricultural means of production that they produce, as well as for their processing of agricultural products, and also subsidies for non-production activity. The extra payments pertain to the production of mixed feeds and the processing of agricultural products to the extent and on the principles mandatory in the food industry. The subsidies are intended to offset the cost of maintaining social services on state farms, as well as the cost of housing, utility installations and repair of cultural relics and palaces, and also the remuneration for regular and on-the-job trainees. The system of purposive subsidies in no way distinguishes state farms from other state enterprises.

Question: The directive-type system previously mandatory in the management of state-owned agriculture used state farms for certain kinds of interventionist measures, which often caused these farms to operate at a loss. What happens to the interventionist function of the state farms?

Answer: State farms cannot continue to operate the way that they have done. Interventionist actions, which are not included in the enterprise's economic-financial plan, may be undertaken only on the basis of a voluntary agreement concluded between an enterprise and, for example, the voivodship governor. But then the recommending organization is obligated to provide the state farm with the necessary funds and resources to fulfill that agreement.

In this connection, the administrative jurisdiction of state farms has changed. They are being transferred from the central plan and budget to local plans and budgets. The distribution of the means of production for all sectors of agriculture, and hence also for state farms, will be handled by the voivodship administration. In accordance with the principle of the oneness of agriculture, we expect that the needs of state farms will be accorded equal treatment with the needs of other sectors.

Question: How will production tasks on state farms be planned and determined?

Answer: The fiscal year on state farms will continue as before; that is, from 1 July until 30 June next year. Prior to 15 May each year the administrative authorities (the voivodship governors) are obligated to provide state farms with information on the conditions of economic operation of the enterprise (rates or amounts of purposive subsidies, discount and indemnification terms for sales and purchases), as well as with the terms for the supply of the means of production, and also with figures or indexes on the supply of industrial means of production. The drafting of plans is based not only on these indexes but also on the 5-year state of available resources, such as specific soil conditions on which the productive orientation of a farm largely depends. The draft of the economic plan is subject to prior verification by worker self-government. The next stage in drafting the economic-financial plan of state farms is its submission for comments to the local branches of the Bank of Food Economy. Once the bank provides a positive opinion, the worker self-government votes to accept the plan.

Question: This implies that the role of the bank will be much greater.

Answer: Yes, it will be and not only in the planning process. The banks are also obligated to supervise the economic performance of the enterprises. The decree imposes on branches of the Bank of Food Economy the duty of monitoring the production-economic activities and progress of state farms, the more so since these farms will be able--and certainly will have to--avail themselves of [bank] loans, including investment credits, for their development.

Question: Full autonomy of management, without subsidies, means that the sole criterion for evaluating an enterprise will be its financial performance; that is, profits.

Answer: Of course, it does. And in a profitable enterprise, profits should suffice to pay installments on bank loans and to finance the bonus and social funds. Bonus-awarding principles based on the participation of the crew in the profits conform to the directions adopted in the draft of the economic reform. Such solutions should assure management efficiency and a rational utilization of production potential. Moreover, profits will also be used to set up not only the bonus and social funds but also the contingency fund and the fund for development of the enterprise.

Question: Will the new prices of livestock and milk, introduced as of 1 April this year, as well as the new procurement procurement prices of sugar beets and rapeseed, mandatory as of 1 July this year, enable state farms to maintain profitability of production? These prices were introduced to assure profitability of production on private farms. Yet, as is known, the production cost on state farms is higher than on private farms.

Answer: With the new principle of oneness of agriculture, it is not fitting to demand different prices for state farms. This, in turn, will compel state farms to undertake production that is profitable and most advantageous to them--just as has always been done by private farms. Will that benefit the state and society? We shall see. Presumably, certain state farms, even those with advantageous conditions for cattle raising, will switch from producing milk and cattle to raising hogs, that being more profitable. Some other state farms may completely relinquish livestock raising and concentrate on grain growing and fodder production, since grain and fodder are more profitable than the labor-intensive and costly livestock raising. However, the new prices stimulate the intensification of production and increase in productivity of both crops and livestock. We also hope that the predicted system of graduated prices, which allows for the increase in the production cost of agriculture, will make a greater allowance for the conditions of production on state farms.

Question: In your opinion, does the decree of the Council of Ministers on introducing the new economic-financial system on state farms--along with the decisions to raise the procurement prices of milk, livestock and crops, as well as the addendum to the collective agreement of state farm employees, which regulates wage conditions--provide the conditions for the full autonomy of state farms and assures them attainment of profitable operation?

Answer: Yes, it does but only on condition of the fulfillment of certain postulates proposed during the discussion on the draft of the new economic-financial principles of state farms. We include among such postulates the condition of the writeoff of the indebtedness due to investments. On some farms this indebtedness is so high that its repayment would take years and hence would have to reduce the eventual profits markedly and also the income of employees. Another issue is the equalization of the conditions of production, with allowance for the differing soil and climate conditions and technical equipment of different state farms. From this standpoint, the state farms in the northern provinces are worse off than, for instance, the enterprises of the Poznan and Opole PGR consortiums. The latter have better climate conditions than do the Gdansk and Elblag PGRs' as a result, they produce at a lower cost than we do. The PGR consortiums in the northern provinces have prepared an appropriate report on this issue. In that report, they demand certain compensations in this respect, such as a reduction in the land tax that the state farms must pay on the same principles as private farms.

The new economic-financial system on PGRs will undoubtedly require revisions dictated by socioeconomic practice. Hence, it is expected that certain of its principles will be reexamined after a year.

In conclusion, the new economic-financial system will compel the enterprises to actions intended to improve management efficiency. The results of these actions intended to improve management efficiency. The results of these actions will hinge on the attitude and work of the entire crew and management of each state farm. This offers a chance for thrifty, wise and honest people; there is no shortage of such people on the Gdansk state farms.

Interview, Grunwald PGR Director

Olsztyn GAZETA OLSZTYNSKA in Polish 10, 11, 12 Jul 81 pp 1,4

[Interview with Czeslaw Pogorzelski, director, Grunwald PGR, by M. Szczepanski, no date or place given]

As of 1 July a new economic-financial system, popularly termed the reform, is obligatory on state farms. The system provides the farms with full autonomy in planning the directions of their agricultural production, and it gives financial preferences to profitable farms. The abolition of the so-called directive-type indexes concerning the structure of plantings and the scope of livestock raising, as well as the [introduction of] substantial contributions to the bonus fund, is intended by the authors of the reform to promote an increase in production on state farms.

To determine the extent to which this reform will fulfill the hopes placed in it, I interviewed the director of the Grunwald PGR, Czeslaw Pogorzelski.

Question: I am discussing the reform specifically with you because the Grunwald PGR is one of the two state farms in this province to operate profitably.

Answer: After the balance sheet was verified, apparently ours is the only profitable one among the 22 state farms. Ours was not a big profit--barely 8

million zlotys. But in 1958, when I first became director here, our profit was 280,000 zlotys.

Question: Then for 23 years this enterprise never operated in the red despite its faulty organizational and management structure and despite improperly fixed prices?

Answer: As to the prices, I agree, but what did you have in mind when speaking of a poor structure of management and organization?

Question: I simply meant the restrictions on the autonomy of the enterprises. You received directives ordering you to plant a specified area and telling you how many head of cattle or hogs to raise. These directives ignored the actual grain harvest per hectare and the actual meat production. What had counted were only the number of hectares planted and the number of heads of livestock kept in cattle and hog pens.

Answer: Generally this was so. The state farms were overloaded with livestock. After all, keeping livestock in substitute premises was not conducive to good results. On our farm we had only one suitable livestock pen and we had closed it. The only pressure exerted on me was to increase the numbers of livestock. Otherwise, I was free of pressures.

Answer: But you did resist that particular pressure effectively. Several years ago I saw a letter from the province governing board declaring that your bonus was reduced for underfulfilling the plan for the procurement of calves.

Answer: But I did not waste calves for which I had no premises. Regarding the structure of sowings, I also did not apply the directive-imposed indexes. Who knows better what should be sown--the superior authorities or we who work in the fields?

Question: Your professional colleagues say that you could afford to nettle the authorities because you will soon reach retirement age.

Answer: I never nettled anyone. I have been working on the PGR for 30 years and my experience enabled me to convince my superiors of the wisdom of certain measures. On my farm, for instance, there is a bullpen for 450 head of cattle. They were going to build another bullpen nearby, designed for 700 head. I protested. My argument was that on this farm the standard is 120 head of cattle per 100 hectares of cropland. This sounded reasonable to the decisionmakers, and the second bullpen was not built. As for retiring, I still need 7 years for that. To those who believe that I did not fear to oppose the authorities because I'm nearing retirement age, let me answer with the proverb: a poor ballet dancer is impeded even by a flounce on her skirt.

Question: You indeed were not impeded by anything?

Answer: There was the impediment that, generally speaking, production on a state farm is difficult. There are shortages of equipment, personnel, fertilizers. On the state farm there are 7 people for every 100 hectares of land, whereas

in private farming there are 23 people for every 100 hectares. The private farmer will always have a lower production cost, because he does not have administrative expenses and no one pays him for work-free Saturdays, no one gives him paid vacations--which he does not take anyway--and he does not have to pay for social services. Thus, the reform will not result in reducing production cost.

Question: I conclude from our interview so far that your attitude toward the reform is, to put it mildly, indifferent.

Answer: It is because nothing will change on our farm. The processing plants on our farm already have full autonomy and operate on the basis of cost-effectiveness analysis. It could not be otherwise. If I were to visit once daily for 10 minutes all the hog and cattle pens, this would take me 7 hours, including travel time. Thus, production results depend not on the director but on the people who direct productive work. Consider this example: various chores are assigned to the milkmaids by drawing lots in order to avoid any privileged jobs, but nevertheless one milkmaid produces as much as 40,000 liters of milk more than her coworker under the same conditions.

Question: You're depreciating the director's role.

Answer: That is not true. I limit this role to control, consultative and coordinating functions. The processing plant director is responsible for production results and responsible to me as the chief director. I give him full autonomy but in return I burden him with full responsibility.

Question: That is exactly one of the aims of the reform.

Answer: Without the reform, such a division of duties and organizational structure also was possible. The reform does not introduce anything new, at least at our enterprise. We benefited from no subsidies because we have always operated profitably. The changes in procurement prices were introduced throughout agriculture; that is, outside the PGR reform. For us, one matter is essential. The bonus fund, contingent on financial performance, has been restored. If we operate in the red, the bonus fund will amount to 15 percent of the wages and if in the black, to 50 percent.

Question: This will prompt pursuit of profits at any price. That is, this will restrict costly labor-intensive production in favor of elementary production. For example, crop production will be developed instead of animal production. And this will conform with the regulations, because section II, point 1, of the reform declares: "The enterprise will plan its economic-financial activities on the basis of full autonomy."

Answer: I agree, such a danger does exist, and what will we accomplish then? I too am a citizen of this country and in my work I must bear in mind not only the interests of the enterprise; I cannot eliminate production that is unprofitable. As I pointed out, on private farms there are more work-hands; thus, labor-intensive operations should be performed there. This does not mean that state farms should discontinue such operations: they should grow sugar beets and produce milk but only under the right conditions. Do profits have always to be high? They hardly do. In order to count the money, that money must first be

brought. Throughout the world, agriculture is subsidized. In this country the subsidies need not be in a financial form. Instead, machinery, fertilizers and pesticides should be priced lower. But in the present situation is industry able to supply sufficient quantities of the means of production for agriculture? Unless this happens, agriculture, in turn, will not supply industry with raw materials.

Question: You mention issues that the reform will indeed not solve. But let me give you an example of waste due to restrictions on the director's independence. On one state farm some 15 hectares of potatoes were dug up. Laborers from outside the province were brought in for the harvesting. However, they demanded such high pay that it exceeded all tariff lists. As a consequence, the laborers returned home and the potatoes froze on the fields.

Answer: It is easier to blame others. To me this is an example of simple mismanagement. Every state farm director has at his disposal 10 percent of the wage fund for defraying nonstandard operations and can pay any rate that he desires so long as he does not exceed the wage fund. At our enterprise, contrary to the common custom, the combine-harvester operators get paid not per hectare but only for the amount of grain harvested. We tend to look for causes of the deficit operation of state farms in external factors, in faulty administration and in poor organizational structure, whereas the root-cause is poor management. One must be born a farmer, have a feeling for the soil and be able to calculate on the field instead of behind an office desk. If someone provides 300 kg of potash when only 150 kg is needed, assigns seven people to an operation requiring only three, or uses a Caterpillar tractor instead of a light tractor, he will never achieve a low production cost. In such cases we should look for the causes of losses without identifying them with methods of administration. Agriculture tolerates any reorganization poorly. Every radical change affects production adversely.

Question: Am I to understand that you are an opponent of the reform?

Answer: I am neither an opponent or proponent. At our enterprise no changes will occur in internal organizational structure. For other enterprises this reform may be beneficial, but only if it is properly introduced, if the directors desire not only to make profits but also to supply socially necessary products. It is said that, [under the new reform] if a director does not prove himself within 3 years, he will be recalled. But how much harm might he cause during those 3 years? There is a need for external control: this function should be exercised by the associations that are going to replace the consortiums of state farms. Such associations should also serve as liaison between the ministry and the enterprise; as for the consultative function, it is not as important.

Question: People differ and so do directors: some, like you, base their activities on common sense and others, on directives. The Grunwald State Farm is not the only profitable enterprise, but it appears to be one of the few where cows receive concentrated feeds year-round and the locally grown fodder supplies last till the end of August. I believe that your indifference toward the reform is grounded in that, by simply being a good manager of the enterprise that you direct, you already preempted the basic premises of the reform. What is to others a novelty, to you is daily bread.

Answer: Perhaps that is so. But let us not delude ourselves into thinking that any reform will change things to the better without good performance at every working post. Autonomy requires a deep feeling of responsibility.

Views of Gizycko PGR Director

Warsaw PRZEGLAD HODOWLANY in Polish No 10, 16-31 May 81 pp 2-4

[Interviewer: Edward Lewandowski]

[Interview with Mieczyslaw Zietko, Gizycko State Farm director and Diet deputy]

[Text] [Question: In this period of assessment of the gains and losses of economic development in this country, a large number of people put state farms on the negative side of the balance sheet. A characteristic voice confirming the scale of this criticism of the socialized sector of agriculture was the opinion of one of the Diet deputies that the wave of that criticism is clearly aimed at dismantling the state farms. You are a PGR director and a Diet deputy and hence you surely have directly heard these opinions. How did these opinions come to be so numerous?

Answer: I myself would like to know that. These opinions on such a large scale appeared suddenly. Until recently the mass media showed good PGRs and producer cooperatives and presented the significant contributions of the socialized sector, with television showing interviews with PGR directors in the regular show "Sam na Sam" ["Person to Person"]. And suddenly, all at once, all this was turned upside down. I have no idea as to the origin of these tendencies and am curious myself to know who actually desires, in the words of that deputy, the dismantling of the PGRs.

This may have been due to a large number of factors. A principal factor is, of course, the general shortages on the food market, for which the socialized sector is chiefly blamed. This has been exploited by certain elements among whom persists the temptation to eliminate socialist enterprises in general. They may be a handful of people, but they are highly effective, and they have skillfully conducted in the mass media propaganda about mismanagement on state farms; this fell on fruitful soil among the public with its increasing feeling of hunger.

But is that so in reality? In general can agriculture alone be blamed for such great food shortages? Surely it can not. And the readers of PRZEGLAD HODOWLANY hardly need be convinced of this.

Within the framework of that poor agriculture, the socialized sector took over the obligation of developing animal production, since, due to the steady decline in the profitability of livestock raising each year, the peasants abandoned it. Hence also, in recent years, the socialized sector, which owns 25 percent of land and raises 30 percent of the livestock herds, produced 35 percent of meat, 47 percent of grain, 57 percent of rapeseed and 90 percent of seed grain and pedigreed livestock of the entire agriculture system. These data are a clear rebuttal to the arguments of the enemies of the socialized economy, who claim that the socialized sector is precisely to blame for the bare state of the food market.

Question: I agree, but the main criticism focuses on the inefficiency of that production. It is simply claimed that the outlays made on production in the socialized sector would have produced much greater results if spent on private farming.

Answer: Those claims of inefficiency are to a large extent demagog. Who has completely calculated the production costs? It has been calculated and said that peasants [private farmers] produce 1 kg of hogs-on-hoof for every 2 kg of concentrated fodder. Sure, it is from 2 kg of concentrated fodder, but this is supplemented with 8-10 kg of potatoes and often with various other types of fodder as well--whey, green fodder, garbage.

I am aware that [the shortage of] concentrated fodder, and chiefly high-protein grain and fodder, limits animal production. But a single factor should not be employed in such a serious discussion. Other factors are as important. Grain is grain, but if the balance sheet of livestock fattening is properly calculated--that is, from the standpoint of the consumption of protein and oats units for the weight increment of livestock--it will be found, I suppose, that state farming is more efficient.

Since today 1 kg of potatoes costs 10 zlotys on the market and 1 kg of grain costs 5 zlotys, it is not difficult to calculate which type of fattening is more efficient. Those potatoes used to fatten hogs often are--I don't know why--calculated too low in production costs, considering that usually their price is higher.

Hence the profitability of fattening with grain is higher than that of fattening with both grain and potatoes--of course, provided that grain is properly utilized. Hence, hogs-on-hoof are efficiently produced on state farms.

Since the issue is that the peasant can supposedly produce and use 2-3 kg of concentrated fodder per kg of slaughter animals at a lower cost, let us explore it further. What peasant is this? The calculations pertain to those small farmers and farmer-laborers who have abandoned all livestock raising. No hogs at all are raised on nearly 1.1 million private farms, especially those in the 0.5-2 hectare size group, because these small farms have been deprived of concentrated fodder, coal and access to contractual transactions. Yet only on these small peasant farms is it possible to fatten hogs with such a handful of grain, because it is supplemented with various secondary fodder and garbage.

As for the policies of the state, they were directed not at these small farms but at large, specialized and consolidated farms, which chiefly fattened hogs with concentrated fodder. As it turned out, these agriculture policies were mistaken.

I'm not, of course, claiming that production on state farms is cheaper than among peasants. No, certainly it is more expensive. But let us consider this more closely, using as an example the enterprise that I'm directing. Our farm has 10,000 hectares, of which 9,200 hectares are cropland. Our means of production are new, not modern but recently acquired. They are not always functional, and their design and technological solutions are not always the best, but they always are expensive. Above all, construction, machinery, tractors and combine-harvesters

are expensive, even very expensive. I'm not exactly sure how the IER [Institute of Agricultural Economics] assesses the substitution of direct labor with indirect labor on our farm, but I am certain that here it is more profitable to mow with a scythe than with the expensive equipment that we operate, since the cost of that equipment weighs too heavily on the production cost.

Thus, all depends on the point of view. Given the manpower shortage in agriculture, the productivity of state-owned agriculture is much greater. On state farms 12-13 persons are employed per 100 hectares--the national average, whereas at my enterprise the average is only 9--and on private farms the national average is 26-27 persons per 100 hectares.

State-owned agriculture is heavily burdened by the cost of social services, which is not included in the production cost of private agriculture. My enterprise maintains five preschools, five dining rooms, a rest home for 70 persons, seven book and periodical clubs, a butchery and a meat-processing establishment. The butchery, for example, loses about 3 million zlotys due to the marked difference between the prices of slaughter animals and the retail prices of meat. We conduct varied sports and artistic activities, but these cost money and burden the production cost.

A factor contributing to the lower economic efficiency, as this term is commonly understood, of state farms has been the role that they play in intervening in agriculture. This interventionism was convenient to the state, since it could plan certain crops or directions of production. State farms must often drop everything and come to the rescue of the market when peasants stop selling and await price changes. Last year, even before the price rise, we delivered 720 tons of potatoes, which included--due to the market collapse--450 tons of high-grade, edible seed potatoes. Such was the need. The directive arrived and the potatoes had to be surrendered to the market regardless of their quality.

When television showed a report on the Diet session at which Deputy Jerzy Bukowski criticized the ministers for disturbances on the piglet market, we on our farm at once decided to deliver to the butchery young hogs weighing 86 kg and, to replace them, we bought piglets and boar cubs from private farmers. I hardly need describe how unprofitable it was to terminate the fattening of these young hogs so prematurely: I lost 1,300 zlotys on each of these hogs. This loss can be plainly seen from a cost-effectiveness analysis, but it should be differently evaluated from the civic point of view. It was better for the state farm to produce the meat, even if it had to cost extra to produce. If state-owned and private farming--which are not always governed by the same economic laws--exist side by by side, the need for state farms to intervene will always exist.

Question: But the draft of the reform of the economic-financial system of state farms, which is effective as of 1 July, specifies complete planning of production at the "grass-roots" level, without directive-type indexes.

Answer: Do not believe it. It isn't true. If there is a poor harvest or the price mechanism jams again, production duties will surely be imposed on state farms. But I don't wish to dramatize this. Such a policy certainly causes much

trouble to state farms, but on the scale of the entire nation this pays off. What other way out is there? Would it be acceptable, for instance, to import potatoes? This might have been necessary had not the state farms during a certain period been obligated to deliver potatoes.

All the same, last year demonstrated how greatly the agricultural and food industry has been neglected in this country. For 2 years we had bumper harvests of potatoes. Then what happened? A lean year arrived and it turned out that the country completely lacks reserves of potato flour, syrup, starch and French fries. It is said that private farmers hoard grain or potatoes. But who will calculate how much of these reserves is being wasted due to improper storage conditions.

Question: Could you specify the directions of production that are unprofitable, and could you tell which of these directions you would abandon if you yourself were able to decide on and plan production solely from the standpoint of financial performance.

Answer: I would first eliminate all animal production. But what would be the result for society? Livestock and milk have been completely unprofitable. I would chiefly concentrate on crop production. Formerly I had 43 head of cattle and 10 hogs per 100 hectares on this farm; then it was profitable and I did not need any subsidies. Production was largely simplified--chiefly grain and rapeseed, plus a little animal production based chiefly on local green fodder. At the time, I employed half as many people as I do now on the farm. The entire field production was comparatively well mechanized. In effect production was simple, employment was low and income was high.

Now that I have on the farm 90 head of cattle and 70 hogs per 100 hectares of cropland, while at the same time the production cost is high due to, among other things, the extremely high cost of construction, production has become unprofitable. The large numbers of livestock per area unit requires hiring a large number of employees, which, naturally, requires providing various social services, which are included in the production cost. If the results are evaluated not in terms of simple cost-effectiveness analysis but in terms of benefits to the state as a whole, then this production certainly pays off.

When I started work at this enterprise 8 years ago, it produced 430 tons of slaughter livestock, while now, given virtually the same size of land, this production has increased to 2,200 tons, plus 200 tons for the needs of employees. In the beginning we did not handle livestock raising, but now we sell 400 heifers for breeding purposes annually, including 200 to private farms. This production is more costly, yet it is so important that it cannot be assessed in terms of its cost alone. And surely it pays off for the state.

And besides, who ever has calculated costs on private farms? When I myself once calculated these costs, the results proved to differ from those generally accepted for all sorts of comparisons. On a 5- or 6-hectare private farm where four or five cows are raised and two persons work, the milk production cost --the actual cost to the peasants--was 13 zlotys. Of course, it is possible to deduct from this cost the value of the cowpen and to assume the price of green fodder at 10 rather than 50 zlotys per 100 kg, as is indeed the case; then the milk production cost will certainly be lower, but even then it still will be

lower than actual. It is also lower due to varying remunerations for labor, whereas the remuneration for labor should be the same as on state farms.

Question: Despite the existence of two agricultural sectors with greatly different production conditions in this country, can the uniform system of procurement prices be advantageous to all producers?

Answer: Perhaps it can. But all sectors must receive equal treatment. It is said that, after they deliver the designated quantities of production, private farmers will be able to sell any surpluses on the market at free-market prices. But why can only private farmers do so? If there is to be equal treatment, state farms also should sell on the free market. I deliver 2,200 tons of slaughter livestock; I could deliver 1,000 tons and sell the remainder at free-market prices.

Private farmers who do not receive fodder get the equivalent of 300 zlotys per 100 kg of fodder not received. This does not apply to state farms. What is more, state farms lack the fodder needed to feed their livestock herds, whose size was imposed on them by directives. At my enterprise the recent grain harvest averaged 3 tons per hectare, whereas last year we harvested only 2.3 tons. That is why we are short of fodder, since our livestock herd is the same as in the previous years. Initially we were allotted 1,200 tons of concentrated fodder, but we have not received it. But we have to deliver slaughter livestock. I am giving these examples not to convince anyone that private farming receives more privileges. No, certainly, more funds have recently been allocated to state farms [than to private farms], although this should not serve as a general reproach to state farms. I am giving these examples to enrich the picture and show that no one has a bleeding-heart attitude toward state farms.

Question: Any reticence about state farms will certainly end once they are deprived of budget subsidies for final net production and for expansion. According to available published data these subsidies reached 33.8 billion zlotys in the previous farming year. Now cost effectiveness will have to be more closely examined along with unit cost, because deficit operation can no longer be concealed.

Answer: Because of these subsidies, state farms receive the most criticism. But is that fair? I have already mentioned that on state farms not only production is a burden but so are social services for their personnel. In addition, state farms are building the whole complex of rural infrastructure--from which private farmers also benefit. The socialized sector plays an important role in the whole of agriculture; i.e., it handles the raising and reproduction of certified seeds and breeding animals, which benefits the entire Polish agriculture. How many deficit-incurring types of production had to be conducted by state farms whenever the production of private farming began to waver and the state farms were ordered to patch up these holes? Besides, state farms are not responsible for laming the economy. For example, last year we purchased potatoes for the distillery at 200 zlotys per 100 kg; from each 100 kg we produced 8.5 liters of alcohol, due to the extremely low starch content of the potatoes. Add to this the cost of barley, labor and depreciation--and the price of that 8.5 liters of alcohol reached 300 zlotys. Now we are being ordered to pay private farmers an

additional 200 zlotys per 100 kg of the potatoes purchased in the fall, so we are operating in the red. Such directions in production that are either barely profitable or not profitable at all must be pursued by state farms frequently; this includes, as I noted earlier, all animal production.

While state farms are reproached for receiving subsidies for their production, the subsidies paid to private farmers are rarely as consistently written about or mentioned. And yet all the services of the tractor and machinery stations and the feeds industry, which are largely subsidized, chiefly serve private farmers. The cost of the construction of farm buildings is largely amortized, as is the purchase of breeding animals. Hence, private farming also receives subsidies, though in an indirect form rather than in direct for-production form.

Question: Do state farms purchase machinery and other means of production--e.g., fuel--at lower prices than those paid by peasants?

Answer: That is far from it. State farms acquire machinery and equipment at the same prices as peasants. This also concerns fuel purchases, because what gasoline station would sell gasoline or crude petroleum more cheaply? Of course, if we purchase fuel wholesale, we pay less, but then we also pay the cost of transportation of the fuel and of the maintenance of a fuel station at the enterprise, so that ultimately the cost of such fuel is the same as in retail trade. I don't know where the myth came, that state farms have been acquiring means of production at lower prices.

Question: Whenever the instability of agricultural policies is mentioned, the inadaptability to private farming is meant. But have those policies been favorable to state farming?

Answer: State farms have not been protected by any umbrella. We received more resources than did private farms, but that was inevitable, just in view of the much greater needs from considerable differences in employment and acreage tilled. A private farmer may till his small plot with simple implements, but that is impossible on a state farm. Despite these apparent privileges, everything has been scarce. I myself for 3 years have been unable to buy conveyor-type diggers and fertilizer spreaders. Of the 26 combine-harvesters, 5 are malfunctioning because of the lack of spare parts. This applies to many other machines and automobiles. Last year 45 percent of our fertilizer demand was satisfied and even that modest amount had to be obtained with the aid of various machinations, if not outright theft.

I honestly cannot see how state farms receive any privileged treatment other than subsidies. Our production conditions have been as difficult as those of private farms.

Question: These difficult production conditions were, so to speak, created by the state farms themselves. Consider, for example, their excessive development of livestock raising, which is very costly and technically imperfect.

Answer: At my enterprise, two cow farms have been built, one designed for 800 cows, of the Nakomiada type, which is already in operation, and the other,

UO-500, which will be filled with cows this year. We have already gained some experience with the first farm. This farm is indeed ill conceived; it can yield substantial production, but at much higher cost. The PGRs have been developing livestock raising on special farms, because this could result in a rapid increase in the livestock herds, which was in turn related to the growing demand of society.

I also wanted to build that cow farm for these reasons. We had had few cows at our enterprise, and we were loaded with reproaches that we selected easy kinds of production and avoided livestock raising. At that period I heard that 800-cow farms were being built in the GDR and proving their worth. Unfortunately, I did not have the chance to travel to the GDR and become familiar with this type of organization for milk production. It is said that the mean milk yield reached there averages 4,000 liters.

Hence, we settled upon the cow-farm method of cattle raising at our enterprise. At the time there was no experience on this subject and, as known, in the initial period, the propaganda atmosphere in that respect was very good.

Today it is different and the results of the production reached on these cow farms proved to diverge greatly from the expectations. So we needlessly switched from enthusiasm to total criticism of cow farms. However, a high productivity can be reached on cow farms. Priority would have to be given, however, to combatting cattle diseases. New diseases continually invade the herd so that cows have to be rejected and it is difficult to attain good performance. Setting up an entire system is needed to prevent the invasion of diseases, beginning with the pasture-alcove raising of the animals, their irradiation, etc.

On the cow farms a rapid exhaustion of the environment is observed, and this provides favorable conditions for the spread of diseases and deaths of the animals. But I do not know how this can be changed and how these preventive systems can be introduced when I myself cannot employ a veterinary physician who would handle all this at my enterprise, which has 1,100 cows and 1,000 head of other cattle. On such a farm a full-time veterinarian would have plenty to do. But the organizational system of the veterinary service is extremely hidebound and veterinarians are interested in a high mortality rate of livestock because then they earn more. If I had a veterinarian on my staff, I would award him bonuses for reducing the disease rate and death rate, for preventive medicine.

Question: Mr Director, what is your opinion concerning concentration, whether of land or of production? It is usually believed that the concentration of land and production is the way toward increasing the effectiveness of production on state farms.

Answer: When this concentration was initiated in the early 1970's, I was its outspoken opponent. But this was carried out nearly by force, with the establishment of structures such as WPGR [specialized state farms] or combined farms, which accelerated this concentration. In its present form the enterprise that I direct has been formed from seven small, autonomous enterprises.

We combined farms into specialized farming centers, concentrating technical and service facilities within separate centers that represented a kind of superstructure acting for the entire enterprise, such as a central transportation

fleet, central machine shops, a repair and construction brigade and a social services center. Today, after years of experience, I believe that we have developed a good, functioning future.

Within our enterprise we maintain seven agricultural centers, ranging in land area from 800 to 2,000 hectares. These centers have not previously operated on the basis of autonomous accounting, but this will be changed 1 July. This change will, however, entail major complications because the centers are highly specialized and mutually coproducing; production ties are considerable and it will be difficult to separate the individual centers financially. This happens every time there is a reorganization. First, the structures were adapted to the mandatory organization of the enterprises, and now adaptation to new conditions is needed.

The enterprises that we have developed can be managed properly; we are not losing control of their production. These are not just words, as confirmed by the tremendous increase in production at our enterprise despite the relative stability of the size of its lands. Seven years ago we produced 400 tons of slaughter livestock, but last year we produced 2,200 tons. In the 1978-1979 year we reached a final net production of 145,000 zlotys per employee. Last year it was worse, but that was the year of catastrophically poor grain and potato harvests; this index fell to 115,000 zlotys per employee. These results indicate that we have mastered our production, given the previous organization of our enterprise.

Question: How would you assess production conditions at your enterprise and its evolved structure of production?

Answer: Our crop production is properly adapted to the local soil and climate conditions. However, water management is considerably neglected. The whole area has supposedly been reclaimed, but the reclamation, performed primarily before the war, is in a state of extreme neglect. There has always been a shortage of funds and processing capacities at the regional water and land-reclamation enterprises. Properly speaking, the modernization of reclamation facilities already is experiencing a lag of about 20 years. With our own resources we are only able to counteract sudden emergencies, whereas any large-scale reclamation would require experts and additional funds. Many fields need to be reclaimed, and there are many terrain obstacles whose leveling and removal require tremendous funds, which have always been lacking.

As far as potential is concerned, improvements in water conditions and reclamation of cropland could contribute most to the production potential. This has, of course, nothing in common with noninvestment reserves and necessitates substantial investments. This especially concerns grasslands. Releasing the grassland reserves would enable us to reduce markedly the large share of fodder crops in the structure of sowings. At present grain accounts for 48 percent of the sowing structure; fodder crops, for 30 percent; and rapeseed and root crops, for the remainder. That 30 percent could be markedly reduced by improving the production conditions on the 4,000 hectares of grasslands, which account for 40 percent of all agricultural land on our state farm.

Speaking of reserves, improvements in water conditions and the reclamation of agricultural lands [would result in] a closed cycle of animal production. So

far we have had to acquire 50 percent of our boar cubs from private farmers: I do not need to prove to PH [PRZEGLAD HODOWLANY] readers how greatly this raises production cost. Yet I have been vainly trying for years to get a larger sow-pen built on our state farm. The same applies to calves: we intend to augment our cow herd further in order to raise all the calves that we need.

Question: Thank you for the inverview.

Situation in Wroclaw Voivodship

Warsaw CHLOPSKA DROGA in Polish No 53, 5 Jul 81 p 3

[Article by Elzbieta Eysymonit]

/From Bulletin No 10 of the Lower Silesian Trade Union of Agricultural Workers:/ "...on state farms, experts who knew that a given farm could feed a thousand head of livestock were ordered to feed 2,000 or 3,000 when, for example, the livestock population of the peasants had declined and state farms had to make up for this gap regardless of the cost. Thus, the animals died and fodder had to be brought in from other voivodships. But the minister, the consortium and the voivodship governor ordered the maintenance of this size of the livestock herd, and whoever failed to implement recommendations of this kind, conflicting with the principles of agriculture, was simply considered unfit. Whenever the national balance sheet indicated that too few sugar beets or potatoes or too little corn had been planted, it was recommended to the state farms that they make up such shortages. State farms lacking personnel to till the land were told to acquire additional lands scattered in various areas. No one asked whether state farms could afford to include these lands in cultivation.... Such a system resulted in the wrong kinds of grain being planted in the wrong areas in order to fulfill the plan. Similarly, construction was of the wrong kind, conflicting with agricultural engineering."

Investments in Growth

The Trzebnica State Farm in the Wroclaw Voivodship was to dominate the economy of its region. It was to own 80 percent of the land and cultivate 30,000 hectares. Little came from these calculations, however, and the PGR encountered rough sailing. It could not avoid this, since it had built too many livestock pens and overcrowded them with livestock, while at the same time it had neither enough attendants nor enough fodder.

To feed 150 head of cattle, 140 hogs and 50 sheep per 100 hectares, the sowing structure had to be changed completely, crop production had to become nonmarketable and a nearly total conversion to fodder production had to be carried out. The enterprise began to cause tremendous losses, first, because the low prices of slaughter livestock and milk did not assure the profitability of animal production and, second, because the transfers of personnel from crop production to animal production resulted in a much worse cultivation of every hectare. There was no manpower influx, because the new facilities were not complemented with housing and the old housing stock was not renovated, since nearly all of the construction and repair facilities of this state farm were committed to building livestock pens.

The farm grew richer in land but poorer in traction equipment. The weakest of the farming centers subordinated to the Trzebnica State Farm--the center in Nowy Dwor--was in the last 10 years augmented with 1,560 hectares of soils not of the best quality, while during the same period its tractive equipment decreased from 15 to 14.1 units per 100 hectares. According to calculations by IBMER [expansion?], the farms subordinated to the Wroclaw Consortium of State Farms should operate 26 traction units per 100 hectares instead of the current 19.6.

I was told by Tadeusz Smyk, the director of the Trzebnica State Farm, that that farm was "overcrowded with livestock," and his opinion was shared regarding all state farms in the Wroclaw Voivodship by Wladyslaw Kotowicz, deputy director of WZPGR [Voivodship Consortium of State Farms].

The Time of the Reform is Coming

And along with it, changes in the system of management of state farms also are coming. As of 1 July state farms will have a free hand in making production decisions. To continue operating, they must be profitable, because the period of subsidies, privileges and directive-type management from the top is coming to an end.

Already at the beginning of this year most state farms, including all state farms in the Wroclaw Voivodship, began preparations for the reform. In other words, they began to adopt decisions favoring profitability. The changes proceeded in three basic directions: reduction--sizable at that--of the livestock herd, increase in the acreage planted with grain and rapeseed, and trasnfer of unsuitable lands to the disposal of the gmina heads.

The principal criterion for regularizing the livestock herd is the removal of livestock from all unsuitable premises, the staffing of working posts in accordance with technological requirements rather than at a rate three times as high as sometimes needed and improvements in the basic herd.

The Trzebnica State Farm intends to staff only those working posts at which a 500-gram daily weight increment of the hog herd and a 750-gram daily weight increment of the cattle herd can be attained, and also those at which 3,500 liters of milk can be obtained annually per cow, upon consumption of concentrated fodder, according to the standards. Altogether, plans are to reduce the number of staffed working posts by 40 percent. Even now hogs, fattened cattle and cows are being delivered to the butchery without being replaced with new livestock.

I was told by Director Tadeusz Smyk that the reduction in the livestock herd would enable the farm to become independent of the purchases of livestock--and we all know what losses these purchases have caused--and to have sufficient quantities of fodder, as well as to expand the cultivation of marketable crops. "We want our sowing structure to include up to 50 percent of grain, 8 to 10 percent of rapeseed and up to 10 percent of root crops. We will abandon growing corn in favor of growing leguminous crops, as well as clover and grasses. We intend to convert the ineffective livestock-penning structures to storage areas and machine shops. For some others the purpose will be changed but they will continue to be used for animal production; e.g., the center in Blizocin will be converted to a sheep-farm."

A separate problem is land management. The Trzebnica State Farm has released 777 hectares to the gmina heads. Buyers have been found for only 187 of these hectares. /Nearly 500 hectares represent unwanted land. On the scale of the voivodship consortium 4,468 hectares were offered for sale./ Last spring private farmers purchased 1,543 hectares, and this coming fall they will be willing to buy an additional 1,081 hectares. The future of the remaining 1,800 hectares is uncertain. Private farmers would willingly buy land of the best quality, but state farms want to get rid only of their worst lands. At the consortium I was told about gminas in which even the worst plots of land were purchased by farmers, as in /Milicz, Cieszkow, Krosnica and Twardogora/--and of gminas where the transactions progress slowly despite the interest shown by farmers, as in the region of /Zmigrod and Obornik. /

From the Windows of the Voivodship Office

From these windows the reform cannot be clearly seen. Although my visit to Wroclaw preceded 1 July by almost 4 weeks, the voivodship authorities had not been officially notified that state farms are being transferred to their care. Of course, this topic has been mentioned at various debates, and the premises of the reform can be read in the press, but no dispositions on this subject have been received by the voivodship office.

In the opinion of the director of the Department of Agriculture, Food Management and Forestry, /Andrzej Kontek/, the problem perhaps is not that big, because many matters such as land management already have been handled by the voivodship office for all sectors of agriculture. Nevertheless, it would be good to know at least a month in advance the new system of relations between state farms and the voivodship authorities.

But let us return to the changes that state farms are already introducing. According to an estimate by the department, the hog herd will be reduced by 30,000 animals; the cattle herd, by 11,000; and the cow herd, by 2,000. /Already a decline in the commercial production of milk on state farms has made itself felt--by 12.5 percent at the end of May alone, whereas on private farms milk production has been higher than a year ago. By the end of the third quarter a still greater decline in animal production is expected. Later, however, an increase should be recorded./

As for land management in the voivodship as a whole, socialized farms expressed their readiness to transfer to private farmers more than 9,000 hectares. This is only the beginning, since the Voivodship Congress of Agricultural Circles and Organizations has decided to disband ZGR [Consolidated State Farms] so that an additional 6,000 hectares in the gminas with the worst soils will be released for sale.

The demand for quality land continues. Wherever possible, state farms have cooperated with the private farmers and transferred to them certain plots of truly quality land. The situation is not as good--or, should we say, is truly bad--with respect to the utilization of classes 5 and 6 of land. The voivodship authorities support the view that these lands should be chiefly transferred to

private farms where such soils should be best utilized. Various incentives are applied, such as lower or zero land sales taxes or deferment of payments to the old-age pension fund, as well as of taxes. Recently the ministers of agriculture and finance have been asked to cancel taxes and fees (tax, old-age pension fund payments and PZU [State Insurance Fund] payments for low-class lands. If this is not enough, if enough people are not willing to buy these lands, the state farms will unfortunately continue to till them. After all, the land cannot be allowed to lie fallow.

But the problem is greater with the ZGR lands. The disbanding of these farms has been decided; thus, they will no longer continue their interventionist activities. But the disposal of the livestock-penning structures on these farms will be a problem. The smaller facilities of this kind can be easily--if only in view of the price--sold, but private farmers are not likely to buy the larger, industrial-scale facilities, first, because they cannot afford them and, second, because it is not always possible to develop production on such a large scale. State farms, too, are reluctant to acquire these structures, also for at least two reasons: price and the fact that, as a rule, there are no accompanying housing facilities for the attendants. PGRs are being asked to take over, along with these structures, the bank debts of ZGRs, but they, on their part, would only be willing eventually to pay the actual value of these structures, considering their already considerable extent of depreciation. If no buyers willing to use these livestock-penning structures for the original purposes are found, the authorities anticipate selling these facilities to nonagricultural institutions, which could use them as storage depots, warehouses, machine shops, etc.

/I dwelled only on the most essential of the many problems to be solved by state farms and voivodship authorities in connection with the approaching reform of the operating system of state farms: the problems of reducing the livestock population and utilizing land and livestock-penning facilities. Against this background, I have my doubts./

A reduction in the livestock herds is a necessity from the standpoint of state farms, and it is not surprising that the pertinent decisions are being made. On the other hand, if this matter is viewed from the standpoint of national welfare, such a reduction in our present situation is just as obviously undesirable. Must improvements in management efficiency on state farms inevitably entail such consequences? Must such a high price be paid for these improvements? Perhaps there is a possibility to alleviate the situation; what matters is who is to attend to it.

State farms sell slaughter livestock weighing relatively little--due to the fodder shortage, as is known. Would it not be expedient to sell that livestock to private farmers, who would complete its fattening and sell it after it weighs more in the fall? This also concerns cows. I do not mean that a cow growing barren in a state-farm pen would turn into a gusher of milk once it is sold to and fed by private farmers. Perhaps private farmers might want to the take the chance and buy from state farms those cows destined for slaughter. The risk is not that high; even if the cow were to remain barren, it would still be better fed [on the private farm] and attain a higher slaughter grading.

I am not surprised that the state farms are unwilling to take over the structures and debts of ZGRs. Once it comes to relying on oneself alone, the personnel of state farms are tight with cash. But should these buildings be allowed to decay from disuse? Perhaps they should be inventoried, and the debt for the more productive facilities of this kind should be written off?

I am not sure whether a system of additional incentives should be provided for private farmers who undertake to utilize poor-quality land. I am convinced that a private farmer will squeeze more from "unwanted soil" than will a state farm. Then it will no longer remain no-man's land.

1386
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FOREIGN TRADE PLAN CALLS FOR INCREASE IN EXPORT ACTIVITY

Bucharest REVISTA ECONOMICA in Romanian No 35, 28 Aug 81 pp 13-14

[Article by Ion Stanciu, deputy minister of Foreign Trade and International Economic Cooperation]

[Text] During the 1981-1985 period, the major objective of foreign trade--established by the Directives of the 12th Congress of the RCP and confirmed by the decisions of the plenary sessions of the Central Committee of the RCP of October and December 1980, as well as by the Second Congress of Workers' Councils--is the achievement of an active trade balance which will assure an equilibrium in the balance of foreing payments, and consolidate the country's currency reserves.

The foreign market situation is unfavorable for the development of trade. The large increases in crude oil prices require exceptional currency efforts on the part of importing nations, and have created in some western countries strong economic recession phenomena, stagnation and even retrogression, inflation, and unemployment. In attempting to hold back inflation phenomena, the industrialized nations have established exhorbitant interests in banking and finances, which at times--for dollar credits--have reached over 20 percent per year; this measure--which does not represent a solution for these countries since it bolsters recession and unemployment--does represent a heavy burden for developing nations which have foreign debts and cannot equilibrate their balance of payments.

Under the present international circumstances, and in particular in view of the high interest rates, the task of foreign trade becomes even clearer for assuring an equilibrium in the balance of foreign payments, thus contributing to reduce the foreign debt; this is a question which Nicolae Ceausescu discussed in his speech to the Second Workers' Congress, stating: "In the party and state leadership, we have decided to no longer accept any increase in the foreign debt, and to act firmly to constantly reduce it until it is completely eliminated."

The fulfillment of the tasks of foreign trade during the current five-year plan, with profound implications for Romania's total socioeconomic development, represents an objective requirement which can be successfully achieved--as clearly demonstrated

by the results of the previous five-year plan in this domain--through the measures that have been taken, the conditions that have been created, and the orientations that have been established with lucidity for foreign trade and international economic cooperation during the 1981-1985 period.

During the 1976-1980 period, Romania's foreign trade volume increased by more than two-fold at an average annual rate of 16.5 percent; this illustrates the highly dynamic nature of this sector, the rate being higher than that of other indicators in our economy. This development of trade was combined with essential qualitative changes, and reflected in a larger number of highly processed products which incorporate more labor and domestic creativity, and which contribute to a superior valorification of the raw materials used in their production.

First among our country's exports during 1980, were machine construction products with a proportion of approximately 30 percent, and chemical products (excluding petroleum ones) with about 12 percent; within these groups, a greater percentage was devoted to the exportation of complex installations, electric and electronic equipment, low-tonnage chemical products, and other goods which derive the highest value from raw materials, which incorporate large amounts of creativity, and which contribute directly to high efficiency.

This high rate of development of economic trade in Romania during a difficult period on foreign markets, represents the results of efforts made to reach socialist industrialization as an essential factor for increasing our country's economic, technologic, and scientific potential, and fully confirms the appropriatness of our party's policy regarding the role and importance of foreign trade in the overall development of Romania's economy.

Qualitative Changes in Export Structure

During the current five-year plan, the foreign trade and international economic cooperation activity is developing to fulfill the objectives established in this domain by the Directives of the 12th Party Congress, and is characterized as a whole by blending trade with profound and comprehensive structural and qualitative changes in the conception and orientation of the valorification of products intended for exportation, so as to achieve a higher efficiency.

With respect to the 1976-1980 period, the total volume of trade will grow by about 75 percent at an average annual rate of 11.9 percent; compared to the 7.1 percent rate of the national income and the 8.8 percent rate of net industrial production, this indicator strongly points out Romania's greater participation in the world's exchange of values as part of the general process of the industrial division of labor, as well as the contribution of foreign trade to our country's overall socioeconomic development. The plan stipulates a more dynamic exportation growth, which will increase by more than two-fold with respect to the previous five-year plan, at an average annual rate of 15.7 percent, while importation will increase by 44.6 percent at an average rate of 7.7 percent per year.

The ratio established for the current five-year plan between Romania's exportation and importation is intended to assure an active trade balance and a surplus balance of payments, which will implicitly lead to a gradual reduction of the foreign debt until its complete elimination.

The evolution of foreign trade at these rates is combined and complemented by a continued thorough, diversified, and stronger concern in the form of programs and actions which will be applied in all branches of material production and all enterprises specializing in exportation, designed to generate significant qualitative changes reflected in a constant growth of exportation of products with a high degree of processing.

The diversification of exportation and its increased efficiency will continue to be focused with priority on structural improvements aimed at a larger percentage of machine construction and small-volume chemical products with a large degree of processing, within the total volume of Romanian exports.

In 1985, machine construction products will amount to one-third of the total exports, and chemical products--exclusive of petroleum ones--to 19 percent, the two branches thus contributing about 52 percent of Romania's export revenues.

The increased contribution of machine construction, in absolute value and as percentage, is accompanied by a strong restructuring of the exportation list, in the sense of product modernization and orientation toward categories of products which assure greater competitivity and efficiency. During the present five-year plan, another characteristic of machine construction exports--currently the largest group of goods in the trade balance--will be an increased proportion of complex installation exportation, represented particularly by the execution and delivery of large industrial installations, and the construction--particularly in developing nations--of metallurgical units, refineries, chemical fertilizer plants, cement plants, wood processing units, and so on; all of these offer good prospects for long term contracts, for continued delivery of equipment, for projects, documentation, production technologies, and specialized technical assistance, which because of domestic creativity provide the highest efficiency parameters. Added to these complex installations, as basic elements in the exportation of machine construction products, are the products of advanced technologies in this sector, such as electronics and fine machining, leading to possibilities for valorifications eight to twenty times higher than the metallurgical products which they incorporate, as well as automotive, railway, and naval means of transportation, and electric household consumer goods.

Activity in the chemical industry will be oriented toward a better valorification of crude oil and methane, so that the currency contribution per ton of crude oil and cubic meter of gas will be twice that of achievements so far. Doubling the value obtained from basic raw materials in this branch that plays such a large role in our country's exports, imposes the orientation of production so that it will provide for exportation of low-tonnage synthesized chemical products--dyes, lacquers, paints, fibers, pharmaceuticals--while reducing the proportion of petroleum products, fertilizers, and soda products, all of which are large consumers of energy.

During the current five-year plan, the continued development of the steel industry, an important branch of our national economy which will achieve an annual production of 18-20 million tons of steel, will supply machine construction with metal products, assure the fulfillment of the investment program, cover other domestic needs, and participate directly in exportation at a rate of nearly 10 percent in 1985. The exportation of metallurgical products will be oriented toward items which derive high value from raw materials: mill products from special alloy and low alloy steels, tubing, conduits, metal fabrications, tinned sheet metal, and so on; the average foreign price per ton that will be obtained from these products will be about twice as high as that obtained in 1980.

In the light industry, which will provide more than 10 percent of Romania's total exports, substantial qualitative improvements will be made to products intended for exportation, through better finishing, rapid adaptation to fashion demands, and constant creation of models to meet market demand, so as to include in foreign prices the significant contribution of domestic creativity through the production of small lots correlated with the demands and tastes of consumers in various areas of the world. Through the application of these measures, the valorification of one ton of raw materials used in the light industry will increase by 50-10 percent during the current five-year plan.

As part of the same concerns, greater value will be derived from raw materials in the lumber industry through a higher production of furniture and a diversification of models and presentations, so as to respond to the demand of various markets and obtain a maximum currency contribution; at the same time, we will increase the production of high quality paper and other processed wood products, while reducing the exportation of lumber for which the degree of valorification is rather low.

A Vast Field for Self-Management

The program for essential improvements in the technical parameters and quality of goods for exportation, is combined and complemented with measures designed to contribute to their marketability, aimed at increasing the competitivity of Romanian products on foreign markets. Under the present difficult circumstances of strong competition, the delivery of goods on short notice, on schedule, and in keeping with their sale, together with the organization of a Romanian marketing network which will bring sales closer to final consumers, are important factors which are being acted upon firmly to assert Romanian products on foreign markets and obtain a higher efficiency.

In the complex process of trade development, greater concern is devoted to concentrate sales on long term markets where our products have already been accepted, thus leading to large quantity sales, especially in some categories of machines and tools, means of transportation, and tractors and agricultural machinery, developing a framework necessary for organizing efficient service, as an essential element for the proper maintenance of the equipment, the sale of spare parts, and the creation of good prospects for future sales.

A factor of major significance for the more efficient assertion of our exportation on foreign markets, on which action has been taken until now and will have to be taken even more firmly, is the specialization of some plants, factories, or shops,

most or all of whose production will be destined for exportation. The machine construction industry has large units which produce entirely for exportation four-wheel drive vehicles, railway cars, and technical equipment for refineries and cement plants; in the light industry as well, many units in the ready-to-wear and footwear sector work for exportation, such as the Clujana footwear enterprise, 90 percent of whose production is exported.

The continued concentration of exportation in specialized enterprises and units which are assured of the best technical equipment and of highly qualified crafstmen and specialists, represents one of the major directions in the programs of measures that are applied during the current five-year plan to fulfill exportation tasks under optimum conditions of competitivity and efficiency.

The expansion and diversification of exportation is correlated with importation activities as two inseparable aspects of the same process, with exportation assuring--as a whole and in relations with different countries--the currency resources necessary to pay for importations, as well as an equilibrated balance of trade.

The development of strong steel, machine construction, and chemical industries, require large importation of iron ore, crude oil, cokable coal, phosphates, bauxite, iron alloys, and so on. The magnitude of the importation of raw and other materials needed by industry imposes that the importation program for the products on which the present five-year plan has been established, be based on long term contracts in parallel with exportation contracts for industrial products which will assure the payment for raw materials under balanced currency conditions.

In carrying out this vast and complex process, which combines import diversification through the acquisition of raw materials from several countries (so as to eliminate dependence on a single market), with the processing of products obtained at close distances (so as to avoid transportation costs whose magnitude makes them increasingly prohibitive), qualitative changes are also occurring in respect to the orientation of exportation and importation along geographic zones. Because most raw material resources are located in developing nations, our trade with those countries will increase during the current five-year plan under conditions of mutual interest, based on a broad development of economic cooperation. The efforts to improve efficiency are complemented and correlated with those aimed at strengthening and perfecting the new economic mechanism and self-management in foreign trade; this is an area in which the latter find a vast field of action under the conditions created in December 1980 by Law No 12, regarding stronger worker self-management and financial and currency self-administration in foreign trade activities and international economic cooperation.

With the exportation of quality products at appropriate prices on foreign markets, the actions established for production and sales must assure the achievement of a maximum currency return.

An examination of exportation efficiency must lead--through a selection of models, manner of presentation, product quality, and markets--to a currency contribution (after deduction of costs in currencies corresponding to the raw and other

materials, fuels, and energy, at their respective world market prices), which will compensate for management, manpower, and other costs in lei at a parity of at most 15 lei per dollar or ruble, while at the same time assuring currency profits.

The achievement of such efficiency parameters, reflected in the magnitude of the currency return, will also directly improve the other parameters which characterize the efficiency of foreign trade and international economic cooperation.

During 1981, the first year of the current five-year plan, the measures adopted for foreign trade are already demonstrating their effect in terms of better results than in preceding years. During the first seven months of 1981, exportation has increased--under less than favorable conditions--by 15 percent as a whole and 18.3 percent compared with the same period of last year, while importation was reduced by about 10 percent.

The actions that are being undertaken are aimed at the priority which must be devoted to exportation; they have been established on the basis of the exceptionally valuable indications provided by Nicolae Ceausescu, to create such conditions that by the end of this year a real qualitative leap will have occurred in exportation, thereby increasing the contribution of foreign trade to the overall development of our national economy.

11,023
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MEASURES TO IMPROVE URBAN TRANSPORTATION SITUATION

Bucharest REVISTA ECONOMICA in Romanian No 35, 28 Aug 81 pp 11-12

[Article by Dr Virgil Dinca]

[Text] The development of urban areas and the higher proportion of people with predetermined working hours, demand that appropriate urban transportation be assured: shortest possible time, safety, and comfort. The interest in solving this problem, which is becoming increasingly difficult in large urban areas, springs from the general desire to improve the quality of life, and from the objective necessity of protecting the psychological and physical well-being of passengers, most of whom are directly involved in the labor force, in professional training, education, health protection, and so on.

In order to meet the greater transportation needs of our country's cities and towns, a number of measures have been taken through the years, designed to constantly improve public transportation. Increased investments in this sector of activity for instance, have substantially increased the number of vehicles, which in turn has made it possible to increase transportation capacities on existing routes as well as open new routes in cities or zones where industrial and demographic developments have required the introduction of service. During the 1950-1979 period, the number of localities with urban passenger transportation has grown from 27 to 223, while the length of routes has been increased 2.1 times for trolley cars, 24-fold for buses, and over 50-fold for trolley buses. During the same period, the number of passengers transported has increased 1.3 times for trolley cars, 30-fold for buses, and 124-fold for trolley buses (see table).

During all these years, and in terms of more recent achievements during the past five-year plan, great improvements have also been obtained in the modernization of vehicles through the introduction of the Metro in Bucharest, of silent trolley cars, and of high capacity, articulated buses and trolley buses, as well as through the development of taxi fleets. This has fulfilled a large part of the provisions included in the party program for this sector: "Greater attention will be devoted to public transportation, assuring the modernization of its material resources. To this end, a Metro will be built in Bucharest, and new types of vehicles will be adopted--silent trolley cars, high capacity, articulated buses, and others--thus satisfying in a greater measure the needs of the population, while avoiding air pollution and reducing noise."

Development of urban passenger transportation during 1950-1979.

A	B	C			D			E		
		Lungimea traseelor — km —			Număr de vehicule			Călători transportați — mii —		
Anii	Numărul orașelor cu transport urban de călători	F tramvaie	G autobuze	H troleibuze	F tramvaie	G autobuze	H troleibuze	F tramvaie	G autobuze	H troleibuze
1950	27	345	411	7	1 198	339	13	686 256	86 613	2 636
1955	40	394	762	10	1 304	607	20	749 867	147 793	7 356
1960	109	417	2 925	92	1 913	1 585	318	899 404	418 102	77 477
1965	135	430	6 078	250	2 055	3 571	645	921 226	928 733	232216
1970	175	450	10 552	267	1 977	6 021	818	945 962	1 723 642	362 393
1975	195	541	14 026	323	2 177	8 891	943	964 340	2 480 556	396 664
1979	223	722	16 688	353	2 366	11 932	1 079	896 796	2 598 964	327 653

Key: A. Years
B. Number of cities with urban passenger transportation
C. Route lenght, km
D. Number of vehicles
E. Passengers transported, thousands
F. Trolley cars
G. Buses
H. Trolley buses

Need for Better Organization of Activities

Despite all the remarkable successes that have been obtained in public transportation activities, in the orientation of vehicle development, and in the exploitation of the vehicle inventory, some shortcomings have arisen in the form of a gap between the population's transportation requirements and the possibilities for satisfying these requirements at certain time periods, crowding during rush hours, excessively long travel times, and so on. As can be seen from the table, the development of the vehicle inventory has followed a certain orientation in terms of transportation systems, the stress being placed on buses rather than on electric vehicles such as trolley cars and buses. During 1970 for instance, the number of trolley cars was lower than during 1965, while the number of buses almost doubled; during the 1970-1975 period, the increases have been 47 percent for buses, 15 percent for trolley buses, and 9.5 percent for trolley cars. Of course, buses enjoy much greater autonomy in establishing or modifying routes, as well as the distinct advantage of being immediately usable since they do not depend on tracks or electrical installations. At a certain stage, they were able to satisfy urban transportation needs. Subsequently however, and in Bucharest for instance, it was observed that the removal of trolley cars along major-diameter routes that carry large numbers of passengers, has led to limiting traffic frequencies of more than 250 vehicles per hour per direction, at average succession intervals of 12-14 seconds. This produced a saturation of major traffic arteries, with the direct consequence of lower exploitation speeds, and therefore lower transportation capacities.

Because of this, and because of the difficulties created by higher foreign oil prices in meeting the higher fuel consumptions, as well as because of other factors, including the need to protect the environment, the question of trolley cars had to be reopened in 1969, as a means of transportation that is lasting, does not pollute the atmosphere, costs 20 percent less to utilize, and consumes electricity instead of fuels. Calculations have shown that in all cases, trolley cars are more efficient than other means of transportation when the passenger flow exceeds 6000-7000 per hour and direction. And since they share many of the advantages of trolley cars, trolley buses can obviously not be disregarded as means of transportation.

In this respect, the party leadership and Nicolae Ceausescu have provided specific indications for expanding electrically powered transportation in Bucharest and other large urban centers. Express indications were given for the introduction of trolley car transportation in Constanta, Craiova, Ploiesti, Pitesti, Brasov, and Cluj, as well as in other localities if justified by needs. A large number of trolley cars for Bucharest were imported from Czechoslovakia, especially during the first portion of the 1970-1980 period, together with the domestic adoption and construction of modern models of double-articulated cars, and of unpowered cars pulled by powered ones, sufficiently large to accomodate large numbers of passengers. It is imperative to continue fundamental studies to establish the most advantageous systems of transportation depending on route lengths and passenger flow, emphasizing high capacity electric transportation in localities with more than 100,000 inhabitants, and for connecting localities and industrial sites or downtown areas and outlying or suburban areas. At the same time, interested ministries must take steps to produce in Romania, the necessary equipment associated with the proper operation of electric means of transportation--rectifiers, tracks for trolley cars, and so on--as well as spare parts and maintenance and repair materiel.

Other problems in assuring traffic flow were created by inadequate street networks, with many uncontrolled intersections and street-level pedestrian crossings. We are still feeling the lack of parallel traffic arteries which could provide one-way traffic flows, avoiding overcrowding of streets in the center of Bucharest and other large cities. Added to these are portions of routes of inadequate size which create traffic bottlenecks, or which are pronouncedly uneven and rough, thus harming the suspension, wheels, transmissions, and steering of means of transportation.

Beginning with the last five-year plan, sustained efforts have been made to eliminate these problems through major traffic plans approved by the leadership, together with reorganization plans for each locality. The solution to the problem also involves some pierce-through efforts in inhabited areas, in order to shorten and expand traffic flows by connecting existing streets, especially in Bucharest, where there are many tortuous routes which are difficult to navigate and limit the speed of exploitation.

Greater Concern on the Part of Specialized Organs and Units

In addition to these measures with highly favorable effects, people's councils and the managements of public transportation units must devote greater attention to the proper organization of traffic and the maximum and most efficient use of available vehicles, so as to satisfy the transportation demand as completely and promptly as possible, while economizing the maximum amount of fuel and electricity. This raises

the need to eliminate rush hour demands which exceed the maximum capabilities of the present inventory, through a most advantageous staggering of opening times in economic and social units, thus leveling hourly demand indicators for public transportation. Insufficient concern has been noted in some localities for staggering work hours, especially at units in industrial sites, thus maintaining inappropriate travel conditions at shift changes, and imposing heavy additional investment efforts to bring vehicle inventories to the level of rush hour demands.

Because of urban crowding and tortuous routes, and despite the fact that the performances of newly introduced vehicles have improved, exploitation speeds are relatively low, resulting in incomplete utilization of inventory capabilities and longer travel times. In addition to improvements of the street network and to repairs and maintenance of traffic arteries, all measures must be taken to reduce as much as possible the time between the occurrence of a traffic event on a route and its solution. It is the duty of public transportation units to use their available means of communication and traffic control to intervene effectively and immediately with properly equipped road service units, so that the duration of the intervention will be minimal and that the vehicle will resume its travel or be replaced--if the repairs are major and cannot be performed on the spot.

Traffic flow is also assured through a closer correlation between the schedules of various urban public transportation units and those of interurban transportation. The discharge of large numbers of passengers at railway stations, bus stations, airports, and ports, at any one given time, requires a higher density of public transportation vehicles at those hours, in order to avoid extended waiting periods and vehicle overcrowding--a fact of which public transportation units should be more aware.

Traffic safety, speed of exploitation, and a reduction in the number of traffic events depend in large measure on the quality of the maintenance and operarating personnel. From this standpoint, despite the difficult working conditions of vehicle drivers in a large city, and therefore despite all the difficulties which must be eliminated, in order to have a stable and competent personnel the selection and instruction of this personnel must nevertheless be improved, the work involved in training and educating all the personnel in public transportation units must be intensified, and better social conditions must be created, to instill in all workers more interest and effort for the proper functioning of public transportation.

In continuing the actions undertaken in recent years to improve public transportation, the executive committees of people's councils in cities and towns must ask their subordinate specialized organs to update their urban transportation studies, seeking to increase the speed of exploitation through judicious location of stations, optimizing the distances between them and redistributing means of transportation among routes on the basis of investigations of demand and hourly variations for transportation, thus correlating transportation capabilities with demand. From the sums allocated annually through the plan, people's councils must assign priority to the maintenance, repair, and modernization of streets, roads, and bridges used by public transportation, so as to increase efficiency and safety, and avoid bottlenecks and stoppages. It is also necessary to assure the proper maintenance and repair of means of transportation, the recruitment and instruction of drivers, so as to increase safety and reduce the number of events per trip: collisions, accidents, discussions with passengers, and so on.

Since this is an important economic and social problem and one component in the quality of life, the executive committees of people's councils in cities and towns must periodically discuss the matter with specialists and the public, and take appropriate measures to improve public transportation, which affects not only working conditions, but also the recreation and living of urban inhabitants.

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ROMANIA

MINISTER STRESSES GREATER EFFICIENCY FOR EXTRACTIVE SECTOR

Bucharest ERA SOCIALISTA in Romanian No 13, 5 Jul 81 pp 6-10

/Article by Virgil Trofin, deputy prime minister of the government: "Problems of Development of Raw Material and Fuel Resources"/

/Text/ In preparing the program for the new stage of construction of the fully developed socialist society (the 1981-1985 period) the 12th Party Congress concentrated economic activity on further use of domestic resources to procure the energy and raw material base essential to the further intensive growth of the national economy. Romania intends to redouble its efforts to exploit new reserves of petroleum, gases, coal, shales, thermal waters and other unconventional resources in order to obtain more of its needed energy reserves from its own resources than it does at present and to achieve complete energy independence by the end of the current decade. The reserve of ferrous and nonferrous ores will also be increased, to meet the demands of the economy to a greater extent out of domestic production and with considerably less imports.

In fact the problem of procuring resources of mineral raw materials and fuels concerns the whole world today, of course to a greater or less extent and with more or less urgency from one country to another. The economic crisis and especially the energy and petroleum crisis, which has been aggravated in recent years, have created increasingly serious difficulties and complications compelling many countries to restructure their economies in keeping with the resources they have and the possibilities offered by collaboration with the producer countries.

We all know Romania has a complex geologic structure and that mining and processing the various substances are ancient and regular occupations in those regions, but the constantly growing needs of its national economy for some raw materials and fuels cannot be entirely satisfied. This lends particular significance to Nicolae Ceausescu's directive to the effect that no one must abandon a deposit because the calculations indicate it would be unprofitable to work it. The geologists, miners, petroleum workers and other workers in this sector should make all the necessary studies and investigations, while the decision whether to work the deposit is to be made by the party and state administrations alone.

The priority on the extractive industry in the current period of national development is also indicated by the heavy investments in this sector, amounting to 48 billion

lei more in 1981-1985 than in the last five-year plan. The funds for geologic research have been increased by about 13 billion lei in the same period, most of them (about two-thirds) being allocated to discovery of new energy resources in the form of coals, crude oil and gases.

The large volume of geologic data acquired in the course of time, which now permits a basic description of the state of the reserves of mineral raw materials, indicates that there can be no question of exhausting those resources. But it is increasingly difficult to pinpoint them because the reserves remaining to be discovered are in areas with more complicated geologic structures and lie at greater depths, while the deposits are of smaller size and their contents are poorer in useful mineral substances. All this calls for ever greater efforts and improved methods and techniques of investigation along with intensified improvement of the technologies.

On the basis of these general directions of development of the extractive industry and geologic research, what are the main aims, options and trends in 1981 and the 1981-1985 period? What problems are confronting the miners, petroleum workers and geologists in implementing the plan tasks? How will the obligations to the sectors receiving raw materials and fuels be met, and what is expected of the collaborating sectors, especially those supplying equipment and materials?

1. Rapid Growth of Extraction

The 12th Party Congress called for special emphasis in the energy field in this period upon use of solid fuels and especially the inferior coals (lignite and bituminous shales), so that the proportion of coal-based electric power in the total power output will be increased from 26.5 percent in 1980 to 47 percent in 1985. For this purpose it is planned to increase the output of lignite and fine brown coal from 27.1 million tons in 1980 to 73.6 million tons in 1985, requring annual gains of 8-13.5 million tons compared with 2-3 million tons in the last five-year plan. The gross output of soft coal will be up 55 percent and the total output of fine coal will reach 85.6 million tons in 1985 from 35.2 million tons in 1980. In the following years exploitation of the combustible shales at Anina will begin for the first time, and they will be used in a thermoelectric power station now under construction. The output is to reach 10 million tons in 1985 from 1 million tons in 1982. The planned extraction of crude oil (12.5 million tons in 1985 compared with 11.5 million tons in 1980) was proportioned in view of the intensified drilling effort and the greater importance of recovery of crude oil from the majority of the deposits.

The programs to attain the production quotas for coal, petroleum, gases and ores include a series of measures to expand the operations to enhance knowledge of the reserves, to develop the existing production capacities and create new ones, to procure the equipment for starting, preparing and implementing production, recruiting the labor force, providing the social-cultural facilities etc.

Development of mining in these years is characterized by a more rapid increase in the extracted mass in comparison with the quantity of useful mineral substances. In the case of coal, for example, this increase is determined by deterioration of the ratio of gangue to coal in the new pits from the 2.5-3 cubic meters per ton of coal that is now extracted from the pits in operation to 6 cubic meters per ton of coal due to the start of extraction in the hill areas in the Gorj region and also in Mehedinti, Vilcea and Sf Gheorghe. In the whole five-year plan about 1 billion cubic

meters of gangue will be excavated and transported in order to open up the coal strata. In the nonferrous ores sector the extracted mass will be 3 times greater in 1985 than it was in 1980.

As Nicolae Ceausescu pointed out in his speech at the Second Congress of Councils of Workers in Industry, Construction, Transportation, Circulation of Goods and Finance, because of the lower useful content of Romanian ores firm measures are required to improve the technologies in the mining industry, to cut costs and also to improve the technologies for extracting the useful substances with maximum productivity. For this purpose we intend to considerably expand the technology for extracting coal from faces equipped with mechanized systems for shoring, cutting, loading and transporting, as well as completely mechanized extraction of lignite in pits, and to increase the volume of mechanized opening and reparatory operations. In the nonferrous ores sector measures have been planned for expanding highly productive methods (working in substages by storing the ore, collapsing the roof etc.), for pit extraction of the poor copper ores at Moldova Noua and Rosia Poieni, wide-scale use of mechanized means for digging mines and loading the material obtained, and more intensive use of drilling installations with one or two arms in making boreholes in cutting and other operations.

Application of these new working methods and techniques requires all the creative power of the collectives of workers and specialists in units as well as a greater contribution from internal technological research and design. In the last few years the ministry has organized research and design units and bodies in nearly all regions and centers of the mining and petroleum extractive industry. This important design capacity cannot obtain good results without close cooperation with production through prompt application of the research and design results. The Central Research Institute for the Extractive Industry has a greater role and responsibilities, since it is expected not only to coordinate the research plans but also to provide for better distribution of the productive forces in the performance of the various research and design tasks and for prompt finalizing of the studies that have been completed.

The intensive increase in coal production and the specified levels of ore production require a long-range effort to secure the underground and surface working fronts. The centrals, combines and enterprises have further emphasized those operations of late but there are still some lags, especially in the underground opening operations in Valea Jiului and Oltenia and in the prospecting operations in the pits in the latter region. The ministry administration recently analyzed the causes of the lags and took steps to enforce the operating schedules, distribute the manpower and materials properly, and raise the use indices of the cutting combines.

Punctual activation of the new underground and pit production capacities requires better cooperation with the machine building industry, organization of installation in extended shifts or two shifts, and procurement of the necessary hoisting installations, tools and devices. In the ores sector we want the technical-economic documentation for the new capacities specified for the current five-year plan to be completely prepared and submitted for approval in this and the following year, concentrating the forces of the construction-installation organizations on the capacities with close activation dates such as the deposit of poor copper ores at Moldova Noua and the installation for simultaneous processing of lead and zinc concentrates at Copsa Mica.

The present stage of the petroleum extractive industry in Romania calls for pronounced transition to intensive methods of utilizing the available reserves, such as detailed

geologic research, studies of efficient petroleum engineering, protection of reserves, intensification of their recovery, and better organization of the operational processes. It is intended in this way to make the crude oil and gas extractive industry contribute to the needs of the economy in keeping with its maximum potentials. Therefore the levels for extraction were set in view of the findings of geologic research for discovery of new reserves, obtaining the greatest possible outputs from the deposits being worked, digging and activating more oil wells on the old structures as well as in the newly discovered regions, and intensifying recovery of crude oil up to the rational technological limit. In the current period 80 percent more production and injection wells are to be drilled than in the last five-year plan.

Of course maintenance of the wells in production in the best operating condition is essentiall to efficient crude oil extraction. For this purpose many new emergency brigades will be formed at the oil fields, current and capital repairs on mobile emergency installations will be centralized by organizing and outfitting a special unit for those operations staffed with service and repair teams in the main operational areas, access to wells will be improved by construction and capital repair of oil field roads, and the units will be equipped with new transport and loading means.

The present stage of exploiting the petroleum deposits, characterized by decreasing discharges per well and a high percentage of impurities, requires radical restructuring of the extraction technologies and bold application of advanced operational procedures based on physical-chemical principles essentially different from those upon which the known methods are based. For example thermal methods (underground combustion and steam injection), which have proved effective in deposits of both viscous and ordinary crude oil, will be considerably developed. Of course completion of the studies and tests of some new processes and the start of their industrial application require better collaboration with the units of the chemical industry and other sectors for purposes of assimilation and current manufacture of the necessary substances and materials.

Application of the Decree of the State Council, drafted at Nicolae Ceausescu's suggestion, on incentives for personnel exceeding the planned extraction of crude oil, coal, nonferrous metals and other raw materials will be vital to implementation of the plan tasks in our sector. A worker who exceeds his plan tasks, for which he receives the due benefits, will also receive special bonuses amounting to as much as 15 percent of the value of the above-plan products.

Programs for cooperation and collaboration with other countries are being expanded along with the extensive effort to expand the reserve of domestic fuels and mineral raw materials. Romania now has very good specialists (petroleum workers, miners, geologists and designers) experienced in production and working methods as well as adequate technical aid for equipment. All this favors expanded collaboration with other countries through geologic studies, mining operations, drilling, mining and petroleum constructions and installations, mixed companies and other mutually advantageous forms of cooperation. By expanding these forms Romania is contributing to exploitation of mineral resources in the developing countries especially and procuring quantities of fuels and raw materials it needs.

2. Intensive Geologic Research

Geologic research, which should keep one step ahead of production, was concluded in the last period with good results and fulfillment of the plan provisions in the main

technical-economic indicators and also in those of discovery and determination of new volumes of planned reserves, with the exception of petroleum. A number of new petroleum deposits were discovered in that period, including some at great depths and on the Black Sea continental plateau, and new deposits were determined of energy coal, ferrous and nonferrous ores ores and nonmetallic substances.

Yet there are still shortcomings and difficulties in this field, which were closely analyzed at the Working Conference of the RCP Central Committee with Activists in Geology in October 1980. They are primarily due to slow activation of the reserves because of low operating speeds in drilling, production tests and mining, and also to limited use of modern methods of geologic and geophysical investigation for lack of adequate research equipment. Insufficent use of equipment and installations, inadequate control of geologic activity in the operational units and also in the petroleum trusts and mining centrals and combines, and insufficent effort to recruit and train qualified personnel are further defects in this sector.

In view of the extractive industry's great tasks in the new stage of national development and the negative situations that must be completely and immediately eliminated, the geologic research program for 1981 and the 1981-1985 period calls for intensified research to expedite the discovery of new reserves of petroleum, natural gases, coals, geothermal waters, combustible shales, ferrous and nonferrous ores, aluminum, rare and dispersed metals, nonmetallic substances, and other useful mineral substances. The geologists' field of operations will be extended throughout practically the whole nation and to all useful mineral substances.

Geologic prospecting for petroleum and gases will be performed in the areas and at the capacities with possible reserves to be discovered, located at depths down to 3,500 meters, at great depths, and on the Black Sea continental plateau. At great depths, where investigation of the capacities is more limited, exploration will be intensified in all promising areas and especially in those that have proved productive or show signs of hydrocarbons. Geologic prospecting for natural gases will be extended particularly to the areas outside the Carpathians, which also show major potentials for discovery of new reserves. The total volume of geologic drilling for petroleum and gases amounts in the present period to over 4.8 million meters more than in the last five-year plan and includes over 1.3 million meters at great depths, or over twice more than in the previous period. It is also planned to drill wells 8,000-10,000 meters deep to check the possibilities of genesis, accumulation and preservation of hydrocarbons at very great depths.

The increased volume of prospecting for petroleum is to be implemented along with qualitative improvement of geologic and geophysical study of the wells, a field for which the petroleum units have limited possibilities at present. Among the devices now in the inventory, only a few can perform complex measurements permitting precise determinations of the areas containing petroleum and gases. There is also a serious lag in the possibilities for direct determination, during drilling, of the petroleum, gas and water content of the strata encountered, which is quite feasible with special equipment. Elimination of these shortcomings and adjustment to modern equipment will be among our priority efforts.

We are emphasizing prospecting for discovery of new reserves of solid mineral fuels, since the measure has been taken of building no more power generators based on hydrocarbons. Geologic operations will be performed for this purpose in all regions of

Romania, both to expand the known deposits and to discover new ones in the areas short of energy sources. For example, in order to reveal new coal reserves drilling investigations and mining operations will be intensified in the regions in the Banat, Anina-Bradet, Bigar and Lupac, and also in the new regions in the same area. Underground and surface mining operations and drilling will be performed at the deposits being worked in Valea Jiului, especially at the Livezeni, Dilja, Barbateni, Uricani and Iscroni deposits, in order to improve knowledge of the existing reserves to the point necessary for planning and performing mining operations with mechanized means and modern technologies.

Determination of new lignite and brown coal reserves is very promising in Romania. Prospecting with drilling and explorations will continue in all regions where formations bearing energy coal are known to exist. For example the regions will be investigated that are located in the area of the lignite mines in Oltenia, including those in the new regions of Husnicioara and Izvor Anestilor-Prunisor-Livezile in Mehedinti County and Horezu in Vilcea County. In the area located in the regions in the Schitu-Golesti basin and in the whole sub-Carpathian area between Valea Oltului and Valea Buzaului, drilling studies and mining operations are planned in order to discover new regions with reserves of exploitable lignite. The lignite accumulations revealed to the south of Bucharest in the area between Valea Dimbovitei and Valea Neajlovului will also be investigated. Coal prospecting in Moldavia will also be continued in order to determine the prospects and description of new reserves in the fields now being worked in the Comanesti region and in new capacities. The list of examples could be extended.

For better knowledge and economic exploitation of some new capacities now being worked, geologic investigation will be particularized by means of a large volume of mining-pilot mine operations, experimental working, shafts with wide diameters sunk by means of drilling installations, etc. In this way the technical-economic conditions for underground exploitation will be clearly specified. The schedules for these operations call for their completion in 1982-1983 in order to meet the minimum requirements for starting current exploitation of the respective mines in the last years of the five-year plan.

Intensive geologic prospecting for ferrous and nonferrous ores and nonmetallic substances will be done in both the known and new areas. For iron, for example, operations will be performed to open and investigate the Palazu-Mare deposit in Constanta County, a large deposit but particularly difficult to work. Along with the geologic prospecting operations and in order to enhance knowledge of the deposits of nonferrous and gold and silver ores, operations will be performed to place new reserves in production that are located in areas adjacent to them and in new areas in the regions of Baia Mare, Baia Borsa, the Eastern Carpathians, Muntii Metaliferi, Muntii Bihorului, Muntii Poiana Rusca, the Banat and Dobrogea. Major operations will be performed to discover new reserves of ores for aluminum, rare and dispersed metals, etc.

We know how important it is to minimize imports in order to make up the balance of foreign payments. To reduce the imports of mineral substances of which the domestic resources are limited or which are available solely by import, measures have been adopted for some geologic and technological studies that will permit satisfaction of the requirements for efficient industrial production. This means primarily substances with an assured domestic raw material base like anthracite, kaolin and refractory and semirefractory clay.

Clearly the current and long-range geologic tasks are heavy and very critical. Their fulfillment requires better use of specialists and improvement in the system of organization and management to provide for a regular check on performance of the operations and prompt application of the results obtained. For this purpose and on the basis of Nicolae Ceausescu's directions at the Working Conference of the RCP Central Committee with Activists in Geology in 1980, we started to found and consolidate geologic sections in a number of areas, to equip and expand some laboratories, to organize composite teams and to assign them to the vital capacities. Some suggestions are also being considered to improve the organization and management of geologic activity on all levels in order to make it more efficient and effective.

3. Greater Efforts Toward Economic Effectiveness

With relatively limited geologic reserves of energy, especially of hydrocarbons, and some growing needs for enery, the problem of rapid intensification of recovery of the reserves has many economic implications. These implications must be considered Throughout the activities in connection with discovery of reserves, extraction and preparation of fuels and, of course, production of electric power.

According to the analyses made by the specialists, extraction of the lignite reserves located below the present capacities under exploitation, under difficult geologic and hydrogeologic conditions, requires greater investements and operating costs. Development of coal extraction in the current period and of extraction of ferrous, nonferrous and nonmetallic ores as well as maintenance of petroleum extraction at the highest possible level by means of intensified recovery requires, under conditions of increasingly difficult exploitation, an increased volume of investments and also an increase in the specific investment and the production costs. The law passed by the Grand National Assembly at the end of last yearon updating prices provides for the profitability of the sector in 1981, or a more objective distribution of the profit between the extractive industry and that consuming or processing raw materials and fuels.

Once the new prices were applied, the ministry's management council adopted specific measures for better management of the production means, elimination of waste, and better organization of production and labor in order to lower production costs as far as possible. We are resolvedto take the firmest action,as the party administration asks us,to enhance economic effectiveness, to carry out the pinciples of the new economic-financial mechanism properly and consistently, and to strengthen self-administration and workers self-management in all units of the extractive industry.

Some of the greatest opportunities for this are in the use of the large volume of technical equipment and resources in the inventory. In order to produce the large number of new wells and the volume of investigative drilling, for example, we intend to raise the operating speeds in 1985 by 80 percent from 1980 for depth drilling and by 30 percent for normal drilling, and to shorten the duration of assembly-dismantling-transportation of installations by 30 percent. In the coal sector, the use index of rotor excavators in pits is to be raised from 58.8 percent in 1980 to 75-80 percent in 1985. Physical labor productivity per extracted and prepared ore will be increased by about 2.2 times in the same period. We stress the particular importance of intensified use of rotor excavators in the Oltenia region to achieve the immense volume of coal and prospecting specified for that region. The managements of the ministry and the mining combine are making every responsible effort to make better use of the available working time of the excavators, to thoroughly organize inspection and

repair operations, and to supply spare parts promptly so that the excavators can operate to their full specified capacity.

Supply of the necessary technical-material resources and especially perfected machines and equipment is essential to the vital objectives of the extractive industry in the current period. In the last 3 years of the last five-year plan the program was completed to assimilate and introduce manufacture of some equipment vital to the mining and petroleum industry, including new types of face-working systems and combines, cutting combines, drilling installations, bucket-bearing rotor excavators, dumping machines, high-capacity bucket excavators, heavy dump trucks, high-capacity ore mills, depth drilling installations with electric and diesel electric drive, etc. The program for equipping the extractive industry drafted for 1981-1985 calls for assimilation and manufacture of over 340 types or groups of new main machines and installations as well as many mechanization devices to enhance labor productivity. The administration of the Ministry of Mines, Petroleum and Geology jointly with the supplier ministries and especially the machine building and metallurgical industries makes a regular effort to produce precisely the equipment, installations and spare parts specified in the program. We note in this connection that the high growth rate of the operating speeds in drilling requires a greater effort by the specialized plants to further improve the cone bits and to assimilate highly productive bits like those with sliding bearings.

Greater efforts are necessary to improve some ribber products needed by the extractive industry, especially rubber rugs for conveyors, auto tires, hoses for compressed air, and protective boots and coats. And due to the greater volume of ores to be processed in flotation installations increasing quantities of reagents are required, which are being imported. The units of the chemical industry will have to assimilate reagents and expand the capacities for producing them.

The extractive industry's increased tasks will also bring changes in the labor force and its structure in 1981-1985, especially qualitatively, and it is a highly urgent problem. The human potential now employed in the ministry's units comes to about 344,000 hands, including 302,000 workers, 8,400 technicians, 9,200 craftsmen and 9,500 engineers. This potential is to be inceased considerably by 1985, due to development of productive activity and activation of new capacities, by about 16,000 skilled workers, 2,300 personnel with secondary education and 3,100 personnel with higher education. When we allow for the normal personnel turnover, the total number to be recruited and trained in this period is much higher.

Alongside organization of short-term qualification courses operating under enterprises, professional, technical and expert education will be developed in all mining regions and centers. Training of the miner and driller will emphasize mechanics and electrical engineering because the traditional miner and driller, who performed mainly manual labor with great physical exertion, have become mechanization specialists and operators of complicated machines and installations. This training, comprehensive, constantly changing, and adapted to progress in production, is to be based on principles of integration of education with productive experience.

The concern of the party and state administrations for the work and lives of the workers in this sector will continue to be characterized by the major effort to build and activate many dwellings in the cities and the centers of the mining and petroleum industry, as well as hostels, canteens and social units, and to improve labor safety at all work places.

The units of the Ministry of Mines, Petroleum and Geology made a better start in 1981, the first year of the new five-year plan. In 6 months they produced a considerably greater output than in the corresponding period of last year, namely 124,000 more tons of washed coking coal, 1.54 million more tons of lignite and brown coal, 46,000 more tons of crude oil, 17,000 more tons of ethane, etc.

But there are some lags behind the plan provisions for the main items in this period, namely coal, petroleum, electrolytic and transformer copper, sulfuric acid, and some nonmetallic substances, nor was the construction-installation plan for the worksites of the new capacities completely fulfilled.

In referring to this situation at the recent working conference of the RCP Central Committee, Nicolae Ceausescu pointed out the necessity of improving coal and petroleum extraction, upon which fulfillment of the state plan heavily depends. On this occasion the party secretary general called for much firmer action to eliminate the defects that persist in this sector, to tighten labor and production discipline, and to improve the organization and management of all enterprises.

A strong detachment of miners, petroleum workers and geologists are at work in the extractive industry, deeply devoted to our party's and state's policy, who are responding to the concern and efforts of our socialist society on behalf of their working and living conditions by making every effort to eliminate the defects that still remain and to perform their tasks on a higher qualitative level. The results obtained in the first part of this year which, as we said, are better than in 1980 reflect their resolve to do all they can to meet the needs of the national economy for mineral raw materials and fuels this year and throughout the five-year plan.

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UNEMPLOYMENT PROBLEMS, DATA DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 24 Aug 81 pp 15-17

[Article: "Employment: Shield Against Coercion"]

[Excerpt] The folk saying that it is better to be a saver than a worker is hardly being borne out today. It is not only the inflation rate higher than 50 percent that has made working papers worth more than a passbook, since that relationship in attractiveness (and actual value) is older than that high rate of inflation. Basically it lies in the almost absolute protection which the employment relation offers, affording the opportunity on the other hand for a very comfortable behavior on the part of those who have acquired the status of workers in associated labor. In any case the unquestionable attractiveness of working papers certainly contributes to the very high demand for that document, which is proving to be a lucrative and reliable means of obtaining what one needs to live on.

Pressure of the Labor Supply

The most recent figures presented to the public by the Federal Bureau for Employment Security show that more than 800,000 persons (precisely 802,877) seeking employment registered with employment security communities in June. The largest number of those seeking work were in Serbia, where the total was 416,759 registered applicants (71,146 in Kosovo and 83,167 in Vojvodina), and then 139,031 in Bosnia-Hercegovina, 125,740 in Macedonia, 85,747 in Croatia, 23,950 in Montenegro and 11,650 in Slovenia.

The order is somewhat different if these figures are related to total population (on the basis of the figures from this year's census). We see that the greatest pressure for new jobs is in Macedonia, where those seeking employment comprise 6.6 percent of the total population. In Serbia 4.5 percent of the population is seeking employment (4.6 percent in Serbia proper, 4.1 percent in Vojvodina and 4.4 percent in Kosovo); it is 4.1 percent in Montenegro, 3.4 percent in Bosnia-Hercegovina, 1.9 percent in Croatia and only 0.6 percent in Slovenia.

The figures, however, are relative not only with respect to the size of the population, but also with respect to the total labor force and the age-specific and educational composition of the population and other indicators. If we bear in

mind that only 11 percent of the population in Kosovo is employed, while in Slovenia that percentage is 41.5 percent, it is clear that the figures on distribution of the total number of citizens seeking employment should be taken in context. A table showing the share of the various republics and provinces in the total labor force and the total number of those registered for work offers a somewhat fuller picture. The share was recomputed on the basis of figures for 1979.

Republic	Percentage of Labor Force	Percentage of Persons Seeking Work
Bosnia-Hercegovina	14.2	17.1
Montenegro	2.2	2.9
Croatia	24.4	10.1
Macedonia	7.3	14.9
Slovenia	13.9	1.3
Serbia	38.0	53.7
Serbia proper	25.3	35.8
Kosovo	3.0	8.3
Vojvodina	9.7	9.6
Yugoslavia	100.0	100.0

The differences between the republics and provinces makes the picture more complete, but that picture also shows trends on which regional differences have no essential impact. Development to date has been accompanied on the one hand by a very rapid growth of employment in the socialized sector and on the other by a faster growth of the rolls of those seeking employment.

Employment increased between 1952 and 1980 by more than 4 million workers (from 1.6 to 5.7 million). This increase, which comes out to a high annual rate of 4.4 percent, made it possible to employ the entire natural addition to the able-bodied population (also amounting to about 4 million over the last 28 years). If we take into account that today there are more elderly people, pensioners, and students over 15 years of age--all of which are statistically included in the group added to the able-bodied population--it is clear that group is actually smaller, that is, that hiring has been faster than the growth of the able-bodied population.

Hiring Patterns

The labor force participation rate (those employed relative to the total population) has risen 2.5-fold over 1952, so that last year there were 259 persons employed for every 1,000 inhabitants. However, the army of those seeking work has been growing still faster. The number of persons seeking employment was increasing between 1952 and 1980 at an annual average rate of 10.7 percent. The pressure for new jobs has been especially evident over the last two decades. The very rapid growth of education, which brought about changes in the skill-specific composition of unemployment rolls, has especially contributed to that. Whereas in 1960 only 18 percent of those on the rolls were trained (highly skilled and skilled workers and people with senior and junior postsecondary and

secondary specialized training), last year they had a share of 43 percent in the total number of registered unemployed. Viewed from another angle this change is also pointed up by the datum that two decades ago those who had not been previously employed represented 38 percent of registrants looking for work, while today they represent 68 percent. However, we should not lose sight of the fact that along with those changes in composition, the number of people seeking employment has been increasing more rapidly than the labor force and also more rapidly than the able-bodied population. Thus for every 1,000 able-bodied inhabitants in 1952 there were 4 persons seeking employment, two decades ago there were 14, one decade ago there were 25, and last year there were 54 of them.

A similar evolution is noted with respect to the size of the labor force. Whereas in 1952 there were 26 people seeking employment for every 1,000 workers employed, there were 53 in 1960, 83 10 years ago, and 135 last year. This means that if in some way it had been possible to employ all those who registered, the total work force would have risen 5.3 percent two decades ago, 8.3 percent one decade ago, and 13.5 percent last year. However, this was not possible.

First of all, it is beyond all doubt that not everyone registered with employment security communities is actually unemployed. Establishment of criteria for distinguishing those who can become employed only by finding a job at the place where they are registered from those others who could be self-employed or could take jobs in some other place where their work is in demand has not been completed, even though it was set forth as a social task back 7 years ago (by the 10th LCY Congress). The Federal Committee for Labor, Health and Social Welfare has estimated on the basis of provisory criteria that there are about 600,000 people who are actually unemployed, that is, three-fourths of those registered. The others, then, have registered so that they might exercise their rights on the basis of guaranteed social security. Last year 18,000 persons on employment security rolls were receiving money benefits, and 233,000 persons, nearly 30 percent of those entered on the rolls, qualified for health care on that basis.

Second, it is not realistic to expect a reduction of the unemployment rolls when one takes into account that organizations of associated labor are less and less able to take on new workers. The growth rate of employment has been dropping year after year. Last year it was 2.7 percent, which means that the labor force of organizations of associated labor increased by 150,000 workers, but the increase projected for this year is 96,000, which is 1.7 percent. The medium-term plan envisages that the number of employees will increase by 740,000 by 1985, which presupposes an average annual rate of 2.5 percent. The plan, then, presupposes invigoration of the economy in coming years, which will make up for the slower initial pace, but it also assumes elimination of the extensive development which has been dominant up to now and which has also been manifested in the growth of employment.

The Model of Extensive Development

It is no new discovery that development policy has been reproducing the model of extensive development, in which the opening up of new plants and new jobs were the dominant goals and criteria of development. The constant pressure for new

jobs under the impact of rural overpopulation (which was discussed at greater length in EKONOMSKA POLITIKA, No 1520, 18 May 1981), as well as because of neglect of small business and the disproportionate attractiveness of the major urban centers, favored the occurrence and growth of fictitious employment. It has almost been the rule that new factors with technically up-to-date equipment started out with marked industrial overpopulation and their technology was not exactly the optimum. Aside from the aspiration for the highest possible employment--which by and large has been the predominant motive for opening up new plants, the new plants were also burdened by the legacy of lateness in providing financing for the capital investment, unrealistic cost estimates and excessively long investment cycles. For the sake of clarification we should add to all this the persistent inclination toward investment "doping" by committing inflationary sources and foreign credit to the financing of development. The expected results of the investment were exaggerated in order to provide justification, so that a distorted picture of development was created, and on that basis erroneous measures were undertaken to bring the pace of development into line with the actual goals and interests of society.

The growing pressure for new jobs is having consequences which are very troublesome from the economic standpoint. Fictitious employment [the original reads unemployment], which is also increasing under the ever greater pressure, means a heavier burden, especially on industry, which willy-nilly must confront world standards of productivity, than the burden which unemployment places on the back of society. According to certain surveys (Institute for Planning and Management Systems in Belgrade), at least a good fourth of employed persons are more ballast than contributors to the income of the organization of associated labor, since the same income could be achieved with 25 percent fewer workers if there were better organization and adaptation to economic criteria (EKONOMSKA POLITIKA, No 1520). If one out of every four workers in associated labor is fictitiously employed, this is an incomparably more difficult problem than if one out of every four persons on the unemployment rolls is only fictitiously unemployed--since we are talking about nearly 1.5 million workers and almost twice as many dependents, and all of this exerts direct pressure on the competitiveness of our production. The larger portion of the fictitious employment that is located in industry, the more serious the problem is, since productivity hampered by that kind of burden tends to exhaust the ability of production to generate capital and funds for reinvestment, when that production maintains on the one hand the entire edifice of the social superstructure, and on the other, by increasing the purchasing power of the workers and on the basis of a real growth of income, it is supposed to generate a growth of agricultural production. This very unfavorable outcome closes the circle which was opened by the uneconomic approach in development policy and the predominance of welfare motives over economic motives in expanded reproduction and in development as a whole.

Welfare as Policy

There is no doubt that pressure for new jobs will continue to be strong in the foreseeable future. All the specialized projections and analyses indicate that the labor supply in coming decades will be greater than the possibility for new real, if not fictitious, employment. The natural population growth will annually

bring a supply of 210,000 new workers (average). To this is added transfer of able-bodied population from agriculture, which does not create opportunities for any extensive productive employment on that side--because of the present rural overpopulation. We must also reckon with the 800,000 people who are now unemployed and the return of a portion of the population employed abroad temporarily (about 770,000 workers, 100,000 or so of them in countries outside Europe). According to one calculation, if about 300,000 persons are hired annually--appreciably more, that is, than realistic capabilities at the moment--up to the year 2,000, there would still remain about 2 million people looking for work if they have not been taken care of in uneconomical jobs.

Palliative solutions and tranquilizers which postpone the problem in employment policy are no longer possible. Today the principal attention--as witnessed by certain of the most recent "actions"--has been concentrated both on pushing a maximum portion of the army of registered unemployed into organizations of associated labor, to "rebook" them on the lists of personnel of organizations of associated labor and work communities. In future policy must strike deeper, since the problems are also deep-rooted.

7045
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BOSNIA-HERCEGOVINA FOREIGN TRADE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Sep 81 p 3

[Article by Marko Mirnic: "Imports Should Be Governed More by Exports"]

[Excerpt] Bosnia-Hercegovina's foreign trade in the first half of this year is characterized by a growth of exports, but also by a growth of imports of goods, which also resulted in a larger trade deficit, up 7.9 percent from the same period of last year. In spite of the favorable trends in the second quarter, then, the republic's economy showed rather unfavorable results in the first 6 months in its visible foreign trade--especially with countries using the convertible manner of payments.

The republic's foreign trade over that period amounted to 48,973 million dinars ($1,793.8 million), or 16.5 percent more than in the first 6 months of last year. Exports amounted to 19,279 million dinars and were up 19.1 percent, and imports 29,694 million, up 15 percent over the first half of last year. Bosnia-Hercegovina's share in Yugoslavia's total foreign trade was 13.4 percent: 14.4 percent of exports and 12.9 percent of imports, which means that it maintained the ratio from last year. Bosnia-Hercegovina has a share of 12.9 percent in Yugoslavia's exports to the convertible area and 10.8 percent of imports from that area, while the figures for the clearing area are 16.4 percent for exports and 19.6 percent for imports.

Unfavorable Once Again With the Industrially Advanced West

Viewed as a whole exports of goods from Bosnia-Hercegovina increased in the first half of the year, but exports to the area with convertible payment showed a disturbing declining trend. Thus of total exports goods worth only 3,951 million dinars ($144.7 million), or only 20.4 percent, went to the advanced countries of the West, which means a drop of 24 percent from the same period of last year. At the same time imports [original reads exports] amounted to 12,863 million dinars, or 43.3 percent of total imports, a rise of 12.7 percent. Within that figure imports of manufacturing materials increased 34 percent and consumer goods 42.3 percent, while imports of equipment dropped 14.8 percent. The unfavorable trade balance with the industrially advanced countries is the consequence of several factors. First of all, the continuing broad dependence on imports of up-to-date equipment and technology from that region, in which we also

encounter high protectionism and strong competition. This points up the need to urgently find a way of stimulating exports to the market of the Western countries, but also to the developing countries with which the convertible method of payment is used.

Visible trade with the socialist countries increased 25.5 percent in the first half of the year and reached 47 percent of the republic's total foreign trade. The value of exports (on the rise, especially to countries with the clearing method of payment) amounted to 10,498 million dinars ($384.5 million), which is 46.9 percent more than last year. Largest exports were to the USSR. Imports from those countries amounted to 12,703 million dinars (73.2 percent from the USSR) and were up 12 percent.

The value of visible trade with the developing countries was 8,958 million dinars ($328.1 million), or 18.2 percent of visible foreign trade, which is 29.1 percent more than last year. Exports to this area amounted to 4,830 million dinars, which is an increase of 25.5 percent, and imports 4,128 million dinars, an increase of 33.6 percent. Visible trade with the developing countries is characterized by concentration on a small number of countries: about two-thirds of exports go to Iraq, Libya and Egypt.

Bosnia-Hercegovina's imports grew considerably in the first half of the year--15 percent--and experienced a considerable reduction only in June. In the January-June period the coverage of imports by exports was as follows by regions: 30.7 percent with the advanced countries of the West; 82.6 percent with the socialist countries (86.3 with bilateral payments countries) and 117 percent with the developing countries. It is the general desire to augment exports and reduce imports to a more tolerable measure and put them more at the service of exports.

What Do the Figures of the Major Exporters Indicate

The trade deficit increased 7.9 percent over the same period of last year. The growth of the trade deficit with the convertible area, where it increased 55.4 percent, is disturbing.

[Box insert]

Appreciable Growth of Exports in Cooperation With Libya

Bosnia-Hercegovina's economy has for a number of years had a presence on the Libyan market, where it has been achieving very notable and steadily growing results. For example, last year alone the value of its exports to that country was $72 million, and in 6 months of this year they amount to $40 million, which comprises about 40 percent of total Yugoslav exports to Libya over that time.

The most important business transactions in which organizations from Bosnia-Hercegovina are involved in that country are work on capital investment projects, exports of equipment and materials for construction, exports of furniture, and recently there has also been an increase in exports of certain agricultural products.

Hidrogradnja, Energoinvest of Sarajevo and the Integra family are conducting the largest operations in Libya. The people in the republic economic chamber also emphasize the possibility of larger involvement of agroindustrial combines in Libya, which would be involved in a joint approach with construction contractors and equipment manufacturers, because they have already established themselves as good trading partners in that country.

7045
CSO: 2800/368

SURVEY OF AGRICULTURAL STRUCTURE, PRODUCTION TO 1980

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 7-8, Jul-Aug 81 pp 7-35

[Article by Dr Dusan Breznik et al.: "Yugoslavia's Agriculture"]

[Excerpts] Yugoslavia is a country considered to have rich water resources (rivers, watersheds, lakes, subsurface water, thermal [original reads "terminal"] springs, storage reservoirs, man-made watercourses, etc.). This abundance is shown by its water balance. The territory of Yugoslavia (with an area of 256,000 square kilometers, an average altitude of 545 meters above sea level, an average annual rainfall of 1,002 mm) can be divided into three separate natural parts: the Pannonian, mountain and coastal regions.

The mountain region occupies 71.4 percent of the area of the country and furnishes 83.2 percent of all the water flowing out of Yugoslavia. It furnishes 80 percent of the flow of rivers in the Adriatic watershed, 84 percent of those in the Black Sea watershed and the entire flow in the Aegean watershed. Because of the high level of precipitation and reduced evaporation, it has a specific runoff of 17.8 liters per second per square kilometer.

The Pannonian region extends over 23 percent of the territory of Yugoslavia and has an average altitude of 200 meters above sea level. It furnishes 33.2 percent of the flow of rivers in the Black Sea [original reads "Montenegrin"] watershed. The plains area has a low specific runoff of 6.2 liters per second per square kilometer.

The coastal region extends through the Adriatic watershed, including the islands, the coast and the coastal mountains (Ucka, part of Velebit, Kozjak, Dinara, and part of Orjen, Lovcen and Rumija), comprising 5.6 percent of Yugoslavia's area. Because of the markedly caustic character of the area, there exist only minor streams in Istria, on Krk, in Central Dalmatia and in the Montenegrin coastal area.

The abundant water resources are used primarily in the electric power industry, to supply water to industries, cities and settlements, and to a lesser extent for irrigation and other purposes.

The emphasis of water management policy in the period up to now has been on rectifying the water regime in order to protect the land and agricultural production. This is an urgent problem even today. Water erosion affects about 8 million hectares in Yugoslavia, or one-third of the area of the country. About 3.6 million hectares of plowland is threatened because the water regime has not been regulated. About 150,000 hectares of land have been flooded annually in recent years.

Mitigation and elimination of the effect of drought on the level of yields of farm crops and the need to supply necessary amounts of water for plant production are making the problem of water use more and more urgent. This is illustrated by the figures in Table 1.

Table 1. Irrigation in Yugoslavia, in hectares

Area and Method of Irrigation	1957	1959	1969	1979
Area of irrigation				
Total	82,991	89,175	135,205	154,330
Plowland alone	57,780	61,326	105,868	115,567
Irrigation method				
Surface	76,061	81,053	93,011	104,839
Sprinklers	6,830	8,122	42,194	49,491

About 154,000 hectares in Yugoslavia, or 1.5 percent of the cropland, is irrigated, and most of this is plowland. The exceptional opportunity offered by the abundance of water to intensify and augment agricultural production has not been taken advantage of.

The natural conditions exist for building irrigation systems in Yugoslavia to cover about 3.6 million hectares of farmland. Irrigation systems are under construction in SR [Socialist Republic] Macedonia, SAP [Socialist Autonomous Province] Kosovo, SAP Vojvodina and other areas. The large Danube--Tisa--Danube hydrosystem, which has been built in Vojvodina, is supposed to make it possible to irrigate about 350,000 hectares. Farm policy faces the task of making a thorough study and of drafting a program for construction of reclamation systems, including methods for their optimum and economic operation.

The Farm Population and Manpower

Yugoslavia's population has experienced a complete socioeconomic transformation in the period since World War II. The accelerated development of the productive forces has brought about profound changes in the economic composition of the population over a relatively short period of time. The farm population has decreased about 4.2 million, or 40.5 percent, in the period from 1948 to 1980. The share of the farm population in the total population dropped from 67.2 percent in 1948 to about 28.8 percent in 1980.

The transfer of farm population into nonfarm activities has been taking place either through movement into the cities and industrial centers or by people continuing to live on their farms while taking employment in nonfarm activities.

In the 1961-1971 period the average annual transfer of farm population was about 217,000 persons. The transfer of farm population into nonfarm activities took place directly in the previous period, but is now taking place more and more through the training of the young generation. This is indicated by the figures given in Table 2.

Table 2. Total and Farm Population and Labor Force in Yugoslavia in the Period 1931-1980, in thousands

Sector	1931	1948	1953	1961	1971	1980
Total population	14,534	15,842	16,991	18,549	20,523	22,080
Farm population	11,085	10,606	10,316	9,198	7,844	6,364
Percentage	76.3	67.2	60.9	49.6	38.2	28.8
Total labor force	6,970	7,741	7,849	8,340	8,890	9,509
Farm labor force	5,301	5,627	5,360	4,692	4,208	3,418
Percentage	76.1	72.1	68.3	56.3	47.3	35.9

Remark: For 1980 according to the estimate of the Demographic Survey Center of the Institute of Social Sciences in Belgrade; the total and farm population and labor force include, in the light of the definition of permanent population, all Yugoslav citizens (and members of their families) who were employed abroad temporarily.

The number of mixed households [with income from both farming and nonfarm activities--translator's note] in agriculture has been growing steadily, so that they already comprise about two-thirds of the total number of households. According to the 1969 Census there were about 1.42 million gainfully employed persons in farm households who worked off the farm in nonfarm activities. These individuals are given the status "worker-peasants." Worker-peasants have had a considerable impact on demographic processes, but also on the diet, standard of living and way of life in rural areas.

Both the farm population and the farm labor force have been undergoing an intensive aging process. According to the 1971 Population Census, 27.8 percent of the farm labor force is over age 55 and 12.2 percent are over age 65. These groups represent only 4.3 percent and 0.6 percent, respectively, in the nonfarm labor force. Because of changes in the age-specific composition of the farm population, its birth rate is lower than that of the nonfarm population.

Regional differences in the share of the farm population and farm labor force in the total population and total labor force are closely linked to the level of socioeconomic development as well as to natural and other conditions for development of agricultural production. These differences are evident from the figures in Table 3.

The more advanced regions (Slovenia, Croatia, Serbia proper and Vojvodina) have a higher number of persons employed in nonfarm activities, a higher per capita social product and fewer members of the farm labor force per 100 hectares of cropland than the underdeveloped areas (Bosnia-Hercegovina, Montenegro, Macedonia and Kosovo). However, the share of the farm population is somewhat higher

in Vojvodina and Serbia proper because of the more favorable natural conditions for development of agricultural production as well as because of the somewhat slower transfer of farm population into nonfarm activities in the underdeveloped opstinas of Serbia proper.

Table 3. Certain Demographic and Economic Indicators in 1980 by Republics and Provinces in Yugoslavia

Region	Farm Population, in thousands	Percentage of Farm Labor Force in Total Labor Force	No of Members of Farm Labor Force Per 100 Hectares of Cropland	Percentage of Farm Population in Total Population
Yugoslavia	3,418	35.9	34.5	28.8
Bosnia-Hercegovina	609	38.6	37.8	29.6
Montenegro	63	30.6	34.1	25.4
Croatia	591	28.5	28.4	22.1
Macedonia	270	36.9	41.4	30.2
Slovenia	119	13.8	18.6	10.3
Serbia	1,761	43.5	37.2	35.5
Serbia proper	1,223	44.6	44.9	34.7
Kosovo	202	48.8	50.5	43.2
Vojvodina	342	38.4	21.1	32.0

The transfer of farm population into nonfarm activities has facilitated a substantial reduction of relative rural overpopulation. The number of members of Yugoslavia's farm population per 100 hectares of cropland dropped from 110 in 1948 to 64 in 1980. Agriculture is still burdened with a surplus of manpower. According to the situation in 1980, it is estimated that total manpower in agriculture is about 3,418,000 persons, of which 161,000 are employed on socialized farms, and about 2,957,000 on private farms, while it is estimated that 300,000 are employed abroad temporarily. Women are assuming ever greater importance in agricultural work.

As the farm population has decreased, agricultural production in Yugoslavia has more than doubled as a result of the process of intensification and social transformation of agriculture. The processes of deagrarianization of rural areas, above all the increase in the number of households whose members are elderly, households without heirs and mixed households, indicate the need for a pooling of labor, land and capital assets between private and socialized farms, for slowing down the process of transfer of farm population into nonfarm activities and for covering private farmers with the system of old-age pensions.

Technical and Technological Factors

The technological revolution is sweeping through Yugoslav agriculture more and more. The introduction of modern technology has been oriented toward those measures which can contribute most to increased yields, output and income:

a) High-yield domestic varieties of wheat have been planted in Yugoslavia and certain countries of Europe. High-yield selections of Yugoslav corn hybrids are planted in Yugoslavia and many countries of Europe and Africa and in the United States. A domestic hybrid sunflower seed is being produced, as are seeds of sugar beets, grape vines and nursery stock and transplants. Large orchards and vineyards have been built up with certified varieties. Major results have been achieved in altering the breed composition of the livestock population, above all by introducing highly productive purebred hogs and cattle and also poultry with improved characteristics.

b) The ratio of technical equipment to the size of the labor force in agriculture has been rising steadily. The introduction of up-to-date equipment has been aimed in two basic directions: toward solving the problem of traction and toward introduction of auxiliary equipment.

The process of the inroads of machines in Yugoslav agriculture is vividly illustrated by tractors. In the 1947-1949 period Yugoslav agriculture was using about 7,200 tractors (one tractor for every 1,289 hectares). In the 1965-1967 period their number was 50,766 (one tractor per 201 hectares), in the 1977-1979 period it had climbed to 341,300 (one tractor for every 29 hectares of cropland). The average growth rate of the number of tractors is 14.16 percent: 14.57 percent, close to the average, in the first period (1947-1965), a more pronounced 19.14 percent in the second period (1966-1967), and again slower at 13.91 percent in recent years (1977-1979), though at present the base is considerably higher. The slowing down of the growth rate of the number of tractors is being made up for by its increased average tractive power.

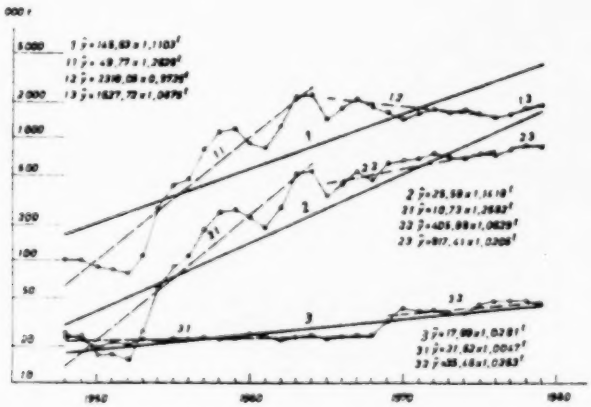
Combines, especially for grain, and trucks began to be used on a large scale in agriculture in 1958. In that year there were 646 combines (one combine for every 15,789 hectares) and 1,632 trucks (one truck for every 6,250 hectares) registered. In the 1965-1967 period the number of combines has risen to 12,042 (growth rate 40.52 percent) and the number of trucks to 3,948 (rate 13.22 percent). In recent years (1977-1979) a drop has been recorded in the number of combines (10,462) and trucks (3,611), while their capacity has grown steadily. Figures on this are given in Table 4.

Table 4. Major Farm Machines and Consumption of Manufactured Fertilizers in Yugoslavia

Item	1948	1959	1969	1979	1980
Tractors					
Total	7,227	26,500	67,732	341,972	385,116
Socialist sector	5,326	21,537	31,642	25,972	21,116
Private sector	1,901	4,963	30,090	316,000	364,000
Combines	--	1,334	11,078	10,741	9,552
Trucks	--	1,636	3,559	3,596	3,539
Total quantity of manufactured fertilizers					
Total, in thousands of tons	74	1,147	1,822	2,203	--
Kg/hectare of cropland	7.8	112.5	179.2	222.1	--

As agricultural production has improved, the process of transition from predominantly animal traction to more efficient mechanical traction has been conducted successfully and effectively. The further rise in the ratio of equipment to labor force must be aimed toward penetrating all the phases of the process of farm product production in all branches of farming as well as toward effective utilization of technology and equipment.

c) The process of chemicalization of Yugoslav agriculture has recorded a very marked overall growth rate. It is accompanied by several important factors (Graph 1: quantity of manufactured fertilizers: total (1), active ingredients (2), concentration (3) or percentage of active ingredient); first, the pronounced growth of the available quantity of manufactured fertilizers (1948/1964) along with the same growth rate of active ingredients, since the concentration has not essentially changed in that period; in the period 1966-1976 there was a mild contraction of the quantity of fertilizers along with a clear trend toward a growth of active ingredients, and finally, in recent years there has been a rise of both the total quantity and the active ingredients they contain. The average composition of the active ingredients of fertilizers N:P:K = 41.01:31.79:27.20 has been changing systematically to the advantage of nitrogen ($y = 29.05 \times 1.0196^t$) and at the expense of phosphorus ($y = 40.99 \times 0.9847^t$) and potassium ($y = 28.84 \times 0.9943^t$). The nitrogen content in active ingredients is close to 50 percent, while the other 50 percent is distributed equally between phosphorus and potassium.



Total consumption of manufactured fertilizers per hectare of cropland increased from 7.8 kg in 1948 to 222 kg in 1979. The use of manufactured fertilizers had a high impact on the growth of yields of field crops. A high correlation coefficient of 0.83 was achieved between finished agricultural output and consumption of manufactured fertilizers. Substantial opportunities for increasing yields and output lie in increasing the consumption of manufactured fertilizers on private farms and in the hilly and mountain farming region.

d) The professional agricultural extension service has shown a steady rise in personnel with senior and junior postsecondary training, and recently there has been a notable share of persons with M.A.'s and Ph.D.'s. The farm extension

service helps private farmers in organizing their production and in applying up-to-date technology, especially in the framework of cooperation with the socialized sector. The veterinary service is well developed and possesses 428 veterinary stations, 1,080 veterinary outpatient clinics and other services.

Development of Agricultural Production

Agricultural production more than doubled over the period from 1949 to 1979. An analysis of the growth by branches of farming shows that the largest increase was achieved in livestock raising and the lowest in grape growing (Graph 3). At the higher level of production the growth in the various branches of agricultural production has been slowing down over the past decade as compared to the previous period. The development of plant production has been lagging more in relative terms than the development of livestock production. This is indicated by the figures in Table 5.

Graph 3. Trend of Agricultural Production by Branches of Farming

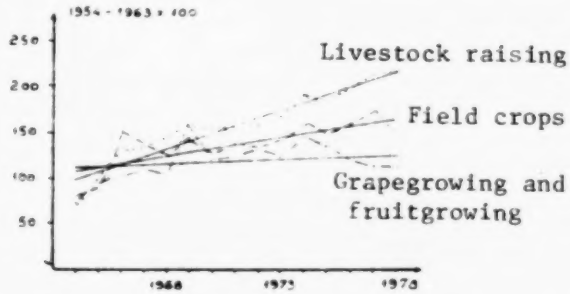


Table 5. Growth Rates of Agricultural Production in Yugoslavia

Period	Agriculture, total	Field Crops	Fruit-growing	Grape-growing	Livestock Raising
1949-1979	2.8	2.3	1.9	1.4	3.8
1949-1959	5.0	4.6	6.7	1.1	4.6
1959-1969	1.4	0.9	2.0	4.6	6.6
1969-1979	2.2	1.4	-2.9	-1.2	2.0
1969-1974	2.9	2.3	-2.0	-6.0	7.0
1974-1979	1.5	1.8	-1.9	5.1	2.2

Note: The minus sign indicates the rate of decrease.

Satisfying the growing needs of society for farm products has put emphasis on higher yields and a more rapid growth of the total volume of production, with less emphasis on changes in the composition of agricultural output. In the average annual distribution of Yugoslavia's finished farm products over the period 1972-1976 the products of plant growing had a share of 45 percent and those of animal husbandry 55 percent. Expansion of intensive production operations, such as industrial crops, the raising of quality livestock breeds, cultivation of

large-scale vineyards and orchards, and so on, is a constructive orientation toward improving the composition of agricultural output and toward increasing agriculture's income.

The fluctuation of agricultural output over this past period has been 11-12 percent relative to the development trend. Fluctuation in the volume of agricultural output has been instilling elements of instability in development of the economy, the market and the standard of living of the population.

The past growth and dynamic pattern of agricultural production are the result of the effect of an entire complex of production factors and economic and organizational factors, above all consumption of manufactured fertilizers, of quality materials used in production, of investments, of fixed assets, of prices of farm products, and so on. The interdependent relationships between the development of agricultural production and the factors of production show that large opportunities exist for augmented output by virtue of more optimum utilization of the available physical capability in agriculture.

Field Crop Production

In the postwar period there has been no essential change in the area of agricultural land. One of the essential characteristics of the available land resources is that they are utilized in a rather extensive manner. Meadows and pastures with low productivity comprise about 44 percent of the area of farmland, and perennial plantations only about 4.5 percent of the farmland. Plowland has been experiencing a mild but constant decrease since 1959. Figures on this are presented in Table 6.

Table 6. Distribution of Yugoslav Farmland by Use Categories, in thousands of hectares

Use	1949	1959	1969	1977	1978	1979
Total	13,900	15,000	14,707	14,356	14,364	14,329
Cropland						
Total	9,770	10,200	10,165	9,950	9,939	9,917
Plowland and gardens	7,340	7,660	7,539	7,229	7,204	7,172
Orchards	338	408	442	473	476	478
Vineyards	253	277	256	246	247	246
Meadows	1,840	1,900	1,928	2,002	2,012	2,020
Pastures	4,070	4,710	4,474	4,324	4,342	4,323
Bogs, reed beds and fish ponds	81	65	67	82	83	88

There have been significant changes toward more intensive production and stronger production for the market in the pattern of area planted. The area planted to grain increased right up to 1959, when it began to decrease, and this tendency has persisted right up to the present time. It is interesting to mention that this reduction is 32 percent from 1959 and all of 41 percent from 1939. Reduction of the area planted to grain has made it possible to substantially increase the area planted to industrial crops, vegetables and particularly animal feed crops. This is indicated by the figures presented in Table 7.

Table 7. Yugoslav Plowland by Manner of Use, in thousands of hectares

Use	1949	1959	1969	1977	1978	1979
Plowland and gardens	7,340	7,660	7,539	7,229	7,204	7,172
Area planted						
Total	6,660	7,240	7,011	6,612	6,524	6,514
Grain	5,120	5,757	5,157	4,562	4,429	4,363
Industrial crops	489	342	437	488	540	561
Vegetables	478	518	622	667	651	656
Livestock feed	573	627	794	895	904	934
Nurseries	2.3	3.7	2.0	3.2	3.8	5.7
Fallowland and plowland uncultivated	670	424	521	609	570	647

The distribution of field crops shows that corn and wheat are the most important crops. They occupy about 60 percent of the plowland. The area planted to corn has remained at approximately the same level, while the area planted to wheat has been steadily dropping. In 1979 the area planted to wheat was 39 percent smaller than in 1959. The greatest degree of application of modern technology has been achieved in the production of wheat, corn, sugar beets and sunflowers, and that level is considerably lower in the production of vegetables and livestock feed. Figures on this are presented in Table 8.

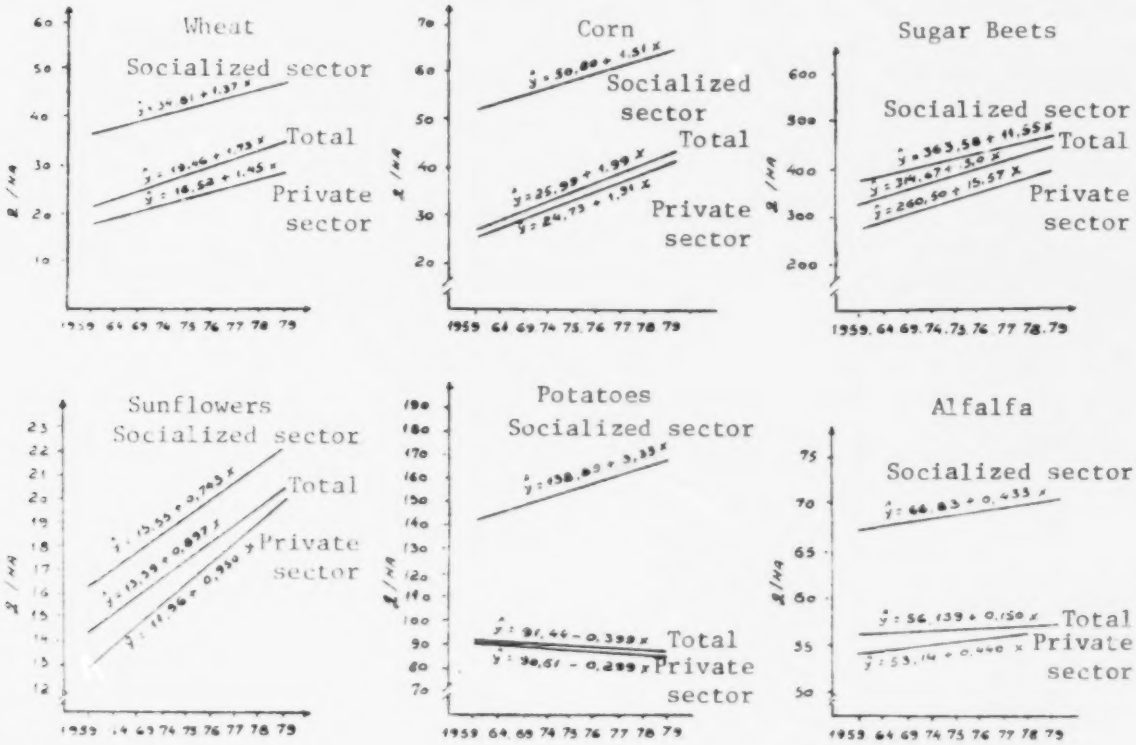
Table 8. Production of Important Crops in Yugoslavia, in thousands of tons

Crop	1957	1967	1977	1979
Wheat	3,100	4,820	5,595	4,512
Corn	5,660	7,200	9,870	10,084
Sugar beets	2,030	3,680	5,287	5,924
Sunflowers	93	250	479	525
Potatoes	3,310	2,800	3,034	2,724
Alfalfa	888	2,083	2,141	2,120
Clover	789	1,083	1,305	1,267
Apples	106	301	381	428
Peaches	23	54	72	66
Grapes	907	1,050	1,217	1,313
Hay--meadow	3,590	3,810	4,265	4,142
Grazing in terms of hay, pastures	2,330	1,930	1,916	1,893

The reduction of the area used as plowland and especially the area planted to grain has not had an adverse effect on the volume of production of field crops. Since 1977 the volume of production has increased 1.5-fold for wheat, 1.8-fold for corn, threefold for sugar beets, 5.6-fold for sunflowers, 2.4-fold for alfalfa, and so on.

The yield per hectare of the leading field crops has increased several times over. The socialized farms are setting the pace in this (see Graph 4).

Graph 4. Yield in Quintals Per Hectare of the Principal Field Crops by Sectors of Production



Though a very important advance has been achieved, primary field crop production has still not stabilized at a level that would meet the growing needs for food, livestock feed and raw materials of agricultural origin.

Fruitgrowing

There are three periods in the postwar development of fruitgrowing.

The first period, up to 1958, is characterized by the recovery and consolidation of orchard areas.

The second period, from 1958 to 1971, recorded the most important changes in fruitgrowing, such as: enlargement of the area of orchards, changes in the assortment and distribution by types of fruit trees, and introduction of up-to-date production technology.

The third period begins in 1971 and is continuing. The principal feature of this period is the endeavor to achieve the highest possible economic efficiency in production. Steps are being taken to reduce production costs and raise yields and labor productivity. This is indicated by the figures in Table 9.

Table 9. Production of the Most Important Types of Fruit in Yugoslavia, in thousands of tons

Type of Fruit	1949	1959	1969	1977	1978	1979
Apples	171	236	483	381	381	428
Pears	64	86	111	112	92	95
Plums	386	1,210	1,292	782	655	517
Sweet cherries	33	61	50	40	42	47
Sour cherries	21	32	36	46	43	64
Peaches	16	32	58	72	63	66
Walnuts	29	34	39	17	18	17
Olives	47	3	7	13	12	13

Fluctuations in production are a consequence of changes in the number of bearing trees and fluctuations that occur in the yields per tree. The largest fluctuations in the yield occur for plums and sour cherries, and the smallest for peaches and sweet cherries.

In the proportional breakdown of fruit production there has been a drop in the production of plums and an increase in the production of apples, pears, peaches, and sour and sweet cherries.

Expansion of fruitgrowing in large orchards, especially apples, and construction of up-to-date cold-storage plants have greatly contributed to advancement of fruitgrowing, improvement of the composition of the crop, and to stability of the market. High yields are being attained in the large orchards of the socialized sector, so that its share in total fruit production is growing more and more.

Grapegrowing

The principal features in development of grapegrowing are the reduced area of vineyards and maintenance of grape production at approximately the same level. The private sector is predominant in the volume of production of grapes, holding about 85 percent of vineyard area. Organizations in the socialized sector have increased the area of their vineyards from 17,000 hectares in 1955 to 37,000 hectares in 1978.

While the area of vineyards has been increasing in the socialized sector, it has been decreasing on private farms, which is a consequence of the migration of able-bodied persons from rural areas who do not have the means of carrying on the conventional farming operation, in which live labor is dominant, and of substitution by the modern method of production in large vineyards, where greater use is made of machines. The figures in Table 10 show the increased capacity of vineyards and the growth in the production of grapes.

In the distribution of varieties, which is very diverse, wine varieties are predominant, but quality varieties of table grapes are being grown more and more. A small portion of the grape harvest is used for consumption in the fresh state,

but the major portion is processed into wine. About 620,000 tons of high-quality wine is produced annually, half of it in socialized vineyards and half of it in private vineyards.

Table 10. Vineyard Capacity and Grape Production in Yugoslavia

	1949	1959	1969	1977	1978	1979
Area, in thousands of hectares	253	277	255	246	247	246
Vines, in millions						
Total	1,510	1,860	1,672	1,500	1,502	1,475
Bearing	1,370	1,680	1,567	1,399	1,392	1,362
Grape production, in thousands of tons	854	954	1,499	1,217	1,080	1,313
Yield per vine, in kg	0.6	0.6	1.0	0.9	0.8	1.0

While the area of vineyards has experienced a slight decrease, there has been a reorientation in grapegrowing toward production in large vineyards, which guarantees more efficient use of land and attainment of higher production and economic performance, and the orientation is toward production for the market. The grapegrowing in large vineyards by organizations in the socialized sector achieved yields which are fourfold greater per vine than the production of grapes on the farms of private producers.

Livestock Production

Livestock production tends to display a more uniform trend than plant growing. The fluctuation of livestock production amounts to 5-6 percent of the development trend, and is mostly a consequence of fluctuation in hog raising. Animal husbandry has been making an essential contribution to intensification of agriculture as a whole and to improvement of the structure of agricultural output.

Livestock raising has achieved a notable growth of production. The average annual growth rate of output was 3.8 percent over the period from 1949 to 1979. (See the figures in Table 11.)

Production in the raising of cattle [dairy and beef combined--translator's note] has grown at an average annual rate of 3.2 percent. Beef production has been increasing considerably faster than milk production. The growth of production in cattle raising has been more the result of higher productivity per head than of an increase in the number of cattle.

The weight gain of hogs has been increasing at an average annual rate of 2.6 percent. Pork production has increased because of higher weight gain per hog and especially because of the increase in the number of hogs. The figures on this are given in Table 12.

Poultry raising has achieved the highest growth of production, at an average annual rate of 6.7 percent. The increase in the production of poultry meat is the

result of the large increase in the number of poultry and the industrial method of production. The increase in egg production was achieved by increasing the number of laying hens and by raising productivity.

Table 11. Trend of the Livestock Population (as of 15 January) in Yugoslavia, in thousands of head

Type of Livestock	1950	1959	1969	1977	1978	1979
Cattle						
Total	5,248	5,038	5,261	5,641	5,542	5,491
Cows	2,340	2,495	2,865	3,227	3,184	3,134
Hogs						
Total	4,295	5,657	5,093	7,326	8,452	7,747
Sows	656	900	930	1,261	1,406	1,281
Sheep						
Total	10,046	11,249	9,730	7,484	7,514	7,339
Breeding ewes	7,231	7,726	7,197	5,577	5,513	5,396
Poultry	20,207	27,721	37,142	59,031	60,398	61,513
Horses	1,097	1,274	1,109	812	759	701

Table 12. Trend of Production in Terms of Liveweight Gain in Yugoslavia, in thousands of tons

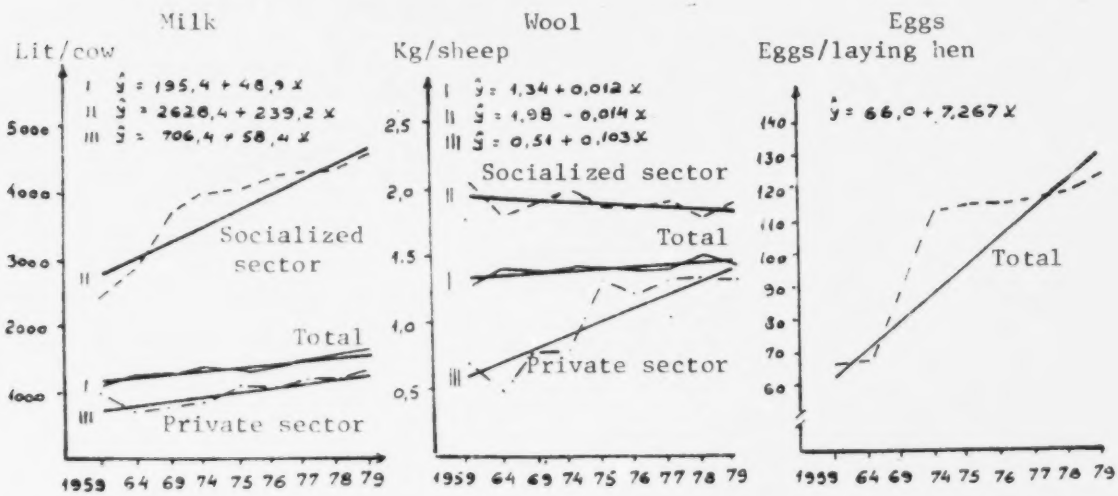
Type of Livestock	1951	1956	1966	1976	1977	1978	1979
Cattle							
Total	189	216	477	637	660	664	670
Percentage of socialized sector	17.2	18.8	17.7	25.6	17.1	18.5	19.1
Hogs							
Total	332	388	614	871	930	1,021	983
Percentage of socialized sector	11.9	12.6	17.1	22.4	20.4	23.9	21.2
Sheep							
Total	99	84	115	114	121	118	115
Percentage of socialized sector	4.2	4.0	3.7	3.2	3.0	3.5	3.4
Poultry							
Total	53	80	119	280	307	337	355
Percentage of socialized sector	16.7	18.2	24.1	32.9	36.1	38.2	39.3

The low production of mutton is the consequence of a drop in the total number of sheep and low productivity. Wool production is showing a degressive trend. The attitude toward sheep raising must undergo a basic change. There is every economic justification for advancement of sheep raising in view of the large growth of demand for the products of sheep raising and the more efficient use of extensive grassy areas in the hilly and mountain region. The figures in Table 13 reflect the production of these products.

Table 13. Production of Milk, Wool and Eggs in Yugoslavia

Year	Cow's Milk: Total, in millions of liters	Cow's Milk: Percentage of Socialized Sector	Wool: Total, in tons	Wool: Percentage of Socialized Sector	Eggs: Total, in millions of eggs	Eggs: Percentage of Socialized Sector
1951	1,400	5.1	15,532	...	850	...
1956	1,801	4.7	14,916	3.9	1,447	0.5
1966	2,615	15.5	13,456	5.9	1,996	18.3
1976	3,730	8.7	9,896	4.1	3,825	26.7
1977	3,950	8.6	9,657	4.2	4,041	28.6
1978	4,008	8.7	10,220	4.1	4,062	30.0
1979	4,157	8.4	9,992	4.3	4,265	31.8

Production Characteristics of Livestock by Sectors of Production



The socialized sector has a low representation in the livestock population and in total livestock production. The tendency in that direction has not undergone essential change over the last 25 years. In Yugoslavia the socialized sector of agriculture has a share of only 11.8 percent in the total livestock population based on the standard 500-kg animal: that is, 8.9 percent of the total number of cattle, 18.4 percent of the hogs, 3.3 percent of the sheep and 37.2 percent of the poultry.

Advancement of livestock raising in Yugoslavia is the result of application of an entire system of up-to-date technical, technological and zootechnical measures. The livestock population and the productivity of livestock have had the greatest impact on the growth of livestock production. The livestock population shows a steady tendency to increase. The average production characteristics of livestock have increased significantly, especially on socialized farms (see the graph).

Improved makeup of herds, a higher degree of insemination of livestock and reduced livestock mortality have contributed to improvement of livestock raising and to the growth of livestock production. The production potential in Yugoslavia's animal husbandry is not being adequately utilized. Every year more than 5 million suckling pigs are slaughtered at an average weight under 10 kg, and then more than a million calves weighing about 100 kg. Livestock feed resources have not been adequately developed or brought into line with the requirements of optimum utilization of the livestock population and intensification of livestock production. The economic status of livestock raising is unfavorable, which is hampering the development and advancement of livestock production.

Participants in Advancement and Development of Agriculture

Table 14. Structure of Yugoslav Agriculture

	Agricultural Organizations		Private Farms	
	1957	1979	1957	1979
Index numbers of the volume of agricultural production, 1955 = 100	145	937	119	152
Cropland in thousands of hectares	828	1,593	9,380	8,324
Average size of the landholding, in hectares	415	885	4.69	3.9
Share in total agriculture, in percentage				
In cropland	8	16	92	84
In the livestock population--standard animals	5	12	95	88
In mechanical traction	88	20	12	80
In manufactured fertilizer production	56	36	44	64
In the social product	9	27	91	73
In production for the market	24	46	76	54

1. Socialized Farms

In the 1950-1980 period the production capabilities of socialized farms increased considerably. In 1957 socialized farms had about 827,000 hectares of land, or 8 percent of the total cropland, while in 1979 they had about 1,593,000 hectares, or 16 percent. The growth of productive capability is the result of major investments in machines and equipment, in livestock, in large orchards and vineyards, and in construction of processing and sales facilities (see the figures in Table 15).

The socialized farms have achieved a high growth rate and level of production. Application of scientific advances and modern technology have reached a high level.

The production policy of socialized farms has been based on field crop production, which has attained a favorable profitability and has found a market. The development of livestock production has progressed more slowly in relative terms

than field crop production. This is indicated by the figures presented in Table 16.

Table 15. General Survey of the Development of Agricultural Organizations in Yugoslavia (1972 prices)

	1959	1969	1974	1977	1978	1979
Social product in millions of dinars	4,186	8,445	11,387	12,745	12,770	13,567
Labor force in thousands	237	162	168	179	183	188
Capital assets						
Total, in millions of dinars	6,296	23,111	31,250	37,903	40,325	...
Per hectare of cropland, in dinars	6,904	15,753	20,711	24,296	25,522	...
Capital investments						
Total, in millions of dinars	3,747	2,097	3,252	3,055	3,612	...
Per hectare of cropland, in dinars	4,109	1,426	2,155	1,958	2,286	...

Table 16. Production of Important Agricultural Products on Socialized Farms in Yugoslavia

Product	1957	1967	1977	1979
Wheat, thousands of tons	3,070	1,524	2,258	1,642
Corn, thousands of tons	587	1,270	1,537	1,673
Sugar beets, thousands of tons	551	2,100	3,698	4,486
Sunflowers, thousands of tons	14	155	243	274
Potatoes, thousands of tons	89	88	50	35
Apples, thousands of tons	6	52	210	214*
Peaches, thousands of tons	3	19	29	22*
Grapes, thousands of tons	44	143	256	282*
Total weight gain of livestock and poultry, thousands of tons	...	247	429	491*
Fresh milk, millions of liters	111	392	341	351
Eggs, millions	9	203	1,157	1,218*

* 1978.

The socialized farms are playing an ever more significant role in the production of field crops and a less significant role in the production of livestock products. Their share has increased from 9.9 percent to 36.5 percent for wheat, from 10.4 percent to 16.6 percent for corn, from 27.1 percent to 75.5 percent for sugar beets, from 5.6 percent to 50.0 percent for apples, from 7.9 percent to 23.2 percent for meat, from 5.6 percent to 8.4 percent for milk, from 0.6 percent to 28.5 percent for eggs, and so on. (Table 17 gives more detailed figures on this.)

Table 17. Average Yields of Crops and Livestock Products on Socialized Farms in Yugoslavia

Product	1949	1957	1977	1979
Wheat, kg/hectare	1,470	2,310	4,850	4,110
Corn, kg/hectare	1,880	3,840	6,380	6,790
Sugar beets, kg/hectare	12,200	28,600	45,400	44,200
Sunflowers, kg/hectare	1,080	1,350	2,380	2,170
Apples, kg/tree	21.0*	13.0	39.4	35.5
Peaches, kg/tree	9.1*	12.8	14.6	12.5
Grapes, kg/vine	0.6*	0.6	3.0	3.0
Liveweight gain per standard animal, kg	145**	199	728	796
Milk per cow, liters	1,865**	2,297	4,277	4,547
Eggs per hen	85**	111	216	210

* 1951.
** 1954.

Greater progress has been achieved in the yields of plant crops than livestock products. The yields of plant crops have attained the level of yields of the advanced countries. All the conditions indispensable to industrialization of livestock production have not yet come about on the socialized farms.

The share of the socialized sector in purchases of farm products has been increasing, but it varies from product to product. The socialized sector's share has reached about 60-70 percent of wheat purchases, about 70 percent for sugar beets, about 80-90 percent for poultry, about 55 percent for sunflowers, about 50-60 percent for corn, about 40 percent for lean hogs, and so on.

Labor productivity has been rising steadily on the socialized farms. The 1960/1962 average output per hour of direct human labor was 43 kg of wheat, 12 kg of corn, 45 kg of sugar beets, and 12 kg of sunflowers; the 1976/1978 average was 209 kg of wheat, 116 kg of corn, 268 kg of sugar beets and 49 kg of sunflowers. Favorable results were also achieved in milk and meat production. The expenditure of direct live labor in 1966 was 6.49 hours per hectoliter of milk, while in 1978 it was only 3.70 hours; production of 1 kg of weight gain of baby beef was 7.22 hours and 2.32 hours, respectively, and production of 1 kg of weight gain of hogs was 3.76 hours and 1.46 hours, respectively.

The social product of the socialized sector of agriculture has been increasing considerably: from 4,186 million dinars in 1959 to 13,567 million dinars in 1979. The socialized sector's share in the social product of agriculture increased from 13 percent to 27 percent. The growth of production has not been accompanied by satisfactory economic results. The socialized sector's unfavorable economic position is the consequence not only of the structure and pattern of use of the technical makeup of capital, but also of other climatic, organizational and economic factors.

Investments on socialized farms have stayed more or less at the same level, which is creating serious limitations in the development and advancement of agricultural production, especially in the domains of livestock production and land purchases. The further growth of the organic composition of capital depends functionally on the economic status and accumulation of the socialized sector of agriculture.

Socialized farms have a heavy burden of manpower, which is seriously diminishing the economic results. As the organic composition of capital increases, a relative decline in the share of manpower in the production process must be expected, so that there will be new surpluses of manpower. The problem of surpluses of manpower must be resolved by developing complementary business and service activities.

Socialized agriculture is becoming an increasingly capital-intensive production. The development of socialized farms is characterized by a tendency toward consolidation and concentration of capital. The average size of the landholding of socialized farms has increased from 415 hectares to 885 hectares of farmland, while the value of capital assets per hectare of cropland has increased 3.7-fold.

Aside from cooperatives and socialized farms, agroindustrial combines have a particular place in development of the socialized sector. These combines encompass the production, processing and sale of farm products. The combines vary quite a bit in their level of development, and they can be classified as follows: a) the smaller combines with about 10,000 hectares of land, small processing facilities and a less developed volume of sales of agricultural products; b) the medium-sized combines with between 10,000 and 30,000 hectares of land, advanced processing facilities and considerable sales of farm products, and c) large combines with more than 30,000 hectares of land and highly developed processing and highly organized sale of raw and processed foods. Exceptions to this are combines with advanced greenhouse production, grape- and fruitgrowing, egg production, broiler production, and so on. Combines are developing within large tourist organizations, and they are adapting their production, processing and sales to the needs of the tourist industry.

2. Private Farms

The principal method of developing production and income of the private sector in agriculture is to socialize production by involving private farmers in the social process of labor as equal participants, which is being done through cooperation between private farmers and the socialized sector, without abolishing private ownership of the land. This kind of cooperation ensures the farmers improvement of the resources they possess and ever more efficient utilization of those resources in the interest of their own advancement and social progress, as well as ever broader participation of private farmers in making decisions on matters of common interest at all levels of organization.

The Production, Economic and Social Characteristics of Private Farms

The reproduction of capitalistic relations in agriculture was prevented by the limitation placed on the size of the private landholding, which was done first by the Law on the Agrarian Reform in 1945 and then by the Law on Farmland in 1953. Under the latter law the size of the landholding of the private farm was limited to 10 hectares of cropland. The 1974 Constitution offered the possibility that republic and provincial laws might entitle farmers in the hilly and mountain region to possess more than 10 hectares of cropland.

According to the 1960 Agricultural Census, 35 percent of all farms had a landholding under 2 hectares, 36.3 percent between 2 and 5 hectares, and 21.5 percent between 5 and 10 hectares, while only 7.2 percent of the farms possessed more than 10 hectares.

The average farm has a total landholding of 4.24 hectares and 2.77 hectares of cropland. The changes that have occurred in subsequent years indicate that landholdings have continued to become smaller. The figures on this are to be found in Table 18. While there has been a drop of 0.8 percent in the number of farms with land (relative to 1960), in 1969 there were more farms with a smaller landholding (all of 30.2 percent for farms with less than 2 hectares). The average landholding of the private farm has dropped to 3.9 hectares. This process of fragmentation has continued up until the present time.

Intensive deagrarianization has been accompanied by changes in the social and economic composition of the farms in the direction of a reduced number of pure farm households and an increase in the number of mixed and nonfarm households, aging of the farm population, feminization of the farm labor force, depopulation of a portion of rural settlements, and so on. In the private sector of agriculture mixed households were dominant in 1979, since they comprised about two-thirds of the total number of private farms. The average age of the farm labor force, on the basis of the 1971 Population Census, was 40.3 years, and it could be noted even in the 1969 Agricultural Census that more than 47 percent of people running private farms were over 55 years of age. Only a small number of the farms run by a person over 50 years of age have a potential male heir active in farming. A large number of private farms can be classified as farms belonging to the elderly.

The process of deagrarianization has also had many favorable effects. By comparison with the situation before the war, when a majority of rural houses had clay floors, earth or wooden walls, and no electricity, and the villages lacked health care and other services, major changes have taken place as the income of the farm population has risen: a) the housing standards in rural areas have come much closer to the standard in cities with respect to the size and quality of housing; b) a large number of modern new dwellings have been built in rural areas; c) about 35 percent of rural dwellings are entirely furnished with furniture manufactured by industry; d) about 93 percent of farm households have electricity; e) more than 50 percent of all farm households have television sets, more than 60 percent refrigerators, more than 30 percent washing machines, and so on; f) about 17 percent of farm households have an automobile; g) about 18

percent of farm households possess a tractor; h) educational and cultural activity has been expanding very rapidly. Compulsory 8-year schooling of rural young people has been introduced. More than 4,000 public libraries with holdings of more than 4 million books are located in rural areas; i) rural settlements have been connected to main highways and regional centers, and farm roads are now being built to facilitate access to land and holdings. Figures on development of private farms in Yugoslavia are given in Table 19.

Table 18. Distribution of Private Farms in Yugoslavia With Respect to the Size of the Landholding

Year	Total No of Farms	Breakdown		Less Than 2 Ha	2-5 Ha	5-8 Ha	Over 8 Ha
		Farm	Mixed				
				Farms, in thousands			
1960	2,618	1,533	874	916	951	422	329
1969	2,600	1,404	987	1,013	926	384	276
				Distribution, %			
1960	100	58.6	33.4	35.0	36.3	16.1	12.6
1969	100	54.0	38.0	39.0	35.6	14.8	10.6
				Total Area, in thousands of hectares			
1960	11,108	--	--	894	3,190	2,659	4,365
1969	10,096	--	--	984	3,122	2,438	3,552
				Distribution, %			
1960	100	--	--	8.1	28.7	23.9	39.3
1969	100	--	--	9.8	30.9	24.1	35.2

Table 19. Indicators of the Development of Private Farms in Yugoslavia (1972 prices)

	1959	1969	1974	1977	1978	1979
Social product, in millions of dinars	31,506	32,778	35,239	38,333	35,443	37,385
Investments, in millions of dinars	1,317	1,548	3,209	3,317	3,771	--
Tractors, number of units	5,022	35,046	170,000	271,000	316,000	360,000
Number of livestock, in thousands of standard animals	4,393	4,609	5,290	5,046	4,884	4,792
Cropland, in thousands	9,340	8,698	8,498	8,390	8,359	8,324
Share in purchases of farm products, in percentage	68	53	54	53	54	54

The total cropland of private farms dropped about 1 million hectares between 1959 and 1979, or about 11 percent, so that this sector's present share in the country's total cropland is about 84 percent.

With respect to all other resources the private sector has become stronger. The livestock population on private farms increased about 20 percent between 1955 and 1979, along with a considerable improvement in the distribution by breeds, and constitutes 88 percent of the country's total livestock population.

The supply of machines has improved. The number of tractors in the private sector has increased from 3,000 in 1955 to about 360,000 in 1979 (average tractive power 25-30 horsepower). There are 23 hectares of cropland per tractor.

The share of the private sector in the social product of agriculture was about 73 percent in 1979, and its share in purchases of farm products (production for the market) is about 54 percent. Total production in the private sector increased 52 percent between 1955 and 1979. This can be seen from Table 20.

Table 20. Production of Important Farm Products on Private Farms in Yugoslavia

Product	1957	1967	1977	1979
Wheat, thousands of tons	2,790	3,290	3,337	2,870
Corn, thousands of tons	5,070	5,930	8,328	8,411
Sugar beets, thousands of tons	1,480	1,580	1,590	1,438
Sunflowers, thousands of tons	79	94	236	251
Potatoes, thousands of tons	3,224	2,713	2,982	2,689
Apples, thousands of tons	100	249	170	167*
Peaches, thousands of tons	20	35	43	41*
Grapes, thousands of tons	863	906	961	798*
Total weight gain of livestock and poultry, thousands of tons	...	1,169	1,649	1,649*
Milk, millions of liters	1,983	2,137	3,609	3,805
Eggs, millions	1,450	1,923	2,884	2,843*

* 1978.

The production policy of private farms has been directed toward more rapid development of livestock raising, which has developed into a basic branch of agricultural production. Livestock raising has a share of 56.8 percent in the cash income of rural households from farming. Livestock production has a share of 55 percent in private agriculture's output of finished products. Private farms have achieved a substantial increase in the production of the most important field crops, fruit and grapes. However, the share of private farms has dropped from 90.1 percent to 63.5 percent for wheat, from 89.6 percent to 83.4 percent for corn, from 72.9 percent to 24.5 percent for sugar beets, from 92.1 percent to 76.8 percent for meat, from 99.4 percent to 71.5 percent for eggs, and so on. More on this can be seen in the figures presented in Table 21.

Table 21. Average Yields of Plant Crops and Livestock Products on Private Farms in Yugoslavia

Product	1949	1957	1977	1979
Wheat, kg/hectare	1,400	1,520	2,930	2,550
Corn, kg/hectare	1,630	2,080	4,000	4,190
Sugar beets, kg/hectare	12,300	23,400	38,800	37,300
Weight gain per standard animal, kg	208*	213	327	336
Milk, liters per cow	1,093*	1,096	1,347	1,451
Eggs, number per hen	54*	60	98	101

* 1954.

In spite of the evident progress, average yields achieved in the private sector are lagging behind the achievements of the socialized sector. The lagging of the yield shows that great potential exists for utilizing the potential of the private sector and considerable differences exist from region to region in the level of modernization of production on private farms, and the lag is particularly great in the hilly and mountain region.

The process of deagrarianization has been bringing about profound changes in the economic and social composition of private farms. The number of members of rural households working off the farm has been increasing, and a new category has been taking shape in rural areas--the worker-peasant. Major changes are taking place in the distribution of the net income of rural households in that there is a very rapid increase in the share of cash in net income--70.5 percent, while the share of consumption in kind is dropping--29.5 percent. The share of nonfarm income in the distribution of net income has risen to 46.3 percent, and the income from farming has dropped to 53.7 percent. The changes are more considerable in the distribution of the cash income of rural households in that cash income from farming has a share of only 39.8 percent, while nonfarm income has a share of 60.2 percent.

The trend of gross investments in farming shows a stronger orientation of private farmers toward development and advancement of agricultural production. The investments of private farms have increased from 1,317 million in 1959 to 3,771 million dinars in 1979, or 2.9-fold. Investments of private farms per hectare of cropland are small, since they amount to only 451 dinars. In the breakdown of cash outlays of rural households outlays for farming and incidental activities have a share of only 36.8 percent, while outlays for the household represents 63.2 percent. In 1978 the average outlay per household surveyed was only 25,118 dinars for investments in farming and incidental activities. The small investments are one of the reasons for the inadequate rate of intensification of agricultural production on private farms.

Organizational Forms of Cooperation Between the Private and Socialized Sectors

The most recent phase begins in the mid-seventies with adoption of the new constitution and the Law on Associated Labor. The basic feature of this stage is

the orientation toward consistent implementation of the proposition that farmers are to be given maximum possible affirmation as makers of agricultural policy. Their status in agricultural cooperatives and basic and work organizations of cooperators has been regulated more precisely in legislation. Internal relations in those organizations are so structured that they are becoming in every sense organizations of the farmers who are members of them or organizations of the farmers and the workers carrying on mutual cooperation on a lasting basis. The land, labor and resources of private farmers are being pooled and lasting cooperation is being established while private property is maintained and the farmers are left full freedom of choice, depending on their interest in improving production, increasing income and creating conditions for greater social security and so on. Today there are about 300,000 associated farmers and more than 1.2 million cooperators. The associated farmers are gradually developing the relations of joint realization and distribution of income, joint production planning, joint cultivation of the land, joint purchase and use of machines, and so on, while through their organizations they are also establishing lasting collaborative relations with the processing organizations and organizations in the distribution sphere to which they deliver their products.

The development of production in the private sector, especially that part of it which is carried on through various forms of cooperation and association, has been supported over the entire period up to now by various economic policy measures. At the outset this applied above all to rebates on the prices of various types of materials and supplies, the granting of premiums on particular products, and the credit financing of current investments in production. Since the mid-seventies greater emphasis has been put on committing bank credits to investments on private farms. Credits are granted for these purposes at a lower rate of interest thanks to compensation which is furnished from public funds. Economic policy measures have for all practical purposes put socially organized production with the private sector on a par with production in the socialized sector. The private farms have a considerably smaller load with respect to the money they are required to set aside for public purposes.

Considerable progress has been made in creating conditions for improvement of the social security of private farmers by providing medical, old-age and disability insurance. The scope of those rights of private farmers is not the same throughout the country, but is established by republic and provincial laws. Funds for medical and old-age insurance are formed in part through the payments of the private farmers themselves and in part through subsidies from public funds. Private farmers may also obtain old-age insurance by relinquishing their land to organizations of associated labor.

3. Regional Development of Agriculture

Regionalization of agricultural production in Yugoslavia has up to now been based primarily on determination of homogeneous areas, and the principal criteria were natural conditions and the manner of land use. It is on that basis that today's agricultural regionalization of Yugoslavia, which is by and large preliminary and in effect temporarily, is based. In accordance with that regionalization, Yugoslavia's entire area is divided into five agricultural regions

as follows: 1) the plains and grain-growing region; 2) the hilly region--fruit- and grapegrowing and livestock raising; 3) the mountain region--pasture livestock raising, 4) the Adriatic region--grape- and fruitgrowing, and 5) the Vardar region--subtropical crops. In certain republics and provinces a regionalization has been made based on different criteria. The figures in Table 22 indicate the regional characteristics of the development of agriculture in Yugoslavia.

Table 22. Regional Characteristics of the Development of Agriculture in Yugoslavia

Region	Average Annual Growth Rates of Social Product of Agriculture, 1957-1979	Distribution (1978-1979 average), %: Social Product of Agriculture	Distribution (1978-1979 average), %: Social Product of Socialized Sector of Agriculture*
Yugoslavia	2.2	100.0	100.0
Bosnia-Hercegovina	2.0	11.2	5.7
Montenegro	1.9	1.6	0.7
Croatia	1.8	23.4	23.2
Macedonia	2.1	6.8	8.5
Slovenia	2.2	7.9	9.0
Serbia	2.5	49.1	52.9
Serbia proper	1.9	26.1	12.8
Kosovo	2.0	3.0	2.2
Vojvodina	3.5	20.0	37.9

Region	Distribution (1978-1979 average), %: Total Purchases of Farm Products	Distribution (1978-1979 average), %: Cropland	Distribution (1978-1979 average), %: Total Livestock Population (standard 500-kg animal)*	Social Product Per Hectare of Cropland, dinars
Yugoslavia	100.0	100.0	100.0	4,994
Bosnia-Hercegovina	6.8	16.2	12.2	3,470
Montenegro	0.7	1.9	2.3	4,168
Croatia	22.4	21.0	19.3	5,558
Macedonia	8.9	6.5	6.5	5,222
Slovenia	9.7	6.5	7.9	6,070
Serbia	51.5	47.9	41.8	5,116
Serbia proper	17.9	27.5	31.0	4,738
Kosovo	1.7	4.0	5.8	3,703
Vojvodina	31.9	16.4	15.0	6,098

* 1977-1978.

The average annual growth rates of agricultural production have ranged from 1.8 percent to 3.5 percent from region to region, that is, from one republic or province to another. The intensity of agricultural production stands in the

ratio 1:2 from the lowest to the highest region. The value of the social product per hectare of cropland is 6,098 in Vojvodina, 3,470 in Bosnia-Hercegovina and 3,703 dinars in Kosovo. The average annual gross public investments per hectare of cropland varies considerably from region to region.

The plains region of agriculture, with about 16 percent of the total farmland, yields the largest portion of output for the market and comprises Yugoslavia's granary, since its share is 40 percent in total wheat production and 50 percent in corn production. Most of the socialized sector of agriculture is located in that region.

The hilly agricultural region, with about 30 percent of the total farmland, is especially important in growing fruit and grapes and also in the production of field crops. Private farms are dominant in this region.

The mountain agricultural region is the most extensive, but the most underdeveloped from the economic standpoint. Extensive raising of livestock on pasture predominates. The private sector is dominant, while the socialized sector of agriculture is undeveloped.

The Adriatic agricultural region covers the Adriatic coastal zone, which has about 10 percent of the total farmland. Small-scale private farming is dominant. The mild climate makes it possible to produce quality wines, olives, fruit, citrus fruit, as well as vegetables and flowers in the open and in greenhouses.

The Vardar agricultural region is small in area, but it is subject to the influence of the Mediterranean climate. The private sector predominates. The favorable climate and the use of irrigation make it possible to grow rice and cotton as well as vegetables, fruit and grapes.

Differences in development of agricultural production from one republic or province to another should be sought first of all in the differing activity of the factors of production, in the pronounced specific regional characteristics, in the character of investment policy and the volume of investments, in the level of development of the socialized sector and in the organizational, institutional and economic conditions for the conduct of economic activity.

The regional development of agriculture especially points up the need to study current problems, such as defining agricultural regions, establishing production capability, the production orientation and optimum geographic location of production, the technical-technological and socioeconomic conditions for development of production, and long-range programs for development of agriculture by agricultural regions.

4. The Market Orientation of Agricultural Production

The growing demand for food, the absolute decrease of the farm population, advancement of agricultural production and sales opportunities on the market have facilitated significant qualitative changes in the structure of agricultural production. These changes reflect the process of agriculture's transformation

from subsistence to commodity production. Table 23 gives figures on purchases of farm products in Yugoslavia.

Table 23. Purchases of Farm Products in Yugoslavia, in thousands of tons

Product	1957	1967	1977	1979	Index 1957=100	Growth Rate
Wheat	536	1,808	2,706	1,682	314	5.3
Corn	284	1,351	1,714	1,597	562	8.2
Sugar beets	1,769	3,243	4,670	4,929	279	4.7
Sunflowers	61	193	383	420	688	9.2
Miscellaneous fresh vegetables	105	139	336	316	301	5.1
Grapes	77	143	290	311	404	6.5
Apples	38	45	176	160	421	6.8
Hogs	97	238	428	448	462	7.2
Beef cattle	194	429	469	488	251	4.3
Eggs (millions)	359	269	891	833	232	3.9
Milk (millions of liters)	186	531	1,214	1,303	700	9.3

Table 24. Changes in the Market Orientation of the Important Farm Products by Types of Farms in Yugoslavia, in percentage

	1959			1978		
Product	Total	Socialized Farms	Private Farms	Total	Socialized Farms	Private Farms
Wheat	24.1	66.4	14.7	45.6	71.9	29.8
Corn	8.6	34.0	4.6	17.7	52.0	11.5
Grapes	13.9	34.2	13.1	29.4	48.2	22.7
Beef cattle	80.4	75.0	81.4	72.0	88.6	68.2
Hogs	39.8	100.0	33.6	52.1	80.1	43.7
Milk	12.3	62.7	7.3	32.3	89.1	26.9

In the proportional breakdown of the gross social product of Yugoslavia's agriculture the share of the total market surplus has increased from 34 percent in the first decade after the war to about 48 percent in recent years. The volume of agricultural production for the market has more than doubled. The share of production for the market varies depending on the agricultural product concerned. Purchases of important farm products have been increasing at average annual growth rates between 4 percent and 9 percent, so that they have increased between twofold and sevenfold (see on this the figures in Table 24).

Socialized farms, as typical large-scale producers for the market, have made the major contribution to development of commodity production in agriculture. The share of the socialized farms in total purchases of farm products rose from 24 percent in 1957 to 46 percent in 1979. In the 1956-1958 period the socialized farms produced 26 percent more output for the market in value terms per hectare of cropland than the private farms, and in the 1977-1979 period this difference was nearly fourfold as great.

The differences between the two sectors of agriculture are manifested in the makeup of production for the market. The products of plant growing are represented as follows: 48 percent from socialized farms and 33 percent of the purchases come from private farms. With respect to animal husbandry the share of the socialized sector in production for the market is 41 percent and that of private farms is 60 percent.

The increased volume and improved economic composition of the market surplus signifies ever broader orientation toward production of high-quality farm products, especially the products of animal husbandry, fruit, vegetables, grapes, industrial crops, and so on.

5. Agriculture's Productivity

The productivity of Yugoslavia's agriculture has been rising steadily. Labor productivity in agricultural production has quadrupled over the last three decades. It has risen 5.4-fold on socialized farms and 3.9-fold on private farms. In the eighties 10 members of the farm labor force managed to feed 54 inhabitants with their labor, whereas in the fifties they fed only 25 inhabitants. See figures on this in Table 25.

Table 25. Productivity of Yugoslavia's Agriculture (1972 prices)

	Social Product Per Member of Farm Labor Force			Social Product Per Hectare of Cropland		
	1953	1979	Index 1953=100	1953	1979	Index 1953=100
Agriculture as a whole	3,391	14,640	432	2,562	5,126	200
Socialized farms	14,822	79,690	538	2,050	8,585	419
Private farms	2,902	11,295	389	2,635	4,473	170

In the first postwar years the rise of labor productivity occurred primarily as a consequence of the rapid reduction of the farm population. It was rising faster on private farms than on the socialized farms. In the period after 1961 the rise of productivity of farm labor resulted from the application of up-to-date technology and intensification of agricultural production, the development of large-scale socialized production, socialization and integration of private farms into the agroindustrial complex. Labor productivity in that period has been growing considerably faster on socialized farms than on private farms.

The intensity of agricultural production per hectare of cropland has been rising: twofold in agriculture as a whole, 4.2-fold on socialized farms and 1.7-fold on private farms. The level of productivity of agriculture per hectare of cropland is not high enough, since the yields are below the real potential, especially in the private sector. The productivity of agriculture will increase considerably as yields continue to rise.

The ratio between the private and socialized sectors with respect to the intensity of agricultural production per hectare of cropland stands in the ratio

1:2.5, and per member of the farm labor force it stands in the ratio 1:1.4. Activation of the productive potential of the private sector through the pooling of land, labor and productive resources with the socialized sector is being set forth as one of the priority tasks in the future development of agriculture. The figures on this are given in Table 26.

Table 26. Labor Productivity in Production of Important Crops on Socialized Farms in Yugoslavia, in hours (1973-1975 average)

	Expended Per 100 kg		Expended Per Hectare	
Crop	Of Direct Human Labor	Of Tractor Operation	Of Direct Human Labor	Of Tractor Operation
Wheat	0.58	0.24	28.13	11.76
Corn	1.09	0.27	71.72	18.26
Sugar beets	0.58	0.06	277.12	31.01
Sunflowers	3.65	0.69	66.79	12.67
Alfalfa	1.14	0.28	82.30	20.26

With respect to the level of labor productivity they have achieved, organizations in the socialized sector of agriculture can be compared to farms in the advanced countries. In the socialized sector there has been an essential drop in the expenditure of live labor in the production process. The reduction of labor expenditures in field cropping is the result of introducing fully mechanized production equipment on 100 percent of the area of the socialized sector planted to wheat, 80 percent of that planted to sugar beets, and 60 percent of that planted to corn. The productivity of live labor in animal husbandry is also at a relatively high level, though it is lagging behind productivity in the production of field crops. In 1975 it took 13 hours to produce 100 kg of fattened baby beef, 4 hours for 100 kg of fattened hogs and 4.5 hours of direct human labor for 100 kg of milk. Labor productivity on the socialized farms varies considerably depending on the type of farm product. On the socialized farms there is a large potential for increasing output and raising labor productivity by improving the organization of production processes, through more effective use of modern technological procedures and by reducing differences in productivity from one socialized farm to another.

The average intensity of Yugoslavia's agricultural production per hectare of cropland has increased considerably, but it is still lagging behind the situation in the advanced countries. This fact demonstrates that the large potential and advantages which Yugoslavia has for development of agricultural production have still not been fully manifested or sufficiently utilized. The further rise of productivity in Yugoslavia's agriculture depends functionally on intensification of agricultural production and the absorptive capacity of the market for sales of farm products. Advancement of production and labor productivity in the private sector have great importance here.

Agriculture in the Process of Social Reproduction

1. Distribution of Finished Farm Products by the Purposes for Which They Are Used and Relations Between the Supply of Food and the Demand for It

Feeding the population has a share of about 85 percent in the distribution of finished farm products by type of consumption in Yugoslavia, which means that this is the principal factor in the demand for farm products.

The share of exports of farm products has reached about 12 percent, and the share of nonfood raw materials of agricultural origin is about 3 percent in the distribution of final agricultural products. The share of exports of farm products is still low and considerably below the potential.

The high growth of agricultural production per inhabitant of Yugoslavia has made it possible for agriculture to increase its role in the process of social reproduction and to effectively fulfill its social functions.

The high growth of demand for food is the result of population growth, higher employment and higher per capita income. Domestic demand for food and the food supply are still occasionally out of balance, and we should mention that in recent years there has been a surplus of not only meat, but also certain other products (fruit, vegetables and wine). The disproportion between the demand and supply of farm products has varied in size from year to year and has depended above all on the level of agricultural production and opportunities for export.

The shortage of supply has been resolved basically by importing adequate quantities of food and by raising the prices of farm products, which mitigated the rise of the demand for food. The problem of the surplus, of meat, for example, in 1974 and 1975, was solved by introducing compensation in the form of compensation payments to cover the drop in meat prices.

2. Nutrition of the Population

The development of agricultural production has made it possible to solve successfully the quantitative aspect of feeding the population in that a high average level of 14.7 kilojoules has been achieved as a per capita daily consumption, which corresponds to the physiological maximum of consumption. We can see figures on this in Table 27.

Table 27. Biochemical Composition of the Per Capita Daily Consumption of Food Products in Yugoslavia, 2-year averages

	1953-1953	1957-1958	1967-1968	1977-1978
Kilojoules	11.4	11.9	13.4	14.7
Percentage of animal origin	17.3	19.9	19.4	31.6
Proteins, in grams	87.0	90.4	93.5	102.9
Percentage of animal origin	22.2	25.8	24.7	33.0
Fats, in grams	62.5	70.5	85.7	113.2
Carbohydrates, in grams	487.0	500.0	532.0	541.0

Per capita wheat consumption is relatively high, since it has been dropping slowly, while potato consumption has been rising. Sugar consumption has increased considerably. There has been a considerable increase in consumption of fresh vegetables, fruit and grapes, as well as beer, while wine consumption has dropped. Average per capita meat consumption in Yugoslavia has reached a level of 57 kg if incorporated (inkrustrirane) pork fats are not included and 71 kg if they are included. Meat consumption has increased particularly in the last 10 years. Total per capita fat consumption is 20.6 kg, so that it has nearly reached saturation. Per capita fresh milk consumption is 99.6 liters, and per capita egg consumption is 180.

Regional differences in the level of nutrition are considerable as are differences from one social and economic group of the population to another. Average annual per capita meat consumption ranged between 45 and 61 kg in the advanced regions and from 15 to 36 kg in the underdeveloped regions. There are pronounced differences in the level of nutrition between the urban and rural population.

An improvement has also been achieved in the quality of the population's diet, since the consumption of proteins has increased. However, the qualitative aspect of the diet is not yet satisfactory, since consumption of proteins of animal origin is still low. In the proportional makeup of total consumption of joules, joules from foodstuffs of animal origin have a share of 31.6 percent, while proteins of animal origin have a share of 33 percent in the proportional breakdown of total proteins. The biochemical composition of the diet of the Yugoslav population is still not adequately balanced.

It is a complicated undertaking to solve the problem of the quality of the population's diet because of the steady growth of expenditures for food and beverages, which have increased nearly sevenfold over the last decade. In the proportional breakdown of expenditures for personal consumption there is a high share of expenditures for food and beverages--46.4 percent, and food alone represents 38.5 percent. The high costs of food and beverages are having a serious impact on the standard of living of the population.

3. Exports and Imports of Raw and Processed Foods

Agriculture's development has been characterized by a continuous increase in exports of farm products, which over the last decade have nearly tripled. Foreign tourism in Yugoslavia is also becoming an increasingly important element in the demand and consumption of farm products, beverages and tobacco.

Though exports of farm products have increased considerably, their share in total exports has been dropping very rapidly. Exports of farm products had a share of 60.9 percent in total exports on the eve of World War II, in the period 1935-1939, but their share in the postwar period has been as follows: about 26 percent in 1953, about 40 percent in 1959, about 22 percent in 1968 and about 13 percent in 1978. Yugoslavia has a share of only 0.42 percent in total world exports of farm products in value terms.

Considerable shifts are taking place in the composition of total exports of farm products in that the share of livestock raising has increased from 15.5 percent in the 1947-1951 average to about 57 percent in the 1972-1976 average. In the proportional breakdown of exports of livestock, meat and processed meat products the largest item is beef. Exports of horses also represent an important item; they go exclusively to the EEC market, thanks to the fact that imports are not subject to the variable levy. The only grain exported is corn, commercial corn, but hybrid seed, Yugoslav creations, is being exported more and more. Fruit and vegetable exports amounted to about $105 million in 1978. Among fruits the most important exports are fresh plums and dried prunes, and then apples, grapes, sour cherries and fruit pulp. Fresh vegetables are a minor export item, but processed vegetables are becoming increasingly important. Exports of wine have been expanding in recent years, though the proportional breakdown does not correspond to the present level and makeup of production. Ordinary table wines (in hogsheads and tanks) are the largest export item, though excellent quality wines are available for export. To this we should add the export of strong beverages and brandy. Tobacco and hops represent important products for export (about 25,000 tons of tobacco). Recently there has been an increase in exports of nursery stock, chicks, certain delicatessen products and products of the food manufacturing industry. In recent years Yugoslavia has begun to export sugar and certain amounts of edible vegetable oil.

Table 28. Agriculture's Share in Yugoslavia's Total Exports and Imports, in millions of U.S. dollars

	Exports			Imports			
Year	Total	Farm Products	Share, %	Total	Farm Products	Share, %	Agriculture's Trade Balance
1968	1,264	282	22.3	1,797	158	8.8	+124
1970	1,679	349	20.8	2,874	246	8.6	+103
1973	2,853	468	17.0	4,511	516	12.4	- 75
1978	5,671	750	13.2	9,988	758	7.6	- 8

The distribution of exports among the various types of agricultural products has been undergoing radical change, since the share of finished products of the food manufacturing industry has been increasing. For example, in recent years meat and processed meat products have had a share of about 65-75 percent in the distribution of exports of agriculture. The increased share of finished products in the distribution of agricultural exports is the correct economic orientation, one which affords larger economic benefits and utilizes more efficiently the advantages of Yugoslav agriculture.

Total exports of agricultural products are still characterized by a one-sided regional orientation toward the West European market. The largest customers for Yugoslavia's agricultural products are the EEC countries--whose share is about 40 percent, and then come the East European countries--with a share of 25-28 percent, and the developing countries--with a share of 2-5 percent, and other European and non-European countries. There are still very serious problems in the area of imports of agricultural products. We are referring here to two

groups of problems. First, because production is occasionally inadequate and because domestic consumption is growing, from time to time Yugoslavia imports necessary amounts of grain, sugar, oil, meat, leather, butter, and so on. Imports of these agricultural products will be gradually eliminated, since they can be produced within the country in amounts adequate not only for domestic needs, but even for export. Second, Yugoslavia is importing large amounts of products of tropical agriculture, such as citrus fruit, coffee, cacao, tropical fruit, cotton, and so on. Imports of the products of tropical agriculture will continue to grow, but these imports should be covered by exports of other farm products.

The problems of exports and imports of agricultural products are becoming increasingly important because the trade balance of agriculture is not satisfactory. Over the entire period since 1953 animal husbandry has had a favorable trade balance, but the surplus has not been sufficient to offset the deficit in plant growing. Yugoslavia possesses the capability of achieving a high favorable trade balance for agriculture, which could contribute greatly to strengthening the country's balance of payments and to economic development.

There are several reasons for the unsatisfactory status of exports and the balance of trade of agricultural products. The principal reason lies in the high growth of domestic consumption of the products of agriculture and the food manufacturing industry and the orientation toward meeting that demand first, along with production of corresponding surpluses for export. Because of limited resources for investment, direct investments have not been made in production for export. Exports of livestock and of livestock products, especially quality baby beef, have experienced such blows and encountered such barriers on the world market, and in particular the EEC market, that the Yugoslav economy has been sorely affected. Several such situations of protectionism on the market for farm products have nullified progress in production, and the material loss has been considerable. The predominant orientation toward exports of baby beef and beef and baby-beef and beef products, the continuing relatively low productivity of Yugoslav agriculture, the weak orientation toward the market of the developing countries, and errors of omission in organizing the effort on the world market certainly belong among the principal causes of the unsatisfactory status of exports and the export balance.

4. Industrial Processing of Agricultural Products

Industrial processing of agricultural products has developed into a relatively important production complex of Yugoslav industry and the Yugoslav economy.

Development of industrial processing of agricultural products has up to now been based on the existing plants and raw materials from primary agricultural production, which is contributing to the faster development of those activities whose location is entirely or predominantly determined by the volume and quality of raw materials. (See the figures in Table 29.)

The volume of industrial processing of agricultural products over the last 12 years has increased 2.3-fold, which is unquestionably a major advance. Agriculture sets aside half of its final output to meet the needs of industrial

processing of farm products. The level of utilization of the capacity of the food manufacturing industry is still inadequate in that a sizable portion of agricultural output does not go through industrial processing and yet the supply of raw materials is insufficient. The share of the food manufacturing industry and the tobacco industry in the agroindustrial complex is increasing, while the share of primary agricultural production is decreasing.

Table 29. Index Numbers and Growth Rates of the Physical Volume of Production in Yugoslavia

Activities	Index 1967-1979	Growth Rate
Production of foodstuffs	201.1	6.0
Production of beverages	327.7	10.4
Industrial production of livestock feed	224.5	7.0
Production and processing of tobacco	161.7	4.1

The rate of growth varies from product to product of the food manufacturing industry. Relevant factors here are discrepancies between the raw materials base and processing capacities, storage space, and the inadequate engineering and technological level of the equipment of processing plants. This is indicated by the figures in Table 30.

Table 30. Development of the Production of the More Important Products of the Food Manufacturing Industry in Yugoslavia

Products	Output 1968	Output 1973	Output 1978	Growth Rate
Flour, thousands of tons	2,072	2,260	2,427	1.6
Bread and baked goods, thousands of tons	480	750	973	8.2
Fresh meat, thousands of tons	384	438	727	7.3
Sausage products, thousands of tons	51	99	156	11.8
Canned meat products, thousands of tons	50	69	94	6.5
Dried meat and bacon, thousands of tons	26	33	57	9.1
Sugar, thousands of tons	398	442	693	5.7
Edible oil, thousands of tons	120	168	196	5.0
Canned fish products, thousands of tons	20	28	33	5.1
Canned vegetable products, thousands of tons	48	103	153	12.3
Processed fruit products, fruit juices and fruit syrups, thousands of tons	139	185	261	6.5
Powdered milk, thousands of tons	5	7	15	11.6
Syrups, thousands of tons	19	25	45	10.1
Refined grain alcohol, thousands of hectoliters	31,422	32,039	53,595	5.5
Beer, thousands of hectoliters	4,752	9,704	10,004	7.7

The food manufacturing industry is the leading branch in the agroindustrial complex, in which its share is very high at nearly 50 percent. The product mix of

the food manufacturing industry shows major shifts toward a larger share of finished products, while primary processing is dropping.

In the mid-fifties the product mix in the food manufacturing industry was rather one-sided, with a high share of the milling industry and the sugar industry, which represented about 50 percent of the total physical volume of the food manufacturing industry. In the mid-sixties the product mix was undergoing a fair amount of change toward finished products of the meatpacking, dairy, canning and confectionery industries. The growth trend of meat processing and the canning industry has continued in recent years. The leading branches in the food manufacturing industry are the meatpacking industry, and then the sugar industry, factories manufacturing beverages, and the bread and baked goods industry, while the milling industry, once the leading branch, now has a share of less than 10 percent.

Products originating in animal husbandry have the most important place in the distribution of demand for the finished products of the food manufacturing industry. Industrial processing of the products of animal husbandry, meat processing in particular, has a heterogeneous makeup in terms of its engineering and technological characteristics, the level of its equipment for finishing and its utilization of capacity. A high standard of industrial processing has been achieved in the production of processed goods, juices and beverages of vegetables, fruits and grapes, and also in the processing of industrial crops.

The geographic distribution of the capacity of the food manufacturing industry is uneven. It is concentrated in the northwestern part of the country, and it is poorly developed in the underdeveloped regions and in the hilly and mountain region.

Utilization of available capacity of the food manufacturing industry runs between 50 and 75 percent, which is having an adverse effect on development of the economy and on the growth of employment. Within the food manufacturing industry the sector for processing the products of animal husbandry stands out particularly for its underutilization of capacity.

The production and processing of agricultural products have not been sufficiently adjusted and linked to one another. The primary factor in synchronized development of the food manufacturing industry is a solid integrational link between the raw materials base and processing plants, and in particular linkage based on income sharing among all three phases in the process of reproduction--production, processing and distribution of food. This process of establishing functional links from production of the raw materials to the last step in finishing has been developing in the agroindustrial combines, while outside them it is only rudimentary.

Industrial processing of agricultural products is characterized by a relatively low level of the ability to generate capital and funds for reinvestment, which is why the process of modernization of the food manufacturing industry has slowed down.

Social Product, Income and Capital Investments

Yugoslavia's agriculture has stood in a relatively unfavorable economic position relative to the other sectors of the economy over the entire postwar period. Nonalignment among agricultural production, production costs and the purchase prices of agricultural products has resulted in slower growth and fluctuation in agriculture's income and its ability to generate capital.

The social product of agriculture as a whole has increased 2.3-fold over a period of 25 years; within that figure the growth of the socialized sector has been 4.5-fold and that of the private sector 1.9-fold, while at the same time the social product of the economy as a whole has grown 5.2-fold. The social product of agriculture has been growing considerably slower (average rate 3.3 percent) than the social product of the entire economy (rate 6.8 percent). The figures in Table 31 are indicative of this.

Table 31. Trend of the Social Product in Yugoslavia (1972 prices), in millions of dinars

Sector	Ø 1952-1954	Ø 1965-1967	Ø 1977-1979
Economic activity as a whole	66,800	174,563	348,153
Index number	100	261	521
Agriculture			
Total	21,820	37,282	50,080
Index number	100	171	229
Socialized sector	2,606	7,284	13,026
Index number	100	278	450
Private sector	19,214	30,034	37,054
Index number	100	156	193

Table 32. National Income of Yugoslavia's Agriculture (1972 prices), in millions of dinars

Sector	1959	1969	1979
Total	34,250	39,212	48,149
Index number	100	114	141
Socialized sector	3,689	7,418	11,882
Percentage	11	19	25
Private sector	30,561	31,794	26,267
Percentage	89	81	75

Because of the relatively more rapid growth of the social product of the socialized sector, its share has also increased in the social product of agriculture as a whole from 11 percent in the 1952-1954 period to 25 percent in the period 1977-1979 (see Table 32).

The income of agriculture as a whole has grown at an annual rate of 1.8 percent over the period of 19 years (1959-1979). At the same time the income of the

socialized sector of agriculture has increased at a much faster annual rate of 6.4 percent than the rate of 0.9 percent for the income of the private sector of agriculture.

The largest share in distribution of income in the private sector of agriculture, about 87 percent, is set aside for personal consumption in the household. In the socialized sector of agriculture a smaller portion of income, about 43 percent, is set aside for personal incomes and other personal benefits from employment.

Work organizations in agriculture set aside about 11 percent of their income for investments in fixed capital, and private farms about 5 percent.

Taxes and contributions paid out of personal incomes and out of income in socialized work organizations in agriculture amount to about 30 percent, while on private farms they amount to only about 8 percent.

Obligations in the form of interest on credit put a burden of about 14 percent on the income of socialized work organizations in agriculture, and a burden of about 0.5 percent on the income of private farms.

Agriculture's unfavorable economic position is a consequence of the operation of a set of insufficiently stimulative conditions for the conduct of economic activity and its unfavorable position in primary distribution because of the fluctuation of agricultural output, external price disparities and the large burden on income to meet government needs, social services and other obligations.

There are differences from branch to branch of agricultural production in the socialized sector with respect to the capital-output ratio and the rate of return. At almost the same level of the capital-output ratio field cropping has a rate of return that is almost twice as high as that of animal husbandry. Fruitgrowing and grapegrowing have a higher rate of return than animal husbandry. The discrepancies between animal husbandry and field cropping result not only from the weather factor and numerous other conditions, but particularly from the underdevelopment of income-sharing relations in the agroindustrial complex. See Table 33 for figures on this.

Table 33. Basic Distribution of the National Income of Agriculture (current prices)

Elements in Distribution	1975	1976	1977	1978
Socialized sector:				
National income	15,749	19,071	23,060	25,134
Net personal income and other personal benefits	7,060	8,258	10,290	10,432
Funds for capital investments and other purposes	1,862	1,901	2,587	2,964
Taxes and contributions paid from personal incomes	2,818	3,444	4,532	4,833

Table 33 (continued)

Elements in Distribution	1975	1976	1977	1978
Taxes and contributions paid from income	1,090	1,578	1,572	1,590
Turnover tax	170	237	394	340
Interest on credits, insurance premiums, commissions	2,162	2,784	3,109	4,100
Costs of litigation, administrative fees, rent, leasing	587	870	576	875
Private sector:				
National income	55,949	67,701	77,736	75,242
Net personal income and other personal benefits	48,616	58,683	65,330	66,759
Funds for capital investments and other purposes	2,973	3,866	6,371	1,416
Taxes and contributions paid from personal incomes	2,615	4,475	5,282	6,089
Taxes and contributions paid from income	1,282	340	413	557
Turnover tax	4	8	0	1
Interest on credits, insurance premiums, commissions	459	328	340	420
Proportional Distribution				
Socialized sector:				
National income	100	100	100	100
Net personal income and other personal benefits	45	43	45	41
Funds for capital investments and other purposes	12	10	11	12
Taxes and contributions paid from personal incomes	17	18	20	19
Taxes and contributions paid from income	7	8	7	6
Turnover tax	1	1	2	1
Interest on credits, insurance premiums, commissions	14	14	14	16
Costs of litigation, administrative fees, rent, leasing	4	4	2	3
Private sector:				
National income	100	100	100	100
Net personal income and other personal benefits	87	87	84	89
Funds for capital investments and other purposes	5	6	8	2

Table 33 (continued)

Proportional Distribution	1975	1976	1977	1978
Taxes and contributions paid from personal incomes	5	7	7	8
Taxes and contributions paid from income	2.0	0.5	0.5	0.7
Turnover tax	0.007	0.011	0	0.001
Interest on credits, insurance premiums, commissions	0.8	0.5	0.4	0.5

Source: "Statisticki godisnjak Jugoslavije" [Statistical Yearbook of Yugoslavia] for the years 1978 and 1980.

Investment Policy

Investment policy has had an essential role in development of Yugoslavia's agriculture and also in changing its structure. It has given preference to development of the socialized sector, and within the private sector it has stimulated the development of socialist cooperation with socialized farms.

Investments in agriculture have grown much more slowly than the economy as a whole. In the economy as a whole they increased 5.1-fold between 1957 and 1978, while in agriculture as a whole they increased 2.4-fold: 1.9-fold in the socialized sector and 3.3-fold in the private sector. This can also be seen from the figures in Table 34.

Table 34. Investments in Fixed Capital in Yugoslavia (1972 prices), in millions of dinars

Sector	1957	1967	1977	1978
Total	23,566	53,850	109,114	120,589
Index number	100	228	463	512
Agriculture				
Total	3,007	3,388	6,373	7,383
Index number	100	113	212	245
Socialized sector	1,076	2,133	3,055	3,612
Index number	100	114	163	192
Private sector	1,131	1,255	3,318	3,771
Index number	100	111	293	333

Agriculture's inadequate rate of return and ability to reinvest has greatly restricted appropriations for investments to speed up the development of agricultural production. The tendency toward a decline in the relative position of agricultural investments has been pronounced. The share of agricultural investments in total investments dropped from 13 percent in 1957 to only 6 percent in 1978. Over that same period agriculture's share in the social product of the economy dropped from 32 percent to only 14 percent.

Table 35. Sources of Funds for Capital Investment Projects in the Socialized Sector of Yugoslavia's Agriculture (1972 prices), in millions of dinars

Sources of Funds	1971	1973	1975	1977	1978
Total	3,078	3,774	7,466	9,324	11,136
Percentage	100	100	100	100	100
Own funds	1,560	1,864	3,405	3,584	4,056
Percentage	51	50	46	38	36
Credits	1,325	1,506	3,739	5,654	7,022
Percentage	43	40	50	61	63
Nonreturnable funds	193	374	322	86	58
Percentage	6.0	10.0	4.0	1.0	0.5

In the period from 1946 to 1952 a major portion of investments in the socialized sector of agriculture were made from budgets of sociopolitical communities on a nonreturnable basis.

Between 1952 and 1965 the principal sources of financing for capital investments in agriculture were the investment funds of sociopolitical communities, which for all practical purposes were budget resources, and the principal form of lending was credit at favorable rates of interest and good repayment periods.

In 1965, when the economic reform was carried out, the investment funds and the budget system of financing capital investments were abolished. The transition was made to the system of self-financing of investment projects, that is, to financing from internal savings and from bank credit. The figures in Table 35 show the trend of funds for investments.

Investments in agriculture over the last 10 years or so have depended on agriculture's rate of return and creditworthiness. Private farms have made by far the major share of their investments out of their own income. Capital investments in the socialized sector of agriculture have depended more and more on credit.

Since 1971 there has been no separate system in agriculture for the credit financing of agricultural investments, but credit financing has been done within the framework of the general monetary and investment policy.

The ratio between total investments and output in agriculture is not altogether satisfactory, since the marginal capital coefficient is rather high. The reason for this lies in the unfavorable composition of investment projects and in their slow activation. Investment projects are rather one-sidedly oriented toward plant growing while animal husbandry has been neglected. There is also an unfavorable ratio between projects with short and projects with lengthy activation periods.

The trend toward a decline of investments in agriculture has resulted in a serious slowing down of the process of intensification of agricultural production,

especially on socialized farms. The capital-labor ratio has been growing considerably more slowly in the socialized sector of agriculture than in other branches of production and activities. Certain branches of production and activities have essentially augmented the level of the capital-worker ratio, and they have approached or even exceeded the rate of return of the socialized sector of agriculture.

Agricultural Regions in Yugoslavia

Agricultural Regions

I Plains--22.6 percent of the agricultural area

II Hilly--29.4 percent of the agricultural area

III Mountain--30.5 percent of the agricultural area

IV Adriatic--10.9 percent of the agricultural area

V Vardar--6.6 percent of the agricultural area

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END

JPRS 79231

16 October 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2188

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16 October 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2188

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BUREAUCRATIZATION, CENTRALIZATION OF VHJ CRITICIZED

Prague HOSPODARSKE NOVINY in Czech 4 Sep 81 p 3

[Article by Jaroslav Smrcka, Prague Institute of Management: "Where the Stereotype Failed"]

> [Text] In seeking higher effectiveness in production, the formation of an optimum organizational structure somehow remains of the perphery of our attention. Yet, it is precisely an appropriate rational structure which makes it possible to minimize resources and rationalize production. Research by the Prague Institute of Management, demonstrated the relationship of the most important factors, i.e., between the number of production branches which the given VHJ/Economic Production Unit* service, and the measure of internal cooperation on the one hand and the measure of management centralization on the other.

With the establishment of the VHJ as the basic management element in the enterprise economic sphere, certain organizational changes have, in the last 2 or 3 years begun to be carried through, especially in the relationship of the VHJ with the enterprise. At the same time, the link between the ministry and the enterprise has remained virtually unchanged. If we subject the changes in management and organizational relations between the VHJ and their subordinate units to a more detailed analysis, we arrive at the conclusion that management in this area is gradually being centralized. This centralization is manifested organizationally primarily as a passage of certain VHJs of the trust type into enterprise-like entities.

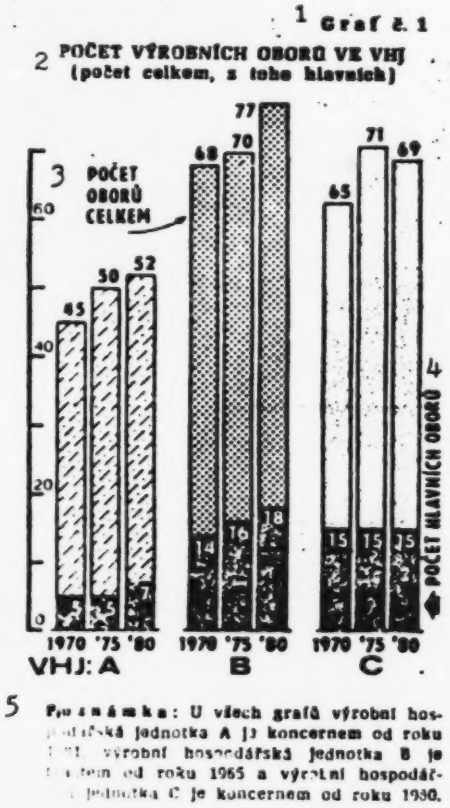
Organizational structures must be understood as rationalization instruments or forms within which are arranged the management and executive processes which must be carried out in the interest of meeting the goals which had been laid out. In creating organizational forms, we must respect both the character of the processes under way in a given unit, and the character of the goals it is to meet. In making decisions on the creation of organizational structures of new units, or on organizational changes in already existing units, we must therefore base ourselves on an analysis of the processes and relations among them, and this within a given unit, as well as in relation to its environment.

---

*I am not naming the VHJs in which we conducted our research in 1980, since the Management Institute promised them anonymity in the publication of the findings with respect to the quality and problems of their management.

Two Factors

Research of factors which affect the organizational structures of VHJ and enterprises, produces some interesting results. These, as yet, are only preliminary findings emanating from a gradual examination of theoretical hypotheses. The purpose of the preliminary research carried out in five VHJs or three branches, was the examination of the hypothesis of the effect of the organization's size, number of branches, and cooperation with the VHJ management structures.

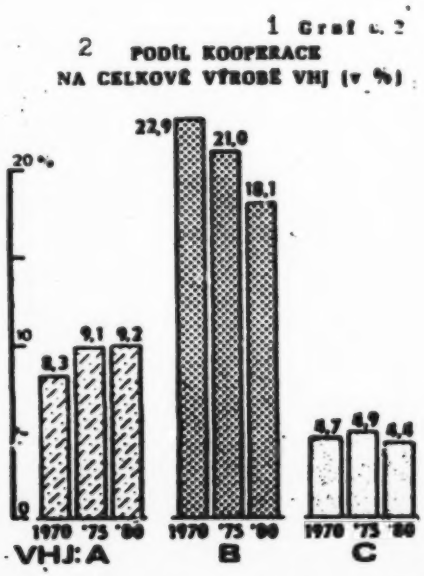


1 - Diagram No. 1; 2 - Number of production branches in the VHJ (overall number, of which the principal); 3 - Overall number of branches; 4 - Number of principal branches; 5 - Note: In all diagrams, the economic production unit "A" has been a concern since 1981, economic production unit "B" has been a trust since 1965, and economic production unit "C" has been a concern since 1980.

The research demonstrated that the size of the organization (in our case the VHJ) in and of itself does not have as great an effect on the management structure as the number of production branches which the VHJ services, and the measure of cooperation within the VHJ. Since, during the past 10 years the number of branches has been increasing in all the examined VHJs, we can conclude from this a certain objective tendency which will probably continue in future years. This development is affected by a considerable number of factors: The possibility of producing other products on already installed equipment, independent production of parts in short supply and

semifinished articles, application of research in related branches, etc. Certain foreign analyses show similar relationships which affect the increase in the number of branches, groups of products, production series, etc.

Under these circumstances, management becomes more demanding, especially for the upper management echelons in a progressive, rather than linear fashion. If, for example, expansion of VHJ activity by two additional branches represents 10 percent, the demand on management will increase by 25 percent. From Diagram No. 3 we see that the fastest increase occurred in the number of employees in the general directorates. Not even this increase, however, fully reflects the higher requirements which arise during the same period. According to estimates by some employees of the examined VHJ, their workload increased by 50-100 percent. The growth of administrative responsibilities was a part of the demand on management. This in itself, however, would basically be quantitative growth. The qualitative aspect of this process consisted of ensuring new operations and tasks related to new and different requirements.



1 - Diagram No. 2; 2 - Share of cooperation in the overall production of the VHJ (in percent).

Inclusion of a new branch does not only represent expansion of operations by an additional item. It is also necessary to understand the specifics of the new production in depth and in all its implications. This represents a great time burden for the respective workers, especially in the intial period. At the same time, pressure increases when handling additional new tasks. The management system begins to be overloaded and this will result in slower executing of tasks, application of simpler methods, and poor quality work. As a consequence, the lower echelons of management start receiving directives which are not mutually coordinated. Management is thus reduced to handling only the most urgent problems until it finally turns into a formalist, bureaucratic instrument.

Under these circumstances, it has been demonstrated that the road to effective answers to problems is not in more centralization, as it usually seems but, on the contrary, in the setting up of structures which will bring about high quality, reliable, but also flexible management, i.e., decentralization of routine tasks, while maintaining centralization of conceptual decisionmaking. As a rule, the problem does not lie in decentralization of all management functions to the lower echelons, but rather in creating a firm parameter of conceptual management within which the responsiblity and jurisdiction for routine tasks is passed on to the lower management levels.

Trust or Concern

The number of branches and their variety are not the only important factor which affects the organizational structure. Another factor which has been shown significant is the measure of cooperation within the VHJ. In the quantitative aspect, we can define the measure of cooperation as the ratio between production performed for other units within the VHJ and the overall VHJ production. In the qualitative aspect, we can distinguish the following types of cooperation: Sequential, reciprocal, and multiple.

Sequential cooperation occurs, for example, when one enterprise produces articles destined for another. Reciprocal cooeration means two enterprises producing for each other. Multiple coooperation is that which involves production exchange among more than two enterprises. While simple sequential cooperation does not, under normal conditions, require coordination with a higher management echelon, such is indeed mandtory in multiple cooperation. The more complicated the relations within the VHJ, the more it is necessary to manage the work of subordinate units in a centralized manner.

The prevailing type of cooperation and its share in overall VHJ production, therefore, represents another important factor affecting organization structures in the VHJ. If, for example, a VHJ services only a few branches but has within it extensive multiple cooperation, this provides a basis for centralized management (we are concerned here solely with problems of centralization or decentralization of prevailing management). In such cases the VHJ is usually organized as a branch enterprise. If a VHJ services a large number of branches among which cooperation is slight, it is desirable to set up decentralized management, of which a suitable form is a VHJ of the trust type.

When both these factors, namely, the number of branches and typed of cooperation, affect organizational structures in the same direction, there should not occur--at least not theoretically--problems as complicated as if the opposite were the case. For example, if there is in the VHJ extensive cooperation and the unit also services a large number of branches, the first factor suggests the creation of centralized structures which call for coordination by subordinate units; on the other hand, however, the work of the VHJ management in such a case becomes extremely demanding.

Answers may be sought in hiring additional personnel with appropriate qualifications. The management apparatus begins to grow without really resolving any problems. Relations with the management apparatus and its dealing with subordinate units get to be so complicated that they become ineffective. Then there appears a call for rationalization of management but within the framework, of course, of the already complicated management structures and their mutual relations. Much activity occurs only within

these structures, without any appreciable results. The system of management, however, can gradually depart from its original mission which--stated succinctly--is to orient the work of subordinate units in the direction of public interest, and creating prerequisites for the achievement of this goal.

Decentralization Versus Centralization

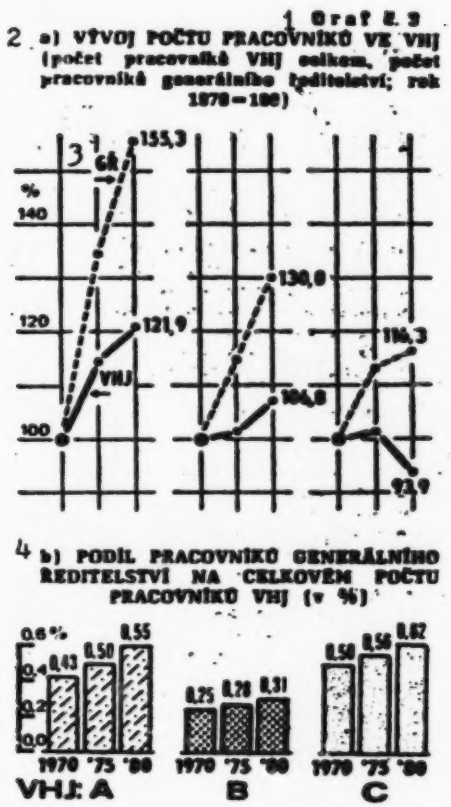
One of the disadvantages of decentralized structures is the tendency to orient one's efforts in directions which may not be the most desirable in terms of public interest. Such situations arise most often where there is a shortage of certain products. Answers are usually sought in setting up social priorities and creating instruments for their fullfilment. This is done on the assumption that higher management echelons are better qualified to meet the needs of society; and that is precisely the beginning of centralization in management responsibilities.

As a rule, the first to be centralized is the authority of setting social priorities within already existing structures. This is time consuming and complicated for these management echelons. Instead of issuing broad directives, this situation causes issuance of operational regulations. Some problems naturally occur repeatedly and it is therefore possible to resolve them by means of one set of instructions applicable to related situations. This is the logic of administrative management.

We have gone through the period of growth in administrative demand in the 1970s. In recent years we have begun to discover that there are limits to such a trend. For this reason, we have resorted to centralization of certain executive decisions and functions in enterprises and plants, in other words, the lower elements of the economic enterprise sphere. The transition of the trust-type VHJs into concerns, seems to offer a suitable solution. Trust enterprises become concerns which, from the legal, fiscal, and economic point of view, means plants. The VHJ become a basic element of management only in the sense, of course, that it is a large enterprise.

The VHJ should perform even development functions; however, this would only be possible if there is a change in their relationship with the ministry. As long as the VHJs are so limited in conceptual decisionmaking, and especially with such limited resources to engage in devlopment as is the case presently, the prospect of conceptual management at this level is unrealistic. From the very beginning, the VHJs have been criticized for not ensuring conceptual development to a full degree, while, also since the beginning, management of the VHJ by the ministries has remained unchanged. It is more accurate to say that the present management system of the VHJ increasingly reaches into the operational area. They therefore cannot ensure development according to their own concepts and, simultaneously, carry out instructions from higher organs.

However, research has also shown that the concern-type VHJ appears even where it is not desirable to centralize management from the point of view of more effective relations with subordinate units (see VHJ "C"). Where there is a large number of branches and only slight cooperation among individual enterprises within the VHJ, the trust format is more effective in this respect. From this we can conclude that in such cases centralization occurs for different reasons, or that it is simply an organizational error. Results of good or bad organizational decisions, however, are usually noticeable only after a longer period of time, due to the so-called organizational inertia.



1 - Diagram No. 3; 2 - a) Development in the number of VHJ employees (total number of employees and the number of those working in the general directorate; 19700 = 100); 3 - General directorate/employees/;4 - b) Share of general directorate employees in the total of VHJ employees (in percentage).

The entire problem area is much more complicated and multi-faceted. What I have shown here are merely some of the objective relationships which must be respected in the formation of organizational structures. Organizational changes are not undertaken frequently and each one is quite expensive. Moreover, it always takes some time for people to adapt to change.

Organizational changes must reflect the character of the processes, conditions, and goals. They cannot be initiated subjectively and without analysis of the situation in which a given unit operates. Organizational changes, however, do not reflect the processes and goals passively, rather they help bring about their more effective--or less effective--achievement. Their effect is mirrored in the goals and the means for attaining them.

Generally speaking, we cannot say which organizational structures are better, whether the centralized or decentralized ones. For it depends not only on the criteria by which we evaluate what is better. The "better" is primarily that which is rational and effective. We consider rational precisely those structures which help us achieve the goals which have been laid out, and to do so with minimum resources, including human labor.

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FURTHER INTERVIEWS ON PRICE REFORMS PUBLISHED

Minister Responds to Public Questions

Warsaw TRYBUNA ROBOTNICZA in Polish 3 Aug 81 pp 1, 6

[Text] On Thursday and Friday of last week, Zdzisław Krasiński, minister plenipotentiary for price reforms, answered viewers' questions right after the news on TV. We add that the minister was appointed a month and a half ago. Until recently he was professor at the Academy of Economics in Poznań. We remind our readers that we published an interview with the minister in June. Also last Saturday there was a televised press conference devoted to the problem of prices.

The minister's answers were received with mixed reaction. Some found his answers profound, others evasive. Professor Krasiński's optimism appalled some people. Others considered that in connection with economic reform this was one of the last chances to pull out our economy from a dark tunnel which is leading nowhere.

Professor Zdzisław Krasiński said: "My view on the necessity of price changes is not especially original. There are many economists who agree with me, and I have drawn from their ideas. I follow the foreign press which often writes on this subject. And it says that price changes in Poland are a most difficult process. But it is indispensable."

We reproduced from tape some questions and answers which were televised on Thursday and Friday. The selection--as with any selection--is of course subjective.

/"Sir, you say that now one person spends 1,200 to 1,300 zlotys a month for food. How have you come up with these figures? Hasn't GUS [Central Statistical Office] helped you?"/

"This amount surprises a lot of people. It isn't something I invented. I have not relied on GUS surveys; I have relied on surveys that I carred out in March and April of a representative sampling of 7,000 households by asking them how much they spend on food. They were people from towns, large and small and from provinces, rich and poor. This is the figure that I got--exactly 1,243 zlotys. This figure is an average figure."

"Some answered that they spent 2,500 to 3,000 zlotys per person. But two percent of the households--the public doesn't know that such households exist--live on 600 zlotys per person a month."

/"By what means have you calculated an average increase of 125 percent? The examples, however, that you have given say that everything increases in price three to four times..."/

"I am giving prices which could increase the most. I want the public to visualize the most drastic changes. But at the end of the whole list I invariably got such an average rise in prices: 123 percent. It's just that the prices of some articles increase less than others."

/"The ratio of new prices for milk and butter figure out to 1:32. And at the same time in other countries a ratio of 1:8 or 1:10. Aren't the experiences of other countries taken into account?"/

"They are. But milk in our country at 10 zlotys per liter will be subsidized higher. The farmer gets 14.6 zlotys per liter at a procurement center. In all countries the cost of turnover amounts to 100 percent. In other words, 14 plus 14 equals 25 zlotys (the said 100 percent). Just do some figuring, don't these 28 zlotys support a ratio of 320 zlotys per kg of butter?"

/"We buy butter from Holland for 120 zlotys per kg, and this somehow profits them and our nation?"/

"Unfortunately, the sale of this butter from Holland is not of interest to our nation. We simply subsidize those prices just as we do the prices of other food."

/"In how many stages will the increase in prices take place?"/

"I foresee four stages: 1) bakery goods and grain products, and eventually sugar; 2) milk and milk products, perhaps vegetable shortening; 3) coal, raw materials, light, gas and furnace fuel; 4) meat and meat products, poultry and fish."

/"What kind of compensation do these bonds have? It looks to me like a poor job of paperhanging...The state can buy them back after, God knows, how many years later. Perhaps then one will be able to use them to wrap up herrings...if they will be..."/

"It's good not to lose our sense of humor. But let's be serious. There are four variants of compensation. Two of the variants have bonds, two don't. The public and trade unions will have to decide whether they want this paper. If the economy gets on its feet, it may turn out to be quite a good means of payment and will be paper which will be in demand."

/"Be as it may: price reforms won't bring goods to the market. Increase in production is the whole problem. And here--it's the head of the fish that smells--in other words, management of the economy is bad, yet it's plucked from the fire, and the minister himself proposes price increases."/

"Price increases are an inseparable element in economic reform--I represent this point of view and only this one. Trade unions say: first, economic reform, then

price reforms. But how is a reformed enterprise going to function normally, since it will begin its activities from an account placed on its head. How can this possibly be done? One must start counting somewhere; namely, from correct prices of costs. Otherwise, there will be a further vicious cycle."

/"But how will this bring goods to the market?"/

"Will price reform do it? No. Will economic reform do it? Yes. Lately, I have been putting it like this. If, for example, the United States could fully arrange it, this would be the prepared scenario: it first freezes prices for a year and gives 30 percent more dollars to their people. And after a year all the shelves there, in a country three and a half times richer than ours, are cleaned out, just as in our country. If, in the following years, they would ask their people to give back to us this 30 percent, then the shelves would again be full."

/"I have been an annuitant since 1973. I have a 2,500-zloty annuity. Today I pay 390 zlotys a month for gas and electricity. Now I will have to pay 1,170 zlotys. Where am I going to get the money?"/

"Mrs., you must get compensation. We are still thinking this over. For a family with several people, expenses for housing are distributed in a completely different way than for a household with one person. This has to be determined."

/"Do young couples, who are forced to rent apartments, receive more compensation. Aren't they after all loaning the government money--in the form of a housing deposit--for several years?"/

"They don't receive more compensation. I am making entreaties with the minister of finance, so that young couples between the age of 20 and 30 receive high consumption credits. Credits that are significantly higher than they have been up till now, but at a lower interest."

/"Talking about price changes without calling it by that name causes people to dispose of their money suddenly; it causes chaos, agitation, pressure on the market. This is sabotage, isn't it?"/

"People have good economic sense, even without such information, and thus money would be disposed of. Our public is wise. Everyone knows what's going on."

"In the brochure which will soon come out, there are concrete data. If we quickly come to terms with the trade unions, then as early as 15 September, the first price increase may take place. This would have to do with bread and flour products."

/"When and where will this brochure come out?"/

"Around 15 September, in "Ruch" newstands, with an edition of 1 million copies."

Minister Answers Workers Questions

Warsaw EXPRESS WIECZORNY in Polish 4 Aug 81 p 6

[Text] Zdzisław Krasiński, chairman of the State Price Commission met with workers from the Warsaw Steel Works on 3 August. At 1430 hours, the conference hall was bursting at the seams. Temperatures had been running high at the meeting right from the very start.

Minister Krasiński had said at the outset: "The market situation today is tragic. Inflation accompanies a fall in production. On the market there are 500 billion zlotys which have been over-issued. The end is already drawing near, so one must act immediately. I am convinced that price increases are our only salvation. This is the result of the laws of economics. Already prices on some articles must now be increased by 123 percent. Practically everybody, among the 7,000 persons polled, does not believe that, after price reform, supplies will be better. So I have been travelling around, talking with people and trying to convince the public and find support from them."

Then the minister found himself bombarded with a great number of questions. We cite those questions which touched upon the most essential and the most often repeated issued.

/"Mr Minister, can price reform be carried out without informing the public how economic reform is to proceed? After all, isn't raising prices somewhat secondary in the face of a general economic reform. Why hasn't anyone told us till now what this reform is going to look like?"/

"I agree that the public should know what the draft economic reform looks like, especially now that it is ready. It is difficult to speak here for my colleagues, but I also consider it necessary to present the method for carrying out the reform, of which, as it has been talked about here, price increases are only an element. Toward the end of August, it will be possible to buy at 'Ruch' newstands an information brochure dealing with the principles of the economic reform, in which a lot of space will also be devoted to price reform."

/"Why is there a price spiral on the market? The price of food sold at stores is several times higher than the price the government has established. Why doesn't the government fight against speculation?"/

"Yes, in the past year prices at markets have risen 56 percent. Meat gets to the marketplace, but there isn't enough of it for rationing. Speculation needs to be combatted, not by fines, but by imprisonment and work camps."

/"On what basis have prices been calculated, and how will they be applied?"/

"Price increases are arranged in four stages. First, bread, sugar, and flour will be raised, then around October milk, milk products and oils. The third stage--meat, poultry and fish; the fourth--coal, gas and electrical power. This sequence may be subject to change. Prices on these articles would be put into effect in January. And how are prices calculated? Simple. Production costs of each article are accurately computed."

/"How does the problem of compensations look? On what basis were they worked out? Why isn't there any wage reform tied in with price reform?"/

"Unfortunately, up till now there hasn't been a table of compensation printed anywhere. It is in the brochure which I mentioned. There are four variants for compensation. In each variant, one of the social groups is favored. We will see which variant will be selected. Obviously, compensation must not be paid out indefinitely. Wage reforms will probably be carried out in January, 1983."

/"People do not believe that the new reform will improve the situation, because they have been already deceived many times before. When do you think the effect of price increases will be noticeable in the form of goods in the stores?"/

"At once, in the price of bread--if you're talking about meat, you'll have to wait a year. But I repeat, price reform is our last chance for our society to begin living normally. Poles do not believe that life will be better. I am trying to convince them that they are wrong. I believe in what I am doing."

9366
CSO: 2600/315

RESEARCH ROLE IN DEVELOPING MINERAL RESOURCES STRESSED

Bucharest REVISTA ECONOMICA in Romanian 28 Aug, 4 Sep 81

[Two-Part Article by Iosif Bercia, director general of the Central Institute of Research for the Extractive Industry and director of the Institute of Geology and Geophysics: "The Growth of the Contribution of Scientific Research to the Extension of Available Mineral Resources"]

[No 35, 28 Aug 81 pp 3-4 Part I]

[Text] The achievement of the program for economic growth, as established by the 12th Congress of the Romanian Communist Party, is influenced to a good degree by providing the national economy with the necessary amounts of material and energy resources. Currently, a portion of the raw materials necessary for industrial production is obtained through imports, as is the case of iron ore, coke, petroleum and so forth. The continuing fluctuations of prices on the world markets, usually with very accentuated upward tendencies, are creating great economic difficulties, even for the powerful industrialized countries. Because of this, in some of these countires there has recently been a clear economic recession, also tied to the tripling of the prices for the main raw materials: for petroleum the rise in prices has had a sharp evolution, being eleven times more expensive than the situation 7 years ago.

In order to avoid the direct dependency of our country's industrial production upon the accelerated rise of prices on the foreign markets, special stress has been placed and is being placed on broadening our own base of raw materials and energy, making it necessary to use all means to reduce imports. Without this stress, we will not be able to maintain the rates of material production established by the 12th Party Congress, production that will serve as the basis for the country's future economic-social development and the continued improvement of our people's level of well-being and civilization.

Extensive and Intensive Factors for Broadening the Base of Useful Substances

In the analysis of the problem of broadening our own base of natural raw materials, it is normal for us to start with the restrictive nature of raw material resources in general and, therefore, also for our country. We must likewise keep in mind the fact that in the past, prior to liberation, there sometimes was a rapacious

exploitation of natural resources, with a good portion of these resources, that portion being less profitable for those times, remaining under conditions that now require very costly additional investments. The development of modern extraction techniques has made it possible, for the most part, to overcome such difficulties. Additionally, the ever more thorough understanding of our country's subsoil has made it possible to introduce new types of raw materials into the industrial circuit, such as: poorer minerals, but in larger quantities that can compensate for the lower content; deposits of natural raw materials located at greater depths that were inaccessible to exploration in the past, but that are now exploitable under profitable conditions; and traditional raw materials from which we can now extract a number of useful elements or use that portion that not long ago was considered waste materials.

The potential of our country's underground mineral raw materials is not inexhaustible, but it can still constitute a solid base for the rigorous planning of the development of industrial production. The "inexhaustibility" of the subsoil must also be viewed from the point of view of the continuing evolution of the notion itself of useful raw materials. This is an evolution tied to the constant development of opportunities for investigation in those branches of science and technology which deal with the understanding of the natural processes for forming natural raw materials, their indentification, the establishment of conditions under which to carry out extraction with maximum profitability and the complex and complete use of those substances extracted from the depths of the land.

Certainly, the broadening of our own base of raw materials must not be regarded solely from an extensive, quantitative point of view, but also from an intensive point of view which requires the judicious administration of raw materials, the elimination of waste and the channeling of raw material resources in those directions which ensure the highest productivity and their better use. Moreover, the growth of the level of use of raw materials should be achieved in a manner completely different from that for materials coming into the country as imports and for which large hard currency payments are still being made. It is clear that the growing interdependency of the national economy within the framework of the international division of labor will also certainly involve in the future the maintenance of trade in raw materials, objectively, and especially for those countries that are small or medium-sized which cannot have all the raw material resources that they need to achieve their economic-social development programs. The processing of imported raw materials must be achieved at such a level so as to ensure the recovery and surpassing of the total value of the imports through the quality and high technical level of the final products.

In this context, activities for scientific research, technological development and the introduction of technical progress in the extractive industry are characterized by a great diversity and complexity brought about by the vast area of the fields in which it is involved: geological and geophysical activities, the crude oil, natural gas, coal, ores, non-metallic substances and useful rock industries, technological research into the specific use of all the mentioned sub-branches, scientific assistance in-country and abroad and so forth.

Fields Investigated - Remarkable Achievements

Scientific research in the fields of geology and geophysics, the first stage of geological activities, is principally achieved by the Institute of Geology and Geophysics of the Ministry of Mining, Petroleum and Geology, which, through its completed studies, provides the substantiation for the phases of geological prospecting and exploration. In the five year plan just concluded (1976-1980), there was an accentuated and continuing diversification brought about by the need to have scientific substantiation and guidelines for geological activities at the level of assigned tasks. We will mention several of the more significant results obtained during this period.

Within the framework of the program to draw-up and publish national geological, metalogenetic and geophysical maps, for example, there was a notable intensification of activities. The maps produced yearly led to an increase in the level of understanding geological structures in the areas of interest for deposits of mineral substances and energy resources. This contributed to the more judicious orientation of geological activities in all phases. In the diversity of these activities, we should note a series of firsts: a coal prognosis map, a map of the mineral and thermal waters in Romania, the first metalogenetic-structural maps and lithological maps, the first cartographic picture of the variations in the thermal fluxuations throughout the country and a map of the recent vertical crustal movements.

Concomitantly with these and during the same period, there was a furthering and a diversification of research in the region of the Romanian continental shelf of the Black Sea (through batimetric, sedimentological, seismometric, magnetometric and gravimetric activities). We also identified regions containing sand deposits having heavy minerals and we obtained new data regarding the deep structures, the shape of the sea bottom and the nature of unconsolidated sediments, with implications for research into hydrocarbons.

In the field of primary energy sources it is appropriate to note the new data regarding understanding the superior coal deposits in the Banat and evaluating the perspectives for lignite in the Lugoj-Sinersig region. On the other hand, in cooperation with the user units within the ministry we completed reports covering calculations of reserves and studies for optimizing the geological projects network for lignite deposits in Oltenia (Salatruc, Rovinari-Mina and Poiana-Mina).

In order to outline the regions containing geothermal waters research was undertaken, with good results, in the country's Western Plain (Sacuieni-Galospetreu-Sinnicolau de Munte) and in the Baia Mare region (Levinta-Tarna Mare). For the first time in our country, peak research was carried out to evaluate the caloric potential of the dry hot rocks in the Eastern Carpathians. Thus, in 1980 we obtained a first look through modeling of the distribution of the caloric

potential at depths down to two-three kilometers, results that will be able to be used in the placement of certain experimental systems for extracting geothermal energy in Covasna and Harghita counties. In order to clarify the perspectives for iron ore in the Harghita Mountains (Vlahita-Chirui), the summary study that was completed showed the extension of the "Vlahita" type mineral group at a number of levels.

In the past five year plan, new perspective areas were outlined, including the extension of the known regions for solid mineral substances: non-ferrous and gold- and silver-bearing ores in the Eastern Carpathians, in the Metaliferi Mountains, in the northern Apuseni Mountains and in the Banat. Numerous research themes had as their objective identifying certain new mineral regions having a low mineral content. Results having important economic impact were obtained by the research in the Metaliferi Mountains for poor copper content ores, as well as those that led to an increase in understanding the economic potential of the Calimani-Gurghiu-Harghita chain, on the basis of complex geological, geophysical and geochemical research efforts.

The application of new methods and investigation techniques (the method of analysis of the isotopic composition of sulfur, the "in situ" method of analysis of copper, lead and zinc using a portable Romanian device, the magnetoteluric method, the radiowave method, the mercurometric method and teledetection methods) permitted broadening the area covered by the research and the experiments under conditions of increasing the efficiency of all activities. Contributions to improving geophysical methods under complicated conditions of relief and geology, to studying coal deposits and to identifying geothermal regions, as well as to optimizing exploitation variants at the large deposits (Rosia Poeni, Bucium-Tarnita, Moldova Noua), were made through the elaboration of algorithms, calculating programs and methods, and mathematical modeling.

Our institute's production of a prototype geophysical device, with a small series production run, led to hard currency savings of approximately 40,000 dollars annually. Good results also came out of the research efforts into the technological use, during the laboratory stage, of poor mineral ores that are hard to prepare and certain non-metallic substances (low-content copper ore groups from Rosia Poeni and Bucium-Tarnita, limestone containing brucite, pyrophylite, potassium feldspar and so forth).

New data was obtained on the basis of integrated geological-geophysical research efforts into deciphering the deep structure of the country. Among the results we can mention: the determination of the thickness of the sediments in the curved region of the Carpathians and in the Transylvanian Depression and of the main underground faults for the purpose of evaluating the geological prognosis for mineral resources and substantiating deep drilling (7,000 to 10,000 meters).

The use of the research conducted during the 1976-1980 five year plan is reflected in the increase in the percentage of scientific and technical assistance throughout the country and the elaboration, together with the user units and other units of the Ministry of Mining, Petroleum and Geology, of over 30 geological research projects involving mining and drilling in regions having economic perspectives in all the geologic units in the country. In addition to these, there is also the contribution of the reseachers integrated with that of the specialized higher education, for example regarding the study of neogenous vulcanite and the metalogenesis associated with the Eastern Carpathians.

Quantifiable Economic Results

The broad scope of the scientific themes covered user requests of great diversity, from the scientific substantiation of prospecting and exploration programs to the direct application of certain methodologies to production, with quantifiable economic results. One aspect worth remembering is the fact that some types of geological and geophysical scientific research find their natural continuation in design activities for geological prospecting and exploration projects. As has been mentioned, the drawing up of projects is done in collaboration with prospecting and exploration units and, in some cases, also with those involved in mining. The total value of the projects drawn up with the help of research specialists during the last five year plan was in the range of hundreds of millions of lei. Clearly, the economic results of these scientific activities cannot, in this case, be directly evaluated. They can be found, however, over time in the permanent growth of geological reserves or forecasts for useful mineral substances. In this regard, several examples of the uses of research results in production are graphic:

- research efforts regarding the lithology of Jurassic and Neo-Commian formations in the Romanian Carpathians and in Dobrudja were evaluated by the user (the Enterprise for Special Geological Drilling and Projects) as being especially important for designing and carrying out exploratory drillings;

- the immediate application to production, at the mines and the preparation factory in the Suceava Mining Combine, of a methodology to identify copper, lead, zinc, iron and barium elements (in ores and in preparatory products) through the use of x-ray fluorescence , employing a device of Romanian production that was improved through the direct collaboration of specialists from the Institute of Geology and Geophsyics, led to absolute savings, as calculated by the user, of approximately 500,000 lei annually.

Among the studies having, according to the users, positive results, we can mention: the research efforts that led to the identification of new reserves of non-ferrous ores to the north of Balan (in the Eastern Carpathians); research into certain mineral ore groups having uncertain genetic sites (for example, those in the Jidosita region); seismic research to identify the limits of certain salt massifs; and research regarding obtaining certain pyrophylite concentrates from Viezuroiu or using quartzites from the Lotru Mountains or serpentinites from the southern Banat.

It is also appropriate for us to mention the users' acceptance of new methods, with some of them truly being used for the first time. One example of this is the successful application of the radiowave method to identify "lost" mineral ore groupings within complicated tectonic deposits (Lesul Ursului, Vorta and so forth). To these valuable achievements, we can add that just in 1980 at the Institute of Geology and Geophysics there was a supplimentary achievement, as a result of the express request of the users, of 14 important themes, while the costs per 1,000 lei of production-research were 835 lei.

Certainly, all the achievements in the past years in the fields to which we have referred are important as such, but they take on even more significance because they were designed for and are capable of serving as the basis of future activities, of facilitating the solution of certain increased quantitative and qualitative tasks and of placing geological and geophysical activities at a high level of efficiency and competitiveness. In order to adequately respond to the express requests of the national economy to increase the mineral raw material and energy resource bases, scientific research in the fields of geology and geophysics will have to increase its efforts, in our opinion, at least in two main directions: maintaining the level of research at the world level to avoid creating a gap in certain fields or accentuating this gap in other areas, and achieving an elastic and organic integration in the complex flux of interdisciplinary research in the extractive industry.

These desires will not be achieved if we do not continue the actions begun to concentrate activities on major projects, to further integration with production, to develop interdisciplinary research and to broaden the area of geological and geophysical investigation into new depths, as well as to extend research into an ever greater number of useful mineral substances. For these reasons, the objectives in the 1981-1985 five year plan that were approved for scientific research activities in the fields of geology and geophysics accurately reflect the directives of the 12th Party Congress regarding the sustained development of the mineral raw material and energy resource bases. In the approved plan, we foresee the majority of the major projects slated for the solution of problems of an applied nature, projects of great complexity whose achievement will require calling upon specialists from very diverse fields within the geological and geophysical sciences, at an unprecedented level of exigency.

[No 36, 4 Sep 81 pp 10-11 Part II]

[Text] The development of the energy base of raw materials and the covering of consumption needs as much as possible from our own resources constitute objectives of the first importance for the economic and social progress of the country. To do this, the investigation into and the most exacting knowledge of our own mineral and energy geological reserves represent some of the most important problems of scientific research activities. These activities are called upon to mobilize their forces and to improve their work methods so that during this five year plan they will considerably increase their contribution to uncovering new resources and substantiating efficient technological solutions for the purpose of using all deposits, including those that have poor content.

Future Guidelines

The objectives in the approved plan for scientific research activities in the fields of geology and geophysics during this five year plan accurately reflect the directives of the 12th Congress of the Romanian Communist Party regarding the sustained development of the mineral raw material and energy resource bases. Thus, in the approved plan we foresee the majority of the projects of sure importance slated for the solution of those problems of an applied nature, projects of great complexity whose achievement will require the contributions of specialists from the very diverse fields of the geological and geophysical sciences.

As a result, we foresee the intensification of research to produce national geological and geophysical maps in order to provide the substantiation for certain prospecting activities in a shorter timeframe. We have in mind the production of a larger number of geological, metalogenetic and hydrogeological maps. At the same time, gravimetric and magnetic maps will be completed for the entire area of the country, a new edition of a geological map of the country at a scale of 1:500,000 will be produced and work will be completed on an order I national gravimetric network.

For the purpose of identifying the areas of interest for energy mineral resources, systematic geological and geophysical research will be carried out to characterize those formations containing coal and combustible shale in the Eastern Carpathians, the Southern Carpathians and the Getic Depression. Beginning this year, in addition to the development of studies on lignite in Oltenia a sustained activity will be carried out in the Comanesti basin, where research efforts will produce geological maps and correlations of the coal strata, providing, together with the prospecting activities, the basis for drilling and mining activities.

Research is scheduled to be amplified and diversified for geothermal resources so that by the end of the five year plan the main areas within our country will be identified. Peak research to evaluate and use the energy potential of dry hot rocks will be concentrated in the Calimani-Gurghiu-Harghita and Oas-Gutii-Tibles mountainous volcanic chains.

An objective of great importance continues to be the intensification of research efforts to identify new areas of metallic substances. In this field, there is a broad effort involving the investigation of the potential for iron ore and manganese, as well as for other accompanying elements (nickel, chromium, titanium) in all the geological units in the Carpathians and Dobrudja. We can mention the successful experimentation, starting earlier this year, with certain prospecting methods in the manganese deposits in the Eastern Carpathians and for iron ore in the Gilau Mountains.

For non-ferrous ores and gold- and silver-bearing ores, activities will be intensified both in extending the known deposits and in working new regions, especially in the Eastern Carpathians, the Apuseni Mountains and in the Banat.

This will parallel the assistance given to the geological projects for complex ores, poor copper ores and so forth, projects based on scientific results obtained in recent years in these regions. Among the favorable achievements this year, we can mention the identification of a region of interest for non-ferrous ores probably associated with baritines in the Eastern Carpathians (the Bistrita Mountains). Special attention will be given during the current five year plan to research efforts into evaluating the potential for precious metals by extending research into the old crystalline formations in the Fagaras Mountains and the Banat Mountains, as well as into the associated alluvial deposits. In order to investigate geological structures and the metalogenetic potential at the second depth level, modern aero- geological and geophysical methods are applied to the ground and below the ground.

Complex studies to locate and precisely identify the dimensions of the lenticular bauxite deposits at various depths will be continued in the Apuseni Mountains using modern geophysical methods such as seismometrics and radiotransparency, methods being used experimentally in the Padurea Craiului Mountains. On the basis of the directives received, we will also considerably intensify research efforts for a large number of non-ferrous substances and useful rocks (baritine, talc, clay, magnesium rocks, tuffs, sands, limestones, ornamental rocks and so forth) in order to fully satisfy domestic requirements in this field.

In the region of the Black Sea continental shelf, complex geological and geophysical research efforts will be extended and diversified by introducing new investigative methods, such as gravimetry in combination with magnetometry and detailed seismic-acoustics to identify hidden geological structures. At the same time, studies must be continued for the purpose of determining the nature and thickness of the unconsolidated sediments both for identifying the regions of heavy mineral concentrates and for placing the off-shore drilling platforms. As a result, during the current five year plan research will be extended, depending upon the supply of adequate devices and equipment, into the region of the continental shelf and, later, into the region of greater depths.

Concomitantly with this and in addition to the research into the solid mineral resources and deposits in the Danube Delta and the adjacent marine regions, a systematic study will be carried out into the origins, nature and content of useful substances in the alluvial soils of the Danube and its main tributaries.

New Investigative Methods and Techniques

The need to fully cover and thoroughly penetrate the country's land in order to raise the level of knowledge and determine the structure and value of its resources requires the mobilization of the most efficient forces and methods. Carrying out this requirement has fully called upon the organizational and creative abilities of the researchers asked to resolve these tasks at a highly professional level.

In the area of creating and introducing new investigative methods and techniques, the adopted solutions involve the extension of teledetection techniques (depending upon conditions and the level of knowledge of our country's geology), as well as of aero- geophysical methods for the rapid, complementary investigation of certain large surface areas for the purpose of selecting the most favorable regions for placing geological projects. The growth in the efficiency of geological activities requires giving special attention to the introduction of certain top geophysical methods that will permit locating geological structures situated at great depths and deposits of useful metallic mineral substances of poor content, solving certain problems of mining hydrogeology and engineering geology for the extractive industry and so forth.

Basic research is centered on the interdisciplinary theme referring to the study of deep geological structures, for the purpose of identifying the elements of these structures, as well as the laws and conditions for creating rocks and ores. The results will contribute to improving geological hypotheses and the overall geological and metalogenetic picture and to substantiating and directing future geological activities. In this context, there is also the activity to periodically re-evaluate the forecasts for the main useful mineral substances, which will benefit from a much richer and better organized data base.

The production of a high-technology geophysical device of high efficiency (a prototype and a small series production run) requires the continuation of the construction and the improvement of proton-type magnetometers, resistometers, geothermometers, induced polarization receivers and so forth, and the transition to the production of new types such as: infrared thermal detectors, microprocessor analyzers, electromagnetic devices and others. For the production of these types of devices at the world level it is necessary for the value of imported parts not to exceed an average of 10 percent of the value of the device. The device produced will be used both to satisfy the needs of the Institute of Geology and Geophysics and the prospecting and explorations units within the system of the Ministry of Mines, Petroleum and Geology, in this way achieving significant hard currency savings.

In order to prepare the adequate organizational framework for achieving the objectives of scientific geological and geophysical research, during the current five year plan a considerable effort is required along the lines of introducing technical progress capable of ensuring the appropriate conditions for carrying out such a broad program. To this end, this year the Institute of Geology and Geophysics moved to scientific management according to a mixed system through research departments and programs that permit the concentration of forces and a more efficient control to resolve those tasks that stem from the research efforts contained in the special interdisciplinary programs drawn up at the level of the national economy under the guidance of the National Council of Science and Technology.

Also as a means of dealing with the high responsibility of the tasks of the current five year plan, we stress the decision of the responsible ministry leadership to move to the improvement of geological activities during the period of the field campaigns by working in nationally organized complex teams with participation by specialists, geologists, geophysicists and technicians and workers in research, prospecting and exploration. This, thus, provides a better integration with production, with verified advantages in the effectiveness of resolving the problems specific to field activities (modifications to solutions, effective intervention in the carrying out of projects, establishing priorities and future plans, and so forth).

Increasing Efforts in Step with the Requirements of the Economy

It must be stressed that in order to carry out activities under optimum conditions some shortcomings must be overcome. Thus, for example, the provision of the necessary number of personnel for scientific research in geology and geophysics is especially important, keeping in mind the specific nature of these activities requires the harmonious combination of field and laboratory research with a sustained and, sometimes, considerable physical and intellectual effort. For this, it is necessary for candidates, prior to entering specialized higher education, to express their option for these disciplines on the basis of sufficient information. Unfortunately, it has been found that the majority of the graduates of middle school possess only very vague information obtained generally from occasionally read popular materials. This is explainable if we keep in mind the fact that geology has not been for a long time a discipline at this level of education. For that reason, we feel that the efforts are fully justified that are being made to reintroduce the teaching of geology at the middle school level.

Another aspect of the problem is the assignment of graduates from the specialized departments in research. After many years, conditions have been created for some of the best graduates having real aptitudes in research to be assigned to institutes, after a term in production. This will contribute to especially redressing the current situation in geologic-geophysical scientific research where there has been a continuing increase in the average age and a decrease in the number of specialists along with an accentuation of the demands and level of complexity of these activities.

With regards to some of the difficulties related to getting supplies of modern research devices and equipment, we can stress that the top methodologies in the fields such as marine geology, teledetection, experimental mineralogy and petrology and so forth, will not be developed at the world level without acquiring the minimum necessary amount of equipment. Thus, for the continued marine geology research scheduled for this five year plan on the continental shelf of the Black Sea, and which will be extended on the shelf and into the region of greater depths, it will be necessary to have a research ship with a minimum supply of modern navigation and research equipment (navigation equipment using satellites for precision positioning, underwater television and photography equipment. seismo-acoustic devices, marine gravimetry and magnetometry devices, equipment for

dragging the sea bottom for sediment and polymetallic nodules, on-board computers and so forth). The provision of this equipment will allow during the coming period for research to be conducted in the oceans of the world, as foreseen by the Directives of the 12th Party Congress. It should be remembered that for the area of our country where we have a relatively advanced level of knowledge of geology in comparison with even some developed countries, teledetection is proving useful to the degree in which it can explore the relationship between the elements provided by satellite data and the views provided by geological maps produced on earth so that we can concentrate on those elements with geological and metalogenetic significance that do not appear on geological maps and that can serve in substantiating geological prognoses.

In basic research, it is necessary to develop modern methods in mineralogy and petrology, both in the field of analysis and in the experimental field. This, together with the experimental studies, contributes to the understanding of the processes of forming minerals from ores and rocks, and deposits, and, therefore, to the directing of geological projects at diverse depth levels. In order to deal with research efforts in this field, it is necessary to have at least an electronic micro-sounder and a device for simulating conditions for forming rocks and ores (achieving high temperatures and pressures). This device would also serve other institutes within the system of the Central Institute of Research for the Extractive Industry.

In the field of specialized information, there are difficulties related to both the activities of the national geologic library, which still does not operate at its normal capacity, and that of the Geologic Foundation, being organized on modern principles. In order to supply the Foundation, we have obtained the first stage of equipment to record, read and reproduce data on the basis of microfiche. Concomitantly with the recording of data, we will continue to provide services through the classical system and manage the archives storage spaces.

An acute problem for carrying out research activities in the fields of geology and geophysics is technical-material supply where difficulties are still being encountered in the acquisition of smaller quantities of the majority of the materials necessary for research and especially laboratory research (reactives, electronic components and so forth). Similarly, for many products the deliveries are made after long delays. During the last five year plan, this problem was the object of discussions organized within the ministry, the National Council of Science and Technology and other central organs in order to hear proposals so that scientific research can have its own basis for supplies.

So that scientific geological and geophysical research in Romania can maintain its traditions, position and unanimously recognized international prestige and so that it can contribute even more efficiently to the growth of the country's raw material and energy resource base, we will increase efforts to permanently modernize and introduce new methods and techniques and to apply as rapidly as possible the

results of research to the production activities of geological prospecting and exploration, as well as the results of the other user units in the national economy. During the current five year plan, whose first year happily coincides with the 75th anniversary of the founding of the Geologic Institute of Romania and the 100th anniversary of organized geologic activities in Romania, there will certainly be major changes in the manner of thinking and approaching scientific geological and geophysical research that, in support of applying the new economic-financial mechanism, will lead to important qualitative and efficiency changes in the process of understanding the country's geology and mineral potential.

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CHEMICAL INDUSTRY TO CONTINUE GROWING IN 1981-1985 PERIOD

Bucharest ROMANIA LIBERA in Romanian 7 Sep 81 pp 1, 3

[Article by M. Radian: "The Romanian Chemical Industry"]

[Text] Our people, each of us is living moments of great satisfaction covering the entire country with regards to its economic map and registering great progresses that have been obtained during the years of socialism through its industrialization and devlopment of agriculture. And, we believe we are not wrong in stating that one of the strongest reasons for this satisfaction and patriotic pride is, for us, the chemical industry, which we consider with good reason a noble coat of arms of the development of socialist Romania.

Our satisfaction stems from an awareness of the fact that the high rates of industrial development in general, and especially in this industry, have served our interests to the highest levels and have contributed to the greatest part to the country's economic development and to an increase in the level of civilization and well-being, at the same time constituting a thorough base for its future development. Our people consider the party's orientation in this direction and its options regarding the development of the chemical industry at especially high rates as being very just and, even more, decisive for its entire destiny and for its well-being and independence. As a result, the people approve of it, accept it and implement it with so much enthusiasm. And this is not just because they realize the value of the chemical industry, which can convert into useful chemical products the raw materials existing in nature in large quantities (such as water and air, as well as salt, petroleum, coal, natural gas, ores, silicates, materials of animal or vegetal origins and industrial and agricultural waste), but for at least four reasons of infallible logic: the awareness that we are developing a branch for which we have our own raw materials base; the fact that the chemical industry can use these resources at the highest level, as well as our people's scientific and technical intelligence potential; the fact that it realizes the ever more powerful role of the chemical industry within the framework of the contemporary technical-scientific revolution and the development of all of the branches of the economy; and last, but not least, its conviction that the chemical industry daily takes on an ever more accentuated social role, contributing to its progress and prosperity and to the growth of its level of civilization. Our people rightly see in the chemicalization of the economy, all the industrial branches and agriculture one of the principal means of advancing the country on the road to communism.

The party's policy in the accentuated development of the Romanian chemical industry began precisely with the recognition of the fact that it represents one of the remarkable factors of economic-social progress, and the results obtained through the implementation of this policy are graphic. Compared to a general growth of industrial production in 1980 of approximately 50 times over in relation to that of 1938, the country's chemical industry production increased by 285 times over, or at a rate 5.5 times greater, with the last 16 years experiencing a true explosion in the Romanian chemical industry. The diversification of this industry has continually grown and its level of use of raw materials has constantly gone up, with over 1,300 highly technical chemical industry facilities being put into operation in just the last decade. Just how great this progress is can also be deduced from the fact that while during this period the percentage of chemical industry production within overall worldwide industrial production was 4.3 percent, in our country the figure was up to 6.7 percent. This is even better demonstrated if we point out that from 1965 to 1980 the percentage in Romania increased from 6.7 percent to 13.3 percent while overall worldwide production grew from 10.9 percent to 15.2 percent. With regards to the average annual rate of growth, it is appropriate to note that while at the world level it experienced oscillations, falling from 12.5 percent during 1971-75 to 8.5 percent in 1980, the average annual rate of production for the Romanian chemical industry continually grew during this period from 15.8 percent to 17.1 percent. It is a fact that Romania today is in 10th place in the world in chemical production and for a series of products which constitute important criteria in evaluating the level of economic development this evolution in recent years allows us to make a favorable comparison, based on a relationship of production per inhabitant, with some of the most industrially developed countries. This can be seen in a comparison of several of the most important products that determine the progress of the chemical industry, as well as that of the other branches of the economy, such as agriculture, light industry, machine building, construction materials and transportation.

With regards to the data in the table [see the table on next page], I could mention several items that could help the reader even more to realize the scope of the performance of the Romanian chemical industry. For ammonia, for example, the principal raw material for nitrogen fertilizer, as well as for very many compounds in the chemical industry and other industrial branches, the level of production per inhabitant attained in Romania in 1977 places it ahead of the countries with which it is compared. For sulphuric acid production, likewise a very broadly used raw material in the national economy, during the same year we attained the per inhabitant levels of the developed countries, as well as for calcium carbonate and sodium hydrate. It is also graphic to see how close our level of per inhabitant production is in the petrochemical industry sub-branch which, as is known, uses raw materials at much higher levels, giving the chemical industry a truly modern nature. The perspectives for plastics production, whose economic and social importance we all realize, were half way along last year in comparison to the developed countries, and we will reach these countries' levels during the current five year plan. For synthetic fibers and threads, we have already reached the level of the countries with a developed chemical industry.

The Comparative Situation Regarding Production per Inhabitant for Certain Chemical Products in the United States, France and the FRG in 1976, and in Romania in 1977 and 1980 (in kilograms per inhabitant)

(1) Denumirea produsului	S.U.A. 1976	Franța 1976	R.D.G. 1976	România 1977	1980
Amoniac (în azot – N) (2)	71,7	33,34	80,0	103,0	188,0
Acid sulfuric (3)	144,2	74,33	58,6	66,6	115,8
Sodă calcinată (4)	32,1	24,49	49,9	40,8	43,8
Sodă caustică (5)	47,6	21,62	25,9	33,5	49,7
Clor (6)	46,5	24,44	23,5	18,9	34,5
Metanol (7)	13,7	5,93	14,3	10,7	20,0
Mase plastice (8)	60,0	53,00	40,0 *)	25,2	46,9
Fire și fibre sintetice (9)	11,9	4,21	7,2	5,8	8,5
Cauciuc sintetic (10)	10,4 **)	8,22	8,5	6,4	14,2

*1980 **1975

Source: "The Strategy for Development in the Chemical Industry," Mihail Florescu, Politica Publishing House, 1981.

Key:

1. Type of product
2. Ammonia (in nitrogen - N)
3. Sulphuric acid
4. Calcium carbonate
5. Sodium hydrate
6. Chlorine
7. Methanol
8. Plastics
9. Synthetic fibers and threads
10. Synthetic rubber

These are merely several examples gathered from among many that speak for themselves about the successes of the Romanian people on the path of developing a modern chemical industry. But, perhaps do we not encounter the successes of this policy and do we not perhaps feel the positive influences of them in any of the fields of our activities, be they in the mining, petroleum or steel industries, in the semiconductor industry, in the machine building industry, in the electrotechny industry, in telecommunications, in power equipment, in ship building? And the automobile industry, could it be conceived of today without plastic materials, not to mention rubber products? The same goes for the civil construction industry, industrial construction industry, the furniture industry, clothing and footwear, the medicines industry and hygiene maintenance products. Finally, how could we conceive of progress in agriculture without chemical fertilizers, herbicides, fungicides or pesticides, without vitamines, amino acids and medicines in zootechny and so forth.

Speaking of the great progress of the Romanian chemical industry, especially in the last 15 years, it is appropriate for us to point out that it is closely tied to, based upon and is being based upon the contribution of scientific research and technological engineering, which have the great merits of being directed at

the major problems of production activities, making available to industry those technologies and techniques that have allowed it to attain a high technical and competitive level on the international market. This positive orientation and the organization of research on the basis of modern concepts are closely tied to the activities of comrade academician engineer Dr Elena Ceausescu, a prominent personality of the contemporary scientific world who has promoted a daring, creative research effort within all the units of the Central Institute of Chemistry, having the needs of production as its permanent objective.

Among the numerous achievements of great prestige of Romanian chemical research and technological engineering, we note, first of all, the technology for producing poly-isoprenic rubber, a technology of great economic and scientific value created by a collective group headed and directly guided by academician engineer Dr Elena Ceausescu. There also are: the technology for producing polyesters for polyurethane foam, the technologies for hydrorefining petroleum, fuel oil and others. These are applied research efforts which led to great profits for the country's economy, both by putting an end to some imports and by increasing exports.

Along these ideas, it is fitting for us to note that our research gives special attention to the extension of the polymer-making processes through the use of superactive catalytic agents, the move to using enzymatic catalysts and the development of unified intensive processes in the fields of fractional agents and purifiers at the level of the requirements imposed by the processes for making polymers and sintering high purity reagents for electronics, aviation and so forth. This attention will also be given to the development of research in the bio-technologies, as well as in the interdisciplinary research between physics and chemistry and chemistry and biology, the protection of the environment and others.

We should also especially stress the research efforts of our chemists for the purpose of creating certain technologies for products made with reduced levels of energy consumption, just as we are dealing with alternative sources of energy (solar, wind and geothermal), coal gasification for the purpose of replacing natural gas, thus opening a new future for the Romanian carbo-chemical industry.

The provisions of the 1981-85 five year plan confirm the continuity of the strategies in the field of developing chemical production and the chemicalization of production, calling for their intensification. In support of our assertions, we present the fact that during these 5 years the chemical industry will experience the highest rate of development in comparison with the other branches of the national economy, 10.2 percent per year or an increase of 62.7 percent in 1985 compared to 1980 production. The essential criterion that stands at the basis of the development of the chemical industry lies in the restructuring of the branch's production by accentuating the rate of growth in the production of highly technical products and groups of products that are produced using reduced levels of energy consumption, make maximum use of raw materials and incorporate an ever larger amount of highly

skilled labor. The principal orientation for this period is directed towards increasing the level of processing of petroleum and natural gas, making new superior products from plastics and chemical fibers and threads, developing precision chemistry and making special materials for electronics and other high technology fields. At the same time, we will place special stress on making new technologies that will ensure a higher use of raw materials, a reduction of material consumption and a production of certain quality products. Similarly, there will be an increase in the production of the inorganic chemical industry on the basis of higher processing of certain domestic resources, and there will be an accentuation of the development of the production of medicines, dyes, detergents, cosmetic articles and perfumes. In accordance with the requirements of agriculture, in the field of chemical fertilizers we will achieve an appropriate balance between fertilizers based on nitrogen, phosphorus and potassium, while the increase in the production of pesticides will be achieved on the basis of varieties having increased efficiency and lowered remanence.

Furthermore, as proof of the consistency in the orientation towards the higher use of resources and the greatest possible satisfaction of the needs of the national economy there are the proposed levels themselves, of which we will merely quote a few examples: the production of artificial and synthetic fibers and threads will increase by 2.9 times, production of synthetic rubber, plastic products and basic macromolecular products by over 2 times, and production of tires by 192.1 percent compared to 1980. For its part, the production of the chemical fertilizer industry will increased by 65.6 percent, and for medicines it will triple. As much as the importance of the chemical industry will increase within the overall national economy during this five year plan, the reader will be able to see this for himself if we point out to him that by 1985 it will have to provide 99 percent of the necessary amount of threads and fibers, 90 percent of the dyes, at least 92 percent of the synthetic rubber and 98 percent of the tires, as well as all of the necessary amount of chemical fertilizers, lacquers, paints and so forth. Along these lines, we should stress the orientation, through the application of the results of our own research at the Central Institute of Chemistry, towards moving away from the development of high tonnage production to the priority development refined compounds and small tonnages (medicines, cosmetics, supplements for industry, reagents, catalytic agents, products for microelectronics, dyes and intermediaries). Similarly, we will stress the direction of Romanian chemical research towards the reduction of energy consumption and the growth of installation productivity by creating new catalytic systems that will ensure the accentuated reduction of working temperatures and pressures. Special attention will also be given to creating solutions for bringing new raw material and energy sources into the economic processes through the chemical use of biomass, especially for the production of synthetic fuels, polymers and chemical fibers.

We cannot conclude this succinct review of the Romanian chemical industry without noting the beautiful perspectives that are opening up before this branch, one of the most efficient economic branches from the point of view of labor productivity (17 times greater in 1980 than in 1950), investments efficiency (compared to 1965 the branch's production in 1975 was 5.5 times greater while the volume of investments was only 3.5 times greater) and hard currency contribution (together with the machine building industry, the chemical industry in 1985 will have approximately 60 percent of the total volume of exports). The over 200,000 workers in this branch, aware of the economic-social role of their work, are determined, as was recently shown during comrade Nicolae Ceausescu's working visit to Prahova County, to honorably fulfill their obligations and, first of all, to fully honor their 1981 plan tasks.

8724
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LACK OF SPARE PARTS HAMPERS ACTIVITIES OF FISHING FLEET

Bucharest SCINTEIA in Romanian 2 Sep 81 p 3

[Article by Neculai Amihulesei: "Supplying Spare Parts to Repair Ocean-going Fishing Ships"]

[Text] The Romanian oceanic fishing fleet totals 40 fishing ships and 9 transports. Using these ships, equipped with equipment of a highly technical nature, the fleet must catch this year over 200,000 tons of fish. The calculated task is one that can be fulfilled only under conditions where all the ships are operating. Unfortunately, however, some of them, and not just a few, are not operating and are in ports. This year, for example, of the 27 ships planned to be fishing each day, only 12 to 16 are carrying out activities. Engineer Nicolae Ivan, the technical director of the Tulcea Oceanic Fishing Enterprise, told us: "What is more serious is that the number of active ships is constantly falling. This is also because they are not repaired within the planned timeframes. For years the Ministry of the Machine Building Industry, and more precisely the shipyards subordinate to it, have not adhered to the repair schedules."

Let us give some examples. For all of 1980, the ships "Semenic," "Ialomita" and "Trotus" were tied up for repairs at the docks of the Enterprise of Ship Construction and Technological Equipment in Tulcea. The explanation? The enterprise could not honor its obligations for capital repairs because it lacked 15 tons of OLT-35R pipes for the refrigeration equipment. After one and one-half years, in June 1981, the "Semenic" was turned over to the fleet. The "Trotus" went in for repairs on 12 October 1979, and is still not ready to go to sea. It is estimated that repairs will be completed around the end of October of this year. The cause of this delay? In addition to the lack of pipes for the refrigeration equipment, we have the fact that the gear box for the propeller shaft could not be reconditioned and they had to wait for the arrive of certain gears that had to be imported. After these supply problems were solved, the refrigeration compressors broke. The "Galati" could not have its repairs completed since the Resita Machine Building Enterprise refused to correct the main motor shaft (the shaft has been at Resita for over 1 year). These are merely several examples that are significant, however, to show the manner in which repairs are carried out on the oceanic fishing ships.

In thumbing through the stack of papers contained in the "spare parts file" existing at the Oceanic Fishing Enterprise, you get the feeling that you are falling into "troubled waters," into a maze with no exit. According to the laws in effect both for 1980 and for 1981, the Oceanic Fishing Enterprise made the necessary complaints to the Ministry of the Machine Building Industry and the Galati Naval Industrial Central 9 months in advance of the beginning of the new plan in order to acquire spare parts and materials. Despite this, in 1980 of the 8,606 spare parts items necessary to repair the ships, the machine building units provided only 133; in 1981, of the 10,588 items there are only 157, without anything being done so far.

Nor is the situation for providing materials for repair work any better. Both last year and this year, the Tulcea Enterprise of Ship Construction and Technological Equipment did not have sufficient quantities of aluminum electrodes, OLT-35R pipe, asbestos and steel cable, just to mention only a few of the material shortages. It should also be added that the Galati Naval Industrial Central, the parent organization of the Tulcea Enterprise of Ship Construction and Technological Equipment, did not respond to the requests made to it. It is certain that for 1981 the Ministry of the Machine Building Industry did not put into its production plan those several thousands of spare parts items necessary to repair the fishing ships. Paradoxically, the ships are scheduled for repairs, but no one is making the spare parts!

And, things do not stop here. Engineer Ion Vasile, chief of the mechano-energy section at the Oceanic Fishing Enterprise, told us of a totally abnormal situation: We are importing R3 turbo-blowers while similar, and even better, turbo-blowers are produced at the Brasov "Hidromecanica" Enterprise. I put in an order to have these type of turbo-blowers produced for us. After a year of discussion and intervention at the ministry, I received 10 turbo-blowers for which we had to obtain a series of imported parts, parts which also could be produced in-country. Up to now, we have not been sure if we will receive additional turbo-blowers, with the necessary number for us being 50 each year. No one wants to understand that we are not just talking about some money that our enterprise might lose, but the country's hard currency if we have to import these spare parts. Another example. We purchased from the port of Las Palmas piston rings for the compressor motor on one of our ships and the parts bore the inscription 'Made in Romania.' So, we contacted the producer units in our country so they could deliver these piston rings to us. They did not want to hear about it! We are still importing piston rings each year worth 500,000 lei in hard currency, piston rings that are produced at Pitesti." Additional comments are unnecessary!

That spare parts can be produced in-country is demonstrated for us by the workers in the repair shops of the Oceanic Fishing Enterprise. With modest equipment, they annually produce parts worth one million lei. Last year, they made 27 items of the most difficult types and reconditioned parts worth 1.6 million lei. This year, the Oceanic Fishing Enterprise has proposed to produce, in cooperation with

other economic units in the county, more spare parts than last year, worth over one million lei, and to recondition parts worth two million lei. We should also remember the concerns for the proper maintenance of the ships. The trawler "Delta Dunarii" was transformed into a repair ship. Equipped with spare parts and equipment and with a crew of 35 craftsmen, the repair ship carries out current repairs and overhauls directly in the fishing areas. In this manner, repair costs this year will be reduced by over one million lei.

The workers in the enterprise are not helped, however, as would be natural, by the machine building units which have the task of producing spare parts and making the repairs within the planned timeframes. The technical director of the Oceanic Fishing Enterprise told us that dozens of commissions have come to Tulcea in recent years from the Ministry of the Machine Building Industry and the Department of the Food Industry. Each time they completed plans for measures to be taken and each one promised to resolve the problems; however, with regards to providing spare parts no one has been involved and no one is involved. The technical director of the Oceanic Fishing Enterprise told us: "We place orders for spare parts. The Ministry of the Machine Building Industry asks us for production documentation, but after that it cannot find anyone to produce these parts. This situation has gone on for several years. I propose that on the basis of our orders the ministry establish those units that can produce the parts and, on the basis of the type of equipment these units have, we will complete the documentation. The technical means available to the machine building units in our country permit the production of all the parts we need. The refusal of these enterprises to cooperate with us costs the national economy several hundreds of millions of lei each year. Let us no longer talk of the implications of failing to achieve the oceanic fish production plan."

8724
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SUCCESS OF 1981 TOURIST SEASON DESCRIBED

Bucharest ROMANIA LIBERA in Romanian 3 Sep 81 pp 1, 2

[Interview with Ion Tudor, first deputy minister of tourism, and Ion Florea, director of the "CARPATI" National Tourism Office in Bucharest, by Mircea Scripca, place and date not specified: "Romania in the International Tourism Circuit"]

[Text] Our beautiful resorts at the seashore, in the mountains and in other picturesque locations of the country are host to, in addition to the workers from our own country, numerous guests from abroad. Details about the conditions for these guests so they can have the most enjoyable vacations in our country, as well as the impressions of and opinions expressed by these guests were given to us at the Ministry of Tourism by comrade Ion Tudor, first deputy minister of tourism, and comrade Ion Florea, the director of the "CARPATI" National Tourism Office in Bucharest.

[Question] To begin with, please tell us what is the position of Romanian tourism within the framework of international tourism, stressing the peculiarities that characterize our tourism.

Tudor: Romanian tourism has gained a well-deserved place in international tourism, being appreciated in different countries of the world. It is within the context of the foreign policy promoted by comrade Nicolae Ceausescu, the secretary general of the party, of broadening the area of international relations, of bringing closer together and understanding peoples, of having the best possible mutual understanding and of consolidating peace throughout the entire world.

Because of the sustained support given by our party and state to the development and modernization of the material base of tourism, the continuing diversification of our vacations and the richness of the tourist programs, as well as the traditionally hospitable spirit which characterizes our people, Romania is receiving an ever more significant number of foreign tourists. In 1980, we received one million foreign tourists, with the majority of them coming through tourist agencies, compared to only 100,000 that visited our country two decades ago.

The tourist features of Romania are determined by its visual beauty, the natural setting and the climatic conditions that are favorable for having tourism during all the seasons, and the richness of the material and spiritual values created by our people during its long history.

[Question] In order to be specific, we ask you to give us some data regarding the number of foreign tourists that arrived this year.

Tudor: The affirmation of our tourism on the international level is demonstrated by the continuing increase in the number of foreign tourists, with this total being, for the first 8 months of the year, over 10 percent better than that of the same period last year. From May through 1 September, the seashore hosted approximately 300,000 foreign guests. Currently, approximately 40,000 tourists from numerous countries around the world are enjoying their vacations on the seashore.

During the same timeframe, the mountain resorts received approximately 40,000 foreign visitors, and the balneary resorts received over 20,000. During the same timeframe, everywhere, from Bucharest to the northern part of Moldavia or from the Delta region to Timisoara, we hosted tourists from different countries and continents of the world.

[Question] The presence of an ever more significant number of foreign tourists in our country expresses the great opening towards a better understanding between peoples, as occasioned by our international tourism. From which countries of the world do our visitors principally come?

Tudor: Most of them come from the socialist countries, countries with which we maintain permanent relations that are finalized in touristic trade carried out under mutually advantageous conditions. Many tourists come from the other European countries, primarily from West Germany, France, Greece, England, Austria, the Scandinavian countries, Belgium, Holland, Spain, Italy and so forth. At the same time, there are numerous arrivals in our country stemming from the other continents, especially from countries such as the United States, Canada, the Arab countries, Israel, Japan and so forth.

Florea: We have concluded tourism agreements and conventions at the governmental level with a significant numner of countries. Similarly, Romanian tourism agencies maintain commercial relations, on the basis of contracts, with partners in nearly 50 countries through which each year approximately one million tourists arrive in organized groups. The reasons for traveling for these people, likewise, are very diverse, from the call of the sun on the seashore and the need for balneary treatment to socio-professional exchanges of experiences and ornithological studies in the Danube Delta or speology in the caves in the Carpathians.

[Question] With what impressions do the foreign tourists leave Romania?

Florea: With among the best impressions and evaluations. But, let us together thumb through one of the latest selections of these comments, as expressed in the books of honor in the tourist hotels in our country, in letters sent to Romanian tourism units and in the pages of the foreign press.

"The cure here in Romania at Eforie-Nord is formidable," writes Lucienne Stocard (France) in July 1981. "I took a trip into northern Moldavia, extremely interesting. I will surely return to Romania next year." "I was at the seashore," notes G. A. Murasion-Essentuki in the name of a group of tourists from the Stavropol region of the USSR, "and we enjoyed the trip very much. We felt that the Romanian government takes care of the people and works to develop international tourism." For his part professor Matzuura Morishisa from a high school in Kushima (Japan) states: "A beautiful trip in a beautiful country, where I felt at home." An eloquent evaluation is made by the businessman Munir Emad Ihan from Lahore: "The Romanian seashore seems to me to be equally as beautiful as the beaches in Miami, which I know very well." The qualities of the seashore are also pointed out by Malcom Palle of London in August 1981: "Unlike Spain or Italy where you purely and simply stay for 2 weeks on the beach, Romania offers another type of vacation where, in addition to the beach, you can take many trips on unusually beautiful itineraries (Valea Prahovei, the northern part of Moldavia, Bucharest and so forth), as well as trips to other places, such as Istanbul, Cairo, Athens or Kiev."

Numerous other tourists pointed out the special qualities of our balneo-climatic resorts. "In 1981, I returned for a fourth time to Romania," writes H. De Young, a businessman from Ensehede, Holland. "I had Parkinson's disease and after four cures on the basis of Gerovital and physical therapy the disease has improved a great deal. I will come back." "Thanks to the treatment at the Felix baths, where I visited in years past, I feel at 74 years of age healthy and full of vitality," declares Jemmy Lauren of Denmark. "A resort with some miraculous people, quality services and products and a truly miraculous acupuncture treatment," writes Wh. Carfet of England in June 1981 while at Poiana Brasov. For his part, Dr John F. Statham, secretary general of the Inter-American Congress of Doctors and Surgeons, notes: "As a patient, I checked the efficiency of treatments on me (geriatric treatments). As a doctor, I will recommend it to others. Romania is for me a beautiful country with a rich history, with cultural traditions, hospitable people, distinguished doctors and well-equipped hospitals. It is a country that deserves to be known up-close."

[Question] The impressions of our guests are moving. They explain the international prestige that our tourism enjoys. What will continue to be done along these lines?

Tudor: The evaluations expressed by our guests require us to intensify our efforts to obtain even better results in our activities. In this regard, we are currently working to give our foreign guests the opporunities to enjoy the beauty and richness of fall in our country. We have special tourist programs connected with the "George Enescu Festival" and the Bucharest International Fair, as well as other events. And, beginning in December, for the winter sports vacations and end-of-year celebrations, we are anticipating for the following period a higher tourist business than that of the second half of last year.

Synthetically, I can show you that our concerns for the current five year plan principally call for: the full affirmation of Romanian tourism on an international level; the broad opening of traffic towards Romania from other countries farther away; the increase in the number of visitors in mountain and balneary resorts throughout the entire year; the extension of travel tours, of cruises (on the sea and the Danube), of tours of a sporting nature (skiing, riding, water sports, fishing); the development of socio-professional tourism and tourism for young people having an instructional-educational theme and exchanges of experiences; the improvement of recreational means and tourist trade in general, thus making profitable our tourist services at a higher level; and the continuing growth of the level of comfort of the tourist units and the standard of services at these units so that a vacation in Romania can be a complete joy and pleasure.

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END

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2189

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2189

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IMPLEMENTATION OF ECONOMIC INCENTIVES RECOUNTED

Prague HOSPODARSKE NOVINY in Czech 28 Aug 81 pp 8-9

[Article by Milan Tesar, economic undersecretary, Vsetin Zbrojovka: "The Implementation of an Incentive System"]

[Text] In applying the Set of Measures, the management of the Vsetin Zbrojovka has been trying, first of all, to improve planning, to objectivize technical and managerial norms and standards and, particularly, to intensify internal enterprise khozraschot. Current results point to an active approach by the entire work collective to the assurance of planned objectives. This situation has been brought about through the application of the Set of Measures to internal enterprise compensation regulations and through the iplementation of specific rules for material incentives for employees. This article will relate the experiences of our enterprise in this area. In the final years of the Sixth Five Year Plan, counterplanning was implemented at the enterprise with the objective of increasing the economic stake of employees of individual managerial centers in the performance achieved by management. This 3-year trial period for these regulations at the enterprise made it possible to utilize this accumulated experience during the implementation of the Set of Measures, and to formulate concretely regulations governing material incentives even at the level of mangerial centers and for individuals, regulations which became operative as of 1 January of this year.

Regulations for Centers

The key principle of these regulations is an increase in the economic stake of the employees of managerial centers in the fulfillment of qualitative indicators, i.e., in the reduction of production costs and overhead expenses, in the overfulfillment of planned targets for output, the labor-intensiveness of products, the replacement of unneeded machinery and equipment, the performance of quality work, etc. The feasibility of these directives is conditioned by the level of technical and managerial standards. For this reason, one of the tasks of an enterprise must be seeing to the thorough and immediate modifications of standards to reflect changes in technical or technological conditions, advances in the organization of production and to strengthen the entire system of flexible management.

The breakdown of khozraschot indicators establishes for managerial centers the crucial and the conditioning indicators (some in a modified form, i.e., as return on operating assets) which are to be used to calculate the basic and incentive components of wages. On the basis of these critical indicators, and taking into account the character of the managerial center, calculations are performed of adjusted value added,

return on operating assets, and labor productivity, utilizing standard hours and costs per koruna of output of the operational equipment. A reduction in the labor intensiveness of products, the production of spare parts for textile machinery, the replacement of capital assets, and the fulfillment of the planned product mix have been established as conditioning indicators.

The planned volume of wages payable for a managerial center is increased in the event of overfulfillment of a critical indicator. (For the recalculation of wages payable, however, it is permitted to use a maximum of 3 percent plan overfulfillment; if the degree of overfulfillment exceeds 3 percent, it is assumed that the plan was established improperly.) The percentage overfulfillment is then multiplied by a coefficient of 0.30 for both the basic and incentive components of wages payable. In concrete terms this means that if a given managerial center fulfills the plan by, for instance, 107 percent, the recalculation of wages payable is based only on 3 percent, which is then multiplied by the coefficient of 0.30. The center will have, then, 0.9 percent more than the original volume of wages payable. The incentive component of the wages of a managerial center is calculated in a similar fashion. The level of fulfillment of the established conditioning indicator is the basis for the recalculation. If it is not fulfilled, the volume of the basic and incentive components of wages payable is not recalculated.

An evaluation of performance so far this year points to a difference in the approaches of individual managerial centers and, therefore, differences in individual contributions as well. While at the textile machinery center the wages payable per employee have increased by Kcs 144 on the basis of the fulfillment of the established indicators, at the municipal equipment center there has been an increase of only Kcs 35. The distribution of these resources is possible, however, only after an evaluation of the fulfillment of indicators for the first 3 quarters, on the assumption that they will be overfulfilled on an annual basis as well.

From the viewpoint of the recalculation wages payable, penalties for low quality production (in-house rejects), and for the failure to fulfill key indicators, are also components of the khozraschot regulations. The level of profits, for these purposes, is reduced by the losses caused by low quality production and, in the event that a key indicator is not fulfilled, the planned volume of wages payable is then recalculated (reduced) according to the fulfillment of this indicator. The incentive component of wages disappears in the event of 85 percent fulfillment of the target for return on operating assets.

A guideline for the adoption of a counterplan by managerial centers has been established in the context of the internal enterprise khozraschot regulations. If a higher return on operating assets is adopted in an annual or a quarterly plan, in comparison with the breakdown of this indicator, and then this counterplan is fulfilled, then the incentive component of wages is increased in direct proportion. This means that for each percentage increase in return on operating assets there is a percentage increase in the incentive component of the wages payable of the managerial center.

...and for the Individual

In order to implement objectives, and to provide material incentives even for individual employees, the following regulations have been issued for our concern enterprise within the context of intensifying internal enterprise khozraschot:

-A movement to fulfill the Seventh Five Year Plan on an accelerated schedule,
-incentives for the performance of high quality labor,
-incentives for labor force reductions.

The regulations for the movement to fulfill the Seventh Five Year Plan on an accelerated schedule apply exclusively to production workers within the framework of the appropriate workshops. The key criterion will be the volume of standard-hours worked during the individual years of the Seventh Five Year Plan.

The standard-hour target for a workshop is established in the same way for each individual: The monthly working hours including planned hours of overtime, not reduced for absences, but shortened by the amount of allowable vacation time taken, is multiplied by the average planned level of fulfillment of production norms by the workshop.

The actual number of standard-hours worked by individual production workers are transferred from a computer system. A worker who fulfills a performance standard above the average for the workshop, and who does not have absences, will fulfill individual years and, thereby, the entire Five Year Plan, in a shorter period of time. Should a worker submit an improvement suggestion, the number of standard hours he has actually worked will be credited, a year after the implementation of the suggestion, with a monthly amount equalling one-twelfth of the total number of standard hours saved, as calculated by the division of industrial legal protection.

At the end of each year, and at the end of the entire Seventh Five Year Plan the manager of the managerial center will conduct an evaluation in cooperation with the workshop committee of the Revolutionary Trade Union Movement at a meeting of the whole operation. Workers who fulfill the planned annual number of standard-hours at least a month ahead of time will receive a bonus of Kcs 1000. Workers who fulfill the entire Seventh Five Year Plan at least 5 months ahead of schedule will receive a Five Year Plan Shockworker Certificate and a bonus of Kcs 2500. Regulations covering the performance of high quality labor likewise apply only to production workers. Under their provisions, a worker is obligated to work in accordance with technical procedures, without rejects, and to adhere to additional applicable regulations related to the requirements and determinations of state testing centers which have been incorporated into technical and technological documentation. If a reject comes to his attention, the worker is obligated to stop it and to exclude it from further production.

Workers who submit products without defects for a 6-month period will obtain the right to self-inspection. The department of product inspection will examine the quality of output of these workers only on a random basis. The second time that an undeclared defect or rejected goods appear in the work of such an employee, he will lose the right to self-inspection. At the beginning of a new production process it is possible to tolerate one to three defective units, depending on the nature of the product.

Fulfillment of production norms at least a 100-percent level is the condition for recognizing the right to a bonus claimed by a worker with the right of self-inspection. Decisions regarding the acknowledgment of the right to self-inspection are made by the manager of the managerial center on the basis of recommendations of an operational commission composed of the production representative of the manager of the

managerial center, the manager of the inspection department and representatives from the CPCZ and the ROH. This commission likewise carries out a monthly evaluation of individual workers.

Workers awarded the right of self-inspection receive also the right to be awarded the Employee Performing High Quality Labor banner, and a onetime bonus of Kcs 500 plus a koruna per hour supplement for the entire subsequent period of work without defects.

Employees are evaluated at workshop production conferences at the conclusion of individual quarters.

Regulations governing incentives for labor force reductions are related to reductions in technical-managerial and administrative employees. If a collective of employees of the same profession, and in the framework of a division or a workshop, decides to reduce the number of members of this collective, on the condition that the total volume of work performed will remain at the same level, then this collective will be awarded a bonus. This bonus will be distributed among individual workers on a monthly basis by the foreman (or division manager).

The amount of the bonus has been established, given a demonstrable reduction by one employee (for instance through retirement, transfer to another workplace, etc.) at an amount equal to 50 percent of the basic wage of the eliminated employee. The bonus is paid out to the remaining workers of the collective for 12 months, as a supplement to the variable component of their wages. It is a condition of this payout that there not be an increase in overtime work, nor a reduction in the quality of the work performed. All employees of the collective in question must agree to the elimination of the position.

A reduction in the number of employees is considered to be a reduction in the work force if it is accompanied by a modification in the functional diagram of the department or in the planned number of employees, and if the reduction represents the outcome of an agreement between the manager and the employees of the collective.

The above principles have been in the process of implementation at the Vsetin Zbrojovka concern enterprise since 1 January of this year. In addition to these principles, other regulations have been in effect now since the period of the experiment (incentives for employees of pre-production divisions to achieve the first quality category, etc.), which taken together are making possible the realistic introduction of the principles of internal enterprise khozraschot at every work site of our concern enterprise.

These concrete measures assure that there are material incentives for managerial centers and, especially, for individuals. They also provide the opportunity for every employee of the enterprise to do his part in the conduct of economic activity because the results of his work, of his initiatives on the job influence the fulfillment of the planned tasks of the workshop, the managerial center, and of the entire enterprise.

9276
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AUTOMATION, COMPUTERIZATION IN INDUSTRY VIEWED

Prague HOSPODARSKE NOVINY in Czech 4 Sep 81 p 6

[Article by Eng Stanislav Lafek, Federal Ministry of Machine Building: "IVU = Technology + Automation + Organization; Experiences From the Construction of an Automated Factory"]

[Text] At the beginning of the 1970's, primarily in connection with the development of numerically controlled machinery, we arrived at the conclusion that a time was nearing of a huge qualitative change in the internal structure of machine tool production processes. It has been demonstrated that the pace of development of social needs does not correspond to the mere improvement of single production processes and their management.

In many instances, numerically controlled machines have been introduced haphazardly at production facilities, and placed among the other machines without even creating the requisite conditions for their installation in their immediate surroundings. Computers were assigned the task of automating individual processes which were based on managerial and informational procedures in a form which had evolved during the period of manual data processing. I want to demonstrate, using these examples, that the economic impact of highly advanced technology is very low if it is utilized in a manner which does not correspond to its capabilities, and if the proper conditions for its application are not created.

Our own Engineering Technology and Economy Research Institute worked on and coordinated, during the 5th Five Year Plan, the state program known as Integrated Production Lines in Machine Building. The objective was to create relatively autonomous basic production units with a corresponding control system. It was shown that comprehensive automation, i.e., not only from a technical standpoint but conceived of comprehensively, in terms of all its critical aspects, can contribute immense potential for an increase in production capability and the productivity of labor. On the other hand, the automation of technical procedures, of transportation, handling, and especially the automation of control inject such a large number of significant qualitative changes into the production process that deep conflicts results between the quality of these highly productive manufacturing organisms (the center), and the quality of the supervisory manufacturing organisms (for instance the factory).

Three integrated production lines (IVU), at the Kovosvit concern enterprise, the Kurim Machine Tool Factories concern enterprise, and the Gottwaldov Precision Machine Plants have fulfilled their tasks, above all in three areas:

--first, they represent an indisputable contribution to the in-house production base of these enterprises, in the sense that they have rationalized a certain part of their procedures while simultaneously making it possible for technicians and managerial employees to have access to practical experience with comprehensive automantion;

--secondly, they have become an example for other enterprises; there are already many of these lines in the design phase, under construction, and in operation;

--thirdly, they have made it possible to gain extremely valuable information for further efforts in the comprehensive automation of machine tool production.

The Findings

Autonomous, or integrated production lines function in a factory or enterprise, despite all their good points, as a foreign body. A special procedure for materials handling must be created. In the context of equipment management or within the framework of the IVU, a preparation area for production aids must be provided, which is actually an alternative to a tool issuing room; to control the IVU one must formulate a detailed operational plan, a concept which does not have a sufficient base in the current, relatively freer, operational planning; employee compensation on an IVU requires collective material incentives for the overall work results of the unit in place of the individual piecework wages heretofore customary in the remaining parts of the factory, etc. The result is that an IVU cannot develop its capabilities fully because, in addition to the special procedures, its surroundings cannot provide all that it requires on a timely basis. It functions with larger losses of time than would be absolutely necessary.

The different procedures for an IVU and its surroundings also create social problems. IVU workers are subjected to far greater demands, especially regarding qualifications, responsibility, and the timely performance of those things that must be done so that the expensive technology can be constantly in use. A three-shift work schedule has been shown to be quite essential.

In putting together integrated production lines we used for the most part machine tools which were at our disposal at the time, which means that they had been designed for incorporation as individual units in normal operating conditions. Quite logially, then, serious difficulties arose when we tried to link them up to an automatic feed. While we had devoted considerable attention to the development of individual machine tools, we had neglected the development and production of conveying and handling equipment to take care of movement between operations and between centers. The IVUs have thus shown that the weakest links on the way to comprehensive automation are none other than conveying, handling, and storing.

We have gained a similar experience with the controlling computers. They were developed and produced at several locations, and differed in their purposes and design. They were outfitted with their basic configuration which did not correspond to the requirements for controlling an entire production process, but only individual, separate objectives.

If we summarize the findings from the construction of the IVU, we can state, basically, the following: they have been an irrefutable contribution, but at the same time they have forced an accelerated shift to the additional, problematic expansion of their utilization, i.e., to the organization of production at the factory level in such a way as to incorporate all major aspects of production activity.

The Design

The goal of the culminating state task of the Flexible Production Systems for Machining is the creation of modular units of machines and equipment which will make possible the construction of highly automated--basically even automatic--small-scale production units. Their extent, from the viewpoint of production capacity, approximately corresponds to that of an IVU. This task is being worked on and coordinated by the Prague Machine Tools Research Institute, and at the research facilities of the Plants for Engineering Machinery concern. However, the main production of a machine building factory also includes warehouses of material with sorting rooms, heavy machining shops, hardening rooms, paint shops, metalworking shops, assembly rooms, etc. If we are to achieve a high degree of rationalization of machine tool production and fulfill tasks in the amount and quality required essentially through an increase in labor productivity, then it is inadequate to see to the mechanization only of a small part of production. Rather it is necessary to resolve the problem of highly rationalized production throughout the factory.

For this reason we, in conjunction with the Federal Ministry of Technical and Investment Development, have directed the Engineering Technology and Economy Research Institute in Prague to prepare a report on a Model Integrated Production, Control, and Social System for a Machine Building Enterprise. The formulation of this task was preceded by a study predicting the main trends of changes in the machine building process from now until about 1995-2000.

So as to avoid the danger that, at a time of broad encroachments of the scientific and technical revolution into machine building, we will be influenced to an unacceptable degree by the experiences and findings of the past, which will no longer be valid in the new conditions, we chose the technique of predicting the target condition, which is a highly automated machine building plant. Only then was the most feasible, quickest way of making a gradual transition from the present situation to the target situation sought for. The fundamental principles of this concept are:

--Automation is not an end, but a means to achieve a high social labor productivity. It is therefore necessary to introduce automated machines and equipment in those areas where it is either technically essential, economically advantageous, or necessary to eliminate physically tiring or harmful work.

--Both the extensive and intensive utilization of machinery and equipment in terms of time and function are crucial factors. The principle is applicable in that the machinery must operate and the employees must participate in servicing it while retaining their requirements. This means that individual workers will no longer be assigned to individual machinery and equipment, but that an employee collective will service the entire complement of machinery. The result will be to stimulate the performance of entire employee collectives. Only secondarily is it a bonus for individual workers determined according to individual merit.

--From a social viewpoint, nighttime work for people is not desirable, and therefore it is necessary to take steps to assure a maximum of shift work for machines and equipment, and a minimum of shift work for employees. This implies movement towards the full automation of conveyance and handling.

--The requirement for a high utilization level for machinery and equipment may be fulfilled only by very efficient control. The existing control systems, however, unfortunately correspond basically to the conditions of the manufacturing era. The basis for an objectivazation of the decisionmaking process is objective and timely information. These demands may be satisfied only through the utilization of computer technology. In constructing automated control systems one must start from the fact that the comprehensive automation of material processes is intensely reflected not only in their control, but also in the economic and the social spheres. For these reasons we are choosing modernization of the highest order precisely for the control system. This system must, clearly, make possible the optimal functioning of the controlled systems, but at the same time open up space for the further increase in the automation of material processes. Furthermore, the control system must facilitate a harmonious flow of production even in a situation when individual production units in the factory or the enterprise are at different levels of automation of their material processes.

--Although the key to the control of a production process is the control of its physical aspects, internal enterprise value management also plays an important role. Its main component is an operative calculation based on highly objective norms for the consumption of materials and time. Differentiation in the levels of outfitting of individual technical professions with capital assets forces us to dispense with the surcharge technique for making calculations and to switch to time and cost rates [opportunity costs (?)] for machinery and equipment. This new approach, then, must be fully utilized for a new organization of the internal content of internal enterprise khozraschot in such a way as to influence the fulfillment of production tasks precisely according to the previously determined mix, and to reduce costs.

Experimental Verification

It is impossible to verify the conception, the principles of which I have just outlined, in any other way than by experiment. The Hostivar Machine Tool Factory concern enterprise was chosen.

The Hostivar Machine Tool Factory has concluded a joint socialist commitment with a number of research institutes and enterprises for the construction of a model factory. This commitment was then integrated into the resolution of a

state program. This is also, then, quite a concrete example of the connection of science with production. At the Hostivar Machine Tool Factory, the main production activity encompasses 13 production centers covering the entire process from the warehousing of materials to final assembly. Four centers have been designed as a IVU with a large number of numerically controlled machines and with automated interoperational conveyance by means of partitioned conveyors. The other production units, although they do not have this same level of automation, are being rebuilt gradually according to the principle of organizing the material aspects of the production process the same way as in an IVU. Unity in the organization of the material aspects of the production process throughout all of the material aspects of the production process throughout all of the main production activity is a fundamental precondition for the harmonious mutual interaction of these units. Transportation between centers will be fully automated with the aid of electric carts which will receive orders for the conduct of transferral operations from the computer controlling the production process.

Control of the production process takes place in real time. Its basis is a two-level hierarchical system of controlling computers of Czechoslovak manufacture from the SMEP series (an SM-3/20 and an SM-4/20).

The direct control of a production process of this quality also requires the design of an entire system for the operative planning of production. In this way it fulfills the fundamental requirements, which are a substantial shortening of the average time of production, a shift from having an excess of unfinished products to having an excess production capacity, to an increase in preparedness for deliveries, etc. Although it is impossible at present to introduce more automation into assembly work, the reorganization of assembly work is leading towards two fundamental changes. The efficient control of the production process above all assures the smooth shift of all components, which eliminates "pushing" at the end of the month. The second factor is the control of assembly work. The factory control computer has information in its memory concerning all the inventories of components for assembly, including components that have been purchased. Its task is to determine beforehand whether all the components are available for a given assembly task, and only then does it give the go-ahead for the beginning of assembly. It also automatically sees to the transport of these components to the assembly site. This contributes to a substantial shortening of the average assembly time, and to the elimination of supplementary demands for the production of parts when it is subsequently discovered, during assembly, that a certain part is missing.

All of these changes are reflected very sharply in the social area. The position of the human in production changes, because a number of activities have become automated. A process then begins in which an employee leaves immediate production and moves to the area of preparation for production and to the maintenance of the production systems in trouble-free operation. Given the current situation, it is possible to observe only the start of this process at the Hostivar Machine Tool Factory. Expectations for employee qualifications are changing, new professions are arising, and the substance of a number of professions is changing. The general structure of the work force is also changing. The difference between piece work and wage work is disappearing. The current difference between workers and technicians in production is becoming blurred. A number of activities in immediate production are beginning to require employees with a secondary and even a college education.

The function of the foreman is being influenced by the introduction of computers into management. They are relieving him of the responsibility for allocating jobs, caring for the raw materials, seeing to the availability of production aids, thereby opening the way for him to devote more time to the motivation of the managed collective and to technological discipline. And there are many more of these changes. In November 1980 a design was completed for all this experimental implementation. The social contributions are interesting. Existing calculations have been based rather on a prudent evaluation of the number of contributions and, on the other hand, demands on resources have a tendency in these calculations to cluster around the upper limits. Even in this situation it is clear that value added for the existing space may be increased by two and a half times, and labor productivity by at least 70 percent. Savings of electrical energy per unit of production will amount to about 20 percent. The payback period for invested resources is less than 8 years. And one may expect that the potential of such comprehensive innovation, after its implementation and after the mastery of the new capital stock, will be increasingly higher. The first unit was finished prior to the 16th CPCZ Congress, an integrated production line for the production of rotating components up to 500 millimeters in diameter. The implementation of the next stages will progress gradually until 1985. The dispersion of the project in terms of time is necessary for two reasons. The enterprise must realize this comprehensive modernization without disrupting its production activities and, secondly, a certain equipment and techniques. We must, however, follow this path to its end. Only at its fullest extent can an implemented experiment of this type provide us with serious information, which we can then apply with far less risk at other machine building enterprises. The main objective is not, clearly, the construction of a model factory at the Hostivar Machine Tool Factory, but above all the verification of findings which we can then utilize for the rapid development of the machine building industry.

And even at the very beginning of this implementation we can draw a few conclusions:

--The further development of our machine building industry cannot follow the path only of single improvements, but must focus on the comprehensive modernization of entire large production units, where everything is resolved as a unit from all the critical perspectives.

--The comprehensive modernization of machine building operations will above all take place at existing facilities. For this reason it will always be gradual. It is, however, an essential condition that an overall targeted conception be formulated, which must assure that even though work is proceeding in progressive steps, one activity will be organically related to the next.

--Comprehensive modernization may not be designed or implemented as a single, objective matter. Variable modules must be created of both material and nonmaterial elements (machines, transporting equipment, technical assets for management, etc), from which it will be possible to create a production organism from standardized parts with a minimum of atypical equipment and processes.

--The modular elements necessary for the comprehensive modernization of the production base must necessarily be produced industrially, so as to assure a high level of technical sophistication, reliability, and a low price.

--The design organizations will have to have the capability for designing all aspects of the comprehensive modernization.

--It will be necessary to deliver the critical systems such as transportation and handling and the automated control system to the users in the form of increased deliveries, including the essential programming software, training of the employees in service and maintenance, and to assure operational service for the equipment.

9276
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SIX-MONTH RESULTS OF 1981 ECONOMIC PLAN REPORTED

Warsaw TRYBUNA LUDU in Polish 18-19 Jul 81 p 6

[Article: "Main Statistical Office Gives Results of First Half of the Year: Decline in Production in Increase in Personnel Payroll Fund, Reduced Stocks in Commerce, Adverse Wholesaling Results in Buying up Farm Products, Difficult Conditions in Foreign Trade Turnovers"]

[Text] The Main Statistical Office states that this June the difficult economic situation of the country became worse.

In socialized industry the value of production sold was more than 48 billion zlotys, or 16.8 percent, lower than last June. As in previous months, the production decline was caused mainly by cooperative supply problems related to the shortage of imported and domestically-produced raw materials and other materials. The power-industry difficulties related to the shortage of fuels and the poor technical level of electric power plants and delays in capital repairs were a second major cause.

Power and Fuel Economy

The decline in the extraction of coal and the drop in the production of electric power continue to be particularly serious for the national economy. Extraction of hard coal this June approximated 13.2 million tons, which was 22.3 percent lower than last June. The production of electric power amounted to 8,189 million kilowatthours, 6.2 percent lower than last June.

During the first half of this year, the value of production sold was 211 billion zlotys, or 12.5 percent, lower than during a similar period last year. This fact was accompanied by a decline of 0.3 percent in employment and a rise of nearly 41 billion zlotys (24.1 percent) in the personnel wage fund.

This means ever greater shortages on the domestic market, great reductions in supplies from technical-material production, and a serious impairment of the economy's export capabilities. The use of working

time is worse. Data for 5 months of this year show that the proportion of time not worked increased by 3.6 percent in relation to the period from January to May last year.

Construction, Investments

During the first half of this year investment construction tasks with a total cost-estimate value of 62.6 billion zlotys were signed over for use. The value of tasks signed over (in current prices) was 2.8 percent higher than during the first half of 1980.

In socialized housing construction, during the first half of this year 82,100 dwellings with a joint utilitarian space of 4,822,900 million square meters were turned over for use. Compared to the first half of last year this represents a decline of 30.3 percent in the number of dwellings completed and a drop of 31.9 percent in the utility area. The annual targets of the National Socioeconomic Plan had an implementation rate of 31.4 percent, and they were 21.9 percent lower than the targets for 1980.

Market Supply

In comparison to previous months, there was a decline in the free-market prices on potatoes and grain, which helped improve the profitability of raising hogs. Despite this fact a seasonal decline was noted in the prices of piglets, and other symptoms indicating that farmers are not sufficiently interested in developing livestock production were observed. The results of the procurement of farm products of animal origin are unfavorable. The procurement of slaughter animals this June amounted to 155,700 tons and was 30.3 percent lower than last June, while the procurement of milk was down 9.9 percent, and that of eggs dropped 5 percent.

During the first half of this year, compared to the same period last year, the procurement of slaughter animals was 18.4 percent lower, milk was 15.4 percent lower, and eggs, 2.5 percent lower. The number of head of pork and lard animals included in procurement contracts for supply in July, August, and September of this year averaged 25.8 percent lower when compared with data for the same period last year, and the number of head of slaughter cattle was on average 24.3 percent lower.

Despite the serious decline in production, average employment in the socialized economy during the first half of this year was 12,021,000 million persons, which was higher by about 45,000 persons compared to the same period last year. This represents an increase of 0.4 percent. There was a substantial rise in wages in the socialized economy. During the first half of this year the personnel wage fund in the socialized economy reached 499.5 billion zlotys, increasing by 104.7 billion zlotys, or 26.5 percent, in relation to the first half of last year. This June

the personnel wage fund in the socialized economy amounted to 88 billion zlotys and was 29.5 percent higher than June of last year.

The market-money situation during the first half of this year was characterized by a worsening of the imbalance on the domestic market.

During the first half of this year the population's cash income amounted to 960.7 billion zlotys and was 171.8 billion zlotys, or 21.8 percent, greater than during the same period last year. At the same time, the population's cash expenditures amounted to 833.4 billion zlotys and increased by 90 billion zlotys, or 12.1 percent.

The value of domestically-produced and imported goods supplied to the market during the first half of this year amounted to 704.8 billion zlotys (in current retail prices) and increased by 0.5 percent in comparison to the same period last year. Deliveries of goods (in current retail prices) amounted to 114.3 billion zlotys this June and were 3.4 billion zlotys, or 2.9 percent, lower than last June. Supplies of meat and products including poultry were 9.3 percent lower this June than last June. In most voivodships deliveries of meat and meat products and poultry were inadequate to honor fully all supply cards.

Deliveries of vodka and spirits this June were 25.4 percent lower this June than last June. Severe shortages of cigarettes and matches continued. The shortage of laundry powder, shampoo, toilet soap, scouring powder, and toothpaste was keenly felt. In comparison to the condition at the end of last June, stocks in trade had declined by 20.3 percent. Stocks of foodstuffs declined by 43.8 percent.

Import, Export

Foreign trade turnovers during the first half of this year ran into very difficult conditions. Turnovers from payments area I showed a decline in exports of 13.5 percent compared to the same period last year, but imports were up by 6 percent. On the other hand, in turnovers with payments area II, exports showed a decline of 21.7 percent while imports dropped 21 percent.

Overall, during the first half of this year, despite the fact that Poland has not met all its export obligations, imports from the socialist countries, especially the Soviet Union, increased. On the other hand, the imports from the capitalist countries showed a significant decline during the same period.

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CHANGES IN BANKING LAWS DISCUSSED

Interview on Banking Law Amendment

Warsaw TRYBUNA LUDU in Polish 13 Jul 81 p 1

[Interview with Stanislaw Majewski, Chairman of the Polish National Bank, by Janusz Ostaszewski: "The Bank in A new Role; Between the Center and the Enterprise"]

> [Text] A few days ago the Sejm passed an updated bank law. This law is sort of in the shadows of the laws to eliminate and create new ministries. Is this reform in the banking system only formal in nature? We are talking with the Chairman of the Polish National Bank, Stanislaw Majewski.

[Answer] The fact that the draft of the reform of the bank law which has been in effect since 1975 has not brought about heated discussion shows only that this is an indisputed consequence of the economic reform and that all those people who approve of its assumptions and directions agree on it.

The reform accomplished is the first step in a comprehensive banking system reform the assumptions for which were drawn up by a group operating under the auspices of the Committee on Economic Reform. A complete banking system reform will come into being alongside the assumptions and targets of the economic reform, mainly alongside their implementation in the enterprises.

[Question] Why are changes being made already, inasmuch as they do not fit yet?

[Answer] With the inculcation of the laws on the state enterprises and self-government and the changes in the realm of the operation of the bodies of the central administration, the independence of the enterprises and the limitation of the system of managing by directive will be a foregone conclusion. Hence there will be an intermediate body between the center and the enterprise, the banking system, which will use monetary and credit

instruments. They will play a basic role in guiding economic processes and in exerting an influence on the enterprises in the directions set in the National Socioeconomic Plan (NPSG).

[Question] The bank will be using money, credit, and the interest rate. It has always been this way, and this is the essence of the bank, so just what is this new role?

[Answer] In the command and directive system the bank only supplied money to finance material decisions which in many cases were made voluntaristically. It was a sort of cashier executing the payment dispositions of the various central management bodies. It is true that it did not do this mechanically. It paid attention to the effectiveness side of the decisions made. Unfortunately, this did not always produce results.

The underlying cause of the current profound imbalance was investment voluntarism, expressed in the overall investment sizes, which exceeded the economy's capabilities and in their improper structure, which violated the ratios of development of the basic sectors and branches. It is true that this did not result in any bank's going bankrupt, but the national economy did become bankcrupt. Instead of the effects anticipated from the new investments, we faced a mass of money on the market without adequate goods and services to sell in exchange for this money.

In keeping with the targets of the reform, the bank will be able to say "No," if the undertaking proposed does not promise to be minimally effective, if its realization does not help bring about balance in the economy, if it will bring about a rise in the import-intensiveness of production, and so on. But for such a banking system to work, it must have its authority assured and, unlike the past, credit must not be obligatory in nature. It is after all understandable that the bank will steer credit to those areas in which it will be best used.

In a word, what is effective for the bank will be effective for the whole economy. This is hence the classical steering of economic processes through money and credit, but here it must be emphasized that the main basis for strong money is a high level of effectiveness on the part of the entire economy.

[Question] Of what is the banks' autonomy to consist?

[Answer] It is a question of greater independence in handling money and credit. One basis for granting credit will be an agreement signed by the bank and the enterprise. This is a basic meritorical change in the functioning of the banking system.

The chairman of the Polish National Bank will be appointed by the Sejm, which means that the bank will be able to obtain comprehensive clarifica-

tion of various aspects of decisions within its realm. This does not mean that the bank will be entirely independent of the government, like the NIK, for example. This would be neither wise nor useful, because the government guides the whole economy using various methods. The banking system will be the main focal point of this steering through its use of cash-credit instruments. Hence the Council of Ministers will establish the directions of the banks' operations and the guidelines for carrying out socioeconomic policy.

[Question] But we have various banks, after all...

[Answer] None of the rest, the Food Economy Bank, the Commercial Bank, the General Savings Bank, will be directly steered by anyone. Their operations will be coordinated by the council of banks, which will be made up of their chairmen. It will be the council's task to insure a uniform cash-credit policy. Hence, the council will also consist of the representative of the Planning Commission (cooperation in carrying out economic policy) and the Minister of Finance (cooperation in carrying out financial policy).

[Question] Let us go back to the relationship between the bank and the enterprise. It is blurred by many conflicts. On the one hand it is not possible to produce, owing to the lack of supplies, but on the other hand it must pay workers "for their presence," and not for the effects of their labor. In this situation how can the bank assist the enterprise, since it is supposed to be independent, self-governing, and above all, self-financing?

[Answer] If we had in mind assistance in the form of supplying money to pay people just for "their presence" and not for the effects of their labor, it would not come into play. This would after all be a disservice to the enterprise, to the entire economy, and especially to the society. The bank will grant assistance in helping the enterprise out of a stage of economic ineffectiveness. An effective enterprise will be an important, valued customer of the bank.

The enterprise which is ineffective over a long period of time without conditions for self-financing will cease to be a customer of the bank, because the bank will not provide credit to run "uncertain businesses." The enterprise's independence and self-governance runs both ways.

The relationship between the bank and the enterprise will have the nature of an agreement, or contract. All forms of controls of the administrative type will be removed, along with bank interference in the internal affairs of the enterprise. Legal regulations governing sanctions, arrears, and the elimination of ineffective enterprises will specify the exceptions.

[Question] The economic reform will be introduced under conditions of a severe inflationary pressure. This requires the introduction of a decisive,

uniform money and credit policy, a policy of "hard money," in which money cannot be available for every wish. The money and its price must be covered by a concrete economic effect. It is only then that we can talk about strong money which is respected by the society. Can we expect a "better zloty" and if so, when?

[Answer] Neither a reform of the banking system or even a total economic reform can bring about health. There is the illusion that a price reform will take care of all economic and social problems, but all this is merely an indispensable condition for the whole economy to be able to enter onto the road of effectiveness and maintain it.

The more effective the economy is, the stronger money is. This is why the basic goal of this first step of the banking system reform is the very mobilization of mechanisms which will help make the zloty stronger, because here it is also a question of a reverse relationship: without good money, the economy cannot work effectively.

Interview on Banking Changes

Warsaw ZYCIE GOSPODARCZE in Polish 12 Jul 81 p9

[Interview with Stanislaw Majewski, Chairman of the Polish National Bank, by Andrzej Jedrzejczak: "The Bank Changes First"]

[Text] [Question] The vast sums tied up in jumbled investments are considered to be one of the main causes for the current state of our economy.

[Answer] And this is undoubtedly a correct diagnosis, especially considering the fact that economic imbalance begins with improper investment policy. This is why absolute discipline in the realm of restricting investments is an indispensable condition to getting out of the current crisis.

[Question] As to getting out of it, if we may, for a moment, let us first of all outline the role of the bank, the role of the banking system, in handling the current-day situation.

[Answer] Such small accounting...

[Question] But not in today's current meaning of this work. I consider the bank to be one of those institutions in which the citizens wants to have confidence. He wants to, but it is difficult for him, because reality is as it is, and his impressions about the bank's role are shaped by the examples of other countries, where this role is entirely different, or examples from very distant times.

[Answer] If you put it that way, first of all we have to say that we are conversing at sort of a turning point.

[Question] You are thinking about the bill ratified by the Sejm, the "Law on Reforming the Banking Law Bill." This legal document lost a little in the shade of others taken up at the same time.

[Answer] Nonetheless, it already presents the first outline of the new banking system under the conditions of the reform. It is initiating a departure from the old system of guiding our economy, a system which, as everyone knows, was a system which used directives and limits. The latter element especially, limits, was decisive in terms of investment policy and the execution of investments. It is true that under the old system too investments were financed to a decisive extent through bank credit, but bank credit here was de facto a technical instrument, not an economic one.

[Question] I am not sure that this distinction will be clear enough.

[Answer] Then let us put it this way: The bank financed investments, but it did not have any influence on their being made. The final decisions about concrete investments were made in establishing the National Socioeconomic Plan. It is true that written into the plan itself were only the most important and largest undertakings, those called "investments of particular importance to the national economy," but there was also the system whereby decisions were made by the ministers, decisions which in a meritorical sense were no different from those written directly into the National Socioeconomic Plan.

Unnecessary Information for Officials

[Question] But I remember dozens, hundreds of complaints that the bank, the bank itself, was obstructing the development of the enterprises, that it was interfering, that it spent months in passing judgment on investment proposals.

[Answer] Yes, the bank had the right, even the obligation, to give its opinion on investment characteristics which appeared in the basic lines of the targets of outlays, their size and structure (how much was to go for construction and installation labor, how much to buy machinery, and so on). These outlines even included a calculation of effectiveness. I would not say that passing judgment on these documents was an entirely useless task. It produced certain results.

[Question] Please be more specific.

[Answer] During the past few years there was decisive improvement in how realistic outlays for various installations or undertakings were. In other words, we did not have such glaring disparities as we used to have between the amounts listed in the investment descriptions and other initial documents and the amounts which appeared in investment accounting, often in the course of carrying them out. In this realm, the usefulness

of having the bank assess the characteristics was clear. On the other hand, the bank had practically no possibility of influencing meritorical, concrete investment decisions or the overall sizes of investment outlays written into the National Socioeconomic Plan. Bank credit was only a technical instrument, not an economic one.

[Question] But I have been shown documents proving that the bank tried to influence investment policy, tried to indicate the danger of tying up gigantic sums.

[Answer] It is interesting that we drew up rather penetrating and comprehensive information at the request of the planning commission. It was to have been the major instrument in making planning decisions nationwide. Unfortunately the conclusions following from these materials were not given sufficient consideration. They did not have any great influence either on the size of total outlays or on the structure of investments. Nor did they assist in overcoming the defects in our planning system consisting of failure to give adequate consideration to the complementarity of individual investment and technological undertakings from the viewpoint of progress in science and technology.

[Qustion] As a matter of curiosity, in more detailed matters, such as the various branches, did bank intervention produce more substantial results?

[Answer] One could find individual instances certainly, but they would be of less importance, less significance. For example, for many years we have raised the issue of the shortage of high-grade and intermediate-quality steel, and in terms of quantity black metallurgy was consistently expanded, because it seemed to somebody there that 18 million tons of steel per year is the very index to prove the economic power of the country. As a result we have steel consumption per unit of the national economy which is greater than in the FRG.

[Question] And this has nothing to do with how rich the nation is.

[Answer] Nor with the fact that Poland for so long has held tenth place among the industrialized countries.

Money Is to Count

[Question] You mentioned a moment ago the fact that many of our undertakings do not complement one another enough. To a certain extent this was the result of overcompartmentalization in the ministries.

[Answer] Largely lack of skill in getting out of the compartments. In this case the inadequate role of the economic agreement between enterprises, all of this which we want to assign high priority to within the framework of the economic reform which has been begun.

[Question] To what extent will the new banking law increase the possibility for the bank to exert an influence on the method of running things, especially in the realm of a reasonable level of investment?

[Answer] We cannot get around making a couple of introductory statements here. Changes are occurring in the system of the economy's functioning, including that of the functioning of banking machinery. During the initial period there will also be a fundamental change in economic policy, a change which expresses the plan presented at the Sejm for getting out of the crisis. This plan calls for a further reduction in investment outlays and the maintenance of a reduced level of outlays for at least 3 years, but this follows from the decline in national income and changes in the assumptions concerning its distribution, and as for the systems side, the self-financing principle is to be the basic source of economic development. Finally it is money which is to count for something, and not the limit or allocations. Therefore, the role of the bank will grow.

[Question] But the uneasiness about how realistic this principle is tends to be pretty great. More and more frequently we are hearing the question of just exactly what self-financing means and just what the independence of enterprises is at all, if money cannot be used to buy raw materials, machinery, implements, and materials needed for production.

[Answer] We are going to have to be gradual in our approach to what I call this ideal model, as it is included in the basic hypotheses of the economic reform. Our difficult situation of crisis is the decisive factor here. To a certain extent we shall not be able to give up immediately all the distribution and limit indices, especially in supply. To a certain extent this will also exert an impact on investment capabilities, but generally speaking, we are entering out onto the road of strengthening the role of money and the role of bank credit as one of the forms of this money throughout our economy.

[Question] That sounds good, but I would like to ask about the scale of this credit operation. How far will the bank's authority read, and will it be possible again for there to enter those elements which in the past has kept bank credit from being more than merely a technical instrument?

[Answer] The bank will be the only one to decide. It will represent the objective interests of the whole economy. In the investment area which is of greatest interest to us, we can outline the practical procedural model as follows: The enterprise will send us its own special sort of offer: We want to modernize this department or to build a new one, and in order to accomplish this venture there are certain costs and certain considerations to be taken into account. The timetable will be thus and so. Then the bank will weigh the proposal and either decide that it is realistic and profitable, in which case it will grant the credit, or it will come to the conclusion that the affair is not profitable and refuse.

The enterprise in turn either gives up the idea or decides to engage its own funds, if it has them, and in the latter case carries out the investment entirely at its own risk. We cannot rule out this possibility, because under the auspices of the reform we are getting away from the credit requirement for both funds in circulation and investments.

[Question] I am almost afraid to say it, but I notice a new catch here. Enterprises, at least a substantial proportion of enterprises, have a great deal of money in bank accounts. The habit of expanding firms mainly through investments is general and deeply rooted. If enterprises are able to use this money with complete liberty, they can distribute the national income no worse than the previous decision-makers did.

[Answer] If we were to maintain the status quo, such a danger would obviously be a real one, but I think -- in fact I am deeply convinced of this -- that there is a close relationship between the credit policy of the bank and the policy of the Ministry of Finance in the area of let us call it taxes, or the taking of funds from state enterprises. After all, we are not going over to a system in which the enterprises' financial resources will be structured arbitrarily or spontaneously.

[Question] There will be a terrible outcry. For many the pursuit of monetary excesses will be a blow to the very principles of the reform.

[Answer] This is not the only difficult and unpleasant operation which we are going to have to conduct in the near future, but here we should not leave too broad a field for adverse ideas about the reform. Surely it will not be the case that enterprises will have taken from them too large a share of the surplus they have managed to acquire. This would miss the point of the reform. It would smother all economic mechanisms so carefully built into the system. There will be a uniform, universal tax system, the principles of which will be established by the financial system of the enterprises.

Fear of a Machine Which Works Too Well

[Question] At the moment, the bank must help out the budget, but not everyone is aware of this.

[Answer] Unfortunately, overall, the situation is such that owing to the size of the budget deficit we will aid the budget in part by financing losses indirectly. Given the current price level on coal, the bank is financing the losses being borne by mining. Given the current system of prices, the bank is financing the losses being incurred by the construction industry. At the moment all this is going into the burden of the credit plan and will lead to the point, practically speaking, where we are financing these losses by printing larger issuances of money. Thus, these issuances are often greater than they should be.

[Question] You touched on a subject which keeps coming up in the letters to our editors, concerning many readers' surprise over why such excessive quantities of banknotes are being printed.

[Answer] I will take advantage of the opportunity to explain. We can print less money once the economy begins to function more effectively than it is presently functioning. At the present time there is a lot of work on half cycles, but the people employed after all must receive salaries often quite independent of the results obtained. This means that money must come into the enterprises from somewhere to pay the wages, and at the moment this source is the credit plan of the Polish National Bank, which means that our printing machine is "working too well."

[Question] What share do investments have in fueling this machine?

[Answer] Far greater than is commonly supposed. Every 100 billion zlotys of frozen outlays causes an increase in the population's buying power of at least 50 billion zlotys, which is not covered by a rise in production or services. One can estimate the payroll fund contained in the frozen outlays, paid to producers of investment goods and materials and to people performing work in all phases of the investment process. One can estimate the amount which extends to 400 billion zlotys. This is a very substantial part of this inflationary bracket which we have been talking so often about lately.

[Question] Meanwhile, the slowing of investments is still not producing satisfactory results, the reduction in outlays being accompanied by the rise in costs in enterprises working on behalf of investments. There are still unused machinery and equipment coming in. There are no sound ratios between the decline in the value of construction labor and the reduction of employment. Unrealistic prices on the rest muddles the situation in this key area.

[Answer] Well, the prices of the means of production are to be changed at the beginning of next year. At the moment nothing can be done about prices, but the other phenomena which you mentioned are to a large extent the result still of the old system of limits and the ministries' policies remaining in this area. Once more we improved everything a little. In keeping with that most of the construction enterprises somehow are involved with an excessive number of building sites. On each one there are a few dozen or even a dozen and some employees working whose wages are too high in relation to the value of the work being done. This on the other hand means low social labor productivity, a decline in national income. It is difficult for these enterprises to decide on some more radical steps in the direction of adjusting the level of employment to the size of investment outlays.

[Question] It is easy to make this statement: Then the bank cannot somehow make more radical achievements in the realm of its jurisdiction either.

[Answer] This is true. That is why, especially since the beginning of this year, we have been undertaking a policy of so-called hard money. The effects of this have varied.

In Keeping With the Wishes of the Sejm Deputies

[Question] Let us get back to the changes which the new banking law will bring. We talked about what concerns the credit system. We passed over the more general matters.

[Answer] The banking law in the formal sense at the current stage is creating a new type of banking system. It is becoming an independent system. The Sejm will appoint the chairman of the bank, although he will not be a member of the Council of Ministers. This was done on purpose, in order to insure that the banking system has some independence from the obligations implied in membership on the Council of Ministers. Theoretically one can imagine that the chairman of the bank will be responsible for the concrete resolutions of the Council of Ministers, but it is not a question of formal or theoretical matters, although it is just such issues which frequently evoke exaggerated emotions and give rise to unnecessary illusions. At the very end we are operating within a specific sociopolitical and economic system, in which a uniform economic policy must function. The essence is in changing the principles for steering the national economy. Just as during the previous period people did not always listen to the minister of finance, so too, if the system of guiding the economy were not changed, it would be possible not to listen to the assessments and opinions of the chairman of the bank. Changing the formal system would not be able to help much, although now the Sejm will be able to call upon the chairman of the bank and ask him to present certain information, explain the situation, and so on.

[Question] These deliberations are often tied in with deputies' expresssed desires for the higher chamber to have greater impact on the structuring of the issuance of money.

[Answer] That is more or less written in, although, as I have already said, the structuring of the issuance of money is not a function of bank activity, only a function of the activity of the national economy. What is important, on the other hand, is the notion whereby the Sejm along with the draft of the plan and the budget is also to receive a draft of the credit plan. The previous credit plan meritorically was part of the government resolution on the National Socioeconomic Plan, but it did not exactly get sent to the Sejm. From this point of view the Sejm's role as the element which determines money and credit policy, and therefore the policy which must be one of the essential instruments for shaping economic development, will be far greater.

[Question] It seems as though the role of the bank will be too, but I have a question about how much preparation the bank has for this role.

If it is to decide whether or not to grant credit upon which investments are to be based, then it must have at its disposal experts who are able to assess the extent to which the proposals the enterprise representatives send it are reasonable and well-grounded.

[Answer] That is true. I want to say that the question of getting the bank machinery ready, especially the economic echelon, to discharge the new responsibilities which are so important is a matter of great concern to the bank's management. I think that for the technical side of assessing investment undertakings we will have to avail ourselves of the services of experts. I think that it would be ineffective and socially unwise for us to try to create within the bank a broadly expanded technical echelon. For this reason, in assessing all the more complicated undertakings we will have to use experts. I think that with the help of the Supreme Technical Organization we will be able to use such solutions for the benefit of the matter.

[Question] Would the bank also be inclined to work gtogether with private consulting firms? In the very near future a rather large group of experts which used to work in the ministries will have to somehow manage things differently. It is not to be excluded that some of them would like to use their qualifications and experience in organizing firms of this sort.

[Answer] Since you have already brought up the matter of experts who will have to change jobs, first of all I should like to make my own offer. The bank is interested in hiring engineers, especially engineers who also have an economic background, especially as experts in investment matters. There is no sense in creating broadly expanded technical echelons, but the central office of the bank needs a certain number of specialists. They are needed by voivodship departments and some operating departments. But I am also very much in favor of organizing consulting firms, and I do not think that the bank could be their only important customer. As directives and limits are reduced and as the administrative pyramid becomes flatter, the demand for consulting services will increase.

[Question] Thank you for the interview.

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GROWTH TREND IN LABOR PRODUCTIVITY SEEN OVER 30-YEAR PERIOD

Bucharest REVISTA ECONOMICA in Romanian No 35, 28 Aug 81 pp 18-19

[Article by Dr Gh. Raducanu]

[Text] As we know, a country's economic development, expressed by the level of the national income, depends in the end on the of work provided in the production sphere and the level of social labor productivity. The volume of work provided in the production sphere is limited by the country's demographic possibilities in the particular period, by the increasingly greater requirements for the labor force in the nonproduction sphere and by the trend toward reducing the length of the working day and week imposed by the development of the production forces. In exchange, the level of social labor productivity is limited only by the degree of development of science and technology and the labor force's ability to assimilate and implement the achievements of science and technology during the particular period. Thus, the second factor for growth of the national income actually is the basic condition for economic development.

Presenting the goals and basic guidelines for the 1981-1985 five-year plan, Comrade Nicolae Ceausescu, in the speech he made at the second congress of workers councils, pointed out: "In order for us to rise to the level of the developed countries and taking into account that in some sectors our productivity is two and even three times less, we must take all measures and must concentrate all forces to achieve a powerful growth in labor productivity during this five-year plan in all branches of the national economy."* The powerful growth in social labor productivity is the basic condition in the rapid economic development and a basic requirement for our country's move mamong the countries with an average level of economic development by the end of this five-year plan.

The level and rise in social labor productivity, at the same time, is the basic criterion in evaluating the superiority of one social system over another. Proceeding from this criterion for evaluating social-economic progress, in substantiating the need to increase social labor productivity in this regard, Comrade Nicolae Ceausescu pointed out: "Let us do everything for the rapid rise in labor productivity, being

* Nicolae Ceausescu. Speech on Romania's Social-Economic Development in the 1981-1985 Five-Year Plan, Increase in the Role of the Workers Councils and Development of Worker and Socialist Democracy in Our Country," SCINTEIA, 25 June 1981, p 2.

aware that, in the historic competition between socialism and capitalism, socialism must assert its superiority through higher social labor productivity, through broad development of scientific creation, through obtaining higher economic efficiency and through fuller utilization of the masses' initiative and the energy, competence and aptitudes of all those who work."[1] This is since social labor productivity is the most general expression of the opportunities offered society by the use of energy, the competence and aptitudes of the people, by the development and creative demonstration of the human personality in the economic plan.

A backward look at the evolution of the national income and social labor productivity is significant in this regard. Thus, in the 1950-1980 period the national income rose at an average annual rate of 9.38 percent, placing Romania among the states with a rising economy. This rate permitted doubling of the national income in an interval of just 7.7 years. The increase in the national income was determined by the growth in social labor productivity at an average annual rate of 8.78 percent and by the increase in population working in the production sphere at an average annual rate of .50 percent.[2] A simple comparison of the level of the two rates brings out the decisive role of the increase in social labor productivity in our country's economic development. At the same time, the very close rate of the growth rate of social labor productivity to that of national income sheds significant light on the RCP economic policy.

The role which social labor productivity has had in increasing national income comes out even more if we view the figures in Table 1:

Table 1: Rise in National Income and Social Labor Productivity

Indicators	1950-1955	1955-1960	1960-1965	1965-1970	1970-1975	1975-1980
Increase in national income for the interval analyzed in percent	192.00	139.58	154.10	144.71	170.63	142.59
Average annual rate	13.94	6.90	9.03	7.67	11.29	7.35
Increase in social labor productivity:						
for the interval analyzed, in percent	171.97	138.33	154.60	143.16	168.49	140.81
Average annual rate	11.45	6.70	9.10	7.44	11.00	7.08

Source: Calculated from the data of Table 2; "Nicolae Ceausescu,"Speech at the Work of the 2d congress of Workers Councils," SCINTEIA, 25 June 1981, p 2; for 1980 it was supposed that the percentage of population working in the production sphere was 87.7 percent.

We see from the figures in Table 1 that the highest average annual growth rate for the national income was recorded in the first interval of the series of dates. This situation was generally determined by two factors. The first, the reduced level of the 1950 national income, which closes a particularly difficult decade in the modern history of the Romanian people, marked by losses caused by World War II and by the economic disorganization provoked by the bourgeoisie and by the drought. In 1950 the level of the national income still had not reached that of 1938. The second factor, the much more intense attraction of the working population into the production sphere in this interval compared with other intervals studied. If we make an abstraction of

1. Idem.
2. Since population working in production area is not presented separately in "Statistical Yearbook" for the entire period analyzed,I used the method of limiting population to two areas of social activity proposed by C. Sirbu in "Production and Nonproduction Labor," Political Publishers, 1967. Indirect calculations presented in continuation were used for 1980.

the first interval, the fastest rise in national income was recorded in the 1970-1975 period, while the contribution of social labor productivity to the rise in national income was for the first three decades of the socialist order, except for the first interval, more than 97 percent. This reflects the fact that the increase in social labor productivity has continually been in the center of Romania's economic development.

The growth in social labor productivity for the economy as a whole is determined by the growth in social labor productivity in each branch of material production and change in the structure of the labor force by branches in favor of branches with a high level of social labor productivity. Thus, the following made a contribution in the 1950-1979 period to increasing social labor productivity for the economy as a whole:

a) The growth in social labor productivity in each branch of material production in a proportion of 88.06 percent in the 50's, 85.26 percent in the 60's and 85.15 percent in the first 9 years of the 70's;

b) Change in the structure of the labor force by branches in favor of the branches with a high level of social labor productivity in the proportion of 11.94 percent in the 50's, 24.76 in the 60's and 24.85 percent in the first 9 years of the 70's.

The evolution of the contribution of the two growth factors for social labor productivity for the economy as a whole brings out the continually increasing contribution of the change in structure of the labor force by branches from one decade to another. Whereas this contribution is minimal in the first decade analyzed due to some reduced changes between industry and the other branches, at the end of the period analyzed these are deep changes: Industry increased its share in working population in the production sphere from 12.83 percent in 1950 to nearly 35 percent in 1979, while agriculture in the same period reduced its share in total working population in the production sphere from 79.6 to 35 percent. As a result of these changes, a trend of bringing closer together the specific weight of the population employed by branches of the production sphere was shown. The coefficient of variation, generally expressing the dispersal of population by branches in proportion to the average, continuously falls from 168.15 in 1950 to 10 .80 percent in 1979. All this reflects the quality leap produced in redistributing the population employed by branches in proportion to the objective requirements imposed by the level of development of the production forces.

Social labor productivity by branches generally had bigger growth rates in the branches with the lowest level at the start of the period analyzed. The figures presented in Table 2 are significant in this regard:

Table 2: Level and Rise in Social Labor Productivity (in lei)

Indicators	1950	1955	1960	1965	1970	1975	1980
Social labor productivity from:							
National economy	4,551	7,826	10,826	16,737	23,960	40,317	55,233
Industry	15,605	22,065	29,124	36,475	54,031	69,594	81,544
Construction	11,430	9,458	18,194	19,245	28,714	33,318	51,188
Agriculture	1,589	3,908	5,036	7,735	8,093	15,278	23,304
Transportation and telecommunication	9,091	9,952	13,162	16,804	30,761	41,938	51,383
Other branches	29,651	30,639	26,146	32,512	27,634	55,504	71,687
Savings of labor force through productivity growth in:							
Number of people		6,266	3,367	4,782	3,820	6,140	3,327
Percentage of total		71.6	38.3	54.1	43.1	68.5	36.8

Source: Calculated from "Statistical Yearbook of the SRR 1971," pp 124,125 and "Statistical Yearbook of the SRR 1980," pp 37,38, 91, 112-113

Social labor productivity in industry had an average annual growth rate of 5.87 percent, 3.12 percent lower on average per year compared with that of the national economy as a whole. The effect of this was the reduction in the gap between the two levels of social labor productivity of 2.32 times. Contributing to this reduction in the gap were both the growth in social labor productivity in the other branches as well as the rise in contribution of industry to the production of the national income of 44 percent in 1950 to 58.5 percent in 1979.

Social labor productivity in construction rose at an average annual growth rate of 5.30 percent, 3.65 percent lower on average per year than that of the economy as a whole. Industry increased the gap with construction in the area of social labor productivity in the period analyzed from 1.36 times to 1.59 times. This may be interpreted as a reserve in growth of labor productivity in construction by accentuating the industrialization of this activity. Aiding this idea are also the average annual growth rates in social labor productivity in construction, which varied from an average annual reduction of 8.86 percent to an average annual growth of 13.98 percent. The industrialization of construction has had as an effect a certain trend regularizing the level of social labor productivity.

The social labor productivity in agriculture grew at an average annual rate of 9.70 percent, higher than that for the economy as a whole. As a result of this fact, the gap between the national economy and agriculture in the period analyzed was reduced from 2.86 times to 2.37 times. The most spectacular reduction in the gap was recorded between industry and agriculture--from 9.82 in 1950 to 3.5 times in 1979.

For the intervals studied, variations are found in the average annual growth rates of productivity. In the last 9 years of the 70's, we see a reduction in the differences between the two growth rates. This uniformization trend may be interpreted as reaching a level of agricultural development which would permit a greater contribution to the growth in national income.

The evolution of the social labor productivity by branches indicates clear trends of coming closer together in the level of development of the branches of material production. Measured quantitatively, this trend is made specific in reduction of the relative amplitude in the variation from 616.64 percent in 1950 to 105.44 percent in 1979. Thus, the interval between the minimum and maximum level of social labor productivity by branches was reduced 5.82 times in the period analyzed. What is even more significant is the measuring of this trend with the aid of the coefficient of variation, which was reduced from 141.42 percent to 46.45 percent. In other words, the level of social labor productivity by branches got closer 3 times compared with the average for the economy.

Placing the qualitative aspect in the forefront of development of the production forces in our country in the current decade will be carried out by the powerful growth in social labor productivity. Thus, in conformity with the tasks included in the five-year plan of 1981-1985 and in the documents of the 12th congress, the national income will reach 728 billion lei by 1985 and around 1.058 trillion lei by 1990. If we suppose that the percentage of the population employed in the production sphere will be 86.5 percent by 1985 and 85.5 percent by 1990, in order to reach the level of the national income proposed, average social labor productivity for the economy will have to reach 73,826 lei by 1985 and 103,119 lei by 1990. Proceeding from this figure, we see that social labor productivity will contribute with 82.57 percent to the rise in national income of 1985 and with 91.07 percent to the rise in national income of 1990.

The growth in social labor productivity for the economy as a whole will bring the continuing nearing trend in the level of the branches' development. This trend will be accompanied by siginificant changes in the social division of labor. In this direction, activities specific to the various branches will be reunited in the same organizational unit to an increasingly greater extent, together with the gradual removal of some of the basic differences between the branches of material production. Industry, through the creation of conditions of mechanization, automation, chemification and electrification of production in the other branches and through the creation of conditions for application of the achievements of the modern scientific-technical revolution on a broader and broader scale in production will contribute to the industrialization of activity in the other branches and will change them to a greater and greater extent into versions of industrial labor.

The rapid and harmonious development of the production forces in Romania has had and will have a favorable effect on the social aspects of production, too. In this regard, conditions have been and will continue to be created for gradually erasing some of the basic differences between the various categories of work, for nearing of the levels of the incomes received, with all of them having as the final effect the trend for homogenization of society's members.

Providing an average annual growth rate of around 6.13 percent in social labor productivity in this decade will continue to maintain the rise of the Romanian economy. Conditions will be cr ated on this base for reducing the work week and day, for improving working conditions, for raising the material and spiritual well being of all the people. At the same time, continuation of the nearing trend in the level of social labor productivity will amplify the process of homogenization of society's members. In the economic regard, the social homogenization will be carried out in the more complete and rational utilization of the potential labor capability of society's members under more and more equitable material conditions for complete achievement of the human personality.

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MINISTER DISCUSSES ROLE OF AGRICULTURE IN ECONOMY

Bucharest VIITORUL SOCIAL in Romanian No 4, Jul-Aug 81 pp 593-601

[Article by Angelo Miculescu, vice prime minister, minister of Agriculture and the Food Industry]

[Text] The evolution of every economy hinges on the related development of industry and agriculture, with these two basic branches playing the decisive role in the elimination of economic backwardness, the rapid growth of the overall economy, the improvement of the people's standard of living, the strengthening of economic independence, the sure advancement along the road of progress and civilization. Proceeding from this overall economic law, from the concept of a multilaterally developed socialist society -- formulated by the 10th Congress of the RCP, with the direct input of Nicolae Ceausescu -- the Party Program adopted by the 11th Congress and enriched by the 12th Congress, lays down, among the key objectives of the new stage in the history of socialist Romania "the harmonious and proportional development of all the economic branches, the ensuring of a correct balance between industry and agriculture, existing in a close interdependence." "The development of both industry and agriculture, on the basis of the advances in modern industry," the party program points out "is the keystone of successful completion of a multilaterally developed socialist society." [1]

At the Second Congress of leading councils of socialist agricultural units, of all peasantry, of councils of working people in the food industry, forestry and water management, party secretary general Nicolae Ceausescu underlined: "Proceeding from the overall principles of socialism and from the specific realities of our country, the Party program, the 12th Congress have outlined as a central goal the concomitant and forceful development of both industry and specifically of the production of raw materials and energy, and of agricultural -- as basic branches of the national economy. In this spirit, the party ensures, simultaneously with the continuous progress of industry, the even greater expansion of the role of agriculture in the balanced growth of the entire economy, in the meeting of the living needs of the people, in the whole process of socialist construction."[2]

To answer these lofty requirements, the party has paid constant attention to the integration of agriculture and of rural settlements into the socioeconomic development of all the country's territory. The socialist transformation of agriculture, the revolutionization of the technical-material base and the ensuring of cadres have created

the conditions for the continuous rise in agricultural output, with direct ramifications in completion of fundamental changes in the social structure of Romanian villages, in the nature of relations of productions in agriculture, in the entire way of life and work of the peasantry. "The complete victory of the socialist agricultural revolution" -- Nicolae Ceausescu pointed out --"marked the creation of the unified socialist economy, the triumph of the new, socialist relations, in both towns and villages, the final victory of socialism in Romania, in all the sectors of activity." [3]

In the ample process of raising agriculture to the level of the other branches, the party places special emphasis on the expansion of all sectors — state, cooperative and private farms -- by their broad access to economic and technical advances. In the first stage of the revolution in agriculture a complex process occurred of transition from production mainly based on manual labor, applied in the context of small-scale production, to the use on an overall scale of electrification, mechanization, chemicalization and other major projects undertaken in modernizing production processes within the framework of major farming units, with a high degree of concentration and specialization of production, optimal sizing and location of territorial units (farms, fields, strips, and plots) and of the service facilities ensured (communication ways, irrigation and drainage systems, structures, and so on). The traditional production methods in agriculture were revolutionized and Romania moved to developing a modern agriculture, based on industrial technologies.

The decisive role of agriculture in accelerating the socioeconomic progress of our country stems from the fact that this sector is the branch in which a significant portion of the national income is created and, from this standpoint, it places second, next to industry. On this basis, agriculture ensures for itself the sources of its own development and is instrumental in the formation of the funds needed for the overall progress of our society.

In determining the place and role of agriculture in the country's socioeconomic development, the party proceeded from the fact that Romania has specifically favorable conditions for the obtaining of greater, diversified and efficient plant and animal outputs on which depend, to the highest degree, the continuous upgrading of the material and spiritual well-being of the people, the quality of life. The economic importance of agriculture follows from the fact that it is the main source of products needed for direct consumption and also as raw materials for the food industry and nonfood products for the light industry -- and other industrial sectors. Moreover, the volume and quality of these products must meet the needs of a constantly growing population, with greater incomes and a standard of living that is growing from one stage to another.

Our agricultural output ensures a consumption of more than 3000 calories per inhabitant, with Romania ranking among the first 10 countries in the world for this basic indicator of the standard of living. As the needs for agricultural raw materials for industrialization are continuously growing, it means that the expansion of the food industry and largely of the light industry in this country is contingent upon the progress of agriculture. Furthermore, by participating with the surplus of products in expanding Romanian foreign trade, agriculture is an important source of foreign currency for the economy.

A producer of an immense quantity of biomass, agriculture is increasingly becoming a source of energy which helps to save conventional fuel and thereby is instrumental in meeting to a higher degree, from domestic resources, Romania's needs in this area as well.

Agriculture is involved in the expansion of all nonagricultural branches, of all the areas of activity by the increased demand for means of production and consumer goods, and also for services for the modernization of production and improvement of the standard of living of the rural population. Moreover, agriculture is a great source of manpower, for the development of nonagricultural branches, primarily of industry and construction. The work force in agriculture continues to shrink, from 28% — the level by the end of the prior five-year plan — to 22% by the end of this five-year plan and to 15% in 1990. The objective basis of this process is the greater mechanization and chemicalization of agriculture, concurrently with the expansion of industry, transportation, telecommunications, trade and so forth. The unfolding of this process strongly impacts on economic growth. On the one hand there is an increase in the efficiency of work in agriculture, and on the other hand, labor productivity of newcomers to industry and the other nonagricultural branches is superior to the one they displayed prior to changing their points of production. In this way, greater productivity of all materialized labor is achieved.

The social importance of agricultural progress resides in the fact that this progress generates the overall development of the village, the standard of living of its inhabitants.

To the strong support given by the state, by socialist industry, agriculture equivalently answers by delivering to the state fund greater amounts of farm foodstuffs and nonfood products, with this exchange of goods between workers and peasants constituting the economic basis of the unbreakable alliance between the two friendly classes, the firm mainstay of our socialist system.

Because of the conditions in agriculture in Romania and of its multiple functions, under this five-year plan together with the raw material and energy producing industries, it will be given priority in terms of expansion. In this context, an essential goal of this five-year plan, set by the 12th Congress of the RCP, involves completion of a profound agricultural revolution in terms of production, labor productivity, technical standard, efficiency, and the overall social activity in our villages. The new revolution involves the continuous qualitative transformation of the process of agricultural production, transition of agriculture to the stage of overall mechanization, transformation of farm work into a variant of industrial work in the area of technique, technology and organization of production.

Considering the paramount role of agriculture in the development of our country, formulated was the Plan of development of agriculture and the food industry for the 1981-1985 period as an integral part of the national plan, which incorporates the material and financial resources assigned to this branch and the tasks of boosting plant and animal output, the duties assigned to the state and cooperative sector and to the private farms in ensuring the central fund of farm products for the purpose of increasing agriculture's input into the socioeconomic development of our socialist homeland.

The main condition for the completion of the new agricultural revolution involves continuously solidifying and upgrading the production factors, chiefly by:

a. Zoning agricultural production for the most cost-effective utilization of the pedoclimatic and socioeconomic conditions;

b. Replanning and structuring the territory for the purpose of greater efficiency in mechanized performance of farm works, concurrently with greater input of superior categories of use;

c. Putting to good use all land resources, by expanding land improvement and water management projects and continuously increasing soil fertility by application of natural and chemical fertilizers and also of additions needed for obtaining constantly high outputs in a cost-effective context;

d. Continuously supplementing and upgrading the system of farm machines and implements, expanding industrial technologies in the area of agricultural plant and livestock production, ensuring, in a more cost-effective context, the projects for serving the production process in agriculture -- supplies, transportation, storage, overhaul, construction, and so forth;

e. Raising the level of utilization of the energy base, cutting energy and fuel consumption rates, broadly utilizing nonconventional energies -- solar, eolian, geothermal, biogas, and so on -- in the development of the process of agricultural production on farms, specifically on livestock farms;

f. Considerably increasing the efficiency of the means of production, by raising the farming value of crops and livestock; upgrading the strains and hybrids of plants and breeds of animals; improving and industrializing fodder production;

g. Expanding research in the area of agricultural sciences and technique for the purpose of increasing production and the efficiency of farming activity;

h. Streamlining and multilaterally expanding agricultural production for the various zones and wisely intertwining the agricultural branches;

i. Specializing agricultural production for the various units and integrating these units for the purpose of obtaining finished agricultural products and farm foodstuffs;

j. Concentrating agricultural production and thus permanently ensuring an economic correlation between the production facilities, the material base and the technologies applied;

k. Extending the use of the forms for raising efficiency in the organization of agricultural production based on cooperation and association;

l. Combining agricultural production with industrial production, by achieving mutually advantageous economic cooperation for the development of an agroindustrial activity that permits wise utilization of the technical-material base of agriculture and more efficient integration of agricultural activity with industrial processing;

m. Upgrading the management and organization of production and work by using on an overall scale the overall contract system, application of the principles of worker self-administration and economic-financial self-management, ensuring of self-financing;

n. Creating conditions for the more efficient utilization of the work force, by upgrading skills and eliminating their seasonal character; expanding mass agroindustrial education, thoroughly training highly skilled workers specialized as agricultural mechanics, horticultural mechanics, zootechnological mechanics, hydromeliorator mechanics and other specialized personnel, that could be employed all the year round for a wider range of projects needed in agricultural units.

Industrial farming is more and more closely tied to activities conducted in the other economic branches -- machine building and chemical industries, research, and so on -- to scientific and technical advances these branches have achieved in areas which serve agriculture. Actually, there is a deepening and multiplication of the relations between agriculture and the other economic branches -- formation of agroindustrial economy by the integration of the factors of technical progress in agricultural production and the processing industry, uniform utilization of economic leverages (investment funds, prices, and so forth), upgrading of the forms of organization and management.

The 12th Congress of the RCP decided, for this five-year plan, on a rapid growth of the country's economy, so that by the end of the year 1985 Romania may join the countries characterized by a median economic development. Capitalizing on the benefits of the socialist system and achieving the goals of the five-year plan, agriculture, also, will during this stage take an important step along the path of coming closer to the countries with a highly productive agriculture. To this end, on achieving the five-year plan objectives on expanding and modernizing the technical and material base of agriculture, this sector, by the end of 1985, will count large irrigated areas, protected against erosion, protected against flood and excessive moisture, and so forth. Provision of tractors and farm machinery will be ensured so that the basic operations may be completed during the optimal periods. The livestock will stand at more than 8 million head of cattle, 14-15 million hogs, 20-22 million sheep and more than 60 million fowls.

Significant qualitative steps were taken in terms of unified management of agriculture, development of economic cooperation and association of state and cooperative agricultural units; these programs ensure best possible use of land resources, work force, mechanization, chemicalization and other facilities in agriculture.

In this context, agricultural output will go up, under this five-year plan, versus the prior one -- as prescribed by the 12th Congress -- 24.5-27.5%, at a median annual rate of 4.5-5%. Underlying this increase will be the grain output, which, in 1985, will stand at 27-28 million tons; significant production rises also are anticipated in horticulture, based on continuation and completion of the projects commenced under the prior five-year plan, and also in terms of industrial crops (sugar beet and sunflower) and textile crops (flax and hemp). The expansion of animal husbandry will ensure the rise in the volume of production of this branch to 45-46% in the total agricultural production based on obtaining of a significant progress in the way of increasing the herds and productivity. Decisive in this area is improvement already this year of the fodder base, a fact that involves in every unit the better correlation of the resources planned and, specifically, a higher degree of technicality in obtaining and utilizing fodder.

The essential parameters that characterize the contents of the agricultural revolution, and, respectively, the new quality in agriculture, with a decisive role in terms of the progress of this basic economic branch, involve the significant rise in labor productivity, lower costs and the rise, on this basis, in economic efficiency. As a matter of fact, they involve the only avenues to increasing the national income created in this branch.

The wise use of the land and the other means of production, the introduction and use on an overall scale of the latest techniques in growing crops and raising animals based on the organization of production and work at the highest possible level of discipline -- as central features of the premises for the accomplishment of a profound agricultural revolution -- are decisively contingent upon the application of the new economic mechanism in all the agricultural units.

In his speech at the Second Congress of All Peasantry, dwelling on the new economic mechanism, Nicolae Ceausescu stated: "In agriculture also, the same as in the entire economy, the introduction of the new economic mechanism signifies, above all, attaining and exceeding the output and profits specified, self-financing, the permanent financial balance of all units." [4].

The new economic-financial mechanism introduces, as basic indicators in assessing the units' activity, net output and physical output and upgrades the indicators and rates of calculation of efficiency. In planning, the emphasis is placed on formulation of the plan from bottom to top -- in the context of transmitting to enterprises some orientational and normative planning levels -- and on the markedly greater role of economic contracts, both in substantiating the plan provisions and within the framework of supplies and marketing of production. The powers of collective leadership bodies were broadened and these bodies were provided with new economic and financial leverages, that raise the level of worker self-management and solidify economic-financial administration.

In applying the new economic-financial mechanism of great importance are the measures to update and improve the correlation of prices in terms of production, contracting and procurement in agriculture. The current prices for farm products ensure, in the context of obtaining the plant and animal outputs specified for each zone, a corresponding profitability in all units.

We must emphasize that the upgrading of prices specifically involves livestock products and this necessitates firm action to better ensure the fodder base and rigid application of technological standards on upkeep, raising and preservation of health of animals.

Moreover, the obtaining and exceeding of physical output must be coupled with continuous improvement in quality for the purpose of obtaining superior selling prices.

In essence, the increase in production and the reduction of costs to obtain this production further remain the chief avenues to raising profitability and efficiency in all agricultural units.

It is known that in the context of firm prices, the mass of the newly created value -- net output -- is the resultant of the production obtained for each unit of surface or for each foddered animal and of the expenses made for each unit of production

obtained. Only by creating the new value we can ensure the strengthening of the units' economic power, the rise in the agricultural workers' earnings and the greater involvement of this branch in boosting the national income.

In agriculture, because of the specific of making expenses before obtaining the output and incomes, the permanent maintenance of the financial balance requires, concurrently with wisely managing the material and financial resources, the most substantiated assessment of the status of the crop in the various main vegetation stages, followed by the measures needed to recoup the expenses that became non-cost-effective.

Illustrative in this regard is the manner in which chemical fertilizer is provided and used. The analysis of the crop increase obtained in the last two decades and of the input of fertilization, as one of the paramount production factors, indicates that to obtain the production increase anticipated under this five-year plan the quantity of 220 kg of fertilizer in active substance per arable hectare, vineyards and orchards, prescribed on an average for the 1981-1986 period, has been wisely envisioned. But the complete utilization of this amount requires all workers in agriculture to display greater concern for scientifically substantiating and economically evaluating the use of chemical fertilizer -- as an added means in application of organic fertilizer -- for the maintenance and growth of the land's production potential, so that the utilization of amounts soundly correlated with the production assignments may ensure maximum efficiency.

Furthermore, an outstanding factor in the application of the new economic-financial mechanism involves mechanization of agriculture, which needs to play a decisive role in maximizing labor productivity and efficiency in all production units in agriculture. The measures to improve the structuring of mechanization, to enhance the responsibility of machine operators in obtaining the outputs planned and cutting the cost of the operations performed mechanically are practically carried out within the framework of mechanization teams, on the farms of the agricultural units where these teams work. Hence, there is the need for the farm heads to manage the teams and tackle jointly, under the overall contract system, the production and economic assignments allotted the farm and the mechanization team under the plans of the economic unit to which they belong.

Greater efficiency of mechanization involves the full use of tractors and farm machinery, reduction of consumption rates of fuel and lubricants per unit of farming project by setting up outfits that make fullest use of the tractor power and simultaneously performing several operations.

In the chief production zones of Romania, in addition to mechanization and chemicalization, appropriate utilization of grounds on which land improvement projects were completed must be among the production factors that contribute to the efficient application of the economic-financial mechanism both by the production increases that are obtained and the costs underlying them.

Besides the sensible use of the material and financial resources of agricultural units, the wise utilization, all the year round, of the work force is another area in which agriculture needs to make evident headway. We need to consistently promote the economic interlocking of the activity for obtaining the farm output with the superior processing and utilization of plant and animal products, with expansion of small-scale industry and services.

The consistent implementation of the principles of self-administration and self-management must be based on the fullest dependence and at the same time agreement between the total mass of the newly created value and the part assigned to each work team, that engages under the overall contract system the obtaining of the production in terms of plant and livestock output or small-scale industry.

Economic-financial self-management actually means managing the activity of production units in such a manner as to ensure the balance between incomes and expenses with a permanent rise in profits, for the purpose of ensuring thus the conditions for repeating the production process on an expanded scale and raising the prospects for greater material incentives for the work force in the units involved.

The upgrading of economic-financial self-management in agriculture is a major goal if we consider the importance of this factor in the national economy, the huge reserves that exist in this branch and need to be put to good use by firm measures. In completing this task an outstanding role is assigned to agroindustrial councils, that must ensure the unified management of agriculture within their jurisdiction and provide the necessary conditions for the adequate application of the new economic-financial mechanism in all units of state and cooperativized agriculture in the zone, in the context of preserving the self-managing power of each component agricultural unit.

The creation of the unified state and cooperative agroindustrial councils, the uniformization of the mechanization activity, the organization of uniform crop rotations, the uniformization of prices in terms of production, contracting and procurement for all the agricultural sectors, the measures aimed at strengthening the unified agroindustrial councils by added managing personnel, at reducing the number of these unified councils, involve the many facets of the activity consistently encouraged by party secretary general Nicolae Ceausescu for the upgrading of the level of economic comprehension and thinking of cadres in handling the major issues in agriculture. The broadly democratic framework established at all managing levels in agriculture must be fully used to examine and resolve all the problems related to the application and upgrading of the new economic-financial mechanism in agriculture.

Being constantly guided by the party Program and the decisions of the 12th Congress of the RCP and of the Second Congress of the Peasantry, working people in agriculture are determined to do everything they can to obtain higher farm outputs in the context of maximum economic efficiency, providing their input into the overall development of Romania, the improvement of the people's standard of living, the supreme goal of the party's entire policy.

FOOTNOTES

1. "Programul Partidului Comunist Roman de Faurire a Societatii Socialiste Multilateral Dezvoltate si Inaintare Spre Comunism" [Program of the Romanian Communist Party for Building a Multilaterally Developed Socialist Society and Advancing Toward Communism], Bucharest, Edit. Politica, 1975, p 66.

2. Nicolae Ceausescu, "Cuvintare la Congresul al II-lea al Consiliilor de Conducere ale Unitatilor Agricole Socialiste, al Intregii Taranimi, al Consiliilor Oamenilor Muncii din Industria Alimentara, Silvicultura si Gospodarirea Apelor" [Speech at the Second Congress of Managing Councils of Socialist Agricultural Units, of All the Peasantry, of Councils of Working People in the Food Industry, Forestry and Water Management], Bucharest, Edit. Politica, 1981, p 9.

3. Nicolae Ceausescu, "Romania pe Drumul Construirii Societatii Socialiste Multilateral Dezvoltate" [Romania Along the Path of Building a Multilaterally Developed Socialist Society], Vol 9, Bucharest, Edit. Politica, 1974, p 894.

4. Nicolae Ceausescu, "Speech at the Second Congress of Managing Councils of Socialist Agricultural Units, of All the Peasantry, of Councils of Working People in the Food Industry, Forestry and Water Management," Bucharest, Edit. Politica, 1981, p 36.

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YUGOSLAV SHIPBUILDING, SHIPPING, PORTS, FISHING CAPACITY

East Berlin SEEWIRTSCHAFT in German No 7, Jul 81 pp 348-357

[Article by an authors' collective of Wilhelm-Pieck-University, Rostock, and of the Warnemuende/Wustrow Nautical Engineering College: "The Maritime Ecology of the Socialist Federative Republic of Yugoslavia"]

[Excerpt] In 1980, the shipbuilding industry of the SFRY [Socialist Federative Republic of Yugoslavia] (total tonnage: 180,100) was in 17th place among the shipbuilding countries of the world. For the most part, the ships built were exported. The principal customers were shipping companies in Liberia, China, India, Nigeria, Sweden, and in the USSR and the CSSR. While at the beginning of the 1970's the biggest shipyards carried out extensive programs aimed at expanding and modernizing the production installations, above all for the construction of large-capacity vessels, the grave international crisis of capitalist shipping and of the shipbuilding industries in the second half of the 1970's affected the Yugoslav shipyards as well. This development is clearly reflected in the annual ship delivery rates of the Yugoslav shipbuilding industry: In 1970, the tonnage of the ships delivered by the industry totaled 574,000 and Yugoslavia was in 11th place among the shipbuilding countries. In the same year, the first larger vessel, an 85,000-ton ore-oil tanker built at the Pula Uljanik Shipyard, was delivered to Indian buyers.

In 1975, the Yugoslav shipbuilding industry produced 194,000 tons deadweight, thus ranking 12th among the shipbuilding countries of the world. The industry produced several ships exceeding 200,000 tons, including a 277,000-ton tanker which likewise was built by the Uljanik Shipyard for Indian buyers.

During the period from 1971 to 1975, the growth rate of Yugoslavia's industrial production averaged 6.4 percent, while shipbuilding expanded at a rate of 14.2 percent. In 1980, the output of the Yugoslav shipyards dropped to the lowest level in 20 years. In 1979, the industry still managed to deliver 18 ships (total: 340,900 tons deadweight). One of the main causes of the decline in tonnage is the termination of production of large-capacity tankers.

In the 1970's, the Yugoslav shipbuilding industry was very much export-oriented. At times, production for exports accounted for over 90 percent of total output. In 1978, exports amounted to 8.2 billion dinars, i.e. 10 percent of the SFRY's total exports. For a long time, the Yugoslav shipbuilding industry has been an important source of foreign currency for the state budget. Since the end of World War II,

Yugoslavia's shipyards have produced approximately 6.5 million gross register tons. Of this total, only 1.5 million gross register tons were delivered to Yugoslav shipping companies. During the period from 1968 to 1976, the developing countries were the principal customers of Yugoslavia's shipbuilding industry; these countries accounted for 50.3 percent, i.e. the equivalent of a shipbuilding output of 3.8 million tons deadweight, while the capitalist industrialized countries accounted for 38.0 percent (2.9 million tons deadweight), and the CEMA countries, for 9.2 percent (694,546 tons deadweight). According to the latest data concerning unfilled orders, the share of Yugoslav shipping companies is increasing due to the government's interest in attaining full utilization of the national shipbuilding capacities. Judging by the orders in hand in 1980, 22 percent were placed by Yugoslav shipping companies, and approximately 78 percent, by foreign customers. Thus, according to Yugoslav estimates, in 1980 the rate of underutilization of the state's shipbuilding capacities amounted to 47 percent. Since then, the situation has been steadily improving and for the period from 1981 to 1985, the Yugoslav Government again has published optimistic forecasts predicting satisfactory capacity utilization, at least from 1982 on. Yugoslavia's shipbuilding industry intends to draw to a greater extent on the domestic machine building industry, which in 1980 supplied approximately 75 percent of the machines and equipment needed by the shipbuilding industry. A few years ago, imports still accounted for up to 40 to 50 percent of component products. Assuming that foreign orders will maintain their upward trend, the Yugoslav shipbuilding industry expects the 1982 export volume to reach approximately $610 million. For the period from 1981 to 1985, the order volume is estimated at 160 to 170 ships; some of these orders have already been placed. At present, the Soviet Union is the principal customer of Yugoslavia's shipbuilding industry. The long-term program for cooperation between the USSR and the SFRY, which was concluded in Belgrade in September 1980, gives priority to cooperative shipbuilding on the basis of specialization and collaboration: The SFRY will supply above all passenger-carrying freighters, ferries capable of transporting 100 to 120 railroad cars, floating drilling rigs and specialized ships for servicing these rigs. In return, Yugoslavia will obtain from the Soviet Union dry-cargo freighters (13,500 tons deadweight), fishing vessels (class "Baltik"), ocean-going tugs, and dry docks (4,500 and 8,500 tons deadweight). There are other customers, e.g. China, Sudan, the CSSR, India, and Yugoslav shipping companies.

At the beginning of the 1970's, the Yugoslav shipbuilding industry began to attract attention owing to the expansions and the creation of installations for building large-capacity vessels. In the construction of large-capacity tankers, the dimensions reached a maximum of 400,000 tons deadweight. Due to the recession and the rapid decline in new orders, a number of shipyards radically changed their production programs; they were forced to take orders of steel construction rigs and equipment for the chemical, mining and metalworking industries. At present, however, the shipbuilding sector is showing renewed strength. In the 3rd quarter of 1980, the Yugoslav shipbuilding industry received orders for 58 ships, totaling 965,660 gross register tons (total capacity of the shipyards: approximately 600,000 gross register tons per year). Yugoslavia thus has overtaken traditional capitalist shipbuilding countries such as Great Britain, Sweden, the FRG and Norway. Among the socialist countries, the SFRY ranks third, after the USSR and Poland.

Yugoslavia's largest shipyards belong to the "Jadranbrod" Enterprise Association, the representative and coordinating organ of Yugoslav shipyards. The association

safeguards the shipyards' interests in regard to developmental policy, production programs, procurement and marketing policy, information and documentation and other key tasks. The association comprises the following shipyards and enterprises:

—"Viktor Lenac" Shipyard, Rijeka
—"3. Maj" Shipyard and Diesel Engine Works, Rijeka
—"Jozo Lozovina-Mosor" Shipyard, Trogir
—Split Shipyard and Diesel Engine Works, Split
—"Tito" Shipyard, Kraljevica
—"Uljanik" Shipyard and Diesel Engine Works, Pula
—"Tito" Shipyard, Belgrade
—Novi Sad Shipyard, Novi Sad
—Begej Shipyard, Zrenjanin
—Dunav Shipyard, Bezdan
—Tisa Shipyard, Novi Becej
—"Veljko Vlahovic" Shipyard, Brijela
—"2. Oktober" Shipyard, Izola
—Split Ship-Repair Yard, Vranjie
—Grehen Shipyard, Vela Luka
—Brodotechnika Machine Building Enterprise, Belgrade
—"Jugoturbina" Motor Works, Karlovac

The following list details the production capacities, main product lines, and order volume of Yugoslavia's principal shipyards (as of January 1981):

"3. Maj" Shipyard, Rijeka

—Annual capacity approximately 400,000 tons deadweight
—3 slipways (maximum 12,500 tons deadweight, length: 260 meters)
—Licensed production of Sulz RD and RND engines (annual capacity approximately 145,000 kw)
—Orders:

Mixed-cargo freighter	15,400 tons deadweight
Bulk-carriers	5,000 tons deadweight
	70,000 tons deadweight
Tanker	40,000 tons deadweight

"Jozo Lozovina-Mosor" Shipyard, Trogir

—Annual capacity 70,000 tons deadweight
—3 slipways (maximum 40,000 tons deadweight)
—Repair docks, 25,000 tons and 40,000 tons
—Orders: Tanker 33,800 tons deadweight

Split Shipyard

—Annual capacity 630,000 tons deadweight
—4 slipways (maximum 250,000 tons deadweight)
—Licensed production of MAN engines (3,000 to 27,000 kw) and MacGregor hatch covers
—Orders:

Mixed-cargo freighter	16,000 tons deadweight
Refrigerator ship	9,400 tons deadweight

Bulk-carrier	5,000 tons deadweight
Tanker	39,600 tons deadweight

"Tito" Shipyard, Kraljevica

--3 slipways (maximum 5,000 tons deadweight; length: 120 meters)
--1 floating dock, 1,500 tons
--Orders: Ro/Ro ship 3,700 tons deadweight

"Uljanik" Shipyard, Pula

--Annual capacity approximately 675,000 tons deadweight
--3 slipways (maximum 400,000 tons deadweight; length: 175 meters); slipways amenable to combination occupancy
--2 dry docks (130 meters) for repairs
--Licensed production of Burmeister and Wain engines (2,100 to 32,000 kw): annual capacity: approximately 110,000 kw
--Orders:

Mixed-cargo freighter	15,700 tons deadweight
Multi-purpose freighters	17,000 tons deadweight
	24,500 tons deadweight
Bulk-carrier	5,000 tons deadweight
Tanker	39,600 tons deadweight

"Viktor Lenac" Ship-repair Yard, Rijeka

--3 docks (6,000, 12,000 and 24,000 tons; 201.5 x 33.8 meters)
--Licensed production of Fiat engines

"Jugoturbina" Diesel Engine Works, Karlovac

--Licensed production of Sulz RD, AL and ZV engines; annual capacity: approximately 45,000 kw

The technological structure of the main shipyards of Yugoslavia's shipbuilding industry conforms with the requirements of a modern, economical production process. In the 1970's, key sectors of the Pula, Split and Rijeka shipyards were reorganized without interruption of the production process. Roofed preassembly halls, mechanized and automated section-production lines, ultra-modern oxy-acetylene cutting and welding setups, increased hoisting capacities, and efficient steel sheet descaling and preserving installations today can be found in most of the country's shipyards. The large-capacity shipyards are distinguished by the complex production of equipment (e.g. winches, hatch covers, compressors and diesel engines). For the most part, the ships' equipment is produced under license or imported. However, in the course of expansion of Yugoslavia's shipbuilding capacities, the share of domestically produced equipment has been increasing continuously. This goes also for the production of steel plate.

The cooperation of Yugoslavia's shipbuilding industry with the CEMA countries is based on an agreement concluded between the SFRY and CEMA. Thus it is not only in regard to the determination of the main trends in the international development of various ship models and in regard to a number of development projects requiring

Table 1. The Development of Yugoslavia's Merchant Fleet, 1960-1980[1] (note: the balance obtaining upon deduction of the number of tankers from the merchant fleet total represents the dry-cargo freighters)

4) Jahr	1) Handelsflotte gesamt			2) darunter Tanker			3) Entwicklung (%)	
	5) Anzahl	6) Schiffsgröße 7) BRT	t dw	Anzahl	Schiffsgröße BRT	t dw	8) gesamte Flotte	9) darunter Tanker
1960	165	585 678	882914	8	51 335	77 168	100	100
1965	242	993 463	1 450 136	18	74 958	110 604	167	148
1970	245	1 491 603	2 122 560	23	238 061	388 630	250	465
1975	286	1 771 078	2 617 149	24	224 956	380 305	298	438
1976	282	1 862 664	2 755 765	24	224 879	380 305	313	438
1977	288	1 950 081	2 927 742	24	213 055	361 240	328	415
1978	300	2 180 477	3 298 002	25	213 654	362 854	366	416
1979	309	2 327 880	3 561 490	25	213 654	362 854	391	416
1980	312	2 370 090	2 633 731	25	213 654	362 854	398	416
1981	319	2 420 427	3 718 042	24	211 880	365 567	406	413

10) [1]) Stand jeweils am 1. Januar des Jahres, Einheiten über 300 BRT (Zusammengestellt nach Angaben des Instituts für Seeverkehrswirtschaft, Bremen)

Key:

1. Merchant fleet, total
2. No. of tankers in the fleet
3. Expansion (%)
4. Year
5. Number
6. Size of ship
7. Gross register tons
8. Fleet as a whole
9. Tankers in the fleet
10. As of 1 January of the respective year; ships exceeding 300 gross register tons (compiled on the basis of data supplied by the Bremen Institute for Maritime Shipping)

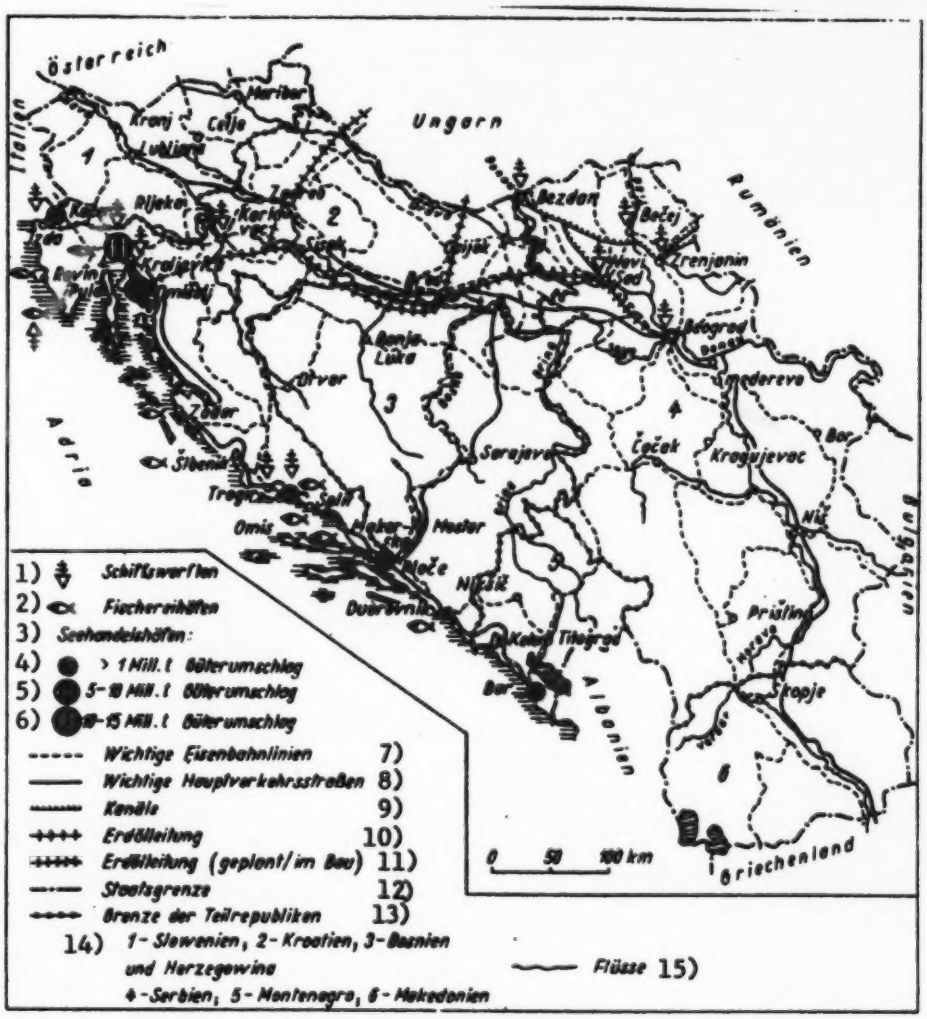
multipartite consideration that the Yugoslav shipbuilding industry closely collaborates with the other countries belonging to Section No 4 (Shipbuilding) of CEMA's Permanent Commission for Machine Building; it also participates in the development of specialized ships. Thanks to its capacities and installations, the Yugoslav shipbuilding industry is capable of building almost all types of modern, specialized, sea-going dry- and liquid-cargo freighters and of trawlers and tenders for the fishing fleet.

The scientific-technological development of Yugoslavia's shipbuilding industry--both in regard to the end product and in regard to the construction technologies and processes--is proceeding on a high level. The systematic support by the state, the continuous exchange of experience with leading shipyards, the extensive licensing policy and the establishment of domestic scientific training and development facilities (e.g. the Zagreb Institute for Hydrodynamics) have made Yugoslavia a competitive European shipbuilding country. Side by side with the energy sector and with the efficient machine building, electrical engineering, construction and nonferrous metal industries, the shipbuilding industry has developed into a leading branch of the country's economy.

The Merchant Fleet

Along with the development of the shipbuilding industry, there proceeded the expansion of the SFRY's merchant fleet. In 1950, the fleet totaled a mere 223,000 gross register tons; by 1970, it had expanded to 1.516 million gross register tons, and

Focal Points of the SFRY's Maritime Economy and Industry--Key Transit Routes



Key:

1. Shipyards
2. Fishing ports
3. Maritime trading ports
4. Freight turnover 1 million tons
5. Freight turnover 5-10 million tons
6. Freight turnover 10-15 mill. tons
7. Key railroad lines
8. Main highways
9. Canals
10. Oil pipeline
11. Oil pipeline (planned/under constr.)
12. State border
13. Borders of the state republics
14. 1-Slovenia; 2-Croatia; 3-Bosnia and Herzegovina; 4-Serbia; 5-Montenegro; 6-Macedonia
15. Rivers

on 1 January 1981, it totaled 2.421 million gross register tons or 3.718 million tons deadweight, thus ranking 22nd among 140 countries. At this time, the fleet was made up of 294 dry-cargo freighters (total tonnage: 2.217 million gross register tons or 3.364 million tons deadweight) and 24 tankers (total tonnage: 0.366 million tons deadweight). The tankers constitute approximately 10 percent of Yugoslavia's merchant fleet and almost all of them are operated by the Zadar "Jugoslavenska Tankerska Plovidba" Shipping Company. This company also operates 10 of the technologically most advanced bulk-carriers of the Yugoslav fleet. In the last 20 years, the merchant fleet has been continuously expanded; from 1960 to 1980, total tonnage multiplied. In the last 10 years, the size of the merchant fleet has remained practically unchanged.

However, the expansion of the SFRY's merchant fleet did not proceed without difficulties. Aside from internal problems concerning financing and credit, the Yugoslav fleet was affected by the protracted capitalist shipping crisis: It proved impossible to attain the target of 3.2 million gross register tons set for 1980 by the state's development plans. The crisis also affected numerous shipping companies. Thus it was only after 6 crisis years, since April 1979, that the Slovenian shipping companies have again registered increased demand for trips and freight transport.

Tables 2 to 5 show the ships of the most important shipping companies, including vessels of less [sic!] than 100 gross register tons. The core of Yugoslavia's merchant fleet is made up of the ships of 13 shipping companies. For two-thirds of the total tonnage, the ports of registry are located in Croatia.

Conventional mixed-cargo freighters constitute approximately 50 percent of the merchant fleet, while bulk-carriers account for approximately one-third. As regards the number of ships, passenger ships and ferries constitute a significant share, whereas in terms of total tonnage they account for a mere 2.8 percent. For the most part, these relatively small passenger ships and ferries are employed for transport along the Adriatic coast and for trips to the numerous islands. In 1980, 13 new ferries were introduced, which are capable of transporting 250 to 450 passengers and up to 45 passenger cars. Ships capable of accommodating modern transport and transshipment technologies do not account for a large percentage in these statistics. In the category ranging from 4,000 to 9,999 gross register tons--the biggest category (26 ships) which accounts for approximately 40 percent of the Yugoslav merchant fleet--the conventional mixed-cargo freighters are the predominant type of vessel. The two categories exceeding 10,000 gross register tons constitute approximately 50 percent of the fleet; in addition to tankers and bulk-carriers, they also comprise mixed-cargo freighters. Nearly two-thirds of the merchant fleet are older than 10 years. Approximately one-fourth of the total tonnage consists of ships that are between 10 and 15 years old, and over 100 ships are up to 20 years old. As the size of the ships increases, their age decreases--a consequence of the fact that the bulk-carriers in particular are relatively new.

Generally speaking, it is quite evident that the Yugoslav merchant fleet and the shipping companies must undertake extensive modernization and renovation investments to improve the performance of the fleet. On the one hand, it is necessary to carry out the increasing sea-transport tasks; on the other hand, the state wants to increase the share of export goods transported by Yugoslav ships. In the last 2 years, the individual shipping companies have been intensifying their efforts toward modernization and renovation of their transport fleets. During this period,

Table 2. Yugoslavia's Most Important Shipping Companies (ships exceeding 100 GRT; as of mid-1979)

Reederei 1)	2) Anzahl der Schiffe	Vermessung der Schiffe 3)	Durchschnittsalter 4) (Jahre)
Atlantska Plovidba, Dubrovnik	27	265 397	13
Cross Seas Shipping Corp. Rijeka	4	37 648	10
Jadranska Slobodna Plovidba, Split	22	174 647	13
Jadranska Linijska Plovidba, Split	48	40 343	18
Jugoslavenska Linijska Plovidba, Rijeka	60	494 724	15
Jugoslavenska Tankerska Plovidba, Zadar	34	385 770	14
Jugoslavenska Oceanska Plovidba, Kotor	21	385 845	13
Losinjska Plovidba, Rijeka	32	58 343	26
Mediteranska Plovidba, Korcula	15	24 368	25
Obalna Plovidba, Split	15	13 518	23
Prekookeanska Plovidba, Bar	16	126 281	18
Slobodna Plovidba, Sibenik	13	81 917	15
Splosna Plovba, Piran	27	287 029	12
Insgesamt 5)	343	2 375 830	

Key:
1. Shipping company
2. Number of ships
3. Tonnage
4. Average age (years)
5. Total

Table 3. Structure of Yugoslavia's Merchant Fleet (ships over 100 GRT; as of mid-79)

Schiffstyp 1)	2) Anzahl der Schiffe	Vermessung (BRT) 3)	Durchschnittsgröße der Schiffe (in BRT/Schiff) 4)	Anteil an der Flotte (%) 5)
Stückgutfrachter 6)	200	1 193 007	5712	50,3
Bulkcarrier 7)	45	851 466	17 377	35,9
Containerschiffe 8)	3	20 266	6742	0,8
Ro/Ro-Schiffe 9)	5	10 167	2033	0,4
Passagierschiffe/ 10)				
Fähren 11)	49	66 291	1352	2,8
Tanker 12)	28	214 013	7643	9,0
Erzfrachter 13)	3	18 921	6307	0,8
Spezialfrachter 14)	1	840		—
Insgesamt 15)	343	2 375 830	6927	100,0

Key:
1. Type of ship
2. Number of ships
3. Tonnage (GRT)
4. Average tonnage (GRT/ship)
5. Share of total fleet (%)
6. Mixed-cargo freighter
7. Bulk-carrier
8. Container-carrier
9. Ro/Ro ship
10. Passenger ship
11. Ferry
12. Tanker
13. Ore freighter
14. Specialized freighter
15. Total

Table 4. Tonnage Categories of Yugoslavia's Merchant Fleet (ships over 100 GRT; as of mid-1979)

Größengruppe 1)	Anzahl der Schiffe 2)	Vermessung (BRT) 3)	Durchschnittsalter (Jahre) 4)	Anteil an der Flotte (%) 5)
100 bis 299 6)	21	4514	28	0,2
300 bis 499	45	18105	20	0,7
500 bis 999	22	19852	25	0,8
1000 bis 3999	66	151769	20	6,4
4000 bis 9999	126	1000827	15	42,2
10000 bis 19999	45	630261	8	26,5
20000 bis 49999	18	550372	9	23,2
Insgesamt 7)	343	2375830		100,0

Key:
1. Tonnage category
2. Number of ships
3. Tonnage (GRT)
4. Average age (years)
5. Share of the total fleet (%)
6. 100 to 299
7. Total

Table 5. Age Structure of Yugoslavia's Merchant Fleet (ships over 100 GRT; as of mid-1979)

Altersgruppen (Jahre) 1)	Anzahl der Schiffe 2)	Vermessung (BRT) 3)	Durchschnittsgröße der Schiffe (BRT/Schiff) 4)	Anteil an der Flotte (%) 5)
bis 2	21	329743	15702	13,9
3 bis 4	7	101908	14558	4,3
5 bis 9	36	426512	11848	17,9
10 bis 14	88	796278	9049	33,5
15 bis 19	75	384104	5121	16,2
20 bis 24	57	226506	3974	9,5
25 bis 29	40	82926	2073	3,5
über 29	10	27853	1406	1,2
Insgesamt 6)	343	2375830	6927	100,0

Key:
1. Age groups (years)
2. Number of ships
3. Tonnage (GRT)
4. Average tonnage (GRT/ship)
5. Share of the total fleet
6. Total

a number of shipping companies--"Jadranska Slobodna Plovidba," Split; "Jugoslavenska Linijska Plovidba," Rijeka; "Losinjska Plovidba," Rijeka; and "Splosna Plovba," Piran--have put into service a greater number of container-carriers and Ro/Ro ships. These ships are used primarily for transport service to North Africa, the Mediterranean, the Red Sea, and on other global routes. The Yugoslav shipping companies' activities for the domestic economy and in the cross-trade (involving the developing countries in particular) are based on the Law Concerning Sea and Inland Navigation--a kind of navigational code--which was passed by the parliament in 1977; the 1,046 articles of this law regulate the material-legal questions concerning ships, the contractual and other obligations, the basic navigational safety measures and the procedures concerning the ships' registration and limited liability.

The modernization and renovation projects of the shipping companies are part of the developmental plan for the Yugoslav merchant fleet and the work on them will be continued during the period from 1981 to 1985. Above all, these projects are to help reduce the transport costs for the maritime export trade and at the same time consolidate the valuta payments balance. Thus the development plan for the Yugoslav merchant fleet for the period from 1981 to 1985 calls for construction of modern ships and for elimination of obsolete ships and of ships that do not meet the international standard. The ships to be built are to meet above all the requirements of Yugoslavia's foreign trade. These investments are intended better to adapt the maritime traffic to an integrated, container-based transport system.

Along with the development of the merchant fleet, a broad system of research and training facilities has been set up. In this connection, one should mention the Zagreb Nautical Institute, the Institute for Maritime and Submarine Medicine and the Split Institute for Oceanography. Merchant marine schools can be found in a number of cities--in Piran, Rijeka, Mali, Sosinj, Split, Dubrovnik and Kotor. The nautical academies in Piran, Rijeka, Split, Dubrovnik and Kotor pride themselves on their long tradition. These academies train personnel not only for the Yugoslav merchant fleet, but also for other fleets, above all the fleets of the developing countries; the Rijeka Merchant Marine College (now Nautical Academy), for example, trained 150 Sudanese sailors, employees of the "Sudan Shipping Line." This shipping company had been established as a joint Sudanese-Yugoslav enterprise and has now passed completely into Sudanese hands. In Rijeka, there has been established a center specializing in the career counseling and training of sailors.

Seaports

On its long coast--which in regard to the establishment and location of ports calls for highly differentiated assessment--Yugoslavia has for a long time had at its disposal a large number of--mostly small--seaports. The--primarily regional--significance of these ports derives for the most part from the fact that in the past the transport infrastructure was insufficiently developed. Whereas the rugged coast--which in some parts is deeply cleft and given natural protection by offshore islands and which is distinguished by a steep submarine slope--offers favorable conditions for the construction of ports, the hinterland with its steep coastal range presents considerable difficulties in regard to the development of a transport route network. Consequently, the ports that have assumed increasing importance in the last few years have been those that had serviceable rearward transportation links.

The state directed special attention to the transport links between the seaports and the main industrial centers of the country. In this respect, the railroad plays an important role. Whereas Rijeka is connected with Ljubljana and Zagreb and thus with the Belgrade area, Ploce and Mostar have been linked with Sarajevo and with the industrial and agricultural areas of the riverine plains in the north. In 1977, the Belgrade-Bar railroad line, which is of great economic importance, was put into service. The transit functions these ports perform for countries such as Austria, Hungary, the CSSR, Poland and Romania are increasing.

The most important port of the SFRY is Rijeka, which accounts for approximately 50 percent of the total freight turnover (Table 6). There are other ports of supraregional importance: Bar, Koper, Ploce, Split and the new petroleum port of Omisalj, all of which handle over 1 million tons per year. Aside from a number of older mixed-cargo transshipment installations in the Rijeka and Susak harbor basins (depth: 10 meters), Rijeka has in the Bakar harbor basin a modern bulk-cargo terminal for processing ore tankers up to 100,000 tons deadweight and two berths for 70,000 ton tankers. Container transshipment presently is concentrated in the Brajdica Terminal, which handles approximately 140,000 tons of containerized freight by means of the Lo/Lo or the Ro/Ro process. In Bakar Bay, an area extending over 30 hectares is being prepared for service as a container center. It is expected that in the 1980's Ro/Ro transshipment in this center will total 350 kilotons, while Lo/Lo transshipment is expected to reach 300 kilotons per year. This development is connected with the laying of a second track on the Rijeka-Zagreb railroad line; this project is to be completed by 1985.

Table 6. Development of Freight Turnover in Yugoslavia's Key Seaports, 1973-1977

Hafen 1)	Gesamtumschlag (kt) 1973 2)	1977	Index	jährliche Wachstumsrate 3)
Bar	902	1145	127	6,15
Koper	1861	1908	102	0,50
Ploce	2452	2971	121	4,88
Rijeka	10483	14135	135	7,79
Split	2040	2464	121	4,88
Insgesamt 4)	20928	26155	125	5,74

Key:

1. Port
2. Total turnover
3. Annual growth rate
4. Total

Another general-purpose port is the Port of Koper (wharf-length: approximately 1,000 meters; depth: 12 meters). In this port, too, the investment activity is focused on container transshipment; a short time ago, a new terminal (wharf-length: 500 meters) was put into service here. In the first--previously operative--section, approximately 40,000 TEU were turned over in 1979; the terminal is equipped with a portainer (carrying capacity: 45 tons) and it also has a tanker berth (depth: 16 meters). Two bulk-cargo berths--intended primarily for the processing of small grain-carriers--are under construction.

The Port of Bar has been expanding rapidly in the last few years; this port is of great importance in regard to transit trade--above all trade with Hungary and Romania. This rapid development is closely related with the--recently completed--

construction of the Bar-Belgrade railroad line. Aside from transshipment of containers and bulk-cargo, the port focuses on the handling of tankers carrying chemicals and produce. Ships with a draft of up to 14 meters can dock here. Modern bulk-cargo loading bridges can load or unload 10,000-ton freighters within 8 hours. The port is equipped for an annual turnover of 5 million tons; at present, it handles a little over 1 million tons of goods.

Another promising port is the above-mentioned petroleum-port of Omisalj on the Island of Krk near Rijeka. From this port, pipelines run to Yugoslavia's refineries, to Hungary and to the CSSR. The present capacity of the oil pipeline from the port to the processor totals 24 million tons per year; it can be increased to 34 million tons. The Omisalj wharves are equipped for the simultaneous unloading of several 350,000-ton tankers.

The Fishing Industry

Compared with the production potential of the country's long and variegated coastal zones, Yugoslavia's deep-sea fishing industry is underdeveloped. The well-developed coastal fishery, part of which draws on old equipment, gives Yugoslavia no more than a 10-percent share of the fishery in the Adriatic.

In 1978, the total catch in the Mediterranean amounted to 37,465 tons, thus exceeding by 40 percent the level recorded at the beginning of the decade. In the Mediterranean, sprat fishery predominates. In the last decade, sprats accounted for 50 to 60 percent of the total catch (Table 7). As regards inland fishing, carps account for over 85 percent of the total catch.

Table 7. Fish Netted by Yugoslavia's Fishing Fleet

Jahr 1)	Gesamtfang 2) (t)	davon 3) Binnenfischerei (t) 4)	darunter Karpfen (t) 5)	davon Mittelmeer (t) 6)	darunter Sardinen (t) 7)
1970	46200	19500	—	26700	—
1971	49300	18400	11700	30900	—
1972	49400	18800	—	30600	—
1973	51000	20500	13000	30500	—
1974	51218	23000	16753	30219	—
1975	56020	24300	16191	32257	18506
1976	58849	23908	11864	34857	21258
1977	60943	25605	16081	35348	22768
1978	62987	25522	15400	37465	22246

Key:

1. Year
2. Total catch
3. Including:
4. Inland fishing
5. Including: Carp
6. Mediterranean
7. Including: Sardines

The deep-sea fishing fleet has at its disposal only a few large, modern fishing vessels of over 100 gross register tons (Table 8). In 1978, the fleet used approximately 200 smaller fishing vessels and 8,000 motor-driven fishing boats, but also approximately 1,500 motorless boats (1971: as many as 2,318 boats of this type). As for the inland fishing industry, pond-based fish-hatching was expanded from 22,857 hectares in 1973 to 26,517 hectares in 1977.

Table 8. Fishing Vessels of Over 100 Gross Register Tons

Size of Ship	Quantity	GRT
100 to 499 gross register tons	3	424
1000 to 1999 gross register tons	2	2094
Transport- and processing-ship	1	113

According to a fishery-promotion program designed to increase fish consumption in Yugoslavia (at present approximately 3.5 kilograms per capita), to improve capacity utilization in the fish-processing industry and to expand exports, the total catch is to be increased to 91,800 tons by 1983. Of this total, the fishing fleet in the Adriatic is to provide a share of 50,000 tons. There are other projects that could yield a total catch of 150,000 tons. According to an agreement concluded by a number of fishing enterprises, 100 new ships (total price: 2 billion dinars) will be acquired to this end; at least 75 percent of these vessels are to be built by Yugoslav shipyards. Implementation of this project is absolutely essential for attaining these objectives, for in 1979 Yugoslavia's total catch (56,470 tons) did not exceed that of 1975.

The principal product of the fish-processing industry is canned fish (Table 9), a large share of which is exported (1977: 43 percent). Moreover, the product group "canned fish" determines the export structure of fish products, for in terms of quantity canned fish accounts for approximately 70 percent of exports. As regards fish-product imports, during the period from 1970 to 1978 fish meal accounted for over 70 percent. Whereas the fish meal imports necessitated expenditures of $40.6 million, the canned-fish exports yielded only $16.7 million.

Table 9. Output of Canned Fish (in 1,000 t)

1947	1957	1967	1971	1975	1977
2.7	11	18	24	31	30

The unfavorable fish-product import/export ratio likewise underscores the necessity to increase the country's total catch. On the import side, the price of a ton of fish or fish meal increased 250 to 255 percent during the period from 1970 to 1978, whereas the average price per ton of fish exports showed only a 182-percent increase, and the price of the principal export product--canned fish--a 155- to 160-percent increase. Table 10 provides a differentiated survey of imports and exports of fish products.

As is typical of states distinguished by well-developed coastal fishing, Yugoslavia has a great many smaller fishing bases. Fishing ports can be found--among other places--in Rijeka, Pula, Dubrovnik, Poweczu, Zadora and Rovinju.

Table 10. Imports and Exports of Fish Products

	Import				Export			
	Gesamt 1)		darunter Fischmehl 2)		Gesamt 3)		darunter 4) Konserven und Präserven	
	in t	in 1000 US-$	in t	in 1000 US-$	in t	in 1000 US-$	in t	in 1000 US-$
1970	143200	31132	119000	23263	12000	8832	9400	6870
1971	92600	22028	70200	14108	10900	8275	9200	7000
1972	76300	18230	53300	10336	13200	10125	10800	8519
1973	96700	45400	67400	34333	14300	12186	12500	10479
1974	120300	62081	83100	44964	14900	15058	12400	12200
1975	79700	27692	53300	16164	14600	15517	10600	11132
1976	90877	35043	62944	22021	23000	23048	16114	14600
1977	109891	55109	80922	38347	18194	21051	13025	13600
1978	116257	63521	82059	40608	20993	26910	14499	16784

Key:

1. Total
2. Including: Fish meal
3. Total
4. Including: Canned fish

8760
CSO: 2300/319

END

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2190

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No. 2190

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BRIEFS

ALBANIAN-GDR TRADE PROTOCOL--The protocol for goods exchange and payments for 1982 between the People's Socialist Republic of Albania and the German Democratic Republic was signed in Tirana on 16 September. On the Albanian side the protocol was signed by the deputy minister of foreign trade, Muzafer Ahmati, and on the German side by the deputy minister of foreign trade, Dieter Lemke. Taking part in the signing ceremony were members of both delegations. Also present was (Karl Heinz Haising), charges d'affaires ad interim of the German Democratic Republic's embassy in Tirana. During its stay in our country the government trade delegation of the German Democratic Republic was received by Foreign Trade Minister Nedin Hoxha. [Text] [AU161924 Tirana Domestic Service in Albanian 1800 GMT 16 Sep 81]

CSO: 2100/4

DELAYS IN PREPARING DESIGNS, ESTIMATES FOR CONSTRUCTION

Tirana ZERI I POPULLIT in Albanian 16 Sep 81 p 3

[Article by Gani Myrto, from the Ministry of Finance and Myslym Nelaj, from the General Directorate of the State Bank: "An Important Indicator of the Effectiveness of Investments"]

[Excerpts] The completion and commissioning of projects on schedule are closely linked with the effectiveness of the use of investment funds and have a direct influence on the speedy development of production forces, on the stimulation of the technical-material base of socialism and the strengthening of the defense capability of the country. Without denying the good work which has been done in this area by the investment organs and the executing organs, it must be said that there are still shortcomings such as the failure to observe the schedule for the beginning of work, tendencies to distribute manpower and equipment over a large number of projects, delays in providing machine and equipment on a timely basis. The fact that so far some investors have not provided final designs and estimates for projects planned for this year indicates that the responsibility of investment and design organs must be increased. In some districts, this situation exists in regard to investments for 1982. The lack of these designs and estimates has a bad effect on the proper planning, by the executing enterprises, of the necessary material base, technological equipment and machinery, manpower, and means of transportation. For example, the construction enterprise in Durres has not been given an estimate for the 6 projects which the plan has scheduled for completion this year. In Vlore, no designs were submitted for 5 projects until the end of the seventh month. In Tirana, because of lack of designs and construction areas, the procrastination has been continuing for a long time and work was not begun on schedule in 4 projects.

The lack of complete studies and the delays and deficiencies in the assigning of blueprint tasks have had a negative influence on the process of preparing designs and estimates. Quick changes have had to be made during the execution phase and sometimes work had to be interrupted and estimated costs had to be exceeded. The faulty preparation of the designs and of the final estimates has also created difficulties during the implementation of the construction-installation plan. These matters require the most thorough study and the best correlation of work between the investing enterprises and the design offices and the fullest involvement of the sections in the executive committees of the district peoples councils and the ministries in order to eliminate such deficiencies which have a negative effect on the effectiveness of the use of funds and resources.

There are executing enterprises in which manpower and material are spread thin, resulting in increased construction costs and, in some cases, in misuse of the material base. This results from the tendency on the part of some directors to go after new fronts, where the structure of operations has great value and the plan is fulfilled easily, globally, leaving unfinished some work which they consider to be "minor." In Peshkopi alone, the Directorate of Waters has directed work on 22 small projects and in many of them the work has continued for a period of from 1 to 3 years.

Carelessness in acquiring the necessary machinery and equipment on time has been a factor in the failure to complete projects on schedule. Many investors are guilty of delays of this type. One might mention some enterprises of the Ministry of Light Industry and the Food Industry and the Ministry of Industry and Mines. Also, the executive committees of the district peoples councils have not kept a systematic check over the enterprises under their jurisdiction, especially in regard to the machinery and equipment which they contracted to produce in the country. For example, there have been problems of this nature in the petroleum sector where, because of lack of technological equipment, there have been delays in putting wells into operation.

In order to ensure that investments are used effectively it is not sufficient that projects be built on schedule; they must also be utilized according to the plan. For example, as a result of the failure to complete and commission the extraction factory in Ballsh--which should have been completed in 1980--a large quantity of olive mash, about 3400 tons, stored in the oil factories in Fier, Cakran and Ballsh was not processed.

An economic-financial analysis made in several districts shows that the problems connected with the observance of schedules for the commissioning of projects, as one of the main indicators of the economic effectiveness of investments, should receive greater attention from the financial and banking organs.

CSO: 2100/6

LACK OF SUPERVISION BLAMED FOR POOR RESULTS IN HOUSING CONSTRUCTION

Tirana ZERI I POPULLIT in Albanian 24 Sep 81 p 3

[Article by Mitro Cela: "More Apartments of Better Quality"]

[Excerpts] Recently a meeting was held in Tirana for construction workers in the sectors of the communal economy and other related sectors on the subject of providing housing of good quality, on schedule.

During this five-year plan, 81,000 apartments and houses will be built in the cities and villages. In addition to the contribution of the working masses, the state will invest more than a billion leks in their construction. There will be enough new apartments and houses to accommodate a population twice as large as that of Tirana City. This shows the great concern which the party has for increasing the well-being of the working masses.

What is the situation this year? In Korce, Pogradec, Gjirokaster, Librazhd, Permet and other districts, the plans for the construction of apartments are being executed at a regular pace. However, in Durres, Kukes, Lezhe and other districts, shortcomings have been created. Analyses which have been made reveal that the causes of these shortfalls are all subjective. According to what was said in the recent Tirana meeting, attention should be concentrated on the following problems in order to ensure the fulfillment of the housing construction plans at a regular pace.

First: construction sites must be obtained on schedule. If the sites are found by the deadlines specified in the orders, conditions are created for the concentration of means and workers. In Durres, Shkoder, Tirana and Lezhe there have been delays in the designation of construction sites. As a result, the beginning of construction was put off from one month to another and the apartments are not being completed on time. In order to eliminate these faults, this problem should be given serious attention by the executive committees of the district peoples councils. Before they determine the housing sites, the city planning offices should make complex and long range studies. They should not think only about the building but also about the surroundings. Workers want beautiful and comfortable apartments but they also want areas where children can play and gardens where they can spend their free time.

Second: the concentration of construction work. Work experience in Korce, Pogradec, Tirana and other districts shows the superiority of centralization in

constructing housing on a timely basis, with good quality and low cost. In this way, work can be mechanized, prefabricated sections and cranes can be better utilized and construction areas are transformed into installation areas. One cannot say that there is any construction worker who does not recognize the superiority of this form of organization of work. Nevertheless, in some districts, there is a decentralization, rather than a centralization, of work. In Lushnje, for example, workers were taken off the construction of apartments for months at a time and transferred to other sectors. This happens as a result of defective monitoring on the part of some peoples councils executive committees and, especially, on the part of the investors. In many cases they do not properly monitor the work being performed during the construction process.

Third: the quality of the constructions remains the most important factor in the creation of the best living conditions for the workers. In regard to quality there are some problems which require solutions. The quality of some materials leaves much to be desired. The paints used on the walls are not long-lasting. The bricks are often not baked sufficiently and not standardized in regard to shape. Before the builders even leave the housing units, the locks fall out, and the doors and windows barely open and close because the frames are not anchored properly. There is no supervision during the construction process. In some cases the interior plastering is of poor quality. In some housing units, the builders leave without grading the land. These things should be a topic of discussion for the builders and the investors. At the same time, the responsible organs, the appropriate sections in the executive committees of the district peoples councils and the directorates in the ministries, should take the matter of the quality of constructions in hand and call to responsibility anyone who violates the conditions of the projects.

Fourth: the spirit of the campaign for housing construction should be augumented with voluntary contributions. This year, housing constructed through voluntary contribution was completed by the planned deadlines in Berat, Shkoder and Fier districts. But in some districts there have been shortfalls. The construction of some apartments has been postponed from one year to another. In many cases, the work staffs for constructions through voluntary contribution did not meet to analyze the shortfalls in the implementation of the schedules. The executive committees of the district peoples councils must increase their assistance to and supervision of the staffs for the construction of apartments through voluntary contribution.

CSO: 2100/6

FOREIGN TRADE RELATIONS, ACTIVITIES SURVEYED

Trade With Developing Countries

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 2 Sep 81 p 8

[Article by Senior Science Associate First Class Todor Vulchev: "Increasingly Active Economic Relations"]

> [Text] Socialist Bulgaria's economic relations with the developing countries have an already quite long history of more than 30 years. Even though it is of interest to trace how they have grown stronger simultaneously with Bulgaria's industrialization and with the profound politicosocial changes in the former colonial world, we should like here to concentrate our attention on their present state, trends and prospects.

Bulgaria's Foreign Economic Relations with Developing Countries Being Intensified--Structural Changes in Reciprocal Trade--Bulgaria Renders All-Round Assistance

Bulgaria's trade with the developing countries continues to grow at a high rate as hitherto. In 1979 it exceeded 1 billion foreign-exchange leva for the first time, amounting to 1,120,000,000 foreign-exchange leva as against 253 million in 1970. The developing countries' share of Bulgaria's foreign trade reached 7.4 percent as against approximately 6 percent at the beginning of the 1970's. The decisive role of Bulgaria's integration relations with the CEMA-member countries as well as the delivery of machinery from the capitalist countries are factors which limit the group of developing countries to third place in our country's system of foreign economic relations. Nevertheless, Bulgaria's relations with the developing countries will continue to grow, probably at a rate outstripping the average, given which the elements of stability in them will gradually increase and a transition take place to higher, improved forms of collaboration.

Two significant changes came about in our trade with this group of states after 1973: one was in the index of "trade conditions," while the other was in the growth of balances favorable for Bulgaria.

Substantial price changes in the world markets during the 1970's worsened the so-called "trade conditions" index for us appreciably. The prices of imported

goods rose rapidly and to a greater extent than the prices for Bulgarian export commodities. This can be seen, for example, from the fact that while the physical volume of exports almost doubled from 1973 to 1979, imports in terms of physical volume increased by only about 55 percent. The deterioration in conditions of exchange with the developing countries was above average since imports of fuels and mineral resources (the prices of which rose most rapidly) constituted an especially large share of the trade with them. This adverse circumstance for our country was due, however, to general trends in the dynamics of world market prices and not to the political and socioeconomic character of the relations between Bulgaria and the group of developing countries.

At the same time Bulgaria's favorable balance from trade with the developing countries grew. In 1979 it amounted to about 600 million foreign-exchange leva. An important contribution to the achievement of favorable balances (used to equalize Bulgaria's balance of payments) was made by the growing capabilities of Bulgarian industry and agriculture to export commodities of good quality in ever larger quantities and at competitive prices.

Substantial changes still have not come about in the degree of concentration of our foreign economic commerce with the developing countries. Just as in the 1960's, today (albeit on different scales) a dozen countries alone--mainly from the region of the Near and Middle East (Libya, Iraq, Iran, Syria, Turkey etc.), as well as such countries as India and Brazil--account for three-fourths of the commerce. A certain, still limited growth in commerce is observable with some countries in Africa south of the Sahara--Nigeria, Angola, Mozambique etc.

Worthy of note is the growing share of the export commodity structure represented by machinery and equipment, including package equipment, for plants in the food, wine and tobacco industries, for the production of construction materials, chemical plants, hothouses, metal-cutting machinery and transport vehicles etc. These play a definite role in the developing countries' efforts to industrialize. Although our imports now have mainly the character of fuels and raw materials, Bulgaria is making efforts to expand the procurement of industrial goods from the developing countries, thus endeavoring to support their newly created industry.

The significance of the developing countries for the foreign trade and overall for the economy of our country is more striking if their share of the imports or exports of certain commodities is taken into account. Thus, for example, of all the transformers exported in 1978 87 percent were sold in the developing countries. This percentage for the following was, respectively: electromers 77, water pumps 58, nitrogen fertilizers 71, carbamide 35, fresh frozen meat 43. Obviously, for some commodities the developing countries are our main or one of our important foreign markets. At the same time our entire imports of phosphates, jute, cocoa and sunflower crush comes from the developing countries, as well as 90 percent of the rubber and 47 percent of the tanning extracts. Hence for certain items the developing countries are emerging as our industry's chief suppliers.

A positive factor in economic relations with the developing countries is the expansion of cooperation in a number of other areas and the gradual transition to higher forms. We cannot help observing that Bulgarian construction and planning

organizations are carrying out activity in these countries that amounts to hundreds of millions of foreign-exchange leva. They have built airfields, sports complexes, public buildings, hotels, hospitals, residential districts, roads, bridges, railroad lines, irrigation systems etc. Geological exploration plays an important part in the exploitation of natural resources. In all, about 10,000 Bulgarian specialists are working in the developing countries by virtue of international treaties of scientific and technical cooperation and on projects entrusted to Bulgarian construction organizations. The need for skilled personnel with a higher education is met by training students from the developing countries in Bulgarian higher educational institutions. These number more than 1000 at present, while several thousand who have completed their education are already working for the progress of their countries.

Despite the successful development of Bulgaria's economic relations with the developing countries, in their scale they still lag significantly behind the possibilities that actually exist.

> The agreements that have been entered into in recent years within the framework of bilateral and multilateral relations with individual developing countries or a group of countries reflect the mutual effort to draw the developing countries gradually into intensive trade with the socialist community as a whole. More lasting and stable forms and an international division of labor between the socialist and the developing countries will be obtained on this basis.

Bulgaria's Trading Partners Surveyed

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 9 Sep 81 p 8

[Article: "A Respected and Sought-After Partner--Bulgaria Maintains Trade Relations with More than 100 Countries in the World"]

> [Text] Growth Figures and Facts
>
> Bulgaria now maintains diplomatic relations with 116 states, trade relations with more than 110, and cultural relations with 132
>
> During the period from 1957 to 1980 the total length of "Balkan" BGA [Bulgarian Civil Aviation]'s domestic air routes increased 28 times and reached 77,540 km while the total length of international air routes increased nearly 40 times. The latter already number 40, with the 41st and longest, Sofia-Damascus-Abu Dhabi-Singapore-Ho Chi Minh, to be opened in October 1981. Last year 1,327,000 passengers were carried on international air routes as compared with 23,000 in 1960.
>
> In 1940 Bulgaria had altogether 9 ships and 300 seamen sailing mostly in the Black and Mediterranean Seas and on routes to

England and Norway. Our merchant fleet now has scores of ships and thousands of seamen. Whereas in 1970 they called at 320 ports in 67 countries, last year there were already more than 520 ports and more than 90 countries. Bulgarian seamen and ships ply all the seas and oceans, make round-the-world voyages, repeatedly cross the equator and the Panama Canal, and touch the shores of Canada, Brazil, Japan and other countries thousands of kilometers distant from Bulgaria.

The Bulgarian "dry-land fleet"--heavy-duty trucks with the lettering "Bulgaria"--traverse the length and breadth not only of Bulgaria, but also of Asia and Africa. It has business contacts with more than 65 foreign companies and is one of the largest fleets in the world in respect of the number of vehicles and the freight carried.

On the world map Bulgaria is one of the smallest--we might say, hardly noticeable --countries. This is explainable. It ranks 101st in the world in respect of territory and 61st in population.

Our small country is first in the world in per capita production of battery-operated trucks and motor trucks, copper vitriol, soda ash, tobacco and cigarettes. It is second in the world in per capita production of woolen yarns, tomatoes and sunflower seed; it is among the first five in the production of brown coal, cotton thread, wheat and corn. Its modern industry provides more than 22 percent of the world production of battery-operated and motor trucks, nearly 10 percent of the copper vitriol, over 6 percent of the soda ash etc. Its agriculture, mechanized on a large scale, produces about 3 percent of the sunflower seed in the world, 2.5 percent of the tobacco, and 2 percent each of the grapes and tomatoes. World statistics assign Bulgaria 19th place among the 20 developed machine-building countries that produce 99 percent of the machinery in the world market, and 15th or 16th place among the countries with the largest per capita foreign commerce.

These data are striking confirmation of the remarkable progress Bulgaria has made along the path of socialism under the leadership of the Bulgarian Communist Party and in close cooperation with its sister CEMA countries and above all with the USSR. In 37 years of socialist development it has become not only an advanced industrial-agrarian country with a high living standard, but--thanks to its solid economic and scientific and technical potential--a sought-after and respected partner of scores of countries in all regions of the planet. In Comrade Todor Zhivkov's words, there is no other period of our history when we have had economic relations with so many countries and on such a wide scale.

In recent years Bulgaria has maintained regular trade relations with more than 110 countries on five continents. Twenty years ago there were 71, and in 1939 barely 52. Bulgaria has its own trade delegations in 80 countries. The average annual increase of commerce (about 14 percent in the past quarter century) is one of the highest in the world. The volume of our foreign commerce in terms of its value already exceeds 14 billion foreign-exchange leva with exports surpassing imports by more than 600 million foreign-exchange leva. Exports are 45 times greater than in

1939, almost nine times greater than exports in 1960, and nearly three times greater than those made in 1970. Not only have they grown more rapidly than imports (60 times since World War II), but they have radically changed their commodity structure too. The proportion of industrial commodities now is 96 percent as against 84 percent in 1960. About 45 percent of them now are machine-building products whereas two decades ago this proportion was only 13 percent. Our country is known on five continents as a major exporter of materials-handling, electronic computer, agricultural and other equipment, of metallurgical and chemical output, of products of light industry, of wines, cigarettes, dairy products, fresh and processed fruits and vegetables and other agricultural products.

The dynamic and stable development of foreign trade in the 1970's, especially during the Seventh Five-Year Plan, effected despite a complicated and difficult international economic situation due to the foreign-exchange and the raw-materials and energy crisis in the world capitalist economy, attests to the great potentialities and strength of the Bulgarian economy. An incontestable achievement that raises her international prestige still more is the fact that in precisely this situation she maintained her high rate of economic development, expanded markets for her goods, significantly increased her exports and realized a favorable balance in her foreign-trade balance of payments. This happened due to the steadfastly pursued April policy of the BCP for an increasingly comprehensive alignment with the Soviet Union and an ever closer economic integration with the CEMA-member countries, and to improvement of the mechanism for the interfacing of national production with the international market.

Bulgaria's membership in CEMA with its vast and stable market and her integration with the Soviet Union and other sister socialist countries are a decisive factor in the upward development of her economy and her foreign trade. These countries now account for over 72 percent of our foreign commerce, and the USSR alone for 53.5 percent. From our sister countries we get our basic raw materials almost entirely, and over 85 percent of our machinery and equipment needs. The CEMA countries remain the largest buyers of our industrial and agricultural goods. In the Soviet market Bulgaria sells over 80-90 percent of the exported electric typewriters, electronic calculators, automatic telephone exchanges, electric motors and tractors, over 70 percent of the electrotelphers etc. A powerful stimulus to the development of reciprocal business collaboration is the implementation of the CEMA comprehensive program of socialist economic integration, the decennial of which we observed this year, and the long-term categorical programs of cooperation that have been adopted in the most important economic areas. Our largest trading partners after the USSR are the GDR, Poland, Czechoslovakia and Romania.

In the 1970's the developing countries' share of our foreign commerce grew from 5.6 percent to 9 percent, the absolute figures exceeding 1.5 billion foreign-exchange leva as against 253 million foreign-exchange leva in 1970. Bulgaria not only trades with this numerous group of countries on a basis of equality and mutual advantage, but endeavors actively to promote their independent economic growth. She makes available to them specialists and credits for the creation of production capacity, package projects, miscellaneous equipment and machinery, and instructs their key personnel. At the same time their export deliveries in the Bulgarian market enjoy a number of facilitations. Our most important trading partners among these are Libya, Iraq, Algiers, Syria, India, Nigeria etc.

During the past decade under the conditions of the detente that set in, great progress was also noted in our business collaboration with the developed capitalist states. It was put on a solid contract-law basis and fostered by the work of bilateral commissions that were set up. We entered into more than 50 agreements for production, technical and market relations with well-known Western companies and many more contracts and agreements for cooperative efforts with small and medium-sized companies which found worthy and promising partners in the person of Bulgarian economic organizations. From 743 million foreign-exchange leva in 1970 commerce with these countries in 1980 went to 2.8 billion foreign-exchange leva, or about 16 percent of our total commerce. Among our most active business partners are companies from the FRG, Greece, Switzerland, Italy, France, Great Britain, Austria etc.

In implementation of the decisions of the Twelfth BCP Congress regarding intensive socioeconomic development during the 1980's, our economy will continue to be open to international markets. Trade during the Eighth Five-Year Plan will grow about 40 percent. Bulgaria will be an even more sought-after and preferred economic partner of socialist and nonsocialist countries on all the continents.

Specialists Help Developing Countries

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 9 Sep 81 p 9

[Article: "Preferred Specialists"; page prepared jointly with SOFIA PRESS AGENCY]

[Text] For three decades now Bulgarian specialists have been working worldwide as envoys of our socialist homeland.

By their selfless labor and worthy deeds they establish the name of Bulgaria as an advanced country with a significant scientific and technical potential, ready sincerely and unselfishly to help any country that needs scientific and technical assistance. You may encounter them in Europe and the Far East, in Equatorial Africa and Latin America, in the Arab countries. Their destinations are primarily the developing countries where they are taking part in the creation of their new national infrastructure, in the reorganization and development of their backward agriculture, industry, transportation and communications, in the discovery and utilization of their natural resources, in the building of a modern educational and health-care system, in the development of science, art, culture and sport.

This highly impressive and prestigious activity, which proves by deeds Bulgaria's love of peace and its endeavor to cooperate on an equal and long-term basis, is one of our important international achievements. It would be impossible without the systematic training of a large (on her scale) force of highly skilled specialists during 37 years of socialist construction. It now numbers over 275,000 people with a higher education (in 1956 there were fewer than 70,000 people with a higher education in our country) and approximately 600,000 with a post-secondary and secondary special education (as against 92,200 a quarter of a century ago).

Bulgarian specialists are sought-after and preferred associates for expert, consultative and production work in scores of countries on all the continents. There

are so many requests for Bulgarian specialists that they cannot be met. Several Bulgarian organizations, including those involved in engineering activity, are engaged in rendering scientific and technical assistance to other countries by making qualified specialists available to them. One of the best known is Technoimpex, which sends abroad specialists in various fields—primarily engineering personnel, teachers in higher and secondary educational institutions, agricultural and other experts and advisers. Numerous Bulgarian medical personnel and whole hospital staffs, consultants and teachers in higher medical institutes in other countries are provided by Medexim, which is under the Ministry of Public Health.

After the Soviet Union where the largest group of Bulgarian specialists and workers are employed in building, for the most part, major integration projects, Libya ranks second in the number thereof. Throughout the country our engineering and technical, medical and agricultural cadres are planning and building civil projects, staffing hospitals and polyclinics and are participating in the execution of important agricultural and other projects of the Libyan government. Ranking third is Cuba, through which thousands of our agronomists, land reclamation engineers, civil engineers of various specialties, artistic and cultural workers have passed during the 20 years that Bulgaria has been giving her scientific and technical assistance.

Bulgarian agronomists, horticulturists and other agricultural specialists are now passing on their advanced experience to Mexican agriculture. Many Bulgarian specialists in different fields, including teachers in higher educational institutions and secondary schools, have worked and are now working in Algeria, Iraq, Syria, Tunisia, Morocco, Nigeria and recently in Angola, Mozambique, Ethiopia and other developing countries.

Construction on Four Continents

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 9 Sep 81 p 9

[Article: ". . . And Construction Projects on Four Continents"; page prepared jointly with SOFIA PRESS AGENCY]

> [Text] This year marks the 25th anniversary of Bulgarian construction abroad--activity which has made and is making an extraordinarily great contribution towards publicizing the name of our socialist homeland throughout the world.

For a quarter of a century many civil projects in a number of countries in Europe, Asia, Africa and Latin America have been planned and built by Bulgarian specialists--worthy heirs of the renowned master Kolyu Ficheto. These are lasting monuments of our friendship and collaboration with the peoples of the Soviet Union and other socialist states, of the developing countries and of some Western states.

The construction and installation activity performed by our fellow countrymen on Soviet soil is on the widest scale. Several score thousand Bulgarian builders, installation men and specialists, kept together in their own self-contained groups under Soviet construction and installation organizations, are working on

major integration and other important civil projects in various republics and regions of the immense Soviet land. They participated actively in building the Arkhangel'sk paper and pulp combine and the Druzhba [Friendship] main gas pipeline; they are participating in building the Ust'-Ilimsk lumber industry complex, plants for the oil and gas industry and in other industrial spheres, housing tracts, cultural and domestic-services projects etc. In return for this construction activity, which will expand in the years ahead, our country receives additional valuable industrial raw materials.

The 25th anniversary of our foreign construction work is linked most directly with the specialized economic trust Technoexportstroy. It has a staff of several thousand workers and specialists, a modern production and technical base, its own transportation, and agencies in a number of European, Asian and African states. Its beneficent activity for improving the living conditions in many cities and villages was singled out for a high international award in 1975.

On the occasion of the anniversary the director general of the trust, Engineer Marin Dzhermanov, made a statement to a representative of SOFIA PRESS AGENCY: "The first significant project was the grain elevator built in the Syrian city of Latakia in 1956. Then came construction projects for irrigation and water supply systems in Syria, Iraq, Libya, Cyprus and other countries, seawater desalination facilities in Kuwait, international airfields in Baghdad, Tripoli and other cities, superhighways and bridges mainly in Iraq and Syria, sport complexes in Tunisia and Libya, a national theater in Lagos, electric power stations, petroleum refineries, hotels, housing and other projects in more than 20 countries. I want to emphasize that our plans envisage that our construction territory will expand. Moreover, that a number of world-famous Western construction and installation companies are ready to collaborate with us. This demonstrates that Technoexportstroy is a sought-after and desired partner, a prestigious name. We shall also expand joint activity with kindred organizations of our sister CEMA-member countries."

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CSO: 2200/2

CONSTRUCTION OF NEW STEEL PLANT NEAR BURGAS BEGUN

Sofia ECONOMIC NEWS in English No 6, 1981 p 5

[Text] --One of the biggest projects under the 8th Five-Year Plan.
--Projected annual output: one mln tons of construction and high-grade rolled section steel.
--Phase One to come on stream by 1985.

In April 1980, the Council of Ministers issued a decree for the building of a new iron and steel works near the city of Bourgas, with a view to meeting more fully the domestic and export needs for rolled metals, high-grade and special steel and metaloceramics. Alongside the facilities in Pernik and Kremikovtsi, the new works will be the third base of ferrous metallurgy in this country.

The building of this major project of the Eighth Five-Year Plan has already started 18 km west of Bourgas, on an area of 200 hectares. Some 12 mln cubic metres of land mass will have to be moved by powerful machines in the course of building operations.

The new works will have a projected annual capacity of about 1 mln tons of construction and high-grade rolled section steel. It will incorporate a number of key mills, most prominent of which is the Rolled Steel Mill 300, with capacity 800,000 tons per annum. The installations for the direct reduction of the ore will have an annual capacity of 1 mln tons, and the electric furnaces and shops for continual smelting and processing will be with an annual capacity of 900,000 tons. There will also be a complex of mills for small-, medium- and large-size high-grade rolled steel, including equipment for thermal and mechanical processing. The annual capacity of that complex will be 400,000 tons.

Alongside these main facilities, the works will include repair, energy-producing and other auxiliary shops. There are also blueprints for the development of the infrastructure, with special emphasis on transport and port facilities, temporary electric supply, industrial and household water supply, railroad and road links to the onstruction site, etc. The existing port will be modernized to receive deep-keel coal carriers.

The new iron and steel works are being built with broad participation by the socialist countries members of the CMEA and other states with a developed metallurgy. The first phase, Mill 300, has been designed and is being delivered by the GDR, with major participation by Bulgarian machine-builders. Other equipment will be delivered by leading West European firms.

The Government programme for the further development of Bulgaria's ferrous metallurgy will allow the country to expand its ties with the metallurgy and machine-building industries of the socialist countries and with companies making metallurgical equipment and high-grade metals in the non-socialist states. Conditions are at hand for Bulgaria's machine-building plants to participate in the joint production of equipment for the new works. At the same time, opportunities are opening for the exchange and export of metal products, together with joint output and specialization with other metallurgical companies.

Phase One of the Bourgas Iron and Steel Works, Mill 300, is scheduled to come on stream by 1985, and the entire complex is to be completed by 1990.

CSO: 2020/1

BRIEFS

SLOVAK HARVEST ESTIMATES--The recent heat wave has accelerated the ripening of grain crops but has also caused 10-20 percent lower yields than in past years. According to estimates, this year's grain harvest in Slovakia will be about 500,000 tons below last year's level. So far about 93 percent of grain crops have been harvested in Slovakia, leaving about 50,000 hectares unharvested. [AU141919 Prague ROLNICKE NOVINY in Slovak 13 Aug 81 pp 1-2]

CEREAL PRODUCTION--Despite the greatest agrotechnical effort, the tasks for densely sown cereal crops in East Slovakia were not fulfilled in the sixth 5-year plan. The rains, floods and drenching of hundreds of thousands of hectares in the region last year led to a 30-35 percent drop in grain crop production, especially in the East Slovak lowlands. The tasks for the sixth 5-year plan were fulfilled only 91.2 percent; a total of 2,767,846 tons of grain were produced: that is 226,260 tons less than palnned, even though 16.7 percent more than in the fifth 5-year plan. [Bratislava PRAVDA in Slovak 19 Aug 81 p 2]

BRNO ENGINEERING FAIR RESULTS--At the 23rd international engineering fair, which ended in Brno on 16 September, Czechoslovak foreign trade enterprises concluded export contracts exceeding KC$13.5 billion with their trading partners from dozens of foreign countries. She major part of that trade volume will go to the socialist countries. CSSR imports will amount to KC$6.6 billion, the greater part of them coming from the CEMA countries. [Prague RUDE PRAVO in Czech 17 Sep 81 p 2]

SOVIET GAS DELIVERIES--Prague 14 Sep (CETEKA)--The gas supply network in Czechoslovakia could be expanded to 25,000 kilometers due to big increases in Soviet natural gas deliveries, which doubled in the 1975-1980 period. The increased deliveries and the transit of gas across Czechoslovakia required the construction of pipelines. The transit gas pipeline has been completed to carry 37,000 million cubic meters a year, and works continues on the "consortium" pipeline which is to be completed in 1984. Since maximum supplies of the imported gas are [words indistinct] the summer and consumption is highest in the winter, the building of storage tanks is an imperative. The present capacity of 1,700 million cubic meters of gas will be gradually expanded. The gas supply system is a firm part of the Czechoslovak energy system and supplies are steady both to industry and households. [Text] [LD150240 Prague CTK in English 1130 GMT 14 Sep 81]

PROTOCOL WITH VIETNAM--Prague, 14 Sep (CETEKA)--Czechoslovak Minister of Labour and Social Affairs Michal Stancel and Vietnamese Minister of Labour Dao Thien Thi signed here Monday an operational protocol on cooperation between Czechoslovakia and Vietnam in the sphere of temporary employment of Vietnamese workers connected with further training in Czechoslovak enterprises in 1982. [Text] [LD150240 Prague CTK in English 1952 GMT 14 Sep 81]

VIETNAMESE LABOR MINISTER--Prague, 14 Sep (CETEKA)--Czechoslovak Deputy Premier Vaclav Hula received here today Dao Thien Thi, minister of labour of the Vietnamese Socialist Republic, currently on a visit to Czechoslovakia. They discussed economic cooperation between the two countries, concerning especially special training of Vietnamese workers in Czechoslovakia. [Text] [LD150240 Prague CTK in English 1517 GMT 14 Sep 81]

CSO: 2020/3

CROP, WEATHER REPORT PUBLISHED FOR JULY 1981

East Berlin FELDWIRTSCHAFT in German Vol 22 No 9, Sep 81 p 416

[Article by Dr D. Krumbiegel, GDR Meteorological Service, Central Weather Bureau, Potsdam]

[Text] The Weather in July 1981

Up to the 14th air temperatures stayed above normal, but then it became unseasonably cool to the end of the month. First there was not much rain, but in the second and third 10-day periods it rained a lot, in some regions quite heavily.

Initially, daytime average air temperatures deviated but slightly from the norm. Anomalies between the 7th and 11th ranged between +3 and 6+K. It was particularly cool at the end of the second 10-day period (-4 to -7K) and in the middle of the third (-3 to -6K). In the second half of the month the northern GDR got better temperatures than the southern. Initially, daytime maxima rose to 20°C, then to 25°C, and around the 10th, to between 25 and 30°C. Starting in midmonth, the 20°C threshold was crossed still during a few days. In part, maxima did not even reach 15°C. Minima ground temperatures mostly ranged between 10 and 15°C. Values between 5 and 10°C occurred only regionally for a few days. Duration of sunshine was fairly normal only in the first 10-day period. The southern part got very little sunshine in the second 10-day period, the northern, after the 25th.

The first 10-day period was too dry. Between the 7th and 10th, there was no rain at all. But starting on the 11th, there was not one day that was completely without rain somewhere in the area. The abundance of rain clearly increased with midmonth. Especially large daily volumes of between 10 and 25 mm were recorded on the 18th and 19th in the southern part, on the 20th, still in Dresden Bezirk. The daily volumes recorded by selected stations for the 18th/19th/20th respectively, in mm, were as follows: Dresden-Klotzsche 35/49/09; Goerlitz 42/73/53; Herrnhut 59/105/77. On the 26th, they ranged, widespread, between 10 and 30, regionally between 30 and 60, and locally around 60 mm. For the remainder of the time frequent showers provided a regionally uneven distribution yet locally yielded between 5 and 25 mm almost every day. At the end of the month rain became less heavy. Altogether the southwest plains and the eastern half of Neubrandenburg Bezirk were supplied with the least amounts. Relative air humidity averages dropped only during the second 5-day period below 70% widespread and otherwise mostly ranged between 70 and 85, in the last 10-day period, often around 90%.

Weather Data for July according to the Chief Climatological Office Potsdam

1. Monthly Air Temperature Averages and Deviations from the Norm

Schwerin	16.5°C -1.0K	Erfurt	16.1°C -0.7K
Neubrandenburg	16.4°C -0.7K	Leipzig	17.3°C -0.7K
Potsdam	17.3°C -0.8K	Goerlitz	16.7°C -0.8K

2. Average Precipitation according to Bezirks

Rostock	84 mm = 117%	Halle	49 mm = 70%
Schwerin	79 mm = 107%	Erfurt	52 mm = 69%
Neubrandenburg	53 mm = 70%	Gera	57 mm = 71%
Potsdam	74 mm = 101%	Suhl	74 mm = 91%
Frankfurt	72 mm = 97%	Dresden	264 mm = 284%
Cottbus	146 mm = 192%	Leipzig	84 mm = 102%
Magdeburg	51 mm = 75%	Karl-Marx-Stadt	132 mm = 132%

3. Evaporation Potential

Northern bezirks	70...80 mm
Central bezirks	75...85 mm
Southern bezirks	55...75 mm

Soil, Crop and Labor

Surface soil temperatures rose in the first 5-day period, ranging between 20 and 25°C from the 6th to the 14th widespread. In the second half of the month the soil cooled off, with values fluctuating mostly around 17°C. The subsoil temperatures followed those in the suface soil, sometimes with a slight delay. By the end of the month from 15 to 17°C were recorded at a 50-cm depth, from 15 to 16°C at a 100-cm depth (locally, up to 17°C). The ground water level dropped generally up to midmonth, in Magdeburg, Halle, Erfurt and Gera Bezirks, still up to the 20th or even 25th. Then it rose again because of the rain that followed. Except for Rostock and Schwerin Bezirks, ground water, beginning at midmonth, came to around or below 50 percent of useable field capacity (0 to 50 cm depth below turf). Potsdam, Frankfurt, Cottbus, Halle and Erfurt Bezirks and Uckermark [northern Brandenburg] got the worst of it, where values often came to below 30 percent of useable field capacity. By the end of the month the water supplies for the soil and the crop were generally stabilized, except for the southwestern plains(not enough water) and Dresden Bezirk (too much). Soil climatic conditions for beds and nutrient mobilization were held back widespread up to midmonth, and afterwards regionally, by water shortage. They improved, as did the workability, with the rain in the second half of the month. Regions that had been most heavily drenched temporarily experienced air shortage, pools and acreage inaccessibility. Erosion damage also occurred.

The weather in the first 10-day period speeded up ripening processes, which then became halted because the air temperatures were too low and, from midmonth on, because there was much more rain. A 5 to 10-day phenological prematurity was preserved nevertheless. Vegetation processes, first held back by the scarcity of water, got much of a boost when it started raining again at midmonth. That

was true mainly for varieties that do not need much heat such as forage crops (except for maize, especially late seedings), potatoes, and cabbage and root produce. Yet it must be assumed that the much reduced sunshine in the second and third 10-day periods is likely to have considerably reduced assimilation activity. As there was much rain at the end of the second and in the middle of the third 10-day periods and wind velocity was partly very high, grain, especially winter rye, bent over. That greatly jeopardized the full growth, which was rather held back to begin with, a diminished thickness of crops coming with it. Outgrowth tendencies also increased. The root crop showed increasing late weed formation. Fungus and weeds had hardly been encouraged until midmonth, thereafter all the more so.

The winter barley harvest was started 5 to 10 days ahead of time in the middle of the first 10-day period and was finished in the second 10-day period, the weather being relatively good, except in the coastal areas and the southern bezirks. The third 10-day period brought very unfavorable harvesting-threshing conditions, greatly holding back the continuation of the grain harvest and the straw gathering. By the end of the month, approximately one-fourth of the grain and 70 percent of the winter rape were in. Ensilage and hay preparation became very difficult around midmonth on account of the unfavorable drying conditions. We also had to take stronger counteraction against potato rot. For sowing summer catch crop conditions were most favorable. Irrigation measures were needed only in the southwestern plains still after the 20th.

Meteorological Projections for Farming in September 1981

Since the weather facilitated rot, it is of great importance to do something against that on the potato fields. Mechanical measures are preferable against late weed formation. Digging the potatoes in good time counters tuber infections as higher ground temperatures keep the damage rate down and higher air temperatures help the crop recover from damage. The phenological lead time offers good conditions for abiding by optimum sowing time frames for the winter crop.

5885
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WEST GERMAN ANALYSES OF GDR AGRICULTURAL PROGRESS PUBLISHED

Developments During 1976-1980

Cologne DEUTSCHLAND-ARCHIV in German Vol 14 No 5, May 81 signed to press 28 Apr 81 pp 474-482

[Article by Karl Hohmann, agricultural engineer, scientific consultant, Agricultural Economics Department, Research Office for All-German Economic and Social Questions, Berlin: "On the Development of GDR Agriculture During the 1976-1980 Five-Year Plan"]

[Text] In the GDR, the turn of the year 1980-1981 marked the end of a planning period characterized by increasing strains on the foreign trade, the extent of which could not be calculated accurately when the 1976-1980 Five-Year Plan was prepared. In the agriculture, this was further complicated by the fact that the profit losses resulting from the 1976 summer drought made it impossible, right from the start, to achieve the high rates of growth strived for. Extreme weather conditions prevailed to a certain extent during the rest of the five-year plan, especially during the winter of 1978-1979 and the cold and wet summers of 1977 and 1980; they affected also the agricultural production of the FRG, although it is less susceptible to the weather. In addition, the operational separation of animal and plant production which took place under this plan resulted in additional "frictional losses" in the technical organizational sector; these, in turn, led to considerable personnel and institutional additional expenditures for production cooperation councils, agreements and contracts which made it possible to integrate at a higher level the management of previously specialized agricultural enterprises.

On the Structure of Enterprises

In the wake of the transition to industrialized methods of production, and of the resulting concentration and specialization of agricultural production, the number of agricultural enterprises was further reduced since 1976 (see Table 1). At mid-1980, there were just under 5000 operational units left in the GDR, including those producing fruit, vegetables and ornamental plants. Only 1475 of these enterprises were involved in plant production, whereas animal production was concentrated in 3500 enterprises.

In connection with the development of cooperative facilities into economically and legally independent production units, the average land-endowment or livestock herd of the enterprises increased further. Whereas the average acreage cultivated in 1974 by a cooperative crop production department (KAP) was still about 3700 hectares, the 1979 land endowment of an LPG (plant production), of a ZBE (P) [inter-

Table 1. Agricultural Enterprises in the GDR - 1976, 1978 and 1980

(1)	Betriebsform	1976	1978	1980
(2)	VEG (P)[1]	25	114	121
(3)	VEG (T)[2]	442	343	324
(4)	VEB KIM	30	31	33
(5)	Volkseigene Betriebe insgesamt	497 (493)	488 (487)	478
(6)	KAP/ZBE (P)	912 (1024)	414 (379)	93
(7)	ZGE (TV/ZBE (T)	360	336	289
(8)	Kooperative Einrichtungen insgesamt	1272	750	382
(9)	LPG (P)	209 (161)	721 (782)	1017
(10)	LPG (G)	●	●	31
(11)	GPG	287 (241)	287 (217)	213
(12)	LPG (T)[3]	3409 (3421)	3221 (3019)	2944
(13)	Genossenschaftliche Betriebe insgesamt	3905	4229	4105
(14)	Landwirtschaftliche Betriebe insgesamt	5684	5467	4675

1. Including state farms producing fruit, vegetables and ornamental plants.

2. State farms engaged in animal production and state farms with a traditional production structure.

3. Animal production LPG's, including Types I-III LPG's.

Sources: "DDR-Landwirtschaft kurz beleuchtet," [An Overview of the GDR Agriculture], Berlin (East) 1977, p 7 - "Die Volkswirtschaft der DDR," [The GDR National Economy], Berlin (East) 1979, p 164 - PRESSE-INFORMATIONEN, No 64, 1980, p 5f.
In parentheses: Data from the Statistical Yearbook of the GDR, 1979, p 156.

Key:

1. Type of enterprises
2. State farms (plant production)[1]
3. State farms (animal production)[2]
4. State farms (industrial fattening combines)
5. State farms, all together
6. Cooperative crop production departments/Interplant facilities (plant production)
7. Intercooperative facilities (animal production)/Interplant facilities (animal production)
8. Cooperative facilities, all together
9. LPG (plant production)
10. LPG (G) [expansion unknown]
11. Horticultural producer cooperative
12. LPG (animal production)[3]
13. Cooperative enterprises, all together
14. Agricultural enterprises, all together

plant facility, plant production] or of a KAP averaged about 4800 hectares of agricultural area. The livestock herd per animal production enterprise increased from about 1250 cattle units[1] in 1976 to about 1500 in 1979.[2]

The development of plant and animal production enterprises is not merely a formal organizational or legal step; rather it entails significant social and economic changes; this is already evident in the model statutes adopted in 1977, which not only do not restrict the rights of cooperative members, but also give LPG workers and employees the privileges which, until then, had been reserved to cooperative members (personal households, election of the executive committee, etc.). The new LPG's, which have little left in common with the enterprises which existed under that name in the 1960's, "correspond to a higher level of development of cooperative property. Compared to the former LPG's, they represent a higher degree of production socialization and are getting closer to national ownership."[3]

This "approaching closer" has taken concrete forms, especially in plant production, so that "in the past few years, 86 state farms have been developed from KAP's..., in which national ownership predominated."[4]

Further, the industrialization of plant production enterprises has led to the constant development of new and extreme work peaks which, as a rule, can be handled only through the use of a non-agricultural labor force (students, forestry and industry workers, members of the National People's Army), and/or the seasonal use of animal caretakers in plant production enterprises. As a counterpart, in its off-season, the labor force of plant production enterprises is sent to the forests, to kreis enterprises for agricultural equipment (KfL's), to animal production enterprises, etc. Thus, a total of 363,000 work days were performed in state forest enterprises[5] in 1980, and in the winter of that same year 5500 cooperative farmers from plant production enterprises were employed in the KfL's.[6]

This exchange of labor forces between enterprises which are sometimes located far from one another and are mostly involved in different types of production makes it increasingly necessary "for cooperative farmers to learn a second job."[7] In addition, it also requires "much comprehension and goodwill on the part of cooperative farmers and workers"[8] who, in the course of the year, may be shuttled not only between the five to eight villages belonging to their enterprise, but also between agricultural and non-agricultural activities.

In addition, the creation of ever larger operational units has led to an exaggerated increase in the distances over which persons and goods must be transported within an enterprise. In 1978, in agriculture, the average distance of personnel transportation was about 12 km[8] (in plant production as well as in animal production enterprises); the average distance of transportation for fertilizers, forage and stable manure had increased from 4 km in 1967 to 8 km in 1977.[9]

The fact that valuable time must be used for this kind of transportation and that, at the same time, the proportion of Diesel fuel used for transportation and transloading (about 40 percent)[10] has become almost equal to that used for all soil cultivation, crop harvesting and machines "on the road," has led many enterprises to question whether most work and production brigades (ploughing and harvesting

brigades, and fodder, root crop and grain brigades) which are created according to the needs, would not be better replaced by permanent brigades organized on a territorial basis. The members of these brigades would be taken from among the inhabitants of one or two of the villages of the LPG considered and would carry out all the work which need be done, from soil cultivation to harvesting, in the restricted territories which would be assigned to them. This would also facilitate the calculation and distribution of premiums according to performance, and would encourage the farmers to feel responsible for "their land" (to the extent that such a responsibility can still exist). This has been expressed more clearly by the director of the Koenigsee cattle raising ZGE [intercooperative facility] in a "reader's letter" to the NEUE DEUTSCHE BAUERNZEITUNG: "With respect to the organization of plant production strictly according to product and technology, I often wonder who is actually responsible for the soil. What I mean is that one specialized troup can always put the blame on another."[11]

The lack of responsibility of cooperative members, which results from their increasing alienation from "their land" due to the constant creation of new types of organizations and management structures in production units which are steadily becoming larger and harder to oversee, is a problem which has been and remains one of the decisive obstacles to definite productivity increases in the agricultural sector of the GDR.[12]

On the Importance of Agriculture in the GDR

Compared with other highly-developed national economies, that of the GDR still relies to a large extent on agriculture and forestry. In 1979, 13.4 percent of the labor force, and 12.7 percent of the capital goods of all production sectors were required by these two sectors, although they contributed only 9.5 percent of the net product (see Table 2). At the same time, the relative stagnation of the net product they yield, together with the insignificant reduction in the labor force they employ, led, during the late 1970's, to a further widening of the productivity gap between those employed in the industry and those employed in agriculture. Whereas, for all production sectors, the net product per person employed in 1979 was about 14 percent higher than in 1975, that increase was only about 3 percent in the forestry and agricultural sectors. True, the gross product of agriculture and forestry for 1979 was 11 percent higher than in 1975, but this is almost exclusively due to the exaggerated increase in production consumption which rose from about 62 percent of the gross product in 1975 to almost 66 percent in 1979. The steady increase in the proportion of previous industrial work involved (machines, energy, fertilizers, etc.), however, is a typical phenomenon in modern agriculture and should not be considered as specific to the path of agricultural "industrialization" chosen by the GDR.

The fact that the share of agriculture and forestry in the total capital goods of the production sector remained almost constant, although their share in the investments showed a marked tendency to decline, can be explained only by the fact that the depreciation time adopted for buildings and architectural structures does not at all reflect their actual service life[13] and that, therefore, the total capital goods of the agricultural and forestry sectors are overvalued.

Table 2. Agriculture and Forestry in the GDR National Economy - 1975-1979

(1)	Parameter	1975	1976	1977	1978	1979
(2)	Nettoprodukt (Mill. M)	16002	14[illegible]	15877	15[illegible]	16120
	1975 = 100	100	89	99	98	101
(3)	Anteil[1]	11,1	9,5	10,1	9,8	9,5
(4)	Berufstätige	885	879	874	877	878
	1975 = 100	100	99	98	99	99
(3)	Anteil[1]	13,9	13,8	13,5	13,5	13,4
(5)	Grundmittelbestand (Mill. M)	47[illegible]	50[illegible]	52670	55[illegible]	57[illegible]
	1975 = 100	100	105	110	116	121
(3)	Anteil[1]	13,1	12,9	12,9	12,6	12,7
(6)	Investitionen (Mill. M)	4979	5[illegible]	5301	5180	5000
	1975 = 100	100	102	107	103	100
(3)	Anteil[1]	14,7	14,0	13,9	13,3	12,7
(7)	Bruttoprodukt (Mill. M)	42602	41719	44702	46[illegible]70	47234
	1975 = 100	100	98	105	109	111
(3)	Anteil[1]	11,5	10,7	11,0	10,8	10,8
(8)	Produktionsverbrauch (Mill. M)	26[illegible]00	27491	28625	30275	31114
	1975 = 100	100	103	108	114	117
(3)	Anteil[1]	11,8	11,4	11,4	11,5	11,4

1. In percent of the production sector.

Source: Statistical Yearbook of the GDR, 1979 and previous years, and Statistical Handbook of the GDR, 1980.

Key:

1. Parameter
2. Net product (million marks)
3. Proportion[1]
4. Number of persons employed
5. Total capital goods (million marks)
6. Investments (million marks)
7. Gross product (million marks)
8. Production consumption (million marks)

Besides, these monetary evaluation criteria are of limited usefulness when it comes to making comparisons with other branches of the national economy, especially so since the difference in the price structures of industry and agriculture, and the fact that prices are determined centrally in accordance with the guidelines of the GDR leadership, do not facilitate clear-cut statements in this respect. Although the prices of agricultural products have not changed since 1976, and although the means of production have been frozen at the 1976 price levels through subsidies from the state budget (5.156 billion marks in 1979),[14] the prices of industrial products have varied several times in the past few years (usually upward).

On the Five-Year Plan 1976-1980

The priority objective of agriculture under the last five-year plan was to increase the total yield of plant production over the period 1976-1980 so as to reach 120 percent of the average of the previous plan.[15] The plan focussed on increasing grain, fruit and vegetable production, and potato and sugar beet yields, "to ensure that our national production will increasingly contribute to feeding the population and supplying the industry with raw materials."[16]

Apart from the fact that, until now, rates of growth like those set for plant production have never been achieved in the GDR, the weather conditions prevailing during the summer of 1976—which we have already mentioned—had rendered the five-year plan objectives absurd even before the plan had been published. In addition, a total investment increase of about 11 percent over the previous plan was intended, among other things to enable doubling the areas on which the soil should be improved, to procure many more, and more efficient machines and equipment, to accelerate straw pelletization and the production of mixed feed, and to achieve a decisive progress in the "industrialization of animal production." Such a disproportionate gap between planned input and expected output also amounts to programming failure in achieving the objectives assigned; it should have no place in a "planned-development national economy."

In contrast with plant production, relatively small rates of growth had been anticipated in animal production. This was intended to reduce the dependence of animal production on protein feed and feed grain imports (which had considerably increased during the early 1970's), especially as these had to be obtained from capitalist countries or on the world market, and paid for in hard currencies. For the same reason, it had been intended to raise straw and whole-plant pelletization to 3.3 and .63 Million tons respectively, and to increase the legume acreage.

On Plan Fulfillment

As is shown on Table 3, the measures taken under the five-year plan to increase the yields which, broadly understood, also include the supply of mechanization instruments, have been implemented only partially. Whereas the period 1976-1980 saw increases of about 14 and 31 percent over the previous plan in the acreages brought respectively under subirrigation and sprinkler irrigation, the objectives set, involving total acreages averaging respectively 104,000 and 64,000 hectares, were realized only in a proportion of 2/3. The marked decrease in new acreage brought under irrigation in 1979 and 1980 may also be due to the fact that, following the speeding up of the 1978 silo construction program, the work priorities for soil improvement enterprises had been revised.

In view of the increased transportation expenditures of the large agricultural enterprises, and of the relatively high (30 percent) share held by truck transportation in their internal transportation expenditures,[17] a speeding up of the construction of the farm-road system is urgently needed; it has not even been attempted yet, as can be seen from the both meager and declining performances in road construction.

Table 3. Results of the 1976-1980 Five-Year Plan for Selected Previous Work

(1) Maßnahme	1976	1977	1978	1979	1980	Plan 1976/80
(2) Meliorationen:						
(3) Bewässerungsflächen (1000 ha)	61,8	65,0	60,9	57,9	48,1	Ø 104,0
darunter:						
(4) Beregnungsflächen (1000 ha)	44,5	47,3	46,8	40,4	27,5	Ø 64,0
(5) Wirtschaftswegebau (km)	571	669	770	763	●	●
(6) Auslieferung von Düngemitteln (1000 t Reinnährstoff)						
(7) Stickstoff	754,9	770,8	784,0	747,8	●	940
(8) v.H. der Produktion	97,3	91,9	87,9	85,4		
(9) Phosphor	484,8	487,0	450,9	410,4	●	530
(8) v.H. der Produktion	100,4	105,0	104,4	101,3		
(10) Kali	623,9	471,7	485,1	548,5	●	660
(8) v.H. der Produktion	19,7	14,6	13,7	16,2		
(11) Maschinenbereitstellung (Stück)						
(12) Traktoren	5725	5629	6411	7666	●	Ø6000
(13) Mähdrescher	1500	913	381	278	●	Ø1410
(14) Schwadmähher	●	759	400	298	●	Ø1080
(15) Exaktfeldhäcksler	●	1000	597	254	●	Ø1000
(16) Produktion von Futtermitteln (1000 t):						
(17) Strohpellets	1413	1492	1394	1200	>1000[2]	3300
(18) Trockengrün	505	738	773	●	●	750
(19) Ganzpflanzen	382	113	172	●	●	630
(20) Mischfutter	4927	4698	5138	5500[2]	●	6120

1. Estimated - 2. Planned for 1979

Sources: Law on the Five-Year Plan (see Footnote 15) - Statistical Yearbook of the GDR, 1979 - Statistical Handbook of the GDR, 1980 - Collective authorship: "Die Landwirtschaft der DDR," [The Agriculture of the GDR], Berlin (East) 1980, as well as Plan Fulfillment Reports.

Key:

1. Measure
2. Soil improvements
3. Irrigated areas (1000 hectares) of which:
4. Sprinkler-irrigated areas (1000 hectares)
5. Farm-road construction (km)
6. Fertilizer deliveries (1000 tons net nutrients)
7. Nitrogen
8. Percent of production
9. Phosphorus
10. Potash
11. Machines available (units)
12. Tractors
13. Combines
14. Harvesters
15. Precision field straw-cutters
16. Feed production (1000 tons):
17. Straw pellets
18. Dry green fodder
19. Whole-plant fodder
20. Mixed fodder

Although the mineral fertilizer consumption of the GDR agriculture had to be considered extremely high already in 1975—even compared with West European countries—the five-year plan provided for increases in nitrogen and phosphate consumptions (of respectively 260,000 and 90,000 tons), whereas potash consumption was to be reduced by 57,000 tons(approximately 8 percent). During the last five-year plan, however, raw material cost increases and the resulting burden placed on the foreign-trade balance forced to increase the exportations of the potash salts mined in the GDR and of its nitrogen fertilizer production, and to reduce its raw phosphate importations, so that--in spite of the existing production capacity--domestic supply could not be ensured as originally planned. In the case of nitrogen fertilizers, there was even a reversal of trade: The GDR, still a net importer of nitrogen fertilizers under the 1971-1975 plan, became a net exporter in this sector--to the prejudice of its own agriculture; the prices it paid for soviet oil and natural gas, being lower than world-market prices, definitely gave it a competitive edge over those producers who depended on OPEC. The supply of harvesting combines and machines for the production of raw fodder showed a tendency to decline; in addition it remained well under the planned estimates,[18] in spite of a steady expansion of the production of agricultural machinery. Here too--and especially after 1977—it appears that certain machines which had been intended for the GDR agriculture were reassigned to be exported. This is corroborated by the fact that the smallest deficits of the plan (approximately 12 percent) are recorded for tractors which, as a rule, are imported under contractual agreements, and that, in addition, these deficits are partly offset by the high performances of the 22,255 tractors (i.e. 82 percent of all imported tractors) imported from the USSR during the period 1976-1979. By comparison, the number of GDR-produced units supplied to the agriculture decreased from 2736 in 1976 to 1060 in 1979, i.e. by 61.3 percent.[19]

Even if one considers the increase in the average horsepower performance per tractor (from 55.7 HP in 1976 to 62.5 HP in 1979),[20] given a total of 140,000 tractors in the GDR agriculture the average reproduction rate is a good 12 percent per year, which corresponds to a theoretical required service life of about 16 years; this rate is much too small and leads to an exaggerated proportional increase in service and maintenance costs which, already in 1977, when they represented 18 percent of the gross value of the mobile machinery, were about twice as high as the depreciation cost of these machines.

It appears that, as early as 1977, increased energy costs forced a revision of the initallly planned increases in straw-pellet production and whole-plant pelletization which were to have reached 3.3 million tons and 630,000 tons respectively by 1980. First, no improvement in feed value can be achieved through straw pelletization without soda lye or ammonia hydrolization; but, until now, only about 30 percent of the drying and pelletization facilities possess the necessary technical prerequisites. Then, the high amount of energy required to dry and pelletize straw and whole plants is out of proportion with the nutritional value added to the final product; this is also why the production of whole-plant corn pellets was abandoned.[21]

The deliveries of important intensifying products to the GDR agriculture, which, in certain respects, were insufficient and declined during the 1976-1980 plan, have naturally affected agricultural performances (although we do not mean to imply

Table 4. Evolution of the Animal Production Productivity in the GDR - 1975-1979

(1)	Merkmal	1975	1976	1977	1978	1979
(2)	Milchleistung[1] (kg/Kuh)	3800	3760	3714	3668	3673
(3)	Rindfleischproduktion[2] (kg LM/Kuh)	359	341	310	323	314
(4)	Schweinefleischproduktion[3] (dt LM/Zuchtsau)	12,8	12,7	12,7	12,4	12,4

1. Converted to 3.5 percent fat content.

2. Beef cattle production (steers and calves) in relation to the cattle herd at the end of the previous year.

3. Production of pigs for slaughter (including herd variations) in relation to the number of breeding sows at the end of the previous year.

Key:
1. Criterion
2. Milk yield[1] (kg/cow)
3. Beef cattle production[2] (kg of foodstuffs per cow)
4. Pork production[3] (decitons of foodstuffs per breeding sow)

that increased fertilizer expenditures and more machines can replace a well-organized exploitation). When almost 10 percent of the sugar beet crop is not yet harvested by mid-December because of a lack of operational machinery, when 45 percent of all plant production enterprises engaged in sugar beet and potato cultivation are unable to observe the required rest periods already at the time of planting,[22] declines in crop yields can hardly be avoided.

As we have already mentioned, compared with 1975, the planned rates of growth for the state production of slaughter animals (+ .6 percent), milk (+ 7.3 percent) and eggs (- .1 percent) were small or nil. But the fact that, during the period 1976-1977, the state production of slaughter animals declined to below the 1975 level cannot have been planned, no more than the decline in the productivity of the cattle (except the dairy cows) and pig herds (see Table 4). What we see here is first the lack of progress in reducing animal losses, the insufficient utilization of feed and the insufficient weight increases during the fattening period; ther, the effects of yet unsolved veterinary problems, both medical and prophylactic, which occur in industrial animal production facilities.[23]

After 1968, the creation of these facilities, requiring large investment, not only tied up funds which were urgently needed for the modernization of existing stables, and increased the lag in the working conditions of those employed in animal production, but it also brought about an increase in the number of animals kept in the GDR agriculture which, in part, exceeded the newly-built stable capacity.[24]

The positive conclusion of the five-year plan, i.e. the fulfillment of the objectives set for animal production in the 1980 economic plan,[25] should not conceal the fact that, compared with the 1971-1975 plan, the overall evolution has been negative. The cattle and pig herds were respectively 7 and 19 percent larger in 1975 than in 1970, which corresponds to an increase of about 34 percent in the number of slaughter animals; but the increase in that number from 1975 to 1980 was only about 1 percent, although there were 3.4 percent more cattle and 12 percent more pigs. In other words, the production increase has been achieved exclusively through an exaggerated expansion of the livestock herd and not, as it should have been, through a higher average yield per individual animal.

The animal production enterprises are only partly responsible for this state of affairs. The difficulties and irregularities they have experienced in obtaining (raw) fodder, as a result of the operational separation of animal and plant production enterprises, and the small rate of increase in fodder importations compared to that in livestock herds at a time when overall yields in plant production remained stagnant, i.e. the relative shortage in the amount of feed available per animal, were not as a rule the result of anything animal production enterprises did, nor was there anything they could have done about it.

The careful reorientation of investments, which started after 1977 and continued with the resolution dated 8 May 1980,[26] and was intended to speed up the modernization of the existing stables and facilities, will certainly not increase significantly the livestock herd productivity, but it offers much better chances of increasing work productivity than a one-sided concentration on the creation of industry-like facilities. As Honecker said again at the 10th Session of the Central Committee in 1979: "Because, what seemed right 5 or 10 years ago often presents itself in an entirely new light now that economic conditions have been fundamentally altered."[27] In addition, it could offset the expected departure of superannuated personnel employed in animal production, and, without reducing production, reduce the overtime which, in these enterprises, amounts to 300 hours per employee. However, the actual causes of the unsatisfactory results, the insufficient productivity of agricultural production, would remain the same.

It is impossible to say whether Honecker had the five-year plan objectives for plant production in mind in his final address to the Ninth Session of the Central Committee (1978), when, referring to yields per hectare, he required: "The figures quoted in the plan must be figures that can actually be achieved."[28] Unquestionably, however, these objectives could not be achieved. And the fact that, under the last plan, the planned yield level of at least 46 decitons of grain units per hectare of agricultural area has not once been achieved or even approached, and that the highest yield per hectare to-date (44 decitons of grain units in 1974) dates back to the period preceding the final separation of animal and plant production, do not speak in favor of the agro-political concepts of the GDR leadership.

Among these results, which are not very positive as a whole, we can however note the development of differing trends. Although, on the average, about 4 percent more grain was harvested during the period 1976-1980 than during the period 1971-1975, the planned increase over 1971-1975, i.e. an average of .8 million tons of grain per year for 1976-1980, was achieved to the extent of only 41 percent (.33 million tons). Here--as in the case of per-hectare yields--it makes sense

Table 5. Comparison of the Results Obtained in Plant Production With the Minimum Objectives of the 1976-1980 Five-Year Plan and With the Results of the Years 1971-1975

(1) Merkmal	1971/75 = 100,0		Plan[1] = 100,0		Plan 1976/80	
	1976/80	1977/80	1976/80	1977/80	absolut (11)	in vH[1] 1971/75 (12)
(2) Erntemenge:						
(3) Getreide	103,8	105,2	95,1	97,3	9,5–10,5 Mill. t	109,2
(4) Hülsenfrüchte[2]	93,6[3]	105,3[4]	39,2[3]	42,7[4]	0,3–0,35 Mill. t	248,9
(5) Hektarerträge						
(3) Getreide	98,9	101,4	88,5	91,8	41– 41 dt	110,5
(6) Kartoffeln	101,7	111,3	87,5	95,6	200–225 dt	116,4
(7) Zuckerrüben	95,1	102,9	76,6	82,0	350–360 dt	135,4
(8) Grün- u. Silomais	93,3	101,9	69,6	72,7	rd. 440 dt	140,1
(9) Feldfutter	117,7	125,3	98,1	104,4	rd. 380 dt	120,5
(10) Wiesen u. Weiden	118,0	121,4	88,3	90,3	rd. 380 dt	134,5

1. Minimum objectives - 2. Fodder and edible legumes - 3. 1976-1979 - 4. 1977-1979

Sources: "Die Landwirtschaft in der DDR," [The Agriculture of the GDR], Berlin (East) 1978, p 73 - "DDR-Landwirtschaft kurz beleuchtet," [An Overview of the GDR Agriculture], Berlin (East) 1977, p 13 - Collective authorship: "Die sozialistische Intensivierung...," [The Socialist Intensification...], p 25 (see Footnote 1) - Author's calculations - Statistical Yearbook of the GDR, 198&, pp 176-177

Key:

1. Criterion
2. Harvest size
3. Grains
4. Legumes[2]
5. Yields per hectare
6. Potatoes
7. Sugar beets
8. Green corn and silo corn
9. Field fodder
10. Meadows and pastures
11. Absolute value
12. In percent

(considering the particular conditions existing in 1976) to compare the results for 1971-1975 and the figures included in the plan for 1976-1980, not only with the results for the entire planning period, but also with those for the period 1976-1980 (see Table 5); the overall deplorable picture of an overwhelming underfulfillment of the five-year plan objectives is, however, not much improved that way.

The figures indicated in the plan show that--compared with the average for the five years of the 1971-1975 plan--the grain yields per hectare were expected to increase relatively faster (+ 10.5 percent) than the total grain yield. In addition, the plan expected the legume crop to increase 2.5 times; this would have avoided a further increase in plant-protein fodder importations which had increased from .637 million tons in 1971 to .875 million tons in 1975, since these, like the grain importations, which followed a tendency to increase, can increasingly be obtained only from non-socialist countries and must be paid in

scarce foreign currencies. Considering that the grain acreage has increased by about 5.2 percent, and that the second and third best crops in the GDR history have been harvested during the last plan (9.8 million tons in 1978 and 9.6 million tons in 1980), the stagnation recorded in the yields per hectare is hard to understand, all the more so as the FRG's yields per hectare increased by 4.5 percent during the same period (1976-1980).

This phenomenon can be explained to a certain extent only if one considers that the sugar beet yields, although relatively low, are also stagnating, as are the potato yields, which are 30 to 40 percent lower than those of the FRG. Potatoes as well as sugar beets place high demands on the structure of the soil and its humus content. In addition, when not planted and tended at the right time, they respond with considerable yield decreases. If, however, as Grueneberg reports, about 50 percent of the GDR's farmland suitable for sugar beets shows some amount of soil compacting, if only 65,000 plants on the average are grown per hectare, and if many enterprises have sugar beet harvesting losses of between 30 and 35 percent,[29] if planting is done during the optimum period only 30 percent of the time, and if the winter furrows are ploughed too late on 50 to 75 percent of the sugar beet acreage,[30] then it is possible to draw definite conclusions even with respect to other crops. Add to that the fact that the harvesting capacities are calculated rather conservatively, which, in the case of grains, can quickly lead to yield decreases (losses, broken ears, overgrowing, premature sprouting). It is probably not without reason that, at the 13th Session of the Central Committee, the director of the Priborn plant production LPG, central committee member Fritz Dallmann, required "that the area assigned to each combine should not exceed approximately 130 hectares, less if possible."[31] Furthermore, the consistent specialization of the enterprises, which resulted in considerable problems in the organization of crop succession, led in the end to the recognition that "the high concentrations of sugar beet crops between kreises and in farming enterprises is unjustified and unjustifiable for agricultural reasons," and must be abandoned.[32]

On the other hand, the insufficient yield increases in corn crops, and the difficulties experienced in breeding early hybrid corns are to be blamed on the fact that sowing is usually late, since silo corn in the GDR is usually planted after the winter intercrops. For almost identical mass and energy yields per hectare cultivated, this way of growing silo corn results in production costs and labor and fuel expenditures which are respectively about 50, 80 and 43 percent higher than for main-crop silo corn.[33]

The yields have markedly increased only on grassland and in field fodder cultivation, which must no doubt be considered as a significant success. In spite of the negative effects of 1976, the yields of these areas during 1976-1980 increased by about 16 and 17 percent respectively over those of 1971-1975, i.e. the yield increase indicated in the plan was almost achieved--even exceeded if one considers the average for 1977-1979. This is especially significant because, were it not for the productivity increases in this sector, the yield level for 1979-1980, as far as plant production is concerned, would have fallen below that of 1971-1975 and, due to the scarcity of foreign currencies and the unability of CEMA countries to supply grains, both animal production increases and livestock herd expansion would have been impossible.

Overall, during the last five-year plan, the GDR agriculture—especially in the plant production sector—has functioned more as a "brake to the overall economic development" than it has contributed to it. The reasons for that lie in part outside agriculture (upstream sectors) which, therefore, cannot really change them. But a decisive part may well have been played by the operational difficulties which resulted from the exaggerated specialization of agricultural production, and by the continued disregard for the simplest soil-cultivation requirements, neither of which can be neutralized by a socialist agricultural production system that operates like an industry.

The demand presented by Honecker at the Ninth Session of the Central Committee (1978): "What we need is more stable yields, to enable a more effective utilization of our livestock herd without large grain and fodder importations,"[34] has not lost any of its actuality. But no decisive change will occur as long as, under the doctrine of the absolute superiority of large enterprises, the agricultural policy of the GDR will consist in dealing with the weaknesses of existing enterprises merely by replacing these enterprises with ever larger and increasingly involved forms of enterprises and organizations.

FOOTNOTES

1. See: Collective authorship: "Die sozialistische Intensivierung und der Uebergang zu industriemaessigen Productionsmethoden in der Landwirtschaft" [The Socialist Intensification and the Transition to Industry-Like Methods of Production in Agriculture], Berlin (East) 1978, p 87.

2. Hoell, G., "Die Agrarverhaeltnisse im Sozialismus" [Agricultural Conditions in Socialism], Berlin (East) 1980, p 96.

3. Ditto, pp 92-93.

4. Heidrich, L., "Was gibt es Neues auf dem Lande" [What is New in the Country], Berlin (East) 1977, p 20. - See also: Collective authorship, "Die sozialistische Intensivierung...," (Footnote 1), pp 77-94. - "DDR Landwirtschaft kurz beleuchtet" [An Overview of the GDR Agriculture], Berlin (East) 1977, p 10.

5. Ruethnick, R., "Toward the 10th SED Party Congress with Renewed and Increased Initiatives," SOZIALISTISCHE FORSTWIRTSCHAFT, No. 1, 1981, pp 4 and following.

6. "Experienced Collectives," BAUERN-ECHO, No 4, 1981, p 2.

7. "Lessons of the 1977 Harvest," NEUER WEG, No 6, 1978, Supplement, pp 223 and following.

8. Hey, W., "Personal Transportation in Agriculture," KOOPERATION, No 8, 1976, pp 384 and following.

9. Rothnauer, A., "Along the Road to Cooperation, to Improve the Effectiveness of Agricultural Goods Transportations," KOOPERATION, No. 6, 1979, pp 279 and following.

10. See Kunze, A., "The Rational Use of Energy in Soil Cultivation," FELDWIRTSCHAFT, No 1, 1981, pp 3-5.

11. Hercher, H., "So No One Can Find Excuses," NEUE DEUTSCHE BAUERNZEITUNG, No 11, 1980, p 6.

12. Information on other causes of unsatisfactory soil productivity in the GDR can be found, among others, at different places in the study: Lambrecht, H., and Merkel, K., with the collaboration of Steinbeck, W., "Consumption and Production of Agricultural Products in the GDR - Analyses and Forecasts," LANDWIRTSCHAFT - ANGEWANDTE WISSENSCHAFT, No 240, "GDR Agricultural Policy," Muenster-Hiltrup 1980.

13. See also: Krebs, C., "Importance and Extent of Investments in the GDR Agriculture," in FS-ANALYEN, No 8, 1975.

14. See: GESETZBLATT DER DDR, Part I, No 37, 1975, and Offprint No 808.

15. See: "Law on the Five-Year Plan for the Development of the National Economy of the GDR, 1976-1980," GESETZBLATT DER DDR, Part I, No 47, 1976, p 520.

16. Ditto, p 526.

17. Collective authorship, "Die Landwirtschaft of the GDR" [The Agriculture of the GDR], Berlin (East) 1980, p 143.

18. No figures are given for 1980.

19. Calculated as the number of tractors supplied, minus the total number of imported tractors.

20. Calculated from the data given in the Statistical Yearbook of CEMA Countries, Moscow, 1980, p 247.

21. "10 Theories on Corn Cultivation," BAUERN-ECHO, No 33, 1981, p 5.

22. See: Liste, H.J., and Gerdes, K., "Increasing Soil Productivity and Yields Through Stable Crop Successions," KOOPERATION, No 12, 1980, pp 539-542.

23. More details can be found in: Hohmann, K., Kurjo, A., Merkel , K., Schmitt, H., and Schneider, H., "GDR: Industry-Like Organization of Animal Production," LANDWIRTSCHAFT - ANGEWANDT WISSENSCHAFT, No 241, Muenster-Hiltrup, 1980.

24. See: NEUES DEUTSCHLAND, No 296, 1978, p 8.

25. NEUES DEUTSCHLAND, No 14, 1981, p 4.

26. Decision Concerning the Evolution of Economic Measures in the Socialist Agriculture and Foodstuffs Industry From 1981 on, GESETZBLATT DER DDR, Part I, No 16, 1981 [sic - No 16, 1980].

27. "Toward the 30th Anniversary of the GDR," NEUES DEUTSCHLAND, No 100, 1979, p 3.

28. "Looking Forward With Optimism to a Year of New Struggles and Victories," NEUES DEUTSCHLAND, No 296, 1978, pp 3-4.

29. "Objective, Direction and Tasks for a Further Intensification of Sugar Beet Production and Processing," KOOPERATION, No 7, 1980 (Supplement), pp 309-314.

30. Stielicke, H., "Vierjaehrige Ergebnisse der Nutzung des 'Datenspeichers Schlagbezogene Kennzahlen - Zuckerrueben' zur Produktionsdurchfuehrung unter Beruecksichtigung der Reproduktion der Bodenfruchtbarkeit sowie Schlussfolgerungen zur Verbesserung der Datenerfassung and Auswertung mit der Normativschlagkartei" [Quadrennial Results of the Utilization of the 'Data Bank Indicators by Species - Sugar Beets' to Carry out Production Under Consideration of the Reproduction of Soil Fertility, and Conclusions Concerning the Improvement of Data Collection and Evaluation Using the Normative Card-Index by Species], Thesis, Academy of Agricultural Sciences, Plant Production Research Branch, Berlin (East) 1979.

31. "The Long-Range Objectives of the Plan are the Yardstick of our Actions," NEUES DEUTSCHLAND, No 294, 1981, p 10.

32. "Objective, Direction and...," (see Footnote 29), p 313.

33. Watzke, G., Schuppenies, R., Bockholdt, K., "The Production of Silo Corn Having a High Dry Matter Content Through the Observation of Optimum Planting Times," FELDWIRTSCHAFT, No 2, 1981, pp 71-74.

34. "Looking Forward With Optimist...," (see Footnote 28), p 4.

Industrialization Continues

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 21 Jul 81 p 9

[Article by Hans Herbert Goetz: "Higher Yields in the Fields and in the Barns--Honecker Spurs Agriculture"]

[Text] Where does the GDR's agriculture stand? This question was raised these weeks, as once again the AGRA, that large and representative agricultural exhibition, is attracting large crowds at Leipzig-Markkleeberg. The 10th Congress of the SED has drawn a balance and defined the tasks of the Five-Year Plan 1981-1985. Not only the industrial and energy policies of the GDR, but its agricultural policy as well, must face new, hard, economic and political realities. The unrest in Poland has given the GDR leaders a drastic demonstration of the threatening consequences (from a communist point of view) which will ensue when a communist state is no longer able to feed its people.

This is why the requirement to increase production at the lowest possible cost has now been placed in the foreground. Of course, the GDR leaders, who have always pursued their agricultural policy step by step, in a radical and consistent manner, can point out that their alimentation standards are relatively high; if purchasing the modest choice of meat, fruit or vegetables available still requires standing in line for a long time, it has less to do with the agriculture than with the socialist organization of the retail trade. From the point of view of the communists, viewed on a "Polish" background, the decisive factor is that the consumer has enough food.

The party leaders are not quite satisfied. For grains and especially for grassland and field fodder crops, the situation is not bad, although the grain yield objectives have not yet been fully achieved. When it comes to root crops, the situation is just as bad as before: at Markkleeberg, the words "our desperate situation" in connection with potatoes and sugar beets even came to the lips of a high official. The yields here, compared with those of West European producers, are modest, and Honecker has expressed some blunt criticism at the SED Congress. There are several reasons for this backwardness. From a Western point of view, it has something to do with the size of the enterprises (5000 to 7000 hectares) where the tillage of the soil, especially important for potato and sugar been crops, is still not satisfactory. In addition, the seeds are often not good and the very heavy machinery "compacts" the soil which, also as a result of specialization, contains much too little humus. No wonder then, that the exhortations to improve tillage and do more to preserve soil fertility are becoming more pressing all the time. The AGRA shows, almost as in "Alice in Wonderland," what the solutions to these "complex problems," what the GDR's agriculture of tomorrow should be like. The agropolitical future is wonderful: wind energy will be exploited and used for irrigation. Industrial robots will be used at central repair stations; microelectronics will become common on the farm; the cooperatives will be equipped with grain loss counters. And the huge pigpens will operate with "pregnancy detectors." Improved plant breeding will bring high yields; more individual houses will be built. And, another most important point, cooperation will function perfectly, the cooperation between radically separated animal and plant production enterprises.

None of Honecker's words have recently been quoted in agropolitical discussions as often as these: "We have not specialized ourselves to become separated, but to achieve higher yields together, at lower cost, both on the field and in the stables." Honecker and the new politburo secretary for agriculture, Werner Felfe, until then SED Chief in the Halle Bezirk (chemical industry) have one of the weak points of the GDR agriculture in mind when they make this and similar remarks. The requirement for cooperation is not new; cooperation instruments are now at work everywhere to overcome the consequences of specialization. The AGRA demonstrates, as perfectly as only an exhibition can, that cooperation between the separate large enterprises can succeed. The members of management organizations and, of course, the party organization must have the right ideological attitude, i.e. they must know exactly what is politically feasible right now.

They should be technically competent and able to motivate the cooperative members. They should keep alive the feeling that it is for "their" field, for "their" stable that they are responsible, often enough working in shifts. But as Helmut

Hercher, director of a cattle breeding enterprise in Koenigsee (Thuringia) asked: "Now that plant production has been strictly organized by product and by technology, I often wonder who then is responsible for the soil."

Of course, the dialectically trained comrades do not admit in conversation that the lack of a feeling of responsibility might somehow be due to the socialist agricultural policy, not even to the rigorous separation of plant and animal production, which is said to have brought to the enterprises artificial new "conflicts of interest," conflicts until then unheard of between fodder producers and manure users. The questioner is politely and amiably told that he cannot understand this evolution; according to Doctor Richter, one of the new deputy ministers of agriculture, specialization reveals an almost classical case of dialectical contradiction which, within cooperation as a specific productive force, resolves itself at a higher level. It's as simple as that.

The SED demands higher performances not only from the industry, but also from the agriculture. In the GDR, agriculture is now included in the overall economic task. In actual fact this means, among other things, that agriculture no longer receives as many new machines as it would like: the slogan "We must export more" is true for agriculture too. In addition, it must save energy in numerous ways. Formerly, it was said that agriculture was a transportation trade against its will: In socialism, it has become a large enterprise for the transportation of men and materials. The production of straw pellets, these little balls of straw enriched with nutrients at the cost of a high energy consumption, must be drastically cut back: the necessary heating fuel is no longer available, the burners must be converted to raw brown coal. But the GDR will pursue undisturbed its agricultural policy, though at a slower pace.

At the AGRA, in addition to the old fighters, one meets an increasing number of young directors of enterprises, all of them competent agriculturists. From their own experience, they know only the communist agricultural policy, nothing else anymore. Compared to the "brother countries," even to the Soviet Union, they are doing well, they are excelling, and they are proud of it. They hardly know of any modern medium-size farms producing a lot more with less labor, or they have a distorted image of them.

9294
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EXPANSION OF EXPORTS TO LIBYA DESCRIBED

Budapest FIGYELO in Hungarian No 37, 16 Sep 81 p 7

[Article by correspondent I. G.: "Our Expanding Export Market--Libya"]

[Text] Libya today is one of Hungary's important economic partners and markets. This relationship is the result of several decades of development. Barter relations between our two countries began to develop already in the 1960's--mainly as a result of Hungarian exports--, and since 1967 we have also had a foreign trade mission in Libya. However, it was only with the establishment of contractual inter-state relations, that those ties have really began to develop dynamically. In 1974, during an official visit by Libya's prime minister, several agreements were signed, including a long-term trade and economic agreement. (Later on, other inter-state, veterinary, aeronautical and cultural agreements were also added to these.)

During the past 5 years, Hungary's Libyan exports have increased almost fivefold, growing from $11.9 million in 1976 to $54.2 million in 1980. The dynamic pace at which exports developed during the past few years, has continued at the same level this year: the value of Hungarian exports during the period between January and July amounted to $52.1 million, nearly reaching the level of total export revenues received in 1980.

Until now, agricultural products and consumer goods have played a vital role in the expansion of our exports. Last year, for example, 50 percent of those exports consisted of agricultural products and foodstuffs, and industrial consumer goods amounted to about 15 percent. Among our agricultural and foodstuff exports, beef-cattle and calf have been the most valuable items; in 1980, they accounted for about 40 percent of our export revenues. In addition to slaughter animals, we have been continually exporting baby poultry, eggs for breeding, cheese and confectionery goods. Our exports of consumer goods are characterized by a large proportion of textiles and clothing. A relatively small share of our exports--fluctuating between 5 to 10 percent--is comprised of materials and semifinished products. In this group of products, cables--including steel-aluminum aerial lines--are our most steady export items.

Using its export revenues, Libya has been promoting vigorous developments, which encompass every branch of its economy. In spite of this, the share of machines and investment goods in general among our total exports has failed to stabilize, and has been fluctuating every year. (Last year, it amounted to about 16 percent.) So far, we have sold various port-facilities, containers, and during the past few years a

steady number of kilowatt-hour meters and portal cranes to Libya. The number of recently struck business deals and the various Hungarian offers which are presently under negotiation are indications that the diversification of our export structure is just around the corner.

Under a more than $10 million contract, Hungarian construction enterprises have undertaken the building of 1000 new residential units. BUDAVOX [BUDAVOX Telecommunications Foreign Trade Co.] received a contract for $10 million worth of work to build up the telephone cable network of a Libyan city. Under a Hungarian-Soviet third-market cooperation agreement, Videoton is shipping computers and software to Libya to be used in one of that country's most significant industrial investment projects. Also under a third-market cooperation agreement--between an FRG firm and the Chemical Combine of Borsod--, Hungarian experts are involved in helping to install the facilities of a PVC-complex and in directing the production of the already completed factory units. By the way, there are also some Hungarian water-researchers and well-drillers working in Libya.

The base for diversifying our export structure with the addition of more investment goods have been more or less laid down already, as a result of technical-intellectual services which various Hungarian enterprises have provided with the help of TESCO [Office of Technical-Scientific Cooperation]. Libya today still does not have a single railroad line. Its first railroad line which will extend to the Tunesian border, was designed in the 1970's by UVATERV [Road and Railroad Planning Enterprise]. Construction soon began, and under a recently drawn up contract, UVATERV was commissioned for $10.4 million to perform the technical supervision of the project, and under a different contract, to draw up technical plans for the construction of secondary lines. If we consider, furthermore, that under the existing technical-scientific cooperation several (Libyan) railroad technicians are being trained in Hungary, we can also expect this branch of their transportation development to soon be expressing interest in our export products.

In order to diversify their export structure and increase their sales of machines, complete installations and production systems to Libya, Hungarian enterprises have, in addition to intensifying their bidding activities, also expanded and strengthened their market organizations. Earlier only HUNGAROTEX [HUNGAROTEX Foreign Trade Enterprise for Textile Goods] and TANNIMPEX [TANNIMPEX Foreign Trade Enterprise for Leather and Fur] had enterprises in Libya. (TANNIMPEX, in the meantime, has withdrawn its agency.) Today, TERIMPEX [TERIMPEX Foreign Trade Enterprise for Livestock and Crops] and EMEXPORT also have enterprise offices in Tripoli; these, together with the subsidiary enterprises of NIKEX-OVIBER [NIKEX Foreign Trade Enterprise for Heavy Industrial Products-OVIBER National Electric Power Investments] and TESCO-UVATERV, plus a purchasing service make up our permanent marketing organization.

Since the mid-1970's, technical-scientific cooperation has been an integral part of the economic relations between Hungary and Libya. Under this cooperation, Hungary has been training (Libyan) experts--presently 120 railroad technicians--and has been sending its own experts to Libya. Presently, more than 300 Hungarians are working in Libya, and there is a hospital and a clinic, both of which are run by Hungarian medical personnel.

The turnover of goods between Hungary and Libya consists mainly of Hungarian exports, which gives those economic relations a special character. Within this context some practical significance should also be given to the fact, that since the middle of the last decade the volume of Hungarian exports has multiplied, and that the partner country's economic-financial potentials and development programs have generated enough highly valuable import demands to ensure the continued dynamic development of our exports. This is what we should adjust our industrial structure to, including within it a broader spectrum of investment goods and technical and intellectual services.

9279
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COUNTRY'S INDUSTRIAL BASE TO BE ANALYZED, STRENGTHENED

Budapest MAGYAR NEMZET in Hungarian 18 Sep 81 p 5

[Article by Andras Faludi: "On the Agenda of the Economic Committee--the Background Industry"]

[Text] One of the most important conditions for the realization of our economic goals is that we develop an industrial infrastructure that will serve production well. To put it more exactly: let us make up for what we have left undone.

Commissioned by the government, the Ministry of Industry prepared a comprehensive concept and proposal to this end. Bela Pozsonyi, a department head of the ministry, informed one of our colleagues of the details.

Entrepreneurs Sought!

The natural support of the machine industry is metallurgy, and of metallurgy it is mining which in turn needs machinery to carry out and develop its work. In the last analysis, every manufacturing process, in this sense, is the precondition of another process, or of its support.

In the strict sense of the word, what should we regard as a supporting industry? One approach has it that all producer activities belong here which are outside of the production of raw and basic materials, and do not produce final products. According to another definition, we are speaking of items which do not serve final consumption and which, generally speaking, are necessary for the production of other products or product groups, and must be produced in large quantity.

The essence of both definitions is that the support industry is the prerequisite for a smooth pace in large industrial production--for the plants to regularly receive the necessary elements, components, parts, all those "minutiae" down to the last screw without which the work of the great assembly hall would come to a halt. (One of the reasons for the relatively low productivity level of our industry is that sometimes this part or that component is missing from the continuous work.

The expression "support industry" is a bit misleading. We are not speaking here of one industrial branch, like for example with machine tool manufacture or the textile industry, but of industrial activity within a branch and often among branches; and of the amalgamation of many elements which in other respects also play a role in

economic political ideas. For example, it is closely linked with the expansion of cooperation projects, both in domestic and international relations. A similar task is to be found in developing the proper ratio of small, medium and large plants because in general the first two supply the components to the third. But neither is this entirely clear. Because of the uncertainty of supply, many large plants in recent years have organized as a full vertical, and thus manufacture all their own parts and elements for the final product. In such cases, we must make decisions suitable to the given case. It may be that the "purifying" of the full vertical is advisable, or the passing of certain plant of such an enterprise will supply other enterprises as well with its products.

And finally this is what we literally meant by the "development of the support industry": we must find those enterprisers--the branches of large agricultural farms, associations, small enterprises, and even small industrialists--which or who will guarantee the economic manufacture and delivery of one or several products.

The Concern of Various Branches

In general, it may be stated that there are unused producer capacities and production possibilities while at the same time certain products are lacking. The situation would be simple if they dovetailed one another exactly. Unfortunately, this is not the case. Most frequently, we must try to bridge the two kinds of demands with small supplementary investments and organizational measures. The missing support industry may find a place where the production of the plants is not complete; or in agricultural areas where there is manpower and perhaps even a convertible building, but a lack of machinery and production experience. With training and the help of industrail plants, it is possible to develop support bases in such places. Among many other things, the Sixth Five-Year Plan's credit policy prefers such goals, and grants more favorable loan repayment time and interest rates. (It is possible to request loans for such goals from the State Development Bank; OKISZ [National Federation of Artisan Cooperatives] and SZOVOSZ [National Federation of Cooperatives] also help in the development of support plants.)

It is obvious that the clarification of the details of the tasks is an inter-enterprise task: a question of orders and contracts. The various organs of the upper management can help the process with appropriate information, they can discover the areas of shortages, and direct the attention of those with enterprising intent to these places. That an information center can collect all the demands and communicate these to the enterprises. The process affecting the entire economy and the various organs and the organization of the appropriate parts supply is much more complex and manifold than that. The national controller of the area, the Ministry of Industry, supports, for example, the organization of new subsidiary plant branches, the outlays for machinery, and the establishment of new shops. In the National Material and Price Office a special program is being prepared to substitute imported spare parts so that industry and manufacturer can determine what products it might undertake to produce that have been imported up to now.

Concept Under Study

The establishment of a support industry, therefore, is not the task of an industrial branch or sub-branch. It is a matter of such complex activity, series of measures, improvement of cooperation among the plants, and better commercial forms--including

the regulators which promote these--in response to which the parts supply of large industry may be improved.

The tasks are clear, and it is now necessary to find the best methods for implementation. For example, the experts in the Ministry of Industry have determined that--although there are still some reservations about quality--in volume we can supply industry with domestic steel castings, forged and pressed products, and cooper castings. The development plans are ready, the investments have been started as a result of a series of products which will be more plentiful than now.

We must also look into the long range future. A production policy concept is being prepared under the direction of the National Planning Office which is looking ahead to the beginning of the new century: a part of this deals with the future of support industries. In view of the fact that the tasks and conditions in this area change more rapidly than, for example, in energy consumption, this section lays out the tasks not up to the year 2,000 but for the time period 1981-1990.

Since it is not a matter of the problems and possibilities of one ministry, a Support Industry Coordination Committee has been created. This is an inter-ministerial organization that relies most heavily on the Ministry of Industry, which is responsible for this subject, but also represented on it are the ministries of trade, finance and agriculture as well as the Hungarian Chamber of Commerce, the MTESZ [Federation of Technical and Scientific Associations] and other national organs. The goal is to formulate and harmonize tasks. The details and the tasks of a given area are worked out by the basic organs. Such, for example, is the Machine Industry Planning Institute, which deals concretely with those measures which must be taken by the machine industry plants; and the Industrial Economic and Procedural Organization Institute researches the problems of better information acquisition and circulation.

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EXTENT OF PRIVATIZATION IN RETAIL TRADE REVEALED

Budapest FIGYELO in Hungarian 16 Sep 81 p 2

[Article by Dr Erno Herner: "Contractual and Lease Businesses--Private Entrepreneurs in Retail Trade"]

[Text] In the first half year following the introduction of new operational forms for small stores, the enterprises announced 4,000 to 5,000 businesses on a monthly average, and for about a half of these entrepreneurs were found. At the end of the half year more than 900 contractual and 100 lease businesses were operating in the country. This means that about 1 percent of the stores and 4 percent of the restaurants were operated by private enterpreneurs. In the coming months we can count on an increased pace in the changeover.

Results of Negotiations Announced in the First Half Year of 1981 for the Operation of New-Type Small Stores

	Number of Announced Stores	Number of Applications	Number of Businesses Turned Over Under Contract and Lease
Restaurant	258	428	186
Confectionery-expresso	278	573	179
Buffet-bistro	334	399	181
Beverage, and miscellaneous	290	403	160
Total restaurant units	1210	1803	706
Meat store	69	16	7
Vegetable-fruit store	256	123	80
Miscellaneous food store	589	148	83
Clothing store	48	48	24
Miscellaneous industrial items	200	302	112
Total stores	1162	637	306
Total restaurant units and stores	2372	2440	1012

Thus more than one-half of the businesses offered were restaurant units. This is natural since by December 1982 the restaurant industry must terminate the free cashier form, with the exception only of work place buffets and buffets without hot kitchen. Why area distribution is so varied is less understandable and apparently can be ascribed to subjective causes. In the first half of the year, a total of 20 to 40 businesses were announced in some megyes, and 100 to 180 in others.

Eighty percent of the offered businesses belonged to the state, and the afesz [General Consumer and Marketing Cooperatives] started its activity only later. The number of announced and turned-over cooperative businesses in Budapest and several megyes, particularly in recent months, has fortunately begun to increase. However, a number of cooperatives still have not taken the first step. The resolution by the management of a Hajdu megye afesz is indicative of the uncertainty that exists at some places: "The management has decided that the contractual operational form at cooperatives will not be introduced in 1981 and 1982, but in 1983 we shall again have to reutrn to this question and decide once more on contractual operation." This decision is a typical example of the fear of the new, and of excessive caution.

Greater Profits

Anyone can apply for the management of a business who has the prescribed qualifications (professional training and unblemished court record). Among applicants we find former business managers, subordinates, and other business workers. But it is not unusual to find also industrial workers with previous commercial experience, and persons with other backgrounds.

At more than one-third of the businesses that were turned over there was competition for the management of the store. On the average, 5.1 persons applied for these units. In the case of various applicants the business was given to the one who from the point of view of society could operate it the most effectively, or the one who offered the highest lease or lump sum payment from the business revenues attainable during his operation. As a result of the biddings, the starting lump sum figures rose by 150 million forints. This represents by business and by year a profit of 144,000 forints for the enterprises, and thereby for the national economy.

A relatively short time has passed since the first contractual and lease businesses were established, but we can already arrive at certain conclusions--above all, that the system is operable.

The goal of the new-type operational forms was primarily that the population's supply should be improved. Trade of businesses operating under the new forms rose generally by 30 to 40 percent, but a doubling of receipts was not unusual. Consumers, therefore, are glad to seek out these places where they find the goods they need. In wake of the business managers' efforts and with careful work and the solution of purchasing problems, despite the frequent unreadiness of the suppliers, selection improved and adjusted better than heretofore to the demands of the purchases. A better supply promotes more rapid and attentive service, and also a modification of the business hours. Certain businesses have also introduced new services.

A solid price policy is characteristic of these businesses. Many entrepreneurs bide by the principle: heavy trade, small profit. According to the studies of one restaurant enterprise, meal prices in contractual businesses vary between 20 to 40 forints, but between 30 to 60 percent in tight accounting businesses in a similar category.

A basic requirement was the intensification of efficiency. Its realization is attested to by the profits paid in by managers. The businesses turned over during the half-year period operate with twice as much profit in lease and in lump sum as in the previous comparable period. Many units operated at a loss before the turnover, or gained only minimal profits, but now they increase state revenues by a profit of 20,000 to 24,000 forints.

Business is accompanied by risks. Apparently every year there will be some who are not capable of meeting their payment obligations. In the few months that have passed thus far, there have already been some businesses where the calculations of the enterepreneur proved incorrect and the contract had to be dissolved. In such cases, the business manager is liable with his other full property in addition to the security money.

What is the secret of efficiency improvement? Above all, greater trade with the same or less manpower. Business managers with a maximum interest in results have come up with many ideas and initiatives for the better use of capacities, for increased trade and for the reduction of costs. These are, for example, the setting of lower prices in dry periods, the introduction of supplementary items, expansion of the sales area, conversion to less expensive energy, and so forth.

Another goal was the participation of private money means. A given lessee would invest 200,000 to 300,000 forints in the purchase of working capital. In the case of contractual businesses, working capital or the purchase of a part thereof is only a possibility to which saving of the utilization fee gives incentive. It is a fact that working capital financed by the enterprises has declined by 10 to 20 percent.

Reduction of Administration

An important goal was the simplification of management work and the reduction of administration. The administrative duties of the business managers are minimal, and instead of keeping records and preparing reports, they can now devote more time to purchasing goods and giving more attention to the buyers.

Following the turnovers, management and control work in the enterprises has substantially declined. It is now unnecessary to deal with the commodity purchases of these businesses, the material and means supply, repair and maintenance tasks, and management control. The periodical inventories and accountings have been eliminated, and numerous records are now superfluous. Still, there are frequent complaints that the administrative work of the enterprises has not declined. In addition to the unavoidable new records, the explanation for this is the newness of the tasks, the lack of experience, and the relatively small number of businesses that have been turned over thus far. At the Hajdu-Bihar Megye Restaurant Enterprise, where 80 businesses are operating under contractual form, administrative personnel has already declined by 6 persons. It is a justified complaint of retail enterprises that certain wholesale and technical suppliers are not prepared to give direct service to business managers, and they collect their bills through the operating enterprise.

Experiences in the first half year bear witness that the decisions to carry out the conversion gradually was a correct one. The enterprises are able to turn over their businesses only by steps, and a longer period of time is also needed to arouse the entrepreneur spirit.

Obstacles Remain

In the past period a total of 2,300 businesses have been advertised, and of these more than a thousand have been turned over. Among the advertised food businesses, entrepreneurs came forward only in case of one-fifth, and there were no applicants for 30 to 40 percent of the restaurants, expressos, and dry goods stores belonging to the most sought after category.

Conversion to the new form will not proceed by itself. It is basic to set realistically the lump sum or lease payment, and to weigh reliably the possibilities of increasing profits. Particularly in the case of food businesses, the announced fees were unrealistically high on the assumption of large profit development. The working capital needs of contractual businesses must be correctly determined, as well as the extent of the property security, and other conditions of the turnover.

It happened at times that the invitation for applications was not given adequate publicity and thus did not come to the attention of interested people. There was an enterprise which "modestly" ran a small classified ad and was surprised that no applicants answered.

For effective operation of the system, it is necessary to have as many applicants as possible and to have competition among those applying. This would also be in the interest of the enterprises by reason of a large lump-sum fee. And still it happened at some enterprises that instead of dispelling misunderstandings among the retail trade workers, they sought to frighten away the business managers and sales people who wanted to try.

The retail trade enterprises should again advertise retraining courses for their own workers as well as outside personnel. Such training would be an important forum not only for educational purposes but also for persuasion and for arousing the entrepreneur spirit. We must overcome the natural conservatism which is supported by the comfort of the business operator form and its freedom from risk.

An important condition for successful operation of the businesses is an improvement in purchasing conditions. It is important that the industrial and wholesale suppliers should always serve the contractual business managers and lessees without delay, solve the problem of fast accounting and direct receipt of the payment of the purchased goods. The goods deliveries of businesses operating under the new form should be built into systematic supply routes. It is advisable--primarily in the case of foods and other daily items--to develop self-service store rooms, where in addition to the business managers and the lessees the private dealers and managers of all other businesses may purchase in a supplementary way. Until these conditions obtain everywhere, enterprises turning over a business should cooperate in goods purchases.

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PARTY MEMBERS ACTIVE IN UNIONS, SUPPORT EXPANSION OF SMALL BUSINESS

Budapest NEPSZABADSAG in Hungarian 25 Sep 81 p 5

[Article: "On the Agenda of Party Forums--Mass Political Work, Services, Agitation"]

[Text] On this occasion we were gleaning among the points of the agenda at district sessions in Budapest of the party executive committees. At the Sixth District they conferred on the work performed in the trade union by the communists of the MAV [Hungarian State Railways] managing directorate; in the Eleventh District on the activity by private small industry (artisans) and retail trade serving population supply; and in the Thirteenth District on the agitation activity of two AFIT [Industrial Trust for Auto Maintenance] enterprise party organizations.

Communists in the Trade Union

Recently the party executive committee in the Sixth District discussed those experiences which the party committee of the MAV managing directorate gained in helping trade union work.

It is an important ideological basis of trade union activity to recognize and take into account that the trade union is an independent organization in which the party's policy is implemented by the communists who work there. In addition to the personal conditions, one successful method of this has been regularly to invite the secretary of the trade union committee to party committee sessions where trade union subjects are discussed, and to party secretary conferences.

At special branch conferences of the basic organizations, they extend--with the participation of trade union officials--fundamental information on the events, situation and tasks of trade union life. This is also true at higher degrees of relations because at the sessions of the railroader unions' central leadership and presidium, the secretary of the managing directorate party committee is also regularly present.

All this and several other such methods are in themselves actually only forms, but not formality. This is what gives, to be sure, the framework for those substantive works of which perhaps the most basic condition is the mutual giving of information, and of orientation. The party's ideological-political work is not some kind of abstract activity but a power present in daily practice and in happenings which sometimes appear small.

For the measuring and the increase of this strength, a great opportunity was presented in the series of events which recently took place in trade union elections. By virtue of the increased legal sphere and influence of the trade unions, it was necessary to raise great requirements on the new stewards, and in fact on newly elected chief stewards. During the election it was necessary to struggle with two kinds of mistakes and views. One of these would have demanded the help of the party organization in details, and the other would have gone the opposite way: it found excessive, for example, even the debate of a list of standard candidates at party membership meetings. In this situation it was necessary to have real, patient and convincing political work, and open and frank positions by the communists.

All this bore fruit, for example, in that the stewards now include more workers who are in the vanguard of work and are respected by their colleagues. Today everyone acknowledges that the communists working in the trade unions have a great part in the development of the trade union committee work of the railroad department. They present themselves successfully in interest protection questions and in the harmonization of social, group and individual interests. They support the economic leadership unanimously, for example, in the realization of the principle of distribution according to work, but when necessary they can also say no.

The party's executive committee can establish that the communists of the MAV managing directorate working in the trade union can realize the dual function of the trade union: interest representation and mobilization. A constant condition of its further development, and the raising of trade union work to a still higher level is that communists should realize their responsible assignments in this direction with appropriate understanding, courage and political preparedness.

Private Small Industry and Retail for the Population

The party executive committee in the Eleventh District discussed at its 16 September meeting the private small industry and private retail trade situation on the basis of a report by the economic-political work committee and the district council. The report states that in the Fifth Five-Year Plan period the small industry and retail trade developed, in wake of increased material incentive, a rapid growth in the demands of the population and a more favorable social judgment. Quite a few took out an industrial permit, and few returned them. The number of small industrialists rose in the last 7 years from 832 to 1,040, and the number of small retailers from 144 to 182. This contirbuted to a better supply for the population. But we need additional efforts for small industry and retail trade to adjust better to the supply needs of a huge district with a population of 200,000 persons. The debate that followed the report outlined the possibilities of further development and the obstacles to taking advantage of them.

They emphasized that in the future it will be necessary, above all, to grant industrial permits where supply is inadequate. There is a particularly great shortage in some districts in shoemakers, tailors, glaziers and carpenters. In these trades, replacements are also lagging behind. They propsoed to the district councils that with the help of the party organizations and the council members they should make a survey as to where a particular shortage of small industrialists and retailers exists. They should above all give permits, low rent shops, tax rebates, materials and credit to those trades and businesses for which there is the greatest need in a given area. It is principally for this goal that they exploit the possibilities in the lease and contractual system and the small cooperatives, trade groups and work teams which are being formed following the new orders. The general introduction of the five-day work week will certainly help in their establishment.

Development is also hindered by the fact that most of the small industrialists work in poor shops and on obsolete machines. Private trade complains of a similar matter. They need to be helped in order that they may work under better conditions. That small industrialist, for example, is worthy of recognition and help who creates a new value and with the increases the commodity base, as well as the private trader who speeds up the movement of goods from the producer to the consumer, and increases the range of selection. We must oppose the mistaken notion that all of them can become rich in a short period of time. But we must also make impossible the illegal taking of property which still occurs. It is also a matter of concern that the small industrialists and the associations now being formed will perhaps lure away the best skilled workers of state industry with disproportionally high wages. State industry has already reckoned with this competition; in the future greater care will have to be taken to see that it keeps senior workers. The controlling organs should exercise closer watch over private undertakings also in order to hinder possibly unfair profits, concealment of the tax base, and corruption. This also serves the interests of the honest small industry and retail trade.

Finally, the resolution of the party executive committee emphasizes that the residential area party, people's front and council organs should draw the workers in the private sector into social life.

Resolute Engagement in Politics

Recently, the party executive committee in the Thirteenth District passed a resolution on timely tasks of propaganda and agitation. The placing of the subject on the agenda was justified by the fact that the 12th Party Congress set important tasks in this area of political work.

In analyzing the execution of the resolution, they recently made a reckoning of the agitation work by the party leadership of the two AFIT enterprises working in the district. They evaluated highly the activity of the No II enterprise leadership for seeking to use every forum of plant life for this work. Here belong the meetings of the various political bodies like, for example, the party days, the activists' conference, or the informal conversations about everyday politics that take place by the service pit. All this is done in harmony with economic goals, a result of which is, for example, that the work team--three-fourths of which consists of skilled workers--regularly participates in various courses on political or trade continuation training. They successfully worked out the resolution of the party congress, and achieved thereby a significant attitudinal outlook. As a result, most of the workers do not expect solutions to the management problems from the outside, but put it this way: "These are our tasks, which above all we ourselves must solve."

The party leadership of the No IV AFIT enterprise expects the membership in everyday political work to espouse a resolute stance, the grounds of which are improved, for example, by explanations in the interpretation of the resolution, by frequent information, and by urgining the study of the party press. Special attention is also devoted to the improvement of personal conditions. Among other things, at all four basic organizations they strengthened the information committees with well-informed comrades, and they also established a responsible post for agitation and information. The various areas of the work are reviewed from time to time as was done, for example, by discussing the agitation situation in September of last year at the work place, and this year in March among the youth.

The party executive committee in the district passed a resolution that for the edification of other party organizations they will make it possible for the two AFIT party leaderships to report on their experiences at district forums of party life.

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ECONOMIC RELATIONS WITH KUWAIT DESCRIBED

Budapest FIGYELO in Hungarian No 36, 9 Sep 81 p 11

[Text] Hungarian foreign trade discovered Kuwait as an export market and economic partner before this country on the Persian Gulf with a small area and population and before this area and its six oil-producing and exporting countries--Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, Bahrein and Oman--with its 200 billion dollars' worth of national products and its per capita income of 15,000 to 20,000 dollars a year became an important factor in international trade. The Hungarian traders in consumer goods, primarily textiles, appeared in the modest market of Kuwait in the beginning of the 1960's when the small country became an independent state.

Liberalized Trade

The value of Hungarian sales between 1960 and 1966 increased more than ten times; the volume and even more the continuous increase in the market's purchasing capability justified the establishment of a foreign trade mission. Following this, not only did the market work of an increasing number of foreign trade enterprises participating in the marketing become more brisk but from 1966 on there was also a gradual buildup of the international [bilateral] relations; exchange visits were held between economic ministers and various international agreements were signed--commercial, health, highway transport, and air transport. The results attained in the development of bilateral relations were reflected in the official visit to Kuwait in 1979 by Prime Minister Gyorgy Lazar.

Today Kuwait is commonly regarded as a country rich in oil, foreign exchange revenues, and currency reserves. The economic cooperation of the two countries, and moreover from the viewpoint of Hungarian export the economic structure of the partner country and its fully liberalized commerce also play an important role. More than 90 percent of Kuwait's social products consist of oil production and refining, and therefore the requirements of its personal and public consumption as well as the consumption of the production sphere are basically met from imports. Nowadays, not only are Kuwait's import capacity and needs considerable, but its commodity structure is also extremely broad and includes producer means, parts and components, various kinds of investment goods, consumer industrial items, and food products. Kuwaiti partners are able to market all these products in Kuwait without discrimination. But this market has another essential feature--its competitive nature. The products of the most developed industrial countries are competitive on

Kuwait's nondiscriminatory market. It is also worthy of note that in its international trade Kuwait does not ascribe importance to bilateralism, and in relation with many of its partners it is primarily or exclusively an importing country. Hungary also belongs among these partners, and the special importance of the trade between Hungary and Kuwait derives from this.

Hungarian Exports Equal 55 Million Dollars

With the exception of 1968, 1969 and most recently 1980, Hungary's exports to Kuwait have grown continuously and--the term is appropriate--dynamically. Between 1970 and 1980, Hungarian exports rose from about 4 million dollars to more than 55 million dollars. Last year, Kuwait's share in total Hungarian exports came to 0.5 percent, and to about 1 percent in Hungary's nonruble exports.

Two trends characterize the development in the value and volume of the exports. In the past decade, commodity stocks have been altered, and the commodity structure has become diversified. To the end of the 1960's about one-half of Hungarian exports consisted of consumer industrial items--textiles for the greater part--and in 1970 the share of machine industry deliveries was relatively important, for example, 32 percent in 1970 and consisting of buses, transformer sub-stations, floating cranes, and motor tugs. In the past 10 years the export of foods has increased most vigorously--dressed poultry, cheese, canned vegetables, and so forth--and by 1980 their share rose to 45 percent, while the share of the former main commodity group of consumer industrial items declined to 28 percent. The share of machinery was the highest in the middle of the 1970's, that is, about 40 percent, while last year it came to only 18 percent. Diversification is basically the result of the increase in the export of foods and the expanding supply of consumer industrial items. The commodity structure of materials and semi-finished products has not changed significantly, and the composition of machine industry exports also took on "traditional" patterns. In this commodity category, strong-current equipment and transformer sub-stations provided the greatest business success, and up to 1980 we exported about 70 million dollars' worth of these products.

Economic cooperation between Hungary and Kuwait has not been limited to the sphere of commerce and commodity export. As a consequence of its special endowments, the partner country acquired an important role in the 1970's also on international money markets. On a number of occasions in the recent past, Kuwaiti money institutions--most recently, this year--cooperated with the Hungarian National Bank in its bond issues and its loan operations.

Expansion of Supply Timely

Up to now Hungarian exports to Kuwait were at the highest in 1979; last year they declined but in the first half of 1981 they rose again. (The decline was caused basically by a lapse in two export products, transformer sub-stations and dressed poultry.) To increase exports still further and to reduce or eliminate the temporary decline, it is timely to expand the export supply in the broad sense--on one hand, with investment goods linked to the industrial and infrastructural development of the partner country, and on the other hand with fitting, building, works management, special advisory consultant services, perhaps with the

cooperation of Hungarian Kuwaiti firms on third markets or other countries in the area. The possibilities of such export expansion are indicated by the fact that commissioned by Deutsche Babcook, KIPSZER [Light Industry Assembling and Construction Enterprise] is carrying out local fitting operations in Kuwait. Moreover, we could still considerably expand the export supply in every commodity category with competitive products. Although in recent years there have been many representative exhibits and programs serving to introduce and popularize Hungarian export items, this activity must be continued and strengthened with topical exhibits.

6691
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REALIZATION OF CONSTRUCTION INDUSTRY'S TASKS VIEWED

Budapest PARTELET in Hungarian No 9, Sep 81 pp 22-26

[Article by Dr Kalman Abraham, minister of construction and urban development: "Implementation of the Construction Industry Resolution"]

[Text] The Central Committee considered the construction industry's situation in 1978. Almost 3 years have passed since this body specified the tasks of the branch and set the directions for the growth of the construction and the construction material industry. However, it also pointed beyond that, since the decision indirectly affected the entire society. This derives from the situation that the branch's activity is in some way present in our economic and political achievements as well as in our problems. That is, the way the quality of housing is improving, what is the efficiency of the construction projects and of the investments, how much effort we expend by our maintenance work to protect the national property, are not simply branch questions but also questions concerning the national economy. And it is one of the significant aspects of the resolution that it called the attention of the profession as well as of the public opinion to this. In essence this can be used to explain why, following the Central Committee's resolution, the construction industry is judged to be in a better situation than before. This is so because the recognition has become clear that what has taken place in our country in recent decades, did in all details interrelate with construction. And broad based political support work has also gotten under way which has resulted in a realistic ideological change in evaluating the construction industry. The emphasis on shortages, slow work and lack of discipline has been replaced by the discovery of reasons and a helpful intention to eliminate them. All this contributed on the one hand to developing a unified attitude to construction matters, and on the other hand a value system of being dependent on each other. This is not unimportant, if for no other reason, than because the construction industry is made up of 5,000 larger and smaller organizations, and employs a total of about 450,000 people, and uses no fewer than 70,000 kinds of products.

Favorable Changes, New Processes

The resolution made it a goal to accelerate the growth processes, expand the quality requirements and increase efficiency. In essence this made it a requirement for those who direct the branch, and for all of its workers, that their activity react more sensitively and on a higher level to the changing social demands.

Over the shorter as well as over the longer range the resolution specified the direction in which the branch is to grow. And from the experience we gathered thus far, we can already draw the conclusion that changes in the right direction, and good initial results were born in the process of implementation.

We can consider it favorable, for example, that work was concentrated mainly on the major investments. The number of structures under construction decreased by 16.5 percent in the last 2 years. At the same time, the implementation value per structure has increased. These results were possible to achieve primarily by starting fewer new jobs. Simultaneously, the construction industry increased the ratio of structures dedicated to ones under construction. Another datum typical for the increase of concentration: in 1976 the value of newly begun investments was 2.5 times that of the ones completed, but last year this decreased to 0.5. Together with this the degree of completion of the investments has also increased.

The resolution specifies it for us that completion of the housing construction program is to rely on the results of mass construction, and at the same time such municipal structures [sic] and residential districts should be developed which are better suited to satisfy the demands made by the living functions connected to the place of residence. In this program, housing construction by private resources must be elevated to the rank of construction by the state. Of course, the technical and organizational conditions must be created for this.

In the last 2 years the construction industry fulfilled its obligations to complete a certain number of housing units--within this, the obligation to complete a number in Budapest. In 1979 they succeeded in finishing 88,196 apartments, and even more than this--89,065--in 1980. The ratio of investments and reconstruction jobs, which improve the payment balance, also rose. An equilibrium has developed in some areas between the local demands and the construction industry's capacities. We can also consider it an achievement that the construction material industry was transformed and modernized. The ratio of systems producing good quality materials has gained ground, and with this they can now satisfy the basic needs at the desired level.

Turnaround in Maintenance Construction

Among the partial concepts which promote implementation, we must especially mention the concepts of maintenance construction, complex construction mechanization, the industrial background of construction, transportation, material handling, sales of production equipment, and growth. The resolution brought about a change in maintenance construction, because the value of this increased by 16 percent since it was passed. In the coming years also we will have to bring great care to bear upon protecting the national wealth. It is worth while reviewing the most important tasks to see how great a task this job means.

The Sixth 5-Year Plan specified 9-11 percent increase in investment construction, 29 percent increase in maintenance construction and housing construction, 45 percent in educational and cultural construction, and a 55 percent increase in the construction of health care facilities. This has not only changed the production structure but by 1979 the center of gravity of the construction demands had also been reorganized. In Budapest, for example, the demands increased significantly

in excess of the nationwide average. The difference in growth rates in housing construction, reconstruction of public institutions, and maintenance construction is particularly conspicuous. In accordance with this, in the last 2 years the reconstruction of four large public institutions (L. Eotvos University of Sciences, Hungarian State Opera House, Carl Marx University of Economic Sciences, and the National Institute of Traumatology) were begun. The value of maintenance construction in the capital city increased by 35 percent.

The change in the production structure, and within this mainly the maintenance construction also required the modernization of skilled worker training. In accordance with the new requirements the basic trade-type training was expanded, and also skilled worker-oriented secondary trade school training was begun. Among foremen the ratio of those with secondary and college education has increased (60 percent).

Upon our initiative, the training of specialized engineers is being built into the system of advanced education for engineers, together with teaching the technical knowledge related to maintenance construction (building diagnostic procedures).

The development of specialized training is necessary also because the task has to be carried out with a decreasing number of people. The increase of maintenance tasks means that the ratio of jobs requiring more manual labor will increase. The contradiction can be resolved only if good planning will prevail in geographic location and professional make-up to the same extent as the number of people employed decreases.

The expansion of paying wages according to performance has been on the agenda more and more compellingly in the time period since the resolution. One of the reasons for the laxities and lack of discipline experienced in the past can be traced back to the absence of performance wages. This year, 60 percent of all the workers affected are working for performance wages. Full expansion of this form of wage paying may liberate a large number of reserve manpower.

Efficient construction activity also cannot exist without improvement in the operating and work organization. We also have achievements in this area which helped improve the internal organization of the enterprises and increase the independence of the production units. As a consequence of this, the enterpreneurial ability and flexibility of some enterprises increased. Thus, for example, the Gyor megye AEV [State Construction Enterprise] transports the panels by waterway, and the DELEP [Southern Hungarian State Construction Enterprise] transports them by railroad, and by this they decreased their transportation costs by 30-40 percent. The Alba-Regia AEV makes "albaplast" brand modern windows and doors in its own plant. By this they have taken a big step forward in improving the technology of energy-saving construction.

The initiatives concerning making the prefabricated technology suitable to build single family homes must also be listed here. A model residential settlement of single family homes built of prefabricated panels is being built in Budapest with the cooperation of the DELEP, the Veszprem megye AEV, the Hajdu megye AEV and the Borsod megye AEV. Using the same procedure, the DELEP is building 1,000 single family homes in Uj Szeged.

The advanced development of technical planning can also be a cost-saving factor, especially if plan variations are prepared and the most suitable one is selected. At such times the extra cost spent on planning returns many times over in the construction, maintenance and operating costs. Examples for this are: the No 3 line of the subway network, construction of the department store in Hodmezovasarhely, and reconstruction of the Debrecen Meat Industry Enterprise. Planning several variations for the Bekescsaba sewer effluent water purification system resulted in savings of 200 million forints. Modification of the plan of the north-south subway's connecting point to the Arpad bridge made 300 million forints of savings possible.

Among the numerous other tasks consideration also had to be given to energy savings. The construction and construction material industries consume about 8 percent of the country's energy consumption. But construction as a whole--directly and indirectly--affects 40 percent of the country's energy consumption. Keeping all this in mind, such new technical specifications have been prepared and made mandatroy which promote increased heat conservation in buildings. These specifications affect the practice of technological designing, the manufacture of construction materials (insulating and cover materials, etc) and the energy saving requirements of implementation.

The specifications which provided the large energy consuming enterprises with mandatory energy consumption indices per unit quantity of product, were effective. Their use has been mandatory since 1 January 1980.

Enterprise Cooperation--More Reasonable Work Distribution

The resolution as well as the implementation keep it in mind that the construction industry is composed of larger and smaller organizations. The smaller ones employ 5 to 10 people, the largest ones 7,000 to 8,000. These organizations employing various number of people are supervisied by different supervisory organs. So many construction industrial units can be directed only in possession of the appropriate concepts, if operational interference is to be minimized. Conceptional directing must be aimed at increasing the level of organization, but much emphasis must also be placed on improving the technology which covers the advanced development of construction systems, more unified mechanization, modern materials, and on creating the appropriate industrial background for the era's requirements.

The concept of growth--in accordance with the job at hand--covers the entire process of investing in such a way that the jobs of awarding the contract, technological design, implementation and operating must all be done by joint responsibility and with the coordinated cooperation of all participants. All this obligates us to help construction costs rise more modestly by improving technological planning and by using the results of research. We must provide practical solutions which can be implemented inexpensively, taking into consideration our given economic conditions, but which also conform to the requirements of this age. Our goal is that the investing process should take less time than before, and a more reasonable distribution of work be developed between the designing and the implementing enterprises. To achieve this, the construction enterprises will be gradually taking over the preparation of detailed implementation plans from the designing enterprises.

We consider the earlier decentralization of the large enterprise organizations to be significant. As a consequence of this, eight structure building and construction material industrial enterprises became independent. And, so that the earlier restrictions would not hinder the enterpreneurial desire of the enterprises, we have changed the regulations which regulate the right to contract work.

Regional and special purpose associations have been created in order to improve cooperation among the enterprises. During the last 2 years their activities covered the creation of harmony between demands and capacities, the development of specialization and reasonable distribution of work, and the creation of joint supply bases.

Coordinating this multifaceted work, and standardized implementation demand more modern methods for directing the branch, and expansion of the branch's character. In the interest of this the directing activity has been strengthened from the conceptional viewpoint and in developing a broader sphere of cooperation. Relations with the national economy's planning organs, the other top level authorities, the interest representation organs and the regional organs have become closer. The latter one is served by the geographic responsibility system created by the ministry, and aids cooperation with the megyes in comprehensive construction matters. It is also one of the tools of the job of directing the branch. The results of maintaining contact with the functional organs are seen primarily in the planning work. That is, the ministry's concept preparation work relating to national economic planning has become more efficient.

Future Tasks--The Direction of Growth

However, it cannot be denied that in addition to progress, in some areas we did not succeed in reaching the goals we set for ourselves. We do not consider satisfactory the progress seen in plant organization and in organizing the place of work. We also cannot be satisfied with the work discipline, the shortcomings of which show in the lack of coordination of the skilled jobs following one another at the construction sites, and also in the quality complaints. The work must be organized in such a way--and this again indicates the shortcomings of work organization--that there should be no later changes, modifications during construction, and jobs which have to be done over, or at least these should significantly and continuously decrease.

Even though the ratio of maintenance jobs increased, we still see that the mobility and convertability to other work of the enterprises organized earlier to work on new facilities is not satisfactory. This is why they have not yet been able to direct sufficient capacity to the maintenance and renewal construction projects, and to construction projects located far away from the residences of the workers.

Based on all this, it can be judged that the construction and the construction material industries are growing in the direction specified by the Central Committee. Following the resolution, the ministry prepared a detailed plan of implementation, and this was completed by the deadline specified in the operating plan. Our efforts are to continue to maintain this planned way of operating, but to flexibly and independently conform in the tasks and methods to the changes in the economic environment.

We had to recognize that while the earlier tensions were beginning to relax, new tension centers were developing. The shortening of construction time must be mentioned in first place, as well as further improvements in quality and moderation in the growth rate of costs. The construction market's geographic and structural tensions are also awaiting solution.

All tasks come together in developing an enterprising-type construction industry. The party resolution also urges a more flexible enterpreneurial policy. The given characteristics of the system of conditions are fundamentally influencing its becoming a broad-based system. Such are, for example, the decreasing of the investment market's tensions (the demand of major investments made by the state has decreased by 30 billion forints compared to the previous 5-year plan period, to 118 billion Fts), and also the expansion of enterprise independence. Greater independence assumes more modern directing, and also growth in the organizational and interest conditions.

In accordance with our economic opportunities and goals, we will steadily continue the construction industry's technological development, coordinating it with the well-founded goals of environmental protection, land management and energy conservation.

In order to be able to efficiently fulfill the changing construction needs, we will have to continuously improve the construction industry's organizational framework. In addition to this, such a profile distribution is needed which, together with the other aspects will create a competitive situation. New organizational forms relating to the construction industry's services will also have to be created (specialty groups of cooperatives and enterprises, so-called free time construction directorates, and independent economic work associations, etc).

In addition to all of these, we must also promote modernization of the regulatory system because without its price orienting, incentive and balancing functions these ideas cannot become reality.

The Sixth 5-Year Plan specifies that the construction industry's production must increase by 12-14 percent between 1981 and 1985. Within this the investment jobs will grow more moderately, by 9-11 percent, the maintenance jobs more dynamically, by 17 percent. Concentration will vigorously increase in investment construction, and the average value per investment will approximately double. The ratio of investments made by the enterprises will increase. We can spend 64 billion Fts at current prices on maintenance construction of residential buildings. Of this, 35 percent is renewal, 9 percent modernization, and 56 percent maintenance. Between 1981 and 1985, 100,000 to 115,000 apartments will have to be rejuvenated.

The center of gravity of the construction demands will also be shifted geographically. The ratio of projects in Budapest will increase from 27 to 30 percent of the national construction, and in housing construction from 19 percent to 23-24 percent (in comparison to the Fifth 5-Year Plan this means the construction of 4,000 more apartments), in maintenance construction from 28 percent to 32-38 percent. It is an entirely new element of the construction industry's work that its export must be dynamically increased. In comparison with the previous 5-year plan period the increase is 46 percent. The implementation of this task will mean

additional organizational tasks for those who direct this branch. Fulfillment of the program specified by the Central Committee's resolution, and within this fulfillment of the tasks of the construction industry in the Sixth 5-Year Plan cannot be done without the effective help of the enterprise party organizations. In the past also the party organizations helped much in understanding the tasks the same way and in mobilizing for their implementation. Their work can help much in the future also to increase the enterprise's independence, develop the ability to take the initiative, further development of plant democracy, in short to strengthen the unified approach necessary for the successful implementation of the resolution.

It is valid for every single member of the broad spectrum of builders, but also for the leaders of enterprises and cooperatives that we will be able to carry out the tasks--no matter how big and difficult they may seem—by accepting greater responsibility and independence than before.

8584
CSO: 2500/2

COMPETITION IN RETAIL TRADE SLATED TO INCREASE

Budapest FIGYELO in Hungarian 16 Sep 81 p 2

[Article: "Modernization of the Business Operator System--A Temporary Solution]

[Text] In the interest of a flexible adjustment to demand, a recent decree by the Ministry of Interior made it possible for vegetable and fruit stores to decide independently on the reduction of prices set by the enterprise center. As a cover for this, the enterprise grants the stores monthly or quarterly in advance a certain normalized loss and price-change lump sum, the use of which does not need to be accounted for by the business managers. Therefore, they can in practice even keep this sum, although in principle they are obligated to repay the unused portion to the enterprise. However, since the loss caused by unsold products increases the shortfalls, it is likely that they will use at least a part of the sum available to them for price reductions.

In response to the new decrees, trade can become more flexible, and the supply for the population can be improved. And still the question rises why it was necessary to refine the traditional business operator system hardly more than a half year after the introduction of new operational forms which assure full independence to the store managers. What could have justified this decree when the statutory provision makes it possible for more than 90 percent of the vegetable stores to operate under a contractual or lease system?

We have pointed a number of times in our newspaper, in regard to the vegetable-fruit trade, that certain opposition is perceptible regarding the new operational forms. For example, certain enterprises reject a wider introduction of the contractual or lease system by referring to the indifference witnessed toward the announcement of several previously closed or unprofitable businesses. It may be assumed that behind their position is the concern that if these businesses seek more advantageous buying forms from their "mother enterprise," they will reduce enterprise trade and over the long run may put a question mark on the entire organizational structure.

We received two replies to our question whether in the vegetable-fruit trade it would be advisable, as in the state restaurant business, to require the elimination of the business operator system. In agreement, the Ministry of Interior informed us it regards it as necessary "that to a certain period of time it should be required to convert from the free cashier (szabadkasszas) operational form to some other form (contractual, lease or close accounting)" (FIGYELO, No 22, 1981). Asserting on the other hand that the binding prescriptions would damage the independence of enterprises, SZOVOSZ [National Federation of Cooperatives] did not agree with our suggestion (FIGYELO, No 18, 1981). The elimination of the business operator system is not required in the restaurant industry either.

In principle, the ZOLDERT enterprises may be operated in a new way, and of their almost 1,400 stores I would like to declare about one-third as continuous undertakings. Since we are speaking mostly of the smallest businesses, their share in trade is even smaller than this.

These data make it clear why the improvement of incentives for the business operators is on the agenda. The difference between the introduction of the contractual system and the modernization of the business operator system is evident. While the former would force the renovation of the entire vegetable-fruit trade, the latter would result only in partial improvement. Incase of the obligatory introduction of the contractual system, the ZOLDERT enterprises would be contrained gradually to select or develop those wholesale trade activities or methods in which or by which they are actually competitive. But if the transformation to the contractual system is not obligatory, the situation is reversed to a certain degree. The enterprises regard the new operational forms as a means of escaping from some unprofitable businesses, and do not regard the modernization as necessary. The refinement of the free cashier system does not in practice affect the relations developed with the producers, or to wholesale trade methods. The ZOLDERT enterprises are still capable of realizing their superiority or compromise based on mutual concessions with producers.

Their economic management assumes enterprise independence, but this cannot hinder the measures that must be taken in the interest of strengthening competition. Applauding the modernization of the business operator system as a temporary solution, I, therefore, believe it would be advisable to prescribe as obligatory the change to this system within several years.

6691
CSO: 2500/6

CURRENT ECONOMIC SITUATION REPORTED

27 Aug 81 Communique

Krakow GAZETA KRAKOWSKA in Polish p. 3

[Text] Industry

--Due to a lack of the imported foil, "makropol" as well as coal powder, the production of telecommunications elements was interrupted in the Association " "Unitra Dom."

--The Association "Plastofarb" estimates that losses resulting from the halting of production in subordinate institutions amounted to 20 million zlotys this month.

--In work cooperatives of the leather industry, stoppages occurred as a result of a shortage of "Butaprene" glue and rubber cement, indispensable to the manufacturing of footwear.

Agriculture

--Due to rainfall, work in fields was disrupted in the provinces of: Elblag, Konin, Krosno, Bielsko, Kalisz, Zamosc and Przemysl.

The Market

--The supply situation has not changed. Difficulties in the supply of meat, cold-cuts, cleaning remedies, cigarettes and matches are mounting. In the province of Kalisz, the backlog of cigarette deliveries amounts to 54.8 million units.

31 Aug 81 Communique

Krakow GAZETA KRAKOWSKA in Polish p 5

[Text] Industry

--The industry's supply of engine fuel continues to be inadequate. The ministry of mining and power industries is signalling the necessity for additional tons--15 thousand tons--for the current year and 10 thousand tons of diesel oil.

--The Telecommunications Engineering Industry plants in Radom and Krakow are threatened any day now with the halting of the production of telephone sets because of the lack of deliveries of receiver and transmitter insets from the "TONSIL" works in Wrzesnia.

--In the concrete industry, stoppages in 20 plants were noted (shortage of coal, electrical power, ashes and aluminum powder). In the aggregate industry, stoppages occurred in 41 plants (3 plants shut down completely).

--At the Paint Factory in Wloclawek, the production of finishing enamel for automobiles was stopped.

--Losses in the production of soap caused primarily by a lack of tallow reached a level of 1,030 tons.

Agriculture

--In the northern and foot-hill regions of the country, rainfall is hindering the completion of harvesting. Work on the second grass mowing has also been brought to a stop.

--The sowing of winter rape is going on in the entire country. It is estimated, however, that the sowing has progressed little and its contracting [between farmers and Government for the supply of agricultural products] is proceeding unsatisfactorily as well. Intensive field work is being carried out (fetilizing of soil, plowing, cultivating) to prepare the soil for the sowing of winter grains. In provinces where the soil is lighter, potato harvesting is well under way.

--The procurement of slaughter on 26 August came to 4,670 tons and 63,779 tons from the beginning of the month; i.e., 66.6% of the monthly plan. The procurement of grains until 23 August amounted to 999.1 thousand tons; i.e., 27.6% of the NPSG [national socio-economic plan] for 1981.

--On 25 August, the tobacco industry produced 312 million units of cigarettes, 12.4 million units of low-quality cigarettes and 13.6 tons of cigarette tobacco. In total, cigarette production came to 338 million units and was higher than the average daily production for last year.

1 Sep 81 Communique

Krakow GAZETA KRAKOWSKA in Polish pp 1, 2

[Text] Industry

--Work stoppages in industrial plants are continuing, caused by a shortage of raw and other materials. Interruptions were being noted in shipyards for lack of paints meant for ship painting.

--In the cable industry, production was limited for a lack of electrical-insulation enamel, imported from the West.

--As a result of shortages of appropriate enamel, the Metal Container Factory in Brzesk incurred losses of nearly 2 million zlotys.

--The situation is similar in the chemical and consumer goods industries. This effects important types of production as, synthetic fibers from the Chodak plants, titanium white from the Chemical Plants in Police, soda and salt from the Janikowskie Soda Plants.

--In the "Pollena" Association, the daily production of toilet soap has been reduced by 59 tons, that of special creams by 5 tons and powder laundry detergent by 516 tons in August.

--In "Stomil" of Debica, the decrease in the daily production of tires reaches 2 million zlotys.

--In the paint factories of Wroclaw, the production of primer paint for agricultural machinery and motorization is in jeopardy as is the production of enamel for the shipping industry and emulsion paint.

--Due to a lack of coal, production was shut down in the cement plants, "Saturn" and "Groszowice."

Agriculture

--No great disruptions are to be noted in the work in fields except in the province of Olsztyn and Zielonogora where it was limited due to worsening weather conditions.

--In the province of Krosno, 100 workers on leave from local places of employment are taking part, with the framework of SKR [Agricultural Circles' Cooperatives], in threshing.

The Market

--Meat and cold-cut supplies are getting worse. In Wloclawek, lines for meat start forming 3-4 days in advance. Community queue committees are beginning to form for the maintenance of order.

--In many provinces there are supply shortages of radio-television equipment and mechanized household equipment. Extensive shortages of clothing, footwear, fabrics and other industrial products are noted and caused by, among other things, the excessive buying up of these goods.

8 Sep 81 Communique

Krakow GAZETA KRAKOWSKA in Polish p 1

[Text] Transportation

--In the ministry of transportation, there continues to be difficulties caused by a shortage of replacement parts, tires, etc. The state of PKS [State Motor

Transport] is, particularly, poor in the provinces of Krakow, Tarnow, Bielsko-Biala.

--Coal supplies of PKP [Polish State Railroads] have reached a critical stage; there is only a 3 days supply of this fuel while the norm envisages 24 days. Interventions of the ministry at the Coal Sales Center have been to no avail.

--The technical efficiency of MPK's [Municipal Transportation Enterprise] rolling stock is decreasing. This concerns, above all, Warsaw, Lodz, Katowice, Krakow, Bielsko-Biala, Tarnow and Szczecin. In Szczecin, for example, over 40 percent of the cars were inoperative.

Industry

--In industry, there continue to be shortages of raw and other materials, coal; however, the supply of electrical power is less limited with the exception of the building industry.

--The Chemical Fiber manufacturing plants, "Elana," have halted production entirely because of a lack of raw materials. Daily losses amount to 14.5 million zlotys. Other factories of this type--"Wiston," "Wiskor," "Celwiskoza" and "Stilon" have limited their production significantly.

9853
CSO: 2600/2

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 5 Oct 81 p 4

[Text]

Polish National Bank Warsaw 5 October 1981

Excerpt From Foreign Exchange Rate Table No 19/81

Special Currency Exchange Rates in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Australia	1 Australian Dollar	38.55	40.13	39.34
Austria	100 Schillings	205.74	214.14	209.94
Belgium	100 Francs	88.33	91.93	90.13
Denmark	100 Kroner	459.37	478.13	468.75
Finland	100 Markkas	750.30	780.92	765.51
France	100 Francs	603.59	628.23	615.91
Greece	100 Drachmas*	58.57	60.57	59.77
Spain	100 Pesetas	34.68	36.10	35.39
Holland	100 Florins	1,302.74	1,355.92	1,329.33
Japan	100 Yen	14.54	15.14	14.84
Yugoslavia	100 Dinars*	88.79	92.41	90.60
Canada	1 Dollar	27.93	29.07	28.50
Lebanon	100 Pounds	760.79	791.85	776.32
Luxemburg	100 Francs	88.33	91.93	90.13
Norway	100 Kroner	564.23	587.27	575.75
Portugal	100 Escudos*	51.68	53.78	52.73
Federal Republic of Germany	100 Marks	1,445,01	1,503.99	1,474.50
United States	1 Dollar	33.74	35.12	34.43
Switzerland	100 Francs	1,712.75	1,782.65	1,747.70
Sweden	100 Kroner	600.38	624.88	612.63
Turkey	100 Pounds*	33.59	34.97	34.28
Great Britain	1 Pound	60.03	62.49	61.26
Italy	100 Lira	2.86	2.98	2.92

*In purchase of currency from below listed countries the following exchange rates are used:

Greece	100 Drachmas	53.63
Yugoslavia	100 Dinars	74.85
Portugal	100 Escuso	51.39
Turkey	100 Pounds	30.74
Italy	100 Lira	2.59

Special currency exchange rates are used in settlement of accounts for current transactions

Basic Currency Exchange Rates With a Surcharge in Zlotys

		Foreign Exchange and Money		
Country	Foreign Currency	Purchase	Sale	Average
Albania	100 Leks	181.84	183.66	182.75
Bulgaria	100 Leva	2,618.66	2,644.98	2,631.82
Czechoslovakia	100 Koruny	211.24	213.36	212.30
People's Republic of Korea	100 Won	1,057.19	1,067.81	1,062.50
Cuba	100 Pesos	1,730.05	1,747.43	1,738.74
People's Republic of Mongolia	100 Tugriks	459.41	464.03	461.72
German Democratic Republic	100 Marks	720.13	727.37	723.75
Romania	100 Lei	215.42	217.58	216.50
Hungary	100 Forints	130.20	131.50	130.85
Vietnam	100 Dongs	1,000.28	1,010.34	1,005.31
USSR	100 Rubles	2,304.42	2,327.58	2,316.00

Basic currency exchange rates with a surcharge are used for nontrade payments. For travelers checks purchased in rubles from the Foreign Trade Bank of the USSR, and payable outside the USSR in the currency of the country where used, the exchange rate of 4,828.89 zlotys for 100 rubles will be used. Exchange rate table No 18/81 dated 25 September 1981 is no longer valid.

Exchange rate tables are available for view at all branches of the Polish National Bank.

CSO: 2600/25

DIP REPORT ON STATE OF HEALTH OF POPULATION PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 2 Apr 81 Suppl No 559 pp I-IV

[Text] Report of Discussion Group "Experience and Future" (DIP)--State of Health and Protection of Health of Poland's Population

* * *

This work resulted from [accumulated] materials and discussions of several months with a group of physicians, a sociologist and a journalist, within the discussion group "Experience and Future," involved in health problems of Poland's population. Taking part in this work were: Magdalena Sokolowska, Henryk Kirschner, Stefan Klonowicz, Jan Kopczynski, Piotr Krasucki, Marian Miskiewicz, Kazimierz Piekacz, Andrzej Piotrowski, Zbigniew Religa, Jerzy Serejski, Mariusz Stopczyk and Jerzy Zielenski.

This group undertook at least a partial evaluation of the health of the population, health protection and the health service in Poland, to relate certain causes with consequences and premises with proposals and thus to provide a first, comprehensible warning signal. It will be followed by a more thorough analysis in the respective fields. For the time being only certain problems have been selected. We were compelled to omit many important problems to which we must return.

Even though our analysis is somewhat superficial, it has certain merits: it lets us know that something is happening in the health structure; it relates and gives meaning to facts and data, seemingly remote from each other. We used extensively data from various papers, materials of the Sejm Commission for Health and Physical Culture, statistical yearbooks, discussions of social organizations (including the section of sociology of medicine of the Polish Society of Sociology), and studies of the NSZZ [expansion] Solidarity Mazowsze Region Center for Social Research. Many of these data were known to selected groups, including various levels of the government, but not to those concerned most--the citizens. The data should be accessible to all, as the health service itself.

The opinion on the state of health protection of the population is universally critical. This is evidenced by various facts and by numerous postulates of the 1980 strikes and in the Gdansk Agreement; dissatisfaction of health workers, expressed in a wide protest action in autumn 1980, when mainly lower level personnel (so-called auxiliary workers) spoke not only for their own wages but

also on behalf of the sick and suffering and demanded improvement of the base, equipment and drug market; rejection--unprecedented in the history of Polish postwar parliamentarism--by the Sejm Commission for Health of a program developed by the ministry; and, finally, numerous critics in the press and at environmental and union meetings. The character of pronouncements concerning the health service changed radically after August 1980. We have departed very far from a recent time when one was not allowed to write on alcohol policy, on polluted rivers, on the situation of the drug market, etc. Statistics on, for example, expenditures for health in the national income, settlements of the National Health Protection Fund (NFOZ), construction costs of a hospital for dignitaries, were taboo. The purpose of this study is not to name even most perturbing single facts, but to present an overall picture.

As mentioned, the picture sketched by us is not complete. In this study we have treated health rather narrowly, limiting it mainly to those phenomena and processes that occur within the pale of the ministry (Ministry of Health and Social Welfare). Certainly we are well aware that the health of the population depends only to a rather small degree on the health service. Of more importance is the influence of nutrition, housing conditions, ecological factors, national sanitary conditions, etc. These questions will be the subjects of subsequent studies. We had to begin somewhere. We would like only to take the first step to make it easier to discuss these matters in the context of fundamental problems understandable to the whole population.

Part One

Why We Are Sick--An Attempt at Diagnosis

Theoretically we should be a healthy society; free health services and universal accessibility of medical treatment and prevention ought to ensure this. For a long time the state of health of the Polish people has not been good, nor is the system of health protection functioning correctly.

Till now this conviction was based on intuition and on random data. Only fragmentary papers, primarily in the rarified language of specialists, contained the truth. More complete studies, and likewise many fundamental figures concerning the actual data, were kept secret, for they contradicted the assertion that all was well. Meanwhile the crisis in the health service was long coming to a head, intensifying from year to year. Its danger was so much the greater because it occurred during a general socioeconomic crisis whose first distinct symptoms appeared in 1975 to 1976. Three elements of strain accumulated in the health service: free service coverage for almost 6 million peasants without a corresponding increase of the health service budget, changes in the administrative divisions of the country that destroyed a number of health care organizational structures, and reorganization of the latter (introduction of the ZOZs [health care teams] with the assumption--perhaps--of some kind of counteraction to the first two).

Serious difficulties exist--not only in our country--with establishing health standards for the population. The paradox is that health is estimated through negation; that is, through the statistics of diseases and ailments. There is no remedy for this, because no adequate, reliable positive indices have been

developed. Social health should be expressed by physical, mental and social well-being. We are, however, still very far from knowing how to measure it on a world scale, not to speak of the domestic one.

If, after all, we accept the "negative" indices, then which ones?

Each of numerous, universally used indices indicates different symptoms; we cannot simply sum them up to obtain a general index of the collective state of health. We may, however, combine several different indices that most characteristically express phenomena and processes of the health sector in a given country, especially compared with other countries.

Not embarking upon a discussion that would weary lay readers, let us only say that we have adopted the following signals as characteristic indices for Poland at the beginning of the 1980's:

- mortality statistics--especially infant mortality, the higher death rate of males compared to females, and death rates in productive groups;

- incidence of viral hepatitis, tuberculosis, and intrahospital infections;

- selected health problems of children and youth;

- some results of appraisals of the health of workers in industrial plants;

- characteristics of handicapped persons and their status in society;

- consumption of alcohol.

These are very different measures. Therefore, the individual parts of our study, corresponding to them, are written in "different languages" and lack cohesion. Individual indices are allotted an uneven amount of space, which does not signify their greater or smaller "significance." Some have been roughly outlined.

It is unfair to judge the state of our society's health on the basis of these indices, observations and general intuition, including our own.

Does Our Life Grow Shorter?

We begin with death rate statistics because for some time these have shown very disturbing signals. While selection and interpretation of the data are not simple, these signals are very persistent.

In the seventies the dire tendencies in the death rates, especially the death rates of males, came to light. Successive tables indicated that average life expectancy in Poland has actually decreased.

The tables of future life expectancy clearly indicate that the thus constant tendency of increasing the average life expectancy of Polish citizens has suffered a distinct setback and continues to regress. This value for newborn males remained at 66.8 years during 1970/1972-1797, whereas that for females has increased by only 0.9 years (in the previous decade the increase was, respectively,

1.8 and 2.6 years). At the same time, the average life expectancy of males aged 15, 30 and 45 has decreased. Especially disturbing are changes of this index in the second half of the 1970's, when the average life expectancy decreased not only for men (newborn, by 0.4; 30 age, by 0.7; 45 age, by 0.6; and 60 age, by 0.3 years), but also--for the first time since such information has been available--for women (by 0.1, 0.4, 0.4 and 0.3 years).

In the evolution of the death rate of men a tendency undisputably points to adverse phenomena. The probability of death for men age 29 and over is greater than 10 years ago, whereas in some age groups it has even increased compared with the 1950's, at the same time the greatest differences occurred in the younger, productive groups. Changes in the mortality rate for rural men appear to be even more pessimistic than for urban men.

The premature mortality of adult males in Poland is very high. Its index rose above the level 15 years ago. Based on this index, 30 developed countries Poland ranks 26th.

Differences in the death rates of men and women determine the phenomenon of the so-called excess death rate of males. In estimating its intensity by the simplest and yet very suggestive measure--that is, a difference between the average lifetime of the newborn female and male--in the period of 1955/56 to 1965/66 this was unchanged, whereas during the decade of 1965/66 to 1975/76 it increased from 6.0 to 7.8 years. On that score Poland assumes a very uncommendable role in the very forefront of the world.

While estimating changes in overall mortality, we should abandon unfounded optimism, until recently expressed by assertions that the increase resulted from progressive demographic aging. This process was not accompanied by mortality in many groups of the young and adult age. Mortality of males in successive productive age groups to date since 1965 increased as follows: in the 25-34 year age group by 15 percent; 35-44 by 35.3 percent; and 45-54 by 34.7 percent; that is, in two age groups it has increased by more than one-third over 15 years. On the other hand the basic factor causing an overall increase in mortality was the increase in the three leading causes of death (diseases of the circulatory system, malignant neoplasms, and accidents, intoxications and injuries, which jointly account for 70 percent of all deaths).

The international position of Poland regarding infant mortality is not good. Admittedly in the postwar period the infant mortality rate decreased more than sixfold; nevertheless it is above the level in most developed countries. Among these countries, Poland still occupies one of the last places (during 1950-1975 Poland moved from 27th to 22nd place among the developed countries and is only ahead of Argentina, Portugal, Yugoslavia, Romania, Hungary, Bulgaria, and probably also Albania and the Soviet Union.

Although in the past decade the ratio of the so-called late mortality of infants (at the age of 1-12 months) has decreased somewhat (from 41.0 percent to 38.2 percent), it still runs at a higher level than in most European countries. Meanwhile, this late mortality, dependent on external factors, determines overall

mortality of infants in Poland. We will not approach the level of the leading rate countries in the prevention of infant mortality as long as we do not reduce late mortality, which shows cultural backwardness and rank shortcomings in infant care.

The recent decrease in the infant mortality rate is also relatively low. In the 1970's Poland yielded in this regard to Portugal, Romania, Yugoslavia, Spain, Italy, Denmark, Austria, Switzerland and Federal Republic of Germany; namely, countries in which this index was higher than in Poland, but also countries whose condition in this regard was considerably better. This contradicts the widespread opinion that the decreased infant death rate is always associated with a slackening of the pace of this process. Moreover, in the foreseeable future this may also effect a deterioration of the international position of Poland and an increasing gap separating it from those ranking first in the world. In the period of 1955 to 1979 the highest rate of the decrease in infant mortality occurred from 1955 to 1960 (7.8 percent annually) and from 1970 to 1974 (7.2 percent). However, each period of such great achievement was followed by "lean" years, when no less strenuous efforts of the health service encountered an invisible barrier. The mean annual rate of decline in infant mortality from 1965 to 1970 decreased to 4.2 percent, whereas from 1974 to 1979, it even dropped to 2.2 percent (it was therefore more than three times lower than at the beginning of the 1950s). Though far-reaching opinions would be perhaps too risky, there is, however, a rather characteristic convergence of dates. Acceleration of this process has coincided in both cases with the beginning of wide-scale social policy programs initiated after October and December, whereas repeated setbacks occurred when these programs were abandoned.

Hepatitis, Tuberculosis, Hospital Infections

Evaluation of the spread of viral liver inflammation (or in common parlance infectious jaundice) in our society and its causes is rather complex because of the different causes of this social disease. The picture is also obscured by unexpected epidemics.

However, the incidence of this disease during the past 20-year period has systematically decreased. In 1960, its index was 257.7 per 100,000 inhabitants. In 1970 it dropped to 215.3, and after another 9 years, to 147.6. In 1979--that is, after 20 years it decreased by almost half. What then is the problem? This incidence is constantly above the level in most European countries; moreover, the rate of decrease of this disease does not exceed the rate noted in Europe in the 1950's and 1960's.

Despite the lack of nationwide data, all available sources confirm a high share (probably about 40 percent) of viral hepatitis type B, or the popularly called infectious jaundice, which we cannot but connect with a lack of disposable needles and syringes and other kinds of disposable medical appliances, even such basic equipment as dry-heat sterilizers or gas sterilizers. Pediatricians ascertained in investigations of school youth an alarming fact: the peak of the incidence of infectious hepatitis of both types is associated with the 9-15 age group. This may point--in view of diversity of sources of this disease--both to the sanitary state of school cafeterias (alimentary source) and to a careless

application of injections (implanted source) to immature, unsuspecting, and therefore most helpless patients.

The overcrowding of hospitals, extended hospitalization (for lack of social assistance units) of elderly patients with chronic diseases, and the low level of hygiene, resulting among other things from the antiquated health base, shortage of personnel, and even ordinary cleaning methods (the condition of facilities is described in more detail elsewhere) cause an increase of the hospital-related infections. They represent a particular danger because these infection strains show a very high resistance to drugs, including antibiotics, and therefore because of their great virulence. It is difficult to give convincing statistics and define the character of intrahospital infections in Poland on account of both the fragmentary state of investigations in this respect and the inadequacy of the equipment in the bacteriological laboratories. These labs, lacking equipment and methods, are unable to determine the etiology of the infection (and therefore cannot help with selecting proper therapy). Anyway, these infections exceed the permissible international level of "the risk included in the reckoning." Practically every patient hospitalized for any length of time is subject to such infection; a very considerable percentage of patients is statistically sure to contract it.

Still more disturbing is the situation with tuberculosis. We achieved real, unqualified successes during the first 30 postwar years, despite difficult conditions. From 1960 to 1979 alone the rate of tuberculosis incidence decreased by more than 80 percent.

Apparently our premature proclamation of victory over this disease brought about demobilization in the form of reduced watchfulness and dismantling of most of our treatment base. Again we are compelled to declare tuberculosis a social problem. We are obligated to do this by the World Health Organization [WHO], which states that tuberculosis ceases to be a social disease when the incidence index is less than 20 percent per 100,000 inhabitants. In Poland it is 77 percent (in the German Democratic Republic, 28 percent, in Denmark, 9.1 percent).

The necessity to undertake anew the fight against tuberculosis pushes us, as it were, backward on the road of civilization. Particularly disturbing is the fact that from the second half of 1970's the incidence in the younger age groups remain unchanged (in the 10-14 and 15-20 age groups they are even tending upward).

Children--Our Future

We could say much concerning this rather significant theme. We limit ourselves, however, to only a few observations.

Certain estimates of the health of the school population lead to disturbing conclusions. The percentage of students requiring wide-scale medical or paramedical care amounts to about 40 percent; together with indications for stomatological treatment at ages 6-18, the percentage reaches 54 to 68 percent.

We do not compare favorably with other developed countries. For example, in Sweden only three negative mass phenomena are recorded for children entering

school: 1. behavioral disturbances, 2. eyesight defects and 3. diseases and defects of masticatory apparatus. Other irregularities are already diminishing in the preschool age thanks to suitably early, general and effective preventive and medical treatment. In Poland, besides the same problems as in Sweden, we have at least three other problems on a mass scale for the entire school-age population. These are disorders of body equilibrium, pathology of the respiratory system, and irregularities in physical development and nutrition. Maturity is reached by more than 50 percent of the 18-year-olds with unsolved school-age health problems (respiratory diseases, allergies, anemia, dental problems, neurotic disorders, menstrual disorders). A worse health condition of our youth is related to insufficient medical care at the preschool age and with poor living conditions and education. A complex of environmental factors in Poland clearly influences (indicated by recent investigations of the Institute of Mother and Child) both the differentiation of the propagation of respiratory diseases and the frequency of the unfavorable physical and psychosocial development of children and youth. The young generation displays a disproportion between physical and mental development. In the second place, no specific acceleration of development is observed, especially in the socioemotional sphere. This leads to well-known consequences in the field of education. Observations also point to a regress in such areas of physical condition of contemporary youth as strength, endurance, nimbleness (L. Denisiuk, R. Trzesniowski et al.). In connection with this a question arises whether the tendencies in youth development observed after the war and considered favorable are really propitious.

Some Observations on Workers' Health

The health of the industrial work force and, in general, of workers of the socialized economy, which employs about two-thirds of persons of the so-called productive age, is undoubtedly a field that may arouse social concern. However, at the same time it is such a vast field that--in accordance with our earlier understanding--it will barely be outlined in this study. To be sure, a separate discussion is needed to expound on the problems broached here. We will point out only some parameters, which may become signals of those wider problems.

The industrial health service extends its care to about 7 million workers. What is the state of affairs of this service?

The increase in the number of regional physicians in this field in the 4-year period (1976-1979) was lower than assumed previously for a period of 1 year. In the industrial health service, and elsewhere, the supervisory staff has increased unduly, whereas physicians were burdened with tasks quite contrary to their basic duties. Everything including their primary duty has suffered from this: investigation of the state of health of the work force and the programming of the prophylactic activity.

Nevertheless comprehensive data exist concerning parts of the workforces, which arouse deep concern. We are quoting them here only as an example. Thus, investigation of the health of the work force of the H. Cegielski Plant in Poznan has shown, in the 35-44 age group, a 10.3 percent incidence of psychoneurosis, 20.4 percent of circulatory affections, 33.6 percent of respiratory diseases, (31.2 percent of the impairment of motor apparatus, and 8 percent of diseases

of the alimentary system. In the over-45 age group these diseases amounted to 9.6 percent, 59.6 percent, 45.5 percent, 54 percent and 12.1 percent. This means that for those above 30 years of age, from one-third to one-half of the H. Cegielski Plant workers are chronically sick. Even more significant are investigations of Filikowski (of the same year), since they concern crews of the Polskie Linje Oceaniczne [Polish Ocean Lines] whose health requirements are especially rigorous. For those investigated, one or more diseases were found in 20 percent of the 29-year and under age group, in almost one-third of those between 30 and 39 and almost one-half of those between 40 and 50. The incidence for those over 50 was 70 percent. In the two last age groups over 40, two or more diseases were found. The poor health of the working population undoubtedly reflects the poor health of the entire Polish population. We are far from asserting that diseases of workers are being caused exclusively by their working environment. Many of them are due to poor housing conditions, malnutrition, difficult commuting conditions, but the plant micro-environment likewise has an unquestionable influence. In the area of work hygiene, the number of physicians declined, and laboratory equipment has not permitted the estimate of occupational hazards by establishing the toxicity of at least 130 substances; some laboratories were able to determine the toxicity of 40 to 70 of them, but the majority have been able to do this in only a dozen or so. The measurements included only 66 percent of iron and steel plants, 49 percent of coal mines, 48 percent of nonferrous metallurgy plants and 42 percent of the electrical machine industry enterprises. The total environmental investigations in 1979 encompassed 12.1 percent of the enterprises. The infringement of hygienic norms was ascertained in 17.7 percent of toxicologic investigations, in 34.4 percent of investigations of the microclimate, in 41 percent of air particles and in 29.8 percent of investigation of mechanical vibrations. In 1979 almost 8,000 cases of occupational diseases were ascertained of which almost one-half were persons 30 to 49 years of age.

These random and incomplete data illustrate a wider problem to which special studies will surely be devoted.

Underprivileged Minority--Handicapped Persons

Another unmistabable index of the health of society is the increase in the number of handicapped persons. This category may be reproached because of its certain vagueness, since one could include here also cripples and invalids, as well as elderly persons, who are often associated with chronic illness and suffering. But this grouping is based on objective reasons, for example, on the undoubted demographic aging of Polish society. It is also difficult to put these persons into statistical categories. Many persons at the same time are old, invalids and chronically ill. Statistical information is available from censuses as to a number of persons who obtained [medical] determination of the three disability groups. According to the 1974 microcensus, the number of such persons was 1,374,300 (including those classified in groups I and II--740,000), whereas in the 1978 general census the corresponding data were 1,928,700 (1,174,000). Therefore the number of legally recognized invalids increased during the 4 years by over half a million persons; of this, more serious disabilities (groups I and II) also increased by almost half a million persons. Some analysts discount comparability of these numbers, ascribing their increase to a great extent to a liberalization

of legal regulations. Perhaps this change is a cause, but most probably it has no relevance to the number of invalids in groups I and II.

According to various findings the total number of persons with limited efficiency for various reasons (including the so-called legal invalids) amounts to about 15 percent of the population, whereas among the beneficiaries of medical and social services it amounts to almost half (40 percent). Thus, these services ought to be reconstructed radically in order to satisfy the requirements of a numerous, constantly growing group of users. Elderly people, the chronically sick, cripples and invalids belong to it. All of them are characterized by the inability--permanent or protracted--to satisfy on their own their indispensable needs; they are more and more often being called "the dependent groups"--dependent on social assistance. Meanwhile, in the prevalent health service model in our country, medical and social care of the chronically ill is being pushed into the background. Their main support base ought to be basic medicosocial care in their homes. As is well known, this is the weakest link in the system. For this reason, together with the simultaneous impossibility of other satisfaction of the needs of the handicapped, elderly chronically sick persons (we should mention among others the chronic lack of accommodations in social care homes), they are uselessly occupying hospital beds, which is a poor solution in every respect, mental, social and economical.

In 1978, the Committee on Human Rehabilitation and Adaptation of the Polish Academy of Sciences prepared a comprehensive report on the situation of invalids and handicapped persons in our society. It included all aspects of the life of these persons, their treatment, rehabilitation, occupational and social adaptation to professional work, economic situation, existing legislation and adaptation of housing environment and municipal facilities to the needs of handicapped persons. Proposals resulting from this report were sent to the interested institutions and persons; in principle they provide a program for action. However, neither this program nor the report itself aroused the interest of the leadership of the Ministry of Health and Social Welfare, the unit that is the chief coordinator of the whole complex of rehabilitation; that is, not only its medical aspects, but also occupational and environmental ones. Nor did they generate any response among other executive units and government groups.

In this field, especially, a countless number of unsatisfied needs. Let us consider medical rehabilitation alone and then only some aspects. According to estimates of the report in question (which concur with the data of the Sejm Committee for Health and Physical Culture) the number of handicapped persons who require various forms of medical rehabilitation annually amounts to about 4 million (this estimate does not include in principle persons in a postproductive age). Approximately one-half of them, about 2 million, require continuous rehabilitation procedures, and the remainder, casual care. Intensive medical rehabilitation should be received by 30 to 70 percent of the patients in various hospital departments and at least 10 to 30 percent of the patients should receive out-patient care. On the other hand, the number of professional rehabilitation personnel in Poland is made up of (approximately) 370 physicians specialized in rehabilitation, 750 physical education graduates specialized in rehabilitation, 6800 physiotherapy technicians, 200 instructors of occupational therapy, 115 psychologists and 230 social workers [sic]. The main centers of rehabilitation in voivodships ought to be voivodship rehabilitation clinics: they exist, however,

only in one-half of the voivodships. Rehabilitation consulting rooms and rehabilitation departments in hospitals are distributed unevenly: they are concentrated chiefly in voivodships. A few central rehabilitation centers have at their disposal about 40 percent of all beds of medical rehabilitation in Poland (about 2,300 beds).

Most persons needing it require early rehabilitation which should be conducted and completed within the pale of general health service in the regional consulting rooms and hospitals. Only a few patients require more comprehensive rehabilitation in special centers. If we assume that the percentage of hospital patients who require rehabilitation within the network of general health service averages 50 percent, then of this not more than about 5 percent require treatment in special centers.

The scope of these special centers is not sufficient to satisfy the needs of the whole country. Even if we assume that they would be used only by 5 percent of patients, who unquestionably should be treated in comprehensive rehabilitation) centers (for example, STOCER in Konstancin), the number of beds would have to be increased at least sixfold. However, these centers accept many patients who should not be there and execute many procedures that do not belong there, substituting for other competent regional units, which either do not exist or do not function. This is the characteristic model of our entire health service: a system standing on its head. A bobbing head (large in relation to the rest of the body, although it is still too small) denotes highly specialized units (monumental giants, something like the health service at the Katowice Iron and Steel Works; the skinny very thin, turned upwards, little legs are the regional health service, the basic health service that is a foundation of the whole system.

Alcoholism as a Signal

Dealing with alcoholism last does not mean that we are considering it least important. Alarmingly this phenomenon is increasing in Poland. This is evidenced by the data in the 1978 report prepared under direction of Prof Ignacy Wald and its later supplements.

In 1978, the average person consumed 7.8 liters of pure (100°) alcoholic beverages; that is, 0.9 liters more than in 1975 and 4.8 liters more than in 1950. In 1977 the average consumption of pure alcoholic beverages reached 8.2 liters per inhabitant, whereas in 1979, it increased to an estimated 8.5 liters.

Especially alarming is the upward trend, which appeared in the 1970's. Even during the first half (including 1976) the average annual increase of alcoholic beverage consumption was as follows:

--alcoholic beverages	5.7 percent
--vodkas, pure and flavored	6.8 "
--wines and mead	6.2 "
--beer	2.0 "

These are very high indices, especially considering two increases in alcoholic beverage prices during this period.

There is every reason to assume that the tendency concerning consumption of alcohol from 1970 to 1976 and in subsequent years has not only not weakened but has rather increased. Poland continues in a group of countries displaying high and increasing indices of consumption. In the consumption of vodka we certainly take first place in the world.

However, there is another alarming fact: stimulation of the increasing consumption by the state itself, which has turned the income from alcohol into a fixed budget item on the profit side: that is, a permanent element of the state's economic policy. This is not the only example where economic policy has been at variance with the principles of the socialist state, but it is a very drastic one. As increased alcoholism is not an isolated phenomenon but a signal of deeper social irregularities, whose sources may vary in different countries. In the Poland of the 1970's there were many reasons for discontent and frustration; these, plus the state supply of alcohol (and lack of other commodities), produced the mentioned results.

Budgetary revenues from the sale of alcohol to the population in 1976 amounted to about 14 percent of the state budgetary income. The leaderships attitude to these problems is well illustrated by the fact that the report on problems is well illustrated by the fact that the report on problems of the policy concerning alcohol prepared by a group of experts and presented to the authorities in 1978, was kept secret; hopefully, is to be made public this year. Only now some steps are being taken to combat this social scourge.

What Ails Health Protection--Attempt at Diagnosis

Outlays and Effects

We can try to measure the outlays for the health protection of the population with four indices: the percentage allotted from the national income for this purpose, expenditures for it from the state budget, the ranking of investments of the health assistance service and social care in the total investments, and import expenditures for the health service.

During the last 5-year period the expenditures in Poland for the health service and social assistance, according to the data of the Sejm Committee, were 3 to 4 percent of the national income and 6-7 percent of the state budget. No one listened to specialists who long asserted that the share of the health service in the national economy of Poland--because of her enormous war losses and neglect in the postwar period--should be at least 7 percent. No advantage was taken from the experience of other CEMA countries that earmarked at least 5 percent of their national income for this purpose.

The overall budgetary expenditures of the Polish state increased in this period by 21 percent and expenditures for health by 5 percent; thus, health protection was far below the mean rate of the increase of expenditures of the state. The share of the investment outlays for health protection likewise decreased from 2 percent of the overall funds earmarked for investment in 1960 to 1.2 percent in 1978.

Also extremely suggestive is the fact that from more than $20 billion borrowed by Poland in the form of foreign loans for health service needs barely $154 million (0.7 percent) were made available. In 1978 alone, almost one and a quarter billion zlotys earmarked for construction and assembly work in the health service were lost because it was not carried out. From the National Health Protection Fund, which was donated by social generosity, only about 40 percent was put to good use. The problem of the use of NFOZ requires a special investigation. It is inadmissible to continue the practice of reducing the budget of the Ministry of Health--that is, decreasing the outlays of the state--by the amount contributed to NFOZ.

Many of these data should be considered approximate or estimated, for, in the first place, the reliability of statistical data in Poland is low, and, second, different sources of financing and also phenomena obscure the actual state of things. Thus, for example, according to the analyses of the Sejm Committee for Health, in 1977, the state spent for the purpose of health protection and social assistance 1,573 zlotys per citizen; at the same time there was enormous regional differentiation. The citizen, however, was paying for his own health, including payment for medication, which at 30 percent of reimbursement produces an accumulation of over 100 percent, or 864 zlotys; that is, more than half of what the state budget spent for him.

The health service base is deplorable. While 30,400 hospital beds were added from 1970 to 1979, that can be hardly considered a momentous achievement. In this context, from 1960 to 1970--that is, when the health service was not a favorite of the institutions in charge of the budget and investment policy--the number of beds in general hospitals increased by 33,800. Therefore, the mean annual increase of the number of beds in general hospitals in the 1960's and 1970's was at the same level (3,700-3,800). The number of hospital beds delivered for use from 1975 to 1978 declined by more than half. As initially assumed for the 5-year plan 1976-1980, 47,000 hospital beds shrank to a corrected 27,000, according to plan, and 14,000 real ones. Thus, a regress, compared with the 5-year periods 1956-1960 and 1961-1965, was well evident (in those years 23,000 and 22,000 hospital beds were delivered for use).

Meanwhile the aging and decapitalization of the hospital base progressed. According to the data of the Sejm Committee for Health and Physical Culture, in the "new hospital buildings"--that is, built in the PRL--are located 23 percent of general and clinical beds, 15 percent of psychiatric beds, 21 percent of the accommodations of [social] care homes and 34 percent of homes for pensioners. This means that 60 to 90 percent of the corresponding health institutions are antiquated and located in the prewar buildings. The average age of the buildings of general, clinical and psychiatric hospitals exceeds 60 years. The percentage of hospital buildings in poor technical condition fluctuates from 10 to 20 percent.

The summary index of beds in all facilities of stationary health care per 10,000 inhabitants in the 1970's declined by 1.5 points (from 73.7 to 72.2), whereas in the previous decade it increased by 3.8 points. On the other hand, the index of hospital beds--despite desperate attempts to remedy the situation by means of the so-called pavilion construction--rose by only 3.9 points, whereas in the 1960's its rise (by 7.5 points) was almost twice higher. Taking into consideration an enormous number of antiquated hospitals requiring if not immediate

demolition, then at least general overhaul and modernization, the actual value of this index should be reduced by at least 30 to 40 percent. Even the general index of hospital beds, which does not specify their condition and whether they meet the actual needs of the health service, is actually smaller in Poland than in any other European socialist country (except Yugoslavia). In case of its correction based on these premises, Poland would still find itself at a considerably lower level than, for example, Spain or Yugoslavia immediately after the war.

The tragic situation of Polish hospital management is multiplied by the lack of vacancies in social care homes and homes for pensioners, which causes the overcrowding of hospitals with the chronically sick and handicapped, and by the weakness of the diagnostic base, which contributes to prolonged hospitalization of patients and reduction of the index of hospital bed turnover. Such consequences result from shortcomings of the basic health care. The recently initiated construction of the so-called hospital pavilions, deprived of an adequate diagnostic base, does not help.

Especially difficult is the situation in psychiatric care. Of 41,900 actual beds, 27,200 are situated in hospitals with over one thousand beds, which makes these hospitals unfunctional and worsens accessibility of services. For a considerable number of patients these hospitals fulfill a function of the social care homes. The area per bed amounts to 4.14 m^2.

It would be difficult, therefore, not to relate a sudden recrudescence of tuberculosis with the fact that of 40,000 hospital beds intended for purposes of phthisiopneumonology there were only 15,500 left, of which about 2,300 have no or a poor diagnostic base.

The hospital problem does not, however, end the shortcomings in the construction, repair and modernization of facilities that serve health protection. One ought--if only to achieve indices assumed in the plan--to build 200 rural health centers and about 400 consulting rooms: at the same time it would be necessary to exchange or modernize the majority of installations of the open medical care. They often require repairs and adaptation immediately after completion.

Supplying and Equipping Health Service and Diseases

Until now we spoke only of buildings for health protection. What is the state of its equipment and supply? We could answer briefly: in principle there is a lack of everything, from the most complex, modern diagnostic and medical equipment to ordinary medication, washing agents and items necessary for dietetic nourishment and from artificial kidneys and cobalt bombs to disposable syringes and needles.

The condition of the equipment unquestionably is related directly to the earlier described state of intrahospital infections and the continuing high level of the incidence of viral inflammation of the liver; that is, infectious hepatitis. One simple example shows well the causes and mechanisms of shocking sanitary conditions. We produce 160 million of disposable needles annually, despite an optimum requirement of 270 million. The MIFAMA establishment in Milanowek--the only producer--could manufacture considerably more if it were to receive 63

million zlotys for modernization. At the cost of $30,000 and with the efforts of its own specialists, it is prepared to construct machines that, if purchased abroad, would cost us $200,000. The hitch is that no one has calculated precisely costs on a nationwide scale of treatment for patients with infectious hepatitis, which very often develops into a lifelong invalidism (together with costs of prolonged sick leave).

The proportion between the import and export of apparatus and equipment is decidedly out of balance. In 1980, the Ministry of Health received only 50 million foreign exchange zlotys for the import of medical technology equipment, whereas the moderate estimate of specialists is a minimum of one-half billion foreign exchange zlotys.

At the same time, and with the chronic lack of the simplest medical equipment, in the 1970's the export of instruments in short supply was practiced. In 1978, of 38 million manufactured disposable needles, 10 million were exported; in 1979, of 76 million needles produced, 14 million were exported. The Ministry of Machine Engineering Industry demanded that the export be still increased. While surgeons have no instruments with which to operate, until recently almost the entire production of surgical instruments from the plants in Nowy Tomysl was exported. These practices were recently discontinued, but the gap is difficult to make up.

Especially galling and tragic is the lack of equipment for intensive care (domestic production is based on antiquated technical-medical models, and it is difficult to count on the import): light resuscitation kits, modern X-ray apparatus, surgical instruments.

The situation in cardiology and cardiosurgery is typical. According to incomplete and evidently lowered data of the Institute of Cardiology, the annual number of new heart defects in Poland approaches 40,000, including 20,000 in persons below 20. At least 10,000 persons require implantation of artificial valves, while these operations are performed in 400 patients annually. The implantation of artificial pacemakers of the heart in 1979 was performed almost exclusively in critical cases (1,700 cases). Deprived of help was a considerable group of patients whose health could have improved with this procedure. In Poland the index of newly implanted pacemakers in 1978 was 28.7, 2.5 times smaller than that recorded in Czechoslovaki, 6 times smaller than in the GDR and almost 11 times smaller than in the United States (the value of this index is calculated per million inhabitants).

A deepening deficit on the medicine market constitutes a special problem. In 1977, the list of shortages and deficiencies contained 280 items, including a complete lack of 68 items. The most dramatic breakdown of the drug market occurred in 1978 (according to ministry data, we ran short of 470 items; according to Sejm's data, 607, including a total lack of 116 and in 1979 (ministry data, 490).

These data do not give a full picture without specific names of drugs: antibiotics, cardiotonics, specialties used in diseases of alimentary system, analgesics, psychotropics, ophthalmics and almost all vitamins. Even in imported drugs we ran short of antibiotics and antineoplastics. Mandatory reserves

dropped to a few days. The case of enkorton was notorious. A drug indispensable in acute kidney conditions, as an emergency it was flown in from abroad when the clinics had only enough for 4 days. One clinic fell short of infusion fluid, and there was danger that artificial kidneys would be put out of action. The lack of tranquilizers was causing outbursts of aggressiveness among wards of special care homes. Besides the lack of drugs, there was a permanent shortage of dressings. Alarmed by this, the Council of Ministers adopted Resolution No 70/79 for emergency relief of this situation and later ordered the Ministry of the Chemical Industry to work out a program for the development of the pharmaceutical production for the period 1981-85. The interventions in this area have proved to be half measures that did not bring about permanent improvement. On the contrary, in the last quarter of 1980 there was danger of shortage of 536 items (according to Ministry's data), which means that 25 percent of the entries of the official list of drugs were difficult to obtain or unobtainable. This situation is worse than the bad months of late 1978/early 1979; the situation in the health service might become catastrophic.

Where should we look for the causes of this breakdown and what is the way out of the crisis that seems rooted in the economic system itself? We can distinguish several elements:

--in the beginning of the 1970's, POLFA, the largest producer of drugs, had become an initiating unit among large economic organizations (WOG) and shifted to a system of settlements in sale prices. That entailed a natural preference to the production of expensive and material-consuming drugs: all the more so since from 1973 one began to set drug prices at a very high level. Thus, POLFA could cover itself in the settlement of accounts by the sacramental 12 to 14 percent of the mean growth rate, and at the same time, on the material side, could cut start-up manufacture of new products from 40 items in 1975 to 16 in 1979, with an almost complete lack of original research;

--this economic system gave natural priority to the preparation of imported substances and export. With a chronic underinvestment of the technical base this consistently led to shifting into the background the production of the simpler drugs and drugs for the domestic market;

--the same error was committed as in the building industry, where small brickyards were abolished; likewise, destruction of local industry has caused the disappearance of pharmaceutical cooperatives that produced traditional, simple but indispensable medicines such as charcoal, some vitamins, infusion fluids, medicinal herbs, etc. Here too, centralizing activity caused irremediable harm;

--at a certain moment the funds for the import of drugs were mechanically reduced, despite the fact that they often did not exceed 10 percent of the allocations of foreign exchange to other branches of the economy, for example, the metallurgical industry.

Against this general background, formed by a lack of hospital beds, precision apparatus or newest drugs, there were almost elementary deficiencies, the lack of commonplace items. Laboratory glassware broke but was not replaced. The patients rang up the ward nurses but bedpans and urinals were lacking. The

surgeons performed admirable operations but they had no sutures, gauze, bandages, plasters.

Statistical data in the WHO yearbook and other WHO reports on world health conditions give an irresistible impression that only in one respect does Poland not lag behind the majority of developed countries. Per 100,000 of population, in 1979 Poland had 174 physicians, 47 dentists and 422 nurses; the growth rate of these indices shows a rising trend. This trend, however, is almost entirely on paper, since the distribution of cadres is irrational, their work unorganized (they are overburdened with activities not serving directly health of the patients and not requiring the education received).

Inefficiency of the System

To appraise efficiency of the health service system in Poland one may use data accumulated in comparative investigations carried out at the end of the 1960's under WHO auspices in 11 regions, spanning seven countries. From Polish cities, Lodz was selected for this purpose. A secondary analysis of the results of investigations performed initially by the Lodz Institute of Social Medicine was carried out by Dr A. Ryszard (from his work comes the following information). In the Lodz area (which may be considered typical of larger cities of Poland) are serious shortcomings of the system. All indices of the needs of the population of Lodz run above average, and in several cases (gravity of disease, disease-days, psychobiological dysfunctions) these indices attain the maximum for all investigated areas. The patients in the Lodz area are linked rather with the place of health care than with a permanent physician; differences compared with other investigated areas, where over 90 percent of the respondents had a permanent physician, are very essential. At the same time, Lodz is an area with a great degree of physician inaccessibility (only in Rijeka in Yugoslavia is the percentage of persons requiring more time to get in touch with the physician higher).

In the number of physicians per 10,000 inhabitants, Lodz is above average and approaches the maximum. Therefore, the blame for the state of things bear the structure and organization. In Lodz (as in the whole of Poland) specialists clearly outnumber general practitioners. Much health service personnel is inaccessible to patients, probably because they are administrative workers.

The system with which patients have to deal in Poland, notwithstanding the current opinion shaped by propaganda, is not funded by the state, but at the same time is also not substantially paid for by the patients. Thus, it is a system doomed to struggle with enormous difficulties to satisfy health needs (with difficulties that it creates for itself). They are caused by patient contact with a physician limited almost exclusivey to an institution (home visits do not exist at all) and by the longest hospitalization compared with all other countries and regions.

This system is not balanced; its needs considerably exceed its resources. For the Lodz area, therefore, all the rates of the intensity of needs will be higher than average, whereas the resources oscillate around average. This results in lower-than-average indices of taking advantage of health care.

For the hospital system serious consequences result from the hiatus between the state of health and the use of medical advice. Obviously, difficulties in getting medical advice in the open medical system must mean the relative overload of hospitals. A further consequence will be the lowering of the health level of the population. As a result, more seriously ill persons land in a hospital. Whereas in other investigated regions per 1,000 persons who during a year did not consult a physician, an average of 9 persons is hospitalized, in Lodz this number reaches 17. Lodz was second in the number of persons whose hospitalization occurred as a result of a serious disease and was "of high urgency." The state of health, or rather that of disease, crosses a certain threshold, and only then the contact with the health service takes place.

Lodz has a model of "expensive substitution." Intensive utilization of the fair-sized resources is not possible. The inpatient medical service is substituted for the outpatient medical service, and overcroweded hospitals substitute for inefficient systems of the social assistance. Such substitution is extremely expensive and functions poorly.

Logically therefore, one of the main causes of the paralysis of the health protection system in Poland must be the inefficiency of basic health care.

One of the causes is the actual isolation of patients from specialists in basic health care. In Poland's extremely hierarchic system the medical service of the first contact, represented mainly by internists, is a most neglected field of medical activity, despite carrying the greatest weight of services. Investigations of the Warsaw population at the beginning and at the end of the 1970's indicate that a district physician is handling three-fourths of extemporary health needs--that is, interventions in acute cases and aggravations of chronic diseases--and is the permanent support in the care of nearly one-half of the adult population. It is easy to conclude that the range of the basic medical assistance on a nationwide scale is considerably greater. Despite persistent pushing of various programs of service development and specialized networks, the share of the basic medical service in the overall medical care of the population has decreased very little during the past decade and continues to form the main base of health assistance.

The several years' observation of one of the district clinics in Ochota indicates that under big-city conditions the basic health care renders one-third of the medical services in chronic diseases, sharing this burden on a par with factory and specialized medical service. A closer analysis shows that among most common chronic diseases requiring conservative treatment (arterial hypertension, bronchitis, diabetes, coronary disease) only diabetes was frequently treated by specialists; the rest were treated mostly by the district and by factory dispensaries. Even without priorities these services take care (better or worse, is a different question) of diseases that according to general opinion constitute a domain of specialized treatment.

Notwithstanding a numerical prevalence in the health services in Warsaw, internists constitute but 8.5 percent of those actively employed in the overall health service (in 1979, per 5,857 of persons working in health care teams, clinics of

the Academy of Medicine, institutes of the ministry [of Health] and in some other medical institutions, there were only 500 such physicians). Investigations of the Institute of Occupational Medicine and Rural Hygiene showed that about 10 percent of rural health centers have no physicians at all, and that 20 percent have no stomatologists. Meanwhile the time study of the working load of rural physicians showed a necessity of doubling their number, in order to fulfill all their prophylactic and medical duties.

The basic health care, taken only as outpatient and home care, should comprise 70 to 80 percent of all health needs (including also medicosocial needs). In a wider sense, however--that is, as a nearest-to-the-home outpatient, home, hospital and emergency assistance--as well as an environmental-social sense, this line of activity, in the opinion of some experts, might cover 85 to 90 percent of actual, perceptible needs.

A low degree of satisfaction of health needs by basic care means that society does not have access tohealth services. Because of insufficient fulfillment of its numerical tasks, and especially the quality of the provided care, our system of services, as well as social pressure, prompts the organization of substitutes--improvised, more distant care, the so-called specialized one. These solutions have a highly fragmented structure and function and markedly differentiate the patient's own needs. Each can only fragmentarily satisfy social requirements. To be developed, specialized care, both local and provincial, requires an ever-increasing number of professional cadres that need a long period of training, together with auxiliary workers, special housing, installations and equipment. A vast investment in this specialized care prevents attaining a required level in the development of basic health care, which by its weakness perpetuates this vicious circle.

A fundamental cause of the weakness of basic health care is its programmatic assertiveness, nonsystemic approach and a marked lack of comprehensive solutions of complex problems, with a simultaneous inconsistency in activities undertaken.

These flaws and administrative shortcomings begin with the training of medical students. Those who teach them their profession have little knowledge of the actual health needs of the society. Hence comes the error of the traditional training in the clinic and for the clinic and then erroneous, too-specialized postgraduate education.

The work conditions of physicians, dentists and nurses of the basic health care are inadequate. There are not only the irrationally insufficient level and method of remuneration of professional workers, but also the lack of auxiliary workers--for example, medical secretaries, ward assistants--who could free physician and highly qualified nurses from some tasks. Home care, directed and helped by professional workers of the health service, continues to be wishful thinking. The selection of a physician by the patient is almost a complete impossibility. There is no proper delimitation of aims and methods of care by basic health service general population, industrial work force and youth.

The infinitesimal participation of patients in the organization and guarantee of services conforms to the slight influence of representative organs and local administration (state, gmina, municipal) on the formation of units of basic health care, the building of facilities, acquiring of cadres and equipment and financing the activities.

Despite the announcement and reorganization, the health care teams lack real integration of medical and social care, which causes on one hand the overlapping and duplicating of authority and on the other, frequently untended areas.

When at the turn of the 1960's and 1970's the health care teams were formed, it seemed that this was the most logical system, that it would ensure complete integration of basic and specialized health care, of outpatient and inpatient medical service, of medical care and social assistance, and the adequate elasticity and proper flow of patients among various centers of the health protection, which would form a uniform, efficiently managed and functioning system. Why did that not happen? Probably the weakness of the medical base and bureaucracy should be held responsible. The structure of the system was not changed in the direction of strengthening the basic care; dashed to the ground, like a bubble, were dreams about home and housing estate physicians, there was no expansion of social assistance, which might have taken the strain off hospitals. The uniformity of the system changed into a dull uniformity, contemplating the same solutions for Warsaw and for sub-Carpathian village or Bialystok village. The health care system continues to be an upside-down pyramid.

Growth of Health Needs

Among the causes of the present state of health affairs are demographic and social processes. These processes combined to increase expectations from the health protection.

A significant demographic phenomenon is the aging of Polish society. The share of elderly persons--that is, over 65 years of age--in the population has increased from 1971 to 1980 from 8.41 percent to 10.19 percent, which means a transition from the late transitory phase between youth and old age to the so-called stage of old age proper.

Simultaneously, there was an increase in the number of children 0 to 4 years of age by almost one-third, the average annual number of pregnancies increased almost as much. As mentioned, the number of invalids and the handicapped has also increased. All four groups need intensive health care.

At the same time, in the 1970's--with almost no development of the base--the rural population numbering about 6 million was covered by health services.

The awareness of health needs, increasing pressure on the health protection system, paralleled the growth of education and of employment in the socialized economy. In the 1970's the number of persons with education higher than elementary school increased by 74 percent and of those employed in the socialized sector, by 23 percent. A definite role in the growth of health needs was

played by sui generis whetting the appetites of society, which was systematically made to believe that the life was improving. Thus, perceived needs grew, whereas the potential of health services did not. Thinking unrealistically that it will be possible to do so without increasing the means, people attempted to satisfy those needs. Meanwhile, buildings and monuments chiefly to glorify the authorities were not lacking. Until now actual problems were not solved; professional cadres were siphoned from the basic health care and other units.

Despite some undoubtedly positive phenomena in the domain of health needs, unfortunately there is no foundation for optimism. This is even more true, as many negative health phenomena arise in the areas completely unrelated to the health service itself, for which the health service cannot be held responsible. Phenomena associated with industrialization, such as pollution, or the development of motorization generate danger to the health of the nation. Nutrition--this probably cannot be argued--is likewise of great importance. The danger here is twofold: the continuing bad state of the food supply in the long run endangers health, especially of the younger generation, and at the same time worsens, sometimes drastically, the quality of foodstuffs, even to toxicity (for example, milk). These phenomena, if continued for a protracted period, will adversely affect the biological state of society.

Part Two

Health Protection--Prospects of Changes

The preceding diagnosis, despite being incomplete, permits certain conclusions. Before that, let us make a general remark. Professionals may consider the text relating to particular fields as too general or simply truistic, whereas nonprofessionals may regard it as too specialized. We would ask for letters from both professionals and nonprofessionals and from those who simply would like to express their views on health subjects, whether or not discussed here. We will appreciate any information that would contribute to a subsequent fuller and better report. The letters should be addressed to the editor of ZYCIE I NOWOCZESNOSC, with a subscript: Konwersatorium "Doswiadczenie i Przyszlosc," Zespol dla Zdrowia.

I. Resources and Methods

1. General Conditions. Although this study is limited to matters directly connected with the Ministry of Health and Social Welfare, we must again emphasize that of decisive importance for the collective health are factors beyond the ministry; in the first place nutrition; purity of water, air and soil; conditions of housing, conditions of work--in short, the state of man's environment. Also important are various elements of the lifestyle of the individual, such as smoking, use of alcohol, various hygienic habits, rest, road accidents, use of the health service, general health education, etc.

The state of health in great measure results from all these factors, whose consequences manifest themselves within the pale of the health protection system. For this reason even an ideal organization would be not much help, if not accompanied, or rather preceded, by the corresponding action in almost all domains

of social life. In other words, the social health is too involved a matter to leave in the hands of the physicians themselves.

The consequences of various "extraministerial" factors, which manifest themselves within the sphere of health service activities, are of less direct nature; for example, nutrition. The influence of the health service itself on the occurrence of diseases is sometimes unquestionable; for example, the intrahospital infections, or the spread of implanted hepatitis, though this too may be considered as a dysfunction of the whole social system (failure to produce cleaning agents and disposable devices).

2. Publication and Honesty of Information. Until August 1980 society was deprived of comprehensive information on matters most vital to it: the elementary knowledge about the harmfulness of environmental pollution affecting the health and well-being of individuals and groups and determining the living conditions and biological substances of the nation. The prohibition to print included all informaton on mass poisonings and diseases; on food poisonings in vacation centers, cafeterias of workplaces and summer camps; on epidemics of infectious diseases (including flu); on alcohol consumption; on road accidents. The prohibition also concerned information on the danger to health and life caused by industry chemical agents used in agriculture. At random, in a guarded manner, news appeared in print about the pollution of the air, water, soil and foodstuffs and about the location of industrial plants that poison the environment. On the other hand, a prohibition covered the danger to the health of workers employed in producing harmful chemical products--for example, polyvinylchloride--and the danger of many materials in their production or their introduction on the market. That should be remembered.

This is related to information on the functioning of the health protection system. Reporting this subject was never based on the merits of the case in full. Information was concealed from society about the drug supply, the extent and cost of "special" medication (do not mistake it for specialized), the management of the National Fund of Health Protection, the situation with the Children's Health Center, etc. Until the lost half of 1980, this coverage was taboo.

It is difficult to determine whether facts known to the health service authorities were concealed and where it was simple ignorance. The health service--in the whole world--is characterized by the deficiency of the information necessary to manage such a powerful system as the health service system of an industrialized country. It seems, however, that Poland is yet distinguished in this respect by an especially high level of ignorance--if only as regards the basic economic problems such as the share of the health service in the state budget and in the national income, the distribution of finances within the Ministry (for example, how much is earmarked for basic medical service and social assistance, compared with other branches of medicine), to what extent this system is not balanced. (This imbalance is shown in the example of Lodz in the analysis of the efficiency of the system, as well as the undertaking of enormous programs without corresponding resources: the medical coverage of the countryside, the guarantee of health care to the work force at large, the program to combat cardiovascular disesase, the program to combat cancer, etc, such programs in these conditions had to be fictitious).

A separate, highly important question is the collection of information on society's health. We will limit ourselves to stating that regardless of the adopted methods and indices (mortality, sick leave, use of health service units, results of mass investigations, general and individual diseases, etc), they should relate to definite people and not anonymous "disease cases," as now practices. Diseases occur as if in a void, separated from other spheres of social life; this lessens the effect of medical activity, both prophylactic and therapeutic.

Investigation of the health of the population and health care can serve various purposes; for example, to determine economic tasks of the country defense requirements, to plan health service and social policy. The present reporting helps (at least in theory) to plan health service, whereas it is useless in social policy; this is reflected in the actual health care among various strata and communities and in the state of their health. For example, how can we successfully combat infant mortality, if it is not known exactly in which families and environments infants die most frequently? The knowledge of social differentiation and inequalities in Poland is indispensable in order to make sense of such measurements as the average lifetime. We know how long the average woman and man in Poland live, but this is not enough. Some results of sociological investigations throw light on the use of health service and social assistance by different strata and groups but we are still far from the basic information on this subject.

3. Change of Approach to Phenomena of Health and Disease. This last question relates not only to Poland, but we cannot omit it when speaking of a good, modern information. Traditional indices of community health (measurements of diseases) do not suffice to determine and solve health problems of developed societies. A diagnosis of disease on the basis of a pathological change of the organism omits an enormous number of persons with health problems outside the official classifications. Two groups are involved. First are those who consult a doctor with problems of no perceptible organic nature: a "psychological disease," "psychosocial discomfort"; that is, a reaction to stresses and tensions of family, occupational and social life, accompanied by various noxiousnesses characteristic of industrialized societies. Such patients are beginning to be a majority in the waiting rooms of some physicians, not necessarily psychiatrists. The second group consists of persons in whom diagnosis of a pathological change is of rather small importance. Primarily these are older persons, whose ability to function is lowered by age and sometimes accompanied by chronic conditions such as rheumatism and impaired sight or hearing. As the populations of industrialized countries age the key position in the picture of diseases is occupied by incurable, long-lasting, chronic diseases, typical of the older groups of the population and responsible for an irreversible limitation of efficiency.

The biotechnical progress of medicine entails similar implications. People in different age groups--for example, from the newborn with congenital defects to the victims of automobile accidents--who even a few years ago would surely die, now survive, but their life efficiency is limited and that is the main problem. In such situations it is rather less important to discover the cause and diagnose the disease, than to answer the question of "what follows from that," how to cope with the consequences of the given disease or disability, which after all are different for each person. Of importance is not the classical treatment, but the restoration of daily activities and the facilitation of life under conditions of permanent disability.

As mentioned earlier, the number of dependent persons--that is, the number of invalids, cripples, the infirm and handicapped--is growing. The basic characteristic of all these persons is dysfunction: impairment, limitation of physical or mental efficiency and protracted, partial or total inability to perform vital roles and tasks. This situation requires actions called rehabilitation, revalidization [sic], adaptation, integration, which greatly depart from basic medical treatment and from the accepted classification of health and disease. The states described are expressed in functional, not clinical, categories; fall within the scope of completely different phenomena; and are subject to different methods of investigation and actions. The individual efficiency of each person, closely related to the social situation, becomes the basic criterion of health.

Medicine is best prepared to deal with a disease that ends with the restoration of health, leaving no consequences of lowered vital activity. For ages it based itself on pharmacological and surgical intervention; its chief aim was to save lives. Before our eyes, medicine transformed itself into an institution whose main task is prolonging life and, closely linked with this, dealing with the consequences of diseases.

The switch to combat the consequences of diseases is a difficult and extended process. Deep changes must undergo the national apparatus, the systems of training and educating professional cadres, and the whole character of medical institutions and the health service, in general. This already is being understood in the leading scientific centers and the World Health Organization. In connection with this, the demand is rising for psychologists, sociologists and social workers.

4. Material Base and Organization. We begin with an invocation: let the angels protect us against a successive reorganization; for example, this time the suppression of the health care teams. This might not be endured even by the most healthy people. Our program follows:

--make sure that the ministry really receives at least 7 percent of the national income;

--concentrate on the sorting and elimination of most important deficits, and on rather small corrections; a considerable part of the 7 percent should be earmarked for saving the existing base, for adapting buildings and premises being turned over to the health service by various institutions in order to provide hospital beds, primarily through discharging recovering patients. This is related to the immediate construction of the social care homes and the adaptation of various buildings for this purpose. It is also related to a different view of a hospital; instead of being a repository for the chronically sick, hospitals should be the site of intensive care and therapy. For this, apparatus and equipment must be developed;

--ensure nationwide that every home, especially a new one, have a support base with sufficient medical and social infrastructure at least in the form of an outpatient surgery and pharmacy. This concerns particularly new residential areas. The construction of health service units should be a part of the housing program;

--give priority to supplies of medicines and dressings and treat these supplies on a par with supplies of foodstuffs; give the domestic market absolute priority over export, except for a matter of profitable exchange for the benefit of health protection; take immediate steps to ensure that pharmacies and inpatient medical service always have a full assortment of drugs and lifesaving equipment as well as dressings. There can be no deviation from this principle, its functioning must be assured by all possible means, and those responsible for its breach should be prosecuted for endangering human life. Moreover, in order to ensure the continual supply of the simplest drugs, it is necessary to restore small industry and pharmaceutical handicraft. Additional investments in POLFA and HERBAPOL are indispensable:

--perform the analysis of the use made of physicians. With a relatively high number of physicians in Poland, why is there a continual shortage, not infrequently "catastrophical," in almost all fields, even in Warsaw, which possesses one of the highest European indices of the number of physicians in relation to the population?

--review the qualifications of our physicians from the viewpoint of their professional level according to international standards. It seems that we have good physicians. On the other hand, there is news that they are not doing well in tests used by foreign examiners (for example, for scholarships). It appears that they show particular shortcomings in basic medical knowledge.

--restore status to nursing the sick. We are not expanding this important question--it requires a separate study. It is related to the more general problem of the rank and file of health service workers, beginning with hospital ward attendants;

--verify that among the health service personnel the professionals constitute 45 percent and the nonprofessionals, 55 percent, some are indispensable technical and managerial personnel, but others are primarily administrative workers, generally with low qualifications. They cannot replace the necessary workers such as medical secretaries (males or females).

5. A Look into the Future. By implementing these assumptions within a few years we will perhaps reach a reform of the health service system, with a radical reconstruction in the direction of all industrialized countries. This consists in reversing the pyramid, in basing the whole edifice on a strong foundation: the basic mediosocial care. If this foundation fails, the whole edifice totters. It becomes a colossus with feet of clay and is dysfunctional. No health service system will be able to realize its main goals until it is founded on the basic care for man in his natural environment.

Such reform is very difficult. As well known, in the accepted model the most important aspect was a highly specialized clinic. In Poland, the latter has considerable shortcomings, but nonetheless this ideology determines the system of training physicians and nurses, shapes professional values and also a distribution of material funds within the framework of the health service budget. It would be nonsensical to ask for an automatic limitation of the funds for specialized clinical centers in Poland without a thorough analysis of each. Some

of them should be expanded. But from the viewpoint of the community, specialized clinical care barely satisfies a small percentage of the health needs of society. On the other hand, among the remaining enormous majority of insufficiently cared for needs, the basic care should be most important. If it functioned correctly, the basic care would to a great extent relieve the strain on specialized units, which could then concentrate on purposes for which they were created.

II. Goals, Distant and Near

Until now we were speaking of resources, methods and the absolute necessity of changes in the spheres of information, distribution of centers, improvement of the material base, organization of health protection, etc. We can now attempt to formulate the aims--aims distant and near--for our health service. Moreover, these aims are realistic, and some can even be attained rapidly in a rather simple way, if the basic conditions mentioned in the section "Resources and Methods" are fulfilled.

We mention three of the immediate aims: elimination or considerable decrease of intrahospital infections, of viral hepatitis, especially of type B (implanted jaundice), and of tuberculosis.

The fight against intrahospital infections is after all related not only to a necessary renovation of rooms, the repair and modernization of the base, relieving its congestion, but also with such an apparently simple measure (given the essential shortcoming of the market) as an increase of the allotment of cleansing agents; the shortage of the personnel should be mitigated by the introduction of automatic washing equipment.

Indispensable also are, however, more complex measures, in the first place a weak base of bacteriological laboratories, which are unable either to make a proper diagnosis or help in instituting therapy. We need to form well-equipped and qualified diagnostic teams in this field, whose experience and help might benefit other units of the health service. A registration system of infections and their analysis has been developed in a proposal by the Team for Bacterial and Viral Matters on the order of the Minister of Health and Social Welfare two years ago. Thus, a shock campaign against intrahospital infections--under the supervision and coordination of the voivodship sanitary-epidemiological stations--is not only necessary but also possible and inevitably successful.

Similarly, with the viral inflammation of the liver, type B or infectious hepatitis, in Poland there is a specialized base for the production of disposable implements; it is producing, however, under difficult conditions. Its development does not require huge outlays and investment. We must ensure the priority of the domestic market over exports (for needles), and perhaps also ensure--until development of the base--a rather small import. Also, it is necessary, for the effecitve elimination of the infectious hepatitis, to expand the sterilization base to include equipment that is the not latest technical and medical development but is long used even in the countries below our level of economic development.

With tuberculosis, it is necessary simply to restore the network of units, which existed in the past, produced excellent effects in combatting this disease and were prematurely abolished.

We are not unrealistic in maintaining that a prompt, concentrated attack in these three directions may soon produce a visible improvement of the situation.

In the realization of more distant aims, one might suspect that we will not say anything particularly new. The programs undertaken in the 1970's by the authorities and the Ministry of Health--for example, the programs for combatting neoplasms, circulatory diseases, care of mother and child, rehabilitation, improvement of health of the work force--were correctly formulated and tended in the proper direction. They had only one flaw: in the system of the "reversed pyramid" and the lack of funds, they were unrealistic.

Not discounting the necessity of building some large centers, for example, of oncology (the existing institute for a long time was cramped for space), we wish to emphasize that these programs must be first moved "from the institution to the people"; that is, to the level of the basic health service. Only there can they produce results. The success of many of them depend after all on the wider changes related to political events in Poland. For example, the protection of the health of the work force is related, on the one hand, to the creation of the State Labor Inspection, subordinated through the Supreme Chamber of Control to Sejm, and, on the other hand, to formation of the new, independent and self-governing trade unions, which appoint both authentic social labor inspection and produce social funds for the health needs of workers. Against this background one should consider the reform of the National Fund of Health Protection, so that under social control it would cease to be a fiction.

We do not wish to engage in detailed consideration of these problems, for each deserves separate discussion. We would like to single out only two phenomena. One is psychiatry. The situation here is tragic, even in the generally joyless picture of our medicine. After all, there is no problem of psychiatry as such, only a problem of the mental health of the people. It requires prompt and decisive decisions.

The second matter is the general problem of "dependent groups," the situation of elderly and aging people. This is related to demographic changes of Polish society; the allotment for the protection of this group seems indispensable. One cannot, although in great measure it is necessary, depend only on the good will of men.

III. Toward Model Changes

It is necessary, in the immediate future, to begin the process of democratization of health protection. This process began as a phenomenon related to the overall changes of the summer and fall of 1980. Health problems figured prominently in strikers' demands, and immediately after the great wave of workers' protect, the protest of the health service workers, raised not only on their own behalf but also in the name of patients, drew the attention of the public and authorities to the dramatic health situation. Characteristically, despite the great number of pressure groups in Poland--for example, various industrial lobbies--the health service has never formed such a group; it never had such influence. Only with the wave of rank-and-file revolutionary changes came the first such pressure group, not mainly from physicians but from rank-and-file medical personnel.

As the whole world knows, the era of scientific-technical revolution has brought about changes also in medicine: its technicality, engineering orientation, tendency toward specialization, etc. It contributed to the creation of a model in which man is born, is sick and dies, not at home but in a hospital or other closed institution. This often was and is a blessing for a patient because of expert care, medications and apparatus. It also has bad features, for such a model is easily changed into a depersonalized, centralized system, in which the individual-patient is lost and defenseless. His separation from the environment, home and family likewise often has adverse effects on his health. In our practice, because of local character, the centralized system has become fossilized into a red-tape structure. A rigid framework of the model cannot envisage nonconventional solutions and regional and local diversity; this structure had no built-in mechanisms to stimulate some spontaneous initiatives and undertakings from rank-and-file workers.

The medical system that was created by the modern civilization has in it the seeds of the inverse processes. The physician often ceases to be a central personage in it and loses exclusiveness. Other specialties appear--highly qualified nurses and psychologists in psychiatry; social assistants, and in fields like orthopedics, in both treatment and rehabilitation, physiotherapists, motor therapists, physical education specialists, engineers and technicians making equipment and artificial limbs, etc. In many clinics the autocratic management of the clinic head is supplanted gradually by the so-called therapeutic team, a more democratic form of management and organization. These changes, albeit with difficulty, are beginning in some units of the Polish health service.

However, we speak constantly of the eventual changes in the system. It is a mistake often repeated: while discussing health protection and a need for its reform, we see only that centralized structure and ponder how to improve it. Meanwhile a mass of patients undergoes treatment outside it. There are physicians' cooperatives, private practices, healers and quacks; we know little about this other structure and relations in it. After all, it does affect the functioning of the social health service.

Moreover, health is too important to leave in the hands of physicians alone. Also despite resistance, but nonetheless beginning are the informal groups and structures that cultivates certain health-related behavior, for example, the AA (Alcoholics Anonymous) clubs, clubs of invalids or other groups of mutual aid. They often benefit from the help of professionals only in the sense of advice and consultation; not infrequently, they practice a sort of self-cure.

As the level of general education and medical education rises, such forms will multiply. This should be greeted as a positive phenomenon. We will not solve the problem of chronically sick persons, the handicapped and decrepit persons without help at their home, in their own environment and without participation of persons whose chief qualification is good will. Many persons will recover the physical and mental fitness, achievable in their situation, and a better frame of mind more quickly in their natural environment than in an isolated, closed institution. The role of the physician or medical personnel in these arrangements will diminish to a professional supervision, help and intervention, friendly advice and assistance in spontaneous and rank-and-file initiatives. We should consider once more the role of the family--especially, despite current opinions,

families, even in difficult conditions, often take upon themselves the burden of care of sick relatives.

Therefore, not only will the role of the professional social worker--also a member of the structure grow, but also that of the nonprofessional therapist. The effectiveness of such nonprofessional therapists, who were only extemporaneously trained in preliminaries, has been highly appraised, though not in Poland, in investigations in the area of psychiatry.

Broadly conceived basic health care should not, therefore, be limited to medical intervention and prophylasix but encompass mutual aid, family care and finally the responsibility of man for his own health-related behavior; to depend only on outside advice and help is an erroneous approach to health matters.

One should not, therefore, imagine a correctly functioning model of health protection as some closed, hermetic, technical and centralized system. The system must be open, intermingling with other areas. We cannot mark limits where health matters begin and end. As already said, health is a part and a derivative of the social, political and economic system, its true reflection and often its distorting mirror. We cannot approach utopia and propose an open model of basic care, for example, in the present housing and transportation situation. The reform of the health protection, although it has its specific character, can be accomplished only with a reform of the whole republic.

Warsaw, November 1980-February 1981

A Postscript of the Authors of the Study

On 17 March the PZPR Central Committee Political Bureau met and considered many postulates of the physicians and patients' environment, contained also in the present study. It has resolved emergency steps aimed at the improvement of the health service wherever possible. The most important determinations were:

--increased expenditures in the state budget for health protection from 4.5 to 6.5 percent (close to the 7 percent in the study);

--improvement in the supply of drugs through the increase of foreign exchange intended for the purchase of drugs in payment area II from 140 million foreign exchange zlotys last year to 200 million foreign exchange zlotys;

--allocation of additional funds to the Ministry of Chemical Industry for the purchase of indispensable raw materials from import; the ministry was obligated to ensure the supply of basic drugs from a special list (this also agrees with suggestions of the study);

--obligation of the domestic industry to increase supplies of apparatus and medical equipment;

--increase of the number of automobiles for the health service and the allocation of automobiles to physicians on the basis of installment payments.

A number of long-range decisions were made in such basic matters as reorganization of the health service, the fight with alcoholism, the utilization of the National Fund for Health Protection. All privileged supplies of drugs for polyclinics and pharmacies were abolished (this too agrees with the content of this study).

This is, obviously, only the beginning, but it is good that it has been made. It gives hope that the situation in health protection will steadily improve and that the postulates of many social studies, including this one, will be implemented.

For the time being, however, this text is left without changes, but with expectations that soon it will be history.

Appeal of Polish Physicians

We are not signing this appeal with the names of any Polish physicians, since we present problems and proposals obvious to any physician.

The last several dozen years of advances in medicine have produced in our patients and partly in ourselves a conviction that the matters of health should be entirely entrusted to physicians and their medical coworkers. Meanwhile the medical world is specializing in combatting diseases, in treatment. Given the present state of the health service, and its present system, no one can expect more from us. You, our patients, must therefore understand that our possibilities are limited.

The present difficulties in our country are still more limiting our possibilities. We have a shortage of medicine; the food situation might seriously affect the health of Polish society. Is there a way out, if we cannot improve this situation all at once?

We, the physicians, are answering yes, the fatal effect of malnutrition and faulty nutrition can be minimized under one condition. Each of our fellow citizens must become aware that his health to a decisive degree depends on himself. He must also become aware that the costs and consequences of his neglect of his health are borne by all, the entire society.

Our medical recommendations and suggestions are not going too far. They are expressed by the following four postulates:

First, we suggest that any person above 18 years of age who uses alcohol limit the consumption of alcohol to a maximum of 1 liter of vodka a month. We do not mean here alcoholics requiring treatment; we have in mind the average citizens for whom, with insufficient nutrition, even 1 liter of vodka a month is a serious danger to health, both long-range and immediate, with a lowered power of resistance to alcohol and ensuing car accidents and accidents at work. We suggest that trade unions consider introducing, as the Swedes do, coupons for alcohol, limiting the number of places where alcohol is sold, and starting simultaneously an energetic social action against places illegally selling and producing liquor.

Second, we are a leader in the number of cigarettes smoked in the entire world. Given the present invasion of circulatory diseases and neoplasms, which are promoted by smoking, and given the present recurrence of tuberculosis, this

condition doubly endangers ill-nourished persons. We suggest therefore to smokers a minimum program: limiting, at least for a year, the number of cigarettes smoked to one-half, as well as not smoking in the presence of nonsmokers and children.

Third, we ourselves can counteract the increasing danger of circulatory diseases, including heart diseases. We need not much for this: simply more movement. Physical exercise for 10, 15 minutes, twice a day is a minimum. Some recreational jogging (we emphasize recreational--that is, not record-seeking, rather a jogtrot, as recommended by Jan Mulak) ought to become a habit of each of us, on a par with physical exercise. The "sitting" and "standing" way of life kills us gradually in the same way as the abuse of alcohol and cigarettes. Without your effort, we will not be able to counteract your varicose veins, anoxia of cardiac muscle, insufficiency of circulatory system and dangers caused by insufficient work of your lungs. Our medical skills, drugs and medical equipment are not sufficient, especially since we intervene with them already during disease, instead of counteract it, as we should.

Fourth, with a shortage of food and disastrous supplies we should pay much greater attention to food components. We eat usually things that we like; when these are not available, we eat what is. All mass media have reminded their audiences which nutritional components are indispensable for health and in what foods they are available so that everyone with access to various foods would know how to compensate for himself and his children. Perhaps even in the present difficult period we will, thus, be able to utilize more rational nutrition, to counteract obesity caused not only by the lack of movement but also by the excess starch, potato meals, sweets and fats. We urge you to utilize every free patch of soil, especially in the urban and suburban areas, for the cultivation of vegetables, using a system of allotment plots; this will provide movement and the needed nutritional components.

We do not demand and do not expect too much. We all must survive the year not only mentally resistant but also physically healthy. We physicians cannot provide this to you. You must help yourself.

We ask you kindly to publish this appeal in all the generally accessible Polish press, including newspapers and bulletins of trade unions; we ask also to read it on radio, television, in churches and over the factory broadcasting centers. Thank you.

Polish Physicians

1015
CSO: 2600/213

BRIEFS

EEC AID TO POLAND--Warsaw, 17 Sep (PAP)--The government [words indistinct] state Kurt Becker denounced at yesterday's news conference in Bonn the allegations published by some German newspapers that FRG's representative at the EEC conference in Brussels voiced a veto against his country's participation in the Common Market's third action of economic aid to Poland, ZYCIE WARSZAWY correspondent reported. Simultaneously, Kurt Becker confirmed that the FRG Government has not given its consent so far for the issue to be settled by the EEC definitely. He explained that the FRG was surprised not so much by the volume of credits sought by Poland as by the date of their realization which made Bonn's representative unable to give his approval. The decision on the issue of the FRG contributing 350 million marks to the EEC's planned credit aid to Poland must be first approved by the FRG cabinet which cannot be done unless the EEC submits the necessary documentation of the undertaken project. Only after the FRG Government receives a formal draft from Brussels will it be able to give a definite reply, he stressed. [Text] [LD171520 Warsaw PAP in English 1414 GMT 17 Sep 81]

CSO: 2600/23

HIGH INTEREST RATES 'EXPLOITING' DEVELOPING COUNTRIES

Bucharest REVISTA ECONOMICA in Romanian No 39 25 Sep 81 pp 23-24

[Article by Ilie Magura: "The System of Exaggerated Interest Rates, A Practice of Neocolonialist Exploitation"]

[Text] Recently, international economic relations have been confronted by a new major difficulty with negative effects upon all countries and with unusually serious effects especially upon the developing nations: the growth of interest rates on the world money markets to record levels and the considerable increase in the costs of credit given by specialized institutions, be they public or private. Initially unleashed in 1978-1979 and resumed with greater force in the second part of 1980, the continuing escalation of the interest rates has been superimposed over other negative phenomena that currently are disturbing the world economy - the energy crisis, inflation, the imbalance of international payments, fluctuations in the exchange rates, the foreign debt of the developing nations - aggravating and making more difficult the task of eliminating the underdevelopment in which two-thirds of the world's population still finds itself. The policy of high interest rates, a neocolonialist practice through which the most developed capitalist countries pursue the continuance of the exploiation of the lesser developed countries and the accumulation of new wealth at their expense, constitutes one of the principal factors that not only impedes the elimination of underdevelopment, but also contributes considerably to its aggravation.

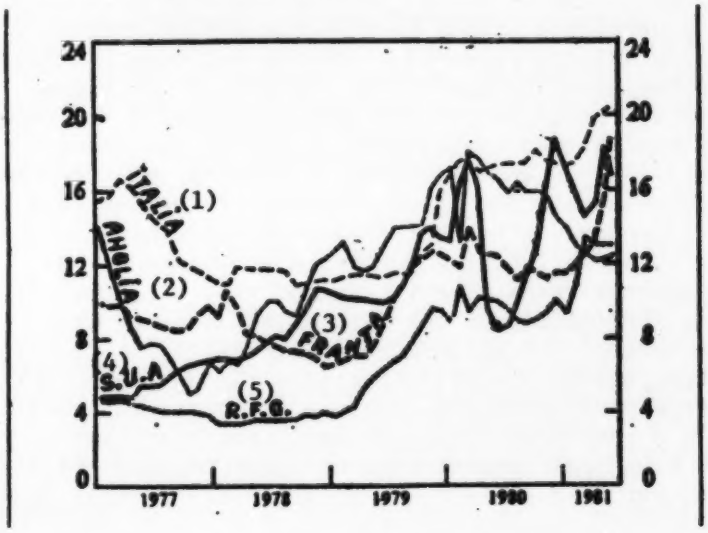
A Deliberate Policy

The analysis of the current situation begins with the mechanism of interest rates in the capitalist economy. Interest rates in the Western money markets have, as is known, a cyclical evolution over time, following the trends of economic circumstances in these countries. During the periods of situational increases, the interest rates, initially at a relatively low level, were increased gradually as a result of an increase in the demand for credit. The state's intervention in the market economy completes this cycle: banking-financial officials in the capitalist countries adjust the level of interest rates for the purpose of influencing the situational climate in one direction or another. Thus, during recessions there normally is a reduction in the official rate of discount and other "key interest rates," starting a general downward movement in interest rates for the purpose of improving economic activities.

In reality, the interest rate mechanism is much more complicated because of the diversity of credit operations that take place in a modern economy. This is the source of a diversity of different interest rates of greater or lesser scope and their levels depending upon the type of credit, the national or international market where it is negotiated, the institute that issues it and so forth.

Two broad categories of credit can be identified: short-term (up to 1 year) and medium- and long-term (over 1 year). While interest rates for short-term credit are very sensitive to the situational climate, showing significant fluctuations depending upon the evolution of economic and governmental political activities, interest rates for medium- and long-term credit are more stable.

The Evolution of Interest Rates for Short-Term Credit in Several of the Principal Western Countries



Key:

1. Italy
2. England
3. France
4. United States
5. West Germany

Despite this diversity, the general evolution of interest rates has produced fairly close curves, as can be seen in the chart above. Of significance is the evolution of the short-term interest rates since they constitute the basis for stability for long-term interest rates and reflect the majority of the influential factors, including the central role played by official monetary policy. In this regard, the statistical data in the chart, taken from the 1981 report of the International Monetary Fund, show that against a background of certain noticeable

oscillations from month to month the general trend for short-term credit interest rates was upward in all the Western countries and especially in the United States, Canada, Italy and Great Britain. This graphically demonstrates that we are talking about a deliberate policy used as a means of neocolonialist exploitation of the developing nations. Keeping in mind the diversity of the credits that we mentioned, the International Monetary Fund report illustrated the trend in interest rates for a certain type of credit (a 3-month term note negotiable on the national monetary markets). For other categories of short-term credit, the interest rates reached even higher levels. In the United States, interest rates on preferential loans (short-term current credit granted by American commerical banks to clients having solid references) reached 22-23 percent this summer. It is clear that if a client having solid references (that is, a company whose financial standing is doubted by no one, for example General Motors) receives an interest rate of 23 percent, the interest rate asked on credits given to a client having a more precarious financial situation could easily reach 25 to 30 percent.

A Factor Aggravating the Contradictions in the World Economy

Such interest levels constitute absolute records for many Western countries. Similarly, the rapidity with which the escalation of rates took place has few precedents in modern economic history (in the United States, in just the second half of 1980 there was an increase of approximately 10 percent in the short-term interest rate). How can these phenomena be explained?

Without having the pretention to give a definitive and complete explanation, a primary cause of the record level of interest rates must be sought in the multiple aspects of the crisis of a social, economic and political nature that worry the capitalist countries. It is fitting for us to give separate attention to inflation, this "incurable malady" of contemporary capitalism. The aggravation of inflation and its permanent establishment have brought along with them the growth of the nominal interest rates since any creditor wants the interest to cover the inflationist erosion of the buying power of the money.

Second, the high level of interest rates is explained by the furthering of inter-Western contradictions and by the true "interest rates war" that the developed capitalist countries are involved in. The OCED meeting in June of this year and the meeting of the chiefs of state and government from the principal Western countries in Ottawa in July clearly demonstrated this fact. Directly hit in their national interests by the United States' restrictive monetary policy, which has generated the rise in interest rates in that country, the movement of capital towards the American market and the substantial growth of the strength of the dollar, the Western European countries went ahead on their part to increase domestic rates in order to protect their national currency and avoid making their imports more expensive. The much disputed dilemma of inflation-unemployment and the rhetorical

confrontations over the objectives of the Western countries' economic policies have resulted in nothing but a generalization and permanent establishment of the record level of interest rates that bring damage to all countries and especially the developing nations that are put into the situation of resorting to new credits to be able to pay-off the terms of older loans, at the price of increasing their foreign debt. Not by chance the annual amount to repay foreign debt has come to represent one-fourth of the value of incomes earned from exports for the non-petroleum exporting developing nations.

Finally, one of the fundamental causes of the record level of interest rates lies in the orientation towards monetarism in the economic policies in a number of Western countries, especially in the United States and Great Britain. The rapid, sudden growth in interest rates stems, as a result, from a deliberate policy based on the belief that such a therapy will be able to cure the Western economies of inflation.

As it has been defined to date, the monetarist policy, the policy of high interest rates appears as a simplistic orientation of economic thought that accentuates a single macroeconomic correlation - that between the supply of money and prices - without taking into account the complexity of modern economies and the diverse factors that determine the inflationary process in our times. What is more disquieting is the "negligence" with which the monetarist policy deals with the effects of high interest rates. Being omnipresent in any modern economy, credit and credit conditions have deep, long-term and structural effects with many ramifications on each aspect of economic activities. Making credit more expensive cannot be treated as a simple phenomenon, especially when it exceeds any reasonable limit and doubles or triples the level of the rates in a short period of time.

"The monetarist brake" and the policy of high interest rates must be operated within rational limits, keeping in mind the recessionist effects of discouraging and even blocking investments and trade brought on by making credit more expensive, both in the national and international levels. Under the conditions of the growing interdependencies in the contemporary world economy, it seems ever clearer the manner in which domestic economic measures of proportions impact upon other countries, especially if these restrictive measures are taken by the developed countries which have the major percentage of international trade. The United States' restrictive monetary policy and the inter-Western interest rates war thus become global phenomena with effects upon all countries. And, global effects involve global responsibilities.

A Generalized Negative Impact

The unfavorable effects of a high interest rate are felt in all countries, large or small, developed or developing, in all the areas of international trade and the world economy.

As mentioned in the 1981 GATT report, the volume of international trade grew by only 1.5 percent in 1980 and could fall this year due to the extension of the

recession in the Western countries, with this later problem being a direct cause of the high interest rates. The 20 percent increase in the value of international trade in 1980 is not significant, as the GATT experts stressed, since it includes the inflationist increases in prices and the fluctuations in hard currency rates. Beyond the value increases, the real evolution of the volume of international trade denotes a quasi-stagnation and this can be directly and indirectly attributed to the high interest rates.

Participation in international economic trade is influenced by the situational climate in the exporting and importing countries, as well as by the financing conditions for trade. The main Western sales markets are experiencing a low demand as a result of the extension of the recession, the stagnation of investments and the restriction in the volume of business brought on by the increased costs of credit. At the same time, financing of international trade is passing through difficult times, with export-import operations, acquisition of stocks of goods and so forth being difficult to achieve profits on under conditions of certain interest rates whose level is usually at 15-20 percent. Similarly, international trade was affected by the value oscillations of the dollar (the main international money for payments) and by the growth and sudden shrinkage of the price of this money under the influence of the similar oscillations of the interest rates in the United States.

On the international money markets, the level of the interest rates has increased in step with that of the money markets in the main Western countries. Thus, on the eurodollar market, one of the important sources for financing international trade, the level of interest rates followed that in the U.S., reaching 20-23 percent and becoming prohibitive for many of the participants in the world economic process. Since public financial institutions, national or international, for their part attract resources from the money markets, there was an increase in the interest rates and the long-term credits granted by these institutions. Thus, the World Bank recently decided to have an increase from 10.6 percent to 11.6 percent in the interest rates for credits granted by this bank for the purpose of achieving certain development projects.

Confronted by such ever more onerous credit conditions, all countries are forced to proceed with a reorientation in their strategy for economic development. It is a significant fact that many strongly developed countries, having a solid economic-financial situation, are also fully feeling the increased costs of credit. The policy of combatting unemployment initiated by the new socialist government in France is encountering serious difficulties in this context. We encounter similar situations in West Germany and the Nordic countries. Summarizing this problem, France's minister of finance recently stated that "the high rate of interest in the United States has the economic effects of a third oil crisis; the U.S., without being concerned about the rest of the world, is carrying out a policy of accentuated growth in interest rates and the value of the dollar that is creating difficulties for the Western European economies and other countries in the world, especially the developing nations."

Actually, if the impact of the high interest rates is so great for the developed countries, in the case of the developing nations it can be fatal. Brazil's minister of finance mentioned in this regard that his country is less affected by increases in the price of crude oil than by the increase in interest rates. For a foreign debt of over 50 billion dollars, an increase of one percent in the interest rate means Brazil makes additional foreign payments of 500 million dollars. The increase in the foreign payments that the developing nations must make as a result of increases in interest rates must be correlated with the decrease in incomes from exports brought about by the recession in the Western countries and the relative decrease in the prices for some raw materials. The flow of funds into the developing nations' accounts for development assistance do not, as a result, cover the growing volume of foreign payments brought about by the increases in interest rates. Currently, it is estimated that the level of interest has come to represent approximately 40 percent of the total amount of foreign debt for the developing nations. The growth in the level of interest constitutes as a result a means of drying up the already modest resources of the "third world" countries and of aggravating the contradications in the world economy by robbing the developing nations in this manner.

In light of these negative effects and the serious difficulties created by raising interest rates for all countries, it is clearly seen that the policy of exaggerated interest rates, deliberately carried out in some countries, constitutes a means of attaining certain unilateral objectives and advantages that are contrary to the major interests of the other countries, of the overall world economy and of the development of trade between nations, and that especially impact upon the developing nations. It is clearly necessary to put an end to this situation and to decisively work in a concerted effort to arrive at the establishment of certain rational limits for interest rates. For that reason, it would be expected, at the upcoming meeting of the International Monetary Fund, to have a decision in this regard to generally place international financial-hard currency relations on more stable bases. This would correspond to the interests of all countries, contributing to general progress.

8724
CSO: 2700

FACTORS FOR GREATER LABOR PRODUCTIVITY STUDIED

Bucharest REVISTA ECONOMICA in Romanian 4, 11 Sep 81

/Article by Dr Engineer Barbu Gh. Petrescu: "Greater Labor Productivity Essential to Romania's Economic Development"/

/4 Sep 81, pp 12-13/

/Text/ Greater labor productivity is one of the first requirements for building the fully developed socialist society and for Romania's advance toward communism. Actually, the whole fields of productivity and of material consumption are the areas where the gaps between Romania and the economically developed states of the world are the most conspicuous, since those states show higher levels of productivity and lower levels of consumption. Therefore accelerated growth of productivity, strict conservation of resources, continuing reduction of material consumption, and all the ways of accomplishing the objectives that are becoming particularly urgent in view of the world crisis in raw materials and energy and the growing competition throughout the world are the steps that must be taken to make the expected progress in developing the productive forces and raising the Romanian economy to high levels of productivity and efficiency. That is why Party Secretary General Nicolae Ceausescu referred to the problem of increasing social labor productivity as follows at the Second Congress of Workers Councils: "In order to reach the level of the developed countries and because Romania's productivity is 2 and even 3 times less in some sectors, we must make every effort and concentrate all forces in this period upon an intensive growth of labor productivity in all sectors of the national economy... In the historic competition between socialism and capitalism, socialism must assert its superiority by greater productivity of social labor, extensive scientific-technical creativeness, greater economic effectiveness, and fuller use of the initiative of the masses and the energy, competence and aptitudes of all workers."

Clearly the RCP considers greater productivity critical to the new quality to be achieved in all economic activity in the present stage. This requirement is not regarded as a campaign but as a permanent mass action supported by Romania's entire creative and intellectual power and by the combined efforts of all workers, from scientific and research personnel, whose activity is becoming more and more involved with directly productive activity as one of its basic and critical components today, to coordinating personnel and to the specialists, workers, technicians and economists working directly in production. Let us consider here the evolution of the productivity indicator in the Romanian economy and the requirements for its intensive growth.

Effect of Better Use of Production Factors

Thanks to the policies of national industrialization and especially of more intensive involvement of the qualitative factors in the developmental process and of intensified development of the sectors generating technical progress throughout the economy (policies particularly emphasized in the years following the Ninth Party Congress) calculated in proportion to the gross output and number of personnel, industrial labor productivity increased by about 10 times in 1950-1980, and major gains in productivity were also recorded in other sectors of the economy like construction, transportation etc. This evolution is relevant to development of the technical-material base, to the essential structural changes that have taken place among sectors and subsectors of the economy and especially of industry (namely a higher proportion of basic sectors on a high technical level and intensified technical equipment of labor), and to the qualitative changes made in the nature and content of the labor and in preparations for the operations. In this respect it is significant to compare the evolution of industrial labor productivity in Romania with that in some socialist countries:

Table 1. Evolution of Industrial Labor Productivity in Romania Compared with Some Socialist Countries

Țări 1	1970—1975		1975—1979		1970—1979	
4	Indice de creștere 2	Ritm mediu de creștere 3	Indice de creștere 2	Ritm mediu de creștere 3	Indice de creștere 2	Ritm mediu de creștere 3
România	136	6.3	128	6.4	174	6.3
Bulgaria	109	1.7	133	7.4	145	4.2
Cehoslovacia	122	4.1	117	4.0	143	4.1
Ungaria	142	7.3	139	3.6	198	7.9
R. D. Germană	128	5.1	115	3.6	147	4.4

1. Countries
2. Growth index
3. Average growth rate
4. Romania

4. Bulgaria
Czechoslovakia
Hungary
GDR

One major effect of increased labor productivity has been the increasing proportion of the gain in the industrial output (about 75-80 percent) that it has contributed in the last few years. Moreover the saving in live labor per unit of output that was made through increased labor productivity has lead (and will lead to a greater extent) to a general conservation of social labor. Amplification of the use values created throughout the whole economy through better use of the energy and raw material resources increased the proportion of the newly created value in the total of the activities, which process has been increasing the national income faster than the total social product.

This dynamic and increasingly qualitative development of the economy has been steadily enhancing the people's welfare. Since workers' incomes (especially in the last five-year plan and in correlation of course with the growth of productivity) have shown the greatest increase in the entire period of socialist construction (about 30 percent for real wages and farmers' incomes) and Romania's industry and economy have

supplied goods in keeping with those higher incomes, the very pattern of consumption and the way of life of the citizens of socialist Romania have been changed in their essential features, embodying more and more the attributes of civilization, prosperity and satisfaction.

The program for national development in this period and beyond, with its vital objective of enhancing economic effectiveness, primarily requires efforts toward a more pronounced gain in labor productivity. That is a requirement of the greatest importance to the vast undertaking of converting Romania from a developing country to one with a medium economic development. The tasks are commensurate with the requirements: Industrial labor productivity for example, calculated on the basis of the net output is to be up 40.4 percent in 1985 from 1980. This objective and increased productivity in general are significant reflections of the shift from extensive development, which requires a high consumption of production factors to obtain one unit of national income, to intensive development with the least possible consumption of those factors, which is a general characteristic of Romania's economic development in the present stage. That is the aim of the provision in the current five-year plan to increase the number of personnel in the economy by an annual average of 1.5 percent, which is considerably less than the rate in the last five-year plan (3.7 percent), while the national income is to be increased by an annual average of 7.1 percent, the net industrial output by 8.8 percent, and industrial labor productivity (computed on the basis of the net output) by 7 perecent on the annual average.

As we know an increase in new investment projects and construction of new productive units will not be emphasized in this period so much as modernization of existing units and their use to full capacity. Therefore much better use must be made of the technical-material base of the economy and the nation's productive capacity, which have undergone an accelerated evolution (See Table 2) supported by intensive development of the machine building industry (1). The value of the fixed capital in the economy is now about 9 times greater than it was in 1950, amounting to about 1.9 trillion lei. Over half of this fixed capital was placed in operation in the last decade, providing the nation's industry and economy with a high standard of technical equipment comparable to a great extent to that of the developed countries of the world, and consequently the production results and productivity must be raised to the same level.

Productivity and the New Quality in Activity

The workers councils and workers collectives must take firm measures to utilize all reserves for greater labor productivity. These reserves are more strikingly revealed by analysis of the evolution of some qualitative indicators of Romanian industry. As indicated by the figures in Table 3, the installed power in kilowatts per person and per worker in industry increased by 2.3 times and 2.16 times respectively in 1965-1980. In the same period the gross output per person and per worker in industry increased by 2.74 times and 2.6 times respectively. Even the correlation of these figures alone indicates the great potentials for better use of the created capacities. Actually the gain in productivity, the real extent of which is actually better indicated by the physical units than by the value units, is the result of a series of factors including in particular (in addition to the level of technical equipment or installed power) better organization of production and labor, better use of working time, better supply of the places of production, permitting elimination of any idle time, improved qualification of personnel, etc. But the slight differences between the said figures actually between factors and effects, do not prove the effect of the whole series of factors for greater productivity, which clearly indicates many unexploited potentials.

The latter are also indicated by the evolution of the increase in gross industrial output per 1,000 lei of activated fixed capital and per 1,000 lei invested, and also by the sometimes still limited proportion of workers in the total industrial personnel (See Table 3).

Table 2. Activated Fixed Capital in the Socialist Sector According to Industrial Sectors and Five-Year Plans (in Millions of Lei)

7 Ramuri ale industriei	1961—1965[1])	1966—1970[2])	1971—1975[2])	1976—1980[3])
8 INDUSTRIE-TOTAL	71 778	142 857	238 657	347 512
Energie electrică şi termică	8 025	22 205	29 259	44 106
Combustibil	14 958	18 482	23 093	43 202
Metalurgia feroasă[4])	5 680	15 331	19 298	35 131
Metalurgia neferoasă[5])	3 929	5 335	8 490	10 798
Construcţii de maşini şi prelucrarea metalelor	7 750	19 672	35 128	91 221
Chimie	10 061	20 937	38 407	41 400
Materiale de construcţii	3 160	6 684	12 910	16 453
Exploatarea şi prelucrarea lemnului	6 139	7 077	10 008	11 025
Celuloză şi hîrtie[6])	3 263	2 589	4 243	3 380
Textilă	2 204	6 274	11 331	14 043
Pielărie, blănărie şi încălţăminte	498	1 146	1 122	1 677
Alimentară	4 299	9 801	15 609	21 443

1. In 1959 prices
2. In 1963 prices
3. In prices as of 1 January 1977
4. Including ferrous ores extraction
5. Including nonferrous ores extraction
6. Including exploitation of reeds
7. Industrial sectors
8. Total for industry
   Heat and electric power
   Fuel
   Ferrous metallurgy
   Nonferrous metallurgy
   Machine building and metal processing
   Chemistry
   Construction materials
   Wood exploitation and processing
   Pulp and paper
   Textile industry
   Leather goods, furs and footwear
   Food industry

Source: "Statistical Yearbook of Romania 1980" and other official data

The conclusions of some productivity studies made in machine building units and in metallurgy are interesting in this respect. They indicate that productivity can be raised by 30 percent by arranging the production flows more in accordance with the possibilities of supply and by better organization of the activity at every work place for teams and sections, by about 20-25 percent by reducing unscheduled time as well as absences, leaves etc., by about 10-15 percent by raising the average qualification index in a manufacturing section or team by 1 point, and by about 25 percent or even more by shifting the workers to several machines and setting the work norms more accurately as the technical and organizational conditions improve. The new economic-financial mechanism and the requirements for maximum operational effectiveness favor and encourage exploitation of all these additional potentials for greater productivity.

Table 3. Qualitative Indicators of Industry

Indicatori 1	U/M 2	1965	1970	1975	1980
Producţia globală pe o persoană 3	lei 9	106 494	153 861	218 122	292 697
Producţia globală pe un muncitor 4	lei 9	123 815	174 751	239 142	321 918
Sporul de producţie globală la 1 000 lei fonduri fixe puse în funcţiune *) 5	lei 9	...	922	1 172	1 005
Sporul de producţie globală la 1 000 lei investiţii *) 6	lei 9	...	796	1 009	762
Putere instalată pe o persoană 7	kW 10	3,7	5,4	6,7	8,5
Putere instalată pe un muncitor 8	kW	4,3	6,1	7,4	9,3

*) Pe perioada cincinală 11

1. Indicators
2. Unit of measure
3. Gross output per person
4. Gross output per worker
5. Gain in gross output per 1,000 lei of activated fixed capital
6. Gain in gross output per 1,000 lei invested
7. Installed power per person
8. Installed power per worker
9. Lei
10. Kilowatts
11. For the 5-year period

The programs for continued mechanization and automation and for introduction of industrial robots where justified figure in the process of raising labor productivity with highly important effects. Those objectives are thoroughly substantiated in the provisions of the five-year plan, which include priority rates of development for electronics and microelectronics, production of the means of automation and control of production processes, and production of machine tools with superior technical and economic performances. They also provide extensive measures for developing new technologies, renovating production and going on to raise its technical and qualitative level to that of the best comparable products in the world. The point to be stressed is that in the whole process of enhancing labor productivity, regardless of the methods used, conservation of resources and energy and increases in productivity with the least possible consumption of materials and energy (calculated cumulatively, for all stages of accumulation) must be both premises for starting the actions and end results essential to them.

FOOTNOTE

1. The machine tool building industry, the electrotechnical industry and equipment industries have regularly been in priority positions in the party programs for Romania's industrialization. From modest beginnings, the machine building industry showed regularly high rates of development in the last 30 years, so that its shares in the industrial output, in coverage of the labor force, and in the nation's exports steadily increased from 13.3, 7.2 /illegible/ and 4.2 percent respectively in 1950 to 34, 13.4 and 28.2 percent in 1980. The role of these sectors is now being considerably enhanced by incorporation of cybernetics and automation, the essence of modern technical progress, in the manufactured products.

/11 Sep 81, pp 14-15/

As it was pointed out above, the Romanian machine building industry is making sustained efforts to equip the whole economy with modern technical means that will enhance its effectiveness. Those efforts are concentrated upon assimilation of new machines, equipment and installations with advanced technical-operational characteristics that will better meet the requirements for productivity and economy of the units in industry and in the other economic sectors. Thanks to the considerable investments made by our party and state to expand and reequip the existing enterprises and to construct new units equipped with advanced technology, the volume of fixed productive capital in industry has steadily increased and the technical equipment of labor has been intensified, creating the critical conditions for greater labor productivity in each and every enterprise. Moreover the mass of producer goods activated by the labor force is being increased not only in that way but also through self-equipment. Design and construction of machines, assemblies and installations by an enterprise's own forces, or in cooperation with other units, according to the particular needs of the production process are contributing to the effectiveness of operations in the sections where those machines are introduced, in addition to the savings in investments that are made, and often in foreign exchange reserves as well. But precise analysis of the progress of both these processes indicates major reserves for greater productivity, at least in keeping with the efforts that are made toward technical equipment of the economy (Table 4).

As indicated by the figures in Table 4 (which analyzes the 1976-1980 period, which concentrated the heavy investments made in 1971-1980 (about 1.5 trillion lei), and the 1966-1970 period, when emphasis upon the intensive factors for development began throughout the whole Romanian economy), the fixed capital in units was used more intensively in 1976-1980 than in the 1966-1970 period. On the other hand the high technical-economic parameters of the activated fixed assets as well as the levels of labor productivity in the analyzed periods compared with the productivity indices reached in the economically developed states reveal many possibilities for increasing labor productivity. To be sure efficient use of the production capacities and a consequently higher level of labor productivity are affected by a number of technical-structural factors (such as a higher proportion of groups of highly productive machines and equipment), by organizational factors in connection with concentration, specialization, combination and cooperation in production and better organization of operations, and by social, natural and other factors. But on the whole the industrial units' efforts to enhance labor productivity are to take two main directions: (a) adoption of the most suitable measures to make full use (in working time) of the equipment, and (b) better use of the equipment from the intensive standpoint.

The programs so planned (which will also emphasise restoration of inactive equipment to production, more intensive use of production space for machines, equipment and installations, raising the shift coefficient, etc.) and their confirmed effects can and will be increasingly able to permit the greatest possible output from every unit of fixed assets. Improved planning of the production tasks for purposes of closer correlation of the capacities with those tasks is also important in this connection. Discrepancies between the capacities of the various sectors and some plan provisions, production bottlenecks, manufacturing lots that do not correspond to the technological and manpower capacities, defective technical and technological preparation of production, inadequate supply of work places and failure to staff them with the necessary manpower; growing technological gaps between sections; inadequate maintenance, adjustment and servicing of machines and installations, and faulty maintenance and

repair of equipment — all these must be eliminated as soon as possible from the practice of the industrial units, but action must be taken first in their planning and substantiation of the plan provisions.

Table 4. Growth by Periods of Industrial Output, Fixed Productive Capital, Average Number of Regular Personnel and Industrial Labor Productivity (in %)

Indicatori 1	1966—1970	1976—1980
Producţia industrială 2	175	157,4
Valoarea fondurilor fixe productive în industrie 3	186	circa 164,0
Nr. mediu scriptic al personalului 4	123	121,3
Productivitatea muncii în industrie 5	142	140,4
Dinamica gradului de înzestrare a muncii cu fonduri fixe 6	154	135,2
Dinamica producţiei globale ce revine pe unitatea de fonduri fixe 7	94	96
Dinamica fondurilor fixe ce revine pe unitate de producţie globală 8	106	104,2
Raportul dintre creşterea productivităţii muncii şi a fondurilor fixe 9	0,76	0,86
Diferenţa dintre creşterea productivităţii muncii şi înzestrarea muncii cu fonduri fixe. 10	—12	+5,2

1. Indicators
2. Industrial output
3. Value of fixed productive capital in industry
4. Average number of regular personnel
5. Industrial labor productivity
6. Evolution of degree of equipment of labor with fixed capital
7. Evolution of gross output per unit of fixed capital
8. Evolution of fixed capital per unit of gross output
9. Ratio between growth of labor productivity and growth of fixed capital
10. Difference between growth of labor productivity and equipment of labor with fixed capital

Greater labor productivity and especially greater productivity of social labor depend not only on the changes made in the structure and quantity of the means of labor and, in connection with them, those made in the manufacturing technologies but also on the quality and degree of use of the raw materials. From the standpoint of labor effectiveness, development of the raw material base by enlarging the assortment and improving its qualitative characteristics directly contributes to savings in labor outlays by reducing the volume of labor needed to process it, by the more effective manufacturing processes that can be used, by reducing the inputs of raw materials for each

and every product, etc. In his speech at the Second Congress of Workers Councils Party Secretary General Nicolae Ceausescu pointed out that henceforth particular efforts will be made to reduce consumption of raw materials, materials, fuels and energy by their rational use and better exploitation in order to make a more pronounced reduction of production costs and especially the material ones and consequently increase the productivity of social labor.

Training and Improved Qualifications as Critical Factors

But the efficiency of man's labor does not depend upon the material production conditions alone. The labor force, the people expected to activate the whole gearing of social production, play a part of the greatest importance in increasing labor productivity. Special emphasis must be placed on sound knowledge of the manpower requirement and quality because greater demands are now made on the labor force than in the case of a less perfected technology. Actually in industry and in all activities in the economy the proportion of intellectual effort compared to physical effort is increasing, every worker's responsibility for the resources entrusted him is and must be much greater, and promptness and accuracy in work are and must be much greater even than in a not very distant past. Therefore it is evident that at present the level of labor productivity critically depends upon the quality of the labor force, the level of knowledge and its preparation, and the effectiveness with which the labor force uses the potentials it acquires through training.

And under these circumstances, thanks to greater labor productivity, manpower is being conserved much more than in the past in one field or another or in one sector or another where labor productivity is better. But that does not at all mean that intensive development of the economy is reducing the labor force to the function of "servicing and control" of the automated processes, because the machine reduces the volume of work but does not do away with work. Material production is constantly diversified on the basis of scientific and technical advances. New sectors appear which make more complete use of the existing resources and broaden the very dimensions of production. This process of growth of material production is also accompanied by the creation of new jobs permitting employment of those who have become dispensable in other sectors. Therefore conservation of manpower is of a relative nature, defined in terms of certain conditions existing in the past.

At this point let us check a few general indicators for Romania. The population was up 35.2 percent in 1979 from 1950, the employed population was up 23.2 percent, and the number of jobs was about 3.4 times greater. And so with industrial development, promotion of technical progress throughout the economy, growth of agriculture and the other economic sectors, and an employed population a little more than 20 percent greater, a social product and a national income about 14 times greater were achieved in the analyzed period. Industrial labor productivity per person was about 9 times higher in 1979 than in 1950. By correlating the two evolutions we can express, on a general level, the growth of the manpower potential through technical equipment, occupational training, and acquisition of experience.

Because of the rapid development of the economy there was an absolute increase in the number of personnel in industry despite the steady growth of productivity. The figures in Table 5 illustrate this process. The table indicates that in all the mentioned periods the growth of labor productivity was accompanied by an increase in the labor force employed in Romanian industry, at different rates of course, depending primarily upon the extent of economic growth and also, on a certain level, upon the

intensity of production in each period. Upon checking the figures in Table 5 from this standpoint we see in general, in the first 5-year periods, and on a lower level of economic development an increase both in productivity and in the number of personnel, so that in the years after 1965 we find in particular a steady growth of labor productivity from one 5-year period to the next that proceeds continuously, therefore, from a basic growth and is accompanied by a slower increase in the number of personnel. It is a fact that brings out the trend toward intensification of Romania's economic development.

Table 5. Growth (by 5-Year Periods) of Labor Productivity and of Number of Personnel in Romanian Industry (in %)

	1951 — 1955	1956 — 1960	1961 — 1965	1966 — 1970	1976 — 1980
Creşterea productivităţii muncii 1	160	145	145	142	140,4
Creşterea numărului de personal 2	133	116	133	123	121,3

1. Growth of labor productivity 2. Growth of number of personnel

The twofold connection between the labor force and productivity (While the labor force is a factor for greater labor productivity, the latter affects the labor force quantitatively and qualitatively) flows from the nature, forms, content and functions of man's participation in the production process. All these, in correlation with technical progress, determine the quantitative and qualitative proportions of the use of the labor force, while the full exploitation of its socioeconomic potentials and rapid economic growth ultimately depend upon the quality of the labor force, the structure and level of education and instruction of the human resources, and their relationship to the means of production.

In other words, the qualification and improvement of the qualification of the labor force are essential to efficient use of the human resources, being factors of major importance to greater labor productivity. This economic category (qualification) refers to the entirety of theoretical and practical disciplines, to the level of professional competence and potential surpluses in that respect, and to the skill and working experience of every worker. In the light of this broad content, it is clear why the program for occupational training of personnel has become particularly important as a decisive factor in the process of increasing productivity (1). And this characterizes the programs promoted by the party and state to keep increasing the number of skilled personnel in the total, to improve the qualifications of all personnel, to base Romanian education on sound principles of social effectiveness, and to constantly refresh every worker's knowledge of the disciplines essential to the best accomplishment of material production or any activity.

FOOTNOTE

1. Study of the effectiveness of occupational training of personnel is now one of the economists' main interests, and analysis of the so-called (incorrectly in fact) "residual factor" (improvement of labor productivity through the level of education and qualification) has become, especially in the last decade, a main aim of study of the correlation between qualification and economic growth.

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NEW INDUSTRIAL EQUIPMENT, MACHINERY INTRODUCED

Bucharest STIINTA SI TEHNICA in Romanian No 6, Jun 81 pp 6-7

/Unattributed article: "A Romanian Technical Premiere"/

/Text/ The F-400 DEC Drilling Rig

At the work session devoted to analyzing and establishing the measures for improving the activity in the field of the extractive industry in 1979, Comrade Nicolae Ceausescu stated that "In the field of the oil industry it is necessary to intensify the work of drilling—in particular, very deep drilling—for discovering new reserves, considerably raising the degree of recovery of crude oil from the fields, and increasing the extraction in the known oilfields and, especially, in the new ones discovered."

Following these instructions, the oil-industry specialists in our country devised the F-400 DEC drilling rig.

The stand tests on the rig, driven by direct-current motors by means of thyristors, powered by 660-volt alternating-current generating sets, were recently finished at the Ploiesti "1 Mai" Enterprise. At the present time, the equipment of the rig is set up at the Craiova oilfield, well 5,565 "Stoina" (Gorj County), where, under the supervision of engineer Leontin Maciuca, the endurance tests are being made with a view to the final approval of this new Romanian product.

In order to present this new type of drilling rig, whose design and manufacture were necessitated especially due to the economization of the conventional fuel consumed per meter drilled (and especially the liquid fuel), we called on Comrade engineer Valeriu Patrascu, within the Autonomous General Directorate for Petroleum and Gas, a direct participant in achieving this new rig, who was so kind as to give us some of the main technical and economic-efficiency characteristics. First, the F-400 DEC can drill down to 7,000 meters in depth with 4 and ½-inch drill pipes; the maximum load on the hook is 400 tons of force; the speed in raising the hook at maximum load is 0.385 meters per second; the number of speeds on the maneuvering drum, 4; the maximum length of the steps that can be maneuvered on the mast is 27 meters; the maximum pressure of the mud pumps is 350 bars; the height of the mast from the platform of the well to below the beam of the crown block is 44 meters; the input power on the draw works is 2,300 horsepower; the maximum speed of the rotary table is 250 rotations per minute.

The elements with a novel character, which are making their entrance in the equipment of the F-400 DEC rig and which are to be approved at well 5,565 "Stoina," are the 2,500-kilovolt-ampere generating sets (3 units), equipped with 12-cylinder diesel motors, made at the Resita Hydrotechnical Research and Design Enterprise on an ALCO /expansion unknown/ license (with the cooperation of engineers Dan Grula and Virgil Adam), and 660-volt alternating-current generators, made at Craiova "Electroputere" with the cooperation of engineer Niculae Cristea. These three generating sets form a micropowerplant, with a common bar, totaling an installed power of 7,500 kilovolt-amperes. The rig also has an SESC /expansion unknown/-3DG-2500 station with electric equipment, which includes static-excitation equipment, voltage regulation, synchronization, bar coupling and power distribution, designed and made by the Bucharest Electrotechnical Research and Design Institute /ICPE/, in which engineers Valeriu Ciofu, scientific director, Romulus Zaroni, Elena Lapedatu, Viorel Ghita and Mariana Micu participated. Into the equipment of the rig there also enter the SDACR /expansion unknown/-2 x 850 stations (three units), which each contain two drive moduli with converters with thyristors, for powering, controlling and regulating the revolutions of the seven 850-kilowatt direct-current motors, which drive the pumps, the draw works and the rotary table, also designed and made at the Bucharest ICPE.

The 350-bar 3-PN-1600 motor-pump sets constitute other equipment of the rig, having 150 two-strokes, with single acting, being equipped with two 850-kilowatt direct-current electric motors and designed at the Ploiesti Design and Construction Enterprise for Petroleum Equipment by engineers Alexandru Radulescu, technical director, Iulian Gradisteanu, Niculae Peligrad, Gheorghe Andrei and Virgil Jugureanu. The execution of this equipment was done at the Ploiesti "1 Mai" Enterprise.

The unit for engaging the rotary table with the 850-kilowatt direct-current electric motor, the mast and the substructure, with a maximum capacity of 645 tons of force, with which the F-400 DEC is equipped, were also designed and made at the two Ploiesti enterprises.

The assembly of the equipment and the placement of it in the rig are done on three levels: the micropowerplant, the electric equipment for driving, regulation and control, the motor-pump sets, the mud-preparation and -circulation installation, the shacks of the installations and so on are set up at ground level; the draw works and the unit for driving it are set up at the height of 1,400 mm; the level of the well's work platform, where the rotary table, the unit for engaging the table with the shafts of the motors and so on are set up, is at the height of 6,000 mm.

The installations are of a decentralized type, which provides total independence among the main sets of machines, permitting their placement in an optimum manner and installation at the site in the shortest possible time. Due to the great height of the platform of the well, sufficient space for installing the most complex blowout preventers is provided under the beams of the rotary table. In addition, the F-400 DEC also has the advantage that the mud-preparation, -circulation and -storage installation is almost completely housed in a standard shack, then the chemical tank and the mixing unit are located in the chemical shack, and the 2-PN-400 motor-pump set is located in the shack of the rig. In order to provide for transportation by railroad or on public roads, the installations contain a low number of outsized functional assemblies on the conveyor, whose installation at the site can be done without using special hoisting machines.

A Modern Machining Center with a Horizontal Axis /Figure 1/

One of the recent achievements of the Enterprise for Machine Tools and Aggregates (IMUA) in Bucharest is the boring and milling machining center with a horizontal axis, with a boring-shaft diameter of 150 mm (CPAF-150). It is a machine tool with numerical control equipped with a tool magazine and an automatic tool-changing device, with a cruciform frame, with a longitudinally displaceable stand and with a transversally displaceable rotary table /MRD/.

Other technical characteristics that recommend it: the transversal displacement of the table (with MRD 1,700 and MRD 2,000), 3,000 and 3,500 mm with rotary movement from 0 to 360 degrees; the vertical displacement of the broach-holder poppet, 3,000 mm; the longitudinal displacement of the stand, 1,500 mm; the displacement of the boring shaft, 1,000 mm; the part-gripping area, 1,700 x 2,000 mm (2,000 x 2,500 mm); the maximum load, 30 tons; the power of the motor (direct current), 30 kilowatts; and the overall dimensions, 8,500 x 8,115 x 5,955 mm.

The CPAF-150 is distinguished by sturdiness and rigidity of construction and by safety and greater comfort in operation. The selection of this type of machining center with a horizontal axis is indicated for the machining of bodies of medium and big dimensions, cylinder blocks, frames of any type, chassis, motor axles and so on.

The most important economic effects turn up in the reduction of the unit worktime per product, in the growth of the labor productivity by about 50 percent in comparison with the machines with numerical control without numerical tool-changing, and in the providing of high precision in execution.

Fig. 1

The FS-4TA Structural Drilling Rig [Figure 2]

The achievement of the FS-4TA structural drilling rig, used in drilling work in quarries, for producing holes on a vertical and inclined plane, is a prestigious success of the workers at the Ploiesti CIUPM [expansion unknown]. The depth down to which this drilling can reach is 120 meters and it can be done with drill pipes between 60.3 and 250 mm in diameter.

The whole rig is set on a sturdy tractor, whose overall dimensions are 7,000 x 3,500 x 4,000 mm and which can be moved under conditions of maximum sureness and safety over the roughest ground. The power of the motor is 150 horsepower, with 1,700 rotations per minute.

The operator's post, set in a cab with good visibility, provided with air conditioning, contains all the controls needed for running the whole assembly (transportation, placement in working position, drilling, maneuvering operations and so on).

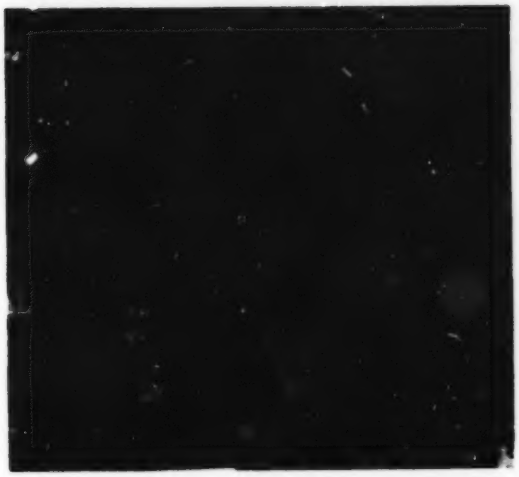

Fig. 2

Fig. 3

The FD-250 Gear Cutter [Figure 3]

A product of the Cugir Machine Enterprise, the FD-250 gear cutter is equipped with: a device for convex cutting; a device for hydraulic compression of the part; and a magnetic conveyor of shavings. Among the technical characteristics of the cutter, we note: the maximum processing diameter is 250 mm; the maximum normal modulus, 6 mm; the minimum number of teeth, 8; the maximum axial path of the tool, 280 mm; the limits of the speed of the main shaft, between 56 and 335 rotations per minute; the power of the main electric motor, 5.5 kilowatts; the net weight, including the normal accessories, 5,400 kg.

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22 October 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2191

Development of Power Engineering,

Joint Power Systems of CEMA Countries Surveyed

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2191

DEVELOPMENT OF POWER ENGINEERING, JOINT POWER SYSTEMS OF CEMA COUNTRIES SURVEYED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 5-72

[Translation of an issue of the journal devoted to the 25th anniversary of the Permanent CEMA Commission for Cooperation in the Power Engineering Area]

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FREQUENTLY-USED ABBREVIATIONS

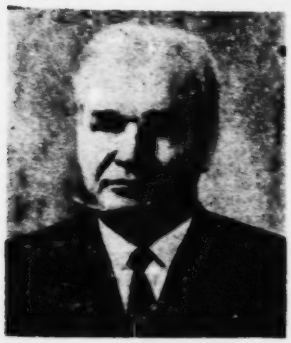
CEMA PCCPEA - Permanent Commission for Cooperation in the Power Engineering Area
TETs - Thermal Power Plant
VETs - Hydropower Plant
AETs - Nuclear Power Plant
PAVETs - Pumping-Storage Hydropower Plant
UPS - United Power System
JPS - Joint Power System
CDA - Central Dispatching Administration

PTL - Power Transmission Line
LSCP - Long-Range Special Cooperation Program
MOSNTI - International Sectorial System of Scientific and Technical Information

PERMANENT CEMA COMMISSION ON COOPERATION IN POWER ENGINEERING ACTIVITIES

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 5-13

[Article by Petr Neporozhniy, USSR Minister of Power and Electrification and Chairman of the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "Twenty-Five Years of the Permanent CEMA Commission for Cooperation in the Power Engineering Area"]



[Text] At the present stage of economic development the most important intersectorial problem is the fuel and energy one and a solution to it depends largely upon the capabilities, rates and directions of economic and social progress. From this viewpoint the cooperation of the socialist nations within CEMA is of enormous significance. The pooling of efforts by the concerned nations, in being directly linked to the development of integration processes in their economy, has played a substantial role in settling the problems of meeting the increasing needs of the CEMA country national economies for energy and fuel.

The fuel and energy system is the most complex and dynamically developing sphere in the present-day economy of the CEMA countries.

The Long-Term Special Cooperation Program (LSCP) of the CEMA Countries in the Area of Energy, Fuel and Raw Materials adopted at the 32d CEMA Session (1978) is aimed at assisting the meeting of their rational demand for various types of energy resources.

At present more than 30 percent of the energy resources produced in the world are employed for power generation. Power engineering has been marked by significant progress. This has been caused by the universal nature and great efficiency from the use of electric power in comparison with other types of energy.

V. I. Lenin placed the victory of the socialist system directly dependent upon the development of electrification in the national economy as the technical base of social production.

At present the mechanization and automation of production processes are inconceivable without electrification. The specific consumption of electric power has become one of the basic indicators for the industrial development level of any nation. Electric power is being introduced widely into the sphere of municipal and household services for the public and raises the standard of living of the workers. The level of the energy- and electricity-to-labor ratio and their dynamics largely determine the level and trends in the change of social productivity.

The CEMA countries are giving ever-greater attention to meeting the growing needs for electric power. A constant rise in the electricity-to-labor ratio and a constant increase in the per capita consumption of power resources, and particularly electric power, are the ways for economic development in the CEMA countries. These have led to a significant increase in the share of the CEMA countries in world electric production. From 13.6 percent in 1950 this has risen to 21.8 percent in 1979.

The successes in the development of power engineering in the CEMA countries have been largely aided by the multilateral cooperation carried out under the Permanent CEMA Commission for Power Engineering [CEMA PCCPEA] which was set up in 1956 as a permanently operating sectorial commission.

At present participating in the commission's work are Bulgaria, Hungary, Vietnam, the GDR, the Republic of Cuba, Mongolia, Romania, the USSR and CSSR. According to an agreement between CEMA and the Yugoslav government, since 1967 a Yugoslav delegation has participated in the commission's work on questions of mutual interest.

The basic tasks of the CEMA PCCPEA are a further deepening of multilateral economic and scientific-technical cooperation among the CEMA countries to ensure the planned development of their power engineering, to accelerate technical progress in this area and further develop socialist economic integration.

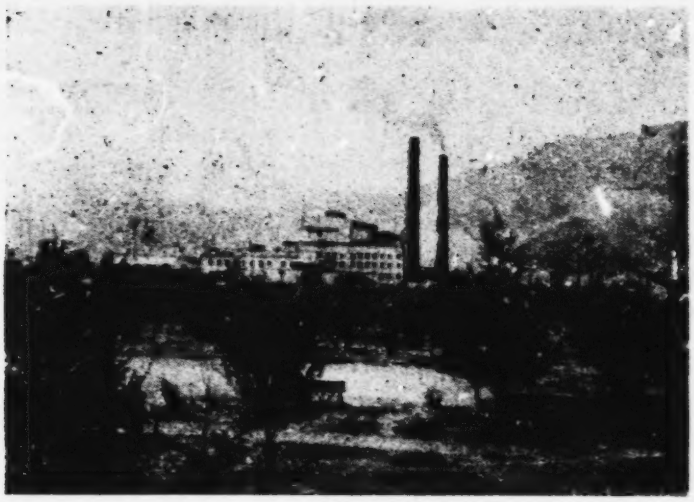
The primary attention shown by the countries to the question of multilateral cooperation in the area of power engineering is determined by the following basic prerequisites:

1) The necessity of maintaining sufficiently high growth rates for the consumption of electric power with a constant equilibrium between the process of its consumption and production;

2) The uneven distribution of the natural fuel and energy resources over the territory of the CEMA countries;

3) The technical and economic advantages of the parallel operation of the United Power Systems [UPS] of the CEMA countries.

The most important areas in cooperation among the CEMA countries within the commission are the coordinating of the national economic plans for the development of the sectors and basic scientific and technical research in power engineering, the questions of the parallel operation of energy systems and the exchange of experience in the designing, construction and operation of power projects.



The TETs in Ulan Bator, Mongolia, built with CEMA cooperation

The organizing of the parallel operation of the UPS in the CEMA European countries is one of the basic directions in the development of the international socialist division of labor in power engineering.

At the time the CEMA PCCPEA was founded, in many nations such as Bulgaria, Hungary, Poland and Romania, the power systems were in the formative stage. Electric power was produced from small plants which provided electricity for individual, isolated areas. The highest voltage in the power networks was 220 kilovolts (the GDR, Poland, the USSR and CSSR) and 110 kilovolts (Bulgaria, Hungary and Romania).

The annual per capita power consumption in 1955 in Bulgaria was 281 kilowatt hours, 576 in Hungary, 652 in Poland, 249 in Romania, 1,137 in the CSSR and 1,559 in the GDR. In the developed capitalist countries this indicator was, respectively: 1,150 kilowatt hours per year in France, 1,470 in the FRG and 1,750 in England.

To ensure the rapid development rate of power engineering and reliable power supply, in 1956 the commission received studies containing specific recommendations on unifying the power systems of the CEMA countries by building intersystem power transmission lines [PTL], constructing large power plants operating on local fuels in certain nations and increasing the exchange of electric power between the CEMA nations.

The recommendations for the initial stage of carrying out the parallel operation of the UPS, including the proposals to build intersystem PTL were worked out by the commission on the basis of proposals of the involved countries and approved by the 11th CEMA Session in 1959.

Virtually all the recommendations were carried out within the shortest period of time.

In 1960, the first intersystem lines were built with a voltage of 220 kilovolts between the GDR and Poland, the GDR and the CSSR and Poland and the CSSR with a double-circuit system and between the CSSR and Hungary with a single-circuit one.

A start was made to parallel operation between these countries. In 1962, over a 220-kilovolt doublt-circuit line the L'vov power system of the USSR was linked up with them, in 1963, the Romanian power system and in 1967, after the linking up of the Romanian-Bulgarian 220-kilovolt power line, unification was basically completed for the power systems of all the European CEMA countries.

In organizing parallel operation an important role was played by the completion in 1965 of the Mukachevo international junction substation built on the basis of a multilateral agreement.

For the fuller utilization of the technical and economic advantages of paralleling the UPS and for coordinating the actions of the national state dispatching administrations, upon the initiative and with the direct participation of the commission, in 1962 an international organization was set up, the Central Dispatching Administration (CDA) of the United Power Systems with headquarters in Prague. The agreement to form the CDU was signed by the governments of Bulgaria, Hungary, the GDR, Poland, Romania, the USSR and CSSR.

As early as 1963, the effectiveness of unification was clearly apparent. With the presence of an acute electric power shortage arising out of unforeseen factors in certain of the nations, the neighboring power systems of the CDA member nations provided fraternal aid.

The creation of the UPS contributed to a rapid rise in the power engineering of the CEMA member nations. In just 10 years from the founding of the CDA, the total installed capacity of the UPS paralleled power plants has risen from 25,400 megawatts to 62,100. Power production in the UPS has risen correspondingly.

The activities of the CEMA PCCPEA in the following stage were devoted to the questions of collaboration among the nations in further improving and raising the reliability of parallel operations in the UPS and the long-range development of power engineering. The further development of the UPS was accompanied by the intensive development of 220- and 400-kilovolt intra- and intersystem power lines, by the growth of power production and the exchange of electric power, by an increase in the capacity of the paralleled plants and the unit capacity as well as by an improvement in the technical and economic indicators for the production and transmission of electric power.

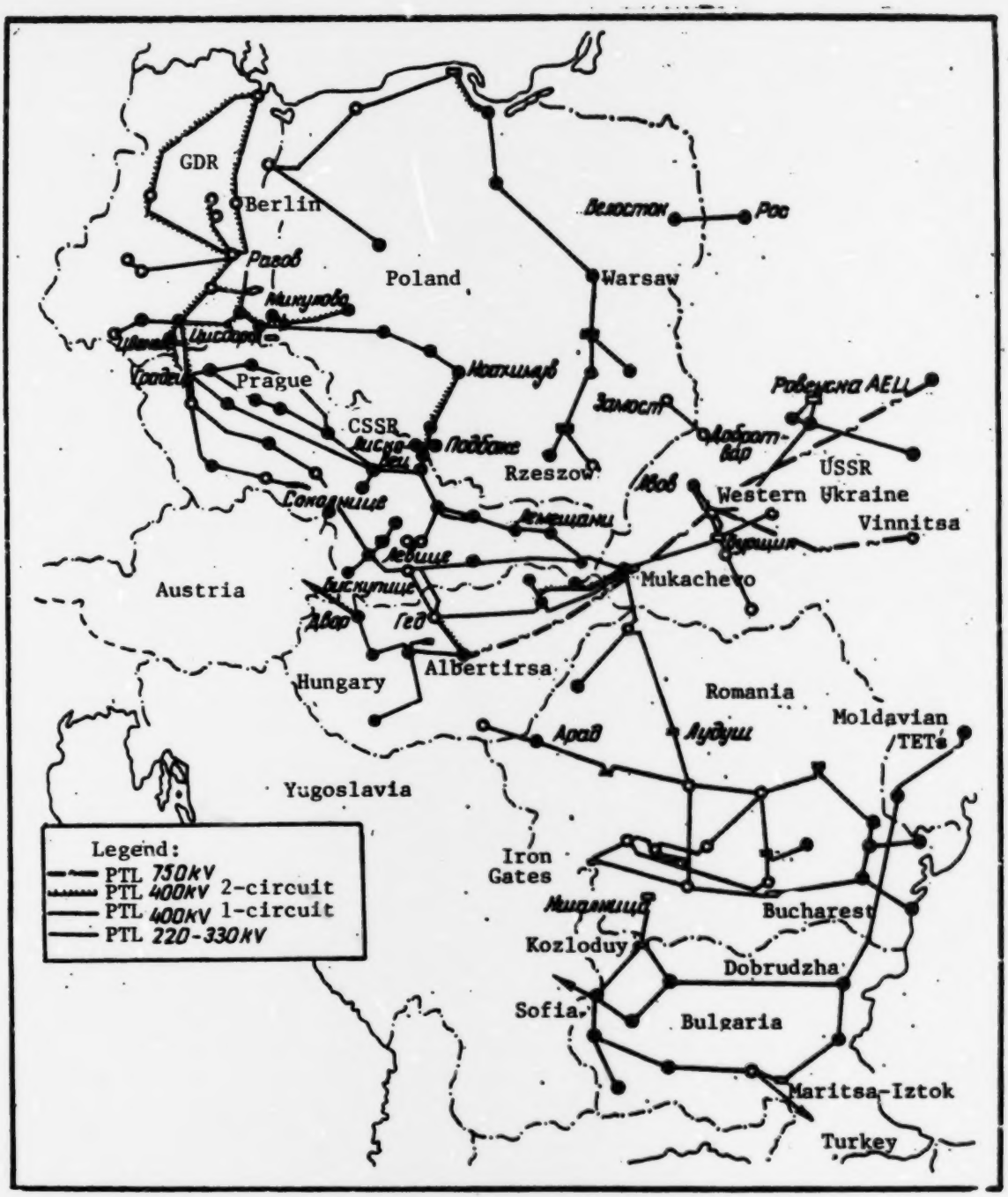


Diagram of United Power Systems

The Deva TETs in Romania

Thus the creation and further development of the CEMA UPS has been and remains the basic area for further improving the international socialist division of labor in power engineering. This provides an opportunity for the participating nations to realize a number of technical and economic advantages from the paralleling of the UPS, including increasing the reciprocal exchange of electric power, lowering the overall necessary capacity reserve in the power systems and raising the economicness of their operation and the reliability of power supply for the consumers.

Table 1

Basic Indicators for Development of Power Engineering in the CEMA Countries

Country	1 Производство на електроенергия, млрд. kWh			2 Инсталирана мощност в централите, GW			3 Годишно електропотребление на жител, kWh/жит. год		
	1955	1970	1980	1955	1970	1980	1955	1970	1980
Bulgaria	2,1	19,5	34,[8]	0,48	4,12	8,85	281	2290	4337
Hungary	5,2	14,5	23,6	1,11	2,73	5,41	576	1720	2890
GDR	28,7	67,7	98,8	5,9	12,57	20,45	1559	3970	5986
Cuba		4,9	9,4		0,89	2,05		574	959
Mongolia		0,5	1,5		0,22	1,41		440	1066
Poland	17,6	64,5	121,9	4,2	13,89	25,29	652	1980	3420
Romania	4,3	35,1	67,3	1,28	7,35	15,54	249	1610	3055
USSR	170,2	740,9	1295,0	37,2	166,15	270,00	868	3030	4798
CSSR	15,0	45,2	72,7	4,0	10,81	17,20	1137	3380	4855

Key: 1--Electric power production, billion kilowatt hour; 2--Installed capacity at plants, gigawatts; 3--Annual per capita consumption, kilowatt hours per inhabitant per year.

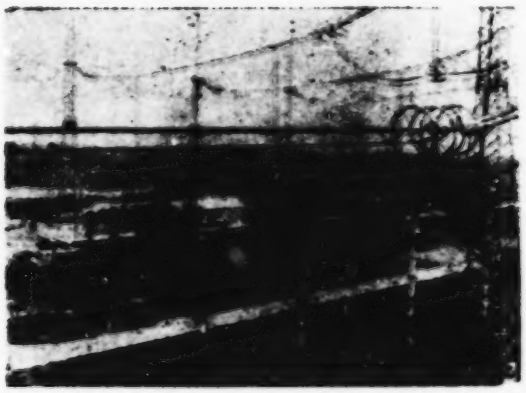
Of great importance for the development of the national power systems were the studies done within the commission to coordinate the long-range development plans for power engineering in the CEMA countries. This work has been used by the countries in drawing their five-year plans for national economic development as well as in coordinating the development plans for power engineering.

Of important significance for the development of the nations' power engineering was also the generalization of experience in the designing, construction and operation of power projects. This was carried out by the commission in the aim of introducing the most progressive achievements in this area.

The basic tasks and major areas for the further deepening and improvement of cooperation and the development of socialist economic integration among the CEMA countries over a period of 15-20 years were outlined by the Comprehensive Program adopted at the 25th CEMA Session (1971).

The carrying out of the Comprehensive Program and the LSCP stemming from it became the basic areas of the commission's activities in the following period.

The research conducted in the commission showed that for the further development of parallel operation of the UPS it was essential to increase the capacity of the intersystem links. According to the recommendations made in these studies in 1974, the concerned countries (Bulgaria, Hungary, the GDR, Poland, the USSR and CSSR) signed a General Agreement on the construction and operation of the first 750-kilovolt PTL between Vinnitsa--Western Ukraine (USSR)--Albertirsa (Hungary). The line was put into experimental operation in December 1978.



The Albertirsa substation in Hungary, the 750/400-kilovolt transformer

Simultaneously with the building of the 750-kilovolt PTL, upon the commission's recommendation, the intersystem links were strengthened between Hungary and the CSSR, ghe CSSR and Poland. Thus, by 1979 26 intersystem links had been built between the UPS members, including one with a voltage of 750 kilovolts, 13 operating at 400 kilovolts and 12 with a voltage of 220 kilovolts with a total operating capacity of around 15,000 megawatts.

With the completion of the superpowerful 750-kilovolt link, a qualitative new stage commenced in the parallel operation of the CEMA UPS. The limits of UPS parallel operation were significantly broadened. The entire joint power system of the USSR was connected to the parallel operations of the power systems in the fraternal countries and the transfer of power were increased. The reliability of the UPS parallel operation rose. An opportunity was created of achieving an intersystem effect from the combining of the load schedules of the nations and reducing their spare capacity. This provided a savings of 1,500 megawatts of installed capacity in the UPS power plants.

Of the greatest importance in carrying out the Comprehensive Program was the elaboration of the General Plan for the Long-Range Development of the CEMA UPS and the questions of cooperation in this area, including cooperation with the power system of Yugoslavia. The draft was basically approved by the 30th CEMA Session.

This document which was a major international project provides recommendations for the long-range development of the electric power systems in the individual nations and generally for the UPS. It outlines the specific ways for meeting the increasing need of the countries for electric power over the coming 15 years.

The plan envisages a number of integration measures such as the joint construction by the interested countries of the Khmel'nitskiy and Konstantinovskiy AETs [nuclear power plant] on Soviet territory, and the building of 750-kilovolt intersystem links between the Khmel'nitskiy AETs (USSR) and Rzeszow (Poland) and the Konstantinovskiy AETs--Mecin (Romania)--Dobrudzha (Bulgaria).

The General Plan provides recommendations on the further development of the UPS by building a northern 750-kilovolt branch for the USSR--Poland--GDR and GDR--CSSR--Hungary.

With the development of 750-kilovolt power links in the UPS conditions will be created for the further concentration of power production, the security of parallel operation and power supply will be substantially raised and there will be a significantly greater opportunity for realizing an economic effect from the unification of the power systems by introducing large and economic power units at the power plants and the realizing of an intersystem effect by the combining of the load schedules and capacity reserving. Here the savings from carrying out the intersystem effect has been estimated at around 4,500 megawatts by the year 1990.

For carrying out the recommendations of the General Plan on a sound legal and organizational basis as well as for further developing bilateral and multilateral cooperation for the individual specific projects and areas of cooperation, in 1977, the representatives of Bulgaria, Hungary, the GDR, Poland, Romania, the USSR and CSSR signed a General Agreement for Cooperation in the Long-Range Development of the CEMA UPS Up to the Year 1990.

During this period the commission and its working bodies undertook great practical activities on the questions of cooperation among the countries in the area of technical progress in power installations.

Table 2

Growth of Installed Capacity of Power Plants and Unit Capacity of Equipment

Country	Най-голяма инсталирана мощност на електроцентралите, MW 1				Най-голяма единична мощност на агрегатите, MW. 2			
	1955	1965	1975	1979	1955	1965	1975	1979
Bulg.	100	500	880	1050	25	150	220	220
Hung.	. . .	215	1655	1870	32	100	215	215
GDR	. . .	1300	2520	3020	32	100	220	500
Pol.	280	1400	2000	2600	55	200	200	500
Rom.	. . .	300	980	1860	50	150	315	330
USSR	610	2100	6000	6000	150	300	800	1000
CSSR	. . .	600	800	1200	50	110	200	200

Key: 1--Greatest installed power of power plants, megawatts; 2--Greatest unit capacity of equipment, megawatts.

Almost two-thirds of the total growth in the installed capacity in the power engineering of the CEMA countries and Yugoslavia over the entire period of cooperation is to come from power plants operating on organic fuel. For this reason, the role of cooperation in the area of thermal power engineering has been continuously growing.

During this period technical progress in thermal power engineering was chiefly aimed at increasing unit capacity of the equipment with supercritical steam parameters, increasing the reliability of their operation and upgrading the technical and economic indicators for the production of electrical and thermal power as well as to using full automation in running the basic and auxiliary equipment. These are the questions which determine the activities of the commission.

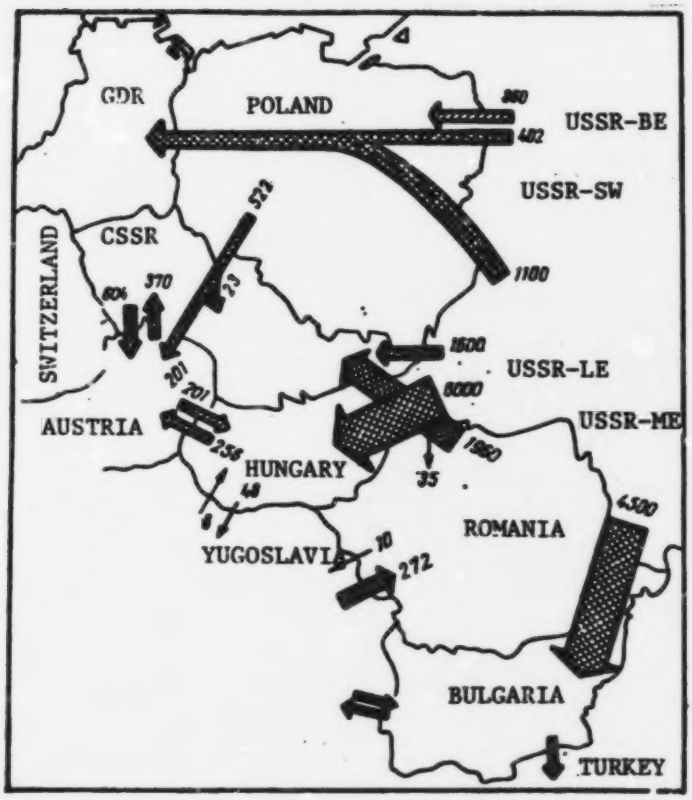
Within the commission tasks were also worked out for creating and utilizing large thermal power plants, including high-powered automated base power units at the TETs [thermal power plant], the basic equipment of the TETs and highly flexible power equipment on a basis of specialization and cooperation between the CEMA members in developing them.

In accord with the studies of the commission and in cooperation with the CEMA members, such major thermal power plants as Varna, Devnya, Maritsa-Iztok, Sofia and Bobov Dol in Bulgaria, Dunamenti and Gyongyos in Hungary, Tierbach, Hagenwerder and Bochsberg in the GDR, Darhan and Ulan Bator in Mongolia, Torow and Kozienice in Poland, Borzesti, Ploesti, Mintia-Deva and Galati in Romania and Prunerzov in the CSSR were completed.

The cooperation of the CEMA nations in the area of hydropower engineering began in 1956 when a commission was set up to exchange electric power and use the hydropower resources of the Danube River and this was later renamed the Permanent CEMA Commission for Power Engineering.

The development of plans to fully utilize the hydropower resources of the Danube (from the border of the CSSR to the mouth of the river) was completed in 1961. This became the basis for planning the development of water management and hydropower engineering for the Danubian CEMA countries and Yugoslavia.

The CEMA members have great reserves of untapped economic hydropower potential. For this reason the commission has conducted research on its fuller utilization and this would provide a significant saving in organic fuels for the nations.



Exchange of electric power in the UPS

Some of the largest hydropower projects built on the basis of research carried out by the commission are the power plants of the Batashkia hydropower series, Vucha, Belmeken--Sestrimo in Bulgaria, the Hohenwarta PAVETs [pumping-storage hydroelectric plant] in the GDR, the 16 February VETs [hydropower plant] in Romania, the Orlik VETs in the CSSR and the largest Iron Gates VETs on the Danube River with a power of 2,100 megawatts built by the joint efforts of Romania and Yugoslavia.

The research conducted within the commission has shown that with the intense rise of the peak load for the UPS and Yugoslavia there is a greater need to complete peak capacity. On the basis of materials from the nations, within the General Plan, research has been carried out and the appropriate recommendations given to solve the problem. For example, upon the proposal of the countries, it has been recommended that through the joint efforts of the involved countries construction be carried out on the following projects: the Lakatnik PAVETs in Bulgaria, Predikalosen in Hungary, Newistka in Poland and Dzerdap III in Yugoslavia.

At present the commission is conducting research on determining the effectiveness from the construction of PAVETs on a mutually advantageous basis and the dates for their construction. In view of their great maneuverability, their use in the UPS as an emergency and load reserve will be particularly effective.

Table 3

Total length of 110-kilovolt and higher PTL in the European CEMA nations, 1,000 km

Country	1955		1965		1975		1979	
	total	inc. 400 kV	total	inc. 400 kV	total	inc. 400 kV	total	inc. 400 kV
Bulgaria	1,13	—	4,48	—	9,37	0,8	10,71	0,91
Hungary	1,65	—	3,37	—	6,11	0,51	8,63	1,0
GDR	7,8	—	15,6	1,3	22,46	2,46	24,5	3,48
Poland	6,0	—	17,32	0,32	29,8	1,0	33,6	1,63
Romania	1,5	—	6,32	0,38	17,31	2,33	—	—
USSR		—	184,5	16,03[1]	363,1	40,94[1]	444,03	53,55
CSSR	4,53	—	9,23	0,51	14,18	2,5	14,58	2,7

[1]Together with PTL with voltage of 400, 330, 500, 750, 800 (±400) kilovolt.

Cooperation among the CEMA nations in the area of nuclear power started in the 1960's. Extensive activities were undertaken to design and build a number of AETs not only in the USSR but also with Soviet aid in the CEMA nations.

The commission has focused attention on the deepening of scientific and technical cooperation among the CEMA countries in the area of nuclear power predominantly in solving the urgent problems of the designing, construction, safety, the development of special equipment and the operation of the AETs.

The basic questions in the cooperation among the countries have been raising the economicness, safety and maneuverability of the AETs and their equipment.

In accord with the recommendations of the CEMA Executive Committee and the proposals from the countries, the commission has worked out a number of subjects which are of the greatest practical interest.

Upon the proposal of the 26th CEMA Session within the commission a study was made on the questions of accelerating the designing and construction of AETs with water-cooled power reactors of 1,000 megawatts. These were the most important questions in the scientific and technical cooperation of the nations. These were incorporated in the LSCP.

The materials elaborated by the commission for cooperation in nuclear power are of great practical value and have been used by many nations in the construction and operation of the AETs.

At present the first nuclear plants built with Soviet assistance are in operation. These include: Kozloduy in Bulgaria, Rheinsberg and Nord in the GDR, Jaslovske Bohunice in the CSSR. Nuclear plants are being built in Hungary, Poland, Romania and Cuba.

In the commission work has also been started on introducing nuclear sources for centralized fuel supply (ATETs) and nuclear-powered boilers employing low-potential nuclear reactors for the CEMA countries.

For reducing the tension in coordinating the fuel and energy balance of the European CEMA countries, particular attention has been given to the intensive development of nuclear engineering in the General Agreement and in the sectorial section of the LSCP.

The carrying out of these activities commenced with the General Agreement signed in 1979 by the interested countries for cooperation in building the Khmel'nitskiy AETs with a capacity of 4,000 megawatts on Soviet territory and the agreement for cooperation in building and operating the 750-kilovolt PTL from the Khmel'nitskiy AETs to the Rzeszow substation in Poland covering a distance of 380 km. The plans of the agreement were drawn up in the commission.

At present the commission is drawing up draft agreements for the following integration projects: the Konstantinovskiy AETs with a capacity of 4,000 megawatts and a 750-kilovolt PTL which would be around 700 km long running as follows: Konstantinovskiy AETs--Macin (Romania)--Dobrudzha (Bulgaria).

The building of the two nuclear plants by the joint efforts of the concerned countries will make a great contribution to solving the energy problems of the CEMA countries. The nations participating in the agreement will receive electric power in quantities proportional to their contribution to construction.

In 1977, with the direct participation of the commission, development was completed on a program for the maximum possible development of nuclear machine building in the CEMA countries for the period up to 1990. This was approved at the 31st CEMA Session.

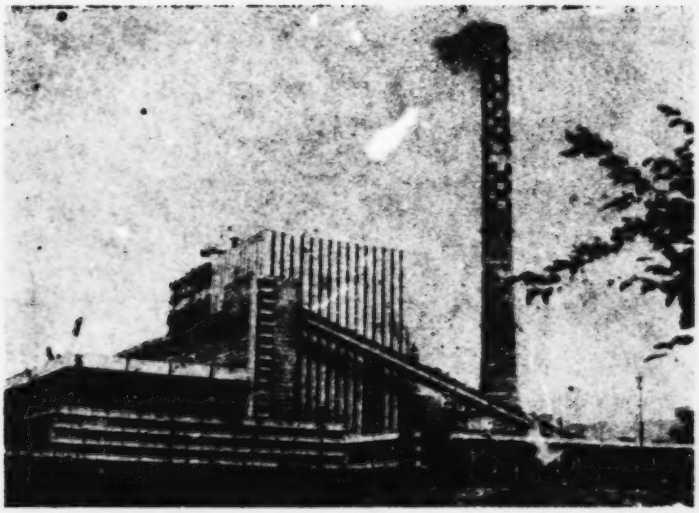
The program clearly outlines the basic directions for specialization and cooperation in producing the equipment. Here consideration has been given to the experience of a number of countries in constructing the AETs and their capabilities. Of exceptionally great significance for the accelerated completion of capacity at the AETs and for improving their technical and economic indicators will be the carrying out of the agreement signed at the 23d CEMA Session for multilateral international specialization and cooperation in the production and reciprocal delivery of equipment for the nuclear power plants during the 1981-1990 period.

The countries will receive great help from the international Interatomenergo [International Nuclear Power] firm set up in 1973 for assisting in production cooperation, in delivering equipment and providing technical cooperation in building the AETs.

According to the AETs construction program under the mentioned agreement, around 50 major industrial associations and enterprises from all the European CEMA countries and Yugoslavia will be involved in the production and delivery of equipment.

Scientific and technical cooperation is the most important element in the intensely developing integration processes in CEMA power engineering.

The coordination of the most important scientific and technical power engineering research of mutual interest for the CEMA countries is one of the areas of activity for the CEMA PCCPEA and is carried out in accord with the countries' five-year plans worked out as a basis of multilateral cooperation.



The Bobov Dol TETs in Bulgaria built with assistance
from the CEMA countries

The projects for scientific and technical development in the commission are aimed at solving the main long-range problems and ensuring the effectiveness of the conducted research.

A large portion of the subjects in the scientific and technical research is devoted to the questions of improving UPS parallel operations of the CEMA countries, the operation of power installations, increasing the safety of the electric networks and power installations, protecting the environment against the harmful impact of power installations and so forth.

Much of the research done by the commission has made a significant contribution to the development of power engineering in the CEMA countries. One of the most important research subjects has been the plan worked out in 1978 upon the recommendation of the CDA for the hardware and software support of the power systems in the countries participating in the CDA in providing the automation and controls. This is of substantial significance in organizing the parallel operation of the UPS and the USSR JPS.

In carrying out the comprehensive program and from the viewpoint of raising the effectiveness of cooperation in the area of scientific and technical information, an International Sectorial System for Scientific and Technical Information (MOSNTI) for Electric Power was founded in 1974.

The subjects of the MOSNTI for Electric Power include all areas in power engineering which are the concern of the Permanent Commission: power systems, TETs, VETs, AETs and all types of scientific research on power engineering questions.

The commission devotes a great deal of attention to cooperation with third countries. Within the commission research is being carried out on the possibilities of unifying the power systems of Eastern and Western Europe and this is used by the representatives of the CEMA PCCPEA in their participation in sessions of the Committee on Electric Power under the UN Economic Commission for Europe.

The commission takes an active part in working out a number of intersectorial questions stemming from the Comprehensive Program, in particular in working out the questions of environmental protection, the elaboration of forecasts for the demand for fuels and electric power for 1990 and up to the year 2000, in solving questions related to the production of the basic and auxiliary energy facilities and the development of cooperation among the countries in the area of the most efficient and economic use of fuels and electric power in the national economy.

The achievements of the CEMA countries in the development of power engineering provide an objective description of the effectiveness of their 25-year cooperation within the CEMA PCCPEA.

During the period of 1955-1980, electric power production in the European CEMA countries increased by 6.7-fold. During the same period this increase for the Common Market countries was 3.9-fold. Per capita electric power production in 1979 in the CEMA countries surpassed the average world level by 2.4-fold.

The rapid increase in installed capacity has been achieved by completing new large power plants, predominantly thermal ones. A large portion of them has been built with the fraternal cooperation of the countries on a multilateral and bilateral basis. Simultaneously with the increase in the capacity of the power plants the unit capacity of the equipment has risen.

The development of power engineering in the CEMA countries has been accompanied by the intense construction of high-voltage power transmission networks and by a changeover to higher voltages.

This is clearly seen from the data shown in the three tables and the diagrams showing the development of the UPS networks.

The formation of the UPS has been accompanied by the development of intersystem links of 220 and 400 kilovolts and by the completion of the first 750-kilovolt intersystem line between the USSR and Hungary. With a rise in the operating capacity of the intersystem links, there has been a significant increase in the exchange of electric power between the CEMA power systems. Over the last 20 years, the international exchange of electric power between the member nations of the CDA has increased by more than 18-fold.

The basic task of the commission during the period up to 1990 is the all-round development of cooperation among the countries in carrying out the measures outlined by the LSCP in the area of power engineering. Their implementation at the present

stage allows one to conclude that they are indisputably effective for the participating CEMA nations and that it is possible to carry out the specific decisions which will aid in ensuring sufficient electric power for the CEMA countries with the least loss of time and social labor.

The specific measures to further develop parallel operation of the CEMA power systems, as is stated in the General Plan, have been examined above. This will involve the building of a number of integration projects such as high-powered intersystem links with a voltage of 750 kilovolts, two AETs on Soviet territory and system-wide storage hydropower plants.

The recommendations on the further development of generating sources and cooperation in this area have been provided in the drafts given in the commission's studies for the Basic Trends in the Long-Range Development of Generating Power Capacity in the CEMA Countries and Yugoslavia for the Period Up to 1990 and the Basic Directions in Technical Progress in the Designing, Construction and Operation of TETs in the Period Up to 1980 and the Trends to 1990 as stemming from the Comprehensive Program.

In the immediate years, with Soviet technical assistance, nuclear plants will be built in Bulgaria, Hungary, the GDR, Poland, Romania and the CSSR with a total capacity of 10,000 megawatts. The nuclear plants will operate with the well-developed water-cooled thermal reactors with a capacity of 440 megawatts and then up to 1,000 megawatts. Their series production is being developed by the joint efforts of the countries. Such units are being installed in a number of the Soviet AETs. The first VVER-1000 reactor is already in operation in the Novovoronezhskaya AETs.

In the USSR, in operation are the two first power units of the Leningrad AETs with boiling-water channel reactors with a capacity of 1,000 megawatts each (RBMK-1000) and the preliminary plans have been worked out for a similar reactor of 1,500 megawatts the first of which will soon be installed in the USSR.

In accord with the agreement on multilateral international production specialization and cooperation and reciprocal deliveries of equipment for the AETs in 1981-1990, the nations will meet their obligations to carry out the designated program of building AETs with Soviet technical assistance on the territory of the CEMA countries with a total power of around 37,000 megawatts.

An inseparable part of integration among our nations in the area of power engineering is the broadening and deepening of scientific and technical cooperation and its ever-closer link with the production forms of cooperation. Research will be continued to protect the atmosphere from harmful waste products from the TETs.

For successfully carrying out the outlined programs up to 1990, the CEMA PCCPEA has acquired great unique experience in cooperation where the interests of each nation are combined harmoniously with the interests of the association. This leads to the more complete and more dependable power suply of each individual power system in the CEMA countries and to the more dependable and flexible operation of the entire UPS.

This experience reaffirms the prediction of V. I. Lenin that socialism "...will create new, higher forms of human intercourse where the legitimate needs and progressive

aspirations of the working masses of all nationalities will for the first time be satisfied in an international unity..." (V. I. Lenin, PSS [Complete Collected Works], Vol 26, p 40).

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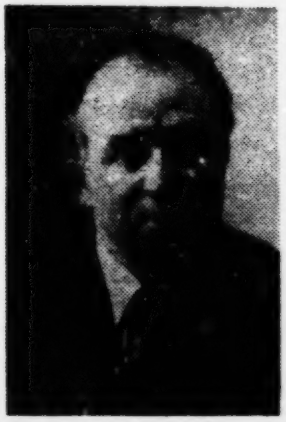
DEVELOPMENT OF POWER ENGINEERING IN BULGARIA TRACED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 15-19

[Article by Nikola Todoriev, Bulgarian minister of power and leader of the Bulgarian delegation to the CEMA PCCPEA: "The Scale and Pace of Power Engineering Development in Bulgaria"]



[Text] Our nation has entered the Eighth Five-Year Plan with a strong energy base and sufficient power generating capacity of a high technical level and with significant production-technical, economic and scientific-technical potential and highly skilled personnel capable of successfully carrying out the evermore complex tasks posed by the dynamic economic development.

In solving the main problem at our present stage of fully satisfying the constantly growing material, spiritual and social needs of the people, on a basis of the intensification of the national economy, the consistent application of the new economic approach and its mechanism and the broadest introduction of the achievements in scientific and technical progress, power engineering has particularly responsible tasks. This determines its high rate of development in the subsequent period as outlined in the decisions of the 12th BCP Congress.

The Bulgarian national energy complex has been developing in accord with the long-range program that outlines the basic paths for meeting the energy requirements up to 1990 and beyond.

The program reflects the succession in the basic principles of our energy policy from the first years of communist rule and based upon Lenin's teachings about electrification and the remarkable ideas of Georgi Dimitrov concerning its place during the transitional period from capitalism to socialism. The basic premises for its successful execution are, in the first place, the capacity we received from the

previously created power base and, secondly, the deepening of cooperation with the nations of the socialist commonwealth.

Under the conditions of a capitalist system, not only power engineering but also the entire Bulgarian national economy were extremely backward. For decades there was virtually no development in the nation's power system. The basic source of energy was primarily animal and human strength, wood was largely used as fuel while the coal industry was very little developed.

Electrification of the nation was at its very beginning, without any integration and with separately operating small numerous hydraulic and diesel power plants and several low-power thermal plants.

The per capita consumption of electric power was annually scarcely 45 kilowatt hours.

After the victory of communist power on 9 September 1944, Bulgaria set out on a socialist path of development.

The first years after liberation were years of national economic reconstruction. The first steps were taken in the development of power engineering and primarily the coal industry and electrification. After 9 September the first thermal plants began to be built operating on local coal. These were the Sofia TETs [thermal power plant], the Republika TETs and the Maritsa-3 TETs. A start was made on using the hydropower potential by building comparatively small capacity hydropower plants, predominantly below irrigation and water supply reservoirs as well as the harnessing of running and day-leveled water.

A major role in the development of power engineering was played by the historic April Plenum of the BCP Central Committee in 1956; our entire community is celebrating its 25th anniversary this year.

The basic directions were outlined for the development of power engineering during the stage of building a developed socialist society. In realizing the crucial role of power engineering for the accelerated and dynamic growth of the national economy and for the broad application of scientific and technical progress, the party and the government planned more rapid development rates for it and this ensured its transformation into a leading economic sector.

The other basic factor of crucial significance for the construction of a modern energy base in Bulgaria has been the development of multilateral cooperation with the socialist countries in the area of power engineering.

One of the first bodies of CEMA which was founded in 1949 was the Commission for the Exchange of Electric Power and the Use of Hydropower Resources of the Danube River (1956) which later, in 1958, developed into the Permanent CEMA Commission for Power Engineering [CEMA PCCPEA]. Bulgaria has been a member of this commission since its inception.

For more than a quarter of a century, due to the activities of the CEMA PCCPEA in the area of the multilateral and bilateral coordination of the five-year and annual

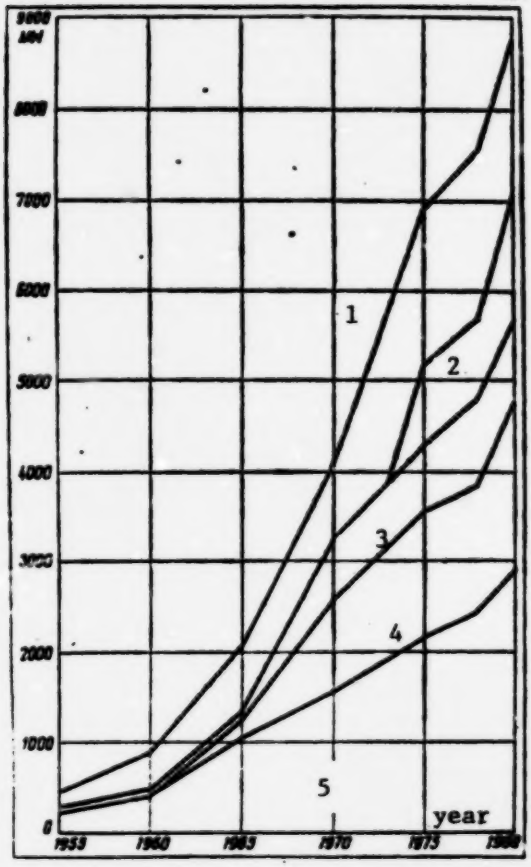


Fig. 1. Growth of installed capacity and change in its structure over the last 25 years

Key: 1--VETs; 2--AETs; 3--Gas and mazut-fired TETs; 4--TETs operating on imported coal; 5--TETs operating on local coal.

economic development plans of the CEMA countries, the demand of the national economy, material production, the service sphere and the municipal-household sector for electric power has been fully satisfied.

In 1955, our electric power consumption was 2.1 billion kilowatt hours, while on a per capita basis there were 281 kilowatt hours annually. In 1980, this consumption had risen to 38.7 billion kilowatt hours which is 19-fold more, while specific electric consumption reached around 4,400 kilowatt hours a year, or an increase of 16-fold.

Characteristic for the development of the nation's power consumption has been its high rate, particularly during the period up to 1970. This was due to the high development rate of the entire national economy, the low base from which the construction of the power industry started as well as the absence of other local highly efficient energy resources such as liquid fuel, natural gas and high-calorific coal for directly satisfying the energy needs of the nation.

Since 1970, there has been a tendency for a decline in the average annual development rate of electric consumption. This has been due to the overcoming of the national economy's backwardness and the conversion of the economy from a predominantly agrarian one into an economy with a pronounced industrial nature.

The energy resources which our nation possesses are limited. The oil and natural gas reserves are insignificant while the coal reserves are characterized by a high ash content, great wetness and low caloricity. These quality indicators for the coal resources point to their use primarily in the production of electric and thermal power and here in large steam generators with a high unit capacity.

Bulgaria's hydropower resources are also limited. We have better conditions for the construction of peak hydropower plants operating on controlled water with comparatively high drops and low water quantities with a low annual use factor for the installed capacity.

Regardless of the rapid growth of electric generating capacity operating on local fuels and the hydropower plants, the nation's electric power balance over the last 15-17 years has been in balance due to the importing of certain amounts of electric energy from the USSR and the production of electric power from plants burning imported coal as well as imported liquid and gaseous fuels.

The production of electric power in the nation in 1955 was 2.07 billion kilowatt hours, of which 68.7 percent came from the TETs and 31.3 percent from the VETs [hydropower plant].

In 1980, electric power production reached 34.84 billion kilowatt hours, that is, close to 17-fold more than power production in 1955. In 1974, our nation began using nuclear power.

The electric production structure in 1980 was significantly changed in comparison with 1955. There was a substantial rise in the share of production from nuclear engineering, some 17.7 percent of the total electric production, while the relative share of production from the VETs dropped to 10.7 percent while that of the TETs increased to 71.6 percent.

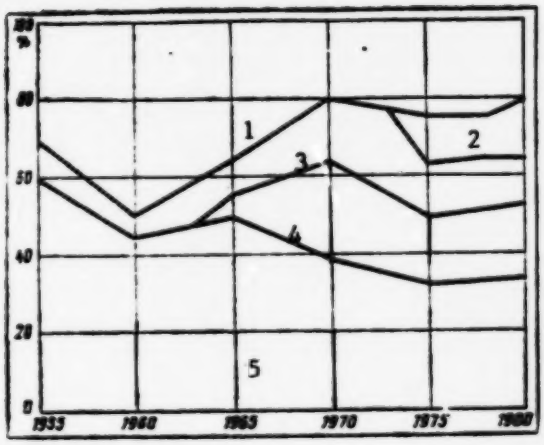


Fig. 2. Percentage participation of different of power sources in total installed capacity

Key: 1--VETs; 2--AETs; 3--Gas and mazut-fired TETs; 4--TETs operating on imported coal; 5--TETs operating on local coal.

In recent years a policy has been consistently carried out of a maximum reduction in electric power production from plants fired by mazut and natural gas. Out of the total increase in electric power production at the TETs under the Ministry of Power during the Seventh Five-Year Plan, only 1.2 percent came from mazut- and natural gas-fired plants, while the increase in the production from factory plants which predominantly employ imported fuels and mainly liquid and gaseous ones was scarcely 3.4 percent, with an average of around 6 percent for the nation.

This was the result of the clearly designated line in the energy policy of the Ministry of Power for a maximum savings in the highly efficient liquid and gaseous fuels. This has led to a decline in the consumption of liquid fuels and natural gas for energy output and the channeling of them into national economic sectors where their use is more efficient.

The import and exchange of electric power between Bulgaria and the neighboring countries started in 1950, when we still did not have a unified power system. The first step was the completion of a 60-kilovolt cable line between Ruse and Giurgiu across the Danube River. After 1972, the importing of electric power with the completion of the intersystem 400-kilovolt link between the Moldavian power system and

the Bulgarian power system across Romanian territory played a substantial role in coordinating the electric power balance. The maximum participation of imported electric power for satisfying the needs of the nation in 1974 reached about 15 percent, after which this participation gradually declined and the volume of electric power imports has settled at 4.5 billion kilowatt hours.

Over the 25 years the installed capacity rose to 8,400 megawatts or more than 19-fold.

Due to the cooperation and fraternal aid of the CEMA countries, and primarily cooperation between the USSR and Bulgaria, we have achieved great advances both in the development of thermal power engineering as well as in the construction of VETs. Over 80 percent of all the nation's energy capacity has been built with Soviet equipment and with the direct involvement of Soviet specialists as well as with aid from a number of the socialist countries.

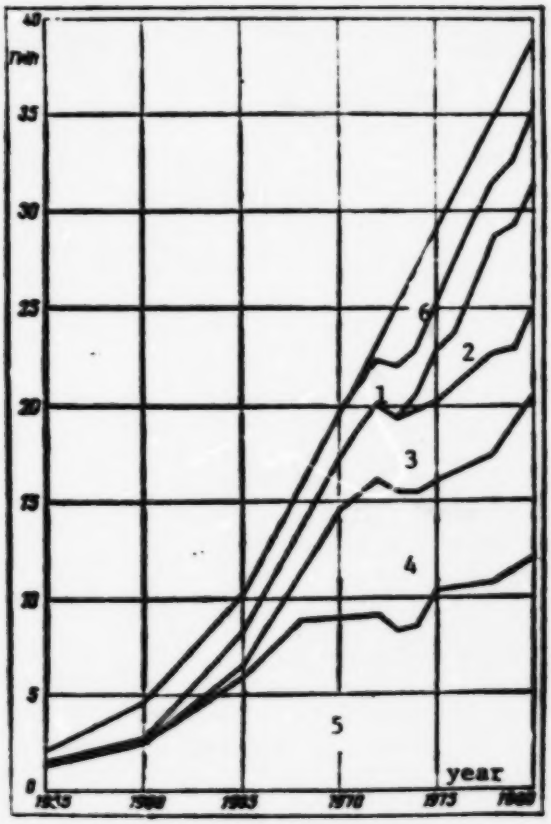


Fig. 3. Rise in electric production and electric consumption and the structure of power-generating capacity

Key: 1--VETs; 2--AETs; 3--Gas and mazut-fired TETs; 4--TETs operating on imported coal; 5--TETs operating on local coal; 6--Import-export balance.

A vivid example of the great impact from cooperation between the CEMA nations was the construction of the Bobov Dol TETs which has three power units of 210 megawatts each. These were completed during the years of the Sixth Five-Year Plan (1971-1975). The plans for the plant were worked out by the Bulgarian design institute Energoproekt, the steam generators and the coal delivery equipment were provided by Poland while the turbines, generators and generator transformers came from the USSR. The remaining equipment was produced and delivered by producing plants in the GDR, CSSR, Hungary, Yugoslavia as well as from enterprises in our nation.

In the Seventh Five-Year Plan alone our nation built close to 2,000 megawatts of new electric generating capacity. These are concentrated predominantly at three major projects, the expansion of the Varna TETs with three 210-megawatt power units, three 210-megawatt units at the Maritsa-Iztok-3 TETs with a final designed capacity of 840 megawatts and the expansion of the Kozloduy AETs with one 440-megawatt VVER reactor.

There are two particularly characteristic aspects in the development of power engineering in our nation during the Seventh Five-Year Plan: the introduction in thermal power practices of a new method for the direct combustion of high-ash low-calorific lignite coals from the Maritsa-Iztok complex in the Maritsa-Iztok-3 TETs

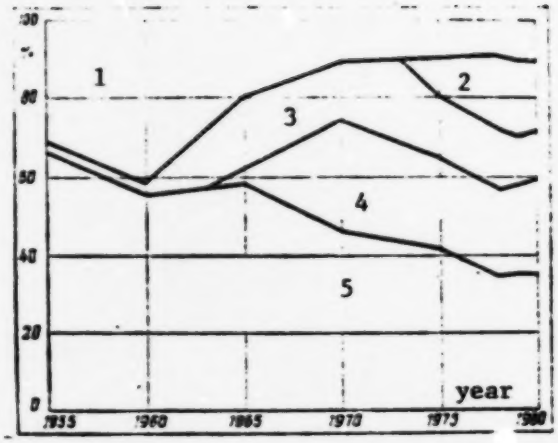


Fig. 4. Percentage of different power sources in total electric production

Key: 1--VETs; 2--AETs; 3--Gas and mazut-fired TETs; 4--TETs operating on imported coal; 5--TETs operating on local coal.

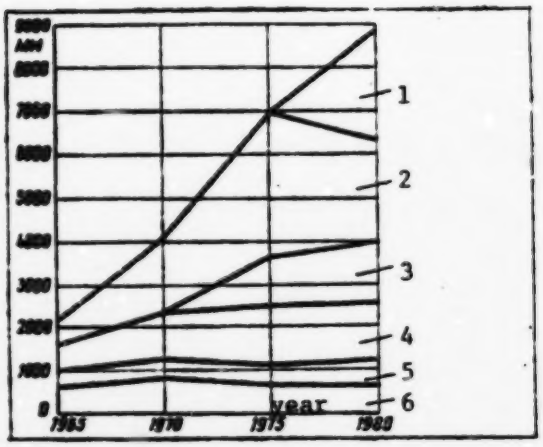
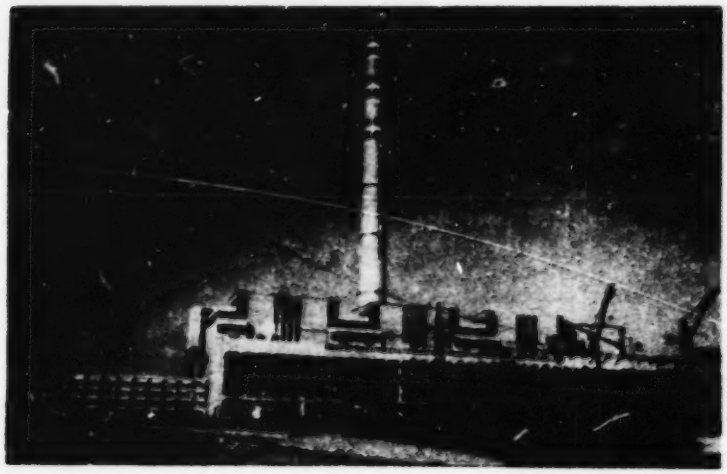


Fig. 5. Structure of installed electric generating capacity by unit capacity of plants

Key: 1--Over 1,000 megawatts; 2--From 500 to 1,000 megawatts; 3--From 200 to 500 megawatts; 4--From 100 to 200 megawatts; 5--From 50 to 100 megawatt; 6--To 50 megawatt.



The Maritsa-Iztok-3 TETs

without the construction of a drying plant and without preliminary drying of the fuel. This realizes a significant savings in capital investments and very good technical and economic indicators are achieved in comparison with the first two plants burning the same coals.

With the solving of the problems involved in the burning of the Maritsa-Iztok lignite coals nearly 20 years ago, our nation became a pioneer in utilizing fuels with similar quality indicators.

The second major success of Bulgarian power engineering during the Seventh Five-Year Plan was the starting up and stabilizing of operations at the AETs. In less than a year the AETs reached its designed indicators and during the last 2 years of the five-year plan reached an annual utilization of installed capacity of over 7,000 hours.

Along with the construction of electric generating capacity, there has also been extensive development of the entire power network system. While in 1955, we had in operation electric lines with the highest voltage of 110 kilovolts and a length of 1,132 km, in 1980, their length reached 7,418 km with the 110-kilovolt system now performing distribution functions while transmission was carried out at a voltage of 400 and 220 kilovolts. In operation are 1,023 km of 400-kilovolt power transmission lines [PTL] and 2,608 km of 220-kilovolt lines.

The concentration, on the one hand, of generating capacity at several large power plants and, on the other, of the electric loads in the large cities have necessitated the building of 110-kilovolt urban substations which are playing a more important part in the load schedule with the direct transforming of 400/110 kilovolts. In this method it is possible to avoid the 220/110-kilovolt transforming and greater efficiency is achieved in the transmission and distribution of electric power.

The Bulgarian electric power system is connected by several PTL with the electric power systems of the neighboring countries. Three 110-kilovolt PTL are in operation connecting the substations of Bulgaria and Yugoslavia: Kula--Bor, Breznik--Vurla and Petrich--Strumitsa. One 220-kilovolt PTL has been built between the Romanian and Bulgarian power systems: the Kozloduy AETs and Craiova. Through this our power system is connected to the United Power Systems [UPS] of the CEMA countries. Three high-powered 400-kilovolt intersystem PTL have been built: from the Moldavian Power System over the Vulkanesti--Dobrudzha 400-kilovolt PTL, with Yugoslavia over the Stolnik--Nis line, and with the European part of the Turkish Power System from the Maritsa-Iztok-3 TETs to Babaeski. These intersystem links create conditions for exchanging electric power and providing mutual aid under emergency conditions.

A particularly essential role in the stable and dependable operation of the power system is played by the power line links with the power systems of Moldavia and Romania and through them our system operates in parallel with the Peace UPS and the USSR JPS [Joint Power System]. With the completion of the 220-kilovolt Boychinovtsi --Craiova PTL link in 1967, the Bulgarian Power System was connected to the association of European CEMA power systems set up in 1962.

The future development of Bulgarian power engineering, as clearly and far-sightedly outlined by the recently held 12th BCP Congress is characterized by three general areas:

The fuller development of local energy resources. As the basic source for producing energy in the future the plans are to utilize the lignite coals and develop nuclear power with the relative share of the electric power produced by the AETs continuously increasing in the nation's electric power balance;

An improvement in the efficient use of fuels and energy in all spheres of consumption and a further decisive reduction in the energy intensiveness of production, rationalizing the structure and energy consumption and reducing energy consumption for the creation of a unit of national income.

Over the long run an important place will be given to the further development of centralized heat supply and for this purpose mainly local solid fuels will be used, and in the more distant future, nuclear power.

According to the preliminary estimate, total energy consumption is to rise from 42 million tons of conditional fuel units in 1980 to 48-50 million in 1985 and 55-60 million tons in 1990.

The basic task confronting power engineering during the Eighth Five-Year Plan (1981-1985) and up to 1990 is to supply material production and the service and domestic sphere with the required electric and thermal energy while at the same time seeing to it without fail that this is done with the least possible consumption of the material and labor resources and a maximum utilization of production capacity.

In 1985, the nation's electric energy production should reach 46 billion kilowatt hours, and in 1990 should rise to around 60 billion.

Of particularly important significance for successfully carrying out the energy program during the 1981-1985 period and up to 1990 are the construction and completion at the designated dates of production capacity not only in energy production but primarily in the coal mining industry.

For ensuring normal electric supply for the nation during the Eighth Five-Year Plan 2,500 megawatts of new electric generating capacity must be built and put into operation. The major projects include: the expansion of the Maritsa-Iztok-2 TETs with two 210-megawatt power units, a fourth 210-megawatt unit at the Maritsa-Iztok-3 TETs, a fourth 440-megawatt reactor and the first 1,000-megawatt reactor at the Kozloduy AETs.

During the Ninth Five-Year Plan the most significant and crucial projects will be the increasing of capacity at the Maritsa-Iztok complex by building the Maritsa-Iztok-4 TETs with a designed capacity of 1,000-1,500 megawatts and capacity at the Kozloduy AETs by adding still another 1,000-megawatt reactor as well as building nuclear capacity at a new site for the second Bulgarian nuclear plant.

Work will be continued on building the Nikopol--Turnu Magurele Hydropower Complex together with Romania, as well as our unique Chaira PAVETs [pumping and storage hydropower plant].

The nation's network system will also undergo further development. The 400-kilovolt ring will be closed. There is to be further expansion of the intersystem links by

creating a 750-kilovolt PTL link between the USSR, Romania and Bulgaria and the linking of our power system with the Greek system via a 400-kilovolt PTL.

The further development and deepening of the integration processes in the area of power engineering and close and fraternal cooperation between the CEMA countries are the dependable guarantee for carrying out the grandiose tasks powed by the 12th BCP Congress for the development of Bulgarian power engineering.

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PRESENT STATE, PROSPECTS OF HUNGARIAN POWER DEVELOPMENT

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 21-25

[Article by Lazlo Kapoly, state secretary of the Hungarian Ministry of Industry and leader of the Hungarian delegation to the CEMA Permanent Commission on Cooperation in the Area of Power Engineering: "The Present State and Prospects of Hungarian Power Engineering Development"]

[Text] In the last decades, Hungarian power engineering has developed rapidly in meeting the nation's increasing demand for power without significant problems. The maintaining of this rate has been possible both by utilizing our own resources as well as due to mutually advantageous cooperation with the CEMA countries.

At the present stage, the development of power engineering is linked to a constant reduction in energy consumption per unit of national income. However not all the possibilities have as yet been used in this area.

The sharp rise in the prices for primary energy resources on the international market and which has meant a deterioration of the nation's trade has also had a significant impact on the balance of the Hungarian national economy. The price for oil and oil products on the world market has increased by more than 10-fold in comparison with 1973 while the specific consumption for the construction of large power projects has risen by 4-5-fold. This has necessitated the taking of decisive measures to reduce energy consumption by altering the production structure and increasing its efficient use.

The problems of the rational use of energy have been at the center of attention for the party and government bodies. Proposals and instructions have been worked out to determine energy policy during the following years and over the long run. The basic aim of this policy has been the full utilization of our own energy resources, the more efficient use of energy, greater saving of energy and particularly oil products and a reduction of its consumption.

In carrying out these tasks an important role is played by Hungary's participation in socialist economic cooperation in all energy areas.

The Tasks in the Area of Utilizing Energy as Formulated in the Fifth Five-Year National Economic Plan for 1976-1980 and the Results of Carrying Them Out

The chief direction in economic policy during the Fifth Five-Year Plan was an increase in the efficiency of social production through the better utilization of the productive capital and increased labor productivity and through reducing material expenditures in production and increasing energy savings.

In 1980, total energy consumption in the nation should have reached 1,348 PJ with an annual increase of 0.45 percent. Actual energy consumption in 1980 reached 1,260 PJ which, in comparison with the 1975 consumption of 1,080 PJ meant an average annual rise of 3.1 percent (Fig. 1). As one can see, the increase in energy consumption in the national economy is less than the planned. Actual energy consumption in 1980 was less than the planned amount by a difference equal to 2 million tons of oil.

In 1980, electric power consumption was planned for 35 billion kilowatt hours in comparison with 24.4 billion kilowatt hours in 1975. This meant an average annual increase of 7.4 percent. In 1980, actual electric power consumption reached 30.9 billion kilowatt hours, that is, 4.1 billion kilowatt hours than the planned. The actual average annual increase reached 4.8 percent (Fig. 2). The increase in the consumed energy in the national energy, including electric energy, during the planned period did not conform to the plan. Prior to 1977, energy consumption increased in accord with the plan, in 1978, it exceeded the planned amount and after this year remained on the same level. Prior to 1978, electric power consumption showed the same trend. In following years a minimum increase was recorded (Table 1).

Table 1

	1975	1976	1977	1978	1979	1980
Energy consumption in nation, PJ	1080	1126	1180	1260	1260	1260
Annual increase, %		4.3	4.7	6.9	0.3	---
Electric power consumption, billion kilowatt hours	24.4	25.9	27.6	29.9	30.3	30.9
Annual increase, %		6.1	6.6	8.3	1.3	1.9

Prior to 1978, the production increase rate in the national economy was higher and the production structure was better and because of this the growth in the demand for energy and electric power was greater than was desirable from the viewpoint of an equilibrium between the changed economic conditions and national economic development. Under these conditions the activities relating to the economic and rational use of energy were unable to produce significant results. Along with various other factors, the reason was that the government bodies were delayed in taking strict and effective economic measures to save energy after the sharp price increase for energy resources on the world market.

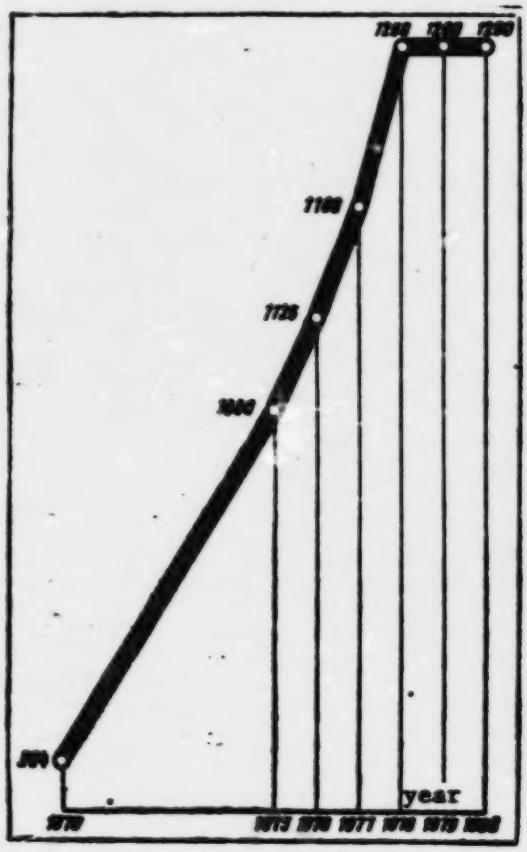


Fig. 1. Energy Consumption in Hungary (1970-1980)

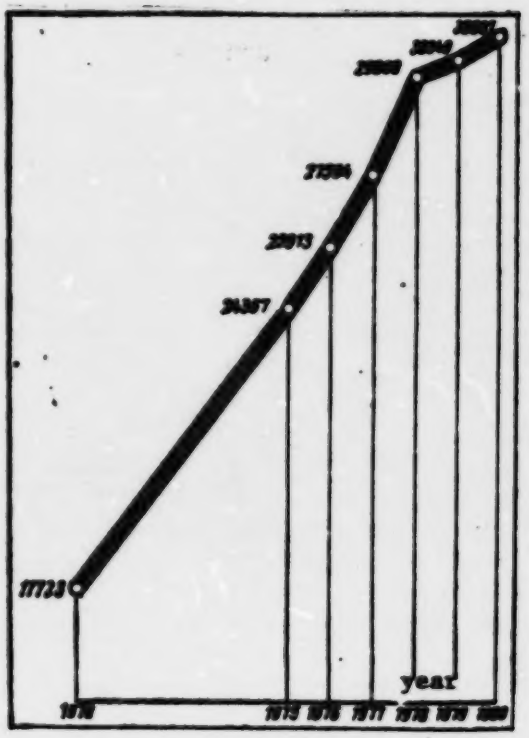


Fig. 2. Electric Power Consumption in Hungary (1970-1980)

For the individual types of energy resources, the following results were achieved:

Coal mining in 1980 was 25.7 million tons instead of the planned 24 million tons.

In considering the coal imports, the share of its consumption in total energy consumption in the nation surpassed the planned, reaching 29.2 percent instead of 26-28 percent. During each year of the five-year plan coal output exceeded the planned indicators predominantly due to output on days off. At the same time due to the absence of funds, the production capacity in coal mining did not achieve the growth which would meet our needs.

Oil output over the entire planning period conformed to the plan and reached 2 million tons. At the same time, the oil imports were 2 million tons less than the planned and in 1980 reached 7.5 million tons. For this reason oil refining in 1980 was 2 million tons less than the planned. In practice the decline in the nation's energy consumption in 1980, in comparison with the planned (1,260 instead of 1,348 PJ) was achieved entirely due to the decline in the amount of oil products. Thus,

the share of oil and oil products in the nation's energy balance was significantly less than the planned (40-41 percent) and reached 25.6 percent.

The output of natural gas during the individual years of the five-year plan exceeded the planned. The importing of oil products was compensated for by the above-planned use of natural gas.

The national output which in 1980 reached 6 Gm^3 and the imports totaling 4 GM^3 corresponded to the plans.

The increased natural gas imports from the Soviet Union became possible due to the Fraternity Gas Pipeline which was built by the joint efforts of the CEMA countries.

In 1980, natural gas reached 26.6 percent in the nation's balance and exceeded the planned amounts by 24-25 percent.

The broadening of the electric power sources during the Fifth Five-Year Plan was achieved by building the Dunamenti TETs, the new Tisza VETs as well as by increasing the imports from the USSR. Of great importance for Hungary was the starting up of the 750-kilovolt line between Vinnitsa and Albertirsa. The line provided an opportunity to double the importing of electric power. With its construction paralleling was achieved in the United Electric Power Systems [UPS] of the CEMA nations and the Soviet Joint Power System [JPS].

This has necessitated more disciplined operations in comparison with the activities in the previous period both in the nation's system and on the international level. The technical and economic conditions needed for this as outlined by Hungary for the planned period were carried out.

Summary of Results from the Power Policy During the Period of the Fifth Five-Year Plan from 1976 to 1980

Since 1979, as a result of the change in the economic tasks and the tasks of energy policy, the increase in energy consumption has slowed down in comparison with the first half of the 5-year period. Energy consumption during the 1979-1980 period essentially did not increase. In the energy resource structure, imports of petroleum and oil products declined.

In absolute terms there was also a decline in the refining of oil products and the consumption of some of them. The decline in the demand for electric power made it possible to put off the construction of individual power plants. This necessitated a reworking and altering of the concepts in the program for electric capacity construction. As a result of several years of preparatory work, an economic energy program has been completed for the Sixth Five-Year Plan for the period of 1981-1985. Its fulfillment will ensure a decline in the energy demand in the national economy which, in turn, will reduce the growth rate of energy consumption and the expenditures of the national economy in the energy area.

The Present State of Power Engineering and the Main Principles of Hungarian Energy Policy for the 1981-1985 Period

Our policy in the power engineering area for the Sixth Five-Year Plan has been determined by the following conditions.

In proceeding from the conditions in the nation, imports to satisfy the energy requirements during this period will not decline significantly. At the same time, it is essential to bear in mind that the tendency for an increase in the prices for energy resources on the world market will continue. For this reason, by applying the necessary measures in the area of energy policy, it is essential to create conditions which will guarantee the further development of the economy with the deepening deterioration in the balance of trade.

Another trend which is observable in the world and is related to the change in the energy use structure is the increase in the relative expenditure of capital investments in the energy area.

Under these circumstances it is essential to carry out a flexible, active and combined energy policy. In the development of the Hungarian economy and power engineering greater and greater significance is being assumed by reducing the energy requirements, by the broader and more effective use of our own energy resources, by increasing the use of secondary energy resources and waste energy, as well as by substituting expensive imported oil and oil products in producing thermal energy and as a fuel by employing cheaper local energy resources.

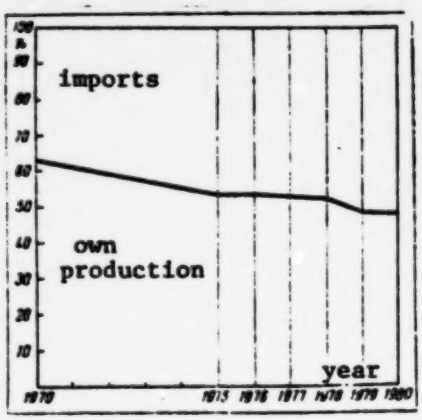


Fig. 3. Ratio of imports and local production of energy resources in Hungary (1970-1980)

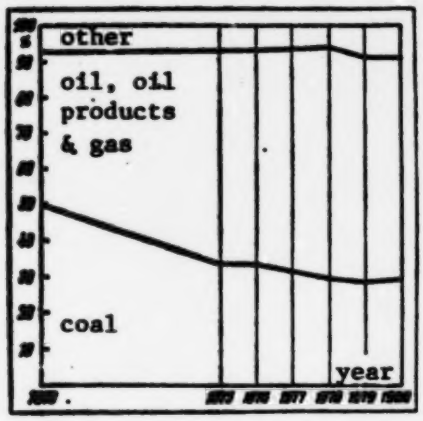


Fig. 4. Structure of energy resources in Hungary (1970-1980)

In satisfying national economic requirements on a basis of a suitable production structure and with the complete utilization of the opportunities which the energy program provides, our aim is that the annual increase in the consumption of energy resources in the national economy should not exceed 2 percent in the following period.

Annual energy consumption must rise from the 1,260 PJ in 1980 to a maximum of 1,400 PJ by 1985.

For carrying out such a task, the plan is to employ 50 percent local energy resources and 50 percent imported ones (Fig. 3). The energy resource structure shows a decline in the share of oil, oil products and natural gas and increasing participation of nuclear fuel and other resources (Fig. 4 and Table 2).

Table 2

	1980	1985
Coal, %	29.2	27.0
Oil, oil products, natural gas, %	62.2	58.0
Nuclear fuel, %	--	5.0
Others, %	8.6	10.0
Total, %	100.0	100.0

The basic amount of coal (80 percent) will come from mining in the nation and this will remain on the same level or will increase slightly. Planned mine construction is being carried out at the new deposits of Markushed and Nagyedhaza producing coal from the Eocene Age with operations expected to start in 1981.

In order to satisfy the demand for high quality brown coal, rapid construction is to be carried out on two other mines--Man and Lencehed II. These mines will go into operation a year before the planned date (1984-1985) and this will compensate for the decline in output at the operating mines and will ensure regular supply for consumers (chiefly the public) with high grade brown coal.

The relative share of oil, oil products and natural gas is to decline. Annual oil refining which was 9.5 million tons in 1980 will not change up to 1985. The satisfying of the insignificantly increasing gasoline requirements will be provided by increasing refinery capacity.

In the second half of the planned period, there are plans to build a catalytic cracking installation with an annual productivity of 1 million tons.

Natural gas consumption, without a change in imports and with an insignificant increase in local production (0.5 Gm^3 per annum of highly inert gas) will change insignificantly in comparison with 1980.

The most important task of the oil and gas industry is to increase the effectiveness of research and production in order to compensate for the reduced capacity and to ensure annual production of 2 million tons of oil and 6-6.5 Gm^3 of natural gas.

A particularly important economic problem is the starting up of the first stage of the Paks AETs with a capacity of 1,760 megawatts. By the end of the 5-year period this plant will satisfy 5 percent of the national economy's energy needs (20 percent of the total electric power consumption).

In order to more fully satisfy the energy requirements, there are plans to increase the importing of electric power. This will be carried out by Hungary's participation in the joint construction of the Khmel'nitskiy AETs and the 750-kilovolt power transmission line [PTL] between Khmel'nitskiy and Rzeszow.

A new area for increasing the nation's energy resources is the increased use of waste energy in agriculture and industry as well as geothermal energy.

In order to more fully utilize the local energy sources and carry out the comprehensive tasks of energy policy of particular importance is the carrying out of the coal mining development plan (the so-called "Eocene" program).

It provides the following:

1) The new Eocene mines will provide an opportunity to build a new electric plant operating on local coals (the Bicke TETs), they will replace the depleted deposits in the Tatabanya coal basin as well as satisfy the needs of consumers for high quality brown coals at present and in the future;

2) The building of new mines with the deep operation of the seams will provide an opportunity to employ the released labor force from the old mines;

3) With the suitable placement of the coal mines for deep mining of the seams opportunities will be created for exploiting the bauxite deposits in these basins;

4) Opportunities are provided to create new coal-based technologies and this will reduce the need for oil.

The Energy Program of the Sixth Five-Year Plan

With the change in the domestic and foreign conditions for the supply of energy to the national economy, the decline in energy consumption becomes one of the basic tasks in the nation's economic policy. For this reason the Council of Ministers has established a program for carrying out the energy system tasks in the 1981-1985 period.

The energy program contains specific tasks in all areas of the economy to carry out the tasks of the Sixth Five-Year Plan. The program will provide the organizational conditions and material-technical means for implementing them. The state management bodies, the enterprises as well as the entire population have a major role in carrying it out.

The successful fulfillment of the program will be aided by the following: Technical development, efficient use of scientific and technical achievements, the consistent application of the established price policy for energy resources, the state subsidies, easy credit terms and certain other measures.

For carrying out the more efficient energy policy, all enterprises must implement the following activities:

1) Constantly analyze energy losses;

2) Elaborate indicators for energy consumption per unit of product which would be compared with analogous indicators in other countries;

3) Test out the production methods from the viewpoint of their energy intensiveness and introduce new production processes with a lower specific energy consumption or more acceptable ones from the national economic viewpoint;

The National Dispatching Control Room

4) Constantly check the equipment and automation as well as the production facilities in the production which consumes or processes large amounts of energy;

5) Constantly improve the efficiency and state of the local power supply systems (steam, hot water, compressed air, electric power) and so forth;

6) Seek out solutions for general and local power supply with a higher efficiency and lower cost;

7) Work out and introduce rationalization proposals in the area of energy supply and utilization;

8) Enterprises with high energy consumption are to work out annual plans for saving energy.

In assessing the work and paying bonuses to enterprise leaders, it is essential to bear in mind the level of the energy system in the enterprises managed by them.

Help must be provided to enterprises which produce equipment with improved efficiency, attachments and materials needed for increasing the technical level of power engineering and increasing energy savings. Such enterprises must receive central funds for technical development by granting credits for capital investments going into the rational use of energy, on the basis of prices and price formation in accord with the prescribed indicators and materials.

The program has elaborated detailed measures to save energy and for rationalization of the national economy during the Sixth Five-Year Plan, the conditions for fulfilling them and the responsible executors.

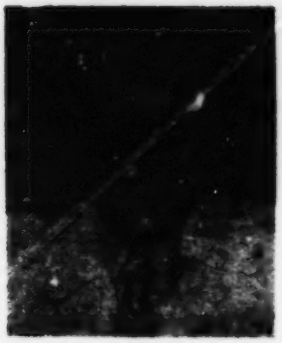
In addition to solving specific problems, the carrying out of the energy program is aimed at making all Hungarian citizens personally interested and responsible for energy savings and at putting the question on a broad social basis. The propaganda possibilities of the press, radio and television are to be evermore actively used for this purpose.

CUBAN POWER CONSTRUCTION PLANS TRACED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 27-28

[Article by Jose Beltran, first deputy minister of basic industry in the republic of Cuba and leader of the Cuban delegation to the CEMA Permanent Commission for Cooperation in the Power Engineering Area: "Prospects of Cuban Energy Construction"]

[Text] Prior to 1958, electric power in Cuba was in the hards of small national enterprises and American Foreign Power under whose control was the incorrectly named Cuban Electricity Company.



Only those cities were electrified which brought sufficient income as well as industry, trade the the property owned by the monopolies which controlled the nation's economy.

The 1959 Cuban Revolution and the profound political, economic and social changes which it caused marked the beginning to the unprecedented development of power engineering.

In spite of the economic blockade which the United States imposed, Cuba began to develop rapidly in a continuous struggle to eliminate backwardness and build up socialism under the banner of the Marxist-Leninist ideology. The basis for the attaining of these goals was the support provided by the socialist countries and primarily the USSR which provided exceptionally great aid for the nation's economic development.

The efforts to develop electric power have been particularly great. Here we have introduced equipment produced in the socialist countries and adapted to the 60-hertz operating frequency of the electric networks in Cuba.

The results are illustrated by data showing the state of the power systems in 1958 and 1980:

	1959	1980
Installed capacity, Mw	397.1	2212.1
220-kilovolt power transmission lines, km	—	1212
110-kilovolt power transmission lines, km	298	2186.5

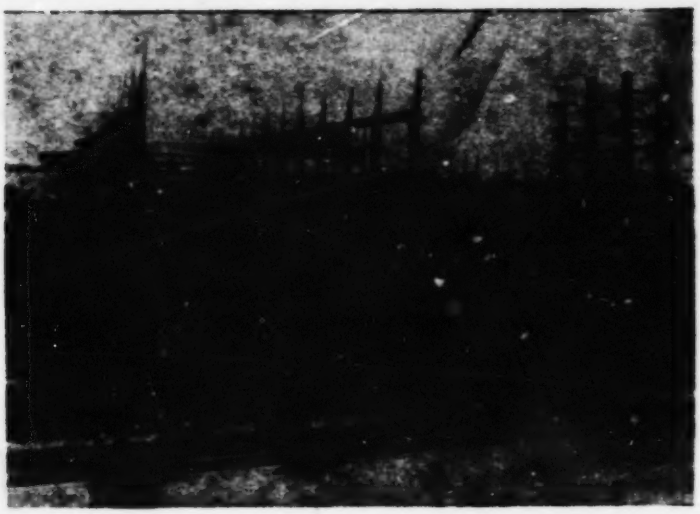
In 1959 the nation's production of electric power was 1,750 Gwh and in 1980, 8,855.5 Gwh.

This growth was caused by the development of a number of economic and social spheres such as industry and agriculture, the construction of housing, schools, hospitals and so forth as well as by the broad development of electrification in the agricultural regions. This commenced immediately after the victory of the revolution in order to reduce the difference in living conditions in the city and countryside.

After 1970, there has been a turn to a higher voltage in order to ensure dependable energy transmission in the nation. In 1980, the decision of the First Party Congress was carried out to build a unified national electric power system operating on 220 kilovolts.

Thousands of kilometers of power transmission lines have been built for 34.5 kilovolts and lower voltage to ensure electricity supply to consumers. In 1980, the annual per capita electric power production reached 1,020 kilowatt hours.

Prior to the victory of the revolution, specific fuel consumption at the power plants in the nation was 396 grams per kilowatt hour, while at present it is 280 grams per kilowatt hour. This is of enormous significance for the nation as it does not possess enough of its own power resources and satisfies its needs mainly by imports.



Open-air 220-kilovolt distributor facility

The Carlos M. de Seispedes TETs in Cienfuegos
built with Czechoslovak aid

Development Prospects of Electric Power Engineering in the Near Future

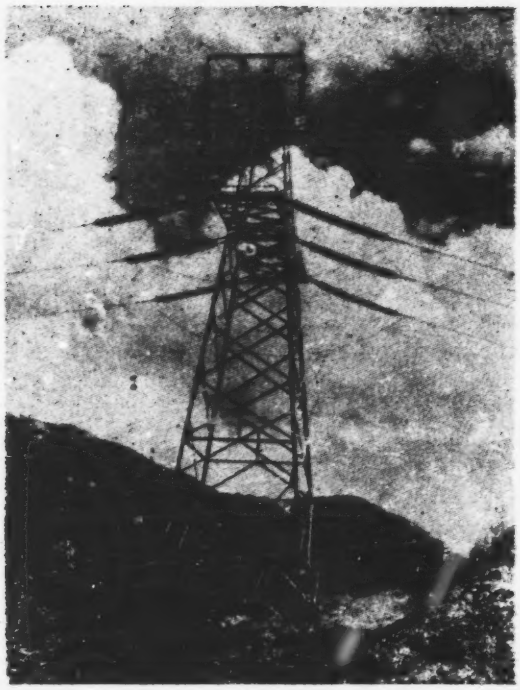
In viewing the prospects of the 1981-1985 Five-Year Plan, in the Basic Report of the Second Party Congress, Comrade Fidel Castro said: "...Electric power production will rise by more than 50 percent, in planning to put 1,000-1,200 Mw of capacity into operation. At the same time an AETs will be built in the area of Juragua and a central pumping-storage hydropower plant [PAVETs]...."

During this period further construction will be carried out on the 220-kilovolt network to ensure power supply to the most important industrial facilities in the northern and eastern parts of the nation.

There are plans to build a network with a voltage of 400-500 kilovolts to ensure the transmission of power from the large units of the Juragua AETs.

By 1985, we expect the maximum load to reach 2,500 Mw. The new plants and factories which will be built in the nation will have the greatest impact on the increase. In addition to this, in parallel with the development of industry, electrification of agriculture and an increase in household electrical appliances will be continued.

The development targets up to the year 2000 are based on cooperation, economic integration and progression changes in the national economic structure toward a more rational production structure guaranteeing the maintaining of high and steady development rates. Their aim is to continuously bring Cuba closer to the development level of the other European CEMA countries.



220-kilovolt power transmission line
built with Soviet assistance

The development of power engineering in Cuba is aimed at the construction of nuclear power plants, the first of which will be equipped with reactors of the VVER-440 type.

In the 1986-1990 period, there are plans to build a PAVETs which will be constructed in the central part of the nation, while in the western and eastern part studies will be made on constructing other PAVETs up to the year 2000.

The 25th anniversary is being celebrated of the founding of the Permanent CEMA Commission for Cooperation in the Power Engineering Area. This is an event which is being celebrated in Bulgaria.

Cuba is a comparatively new member of the Permanent Commission but it can already be said that its participation has had a positive effect on the nation's power engineering. It must be emphasized that our nation will make a maximum effort to the best work of the commission so that the fruits of socialist economic integration become ever greater.

10272
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RAPID DEVELOPMENT OF MONGOLIAN FUELS AND POWER INDUSTRY VIEWED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 30-33

[Article by Sodovin Batkhuyag, deputy minister of the Mongolian fuel and energy industry and leader of the Mongolian delegation to the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "The More Rapid Development Pace of the Fuel and Energy Base in Mongolia"]

[Text] Prior to the victory of the people's revolution in 1921, Bulgaria was one of the most backward nations in the world. The population knew no other source of energy but the muscle power of animals and man and no other means of lighting except the open fire. Mongolian power engineering began to develop under exceptionally different conditions with a lack of industry and skilled workers, engineers and technicians. The nation was sparsely populated and illiteracy prevailed among the population.

Only the consistent carrying out of Lenin's teachings about the role of electrification in the development of the national economy by the Mongolian People's Revolutionary Party [MPRP] and the Mongolian government and the fraternal aid from the USSR and the other socialist countries provided an opportunity for Mongolia to overcome the difficulties inherited from the prerevolutionary past and create its own fuel and energy base.

The development of the Mongolian energy industry can be divided into three basic stages differing both in terms of the scale of growth and the technical development.

The first stage encompasses the period from the start of the 1920's to the end of the 1930's. In 1921-1922, the first diesel and locomobile electric plants with a capacity, respectively, of 24 and 60 kilowatts were put into operation in the capital city of Hureye (now Ulan Bator) predominantly for the purpose of creating

electric light. From 1931, the first industrial enterprises which were comparatively large for those times began to be built. In 1934, Ulan Bator began operating an industrial combine built with Soviet aid including several factories for processing products from livestock raising. At this combine was built the first TETs with a capacity of 2.5 megawatts. Designed initially only for supplying the industrial combine with energy, this TETs later was used to satisfy the rapidly growing municipal and domestic needs of the city. For this reason its capacity was very quickly exhausted and it had to be repeatedly enlarged. In 1938, its power rose to 5 megawatts. During this period not only individual industrial sectors began to gradually form but also there was the turning of industry into an independent national economic sector.

The second stage includes the period from the start of the 1940's to the beginning of the 1960's. After 1940 and particularly during the years of the first five-year plans (1948-1957), such important industrial sectors developed rapidly as mining, the production of building materials, printing, the light and food industries. Metalworking enterprises were also created.

The establishing of the foundations of a multisector socialist economy required a thorough revision of the fuel and energy base. During these years significant work was done to reconstruct the old coal deposits and develop new ones. Close to Ulan Bator, at the Naylaha deposit, a second, more advanced, highly mechanized mine was developed with a productivity of 600,000 tons of coal annually. Coal mining enterprises with low productivity were also opened in many aymaks.[1] As a result of this, coal mining in 1960 had increased by 3.6-fold in comparison with 1940.

The electric power base was also significantly strengthened. As a result of repeated expansion, the capacity of the pioneer of power engineering, the TETs No 1 in Ulan Bator, reached 24 megawatts.

Along with improving power supply, significant measures were carried out to electrify the rural areas and the aymak centers. During the years of the First Five-Year Plan power plants were built in six aymak centers and by the end of the 1950's in all the aymak centers. As a result of this construction, total electric power production in 1960 rose by more than 5-fold in comparison with 1950 while per capita production had increased 4-fold.

For Mongolia, the electrification of rural areas has been and remains the most difficult problem. The enormous territory and the remoteness of the small world consumers hundreds of kilometers apart greatly complicate the electrifying of everyday life and agricultural production. In this stage in the rural areas there began to spontaneously appear small mobile power plants with a capacity of several-score kilowatts operating on liquid fuel. At their prime they played a positive role in providing an opportunity to mechanize the most labor-intensive processes and to satisfy the elementary municipal and household needs, most importantly electric lighting.

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[1] An aymak is an administrative-territorial unit set up considering the economic features of a given area. Mongolia presently has 18 aymaks.

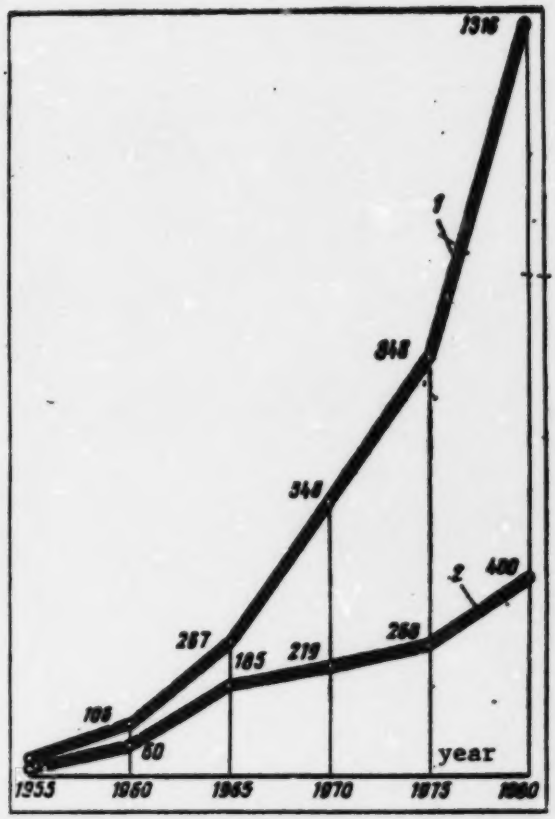

Fig. 1. Increase in electric power output and installed capacity of power plants

1--Electric power output, million kilowatt hours; 2--Installed capacity, 1,000 kilowatts.

Simultaneously with the construction of the first TETs in Ulan Bator, the electrical network and central heating system of the city began to be built. During the first period a network with a voltage of 2,000 volts was used for distributing the electric power, and later, after the expansion of the TETs No 1, the network was rebuilt for 6,000 volts. In line with the expansion of the Naylaha Mine in 1939, the highest voltage in the network of Ulan Bator reached 35 kilovolts.

The third stage encompasses the period from the start of the 1960's up to the present.

From the start of the 1960's, Mongolia began a new stage in its socioeconomic development, the stage of completing the material and technical base of socialism.

Considering the leading role of power engineering in creating the material and technical base of socialism, the 14th MNRP Congress held in 1961 adopted a historic decision to provide more rapid development of the fuel and energy industry. Later, in the Fourth MNRP Program approved by the 15th Congress in 1966, this decision was declared to be a program task for our party.

As a result of successfully carrying out the Third Five-Year Plan for national economic and cultural development (1961-1965), the nation's energy base was significantly strengthened. In this five-year plan, the Darhan Industrial Complex was created and this included a TETs with an installed capacity of 48 megawatts.

In addition to this, in Ulan Bator, the TETs No 2 was put into operation with a capacity of 12 megawatts and the expansion of the TETs No 1 was completed by which its capacity rose to 36 megawatts. In the towns of Tosontsengel and Ulgiy, small TETs were built with a capacity from 1.5 to 3 megawatts. In this manner, in 1965, the installed capacity of the power plants and the produced electric power rose, respectively, by 2.9- and 2.4-fold, in comparison with 1960. During these years the fuel and energy industry developed finally as an independent sector.

The creation and development of a national fuel and energy industry was based and continues to be based on the selfless aid of the USSR. This aid was expressed in the building of power plants, transmission lines and substations with personnel and equipment from the USSR, the exploitation of coal mines and the delivery of coal mining, energy and electrical engineering equipment and materials.

During the years of the Fourth and Fifth Five-Year plans (1966-1975), the strengthening of the nation economy's energy base and the improving of electric supply contined.

In Ulan Bator a new TETs was built with a capacity of 48 megawatts and in Choybalsan, located in the east of the nation, a TETs with 12-megawatt capacity was put into operation. In the aymak centers, the numerous mobile diesel plants were replaced by larger stationary diesel units and this significantly increased the reliability of electric supply.

As a result of these quantitative and qualitative changes, Bulgaria has become among the 10 best energy-supplied nations of Asia and surpasses the nations of the Near and Far East and Africa in terms of the average values of such important indicators as the per capita consumption of energy resources and electric power and installed capacity of the power plants per 1,000 inhabitants (Table 1). It must be pointed out that in the 1950's, for these indicators Bulgaria was on the average or below the average level of these countries.

Table 1

Countries	Потребление на енергийни ресурси на човек от населението, kg у. г. 1				Потребление на електроенергия на човек от населението, kWh 2				Инсталирана мощност на 1000 души, kW 3			
	1950	1960	1970	1974	1950	1960	1970	1974	1950	1960	1970	1974
Mongolia	122	540	888	1046	29	111	413	528	—	64	175	179
Far Eastern	130	238	498	552	76	166	423	513	19	37	91	123
Near Eastern	147	340	804	1023	32	98	315	434	12	33	86	113
African	189	254	309	359	74	146	247	309	18	39	67	75

Key: 1--Per capita consumption of energy resources, kg of fuel units; 2--Per capita consumption of electric power, Kw hours; 3--Installed capacity per 1,000 inhabitants, Kw.

During this period, however, the most significant achievement was the creation of the first energy system in the central economic region of the country. The system formed by connecting the 110-kilovolt power lines from the power plants in Suhe Bator, Darhan and Ulan Bator not only increased the dependability of electric supply in these industrial centers but also helped improve the supply of electric power to agricultural consumers in this area by connecting them to the power system.

During the 1976-1980 period, major quantitative and qualitative changes occurred in the nation's power engineering. Almost 2-fold more electric capacity went on stream than in the previous decade (Fig. 2). During this five-year plan, our power engineering converted to high-parameter equipment. For the first time since the victory of the people's revolution, the nation produced 1 billion kilowatt hours of electric power in 1977. It took a little more than 5 years to produce the second billion, and just 3 years for the third. Such are the development rates of Mongolia. Our party's decisions to ensure the more rapid development of power engineering are being successfully carried out (Table 2).

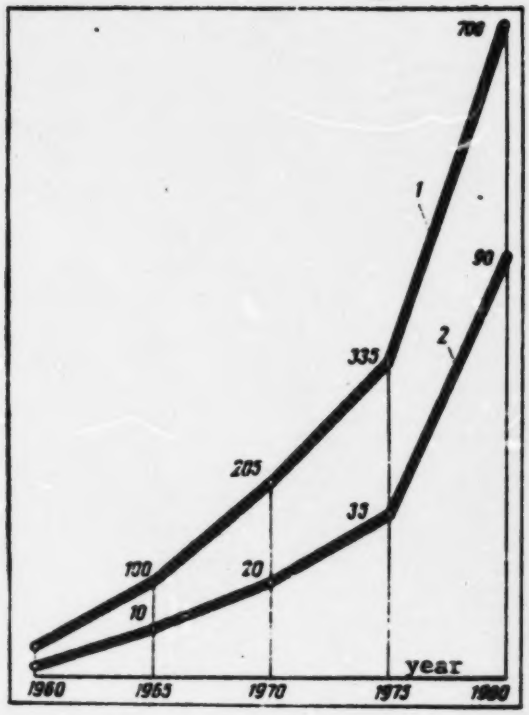

Fig. 2. Electric power consumption in individual national economic sectors, million kilowatt hours

1--Industry; 2--Agriculture

With the connecting of the Mongolian power system in 1976 to parallel operations with the powerful Siberian Power System of the USSR over a 220-kilovolt power transmission line, a new page was opened in the history of cooperation between the Soviet and Mongolian power engineers. As a result of this link, our power system became part of the power systems of the socialist commonwealth which at present covers the vast territory from Ulan Bator in the east to Berlin in the west. This reaffirms the instructions of V. I. Lenin that "...modern progressive technology urgently demands the electrification of our nation and neighboring nations following a single plan."

The parallel operation with the Siberian United Power System provides an opportunity to substantially reduce reserve capacity in our power system and provide dependable supply of electric power to the most important industrial installations and adjacent rural consumers. This line of development is an essential prerequisite not only for significantly increasing the efficiency of our TETs but also plays a major role in selecting and developing the high-power thermal power equipment operating on high steam parameters.

The basis of power engineering in Mongolia is thermal power plants with combined production of electric power and heat. Their capacity by 1 December 1980 was over 410 megawatts, representing 67 percent of the entire installed power capacity while the 1,302,200 kilowatt hours produced by them were 85.9 percent of all the energy produced in the nation.

Table 2

Ratio Between Rates at Which Electric Power Generation and Total Industrial Production Develop

Indicator \ Period	1960-65	1966-70	1971-75	1976-80
Annual average increase in gross product of all industry	9.8	9.9	9.2	9.4
Average annual increase of electric power product	22.2	18.9	10.2	12.3
Lead factor of electric power engineering	2.265	1.909	1.108	1.292

The remaining 33 percent of the installed capacity and 14.1 percent of the produced electric power come from diesel power plants operating on imported fuel. At present 14 of all 18 aymaks obtain electric power from these plants. The aymak centers have stationary diesel units with a unit capacity of 600-800 kilowatts while the agricultural associations, state farms and their subdivisions and farms use numerous low-power diesel plants.

Hundreds of kilometers of transmission lines of varying voltage and many substations and bus- and -switch installations have been built for the transmission and distribution of the electric power. At present the nation has built and has in regular operation over 11,000 km of transmission lines of which 10.7 are high voltage, over 35 kilovolts. The total installed capacity of the power transformers is over 1,017 megawatts.

In the major cities such as Ulan Bator, Darhan and Choybalsan, heat supply is centralized with a high degree of centralization, some 85-90 percent.

Significant changes have occurred in the consumption structure of electric power. While in 1930 virtually all the produced electric power was consumed for municipal and household requirements, at present a large portion of the electric power goes to satisfy the needs of such basic national economic sectors as industry and agriculture.

Mongolian power engineering has developed chiefly by the maximum utiliazation of its own energy resources, primarily the high grade brown and cherry coal. On the nation's territory at present 160 deposits have been discovered and their reserves have been estimated at 16.5 billion tons, including around 10 billion tons suitable for strip mining.

The largest coal mining enterprises are the Sharingol strip mine and the Nalayha-Capital mine; these are located in the central economic region and have an annual production, respectively, of 2 and 1 million tons.

At present power engineering is one of the technically most advanced sectors of the national economy. This sector disposes of 10.6 percent of the fixed industrial capital, it employs 7.4 percent of the personnel employed in industry and they produce over 10 percent of the gross industrial product.

During the years of communist power, highly skilled personnel have been developed including workers, white collar personnel, engineer and technical specialists who are solving the questions of the efficient operation of the highly productive equipment and managing the nation's energy system. The USSR and the fraternal socialist countries have provided us with invaluable aid in the training of our engineers and technicians.

In the Seventh Five-Year Plan (1980-1985) further measures will be taken to strengthen the nation's energy base. The largest TETs will be built in Ulan Bator and its turbines will have a unit capacity of 80-110 megawatts. Preliminary design work will be completed for the construction of the Baganur TETs with 200-megawatt units.

In order to carry out the decisions of the 18th MPRP Congress to develop power engineering and ensure the dynamic development of the national economy, the Mongolian power workers are focusing their efforts on solving the following problems:

1) Maximum use of the national energy resources, primarily the brown and hard coals, by increasing the efficiency of the existing fuel and energy enterprises, by opening up new strip mines with production of 2-4 million tons a year in promising coal deposits as well as by building large thermal power plants and high-voltage transmission lines;

2) Increasing the technical level of the sector by utilizing modern highly productive equipment and introducing efficient production schemes;

3) Carrying out close cooperation with the USSR and the other fraternal CEMA countries in carrying out socialist economic integration measures involving a solution to energy problems.

The successful solving of these questions is an indispensable condition for carrying out the set tasks in developing and strengthening the energy base and satisfying the rapidly growing needs of the national economy for fuel and energy.

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ROLE OF POLISH THERMAL POWER CAPACITY DESCRIBED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 35-38

[Article by Zbigniew Bartosiewicz, Polish minister of power industry and atomic energy and leader of the Polish delegation to the CEMA Permanent Commission for Cooperation in the Power Engineering Area: "Thermal Electric Generating Capacity--The Basis of the Polish Power Industry"]

[Text] Main Directions in the Development of the Polish Power Industry in the Past Period

The rapid development of Poland since World War II has caused a rise in the demand for electric power both in industry as well as in the municipal and household sector. The complete electrification of agriculture and rail transport have also contributed to the greater demand for electric power.

During the 1946-1979 period, electric power production increased from 5.2 to 117.4 billion kilowatt hours, that is, by 22.5-fold, while the capacity of the power plants rose from 2,350 to 24,785 megawatts, that is, by 10.5-fold. This bespeaks the significant increase in the intensity of installed capacity at the power plants. During this period obsolete units were taken out of operation with a total capacity of 2,000 megawatts. It can be asserted with confidence that the Polish power industry was created after the war.

From an analysis of the increased demand for electric power, it can be seen that in the postwar period, up to 1958, this doubled in 6-7 years, up to 1975 in 8-9 years, and in recent years in more than 10 years. This decline in the annual increase of electric consumption can be observed in all nations with a simultaneous rise in their industrial potential and the conversion to more advanced technology in the national economy and an improvement in services.

Along with the increase in production capacity, extensive construction of electric networks has been carried out on all voltage levels. The expansion of the 210-, 220- and 400-kilovolt networks has created the prerequisite to connect all the energy sources in parallel operation and create a united power system in the nation.

The development of the network system has been characterized by a constant rise in the voltage level in the transmission lines. The first 220-kilovolt power lines were built in 1947, and those of 400 kilovolts in 1962. The 110-kilovolt power lines which were the basic carriers immediately after the war at present are being converted to the distribution network. The completion of high-capacity power plants has meant the intensive development of the 400-kilovolt network. In planning the development of the Polish energy system, consideration has been given to the growing tendency to unify the power systems of the individual nations. Several 220-kilovolt power lines and six 400-kilovolt ones link the Polish power system with the systems of the neighboring countries. In addition, Poland is a member of the United Power Systems (UPS) of the CEMA nations and these possess an installed capacity of 90,000 megawatts. In the UPS of the CEMA nations, Europe's first (not including the USSR) 750-kilovolt power transmission line has been built between Vinnitsa (USSR) and Albertirsa (Hungary).

In accord with the nature of the nation's power resources, the construction of new power plants in Poland has been focused mainly on the TETs operating on bituminous and brown coals. For this reason the scientific and design potantial has been concentrated on elaborating the technical solutions for designing, building and operating coal-fired power plants and expanding technical progress in this area. During the first postwar years, power engineering design institutes and major enterprises were founded for producing steam generators, turbines, generators, transformers, electric motors, communications electrical equipment, high-pressure steam and water equipment as well as auxiliary equipment.

Using foreign licenses, specialists from the design bases in the nation developed a series of turbines with a power of 25-30, 50, 125 and 200 megawatts with the steam generators for them. Steam generators were also developed for 500-megawatt power units. Recently units have been put into production with a capacity of 360 megawatts and operating on bituminous and brown coals.

Of great significance for centralized heat supply was the introduction of the heat generating units with an electric capacity of 50 and 100 megawatts of the BS-50 and BS-100 types which were used for a number of years by the public TETs.

A certain, small portion of the equipment was delivered by imports, predominantly from the USSR.

Due to the policy carried out in the energy area, a high level of standardization was achieved in equipping the power plants. For example, a series was produced of 24 units of 125 megawatts each and a series of 63 units of 200 megawatts. The 125-megawatt units were removed from production in 1970. At present the production of the 200-megawatt units is being stopped. Two 500-megawatt units are operating with good indicators at the Kozienice TETs. We are in the process of introducing a new series of units of 360 megawatts each.

The following more important projects can provide a notion of Polish energy construction at the present stage:

The Torow TETs with a capacity of 2,000 megawatts using 200-megawatt units operating on brown coals with a combustion heat of 7,540 kJ/kg. The power plant was put into operation in 1962. It is marked by high reliability. The annual use factor for installed capacity has reached 7,200 hours;

The Pientnow TETs with a capacity of 1,600 megawatts and 200-megawatt units, six of which operate on brown coal with a combustion heat of 1,400 kJ/kg and two on mazut. A natural lake is incorporated in the cooling system;

The Lower Odra TETs with a capacity of 1,600 megawatts and units of 200 megawatts each operating on coal with a combustion heat of 21,000 kJ/kg and an open cooling system which uses water from the Odra River;

The Rybnik TETs with a capacity of 1,600 megawatts and 200-megawatt units operating on slurry and seams removed in the coal dressing. A combined cooling system is used with a man-made reservoir and cooling towers;

The Kozienice TETs with a capacity of 2,600 megawatts and eight units of 200 megawatts each and two units of 500 megawatts operating on coal with a combustion heat of 20,000 kJ/kg. The cooling system is open with cooling towers being used during heat spells;

The Rzeran TETs put into operation in 1952 with an electric capacity of 250 megawatts and a heating capacity of 1,470 megawatts;

The Siekierki TETs put into operation in 1961 with an electric capacity of 620 megawatts and a heating capacity of 2,520 megawatts. Along with the Rzeran TETs and other centralized heat supply sources, this is a basic element in the large central heating system of Warsaw which heats and supplies hot water to over 85 percent of the constructed housing volume and industrial enterprises in the city.

Basic Directions for the 1985-1990 Period

The Power Institute under the Ministry of the Power Industry and Atomic Energy is concerned with forecasting electric consumption growth related to the nation's socioeconomic development and primarily to the growth of national income. In the analyses and forecasts, electric power plays a primary role as a fine energy source which satisfies the needs of the national economy along with the other major energy sources such as gas, liquid fuel, coke as well as steam and hot water from the central boilers and thermal plants. It must be emphasized that in Poland the central gas and heat supply of the cities has been well developed and this will significantly slow down the growth rate of electric power consumption. Analyses indicate that electric power generation will rise from 122 billion kilowatt hours in 1980 to 155 billion kilowatt hours in 1985, and this corresponds to an annual increase of 4.9 percent. In the consumption structure, the municipal-household, agricultural and food sector will outstrip industry.

In determining the directions for energy development, the basic problem for each nation is to find the economically justified base for energy resources. Up to the present coal has been such a base for Polish power and will remain so in the future.

Bituminous Coal

The Upper Silesia deposits will continue to be the basic source of bituminous coals. From the economic viewpoint, of great interest are the coking coal deposits in the Rybnik Coal Deposit where coal mining in the last decade has developed particularly rapidly. The Lublin Coal Basin located in the eastern part of the nation has been assuming great significance, and due to this the geological bituminous coal reserves in Poland have been increased by around 30 percent. In following years the first quantities of coal will be received from the coal mining capacity built in this basin. The significant coal reserves of this deposit will provide an opportunity to forecast an increase in mining from 193 million tons in 1980 to 220 million tons in 1990. The portion of coal earmarked for energy production will not increase proportionately due to the demand of the domestic market for heating coal and the foreign trade obligations. This seriously restricts the possibilities for building new coal-fired electric plants.

Model of the Bielhatow-1 TETs

At present at the operating Polanec TETs the capacity of which in 1982 will reach 1,600 megawatts they are installing 200-megawatt units. There are plans to continue the expansion of this plant. Construction is progressing at the Opole TETs with six 360-megawatt units. Its completion is planned for the 1984-1989 period. According to the forecasts, this is the maximum capacity for expanding the electric plants operating on coals from the Upper Silesia Basin. The possibility is being studied of building a power plant of 3,000 megawatt capacity operating on the Lublin Coal Basin.

An important area for the rational utilization of bituminous coal is the use of residual product obtained in coal processing at power plants built specially for this purpose. In recent decades there has been extensive application of the technology of producing a mix of coal and residual products used as fuel in the power plants.

Brown Coal

The other basic source for increasing electric production is the brown coals with a combustion heat of around 8,400 kJ/kg. The significant reserves suitable for strip mining provide an opportunity to increase their annual output from 37 million tons at present to around 85 million tons in 1990 and over 130 million tons in the year 2000. As the transporting of the coal is unprofitable, the power plants will be built close to the deposit and to a significant degree this will determine the configuration of the power transmission networks.

The capacity of the existing power plants fired by brown coal at present is 4,400 megawatts, that is, over 20 percent of the installed capacity of the public power plants. The power plant in Bielhatow is being built rapidly and this has a designed capacity of 4,320 megawatts consisting of 12 360-megawatt units. We plan to have the first unit in operation this year and designed capacity will be reached in 1987. The construction potential of the Bielhatow energy complex can be used for opening up the nearby Szczercow Deposit and for building a power plant with a capacity of around 1,500 megawatts.

During the 1983-1984 period, there are plans to put into service two new 360-megawatt units at the Torow power plant and this will increase its capacity to 2,720 megawatts.

In the long run there are plans to use the significant brown coal deposits in Lower Silesia for energy purposes.

Hydropower Engineering

At present the hydropower plants [VETs] produce 3 billion kilowatt hours annually, of which 1.9 billion kilowatt hours are from natural hydropower resources and the remainder from pumping-storage plants [PAVETs].

The future economically justified hydropower resources of the nation are comparatively limited. They are around 12 billion kilowatt hours. On a local scale and with the integrated solution of water management problems, of great significance is the already completed construction of hydropower works on the upper and lower course of the Vistula River as well as the VETs with regulated reservoirs built in the piedmont areas of rivers. The carrying out of the program to convert the Vistula River into a navigable river along its entire length with the building of a series of VETs will provide an opportunity to increase the capacity of these power plants to around 2,100 megawatts and will increase the utilization of the hydropower resources more than 70 percent.

We are in the process of carrying out a program of PAVETs construction with a maximum consideration of the topographic and geographic conditions. These plants will increase the flexibility of the power system. They will employ the pump-turbine generally recognized as the most economic units and already in operation at the

Zidowo PAVETs with a capacity of 150 megawatts, the Porombka-Zar PAVETs with a capacity of 500 megawatts and are also in the last stage of installation at the Zarnowec PAVETs with a capacity of 680 megawatts. The Mloti PAVETs with a capacity of 750 megawatts will also be built with reversing units.

Nuclear Power Plants

As was emphasized, up to the year 2000 a significant increase is planned in the output of bituminous and brown coals. This means that our own solid fuel base will be maximally developed from the viewpoint of the available reserves and the possibilities of their industrial development. The oil and natural gas reserves are insignificant and cannot be considered in forecasting the energy resources.

Under these conditions, in order to coordinate the nation's energy balance, it is essential to develop nuclear engineering. A start will be made with the building of the first AETs in Zernowce, in the middle of the nation in 1987. Intensive construction will also be continued at other AETs. The achieved agreements in the area of cooperation envisage that up to 1990 equipment will be imported for completing AETs with a total capacity of around 5,900 megawatts. The development of nuclear engineering up to the year 2000 must ensure an annual increase in installed capacity of 1,500-2,000 megawatts.

The rapid development of centralized heating supply with an annual increase of 6.5 percent requires starting construction of AETs and nuclear central heating plants with a high heat capacity. It is planned that this will be carried out after 1990.

Poland is participating in cooperation under CEMA in producing equipment for the AETs. In the agreement signed in 1979 for multilateral international production specialization and cooperation and mutual equipment deliveries for the AETs, in the 1981-1990 period Poland has been assigned a significant production program for AETs equipment and the amount of equipment and nuclear fuel which will be imported from other states have been set. Within the agreed upon specialization, Polish industry will produce the following AETs equipment: steam generators, pressure stabilizers in the heat exchangers, 500-megawatt turbines, internal combustion engines for safety needs, monitoring and metering equipment and containers for the transporting of nuclear fuel. The Polish scientific research institutes and organizations, in cooperation with similar institutes and organizations in the other CEMA countries, will participate in solving the most important problems in the development of nuclear engineering such as developing units of the VVER-1000 type, large-capacity fast-neutron reactors and heat supply nuclear power plants.

Power Transmission Networks

An analysis of further development for the Polish power transmission network shows that in the immediate future it is not advisable to use voltage above 400 kilovolts in transmitting electric power in the nation. The use of 750 kilovolts at present can be justified only by the necessity of providing intersystem links for transmitting large capacity over great distances.

The expansion of the parallel operation of the CEMA power systems has a significant impact on the development of the Polish power system. One of the specific results of cooperation within CEMA was the General Agreement signed in 1979 on cooperation

among the involved CEMA members in building the Khmel'nitskaya AETs with a capacity of 4,000 megawatts on Soviet territory. On the basis of this agreement, Poland will receive as its share in building the plant a total of 1,000 megawatts of capacity and 6 billion kilowatt hours of electric power. Deliveries will begin in 1984 and the quantities will gradually be increased.

At the same time an agreement has been concluded on cooperation in the construction and operation of a 750-kilovolt power line which will link the Khmel'nitskaya AETs (USSR) with Rzeszow (Poland) and the Rzeszow Substation; this is to be completed in 1983. This power line will ensure the importing of electric power from the USSR into Poland as well as its transit transmission from the Polish power network to the CSSR and Hungary. Thus the opportunity will be increased for the United Power Systems of the CEMA countries to utilize capacity reserves and the intersystem effect from the differing time of the peak load.

The programs for the operation of the Polish power system are coordinated with the programs and forecasts, the international power exchange and emergency aid within the United Power Systems of the CEMA countries by the Central Dispatching Administration headquartered in the capital of the CSSR, Prague.

10272
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DEVELOPMENT OF POWER SOURCES IN ROMANIAN INDUSTRIAL PLANS

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 40-44

[Article by Trandafir Cocirla, Romanian minister of electric power and leader of the Romanian delegation to the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "The Building of the Power Base--The Basis for the Economic Ascent of Romania"]

[Text] The antifascist and antiimperialist revolution for national and social liberation of August 1944 and the assuming of power by the working class under the leadership of the Romanian Communist Party [RCP] created the conditions for the rapid and planned development of the entire national economy. Within the extensive program elaborated and implemented steadily by the RCP for reconstruction and development, particular attention has been given to the power industry as one of the sectors of particularly important significance for all the economic and social activities of our nation.

As a result of the successful carrying out of the economic and social development plans, production of electric power over the last 30 years has increased by 32-fold. There has been corresponding development of equipment for the production, transmission and distribution of electric power within the Joint National Power System. At the present stage, the Romanian energy workers are taking an active part in carrying out the directives of the 12th RCP Congress for the further development of the power base. These envisage the fuller use of all the national energy resources, including the low-grade ones such as the low-calorific lignites and bituminous shales as well as the low hydropower potential and new energy sources.

There is also to be a further improvement in the organization and operation of the national power system as well as the application of strict economy of fuel and electric power in all sectors and areas of social activities. The report given by the General Secretary of the RCP and President of the nation, Comrade Nicolae Ceausescu,

at the 12th Party Congress emphasized that the growth of the national power base is the basic area in the development of both industry and the entire national economy during this five-year plan.

The Evolution in the Consumption and Production of Electric Power

In 1950, when the industrialization of the nation was beginning, the per capita electric power consumption was 128 kilowatt hours. In 1960, this indicator was 414 kilowatt hours, in 1970, 1,614 kilowatt hours, and in 1980, exceeded 3,000 kilowatt hours, corresponding to a total electric power output of 67.5 billion kilowatt hours (Fig. 1). However, it must be pointed out that during the last five-year plans, the average growth rate of consumption has gradually declined as a result of the more rational use of electric power. In comparison with the average annual increase in consumption of 15.7 percent achieved during the 1961-1970 period, this indicator in the following decade was 7.6 percent (see the table), and in recent years has declined even more, being 3.9 percent in the 1979-1980 period.

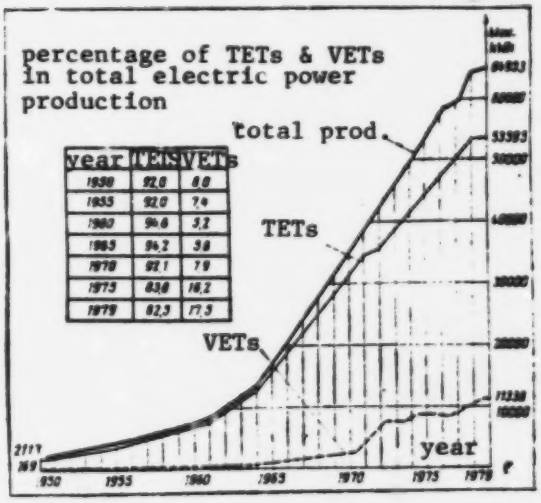

Fig. 1. Electric power output in Romania in 1950-1979 period

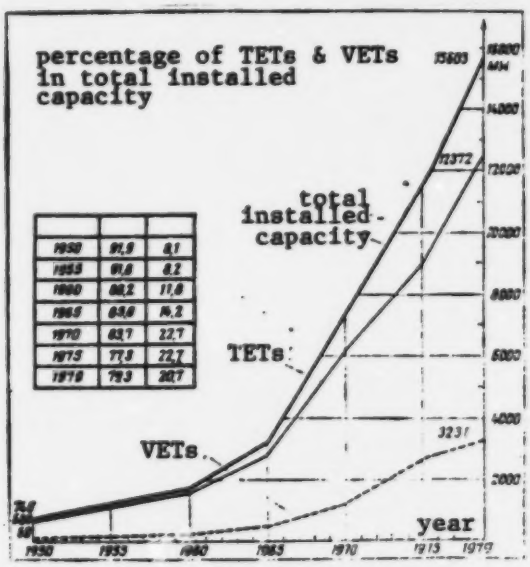

Fig. 2. Installed capacity in Romania during the 1950-1979 period

Percentage increase in electric power consumption and gross industrial product

	1961-1970	1971-1980
Average annual increase in electric power consumption	15.7	7.6
Average annual increase in gross industrial product	12.1	11.2
Ratio between increase in electric power consumption and increase in gross industrial product (lead factor)	1.30	0.68

This decline in the growth rate has been the result of carrying out an extensive program of measures to make more rational and efficient use of electric and thermal power in all areas of social and economic activity. The main directions of the program envisage an improvement in the technologies employed in material production, a reorganization of the production of energy-consuming materials, a revision of the scientific bases for the consumption rates, the use of substitutes for energy-consuming products and so forth.

The Development of Electric Production

The task of more rationally and efficiently utilizing our own energy resources has necessitated the building of thermal power plants [TETs] operating on low-calorific fuels, the development of central heating systems, intensifying the construction of hydropower plants [VETs] and preparations for incorporating atomic power plants [AETs] and new energy sources in the power system for the purpose of utilizing them in the subsequent stages.

The realization of these basic trends is shown in Figs. 1-4.

In terms of the TETs, one can note in first place the greater use of coal for obtaining electric and thermal power from large power plants operating on the low-calorific poles of the Olteni Basin. This has led to an increase in the portion of electric power obtained from coal from 26 percent in 1975 to around 36 percent this year, and a corresponding reduction in the portion obtained from liquid and gaseous fuel from 56 to 40 percent. In line with the development of the condensing plants, we must first point to the recent construction of the first Romanian-produced 330-megawatt turbine units and steam generators with a productivity of 1,035 tons per hour operating on high-parameter steam and reheating.

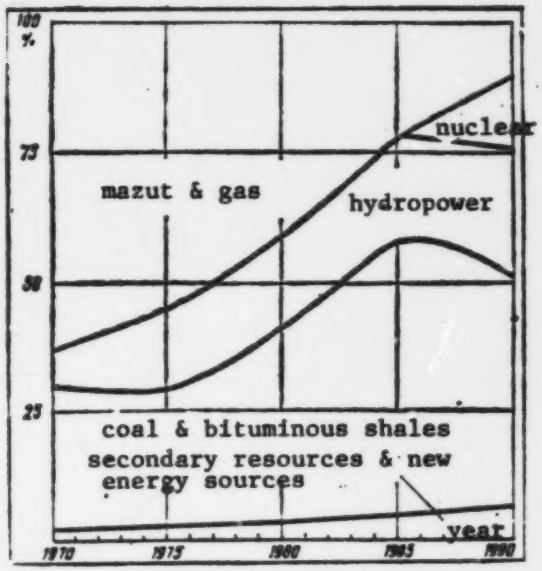

Fig. 3. Structure of electric power output by used resources

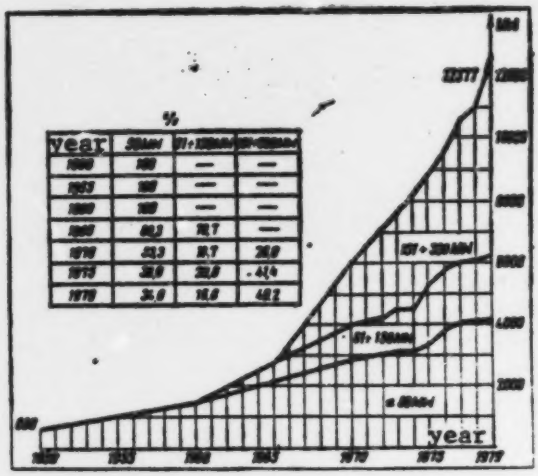

Fig. 4. Change in installed capacity structure of thermal power plants in terms of unit capacity of equipment

Among the large coal-fired TETs built in recent years are the Rovinar TETs with turbine units of 200 and 330 megawatts (Fig. 5); the Turcen TETs partially in operation and which upon completion will have eight 330-megawatt units, two of which will operate on lignites; the Deva TETs with six 210-megawatt turbine units operating on coal, slurry and shale with an average combustion heat of 12,500-14,600 kJ/kg.

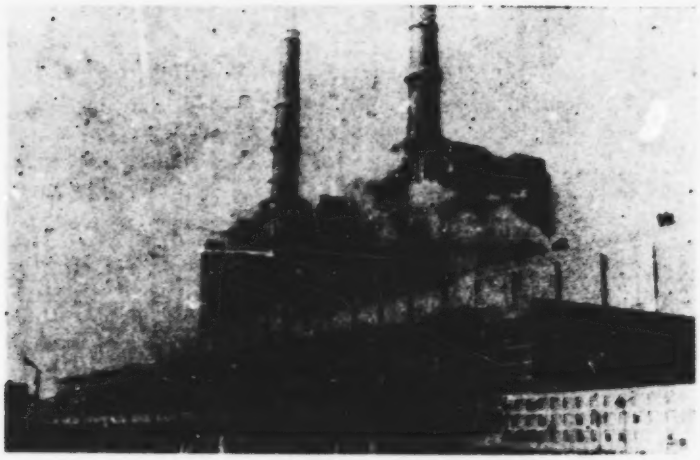

Fig. 5. The Rovinar TETs

Along with these large projects, recently the Romanian power workers have introduced engineering decisions to increase the efficiency of the large TETs by reducing the liquid and gaseous fuels used to stabilize the combustion process in burning lignites from the Olteni Basin, the constructing of equipment to homogenize and enrich the fuel, the use of improved methods to transport and handle fuel, the reutilization of heat in the thermal cycle and so forth.

Particular attention has been given to the introduction and expansion of centralized heat supply as an important fuel-saving measure. Around 25 percent of the installed capacity at the TETs is for heating supply. According to the program for expanding central heating, steam generators have been built with a productivity of 420 tons per hour with 50-megawatt back-pressure turbines, steam generators with greater productivity of 525 tons per hour, and turbines of 150-megawatt capacity and steam reheating, steam generators for 120 tons per hour with 12-megawatt back-pressure turbines as well as small central-heating steam generators produced by Romanian industry.

In order to increase the efficiency of centralized heating supply, heat is transmitted over a distance up to 20 km, using pipelines up to a diameter of 1.2 m for this purpose. As a result of the activities in expanding centralized heat supply, last year around 3 million tons of conditional fuel units were saved.

In order to increase the efficiency of the power plants and particularly the thermal ones, great attention is given to increasing the unit capacity of the equipment. At present the portion of units having a capacity of 200 megawatts and more is around 50 percent (Fig. 4), while the portion of power plants with capacity over 800 megawatts is around 45 percent of the total installed capacity.

As a result of these activities, specific fuel consumption for generating electric power has constantly declined. From 502 grams of conditional fuel per kilowatt hour in 1960, this indicator has declined to 341 grams in 1970 and around 320 grams in recent years.

The past 20 years have also been characterized by the development of hydropower engineering. There has been a continuous rise in the participation of the VETs in the generating of electric power, from 5.2 percent at the start of the period up to 17.5 percent at the end. In terms of installed capacity, the participation of the VETs has been, respectively, 11.8 and 20.7 percent. The use factor for hydropower potential has risen from 23 percent in 1975 to 30 percent in 1980.

Among the basic VETs we must mention first of all the Iron Gates I VETs located on the Danube River and built jointly with Yugoslavia. The capacity of the Romanian part is 1,050 megawatts. The Iron Gates II VETs is in the process of construction.

As a result of fruitful cooperation between Romania and Bulgaria, the Turnu Magurele --Nikopol Hydropower Complex is to be built and the capacity of the Romanian part will be 400 megawatts. This power plant will better utilize the hydropower potential of the Danube River.

A large portion of the potential of the inland rivers has hydropower plants in series in the aim of the best utilization of capital investments. Thus, for example, the Gheorghe Gheorghiu-Dej VETs, has been built on the Arges River with a basic capacity of 220 megawatts and an additional 180 megawatts of capacity in the series; the V. I. Lenin--Bikaz VETs with basic capacity of 210 megawatts and additional capacity of 244 megawatts on the Bistrita and Siret rivers, the Somes--Mariselu VETs with a capacity of 220 megawatts and additional capacity of 60 megawatts on the Somes River, the Sugat-Gilcag VETs with capacity of 300 megawatts and 46 megawatts on the Sebes River, the Lotru VETs with a capacity of 510 megawatts and 133 megawatts on the Lotru and Olt rivers. The use of the hydropower potential has provided an opportunity to improve water supply for the population points and industries in the corresponding zones, to create a secure defense against flooding as well as expand irrigation and the development of fish raising.

For the optimum utilization of hydropower potential, new decisions are being introduced such as the construction of low-pressure VETs with units adapted for utilizing the energy of the downstream current of the rivers, broadening the use of the Francis turbines with a head over 500 m, building reservoir walls out of local materials, building hydropower microelectric plants and so forth.

Development of Electric Networks

The increased consumption of electric power has involved a rise in the transmission capacity. This, in turn, has led to an increase in the transmission voltage of the

electric networks. From a voltage of 110 kilovolts used during the 1951-1960 period, we have converted to a voltage of 220 kilovolts in the 1961-1970 period. In the following stage we have been converting to 400 kilovolts which at present is being used evermore widely. As a result of this line of development, the 110-kilovolt power lines are being converted to the distribution network. The transmission network involves mainly 400-kilovolt lines and to a smaller degree the 220-kilovolt lines. A rise in the efficiency of the power plants and the electric distribution networks involves the development of the 400- and 110-kilovolt networks while the use of 220 kilovolts is limited. This is possible due to the introduction of direct 400/110-kilovolt transforming.

In this method favorable conditions are created for reducing losses in the transmission of electric power.

In the area of distribution networks, preference is being given to a voltage of 20 kilovolts for the rural networks as well as for the urban ones while lower and intermediate values are being restricted. In the 1961-1970 period, the 35-kilovolt voltage has gradually ceased to be used, while from 1971 to 1980, a large portion of the existing 15-kilovolt network was converted to a voltage of 20 kilovolts. For the same reason, in Bucharest the voltage of 5 kilovolts has been eliminated and all existing equipment converted to 10 kilovolts.

Particular attention has been given to the use of technical solutions which lead to a decline in network losses. In this regard in addition to avoiding double transforming and the conversion to higher voltages, other tasks have also been outlined such as increasing the cross section of the electric wires by using 3 x 450 phase wires instead of the previously existing 2 x 450 ones, optimizing the paralleling modes of the power sources in the network and so forth. As a result of these activities, losses in the electric networks have been reduced. From 7.84 percent in 1970, these declined to 7.48 percent in 1975 and are now under 6 percent.

Over the 4-kilovolt power transmission lines of Ludus (Romania)--Mukachevo (USSR)--Lemesan (CSSR) and Arad (Romania)--Szeged (Hungary), the Romanian power system can operate in parallel with the United Power Systems [UPS] of the northern socialist nations of Hungary, the CSSR, Poland, the GDR and the western zone of the USSR, and over the 220-kilovolt power line between Craiova (Romania) and Voychinovtsi (Bulgaria) also with the Bulgarian power system. There is one other intersystem link, a 400-kilovolt power transmission line between the Iron Gates (Romania) and Dzerdap (Yugoslavia) over which electric power can be exchanged between the two countries.

Optimization of the National Power System and Increased Reliability

In 1976-1980, measures were taken to further increase the reliability of the national power system. In the first place, dispatching was organized on the following heirarchical levels:

1) State dispatching with the task of monitoring the normal operation of the entire power system and exercising control over the exchange of electric power with the Unified Systems;

2) Territorial dispatching points which monitored the work of the five major zones of the energy system;

3) Local dispatching points for the distributor, municipal and industrial networks in the various subzones.

In order to avoid disturbances and restrict their development, the nation's power system has been introducing automatic safety equipment which sequentially carries out measures depending upon the gravity and duration of the emergency such as disconnecting the system from the major industrial complexes which are powered by their own power plants, the automatic starting up of individual units at the VETs with a power shortage, the separating of individual units at the TETs to meet only internal needs and so forth. Analyses and testing have been carried out for the complete introduction of this automatic equipment in order to achieve a balance between the dependable operation of the equipment in the industrial complexes and the power system as well as between the most important categories of consumers and the internal power supply sources. Concern is also being shown for improving operations, maintenance and repairs as well as for increasing the skills of the operating personnel.

The Development Prospects of the Romanian Power Industry

The further development of the national economy involves a rise in electric consumption within scientifically based amounts. The documents of the 12th RCP Congress held in November 1979 outlined the development prospects of electric power as well as the specific ways for achieving the designated rates and increasing the efficiency of all power engineering.

To carry out the decisions of the 12th Congress a directive program was worked out for the development of power engineering. The basic idea in this program is that the demand for electric power must be in full accord with the real needs of the modern economy based upon strictly determined energy consumption rates. It is planned that the new TETs will operate only on low-calorific fuels, centralized heating supply will be expanded, maximum use will be made of hydropower potential, the first nuclear power plants will be built and new energy sources utilized.

By 1990, electric power generation should reach around 100 billion kilowatt hours which corresponds to an installed capacity at the electric plants of around 28,000 megawatts.

In order to ensure the generation of this quantity of electric power, up to 1990 65 percent of the nation's hydropower potential should be tapped and all of it up to the year 2,000.

In terms of the TETs, we will continue to intensely carry out the tasks of reducing the use of liquid and gaseous fuels, intensify the consumption of low-calorific fuels (lignites and bituminous shales), expand centralized heat supply and introduce units with high unit capacity and steam parameters.

Basic attention will be given to nuclear engineering. At present the Cernavoda AETs is being built and the first unit with a capacity of 660 megawatts should be in operation during this five-year plan. Up to 1990, AETs will be built with a total

capacity of around 4,000 megawatts with the aim of reaching a capacity of around 10,000 megawatts by the year 2000.

A number of testings of experimental equipment is being carried out to utilize new energy sources. The obtained results are good. During the next decade, research will be continued so that the new energy sources will be incorporated in the nation's energy balance. The use of secondary energy resources will be expanded, particularly in industry. As a result of these measures, in 1990, electric power production will have the following structure (Fig. 3): 24 percent from the VETs, 44 percent from the coal- and shale-fired TETs, 4-5 percent from the TETs operating on liquid and gaseous fuel, 17-18 percent from the AETs and 10 percent from new sources and secondary resources.

The structure of the energy system will continue to be improved by optimizing the territorial placement of the power plants and particularly the AETs in order to achieve an even distribution of the power sources over the nation's territory and reduce the main transmission lines. At the same time the dependability of power supply will be increased.

Another basic task is to increase the reliability of the power plants and substations. For this purpose we will continue to introduce advanced automatic equipment in the entire energy system. Work will be continued on increasing the reliability of the TETs, the transmission lines and substations. Research will be continued involving heat supply, the mechanical loads on equipment, chemical corrosion, the behavior of electric insulating and pollution. Work will be continued on reducing specific energy consumption both in the energy system and in consumption. Thus, during the 1981-1990 period we must reduce the average value of energy consumption per 1,000 lei of industrial product by at least 40 percent.

The development of the power industry creates new opportunities for broadening cooperation and collaboration between Romania and other nations. There is to be a further study of the questions of developing cooperation with the CEMA countries in uniting the national power systems to provide aid by delivering electric power under mutually advantageous conditions.

A study will be continued on the questions of cooperation with neighboring states for the full use of the hydropower potential of the Danube River, for building AETs, for utilizing new technologies which economize on fuel and energy as well as for developing new energy sources. In this area Romania is interested in broadly developing cooperation with the CEMA countries within the adopted programs with all the socialist countries and other nations of the world in the aim of a just and effective solution to the problems which confront all mankind, for satisfying the need for electric power and its rational utilization.

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DEVELOPMENT OF CSSR POWER INDUSTRY DESCRIBED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 46-50

[Article by Jan Goldschmidt, CSSR first deputy minister of fuels and power and leader of the CSSR delegation to the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "Thirty-Five Years of Successful Development for the Czechoslovak Power Industry"]

[Text] In 1945, the Soviet Army liberated Czechoslovakia from the fascist occupation by Nazi Germany. In February 1948, the working class under the leadership of the Czechoslovak Communist Party [CPCZ] was victorious over the bourgeoisie and began building a socialist state.

Last year we celebrated the 35th anniversary of our nation's liberation and in 1981 we entered a noteworthy year for the peoples of Czechoslovakia, the year of the 16th CPCZ Congress and the 60th anniversary of the party's founding. This gives us an opportunity to assess all that has been done in the past period and all of which our people is rightly proud. The successes of socialist Czechoslovakia are due also to the selfless aid from the USSR and the all-round cooperation of the socialist CEMA nations.

The basic task of Czechoslovak power industry after the nationalization of industry and banks in 1945 was the unifying of around 1,500 enterprises which produced electric and thermal power and gas into a single organization with the task of overcoming the consequences of the occupation. Particular attention had to be given to accelerating the electrification of our nation. Rates had to be unified and above all a state power system had to be created.

At the end of the first stage lasting around 10 years in the building of the power system, installed capacity reached 4,000 megawatts with 2,493 megawatts in 1945.

In 1955, 15 billion kilowatt hours of electric power were produced, continuous power supply was provided for consumers and 92 percent of the villages was electrified.

The following stage which lasted approximately up to 1965 was a stage of qualitative changes in the Czechoslovak power industry. The hithertofore largest hydropower facilities were built at Lipno, Orlik and Kamik and the Vah series of plants was completed. The total installed capacity of the power system reached 5,175 megawatts. The first 400-kilovolt power line and the first 400/110-kilovolt substations were built.

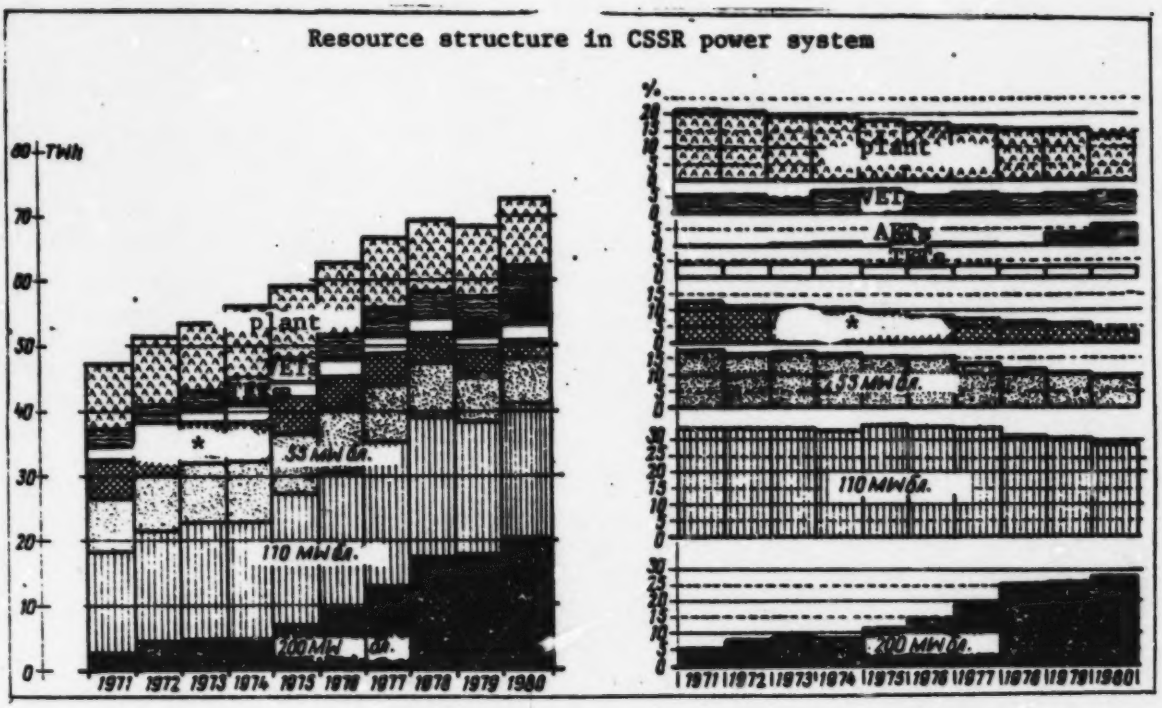
The third stage after 1966 was characterized by the effect of the incorrect views that capital investments into the nation's fuel and power base were unjustifiably high. The construction of the power industry lost its priority and this delayed the completion of plants under construction and disrupted the long-range plan based on the use of cheap power coals. With the exception of the Vojani II TETs, during the 1966-1968 period, construction was not commenced on a single large plant in spite of the fact that the growth of consumption demanded the annual completion of at least 600 megawatts of new capacity.

After 1970, this trend was overcome, planned management and the leading role of thermal and electric power gradually began to be restored. This was reflected in the decisions of the 14th CPCZ Congress held in 1971. On the basis of an analysis of economic development, the congress took a decision to further build up the national economy and to consistently and completely increase efficiency through the full utilization of intensive factors. The next, 15th Congress held in 1976 affirmed the correctness of the decisions taken and emphasized the need for the rational utilization of all types of energy and raw materials.

On the Vltava River, the following electric plants were built: the Orlik with 4 x 90 megawatts, Lipno with 2 x 60 megawatts, Slapi with 3 x 48 megawatts and Kamik with 4 x 10 megawatts. On the Vah River, 17 diversion hydropower plants were built with a total installed capacity of 563 megawatts.

In accord with the needs of the Czechoslovak power system, storage hydropower plants were built to cover the peak loads. In 1949, the first Stehovice PAVETs went into operation with a capacity of 2 x 20 megawatts. In 1975 and 1976, the Liptovska Mara PAVETs was completed stage by stage with a capacity of 198 megawatts, and in 1978 the Dalesice PAVETs with a capacity of 410 megawatts. In 1980, the first 110-megawatt unit began operating at the Cerni Vah PAVETs and its installed capacity will reach 660 megawatts in 1982.

After nationalization in 1945, the power industry inherited relatively developed distribution networks which, however, were rather diverse in design and operating voltage in spite of the progressive 1919 electrification law and the subsequent regulations and standardization. In the networks the highest voltage was 110 kilovolts. For this reason, along with the postwar reconstruction of the damaged equipment, we gradually began to create a unified power system. A major victory for the Czechoslovak power industry was the completing of electrification of the entire nation in 1960.



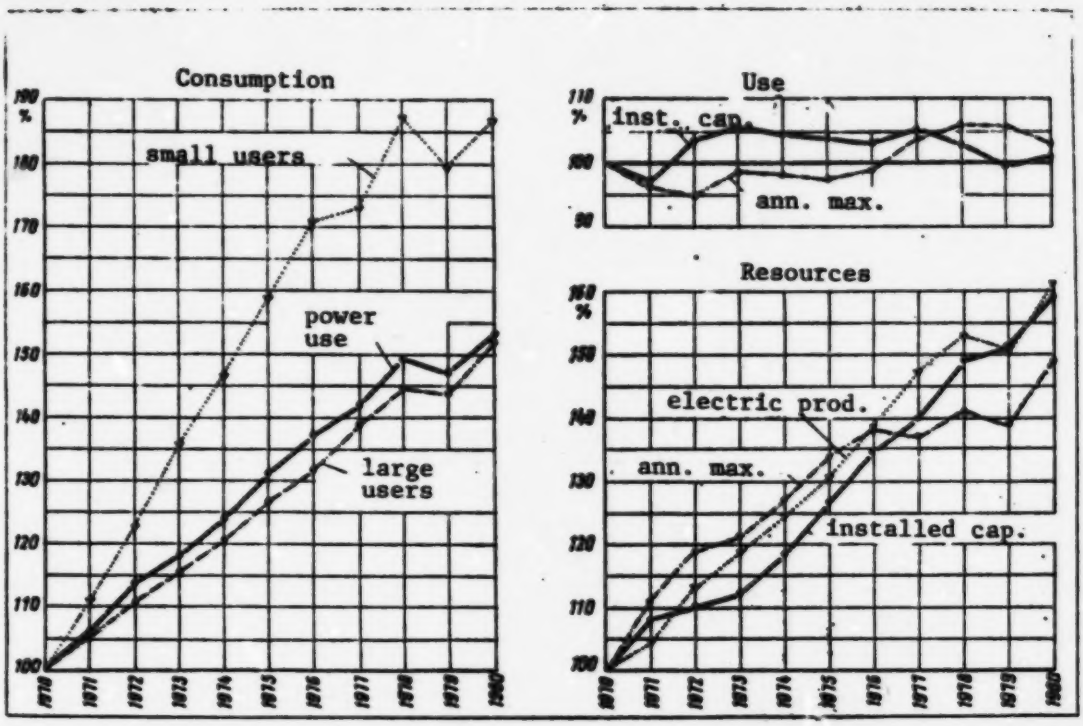
Resource structure of CSSR power system

*--Old condensing-type TETs

The creation of a unified power system and the increased power consumption required that electric power be converted to a higher voltage than 110 kilovolts. In 1952, the first 220-kilovolt line went into operation, and from the start of the 1960's, we began to develop a 400-kilovolt power network.

Simultaneously with the growth of the Czechoslovak power system, the demands on its technical level also increased. For managing the Unified Czechoslovak Power System, in 1958, the Czechoslovak State Dispatching Administration was created with a second hierarchical level, the regional dispatching administrations of "Bohemia," Moravia and Slovakia, and a third heirarchical level of the rayon dispatching points.

The development of the power industry was closely tied to the development of scientific and technical progress in this area. In 1952, the Power Scientific Research Institute was founded and this was the scientific research base of Czechoslovak power engineering and directly under the Federal Ministry of Fuels and Power. The institute carries out specific tasks related to the construction and operation of the thermal and hydropower plants and to the development of the electrical distribution networks and centralized heating supply. Another independent operational and experimental research organization is ORGREZ (Organization for the Rationalization of Power Installations) set up to solve the problems related to modernization and rationalization of equipment in the power system and in the centralized heating supply system.



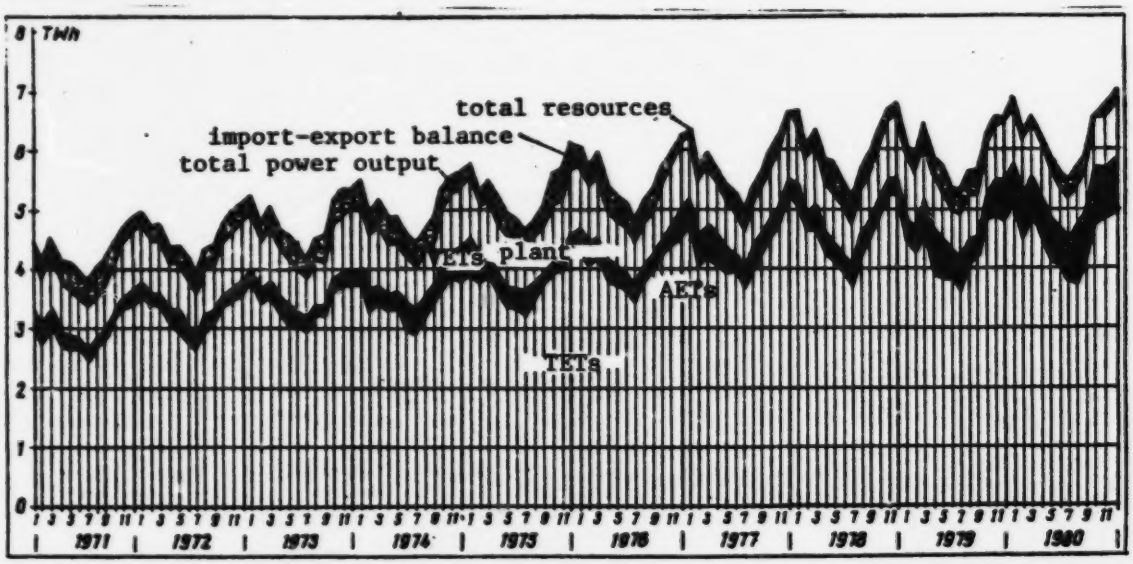
Growth of resources, load, production and consumption in CSSR power system

An important role in the development of Czechoslovak power has been played by Energoproyekt [Power Design] a specialized organization for designing projects in the power system and heat supply. This also carries out long-range studies and participates in the solving of certain scientific research problems.

The successes which have been achieved in the development of the power industry are significant. The future tasks, however, are much more difficult because of the ever-harder securing of primary energy resources. The development rates will be more moderate than was recently assumed. While in 1980 total electric consumption (including the PAVETs) was 75.5 TWh, in 1985 this will be approximately 87.5 and in 1990 100-102 TWh. The output of energy resources and the construction of the power transmission networks will be developed in accord with the anticipated growth of electric consumption.

Great attention is being paid to the rational consumption of electric power and to the development of nuclear power.

The CSSR is a country with high energy consumption and this is caused by the national economic structure characterized by a developed industry with a marked participation of heavy machine building, developed, heavily mechanized agriculture and a high standard of living of the population. In terms of the specific consumption of primary energy resources, more than 7 tons of conditional fuel units per person, the CSSR is in one of the first places in the world. For this reason, in 1976, a State



Structure of electric output in CSSR power system

Specific Program was approved for the rational consumption and use of fuel and energy. This set the task of reducing the energy intensiveness of the processes in all the national economic areas, including in the power industry. In the power industry efforts were focused on reducing the specific fuel consumption for producing 1 kilowatt hour, on reducing internal needs and optimizing losses in the networks.

Condensing-type TETs fired by brown coals hold the basic place in electric power output. This will be maintained until 1990 when they will produce approximately 53 percent of the total electric output. Construction is being completed on the Melnik-III TETs (500 megawatts) and the Prunerzov II TETs (1,050 megawatts) which will be the last classic condensing plants. In the future the solid fuel resources will be employed predominantly for central heating needs.

We will continue to utilize the hydropower potential. Out of the total technically usable potential, approximately 38 percent of the CSSR waters are used. We will develop and rebuild the small VETs with small water quantities and drops. The Gabcikovo--Nadmaros hydropower project is in the process of construction and is being built jointly with Hungary to harnass the energy of the Danube River. The share of the CSSR in this project is 423 megawatts. We will complete the Cerni Vah PAVETs (660 megawatts). Construction has started on the Dlouge Strane PAVETs (660 megawatts) and other PAVFTs are being readied for construction. The plan is to utilize 61 percent of the hydropower potential in 1990. In spite of this, electric power output from the VETs in 1990 will be only 8 percent of the total production.

Nuclear power plants are a promising source of electric power. For the development of Czechoslovak nuclear engineering and nuclear power machine building, of enormous significance is cooperation with the CEMA countries and particularly with the USSR. The program for the development of Czechoslovak nuclear engineering during this and

the following five-year plans is based upon agreements with the USSR dating from 1970, 1976 and 1980 for providing technical aid in the construction of the AETs. The program envisages the construction of 12 VVER-440 units and after 1988, VVER-1000 units.

This program ensures the covering of the increased consumption by electric power from the AETs and makes changes in the structure of the resource base, in placing qualitatively new demands on the other national economic sectors and particularly on machine building. The implementation of the program is impossible without cooperation within CEMA, as it contains not only the mastery of the construction and production of equipment in the CSSR but also considers the allocating of deliveries between the individual CEMA countries. In line with this the Czechoslovak nuclear program is linked to the Agreement on International Production Specialization and Cooperation and Reciprocal Deliveries of Nuclear Power Plant Equipment in 1981-1990.

Along with the development of production capacity, trunk and distribution transmission lines will be developed. The construction of the basic 440-kilovolt network is virtually complete and in the future it will be connected to the 400/110-kilovolt substations. Basic attention will be given to the transmission of energy from large capacity sources and this is a major problem due to a number of limitations of a geographic, ecological and engineering nature. In spite of the difficulties, the length of the 400-kilovolt power lines will increase by 1,350 kilometers up to 1990 (see the table).

Length of power lines, km

	1945	1955	1965	1975	1980	1985	1990
PTL 400 kV	—	—	512	2574	3305	3843	4655
PTL 220 kV	—	630	2786	3026	3083	3085	3024
PTL 110 kV	1275	3550	10213	14826	15823	19300	20100

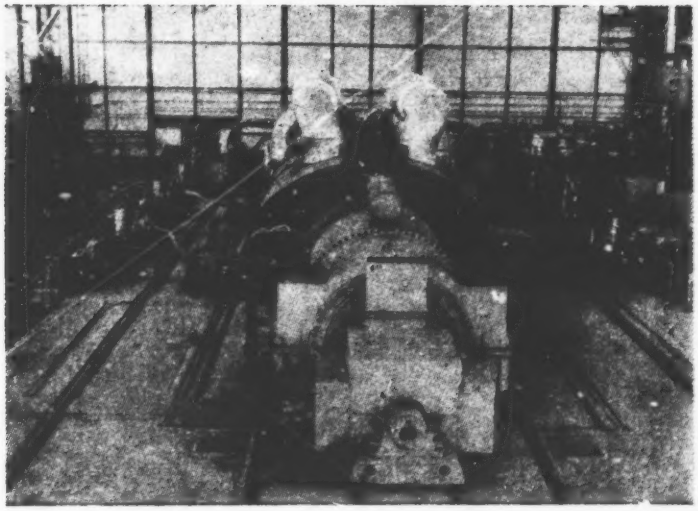
In developing the distribution networks, our efforts will be focused on connecting them to the transformer points as well as on reconstructing and modernizing them to improve their operating capacity and security and better the quality of power supply.

A further deepening of cooperation with all the CEMA countries is of great significance for the development of Czechoslovak power.

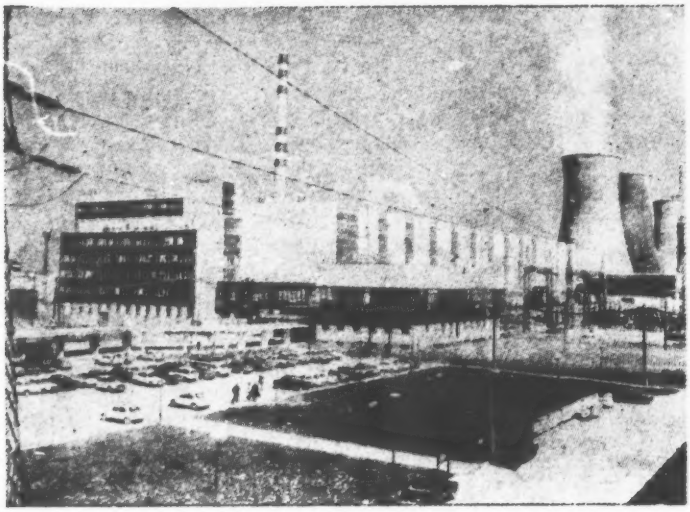
We are participating in carrying out the General Plan, General Agreement and Long-Term Specific Cooperation Program. The CSSR power system is linked to the power systems of the CEMA countries by seven 400-kilovolt lines and five 220-kilovolt ones.

In 1978, the first 750-kilovolt power line was put into operation between Vinnitsa (USSR) and Albertirsa (Hungary). This created conditions to increase electric power deliveries to the CSSR in 1979 by 60 million kilowatt hours, and from the beginning of 1980 by 1.2 billion kilowatt hours annually, with a maximum capacity of 250 megawatts.

In 1979, a General Agreement was signed for joint construction of the Khmel'nitskiy AETs. The CSSR is involved in this. With a total capacity of 4,000 megawatts for the plant our part will be 600 megawatts. Deliveries of electric power will commence in 1984 (0.9 TWh) and from the beginning of 1988 they will be 3.6 TWh annually. Our nation is also involved in building the second 750-kilovolt power line between the Khmel'nitskiy AETs (USSR) and Rzeszow (Poland).



A 500-megawatt unit at the Melnik-III TETs



The Jaslovske Bohunice AETs

The effect from combining the load schedules and reserves for the CSSR in 1980 was 147 megawatts and in 1985 will be 242 megawatts.

These are the more significant integration measures involving our nation. We are also taking an active part in solving a number of problems and questions arising in the process of developing the UPS of the CEMA countries, and here not only scientific research and development but also practical problems. For improving the stability of the UPS we give great attention to constructing the mentioned PAVETs and to the intra- and intersystem power lines.

We have collaborated with Bulgarian power workers for many years now. In 1974, we signed an agreement on direct scientific and technical cooperation between the CSSR Federal Ministry of Fuels and Power and the Bulgarian Ministry of Power Supply encompassing all areas of operation and management of the energy systems and their equipment.

Since 1976, the basic questions of cooperation between the two ministries have been: increasing the reliability and control of the TETs, operation of the networks, the designing and operation of the AETs and the problems of dispatching in the power systems.

For the 1981-1985 period, subjects have been agreed upon for joint scientific research and designing and this will be carried out by the departmental institutes and organizations of the two ministries with substantial attention being devoted to cooperation in the area of nuclear engineering.

The personal contacts of specialists from the CEMA countries also help to deepen cooperation in the area of scientific research, the construction and operation of power projects. These contacts are carried out through bilateral and multilateral cooperation, the mutual exchange of experience and joint work in solving questions of interest to all participating countries.

Without such cooperation and its broadening we could not imagine the further dynamic development of the power industry.

10272
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ROLE OF CENTRAL DISPATCHING ADMINISTRATION REVIEWED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 51-55

[Article by Rostislav I. Grinyuk, director of the Central Dispatching Administration in Prague, CSSR, and Vitold Vitek, deputy director of the Central Dispatching Administration: "The Central Dispatching Administration of the Joint Power Systems"]

[Text] Power engineering holds a basic place in the international economic integration of the CEMA countries. This is determined by the importance of fuels and energy for the development of industry, agriculture and generally for the national economy of the individual countries. The approved plan for multilateral integration measures of the CEMA countries for the 5 years of 1976-1980 included two basic tasks in the power area: cooperation in the use of gas from the Orenburg Deposit, including the construction of a gas line to the western frontier of the USSR and cooperation in the construction and operation of the 750-kilovolt power line between Vinnitsa (USSR) and Albertirsa (Hungary).

The CEMA cooperation program during the new 5-year period also includes a number of important energy questions such as the development of nuclear power, the elaboration

of rational forms for the consumption of fuels and energy and the further development of the intersystem super-high voltage 750-kilovolt links.

It is essential to emphasize the great development dynamics of international cooperation in the power area as caused by the universal form of electric power as a power carrier.

In 1962, the governments of Bulgaria, the GDR, Poland, Romania, the USSR, Hungary and CSSR concluded an agreement for setting up the Central Dispatching Administration (CDA) of the United Power Systems [UPS] as an independent economic international organization with the job of coordinating the planned and operating activities of the state dispatching administrations in the power systems of the nations which joined the agreement within their parallel operation.

Over the 18 years substantial quantitative and qualitative changes have occurred in the UPS. The total installed capacity of the UPS has increased by 4.8-fold, the total electric power output by 4.9-fold, the total length of the power networks of 330 kilovolts and higher voltage by 16-fold and the volume of reciprocal electric power deliveries has increased by 8.5-fold. The increase in the qualitative indicators has been aided both by the development of the individual power systems as well as the expansion of their parallel operation in 1979 with the connecting of the USSR Southern UPS via the 750-kilovolt power line running between the Western Ukraine (USSR) and Albertirsa (Hungary). This creates the possibility of parallel operation of the UPS with the USSR JPS [Joint Power System] and for forming a super-powerful association of power systems in the socialist nations from Eastern Siberia in the USSR to the western frontier of the GDR with a total installed capacity of around 320,000 megawatts.

There has also been a change in the qualitative characteristics of the UPS. In 1962, power units with a maximum capacity of 200 megawatts were operating in the power systems, while at present generating units with a unit capacity of 500 and 800 megawatts and high technical and economic indicators have been connected to the common network. Super-powerful power plants have appeared such as the Uglegorsk TETs (USSR) with 3,600 megawatts, Bochsberg (GDR) with 3,020 megawatts, and Kozienice (Poland) with 2,600 megawatts. Along with the thermal and hydropower plants, the nuclear power plants also hold a substantial place in the general capacity and energy balance.

Due to the parallel operation of the USSR JPS, conditions have been created for the stable maintaining of frequency and its deviation from the average half-hour values in established modes is on the order of several hundred hertz.

Operating Results of the UPS in 1980

In 1980, total power consumption exceeded 659,000 GWh and was 3.5 percent higher than total consumption in 1979. Its values for the individual power systems and their annual increases over the last 5 years are shown in Table 1.

Total electric power output by the UPS power plants in 1980 reached almost 669,000 GWh which was 3.3 percent higher than in 1979.

Table 1

Total Consumption of Electric Power in Power Systems and Its Annual Increase Over the Last 5 Years

Power system	1976		1977		1978		1979		1980 [2]	
	GWh	%	GWh	%	GWh	%	GWh	%	GWh	%
Bulgaria	31076	7,5	32949	6,0	35302	7,1	36267	2,7	38493	6,1
Hungary	25913	6,4	27594	6,5	29861	8,2	30349	1,6	30938	1,9
GDR	89526	5,0	92568	3,4	96776	4,5	98204	1,5	100278	2,1
Poland	103985	7,6	109384	5,2	115164	5,3	116967	1,6	121635	4,0
Romania	56793	11,5	59533	4,9	62446	4,9	64038	2,5	67764	5,8
USSR--South UPS[1]	15489	9,9	15961	3,0	214224	...	219750	2,6	225509	2,6
CSSR	66656	5,0	69051	3,9	72545	5,0	71408	—1,6	74584	4,4
UPS	389438	7,1	407060	4,5	626318	...	636992	1,7	659151	3,5

[1]Prior to 1977, the USSR L'vovenergo [L'vov Power Administration]
[2]Preliminary data

In 1979 and 1980, the percentage of the following participating sources in total electric power output was:

	1979	1980
Classic TETs	80.6	79.6
AETs	4.7	5.5
VETs	5.2	5.9
Industrial power plants	9.5	9.0

The generated electric power in 1980 for the individual nations was as follows (GWh): 34,602 for Bulgaria, 23,550 for Hungary, 98,813 for the GDR, 121,870 for Poland, 67,340 for Romania, 249,779 for the USSR Southern UPS, 72,695 for the CSSR and 668,649 for the UPS.

The total installed capacity of the UPS power plants on 31 December 1980 was 137,000 MWh with an annual increase of 2.8 percent. The increase in the installed capacity last year was more than 2,500 megawatts at the classic TETs and AETs and 1,066 megawatts at the hydropower plants.

The UPS creates prerequisites for increasing the unit capacity of the power units. In 1980, nine turbine units were put into operation with a capacity of 200 and more megawatts. As a result of this at the end of the year the UPS had in operation 272 such turbine units with an installed capacity of 68,630 megawatts. This was 50.1 percent of the total installed capacity of the TETs in the power industry.

The total annual load maximum of the UPS was realized on 9 December 1980 at 1700 hours and reached 99,936 megawatts (the southern UPS participated from the USSR power system). The potential effect from combining the load schedules in December 1980 was 2,036 megawatts. This effect calculated in the percentage of the total

maximum loads of the power systems during the individual years of the last 5 years is shown in Table 2, and as an average for the 5 years and for 1980 in Fig. 1.

Table 2

Potential Effect from Combining Load Schedules of Power Systems

month	1976		1977		1978		1979		1980		average for 1976-1980
	MW	%	MW	%	MW	%	MW	%	MW	%	%
1	1622	2,7	1811	2,9	2379	3,6	2504	2,6	2371	2,3	2,8
2	1473	2,5	2099	3,4	644	1,0	2652	2,7	1642	1,7	2,3
3	923	1,6	996	1,6	567	0,9	1718	1,8	1176	1,2	1,4
4	966	1,8	1244	2,2	1149	1,9	2632	2,9	2224	2,4	2,2
5	838	1,6	1662	3,1	735	1,3	2904	3,4	4117	4,8	2,8
6	2073	4,1	1256	2,4	1847	3,4	2177	2,7	1654	2,0	2,9
7	2669	5,3	2438	4,7	2412	4,5	2581	3,2	3606	4,4	[illegible]
8	1255	2,4	950	1,8	695	1,2	2522	3,0	3614	4,3	2,5
9	690	1,2	1054	1,8	336	0,5	1910	2,2	1320	1,5	1,4
10	841	1,4	1010	1,7	681	1,4	1931	2,0	2035	2,2	1,7
11	1359	2,2	1581	2,5	1150	1,7	2013	2,1	2505	2,5	2,2
12	1777	2,8	1860	2,8	1173	1,7	2723	2,8	2036	2,0	2,4

One of the most important indicators for the operation of the UPS is the increase in mutual deliveries of electric power within the UPS. Among the member nations of the CDA this value reached 29,422 GWh, that is, 2,871 GWh more than 1979 (1.1 percent). The amount of the exchange of electric power in 1980 outside the UPS considering the exchange between the southern UPS and the JPS of the USSR was 51,206 GWh.

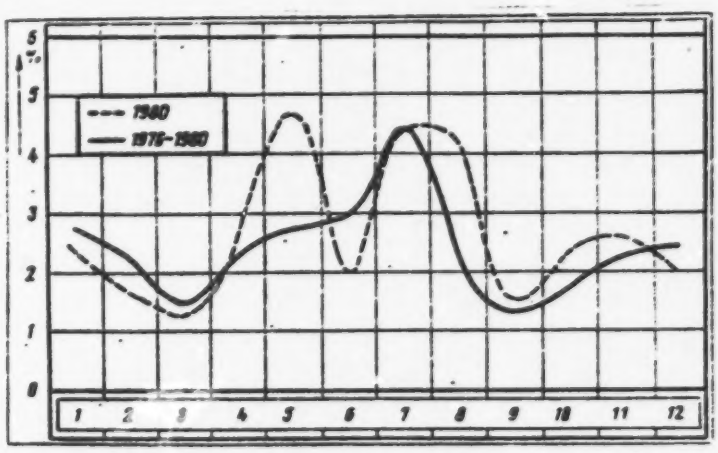


Fig. 1. Effect from combining load schedules in percent of total maximum loads for individual power systems

The volume of the planned electric power deliveries in 1980 increased in comparison with the previous year and there was also a rise in the multilateral operating unplanned deliveries.

Fig. 2 shows the volume of electric power considering the deliveries between the UPS and the power systems outside the UPS. The total volume of these deliveries was 52,206 GWh and comprised 4.5 percent of the total production of electric power in the power systems of the CDA member nations.

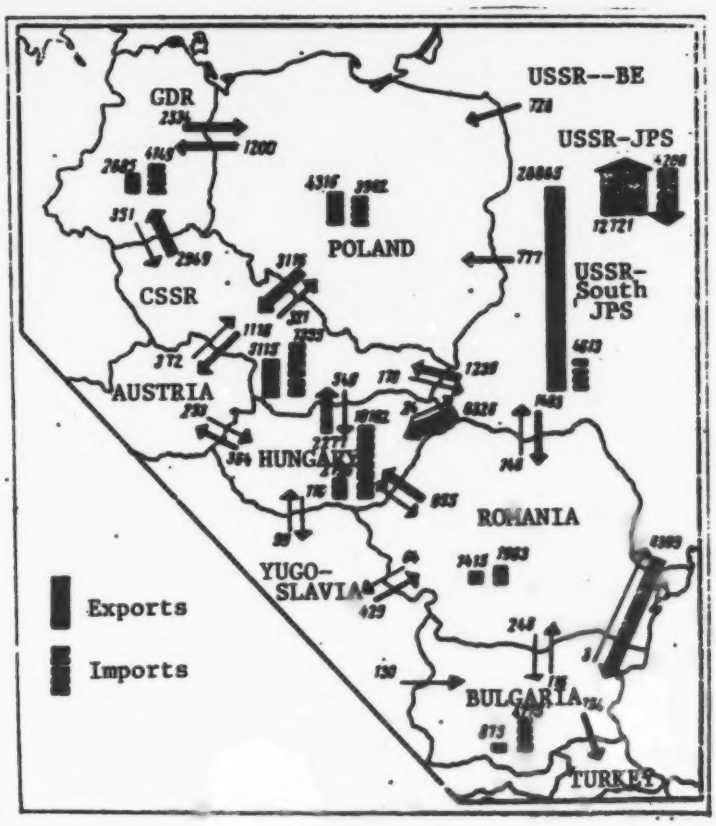


Fig. 2. Actual deliveries of electric power between neighboring power systems in 1980, GWh

An important condition for ensuring the reciprocal exchange of electric power is the operating capacity of the system-forming networks, including the high-powered lines of intersystem significance. These power lines must handle not only the transmitting of the planned flows of capacity and energy but also provide for the transmission of capacity related to the regulating of the capacity balances in the individual power systems.

At the end of 1980 parallel operation of the UPS was carried out over one 750-kilovolt power line between the Western Ukraine (USSR) and Albertirsa (Hungary), over seven 400-kilovolt lines and fourteen 220-kilovolt lines with a total operating capacity of 13,800 MVA. A diagram of the system-forming intersystem power lines and their rated operating capacity are shown in Fig. 3.

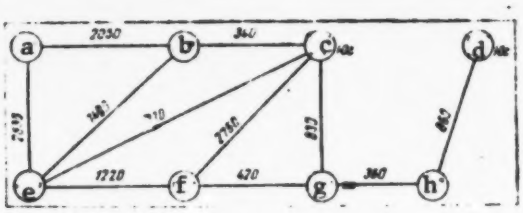


Fig. 3. Diagram of intersystem system-forming power lines in the UPS

Key: a--GDR; b--Poland; c--USSR southern UPS; d--USSR southern UPS; e--USSR; f--Hungary; g--Romania; h--Bulgaria

Modernization of the Dispatching Point of the CDA

The increase in the amount of mutual power deliveries, the broadening of the parallel operation of the UPS and the converting to the parallel operation of the UPS with the USSR JPS--all of this has placed increased demands on coordinating the UPS operations. For this reason and in line with the obsolescence and technical age of the equipment at the CDA Dispatching Point, a decision was promptly adopted by the CDA Council to fully modernize the equipment used for the purposes of coordinating UPS operations.

The full modernization was divided into three parts: modernization of telemechanics and communications, of the dispatching board, panel and telephone exchange and automated teledata processing.

The entire range of measures was gradually introduced from 1978 and was completed in 1980 with the opening up of the automated teledata processing.

Modern Czech-produced third-generation equipment was installed for telemechanics of the TZD-751 type and for communications of the UFT type. The amount of telemechanical devices and communications was determined over the long run considering the General Plan for the Long-Range Development of the United Power Systems of the CEMA Countries for the Period Up to 1990. The teledata received by the equipment of the CDA dispatching point in Prague is used in a digital form for display on the dispatching panel and in an analogue form is delivered to the recorders and the input of the automatic data processing system. Also installed were an advanced dispatching panel of the DUS type, a board of the DP-2D type and a telephone switchboard produced by the COMEX plant (all the equipment is Czech manufactured). The dispatching room of the CDA after modernization is shown on the back cover [not reproduced]. One can see the digital displays positioned at the dispatcher board and these are part of the automatic teledata processing system using a Hungarian-produced ES-1010 computer as well as the GDR-produced air conditioner.

An overall view of the computer and peripheral equipment room is shown in Fig. 4.

To perform the functions of automated teledata processing, the Soviet organization VNIIYe [All-Union Scientific Research Institute for Power Engineering] has developed and introduced the software making it possible to carry out the following:

1) Input of the transmitted teledata and checking of its reliability;

2) Storage of the teledata in five files with differing density and depth of storage for the purpose of ensuring repeated retrospective review;

3) The keeping in a tabular form and as diagrams the operating parameters of the UPS (the import and export balance of the nations and the monitoring of its fulfillment by the planned flows over the power lines, the frequency, voltage and so forth);

4) Tracking disruptions of the technical limits of operating parameters and warning with the appearance of a disturbance;

5) Depiction of the detailed systems of the substations and structural schemes of the UPS;

6) Display of a cycle of routine information as chosen by the dispatcher;

7) Printing of documents and selected cycles of data by an automatic digital printer.

It must be pointed out that the full modernization has achieved its aim as there has been a significant increase in the working efficiency of the CDA dispatchers and it is possible to provide the dispatching administrations of the various nations sufficiently dependable and detailed information on the operation of the UPS.

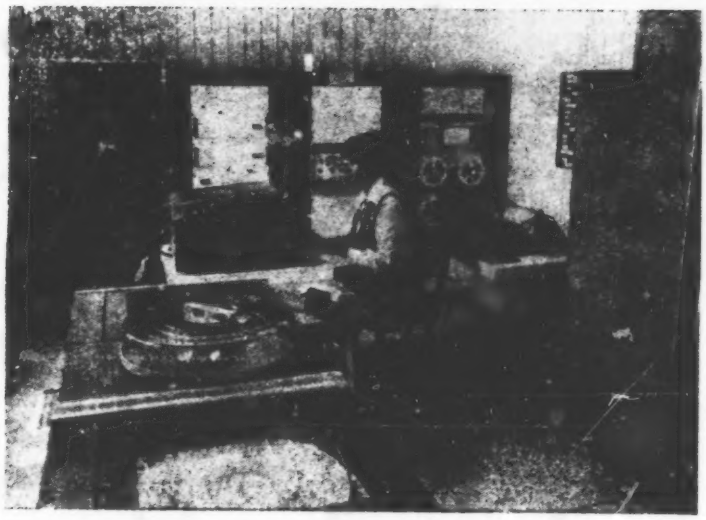


Fig. 4. Room for the ES-1010 computer and peripheral equipment

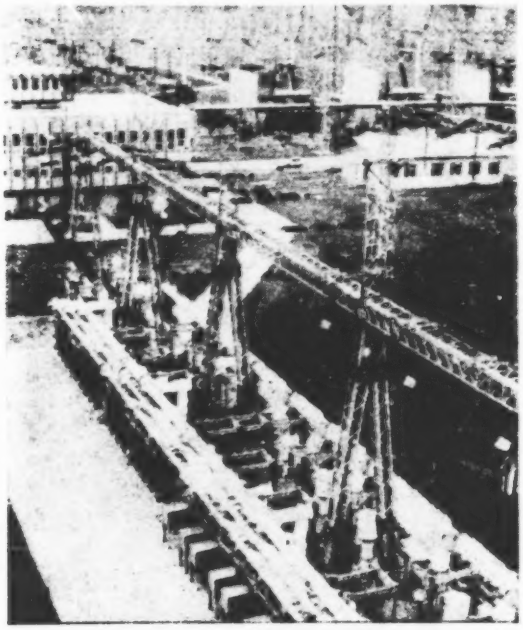
Urgent Problems of Managing the UPS of the Participating Countries at the CDA

The parallel operation of the UPS, after the connecting of the USSR JPS, represents a new stage in the technical and economic development of the CEMA UPS and which differs substantially from the previous period. This applies particularly to the operating conditions. The transition to this stage, the result of completing the 750-kilovolt power line between the Western Ukraine and Albertirsa, was studied in

detail while being designed. To ensure dependable operation of the UPS, new common-system automatic safety equipment was incorporated which would prevent the occurrence of asynchronous running.

All the particular features of the new stage of the UPS could be understood only in the process of operating it. With the completion of the 750-kilovolt power line between the Western Ukraine and Albertirsa there was a significant increase in the planned electric power deliveries from the USSR to Hungary, the GDR and the CSSR. The amount of operating unplanned deliveries of electric power increased and this exacerbated the problem of regulating and restricting the flows of exchange capacity, particularly over the L'vov section.

In view of the fact that the installed capacity of the USSR JPS surpassed the installed capacity of the UPS by 2.5-fold, the L'vov section was also loaded by the unexpected increased power flows as a result of the emergency drop in the generating sources in the power systems to the west of the L'vov section. The addition of such flows to the unplanned importing of electric power in the western direction can lead to the tripping of the automatic safety equipment and to the temporary interruption of the parallel operation of the UPS with the USSR JPS.



The Albertirsa substation in Hungary

In 1980, on the basis of the acquired experience within the CDA, a complex of additional technical, organizational and economic measures was worked out to increase the reliability of UPS parallel operations. In technical terms there was to be an improvement in the safety measures in the L'vov section. The outlined technical measures were aimed at ensuring precise operation of the automatic safety equipment and relays, reciprocal reserving and improving parallel operations of the UPS from the standpoint of dependability.

Among the organizational measures was the review of all technical instructions on the operation of the UPS in order to ensure the best definition and finding the optimum methods for running the UPS.

At the center of the economic measures was the elaboration and introduction of an improved economic incentive system meeting the new conditions for the parallel operation of the UPS. This system, along with the technical measures, should help to prevent emergency situations and rapidly eliminate arising emergency situations in the UPS.

Along with solving current questions, great attention must also be paid to the future development of the UPS. For this reason within the CDA, we have begun to work out the questions related to increasing the reliability and more fully utilizing the economic advantages of parallel operation of the UPS by increasing the exchange of electric power, realizing the intersystem effects and lowering the common capacity reserves under the conditions of completing the subsequent 750-kilovolt power lines and first of all the power line between the Khmel'nitskiy AETs (USSR) and Rzeszow (Poland).

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DEVELOPMENT OF CEMA UNITED POWER SYSTEMS DESCRIBED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 56-58

[Article by Georgiy A. Ilarionov, first deputy chief of the Main Economic Planning Administration of the USSR Ministry of Power and Electrification and chairman of Section 1 of the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "The United Power Systems of the European CEMA Nations"]

[Text] Electric power is one of the areas where, on the basis of extensive cooperation between the CEMA countries, international economic and scientific-technical ties are being successfully realized and developed. In this regard the creation of the united power systems (UPS) of the European CEMA nations holds an important place and has produced remarkable results in satisfying the demand for electric power and increasing the efficient operation of the nations' power system.

The organization of the parallel operations of the European CEMA UPS, the Joint Power System [JPS] of the USSR and the Central Power System of Mongolia has led to the formation of a power association which has no equal in the world in terms of the scope of the territory reaching 8,000 km in width. The total capacity of the power plants operating jointly in the power association surpasses 350,000 megawatts.

This qualitatively new stage in the operation of the CEMA UPS has created conditions for a further increased efficiency from their collaboration in the area of electric power.

Basic Stages and Results from Cooperation in the Creation and Development of the CEMA UPS

The organizing of large power associations and their integration outside the limits of national power systems by the building of international power lines has been

characteristic for present-day electric power. Along with solving the problems of the interchange of electric power, such intersystem power lines make it possible to realize the so-called intersystem effect which is achieved by the joint operation of the power systems. The intersystem effect of the association, depending upon the concrete conditions, can be determined by various factors. First of all one must consider the possibility of providing emergency mutual aid and a corresponding rise in the dependability of power supply or a decline in the necessary capacity reserve in the individual power systems. Of substantial significance is the discrepancy in the configuration of the load schedules in the individual power systems and the times of the daily and annual electric load maximums.

The socialist method of management makes it possible to realize the basic effect from the integrating of the power systems. This consists in working out and implementing over the long run a plan for the development of the individual power systems. There are also plans for progressive and highly efficient technical solutions in building the power projects and utilizing the energy resources. This is possible with the joint operation of the power systems. This applies predominantly to the choice of the plans for utilizing hydropower resources, the increased unit capacity of the thermal and nuclear power plants and their equipment, the use of even higher rated voltages in the power lines and so forth.

For solving such problems, in 1958, a Section for Power Systems and General Power Questions or Section 1, was organized as a working body under the Permanent CEMA Commission for Cooperation in the Power Engineering Area.

The section is concerned with the questions of the long-range development of the CEMA UPS, including the development of the electric networks.

Among the basic areas of collaboration for which Section 1 works out materials and proposals are:

1) The coordinating of electric power development plans for the CEMA countries over the 5 years;

2) Development of electric power and assistance in ensuring electric supply of the CEMA countries; raising the reliability level of electric supplies; more fully utilizing the technical and economic advantages of parallel operation and internal fuel and energy resources;

3) The forming of an optimum structure of generating capacity within the state power systems; the configuration of the UPS electric networks: the sequence and dates for building power plants on the basis of technical and economic analysis;

4) Improving the existing forms for coordinating parallel operations and organizing UPS operations;

5) Draft treaties as well as considerations on the basic principles and rules for cooperation among the nations in building and operating the joint power facilities;

6) Raising the technical level in the area of designing, building and operating the electric networks and so forth.

Participating in the work of Section 1 are delegations from all the CEMA nations on the commission as well as the Yugoslav delegation on the basis of the collaboration treaty between CEMA and the Yugoslav government.

The multilateral cooperation of the nations on these problems started in 1956 with the preparation of proposals to increase the exchange of electric power between the CEMA countries over the period up to 1960.

In 1958, Section 1 prepared a report on the unifying of the power systems of the CEMA countries and the interchange of electric power to satisfy their needs. The basic areas were outlined for cooperation in the electric power area for the period up to 1965. The report contained specific proposals for connecting the power systems in the individual countries to parallel operations by building intersystem power lines and constructing large-capacity power plants. An approximate assessment was given for the economic effect which would be obtained by the nations from the joint operation of their power systems.

With the carrying out of the report's recommendations, a start was made to setting up the CEMA UPS. In 1960, several intersystem links were built with a voltage of 220 kilovolts. With the completion of them, parallel operation was started in the power systems of Hungary, the GDR, Poland and CSSR. The power supply in the border areas over these power lines from the nearest power plants of the neighboring nations led to a substantial decline in the electric power losses. There was no necessity of strengthening the domestic power networks of these countries.

In 1962, a double 220-kilovolt power line was put into operation between Mukachevo (USSR) and Sajoszeged (Hungary) for transmitting Soviet electric power to Hungary. Thus, the L'vov power system of the USSR was connected in parallel operation with the power systems of Hungary, the GDR, Poland and CSSR. In 1963, the Romanian power system was connected in parallel to them over the 400-kilovolt power line between Ludus (Romania)--Mukachevo (USSR)--Lemesani (CSSR). Over this power line electric power was exported from Romania to the CSSR. With the completion of the 220-kilovolt power line between Craiova (Romania) and Boychinovtsi (Bulgaria) in 1967, the unifying of all the European CEMA power systems was completed for parallel operation. For coordinating parallel operation of the CEMA UPS, in 1962, an international organization, the Central Dispatching Administration (CDA) was founded on the basis of a multilateral agreement between the member nations of the association.

In its activities the section directs the cooperation between the nations in improving the parallel operation of their power systems and the construction of the most important intersystem and domestic 220- and 400-kilovolt power lines. At the same time there has also been a rise in the power base of the UPS nations. The Soviet Union has given them great fraternal assistance. On the basis of the studies of the section and with Soviet assistance, a number of large power plants have been built in the nations. The electric power shortages in certain nations have been covered by imports from the USSR. The Burshtyn TETs has been used as the base power plant. Power from it was transmitted via the key 400/420-kilovolt Mukachevo substation built on the basis of multilateral cooperation. In addition to this, a portion of the power was transmitted from the USSR to the border areas of Poland over a 220-kilovolt power line between Ross' and Bialystok (1962) and a 220-kilovolt power line between the Dobrotvor TETs and Zamosc (1965).

For transmitting electric power to Bulgaria, in 1972, a 400-kilovolt power line was put into operation between the USSR and Bulgaria (the Moldavian TETs--Vulkanesti--Dobrudzha) some 447 km long. For increasing its operating capacity up to 860 MVA at the Vulkanesti Substation equipment was installed for longitudinal capacity compensation.

Of great significance are the studies of Section 1 for each 5-year period in examining the expected capacity flows, determining the mutually advantageous parallel operations of the UPS and examining the static and dynamic stability of the parallel operations and the short circuit currents. Here specific measures have been worked out increasing the reliability and efficiency of the UPS operations.

The development of materials and proposals by the Section are of significant importance in coordinating the five-year plans for long-range power development of the CEMA nations. These are used by the countries in compiling their five-year plans for national economic development and in coordinating the power development plans. They cover a broad range of questions involving coordination in the scientific research, designing, construction and operation of power projects through the exchange and introduction of the most progressive achievements. In the course of coordinating the national economic development plans of the CEMA countries, questions are coordinated related to satisfying the needs of the nations, including the importing and exporting of electric power.

A large portion of the section's work is taken up by the compiling and improving of procedural materials.

In 1971, the 25th CEMA session approved a comprehensive program for further satisfying and improving cooperation and developing socialist and economic integration among the CEMA countries for 15-20 years. At present the carrying out of the comprehensive program is the chief content in the multilateral economic and scientific-technical cooperation between the CEMA countries.

One of the most important measures of the comprehensive program is the broadening of parallel operation of the UPS. In this regard the 26th CEMA Session recommended the construction of intersystem 750-kilovolt power lines between the interested nations.

Upon the commission's instructions, Section 1 worked out the feasibility studies for building the first intersystem 750-kilovolt power line between Vinnitsa--Western Ukraine (USSR)--Albertirsa (Hungary), and after this drew up the preliminary plans for it.

The 750-kilovolt power line was built by the joint efforts of the involved CEMA countries and was put into operation in 1978. This was the first international power line of such a voltage class. It is 842 km long. With its completion the scope of parallel operations was significantly broadened. The operating capacity of the intersystem links has been increased. Dependability has been raised in the parallel operation of the UPS. An opportunity has appeared to obtain a substantial economic effect by the discrepancy in the load schedules and capacity reserves. This provides a savings of capital investments in building new power plants.

At present, the CEMA UPS produce 21.6 percent of the total electric power produced in the world. In all the power systems, the forming of 400-kilovolt networks is being completed, and in the western regions of the USSR, 330- and 750-kilovolt systems. At present the power systems are united by 26 intersystem links of 220, 400 and 750 kilovolts with a total current capacity of around 15,000 megawatts.

The growth rates of the total exchange are significantly higher than the production of electric power in the nations as is seen from the following data:

	1960	1965	1970	1975	1979
Exchange of electric power, billion KWh	1.7	5.6	13.2	20.1	29.4

In benefiting from the advantages of the UPS, the CEMA nations have built such large power plants as the Burshtyn TETs (USSR) with 2,400 megawatts, Bochsberg (GDR) with 3,020 megawatts, Kozienice (Poland) with 2,600 megawatts, Torow (Poland) with 2,000 megawatts, Lubmin (GDR) with 1,760 megawatts, Rovinar (Romania) with 1,720 megawatts, Rybnik and Dolna Odra (all in the USSR) with 1,600 megawatts each and so forth.

Nuclear power plants are operating in the USSR, GDR, Bulgaria, CSSR and elsewhere.

With the consolidating of power plant capacity, there has been a rise in the unit capacity of equipment. In 1979, the UPS had in operation units from 200 to 500 megawatts with a total capacity of 66,400 megawatts. This is 70 percent of the total installed capacity (for the USSR, the data are taken for the southern UPS).

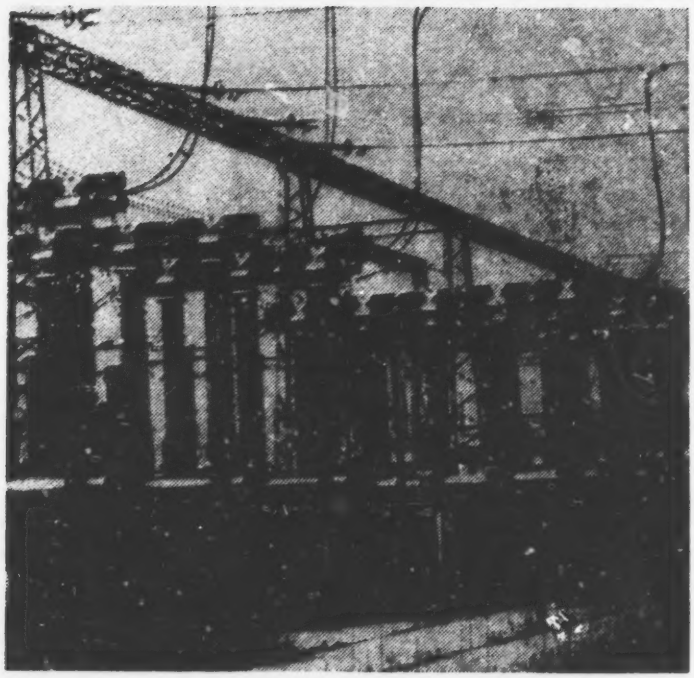
Prospects for Further Cooperation in Forming the CEMA UPS

The most important work of the section in recent years according to the decision of the council session and the instructions of the commission is the General Plan worked out in 1975-1976 for the long-range development of the CEMA UPS. Here are taken up the questions of collaboration in this area, including with the Yugoslav power system.

The draft of the General Plan was reviewed and approved by the 30th CEMA Session as the basic direction for collaboration in the development of the CEMA UPS. Materials from the countries on the long-range development of the national power systems were incorporated as the basis of elaborating the General Plan.

The General Plan outlines the ways to satisfy the growing need for electric power by the CEMA countries and Yugoslavia over an extended period (15-20 years). It provides for the fullest use of the economic advantages of the joint operation of the power systems by increasing the interchange of electric power, realizing the intersystem effect and reducing capacity reserves.

The General Plan also provides for a further rise in the technical level of power engineering by building high-powered thermal and nuclear power plants and power lines with increased current capacity and the fuller utilization of all types of fuel and hydropower resources, including low-calorific solid fuels.



400-kilovolt equipment at the Dobrudzha Substation in Bulgaria

The development of nuclear power will be carried out on the basis of broad cooperation between the interested nations in producing the AETs equipment.

For the purpose of the more rational and economic use of the thermal power resources in producing and consuming electric and thermal power, the General Plan envisages the elaboration and implementation of a range of measures.

A substantial fuel savings can be gained by the fuller utilization of the available hydropower resources in the countries. Important in this regard is the implementation of a plan to make complete use of the hydropower resources of the Danube River. Series of VETs can be created by the joint efforts of the involved nations.

The general scheme envisages the construction on a multilateral basis of a number of pumping and storage power plants (PAVETs): the Lakatnik in Bulgaria, Predikalosek in Hungary and Dzerdap III in Yugoslavia. The urgency of building the PAVETs to a great degree is determined by the outlined program for constructing nuclear plants. As highly maneuverable power plants, the PAVETs are effective under the conditions of the UPS and can be used for an emergency and load reserve.

At present, Sections 1 and 3 of the commission are investigating the efficiency of the PAVETs and the technical and economic calculations for the first PAVETs.

The development of the CEMA UPS will be carried out stage-by-stage. The outlined measures will be realized in accord with the principles stated in the Comprehensive Program for socialist internationalism, on a basis of considering state sovereignty, independence and national interests, noninterference into the internal affairs of the countries, complete equality of rights and voluntariness, mutual advantage and aid.

In working out the General Plan multivariant calculations were run for the capacity and energy flows. The stability of the parallel operation of the national power centers was figured. The calculations and research showed that the optimum is the constructing of 750-kilovolt networks. The designated variation for building the power lines will significantly strengthen the intersystem links, it will increase the reliability of parallel operations and will ensure uninterrupted electric supply for the consumers.

At present the plans are being worked out for a 350-kilovolt power transmission line between the Khmel'nitskiy AETs (USSR) and Rzeszow (Poland), some 380 km long. The power line will be of great significance for the dependable parallel operation of the central portion of the UPS and for transmitting electric power from the Khmel'nitskiy AETs built by the joint efforts of the involved countries.

Work is continuing on drawing up a draft agreement for the construction of still another 750-kilovolt power line for transmitting electric power to Bulgaria and Romania from the Southern Ukraine AETs under construction with a capacity of 4,000 megawatts.

Within the Long-Range Specific Cooperation Program there are plans to further work out the development plans for the basic intersystem 750-kilovolt network. This is aimed at a greater concentration of power production and the centralizing of electric supply using large power units from the condensing power plants and power reactors with a capacity of 1,000 and more megawatts.

In the planned development of the UPS, of important significance is extensive collaboration between the CEMA states in the area of science and technology.

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ACTIVITIES OF SECTION ON THERMAL POWER DEVELOPMENT VIEWED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 59-60

[Article by Stanislaw Kus, general director of the Polish Southern Power District and chairman of Section 2 of the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "The Contribution of Section 2 to Increasing the Efficiency and Reliability of the TETs"]

[Text] As is known, in order to obtain the desired efficiency in solving complicated technical and economic problems, it is essential to have highly skilled specialistws with great practical experience.

Such personnel is employed at the electric plants, institutes and plants of the CEMA countries. Section 2 in its activities relies on the results and achievements of their work. It must be stressed that the representatives of the section are operations specialists, designers and metering specialists. Such a composition guarantees quality work in the section.

As an example one might point to certain basic subjects in multiyear plan of Section 2. These have contributed to improving the efficiency and reliability of the power plants of our nations and would include such subjects as KT-92a "Development of New Large Automated Units, Improving Operations of Existing Power Plants with Large Automated Units and the Elaboration of Proposals for Their Production on a Basis of Specialization and Cooperation" or subject KT-92b "Improving Operations of Existing Power Plants with Large Automated Units."

The mentioned subjects contain proposals made by the specialists on the basis of their enormous operational experience for designing and producing more dependable and efficient power equipment, the questions of improving operational achievements as well as the exchange of experience. Each main subject includes a number of subthemes such as:

1) Improving the operational conditions of large automated units and electric plants fired by solid fuel;

2) Improving the preparation and combustion of solid fuel in the TETs with large automated units;

3) Modernization of basic equipment in power plants with large automated units.

These are just a few of the subthemes worked out and found in subject KT-92 and deal with specific problems involving the operation, design, construction, fuel economy and so forth. The coordinator of each subtheme is the nation which has the best achievements in the given area. In this manner a range of problems is worked out involving the TETs and they are solved on the basis of the best achievements and experience of our nations in this area.

It must be pointed out that the subject KT-92b.8 "Generalization of the Experience of the CEMA Countries and Yugoslavia in Operating Thermal Power Plants with Units of 200 Megawatts and Over in 1979-1980 and the Elaboration of Proposals to Improve Reliability and Economicness of the Power Units" is worked out by the section annually. This provides a systematic exchange of experience between the power engineers of our countries. To a certain degree the subject is a source of the themes for elaborating the annual and long-range plan of Section 2, since the operational experience, in considering the achievements and failures in practice, guarantees a correct selection of the essential studies which provide specific results.

As is known, at present there is a world problem of saving fuel. On this question the section is working out subject KO-91 "The Elaboration of a Range of Measures for Cooperation Aimed at Further Fuel Savings in Producing Electric and Thermal Power As Well As Reducing Energy Losses in Networks" and this contains the following subthemes:

1) A range of measures to improve the mentioned equipment in the TETs, including the development of extensive technical research on creating new equipment and organizing production on the basis of specialization and cooperation;

2) A range of measures aimed at fuel savings based on increased efficiency of central heating, including the improvement of design solutions for the TETs and the use of TETs as flexible power plants;

3) Measures related to the renovation and reconstruction of obsolete TETs, including the elaboration of a method to establish the efficiency of replacing and reconstructing the equipment at the obsolete TETs. Catelogs are also to be worked out for the basic equipment which can be used in replacing the obsolete.

In an article it is difficult to describe the extended program under subject KO-91 and all its working subthemes. The designated subthemes, however, show how important the problem of fuel savings is for the TETs.

In the area of scientific and technical cooperation, subjects are being worked out which directly influence the greater dependability and efficiency of the TETs. In this area we could mention the following subjects:

1) An assessment of the conditions (results) from the operation of 200-300-megawatt units from the viewpoint of attaining the parameters, efficiency and reliability;

2) Improving the design decisions and organizing the construction and installation of TETs with large units.

The utilization of slag and ash is also a major problem of great significance for the economic and efficient managing of the TETs. The section is working out the subject PT-02 "The Eoaboration of Methods, Conditions, Technical and Organizational Measures to More Widely Use Ash and Slag from Thermal Plants in the National Economy As Well As the Methods of Separating These Materials and Supplying Them to Various Consumers." This subject contains several interesting subthemes as:

1) An overall plan for the production methods of electric and thermal power in fully utilizing the ash and slag in the national economy;

2) Factors which influence the extended use of ash and slag from the TETs in the national economy.

A solution to the problem of using ash in the national economy can provide a great economic effect and for this reason serious attention is being given to research and experimental work as well as to the exchange of experience.

In addition to the elaboration of the designated subjects, Section 2 is working constantly to increase the efficiency of multilateral cooperation. One of the most complicated problems in operating the TETs is the repair of power equipment. In order to improve the quality of repairs and lower their cost, four concerned nations --the GDR, Poland, the USSR and CSSR--in 1978 signed a protocol on cooperation on subject NT-61.2.3 "Questions of Improving Repairs on High-Capacity Power Units." Within this subject the concerned nations are working out the following subthemes:

1) The compiling of a unified, coordinated terminology in the area of the technology, organization of repairs and maintenance; to be carried out by the USSR;

2) The elaboration of unified technological and organizational repair documents; to be carried out by Poland;

3) The elaboration of a set of computer programs for the software of the network planning system used in the repair of power equipment; to be carried out by the GDR;

4) The elaboration of a unified proposal to assess the quality and effectiveness of repairs; to be carried out by the CSSR.

Each of the enumerated subthemes is to be carried out with the drawing up of technical specifications and the interchange of these is to be carried out in accord with the work plans on the principle of gratis equivalent exchange. This will make it possible for the participating nations to sharply reduce expenses on the elaboration of repair documents and improve the quality of repairs. Here each of the participating nations works out those subthemes in which it is most experienced in comparison with the other partners. In the future there are plans to employ this form of cooperation for solving complex problems in the area of the designing, construction and operation of the TETs.

Another form of work in Section 2 is meetings of specialists where they carry out a thorough analysis of the discussed problems and elaborate specific conclusions and proposals. The extensive exchange of experience among the conference participants makes it possible for them to better understand the problems of operating the TETs in the CEMA countries. The results of such meetings cannot be measured by specific figures but undoubtedly they contribute largely to a greater effect from cooperation. This is reflected in the improving of the operating indicators of the power plants.

In this article it is impossible to enumerate all the work completed by Section 2. The purpose has been to show by several examples the work done by the section as a working body which directs the activities of the CEMA countries in solving the basic problems of operating thermal plants. The goal has been the broad use of experience by the countries in the designing, construction and operation of the TETs. A major contribution of the section has been the strengthening of cooperation and friendship between the power workers of our countries.

In conclusion it must be emphasized that the specialists from Section 2 have had an opportunity to visit a large number of power plants in the CEMA countries, including the Maritsa-Iztok-3 TETs. It is noteworthy that the problems of burning the low-calorific coals in the Maritsa-Iztok-3 have been solved in considering world accomplishments in this area. The high operational level at this power plant and the indicators achieved by it show that the Bulgarian power workers have won significant success. Each of our countries has accomplishments in individual areas of thermal power. The exchange of experience, the use of achievements and the joint elaboration of new problems--all of this is a guarantee for the successful development of power engineering in the CEMA countries. Section 2 has also made a humble contribution to this development.

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ACHIEVEMENTS IN HYDROPOWER DEVELOPMENT REVIEWED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 60-63

[Article by Gheorghe Luka, deputy director of the Institute for Hydropower Research and Designing in Bucharest, Romania, and chairman of Section 3 of the Permanent CEMA Commission for Coopeation in the Power Engineering Area: "New Effective Decisions in Hydropower Construction of VETs and PAVETs"]

[Text] The CEMA countries possess great hydropower resources and they cover a portion of the national economic energy requirements.

In all the CEMA countries particularly great attention is given to an evaluation of these resources. The questions of resource evaluation, in being posed in the construction of hydropower installations, are complex and the solution to them in many instances necessitates cooperation between the CEMA countries in the technical, scientific and economic area.

The Permanent CEMA Commission for Power Engineering has assisted in the organized development of this collaboration. For more than 20 years within the commission Section 3 for hydropower plants (VETs) has been active as a working body.

The section has undertaken extensive activities to collaborate with specialists from the CEMA countries in the area of research and study, design, construction and operation of combined hydropower and hydraulic engineering facilities. These activities have provided an opportunity to generalize the experience acquired in the individual countries. The use of the decisions and conclusions made in the generalized reports under the section involving specialists from all the countries has helped to achieve new effective decisions in the building of the VETs and the combined hydraulic engineering installations.

An assessment has been made of the hydropower resources which the CEMA countries possess and the dynamics of their use. On the basis of the final analysis made in 1980, it can be concluded that the CEMA countries possess significant hydropower potential. By 1978 the use factor of this potential was very great with a tendency for a sharp rise over the long run (by 1985). The corresponding data are given in the table.

Country	Техническа хидроенергиен потенциал (ТХЕП), GWh/год 1	Произведена електроенергия във ВЕЦ през 1978 г. ($E_{ВЕЦ}$), GWh/год 2	Обща произведена електроенергия през 1978 г. E_{Σ}, GWh/год 3	Хидроенергиен потенциал, планиран за използуване през 1985 г. (ХЕП), GWh/год 4	$\frac{THPP}{E_{\Sigma}}$, %	$\frac{E_{VETs}}{E_{\Sigma}}$, %	$\frac{E_{VETs}}{THPP}$ %	$\frac{HPP}{THPP}$ %
Bulg.	12130	2646	31492	3670	38,5	8,4	21,8	30,3
Hung.	5200	136	25556	230	20,3	0,5	2,6	4,4
GDR	700	240	95963	280	0,73	0,25	34,3	40,0
Pol.	12080	1951	115557	1800	10,9	1,7	16,1	14,9
Rom.	40000	10613	64230	16030	62,3	16,5	26,5	40,0
USSR[1]	75100	18000	—	18190	—	—	23,9	24,2
CSSR	9020	3527	69097	3560	13,1	5,1	39,2	39,5

[1]For the USSR, the potential has been given for the territories of the Northwestern and Southern UPS which directly border the European CEMA countries.

Key: 1--Technical hydropower potential (THPP), gigawatt hours per year; 2--Produced electric power at VETs in 1978 (E_{VETs}), gigawatt hours per year; 3--Total produced electric power in 1978, E_{Σ}, gigawatt hours per year; 4--Hydropower potential planned for use in 1985 (HPP), gigawatt hours per year.

In the CEMA countries where the amount of hydropower resources is insignificant (for example, the GDR and Poland), PAVETs [pumping and storage hydropower plants] with a total capacity of around 3,000 megawatts are employed to cover the peak areas of the load schedule. In the future there are plans to increase this capacity by around 12,000 megawatts and some of the planned PAVETs will be built by joint efforts of the concerned CEMA countries.

The activities of Section 3 have developed and will continue to develop in the future under favorable conditions which are the result of the particular concern both previously and at present by each CEMA country to tap its hydropower potential.

In recent years the section's activities have been focused on research in the following areas:

1) Optimizing the use, operation and control of the PAVETs and VETs;

2) The establishing and designing of plans for hydropower projects under construction;

3) Production and methods of using new efficient materials for hydropower construction;

4) Protecting the environment which could be influenced by the construction and operation of hydropower projects.

The article gives some of the important results and conclusions from the generalized reports elaborated and examined in the section and which should be particularly emphasized.

In the area of the rational utilization of hydropower resources and the feasibility studies for the construction of VETs and PAVETs, all the basic prerequisites have been examined necessary for assessing the technical and economic efficiency of hydropower projects. Critical methods used in the CEMA countries for determining efficiency were examined and the more general nature of a method to compare comventional alternatives was outlined.

The urgent questions involving construction of PAVETs which are to be built by the joint efforts of the involved countries have shown the necessity of elaborating uniform criteria for assessing the technical and economic effectiveness of these projects.

In line with the efficiency of PAVETs, it must be pointed out that the electric power systems of the individual countries will be developed mainly through the construction of base TETs operating on low-grade solid fuel as well as nuclear power plants. Under these conditions the building of PAVETs with the above-indicated installed capacity will ensure a more even loading of the TETs and AETs and will reduce the necessity of building new peak and reserve capacity operating on gas and mazut.

At present, as in the future, a predominant portion of the VETs built in the CEMA countries are to be part of complicated hydraulic engineering systems involving multiple use. The requirements for the different functions of these systems (energy, water supply, irrigation, water transport and so forth) are at times contradictory and this necessitates the search for common optimum solutions in the economy of each country. Because of this the questions of optimizing the operating conditions of the VETs as part of multi-use projects, under the conditions of the increasing deficit both in the thermal power balance and for water resources, have been the subject of profound basic research in the CEMA countries to create mathematical models for the multiyear optimizing of conditions.

The necessary measures have been examined for improving the flexibility and reliability of the peak VETs and PAVETs which, due to these qualities, play an important regulating role within the electric power system of each country. For the utilization of fast-acting reserve capacity in the reservoirs, a reserve volume is provided for and for the PAVETs this must provide an opportunity to work at a nominal capacity for approximately 1 hour. Reserve capacity for frequency regulation is 10-20 percent.

In designing large-capacity peak plants, it has been recommended that there be the simultaneous starting up of all the units with the use of the independent internal energy source for own needs.

The equipment in the primary plan of a PAVETs must be capable of withstanding a large number of daily operations.

The availability factor of the VETs and PAVETs in the CEMA countries is on the order of 0.97. This is a very high indicator and for further improving it it is essential to utilize high-quality materials in producing the equipment and an optimum organization of repairs.

The dependability of the VETs and PAVETs in carrying out the above-indicated functions depends generally upon the reliability of the turbines, generators and auxiliary equipment and the automatic and control systems. In this area in the Section technical conditions have been worked out which must be taken into consideration in the production, designing and building of VETs equipment, in the specific equipment for the PAVETs as well as the special electrical equipment characterized by a large number of switchings and operations in a 24-hour period.

The automating of hydropower equipment is also an important factor in increasing its efficiency. It can be considered that in the CEMA countries the automating of hydropower facilities is on a world level.

The automation systems must be improved by utilizing modern elements such as highly reliable sensors for nonelectrical values and automatic devices based upon the contactless logical circuits and computers.

For the control and monitoring of series of VETs, it has been recommended that use be made of automatic control systems employing computers for the long- and short-term hydrological forecasts and forecasts of consumption conditions as well as automatic optimization of the operating conditions in the series. In this regard it is essential first of all to set up an improved information system for the series of plants.

For the purpose of improving designs in the construction of hydropower projects, the section has studied certain particularly important problems which are of significant interest at present. These are:

1) Stress strain in massive concrete hydropower installations;

2) The influence of dynamic effects on the stress and strain state and strength (particularly seismic strength) of reservoir walls and other installations;

3) The bases of design decisions for the lining of pressurized hydraulic engineering tunnels built under various geological conditions.

In studying the stress in massive hydraulic engineering works in Bulgaria, Hungary, the GDR, Poland, Romania, the USSR and CSSR, methods and algorithms were worked out for computer calculation based on modern mathematical methods. Among these one should note the method of extreme elements for flat and spatial problems. Also improved were the methods for determining basic data, in particular, the geotechnical characteristics of bedrock by laboratory testing and testing of real objects.

For the more important projects in the designated nations, mathematical research was supplemented by laboratory research on structural and photographic models. The employed similarity criteria as well as the materials and methods of modeling made it possible to model the particular features of the bedrock (continuity and anisotropy) as well as to examine certain structural features (expansion, joints, large-sized openings in relation to the width range of force).

In all the CEMA countries, particular attention has been given to observations of the static behavior in operating hydraulic engineering installations using monitoring and metering equipment built into the project.

Comparisons of the stresses and strains determined in measuring real projects with those obtained theoretically or by model testing have made it possible to assess the safety of the structures and reassess the accepted hypotheses and initial data.

We must note the activities in testing the monitoring and metering devices produced in certain CEMA countries (Poland, the GDR, Romania, the USSR and CSSR) and installed in the underground Markersbach plant in the GDR and the arched concrete wall in Dregan (Romania). In the future the work of this equipment will be monitored by measurements performed jointly by the specialists from the interested nations.

The influence of dynamic effects on the structure of water-saturated rock and hydraulic engineering works made from local materials (ballast and earthen embankments) and the corresponding mechanism of diluting the unbonded particles and increasing the pressure in macroporous materials has been studied in most of the CEMA countries both theoretical, using the method of extreme elements for flat problems as well as by experimental research under laboratory conditions and on real projects. We have determined chiefly the basic data and critical values of parameters characterizing the state of stresses and strains (the maximum degree of pressure, the physico-mechanical characteristics, acceleration in the propagation of dynamic waves, porosity, resistance to shear slippage and specific strains).

The following method was adopted for determining stability with the dynamic action of macroporous and water-saturated unbonded structures:

1) Calculating in a two-dimensional scheme the effective static and quasidynamic forces;

2) Experimental research of the strength of the structure using equipment making it possible to conduct dynamic research;

3) A dynamic testing (the appearance of super stresses in the pores and diluting) by a comparison with the values of critical parameters;

4) The use when necessary of consolidation theory in determining a superpressure in the pores.

The seismic strength of large reservoir walls made from local earth materials (ballast and stone) was examined both from the viewpoint of the intrinsic dynamic characteristics of the structures as well as from the viewpoint of the slope strength using the linear-spectral method for determining the additional loads represented as static forces.

The seisemic strength of concrete dam walls was studied mainly on the basis of the theory of spectral analysis considering the interaction with the foundation in thus rejecting the hypothesis that the foundation is the rigid element which does not oscillate along with the structure.

The next stage in studying the seismic strength of dam walls will be the application of a dynamic method using accelerograms (recordings of real earthquakes) considering the real conditions in the propagation of the seismic waves, the tectonic continuity, the nonlinear (plastic) properties of the soil and the interaction with the reservoir.

The stress in the lining of underground structures having a noncircular contour and in the surrounding rock was studied in Bulgaria, the GDR, the CSSR, USSR and Yugoslavia using the extreme elements method. With the same method for a spatial problem, a study was made of the uneven contour of the excavated profile in relation to the static behavior of linings in circular pressurized galleries in establishing the reserve resistance due to the cross-digging. This conclusion was confirmed by special testing carried out on structural models. With the help of an analytical method, a study was made on the thermoelastic state in the lining and enclosing rock under the condition of fixed and variable temperatures in bearing in mind the rock cracks. Here the reserve resistance was established in comparison with the calculated temperature differences between the internal and external surfaces and particularly in the case of metal linings.

The stress in cite-cast linings which were prestressed by injection was studied in the above-mentioned nations using an analytical method, considering the factors influencing the residual effect of prestressing, that is, the slippage of the rock and the lining, the laying of the concrete, cracks and permeability of the rock. Criteria were set for determining the parameters and other technical elements in making injections which have a pressure action.

The use of light, crack-prone concrete coverings under certain operational conditions (free flow, water-permeable soils or compacting by the injection of cement) was established both theoretically as well as by experimental research in establishing the cracking limits depending upon the operating conditions and the class of structure.

In the area of efficient materials and manufacturing technologies, a study was made of the problems related to the use of asphalt concretes, polymer materials, anticorrosion protection, wear and cavitation-resistant materials for injection and the compacting of the foundations of hydraulic engineering projects.

Asphalt concretes are gaining ever-wider use for the masks and screens in compacting dam walls as well as for lining canals and storage basins. Recommendations were studied in engineering terms and adopted for the quality of the bitumen and auxiliary materials, the composition of solvents, the conditions for preparation and use, the layering of the masks and screens, quality control and observation during use. The conclusions are based on a large number of experimental and laboratory studies as well as studies on real projects.

The use of polymer materials for the hydrosealing layers in compacting canals and dam walls was examined under laboratory conditions for resistance against micro-organisms, for aging, the effect of the freezing of water and the thawing of ice, as well as for installment and use.

A procedure was established for the required laboratory testing to select cavitation-resistant synthetic materials as well as admixtures to increase the cavitation and erosion resistance of the concretes.

New polymer products, epoxy resins and zinc-based paints were studied for use as anticorrosion protection and these make it possible to lengthen the life of metal structures by 10-12 years.

Using electron microscopy a study was made on the structure of the classic compacting materials (cement, clay and bentonite).

Also studied were effective solutions with an admixture of ash from the TETs and a broad range of sealing substances (silicates, furfurol, epoxy resins and polyester resins). Recommendations were worked out to use injection materials and injection techniques under different geological and operating conditions.

Generally speaking the hydraulic engineering structures have a beneficial impact on the environment, in helping to improve the microclimate, to develop underwater fauna and they make it possible to avoid the inundating of certain areas and reduce flood losses. At the same time, the morphological change in the channel and the subsoil water conditions, as a consequence of constructing the hydraulic engineering works, can have a negative impact on the environment.

In this area, Bulgaria, Hungary, Poland, Romania and the USSR have made studies on the head water and under water of the VETs in determining the conditions whereby erosion or the depositing of silt occurred creating a danger for the surrounding terrain and specific measures were recommended to combat these phenomena.

Studies were also run on the changes which occur in under water currents in building reservoirs and recommendations have been worked out for compacting and drainage systems of levees and walls.

It is essential to emphasize that all these results and conclusions can be used in the study, designing, construction and operation of hydraulic engineering works in any CEMA country. Due to this, the activities of the specialists in the section contribute to the finding and application of new effective solutions in the construction of hydropower and multipurpose hydropower works.

The research carried out up to now and the prospects for utilizing the hydropower potential of the CEMA countries determine the areas of scientific and technical cooperation in the immediate future for the CEMA countries and Yugoslavia in the area of hydropower engineering. Section 3 will examine a number of problems necessitating cooperation in their elaboration and the basic ones involve the following areas:

1) The rational use of hydropower resources as part of multipurpose water management systems, including the use of the hydropower micropotential;

2) The operation of power equipment at the VETs and PAVETs and its automation and remote control;

3) Research on the behavior of the hydropower equipment by using advanced devices for measuring, transmitting, centralized recording and direct data processing in the aim of increasing their reliability and progressiveness;

4) The seismic resistance of massive hydraulic engineering structures under the conditions of economic effectiveness and the elaboration of a modeling method with increased reliability for the phenomena of the mathematical and structural models for determining the basic initial data, in particular of the accelerograms and the elaboration of recommendations on the practical calculations of such structures in a seismic area;

5) The mechanizing of construction for dam walls and underground structures using highly productive equipment and effective materials;

6) The materials and technologies for compacting as well as protection against corrosion, cavitation and erosion.

Cooperation among the CEMA specialists in the area of hydropower engineering in solving the designated problems will contribute to increased effectiveness in solving the questions related to providing power for the national economies of the countries.

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CEMA RESEARCH PROJECTS IN POWER AREA DESCRIBED

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[Article by Josef Fisher, director of the Scientific Research Institute for Power Engineering in Prague, CSSR, and chairman of Section 4 of the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "Basic Directions in the Development of Scientific and Technical Cooperation Within Section 4 for Coordinating Scientific Research of the CEMA Countries"]

[Text] In accord with the deepening of socialist economic integration and the development of the scientific and technical revolution, greater and greater importance is being given to international cooperation in the area of developing and improving the power systems of the CEMA countries.

For the purposes of planned cooperation among the socialist countries in the area of electric power, in 1956 the Permanent CEMA Commission for Power Engineering [PCCPEA] was set up with permanent working bodies consisting of five sections, the MOSNTI [International Sectorial System for Scientific and Technical Information] and an editorial staff for the bulletin of the PCCPEA.

The basic areas of activity for the section to coordinate scientific research have consisted in the elaborating of problems in the area of electric power and central heating and primarily in solving the urgent and long-range questions which were of common interest, for achieving maximum effectiveness from the scientific research, for avoiding parallel work, and for more fully utilizing the research results in the practice of the individual CEMA countries. The task of Section 4 has been to promptly provide modern and high-quality solutions to the theoretical and procedural questions related to the operation of the power systems in accord with the development of the entire sector.

Participating in the work of Section 4 of the PCCPEA are the basic scientific research and design institutes of the CEMA countries in the area of power engineering.

Scientific and technical cooperation among the CEMA nations in Section 4 during the period of 1976-1980 has been carried out in accord with the established plan to solve the following basic tasks:

1) The procedural and theoretical problems in the long-range development and integration of the unified power systems (UPS) of the CEMA countries;

2) The principles and means for controlling the operational conditions of the UPS for the purpose of their development and technical progress;

3) The questions of building and operating TETs and AETs in relation to their role in the UPS;

4) The questions of building and operating VETs and PAVETs;

5) The development and operation of power transmission lines under the conditions of the UPS;

6) Questions of protecting nature and the environment in the designing, construction and operation of power projects.

The article gives several examples of effective multilateral cooperation within the extensive activities of Section 4, mainly in the area of solving problems of a systems nature.

The need to work out the subject "Research on the Technical and Economic Bases in the Development Strategy of the CEMA UPS" (subject NO-61.1) arose with the request to work out the basic procedural problems related to the extending of socialist integration in electric power with the further development of the unification and interaction of the power systems and the search for the means (mathematical models) to solve certain specific problems relating to the development of the UPS.

This subject also settled the question of the rational relative share of the peak regulating power plants in the power systems of the CEMA nations. It was established that in countries with favorable geomorphological conditions the PAVETs are the basic type of flexible generating sources and their use provides a maximum technical and economic effect. Under favorable conditions and available technology it was also recommended to build semipeak TETs or units with a combined steam-gas cycle. The specific research on the development of the CEMA power systems has shown that by 1990 each of the participating power systems will be capable of satisfying its needs from the generating capacity to cover the peak and semipeak load. The peak generating capacity of the CEMA countries by 1990 will average 7-10 percent of the total installed capacity.

Further research was aimed at solving the questions of the reliability of the UPS cooperating within the association as well as the questions related to the joint use of the emergency reserve and the intersystem capacity essential for this cooperation. The main results in this area are of a procedural nature.

At present, the results of the work on the subject have still not produced a direct economic effect, but still they create the prerequisites for the further use of the effects which are obtained as a result of the unification of the CEMA power systems. In bearing in mind the nature of the problems which require cooperation by all the participating countries, the research carried out by each individual nation is not sufficient.

At the same time active participation in the joint coordinated research broadens the range of knowledge used by the participating countries and complements their procedural materials relating to the reliability of the electric power systems.

The subject "Draft Procedure for Implementing the Existing Intersystem Effect from the Unifying of the Daily Load Schedules of the CEMA UPS at the CDA [Central Dispatching Administration]" (subject KO-84) was incorporated in the research coordination plan of Section 4 with the necessity of deepening the multilateral interaction of the CEMA UPS participating in the Central Dispatching Administration. The aim of the subject is to work out a specific draft procedure for realizing an intersystem effect from combining the daily load schedules of the UPS. This arises as a result of unifying the power systems of Bulgaria, Hungary, the GDR, Poland, Romania and the CSSR over the 400-kilovolt intersystem links.

The use of this effect was not established with sufficient effectiveness and was not based on contractual principles.

Within the coordinated research, a draft was proposed for a procedure which on the basis of the comments of the CEMA countries was worked up and backed up with specific technical and economic calculations. The method complemented an analogous procedure for multilateral cooperation in using the effect which was obtained in unifying the UPS and the Joint Power System of the USSR (USSR JPS) by a 750-kilovolt link. The proposed method offered cooperation on the zero-balance principle, it envisaged the possibility of broadening the coordinating function of the CDA and provided a savings and more efficient use of the peak load of the UPS at an amount of around 500 megawatts.

The draft procedure was adopted by the PCCPEA and turned over for practical implementation to the CDA of the joint power systems which at present is settling the problem of the principles of implementation. The proposed measures do not require additional capital investments. It is merely a question of providing effective daily coordination of the UPS operating conditions.

The work on the subject "Research on the Hierarchical Structure of Dispatching Control and the Questions of Setting Up and Introducing Automated Dispatching Control Systems (ASDU) in the UPS" (subject NO-62.1) was started in 1976, when great attention was given to the exchange of information on the achieved stage in the work of the individual participating countries. With the aid of questionnaires and the subsequent processing of the obtained data, an analysis was made of the following problems of the ASDU:

1) The methods and algorithms for long- and short-term planning and control of the power systems in the real time for the needs of the state dispatching administrations;

2) The elaboration of coordinated technical and economic criteria for optimizing the operating conditions of the CEMA UPS;

3) The generalizing of experience of the individual countries in introducing the ASDU into service on the level of the state dispatching administration;

4) The methods for determining the reliability of data used in the ASDU.

Significant attention was also given to the working out of statistical methods to determine the parameters of the power systems for the needs of the ASDU on the level of the UPS. These methods which at first were used to determine the capacity frequency coefficients were tested out experimentally in 1977 by measuring the operating parameters and upon the request of the CDA directorate, in 1979 repeated measurements were carried out but now under the condition of the parallel operation of the CPA UPS and the USSR JPS over the first 750-kilovolt intersystem link. The basic advantage of determining the capacity frequency coefficients using statistical methods consists in the possibility of determining them without interfering in the normal operations of the UPS in contrast to the previously used methods with the introduction of artificial intermittent interference in the active power balance.

In recent years, on the basis of the acquired experience, an overall concept was worked out for the further development of the UPS ASDU for the period after 1990. This concept was worked out in close cooperation with the CDA Directorate and was approved by its executive bodies. The concept outlines the individual functions of the UPS ASDU which are delimited by time and operating conditions, it gives an assessment of the used and future software structure and in conclusion formulates the basic requirements and gives recommendations on the optimum equipment structure for actual implementation.

In spite of the fact that the work on the subject was aimed predominantly at application in the area of UPS control, the obtained results can also be employed in solving the problems of the ASDU for the power systems of the individual CEMA countries.

The benefit from such a study consists chiefly in providing parallel interaction of the CEMA power systems, particularly after completing the first 750-kilovolt intersystem link with parallel operation of the CDA UPS and the USSR JPS.

For the subject "Research on Control Methods and Algorithms" (subject No-62.2), cooperation was concentrated on elaborating the questions of automatic frequency and exchange capacity control systems (AFCCS).

On the basis of the experience from an experimental check of controlling the power systems using control computers supplemented by the results of calculating the dynamic properties by modeling, an analysis was run on the basic rules for designing the AFCCS chiefly from the viewpoint of utilizing digital control. This analysis was further supplemented by research on the adaptive principles for controlling frequency and exchange capacity and these were the most promising in the search for dependable operation of the participating power systems under the conditions of limited transmission capacity for the domestic and intersystem power lines.

The elaborated material can serve as the basis for working out the ASDU programs on the level of the UPS CDA. Its significance consists above all in ensuring dependable

operation of the UPS, including a rise in the quality of maintaining the nominal frequency in the network.

The delegations from the CSSR, GDR and Cuba jointly worked out the concept for creating the ASDU for the Cuban power system. This employed the existing experience from realizing the control systems for the highly developed power systems considering the experience of introducing the ASDU under Cuban conditions. The elaborated material will be used by the dispatching control bodies of Cuba as a source of initial data for creating the ASDU, for understanding the possibilities of using the existing control programs and algorithms as well as in designing the first stage of their own ASDU.

On the subject "Improving the Controllability and Reliability of Power Plants in the UPS" (subject NO-3.6), the research was focused on studying recovery systems with large steam turbines and the elaboration of technical recommendations for their optimizing.

The results provide an opportunity for the design organizations and operational groups to use progressive solutions in improving the control systems and raising the flexibility of the newly built and in-operation power units.

Further cooperation was carried out in experimental research on the dynamic characteristics of the new power units. The results of this research can be used as supplementary data for increasing efficiency and optimization in operating the new units. Research on the models of dynamic characteristics aimed primarily at the behavior of the units with a change in the load in starting up, shutting down, adjustment and so forth is valuable input information for subsequent research on rationalizing the operations of the power plants.

Theoretical research on the reliability of the main assemblies of power units is a contribution in the area of procedural research on the duration of the operating life of these assemblies. This helps to deepen the methods of determining reliability indicators. The technical requirements for the operational maneuverability of the semipeak units at the TETs are specific aggregate requirements for the high-powered units in producing the base and semipeak energy. The reports on the individual parts of the subject, after their approval by the PCCPEA, were turned over to the Permanent CEMA Committee for Machine Building and the appropriate bodies of the CEMA countries for use.

Scientific and technical cooperation in the area of the construction and operation of power networks under UPS conditions (subject NS-61) has been aimed at studying the conditions for voltage regulation and compensating for reactive power in the networks as well as at studying the corona losses and radio disturbances from the super-high voltage networks.

The obtained results have helped to improve the quality of electrical network planning and better the methods for choosing the design of the power lines, and particularly the super-high voltage lines.

In the area of environmental conservation, Section 4 has worked on the subject "Research on Measures to Restrict the Ecological Influences of Power Lines in the High-Voltage Networks" (subject NM-61). The final report contains conclusions and

recommendations relating to restricting the influence of the electrical field on people and the environment. A table has been worked out with normalized values for the intensity of the electrical field and currents as well as a recommendation on calculating the intensity level of the electrical field and optimizing the design of the power lines.

A positive factor in collaboration has been primarily the generalizing of opinions on the basic requirements for determining and establishing the choice of tolerable intensity levels for the electrical field. Collaboration has provided a saving in the exchange of research by the participating nations and has made it possible to accelerate the publishing of instructions, recommendations and other normative materials.

Section 4 has also participated in solving problem 1-11 "The Development and Construction of Experimental Sections of Superconductive and Cryoresistive Power Lines and the Prototypes of Electrical Equipment with Superconductive Winding." This has been included in the contractual plan on multilateral integration measures for the subject "Research in the Area of the Rational Use of Superconductive and Cryoresistive Power Lines and the Technical and Economic Calculations for Them."

In elaborating this subject, there was a discussion of the technical and economic aspects of power supply for large cities and industrial conglomerations and the questions of exporting capacity from large power plants. The basic concepts and development trends were established in superconductive cables. An analysis was made of the questions relating to the choice of the technical and economic criteria for assessing the efficiency of superconductor power lines. This determines the choice of the parameters for the individual elements of superconductive cables. In addition, as an example, a calculation was made for the efficiency of different versions of superconductive power lines 100-500 km long in the power systems of the individual countries comprising the UPS.

From the given examples one can see the contribution of the scientific research carried out by Section 4 predominantly in the area of research and procedures which ensure the prospects of coordinated research and the development of technical areas in power engineering. An additional positive factor is the experimental research and testing which is carried out by the research organizations of all the CEMA countries participating in the work of Section 4. In addition, an opportunity has been created in the Section to exchange information on the promising directions and long-term trends between the individual coworkers of the scientific research institutes and organizations. Due to this, a close mutual tie has been established between the problems being solved by the PCCPEA in the process of the on-going development of science and technology.

The systematic theoretical, procedural and experimental activities of Section 4 have been a direct contribution in solving the high-priority problems of the PCCPEA and its results serve directly as initial data in the practical use of the studies in the other sections of the PCCPEA and in the corresponding CEMA working bodies, the international organizations (for example, the CDA) and in the energy sectors of the individual CEMA countries.

The scientific and technical research of Section 4 in the forthcoming 5-year period of 1981-1985 in its main areas is directly tied to the studies carried out in the past five-year plan.

Chief attention is focused on carrying out the requirements and tasks outlined in the basic materials of the appropriate CEMA bodies in the power engineering area. These ensure the elaboration of the long-range subjects for achieving an economic effect in the CEMA countries.

The adopted "Plan for Cooperation Among the CEMA Countries in Conducting Scientific and Technical Research of Mutual Interest in the Area of Power Engineering in 1981-1985" is the basis for carrying out the multilateral cooperation.

The draft of this plan was worked out with the cooperation of Section 4 and the power engineering department of the CEMA Secretariat and was approved by the 55th PCCPEA Session. The plan primarily ensures the carrying out of the high-priority tasks stemming from the Comprehensive Program for the further deepening and improving of collaboration and the development of socialist economic integration of the CEMA countries as well as the other approved CEMA documents in the power engineering area. These documents are:

1) A long-range specific cooperation program in satisfying the economically sound needs for the main types of energy, fuels and raw materials of the CEMA countries up to 1990 (in the area related to power engineering);

2) A coordinated plan for multilateral integration measures of the CEMA countries (relating to power engineering);

3) A coopeation treaty for the long-range development of the CEMA UPS up to the year 1990.

The cooperation plan for scientific research can be divided into the following areas:

The optimizing and feasibility studies for the long-range development of the CEMA UPS, the elaboration of scientific procedural recommendations, the studying of the most rational variations for the development of the power systems (the capacity structure of the power plants, of the electrical networks, the long-range operating conditions of the power systems, the program and data systems for analyzing the development variations of the power plants and electrical networks and for optimizing capital investments into the development of the power systems). The procedure will be improved for selecting the most rational variations for the configuration of the electric networks and the intersystem links (subject I NO-11.1).

The construction of the intersystem 750-kilovolt power lines and the strengthening of the 400-kilovolt links has led to the formation of a number of self-contained contours (ring links) and this requires that the general research be focused on elaborating a coordinated system for automatic control of frequency, voltage, active and reactive capacity in the power lines of the UPS and power systems of the CDA member nations. The use of computers for the ASDU in the individual countries and the CDA makes it possible to automate the above-mentioned functions. Methods, algorithms and programs will be worked out for direct numerical control based on the use of third-generation computers and standardized equipment for discrete automatic control (subject NO-12.1).

The procedural and scientific-technical questions relating to the further development of the ASDU under the conditions of the intensely developing UPS will also be aimed at elaborating more advanced complexes of measures to improve the dependability and technical-economic efficiency of the operational and dispatching control of the UPS and of the information system both under normal and emergency conditions (subject NO-12.2).

In the area of the construction and operation of TETs, research will be aimed at developing the large power units and increasing their reliability, efficiency and controllability. Modern methods will be worked out for the technical diagnostics for dependability in the most important assemblies of power equipment at the power plants for the purpose of preventing emergencies and extending the operational life of power equipment. At the same time, we will work out and introduce deaerator-free recovery systems for turbines at the TETs and AETs as well as combined-type heaters. In addition to this, cooperation will be aimed at elaborating progressive methods for preparing and intensifying the combustion processes for the low-calorific solid fuels in the aim of increasing fuel combustion efficiency and increasing the efficiency of the TETs (subject NT-12).

Scientific and technical research in the area of central heating will be aimed at working out measures to increase the reliability and economicness of central heating and central heating supply as well as at building large central heating systems, including the transmission of thermal energy over long distances and the storing of thermal energy (subject NT-12).

In the area of electric power networks, scientific and technical cooperation will be aimed at investigating the questions of developing the system-forming networks of the CEMA UPS in terms of the conditions for short circuit currents in the major junctions of the network over the long-range period. In addition, research and development will be carried out on safety systems against system-generated overvoltage and the choice of the test voltages for the 400- and 750-kilovolt lines and equipment in the future period as well as research on the influence of meteorological factors and freezing of insulating on the dependable operation of power networks (subject NS-11).

The cooperation plan has been adjusted and concretized at sessions of the individual sections and at sessions of the commission. On the basis of the plan, after this, detailed working plans were elaborated for the individual subjects for which all important scientific and technical questions of mutual interest will be solved. The higher forms of cooperation will be more widely introduced, primarily, the concluding of contracts and agreements.

The responsible approach of the delegations from all the participating countries to carrying out the tasks outlined in the detailed working plans for coordinating research on the individual subjects is an essential condition for successfully carrying out the following stage of multilateral scientific and technical cooperation among the CEMA countries in the area of electric and thermal power engineering.

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CEMA COOPERATION IN NUCLEAR POWER ENGINEERING OUTLINED

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[Article by Fedor Ya. Ovchinnikov, Soviet deputy minister of power and electrification and chairman of Section 5 of the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "Cooperation of the CEMA Countries in the Area of Nuclear Power and Its Development Prospects"]

[Text] On 13 June 1980, in the city of Hradec Kralove, CSSR, an agreement was signed on multilateral cooperation among the CEMA countries in scientific research and design work on the problem "Developing Power Units with Water-Moderated Reactors and a Capacity of 1,000 Megawatts and the Further Improvement of This Type of Reactors." The signing of this agreement was preceded by extensive preparatory work by the CEMA countries, the CEMA Secretariat and the international economic association Interatomenergo [International Nuclear Power] in elucidating the most urgent questions related to the construction and operation of nuclear power units with VVER-1000 reactors.

To a large degree this agreement was the result of years of experience in fruitful joint work by the nations of the socialist commonwealth in the area of nuclear engineering. Without this the setting up of such a comprehensive, all-encompassing program would have been impossible.

The start of this joint work was made in the second half of 1967, when under the Permanent CEMA Commission for Cooperation in the Power Engineering Area [PCCPEA] Section 5 was set up designed specially to coordinate and organize the use of nuclear power for the purposes of electrification and heat supply.

At that time, in the countries of the socialist commonwealth there was only one nuclear power plant in operation. This had been built with Soviet technical

assistance and was the pioneer in the area of the peaceful use of nuclear power. This was the Rheinsberg AETs in the GDR. Its capacity was small, some 70 megawatts. But construction had already commenced on powerful nuclear power units in the GDR and CSSR. Thus, on the agenda was the question of creating a coordinating center which would provide for effective cooperation in the nuclear engineering area. Section 5 of the PCCPEA became precisely such a center.

The work of Section 5 has been directed at deepening scientific and technical cooperation among the CEMA countries in the area of nuclear power by concentrating efforts on solving urgent problems in the design, construction, safety, the creation of special equipment and the operation of the AETs.

In defining the specific problems for the first period of activities by Section 5, they proceeded from the advisability of the joint elaboration of primarily the questions of the greatest interest and the greatest timeliness for the CEMA countries, considering the fact here that certain of these countries had actually begun to build AETs whild others were carefully studying this problem.

According to the recommendations of the CEMA Executive Committee and the proposals from the CEMA countries, the Section organized the elaboration of a number of subjects representing the greatest practical interest.

A detailed description was made of the basic equipment at the AETs having water-moderated reactors and an electric capacity of 440 megawatts as well as data on their basic technical specifications. The description of the basic equipment for this nuclear power unit was drawn up by Soviet organizations on the basis of materials from the designs of the specific AETs with this type of reactor.

At the insistance of all the countries, an approximate description was also drawn up for the basic equipment for the nuclear power unit having a water-moderated 1,000-megawatt reactor with data on the preliminary specifications, as this was of great practical interest for all the CEMA countries. The description provided a full notion of the composition and technical specifications of the power units for AETs having water-moderated reactors of 400 and 1,000 megawatts. This was also of great practical significance as a basis for cooperation among the CEMA countries in producing the equipment for the AETs and was considered at the Permanent CEMA Commission for Machine Building.

For determining the technical and economic indicators the GDR delegation worked out a "Procedure for Determining the Basic Technical and Economic Indicators of Nuclear Power Plants." The procedure was worked out in order to standardize the calculating of technical and economic indicators and to determine the effectiveness of building AETs in the CEMA countries.

The classification of losses and the individual concepts given in the procedure were to help in mutual understanding and a uniform interpretation in carrying out the calculations and in discussing questions of economicness. The procedure was recommended for use by all the CEMA countries in making economic calculations and comparisons.

For the normal operation of the AETs and for dependable power supply it was essential to work out the rules which would regulate the operation of nuclear power plants. These rules were worked out in Section 5 by Soviet specialists considering their own and foreign experience in operating existing nuclear power plants. Here consideration was given to the enormous experience in operating TETs. The "Basic Principles for Compiling Technical Operating Rules" drawn up by Soviet specialists were recommended as the basis for elaborating the corresponding rules in the individual CEMA countries in accord with their national features.

In Section 5 an important job was the elaborating of the "General Principles for AETs Reliability and Safety." In line with the construction of industrial AETs, it was essential to work out first of all the general safety requirements for the AETs based upon uniform principles which would regulate the designing of the AETs, the procedure for accepting them for operation, the ensuring of safety in the process of operation and so forth.

The general principles prepared by Section 5 served as initial material for elaborating the general principles in the individual CEMA countries. For the exchange of experience in the construction, starting up, adjustment and operation of AETs, the Section has worked out materials on the starting up of blocks III and IV at the Novovoronezhskaya AETs, the A-I Bohunice AETs, the Kozloduy AETs and the Kola AETs. These materials provide brief descriptions of the equipment and systems, an analysis of the organization of construction at the plants, a description of the basic stages in the preliminary starting-up work, the reaching of capacity and the comprehensive testing of the units at rated power. Recommendations were given to reduce the time for starting up the AETs having serially-produced VVER-440 units.

The section has done regular work on exchanging experience in hearing and discussing at its sessions papers by specialists from the individual countries on the basic questions of building, starting up and operating the AETs and containing information on experience acquired in this area during the period between the section's sessions. Such an exchange of information is particularly valuable for all the CEMA members which are building and operating AETs.

The large scale and growth rate of nuclear power in the CEMA countries as outlined in the plans for the 1980's require a thorough study and elaboration of the basic ways for the development of nuclear power during this period. In this sense the Section is already carrying out definite work. The technical and economic calculations made and the operational practice of the AETs have confirmed the advisability and high effectiveness of introducing nuclear power in many CEMA nations. The AETs, however, require extremely large capital investments mainly due to the expensive equipment. A reduction in the cost of this equipment can be achieved most effectively by increasing the unit capacity both of the individual elements and the power units as a whole.

Considering this, the proposals worked out by Section 5 to quickly introduce high-capacity power reactors are of important significance for the development of nuclear power in the CEMA nations. In preparing these proposals, we studied the possibilities of rapidly designing and building AETs with water-moderated reactors of 1,000 megawatts. As a result of this, an all-encompassing program was created for introducing nuclear power units with VVER-1000 reactors.

Of great importance for the development of such power units is the development of new progressive methods to fabricate structural elements, provide protection against corrosion, use new materials, equipment and so forth. The program elaborated by Section 5 for the rapid designing and building of AETs with the VVER-1000 reactors envisages the carrying out of work primarily on these and other most urgent problems related to the creation of high power units for the AETs.

In particular the basic technical requirements have been worked out for the first series of AETs with the VVER-1000 reactors. These determine the basic normative documents for the development, construction and operation of the AETs. Recommendations have been prepared for the starting up work at the AETs with VVER-1000 reactors. The recommendations have been drawn up on the basis of the experience of the starting up work at the AETs with the VVER-440 reactor. These take up the basic questions involving the structure, volume and content of the starting up specifications, the basic stages of the starting up work are outlined, the goals, initial state of equipment and systems are described and in addition the amount of basic work carried out in each stage is given. The recommendations provide a consolidated network schedule for the starting up work.

Of important significance is the subject "Elaboration of Recommendations on the Organization and Methods of Repairing Equipment at AETs with VVER-1000 Reactors." The recommendations examined the questions of repairs which are specific for the structures and designs of high-powered AETs with VVER-1000 reactors.

On the subject "The Development and Creation of a Decontamination System in the Radioactive Loop" a technical design has been worked out which includes the decontamination methods and decontaminating devices for surfaces in buildings and equipment, including for disassemblable equipment, the methods and calculation criteria for stationary decontaminating equipment of large structures, as well as the criteria for the technological and economic assessment of decontamination in the first loop and the devices for manufacturing and distributing the decontaminating solutions.

In addition to this, a study has been made on the basic proposals for construction and installation methods for building the AETs with the VVER-1000 reactors. The basic provisions give the basic solutions for the technology, mechanization and organization of construction-installation work for the VVER-1000 power units, including the organizing of the construction of the buildings, the installation of production equipment, the organizing of the construction site and so forth.

A large portion of these fundamental provisions have been tested out in building the fifth unit at the Novovoronezhskaya AETs. An engineering plan has been made for an integrated system of equipment to concrete the protective lining of the reactor section of the power unit with the VVER-1000 reactor. This system includes a mechanized sliding form, a set of equipment to deliver the concrete by a concrete pump and distribute the concrete mix around the periphery of the walls of the structure. The plan contains the basic calculations for the forms of original design, a proposal for the assembly and disassembly methods as well as the basic rules for carrying out the production work. Full mechanization of the concreting in building the protective linings in accord with the performed work provides a significant economic effect and reduces construction time for the protective lining. A modern method has also been

worked out for a metal air-tight lining with the inspecting of the tightness of its seams in the process of its manufacture and use.

Of great importance were the development and creation of a system for special water treatment (SWT). Due to the dependable operation of the existing SWT systems for maintaining the given water-chemical conditions in the first and second loops and the ensuring of high corrosion resistance of the structural materials the formation of sediment on the surface of the fuel elements was excluded.

At present there is the urgent question of increasing the efficient operation of the SWT installations due to the higher demands made on the total amount of radioactive radiation from the AETs and the tolerable amount of radioactive contamination in the equipment of the first loop. In this regard, the section has worked out the plans for the SWT systems of the AETs and these consider the experience in the designing, starting up and operation of the SWT equipment at the existing AETs and information on the efficiency and possible methods of their improvement.

Along with the program for the accelerated designing and construction of the AETs with the 1,000-megawatt water moderated reactors, the section has given great attention to working out a common approach of the CEMA countries to solving the question of safety in operating the AETs, the problems of limiting environmental pollution in the generating of electric power from the AETs and the problems of raising their economicness, dependability and flexibility.

On the first of these problems, the sections have worked out "Rules and Methods for Nondestructive Inspection of the Basic Metal and Welds of Equipment in the First Loop of the AETs with VVER-440 Reactors During Starting Up and Operation." The inspection of the state of material in the equipment of the AETs is part of all the essential measures relating to inspection and supervision. It provides protection against radiation, nuclear safety and the readiness of the equipment. The document provides recommendations for the operating personnel of nuclear installations with VVER reactors for preparing and conducting inspections for the state of the material. This document contains the basic methods for inspecting equipment at the AETs as well as the requirements for the scope and dates for carrying it out.

The Section has also worked out other materials for similar purposes, including: "Specifications on Metal and Weld Quality for Equipment in the First Loop of the AETs" and this can be used in drawing up instructions and standards in the individual nations related to the questions of equipment quality in the AETs having VVER as well as for working out inspection programs prior to the completion and during the operation of the AETs as well as the "Basic Provisions on Organizing and Carrying Out Inspections of the Basic Metal and Welds During the Construction, Installation and Operation of the AETs."

The wide-scale development and the increase rate of nuclear power in the CEMA nations demand ever-greater attention to the problem of the impact of the AETs on the environment and the elaboration of measures to limit this.

In accord with the commission's plan, Section 5 has drawn up specific programs to carry out the subject the aim of which is to elaborate a fundamental safety document on "Basic Provisions to Ensure AETs Safety During Design, Construction and Operation." The extensive development of nuclear power and the growing share of the AETs

in the total capacity of the power systems necessitate an evermore attentive attitude toward the economicness, dependability and flexibility of the AETs and their elements. The technical and economic indicators of the AETs depend substantially upon the requirements of the power system. Consequently, the questions of increasing the economicness, reliability and maneuverability of the AETs must be examined from the standpoint of these requirements. Uniform methods and criteria for a comparative assessment must be worked out for a specific study of the technical and economic indicators of the AETs and for elaborating the technical recommendations and decisions to improve these indicators. On a basis of uniform methods for calculating the technical and economic specifications it is possible to examine the economicness, reliability and flexibility of the AETs operating in the UPS as well as elaborate sound recommendations, requirements and technical solutions for improving them.

A thorough analysis of the experience of operating the AETs which are part of the UPS is also useful because this makes it possible to work out technical recommendations and standard documents for the design organizations and industry and these can be of help in developing the future types of AETs. In this regard the Section has worked out an appropriate program. The solution to these problems will make it possible to elaborate normative material on the requirements of the future AETs which will be built after 1980.

At present the attention of Section 5 is concentrated on solving the questions of the Long-Range Specific Cooperation Program (LSCP) to meet the needs of the CEMA nations for the basic types of energy, fuel and raw materials as applies to nuclear power.

One of the basic areas for scientific and technical cooperation in the LSCP is the already-mentioned problem "Developing Power Units with Water-Moderated Reactors with a Capacity of 1,000 Megawatts." In this area, Section 5 has already carried out a number of projects including: "The Elaboration of Environmental Protective Measures in Generating Electric Power at AETs," "The Elaboration of Technologies for Creating Devices and Equipment for Remote Inspection and Control of the State of Metal and Welds in Equipment of the First Loop in the Operating Process" and others. Within the Section work has been commenced in the CEMA countries of studying sources of centralized heat supply based on nuclear fuel.

Cooperation within the LSCP for developing the VVER-1000 power units will be carried out in the following basic areas:

1) The improving of the physical and thermophysical characteristics of the reactor installation and the establishing of its safety;

2) Optimization of design solutions for power units and the elaboration of an optimum method for building the AETs;

3) The creation and testing of experimental models for individual types of AETs equipment.

At present, the carrying out of this program is moving into the area of actual implementation.

Even in preparing the agreement, the member countries along with the CEMA Secretariat and Interatomenergo decided that the preparatory phase of collaboration on each subject would encompass, as a rule, four stages which had already been tested out in organizing work on a multilateral basis. These are:

1) The elaboration of the technical requirements (questionnaire) by the coordinator of the subject and which would briefly define the tasks of development;

2) The determining of the participating nations on the basis of the technical requirements for the scope and form of their participation in working out the given subject;

3) The elaboration by the coordinator of a working program and calendar plan for carrying out the subject considering the specific contribution of the participating nations to the development;

4) The coordinating of the work program and calendar plan by the countries participating in the development (as a rule at a meeting of specialists from these countries).

At present for the basic part of the subjects in the programs relating to Section 5 for the AETs the technical requirements have been met and proposals are being prepared by the countries on the scope and form of their participation in working out these subjects. For two of the subjects in the program, the four stages of the preparatory phase have been carried out and actual work is starting under the calendar plan.

Thus, the first practical steps have been made to carry out the cooperation agreement to develop atomic power units with VVER-1000 reactors. A sound basis has been established also for commencing work on other subjects and for successfully completing the entire program.

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DEVELOPMENT OF POWER ENGINEERING INFORMATION SYSTEM VIEWED

Sofia ENERGETIKA in Bulgarian No 5, 1981 pp 70-72

[Article by Mikhail P. Yaganov, coworker of the CEMA Secretariat and chairman of the MOSNTI of the Permanent CEMA Commission for Cooperation in the Power Engineering Area: "The Role of the MOSNTI in Developing the Power Industry of the CEMA Countries"]

[Text] One of the tasks of the comprehensive program to further deepen and improve cooperation and development of socialist economic integration among the CEMA countries has been the founding of an international scientific and technical information system (MSNTI). This year marks the 10th anniversary of its activities.

To carry out this task the Permanent CEMA Commission for Power Engineering [PCCPEA] at its 38th Session (1973) adopted the basic provisions of an international sectorial system of scientific and technical information [MOSNTI] in the area of power engineering. Here the following goals were set:

1) To inform the nations participating in the system of all scientific and technical information contained in publications on the questions of power engineering;

2) To avoid (to reduce as much as possible) unjustified duplication in processing the information;

3) To set up, in utilizing the advantages of the international division of labor, an effective information reference service for the various levels of management and production in the CEMA countries.

It must be emphasized that the PCCPEA is one of the first sectorial systems which has begun to carry out the designated aims.

At the end of 1973, the PCCPEA set up a body for coordinating and carrying out the tasks and this was the Council of the International Sectorial System for Scientific and Technical Information (MOSNTI) in the power engineering area with representative leaders from the national sectorial centers and approved the main areas of its activities.

It was essential to solve a number of organizational questions such as:

1) An analysis of the sectorial scientific and technical information bodies existing in the countries in order to determine the level and their technical capacilities;

2) Determining the types of informational publications which the system would provide for the countries;

3) The establishing of a unified procedural approach to making up the information reference holdings.

This was a formative period for the basic principles of information work under the direct control of the Permanent Commission.

In 1977, the system's council submitted to the PCCPEA a report for 1973-1976 which pointed out that the carrying out of the organizational and technical decisions during this period had contributed to the creation of the MOSNTI which was functioning on the basis of the traditional forms of information work and information reference services.

At that time a regular exchange of publications was organized by the national sectorial centers and systems for information reference services were set up on a request-and-answer basis as well as selective information dissemination (SID) which began operating in accord with the range of activities of the PCCPEA. The work was organized in such a manner that upon the request of each nation, the working bodies of the system sent out copies of documents or information on questions kept in the information reference holdings.

The selective dissemination of information was carried out by providing the subscribers with a subject choice of bibliographic cards with annotations or abstracts and a copy of the documents. Thus, it was possible for all the MOSNTI member nations to gain direct access to the national information reference holdings which were accumulating the scientific and technical progress in the sector.

A positive factor was the joining of Cuba and Mongolia with the countries which were relatively advanced in information terms such as Bulgaria, Hungary, the GDR, Poland, Romania, the USSR and Czechoslovakia. This provided them with an opportunity to make fuller use of the reciprocal scientific and technical potential of our nations in the power engineering area.

The system's council each year analyzed the forms of information reference services and made the necessary changes, bearing in mind the interest of the countries. In 1979, certain changes were made in the SID and request-and-answer systems and as a result of this the requests began to be more specifically formulated and there was a

rise in the interchange of scientific and technical documents. While in 1976, 48 requests were drawn up for the SID system, in 1979, the number was 74. In 1976, for the request-and-answer system, the nations received 58 titles of copies of primary sources, and in 1979, 124 titles. Over the 1976-1979 period, the number of exchanged publication copies by the information centers of the MOSNTI member nations had risen from 850 to 1,784. The time for carrying out the requests was reduced from 10 weeks in 1976 to 8 in 1979. The interchange of the national lists of classification headings carried out within the system upon the proposal of the council provided high accuracy in formulating the requests. We must note the great activity of the electric power scientific and technical information bodies of the GDR, Hungary and Bulgaria in realizing these indicators.

Along with information reference services for subscribers, the system's council is active in providing information to the PCCPEA. The first steps in this area were the terminology studies and this halted the activities of the temporary work group under the Permanent Commission.

All the members of the system's council participated in creating the film "The Fires of Friendship" which was highly praised at the jubilee CEMA Session in 1979 in Warsaw. The council has also prepared the exhibit "Twenty Years of PCCPEA Activities."

The 51st Session of the PCCPEA instructed the council to improve informational support for developments related to carrying out the tasks deriving from the Long-Range Special Cooperation Program in the Area of Power Engineering (LSCP). In line with this, under the MOSNTI for power engineering the following reviews were prepared and published on the subjects of the LSCP:

1) The use of nuclear fuel sources for central heating (coordinator--Bulgaria);

2) The development of new high-powered energy units for TETs (coordinator--Poland);

3) Highly-flexible high-power energy installations operating on solid fuel and used to cover peak and semipeak loads (coordinator--Hungary).

The publishing of reviews on the LSCP subjects will be continued in the future. At the moment we are preparing for publishing reviews on the rational use and saving of fuel and energy resources in electric power production (coordinator--USSR) and the state and prospects for the development of hydropower in the CEMA countries (coordinator--the CSSR).

The PCCPEA has assigned the study to the International Sectorial Automated System of Scientific and Technical Information (MOASNTI).

A basic aspect in carrying out this task is the creation of an information-retrieving language which would include a polyglot information retrieving dictionary and a polyglot classification of subject headings. The normative and technical documents of the MTsNTI [International Center for Scientific and Technical Information] as well as the procedure and instructions for compiling the polyglot dictionary approved by the MOSNTI have served as the guiding materials in the study. The creation of a polyglot dictionary has been carried out by dividing up the labor and distributing the subject headings of the systematized indicator of the dictionary among the MOSNTI member nations.

In 1977-1980, the parts of the polyglot thesarus were worked out as follows: In 1977, Electric Power Engineering (with the GDR as the nation in charge); in 1977-1978, Thermal Power Engineering (Poland as the nation in charge); in 1978-1979, Hydropower Engineering (Bulgaria as the nation in charge); Nuclear Power (the USSR as the nation in charge); Solar Power, Geothermal Power and Wind Power (Hungary as the nation in charge) and Protection of the Environment (the CSSR as the nation in charge). The subject heading of Power Construction is being worked out. The plans for the individual parts were discussed and approved by meetings of specialists after which these were approved by the Council of the MOSNTI for Power Engineering.

The elaborated parts represent a set of systematized and alphabetized lexicosemantic indices and descriptions in six languages (Bulgarian, Hungarian, German, Polish, Czech and Russian). Only the subject heading Hydropower Engineering has been published in Romanian.

The elaboration of a polyglot classifier of subject headings began in 1978 and is based on the 2-3-tier classification of subject headings used by the MTsNTI. A draft for the third level of the subject heading Power Engineering has been compiled and the fourth level of the classification is in the process of being worked out.

As part of the bilateral cooperation between the USSR and GDR, an experimental test was run on the technical solution and possibilities of the exchange of information on magnetic tape between the national automated scientific and technical information systems. For carrying out the experiment, a mixed file was prepared containing descriptions of 200 documents for which 20 requests were sent and processed. The experiment showed that it was possible to exchange magnetic tape information using the international communications format for data recording MEKOF-2 which overcomes the differences in the hardware and software of the national ASNTI [automated system of scientific and technical information]. However, during the experiment differences were discovered in the information, functional-organizational and particularly the linguistic support of the national ASNTI and the overcoming of these is complicated and necessitates further joint work.

The MOSNTI member nations have begun to set up a MOASNTI on the basis of the positive experience from the functioning of the MOSNTI in its traditional forms, using the main principles for carrying it out (cooperation and the mutually advantageous division of labor) as well as with modern equipment with the prospects of cooperation among the national information systems as part of the MTsNTI.

The creation of the MOASNTI for electric power is regulated by the documents of the council, the Committee of Representatives of the nations and the PCCPEA and is carried out by all the participating countries in accord with the coordination plans for its elaboration and introduction.

In utilizing the experience of setting up the national systems, the following stages were adopted for working out the plans: Technical specifications, technical design and working design for the project.

The technical specifications were worked out within the MOASNTI and approved by the PCCPEA at its 53d Session in 1978. It defines the basic principles for setting up the system, the tasks and demands on the basic technological processes and range of equipment.

The technical design of the system made in accord with the requirements of the Composition and Content of the Technical Design (approved by the Committee of Representatives) contains the basic design solutions both for the system and for the individual tasks. It establishes the stage-by-stage completion of the system.

The design envisages the elaboration and introduction of the primary tasks (the feeding in and storage of the information, information reference services under the condition of the selective distribution of the information and retrospective retrieval, as well as editing and publishing work) and its use during the first stage of introducing the applied programs pack (APP) of the ASPID [?automated system for the publishing of documents] in the main body of the system with the possibility of further utilizing a more advanced APP standard for all or a majority of the member nations of the MOASNTI for Electric Power (in particular, the use of the APP of the AIDOS [expansion unknown] in the second stage). The technical design of the system after approval by the MOSNTI Council was approved by the PCCPEA at its 54th Session in May 1979.

At present the working designing is being completed. This is being done by all the MOASNTI member nations considering the possibilities and interest of them in the principle of the international division of labor. The working plan must contain a set of instructional and procedural materials which would control the system's functioning and determine the procedure and rules for carrying out all the technological processes.

The working design envisages the creation of a unified data base for the system with organized information reference services for all the subscribers and providing the various types of traditional information services. The acquiring of the information base will be done both by descriptions of departmental materials from all the participating countries as well as by descriptions of documents relating to the field and received from the magnetic tapes of the external data sources such as the international specialized and sectorial ASNTI which are part of the CEMA MSNTI. The MTsNTI and the main body of the MOSNTI, the USSR Informenergo [Power Engineering Information System] have concluded an agreement to carry out joint work on cooperating with the International Specialized Information System for Scientific Research (MSIS NIR). Even in the first stage of introducing the system there are plans to exchange information in the international communicative format for magnetic tape recording considering the readiness of the individual nations to organize such exchange.

At the end of 1979, the first edition of the working plan of the system was prepared. The linking up of the national sectorial automated systems for scientific and technical information into a unified international automated system has created definite difficulties during the designing period and these will also be encountered during its introduction into experimental use.

Bearing in mind that the question of a rational division of labor is one of the bases for the efficient functioning of the system and for introducing order into the making up of the information reference holdings of the countries, the system's council is working actively to organize the cooperation of the MOASNTI for Power Engineering with the other sectorial and specialized systems of the CEMA MSNTI. As a start, informational materials relating to the sector must be obtained from the

International Information System for the Publishing of Documents the main body of which is the VNINITI [All-Union Scientific Research Institute for Scientific and Technical Information]. We have already begun to make experimental use of the magnetic-tape information from this system. There are plans to set up links with the other specialized systems of the MTsNTI and this will provide an opportunity to incorporate documents from the entire world into the CEMA power engineering information system.

In the past years enormous work has been done, but still there are many unresolved questions along the path to international cooperation in the area of power engineering scientific and technical information.

Under the conditions of the scientific and technical revolution which has brought about a significant acceleration in the pace of scientific and technical progress, it is essential to improve the MOSNTI for Power Engineering for more effectively utilizing the world achievements of science and technology to improve the management of the power industry in the CEMA nations.

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2192

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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GDR-CEMA COUNTRIES TRADE AGREEMENTS ANNOUNCED AFTER LEIPZIG FAIR

East Berlin AW DDR-AUSSENWIRTSCHAFT in German Vol 9 No 38, 16 Sep 81 p 2

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Significant Business Agreements: Further Agreements on Reciprocal Deliveries With USSR and Other CEMA Partners--Cooperation and Specialization Contracts With Socialist Republic of Romania and People's Republic of Bulgaria--GDR Textile Machines for Mexico"]

[Text] Textima--Export/Import

In 1982, 50 automated straight and circular knitters will go to Mexico, the 300th unit of this kind from the GDR since 1975. These machines are used in Mexico mainly to produce outerwear. Between 1975 and 1980, the Textima Combine increased its exports to Mexico fivefold. Among other items, 200 large circular knitters, chain knitting frames, sewing machines and finishing machines were supplied. Two cotton spinning-mills are being built in Mexico at this time.

Iraq bought four straight and circular knitters.

Baukema Export/Import

The Soviet foreign trade organization Mashinoimport ordered a large number of all-purpose excavators.

A contract on the project planning, delivery and assembly of prefab projects for producing concrete elements was signed with the national housing construction management of the People's Republic of Mozambique. Those plants, in the building of which ABH LIMEX-BAU-EXPORT IMPORT is involved also, are going up in the towns of Maputo, Tete and Macuba. They help introduce the slab construction technique to industrial housing construction in Mozambique.

Robotron Export/Import

Robotron Export/Import, on the basis of long-term trade agreements, made contractual agreements with the Soviet foreign trade organization Elektronorgtekhnika on exporting data processing installations, bookkeeping and typing equipment and drawing instruments, and importing electronic computer equipment and cash registers at a total value of circa R 125 million.

Transportmaschinen Export-Import

A cooperation agreement up to 1985 with the Romanian partner enterprise concerns a joint production of extension ladder vehicles. Reciprocal delivery contracts concerned were signed for 1982.

Important contracts were signed with the Hungarian foreign trade enterprise MOGURT. Projected is the delivery of 400 trucks and 200 buses and more than 400 trailers for various uses.

Further export-import agreements at a total value of R 31 million were signed with the Polish partner enterprise Polmot. They pertain to the delivery of W-50 trucks and trailers to Poland and the import of Polish flat-beds.

Long-term deliveries of trumpets and signals were contracted for the French firms of Peugeot, Talbot and Citroen, till 1986.

Fortschritt Landmaschinen Export-Import

The USSR supplies complete cattle breeding installations. Hungary is getting 400 special trailers for farm machinery, 156 swath harvesters and swath shifters each, 80 forage choppers and corn adapters each, and 70 plows, at a value of circa valuta M 33 million.

Polygraph-Export/Import

Belgium will be getting large exports of polygraphic products, among them three assembly sections, two MULTI-EFFEKT folding machines, two PERFEKTA cutters, and book-binding machines.

Two roll offset machines were ordered by Spain; Iraq, five bow offset printers. At a value of valuta M 7 million, Australia purchased polygraphic machines, including 30 printers of the PLANETA Variant series and 43 book-binding and cutting machines.

MLW Intermed-Export-Import

The USSR and Romania will be supplied in 1982 with X-ray equipment at a total value of circa R 2.5 million. Medical and laboratory equipment was ordered by the CSSR, Poland and Yugoslavia.

Bolivia and Columbia are getting university equipment. The FRG is getting medical consumer articles, laboratory equipment and respirators, Algeria is getting X-ray foil and X-ray equipment. Ghana also ordered X-ray equipment.

Elektrotechnik-Export-Import

An export contract for GDR welding equipment and installations at a value of valuta Mark 2.5 million was signed for 1982 with the Hungarian foreign trade enterprise Transelektro.

TechnoCommerz GmbH

Mashinoimport (USSR) ordered roof ventilators at a value of circa R 1.5 million.

Hungary is getting hycraulic products at a value of more than valuta M 5 million. TechnoCommerz bought from Yugoslavia air pressure equipment and labor cylinders.

Heim-Electric Export-Import

In conformity with import contracts with the foreign trade organization Tekhnointorg, 40,000 Junost TV sets were delivered in 1982 from the USSR to the GDR.

GERMED-Export-Import

This firm reported contracts with the USSR partner Medexport on supplying pharmaceuticals, mainly for the heart and circulation system, to the Soviet Union at a value of circa R 60 million.

Customers from Hungary, Romania and the FRG also ordered pharmaceuticals, for the heart and the circulation system, against epileptics, psychopharmaceuticals and drugs.

Chemie-Export-Import

This firm contracted reciprocal deliveries at a value of more than R 10 million with the Bulgarian foreign trade organizations Pharmachim and Chimimport.

Two long-term specialization contracts till 1985 with Chimimport provide for the export of vanadium contact substance and dimethylformamide.

Genussmittel Import-Export

In the presence of the Cuban deputy minister of foreign trade, Dr Jose de la Fuente, a contract was signed on the import of sweets from Cuba for 1982 at a value of more than R 1 million.

Denmark is getting gelatine-sugar.

Zellstoff und Papier Export/Import

Buyers from the FRG are getting large amounts of punch-card cardboard in 1981 and 1982. Danish firms contracted for 10,000 tons of raw material for the manufacture of corrugated paper from the GDR.

Fruchtimex

Hungary will send much fresh and canned vegetable and fruit to the GDR next year.

Zimex GmbH

The foreign trade enterprise of the GDR's polygraphic industry signed an agreement with its Soviet partner enterprise Vneshtorgizdat on an export of printing material at a volume of more than R 23 million.

Interpelz

Synthetic floor covering at a value of R 14 million will be going to the USSR. Romania is getting synthetic leather.

Table covers were ordered by Yugoslavia. France is getting shoes, and the FRG, synthetic leather and fur clothing.

Spielwaren und Sportartikel Export-Import

Business partners from Denmark, Finland, France, UK, Italy, Norway and the FRG contracted for receiving toys.

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ACHIEVEMENTS OF INSTITUTE OF AGRICULTURAL ECONOMICS REVIEWED

Warsaw ZAGADNIENIA EKONOMIKI ROLNEJ in Polish No 1, Jan-Feb 81 pp 5-23

[Article by Prof Augustyn Wos, director, Institute of Agricultural Economics: "Achievements and Tasks of the Institute of Agricultural Economics (On the Thirtieth Anniversary of its Existence)"]

[Text] In 1980 the Institute of Agricultural Economics ends 30 years of existence. It came into being in January, 1950, by combining the Department of Farm Economy in the State Research Institute of Rural Economy, the Research Office in the PZPR Central Committee's Agricultural Department, and the Agricultural Department of the Cooperative Scientific Institute. The Institute of Agricultural Economics (IAE) took some of the workers, and the research workshop, from its predecessors, but from the very beginning it was formed as a totally new research institution, with its own program, tasks and research goals.

This anniversary, as every anniversary, prompts evaluation and reflection upon the past, but it is also a good occasion for looking boldly forward and outlining for ourselves the tasks which we feel we are ready to undertake. Without false modesty we can say that our anniversary is, to a certain degree, also a holiday for all Polish agricultural economists. This is not only because IAE is the central and leading institution of economic-agricultural research in Poland, but also because with its formation came qualitative changes in the entire economics of agriculture, clearing the path for Marxist theory and methodology of scientific research.

The history of the Institute of Agricultural Economics is linked very closely with the postwar development of the entire Polish economics of agriculture. It is an important part of this development and is, at the same time, a product of the development. In no assessment of the achievements of Polish agricultural economics could the Institute be ignored. It was here that most of the great empirical research was concentrated. It was here that the methodological bases for research were formulated, and it was here that ultimately the syntheses of great importance for the theory of agricultural development were originated.

From a 30-year perspective we have a right to ask, how much of what the Institute created is of a permanent nature? What constitutes an input into the development of science and will endure as an authentic achievement of human thought? In science,

the syntheses of developmental processes, which are an element of the theory of social development, and methods of scientific research determining the bases for recognizing reality, are most likely to endure.

In assessing the actual achievements of the Institute during its 30-year existence, the following should be examined in detail: 1) its input into economic-agricultural research theory and methodology; 2) its input into a broadly conceived theory of agricultural development; and 3) the importance of the results of its studies in improving economic planning and agricultural policy. Its achievements can be calculated in these three fields.

1. IAE Input Into the Development of Scientific Research Theory and Methodology

From its beginnings, the Institute operated on the basis of Marxist scientific research methodology. From its predecessors, particularly from the Department of Farm Economy in the State Research Institute of Rural Economy, it took over an extensive research facility, and especially agricultural accountability. However, the Institute faced a very difficult problem in adapting methods of accounts settlements and economic indexes to the requirements of a planned economy. Extensive revisions had to be made in the methods of calculating production costs, farm income, the final product and net production on the level of the farm and agriculture as a section of the national economy. The Institute took on these tasks and after many years of discussion they were completed successfully. A new method of cost analysis was developed, along with the related economic analyses. These were universally accepted in agricultural science and practice. It should be emphasized that the entire milieu of agricultural economists participated in these discussions, but the basic theoretical work and the empirical studies were conducted in IAE. The first published results both for private peasant farms and for state enterprises originated here.

The process of applying a new research methodology was not easy. It was not so much a matter of making ordinary improvements in methods being used, as it was of developing a methodology based on totally new theoretical and ideological foundations. This, then, was a period when Marxist political economics began to enter into agricultural economics. It should be stressed here that in addition to its strictly research tasks, the Institute during the first years of its existence also fulfilled other extremely important functions. It became the center for educating new scientific cadres, for developing and applying Marxist methodology to economic-agricultural research throughout the country. Through its research and training activity, the Institute had an active influence on the entire circle of agricultural economists in Poland, clearing the way for new methods of thinking, a new theory of economy and a new methodology of scientific study.

Insofar as the methodology for economic-production research is concerned, the evolution led from an organic, through an organicized to a distributive method of cost accounting. Initially it was applied in objective analyses or in synthesizing results of selected groups of farms, particularly farms conducting agricultural accountability. However, the problem of generalizing these results for the entire farm population in Poland remained open. In later years, a method was developed in the Institute by which cost accounting was generalized, making it possible to estimate the indispensable indicators on the basis of macroeconomic data, using standards and

technico-economic ratios established during the course of representative studies. This refers to both the peasant economy and the socialized sector. The Institute now has a method which permits macroeconomic analyses to be made with a high degree of precision, and their results can be used in making important decisions at the central level. This method is an important and original achievement of the Institute. It is used each year in making precise studies of production costs in the individual sectors and farm groups. Furthermore, it is used in preparing different variants of possible scenarios of economic policy, especially price policy, taxes, subsidies, interests on loans, etc. Although decisions on prices and other instruments of economic policy do not result directly from cost analyses, nevertheless they are extremely useful in examining alternative solutions. Because the Institute has available a complete matrix of production costs, and is also able to establish inter-subsector flows within agriculture, it can with great accuracy foresee the production and economic (especially the income) consequences of planned undertakings of agricultural policy.

During the 30 years of its operations, the IAE created not only a tremendous store of data--it has available not only series of comparative information in long-term periods-- but it has also developed its own method of making economic analyses. All source data, and the analyses on which they are based, the scientific reports and syntheses, are all available to those interested in them and are the property of the entire circle of Polish agricultural economists. As a result, the scope of their use has been expanding greatly. In almost every professional circle in Poland, these data are used for scientific studies, planning and current economic decisions.

In speaking of economic-production research, one should know what kind of store of data the Institute now has available. First, an original and irreplaceable store of knowledge are agricultural accounting data. This sampling covers about 1,800 farms dispersed quite uniformly throughout the country, and the range of the accumulated information is large enough that for practical purposes it is sufficient to make a detailed analysis of production processes and technical-balance relationships, production profitability, peasant incomes, consumption, turnovers of individual products, production assets, labor inputs and many questions concerning the development of a peasant family. In the near future the Institute will begin work on enlarging this sample so as to make it more representative of not just the whole country, but also the individual regions and voivodships.

Second, the Institute collects and each year publishes production-economic data pertaining to 50 state farm enterprises. These facilitate not only a detailed analysis of production costs but also make it possible to determine the principle characteristics of the economics of these units and their internal organizations. Separate studies are being conducted on farms specializing in commercial production of pigs, feed cattle, milking cows and poultry. They encompass: fodder management and animal feeding, reproduction problems, the economics of the individual phases of fattening, utilization of wastes, problems of internal organization of work, and also the final economic results of the specific types of farms.

Third, a sampling of 120 production cooperatives is subjected each year to a similar type of detailed study.

Fourth, each year a detailed analysis of production service costs is conducted on 100 randomly selected agricultural circle cooperatives. At this time this is the only material illustrating the economics of the agricultural circle cooperatives. This material is used in the current operations of the Central Union of Agricultural Circles.

Fifth, twice a year motivational studies are conducted on a group of 3,500 to 4,000 peasant farms. These studies furnish unique material which shows the production inclination of the farmers, their intentions for the near future, and the motives underlying their decisions. This material forms an important basis for short-term forecasting of farm production and directions of agricultural development. The Institute is improving motivational research, which has established a permanent place for itself in our agricultural economics. Because the Institite has made it a subject of continued research, Poland is a country with about the best-developed motivational research. Our experience in this field is the subject of interest of research centers in other countries. There is also a possibility that the results of motivational research will be fed into the Management Information System and will also be used in constructing a cybernetics-informational model of Polish agriculture. The Institute is cooperating closely with the Systems Research Institute in the Academy of Sciences and the International Institute of Applied Systems Research in Laxenburg, Austria, on this matter.

Sixth, a group of about 8,000 private peasant farms, specializing in specific fields of animal production, is the object of intermittent study. Thus far, these studies have been conducted twice. They supply unique data on the economics of specialized farms, particularly on costs and profitability of production, feed management, investment activity, farmers' incomes, etc. This is actually the only representative material on which a comprehensive evaluation of the effectiveness of our policy of farm production specialization can be based. In this field, methods previously developed in the Institute are applied, e.g., a cost accounting method, but for many purposes these methods have to be appropriately modified.

Seventh, 240 groups of private farmers and 50 specialized cooperatives are studied periodically. They supply important information on the economics and conditions for development of these forms of production organizations, on production costs, profitability, etc.

As this cursory review shows, the Institute gathers a huge quantity of information on all types of production units in our agriculture. In the field of economic-production research, the Institute collects 32.7 million pieces of primary information each year. These are then prepared, assembled and analyzed from the standpoint of the requirements of economic practice. If we add to this the periodic studies done on specialized farms, on peasant groups and specialized cooperatives, and the tremendous bank of data collected every 3 years within the framework of the structural research program (about which we will speak separately), then we obtain, on an average, 40 million pieces of information each year. Many methods had to be developed for preparing, analyzing and synthesizing this information. This work was done in the Institute, but the nature of the research process is such that these methods must be constantly verified and perfected. Each research group has its own achievements in this field. These achievements are in measure with our capabilities, but definitely not in measure with our needs. Each day brings new questions which create

new requirements. Science must be able to meet these requirements and improve its research facilities. Notwithstanding the tasks that await us, we can say that both the data bank and the list of research methods are already substantial. We know quite a great deal about the economic-production processes in our agriculture; the main problem lies in suitably converting this information and bringing about the syntheses that can be used in economic practice. I wish to stress here that the data collected in the Institute are public property and are being widely utilized by all scientific-research centers in the country which are interested in them. We are glad that we can serve all of science and the broadly conceived economic practice.

I have devoted a relatively large amount of attenion to the Institute's achievements in improving economic-production research methods and forming a suitable data base, since in reality this is one of the more important areas of our activities. However, the program of socioeconomic research in the Institute deserves special and separate attention. I refer specifically to research on the socioeconomic structure of the village and agriculture. Our Institute has a long history here, for it began its activities with research on the socioeconomic structure of the Polish village and on the processes of its stratification and the directions of reconstruction. At its beginnings, therefore, it was something of an institute on agrarian problems and the policy of the reconstruction of the farming system in Poland. This direction of study, resulting from a social need, shaped the Institute's research program for many years ahead. The methodological and cognitive attainments in this field are substantial. It should be emphasized today that the detailed picture of changes in the agrarian and socio-occupational structure of the Polish village is obtained principally due to the source studies by the IAE. Incidental research on the structure of agriculture is also being conducted in other scientific centers, but the IAE is probably the only institution that conducts these studies on a regular basis, initially every 5 years, and recently every 3 years. Thus far, the Institute has conducted eight large studies on a representative sample (recently about 21,000 village families). The Institute's achievement is not only this large research facility, which is unequalled in the country and also beyond its boundaries, but also the research method, which has been expanded and continually improved. It facilitates not only the identification of complex socioeconomic phenomena, but the forecasting of the development of these phenomena also. The subjects of detailed analyses are the agrarian structure, the processes of strenthening and weakening of individual groups of farms, matters of land turnovers, and the demographic and occupational structure of village and farm families. Structural studies give us a picture of the evolution of our agriculture and the village family, and the changes in working and living conditions of different population groups living in the villages. In recording the basic facts, identifying the nature of the structural processes and explaining their mechanisms, the Institute furnishes important premises for strategic decisions on social and farming policy in the village, and also accumulates the material indispensable for work on the theory of the village's socioeconomic development, with particularly attention to the evolution of the private peasant farm.

The third important area of IAE research are the spatial problems of the development of Polish agriculture. The Institute has been dealing with them for a long time. They lie at the juncture of agricultural, geographic and economic sciences, which creates particular problems for the research facility organization and for the selection of appropriate methods. To some degree, the attainments of these three sciences are utilized, nevertheless the Institute was faced with the problem of synthesizing

different methods and adapting them to the specific subject of research. The Institute has many achievements in this field. In particular, it found a suitable place for spatial economics-agriculture studies in the system of natural and social sciences and clearly isolated the subject of research. Space and all its natural and economic characteristics are treated not only as the subject but also as one of the variables in the complex process of planning agricultural development. Thus we can see the concrete nature of the production and socioeconomic processes, situated in space. True, the Institute does not conduct work on the development programs of the individual regions (which is the subject of geographical science and regional planning), but through its research it makes it possible to more deeply analyze the interdependence which exists between the broadly conceived agricultural expanse and socioeconomic development. The results of these studies are very important in programming the technical and socioeconomic development of the infrastructure of agriculture and the entire food economy. Among the Institute's significant achievements in this field, particular mention should be made of the edition, "Agricultural Atlas of Poland", the delineation of Poland's farming regions, studies on models of spatial locating of production and allocation of resources, and work on synthesizing the picture of spatial transformations in Polish agriculture.

The fourth area of the Institute's research are international comparative studies. This is a relatively new direction, but it is growing dynamically and has shown appreciable cognitive and methodological results. Two directions of research have appeared. The first encompasses comparative analyses of agricultural policy in European socialist countries and selected capitalist countries, especially: instruments of farm policy, structural transformations, and the organization and management of agriculture. Comparative macroeconomic analyses methods are applied here. The second direction encompasses research on the international markets of farm products, from the standpoint of our export and import capabilities. The implications of the international situation for the development of Polish agriculture and its position on international markets are particularly important here.

Each of these directions has its own facilities and its own methodology. The Institute has developed a broad cooperation with the appropriate Polish economic departments and also with numerous foreign scientific-research institutes and the appropriate departments of the international institutes. As a result, it obtains, on a current basis, extensive information and also has access to world results of scientific research. It should be stressed that due to this expanded information network, the Institute can, on a current basis, inform the economic leadership about the production and market situation in various regions of the world (such analyses are presented twice a year). It is also able to furnish important materials for forecasting our connections with the world economy. A method has also been developed in the Institute for calculating the economic profitability of exporting specific farm products, taking into account at the same time the potentialities of importing. This makes it possible to prepare the appropriate scenarios of export-import policy under differing terms of trade of our farm products. The results of these studies are used not only by the Ministry of Agriculture but also by the Ministry of Foreign Trade and the economic planning organ.

The fifth important area of IAE's scientific research is the application of mathematical and electronic computer methods in agricultural management. These studies are aimed at adapting new methods of econometric and cybernetic analysis to the requirements of farm enterprise management and to agriculture as a sector of the national

economy. For some time, work was conducted in the Institute on using statistical and econometric methods, and particularly linear programming techniques, in planning production in an enterprise and in its internal organization. This work brought some positive results (especially in disseminating knowledge of mathematical programming techniques in agricultural economist circles), although there was also disillusionment and disappointment that all of the expectations were not met. For several years now development seems to be going in the direction of systems analyses, using information science and economic cybernetics, and also simulation analysis techniques, which, in agriculture, seem to be more promising than optimizationa linear programming. The Institute is cooperating on this with many scientific centers in European socialist and capitalist countries and also with international institutes. The IAE also coordinates domestic research in the field of automated systems of agriculture management.

It should be noted that the Institute is becoming more familiar with mathematical and electronic computer methods and the foundations of economic information sciences and is applying these methods in various research work with increasing success. The Electronic Computer Plant plays a large role in modernizing the research facilities of the Institute and in the process of applying quantitative methods to research work.

The methods and applications work pertaining to the data bank on the enterprise level is also quite advanced. A system of analytical filing and bookkeeping has been developed and initially verified which will make it possible for a farm manager to examine the books more easily and accurately than heretofore. The advantage of this system is that it can be easily automated and included in a uniform operational planning and management system. These systems have, in reality, been developed and verified; unfortunately, the process of universally applying them in economic practice is very protracted.

It is worth mentioning also that work has been begun in the Institute on a Management Information System. The first stage of this work is expected to be completed in about a year. This system may have great importance for operational management on the administration level of the Ministry of Agriculture. Before it can be applied, however, several important conditions must be fulfilled, and particularly the formation of a computer center, or the assignment of this accounting work to existing units, etc. Neither the IAE nor any other scientific-research institution can take over the operation of such a system.

This review shows the enormity of the effort which was undertaken in the Institute during its 30-year history to create a modern facility and to perfect research methods. Despite the inadequacies which we will have to gradually eliminate, we can say today that an extensive research facility has been created which encompasses all of the important problems in the development of agricultural reality in Poland. As a result, the Institute has created for itself the bases for comprehensive analyses for the use of economic practice. Without false modesty we can say that this facility and the results of scientific research, in terms of meritorious value, are not inferior to many renowned foreign institutions, although the technical and physical working conditions at the Institute are incomparably worse. In international contacts we are an equal partner and many scientific centers readily contact us and seek our publications. This is a direct confirmation of the meritorious value of our research

and the prestige which the Institute enjoys in world professional circles. These results did not come of themselves; they came from the arduous work on the part of all workers in the Institute and all those who worked here and left or retired. This is an appropriate occasion on which to pay tribute to all those who created the Institute of Agricultural Economics over its entire 30-year history.

2. IAE Research on the Theory of the Development of Agriculture

In its 30-year history the Institute prepared a number of various analyses and scientific reports. Although they were always very important in identifying the existing reality and planning its development, nevertheless their scientific value is, on the whole, transitory. Of lasting value in the development of science, on the other hand, are syntheses and those research findings which constitute elements of the theory of economic development. In this area, there is more ahead of us than behind us. It is in the natural sequence of things that for years knowledge is accumulated and detailed analyses are made so that later this knowledge can be used for the appropriate syntheses.

That, which constitutes a lasting theoretical attainment in science, was always a subject of dispute. Without judging this issue, I wish to call attention simply to certain achievements of the Institute which, in my opinion, constitute certain advancement in the theory of socioeconomic development. Even if they do not contain complete solutions, nevertheless there are in them elements which can be regarded as a component part of the theory.

1. First and foremost are the findings of research on the socialist reconstruction of Polish agriculture. Actually, almost all of the studies which the Institute made dealt with the solution of this question. Agricultural reconstruction is the historical task of our generation and in a strategic sense is the most important problem of farm policy. The assistance of economic-agricultural science must be very meaningful here. It must be said that the IAE and the entire circle of Polish agricultural economists undertook this problem with full responsibility. In the last 5-year period the research is integrated within the framework of crucial problem 11.3 "Socioeconomic reconstruction of the village and agriculture in Poland", but the work in this field has, of course, been going on much longer.

There is no doubt that in the final shaping of a concept of gradual, evolutionary reconstruction of Polish agriculture, the results of the IAE's empirical research and the opinions formulated on the basis of this research, were extremely important. I am referring particularly to the studies on the relationships which exist between the directions and rate of reconstruction and the growth of agricultural production, the results of research on the effectiveness of different types of enterprises and forms of management, on the social preconditions for the development of agriculture or the social costs of different variants and ways of reconstructing agriculture. Although it is difficult to cite proof in this matter, nevertheless it appears to be obvious today that the various studies conducted in the IAE shaped both the knowledge on the nature of developmental processes and the various preconditions for the reconstruction of agriculture. It is worthwhile here to note at least the results of research on the technical reconstruction of agriculture and the relationships which exist between the modern technical base of agriculture and the directions of changes in property relations and forms of management.

2. The research carried out in the Institute through the years made it possible to present an outline of the theory of private farming in the phase of its reconstruction, which constitutes a certain achievement of Polish agricultural economics. The Institute deserves credit for showing those mechanisms and forces inherent in a private, peasant farm which were conducive to its reconstruction. This made it possible to show the practical ways of utilizing the modifications within the peasant farm to reconstruct its form. Important implications of a social and political nature also result from this research.

The advantage of this research is that the problem of agricultural reconstruction is examined in the broad context of the entire national economy, its requirements and capabilities. The problem here is the principle issue of financing the reconstruction costs as well as the formation of conditons for the harmonious development of the agriculture undergoing transformation and the entire national economy.

In recent years, research work has gone in four directions. First, macroeconomic research aimed at explaining the principle processes in the growth of production, the economic conditions of the reconstruction process itself and the social costs of the technical reconstruction of agriculture, was greatly expanded. The second current was the research on coproduction processes in agriculture, as an important condition of deeper transformations within the peasant economy. This coproduction opens the way for the evolution of a peasant economy in a socialist direction.

The third current were the previously mentioned intersector comparative studies, which resulted in a definition of the economic efficiency and social usefulness of different forms of management in agriculture. The fourth current of research, which expanded greatly in recent years, were the studies on managing the farm lands, and especially the processes of the transfer of land from peasant use and its takeover by the socialist sector.

In recent years the Institute has crossed the boundary designated formerly in the narrow program of research on the economics of an enterprise and has undertaken an analysis of processes, factors and socioeconomic forces which lead to socioeconomic and technical reconstruction of agriculture. The Institute can list its own achievements in this field and, in addition, it assumed the task of coordinating the research efforts of the entire circle of agricultural economists. I am speaking here of the coordination of the crucial problem 11.3. The first 5-year stage of this research ends this year and the studies will be continued in the future.

3. The third area in which the Institute developed some elements of theory is the food economy complex and the problems related to the programming of its development. The most important interest in this question was shown during the second half of the 1970's, which was connected with the requirements of economic practice. The research work undertaken by the agricultural economists preceded the PZPR Central Committee Fifteenth Plenum program for 1974, but the resolutions of this Plenum gave the scientific research new incentives. This is one of the fields where science supported and inspired economic practice.

During the last 6 years the basic framework of the theory for the development of a food economy complex was established. The lasting elements of this theory include: a definition of food economy, interpreted more broadly and deeply; an analysis of intersector connections within the food economy complex and also its connections

with the entire national economy and with countries abroad, with appropriate proposals as to optimization of the structure of the manufacturing apparatus of the complex itself; and a cybernetic-econometric model of the food economy with elements of theory for management of the entire complex. Proposals pertaining to the institutional-organizational structure of the food economy also result directly from these studies. Recently several important monographs and quite a large number of studies and scientific articles have been published on this subject. It should be emphasized that a considerable part of the significant achievements in this field were made in the IAE, which continues to fulfill a leading role in coordinating and stimulating research in this area. For several years now there has been an inter-institute group for food economy matters at the Institute, and the fruit of its activities is, among other things, the monograph, "Agriculture-Market-Balance", which played an important role in revealing the various interconnections which appear in the area of the food economy and the complexity of these interconnections with the national economy, including also the economic systems for managing agriculture and the food economy.

The Institute's attainment in this field is also known outside the borders of the country. The concept of a food economy and the problems of controlling its development were presented at the congresses of the International Association of Agricultural Economists and the European Association of Agricultural Economists, as well as at other seminars and scientific conferences. They always met with interest. Without a doubt, in this field of research the Polish circle of agricultural economists is one of the leaders.

4. An unquestioned achievement of the Institute are the short- and long-term forecasts of agricultural development. They grew out of the analyses of the current economic-production situation. The yearly and periodic analyses have, above all, a cognitive importance and are of direct use to economic practice as important materials for economic evaluations and the formation of agricultural policy. Continuation of these analyses, made on the basis of an improved methodology, may, however, be the basis for formulating a socioeconomic theory for the development of agriculture. The analyses have been prepared in the IAE for at least 15 years, and in connection with this work a great deal of knowledge has been accumulated not only about specific states but also about the mechanisms of the development of economic phenomena. The generalization of this knowledge forms the bases for theory.

Analyses and forecasts of animal production development, which have been made in the Institute for a long time, are particularly important. The methodological and theoretical achievemens in this field are substantial. The many years of research have become the basis for the development and expansion of a theory of production cycles in agriculture and have cast much new light on a theory of farm producer motivation. It must be stressed here that the combining of empirical analysis statistics on animal population with an analysis of results of motivational studies which the Institute conducts twice a year, forms a basis for new syntheses.

5. The yearly and periodic analyses supply important elements for expanding the theory of reproduction in agriculture. Such issues come up here as: creating an economic surplus (net production) and its division, creation of development funds, the investment process (along with a calculation of the social effectiveness of investment), problems of restitution of fixed assets along with the elements of a

theory of renewal, etc. I do not wish to say that on the basis of research in the Institute such theories have already been developed, but it is a fact that many of their important elements have already been created and a large amount of empirical knowledge has been accumulated which may form a suitable foundation for theoretical studies in the near future.

6. The Institute's studies supply a greal deal of material for a new look also at the population theory. Although the Institute does not believe itself to be competent to formulate theoretical generalizations in this field, nevertheless its studies furnish an enormous amount of material for various demographic studies pertaining to village and farm populations. Reference is made particularly to such issues as: natural increase and expanded population reproduction, problems of migration, economic and social problems relating to occupational surpluses in different population groups, problems relating to people holding two jobs, etc. These issues, as they relate to the village and farm population, are being studied at the Institute and certain segmental generalizations will be made.

7. If we speak of the possibilities that the Institute's research creates for the theoretical generalizations, we should mention spatial studies which enhance the theory of localization. If it were possible to combine knowledge about the natural factors that determine localization decisions with socioeconomic knowledge on this subject (which is already substantial), then some important recommendations could be expected for agricultural practice. I believe that such possibilities exist.

In discussing the Institute's contribution to the development of the theory of socioeconomic development and mentioning those fields where the achievements have already reached the standing of theoretical syntheses, I named the seven most important areas. This list is, of course, incomplete. I would particularly not want my subjective viewpoint to disparage the theoretical achievements of any other research group. There is great need in this field, for a good theory is, above all, indispensable to economic practice. Without correct theory there can be no clarity in practical operation. I would especially like to say that we are faced with the large task of formulating at least an outline of a theory of a socialist agricultural enterprise, or a dynamic theory of farming production. The production theory which is now being taught in the higher institutions and accepted as the basis for scientific research is a static theory, which does not respond to the needs for controlling the development of agriculture. These matters should be attacked quickly, but understandably, the IAE alone cannot cope with them. The intellectual involvement of all of the scholars in our professional circle is needed here.

3. IAE Activity in Support of Economic Practice

Economic practice, as it pertains to the findings of the Institute's research, is the broad sphere of agricultural planning and policy. The users of the results of our studies are the central political and economic echelons, and to a certain degree also the economic aktiv of the lower levels of management, including the enterprises. Scientific researchers in all economic-agricultural circles in Poland and students of agricultural economics and related fields make up a separate and special group of users.

The Institute has a primary obligation to the management of the Ministry of Agriculture and other central economic units. It is our understanding that our studies serve the broad range of economic practice, directly or indirectly. It is also our observation that the boundary between science and economic practice is becoming more and more blurred. Research is becoming an extension of economic activity, while at the same time the latter requires solid scientific preparation. Scientific knowledge is thus becoming one of the stages and elements of the decisionmaking process, and more and more indispensable. This evolution of the function of science presents science with new and very difficult tasks. In order to be equal to these tasks, great intellectual and organizational effort is required, especially competent cooperation in the daily practice of making decisions. On the one hand, the Institute appears on a much larger scale than ever before in the role of a collective expert, preparing, at the order of the Ministry of Agriculture, party authorities and central economic organs, many analyses, reports and professional studies which are indispensable in making specific decisions. On the other hand, we must always remember that the Institute can develop and improve its facilities only when it is enhancing economic theory. Basic research is the source from which science draws theory-methods inspiration for applied research.

From the standpoint of economic practice, two types of analyses have a fundamental importance. The first and largest are the current and intermittent analyses of the production-economics situation, encompassing all of agriculture or its particular spheres. The second are the proposals, which the Institute is instructed to prepare, for practical solutions of concrete problems or simply proposals on certain economic decisions. By way of example, we can mention various analyses and proposals on farm price changes, proposals of economic-financial systems for the peasant economy and individual sectors of socialized agriculture, proposals concerning activation of small peasant farms, or concrete systems solutions concerning, for example, rising prices in agriculture, subsidies, the credit-loan system, etc. All of them reflect the Institute's position on crucial issues of agricultural policy. Of course, these are the proposals which are then the subject of many discussions. The Institute's representatives always participate in these discussions.

It would be exceedingly difficult today to determine how many such professional reports or systems solutions proposals the Institute prepared during the 30 years of its existence. I can, however, state, that during the last 5 years the Institute prepared 150 reports, professional studies and analyses, of which 75 were published and made available to a relatively large circle of clients (from 200 to 500 clients). It is not our business to assess the quality of the findings of our research or the degree of their usefulness to agricultural practice. The political-economic leadership makes such assessments on a current basis. Also, the Institute's Scientific Council examines and evaluates the Institute's achievements yearly. These opinions are, on the whole, positive.

The practical importance of IAE research lies not just in the fact that it formulates proposals for solutions to certain problems, but also in the fact that it informs economic management about the state of agriculture and the anticipated directions of its development. This is not ordinary statistical information, but appropriately processed knowledge, prepared on the basis of scientific knowledge methods. A very large part of our research results are published in the form of monographs, scientific articles, and studies, and in this way they reach a wide circle of recipients,

expanding knowledge about Polish agriculture. The functions of the Institute in relation to academic circles is very important from this standpoint, and particularly in relation to students who, from the Institute's materials, learn about Polish agriculture and the mechanisms of its development. Without exaggeration we can say that many generations of students were educated on IAE materials. A large number of master's and doctorate dissertations, prepared in various academic circles in the country, were based on materials and publications of IAE researchers. We place great value on this form of social service.

Our role is not only to inform about the state of agriculture and forecast its development, it is also to transmit opinions on the need for specific changes if we believe that they are necessary. We can say with satisfaction that our positions are seriously studied. We understand that the position of science is one of many which the decisionmaker must consider. He has, in addition, his own knowledge of developmental processes, but it is our role to actively shape this knowledge.

We are well aware that there is a lot of room for improvement in the sphere of cooperation with economic practice. It sometimes happens that a client expects from the Institute a proposal of a different level of detail and specificity than we are able to prepare. Our studies, quite naturally, have a global character and their findings are not always suitable for concrete applications. In the individual institutions and economic organizations, moreover, the elements which could transpose the general results into specific decisions are lacking. Science is not able to assume these functions. We are aware, however, that the results of economic research are not being competently transmitted to agricultural practice. For this reason, our works continue to be used only to a very small degree by the agricultural organizations and enterprises, local advisory services (for economic consultation needs), design offices, investors, etc. It would take a great deal of work to properly organize these transmittals, and not just in the Institute of Agricultural Economics but also on the outside. We are convinced that the results of our research could be used more widely and considerably more extensively than they are at present. This would require the formation of appropriately strong economic cells in all economic organizations and enterprises, in the local agricultural service, and also in the subbranch scientific-research institutes and planning offices, which would prepare the appropriate economic recommendations for their managements. Only they can properly process and utilize what is necessary for their practical operations. Thus a system of broad and expanded economic information is necesary; the IAE can and should be only one of its elements. We wish to express the conviction that the formation of such a system will make it possible to make better use of the results of our research and will be an important step in the direction of economization of decisions on agriculture and the food economy.

4. Directions of Development of the Institute of Agricultural Economics

The Institute's 30th anniversary is for us not just an occasion for summing up its achievements. This anniversary also gives us pause for reflection on the Institute's future and the principle directions of scientific research. The Institute has great traditions, an established research profile and its own place in the system of agricultural-economic sciences in Poland. It also has its own cadre. While respecting and continuing the good traditions, we must remember that more and more is required

of us. To serve economic practice better, the Institute must constantly modernize both the program as well as the methods and organization of its research.

The basic element of the Institute's research program has a permanent character and this is the source of its strength and successes. The problems with which the Institute deals are always the same, but our approach to them is changing. We learn more about them and understand them better. It is understandable, therefore, that the subject matter of the Institute's research does not change greatly. But the process of scientific knowledge itself changes. Furthermore, in accordance with needs, new subjects appear or old problems are examined from another point of view.

The main current of the Institute's scientific studies in the near future will be, as heretofore, connected with the problems of the socialist reconstruction of agriculture. It is in the tradition of the Institute that we treat this reconstruction broadly, as a process of gradual adaptive changes in the sphere of the social organization of agriculture and the village community. The broad profile of our research will thus serve the resolvement of this big problem. However, we are further in this field than we were 5 or 10 years ago.

The recent years were characterized by a great expansion in empirical research, especially as concerns the evolution in the socioeconomic structure, new forms of management in agriculture, the economics of the socialist sector, the evolution of the peasant farm, co-production processes, integration and specialization in agriculture, etc. As a result, a relatively large amount of knowledge on the specific phenomena was accumulated. Now another, higher stage of research is coming, which is based on a thorough identification of the processes and social forces which promote the reconstruction of agriculture or inhibit it. The weight of the research has shifted from diagnosis to forecast of the developmental processes. From this accumulated empirical material, syntheses of a higher order, with a greater degree practical applicability, can and should result. Particularly important here is the planning of suitable means of economic policy, taking into account not only the current problems and difficulties but also the long-range structures, which must be formed immediately if we do not want the current difficulties to become permanent.

As never before, we need a pragmatic approach to the matter of reconstructing agriculture, an approach which recognizes the economic realities and rejects all dogmatic fossilizations which have established themselves through the years and remain in our consciousness through the forces of inertia, although they no longer correspond to the new reality. The low effectiveness of our economic systems as pertains to reductions in manufacturing costs and improvements in management efficiency forces us to restore economic cost-effectiveness analysis to its proper standing. System transformations in agriculture, also, cannot be made without a social cost-effectiveness analysis. Certainly, our agriculture is developing and becoming more modern, but this progress is expensive because it is accompanied by continued, large waste. This, in turn, can be eliminated only by economic systems which will appeal to the economic interests of the individual enterprises. These are all fundamental matters for the future of our agriculture, its harmonious development and its gradual socioeconomic and technical reconstruction. In this field the Institute sees is own important role, as an investigator and as a coordinator of nationwide research.

The Institute's considerable scientific potential will be committed to the implementation of the research program on the socialist reconstruction of agriculture. It should also be stressed that the studies which we are conducting in this field not only serve the needs of the crucial problem but are being and will continue to be used in the current, professional activities of the Institute.

Another current of our work will be, as heretofore, the various and comprehensive production-economic analyses of the agricultural situation. Research in this field is developed, but it must be systematically improved. During recent years the substantive program of analyses was considerably expanded and now covers almost all of the important problems in the development of agriculture. Two elements must still be expanded. First, the yearly and periodical analyses should to a greater degree than hitherto consider the problems of the entire food economy, and not just agriculture. The interconnections and mutual preconditions of the individual elements of the food economy are so strong that on many issues the development of the entire food economy complex should be examined. Second, more complete, than heretofore, research on the farm market is indispensable to us, research that takes into account price movement, market service to agriculture, etc. We have great hopes that the newly formed Institute for Food Industry Economics and Organization will work with us in these fields.

Now, more than ever before, we need to work towards more efficiency in agriculture. The state of our economy demands this.

Research on management efficiency is nothing new to the agricultural economists, including also the workers in the Institute of Agricultural Economics. We have been conducting this work for years. We are applying, we believe, good theory and a verified methodology of research. We have a bank of data indispensable for efficiency analyses. We have developed and are constantly improving methods for studying unit costs, and recently also intersector comparison methods. Our yearly and periodical analyses of the state of agriculture, and also the specialized efficiency reports on the individual groups of farms and direction of production are well known. These studies are sufficient to produce an awareness of how things are in the specific fields and, we believe, the picture that we present is accurate. But no directives for foreign policy result directly from these findings; they are only material for decisionmaking. Nevertheless, this material is important and we believe it could be better utilized on all levels of management of agriculture. As the parametrical system of managing agriculture becomes stronger, and as efficiency criteria for allocation of resources become more accepted, which in this day and age appears to be not just indispensable but also inevitable, the results of our research will be more and more important. The Institute is prepared to undertake this research, if the findings turn out to be really necessary.

The Institute is developing its efficiency studies in three directions, which are mutually supplementary. The first direction is the traditional study of production costs and profitability, conducted for the individual organizational units (enterprises and farms) as well as directions of manufacture. The second direction of research are the statistical analyses of production elasticity, in which studies on animal production are the most developed. The third direction, the newest, are motivational studies which allow us to verify objective tendencies through subjective assessment of farmers. We intend to continue and improve all three of these

directions of research, taking care at the same time that the results of the research reach the decisionmakers as quickly as possible. From this standpoint recently we have taken an important step forward and we are pleased to be able to say that the management of the Ministry of Agriculture appreciates this.

If, on the whole, our assessment of the state of research on the effectiveness of current outlays and production efficiency is positive, the same cannot be said for the research on investment effectiveness in agriculture. And not because we do not have the appropriate theory or research methods. The problem is deeper and concerns the procedures by which investment decisions are made in the entire economy, not just in agriculture. Speaking most generally, the investment effectiveness analyses conducted ex ante were so far not needed by anyone. The investors obtained investment allotments for purposes that were established from above, and thus what could eventually have been the subject of a cost-effectiveness analysis had already been prejudged during the allocation decision phase. At the agricultural investor level only those details of secondary importance remained to be decided, and at that time the effectiveness analysis was a complete formality. Therefore, there was no field that would have been attractive to science and in actuality there was no subject for scientific research.

This state of affairs cannot be allowed to stand, since it makes the improvement of the efficiency of investment activity more difficult. The Institute is ready to take part in the program of investment outlay effectiveness analyses if a need arises for the results of serious scientific studies. But we wish to stress that how these conditions arise depends to a much greater degree on changes of general directions of managing the national economy than on the changes that may possibly be made in the Ministery of Agriculture. The problem is extremely complicated.

The field in which we have the most to do in the near future are the problems in managing agriculture. If by management we mean the creation of farm policy and the selection of adequate instruments to implement this policy, then the IAE's achievements in this field must be regarded as substantial. Most of our work serves to improve agricultural policy.

But management is usually understood in a narrower sense, namely as the process of making decisions in connection with the institutional-organizational structure of agriculture. In this sense management covers: the gathering and processing of information at various levels, preparing optional solutions, selecting the best option, transmitting the decisions to the executing units and supervising their execution. Decisions being made in the planning sphere as well as operational decisions on the level of the enterprise, economic organization and agriculture as a whole, are important here. If we understand management in that sense, then the Institute's attainments are considerably lesser. In reality, we are just beginning to organize the indispensable research facilities.

As I mentioned earlier, in recent years definite progress has been made in applying mathematical methods to the needs of agricultural enterprise management. Work on an analytical automated accounting system is also advanced and it has also been adapted to the needs of managing an enterprise. All of this, however, does not satisfy the requirements of economic practice. The extensive research fields have

not yet been covered. The Institute's management knows of the research needs in this area but at the same time it is also aware of its limitations. The lack of scientific cadre who would be able to undertake work of a high degree of practical applicability is most acute. The higher institutions do not prepare such specialists, and their education in the Institute, which does not have a suitable teaching staff, is very difficult and inefficient. Regardless of the degree of difficulty, however, these problems will have to be dealt with as soon as possible for they are among the most important for agricultural practice.

Nor can we neglect work on the theory of organizing and managing agriculture. There is a large gap in this area. A situation has developed in which the general theory of organization and management only to a slight degree "fits" agriculture, and for all practical purposes we have not undertaken any work of our own. We must therefore be aware of the large tasks which we will have to assume in the near future. The Institute wants to count on the support of other scientific circles in this matter.

As shown from the information on the current state of the Institute's research, much needs to be accomplished in the field of the theory on a socialist agricultural enterprise. Up to now we have concentrated most of the attention on matters of economics and costs and profitability of production. But we have neglected the problems of managing an enterprise and the vast range of matters which can be described as the place of the enterprise in the entire economic system. I am referring particularly to the instruments for managing and controlling an enterprise and their effectiveness under different organizational-production conditions, the adaptable processses in state and cooperative enterprises, their evolution under the influence of variable factors, etc. We cannot continue to be content with the pragmatic knowledge on such enterprises as now exist. We must expand studies on the theory of an enterprise, the mechanisms of its development, the adaptive processes and the broad decision processes in an enterprise.

A field in which distinct progress in the immediate future is indispensable for us, is research on technical advancement, manufacturing techniques, innovative processes and effectiveness of investment in agriculture. We lack objective decision criteria in this area. The division of Investment outlays among investors and the specific directions of investment is based on a bidding system. We do not make an investment cost-effectiveness analysis at the time we make the planning decision and in the execution phase, also, many decisions are of a subjective nature. In practice, we do not conduct an analysis of the social effectiveness of investment outlays, which would allow us to improve the efficiency of the allocation of outlays on the scale of the entire national economy. The theory-methods neglect here is obvious; we realize this, but it is very difficult under present circumstances to fill this gap. This would require the formation of a specialized research group, the establishment of close connections with planning offices and investment services, that is, the formation of a new scientific cell. The Institute's present physical facilities absolutely do not permit this.

In the near future we must intensify our research on the human factor in agriculture. This includes problems of employment, cadre qualifications, migration, occupational surpluses, and certain demographic problems. These problems are not entirely new to us; we have conducted studies on them for many years. There is an interministerial research group at the Institute for matters of employment and cadre qualifications

in agriculture which already has some achievements to its credit. But the deep structural changes in agriculture, the acceleration of occupational obsolescence processes (in connection with the retirement system), have presented new and difficult problems which require scientific knowledge.

I have named several important problems which must be tackled by the Institute in the near future, or where changes in research emphasis are expected. But we know that all of the remaining problems, those not mentioned here, which are the main part of the Institute's scientific research, must continue to be developed and expanded. Just as heretofore, insofar as it is able, the Institute of Agricultural Economics will serve Polish agriculture and economic practice. We are aware that decisionmakers at different levels will ask us more questions and questions that are more difficult. We want to reply to them straightforwardly, in a well-reasoned way, based on complete understanding of economic realities and knowledge of the economy's development. We have reason to be satisfied with the interest of economic practice and other scientific centers in the results of our work, but this places even greater obligations on us. The research group at the Institute of Agricultural Economics will do everything in its power to fulfill this social order.

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PROBLE .S OF PRICE REFORM ANALYZED

Variants of Price Reform

Warsaw ZYCIE GOSPODARCZE in Polish 23 Aug 81 p 3

[Article by Adam Lipowski: "Variants of Price Reform"]

[Text] In discussions about economic reform, the statement is often heard, that its point of departure should be "price reform". Because it is not always stated precisely and conclusively what practical benefits it will bring in the immediate future (described by many as a so-called, period of transition), the relationship between price reform and economic reform is unclear. In this article, I am, therefore, attempting to present the variants of price reform together with an analysis of the advantages and disadvantages of each one. Due to the broad range of the problem and the limits of this article, we will concentrate our attention on the essential issues without entering into detail. Our aim is to sketch a composite picture related to the effects of the reform of producer as well as retail prices and not to analyze it in terms of a limited range of products, even in regard to food prices. In the present situation, however, our balance is shaky not only on selected markets but in an all inclusive (producer and consumer) sense.

As the main criterion for the evaluation of price reform variants, we take their effect on the stabilization of the economy in a broad sense: economic as well as social and even political. We believe that these last two aspects of the issue should be given, at least, equal treatment with the first. On the other hand, stability in an economic sense indicates restoring of an overall balance and of particular balances as well.

Radical Variant

This variant envisages the raising of retail prices on consumer products (food and non-food products) to a level of balance together with appropriate compensation for families below a specified income level. At the same time, sale prices of raw and basic materials are also raised to a level of balance.

Advantages: Supplies based on ration-cards, queues in front of stores are eliminated, thereby, reducing to a minimum the time spent on purchasing consumer goods. There is no speculation or animal feeder systems consisting of bread or the departure of peasant farms from the production of a series of food commodities whose current retail price is lower than their cost of production.

On the market of raw materials and materials, allocations and regulations are placed by free trade of production means.

Theoretically, there are two possible ways of realizing this variant: centralized and decentralized.

The centralized method is based on a once only sale price increase on raw materials and materials as well as that of retail prices on consumer goods to a level of balance decided upon by the Centre. The Centre, therefore works out new, detailed price lists which are to eliminate excessive demand in relation to a possible supply. The decentralized method depends on the Centre's "depolitization" of prices which until now have been under its control, by announcing that from now on they may occur freely in agreed upon relationships between organizational units [plant and equipment]. This also concerns sale prices of, for example: coal and retail prices of meat, butter and milk. Those who pay can afford to purchase goods at prices given by suppliers.

Disadvantages: Very strong likelihood that this method would be rejected by the public, consequently, leading to the forcing out of appropriate wage increases.

System of compensation. It should be anticipated that an increase of this kind may amount to well over 100% and may even climb to 300-400 percent on many food items and durable goods. Thus, it could happen that, for example, the price of coal will become fixed at a level of 10 zlotys per ton while the retail price of pork meat will on the average be 500 zlotys per kilogram, milk at 20 zlotys per liter, butter at 450 zlotys per kilogram, automatic washing machines at 50,000 zlotys, popular washing detergent at 200 zlotys, etc.. In addition, such a price increase would constitute a difficult to accept income drain (ranging between 40-50 percent) for working class families with at least average incomes. Especially since, with this scale of price increases it is practically impossible to describe a fair method of distributing compensation; i.e., the kind that would please everyone.

In regard to raw and basic materials, one may expect price increases even higher than current world prices due to the constantly worsening balance of materials supply. Such increases could cause the disappearance from the market of unprofitable, co-production elements (with list prices), consumer and export goods and means of production for farming up to and including the closing of unprofitable enterprises. For many enterprises which produce for the market, the increase of retail prices to level of balance could be insufficient compensation for a sudden increase of industrial production costs. On the other hand, the granting of possible subsidies in order to support unprofitable production would, essentially, indicate withdrawal from this variant of sale price reform.

Theoretically, the verification of production profitability conducted in this way appears to be right. Nonetheless, the socio-political conditions of this process should be taken into account here. This process cannot, simply, take place too abruptly. If for 30 years, we maintained a system in which we did not know how much anything really cost us, then such a situation cannot be changed overnight.

We are also presenting another, in our opinion, equally important argument against this variant of price reform. Unfortunately, it is omitted from current discussions.

Namely, it is for all practical purposes, also impossible for the Centre to set prices at a level of balance with a single decision because of the required itemized scale of this action. Simply put, there are just too many products which should be accounted for; the substitution-income links between them are too complicated and uncertain. By way of example, the task of retail price increases on consumer goods is, according to the above variant, not only to eliminate the current (and mounting) inflationary gap but also to a large extent to drain public cash funds. However, no one is able to determine what part of these funds constitute forced savings, thus, inflationary in nature, and what part is made up of regular savings. This, however, is dependent on the situation at hand in terms of the market supply. Therefore, it should be expected that the Centre will not be capable of setting all the prices at a level of balance, all at one time, since this requires a certain period of "trial and error". And if so, then what may just happen is that the newly established and publically announced retail prices on one assortment may still be too low and will not help eliminate waiting lines and too high on another assortment as a result of which its supplies may begin to accumulate. The Centre would then have to adjust these prices. Should there be too many such instances, the period required to recalculate the prices will become drawn out in time causing further socio-economic disruptions. Even in accepting the current price increase, the public will be disappointed with the continuing insufficient supplies of many goods and may not agree to further price increases on these goods. On the other hand, however, autonomous trade and industrial enterprises which are accountable only to themselves, may protest against the Centre's excessive price increases on particular assortments which would limit their sale and disorganize the management of earnings even further than before.

This leads to the hypothesis that prices of balance, from a realistic point of view, can be determined on a general scale only by the mechanism of the market. The Centre can, at best, imitate it inaptly. As a contra-argument, that in the case of the market decentralization of prices we lay ourselves open to the manufacturer's known monopolistic practices, which limit supplies and escalate costs, we may answer that in the case of centralized fixing of balance prices, there aslo exists the danger of such practices.

Unfortunately, the variant of decentralized price reform to a balanced level under present conditions has a different disadvantage, namely, it may cause excessive territorial differences, particularly in food prices and excessive price fluctuations as well. This circumstance may also be rather difficult to accept for the public which for over 30 years has been used to not only stable but uniform prices guaranteed by the Centre.

In summing up, we feel that a redical variant of price reform is impossible to realize at the present time as well as in the near future due to the difficult to predict socio-political repercussions.

Partial Variant

In this variant, we only speak of sale prices of producer goods (mainly raw and basic materials). Retail prices remain as they are now.

Two alternative bases for the sale price reform of goods are proposed and discussed here: world prices or domestic production costs. There are more advocates of world

prices. The inevitable increase in industrial production costs resulting from both of these versions of the reform variant must go through all phases of transformation and stop at the production of consumer goods. Thus in consequence, this increase would concern prices to suppliers of market commodities through rate increases on product [goods and services] subsidies and the introduction of new rates on goods which until now aere profitable but are unprofitable presently. Without entering into the merits of a discussion about the elements of world prices or the domestic production costs of raw materials and materials as the bases for sale prices of producer goods, let us concentrate our attention on the common advantages and disadvantages of both of these reform concepts.

Advantages: Bringing costs and prices down to "reality" by leveling off or at least significantly reducing the span of profitability in the production of raw materials and final means of production. Owing to this, it will be possible to know how much things cost. At the same time, world price advocates stress here the role of alternative costs while domestic cost advocates--the role of costs in an absolute sense.

Disadvantages: During the time of transition, this kind of sale price reform is only a bookkeeping procedure which does not produce, at this time, any significant effects on the economy. What effects can, at least theoretically, occur here? First of all, technical substitution which depends on introducing the kind of new technological procedures which replace in part the elevated production factor with one which is relatively lower in cost. Nevertheless, in terms of manufacturing basic raw materials and materials, the processes of technical substitution represent long-term undertakings involving modernization if not the complete replacement of existing technical installations with new machinery and equipment. This is, therefore, a serious and expessive investment endeavor. These kinds of undertakings; e.g., in the manufacturing of crude oil, coal, nonferrous metals, wood, cement, etc. may be expected to take at least 10 years.

Undertakings leading to the absolute lowering of the most overpriced production factors without the need for technical substitution seem to be shorter and simpler. It is sufficient here to curtail plain wastefulness several times. This is true. However, the question arises as to why should enterprises search out these kinds of methods of compensating for cost increases brought about by the increase in prices of raw and other materials when they can achieve this even more simply and without exerting any conceptional or organizational effort by transferring the increase in costs to prices on their own manufactured goods. Within the terms of this reform, manufacturers of consumer goods are guaranteed full compensation in the form of final product subsidies.

With a lack of balance on the market of consumer goods, the increase in the costs of production of the means of production can only result in an increase of product subsidies in the production of market commodities and in the uncontrolled process of hidden retail price increases through the introduction of pseudo-new goods on the market, decreasing product durability, etc. A share rise in the cost of various services should also be anticipated and that of procurement prices as well. On the other hand, positive, obvious effects of sale price reform on producer goods during the period of transition cannot be detected.

Furthermore, in the above presented circumstances, such price reform does not at all have to lead to the elimination of the central distribution of raw and other materials because its purpose is to approximate domestic prices to world prices (or domestic production costs) and not to a balance level on the market of production means. In any case, can prices of balance exist on producer goods without prices of balance on the market of consumer goods? Because in that case, in the sphere of production of the means of production enterprises are insensitive to the sale prices paid, in the knowledge that they can make up for them with offered prices which we already discussed.

If such is the case, then another question comes to mind—has it once occurred in the last 30-year period that enterprises would strive autonomously to genuinely (not just on paper!) conserve regulated raw or other material? After all, this can only lead to the decreasing of allotments in the next period.

On behalf of the need for this type of producer price reform, yet another argument presents itself. Namely, owing to this reform carried out by the Centre, an economical verification of production profitability may be conducted from the point of view of closing, because of a depressed balance of raw material, the least efficient enterprises and establishments; i.e., relatively those that are the most material-consuming. However, industries that manufacture homogeneous products (steel plants, cement plants, etc.) do not need producer price reform for this purpose. It suffices to use the comparative analysis of technical coefficients of production as a basis. These coefficients characterize the unit consumption of the most unremunerative raw materials in the particular enterprises. However, in the manufacturing industry, particularly one that has a greatly varied production, central verification of production profitability on the basis of such or other producer prices is, in our opinion, practically impossible because of the great complexity of the matter.

In summing up, we believe that reform limited to sale prices on producer commodities, from the standpoint of economic reform and the needs of economic stabilization during the transitional period, will not give a significant, positive effect but may, however, bring about numerous problems for enterprises in the process of adapting to new price conditions. These complications are related to the necessity of reassessing a series of cooperative and trade agreements, from the standpoint of revisions in the calculation of costs and prices, which may consequently cause additional perturbations in this domain. This may have apparticularly negative effect on export and agricultural supplies.

Cost Variant

This variant applies to retail prices and envisages the increasing of subsidized prices (primarily food) to the level of production costs. The released product subsidies are to finance compensation to its fullest extent. The scope of this maneuver depends on the decision regarding the reform of producer prices. The price maneuver would be the smallest under conditions of the producer prices currently in effect.

Within this variant, the least controversial proposal of immediate retail price reform on grain products should be selected in order to help eminate the animal

feeder system and prompt farmers to produce food products for their own use which they currently buy at the market.

Advantages. Owing to this reform (single reform of all food prices) prices, according to its advocates, will at last properly inform consumers about the macroeconomic ratios of substitution which in consequence should lead to the rationalization of consumption from the standpoint of the efficient use of funds.

Disadvantages. Unfortunately, the disadvantages of this kind of reform are decidedly greater than its advantages, which are in addition and as I will reveal right now--deceptive. In the first place, this reform which marks a sharp increase in food prices (although on a much smaller scale than in variant I) may not be able to eliminate the insufficient supply of food commodities (meat and meat products!) bringing about all the negative consequences involved in the conditions of obtaining merchandise. We are taking into account here the outlook for food deliveries until the end of this year and the probable excessive demand for these goods (with the exception of bread) resulting from the desire to stock up on supplies. Under these circumstances, therefore, how can the necessity for raising prices without significantly improving buying conditions be explained to the public? By the necessity of meeting increasing costs through retail prices? Many adversaries of this type of reform will immediately point out with no difficulty that the increase of production costs in most cases is the result of plain wastefulness. Furthermore, if this reform does not create market stability, then the continued retention of the ration-card system should be expected. Under these conditions, consumption rationalization--as the result of regulated retail price ratios--will be suspended in space because consumers will be deprived of the choice of a material-type structure of consumption.

Ration-Card Variant

This variant envisages that retail prices will be left untouched and only the sale price reform of producer goods will take place in accordance with the second variant. Therefore, the inevitable expansion of the ration-card system is envisaged in regard to other food assortments and also for a series of subsequent non-food products considered to be indispensable to the public (detergents, gasoline, razor blades, footwear, etc.)

Advantages. The principal advantage of this variant is that it helps avoid the mounting of social tension related to the retail price reform.

Disadvantages. Further reduction in updating of retail prices from the point of view of the conditions of production as well as demand along with getting the public accustomed to the stabilization of prices. The issue up for discussion here is the final consequence in the form of the necessity of introducing compulsory deliveries to farmers which may constitute the only condition for the functioning of the ration-card system.

In recapitulating the above made considerations, it should be said that due to socio-economic barriers, prices--particularly retail prices cannot be, unfortunately, the principal means of restoring economic stability. It should be expected, then, that during the so-called transitional period, retail prices in particular will

continue to be "disorderly" both from the point of view of market stability and their proportion to sale prices.

The exception here may be the quick reform of retail prices of grain commodities which in the presence of full compensation appears to be capable of being accepted by the public and the increase of prices on certain goods considered to be luxury items. However, it does not give long-term solutions to the problem of prices.

This does not mean, however, that we are locked in a vicious circle of inability. I am offering up for discussion a solution which envisages a different approach to the problem.

The common trait of all the above discussed variants of price reform was the more or less obvious assumption that during the transitional period, thanks to this reform, prices will become settled from the standpoint of their level and proportion so much so that this will significantly contribute to the stabilizing of the economy. I consider this assumption to be unrealistic, in the light of the arguments made up to now; in addition, it gives permanance to illusions of decision-makers about the exclusivity of price rationalizing in just this way.

My position on this issue is different. I believe that during the transitional period or more precisely, during its initial stage--as early as in the second half of the current year--a process of rationalization should be started but not of prices as such but rather of the price-creating mechanism. What I understand by a rational price-creating mechanism is a mechanism in which manufacturers have difficulty obtaining profitable prices while consumers verify the prices which they offer. This corresponds to traditional demand in terms of prices for products of individual suppliers.* Only this kind of mechanism can constitute an appropriate economic basis for the structuring of normal price proportions.

In our economy, the process of rationalizing the price-creating mechanism cannot be either a once only action or a short-term procedure but rather a long-term process carried out together with rationalization of the entire economic system.

In the midst of all the indispensable mechanism rationalizing measures, distinction ought to be made between non-price and strictly price measures. Non-price measures encompass a wide range of systems and political-economic measures whose purpose is to create economic conditions indispensable to the proper functioning of direct relations between industrial, trade enterprises and consumers. I will not discuss these measures in greater detail because they do not directly concern the subject matter under discussion here. In calling attention to them, I only wish to state that price rationalization may constitute the result (and not the point of departure) of the rationalization of the price-creating mechanism which in turn is also not an autonomous mechanism but one that is intrinsically included in a defined system of management.

Strictly price measures that initiate the rationalization process of the price-creating mechanism depend on the working out of a long-term plan for gradual,

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* We make do here with a shortened definition of this mechanism. Its more precise determinants are contained in the study, "Market Mechanism of Price Structuring in an In-Coming System" A second version of the report is entitled, "Economic Reform: Principal Directions and Method of Realization"--team of L. Balcewicz (in press).

annual,retail price increases in the range of 20-40% on given food assortments and non-food products. These increases would include goods which are currently rationed and those not yet rationed. In its first stage, this plan would contain the specific amounts of price increases and it would determine the probability of further price increases for the following years, the extent of which would depend on the expected market situation. The definite amounts of these increases would be announced appropriately in advance (e.g., 3 months in advance).

The realization of this plan must, of course, be accompanied by considerable intensification of agricultural production, among others: limiting wastefulness in procurement, in transport, etc. as well as intensification of industrial production and an active policy of limiting demand through non-price measures. If these non-price measures would not bring about noticeable effects in the next few years, then a process of gradually "de-politicizing" prices could be started, (gradually updated) through their decentralization and the ration-card system could begin to be eliminated as well.

An advantage of the plan of gradual price increases is on the one hand, a greater probability of its general acceptance (although, proper consultation with the rest of society is necessary here, as well) and on the other hand, getting the public used to price activity. The disadvantage of this plan is the tolerance of the ration-card system during the transitional period and even its expansion and the maintaining of incorrect retail price proportions in respect to procurement prices.

I propose that the plan for gradual, annual price increases, in a range of moderation, on given assortments be also used in regard to sale prices of raw and basic materials. This is where, I believe, the greatest controversy could arise since the principle of this solution could be negated with the argument that it will cause even greater disorder than the single reform is the cost accounts of enterprises because manufacturers will have to change their prices annually. At the base of this argument lies a certain, long ago established mental stereotype that the purpose of radical price reform is to "be rid" of this problem for several years. This stereotype established itself through the practices which took place when changes in sale prices of producer goods could occur by leaps and bounds once in a great while. However, no one is seriously capable of guaranteeing that for example, the increasing of sale prices on many raw and basic materials, starting on 1 January 1982, to the level of anticipated world prices, will not result in the necessity for changing them further as early as in 1983. That is why, for over 10 years now, the opinion is being voiced that the upcoming price reform should be the last of its kind followed by a policy of flexible price changes to be used in accordance with changing conditions. If such is the case, then regardless of the degree of the price reform's radicalness, we must accept the fact that the prices will later have to be changed, even annually if the need should arise. For this reason, the plan of long-term sale price increases on raw and basic materials proposed here, does not constitute some sort of deviation from economic conformities which govern price activity but, on the contrary, is in accord with these conformities. In addition, there exists yet another argument on behalf of the proposed here solution-in-stages. In order to encourage enterprises to conserve the use of raw and other materials which are in short supply, it is by no means necessary to raise prices 200-300 percent all at once. It is sufficient to announce the direction and degree of price changes for a long-term period. Enterprises made aware beforehand [ex ante] of the price activity occurring at a given time will adapt more easily than in the instance of price "shock".

As in the case of retail prices, the plan for long-term, gradual sale price increases on producer goods should be executed together with definite non-price measures which would first lead to a restraining of the decline in the production of raw materials (coal) and later to the activation of this production. Then, the gradual sale price increases may be accompanied by a gradual improvement in the conditions of balance so that in the end, decentralization of these prices would be possible together with the gradual limiting of distribution.

Undoubtedly, the proposed here concept of extended in time, gradual price increases seems not effective enough in respect to reforms described as "radical" or "vital". The problem lies in that before proposing the best solution of this problem to the decision-makers, the economist should well recognize:

a) the objective limits in the selection of a variant of price reform,
b) the possible negative and positive effects of these changes already during the transitional period.

It is possible that such discernment will cool off the overly hot-headed. Furthermore, it should be always remembered that our prices are, after all, like our economy. It appears from this that, the prices alone cannot be improved if appropriate economic mechanisms, actually those which shape our prices, are not functioning in the economy.

In conclusion, I would like to make the point that during the period of transition, ground should be broken for socially acceptable solutions which give definite effects in a later time period and not to attempt to solve all kinds of price dilemmas during this time which may bring about more harm than good.

Questions Related to Price Reform

Warsaw ZYCIE GOSPODARCZE in Polish 23 Aug 81 p 5

[Article by Janusz Gorski: "Price Reform—Yes, But..."]

[Text] The problem of price reform faces the public with its full harshness. There was little mention of it in the 1970's; it became taboo after the failure of reforms in 1970 and 1976. Both of these attempts could not have succeeded because they were carried out without properly preparing the public for them along with a general lack of knowledge of the actual state of the economy masked by a "propaganda of success", especially in 1976. The reform of 1976 could not have succeeded, although, today it can be said that it is a shame that it was so poorly executed because its success, especially if it had become a vital element of the economic maneuver (also not attained), could have saved us from the economic crisis with which we will have to struggle for a long time to come. The limiting in 1976 of unfounded investment expansion and eliminating of "living beyond one's means"—financial consumption by foreign debts, would have made it possible, at that time to enter the path of balanced growth with relative ease.

At the present time, the situation is considerally more complicated. The first half of 1980 was much more difficult economically than the first half of 1976 (although, it is worth remembering that in the first half of 1980, we had a surplus in the balance of trade). The last year and especially the last months have been characteristically marked by the Centre's chaotic activity at the economic level.

Tasks of Price Reform

The reform of prices on consumer goods is supposed to achieve two principal tasks. The first—to make the system of prices realistic from the point of view of approximating it to the social costs of production. This procedure, combines with the reform of the system of producer and sale prices, without which we cannot determine even approximately, the public costs of production, has a vital meaning for the rationalization of the consumer's selections and by way of the mechanism of demand--for the rationalization of the structure of production.

In the system of planned economy, not every price must correspond to the public costs of production. Also, under conditions of a decentralized economy, a system of surcharges may be activated (this is done in most capitalist countries as well) that would serve the realization of a defined model of consumption. However, it appears that--in eliminating the overly developed system of surcharges, which under present conditions really does hinder the economy's functioning--one cannot altogether throw out the proverbial baby with the bathwater. Prices on many goods and cultural services (books, theater tickets, perhaps for movies, etc.) should be kept lower than the social costs of production as should prices on certain food items (milk, smaller varieties of meat products, certain kinds of dairy products). Let there be a higher price for ham but also let there be relatively less expensive, decent grades of sausage. In respect to the costs of production, this system of surcharges must be compensated by an appropriately higher degree of accumulation on certain manufactured goods of a higher order.

The realization of reform which approximates prices to social costs of production is, after all, a relatively simple procedure. If we deal with a general state of balance in the economy while only segmentary imbalances appear within it, although widespread in many instances (this is representative of the state of the Polish economy at the end of the 1960's and the years 1974-1976), then multi-directional price changes might be envisaged. The increase of prices on food commodities could be accompanied by the lowering of prices on numerous manufactured goods while with unidirectional price changes (this being usually a more realistic variant), appropriate compensation for the majority or perhaps even for all citizens might have to be considered. The procedure may cause a certain reduction; e.g., in the consumption of meat (this usually is its goal) but a reduction which is compensated by an increase in the consumption of other goods. If our economy was faced with only such a problem then its solution, although requiring much publicity-type activity and many negotiations, would still be relatively simple.

However, the current situation in Poland is much more complicated. A general state of imbalance characterizes our economy. It manifests itself with the existence of a large inflationary curve--a considerable surplus in the public's financial income in proportion to the value of goods and services supplied to the market (with regard to the current price level). Since prices on the socialized market are still rather stable, inflation takes on the form of the so-called, barbarian inflation--it manifests itself not so much in price increases as in the shortage of goods in stores. It differs in this respect from inflation of some capitalist countries; e.g., Italy where income also rises by over 20% annually (without a

corresponding increase in work productivity) but where prices increase by nearly 20 percent as well, and a state of balance is maintained on the market. From among the socialist countries, Yugoslavia, is characterized by this type of situation. It is difficult to consider even this state as favorable (Italian economists do not agree); it is, however, more normal than that which we have in our country. In the context of Yugoslavia's economy, one can, indeed, wonder about the various advantages and disadvantages of a socialist model of market economy--particularly from the point of view of the tendency to create continuous inflationary pressure--but this article is not the place for such contemplations.

We can observe in our country how the so-called, inflationary curve consecutively dissolves market after market. In mid-1930, the meat market was functioning poorly. In the second half of that year, the entire food commodity market was systematically disintegrating. Currently, even subsequent markets are not functioning normally--furniture, gasoline, radio equipment, etc.. To a certain extent, the textile and garment markets, the home appliance market and a small part of the durable goods market are still fighting for survival. However, the problem arises of--for how long can they continue this struggle--if they are attacked not only by the rising inflationary curve but also by dissolution and disintegration of the economy which causes a decrease in the amount of production.

In this situation, also a second task presents itself before the price reform--elimination of the inflationary curve and the reduction of the amount of consumption to economically justified proportions. Thus, reform is supposed to not only make the price structure more realistic but also eliminate inflationary pressure. And this is where the problem begins--what are the dimensions of the inflationary curve, by how much should the income of the population be reduced as a result of the price reform? In official statements, in various proclaimed concepts made to date, varying amounts are mentioned from 700 billion zlotys to 550 billion zlotys (1.5 billion zlotys flows into the market daily without backing in goods).

Plans are proposed for price increases on food commodities averaging about 125 percent, probably higher in practice, since an increase below 100 percent is not expected on any group of food commodities whereas for many groups an increase of 200 and 300 percent is anticipated and for coal, a corresponding 500 percent increase to cover costs of electrical energy, heating, hot water, etc. Obviously, this will be a very high increase and the general opinion is already taking shape that it will not be just in proportion to the proposed compenastion. Too little is said about the fact that, price reform, whose purpose is to eliminate the inflationary curve, cannot be based on the principle of full compensation.

Dimensions of the Inflationary Curve

What do we understand by the term, inflationary curve, in our economy? It should not be identified with the monetary funds of the public. At the end of the current year's first quarter, these funds totaled 843 billion zlotys with 542 billion zlotys of this amount in savings deposits and 301 billion zlotys as cash funds. Of these funds, a part is in compulsory savings, which appeared because those who held them could not purchase with their resources that for which they had intended their income. We do not know what share these "compulsory savings" have--assessments of this type are not conducted. However, all or even most of the cash funds cannot

be considered compulsory savings because a large portion of them results from the well-known Keynesian "liquidity preference"—the tendency to hold a part of one's funds in the form of maximal liquidity, which is suitable for members of a socialist society as well. It would seem that, under conditions of a relatively normally functioning economy and under conditions of confidence in the purchasing power of money, the funds accumulated by the public cannot be identified with the inflationary curve.

Therefore, one should rather use the present inflationary curve concept which may be identified with that part of the public's income which exceeds the value of goods and services supplied to the market and society's general inclination to save. In the first half of the current year, the value of goods and services supplied to the market amounted to (according to current prices) 805 billion zlotys. The financial takings of the public during this period were: 960 billion zlotys while the general inclination to save in recent years accounted for 6-7 percent of incomes --on a half-year scale this amount may be fixed at 60-65 billion zlotys. In addition, however, taxes, insurance contributions, etc. must be deducted. On a half-year's scale these amounted to 25 billion zlotys. The inflationary curve computed in this way would, therefore, come to approximately 70-80 billion zlotys.

The extent of the inflationary curve on an annual scale will, of course, depend on many factors. Two of them have a fundamental significance—will it be possible to succeed in maintaining the production of goods and services for the market and will we be able to restrict the growth rate of the wage fund to normal proportions conditioned by promotions, the number of years worked, etc.—thus, up to 3-4 percent annually (aside from possible compensation, which we will discuss further on).

Should these conditions be fulfilled, then the price reform ought to eliminate the inflationary curve of 150-180 billion zlotys on an annual scale. This is a huge sum—but not so large as sometimes reported. However, it does indicate the necessity for a rather large price increase on goods and services of 10-15 percent on an annual scale without corresponding compensation at this time. Because this variant does not grant compensation to low-salaried persons—it is unacceptable, thus, giving rise to the necessity of appropriately increasing both sides of our quasi equation.

However, the issue of current price movements which occur constantly in our economy comes up here. On an annual scale, we are approaching a 15 percent annual inflation rate according to the estimation of GUS [Central Office of Statistics]. This increase has only a partial effect on the reduction of the inflationary curve. The increase in prices on the free market, on vegetables and fruits indicates a corresponding increase in the manufacturer's income and, therefore, has no effect on the extent of the inflationary curve. The increase in prices, in terms of the State-controlled economy, is estimated at 8-10 percent. This is a significant amount but already calculated into the growth rate of delivered goods and services, which in absolute proportions is characterized by a negative growth rate during the current year as compared to last year.

All at Once or in Stages

Price reform may be carried out all at once or in several stages. From the point of view of creating conditions of normalization for economic processes, for the

realization of economic reform, the creating of incentives for better and more productive work, it would be better to carry it out all at one time on a scale that is required. In practice, this solution will be rather difficult to execute. We still do not know the level of producer and sale prices, therefore, we do not know the degree of the social costs of production on which most retail prices should be based. The only known amount is the cost of food commodities. Furthermore, it does not appear that the public would accept such a serious, single price change. Public opinion polls indicate that the understanding of the necessity for a price reform is for the time being limited to a rather small group of intelligentsia and the working class. The necessity of limiting consumption in our country, although still not excessive, and also the limiting of consumption of food commodities, takes time to become accepted. The method of accomplishing price increases, whether all at once or in several stages, should become the subject for extensive consultations. It is obvious that the payment of particular compensations (their total amount should be defined) ought to be realized proportionally within the bounds of the particular stages of the price reform if the variant of stages is accepted.

Compensation and Its Proportions

And now the issue of compensation. Two major issues become evident here. The guaranteeing of full compensation to persons occupying positions in the lowest income groups should be strived for.

Secondly, compensation--at least emergency compensation for persons with higher incomes, should be disproportionate with the increase of living costs in order to enable the restriction of an excessive flow of income. The acceptance of the second assumption will, however, present many problems in practice. The group with higher incomes is composed in large part of the major branches of the working class: miners, dockyard workers, metallurgists, etc. These are occupations, which despite relatively high wages are unremunerative and have a constant shortage of workers because of the high degree of strenuous work. A change in wage ration in the direction of having them deflated may create numerous problems when increasing economic efficiency. Negative psychological reactions from the representatives of these income groups will also be understandable.

Determining the lowest income group creates many problems as well. The established concept of a social minimum in our society is a per capita income of about 3,000 zlotys. This is a minimum corresponding to social needs but does not correspond to the degree of development achieved in the country. The national income in Poland is at a level close to 55,000 zlotys per capita annually. If we take into account accumulation needs (15-18 percent of income) and collective consumption needs, then 36,000 zlotys annually is the average amount which a Polish resident has at his disposal. This amount is, to be sure, increased by "inflationary pressure" but this is not the situation normally. If Poland has a per capita national income comparable to a level of $2,000-$3,000, then a social mimimum cannot be established in it on a level with France of FRG which have national incomes of $6,000-$8,000. The amount of the real minimum must be taken into account when establishing the compensation amount. Full compensation cannot take in only half of society because the burden of limiting (or eliminating) the inflationary gap transferred to the other half would, in practice, lead to a nearly total leveling of wages. Therefore,

more numerous classifications of the compensation amount are needed, which would distribute the burden of market stabilization more evenly to a larger number of social groups.

Ths issue of the amount of standard compensation is also not clearly laid out. It is determined to be 1,200-1,500 zlotys. With the envisaged price increase of 125 percent on food commodities it is assumed, therefore, that average food expenses come to about 1,000 zlotys monthly, This appears to be a rather low estimate. In our country, the share of expenses for food amounts to about 50 percent (alcohol included). This indicates that food expenses in working families converge at a level of about 1,500 zlotys monthly (this is probably a rather low estimate for 1981). The average real compensation should, therefore, be between 1,800-2,000 zlotys. Obviously, such compensation cannot be granted to everyone. This might be possible in the case of carrying out the price reform under conditions of general balance. Nevertheless, the public should be clearly informed of this as well.

Extent of the Price Increase

Is such a high price increase on food commodities really necessary? The high amount does not result from the necessity of eliminating the inflationary curve as it does from the level of production costs determined by new procurement prices set rather too highly in relation to social production costs. Obviously, a high increase which eliminates surcharges makes it possible to implement diverse variants of compensation, which are relatively high as well. We may, then, act as previously mentioned--on both sides of the equation. If we wish to avoid a social shock, it would then, be worth considering the variant which proposes a lower, average price increase, even if this means retaining subsidies on certain food commodities. Such high price increases could perhaps be accepted if a state of complete balance on the market of food commodities were to be achieved. With the present limited supply of many of these commodities (meat, dairy products, among others) and the low flexibility of prices on these goods, even such a high increase cannot guarantee the attainment of this state. If the food commodity market were to continue being not at all good, then I would declare myself in favor of a smaller increase in the first stage of the price increases with correspondingly lower compensation. This smaller increase will be easier to accept.

And as a side note--is it necessary to raise the price of coal all the way up to 3,000 zlotys per ton? The present cost of mining coal slightly exceeds 1,000 zlotys per ton. After bringing the system of producer and sale prices down to reality, this cost will increase, presumably by about 50 percent. The price of close to 3,000 zlotys is based on world prices--$80 per ton times 37-40 zlotys on a dollar. On the surface, nothing can be said against this reasoning--but every country, in terms of the domestic market, profits from the fact that it produces certain goods at less cost than the average world costs. Coal is a commodity of primary importance in our climate and there is no justification for elevating its price considerably beyond the level of domestic, social costs of production. Its price increase will still be over threefold.

What About Savings?

One of the anticipated positive effect of the reform is the survival of the normal inclination to save. During the last period, various measures were adopted in order

to make savings more appealing. It appears that, in connection with the price reform, we will have to start thinking about the revalorization of deposits, at least the long-term ones. If such action is not taken, then the long-term inclination to save may be jeopardized. Of course, the revalorization rate requires qualification. The fact should be taken into account here that most savings are for purposes of financing housing and the purchase of durable goods. The degree of revalorization should, therefore, depend on the envisaged price changes on goods of this type.

Price reform should be treated as an element of economic reform. It will not take care of anything all by itself. The basic problem is to stabilize production, above all, market production and to take charge of the rate of income. In given circumstances, these factors do not depend directly on price reform. Occasional and haphazard activity will not ensure stabilization of production and will not protect from the disentegration of the economy. The price reform will produce effects only if the decline of production is halted, even if this means limiting its production assortments. However, we are hereby entering the issue of the program of stabilization about which it is worth expressing oneself separately.

The realization of each variant of the price reform requires extensive social consultation and with trade unions as well. These consultations require time. For this reason, the worked out reform plan should be brought to light as quickly as possible. It is obvious that the plan should essentially represent the effect of the reform on the structuring of market balance, thus, the value of goods supplied to the market and the amount of income.

9853
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INCREASED PRODUCTION EMPHASIZED IN EXTRACTIVE INDUSTRIES

New Minister on Geological Research

Bucharest SCINTEIA in Romanian 10 Sep 81 p 3

/Interview with Ioan Folea, minister of geology, by SCINTEIA: "Geology--One Step, If Not Even Two, Ahead of Production!"; date and place not specified/

/Text/ Our interviewee is Comrade Ioan Folea, the minister of geology.

/Question/ As a rule, the geological work for identifying and developing the new deposits of useful mineral substances must be one step, if not even two, ahead of production. Referring now just to the coal reserves, how is the geological research program being implemented?

/Answer/ At the work conference of the RCP Central Committee with the actives in the field of geology, organized in October of last year on the initiative of Comrade Nicolae Ceausescu, the secretary general of the party, the stage of fulfillment of the geological research plan up to that time and the measures that are necessary for exemplarily fulfilling the provisions for 1981, for the whole 1981-1985 5-year period and, later, up to the year 2000 were examined. Consequently, we have a concrete work program, precise objectives for the attainment of which all the working people in the field of geology are mobilized. However, I will refer only to some of the measures established for increasing the coal reserves, so that it is possible to attain the expected production levels both this year and later.

From the very outset, I would like to point out that prospecting and exploration work for expanding the zones under exploitation, as well as for opening up new mines in basins where the presence of coal or of coal-bearing formations is known, is planned for the 1981-1985 5-year period. Making some concrete references, I will mention that, with a view to increasing the anthracite reserves, the work of prospecting with drilling will continue at the Schela-Viezuroiu deposit, the only anthracite deposit known here in our country. With a view to finding new reserves of bituminous coal, the research will continue in the Anina-Bradet, Lupac, Bigar, Precheda, east Doman and other perimeters. The reserves of bituminous coal in the Petrosani basin, on the basis of which the documentation needed for investments in the operations in the Lonea, Petrila, Aninoasa, Vulcan, Paroseni, Lupeni, Barbateni, Uricani and other perimeters was substantiated, were calculated by means of the work done. At the same time, the perfecting of the technologies for mechanized exploitation of even the

narrow beds of bituminous coal in Valea Jiului, which will be devised and tested during the current 5-year period, will contribute to the growth of the exploitable reserves.

/Question/ The biggest increases in production are expected for lignite and brown coal. What tasks devolve upon geology for increasing the exploitable reserves?

/Answer/ In fact, a big volume of geological work is being done in the Oltenia basin, where the biggest lignite deposits exist--more precisely, in the Farcasesti and Negomir perimeters (Gorj County) and the Zegujani, Husnicioara and Prunisor-Izvorul Anestilor perimeters (Mehedinti County). In the majority of these perimeters, along with the geological research work, research with minework will be done with a view to establishing the possibilities of utilizing the reserves located in difficult hydrogeological conditions.

In the Comanesti basin, although there are old mines, many particulars are still necessary for knowing the deposits. In the perimeter located to the north of Sfintu Gheorghe, where a new lignite deposit was found, mining technological research will be done with a view to establishing the conditions for utilizing the reserves.

/Question/ One of the extremely important tasks set by the party leadership refers to shortening the cycle for investigating and proceeding to exploit the reserves identified. What is being done in this regard?

/Answer/ Most of the geological research planned for the 1981-1985 period is being done on the basis of programs drawn up according to objectives, there being taken into account in the location and volume of the work the possibility that in the case of favorable results the respective work can also be used in the activity of exploitation. In this way, both the shortening of the research cycle and the hastening of the drawing of the reserves into the economic circuit are being achieved.

By means of the geological research work scheduled for the 1981-1985 period, the reserves of lignite and brown coal will be traced, which, together with the reserves in the deposits under exploitation, will provide for the attainment of the production planned for the whole 5-year period. The reserves that will be pinpointed in the north Voivozi, north Budoi, Ip-Zauan and Borumlaca perimeters will help to maintain the production capacity in the Silvania basin, which has a low degree of supply with reserves. Through the finding of new reserves in the west Zegujeni, Husnicioara, Prunisor-Izvorul Anestilor, Samarinesti, Negomir, Farcasesti and Oradea-Biharia perimeters, where the research will be concluded in the 1981-1983 period, the opening of new extraction capacities that will contribute to the attainment of the production expected in 1984-1985 will be substantiated. The research work which is in progress and which will continue in the Sinersig-Darova, Visag, Bozovici, Livezile and Dimbovita Valley-Neajlov Valley perimeters--to the south of Bucharest--will provide new reserves for increasing the production expected in the last years of the 5-year period and in the next period.

/Question/ Is a new economic aspect of the capital, that of coal producer, therefore appearing?

/Answer/ Not just Bucharest, the capital of the homeland, will soon be connected to the string of coal-producing units. As follows from the many data presented, sooner

or later almost every zone of the country will put its name among the producers of coal--an energy resource so necessary to the national economy.

Mechanization Program in Mining Industry

Bucharest SCINTEIA in Romanian 10 Sep 81 p 3

/Unattributed article: "Higher Productivity--by Implementing the Mechanization Program"/

/Text/ Possessing a large volume of data put at our disposal by the specialists in the Ministry of Mines, we tried to make a synthesis, to see what, in essence, the relationship is between the growth of the coal production in our country and the material equipping of the units in the extractive industry. The conclusion can be summarized in a few words: together with the growth of coal production, the work of the miners has become and will become easier, the physical effort has lessened and will lessen further, with highly skilled labor gaining more and more ground at the faces and in the quarries for extraction of lignite on the surface.

If we resort to figures--and in this case we should--we will see that the effort made to expand the mechanization in the mining industry is truly impressive:

In the last 5-year period, the mining extractive industry was supplied with 400,000 tons of equipment: 105 mechanized complexes for supporting the faces, 149 combines for cutting the coal in the faces, 240 combines for digging the mineworks, 16 rotary excavators for the lignite quarries and 7 machines for transportation and storage of barren rock;

Last year, 48.5 percent of the coal production was extracted at faces equipped with complexes for mechanized support and 49.5 percent of the horizontal minework in coal and barren rock was dug in a mechanized fashion with drifting combines;

61.9 percent of the work of cutting and loading the coal in the longwalls was also done in a mechanized fashion, and the extraction of lignite in quarries was done entirely by means of technologies with complete all-around mechanization.

The attention that the party leadership, and Comrade Nicolae Ceausescu personally, devote to equipping and expanding the mechanization in mining is also shown by the extremely mobilizing targets set for the current 5-year plan. Thus, the whole program for growth in coal production is correlated with the expansion of the mechanization and of the advanced work technologies. In this regard, the fact is noteworthy that while the physical production of raw coal is to be about 2.4 times higher in 1985 than in 1980, the production that will be achieved by means of technologies with all-around mechanization will be over 3 times higher. More precisely, the quantity of coal extracted from faces equipped with mechanized complexes will rise nearly 2.5-fold, and the quantity of lignite extracted in quarries by means of completely mechanized technologies will rise over 3.6-fold.

For reaching the target for growth in coal production:

In the current 5-year period, there has been drawn up a special program for equipping and mechanization in the extractive industry, which provides that the coal units are

to receive from the country: 166 face-supporting complexes (72 of the newly assimilated types), 201 face combines (88 of the newly assimilated types), 245 drifting combines, 30 rotary excavators (10 of a newly assimilated type), 13 machines for transportation and storage of barren rock, and so on;

Through the assimilation of new, modern equipment into manufacture, the process of mechanization in the coal industry is to be finalized;

Remote control, distant conversations and television below ground, dispatching and automation of technological flows or operations have been tested and will be introduced on an industrial scale, so that in the next 5-year period it will be possible to proceed to the generalization of automation in the mining industry.

Such a complex program of equipping and cooperation has never existed between the machine-building industry in our country and the extractive industry. Joint staffs formed of responsible personnel and specialists from ministries, machine-building enterprises, benefiting units and research and design institutes are pursuing and supporting the implementation of the program for equipping and mechanizing the work in mining.

Nevertheless, despite the progress made in equipping and expanding the mechanization of the work in the extractive industry, the achievements could have been even better if the programs drawn up had been followed precisely. However, it must be said that some basic equipment is not assimilated into manufacture at the proper time or is not delivered in the quantities and on the dates established by means of contracts. Thus, the assimilation of the first CA-1 and CA-2 face combines and the combine for drifting in barren rock, model CI-2, was nearly 2 years late, with the serial manufacture of them beginning only this year. At the same time, in 1980, with regard to the contracts concluded, 8 mechanized face supports, 17 face combines, 3 drifting combines and 23 gallery-reshaping installations were not delivered and there were big delays in the delivery of the 15 rotary excavators and 6 installations for transportation and storage of barren rock.

Certainly, the tasks that devolve upon the machine-building industry are great; the assimilation of highly complex equipment into manufacture raises special technical and technological problems. However, it must be understood that for increasing the coal production, for securing the energy independence of the country, no effort is too great. Consequently, the working people's councils and the party organizations must act in such a way that the entire creative potential of the working people in the machine-building industry, the extractive industry and the other branches is utilized, in such a way that each piece of equipment is achieved and put into operation on the stipulated dates, under faultless qualitative conditions. Moreover, by means of a series of investigations made in the building and benefiting units, our newspaper will dwell on the way in which the program for equipping and mechanizing the work in mining is being implemented.

12105
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FOREIGN TRADE OF REPUBLICS, PROVINCES, JAN-JUL 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Sep 81 p 3

[Article by Milorad Urosevic]

[Text] Exports covered 58.5 percent of imports, but for every 100 dinars imported for foreign exchange only 44.7 dinars of goods were exported. Serbia proper had the best success, with 72.8 percent of imports covered by exports, while relatively the worst record was Crotia's 40.5 percent coverage.

The end of summer vacations also meant the coming of increased activity in the assemblies of sociopolitical communities and organizations of associated labor, as well as in other organizations and institutions involved in implementing the conclusions of the Council of Republics and Provinces approved on 16 July. These decisions relate chiefly to overcoming inflation, which cannot be achieved without balancing exports and imports and reducing the negative balance of trade.

To improve the country's position in economic relations with foreign countries, reduce the trade deficit and the degree of indebtedness, and increase exports to foreign exchange areas, special responsibility must be assumed by the republics and provinces. The Conclusions continue to state that the interest communities for economic relations with foreign countries and organizations of associated labor must also accept their obligations, while the Federal Executive Council and the National Bank should make it impossible to accept import applications that exceed the balance of payments and the deficit that has been approved.

Regarded in this manner, and taking into consideration that the Federal Statistical Office is overburdened with work related to the population census and therefore is late in publishing its regular reports on economic trends, the data published last week on foreign trade for the January-July period gain in significance. Here it is not only significant to note the increase in exports and imports, but also the indicators regarding the negative balance. Nor should one ignore the degree to which the sociopolitical community has contributed to the results achieved.

Those elements are apparent from the data about the degree to which imports were covered by exports and the share of individual republics and provinces in the total negative balance. From this will come their tasks until year's end. Comparison of the most important elements of this exchange during 7 months this year and the same period last year will be possible later; below are the results for 1981 so far.

Data for the Period January-July 1981: Key:

1. Sociopolitical community
2. Yugoslavia-total
3. Bosnia and Hercegovina
4. Montenegro
5. Croatia
6. Macedonia
7. Slovenia
8. Serbia proper
9. Kosovo
10. Vojvodina
11. Federation
12. in million dinars
13. exports
14. imports
15. deficit
16. percent imports covered by exports
17. share in:
18. exports
19. imports
20. deficit

The numbers on the table require some explanations and additions. Compared to the same months of last year, exports increased by 16 percent, while imports were down by 1 percent. The negative difference increased from 99,401 billion dinars to 111,907 dinars, or by 12.6 percent. Recalculated on the basis of the Federal Executive Council Resolutions on Establishing Foreign Exchange Rates, the deficit reached 4,099 billion dollars, compared to 3,641 billion during the same time period of the previous year. The negative balance with convertible currency countries, however, is even worse. Last year the 7-month deficit was 3,298 billion dollars, while this year it reached 4,140 billion, meaning a 26.2 percent increase.

All of these figures represent the Yugoslav total, to which it should be added that last year the amount by which exports covered imports in the period under consideration amounted to 58.5 percent, while this year it was better by half a percentage point. The various sociopolitical communities contributed differently to the overall Yugoslav balance, with some imporving their shares and others showing worse results.

Taking their share in the overall results into consideration, Serbia proper and Crotia have a great impact on the whole, and this has been true in the year so far.

Increasing the amount its exports covered imports from 72.2 percent during the first 7 months of last year to 72.8 percent, and its share of total exports to 26.5 percent, of total imports to 21.3 percent, and its share in the negative balance to 14 percent, Serbia proper contributed at least to a minimal improvement in the Yugoslav balance of foreign trade.

The Croatian economy saw its exports/imports ratio decline from 55.6 percent during January-July last year to 40.5 percent this year, while its share of total exports was 21.6 percent, of total imports, 27.2 percent, and of the trade deficit, 35 percent.

Bosnia and Hercegovina also improved its contribution with the exports/imports ratio going from 63.9 to 65.1 percent, while its share of total exports was 14.7 percent, of total imports, 13.2 percent, and of the trade deficit, 11.1 percent.

Macedonia recorded a significant improvement, with the exports/imports ratio rising from 57.8 percent for 5 months of last year to 63.2 percent this year and with declining shares in exports, imports and the trade deficit.

After Serbia proper, Slovenia showed the best exports/imports ratio, improving from 66.8 percent for the 7 month period last year to 69.5 percent this year, while its share of total exports declined to 19.7 percent, of total imports to 16.6 percent, and of the trade deficit to 12.2 percent.

Vojvodina showed the greatest advances, although given its low starting point, there was little reason for satisfaction. The exports/imports ratio improved from 40.1 percent for 5 months to 52.7 percent, with its share of total exports at 8.1 percent, of total imports at 9 percent, and of the trade deficit, 10.2 percent.

Montenegro and Kosovo increased their negative balances and lost ground in the exports/imports ratio, but their shares of total foreign trade are very modest, so that they have little impact on the final results.

Regarded in this manner, and combining basic elements that are published by the Federal Statistical Office with supplementary calculations, it is possible to perceive both the results so far and the obligations that are before the republics and provinces. This, however, is not enough, because the role of organizations of associated labor is not apparent. Research into the extent that exports cover imports for individual economic branches and sectors, combined with total employment and personal income figures, would reveal very different behavior and contributions to economic stabilization. These features deserve a special study.

12131
CSO: 2800/362

BRIEFS

POWER EQUIPMENT TO NIGERIA--Ohrid, 28 Aug--Representatives of the Ohrid "Elektromontaza" and of the Ministry of Regional Electrification of Nigeria have signed an agreement for delivery of electrical equipment and installation, with one year technical maintenance, of an electrical project for transmission and distribution of electric power. The agreement, which is to be carried out in two stages by September 1982, is worth more than 4.5 million dollars. Work is expected to begin the second half of September. To the extent that this work is completed on time and in a quality manner, the Nigerians have informed us that they will sign new agreements for electrification of several more areas of this underdeveloped country. (D.P.) [Text] [Skopje NOVA MAKEDONIJA in Macedonian 29 Aug 81 p 3]

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END

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28 October 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2194

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28 October 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2194

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CEMA COOPERATION IN WATER MANAGEMENT DOCUMENTED

East Berlin PRESSE-INFORMATIONEN in German No 115, 2 Oct 81 pp 5-6

['Facts and figures' feature by Press Office, Chairman, GDR Council of Ministers: "CEMA Cooperation in Water Management"]

[Text] The CEMA countries have in recent years jointly dealt with circa 70 comprehensive scientific and technical projects in water management. The focal point in this has been the long-term availability of water under any conditions and stable supplies in drinking and all-purpose water for the public, industry and agriculture through modest public expenditures and while keeping the water well protected.

Through a division of labor and a concentration of capacities, the water management organs of the CEMA countries are implementing increasingly ambitious R&D tasks that are beyond the capacities of any one of the countries alone. Development time frames can be reduced, and so can be the costs of scientific-technical projects. Other data from other countries also can rapidly be made use of in CEMA.

New methods and procedures were developed, for instance, which make water supplies more readily available. And then we also get scientific data on making rational use of water resources, especially for an economic use of water, and scientific bases for more efficient management and planning in our water management and for protecting water from impurities, which includes water pollution limits. Uniform procedures and technologies for water recycling and sewage treatment and joint standards also must be mentioned.

The CEMA countries have a longtime tradition in their water management cooperation. Since 1962 the heads of the CEMA countries' water management organs have been meeting regularly to discuss matters concerning the water. In mid-September 1981 the 28th conference of this body was held in the GDR. There, a balance-sheet was drawn up on the gains made. For 10 years all countries involved have been working on the implementation of water management tasks contained in the comprehensive CEMA program.

Its centerpiece are such subjects as ensuring drinking and all-purpose water for the public, industry and agriculture over the long run, protection from pollutants, the recovery of waterways, lakes and reservoirs, and the rational organization of water management processes.

The CEMA countries use various forms of cooperation. They range from joint science conferences and colloquies to research trips and instructional presentations--for example on how to counter oil spills--to the exchange of information on scientific-technical, technical-economic and methodological problems. Joint norms and guidelines also have been worked out as the basis for domestic legislation.

An effective means for the CEMA countries' water management cooperation is the international division of labor on standardizing water management equipment, devices and materials. "Intervodoochistka," the international economic association headquartered in Sofia, has been at work on that since 1978. Its main goal is to expand economic and scientific-technical cooperation for developing highly-efficient equipment especially for sewage treatment. A nomenclature was prepared for the main types of equipment.

That there has been more water available in the GDR in recent years is also due to the CEMA countries' science cooperation. That became mainly possible through a more intensive water resources management by means of modern mathematical control procedures. Here we particularly benefit from the Soviet Union's valuable experiences in the modeling of water management processes. That had a lot to do with the fact that in 84 percent of the dams water supplies were raised by circa 10 percent annually, or by 150 million cubic meters. New reservoirs at such dimensions would have cost at least M 1.5 billion.

That our industry managed for the first time in the 1976-1980 Five-Year Plan to accomplish the 32.2 percent increase in our industrial commodity production while water volumes remained the same also was a consequence of the experiences gathered jointly, in particular with the USSR, Hungary and the CSSR, which we have used. That applied especially to introducing sound scientific norms for water consumption, the setting up of intra-plant water cycles, and the sewage recycling in industry. Good cooperation also exists in solving the problems of drainage and ground water control. The results of that activity are reflected in the GDR, among other things, in establishing plans on water management development in the river areas. All five water managements in our republic have such plans.

Many CEMA water management cooperation projects are handled and implemented jointly by two countries. Subsequently they become available to the other partner countries. Our relations with the Soviet Union enjoy a high place value. The USSR Ministry of Land Reclamation & Water Resources made an agreement recently with the GDR Ministry for Environmental Protection & Water Management on scientific-technical cooperation for the 1981-1985 period. This involves mainly the rational water regulation, water protection and creating efficient water construction projects.

We have for many years been already working together with the State Committee for Construction Affairs of the USSR, especially in the field of sewage treatment. Late in 1977 a government agreement was signed between the GDR and the USSR on cooperating on the introduction and application of modern technological procedures and equipment for sewage treatment in big cities and industrial areas. This cooperation saves both partners much time and funds.

The GDR has directly benefited from it especially in setting up its new sewage plant in Berlin-North. Soviet specialists did the project planning for it. The GD contractually acquired a USSR license for a modern sludge treatment procedure which can reduce construction costs by 25 to 30 percent, requires less farm acreage and diminishes construction time frames.

In turn, the GDR helped the USSR in using tubular settling tanks for the first time in the oil removal from drainage. As the productivity, compared with conventional methods, more than doubles through such installations, the tanks, as developed in the GDR, are scheduled to be built in additional Soviet chemical enterprises.

5885
CSO: 2300/23

SED JOURNAL CRITICIZES COMBINE PERFORMANCE

West German Commentary

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 3 Sep 81 p 13

[Article by "Gz" datelined Berlin, 2 September: "The SED Is Dissatisfied with the Work of the Combines--Functionaries Criticize Enterprise Managements--More Rapid Response to Demand." A translation of the East Berlin NEUER WEG article by Carl-Heinz Janson cited below is published following this commentary]

[Text] Berlin, 2 September. The SED journal NEUER WEG, an SED Central Committee organ "for issues concerning party life," devotes its latest issue almost entirely to the question how the industrial combines established in the last few years can improve their work and more quickly tap the obviously present productivity reserves. In the GDR, the industrial, construction and transportation sectors are concentrated in 157 combines; in addition, this year there will be established 54 "bezirk-[GDR administrative unit] controlled" combines, which will primarily produce consumer goods. According to NEUER WEG, they are to respond quickly to the changes in demand.

The articles in the journal clearly show that the SED is not satisfied with the results achieved so far. In the first 6 months of 1981, 14 combines--one could say only 14--increased their net production by more than 10 percent and attained high rates of growth in labor productivity. Nevertheless, Carl-Heinz Janson, head of the Department for Socialist Economic Planning in the SED Central Committee, stated that there was no reason to be self-satisfied: "There are still combines that lag behind the leading combines--equal starting conditions notwithstanding. Moreover, increased efforts are necessary to meet all the export targets." The combines are urged "more thoroughly to analyze their own reproduction processes."

For a number of years, it has been noted that the number of combines that are again and again singled out for public praise in the SED press is invariably small: Carl Zeiss, Jena; the Schwedt Petrochemical Combine; the Fritz Heckert Machine Building Combine in Karl-Marx-Stadt; a few chemical plants, and of late a number of combines that are concerned with microelectronics. It has been stated that these are the combines "whose general directors combine--under the direction of the party organization--study of the resolutions adopted by the Party and the Government with consistent efforts toward creative implementation of the resolutions."

Regarding the articles in the functionaries' journal, one is struck by the high degree of concern exhibited in regard to the role of the party organization in the enterprises and combines. The SED is not yet satisfied with the political qualifications of a number of comrades. Horst John of the Genthin Detergent Works stated that even though 61 percent "of the combine's nomenclature cadres" had attended a party school, the party-oriented training of the leading cadres must not slacken. According to John, the quality of their administrative work does not sufficiently reflect their professional and political training.

Production, Exports Lag

East Berlin NEUER WEG in German Vol 36 No 16, Aug 81 signed to press 13 Aug 81 pp 625-630

[Article by Carl-Heinz Janson, chief, Department of Socialist Economic Management, SED Central Committee: "Combines are Carrying Out the Economic Strategy"]

[Text] The resolution of the 10th SED Congress to continue through the 1980's the execution of the main task--characterized by the unity of economic and social policy--indicates that the proven Marxist-Leninist policy is being systematically continued for the benefit of the people and for the consistent safeguarding of peace.

The base organizations in the centrally controlled combines in industry and in the construction sector thus are saddled with great political and economic responsibility. Together with the general directors, they must try to bring about in the collectives a marked and lasting increase in performance, in order fully to realize the economic strategy's 10 points of main emphasis. At the 10th Party Congress, comrade Erich Honecker stated: "The dynamic development of the 157 combines, which employ 2.9 million workers, is of crucial importance for the successful economic development of the GDR."*

At the Leipzig Central Committee Seminar, which was attended by the general directors of the centrally controlled combines and by the party organizers of the Central Committee, there took place an intensive performance comparison and an exchange of experience intended to tap additional performance reserves, to make further progress in the best combines and at the same time to bring up all combines to the level of the successful ones.

Good Results in the First Half-Year

By entering into significant commitments such as overfulfillment--on the basis of material economy--of the 1981 economic plan by 3 days' worth of industrial commodity output, the participants in the seminar unanimously demonstrated their firm resolve extensively to support--in collaboration with the trade unions--the workers' initiative toward performance increases in the socialist competition.

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* "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" [Report of the SED Central Committee to the 10th SED Congress], Berlin, 1981, p 79.

At the 1981 half-year mark, the workers had already produced excellent results in the socialist competition. The plan target for industrial commodity production was exceeded by the equivalent of 1.9 daily production quotas. Many combines had demonstrably succeeded in making better use of the qualitative factors of economic growth. A greater number of collectives achieved above-average results in regard to increasing commodity and net production, reducing production input and staying within the limits set for production costs.

Nevertheless, in their political work, more and more base organizations proceed from the assumption that there is no reason to be self-satisfied. There still are combines that clearly lag behind the leading combines, identical starting conditions notwithstanding. Moreover, increased efforts will be necessary to meet the export targets. This underscores the necessity for every combine more thoroughly to analyze its own reproduction process and more forcefully to organize the transmission of the experience of the best workers as a great performance reserve. Regarding this task, the starting point is the complex implementation of the 10 points of the economic strategy. The general directors and plant managers should make greater allowance for this in their management activity.

Concrete Application of the 10 Points of Main Emphasis

Wherever this was possible as a result of the management work of the general directors and plant managers and the base organizations' political work with the masses, the combines did not just list the 10 points of main emphasis, but successfully organized their concrete implementation. In these combines, the active consent of the working class and of all working people to the economic strategy formulated by the 10th Party Congress was evident from the tens of thousands of proposals and pledges made during the public discussion concerning the directive on the development of the GDR economy from 1981 to 1985 and the discussion of the 1982 plan.

It is necessary to take full advantage of this initiative so as to establish high plan targets. This calls for a clear fighting position on the part of the base organization. Fighting position--this means above all identification of the directors and of all work collectives with the standards set by the 10th Party Congress. Fighting position--this means optimism and high working morale so as to accelerate and efficiently utilize the scientific-technological advances that influence all of the 10 points of the economic strategy. The advanced combines show that the first step is to set high targets in science and technology, for the performance increases can only be realized through the combine's own contribution to scientific-technological progress. In this regard, the applicable criteria are unerringly set by the international standard.

Consistently Aim for Maximum Performance

The general directors--supported by the base organizations--influence this process with increasing consistency. Thus more and more leaders of base organizations orient themselves in their political-ideological work toward accelerated rates of growth. They have suggested to set down in the task-list scientific-technological and economic targets and target dates commensurate with the top level, in order to concentrate all capacities on tasks yielding the best economic results. The general directors of the combines and all of the plant directors must lead the struggle for top-level results in science and technology. They are in a position

effectively to promote the utilization of young cadres at the focal points of scientific-technological progress and uncompromisingly to fight against tendencies to shirk the responsibility for scientific-technological tasks.

Today, a few months after the 10th Party Congress and the Leipzig Central Committee Seminar, many combines have begun to work in accordance with these new requirements. Wherever the base organizations conduct this struggle as a matter of principle, new reserves are tapped. This was demonstrated by the Party's industrial kreis [GDR administrative unit] administration in the Bitterfeld Chemical Combine VEB. It consistently opposed the view that there were no more performance reserves. As a result, more and more plant collectives are engaged--in collaboration with the research collectives--in introducing in present installations technologies requiring little investment capital. Dynamic performance increase without any increase in the consumption of raw materials and fuel is a key task that must be tackled by every base organization in the combine. In accomplishing this task, maximum refinement of the raw materials and fuel used is of utmost importance. It is the key factor in regard to further performance increases. In the parent plant of the Schwedt Petrochemical Combine, a comprehensive plan has been worked out under the direction of the general director. This plan is based on the assumption that refinement of the production process is a national economic program that concerns every combine and that is closely related to the further development of quality-oriented work. Every workplace can make a contribution to this effort, if clear guidelines on the part of the directors are combined with the ideas of the workers.

Economize on Manpower and Workplaces

For the base organizations in every combine, to meet the requirements of the 1980's means to take up fighting positions for undertaking a comprehensive rationalization of the production process. This is the way to increase labor productivity in an unprecedented degree. It is necessary to apply a broad spectrum of measures, ranging from improvement of work organization to complex automation of production and including systematic application of microelectronics and robot technology. The effectiveness criterion is the degree of manpower and workplace economy realized in improving--with minimum input--work quality and working and living conditions. This process is aided--in equal measure--by the research results and innovator ideas, by the development of the means of rationalization to a high technological level and by the training and advanced training of the working people.

More Industrial Robots in the Next Few Years

In regard to the political-ideological work of the base organizations, one should always bear in mind that today rationalization is largely determined by automation, by the production and utilization of industrial robots. Thus one can understand the objective formulated by the 10th Party Congress, namely by 1985 to produce and employ 40,000 to 45,000 industrial robots, and why this leads to qualitatively new requirements for all combines. This goes above all for the domestic production of means of rationalization and for the reorganization of technologies. A larger number of industrial robots will be operative as early as 1982 and 1983. This will produce a considerable economic effect in regard to improvement of labor productivity during the current five-year plan period. This is one of the consequences of the Leipzig Central Committee Seminar, a consequence which every combine must implement on the basis of central resolutions. The application of microelectronics and

robot technology confronts us with totally new scientific-technological tasks--tasks requiring courage to take risks, creativity in the finding of new solutions, high working morale and socialist cooperation.

As a result of the increased emphasis on rationalization, new standards are emerging in regard to investment policy. For the 10th Party Congress called for a significant increase in the volume of commodity production per M 1,000 of capital investment. This objective will be attained primarily through curtailment of the investment volume and through reduction of the planning and implementation times and of the construction share in every combine. For this reason, it is imperative that the comrades make it clear in their work collectives that there is no room for so-called "big solutions" or demands for increased funds for investment projects. The 10th Party Congress called for increasing production performance accompanied by curtailment of investments.

The economic strategy for the 1980's stipulates production of an increasing quantity of high-quality, well-designed consumer goods. The combines in particular bear great responsibility in this regard. This goes also for those combines that primarily produce capital goods. The base organizations see to it that all material-technical and intellectual capacities are utilized so as to increase the supply of high-quality consumer goods. Unconditional support should be given to the bezirk-controlled industrial combines set up in 1981 with the object of significantly expanding production of the thousand and one little things.

Growth Through Intensively Expanded Reproduction

In their work concerning political-ideological persuasion, the base organizations make allowance for the fact that high growth rates can be insured only by means of intensively expanded reproduction. To this end, it is necessary to make full use of the great insights of the Marxist-Leninist reproduction theory and creatively to apply this theory to management work. This calls for further deepening of the political and economic knowledge of the directors and of all workers. All of the proven forms of Marxist-Leninist training work and production propaganda should be utilized to this end.

The greatest advances have been made in those combines whose general directors--guided by the party organization--combine the study of the party and government resolutions with consistent efforts toward their creative implementation. They do this while at the same time maintaining control, engaging in unsparing performance comparison, further consolidating the political consciousness of the workers and developing a clear fighting position so as to fulfill the plan as a uniform process in the combine. This is how management work should be performed everywhere. Of great significance in this regard is the intensification of the friendship with the Soviet Union--which is based on the total identity of the policy pursued by our party with the policy of the CPSU. Most important is the conscientious accomplishment of all tasks in connection with the economic and scientific-technological cooperation with the Soviet Union.

The Position and Responsibility of the Combines

Through the resolutions adopted at the 10th Party Congress, our party has clearly defined the position and the responsibility of the combines. They represent the

most effective form of organization of socially useful work under the concrete conditions of developed socialism in the GDR. The entire work of the combines is organized with an eye to their national economic responsibility. In this process, science, technology, efficient production and marketing of the products, including foreign trade, are organically interconnected and the production process is uniformly regulated up to the highest processing levels. This includes further increases in the productive capacity of the independently planning and accounting combines.

The Combine Is More Than the Sum Total of Its Enterprises

Experienced general directors see to it that these enterprises are assured of maximum support and that their problems are constructively solved through coordination and consultation with the bezirk and kreis administrations and the regional state organs. In this respect, they always bear in mind that the combine is more than the sum total of its enterprises. The centrally controlled energy of the workers of all the enterprises and plants in the combine produces greater achievements than would be possible through each worker's individual efforts.

Thanks to the advantages of our socialist planned economy, the combine directors are able through prudent management to utilize the workers' productive capacity and initiative more efficiently, as compared to previous forms of economic organization. The bezirk and kreis administrations make a great contribution in this regard. Through their political leadership, they support the combine enterprises and combine administrations in regard to realizing marked performance increases. At the same time, they insure regional rationalization and improvement of the working and living conditions in the region.

Fighting Position Based on Advice of Party Secretaries

Experience has shown that it is profitable for the combine, when the base organizations in all the combine enterprises are unified in their endeavors to attain the plan targets. Regarding the development of such a unified fighting position, the advice of the party secretaries under the chairmanship of the Central Committee party organizer is of great importance. As an advisory organ, he helps the leaders of the combine enterprises' base organizations to draw the right conclusions concerning party work from the econopolitical tasks of the combine. In connection with the execution of the tasks, he transmits the best results obtained and he makes suggestions in regard to the elaboration of the annual fighting programs of the combine enterprises' base organizations.

The Party holds the general directors and the Central Committee party organizers personally accountable for concentrating the work of all directors and work collectives on implementation of the 10 focal points of the economic strategy formulated by the 10th Party Congress. They accomplish this task in collaboration with the SED base organizations and with the membership of the trade unions and of the FDJ [Free German Youth], KDT [Chambers of Technology] and the other social organizations.

For the base organizations, this means that they must further improve their political leadership in accordance with the three main trends named by comrade Erich Honecker at the 10th Party Congress.

Differences Must Be Eliminated

East Berlin NEUER WEG in German Vol 36 No 16, Aug 81 signed to press 13 Aug 81 pp 649-651

[Article by Dr Karl Bittner and Dr Wolfgang Ruehle: "What Can, What Must the Combines Accomplish?"]

[Text] The 10th SED Congress expressed its appreciation of the work of the 157 industrial, construction and transportation combines of our republic. The 2.9 million employees of these combines, including 400,000 scientists, engineers, chemists, economists and other university and technical college cadres, represent a great force which insures continuing performance increases in the 1980's. This force will enable the GDR better to discharge its political responsibility as the cornerstone of socialism and peace in Central Europe.

The Party Congress and the subsequent Central Committee Seminar attended by the general directors of the combines and the Central Committee party organizers made it clear that the economic strategy of the Party and the work of the combines are based on Marxism-Leninism.

Regarding the establishment of the combines, the theoretical point of departure is Marx' statement that the nationalization of production opens up fundamentally new efficiency reserves. Marx refers to the economy that results from concentration of the means of production.[1] He proves that cooperation and "combined work" bring forth new production capacities.[2] Proceeding from such fundamental considerations, Lenin urged to secure the means for socialist construction, "in order to save labor by means of centralization."[3]

Great Economic Benefit Through "Combined Work"

This labor-saving "centralization," this "combined work" has proved successful in our country. In 1980 in particular, the combines showed what they are capable of. When in the spring the advanced combines launched a campaign toward exceeding the annual plan target by 2 daily production quotas, quite a few people doubted that this ambitious goal could be attained. But at the end of the year, the annual target had in fact been exceeded by 2.5 daily production quotas and this advance was attained without any marked increase in material input.

The results produced in the first 6 months of 1981 likewise testify to the strength of the combines. Fourteen combines increased both commodity production and net production by over 10 percent and attained high rates of growth in regard to labor productivity.

During this period, the combines developed a crucial element of rationalization: the intra-plant production of means of rationalization. They succeeded in producing M 91 million worth of means of rationalization in excess of the plan target; they accomplished this by concentrating on the efficient production of industrial robots and by raising the technological level of this production process.

This indicates the great extent to which the enforcement of the economic strategy is interconnected with the work and development of these new economic elements.

This strategy is oriented above all toward the development of promising productive forces such as microelectronics, robot technology and other modern processes that create the basic conditions necessary for a more efficient organization of the social reproduction process.

As a form of organization, the combines offer the best conditions--both in regard to the development of the productive forces and in regard to the organization of a relatively unified reproduction process. This applies to a broad range of processes--from the development of new ideas in research and development to production preparation, production, and marketing.

This is an excellent approach and experienced and successful combines have already taken advantage of it and have achieved above-average results.

Exactly what is this approach concerned with? Essentially, the thrust of long-term objectives is to accelerate scientific-technological progress, including the economic utilization of its results.

The general directors of the combines exercise direct control over the research and development capacities, the production of means of rationalization, and the construction departments. Thus they can directly influence crucial scientific-technological research projects and implement them rapidly and efficiently. As a result of the formation of combines, they have at their disposal all the conditions necessary for insuring--via the smooth functioning of marketing research, research and development, and production and marketing--top-level scientific-technological results.

The combines have been set up with the object of fully meeting the demands ensuing from the law of time economy. This law calls for reduction of the entire social labor input. To accomplish this, it is necessary more efficiently to organize and reduce all phases of the reproduction process, i.e. the reproduction cycle as a whole, making sure that no phase is omitted and that all phases are coordinated so as to reduce to a minimum friction-related losses.

This is a task of great economic and--ultimately--political significance. For example, the point in time at which new scientific-technological results are introduced in the production process and thus in the market determines the profit to be realized. And if--to adduce another example--the operating time required for producing a certain article can be reduced from 30 to 28 days, one can increase--with basic assets and labor remaining unchanged--the annual output by 1 monthly production quota and correspondingly raise the productivity.[4]

This indicates the significance of this cycle reduction in regard to the efforts to exceed the plan target by 3 daily production quotas and it shows that the party organizations are well advised to concentrate their political leadership on this problem.

Learning to Operate in Accordance with Economic Criteria

Generally speaking, the party organizations of the combine enterprises should try to insure that everyone--from the general director to the skilled worker--thinks along economic lines and that the work is always measured against economic criteria.

Exchange of experience and performance comparisons are excellent means of accomplishing this. The state leadership is confronted with the task to carry out the performance comparisons and exchange of experience on the basis of economic criteria and to derive from them binding provisions.

Our economic plans are drawn up in conformity with the combine system. This enables us to make objective comparisons as to the efficiency of the respective combine's plan fulfillment. Thus experienced party organizations deliberately place in the foreground of the political work the question concerning the combines' economic benefit and efficiency. For in spite of all the advances in the combines' work, there are differences as to the rate at which the economic strategy is implemented by them. For the most part, the differences are not justified. Elimination of these differences is a significant reserve for future performance increases; it is a crucial aspect of the political control of economic processes.

Performance comparisons made on the basis of economic criteria have yielded interesting information. At present, in some combines the economic results produced for every mark of research input greatly exceed those of the other combines.

A certain combine plans to reduce the annual working time by over 250 working hours per worker, while another combine is satisfied with realizing only a fraction of that amount. Similar differences obtain in regard to increases in labor productivity, utilization of basic assets, manpower-savings in accordance with the Schwedt Model, and other important qualitative indicators of our economic growth.

But the political principle to be enforced by the party organizations reads as follows: Only those workers whose output markedly exceeds the input insure the intensively expanded reproduction of their combine.

Thus it is necessary to disclose such differences, to see to it that no one ignores them and that they are speedily eliminated.

The party organizations should look into the reasons underlying these differences, into their ideological causes: Regarding the science and technology plans, are the directors of state research and development projects satisfied with mediocre results or do they from the outset aim to reach the advanced international standard?

After all, the advantage offered by the combines with their combined work is that they set targets for themselves that exceed the capacities of the individual enterprise. Consequently, the political work aims to insure that this potential is fully utilized. The "Fritz Heckert" Machine Tool Combine in Karl-Marx-Stadt, for example, is drawing up the blueprint for automating an entire machine building enterprise engaged in medium-scale series production. This project is several years ahead of the international standard.

For such revolutionary developments, every combine needs a strategic conception and must develop its own production program.

Such conceptions are also necessary for the advanced processing of the articles produced; this processing is a core element in regard to insuring further above-average performance increases. In regard to more efficient economic management,

it is necessary to turn--through more highly qualified labor--every kilogram of raw material input into greater value, rather than to stop at the level of raw materials and semifinished products, the returns of which are usually not very high.

In this respect in particular, it is necessary to make use of "combined work" and to turn out qualitatively more valuable end products. Who would be better equipped than the combines for developing the most advanced technologies and organizing the production of high-quality goods as a uniform process?

All in all, it is quite clear that development of the productive capacities is a political task that must be solved by the base organization of every combine enterprise.

In order effectively to realize the potential effects, it is necessary to coordinate the work of all of the combine's independently planning and accounting enterprises; they must use their autonomous position so as to adhere to a strategy common to all. Coordinated action on the part of all party forces is an essential precondition in this regard.

The party organizations are confronted with the task in all respects to develop a unified position on the combine's developmental problems--on intensification and rationalization, on investment policy, on the development of all the qualitative factors involved in economic growth; such a position would include a party-oriented approach toward elimination of unjustified performance differences in the enterprises and of the last residues of plant egoism.

The advisory role of the party secretaries represents a standardized way of exchanging their experience, i.e. a way of cooperation commensurate with the conditions of the new economic units.

This Council of Party Secretaries cannot and must not replace the work of the base organizations and their elected leaders. It aims to point out to the party secretaries the focal points of the political work intended to enforce the combine strategy. Thus its recommendations are reflected in the work of the individual base organizations and their leaderships, in the resolutions to be adopted, and in the work done toward implementation of these resolutions. It has proved expedient to hold council discussions in the various base organizations so as to study on the spot the advanced experience gained in party- and people-related work and in the development of exemplary initiatives and at the same time to get to know different intra-plant conditions.

It has also proved expedient to discuss with the general director--within the framework of the Council of Party Secretaries--basic problems concerning combine development and focal points of plan preparation and implementation and--if need be--to obtain information from other leading cadres of the combine.

FOOTNOTES

1. See Marx/Engels, "Werke" [Complete Works], Vol 25, p 89.

2. Ibid., Vol 23, p 345.

3. Lenin, "Werke" [Complete Works], Vol 26, p 102.

4. See "Kombinate im Kampf um die Durchfuehrung der oekonomischen Strategie des X. Parteitages [Combines Engaged in Implementing the Economic Strategy Adopted at the 10th Party Congress], Berlin, 1981, p 56.

Consumer Goods Stressed

East Berlin NEUER WEG in German Vol 36 No 16, Aug 81 signed to press 13 Aug 81 pp 640-642

[Article by Kurt Koopmann, SED Central Committee party organizer; party secretary, Teltow Electronic Components Combine VEB: "Production of High-Quality Consumer Goods Is Also a Concern of Our Combine"]

[Text] To follow the directives of the 10th Party Congress and produce--on the basis of domestic raw materials--more and better consumer goods for the people is a concern of the entire national economy. This means that the producers of capital goods and the subcontracting industry--which includes our Teltow Electronic Building Elements Combine--are called upon to increase--in accordance with their specific production conditions--the assortment of high-quality consumer goods.

Consumer Goods--No "Marginal Phenomenon"

The enterprises of our combine have been producing consumer goods for some time, but these products were no longer in keeping with the combine's technical and technological capacities. Moreover, in the past consumer goods production was considered a "marginal phenomenon"; consequently, in 1979 their share of total commodity output amounted to no more than 2.5 percent. In 1980, the situation remained essentially unchanged.

Consequently, the Council of Party Secretaries discussed this situation. In this discussion, which was attended by management members of the combine leadership's base organization, it became apparent that the combine had no consistent position on its own consumer goods production. Thus the primary task was to make it clear to the entire combine that production of consumer goods is a political task of utmost importance--a task that concerns everyone--and that it is necessary to introduce into the production process products that are of high quality, that influence the international standard and that can be considered advanced in terms of material economy as well.

During this discussion, there arose the idea to produce electronic articles for personal entertainment. For as the sociopolitical measures of our party took effect in every family, many citizens came to be interested in such products. The general director took up this idea; first of all, he called for thorough market research--to be carried out in collaboration with the trade sector; subsequently, he decided to develop cassette recorders at three predetermined price levels and to begin series production in the second half of 1981.

Moreover, upon consultation with the Radio and Television Combine, it was decided to create in our combine's parent enterprise the conditions necessary for taking over from the Zittau Phonotechnik VEB production of the "Granat/Opal" record

player. According to the production plan adopted, the phonograph output volume targeted for this year will far exceed that of the Zittau plant (whose capacities were more restricted).

However, during the production changeover from the Phonotechnik VEB to our combine, the comrades--above all those in the base organization of the parent enterprise--had to deal with attitudes that had an inhibitory effect on the preparations for the new production setup. Obviously, some sectors had not succeeded in making their workers realize the responsibility our combine--the end producer--bears in regard to high-quality consumer goods. As had happened previously in the case of consumer goods production, some directors did not give priority to the tasks in connection with taking over the production of the record player.

Consequently, the Council of Party Secretaries advised the comrades of the parent enterprise's base organization and the management members of the combine leadership's base organization to talk again with the responsible directors and the workers of their sectors and tell them that the production of consumer goods is of equal importance, that it actually is an integral part of the combine's main output. For this reason, each management sector is responsible in equal measure for the production of electronic building elements and for the production of consumer goods.

During the talks with the parent plant's workwomen who are to turn out consumer goods, they showed themselves to be very interested in the new production setup. They expressed their willingness to take an active part in the following words: "To produce consumer goods is a beautiful, rewarding and responsible task. For all of us want to see further increases in the stores' supply of consumer goods. To accomplish this, however, everyone must make a personal contribution. From nothing, one can produce nothing."

Thus it was not difficult to persuade--at the end of 1980--a women's collective of our combine to go for about 4 weeks to the Zittau Phonotechnik VEB to gain production experience. Upon their return, the women declared that by the 10th Party Congress they would produce as many phonographs as the Zittau plant had produced in all of 1980. They exceeded their pledge by 10 units.

But it is not only in the parent plant, but also in the other combine enterprises--e.g. in the Gera Electronics VEB whose end producer is the Lobenstein plant--that the preconditions are being created for the production of high-quality consumer goods.

Results and Conclusions

In regard to its political leadership, the Council of Party Secretaries will continue to pay much attention to the production of consumer goods. The members of the Council of Party Secretaries resolved to recommend to all base organizations:

1. In their political work, to bear in mind the responsibility that the combine--as the end producer--bears in regard to high-quality consumer goods, and to exert increased pressure on those work collectives that are in a position to reduce energy and raw material input and to find new constructive solutions in regard to consumer goods production. It is necessary to produce a creative atmosphere so as

to reduce production input, improve the input-output ratio and produce a more tasteful design.

The Council of Party Secretaries considers this an important precondition for gradually replacing--beginning with the 1982 plan--the electronic entertainment articles now being produced by new high-quality products based on microelectronics. To accomplish this, the base organizations must try to promote a more intensive cooperation with the engineers, technicians and designers of the Radio and Television Combine. Only in this way will it be possible to bring about speedy development of new products.

2. As regards the further development of consumer goods production, the base organizations should urge the state directors closely to collaborate with the trade sector, because such cooperation is important for the following two reasons. Firstly: This cooperation enables them to draw further conclusions regarding design, properties, quality and other parameters. Secondly: The collectives obtain first-hand information as to how the people feel about "their product."

To support the political work of the base organizations, the Council of Party Secretaries will thoroughly discuss ideological problems directly related to consumer goods production and work out uniform instructions for the political work involving the combine labor force. In this regard, it is very important to point out the fact that the combine enterprises share the responsibility regarding production of consumer goods.

8760
CSO: 2300/336

REGULATIONS ON LEASING THE CONTRACTING OF PLANTS AND SHOPS

Leasing

Budapest MAGYAR KOZLONY in Hungarian No 54, 14 Sep 81 pp 753-754

[Decree No 29/1981 (IX. 14) of the Council of Ministers On the Leasing of Certain Industrial and Service Units]

Section 1

(1) An economic management organization (point c., Section 685 of the Civil Code) may lease out small-scale type industrial and service units (hereinafter referred to as units) to private persons if the function of those units is to fill a popular need. The branch minister responsible for a given activity has the power to limit the scope of leaseable units.

(2) The lessee may be

a) an economic association,
b) an artisan, and also
c) any person who while presently does not hold a trade license, is in the process of applying for one, and who meets all the necessary conditions to be issued such a license. In such cases, the contract will not enter into effect until the day the trade license is issued.

(3) Persons whose previous lease contracts were terminated for reasons specified under Section 7 (1), may not be granted a lease for a period of 5 years, starting from the date of termination of their contract.

Section 2

(1) In addition to the unit's premises and the area required for their proper use, the lease may also extend to any fixed assets (machines, installations, equipment) which are necessary for their operation.

(2) The lessee may purchase the fixed assets of an economic management organization within the limits prescribed by the statutory provisions.

(3) The economic management organization may also agree with the lessee to provide other conditions, too, that are necessary for the continuation of its activities. (i.e., steady material supply, conveying technical knowledge)

Section 3

(1) The leasing of the unit shall take place in the presence of a public notary, except when there is only one applicant participating in the bidding.

(2) The leasing of the unit must be advertised by the economic management organization by at least 30 days prior to the competitive bidding in either the central or the megye press. Applications for the bidding must be submitted in writing, at which time the applicant must also give proof that he has met the conditions specified under Section 1 (2).

(3) The economic management organization must inform all interested parties about the unit's specifications, its turnover during the previous year, its production value, the book value of its fixed assets, the lowest acceptable amount for rental and any possible additional costs required to secure the contract.

Section 4

The economic management organization must grant the lease contract to the highest bidder. In case of identical bids, the lease contract must go either to the former lessee of the unit, or to the person who is an employee of the economic management organization.

Section 5

(1) The lease contract must be put into writing. The unit must be transferred in accordance with the inventory, simultaneously with the signing of the contract.

(2) The lease contract must especially state

a) the amount of the rental, which is due monthly, in advance, by the 15th day of the month in question, and

b) the duration of the lease, which can be no longer than 5 years at the most.

(3) The amount of the rental may not be reduced.

Section 6

The lessee may neither sublease, nor allow a third party to operate his rented unit or the fixed assets therein.

Section 7

(1) In case an obligation assumed under the lease is not met, the economic management organization may terminate the lease upon at least 15 days prior notice,

effective on the last day of the following month, assuming that the lessee had been given an appropriate deadline and had been warned, in writing, of the possible consequences of defaulting on his contract, and if that deadline has already expired without any results.

(2) The lessee may terminate the lease contract upon at least 15 days prior notice, effective on the last day of the following month, if the economic management organization fails to live up to its obligations as specified in the lease contract. The lessee may also terminate the lease, effective on the last day of the following month, whenever his living conditions undergo such lasting and extensive changes, that he is no longer able to meet his obligations.

(3) The lease contract becomes void:

a) upon the expiration of the lease period,
b) upon termination,
c) if the lessee loses the right to continue operating, and
d) if the economic association disbands.

(4) Upon discontinuation of the lease, the economic management organization and the lessee must settle any outstanding accounts.

Section 8

In all other matters concerning the leasing of units and fixed assets which are not regulated by this decree, the following laws apply, respectively: the statutory provisions on the leasing of non-residential units, and those regulations of the Civil Code which regulate the leasing of objects.

Section 9

This decree will enter into force on 1 January 1982.

(signed) Gyorgy Aczel
Deputy Premier,
Council of Ministers

Enterprise Contracting

Budapest MAGYAR KOZLONY in Hungarian No 54, 14 Sep 81 pp 754-756

[Decree No 30/1981 (IX. 14) of the Council of Ministers On the Contractual Operation of Certain Enterprise Units]

Section 1

The ruling of this decree shall extend to all state enterprises, and other state management organs, to the enterprise of the social structure, to all cooperative enterprises, to economic associations operating as corporate entities, as well as to all consumers' marketing and supply cooperatives (hereinafter referred to as "enterprises").

Section 2

(1) Enterprise units employing not more than 15 people, which are involved in industrial production, consumer and other services, capital equipment trade and waste collection, may also be operated under a contractual system (hereinafter referred to as "contractual operations").

(2) No unit may be operated under a contractual system, the activities of which are defined by laws, law decrees, cabinet decrees and resolutions as belonging exclusively within the state management organizations; this also applies to public utility enterprise units, the activities of which are listed under Section 31 of Decree No 4/1978 (I. 18) of the Labor Code.

(3) The rules regarding the contractual operation of retail and catering businesses shall be laid down in the orders of the special statutory provision.

Section 3

The contract between the enterprise and the private party undertaking the contractual operation and management of the unit, (hereinafter referred to as "manager"), shall be entered into in accordance with the regulations of civil law. The contract must be put into writing and must remain in effect for not more than 5 years.

Section 4

(1) The enterprise must grant the contract to the bidder submitting the most favorable offer at the publicly announced competitive bidding.

(2) The competitive bidding shall be open only to those who, not later than the start of the bidding, deposit with the enterprise a percentage of the advertised fee as a down payment, in the amount specified by the enterprise.

(3) At the time the contract is signed, the deposit must either be included in the fee or security deposit due (Section 13), or be refunded. At the end of the bidding the down payments of the other participants must be returned.

(4) If the bidder submitting the most favorable offer at the competitive bidding fails to sign the contract within 15 days, he shall lose his deposit.

(5) If the bidder submitting the most favorable offer at the competitive bidding chooses not to sign the contract, then--without holding another competitive bidding--the bidder with the next highest offer may receive the contract.

Section 5

(1) Contracts may only be granted to persons

a) who are presently on the payroll of the enterprise,
b) who have the appropriate professional skills, and
c) who are not barred from employment for reasons specified in the special statutory provision.

(2) The following restrictions apply to the granting of contracts:

a) No one may be offered a contract who has been sentenced to serve in prison for economic offences, crimes against property or for any other deliberate criminal act;

b) individuals whose trade license has been revoked by the authorities for reasons other than those specified under a), shall remain ineligible for a period of 3 years, starting from the day the resolution goes into effect;

c) those individuals whose earlier contract for a contractual operation has been terminated by the enterprise shall remain ineligible for a period of 3 years, starting from the termination of the contract.

(3) The disqualification regulated by paragraph (2) point a), shall continue to apply until the prisoner is freed of the detrimental effects of his criminal past.

(4) Contracts may also be granted to groups consisting of not more than 5 persons, who have decided to form a civil law partnership. In such cases, it is sufficient if only one person possesses the necessary professional skills. The manner in which managerial rights will be exercised shall be laid down in a partnership agreement. The same labor statutes and social insurance regulations apply to the members of the civil law partnership as to its manager.

(5) The manager may not transfer the units's operational right to anyone else.

Section 6

The manager shall organize and direct (carry out) his production and services on behalf of the enterprise, but shall act independently, on his own responsibility and risk. To cover enterprise expenses and profits, the manager must pay a fee in the amount specified in the contract. This fee may not be reduced while the contract is in effect.

Section 7

(1) The manager must start operating the unit within the period specified in the contract.

(2) In the contract, the enterprise shall assume liability for all damages caused by the unit within its sphere of operation.

(3) The contract must specify the unit's scope of activities; this may be changed only by an amendment to the contract.

Section 8

(1) The enterprise shall make available for use to the manager all the fixed assets that are required to operate the unit.

(2) The manager shall be responsible for protecting and maintaining the said fixed assets, as well as for taking care of all necessary repairs.

(3) The scrapping and replacement of fixed assets which become worn out in the course of proper use, and renovations which fall within the scope of construction services, shall be the responsibility of the enterprise. In the contract, the enterprise may also agree with the manager to assume arising high fixed-asset repair costs—usually in the form of replacing the main piece.

Section 9

(1) The enterprise shall make available to the manager all of the stocks specified in the contract. The manager may choose to purchase those stocks from the enterprise; for the use of stocks which are not purchased, a user's fee shall be paid.

(2) During the period the contract is in effect, the manager shall also be free to use any of the unpurchased stocks at his disposal. All replacements and expansions of worn out and used stocks shall be paid for by the manager at his own expense.

Section 10

(1) During the period the contract is in effect, the manager's employment shall be suspended. From the standpoint of labor law regulations, this period of suspension counts as employment time.

(2) The amount which may be considered as the manager's contribution from his earnings into the social insurance and pension fund, shall be specified in the contract on the basis of the average earnings of workers employed in the same or similar fields.

Section 11

(1) Workers employed by the unit shall be employees of the enterprise.

(2) The number of workers that may be employed by the unit, as well as the top limit on the amount of annual and monthly wages which may be expended in the unit, shall be specified within the contract.

(3) Within the limits prescribed by the enterprise, employer rights shall be exercised by the manager. The enterprise may not transfer its right to hire and fire or to hold employees responsible for disciplinary or financial infractions. If the manager does not wish to continue to employ an employee in his unit, assuming that his request is justified, the enterprise must—within the bounds of the appropriate labor law regulations, and within the time limit required for giving a notice of dismissal—terminate that employee's employment in that unit.

Section 12

All income earned from the operation of the unit—i.e., whatever is left over after he has met all his obligations as defined in the statutory provisions and in the

contract—, shall be at the free disposal of the manager; some of this may be paid out to the workers of the unit even if it means exceeding the wage limit specified in the contract. Such payments may not be considered as wage-like benefits.

Section 13

To guarantee its live claims vis-a-vis the manager, the enterprise may require a security deposit or some other type of collateral obligation (Chapter XXIII., Civil Code) that secures the contract.

Section 14

The manager must pay a tax--including a partnership tax, levied on civil law partnerships--in the amount specified in the special statutory provision.

Section 15

The contract becomes void:

a) upon the expiration of the term specified in the contract;
b) upon termination, and
c) upon the death of the manager.

Section 16

(1) The manager may terminate the contract effective immediately, if as a result of a deterioration of his health he becomes unable to meet the responsibilities he had assumed under the contract.

(2) The manager may terminate the contract on a three months notice, if the enterprise fails to live up to the obligations it had assumed under the contract despite warnings to do so, or whenever his living conditions undergo such lasting and extensive changes that he becomes unable to meet his assumed responsibilities.

(3) The enterprise must terminate the contract, effective immediately, if a circumstance arises which precludes the conclusion of the contract [Section 5, par. (2) and (3)].

(4) The enterprise may terminate the contract, effective immediately, if the manager

a) fails to begin operating the unit--for reasons attributable to him--by the time specified in the contract;

b) seriously violates official statutory provisions and regulations that pertain to the operation of the unit, and

c) fails to meet his payment and tax-payment obligations vis-a-vis the enterprise by the prescribed deadline.

(5) The enterprise may terminate the contract on a three months notice, if despite warnings, the manager fails to live up to his obligations not mentioned in par. (4).

Section 17

(1) Upon the termination of the contract, the parties must settle any outstanding accounts.

(2) The enterprise must repurchase all properly usable and salable stocks.

Section 18

This decree will enter into force on 1 January 1982; its implementation shall be administered by the Minister of Finance and the Minister of Labor.

(signed) Gyorgy Aczel
Deputy Premier,
Council of Ministers

9379
CSO: 2500/18

SCOPE, SIGNIFICANCE OF SMALL BUSINESSES APPRAISED

Budapest MAGYARORSZAG in Hungarian 20 Sep 81 p 24

[Article by Katalin Bossanyi: "Small Businesses--Liberation of Ideas and Strengths, Get Ready on 1 January 1982"]

[Text] Recently, several design engineers living in the provinces established a small cooperative for private housing planning and servicing. Within a short time the profitable business gained the support of builders and councils. The Rackeve Aranykalasz Tsz [producer cooperative] on the other hand organized an innovative office which undertakes to manage inventions and innovations, beginning with market research all the way to marketing itself. Taxi cooperatives and driving schools made up of private automobile owners have been operating for years. Teams of translators and interpreters have been formed. But the most enterprising spirit is flourishing in the public services area and in the computer field. In addition to the rental possibilities, we can witness many kinds of private initiatives in many branches of the tourist and catering trade which are valuable for the national economy. Businesses for the repair, maintenance and cleaning are also increasing in number. In the industrial field work teams of various sizes have begun manufacture of scarce products and the production of spare parts.

Urban Household

And what else is still needed? Housing exchange services, organization and construction of recreation communities, waste recyling, marketing of shelved inventories and their reprocessing, the research to find unused capacities, cooperation partners referals services energy rationalization, environmental protection tasks, health services, the maintenance of mini-nurseries, and in some cases for baby sitting services. Retired skilled workers who do not wish to be inactive have indicated that they would like to establish a pensioners' cooperative. They rented idle workshops from their former employers along with depreciated machinery and equipment still in functioning condition.

The revival of an enterprise spirit among the citizens which coincides with the interests of society also calls attention to the fact that for industry organizational reasons, incentive and organizational tensions, the small businesses, which are indispensable and capable of rapidly responding to market demands, have withered away. And since there are many tasks which do not pay a large enterprise to organize, the lack of small enterprises and cooperatives becomes an increasingly more urgent

problem. This is felt not only in those areas where services are nonexistent but in the selection of necessary consumer goods, but it also causes tensions and restrains the flexibility and competitiveness of large industry. For this very reason, in the Sixth Five-Year Plan the government devoted more attention, as a part of the modernization of economic regulation and industrial organization and management--to expand industrial small businesses, to supply the needs of the population and to services which improve living circumstances.

On the basis of a comprehensive analysis, a resolution passed last year by the Council of Ministers decided on the further development of small plant production and auxiliary activity, and following this the Economic Committee prescribed for the highest authorities, industrial ministries and trade unions that by June they should draft their proposals for possible ways of making further progress. A committee was formed in the National Planning Office for the coordination of the legal, organizational and incentive conditions of the work program. Parallel with this, various social and trade organizations organized open discussions on new business possibilities. At the end of August, a Presidential Council decree appeared which established the possibilities in principle to modernize the statutory provisions regarding small industrialists (artisans), the amendment of the cooperative law and the organization of four business forms (the small enterprise, small cooperative, trade group, and economic work team). More than 30 decrees will appear during the year on small businesses. The starting pistol will sound for their establishment on 1 January 1982.

What is a small business? It already exists legally and economically, but for various reasons cooperation possibilities have been forced into the background. Businesses based partly on state enterprise and cooperative resources and partly on private capital form an organic part of socialist management. This is shown not only by the existing--admittedly narrow in scope--small organizations but also by the producer cooperative subsidiary branch businesses with a thousand profiles. Without doubt it is timely to rethink why these viable business undertakings are limited only to the agricultural sector. Why is it necessary to perform, in a framework not legally clarified, on the sly, all those auxiliary service and industrial activities which the population as well as large industry need? We are not speaking here of the legalizing "fusi" (use of enterprise materials for private gain) and thus of regulation and control. Rather we are speaking of creating a regulated link between the "first" and the "second" economies. We are speaking of diverting a part of the enterprising and innovative bent of the population which has been uncultivated thus far and of the population's savings into socially useful investments. In any event, the liberation of creative energies is justified. It is also evident that in the present development phase of the economy it is desirable that the establishment of small businesses should not be a burden on the budget but that the enterprises and cooperatives should be built on a new type of cooperation among themselves, on their associations, and on the spirit of initiative among the citizenry. But this does not mean that the small enterprises being organized from the monetary means of the population should be individual enterprises; it is exactly the new, more flexible organization forms which will make it possible for the process to strengthen and expand primarily group ownership.

There Will be Five

It is evident from preliminary social discussions and suggestions made by those interested that there is the greatest enterprising bent to establish small cooperatives, trade groups and economic work teams. (According to preliminary estimates, there will be more than a hundred such small businesses within a short time, giving approximately 100,000 people the opportunity for economically useful activity in a main or secondary occupation, or in addition to schooling and pension status.) A small cooperative is a small business with a small number of personnel--less than a hundred members--which performs industrial or service tasks, and in which a direct democracy is realized, its activity is regulated by the law of supply and demand, that is, the success of the business is determined exclusively by the market. These cooperatives would operate with a small management and low overhead, and apparently would undertake to supplement tasks not being fully performed and which do not require a large starting capital, or costly investment. With the formation of a small cooperative, the statutory provision limits the size of the starting capital to the degree necessary for the start of the capital and one year's operation. The capital contribution of the members may consist of stock shares, special shares, the turning over of producer means, buildings, work places, or their rental. The required extent of capital contribution is a share equal to two months' personal wages of the member.) The operation of a cooperative trade group greatly resembles that of the small cooperative, with the difference that it is not an independent legal body but is a part of the mother cooperative, or enterprise, with a large degree of autonomy. The number of founding members may be five, and with the rounding out of its activities, employees may be hired but their number may not exceed 10 percent of the trade group's membership. The economic work teams will correspond to the already existing civil right associations, but will be more modern in form.

A very essential viewpoint of all three forms will be that any Hungarian citizen--who has good ideas and an inclination for realizing them--should be able to begin such a small business. The flexibility and competibility of these small organizations will be increased by the fact that there will be no profile constraint: that is, outside of the state monopolies they may occupy themselves with anything for which there is a social demand, whatever they can sell. This guarantees at the same time the profitability of the undertaking, for in case of bankruptcy the burden of the loss will not fall on the state. Legal supervision will probably be performed by the councils, but in the interest of flexibility there is no need for trade supervision. On the other hand, there is all the more need for the formation of interest representation forums: in this, an important role will be played by SZOVOSZ [National Federation of Cooperatives], KOSOSZ [National Free Organization of Retailers], and OKISZ [National Federation of Artisan Cooperatives]. Applications will be invited for the manager positions in small businesses: these will be decided on in the case of small cooperatives by the membership. The personal income of the manager will also be decided on jointly.

Accelerating Capital Flow

The detailed economic regulation of small businesses will be made a matter of regular public record. From preliminary discussions it may be assumed that in the case of the small enterprise those interested do not wish to depart essentially from general regulation rules. But there is in any event a need for a certain simplification--

but not assistance--in wage regulation, for example, or profit use. In the case of small cooperatives and trade groups, the introduction of the gross revenue tax which is used in agriculture is justified. With this, however, the hands of the enterprisers should not be tied: they should decide collectively whether to devote their profits for further development of the business, for reserves, for possibly starting other businesses, or for the personal incentive of the members. Of course, the workers of a well-operating small business will earn much more than is usually the case: it is true they will also be risking more.

The new businesses which are created at the initiative of the state or are based on relations among themselves may also speed up the circulation of capital. There would be opportunity, for example, in greater scope than at present for the turning over of development resources, joint credit loans, the regrouping of producer means and manpower for various periods of time, and the realization of joint development goals. All this could contribute to a great extent to the revival of the entire economy and the discovery of new enterprise reserves.

6691
CSO: 2500/9

BASIC ELEMENTS OF 1982 SOCIO-ECONOMIC PLAN PUBLISHED

Initial Components of 1982 Draft Plan

Warsaw ZYCIE GOSPODARCZE in Polish 20 Sep 81 pp 5, 6

/Text/ I. Introduction

The goal of the present study is to analyze, to the degree our opportunities allow, the tendencies existing in the national economy, to forecast the shaping of economic situation in the year 1982 and to outline the measures aimed at halting unfavorable trends and securing progress in the production of commodities of primary importance.

Due to the exceptionally high uncertainty as to the further shaping of prerequisites and socio-economic and political factors, it is necessary to analyze the entire array of possible directions in which the economic situation of the country can evolve in 1982, from multi-version programs to the propositions of conscious choice of action, i.e. a planned shaping of the future state of the economy.

In projecting the economic targets of the year 1982, expected 1981 economic results have been accepted as the point of departure, with special attention given to the most difficult period embracing the IV quarter of 1981 and the I quarter of 1982 when a further decline in (material) production is likely to occur. However, beginning from the II quarter, the termination of the so far unfavorable trends can be expected as well as the gradual return of growth tendencies in the second half of the year, on the condition of a good harvest. This hypothesis is based on the assumption that the socio-political situation in the country will be stabilized.

Therefore, the 1982 projection covers the initial period, i.e. the 4th quarter of this year and the entire calendar year 1982.

On the basis of the results of forecasts for 1982, the proposals are advanced of remedial measures and actions aimed at restoring the growth processes in the economy. Current measures carried out by various economic administration units, which are coordinated at the central level by the Ad-hoc Anti-crisis Headquarters are taken into account in the part of the forecast embracing the IV quarter of this year. Within the framework of these measures, separate balances of fuel and energy for the IV quarter defining a new distribution of material assets have been elaborated. The same goes for the allotments of foreign exchange funds.

Results of the analyses and forecasts are outlined in three versions. Of the versions, two are the extreme forecasts characterized as "the forecast of apprehension" and "the forecast of hope." The third is, in the authors' opinion, the most probable one, for insuring the efficiency of undertaken measures and anti-crisis activities.

II. The Assessment of Expected Economic Results in 1981

Initial targets of the 1981 plan were revised in July of this year. The revised plan envisaged the attainment in 1981 of the following economic indicators:

--industrial production--2,749 billion zlotys, i.e. 87.3 percent of the 1980 level;

--foreign trade commodity turnover--101.1 billion foreign exchange zlotys, respectively 83.7 percent;

--generated national income--1,968 billion zlotys, i.e. 84.9 percent;

--hard coal output--168 million tons compared to 193 million tons in 1980.

Economic results of July and August of this year, as well as the general socio-political environment in the country suggest that the state of the economy at year end 1981 will in many fields considerably differ from the estimates included in the revised NPSG /National Socioeconomic Plan/. The main differences are expected to occur in:
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--the production of an array of basic industrial products, including the coal output at 3 to 4 million tons less /than expected/;

--a shape of the export to second payments area /capitalist countries/ in the amount of 1 billion foreign exchange zlotys, or 5 percent, is jeopardized, parimarily, as the consequence of lower than planned exports of coal, sulphur, copper and the products of electric machine-building industry.

--due to lower exports, a reduction in the import of raw materials will become necessary, probably in the amount of 0.5 billion foreign exchange zlotys, which will entail a drop in industrial production.

The market situation will be especially difficult: it is estimated that monetary income of the population will increase by another 22 billion zlotys, primarily through higher payments from the wage fund.

As a result of these circumstances, economic results of 1981 in some basic fields are expected to be as follows, compared to the results of last year: (see Table 1).

The above-mentioned expected economic results of 1981 attest to a significant further deterioration in the majority of segments of the national economy. The largest observed so far annual drop of the national income--by 15 percent--provides a synthetic image of economic failures. Of the basic sectors of the economy, agricultural plant production alone will achieve progress in comparison to the last year.

Table 1

	1980 fulfillment	1981 expected fulfillment	Growth rate, percent
1 . Industry			
a) Industrial production, (billion zlotys)	3,150	2,740	87.0
b) Mining and manufacturing of basic raw materials			
-hard coal (million tons)	193.1	164.0	84.9
-electricity (billion KWh)	121.9	113.5	93.1
-copper (thousand tons)	357.3	340.0	95.1
-sulphur (million tons)	5.2	4.7	90.2
- rolled goods (million tons)	13.3	10.9	82.4
-cement (million tons)	18.4	13.0	70.7
2. Agricultural raw materials			
a) Agricultural crop yields			
-grains (million tons)	18.3	20.5	107.0*)
-sugar beets(million tons)	10.1	15.0	107.8*)
-potatoes (million tons)	26.4	41.0	100.1*)
b) procurement of animal products			
- slaughter animals, total (thousand tons)	3,797	2,960	77.9
-slaughter animals, post-slaughter weight(thousand tons)	2,538	2,000	78.8
- milk(billion liters)	10.0	9.4	93.9
3. Foreign Trade			
-export, I payments area(socialist countries)billion f.e. zlotys	26.8	24.5	93.2
-export, II payments area, billion f.e. zlotys	24.2	19.2	79.3
-import, i payments area(socialist countries), billion f.e. zlotys	30.7	32.0	104.2
-import, II payments area, billion f.e. zlotys	26.7	20.5	76.8
-commodity balance, I payments area (billion f.e.zlotys)	-4.4	-7.5	-
-commodity balance, II payments area, billion f.e. zlotys	-2.5	-1.3	-
4. Deliveries of goods for population(billion zlotys)	1209.4	1303.0**)	107.7
5. Cash fund for purchases of goods(billion zlotys)	1209.4	1590.0	131.5
6. Shortfall(billion zlotys)	-	-287.0	-
7. Generated national income (billion zlotys)	2,000	1,710	85.5
8. Distributed national income (billion zlotys)	2,069	1,792	86.5

*) in comparison to the four-year average

**) in current prices, excluding changes effective August 31, 1981

III. Forecasts and Projections for Economic Activity in the Year 1982

1. General Environment of Economic Activity in 1982

The forecasts of the state and opportunities for the national economy in 1982 are characterized at present by high uncertainty in regard to many factors and socio-economic prerequisites.

Namely, the following should be included:

--hardly predictable further development of the country's socio-political situation, fraught with the threat of social strains hampering the normalization of work in all sectors;

--the preservation of a very deep shortage of foreign exchange funds, raw materials and consumer goods, which will require the reallocation of these resources during the year in order to salvage the segments of the economy which are critical for the life of the people.

--hardly predictable results of the implementation of the economic reform, especially the society's reaction to the price reforms and that of enterprises (work forces) to the introduction of new instruments of indirect /economic/ influence.

--response of foreign partners to the reduction of Polish exports.

There is a certain possibility of a few positive prerequisites in 1982, namely:

--lack of illusions as to the character and magnitude of economic difficulties, which facilitates the elaboration of a relatively realistic plan built from the very beginning on the minimal level of available resources, and, as a result of this, steering the economy from the beginning of the year under the conditions of limited resources.

--a relatively favorable forecast of agricultural results in 1981, which allows us to expect a higher supply of agricultural raw materials in 1982. However, the possibility of the farmers refraining from selling agricultural products in late 1981-early 1982 due to the drop in the purchasing power of money and the necessity to restore fodder stocks exhausted in the spring of this year has to be reckoned with.

--the talks on the rescheduling of our foreign debt, which are underway.

The economic situation in 1982 will be defined, similarly to this year, by four basic factors:

--the achieveable hard coal output and electric power generation derived from it; also, the production of copper and other domestic raw materials.

--the magnitude of burden imposed on the balance of payments by servicing /foreign/ debt and the dependence of the level of imports from II payments area on the rescheduling of payments and securing necessary new credits,

--situation in agriculture,

--the increasing inflationary gap in the domestic market.

2. Economic Forecasts for 1982

Two basic versions of probable development of the situation and economic forecasts have been accepted. The first of the two is based on the principle of so-called "apprehension version" of a cautionary nature, assuming the continuation of and even a deterioration in 1982 in the present conditions and the trends of the development of the socio-political situation and economic activity in the country. The second version, so-called "version of hope," envisages the targets for 1982 that are achieveable within the limits of available and technical resources given favorable domestic and external prerequisites. The forecast in each case is based on the evaluation of availability of material and foreign exchange resources, and also on the evaluation of social response. Production capacity of the fixed assets at present does not limit the opportunity for economic improvement in the country.

2.1. Supply of Raw and Other Materials and Energy

It is estimated that, depending on the above-mentioned factors, the Polish economy can have at its disposal in 1982 the following amounts of certain raw and other materials for production.

1) Supply of Domestic Industrial Raw Materials

In evaluating the supply of domestic industrial raw materials, special attention has been given to hard coal, because of its vital importance for the national economy.

Version of Apprehension

In 1981, a considerable reduction of the /hard/ coal output on weekdays has occurred, from about 615-620,000 tons at the end of the 1st quarter to 580,000 in August. Should this tendency continue in 1982, /hard/ coal output to 155,000,000 tons must be reckoned with, out of which 150,000,000 tons mined on weekdays and 5,000,000 tons mined voluntarily on free Saturdays.

Consequences of such a large decrease would be very significant, no matter whether the export or the domestic consumption is reduced. In the first case, this would mean a total reduction in exports by about one half, i.e. from 17 million tons this year to 8 million in 1982. The foreign exchange value of lost exports would be 1.8 billion foreign exchange zlotys, which would entail enormous consequences for the entire national economy.

In the second case--a reduction of supply for production--a considerable decrease of output in the majority of basic industrial commodities would occur (electric power, ferrous metallurgy products, cement etc.) and, consequently, a deep economic regression. On the basis of analysis of dependency between coal consumption (in raw and in processed form) and industrial production, it is estimated that a 9-million-ton reduction would cause a drop in industrial production by 290 billion zlotys, or about 11 percent, and a more than 8 percent drop in the national income.

Coal output of 155 million tons would mean a 46-million-ton drop from the 1979 output. It would be approximately at the level of the 1973 output. This decrease expressed in the foreign exchange value comes to 3.5 billion dollars.

Such a deep drop in coal production would be a real disaster for our economy. It would deal our economy such a devastating blow that nothing could compensate for it.

Version of Hope

Technically feasible potential coal output of mines is about 630,000 tons per day. This level was achieved by the coal mining industry early in this year. An opportunity to mine 175 million tons exists, if voluntary work on Saturdays in one and a half to two shifts is undertaken and other conditions are met, for example, an increase of deliveries of spare parts for mining equipment and machinery. It is imperative that we undertake every measure which will allow us to achieve this output. It would bring about the material conditions to slow down the downward trend and subsequently setting in motion the development processes in the entire national economy.

To ensure the production of 175 million tons it is necessary:

--to increase employment in mining: an increase of 9,000 to 10,000 persons should be secured in 1981 and an additional 10,000 persons in 1982 should gradually reinforce the work force. Recruitment into mining should include the graduates of mining schools, organized labor departments and workers transferred from other sectors of the national economy.

--to introduce new preferential remuneration principles for work done on free Saturdays and the allotment of special production funds to encourage rhythmical and efficient work on weekdays.

--to reduce gradually the retirement age in coal mining and to introduce new principles of retirement benefits, which would encourage staying in the industry and also induce the flow of labor from other economic sectors into mining.

--to develop a special program of housing construction (especially single family houses) for miners.

--to introduce export incentives by allowing the mining industry to keep 10 percent of foreign exchange funds received in payment for coal.

--to ensure the conditions for modernization activity in mines on the basis of new guidelines for self-financing, also with an eye toward improving the technology of mines and the construction of social facilities associated with increasing employment.

--to decisively improve food supplies to the miners, also through the negotiated transfer of a part of ration-card deliveries from agriculture to mining.

To attain a /hard/ coal output of 175 million tons in 1982, basic economic indicators of the national economy could be as follows:

--growth rate of industrial production--105 percent;

--balance of commodity turnover with second payments area-even;

--growth rate of generated national income--102 percent.

Estimating realistically, achievement of the full effects of all undertakings may be difficult. It should be taken into account that the attainment of the 175 million mark is the highest optimistically estimated limit of possible output. Therefore, it cannot be accepted for elaborating balanced targets of the plan, since each downward deviation from this output would entail a revision of the plan.

Preliminary Assumptions for the Draft Plan

Considering that the actions undertaken will, in practice, bring only partial results, it is assumed that /hard/ coal output in 1982 will reach 168-170 million tons. (For further calculations, the 168 million mark is used.)

In distributing the coal, it will be necessary to adhere strictly to rationing and to direct it to where the adopted basic social and economic goals require.

It is assumed that the coal mined in 1982 will be allocated primarily:

--supplying electric power plants,

--supplying the population, including private farmers,

--supplying priority production (foodstuffs, medicine, personal hygiene items, items for children and youth),

--export.

We should strive to increase the export of coal to the maximum possible, even the amounts stipulated in these assumptions, because this will allow us to increase import of production inputs and also allow us a proportionate increase of domestic production. Consequently, it will enable us to improve the domestic market supplies and increase of export of manufactured goods.

In comparison with the expected coal distribution of this year, the 1982 assumptions provide for the following:

At the unchanged level of coal consumption for production purposes, shifts in the internal network of coal distribution are expected. Preferential treatment will be extended to the agricultural processing and foodstuffs industry, chemical and construction materials industry, which necessitates a decrease in allocations to the iron and steel and machine building industries. According to the same priorities, deliveries of coal to some industrial branches will be restricted during the fall and winter season of 1981-1982.

Consequently, a decrease, in relation to this year, is expected of coke output by 0.5 million tons and of many products of the machine and equipment branch.

Assuming an improvement of labor productivity in mining, the supply of raw and other materials (other than coal) of domestic origin may be expected to increase compared to the 1981 output for brown coal, copper and sulphur. These increments are estimated to be 1.5 million tons for brown coal, 10,000 tons for copper and 300,000 tons for sulphur.

Table 2

Item	million tons Expected Fulfillment	Assumption
Output	164.0	168.0
including		
--consumption for production purposes	117.1	117.3
--deliveries to population	28.8	32.0
Export	16.9	17.2

The increase in brown coal output provides an opportunity of combined (i.e. taking hard coal into account) growth of electric power generation by about 2 billion KwH (that is, about 2 percent). Correspondingly to the supply of fuel and raw and other materials, it will be necessary to continue shifts in the structure of industrial production, especially a further decrease of investment commodities production by a further decrease of investment commodities production by 10 percent, and a decrease of energy-intensive and import-intensive goods, with a concurrent growth of standard production, production of simple agricultural machinery and implements and production covered by the adopted set of priorities, as well as that of small-scale industry. Basic macroeconomic indicators could assume the following shape in 1982.

--industrial production at about 100 percent of the 1981 level,

--generated national income at about 99 percent of the 1981 level,

--market deliveries of goods at about 102 percent (not including the growth in volume attributable to the price reform).

The above-mentioned figures suggest that, despite the assumed shifts in the structure of distribution of fuels and, consequently, of other raw materials, the chances for a change of the economic situation in the country in 1982 compared to the present one are slim, given the 168 million tons coal output.

Therefore, further multi-faceted measures should be undertaken in order to increase the output above that level.

--and also to undertake vigorous actions to decrease coal consumption in the country; any undertaking along these lines either this fall or during the implementation of the plan, creates an opportunity for growth tendencies in the national economy.

2. Supply of Agricultural Products

Any evaluation of an agricultural situation is always impaired to a degree by uncertainty due to the peculiarity of agriculture. Agricultural production, after all, is a result of a combined impact of such factors as climatic conditions of a given year, supply of agriculture with production assets and pesticides, and economic environment. On the basis of trends occurring over many years, it is estimated that deviations in agricultural production due to the above factors reach 10 percent. In forecasting for one year, it is impossible to predict whether a disastrous or an exceptionally favorable year will occur.

Version of Apprehension

In forecasts for the year 1982, the possibility of the occurrence of a high negative deviation from the mean of many years cannot be ruled out.

It is estimated, though, that the probability of a slump similar to that of 1980 is small, since frequency of such unfavorable conditions in agriculture is once in 20 to 25 years.

Another threat, however, cannot be ruled out, namely that of the agricultural producers refraining from selling their produce to the procurement network for economic reasons, as a consequence of loosing confidence in the zloty. This could lead to various solutions, from barter trade to the often-advanced propositions of introducing mandatory deliveries. This solution, however, is not taken into account, considering that after an eventual short-run effect it would cause a slump in animal husbandry. In the version of apprehension, gross agricultural production is put at about 600 billion zlotys, grain harvests would be about 19.5 million tons, and meat procurement about 1,700-1,800 million tons.

Version of Hope

Assuming average atmospheric conditions and an increase in mineral fertilizer application by 10 kilograms per hectare, and also an increase in deliveries of pesticides and other means of production, as well as a shift in the structure of distributing the means of production, it can be estimated that an increase of grain yields to about 27.5 quintals per hectare would occur. This would make possible a grain harvest of 22 to 23 million tons. As a result, either the import of fodder can be curbed or the state of domestic fodder stockpiles improved. Taking into account the impact of increased fertilization and pesticide application with regard to other crops, the gross product of agriculture would come to 630 billion zlotys, and the rate of growth to 105.7 percent compared to 1981. A better fodder situation would insure more favorable conditions for the growth of animal production beginning from the IV quarter of 1982 and in the next year.

Preliminary Assumption for the Draft Plan

Expecting average atmospheric conditions in 1982, it is assumed that the grain harvest can reach about 21 million tons, that of oleiferous crops--about 0.6 million, of sugar beets--13.2 million tons and of potatoes more than 43 million tons.

Good yields of crops in this year allow us to restore fodder stockpiles on farms and will influence the increase of herds. It is estimated that procurement of basic agricultural products is going to increase, whereas the procurement of animal products will continue at the level of this year, with the exception of milk procurement, which should grow by 4 percent. This situation does not create the conditions for improving the supply of population with meat and processed meat products. It should be stressed that, regardless of how the agricultural production develops, the implementation in 1982 of a deep reorientation of the economy towards agriculture appears necessary. This should occur through:

--increased deliveries of pesticides,

--growth in production of simple agricultural implements,

--prevention of slackening in the deliveries of mineral fertilizers to agriculture.

Under all circumstances, it is also necessary to rearrange the relation of procurement prices of grains, cattle and industrial crops in comparison with the retail prices. Especially necessary is the retail price raise for meat and processed meat products effective as early as January 1, 1982.

The rearrangement of procurement and retail prices coupled with an increase in the supply of means of production for agriculture and of other industrial products would create favorable economic conditions for the development of agricultural production.

3. Inputs from Import

At present, there is considerable uncertainty as to the possibilities of foreign trade commodity turnover in 1982. Unlike the previous years, this uncertainty concerns the turnover with states belonging to both payments areas.

Version of Apprehension

The extreme eventuality which could occur if further rescheduling of the 1982 installments of foreign credit service payments to the states of II payments area is not ensured, is not taken into account. However, the possibility should be reckoned with of talks on refinancing the credit stretching well into 1982, which would unfavorably influence our payments situation, especially in the first half of the year. The failure to postpone the payment of the entire installment due should also be reckoned with as well as possible considerable difficulties in obtaining new short-term credits. These difficulties are due to the assumed shift in the structure of imports, namely, the curtailment of investment goods and grain imports, i.e. of the commodities for which the credit is the easiest to get, coupled with an increase of raw and other materials imports, where cash is required.

The difficulties with securing the necessary credit will multiply in the case the infavorable version of coal output and the attendant threat of decrease in exports of coal and other raw materials occur. Commodity import would then take a 5.5-7.0 billion exchange zlotys cut, compared to 1981 and about 12-14 billion compared to 1980.

The necessary balancing of turnover with the socialist countries would also be put in jeopardy, and it would require a reduction in imports.

As a consequence, a slump in industrial production and national income, even in comparison to the level assumed under the most pessimistic coal output projection, would become inevitable.

Version of Hope

This version assumes that in turnover with II payments area it will be possible to obtain both a postponement of repayment for foreign credits and new credits, transactions necessary to finance import, and that special additional credits for setting the economy in motion in the amount of 1.5-2.0 billion dollars can be secured. The last item yet requires many further talks and negotiations.

In turnover with the countries of I payments area, the version of hope envisages the receipt of approximately 1/3 less credits than in this year. The earmarking for export of a part of incremental coal output in the amount of 5 million tons would be a significant factor in making this favorable development of the situation possible. The implementation of this assumption would create the material prerequisites for the national economy to pick up.

Preliminary Assumptions for the Draft Plan

It is assumed that it will be possible to postpone the payment of credit installments to the countries of II payments area by obtaining credit for refinancing in the amount of 18.5 billion foreign exchange zlotys, and to obtain short-term credit in the amount of 15 billion zlotys, i.e. the amount ensuring import from II payments area at the level of this year. With regard to the countries of I payments area a reduction of the negative balance of commodity and service turnover from 5.9 to 2.2 billion foreign exchange zlotys is assumed, primarily by reducing imports.

At the above levels of import from the two payments areas and with the already mentioned shift in the structure of import from II payments area, deliveries of imported and domestic raw materials will permit continuation of industrial production at this year's level.

Forecasts of the Monetary and Market Situation

The monetary and market situation in any event will depend on the opportunity of delivering goods to the market and providing services to the population, on the social acceptance of the proposed reform of retail prices, on the ability to slow down the high rate of personal income of the population, and on the changes in the labor force.

"Version of Hope"

Should the trends of this year continue, monetary income of the population will grow in 1982 by 280 billion zlotys to 2,370 billion, with the employment in the socialized economy of 11.9 million persons, though industrial production will be lower than in 1981 almost 300 billion zlotys. This means that about 500-600,000 persons would be technically employed in industrial enterprises but would have nothing to do. This would be a reinforcement of the phenomenon of employed labor with no work, which is occurring this year with considerable magnitude in many industrial sub-sectors.

As a result of lower industrial production, the deliveries of goods to population would decrease by 140 billion zlotys compared to the very bad year 1981. The shortage of goods would amount to above 660 billion zlotys (without the price reform). Consequently, the domestic market would go into a fatal slump and the extension of ration-cards for all market goods, i.e. a comprehensive regulation system, would become necessary.

Version of Hope

Assuming that the disbursement of the wage fund would be put in order, and the payments would be linked to the labor productivity, and that excess labor would be transferred from the branches of machine building to the agricultural processing and food industry, mining, agriculture and services, the monetary income of the population would grow by about 150 billion zlotys, rather than by 280 billion as in the "version of apprehension."

Deliveries of goods to the population in 1982 would approximate those of this year, and the shortage of goods (not including the consequences of the price reform) would come to 415 billion zlotys, without the so called inflationary curve from earlier years (variously estimated by /planning/ centers to be from 300 to 500 billion zlotys).

This version assumes that the price reform will be fully implemented. Factoring in the growth of income of the population due to compensation, the shortage of goods would be reduced to about 110 billion zlotys.

The implementation of the elaborated reform of retail prices including compensation would create an opportunity for market equilibrium with regard to such goods as bread and baked goods (assumably, already by the end of the year 1981) and milk and dairy products (second half of 1982) as well as fuel and combustibles.

Preliminary Assumptions for the Draft Plan

Being realistic, we should realize that the shifts in employment will be a long process. Deviations in projected deadlines and the scope of the reform of retail prices because of the social environment should also be reckoned with. Consequently, the following preliminary assumptions for the draft 1982 plan are made as follows:

Table 3

Item	Billion Zlotys
Monetary income of the population	2,595
Funds for purchases of goods	1,969
Deliveries of goods for the population	1,797
Shortage of goods (after the price adjustment)	172

In the sphere of goods and monetary relations, special attention should be paid in 1982 to the decreasing monetary income of the population unrelated to work and its effect.

IV. Preliminary Assumption for the 1982 Plan in the Sphere of Investment Activity and Expenses for Social Consumption

The preliminary assumptions for the 1982 Plan acknowledge that the activity of some spheres will have to be regulated in a centralized fashion on the basis of opportunities in the national income distribution and provisions of the budget. This refers to the centrally planned investment projects and budget expenditure for social consumption, i.e. health care, education, science and culture. Preliminary assumptions in this sphere are presented without breakdown into versions.

1. Opportunities and Directions of Investment

At present, it is estimated that investment opportunities in the national economy will not exceed 430 billion zlotys in 1982. This follows from the opportunities of distributed national income and material supplies.

The assumption of further reduction in the amount of construction and installation in 1982 compared to 1981 necessitates at the same time a very drastic curtailment of investment projects with the highest share of construction work, including also housing construction. This restriction does not cover the traditional forms of housing construction utilizing local raw materials.

Investment outlays are distributed among the five following complexes of the national economy:

a) foodstuffs complex, which is planned to be allocated investment in the amount of 122 billion zlotys, or 28.4 percent of the total investment in 1982 (compared to 26.4 percent in the 1981 projected fulfillment).

b) the fuel and energy industry--in the amount of 50 billion zlotys, or 11.5 percent of the total investment (compared to 10.7 percent in 1981).

c) housing complex, where due to the conditions ensuing from the difficulties in material supply in 1982, investment in the amount of 126 billion zlotys is planned, which constitutes 29.3 percent of the total investment (compared to 28.9 percent in 1981).

d) other social consumption, excluding housing construction, is planned to receive about 26 billion zlotys in investment, which amounts to 6.0 percent of the total investment in the national economy (6.0 percent in 1981).

3) other sectors of the economy, including mainly industry, excluding food, fuel and energy, transportation and communications, construction, trade etc, which are allocated about 106 billion zlotys, or 24.8 percent of the total investment in the national economy, whereas in 1978 this share was 38.6 percent, in 1980--33.4 percent and in 1981--28.7 percent.

Limited investment opportunities in 1982 demand that the investment projects where the work is continued be reviewed once again in order to decisively narrow the investment front.

The investment situation of the country causes the need for a considerable commitment of the funds and assets of the population for the purpose of small-scale production. These funds should be channelled into the setting up of new small-scale-industry units geared primarily to the utilization of local raw and other materials (clay, limestone, chalk, aggregate, peat, wicker etc.), industrial waste and secondary raw materials, excess primary materials from large-scale industrial plants, materials accumulated at the sites of halted investment projects, and agricultural products which, with the existing stockpiles and forms of procurement, are not fully utilized in food production.

2. Preliminary Assumptions for the 1982 Plan in the Sphere of Social Consumption

The activity of non-material production and social consumption in 1982 will take place in an environment of considerable restrictions and savings brought about by the shortage in material supply and the decrease in the level of national income.

The entire sphere of non-material production and social consumption will be treated in the 1982 plan according to the current principles. This is to say that it will be allocated investment and foreign exchange funds, in the way of planning directives tying it to material assignments for purposes strictly defined by the rules effective in the national economy. However, a considerable increase in current expenditures for social and cultural services (by about 17 percent) is taking shape, in part due to the growth in employment in comprehensive school education and upbringing, vocational school system and college system,, as well as in health care and social services.

Table 4

	1981 expected fulfillment	1982 version of apprehension	1982 preliminary assumption	1982 version of hope
1. Coal output(million tons)	164	155	168	175
2. Growth rate of industrial production (percent)	100	89.4	100	105
3. Export				
- I payments area(socialist countries), billion f.e.zlotys	24.5	24.5	25.5	25.5
- II payments area(billion f.e. zlotys)	19.2	19.0	21.0	22.9
Import				
- I payments area(socialist countries), billion f.e. zlotys	32.0	26.3	29.5	31.0
-II payments area(billion f.e. zlotys)	20.5	15.0	21.0	22.0
Balance				
-I payments area(billion f.e. zlotys	-7.5	-1.8	-4.0	-5.5
-II payments area(billion f.e.zlotys)	-1.3	+4.0	0.0	+0.9
4. Monetary income of the population(billion zlotys*)	2,093 / 2,111	2,370 / 2,526	2,285 / 2,595	2,242 / 2,551
5. Cash fund of the population for purchases of goods (billion zlotys*)	1,590 / 1,608	1,823 / 1,939	1,739 / 1,969	1,695 / 1,925
6. Deliveries of goods for population (billion zlotys*)	1,303 / 1,325	1,160 / 1,372	1,260 / 1,797	1,280 / 1,817
7. Shortage of goods(billion zlotys*)	287 / 283	663 / 567	479 / 172	415 / 108
8.Growth rate of generated national income(percent)	85.5	91.7	98.6	102.2
9. Growth rate of distributed national income(percent)	86.6	84.4	95.5	99.0
10. Investment in the housing construction complex, billion zlotys	133	116	126	130

*) In the numerator, without price reform and compensation; in the denominator, with price reform and compensation.

This will cause a growth of personnel expenditures by 22 billion zlotys. The opening of new hospitals, schools, day care centers and nursery schools will bring about an increase in material expenditures, which will also go up due to the growth of upkeep costs of installations (about 12 percent). An estimate of budget expenditures for social and cultural purposes shows that the ratio of expenditure in these sectors to the distributed national income will go up appreciably. In part, however, this is attributable to the growth of prices and decrease in national income.

3. Forecasts of Economic Results of the Main Sectors of the Economy According to the Assumptions for the Draft 1982 Plan

In the light of the above-mentioned uncertainty as to the development of the socio-economic situation in Poland, it can be ascertained that the economic results of 1982 could fluctuate widely depending on various factors. Basic indicators of the versions of the plan under study presented below, essentially define the range of possible states of the economy and the scope of eventual solutions in the politico-socio-economic sphere.

Interview with Planning Commission Chief

Warsaw ZYCIE GOSPODARCZE in Polish 20 Sep 81 pp 4, 5

/Interview with Zbigniew Madej, chairman of the Planning Commission of the Council of Ministers: "Forecasts of Apprehension and Hope"/

/Text/ The Planning Commission of the Council of Ministers has elaborated a preliminary outline of the draft control socio-economic plan for 1982. Concurrently, the Council of Ministers passed on September 14 a decree on the principles of elaborating draft annual plans and the state budget for the next year. In this issue, we publish an abridged version of the outline, and also a talk on this topic with the chairman of the Planning Commission Zbigniew Madej.

/Question/ What was the reason for presenting two different versions of the outline of next year's development?

/Answer/ This is how the probable paths of development look from the perspective of this day. The choice is not for the sake of elegance or symmetry, just to show three roads, one to the left, the second in the middle and the third to the right.

Let us take coal, for example. If the trends that have taken shape in this year continue through the next year and the average daily coal output is 590,000 tons, and the inclination to work on free Saturdays remains at the present level, we can simply figure out that 155 million tons of coal can be mined in 1982. Of course, we must do everything to run away from this "dark" forecast in a more optimistic direction. We must do it not only because we are disgusted by the "dark" forecast and always want more light, but because we have a real chance to mine more coal.

/Question/ Where is the foundation for this opportunity?

/Answer/ Already in this year, daily output of coal has come up to 620-630,000 tons on weekdays. If this output is achieved in the next year--and there are bases for that, considering the technical potential of mines--and if volunteer, and, I stress, volunteer work on free Saturdays even in two incomplete shifts is added, the estimate results in a possible output of 175 million tons of coal.

The 20 million ton difference is the key to setting our economy in motion. Due to it, industrial production can increase by 5 percent. More cement can be produced, more apartments constructed, more coal delivered to rural areas and abroad, delivered abroad in order to be able to import necessary ingredients for laundry detergents or for drugs, assemblies necessary for the mining equipment or machinery and implements for agriculture and so on.

Presently, the price of coal is going up, partly because we export less and the others are taking advantage of it. A ton of coal can fetch 60 and even up to 70 dollars. It is easy to multiply 20 million tons by this amount of dollars. If only our economy received that injection it could definitely be set in motion.

Let me remind you that in 1979 we exported about 26 million tons of coal to capitalist countries. In this year, we will export about 8 million tons. It is simple to calculate what we have lost already and will lose in the future, unless we solve this problem.

/Question/ Nothing, however, gets done all by itself. Therefore, what can we do for mining and the miners, to really avoid the "dark" forecast and draw closer to the version of hope?

/Answer/ In the first place, we should carry on with the increase of employment in mining. Already 10,000 persons more work in mines now than at the beginning of the year. Several dozen thousand of workers above the present employment are needed, let us say 30,000 to 40,000 in the next year. And there are opportunities for that. There are, for example, construction or machine building enterprises in Silesia which do not have enough work for their employed labor. Part of the labor from these enterprises can be transferred to mining. Mining will also be reinforced by the graduates of mining schools. New retirement regulations for miners are being introduced which envisage earlier retirement with concurrent continuation of work. In this case, those opting for this arrangement will receive three fourths of their retirement benefits and full reimbursement for work. Besides, a very carefully conceived and implemented program of housing construction, including individual houses, is needed. And, finally, the mines will themselves create their development fund for repairs and investment, including their own foreign exchange funds. All of the above will be put at the disposal of the miners and mining. Perspective decrees have been already adopted by the government which should bring results as early as this year. This is why there is more than just hope /that we attach to it/.

/Question/ Today we also need precise statements. Consequently, what would be the range of estimates by the Chairman of the Planning Commission?

/Answer/ My estimates are between the middle version, i.e. 168-170 million tons of coal and the version of hope, i.e. 175 million tons of coal. I count on the active participation of everybody on whom the creation of the genuine motive force in our economy depends--and that is exactly what coal is under our present circumstances. This is why the version of apprehension would only hold true if nothing is done. The more effort expended in striving towards the version of hope away from the version of apprehension, the larger the chances for really getting the economy moving. This would be the beginning of the anti-crisis program offered to the Sejm /Illegible/ we have a chance to get out of the disastrous production slump in three years.

/Question/ And what would happen if the "darkest" version would hold true due to one reason or another? What would be the social consequences of this?

/Answer/ The overall situation in 1982 with regard to the level of production, market supplies, export would be even worse than in this year. Problems will be exacerbated. The decrease in industrial production would then reach 10 percent, and this is in relation to this year. Compared to the period before the crisis, the decrease would constitute about one third. This would be, simply put, a disaster. Then a comprehensive rationing plan for all foodstuffs would become necessary, with rations at the contingency level, bordering on hunger. Export would have to be given up, and there would be nothing with which to pay for imports.

/Question/ Is this to say that the problem our society faces today is to start working at full steam and tighten our belts at the same time? Are there any other options?

/Answer/ In the final analysis, it is up to the society to make its choice. Nobody in the government, none of the economists can single-handedly prescribe what the society will choose. But everybody responsible for outlining paths for further development must present them clearly and provide a chance to make choices. In economic projections for the year 1982 the Planning Commission and the government are trying to outline such options. I urge that we not settle for tightening our belts and being lax, but use all the opportunities to make additional money and turn out additional production. This is why, and I repeat, that my estimates are between the middle version and the version of hope.

/Question/ Who does the action of the motive forces in the economy directly depend on?

/Answer/ This is clearly seen in today's reality. It depends on the miners and agriculturalists.

/Question/ In the name of what is the agriculturalist to produce since he cannot buy anything for the money he makes?

/Answer/ A decisive impact, as the anti-crisis program stipulates, should be made in the entire sphere of machine building for agriculture, from tractors to simple agricultural implements.

Prices should also be watched in commerce between urban and rural areas. In the middle of this year, procurement prices of grains were raised. It turns out that the level of free market prices has considerably exceeded the procurement prices. We have to deal here with aspects of speculation and monetary investment in grain, but not only with these two phenomena. Bringing the prices of centralized procurement in line with both the cost of production and demand-to-supply ratio should be given some thought. Under the present circumstances, it might even be necessary to resort to exceptional solutions, for example, to commodity exchange between the city and the country on a "good-for-good" basis.

/Question/ Such a phenomenon already occurs.

/Answer/ This is true. That is why we must watch it and consider its virtues and vices.

/Question/ The question is being asked whether it would be worthwhile to introduce mandatory deliveries?

/Answer/ There have been examples of such arrangements in history. This is a device of military, contingency-type economy, and this arrangement should not be required to accomplish anything besides that. After all, the idea behind it is to survive. If the survival over a short period of time were the only objective, this could obviously be one of the solutions. Should this system be employed in the longer run, it will aggrevate the crisis rather than facilitate overcoming it. Therefore, I will not recommend this system.

/Question/ The agriculturalists and miners alone will hardly push the economy ahead. The miners want to smoke, have something to eat, to feed and clothe their children, to provide nursery schools and day care centers for them and they want to get to their jobs. The agriculturalists, on top of the above needs, require fertilizers, coal, iron...

/Answer/ ...this is clear. This is why I want to stress unambiguously that the motive forces cannot bear the entire burden of the economy. Economy happens to be an interconnected system. Whether this entire machine gives a jolt forward while being set in motion also depends on all other workers.

More initiative, more discipline and resourcefulness should be expected in the entire manufacturing industry, especially in the processing of agricultural materials. The same goes for transportation, the electric power industry and the branches of machine building directly associated with agriculture and mining. Then, there are so-called non-productive sectors. I am not trying to downplay their importance, but in order to build more apartments we need more cement. This is what the logic of economic connections suggests.

If we are to discuss who can give a forward push to the entire mechanism, it would primarily be innovators, the ones who can "bewitch" more out of the given resources, that is the production managers, engineers and economists who will themselves steer the activity of economic units as early as next year. All the enterprises are to take care of themselves. Producing as inexpensively as possible, utilizing the raw materials and human resourcefulness to the utmost is a big problem.

/Question/ However, these same people who must lend a hand and be resourceful are still being scared by unemployment--scared by everybody, from newspaper publications to certain governmental enunciations.

/Answer/ Well, to say the truth, unemployment or, more precisely, inactivity, already exists. If industrial production today is about 18 percent below the last years and employment is more or less the same, I would pose a question. What are the 18 percent of the workers doing who last year produced 18 percent more? Should this inactivity last in the next year, our economy would not inch ahead a bit. What are we afraid of? This petrified inertia should start breaking up.

/Question/ What should the direction of change be?

/Answer/ Of course, not the one of putting those inactive inside the factories out in the streets to be inactive there. This would not accomplish anything for anybody. The problem is to put those inactive in the factories where they can really produce something and do something rather then draw wages with no commodity coverage. So, it is necessary for these workers to transfer to mining, agriculture and agricultural processing, services, machine building for agricultural and mining purposes, etc.

/Question/ Are there really reasons to believe that this will happen? Nowadays there are not too many managers who would like to get rid of labor, especially skilled, on the grounds of uncertainty about economic conditions in the future. Nor can the need in mobility over time due to disruptions in cooperation or large labor intensiveness due to supply interruptions be a reason for this.

/Answer/ If the manager, the workers' self-government bodies, the entire work force can afford to employ the labor at, let us say, three fourths of capacity this is only half the problem. But it should be asked whether they could really afford that, whether they make enough money to pay for 100 percent of production capacity while turning out only some 70 to 80 percent of production. This is what is happening now, because the stereotype of the government handing out wages is still honored. The solution to this problem will be different when the enterprise really acts on its own financial account.

/Question/ I think that before the reform takes off we must change our traditional priorities. Right now.

/Answer/ The shift in priorities has already begun in 1981. It is based on directing the available resources of coal or energy not to the iron and steel industry or basic chemical industry as two years ago but primarily to agriculture and the drug industry. It is also so with regard to the foreign exchange funds.

This has to be reckoned with next year. At the 16th grade of restrictions in electric power supply, enterprises of the food industry or fodder plants will not take cuts. On the contrary, they will be the first to receive an adequate share of energy. The iron and steel industry, soda production and, unfortunately, the cement industry as well will be subject to shutoffs. And here, as far as I am concerned, the logic of these priorities is beginning to break down. I would very much hate to see cement production decrease.

/Question/ Is there a way out of the predicament?

/Answer/ There should be. If cement production also has to be decreased because of energy shortages, it will be necessary to limit the delivery of cement in the first place to industrial construction rather than lower its consumption in rural areas.

/Question/ How will these projects be implemented next year?

/Answer/ What we offer as preliminary assumptions to the draft 1982 plan is only a point of departure for looking at the next year with all attendant hopes and fears. Therefore, this is an outline of a network of future measures, in which there should be a cell to fit into for every sector, every branch, every enterprise. It provides general guidelines. We proceed from the assumption that we will not hand down to enterprises detailed economic quotas, but we must somehow provide some pointers for them.

The preliminary assumptions of the draft 1982 plan have been transmitted to selected enterprises and the ministries; finally, they are published in the press. Now is the time to start the drafting activity of those who have obligated themselves to generate ideas for the future in the enterprises, branches and sectors of the national economy.

/Question/ Is this document the only point of departure?

/Answer/ No, not the only one. It should also be done on the basis of the knowledge of needs and local opportunities following from the equipment level, employment and a better utilization of raw materials.

/Question/ However, these opportunities are very uncertain at present.

/Answer/ There is no such thing as life without uncertainty! Uncertainty should be estimated and qualified. Everything that has a chance of working out higher than 50 percent should look attractive to us. Uncertainty is not an obstacle, it is even an incentive for people who are ambitious and a bit spiteful.

But let us get back to the topic. Projections made by economic organizations should by the end of the year result in drafts by enterprises which might be called basically agreeable with, or at least non-contradictory to the assumptions of the center. This would suffice.

The enterprises still have many pieces missing that could enable them to fully plan and develop their activity later on. First of all, they do not have the knowledge of price, wage and financial mechanisms that will take affect next year.

/Question/ I know that the PKC /State Commission on Prices/ is far advanced in its work; however the ministries of finance, wages and social issues and of foreign trade still have a lot to do. Their work is not all that unimportant for the enterprises...

/Answer/ I know that a lot remains to be done. Soon, in October at the latest, the enterprises will learn the shape of these mechanisms from the central echelons responsible for their elaboration.

They will also obtain quotas of centrally allocated materials needed to carry out the priority tasks which will be managed directly from the central level.

/Question/ Whoever you speak with about the coming winter, that is the immediate future, you encounter fear of hunger and cold...

/Answer/ ...I personally also have this fear. But neither I nor anybody else in the world know of a remedy for hunger and cold other than buckling down to work, and this means everywhere, where we produce, where we organize, where we plan sensibly. This is the only way out.

/Question/ It is pretty much a common understanding that buckling down to work is primarily needed where we plan.

/Answer/ No, not in the first place. Public opinion is mature enough to recognize that the programs of overcoming the crisis are not the worst, just to mention the ones presented in the Sejm or published on this issue. There are potential and also real opportunities for alternative drafts. In fact, there are such drafts.

/Question/ However, one still hears the opinion that the present economic situation has outgrown our economists, that in order to overcome the crisis we need the Einstein of Polish economics.

/Answer/ I would say that given the limitations rigidly imposed by economic life, the skill of the planner, otherwise always needed, becomes secondary. One does not have to be an Einstein to put together a reasonable program. You only have to keep your eyes open and be in touch with what is going on. To be honest, we cannot change life by programs alone. Inclination to support the programs by work should follow in the wake of sensible programs.

/Question/ I would think that not too many people would fail to support a sensible program by work and extra effort. But that is what they have been told all along. Today the public mood is hesitant, the belief in sensible programs is deeply undermined. This is why I must ask the last question: how does the Chairman of the Planning Commission see the next several months? What can happen in this period in the national economy?

/Answer/ Of course, the public mood greatly influences what happens in the economy. And the public mood has to be reckoned with. This is where the idea of forecasting the next year in terms of apprehension and hope originated. At the same time, we want to establish the credibility of our intentions in the eyes of the society by showing both the dark and the more optimistic version and by providing an opportunity of choice. Undoubtedly, in implementing these plans we will encounter certain obstacles, some of which we can identify. Other obstacles we cannot identify, because of, among other things, the hesitant public mood.

The fall/winter season of 1981/1982 will be the turning point. If the expected reality is uncertain, than our projection must also be uncertain in order to conform to this reality. What we see in the perspective of the IV quarter of this year and the I quarter of the next appears to be the most difficult period. Production will continue to fall until the end of this year. Superimposed on this will be all the calamities of fall and winter. Because of this, human responses might be difficult to predict. However, the II quarter until the preharvest period will be difficult, but easier than the winter season. Beginning with the second half of the year on, the growth rate of economic development looks more optimistic and hopeful.

/Question/ Thank you for your interview.

9761
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NEED FOR PRICE INCREASES ANALYZED

Warsaw ZYCIE WARSZAWY in Polish 17 Sep 81 p 3

[Article by staff reporter: "Why New Prices?" -- based on an article in "Zycie Partii" by Wojciech Pruss]

[Text] This question was answered in the last edition of "Zycie Partii" (16 Sep) by Wojciech Pruss, 1st deputy chairman of the State Price Commission. Nobody that thinks rationally has to be convinced that the price system has to be changed.

However, while there are practically no reservations as to the actual need for a reform, any specific proposals spark heated discussions and arguments. the proposal presented by W. Pruss should therefore be treated as a subject for discussion, any decision on price changes should not be undertaken without consulting the general public. It is for this reason that we present a discussion of the article from "Zycie Partii."

Both the producer prices and the consumer prices for goods -- writes W. Pruss-- are not tied to the cost of manufacture, at the same time they are also not responsive to the supply and demand. Within such a price structure -- we read further -- no independent, self-governed, self-financing enterprise has any chance of functioning. It has no chance because the prices paid by the enterprise for the means of production do not reflect the supply or the cost of transformation. The prices obtained for the goods sold by the enterprise do not reflect the demand for these goods. The frozen prices for some of the goods are lower than the manufacturing cost. The moneys earned by productive labor cannot be spent on desired goods because either the goods are not available or they are approportioned independently from amount of earnings. Without eliminating the faults of the present price system -- writes W. Pruss -- there are no possibilities for an introduction of an economic reform.

We need a comprehensive reform of the producer prices for the means of production and of retail prices for consumer articles, this could possibly create a proper price structure at the time when the fundamental elements of the economic reform are brought to life. Here we encounter the first doubts which reflect the fears of the public. How long do we have to wait for the reform--will the changes end with the price changes? It is well understood that an economic reform makes no sense if the old prices are retained, however, price changes themselves will not solve the problem, a change in the way the economy mechanism operates should follow immediately and not sometime in the future.

Producer Prices

The postulates of producer price changes have been worked out by the Commission for Economic Reform Affairs. This concept -- as described by W. Pruss -- is similar to the principles introduced in Hungary at the beginning of 1980. The prices of all basic goods and raw-materials, domestic and imported, will be determined based on average prices (for these goods and raw-materials) in dealings with the free foreign-exchange countries. These prices will vary --(be adjusted) in principle -- no more frequently than once per year. Prices for machinery, equipment, semi-finished goods, etc, which are produced by enterprises who systematically export to free foreign-exchange countries, will be tied to the level of prices obtainable in export commerce. The prices for the remaining production articles will be determined on the basis of own production costs and respective profit norms.

Reform of producer prices for the means of production, which is to be introduced on 1 January 1982, will increase their level markedly. This will exert an influence on the production costs of many market articles. An increase in retail prices at this time, for the purposes of production profitability, is not contemplated, however, in the future the retail prices will have to be adjusted to the new cost level.

Retail Prices

The proposed changes in retail prices include, as first priority, prices for food, fuels and energy. The price reform will establish conditions for introduction of an economic reform, lead to elimination of food waste, create an incentive for undertaking of food production, for own needs, by small farms, make production goods competitive with respect to food articles and finally lead to a market balance.

Changes in prices of bakery products and grain/flour articles have already been introduced. Further changes will include prices which will cover the cost of own production and marketing as well as a profit margin necessary for self-financing. The only exception may be the price of milk as it is proposed that a state subsidy, at the level of 4-5 zloty per liter, be continued.

Here are examples which are representative of the proposed changes:

Category	Unit of measure	Retail price in zl Current	Proposed
Sugar	1 kg	10.50	44.00
Salt, kitchen	1 kg	2.20	7.00
Milk (w/2 percent fat content)	1 liter bottle	2.90	10.00
Butter, table	packet	17.00	60.00
Cheese, "Gouda" (w/2 percent fat)	1 kg	50.00	190.00
Margarine, with low fat milk base	0.25 kg packet	6.50	20.00
Margarine "Palma"	0.25 kg packet	8.50	25.00
Oil, vegetable (rapeseed) "Uniwersalny"	0.5 liter bottle	24.00	60.00
Pork roast with bone	1 kg	90.00	300.00
Ham, shoulder and bone	1 kg	59.00	200.00
Pig's knuckles	1 kg	40.00	120.00
Pig's feet	1 kg	9.00	30.00
Veal, cut steak	1 kg	120.00	400.00
Veal roast	1 kg	56.00	200.00
Beef with bone	1 kg	30.00	120.00
Ham, cooked and smoked	1 kg	180.00	450.00
Sausage (country style)	1 kg	120.00	260.00
Black pudding, choice quality	1 kg	18.00	70.00
Chicken, cut up	1 kg	54.00	130.00
Bacon	1 kg	36.00	120.00
Herring, whole salted from Baltic sea	1 kg	17.00	60.00
Cod, skinless fillets	1 kg	25.00	100.00
Jam, hard	1 kg	10.00	50.00
Plum preserves (jam)	0.45 kg jar	6.60	34.00
Coal, for heating, type "A" quality I	1 ton	550.00	2,000.00
Electricity	kWh	0.90	3.00
Central heating fee (national average)	per m^2	3.00	10.50
Hot water supply fee	per residence	0.90	4.50

Most effective, from an economics point of view, would be a nonrecurring, comprehensive increase of retail prices. However, such a drastic price increase is socially unacceptable. It is proposed -- writes W. Pruss -- that the price reform be introduced in several phases. This would be based on successive price changes of various groups of goods or on a stepwise increase of prices. This should apply in particular to those articles which will attain a very high final price.

Compensation

The subject of compensation is raising the most of the doubts. As indicated by W. Pruss, the basis for the calculation of an increase in expenses which would occur as a result of the proposed price increases, was accepted on the basis of average allocation norms, in the case of regulated goods (in case of sugar the accepted norm was 1.5 kg per month), for the remainder of the goods the accepted norm was a quantitative consumption per household with an average income of 24-30,000 zloty per year. Therefore, the calculated expenses for the purchase of basic food articles, fuels and energy, to include central heating and hot water, must increase from the current 665.00 zloty per month (until 1982) to 1,317.00 zloty when the new prices are introduced.

One cannot avoid the questions which suggest themselves here. Why is it that the accepted norm is a household where the monthly income is 2-2,500.00 zloty per month when -- as W. Pruss writes --such households comprise 20 percent of total population, while 60 percent of households have higher incomes? Why is the sum of 665.00 zloty per month so stubbornly adhered to, which by current prices is laughable, one has only to read some letters to the editor where people spell out exactly their expenses, to include pensioners receiving some 2,500.00 zloty per month? Those are the questions generally asked and they cannot be left unanswered.

In presenting the stipulations of the compensations system W. Pruss proposes full compensation for increased expenses, sometimes even with an overage for the worst situated groups, possibly high compensation for children and non-working women, a differentiation of the size of compensation respective to the size of the income, pension or annuity, an introduction of a principle of payments of a part of the compensation in the form of national stability bonds, to people with higher incomes, pensions or annuities. And again, some doubts present themselves here. Does it mean that a full comepnsation, for persons in the worst situated group, indicates that those people should be happy with the price changes ? Is it really fair to treat equally those who work and those on pension, whose incomes may be equal today but who have diametrically opposing perspectives? What kind of a compensation are national debentures to people of advanced age? Would it be unthinkable to issue voluntary national bonds instead of making them in form of a deduction from a compensation?

There are several versions of compensation presented for discussion, here are two of them:

Versions:	Compensation rate in zlotys according to level of monthly income				
	up to 3,500	from: 3,501 to: 7,000	7,001 10,500	10,501 14,000	over 14,000
Version A including:					
cash.....	1,350	1,050	900	700	500
bonds....	----	250	350	500	600
Total	1,350	1,300	1,250	1,200	1,100
Version B cash only	1,350	1,100	700	400	200

Even the compensation for non-working women and for children are proposed in many versions -- uniform compensation in the amount of 900-1,100 zloty per month, or different compensation for children according to age, income per family member depending on one, two or more children. It is also foreseen that tradesmen and workers of shops will gain their compensation by adjusting their prices for their products and services of the trade (that is from our pockets), and that people who live off their own agricultural enterprises -- by adjusting their prices.

None of the price increases evoke outright enchantment. These changes, introduced during a period of crisis, create particularly great doubts. Our introduction of this concept to public discussion should make it possible to conduct the necessary reforms with a measure of public acceptance.

9511 END

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No. 2195

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4 November 1981

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ECONOMIC AND INDUSTRIAL AFFAIRS

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CEMA DEBTS TO WEST SEEN INCREASING OVER NEXT 5 YEARS

Zurich NEUE ZUERCHER ZEITUNG in German 30 Sep 81 p 12

[Unattributed article: "CEMA's Poor Debt Prospects--Moscow's Favorable Position"]

[Text] CEMA debts to the West will continue to increase over the next five years: they are expected to rise from $70.4 billion at the end of 1980 to between $100 and 130 billion at the end of 1985, as was stated by Dr Gerhard Fink, assistant director of the Vienna Institute for International Economic Comparisons during the "International Conference on Country Risk Assessments" which is sponsored in New York by Euromoney/Advance Management Research.

Fink believes that only the USSR and to a lesser degree the CSSR will have no problems with their debts in hard currency. Moscow should succeed in lowering its debts of approximately $7.5 billion at the end of 1980 to between $4.6 and 6.6 billion in 1985. Hard currency earnings from arms and gold exports will not be required for the support of the balance of payment and can therefore be used for other purposes, e.g. for an increase in grain imports or for aid to Poland.

In the CSSR there will likewise be no major problems. The planned reduction in economic growth sohould, according to Fink, be sufficient to keep imports from the West under control without imposing specific import restrictions. If Prague succeeds in increasing foreign currency earnings from arms exports to between $500 and 700 million annually, the CSSR might be able to lower its debts to below $6 billion by the end of 1985. In the projection presented by Fink, however, a realistic national debt [for the CSSR] of between $8.9 and 10.7 billion is assumed, as compared with $3.8 billion in the previous year.

In Hungary too, where a moderate economic growth is planned, the situation should not deteriorate drastically because the domestic market should remain relatively balanced. However, the liquidation situation should be observed carefully. Gold reserves of approximately $2 billion could help bridge certain gaps. The national debt is expected to rise from $8.4 billion at the end of 1980 to between $17.3 and 21.2 billion in 1985.

In Bulgaria relatively small foreign trade ties with the West make possible an increase in exports without creating serious domestic supply problems. Even though Bulgaria could relax to a certain degree its debt situation through the sale of 51 tons of gold in the first half of 1981, economic growth was reduced to less than 4 percent in order to keep debts under control. The debts of Bulgaria, estimated to be $4 billion at the end of 1980, will increase to between $5.9 and 7.5 billion at the end of 1985.

Romania has relatively small debts compared to other CEMA countries, but a serious lack in liquidation has led to payment problems. Romania's position should deteriorate seriously over the next years, especially because of unresolved oil supply problems. The alarming imbalance of the domestic economy could result in a catastrophic situation if Romania should be forced by Western creditors to stop abruptly its imports and thereby drastically slow down its economic growth. Fink believes that a careful slowdown in economic growth would make sense. Debts are expected to increase from $7.9 billion in the previous year to between $14 to 17.3 billion in 1985.

The debts of the GDR should deteriorate even more clearly than those of Romania if East Berlin does not modify the extremely ambitious plan for 1981 to 1985, and does not choke economic growth. It seems advisable to watch carefully the liquidation position and debt development of the GDR over the coming years. Debts in 1985 should be between $18.4 and 23 billion compared to $10.3 billion in the previous year.

The unresolved political and economic questions make it virtually impossible to evaluate the development of Poland's debts at the present time. The complex debt conversion negotiations do not make it possible to assume that Poland's problems will be resolved before the end of this decade. Many signs point to the fact that during this year's debt conversion negotiations payment deferment is being granted which is too short. Additional problems might therefore arise already by the middle of the eighties. Poland's debts could increase from $23 million at the end of 1980 to between $33.2 and 43.2 billion in 1985.

Fink also gave interesting figures on the pro capita net indebtedness of CEMA countries to the West. At the head of the list is Hungary with $784; then comes Poland with $644; the GDR with $615, Bulgaria with $451, Romania with $358, the CSSR with $249 and the USSR with $29. In regard to net indebtedness in relation to the percentage of the national product, however, the list is different: at the head is once more Hungary with 20.2 percent, then Romania with 18.4 percent, Poland with 17.7 percent, Bulgaria with 11.6 percent, the GDR with 9.2 percent, the CSSR with 4.6 percent, and the USSR with 0.7 percent. In regard to net indebtedness in percentage of exports to the West, Poland is at the head of the list with 388 percent, then Bulgaria with 300 percent, Hungary with 290 percent, the GDR with 261 percent, Romania with 217 percent, the CSSR with 117 percent, and the USSR with 31 percent. The average for CEMA countries is somewhere near 155 percent.

Fink also explained in his analysis that previous projections on indebtedness have predicted subsequent developments very well. Bankers were thus in a position to know what to expect. In spite of this, however, Poland's debts conversion was unavoidable and Romania experienced payment problems. Evidently, CEMA countries were given too much credit. Their ability to solve internal economic problems through central planning was overestimated. In the past, too much emphasis during country risk assessments was placed on simple debt indicators such as the debt payment rate or the relation of debts to exports. Too little attention was paid to other important information which is used to evaluate credit rating in the Western market economy, such as indicators on short-term liquidation or on domestic economic balance.

3889
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SUCCESSES, SHORTCOMINGS IN FIER PETROLEUM SECTOR

Tirana BASHKIMI in Albanian 10 Oct 81 p 2

[Article by Rrapi Memisha, chairman of the trade unions in Fier District]

[Excerpts] The workers, cadres and specialists in the petroleum sector of Fier District are working to implement the tasks set by the 9th plenum of the Central Committee of the Albanian Workers Party for the further expansion of the technical-scientific revolution. During the competition organized by the Central Council of Trade Unions and the Ministry of Energy more than 500 cadres, specialists and workers prepared, tested and implemented 150 studies, scientific themes, etc dealing with the discovery of new sources of oil and gas, the acceleration of drilling in deep wells, the best possible use of existing resources. As a result, so far this year, more than 4,000 tons of petroleum in excess of the plan have been extracted from the existing sources, one new source has been discovered and several existing sources have been expanded. Good results have been achieved by the enterprises for the transportation of petroleum, the pipe bases and the construction and installation units.

Workers in the Petroleum Institute have raised the level of their scientific research work. With the direct participation of specialists in the field of geology and of the extraction and drilling enterprises, 100 percent of the area earmarked for drilling and exploitation and 40 percent of the area earmarked for drilling and prospecting have been plotted.

The exploitation of inactive wells and the preservation of active wells is a very important task at the present time. Good work is being done in this area in the petroluem extraction enterprise in Marinez where a number of sectors have been working to keep wells from being inactive. They have succeeded in activating well No 772 and are working on another well.

However, it must be said that the work done so far in extracting petroleum is inadequate. In some work processes innovative thought should have found a solution for several problems such as the automation of the work processes during underground repairs, during intensification opeations, etc. It is the duty of cadres, specialists and workers and trade union organizations to engage in more studies, analyses and experiments, using physical and mathematical modelling techniques to determine the physical and chemical properties of the petroleum and gases in the strata, especially, to better anticipate the effect of the insulation of the waterways in the deep wells and the effect of the struggle against corrosion of equipment aboveground and underground.
CSO: 2100/10

FOREIGN TRADE SITUATION SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 4 Sep 81 p 2

[Commentary by Josef Major, executive of the CPCZ Central Committee: "Foreign Trade"]

[Text] When elaborating and specifying the decisions of the 16th CPCZ Congress concerning our economy, and especially when working out the details for the Seventh Five-Year Plan, it becomes evident how demanding are the tasks stemming from urgent needs to promptly boost the exportability of Czechoslovak economy, to reduce its requirements of imported goods, and to make foreign trade highly efficient.

The vital objectives of the state plan for national economic development in 1981 include the fulfillment of export tasks and the necessary imports of fuels, raw materials, food, and technological equipment. The planned growth rate for exports to nonsocialist countries, which stems from the need to outdistance imports, represents one of the most demanding tasks for the current year both in terms of organizations of production and foreign trade. Particular emphasis is also placed on the fulfillment of international obligations of our foreign trade with the socialist countries. The 1981 state plan envisages a 7.3 percent rise in exports to the socialist countries and an 8 percent increase in exports to the nonsocialist countries as compared with 1980.

The economic slump dating from late 1980 continues in 1981, which means that the economic development in the nonsocialist states has not been invigorated. Low investments negatively affect vital areas of production, which creates harsh market conditions, leads to enforcement of protectionist import restrains, and affects the level of prices in foreign trade. Certain approaches and measures enacted by the capitalist states in the international political area further hamper international trade.

The Report on National Economic Development of the CSSR for the First Half of 1981 indicates that in general and also in relation to the nonsocialist states our foreign trade exported more than it imported. Compared with the results for the same period of 1980, total Czechoslovak exports increased to 107.4 percent and imports to 104.3 percent. In the comparable period exports to the socialist countries were up 8.4 percent and imports up 8.6 percent. In relation to the nonsocialist states exports were up 5.6 percent and imports down 1.4 percent.

Although these results cannot be regarded as satisfactory, they required great efforts in overcoming a number of problems and difficulties in foreign and domestic economy.

In the past 6 months, the dynamism of Czechoslovak foreign trade was profoundly affected by the rise in the price of both exports and imports, with the prices of imported goods increasing at a faster rate. This development was evident in both the socialist and nonsocialist states. For example, the prices of imports from the nonsocialist states increased about 25 percent more than the prices achieved by Czechoslovak foreign trade for exports to those markets.

As in the past, the balance necessary for the fulfillment of export tasks expressed in wholesale prices, particularly in the engineering sector, could not be attained in the first half of 1981. For exports to the socialist countries, the key ministries delivered 48.3 percent of their tasks for the year (in wholesale prices); for instance, the Federal Ministry of Electrical Engineering Industry 48.3 percent, the Federal Ministry of Metallurgy 48.2 percent, and the Federal Ministry of General Engineering 47.6 percent. It should be noted here with satisfaction that the SSR and CSR ministries of industry fulfilled their export programs in deliveries to socialist countries 51.2 and 50.1 percent, respectively.

Among the key ministries only the CSR Ministry of Industry fulfilled 50 percent of the task for the year in deliveries for export to the nonsocialist countries. That share amounted to 43.5 percent in economic production units [VHJ] administered by the Federal Ministry of Metallurgy and Heavy Engineering, to 43.7 percent in the Federal Ministry of Electrical Engineering Industry, and to 44 percent of the tasks planned for 1981 in the Federal Ministry of General Engineering. Although the specific character of the production and deliveries of certain VHJ cannot be disregarded (for example, export of investment units), it should be noted that for instance, Chepos in Brno, Elitex in Liberec, Machine Technology Factories in Prague, Tesla in Prague, Tesla in Brno, and Tesla in Bratislava, failed to meet their export programs over the past 6 months.

A positive phenomenon is the relatively faster innovation and improvement of the quality of industrial products than in previous years. However, satisfaction here would not be appropriate because the needs of the Czechoslovak economy and of foreign markets demand far more dynamic advances in this direction. Substantially higher exports and more lucrative foreign trade still depend on better technological and economic parameters of exported goods and on expeditious innovations in the required structure, quality and volume. An analysis by the Federal Ministry of Foreign Trade proves that in the past the demands of foreign trade organizations have not been satisfied in terms of the technological development and innovation of both engineering and nonengineering products. On the other hand, certain positive factors should be recognized, such as the innovation of motorcycles, polygraphic equipment, linen and cotton goods, furniture, and to some extent, footwear. In conjunction with a dynamic development of Czechoslovak foreign trade, it is now an urgent task, as it will be in the future, to deal with the problems of quality, technical standard and innovation.

As for Czechoslovak imports, in the first half of the year they failed to meet the planned volume. A low rate of fulfillment is evident, particularly in imports

of equipment from the socialist states (40.7 percent of the task for the year); also, imports for market funds in that area were low. Noninvestment imports from the nonsocialist states were in accordance with the plan, however, machine engineering imports from the nonsocialist countries lagged far behind. Foreign trade representatives will not find it an easy task to acquire the remaining part of imports for 1981 promptly and under advantageous conditions.

Our production and foreign trade, however, have a far more demanding task to implement the planned export programs. Success in their fulfillment depends first of all on the availability of sufficient export funds. It is no less important to be able to sell goods in foreign markets at favorable conditions, i.e., to obtain orders from our foreign partners well in advance and to resolve the problems recurring in transportation at the end of every year. Problems of adequate export funds and efficient sales are narrowly interconnected and frequently cause tensions between production and foreign trade, although it should be clear to both partners that they must resolve most such problems jointly, flexibly and in the interest of our entire national economy.

An analysis of the outcome of the negotiations on supplier-consumer relations held at the end of June 1981 suggests that deliveries for exports to the socialist and nonsocialist countries in the extent of more than 4 percent (in wholesale prices) have not been clarified. This and many other factors caused complications for the working collectives of certain Czechoslovak foreign trade organizations, such as the foreign trade organizations Investa, Kovo, Strojexport, Exico, Ferromet, Kerametal, Technoexport, Centrotex, Drevounia, and others.

Party organizations, workers' teams and economic management in production and in foreign trade are intensively preparing specifications of the decisions issued by the 16th CPCZ Congress, applying and adjusting them to their own conditions, and creating preconditions for their implementation. Here the fulfillment and overfulfillment of foreign trade plans for this year and for the future years of the Seventh Five-Year Plan should rank among the most important tasks and obligations.

9004
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DISPOSABLE INCOME FORMATION INDICATOR EVALUATED

Prague HOSPODARSKE NOVINY in Czech 28 Sep 81 p 3

[Article by Engineer Jaromir Sorf, Czechoslovak State Bank, Prague: "Orientation Toward Efficiency"]

> [Text] Efficiency of the national economy and its measurement is one of the acute thematic problems of contemporary economic theory and practice. The Czechoslovak State Bank has been using in its credit policy for the machine building industry since 1977 indices of the formation of disposable national income which, according to the bank's experience, is a measure of the overall contribution of the working public to society. The findings arrived at with the use of this index are presented in this article.

In deliberations as to what would provide the best measure of societal efficiency we decided on the index of formation of disposable national income. It was selected because it characterizes the ultimate relation to society, namely that part of the national income provided at the disposal of the whole society by the working public.

Disposable National Income

In what manner do we construe the index of formation of disposable national income? It is based on the sum of the amounts of plant profits and the difference between procurement* and wholesale prices in exports and imports. On the other hand, this index reduces every increase in inventories and investments reduced by depreciations. Wages do not become reflected in this index as they also represent formation as well as disposal of the national income. If we recompute the attained value per worker, we obtain a characteristic of of efficiency of manpower utilization, i.e., its contribution to the national income. The predictive nature of the index can be illustrated by the results achieved by the Federal Ministry of Machine Building (see table 1).

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* Procurement price is the price arrived at through an agreement between interested organizations and is based on the actual price attained in exports or imports.

Table 1: Components of the Index of Disposable National Income
(Federal Ministry of Machine Building)

Index Component	1979 Actual	1980 Plan	1980 Actual
Plant profits (billions of Kcs)	11.2	11.3	11.7
Difference between procurement and wholesale prices in exports and imports (billions of Kcs)	5.8	7.4	7.4
Increase in inventory (billions of Kcs)	-1.8	-2.0	-3.4
Investments reduced by depreciation (billions of Kcs)	-3.3	-2.9	-3.4
Formation of disposable national income (billions Kcs) total	11.9	13.8	12.3
Formation of disposable national income per worker (in thousands of Kcs)	23.9	27.2	24.5

Recomputation of the resultant effect, i.e., net contribution to the national income per worker according to the individual VHJ [Economic Production Units] leads to interesting results. Thus, e.g., we can compare two VHJ whose plant profits computed per worker are identical (in one case Kcs 17,700 and in the other Kcs 16,100), but the difference between procurement and wholesale price in exports and imports amounts in the first case to plus Kcs 79,900 while in the other case it is minus Kcs 10,400. Consequently the resultant contribution per worker amounts in the first case to Kcs 94,800 and to minus Kcs 1,100 in the other.

Even more pronounced differences are found within VHJ among individual plants (see graph). The true extent of these differences is best evinced by the fact that the ten best plants represent six VHJ. Profit per worker ranges overall between minus Kcs 18,000 to Kcs 61,000, the difference between procurement and wholesale prices in imports or exports ranges from minus Kcs 34,000 to a high of Kcs 221,000. Further differentiation appears also within plants according to their individual products. The possibilities provided herein for increased contribution to the national income by modifications in the structure of production need not be emphasized.

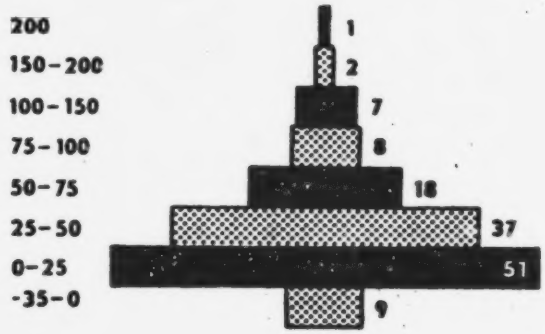
Advantages Offered by the Index

The index of contribution to disposable national income per worker facilitates comparison of the results achieved in operation of plants, VHJ and branches of the economy chronologically as well as among themselves from the viewpoint of their effects on the national economy, i.e., as a resultant relation to the national income. It measures the effectiveness of capital construction, development of production, etc., from the aspect of the national economy. In comparion with, e.g., the used index of profitability of production assets it involves the following key divergences:

Addition of the results of foreign exchange, i.e., the difference between procurement and wholesale prices in exports and imports, formation of resources

is elevated from the status of plant profitability to that of the national economy. The result achieved in foreign exchange forms an important component in formation of national income; for example, in the jurisdiction of the Federal Ministry of Machine Building in 1980 it amounted to Kcs 7.4 billion, meaning it stood 63 percent above the level of plant profits (compare table). In the case of most efficient plants this component exceeds plant profits up to 10 times. The sequence of effectiveness of products computed according to profitability of the plant is often entirely different from the sequence computed according to the overall effect, i.e., including the results of foreign exchange.

NET CONTRIBUTION TO NATIONAL INCOME*



* Plants under the jurisdiction of the Federal Ministry of Machine Building.

** Sum of profits plus difference between procurement and wholesale price in exports and imports.

Source: Author's own computations.

Construing of indicators of profitability of production assets is disvantageous to society because, on the average, for each koruna of profit increase a plant can increase production assets by Kcs 20 without adversely affecting the index of profitability. For example, a 10-percent index can be achieved by either

$$\frac{100}{\frac{1000+1000}{2}} = 10 \text{ percent, or } \frac{101}{\frac{1000+1020}{2}} = 10 \text{ percent.}$$

Conversely, if the plant fails to meet planned profits, even this index will be adversely affected.

Contrary to measuring effectiveness of exports by a differential index, the index of contribution to national income includes in its calculation also price differences in imported raw and other materials and thus eliminates distorting effects due to varying internal profitability in export prices.

Composite Economization

Use of the index of contribution to formation of national income affords also other insights into the effectiveness of intended production development than when we base it merely on generation of profits which for the plants represent the decisive measure of return on investments and efficiency. The point can be illustrated by an example of 3 plants under the jurisdiction of the Federal Ministry of Machine Building:

Table 2.

Index Component	Plant A	Plant B	Plant C
Profit per worker, in Kcs 1,000	18	20	14
Difference between procurement and wholesale price per worker, in Kcs 1,000	221	-10	-31
Formation of resources per worker, in Kcs 1,000	239	10	-20

As the ratio between overall formation of resources and the number of workers (i.e., formation of resources per worker) shows no significant changes in time, even after implementation of investments, we can reach the following conclusions:

Each expansion of production in plant A which would facilitate replacement of marketing tasks of plant C would produce a higher effect from the production of one worker on the order of Kcs 259,000 annually.

Significant changes occur also in the index of effectiveness of investment measures. When return on investment is calculated only on the basis of profits, no sizable differences exist between plants. However, when this effectiveness is valuated also by the contribution derived from foreign exchange, the return on investment in the case of plant A is 24-times shorter than that of plant B while there is no return on investment expenditures in the case of plant C.

Systematic utilization of available potential for structural improvements promoting effectiveness of the national economy at the same time facilitates also decreases in the consumption of fuels, energy and material of all kinds. The point is to make exports effective by expending a substantially lower volume of expenditures, to include raw materials, fuels and energy, per unit of receipts from abroad. Potential contributions by such changes in the structure exceed by an order of magnitude possible savings on specific products by changes in technical or production arrangements.

The mentioned problems are a matter of common knowledge. The more insistent then becomes the requirement to implement them in the proposed manner also in practical management activities and avail ourselves of the great unused hidden potential in the structure of our production.

Hidden Resources in the Structure

Formulation of the general policy for a developed socialist society, adopted by the 16th CPCZ Congress, reads: "The prerequisites for further effective

development of machine building consist primarily in a more systematic forming of its structure. We must give priority to concentrating our efforts toward developing those sectors and productions in which we have realistic prerequisites to attain the world level and which through their high efficiency provide the essential resources for both domestic needs as well as for exports."

To avail ourselves of these possibilities it is inevitable to provide for the closest possible overlap of plant efficiency with efficiency of the national economy, i.e., to provide for optimum harmony among personal, plant as well as societal interests.

I am of the opinion that selection of indices and the manner of their assessment should pave the way for implementing structural changes promoting growth of effectiveness of the national economy. This involves providing not only a measure of the effectiveness of individual products, but also the manner of meeting higher expenditures relevant to implementation of structural changes on the basis of the resultant effect arrived at through calculations based on the national economy as a whole. In measuring the results by net contribution to the national income enough leeway is provided also at plant level for meeting the specified expenditures as is evident from the differences in the results achieved by individual plants.

I have so far devoted most of the article to dealing with formation of national income, even though a component of the mentioned index of net contribution to the national income is also accumulation for inventories and investments. However, I deem this problem to be clear enough not to require dealing with it in closer detail. The same applies to the extent of the hidden potential available to us in utilization of inventories as well as capital assets. The specified index confronts each economic unit with the following task: if you want to increase your inventory or want to invest, you must provide for more intensive formation of resources minimally to that extent, so that the increased needs be not met at the expense of a lower contribution to the national income. It might be advisable to also consider the possibility for specifying a certain share of the economic sphere in generation of higher contributions to national income in a manner which would promote meeting and exceeding both the net contribution to national income and the volume of resources for meeting own needs of plants.

Needs of the National Economy

It is a matter of common knowledge that there is no sense in arguing the advantages or disadvantages of indices without giving due consideration to their relative position and their relation to other tools and general principles of economic management. This applies also to the index for measuring effectiveness by net contribution to national income. It will also be subject to some corrective aspects which under a given situation must be given priority over attainment of maximum economic results at a given level. From this viewpoint, of key importance to assessment of the results achieved in operation of plants, VHJ and branches of the economy appear to be the following:

Net contribution to national income; contribution to the balance of payments (eventually subdivided further according to territories); carrying out of supply functions, i.e.,meeting the needs of the national economy in the given sphere of production in regards to volume, assortment, technical level and quality, delivery conditions from the viewpoint of order and delivery deadlines, accuracy and reliability of deliveries, etc.

As regards contributions to the balance of payments, in my opinion, we should refrain in our current practice from stipulating tasks in wholesale prices, as it is not conductive to providing leeway for implementation of structural changes to promote growing effectiveness of exports. Of decisive importance should be a challenging stipulated task for generating receipts of foreign currency that is adequately reflected in the task for exports in freight free prices.

Similarly inadmissible is allowing the contribution to national income (as well as profits) to be formed on behalf of the given unit at the expense of meeting supplier responsibilities toward customers. In my opinion the key point is to judge production coordination and meeting the needs of the national economy not so much by how much a plant produced, but by whether the needs of the customers in the given production coordination are met at 100 percent.

Evaluation

Party organs and government agencies persistently promulgate the task of continuously comparing our results with the level attained by top producers abroad. However, this comparison is not an end in itself. Its practical results must become reflected in mutual relations of our plants, e.g., what results do they achieve in trading their products on foreign markets. For that reason I do believe that there is justification for requiring that evaluation of the results of plant operations be based not only on the extent of meeting the specified indices, but also on assessment of the tangible value of attained results. This purpose also could be served by using the net contribution to national income, to the balance of payments, computed per worker. It involves formulation of the basic goal which is continued growth of national income, improved meeting of needs and, thus, further improvements in the standard of living. All other indices and tools are merely the means for achieving that goal and they must be constantly subordinated to that ultimate goal.

Assessment of operations according to tangible results is connected with a number of problems. A particularly frequent subject of disputes is whether the attained result accrued primarily to production, foreign trade, or objective conditions, etc. Specific data regarding these areas can serve as a cause for a certain amount of appreciation or critique of the achieved results. However, actual considerations of what type of production should be developed, where resources are to be invested, what reinforcements are in order within the framework of the structure of the national economy, must be based on how our economy derives benefits from the given area.

In keeping with the credit policy, values of contribution to the national income are contained in credit protocols with all plants belonging under the jurisdiction of the machine-building branch. Thus, the data listed in this article can also be used by plants and VHJ for comparing their results with those attained in the general engineering industry.

8204
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GROWING APPLICATION OF ELECTRONICS IN INDUSTRY DISCUSSED

Prague HOSPODARKSE NOVINY in Czech 28 Sep 81 pp 1, 6

[Article by Prof Eng Milan Kubat, ScD, Minister of Electrotechnical Industry: "Steps Toward Electronization"]

[Text] The Main Directions for the Economic and Social Development of the CSSR During the 1981-1985 Period mention in various contexts the need for a rapid development of the electrical engineering industry, especially of the production of electronics and microelectronics. These tasks were based on the demand of nearly every branch of our national economy, and also on considerations of the fact that the development of applied electronics in our country has maintained thus far a relatively slow pace in comparison with other economically advanced countries.

In order to provide basic preconditions for the application of electronics in our national economy, our ministry adopted for the Seventh Five-Year Plan the most challenging tasks of all branches. The VHJ [economic production units] and the newly organized ministry cooperated on a concept for the development of the electrical engineering industry whose draft was discussed by the Presidium of the CPCZ Central Committee and approved by the government of the CSSR. We drafted proposals for electronization programs and for innovation programs which are now being worked out in more specific and accurate details. Furthermore, work has begun on projections for the development of the branches of production and organizations of production up to the year 2000.

Preconditions for Major Increments

The state goal-oriented programs are very important for our work. The Ministry of Electrotechnical Industry has launched three programs and is participating in five additional programs. The backbone of our efforts is the development of a component base, particularly of high integration circuits, which is a target of the state goal-oriented Elektronika [Electronics] program. In accordance with the Main Directions, it is envisioned that in 1985 the production of integrated circuits will triple over that for 1980.

Material preconditions are being created along with the organizational groundwork. When evaluating investment guarantees for the development of electronics in the Seventh Five-Year Plan, we must take into consideration the prospects of the CSSR economy. The funds for investment development of the branches are growing at a faster rate than in the preceding five-year plan and than in other ministries, with the exception of the fuel and energy complex. Nevertheless, their absolute amount

still fails to cover all the needs of the rapid development which we have set forth as our task. The solution of this problem will be the topic of further discussions.

Despite certain other partial problems, it may be said that most of the groundwork for the fulfillment of the tasks of the electrical engineering industry in the Seventh Five-Year Plan has been successfully accomplished.

No matter how well prepared the documentation and how favorable the material conditions may be, they cannot replace the creative approach and initiative of the people. Therefore, one of the main tasks facing every manager is to stimulate initiative and turn it into an asset.

In this five-year plan we shall implement a number of extensive structural changes and at the same time, accelerate the growth of the volume of production and substantially reduce the cycle of innovation of products. The growth of the volume of production will go hand in hand with restricted material consumption, especially of imported materials. Naturally, this in turn will make higher demands on the managing system. Although we frequently emphasize scientific technological development--and the program of electronization of our national economy is in fact predicated on the results of its implementation--we do not disregard the fact that our branch is production-oriented and thus, every principle of khozrashchet, efficiency, quality, duties of taxation and fulfillment of export tasks applies here. In terms of main indicators characterizing efficiency, the following targets are stipulated for the ministry in the Seventh Five-Year Plan: to achieve a rate of 205 percent in profits; to reduce material and other costs almost 6 percent before 1985; to reduce overall costs by 10.5 percent, and to increase the return on production assets from 11.41 in 1980 to 21.13 in 1985, i.e., to achieve a rate of 185.2 percent.

Limited and Restricted Material Consumption

At the same time we must cope with a situation where many material inputs are limited. This applies to precious and nonferrous as well as ferrous metals, certain chemicals and especially imported materials, spare parts and components imported from nonsocialist countries whose volume should not rise above the 1980 level. All possibilities to produce some of those materials on our own in the CSSR have not been exhausted. Production of electronics is narrowly connected with advances precisely in the area of materials and with the development of sophisticated technological equipment. Demands for high purity at a small volume are typical for the materials used in electronics. Some of those materials (silicon, wolfram, molybdenum and others) are produced directly in our branch, however, they are merely a fraction of the whole gamut of metal and plastic materials and superpure chemicals which are either used directly in electronic products or on which their production is predicated. Here we rely on the assistance of other branches, particularly the Ministry of Ferrous and Nonferrous Metallurgy and both ministries of chemical raw materials. However, reproducible, stable and at the same time demanding parameters are the common denominator of our needs. In many instances, this will concern relatively small amounts, which is an advantage under the given circumstances in the supply of raw materials; it is precisely in electronics where the quality

dramatically lowers the demands on the quantity of materials consumed in our national economy. In the final analysis, this is advantageous for metallurgical plants as well.

Another area where we cannot advance without the aid of engineering ministries, includes the capacities for the production of single-purpose technological equipment. Here again the scope of series production is not very extensive, as it always involves few units, at most few dozens of units of equipment which, however, must achieve the highest parameters. In this respect the capacities of the Federal Ministry of Electrotechnical Industry is not equal to the needs. They are used mainly for research, development and production of prototypes, and only in some cases for series and unit production.

Without the aid of other ministries the branch of electrical engineering and electronics depends considerably on imports from the capitalist states. Other socialist countries are also rapidly developing their electronic industries and their requirements are similar. Because foreign exchange for purchases of such equipment is strictly regulated, the delays existing in certain branches of electronics may be only very slowly eliminated.

Advantages to Consumers

On the other hand, our products must ensure higher efficiency and better quality for other branches of national economy. The problem is to upgrade the technological standard of our engineering products, particularly of machine tooling, forming and other equipment, by furnishing it with electronic control systems and thus, improving their use value and exportability. Furthermore, this involves rationalization, automation and robotization of technological processes with simultaneous improvement of the quality and efficiency of their production, which will help gradually eliminate errors in maintenance as well as strenuous or insalubrious physical labor. We attribute considerable importance also to automation of technological units. One of the key problems in the fulfillment of planned tasks today concerns the service life and reliability of electronics and electrical engineering equipment. To upgrade reliability of technological units used in the North Bohemia lignite basin, asynchronic electric motors with new thermoreactive Micalastic insulating systems of 250 to 640 kW capacity were developed for up to 2,000 mm wide long-distance conveyor transport and are being delivered by their manufacturers, the MEZ [Moravian-Silesian Electric Appliances Plant] communal enterprise in Brno. As compared with the original equipment, the determined service life of the new electric motors is four times longer. It is presumed that the newly developed 1,000 kW electric motor designated for long-distance conveyor transport more than 2,250 mm wide will achieve the same parameters.

Heavy-duty low-oil-content circuit breakers used now in strip-mining operations have a high rate of breakdowns. They will be replaced by vacuum contactors.

Their lot production is now being launched in the EJF [Julius Fucik Electric Power Plants] communal enterprise in Brno with first deliveries scheduled for the third quarter of 1981. Vacuum contactors have a service life one order higher than any other type of high-tension contactors; they are smaller and lighter, and throughout their service life they require practically no maintenance. For the consumer, the savings will be reflected in initial costs, assembly, maintenance and especially in

more efficient use of time of technological units. Their electric service life is 500,000 switch-ons without maintenance.

In addition to the two above-mentioned examples, innovation and development of other new types of electric equipment for coal mining, for instance, rotor starters, control panels, protection, etc., are under way; their production and deliveries are scheduled for 1982-1983.

During the Seventh Five-Year Plan, electronics will gradually be introduced in several branches where its application is not traditional--in accessories of motor vehicles for more efficient operation of gasoline and Diesel engines, in antilocking brake systems, as replacement for mechanical switches, breakers, regulators of charging and ignition, etc. Similar functions will be introduced in agricultural machinery; moreover, various sensors and evaluating equipment will be added. Electronics will be used more extensively in household appliances. It is envisaged that by 1985 the application of microprocessor systems will be divided as follows:

Data processing	40 percent
Measuring, control, regulation	22 percent
Telecommunications	20 percent
Consumer electronics	6 percent
Entertainment electronics	4 percent
Medical electronics	3 percent
Special application	5 percent

It is obvious that the employees of the electrical engineering industry alone cannot achieve these objectives. Thus far, research of deliveries required from the electrical engineering industry in the Seventh Five-Year Plan, however, indicates that the consumer ministries failed to determine the full concept for further steps in application of electronics in their products. Although the demands for deliveries are up, unfortunately they do not contain structural changes. In direct contacts with production enterprises in consumer branches, we are now trying to determine the type of application planned for electronics and microelectronics.

It is evident that electronization will proceed in the conditions of the CSSR as a process of reciprocal effect, where supply leads to demand and conversely, demand affects the supply. Preconditions for the application of microelectronic elements must be set for that reason as soon as possible even in branches where the use of electronics was thus far limited or none at all. This calls mainly for education of the people so that they comprehend the opportunities for electronics in development and construction. The Ministry of Electrotechnical Industry wants to assist its partners by organizing a far-reaching campaign of technical education. Among specific actions organized in cooperation with the Czechoslovak Scientific and Technological Society, Svazarm [Union for Cooperation with the Army], colleges and the Union of Socialist Youth is a series of 200 training microcomputers designed so that experts may be trained with them in every branch. Some 200 to 500 experts will be trained with each of the minicomputers. The pledge made at the occasion of the 16th CPCZ Congress to manufacture the first 50 of these minicomputers was fulfilled before 30 June and the first 200 workers underwent their training.

We Must Export Electronics

Utilization of products involves their marketing abroad. This is one of the main tasks stipulated by the 16th CPCZ Congress for the engineering ministries and for our ministry. Specifically, it is envisaged that the branch of electrical engineering will double its exports over the 5-year period.

The USSR remains our foremost partner with a share of about 60 percent of the entire line of exports, particularly high-voltage electrical engineering products, computer technology and automation equipment, wire and wireless telecommunication equipment, measuring and nuclear technology, and medical equipment.

Our trade relations with the GDR, another important partner of our ministry, are characterized mainly by deliveries of computer technology, electronic unit components, and consumer electronics--tape recorders and car radios. Exports to other socialist countries may be described in the same manner.

Electric motors, vacuum technology, especially black-and-white television sets, medical and health-care technology, measuring equipment and partly also consumer electronics predominate thus far in exports to nonsocialist countries. We are planning to increase considerably the exports of investment electronics in the nonsocialist countries.

The high volume and broad selection of export goods and highly sophisticated products demand that the traditional forms of cooperation between production and foreign trade be enhanced. For that reason, we are planning to organize joint executive councils as advisory organs of general directors of foreign trade organizations, to conclude contracts between the VHJ of our ministry and foreign trade organizations, to appoint a joint conceptual team of the Federal Ministry of Electrotechnical Industry and the Federal Ministry of Foreign Trade, and naturally, we are focusing our attention on the best possible arrangement and management of foreign trade operations in foreign trade organizations integrated in the branches of the Federal Ministry of Electrotechnical Industry.

Thus far, production and foreign trade have been comprehensively correlated in the ZSE [High-Voltage Electrical Engineering Plants] and Chirana consortia. Along with authorization of export licenses, current negotiations are considering integration of imports in a scope commensurate to exports. The above-mentioned arrangement is expected to generate more flexible foreign trade transactions, to completely correlate plans, to facilitate better processing of documentation, to provide preconditions for better negotiations of cluster transactions, to simplify administrative operations, and to render integration in the international division of labor more efficient.

The effects of the past years, including 1980, and the data on the fulfillment of the export plans for 1981 indicate substantially higher fulfillment of export assignments in consortia licensed for foreign trade transactions.

In addition to the above-mentioned measures, we shall take steps in trade ooperations to improve the technological standard of products offered for export and to upgrade auxiliary services and finishing of the delivered products. I presume that our production will become more interested in exports than thus far, which the Set of Measures has also forecast.

With No Illusions of Self-Sufficiency

Trade is only one of the basic forms of foreign relations. For us it is indispensable to use the advantages of the international division of labor. We are deeply involved in socialist economic integration within the permanent CEMA commission for radiotechnical and electronic industries and within intergovernmental commissions for computer technology. The Czechoslovak-Soviet intergovernmental commission for economic and scientific-technological cooperation consists of five permanent action groups, namely, for electrical engineering, electronics, means of telecommunication, radiotechnical and instrument technology industries, automation equipment and control systems. All these groups are directly related to the corresponding branch ministries of the USSR, and our cooperation with them is very close.

An example of successful long-term multilateral cooperation of the CEMA countries is the development of the JSEP unified computer and the SMEP minicomputer systems. The CSSR has earned an important place in both programs. Two additional broad-range multilateral programs are now being developed--the unified communication system and the unified system of digital information transfer, which open a long-term outlook for our telecommunication industry.

The prospective plan of license policy of the Federal Ministry of Electrotechnical Industry will become in 1981-1985 a part of a long-term outlook and the concept for the direction of cooperation with industrially advanced countries. One precondition for license contracts is first of all guarantee of products whose quality and design meet the current technical standards and which our national economy needs, and the other is mutually advantageous economic cooperation.

As of now the ministry has signed 48 license contracts. It is envisaged that scores of other contracts will be concluded in 1981-1985. Most license contracts are focused on the component base of electronics, high-voltage electrical engineering products, computer technology, including NC systems, electronic appliances, communication and medical technology.

Numerous plans for cooperation with top manufacturers in Great Britain, the FRG, Switzerland, Japan, the Netherlands, Canada and France have already been drafted in detail. Foreign partners for other programs will be gradually carefully chosen so as to fulfill every demand on cooperation in production with advanced industrial countries.

It requires top-quality management to meet all the above-mentioned tasks. The managing apparatus of our ministry as well as the management of the VHJ and of enterprises must play their role here. The basic structure of the branches has already been determined. At present, we are planning coordinated construction of automated control systems for consortia whose highest components will consist of automated control systems on the level of general directorates.

To Manage Is to Know

To improve the quality of management, operations connected with the planning and partial implementation of the automated control system of the ministry were launched

in the apparatus of the ministry. We are now coping with a number of problems stemming from the fact that the apparatus of the ministry is relatively small, but in terms of the scope of the tasks it implements and of managing operations it equals other branch ministries. We are searching for a solution in the quality of our operations and in automated planning of documentation for the decisionmaking processes. Specifically, we have already resolved and introduced data processing for the compilation and control of the summary five-year plan and of annual plans, for the documentation and control of the fulfillment of the plan of production, for compilation of chronological sequences of the indicators of production, processing and assessment of reviews concerning supplier-consumer relations, reviews of discrepancies in material and technological supplies of production, the five-year plan and annual import plans, and other programs. A computer also checks the control and fulfillment of the programs of operations in our ministry.

We are planning to deal with other areas in the future, such as control of the programs for technological development, planning, documentation and technical economic review of capital investment, and many other data, including invormation systems for top control by the ministry, whose operations will introduce a dialogue between the managers and the machinery. For that purpose, we are now installing a terminal consisting of ES 1011 computers and subordinate SM 4/20 minicomputers.

In their majority, the principal tasks of the Federal Ministry of Electrotechnical Industry for the seventh and eighth five-year plans, stipulated by the concept of development in electrical engineering industry, agree with the tasks assigned by the Main Directions. They are specified further according to the objectives and plans of individual VHJ. They are becoming more and more frequently the subject of the people's initiative within and outside the branch. The rapid development of the electrical engineering industry has not surpassed the framework of a single branch only by its importance but also by the complex of the preconditions which must be created for its comprehensive exploitation. It is a societywide task to straighten the road for electronization of our national economy. We regard our share in that task as an extremely urgent, societywide priority, and we take upon ourselves full responsibility for it.

9004
CSO: 2400/9

LACK OF SOFTWARE, OTHER PROBLEMS HINDER AUTOMATION

Prague HOSPODARSKE NOVINY in Czech 11 Sep 81 p 7

[Article by Miroslav Karnik and Ladislav Zvolanek, Machine Shops Chotebor: "Automated System of Plant Management in Narrow Straits"]

> [Text] One of the tasks of the Set of Measures is to keep improving automated management systems and to make optimum use of computer technology in this context. It facilitates speedier processing of documentation, constant availability of relevant data and, last but not least, help cut down on administration. The perils facing implementation of the Set of Measures in this area are discussed in this article.

The key component of the automated system for management of our plant is management and technical preparation of production, but mainly acquisition and updating of a data base facilitating dynamic scheduling of the plan of final products. The automated management system suitably complements the information system, the logistical system, marketing and planning.

Lack of Requisite Software

The plant has owned its EC 1030 computer since 1977. The comprehensive program for development of management which represents detailing and implementation of tasks ensuing from the Set of Measures specifies as nominal tasks in the area of automation of management adaptation of automated tasks from selected key areas. One of them is calculation of norms for all consumption of labor value added and labor content of products and their utilization in technical preparation and operational control of key production. These are areas which form the backbone of our automated system of management.

However, the automated system of management in its entirety must be viewed from a somewhat wider aspect. The premier of CSSR government, comrade Lubomir Strougal, in addressing the nationwide aktiv [a work conference] for implementation of the Set of Measures said, among other things: "In the past decade we established a number of information centers, there was an increase in the number of computers, and there was a particular increase in personnel for their

operation; yet, we are not always able to assess the resultant effects of this expensive technology and whether the great number of personnel made available for these operations becomes in any way reflected in an improved level of management and in an improved effectiveness of the national economy." (See the Compendium of Documents and Materials for Improving the Planned Management System of National Economy after 1981, SVOBODA, 1980.)

True, many computers of the uniform system have been produced and imported, but without a single user-oriented program from areas relevant to plant management. Such software is currently available only for computer EC 1021. Plants being equipped by computers imported from socialist countries, of which we are one, faced and still are facing the problem of what system of management to implement so that it would be compatible with both the computer and, as far as possible, the purposes of the plant, and mainly that it have adequate software. Types of automatic computers have been subject to changes over the years so that, e.g., the intent of VHJ [Economic Production Unit] CHEPOS to use only computers EC 1030 held good for three years and currently it will be supplied with a third type of computer with none of the types being mutually fully compatible.

Under the circumstances we chose to embark on a path of cooperation with the trouble-shooting team of the general management of the VHJ and formed a data base for technical preparation of production (BOMP) the updating of which can be implemented by software supplied with IBM computers. Thus, we have at our disposal data regarding all products, materials and technological processes used in production in accordance with individual production operations.

In this way we have created the prerequisites for meeting the challenging program stipulated in the Set of Measures for Basic Orientation in Development of Automated Systems of Management. But let us have a closer look at this task. Capacity utilization balance of work stations is a nominal task called for by all levels of plant management for years. It includes computation of utilization of capacities on a time curve of production progress according to individual work stations with adapting the schedule of operations to full use of the capacities. This assessment is tied in with the breakdown of the plan of final production into its individual components in the time curve of progress of production.

Nevertheless, both of these tasks cannot do away with disproportions in use of capacities discovered in the progress of computations. Their advance shift is precluded by nonavailability of materials, their backward shift by the time sequence of assembly. Thus, it must be preceded by yet another task, namely by optimalization of the annual plan of final production from the viewpoint of optimum load distribution on work stations. However, it must be pointed out right away in this context that our computer EC 1030 cannot tackle this task due to limitations in its technical parameters. But it cannot be handled even by computers with more extensive memory storage. The reason is that there is no program which could process this task for an entire production assortment, even though experimental computations in this area are on hand.

As improvement of the quality and efficiency of planning in the national economy represents a substantial part of the Set of Measures and as optimalization tasks are to promote its implementation, our plant is faced with the task of how to deal with the problem. And it is not just our plant, but probably hundreds of others owning an automatic computer, using the latter for processing large volumes of data that find themselves in this position when they reach the stage of drawing up the plan on a scientific basis. This stage, due to lack of programming software, marks the end.

A Matter of Concern not only to Users

Combining of all of these findings provides the answer to the approach to be taken in streamlining the system of information and improving the effectiveness derived through the use of expensive computers. In our opinion, the onus of dealing with the problem cannot be left up just to the plants themselves. The requisite nominal tasks must be assigned to facilities available to such organizations as Inorga, Research Institute for Engineering Technology and Economy, Office Machines, Data Systems, etc., for specific types of computers, and putting a ban on production or importation of automatic computers without complete software for plant management. Only in this manner can the Set of Measures be considered implementable in the area of basic trends of development of automated systems of management.

In spite of all the shortcomings and problems we managed to come up for production with documentation which adequately meets the needs of operational planning and control. We are in the process of creating a number of prerequisites needed for qualitative improvement of norms by technical sectors.

The fact that each product has its own summary output norm, which we update twice a year, makes it possible for the design and technology sectors to monitor the impact of design changes and streamlining measures on the labor input applicable to individual products. In the future we would like to make an assessment of changes by an automatic computer already at the moment of their occurrence.

However, for the purposes of the annual plan, balancing of utilization of capacities cannot be based merely on the summary output norm, but labor input at each work station must be calculated in its distribution in the time curve of the progress of production. This problem we want to tackle in cooperation with the trouble-shooting team of our VHJ.

In the area of calculations we quarterly tabulate operational calculations for the entire data base. Here too are monitored the impacts of changes and those of streamlining measures, this time expressed in terms of value. Changes in wholesale prices of basic materials and subdeliveries and their effects on the cost of individual products are also assessed in this manner.

For the sake of completeness it should be pointed out that we use the computer not only for tabulating the operational production plan, but also turnover and state of unfinished production according to orders on hand, deviations from

material consumption standards and documentation for final calculations. We further use the computer to process all the records regarding inventory and flow of material supplies to include statistics, produced sections on hand in in-process storage and spare parts. As an interdepartmental task we process the closing balance of intraplant accounting to include deviations between actual and budgeted state.

Operational Calculations

Reorganization of production units in the seventies formed the basis for a new arrangement of centers and a new approach to providing for economic operation of the centers as well as of the plant. With the exception of intraplant foundry operation, the plant has no center with a closed production cycle, even though even in the case of the former, assignment of tasks and monitoring of their meeting follows a similar procedure as that applied to the remaining centers of machinery production. This simplifies administration in assignment of tasks and facilitates easy use of computer technology in the area of the reporting system for centers.

Economic operation of the plant and centers is based on the qualitative level of norms stored in the data base of the computer center. Operational calculations worked out on the basis of these norms must be of sufficient quality to allow carrying out of the plan for the current year to progress without any major disproportions in the use of capacities and materials. This is accomplished by technical development and long-term tasks assigned to individual units in the framework of comprehensive promotion of socialist efficiency.

Measures designed to back up routine operational calculations must be provided with sufficient lead time in relation to the average time for implementation of changes and production orders. In cases where formulation of the plan for the current year does not include product calculations in relation to projected profit, share of material costs, etc., they must be supplemented by projections for lower consumption of labor and materials.

Such a supplement in the form of short-term tasks in comprehensive promotion of socialist efficiency is understandably undesirable, as it creates a certain anxiety in meeting the tasks for the current year, multiplied by difficulties in supplier - user relations, discrepancies in projecting resources for new equipment and technology, etc. Preproduction units are fully aware of the need for lead time in the formation of an optimum level of the data base, so that such supplemental tasks are more of an exception than a rule in a detailed specification of tasks for comprehensive promotion of socialist efficiency.

Our budgeting system is thus constituted by the data base stored in the computer which is kept at the desired level by means of a system for implementation of changes. Information from this data base forms the basis for operational calculations and documentation for production (withdrawals of material, job tickets, etc.). We base this approach on the principle that the shops are provided with norms for consumption of materials and labor that had already been verified. The thus determined costs are not tampered with by the shop, its obligation is to stay within the directed cost specifications.

Nonrecurring deviations from norms are included in the overhead of each given center. When permanent deviations are incurred (change in materials), the norms are updated accordingly. For these reasons prime cost per individual parts, products and the total for the shop in Kcs do not appear in the specifications for centers tied to the operational plan of production. For purposes of our reporting system and intraplant utilization of calculations we make use of running calculations from the phase of mechanical processing via in-process storage to the assembly phase. This does away with job costing of parts in in-process storage at intraplant prices determined by our own production costs.

Thus, in the course of production of parts and products, the centers can substantially influence the amount of overhead. Each productive or nonproductive center is assigned a limit based on budgeted costs of overhead attendant to its operations. To stimulate participation of workers and center heads in the system of incentives, selected types of overhead costs are classified according to the extent they can be affected by them.

A component part of budgets for centers is a set of indices. The output index currently used in production centers are standard hours in machining shops and goods production in most assembly shops. The number of personnel and the wage fund extent are limited for each center. We individually monitor and provide a system of incentives for meeting goals in comprehensive socialist promotion of streamlining.

Planning, marketing, inventory and other indices are used for centers within the marketing sector. Centers of the technical sector are evaluated on the basis of contributions derived from innovations and development of new products (in essence for contribution from subsidies) in addition to goals of comprehensive promotion of socialist streamlining. Some impacts from subsidies may eventually be included into the above.

In view of what was said above, we will not be able to introduce in the foreseeable future indices of adjusted value added and of return on investment in production assets in the centers. The Set of Measures itself does not call for any forcible or administratively taxing solution. We are currently ready for issueing an organizational directive specifying the rules for intraplant khozraschet [cost accounting system] of center management. It calls for a more stringent approach to assigning and assessing the individual indices of center management. We insist on following the vertical line, so that evaluation of the tasks of a lower level also accrue to its head, or a group of personnel on a higher level. For that reason we also intend to group the centers according to sectors or branches of production.

Even though contributions from turning out products of a high technical level and of first class quality are planned and actually shown for corresponding centers, we are aware of some of the weak spots in our plant. These include, e.g., lack of systematic and time-related assessment of price and cost limits and projection of contributions to profit and profitability of the plant into plans. We deem the situation to be far from ideal when long-term and short-term tasks and contributions from them are lumped for assessment in the overall yearly plan of comprehensive promotion of socialist streamlining.

At the present we also do not always succeed in providing the centers, particularly production centers, with a plan that would be balanced in all respects, which is due to inadequate software equipment of the automated system of management in the area of annual plan optimization. Difficulties encountered in supplier - consumer relations force us to make operational changes in the original production plan. To this very day we have not managed to project the demand for metallurgical materials for the current year, particularly for stainless steel plates of which we use great quantities in the production of food-processing machinery. At the same time, our comprehensive streamlining brigades reduced the weight of some machines by as much as 20 percent. The current outlook in deliveries of materials may adversely affect goods production to the tune of Kcs 5 million and deliveries for exportation to socialist countries (because we are unable to complete final assembly) by Kcs 13.7 million by the end of the third quarter.

8204
CSO: 2400/15

NATURAL GAS PLAN FULFILLMENT, PERSPECTIVES

Prague SVET HOSPODARSTVI in Czech 13 Aug 81 p 2

[Article by Eng Pavel Kanta, Federal Bureau of Statistics: "The Achievements and Perspectives of Gas Production"]

[Text] The gas production system in the CSSR is focused on imports of natural gas from the USSR, and to a lesser extent, on the production and distribution of lighting gas in Bohemia and Moravia and on the search for bitumens and their extraction. The growing imports of natural gas directed the main tasks of our gas industry during the Sixth Five-Year Plan toward the construction of transport gas lines and underground storage tanks.

During the Sixth Five-Year Plan our gas industry acted as a stabilizing factor of the fuel and energy base in the CSSR, particularly because of the highly dynamic imports of natural gas from the USSR, which increased 2.2 times above the 1975 level. Our state gained further importance as transit for deliveries of natural gas to the West and South European countries. During the Sixth Five-Year Plan our gas industry provided continuous supply of heating gases for our national economy and for our population. The services of underground storage tanks for heating gases helped balance the total supply of heating gases.

The developing gasification of our national economy and households according to the plan and the fulfillment of international agreements on cooperation in delivery of natural gas from the USSR to West and South Europe called for extensive capital investments which in the Sixth Five-Year Plan amounted to Kcs 16.4 billion. In order to balance the irregular deliveries and consumption of heating gas during the Sixth Five-Year Plan, the storage capacities of underground gas tanks were expanded from 560 million cubic meters in 1975 to 1.34 billion cubic meters, and daily extraction from 4.2 million cubic meters to 10.6 million cubic meters. To satisfy peak consumption of lighting gas, the Cechy II seasonal source of lighting gas with overall capacity of nearly 2 million cubic meters/day was constructed in Usti and Labem and introduced into operation ahead of schedule.

The directive of the 15th CPCZ Congress for gas production during the Sixth Five-Year Plan stipulated as a vital task the completion of the construction of transit gas lines with transport capacity of 37 billion cubic meters of natural gas per year and the launching of the construction of the Consortium gas line which is scheduled for completion in 1984; thus, the overall transport capacity will increase to 53 billion cubic meters per year. The first section of the gas line,

which is 1,029 km long, was put into operation during the Fifth Five-Year Plan. The second section of the line, which is 1,186 km long, was completed in 1978. The output of the transit gas line with the stipulated transport capacity of 37 billion cubic meters was reached on 31 October 1980. The construction of the Consortium gas line was launched according to intergovernmental agreements concluded in 1978; its target capacity is 16 billion cubic meters of gas transported per year. At the end of March 1981 the entire 905 km long line was in operation and five compression stations were under construction.

Another noteworthy program with special importance for the overall fuel and energy balance of the CSSR was the successful completion of the tasks in the Czechoslovak section of the construction of the Soyuz gas line. All actions stemming from the plan for integration of operations were completed during the Sixth Five-Year Plan.

Along with the construction of the transit gas line the construction and reconstruction of distribution systems continued; their objective is to achieve continuous supplies of heating gas and to include additional areas and communities of our republic in the distribution network. In accordance with the directive of the 15th CPCZ Congress, 1,596 km of long distance networks and 3,155 km of local networks and lines were put into service. At the end of 1980 the total length of long distance lines amounted to more than 10,000 km, and of local networks to more than 14,400 km. During the Sixth Five-Year Plan the rate of growth of gasification of towns and communities was higher than in previous five-year plans. At present 494 towns and communities, 305 of them in the CSR, are using natural gas and lighting gas. The conversion from lighting gas to natural gas has progressed well. The plan was 109.5 percent fulfilled in the CSSR, of which 118.3 percent in Prague. In the SSR, the conversion was completed in 1978; almost 270,000 consumers in the CSR have been converted, 110,500 of them in Prague. During the Sixth Five-Year Plan the total number of consumers increased by almost 365,000 to 2.1 million, of which the number of residential consumers to nearly 2 million.

The main directions in the economic and social development of the CSSR for 1981-1985, approved by the 16th CPCZ Congress, consider further development of gas production. After a rapid increase of sources, primarily of imported natural gas, the gas system will be stabilized during the Seventh Five-Year Plan, with the focus on the completion of the Consortium gas line and on the reconstruction and expansion of the distribution system and of underground storage tanks for heating gas. The construction and reconstruction of high pressure gas lines and gas lines for comprehensive housing construction will continue. Additional local networks, primarily those in Prague and Bratislava, will be remodeled. Additional communities will be added to the gas distribution network and the conversion from lighting gas to natural gas will continue. Due to higher consumption of heating gas in residential housing areas it is necessary to expand the underground storage tanks and to undertake the necessary construction, repairs and maintenance of the pressure gas works.

9004
CSO: 2400/314

WEST SLOVAKIA'S SHORTFALL IN CEREAL PRODUCTION REPORTED

Bratislava ROLNICKE NOVINY in Slovak 8 Sep 81 p 3

[Article by Eng Milan Maloch: "Strategy for Self-Sufficiency--Priority to the Development of Grain Cultivation in West Slovakia Kraj"]

[Text] Since the early 1960's agriculturists in West Slovakia Kraj devoted special attention to the development of grain cultivation on a priority basis. In close cooperation with the scientific research base under the leadership of the Agricultural College in Nitra, advanced achievements and information provided by sciences and research in agrotechnology, nutrition, protection and cultivation of crops were broadly applied in the operations of the enterprises on the basis of grain-producing programs.

Grain cultivation made considerable strides during the Sixth Five-Year Plan, characterized by a notable advance of high-yielding domestic winter wheat hybrids developed by our researchers, Dr Melichar Bartalos, Dr Bohumil Kabrt and Eng Stefan Szamak, on the basis of original Soviet materials, particularly cultivation of the Mironovskaya and Krasnodarskaya hybrids. Hybrid agrotechnology began gaining importance in the grain cultivation program aimed at the fullest possible exploitation of the biological potential of new, high-yielding hybrids.

During the Sixth Five-Year Plan harvested areas comprised 2,507,000 hectares, which is 8,200 hectares less than in the preceding five-year plan. Despite the effects of the weather during two inauspicious years (1976 and 1979), our agriculturists maintained the positive trend in the development of grain cultivation and achieved a total yield of 11.4 million tons of grain, which is 816,000 tons more than in the Fifth Five-Year Plan; the average per hectare yield was 4.55 tons. During the Sixth Five-Year Plan average per hectare yields over 5 tons were reported by three okreses in West Slovakia Kraj, namely, Dunajska Streda (5.45 tons), Galanta (5.03 tons) and Komarno (5.03 tons), with Trnava Okres coming close (4.99 tons).

The last year of the Sixth Five-Year Plan, 1980, deserves special mention as a record-breaking year. For the first time in our agricultural history grain production in West Slovakia Kraj exceeded 2.5 million tons (2.62 million tons) with an average per hectare yield of 5.24 tons.

The Demands and Complexities of the Program

The self-sufficiency program is most demanding and complex because it must be implemented under the direct effect of weather conditions which influence it. This fact was distinctly evident in the current year. Material and technical supplies, especially technology and protection against weeds, diseases and vermin, were not always readily available when needed to mitigate the adverse effects on the cultivation and development of grain crops.

Although increased initiative and determination often offer compensation for shortages of such resources, the ultimate results are not always commensurate to the efforts invested in them.

Rapid progress of harvest work was facilitated by favorable weather and also by adequate technology from local and cooperative sources made available at the last moment and delivered at the appropriate time in our kraj.

Grain harvest was completed in 8 to 12 workdays because of the devotion, initiative and efforts of our agronomists, mechanics, harvester operators, repairmen, tractor drivers and services in most enterprises of our kraj. The adopted strategy was successfully followed--harvest work was finished promptly, expeditiously and with a minimum of waste which did not exceed the stipulated limits.

It Is Everyone's Concern

Due to short supplies of spare parts, the repairs of harvesters lagged behind considerably and only because of emergency measures and of extraordinary efforts by our repairmen and mechanics and with the assistance of sponsoring enterprises, was harvesting equipment made available at zero hour. Such an approach to repairs of harvesting technology must stop once and for all. It is unconscionable to face in the future another stressful situation of the kind we faced this year and in the past!

The Ministry of Engineering should have a decisive word here. Someone must be made responsible for the production, import and supply of technology. I wish to underline that the problem of our self-sufficiency in grain production concerns all of our national economy.

Alas, the situation does not look any more favorable when it concerns the repairs of equipment for autumn work--harvest of autumn crops. In short supply are plows with eight and more blades, wide-gauge weeders, rotary tillers, seeders, particularly disk seeders, and other wide-gauge heavy-duty suspension equipment, corn-harvesting machinery, especially stalk cutters, fodder-crop harvesters, etc.

It is unconscionable and inefficient to demand as before that our agriculturists deal with such problems by implementing their own improvement proposals and by working "on their knees." The yield of multiannual fodder crops and silage corn was lower because of the unfavorable weather. However, we have no equipment to harvest the valuable corn stalks which can make up for at least a part of the shortfall in bulk fodders.

What Are the Results?

Densely cultivated grain crops were harvested from an acreage of 355,344 hectares; 1.46 million tons were harvested with the average per hectare yield of 4.11 tons. The grain production plan was 82.8 percent fulfilled and the total shortfall amounted to 303,600 tons of grain. The average per hectare yield of wheat was 4.37 tons, of rye 2.6 tons, and of early barley 3.85 tons. The lowest shortfall in the planned grain production was reported in the okreses of Dunajska Streda and Bratislava-Suburbs. The lowest fulfillment of the plan for unified agricultural cooperatives and state farms was noted in the okreses of Levice (76.5 percent) and Topolcany.

According to the yields they achieved the okreses rank as follows: Dunajska Streda - 5.05 tons, Trencin - 4.01 tons, Komarno - 4.55 tons, Trnava - 4.46 tons, Galanta - 4.40 tons, Nitra - 4.08 tons, Nove Zamky - 4.04 tons, Levice - 3.90 tons, Bratislava-Suburbs - 3.86 tons, Topolcany - 3.76 tons, and Senica - 3.40 tons. However, according to agroecological ceilings and exploitations of conditions for production, first was Dunajska Streda Okres (ceiling 5.40 tons and 93.5 percent of utilization), second was Trencin (4.42 tons and 90.7 percent), third was Komarno (5.18 tons and 87.9 percent), fourth was Trnava (5.12 tons and 87.1 percent), fifth Bratislava-Suburbs (4.52 tons and 85.4 percent), etc., 10th was Levice (4.91 tons and 79.4 percent), and 11th Nove Zamky (5.12 tons and 79 percent).

The agroecological ceiling of the kraj amounted to 4.89 tons and exploitation to 84.1 percent. Compared with the soil, climate and cultivation conditions, the production of densely grown grain was 20 percent lower in the okreses of Nove Zamky and Levice. The okreses of Dunajska Streda, Trencin, Trnava and Komarno have a long tradition of highly sophisticated, excellent agrotechnical measures which made it possible to counteract to a major extent the effects of the unfavorable weather and to mitigate the shortfall in yields.

This year there is not a single enterprise in our kraj with an average per hectare yield over 6 tons (last year 98 enterprises did (!) and 6 enterprises harvested over 7 tons). Only 49 enterprises harvested more than 5 tons of grain, and 166 enterprises from 4 to 5 tons (per hectare).

More than 6 tons of winter wheat were harvested only in the unified agricultural cooperatives of the Czechoslovak Agricultural Enterprises in Trebetice (6.35 tons), Horny Bar (6.05 tons), Luc na Ostrove (6.02 tons), Trhove Myto (6.02 tons) and Jahodna. Over 6 tons of winter barley was harvested in the unified agricultural cooperatives in Horne Saliby (6.20 tons), Sokolovce (6.17 tons), Nove Zamky (6.10 tons), Vajnory (6.01 tons) and Cicov (6.0 tons). Not a single enterprise produced more than 6 tons of early barley and only 16 enterprises (5.9 percent) harvested more than 5 tons.

Legumes proved to be the best precultivation crop in our kraj; wheat produced 4.60 tons on an area of 13,500 hectares. Crops sown in late September produced 4.75 tons per hectare. Solaris, a domestic hybrid, produced 4.53 per hectare with a share of 16.5 percent of a 32,000 hectare area. Unfortunately, this year the Kosutka, Sava and Istra failed to meet our expectations. The Vala produced 4.65 tons, Slavia 4.47 tons, but Yubileynaya and Amika 4.46 tons (9.6 percent share). The newly developed hybrids, such as BU 17, 18 and 20, again produced bumper crops.

Opal with 4.18 tons (0.38 tons more than the kraj average), Koral with 3.91 tons and Spartan with 3.74 tons produced the highest per hectare yield of early barley. As it has been its tradition, Triumf produced good harvests in the okres of Dunajska Streda (4.51 tons) and its average yield was 3.81 tons.

In the opinion of the developers of our hybrids, only 50 to 60 percent of the potential yield of our domestic and foreign hybrids have been utilized. That is not enough; it proves that major reserves exist in our agrotechnology, in thorough study of efficiency and biological characteristics. Good agrotechnology should determine the best possible conditions for the growth and development of the crops.

How to proceed in the future?

In order to meet the grain production planned for 1982, winter wheat must be grown on 214,000 hectares, rye on 11,000 hectares, winter barley on 11,000 hectares and winter mixes on an area of no less than 20,000 hectares. Such tasks are not negligible, but certainly everything will be done to meet them successfully. Under the leadership of the CPCZ and in good cooperation with the scientific research base, the agriculturists of the West Slovakia Kraj will achieve further progress in grain cultivation.

9893
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CSSR'S GRAIN SHORTFALL CAUSES CONCERN ABOUT LIVESTOCK PRODUCTION

Prague HOSPODARSKE NOVINY in Czech No 38, 18 Sep 81 p 2

[Article by Zdenek Hoffmann, worker at the CPCZ Central Committee: "Agriculture"]

[Text] Much earlier than in the previous years, the grain harvest was completed last week even in the highest situated areas. This year's harvests were without any doubt among the most complex in a long time. The unusual, for agriculture particularly adverse, weather on our entire territory virtually from last fall created unfavorable conditions not only for the growth of grain crops, but also for their maturing and harvesting in some krajs. The effect of weather, of course, considerably varied in individual areas. While in West Slovakia Kraj of the SSR and part of South Moravia Kraj of the CSR drought and high temperatures during the period of ripening adversely affected the crops--the grain was too dry--in other areas such as Central Bohemia and East Bohemia krajs considerable damage was caused by excessive precipitation and even hails during the harvest time.

Lodging of grain crops occurred in almost the entire CSR on a much larger scale than in the previous years. It involved approximately half of the area sown. A specific negative factor was the inundation of considerable areas either directly or by the rising water table. The inaccessibility of fields and complete interruption of harvest work at the beginning of August caused overripening of some plants. Under these circumstances--although the interruption of work was used for repair of equipment, expanding of cooperation in the employment of combines and assistance of sponsoring plants in transportation--the harvest losses quite logically considerably increased. All this resulted in the reduction of yields per hectare in comparison with the preliminary estimates made in June and July. This was apparent particularly in regard to barley. While the 15 July estimates had anticipated a yield of 3.8 tons per hectare for spring barley, the actual yield amounted to a little more than 3.4 tons. Bigger harvest losses which, together with drought in the most intensive areas of the SSR and CSR, considerably affected the overall harvest volume, occurred also in wheat and other grain crops.

According to the check on 15 August, which in a number of okreses was based on definitive results, the harvest of basic grain crops amounted to approximately 8.8 million tons which was 11.8 percent less than last year. If we include in these estimates the anticipated crop of corn for grain, the fulfillment of the total plan of grain production is expected to reach 88-89 percent. In comparison with last year and the plan, the biggest production losses will be registered in the most

intensive and, by their production volume, most important krajs--West Slovakia and South Moravia. It is precisely these two krajs which were most adversely affected by weather. The objective effect of weather in this entire area is also borne out by the similar situation in grain crops in the neighboring Hungarian People's Republic.

On the other hand, relatively favorable results will be achieved in the higher situated areas, where the grains matured and were harvested later on. In South Bohemia and West Bohemia krajs the yields per hectare are on last year's level and production volume will exceed that of last year. In the SSR, the results in East Slovakia Kraj are more favorable than in 1980.

Although the adverse effect of weather on this year's grain production is undeniable in the entire state and according to the foreign estimates a poorer crop is expected in the entire western half of Europe than in 1980, we cannot say that the adverse weather was the only negative factor. The yield per hectare was also affected by other, including subjective, factors. Under the aggravated conditions, all defects in agronomy, care and nutrition of soil as well as defects in other professional activity of agronomists became even more apparent. This is borne out by the differences both between entire agricultural enterprises operating in identical conditions and particularly between individual fields of identical quality within JZD [unified agricultural cooperatives] and state farms.

It must be appreciated that agricultural enterprises realized it and want to use also negative findings for uncovering reserves. Immediately after the harvest, they analyzed in depth the reasons for these differences. The Rozkvet Kvasice JZD in Kromeriz Okres, for example, which definitely cannot be described as inefficient--the yield of grains per hectare exceeded 5 tons also this year--verified a number of facts, by such an analysis. They found that on fields on which because of difficult conditions they did not manage to sow winter wheat within the agronomic deadlines last year, its yield, in comparison with areas sown on time, was approximately 10 percent lower. The areas sown with wheat after a less appropriate crop yielded 3-4 percent less than the fields previously sown with good crops. The differences in the yield per hectare between individual varieties of winter wheat amounted to as much as 20 percent. There was a similar situation in regard to spring barley.

In addition to adherence to agronomic deadlines and correct choice of seed varieties, it is imperative, on the basis of findings during the 1980/1981 economic year, to sow winter grain crops on the specified areas. This particularly applies to wheat which is our most efficient grain crop at the present time. According to the average of last 5 years, its yields per hectare were 0.3 tons, or approximately 8 percent, higher than the yields of spring barley. This means that we must not be satisfied with its sowing on the planned areas, but must--as some JZD and state farms correctly anticipate--create a reserve for eventual poor wintering of young plants. Especially since we know that plowing under of wheat in many agricultural enterprises and the resulting reduction of harvest areas and, in some instances, also the reduction of areas sown with grain crops in general, were the reasons for the production decline.

The most important conclusion from the poorer crop this year must, of course, be the proper administration of the available grain supply. Through meeting the targets set for purchase to the state reserve by all krajs on a priority basis, the

needs of the food industry are fully secured, including malting barley whose quality, however, is again not satisfactory this year. The seed supply in the required variety structure is adequate for the entire state.

The grain shortfall is, of course, reflected in the grain fodder supply and the poorer crop thus aggravates the solution of problems in livestock production. In view of the rather limited possibilities of importing grain fodder, this will call for consistent and immediate measures in the area of fodder supply. Apart from the mandatory system of administering grains for fodder and grain fodder instituted last year, the primary emphasis will be on even bigger replacement of grains in allowances for cattle by bulk fodders. Although their supply as to quantity is not quite satisfactory, in comparison with the previous years they are of substantially higher quality and thus have also a higher nutritional value. As the harvesting now in progress indicates, corn silage also will be of high quality. The fodder supply in most agricultural enterprises will also be augmented this year by intermediate crops sown on stubble fields. In the drier areas, such as the Litomerice region, it is anticipated that at least half of these areas could be harvested for fodder purposes. The principle must, of course, be observed that bulk fodder must be administered most economically and used most efficiently.

With reference to pigs and poultry which virtually depend on grain fodder alone, the principal task is to strictly regulate the herd in accordance with the plan and possibilities in fodder supply. Furthermore it is necessary to reexamine the possibilities of using supplementary sources of fodder such as garbage from the food industry and kitchens. In feeding of pigs, full use must be made of the formerly traditional fodder, that is potatoes. In contrast to grain crops, the harvest of potatoes is expected to substantially exceed the average of recent years--almost 20 tons per hectare in the CSR. Due to the technology of feeding, this will require special measures in most feeding centers.

10501
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CHARACTERISTICS, SHORTCOMINGS OF HUNGARY'S BASIC INDUSTRIES ANALYZED

Budapest STATISZTIKAI SZEMLE in Hungarian Aug-Sep 81 pp 789-798

[Article by Dr Imre Kristof: "The Situation of the Basic Industries and Certain Problems of Their Development"]

[Text] One of the essential characteristics and driving forces of industrial development is the broadening of work distribution among the producers and the strengthening of the specialization processes of production. In the newest phase in the historical development of work distribution, production cooperation is overstepping in wider and wider scope the boundaries of national economies. In the development of a given country's industry, both in quality and the speed of progress, an important role is played by the facilities for the activities of the so-called basic industries, or the elements which characterize the state of development in the manufacture of such products, participation in international work distribution, and the changes that are taking place in these areas.

The domestic situation of the basic industries has frequently been the subject of debate, or of criticism, in recent years inasmuch as its development and performance capability has not reached an adequate level. In the recent past, the highest-level (party and state) economic management organs have dealt with the problems of the basic industries, the search for the possibilities of their solution, and the tasks of development. For example, in its preliminary report to the 12th Congress evaluating the economic development of the Fifth Five-Year Plan period, the MSZMP Central Committee stated that in the machine industry: "No worthy progress was made in the development of the production of modern prefabs, components or parts. The ratio of products made in international cooperation increased, but still has not reached the desired degree."[1] On the basis of all these things, the resolution of the Congress which set the further tasks emphasized in indicating the development lines of the processing industry that "ratios which adjust to production and marketing possibilities must be developed between the manufacture of finished products on the other."[2] It was in this spirit also that the Sixth Five-Year Plan was prepared, regarding which the statement of the National Planning Office among other things stated: "Capacities and manpower which are released through the elimination of production that cannot be made profitable must be used primarily for

1. Protocol of the 12th MSZMP Congress. Kossuth Konyvkiado, Budapest, 1980 p 43.

2. See p 475.

the economic expansion of the industries basic to the production of final products."[3]

The concept of basic industries and the scope of products in basic industries can be interpreted according to various projections and definitions. We can regard as most general the concept according to which the production of the basic industries includes those products which do not meet final consumption needs but are linked to the production of other final products into which they are built, fitted or are transformed, and which are regularly used for various final products in certain manufacturing branches. As deriving from technological characteristics, the basic industries in the narrowest sense of the term are made up primarily of machine industry, metallurgy, chemical industry and light industry parts, components and semiprocessed products. To approach it another way, these appear essentially in production cooperation relations within the industry.

Depending on the extent to which we expand the scope of products being considered, the basic industries can also be interpreted with broader content all the way to the extreme case where we examine the supply relations of the industry from the viewpoint of the economy as a whole. In this broadest concept, certain sub-branches of industry form the basic industries for other economic branches (for example, the construction material industry forms the basic industry for the construction industry, and certain areas of the chemical industry for agriculture). Moreover, machine industry manufacture may be regarded as the basic industry of the repair-service industry; and finally, various producer and nonproducer areas of machine supply for the economy, and the provision of these with parts may be classified as of a basic industry character.

Below, I shall deal with the characteristics of the production, development and international cooperation relations of basic industries in the narrower sense.[4]

Problems of Domestic Basic Industries

The problems of domestic basic industries are very complex, and therefore the possibilities for their solution may also be manifold. From the viewpoint of the performance capability of the basic industries and the quality of production and products, a very essential condition is the development of the product structure of the industry or certain of its branches. It is well known that the product spectrum of Hungarian industry and in this respect the machine industry in particular, is rather broad. This is not expressed primarily in a great number of products being put out but in a relatively high ratio of domestic manufacture of the necessary parts and components. According to some international comparisons, countries similar to ours in size but industrially more developed import a greater ratio of machine industry products and use a greater ratio of imported materials for the machine industry than our own; and paralled with this, these countries also conduct exports of greater importance.

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3. Bulletin of the National Planning Office on the Sixth Five-Year Plan for the development of the economy. TERVGAZDASAGI ERTESITO, 6 January 1981, p 37.

4. For the writing of this study I also used, among other information, case studies prepared by about 20 individual enterprises on their domestic and international cooperation activities.

Self-sufficiency in this sense has led to the fragmentation of production, to the disuse of our advantages, and to a lag evident in the technical and quality level. Therefore, in the final analysis one of the causes of the problems with the state of development in the basic industries, with its performance capability and its intra-industry cooperation may be ascribed to the heterogeneous and therefore fragmented nature of the product structure in Hungarian industry (see Table 1).

Table 1

Distribution by Enterprises of the 1977 Production of Several Basic Industry Products

Product	Number of manufacturing enterprises		Ratio of enterprise production outside the sub-branch according to profile
	Total	outside the sub-branch according to profile	
Iron castings	51	42	49
Forged and pressed steel products	24	18	46
Alloyed aluminum products	55	42	20
Metal processing tools without shavings	74	15	3
Machine tool without shavings	49	16	61
General industrial metal equipment	39	15	2
Iron reinforcement	59	18	9
Screw, nut, rivet	104	39	5
Industrial packing of metal packing equipment	78	37	64
Gears	25	3	0
Machine building element for general use	71	19	15
Low voltage electric equipment	57	22	1
Cable equipment and electric fitting product	37	15	5
Communications technology structural element, component, attachment for general purpose	50	14	10
Soft rubber product for industrial use	36	28	6
Synthetic semifinished product	44	25	27
Technical synthetic product	86	61	19
Synthetic lock	33	15	52

Frequently 30 to 40, and even more, industrial enterprises equipped themselves for the manufacture of certain typical products of the basic industry, in addition to enterprises that are specialized according to profile. By putting a special machine or so into operation, most of the enterprises have sought to meet mainly their own needs for the parts and semifinished products in question. This fragmented

development of production has had the consequence that enterprises deal widely with the manufacture of products that are different from the sub-branch to which they belong (for example, enterprises in the light industry make machine parts, or machine industry factories produce synthetic products, and so forth).

A second important factor in the problem is to be sought in the development of the organizational system of the industry. To be sure, characteristic of the industrial development of our age is the parallel development of enterprises of varying size. Despite the expansion of large enterprises (giant monopolies) in the developed industrial countries, small and medium-size plants continue to play an indespensable role in work distribution because these cooperation relations within the industry form the backbone of basic industries. Excepting the past year and one-half, concentration and centralization efforts in our industry have been practically exclusive in recent decades, and a rather neglected area. As a result of this centralization, the number of industrial management units operating independently has declined, while the ratio of large enterprises with many plants rose to a high level also internationally. (See Table 2)

Table 2

The Number of State and Industrial Enterprises Between 1960 and 1980*

Designation	1960.	1965.	1970.	1975.	1980.
			Year		
Ministry enterprises	890	526	532	543	546
Council enterprises	478	314	280	236	153
State enterprises	1368	840	812	779	699
Industrial cooperatives	1251	811	821	793	663
Total	2619	1651	1633	1572	1362

*Year-end data

The centralization process was fostered in the 1970's to a considerable degree through amalgamations carried out at enterprise initiative. On behalf of intra-industry cooperation and reduction of the growing difficulties in the basic industries, the enterprises frequently asserted that from the viewpoint of maintaining a regular pace of finished product manufacture and of the entire production activity, vertical development within the enterprise would represent greater security than external cooperation, which has many latent uncertainties. As a manifestation of this belief, the large enterprises sought quite generally to create their own basic industry within their own establishment through mergers with smaller, chiefly council, enterprises and by taking over certain provincial plants and factory units.

The "mother enterprises" generally regard such mergers as unambiguously advantageous even if the reorganization and the change of profile (and the training that goes with it) brings on substantial cost increases. As a consequence of a development which adjusts to the production goals of the large enterprises, unfavorable effects frequently are evident, however, in the national economic perspective. The "mother

enterprises" tried to free themselves as soon as possible from the profiles that were strange to them; and moreover, such "small operations" within the big enterprises equipped themselves less to serve the other external enterprises belonging to the profile than did the independent small enterprises. It was also a frequent consequence, moreover, that the merged units gradually gave up their former cooperation relations (of a basic industry character) which extended in other directions.

The inadequate state of development in the basic industry is also evident in the fact that the enterprises producing final products can only partially have their necessary, auxiliary work phase (which solve narrow capacity problems) solved by steady partners, or to obtain from them their parts and components.

As a result of the organizational changes discussed above the number of specialized basic industry enterprises is relatively small, and the majority does not represent a satisfactory ratio in the production of certain products or in the provision of certain activities. Therefore, an increasingly greater role is being played by incidental cooperation contracts, generally for a given order or for a certain period of time, usually one year. Among those who undertake incidental jobs, we can very frequently find the auxiliary shop branches of agricultural cooperatives, and in recent times the number of artisan outworkers has been on the increase. But a low level of technical preparedness is characteristic of many of these basic industry units, and thus they are for the most part capable only of producing the most simple parts and performing the less complicated and means-intensive technological operations.

The main features of the system of supply contracts, or their practical realization, also have a substantial effect on the shortcomings of the cooperation relations. The lack of balance in the relations between the partners is very frequent, and the principle of "equal partner rights" is realized only in a limited way. In the relationship of supply and demand, generally those who offer services have the advantage, and are frequently in a monopoly situation. As a consequence of the undeveloped state of the basic industry and the narrow capacity of certain technological phases, those who use cooperation forms are frequently obliged to accept the conditions dictated by the suppliers. In the deadline and the pace of the deliveries that have been undertaken, in the quantity and quality characteristic of the task fulfillment, and in prices it is the supply side of the cooperation rather than demand which has the advantage for greater opportunities to choose among partners. The advantage of the suppliers is also expressed by the fact that in the case of a contract violation the customers frequently refrain--or are compelled to refrain--from implementing demands or sanctions provided for by statutory provisions.

Several features of the general managing environment also contributed to the worsening of problems related to the basic industries. All in all, the economic regulator system which has been in effect for the past decade proceeded from big enterprise conditions, and its requirements also spurred the small operations to appear directly on the market (through export incentive, the categorization of enterprises, and so forth). The finished product outlook was realized with great strength in production and was fostered over a long period of time by domestic consumer demands and socialist export possibilities. Finally, all these things stimulated the managing organs not toward work distribution and specialization but rather toward independent commodity production.

The Problems of International Work Distribution

The domestic problems of the basic industries lead us to the questions of international work distribution. There are, to be sure, approaches according to which the problems in this area basically--exclusively, as it were--are related to an autarkic character and to an inadequate participation in international work distribution. According to this approach, the key to the solution is latent in placing a significant part of the basic industry tasks outside the borders of the country (or in participating more intensively in the international trade in parts, components and semi-finished products.

The correctness of this viewpoint is supported in good part by international experiences. The statistical data for world trade, for example, shows that foreign trade in parts and components is growing more rapidly than that of finished products, which reflects the "internationalization" of basic industries. It is generally characteristic of the developed countries that with their dynamically increasing parts import they are at the same time considerably expanding the export of these products. In the 1970's, Hungary also approached the world trend in the import area--at least in respect to the development pace of parts and finished products as related to each other--but in export there is still a significant gap as compared to the more developed countries. The data for foreign trade with the capitalist countries best show the inadequate state of development of the domestic basic industries: given a relatively important degree of imports, the ratio of our exportable production, particularly among parts, has reached only a much lower level. (See Table 3)

Table 3

The Development of Foreign Trade in Parts and Semifinished Products in the 1970's

Designation	1979 trade in percentage of 1970	1970	1979
		trade in percentage of import or export by trade relation	
		Imports	
From socialist countries			
parts	366	6,1	7,9
semifinished products	212	16,6	13,2
From nonsocialist countries			
parts	539	5,0	10,1
semifinished products	269	33,4	33,2
		Exports	
To socialist countries			
parts	316	8,3	9,0
semifinished products	303	10,8	12,0
To nonsocialist countries			
parts	459	1,5	2,7
semifinished products	301	22,2	26,6

According to international experiences, the smaller countries can hold their own in the constantly sharpening world market competition if they develop their domestic manufacture by specializing in well-selected areas, and in relation therewith they seek to exploit the advantages (or the comparative advantages) latent in import by acquiring the specialized products (frequently parts and components) of other countries. In the following, I shall examine whether our participation thus far in international work distribution has meant, and to what degree, some easement of the problems of the domestic basic industries.

The expansion of international production cooperation in our country began in the second half of the 1960's, and an important upswing tool place in this area in the 1970's. The increase in cooperation projects was helped by the fact that the search by our enterprises for the way toward international cooperation met with similar attempts by the enterprises of socialist and capitalist countries.

As is well known, international cooperation among the socialist countries started to develop largely with central guidance in the 1960's. The loose system of this cooperation (specialization)--chiefly in the machine and chemical industries--did not in the beginning realize effectively enough the advantages of cooperation, but essentially formed the basis of the closer inter-enterprise relations that were to develop later. In the world economic environment of the 1970's, to be sure, more and more socialist countries (and enterprises) recognized the advantages and the necessity of permanent production cooperation projects.

Through international cooperation projects the capitalist enterprises are striving, above all, to gain new markets. In order to enter the Hungarian and therewith the CEMA markets on a broader scale, the capitalist firms have also sought for the possibilities of building cooperation relations. Frequently to dampen partially the effects of inflation and bridge their manpower problems, which are related mainly to high wage levels, they also regarded it as suitable to conduct production cooperation with the socialist countries.

The intentions of the Hungarian enterprises to enter on international production cooperation can be ascribed to various causes, incentives, or goals. In most of the enterprises, the questions of the basic industries also played a role in some form in the development of their international relations, although it appears that directly this was not the most decisive reason for establishing cooperation projects.

The directly most general driving force for developing cooperation projects with foreign enterprises can be indicated in enterprise efforts directed at increasing exports. This enterprise goal was in effect also a response to the expectations of the national economy, for one of the cardinal points of our economic policy in the past decade has been the dynamic development of export--particularly exports in nonruble trade. The variations of the economic regulators, as developed further, and the credit system always sought to give incentive to a more rapid growth of capitalist export and to the intensification of profitability.

From another aspect, the search for foreign ties is related to the emphasis on the requirement for developing a more profitable production and export structure. In order to develop the product structure more rapidly, an increasingly greater share of the enterprises set as their goal directly to gain and adopt foreign experience and results. The enterprises concerned saw the most effective way of doing this as developing direct relations among producers.

With the establishment of international cooperation projects, the enterprises regarded it as possible to develop more rapidly both their production technologies and the technical level of their products. In effect, the intention of the enterprises to increase through cooperation the mass nature of their production and to improve the level of productivity and organization belongs to this sphere of questions. All these goals, however, directed at taking over technical and organizational information form a system of means for intensifying export capability indirectly in the final analysis

There are two main types of international production cooperation projects depending on which of the participants is to manufacture the basic industry products. In one type, the domestic producers of final products enter into a cooperation relation with foreign partners to fill their parts and components needs; and in the other type the production cooperation is directed toward the manufacture of basic industry products at Hungarian enterprises. (In several transactions, both of the contractual parties supply parts and components, and in such cases one party supplies a certain type of finished goods and the other party another type.)

The enterprises which produce final products are most keenly aware of the difficulties deriving from the undeveloped state of the domestic basic industries in their limited export possibilities to capitalist countries and in their lag in respect to the products of competitive firms. Parts and components made by domestic producers which are not of adequate quality and/or are delivered after deadlines frequently end up in the frustration of promising business possibilities, or because of repeated foreign claims for shortcomings in the basic industry products, markets once regarded as permanent may be lost. In response to these factors, the attention of our producer enterprises is directed more and more to a search for foreign production type of arrangements. Plants which produce final products achieve this mostly in that they purchase from their capitalist partners, in the framework of cooperation agreements, the parts and components which determine the quality and technical performance of modern, competitive products manufactured on the basis of a license. Our enterprises are frequently also compelled to do this because in their intention to sell on capitalist markets the buyers insist on final product equipped with parts and main components of capitalist firms that have the greatest reputation.

The machine industry enterprises participate in relatively significant numbers in cooperation projects where the domestic enterprise, sometimes on the basis of adopting manufacturing procedures and accompanying producer equipment, manufactures parts and components that are to be built into the final product made by the foreign partner.

The two types of international cooperation based on the distribution of the production of basic industry products are characteristically linked to the relational distribution of the cooperation. Those cooperation forms where the Hungarian enterprises manufacture the basic industry products that are built into the final product by the foreign partner are characteristic of cooperation projects with socialist countries. In transactions arranged with capitalist firms, on the other hand, emphasis is placed on those cooperation projects in which our enterprises perform chiefly fitting activities by using the parts and components that have been purchased abroad. The use of basic industry products manufactured by Hungarian enterprises for the final products of capitalist firms is relatively small:

such cooperation production by machine industry enterprises makes up less than one-third of these relations.

It is characteristic of a great share of the international cooperation relations extending to basic industry products, particularly of the two types already discussed, that the advantages deriving in practice from work distribution ease only the direct problems of a given enterprise (or some of them), and they contribute only rarely to the general development or stimulation of the domestic basic industries. With this form of international production work distribution, mainly the second of the two types mentioned, we should in principle arrive at such an extent of development results as would make it possible both to meet domestic needs and to exploit export possibilities to the maximum. In this way, such specialization processes could also take place among basic industry products as a result of which the additional foreign exchange revenue attainable with the large serial manufacture and the export of certain products would assure the foreign exchange cover for the increasing import of other products and parts.

In the international cooperation of enterprises dealing with the manufacture of basic industry products, there are only few cases in evidence where cooperation production would fulfill both domestic demands and assure an export commodity base. It is characteristic in socialist relations that the fulfillment of international obligations determines the whole cooperation. However, if the parts and products in the framework of a cooperation project are of such a technical level that they can also be placed on capitalist markets, the enterprises also seed to exploit this opportunity.

The data on cooperation production and export by machine industry enterprises point clearly to the existence of the above-mentioned problem. The cooperation production of machine industry enterprises expanded dynamically in the 1970's: the ratio of products manufactured in cooperation as compared to total sub-branch production rose from 0.5 percent in 1970 to 7.1 percent in 1979. Within cooperation production, the manufacture of parts and components also rose more rapidly than average. But only a very small share of the products and parts manufactured on the basis of cooperation contracts as for the further use of domestic enterprises; the interested enterprises supplied by far the most of these abroad, primarily to socialist countries.

Table 4

International Cooperation Production and Export
of Machine Industry Enterprises in 1979

Designation	Production		Export	
	million forints	in percentage of 1975	million forints	in percentage of 1975
Parts, components	8255	283	7749	310
Final products	4826	239	4190	240
Total	13081	265	11939	281

The contract work cooperation projects of the light industry have characteristic features from the viewpoint of the relation to the basic industry products of international work distribution. In these transactions, the basic industry problems do not appear independently as the causes that evoke or promote cooperation projects. Contracts for the manufacture of finished goods (ready made clothing, shoes) also generally include provisions that in addition to the basic materials delivered for processing work, the partner enterprises will also provide the Hungarian factories with various accessory materials (linings, buttons, buckles, and so forth) and with other subsidiary materials (glue, chemicals, and so forth). These basic industry-type products frequently make up 10 to 20 percent, or even more, of the value of the total materials received from abroad.

From the viewpoint of basic industry products the contractual relations assure essentially a comfortable position for the participating Hungarian enterprises in that these arrangements release them from some of the problems related to the purchase of many different kinds of small items in appropriate range of selection and quality. Looking at the problem from another aspect, we can observe in this sub-branch as well indications that the partner enterprises, as well as other capitalis buyers, cling to the use of accessory and subsidiary materials from the capitalist markets which better meet the demands of style and are a good quality.

Despite the significant development of the past decade, our enterprises are still not exploiting by far the possibilities of international production cooperation. We need additional efforts in the future to increase the scope of production cooperation and its importance. In this connection, however, the question rises of how to judge the increasing capitalist imports. For the sake of our economic development and our foreign trade equilibrium situation, we cannot make it our primary goal to reduce imports from capitalist countries to as low a level as possible (which appears as an important point of view and a general national economic expectation after the signing of most cooperation transactions and in most enterprise relations). It is a more important task that along with the increasing imports that accompany cooperation projects we reach a still higher grade of development in the field of exports, at least at the national economic level. That is, we must assure adequate additional export from the expanding production cooperation along with a rapid increase of volume in total trade. Efforts directed at trying to find substitutes for imports also cause problems in various respects since:

--on one hand, the capitalist buyers, as I have already mentioned, frequently set as a condition for our increased exports the inclusion into the final product which we are to deliver the parts and components of reliable quality manufactured by capitalist firms;
--on the other hand, if we do not have a domestic (or an appropriate supply source from socialist trade relations) basic industry, we have nothing with which to replace capitalist imports;
--finally, even if we can find a domestic or socialist manufacturer, or if the domestic basic industry can be developed, the price problems still cause difficulties; good quality parts and components produced domestically are much more expensive than dollar-account imports; and in socialist trade such parts can be obtained, to an increasing degree, only in return for hard currency.

The easement or the solution of our basic industries' problems is a manifold task. In the interest of more efficient development and a more rapid pace of modernization of the production and export structure, we need to devote attention in this field to the following:

--In the practical implementation of a selective industrial development policy, the coordination of a given area designated for development (manufacturing branch, product family) and certain verticals is of particular importance. A technical lag in basic industry products or their slow adaptation will qualitatively hold back the manufacture of products that are otherwise modern. The difficulties of domestic manufacture, if they are unprofitable, should cause us to devote greater attention to discovering the necessary import background and assure the possibilities for imports.
--Also in the case of final product development and structural modification started at the initiative of an enterprise, it is necessary to have better coordination: on one hand, it is indispensable to consider the more important possibilities of outworker cooperation partners (if necessary, their more intensive support); and on the other hand, the outworkers themselves should follow with greater attention, and participate in, the ideas of the "mother enterprises."
--We must strive for further substantial progress in the field of international work distribution. With the development of the technical level of production, we should also emphasize the intensification of the exportability of basic-industry type products and activities (for example, we need to realize these views fully in implementing the development of the electronic parts manufacturing industry, which has been raised to the level of a special program).
--In respect to the more general type of basic industry products (machine building elements, binding elements, electrical fittings, metallurgical materials, and so forth) the stockpiling enterprises should fulfill more efficiently the supply role which was originally assigned to them. (To be sure, the material and parts supply by small and medium-size plants is, because of their small nature, worse than that of large enterprises.)
--In the implementation of legally provided for sanctions in the contractual relations of enterprises, we should seek a stricter observance of the contracts and a generally more even pace of deliveries.
--With the expansion of the network of small and medium-size plants we should strengthen the scope of base enterprises in the basic industries through more efficient development. (This does not exclude the possibility that we can promote also at the big enterprises, by the use of economic regulators, the development and strengthing of an interest in certain basic industry activities.)
--We should devote greater attention to the production of basic industry products, the coordination of certain activities, a more concentrated survey of free capacities and their reclamation, and the promotion of the extension of new-type cooperation forms (associations) among enterprises.

Proceeding from the complexity of the subject area under study, and the present situation, we cannot leave out of account the fact that the success of every indiviual measure depends on the actual development of supply and demand, and on the situation of the customers and the suppliers.

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HIGH EFFICIENCY OF LABOR AND FULL EMPLOYMENT SHOULD CO-EXIST

Budapest MUNKAUGYI SZEMLE in Hungarian No I-II, Supplement pp 19-23

[Article by Laszlo Pongracz, candidate in economics and department head in the Ministry of Labor: "The Conditions for Full and Efficient Employment"]

[Text] In harmony with the economic-political goals of the Sixth Five-Year Plan, there are two requirements in the employment policy. While maintaining full employment, we must raise the efficiency of employment to a substantially higher level than heretofore. In fact, these are not new requirements. No matter how far we look back in the history of the building of socialism, it was always a basic goal of ours to realize and maintain full employment. The intensification of work productivity or the even more complex goal of improving work productivity has always belonged among the most important elements of medium or short-term plans, or even of the more complex goal of improving work efficiency.

The question rightfully rises why recently we have emphasized these requirements even when we are actually thinking of demands that were conceived a long time ago. This is not because up to this very time we have not succeeded in meeting these requirements or in attaining any progress toward their fulfillment. It is well known that we succeeded in realizing full employment a long time ago in the sense that everyone looking for work and desiring work was able to obtain employment, that is, the right to work became a reality. If we review the development of the past decades, we can see that we have also achieved considerable progress in increasing employment efficiency.

Our emphasis on these two requirements is related to the fact that, as is well known, the conditions of our economic growth have changed and world market requirements have become intensified. Therefore, we need more than ever before to work efficiently. Without doing this, we cannot master those difficulties which have come about because of the changed conditions of our economic development. We can achieve a dynamic growth in efficiency only by improving the equilibrium situation of the economy, and above all this calls for the more efficient use of manpower and of employment, the most important producer resource.

Full employment has been realized to the extent that we can provide work for everyone. But we have not arrived at fully using the manpower available to us in the sense of having adequately developed the capabilities of people. Thus in a certain sense, full employment also means a more efficient employment that heretofore.

An accompaniment of a dynamic increase in efficiency is that we should produce the same volume of goods with the use of less live labor than previously. In the present phase of our development, the possibilities are more moderate for increasing the volume of production because of many well-known reasons. Therefore, the manpower being realized through more efficient employment can only partly be used in such a way that we will increase the volume of created products. We must create appropriate conditions for the use of live labor sources in greater ratio than up to now and through the improvement of quality factors.

It is not accidental that the question has risen in the public mind as well as among economic experts whether the conditions are assured for efficient employment of the manpower being released, whether we can maintain full employment in the earlier sense, or whether we must reckon with the fact that for the time being a part of the manpower available to us must remain unused.

Despite the more moderate industrial production growth in the Sixth Five-Year Plan period, we must see to it that the increase in work productivity does not decelerate considerably. This inevitably means that in respect to the ratios in industry, more personnel will be released than up to now. On the other hand, the development of transportation and communications, trade and the health and cultural branches as well as other nonproducer areas requires additional manpower. Over the medium-term plan period, our available manpower will decline primarily for demographic reasons. In addition to a decline of 50,000 persons in the working age population, we have to count on the fact that the number of pensioners who will continue working after entitlement will decline. Although the number of workers returning from childcare leave exceeds by about 30,000 the number of those newly taking advantage of gyes [childcare benefits], we must in the end count on the fact that the number of active wage earners will be about 30,000 to 35,000 less than in the Fifth Five-Year Plan. From all this it can be established with certainty that even with substantially more efficient employment of the workers in the producer branches, the overall equilibrium will be assured, manpower demand and manpower supply will be in harmoney with each other in the country. Even in the case of an important efficiency increase, our concern should be that the manpower demand will exceed the supply, and not vice versa.

Even with the overall equilibrium, it cannot be excluded that there may be placement difficulties in certain areas while in others manpower shortages will persist.

It is well known that in the various geographical areas of the country, considerable variances in the manpower situation are evident. In the strongly industrialized regions, factors and signs indicating a manpower shortage are more fully in evidence than in the less industrialized, primarily agricultural megyes. In recent years, symptoms of an excess demand have been characteristic even though more moderately than before. In industrial, construction industrial, and agricultural activity, the increase in efficiency has been taking place amid great differentiation. In certain areas we can count on the release of relatively more manpower and in others less. The increasing manpower demand of the tertiary sphere is also uneven in various areas of the country. Therefore, it may occur that manpower demands will not appear in large numbers where the ratio of released manpower is the greatest. While excess demand will continue in most areas of the country, in other areas oversupply may also occur.

The manpower needs of the various occupations and trades is also changing in a differentiated way. Therefore, even in those areas where an overall equilibrium has been established or the amount of the manpower requirement exceeds the manpower supply, it may happen that surpluses will arise in certain trades and occupations, while in others shortages will continue. For this reason the structure of the manpower demands will vary from the trade composition of the cover. Either area differences or structural incongruence may bring about situations in which, if we do not act appropriately, temporary placement difficulties may occur. The solution of the tensions and the area and structural harmonization of the cover calls for a substantially more active employment policy and a more circumspect manpower management than heretofore. Thus the conditions for the simultaneous realization of full and efficient employment are not given, but they can be created if all those organizations which have a role therein attend to the tasks which have developed on them.

It is not permissible to wait until the problems appear and only then begin to deal with the methods for their solution when actual problems have emerged. To be sure, in this case we can find the solution only with delay, for the ncessary measures require time. We must anticipate the expected tensions, take care that they do not develop, and see to it that the appropriate method is available at the moment of need for the solution of every problem that can be foreseen.

Before discussing in detail the conditions for meeting the two requirements, I regard it as necessary to set forth several basic principles.

The primary task of the economic organizations--enterprises and cooperatives, and institutions which deal with special tasks in social work distribution--is the increase of employment efficiency, and only occasionally can they have a role in assuring full employment. They cooperate and participate in the creation of those conditions which serve the realization of the latter, but it cannot be expected directly that enterprises should ignore the efficiency requirement and create work opportunities and establish work places to solve placement problems.

As a task, the creation of the conditions of full employment falls on the entire society, but obviously the intensification of efficiency also belongs among social tasks. This is not, however, an adequalty clear formulation. When we say that it is an overall social task, we are actually indicating that it is a state and government task, that is, the creation of conditions which assure full employment is not the task of the economic organizations but of the functional sub-branch and area organizations.

Another essential principle is the following: We cannot regard the realization and maintenance of full employment as exclusively the task of employment policy. The creation of work opportunities and the establishment of new work places is related with development policy, with investment activity, and through this with credit policy, area development, and so forth. Nor can the condition system of a full employment policy do without the collaboration of the enterprises. In reviewing all these things, we arrive at seeing that efforts to [at] create[ing] full employment conditions must be implemented in the economic policy as a whole. And this requires close cooperation among the organs that carry out various functions of economic management.

In implementing their personnel reduction ideas, the enterprises and institutions must reckon, beginning in 1981, with conditions different from those of last year. A great part of the personnel reduction in 1980 in industry and the construction industry was carried out by not hiring replacements for workers who left for various reasons, or by replacing only in part those who went on pension or on child-care leave. In 1980, the placement conditions for those who changed their place of work at enterprise initiative were different from what they will be in 1981 and in the following years. The economic organizations and the institutions were still struggling with manpower shortages over a broad scale, and therefore it was relatively easy to find a place of work where there was no[t] need for supplementing earlier training, for retraining or continuation training, or for learning a new trade. It also did not occur often that the dismissed worker would have to take a job farther from his home, or in another settlement.

The conditions will change considerably this year and in the following years. In all likelihood, the enterprises cannot refrain from replacing workers who depart for demographic reasons or at individual initiative, for after a certain period of time the possibilities for replacing the departed workers through internal regrouping become limited. It derives from this, however, that when an enterprise is constrained to carry out a reduction in force in response to the economic environment or economic regulators, only a small ratio of the necessary reduction can be carried out with the methods used in earlier practice. Thus there will be greater need for the employer agency at its own initiative to terminate the work relation. But a reduction in force carried out by such a method calls for a basically different enterprise behavior and preparation than heretofore. It becomes necessary for the enterprise to release and make dispensable the force to be reduced through conscious organizational measures.

When the worker leaves at his own initiative, he almost always knows where he wants a job and whether they will hire him at the place he wants. Following the termination of the work relation for retirement or military service, the individual has no placement problems. If informed too late of the intent to quit, the enterprise may suffer inconveniences or difficulties. But it is not important to the individual how much of a notice he gives prior to his departure.

In cases where the enterprise initiates a change of work place, it is not a matter of indifference to the individual when he is informed of the decision, and all those organizations which have tasks to carry out in the planned transfer of manpower also have an important interest in being informed in adequate time for the placement of workers with the help of the former employer or the placement of those who are not able to find jobs for themselves.

Presumably, the economic regulators impel the enterprises more strongly toward increasing their work efficiency and, in relation thereto, in freeing themselves from surplus personnel. Therefore, it can also be rightfully assumed that reductions in force occur more often than formerly even apart from the above discussed reasons.

As I have already indicated, the manpower hiring capability and readiness of economic organizations was still significant. In all likelihood, this readiness will not decrease considerably, but problems deriving from the difference between the structure of manpower demand and supply will arise more often and more sharply than before. Therefore, I can state with certainty that the compulsion toward retraining and continuation training is being strengthened.

Considering all these things, it is advisable to start as soon as possible with activity designed to discover manpower surpluses, to reduce the [personnel] force, and to program transfers.

The enterprises must also reckon with the fact that new [drawing] effects are appearing in the economy. While the compulsion toward reducing surpluses is growing, they must also reckon with the fact that the differentiation possibilities in wage and earnings increases is creating significant shifts in personal incomes that can be gained in the various economic units. The drawing power of greater incomes can also prompt a change of work place in the case of workers about whom there was formerly no concern, and whose stability is regarded as very important by the enterprise.

In the area of physical and nonphysical work alike, it may happen that some of the most skilled workers will be attracted by the dynamically developing small producer and auxiliary activity which, although at greater risk, will make it possible to gain greater income than has been formerly the case with the large state and cooperative operations.

One of the essential conditions of efficient employment is that appropriately skilled workers should be available for carrying out the tasks. Taking these prospects into account, greater attention then heretofore must be devoted to see that the skilled workers in key posts should find their expectations met at their present place of work and receive appropriate material and moral rewards, for without these things their retention and stability cannot be assured. From another point of view one must also reckon with the fact that workers leave jobs in this area as well and therefore well-founded thinking should be applied to assuring proper recruitment conditions and seeing that departures from this area do not cause bottlenecks in the activity of the economic organization or the institution.

The development of small producer and auxiliary activity and of consumer services plays a role not only from the viewpoint of employment efficiency but can also promote the rational employment of manpower being released in other areas. Even if, as measured by the standards we use, it does not appear as economic and profitable as that of many large enterprises, the expansion of this activity at the economic level can contribute to increasing the efficiency of economic work and meeting such population needs as were formerly left uncared for because of the lack of small economic organizations which could adjust flexibly to demands. It must also be considered that sharper competition will develop for manpower that is qualified to do efficient work.

To increase employment efficiency, it is necessary to have changes in the outlook of managers and in their attitude toward manpower questions. But a modification of incentive is indispensable for the changes. I would like to emphasize that I am not thinking only of material incentive but of moral as well. I do not regard it as right to demand of the managers an attitude that is at odds with their personal and material interests. A manager cannot really be blamed for not carrying out actions appropriate to certain national economic interests if it would harm him from the viewpoint of his personal and material interests. This does not mean, however, that we should absolve managers from responsibility for realizing national economic interest when the necessary steps would not have brought them into a disadvantageous material situation, and spectacular material advantages would not have resulted either. The well-prepared manager must know what economic rationality requires and when. If he knows this and still does not act because, as they say, it is not

in his interest, or to put it more exactly it is not accompanied by material advantages for himself, he must be condemned. Every single act cannot be assisted toward implementation by separate instances of material incentive. In such cases, the carrying out of the justified measures must be regarded as a moral requirement. I repeat, all this is true if one is not required to act against his own material interests.

It is frequently charged nowadays that personnel surpluses are not reduced because the manager or the collective does not have an interest in carrying it out. In such cases, what is actually being said? Simply this: At enterprises where they use the wage-bill control system, wages saved from personnel reduction can be used to raise the wages of those remaining only to a certain extent in the given year and without payment effected from the share fund. In making exceptions, two objections have emerged:

It is said that a change in the personnel composition removes a part of the amount that can be used for raising the wage level, and therefore only a part of the possible 3 percent rise in the wage level can be used for actual wage increases. In such cases, it can be said, but it should also be verified, that the material incentive is not strong enough for implementing the measure, but in no way can it be maintained that in the mentioned case a reduction in force is at odds with the interests of the manager or the collective, because it is possible to grant a greater wage increase than would have been the case without the measure.

The other objection takes exception to the fact that above 3 percent the wages that were saved can be used only in the following year for wage increases, or if the enterprise wishes to use it in the given year, it must make payments from the share fund according to a progressive index. In this connection I shall mention two matters:

-The unused wage savings and the wage charge that pertains thereto comes out as a profit. A tax must be paid on this, and only a part remains at the enterprise, but according to the general rules it can also be used to form a share fund. It is true that in such cases only a relatively small portion of the saved wages appears as personal income, but in any case it represents a surplus. In this case, too, the assertion is without foundation that a reduction in force of more than 3 percent is at odds with enterprise interest, if otherwise it represents the dismissal of actually surplus personnel.

-In the following year, the saved wages can again be used up to 3 percent for a wage raise, and thus the enterprise is not in a disadvantageous situation as consequence of a rational measure.

I have discussed all this because I wanted to call attention to the fact that economic regulation, including wage regulation, will never be able to give incentive, case by case, to the fulfillment of every task the manager is accountable for. There will always be need to supplement it by such managerial decisions as are justified purely by economic rationality and to which no direct material advantage is linked or which appears transposed somewhere else, and not in the personal income of the manager or in wage increase possibilities.

The following also pertains to this outlook: It is frequently said that the reduction in force of those paid low wages puts the enterprise in a disadvantegeous position because it evokes a technical wage-level increase. This is true. Interestingly, however, they never bring it up that the exchange which takes place with the departure of pensioners and the entry of those starting their careers brings about a technical wage level reduction. But everyone is well aware that the wage level of those going on pension is substantially higher than that of those starting out. This question is of particular importance now when the number of those going on pension is higher than the number of those going to work for the first time. This exchange results nationally every year in a more than 1 percent wage level reduction. I can hear the objection: "This is, generally speaking, true, but people do not leave on pension from all enterprises, at least not every year, and it is not true in every case that the balance in this exchange is considerable." The objection is justified because in fact there may be significant differences among the enterprises from this point of view. By raising the matter of the interrelationship, it was merely my purpose to point out that it would be worth while to look at this when the enterprises are expending energy to demonstrate a technical wage-level increase which derives from a change in personnel composition. I am certain that at most of the enterprises with several thousand workers, and at all of them with more than 10,000 workers the effect of this two-way process evens itself out, and therefore it is not worthwhile to seek an excuse for neglecting rational personnel management in a composition change.

The combined realization of full and efficient employment requires a substantially better established organization and a planned management of human work. If there is no guide to the management of manpower and if manpower management is shaped by the ideas that are conceived to solve problems as they may arise, we cannot count on fulfilling both requirements. Consciousness and planning are indispensable conditions for their fulfillment.

Manpower seeking for jobs amid conditions of reduction in employment and more moderate manpower demand will find its place in a short time only with adequate information regarding the kind of workers that are needed, and where and when. The employers, too, have an interest in receiving support to meet their manpower needs. Therefore, we had to make the system of mediating manpower suitable to making adequate information available to both the employers and the employees regarding jobs or the search for manpower. As is known, the organs for providing this service are operating in the council organization. But they can perform their tasks well only if they are informed in adequate time of the employers' hiring intentions, or more exactly of their thinking on reduction in force and hiring. These organs must know what composition of manpower will be released and when and where, and similar information is needed about the employers' manpower demands. This information service can, to a large extent, promote the mobility of manpower, and its flow in a direction appropriate to the interests of the economy, provided those concerned make the necessary information available.

But the economic organizations and the institutions can make such information available only if, by relying on production policy ideas, they are in the possession of a detailed manpower requirement plan, if they clearly perceive what ratio of the manpower they have obligated is indispensable, and if they have an appropriate plan as to how and at what pace to carry out the reduction of superfluous personnel.

If information based on enterprise plans reaches the appropriate area and labor-administrative organs in time, programs can be started which are suitable to reduce the time between [the] reduction and [the] rehiring and to assure that everyone will find the most appropriate work area, thereby moderating the divergence between the work place structure and the trade structure. Full employment requires a broader and more goal-oriented retraining and continuation practice than heretofore. It would be well to put an end to the transmittal of superfluous and in practice unusable information aimed at retraining and continuation training forms. Greater attention should be devoted to returning those with specialized skills who are presently working in areas outside their specialities to their own line of work; moreover, retraining and continuation training should be made available only when the trade composition and the manpower flow varies from the structure of the demands, and even in such cases the training should be directed at bridging the difference between the two, at providing such information to the interested parties as is necessary for better performance or for filling job areas different from the earlier one.

The appropriate administrative organs of the councils must also play a role in solving placement problems deriving from structural incongruence. Adequate continuation training possibilities must be provided those economic units which are themselves unable to take care of their retraining and continuation training tasks. Training forms suitable to meeting demands must be organized, and thus in a certain respect tasks at variance with practice up to now must be carried out. I emphasize that the enterprise which needs manpower and will subsequently do the employing must bear the material costs deriving from retraining and continuation training. It would appear advisable for the council organs to provide advance cover for the costs related to training at least until the receiving enterprise will be capable of bearing the costs itself, and the cover will be provided.

As I have indicated in the foregoing, we can count, in harmony with our economic political goals, on several such processes as will expand manpower demand. In addition to the supplementary activities of large agricultural operations, the increasing manpower demand which has arisen with the establishment of small enterprises and small cooperatives is also important from the viewpoint of employment policy, but these also seem suitable for the efficient employment of manpower that is being released, for the organized use of work in the workers' free time, and for the establishment of economic work teams as well as cooperative and enterprise trade groups. We can also count on the continuation of the process begun last year as a consequence of which the number of employees increased in the small industry, retail and private sector.

The placement of manpower being released in industry and the construction industry is also promoted by the fact that the manpower supply is being moderated in certain classes of the population. As a consequence of limiting employment of pensioners on manual labor jobs and the moderation of incentives for working after retirement, it has become possible to hire people of working age to do the tasks formerly performed by pensioners.

Despite the above-named processes and effects, temporary placement problems may arise in certain [limited] areas which can be solved only by creating new work opportunities in a given area and establishing new work places in greater number than could be manned by available manpower sources. When placement problems appear, we must carefully weigh whether these are temporary or permanent and whether the new economic unit for creating new job opportunities will also have available

manpower over the long run. It is [probably] advisable that we should use only such employment forms as will permit [the] manpower, in case of need, to leave for other, more efficient areas, or if the new facility must be closed for lack of manpower, this will not be accompanied by significant material loss.

In case of a dynamic growth of efficiency, more manpower than assumed may be released, but this may also come about if there is only the possibility for slower development than the moderate economic growth called for in the plan. Warding off the problems deriving therefrom requires in any event additional outlays and material means. It may become necessary to transfer some of the manpower to another area, and to carry out the consequences thereof in housing construction.

As compared to earlier years, we must also reckon with the following change: While in certain areas, perhaps in most areas, excess demand will continue, there will be an excess supply in some, primarily agricultural areas. This can cause placement problems chiefly in categories that are more difficult to mobilize. In such cases, we must be prepared to make concessions in temporary and limited areas of efficiency requirement and by the use of rebates and supports make the employers amenable to employing those who otherwise cannot find a job. In a limited area, we must also count on granting social assistance to those who are without work.

In conclusion, I would like to emphasize that a system of unemployment assistance does not square with full employment requirements. Therefore, in no way do we want to overcome the tensions that may arise by means of unemployment assistance. Amid our economic problems, we cannot give up the activities of people who are capable of efficient work and who want to work. But the narrowly interpreted labor and employment policy means and methods are not adequate to this end. In maintaining full employment and in creating the necessary conditions thereto, our entire economic policy must collaborate, including the enterprises cooperating in the realization of economic policy and which can contribute to the creation of the necessary material conditions precisely by increasing employment efficiency.

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MACHINE TOOL EXPORTS, DOMESTIC PROBLEMS VIEWED

Budapest HETI VILAGGAZDASAG in Hungarian 26 Sep 81 pp 34, 36

[Article by Gyorgy Heimer: "Machine Tool Export: A Market Waiting To Be Worked On"]

[Text] "We have moved out of the side streets into Kartnerstrasse." This is how one of the managers of the industry branch characterized the transformation of the Hungarian machine tool export trade. But a more modern product structure is only one side of the coin; there is still a considerable gap between the level of our machine tool products and the production technique.

International and Hungarian machine-tool trade is humming feverishly these days. Representatives of the metal processing trade held meetings with their customers in Hanover between September 15 and 24. This is also the site for the 4th European World Machine Tool Exposition, the EMO. Surpassing all records thus far, 33 countries and 1,800 firms are offering for sale at the large technical exhibit the most varied kinds of automated machines suitable for the most part for drilling, cutting, grinding and shaving tasks.

Together with its industrial partners, the Technoimpex Hungarian Machine Tool Foreign Trade Enterprise is exhibiting its buyer-enticing products in an area of 545 square meters, larger than ever before. In addition to the well-accepted export products of SZIM (Machine Tool Industry Works), CSMSZG (Caspel Machine Tool Industry Works), and DIGEP (Diosgyor Machine Tool Factory) and various kinds of automated machine tools and processing centers, the basic-industry Danuvia hydraulic elements and the computer automated machine tools of the Factory for Electronic Measuring Instruments (EMG) or the Electronic Automation Institute will also be shown.

The undoubtedly spectacular Technoimpex-spectrum shown to the visitors at Hanover obviously does not desire to reflect that the Hungarian machine tool industry is far from fulfilling the strategic role that behooves it. This is how Andras Roth put it in the columns of MUSZAKI ELET: The product structure of the sub-branch is, to be sure, modern, but hardly will its products which emobdy the higher technological level arrive on the domestic market. Nevertheless, in accordance with the expectations for urging capitalist exports as conceived in the economic plan, the Hungarian foreign trade in machine tools wishes to double in the present plan period its nonruble account sales: Between 1981 and 1985 it wants to sell 500 million dollars' worth of machine tools on Western markets--and moreover in the West European and overseas countries with the most developed machine tool technology.

Will the highly ambitious export plan succeed? With its annual production value of about 2 billion forints, the Hungarian machine tool industry has about 1 percent of the world's machine tool manufacture. The lion's share of domestic production belongs to SZIM and CSMSZG, and a smaller share to DIGEP. Of the 1,200 and 1,300 basic types which exist in the world, these enterprises manufacture about 130 types, chiefly drilling, cutting, grinding and lathe machines as well as processing centers, of which the experts say that the types are too few from the viewpoint of domestic supply and far too many from the viewpoint of a profitable serial magnitude. Because of the limited domestic market, 80 percent of the production has for long been going abroad, and the fact is that between 1970 and 1980 total exports doubled and nonruble exports quadrupled.

But now--if such expressions as "the transformation of the product and production structure" or "the renovation of the foreign marketing organization" have not become worn-out slogans--these have [now] become a burning reality for every phase of the reproduction of machine tools from research development through new product-management oriented organization of production to customer service following the sale. What we are talking about is simply this: The market is forcing a transformation of the machine tool industry.

The explanation begins somewhere in the 1960's or the 1970's when electronics invaded metal processing. In its wake, the construction principles and the marketing methods were transformed. Since the advance of the digital control (NC) and the computer (CNC) technique which memorizes the program for the processing procedure, the machines not only save manpower, are not only becoming more productive and more precise but also require better quality in the machine-building magnitudes, basic industry elements, more disciplined assembling, and a deepening of trade knowledge.

And we cannot bide by the old methods in trade either. Formerly, in the time of the trestle lathes it was possible to conduct exports without difficulty by merely sitting in an office in Pest; all the contractor needed to do[w] was send out a prospectus on three or four of the most important parameters of the machine, with a price index and the supply deadlines; if the buyer confirmed these, the transaction was arranged. But it does not go like that anymore. In the era of processing centers which perform various kinds of drilling and cutting in one operation, the seller provides not only a machine but technology. To do this, one must have a thorough familiarity with the consumer's requirements, and since we are speaking of machines of high value, the buyer--beyond the usual buying-selling process--demands fast customer service in addition to various references, trial operations, warranties, and guarantees.

The Hungarian machine tool industry and foreign trade has been able more or less to keep up with the requirements dictated by the world market. The ratio of the NC and CNC machines in export in 1970 was about 20 percent, nowadays it has risen to 45 percent, while by the end of the plan period the ratio will be fully reversed: The progressive or the so-called "low-cost" machines in their proximity are counting on an 80 percent share. "We have moved out of the side streets into Kartnerstrasse" is how Matyas Jakab, the managing director of SZIM, speaks of the transformation. But to get the demanding buyers to enter--he adds--we must fill our salons with ever new portraits like those of the competition because a shining store filled with junk is of interest to no one."

Successful international cooperation projects in the 1970's played an important role in "our parade on main street" and in the fact that our dollar account machine exports rose from 5 million dollars in 1975 to 15 million dollars in 1981. The Hungarian machine tool industry recognized in time that it can close the gap with the front line only if it can develop collaboration through license and know-how purchases from Western machine tool manufacturers of good repute. Under the sign of this commercial policy, SZIM established cooperation relations with the FRG Gildemeister, and CSSZMG with the Austrian Heid firm for the joint manufacture of NC lathes. But a great advance was also made with the signing of recently of a license agreement with the Japanese Yashuda firm. On the basis of this agreement, the Csepel factory will undertake the serial manufacture of the high-precision Yashda YBM-90 NCN processing centers, on the joint development of which the interested parties agreed.

It is hardly necessary to detail at length the beneficial effect of the cooperation projects. The product level of the factories concerned improved by leaps and bounds, the manufacturing techniques eased the otherwise terribly difficult work of market introduction, and made marketing more secure, because the partner firms repurchase a part of the production. Last but not least, it gives us prestige in the eyes of buyers even when products other than those involved in the cooperation are being discussed. All these advantages can be pointed out numerically. In the framework of the cooperation with Gildemeister, for example, we delivered in the past 3 years more than 25 million marks' worth of CNC automated EEN-400 type lathes.

The new outlook stimulated by the modern machines has also penetrated into marketing organization for machine-too foreign trade. Since the sales chain was lengthened with the emphasis on the progressive machine as described above, Technoimpex has no other choice: It must build "points of support" in the heart of the market itself if it wants to remain competitive with famous competition. In the machine industry offices they already refer as a kind of model to the Berma mixed enterprise, in which there is a Hungarian interest and which operates in the FRG. (The Berma apparatus with a force of forty workers is actively engaged in preparation of technical-commercial conditions of businesses, starting up oepration, service, parts supply and continuous links with the customers.) It is due to a marketing organization that breathes, as it were, together with the market that Technoimpex was able to sell on the highly demanding FRG market almost a hundred NC machines between 1975 and 1980, among others to large enterprises like Krupp and Thyssen. The development of a new-type market organization, however, is not an inexpensive game but requires significant outlays both financially and from the viewpoint of the training of specialized personnel. Despite this, Technoimpex has already established Technoital in Italy, the Crotec firm in Mexico, and it would like to implement similar plans in a number of other West European countries and in the United States.

It is a painful fact that despite the international cooperation projects and the large-scale reconstructions, our machine tool manufacturers were unable to follow the renovations in the product structure, and in fact as a consequence of their losses, some of them had to reorganize, and unfortunately this could not even be concealed by the spectacular rise of exports to the capitalist countries. In industrial circles they ascribed the difficulties to a hard to understand, contradictory situation--namely, that economic results did not follow technical development--and to various proceses that were going on at the same time. Among the causes they mentioned chiefly an inflexible, frequently less than understanding leadership, the unforgivable neglect of stricter technological rules, and the lack of interest of the delivery enterprises in the quality rise. It was also a serious blow that about 1,500 workers turned

their backs on the machine tool industry exactly when the new manufacturing technique was being introduced. The unfortunate situation was also made worse by the fact that with the manufacture of the NC machines an entirely new, unknown electronic technique entered the machine tool industry. It is characteristic of the Hungarian machine industy's extreme achievement that the developers of the sub-branch with the engineers of Villati and EMG developed automations that in respect to parameters were within a year or two at the world level. The quality of the serial products, however, still does not match the requirements of the demanding capitalist market.

But good quality and a product range that meets buyer demands are a basic requirement, for in addition to the FRG, Italian, French, Swiss, and Austrian markets, Technoimpex chose for the Hungarian machine tools no less a market than the United States. This year the goal is an export in the value of 4 million dollars to the United States; included in the exports are the "low-cost" CNC lathes, the large-scale processing centers, CNC cutting machines, and cog-wheel grinders. If we are successful in "Americanizing" the Hungarian machine tools or meeting the standard there, the trade can be increased further, above all among the manufacturers of equipment for oil production.

All in all,[the] Technoimpex is planning to sell by 1985 no less than a thousand machine tools in the developed capitalist countries. It wishes to find its buyers first of all among the large West European enterprises, because they are the only ones who have a need in large numbers for high-value NC machines and for processing centers; Techoimpex itself does not have enough wind to pursue customers in a scattered market. To realize this market program, industry and foreign trade must work together as smoothly as those processing centers which they intend for the use of buyers who are used to perfection.

6691
CSO: 2500/24

POSITION OF ADVERSELY ENDOWED TSZ'S CLARIFIED

Budapest SZABAD FOLD in Hungarian 13 Sep 81 p 3

[Summary] Many misunderstandings prevail in regard to TSZs [agricultural cooperatives] operating under unfavorable natural circumstances. Included among these is the idea that they are being "kept" at the expense of other sectors of the economy. In Hungary such TSZs number 385, operating on 2 million hectares and employing 130,000 persons. Much is and has been done to assist them because their output is indispensible for helping to meet national demand in general and export commitments in particular.

What should be made clear is that the national budget treats agriculture as a closed entity. This means that when the weak TSZs receive more in the way of support, the budget deducts this from the allowance of prosperous TSZs. Subsidies for weak TSZs amount to 1.5 billion forints annually.

The weak TSZs can surmount their financial difficulties most readily through engaging in supplementary activity. The income they derive from this can be used to buy tractors or other equipment. This leads to a second misunderstanding, namely that such agriculture is a parasite of industry. It is a fact that 40 percent of gross income results from supplementary activity, but the largest factor said activity is the integration of household plots, and this is the least profitable business for the cooperative as a whole. Another substantial part comes from "extension of agricultural production"; that is, activity in the food industry. Profits from this are low, too. Unfortunately, actual industrial activity which is really lucrative amounts to only 10 percent of total income.

The industrial activities of TSZs consist of producing goods not made by state industry because they would bring it no profit, or because work is poorly organized, or because the work was never undertaken at all due to inflexible factory structure.

For example, one weak TSZ makes an industrial item which earns it a net profit of 20 percent. The factory originally scheduled to make it discontinued production because it caused severe losses there.

It is the function of the PPF to change the public attitude toward the weak TSZs and the way the state helps them handle their problems. This sometimes includes sending them specialists for 5 or 10 years until a more satisfactory production

structure is set up. At present there is a tendency for the weak TSZs to force those branches of agriculture most heavily subsidized by the state, such as beef cattle raising. They do this regardless of whether or not their special conditions suit them for such an undertaking. This is where the services of specialists can make a great difference. Specialists, understandably, are reluctant to go to weak TSZs but they should derive much personal satisfaction from helping to solve difficult problems through their expertise and efforts.

CSO: 2500/33

BRIEFS

PURCHASE OF SOVIET COMPUTERS--In the future, Hungarian enterprises and cooperatives will purchase many more minicomputers according to a survey of the OSZV (National Computer Technology Enterprise). Since OSZV cannot meet demand from domestic production, the decision has been made to buy Soviet EMS 4 computers over a period of time. Hungarian enterprises have put more than 10 such computers into operation during the past year. OSZV recommends complete program systems for the minicomputers. The Soviet ELORG association is continuing to deliver larger computers to Hungary. To date they have sold over 100 ES 20, 22 and 30's to their Hungarian partners. Recently Hungary received the latest model ES 35. [Text] [Budapest NEPSZABADSAG in Hungarian 24 Sep 81 p 8]

CSO: 2500/32

MINISTER INTERVIEWED ON SOCIO-ECONOMIC MATTERS

Warsaw ZYCIE GOSPODARCZE in Polish 27 Sep 81 pp 1, 4

[Interview with Antoni Rajkiewicz, Minister of Labor, Pay and Social Affairs, by staff writer Anna Kuszko: "Within the Framework of Common Sense;" date and place not specified]

[Text] [Question] Sir, I hope you will not hold it against me if I will refer to a copy of ZYCIE GOSPODARCZE dated mid-1979, and propose a continuation of the then published interview on the subject of the importance of sensible choices of strategy for the social policies of the 1980's. In reality the 2 years that separate the interviews appear so long because so much has changed in our country, in particular within the context of social phenomena, however, the doubts which were then expressed have a contemporary ring. You were speaking then about the necessity of a "step-wise" action, i. e. one step at a time, in accordance with an imposed, multifaceted and confirmed by social opinion program which would shelter us from making decisions under duress of a moment, under pressure of demands which could be unwarranted. That was one year before THE August. Do you believe now that the ministry, whose leadership you have assumed recently, has such a program at its disposal?

[Answer] Only in outline--respective to some questions of labor, remuneration and services we have prepared drafts of solutions. I'm thinking of social minimum, forms of compensation for increased costs of living, postulates of a pension system reform for workers and farmers, reforms of family subsidies, length of the work week, modernization of the labor law, etc.

[Question] But these drafts give an impression as if each had been prepared individually for itself and not as part of an unified action. They consist mainly of summaries, rather mechanical ones at that, of how much each step will cost. I did not find yet a single, honest analysis of social consequences which would bring about, or influence, within the framework of the reform, a reduction in the glaring inequalities between the living standards of different groups and families. These inequalities, in my opinion, are growing larger every day.

[Answer] I'm of the same opinion. I would like to have a few weeks of peace so that I could get a new diagnosis on the situation of family incomes. Only such a diagnosis would permit a continuation of sound judgment policies for the three elements which form the name of the ministry: in employment, remuneration and

social affairs. However, in actuality, during the past year there were actions undertaken which have not been fully thought out, which did not keep touch with the reality and were far from the goal for which we strive all--overcoming the crisis.

For example: the employment program. They are, after all, talking about guarantees in connection with reductions and not about the rationalization of work, not about a better utilization of our richest resource--the labor force.

This program was born under a strong pressure of trade union demands and media publicity and took into account only one side of the problem: the relationship between raw-material balances of the nation and the status of employment. Such one-sidedness of the relationships leads to unjustified conclusions. In principle I'm against unemployment.

[Question] As a minister or as a social worker?

[Answer] Well, in reality I do have two identities--that of a minister of the government which makes me regard the total national situation, and that of a social worker which makes me a spokesman for everyday human affairs. But as a minister and a social worker I believe that unemployment, without regard for the whole system of guarantees, is a calamity for every man and a tremendous loss to the country. Especially for a country which is suffering such a painful lack of goods and services but has at this time a declared vacancy of 160 thousand open work spaces. As it pertains to the subject I paid attention in January to the premature, forced shortening of the work week. Also, as a minister and a social worker I am opposed to an overly hasty lowering of the retirement age. It is no doubt because even the most affluent society could not withstand such a burden, after all, in a very short time, our numbers of pensioners and retirees will exceed 5 million. No doubt also because it accelerates the senility processes of the older generation. Is it possible to resign from work and work-related interests at the age of 55?

[Question] Sir, do you take into account the fact that the people in our country, in particular the women, are exceedingly tired of the living conditions, standing in lines, cooking, laundry? They want to break away earlier from these work-related tasks, not because they want to stay idle but because they want to help their children with the difficulties of running a household, of feeding and bringing up the grandchildren.

[Answer] While I agree with the evaluation of the situation I draw different conclusions. People lead hard, and increasingly harder lives, that is a fact. But, will it really become easier if we give extra money to the unemployed, release women from work obligation when they reach 50 years of age or if we give people in their prime of life long furloughs of several months duration so that they can change their occupation? At the same time let us not forget that not too long ago the work week was shortened while at the same time the rest and recreation leaves were extended.

[Question] Will it not be possible to avoid reductions in many branches of the economy and administration?

[Answer] We actually have a shortage of coal and many raw-materials. However, I don't think that there is another country where there is such a careless waste of secondary raw-materials: waste paper, all kinds of packaging materials, metal scraps, wood, etc. Others, much more affluent, make some very useful things out of such rejects but we pile it all up on refuse heaps. It is even worse with the services. We have a shortage of clothing, especially for children, but please ask around if anybody burdens themselves with making over that which uselessly hangs in closets and storage. Sewing machines are standing idle and so do seamstresses because there are no textiles. But it is possible, having both people and machines, to develop service activity on a large scale: cottage industry and handicraft contracts in tailoring remodeling services.

We must, above all, overcome the apathy and resist surrendering to difficulties. We must organize all types of services which will make it easier for the people to accomplish everyday needs, running a house, care of children. There can be many forms of such activity.

I believe that it will be necessary to draw on all social organizations to create occupations which fulfill the need for satisfaction of doing useful work for individuals and society. It appears to me that we ought to form, as soon as possible, regional employment councils.

[Question] Wouldn't plant self-government be more effective?

[Answer] The one and the other are most urgent. I have always been, and I am still an ardent supporter of all forms of self-government in such spirit as was evident in 1956. I also mentioned it during that interview 2 years ago, I referred to it then as a "local positivism." I was interested in limited work, initiative by small groups who knew the best what they were capable of making out of what they had in their territory as well as what it would be worth and to whom.

[Question] And so we pass to the subject of distribution. What can be done, within the framework of common sense, to reduce the pay inequalities, in particular under the conditions of the economic reform?

[Answer] We are stirring up those matters which currently give me greatest distress. The battle for rationalization of the remuneration system appears to me to be more difficult to conduct than the price reform. Everyone is convinced of the necessity of the latter, however, it is another matter with pay. Meanwhile, more so that the difference between prices and costs, we have observed lately the gaps between pay and work and its productivity.

[Question] Were those interconnected prior to this time?

[Answer] It is true that the remuneration systen, respective relations of salaries have not been satisfactory for years, however, in my opinion, they are not worse than they were a year ago. Yet, still conflicts erupt on this subject and still, under the pressure of demands, decisions are made which place us further, not closer, to eliminating unequalities and inter-branch disproportions between positions and the system of salaries and services.

[Question] That means the trade unions are at fault? In August of last year, when you Sir returned from Gdansk, you stated right in our editorial office that it would be a green light for wise actions to make the whole government apparatus, from gmina chief to central administration, aware of the fact that we have now a young and educated working class which can bring about on their own their own right to a better life, to participation in government--legally--based on popular agreement. Have you changed your mind because of the experiences of the past year?

[Answer] I still believe in agreements. I am, and from the beginning I have been a supporter of union majority. This fact cannot be erased if only because of the size of this movement and because of participation of workers therein. But equally because of this aspect, because being of the majority protects the union movement from ossification and bureaucratization. It insures a constructive rivalry.

[Question] In presenting demands?

[Answer] I'm rather thinking of a rivalry of means and methods in representing the interests of working people while at the same time coinciding them with the public interest, for the good of the state and the nation. This is the way I did and do understand it. If you are looking for those who are guilty in that, during that past year, we did not manage to unify the activities in the social policy area in order to satisfy the most urgent human needs, then you have to talk about a lack of a consistent program in the government and in the unions. This is the reason that we give in to pressure not from the most justified but from the most forcefully presented postulates.

[Question] During a press conference a few months back someone had read to us several telegrams containing categorical pay demands from certain professional groups. They evoked bitter laughter. I'm still trying to figure out at whom we were laughing, at those, who in view of the current situation are demanding such exhorbitant privileges or at those who have granted them to someone, sometime, and thus formed a precedent.

[Answer] I'm in complete agreement with you, however, this is laughter through tears, the biggest mistake ever was an assumption that one branch of the government could fulfill the role of labor's guardian. Central administration of pay funds is bound to lead to absurdity. I shall give you an example from my own experiences: the minister of Higher Education, Science and Technology comes to the minister of Labor, Pay and Social Affairs asking for concurrence in approving a small pay raise for the cafeteria workers of the Marie Curie-Sklodowska University.

This belongs clearly to the university administrator! Or, the minister of Communications is asking for concurrence for a pay raise for 280 workers of the Railroad Museum. Is it possible, in view of such pay administration, to guard against nonsense, unceasing recalls and continuous demands?

[Question] And you Sir intend to clean up this Augeian stable?

[Answer] I do understand that the undertaking of cleaning up the pay system is an extremely difficult and conflicting process but I regard it as absolutely

necessary. We have to reach firm solutions which will not be continuously deactivated by time or changing circumstances.

[Question] A unifying concept of such firm solutions, temporarily a theoretical one, was presented not too long ago by Prof. Mieczyslaw Kabaj.

[Answer] I sympathize with this concept. The subject of remunerations is not close to my heart, I do not move about easily there. Because of that I would like to exploit the suggestions and knowledge of our remuneration specialists: professors Morecka, Krecik and Borcz as well as some experienced practitioners including those who already went into retirement. I have already obtained concurrence of the Premier of the Council of Ministers to form a mixed remuneration commission with participation of representatives from all directions, trade unions and government branches who are busying themselves with pay system reforms. I'm speaking in plural terms because I foresee a need for a clear division between the pay system in the production sphere and that of public services. In the production sphere that pay system will be dependent upon the effective income of the enterprise while the public service sector is, as a rule, paid out of the national treasury.

[Question] As soon as some complicated problem surfaces which needs a solution immediately some sort of team or commission is formed, however, somehow it does not seem to do any good.

[Answer] I'm not talking about an ad hoc commission. Generally speaking I would like to transform the ministry from an organ of state administration to a state social institution.

[Question] It seems that this already happened Sir, the ministerial post which you have held was called a commission.

[Answer] It's not so much a matter of name, it is a matter of methodology. I'm referring to preparation of all undertakings and legal documents by mixed teams. It would mean asking for collaboration, at the very onset, academicians, practitioners, representatives of trade unions and all factories, in order not to draw out later the process of necessary consultations and also to be able to note all barriers and loopholes in the proposed solutions with the start of first activity.

[Question] Probably the biggest barrier of social undertakings are breakdown of the economy and our enormous debts. Do you believe that under these circumstances we will still be able to solve the most burning pay and social problems?

[Answer] Will we be able? We must be able! After all, there are matters which we are beginning to solve now in a positive meaning. I'm very glad that I took over the ministry at the very moment when the child's right to mother's warmth has been finally guaranteed. It is still not in the way that we might have wanted, however, there's already a choice between working or taking advantage of the child raising subsidy. Lack of such solution has been, in my opinion, the very thing against which I have expressed myself so often: one of the most sensitive loopholes in the system of social securities.

[Question] But does it not create conflict, in the soul of a social worker, that once again we are postponing the liquidation of a no less shameful matter--the old pensions portfolio?

[Answer] Let me clarify this: The 7 September 1981 decision of the government to raise the minimal annuities and pensions, also the draft of the new pension law, are beginning, with the participation of trade unions, a solving process of this painful problem.

As for the conflict of my conscience, I go through it every day. As a beginning minister I sit in this building every day for hours on end and read mail addressed to the ministry from various people who cannot get help in the most difficult moments of their lives, who run into inflexible regulations, lack clear information and encounter heartless officials. The deeper I delve into this reading material the sharper I perceive the very helplessness of the system in solving live's problems of individuals and families.

[Question] I would believe that a realization of this helplessness, already in mid-seventies, would dictate your resignation from the position of Director of Social Politics Team on the Planning Commission, and here you are once again chaining yourself to service in the central administration?

[Answer] I admit that it was a great surprise, even to myself, however, I'm acknowledging that as a teacher of political sociology I've been called to service in the government, and that I don't have a right to decline it, just like in the Army. Of course, my personal ambitions did influence this decision in some way. I've accepted a challenge which, incidently, is also evident from your questions: Professor, you have criticized a lot, you've exponded on the subject a lot, well, now show us what you can do!

[Question] As far as I'm concerned it is an unfounded accusation. I only wanted to determine, with the help of these questions, that the leadership of such a socially sensitive ministry was taken over by a man who throughout his whole life preoccupied himself with people's problems, due to his professional specialization. May I ask still another question, Sir: Why did you refuse ministerial pay when you accepted this ministerial assignment?

[Answer] I know that some attribute this to posing or to being naive to a point of ridicule. I've refused a minister's pay, currently some 23,700 zloty, but I'm still entitled to the pay of an ordinary professor, which with 33 years of longevity amounts to 11,150 zloty, simply because this satisfies certain intellectual needs in me. On one hand it insures independence, on the other hand--courage to speak about relinquishments which are unavoidable in our situation. I don't wish to stop living an ordinary life, by the standards of an academic professor's millieu, and with which I am not breaking contact. I also believe that this is even more necessary in my work than a feeling of promotion and belonging to the central government apparatus.

[Question] When you entered the government you have assumed a burden of tremendous responsibility on your shoulder....

[Answer] I know, in the current situation this is a thankless role. However, I believe that despite internal strife now is the time to stand up in the forefront of people who still possess the will, and the hope of overcoming the crisis and of recognition of Poland's social realities.

--Thank you for the interview.

9511
CSO: 2600/22

PRISTINA COMMUNAL COMMITTEE VIEWS ECONOMIC SITUATION

AU151717 Belgrade Domestic Service in Serbo-Croatian 1400 GMT 15 Oct 81

[Report by Milisav Milic]

[Text] The situation in the Pristina economy continues to be complex. For this reason today's session of the communal committee of the League of Communists was devoted to this problem. Illustrating the complex economic situation, Drago Delibasic, executive secretary of the communal committee, said that the physical volume of industrial production was 11 percent lower than planned in the past 9 months, while personal incomes increased as much as 54 percent. Milisav Milic will tell you more about this:

This great increase in personal incomes was sharply criticized. Of 163 basic organizations, 29 of them operated at a loss and their total losses exceeded 850 million dinars. Compared with the same period last year, losses have trebled and account for some 50 percent of the overall losses incurred by the Kosovo economy. The largest losses were incurred by the Ramiz Sadiku Construction and Industrial Combine and the railroad transport organization. The Belacevac Coal Mine, the nitrogen plant and certain other organizations of associated labor of the Kosovo Elektroprivreda [power industry] also operated at a loss.

It is characteristic that personal incomes in these collectives have increased from 32 to 80 percent, and this shows sufficiently an absence of readiness for realizing the economic stabilization tasks. The allocations for accumulation funds and for promoting the material basis of work have also been greatly reduced, and this has a negative effect on the economy's reproduction capability. The results of the Pristina economy's operations were also reduced by stocks of products and unpaid bills. During the past 2-month period, numerous meetings at the basic organizations, the communal assembly, the Kosovo executive council and at the trade unions and meetings of workers were devoted to tasks stemming from implementing economic stabilization. Nonetheless, as was stressed, all this is insufficient to eliminate the numerous problems and internal weaknesses in the basic organizations of associated labor because a unity of action in implementing the adopted measures is missing.

In the League of Communists there is still no ideopolitical differentiation between those who work and those who do not work, and the necessary responsibility for this situation has also been missing, particularly on the part of those

individuals who with their daily behavior have not confirmed themselves in the struggle for economic and political stabilization. At meetings, these people discuss in a general way or keep silent. In the main, they agree with the assessments and positions adopted, but they do not implement them in practice, thus paralyzing the action of the League of Communists and other subjective forces.

Despite the position of the conference of the League of Communists of Pristina to raise the question of political and self-managing responsibility against those cadres which influence the bad situation in the economy, this has not been done thus far by either the basic organizations or the communal committee of the League of Communists. Not a single managing organ has thus far been called to task for its nonself-managing behavior and for illegal activities in economic operations. The hostile and counterrevolutionary developments had a very negative effect on implementing economic stabilization, while in many organizations of associated labor those who organized workers to participate in the demonstrations have still not been unmasked. This has had its effect on disrupting the overall and the intranational relations in these collectives.

Those responsible for the resulting situation are trying to direct activity toward nonessential problems about which long and futile discussions are frequently held, and because of which the production tasks are not implemented.

Following the positions of the 21st LCY Central Committee session, the communal committee of the League of Communists of Pristina seriously drew attention to the need for an overall mobilization of all members and all working people, who in a united action must implement the adopted stabilization tasks.

CSO: 2800/43

SURVEY OF EXPORT-IMPORT STRUCTURE, 1980, 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19-21 Sep 81 p 8

[Article by Dusan Dinkic, MA]

[Text] Some limits should exist on imports, since they have a determining role in the dynamics of production growth, but some upper limit to imports must also be sought, keeping in mind the dynamics of export and production growth.

In 1980, Yugoslavia achieved a 2.3 percent rate of growth in the social product of the economy as a whole, which represents a significant slowing of growth when compared to 1979. This has occurred on purpose in order to implement the basic task of the 1980 economic policy, which is to keep the balance of payments deficit from exceeding 2 billion dollars. In that effort, along with promoting exports, imports were to be reduced in real terms as compared to 1979. These efforts had their effects on the industrial production growth rate, but not to the degree that it would have been if such a policy had been pursued earlier, such as in the period of 1966-1974.

The discrepancy between the dynamics of social product, industrial production, and imports in the period 1975-1980 shows that the possibilities for the Yugoslav economy to produce more on the basis of domestic materials and resources are not being realized; a more dynamic growth than that achieved in 1980 and proposed for 1981 is possible. It also shows that the overall rate of economic growth cannot be regarded only in relation to imports, ie., a decrease in the import growth rate need not correspondingly reduce the production growth rate, as was asserted in the Resolution for 1980 and 1981. Rather, the possibilities for maintaining a somewhat greater rate of growth, through a relative increase in the share of domestic materials and resources, must be sought.

The Ten Biggest Exporters

In total Yugoslav exports in the last decade, 10 branches of industry had particularly large shares. They accounted for 55.1 percent of all Yugoslav exports in 1974, for 63.6 percent in 1978, and for 62 percent in 1980 (see Table 1).

Table 1. The Shares of Exports of the Ten Largest Exporting Branches of Yugoslav Industry in Total Yugoslav Exports

Tabela 1. 1 – strukture u procentima –

Grane 2	1974.	1978.	1979.	1980.	1981. I–VI
Proizvodnja električnih mašina i aparata 3	7,7	8,7	8,9	9,1	9,5
Mašinogradnja 4	4,5	7,5	8,4	7,2	6,9
Brodogradnja 5	6,5	7,4	4,1	3,5	1,5
Metaloprerađivačka 6 delatnost	5,3	7,2	6,9	5,9	6,3
Proizvodnja saobraćajnih 7 sredstava	4,1	7,1	7,2	7,3	8,5
Proizvodnja prehrambenih 8 proizvoda	5,4	7,0	6,5	7,1	5,0
Proizvodnja kožne obuće 9 i galanterije	4,5	5,0	4,8	6,2	7,5
Proizvodnja rezane građe 10 i ploča	4,8	4,7	4,8	4,3	3,2
Proizvodnja hemijskih 11 proizvoda	5,3	4,5	5,1	6,3	6,2
Proizvodnja gotovih 12 tekstilnih proizvoda	4,0	4,5	4,1	5,1	7,8
Ukupno 10 izvoznih grana 13	55,1	63,8	60,5	62,0	62,2

Izvor: SGJ 1974. i 1979. godine, SZS; i Indeks SZS, br. 2/1980. i 1981. i br. 8/1981. godine

Key:

1. Structure in percentage
2. Branch
3. Production of electrical machines and devices
4. Machine building
5. Ship building
6. Metal processing activities
7. Means of transportation
8. Processed food products
9. Leather shoes and notions
10. Lumber and other wood products
11. Chemical products
12. Ready-made textile products
13. Total for 10 exporting branches

Source: Statistical Yearbook of Yugoslavia, 1974 and 1979, Federal Statistical Office and its Index, No 2/1980 and 1981, and No 8/1981.

Considered together, however, the share of these branches in exports as part of total Yugoslav exports is declining and stagnating, thus contributing to a reduction in the shares of exports of ship building, machine building, lumber and other wood products, and this year, processed food products as well. Other industries in this group are maintaining their shares of exports or increasing them. The greatest growth among these branches is in 2 labor-intensive branches, the production of ready-made textile goods and of leather shoes and notions. Thus these 2 branches show up as the most successful exporters, with the most dynamic growth rates and increases in their shares of total Yugoslav exports.

If to the level of shares in total exports of these branches we add the shares achieved for exports of final products of the finished woodworking industry and the production and processing of tobacco, also labor-intensive branches (which did not fall into the group of top exporters in the past decade), then we obtain the interesting fact that the export shares of these 4 branches in total Yugoslav exports rose from 12.7 percent in 1979 to 16.4 percent in 1980, and to 20.9 percent in the first half of 1981. On the other hand, these 4 branches account for only about 1 percent of total Yugoslav imports.

Besides that, these industries showed above-average growth rates in 1980: the average rate of industrial growth was 4 percent, while the leather shoe and notions branch grew at 8 percent, ready-made textile goods and finished wood products at 6 percent. Thus it is certain that for these branches, there is a high degree of interdependence between high rates of production growth and of exports.

Along with the 6 branches among the top ten that achieved above-average growth rates in 1980, there were 8 other industrial branches outside that group. They were tobacco production and processing, rubber processing, chemical product processing, finished wood products, production and processing of paper, non-metal processing, the production of construction material, and non-ferrous metals processing.

Of 14 industrial branches with above-average export growth in 1980 (Table 3), only 5 branches belonged to the group of the highest importers (on the basis of their shares in total Yugoslav imports). Those branches were the production of electrical machines and devices, means of transportation, processed food products, and chemical products involving processing.(Table 2) Some of them even recorded a nominal decline in imports for 1980 compared with 1979 (the electrical machine and devices branch, and means of transportation). All of these facts show that the above-average growth in exports in 1980 for the 14 branches under consideration had its basis either in domestic raw materials, or in redistribution of product mix at the expense of domestic markets.

Table 2. The Share of Imports of the Ten Greatest Importing Branches of Industry in Total Yugoslav Imports

Tabela 2. 1 – struktura u procentima–

Grane 2	1974.	1978.	1979.	1980.	1981. 1–VI
Mašinogradnja 3	129,9	19,5	18,7	15,3	13,7
Proizvodnja nafte i gasa 4	9,1	10,8	14,0	19,9	20,2
Proizvodnja hemijskih proizvoda 5	8,8	8,7	8,7	9,4	11,1
Proizvodnja saobraćajnih sredstava 6	7,1	8,1	8,5	5,7	6,3
Proizvodnja električnih mašina i aparata 7	4,7	7,1	6,8	6,1	6,2
Crna metalurgija 8	7,5	6,4	6,3	6,3	6,4
Prerada hemijskih proizvoda 9	4,0	4,6	4,2	4,4	4,7
Metalopreradivačka delatnost 10	3,5	4,4	3,7	3,4	3,5
Proizvodnja prehrambenih proizvoda 11	4,6	2,7	2,8	3,0	4,2
Proizvodnja predива i tkanina 12	3,8	2,2	2,0	2,0	1,7
Ukupno 10 uvoznih grana 13	66,0	74,5	75,5	75,5	78,0

Izvor: SGJ 1974. i 1979. godine; i Indeks SZS, br. 2/1980. i 1981, i br. 8/1981. godine

Key:

1. Structure in percentage
2. Branch
3. Machine building
4. Oil and gas production
5. Chemical products
6. Means of transportation
7. Production of electrical machines and devices
8. Ferrous metallurgy
9. Chemical product processing
10. Metal processing activities
11. Processed food products
12. Yarn and fabric production
13. Total for the 10 importing branches

Source: Statistical Yearbook of Yugoslavia, 1974 and 1979, Index of the Federal Statistical Office No 2/1980 and 1981, and No 8/1981.

Comparative analysis of the dynamics of imports, exports and production by branches also shows that in 1980, many of these branches also achieved the most dynamic rates of production growth, and their production growth brought along with it increases in the average for industry as a whole and the entire economy (Table 3).

Table 3. A Comparative Survey of the Dynamics of Growth of Exports, Imports and Production for 1980 and 1981

Tabela 3.

	1980/1979.			I–VI 1981/I–VI 1980.		
	izvoz a	uvoz b	proizv. c	izvoz. d	uvoz e	proizv. f
INDUSTRIJA I (g) RUDARSTVO	132	108	104	119	117	104
1. Proizvodnja električnih mašina i aparata	133	92	102	126	104	103
2. Mašinogradnja	114	82	103	107	93	104
3. Brodogradnja	120	148	99	43	218	114
4. Metaloprerađivačka delatnost	116	95	107	138	125	105
5. Proizvodnja saobraćajnih sredstava	134	72	100	133	124	101
6. Proizvodnja kožne obuće i galanterije	174	39	108	174	97	111
7. Proizvodnja prehrambenih proizvoda	143	128	100	83	170	98
8. Proizvodnja rezane građe i ploča	119	96	99	71	130	96
9. Proizvodnja hemijskih proizvoda	168	111	109	127	130	112
10. Proizvodnja gotovih tekstilnih proizvoda	167	82	106	199	98	106
11. Proizvodnja i prerada duvana	381	77	97	151	58	96
12. Prerada kaučuka	163	109	103	151	112	108
13. Prerada hemijskih proizvoda	147	104	108	173	132	111
14. Proizvodnja finalnih proizvoda od drveta	144	79	106	131	89	102
15. Proizvodnja i prerada papira	141	119	105	111	124	108
16. Prerada nemetala	141	104	104	121	119	111
17. Proizvodnja građ. materijala	135	83	106	112	83	101
18. Prerada obojenih metala	135	102	108	85	163	103

Izvor: Indeks Savezni zavod za statistiku, br. 2/1981. i br. 8/1981. godine

Key:

a. exports
b. imports
c. production
d. exports
e. imports
f. production
g. Industry and Mining

1. Production of electrical machines and devices
2. Machine Building
3. Ship building
4. Metal processing activities
5. Means of transportation
6. Leather shoes and notions
7. Processed food products
8. Lumber and wood products
9. Chemical products
10. Ready-made textile goods
11. Tobacco production and processing
12. Rubber processing
13. Processing of chemical products
14. Finished wood products
15. Paper production and processing
16. Non-metal processing
17. Production of construction materials
18. Processing of non-ferrous metals

Source: Index of the Federal Statistical Office, No 2/1981 and 8/1981.

It is typical that of the group of the 10 highest exporting branches for 1980, only 3 had above-average production growth (the production of leather shoes and notions, ready-made textile goods, and chemical products). Of 8 branches indicated as having above-average increases in exports for 1980 but not belonging to the 10 highest exporters group, 6 also had high rates of production growth.

That means that the impulses for dynamic growth in exports in those branches in 1980 brought rapid production growth with them. Since, however, only one of the 10 top importers (chemical product processing) is among the group with high growth rates in production and exports for 1980, (Table 2) it follows that the causes for increased production in those branches were to be found predominantly in utilization of domestic raw materials (which was true for the branches producing finished wood products, producing and processing paper, processing non-metals, building materials, and processing of non-ferrous metals).

Therefore, changes in the structure of exports and imports, as well as production, when considered by individual economic branches, are showing constant improvement. They are connected to the increase in the number of industries that are exporting their products and reflect more dynamic growth by certain branches that are not presently among the 10 top exporters. This situation requires that in determining basic tasks and goals of development, more attention be paid to these economic branches. This gains in significance from the standpoint of harmonizing relations in foreign trade, as well as from the standpoint of establishing smoother relations between producers and purchasers within the country, which requires a suitable total economic growth rate.

The Beginning of 1980--A Slowing of Growth in Major Categories

At the beginning of 1981 the dynamics of export growth were checked, along with a decline in imports and a lag in production growth to the extent of an actual decline in production. This unfavorable circumstance in development was accompanied by rapid price increases, which made the situation even worse, particularly for foreign trade in goods. Through the course of the 6-month period, however, that situation has improved, so that the index for exports for January-June 1981 was 119 in comparison with the same period of 1980; the import index was 115, and the index for the physical volume of industrial production was 104.

This climb in the indices for exports, imports and industrial production in the first half of the year, considered on a month-to-month basis, shows that a stronger interdependence existed between trends in imports and domestic production than in 1980. This is even more apparent from the latest data on exports and imports, which cover the period from 1 January to 24 August 1981. They show an index of 115 for exports, and of 114 for imports. There must be a limit to which imports can be restricted while taking their determining role in the dynamics of production growth into consideration, but we must also seek the upper limit to imports, always with a view to the dynamics that have been achieved in export and production growth.

The latest data on exports and imports in the year to date show that the import index has approached that of exports, while production growth has shown the same trend as in 1980, when the growth in exports was markedly more dynamic than this year, and there was a significant divergence in the growth of exports and imports in favor of exports. By monitering the relationships between exports, imports and

production for individual branches, we have determined certain characteristic, and positive, changes in that structure. First, the domestic component of input into production has been increased, and this relates to a number of branches with export and production growth that are not dependent on imports. In 1980, these positive changes provided real opportunities for increasing total exports, and thereby total production, while intensifying economic activities in certain branches of industry that until recently had been among the leading industrial exporters but were not in that group in 1980. The date for the first half of 1981, however, for industrial branches, and particularly the latest data on exports and imports for the economy as a whole, show unfavorable developments in these relationships when compared to trends in 1980 and in relation to the anticipated economic performance for this year. These trends are even less favorable when the structure for individual economic branches in considered (on the basis of the relationship between production, exports and imports), and from the standpoint of regional and foreign exchange directions of Yugoslav imports and exports.

An Obvious Example of the Ties Between Production, Exports and Imports

This situation requires that the relationships between production, exports and imports be seen not only as a totality, but primarily in their structure and in changes in that structure. In that sense, our analysis of relationships in production dynamics, exports and imports in the first 2 months of this year clearly show the need for improving the dynamics of imports, because imports have reached a limit where they do not assure provision of the needs of production and of exports.

That was evident in a large number of branches, as well as in the framework of the 10 biggest exporters. Precisely the weakening of dynamic production growth in branches that are among the 10 biggest exporters (where 6 branches also are among the 10 biggest importers) has brought the growth rate for industrial production at the beginning of the year to its lowest level.

In these branches, imports were significantly reduced compared to last year (with the exception of processed food products, production of electrical machines and devices, and lumber and wood products). In 1980 as well, these 10 branches of industry, which are also the most dependent on imports, saw slowing growth in production due to reduced imports. The high growth rate for exports and production in 1980 and at the beginning of this year was provided for by the branches producing leather shoes and notions, and ready-made textile goods. In later months of this year, however, when the increased growth in imports was joined by improved growth in exports, improvements also took place in the growth rate for industrial production of the 10 biggest exporters. This has made possible an above-average growth rate for exports in the first half of 1981, as in 1980, in production of electrical machines and devices, means of transportation, and chemical products, even though this performance is not as impressive as in 1980 (see Table 3).

If in 1981 the dynamics of production and exports had not been repeated in some branches that carried the burden of production and exports in 1980, but rather, imports were increased in those branches whose production is based chiefly on imported materials, then it could have happened that with low growth in exports and an unfavorable relationship between export and import growth, relatively the same production dynamics could have been achieved as in the previous year, when those relationships were more favorable.

Besides that, due to the increasing divergence between domestic and world prices and the policy of achieving a nomical growth in personal income, price increases and the cost of living, the possibilities for redistribution within the framework of the level of production attained for foreign markets were less this year than last, so that this too contributed to the lower growth rate for exports.

Due to the balance of payments situation and the emerging covergence in nominal growth of imports and exports of goods, particularly if the former does not assure the desired real growth in exports because of large increases in export prices, it will be necessary to pay close attention to coordinating import trends with export results. Naturally, one must keep possibilities for more dynamic production growth in mind, but our studies have showed that they do exist.

In that sense, solutions must be sought primarily in domestic production in terms of its structure, or in continuing the dynamics of exports growth in the branches that were important for exports in 1980, but that were not included among the 10 biggest exporters. This must be done along with the elimination of impediments to restoring the growth dynamics of exports and production, primarily in the 10 biggest exporting branches that last year, and so far this year, have not achieved the expected export results (including machine building, ship building, processed food production, and production of lumber and wood product).

Use of Domestic Materials in Priduction is Crucial

In the interests of achieving stronger growth in production and exports, and more favorable relationships between the dynamics of exports and imports, there must be stronger stimulation of the economy and use of a greater share of domestic materials in production. There is the impression that a proportion between imports and domestic production has already been established that is unfavorable from the standpoint of realizing the planned levels of exports and imports, meaning a trade and balance of payments deficit for the country this year.

Analysis of the preceding period showed that along with growing imports, more active use of domestic raw material reserves, and more attention to production and exports in branches that are not among the 10 biggest exports, can increase production and exports. But since this year the growth in imports has matched the growth in exports, and once again there is a tendency for export growth to slow (with the index as of 24 August at 115, the same as the export price index), it is fully obvious that we must strive to increase the growth rate for exports so that it will reach an index of at least 123. The import growth rate should be held to an index of 113, with maintenance of the current price index of 116. In that way a real growth in exports of 7 percent, and a real reduction of 3 percent in imports, would be assured, as anticipated in the Resolution for this year. So that restricting the import growth rate will not burden the dynamics of industrial production growth, it is necessary to create conditions that will make it possible to provide for this growth rate using domestic raw materials, and not only or primarily using imported materials.

Analysis of the first half of this year, tied to the relationships between imports, exports and production, their structure changes, also showed that in comparison with last year, some indicators that were characteristic for 1980 lagged this year.

Chiefly, the success in replacing imported raw materials with domestic ones was less than last year. Also declining were the effects of regulating the performance on the consumer side (demand) of the social product, while the impact of domestic prices on the competitiveness of Yugoslav exports was markedly less favorable than last year.

Therefore, in this sector of the economy, the efforts of economic policy must be aimed primarily in the direction of improving these relationships, so as by year's end to create relatively more favorable results in the trade balance with foreign countries.

Special efforts tied to the structure of exports and imports in goods must be directed toward better coordinating trends in exports and imports of goods as regarded by countries, regions and foreign exchange area. In that sense the unfavorable structure of earlier years has worsened for 1980 and 1981. It is a matter of a significant nominal decline in exports to markets of the industrially developed western countries. In the same way, we cannot be satisfied with the dynamics of exports to developing countries. Although the index of exports to advanced western countries for the period 1 January to 24 August 1981 amounted to merely 92 in nominal terms, the index of imports from this area was 114. Therefore, particular attention must be devoted to the problem of the regional structure of marketing Yugoslav goods, as well as to imports, from the standpoint of the stability of domestic development and bringing balance of payments equilibrium.

12131
CSO: 2800/8

DATA GIVEN ON UNUSED AGRICULTURAL LAND

AU081314 Zagreb VJESNIK in Serbo-Croatian 22 Sep 81 p 4

[Article by Ratomir Petkovic: "Agriculture: Weeds Are Reigning Where There Could be Wheat Instead"]

[Summary] According to the latest available information, the acreage of abandoned arable land is constantly growing in Yugoslavia. About 650,000 hectares of arable land now lie abandoned where nothing but grass and weeds grow, land which, according to some calculations, could produce 1.8 million tons of wheat annually. It must be recalled in this connection that this year alone Yugoslavia will import about 1 million tons of wheat.

About 85 percent of all arable land in Yugoslavia is owned by the individual agricultural landowners. However, their individual landholdings are small, amounting to an average of 3.8 hectares of agricultural or 3.2 hectares of arable land each. In addition, these landholdings are fragmented into small parts. It is calculated that the country's individual agricultural landholdings are fragmented into a total of 44.5 million parts. At the same time, about 500,000 hectares or 8.4 percent of privately owned arable land lie abandoned. This is explained to some extent by the results of recent research according to which 60 percent of all individual agricultural households owning arable land are mixed agricultural-industrial households, 10 percent of which are households with elderly people and only 30 percent pure agricultural production households. The latter own about 40 percent of all arable land.

Some proposals have been made recently to use the tax policy to penalize individual landowners for holding abandoned arable land. According to these proposals, heavy taxes on abandoned arable land should be imposed on the owners of that land if they refuse to lease it or sell it for agricultural purposes. The funds from the taxes on abandoned arable land would be used to stimulate the production on true agricultural landholdings. Interesting as these proposals may be, it is certain that the landowners concerned would strongly oppose them by claiming that they violate their rights. What is necessary in this connection is to create a social climate in which the ownership of abandoned arable land will be considered a shameful act in our country which imports food although it has the potential not only to feed its own population but also to export food to world market.

CSO: 2800/43

BRIEFS

CURRENT ECONOMIC SITUATION--Pristina, 15 Oct (TANJUG)--Following the standpoints of the 21st session of the LCY Central Committee, at its meeting today the Pristina League of Communists Municipal Committee warned of the need for a general mobilization of the entire party membership and of all working people in the municipality in order to change the situation in the economy and to consistently implement the economic stabilization policy. Such a demand is really necessary in a view of the fact that the situation in the Pristina economy is very unfavorable and the fact that there is no prospect of significantly changing the situation before the end of the year unless a radical change is made in production and the attitude to work. In the last 9 months, the physical volume of industrial production has been as much as 11 per cent lower than the planned level. Losses amount to 850 million dinars and are 3 1/2 times higher than in the same period last year. Resources spent on joint needs are 3 percent higher than the income realized. At the municipal committee session, near alarming statements were made about the weak reproduction capability and lack of liquidity in the general economy as well as about the chaotic state of some collectives such as the Ramiz Sadiku Building and Industry Combine, the railway transport organizations, the Belacevac and Azotara coal mines and some other organizations which form the core of Pristina's industry. [Excerpts] [LD152312 Belgrade TANJUG Domestic Service in Serbo-Croatian 1527 GMT 15 Oct 81]

CSO: 2800/43

END

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2196

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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RAMIFICATIONS OF HIGH ENERGY CONSUMPTION RATES EXAMINED

Sofia IKONOMICHESKA MISUL in Bulgarian No 5, 1981 (signed to press 22 Jan 81) pp 53-62

[Article by Petko Pavlov: "International Socialist Economic Integration and the Solution of the Fuel and Energy Problem in the Bulgarian People's Republic"]

[Text] Providing for fuel and energy needs is one of the factors in the development of manufacturing industry and in stable rates of development for the economy. This explains the significance of research on questions regarding the development of Bulgaria's fuel and energy complex up to now and especially in prospect, including the role of international socialist economic integration in its improvement.

The fuel and energy sectors in our country were at an extremely low level before the socialist revolution. Thus in 1939 Bulgaria produced 2.2 million tons of coal, 266 million kilowatt-hours of electric energy and 4,800 tons of coke. The energy-source structure was primitive too. Hence when we talk about the development of energetics in our country, we have in mind the energetics created after the socialist revolution and closely linked with economic cooperation and the integration of production among CEMA-member countries.

Economic, scientific and technical cooperation with the CEMA countries, and mainly with the USSR, are of great significance in all phases of the creation and development of Bulgaria's fuel and energy complex--geological exploration, scientific research and planning, the devising of technologies, the provision of machinery and energy sources, personnel training, mastery of production etc.

The production of energy and fuel in our country has developed at an exceptionally high rate since the revolution (Table 1).

Despite the comparatively high rate of development of the fuel and energy sectors they cannot fully satisfy our country's energy and fuel needs. Needs outstrip production manyfold for which reason imports of the basic types of fuels have rapidly increased. Imports' share of the total consumption thereof has varied as follows: coal (including anthracite) from 0 in 1960 to 93 percent in 1970 and 96 percent in 1978; coking coal 0, 84 and 91 percent respectively; crude oil 6, 90 and 99 percent; natural gas 0, 0, 99 percent.[1] Imports (mainly from CEMA-member countries) satisfy our country's main coal, petroleum and natural-gas needs.

Table 1

PRODUCTION OF ELECTRIC ENERGY AND BASIC TYPES OF FUEL

1 Видове електроенергия	1949	1960	1970	1975	1978
2 Електроенергия, млрд. квтч	0,7	4,7	19,5	25,2	31,5
3 Каменни въглища (вкл. антрацит), хил. т нето	172	571	397	330	272
4 Кафяви каменни въглища (вкл. лигнит), мил. т нето	5,1	15,4	28,9	27,5	25,5
5 Природен и попътен газ, мил. куб. м	—	—	474	111	32,3

Source: "K 30-Letiyu Obrazovaniya SEV, Narodnoye Khozyaystvo Stran-Chlenov SEV, Statisticheskiy Sbornik" [On the 30th Anniversary of the Formation of CEMA, The National Economy of CEMA-Member Countries, Collection of Statistics], Moscow, 1979, pp 21, 93

Key:

1. Types of electric energy
2. Electric energy, 000,000,000 kwhr
3. Coal (including anthracite), 000 net tons
4. Brown coal (including lignite), 000,000 net tons
5. Natural and casing-head gas, 000,000 cubic meters

The production of brown coal and lignite has developed on a comparatively wider scale in our country, but in recent five-year plans even this has remained at almost the same low-quality level which continues to grow worse. This explains the trend towards a decline of its role in the overall coal resources balance (recalculated in comparison fuel 7000 kilocalories). The share of the total coal resources balance represented by our own production declined from 67 percent in 1970 to 49 percent in 1978, and if we include coking coal in the balance, this share declines still more.

Electric power engineering has developed at a comparatively high rate in our country. The high rate has been made possible mainly through the rapid development of thermoelectric power engineering (including TETs's [thermoelectric power plants] operating on imported fuel) and, in recent years, of AETs's [atomic power plants].[2]

Energy and fuel consumption has grown at a rapid rate since the socialist revolution due to the development of the fuel and energy sectors in the country and mainly due to the increase of imports. Thus the average annual rate of growth in the consumption of primary energy (overall) in our country during the past 18 years (1960-1978) is 9.4 percent, whereas for other CEMA-member countries during the same period this index is, respectively, for Hungary 4.9 percent, for the GDR 2.1 percent, for Poland 4.6 percent, for Romania 7.4 percent, for Czechoslovakia 4.1 percent. The average for these six countries is 4.5 percent, i.e., almost half that of the Bulgarian People's Republic.

What are the more important factors leading to this growth of consumption? What are the positive and negative aspects of this process?

The factors which explain the growth of energy and fuel consumption can tentatively be divided into two groups: the first group the growth of national income, which, other conditions remaining equal, explains the growth of energy and fuel consumption; the second group the primary energy requirements to produce a unit of national income, namely its energy-intensiveness.

The average annual rate of growth of national income in our country broken down by five-year plans is characterized by the following data (in percentages): 1951-1970 9.3, 1961-1965 6.7, 1966-1970 8.8, 1971-1975 7.8, 1976-1979 6.2.[3] These average annual rates of growth in the national income of the Bulgarian People's Republic are higher than the average rates for the community. These comparatively high rates are one of the factors in the growth of our power and fuel consumption during this period.

In analyzing the effect of the rate of growth of national income on the consumption of primary energy from the viewpoint of the efficiency of social production and rate of economic growth, the ratio between the growth of energy consumption and the growth of national income is of great significance. If identical, these rates show that production (as far as energy consumption is concerned) is taking place by virtue of a proportional increase in the consumption of primary energy sources. Differences between the rates may characterize two opposed trends, respectively: first, given an outstripping rate of growth of national income (or gross social product), a trend towards the intensification of production and, accordingly, a decline in the energy-intensiveness of national income;[4] second, the opposite trend, which characterizes the extensive type of reproduction as far as energy consumption is concerned and, accordingly, causes an increase in the energy-intensiveness of national income.

In investigating the questions of the energy-intensiveness of national income, definite interest attaches to a comparison of the levels and dynamics of the expenditure of individual energy sources and materials per unit of national income. The consumption, for example, of electric energy, petroleum and rolled ferrous metals per unit of national income in the European CEMA-member countries, broken down by years, is characterized by the data presented in Table 2.

The calculations presented below enable us to draw the following more important conclusions:

the expenditure of electric energy, petroleum and rolled ferrous metals per unit of national income in the Bulgarian People's Republic has increased at a high rate in recent decades. The rates in our country are appreciably higher than those in the other European CEMA-member countries;

a trend towards a rise in the expenditure of energy and metal respectively per unit of national income persisted in our country after 1970 as well, whereas for almost all the other countries there were clear signs of a trend towards a decline or a halt in the expenditure of energy and raw materials per unit of national income;

as regards the level of consumption of electric energy, petroleum and rolled ferrous metals per unit of national income, not only did Bulgaria lessen the great differences in comparison with the other countries after 1960, but in 1977 came significantly closer to, and even outran a number of CEMA countries in the consumption of energy sources and metals per unit of national income. The level of petroleum consumption in our country is especially high. If we take the expenditure of petroleum per ruble of national income in Bulgaria in 1977 as equal to 1, then in the other European CEMA-member countries it will be, respectively: Hungary 0.80, GDR 0.65, Poland 0.38, Romania 0.83, Czechoslovakia 0.79, USSR 1.23,[5] i.e., we have a higher expenditure of petroleum per unit of national income than all the European CEMA-member countries with the exception of the USSR. These questions take on special significance in comparative analysis considering the fact that our country has the lowest self-sufficiency in energy sources of the European CEMA-member countries.

Table 2

CONSUMPTION OF ELECTRIC ENERGY, PETROLEUM AND ROLLED FERROUS METALS PER RUBLE OF NATIONAL INCOME IN EUROPEAN CEMA-MEMBER COUNTRIES

1 Страны	2 Електроенергия квт. ч.			3 Нефт, г			4 Прокат от черни метали, г		
	1960	1970	1977	1960	1970	1977	1960	1970	1977
5 НРБ	1,0	1,8	2,1	53	722	860	155	214	222
6 ГДР	2,5	2,8	2,7	124	431	560	280	282	250
7 УНР	1,5	1,9	1,9	474	632	690	258	200	206
8 ПНР	1,9	2,3	2,2	58	264	326	286	314	217
9 СРР	1,1	2,0	1,8	1600	980	716	246	350	266
10 СССР	2,1	2,6	2,8	920	1020	1060	298	268	242
11 ЧССР	1,8	2,3	2,3	202	550	685	366	346	314

Source: "Toplivno-Syr'yevaya Problema v Usloviyakh Sotsialisticheskoy Integratsii" [Fuel and Energy Problem under Conditions of Socialist Integration], Moscow, Nauka, 1979, p 6.

Key:

1. Countries
2. Electric energy, kwhr
3. Petroleum, g
4. Rolled ferrous metals, g
5. Bulgaria
6. GDR
7. Hungary
8. Poland
9. Romania
10. USSR
11. Czechoslovakia

The main reasons for the increase and the comparatively high energy-intensiveness of national income in Bulgaria are, in our opinion, the following:

First, the structure of industry; its nonadaptation to the state of supply, to conditions and expenditures for meeting needs of energy sources and raw materials, including the forecasting of changes in these conditions; underestimation of the problems of providing resources of raw materials and energy as a limiting factor in structure policy, especially with the established energy-intensive structure of industry such as ours is at present.

When we talk about the structure of industry, we must evaluate not only the development of the energy-intensive sectors (for example, the chemical industry, ferrous and nonferrous metallurgy etc.), but also their intrasectorial structure. The problem is not just that we are forcing, for example, the development of petrochemistry or ferrous metallurgy, but that we are developing mainly heavy chemistry and the production of low-quality rolled ferrous metal products which are highly energy- and materials-intensive, while under the conditions of international socialist economic integration there is the opportunity for us to develop fine chemistry, the plastics manufacturing industry, the production of high-quality rolled and other ferrous metal products etc. which have a significantly lower requirement of raw materials and energy per unit of national income.

The imperfect intrasectorial structure and the low technological level of production can explain, for example, the fact that the expenditure of electric energy in the chemical industry in 1975 was higher than the average expenditure for industry--in Czechoslovakia and Poland 1.5-1.6 times and in Bulgaria 2.8 times; the analogous index for ferrous metallurgy is, respectively, in Poland 1.4 times, in the USSR 2.1 times and in Bulgaria 2.4 times.[6]

Second, the overexpenditure of energy and fuel per unit of output, the unfavorable expenditure-to-output ratios as compared with the other European CEMA-member countries.

A comparison of certain expenditure-to-output ratios in our country with those in the other European CEMA countries in 1978 shows the following results: expenditure of comparison fuel to produce 1 kwhr of electric energy at a public-utility thermoelectric power plant in Bulgaria is 394 g, in Hungary 363, in Poland 360, in the USSR 313 g; expenditure of dry skip coke to produce a ton of cast iron is, respectively, 678 kg, 651, 569 (charged coke), 515, and in Czechoslovakia 506 kg; expenditure of comparison fuel to produce 1 ton of acceptable open-hearth steel in Bulgaria is 263 kg, in Poland 208, in the USSR 142, in Hungary 136 kg; expenditure of electric energy to produce 1 ton of finished rolled ferrous metal products in Bulgaria is 162 kwr, in Poland 152, in Czechoslovakia 144, in Hungary 123, in the USSR 110 kwhr etc.[7] If we compare the expenditure-to-output ratios in our country with the corresponding ratios in the developed capitalist countries, analogous--even less favorable--results for Bulgaria will be obtained.[8]

Third, the unsatisfactory technical level and quality of some of the energy-intensive goods produced in our country (chemical products, ferrous and nonferrous metals etc.), which explains the greater expenditure of these materials and intermediate products

per unit of output and, accordingly, the higher energy-intensiveness of the products of our manufacturing industry. Thus, some of our machine-building products are 5-15 percent more materials-intensive than those produced in the industrially developed countries.

Fourth, the higher energy-intensiveness of exported goods than of imported goods, which is an indirect (hidden) export of energy and fuel and, accordingly, increased energy expenditure per unit of our national income.

Investigation of indirect exports or imports of energy and their influence upon the energy-intensiveness of national income requires the use of a balance sheet of intersectorial relations, which, of course, goes beyond the purposes of the present article. But even a routine analysis of the foreign-trade flows in certain partial calculations can give us a certain idea of this influence.

If we compare, for example, the prices at which our country exports some energy-intensive materials and intermediate products with the prices at which we import the same in 1978 (according to the author's calculations with the price of the imported goods equaling 1), the price of the exported goods will be as follows: ingot steel 0.54, rolled ferrous metal products 0.69 (including section steel 0.85, sheet steel 0.71, tubes 0.49, cold-rolled strip 0.29), ferrous metals and alloys 0.50, plastics and synthetic resins 0.78. If we do these calculations solely for the imports and exports of the developed capitalist countries, the results will be still more unfavorable.[9]

The aforecited ratios show that we are a kind of net exporter of the energy and raw materials incorporated in cheaper exported goods, and importers of science-intensive (less energy-intensive) expensive goods. This is indirect export of energy and, accordingly, raises the energy requirement per unit of our country's national income.

Worthy of attention is the attempt of a number of countries to export as few energy-intensive goods as possible and import as many as possible, thus putting into practice a long-term policy of expanding national energy consumption through structural changes in foreign trade-flows. Such a policy is implemented not only by small, highly developed European capitalist countries which have little self-sufficiency in energy sources, but also by such countries as the United States.[10]

Analysis of the trends in energy consumption and the energy requirement per unit of national income in our country is of exceptionally great theoretical and practical importance not only for clarification of the reasons for the growth of the energy-intensiveness of our national income and some of the difficulties in providing for energy-source needs in recent years, but mainly for the devising of scientifically founded and realistic measures and ways for overcoming these difficulties in the long term. Of great importance in this area will be the use of the opportunities given us by international socialist economic integration, including participation in the DTsPS [Dulgosrochnata tseleva programa za sutrudnichestvo; Long-Term Specifically Targeted Program of Cooperation], to provide the economically substantiated needs of the CEMA-member countries for energy, fuel and raw materials up to 1990.

What with the limited reserves of conventional fuels at the disposal of the Bulgarian People's Republic,[11] exceptional importance for solution of the energy problem

will attach in future as well to our participation in the integration measures included in the DTsPS that will help maintain the existing level of consumption and increase fuel and energy resources in the long term. This participation of our country must develop along the following lines:

First, improvement in the utilization of existing fuel and energy resources--solid types of fuel (including low-calorie coal, extraction of petroleum from oil-bearing strata--as well as of water resources for the production of electric energy and, accordingly, increasing electric energy's share of our country's fuel and energy resources balance etc.

Eventual working of the Dobrudzha coal bed, where significant coal reserves have been found, will be of great significance for our economy. For the purpose of coordination on questions of bringing it into production a permanent study group of Bulgarian and Soviet specialists was set up which started to work according to an approved program as of the beginning of 1977.[12]

The favorable solution of the question of working the Dobrudzha coal bed, albeit in the more distant future, will help raise our country's supply of energy sources and improve the structure of industrial coal reserves. At the same time, however, experience thus far (comprehensive utilization of Kremikovtsi oron ore etc.) shows that the construction of coal enterprises must be preceded by the solution of the basic technical and economic problems in its operation, including environmental protection etc. Otherwise, the start of its operation may not only not contribute to an improvement of the structure and a rise in the efficiency of our fuel and energy resources balance, but even give rise to a number of additional difficulties in our economy.

An important area for improvement in the utilization of proved reserves of energy resources is a rise in the coefficients of petroleum extraction from oil-bearing strata. The significance of this area is explained by the fact that even with the use of modern machinery and technology the coefficient of oil extraction from oil-bearing strata fluctuates in a wide range (from 15-20 to 50-60 percent of the geological reserves) depending on the character of the strata and the physicochemical properties of the oil. In the USSR, with measures extensively taken to increase oil extraction from oil-bearing strata the average coefficient is 40-44 percent.[13]

Raising the coefficient of oil extraction from the depths of the earth is of more limited significance for Bulgaria which extracts comparatively small amounts of oil, but this does not preclude the possibility of using this potential reserve.

Second, further development and improvement of the structure of electric energy production through the development of atomic power production. It is anticipated that atomic power plants' share of total electric energy production in our country will rise from 10.1 percent in 1975 and about 20 percent in 1980 to about 40 percent in 1990. Parallel with this, the possibilities of producing thermal energy by atomic power stations are being studied.[14]

The development of atomic power production is of great significance not only for the development and improvement of the structure of electric energy production, but also for the improvement of the structure of the country's overall fuel and energy

resources balance, especially when we bear in mind that hitherto it has been improved principally by increasing the proportion of petroleum, which is becoming extremely scarce now and will to a still greater degree in the future. Besides this, the growth of atomic power production in the future may enable us to replace some scarce heat sources.

Third, the wider inclusion in economic circulation of renewable and additional sources of energy—geothermal, solar, wind energy, the use of bituminous schists and lignites, the production of artificial liquid and gaseous fuel from coal etc.

In estimating the great significance of multilateral cooperation for bringing new and additional energy sources more intensively into economic circulation, it must be noted that the part they will play in the fuel and energy resources balances of the CEMA-member countries in the period up to 1990 will be limited. For this reason we must not during this period expect significant change in the structure of our country's fuel and energy resources balance by virtue of new and additional energy sources.

Fourth, improvement in the forms of mutually advantageous economic cooperation with the developing countries with a view to wider utilization of the oil and gas resources in these states etc.

If, however, we make an analysis of the integration measures aimed at raising energy and fuel production and consumption at present and up to 1985 in comparison with the preceding periods (with the exception of the development of atomic power production), a certain lag is most generally discernible. Seeking a solution of the energy problem mainly by increasing the use of one's own energy resources can in a number of cases lead to an unfounded rise in the capital-, materials- and labor-intensiveness of energy and fuel production, which will adversely affect the efficiency of the economy. That is why the question of a joint solution of the energy problem within the CEMA framework, including the coordination of policy in this area and the pooling of material and financial resources, must be one of our countries' principal goals in the future.

If we proceed on the assumption of limited possibilities for maintaining high rates of increase in production and imports, as well as the necessity of intensifying and raising the efficiency of fuel and energy consumption, a basic course for the solution of the energy problem must, in our opinion, be the economic use of energy and fuels, a reduction of the energy expenditure per unit of national income by virtue of the following more important factors:

First, changing the structure of the economy from the viewpoint of cutting energy and fuel consumption, reducing the energy-intensiveness of production. An important problem in this area is the problem of the rates of development of industrial sectors which have an energy expenditure per unit of output significantly higher than the average for industry. Such are the chemical industry, ferrous and nonferrous metallurgy etc.

The expenditure of electric and thermal energy per unit of output in 1978 in the chemical and rubber industry was 2.16 times, and in ferrous metallurgy 2.49 times, as high as the average for industry. The electric energy consumed per 100 leva of

total industrial output was as follows (in kilowatt-hours): industry average 92, including ferrous metallurgy (including ore extraction) 250, chemical and rubber industry 216, construction materials industry 149.[15]

The rates of development of--and the relative share of industry represented by--chemistry, metallurgy and other energy-intensive production processes are factors affecting the energy-intensiveness of industrial production and the expenditure of energy and fuel per unit of national income. These problems take on special significance not only because of the difficulties in providing for our country's long-term energy and fuel needs, but also because of the fact that a number of questions regarding the development of ferrous metallurgy, petrochemistry and some other sectors are being decided at the present time. These decisions will significantly affect not only the energy-intensiveness and efficiency of metallurgical and chemical production, but also the energy-intensiveness and efficiency of the entire economy. Therefore, questions regarding the redirection of material, labor, financial and other resources away from the construction of new projects into the reconstruction and modernization of existing capacity, especially in such energy-intensive sectors as ferrous metallurgy, the chemical industry etc., are of great significance.

Reconstruction and modernization will, to a greater degree than new construction, contribute to the following: an intensification of the production and consumption of metals and chemicals in our country; a rise in the productivity of labor in chemical and metallurgical plants;[16] an improvement in the use of existing capacity and a reduction in the ratios of material and energy expenditures per unit of output; the bringing about of a higher degree of processing of metals, petrochemicals and other raw materials, a corresponding decrease in energy- and materials-intensiveness and a rise in the efficiency of the consumption and export of chemicals and metals;[17] a saving of investment and foreign-exchange funds, a solution of environmental protection problems etc.

An important course to be pursued in order to reduce the energy-intensiveness of production in our industry is improvement of the intrasectorial structure of production, and especially the development of technological specialization in the metallurgical and chemistry industry within the framework of CEMA, putting into practice the principle of bringing energy-intensive types of production processes (or production stages) closer to the sources of energy. Great possibilities along this line are offered us by certain proposals of the USSR, for example: the construction on their territory, by the joint efforts of interested CEMA-member countries, of a large-scale metallurgical plant based on the Kursk Magnetic Anomaly, with the countries participating in this construction project each to receive cast steel slabs and plants to be constructed in them with an incomplete metallurgical cycle for rolling capacity only; the supplying of ammonia, methanol, polyvinyl chloride and polyethylene by the Soviet Union to interested countries in return for less energy-intensive goods such as dyes and intermediate products, chemical plant protectants, textile auxiliary materials, chemical additives for polymers, fine plastics etc.[18] Participation in these integration measures would create the objective possibility in future of our not developing energy-intensive production processes in metallurgy (cast iron and steel production), but only rolling capacity, as well as less energy-intensive types of chemical production processes.

Second, cutting down the ratios of energy and fuel expenditure per unit of output.

Cutting down machinery-to-output ratios by the reconstruction, modernization and improvement of existing equipment and manufacturing processes is of special significance for our country due to the fact that Bulgarian industry, as we have already emphasized, has expenditure-to-output ratios considerably less advantageous than those in the developed socialist and capitalist countries. Moreover, these measures require relatively smaller expenditures and shorter implementation periods. Of great significance in this area, especially for the longer term, will be Bulgaria's participation in the measures envisaged in the DTsPS for the creation of new progressive technologies and equipment for energy-intensive production processes, transportation, municipal and domestic services etc.

Third, cutting down the losses of fuel during its transportation, storage, loading-and-unloading operations and use, including seeing to leak-tightness of pipelines, the creation of improved loading-and-unloading machinery and instruments for monitoring the condition of fuel in storage tanks. The development of cooperation among CEMA-member countries in the development and introduction of additives for liquid fuel types that will assure their more complete combustion, as well as motor oil additives, improvement of the supply organization etc.[19]

Fourth, use of the secondary energy resources of industrial enterprises. Solving these problems requires specific technical and organizational conditions. What is necessary above all is intensified economic research and solution of the questions: Which of the technically possible utilizations of secondary energy resources is economically advisable? What is the efficiency of using different types of secondary energy resources from the viewpoint of an inventory thereof and the sequence for bringing them into production etc.? Of great importance in this connection is cooperation among the CEMA-member countries within the framework of the CEMA Committee for Material and Technical Supply in order to accomplish the package of measures and proposals for the rational and economic utilization of material resources.

Improving the utilization of energy and fuels and cutting down the energy-intensiveness of production help solve the resources-balance problems involved not only in meeting current and long-term energy and fuel needs, but also in raising the efficiency of social production. According to calculations made in the USSR, expenditures for implementing measures to save energy resources are two to three times lower than the expenditures for an equivalent increase of energy and fuel production. In addition, more rational use of nonrenewable natural energy resources is made possible. Questions of environmental protection etc. are solved better, too.[20]

Solving the energy problem qua one of the limiting factors of economic growth will depend in great measure on the extent to which we solve the questions of improving energy and fuel utilization and cutting down the energy-intensiveness of Bulgaria's national income, interalia on the basis of strengthening our participation in socialist economic integration.

FOOTNOTES

1. "K 30-Letiyu Obrazovaniya SEV, Narodnoye Khozyzystvo Stran-Chlenov SEV.--Statisticheskiy Sbornik" [On the Thirtieth Anniversary of the Formation of CEMA. The National Economy of the CEMA-Member Countries. Collection of Statistics], Moscow, 1979, pp 21, 93.

2. See N. Todoriev, "Participation of CEMA-Member Countries in the Development of the Power Complex of the Bulgarian People's Republic," EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV [Economic Cooperation of CEMA-Member Countries], No 2, pp 73-77.

3. "Narodnoye Khozyaystvo Stran-Chlenov SEV v 1979 g." [National Economy of CEMA-Member Countries in 1970], Moscow, 1980, p 20.

4. For example, comparison of the growth in total energy consumption with the growth in gross national product in the developed countries during the 1961-1976 period shows us the following results (growth of gross national product = 1): Total for member countries of the Organization for Economic Cooperation and Development (OECD), of which the Western European capitalist countries, the United States, Canada, Japan, Australia and New Zealand are members 0.97; including the European Economic Community (EEC) 0.95); for the United States 0.97; for Japan 0.93, (P. S. Neporozhniy and K. D. Lavrenko, "Problemy Zarubezhnoy Energetiki.—Energetika Mira" [Problems in Foreign Power Production], Moscow, Energiya, 1979, p 5).

5. Calculated according to the data of Table 2.

6. Ye. Vorob'yev and B. Kheyfets, "Otraslevaya Struktura Khozyaystva Stran SEV i Nauchno-Tekhnicheskiy Progress" [Sectorial Structure of the Economy of CEMA Countries and Scientific and Technical Progress], Moscow, Nauka, 1979, pp 85-86.

7. "Narodnoye Khozyaystvo Stran-Chlenov SEV v 1978 godu.—Statisticheskiy Sbornik" [The National Economy of CEMA-Member Countries in 1978—Collection of Statistics], Moscow, 1979, pp 225-231.

8. For example, the expenditure of coke to produce 1 ton of cast iron in Bulgaria in 1978 was 678 kg, while in some developed capitalist countries it was, respectively, as follows: Belgium 523 kg, Sweden 508, France 492, Luxemburg 487, FRG 486, Austria 463, Japan 429, Holland 428 kg/t. (European Economic Commission, "Rynok Produktov Chernoy Metallurgii v 1978 godu" [Market for Ferrous Metallurgical Products in 1978], United Nations, New York, 1979, Table 16).

9. The ratios will be, respectively: rolled ferrous metals 0.49, nonferrous metals and alloys 0.12, plastics and synthetic resins 0.49 etc.

10. A. Kotlobay, V. Zanadvorov and V. Khutorskiy, "Hidden Imports of Energy into the United States: Calculations and Results," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA [World Economics and International Relations], 1977, No 3, pp 127-131.

11. Bulgarian per capita reserves of conventional fuels are eight times less than world reserves and nearly 50 times less than the average reserves of CEMA-member countries (N. Todoriev, "Report to the 14th Session of the National Assembly," OTECHESTVEN FRONT [Fatherland Front], 29 October 1980.

12. N. Todoriev, "The Participation of CEMA-Member Countries in the Development of Bulgaria's Energy Complex," EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, 1979, No 2, p 74.

13. CEMA Secretariat, "Sotrudnichestvo Stran-Chlenov SEV v Toplivnoenergeticheskikh i Syr'yevykh Otraslyakh Promyshlennosti" [The Cooperation of CEMA-Member Countries in Fuel-and-Energy and Raw-Materials Sectors of Industry], Moscow, 1978, pp 34-35.

14. N. Todoriev, "The Participation of CEMA-Member Countries in the Development of Bulgaria's Energy Complex," EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, 1979, No 2, p 75.

15. Calculated according to data in "Razshireno Sotsialistichesko Vuzproizvodstvo v NRB" [Expanded Socialist Reproduction in the Bulgarian People's Republic], KESSI [Committee for Integrated Social Information System], 1979, pp 236-237; "Statisticheski Godishnik NRB" [Statistical Yearbook of the Bulgarian People's Republic], 1979, p 146.

16. Production of the basic types of output per worker in shops of the metallurgical plants in our country as compared with those in the USSR in 1977 is characterized by the following data (production per worker in the USSR = 1): cast iron 0.25, coke 0.23, open-hearth steel 0.24, rolled products 0.54, tubes 0.65 (calculated according to data in Informstal' [expansion unknown; possibly Steel Information Bureau], Appendix to Technical and Economic Survey "Chernaya Metallurgiya Stran-Chlenov SEV i SFRYu v 1978 g" [Ferrous Metallurgy of CEMA-Member Countries and the Socialist Federal Republic of Yugoslavia in 1978], Moscow, 1979, pp 5-6.

17. Of interest to us in this area is the experience of Hungary. By 1990 the production of rolled ferrous metal products is expected to increase about 25 percent over 1978, while the share of steel products of high-quality and alloyed steel is expected to double. The volume of exports of rolled ferrous metal products to capitalist countries will hardly increase in physical terms, but in value will increase significantly as a result of the change of product line and the quality of exported metallurgical products. (IMOSI [expansion unknown], Information Center, VUNSHNOIKONOMICHESKA INFORMATSIYA (DULGOSROCHNI PROGNOZI) [Foreign Economic Information (Long-Term Forecasts)], 18 May 1979, p 173.

18. "Kompleksna Programa za Po-Natatushno Zadulbochavane i Usuvurshenstvuvane na Sutrudnichestvoto i za Razvitie na Sotsialisticheskata Ikonomicheska Integratsiya na Stranite-Chlenki na SIV" [Comprehensive Program for Further Expansion and Improvement of Cooperation and for Development of Socialist Economic Integration of CEMA-Member Countries], Sofia, Partizdat, 1971, p 89; EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, 1976, No 4, p 13.

19. N. Martynov, OB"YEDINYAYA USILIYA V RAZVITII MATERIAL'NO-TEKHNICHESKOGO SOTRUDNICHESTVA STRAN-CHLENOV SEV [Uniting Efforts in the Development of Material and Technical Cooperation of CEMA-Member Countries], 1979, No 2, pp 34-38;

Yu. A. Pekshev, "Dolgosrochnyye Tselevyye Programmy Sotrudnichestva Stran-Chlenov SEV" [Long-Term Specifically Targeted Program of Cooperation of CEMA-Member Countries], Moscow, Nauka, 1980, pp 83-87.

20. V. Kleshchev et al., "Toplivno-Energeticheskiy Kompleks—Baza Razvitiya Narodnogo Khozyaystva SSSR" [Fuel and Energy Complex the Basis for the Development of the National Economy of the USSR], Moscow, Znaniya, 1980, p 60.

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MINISTER ANALYZES FINANCIAL POLICIES FOR SIXTH FIVE-YEAR PLAN

Budapest PENZUGYI SZEMLE in Hungarian No 8-9, 1981 pp 581-588

[Article by Dr. Istvan Hetenyi: "Concerning the Financial Policy of the Sixth Five-Year Plan"]

[Text] Financial questions are arousing ever increasing interest but we rarely have an opportunity to conduct a dialogue about practical or theoretical questions concerning financial policy at a professional forum. In general, however, there is increasing need for a dialogue in the development of economic policy. The adoption of the Sixth Five-Year Plan was preceded by a number of debates. Despite this there is usually a little more said from the podium at such exchanges; the exchange' character is not fully developed.

Our conference can build on the fact that the Sixth Five-Year Plan was recently adopted; as part of this we worked out financial policy in relative detail, some parts of it in various forms, and the chief thesis of it have been published as part of a law. It is favorable that the Sixth Five-Year Plan has the character of saying more than heretofore about policies, about the intentions of economic guidance including how it wants to solve or realize problems. That is to say it is not exclusively a prescription or centric plan; it contains a balance of "what" and "how."

The fact that there is an approved plan relieves me of the obligation of reporting on financial policy in a comprehensive way. I will deal only with some of the chief questions. In the course of this I would like to say a few words about the economic processes of the past year, about how we should evaluate them from the viewpoint of financial policy. This is an important question because the October 1977 resolution of the Central Committee, which dealt with the strategy of economic development and of transforming the economic structure, and the December 1978 resolution, which defined concrete guidelines, were, perhaps, realized for the first time in 1980 in a complex manner and on a broad scale. It is not simply that the prescriptions of the plan were adapted to these guidelines but rather that in 1980 we took a very big step toward the development of a price and financial regulating system which, in my opinion, embodies to a very large degree the regulatory requirements of the Sixth Five-Year Plan period.

I will stress a few questions which are worth debating because, fortunately, this conference is taking place at a time when the sixth five-year plans of the enterprises are not yet entirely finished. The enterprises also have already formulated

guiding principles but the debates of the conference can still offer aid to the preparation of the enterprise sixth five-year plans and of the financial chapters therein. The period ahead will produce tasks and action programs for those working in the budgetary sphere also. At the same time, in one respect I will greatly limit what I have to say; I will not deal with the financial aspects of standard of living policy or social policy. Let us stick with management, whether it be enterprise or budgetary management.

The financial policy guiding principles designate tasks and intentions, and if we talk about these intentions we must first of all have a correct judgment of our situation. This is true for enterprise planning also. I feel that in rather many areas enterprise planning for the sixth five-year plan period shows this weakness, that there has not been everywhere a basic survey of the real situation of the enterprise. (The market situation of the enterprise, its competitiveness situation, how it meets the efficiency requirement, and from this viewpoint, is it on an upward path or is it threatened by the danger of slipping.)

The year 1980 is the base year of the five-year plan--insofar as it is correct to speak of a yearly base. Our economy can be evaluated only as a process and not statically. If we look at last year as part of a process many positive features can be shown. If we compare it to 1979 then two main achievements must be evaluated very positively:

-the strengthening of the economic balance, more narrowly of the foreign trade balance; and,

-the stabilization of the standard of living.

This is a success and progress as compared to 1979. The fact that we achieved an improvement in the foreign trade balance not for one but for 2 years running is a reassuring beginning and cannot be regarded merely as luck or chance. I regard it as progress that we made substantial changes in regulation, not only in scale but in the system too. The work is not perfect, but there has been a substantial change primarily in price and financial regulation, strengthening the normative elements. Obviously there is need for adjustments, for refining the system; we must strive to broaden its effective sphere. We did all this in such a way that the transition--such as the first quarter processes or the first, second and third phases of the price corrections--took place, if not with complete success, at least without shocks which seem superfluous; practice in 1980 did not go beyond the permissible unevenness and disturbance.

If we look at 1980 as part of a process then the question arises: Did we accomplish our unavoidable task in improving the economic balance? We cannot say yet, but at least we can speak of a not bad beginning. I am convinced that the guiding organs and the enterprises proved capable of learning. We now do business more constructively than at the beginning of 1979. This too is progress. What was unsatisfactory in 1980, and what we must achieve in the Sixth Five-Year Plan, is to realize growth and a strengthening of the balance at the same time. Our economy did not grow in 1980. I deliberately do not say that it did not develop, because I am convinced that there was devlopment! But the absence of growth indicates a problem. It is not a problem because we are pursuing growth but rather because we must think of two things. The frst is that, unfortunately, the external conditions for economic development do not promise to improve in the future. The capitalist market situation, the world money market situation and a few phenomena within CEMA as well point to

hard, even increasingly hard, conditions. The problem today is that we cannot measure improvement simply in relation to the past. We must see if we can keep up with changing conditions, or anticipate them, or get ahead of them. What was enough yesterday is too little today and what is satisfactory today will not meet the needs of tomorrow! The question of growth is also significant because we cannot cover a permanent balance plus a stable standard of living by reducing accumulation forever. I consider the reduction in accumulation in 1980 to be positive in the given situation, it helped strengthen the economic balance, but naturally we cannot live on this throughout a five-year plan.

We should not make a global judgment of the fact that we did not achieve growth in 1980. One not rarely hears the opinion that since the economy did not grow the foreign trade balance improved because and only because internal use decreased. Consequently, the improvement which has been achieved thus far in the foreign economic balance was exclusively due to limiting distribution. I feel that this view is not correct. It may be true in the balance sense but it is not true in the economic sense. We did many calculations in the thirtieth year of the planned economy on how a cutback in internal use improves the balance of payments. In general, we got the result that--ceteris paribus--only the smaller fraction of the savings can be realized in improving the foreign trade balance. If the two processes are of equal size today, if they balance one another out completely, then how could there have been a reduction in use together with structural changes?! And there has been structural improvement, as is shown by the increase in capitalist export, because the 16 percent increment, as measured in dollars, is not small. Nor is it a matter of no importance that the terms of trade improved in 1980; and this is not simply the unexpected gift of the world market. It is a reflection of improving enterprise work and was accompanied by cutbacks or reductions, by changes up and down, in a number of areas. These are those new phenomena which must be strengthened.

There is another scruple based on the fact that in 1980 enterprise profits were the size planned by the balances of the people's economy whereas production was smaller than planned. The question arises: Isn't there some laxity in regulation? I admit that ther is some laxity in connection with price generation and some supports. In a few cases we overestimated the justification of the demand for preferences. We must do everything to reduce the exceptions deviating from the regulators, exceptions which prove unjustified. But since the net national product increased by almost 5 percent at current prices while profit decreased by 2.7 percent and the centralized part of this increased by 1.9 percent, we did succeed in reducing withdrawals outside of the profit tax and we reduced supports even more. It is significant progress that four-fifths of the supports are linked to final use and the great majority are normative. These are favorable phenomena. But it really is thought provoking that--if we except the agricultural producer cooperatives--there were virtually no deficit enterprises in the country, the financial situation of the enterprises (liquidity) is outstanding, etc. Not one of us can believe that the efficiency of every enterprise today meets the actual requirements. Here, primarily, is where we find the weakness or laxity of price and financial regulation! Still, as a whole, it can be said that the initial conversion progressed further in 1980; the present regulator system and the Sixth Five-Year Plan point out a definite path. I would like to emphasize this because it is frequently said that "there is very great uncertainty." I say definitely that what we have set down in the Sixth Five-Year Plan and in financial policy shows where we must go. Certainly there is much uncertainty on the internal and external market and in a few other respects as well. But frequently those who complain of it are uncertain of themselves. The path is

there; one need know only how to follow it. Szecheny said of the Hungarians: "They know how to create a thing, but they do not know how to maintain it." So this is the most difficult question today, to apply our present regulatory principles more consistently year by year, and not less consistently. This is an extraordinarily difficult task, but we can give ourselves no other goal. It is not enough to hold the position won, because if we do not go forward we will slide backward. Constantly new and progressive steps are needed just to stay at that level of competitiveness where we are today, not to speak of moving on.

In addition to the frameworks of the plan I would like to emphasize the following tasks in financial policy:

-The financial regulators should express the changes in requirements in every period and although we are much criticized for the frequent changes in regulators I must stress that a delay in making changes is just as much a mistake and crime as running ahead;

-We must ensure in financial policy that there by sufficient centralized income for structure policy and social policy (of cource, we should not imagine structure policy to consist of state money only);

-We should do all this in such a way as to strengthen the incentive force of the financial system. This cannot be done without differentiation; it cannot be done without demanding a more uniform standard.

Financial policy should not be regarded as some sort of specialized question. It is part of economic policy and part of the plan. It would not be good for the financial experts to feel that they were only financial experts, whether in a state organ or an enterprise. There is a state and an enterprise organizational breakdown, but the view that the shoemaker should stick to his last is very harmful here.

The role of financial policy is growing because the role of commodity-money relationships is growing. To the extent that the sphere of commodity-money relationships expands the role of financial policy will strengthen and financial tools will have a greater effect and influence on economic processes. It follows from this that the role of the financial cadres broadens also, at least in regard to prices, markets, costs and the organization of management, without which one cannot do financial work.

The Sixth Five-Year Plan clearly defines those directions and frameworks within which we work. I will refer here only to a few aspects which are important from the viewpoint of financial policy. The decision making responsibility and possibility of the enterprises in developments is increasing; this involves a certain self-financing, including the role of credit and the credit sphere. The share of the budget, in regard to income, must be increased and it may be useful to reduce the ratio of state financing in reagard to final use. We must improve the budgetary balance, the balance of state finances. This is not a fiscal approach but it is necessary because without this there will be no money for enterprise structure policy and it will not be possible to ensure, in the national income, that balance of production and use which will make it possible to improve the foreign trade balance.

The plan points the way. In the first place we must improve the balance of supports and withdrawals, because the role of the budget in consumption cannot be decreased. The role of budgetary financing can be reduced in regard to accumulation but this is not a sum sufficient to entirely order state finances. The development of the past 10 years shows that the balance of withdrawals and supports has developed unfavorably. This is a structure policy question also, because what is behind it is that we are taking from those who manage well and giving to those who manage badly.

Let me make special mention of a few problems. Within the frameworks of the five-year plan we are counting on an annual 7 percent income growth, with no increase in the volume of investments, with social allotments increasing proportional to the income growth of the people's economy and with the budgetary organs able to increase their expenditures by an average annual 7 percent also. Within these frameworks how can be encourage efficiency and a transformation of the structure? I feel that this question is very much a matter for financial policy, but it is not only that. It is a question for guidance, leadership, and cadre work as well. Financial decrees and regulators do not live by themselves, they have an effect on the actions of people. We should see that they have an effect on the actions of sensible people, stimulating sensible people to sensible actions. What is most essential is that we ensure what comrade Kadar said: "He who works will prosper." Applying this to enterprises I would like to say that our chief principle is: "He who is efficient will prosper." In this area there are rather many charges against financial regulation. Many frequently say that it is not certain that he who is prospering is efficient. This is partly true. We should strive to put an end to the causes of the criticism.

One target of the criticism is the base view, that is the situation of incentive. The customary charge against us is that he who develops is not he who is efficient but rather primarily he who created a low base. This, of course, is nothing new for even in the Bible story there is greater joy over the Lamb that was found than over those never lost. In connection with the base view we commissioned the Financial Research Institute to make a broad study. According to this study it is not possible to avoid a base; value judgments are always given by comparison. If someone is good, better than the others, this is a base. But various types of base are possible. They used to say that the trouble with us is that we look only at how much one has developed in comparison with the past. But another base is possible and many demand the application of, for example, what one has to show in comparison with the average. Foreign competitiveness is also a base. A comparison with the past need not be the chief standard. It might be better to make the standard profitability as compared to the average. The study of the Financial Research Institute also showed convincingly that the problem is not that there is a base--this is unavoidable--but rather that we should fight against the "base view" where--because this is where it is harmful--a comparison to the base encourages irrational acts, such as setting apart reserves or striving for apparent achievements.

We have already taken steps against the irrational base view and irrational interest, for example in the generation of the R fund, rules for use of price risk funds and reserve funds, putting in order deficit enterprises or enterprises short on funds and in income regulation. We built in a number of such elements this year also and we are ready to take all further steps which do not lead to a relaxation of the requirements. We must be open to the new, but not to laxity. Thinking of the last stage of enterprise planning I would like to mention something. Profitability is not enough for the good management of an enterprise. One frequently hears that there are a lot of profitable ideas, why not provide credit for them automatically,

if possible up to 100 percent since they do not have their own resources available. In addition to the efficiency requirement a dynamically interpreted enterprise financial balance is also essential. Even profitable enterprises must avoid the danger of undertaking too much.

It is indispensable that we go further toward uniformity and normativity. Price policy is in first place. If we do not make progress toward realizing the price principles then it will be very difficult to make progress elsewhere. We must gradually reduce the ad hoc preferences built into the prices, not those preferences which serve efficiency. In the absence of this it will not be possible to carry out sensible financial regulation.

The next question is income regulation, uniformity in taxing profits. We have made much progress in this area also but there is still much to do. I do not want to go into details on this now.

Speaking of supports there is always general agreement that action must be taken, until we talk about individual, concrete cases.

The question arises that there are certain activities which we "must support." I do not deny this, because we are doing it. But I would like to clear up how we understand what it is that we are doing. Some consider it natural that there are supports. They regard supports as the natural and eternal concomitant of certain activities. For example, we "must" support the cement industry and the brick industry. I do not share this view. Such a supports philosophy is harmful because without long-range advantages it decreases the incentive for effective development. If we accept the fact that certain supports are objectively justified then I would certainly add the following stipulations.

1. Certain supports may be justified because we are giving preference to some goal in the plan and the form in which this manifests itself is some sort of support (for example, an investment improving exportability). Many debates come up: Why just exports, why not imports? I see supports to encourage export as natural primarily. There are two questions to be considered:

-He who undertakes export is assuming a greater risk than he who undertakes to replace imports;

-The structural requirement is greater and more guaranteed.

Certain concessions could be given to someone undertaking to replace imports also, but I am not convinced of the correctness of all of them. Replacing existing capitalist import is certainly a structural development, but the risk factor is much smaller and the price generation conditions are not the same, so only a smaller easing is justified here.

We must distinguish this from the case where they ask us to give preferences for developments which will avoid or anticipate imports, saying that if the development is not realized there will be a need for capitalist import. In my opinion preferences should not be given for this because, actually, every development is of this type: It is another question whether the financing system for investments is suitable for the realization of viable proposals.

2. The continual support of certain branches is possible temporarily, if this is tied to a requirement advancing efficient structural change.

3. In the case of every other preference it is more desirable tc support the user than to support production.

It is part of financial policy to strengthen the decision sphere, authority and possibilities of the enterprises together with the concomitant enterprise responsibility. He who has the background can make significant decisions. A further development of financial regulation in this direction is justified. The question of investments comes to the fore especially in connection with this theme. Everyone knows that we will not exactly be rolling in investments; in the next 5 years we will invest sabout as much as in the last 5 years. Even so this investment volume is not insignificant; a no small part of the fixed assets can be replaced and significant new developments can be carried out. The value of fixed assets will increase 20-25 percent. It is a favorable aspect that the predetermined nature of the investment process will be smaller than it was in past years and that investment demand in the past 2 years did not exceed the possibilities. But we must avoid a great new surge in enteprise investments. When planning enterprise investments the enterprises should consider together three requirements:

-Developments should be carried out in harmony with their existing and realistically foreseeable resources;

-They should initiate effective investments; and

-The investments should be more market oriented.

Even today investment work is frequently very protracted. We frequently hear that one must prepare an investment for a long time, but this does not necessarily mean many years. In addition the realization is often slow and it is not rare for some developmental idea to be set aside for a time and then taken up again later. It is not certain that every good idea can be put off for the future. Among other things this is what I mean by the market oriented investment concept. I feel that it would be very harmful to investment policy if the investments realized and being realized were not favorable from the viewpoint of market orientation.

Questions connected with foreign trade are part of the question of enterprise decision making and responsibility. Regulation is not in an easy position because we are linked to various markets and the ruble and non-ruble accounting relationships are very different, especially from the viewpoint of financial and price conditions. With our financial policy we want to ensure that we aid our CEMA orientation. This is aided by the fact that we try to realize every international cooperation question primarily with CEMA countries. This is served by plan coordination with the CEMA countries. Adhering to the agreements is our first priority interest and obligation. Financial policy should ensure the appropriate possibilities for an interest in their fulfillment. We have many sorts of tools for this already but since we find that they do not always work with the desired effectiveness we must strengthen them at several points. Progress should be made primarily in coordinating the interest relationships of exporters and importers participating in the exapnsion of foreign trade. Rate of exchange policy is the question mentioned most often when speaking of capitalist market contacts. We have developed such a policy and published the

pertinent provisions. We will conduct a rate of exchange policy which is active, based on improving efficiency and which puts a brake on world market inflation and so, in all probability, it will be midly revaluative. This can be predicted in the enterprise plans and we will try to provide a suitable, flexible freedom of movement for this with rate of exchange insurance, time limit deals and other measures.

Finally, I would like to mention two questions simply to call attention to them.

The adaptability of those enterprises which must realize economic development depends on, among many othe things, the openness shown in organizational questions. We are trying to provide better conditions for this. A development has begun in recent years. I am thinking here of the associations and of the spread of foreign trade righs. We are dealing with new forms of small and medium factories and with a regulatory system for them. We are thinking of aiding more flexible changes in sphere of activity. In addition to all this I would like to emphasize the significance of a development of the internal interest system for large enterprises. It is possible to blame the regulators for many things but there is much flexibility and incentive force realized in the economic regulators, despite all the problems, for larger organizations and only a small part of this gets through the factory gates. This is not satisfactory, there is a backwardness here, although it is true also that not only the leaders of the factories are to blame for this. A role is played by being bound to petty ministerial guidance also.

The other question is cost management. This is not simple and in addition for a long time it was not a fashionable question. In the 1950's there were overhead plans, plans to reduce overhead, comparable production overhead reduction plans, etc., but because of the circumstances these concepts have been disqualified. But overhead itself, as one element of competitiveness, has not been disqualified! Financial workers could do much for this business and they must deal with it not only because energy has become immeasurable more expensive and probably will become even more immeasurable expensive. There can be no plan or production which does not reckon with such cost factors and does not try to avert the consequences of them.

The question of efficiency and of the balance is not only the affair of the managing enterprise sphere so--even if briefly--I would like to emphasize the tasks of the budgetary sphere also. Here also there are questions of efficiency and financial policy, because the budgetary institutions carry out very serious and politically extraordinarily sensitive functions. We have very much to do to call attention to the most important questions and carry out the entire activity in the most rational way. These two questions define the tasks of workers dealing with the higher level budget and with the budgets of institutions too. This is not simply a question of thrift, although we must be thrifty, this is natural. The basic question is: Do the budgetary organizations manage according to the appropriate priorities? The people's economy has priorities--housing, general schools, health affairs--but there are priorities within these too, for example, rational maintenance and the development of organizations capable of integration and efficient management. It is not necessary to shuffle money here and there, money which does not flow freely from the state budget; rather, there should be a joint development with rational organization, rational manpower management and rational utilization of capital. This is where we should concentrate what we call an action program.

The introduction of a new budgetary management system, which is a process lasting several years, is another question. We are at the fist steps of the first phase; the experiences of this will be of interest to the conference.

Finally, let me return to the regulator system introduced in 1980, which I twice called the clear foundation, in many respects, of the regulator system we want to apply in the Sixth Five-Year Plan. This does not mean that we need not think of some rather significant developments. Let us deal with the possibility of a further improvement of regulation. The State Planning Committee also designated a few themes on which we must work, such as:

a. A development of the incentive system, in a broad sense, not only from the technical financial side;

b. Improving the adaptability of the enterprises; how they can react better to changing conditions, and in this connection a study of how to eliminate the braking elements of the base view;

c. Assets flow, capital allocation, financing accumulation, where we intend a great role for various joint actions, associations and joint organizations in which the enterprising spirit is most prominent.

We know that every type of regulation, even that felt to be the best, is realized through human factors, so even the most circumspectly developed regulators are not capable of bringing appropriate results without careful cadre work and leadership work. We must believe that, giving our capabilities greater scope, we will be able to eliminate or avoid the obstacles standing in the way of rational action.

8984
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TRADE UNIONS BECOME MORE ASSERTIVE, WRITER CLAIMS

Budapest NEPSZAVA in Hungarian 3 Oct 81 p 7

[Article by Istvan Fuzesi: ["The Trade Union Expresses Its View"]

[Text] Personnel and cadre policy measures were adopted between the 1 June 1975 and 1 July 1977 appointments (for example, advantages were given to external personnel in appointments of the expense of the senior guard members, and the creation of unjustified jobs, groups and classes) by which workers' morale deteriorated significantly at the Budapest factory site, and because of the regroupings in certain areas an excessive psychological burden was placed on the reduced force.

The above-named masures clearly resulted in a bad plant atmosphere, and caused uncertainty and restlessness among senior guard members.

The activities of the managing director's last 3 months--relatively positive--were reviewed by the KGM [Ministry of Metallurgical and Machine Industries] examiners and by the coordination executive committee. We assume rightfully that at some point of time the negative leadership principles followed in 1975-1976 will again be realized.... Despite the favorable changes which have taken place in the past 3 months, we see the way out only with a new managing direct."

"This excerpt is from the 4 October 1977 issue of the trade union committee's bulletin," says Janos Manhertz, then the vszt [factory trade union committee] and now the uszb- [expansion unknown] secretary of the Budapest factory unit. "The case is an extreme one, to be sure, but perhaps it shows convincingly that the views of the trade union regarding the work of the managers do not remain useless, and when we have sound reason for criticism we do not flinch, no matter who is involved."

Theory and Practice

Thus our subject is the expression of opinion on the work of the managers, for the review of which I asked for the help of three chief stewards. Bela Prim, locksmith and manager of the machine manufacturing group and, as he adds, a shop foreman in his third office, openly expresses doubts:

"It is a bit premature to speak of this. The managers and the trade union activists are only now learning the new forms of partner realtionship. To put it this way, we are tasting our brew, and trying to find the essential points of the realtions."

"In the abovementioned account, the trade union committee sharply expressed its opinion of the manager, and the leading manager at that. Hasn't your basic position changed since then?"

Janos Manhertz replied firmly:

"No! But in the present leadership there is hardly the same area vulnerable to criticism."

Gyorgy Lukacs, the group leader of the design department, adds:

"This is true, but there is still some subject for debate. There wouldn't even be much sense to expressing views on the economic leaders if we could discharge this opportunity with one summary. We are speaking of much more, of jointly judging the situation whch develops in the course of the daily work and which closely affects both sides."

Bela Prim added this to what his colleague said:

"It is from this that one can best learn about what I spoke before. Theory is only a kind of dummy model which can be dressed up with the practical experiences that are filtered through daily."

Agreement and Expression of Opinion

Examples, incidents and stories flow easily from the partners in conversation. Gyorgy Lukacs recall[ed in this manner] a situation which was quite common formerly:

"There are many who know that I am a disputatious sort of person who is not silent when he believes a wrong decision has been made. I have never suffered any harm from this, and I do not think it likely that I will suffer harm in the future either for this reason. It is the following that I proclaim the most often and emphatically: The manager, no matter at what level, should never face the steward, or in my case the chief steward, with an accomplished fact. What am I thinking of? For example, of wage development which causes the greatest problem. This year, too, it has happened that without asking me they gave raises to such people as did not deserve them. Of course, I rejected them, not because I have rights but because honorable workers would rightfully have felt themselves deceived."

Janos Gyorok, the chief steward of meo [department of quality control] kept nodding his head in the affirmative.

"I regard it as this kind of error also when a manager commits himself in some matter where we also have a concern, and does not ask our views first. In such cases, we expect "flexibility" from him, obligatory agreement. I know it is not entirely clear yet to every manager when he must ask for the agreement of the trade union, and when knowledge of our views is enough. It would be best if they learned this as soon as possible so that it will not be necessary to blare the members of the trade union committee together all over the place."

Janos Manhertz reeled the line further:

"It is certain that some managers still have something to learn from the trade union "syllabus." The economic leader of one plant established a higher wage for a new worker than was earned by those working there a long time. Of course, we intervened, and the man did not even know that the agreement of the stewards was necessary in such cases."

"You are the "cream" of the factory trade union who by virtue of your office have communications with the managers. Thus you have every opportunity to form an opinion quickly. That is, you are partners. But what is the situation with the workers? To what extent do they believe that this right to give an opinion really means something? To what extent do they regard the stewards as representatives of their opinions and interests?

Janos Gyorok replied:

"The question is to what extent do the people believe in us, in our rights to express an opinion? We believe that the managers will gradually accept and understand the substantially greater role of the trade union, and its influence in our daily lives. It is we, the officials, who must show that our words and our views carry weight. We cannot expect fast, spectacular developments in the matter; this would be politically naive. In respect to the question regarding the stewards, they are no longer regarded as "rubber stamps." It is true that they are still sought out most frequently in smaller matters. A great deal of work has to be done before all the trade union officials are truly recognized by the voters and the managers alike.

Cannot Dismiss It With the Wave of a Hand

"Let us return to our original subject. What kind of opinions have you formed this year of the work of the managers?'

"As usual, we put together the evaluation reflecting the views of the membership following the managing director's report on the previous year's plan. We here at the Budapest factory unit "got" the director at this place and three of his deputies. We tried to evaluate their work as we saw it."

"How did those affected take it?"

"One of them grumbled a bit, but then admitted we were right."

"When you drafted your opinion, were some stronger points of view expressed?"

It appeared that Janos Gyorok would like to reply more than anyone else to this question.

"We believed that the workers were interested perhaps the most in their relations with the managers, more precisely in the attitudes and styles of the people managing factory life. This is how it was, and therefore this is where we were the sharpest. Whoever the shoe fits, let him try to give less cause for criticism in the future."

"Would a few sentences have such a magic power?"

Three of them started to speak at once in what sounded as the same reply. Finally, they let Gyorgy Lukacs give the reply.

"There is no need for magic. The manager concerned understood himself why he was criticized, but because no one "officially" said anything he ignored it. It was our opinion, or the opinion of the trade union members, that made him confront this error and made him aware that others, too, knew of it. After that, he could no longer dismiss it with a wave of the hand."

6691
CSO: 2500/22

CURRENT ECONOMIC SITUATION REPORTED

Communique of 10 Sep 81

Krakow GAZETA KRAKOWSKA in Polish 10 Sep 81 pp 1, 4

[Text] Agriculture

The digging of potatoes and beets has begun. Harvesting and shipment of second-mown hay is continuing. Pre-sowing and harvest plowings continue.

The sugar campaign has begun at several sugar plants in: Krasnystaw, Rejowiec, Witoszyce, Werbkowice. During the start-up of the Rejowiec Sugar Factory an equipment breakdown resulted in the poisoning of seven employees. After first aid was given, five persons were released and two employees remained in the hospital. Their condition was critical.

Livestock procurements continue to decline. Since the beginning of the year the plan was fulfilled 65 percent, which represents a 24-percent decline compared with a like period last year.

Consumer Market

Purchases of bakery goods continue to decline, especially in rural stores, e.g. by 40 percent in the Rzeszow Voivodship, by 20 percent in the Szczecin Voivodship, and by 10 percent in the Radom Voivodship.

The quality and variety of bakery goods are not improving due to, among other things, the shortage of appropriate varieties of wheat and rye flour.

The demand for wheat flour and groats is declining.

On the other hand, shortages of solid, semisoft, and cottage cheeses persist: the supply satisfies less than 50 percent of the demand.

The supply of detergents and soaps and articles of personal hygiene has not improved.

Cigarette supplies continue to be definitely inadequate.

Construction

In the building materials industry there is a continuing increase in the number of plants with breakdowns and disturbances in production owing to the shortage of raw and other materials and restrictions on electric power and liquid fuel supplies. The shortage of fuels and spare parts results in immobilizing part of the mechanized equipment. Stoppages took place at the Chemobudowa Plant and at the Industrial Installations Enterprise in Krakow, as well as in several enterprises of the Construction Association in Warsaw and at the House-Building Factory in Slupsk.

Communique of 14 Sep 81

Krakow GAZETA KRAKOWSKA in Polish 14 Sep 81 p 4

[Text] Industry

The Lublin Truck Factory discontinued the assembling of Zuk cars owing to the unavailability of brake lines. We used to import from France the tubes for manufacturing these lines.

At the Rosa Luxembourg Electron Tube Plant in Warsaw stoppages occurred in tube assembling owing to the unavailability of glass bulbs.

At the Flax Industry Plant in Zyrardow shortages of sodium chlorite resulted in the stoppage of the fabric bleaching department. The drastic decline in coal inventories threatens to shutdown production at not only this plant but also at two others--Stella and Poldres--which receive their supplies from that plant.

Lack of needles resulted in idling 115 machines at the Lowicz Stockings Industry Plant.

Owing to the limited output of artificial fibers, the output of brown pigment declined by about 60 percent in quantity.

Agriculture

So far potatoes have been harvested from about 20 percent of the area across the nation.

The 8 sugar factories that started operating in the Lublin Voivodship in the last 15 or so days have produced the first batches of sugar.

Consumer Market

In many of the nation's regions, e.g. in the Warsaw City, Chelm, Lodz, Rzeszow, and Zielona Gora voivodships the demand for bakery goods is not dropping. Nevertheless in several regions that demand has slightly declined. The quality of bakery goods still is not improving--this is due to the poor quality of the flour (Zielona Gora and Wroclaw voivodships) as well as to improper processing (Piotrkow Voivodship).

In many voivodships a low supply of detergents can be observed. A consignment of "Fala" detergent powders supplied to the Chelm Voivodship was found to be as much as 40 decagrams short per kg.

The problem of a special allotment of sugar for the nutrition of bees in the fall season still has not been solved.

To improve the supply of matches, provision for their import has been made from the GDR and the USSR.

Communique of 22 Sep 81

Krakow GAZETA KRAKOWSKA in Polish 22 Sep 81 p 5

[Text] Industry

Many enterprises (e.g. those of the machine-building and electrical engineering industries) continue to operate under production constraints. E.g. the Tape Recorders Plant in Lubartow will have to shut off its assembly lines owing to delays in the deliveries of imported shielding leads. The Grodzisk Heater Factory and the Radom Casting Plant have suspended the production of central heaters: daily production losses amount to 2,500 sq m of heat exchanger surfaces.

At the Plytolex Vulcanized Products Plant in Lodz the shutdown of the third shift is under consideration: even at two-shift operation the raw material stocks will last only until the end of this September.

The Doltex Cotton Industry Plant in Bogatynia has been forced by the unavailability of dyestuffs from the Lodz Chemikolor Plant to suspend the production of buffing cloths designed for exports to Japan (valued at 100,000 foreign-exchange zlotys).

At the Syntex Textile Industry Plant in Lowicz the unavailability of needles results in a continuing suspension of the operation of 115 automatic hosiery machines.

In the cement industry, power restrictions are resulting in a production shortfall of as much as 8,000 tons of cement daily.

Transportation

In many cities the number of immobilized vehicles is increasing owing to the shortage of spare parts and tires. E.g. in Warsaw 350 buses and 300 trolleys failed to leave their depots; in Szczecin, 125 buses; and in the Katowice Voivodship, nearly 35 percent of buses. This is causing problems with the on-schedule transportation of people to work places.

Agriculture

The pressure of private farmers for a takeover of land from socialized farms is acquiring various forms. E.g. in the Slupsk Voivodship about 50 percent of farmers who demanded the sale of 1,400 hectares of land from cooperatives and state

farms occupied the building of the Gmina Administration. As a result of negotiations, the voivodship authorities assured a partial realization of the requests of the farmers, provided proper submission procedures are followed. The occupation of the building was discontinued.

Consumer Market

Shortages of staple foodstuffs continue except for sugar. The first deliveries from this year's harvest have resulted in improvements in supply in every voivodship.

To improve the supply situation, the Ministry of Domestic Trade is negotiating with the Bulgarian partner to import about 2,500 tons of canned vegetables and meats for delivery this year.

1386
CSO: 2600/10

INITIAL RESULTS OF JULY LIVESTOCK INVENTORY REPORTED

Warsaw ZYCIE WARSZAWY in Polish 25-26 Jul 81 p 3

[PAP article: "Drop in Farm Animal Population; Preliminary Results of July Farm Inventory for 1981"]

> [Text] As reported by the Central Office of Statistics, the preliminary results of the farm animal inventory conducted by that Office during July 1-7 of this year indicate that in accordance with predictions, the population of these animals dropped in comparison with their count at the end of June 1980.

In agriculture as a whole, cattle population declined 6.7 percent, pigs, 13.3 percent, and sheep, 7.4 percent; in the nonsocialized economy, the drop was smaller, amounting to 3.8, 11 and 5 percent, respectively.

As of June 30th of this year, the cattle population in all of agriculture amounted to 11.8 million, including 5.8 million cows and 2.1 million calves. This indicates a cattle population drop of 850,000, including 200,000 cows, i.e., 3.3 percent, and 350,000 calves, or 14.3 percent. The present herds have the lowest share (18.2 percent) of calves over the last 7 years.

The drop in cattle population on a national scale occurred in all voivodships with the exception of Kalisz and Siedlce, in which an increase of 0.3 percent in relation to last year was noted. Declines below 3 percent occurred in 5 voivodships: Opole, Lomza, Leszno, Suwalki and Radom. The largest declines (of over 10 percent) took place in 10 voivodships: Chelm, Krosno, Przemysl, Zamosc, Bydgoszcz, Torun, Koszalin, Gorzow, Rzeszow, and Zielona Gora.

The pig population in all of agriculture amounted to 18.5 million, including 6.8 million piglets under 3 months, and 2.2 million brood gilts. The decrease in the pig population totaled 2.8 million, as compared with June of last year. The inventory of piglets under 3 months dropped by over 770,000, i.e., 10.2 percent; shoats from 3 to 6 months, by 1.2 million, i.e., 18 percent; and brood gilts, by over 240,000, i.e., 9.9 percent.

The considerably lower decline in brood gilts over April of this year (9.9 percent in June, 11.9 percent in April) and their highest share in the herds over the past 7 years, suggested that the farmers had begun the process of rebuilding the basic pig stock.

The decline in the pig population in June of this year, as compared with last June, took place in all voivodships. The lowest decline (below 5 percent) occurred in 6 voivodships: Lomza, Leszno, Poznan, Walbrzych, Siedlce and Legnica. Very unfavorable changes in pig population, as revealed by a drop of over 30 percent, appeared in the Krosno, Rzeszow, Przemysl and Zamosc voivodships.

In the nonsocialized economy, a weakening of the downward trend both in cattle and in pig populations is observed. This was shown by the lower decline of populations of these animals in June than in April, in comparison with the same periods last year. In cattle, the drop was 3.8 percent in June against 4.3 percent in April, and in pigs it was 11 percent in June, compared with 16.2 percent in April.

The sheep population in agriculture as a whole was 3.9 million, over 300,000 less than at the end of June of last year.

Results of the inventory of farmland areas in use and particular crops will be announced at a later date.

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Preliminary results of the June inventory of farm livestock are not, unfortunately, cause for optimistic forecasts on meat and meat products supplies, not only for this year, but also for next year. The very serious drop in 3-6 months' shoats (1.2 million), in comparison with the same period last year, will mean much lower procurement of pork animals for slaughter in the third and fourth quarters of this year. In turn, the over 770,000 lower population of piglets up to 3 months, will play an important part in decreasing the procurement of pork animals for slaughter in the first half of next year.

The situation in cattle raising and production of beef animals for slaughter is even more difficult. Since the total drop in cattle population was about 850,000, including 350,000 calves, the procurement of beef animals for slaughter next year will be much lower. Furthermore, the low number of cows (the population dropped by 200,000) and brood shoats (which dropped by over 240,000), very seriously reduces the production potential which is indispensable for rebuilding the animal farm stocks.

Under these circumstances, the statements by the Minister of Domestic Trade and Services on the television news report of the 23rd of this month regarding an improvement in pig production appears to have been too optimistic. True, in private farms a halt in the downward trend of animal production and some signs of its expansion, especially in pigs, is being seen, but we will have to wait some time for the results of this. Also, in the socialized farms, in which an increase in animal production has been compelled which exceeded their capabilities, the drop in population not only has not been halted but it continues to intensify.

Even if it were possible in all of agriculture to halt any further decrease in the animal population and immediately utilize all the potential to gradually expand animal production, by utilizing the calves, for example--with the very reduced number of cows and sows no improvement in supplies of pork for the market can be expected earlier than the end of next year; and actually, not until the turn of 1982-1983. And an increase in beef production will not occur until 1984, for those are the cycles of animal production, which cannot be shortened.

9295
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RECURRING PROBLEMS IN ECONOMY HIGHLIGHTED

Lagging Labor Productivity

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1600, 30 Aug 81 pp 23-24

[Article by Stanko Stojiljkovic: "Where We Are Lagging"]

[Text] We have machines like the Swiss, our workers are better educated, but still our productivity is a fraction of theirs. This is not a question for a quiz program, nor is the answer that we work less a sufficient one.

The Institute for Industrial Systems in Novi Sad has investigated this phenomenon and has gathered a great deal of experience from all over the world. In an interview with NIN Dr Dragutin Zelenovic, its director, who is a professor at the School of Engineering, offered us a terse answer to start with: "In the advanced countries those displaced from production by machines and automatic equipment are going into the planning and development sectors; but our people who were workers until yesterday become scribblers."

The subject of our interview removes the burden from the workers: they are the least to blame.

In seeking explanations we will have to penetrate something which is referred to in scholarly language as the production system. Once given its shape, whatever it is, it does not change, only the environment is subject to changes. Over a lengthy period of time, of course, some production systems are replaced by others, but for the sake of discussion we are looking at it the way it is.

The structure of work is changing constantly under the impact of changes in the environment, since there is a need to maintain productivity and economic efficiency. Events on the market compel such developments: Every moment new products are being demanded in small lots. It is at this point that a split occurs: Production systems are rigid, and the environment is urging adaptation.

Man Does Not Qualify

Man is inevitably being squeezed out of production proper. Scholars who are not futurists forecast that by the end of the century only 2 percent of the structure

of labor will be direct labor, the rest will be classified under the heading "indirect." Homo sapiens will not fulfill even the lowest requirements of the modern production process for several reasons: his strength is only 20 watts, which is equivalent to the weakest machine, his reaction time (a tenth of a second) is not good enough, his memory capacity is hopelessly small compared with the computer. Not to mention fatigue, sick leave, and absenteeism.

The direct producers will slowly and inevitably move over into the field of creation (planning and development), where probably not even the machines in science-fiction films will displace them. Another consequence is the growth of past labor.

"Unfortunately, our workers being replaced by the machines go into the office administration," Dr Zelenovic says. "And that is the principal reason why our productivity is lower, why it is not growing, but is dropping relative to the developed world, all the way from the work station to the level of society. What have we ascertained? If we examine the man-machine level, we have the same productivity as Sweden, West Germany and Switzerland, since the modern machines are the same, and our workers are even better educated.

"But already at the level of the factory productivity is two-fifths of what it is in those countries, since we have a high share of indirect labor which is routine and administrative, while in the advanced countries it is mostly represented by R&D work. Thus as we move toward society in general, this gap becomes broader and broader. There are data to the effect that our productivity is even between one-seventh and one-eighth of the productivity in the advanced countries."

A kind of conclusion immediately imposes itself: The principal battle for productivity must be waged for what is referred to as social productivity, and we must investigate why our indirect labor is unproductive rather than insisting on lowering the worker's quota ("which is often done").

World experience confirms that the development of the social services--education, science, health care and social security--has an essential impact on the level of the very process of production, on overall social development, and on the quality of people's life. Research in Norway (covering the period from 1900 to 1955), in Finland (1902-1952) and the United States (1909-1949) shows beyond question that if investments are increased by 1 percentage point, output rises 0.27 percent: if manpower is increased by the same percentage point, the growth of production is 0.72; but if the education of the labor force is improved by 1 percent, output increases 1.5 percent.

Integral Systems Support

Productivity is a worldwide topic. Which accounts for the abundance of research and attempts to find the best solutions. The basic socioeconomic postulates of our economic system facilitate a high level of efficiency in the use of labor, capital and other elements of production. Why is it otherwise in reality?

Dr Dragutin Zelenovic goes on to expound his thesis: The explanation should be sought on the one hand in the relationship between the production system and the environment and on the other in disturbances in the work process.

As shown by research, productivity in the first case is lower, since what is called integral systems support is lacking. That category encompasses money, raw materials, relations within the collective (motivation), maintenance, workplace health and safety, transportation, standards, expansion of the sphere of labor and support of public executive bodies. In the western literature this is referred to as logistics. Put in our own terms: modern systems are useless to us if there is no one to furnish the foreign exchange, the spare parts, the raw materials, the working capital and so on. Without social organization, it has been proven that productivity is no higher in the advanced countries.

This is precisely the reason why half of our factories are operating half-heartedly!

Research of the structure of labor in our industry has shown that the ratio of direct to indirect labor is between 30:70 and 35:65. Wherever technology is on a high level and where the working conditions are satisfactory, productivity is close to that in the advanced countries. Further improvements are possible only by purchasing newer technologies, and the constraints are well known.

The area of indirect labor, researchers of the School of Mechanical Engineering in Kragujevac believe, contains potential for higher productivity. And to a large extent these projects do not require investment capital.

At this point we go into the field of education, which has an important bearing on indirect labor. "We must devise the concept of future occupations," NIN's interviewee observed. "Changes in the share of various activities in the total social product in the moderately developed countries are also indicating to us that we must follow the same paths. The percentages are very illustrative: production 28 percent, transportation 7 percent, trade 9.5 percent, administrative tasks 12 percent, maintenance 9.5, planning 4.5, management 5, tertiary activities 21 percent. The share of tertiary activities is increasing all the time, and this is an area where we are very poor, though a way out is offered through ever higher employment. Machines will be taking over the main production process, and we must therefore seek out opportunities in the tertiary activities."

The Future: Smaller Factories

There are more and more notable people in world science who are arguing the thesis that the future of labor lies in smaller production units. General Electric of England has reduced all factories to a work force of 400. What they have achieved thereby, which we discussed in theoretical terms at the beginning, is that the production system is flexible and adapts more quickly to the environment. Such a system can survive longer and respond to the demands of the market.

Two essential conditions must be fulfilled: machines must be able to take a new product (and the present-day numerically controlled machines are such) and the time for transition to making a new product must not be too long (a few hours, not a few years). If the market wants Stojadins [punning nickname for the Fiat 101, signifying "100 troubles"] and the very next year the Jugo, the transition to the new product must be made without disruption.

Such a product (of course it will not be an automobile factory) has been developed by staff members of the Institute for Industrial Systems for the work organization Majevica. If the foreign exchange is available, the new production system will demonstrate its advantages a year from now.

"Small technological entities make it easier to manage the production process and to make decisions, and that means greater responsiveness to the demands of the environment," says Professor Dragutin Zelenovic.

Persistently Unprofitable Operations

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1603, 20 Sep 81 pp 11-12

[Article by Scepan Rabrenovic: "Losses Are Protected by Law"]

[Text] Perhaps because of the summertime, people were on vacation, perhaps for some other reason, in any case: there has hardly been any true debate about the losses incurred in the economy in the first 6 months of this year. Officials of the Social Accounting Service merely reported how large the losses were in a press conference, and they were barely mentioned in a meeting of a committee of the Yugoslav Assembly. But there were grounds for conducting a fierce debate. This is why: In the first 6 months of this year the economy incurred losses of 30.7 billion dinars, or 84 percent more than in the same period of last year.

What does 30.7 billion dinars amount to? It is truly a great deal when we know that after the year-end statements for last year the economy set aside 181 billion for expanded reproduction. And, of course, it should be mentioned that funds for reproduction at that time were 80 percent greater than the previous year. (This cannot be explained otherwise than by the datum that last year real personal incomes were down about 8 percent and the economy saved money thereby. Incidentally, other forms of expenditure were very high last year.)

The explanation that the debate on losses was overshadowed by the debate on raising the prices of sugar and oil, that we felt this "more keenly," cannot be taken seriously, especially since we know that as a rule losses show the real situation in which an economy finds itself. Thus a debate on losses would provide the most persuasive answer to numerous economic dilemmas, and we certainly would get a clearer idea about the reasons why the economy is in the state it is in. There is nothing that we can or should feel "more keenly" than losses.

There is yet another reason, a very persuasive one, for an all-embracing debate of losses. That is prices. The question runs like this: How is it possible

that losses increase to that extent in a situation when prices rose all of 49 percent? After all, such a high rise of prices was capable of "covering" many things, not only idleness and indifference, but also quite a few of the ambiguities that exist in the system.

So even prices, there it is, have not been omnipotent. It is realistic to assume, then, provided the Federal Executive Council persists in its efforts to prevent prices from rising at the same rate up to the end of the year, and that the losses will be still greater.

The Acrid Smell of Petroleum

Losses in a commodity-money economy like ours (or as it is supposed to be) are nothing strange, but an altogether ordinary phenomenon. It is normal for one enterprise to perform poorly and another one better, but what is unusual is that in our system losses occur for years (getting larger) and yet they are looked upon almost good-naturedly. For instance, the economy showed losses for last year amounting to 19.3 billion dinars. Losses were incurred by 1,682 basic organizations of associated labor employing more than 312,000 workers. The largest losses were incurred last year by the Croatian economy (more than 3.6 billion dinars), by the economy of Bosnia-Hercegovina (more than 3.5 billion dinars) and by that of Vojvodina (more than 3 billion), and they were smallest in Montenegro (646 million dinars).

The distribution of losses this year is similar.

Worst of all is that a fair portion of last year's losses have not been covered. For example, slightly more than 3 billion, or 15.6 percent of total losses, were covered during the compilation and adoption of year-end statements. The rest had to be covered through the procedure of emergency financial rescue. We know, however, that many work organizations have no one to bail them out and the losses remain "uncovered" without fear of "catching cold." In actuality the bookkeeping carries the losses over from year to year.

In the first 6 months of this year the largest losses were shown by the petroleum industry--in an amount greater than 7 billion dinars, or 36 percent of the economy's total losses. After that come the losses of the nonferrous metals industry, the electric power industry, agriculture and the food manufacturing industry, and transportation. Some of these industries were on the list of the losers previously, while some are new.

The losses of the petroleum industry are surprising, but only to the uninformed. For years the petroleum industry has recorded a high growth of income and has been setting aside money for personal incomes (it is at the top even now). The smell of petroleum has been intoxicating and lucrative.

How can it be, then, that the petroleum people have made a mess and covered themselves with losses? We suppose that the most frequent explanation heard will be this: because of differences in rates of exchange. That is, petroleum has been imported at the world rate of exchange, but it has been sold in

Yugoslavia at the domestic rate of exchange. And that the scissors opened up and snipped off those 7 billion dinars.

The Fate of the Railroads and Others

There is some truth in this explanation, but we would err greatly if we took it as the only one. The petroleum industry, it is well known, has quite a bit of unused capacity. It built more facilities than it had petroleum. This year, for example, we will import more than 11 million tons, since consumption is down (having been curtailed by administrative measures among other things). If consumption were at the level of 2 or 3 years ago, we would have to import more than 20 million tons of petroleum. The refineries were planned and prepared for that amount, but at present they are not being fully utilized.

When the price of petroleum derivatives went up this summer, this newspaper argued persuasively that a part of the price rise was also intended to cover the losses of the refineries because they were not operating at full capacity, but it seems that that was not enough.

There are several explanations for the losses of the other sectors of the economy. The most persuasive explanation will be the one that pertains to the stagnation of output. Were we to rely only on statistics, production in this period has been slightly greater than in the same period of last year. However, if we leave aside new facilities and new employment, we come to the conclusion that the "old" economy has in fact been stagnant.

In the case of agriculture and the food manufacturing industry it can be persuasively argued that the losses did result from a reduction of production. Whereas agriculture had a lower growth rate, the food manufacturing industry had to operate at reduced capacity. This explanation would have to be honored even in the case of the nonferrous metals industry. (Even this fall, during planting, there will be quite a few difficulties in providing manufactured fertilizers and spare parts.)

The losses in transportation pertain mostly to the railroad. For years it has had its place reserved on the list of losers. And everyone knows why: because of price policy. That is, in order to help the economy, that is, so that the economy would have cheaper transportation, the prices of transportation on the railroad have been set at a low level, and this has hurt the railroad men. This has been the situation for years, and the railroads have no longer been able to solve this problem on their own, and the public in turn has no money, though now that the price of petroleum has risen, everyone is saying that these problems are not those of the railroads alone.

Price policy, or the policy of primary distribution, has not hurt the railroads alone, but also many other sectors of the economy (producers of raw materials above all), so that it is price policy that can be blamed for a portion of the losses which have occurred. As a matter of fact, on the basis of the present price policy no one has been able to prove that all those who have had losses were performing poorly, nor that all those who did not have losses were performing well. For that reason we have become accustomed to losses as time passed,

we have become accustomed to living with them, and so we have socialized them--they have become the property of all of us and not just of those who incurred them. That is why there have been no bankruptcies of work organizations, not even the absolutely minimal number.

Between Decisions and Motivation

If an analysis were made of the losses, it is certain that we would be unable to get around the reduced motivation of employees in the work organizations of the economy. Real personal incomes have been dropping for 2 successive years. If the economy increased its funds for expanded reproduction last year, mostly at the expense of those personal incomes, it could not be expected to do the same thing again this year. According to official data, in the first 6 months of this year real personal incomes were down about 7 percent. What share do the losses have in that?

The share is not small. Especially when we know that a real drop in personal incomes imposes a leveling mentality.

Along with all this, we know that plans call for appropriations for government and social service expenditures to increase 19 percent this year, but in the first 6 months appropriations for noneconomic activities were up 39 percent over the same period of last year. So, some siphoning did in fact occur.

If an analysis is made of the share of reduced motivation in the losses, it will not be possible to explain everything by the unfair distribution and the drop in real personal incomes, but we will also have to study the share which decision-makers have in the losses. How can motivation be greater in work organizations when we know that the decisions on major investment projects, on prices, on credits, on the pooling of labor and capital and on other matters are made predominantly in sociopolitical communities, bypassing associated labor?

Nor can motivation be stimulated if those incurring the losses are protected by law when it comes to earnings. Let us remember: this April proceedings were followed when the Yugoslav Assembly adopted the Law on Amendment of the Law on Emergency Financial Rescue and Termination of Organizations of Associated Labor, which remains in effect until the end of this year. This law takes a lenient view toward enterprises which show a loss, guarantees them average income and comfort regardless of performance.

7045
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PORT CAPACITIES, FOREIGN EXCHANGE EARNINGS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3-5 Oct 81 p 2

[Article by Radmila Kcrunovic: "There Are Still Many Loose Connections"]

[Text] The volume of traffic in our seaports, though it has been increasing steadily, is still far short of what it could be in view of their geographic position and distribution on the Adriatic coast and in view of the volume of cargo which could be "handled" in them. Often this traffic is characterized by cyclical patterns of growth whose adverse manifestations might be offset by better linkage with that portion of the economy engaged in import and export transactions: assuming, of course, better synchronization of efforts with the other branches of transportation.

Firmer linkage based on interest in shared income and with elements of counterplanning between the seaports and that portion of the economy which is oriented toward them in its import and export transactions still remains at the level of mere initiative; there are unfortunately few examples whose correct and good solutions have been confirmed in practice. In spite of the large number of accords and compacts, specific transactions are by and large dealt with in ad hoc contracts rather than through advance correlation of requirements and capabilities. Then the rule seems to be that whenever there is an onset of a sizable amount of cargo, there are problems in organizing further transport, a shortage of railroad cars, and operations come to a standstill, there are ships waiting to be loaded and unloaded, and all of this results in a further rise of costs.

Performance Is Not Good Enough

Over the last 10 years port traffic has more than doubled. In 1980 alone 33.9 million tons were handled, which is 9.2 percent more than in the previous year. At the same time the influx of foreign exchange earned by rendering these services was $61.4 million, or 65 percent more than in 1979, and at the same time the outflow of foreign exchange was minimal. The optimism which follows from this observation is disturbed, however, by the fact that the volume of operations of all nine of our major seaports is equal to that of just one moderately developed European seaport. The conclusion that follows from this is that the potential of our Adriatic ports has by no means been utilized in the country's foreign trade and in handling transit traffic.

There are several reasons for this situation, among them the fact that in spite of intensive modernization their equipment is still lagging quite a bit behind their needs. This is in part a consequence of a lack of realism in establishing sources of financing for the infrastructural facilities of seaports, so that the rate of funding is limited in advance relative to capabilities. For instance, in 1980 investments in the structures and facilities of this activity were 23 percent less than in the previous year in nominal terms and about 50 percent less in real terms when inflation is taken into account. To be specific, the only investments of any significance were recorded in Kopar. Actually, seaport investment projects are largely financed by the work organizations from their own resources and with bank credit, which is frequently inadequate, and funds from other sources, including resources of the associated economy, constitute only 27 percent of the total. To all of this we should add the difficult conditions for importing equipment and spare parts, which usually create unforeseeable difficulties in carrying out investment projects.

Work organizations operating seaports were among the first to realize the need for faster inclusion in the system of integrated transportation, since this was one of the preconditions for foreign shipping companies to contract for their services. In recent years, then, they have invested considerable amounts in structures and equipment, especially to build container and ro-ro [roll-on/roll-off] terminals. Even in 1978 the ports of Rijeka, Kardeljevo and Bar achieved a traffic of 30,832 containers representing 226,834 tons of cargo, and the figures in 1980 were 54,565 containers representing 477,945 tons of cargo. A growth in the volume of this traffic has been envisaged in the forthcoming medium-term plan, but further modernization, which is an essential prerequisite of these plans, is in jeopardy because of the high level of indebtedness of work organizations in this activity.

Interests of Users

In 1980 international trade through the 10 largest Yugoslav seaports rose 12.7 percent, while domestic traffic dropped about 6 percent. Imports are still dominant in the breakdown of total seaport traffic with a share of 55.6 percent, followed by transit, whose share is 17.7 percent, domestic traffic with a share of 16.4 percent, and imports with a share of 10.3 percent. Actually, only Sibenik has recorded a substantial growth of total traffic, while it has remained at the same level or declined in the other ports. Rijeka continues to be the port with our heaviest traffic, though last year its share was 44.8 percent of the total, which is less than 2 years ago, when it was 53.2 percent.

The most important partner in transit traffic through our seaports is Austria, with 2.2 million tons of cargo, and then Czechoslovakia with 1.96 million tons and Hungary with 905,000 tons, while other countries total about 840,000 tons. In 1980, it is true, Austria's transit traffic dropped about 5 percent and that of Hungary about 12 percent, while that of Czechoslovakia increased 6 percent.

Certainly the volume of transit traffic through our Adriatic ports does not depend solely on their own performance and level of equipment unless this process is accompanied by construction of facilities and organization of other branches

of transportation, above all the railroads. But in discussing this task and the operation of the seaports in general, the problems that arise most frequently are the slow inclusion of our transportation system in international flows of cargo and the disconnectedness of the branches of transportation and participants in the transportation process, and then the poor linkage with the economy in the area oriented toward the seaports, and the low productivity of labor, which makes it difficult to market services in the increasingly keen international competition.

In the interest of overcoming the many objective difficulties and also subjective shortcomings in operation of the seaports, the opinion is being expressed with increasing frequency that there is a need for closer socioeconomic linkage with the users of services. That ought to give rise to authentic solutions based on realistic planning, firmer mutual agreements, division of labor and more intensive utilization of capacity.

7045
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CROATIAN AID TO UNDERDEVELOPED REGIONS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3-5 Oct 81 p 8

[Article by Jasen Grubic: "Joint Programs--Contribution to Integration of Associated Labor"]

[Text] On the basis of the interest of OUR's [organization of associated labor] in SR [Socialist Republic] Croatia in resolving problems of the supply of energy and raw materials on principles of verified development commitments of associated labor in the three economically underdeveloped republics and the Province of Kosovo and in building manufacturing plants on the basis of equal division of labor and with the same position accorded all phases in the cycle of reproduction with respect to the earning of income, in the activity to date of the PKH [Economic Chamber of Croatia] and its Social Council for coordinating the efforts of pooling labor and capital in those federal units, some 80 initiatives were recorded at the beginning of this year in varying stages of preparation for self-management linkage of economic entities. Soon thereafter it was judged that more than half of the intended investment projects (about 50 of them) were realistically acceptable as joint development projects with the underdeveloped and that associated labor in SR Croatia was prepared in the immediate future to set them forth in investment programs and to begin carrying them out.

The reference is to projects which would for certain fill gaps in production, the goal being to round out cycles of reproduction and complete connections, whereby certain production would be transferred to the undeveloped regions (because of the lack of manpower and other conditions) and to adopt new products attractive to the domestic and especially the foreign market, to open up manufacturing plants based on sources of certain raw minerals, and so on.

And while in direct contacts with OUR's in SR Croatia and through those responsible for conducting the policy of a complex organized approach in each underdeveloped region, but also in collaboration with general associations and regional economic chambers, work has been done in the competent standing committee of the PKH to define in more detail the intentions which have been accepted in conformity with the broader Yugoslav concept of socioeconomic development and the policy of stabilization--specifically, "platforms" have been drafted for talks with delegations of the economic chambers of the various republics and the Province of Kosovo--in the activities of certain republic administrative agencies, the IVS [executive council of the assembly] and the economic chamber

criteria and forms have been set forth for use of that portion of the resources of the compulsory loan which OUR's can pool with organizations from the undeveloped regions to finance joint development programs on the basis of shared income and common interests (the republic law). Now we are still waiting for definitive adjustment of the specific agreement which is to set forth the conditions and schedule for pooling a portion of the resources of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Province of Kosovo and for adoption of the Agreement on Special Measures To Implement the Policy of Fastest Development of SAP [Socialist Autonomous Province] Kosovo in the current medium-term planning period.

All of this and the outline model of the SAS [self-management accord] on pooling the labor and capital of OUR's on the basis of shared income and common interest, which has been jointly prepared by the economic chambers in the country and by the Fund, will create the conditions necessary for conclusion of the specific accords among OUR's which are to precede implementation of each verified investment program in the competent agencies of the three republics and Province of Kosovo.

Kosovo: Half of the Mandatory Loan Committed

Ten or so investment projects which were part of the platform have already been negotiated with the delegation of the Economic Chamber of Kosovo and fit into the sociopolitical commitments in the medium-term plans of SR Croatia and of that province (that document is undergoing "final revision" in Kosovo). Since this involves a pooling of labor and capital on the basis of shared income and involves 50 percent of the money obligations to the Federal Fund, we can justifiably expect that prospects will be opened more fully to closer linkage of the OUR's of the two economies in the interdependent flows of Yugoslavia's overall social reproduction and especially to eliminating the consequences of the exclusiveness and structural disproportions which the Kosovo economy has shown up to now (the transition is now being made in the province from heavy industry and the fuel and power industry to construction of manufacturing plants in which the cost per job is not to exceed between 1.5 and 2 million dinars, and to that extent the creation of jobs is joining income as an important investment criterion).

Since full agreement has so far been reached on some 10 of the 20 projects offered and correlated in recent months with the partners in Kosovo, about half of the 8.2 million dinars have been committed of the initial resources of the mandatory credit assistance to the development of Kosovo which OUR's in SR Croatia can directly pool during the entire 5-year planning period. To be sure, it still remains to furnish the commercial and bank credits, including the available internal funds for reproduction of the organizations carrying out the capital investment project, as well as to conclude the specific SAS's. Only then will performance of these very attractive development programs be undertaken.

In short, the reference here is to a factory for making refrigeration systems and units for which Djuro Djakovic has prepared the preinvestment study, which calls for an investment of 450 million dinars. The partner is the Welded Pipe

Factory in Urosevac, where this joint project will also be located. The working design will be completed next April, which means that construction will begin at that time if all the sources of financing for this investment project has been furnished in the meantime.

It has been announced that mutual agreement has also been reached on the programs of TPK [steam boiler factory] of Zagreb and Jugoturbina of Karlovac, which means that more serious work needs to be undertaken with Metal of Prizren to erect a facility for repairing equipment in thermal electric power plants and for the production of boiler components (the investment project has not been quantified), and, along with a partner (Elektrokosovo), to build a plant for production of single-stage turbines, compressors and reducers in Pristina, Kosovska Mitrovica or Obilic (the investments are estimated at 410 million dinars). Especially since the first project could be carried out next year, and work on the second would begin during 1982.

Since the Zagreb organizations TOP, Munja, Chromos and Gorica, and the Sisak Steel Mill MK [metallurgical combine] and Dalmastroj of Split are interested in developing mines and promoting the processing of lead and zinc, since in that way they would obtain processing materials to meet their own needs, the two chambers will in the next few days be arranging further agreements with the Trepca RMHK [mining, metallurgical and chemical combine] of Kosovska Mitrovica. The project would be carried out in three phases, which would consist of geological explorations, production of litharge, and production of lead stabilizers. Total investments would amount to about 1.2 billion dinars, and the construction time of that facility would extend up to 1986.

Chromos' OOUR [basic organization of associated labor] "Paints and Varnishes" and Karbon of Zagreb are prepared to help Extra of Vucitrn in carrying out an investment program for paints and varnishes, and it has therefore been suggested to the investor that he make a decision concerning a possible partnership with a third party, that is, that the 150 million dinars in funds which are lacking be obtained through a three-way pooling arrangement.

The program for production of cell batteries, which the work organization for postal, telegraph and telephone service in Kosovo would carry out in cooperation with Nikola Tesla of Zagreb (the value of the investment would be about 1 billion dinars, and construction would be possible even next year), has also received interchamber support. The same applies to the project for building a facility to quarry and process stone, which is to be built jointly by Feronikl of Pristina and Viadukt of Zagreb (about 200 million dinars are still needed to put the quarry in operation). There is also a need, the two delegations have concluded, to speed up practical realization of the investment project for a plant to produce semifinished products from gas concrete, which Porobeton of Pula and the Croatian machinebuilding industry are offering to the Sar Cement Plant in Djeneral Jankovic, involving joint investments of 560 million (which would employ all of 600 workers). This would be a demonstration project for export of plants of this kind to the developing countries, making it urgent that the work begin next year.

We should also mention construction of a plant for production of mosaic glass, which the Mosaic Glass Factory in Kosovska Mitrovica, which has been offered by Boris Kidric of Pula to the Mosaic Glass Factory in Kosovska Mitrovica (an investment of 400 million), and then INA-OKI's [Organic Chemical Industry, a subsidiary of INA, the Zagreb Petroleum Industry] plant for expanded polystyrene containers and sheet at Kosovoplast (Dj. Jankovic), Kras' offer to build a cake and cookie factory at Zitopromet (Pristina), Pocljooskrba's dairy at Erenik (Djakovica), a plant for recycling secondary raw materials of 3 Maj in Rijeka, which would be built in Kosovska Mitrovica, and Ghetaldus's readiness to enter into division of labor with the eyeglasses factory being built in Pristina.

The two delegations have also exchanged initial opinions on 57 investment programs in various economic sectors which SAP Kovoso has submitted to all the republics and SAP Vojvodina to be carried out on the principle of verified development interests of its own associated labor and with the support of federal planning agencies.

Bosnia-Hercegovina: The First SAS Has Been Concluded

Since OUR's in SR Croatia, especially those in the metal manufacturing industry, are "tied" to sources of raw materials and supplies in SR Bosnia-Hercegovina the programs offered from the platform for that program show an evident interest in committing the portion of the resources of the mandatory loan which organizations can pool in joint programs to the development of heavy industrial facilities, whose purpose is certainly the long-term supply of materials for production, coal in particular. But this does not mean that consideration was not also given to programs for development of facilities in the manufacturing industry, especially to those programs whereby a new production operation of common interest to the economies of the two republics would be mastered. To that extent there is a very decided view on the Croatian side that there must be no restrictions or narrow limits on pooling the portion of the funds of the mandatory loan. Especially since the set of programs offered to the Bosnia-Hercegovina delegation allows for broader integrational undertaking and then continuation of this process until cycles of reproduction are rounded out on the scale of Yugoslavia as a whole.

To be specific, up to this point an agreement has been reached on an investment program whereby the Sisak Steel Mill MK, together with certain other consumers, would pool 962.5 million dinars of funds of the mandatory loan to maintain the present level of output and to augment operation of the iron ore facility at Ljubija, so that needs in SR Croatia would also be met. The schedule of the investment would extend into 1983. Jugoturbina has an investment program ready for a factory to make multistage pumps and pump components in Drvar, with a total investment of 254.3 million dinars (147.6 million would be pooled), while Djuro Djakovic has a preinvestment study for a factory to make attachments for agricultural machines (cornpickers) in Bosanski Brod, of which the estimated cost is 634.3 million dinars (the pooled capital would be 444 million). Performance of these programs, the delegations say, could begin soon.

Elka has set down its intention to supply aluminum wire and cable to consumers in SR Croatia in a specific SAS which is the first of its kind. The reference is to 280 million dinars of pooled capital which will be invested to expand the capacity of EAL in Mostar. Borovo may before the year is out enter into construction of a factory to produce footwear uppers at a site in Odzak if 92 million are furnished from the base funds of the Federal Fund (the total investment project runs to 230 million), as well as a retread tire facility in Prijedor whose estimated cost is 285.3 million dinars (the share of the pooled funds would be 142.6 million). Other signed agreements, to continue, include the second phase of reconstruction of Sportnautika in Gradacac (70 million of pooled capital), and then construction of a plant for the production of fatty acids at Hemija in Modrica to meet the needs of Saponia (60 million), expansion of a facility for production of alpha and beta gypsum at a site in Donji Vakuf in which the investor would be Jugokeramika (160 million), Kras' elimination of bottlenecks in the production of cookies and crackers at Mira Cikota in Prijedor (100 million) and Agrocomerc' (V. Kladusa) program for production and processing turkey meat and finished products manufactured from that meat which the agricultural and food processing combine of Karlovac would enter into (135 million dinars of pooled capital).

A total of 2.6 billion dinars of funds of the mandatory loan, or almost half of the amount which OUR's in SR Croatia can pool with organizations from SR Bosnia-Hercegovina in joint programs during this 5-year period, would be committed to those 11 projects. But let us add that there are another 10 programs or so in the Croatian platform for which joint investments have not been defined and this also applies to 6 of the total of 18 projects simultaneously offered by the Bosnia-Hercegovina Economic Chamber, OUR's in SR Croatia are showing interest and indeed have already begun talks on possibilities of joint investments to carry them out as soon as possible.

Montenegro: The Necessity of Continuing Agreements

In this initial year the effort to pool the portion of the resources of the compulsory loan in joint programs with OUR's in SR Montenegro certainly will not altogether utilize the 404 million dinars available. That is why in the contacts between the delegations of the economic chambers of Croatia and that republic there has been support for an idea which came from SR Macedonia, i.e., that in 1981 an exception be made and funds in programs on which interrepublic agreement is reached by the end of the year and on which SAS's on the pooling of capital are concluded be regarded as committed funds even though actual performance of those programs will begin in 1982. In this case the funds which will be accumulated for pooling in this year would be sent not to the Federal Fund, but to the bank of the trading partner in the underdeveloped federal unit so that in that way they would be furnished for pooling in the coming year.

In the exchange of opinions concerning each project proposed by OUR's in SR Croatia it is evident that the Croatian economy is most interested in developing the production of quality steels at the Niksic Steel Mill and in production of aluminum in Titograd. This interest has been designated as the initial interest of the Croatian economy with respect to the Montenegrin economy, but it is accompanied by a great number of other additional development programs related to

the finishing of these manufacturing materials. Provided there proves to be acceptance on both sides of the pooling of the capital of Jugoturbina with the Boris Kidric Steel Mill (total investment of 150 million up to 1985) and with the aluminum combine (200 million). Jugoturbina has also been accepted to carry out the program of the bimetallic strip factory in Danilovgrad, in which it is preparing to pool 400 million dinars of its own during this 5-year period.

It has also been confirmed that there is joint interest in the program proposed by Djuro Djakovic. This is a plant for the production of equipment and machinery for timbering and forest management which could go under construction in 1982 at Bijelo Polje in collaboration with the local firm Radoje Dakic (no estimated cost has been put on the project). A favorable assessment has also been made of the interest being jointly expressed by Djuro Djakovic and Janko Gredelj in building or organizing a plant for overhauling and repairing railroad cars in the jurisdiction of the Titograd Railroad Transportation Organization--in Bijelo Polje or even Titograd. There has also been good reception for the desire of Josip Kras to establish more lasting business collaboration with the 13 Juli Agricultural Combine in Titograd for raising hazelnuts on a large scale and with Crnagoracoop of Danilovgrad toward joint construction of a plant for making confections (the pooled capital would amount to 100 million dinars).

Podravka's preparation of a number of programs, which will be ready for performance in 1982 and cover joint operations with the Sulfate Pulp and Paper Mill in Ivangrad, the Titograd Aluminum Combine, the 13 Juli Agricultural Combine, and others, with the purpose of obtaining materials and finished containers for its own products, but also products which it agrees to market (total investments about 500 million) has been received with particular attention. And that is equally true of the interest of the Kutjevo Agroindustrial Combine in developing grapegrowing in order to produce grape soda in Montenegro, that of the Belje Agroindustrial Combine in becoming involved in building mini projects for fattening baby beef for which it would provide the breeding stock, that of Cibona in participating in creation of large tangerine orchards and olive groves in the area around Ulcinj, and so on.

All these projects need to be examined more fully, determinations have to be made as to the right partners, the value of the investment and a firm financing package, the sites, dates for commencement of construction, and so on, which means that the negotiations under way must be resumed soon and conducted thereafter on a continuous basis. One reason is that there is a possibility for cooperation in still fuller use of secondary raw materials (paper), in paper production (Belisce with 320 million), and then in tourism, shipbuilding, marine fishery, petroleum and gas exploration under the Adriatic Sea.... To this we should add that Adriagradnja of Rijeka and the OOUR "Housing Unit Factory" in Spuz, a subsidiary of the Titograd GRO [work organization in the construction industry], have recently concluded an SAS on joint investment in additional lines for production of components for industrial construction of housing units, industrial structures and facilities in the social service field, the assumption being that the 32.4 million dinars lacking in the share of the Croatian partner would be met from the portion of the funds of the mandatory loan paid in by organizations interested in that relationship. But the amounts of investment capital already

indicated would "take" 1.75 billion dinars of the total 1.92 billion envisaged for OUR's in SR Croatia to set aside in this 5-year period for pooling with organizations in SR Montenegro.

Macedonia: Investments and Development of Raw Materials Resources

With respect to SR Macedonia as well OUR's from SR Croatia have from the very beginning of activity looked to finding broader programs attractive from the standpoint of income, especially those which would develop manufacturing capacity and would organize new production operations suitable for export; and they have also expressed their readiness to invest in development of raw materials resources, which is an overall interest of the Croatian economy. The list of programs offered, then, embraces the sectors from ferrous and nonferrous metallurgy and the metal manufacturing industry, passing through the chemical industry, to agriculture, the food processing industry and tourism.

Agreement in principle has already been achieved by the two organizations on some 10 programs (involving investments of 3 billion up to 1985), and the business partners have been instructed to continue activity so that the portion of the funds which OUR's can pool in joint development programs on the basis of shared income in 1981 would be committed before the year is out.

Certainly the programs of Rade Koncar are of the greatest interest to the two republics. Numbering seven in all, five of them were accepted immediately. They concern investments in two OUR's of "Koncar's" work organization Aparatna tehnika (appliances) in Skopje: specifically, the production of switches and relays and the production of special devices, automatic machines and welding equipment. An investment would be made in the OOUR "Refrigerators" in Bitol to increase the production of refrigerators and freezers and then also to expand the capacity of the OOUR "Commercial Refrigerators" and the OOUR "Industrial Refrigeration Equipment." In addition, a OOUR for components of household appliances would be organized, nearly 1.4 billion dinars being set aside for these investment projects from the portion of the funds of the compulsory loan.

As for investment in the Skopje Steel Mill and the delivery of an appropriate product mix, an agreement has been reached to adopt the volume of 500,000 tons for this 5-year period, and should the needs of consumers in Croatia be greater, the capabilities of that steel mill would be reassessed in the context of the total Yugoslav demand for those products.

Jugoturbina's interest in pooling funds in the 18 Novembar MEGO of Gostivar to build a plant for producing steel strip and what are referred to as X girders for roof fabrications was judged to be low with respect to financial share (40 million), while the undefined joint investment of TOP, Munja and Chromos to expand the mining and smelting facilities of the mining, metallurgical and manufacturing combine in Skopje in order to guarantee certain amounts of lead and lead oxide was accepted, it being left to define the amount which would be pooled from the portion of the resources of the mandatory loan. The program of Chromos' OOUR "Kutrilin--Dispersion" for reconstruction and enlargement of the capacity for vinyl acetate monomer from calcium carbide at OHIS [Skopje Organic

Chemical industry] in Skopje also received interchamber support, provision being made for studying the possibilities of increasing the consumption of electric power (Chromos would invest 40 million).

The programs offered in agriculture and the food manufacturing industry in which Podravka, Kras, Badel and corresponding partners from SR Macedonia are interested are to be concretized in the upcoming direct meetings between business executives, but Badel's initiative to build a wine center and grape processing facility at the Radovisko Pole Agroindustrial Combine in Radovis received immediate support (Badel would invest about 110 million). The same applies to construction of a hotel in Skopje (and later enlargement of the Metropol Hotel in Ohrid) in which Generalturist would have a share of 166.2 million dinars in the capital investment project of Interimpeks--Makedonija--Turist of Skopje.

Aside from those initiatives contained in the platform offered by SR Croatia, the Macedonian side has proposed the pooling of labor and capital in 13 programs, some of which--for example, FENI--Kavadarci (ferronickel and low-alloy steel based on nickel), the Boris Kidric Porcelain and Ceramic Factory in Titov Veles (household porcelain) and OHIS (acrylonitrile monomer and fibers made from that raw material), are said to be indubitably acceptable, and the interest which direct consumers in SR Croatia have in carrying them out is to be studied before talks resume toward conclusion of firm agreements.

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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USSR-GDR COOPERATION IN SPECIALIZATION PLANNING INTENSIFIED

East Berlin PRESSE-INFORMATIONEN in German No 116, 6 Oct 81 p2

/Interview with Prof Dr Karl Gruenheid, state secretary, GDR State Planning Commission; date and place not indicated: "Cooperation with the USSR Further Intensified"/

/Text/ /Question/ 2 years have passed since the signing on 5 October 1979 of the program for the specialization and cooperation of production between the GDR and the USSR until 1990. What can be said about the achievements thus far ?

/Answer/ The program for the specialization and cooperation of production inaugurated a new phase of cooperation with the USSR. The basic agreements on the realization of the program concluded between the secretary general of the SED central committee and chairman of the GDR council of state, Erich Honecker, and the secretary general of the CPSU central committee and chairman of the presidium of the USSR supreme Soviet, Leonid Brezhnev, have led to a further expansion and intensification of cooperation with the USSR in important areas of science and production, particularly in those fields which have an impact on scientific-technological progress. Since the signing of the original program, another 51 agreements with the Soviet Union were concluded at meetings of the bipartite governmental commission. The primary significance of these protocols lies in the fact that they reflect the decisions reached at the X SED party congress and the XXVI party congress of the CPSU on increasing production efficiency on the basis of specialization, intensification and rationalization as applied to close cooperation in science, technology and production between the GDR and the USSR.

/Question/ What do the individual ministries and industrial combines do to achieve the tasks set by the program ?

/Answer/ First, let me point out that all taks set by the program are part of the task set by the 1981-1985 Five-Year Plan; in this way, the material-technical conditions are provided for achieving these goals. The tasks of the program and its primary thrust on specialization and cooperation of production in the various areas of the economy, as agreed upon by the ministers of the GDR and the USSR, are given further support by appropriate decisions and operational plans devised on a national level. The goals of cooperation contained in the plans of the ministries are directed toward the solution of major economic tasks of a complex nature. They have an important bearing on developments of the industrial combines, particularly in such areas as micro-electronics; enrichment processes in the chemical industry; the development, specialization and cooperation of production of major equipment of the metal-working industry as well as the development of high-grade

consumer goods. Let me cite as one of many examples what is happening at the "Herbert Warnke" industrial combine in Erfurt. In cooperation with its Soviet partner plants, it is continuing, under a scheme initiated during the previous Five-Year Plan, jointly to develop and produce high-efficiency machinery and equipment such as multi-stage automatic dies; numerically controlled punch presses and automated thermoplastic equipment. Through uniform design, the foundation is laid for effective specialization and cooperation and, as a consequence, for more efficient satisfaction of demand.

/Question/ What are the goals of the agreements with the Soviet Union which were concluded on the governmental and ministerial level ?

/Answer/ Let me cite as an example the agreement on construction enginnering concluded between the governments of the GDR and the USSR at the 28th meeting of the bipartite government commission on economic and scientific-technological cooperation in June of this year. This agreement provides for the planning and execution of new technologies and construction processes in the concrete and reinforced concrete area designed to save steel and cement as well as energy. Other agreements already concluded or presently being prepared are designed to achieve a significant increase in labor productivity, for example, or the highest possible refinement of available raw materials in a given field. This means that the agreements are designed to serve the attainment of the decisions of the X SED party congress on economic strategy for the eighties in every respect. By establishing a firm link to the scientific-technological potential of the USSR, an important basis is provided to make the achievements of scientific-technological progress available to promote the full development of the economy of the GDR.

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PLANS FOR CONSTRUCTION WORK IN 1981-1985

Tirana ZERI I POPULLIT in Albanian 20 Oct 81 p 3

[Article by Osman Allkja]

[Excerpts] In the past and in the present the bourgeois and revisionist concept that no country can survive and progress without "assistance and credits" from the imperialist powers, especially the United States and the USSR, has been widespread in the world. In the first years after the liberation, the capitulationist S. Maleshova and his successors did not think that socialism could develop in Albania without favors from the East or the West. The Yugoslav revisionists thought that Albania would breathe through their lungs. The Khrushchevite revisionists had the idea that Albania would go under without them. And the Chinese thought the same. But our people did not hear what the capitalists and their ideologues were saying; they were listening to the party, they were listening to Comrade Enver and they put their thoughts, hearts and shoulders into the construction of socialism with their own forces.

The program of investments for constructions for 1981-1985 is larger than it was for the four five-year plans from 1951 to 1970. During this five-year plan, work will be done on 700 large projects, 81,000 apartments, etc. This five-year plan is distinguished by the fact that the designing, construction and reconstruction of the enterprises are being executed completely with our own forces. The financial and monetary resources are all being assured by our socialist reproduction. All these things are assured because crises of overproduction, which are characteristic of capitalist countries, are foreign to us and we will not have unemployment nor will we have anarchy in production since we develop our economy according to a plan. Our industry is based on the great socialist agricultural economy--and this is not the case in any other country in the world. These are the unequalled qualitative changes found only in the socialist system, which systematically amasses resources and uses them correctly.

The investments will be used in the branches of material production, in industry and agriculture. Especially, they are intended for the development of the power industry, for petroleum and for hydroelectric power constructions. In this area, works unequalled in size and quality are being constructed. The concentration of the production of hydroelectric power with the construction of the Koman power plant marks great technical and scientific progress which is being accompanied by a reduction of the cost of production and by other favorable effects for our economy. The construction of important new installations in the "Steel of the

Party" metallurgical combine continues. The broad industrial reconstruction is a sign of obvious qualitative progress and it is a testimony to the great skills of our workers in executing the new tasks of science and technology in accordance with the decisions of the 8th plenum of the Central Committee of the Albanian Workers Party. Production will be expanded as a result of reconstruction work in the "Stalin" textile combine, the soda-polyvinyl chloride plant, 26 machine plants and workshops, etc., without stopping production. Some 44,000-45,000 hectares will be added to the irrigated areas. There will be reconstruction work in the agricultural enterprises and, in the cooperatives, there will be investments for the land to accompany the increase in agricultural and livestock products.

The construction of these projects and other measures will result in the creation of about 40,000 new jobs a year. Investments in the housing economy will create a new element in our residential centers. City planning social studies and designs will be further expanded. With the new funds for the five-year plan housing units equal to the number of those being used in the cities of Durres, Shkoder, Elbasan, Korce, Berat, Fier and Lushnje will be built and twice the number of people who live in Tirana will be able to live in them.

The construction industry and the production, installation and transportation sectors are fully prepared to keep up the pace of construction work in the cities and villages. One thing is very clear: while constructions are increasing 13 percent in the five-year plan, the production of materials is doubling. Some 17 of the 26 districts have factories for the production of ceramics; each district has a production and prefabrication base. In Tirana and in some districts, some types of constructions are made up almost completely of prefabricated parts. In the factories and construction workshops in Shkoder, Tirana, Durres and other places, work has begun on the production of machines for the reconstruction of enterprises and equipment for the mechanization of the work and installation process and for transportation within the unit. By the time of the party congress, more than 100 new hoisting cranes will be in use in the city construction sites. The second furnace in Elbasan is being built twice as fast as the first one. Construction work is progressing faster in Koman than it did on the same type of installation in Fierze.

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PLANS FOR IMPROVEMENT OF ORE EXTRACTION, ENRICHMENT PROCESSES

Tirana BASHKIMI in Albanian 2 Oct 81 p 3

[Article by Thanas Dede, director of the Directorate of Mines in the Ministry of Industry and Mines]

[Excerpts] Ores are a great, valuable and irreplaceable resource of our country. They are the mainstay of our heavy industry and one of the most important resources for export. The ores have been increasing each year in quantity and in variety. Albania holds an important place in the world production of chrome, occupying first place in relation to the population and third place in absolute figures. In addition to chrome ore, dozens of other types of ores are mined.

In addition to the quantitative development of the ores, an outstanding characteristic is the fact that the ores are found throughout the country, from Sarande to Tropoje and from Korce to Durres, at great depths. The enrichment of ores with low percentages of useful components is developing at a rapid pace and large quantities of the ores extracted are being sent to the enrichment factories. Today we are enriching the ores of chrome, iron-nickel, copper, quartz, granite, sea and river shreddings, etc.

Our miners and specialists have been able to utilize and carry out mining operations under all kinds of natural conditions and to overcome every difficulty which might arise. Through their own forces, the designers of the mines have been drawing up all sorts of blueprints for the mines while enrichment specialists have been working on ore enrichment constructions and drawing up complete plans for the construction of new factories. Everything which is being done in the field of scientific research and in the fields of study and design in the extraction and ore enrichment industries is being done completely with our own forces.

The mine in Bulqize has been designed by and is being utilized by our own forces. It is a mine of large caliber, with a depth of more than 500 meters and an area of 1.5 to 2 km underground, with five wells and now a 1,000 meter deep well is being built, one of the deepest vertical wells in Europe. The chrome enrichment factory in Kalimash, the copper enrichment factories in Rehove, Fushe-Arrez, and Reps which are outstanding for progressive technological indicators have been studied and designed with our own forces.

The miners and mining cadres have also had achievements in the area of the mechanization of work processes underground and above-ground. Some of the most advanced machinery and pieces of equipment are used in our mines. Some mines have mechanized transportation, drilling of holes, and the loading of ores some 90-100 percent. In the iron-nickel mines, modern mechanized methods have been used for some time in ore extraction. This is also being done in other mines.

Miners and mining cadres in Gjegjan in Kukes District have studied and designed a new system for utilization underground which reduces ore losses to less than 5 percent. Studies and experiments continue in the mines in Perrenjas, Gur i Kuq, Spac and others. As a result of the extension of scientific research work, miners have had good results in initiating ore workings and opening up vertical underground wells.

The ore enrichment industry will undergo extensive development during the 6th five-year plan in the area of ore extraction, the production of concentrates and ore workings. In support of these activities, studies, designs and experiments will be executed in many directions. The skills and technical-scientific knowledge of the miners and the mining specialists will be improved accordingly.

CSO: 2100/16

ECONOMISTS' TASKS IN CONNECTION WITH NEW WHOLESALE PRICES

Sofia TEKHNICHESKO DELO in Bulgarian 29 Aug 81 p 5

[Article by Dimitur Pravov, secretary of the central leadership of the Agrarian Union: "Economists Facing Responsible Tasks"]

[Text] The economic cadres of the different branches of national economy are aware that the outline plan on socio-economic development of the country during the 8th 5-year period has been completed with very few problems to be resolved. It is at present being studied in the economic organizations, enterprises, departments and okrugs, which will guarantee its feasibility and applicability. After general discussions, the national plan will be finalized and counterplans will be prepared which will have to exceed the indicators of the national plan by uncovering additional opportunities.

While the national plan contains only a few mandatory indicators, five for guaranteed resources and three for results, the plans of the economic organizations and enterprises are prepared in a complex manner, by all indicators, with complete technological-economic estimates and premises concerning each separate indicator. The overall plans for the okrugs will comprise not only the plans of the enterprises but also the plans of other undertakings contributing to the development of the territorial units. All this raises tremendously the obligation of the economic cadres. The outline of the economic plan should also include a requirement that the new and decisive course of intensification of the national economy be somewhat improved as outlined by the decisions of the 12th Party Congress. This means that the plan should first of all provide for the adoption of most advanced technology so that the world indicators of live labor productivity be reached. The plan should guarantee foreign trade profits needed for the planned increase of foreign exchange revenues which is essential for the needs of capital construction and production; it should also guarantee the necessary increase of the national income so that the party program in the social field be fulfilled.

At present there is one important task in everybody's mind that should be fulfilled in connection with the capital investments' plan, i.e., equalizing all existing draft cost-account statements involving capital construction with the world indicators. It is quite a job and a pressing one which the economists should approach with utmost attention and determination.

The work on the 1982 plan and on the plan for the 8th 5-year period is done in the framework of new wholesale prices which will cause considerable changes in the

distribution ratios, i.e., profit, taxes, consumption. Following the new mechanism, the entire "Allowances for Depreciation" fund is to remain in the economic organizations. A certain tax-free minimum is being allocated for guaranteeing normal work rhythm in the economic organizations. An "Economic Risk" fund is being established for alleviating unexpected financial hardships in the enterprises. Many other changes of stimulating or restraining character are being made in the normative documents in order to direct the efforts of the personnel toward more responsible and efficient economic activity.

The new economic mechanism will become effective on 1 January 1982. Its application, for which the economic cadres should be well trained, will guarantee the necessary prerequisites for complex application of the economic approach by increasing the rights and obligations of the economic organizations, by expanding the application of the principle of the effect of the worker's wage and self-support, and by achieving an interdependence between the economic interests of the farm units of all levels and those of the state.

Time is running out for the preparation of the 1982 national plan, the Eighth Five-Year plan, the counterplans, as well as for the introduction of the new economic mechanism. In the few months left the planning and economic sections of all levels of the national economy must prepare their work. Many undertakings have been earmarked for their assistance. Some departments and complex groups of the functional ministries and committees will be analyzing, studying and resolving daily the pertinent questions and will be giving spot assistance. Specific tasks will be assigned to some social organizations. And where is the place of the many thousands-strong army of noted economists of the scientific-technical unions?

The associationsand sections of the agrarian union can and should be included in the respective assistance and control groups and units of the central departments and institutes so that they contribute with independent suggestions and undertakings. By appropriate means (bulletins and other departmental publications) they can promote the achievements of the exelling organizations in the branch and organize many useful initiatives.

The central leadership of the agrarian union has created a permanent group for consultation on the application of the new economic mechanism which is ready to be introduced. This group will also be at the service of the okrugs. The okrug administrations of the agrarian union on their part must participate in the work most actively by having their own representatives in the okrug planning commissions in order to watch and help in the preparation of the enterprises' plans and of the complex okrug program. The economists could organize in the okrug councils of the NTS [Scientific-Technical Union] special groups (wherever missing) for consultation on the new economic mechanism, and more specifically on the newly introduced technology in planning. One should also acquaint the personnel with the new normative documents and organize exchange of experience in the enterprises as to their use which will start 1 January 1982.

A very important task for the economists of the enterprises is to master on time the new mechanism and to organize courses for acquainting with it the engineering and production cadres.

1010
CSO: 2200/6

NEW METHOD IN CAPITAL INVESTMENTS DESCRIBED

Sofia TEKNICHESKO DELO in Bulgarian 12 Sep 81 p 5

[Article by Engineer Julian Danchev: "Draft Accounting Statements, and What Kind at That!"]

[Text] PSD is the accepted name in draft work for the documents, explanatory notes, drawings, calculations, specifications, and accounts, which the draftsmen prepare for the needs of the capital construction. By its purpose, PSD can be conditionally divided in two groups: PSD that prove the technical feasibility and economic purposefullness of the studied projects, and PSD which are adhered to in construction and assembly work. It is not difficult to conclude from these qualifications that the second PSD derive from the first ones. This circumstance is very important.

The investment process in our country is planned to guarantee systematic and balanced development of the production basis of society. The complex mechanism of capital construction has been created with the purpose of succeeding in this indeavor. Its complexity derives from the difficulties in always correctly defining and effectively defending the perspective interests of the nation. Therefore, the authorities representing the state in investment discussions must require comprehensive and sufficiently convincing evidence outlined in the drafts of the projects that the future needs of society are guaranteed the way they are laid out in the long-term program on development of the country. The evidence is presented in the initial phase of the preliminary project drafting, a phase which has come to be called Technical-economic Report (TID).

The TID has gained a special importance as a specific phase in drafting within the framework of the economic approach since the investment expenditures of today are possible only against guaranteed revenues of tomorrow. For the draftsmen, TID promises to become the most difficult phase in project drafting.

The TID is not new and some experience, good and bad, has been accumulated in all institutes for industrial project drafting. It has been good as far as the economic evaluation of the project decisions had been established as a mandatory part of the PSD.

Bad, because the practice involving their economic optimizing is nonexistent, or barely existent. This unpleasant phenomenon has its reasons.

If we look back a few years we will remember that until recently the technical economic reports were called initial drafts. In essence the initial draft represented a purely technical elaboration of the principal decision to start a project. The means for its realization were determined approximately and in one lump sum representing a general idea of the value. And from here derived the very brief estimate of the economic effectiveness presented at the latest date possible and which was also approximate and could not be considered a serious basis for determining more or less correct indicators. At present many of the prepared TID are in fact initial drafts of the old type but their titles have been changed.

The present regulation on capital construction (it changes regularly every 2-3 years) stipulates that TID whose indicators do not reach the technical economic goal cannot be approved. In principle this regulation is excellent but are there realistic guarantees that it will be observed? Is it sufficient to have it on paper as a regulation and are the respective authorities watching its implementation? The answer, based on the experience so far, is negative.

One of the requirements of the new economic mechanism is that every investor use his own means for construction. In case of lack of funds he should turn to the bank for credit. That is how it is now, but until recently the state was financing all projects of capital construction. This made investors and project draftsmen natural allies who, working together, used to promote their projects before the state in order to receive the money they wanted regardless of the economic indicators. And when the allocated sums were not sufficient, the directors exercised their influence by the authoritative statement "it is needed."

One of the favorite gimmicks for "passing" the TID through the mentioned stage is by artificially lowering the estimated value of the projects. Some necessary sub-projects are deliberately excluded and unrealistically low labor and building materiel expenditures are presented. And so the project "gets" within the state limits, its economic effectiveness is "cleared," the money is appropriated and the building begins. Later on, however, the project turns out to be considerably more expensive and profits are unthinkable. Its production appears on the market with prices which arouse "justifiable" indignation on the part of the same draftsmen and investors who so skillfully had cheated the state.

From now on everybody will be building with his own money while the state will only be granting building permits according to the planned proportions of the national economy and to the feasibility of obtaining the necessary human, material, foreign exchange, and energy resources. This changes entirely the positions of investors and draftsmen. Henceforth they will have opposite positions, starting with the initial stage of preparing the TID, i.e., in the investor's council of experts. As the investor will be paying from his own pocket, there is no doubt that he will be much more involved in the analysis of the requested capital investments for the project and of the economic indicators of the future production. After all, there is a difference whether you spend government money or your own.

It would be exaggerated to say that this new system is understood and widely adopted in our economic practice. In spite of the highly promoted Principle of Self-Support even today many investors wait for the state to finance their own building projects and, hand in hand with the draftsmen, try to justify the large

sums needed. However, the impressive perseverence of the government so far in the application of the economic approach and the principles of economic self-support, leave no hope to those who think that the state will continue to subsidize their investment undertakings.

Life has taught us that control and economics are mutually exclusive. The need for control is intrinsic to economically weak and undeveloped systems. The society of mature socialism is characterized by highly productive labor, possible only when it is not artificially restricted by outdated normative acts. Heretofore the practice in drafting, a delicate sphere of intellectual work, has proven repeatedly that each regulation which does not objectively reflect the realistic economic relationship between draftsmen and investors is doomed to fail. And on the other hand, unwritten rules are observed without being compulsory, and are usually called customary practice. At present the gist of the problem is to reach and exceed the set economic indicators and to make it a customary draft practice. How? By changing the Price Regulation with its Archaic Principles with reference to research and draft work in capital construction. Remuneration for project drafting should be based not on the value of the project as it is at present ("Draftsmen, the higher the project estimate, the greater your remuneration!?") but on the prime cost of the future products, and on the productivity of each member of the personnel and with minimal capital investment at that. In case of exceeding the planned indicators workers should be paid bonuses without any restrictions, estimated as a percentage of the increased profit. This will mean that: the lower the initial capital investments; the bigger the production volume; the smaller the number of personnel; the more economical the technology; the bigger the remuneration for the drafting will be and vice versa. And thus, the inefficient TID will disappear by themselves without any decrees and regulations.

1010
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BRIEFS

WASTE BREAD FOR FODDER--Waste bread is being collected at seven basic education schools in Spisska Nova Ves. The Unified Agricultural Cooperative Rozvoj from Odorin pays pioneers and school children Kcs 1.40 per kilogram of waste bread discarded at their homes, thus saving grain fodder in livestock feeding. [Bratislava SMENA in Slovak 20 Oct 81 p 5]--Purchasing of waste bread and rolls for Kcs 1 per kilogram has begun at four sale outlets of the 1 May Unified Agricultural Cooperative in Brno. One ton of waste bread products will replace 0.6 ton of fodder mixture used for feeding of hogs. [Prague MLADA FRONTA in Czech 24 Oct 81 p 2]

CSO: 2400/40

DEEPENING ECONOMIC CRISIS IN POLAND REPORTED

Zurich NEUE ZUERCHER ZEITUNG in German 16 Oct 81 p 13

[Text] The economic crisis in Poland is getting more drastic with each passing day. The domestic market has collapsed to all intents and purposes. Inflation is growing and people are trying to get rid of their worthless money, which they have come to call "monkey money." Almost everything that is still available in the shops is bought up. A barter economy has grown up between the city and the countryside, with speculation figuring as a link between them.

The emergency measures of the Jaruzelski government along with the activities of the crisis management staff and the committee to combat the black market have resulted in more chaotic conditions rather than in a return to order. The drastic measures instituted against those going to the markets have led to the disappearance of even this supply system which had been operating moderately well at much inflated prices. Many market vendors have countered the restrictive policies of the regime by striking, shutting down their stalls and are now conducting an "itinerant business" behind the back of the "flying" police squads and the special army units detailed to control operations.

Unsuccessful Measures

Nor has the rationing system with the issuance of cards for major food items, soap and detergents succeeded in alleviating the situation. This is due to the complicated and cumbersome distribution system and the insufficient supply of goods. In many localities, the food ration cards have a fictitious value. There also is a black market in real and counterfeit food ration cards; time and again, masterfully executed counterfeits turn up. Furthermore, particularism in the 49 provinces of the country is on the rise. The individual provincial administrators are trying to secure supplies for their area on their own. But this leads to inequities and discriminatory practices against the inhabitants of other provinces. In many districts, the restrictions on purchasing goods are so drastic that travelers from other areas are unable to buy anything. Goods are sold only to the indigenous population upon presentation of an identity card.

The price increases thus far have been a failure; particularly as regards higher prices for bread, rolls and flour. The minister of price control, Prof Krasinski, was convinced that he would be successful in bringing down excessive bread consumption thereby while simultaneously improving the quality of baked goods. In view of the cheap price of bread, he assumed that farmers were using it to feed their livestock. But the minister's hopes were not fulfilled. But the experts who had

warned against the adoption of this measure turned out to be right. Consumption has not gone down and quality has remained as poor as it was before the price increases. There is a simple reason for it: Because of the lack of meat, cheese, fat and fish, people are eating a lot more bread. And, since the price is not flexible and since the bakeries still operate under the old bureaucratic guidelines, there is no incentive for competition whatever.

Reforms Being Delayed ?

Now, the penalty is being paid for the strategy of delay and sabotage being applied against the reforms by the central administrative and economic bureaucracy at the middle as well as the lower level. The wrongheaded agricultural policy as well as the failures in adequately supplying the villages with machinery, coal, fertilizer and industrial products for daily use have made the farmers hesitant about selling cattle and grain. Although the state has twice raised the buying price, things have remained the same. The farmers simply want no part of the worthless paper money, since they cannot buy anything with it. Nor have the industrial plants been able to make the switch to production favoring the villages so far. Reformers like Prof Bobrowski for example are vainly calling on the ministries concerned to take immediate steps to assure the supply of these goods as soon as possible.

Some of the experts of the Polish Economic Society and the non-official group of reformers believe that an economic directorate should be established immediately, to be staffed with first-class experts and to be given the necessary mandate, so that the delayed economic reform can be instituted forthwith. But the government is turning a deaf ear to such advice and proposes to continue along the existing course. This calls for first making full use of the legislative functions of the government and parliament. Following the adoption of the two laws on self-administration and the status of manufacturing plants, additional decrees on the self-financing of the plants, on the banking law and the credit system as well as the reform of economic administration are to be issued in rapid succession during the month of November.

But the experts are warning against it. They believe that steps need to be taken immediately to pursue both the preparatory measures for the introduction of the large-scale economic reforms due to take effect on 1 January 1982 and flanking measures in concert with "Solidarity." These would have to concentrate on three major themes: on food production, energy policy and transportation. If this is not done, there might be major social unrest once the cold season starts. And then, even "Solidarity" could not save the system from its inevitable collapse.

9478
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PRICE INCREASES, STATUS OF ECONOMIC REFORM ANALYZED

Need for Sharp Price Increases

Warsaw TRYBUNA LUDU in Polish 1 Oct 81 pp 1, 3

[Article by Ewa Fiala: "The Food Economy Council on the Concept of Price Reform: Sharp Price Increases Are Necessary; Delays Are Socially Disadvantageous; Questions and Doubts"]

> [Text] (Polish Press) At the successive plenary session of the Food Economy Council, which was held 30 September 1981 in Warsaw under the leadership of Deputy Chairman Roman Malinowski and with the participation of KC PZPR secretary Zbigniew Michalek, the subject of the lengthy, sometimes fierce debate was assumptions concerning changes in retail prices of food, and compensation.

The basis for the deliberations was the extensive, 62 page (which also is proof of how complicated this operation is) report of the State Pricing Commission, particularly the material which discusses how, when, and why reform is to be carried out.

Prof Zdzislaw Krasinski, who was invited to the Council session, completed this document (it will soon be available at kiosks together with an opinion questionnaire) containing a brief introduction and reflections on the several hundred meetings conducted to date in various environments.

For the participants in the pricing operation, and that will include us all, the most satisfying thing would be to make the entire text of the document available. That is impossible. Therefore, let us repeat for Prof Krasinski:

--in extreme cases, prices are supposed to increase threefold to fourfold;

--the average increase will amount to 228 percent (excluding price increases for bazaar and seasonal items, such as eggs);

--the increase will be implemented in phases (which is already a fact, considering the price change that has been made for grain products and fresh-water fish);

--the next increase would cover furnace fuel, energy, gas, sugar, jams, potato flour, salt, and matches, and the one after that is supposed to cover milk and milk products as well as meat and animal fats;

--compensations compensate for the new prices 100 percent. With a certain surplus in relation to the growth of purchase costs, the least compensation will be received by the well-to-do, children, and youth. Degression will affect salaried persons the most. About 60-70 percent of households will not receive full compensation because of price increases.

Despite such a radical plan, in price reform the authors are not looking for a panacea for the inflationary gap, for the inflationary curve calculated already to be 500-700 billion zlotys. For the price rise will eliminate only about 40-50 billion zlotys in this curve. Thus, in the opinion of the authors it would be indispensable to have a simultaneous, radical increase in the prices of flavoring substances to obtain 100-130 billion zlotys, a 50 percent increase in the price of manufactured goods (80-140 billion zlotys), and a deferment amounting to savings of 200-300 billion zlotys.

This calculation raises a question which is directed frequently to Prof Krasinski and the coauthors of the project: why implement the whole sick, and perhaps risky, operation?

This is the response: it is not possible to subsidize consumption, for that is the most expensive and least effective form of surcharges. We have reached an absurd state--market prices for all food products are lower than purchase prices. A price increase provides an opportunity for some adjustment of the market and--which is unusually important--should lead to an increase in food production.

Not Only Prices

The Food Economy Council accepted the plan of the authors of price reform. They acknowledged that although the problem is a touchy one, it has to be resolved quickly and radically, nevertheless, to restore relative market balance for the success of economic reform. There is already no turning back from phased in price reform; rather, we must strive to carry out reform in the shortest possible time (by 1 January 1982) so that the base prices of food--for they are supposed to fluctuate--come into existence concurrently with new producer prices. They must be accompanied by just compensation covering everyone, including (the State Pricing Commission material contains gaps in this area) the farmers, not only through increases in procurement prices but also through directed compensation.

The Council also directed its attention to the need to undertake activities in the non-price area which would enhance the effectiveness of price reform. Mainly, what would be needed here is better work on the part of the food industry, more efficient and better organized trade, and improvement of the supply of agriculture with the means of production. In a word, what is needed is to make all activities consonant with price reform, to have activities which promote the growth of production, the improvement of quality, the elimination of waste, the improvement of work efficiency, and the adjustment of the money-wage economy.

Yes, But...

Thus, to price reform they said: yes. However, all the debaters added: but.... These were important, serious, and frequently--elementary reservations.

Is price reform sufficient? Isn't money conversion a necessity? Indeed, as Prof Krasinski asserts, this is technically impossible, for at least 2 years would be needed to print new banknotes; but the very fact of the existence in this consultant body of doubts of this kind, and the fact that these doubts are being voiced today, during the course of reform, is significant, if not disturbing.

The Council also announced another plan to strengthen the zloty. To state it the most briefly, it would involve introducing two zloty coins, a "better" zloty and a "worse" zloty. The "better" zloty would be the old zloty, and the worse would be money issued, for example, beginning on 1 January 1982. The old money would be worth two times as much for 10 years. The effect would be to freeze money not currently tied up in commodities.

The very sense of reform raises doubts--is it not winding up to be a spiral of wages and costs, will not things be the same, only on a "higher level"?

It was asked: are we not maintaining--and if so, are we doing it properly--a low wage policy which does not put zlotys earmarked for social goals into the pockets of Poland's citizens? Egalitarianism, which the presented plan of price reform and compensation strives for, raises doubts. One of the speakers called it an unharnessing of the best horses from the team, horses which can carry loads the furthest and the fastest. Is social acceptance of reform itself the most important thing, they reflected? Is it appropriate for us to waste so much time and energy to achieve reform, and is approval of its results more essential? This kind of reform cannot meet with applause, and prolonging it does nothing but lead to a deepening of social apathy.

These questions and doubts can be multiplied. Even questions like this were asked: will and should compensation be paid out jointly with tax collections? Doesn't that have an impact on something. This is felt subjectively and certainly has deleterious results: this equalization of all workers without regard for their output?

All of these are questions deserving of a hearing, questions which should be asked. But they should lead to one more question: why are they being asked only today? There is little enough time, each day of an unsettled price economy complicates our difficulties. Yet we are allowing ourselves the luxury of letting time elapse unused. For several months the trade unions have not responded, despite proposals and demands for an answer, to proposals calculating the cost of living increases, and they have not allowed auditing units. The trade unions are independent, autonomous, and there is no way to apply pressure on them (if we exclude the pressure which the social good should constitute). But other collectives are better coordinated, though they should be more available; it is possible to ask them a question and get an answer--quickly, as quickly as necessary.

Unfortunately, as the debate at the Council session indicated, this coordination has fallen short. The State Pricing Commission complex has achieved a large, important work. We can hope that it will have the anticipated results, but these opinions should reach Prof Krasinski before, not after the elaboration of the plan for price reform.

The subject of retail price reform dominated the Council session, but it did not exhaust the work of the conference. The session participants also discussed assumptions concerning the program of agricultural colonization in Poland, a program which is unusually essential from the standpoint of land development. They also discussed problems connected with the function and scope of work of the Ministry of Agriculture and the food economy in the context of the achieved reorganization of ministries and implemented economic reform.

The members of the Council also were informed of the increase in the purchase price of hogs that is being planned for forthcoming days.

Little Progress In Economic Reform

Warsaw TRYBUNA LUDU in Polish 1 Oct 81 pp 1, 6

[Article by T. Jezioranski: "How Will We Extricate Ourselves From This Crisis? Results Only on Paper"]

[Text] (Polish Press) On Wednesday Vice Chairman Zbigniew Madej, chairman of the Planning Commission, presented information on the state of implementation of "The government program for coming out of the crisis and stabilizing Poland's economy."

I will recall for you that according to our economic policy, anti-crisis activities were supposed to be concentrated in three areas: activities leading to the growth of material production; frugal undertakings, the effects of which were supposed to supply the most protected fields; and activities initiating structural transformations in the economy.

Now, it turns out from the Planning Commission's evaluation that there is still no evidence of greater progress in the battle with this crisis. Of course, such a conclusion is justified if concrete results that are felt by people are taken as the measure, and not the amount of paper filled with programs.

So as not to be lacking in proof, I will cite several excerpts from the Planning Commission's evaluation:

--despite good grain and fodder harvests, clear indications of increased interest by farmers in restoring their cattle herds are still lacking,

--there still has been no success in assuring the appropriate level of supplies of means of production for agriculture (...) the possibility of achieving the established plan for deliveries of fertilizers for agriculture for the 1983 harvests is threatened,

--to date, no more broadly conceived actions for streamlining the supply of agriculture with means of production and for improving procurement organization have been adopted,

--undertakings aimed at increasing coal output have not brought satisfying results,

--decisions made to stimulate export are not bringing results,

--budget expenditures will be greater than had been assumed, among other reasons because savings resulting from the reform of the central administration are not being obtained this year,

--the number of newly constructed dwellings in the multi-family system will be smaller than the "Program" stipulates,

--displacement of employment is being achieved for the time being mainly thanks to natural processes; however, matters of subsidies for temporary unemployed workers have not been regulated, nor has the concept of leave without pay for some two-career workers been implemented.

I could continue this list even further, but what for? The average citizen has his own barometer, his own criteria for evaluating the situation. And if there is something comforting in the extremely sad information presented by Vice Chairman Madej, it is probably only the fact that the official diagnosis does not coincide with social feeling.

We will return to this subject promptly. But the reminder of what part of the anti-crisis program has not been achieved has a significance obligating everyone whose duty it is to participate in its implementation.

8729
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IMPROVEMENTS SUGGESTED IN SETTLEMENT OF COMMERCIAL ACCOUNTS

Bucharest REVISTA ECONOMICA in Romanian 2, 9 Oct 81

[Article by Gh. Marcu (Parts I and II): "Accelerating the Payment of Accounts Between Socialist Units"]

[No 40, 2 Oct 81 pp 11-12]

[Text] Under conditions where the entire economic apparatus in the socialist units is called upon to make its contribution to the consolidation of self-management and self-administration of enterprises, increasing the efficiency of paying accounts without actually exchanging cash has special importance. Ensuring a continuing flow of payments without bottle necks or slowdowns and ensuring a movement of these payments at an optimum speed influence to a great degree the fulfillment of some of the principal indicators for efficiency in the activities of the enterprises.

The results obtained in the fulfillment of the 1976-1980 five year plan also directly influenced payment operations between enterprises and between enterprises and hierarchically superior organs, budgets and banks and so forth. The number of documents received through banks in the process of making payments between enterprises has recorded an average annual increase of approximately one million documents during the last five year plan, with important increases being recorded in the value of these payments. Compared to 1975, the number of documents received in 1980 was 24 percent greater and the amount of payments was 45 percent greater. Of the total documents received by banks in 1980, over 80 percent represented payments for deliveries of goods and carrying out projects and services, while the remaining 20 percent constituted instruments by which sums were transferred to the budget, amortizations to the Investment Bank or sums paid to higher organs.

The Extension of Payments at the Initiative of Those Making the Payments

The permanent concern of the apparatus in the enterprises and the banking units for extending payments at the initiative of those making the payments has contributed to the simplification of certain operations and, in some cases, also to the acceleration of payments. Thus, in 1980 the payment of accounts at the initiative of the party making the payments is a predominant factor both in number (62 percent) and in value (56 percent). The amount of operations at the initiative of the party

making the payments would have been even greater if certain new elements had not intervened which produced certain changes in the use of account payment instruments. Thus, we can mention the measures in Methodological Norms No 2/1980 regarding the payment of accounts for immediate consumption products, which are made even within the framework of the same locations having the ability to handle receipts, as well as the measure taken by some suppliers which, with the approval of the banking units, have proceeded to change the account payment instrument with regards to those parties making payments that are repeatedly late in making payments or that have been evaluated as not being capable of initiating payments.

If from the point of view of the number of documents and their value positive results were undoubtedly obtained with regards to carrying out account payments at the initiative of the party making the payments, it should not be forgotten that there also was a series of shortcomings. Thus, frequently enough some purchasing units did not make payments for goods and services immediately after their acceptance, delaying the depositing of documents in the bank, especially when they are not capable of making the payments or during the days just prior to the payment of salaries.

In connection with the shortcomings shown with regards to the payment of accounts at the initiative of those making the payments, we must keep in mind the fact that there are some enterprises, few in number, that still have not introduced a register to keep track of the status of payments and others that, although they have introduced a register, do not regularly recorded the documents. There still are situations when payments are not made at their own initiative, in cases where they do not receive the billing documents from the supplier within the normal timeframe, although the goods were received and accepted, and in other cases there are unjustified delays in the acceptance of goods for the purpose of delaying as long as possible the moment of payment. In all these situations, a more active and firm presence through an internal review, as well as one carried out by the banks, would be able to contribute to diminishing these shortcomings.

Payments not made on time by an enterprise, regardless of the reason (inability to pay, delays in paying accounts and so forth), create financial difficulties for the supplying enterprise, negatively influencing the achievement of the indicator regarding goods production sold and paid for. The violation of the discipline of paying accounts also negatively influences the achievement of monetary funds and delays deposits to the state budget.

Through the standards for paying accounts, jointly drawn up with the banks last year, the opportunity was given to the suppliers to carry out a more rigorous control over those making the payments through the measure of submitting the documents to the supplier with a suggested letter confirming acceptance. Through this procedure, the supplier can know the exact date of the acceptance of the documents by the party making the payments. Despite all this, very few economic units used this procedure, with some of them even asking for a return to the payment of accounts exclusively at the initiative of the supplier.

We feel that the promotion of such opinions would bring about many shortcomings, given that the payment of accounts made at the initiative of the supplier has a higher cost and requires a greater amount of work than that initiated by the one making the payments. As a result, we feel that it is necessary to continue to intensify the concerns of the economic apparatus in the enterprises and give permanent support to the banking apparatus to extend the making of payments using checks and payment orders issued by the purchaser.

In order to obtain certain good results in this direction, however, it is necessary to strengthen the review at the paying units in order to have them make payments on time, immediately after acceptance, and to eliminate the mistrust that still persists in the promptness and correctness of the buyers.

The trend of continuing growth in the number of documents and, implicitly, of operations is a problem of great current interest facing the banking establishment as well as the apparatus in the enterprises, a fact that necessitates finding certain new measures to rationalize operations and to have more time for the economic review of the operations available to those having accounts.

In addition to the possibility of going to computers in the operations of paying accounts, it is felt that there are also other reserves in this direction. Thus, an analysis from the point of view of the value of each account payment document and the documents that are received and processed through the banks has shown that those with amount of up to 10,000 lei represent over 55 percent while their value represents only 2.3 percent. Expressed in this manner, this denotes a very great volume of work for the payment of certain minimum amounts. For that reason, it is necessary for the economic apparatus in the enterprises, in this aspect, together with the banking apparatus, to express increased concern for the payment of accumulated accounts of sums under 25,000 lei, naturally within the framework of certain limited periods of time. Other things can be done in this area through the elimination of certain refusals and abusive delays which, similarly, create additional operations in the banks and enterprises. Thus, some enterprises, contrary to the provisions in the standards, sometimes submit for payment account payment documentation without noting transportation documentation or present as transportation documentation proofs issued by the transportation and trucking enterprises which, in most cases, do not effectively show the movement of the goods from one place to their destination. The result is that this means of work gives rise to certain additional operations as a result of receiving letters of delay in payments at the bank of the party making the payments. And, after the expiration of the timeframe delays and even refusals to make payments occur, which increase the number of operations both at the bank of the party making the payments and at the bank of the supplier. A firmer position on the part of the banking apparatus in the review of the reception of account payment documents and in the reception of letters advising of delays or refusals in making payments can bring about a noticeable reduction of the number of operations stemming from the reception, review and recording of these documents. Similarly, it is also wrong

to use the procedure of presenting refusals prior to using the entire delay timeframe, an act that also causes some additional operations in returning payment documentation to the parties so that later there can be a new correspondence for resending this documentation and the account payment documentation.

Using Certain More Effective Account Payment Instruments

One problem that must hold an important place in the activity of paying accounts is that of achieving an optimum speed in making these payments. The principal instruments currently used in our economy are the invoiced order and the invoiced cash order. A recent sampling showed some aspects that we feel we should of necessity pause upon. The first finding is that in both local account payments and those between different locations there was a very close average number of days duration in the case of using the invoiced order compared to account paying using invoiced cash orders, with the difference in days between these two instruments being minimal, of approximately 1 day and in some cases 2 days. Thus, for local account payments the average speed of clearing accounts using the invoiced cash order was 7 days and for the invoiced order 8 days, while account payments between different localities occurred at a rate of 13 and 15 days, respectively.

If we take into account the fact that, in the case of using the invoiced cash order, the normal average duration for paying accounts requires 6-8 days in the same location* and approximately 12-13 days in the case of paying accounts between different locations**, the result is that the average duration achieved in 1980 for account payments through the National Bank was generally within the normal timeframes in the case of using this instrument. If we keep in mind, however, that there are paying units that have shorter acceptance timeframes (3 days) and the fact that between close-by localities the postal route is shorter (1-2 days), the average speed achieved clearly demonstrates that there still are possibilities to reduce the average duration of paying accounts with this instrument both within the framework of local account payments and those between different localities.

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*Calculating the normal average speed of account payment in a locality (1 day for forumulating the account payment documentation for submitting them to the bank, 1 day for notifying the paying party, 3-5 days for the average timeframe for acceptance and 1 day for the accounting operation).

**Calculating the normal average speed of account payment between different localities (in addition to the time for the local account payments, there is also 2-3 days for the postal route and 1-2 days for completing the O.I.S. notification and processing the supplier's account).

Similarly, if we refer to the invoiced order, we cannot but note the fact that the average length of the time for the payment of accounts is 1-2 days longer than that for the invoiced cash order, therefore, slower. In order to justify this gap it is sometimes argued that the bank routing of the documents is more rapid than that of dealing directly between enterprises and that the notification of the payment through the bank obliges the paying enterprise to deal with the documents within a certain timeframe. This permits the cash order to be paid more quickly than the regular order.

Such an argument, although correct to a point, nonetheless loses sight of the fact that in the case of using the regular order in the same locality in very many situations it can be handed over along with the goods by a representative and, therefore, done in a very accelerated manner, and that the eventual problems that appear at acceptance can be more effectively clarified through direct contact, with this being possible since the buyer is in the same locality.

If we keep in mind the fact that in most cases both the supplier and the purchaser are reviewed by the same banking unit and that this fact permits the identification and elimination of delays, the result in this situation is that in practice if they would work with more perseverence they would have a much quicker rate of paying accounts in the case of using a regular order for local account payments, nearly moving to a synchronization of the movement of material items with that of account payments, as is done in the case of using account payment checks.

With regards to the use of the regular order for account payments between parties having accounts in different localities, we can also add the fact that they have not used, except to a small degree, the practice of submitting these orders along with the correspondence acknowleding the receipt of goods, an act that we feel would contribute to additional attention on the part of the party making the payments for making payments immediately after receipt and acceptance of the goods.

[No 41, 9 Oct 81 pp 10-11]

[Text] Under conditions where, according to the Finance Law, the payment for products, projects or services can be made only after their reception and acceptance, the result is that the speed of making payments on accounts is directly influenced by the movement of the material items and the length of time until acceptance. As is known, the movement of account payment documents is faster than that of the material items themselves, an otherwise natural situation if one keeps in mind the operations that are involved, on one hand, in the forwarding of correspondence and, on the other hand, in the movement of goods from the sender to the receiver. This fact, in many cases, however, brings about delays in the payments on documents for the non-receipt of goods and, then, for completing the acceptance process. Keeping in mind the provision in the Finance Law about not slowing down the account payment process, there must be permanent actions to eliminate shortcomings in transportation, to procure railcars and other means of

transportation on time, to load and unload these means in a minimum amount of time necessary and to accept the goods within timeframes. Only by working in this manner can we bring about a closing of the gap between the time for the movement of material items and that for the account payment documentation, thus avoiding the delays in making payments that delay clearing accounts. Increased attention must be also given to the manner in which the acceptance of goods is carried out, since any delays also have implications for the on time carrying out of account payments.

We should note the fact that in the control carried out through a sampling by the units of the National Bank, for over 59,000 delayed payment documents it was found that there were abusive delays or failures to respond to delays for approximately 11 percent of the cases reviewed, with an average delay of 2 to 14 days.

The sale of finished products, that is, the fast as possible transformation of goods in money, returns to the enterprise those sums of money spent from its material and financial resources, as well as investment funds. The monetary resources obtained by the enterprises in the form of payments made by the users of the goods, projects and services are slated to be used to complement the material resources and pay for the services necessary for the continued carrying out of the production process. Thus, the movement of resources starts over by carrying out the account payments operations and depends upon the proper organization of sales by the producer enterprise, the manner in which the transportation activities are organized and the time of the duration for completing documents in the enterprise and for the movement of the documents to the paying party and within the banking units participating in carrying out these operations. With regards to the above-mentioned factors, we will pause upon the manner in which the supplier units complete and submit account payment documents for payment.

Strengthening Financial Discipline

The checks made regarding this aspect by way of a sampling carried out by the units of the National Bank on over 250,000 invoiced cash orders pointed out the fact that more than 33,000 of these documents, or 12 percent, were completed or submitted after delays. In some enterprises, the proportion of violations exceeded this percentage, being between 20 and 35 percent and sometimes higher than this. The average length of delay in submitting or forwarding the documents for payment was 6 days and for some enterprises this average delay exceeded 15 days, while others recorded even greater delays.

Through the legal standards that regulate the organization and management of accounting procedures, the exercise of preventative financial review and the attributes and responsibilities of the chief of the financial-accounting department, there has been a noticeable increase in the role of accounting procedures in

strengthening financial discipline and in ensuring the financial-material integrity of the socialist units. Within the framework of these attributes, the chief of the financial-accounting department is obligated to organize and pursue the correct and on time completion of invoices for products that have been shipped, the projects and services completed and the on time submission of the account payment documents to the bank or directly to the buyer, as well as the review of the on time cashing on the value noted on these documents. Similarly, all means must be used to work on those parties that violate the discipline of account payments, requesting, as the case may be, penalties for delays in making payments, changes in the form of account payment, provision of the sums necessary to make the payments and, in those cases covered by the law, even the suspension of deliveries. All these concerns must in the end lead to enterprise's on time receipt of all sums owed by the clients as a result of carrying out contractual obligations.

We were mentioning above the tasks of the financial-accounting department in the enterprise with regards to the on time payment for delivered products in order to ensure a balance between receipts and payments and in order to have a permanent payment capacity that will allow it to meet at any moment the payments assumed through economic contracts and those to be made to the budget, banks and other organs. With regards to the obligations assumed through contracts, this must be permanently in the attention of the chiefs of the financial-accounting departments with regards to the concerns for meeting obligations on time and paying for supplies, ensuring, first of all, a proper organization of the movement of documents received from the supplier, pursuing the on time receipt of goods and exercising the right of refusal only when it is well-founded. Certainly, exercising these duties also requires the formulations of claims, when need be, with regards to litigations that are to be resolved by arbitration or legal organs after all other means of settlement have been exhausted concerning violations uncovered in carrying out tasks stemming from the execution of economic contracts.

It is also necessary for the bank inspection organs to assist the economic apparatus in the enterprise, and especially the workers called upon to organize and who have responsibilities in the departments that draw up the account payment documents. In 1980, the documents received for account payments at the banks for goods, projects and services were for the most accepted, at the rate of 97.8 percent, while approximately 2.2 percent were refused by the party making the payments or rejected for payment by the banks. Of the documents accepted for payment, over 88.5 percent were paid within the normal timeframes or within the extended timeframes outlined by standards, and 11.5 percent were paid after they were sidelined for an average of approximately 12.7 days because of the payers' inability to make payments.

Although the percentage of refusals and rejections for payment seems low at first glance, nonetheless from the point of view of their value this amount is significant, pointing up the existence of certain negative aspects regarding adhering to contractual discipline concerning quality, timeframes, prices and so forth.

A significant portion of the total number of refusals, approximately 30 percent, involves those for non-receipt of goods until the expiration of the timeframe for delaying the account payment documents. The analyses carried out give the conclusion that these refusals were due to the delays encountered during the transportation process and especially for goods shipped in common parcels, containers or railcars having a number of destinations. And, as we have shown above, the cause of some of these refusals also was the fact that some enterprises introduced account payment documents without having had the goods effectively forwarded. Another category of refusals of some size (28 percent) is that stemming from the failure to adhere to the contractual clauses regarding quality, delivery schedules or other clauses, as well as those stemming from the failure to forward the documents outlined in the contracts on the basis of which products are accepted and used.

It should be mentioned that of the total number of payment refusals recorded in 1980 only an insignificant number remained unresolved by the end of the year. There are situations where the clarification of certain refusals are unjustifiably delayed, with the supplier enterprise not showing a sustained and effective concern for their settlement, a fact which causes, in addition to the consequences regarding the slowdown of account payments, the maintenance of a significant number of stalemates in unresolved refusals.

The fact should be noted, as confirmed by some of the solutions issued by arbitration organs or as discovered during certain checks and analyses, that there still are cases where those making payments present unjustified refusals. As a result of the firm position of the banking organs, there was a later review of these refusals, but the fact cannot be ignored that these situations temporarily created financial difficulties for the suppliers. We could also add the fact that for such violations of contractual discipline or for the lack of concern for effectively resolving refusals or abuses in submitting refusals, the banking units applied legal sanctions to the guilty persons. It is necessary, however, for the financial-account department chiefs, in other words precisely those who are responsible for the preventative review of these operations, to be directed through increased responsibility towards eliminating these kinds of shortcomings. Similarly, we feel that a more careful review at the time of the presentation of payment refusals at the banks and a closer cooperation with the review apparatus can efficiently contribute to the elimination of certain shortcomings that have appeared in this area.

The increased percentage of documents that are sidelined prior to the paying of accounts presents this aspect as a negative phenomenon having the greatest implications in slowing down account payments and having consequences upon attracting certain units with a history of proper activities into the chain of non-payments and the inability to make payments.

The Judicious Organization of the Movement of Account Payment Documents

In addition to all the above-presented negative aspects having direct implications for the speed of the account payment process, a series of factors in the enterprises contributed to this, factors upon which the bank review can and must work more efficiently. We will refer to those that have a greater influence and we will point out that there are frequent cases in economic contracts where there is no mention of the form or instruments for making payments on accounts that will ensure the surest way for the more rapid depositing of money in accounts. Or, they deliberately avoid setting certain delivery schedules so as to ensure a regular rate of delivery and payment for goods.

We pointed out above that there are delays in initiating payment orders or there are abusive delays in cash payment orders. In addition to this state of affairs, there also are frequent cases due to the fact that the management of the data keeping track of the receipt and payment on these documents is done inappropriately and sometimes, more infrequently certainly, not done at all.

In addition to what has been pointed out above, we can add the fact that in some economic units there continues to be shortcomings in the organization of the movement of account payment documents, which favors delays in submitting the account payment documents to the banking units. Othertimes, legal provisions in effect were not respected with regards to carrying out the acceptance of goods on time, a fact which led to the unjustified delay in the period of payment. There are, however, situations when these obligations are not fulfilled and we still find in some enterprises that data are not correctly maintained up-to-date and that unrealistic data are recorded in the account payment documents with regards to the receipt or acceptance of goods and invoices or with regards to other economic operations.

We cannot forget that there still are supplier enterprises that are not taking action, when need be, on those partners who did not adhere to economic contracts and who delayed payments, thus not pressing for penalities for the damage done to them. Sometimes these situations are due to the negligence of the personnel who are tasked with following these aspects and othertimes because of a "conciliatory" attitude between the parties involved, with both situations being equally damaging to the ability of the unit in question to make payments.

All the violations and shortcomings we have mentioned above have had direct consequences upon the financial situations of these units, and, at other times, which is even more serious, brought unfavorable situations to units that have been working well and have had a good financial picture, placing them in difficulties.

As is known, one basic indicator is the achievement of goods production sold and paid for, a fact emphasized numerous times in party documents. This objective is

considered achieved only after the deposit of monetary funds in the supplier's account. We feel we are not saying anything new when we note that the improvement of the enterprises' activities depends, first of all, upon strengthening the economic and financial situation of these enterprises and upon organizing production and technical-material supply, fulfilling economic plans and adhering to contractual requirements. Paralleling this, however, and having direct implications, we must not neglect improving the current forms and instruments of account payment and accelerating the movement of these forms where, as has been pointed out, there still are some shortcomings.

Understanding the factors that have contributed to the existence and maintenance of certain shortcomings in carrying out account payments and keeping in mind the weight and seriousness of each factor, it is necessary for the entire banking apparatus to be mobilized to eliminate shortcomings, especially in areas that are a significant part of the normal flow of these operations.

The tasks outlined by the party leadership regarding accentuating worker self-management and self-administration are pursuing the growth of responsibility of each work collective for the proper operation and use of available resources. The socialist units' permanent control over adherence to account payment discipline constitutes an obligation that is designed to strengthen self-administration and that must be directly achieved by the financial-accounting departments of these units.

8724
CSO: 2700

MACEDONIAN POWER SITUATION NEARS CRITICAL STAGE

Skopje NOVA MAKEDONIJA in Macedonian 30 Sep 81 pp 1, 3

[Article by E. P.]

[Text] The thermal power plant "Negotino" must start as quickly as possible. All those who fail to comply with the third stage in the limitations on consumer power will have their electrical power cut off. The crisis situation continues in supplying crude oil and petroleum derivatives.

Nothing optimistic was to be heard at yesterday's session of the assembly of the republic self-management interest community for energy, held in Skopje. The delegates regarded the energy situation in Macedonia as extremely difficult, and it approaches the critical limit from day to day.

In considering the immediate situation for electrical energy, the delegates state that if the "Negotino" thermal power plant does not begin producing, greater restrictions on electrical energy consumption will have to be imposed (at present a third degree restriction is in effect). Further restrictions would have long-reaching consequences for the economy. On the other hand, a serious problem has risen in providing foreign exchange for purchasing heavy oil for the needs of the Negotino thermal power plant.

Reservoirs have 40 percent less potential than the planned balance called for, and compared to the same day last year, water supplies are down by 28 percent. In practice, that means that the hydroelectric power plants cannot deliver more than 300,000 kilowatt hours per day. As, however, the general director of the Macedonian power complex Elektrostopanstvo, Mile Stojanovski stresses, there are days when the hydroelectric power stations are delivering as much as 2.5 million kwh. If they continue at that rate, there can be catastrophic consequences.

At the session, it was stressed that a large number of consumers are not observing the measures in force for the first and second degrees of restrictions on electric powers for consumers. An especially large number of violations have been noted among so-called direct consumers. There have also been shortcomings in the work of the opstina self-management interest communities, which in such situations are supposed to undertake broad actions to insure savings and rational use of electrical energy. Because of all these failures to carry out obligations, "Elektrostopanstvo" is turning to the republic energy inspector. All of those consumers who do not have the discipline in such crisis situations to uphold measures calling for restrictions will have their electrical power cut off.

The delegates devoted special attention to the course of construction of the "Bitola" atomic power plant. There are indications that this situation would not have occurred here if the construction of that significant energy installation had not been delayed. Therefore, a resolution was adopted calling for the earliest possible start of operations at the Bitola atomic power plant. Informed sources, however, think it will be impossible for the Bitola plant to start up before the first quarter of next year.

The only bright spot in the electrical energy crisis that has gripped the republic is the thermal electric center "Oslomej," which is operating at full capacity. This thermal power plant produced 60 kwh of electrical energy in 28 days of this month, which is the equivalent of a full month's production. This year it is anticipated that the Oslomej plant will produce 510 million kwh of electrical energy.

Supplies of crude oil and petroleum derivatives continue to be very tight, indicates the "Macpetrol" representative from Skopje. He continued to say that even if all foreign exchange resources were available at the moment, it would not be possible to supply the needed amounts of liquid fuels in less than 20 days. The situation is also negative regarding wood and coal supplies.

An appeal for saving in a situation like this, when there are shortages of essentially every kind of fuel, strikes one as somewhat absurd. Nevertheless, that does not mean that there is nothing to be saved. On the contrary, there continue to be instances of wasted electrical power, crude oil and gasoline, and of inefficient use of these fuels.

12131
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INVESTMENTS IN FIXED ASSETS, JANUARY-AUGUST 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Oct 81 p 8

[Article by R. V.: "Continuing Drop of the Growth Rate"]

[Text] The drop in the growth rate of investments which began in the first half of the year continued in the third quarter. Total investments in fixed assets were up a nominal 20 percent in the first 8 months over the same period of last year. However, when this rate is adjusted for the rise in the prices of building materials, equipment and services in construction and the crafts and trades, it can be said that investments were down more than 20 percent in real terms.

The trend in payments for capital investment projects was more favorable than in previous years and was in line with the goals of economic policy in this sector of consumption, since the Resolution on Policy for Implementing the Yugoslav Social Plan in 1981 provided that the real level of investments in fixed assets be lower than in 1980 and that the value of investments in nonproduction and noneconomic projects, aside from investments in housing construction, be reduced by 30 percent.

In order to achieve that goal organizations of associated labor, self-managing communities of interest and banks have had to reassess decisions already made, establish possible overruns and take steps to bring investments into line with the funds actually available. In addition, provision was made for investors and banks to halt or postpone construction of investment projects already under way which do not have great importance to altering the material structure of production, to augmenting exports or to substitution of imports. Performance of these tasks has helped to slow down investments in fixed assets as a whole, but the drop in the rate has still not been satisfactory with respect to investments in nonproduction and noneconomic projects. The distribution of investments by sources of financing shows that in the first 8 months investments made from the resources of organizations of associated labor in the economy were up 31 percent in nominal terms over the same period of last year, and those from organizations of associated labor and noneconomic activities were up 12 percent, those from self-managing communities of interest were up 11 percent, and those from banks were up 7 percent, while there was a 4-percent drop in funds coming from sociopolitical communities. The reduction achieved is mostly the result of the measures embodying the system, whose aim was to diminish the functions of sociopolitical communities in the domain of expanded reproduction and to transfer them

to associated labor. This especially applies to the Federation, whose share in total investments has been reduced to a negligible amount this year.

The milder growth of payments on investment projects from bank resources is the result of the reduced liquidity and decline of the credit potential of the banks because of the restrictive measures adopted by the Yugoslav National Bank. In addition, reduction of the banks' investment potential was also affected by regulations which diminish the possibility of using short-term funds for investment projects. Since the measures adopted are lasting in nature, we can expect that investments from bank resources will show a slower growth in the coming months as well.

Investments in Fixed Assets, in millions of dinars

	Aug 81	Jan-Aug 81	Aug 81 / Aug 80	Jan-Aug 81 / Jan-Aug 80
Investments, total	38,297	317,590	123	120
Organizations of associated labor in the economy	13,751	108,700	131	127
Organizations of associated labor outside the economy	3,439	30,732	112	119
Self-managing communities of interest	1,489	13,706	111	115
Banks	15,686	139,643	107	110
Lendings through banks	3,585	20,871	258	193
Sociopolitical communities	347	3,938	122	96
As follows:				
Opstinas	227	2,324	132	115
Republics and provinces	88	1,217	176	91
Federation	32	397	51	59

Housing construction occupies an important place in financing investments from bank resources, since the payments of the banks for this purpose reached the amount of 42 billion dinars in the first 8 months, which is 25 percent more than in the same period of last year. Since economic policy measures did not provide any restriction whatsoever on this form of expenditure, it is expected that intensive credit financing of housing construction will also continue in the coming months.

In the breakdown of payments on investment projects by republics and provinces over the first 8 months the increase was 20 percent in Bosnia-Hercegovina, 66 percent in Montenegro, 17 percent in Croatia, 22 percent in Macedonia, 15 percent in Slovenia and 18 percent in Serbia. Within Serbia there was a 19-percent growth in Serbia proper and a 27-percent increase in Vojvodina, while in Kosovo there was a 15-percent drop from the same period of last year.

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2198

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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AGRICULTURAL MINISTRY ANNOUNCEMENT ON HERDING

AU221508 Tirana Domestic Service in Albanian 1330 GMT 22 Oct 81

[Announcement by the agricultural ministry on the "Completion of Herding Together Small Livestock of Cooperativist Families Throughout the Whole Country and of Cattle in the Lowlands"]

[Summary] According to agricultural ministry data, the herding together of small livestock of cooperativist families throughout the country and of cattle in the lowlands of 13 districts was completed recently. This action, which was inspired by a cooperative in Gjirokaster District, was supported by the whole country. The Central Committee, inspired by the deep ideological, economic, political and social content of this idea for further consolidating socialist construction in the countryside and for continually raising the cooperativists' well-being, congratulated the cooperative and laid down tasks for herding livestock together in all cooperatives.

During this period over 3,000 shelters were constructed. Great achievements were made in preparing the fodder base for livestock and in training and qualifying workers in this sector. The associated state organs and agricultural cooperatives have taken measures for securing trade centers and supplying cooperativists have taken measures for securing trade centers and supplying cooperativists with livestock products. The herding of livestock of cooperativist families is a great victory over which all the people rejoice this year. "This important measure perfects socialist relations in production in our countryside and advances the improvement of the material and cultural conditions of the peasantry."

CSO: 2100/8

REPORT, COMMENT ON INDUSTRIAL OUTPUT DURING JANUARY-AUGUST PERIOD

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 23 Sep 81 p 2

[Text] The volume of the industrial output in the period January-August 1981, in comparison to the respective period of last year, grew by 6.1 percent. The 8-month plan for commodity production and acquisition of financial resources from its realization was overfulfilled.

The fulfillment of the production and realization plan for individual ministries is as follows:

Ministries	Fulfillment of plan for period August-January 1981 for	
	commodity production	realized production
Ministry of Power Supply	100.7	102.4
Ministry of Chemical Industry	101.1	100.0
Ministry of Machine Building and Electronics	101.1	101.3
Ministry of Light Industry	102.3	101.0
National Agroindustrial Union	101.8	102.6
Ministry of Construction and Architecture	101.0	98.6
Ministry of Metalurgy and Mineral Resources	100.5	98.6
Ministry of Transportation	101.6	102.6
Ministry of Forests and Forest Industry	103.5	102.3
Ministry of Internal Trade and Public Services	103.9	102.1

The production of some basic industrial commodities is as follows:

	commodities produced in January-August 1981	January-August 1981 in percent to January-August '80
Electricity, million kilowatt hours	24,032	106.3
Briquettes, thousand tons	945	101.9
Rolled ferrous metals, thousand tons	2,154	106.1
Cold rolled sheet iron, thousand tons	432	103.9
Heat rolled sheet iron, thousand tons	919	107.4
Galvanized sheet iron, thousand tons	74	120.2
Steel pipes, thousand tons	171	106.7
Electrical instruments, thousand prices	224	119.6

	commodities produced in January-August 1981	January-August 1981 in percent to January-August '80
Lathes, pieces	6,088	100.4
Cranes, pieces	1,592	118.0
Internal combustion engines, pieces	13,153	137.0
Electrotelphers, pieces	78,486	102.4
Nitrogen fertilizers, thousand tons	505	102.8
Phosphorus fertilizers, thousand tons	159	115.8
Oil-based paints and varnishes, thousand tons	33	98.0
Synthetic fibers and silks, thousand tons	68	103.9
Cement, thousand tons	3,630	104.4
Asbestos-cement pipes, thousand meters	1,728	120.5
Bricks, thousand pieces	928,638	102.0
Cellulose, thousand tons	122	104.6
Cardboard, thousand tons	44	111.0
Household glassware, thousand leva	17,910	108.1
Ceramic tiles, million pieces	173	105.4
Household porcelain, thousand leva	24,717	104.1
Cotton textiles, million meters	232	103.4
Silk textiles, million meters	23	105.7
Knitted outer garments, million pieces	27	102.8
Sewing articles, million leva	186	105.4
Shoes, thousand pairs	11,530	103.4
Meat, thousand tons	296	101.9
Meat products, thousand tons	61	105.5
Canned vegetables, thousand tons	121	100.3
Canned fruits, thousand tons	155	128.3
White brined cheese, thousand tons	75	105.7
Cheese, thousand tons	17	121.0
Sugar, thousand tons	230	124.8
Tobacco products, thousand tons	56	110.2

Committee for Unified System of Social Information

Commentary

During the period January-August the plan for the production and realization of the commodity production was fulfilled. By the end of August, 64.6 percent of the production projected for 1981 was produced, and 64.3 percent of the financial resources from its realization was acquired.

In comparison with the month of August last year, the output is 5.2 percent higher, and in comparison with the period January-August—6.1 percent.

There were weaknesses in the work of a number industrial enterprises. which resulted in harming the rhythm of the production. The 8-month plan has not been fulfilled by 243 industrial branches, which is 11 percent of the industrial branches.... In a considerable number of the branches the lagging is due to failures and stoppages

of machinery and equipment, poor working organization, breaking of the technological and working discipline, failure to introduce new technlogy and production of new goods, and other causes of internal character.

The production of important goods like calcified sodium, phosphorus fertilizers, oil-based paints and varnishes, particle boards, electrical instruments, cement, cold rolled sheet iron, and others. The main causes for these failures boil down to shortages of basic raw materials, lack of rhythmic supply of cooperative deliveries, failures and repairs of equipment etc.

9804
CSO: 2200/5

FOREIGN TRADE MINISTER DWELLS ON ACHIEVEMENTS, FUTURE TASKS

Sofia IKONOMICHES ZHIVOT in Bulgarian 23 Sep 81 pp 1,3

[Article by Foreign Trade Minister Khristo Khristov: "Important Tasks Facing Economic Cooperation with Foreign Countries"]

[Text] The 12th congress of BCP set for solving extremely responsible tasks in the field of our country's foreign trade. They arise from the place and role our foreign economic relations have in the overall economic and social development of Bulgaria during the next stage of building a mature socialist society under the new conditions of international economic life.

The great achievements in the development of the socialist economy and the transformation of our country into a constantly and rapidly developing industrial one are the material basis for solving these tasks. Positive factors in this respect are the increased international authority and respect Bulgaria enjoys as a trade partner and the considerable experience of the people working in the field of foreign economic relations.

The party has always paid and is paying a special attention to this sector of the economy and the considerable successes achieved in the last years are a result of this attention. The trade during the 7th Five-Year Plan was doubled in comparison with the preceding five-year plan, and for 1980 alone reached 17.1 billion currency leva.

Considerable positive changes took place in the structure of our export which found a concentrated expression in the increase of 47.7 percent of the export of machines and equipments. The participation in the export was increased considerably by the chemical industry, electronics and electrical engineering as well as by the engineering activity, the tourist economy, and transportation services etc. which are rapidly developing too. The socialist economic integration, into which our country participates more and more successfully, expanded and entered new, deeper and more mature forms. Seventy-five percent of our trade is with the socialist countries of which 54 percent is with the USSR.

The measures taken by the Central Committee of BCP and above all by the Commission of Currency Problems in the Politburo of the BCP Central Committee presided over by Comrade Todor Zhivkov, as well as the improved work of the economic and foreign trade organizations led to a sharp change in the currency balance with the non-socialistic countries. This made it possible to decrease considerably the currency debts of our country.

Our cooperation with the developing countries is rapidly increasing and diversifying. Possibilities for long-term, perspective development of our relation with them are being created.

Despite the difficulties in the economy of the developed countries caused by the crisis shocks, our relations with them are quickly developing too. Over 50 agreements for long-term production and scientific and technical cooperation with a number of firms and corporations have been signed and are in operation. The first results are encouraging and our efforts in this direction will continue in order to expand and increase the effectiveness of this cooperation.

Taking into consideration the needs and the open character of our economy, the 12th congress of BCP set the task of increasing our foreign trade during the next five-year period by 40 percent while at the same time retain its faster growing rate in relation to the growth of the national economy. The mentioned percentage, however, is not only the usual value index which can be achieved, as it was done until now, by increasing the volume of the exported goods. The main emphasis, unlike the existing practice, is on intensification of foreign trade cooperation. The most important factor in this is the high quality and competitiveness of goods for export, flexible and prompt reaction to the changing conditions and structure of market and consumers.

The key importance of the foreign trade field, however, requires that it should not be treated simply as any other part of the economy, where the policy of comprehensive intensification will be applied. This problem is brought out especially, precisely and clearly in the report delivered by Comrade Todor Zhivkov. "We view our participation in the international division of labor as an exclusively important and powerful factor for the realization of comprehensive intensification of the economy."

The foreign economic relations are given an important role in the formation of progressive structure of branches with a definite export character in order to realize the multiplicational effect of the foreign markets.

In fulfilling this task, the economic and foreign trade organizations will be working in close cooperation, and the new economic approach and mechanism will be an important, stimulating factor in this process. An optimal closeness of the production to the requirements and needs of the markets comes out as a primary, and in many respects, desisive task. Coming to the fore acutely is the necessity for a speedy inprovement of the technological level of production through rapid introduction of leading scientific and technological achievements mainly from the USSR, the other socialist countries, as well as from the best firms in the world.

A constant and additionally complicating factor, which will be even more active in the coming period, is the generally unfavorable economic condition in the world, which is caused by the difficulties of the capitalist market. It further sharpens the competition and the struggle for realization of the production, the instability of the monetary system , the general increase in prices of raw materials, energy and equipment.

Under these conditions, a number of capitalist countries search for a way out in the militarization of their economies, and increasing the protectionism and restrictive measures, which aggravates even more the instability, contradictions and increases the difficulties in the international economic relations.

Our friendly relations with the fraternal socialist countries and above all the USSR come to counterbalance this negative influence. The signed long-term agreements with them secure stable rate of economic development, create conditions for full utilizations of production capacities and for fulfillment of the realization.

In order to adjust the national economy to the rapidly changing international conditions, special importance is attached to the measures related to the reconstruction and modernization of the existing production capacities as well as the construction of new enterprises consistent with the highest achievements of the world technology and technical progress.

International trade occupies an especially important place in this process. It is called not only to fulfill an effective realization of the national product, but also to assist most actively in the implementation of the leading know-how in production and organization by the economic enterprises and producers. Besides this, it should create conditions for a highly efficient cooperation with well known firms and enterprises from the socialist and capitalist countries, through large scale implementation of the new forms--mixed production, long-term comprehensive contracts and agreements.

This requires even more than ever an improvement of the relations between the economic and foreign trade organizations, in order to create similarity of their interests, to execute collectively certain measures to improve further the export production, to increase the competitiveness and to ensure lasting and promising markets.

In this aspect, the aims of the Plovdiv Fair become even clearer and more accurate. Its first specialized Fall exposition this year is technical. Our industry will participate there with goods from the machine building industry, instrument building, the electronics, chemistry. Our scientific and engineering potential will be demonstrated as a direct answer to the resolutions of the congress.

Because of its scale and especially because of its quality indices, the fair exhibition will be a demonstration of the development of the creative spirit of the Bulgarian nation in its 1,300 jubilee anniversary.

In essence the national exposition will show a contemporary, technical Bulgaria. It will be a convincing illustration of the practical results of the April line in the life of our country. It will be a clear confirmation of the restoring, creative April period which Comrade Todor Zhivkov summarizes in the following way: "The dynamic development of the whole economy, the rapid industrialization of the country, the intensification and specialization of the agriculture, the carrying out of intra-party and socialist democracy, the overcoming of the rigidity and promoting of a creative atmosphere in the all-round life of the country, the improvement of the standard of living of the people, active foreign policy, comprehensive cooperation with the USSR and the other socialist countries--this is what characterizes the period after the April plenary meeting of 1956, a period of great efforts and great victories.

At the same time, the fair creates a possibility to compare our achievements with those of the other socialist and capitalist countries, to create new contracts, to expand trade and industrial cooperation. The fair will contribute its share to the realization of our party and country's policy for peace; for competition in the economic field; for lasting, mutually beneficial cooperation.

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LOCAL PRESS REPORTS CONSUMER GOODS SHORTAGES

Shortages of Household Items

Leipzig LEIPZIGER VOLKSZEITUNG in German 23 Sep 81 p 3

[Article by Guenter Hesse, candidate for succession to Leipzig Bezirk Conference: "What Is the Situation Regarding the 1,000 Little Things?"]

> [Text] Tomorrow [Thursday, 24 September 1981] the Leipzig Bezirk Conference will consider the further development of the bezirk-managed industry and, especially, the production of consumer goods. This paper has already given detailed reports on how the standing commission for industry and the local supplies economy and for coal and energy prepared this important conference. On this page Guenter Hesse writes about surveys of the standing commission for retail trade and supplies on stocks available in the 10,000 little things. How the Masters of the Fair of Tomorrow movement is used to make better consumer goods comes under the control of the members of the standing commission for youth matters, physical culture and sports. This paper will give detailed accounts of the bezirk conference and the resolutions taken by it.

The standing commission for retail trade and supplies has done a lot of work in recent weeks in getting set for the second bezirk conference. We have looked around in several trade establishments, the consumer department store AM/Bruehl, the "Modern Household Store" in Luetzner Strasse, a tool store in Eilenburg and in the BHG sales facility in Bad Dueben. We have talked with wholesale agents and agents of state organs. We were interested to find out how supplies are handled in the so-called 1,000 little things. The basis for our surveys was a Council of Ministers resolution of late 1980 addressing itself to public supplies proper as to needs. The 169 key items in it we have paid special attention to during our inspection.

In the trade establishments we visited most household items are in steady supply, quite a number of them temporarily, and a few of them rarely. In the consumer department store, the concrete picture was like this: of the 160 key items in

the Council of Ministers resolution, 168 are in stock. Always available are 111 of them, 46 now and then, and six rarely. Interesting here is that items rarely available in one store are in constant supply elsewhere. Such disproportions clearly are the fault of distribution. We think it right for the GHG for household goods to proceed toward central selling in May 1982. Right now, representatives are still traveling through the bezirk. And here evidently distribution is done now and then still in following one's nose.

In the wholesale trade we also have looked into how the trade contracts concluded with industry have thus far been fulfilled. Except for some delivery backlogs, the enterprises have met their obligations. And the wholesale project of buying up additional goods at a clip of M 4 million this year had come up to circa M 2.3 million by 31 July. What impressed the people's deputies, however, was that for some items that are not always available in the stores deliveries are according to contracts. In such cases they had just failed to establish the demands precisely. Especially for supplying with the 1,000 little things, as our wholesale discussion partners confessed, planning is out of control. Granted, it is complicated but it can be no consolation for the citizen who runs himself ragged trying to find coffee filters.

Highly to be welcomed, on the other hand, is an initiative of the GHG for household goods which recently, through a consumer goods exhibit, promoted among enterprises the production of further items. Those were exclusively goods that are not yet in adequate supply. Many enterprises came to look at the exhibit. The contracts signed there came to M 670,000. Inspired by this outcome, even if it was not exactly intoxicating, they want to turn such exhibits into standard procedure. We think that is a good way, mainly also because coordination in consumer goods production still leaves much to be desired in the bezirk. The Eilenburg chemical plant, for instance, makes clothes driers. They can always be purchased in the stores of the kreis. But in Leipzig they are often not to be had. Our standing commission thinks it necessary that someone be made responsible on the bezirk level for coordinating the numerous initiatives on producing additional consumer goods. We plan to make appropriate recommendations at the bezirk conference.

All in all, the result of our inspection was satisfactory. Stocks have improved and were stable in many of the key items we checked. But not all price categories are always offered as yet simultaneously. For tableware there are gaps in the medium price range. Often a customer has no other choice but one between aluminum spoons and spoons with porcelain handles. Gratifying is the greater readiness by the enterprises to help fill still existing gaps in the 1,000 little things. But as a standing commission we will be completely satisfied only when these initiatives become apparent to the customers.

Leipzig Seeks Improved Supply

Leipzig LEIPZIGER VOLKSZEITUNG in German 25 Sep 81 p 3

[Report on Leipzig Bezirk Conference by Juergen Kramp, Dieter Altmann, and Otwald Kattner: "An Industrial Branch With Very High Rates of Increase; Bezirk Conference Delegates Debate Resources for Rationalization, Coffee Machines, 1,000 Little Things"]

[Text] The enterprises of the bezirk-managed industry produce annually commodities at a value of circa M 2 billion, including consumer goods at a value of M 600 million and foodstuffs for M 441 million. There are 34 bezirk-managed combines and VEB's which for 63 commodities bear the exclusive production responsibility in the GDR. Among the newly developed consumer goods the production of which is to be significantly increased, are among other things projectors, spark-timing stroboscopes, motor vehicle accessories and earphones in hifi quality. Every day one million bottles of nonalcoholic beverages and 1.2 million bottles of beer come out of the enterprises of the beverage combine in Leipzig. The working people of the bakery goods combine produce daily up to 90,000 breads and a million rolls.

The share of the 123 bezirk-managed enterprises in the industrial commodity production in our bezirk comes to "only" 5.5 percent. But behind this 5.5 percentage figure there are many things that are very important for the comfort of all of us. That includes bread and bakery goods, beer and nonalcoholic beverages, coffee machines, indoor-fixtures, stereo earphones, wall paper glue, briefcases and collapsible boats, to mention but a fraction of our broad production palette. Bezirk-managed industry also bears a great responsibility for the export of high-grade products and as an important ancillary supplier for our economy. Its development was what concerned the delegates of the bezirk comference when they met on 24 September for their second session in Leipzig's new city hall.

Christa Sela paid tribute to the initiative of many enterprise collectives toward exceeding their plans. Up to 31 August, an additional M 15.6 million worth of goods was produced by the bezirk-managed industrial enterprises. On the other hand, there still are 20 enterprises that did not reach their quotas. That is of disadvantage for the sales counters as well as the export business. Therefore the bezirk conference has resolutely demanded that the enterprise directors and the associates of the bezirk economic council create guarantees for all-round plan fulfillment.

The 10th SED Congress resolutions call for unprecedented increase rates also in the bezirk-managed industry in our bezirk. Christa Sela announced that by 1985 commodity production is to climb to 133.1 percent above that of 1980. Especially high must be the increase rates for consumer goods our population and our export partners need very much. Wanted also are a longer working life of our products, fashionable and beautiful design and other quality criteria.

By traditional methods we cannot achieve such high goals, however. Bezirk-managed industry is still much fragmented with its 476 plants and production shops. That is why we will have formed six combines by the end of the year. The delegates remarked on the great advantages arising from that. The smaller and medium-size enterprises have no or only small research capacities, as they become possible only for larger economic units.

The same applies to technology. To speed up our scientific-technical progress and produce new consumer goods, the associates in the bezirk-managed combines who are working in R&D are all to be combined in the future. But also the advanced training of personnel and many other necessary tasks are much better handled by combines than small enterprises.

During their conference the delegates also explained, however, that consumer goods production is a responsibility not only of bezirk-managed industry and of the consumer goods enterprises, but a responsibility of the entire economy. It makes its demands also in places where major production pertains to the means of production.

Throughout the vivid discussion the people's deputies offered many experiences, ideas and suggestions on how bezirk-managed industry can develop fast and put more and better consumer goods up for sale. Delegate Juergen Heuer in this context reported on surveys by the standing commission for youth matters, physical culture and sports in the Boehlitz-Ehrenberg mechanization VEB. That enterprise has a great responsibility for the construction of means of rationalization used in the bezirk-managed industry. They are struggling there every day for scientific-technical progress, with the youth taking an active part in it. Juergen Heuer demanded that youth be assigned everywhere, as in the mechanization VEB, ambitious tasks of the science and technology plan within the framework of the Fair of the Masters of Tomorrow movement.

Guenter Hesse, candidate for succession to the Bezirk Conference, discussed surveys of the standing commission for complex supplies for retail trade establishments. He called for pushing trade and production more closely together so that supplies in the so-called 1,000 little things are further improved.

Delegate Dr Sepp Mittenbacher made several suggestions aiming at further improving the working conditions in the new plant of the fashionable small leather goods VEB in Rueckmarsdorfer Strassse in Leipzig, so that the funds invested there make themselves paid through fine achievements in the consumer goods production.

Delegate Rainer Schornach advocated a still more efficient use of public labor assets in the beverage combine. His recommendation to expand the number of beverage outlets and no longer to supply some small stores with beverages is not likely to meet with what the customers want, however.

Delegate Karin Triebsch took a position on a reserve for increasing consumer goods production. She suggested polytechnical instruction should still more be used for that purpose. As things are, even today the facilities of polytechnical instrution in Leipzig produce annually 100,000 mortise dead locks, 120,000 slide viewers, 10,000 loudspeaker boxes, 500 electrical hand drilling machines and many other desired consumer goods.

The delegates are not likely to let it go at the many fine suggestions they made. They assured us they would stick to it and see to it that bezirk-managed industry lives up to its responsibility. This paper's journalists are going to keep by the side of those people's deputies in the future as well.

High Quality Goods Lacking

Magdeburg VOLKSSTIMME in German 4 Jun 81 p 5

[Article by Fritz Oelze: "The Verifiable Balance Shows: Our Words and Deeds Are in Agreement--A Consideration of the Development of Our Standard of Living in the Last Decade"]

[Excerpt] The Shopping Basket Is Filling Up

Many a person gages our social progress made against a well filled shopping basket. Well, it too got fuller year after year. And we can all afford it because the average monthly income in the bezirk rose by M 254 since 1970, while the prices for the basic requirement commodities have been kept constant and low. When we place goods into the basket that cost us M 100, it will include M 26 from the "big pot."

There are some things of which some of us put more into their basket than is good for them, too. Alcohol consumption in the bezirk rose by 18,000 hectoliters within 5 years, and the high meat consumption has not been so very good either for just any waist-line.

But what about high-grade consumer goods, they are asking us. Let us be frank about that too. The fact is that quite some problems are still to be solved there and what is available cannot yet, in volumes and qualities, satisfy us everywhere. But we should never overlook what has been accomplished in this field too in the last decade, which is reflected by the figures that have been published. (The real figures for television sets and refrigerators are actually still higher because in our statistics a household with two television sets or a second refrigerator in the pavillion is given merely as a household with such devices.)

In the last 5 years alone, 136,745 washing machines and a quarter of a million television sets were sold in our bezirk, more and more color television sets among them. Also the frequently discussed supply in bed linens must be seen in the proper context. Here the demands have risen greatly. That is demonstrated by our statistics on linen sales in the bezirk.

What with all the advances, for some people they have not been fast enough. But we must always consider that we can only afford what has first been produced, that we can import only a volume of high-grade raw materials that has been paid for by our exports, and finally, that demands in socialism always develop faster than it is possible to satisfy them. They then give the impetus to our development and are brought to realization through out plans.

How Do Things Continue in This Field?

The 10th party congress has decided with its five-year plan directive: up to 1985 the supply in new high-grade consumer goods will be significantly increased in conformity with the growing demands. That includes mainly consumer goods for high-level apartment decor, for facilitating domestic chores and for leisure time and recreation.

To get there, the combines and enterprises in all economic fields must far more strongly meet their responsibility for producing consumer goods in demand. A better satisfaction of requirements is also the object of the resolution by our party bezirk management secretariat to set up six more bezirk-managed consumer goods combines. Their task is to boost consumer goods production to 174 percent in the next 5 years. Even during 1981, extra consumer goods are to be produced

in the bezirk at a rate of at least M 135 million. Every enterprise collective in our bezirk has thus been challenged further to increase its own efforts in supplying us with consumer goods and to commit itself to higher targets in implementation of the 10th party congress.

That way we have been moving ahead successfully for more than three decades by now. And we are keeping at this course with optimism and determination.

Food Shortages in Magdeburg

Magdeburg VOLKSSTIMME in German 15 Aug 81 p 3

[Article by C. Hort: "Well-Supplied Until the Store Closes?"]

> [Text] From anise to citrus ranges the assortment in spices offered in the "herb market" consumers outlet in Magdeburg. When this modern sales outlet was set up a few days before the 10th party congress, a long-cherished wish was fulfilled for the Magdeburgers. Many of the almost 300 herbs offered are packaged by the sales people themselves.

This day we visited eleven sales outlets in Wolmirstedt and Tangerhuette Kreis. About some discoveries and problems more will be said later. For the time being, just this much: in rural communities too retail trade has stable supplies with basic foods well under control. In the last consumers' shop we visited, for instance, in Colbitz, bread, milk, many beverage varieties and five varieties of vegetable were being offered as late as 1740 hours, just before the store closed.

No gaps? Not so. In two outlets there was no bread before noon, and one had no fine margerine or whipped butter. Only briefly so, to be sure, but the connection with the next shipment had been broken.

Another point: in principle, the sales people are satisfied with their cooperation partners. But they still have requests, of course. That the bread will not partly be delivered as late as at 1500 hours, delivery days are not shifted, and the bread and cake containers are clean.

The questions raised in many places about the ordering and supplying of meat have been passed on by us so they catch the attention of the meat processing enterprises.

One matter can be credited to all sales collectives around: they put in a lot of work for their customers. In selling cake, for example, on much too narrow premises (phenomenal how much cake is bought in the villages!) and in buying up fruit and vegetables.

The salesladies also have their wishes and problems, of course: for the nth time they have made a note of the damaged floor and of the missing window pane at the outlet 1111 Rogaetz trade organization, and of the urgently needed shelf for cake sales at the KG-shop Uchtdorf. Not taken down, but desired nonetheless is a little more personal contact with enterprise management, an encouraging, appreciative word now and then in these tense weeks, or a "thank-you" for the great efforts of buying up produce. Such wishes, indeed, it should be possible to fulfill.

Problem of 'Artificial Shortages'

Magdeburg VOLKSSTIMME in German 28 Aug 81 p 3

[Article by C. Hort:"Wholesale Trade Confirms: 'Artificial Gaps' Almost Eliminated"]

[Text] Since early in August we have been trying to find out about everything that is part of high trade standards. Recently we dealt with a problem we termed "artificial gaps": retail trade gaps that did not have to be because wholesale trade had those goods in supply. Colleagues in the various wholesale enterprises also always were in the position to refer to examples of such unpleasant results of their retail trade assortment inspections.

In recent days now we have perused the records of four wholesale enterprises and have found confirmed what the comrades and colleagues unanimously reported for all the diverse assortments: hardly any sins are any longer committed in this respect.

Could we then not abolish assortment inspections?

Not so. first because now and then a gap is still uncovered. One outlet is out of onion cutters, another, of potato mashers, a third, of mail boxes.

Secondly, because these inspections involve more than just the merchandise. And something that is very important, in fact: contact between wholesale and retail, mutual understanding of the problems, exchange of information about how the merchandise moves, and inquiries about the demands, which all can only be of benefit for the supply situation.

Wholesale inspections also attach increasing value to sales standards and commodity display. Some retail trade collectives working particularly well have already received bonuses. But the contact ring symbol, once awarded for excellent standards, has been discontinued. The wholesale enterprise in question keeps the assortments under control however: television sets, stereo equipment and so forth, and also the "1,000 little things" like insulating tape, sockets, extension cords, bulbs and batteries. For the batteries there even is a specific control plan in effect, because their shortages in the past caused a great deal of annoyance.

Food Supplies for Leipzig

East Berlin NEUES DEUTSCHLAND in German 25 Aug 81 p 3

[Article by Heinz Bock: "Extra Fresh from the Fields to the Customer's Table--In Leipzig the Shortest Way for Vegetables--Direct Contracts Between the Cooperatives and Trade"]

[Text] Between 35 and 45 trailer trucks, filled with fresh vegetables, drive every day directly from the fields to the consumers in the Fair City Leipzig. "Our fruit, produce and cooking potato association has signed contracts on that with the horticultural and agricultural production cooperatives and state farms,"

department chief Claus Seifert has said. "It has proven itself. And so we develop such relations further for the customers' benefit."

Agricultural enterprises close to markets, like LPG Leipzig, the produce-production LPG Boehlitz-Ehrenberg, and the GPG of Paunsdorf, supply nearly 100 supply outlets, restaurants included, by the shortest route. For producers more remote from markets wholesale organized so-called fresh service lines, for instance for the cauliflower from the Doeben area. Freight trains arrive at the central market in the city center with fresh produce as early as 0700 hours.

The point of all these efforts is to take the goods to the stores, and that means the consumers, as rapidly as possible without their having to make an intermediate stop first at Leipzig's wholesale market. That means not only better protection for the products but also a better use of shipping space. Losses are reduced, and the goods are fresher. For fresh vegetables alone, direct shipments increased by 787 tons in the first half of the year. That amounted, after all, to 30,000 full vegetable bins more than last year going directly from the field to the consumer. The same positive development is indicated for fruits, of which 410 tons more were traded directly in the first half year.

The Fair City is keeping 71 markets open at this time. And then there are also 106 permanent fruit and vegetable stands that help supply the public. At sites where the traffic favors it another 152 temporary stands were set up. Up to 15 different fruit and vegetable varieties are currently available. By various initiatives the producers have seen to it through socialist competition that the first half of the year's economic plan was exceeded by 3,200 tons in fresh produce. Involved in this are mainly the enterprises that belong to the cooperation association called "Leipzig Quality Vegetables." But the small gardeners, settlers and animal breeders have also had a big share in this. They shipped thousands of tons of vegetable.

This trade is eager for vitamin supplies. For instance at the Marienbrunn market colleagues start getting fresh fruit and vegetable as early as 0600 hours, as we were told by deputy market director Ingeborg Moeller. Normally this market gets fresh supplies twice a day.

At Leipzig's central fruit and vegetable market at Petersstrasse, the customers are now also informed about the name of the producers, which is an innovation. Photos and descriptions of the enterprises are supplied, and the tasks in the competition program are written up. Through name tags attached to the products the producers guarantee the quality of their products.

As long as they are open, all Leipzig retail trade facilities buy up the fruit and vegetables of small gardeners. "Small gardeners can come and offer us their goods at any time, without appointment, and that also includes herbs," we were told by Lutz Wiesner, chief of the central fruit and vegetable market. The same holds true for the fruit and vegetable stand at the Connewitzer Kreuz market and many others.

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COMBINES URGED TO PRODUCE MORE, BETTER CONSUMER GOODS

State Planning Commission Statement

East Berlin PRESSE-INFORMATIONEN in German No 110, 22 Sep 81 p 2

[Article by Dr Hermann Leihkauf, deputy chairman, State Planning Commission: "Production of Consumer Goods--Task for Enterprises and Combines of All Branches"]

[Text] Significantly accelerating the development and production of consumer goods as to their assortments and volumes is a task resulting for each combine from our carrying on our policy of the main task as affirmed by the 10th SED Congress. The targets and resources for further developing our consumer goods production have been laid down in the 10th party congress directive for the 1981-1985 Five-Year Plan.

Each combine bears a responsibility to making scientific-technical progress more rapidly effective in consumer goods production and significantly boosting the production and availability of high-grade consumer goods at excellent qualities and fine designs for public demands and lucrative export. It is a task of high economic rank that all combines--also those that make the means of production--make a greater contribution to boosting consumer goods production.

For the combines making means of production this mainly means producing efficient equipment and ancillary supplies for the producers of consumer goods and broadening the spectrum of high-grade consumer goods themselves--as their specific conditions permit. The plan at this time is that the 55 combines in metallurgy, and the metalworking and chemical industry that are producing means of production are to boost the production of finished products for the public and for export and the deliveries and services for the consumer goods production by 180 percent up to 1985, compared with 1981.

Using the Potentials of the Means of Production Enterprises

An implementation of the 10th SED Congress decisions in the field of consumer goods production calls, qualitatively as well as quantitatively, for much greater dimensions of cooperation between the consumer goods combines and the means of production combines. Experiences of the plan discussion have demonstrated to us, however, that the opportunities for it are not yet extensively enough seen and used. Involving

the potentials of the means of production enterprises in planned production group work is prerequisite to the tasks tackling qualitative and quantitative supplies for all requirements in the years ahead that thus far have not seemed feasible.

The VEB fire fighting equipment plant Goerlitz and its industrial association for motor vehicle construction combine for superstructures and trailers developed a smooth cooperation with consumer goods combines. This way possibilities were found to make consumer or ancillary commodities for automobile and bicycle production, household equipment, technical building installations and tools.

The 10th SED Congress decisions assigned the enterprises in the means of production industry the mission significantly to boost their contribution to consumer goods production. On that basis, every enterprise, first and foremost, must thoroughly examine how the structure and potentials of its scientific and technical capacities, manpower, basic assets and technologies are constituted and how they can be used for the production of consumer goods or for deliveries and services for consumer goods production--also through the means of rationalization.

Cooperation With Consumer Goods Combines

The second step then will be to confer and decide together with the consumer goods combines that are accountable for the various production areas on starting or extending consumer goods production or on ancillary supplies for consumer goods. Being accountable means for the consumer goods combines mainly assuming the full responsibility for satisfying economic requirements in volume and quality, for the domestic as well as the foreign markets.

The third step then must be that the means of production and the consumer goods combines jointly determine the start or extension of consumer goods production or of ancillary supplies--from R&D cooperation all the way to sales--and make that effective by plan and accountability.

It goes without saying that we have started to relate the work of the enterprises and combines in developing consumer goods production more definitely to evaluating their overall activities. A central state planning coefficient was introduced this year: "public supply deliveries and performances."

Quality Development Criticized

East Berlin STANDARDISIERUNG UND QUALITAET in German Vol 27 No 5, 1981 (signed to press 18 Jun 81) pp 196-197

[Article by Dr W. Graubner, engineer, and K. Schoenbeck, engineer, both of the Office for Standardization, Measurements and Product Testing: "Consumer Goods--A Challenge for Research and Development"]

[Text] To develop and produce more and better consumer goods is an essential element of the economic strategy for the 1980's as decided on at the 10th SED Congress.[1] For the combines that mainly make means of production this means to enter the process of consumer goods development and production with a high sense of responsibility and more actively and imaginatively than up to now.

This gives rise to new demanding tasks for the combines as well as the Office for Standardization, Measurements and Product Testing.

The rising material and cultural standard of living in our republic leads to new and higher demands in the consumer goods sector. This concerns high-grade consumer goods as well as the so-called "1,000 little things."

Export also only wants consumer goods which excel through high intrinsic values, quality, reliability and attractive design. Experiences have demonstrated that when a consumer good is inadequate in quality and insufficient in quantity, our economic development suffers the consequence. Even Marx in his investigations into commodities pointed to the close connection between quality and quantity.[2]

But not only during production is the connection established between quality and quantity, to a large extent that is already the case during the scientific-technical work in product development.

World standard comparisons for consumer goods keep showing us that despite extensive scientific-technical efforts and the use of much material, products have only limited intrinsic value and are inferior in quality when compared with other products. The cause of it generally is an inadequate lead angle for the qualitative level because there is not enough knowledge about the technological process and its development available to the user when he uses the product.

Then we set our targets too low in the commitment notebooks so that in spite of great technical efforts no top products are achieved. In preparing and evaluating such notebooks for consumer goods we must much more see to it that

—intrinsic values decided on over the long run are explored with the user in mind and are set down with the requisite lead angle;
—economically optimal, functional design and technological solutions are worked out to make the most of the intrinsic values;
—effective material consumption is projected in connection with construction and suitable design solutions; and
—the quality parameters are set down with an eye to the advanced international standards in conformity with economic requirements (cf. also commitment notebook order, GBL, Part I, No 14, 13 May 1977).

For the sake of making domestic chores easier and more efficient and of saving energy, fundamental investigations are required for complex technical devices. Lots of uncorrelated gadgets developed as sole-purpose devices lead to an accumulation of household equipment. They also are inefficient in terms of our materials economy. Especially in this regard, we are not yet using sufficiently the opportunities in the application of microelectronics to tasks in testing, measurements and controls.

In many cases at this time one still simply replaces electro-mechanical components by electronic ones without in any significant way improving the intrinsic features of the product. Material-economic effects are already obtained by that, to be sure, but the potentials of microelectronics are not sufficiently utilized. When a multistage switch is replaced by an electronic switch, the intrinsic value of an electric stove or plate hardly improves, though the technical effort involved was considerable.

Only through control, programmed timing and output devices and such are decisive changes accomplished in the intrinsic use of the products.

For electrical stoves, for example, the possibility then arises to reduce the specific energy consumption, optimize the cooking process in terms of heat and time, and improve the convenience and safety in using them.

For consumer goods with electric motors, rotations can be regulated or their number can be set depending on how much power is needed. Experience has demonstrated that in the consumer goods sector the application of microelectronics (and output electronics) also plays a key role in the development of new intrinsic values.

To achieve such solutions makes necessary, however, to pay more attention to the development of electronic components and functional units, which was already pointed out in a contribution by Prof Dr Budig.[3]

Things can be much speeded up in this direction if the scientific-technical and material-technical results of the development and application of microelectronics in the means of production industry are systematically used. Here the development of microelectronics has led in recent years to a conception of a "decentralized structure" of testing, control and computerized installations and the technology in their devices. Such solutions make possible combining the tasks of making, processing and using measurements within cohesive functional units. This much enlarges the scope of intrinsic features, the materials and energy economy and the reliability of consumer goods. Examples are found in electronic cameras, fully automated washing machines and broilers.

In this connection we refer to the possibility of using the results (hardware and software) of electronic computer techniques.

The technical strategy a few years ago for developing "customer-specific circuits" has not stood up as a general solution. Rather, the universal electronic components of standard production are used directly in consumer goods production, and the components of standard production with their limited functions are sorted out and used for consumer goods. (That does not limit the reliability of those components.)

This manner of using the results of computer techniques also helps pushing forward the application of microelectronics in the consumer goods industry and is a great improvement of the intrinsic features of such devices. In particular it simplifies the modification of settings in the devices and adjustments to consumer needs, as for instance in program changes for automated washing machines, electric stoves, broilers and so forth.

Another interesting set of opportunities thereby opens up for the field of electronic toys and technical hobby items.

Another way to improve the intrinsic features of consumer goods is making technical use of certain higher frequencies, for instance. So, for the development of mechanical food preparation equipment, thyristorized medium-frequency motors are used. In heating food, medium-frequency (induction) heating and microwave heating are becoming more and more important.

Also the utilization of the properties of the electrostatic field for household dusting equipment becomes possible through economically applying device techniques and provides consumer goods with new intrinsic values.

Our analysis has shown that the use of new modern working materials can clearly improve intrinsic features (e.g. for glass-ceramic cooking ranges in electric stoves).

The examples given above underscore the realization that the development of demanding consumer goods with high intrinsic features is the outcome of sound scientific-technical cooperation among specialists in diverse fields.[4 & 5] Using the latest scientific-technical data for consumer goods development is a successful way for it. The crucial point of departure for it lies in the creativity in the development collective and the "will for top performance." A number of management tasks follow from that, for the combines as well as the ASMW areas.

Management Tasks for Achieving Optimum Technical Solutions for Consumer Goods

The experiences gathered in consumer goods production, with combine support, result in the following conclusions:

--The development of modern, demanding consumer goods calls for intensive, sound, scientific-technical work. Experience has shown that R&D collectives with long-range assignments and a conception that is responsive to needs, for the development of consumer goods, are a critical precondition for stable qualitative development. Especially in the means of production enterprises it seems suitable to set up such collectives.

--In setting down the production parameters and intrinsic values while drawing up the specifications, one has to proceed from highest international standards, economic requirements and the long-range future development of the potential users' needs.

--The connection between basic and applied research, product and procedural development must be managerially ensured in the combine through long-range cooperation with science institutions of universities and technical schools and the GDR Academy of Sciences and through effective cooperation with the partners within the CEMA framework.

--The influence by the technical control organization in the combines and specialized departments and in the specialized fields of ASMW on the requirements and course of development must be greatly increased. To that end one must quickly organize training for personnel not previously working in this field.

--For handling ambitious requirements, the following methods have stood up well in practice:

---For ensuring the unity of demanding design, optimum production design and rational processing, design features must be included in the development process for a new consumer good.
---Modern rational testing techniques are required for rationalizing the production and reducing the material and energy consumption, and for improving the quality and reliability of consumer goods.

---Exhibits, problem discussions, users' conferences and customer surveys have to be conducted on selected production complexes.
---Working teams have to be formed, headed by the director for science and technology, in the combines to handle suggestions for the development and production of new consumer goods and for long-range product conceptions.

FOOTNOTES

1. "Bericht des ZK der SED an den X. Parteitag" (SED Central Committee Report to the 10th Party Congress." Dietz publishing house, Berlin, 1981.

2. K. Marx, "Das Kapital," Vol I.

3. P. Budig, "Careful With the Big Laundry," TECHNISCHE GEMEINSCHAFT, Vol 27 No 11, 1979, p 18.

4. Authors' Collective, "Success Needs Many Fathers," TECHNISCHE GEMEINSCHAFT, Vol 29, No 11, 1981, p 18.

5. H. Lilie, "Taking Clues From the Best International Achievements," STANDARDISIERUNG UND QUALITAET, Vol 26, No 3, 1980, p 98.

Combine Response Criticized

Dresden SAECHSISCHE ZEITUNG in German 23 Jun 81 p 3

[Article by Peter Stache: "Consumer Goods Are No Longer the Fifth Wheel: Informative Discussion in the VEB Air Conditioning and Refrigeration Combine--On a Goal Which Tolerates Neither Postponement Nor Half Measures"]

[Text] We had the opportunity recently to attend a conversation concerned with a goal which tolerates neither postponement nor half measures, dealing with a far-reaching decision and with matters of direct interest to us. The conversation was held with the general director of the VEB Air Conditioning and Refrigeration Combine and showed the determination fast and thoroughly to change a situation unsatisfactory until now. One of the participants was Wolfgang Pietschmann of the Meissen Turbo-Plants Combine enterprise, who was elected bezirk deputy on 14 June. He wanted to gain a deeper insight into an important problem in his combine.

The Machine Builders Also

This, briefly, was the background: The new five-year plan directive pays great attention to the combines' responsibility for producing consumer goods. For the sake of better supplies it is demanded therein "that all combines make a greater contribution to boosting consumer goods production, including those which mainly make means of production."

That remark suggests a criticism of those enterprises and combines which have not taken that demand seriously enough in the past. Often they thought they could meet that task by items that sometimes were not so very necessary at all and not as much in need as others, in which case it would have been better to use materials, working time and production capacities for other things.

None Has a 'Q'

In the Air Conditioning and Refrigeration Combine--and here is where we pick up the conversation--things are by no means satisfactory either: the proportion of consumer goods in the combine's overall industrial output comes to a mere 0.9 percent. Only 1.9 percent of R&D funds has thus far been used for consumer goods. None of the 23 consumer goods bears the 'Q' guarantee seal. The output includes upholstered chairs, flower boxes, shoe racks, all-purpose trunks, room dividers, porch furniture, garden benches, tea wagons, camping grills, small heat pumps, humidifiers and adjustable transformers.

The problem becomes still more apparent by the following data: upholstered furniture comes without matching dining room chairs; in the room dividers high-grade workpieces are used by mistake; the flower boxes are very expensive to complete; and the adjustable transformers are too heavy and too hard to operate. The list could go on.

Through the Combine's Capacity

The mere fact that a critical analysis like this is undertaken indicates what position they are now taking on these matters. General director Guenter Kretschmer explained: "In the new five-year plan we are after entirely new magnitudes and want to increase our consumer goods output tenfold. That figure is a coefficient that is to be exceeded but at least suggests our requirements in the quantitative sense. Much more important is, however, not to accomplish such a requirement by means of consumer goods at our traditional range but rather to increase products the public expects of the metalworking industry. That includes, among other things, deep-freeze devices to be produced together with the H 115 TK household freezer."

Through agreement with the household equipment combine one plans to develop the VEB refrigeration combine enterprise in Niedersachswerfen near Nordhausen to become the producer of such deep-freeze units and of others that still are to be developed. Starting in 1983, that enterprise will start the production of another, 80-liter, unit and bring out 40,000 of them in 1985. This year they will start with 2,100.

Such a goal has consequences for the whole combine: shifting some production over into other enterprises, setting up new finishing sections, making available processing and other material, securing ancillary supplies and so forth. Such an approach has, however, also enormous advantages: the possibility to set up, from the outset, rational production for a great number of units, which makes it economically worthwhile, even with a look to lucrative exports.

"That is possible only through the combine's capacity and at once shows the advantageous and highly efficient effects from concentrating capacities and funds in large economic units," general director Guenter Kretschmer asserted.

Turbo Workers Want to Be Top-notch

That focus does not as yet exhaust all opportunities. In the final analysis, all enterprises are addressed to make their contribution to consumer goods production, if possible in the form of end products. If the fans of the Meissen VEB Turbo-Plant carry a "Q" guarantee seal—why should then not also the newly developed product there be of the same benefit for the public and technically highly efficient? It could be a product that in its input/output ratio, energy consumption and design may compete with international top standards.

That is the way the colleagues in Meissen think. Their point of view was presented by the officiating plant director Erich Lundershaus, party secretary Fritz Schwanebeck and bezirk deputy Wolfgang Pietschmann, as follows: "Experiences demonstrate such a requirement cannot be satisfied with divided attention and merely to fulfill a quota. We can therefore further recommend of the things we have been doing the formation of a working team, a contest of ideas, liaison with the Fair of the Masters of Tomorrow movement and the innovator movement at large, and the development of the consumer goods as subjects of the science and technology plan. Consumer goods production must not be a fifth wheel!"

Party congress analysis and the discussion of the directive continue to delineate the tasking areas of the elected deputies. That is why Wolfgang Pietschmann is not likely to forget this discussion with the general director. "As a deputy you have a special obligation, and what they have been telling you in the weeks before the election sinks in," says Wolfgang Pietschmann. "This year our enterprise is going to produce consumer goods valued at an additional M 100,000."

The effort toward boosting consumer goods production is only beginning, one may also say with respect to the ideas in the Air Conditioning and Refrigeration Combine. But the points have been shifted.

Deficiencies in Magdeburg Discussed

Magdeburg VOLKSSTIMME in German 30 Jul 81 p 7

[Unattributed article: "Positive and Negative Results in Consumer Goods Production: Considerable Progress Achieved--But for Some Enterprises a Foreign Word"]

[Text] Frequently has this page in the past commented on consumer goods production and referred to advances as well as to reserves that remain to be tapped. Today we wish to deal with this subject once again and thereby pick up the "red thread" from the city-kreis assembly last Thursday. A point on the agenda there was the relevant 1981-1985 five-year plan directive issued by the 10th SED Congress and the tasks resulting therefrom. So let us check and see how Magdeburg industrial enterprises have managed to conform with the available potentials and opportunities.

In the first half of the year, the end product plan for the city's population was fulfilled by 103 percent, for industrial consumer goods themselves, by 104.6 percent. That was a 106.2 percent growth rate over the same period last year. So far so good. Yet the consumer goods production working group at the municipal council objects to that some enterprises have allowed plan debts and delivery backlogs to arise vis-a-vis the retail trade. Arrears have accumulated, for example, at the power plant construction company, the Magdeburg wearing apparel VEB and the Hermann Matern tool machine factory. It is inexcusable that the consumer goods

production even has declined below that of last year at the Edgar Andre dust exhaust VEB and the Wilhelm Pieck steel foundry, where the proportion in overall production only comes to 0.03 percent.

The extra production the enterprises in the city of Magdeburg were committed to in the 1981 plan year came to a total of M 65.1 million, which was taken care of by 30 June this year by M 40.7 million in dealing with retail trade. That included such articles in demand as the gas ranges from SKET, uprights from SKL, patio-umbrellas from the 7 October haulage equipment VEB, television turn-tables, stepping-stools, furniture, wall paper, shower cabinets, brooms, brushes, wallets or pocketbooks.

The newly and further developed products the enterprises in the city on the Elbe had scheduled in honor of the 10th SED Congress also have been put into production. That included the gas range with the large window shield and light fixture for the oven from SKET, the upright and angle drilling attachment as accessories for the home construction program from SKL and MAW or the battery charging device for cars from the power plant construction VEB. Magdeburg's wearing apparel VEB also has something to show for with its lambskin jackets as have the United Furniture Plants with their supply program for "Babette" and their padded "Vanessa" bed. And not last, the Magdeburg plant of VEB Optima Oschersleben has included new wall paper designs in its consumer goods program.

In other words, as already mentioned, there is much that is good in the field of consumer goods production, but then there also are other things which justify the observation that the efforts in boosting consumer goods production still do not suffice to meet the steadily rising demands of the public. The consumer goods production working group at the municipal council expects greater efforts especially of the Wilhelm Pieck steel foundry, the railroad repair plant, the chemical installation VEB, the diesel piston VEB and the lumber processing VEB in boosting the proportion of consumer goods production or commencing with such production in the first place.

Discussion of Problems in Schwerin

Schwerin SCHWERINER VOLKSZEITUNG in German 30 Sep 81 p 8

[Unattributed article: "More Commitment for the '1,000 Little Things'—Panel Discussion on the Responsibility of All Enterprises for Consumer Goods Production—Uncovering Existing Reserves"]

[Text] Who is there who has not yet found out that the so-called 1,000 little things make our lives easier but can also become an annoyance when this or that is unobtainable in the retail trade? Precisely these 1,000 little things were the subject of a panel discussion during the territorial rationalization week, for which an invitation was issued by the office for territorial rationalization under the municipal planning commission, the bezirk economic council, and the retail trade and supply department. In addition to directors and managers of Schwerin enterprises, the discussion also was joint by bezirk deputy Horst Pomerenk, head of the consumer goods activists group within the permanent commission for industrial and consumer goods production, and Horst Bissel, deputy mayor for trade and supplies.

The 10th SED Congress was explicit about it: "Consumer goods production concerns the entire economy. It places its requirements also where in the main means of production are produced." This then addresses the six enterprises in our city also which make means of production. The idea is that there consumer goods production must reach between 2 and 3 percent of industrial commodity production. Some of the enterprises do not even reach one percent at the present time. They have lots to do to meet the mission of the 10th party congress directive in "significantly boosting their constribution to consumer goods production." That is why it is actually not understandable that the synthetics machinery plant VEB was not represented at this interesting panel discussion.

Those who did participate were unanimous: stocks must be made more diversified, stable and reliable. And this is the responsibility of each enterprise per se. It is more imperative than ever before to uncover still existing reserves without any great outlays. Some industrial production residues no longer of any use in the enterprises could, for example, enrich the supplies for home construction. It does not always have to be complete consumer goods.

It became clear during the panel discussion that consumer goods production must not be secondary, not an appendage. Everyone wants to buy attractive and useful consumer goods. It is therefore worthwhile for every enterprise to become still more active in this field. As the 10th party congress has put it: "The development of consumer goods production deserves still more of a commitment, more ideas, more enthusiasm for finding good solutions, and more love for detail."

Local Government Efforts

Erfurt DAS VOLK in German 28 Sep 81 p 3

[Inquiry by DAS VOLK among delegates to Erfurt Bezirk conference scheduled for 9 October 1981: "Was There Anything Besides Expenses? What Delegates Discussed on the Subject of Consumer Goods With Workers in Various Enterprises"]

[Text] The Inquiry: At its second plenary session on 9 October the Erfurt Bezirk conference is going to deal with the development and production of consumer goods. As always, the people's deputies will come thoroughly prepared to the conference room. After all, they went through more than 30 enterprises in recent days and weeks in our bezirk. We asked the deputies about their assignments there.

Bezirk Conference Delegate Veronika Holstein: I went with a group of deputies to the VEB Combine for Electrical Installations, Sondershausen, which is a chief supplier of electrical installations materials for housing construction bureaus in our republic. In addition, however, the people in Sondershausen also make safety fuses and extension cords for the public. Precisely in these two consumer goods backlogs occurred in August because a plant production reorganization took longer than expected and ancillary parts failed to arrive. But they assured us the minus--400,000 fuses and 40,000 extension cords, after all--would be made up for by the end of September. I think it is fine that much thought is given in the enterprise to how the consumer goods supplies can be broadened. They are now talking, for example, about camera base supports and flashlight bridges. Considering the problems with packaging materials, we delegates suggested to examine whether some of the safety fuses could not possibly be shipped in bulk with return containers.

Bezirk Conference Delegate Elke Hartung: In the Gotha synthetic material processing VEB, to which we were assigned, plastic toys, children's construction bricks mainly, forms the major part of the consumer goods production in the enterprise. The units of this item are to be raised by from 130 to 140 percent till 1985. A new product under consideration is a microelectronics construction set. A good thing. Still we made no bones about the fact that we thought the time for development seemed somewhat too long, in spite of their limited capacities. At the earliest in 2 years could retail trade expect deliveries. Furthermore we suggested to the enterprise management to go and visit some kindergartens and nurseries to get ideas for new toy designs from the horse's mouth, so to speak.

Delegate Egmont Steinhardt: Our group of delegates went to the VEB NOBAS, Nordhausen. There, no consumer goods are produced at all at this time. Years ago they had automatic ovens, of which enough are produced elsewhere, and outdoor collapsible tables, which were not in demand, on their program. That of course makes no sense at all. Within the combine an enterprise in Halle is now charged with consumer goods production, and the people in Nordhausen supply certain ancillary parts for it, to be sure. They did not sneeze at suggestions we delegates made to look around for possible consumer goods that would fit in with the NOBAS production profile in spite of the poor experiences they have had. They would be perfectly willing to accommodate appropriate offers from the economic council or, for example, assist territorial enterprises by means of rationalization for a consumer goods production.

Bezirk Conference Delegate Guenter Welker: In the VEB sawmill of Muelverstedt the workers as well as the enterprise management assured us they considered fulfilling the public supply tasks an important matter. That pertains concretely to playpens and sleds, and to wooden rakes made from the residues of the other two items. At the Leipzig Fall Fair the people of Mulverstedt incidentally for the first time showed their playpens with synthetic floors. By the end of the year they are expected to be available in the retail trade.

Bezirk Conference Delegate Richard Bossbach: In the Ruhla clock works our group of delegates found out how the people at Ruhla are further developing their quartz clock program. And also that they by no means forget about the simple models over those high-grade products. At present they are making increased efforts toward making available additional repair capacities not only for their own but also for the clocks imported form the socialist countries. A subject of discussion also was how more continuity could be achieved in the delivery relations between the producers and wholesale trade.

Comment

Our small survey, incomplete as it was, makes this clear: for the people's deputies who visited 33 local enterprises this was not merely a plant inspection. They have looked and listened and formed their own standpoint, seeking a dialogue with the working people, a give-and-take. Provided with these and other experiences from their own enterprise and maintaining constant contact with the voters and their desires and hopes, the people's deputies will go to the plenary session on an important subject well informed and thoroughly prepared.

For the thing is this: the development and production of consumer goods proper as to assortments and volumes at a much higher rate is a task derived for enterprises and combines of all branches from the continuation of the main task policy which the 10th party congress has endorsed. Every combine has to ask itself: how can we more rapidly apply scientific-technical progress to consumer goods production? How can we significantly boost the production and stocks of high-grade consumer goods at excellent qualities and with good design in conformity with public demands and lucrative export? Answers for these questions, including the potentials of the means of production enterprises, are not likely to be easily found because a routine approach in the final analysis does no one any good. Yet we do have many good experiences from which it is urgent to draw meaningful generalizations. That also with the support of the delegates.

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RETAIL TRADE PERSONNEL URGED TO IMPROVE SERVICES

CENTRUM Personnel, Services Criticized

East Berlin DER HANDEL in German Vol 31 No 4, Jul-Aug 81 pp 10-11

[Article by Dr Horst Hanner, general director, VVW CENTRUM Association of State Department Stores, Leipzig: "Higher Standards for Trade and Sales"]

[Text] To boost the performance of the CENTRUM department stores, we in the association are concentrating on the following major aspects:
—a more reliable and stable public supply;
—improved trade and sales standards;
—greater efficiency in trade activity and reducing commercial losses;
—effective utilization and economical use of science and technology; and
—more highly skilled cadre and youth work.

To improve their own performance, our colleagues pay attention of course to the resolution of the spokesmen's plenum of the CENTRUM department store in Berlin, Alexanderplatz, on continuing the socialist competition. Ultimately our saleslades can ascertain the fruits of their labor by a customer's leaving the store satisfied, acknowledging the smart service and expert advice he got. Mainly then it always again is the question of how to sell our goods to the customers.

Analyses and Surveys

We have taken a look at the current sales standards and its ways and means. We took for granted that each manager and associate has to exercise a personal responsibility for this central task and considered how the work in this field could be made more manageable, controllable and accountable, and could be more effectively stimulated. Based on our own analyses and customer opinions (feedback, questionnaires) and on supervisory operations, we explored in particular the salesladies' manner of dealing with the customers and with the goods, their conduct within the collective and, finally, the conduct of the collective itself. From all that we reached the conclusion that sales standards, an integral part of trade standards, in the final analysis depend on supplies that properly meet demands, on steadily accelerating the turnover and reducing commercial losses, and on reliable, exemplary advice and service.

While getting set for the 10th party congress, we have certainly made headway in improving our sales standards. In terms of the aspects referred to, the biggest improvements were achieved in the department stores of Berlin, Alexanderplatz, Dresden, Neubrandenburg, Hoyerswerda, Karl-Marx-Stadt, Suhl and Goerlitz. But in the department stores of Berlin, Ostbahnhof [Railroad Station East], Magdeburg and Leipzig, things have not sufficiently improved as yet. Those enterprises have been placed under comprehensive supervision for 1981.

The analysis also makes clear that it is not merely a matter of further elevating our sales standards. Rather, it is necessary to create managerial preconditions for achieving stability and reliability day after day.

Grievance Assessment

In establishing the causes for repeated grievances our customers complain about with respect to our salesladies' manner of dealing with them, we find
--discourteous conduct,
--irrelevant and faulty information,
--lack of expertise in the service and advice,
--time wasted at cash registers in sales departments and at service desks, although salesladies, talking with each other, are standing by; and
--the selling of goods that do not meet their quality standards.

All that can consistently be attributed to lack of responsibility by the managers and sales personnel in all sales areas.

Greater Quality Control

Too much stuff is sold still that does not meet its quality parameters, especially shoes, radios, television sets, room furnishings, furniture, cameras, watches, jewelry and youth fashions.

Regardless of whether we are dealing with overt or covert deficiencies here, we evidently have to exercise a greater influence on industry. We have drawn up concrete ideas about how to move further with respect to industry including socialist wholesale trade and ASMW (Standardization, Measurement and Commodity Testing Office). Work in this field is concentrated on a rigorous and comprehensive contract and quality supervision as a connecting link in ensuring contractually agreed-upon inventories.

When sales personnel does not have enough information about contracts, commodity receipts, delivery backlogs, and price group problems, they resort to the familiar stereotypes such as "We haven't go it! I don't know!" That is caused by inadequate cooperation between the accounting and contract control departments and the trade collectives in the sales fields throughout the regular work process, all the more so in as much as the contract changes currently being made (circa 15 to 20 percent) and the preshipments (circa 5 percent) encumber the bookkeeping and information systems.

New Arrangements About Information

When sales personnel does not know enough for offering advice on high-grade industrial commodities and on innovations and advanced developments, so that there is fear the customers' questions cannot be answered, the main reason for it is that the current system of commodity-related training and information, though diversified, is unevenly developed and unevenly effective. Better use has to be made of the existing opportunities such as

--wholesale trade information conferences;
--a greater involvement of subject-related commercial inspectorates of ASMW;
--production days;
--involving production more in information conferences and production training courses;
--a decidedly new role to be played by the industrial enterprises; and
--using specialists for providing training in all department stores.

We want to bring into being, together with wholesale and production, a new information and training system, by looking at the commodities themselves, all the way down to commodity-related customer information.

Long delays in departments and at service desks can often be explained by that the shifts the sales personnel is on do not coincide with the fluctuating customer frequency periods and the times stores are kept open. We have to make greater efforts toward hiring more full-time employees, reserving part-time workers mainly for afternoon and evening hours, and further improving the flexibility in the use of personnel.

With the the progress made in the department stores in Berlin, Dresden, Schwedt and Hoyerswerda, the overall tempo is not yet up to par.

Controls Without Compromise

Lack of mandatory controls and of managerial support, and a still insufficient regular involvement of all department heads by the director of an enterprise often have the result that preventative and subsequent controls on sales willingness are still too sporadic and the criticism is still too general.

Then the training measures become inadequate and the advantages of incentive pay, praise and criticism, material accountability and the recognition of a fine performance are still underrated. That is why we shall work with that more consistently, relying on the decree on keeping a control book (GBL, Part I, No 42, p 76).

Our analysis also has brought out that commodity-related emphasis concentration in terms of department store distribution does not exist. One does find some trends toward such a concentration in terms of assortments in household commodities, electrical and large-scale devices, radio and telecommunications equipment and furniture, even though the customer service and guidance is still inadequate even there. Two comprehensive tasks arise from that for managing our VVW.

In further management education and in the involvement of the personnel and collectives it becomes a matter of providing the management tools with higher skills, combined with continuous direction and uncompromising inspection.

We also must encourage more the collectives' initiatives in socialist competition and a broad involvement of the public in evaluating the checks placed on our sales standards.

More Intelligible Regulations

We are in the process of making more specific, intelligible and manageable the great number of rules and regulations issued in recent years in our operations handbook. Included are
--management information on working with supply orders;
--criteria for raising our sales standards;
--provisions for a steady sales readiness;
--emphases for the work in the selling field;
--further development of customer service and other services;
--brief consultations and their know-how;
--instructional material for sales training;
--principles for selling innovative and advanced commodities; and
--supply information.

In revising and integrating all that, we take our clues from how the salesladies deal with the customers and with the commodities, the salesladies conduct themselves within their collectives, and the effectiveness of the collectives on the whole. We also shall ease the sales managers' load of extra work, "desk work," so they can mainly concentrate on selling. That is why we shall include additional assortments in the customer complaint departments in the CENTRUM department stores, centralized departments that we have and that have proven themselves. The same also is served by setting up additional industrial commodity departments and larger-capacity units. This course was proven right by solutions obtained in Berlin, Leipzig, Hoyerswerda, Schwedt and at a 3,500 square meter sales area in Halle, even though some specific problems still exist. This also helps ease the load of department heads by concentrating accounting, the intra-enterprise division of labor and specialization and reducing manpower while sales personnel is being increased.

We have to give new thought to the role and function of the showrooms and of customer information desks in large self-service areas such as in Halle. Here we can rely on skilled managers and associates in the enterprises. Of all department and assortment group chiefs, 96 percent, and of their deputies, 83 percent are technical school graduates or are certified as sales managers.

Managerial Cooperation

Another key for improving our sales standards lies in the commodity/floor managers and department directors. That again is demonstrated by the fine results and experiences of the enterprises in Berlin, Alexanderplatz, and Dresden.

We are eager to enforce still more compellingly that
--a director makes two managerial sales inspections daily;
--a trade director reports on the sales readiness;
--a supply department manager ensures and reports on the stocking of goods, including their quality checks and pricing;
--a managing engineer checks the building, the escalator, elevators, cash registers, and the cleanliness of everything;
--a director for planning and economy checks and analyzes the work done with material funds, incentive pay, the granting of unit bonuses and so forth; and
--the chief bookkeeper ensures order and safety.

We are in the process of issuing rules for the cooperation among all those managers with an eye to the experiences of the best managers.

Contest for Exemplary Sales Standards

In preparation for the 10th party congress, a big initiative evolved for acquiring the document, "Sales Area With Exemplary Sales Standards." Meanwhile 37 sales collectives have acquired that document.

A special task for the weeks ahead will be to get beyond the still existing level differences and the partly still too general information. A fine basis for that are the assortment-specific references in the various assortment complexes to competition commitments. That includes:
--for clothing: changes for ready-made products within so and so many hours or days, and making large and extra-short pyjamas;
--for shoes: ensuring adequate shoeshine supplies and accepting orders for proper footwear for disabled children;
--for household commodities: ensuring complete supplies in spare parts and accessories for goods now in production, and direct orders from the manufacturers for spare parts of household items no longer in production; and
--for the departments: no more than a 10-minute wait at cash registers, freshness guarantees, and abiding by consumption schedules.

Furthermore we have to take account of supply guarantees that ensure full supplies for the whole time the stores are open in basic foodstuffs and all sizes for children's assortments.

Customer Complaints in Magdeburg

Magdeburg VOLKSSTIMME in German 12 Sep 81 p 6

[Letters from readers in response to question "What Constitutes High Retail Trade Standards?": "Ideas and Initiatives for Supply"]

> [Text] For today we have selected further letters from our readers in response to our discussion. We should like to mention again that we are still waiting for responses to our 22 August 1981 contribution, "This Occurred to Us," from the Magdeburg trade enterprise and the OGS industrial organization, the consumers' bezirk association and the state trade organization bezirk management.

We keep our discussion going. What constitutes high retail trade standards, and what are you doing about it?

Send you letter to VOLKSSTIMME, editorial board, Magdeburg, POB 326. Code word: High Retail Trade Standards.

Two Suggestions (from Ernst Silz, Magdeburg)

VOLKSSTIMME has written before about out of date commodities on the shelves and self-service right out of the cartons. That also happens in Magdeburg's Kannenstieg department store.

Another trifling matter: could the girl on the cash register before she takes her well-deserved break, not first put a sign up that informs us about it? It would reduce the risk that one would have to queue up twice considerably. We can see every day how hard the work on the cash register really is. We could speed things up there if we took the trouble to pack our basket properly and take care of the money in good time instead of waiting until it is all added up and then start looking for the money. The customers behind us and the girl on the cash register would appreciate it.

Around the Clock (from Theuerkauf, sales manager)

Just before the 10th party congress, the corner-stone was laid for the Magdeburg-Olvenstedt housing development. The associates of the sales establishment 65/91 of the VEB construction workers supply trade organization Magdeburg have provided stable supplies in main meals and buffet items all along, partly under complicated conditions. In addition, the late shift has been supplied with food from a vehicle since June, and for the time after 1 August our collective took on the commitment to supply the construction workers on the site around the clock for three shifts. We are of the opinion that high retail trade standards include not only cleanliness, courtesy and broad assortments, but also supplying our construction workers on three shifts with food. We also have committed ourselves to avoid any inventory shortfalls and to be highly economical in our food supply activities.

Baker With Many Ideas (from Schulz, bakery goods production trade organization, Stendal)

Sure enough, food production enterprises are an important retail trade partner. The colleagues in our bakery goods production trade organization Stendal are also aware of their great responsibility to food distribution management. Through high labor productivity and the full capacity use of working hours, rational working methods and cooperation relations with the Konsu enterprise in Tangermuende, we achieved a doubling of our output in the last 10 years. This year we shall send more than 470 tons of bakery goods to the department stores and shops in Stendal, Tangermuende, Arneburg and Tangerhuette Kreis.

Our colleagues have constantly developed new initiatives to offer our customers a diversified fare. In addition we started producing 2,000 kg of durable bakery goods to stabilize our supplies. Fifteen tons of prebaked honeycomb cake per year

enrich our business and are much in public demand. Our personnel is busy with special orders for the Roland Festival, the Christmas market and the Boerde bazaar when we offer poundcake, stollen and domino cookies.

Smart ideas make things more efficient and better in quality. To make poundcake, for instance, a cutting device has been produced which saves a lot of manual work.

Letter of Praise from Afar (from Uwe Wegener, temporarily in Dabel)

Right now I am serving with the NVA in Schwerin Bezirk but also read VOLKSSTIMME and decided to take part in the discussion.

Much is to be said about the retail trade that is good. Not a few colleagues do exemplary work in this field that certainly is not always easy to cope with. I like to refer to one collective of which I am sure it is worth being mentioned: the colleagues, male and female, in the Leninring department store in Stassfurt. When I worked there in preparation for my studies I found out how they work. They always were very supportive to me.

But mainly I should like to stress the high dedication of the collective. Some salesladies live in the suburbs so that they have to come by bus to work every day. It means getting up earlier and getting home later than the other colleagues. Besides, the salesladies also still work every other Sunday. I would like to praise the plentiful supplies in the store and am sure many customers will agree with me. That is why I would like to express my sincere gratitude to that collective this way for its sacrificial activities. Everyone does his share in improving our sales standards, which certainly should be appreciated more often.

Improvement Efforts in Suhl

Suhl FREIES WORT in German 22 Sep 81 p 3

[Report by the collective of the CENTRUM department store in Suhl in the public exchange of experience: "We Intend to Perform Better Than the Average"]

[Text] Our store has 630 employees, 513 of them being women. Circa 300 of us the customer has direct contact with, as it were, in our 30 departments, when he makes his selection among the more than 50,000 items we have for sale.

What then are we mainly talking about every day before we start selling, in the sense of the Neuhaus glass workers, in terms of topical-political discussions? Briefly put: about our political mission in offering the public assortments proper as to demands at high trade and sales standards. Succinctly speaking, that amounts to over 25,000 customers every day.

All Must Know Their Responsibility

And that mission, as we must strongly point out, can be met only if each of the 630 members of our trade collective shares the thoughts and decisions and feels personally responsible, from the time the merchandise comes in all the way to each individual sales area. To accomplish this, political conversations also about the

cardinal issues of our time are imperative, and political-ideological work must be organized so that everyone clearly understands his personal responsibility and acts accordingly.

We take more and more for granted that the quality of our work is not revealed solely by our turnover volume, for which reason we have made constantly rising sales standards the centerpiece of our competition management.

And this we are all agreed on: the sense of responsibility of all managers and employees in sales, supplies proper as to demands, reliable and exemplary advice and service, speeding up the turnover and reducing sales losses—these are the matters we must constantly work on.

Clear Position: What Is Best?

The daily analysis of the previous business day, the briefing before we start selling, sales training and ensuring sales readiness can be made thorough only if the whole supply process is always kept under supervision and all the customers' criticism and recommendations are honestly evaluated. The causes are then examined and eliminated for such attitudes as discourteous and irrelevant information, improper service and advice, and long waiting periods. Therein we can still find the largest reserves.

Such exemplary sales collectives as those of glass/porcelain, large electrical devices, and shoes/leather goods have come to grips through thorough deliberations especially with the principle "the best is the criterion for all—what does that call for today?" They have taken a clear position on what the best concretely is for us.

For instance, we are working around the clock when merchandise comes in. The time span from receiving the merchandise to selling it maximally comes to 24 hours among us. That is good but has meanwhile become standard procedure for us. We want more than that.

Combined Direct Shipments to Customers

For more expedient selling, we seek combined direct shipments to customers together with our wholesale partners in technical equipment, household goods, textiles and furniture. That way we want to reduce the delivery deadlines and make more efficient use of the vehicles.

If we succeed in this, we would set standards for our whole republic.

We are also setting models in making extra-large and extra-small sizes in men's shirts, suits and shoes, as the public wants us to.

We sometimes still get inferior merchandise. One of the demands that has been raised with respect to that is to introduce tests on the wholesale level for household goods already, as is done for technical equipment, so that the large electrical gadgets are tried out before they are delivered.

This complex of quality guarantees also includes joint contracts between the department store, wholesale, and the Monsator industrial distributing company, so that we can rapidly and smoothly make up whatever is left to do, as far as the customer is concerned. In conformity with the 10th SED Congress decisions, the department store pays great attention to spare part and accessory supplies. For that reason we accept and handle spare part service orders for the VEB Henneberg-Porcelain Combine at Ilmenau.

Attention to Customers' Preferences

The clothing department collectives affect production even with respect to the selection of textiles and fabrics, in conformity with the customers' preferences.

We think that by taking care of such ambitious projects, we, as a department store collective, conform to our political mission and take a clear, aggressive position in terms of the demand, "the best is the criterion for all."

Thereby we face the higher demands the 1980's are placing also on retail trade.

5885
CSO: 2300/25

CROP, WEATHER REPORT PUBLISHED FOR AUGUST 1981

East Berlin FELDWIRTSCHAFT in German Vol 22 No 10, Oct 81 p 464

[Article by W. Schwinge, meteorologist, GDR Meteorological Service, Central Weather Bureau, Potsdam]

[Text] The Weather in August 1981

Up to the 16th air temperatures were by and large above normal. Then it became too cold. Rain was frequent, except on the 5th and in the last 5-day period, and in some regions it was very heavy for a few days.

Up to the 16th, daytime temperature averages were generally above normal. From the 5th to the 8th and on the 14th and 15th, anomalies ranged between +3 and +6K. From the 17th on, the temperatures were below normal. In the southern part of the republic, deviations at times came to values of -4K. In the first half of the month, daytime maxima held above 20°C. From the 5th to the 8th and on the 15th, temperatures rose to between 25 and 30°C, but maxima recorded after the 17th only ranged between 15 and 20°C. There were a few days when it was colder in the south than in the north. Ground minima first ranged between 10 and 15°C most of the time, from the 17th on, between 6 and 12°C. By the end of the month ground minima often dropped to around 5, locally to between 1 and 3°C. Duration of sunshine was above normal, except for the second 10-day period in the northern half. In the south, the monthly total was around 80 percent, in the north, around 110 percent of normal.

Only between the 4th and 6th and on the 28th and 29th did the entire area remain entirely without rain. Heavy rain came mainly at the beginning of the month, between the 8th and 10th and between the 16th and 23rd. Except in the time between the 18th and 21st, rain was heavier in the southern than in the northern bezirks. Daily totals between 10 and 25 mm were obtained on the 9th and 10th in the southern half, between the 19th and 21st mainly in the northern bezirks, and locally also during some other days. Heavy rains with an extremely high intensity fell on the 9th and 10th in Erfurt, Gera, Suhl and Dresden Bezirks. Gera got 125 mm on the 9th, and Erfurt-Bindersleben 106, Meiningen 60, Sonneberg 125, and Dresden-Klotsche 88 mm on the 10th. Daily volumes above 40 mm also accumulated on the 20th in the hills (Sonneberg 42 mm), in the northwest on the 21st (Boizenburg 44, Marnitz 44 mm), and sporadically also during a few other days. In general there were large regional differences in rain volumes (mostly showers with greatly fluctuating intensity even

within small areas). The month of August clearly was too wet in Erfurt, Gera and Suhl Bezirks, while the other bezirks either had normal precipitation or were a bit too dry. Only between the 5th and 8th did the daily averages of relative air humidity drop widespread below the 70-percent threshold and for the remainder of the time usually ranged between 70 and 85 percent, around 90 percent for a few days.

Temperature Data for August 1981 according to the Main Office for Climatology, Potsdam

1. Monthly Average Air Temperatures and Deviations from Normal Values

Schwerin	16.4°C	-0.3K	Erfurt	16.0°C	0.0K
Neubrandenburg	16.1°C	-0.2K	Leipzig	17.1°C	-0.1K
Potsdam	16.7°C	-0.4K	Goerlitz	16.6°C	-0.1K

2. Average Precipitation according to Bezirks

Rostock	53 mm = 77%	Halle	56 mm = 95%
Schwerin	63 mm = 89%	Erfurt	118 mm =182%
Neubrandenburg	49 mm = 74%	Gera	127 mm =190%
Potsdam	54 mm = 84%	Suhl	113 mm =149%
Frankfurt	51 mm = 84%	Dresden	57 mm = 73%
Cottbus	48 mm = 72%	Leipzig	51 mm = 79%
Magdeburg	70 mm =113%	Karl-Marx-Stadt	76 mm = 85%

3. Evaporation Potential

Northern bezirks	60...75 mm
Central bezirks	60...80 mm
Southern bezirks	55...70 mm

Soil, Crop and Labor

Surface soil temperatures rose from between 17 and 20°C at the beginning of the month to between 22 and 25°C in the second 5-day period. After tempperatures had dropped slightly to around 20°C, it became much cooler (14 to 17°C) at the middle of the month. At a 50-cm depth, temperature changes were in line with the changes in the surface soil, with a slight delay. At a 1-meter depth, fluctuations only up to 2K were recorded throughout the month. On the 31st, temperatures at a 50-cm depth ranged between 14 and 17°C, at a 1-meter depth, around 15°C. Ground water fell widespread in the first half of the month. In the stratum down to 50 cm in depth it regionally came to below 50 percent and even only 30 percent (in the southeastern part of Neubrandenburg Bezirk and in Potsdam, Frankfurt, Halle and Leipzig Bezirks) of the usable field capacity. In the southwest the heavy rains at the end of the first 10-day period temporarily made the ground water rise to above 80 percent of usable field capacity. Starting on the 18th, mainly the northern bezirks experienced a rise in the ground water level to between 60 and 70 percent of usable field capacity. It fell again generally in the course of the last 10-day period. On the 31st, at a 50-cm depth, they recorded widespread between 50 and 60 percent of usable field capacity, and on lighter soils in the central plains and in Halle

and Leipzig Bezirks, less than 30 percent of usable field capacity. Only in Gera and Suhl Bezirks and in the southeast of Dresden Bezirk, with values above 70 percent of usable field capacity, was sufficient water supply ensured. Soil climatic condition for bed formation and nutrient mobilization were held back, especially regionally in the second half of the month, by water shortage, in the southwest after the 10th also by crowding (inadequate air supply for the soil). In regions that had gotten too much rain pools formed temporarily (in Erfurt, Gera and Suhl Bezirks acreages were flooded also), and there was water erosion and a lot of mud. At the start of the second 10-day period vehicles often could not get onto the acreages in the southwest. That improved in the course of the month. But by the end of the month, with the water clearly reduced, things were held back once again.

With ground water levels sinking and the above-normal temperatures first the ripening processes were speeded up. Vegetation conditions improved when there was heavier rain in the second 10-day period. That was true especially for varieties that do not need much heat (beets, grasses, cabbage). Abundant sunshine temporarily is likely to have raised the assimilation rates. The late catch crop hesitated and came up with gaps in areas with water shortage. When the temperature dropped greatly after midmonth the maturation process was delayed (especially in grains). Protuberance, breaking of stalks and brittle straw resulted from the humidity, mainly in the south. Altogether, the losses in the yield due to the phenomena referred to and to compacting were smaller than in previous years. The growth of heat-demanding crops (corn, tomatoes, cucumber) stagnated due to the low nocturnal temperatures in the last 5-day period. Fungus and weeds did not get much encouragement until the 10th, but more so later on. Phenological development was early consistently by from 5 to 8 days. Only in the drenched southwestern regions things scarcely deviated from the normal course.

Days that had good drying conditions were around the 5th, from the 12th to the 18th and from the 27th on. Harvesting-threshing made good headway during those days. Prematurity facilitated an early start of the harvest especially in the northern and central bezirks. The cereal harvest was completed all through the plains by the end of the month. Straw clearance was completed for circa 90 percent of the acreages. In the hills, the greater outgrowth of winter rye and winter wheat called for careful inspections. Increased capacities were required, especially at the end of the month, for stubble breakdown and seedbed preparation because the moisture in the ground diminished and the ground thus hardened. Measures against potato crop were needed through the whole month.

Especially on light soils and in Halle and Leipzig Bezirks the need for irrigation increased rapidly. That diminished temporarily around the 20th in the north.

Meteorological Projections for Farming in October 1981

Many soils can absorb only a moderate amount of water right now. If rains are normal or above-normal during the fall, we must expect considerable obstacles to our farming. In view of that, it is especially important to abide by optimum agrotechnical time frames (for the beet harvest, the winter wheat cultivation, the autumn plowing). We should try to complete our autumn farming activities as rapidly as possible.

5885
CSO: 2300/34

END

JPRS 79421

12 November 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2199

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12 November 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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GDR-CUBAN RELATIONS REVIEWED

East Berlin HORIZONT in German Vol 14 No 39, 1981 (signed to press 21 Sept 81) p 22

[Article by Volker Grimm: "GDR Solidly on Cuba's Side--Profitable Economic Cooperation"]

[Text] For more than 20 years, close cooperation in a wide variety of areas has been developing between the GDR and the Republic of Cuba. The May 1980 friendship visit by the GDR party and government delegation, headed by Erich Honecker, initiated a new chapter in relations between the two countries. With conclusion of the Treaty on Friendship and Cooperation, a stable foundation for the further expansion of bilateral cooperation has been created.

GDR--Cuba's Second-Largest Trading Partner

The GDR is today not only Cuba's second-largest trading partner; the cooperation between our two countries already encompasses all areas of social life. Effective GDR support in the expansion of several branches of industry is as much responsible for it as the training of cadre and of Cuban workers in the GDR.

Cuba also participates in numerous multilateral CEMA agreements and programs on cooperation in important areas. Its active collaboration strengthens the country's economic potential. At the same time, its exports are of great importance for several fraternal countries.

At present, the nickel combine's building site on the country's northeast coast is the most important object of this multilateral cooperation in Cuba. Upon its completion, Cuba, with an annual production of more than 100,000 tons, will occupy a top position in world production and world export of high quality cobalt nickel. The socialist countries will be among the main customers.

Otherwise, the long-term agreements on cooperation in the expansion and modernization of Cuba's sugar industry, the construction of eight new factories, the irrigation of sugar cane fields and the mechanization of harvests are establishing prerequisites for the increasing fulfillment of the sugar needs of the community of socialist countries.

The close and fruitful relations between the GDR and Cuba found appreciation also during Erich Honecker's most recent visit to Havana. On that occasion, both states-

men deemed the level of economic and scientific-technical cooperation that has been reached a vital factor for the development of their countries' economies as well as a contribution to the intensification of socialist economic integration.

It is certain beyond a doubt that bilateral cooperation on important objects of Cuban investment--for instance in the cement and ceramics industry, as well as increased reciprocal deliveries--is the result of close economic ties that are to the mutual advantage of both countries. Thus, for instance, the "Second Party Congress" ceramics factory has been able to begin full operations, and the furnace of the third and last production line at the "Karl Marx" cement factory in Cienfuegos could be lit at the beginning of this past July--each an object of GDR-Cuban teamwork.

Joint projects in the areas of sugar production, the production and processing of citrus fruits, metallurgy and other branches that are being carried out within the framework of CEMA's multilateral programs are also contributing to the increased efficiency and effectiveness of the GDR and Cuban economies and to the steady improvement of the workers' material living conditions in both countries.

Agreements on Laboratory Technology

One example of the close cooperation between the two states in the most varied areas is the special sector of laboratory and medical technology. Just last year, the GDR and Cuba signed further agreements between the two states which make it possible for the island republic to import such technology from the GDR also during the current five-year plan period.

The realization that the tempo of scientific-technical progress depends essentially on the effectiveness of the country's education and research facilities induced Cuba to accord special importance to the practical application of teaching and research. For this reason, numerous laboratories have been built at the country's educational centers during the past 5 years. They are equipped with general technical implements (basic laboratory (equipment such as jolt-machines, mechanical shakers, sifting machines, agitators, Bunsen burners and small lab tools (clamps, pliers, holders, lab glass, etc.), as well as top-quality scientific-technical products such as lab centrifuges, standing and table centrifuges, lab freeze-dry installations, glass exhaust ventilators and microscopes.

High Quality Demanded

According to Cuban party and government decrees, the construction, management and control of all the country's education facilities fall under the jurisdiction of the Ministries for Education and Higher Education. This means, among other things, that the ministries referred to are obligated to provide their institutions also with complete laboratories and lab equipment. For this, to a great extent, imports are necessary.

CUBA'S INSTITUTIONS OF HIGHER EDUCATION

	1975/76	1976/77	1977/78	1978/79	1979/80
Institutions of higher education, total	5	28	32	35	38
Including:					
Universities	4	4	4	4	4
Higher-education institutes	-	20	20	22	25
Other higher-education facilities	1	4	8	9	9

Source: Ministry for Higher Education of the Republic of Cuba

Cuban demands in regard to quality and assortment of products to be imported are very high. For its laboratory and medical technology, Cuba wants comprehensive solutions from her partners, and this demands a conscientious selection of the most appropriate technology and equipment that also offers the necessary safety.

In its Medical and Laboratory Technology combine, the GDR possesses a specialized enterprise which has at its disposal the necessary capacities, knowledge and experience in this area.

Once export deliveries were begun, GDR customer service engineers simultaneously began to instruct and train Cuban service technicians so as to assist the country in overcoming the still prevailing skilled-worker shortage.

In the long years of varied cooperation between the GDR and the first socialist state on the American continent, this fact has become documented: GDR workers stand solidly on the side of the Cuban people because their successes in the struggle to build socialism, against imperialism and against war, are also our successes.

From the Chronicle of GDR/Cuban Relations

12 January 1963--Establishment of diplomatic relations

May/June 1972--Fidel Castro visits several European CEMA countries, among them the GDR.

20-26 February 1974--Visit to Cuba of a GDR party and government delegation headed by Erich Honecker, and joint signing of a declaration on strengthening friendship and intensifying cooperation between the GDR and the Republic of Cuba

2-4 April 1977--Trip to the GDR by a Cuban party and state delegation headed by Fidel Castro

28 May to 1 June 1980--Visit to Cuba by a GDR party and state delegation headed by Erich Honecker and signing of the Treaty on Friendship and Cooperation between the GDR and the Republic of Cuba

13 September 1981--Meeting between Erich Honecker and Fidel Castro in Havana

Cuban Solidarity

Cuban specialists, among other things, are rendering solidarity assistance to the following countries: Afghanistan, Algeria, Angola, Equatorial Guinea, Guyana, Ethiopia, Benin, Grenada, Guinea, Guinea-Bissau, Iraq, Jamaica, Kampuchea, Cape Verde, Laos, Libya, Madagascar, Mali, Mozambique, Nicaragua, Panama, Sao Tome and Principe, Tanzania, People's Democratic Republic of Yemen, Vietnam, People's Republic of the Congo.

As of 1980, no fewer than 2000 Cuban physicians and other medical personnel were working in 20 Asian, African and Caribbean countries.

In construction, 5,000 Cuban specialists were placed in 10 African, Asian and Latin American developing countries.

In 11 African and Latin American countries, 10,000 Cuban teachers were giving support to the national educational system (in 1980, 1,000 Cuban teachers were working in Nicaragua alone)

In 1978, Cuba awarded scholarships to 5,000 students from friendly countries for study at Cuban universities and advanced and technical schools.

9011
CSO: 2300/12

MANAGERS' APPROACH TO CEMA COOPERATION CRITICIZED

[Editorial Report] AU171640 Bratislava Pravda in Slovak on 15 October 1981 on page 6 carries a 3,000-word "PA"-signed article, entitled "have we grasped the importance of cooperation?" In its opening passage, the article deals at length with the advantages of cooperation with socialist countries," and the Soviet Union in particular," for the Czechoslovak economy and with the importance of socialist economic integration as the "only" way of ensuring an intensive development of the socialist countries' economies. It goes on to say: "For a long time the CPCZ has been mobilizing ranking personnel in all areas of our economic life to pursue such cooperation so far. Not everyone has grasped the vital need for integration. On encountering the first obstacle, our people often balk and retreat--perhaps out of lack of knowledge, perhaps out of complacency, perhaps out of subjective but also objective reasons. But even objective reasons must not bring this process to a halt. It is possible to seek and to find solutions even to them, because the grand and revolutionary nature of this task requires a revolutionary approach on the part of the planners and managers of ministries, economic production units, enterprises, work collectives as well as party organizations.

The article goes on to point out that prerequisites for more intensive cooperation with the Soviet Union do exist and refers in this context to the coordination of the two countries' 5-year plans and to the long-term Czechoslovak-Soviet agreement on promoting specialization and production-sharing, signed in Prague in March 1980. It then states: "It would seem that after the signing of the bilateral agreements with the USSR, all-round cooperation should go full steam ahead. However, reality shows that not in all cases where there are conditions for sepcialization and production-sharing do the ministries, economic production units, enterprises and organizations approach their materialization with full responsibility, with the endeavor to organize, ensure and solve something. Some time ago even the CPSL Central Committee presidium dealt in detail with those issues. It noted that the demands for drawing up comprehensively substantiated concepts of Czechoslovak organizations' involvement in socialist economic integration are being met only slowly and inconsistently. The results of an investigation that has been carried out have shown that the extent of cooperation, especially with the USSR, corresponds neither to our economy's needs for to the individual economic organizations' possibilities. Many production sectors have not worked out in the requisite quality their concepts of socialist economic integration, including alternative solutions. Nor is the central economic bodies' coordinating and managerial activity in this area sufficient. The initiative of the economic managements of plants, enterprises and organizations, too, has not reached the requisite level and party organizations do not always encourage this initiative."

In the subsequent passage, the article cites examples of concrete proposals for Slovak enterprises' cooperation with Soviet partners, proposals that have not been implemented owing to the managements' or higher economic bodies' "insufficient activity." These examples are contrasted with the case of the ZTS [Heavy Engineering Works] economic production unit with headquarters in Martin, which increased the share of exports in its overall production from 37.4 percent in the 1971-1975 period to 71 percent in the years 1976-1980, with the bulk of these exports going to the USSR, within the framework of production-sharing. However, such positive examples are rare, according to the article, the "prevailing trend" being a "very low" growth in the Slovak enterprises' involvement in the integration process. Among the obstacles are also, according to the article, "production in small series, the production's poor technological standard, as well as the price setting for raw materials and components. That is reflected, for example, in the organizations' unprofitable exports of electronic durables where, as a consequence, scientific-technical cooperation with the USSR is at a low level. This is a task for supra-enterprise and central bodies, which should resolve these problems in keeping with the set of measures for improving the planned management system of the national economy."

Summing up, the article stresses once again that "our production's and our economy's further development is unthinkable without our integration in the international division of labor." Therefore, "the ranking economic personnel must approach more courageously and resolutely our national economy's involvement in [the socialist economic] integration: must make an initiative-filled use of all possibilities for more broadly developing economic cooperation with the USSR, mutual imports and exports, scientific-technical cooperation and specialization and production-sharing; and thereby create the resources necessary to cover the imports of raw and other materials and energy."

CSO: 2400/47

DEPUTY MINISTER DESCRIBES CSR'S AGRICULTURAL MALADIES

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Czech No 9, Sep 81 pp 385-387

[Article by Eng Josef Martinek, cand sci, deputy minister for Agriculture and Food of the CSR: "Resolutions of the 16th CPCZ Congress--Our Program, Our Goal"]

> [Text] "Keep securing the high level attained in consumption of nutrients...." (Key Orientations of Economic and Social Development of the CSSR for the Years 1981-1985).

The quotation from Key Orientations of Economic and Social Development of the CSSR for the Years 1981-1985, adopted by the 16th CPCZ Congress, is concise, but expresses in a nutshell the key goal of the agricultural and food production complex for the next five-year period. It is a matter of common knowledge that in worldwide comparison we occupy a leading position in the level of consumption of main nutrients. Thus, e.g., per capita meat consumption is currently approaching 90 kg per year, annual sugar consumption is approximately 39 kg and consumption of milk and dairy products is approaching 240 liters. Supply of nutrients for the domestic market is relatively smooth in volume as well as in the quality of food products. The results achieved by the agricultural and food production complex receive just recognition of our society.

Self-sufficiency Is a Strategic Necessity

It is imperative that we objectively analyze the existing approaches by means of which those results were attained. Even if we do give a certain amount of consideration to the well-known fact that development of agricultural production over the last several years was accompanied by considerable fluctuations in plant production due to climatic conditions, we are very often using this excuse even in cases when it is within our means to at least partially eliminate these effects. In final analysis, this is clearly borne out by the considerable differences in the results attained by enterprises operating under comparable production and economic conditions. On the other hand, we must not close our eyes to the fact that the good results obtained in animal production accrue to a considerable extent to extraordinary imports of fodders, particularly grain, made in the course of the previous five-year plan. However, increasing our self-sufficiency in food production calls for guaranteed

implementation of dynamic growth without imports depleting our foreign exchange resources. This task is coming more and more to the fore in connection with the increasing strategic importance of nutrients on the world's markets. Dependency on imports is for us not only economically taxing, but in the near future it could become utterly unrealistic from the viewpoint of availability of sources. This endows tasks in development of agricultural production with an unequivocally political orientation. All challenging goals will have to be set, assessed and implemented from this aspect.

Gross agricultural production attained in the CSR during 1976-1980 amounted to Kcs 336.9 billion (in prices valid as of 1 Jan 1980). For the Seventh Five-Year Plan we envision a production increase by approximately Kcs 30 billion. Two-thirds of that amount, i.e., Kcs 20 Billion, are to be provided by an increase in plant production. This calls for attaining an approximately 3 percent annual increment in plant production with basic restructuring of the overall increase in agricultural production. Up to now the share of animal and plant production in the growth of gross agricultural production has been more or less the reverse of what it should have been, with plant production accounting for less than one-third.

Grain Problem and Fodder Balance

Only a more dynamic growth of plant production can be conductive to achieving proportionality in agricultural production as a whole. Proportionality between basic branches of agricultural production is most commonly assessed on the basis of fodder balance. Assessment of balances must not overestimate or underestimate either one or the other basic group of fodders. While a certain measure of mutual substitution is possible, it has its physiological, technological and economic limits. For this reason mutual proportionality must be maintained and respected.

Yet, some opinions have been voiced lately that must be labeled as economically naive and politically poorly conceived. They involve attempts to make increases in production of bulk fodders contingent on reductions in the production of cereals. The problem is often presented in the light that meeting of the demand for cereals (human nutrition, seed grain and fodder) is an "obligation" of society, or "obligation" of other agricultural enterprises, districts and regions. In this concept the proportionality of agricultural production is narrowed down to merely the proportionality between animal production and bulk fodders and overall proportionality is lost.

In the coming period we cannot rely on society to discover adequate sources for importation of grain fodder. Our task is to produce the attainable maximum and use the production economically in all spheres of consumption. Resolutions of the 16th congress clearly quantify this task: produce an annual average of 11 million tons of grain (of which approximately 7.3 million tons in the CSR). It is no easy task, but its implementation is realistic if we assume that all enterprises and every worker will meet their social responsibility. About 9-percent of the production increase must be implemented by increasing the amount of yield, i.e., attaining approximately the current level of yield per hectare of the GDR.

Development of the grain-growing sector is and shall remain the key task of our agriculture. Attainment of self-sufficiency in cereals is the basic long-term strategic goal. Its attainment calls for focusing attention on all sectors. And it stands to reason that what is involved is not merely grain production per se, but efficiency throughout the entire chain of consumption and utilization. We are far from having exhausted all resources in this respect.

Closely connected to the grain problem is production of bulk fodders. We are currently devoting to their production in the CSR more than 1 million hectares of arable land and 800,000 hectares of permanent grasslands, i.e., a total of 1.9 million hectares of farm land, i.e., 42.5 percent of total acreage. This represents 0.54 hectare of fodder plants per head of horned cattle. If we supplement the above by fodders obtained from production of sugarbeet, intermediate staples and straw, we cannot agree with the contention that our acreage of fodder plants and production of bulk fodders is inadequate. The point is what use we make of this production now and how ill we manage it in the next period.

The basic unused resources lie in utilization of permanent grasslands. Providing nutrition for horned cattle only in the form of fodders from arable land (as occurs often even in regions with considerable expanses of meadows and pasture land) strains the limits of social effectiveness and tolerance. A simple example to facilitate comparison: at the current level of yield per hectare we produce approximately 1 ton of live weight of hogs for slaughter per 1 hectare of grain, the same applying to poultry for slaughter. However, to produce 1 ton of live weight of horned cattle for slaughter we need, in addition to the 0.5 hectare of grain, also approximately 37 tons of green bulk fodders, i.e., approximately 1 hectare of arable land. But social efficiency of horned cattle breeding increases sharply with maximum utilization of permanent grasslands. Even though this example is something of a simplification, it does point out the need for maximum utilization of meadows and pasturelands for production of bulk fodders and utilization of by-products from root crops and intermediate staples. Room for further expansion of sowing fodder plants for all practical purposes is not available now and will remain so in the coming years.

In addition to the considerable potential hidden in increasing the yield of annual and perennial fodder grasses we must realize that sources of fodder cut down on the disproportionately high losses incurred in harvesting, conservation and in feeding itself. Low quality has adverse effects on conservation of fodders and indirectly affects their consumption. Measures to be taken in this area must be determined and implemented at all levels of management.

Results attained to date in production of technical and special plants are not satisfactory. It is particularly the high variability in production volumes and quality that adversely effects the results obtained by the processing industry and becomes directly reflected in supplies for the populace as well as in the external relations of that industrial branch. There is also evidence of some irresponsible approaches to planning and implementing their production. For example, in the case of sugarbeets, flax, potatoes and some other produce

there are very frequent attempts to overestimate hectare yields in planning which becomes reflected in allocation of acreage for sowing and constitutes one of the causes of failure to meet the planned quota. Such an approach cannot be labeled in any other way than being socially irresponsible and if such attempts should recur some strict conclusion will have to be drawn.

In the Seventh Five-Year Plant we envision stagnation in planned procurement of sugarbeets, potatoes and flax at the level planned for previous years. In the case of sugarbeets and flax, however, the goals of the Sixth Five-Year Plan failed to be met. For that reason, on the basis of the actual results achieved over the last five-year period, the planned goals have been marked up by 15-16 percent. A significant contribution to improvement of external relations is made by production of oleaginous plants. The dynamic increase in procurement of rape-seed by more than one-half in comparison to the Sixth Five-Year Plan must be secured by both an increased yield and an expansion of the crop acreage. The quality of all technical plants must be substantially improved and measures toward this end are being taken in agronomical engineering, post-harvest processing and storage.

Procurement of fruit and vegetables is to increase in comparison to the actual state prevalent during the Sixth Five-Year Plan by 25-30 percent and that of hops by approximately 19 percent. Existing implementation of concepts in developing the production of special plants is not commensurate to the importance and position occupied by these products. In addition to objective causes it is also affected by subjective shortcomings and low efficiency in controlling the development of these branches.

Structure of Animal Production

As has already been stated, the level of consumption of nutrients of animal origin in this country is very high. This level must be maintained in regards to volume and substantially improved in regards to quality, assortment, durability and nutritional value of these products. And this is not a matter of concern only to the processing industry, these requirements must be met with the participation of primary agricultural production.

Development of horned cattle breeding stands unequivocally in the forefront. The results attained over the past several years are not commensurate to the potential and tradition of our stock breeding. Procurement of horned cattle, to include calves, for slaughter increased in the CSR during the Sixth Five-Year Plan by only 5 percent with a live stock growth of 9.2 percent. If in 1975 we bought per 1 head of live stock of horned cattle 150 kg of live weight of horned cattle and calves, then at the conclusion of the Sixth Five-Year Plan it was only 142 kg of live weight. This is an indication of the predominantly extensive rather than intensive nature of development of horned cattle breeding.

This calls for an accelerated search for ways and methods for a reversal to an intensive breeding of herds. It requires devoting more attention and effort to upgrading the utility value of all categories of horned cattle, more systematically adhering to principles of breeding and raising stock, mastering and adopting methods of socialist large-scale production in breeding of horned

cattle, making use of scientific methods of animal nutrition, improving technique and technology of feeding, to include cutting down on losses of fodder in the entire chain. Basic trends in developing production of bulk fodders were already outlined above.

We must forewarn that there will not be any room in the course of the Seventh Five-Year Plan for increasing herds of horned cattle at the rates prevalent in the years past (during the Sixth Five-Year Plan livestock herds increased in the CSR by almost 300,000 heads). Neither will there be similar opportunities in the area of capital investment, i.e., acquisition of new capacities, nor in expansion of the fodder base. It ought to be emphasized that increasing of herds tends to dilute sources of fodder by increased demand on reserve rations. This causes an imbalance between supply and demand for fodder and exerts pressure in reverse on expansion of sowing of fodder plants on arable land. Thus, increasing of livestock herds cannot be viewed as the path to follow in an effort to achieve an approximately 11 percent increase in procurement of horned cattle for slaughter.

Still underestimated in the socialist sector remains sheep breeding. Its expansion would promote full utilization of acreage not suitable for mechanized harvesting or horned cattle pastures. At the same time mutton could help to add variety to the assortment of meat on the domestic market.

The emphasis in keeping of monogastric animals is primarily on efficient use of nutritive fodders. As has already been indicated, sources of nutritive fodders are limited. No substantial increases are contemplated in the production of hogs and poultry for the Seventh Five-Year Plan. The more effort will have to be concentrated therefore on improving the utility of animals in general and lowering the rated consumption of fodders in particular.

Resolutions of the 16th party congress put emphasis on creating conditions for continued development of domestic animal keeping on privately farmed land in cooperatives and state farms and by small keepers and breeders. Over the past 2 years a lot has been accomplished in development of contractual fattening. Increase in procurement of horned cattle for slaughter from contractual fattening accounted in 1980 for the entire increment in procurement in the CSR. In the course of the Seventh Five-Year Plan we expect to procure in this form approximately 20,000 heads of horned cattle ready for slaughter. That represents a significant contribution to meeting of procurement goals. It is imperative that all levels of management, to include the enterprise sphere, create conditions conducive to development of contractual fattening.

Orientation of Investments

In the area of replacement of capital assets we expect that the overall volume of services and deliveries for capital construction will remain approximately at the actual level of the Sixth Five-Year Plan, i.e., for CSR agriculture at approximately Kcs 48 billion. However, the internal structure of investments will have to be changed in favor of machinery and facilities which represent a more effective component in replacement of capital assets. Their share in the overall volume increased from 45.1 percent in the Sixth Five-Year Plan to 46.9 percent.

Allocations for specific investment programs must be deliberate and effective. Priority will be given to development of plant production, primarily to projects designed to improve the yield of agricultural land resources (irrigation and soil improvement, replanting, agrochemical plants), development of special plants (planting of orchards and hopfields, greenhouses, foil-screened cultivators, storage facilities and post-harvest lines), projects designed to cut down losses (bulk fodder, potato and grain storage facilities) and improve keeping agricultural equipment ready for operation (repair shops, maintenance and repair centers). In animal production priority will be assigned to construction of capacities for horned cattle keeping. Priority will be given to incorporation into the plan of projects using standard type and reproducible designs, light constructions, projects demonstrating a high degree of efficiency, cutting down on construction time and lowering budgetary expenses per unit of capacity, overhaul and modernization.

Comprehensive Approach to Improving the Planned Management System

Further improvements are being made in the planned management system of agriculture to create a favorable economic atmosphere for meeting its challenging goals. The new system comes into effect on 1 Jan 1982. In view of the fact that wider attention will have to be paid to these important measures in the coming issues of the periodical EKONOMIKA POLNOHOSPODARSTVA, I shall confine my comments only to its basic features.

Improvement of the planned management system calls for comprehensive systemic measures in planning, economy, to include modification of economic tools and channeling the system of incentives. It is based on Leninist principles of management and applies them to the conditions of our agriculture while drawing on experiences of fraternal socialist countries and positive aspects made use of in the past periods. The objective is attainment of higher flexibility in management of agricultural production, providing of higher motivation for increasing production and making it more efficient, while allowing for a full functioning of the intraplant and enterprise khozraschet [cost accounting system].

To be truly comprehensive, the improvement is not limited to agriculture and the agricultural complex alone, but includes problems of mutual proportions within the entire agroindustrial complex, i.e., planned channeling of agricultural relations to the supplier - user branches of the national economy. Within the agricultural branch it involves further improvements of proportionality among individual components of the plan while reducing the latter's demands on administration, as well as a stepped up utilization of computer technology. Substantially enhanced is also the role of democratic centralism in planning, as is active participation of users in attainment of the planned goals.

Significant changes will be implemented in modification of economic tools. This involves improving the system of pricing and other tools designed for balancing profitability and improving motivation for developing socially desirable production. Full enforcement of the intraplant and enterprise khozraschet will facilitate further increases in collective and personal motivation for development of production, its economy and efficiency.

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JULY 1981 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 28 Aug 81 p 2

[Summary by the Federal Statistical Office: "July 1981"]

[Text] The following results were achieved in the main areas of the national economy in July this year (the number of working days was the same as in July 1980):

--in industry, production volume was greater than in July 1980 and deliveries in all main directions of sales also increased with the exception of deliveries to domestic trade. The enterprise plans were surpassed in production, adjusted value added and in individual directions of sales in July;

--in the building industry, the volume of construction work carried out with internal labor resources did not reach last July's level. Enterprise plans were not fulfilled either in production volume or adjusted value added;

--in public freight transportation, the July transportation targets were not met with the exception of CSAD [Czechoslovak State Automobile Transportation]. The total volume of transported goods increased, due to CSAD transportation, but in railroad and river transportation was below the level of July 1980;

--in agriculture, the purchase of all basic animal products, with the exception of milk, proceeded ahead of schedule. The purchase of slaughter animals, including poultry, and of eggs was smaller, but the purchase of milk increased in comparison with July 1980;

--in foreign trade, the turnover slowed down both in relation to the socialist and nonsocialist countries;

--in domestic trade, retail trade turnover in all main trade systems at current prices was above the July 1980 level and the plan of retail trade turnover was surpassed in the main trade systems.

The number of working days from the beginning of the year to the end of July was 1 day less than during the same period last year.

In terms of key indicators of the national economy, the annual state plan was fulfilled to the following extent by the end of July: 56.5 percent of the industrial production volume, 58.6 percent of the purchase of slaughter animals, including poultry, 51.8 percent of total imports, 53.7 percent of total exports, 58.4 percent of total transportation volume of goods. The number of working days during the January-July period accounted for 57.7 percent of working days during the entire year 1981.

In centrally planned industries, the value of industrial production amounted to Kcs 43.2 billion in July which was 0.5 percent more than in July 1980. The enterprises of centrally planned industries fulfilled the enterprise production plans 100.1 percent in July. There was particularly low fulfillment of July production plans by the industrial enterprises in the woodworking and building materials sectors.

As to the sales of industrial products (at wholesale prices), the results during the first 7 months of 1981, in comparison with the same period last year, were as follows: deliveries for export to the socialist countries increased 2 percent; deliveries for export to the nonsocialist countries increased 3.1 percent; deliveries to domestic trade, however, were below the level reached during the same period last year. Sales for industrial production and operations increased 3.6 percent during the January-July period.

Economic plans were surpassed in all main directions of sales from the beginning of the year to the end of July. Although the plans were generally surpassed, the planned deliveries to domestic trade were not fulfilled by 11.2 percent of enterprises participating in these deliveries, deliveries for export to the socialist countries by 10.7 percent of enterprises and for export to the nonsocialist countries by 21.5 percent of enterprises. The plan targets set for deliveries for industrial production and operations were not met by 36 percent of enterprises for which this indicator is specified during the first 7 months of this year.

In agriculture, the purchase schedule was complied with by the end of July as follows: 102.1 percent for slaughter animals generally, 101.5 percent for slaughter poultry, 101.8 percent for milk and 105.1 percent for eggs. The purchase of slaughter animals, including poultry, during the January-July period surpassed last year's purchases during the same period by 26,100 tons and the purchase of eggs by 38.1 million, while the purchase of milk declined 36.6 million liters during the same period.

In the building industry, the low fulfillment of enterprise plans continued in July: construction enterprises fulfilled monthly enterprise plans of construction work performed with internal labor resources 96.1 percent, and the enterprise plans of adjusted outputs 97.5 percent. The volume of construction work was 1.3 percent smaller than in July 1980 and its value amounted to Kcs 6.9 billion.

The number of housing units completed by contracting building enterprises was 2.3 percent lower than in July 1980.

From the beginning of the year till the end of July, the building enterprises performed construction work with their own labor resources in the value of Kcs 45.4 billion, which was 3.9 percent less than specified in the enterprise plans and 2.4 percent less than during the same period last year. During the January-July period, the planned production targets were not met by 180 building enterprises, or 77.9 percent of the total number. In comparison with the same period last year, average daily production in the building sector decreased 1.9 percent during the January-June period and 1.8 percent during the January-July period.

Public freight transportation carried 56.1 million tons of goods in July and the monthly transportation targets were met 99.5 percent. In comparison with July 1980, the volume of transported goods was 2.0 percent higher.

From the beginning of the year to the end of July, public freight transportation carried 377.5 million tons of goods or 58.4 percent of the annual state plan target. The planned transportation tasks were generally fulfilled 101.3 percent, in railroad transportation 99.2 percent, CSAD transportation 103.1 percent and river transportation 96.9 percent during the first 7 months of this year. The total volume of goods transported during the first 7 months was 3.4 percent higher than during the same period last year.

In foreign trade at current prices, total turnover slowed down in July. A more significant slowdown was registered in relation to the nonsocialist countries than in relation to the socialist countries. The rates of increase in total imports and exports during the January-July period were smaller than anticipated by the foreign trade plan for the year. The annual state plan was fulfilled as follows by the end of July: 55.5 percent in exports to the socialist countries; 51.0 percent in exports to the nonsocialist countries; 51.6 percent in imports from the socialist countries; 52.1 percent in imports from the nonsocialist countries.

In domestic trade, merchandise in the total value of Kcs 18.8 billion at current prices was sold by the main trade systems in May. Retail trade turnover in the main trade systems increased 2.7 percent in July. Retail trade turnover in public catering registered a more rapid increase (105.1) than in the trade sector (102.3). The enterprise plans of retail trade turnover were fulfilled 101.4 percent in July.

During the January-July period, the main trade systems sold to the population merchandise in the total value of Kcs 120 billion which was 0.9 percent more than during the same period of 1980. The enterprise plans of retail trade turnover were fulfilled 99.6 percent during the first 7 months of this year. The rate specified by the annual state plan for all systems (102.4) was surpassed by retail trade turnover in Klenoty [Gems] (105.5) and Obchod Obuvi [Shoe Trade] (103.5) during the January-July period. On the other hand, a decline in retail trade turnover was registered by Obchod Nabytkem [Furniture Trade] (index 85.8), while the enterprise plans were fulfilled 91.4 percent during the same period.

In comparison with the same period last year, personal incomes increased 2.6 percent or Kcs 5.3 billion during the January-July period. Earned incomes increased 2.8 percent.

Actual personal expenditures amounted to Kcs 197.5 billion during the first 7 months of this year and increased 1.5 percent over the same period last year.

Savings deposits amounted to Kcs 161.5 billion as of 15 July 1981 and increased Kcs 10.2 billion in comparison with the same period last year. Money supply amounted to Kcs 44,551,000,000 as of 31 July which was Kcs 2,388,000,000 more than on 31 July 1980.

Basic Indicators of National Economy's Development in Increases Over Comparable 1980 Period (in percent)

	July	Jan-July	State Plan[1]
Deliveries of the Centrally Administered Industry for:			
--investments at wholesale prices	-	1.2	- 2.3
--domestic market			
at wholesale prices	-	- 0.1	- 0.7
at retail prices	-	- 0.7	- 0.5
--export to socialist countries			
at wholesale prices	-	2.0	- 1.1
at FOB prices	-	0.1	- 5.3
--export to nonsocialist countries			
at wholesale prices	-	3.1	0.3
at FOB prices	-	3.4	4.5
--other sales for industrial production and operations at wholesale prices	-	3.6	-
volume of industrial production	0.5	1.8	2.4[2]
average number of employees	0.0	0.5	0.5[2]
labor productivity based on industrial production	0.5	1.4	2.1[2]
Construction			
construction work performed with internal labor resources	- 1.3	- 2.4	2.7
average number of employees	- 1.9	- 0.7	0.5
labor productivity based on construction work	0.6	- 1.7	2.1
housing units delivered by contracting enterprises	- 2.3	-31.1	-19.1
Procurement			
slaughter animals (including poultry)	- 2.3	2.5	- 1.4
milk	0.9	- 1.2	0.7
eggs	- 1.9	2.4	- 0.9
Retail Turnover of the main trade systems	2.7	0.9	2.4[3]
Foreign Trade[4]			
export to socialist countries	1.8	8.5	7.3
export to nonsocialist countries	- 7.9	3.9	9.1
import from socialist countries	- 2.9	7.7	12.4
import from nonsocialist countries	-20.2	- 2.9	6.7

[Table continued on following page]

Personal Earnings[6]	3.9	2.6	3.6[5]
of which income from wages	3.5	2.8	3.1
Actual cash expenditures	3.2	1.5	3.3[5]

FOOTNOTES:

1. Increases compared to actual 1980 results.
2. Increases compared to expected 1980 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank).

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AUGUST 1981 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 25 Sep 81 p 2

[Summary by the Federal Statistical Office: "August 1981"]

[Text] In the development of the national economy the following results were achieved in August this year:

--in industry, production volume and value of adjusted outputs were higher than in August 1980, and an increase was also registered in the deliveries to all main directions of sales. The key indicators in the monthly enterprise plans, however, were not met;

--in the building industry, the low fulfillment of the plans of construction work and of adjusted outputs continued. The total value of these indicators was below the August 1980 level;

--in agriculture, field work proceeded on schedule. In animal production, the purchases of main animal products, with the exception of milk, were lower than in August 1980;

--public freight transportation surpassed its August transportation targets;

--in domestic trade, retail trade turnover in main trade systems was higher than in August 1980;

--in foreign trade, total turnover slowed down in August.

In centrally planned industries, the industrial production volume increased 2.6 percent over the August 1980 level and reached the value of Kcs 49.7 billion. The enterprise production plans were fulfilled 98.9 percent this month, but approximately one-third of industrial enterprises failed to meet their August production targets. In August the plan of adjusted outputs was not met almost by 39 percent of organizations for which this indicator is specified.

During the January-August period, industrial production volume increased 2 percent and average daily production 2.6 percent. The industrial production increase called for by the annual state plan is 2.4 percent. The highest growth rates in industrial production (while surpassing enterprise plans at the same time) were

achieved by the enterprises in electroengineering, rubber, glass, ceramics and porcelain industries during the January-August period.

The enterprise plans of adjusted outputs were fulfilled 101.1 percent during the January-August period, but almost 25 percent of enterprises for which this indicator is specified failed to do so.

In the area of sales of industrial products (at wholesale prices), the enterprise plans were surpassed in the deliveries in all main directions during the January-August period, although some unevenness continued in the fulfillment of the plan of deliveries particularly for export to the nonsocialist countries. In comparison with the same period last year, deliveries to domestic trade increased 0.2 percent, deliveries for export to the socialist countries 2.1 percent and for export to the nonsocialist countries 3.2 percent during the January-August period.

In the building industry, the volume of construction work performed with internal labor resources was 2.1 percent below the August 1980 level. The building enterprises fulfilled their August construction targets 95.7 percent, while the value of completed construction work performed with internal labor resources amounted to Kcs 7 billion. The monthly plan of adjusted outputs was fulfilled 96.5 percent. In housing construction carried out by contracting construction enterprises, 28.9 percent fewer dwelling units were completed than in August 1980.

From the beginning of the year to the end of August, the volume of construction work reached the value of Kcs 52.4 billion, 2.4 percent less than during the comparable 1980 period. Average daily production in the building sector declined 1.8 percent. The annual state plan anticipates a 2.7 percent increase in construction work. The trend in labor productivity did not correspond to the intentions of the annual plan, because it decreased 1.7 percent during the January-August period, while the planned annual increase is 2.1 percent. Although the indicator of adjusted outputs was generally complied with 98.0 percent, the enterprise plans were not fulfilled by more than 57 percent of enterprises during the first 8 months of this year.

In capital investment, the development in the total volume of completed investment projects and deliveries to the national economy or their material structure did not conform to the intentions of the annual plan. The total value of investment projects and deliveries (excluding project "Z" and private construction) decreased below the January-August 1980 level both in regard to construction work (a 3.1 percent decrease) and deliveries of machinery and equipment (a 5.4 percent decrease). The state plan anticipates a 0.4 percent increase in total volume for this year. The intentions of the plan focusing upon completion of construction projects were not completely met.

In agriculture, in the area of crop production both the harvest and purchase of grains were completed. The plan was less than 1 percent short of fulfillment as of 6 September.

In animal production, the purchase of animal products of all main types was below the August 1980 level with the exception of milk (the purchase of milk increased

2.5 percent). During the first 8 months of this year the purchase of slaughter pigs increased 5.1 percent and of eggs 1.9 percent over the comparable period last year.

The purchase schedule was complied with as follows by the end of August: in regard to slaughter animals generally 101.4 percent, slaughter poultry 101.5 percent, milk 101.6 percent and eggs 104.4 percent.

Public freight transportation generally met the August transportation targets 100.6 percent. The plan was surpassed in railroad transportation, CSAD [Czechoslovak State Automobile Transportation] and river transportation. A total of 55.1 million tons of goods were carried by public freight transportation in August.

The overall plan of transportation of goods was fulfilled 101.2 percent during the first 8 months of this year. The plan was surpassed by CSAD (102.8 percent), while railroad transportation fulfilled the plan 99.6 percent and river transportation 97.4 percent. The total volume of goods transported during the first 8 months of this year was 432.8 million tons which was 3.5 percent more than during the comparable period last year. The plan of goods loading in railroad transportation was fulfilled 100.2 percent. The loading of solid fuels was fulfilled 99.6 percent and increased 2.6 percent over the comparable period last year.

In foreign trade, exports to the socialist countries in August increased over August 1980. Exports to the nonsocialist countries and imports from both currency areas, however, were below the August 1980 level.

From the beginning of the year to the end of August, foreign trade turnover with the socialist countries increased more rapidly than with the nonsocialist countries. Total exports increased 6.8 percent and exports to the socialist countries 8.3 percent during the first 8 months of this year. Total imports increased 2.8 percent and imports from the socialist countries 6.4 percent.

The annual state plan was fulfilled by the end of August as follows: exports to the socialist countries 62.1 percent and to the nonsocialist countries 56.7 percent; imports from the socialist countries 58.6 percent and from the nonsocialist countries 56.7 percent.

In domestic trade, retail trade turnover in the main trade systems reached Kcs 18.1 billion (at current prices) in August which was 1.7 percent more than in August 1980. During the January-August period, the organizations of main trade systems sold merchandise for Kcs 138.1 billion which represented a 1 percent increase over the comparable 1980 period.

The most dynamic increase in retail trade turnover was registered by the Cedok organizations (public catering), Klenoty [Gems] and Obuv [Shoe Trade] during the first 8 months of this year. On the other hand, retail trade turnover in Obchod Textilem [Textile Trade] and Nabytek [Furniture Trade] was below the August 1980 level. The enterprise plans of retail trade turnover were fulfilled 99.5 percent by the main trade systems during the January-August period.

Deposits on personal savings accounts increased Kcs 45 million from 15 July to 15 August. From the beginning of the year to the end of August savings deposits increased Kcs 5,701,000,000 or Kcs 2,253,000,000 more than during the comparable period last year.

Basic Indicators of National Economy's Development in Increases Over Comparable 1980 Period (in percent)

	Aug	Jan-Aug	State Plan[1]
Deliveries of the Centrally Administered Industry for:			
--investments at wholesale prices	-	- 2.4	- 2.3
--domestic market			
at wholesale prices	-	0.2	- 0.7
at retail prices	-	- 0.8	- 0.5
--export to socialist countries			
at wholesale prices	-	2.1	- 1.1
at FOB prices	-	0.7	5.3
--export to nonsocialist countries			
at wholesale prices	-	3.2	0.3
at FOB prices	-	- 0.8	4.5
--other sales for industrial production and operations at wholesale prices	-	3.2	-
volume of industrial production	2.6	2.0	2.4
average number of employees	0.2	0.4	0.5[2]
labor productivity based on industrial production	2.4	1.6	2.1[2]
Construction			
construction work performed with internal labor resources	- 2.1	- 2.4	2.7
average number of employees	- 1.1	- 0.7	0.5
labor productivity based on construction work	- 1.0	- 1.7	2.1
housing units delivered by contracting enterprises	-19.9	-29.9	-19.1
Procurement			
slaughter animals (including poultry)	- 4.3	1.6	- 1.4
milk	2.5	- 0.7	0.7
eggs	- 1.4	1.9	- 0.9
Retail Turnover of the main trade systems	1.7	1.0	2.4[3]
Foreign Trade[4]			
export to socialist countries	4.3	8.3	7.3
export to nonsocialist countries	- 9.6	4.3	9.1
import from socialist countries	- 8.4	6.4	12.4
import from nonsocialist countries	-10.9	- 2.3	6.7
Personal Earnings[6]	2.7	2.5	3.6[5]
of which income from wages	2.8	2.8	3.1
Actual cash expenditures	2.6	1.5	3.3[5]

[Footnotes to table on following page]

FOOTNOTES:

1. Increases compared to actual 1980 results.
2. Increases compared to expected 1980 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank).

10,501
CSO: 2400/17

UNFINISHED CONSTRUCTION CONTINUES TO PLAGUE ECONOMY

Prague RUDE PRAVO in Czech 23 Sep 81 p 1

[Editorial: "At Stake: Timely Completion of a Third of Capital Projects"]

[Text] The decision was made to set a limit to capital construction in the Seventh Five-Year Plan primarily by curtailing starts of new construction projects and using the means thus saved for reconstruction and modernization of our production base. The measure, known to be long overdue, will be implemented this year. To a degree, investors and construction enterprises were instrumental in curtailing capital construction by reducing in the first 6 months of this year the planned number of new projects from 2,780 to a mere 1,141. Therefore, it was expected that the pooling of resources would accelerate the completion of the most important projects even in the first half of the year.

But results failed to bear out these expectations in the first 6 months. The volume of capital construction and deliveries decreased below the level of the same period of last year. The number of uncompleted projects failed to diminish. There were 7,750 such projects with budgets exceeding Kcs 2 million or only 152 fewer than last year.

According to the state plan, 108 projects designated as priority tasks are expected to be brought into operation this year with 33 to be completed in the first half of the year. But only eight production capacities started trial runs in addition to several others which were to be completed last year or even the year before. This indicates that the completion of many projects is being deferred till the second half of this year but existing harmonograms and the slow construction progress indicate that roughly a third of the planned construction projects may remain uncompleted by the end of this year. Projects whose completion in the first half of the year was delayed are expected to be completed by the end of the year. But VSZ [East Slovakia Enterprises] Kosice continuous slab-casting project and the Chemko Strazske thermal power plant will not be completed until next year and the reconstruction of the Domazlice railroad station and the Slovakofarma Hlohovec pharmaceutical production building for another 2 years.

The delayed startup of new production facilities represents considerable production losses planned for this year. These include tens of thousands of square meters of tiles from Michalovce, tens of thousands of tons of shaped steel from NHKG [New Klement Gottwald Metallurgical Works] Ostrava, thousands of trucks from Koprivnice,

tens of thousands of tons of unbleached cellulose from Ruzomberok, etc. To this must be added the production loss from other capacities which were expected to go into production but will not unless their completion is speeded up.

Completing production projects under construction and starting them up within set time limits is a vital task of the capital construction plan. The precarious situation involves not only planned priority projects but practically all capital construction categories. Therefore, we need to concentrate our efforts on vitally important priority projects. One of the frequent causes of the slow progress of priority projects are delays in preliminary work prior to construction. As examples, Prumyslove stavby Kosice [Kosice Industrial Construction Enterprises] failed to meet 58 intermediate deadlines in the first half of the year, Prumyslove stavby Brno [Brno Industrial Construction Enterprises] 47 intermediate deadlines. Delays are also due to tardy deliveries of construction steel, some equipment which is in short supply, such as boilers and filtering stations from CKD Praha, cranes from Chepos Brno, transformers, machine tools from Skoda-Plzen, equipment from Zavody silnoproude elektrotechniky Praha [Electrical Engineering Enterprises Prague], measuring instruments and control equipment from Zavody automatizacni a vypocetni techniky Praha [Automation and Computer Equipment Enterprises, Prague], etc.

In some enterprises inadequate preparation of capital projects will subsequently lead to difficulties in mastering the operation of the new capacities. Last year the Czechoslovak State Bank examined 126 construction projects and found that 99 of them failed to attain the planned output resulting in an overall production loss amounting to roughly Kcs 11.5 billion.

Facts testify to the urgent need of monitoring capital investment progress most closely from the very conception of the idea through the construction stage of the production facility till its operation at full capacity and the attainment of the planned output. It is not that these problems were ignored in the past but not all corrective measures instituted have borne fruit because the people responsible for their enforcement were inconsistent. For example, while the bank penalizes investors and suppliers for shortcomings in executing priority construction projects by stopping their financing, withdrawing credits, raising interest rates and denying credits for works and deliveries not completed within their deadlines, still the investors' and suppliers' reaction to these penalties has failed to improve the situation markedly.

Likewise, the new stipulations concerning material incentives designed to increase accountability for executing the tasks planned in capital construction by stimulation of responsible action are not everywhere being implemented in accordance with the Set of Measures to Improve Planned Management of the National Economy. More than a few responsible managers of economic management organs are more concerned with minimizing the impact of shortcomings on material incentives and the financing of capital projects than with doing their utmost to mobilize all available resources and their labor force to its full potential to fulfill the plan. Instead, they waste their time in trying to prevent the application of mandatory sanctions, penalties, reduction of bonuses and premiums and disciplinary measures for failing to meet deadlines. Sometimes people involved in capital construction work touchingly manifest agreement in justifying shortcomings and mutual understanding and leniency in applying material penalties for shortcomings. These practices deserve to be harshly criticized and strict measures must be taken to stop them.

Individuals in responsible positions in ministries, economic units and other organizations must be made fully aware of their responsibility to the entire society for the progress and the results achieved in capital construction. Inadequate attention paid to preparatory work prior to capital construction, slow implementation of construction work, unsatisfactory startup of new capacities, failure to fulfill the planned volume of output, immobilizing assets represented by yet uninstalled machines and equipment paid for in foreign currency, all this is reflected not only in a failure to fulfill the capital investment plan but--and this is much more serious--in production losses which the state plan counted on and in some cases also in a loss of exports. This reduces considerably the potential of acquiring foreign currency needed to keep the national economy going. It is reprehensible when the very individuals whose conscience with regard to implementing the capital program is not exactly clear, clamor for foreign imports or for the allocation of resources for such imports even though they contribute least to their acquisition.

It has become obvious that improvement in capital construction has failed to materialize because the quality of managerial work has not improved. Frequently it is because the Set of Measures is not being implemented consistently and uniformly but with widely varying emphasis. Therefore, all individuals in responsible positions must acquaint themselves intimately with the new stipulations and apply them in practice consistently, especially in their own work, using the influence of party and trade union organizations to achieve that end. Party organizations and those in economic units and enterprises must implement the Set of Measures more energetically--not only in the area of capital construction--and make their implementation part of the party control plan and monitor consistently the specific results achieved.

The problems besetting the area of capital construction must be resolved. Its national importance calls for analyzing thoroughly the causes of its poor track record in meeting deadlines with a view to correcting all shortcomings without delay. The prospect that a full third of the planned capital projects will not be completed this year must induce all enterprises and organizations to make a maximum effort to reduce the threatening loss of production to a minimum. Investors and both construction and material suppliers must share equally in this effort to demonstrate their competence.

8664
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LABOR UNIONS URGED TO BRING PRODUCTION UP TO POTENTIAL

Prague PRACE in Czech 3 Oct 81 p 1

[Article: "Using a More Demanding Approach"]

[Text] A recent plenary meeting of the Czech Trade Council, which evaluated the results achieved so far and the experience gained by trade union organs and organizations in the CSR while carrying out the conclusions of the 16th CPCZ Congress, also dealt in detail with the share of the trade unions in the implementation of the plan. The conclusions of the congress were formulated specifically in reference to labor conditions at the 12th Plenum of the URO [Central Council of Trade Unions].

The results which we have achieved in our national economy in 8 months of this year do not correspond to the efforts made by the working people, nor do they correspond to the opportunities provided by our economy. This fact, which can be inferred from data supplied by statisticians, was documented and analyzed through specific examples by the comrades who took part in the discussion at the plenum.

They only kept confirming the fact that there are reserves in our economy, as also demonstrated repeatedly by a recent semiannual public audit of the fulfillment of the plan, socialist obligations, and collective agreements. They only confirmed that these reserves exist first of all because of inadequate creation of conditions for the participation of workers in management and for the development of their initiative. Management personnel do not pay proper attention to the creation of these conditions. But trade union organs and organizations are not without fault, either. They do not insist consistently enough that the economic organs put into effect the measures which have been adopted jointly.

In those places where continuous care is given to the management and organization of labor as well as to the creation of conditions for the use of creative abilities, professional knowledge, skills and talents, the economic results are also good. The labor collectives kept consolidating their socialist obligations in such manufacturing establishments during the first half of the year, and they are now starting to assume additional socialist obligations in honor of the 10th All-Union Congress. In the same way, the people in these establishments did not approach the directive for the processing of the draft plan for 1982 with the idea that the requirements of the directive were unrealistic. Instead, they sought ways to comply with them.

And that is being done successfully in those places where manual workers, technicians and economists are really participating in the formulation of the draft plan. Much more time has been spent this year than before on discussing the draft plan with the workers. Practically from the middle of May until 24 July. During that time, it was possible to work out the draft plan all the way down to individual units within an enterprise and even down to the individual workplace; to give collective thought to the question of how labor productivity could be increased more effectively, where and how to obtain savings how to produce more from the same amount of material, how to achieve higher technical parameters and better quality.

The discussion has shown that only in a few places did economic management workers operate in this way. That was also reflected in the results of the audit conducted by the COR [Czech Trade Union Council] in 25 basic organizations of the ROH [Revolutionary Trade Union Movement]. A verification of the participation of the workers in the formulation of the plan in these organizations has revealed that in half of them the factory committee was not acquainted with the draft plan at all. The economic management has worked out the draft plan all the way down to the individual workplace or to individual units within the enterprise in only 35 percent of the organizations, and among these in only 35 of them was the draft plan discussed with the workers at production conferences or in trade union sectors. The system of counterplanning was used in the formulation of the draft plan in one-quarter of the organizations which have been checked. This was done for example at the CKD [Ceskomoravska Kolben-Danek] in Prague, at the Trakce [Traction] manufacturing establishment, at Sigma in Ceska Trebova, at the Keramicke Zavody [Ceramics Works], and in other organizations.

We read the following in the report of the COR: "In contrast, although at the Orion manufacturing establishment in Modrany and at Tesla in Strasnice they accepted higher assignments under the plan, they did so without discussing the matter with the workers, and as a matter of fact they did not even allocate the plan to units within the enterprise, as they are instructed to do according to the principles formulated by the government."

In those places where the economic management underestimates the participation of the workers, where it does not cooperate with the trade union organization, it cannot achieve good results, either. It is obvious that such procedure is in absolute conflict with the principles of the Set of Measures, which applies to all enterprises. It merely indicates that the Set of Measures has not yet influenced the way of thinking of some management workers, that it has not resulted in a more active approach by them to the handling of problems in production.

The fulfillment of the plan for this year and the preparation of the plan for next year require new, more demanding ways of approaching the plan by both the economic management and the trade union organs and organizations. In some places, they are now trying to implement this requirement that the work of trade unions should be made more effective. The requirement is by no means new, and it was merely emphasized again at the COR plenum. For example, in North Bohemia Kraj, the subject was discussed by KOR [Kraj Trade Union Council] Secretary J. Kacer. He said that trade unionists are concentrating their attention on efforts to increase the daily production output by 3 percent as compared to the beginning of the year to make sure that management workers would create conditions enabling as many collectives as possible to work right now in accordance with the parameters of next year.

The CCR plenum indicates in its resolution very specifically to federations and to all trade union organs and basic ROH organs in the CSR which tasks they should concentrate on in the nearest future. It should be a question of honor for every trade unionist as to how they should carry out the tasks of this year in each establishment in the best possible way and how they should get ready for next year.

5668
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ECONOMIC, SOCIAL DEVELOPMENT OF CEMA COUNTRIES VIEWED

Prague HOSPODARSKE NOVINY in Czech 25 Sep 81 p 3

[Article by Eng Jirina Semanova and Docent Eng Frantisek Stransky, Foreign Trade Research Institute: "A Great Deal of Work Awaits Us"]

[Text] This year's operations plans set rather sober, but demanding tasks for the economic development of CEMA states. The demanding nature of these tasks is determined primarily by the plans' qualitative indicators, particularly intensive growth factors, which are to secure a progressive relationship between the material inputs, on the one hand, and outputs--final products and quality--on the other. We cannot, however, leave out of account a comparison with the world economic and technical trends. Even in comparison with these trends, the plan targets set by the CEMA community appear not only in a favorable light, but can be described as very ambitious.

If we focus attention on the development plans of European CEMA member states--because of specific problems of other (outside Europe) CEMA member states whose rôle, however, gradually increases as the membership base expands--we must in evaluating the 1981 plan targets take into consideration above all some facts.

Basic Characteristics

From the standpoint of internal conditions, the operations plans represent the first step toward the implementation of the five-year plans during the 1981-1985 period which constitute an important part of the long-term strategy of transition of economies to intensive growth, when considerably exhausted extensive factors are replaced by intensive factors. Their control represents a complex process with new delicate interdependencies among which man's creative abilities play a dominant part in the main phases beginning with science and research, and then capital investment, production and finally distribution. This transition, however, is affected also by the inertness of old reproduction dependences which, though unable to reassert themselves, nevertheless can and do cause partial disproportions and disruptive influences mainly in the labor force, material and technical procurement, production capacities and important balances, including the foreign trade balance. The positive effect of socialist economic integration as an integral factor in the efficiency increase should be gradually and increasingly felt.

From the standpoint of external conditions, the situation is very complex particularly for the small and medium-sized economies which depend upon the imports of fuels,

raw and industrial materials. It cannot be assumed that the situation will ease in the foreseeable future. The transformation function of these economies is therefore becoming increasingly demanding. To put it simply, the inputs derived from imports, that is, primarily raw and industrial materials and above all fuels, are becoming more expensive and their sources more limited, and the outputs must therefore aim at the most effective utilization of imported materials particularly when the situation on the world markets is not favorable for sales and lays big demands on the technical standard, quality, reliability, service and so on. Only by complying with these requirements can the effect of deteriorating exchange relations be overcome.[1] Otherwise it would be necessary in the future to assign high priority to exports in the use of the national income and to reduce the rate of its use in other main directions--capital investment and personal consumption.

The national income and the basic components of its formation--industrial and agricultural production--are to increase according to the plan at a higher rate this year than in 1980: the national income 3.5 percent, industrial production 4.1 percent and agricultural production as much as 6-7 percent. These parameters (except for agricultural production) almost coorespond to the average annual targets in the 1981-1985 five-year plan and, so far as can be concluded from the incomplete data published for the 1986-1990 period, also to long-term targets for the 1980's.

In assessing the main characteristics of the economic development set for 1981 or already achieved in 1980, we must in this context take into consideration that the CEMA member states try to improve their foreign trade balances. This undoubtedly is a very complex and demanding process requiring permanent activation of all sources of intensificiation and priority of exports over imports in the distribution of the national income as well.

An important role in meeting this year's goals is assigned to agricultural production. In the last (1976-1980) five-year plan and actually during the entire period of the 1970's, frequent declines in production resulted in a rather small agricultural production increase in a number of European CEMA member states and particularly in the Soviet Union. This reduced dynamism of formation of the national income hindered the growth of the entire agriculture-food industry complex and of personal consumption. It adversely affected the overall foreign trade balance due to the necessary purchases primarily of considerable quantities of grain on the markets of third states. In the second half of the 1970's for example, the European CEMA member states (including the Soviet Union) registered the following development in the group of food products and raw materials of plant and animal origin: in 1975, the overall foreign trade deficit was 6.1 billion rubles, including deficit of 6.1 billion in food products and raw materials of plant and animal origin; the corresponding figures for 1978 were minus 4.1 billion and minus 6.7 billion rubles respectively; the corresponding figures for 1979 were plus 0.9 billion and minus 8.6 billion rubles respectively.

The acceleration of the agricultural production increase and securing of a reliable adequate production of basic agricultural products is, therefore, one of the fore-

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1 In most CEMA member states, particularly importers of fuels, that is, Bulgaria, Hungary, the FDR and Czechoslovakia, the relation between the export and import prices deteriorated in the second half of the 1970's and the tendency toward further deterioration continues. This means that imports must be paid for by the progressive increase in physical exports.

most problems of "great" structural policy. In view of the decline in agricultural production in the CEMA member states in 1979 (2 percent) and in 1980 (by another 3.2 percent), the 1981 operations plans set rather demanding tasks whose fulfillment should restore agricultural production of CEMA states to the 1978 level, which was the highest on record.

Structural Changes

Apart from the already mentioned effort to strengthen the role of agricultural production and to increase its intensity and stability, the beginning of new five-year plans also makes imperative structural changes primarily in industrial production. These changes which are spelled out in detail in the drafts of five-year plans of CEMA member states must be intensively carried out from the very outset because an inadequately consistent and elastic adaptation of the structures of industrial potentials of CEMA member states to price conditions would necessarily cause serious imbalances and threaten the planned dynamism of social production. The basic direction of these changes is determined by the reduced requirements of the reproduction process for inputs of fuels, raw materials and basic materials, and by the maximization of final outputs, particularly in terms of engineering and chemical products and consumer goods. This direction, naturally, has already been observed for a long time. As a result, final production represented, for example, by the national income derived from each unit of mined or manufactured fuel, basic structural material and so on has been gradually increasing, while consumption of fuels, energy, raw and industrial materials per unit of national income produced has been decreasing. This has been noticeably reflected in the consumption of fuels, energy, metallurgical and building materials, timber and so on.

The past development, however, was still unsatisfactory particularly for two reasons:

--due to the radically changed conditions which made fuels, raw and industrial materials less accessible, the worldwide trend, particularly in the industrially developed capitalist states, aims at a substantially more effective utilization of these resources (also under the growing influence of ecological problems);

--consumption of fuels and basic structural materials per unit of the national income produced has been still too high in comparison with the industrially developed capitalist states.[2] It is necessary to change the existing disadvantage into an important source of long-term economic growth which will, of course, necessitate the mobilization of the scientific-technological factor.

Among other important features of CEMA member states' economic strategy which are spelled out in the drafts of five-year plans as well as in the operations plans for 1981 it is necessary to underline the effort:

--to generally enhance the role of the scientific-technological factor which is of critical importance both in relation to the development of social labor productivity and to structural changes. This is obvious from the priority assigned in the plans to those industrial sectors which are closely linked to the scientific-technological factor: general engineering, electrical engineering and chemical industry;

[2] This fact is confirmed, for example, by the UN study, ECONOMIC BULLETIN FOR EUROPE--COMPARATIVE GDP LEVELS, UN, Vol 31 No 2/1980.

--to create fundamental prerequisites for a higher living standard, primarily in the sectors manufacturing consumer goods on which interest in higher labor productivity depends;

--to further improve the system of social planning and incentives so that it will fully conform to the requirements of the new, prospective phase of growth;

--to make more effective use of socialist economic integration.

Intensive Type

The problems of the contemporary period and the effort to solve them gradually determine the basic characteristics of the intensive type of the reproduction process. The general and specific features of economic policy brought about by the permanent and temporary influences crystallize in the first place in the area of resources. In this specific situation, the plans put marked emphasis on achieving the overall national economic balance by the combination of the entire system of (scientific, technological, normative, economic and other) measures. For this reason, the use of the national income is severely limited, particularly in the small and medium-sized economies. The restriction of dynamism intensively affects the area of imports and capital investment, but cannot remain without effect on the development of the living standard as well.

With reference to the available data of 1981 operations plans, we can say that they reveal a tendency toward slowing down of capital investment, particularly in the small and medium-sized economies. In comparison with the long-term trend, investment policy of CEMA member states has been developing at a lower rate than the national income in recent years (this applies even to the last five-year plan, when the national income increased 22 percent but investments only 17 percent). This means that pressure concentrated on making investment projects more effective, on more efficient modernization of capital assets and so on. Closely related to this is the problem of significant innovations in engineering production and of high requirements concerning both imported and exported engineering products. Without a radical change in this direction, it would not be possible to maintain the progressive relation between investments and economic development.

As to the rise in the living standard, regardless of different indicators through which it is expressed in available sources--most frequently by real income or retail trade turnover--the role of price regulations and their effect on slowing down dynamism of above indicators has increased in recent years. There are relatively considerable differences among the CEMA member states in the use of the price factor. This is borne out by the movement of retail trade prices during the 1971-1975 and 1976-1979 periods. (See Table.)

The tasks set by the plan for 1981 constitute the first, but extraordinarily important step toward the implementation of five-year plans during the 1981-1985 period. The results actually achieved during the first half of 1981 (according to information published by the statistical organs in individual CEMA member states) indicate that the compliance with this year's plan targets will require extraordinary effort. Some of the CEMA member states failed during the first half of this year to achieve the growth rate planned for 1981, particularly in industrial production, while in addition a further considerable decline in industrial production in Poland (by 12.5 percent) constitutes a serious fact.

Changes in Retail Trade Prices (in %)

	1971-1975	1976-1979
Bulgaria	+ 1	+ 7
Hungary	+16	+26
GDR	- 2	0
Poland	+10	+29
Romania	+ 3	+ 3
Soviet Union	0	+ 2
Czechoslovakia	+ 1	+ 8

Source: STATISTITCHESKIY YEZHEGODNIK STRAN CLENOVSEV 1980
[Statistical Yearbook of CEMA Member Countries, 1980]

The economic development in Poland is becoming a very serious problem of economic growth, particularly in the European CEMA states, because Poland accounts for 11 percent of the total mutual trade turnover among these countries. It pays an important part in the specific long-term agreements on mutual deliveries of important materials (coal, ferrous and nonferrous metals, sulfur and so on) as well as in specialization agreements, particularly in engineering production.

In the structure of industrial production of CEMA countries, the development during the first half of 1981 essentially followed the lines laid down in the drafts of five-year plans. The increase in production of fuels and energy was relatively minimal. The biggest increase was achieved in engineering industries and particularly in electronics and chemical industries.

The development during the first half of this year proves that the CEMA member states are trying to promote their economic development with very small investments. This is borne out by very small increases in investment activity or even its slight decline (with the exception of Poland, where the decline in investment activity reached 23 percent). The prevailing tendencies toward the implementation of generally economical reproduction process are the precondition for the solution of two basic strategic problems:

--increase (though slight) in the living standard;

--overcoming of unfavorable influences of the world economy through economical, but productively effective import policy, and progressive and effective export policy in order to achieve a balance in external economic relations.

The basic material problems and directions of their solution constitute in the CEMA member states a realistic basis on which, simultaneously and rather intensively, modifications in the system of planning and management have been gradually carried out in all CEMA states in recent years.

10501
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NEW TAX EXEMPTIONS ON AGRICULTURAL REVENUE

[Editorial Report] AU081155 Prague RUDE PRAVO in Czech on 6 October on page 5 carries a 1,200-word article by Dr Helena Sebkova of the CSSR ministry of finance, entitled "Who is Eligible for Tax Relief?" Sebkova explains in her article the "substantial changes in imposing taxes on revenues from agricultural production" being introduced in the CSSR on the basis of a government decree, changes which were adopted to "support the expansion of agricultural production by small-scale animal breeders and plant growers."

Going into the details of the changes, Sebkova says that a "full tax exemption" is being introduced for "revenues of members of united cooperative farms, [other] employed citizens, old-age pensioners and students, accrued from agricultural production carried out during leisure hours by the taxpayer himself or with the help of persons living with him in a Joing household." To become eligible for the tax exemption, the taxpayer must present a certificate from his employer or school that he is permanently employed or a full-time student, Sebkova adds.

According to the author, the tax exemption first becomes applicable to the revenues for 1981 and applies to revenues from animal and plant production alike, provided that it "really helps to solve supplies of basic agricultural products." Therefore, it will not apply to revenues accrued from "wine growing, flower growing and to animals raised for their fur." Furthermore, the tax exemption does not apply to "taxpayers who engage in agricultural production using hired labor or on plots taken over from other citizens for use and to private farmers for whom agricultural production is their main activity."

The purpose of the newly introduced measures is to "encourage wholesome initiative of citizens, especially in the countryside, to make an efficient use of all potentials," particularly of plots that "do not lend themselves to large-scale agricultural production," Sebkova goes on to say. He argues that this encouragement of small-scale agricultural production does not amount to an "expansion of the private sector in agricultural production" since it concerns only "supplementary" agricultural production.

Explaining why a similar tax relief does not apply to revenues from other leisure time activities, Sebkova stresses that supplies of agricultural products represent a "primary social interest" and that agricultural production is linked with strenuous physical labor and fraught with considerable risks.

CSO: 2400/49

BRIEFS

LER CHAIRS GOVERNMENT COMMITTEE SESSION--On Monday, the government committee for planned national economic management held a meeting in Prague. It was chaired by the committee's chairman, CSSR minister of finance Leopold Ler. It especially assessed proposals designed to raise the effectiveness of economic instruments in foreign trade; questions concerning the invoicing of deliveries for capital investment, according to projects and complete production facilities; and the themes of economic experiments for the period of the seventh 5-year plan. [CTK Report in the "By Teletype, Mail, Telephone..." column] [Text] [AU141727 Prague RUDE PRAVO in Czech 13 Oct 81 p 2]

WASHING POWDER SHORTAGE--Shortage of synthetic washing powder has resulted in the Ministry of Trade CSR drafting an unpopular regulation, suggesting that business establishments sell only two packages of washing soap to each customer. Panic shopping and hoarding has made customers embittered and nervous, but additional production facilities are being built. National enterprise Rakona's additional production in the future should fully cover domestic demand for washing powder. [Prague PRACE in Czech 28 Oct 81 p 3]

CSO: 2400/54

STATE RETAIL TRADE MANAGEMENT REORGANIZATION SET

East Berlin DER HANDEL in German Vol 31 No 4, Jul-Aug 81 (signed to press 22 Jun 81) pp 3-5

[Interview with Harri Peters, economist, main director, State Retail Trade Organization (HO) by DER HANDEL; date and place of interview not given: "The New Role of the Retail Trade Organization (HO) Bezirk Directorates"]

[Text] [Question] In preparation for the 10th Party Congress, a work team of the central administration of the state-owned retail trade (HO)--supported by experienced management cadres of the bezirk [GDR administrative unit] administrations and of the Institute for Socialist Economic Management--has been testing in Halle bezirk a new state retail management system. What results have so far been achieved?

[Answer] In the state retail trade (HO), the further nationalization and concentration cannot be oriented simply toward new operational and management structures. These measures must generalize the proven and stable element, i.e. the centrally controlled state-owned retail trade enterprise in the region and at the same time aim to effect a high degree of concentration in the political, public and economic administration. This leads us to the new role of the bezirk administration (HO)--developed in the Halle bezirk administration (HO)--within the jurisdiction of a bezirk. At this stage, all the results and experience gained there must be transferred to the other bezirk administrations and retail trade enterprises. I will briefly discuss some of the most important results achieved.

The Halle bezirk administration (HO) directly controls 26 state-owned retail trade enterprises. In the supply process, this control is effected by the bezirk director on the basis of supply control regulations that are binding for all retail trade enterprises (HO).

The Halle bezirk administration (HO) is no longer an economic organ that controls transactions such as the purchasing in the wholesale trade or in the perishable goods industry and subsequently intervenes in a regulating manner. Today it directly organizes and controls this purchasing process. Thus it decisively influences the supply process and ultimately the development and efficiency in the bezirk's state retail trade.

We have made a decisive step toward centralized control of regional and multibranch state retail enterprises in Halle bezirk. Nevertheless, even for us this is only a beginning.

[Question] You pointed out that new forms and methods of management and organization in a bezirk administration (HO) of the state retail trade and the uniformly managed retail trade enterprise in the region are two aspects of the same thing. For example, how useful is the experience of that Eisenach retail trade enterprise, which the director of the firm, Dr Schmidt, discussed in detail in our journal?

[Answer] Basically, we are concerned with establishing a uniform system of management and organization of the supplies and reproduction in the state retail trade enterprise and naturally also in a bezirk administration; for example, we are concerned with the organization of purchasing, marketing, inventories and with efficiency measures in the hotel and restaurant sector.

In regard to cost-effectiveness, efficiency of commodity turnover, the gross profit rate, and labor productivity, the cooperative retail trade shows much better results than do we in the HO. In the last analysis, the reason underlying these better results in regard to economical work is the established, well-tried uniform management organization of the 198 consumer cooperatives in the kreises [kreis: GDR administrative unit] and bezirks.

The state retail trade, on the other hand, shows a great diversity of forms of management and organization--what with its 245 state retail trade enterprises. They are the cause of the growing qualitative differences and of the increasing performance drop; for the diversity impedes performance comparisons and uniform guidance. This is one of the reasons why a large number of department stores still show deficits of over M 2 per M 100 of commodity turnover, whereas quite a few department stores operate without deficits or develop within the framework of the established norms. Inexcusably, a certain bezirk--proceeding from subjective assessments--planned to establish 80 and more sales outlets in excess of the resource range stipulated.

But if we want to make the best results of today a norm for all, we must intensify our efforts to create uniform conditions for all. In this respect, the work of Dr Schmidt has greatly helped us. He created a convincing model of a multibranch, regionally controlled retail trade enterprise. As regards dissemination of these results, through our support and under our direction outdated thought patterns and management and process structures have been broken up.

Aside from the experience gained in Eisenach, we are relying on the--very similar--results obtained in Sangerhausen, Wittenberg and many other enterprises.

Essentially, the objective is to define--in a uniformly controlled, closed trade and reproduction process--all of the tasks concerning the kreis supply situation and efficient commodity turnover, and at the same time optimally to develop the internal, process-related specialization and division of labor. In this way, favorable conditions are created regarding improvement and increased efficiency of the management of supplies.

[Question] Comrade Peters, could you illustrate through a few examples the most important results obtained in the development of the Halle bezirk administration as an organ of uniform control of the supply processes and the economic operation of the state retail trade (HO)?

[Answer] The Minister for Trade and Supply has incorporated in the plans for the period from 1981 to 1985 the new tasks confronting the Main Administration and the bezirk administrations. For us in the Main Administration, the results and experience gained in Halle have produced economic and management-organizational rationalization effects, the magnitude of which has not yet been fully ascertained. I am referring here to the operations of the uniformly (regionally and multibranch) managed state retail trade enterprises in the kreises of Halle bezirk.

I am also referring to the reorganization of the capacities released by the planned concentration--which reorganization will aid the necessary improvement of supply management and of the BfR [Office for Rationalization] and the expansion of economic control and internal revision in the state-owned retail enterprises.

Finally, I am referring to the material capacities released by the implementation of the Schwedt reorganization initiative launched in Hettstedt.

These are the short-term objectives that are being more clearly defined by the Halle model. In outlining these ideas and tasks, I have not taken into consideration tasks such as the incorporation of electronic data processing and microelectronics--i.e. systems such as the office computers exhibited at the Leipzig conference of the general directors of industrial combines.

Proceeding from the experience gained in the industrial combines, the Halle bezirk administration is developing into an organ of uniform control of the supply processes and economic operation in the bezirk-controlled state retail trade. This is demonstrated by:

--the improvements in the quality and efficiency of the supply management (which is uniformly organized down to the retail enterprises), above all the supply management of perishable goods and goods for everyday use;

--the extensive improvement of the work in the fields of science and technology and the markedly improving results in regard to socialist rationalization;

--the rapid increases in the efficiency of economic operation and control.

The Halle bezirk administration has made use of the positive experience gained in the Magdeburg, Erfurt and Dresden bezirk administrations and it has established a supply management system binding for all. The Halle bezirk administration has unified the rationalization capacities--including the Office for Rationalization and the Department for Investment Rationalization--into a centralized control organ of the bezirk director; the basic task of reorganizing the economic control of the bezirk adminstration and--under its direction--of organizing the economic control of all state retail enterprises has been accomplished.

In regard to costs, deficit reduction, net profit, and energy and secondary raw materials economy, this bezirk administration occupies a leading position in the state retail trade (HO), just as it does in regard to the development of purchasing and marketing.

As of 31 March 1981, the Halle bezirk showed outstanding and--in some respects--the best state retail trade results in regard to the following efficiency indicators: profitability rate, labor productivity, commodity turnover rate, and costs.

[Question] Comrade Peters, how important is the work involving the specialized directors? What is the objective of the work involving the specialized directors and why is this work so important in regard to organization and management?

[Answer] As is the case in industry, in the domestic trade sector--and thus in the retail trade sector as well--concentration and--as a result of this--improvement of the organizational forms of management and division of labor are making headway.

We opted for multibranch retail enterprises in the political region. In this process, there emerged large-scale enterprises; in a number of sectors--trade, consumer and durable goods, the restaurant and hotel business and other sectors--these enterprises require specialized, expert control.

It appears that the specialized directors in the regionally controlled multibranch enterprises have been able to meet the exacting demands in connection with the new supply management. The management input in these forms of organization has clearly been reduced and they are more effective than the previous organizational forms in the branch-specific enterprises.

The advantages offered by multibranch enterprises become fully effective through the specialized director. The former trade/cooperation sector has been dissolved. On behalf of the director of the state retail trade enterprise, the specialized directors exercise full control over the supply process. Subordinated only to the director, they control--while being oriented toward specific fields--the trade process, the cooperation and a wide scope of activities ranging from political-ideological work, commodity turnover and attainment of excellent trade-economic results to the safeguarding of order and safety in the purchasing and marketing process.

In the large-scale enterprises, the branch managers are subordinated to the specialized director.

The introduction of the specialized director in the state retail trade represents a step that has long been overdue.

In this process, the deputy sectors, which frequently were established in a routine fashion, have been eliminated in the individual sections in that they have been transformed into real fields of responsibility--both in the state retail trade (HO) and in the bezirk and main administration. In regard to improvement of the supply situation and of economic operation, the specialized directors--in their capacity as process directors--are fully responsible for the guidance, coordination and control of the preparation and implementation of the individual phases of the supply and reproduction processes.

[Question] Comrade Peters, tell us about the future developments in Halle. What is to be done in the bezirk administrations of the other bezirks? And how do the regional state organs support this process of developing modern economic administrations in the state retail trade?

[Answer] I mentioned at the beginning that the Minister for Trade and Supply submitted to the trade and supply deputies in the bezirk councils the first report on the work results obtained in Halle. The results were submitted to the bezirk

directors as well, and joint meetings have been held. The bezirk directors will submit their conception concerning implementation to the respective trade and supply deputy at the bezirk council.

To the bezirk councils and bezirk administrations, we imparted the uniform basic structure in regard to running the bezirk administration (HO) and the state retail trade enterprises (HO) and also the binding master plans for the bezirk administration (HO). The Main Administration of the state retail trade (HO) completed the list of tasks for the bezirk administrations; in particular, this list contains the new tasks concerning supply management (the work on the supply staff, the obligatory information system, the work responsibilities of the "director on duty" and of the dispatcher, the development of the specialized group work, the implementation of management functions, the collaboration with the cooperative partners), the work of the Office for Rationalization, economic control and other fields.

To insure uniform work procedures, all state-owned retail trade enterprises have been provided with the "Regulations Concerning Supply Management in the State Retail Trade."

These materials are based on the work results of the Halle bezirk administration and other bezirk administrations. Analogous materials for the state-owned retail trade enterprise (HO) are being prepared on the basis of the results obtained in Eisenach, Sangerhausen, Wittenberg and other enterprises. The experience gained in regard to management organization in the "Eisenach State-Owned Retail Trade Enterprise (HO)" has been made available to all state retail trade enterprises. Thus we are gradually establishing a uniform management and organization system in the state retail trade. The trade and supply deputies in the bezirk councils support this process by controlling the pertinent measures and plans.

The development in Halle clearly shows that the partnership between the bezirk and the administrative center offers inestimable advantages to industry, agriculture, the wholesale trade sector for consumer and durable goods and all other cooperative partners, and also to the bezirk's state organs, the chambers of industry and commerce and other political and state organs.

Thus the course to be pursued in the future is clearly outlined. In the current five-year plan period, we will accomplish the essential tasks concerning uniform management of the state retail trade; we will efficiently meet the supply targets and reduce as much as possible differences in performance. The collective of the Halle state retail trade (HO) represents an economic leadership organ capable of opening up--in collaboration with experienced leadership and management cadres of other bezirks and with our scientific institutions--new approaches regarding the organization and management of the state retail trade.

In this regard, the stable and sympathetic cooperation of the local and bezirk party and state organs in Halle bezirk is a great source of support for this development project.

The task of the Main Administration of the State Retail Trade (HO) is to plan this process, speedily to implement and test it, and--upon successful testing--to make available to all bezirk administrations the new management principles concerning the supply and reproduction processes.

8760
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IMPROVED DEMAND, MARKET RESEARCH NEEDED FOR PRODUCT DEVELOPMENT

Better Organization Needed

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 p 14

[Article by Dr Ute Hoffmann, Foreign Economic Relations Section, Bruno Leuschner College for Economics, East Berlin: "Product Development According to Market Requirements"]

[Text] The organization of export production which brings a high profit in foreign exchange is one of the economic responsibilities of the combines. In the face of changes in the conditions of reproduction at home and abroad, they can discharge this responsibility only if they speed up scientific-technical research on a broad scale and direct it to the needs of export production. Depending increasingly on this will be whether and how the desired increase in output in our foreign trade can be realized and high foreign trade profits can be achieved.

Shaping product development to the demands of the world market includes concentrating from the outset on the requirements and need of principal buyers and assumes the selection of definite target groups. Since improvements in the economies of the user and the manufacturer are simultaneously intended to result from the development of new products, the conditions of purchase--particularly for raw materials and energy sources--are an important factor which must be considered in advance.

There can be no doubt, however, that the demands of the world market by themselves are insufficient for orientation. The objective of the process of change can only be established in combination with findings from scientific-technical research and from the production conditions of the particular combine. World market demands still have special importance, however, because the economic applicability of the results of scientific-technical progress in foreign markets depends to a large extent on a knowledge of these demands.

The decision to develop a product is always made in the light of the range of products available and is based on analyses of one's own current position in foreign markets.

Sales departments have vital tasks to fulfil in shaping product development to the needs of important buyer groups in the principal export countries. They investigate

world market requirements, among other things, and include them as important directional markers when writing the specifications for product development. Using sales concepts, they also have to ensure the timely appearance of the new products on foreign markets and high export profitability through competitive marketing.

Reexamine Assignments

For the present it is a matter of organizing needs and market research in the combines more rationally. A needs and market reserach unit, assigned to the foreign trade enterprise or the management branch of sales and foreign economic relations, depending on conditions in the combine (other assignments would be possible), has proved itself if it systematically collects all the information from market researchers and cadre working on foreign markets. It should provide accurate information about the user's requirements, the development of principal buyers' needs, current problems in product use, the development of supply and demand, trends in the scientific-technical and economic standard of the products, in quality and utility value, in service and supply of spare parts and about the conditions for realizing plans and competing in these markets. It is extremely important to work up this information according to customer groups and country; otherwise it is very difficult to shape product development to specific export goals.

Demands on the scope and concrete nature of the information also increase with respect to crucial subcontractor products, which must be available at the correct time and be of the quality required for the final product. Further throught must be given here to the type of demand research and market research that covers more than one combine.

In order to prepare decisions concerning product development, the sales departments must ensure that the crucial parameters determining utility value for principal buyers are included in comparisons of world standards, for they convey the benefit to the user and are decisive sales arguments. Furthermore, in complex comparisons of world conditions they have their own contribution to make in that they introduce information about technical-economic advisory sessions, conditions of delivery and production, customer service, requirements for packing and the availability of accessories, so that cohesive development goals can be derived for the product and for export, and so that future top-quality products can be readily sold.

Prognoses of price developments on the world market and international price comparisons, from which product costs can be calculated in reverse, are one condition for the transition from the predominant comparison of utility value to the necessary comparison of technology and economy.

Accurate Analysis of Need

Comparisons of world standards must be constantly updated by the sales departments during product development so that the product is internationally competitive when it appears on the market. When this is done, it is extremely important to concentrate the comparisons on definite user groups with the aim of establishing the best scientific-technical and economic solutions for the needs of potential main buyers, while maintaining the benefit for the manufacturer at the same time. "Across-the-board" comparisons of world standards must be supplemented by analyses for important

user groups in priority markets in order to establish goals that are consistent with the needs of individual user groups from the outset. An alternative way is to work up several comparisons of world standards immediately. The method selected depends on the concrete situation of the product group. It is important to recognize, however, that comparisons of world standards using a "synthetic ideal product" are inadequate. They can indicate optimal values that are of no importance to the user and consequently do not lead to appropriate profits. When accommodating definite user groups, it may turn out that they are making very different demands on the product--which is in direct contradiction to a high degree of economy in manufacturing. This can be countered by the development of basic products, which can be "equipped up or down," according to the customer's wish, or by employing the component system.

When drawing up specifications for new products, the sales departments must insist that concrete export targets be included (sales markets, principal customer groups, volume, deadline for market introduction, profitability). During product development it is their job--using their own analyses of trends in the product group, of the competition and of customer demands--to indicate possible areas of more precise definition and to insist on consistency in the interim meetings to defend their ideas.

Parallel with the individual stages of development, the sales departments must start market preparation, so that the market period can be fully exploited at the beginning of mass production.

Sales departments must influence product development in such a way that new products can have a high economic value on foreign markets. These are some of the things that will be required of them:

> A much greater voice in development of the conditions of purchase and realization of plans country-by-country and in the demands made by principal customers on products and services;
>
> A more detailed and comprehensive assessment of their own market positions;
>
> Intensified work on sales strategy, which must be effectively linked with conceptual work on product development.

The linking of sales strategy and product development must make possible the maximum exploitation of the products' market period in the pariority markets. This means that the composition of the range of exports must be such that a stable turnover with good profits is ensured and at the same time a harmonious development of new products is made possible, with a balance between targets having their economic effect over the short, medium and long term.

This requires the early integration of product and marketing work, which previously was often not undertaken until the stage of testing a working model, or even not until a new product was ready. In the interest of high export profitability, it must be brought forward to the decisionmaking phase for a new product.

Responsibility of Combines

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 p 14

[Article by Dr Rolf Auerswald, economist, Karl-Marx-Stadt Technical College: "Various Possibilities for Management of Market Research"]

[Text] In order to be able to react as quickly as possible to constantly changing world conditions, the greatest attention must be paid to market research in the combines, enterprises and foreign trade enterprises. It is necessary to adapt the management and organization of market research to growing demands. In my view, the following questions must be studied and answered:

To whom should the responsibility for market research in the combines and enterprises be transferred, and how will a hypothetical market research unit be incorporated into the management system in each instance? What will be the form of the relationship concerning the division of labor within the combines--that is, between enterprises and combine management and between combine management and foreign trade enterprise--while research on the markets is being conducted?

How will the unity of politics, economics and technology and the necessary expertise in the combines and foreign trade enterprises be ensured while the responsibility for market research is being established?

Is sufficient attention being paid to the increasingly important subjective factor in management and in conducting market research in the economic units?

Initial solutions to some of these questions have been worked out in economic research institutes in our country and partially tested in practice. It follows from our current state of knowledge that, contrary to previous assumptions and ideas, no form of market research could be found which applied to all combines. Taking real domestic and foreign conditions of production into consideration, however, recommendations for certain basic forms for possible application have been successfully worked out.

There are several variations concerning the incorporation of a market research unit; for example, it could be directly answerable as a staff group to the managing director and/or enterprise manager, the sales director or the director of purchasing and sales, the director of research and development or the director for economics. There is also the possibility of creating a group either in the area of sales and/or research and development or economics and incorporating it into the planning group of the appropriate sector.

Finally, a permanent or temporary market research group can be formed, answerable in one of the various ways mentioned previously.

The following managerial and organizational criteria form the basis for the selection of the best options:

> Market research findings should be considered in the important decisions of the respective economic unit;

The management principles of democratic centralism, the unity of politics, economics and technology must be followed, and the requisite expertise and consideration of the complex character of market research must be ensured;

Market research cadre (or additional cadre recruited for this work) must be expertly trained and supervised;

Effective information gathering, storage, transmission and preparation for market research must be guaranteed;

If possible, no additional management body should be created;

There must be an efficient division of labor between the individual areas of the economic unit, the management in charge and the foreign trade enterprise.

The choice of option is also dependent on the level of qualification of the managers and their coworkers. Market research cadre must have extensive political, economic, legal, technical, technological and commercial knowledge. In addition, they require excellent knowledge of their own products and the principle users and years of experience from permanent or temporary assignment to foreign markets. If they work as traveling cadre they should speak at least two foreign languages. In the case of cadre with a university education in the areas of industrial management, economics or foreign trade, postgraduate training in market research is recommended; graduates with a technical or scientific specialization should attempt to acquire additional training in economics.

It would also be of advantage in conducting complex market research assignments if a competence in and understanding of interdisciplinary cooperation with members of other special areas and scientific disciplines were among the qualifications. When deciding whether market research should be organized on a centralized or decentralized basis, it is necessary to consider individual commodities, the organization of the economy and historical and territorial aspects. The quality and effectiveness of market research depends largely on the form of the division of labor at the time the research is being conducted. I cannot follow the view occasionally put forward in literature and practice which says that the foreign trade enterprise is responsible only for those aspects pertaining to countries, and the manufacturing economic units are responsible only for commodity-related aspects.

To avoid duplication of effort and to prevent the loss of information, it has proved beneficial in practice to transfer the principal responsibility for market research to the combine if they are single manufacturers of products or suppliers of complete installations. It is also advantageous if they distribute the end products through their own organization. The economic units in these cases are usually well informed about the development of needs and prices. The transfer of principal responsibility for market research to the foreign trade enterprise is appropriate when it is in charge of determining the range of products and fulfilling specific economic requirements.

The question of whether the work of the market research unit in the combines and enterprises will be principally coordination or broad content is also important.

The question is influenced by such factors as the specific nature of the commodity, the scope and territorial structure of exportation, the historical development of the economic unit and the quality of the management organization, the degree of subordination of the foreign trade enterprise and the situation in terms of the quality and quantity of personnel.

9581
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PERSPECTIVES FOR PRIVATE ENTERPRISE EXPAND

Budapest MAGYAR HIRLAP in Hungarian 11 Sep 81 p 7

[Article by Istvan Matko: "Path to Small-Scale Production"]

> [Text] In our August 20 issue, we published the communique of the Cabinet meeting: the government accepted statutory provisions targeting the improvement of supply for the populace and the modernization of the economic organizational system. The Presidential Council law-decree of August 28 concerning the further development of small-scale and cooperative production followed. This statutory framework is designed to utilize the productive energy of society more effectively. We spoke with a representative of the National Planning Office about these partially disclosed, partially to be disclosed plans.

As is well-known, the 12th Congress formulated the objectives that it is necessary to stimulate the development of more flexible organizational forms, the expansion of services and the improvement of their quality. The newly-dated government measures date back for the most part to this ruling, the time since passed having underscored their actualization.

The Frameworks Expanded

What is actually being addressed? It is that the interest of the above-mentioned goals, the conditions for small-scale production are growing and improving, paving the way for new forms of business operation. The scope of activity in smaller industry is changing. In the following, we outline briefly several important elements of the modifications.

It is common knowledge that while the size of economic institutions has outgrown its optimum proportions, the background industry, the sphere of small businesses capable of limited profitable production, is missing. Therefore, there can be no other solution than the expansion of appropriate background industry, the strengthening of small-scale enterprise and the promotion of its development. The new rules follow this important goal in part.

Appropriate conditions must be created for the formation and management of the newly-formed small businesses, which fill the gaps in the economic-industrial system. The statutory provision that small businesses can operate in a simpler organizational, auditing, and records-supplying system is a solution targeting this need. The businesses can decide for themselves the makeup of their reserve, technical, and guarantee fund, and furthermore, the formation of a welfare and cultural fund will not be required on their part. The simplicity of their administration will make their strengthening possible: their annual obligation to supply records will be significantly less than that of traditional businesses; for instance, they will keep 73 percent fewer chief ledger accounts. Their order of establishment and operation will be the same as that of other businesses. (However, businesses performing consumer services will work in a gross-earnings tax system.)

Small businesses can also come into existence either by breaking away from some large organization as in individual factory or industrial plant, or by a subsidiary separating from the parent company. In any case, the founding organization determines the activity of the small business, as well as the necessary staff and the initial wage fund.

A new form similar to the small business is the small cooperative, which is founded on the initiative of its members, primarily for the expansion of services. The members take part in the management as owners in accordance with cooperative principles, and a large part (or in some cases all) of the financing needed to start off the cooperative comes from the stock subscriptions of the members. Personal income can only be guaranteed to the amount of the required minimum wage, and only a small number of employees may receive guaranteed minimum wage. At such small cooperatives, the members accept a much higher risk, and thus may also decide themselves what to do with their collective income: how much to turn towards development, and how much to pay those who participate in the work.

Specialized industrial and service groups can be formed within the framework of existing cooperatives, in accordance with the new laws. These will enjoy relative independence concerning their activities and property. Their relationship and division of labor with the parent co-operative will be regulated by a separate agreement. It is an interesting feature of the regulations on specialized groups that these increase the opportunities for the already functioning specialized groups in agriculture. Until the present, the establishment of specialized groups was only possible within the agricultural producer cooperatives and the general consumer and marketing cooperatives. In the future, this will extend to state farms and to economic associations and enterprises, operating within the framework of agricultural regulation.

Risk and Responsibility

As is stated in the cabinet's decree published in the September 5 issue of the HUNGARIAN GAZETTE: "The specialized group is not exclusively of an agricultural nature, but industrial, construction, production and servicing groups can also come about." The economic activity of these specialized groups is primarily directed towards services and production for the populace, as well as the

manufacture and services necessary for the activity of the co-operative or other economic units. A specialized group is not a legal entity, but an "independent accounting organization of citizens with certain self-governing rights and economic independence, working in the framework of a co-operative."

Similarly to the preceding, the new business work communities will not be legal entities; a business work community is an association of private individuals with civic rights. These can be established independently or through attachment to a state economic organ, primarily for the improvement of services and supply. Inasmuch as it is founded by an enterprise, it may work as the business work community of that enterprise, and in this case it may use the capital equipment of the enterprise in unused work time. Only workers of the firm and retirees may participate. The firm owes financial responsibility for their activity. Industrial cooperatives and the industrial sections of agricultural producer cooperatives will have the option of instituting a system of lump-sum payment. In state economic organizations--as in retail and catering--a means for the introduction of contractual operation is opening.

Less Restriction

The expansion of the scope of private business is necessary because these new forms are still inadequate for fulfilling some tasks of production and service. Then again, these measures serve the purpose of aligning the conditions of operation of small industry to that of other small-scale works. The previously quoted Presidential Council orders of August 28 restate the provisions dealing with small industry. (The decree number 14 of 1977 concerning small industry was modified by the decree number 16 of 1981. The main element of the new law appearing in the September 9 issue of the HUNGARIAN GAZETTE is that it invalidates certain earlier restrictions which made the fulfillment of certain real needs more difficult.

It is also a new element that the goal of small industry, besides the fulfillment of consumer and service demands, is small-scale production. Thus, within a certain circle, small industry will be able to practice commodity production. Further modifications have been made concerning who may become a tradesman.

In the future, it will be possible for cooperative members and retirees to step into work with independent tradesmen to fulfill societal demand. Previous permission from the employer or the leadership of the cooperative is not necessary. The previous order, in which the granting of a trade license was judged by the authorized body of the council, has been changed. In the future, for the advancement of the industrial competition, citizens will receive the opportunity for small industrial operation without prior deliberation, provided they meet certain statutory conditions and their work is not incompatible with their primary occupation. Another possibility worth noting is that, with the exception of the food industry, the tradesman will--in addition to employees, helping family members and skilled workers--be able to hire out-workers.

Besides the Main Occupation

The circle of tradesmen and retail merchants is touched by a modification concerning transport of products. According to this change--which expands Cabinet decree 3/1980 (II.6.)--opportunities for private hauling services are expanding. In essence, a private individual may undertake the transportation of goods or taxi services as a small business activity. Hauling tradesmen may operate a vehicle of up to five tons carrying capacity. If, however, the tradesmen transports heating oil or propane-butane gas to houses, he may operate a truck for this specific work in addition to his personal vehicle. For those that perform transport services after work hours (employees, cooperative members, retirees,) as well as for those authorized for hauling as a second small business, the decree permits the operation of a vehicle of up to three tons carrying capacity. Private taxi operators may keep one passenger car in service.

The new forms expand occupational possibilities; in addition to a main occupation or pension, one can be employed in the framework of a second position, a secondary occupation or a membership, or one can work as a private tradesman. Tax stipulations are also being modified in response to this regulation. According to the received report, the new provisions concerning the new forms will be instituted gradually through October, 1981, and the decrees will come into effect beginning January 1, 1982.

9890
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CEMA MEETING ON TECHNICAL, MATERIAL SUPPLIES HELD

AU171910 Bucharest AGERPRES in English 1835 GMT 17 Oct 81

[Text] Bucharest, 17 Oct (AGERPRES)--Over 13-16 October 1981, Bucharest was the venue of the 12th meeting of the CEMA committee for collaboration in the field of technical and material supplies, participated in by the heads of central bodies of technical and material supply of the CEMA member countries. The committee examined and agreed upon a series of concrete actions meant to lead to a deepening and improvement of collaboration among the CEMA member countries in the field of a rational and more efficient use of the material resources, of turning to the economic circuit and of better capitalizing the reusable materials, of improving the packing and storing the goods.

The committee also adopted programmes of multilateral collaboration in problems of wide economic interest, among them: the expansion of production and area of use of semi-killed and low-alloy steels, the replacement of steel tubes by non-metallic ones, the reduction of tin consumptions.

The participants in the meeting examined the implementation of certain actions stipulated by the special long-term programme of collaboration in the field of energy, fuels and raw materials as well as the results of the mutual exchange of supernumerary goods among CEMA member countries, completed in excess of the stipulations of the trade agreements, the sides agreeing upon adequate measures for intensifying collaboration in these fields.

Signed were the conventions of technical and scientific collaboration for reducing the consumptions of fuels during transport and storing as well as for expanding production and for using pig iron with graphite nodules.

The committee adopted its plan for the 1982-1983 period.

The proceedings were presided over by Ion Patan, deputy prime minister of Romania, minister of technical and material supply and control of the fixed assets administration. The meeting passed in an atmosphere of friendship and full mutual understanding.

CSO: 2020/7

BRIEFS

IRAQI MINISTER OF STATE VISITS--Bucharest, 19 Oct (AGERPRES)--On 19 October, Cornel Burtica received Hashim Aqrawi, minister of state in the government of the Republic of Iraq, now visiting Romania for the Bucharest international fair. During the interview, questions were approached of the manysided development of the Romanian-Iraqi economic cooperation and of expanding the commercial exchanges between Romania and Iraq. [Text] [AU192027 Bucharest AGERPRES in English 1930 GMT 19 Oct 81]

COLOMBIAN TRADE OFFICIAL RECEIVED--Bucharest, 20 Oct (AGERPRES)--On Tuesday, 20 October, Cornel Burtica, Romanian deputy prime minister, minister of foreign trade and international economic cooperation, received (Ruben Dario Lizarralde M.), deputy minister of economic development, co-chairman of the Joint Romanian-Colombian Commission of Economic and Technical-Scientific Cooperation. During the interview, the good relations were highlighted of friendship and collaboration established between Romania and Colombia, the decisive role the understandings covenanted at top level had in this respect. Possibilities were also analyzed of intensifying and broadening bilateral cooperation, of developing the commercial exchanges between the two countries. The same day, the proceedings of the fifth session of the Joint Romanian-Colombian Commission of Economic and Technical-Scientific Cooperation concluded. The co-chairman of the commission, Alexandru Margaritescu, minister secretary of state at the Ministry of Foreign Trade and International Economic Cooperation and (Ruben Dario Lizarralde M.) signed the protocol of the session which stipulates concrete measures for increasing and diversifying commercial exchanges and economic cooperation, in machine building, energy, mining and petrochemistry in particular. [Text] [AU202139 Bucharest AGERPRES in English 1930 GMT 20 Oct 81]

GDR, BRAZILIAN, SFRY OFFICIALS--Bucharest, 23 Oct (AGERPRES)--Cornel Burtica, Romanian deputy prime minister, minister of foreign trade and international economic cooperation, received successively Dietrich Lemke, deputy minister of foreign trade of the German Democratic Republic, and Elieser Batista, president of the "Vale do Rio Doce" state company of Brazil, and (Petar Dodik), president of the managing board of the "Zenica" metallurgical combine of the Socialist Federal Republic of Yugoslavia. Questions were approached on the growth of Romania's commercial exchanges with those countries, the development of collaboration between foreign trade firms and enterprises of Romania and of the respective countries. [Text] [AU232020 Bucharest AGERPRES in English 1942 GMT 23 Oct 81]

DINCA CONFERS WITH IRAQI MINISTERS--Baghdad, 16 Oct (AGERPRES)--Ion Dinca, member of the Executive Political Committee, of the CC of the RCP, first deputy prime minister of Romania, chairman for his country of the Joint Romanian-Iraqi Governmental Commission for Economic, Technical-Scientific Cooperation and Trade met in Iraq Taha Yasin Ramadan, member of the Revolutionary Command Council, first deputy prime minister of Iraq. During the interview, mutual satisfaction was expressed at the ascendent course of the Romanian-Iraqi relations of friendship and collaboration and the joint wish was highlighted to steadily expand and diversify the fruitful cooperation between and in the interest of the two countries and peoples, in keeping with those agreed upon between President Nicolae Ceausescu and President Saddam Husayn. The interview was attended by Hasin 'Ali, member of the Revolutionary Command Council, deputy prime minister, minister of trade, chairman for his country of the Joint Romanian-Iraqi Governmental Commission. Ion Dinca also met Sa'dun Ghaydan, deputy prime minister and minister of transport and communications, Taych Abd al-Karim, minister of oil, and Fahir al-Tawfiq, minister of industry and minerals. On that occasion, highlighted were the possibilities for bilateral collaboration in transport, oil drilling and processing, industrial buildings, building materials, electrification and housing construction. [Text] [AU161810 Bucharest AGERPRES in English 0945 GMT 16 Oct 81]

BURTICA RECEIVES SYRIAN TRADE OFFICIAL--Bucharest, 22 Oct (AGERPRES)--Cornel Burtica, deputy prime minister of foreign trade and international economic cooperation, received on 22 October Dr (Taha Bali), deputy minister of economy and foreign trade of the Syrian Arab Republic. The good relations of friendship established between the two countries were highlighted as well as the role of the understandings covenanted during top-level talks in the expansion and diversification of the Romanian-Syrian cooperation on multiple planes. Questions were also approached regarding the possibilities of further developing economic cooperation to mutual interest, of expanding the commercial exchanges between the two countries. [Text] [AU222103 Bucharest AGERPRES in English 1940 GMT 22 Oct 81]

ANDREI RECEIVES BRAZILIAN TRADE OFFICIALS--Bucharest, 23 Oct (AGERPRES)--On 23 October, Stefan Andrei, Romanian minister of foreign affairs, received Ivan Velloso da Silveira Batalha, head of the European Department of the Ministry of External Relations of Brazil, co-chairman of the Joint Romanian-Brazilian Commission. During the interview the good relations of friendship were emphasized existing between Romania and Brazil, the decisive role the understandings covenanted during the summit visit to Brazil played in the development of bilateral relations and of economic exchanges in particular. Aspects were also approached of the Romanian-Brazilian collaboration on an international plane. On Friday, Stefan Andrei received Elieser Batista, president of the Brazilian "Vale de Rio Doce" Company, now visiting Romania. Aspects were approached of the further development of commercial exchanges and of the Romanian-Brazilian economic cooperation. [Text] [AU232012 Bucharest AGERPRES in English 1938 GMT 23 Oct 81]

IRON ORE FROM INDIA--Uzinexport and Mineralexport in Romania have signed a contract with the Indian company Kudremukh Iron Ore Company for the establishment of an iron ore extraction operation in India in Mangladore worth 93 million dollars. Romania will import improved iron ore, up to 1 million tons annually. In June, India delivered 40,000 tons of iron ore to Romania. [Text] [Paris BULETIN DE INFORMATIE PENTRU ROMANI IN EXIL in Romanian 16 Oct 81 p 7]

CSO: 2700/58

LACK OF FUEL IN MACEDONIA REPORTEDLY AFFECTS SOWING

Skopje NOVA MAKEDONIJA in Macedonian 18 Oct 81 p 2

[Article by Branko Trickovski]

[Excerpts] If the vice president of the Executive Council of the Assembly of Macedonia, Vasil Tudzarov, says that the supplying of the Republic with oil is not affecting the carrying out of the fall sowing, but the directors of many agricultural combines state that the irregular supply of operating fuel is a serious obstacle to the normal development of the sowing work, then it is clear that there is something wrong in the process that begins with the oil storage tanks and ends with the tractors in the field. In other words, in the relationship between Makpetrol and the farmers.

Saltir Mitrov, director of the Ovce Pole ZIK [Agro-Industrial Combine] stated at the last meeting of the executive council of the Makedonija ZZPK [Associated Agricultural Food Combine], that the combine is receiving only 50 to 80 percent of its daily needs for oil and that the supplying of the private agricultural producers is even worse. At the same meeting the director of the Kumanovo ZIK, Aleksandar Jankovski, said that his combine is not being regularly supplied with oil from Makpetrol and that he is using his own transport means to carry fuel from Skopje. This picture of an unfavorable situation was also the conclusion of a report from the information office of Makedonija ZZPK which stated that the irregular supply of oil in some districts (Kumanovo, Prilep, Strumica and others) has led to a halt in the work. This was what was stated in the information given at the official conference and in the official document and it is difficult to doubt its credibility.

The deputy to the general director of Makpetrol RO [Work Organization], Trpe Stefanovski, denies these statements. According to him, the only thing that is correct is that the Kumanovo organization transports its own oil from the depot in Madzari. There is oil, he says, and a tanker with additional quantities is already on its way.

So far the tractors have not halted because of a lack of operating fuel, because Makpetrol is regularly supplying the agricultural organizations with 1-day needs for oil. This restriction was introduced in order to prevent the heretofore prevalent efforts by the organizations to create reserves. As far as the private sector is concerned, Stefanovski said that due to the seasonal character of the work it is irrational for the Skopje organization to build auxiliary

distribution depots. On the other hand, the agricultural organizations are avoiding taking on the responsibility of supplying the private producers from their depots. Thus, they are left to supply themselves from the gasoline pumps. The deputy to the general director said in conclusion that the agricultural organizations that do not regularly pay for their oil will no longer be supplied.

The contradictions between the statements of the Makpetrol representative and the representatives of the combines is striking. Analysis of the performance of the sowing will probably answer the question of who is right. Right now, instead of this answer, we will say that if the fall sowing is at the top of the list of priority tasks to be accomplished in this period, then greater quantities of operating fuel for the agricultural machinery should be able to be obtained even at the expense of some other activities. This is the meaning of the "priority" status, that it must be carried out through the coordinated action of the Coordinating Council for Completing the Fall Sowing, the competent republican secretariat, the Chamber and, of course, the combines and Makpetrol.

CSO: 2800/48

YUGOSLAV-HUNGARIAN TRADE, COOPERATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Sep 81 p 3

[Article by Mladen Baclic]

[Text] Bilateral trade is 25 percent greater than last year. Transactions worth 500 million dollars have been concluded, which is about 80 percent of the anticipated volume for this year.

As in previous years, Hungary is among Yugoslavia's trade partners that have seen an increased volume in foreign trade. For the first 7 months of the year, trade between the two countries totalled 300 million dollars, which was 25.8 percent more than last year. Exports worth 138 million and imports of nearly 162 million dollars are nearly 26 percent more than the results of last year for the period. The trade deficit, however, has also grown, and is about 5 million dollars more than at the end of 1980.

In relation to planned deliveries, in the first 7 months 47.5 percent of goods planned for foreign trade were actually exported, while imports have surpassed 51 percent of the total planned for this year. It is encouraging that exports have been growing monthly at an annual rate of nearly 27 percent, while imports increased at 17.9 percent, significantly more slowly than exports. This has resulted from the fact that most Yugoslav enterprises that trade with Hungary have adhered to the established principle that every import should be covered by corresponding exports.

Exports of Equipment Have Been Greater Than Imports

According to data of the Joint Economic Office in Budapest and of labor organizations, in the first 7 months transactions worth 500 million dollars and more have been concluded with Hungary; this is 79 percent of the total volume anticipated for this year, and this volume can be considered satisfactory. By the end of July, exports worth 270 million dollars were contracted (85 percent of the total anticipated for this year), while agreements for imports from Hungary totalled 230 million dollars, nearly 80 percent of the planned value amount.

Yugoslav exports show a satisfactory volume of concluded transactions for machinery and equipment, but what is most important is that most of the agreements

are for cooperation. There are also favorable amounts of trade in ferrous and non-ferrous metallurgy, chemical and pharmaceuticals, wood products and cellulose, and in retail border trade. There are, however, lags in agreements for the export of cable products, coke, non-metals, building materials, and agricultural and processed food products.

The trade deficit, which reached 23.2 million dollars at the end of July, resulted largely from increased imports of chemical products and mineral fertilizers, edible oils, and fuels from Hungary, even though the deficit was partly covered by Yugoslav exports. Exports lagged in raw materials, cellulose products, coke, oils, lard and chemical products, and these shortfalls also contributed to the trade deficit.

At the recent meeting of the Executive Council of the Hungarian Section of the Yugoslav Economic Chamber, it was noted that at the moment exports of cellulose are unsatisfactory because of late deliveries of trees for cellulose from Hungary. The shortfall in coke deliveries results from restricted possibilities for using the coking plants for processing coal from other countries. Exports of oil and lard have completely stopped, while imports of edible oils are taking place on the basis of intervention arrangements.

Successes in Retail Border Trade

To this it should be added that exports of machinery and equipment this year were greater than imports for the first time in six years. Nevertheless, the performance in this sector was also unsatisfactory. The reasons for this is that only in April was the agreement for cooperation in the motor industry registered with the Federal Committee for Energy and Industry, so that that agreement became effective late. Furthermore, it calls for about 50 million dollars in trade, instead of the planned 80 million dollars.

This year, retail border trade with Hungary has registered good results. In the first 8 months, transactions worth about 82 million dollars were concluded, with 35 million in exports and 36 million in imports. Actual volume for the 8 months was more than 31 million, with 15.7 million dollars in exports and 15.9 million dollars in imports. Although this form of trade has been accompanied by corresponding difficulties this year, it is expected that retail border trade between the two countries will surpass last year's total of about 40 million dollars in both directions.

It was also noted at the Hungarian Section Executive Council that trade results by the end of July this year show the need for more flexibility in this trade relationship, particularly concerning exports. This is even truer since there are still many requests for imports without corresponding export conditions from Yugoslav economic organizations that are import-oriented. This concerns petroleum processing, oil producers, sugar refineries, and aluminum processers. If these requests were approved, they would seriously threaten the results that have been achieved in the first 7 months. The Section warns that as a rule, such import requests can expect intervention by the responsible federal agencies. At the Section, they say that this manner of operation by certain organizations

facilitates easy income, which in a way is seeking favored treatment over the great majority of organizations that are exerting extraordinary efforts to cover their imports by their exports.

It is expected that support for exports will also be aided by the reorganization of the system of representatives in Hungary. A definitive decision will be made on this action after debate in the Section, by the Coordination Council of the Federal Executive Council for the Organization of Foreign Trade Activities. Delegates to the Section's Executive Council have been informed that of 36 commercial units of Yugoslav organizations with offices in Hungary, only 13 are fully adhering to the criteria for continuing their operations. That means that they are the only ones that have a high degree of operational effectiveness. The other commercial offices will either have to adjust to the criteria set forth by law, or cease their operations in Hungary and be removed from the register of such operations kept by the Federal Secretariat for Foreign Trade.

The possibilities for further expansion of trade between the two countries will be discussed at the session of the mixed Yugoslav-Hungarian committee for economic cooperation, to be held at the end of October this year in Belgrade. It is expected that topics will include further development of specialization, cooperation, and other forms of long-term arrangements, which already account for a high 40 percent of total trade. Another topic will be the more rapid expansion of shipments in both directions through forms of retail border trade.

12131
CSO: 2800/21

FACTORY DIRECTOR DISCUSSES SELF-MANAGEMENT PROBLEMS

Zagreb VJESNIK in Serbo-Croatian 26 Sep 81 SEDAM DANA supplement p 9

[Interview with Ivan Sifter, chief director of the Zagreb pencil factory, by Ivo Jakovljevic, Vjesnik reporter; date and place not specified; title of interview, Boomerang of the Unstable Measures]

[Text] [Answer] Today the whole socialist world is in a crisis. A long time ago, Marx himself asserted that victory can only be achieved by the social system that opens up the most room to maneuver for the development of productive forces, and thus the one with the highest labor productivity, not any individual productivity, but the general social productivity. Thus, as a world process, socialism can overcome the capitalist method of production only through higher productivity. Unfortunately, for now our economic system is losing in this worldwide competition and is not providing the expected result. This is why we are in a crisis. We are encouraging idleness, and as an entire society we are paying very dearly for this. At the same time we have become sort of fanatics about standardizing social relationships, and in doing so we are almost completely neglecting our own human and economic potential. Our economy, science, politics, and practical behavior have disintegrated, and this is now coming back to us like a boomerang, and we are paying for it.

[Interviewer Comment] This is how Ivan Sifter, the chief director of the Zagreb Pencil Factory, answered our first question: What has been happening in recent years with the Yugoslav economy?, in a conversation with which we are continuing a series of interviews on the current political and economic situation in Yugoslavia. We expected a sharp start, of course, and we now continue with the questsions:

The Working Class Is Paying The Bill

[Question] Like the riddle about what came first, the chicken or the egg, it is often asked whether in Yugoslavia the economy is at the service of policy, or policy is at the service of the economy? And who has recently been shaking the ground under our feet: poor behavior by the workers, an irresponsible attitude by people toward their work, from the base to the federation, or are the roots of our instability in the economic system itself and in our economic policy?

[Answer] It would be logical for our policy to be only a reflection of and a means of realizing the country's common economic interests, and thus, for the economy to drive the policy. But it seems to me that our practice is entirely the reverse, and that we are advancing our production relationships but neglecting our production forces, and even that in part our standardized production relationships, no matter how idyllic they appear on paper, are ruining our country's production potential. The influence of policy is strong. In the development of production relationships, it is almost harming the production forces. And this is our great illusion.

[Question] Production forces are to some extent an amorphous concept. Thus, what does such a political tendency mean for the political and economic position of the working class of Yugoslavia? How much is it benefiting it, and how much is it harming it?

[Answer] Production forces really are a broad concept, but it is obvious that they will be developed freely and successfully only if the ruling class has the best possible motives. We assert that here it is the working class, although we argue about this concept itself and its definition remains for the most party hazy and unclear. I feel that the workers are all those members of our society who according to the legal regulations do not have to regularly receive a personal income, who can only receive what they have earned, but in that case this means everyone, from the doorman to the director. Thus, the working class in this country consists of those who share a common economic fate in common work and under identical conditions of economic activity. But these are not all of those employed, especially not outside the economy. It is obvious that today those in the superstructure do not share a common economic fate with the base, and thus the present means of expropriating income from the producers in Yugoslavia is also a purely class relationship. With such a relationship of forces, of course, those who live by working have the worst time of it. They are paying the price of stabilization.

Between Ignorance and Demagoguery

[Question] Does this mean that we are constantly going around in circles?

[Answer] Without doubt, we are building a new social system, a self-managing system, without any experience. Our self-management is self-taught, and it furthermore still has an insufficient scientific basis, while in practice it is being introduced without standards of behavior and [without] the rules of the game, because "everything is specific." It is for the time being a politically improvised system, organizationally fragmented into autarchic OOURS [basic organizations of associated labor]. We have also neglected dialectics. Many people do not realize that in the development of society, nothing lasts forever. Errors and blunders have a lawful right to existence, because they too are of use in arriving at the real truth. But today in Yugoslavia, ignorance has been dominant, powerfully assisted by demagogic improvisations. We are not providing answers to the unresolved issues. Others are building power, therefore, on our weaknesses. Furthermore, we are continually worrying about the rich, but unfortunately, not about the poor as well. We are forgetting that no one has

ever built a wealthy state, especially not socialism, with a poor people. We are afraid to pay workers and reward innovations, and we are paying a great deal for obsolete foreign licenses.

[Question] We have been developing and studying self-management for a full thirty years. At the same time, the curve of our economy's productivity, as the most sensitive index of the system's effectiveness, has seen both better and worse days than now, when it is obviously stagnating with a downward tendency. Does this mean that today self-management is also stagnating?

[Answer] Well, one of the main goals of our self-management is a high social labor productivity, but unfortunately, many people have not yet realized this. There are those who even today think that self-management is a means for the workers' struggle to "seize power" from the director. If this were true, we would settle it very quickly by abolishing the function of director. But self-management is, fortunately, an entire social relationship, namely the relationship of the producers to the state, and the more [societal] functions there are in associated labor, the more self-management there is. On the other hand, whenever the functions of the state are expanded, self-management is weakened, but this is not its [self-management] crisis, but rather a crisis in the concept of development, and with respect to its extreme results, a crisis of etatism. We are realizing, finally, that every state restriction in the economy means receivership for self-management.

Let's Get Rid of Empty Slogans

[Question] Then it is not a coincidence that our productivity is stagnating and falling side by side with a strengthening of the state, especially recently?

[Answer] Naturally, since we do not have a council of associated labor in the federation, the conditions for economic activity are largely set for us by the federal and other administration. It is interesting, therefore, that allegedly the administration is ready [mature enough] for this and the workers are not! Obviously, in the last thirty years the effect of the power of officials in this country has rarely been as strong as it is today. And it really is questionable that some people determine the conditions of economic activity for others, whose problems they actually know little about, and that at the same time some do not share a common economic fate with the others. We claim that the worker should control production and we spend years and years striving for this. But I am certain that we would solve the majority of our problems in only one year if we determined by law that employees in associated labor should decide themselves about the distribution of the entire income for general, joint, investment, and personal expenditure. It is high time for us to get rid of empty slogans, discussions, and resolutions.

[Question] Our economy can be highly productive only if it is unified and if the conditions for economic activity in the Yugoslav market are uniform, or at least stable for a longer period. Isn't stagnant productivity only one more proof that our economic unity has been seriously disrupted?

[Answer] Our economy has really been fragmented by the formation of organizations of associated labor (although it has had many positive aspects), and then further divided by several unstable measures of economic policy; this, along with partially stated legal solutions, especially literal application of the balance of payments positions of the republics and provinces, has completely divided the Yugoslav economy. With such an economy, naturally, one cannot compete successfully in the world market. It is necessary to re-examine the law, economic policy, and the attitude toward labor in each place.

Why Do Even Those Who Work Work Little?

[Question] Low productivity, under the guise of high inflation and a payments deficit in foreign trade, has, through the above-mentioned causes and consequences, put economic policy in the position of a fireman, for whom the water could finally run out, that is, the paper for printing money. What then are our chances of putting out these fires through better work, more exports, and profitable investments?

[Answer] I maintain that prices cannot be set by law. That is nonsense. Prices must be coordinated as part of the entire economy, and not indivudually. And not when there is a fire, but in advance, in a planned manner, and at least for a year. Such a plan should be based on the balances of exports and imports and investments, and, while taking into account market criteria and productivity, it should do away with the disparities among prices. On this basis it is possible to control prices and to establish responsibility for carrying out the control. Thus we would also find a solution to a considerable part of the domestic causes for the constant weakening of our competitiveness in exports.

[Question] But exports, at least, we should really increase even before the end of the year, and especially next year. Then what about the exchange rate of the dinar, incentives, and the importation of capital goods?

[Answer] I propose that, as is done elsewhere in the world, exporters be encouraged by a realistic exchange rate and release from the payment of import customs duties and taxes, that budgets be financed by taxation, and that general consumption be reduced in accordance with the realistic possibilities of the economy's income. I also propose that we prohibit the importation of everything that this country has, and that we work out a program for prohibiting the importation of everything that we can have (for example, food). In doing so I would not restrict the importation of capital goods. We must drastically reduce the number of our trade and even diplomatic representations abroad. The fact is that our expenditures for business trips abroad are almost twice as much as our foreign currency income from tourism!

[Question] But the number of nonessential administrative posts in Yugoslavia is even greater, while unemployment is increasing again. Isn't this also a consequence of the non-self-managing concept of development?

[Answer] According to one calculation, in our economy today there is a surplus of a million employees in so-called management! At the same time, according to an analysis by the Ljubljana Economic Institute, we could employ another 1.5

million people just in handicrafts, with relatively small investments. Let us recall that Yugoslavia only has four percent of its able-bodied population employed in handicrafts, while Japan, for example, actually has 46 percent. There are great chances for employment (again) in agriculture, where we have unused arable land, but we are importing food, although we could become exporters of it. Our chances are in tourism. Our chances are in a general increase in productivity, but for this we must begin to value labor, and pay realistically for every domestic invention. Yugoslavia pays 30 billion dinars in foreign exchange each year to import foreign expertise, while we consent to various restrictions in our exports and business policy. Our inventors are therefore selling their patents abroad, in order for us to import them later on. But this is absolute nonsense. We must pay for the productive work on which this country lives. And all of those in the superstructure must share the fate of the base, yet now this is not the case.

[Question] Last year, at the Fifteenth meeting of the Central Committee of the League of Communists of Yugoslavia, and this year at the Third Congress of Self-Managers, it was explicitly concluded that in development and economic policy and in the economic system in general we must "respect economic legality" and guide self-managing development in a planned manner. But with how many markets and how many plans?

[Answer] In practice as well we must decide whether we will recognize the market as advancing the capable ones and eliminating those who do not work or do not know how this is done. We must give business organizations economic freedom, in which it will be entirely logical for the losers to be driven to bankruptcy or liquidation. When everyone knows that the economy is not a social affair but a serious and responsible job, then we will be forced to encourage work and punish idleness. On this basis, the plan, as an agreement among economic entities, becomes the main landmark for society, from the basic organizations of associated labor to the federation. Economic policy on this basis will have to take into account first of all standardization of the conditions for economic activity, and not "feeding" the budget. One will be held publicly responsible if the plan is not carried out, and the mandated of elected officials will be linked to the goals of the plan.

[Question] Whoever determines the conditions for economic activity is responsible for the economic situation in any case. What is your view of the position of the federal government in our self-managing system today and tomorrow?

[Answer] The Federal Executive Council, because of its position in the system, is undoubtedly responsible for Yugoslavia's economic situation, especially today, when many measures of economic policy have essentially disrupted the unity of the market, and finally self-management as well, as the fundamental social relationship. Thus, today and in the future, we must link the mandate of the federal and any other administration directly to fulfilling the plan. By the way, Yugoslav associated labor needs a government that will reflect its interests, and not only the interests of the republics, provinces, of communes, all together. In any respect we must create a climate of community, agreement, and labor, because only in this way can we achieve the optimum formula for the

economic unity of the country on a self-managing basis, and in general, higher productivity.

[Question] What about stabilization?

[Answer] The new five-year plan seems to me to be more of a rehabilitation than a stabilization document. At any rate, stabilization is possible only when it is a question of poor behavior in the economy, lack of discipline, etcetera. But for the correction of many of our differences in the conditions of labor and the economic system, what we need is reform.

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2200

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2200

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Prague HOSPODARSKE NOVINY in Czech 25 Sep 81 p 8

[Article by Eng Karel Blazej, Avia Praha: "The Transferral of Indicators to the Lowest Elements"]

[Text] The first step for us in improving the internal enterprise management system was the implementation of organizational and methodological suggestions which had been announced at the enterprise in the form of the Regulations for Internal Enterprise Management. The regulations which have been implemented have been divided into a part governing relations between the enterprise and factories (the Regulations of Internal Enterprise Management) and a part modifying economic management within the factory (the Basic Factory Regulations). These factory regulations draw from the main principles of planned management, organizational issues, the system of indicators and economic instruments, material incentives, accounting principles, the formation and utilization of prices within the factory, and the method for decisionmaking regarding internal enterprise disputes.

These regulations were issued in the first quarter of this year, and it is expected that within a year they will be supplemented,both through extension based on the experiences gained by the factory from their application during this year, and through sections which have yet to be formulated at all, but which are especially significant within the improved planned management system; these will amount to additional chapters modifying the activity of the sectors involved in technical development, technical preparations for production and in quality control. We are aware that the formulation of management regulations, even the very best, does not in and of itself guarantee the needed quality of management. Therefore, instructional sessions and discussions are currently being organized on economic themes. So far they have taken place on the theme of cost planning, finance, and counterplanning. A future topic is to be material incentives.

The Stages of Budgets

There has not yet been sufficient experience with longer range planning. Practice has shown that there are great differences between a 5-year target and its implementation to annual plans. The extension of the planning horizon to 5 years will represent a clear contribution, insofar as deviations in annual plan breakdowns from 5-year tasks will be minimized. This should also eliminate the

uncertainty which now exists in matters related to the concrete tasks of the annual implementation plan. To be specific, the enterprise receives the breakdown for this plan right before the end of the current year, or even at the beginning of the next. To begin the assigned tasks at the lower organizational units only after this date would make it impossible to put together budgets for the first quarter of the current year on time, thus ruling out the possibility of managing by budget, which is one of the basic principles of khozraschet.

For this reason, we implement budget formation in three stages. As a rule we begin the first stage in the spring (from March to May), that is, even before the breakdown of directives for putting together a plan proposal. At this stage, we can only guess at the tasks for the next year, however, the supply division is already at this time loudly requesting at least rough data for the negotiation of deliveries for the next year, thus it is necessary to proceed in this fashion. It is likewise necessary during this period to discuss within the enterprise at least basic internal enterprise deliveries. In addition, the comprehensive socialist rationalization division requests an orientation for its activities for the upcoming year. Given a lack if knowledge concerning the medium-term plan there is no alternative but to break down the tasks by specific management centers after open consideration and, as a rule, with a view toward known development to date.

In the area of the labor and financial plans, the breakdown is restricted to selected indicators (numbers of employees, aggregate wages payable, overall costs without unit material costs, which cannot be determined without more precise knowledge of the production plan). This year, the breakdown of indicators was supplemented by a percentage of the overall cost limits for materials and other costs, without depreciation of capital assets (basically materials overhead); in this way, costs are focused with a view to the critical enterprise indicator of adjusted value added.

All the management centers put together their budgets for next year, divided into quarters, on the basis of this breakdown. They supplement these budgets with comments, from which it is clear to the division supervising this breakdown (technical and economic planning), where and in which elements bottlenecks may arise. An aggregation of these budgets is usually put together at the time when the factory is already processing the plan proposal for the next year on the basis of the breakdown derived from the task allotted to the enterprise by the supervisory VHJ [economic production unit].

In this manner, information concerning the expected structure of costs reaches the factory and also the enterprise planner from individual internal enterprise divisions at an appropriate time. At the same time, he is informed as to why a center is requesting more resources than during the preceding period. He then compares these demands with the extraordinary costs of the previous period, which were the basis for the breakdown, and after auditing them he arrives at a more realistic view of the requirements of the next year.

The second stage in formulating a budget and making it more precise falls in September, and sometimes October when, after the formulation of a plan for labor and for costs for the factory and enterprise, and occasionally after the discussion of the plan proposal with the supervisory organization, there is refinement of the

breakdown by the management center. This breakdown is much more detailed in comparison with that of the previous stage and possesses, in the area of primary costs and revenues, a link to the factory plan for costs. The management centers refine their budgets for the following year on the basis of this breakdown. The budget for the first quarter is then binding, and at the same time also becomes the basis of evaluation for purposes of material incentives.

The budgets of the centers receive their final form during the first quarter of the current year. They change with regard to thd definitive implementation plan, and on occasion also with regard to new realities, but only during the second through the fourth quarters. Additional modifications are then possible only in the form of a change in the plan. The above three-phase method for formulating the budgets of centers has already been applied at our enterprise for a long time. Only the structure of the broken down elements is subject to change, with regard to new plan requirements or accounting practices. It is clear that more timely knowledge of the material components of the plan would contribute to an increase in the quality of this process. Such timely knowledge is expected from the greater emphasis being placed on the importance of the five-year plans.

The Fixed and Variable Component of Overhead

This year, in addition to the above-mentioned supplementing of the cost breakdown in the first stage of budget formation with a percentage of total costs represented by materials cost, two other measures were also taken, both directly related to recommendations deriving from the Set of Measures. These were the division of overhead into fixed and variable components, and the transferral of the indicator of adjusted production costs to the management centers.

The first measure, i.e., the differentiation between fixed and variable components of overhead, derives from the criticism of the existing method for calculating the economic (khozraschet) performance of a center, in which the most fundamental component of revenues is the product of unit wages (in the basic norm) and planned overhead (taken from the budget). This widely applied method improperly rewards those centers which exceed the budget for wages and also aggregate into revenues a percentage of fixed overhead, in which there has been for practical purposes no increase (or at least not nearly to the same extent); on the other hand, when the allotted wages payable are not fulfilled, then the consequences of this fact are improperly intensified.

The new approach provides that fixed overhead constitutes a steady element in the revenues of economic production centers independent of the actual development of allotted wages. The relationship of the variable component of overhead is expressed by an established ratio of variable overhead to allotted wages.

A well-known difficulty in the resolution of this problem is the determination of the fixed and variable share of center overhead. In our case, we have used the most simple approach, i.e., an estimate, conducted in conjunction with economists from individual centers and employees of the division of internal enterprise planning. It will be necessary to wait, however, at least until the beginning of next year, i.e., until the closing of accounting results for 1981, for a verification of the results of this method.

Monitoring Performance

If there exist at least theoretically elaborated guidelines for the approach just described, then for the transferral of adjusted value added described below it has been necessary to resolve all issues almost from scratch and the solution that has been implemented must be considered as a method that has still not been fully verified. We have proceeded from an analysis of the individual components of adjusted value added, which may be evaluated as follows, after a certain amount of simplification: depreciation of capital assets, financial and other costs, profits and wages.

From the viewpoint of exerting an influence on these individual components, basically only wages are important for the economic production center, and if they are to express the performance of the center, then only unit wages are of interest. The influence of production operations (at least in the organizational setup of the factory, which is what we are dealing with) on the amount of capital asset depreciation is almost negligible. The interest in profit is conditioned by the establishment and control of the cost budget.

We budget and account for profit almost exclusively by implementational center (with) the exception of the factory food service and certain of the less important economic centers from the viewpoint of overall profits). It is my opinion that it is inefficient to apportion realized profit to production centers during the determination of center performance, even though I acknowledge some reservations about the methodology of our resolution. Likewise, financial costs are not directly related to the performance of the production center or, more precisely stated, such a relationship may only be demonstrated with difficulty.

For the above reasons, we measure center performance (which is the term replacing the concept of adjusted value added in our internal enterprise management) with the assistance of wages at a basic calculation level with standards valid for a year. In the practice of our factory, this amounts to a part of the internal factory transfer prices, which are composed of unit material and unit wage costs, and which also are valid for a year. They serve to recapture transfers of unfinished output among centers.

In order to emphasize the interest of a production center above all in this kind of performance, which constitutes the basis of the production plan and, furthermore, in order to objectivize this assignment we incorporate into the calculations of center performance, for the purposes of material incentives, only those wages which are based on technicomanagerial standards (i.e., in no case, for instance, do we consider elements for which the wage component is determined on a case-by-case basis, or instances dealing with one-time wages and those wages determined with less precision).

Clearly, the establishment of such assignments demands ever more detailed planning, i.e., basically the operative planning or production, which must be very tightly linked to the technicomanagerial plan of the factory. And this is one of the important, and not completely proven preconditions for the successful transferral of the adjusted value added indicator from a higher organizational level (the enterprise, the factory) to a lower level (operations).

Concrete experience has shown how great the biasing influence can be a different method of rounding off during the establishment of the plan and the documenting of reality. For instance, during an experimental evaluation for the first quarter of this year, very favorable performance was discovered at one of the operations which otherwise possessed a number of shortcomings in terms of the completeness and timeliness of intercenter deliveries of semifinished products. A study showed that the program for calculating the plan of the center included rounding off to the nearest 100 korunas, and therefore did not aggregate into its calculations those elements which represented 49.9 percent or less of a 100 koruna unit. In comparison, accounting results worked out to the koruna showed the fulfillment even of these smaller elements. And because the production of just such semifinished goods is important for operations, the performance had been biased in its favor.

It is likewise necessary to limit very precisely the range of monitored production elements in such a way that only comparable values are actually compared. In practice, this means that the product structure of the output of the centers must be determined both in the plan (by the number of a drawing or by some other code indicator) and in reality (by calculational or order numbers). The implementation of center outputs in practice has also helped in uncovering certain organizational shortcomings and faults in the circulation of documentation. (For instance, the time differential between documents submitted for the calculation of wages and documents attesting to the completion of the production of individual operations. Deviations appear in both directions).

If, however, the output of centers is becoming the basis for material incentives (for instance, as a component of premium schedules), then this is also developing direct pressure for the elimination of shortcomings that were previously tolerated or overlooked. And this, to be sure, is a major objective of the Set of Measures, because its significance does not lie solely in the introduction of new indicators, but precisely in the requirement to raise the quality of work at all levels and in all areas. This also applies to the supreme indicator, the return on production assets.

We are attempting to incorporate this indicator at lower organizational levels by transferring to them the responsibility for the upholding and, in some instances, the fulfillment of the three limiting basic components of this indicator (profit, inventories, capital assets). At the same time, it is clear that success will only result from a comprehensive understanding and assurance of this indicator, beginning with production tasks, extending through marketing to financial management, including efficiently organized preproduction stages, supply and overall organization.

Dlouhy Comment

Prague HOSPODARSKE NOVINY in Czech 25 Sep 81 p 9

[Article by Eng Miroslav Dlouhy, enterprise director, Kladno-Poldi: "Integrated Plans for Supply and Production"]

[Text] We have devoted a great deal of attention to the formation of principles for internal enterprise management regulations. We have established relatively

rigorous criteria which differentiate in a fundamental manner the links between wage regulation and material incentives in this five-year plan from the earlier approach. Performance in the first quarter and in the first 2 months of the second quarter have pointed to the justifiability of this rigorous system. Basically, to be specific, we have been able to fulfill relatively evenly plan targets for the production of goods, and for gross output, but we have had problems with fulfilling orders according to the mix requested.

Throughout the entire period of national economic development we have been witnesses to the fact that certain specifications for metallurgical production have had to be respected in the instruments and forms of management. It is a question of a sector extraordinarily demanding of energy, raw materials, and imports (well above the average for the national economy), and for this reason each more precise evaluation of its inputs is even more welcome. It is necessary, however, to be aware that metallurgical materials may be valued as final products, i.e., machinery, construction, and the like.

Enterprises themselves may not determine metallurgical output, but must reflect the requirements of the national economy (even though they must be actively influenced by material innovation, by the application of findings of materials research, etc.).

This aspect receives much greater consideration at our operation than at other metallurgical enterprises. On an annual basis, we fill about 180,000 orders for 400 different brands of steel and for tens of thousands of dimensioned and shaped projects (our set of planned calculations contains 80,000 elements). And insofar as our production program includes a broad range of products with kilogram prices of Kcs 2 to 300 (that is from common carbon steels to state-of-the-art tool steels and alloys), it is clear that the mix plays a basic and, according to our experience, at times even a decisive role in the fulfillment of plan indicators.

Paths of Solution

Certain findings from the implementation of new management instruments correspond to our expectations that when establishing a plan for a metallurgical enterprise standards should be utilized (norms, prices, calculations) which reflect the assigned product mix requirements. We have begun to regulate wages according to units of labor intensiveness in order to comply with the above link, but likewise so that we may be able to determine correctly the labor intensiveness and difficulty of production.

We have compared, then, the plan with the reality of the production of goods, in terms of wages per unit of goods produced (for a specific division and at times a specific quality or product). A more labor-intensive product mix has increased the usable volume of wages payable, while a less labor-intensive mix has reduced the possibility for drawing down wages (always in comparison with wages actually paid).

The advantage to implementing units of labor intensiveness has been, in particular, the possibility for evaluating more objectively the influence of product mix on the development of wages. The disadvantage has been that units of labor-intensiveness

have not been sufficiently sensitive to savings in materials costs. A significant portion of the enterprise's employees, however, have been given incentives linked to this indicator.

Prior to the implementation of the principles of the Set of Measures, we had wanted to define the necessary managerial links of enterprise and internal enterprise management in such a way that all instruments would support the position of metallurgical production and not create antagonisms and potential problems in supplier-consumer relations. We found ourselves, then, in October of last year, faced with the problem of how to incorporate the adjusted value added indicator in the links between all the instruments of internal enterprise management at the level of internal enterprise units and divisions.

Basically, we had three possible paths for a solution. These were based, first of all, on the refinement of internal enterprise khozraschet not only at the production managing transportation centers, but also at the economic centers for commercial, supplying, and administrative activities. Secondly, we proceeded from the necessity for assuring a link between enterprise indicators and those of the internal enterprise divisions. It was a matter of preventing a situation where the internal enterprise divisions would fulfill the plan in terms of their own indicators, even while the enterprise as a whole would not. And our third motive was the conviction that the plan would place substantial emphasis on an accounting system which would lead to a proportional, integrated plan. We have assumed, primarily, links between the portions of the plans covering sales, production, material and technical supply, on the one hand, and financial plan indicators, on the other.

Under conditions of a diverse product mix with significantly differing levels of return, from basic products produced at a loss to highly profitable products from specialized, tool, and especially high-speed steels, the integration of the plan of material and technical supply with the plan of production becomes all the more important. And the financial plan presumes no influence from the product mix, which would mean the calculation of profitability and economic performance from the content of orders for material and technical supply, according to resources.

Three Factors

For these reasons we understood unambiguously the close connection between the adjusted value added indicator and the profitability of individual orders, materials costs, and the occurrence of unplanned elements. The makeup of orders for metallurgical enterprises, as an initial factor, is not incorporated into the financial plan in the sense that the plan of economic performance of the metallurgical complex is determined by the content of the received orders. The starting point is always the reality of the previous period. Therefore, in order to fulfill the plan it is desirable in every instance that the product mix not be worsened.

For us this means the upholding of the volume of spdcialized steels, tool and high-speed steels, and steels with higher use values, and therefore with a higher price and profitability. This requirement means, however, also the assurance of the requisite alloying additives, and here is where problems arise. The plan is not completely in balance, the product mix often deviates from the plan due to the

complexity of the links in material and technical supply, resources for the purchase of the alloying additives are made available at a late date, or we must assure them with loans from material reserves, etc., all of which means a worsening of efficiency as a unit.

A second factor is the amount of materials costs, and if one leaves out product mix, then this is completely influenced by the in-house activities of enterprise divisions and production units. Fulfillment of technicomanagerial norms for prefinishing weights, energy consumption, and quality indicators is the responsibility of the internal enterprise divisions.

The third factor: the unplanned-for elements of financial outlays. It is in this area that we have so far experienced a single, basic problem, in relation to contract penalties. Reductions must be made by fundamentally improved organizational work. For this reason, we have modified the internal enterprise management regulations along these lines. We are simultaneously preparing to implement computer technology in the handling of orders. Nevertheless we will not be able to eliminate completely the contract penalty. The complexity of material and technical supply and of technology, changes in the assurance of production programs, the necessity for replacing one material with another, and the like, always result in a certain amount of underfulfillment of the product mix. It would also help if production facilities were not allocated on customer vouchers at a 100 percent level, and if a reserve capacity of 4 to 5 percent were maintained.

From this it follows that the adjusted value added indicator is product-mix sensitive, and therefore also to the refinement of ties between the plan and its external inputs. This is striking in the area of supply. For a metallurgical enterprise, however, the product mix, which is supposed to correspond to needs, can bear a diametrically opposed relation to the potentials for supply. Failure to fulfill deliveries in terms of brand, and instability in the conditions for material and technical supply then exert a negative influence on unplanned financial outlays.

We have undertaken simulations of the affect of these factors on value added performance for the second half of last year. And we faced the decision of which indicators to introduce into the internal enterprise divisions. We concluded that due to the sensitivity of adjusted value added, which is so marked for the fulfillment of deliveries based on product mix, it would also be effective to use this indicator for internal enterprise management.

We therefore constructed a model of internal enterprise management in which the adjusted value added indicator is applied in the khozraschet of internal enterprise divisions. It is set up as the factory indicator for production units of a major production activity, and as an enterprise indicator for service units and centers of enterprise management. At the same time we established this indicator as the major one for the personal material incentive system for technicomanagerial employees. In this way, we wanted to avoid a situation in which plan fulfillment by the enterprise would not permit the payment of bonuses, even though rights to the bonuses may have arisen within the internal enterprise divisions.

Wage Regulation

The decisive indicator for the basic component of wages is that of value added, for the incentive component it is the planned economic performance indicator, and in steel plants and service factories it is overall costs. The production of coke and of processed, rolled material are the conditioning indicators.

The material incentive system has prompted some fundamental changes. In the first place, the percentage of workers who receive bonuses for meeting quality and efficiency indicators (from technicomanagerial standards to production costs) has increased. While in 1980, 24.86 percent of employees were rewarded for quality and 15.88 percent for efficiency, in 1981 these percentages amount to 41.21 and 30.84 respectively. An additional element has been the determination of two monthly indicators for the granting of bonsues to technicomanagerial employees (one is sales, which is conditioned by equity, and the other is value added), and a quarterly indicator directed at frugality and quality (it varies according to activity).

The area of labor plan formation is also a component of the internal enterprise system of wage regulation. Concretely, this means managing the number of employees by the plan, increasing the efficiency of wages, counterplanning, and the evaluation of the development of wages payable.

The employee limit is broken down into numbers of individuals, and divided further into workers and technicomanagerial employees. At the same time, limits are also defined both for undesirable fluctuations and unexcused absences, which are determined for individual factories at the same time that material incentives are established for adhering to their lowest level.

In the event of undertaking a more ambitious task than established by the plan, the basic component of wages is increased according to an established norm. The incentive component of wages, however, increases by only 90 percent of the established norm, and the remainder remains as a reserve for the enterprise. In the event that a lower target is undertaken, the basic component of wages remains the same, and the incentive component of wages is recalculated using a coefficient of 1 for a target 3 percent lower than the plan, by a coefficient of 2 for a target 3.1 to 6 percent lower, and by a coefficient of 10 for each percentage point by which the plan which has been undertaken is lower than 6 percent below the plan.

The upholding of binding limits for a factory is evaluated, and a factory upholds them if the volume of paid out wage resources which have been included in the costs of a given period are not higher than the usable volume of wages payable, as established on the basis of fulfillment of conditioning and critical indicators and adjusted for so-called addable and deductible amounts.

Amounts which may be added are established as amounts for high technical sophistication and product quality, bonsues for discoveries and inventions, improvement suggestions (as long as this amount exceeds the bonuses paid out for the same period of the previous year), and the like.

Deductible amounts are those, for instance, for low technical sophistication and product quality, for exceeding the binding limit for total employees or for technicomanagerial employees, exceeding the limit for overtime and brigade hours.

In factories where the upholding of binding limits is threatened, it is necessary to move immediately to eliminate the reasons for underfulfillment, and on occasion to take measures against the employees who are responsible. On the basis of an analysis of the reasons for not fulfilling the task, the enterprise and factories will take concrete measures which will spell out what must be changed in the sphere of production, its preparation and management. The system for analyzing the causes of failure to fulfill the plan and for adopting measures to eliminate these causes is a component of the principles of internal enterprise management.

Aser Comment

Prague HOSPODARSKE NOVINY in Czech 25 Sep 81 pp 8-9

[Article by Eng Ladislav Aser, enterprise director, Electro-Prasa Hlinsko in Bohemia: "Leeway for Implementation"]

[Text] When one speaks of internal enterprise khozraschet, this concept is often restricted to only the khozraschet of managerial and cost centers. However, even before this may be considered, it must be preceded by a stage when the planned output and intput targets are broken down by individual factory. And it is precisely on the objectivity of this stage that the mobility of the subsequent, center-based budgets predominantly rests. At our enterprise we already ceased using the global index method of plan breakdown a number of years ago when allocating the planned targets to individual factories. Nor, to be fair to the factories, could we permit the use of such a method (it has never been officially declared, but it is in use everywhere). We have, you see, a strictly centralized marketing activity.

From this it follows that the factories are required to assure, within the framework of the overall planned volume of production, a product mix which is distributed in detail among the product-mix plans for enterprise production. It is clear that in view of the significant variability in the consumption of unit material, labor intensiveness, and profitability, and also in view of the significant variations in the contribution of adjusted value added per Kcs 1,000 of output for individual product mixes, the breakdown of plans for labor, output, costs, and profit must also be based on operative and planned calculations for individual products. Planned tasks for factories, since they derive from a normative and calculational base, are thus established objectively.

In the use of these now discredited words "objectively-objective," I have in mind that every factory, even despite significant differences in the resultant tempo of aggregate indicators, has the same demanding task in relation to its own production base. The mutual comparability of tasks among factories is measured, under our conditions, by the need to reduce the labor intensiveness of production, the consumption of material and purchased sections in comparison with initial calculations, by savings in the consumption of fuels and energy, by limitations on overhead

materials and outlays for low-quality work, by the turnover of inventories, by the volume of fully depreciated capital assets, the number of hours that machinery work stations are in use, and the like.

The indicators which have been broken down: profit, return on operating assets, adjusted value added are, then, already accounting indicators, the level and development of which we are capable of arguing in terms of separate, detailed elements. This system of breaking down a plan by factory, and deriving it from a normative base places, to be sure, great demands on the maintenance of the completeness of all the links to the enterprise plan, but creates excellent preconditions for center-based khozraschet.

A precondition for this to function is a clear concretization of tasks, and the resources for the assurance of these tasks, by managerial centers, and derivatively, in selected cost categories and by cost centers. We determine the tasks for the centers based on the following: the product-mix production plans and the related operational plans for the production of components and sections, assembly plans, and daily implementational plans; yearly limits; quarterly and monthly budgets for the managerial and cost centers; the comprehensive socialist rationalization plan, above all in the areas of reducing labor intensiveness and conserving materials and energy; also the plan for technical development in the area of developing technical preparation for production and the mastery of the production of new products and technologies; the development plan for individual types of inventory; the plan for making capital assets operational and for liquidating capital assets.

Together with the specific indicator of implementation assured by a marketing center, the extent of the breakdown of tasks for the managerial center provides a guarantee that their fulfillment by the factory and the enterprise also implies the fulfillment of all the numerical values which enter into the calculation of the synthetic indicators of return on production assets and adjusted value added.

The enterprise regulations, as well as the implementation directives which we have issued in the enterprise for the implementation of the Set of Measures, resolve quite concretely the regularity of evaluation of achieved results by individual managerial and cost centers, in the form of the so-called comprehensive economic valuation of nonplanned contributions of centers to the economy of the enterprise. In this evaluation of the centers we proceed from the principle that 100 percent fulfillment of the allotted tasks is the responsibility of the work collective of the centers. Therefore, in the comprehensive economic valuation of the centers we aggregate exclusively deviations from the plan in the following areas:

— fulfillment of tasks in the conservation of standard hours;

— remaining under planned limits for the number of nonproduction employees;

— remaining under planned limits for the number of hours devoted to nonproductive work;

— fulfillment of tasks in the reduction of the consumption of unit materials;

— achieving economic results through the sale of internal enterprise output;

— fulfillment of critical material and financial outlays, and revenues in addition to those from sales, from production activity;

— maintenance of planned levels of inventories;

— fulfillment of the plan for liquidating capital assets.

All deviations from the plan are transferred, according to principles previously established, to a unified value expression of the influence of these deviations on economic performance--profit. Let us take, for instance, the first and last criteria of the valuation: the fulfillment of tasks in the conservation of production manhours, and the fulfillment of the plan for liquidating capital assets. If a center assures a greater reduction in direct labor input (production manhours), it is possible to expend fewer unit wages to achieve planned output, and therefore fewer supplementary wages as well, and the contribution to national insurance is also reduced. The influence on profit, both in a positive and a negative sense, is completely clear and has made it possible for us to establish a firm rate for standard hours.

If the plan for the liquidation of capital assets is not fulfilled, then this implies an increase in production assets, which requires, in the interest maintaining the planned return on production assets, a subsequent need for increased profit formation. The connection between the level of plan fulfillment in the liquidation of capital assets and the level of profit is also clear. In this way, we have succeeded in transferring seemingly incomparable valuation criteria to the common denominator of profit. This is the reason for the name comprehensive economic valuation of the nonplanned contributions of centers to the economy of the enterprise.

In specific regulations governing the implementation of the Set of Measures we have also clearly resolved material incentives for the results of comprehensive economic valuation. At present this material incentive is linked to the creation of funds for the managers. We expect, however, that following verification of the objectivity of a comprehensive economic valuation of centers this truly comprehensive result will become a decisive criterion for the valuation of the efficiency of work performed by the labor collective of a center with a view to the evaluation of intercenter competitions, the fulfillment of premium indicators and generally to more closely bind compensation to the achieved results of work from the viewpoint of the differentiated objectives of wage policy.

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REGULATIONS ON NEW FORMS OF BUSINESS ORGANIZATIONS AMPLIFIED

Budapest HETI VILAGGAZDASAG in Hungarian 26 Sep 81 pp 37-38

[Text] It Is A Matter Of Department

In response to our articles on various possibilities of enterprise, several readers contacted our editorial office in order to find an appropriate organizational framework for their promising ideas though to get started they need legal and financial advice. Now that part of the decrees on the new organizational structure and operation of small-industrial production have been released, we can turn to practical information and get down to reality. In the present and the next few issues, we will be giving detailed information on the regulations regarding the new forms. As a starter, we will discuss the newly extended possibilities in contract operations.

Is there anyone who, in addition to being annoyed, is not worried as well when something breaks down in the house or when the car will not start? Locating a repair man sometimes requires a great effort which is out of proportion to the breakdown. And even if one is found, will he come in time, can he make the necessary repairs, and will his charges be reasonable? Those who can greet the arriving specialist in such a "crisis" as a personal acquaintance, are exceptionally lucky. In the largely impersonal offices of the servicing enterprises and in the long chain of clerk-to-central office-to servicing department which is hard to locate, the "simple" customer must resort nowadays to tipping in order to reestablish the relationship between those standing at the opposite sides of the counter.

When the contract operational system was introduced in the catering industry and retail trade, there was relatively little talk about the role of personal relationship and trust. Now that the decree of the Council of Ministers, and the joint decree of implementation of the ministers of finances and labor make it possible to operate industrial, consumer and other servicing enterprise departments through the contract system, this also becomes an important factor. For it is, without question, in the interest of the contract department's manager and workers to live up to their reputation in their know-how, dependability and care. What is the nature of this direct interest?

The contract system, in practice, is nothing but a contract made between the enterprises and the contractor, in it, the latter assumes the responsibility for a

certain quota of sales and the payment of a proportionate fee, while the enterprise allows him during this time to use the department's fixed assets and stocks. This system can be applied to industrial production, consumer and other services (e.g., repair and maintenance), trade of production equipment, and waste collection, but only in departments which have a maximum of 15 employees. This system can be used, for the time being, in the state sector, in economic associations, and within the framework of the General Consumer and Marketing Cooperatives. In industrial and agricultural production cooperatives, an increased personal interest and less red tape is made possible not by the contract system but by the so-called lump-sum system, which will be discussed in our next issue.

The department which is engaged in an activity reserved exclusively for state management organizations, cannot be operated by the contract system because of warranty requirements of implementing official regulations (such is, for example, electric supply).

The enterprise is required to sign a contract with whomever makes the best offer at the public bidding, i.e., who makes the best offer. The operation may be undertaken by any private person who

--has the professional qualifications necessary for the operation and for license issuance (e.g., trade school diploma and 2 years of professional background),

--is, or becomes, an employee of the enterprise;

--is not disqualified for any reason. (A reason for disqualification is, for example, a prison term following a conviction, or the annullment within 3 years of an earlier contract by the enterprise, or the revoking within 3 years of trade license by the authorities).

A maximum of 5 persons may undertake a contract operation; they must establish a legal association between themselves. In such a case, the contract between themselves must include details of management rights. During the time period of the contract operation, the contractor (or the members of the association) are not considered to be on the enterprise's payroll but this time period does count as employment [service] from the aspect of certain labor regulations, e.g., the qualification for retirement pension. The department's employees are the enterprise's employees, but their employment is contingent upon the manager's approval. On the basis of employment with the enterprise, family members may work in the departments as well. Close relatives (brothers, sisters, sons, daughters, parents, spouses) may work without establishing an employment relationship but must obtain previous enterprise approval.

The manager is independent in organizing and managing the department's activity. He acts at his own responsibility and risk, but he does so in the name of the enterprise. The manager is required to pay a fee in order to contribute to the enterprise's expenses. The fee includes social security payments for the department's workers, the depreciation of fixed assets, the rent for the establishment, and the contribution to the enterprise's profits. The wages of the department's workers, defined in their contract with the enterprise, are paid by the manager. On the net income (after deducting all overhead), the manager pays income taxes according to the income tax statute 38/1980.PM. He may share his taxable income with the department's workers, but this will not count toward the latter's disability allowance fund.

The contractor may buy material according to regulations for artisans, i.e., at a price that includes sales taxes or at one that is reduced by a subsidy, even if the enterprise's purchasing agent (who can buy without sales taxes) buys the material for the department. The manager uses the enterprise's fixed assets, and is responsible for their care, maintenance and repair. The fixed assets which are discarded, replaced or overhauled by the enterprise, must be given back by the manager at the expiration of the contract.

The enterprise benefits from the contract system in that it does not have to organize work that takes place in small groups (e.g., auto repair, comprehensive household maintenance) or individually (e.g., television repair), and does not have to deal with providing enough work for its workers. Moreover, it does not have to research the labor market as earlier when the absence of even a single specialist could halt the work of an entire plant.

What are the contractor benefits of the contract from the contractor. Many people think only of the money. But this organizational form is also appealing because it (and the other ones which will be discussed later) gives a green light to a spirit of enterprise and to the followers of the "Now I'll Show You" Movement.

9414
CSO: 2500/30

MANPOWER REALLOCATION CLAIMED SMOOTH, WITH SOME EXCEPTIONS

Budapest NEPSZAVA in Hungarian 11 Sep 81 p 5

[Interview with Mrs Arany Janos, section head of the Main Judicial Department of the Ministry of Justice, by correspondent Andras Deak: "Ministerial Investigation: Is the Reallocation of Workers Legal?"]

[Text] [Question] Modernizing the product structure and increasing the efficiency of work are imperative requirements of economic life that have been emphasized for decades now; they are inconceivable without purposeful and organized reallocations of the labor force. Everyone agrees with this in principle. But what is the situation in practice? These steps, which are in all certainty well-justified economically, affect human lives and perhaps thwart individual interests and intentions.

[Answer] Everywhere enterprises and cooperatives must strive to carry out the various reallocations with the consent of the workers, if possible, said Mrs Arany, section head of the Main Judicial Department of the Ministry of Justice. It is of course impossible for economically necessary measures not to cause a single labor dispute.

[Question] Although one can conceive of innumerable human conflicts that do not show up in legal debates, for that reason we can see reflected in arbitration committee and judicial proceedings many characteristics, generalizeable features of workplace concerns and of the background to and execution of reallocations. What do judicial acts indicate?

More Purposefully, More Deliberately

[Answer] The main judicial department of the Ministry of Justice recently conducted a thorough investigation along these lines. Reallocations of the organized labor force began in 1979: the process gathered greater momentum in 1980, and at the same time became more purposeful and deliberate. According to our observations the reallocations are being carried out very cautiously, the procedures are humane, and they are, in the overwhelming majority of cases, legal.

[Question] Then we ought perhaps to speak about the exceptions?

[Answer] Illegal measures are generally found only among smaller employers and with reallocations affecting only a few people.

[Question] One hears variously that for more than one enterprise reorganization comes just at the right time. Referring to this, they may also give notice to people whom they have long wanted to let go....

[Answer] This naturally counts as a violation of rights, because the reasons for the dismissal notice must be valid. In Veszprem megye, for example, there was a case where the court invalidated a dismissal notice because the reorganization that was brought up as the reason for the dismissal did not in actuality affect the sphere of activity of the worker.

[Question] Might we have some concrete examples of how many labor disputes started in the wake of certain more significant reallocation of personnel?

[Answer] Naturally. In the period examined more than 1,000 people were moved at the Pet Nitrogen Works, 800 at the Lenin Metallurgical Works, approximately 400 at Volan No 9, and nearly 350 people at the Diosgyor Iron Works—without a single labor dispute. Among the 128 transferred workers of the Agricultural Machine Enterprise, one person submitted a petition to the labor arbitration committee, while among 100 people at the Feher and Veszprem megye Bauxite Mines, respectively, 5 people did so.

[Question] What was the result?

Both Good and True

[Answer] The arbitration committees rejected the majority of the complaints, and the labor courts affirmed approximately 80 percent of these decisions. This, too, demonstrates that the majority of the enterprises are proceeding cautiously and legally.

[Question] All this already sounds so good that....

[Answer] ...that it can't be true? But it is! Let me mention a few examples. The putting into operation of the combined steel works of the Lenin Metallurgical Works involved the shifting of 5,500 people. Well in advance, the enterprise sent out questionnaires about who would apply for the new work, and they even spoke personally with the applicants. At the Kecskemet plant of the Metal Worker Enterprise they trained semi-skilled workers as locksmiths and welders so they would not have to be dismissed. In the Sarospatak factory of the Csepel Works they are now manufacturing candy machines instead of bicycles. For those workers who did not accept retraining they attempted to find work that was better suited to them.

[Question] According to our laws, the labor contract can be modified only by mutual consent. In many cases, however, it is debatable what qualifies as a modification of the contract.

Speedier Handling

[Answer] Actually there are many misunderstandings surrounding this. A worker hired at a workplace under transformation can be directed to another location or workplace within the enterprise without his consent. The extent to which there are no two identical cases is demonstrated by this: a commercial clerk employed at a

workplace under transformation can be transferred to an area outside the administrative boundaries of the locality only with his consent. Further: the enterprise may also unilaterally alter the classification of a department, if its basic conditions are modified. In one concrete case, for example, the court—correctly—did not regard it as a modification of the work contract when the enterprise included several foremen in the physical work force--leaving their assignment and work place unchanged.

[Question] One of the central issues in the handling of labor disputes is speed. One has heard more than once about cases where the proceedings have dragged on for months, with both worker and enterprise left hanging.

[Answer] The ministerial investigation devoted a great deal of attention to timely administration of justice. Especially in cases begun because of dismissals, the courts must strive to conclude the proceedings prior to the given notice time. These actions are handled with special dispatch, and more than once hearings have been scheduled on the same day the complaint was received. In more than half the proceedings examined a judgment was rendered within 30 days, and even the more complicated cases have not stretched out beyond 3 months. It has happened that the hearings have had to be postponed because the enterprise had not appended to the dismissal notice documents justifying the reorganization. The court has set a fine of 2,000 forints for delaying the proceedings.

8971
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VALUE OF HOUSEHOLD PLOTS ASSESSED

Budapest MUNKA in Hungarian No 8,9 1981 pp 1-2

[Article by Ferenc Cserkuti: "How Much Is the Household Plot Worth?"]

[Text] The question posed in the title can even be answered in just one sentence. [It is worth] several billion forints worth of food to the country and useful jobs, and a decent income supplement to almost a million and a half peasants in the cooperatives, state farm workers, industrial workers active in the auxiliary farms, employees and retired people.

Because there are people who do gardening, raise small animals or keep bees just as a hobby, and there are those who want someting to do outdoors because to them agricultural work is a way of active relaxation, and a means of fulfilling the need for physical activity. But there are even more of those for whom the vegetables, fruit, milk, meat and eggs produced on the household plot or auxiliary farm are indispensible to their subsistence.

Security and Incentives

The fact that our public opinion values the activity of household plots and auxiliary farms generally in tems of the value they produce is to be viewed as extremely favorable. Credit fo this is due mainly to the fact that the party's and the government's agricultural policy always dissolved in time any possible misunderstandings and erroneous qualifications concerning the household plots. Last time, it was the very resolution of the party's 12th congress to clearly define that incentives must continue to be offered for production on the household plots and auxiliary farms.

We are dealing here with such an opportunity for faster progress which not only does not require specific investments but we can also save significant financial resources for other purposes. The fact is that during the last 5-year plan's time period production on the household and auxiliary farms increased by an average of 1.5 percent per year. Now the gross value of the annual production of almost 1.5 million small farms exceeds 60 billion forints. And this is roughly the same amount as our national economy's yearly export of agricultural and food industrial products.

Conscious Production Organization

It makes their work easier that these farms are tied with thousands of lines to the large socialist agricultural operations. Relying on the professional,

organizational and technical activities of the TSZ's [producer cooeratives], state farms and AFESZ's [General Consumer and Marketing Cooperatives], they can produce and sell in a better organized and better planned manner, being organic parts of the large scale operation and consciously becoming components of the socialist agricultural system. Our socialist society has also found a way to make the household plots and auxiliary farms a part of the planned economy. With conscious production organization, the appropriate shaping of financial incentives and wholesale buy-up prices, and with the aid of production contracts we succeeded in achieving that they produce what the national economy needs for the balanced food supply and for export. It is also favorable that the large scale socialist operations organize and aid the household plot production of not only their members and employees, but also the production of industrial workers, intellectuals, employees and retired people who live in villages and who paritcipate in small scale production. They provide them with breeding material, saplings, seedlings and equipment and feed necessary for production the same way as they provide the household plots, and contract with them to buy their products.

But, however favorable the picture may be, one must never forget that the household plots and auxiliary farms are the most sensitive areas of agricultural production. That is, this branch can extremely quickly adjust to the factors which influence production, and adjusts flexibly not only to the favorable phenomena but also to the uncertainties. The small producer very quickly recognizes what is worth producing. But if the unfavorable factors multiply, and the family finds the profitability of a certain production branch uncertain, it usually gives it up.

How Much Does the Small Farm Earn?

The income of small scale producers is the subject of much back and forth talk and conversation. Some people will mention astronomical sums but do not have their facts straight. The truth is that more than half of the income of small producers is seasonal and is of uncertain size, and even that does not stream into the family's coffers with any regularity. In addition to this, the small producers accept risks. Their production may be struck by several kinds of plant and animal illnesses, and their income is affected by the fluctuation of prices and by the uncertainty of sales. Thus, if selling the product they produced causes difficulties, next year they won't try it but will perhaps switch to producing a product for which there is a market. This is the better case, and it is worse if they completely give up production.

The income situation of people living in villages has thoroughly changed in the last 20 years. Today's young and middle aged generation will undertake household plot production only if the production of products is profitable. It must also be known that the majority of the producers are workers and employees, thus small scale production has ceased to be an exclusively peasant activity. Social restratification is significant. Of those studied who farm or raise livestock on acreage on a minimum of 1,500 square meters of plowland or 800 square meters of garden, fruit orchards or grape vineyards--52 percent are presently workers and employees, and only 26 percent are agricultural workers; the rest of them are retired. The small scale producers supplement their TSZ, state farm, factory and office incomes with the work they do on the houshold plots, and this also means that for most this activity is not simply matter of earning a living. They do extra work only if it produces additional income.

The Statistical and Economic Anaysis Center of the Ministry of Agriculture and Food Industry [MEM STAGEK] conducted a study on how the cost and profit situation of the main products of household plots and auxiliary farms developed last year. We see from this that on the small farms one hour's work for one's self produces a gross income of 28 forints for growing cucumbers on open land, 28 forints for growing grapes for wine, 16 forints for raising slaughter cattle, 19 corints for raising piglets, and 22 forints raising rabbits. This is because the income of the producers is strongly influenced by costs, market conditions, and the weather. Thus, in setting the prices of industrial materials, equipment, feed, and plant protecting chemicals it must always be taken into consideration how much more the household plot operations can still support, since we can expect more production from these operations only if the people working there can enjoy a satisfactory income for their work.

Urbanization and Culture

In addition to first producing the materials and equipment and creating a reliable market for them, must also be taken into consideration in setting up the conditions for small scale production that the producers have a way to spend this income. Because the small producer wants to build a house from the profits of his work, wants to modernize his apartment, or save for furniture, household appliances, or an automobile. Yes, an automobile, which in the majority of the cases he will use then to take home the feed and equipment he needs in the household plot operation, and to carry the merchandise produced to the buyers. Financial foundations must be created in the villages for growth to create a more modern, more up to date way of life. This is why we can't understand why in many places they are afraid that raising livestock in the household plot operations will jeopardize urbanization. It does happen in many places that they try to limit the raising of cattle or hogs--even in traditionally agricultural settlements. Even though the village is being built and the environment is being created, and are becoming more beautiful from the results of livestock raising and from the value of the product produced in the gardens of the household plot.

As long as we are at this point, it is also worth mentioning that there are people, and more than just a few, who worry about the advancement of the cultural state of the small producers, saying that household plot production takes them away from cultural advancement. It is true that household plot production involves a tremendous amount of work and self-denial, because the person who elects this activity must get up very early and go to bed late at night. (Let's not forget that this work is done outside of the regular working hours, sacrificing one's free time.) But this additional income is the very thing that creates the foundation for building modern homes, and furnishing their homes according to today's lifestyle. Thus, in the final analysis this enables them to live better, and to create the preconditions for a more modern lifestyle. It is a misbelief that the village will be more like the city if livestock raising around the house is eliminated, if the cattle cannot be driven to the pasture because they may trample the rosebushes planted in front of the fences. Livestock raising should not be feared as a danger to the village's modernization!

All these things can and must be understood. We need conditions whereby extra work makes sense and produces results, and makes extra work worthwhile. Therefore, our society pays much attention to insure that the development of economic regulators,

standardized and simplified taxation conditions provide the appropriate incentives for the household plots and auxiliary farms to produce. For example, the small producers can obtain state assistance to establish plantations, to grow vegetables under foil cover, or to buy machinery, chemical fertilizers, pesticides, or weed killers. The state assistance also extends to cattle raising. The conditions of taxing their income also promote the growth of small farming operations.

To Provide the Food Supply

The quality of technological, biological, financial and technical conditions play definitive role in production. In livestock raising, for example, much depends on the supply of breeding stock and the base stock for fattening. Whether the small producers can obtain the breeding stock, and if so, what its quality is. It is a great achievement in that now small producers can buy grape and fruit propagating stock in the country's 150 horticultural supply stores and tree nursery depositories, and that there is a balanced supply of packaged vegetable seeds. The household plot livestock raisers are especially sensitive to the availability of feed. The fact is that grain fodder and feed supplements can now be bought in 5,400 places in the country.

Livestock raising, with its 60 to 65 percent share, is the definitive aspect in small scale agricultural production. These farms have 53 percent of the total hog stock, 51 percent of all the sows, almost 30 percent of the cattle, 73 percent of the basic poultry stock, and 14 percent of the sheep stock. And the Sixth 5-Year Plan expects the household plots and auxiliary farms to increase their slaughter animal production by 3.2 percent. For example, the national economy expects them to produce 660,000 tons of slaughter hogs, 180,000 tons of slaughter poultry, and 52,000 tons of rabbits in 1985.

Of course, the household plots and auxiliary farms still need a lot of equipment and materials. It is reassuring to know that besides the growth of the chemical fertilizer and pesticide supplies, signs of improvement are also seen in small machinery and tool supply. The quantity of these goods has doubled in 4 years, but the quality of the materials and the lack of some specialized less expensive tools represent problems.

The supply of small machinery is a special problem. It now seems that the efforts are finally beginning to pay off. For example, domestic manufacture of rotary hoes and universal small tractors has begun. And the technological and technical progress in small scale production may also have the side effect that the younger generation living in villages will increasingly participate in this activity.

Of course, successful work by the household plots and auxiliary farms is unimaginable without the production organizing activity of the large agricultural operations, the AFESZ's, the production contracting and support service enterprises. The help provided by the TSZ's and state farms includes among other things, breeding stock, feed, propagating materials and seeds supplies, performance of the mechanical and soil preparation work, shipment, professional advice, and procurement products. Thanks to this, for example, the livestock trade and industrial meat enterprises last year were able to buy 3 million hogs from the small producers, 2 million of these were obtained through the cooperation of the large farms. There are some large farms, such as, for example, the Voros Csillag [Red Star] TSZ of Turkeve,

where more than 20,000 hogs are being fattened by the household plot operations. The example of the Marcius 15 [March 15] TSZ of Hernad is well known, where last year the household plots produced 7,450 tons of meat. And we could go on listing the examples. Perhaps the most important thing still is that if, for example, this large quantity of meat had to be produced by the large farm in Hernad, the farm would need an investment of about 350 million forints. Our present economic situation would not permit this.

The TSZ's employ 2,700 specialists to organize production and sales, and to purchase the materials and equipment the small producers need. In the state farms the number of specialists helping the small producers is over 200. It is significant that the small producers now sell over 16 billion forints worth of agricultural products through the TSZ's, and almost 1.5 billion forints through the state farms. Procurement by the AFESZ's exceeds 9 billion forints. Besides these, the household plots and auxiliary farms produce a tremendous amont of food for their own consumption, or take directly to farmers' markets.

So we are apeaking of large sums. Domestic supply as well as exports demand that all areas of food production increase. The encouragement and all the conditions which contribute to the growth of household plot production are needed for this. Only this way can it be achieved that the prescribed production increase becomes reality in the household plot and auxiliary farms as well as in the large scale farm operations. Obviously, the household plots are worth alot! They serve the reliability of food supply, and also they contribute to the profitable food export which is so important to the national economy.

8584
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BABOLNA SPECIALISTS WEIGH LIMITS OF CORN PRODUCTION SYSTEM

Budapest MAGYAR HIRLAP in Hungarian 13 Oct 81 p 7

[Excerpts] At the present exhibit staged by the Babolna Agricultural Combine, two employees of the combine were questioned about the status and prospects of Babolna's Industrial Corn Production System.

Mrs Istvan Kiss, PhD, is in charge of the experimental varieties section. Each year she directs comprehensive tests on several hundred varieties of hybrid corn. She and her group decide which hybrids are to be grown on 230,000 hectares farmed by Babolna's several hundred partner farms.

According to Dr Kiss, even though the farms as a whole produce a generous 1 ton per hectare above the national average, yields could be much higher if all production conditions at least approximated the optimum of the inherent potential of the varieties grown. Conditions include adherence to technological requirements, use of the proper amount and type of fertilizer, timing of operations, correct use of plant protective agents, quality of seed. Under ideal conditions it could not happen that one partner would produce yields of a mere 28 quintals while others produce yields in excess of 100 quintals per hectare.

Istvan Kiss, Dr Kiss' husband, who organizes production has a different approach. According to him, "The level of corn production is at a standstill, because the growers lack incentive for increasing yields. This serious charge is substantiated by a computer analysis of the corn production system. Production data of the growers reveal that current prices make the additional investment required for higher yields a paying proposition only up to yields of 7.5 tons. Expenditures entailed for higher yields exceed income growth. When yields reach a record of about 10 tons, corn production again becomes profitable.

"However, the majority of farms, even those with the best equipment, average yields of 5.5-6.5 tons and must be content with a very modest income in return. This is because average growing costs have increased by 60-70 percent over the past 3-4 years while bulk purchasing prices have risen by barely 10 percent."

CSO: 2500/40

FOOD CONSUMPTION, PRODUCTION PROJECTED

Long-Term Development Trends

Warsaw NAUKA POLSKA in Polish No 3-4, Mar-Apr 81 pp 3-24

[Article by Zdzislaw Grochowski: "An Assessment of the Feasibility of Developing Agricultural Production and Providing Food for the Country*"]

[Text] 1. The Present Level of Food Consumption and Tendencies of Change

The general level of food consumption in Poland is adequate from the standpoint of energy value, which is determined to be about 3,400 kcal per day per inhabitant. This value is higher than that recommended by the United Nations Food and Agriculture Organization and the standards accepted in other countries with similar climatic conditions (3,150 kcal). The differences in these standards may result from different definitions of gross and net requirements, i.e., either on the basis of production balances (as is the case in our country), or on the basis of actual consumption. Nevertheless, the calorific value of the food standard in Poland contains a wide margin of safety, and food resources are sufficient to meet the energy requirements of all population groups.

According to determinations made by comparing food consumption in working families (Central Office of Statistics data) and accepted as a minimum food standard (standard B), the consumption of protein in recent years was somewhat lower than recommended, but the share of animal protein was higher and thus the nutritional value of the protein consumed was greater than the standard requirement.

In view of the large differences in individual food consumption, there is consumption below food requirements (in low-income families or those suffering misfortunes), as well as excessive consumption.

For a long time there was been a very high income flexibility for expenditures for food, irrespective of the growth rate of the population's incomes and standard of

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*This is a summary of certain parts of a professional report under the same title, prepared in the Agricultural and Forestry Sciences Section of the Polish Academy of Sciences. The work was initially directed by Prof Franciszek Kolbusz and later by Prof Zdzislaw Grochowski, chairman of the Agricultural Economics Committee. A synthesis of the report, based on 30 papers written by specialists in various scientific disciplines, was prepared by Dr Antoni Leopold and Prof Zdzislaw Grochowski.

living. It is shown in the 0.6 percent growth of these expenditures for every 1 percent growth of incomes and a very distinct differentiation of income flexibility of demand for meat, amounting to 0.9 percent for 1 percent of growth of incomes. This is one of the causes of market tensions, for the growth rate of personal incomes greatly exceeds the growth rate of farm production.

Food consumption, which in Poland is a considerable portion of the consumption fund, is only one of its elements. Thus the problem of shaping demand for food goes far beyond the limits of the food economy. If food requirements (as set by the standard) are to be fulfilled to a high degree, then the problem of halting growth in food consumption arises (with the exception of the population groups with the lowest incomes), and this can be solved principally by increasing the potential of expenditures for durable goods and services. Considering the agricultural and natural limitations of food production and the higher results of labor and capital outlays in industrial production, changes in the structure of consumption are not only necessary but they determine the rate of growth of the national income and the population's actual incomes.

During the first half of the 1970's, the growth rate of consumption of animal products increased greatly in comparison with previous periods. Meat consumption per one inhabitant during 1971-1975 increased 17 kg, i.e., it was even slightly higher than during the 1951-1970 20-year period (16.5 kg).

Although a growth tendency in meat consumption is seen in all countries, the increase in Poland during the first half of the 1970's was particularly high and exceeded the production capability of our agriculture and was attained due, among other things, to an increase in imports of grain and feed (from 2.1 to 4.9 million tons). As a result, the increase in consumption was the direct cause of the negative balance of foreign trade in agro-food products and the transformation of our country from a previously traditional exporter (up to 1972 inclusively) to an importer of food.

Based on comparison with West European countries, the level of meat consumption in Poland is very high in relation to the attained national income per one inhabitant. Thus, in meat consumption in recent years we have exceeed the production potential of our agriculture and the entire national economy.

The large share of pork in consumption is attributed mainly to the availability of that meat, which, in turn, is dependent on results of pig farming. Recommendations on greater consumption of beef and poultry, dictated by dietetic considerations, must be seen in the context of production capabilities which tend to further develop the production of pork as giving high meat productivity per unit of cropland. The fulfillment of the demand for meat with pork conforms with food habits.

One defect in the structure of meat consumption in Poland is the excessively high share of cured meats, estimated at 60 percent, and limited share of cooking meat. Attention must also be called to the need to maintain more care than heretofore in using substitutes in meat products. The share of substitutes should be reduced.

The effect of the export of meat (generally the best) on the reduction of the quality of meat on the market and the ways it is utilized cannot be underestimated. At the same time, a growth in demand for better varieties of meat is seen. This is connected not only to the relatively low price, but also the lack of improvement in quality of the cheaper varieties of meat and processed meats (cured meats).

The growth of meat consumption, assumed in the resolutions of the PZPR Central Committee's Fifteen Plenum in 1974 to reach 85-90 kg per 1 inhabitant in 1990, corresponds to the present level in the most developed West European countries. The fulfillment of this assumption, however, depends on the production capabilities of agriculture. We will speak of this later in this article.

The consumption of milk and dairy products (except for butter) grew slowly. During 1960-1970, milk consumption (together with butter) per 1 inhabitant, increased 1.3 percent yearly (from 340 to 400 liters), and during 1970-1979, this rate dropped to 1 percent yearly (in 1979 consumption was 430 liters). Poland is a country of rather high milk and milk products consumption. A similar level of consumption (420-430 liters) is seen in France, FRG and Denmark. Only Finland consumes more milk (about 600 liters), but their level of meat consumption is considerably lower.

Milk, particularly protein, is not being utilized efficiently. Despite the relatively high share of liquid milk in consumption, population requirements are not being met, because, among other reasons, of the quality of the milk supplied to the city people. The high consumption of milk in farm families, over 60 percent more than the consumption in working families, suggests that there will be a decline in the average consumption of liquid milk in the country when people migrate to the cities. The low quality and small variety of dairy products can be ascribed to their low importance as substitutes for meat proteins. The taste and quality of cheeses, which also, in view of habits and relatively high prices are not a competitive product with cured meats, are unsatisfactory. This opens up a field for action in making the desired quantitative changes, conditioned, however, on an improvement in the quality of the products and their range. This problem is even more important since in addition to the scientific teachings on nutrition there is a production potential for increasing the lactation yield of cows and making much better use of milk, particularly protein, and by efficient milk processing.

From the standpoint of butter consumption per 1 inhabitant (8.8 kg in 1979), Poland ranks with the average-level countries. Only a few European countries consume more butter: Finland (12.2 kg), Ireland (11.1 kg), GDR (10.5 kg), Belgium (10.1 kg), and France (9.3 kg). In some countries recently butter consumption declined (Denmark, Holland, FRG, Sweden, United States), where for health reasons vegetable fats are substituted. In our counditions, butter consumption, according to assumptions, should not exceed 10 kg. But this will depend on the development of good-quality butter substitutes.

If on the one hand we take into account the potential of growth of consumption of dairy products (together with butter), and on the other hand the decline in liquid milk consumption, especially in the village, than it should be assumed that the growth rate of total milk consumption in the next few years should not exceed 0.8 percent annually. The general level of milk consumption in 1990 would be about 470 liters per 1 inhabitant.

In view of the fact that the production of animal protein contained in milk is, in comparison with meat, the least "land-intensive" animal production, it would be

desirable to stimulate (with the help of product quality and prices) consumption of dairy products as a meat substitute, for example to about 500 liters per one inhabitant.[1]

Implementation of the first or even the second variant of growth in consumption and production of milk will depend on the variant of growth in production and consumption of meat, i.e., if less meat is consumed, milk consumption should be higher, and the converse.

Egg consumption per 1 inhabitant during the 1960's increased an average of 2.7 annually; in the 1970's (up to 1979), it increased 2 percent annually. This, then, was a clearly shrinking rate. By 1990, an increase in egg consumption per 1 inhabitant is assumed, from 221 eggs in 1979 to 270 (about 15 kg), which is really the upper limit of consumption from the standpoint of nutrition standards. Only a few countries have exceeded this level by 1 to 2 kg (FRG, United States, Czechoslovakia, Japan), and in some countries a distinct downward trend is seen (United States, Great Britain, Canada, Belgium), or a stagnation of consumption at the 11-14 kg level (Austria, 14 kg; France, 12.9 kg; Sweden, 12.4 kg; Denmark and Holland, 11.5 kg).

An increase in the consumption of fish, although desirable from the standpoint of recommendations on good nutrition, will depend principally on the availability of supplies, which are not too optimistic.

The consumption of fat, on the average, is too high, for it supplies about 40 percent of the calorific value of consumed food. In relation to the minimum standard (standard B), fat consumption, according to studies of household budgets, is higher by about 20 percent. A reduction in the share of energy derived from fat consumption to 30 percent of the calorific value of food is desirable. The increase in consumption of fats, anticipated in current plans, is unwarranted and would result in poor nutrition. Changes are also desirable in fat consumption, directed at reducing the consumption of animal fats (other than butter) and increasing the consumption of oils and margarine. The quality of vegetable fats may be improved by using soyabean and sunflower seed oils and by improving solidification methods.

Insofar as carbohydrate products are concerned, there has been a decline in consumption of grain products and potatoes, while consumption of sugar has increased. These tendencies are undesirable from the standpoint of good nutrition recommendations, but they have also appeared in most economically developed countries. It will be difficult to change the preferences of the consumers, although the rate of decline of consumption of grain products, and especially potatoes, is tied to the shortcomings in the organization of supply and the low quality of the products. These shortcomings are also the cause of waste in baked goods and potatoes.

The edible potato market is not properly organized. The supply to the cities of fresh potatoes and to industry of potatoes for consumption processing should be based on specialization of regions which produce suitable varieties of potatoes,

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[1] The PZPR Central Committee's Fifteen Plenum resolution of 1979 foresaw an increase in consumption of milk and its products to 540 liters per person in 1990. In the light of present growth trends in milk consumption in our country, and also in countries which have higher meat consumptions, it is believed that this standard was too high.

on direct deliveries, and on a network of warehouses. In recent years, in some developed countries, we have seen an increase in processing, and a related halt in the decline or even an increase in the total consumption of potatoes. The dietetic value of potatoes and eating habits in Poland can be utilized by proper organization of production, processing, and supplies to the city populations.

There is no justification for increasing the consumption of sugar, which is greater than in many countries with a higher level of incomes. The production of carbohydrates in the form of sugar from beets is the least "land-intensive" and has some additional benefits for agriculture. It seems, however, that the assumed growth in sugar production does not take into account the need to halt its consumption and the limited export potential.

A large number of differences have appeared recently in the consumption of vegetables and fruits. Despite fluctuations in consumption due to crop yields, quantitatively consumption does not differ from that in other European countries with the same climate. Thus far, there are no completely reliable estimates of the consumption of fruits and vegetables in Poland, especially by the village population. Data from various sources differ greatly. It is believed that actual production and consumption of vegetables is lower, and fruits higher, than statistics indicate. There is also lack of agreement in opinions on the desirable level of their consumption from the standpoint of science and nutrition. This makes it difficult to evaluate the situation and formulate realistic planned tasks in the field of production and consumption.

Several groups of food products can be listed whose consumption should be shaped differently.

In the first group, which contains sugar and sugar products as well as fats containing highly saturated fatty acids (animal fats and solid vegetable fats), there should be a decrease in the presently occurring growth, stabilization, and even a drop in consumption.

In the second group, in which consumption is increasing too slowly in relation to scientific recommendations on nutrition and economic capabilities, an increase in consumption of fruits, vegetables and vegetable oils should be obtained.

In the third group of products, in which consumption is decreasing, i.e., grain products, potatoes and legumes, the decline in consumption should be halted.

The fourth group is comprised of animal products, such as milk and milk products, eggs, and meat. Milk consumption should be increased or at least maintained at the present consumption level, particularly processed products in the form of cheeses, cottage cheese, and dairy beverages. The envisaged growth in egg consumption, which is shrinking in relation to the rate of growth heretofore, is warranted, for it is gradually fulfilling dietary requirements. The growth in meat and meat products consumption is still a long way from satisfying needs, and will be determined primarily by the capabilities of agricultural production.

2. Economic Problems in Shaping the Demand for Food

The situation on the food market must be examined against the background of the general development of consumption, although consideration must be given to the specific features which govern the consumption of food. The assertion that the tendencies appearing in the demand for food are irrational, requires that means of economic policy must be sought which will allow us to extricate ourselves from a situation of unceasing shortages, especially of meat, which cannot be regarded as objectively justified by production capabilities. The lack of balance on the food market, particularly on the meat market, is not a phenomenon which is independent of the mechanisms which also shape incomes and supply the market with all consumer goods and services. We must seek the solutions for this problem not just in the sphere of food production, but also, and perhaps even more so, in the sphere of factors which determined the demand and structure of consumption thus far.

The problem of the food market, and basically, the meat articles market, can be solved only through the simultaneous action of factors affecting production and supply as well as demand, and the effective influence of these factors requires important modifications in the economic structure and development mechanisms.

The mechanisms of development in our economy not only do not halt demand for food products but on the contrary, they enhance the growth of this demand. Recently there has been an acceleration in the process of comparative cost reductions in food.

Economic mechanisms must be established which would adapt demand, especially for meat, to the production potentials of agriculture. This would mean, in actuality, a striving for a basic change in a situation in which industrial articles are comparatively increasing in price, while food articles are costing less. The selection of measures, the time at which they are applied, and the cohesiveness of policy on the shaping of incomes and prices must be of fundamental importance.

Irrespective of the force and weight of the premises arguing for a change in the proportion of prices of consumption items, the operation itself is difficult and in reality requires that the economic structure be prepared both as to level and structure of production and as to prior subordination of income policy to the intended changes. The maneuver of changing the consumption structure should not, of course, halt improvements in supplying food to those population groups which lack an adequate level of food consumption. The purpose of the activity is to increase the consumption fund, decrease the share of food, and particularly meat, by drastically reducing the income elasticity of demand for meat of those population groups who already are at a high consumption level.

When a general market imbalance is apparent and, at the same time, an imbalance in the market of nonfood items, a comparative increase in prices of food can take place only through a faster growth in prices of food articles in relation to prices of nonfood items. However, a growth in food prices in relation to prices of commercial items, causes an absolute impoverishment of low-income population groups. That is why this type of change in price relations must be made while taking into account the need to increase the monetary incomes of families that are not well-off. Compensation should be granted principally to all low-income groups and should counteract the decline in real incomes, even increasing them in these groups. Under these

circumstances, the halt in the growth of the total size of demand for meat may not occur. Over the long term, however, the new system of prices and wages would be beneficial in shaping the structure of consumption.

The change in the situation on the food market by reducing the increase in demand for meat and its products depends not only on the changes in the relationships between prices of food and commercial items, but also on the changes in the relationships of prices on the food market itself. Meat and meat products in Poland are comparatively cheap in relation to cheeses, fish, fruits and vegetables, butter, and margarine. For this reason, among others, in low-income groups the lower consumption of meat is not compensated by a comparatively higher consumption of animal protein in other articles. The price relationship, the limited assortment, and the low quality of dairy products are not conducive to an increase in milk consumption. The whole animal protein in milk and milk products requires scarcely 40-50 percent of the fodder needed to produce the same amount of protein contained in meat. Thus there is a greater potential for an increase in milk production than other protein products.

But it would be difficult to expect a distinct growth in demand for dairy products at the expense of a growth in demand for meat without a comparative reduction in the cost of milk items in relation to meat and meat products. This also would be impossible without a decided improvement in the quality and assortment of dairy items. It should be stated, however, that one of the serious barriers to the improvement of quality in dairy products is the shortage of milk fat. This is due to the rapid growth of demand for butter. This shortage can be corrected only by increasing the substitution of vegetable fats for butter. This substitution requires a further increase in the quality of vegetable fats offered to the market.

The proportion of prices among beef, pork and poultry must be thoroughly considered, for it does not now correspond to the proportions of production costs and productivity that can be obtained from a unit of fodder and a unit of cropland. In modern poultry production, the lowest consumption of feed per unit increase of meat can be obtained, which suggests that a reduction in the price of poultry as compared with other varieties of meat should be expected. Agricultural conditions in Poland favor the less "land-intensive" production of pork over the development of the production and consumption of beef. These objective production factors and the price ratios on foreign markets should be considered in making changes in prices of agricultural and food products.

There should also be a comparative drop in prices of fruits and vegetables. As a rule, consumption of meat and meat products and fruits and vegetables increases as incomes grow. In our circumstances, there are opportunities (from the long-range standpoint) to guarantee the development of the consumption of fruits and vegetables and their products.

The low increase in supply and rapid growth in prices of leguminous articles is disturbing. Thus the price of high-protein vegetable articles, which are potential substitutes for meat, is rising. A rapid growth in consumption cannot be expected if, for example, a kilogram of beans costs more than a kilogram of the best meat.

Trends in consumption of meat and meat products lead to an increased demand for better varieties. This means comparative price increases on better assortments of higher quality. The price relationships on our meat market correspond to the level of incomes and pattern of meat consumption of several years ago. The rapid growth of demand for better varieties of meat and meat products is affected also by a lack in improvement of quality (or even a regression) in the production of many meat products. The recent preferences given to quantity at the expense of quality of meat products is in conflict with the striving to improve the diet. This may lead to waste of such a valuable raw material as meat. It is now necessary to strive to improve the quality of so-called average and poorer-quality cured meats. Because the public now has an appreciation for quality, this will require improvements in recipes and methods, and also changes in names. The problem may be solved by coordinating changes in prices on the meat market with a reform in recipes and names of products.

It appeares from the above that there is a large potential for neutralizing the comparative increases in prices of meats and meat products by maintaining comparatively low prices on a number of food items which can compete with meat.

3. Farm and Production Policy

The negative balance of foreign trade in agro-food products (which in 1979 amounted to almost 1 billion dollars, and over the 1970's totaled over 5.5 billion dollars) during an increasing national indebtedness means that the increase in the production and consumption of animal products, attained through a growing import of grain and fodder, is occurring to a large degree on credit. The need to reduce the import of grain and fodder in order to balance or at least reduce to a minimum the negative balance of foreign trade with agro-food products, will make it very difficult to increase farm production during the 1980's, and especially during the first half, because:

-- the increase in crop production must ensure that the fodder gap, resulting from lower imports of grain and fodder, will be filled;

-- the high increase in animal production during the 1970's, based on imports of grain and fodder, was responsible for wide-spread application of grain-intensive technologies of animal-feeding, which go far beyond the present level of domestic grain production;

-- the possibility of increasing grain production during the 1980's will be lower in relation to previous predictions because of considerable delays in implementing the program of mineral fertilization.

The problems in further increasing farm production result not only from the need to reduce imports of grain and fodder, but also from lower land productivity as its expanse is increased, from observed symptoms of a decline in economical management and the degree of crop utilization, and also from the effects of system conversions in agriculture, which show a net final production of one-third less from a unit of acreage in the socialized economy than in the private economy.

The causes of the disruptions in the growth of farm production in recent years can be grouped as follows:

1. Negative phenomena in the processes of system transformations, land management, and organization of production;

2. Disruptions in supplying agriculture with production resources and in the functioning of market mechanisms, due to disturbances in the economic balance in the entire national economy.

The natural process of population migration from agriculture (which occurred in all economically developed countries) was, in the 1970's, to a small degree related to the concentration of land and production in peasant farms. At the same time, on many farms, particularly on those where the farmers were older, there was a shortage of labor. These phenomena were also related to an inadequate flow of technical equipment to the peasant farms. As a result, land fell out of private farming and was then managed in an extensive way by units of the socialized economy. There was a distinct preferential assignment of land to the socialized economy, including the formation of new production cooperatives on lands obtained from the State Land Fund, with a minimal participation of farmers in land shares, despite the growing demand for land on the part of private farms.

The shift of land use and production to the socialized economy, whose final production was more than twice as fixed-asset- and materials-intensive, meant that production resources had to be used as a substitute for a work force, at the expense of using them to increase the rate of growth of production in private peasant farming.

The development of animal breeding in the private economy was disrupted. The decline in an interest in raising pigs and dairy cows, which occurred in small, peasant-worker farms after 1974, was the result of a deepening disproportion between the growing earnings outside of farming and the shrinking incomes for a unit of animal production; the unchanging retail prices of animal-derived food products while costs of producing these products on the farm increased; the lack of general market balance, and the inflationary processes, which caused a decline in interest in small earnings or incomes, for that is all that matters in small-scale production.

At the same time, a not-always-rational specialization of private farms was being developed, a specialization based on a concentration of animal production which exceeded the fodder availability on the farms, and animal-raising in the socialized economy, i.e., forms of raising which were much more grain-intensive and often wasteful. All inefficient actions in the management of land, with limited resources, reduced the growth rate of both animal production and net final production, in comparison with what could have been obtained had disruptions not taken place while fodder imports increased greatly at the same time.

Disruptions in the growth of farm production, caused by faulty functioning in the non-agricultural sphere and by disturbances of balance in the national economy, are related to the below-described phenomena.

Shortages of raw materials, energy, and other materials, make it necessary to drastically select and reduce investments, thus also reducing the rate of growth of manufacture of products particularly important for the development of the entire economy and agriculture (machinery, fertilizers, building materials).

The severe lack of balance in foreign trade reduces materials supply, import of new technology and spare parts. This state makes it necessary to export a number of scarce products, which also has an adverse effect on the development of agricultural production (export of fertilizers, while grain is being imported, may deepen strains in the successive cycles of production).

The lack of transport capabilities makes it difficult for the economy to function and to service agriculture (delays in pickup of slaughter animals, disruptions in transports of fertilizers, etc.).

Shortages in supplies of materials and energy, and the growing gap in housing construction, compel very costly investments in industry, transport and construction, which compete strongly with the needs of agriculture, while the possibilities of increasing the total sum of investment outlays are very limited.

The serious imbalance between the supply of goods and services and the money supply puts a very severe limitation on the policy of growth of real incomes and increases in employment outside of agriculture.

The negative effects of the phenomena described are intensified by the fact that they all appear at the same time, by poor product quality, and by glaring neglect in the functioning of trade and service enterprises.

The serious obstacles to an increase in deliveries of production resources to agriculture occurred simultaneously with the growing imbalance on the consumer-goods and food-products market--goods and products also purchased by the farming population. This caused a disproportion between the amount of money in the village and the amount of goods offered to it. In this situation, the organs of local administration and the trade units themselves applied a system of distribution of many means of production. Rationing is an evil necessity in a situation of severe shortages, however it always reduces the effectiveness of utilization of production resources and complicates the production process (time is lost in attempting to obtain production resources). It also provokes a number of known, negative, social phenomena.

All of the above phenomena weaken the role of money, prices and credits, whose effectiveness in controlling the production of private farms has been confirmed time and again. The substitution of administrative methods for economic instruments has always had a very adverse effect on the development of private farming, because these are methods which conflict with the "nature" of farms. Administrative organs also interfere with the flow of products between regions, stimulating "parochialist" tendencies, and severing the historically formed coproduction ties among farm producers, small industrial plants, and local markets.

Along with the unfavorable phenomena, which pertained directly to private farming and were caused mainly by shortages of supplies (market imbalance), some not-always rational investments and material-intensive production was undertaken in the socialized agriculture sector. This activity is not adequately supervised by an efficient economic and financial system. On the contrary, the lack of economic criteria (thriftiness) in making investment and production decisions in an attempt to increase animal production at any cost in the socialized sector, intensified. As a result, the shift of concentrated feed to the socialized sector reduced the possibility of an increase in animal production in the private economy.

Pushing the development of animal production in sectors of the socialized economy (combined with institutional fattening) was responsible for the fact that during 1975-1979 about 2.5 million pigs were shifted from private to socialized farming. This meant the elimination from pig-raising of those producers with the lowest grain-intensiveness of slaughter-animal production (because the drop occurred on the smallest farms) in favor of producers with the highest grain-intensiveness. This carried with it an increase in the consumption of concentrated feed, and also in imports of grain and fodder.

All proposals for changes concerning the development of agriculture must be organically related to the preconditions and limitations dictated by the country's general economic situation.

At present, agriculture's share in the country's total amount of industrial production does not exceed 5 percent, while in the developed countries where the level of agriculture is high, this share is 15 percent.

The general national economic situation, and in particular the direct and indirect requirements of housing construction and also problems in transport and raw materials and energy supplies, will not allow, in the near future, a commitment of industrial potential in the country for the production of resources for agriculture and the entire food economy, which would fully meet the needs. Nevertheless, even under the present difficult economic conditions, it is essential that industry be converted toward supplying agriculture to a degree that would ensure that by the end of the 1980's, agriculture's share in the country's total industrial production would be doubled. This is an indispensable condition for both improvement in the population's standard of nutrition as well as in the attainment of the country's complete self-sufficiency insofar as food is concerned (equilibrium in the balance of foreign trade in agro-food products).

The market imbalance, the housing "gap" in the cities, the inadequately developed urban infrastructure, which is accompanied at the same time by very serious employment surpluses in all nonfarming sectors, and particularly in the economic administration, will dictate a reduction in the growth rate of employment in the nonfarming sector. That is why, despite the transition from the high to the low of a demographic increase in labor force reserves, we should count on the possibility of a rather moderate drop in agricultural employment. Such a prediction is enhanced by the existence of very large and unutilized modernization potential, which in a way that is relatively the cheapest and without an increase in employment, can increase production in many areas of the nonfarming sector.

In view of the described overall-economic preconditions, the factor that will restrict the development of agriculture will be the rather slow flow of production resources directed to agriculture. That is why the allocation of these resources must be such that it will serve to increase agricultural production rather than be a substitute for a workforce. This pertains especially to the very capital-intensive and materials-intensive directions of production, particularly animal, in the sectors of the socialized economy. Naturally, the growth tendency of farm-production capital-intensiveness and materials-intensiveness is an objective phenomena. Regardless of the variant of employment growth in the nonfarming sector, employment in the peasant sector will obviously drop, and the young generation of farmers will

not want to apply a number of today's techniques which, although they are, in fact, capital- and materials-saving, are often in deep conflict with the justified aspirations of a young generation of farmers, insofar as working conditions are concerned. Both these causes--substitution for decreasing employment and the necessity to change working conditions--must cause a gradual increase in capital-intensiveness of production in private peasant farming.

Farm policy should give preference to land management, assumption of the land from the aging farmers, principally by the peasant sector. In addition, these activites must be accomplished on the broadest possible front. Aside from creating 15- or 20-hectare farms, everything must be done at the same time to make it as easy as possible for peasant farms of 7 to 10 hectares to be put under full cultivation, remembering that the processes of putting small farms into full use are the least costly investment processes.

These activities must be based on utilization of a loan policy and a system of pensions, which must be subjected to continuous analysis and evolution so that they can be made efficient instruments for improving the effectiveness of the processes of transformation in land management.

Even if the most favorable conditions are created for managing the land by the private sector, a certain amount of the released land will be taken over by the socialized sector. However, in order that the process of the flow of land to the socialized sector not halt the growth of production in all of agriculture, this flow should be held to a minimum. Furthermore, there should be no takeover of land that is far removed from economic centers, located in the midst of peasant lands, and the existing enclaves of areas of socialized farms located in the middle of peasant complexes, should be liquidated, transferring (selling) them to private farmers. The very inefficient forms of taking over land by agricultural circle cooperatives should be totally eliminated, and in organizing new production cooperatives the rule should be that farmers with shares of land must comprise at least 70-80 percent of the member-organizers. Action should be taken to greatly increase the productivity of the land and the means of production in the state farms and farm production cooperatives.

Improvement in productivity and effectiveness in the state sector will require drastic changes in the entire management and planning system, revision of organizational concepts (the mania for largeness), and revision of a number of technological concepts which are not totally adapted to farming conditions, our country's current economic situation[2] and high marginal energy costs[3]. Regardless of these changes, however, a change in the present management system is also indispensable. The present system provides for an almost pathological crop structure, in which grain's share does not exceed 43 percent and total grain production from 1 hectare of

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[2]This unadaptability is due to the fact that these technologies appeared during a period of abundant energy in a country (the United States) where until recently energy was cheap.

[3]An increase in energy production, obtained by way of a very costly increase in coal extraction and a very costly, for us, increase in imports of petroleum from capitalist countries (the very high domestic cost of obtaining a marginal dollar).

cropland--despite higher yields (which are the result of doubling the mineral fertilization)--is several percent lower in comparison with private farming. Low grain production is clearly out of accord with the grain-intensive technology of animal production, for the consumption of concentrated fodder per unit of animal production is almost 50 percent higher than in private farming. As a result, despite the considerably higher additional net purchase of concentrated fodder, the level of net animal production from 1 hectare of cropland is about one-fourth below the level of private farming.

The management system in the state agriculture sector should be changed so as to increase the share of grain in the crop structure and to establish a structure and level of animal production that will produce large surpluses of commodity grains. A reduction in the growth of the excessive grain-intensiveness of animal production on the state farms and also in the remaining socialized sectors, would allow for more concentrated fodder to private producers, who, from the same amount of fodder can produce more animal products. This would be one factor in reducing the growth of animal-production grain intensiveness on the national scale, thus improving the growth in animal production.

The general national situation requires that such directions of production, particularly the structure of animal production, and such production technologies should be selected that bring high food production from a unit of acreage and economical consumption of production resources.

In order to increase meat production from one unit of cropland and to minimize the unit consumption of fodder, the policy in establishing the proportion of the development of beef and pork production should favor the latter. With today's proportions of yields of fodder on arable lands for both kinds of animals, the production of pork per 1 hectare is higher than beef production. This policy can be implemented through a proper relationship in the prices of pork slaughter animals and beef slaughter animals and through the structure of investment in farm building construction and fodder management.

In applying priorities in loans and deliveries of materials, investments should be stimulated that best conserve fodder and decrease losses in storage of farm products. Progress in the field of production of preservatives for fodder and other crops can help in this task.

Changes in the structure of crop production, especially the structure of fodder reserves in state farms, should give priority of savings in fuel, and energy as a whole, which may make it necessary to limit application of excessively energy-intensive technologies that may, with current costs of obtaining fuel, produce foreign-exchange losses in the national economy.

The import structure should ensure that fodder reserves will be supplemented by the protein components that are indispensable in utilizing the production potential for pigs and poultry and in improving the effectiveness of the consumption of domestic fodder. At the same time, byproducts of the processing industry should be used to a greater degree and agriculture should be supplied with the chemical components of fodder, together with amino acids.

In the farm machinery industry, priority should be given to advancements in the production of machinery that is particularly effective from the standpoint of an increase in yields (e.g., new generations of fertilizer spreaders and distributors) and machinery which increases the degree of crop utilization (e.g., pickup chaff cutters that pulverize the crop mass, etc.). In selecting technical solutions, economical consumption of production resources, especially energy, should be considered.

Policies on prices, loans, planning the structure of production in agriculture and production resources, and the policies on importing licenses and ready production resources for agriculture, should be oriented towards giving priority to these kinds of production. These same premises should be considered in creating economic incentives in the socialized economy's economic and financial system.

The basic element of changes in the economic development of farm production should be the restoration of economic balance and the strenthening of the role of money in economic ties between the village and the city, and between agriculture and the rest of the economy. Income policy as it relates to peasant farms and the policy of supplies to the village market, should be subordinated to this task. This means that in view of the serious disproportion between the commodity bulk remaining at the disposal of the village and its monetary resources, improvement in the farmers' material situation and an increase in the peasant farms' investment potential should be accomplished by increasing deliveries of production resources and consumption articles for the market.

In view of the country's general economic situation, making it necessary to slow the rate of growth of nonfarming employment, the increase in village incomes through a drop in farm employment will not play too large a role during the 1980's. That is why it is even more important to ensure technical and organizational progress in the private economy, making it possible to maintain the highest possible farm production rate from a unit of acreage. To implement such a policy, in view of the modest growth in production of a number of commodities designated for the village market, the present restrictions in nonfarming investment construction should be taken advantage of. Furthermore, steps should be taken to improve production efficiency in the socialized economy (for example, improvements in the effectiveness of mineral fertilizers and commercial fodder), which should make it possible to increase the private economy's share of production resources for agriculture. In accomplishing this task, the export of nitrogen fertilizers should be discontinued in order to correspondingly increase the domestic market supplies.

If the role of money is to be strengthened, besides accelerating the rate of deliveries of production resources for the market, a very prudent pricing policy should be conducted which would act to strengthen market balance and make it possible to gradually abandon the practice of distributing production resources to the farmers, a distribution that is burdensome to the farmers and inhibits the growth of production. One of the conditions for the effective conduct of this policy is the application of strict discipline regarding those prices in state procurement that are established centrally. This will require, among other things, standardization of procurement prices for slaughter animals in all forms (in state procurement and within the framework of coproduction among farming sectors). The conduct of this policy cannot, of course, be limited exclusively to the policy of procurement prices and credits,

but it must apply also to wage policy in the nonfarming sector and to a pricing policy which would initiate the gradual restoration of balance, total and partial, to all markets.

Where the possibilities of increases in farmers' real incomes are limited, measures that improve the quality of the farmers' lives should take on a special importance. These measures may give results at relatively low financial outlays by the state.

First place should go to the undertakings that improve the supply of water to the village. These are financed by the farmers themselves and can produce dual results--a production result and an improvement in living standards.

Among the undertakings that at relatively low outlays can reduce the time-intensiveness of farm production, improvements in the network and functioning of procurement and supply to agriculture should be mentioned. This applies also to the development of services and crafts which, if they were able to obtain the necessary material supplies, could make use of the villages' workforce reserves which developed as a result of reduction in employment in industry. The time-intensiveness of farm production can also be reduced by all the undertakings that strengthen the role of money in relation to commodities between the village and the city, gradually eliminating the distribution of production resources that is burdensome to the farmers.

In the group of ventures that improve living standards in the village we should also include all resources that reduce the differences in living and working conditions between the village and the city. These include an improvement in the operation of the State Motor Transport network (very high efficiency in relation to costs) and the conduct of a policy that will give priority to the village population in the allocation of vehicles, which, in the village, not only play a very important civilizing role, but are also important for production.

4. The Demand for Food to 1980 [probably should be 1990] and Agriculture's Production Capability

In view of the fact that the demand for crop-derived food products indicates a small growth tendency (approximately 0.8-0.9 percent average annually), the demand for animal products is of fundamental importance from the standpoint of agriculture's production potential. In order to reduce the individual animal products to a common denominator, we are considering them in conversion units of meat (1 kg meat and animal fat = 1 kg eggs = 6.7 liters of milk). Taking as a base the standards of consumption of animal products in 1990, according to the 1974 program of the PZPR Central Committee's Fifteenth Plenum, only those standards pertaining to milk consumption were revised (which was discussed earlier). The demand for animal products in 1990, in comparison with actual consumption and production in 1978, appears to be as shown in the table below [see next page].

An assessment of the growth potential of animal production in the 1980's will require a retrospective examination of past developmental trends, and the correctness and interdependence of the factors that determined this development. Although it is true that not all of the proprieties and interdependencies appearing in the past can be applied directly to the future, nevertheless by knowing all of the factors

Consumption per 1 inhabitant (in kg)	1978	1990
Meat	70.6	85-90
Milk	65.5	75-70
Eggs	12.2	15
Animal fats	8.4	7
Total	156.4	182
Population (in millions)	35.0	39.1
Total consumption (in thousand tons)	5,474	7,120
Production (in thousand tons)[4]	6,126	7,920

which up to now influenced changes in these trends, we can predict their change in the future and also provide the sources of influence which would allow these changes to proceed in the desired direction.

The basic factor in the development of agriculture and the growth of farm production is the development of the entire national economy, and thus the potential of supplying agriculture with production resources. In examining the growth rate of farm production during the past 30 years, we see its close relationship with the growth rate of the national economy as a whole. During periods of rapid economic development, farm production[5] also grew rapidly, and vice versa.

The weakening in the country's economic growth rate in the second half of the 1970's not only reduced the past rate of inflow of turnover production resources for agriculture (from 10.3 percent annually during 1971-1975 to 4.6 percent annually during 1976-1979), but it means also that this rate during the next 5 years will be lower than the previous assumptions, on which the program for feeding the country's population, approved by the PZPR Central Committee's Fifteen Plenum in 1974, was based. This is shown in the mineral fertilizers supplied to agriculture, which in 1985 are to total 250 kg NPK [nitrogen-phosphorous-potassium] per 1 hectare, against the initially planned 300 kg. This will, of course, have a bearing on the size of the yields and harvests of cultivated crops, and thus also on the potential of an increase in animal production.

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[4]The difference between production and consumption is made up of: milk used for feeder purposes, eggs for hatching, export (net) of animal items, wool production, fats for technical purposes, and increase in animal herds. The increase in this difference from 650,000 tons in 1978 to 800,000 tons in 1990 is due to the need to eliminate the import of animal products, which took place in 1978 (about 70,000 tons of conversion meat) and an increase in their export to improve the balance of foreign trade in agro-food articles.

[5]With the exception of the period of the 6-year plan, in which the increased industrial growth was accompanied by a stagnation in farm production, both as a result of services to agriculture for industrialization purposes as well as the policy of collectivization.

Past growth in animal production during specific periods was as follows (in thousand tons converted to meat):

	1950	1970	1975	1979
Total production	2,916	4,631	5,918	6,114
Average annual increases	—	86	257	49

During the 1971-1975 5-year period, average annual increases in animal production were three times higher than in the previous 20 years. This made it possible to both increase export of animal products and to considerably accelerate the growth of consumption. And so during 1951-1970, consumption of animal products per 1 inhabitant increased by 40 conversion kg (from 89 to 129 kg), i.e., it increased an average of 2 kg annually. During the 1971-1975 5-year period, this consumption increased by 23 kg (to 152 kg), thus it rose 4.6 kg annually.

Such a large acceleration in growth of production and consumption of animal articles, achieved due to an exceptionally favorable situation in the production of grain and higher imports of grain and fodder, became one of the main causes of strains in the grain-fodder balance in the current 5-year period.

It is obvious, of course, that the growth of crop production does not proceed linearly, that there are years and periods of high increases in production as well as drops. And so after a period of high increases in grain production during 1971-1974, it declined in the following years. On the one hand, this was the result of bad weather conditions for grain production (three years of crop failures--1975, 1977 and 1979), and on the other hand it was the result of large delays in implementing the mineral fertilization program.

The drop in grain production and the small increase in harvests of the remaining crops in the current 5-year period, while animal production was at a high level, caused large shortages in the grain-fodder balance. Under these circumstances, two solutions were possible: reduce animal production and adapt it to the lower fodder reserves, or--to prevent a drop in consumption of animal products per 1 inhabitant in the face of an annual population increase of approximately 300,000--supplement the fodder shortages by a further increase in imports of grain and fodder. Acceptance of the second solution made it possible to increase animal production, and with the simultaneous reduction in net exports of animal products the consumption of animal products per 1 inhabitant was also increased, but this increase was only the result of an increase in imports of grain and fodder, from 4.9 million tons in 1975 to 8.6 million tons in 1979. The social costs of this increase are shown in the progressive growth of the negative balance of foreign trade in farm-food articles. Because the negative balance of food imports is not compensated by a positive balance of exports of commodities produced by the remaining sectors of the national economy, the growth and consumption of animal products is to a large degree at the expense of an increase in the national debt. If payments on the indebtedness are to be made, a positive balance in all of the country's foreign trade must be attained and the balance in import and export of agro-food products must be equalized. This will require a reduction in imports of grain and fodder, because payment for these imports at the present level of expenditures (over 1.2 billion dollars in 1979) out of revenues from a larger export of farm-derived products, is out of the question.

Aside from the effects of the economic acceleration of animal production based on imported grain and fodder, the production effects are no less important for agriculture's future development. These effects are shown in the loss of agriculture's production balance, i.e., in the growing disproportion between crop and animal production, and in the basically irreversible change in animal-feeding technology. This change is based on a growing grain-intensiveness of animal production. Thus the consumption of concentrated fodder per unit of animal production during the last 10 years increased an average of 4.8 percent annually, i.e., over twice as fast as during the previous 20-year period (2.1 percent). This increase was especially high during the current 5-year period, during which concentrated fodder's share in the total increase of fodder for production stock reached 97 percent.

At the present time we have reached such a high level of grain-intensiveness of animal production (3.17 kg concentrated fodder per 1 conversion kg animal production, 1978-1979), that unless it is radically slowed down, no further growth in animal production is possible, especially under conditions where grain and fodder imports must be reduced. The increase in the domestic production of grain must not only fill the gap that results from reductions in imports, it must also ensure that there will be fodder for an increase in animal production.

Higher grain production will depend on both higher yields and larger areas of croplands. Higher yields are determined primarily by more mineral fertilization. At the assumed increase in mineral fertilization, in 1985 grain yields will not exceed 31 quintals, and in 1990, 34 quintals from 1 hectare. If the grain-sowing lands are increased from the present 7.9 million hectares to 8.3 million hectares in the 1980's, total grain production in 1985 would be 25.7, and in 1990, 28.2 million tons. If we consider that during 1976-1979 actual outlays of grain for feed and other purposes were 27.8 million tons annually (20 million tons from domestic production and 7.8 million tons from import), then the rather optimistic figures cited above concerning the growth potential in grain production in the next 10-year period reveal show difficult it will be to equalize grain-fodder balance while, at the same time, reducing grain and fodder imports and increasing animal production.

It is estimated that if present grain and fodder imports are reduced by one-third (expressed in terms of value) and exports of farm products, including animal, are increased, then it will be possible in the 1980's to equalize the balance of foreign trade in agro-food products (at 1979 world-market price ratios).

At the assumptions given pertaining to growth in grain production, reduction in grain and fodder imports, maintaining animal production at its present level, and a general improvement in fodder feeding effectiveness, the growth potential of animal production up to 1985 does not exceed 6.7 million tons, and up to 1990, 7.4 million conversion tons.

Thus the level of animal production in 1990 will be about 7 percent lower than projected in the PZPR Central Committee's Fifteenth Plenum 1974 program. This program turned out to be too ambitious, for it was based on an assessment of the country's economic-production situation at that time (rapid growth of the entire national economy, including also farm production, as well as an economic conditions on world markets. The implementation of this program, therefore, must be postponed to the late 1990's.

If, however, the growth in animal production forecast to 1990 is not examined from the standpoint of our requirements and aspirations, but from the standpont of objective developmental processes in agriculture, i.e., in the light of long-range trends, than it can be said that it does not look bad, especially in view of the country's economic situation which compels it to reduce grain and fodder imports. The rate of animal production growth in the entire 20-year period, 1971-1990, despite large fluctuations in specific periods, will be identical to that in the 1951-1970 20-year period, amounting to about 2.3 percent annual average. The same growth rate in both periods obviously means that there were considerably higher quantitative increases in the second period. Thus, in the previous 20-year period the average annual increases in animal production were 86,000 conversion tons, and in the current 20-year period they will be 138,000 tons.

The higher increase in animal production shown above would ensure, in the next 10 years, a growth in consumption of animal products per 1 inhabitant to approximately 169 conversion kg in 1990. This consumption would be 13 kg lower than the assumptions of the PZPR Central Committee's Fifteenth Plenum (182 kg) and 11 kg higher than the present level of consumption (158 conversion kg in 1979). It should be stressed, however, that the whole consumption increase would not occur until the second half of the 1980's.

The relatively small increase in consumption of animal foods per 1 inhabitant within the next 10 years is the direct consequence of its rapid acceleration during 1971-1975. In total, during the 1971-1990 20-year period, the consumption of animal products may increase by 40 conversion kg, i.e., the same as during the 1951-1970 20-year period, except, however, that in this 20-year period 23 kg of this increase was not implemented in 11-12 years, but in 5 years (1971-1975).

The increase in the production and consumption of animal foods in the first half of the 1970's, which surpassed the trend by 6-7 years due to the rapidly increasing sizes of the grain harvests and higher imports of grain and fodder, made it very difficult for animal production to grow in the following years, during which the increase in production was obtained only at the expense of imported fodder. Imported fodder, during the second half of the 1970's, made up about 40 percent of the concentrated fodder fed to the production stock. As a result, changes in animal feeding technology were so accelerated that they greatly surpassed the stage of crop production development, including also grain production, that had been achieved. The effect of this acceleration was lower potential for further growth in animal production, especially to 1985, than if this growth in the 1970's had been adapted to an increase in domestic fodder reserves, supplemented by only a gradual increase in fodder and grain imports. As early as the second half of the 1970's, animal production grain-intensiveness had reached a level, which at a balanced growth rate of animal and crop production should not have been reached until late in the 1980's.

Thus the acceleration, in relation to the trend, of animal production and animal product consumption in the 1970's, despite the fact that we paid a very high price for it in the form of national indebtedness, was only a temporary phenomenon, for the later slower growth in animal production meant a gradual return to the initial trend. But the national economy was not strong enough to preserve what had already been accomplished by the acceleration or increase production further. This would have been possible only if the level of industrial development had been such as to ensure, on the one hand, an adequate and steady flow of production resources for agriculture, and, on the other hand, financing of fodder imports from export revenues.

5. Final Comments[6]

The above assessment of farm production growth potential indicates that despite the rather optimistic assumptions on higher yields and harvests, improvements in fodder feeding effectiveness and a radical deceleration in the continued increase in grain-intensiveness of animal production, an increase in the latter, at the projected fodder imports and animal-product exports, will scarcely ensure that the present level of animal-product consumption per 1 inhabitant will be maintained to 1985, while the increase in consumption to 1990 will amount to hardly 8 percent and will be about 7 percent below the level projected in the PZPR Central Committee's Fifteenth Plenum program of 1974.

In the light of this estimate the question arises as to whether there really is no possibility for a growth in farm production which would ensure a more rapid and higher increase in animal-product consumper per 1 inhabitant. In my opinion, it is possible, on condition, however, that the conversion of industry in favor of a share of production resources for agriculture and the food economy is accelerated, that the gap between retail prices and procurement prices of farm products is eliminated (which would reactivate production in small farms of two-job [agricultural and non-agricultural] holders) and that far greater changes in the strategy of agriculture development are made than was proposed in the professional report.

Examples from the postwar history of our agriculture show what a tremendous influence favorable changes in farm policy after 1956 and 1970 were in stimulating production in the private peasant economy. A change in present farm policy, recognition of the family farm as a permanent element of the socialist system, acknowledgment of the priority of private farmers in obtaining State Land Fund lands, change in the present formula of an equal growth rate of incomes to a formula of equalizing the incomes of the farming and nonfarming populations, an increase in supplies of production resources (by intersector reallocation, among other measures), and also reactivation of village self-governments--will make it possible to accelerate farm production in the peasant economy.

The socialized economy has a far greater reserve of potential for increased farm production from a unit of acreage than the peasant economy. This economy now occupies 25 percent of the arable land, so it has an important influence--unfortunately, in the negative sense thus far--on the production results of all of agriculture.

If, during the course of the next 10-year period, the present difference in land productivity between the socialized sector and the private sector could be reduced only by one-half, then the increase in animal-product consumption per 1 inhabitant would amount to at least 10 kg (conversion).

This confirms the following calculation, which is based on 1979 results. In the socialized economy, grain production is 12 percent lower from 1 hectare of cropland than in the private economy, and consumption of concentrated fodder by the producer livestock is 25 percent higher. Animal production is 15 percent lower, which

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[6] These are the author's personal comments and reflections in the light of the assessment of farm-production growth potential contained in the discussed professional report.

which, of course, is the result of a 48 percent higher grain-intensiveness of animal production. The final net crop production is also in the minus column, whereas in the private economy it is plus (it constitutes 20 percent of the crops), despite the fact that about 10 percent of the crops are earmarked for fodder for horses (in the socialized sector, only 1 percent of the crops).

Animal production in the socialized economy is not only more grain-intensive but also more land-intensive than in the private economy. In the private economy, 66 percent of the cropland area is given over to fodder for producer livestock, while in the socialized economy the figure is 94 percent.

In the private economy, 509 conversion kg of animal products are obtained from 1 hectare of fodder acreage, compared to 302 kg in the socialized economy.

Such large differences in animal production from 1 hectare of fodder acreage are the result of both the lower level of crops from 1 hectare of arable land, which is due to the more extensive crop structure, as well as the much lower economic efficiency of feeding.

The value of the fodder consumed for 1 conversion kg of animal production was 3.75 zlotys on the private farms, and 4.96 zlotys on the socialized farms. The 32 percent higher value of consumed fodder for 1 conversion kg of animal production in sectors of the socialized economy is due in part to the higher share of beef slaughter animals in the animal production. This requires double the amount of fodder per unit of final product (meat), as compared to the remaining animal products. The share of beef slaughter animals in the private economy is about 12 percent (in conversion units of meat), compared to 21 percent in the socialized economy, and over 23 percent on the state farms.

Lower crops from 1 hectare of arable land and lower economic effectiveness of feeding mean that socialized farms obtain barely 59 percent of animal production from 1 hectare of fodder area, as compared to the private economy. If productivity of this fodder area were the same as in the peasant economy, we could, on the national scale--at present imports of grain and fodder--obtain 850,000 tons more of animal products, i.e., 24 kg per 1 inhabitant, or we could reduce fodder imports by two-thirds with the same animal production.

It should be stated here that during the past 4 years a regress has occurred in the socialized economy in the productivity of the fodder land (by 13 percent), whereas productivity rose 5 percent in the private economy. One reason for this was the 22 percent increase in the area of the socialized economy, but the main cause of the worsening production and economic figures lies in the economic and financial system and in the directive-type system of managing the socialized economy. and also in removing this economy from any kind of evaluation from the standpoint of economic cost-effectiveness and principles of efficient management. The present economic and financial system creates a situation in which the individual production units strive to increase production at any price, without taking costs into account.

Depriving the enterprises of the freedom to choose the production structure and to make most of the production decisions, causes disturbances in the development of individual sections and branches of farm production, and causes activities to be undertaken which were unprofitable from the beginning or were inefficient from the standpoint of agricultural engineering or animal husbandry.

This leads also to relieving the management and staffs of enterprises of responsibility for production and economic results. On the other hand, however, the directive-order system is often ineffective in matters that are crucial to the development of agriculture, which is shown, for example, by the lack of positive results of action taken to increase grain's share in the total crop areas in the socialized economy.

Deceleration, followed by reversal, of the unfavorable, thus far, tendencies, is not only theoretically possible, it is entirely realistic in a relatively short time. There are no objective causes inherent in the socialist system of management which would foredoom the achievement of the same or even much better production and economic results as in the private peasant economy. On the contrary, it is precisely the small-producers' economy which encounters many technological and economic barriers to its development, barriers that do not exist in the large-producers' socialized economy.

A positive example of the socialized economy's potential were the production and economic results, no worse than in the private economy, in the farm production cooperatives during the first half of the 1970's. i.e., before they were transformed into parastate enterprises with all of the faults of the system existing in the State Farms.

An improvement in the production and economic situation in sectors of the socialized economy depends on basic organizational and economic changes, i.e., granting full independence to the enterprises in making production and investment decisions and in conducting an economic and financial system that would force an improvement in management efficiency.

In order to create conditions that are more conducive to improving management efficiency in the socialized sector, the takeover and management of new lands should be reduced to a minimum, i.e., to those cases only where there really are no buyers for the land on the part of the private farmers.

Minimizing the further growth of the area covered by the socialized economy in the next five-year period would also make it possible to allocate production resources in agriculture more efficiently. A large part of the outlays of investment and turnover funds assigned to agriculture were earmarked for developing the lands taken from the peasant economy by the socialized sector. These, therefore, were outlays for changing the forms of ownership in agriculture, and their production effect over all of agriculture was slight (and often simply negative).

Outlays that have been earmarked in the past for take-over of land by the socialized sector can be used to better equip both the private peasant farms and the existing socialized farms. This would allow for a greater growth of production in agriculture as a whole, and also in consumption of animal products per 1 inhabitant, than if the present policy on the intersector transfer of land is continued.

A reduction in the quantitative development of the socialized economy in the next 10-year period would make it possible to apply the resources and efforts to its qualitative development and to substantially improve production and economic results.

A reduction in the flow of land to the socialized economy will also make it possible to better meet the growing demand for land, particularly on the part of young farmers, and by doing so, it will make a more meaningful improvement in the agrarian structure, which is one of the prerequisites for technical modernization and growth in labor productivity and incomes in the private peasant economy.

Period for 1981-1985

Warsaw PRZEMYSL SPOZYWCZY in Polish (2-part article) No 5-6, 1981 pp 163-165 and No 7-8, 1981 pp 223-225

[Article by Kazimierz Placzkiewicz: "Preliminary Assumptions of the Food Economy's Development During 1981-1985"]

[Text] 1. Agriculture

In the previous issue of PRZEMYSL SPOZYWCZY we reported on the meeting of the Scientific Council in the Ministry of Food Industry and Purchases devoted to an assessment of the preliminary assumptions of the food economy's development during 1981-1985.

To acquaint the readers with the basic assumptions of this report, we are presenting a discussion of the first part, dealing with the development of agriculture. Part 2 of the discussion, covering the preliminary assumptions of the food industry's development, will be published in the next issue of PRZEMYSL SPOZYWCZY. The editors would like to emphasize that the discussed assumptions are very preliminary. However, they constitute valuable material for the eventual establishment of the directions, scope and rate of development of the food economy at the current meeting with regard to the actual potential of the national economy and the priority assigned to activities that serve to improve the feeding of the nation.

The basic activities in agriculture for the years 1981 to 1985 were directed at finding a way out of the present difficult production situation and to create condition by which society's food requirements would be better met. The most urgent tasks in agriculture relate to deceleration of the decline in farm production, the accomplishment of indispensable changes in its structure, and the development of growth trends both in crop production and animal production.

During the past five-year period (1976-1980), due to poor weather conditions and a large shortage in production resources, only a small average annual increase in total farm production was achieved--2.9 percent, and in 1980 there was a steep drop in this production, 9.1 percent as compared to 1975 and 11.7 percent as compared to 1979.

The declining trend in total agriculture production was caused in part by the worsening results in crop production, including the particularly disastrous failures in basic farm crops in 1980. Converted to grain units, crop production in 1980 was even lower than in 1970. The regression in crop production was compensated by rapidly

growing imports of grain and fodder, which increased from 5 million tons in 1975 to over 9 million tons in 1980. This made it possible to maintain a small growth trend in animal production until 1979, but at the same time it had an adverse effect on the balance of foreign trade in agro-food products and it reduced fodder reserves. It is estimated that in the last 5-year period, the entire increase in animal production was due to the increase in grain and fodder imports, and also the increase in consumption of animal products achieved principally due to imports.

The bad situation in animal production arose after the 1980 harvest, as a result of fodder failures and the inability to make up the shortage with increased imports. It should be stressed that the concept of the development of animal production based to a large degree on the import of grain and fodder, caused many negative phenomena, such as expansion of grain-intensive technologies in animal-feeding, which often led to low effectiveness of fodder utilization and the preferential allocation of outlays to growth of animal production, at the expense of crop production. Hence in the preliminary assumptions of agricultural development for 1981-1985, the principle that was approved was one that provided that the growth rate of crop production must always exceed that of animal production. The basic requisite for achieving a steady growth in farm production, and mainly crops, is a considerable increase in deliveries of commercial production resources. To improve land productivity, which was insufficient in the past 10-year period, the following measures are indispensable: first of all, an expansion of land reclamation works, an increase in consumption of chemical resources, and a higher degree of mechanization of farm jobs.

Land reclamation requirements are only about 60 percent satisfied and a considerable part of the existing reclamation installations are technically worn out and must be modernized. The reclamation inadequacies had an important bearing on production results in 1980. In order to fully meet the needs, the reclamation of 3.5 million hectares of arable land is indispensable. It is envisaged that in 1981-1985, a comprehensive reclamation of croplands is to be accomplished, covering at least 1 million hectares. Reclamation systems will be modernized on 200,000 hectares, and flood control levees, 900 km long, will be built.

The reduced fertility of the soil, caused by atmospheric precipitation, particularly in 1980, and the indispensability of increasing crop production, demands that in 1985 the level of fertilization must be at the rate of 250 kg NPK per hectare, compared to about 190 kg in the 1979-1980 season.

It should be said that the projection of such a large increase in fertilization was made necessary also by the delays which occurred in this field, since the level of fertilization during 1976-1980 did not increase, and in the private economy it even dropped slightly.

Aside from fertilization, it is essential that crop protection against disease and weeds be improved. To reduce the losses which agriculture suffers on this account, a large increase in consumption of plant protection agents (up to 2.5 kg/hectare is anticipated by 1985, as a result of the expansion in the domestic production of these agents. There is a great deal of space for improvement in the development of mechanization in agriculture. The present level of machinery and equipment production is very inadequate and with the population outflow from farming the growth of farm production is being inhibited. Under these conditions, it is essential that

that the domestic potential of farm machinery and equipment be expanded and that the present manufacturing capacity in the machine and heavy and farm machinery industry be applied to the most urgent needs of the farm economy.

The basic matter is the completion of the expansion of the tractor industry so as to achieve a production of 100,000 tractors annually and increase the amount and assortment of the associated equipment, mainly tilling and cultivating machines and machines for gathering and processing bulk fodder.

In order to solve the farm transport problem, in addition to the increase in tractors and trailers, an increase in hauling and delivery trucks is envisaged, plus an expansion in the production of machinery and equipment for mechanizing reloading jobs.

To reduce product losses during storage and maintenance, the continued construction of warehouses to receive grain gathered by harvesters, potato, fruit and vegetable storerooms, and silos, is essential. The expansion requires production of power and cooling equipment and spare parts.

In addition to better technical outfitting, it is essential that conditions be created so that this equipment can be used more efficiently, principally by developing overhaul-shop facilities. At present, due to the poor technical condition of these facilities and the low level of repair services, farming does not even make full use of the equipment it has.

In view of the shortage of technical resources and the insufficiently developed facilities, the improvement in quality and life of machines and equipment produced for agriculture was regarded as an important problem.

Despite the envisaged expansion of the capacity of the industry producing agricultural equipment, the farming needs defined as being indispensable for 1981-1985 can only be 70 percent satisfied. The supplying of agriculture and the village with water, electric power, fuel and construction materials, is also a very important factor in the development of farm production. A further development of village water-pipe networks is envisaged by 1985. These will supply water to all socialized farms and 17 percent of the private farms, as compared to 12 percent of the farms at present. It is estimated that ultimately about 60 percent of the farms should be supplied with water from the pipe system. Furthermore, the installation of private equipment for supplying farmsteads with water is expected to be expanded.

Farms now use 5.5 percent of the domestic consumption of electrical power and only 40 percent of the private farms have power available to them. It is urgent, therefore, that the availability of electrical power be expanded, for it increases labor productivity, reduces losses in animal raising, improves the effectiveness of fodder consumption, and improves the quality of production. The electrical energy consumption indicator in 1985 should be 500 kWh/hectare, compared with the present 450 kWh consumption on socialized farms and 260 kWh on private farms.

If the private farms are to be provided conditions that are conducive to the development of production, they must be supplied with larger deliveries of building materials, especially cement, lime, partition materials, and roofing materials, and the small ceramic plants should be reactivated. During 1981-1985, the shortage of fuel in farming, which is now estimated to be at least 1 million tons of coal, must be eliminated.

The effective utilization of increased supplies of commercial production resources and farming's technically expanded production base requires that the role and use of the biological factors in production growth be increased. Of leading importance here is seed production, which should provide new and valuable varieties of crops of higher yields, quality and resistance to disease and pests, and animal breeding, in which the genetic livestock population should be raised and the utility value improved.

In addition to increasing production resources, the creation of suitable economic conditions is an important element in the development of farm production, and particularly a correct system of farm prices. In connection with this, it is proposed that a price level be approved which would ensure more production and would create preferences for jobs in agriculture.

In parallel with the level of prices, internal price ratios should be determined for the individual sections and directions of production, e.g., fodder and slaughter animals, grain and concentrated feed, grain and potatoes. The changing of prices by "leaps" every few years should be discontinued and an active price policy should be introduced by applying a graduated system of farm prices. To replace the present procedures for changing prices, studies of the profitability of production will have to be made on a regular basis. Considering the peculiarities of farm production, price changes should be made once a year at a time that will allow the farmers to make appropriate production decisions.

A correct price policy, guaranteeing the profitability of production, will also have an effect on the application of other economic instruments, such as: subsidies, credit and taxes. The subsidy system would be directed primarily at supporting activities of the following type: farm education, scientific-research activity, applications activity, land development, improvement in water conditions, the power network, etc. Farm production, however, would not be subsidized. The credit system should perform a function other than the one it has heretofore, and this system should be above all an instrument to stimulate and control farm production, and not a form of subsidizing production. Demographic changes in the village, and particularly the drop in occupationally active people and the aging of the village population, will require new solutions in the practice of land management.

Action will be taken to improve the area structure of the private peasant farms, to reduce the allocation of lands for nonfarming purposes, and to recultivate and improve lands with low production potential. In order to improve the agrarian structure, measures will be taken to simplify the turnover of land between farmers, the takeover of lands from the State Land Fund by the farmers, use of credit, and tax reductions for the purchase and development of land. As the law on annuities and pensions is fully applied, approximately one-third of the farm owners will change in the next few years, which will make it possible to increase land productivity and enlarge the average area of private farms.

Some important tasks have been defined for farming science and education in the intensification of farm production. Research tasks conducted by ministerial units, agricultural academies, agricultural institutes, and the Polish Academy of Sciences, will concentrate on: better utilization of land and water, improvements in crop and animal production methods, and new processing and warehousing technologies.

The accepted assumptions pertaining to improvement in conditions for agricultural production development should ensure a 16.6 percent increase in total farm production by 1985, as compared with the average level of this production during 1976-1980. This figure includes a 19.1 percent increase in crop production and 13.6 percent increase in animal production. Due to the need to reduce grain imports, the main problem during 1981-1985 will be to improve the domestically produced fodder balance. In order to solve this problem, the share of grain in the crop structure is to be increased, and a yield increase of 30 quintals is envisaged. However, the acreage for potato cultivation and the less-productive fodder crops will be reduced. Commercial fodder production will be developed mainly in the form of high-protein concentrates, from which, based on local grain reserves, fodder mixtures will be prepared.

To ensure enough raw materials for the farm-food industry, the commercial crop acreage, particularly of sugar beets and oleaginous crops, will be increased.

Horticultural production must be further developed if the population's requirements for fruit and vegetables are to be met, exports increased and deliveries of raw materials to processing plants ensured. By 1985, vegetable production in relation to the average obtained during 1976-1979, should increase 29 percent, and fruit, 30 percent, principally through higher yields and more efficient utilization of plant acreages, greenhouses, tunnels, and mushroom-growing cellars.

It is envisaged that the present declining trends in hog and cattle raising should be halted and not until 1984 will a population level somewhat higher than in 1980 be achieved.

Thus the envisaged growth in population for 1985, in comparison with 1980, is relatively low and amounts to 2.8 percent in the cattle population and 5.5 percent in hogs. Despite this, the cow and sow population will not be rebuilt by 1985, which nevertheless should not limit the possibility of an expanded livestock reproduction.

The production of slaughter animals will increase 14.3 percent during the 5-year period, and the highest growth is envisaged in poultry (26.7 percent), and pork slaughter animals (19.8 percent), due to accelerated stock rotation.

Milk production will increase 9.8 percent strictly as a result of an increase in dairy cow productivity to 3,000 liters.

During 1981-1985, a further growth in sheep, fur animals, and fresh-water fish husbandry is envisaged.

The preliminary assumptions on the development of agriculture show a need for greater than heretofore participation of other sectors of the national economy in solving its basic problems. The achievement of the goals strived for by 1985 already requires that multidirectional and effective actions be undertaken to ensure the conditions for farm production growth. It is the farm results that will determine the development of the food industry and, as a consequence, the level and structure of food consumption during the period of the next few years.

2. Food Industry

The second basic element in the food economy complex, in addition to agriculture, is agro-food processing. The development of food products is dependent principally on the growth of farm production and on the expansion of the processing potential. During the past 5-year period, the development of the farming raw materials base was generally inadequate from the standpoint of the requirements of the food industry.

The supply of farm articles, as shown by the amounts in which they were procured, deviated very greatly from the amounts that were envisaged for this period. The very large deviations, amounting to about 25 percent, occurred in the procurement of farm crops. The average annual procurement in the basic groups of farm crops was as follows:

	Envisaged in thousand tons	Obtained in thousand tons	Percent
Grain	6,270	4,770	76.1
Oleaginous crops	920	620	67.4
Sugar beets	18,800	14,160	75.3
Potatoes	6,680	5,400	80.8
Fruits and vegetables	2,690	1,900	72.9

Because the procurement of farm raw materials was below the amounts envisaged, and as a result, the amounts processed by the food industry were lower, many market and export products could not be produced as planned. These included sugar, rapeseed oil, potato flour, fruit and vegetable products, food concentrates, and sugar products. The lower procurement of crop raw materials also made it necessary to increase imports of agro-food articles, which, as a result, intensified the unfavorable relationships between export and import in the food economy complex.

During 1976-1980, grain and fodder imports were greatly increased, which made it possible to maintain a relatively higher level of production and procurement of animal products than would have been possible with the domestic fodder base. Thus the procurement of basic animal products turned out to be more favorable than the procurement of crop raw materials, as compared with the amounts that had been envisaged.

The average annual procurement of animal products is shown below:

	Envisaged	Obtained	Percent
Slaughter animals, total (in thousand tons)	3,730	3,670	98.4
Including: pork	1,785	1,805	101.1
beef	1,400	1,300	92.9
poultry	378	394	104.2
Slaughter animals, (converted to meat)	2,480	2,475	99.8
Eggs (in millions)	3,300	3,135	95.0
Milk (in million liters)	9,880	9,695	98.1

The obtained level of procurement made it possible to increase, during the past 5-year period, the consumption of meat per 1 inhabitant by 3.7 kg (to 74 kg), and eggs by 13 (to 222) and to maintain consumption of animal fats at the 8.1 kg level.

During 1976-1980, as compared with the previous 5-year period, the growth in consumption of animal products, principally meat, slowed, and a downward trend appeared. As a result of a reduction in the animal population, the decline in meat consumption will occur already in 1981. The considerable increases in farm product procurement prices that went into effect this year and the assurance of economic priorities for the development of animal production, should increase interest in animal husbandry and consequently facilitate rapid rebuilding of the animal population.

In the preliminary assumptions for 1981-1985, it was decided that the food industry, as the purchaser of farm products, should actively participate in the development of the farming raw materials base, particularly in adapting its level and structure to the needs of agro-food processing. It was acknowledged that in order to ensure supplies of farming raw materials in the appropriate amounts and good quality, the activity of the industry should be concentrated foremost on developing the cooperation of the branch services with the associations of farm producers, on improving procurement efficiency, and on improving the grading and pricing of farm products. These activities and the envisaged growth in farm production--discussed in part 1--should make it possible to greatly increase the procurement of basic crop and animal products. It is envisaged that the average annual procurement during 1981-1985 should be higher than that obtained during the previous 5-year period, as follows: grain, by 35 percent; oleaginous, 27 percent; sugar beets, 12 percent; potatoes, 40 percent; and fruits and vegetables, 40 percent. The level of procurement of animal products in the individual years of 1981-1985, will basically follow the trends envisaged in the development of animal production, and, in the case of milk and egg procurement, the level will be the result of the increase in yield of this production. It is estimated that meat procurement in 1985 will be 13 percent higher than in 1980, milk, 20 percent, and eggs, 25 percent.

In addition to the increase in supplies of farming raw materials, an important factor in raising the level of food articles production is the systematic expansion and modernization of the processing potential. During the 1970's there was an important but uneven growth of production potential in agro-food processing. Investments were made principally in the meat, poultry and feed industry.

Some progress was made in freezing and cooling. Other branches, mainly dependent on crop raw materials facilities, continued to be underinvested and large shortages in processing capability are appearing in them. The incomplete implementation (only 78 percent) of the planned investment outlays for 1976-1980, had an important influence on this state of affairs. Considering the envisaged growth potential of farming raw materials and the food requirements to 1985, the development of processing capacity for the production of grain-flour products, bakery products, vegetable fats, dairy products, fruit and vegetable products, and consumable potato products, must be accelerated.

Thus, during 1981-1985, the production capacity of the following products will be increased as follows: flour, by 800,000 tons; bakery, by 700,000 tons; milk processing, by 2.1 billion liters; and margarine, by 90,000 tons. By 1985, a large increase

is envisaged also in the production capacity in the poultry, sugar, refrigeration and fish industries, and further gradual expansion of processing capacity in the remaining branches of the food industry. Furthermore, more modernization of small plants is anticipated in order to better utilize the local raw materials and supply the local markets. The development of craft plants, principally in the bakery products industry, is also envisaged. An improvement in the quality of raw materials and finished products is dependent on the continued expansion of a refrigeration chain, especially in the dairy and fruit and vegetable industries.

Along with the growth in demand for farming raw materials, the conditions for procuring and storing must be improved by building elevators and cold storage rooms, installing driers and modernizing procurement centers. It is indispensable also that they be furnished transport means and reloading equipment.

The development of warehouse facilities is a very important task. These facilities should make it possible to reduce losses and shortages and to create indispensable reserves of such basic food products as meat, sugar, eggs, potato flour, spirit and tobacco [sic].

During 1981-1985, the food industry plants will require increased supplies of machinery and equipment, since their present technical outfitting, especially the power equipment, is inadequate and obsolete. The domestic potential of machinery and equipment production for industry now covers hardly half the requirements.

The envisaged expansion of the machinery industry should greatly increase the coverage of these requirements by 1985. The present shortage of packages and packing materials is a burdensome problem for the food industry. The projected growth in production of highly processed food, technical improvements in consumption, and improvements in quality and appearance of products will increase the requirements of the food industry for all kinds of packages. It is estimated that during the current 5-year period, supplies of paper packages to satisfy requirements should increase about 60 percent, plastic containers by over 40 percent, glass, 30 percent, and metal, 20 percent. The envisaged growth in production of farming raw materials and the development of the processing capacity in the food industry should ensure a 15 to 20 percent increase in the production of food articles during 1981-1985.

During this period the development of food industry production will be aimed at improving the level and structure of consumption, and particularly at eliminating the strains which now appear on the food market. Increases in the following are envisaged:

--supplies of meat and meat products beginning with 1984, after a reduction during 1981-1983. In 1985, meat consumption may reach 75 kg, including 14 kg of poultry. Poultry production will increase at an even rate during the entire 5-year period;

--production of other articles in the animal-protein group, i.e., dairy products whose consumption will increase from 260 to 270 liters, eggs (from 222 to 245), fish and their products to 8.2 kg, and also culinary and delicatessen products and food concentrates;

--production of fats, and especially vegetable fats and butter, which will ensure a growth in the consumption of all fats, calculated at 100 percent, from 21 to 22.5 kg;

--consumption of fruits and vegetables and their products in 1985 from 57 to 130 kg, respectively;

--carbohydrate products, on the assumption that there will be a small reduction in consumption of grain and potato products and an increase in sugar consumption.

The envisaged structure of consumption will require the active cooperation of industry in shaping consumption by providing the products in the appropriate quantities and quality. The application of a proper system of prices to food items will be an important factor in establishing a pattern of consumption.

Because the prices of many basic items remained constant for many years, there is now no relation between the level of prices and the current production costs. This has caused many negative phenomena, including the following:

--discontinuance of animal production in a large group of small farms, principally the two-job [agricultural and non-agricultural] farms,

--extreme, in relation to the development of the food industry, denaturalization of food consumption in the village and

--use of certain food articles for animal-feeding purposes.

Furthermore, disturbing the cohesion between prices and costs increases the annual subsidy for food production. Therefore, the level and relationship of prices of basic food products now in effect requires an overall adjustment. The envisaged growth in food articles production and the resulting level and structure of consumption are closely interconnected with the development of foreign-trade turnovers of agro-food articles.

Considering the indispensable requirements of the food complex, it is estimated that imports of raw and other materials from the second payments area [capitalist countries] in 1985 should not exceed the level reached in 1978, which in relation to 1980, means a reduction of about 25 percent.

However, a basic change in the structure of import will take place: grain imports will be reduced about 50 percent by 1985 and imports of other raw and other materials, as well as high-protein fodder ingredients will be expanded.

An indispensable prerequisite for the implementation of the envisaged improvement in the balance of foreign-trade turnovers with the second payments area is that, in addition to maintaining imports at the 1978 level, exports of farm-food articles, especially crop-derived commodities, must be increased.

Expansion of supplies of crop-derived items, as compared to their present share in export, is justified by the need to protect the level of meat consumption specified

for 1985. The accepted assumptions on production of meat articles exclude the possibility of increasing exports beyond the present level. The preliminary assumptions on the development of the food economy, as presented, ensure a continued growth in the level of consumption of basic animal and plant products. If the food level that has been decided is to be achieved, investment outlays must be increased and all branches of industry participating in meeting the needs of the food complex must be harmoniously developed.

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INTERNATIONAL CONFERENCE ON ENERGY HELD IN BUCHAREST

Bucharest REVISTA ROMANA DE STUDII INTERNATIONALE in Romanian Sep-Oct 81, No5,pp467-469

[Article by Daniel Daianu]

[Text] It is not an exaggeration when one feels that energy is a major test which mankind must pass in the 80's. The assertion is not pertinent in the sense of the relative reduction in the need for solving other world problems as, for example, stopping the course of arming and reducing military arsenals, but by the fact that in the world the problems of energy have better shaped the complicated texture of economic and political, military and strategic interests, have brought new power centers to the forefront, have vitalized the evolution of the configurations of relations of interdependence, particularly the dependence among states. Energy not only individualizes the past decade, being a world problem which is "growing," but has added a supplement of complexity to all the other elements comprising international life.

Thus, the initiative of the Romanian Marketing Association and the Association of InternationalLawand International Relations to organize a scientific discussion under the heading mentioned above was salutary and hailed. Held on 26 March 1981 in Bucharest at the headquarters of the Association of International Law and International Relations within the symposium with international participation entitled " nergy Conservation and International Cooperation," the roundtable was the occasion for a useful and productive exchange of opinions between Romanian specialists and the foreigners invited. Prof Calin Mihaileanu, director of the Central Institute for Energy Research, stressed that in the energy area the autarchic solutions are probably impossible more than costly; international collaboration is irreplaceable as is satisfying the requirement for equity among the partners. With regard to the development of international cooperation, only to the extent to which the approaches also will extend to the differentiated case of the developing countries, a comprehensive picture is to be obtained, one which facilitates formulating proper international strategies. These strategies must give great attention to and cover the multiple aspects of energy conservation.

The central importance of energy conservation for national strategies and those going beyond the state borders was emphasized by Frederic Romig from the Division for Energy of the United Nations Economic Commission for Europe. He pointed out that although energy has been in the commission's attention even in the period immediately following the war, only in recent years has there been a move to a complex and overall approach. In this regard, stressed were the establishment of a advisory group on problems of energy, initiating of an intense exchange of information on the requirement and demand for energy in the 1973-1978 interval in practically all the member countries and prognoses for the years 1990 and 2000.

Presenting the preliminary results of a study made by commission experts on the energy situation in 17 of its member countries, the study which proceeds from the measures adopted until now in the particular countries brought out that, at the overall level, by correlating the data and estimates from the national economic prognoses, the energy restrictions which should be felt by the states in mind would be very serious. Energy conservation is the single means for fulfilling the economic goals proposed, in turn involving considerable investments in new technologies and broad international cooperation.

Daniel Daianu from the Institute of Socialist Economics felt that energy has contributed a lot for the economics to dominate relations among states; politic economics has become the "big" policy while blending of the motivations (goals) and economic means with those of another kind is more and more intricate. The intensity of the competition for resources is ebb and flow of the imbalances in the world economy which in turn are the result of the mechanisms of interaction between the dominating areas and the dominated ones. The problem of supply has become more important than that of price in the conditions where bilateral arrangements prevail and privileged circuits occur. It is essential in improving relations between producers and consumers for the current structures of "confrontation" to be substituted by structures of cooperation.

In his speech, Dinu Dragomirescu from REVISTA ECONOMICA argued that the energy problem is what is called a "global" problem, in the sense that to a greater or lesser extent it affects all states, regardless of their level of development, degree of supply with natural resources or social-political system. Referring to the socialist countries, he stressed the special emphasis placed everywhere on broadening one's own energy base, on restructuring and diversifying the energy balance, directions of action which come out particularly if account is taken of the demand for intensive economic development in these countries.

A number of participants in the roundtable illustrated the way in which the consequences of the energy crisis at the world level are being felt at the national level and the paths for solving them. Imre Kovacs, head of the section of international relations for the Society of Energy Economists in Budapest, outlined the dimension of the energy problems confronting his country. He brought out that for Hungary energy conservation has become a strategic option, a primary component of any short-term development program as well as medium- or long-term program. In this regard, the Hungarian economist mentioned that in the coming period the growth rate for energy consumption is forecast to be less than that of the advance of the national income. Prof Willem van Gool of Rijks Utrecht University in the Netherlands remarked that the industrialized countries of western Europe have many common problems, the solution to which demand cooperation. It is the reasoning for which institutional forms have been established: within the Common Market and the International Energy Agency. Along with the efforts made at the international level, many decisions must be taken by each country separately. On one hand, political considerations require this, while, on the other, the differing energy situations make uniformity of measures actually impossible. When the Netherland's case is analyzed, one must not forget that it is a matter of an economy of an "open" market, with industrial structures of large proportions which consume much energy and with an energy-intensive agriculture. In conclusion, if a long-term analysis indicates the clear opportunities for solving the energy problems, for the short term this same analysis brings out the difficulties in achieving a balance between the needs for capital, for energy, the requirements for environmental protection and social requirements. The energy situation in the United States was presented by two of this country's guests. Edward Allen from the

Washington, D.C., office of the Associated Universities of Oak Ridge (Tennessee) pointed out that according to estimates of the Institute for Energy Analysis (of that particular university) the contribution of new energy sources to the United States' energy balance will not exceed a marginal amount even by the year 2000. In exchange, the "resources" for conservation are proving particularly important: a potential for conservation for the long term exists, evaluated at one-third of current consumption. The effect on world consumption would be particular, bearing in mind that the United States hold more than 30 percent of it. Generally, one may estimate that the western industrialized countries have available a large potential for energy conservation. Howard Ross of the US Department of Energy mentioned a number of important progress recorded in his country in the more efficient utilization of energy and he made statements in connection with the probable reorientations in the new administration's energy policy. Edward Allen, in closing his speech, also made a significant remark: "The international cooperation and solidarity are required, since we all are confronted with common problems."

Prof Patrick Butler of Georgetown University in Washington, D.C., viewed solution to the energy problem from a slightly less usual angle. Proceeding from an approach in "big" terms, he directed his attention to the "small," where one may observe best the way in which man's ingeniousness and hands offer new prospects for progress. The answer (solution) to many of the difficulties confronting us in the energy area, as a result, will not necessarily be found by the big organizations. As much attention as possible and many opportunities for demonstration must be given to individual creativity. In a word, "small is beautiful" and necessary.*

During the discussion particular interest was shown in the legal aspects of the world energy problems. Adrian Nastase of the Institute for Legal Research thus felt that from the viewpoint of international law, what is relevant is the following: 1) exercising national sovereignty over energy resources; 2) international exchanges of energy resources and technologies; 3) the organization of international cooperation to utilize sources and resources not subject to national sovereignty and to develop alternative sources. Energy resources cannot be analysed in international relations only as goods; they must also be viewed as international values due to the major importance they have gained. Strengthening the idea that an international approach to energy problems should not be sectorial, but global, arguments took place in favor of placing international legal relations in this area on the basis of certain rules for international behavior, a veritable code of conduct. Nicolae Turcu-Seclaman of the Academy of Economic Studies pleaded for substantiating a law of energy, the need for which, both at the national and international level, cannot be doubted by anyone any longer. At the same time, he made the distinction between energy resources which already are goods, things susceptible of being appropriated and able to form the object of international commercial contracts, and energy sources, which through their excellence circumscribe the area of international cooperation.

A structural solution to energy problems can only be ensured if it is conceived as an integral part of the efforts aimed at establishing a new international economic order, stressed Lazar Commescu of the Ministry of Foreign Affairs. He brought out at the same time the need for all the world states to make efforts to conserve energy, the most available path for avoiding a deepening of the crisis and for finding solutions which correspond to the technological and financial resources available.

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* The title of Schumacher's well-known book (1977).

An important role belongs to regional and world cooperation, which should aid and intensify each state's actions, particularly the developing countries.

In closing the discussion, Prof Gheorghe Preda of the Academy of Economic Studies and president of the organizational committee for the symposium, in bringing out the importance and usefullness of such scientific meetings and thanking the participants for their roundtable speeches, stressed once again importance of effective measures at the national level and of international cooperation in solving the world energy problems.

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CHANGING STATE BUDGET ROLE IN NATIONAL INCOME DISTRIBUTION

Bucharest REVISTA ECONOMICA in Romanian No 39, 25 Sep 81 and No 40, 2 Oct 81

[Article by Dr Constantin Barbacioru: "Considerations Regarding the Role of the State Budget in the Distribution of National Income" (Parts I and II)]

[25 Sep 81 pp 13-14]

[Text] Through its structure, through the manner of preparation of its different chapters, the state budget reflects the entire economic activity in a year and notes the main trends of the economic phenomena on the domestic and foreign market. These are arguments that cause, in our country, special attention to be devoted to thoroughly substantiating each position in the part of the state budget on incomes and expenditures by taking into consideration the multitude of factors of a political, economic and social order, with a permanent or temporary character, that operate in a certain administrative period. "The budget," Comrade Nicolae Ceausescu pointed out in this regard, "must not be conceived just as a mere reflection of the provisions of the plan but must constitute a graphic image of all the phenomena and processes that occur in the economy, with all their implications."

Correlations Within the State Budget

The reflection of the economic condition of the country, of the factors that influence it in an administrative period of a year, in the state budget is provided in practice through the distribution and redistribution of national income. Through the part on incomes, the state budget offers a picture of the complex activity performed by the units in the sphere of material production, which can fulfill the obligations to the budget only under the conditions of good activity along the line of production, of carrying out the supply processes and so on. Through the part on expenditures, the budget provides the financial resources meant to expand the productive activities, including the building of new facilities in industry, agriculture and other branches, the satisfying of the needs of the nonproductive sphere and so on. In fact, by means of the budget—the secretary general of the party pointed out—we achieve the records and the allocation of all national income in the direction of investments and the development of society, in the direction of the general consumption of the population.

The development and modernization of industry, agriculture and the other branches of material production cause the growth of national income at a high rate, especially the part represented by the value of the product for society, which is the result of

the growth of labor productivity. Under these conditions, a steady increase in the incomes and thus the expenditures of the state budget also occurs. The growth of the incomes of the state budget is provided mostly by taking a part of the value of the product for society created in the socialist enterprises. The incomes of the state budget also evolve in relation to the economic potential of the enterprises, to their degree of profitability. Consequently, the growth of the incomes of the state budget also reflects the changes of a qualitative order occurring in the production apparatus of the enterprises, in the organization of production and labor, in the level of training of the workers and, by this means, the growth of the value of the product for society. The data referring to the evolution of national income in comparison with the evolution of the incomes of the state budget are indicative in this regard. Thus, in our country, the volume of national income was 4.91 times higher in 1978 than in 1960 and the volume of the incomes of the state budget was 5.17 times higher. Therefore, the growth of national income also constitutes the support for the fast growth of the incomes of the state budget. In fact, one notes a faster rise in the incomes of the state budget that the growth of national income. This situation reflects the steady growth of national income, especially through the part represented by the value of the product for society. At the same time, the evolution of the incomes of the state budget also brings out a certain view regarding the connections of the enterprises with the state budget, along the line of the taking of incomes and the covering of needs for expanding the activity of the socialist units. So, for example, under the conditions of providing for the expansion of the production of the enterprises through financing from the budget, the incomes are also higher, since the socialist units retain at their disposal to a smaller extent some parts of the value of the product for society. On the other hand, the transition to the self-financing of the enterprises also presupposes some implications regarding the way in which their connections with the state budget are provided--in the sense that the enterprises turn over only net incomes and retain from the profit the funds needed for the expansion of economic and social activities. At the same time, the enterprises no longer receive from the state budget funds for investments meant to expand and modernize production.

In judging the significance of the growth of the incomes of the state budget, it is also necessary to take into account the fact that important measures concerning the improvement of the economic mechanism have been adopted in this period, measures that involve the improvement of the allocation of profits, the transition to the self-financing of the enterprises and so on. The transition to the new economic and financial mechanism in our country is also causing some changes regarding the place and role of the different primary and secondary incomes formed with the help of the state budget. As an instrument for the distribution of national income, the state budget mediates the putting of primary incomes formed in the socialist units at the disposal of the socialist state. In practice, therefore, the state budget is the main instrument by which the state, in its capacity as owner of the means of production, takes a part of the value newly created in its enterprises. The primary incomes of the state are taken into the budget through the deduction for society of a part of the value of the net output, the commodity-circulation tax, the payments from profits, the deduction in various forms of parts of the net income of the agricultural production cooperatives and the artisan and consumer cooperative system, the insurance premiums and so on. Through the part on incomes, the state budget also takes some primary incomes of the population by means of taxes and fees.

Through the part on expenditures, the state budget provides for the redistribution of national income by directing the incomes amassed at the state's disposal toward the

satisfying of needs of the national economy, both along the line of creating new production capacities, for modernizing the existing ones, and along the line of financing the activities in the nonproductive sphere. Changes are occurring between the expenditures for financing the national economy, on the one hand, and the expenditures for financing sociocultural actions, the administrative expenditures and the defense expenditures, on the other hand, in the sense that the latter category of expenditures is increasing in relation to the volume and is being diversified in relation to the different needs satisfied by this means.

Thus, the expenditures for financing sociocultural actions are registering a fast increase and are satisfying a wide range of needs of the population along the line of education, culture, health, sports and so on. In addition, the first category of expenditures is also providing for the achievement of expanded reproduction under the conditions in which the enterprises are also forming their own development funds for this purpose. The obligation of the enterprises to restore to society the funds put at their disposal for developing the different productive and sociocultural activities is also causing some changes regarding the volume and the purpose of the expenditures concentrated by means of the state budget in the big category of the expenditures for financing the national economy.

Changes in the Budgetary Mechanisms

There are various orientations and viewpoints with regard to judging the role of the state budget as an instrument for the redistribution of national income. Sometimes, there is an attempt to differentiate financial redistribution from economic redistribution. Reviving this idea, some authors have asserted that the budget does not participate in the process of primary allocation of national income but serves as an instrument for centralization of the primary incomes, which does not reduce at all its considerable role in carrying out expanded reproduction. Consequently, in this opinion, the budget does not participate in primary distribution but centralizes the primary incomes, it has an important role in carrying out expanded reproduction through the expenditures for financing the national economy but achieves only financial and not economic redistribution.

The shortcomings in judging the role of the budget in the redistribution of national income spring from the fact that the primary incomes, including the primary incomes of the state, appear at the place of production of national income, within the state socialist units. They assume this form of primary incomes from the time of the collection of the equivalent value of the goods shipped and the services performed, from the time of their allocation until they reach the state budget, where they are depersonalized and appear as mere budgetary incomes. From this moment, they constitute secondary incomes, which can be used to expand production or to satisfy social needs of the members of society.

However, in our opinion, some specifications are necessary for pointing out in more detail the significance of the state budget as an instrument for the redistribution of national income, namely:

a) First, the state budget, in its entirety, is an instrument for the redistribution of national income, both through the mechanism for forming the incomes and financing the expenditures and through their nature. Consequently, it cannot be conceded that only one part of the incomes or only one part of the expenditures is included in the redistribution of national income and another part is outside this process.

b) As a result, the deduction for society of a part of the value of the net output, the commodity-circulation tax and the shares of profits must be viewed as a process of formation of primary incomes of the state, which, as main owner of the means of production, participates in the primary distribution of national income. Put in the budget, these incomes are depersonalized and, regardless of the expenditures made with them, participate in the redistribution process. In consequence, the expenditures for financing the national economy, even if they have as a source the primary incomes coming from the state socialist sector, also represent a component of the redistribution of national income.

c) In addition, it is necessary to take into account the fact that the state budget is a channel for redistribution of not only the primary incomes but also incomes that result from another redistribution. At the same time, although the budget is the main instrument for redistribution, it is not the only one, and its role and significance in this process can be understood only in close connection with the other channels for redistribution of national income: loans, prices, services, foreign trade and so on.

Our country's experience indicates the special role of the state budget in the process of redistribution of national income. It is closely connected with the exercising by the socialist state of its economic-organisational and cultural-educational function. The growth of the economic role of the socialist state and the evolution of its functions in the current stage are also causing certain changes of a quantitative and qualitative order regarding the redistribution of national income with the help of the budget. From a quantitative viewpoint, the data in the table are very indicative of the role of the budget in the redistribution of national income.

Table

	1950	1960	1970	1975	1978
	In percentages of that in 1960				
National income	100	268.0	599	10-fold	13-fold
State budget (incomes)	100	291.5	668.0	12-fold	15-fold
	In percentages of the total national income				
State budget (incomes)	58.3	59.7	62.9	65.9	64.8

Source: Calculated on the basis of "Anuarul Statistic al RS Romania" /The Statistical Yearbook of the Socialist Republic of Romania/ and other official documents.

Up to 1969, when the application of the new regulations on the use of planned and surplus profit, the measures referring to the improvement of the system of financing and crediting the economy and so on was undertaken, a bigger part of national income was redistributed through the state budget. So, for example, in 1969 as compared with 1950, national income was about 5.7 times higher and the incomes of the state budget were 7.4 times higher, with approximately three-fourths of all national income coming to be redistributed. These data bring out some tendencies of excessive centralism appearing in our economy, criticized at the National Conference of the Romanian Communist Party in December 1967 and eliminated through the measures applied later. This situation is convincingly demonstrated to us by the drop in the percentage of the incomes of the state budget in national income from 75.1 percent in 1969 to 62.9 percent in 1970, about 66 percent in 1975 and nearly 65 percent in 1978. Nevertheless, in our opinion, it is not possible to draw the conclusion that the role

of the state budget in the process of redistribution of national income will be reduced in the current stage.

The stage of the forging of the multilaterally developed socialist society also presupposes some changes regarding the role of the state budget in the redistribution of national income. In this stage, the elements of a qualitative order, which bring out a strengthening of the democratism of economic life, an increase in the powers of the lower links in decisionmaking, are coming to the forefront to a greater and greater extent. In consequence, the part of national income that will be redistributed through the budget, although it will not be reduced in relation to the previous periods, will nevertheless not increase to the same extent in national income, which will mean its reduction in a relative sense. At the same time, a bigger part of the surplus product created in the productive units will remain at their disposal for expanding their activity.

Regarding the redistribution of national income, two trends are visible in this stage. On the one hand, the growth of the autonomy of the enterprises and the expansion of their powers in the use of planned and surplus profit and other funds needed for their activity are causing a smaller part of national income to enter into the process of redistribution through the state budget. On the other hand, the satisfying of diversified needs of the members of society to a greater and greater extent by means of the state budget is causing a rise in sociocultural expenditures and thus a rise in the part of national income that enters into the redistribution process. Consequently, the manner of formation of the incomes of the state budget and the trends within the budgetary expenditures indicate some qualitative changes in the role of the budget in the redistribution of national income.

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/Text/ The growth of the role of the state budget in the redistribution of national income is caused by many factors, among which the technical, economic, social and political factors, which operate in close connection and with a different intensity from one period to another, have an important role.

In the current stage, scientific and technical progress is causing a considerable rise in labor productivity, which is the decisive factor for growth in national income, mainly in the product for society. This influence is accompanied by some new trends in the value structure of national income, which, on a detailed plane, are concretized in the faster growth of the product for society in relation to the product for oneself. On this basis, some changes are also occurring with regard to the role of the state budget in the redistribution of national income. Thus, while the product for oneself enters to a smaller extent into the process of redistribution by means of the state budget, in exchange, the product for society, in various forms, constitutes the basic source of the incomes of the state budget. Only in this way is it possible to explain the fact that, as a result of the application of the new regulations in the financial and banking field regarding the planning, allocation and payment of profits, the financing of circulating funds, the financing and crediting of investments and so on, the percentage of the two basic elements of the product for society turned over to the budget--the commodity-circulation tax and payments from the profits of the enterprises--also continues to be high: over 56 percent. The statistical data referring to the contribution of the payments from the profits of the state economic organizations and enterprises to the formation of the incomes of

the state budget, whose percentage rose from 21.6 percent in 1970 to 43.1 percent in 1978, are also indicative in this regard. At the same time, one notes a reduction of the percentage of the commodity-circulation tax in the total incomes of the state budget from 30.4 percent in 1970 to 11.4 percent in 1978.

The Effects of the Action of Economic Factors

The change in the ratio between different categories of incomes of the state budget formed through the allocation of the product for society created in the socialist organizations and enterprises brings out the fact that the measures adopted in the last decade along the line of improving the management and planning activity have constantly pursued the growth of the autonomy of the enterprises in utilizing their own funds and, in particular, profit and other elements of the product for society. Under these conditions, the state budget gets only about 11.5 percent of its incomes through the commodity-circulation tax, which are registering a steady rise as a result of the increase in the volume of production achieved. At the same time, a diversification of the forms that are assumed by the product for society taken into the state budget is occurring. Thus, in the 1970-1976 period, besides payments from profits and fees and other payments from the socialist units, the regularization tax was also utilized. In the current stage, on the basis of the decisions of the plenum of the RCP Central Committee in March 1978, under the conditions of the action of the new economic and financial mechanism, there has been introduced the deduction for society of a part of the value of the net output by means of which the state socialist units contribute to the formation of the funds needed for the general development of society. The new form of deducting for the state budget a part of the national income created in the state industrial enterprises also provides for the adjustment of the level of profitability according to enterprises, centrals and ministries.

Scientific and technical progress also causes an intensification of the redistribution of national income with the help of the state budget in that, being the main factor for growth in labor productivity, it provides significant premises for changing the ratio between the population employed in the productive sphere and that employed in the nonproductive sphere, in the sense of the growth of activities regarded as nonproductive (services, education, culture and so on). This presupposes the continual growth of the part of national income meant to maintain such activities. The presence of this trend and its amplitude in the current stage are confirmed by the growth of the sociocultural expenditures from the state budget. So, for example, the expenditures for financing sociocultural actions were approximately 50 percent higher in the 1976-1980 5-year period than in the 1970-1975 5-year period. In consequence, the incomes obtained by the population from the social consumption funds in 1980 exceeded by significant amounts those in 1975. In addition, the volume of the expenditures for education, culture and art, health, social security and so on (sociocultural expenditures financed from the state budget) amounted to 71 billion lei in 1980. Consequently, scientific and technical progress is influencing, on many planes, the different economic and sociocultural activities that affect the structure and evolution of the incomes and expenditures of the state budget and, on this basis, is causing an intensification of its role in the redistribution of national income in the current stage.

In the category of the economic factors that influence the process of allocation of national income, the volume and structure of the accumulation have a special importance. The proportion between the development fund and the consumption fund, under

the conditions of the growth of national income at a steady rate, is causing the amplification of the process of redistribution of national income with the help of the state budget. So, for example, a high rate of development causes a significant part of national income to be meant for the expansion of production and the formation of the reserve and insurance funds that, in order to reach their destination, also pass through the state budget. At the same time, we note that in the current stage, through the growth of the powers of the enterprises in using their own funds—in particular, profit—in order to expand the productive and sociocultural activities, the part of national income meant for accumulation, which passes through the state budget, is restricted from a quantitative viewpoint. The evolution of the expenditures for financing the national economy from the state budget constitutes proof in this regard: they represented 34.8 billion lei in 1960 and reached 62.1 billion lei in 1965 and 95.5 billion lei in 1969; the fast development of the economy in the 1971-1980 decade also provided for a steady rise in the expenditures from the state budget for financing the national economy from 155.8 billion lei in 1975 to 205.3 billion lei in 1978. The percentage of these expenditures in the total state budget in the 1971-1980 decade varied between 62-69 percent.

The political factor puts its imprint on the distribution and redistribution of national income through the measures of economic policy adopted in a certain period, especially in the financial field. Along this line, in the current stage, the measures regarding the improvement of the economic and financial mechanism occupy an important place. The income and expense budget of the enterprises, the centrals, the sociocultural and administrative institutions, the ministries and other central bodies, the communal, city, municipal and county people's councils and the cooperative and public organizations have a special importance among all these measures, which have important implications regarding the distribution and redistribution of national income. The introduction of the income and expense budget of the productive and sociocultural units constitutes a generalization of our country's experience along the line of utilizing the state budget and the local budget of the territorial-administrative units, an original contribution of our party to the solving of problems of improving the management of the socialist units in the current stage. The income and expense budget of the enterprises and institutions represents a basic instrument in the management of these units, offering to the collective leadership bodies valuable information about the results obtained by the enterprises.

The Income and Expense Budget—an Instrument for the Allocation of the Newly Created Value

Through the content, through the manner of preparation and supervision, the income and expense budget of the enterprises and institutions* plays an extremely important role in the distribution and redistribution of the newly created value, in the providing of financial equilibrium. Within the units in the branches of material production the income and expense budget constitutes an important instrument for the distribution and redistribution of the value newly created in these units. Schematically, the income and expense budget reflects, on the one hand, the receipts from

* The income and expense budget of the enterprises is prepared in close connection with the economic plan indicators and includes the incomes, expenses and financial results in their activity, the receipts from foreign trade activity, their own funds that are set up at their disposal, bank loans, the payments to the state budget, and other incomes, resources and expenses.

selling the commodity output in the country and through exportation, receipts from performing work and services for third parties and receipts from selling the goods by retail through their own stores and from various other activities and, on the other hand, the expenses connected with the commodity output sold and paid for, expenses for performing work and services for third parties, the cost of the goods sold by retail through their own stores, circulation expenses and those for various other activities, and expenses that are borne directly from the financial results, such as the deduction for society of a part of the value of the net output. The second part of the income and expense budget of the enterprises contains the financial results, of which we mention the commodity-circulation tax, the profit and its allocation.

From the general scheme of the income and expense budget of the enterprises in the sphere of material production there is drawn the conclusion that it constitutes an important instrument for the allocation of the newly created value among the productive workers, the enterprises and the socialist state. The receipts from selling the commodity output and from the work done and the services performed also include the primary incomes of the workers, the enterprises and the state. The obtaining of these incomes at the level in the plan thus presupposes the performance of the production and sale of the products in a proper fashion. The role of the income and expense budget of the enterprises in the distribution of national income follows clearly from the very part referring to the expenses and financial results of the enterprises. Thus, the wages of the workers are included in the big group of the expenses connected with the commodity output. The primary incomes of the state are mentioned in the positions: the deduction for society from the value of the net output, the commodity-circulation tax and payments from profits to the budget. The primary incomes of the enterprises are formed from the profit that is allocated for restoring the funds received for investments, the economic development fund, the fund of circulating funds and the fund for housing construction and other investments with a social character. At the same time, the income and expense budget of the enterprises is also an instrument for the redistribution of the newly created value. By this means, the income and expense budget of the enterprises contributes to the formation of the secondary incomes of the population employed in the units in the sphere of material production. In this capacity, the income and expense budget of the enterprises mediates the redistribution of a part of the profit allocated for the formation of funds such as the fund for social actions, the fund for sharing profits with the working people and so on.

The directing of the newly created value in order to satisfy some needs of production and to satisfy the needs of the population is provided by means of the income and expense budget of the enterprises. From this viewpoint, the income and expense budget of the enterprises represents an instrument for allocation by means of which the connection between production and consumption is achieved. As an instrument for the allocation of the newly created value, the income and expense budget of the enterprises has the mission of providing for the financial equilibrium of the socialist units, that is, the equilibrium between receipts and payments, between resources and uses. At the same time, the income and expense budget of the enterprises offers the possibility of a thorough analysis of the volume and structure of the expenses and the adoption of measures for reducing them and correspondingly increasing the profits. In consequence, the income and expense budget of the enterprises is, in particular, an instrument for worker self-management and economic and financial self-administration. In this regard, Comrade Nicolae Ceausescu stated: "On the basis of the principle of economic and financial self-administration, each economic unit and

enterprise will have to draw up its own income and expense budget, starting from the necessity of providing, from its own activity, both the financial resources needed and an increase in profitability, in profit. This constitutes an objective necessity for the continual development of society and the raising of the material and spiritual well-being of the whole populace."

The income and expense budget of the enterprise is integrated into the system of the income and expense budgets of the higher echelons: central, ministry and so on. The income and expense budget of the socialist units has as a basis the sole national plan, and in the national economy as a whose these budgets are correlated with the other financial plans, such as the state budget, the loan plans and the centralized financial plan. In the current stage, in our country, at the level of the different organizational links of the national economy and in the country as a whole, the distribution and redistribution of national income and the growth of the role of the instruments utilized in the process of allocation of the newly created value, in the management of economic and social life, are provided through the system of the income and expense budgets.

Knowledge of the main trends of the process of distribution and redistribution of national income and thorough study of the role of the budget in this process are of special theoretical and practical importance, constituting the starting point for the different measures regarding the improvement of the financial and loan factors and the price system, the expansion of services and the raising of the level of sociocultural service for the population, and so on.

12105
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GREATER EFFORTS NECESSARY TO REDUCE PRODUCTION COSTS

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[Article by Dr Gh. I. Sica]

[Text] In the general framework of concentrating concerns throughout the economy on emphasizing the intensive factors of development, the reduction of production costs and material expenses per unit of product plays a basic role, being intended to provid an incentive for growth in the net income of society, directing of the material and labor resources saved in this way into various areas in order to have superior satisfaction of the rational social consumer demand.

That is why the reduction in production costs and material expenses must be given more attention, both in the immediate future as well as the more distant future, through intensifying the creative efforts and organizational efforts, efforts with a view to raising the level of utilization of raw materials and energy, increasing the degree of recovery of reusable resources, giving a strict size, scientifically substantiated, to consumer standards, reducing consumption in the process of the design and building of the products, increasing the cadres' qualifications and so forth. Just how important this activity is result from the fact that a 1-percent reduction in total costs in the national industry in 1980 represented 5.7 billion lei, while at the 1985 level a 1-percent reduction will represent 7.7 billion lei.

Current Dimensions of the Actions To Reduce Manufacturing Expenses

An overall analysis brings out that in the first year of the current five-year plan the action to save on social labor in general and reduce material costs and expenses in particular was carried out under better conditions, with many sectors of activity, industrial centrals and enterprises obtaining superior results both in rise as well as compared with the plan. Thus, the enterprises belonging to the Ministry of Machine Construction Industry, the Ministry of Chemical Industry and the Ministry of Agriculture and Food Industry fulfilled their planned tasks during this period as a whole, while additional savings over the plan were obtained with regard to the materials. The supplementary savings for the national industry total 1.105 billion lei for the period which has passed this year.

Reductions in total and material costs have been recorded on the rise for a large range of products, with positive results for the competitiveness of the particular products, for their profitability. As an example, the evolution in reduction of costs for certain products in the 1977-1980 period, when the same production price level was acting (put back to 1 January 1977) (see Table 1).

Table 1: Evolution of Costs of Certain Products in the 1977-1980 Period
(Indicators in the base of 1977=100)

Product	Unit of Measure	1978	1979	1980
Passenger cars for the main lines	pieces	-9.1	-13.0	-18.5
Vertical lathes	pieces	+5.5	+ 2.6	- 3.6
Artificial leather	tons	+17.3	-3.0	- 5.9
Cotton-fiber and cotton-type fabric	1,000 lei production good	+ 1.8	-4.8	- 5.8
Synthetic ammoniac	tons	-14.8	- 2.2	-21.7
Carbon black	tons	-12.2	- 6.1	- 4.8
Radial tires	pieces	- 4.8	- 7.1	- 7.3

As we see from the figures presented, sometimes large reductions were recorded in the economy compared with the 1977 level of costs per product; whereas, for example, for artificial leather, where the capacity newly entered into operation should have reached technical-economic parameters, it affected costs in 1978, but it led to a reduction in the next years and for the other products presented in the table the activity of reducing costs was carried out in superior results toward the final years of the five-year plan.

The new production and delivery prices brought up to date, introduced on 1 January 1981, created appropriate conditions for applying the new economic and financial mechanism in all branches of the economy, but particularly in the extraction industry, where, due to the specific exploitation conditions, the production and delivery prices had become totally inappropriate. Also, it was determined that where concern with reducing production costs and material expenses was shown at the appropriate level, the results obtained were and are commensurate with them.

Mainly the efforts made have been based on fulfilling the volume and physical structure of the production good in conformity with the plan provisions, fulfilling the tasks to increase the utilization of raw materials and materials, fulfilling the goals fixed in the area of increasing labor productivity, drawing on certain modern and original technical and technological solutions to a greater extent in the activity to reduce costs. At the same time, however, it should be stressed that in some enterprises and centrals the activity to reduce costs has not risen to the level of demands and possibilities, with the results, too, being inappropriate. Thus, in the Bucharest enterprise for automation elements, at Electroceramica in Turda, at the Pitesti Automobile Enterprise, the Piatra Neamt Mechanical Enterprise, the Resita machine construction enterprise, the Risnov devices enterprises, Unirea in Cluj-Napoca, the Galati naval job site, the planned production costs were exceeded in the first half of this year, which burdened the state's net income and affected the processes for saving on social labor.

The factors which led to the appearance and preservation of a gap between the plan forecasts and achievements obtained in the period mentioned were due to the existence of a number of causes, among which the following are at the head of the list: failing to have appropriate follow-up on carrying out the programs of measures, the lack of systematic costs analyses, reduced involvement of the technical sectors in the activity to reduce labor consumption per unit of product.

We are in a stage where the problems of reducing production costs cannot be treated only in the "traditional ways" and by the chief accountant's record-keeping sectors;

in our opinion, the new technical and technological solutions must make a greater contribution than right now. And this is because currently many failures of fulfillment of the planned costs also are due to the fact that some technical leadership cadres in the enterprises, in treating the specific problems, continually are sending the problem to be "solved" by the record-keeping sectors, that is, the head accountants, despite the fact that 95 percent of the enterprises' expenses are being decided by the technical and production sector. And there is more. In some situations, the goals of the technical plan in all their forecasts have not been ganically linked with the activity of reducing production costs, with there actually being many situations when an answer is not insistently sought to the question of "what volume of savings have you brought by fulfilling the goals of the technical plan," a situation also encountered in some big units, for example, at the Galati Iron and Steel Combine, the Brasov Tractor Plant, the Drobeta-Tirnu Severin Train Car Plant and so forth.

In this context, we feel that of the volume of savings planned for a plant, the greatest portion specifically as a service task must belong to the technical and technological sectors. The activity of reducing material costs and expenses per unit of product in an economic unit cannot be carried out in "general" or through total calculations made in the head accountant's sectors, but specifically on the basis of programs of measures institutionalized as documents of the single national plan even in 1974. In practice one still sees situations where the programs of measures to reduce material costs and expenses are worked out formally and they do not make the junction with the other programs for increasing labor productivity, reducing consumption standards and improving product quality and the contribution of the technical plan is not evaluated, intermediate terms and specific responsibilities are not established, while seeking to carry out these measures--a particularly important problem--has not risen to the level of demands. These situations are met in some units of the chemical industry, construction materials industry and machine construction industry.

For that reason, systematic reduction in costs continues to be an area which must be treated with greater responsibility by the responsible factors in the enterprises and centrals, with the leadership through costs being a major commandment of the entire stage of this five-year plan. A critical analysis of the structure of production costs by elements of expenses and articles of calculation, an exhaustive study of the internal reserves in the sections and shops, blocking all channels for loss and waste and, in particular, technical ingeniousness must be the support for working out measures to reduce material costs and expenses per unit of product, while raising the decision making in the technical-economic processes to the level of demands of the concept of economic efficiency are the guarantee for carrying out the measures in the program.

Goals and Actions for Obtaining Superior Results

Taking into account the complex and sustained development of material production in light of the tasks included in the annual and current five-year plan and the broad program of investments which systematically promotes the newest achievements of technical progress in the national economy and the need for saving on social labor in all ways in the period remaining this year and in the future, all units in the economy have major tasks with regard to mobilizing the reserves with a view to reducing material exses even more emphatically. At the level of the entire five-year plan currently, a volume of savings of around 260 billion lei is to be obtained in this way, of which more than 200 billion are in the national industry. Actually, this means that in the

national industry the total costs per 1,000 lei production good are to be reduced 8.2 percent in 1985 compared with 1980, while material costs are to be reduced 6.3 percent. A basic part of this effort belongs to the processing industry as well as the intermediate branches--the chemical industry, the iron and steel industry and so forth (see Table 2).

Table 2: Reduction of Total and Material Production Costs During This Five-Year Plan

Units Belonging to:	1985/1980 (percent) Reduction in costs per 1,000 lei production good	
	Total	Material
Ministry of Metallurgical Industry	7.0	5.9
The machineconstruction industry	14.5	12.4
Ministry of Chemical Industry	10.2	8.4
Ministry of Forestry Economy and Construction Materials	9.2	6.4
Ministry of Light Industry	11.1	11.2

Of the multitude of factors whose intensified action is needed for this purpose, the following must be kept in mind on a priority basis: continually raising the degree of utilization of raw materials, materials and energy-bearers through the superior processing of metal, wood, plastics and other raw materials and basic materials, as well as the strict use of fuels and electric energy; considerably increasing the recovery degree for raw materials and reusable materials in order to cover the production domestic consumption to as great an extent as possible and to save the country's natural resources and reduce imports; substantially increase the production and net income which are to be obtained per 1,000 lei fixed assets by the intensive utilization of machinery, equipment and installations and complete loading of production areas and increase in the coefficient of exchanges; strengthening the savings program in all the production units by broadening and improving the system of standards and expenses standards as well as eliminating any kinds of losses by enterprises and products and by eliminating the shortcomings still being demonstrated in the activity of some economic units.

The material support for fulfilling the forecasts, along with carrying out the fixed investment program on schedule for the 1981-1985 period, must be amplification of the units' own efforts in order to raise the degree of utilization of raw materials and materials (above 30 percent in industry) and obtaining nearly 84 percent of the rise in national income by increasing social labor productivity and the average annual growth rate of live labor productivity by 7 percent in industry, 5.4 percent in construction-assembly and so forth, intensive factors which in turn determine the reduction in the level of costs per unit of product.

Of course, these macroeconomic goals may be fulfilled only under conditions where the particular tasks in each unit, section and shop and on each job are parcelled out and followed up on appropriately, while the activity for carrying them out takes place at the level of requirements demanded by the current stage. In this framework, it is necessary in each economic unit to make a critical, careful study of the way in which the factors which de ermine the level of costs for 1981 have taken action, to select those with a specific action in 1982 and work out specific programs of measures in light of these specific factors. In particular, we are referring to the various

technical and technological solutions undertaken in preceding years which did not demonstrate an immediate economic effects butwhich are contributing to saving on social labor. The thousands of capacities newly entered into operation in the last years of the preceding five-year plan must reach the technical-economic parameters as a whole, in the shortest possible time, and must give the anticipated results and from here we have the need for the programs of measures in these new capacities in the area of reducing costs to take into consideration the solutions which may lead to achieving the anticipated contribution in the technical documents, which have been at the basis of approval of the particular investments.

Working out measures to continue reducing costs, the ones with long-range effects should not be neglected, either, bearing in mind the scope of the tasks confronting us during this five-year plan. In this regard we need a mobilization of technical and technological solutions on broader bases, proceeding from the design and quality up to optimization of the manufacturing batches , internal transport, which in some plants is entailing costs with large amounts for promoting a strict savings program. The junction between the technical and economic sectors must be achieved better than in the past so that these important tasks can be brought to fulfillment through joint efforts. In this framework, the strengthening of discipline of costs we feel is also a basic requirement. In particular we are referring to working out calculations of costs by product as sensibly as possible and adoption of an appropriate system for seeking to carry out the measures included in the programs and to laying them out by sections and shops.

Approaching these tasks with increased responsibility and substantially increasing the concern in all enterprises to reduce production costs and, in particular, material costs are necessary conditions for achieving this year's production and that of the five-year plan under conditions of higher efficiency.

8071
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GENUINE AGRICULTURAL REVOLUTION REQUIRES REALISTIC OUTLOOK

Iasi CRONICA in Romanian 18 Sep 81 p 7

[Article by Constantin Dropu]

[Text] Implementation of a new revolution in agriculture, substantial increase in vegetable and animal production, the full use of the land fund with maximum rationale and of the technical-material base, broad application of the achievements of biology, genetics and, in general, modern science and technology, rise in labor productivity and the economic efficiency in agriculture—all these mean draining the remainders of the old mentality and of the "new" interpretations which basically preserve the old cliches of the way in which this branch of decisive importance of the Romanian economy was viewed.

1. Speaking of agriculture's role and place in the national economy, it seems we have become used to referring to the fact that it represents merely a reservoir of agricultural-food products for the population, raw materials for light and food industry, reserves for export, workers for other branches of activity, sources of capital for accumulation and a sales market for various industrial products. I think this view suffers from narrowness and in any case from a certain simplifying of things and for that reason it must be corrected. A full and thorough understanding of agriculture's place in the national economy and, on a more general level, in the economy of today's world is only possible by bearing in mind that agriculture in a way is the alma mater of human civilization. It is the runway from which man took off on this great adventure and to which he continually returns. John Bernal feels that agriculture established the absolutely new relations between man and nature, that man, by practicing agriculture, actually began to master living nature through a knowledge of its laws of reproduction and thus to obtain a much greater independence from the exterior environment. He associates with agriculture the process of formation of the craftsmen of the field and of the house, formation and extending of the concept of cause and effect, which was to become the basis for a rational science, the process of formation of the rural culture, the village and later the city and so forth. But Edouard Bonnefous feels that although the progress of industrial techniques and technologies deeply changed the relationship between man and nature, making man feel less subject to the nearby natural environment, the human being still remains a tributary of the chlorophyl which captures solar energy and supplies it with oxygen and, strictly dependent on the renewal of the resources and, above all, on primary productivity, whose first stage is represented by the photosynthesis whose sum of possibilities we far from know. The living matter of the biosphere is what ensures, through the plants with chlorophyl, this basic mechanism for changing solar energy into chemical energy and which, throughout the centuries, has led to establishment of a living and vertile layer biogeosphere.

As the French scholar says, "There is no doubt that the earth is the most precious capital which man has at his disposal to satisfy his needs." And, far from being stable and inert, the earth is a complex, continually changing medium. Planting crops, thus, agriculture understood as a work of the ground, speeds up this change in the sense of an enriching if it is practiced rationally or in the sense of a weakening if the methods are brutal or if their only purpose is to obtain immediate and maximum output. In this last meaning, Bonnefous speaks of the bad consequences for man of what he calls aggressive agriculture. In a period in which the problems of environmental protection are being posed more and more sharply, the practicing of a rational agriculture plays a role of primary importance in ensuring at least protection of the earth against destruction and pollution with substances which endanger man's health and harms the biological resources and life of the ground's organisms or hinders the various natural uses of the earth.

2. The idea of a new revolution in agriculture, I feel, should also be reflected in the level of scientific research and the front of all the sciences which are connected with agriculture. With regard to economic thought, it should be cause, as was the procedure with unilization of the advanced ideas of the "industrialists" of the past, for us to proceed with our pioneers who gave out ideas, thoughts, analytical elements and even solutions--also valid today--with regard to Romanian agriculture and to the determinants for its progress. For example, let us recall the studies of Gheorghe Ionescu-Sisesti, this true Nicolae Iorga of our country's agrarian economy, or those of Marin Chiritescu-Arva. These two brilliant scientists from the first half of our century were among the most profound experts in the status of Romanian agriculture during a very broad period. Their works should be investigated better and utilized more and integrated in a place of honor in the heritage of our economic agrarian thought.

Under oftentimes the mostunfavorable conditions, Gh. Ionescu-Sisesti tirelessly militated for more than four decades in order to bring order to the entire activity upon which the fate of agriculture depended. He supported the need for the cooperation of all factors in ensuring full success in the action to straighten agriculture out. Seven decades ago, in the work entitled "Agrarian Policy With Special Regard to Romania," he wrote: "In order to achieve the greatest success in agriculture and thus the most favorable profitability, we need the equal cooperation of all factors. I dwell on this equality because too often it is forgotten in agricultural practice and agrarian policy that a single unfavorable factor unfavorably affects the entire operation. Just as the resulting vegetation in crop nutrition depends on the element found in a minimum quantity (The Law of the Minimum discovered by Leibig), so, too, profitability in the organ of agricultural operation depends on the most unfavorable factor. For example, if all the elements of an operation are improved but the leadership is poor, the result will be negative and if the operation goes very well but there is no sale, and so forth." He draws attention to the danger which can result in the situation where the bureaucratic apparatus of an privileged state organization becomes very hard to handle, a circumstance due to which some measures, programs and laws initiated could remain unimplemented. "Scattered programs at each moment are like those magician's wands which give the people an illusion behind which a reality is not hidden. A law is a working plan for a ministry, for a government, for a society. But it is not the work itself; the work itself begins after the laws are voted. We should not have an illusion, as some politicians have illusions, that if a law has been voted on, then the country's happiness begins. A law voted upon is like a plan for a house. The plan may be very nice but it is not the house itself; much work and perseverance are needed to build a house." In an atmosphere which is not always favorable, it was difficult for the scientists of the past--and there was no lack of them--to undertake practical actions intended to provide an

impetus for agricultural progress, although they were convinced of the need and possibility for them. This conviction made Gh. Ionescu-Sisesti say that "The economic laws often are of a sharp nature which are destructive for the laws of nature, which, however, the superior human awareness corrects through the laws of individual or social ethics." Precisely in order to promote an agrarian policy which takes into account economic laws and life's realities, he came out in favor of attracting into the representative organs of agriculture those who actually work in production, the agricultural workers who bring from practical life the sharp sense of realities, of responsibilities, of the real needs and aspirations, those who will seek within the organs the most appropriate solutions.

In turn, Marin Chiritescu-Arva said that agriculture as production is the result of an entire constellation of factors, that correcting it is possible by implementing a triple rationalization: geographic, economic and technical, stressing that modern agriculture is presented as a union between science, technology and production, within which one may not intervene with unilateral measures. He came out firmly against those economists and politicians who were in their concepts "either the echo of reminiscences of bourgeois thought by the romantic way in which they view rural life and by the mystical virtues they give to creative individualism, or they are the captives of classic theoretical formulas in the area of the economy which they view as a goal which must be fulfilled, instead of using them as a means in achieving the forms of life imposed by time."

Research into the way in which the problems of Romanian agriculture were approached by progressive economic thinking in a period throughout which these problems, even if their figures and view through which they were being viewed suffered changes, were in the forefrontof social-political life of the country, I think, is of special importance even beyond the borders of the historical stage in which they were circumscribed. Because the cooperativization of agriculture in the process of building socialism has created favorable conditions for implementing the advanced ideas of those who in the past were concerned with the fate of agriculture and toward which the bourgeois-landowner regime most times demonstrated an incredible obtuseness. Despite the passing of time, more than a few of these ideas have preserved their unchanged current nature, able to serve us at a time like this, when our thoughts sharply turn to the contribution requested by the party to place all the activity in agriculture under the banner of the needs for a qualitative leap by consolidating what has been achieved until now and by opening toward what is new, toward creation and progress in all directions without preconceived ideas.

3. In pondering the states of affairs in agriculture, we cannot help but ask why, after more than three decades since initiation of the process of placing the Romanian village on socialist bases, the average per hectare outputs as well as the other parameters of efficiency still are far behind those of the developed countries, despite the indisputable progress we have recorded along the line of increasing vegetable and animal production. Do these countries really havebetter land, more favorable climate, more favorable geographic placement? Of course not. The explanation lies in the tenacity with which technical knowledge is applied, in the strictness with which all agricultural work is done, in a spirit of initiative, order and discipline, which characterizes the activity of each agricultural farm. All these depend on the factor of man, on the quality of this factor and, if that is how things stand, the new revolution in agriculture perhaps should start with a broad rethinking and flexible solution for all the problems concerning the most important factor in agriculture--man. Gheorghe Ionescu-Sisesti said: "We must start with the factor of man, without whom all the sacrifices for material improvements will remain without value. Human energy must be enlivened,

the work of the routine agricultural worker must be brightened up, and everything must be done in order to increase faith and to strengthen the spirit of solidarity. Only then will the material resources forecast in our working programs produce the results we wish."

I would not like to be criticized for writing "poetry," but I cannot help but say that when we speak of agriculture, of work in agriculture, we must take into account the specific nature of this activity, we must bear in mind that work in the agricultural sphere still coincides in many regards with the sphere of peasant life itself. Let us not forget that the peasant and the land always have been two brothers urged on, it seems, by the same fate, the peasant with his sorrows and happinesses, along with the earth, with its winters and springs. I do not think that a basic change in the states of affairs of our agriculture can be obtained without a radical improvement in the system of material incentives for the workers of the fields and all those working in agriculture. Much has been said and written about material incentives for the peasants in Romania in the last 30 years. It seems we have reached a certain satiety in connection with this problem so that today it even seems hard for us to approach it anymore. Undoubtedly, certain improvements have been recorded but, overall, the problem still continues to be an open one. It would be at least imprudent for us to think that we have arrived at finding those forms of incentives which fully stimulate the peasants' entire capacity for work. Otherwise, they would not show so much indifference in many places to working the land and they would not prove to be so apathetic even until the fall and the harvest, in which their work throughout an entire year is incorporated.

The importance of material incentives in raising agricultural production has been understood for a long time. Someone said, and not without foundation, that the creative energy of which the millions of peasants are capable and which could be placed into movement with the help of levers and material incentives could be compared with the energy of an atom. It is easy to understand that simulating and placing such an energy could raise the entire process of agricultural development onto a qualitatively higher level. And it is not only a matter of stimulating those working in the big crops, in vegetable production, but even of those working in zootechnics, in the industrial combines, where the quantity and quality of work done may be determined more precisely and measured at once. For example, an attendant at a poultry combine working with 25,000 chickens, sometimes working more than eight house a day in an impure air, does not always receive a salary appropriate for the volume of work and her working conditions, although her labor productivity in some cases is double that of the average productivity for our industry as a whole.

A true material incentive should proceed from a determination of the effort of each producer himself, whether it is a matter of an agriculture unit, farm or brigade or a matter of a single worker, machine operator or cooperative member peasant. The problem is not at all a simple one, but solution of it means clarifying in advance the many aspects raised in production and practical economic activity each day. Perhaps the agricultural units should be given incentives not only for fulfilling the forecasts of the production plans but also for working out the best plans based on utilizing as many internal reserves and local possibilities as possible. In this way, if we express it in this way, the practices of handling the plan figures according to the circumstances, not always justifiable, would be eliminated. We shall be in agreement that realism and consistency of the plan indicators lie not so much in the strictness of correlating their figures but more importantly in their basic foundation, in adopting the measures needed to fulfill them. But this does not mean that the plan indicators can

be given their dimensions in just any way. The working out of a totally realistic plan is the primary condition and, at the same time, the basic condition for fulfillment of it. Speaking on a more general level, ensuring a good leadership, organization and planning is the problem of problems for our socialist agriculture. Actually by this I am not saying something new. We know very well that throughout the years of building the new society in Romania measures have been taken successively to improve the organization of leadership and planning of agriculture as of the entire national economy.

4. The application of the new economic-financial mechanism in agriculture also is closely connected with the question of improving the system of leadership and planning. In this regard it should be seen whether and to what extent the production plans of the agricultural units are more realistic now, more solidly substantiated and whether and to what extent the plan proposals coming from below, from the production farms, have been taken into consideration by the higher organs. The practice of many units is not able to indicate a transition to a new quality in planning activity. We feel that in the matter of planning the relationship between the agricultural unit on one hand and the county and central organs on the other even now are not operating appropriately. Of course, in the activity of working out the production plan for any agricultural unit, the unit's tendency to draw up a "comfortable" plan always has been met and still is being met now, a plan it can fulfill slowly, without headaches, and the tendency of the higher organs to make the plan over-large with so-called mobilizing provisions. The name of "mobilizing" is not, however, anything more than a euphemism hiding the unrealistic nature of the plan provisions, the tendency of the organs, particularly the central planning organs, to raise the growth rates of vegetable and animal production at the price of supersoliciting the efforts of the agricultural units or, perhaps, their fear that the latter fulfills the production plans too easily. However, whatever the cause is, the lack of realism in some plan provisions imposed from the center not only makes the plan unfulfillable even from the start but, by failing to take into account the proposals coming from the agricultural units as well as their specific conditions, the independence given the enterprises in carrying out their production and economic activity and their self-leadership are seriously affected. It seems that here we see an attitude criticized some time ago by our party's leadership, that is, the central decision-making organs' hanging on to routine methods, old style of work, excessive centralization, imposing viewpoints from a position hard to attack by the higher forum, whose directives must be carried out as being, should we say, more well thought out, better reflecting the general interests of the national economy, the state, society.

Recently, in connection with the new economic-financial mechanism applied in the agricultural units, the theoretician and practical economists in Romania have made a more thorough study of various of its aspects. The feeling enjoys unanimous opinion that the measures adopted by the party have created favorable conditions, an organizational, institutional and legislative framework which permits more efficient activity to be carried out. Despite this, it is necessary to recognize that, unfortunately, some disagreements still persist between the way in which the new economic-financial mechanism was conceived and the way in which its main requirements are being applied in practice. For example, let us take the difficult problem of prices. Of course, the 12-percent rise in prices for delivery, contracting and acquisition for agricultural products--decided by the party leadership--is a powerful stimulus given to the producers with a view to increasing productivity and profitability of the agricultural units. And, yet, there still are many matters to be clarified and adjusted in the problem of prices for agricultural products. They should be profitable for the producers

and equitable for the consumers. Both the level and rise in costs as well as the effects propagated by the change in prices must be kept in mind in establishing prices for various products in order to ensure normal circulation of goods. We know that the mutual ties between various branches and subbranches of the national economy determine a reciprocal dependence between the prices of the goods being transferred from one branch to another. In establishing and, in particular, in moving prices, all this is not always kept in mind. For example, in the case of a poultry combine, its products even today are being sold at the same prices as five years ago. But in these five years the fodder for poultry has become more expensive (from 1.80 lei/kg to 2.70 lei/kg), the cost of electric energy has risen from .24 lei/kW to .34 lei/kW and thermal energy also has risen from 101 lei to 161 lei/gcal, drugs also have become 25 percent more expensive, transport expenses have doubled and tripled as a result of establishing the new enterprise for transportation in agriculture, personnel's salaries also have risen 30 percent. And, yet, the price at which the poultry combines sell their goods has remained the same. To be better understood, I shall state that I am not pleading for a rise in the prices of poultry products. An understanding of the negative implications of the tendency shown to raise prices is available to anyone. Our society must minimize the unfavorable effects of such a tendency. The problem I am raising is that of a better correlation of prices so that they permit carrying out the economic activity of the agricultural units under normal conditions on the basis of the new economic-financial mechanism, self-management and self-leadership.

5. A new revolution in agriculture has no way to avoid a problem continually confronting those working in the agricultural units, that is, the problem of the roads, the access roads, as well as that of the means of transport. We know what the situation was from this viewpoint in the past. The efforts and achievements recorded are known. But it is just as true that we still have a lot to do to set up and modernize the county and commune roads and those between the villages and fields, between farms and so forth. If I am not wrong, it was felt that annually we are losing more than 10 percent, if not more, due to failure to transport the harvest on time. This means 2 million tons for 20 million tons of grains. Why should we continue to lose them? Perhaps the answer will be that the financial effort could not be supported, at least for the time being. The length of our county and commune roads is 58,785 km, of which approximately 3,200 km have been modernized, while 17,000 km have slight asphalt covering. Anually around 1,200 km of county and commune roads are set up in this way, which means that we would need around 30-40 years from now on to finish the modernization of these roads, without even speaking of the village roads and those from the villages to the fields, which do not figure in anyone's accounting. Is this not rather a lot? Why do we not make the problem of modernizing the county, commune and village roads a national problem? Why do we not establish national youth worksites and worksites for the entire population which would include the entire network of arteries in order to bring some villages and agriculture out of the mud, to give an additional note of civilization and real progress?! Because progress in agriculture cannot be conceived of without roads.

The problem of setting up the roads in the villages naturally is correlated with the broader problem of systematization of agricultural territory and the rural localities. Unfortunately, the network of operating roads on which massive quantities of products travel and which directly affect the street network of the rural localities does not always figure in the documents on systematization of the rural localities and agricultural territory. In connection with the organization of agricultural territory, we need to undertake firm measures to utilize nonproduction land, to restrict certain categories of usage, particularly those which do not directly serve agricultural production and which, through their method of placement and size, reduce or hamper

agricultural production, such as parallel roads, paths, mistakenly placed or useless paths, too many operating roads, uncultivated zones of protection, if they are not against health standards, green areas without a production road, shrubbery without economic value and many other things.

The technical, biological, organizational, economic and social dimensions of the new revolution in agriculture actually are extremely numerous and with many implications. It seems as if we are seeking endlessly to innovate in this broad and frenetic arrangement. The person who comes up with a new idea is covered with praise. But there is something easier and more useful than even the best new idea and that is for us to recognize the national value of simple things done well, for us to organize and make the positive experience of the leading socialist agricultural units and the wisdom of the hardworking peasants in the furthest villages become generalized, becoming the chief aid for all our agricultural work. As Comrade Nicolae Ceausescu recently stressed, "The agrarian revolution is not carried out with words." Because what is more difficult than theorezing about a new revolution is implementing it, with the revolution requiring giant and persevering efforts of organization and putting into motion the hidden energies existing in the world of the Romanian village.

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STATUS, OUTLOOK FOR COAL CONSUMPTION, PRODUCTION

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[Article by Momcilo Simonovic, doctor of engineering sciences and full professor at the School of Mining and Geology of Belgrade University; submitted 5 March 1981]

[Text] The article surveys the tendencies and experience in production and use of coal in Yugoslavia as well as its place and the role which it has had and can have in the future development of the Yugoslav fuel and power industry. The recent energy crisis has affected and speeded up development of coal production in our country, as it has elsewhere, and has strengthened the orientation of many consumers, above all the electric power industry, toward this source of raw materials. That is why the growth rates of coal production in the period up to 1985 have been projected rather high, and in the period after 1985 still higher. Our production capabilities with respect to use of coal reserves are greater than the amounts projected in the plan, and if the new gasification processes are economically acceptable, it is more than certain that the production and use of coal will be speeded up to a greater extent.

Introduction

Our country's economic development, which has been quite intensive over the last decade, has made it necessary for the consumption of primary energy to increase about twofold over that same period, and at the same time the structure of consumption has been changing rapidly to the advantage of secondary forms of energy, above all electric power and petroleum derivatives. Just 10 years ago, somewhere around 1969, domestic coal was dominant with a share of about 44.5 percent in consumption of primary energy. The other 55.5 percent consisted of the following: imported coking coal 8 percent, crude petroleum and natural gas 40.5 percent, and hydroelectric power 7 percent. In 1979, when petroleum and natural gas had a share of 57.4 percent in total energy consumption, hydroelectric power 6.6 percent, and imported coking coal and coke 5.5 percent, domestic coal covered the remaining 30.5 percent. However, it would be a mistake to

think that coal's share has also dropped in absolute volume. On the contrary, it has increased--not much, to be sure--but still at an average annual rate of 3.5 percent, and over the last 5 years that rate has exceeded 6 percent. A very large jump has occurred over the last 10 years in consumption of domestic coals for production of secondary energy (primarily thermal electric power). This consumption nearly tripled over the period from 1969 to 1979 in physical volume, while in other sectors it has grown very little, stayed at the same level or decreased.

Production of primary energy in Yugoslavia over that same period, i.e., over the period from 1969 to 1973, increased about 1.5-fold: about 1.3-fold for solid fuels, about 1.7-fold for liquid and gaseous fuels, and slightly over 1.8-fold for hydroelectric power. Coal has a share of 55.5 percent in domestic production of primary energy in 1979, crude petroleum and natural gas a share of 31.9 percent, and hydroelectric power 12.6 percent.

It is evident from the figures given that the share of domestic coal has also been dropping rapidly in total production of primary energy, though coal production has recorded a certain growth.

Neither in the past nor today has domestic coal production been able to meet the demands of consumers with respect to types and quality. For example, domestic types of bituminous or better coal do not even meet the demands of coking plants in their quality, and the other types of coal have serious shortcomings with respect to consumer requirements.

Though production of domestic coal has grown relatively little over the last 10 years, the makeup of this production has undergone essential changes over that period in the direction of an increased volume of production of lignite and of a larger volume of coal produced by strip-mining.

The requirements of consumption have had the decisive--and one can say also the only--influence on these trends in coal production in our country. That is, over the period under review coal has been altogether or partially abandoned by the large sectors that were previously its principal consumers: transportation and a sizable number of branches of the industrial sector, and then in large part by public and residential consumption. Coal consumption in thermal electric plants has by contrast recorded a large growth year after year.

Coal Reserves

As is generally known, our country possesses a relatively modest primary energy potential. Coal makes up the largest part of this energy potential (about 84 percent), and then come crude petroleum and natural gas (about 2.5 percent), and the rest is made up of hydroelectric power, nuclear fuels and oil shale.

Total reserves of all types of coal in Yugoslavia are estimated at about 205,000 PJ [expansion unknown]. Lignite has the leading place in these reserves (82.2 percent), and then come brown coal (16.4 percent) and finally a token amount of bituminous or better coal with only 1.4 percent.

Our deposits of bituminous or better coal are very complicated in their tectonics. The coal seams are not very thick, run on a steep slant, and they lie at depths from 400 to 600 meters. The conditions for working these seams are difficult and complicated, and the possibility for use of machinery is limited.

The average minimum thermal value of our bituminous or better coals ranges about 24,800 kilojoules per kilogram. The ash content of this coal is considerably, as is that of total sulfur, and the use of this type of coal is therefore limited.

Brown coal deposits are also among those which are tectonically very complex with quite pronounced slopes of the coal seams, moderate pressures, relatively small influx of ground water and occurrences of CH_4 which in some places may even be very sizable.

The thickness of the coal seams varies and ranges from 1 to a maximum of 40 meters, but most frequently in the range from 1.5 to 10 meters. The depth at which coal of this type is located usually ranges between 200 and 500 meters. The conditions for exploitation, except for deposits suitable for strip-mining, are complicated and even very problematical for certain deposits, and the opportunity for using complete mechanization is restricted, in certain deposits it is partly restricted, but in a number of cases the possibility in terms of percentage is higher. About 20 percent of the total reserves of our brown coal can be strip-mined on favorable economic terms.

Our brown coals characteristically have a high ash content (above 20 percent in most cases) and a relatively high total sulfur content. Average minimum thermal value ranges about 17,500 kilojoules per kilogram.

Deposits of Yugoslav lignite belong with respect to geological age to the lower strata of the Pliocene or the youngest Miocene. The tectonic structure of most of these deposits is very simple, and it is more complicated only in certain smaller deposits or minor portions of the larger lignite basins. The depth of the lignite seams ranges from a few meters all the way to 100 meters in certain basins. The seams have slight or moderate slopes, in most cases between 3° and 5°, up to a maximum of 15° in rare cases. The influx of groundwater is moderate for most of the deposits, except in two or three cases, and there are some without influx of groundwater.

The conditions for working our lignite reserves can be described as very favorable with respect to the ratio of overburden to coal and with respect to the concentration of reserves. These two factors can be regarded as the principal indicators in assessing the suitability and economics of working any bed.

About 10 percent of the total lignite reserves in the country can be mined with an overburden coefficient greater than [sic] or equal to $K_r = 1.0$, another 40 percent K_r between 1.0 and 3.0, and the other 50 percent with an overburden coefficient $K_r = 3.0$ and $K_r = 6.0$.

Table 1. Distribution of Total Coal Consumption Among Principal Consumers (physical volume)

Principal Consumer	1965	1970	1975	1979	1980
	In thousands of tons				
Electric power industry	8,154	13,108	21,865	32,204	33,500
Other industry	10,337	7,183	6,508	2,507	—
Other consumption	11,466	8,131	7,164	7,403	—
	Distribution in percentage				
Electric power industry	27	46	62	76	72
Other industry	35	25	18	6	—
Other consumption	38	29	20	18	—

Source: "Godisnjak o radu rudnika uglja" [Yearbook on Coal Mine Operation], 1965, 1970, 1975 and 1979, Mining Institute, Belgrade.

Though it is difficult to determine the value of the overburden coefficient beyond which it is not economical to work these reserves by the open-pit method, on the basis of experience in many countries of the world we can still assume that this can be done successfully at the present time up to a coefficient which does not exceed a value between 8 and 10. Basically this depends on the mining-geological conditions of each bed whose working is marginal, and then on the quality of the coal material, access, the type of overburden and its physical-mechanical characteristics, the coal's suitability for economical use, the country's level of economic development, the method of exploitation used, the level of mechanization of the open-pit operation and on many other conditions which are difficult to specify since as a rule they are specific to each individual bed.

Among us it is felt that on the basis of the analyses which we have made those lignite beds, or, better put, those distinct coalfields, whose overburden coefficient does not exceed a value between 4.0 and 6.0 or is close to those values can be regarded as suitable for stripping and can meet most of the conditions.

Viewed in more precise terms, it is felt today that the economic boundary for open-pit rather than underground exploitation of any coal bed can be defined by the isolines representing the numerical values of the marginal overburden coefficient. That is, in this case all coal reserves could be strip-mined if they met the following condition:

$$K_{gr} = (T_{pj} - T_{pu})/T_{jal}$$

in which:

T_{pj}--costs of production per ton of useful substance by underground exploitation;

T_{pu}--costs of production per ton of useful substance in strip-mining, not including stripping in the production cost;
T_{jal}--costs of production per cubic meter of overburden.

The condition of profitability would be:

$$T_{pu} + K_{gl} \cdot T_{jal} \leq T_{pj}$$

On the basis of this functional relationship and the very conscientious estimates which have been made on the basis of mining-geological indicators and other indicators necessary to this purpose, over 80 percent of total lignite reserves can be strip-mined very economically (according to today's economic conditions), it being possible to use highly productive present-day machinery, to achieve a high concentration of operations and to use full automation of all processes in the technological chain of surface mining.

The marked concentration of lignite reserves at several localities makes the conditions favorable for opening up large strip-mining fields for high daily and annual outputs, which in turn facilitates full concentration and use of continuously operating machines with high unit capacities both in mining itself and also in transport, piling, preparation and processing.

The quality of the lignite of which our reserves consist corresponds to its geological age and the conditions of deposition. Their basic peculiarity is the high moisture content, which ranges between 36 percent and 54 percent. A major portion of the reserves contains between 44 and 50 percent moisture. Also typical is the relatively high ash content, which, if we ignore the extreme cases, ranges between 7 and 16 percent. The lignite of most beds is close to the lower figure mentioned for ash content. Sulfur content ranges between 0.2 percent and a maximum of 1.2 percent, which at the same time is an extreme value with respect to sulfur content and has been recorded at a minor number of deposits.

Because of the relatively large differences in content of ballast materials (ash and moisture) in the lignites of the various beds, the minimum heating value also varies within wide limits, ranging from a minimal 6,280 kilojoules per kilogram to a maximum average value of 11,300 kilojoules per kilogram. A major portion of the reserves has an average lower heat value between 7,100 and 8,400 kilojoules per kilogram.

Production

In physical volume coal production in 1979 amounted to 42.1 million tons, and it consisted of the following: bituminous or better coal about $0.4 \cdot 10^6$ tons, brown coal $9.4 \cdot 10^6$ tons and lignite $32.3 \cdot 10^6$ tons. A 10.5-percent increase in coal production was recorded in 1980, which is the largest growth so far achieved over the last 20 years (47.0 million tons of coal were mined).

Over the past decade there has been a steady trend toward a decline in the production of bituminous or better coal and a somewhat less pronounced decline in the production of brown coal, and a quite intensive increase in the production

of lignite. This has also had an effect on the average minimum thermal value achieved per unit mined, so that this value has dropped over 20 percent in the period since 1969.

At the same time there has been an increase in the share of coal produced from strip mines, so that in 1979 their share was about 65 percent of total coal production (this was about 33 percent for brown coal and about 75 percent for lignite). There is no doubt that this trend has been greatly influenced by the demands of consumers above all and then by the suitability of the reserves and beds for more economical exploitation. To illustrate, in 1969 the industrial sector consumed about 69 percent of total production of domestic coal, the railroads 8 percent and other consumption, including general consumption, about 23 percent. In 1979 the industrial sector consumed 87 percent of total output, the railroads about 0.6 percent, and other consumption about 12.4 percent.

The number of underground mine openings used for bringing out coal dropped from 70 to 57 over those 10 years, and the number of strip mines increased over that same period from 12 to 22. Average annual coal production per underground mine opening increased only about 6 percent, while it increased slightly more than 12 percent over the last 10 years per strip mine. This shows very poor progress and points up the fact that average annual output is still far below European and world standards both for the average underground opening and also for the average strip mine, and they are at the same time far below our own desires and aspirations. We can console ourselves with the fact that a major portion of the surface mines are in the phase of developing production and that this average will probably increase several times over, probably within a quite brief period of time.

Table 2. Coal Production (physical volume), in 10^3 tons

	1965	1970	1975	1979	1980
Total	29,957	28,422	35,537	42,114	47,002
Bituminous or better coal	1,169	643	598	434	388
Brown coal	10,509	8,989	9,430	9,351	9,665
Lignite	18,279	18,790	25,509	32,329	36,949

Source: "Statisticki godisnjak Jugoslavije" [Statistical Yearbook of Yugoslavia] for 1975 and 1980.

In 1979 the Yugoslav coal industry employed a work force of about 56,135, about 72 percent in underground mines and the other 28 percent at open pits. The composition of the work force with respect to skill has been improving year after year, so that the distribution of the work force today is as follows: about 41 percent skilled workers, 10 percent highly skilled, 6 percent engineers and technicians, 21 percent office workers and 22 percent unskilled workers.

Labor productivity in underground coal mining in 1979 ranged from 1 ton per worker per day, depending on the mines and types of coal, to slightly over 5 tons per worker per day, and was more than 40 percent higher than productivity

achieved in 1969. Labor productivity at strip mines, calculated in terms of coal, varies greatly and ranges from 25 tons per worker per day to 60 tons per worker per day.

Several studies have been done recently to forecast energy consumption in the future. Usually these studies have covered the period up to the year 2000, but some have gone even to the year 2020. Hypotheses concerning the growth of the gross social product have mainly served as the basis for the long-range projection of growth in total energy consumption. Most of the studies done have shown that total energy consumption in Yugoslavia in the year 2000 will be more than triple the consumption in 1979, that is, that it will increase at an average annual rate of about 5.7 percent. The alternative long-range energy balances over the period up to the year 2000 have been compiled in view of the necessary trends necessitated by the growth of consumption with respect to selection of types of energy and the need to use particular types of energy in particular branches of the fuel and power industry or branches of the industrial sector, and on the other hand in view of the availability of domestic energy resources and the possibility of developing them.

In the light of what we have said above it is felt that coal production in the period up to the year 2000 should increase at an average annual rate of about 6.9 percent and reach a level of about 220 million tons in that year. The estimates put coal's share in total energy consumption at about 35 percent in that same year.

Virtually the entire growth of coal production up to the year 2000 is planned to come from lignite production, specifically from large open-cut mines which would be developed in the large lignite basins during that period. By far the largest portion of coal production will be used for production of thermal electric power, but a portion will also be used to produce synthetic gas.

In the more immediate future, i.e., up to 1985, domestic coal production is projected to reach a level of about 82 million tons per year and coal's share in consumption of primary energy in the country would be about 33 percent in that year. It is projected that thermal electric power plants will consume about 62 million tons per year, or 76 percent of total domestic coal production. In that year strip-mining would account for about 73 percent of the total output of domestic coal.

On the basis of our practical experience to date, three basic conditions need to be met for engineering-technological and economic optimality in the use of lignite:

1. The lignite needs to be used within the so-called economic transportation radius. In other words, the distance the lignite is carried from the strip mine to the place of use must not be greater than allowed by the so-called economically reasonable or acceptable shipping costs for the heat the lignite effectively contains as a fuel. On the basis of many analyses and practical experience up to this point, that distance (assuming up-to-date transportation equipment for this purpose and this raw material) cannot exceed a limit of about 40 km for our lignites.

2. It must be possible at the strip mine to achieve the economically necessary (in terms of mining geology and other conditions of the working environment) concentration of production, the use of high-capacity machinery and analogous technology in strip-mining, assuming the depth at which the productive seams lie ensures economically acceptable overburden coefficients over the entire period of exploitation of the mine.

3. There must be a large, that is, large-scale, consumer of the lignite produced which can ensure in its own technology the maximum possible continuity and smallest fluctuations in consumption during the year.

It is self-evident that condition 1 should, must and can be fully met in all cases, while this is not and cannot always be the case with conditions 2 and 3. That is, a more or less gradual development of consumption will always accompany the demand for energy, and it is to this that development of production capacities must adapt to the greatest possible degree, and there must be an analogous adaptation on the part of the schedule of capital investments in those production capacities and in general on the part of the overall economics of production in all phases of development to the point of complete or optimum closure of the production-consumption circle for a particular project or for a particular group of consumers. This cannot be achieved in all cases, but every approximation, even the slightest, toward alignment is economically favorable and expedient.

Use of Domestic Coal

Since our coals represent the country's principal energy base, they have been comprehensively studied with respect to possible use. This especially applies to the lignites. Some of the facilities for use or processing of lignite have been built on an industrial scale on the basis of those studies.

a) Domestic Coal as a Fuel in General and Residential Consumption

Coal which has been previously sorted and in certain cases also washed is delivered as a fuel for general and residential consumption; the size varies, but it is mainly lump coal containing less ash than the finer grades, and it therefore has a somewhat higher minimum heating value. Depending on the quality of the coal in the bed and its treatment in the cleaning operation, the heating value ranges between 27,000 kilojoules per kilogram and 28,000 kilojoules per kilogram for bituminous or better coal, between 18,000 and 19,000 kilojoules per kilogram for brown coal and between 10,000 and 15,000 kilojoules per kilogram for lignite.

In recent years less and less coal has been delivered for general and residential consumption, but the amounts are still sizable in the case of brown coal. For example, 10 years ago (in 1969) general and residential consumption accounted for about 3 percent of total production of bituminous or better coal, 13 percent of total production of brown coal and 29 percent of total lignite production, which makes a share of 27 percent in total production of all types of coal in Yugoslavia. In 1979 the statistical service recorded no consumption of bituminous or better coal for general and residential consumption. On the other

hand 24 percent of total production of brown coal went for this purpose, along with about 8 percent of total production of lignite, which makes 12.4 percent of total production of all types of coal in Yugoslavia. The level of total coal deliveries for general and residential consumption in 1969 was about 5.9 million tons, while in 1979 it was about 4.6 million tons, i.e., there was a drop of about 22 percent.

At Yugoslav coal mines there are now in operation 32 plants for dry coal separation, 7 plants for wet coal separation and 9 plants for coal separation in heavy liquids. The total capacity of all these plants is about 11,179 tons per hour.

As is evident from the figures given, coal consumption in general and residential consumption has been dropping steadily, though in our country the problem of substituting for petroleum and electric power in this sector of consumption is more than necessary, as it is in many countries of the world and indeed in all the European countries. The reader will recall that general and residential consumption in our country accounts for about 33 percent of total consumption of primary energy, about 50 percent of which comes from petroleum, that is, heating oils, and about 24 percent from electric power. It is certain that domestic coal could not replace the entire consumption of petroleum even in the ideal case, and still less could it replace all the consumption of electric power, but even the slightest effort toward substitution in this sector can bring the country large benefits. Many countries in the world have already made efforts to introduce coal in the consumption of rural households and small-size urban settlements, where its use as a fuel does not cause major problems with respect to environmental protection. Might this not also be done in our case?

We are convinced that in our case as well a definite policy aimed in this direction could bring exceptional results.

b) Domestic Coal as a Fuel for Thermal Electric Power Plants and for Heating Plants

Thermal electric power plants, or, more accurately, producers of thermal electric power, have for years been the largest coal consumers in Yugoslavia. In 1969 they consumed about 41 percent of the total production of domestic coal in that year, and their share in 1979 was all of 76 percent, distributed as follows: about 79 percent of the total production of bituminous or better coal, 57 percent of the production of brown coal and about 82 percent of the production of lignite. In physical terms this consumption more than tripled between 1969 and 1979.

The growth of production of thermal electric power in Yugoslavia is characterized by the construction of large new thermal electric plants at the large coal basins (lignite basins above all) in the immediate vicinity of open-cut mines. The large lignite reserves and their economical production have made it possible, first, to further expand the existing thermal electric plants and then also to build or plan the construction of new ones. Conditions have thus been created for forming strong centers for very economical production of electric power from reliable domestic energy resources consisting of coal.

This orientation has come about for several reasons, economic reasons first of all, the most important of which are these:

a) construction of thermal electric power plants in the immediate vicinity of large open-cut coal mines eliminates or appreciably diminishes a large item in the costs of producing electric power consisting of fuel shipping costs;

b) specific capital investments (dinars per kilowatt) are appreciably less for turbogenerator units with higher installed capacity than for units with a lower capacity. Our experience has demonstrated that they are 10 percent lower for 300-megawatt units than for units whose installed capacity is 200 megawatts and more than 20 percent lower when the investments are made in 600-megawatt units;

c) construction of a sizable number of units of the same capacity at the same site thus brings about a reduction in specific capital investments thanks to fuller and more economical use, above all of the facilities they have in common. According to the data from our own experience, the drop in specific capital investments is as follows for a thermal electric power plant with one, two or four units of the same capacity:

Number of units	1	2	4
Specific capital investments, %	100	90	87

The total installed capacity of all power plants in Yugoslavia was 13,320 megawatts in 1979, of which thermal electric power plants accounted for 7,410 megawatts, or 56 percent. Of the total installed capacity of thermal electric power plants 78 percent is in thermal power plants and heating plants burning coal. More new thermal power plants and heating plants burning coal are planned for construction by 1985, and their installed capacity will total about 5,008 megawatts, of which 3,968 megawatts will be coal-fired, and they will go on line one after the other up to 1985. According to the plan for development of the Yugoslav electric power industry, total installed capacity of thermal electric power plants should be 12,783 megawatts in 1985, and the installed capacity of thermal electric power plants and heating plants using coal as a fuel would reach a level of about 9,484 megawatts in that same year.

c) Drying of Lignite

In the fifties very extensive and serious studies began on the possibility, conditions and economics of drying lignite so as to increase the economic shipping radius of lignite and in order to meet needs for better quality coal on a national scale and in order to obtain a fuel with a lower moisture and ash content and a correspondingly higher value.

The Fleissner process was chosen as the most suitable of the many processes tested for drying our lignites. When the lignite is dried by this process, that is, when a portion of the moisture is removed from the lump of lignite, the lump does not disintegrate after drying, i.e., it retains its lump form and has the necessary solidity so that this kind of fuel can compete in its characteristics and heating value with other similar natural lump fuels.

In the Fleissner process the lignite is dried in batches in autoclaves whose size ranges from 30 to 40 cubic meters and which are linked in a group containing 2 or 4 ovens. Drying is done with saturated or superheated steam under pressures between 25 and 30 bars and takes between 160 and 200 minutes.

The elimination of water from coal by this method is a physicochemical process that has to do with the colloidal structure of the coal. The process has not yet been fully elucidated in spite of the many studies directed toward that goal. It has been established, however, that CO_2, H_2S and many other chemical products are given off in the drying process aside from the water. During the drying process the texture of the coal and the chemical composition of the dried coal also undergo change. Carbon content in the coal increases about 20 percent, which indicates a process of carbonization, and at the same time the relationship and types of capillaries in the coal substance undergo change, and the dried lignite takes on hydrophobic characteristics.

In our country today there are three lignite drying plants in operation using the Fleissner process; they have a total annual output of about 1.9 million tons of dried coal. The first plant was put into operation in 1956 at the Kolubara REIK [Mining, Power and Industrial Combine]. In the first years of production there were many difficulties and shortcomings in the installation and in the technology of the drying process, but by and large they have been effectively eliminated, though in its characteristics the dried coal does not always meet the quality envisaged in the design. It is significant that the lump lignite that is dried in this installation is first washed in heavy liquid. The lignite prepared in this way has an average content on entering the drier of about 56 percent moisture and 7 percent ash, with a minimum heating value of about 7,000 kilojoules per kilogram, while dried it has between 28 and 30 percent moisture, about 10 percent ash and about 14,700 to 15,500 kilojoules per kilogram.

The second and then also the third similar plants were built and put into operation in the basin of the Kosovo RHMK [Mining, Chemical and Metallurgical Combine] a few years later. The annual output of these two plants is about 2 x 0.6 = 1.2 million tons of dried coal annually. The undried lump coal entering has a moisture content of about 48 percent and a heating value of about 8,000 kilojoules per kilogram; after drying it has 19 percent moisture and a heating value of about 16,000 kilojoules per kilogram.

Though the Fleissner process of drying lignite has up to now proven to be the best of the known processes for obtaining lump lignite of a particular firmness and quality, it also has large defects from the thermal and technological standpoints, the most important of which are the following:

i. this is a batch rather than a continuous process;

ii. extensive preparation of the lignite is necessary, and then supplemental drying and separation after drying;

iii. there is a need for biological and mechanical purification of the water which is discharged upon completion of the drying process;

iv. it is very difficult or almost impossible to find a use for the "dry dust" (the grade of dry lignite with a particle size of 0-3 mm);

v. the specific investments are very high, which means a high share of the cost of capital in the production cost, and so on.

Mostly because of these defects it is well known that this process has not come to be extensively applied anywhere in the world, and it is probable that this will not be the case even with us in the future, and it is expected that the existing plants will only possibly be added to to improve the technology and round out the economics of the operation.

d) Gasification of Lignite Under Pressure in Gas Generators

In a desire to supply gas to its industry beyond the available amounts of natural gas, Yugoslavia, like other countries, has built an installation in the Kosovo basin for gasification of lignite using the Lurgi system, which basically comprises the first phase of the intended construction at this facility. The gasification plant consists of a number of installations, specifically: a gasification installation consisting of six generators (diameter 3.6 meters, capacity 20,600 cubic meters of gas per hour) with appropriate installations for feeding the coal and removing the slag or ash, and then an installation for condensation, rectifying column, air separation, removal of tar, intermediate oil and phenol, and treatment of the effluent. To this complex of installations we also need to add a necessary installation or heating plant to produce the steam, to separate the dry and moist lignite, to dry the lignite, and also certain smaller installations classified as auxiliary equipment.

Dried granulated lignite with particle size from 6 to 65 mm whose moisture content does not exceed 22 to 26 percent, is gasified at a pressure of 26 bars with oxygen and steam (mixed 1:8 to 1:9). The generator yields the raw gas whose minimum heating value is about 12,000 kilojoules per cubic meter; it is led away for condensation and purification, so that at the outlet one obtains what is referred to as "distance gas," whose lower heating value is about 15,500 to 16,000 kilojoules per cubic meter. A portion of the "distance gas" is processed into synthesis gas, hydrogen being separated from it as the principal component for production of ammonia, and the remainder of this gas (quite rich in methane) is returned to the "distance gas," mixed with it, thereby increasing its lower heating value to about 17,500 kilojoules per cubic meter.

The by-products of gasification (tar, intermediate oils, raw gasoline, raw phenol, aqueous ammonia, and so on) are marketed for consumption within other plants of the combine or on the market outside the combine.

The steel mill in Skopje, certain industrial enterprises, cement plants, and so on, are consumers of the "distance gas."

The gasification plant at the Kosovo Combine is not yet running at full capacity, and it has gone through and is still going through many difficulties, mainly technological, but other kinds as well. It is difficult to say anything

at all definite about the economic efficiency of its production until real experience has been gained in full utilization of the installed capacities.

However, it is certain even now that this method of lignite gasification has many shortcomings in the technological process, and then it also necessitates a preparation of the raw material--the coal--for gasification that is very expensive not only in the capital investment, but also in the operating costs. For example:

i. before the generator is charged, the lignite must first be dried, and then the dried lignite sorted into a particle size from 6 to 65 mm, and the dried particles must have a certain solidity;

ii. it is very difficult to find a use for the remainder of the dried coal with particle size from 0 to 6 mm in view of the rather high ash content in this grade of coal, and so on;

iii. the use of oxygen and steam in the gasification process represents a high production cost and also an expensive capital investment;

iv. the gasification plant is basically a complex of several complete installations (raw lignite separation, lignite drying plant, sorting unit for the dried lignite, heating plant, an oxygen plant, gas purification, effluent treatment, and so on) which require large investments, and if economic criteria are to be met these installations can be fitted into acceptable specific limits only if their annual capacities are high, i.e., if the annual capacity for gasification is sufficiently high and if the complex is used continuously throughout the year at its maximum rated capacity. This is, of course, difficult to achieve because of the diversity of the consumers and their requirements.

In the coming period, then, like many other countries with a similar energy base, we will be faced with finding solutions as to how to produce synthetic gas from lignite in the economically most acceptable manner.

Our interest in major improvements in present methods of lignite gasification or in new methods is obvious, and we will therefore be following events in the progress of research in this field with great interest.

Our interest in the possibilities for economical use of lignite has not been confined exclusively to the processes described above. Lignites have been studied in detail from almost all our basins, first of all in the laboratory and then some of them on a semi-industrial or industrial scale, in order to obtain briquettes of appropriate quality. However, though rather good or satisfactory results were obtained in certain cases, it still has not been possible to get a satisfactory picture of the economic efficiency of these plants under our conditions.

It is probable that a different picture might be obtained today concerning the economics of this process, since the demand for this kind of fuel is very great. This is, of course, something to work on.

Much research has also been done to study the possibility of economical production of semicoke from lignite and briquettes in turn from the semicoke. This research is still going on, though the results so far are not very promising.

We can say in conclusion of this section that today the most effective use of our lignites and then of our other coals as well is as a fuel in generating electric power, and in the near future we probably can add to this gasification if new processes more economically acceptable than those used today should be developed.

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No. 2201

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EAST EUROPE REPORT

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BASIC RESEARCH SEEN AS KEY TO PRODUCTION SUCCESS

Hager: Higher Standards Needed

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['Science in Our Society' feature article, originally a lecture at Freiberg Mining Academy given on the occasion of Miners' and Foundrymen's Day, 23 June 1981, by Kurt Hager, SED Politburo member and Central Committee secretary for culture and science: "Science and Society"]

[Text] Proceeding from the functions of science in socialism, the impulses for its development and the entirely new qualitative relations between production and science today, the article deals with fundamental conditions for the needed acceleration of scientific-technical progress, especially with basic research strategy, the correct development and use of the research potential and the further development of scientific creativity. Through a polemic against theories hostile to progress, in capitalist countries, the article explains our position on science as shaped by socialist humanism.

The 10th SED Congress resolved to continue our program on economic growth, full employment, people's prosperity and stability. Further improving the people's material and cultural standard of living is and remains the main task, which finds its striking expression in the unity of economic and social policy.

We do not fail to see that this calls for great efforts. The more complicated foreign policy and foreign economic conditions and the need to tap all domestic resources led to a change in the economic reproduction conditions late in the 1970's and call for greater effectiveness in our intensively expanded reproduction. Primarily they demand a higher speed and a comprehensive use of scientific-technical progress. Further shaping the developed socialist society in the GDR in economic, social and cultural respects today depends largely on our ability to use, and also to determine in fact, the results of the scientific-technical revolution.

If science capacity is to be fully placed in the scale in socialism, it calls for an active and initiative-rich conduct by all who work in science--in R&D as in teaching and training.

By preparing the 10th party congress, the scientists in our republic have demonstrated anew their awareness of their responsibility for the continued shaping of the developed socialist society. They exercise this responsibility in research, culture and the communist education of youth, in shaping the material-technical base of our economy, in developing our intellectual-cultural life and through contributions meant to safeguard peace. At the 10th party congress they have received thanks and recognition for these great achievements from Comrade Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council. Our party places great trust in the scientists in the combines, academies, universities and colleges. But it also combines this trust with great expectations.

The SED Program says about the meaning and purpose of science in socialism: "Science makes a constantly growing contribution to systematically perfecting our production and developing the material and intellectual-cultural life of all working people. It promotes the welfare, health and intellectual needs of men in socialism. SED policy thus is aimed at developing science systematically and over long range, so that its progress-promoting and humanistic character can fully come into its own."[1]

In combination with technology, science is a productive force. At the same time it is essentially a social and intellectual-cultural force. All these functions have to be taken account of and be connected with one another. Socioeconomic effects of scientific-technical progress, for instance, must not be disregarded. The social sciences--philosophy, history and so forth--are indispensable because they, after all, make us understand the inevitabilities of social development, including the inevitabilities in science development, and they reveal to us the meaning and purpose of human action. Thus we always look at science in its totality and in its specific terms. There emerges more and more strongly at present the unity between the social, the natural and the technical sciences, which derives objectively from the unity of the material world, the inseparable connection between nature and society. The need to take account of this unity consciously through interdisciplinary efforts derives from the complexity of scientific and social problems and the mutual fertilization of the sciences.

Science development has its own dynamics and a relative independence, in as much as engaging in science is itself a social need of the first rank. Without joy in cognition, inexhaustible curiosity and the search for truth, without creativity, imagination, intuition and iron industriousness, science would be impossible. Were it not governed by the urge to contribute to making people's lives richer and more beautiful, it would be useless.

Yet science development, as all cognition, proceeds under the concrete historic conditions in any form of society in which one engages in science. The inevitabilities of science development are primarily based on social requirements, and science itself is an active, propelling element of social development. The place of science in society and the ways and means in which the data of scientific and technical creativity are used--this is taught us both by history and our present age--depend exclusively on the social conditions, the prevailing production relations, the main targets and motives of production, the basic interests of the proprietors of the means of production.

Impulses for Scientific Progress

Historical materialism has brought the evidence that it is mainly the demand of production for improved or more perfect new technical and technological solutions and the boosting of development in the production relations and other social relations that set in motion and impel the development of the sciences. Engels wrote that "from the outset the genesis and development of the sciences were caused by production."[2] And elsewhere he wrote: "If society has a technical need, that impels science more than ten universities."[3] This remark by Engels suggests what special role within the aggregate of social needs attaches to the technical needs in science development. Technical problems and requirements directly reflect the given status of the productive forces. To become effective as a real impetus to science development, to be sure, the technical need has to conform with the basic interests in a given mode of production and its ruling class, i.e., it is governed by social and economic needs.

This connection between technical needs and science development can be illustrated by the history of the Freiberg mining academy. Mining, which assumed industrial features and a pronounced division of labor even way back, on the threshold to the capitalist mode of production, came to face technical problems when operations expanded and mining went deeper which could not have been done without systematic cognitive penetration. Thus scientific mining, even in the 16th century, evolved as a prototype of what would be termed today an industrial branch-oriented science complex in which even at that time the science of mineral deposits, mineralogy, mining and mine surveying, for instance, had a place. The members of the mining academy who, in the attention they give to their own traditions, could serve as a model for many other science facilities in our republic, are justly proud that in their own town the first mining textbook was printed around 1500, Ruelein of Calw's "Nuetzliches Bergbuechlein" [Useful Little Mining Textbook]. Even a quick glance at the structure of scientific mining as it arose teaches us that was no pragmatic enterprise to satisfy immediate production needs. Already there was the germ for the whole range from fundamental natural science to direct efforts about procedures and technical means. So it was indeed suggestive that the humanist Agricola, a man with classical education, combined his knowledge of ancient and traditional thought with knowing precisely what the concerns of mining in his age were all about and held a central place in the emergence of mineralogy as a science.

Specifically, the roots of science as a productive force historically go back far into the past if we consider astronomy and geometry, for instance. Actually science became productive as soon as it evolved. But not until our own century have production and science gained a dimension that has led to a fundamental change, a completely new quality of their reciprocal relations.

For one thing, fundamental changes took place in science itself, from the expansion of its range of knowledge to its organization and material-technical base. They lent an industrial character, as it were, to the business of science.

During the last three centuries modern science has developed to such an extent that it dominates our everyday life with its data today. In their book, "Dialogue With Nature," Prigogine and Stengers write: "Science has developed incredibly fast and permeates all our lives. Our scientific horizon has expanded at a veritably

phantastic range. In the microscopic field the physics of fundamental particles explores processes that involve physical dimensions at the magnitude of 10^{-15}cm and time factors at the magnitude of 10^{-22}seconds. On the other end of science, cosmology leads us to ages of the magnitude of 10^{10} years, the so-called age of the universe. Science and technology are entwined as closely as never before. New biotechniques and advances in information processing promise radical changes for the life of our society." But this is, as the authors rightly note, not just a quantitative growth of our knowledge, but these are qualitative changes: "The picture of nature has changed fundamentally--toward the manifold, the time-conditioned, the complex."[4]

Second, there is the transition from a single to a massive application of science data.

Today science literally affects all domains of public life. Even art is no longer only subject to aesthetics. Natural science methods are used there more and more extensively, for instance to determine the age of art objects, and electronics has a place in music and, particularly, in entertainment arts.

Third: while formerly science mostly explained and perfected experiences acquired in practice ex post facto, that relationship has now been reversed.

In the early 17th century, the English philosopher Francis Bacon wrote about the mechanical arts--as he called crafts and technology--: "as if they were full of vitality, are continually thriving and growing. Under the hands of their first founders, they mostly appear still rude, clumsy and formless; but then they gain new advantages and more convenient arrangements and designs."[5] Compared with them philosophy and the rational sciences were esteemed and celebrated as idols, to be sure, but received no noticeable increase. The only remedy could be, according to Bacon, "that one would approach things by new methods, in the noble intention to arrive at a complete renewal of the sciences and arts and of all human scholarship altogether on assured foundations."[6]

The program announced by Bacon was that of modern experimental natural science. The renewal of scholarship, the thorough exploration of nature and society through which man discovered himself and his environment, has brought it about that today to an ever increasing extent from the discoveries and inventions of science themselves new products, procedures and methods arise which often are not directly accessible to human experience or under the greatest difficulties only. Examples are nuclear technology, electronic computer technology, laser technology, microelectronics, genetics engineering and so forth. These new techniques have their origin in the great scientific achievements which all go back no farther than 50 years and which in their totality constitute the scientific-technical revolution that developed in the second half of our century and constantly gains in dynamics.

The processes of the scientific-technical revolution--mainly the development of microelectronics, robot technology, electronic data processing and electronic guidance systems--more and more put their stamp on the overall process of our scientific-technical progress. The increasing speed of scientific-technical progress observed worldwide for several years is attributable to impulses emanating from those developments.

Speeding Up Scientific-technical Progress

Our speed-up course for our scientific-technical progress is caused by the need to take account of the altered reproduction conditions, the higher prices for energy and raw materials, for instance, and simultaneously by the greater objective opportunities to make our economy grow further through scientific-technical progress. The altered qualitative role of science vis-s-vis production finds its compact expression in that now, as the status report by the Central Committee to the 10th party congress asserts, "the opportunities of the scientific-technical revolution have at once become the chief reserve for our economy's performance growth and efficiency."[7]

It is imperative that the revolutionizing scientific-technical transformations proceed in all directions of our advances in effectiveness at one and the same time: they make possible extraordinary increases in labor productivity while jobs are being saved and important savings in energy and material. Precisely because of that they conform to the efficiency growth criteria for the 1980's, which call for mighty economic progress simulataneously in all directions. The Central Committee status report to the 10th party congress states: "The saving of labor time must not come at the expense of increased investment efforts, nor must material be used economically at the expense of quality. To do one thing or another is not enough. Saving live labor and material, making better use of basic assets and investments--only thus combined will we reap the yield we need."[8]

Typical of the processes in our scientific-technical revolution--and this significantly distinguishes them from revolutionary technical transformations in previous decades--is that they presuppose high scientific-technical results in very many science, technological or production areas but with it also show an extraordinarily broad field for application. Many areas of human labor even become now only accessible to technization through microelectronics and data processing. The same is true of many activities in the non-producing areas, the services, the production preparation areas and the management and planning processes. Systematically opening up the fields of application to microelectronics, robot technology, data processing and biotechnology, and the purposeful and responsible cooperation among the producers and users of these technologies no doubt is one of the most important fields in which the advantages of our socialist planned economy have to face their tests at the present time and in the immediate future.

A great role is played here by the industrial and construction combines which embrace the essential elements in the process of intensively expanded reproduction. That affects positively the shaping of more efficient and more long-range cooperation relations between science and production and the determination of research priorities. In purposefully combining the science potentials of the combines, the Academy of Sciences and other academies, the universities and colleges we find a decisive task for the further development of science and technology in our republic. This task is an essential aspect of our science policy. It must be coped with assiduously.

The Freiberg Mining Academy has for years been a spur to the cooperation among industrial research, universities and academy institutions. The cooperation between science and production has become closer and more effective in recent years. The system and methods of the management of our scientific-technical progress have been further developed.

Interdisciplinary cooperation provides considerable potentials for advances in specific sciences and for developing the science disciplines in their entirety. It is a source for new insights and fruitful interplay. More use should still however be made of its opportunities for promoting scientific opinion exchange and for providing university and technical school personnel with advanced training. Nor have we as yet succeeded sufficiently in ensuring the requisite complexity in determining and solving the tasks and in the practical application of research data.

Another favorable aspect of our science development is the comprehensive, division-of-labor cooperation between the GDR research institutions and those in the fraternal socialist countries, especially in the Soviet Union. That is shown, among other things, in our multilateral cooperation in semiconductor physics and molecular biology. Such multilateral research cooperation also is found beneficial in the economic field and in other social science endeavors. There are still reserves to be tapped for these international cooperation relations through careful planning and coordination.

Basic Research Strategy

Through the economic strategy developed at the 10th party congress we have a clear concept for the growth of social production and thus also for the basic requirements for science and for essential fields in our social and intellectual development. Much of our scientific work serves the implementation of a high efficiency growth for the benefit of the people. The critical problem is to select those trends in scientific-technical progress that best conform with the development requirements and concrete conditions of our country within the framework of the socialist community. It is constantly necessary to translate them into research, development and investment strategies, short and medium-range plans and, eventually, into successful implementation.

The main lines for this development are set down in the research conceptions and in the 1981-1985 five-year directive issued by the 10th party congress. The conception for a long-term development of basic natural science and mathematics research and basic research in selected technical fields goes back to 1974. It is constantly made more specific and elaborate. Together with the development conception for medical research and other conceptions, and with the central social science research plan, our basic research strategy conforms with our social and scientific requirements. At the same time, the long-range tasks for important research fields do most closely relate to our GDR-USSR cooperation. The agreements concluded about that ensure that GDR science can still more successfully contribute in accordance with top international standards in the future.

It has been practically demonstrated how correct it was to determine long-range goals and tasks for basic research. It has helped in systematically expanding the basic scientific research potential and in concentrating on priorities posed by our economic and science development. That is confirmed by the results obtained in microelectronics, energy physics, raw materials research, microbiology and the science of nutrition.

The long-range basic research conception also has had beneficial effects on the cooperation relations among the Academy of Sciences, the university system and the combines. It has provided basic research with more objectivity and certitude. This cooperation stimulates the research process. Take, for example, the main research field of nuclear physics which is handled jointly by the Rossendorf Central Institute for Nuclear Research, the Freiberg Mining Academy and four other universities and colleges. Within the framework of the raw materials research cooperation community, academy institutes and sections in several universities are handling extensive research topics on primary materials.

Already now must basic research prepare the scientific-technical top achievements we need for producing new high-grade commodities and introducing in production in the 1986-1990 period and up to the end of the century new highly efficient technologies and procedures. Experience has shown a strategic research orientation is impossible without a constant analysis and prognosis of the scientific and technological developmental trends at an international scale as well as domestically. That makes possible establishing research priorities in line with the tasks and targets in the further shaping of the developed socialist society. That also includes the listing of alternatives, probability assessments for specific solutions and estimates for the application of scientific-technical data.

To improve further the inferences and correlations for the long-term target and task requirements of basic research in the combines, academies, universities and colleges, and to speed up at the same time the application of data in production, more cooperation among combines, academies, universities and colleges in elaborating long-term development strategies is imperative. Then we will also succeed in elaborating more tenable basic science requirements in line with the development requirements of production and in getting results which can become the points of departure for new lines of development or entire application areas of decisive importance for the level of production and for social progress.

That applies particularly to those directions in our scientific-technical progress that serve assure our energy base and its rational use, the speed-up of the development and broad application of microelectronics, the safeguarding and rational use of our raw material base, the production of highly refined chemical products, and keep our population well fed and healthy.

A crucial condition for economic growth in the GDR lies in further strengthening our energy and raw material base. The development of our energy base mainly relies on raw lignite and the gradual expansion of nuclear energy, since it obviously is the most rational. The main way to guarantee energy supplies for the GDR economy is the rational use of energy sources. A continued systematic geological exploration of GDR territory, in which the mining academy has a great share, will further expand our raw material base. The mining academy also contributes through its research to getting more rapidly a practical use out of the available mining waste dumps.

One scientific research priority at our academies, colleges and combines is the optimum refinement of energy sources, raw materials and working materials. That calls for novel and better technologies by which, through high labor productivity, products with high intrinsic values can be made. Important for chemical industry mainly is an enhanced refinement of petroleum products, of the coal-carbide chemistry products, and of plastic and synthetic fibre, for electrical engineering and electronics, an optimum refinement of ferrous and nonferrous metal products and synthetic commodities and a significant improvement in the cost/benefit ratio.

Of special importance in economically focusing on science and technology is a comprehensive use of the substances contained in the raw materials and a greater use of secondary raw materials and less valuable domestic raw materials. Implementing the high targets assigned in the 1981-1985 five-year plan calls for much improvement in the effectiveness of science and technology in all fields that are important to the energy and raw materials economy.

Another field of social progress that challenges science at its full range, as it were, is a comprehensive socialist rationalization and more automation, especially through the development and application of microelectronics, robot technology and scientific labor organization. The intended production boost for highly integrated solid-state circuits--microprocessors and storage circuits--, the expansion of the total number of basic technologies used, and the improvement in the efficiency of circuit production place high demands on R&D. That must ensure the scientific lead time for industry, including its ancillary enterprises, and the procedure development for creating new basic technologies, including the development and construction of laboratory and test models for equipment enterprises, and solve other tasks.

The use of industrial robots facilitates a much higher production rate while keeping the quality of production intact, reducing the number of rejects, and releasing manpower. That thus assigns an important spot in our economic strategy to the production and use of industrial robots. A special priority for speeding up the introduction of robot technology is rapidly creating the necessary scientific-technical prerequisites and the combines improving the achievements in their own construction of means of rationalization. That addresses itself to many different scientific fields. And so, along with scientists and students of technical and social science departments in Dresden's Technical University, other colleges and institutes, including the Academy of Science, are also taking part in the effort of "industrial robot application preparation."

In the 1980's and the decades thereafter the whole field of data processing and coming out with modern information techniques will assume increasing importance. This is a challenge to science and technology, as we are only at the beginning of developments in this field which, if properly managed, will provide us with considerable social progress.

Of great importance finally are the science contributions to providing the population with healthy food, to preserve, foster and rehabilitate men's health and capacities, and to preserving and improving environmental conditions.

The role science has in the socialist way of life is unmistakable. It includes health, nutrition, but also attitudes in the broadest sense, modes of thinking, insights and so forth. As far as science is concerned, it must not only produce knowledge but must, measured against our current conditions, spread scientific knowledge among the public as well to a larger extent. Familiarizing broad circles of the population with the targets, tasks, results and consequences of science is a responsibility the scientists themselves must principally bear.

Integration of Science and Production

For effectively combining science with production and rapidly applying scientific-technical top achievements in production, as we need them to implement the 10th party congress decisions, there are mainly two crucial conditions that have to be further improved expediently. One is the further construction and expansion of branch-specific basic research in the combines and the other one, further boosting the application maturity of the data coming out of the academies, universities and colleges.

The higher the level of the combines' branch-specific basic research, the more accurate can become the industrial demands on priorities in academy, university and college research, and the more improvement there is in the opportunities for applying research data of international rank in production rapidly. The social and thus also the eocnomic effectiveness of science is increasingly controlled by the time factor. That concerns the termination of research projects and their technological implementation and it concerns the acceleration of the whole cycle in all reproduction phases. Together with research, the absorption capacity of production for science data and, in particular, its reaction capability to unexpected but propitious developments must be greatly elevated.

Science and production are the critical elements in the social reproduction process which increasingly become entwined in a dialectical unity and release its revolutionizing capacities. That makes it so important to get a better hold on the unified process from gaining knowledge to applying it fast to production. Greater attention is required there for the transitional phases from basic research to applied research, from applied research to technical development, and from technical development to the introduction of the new products and procedures.

We must still have more success in the management of scientific-technical progress in ensuring the unity of interests and the activities of all partners while paying full attention to their specifics.

The 10th party congress demands come down to achieving an ever more complete integration between science and production. That is not likely to become possible without surmounting certain disciplinary and institutional barriers.

Scientific Creativity

Our party, the workers class and all our people place high and demanding expectations on the scientists' work. They are a challenge to an optimum level of scientific creativity, the scientists' commitment to their social mission in socialism, to performance readiness and performance capability.

The common resolve by all, without exception, who are in involved in R&D, teaching and training, to work as best they can for our society is the source for comradely cooperation, great initiatives and stable solutions for making our scientific-technical progress prevail. The better a collective knows its very own responsibility to the whole, that cannot be delegated to any other collective, the higher will then be the level on which scientific-technical solutions are made to agree with the possibilities of their technical-economic realization.

Economic inducement measures, legal regulations and organizational forms must of course keep pace with the changing conditions of scientific-technical progress, yet by themselves they never can guarantee perfect solutions. The scientific work and research process must always be tested critically and self-critically, because science tolerates no stopping, no mediocrity, no routine. There have been and there are many discussions about what to think of scientific achievements in the science institutions. Mediocrity in teaching and research, it seems to me, can effectively be countered only where the managers of science institutions or collectives set the highest standards--which have to pertain also to their own work--and where such standards also rate consistently as the work norms in those institutions.

Necessary also is thoroughly analyzing the status achieved in each individual science collective, implacably measuring results achieved against world standards, so as to assume the correct starting position in the struggle for scientific top achievements in each institution with objectivity and realism, tolerate no whitewash and--where it is the case--force back any presumption of imagined world standards. No doubt, it cannot always be easy for a scientist to place his own results, laboriously accomplished, and often under constraints, on the test stand for international comparison without being emotional about it, yet without such integrity there can be no progress in science. In some institutes in the USSR and in other countries, scientists must face tough tests in accounting for and defending their projects before they are provided with funds. In some countries researchers or their working teams even have to defend their ideas and projects in front of a group of international experts. Only thereafter the decision is made whether they are to receive continued material and personnel assistance. Many of our own science councils, whose main function it is to connect the development of their science field with our social development, regard it as an essential task to enforce such tough yardsticks in their own fields of activity. The science associations also ought to be engaged still more actively as observers and custodians of high sensitivity for new scientific and technical trends and high performance criteria. Through the cooperation among the science institutions socialist competition unfolds which decisively helps carry on the needed high criteria from the top achievers to other partners.

This also is the spirit in which we should continue to implement the March 1980 SED Central Committee Politburo resolution on the "tasks of the universities and colleges in the developed socialist society." In this resolution and at the Fifth University Conference it has been confirmed that the training and education of the students on a high technical level and in the spirit of the Marxist-Leninist world-outlook is the fundamental task of the universities and colleges. The students and our junior scientists should have acquired the latest scientific knowledge,

applicable knowledge and skills and an abundant intellectual-cultural education. They must be induced to seek highest achievements always because on that depends the effectiveness of their studies as does their scientific activity.

In other words: standards are established for training and education that take into consideration the growing demands the graduates will face in their future activity, in their occupation and in their public life. This way the state of knowledge, the political maturity and the work ethics of the graduates can be made to conform with the constantly growing demands for performance. Instilling lofty work ethics will be all the more effective, if the instructors themselves have practical work experience and know the practical requirements, especially those placed on the economy.

At the fifth university conference the need was emphasized to involve the students gradually in the solution of research tasks and to enable them to follow their own, and new, ways in research. A position taken on that by the Academy of Sciences rightly pointed out that this must be genuine theoretical and experimental research because certain things are learned during studies, such as book reviewing, literary surveys and seminar projects, that cannot as such be considered research. That would give rise to wrong ideas and an uncritical attitude toward scientific work. Further perfecting studies as a productive phase thus demands that higher standards are applied for research already during training. It demands that tasks be formulated there that are to be solved under one's own responsibility, tied to the knowledge and skills acquired yet leading beyond that in their objective. This conforms to the students' individual potentials and fosters the development of their creative capabilities and performance capacities.

Science and Humanism

Work in all these processes of training and research, and in the development and introduction of technical innovations can meet with success only if its purpose is understood and it is integrated within domestic and foreign policy contexts, the 10th party congress strategy for the further consolidation of our socialist state and of the socialist community, and the struggle for the preservation of peace. The elucidation of these contexts also demands considerations about how to improve their effectiveness in the social sciences, basic Marxist-Leninist studies, the political-ideological party work, the socialist youth association, the trade unions and all other social organizations.

Productive force is generated mainly through a massive application of knowledge but also of experiences. The decisive role in this sense is played by man, who creates and applies knowledge, creates and applies technology, produces and consumes. The responsibility of science for scientific-technical progress and for high labor productivity in socialism always relates to man, to improving his material and cultural standard of living and his development as a personality. That addresses not only the natural sciences and technical disciplines but all the science disciplines in toto.

That is our socialist position on science, the position of socialist humanism. Under socialist production relations science is not only a productive force but a means for realizing our humanistic ideals, for developing the socialist way of life and its personality. For that reason science pessimism and hostility to technology can find no fertile soil among us.

But those theories which ultimately oppose all progress have once again been blossoming in capitalist countries in the last decade. In those countries they are more and more talking about a confidence crisis vis-a-vis science and technology, often placing in doubt the use of science for the progress of humanity. An "anti-science movement" has become a political fact which combines in itself, in a manner that is tough to disentangle, impotent protest, fear, sophisticated manipulation and sensationalism. The key problem in this anti-scientific temper is that science is being blamed for injuries which have their sole origin in the social system.

We, in contrast to that, by using the advantages of socialism, are tackling the problems and contradictions any progress brings, all the more so the stormy processes of our social changes and of the scientific-technical revolution. The economic and social evaluation of technological developments, the elaboration of comprehensive programs for scientific-technical, economic and social development, have become an important instrument for the planning of social processes. More than ever before there appears a need here to anticipate and assess immediate and remote effects and desirable and undesirable consequences of technical innovations. Friedrich Engels wrote: "While it has taken the effort of millenia for us to learn somewhat to figure out the most remote natural effects of our actions aimed at production, it was still much more difficult with regard to the more remote social effects of those actions."[9]

Socialist development in the GDR most clearly demonstrates that the spread of microelectronics, for instance, contributes to a constant growth rate in our intensification and rationalization potential. Yet the working people are not subject to some "microelectronics syndrom," and microelectronics applied does not become their "job killer." We possess the social premises for confining, or even eliminating, undesirable effects on behalf of the working people. The scientists have the mission to predict them as early and as well as possible and--if not yet in place--to create scientific and technical data by which such effects can be met before they become dangerous. The trust in science and technology in our society is well justified.

Social processes are taking place in our 20th century that are changing the world: the social revolution and the scientific-technical revolution. Mankind is seeking new shores. That is also illuminated by the transition from capitalism to socialism, the national liberation movements and the social conflicts, the exacerbation of the class struggles and the conflict between war and peace. At the same time fundamental changes are taking place in the role of science in society, its effects on technology and technological development, on working and living conditions and on all socioeconomic relations as such. These processes are not mutually independent but they affect each other. The triumph of socialism in the Soviet Union, the GDR and other countries, the shaping of the developed socialist society and the creation of prerequisites for the gradual transition to communism were affiliated with science from the outset. Because socialism is established in conformity

with scientific insights worked out by Marx, Engels and Lenin, its construction proceeds according to plan by scientific planning and management methods. Essential principles for it are worked out by the social sciences, mainly by Marxist-Leninist philosophy and the economic sciences. The resolutions by the working class party--as the resolutions of the 10th SED Congress--are based on the sure foundation of scientific analyses and insights. The strategy on the further development of socialist society is the outcome of scientific deliberations and elaborations. Then also, science through these social changes receives new dimensions and operational opportunities. For the first time in history it is rid of the chains of restraints imposed on it by social relations relying on feudal confines or capitalist profiteering and competition struggle. In socialism it can unfold freely for the good of the people, effect the improvement of the people's material and cultural standard of living, and fully bring its inherent potentials to bear.

The social and the scientific-technical revolution fertilize each other. Social changes push science and technology ahead and lend constantly new impulses to them. Science and technology in turn affect the socioeconomic conditions, the changes in the production relations, the way of life and the development of personality.

Science and technology even so do not remain unaffected by the conflict between the two social systems, the contradiction between socialism and imperialism. The confrontation course taken by the United States and the NATO states for achieving military superiority over socialism, and the psychological warfare that goes with it, tie up an enormous research potential for armaments purposes. They also compel the Soviet Union and the other socialist countries to increase their efforts for the defense of peace and of the socialist achievements by means of science.

The peace policy pursued by the Soviet Union and the other socialist states, aimed at stopping the arms race and at effective disarmament steps, would give science the chance to concern itself primarily with the safeguarding of peace and with research on the development of men's working and living conditions, the protection of the environment and other global problems. It would also open the gates wide to science and technical progress for the developing countries. The world--and science--would lool differently--as was found at a Vienna conference on "science and technology in the service of development"--40 percent of the worldwide research resources were not to be spent on armaments research.

Science senses the exacerbation of the international situation also by the designs of imperialist circles to limit the exchange of scientists and the transfer of technologies, which is against the Helsinki accords.

We find the humanistic responsibility of the scientists in our country in their doing what they can to prevent nuclear war and to preserve and secure peace by way of arms limitation and disarmament.

In their appeal, "To the Scientists of the World," noted Soviet scientists have declared: "The situation that has emerged, in our view, demands new resolute actions by scientists on behalf of peace. Mankind must not be permitted to remain under the spell of prejudices as if peace would have to rely on heaps of weapons and not reason but strength would direct the course of history for all eternity. To accept that would mean taking for granted that war, and hence a devastating nuclear war, is unavoidable."[10]

The GDR research council endorsed that appeal by its 8 May 1981 announcement. It has unanimously approved the peace proposals of the 26th CPSU Congress and the 10th SED Congress and has appealed to lend support to that peace policy by great scientific-technical achievements for strengthening the GDR economy. The progress-promoting and humanistic essence of science in socialism finds its supreme expression in the struggle for peace and the consolidation of socialism.

FOOTNOTES

1. "Programm der Sozialistischen Einheitspartei Deutschlands," Dietz publishing house, Berlin, 1976, p 45.

2. Friedrich Engels, "Anti-Duehring," Karl Marx/Friedrich Engels, "Werke" (Works), Vol 20, Dietz publishing house, Berlin, 1962, p 456.

3. Engels to Starkenburg, 25 January 1884, Marx/Engels, "Briefe ueber 'Das Kapital'" (Letters About "Das Kapital"), Dietz publishing house, Berlin, 1954, p 365.

4. Ilya Prigogine /Isabelle Stengers, "Dialog mit der Natur. Neue Wege naturwissenschaftlichen Denkens" (Dialogue With Nature--New Ways in Natural Science Thought), Munich-Zurich, 1981, pp 9-10.

5. Francis Bacon, "Novum Organum," edited by Manfred Buhr, Akademie Verlag, Berlin, 1962, p 8.

6. Ibid., p 4.

7. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 49.

8. Ibid., p 55.

9. Friedrich Engels, "Anti-Duehring," loc. cit., p 453.

10. NOVY MIR, No 19, 1981, p 5.

Need for Investment Restructuring

East Berlin EINHEIT in German Vol 36 No 8, Aug 81 (signed to press 9 Jul 81) pp 761-769

['Science in Our Society' feature article by Prof Dr Helmut Koziolek, economist, member, SED Central Committee; director, Central Institute for Socialist Economic Management, SED CC; chairman, Economic Research Council; member, GDR Academy of Sciences; member, EINHEIT editorial board: "Economic Strategy and Development of Science." A translation of the Guenter Mittag article cited in footnote 2 is published under the heading, "Mittag Urges Combines to Economize, Raise Production," in JPRS 78885, 1 Sep 81, No 2167 of this series, pp 64-76]

[Text] The basic feature that controls our party's economic strategy consists in taking another step toward combining the advantages of socialism with the scientific-technical revolution. How is, in particular, the country's intellectual-creative potential being used to that end? Which main trends in science development have been set down in proceeding from the continuing speed-up, wordwide, of the scientific-technical revolution and the social exigencies and requirements?

Smoothly carrying on with our main task, and high economic performance boosts needed to secure and further extend what has been achieved, call for the working people's skilled and creative work, industriousness and initiative, as well as mainly also an important upswing in science and technology, the accomplishments of which more and more pervade, and place on a new foundation, our country's whole economy. The economic strategy, as explained by Comrade Erich Honecker at the 10th party congress, which is oriented to the far distant future and makes high demands on the socialist economy at the present, is in every way responsive to it.[1] It outlines the framework of the productive forces for the continued shaping of the developed socialist society and explains the direction in which socialist production relations have to be perfected so as to make use of the advantages of our social order based on them and release mighty impulses for social development. The further extension of these advantages is indispensable for the prosperity, dynamics, effectiveness and vitality of socialist society, and they are: unified leadership in social development by an experienced Marxist-Leninist party; socialist production relations freed from exploitation; the planned, proportionate development of society, which includes the rational use of assets and social labor capacity; process management by the socialist state power on the basis of democratic centralism; and our inseparable linkage with the community of socialist states, especially with the USSR.

Our party has proven its creative approach to the social requirements and tasks it faces to a large extent by the fact that it has never regarded these advantages as something static, as given for once and for all. It has let itself and is letting itself be guided by that the realization of all the enormous potentials inherent in socialist society requires a policy that always conforms with the ripening of conditions and offers clear statements on our targets, always taking into account that changed conditions call for new ways to realize those advantages. Consider, for instance, how our production relations are used and perfected to implement the main task in its unity of economic and social policy to conform consistently with the direct connection between labor and the satisfaction of needs. Consider that in the process of scientific-technical progress and comprehensive socialist rationalization the working people must meet the growing requirements placed on the cooperation and combination of the various partial activities to achieve great effectiveness in the total social effort. Think of the combines or agro-industrial associations as those higher organizational forms of socialist property through which the productive forces are propelled significantly due to the direct ties between science, education and production. Remember that planned economic development today manifests itself, among other things, in making much better use of available resources on behalf of society by means of enhanced refinement of raw materials and working material and, in particular, by a more effective use of the social labor capacity due, in particular, by socialist rationalization. Let us also remember that within the cooperation in the community of socialist states, especially with the

Soviet Union, considerably higher demands have now arisen in the scientific-technical field and the specialization and cooperation that come with it. And then above all let us also remember that the use of these advantages must come through a highly dynamic process always integrated within overall social policy in which new requirements, for example, impose themselves on socialist state power. The main thing that matters today is to perfect all management activity by strengthening democratic centralism and to practice, for example, forms of more expert ministerial and combine collaboration.

Economic Efficacy Through Modern Science

Through its ten interconnected key points our party's economic strategy is the scientifically established conception for GDR economic development in the 1980's. Thereby it is the stable foundation for the further shaping of all of socialist society in our country, a conception for strengthening socialism all-around, and a contribution to raising the political authority and attraction of real socialism and to the safeguarding of peace. Its pervasive fundamental feature that dominates everything is to find a constructive response to the altered requirements by which the main task in its unity of economic and social policy can be smoothly carried on in the 1980's.[2] Accordingly, its starting point then also is the demand for a new step in combining the advantages of socialism with the achievements of the scientific-technical revolution. Precisely this is the key for intensively expanded reproduction today and in the future, the various sides, targets and conditions of which have been outlined by the economic strategy.

We can take another step in combining the advantages of socialism with the scientifi-technical revolution only if the large intellectual potential of our society on the whole is aimed at the acceleration and the high effectiveness of the scientific-technical revolution and this finds its expression in our concentrating on new products and procedures. Social and economic benefit must today be the centerpiece of our scientific requirements, as scientific and technological advances more deeply pervade men's ordinary lives in our country, the conditions of their work and life, and any serious elevation of the productive forces has its roots in scientific knowledge. That is why it is so important largely to concentrate research on an effective use of our domestic raw material base and on modern procedures and technologies that are so broad in their efficacy that economic efficiency depends on them. With that, this also is the way to boost our labor productivity significantly. Through scientific-technical progress and our socialist rationalization we have to achieve larger production dimensions with less manpower so that we can gain working people for other, urgently needed activities. Boosting our labor productivity mainly means fully applying the high educational potential of our society. This is the result of the highly developed social all-purpose worker, of man as the chief productive force.

Scientific-technical progress and higher labor productivity, mutually interrelated, must find their most striking expression in that raw materials and fuels are by far more highly refined. A function of skilled labor in socialism is to produce from raw materials and energy as many high-grade products, in accordance with the satisfaction of demands, as allowed by the utilization of the most up-to-date natural science data and an optimum organization of the reproduction processes. The core of this task is the use of skilled labor, i.e., the ability to make material and energy highly efficient and produce quality commodities.

All elements in this unified economic strategy have to make labor decisively more efficient, expressed above all in a considerable reduction of the production consumption, in a better qualitative composition of the national income in terms of intrinsic value and in increasing growth rates. The alpha and omega is that production must rise faster than the investment in embodied and live labor. Only then is the criterion of intensively expanded reproduction met fully. Greater labor efficiency reflecting a higher labor productivity and the effect of enhanced refinement is the critical source for further economic growth and thus of considerable consequence to the implementation of the main task policy.

No doubt, labor efficiency largely depends on comprehensive socialist rationalization. It contains a broad spectrum of possibilities which must all be used. The centerpiece however are the main trends that come along with scientific-technical progress, e.g., more automation, technologies and procedures altogether, special importance attaching to a broad use of microelectronics, automated controls and the use of industrial robots.

An implementation of all these sides of the economic strategy calls for an investment policy fully focused on intensification, in fact it determines the criteria for it. The emphasis here lies on making the main features of scientific-technical progress prevail, above all in the sense of advanced equipment and its appropriate technologies, whereby to contribute to optimum economic efficacy and to favorable effects altogether on behalf of society. This presupposes a decisive change in investment structure in favor of the investments going for equipment, and it also demands that a higher intensification contribution is made within the scope of simple reproduction, through the renewal, modernization and reconstruction of available basic assets, based on new technologies. The acid test for fulfilling all these tasks lies in the needed reduction of time frames for implementing investments and their rapid economic effectiveness.

While the implementation of the requirements referred to up to this point in the economic strategy serves the implementation of the main task all-around, it is no less important, and quite directly so, to the task to produce far more and better public supply consumer goods. Mainly from domestic raw materials, through more of a use of scientific-technical data, must we produce high-grade consumer goods that satisfy demands, also in terms of their designs. This demand also fully addresses the means of production industry. Complying with it will, as much as the implementation of all other tasks stemming from our economic strategy, help ensure our needed economic growth, which is mainly reflected in our planned higher national income.

In summary, this we can see: the economically fundamental way to shape further the developed socialist society and the material-technical base that conforms to it is the resolute implementation of our intensively expanded reproduction in each combine and enterprise, and in our entire economy. That way alone will we get the performance improvement we need. The perfecting of our management and planning and of motivating high achievements, every step in the shaping of our productive forces and all processes in the economic field must be channeled into this main road toward economic growth.

More of a Use of Our Intellectual-Creative Potential

Of critical importance for improved performance in years to come are the greater opportunities our society has and the increased capacity to use our country's entire intellectual potential; not only the scientific-technical potential in the more narrow sense but all working people's intellectual capabilities. For an ever more effective use of this advantage of our society the creative cooperation of the innovators of the working class with intellectuals, effective forms of mass initiative and socialist competition are gaining still greater weight. Simultaneously, especially in view of the growing future requirements, the scientists have a responsibility that is greater than ever increasingly to shape, through their creative contributions and research results of high rank, the progress-promoting and humanistic character of science in our country, as it conforms with the expectations of our society in accordance with our party program objectives. Science has been challenged to achieve greater results still toward economic growth and improving the working people's material and cultural standard of living. In this sense it is imperative to concentrate our country's science potential still more strongly on focal points that correspond to current and future economic requirements and social and scientific necessities.

Top achievements are mainly needed that improve the technical and technological production levels in every way, facilitate a still more rational use of energy and raw material resources, and significantly improve our labor capacity by means of socialist rationalization and the automation of production processes. That presupposes working in good time on new propitious science fields through their own potential and within the scope of international socialist economic cooperation and preparing the use of results therefrom. All the more important it is then that the scientists and collectives in all research institutions improve the efficiency of scientific work and do what they can to have noteworthy research results to show for. New lines of development in particular call for perspicacity, commitment and determination. Especially those research collectives and, above all, science managers meet their social responsibility who apply to the quality of their efforts the only criterion that is acceptable to us: the most advanced status in any given science field. The scientists' own efforts in familiarizing themselves with international top standards, promoting and challenging young gifted scientists, and perfecting, and using intensively, the material-technical research conditions cannot be great enough. A personal will to perform, increasingly shaped by high socialist awareness, creative cooperation between representatives of the workers class and the scientific-technical intelligentsia, skilled management activity and--as an indispensable prerequisite--the management of these processes by our Marxist-Leninist party critically decide how fully the favorable objective preconditions socialism offers to scientific-technical creativity are translated into demanding results.

There have been greater opportunities in recent years to effect economic growth through scientific-technical progress, and they will continue to grow because the processes in our scientific-technical revolution have received mighty impulses recently and increasingly control the overall process of scientific-technical progress. The extent to which these opportunities are realized will essentially depend on fruitful ideas given birth in the decisive directions of economic progress and translated--starting with basic research--more expediently into technical

solutions for new products and procedures and rapidly transfered into production and widely used. Success will be all the greater here, the better we succeed in making a concentrated use of funds and capacities, so that we will at one and the same time work on fewer problems that take less time and organize the production of new commodities rapidly and with a high economic impact.

More of a use of the available intellectual-creative potential is of critical importance for the performance improvement needed in the 1980's. In the thirst for education and its practical application, social and personal interests fuse to a high degree and determine the effectiveness of human activity in all social domains. It is absurd, therefore, to talk about an excess of education in our country, as some people do. Social development cannot be organized in its proper structure nor can it be put to the best use without educational lead time. There is no other way for us to face the requirements of tomorrow, not, in principle, with respect to the humanistic and dynamic character of our society, and not for tapping the resources for economic growth and surmounting certain contradictions.

The educational lead time produced imposes of course, above all, on the state managers on the central level as on those in the combines and enterprises an obligation that is all the greater to seek ways and means for its maximum use and not to let it be scattered to the winds, become inconsequential, as it were. Practice has demonstrated that the intellectual-creative potential that has been produced can certainly be used still more effectively by employing personnel in line with their skills--from the technicians to the university graduates. In particular, greater efforts have to be made to improve the conformity between the training levels and the skill requirements, between vocational training and the technical skills actually demanded. The more intensively knowledge and skills acquired are called upon by the activity in which an individual is engaged, the more favorably that will affect the willingness for top performance, the more fun there is in work, the more of an impulses is there for creative efforts, and the more positive it also is for the social climate in the enterprise and the work collective.

Major Trends in Science Development

The 10th SED Congress affirmed that now the possibilities of the scientific-technical revolution have become directly the major reserve for higher performance and greater economic efficiency. Making use of these possibilities requires a sober and sufficiently detailed assessment of the major trends of the scientific-technical revolution in the world. A priority is warranted in our conclusions for trends of strategic character, such as microelectronics, objective development processes that are transforming the productive forces on long range, revolutionizing them through their broad implications. They control the marketability of the products in terms of intrinsic value and price, the level of the modern productive forces, the effectiveness of reproduction in socialism and thus the possibilities for satisfying public demands and those in all domains of socialist society over the long run.

To implement with success the fundamental goals of our party's social policy, and especially its economic strategy for the 1980's, the GDR's R&D potential is concentrated on the following major trends:

"-rational use and supply of energy on the basis of domestic soft coal, a far-reaching utilization of secondary energy reserves and an increasing use of nuclear energy, with the highest effectiveness of coal mining equipment and energy conversion installations;
--most effective use and maximum refinement of available raw materials and maximum reuse of secondary raw materials and waste-products;
--accelerated development and application of microelectronics as a key technology at the whole economic range for improving productivity through the automation of labor and information processes and the reduction of raw material and material consumption;
--development and effective use of highly refined chemical and metallurgical raw materials and silicate raw materials, and the introduction of material-conserving technologies and designs for improving the cost/benefit ratio;
--increased productivity and enhanced qualitative levels for economically important machines, equipment and installations for rationalization and export that brings in much foreign exchange, on the basis of labor and processing technologies that save working hours, energy and material, through a comprehensive application of industrial robots and efficient measurement and testing devices;
--development of high-grade consumer goods at favorable costs and in excellent quality and good design, responsive to public demands and for lucrative export, including the requisite, standard-controlling components and preliminary products;
--health care, promotion and rehabilitation through effective medical research contributions to health care and diagnosing illnesses, and making available the needed highly-effective medicines and an efficient medical technology;
--a higher qualitative level and a reduction of expenses in housing and industrial construction by introducing effective solutions, especially in the modernization of old housing and the reconstruction of industrial structures, and new products for finishing and furnishing residential buildings; and
--supplying the public with foodstuffs and production with raw materials from our own domestic agricultural and foodstuffs industry through increasing the capacity of crop and animal production on the basis of advanced data from the biological sciences, including genetic engineering."[3]

By establishing those trends we intend to take account in our economy of the accelerated structural changes in the international division of labor in the 1980's. An extra margin is left for creativity within the scope of these trends, because in the interest of highest results and highest efficiency in the broadest sense, alternatives for the revolutionary procedures, products and technologies are definitely also wanted. Top achievements are challenged here which would document the superiority of the socialist social system.

To keep in step with the worldwide acceleration of scientific-technical progress, we must actively take account of that objective process in our economic strategy. Greater efforts still should therefore be aimed at reducing the time it takes to make basic innovations applicable, popularize them and put the products on the market. An analysis of the time frame from the occurrence of a fundamentally novel idea to its application in practive in the world established that the trend for shortening the cycle can be clearly seen and documented especially in those branches that are essential for the scientific-technical revolution like electronics, the chemical industry, the optical and photochemical industry, machine building and polygraphy, that is to say, it is prominent precisely in important and most research-intensive "growth industries" in this century. But also other branches experience a reduction of their cycles because of the competition for replacements at an international scale.

Thus our combines, if they want to make a lot of money on the world market with their basic inventions, must generally seek the shortest cycle and enforce the needed qualitative modifications in reproduction purposefully. That includes fulfilling still another internationally valid trend that goes hand in hand with the shortening of the cycle: the greater speed in distribution. For the combines that means to reach a high production volume fast for important innovations. The trend of shorter cycles and the higher distribution speed greatly brought it about that the marketing period for many new products has been shortened much in recent time--within the last decade circa by one-half. For small and microcomputers the span of a generation has now been reduced to between 3 and 5 years. Whereas classic office machinery would keep its basic design between 10 and 15 years and was exported with high economic benefits, the introduction of microelectronics produced a decidedly briefer working-life cycle for bookkeeping machines. Today they are already working on replacement equipment for devices that only now have properly come into production. This trend can be found in all fields, mainly in those that are research-intensive. The reduced production and marketing periods in general impose briefer warm-up periods for series production (maximum production units must now be obtained in the first or second year already) and a critical reduction of the development and application periods, while the R&D results at the same time have to be of superior quality. Particularly by forming the combines essential premises were established for better meeting the new demands of the time factor through a new quality of scientific-technical work and modern research organization.

Basic research is increasingly and perceptibly gaining in weight. It is the source of the revolutionizing modifications in the development of the productive forces. The history of the productive forces in general, and in the GDR in particular, knows of many examples that show how from basic research in combination with applied research new products and technologies evolved and existing industrial branches went through essential structural modifications and new ones were born. Let us adduce but one highly pertinent example: the boom of microelectronics in the GDR would certainly not be possible in its increasing and planned scope and speed without the basic research in pure substances, solid-state physics and raw material research. Our party resolutions therefore provide for basic research to receive the research lead time needed for our economic development within the framework of the natural and technical sciences research programs.

Intensive Science and Production Cooperation Within CEMA

As an internationalist social order socialism provides for the modern productive forces a commensurate field of action that exceeds any national framework and guarantees for all working people that they will benefit from the fruits of their labor. To make an ever better use of these opportunities is an objective requirement because, after all, the resources used in the various socialist countries, their intellectual potentials, and all their efforts in many fields, can find their highest effectiveness only through international coordination and concentration. In particular it is found in the process of the scientific-technical revolution that coping with it implies our international socialist division of labor in R&D and production--as has become the case more and more effectively within the CEMA framework--, by which it is intensified and its effects are raised to a higher power.

For our republic the R&D and production cooperation with the USSR and the other CEMA countries is and remains a decisive element of our economic strategy, and particularly of our scientific-technical policy. That is demonstrated by the increase agreed upon in reciprocal deliveries for the 1981-1985 period as much as by the still more rapid exchange of specialized and cooperation products. The GDR-USSR specialization and cooperation program till 1990 aims at lifting the interlinking of our economies onto a completely new plain. Funded through 35 major trends in specialization and cooperation, it aims at achieving or expanding scientific-technical top positions at a large breadth and creating favorable conditions for effective production concentration. Further extended will be lines in the division of labor that are essential to the dynamics of trade, and new propitious fields will be included in our specialization and cooperation. Especially promising are our joint efforts in developing and broadly applying microelectronics. The GDR is among the countries that develop and produce microelectronics themselves--in close cooperation with the USSR. In this field mutual deliveries are already strongly marked by the results of our research and production cooperation. While, for example, the VEB Carl Zeiss Jena Combine develops and produces important sets of equipment for microlithography, the USSR in turn rapidly increases the supplies of construction elements and components. Cultivating and further extending such cooperation is one of the guarantees for that the community of socialist states can not only keep pace with the development of science and technology but can even set standards for that development in critical areas. It remains for that to be ensured absolutely and still more definitely in the future.

Scientific-Technical Revolution and Ideological Class Struggle

Not only through their real manifestations and processes are science and technology a main field in the class conflict with imperialism, but also with respect to their intellectual reverberations. Bourgeois ideology has become increasingly more pessimistic in rating scientific-technical progress, chiefly in connection with the development of data-processing techniques, particularly of microelectronics. Theories are presented there which in the final analysis "demonize" technology. The real background of such attempts is the fact that the scientific-technical revolution has not, as bourgeois ideologues still announced with euphoria in the early 1970's, revived economic growth, guaranteed full employment, and led all around to a social stabilization of the capitalist order. Today, "the discussion of zero growth" has moved "from the flirting stage to that of imposed reality."[4]

Lots is involved in the explanations the bourgeois ideology offers for its economic crisis phenomena--for instance, supposed limits set to growth by nature, unreasonable modes of human behavior, egoism or myopia, and finally also purportedly negative effects of scientific-technical progress as such. But one cause--which happens to be the only correct one--is never mentioned: the inability of the capitalist order to transform economic progress, without any restraint by social barriers, into social progress, the anti-humanistic nature of the capitalist order.

Coping with the questions resulting for the life in our society from the scientific-technical revolution, the real results in the shaping of interrelations among scientific-technical, economic and social progress and the growing opportunities for making these ties still closer demonstrate: the supreme premise for the development

of science and technology in our country is the well-being of our citizens, their existence in human dignity, in safety and peace. The social principles of our system and its power and property relations leave no room for abusive or inhuman developments of science and technology. The profound humanism of our society can be glimpsed, for example, precisely from how in our republic, which is making every effort to preserve its frontal position among the world's industrial states, the exceedingly stubborn and tenacious struggle for top achievements and high economic efficiency always goes together with making the life of the people more substantial, interesting and creative, and their living conditions easier, more beautiful and more dignified in human terms, and from how the solution of global issues of mankind is never removed from our responsibility on account of the urgency of our own affairs.

Our society has urgent issues that come from the development of science and technology or because of it insist on being resolved. One issue is how our educational system, as all other public domains, could still better help develop to a maximum the capacities of men who are and remain the creators of science and technology. Another issue is how we could produce an optimum harmony between socialist personality development and the demands of an accelerated scientific-technical progress. And then there is the question how the greater technological possibilities for making work more diversified and responsible could be realized in practice. Yet the working people in our country do not fear scientific-technical progress. They do not think it threatens their livelihood. We do not ignore that scientific-technical progress today often brings deep changes to the way people work and live. Nor do we overlook that with the further advance of science and technology big problems will have to be faced in the future, and many effects that cannot yet be seen today might still be asking a great deal of efforts from the scientists. That, however, does not diminish our confidence that we shall steer the scientific-technical revolution through managerial awareness in such a way that it will help shape ever more deeply the humanistic countenance of socialist society.

FOOTNOTES

1. Cf. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED," Dietz publishing house, Berlin, 1981, pp 49 ff.

2. Cf. Guenter Mittag, "Combines in the Struggle for Implementing the Economic Strategy of the 10th Party Congress," EINHEIT, No 6, 1981, pp 531 ff.

3. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985," Dietz publishing house, Berlin, 1981, pp 20-21.

4. SUEDDEUTSCHE ZEITUNG, Munich, 31 December 1980, p 4.

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INTERDISCIPLINARY COOPERATION URGED FOR S&T RESEARCH

East Berlin EINHEIT in German Vol 36 No 8, Aug 81 (signed to press 9 Jul 81) pp 770-776

['Science in Our Society' feature article by Prof Dr Ulrich Hofmann, engineer, vice president, GDR Academy of Sciences; and Prof Dr Wolfgang Marschall, engineer, economist, department head, Central Institute for Economic Sciences, GDR Academy of Sciences: "Interdisciplinary Research Must Be Intensified." A translation of the article by Hannes Hoernig and Gregor Schirmer cited in footnote 5 is published under the heading, "Commentary on Social Science Research Plan," in JPRS 77514, 5 Mar 81, EAST EUROPE REPORT: POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS No 1854, pp 55-64. The same JPRS issue contains also a translation of the official text of this 'Central Research Plan of the GDR's Marxist-Leninist Social Sciences, 1981-85' on pp 23-54]

> [Text] Through more effective cooperation among the natural, social and technical sciences, the science contribution to the development of the developed socialist society must be intensified. What explains the need for more intensive interdisciplinary cooperation? What are the experiences of the Academy of Sciences, and what fosters and what blocks the development of interdisciplinary cooperation? What demands arise with respect to its management and planning?

The 10th SED Congress directive emphatically asserts that the science contribution must be further intensified through an effective cooperation among the natural, social and technical sciences "so as to always better control the more intensive interactions between scientific-technical, economic and social progress, the upward development of the productive forces, the perfection of the socialist production relations and the social superstructure."[1]

The tempo and degree of complication of scientific-technical progress, the expectations attached to its use in our socialist society and, moreover, serious global problems bring up many questions making unprecedented demands on science and technology in our country. This is a magnificent challenge to scientific creativity and shows the magnitude of the scientists' social responsibility. One only has to look at some of the complex issues that have to be taken care of for finding solutions on behalf men's well-being in socialism. In terms of our party program,

formulated with a view to our country's future, in accordance with the economic strategy for the 1980's, it involves the science contribution to ensuring our energy base, especially by a rational energy use and the gradual availability of nuclear energy, to ensuring our raw and working material base through an economical use and the refinement of raw and working materials, or to our reproducing our environment. Socioeconomic effects and other social consequences of our scientific-technical progress are of great weight within the solutions to be found in our society where science and technology are never developed for their own sake but always for the benefit of the people.

Science and technology are facing great tasks to be able to shape these processes consciously and systematically from the outset. Only consider--to use only one already relevant process today as an example--automation which, among other things, does away with heavy physical work yet may also create in its first phase psychologically stressful activities, e.g., mentally fatiguing routine work. Thus it is all the more important to shape scientific-technical progress from the outset in accordance with a unified social concept so that its positive implications for man and his environment can be made as big as possible and any negative implications are eliminated by appropriate social or technical measures. Among the decisive advantages of the socialist system is that it can do so without any constraints imposed by the system in that it can direct its considerable intellectual and material-technical potentials, through a division-of-labor cooperation, at the very problems that provide the greatest social benefits and highest efficiency increases.

Finding and carrying out these solutions is the high responsibility the scientists bear. Indeed, it becomes increasingly urgent for them to take an active part in preparing strategic decisions for the continuing development of socialist society, in conformity with the basic research concept adopted. More complex interdisciplinary projects also are becoming more compelling here because of the diverse interrelations between nature and society. "They make great demands on science management and organization and on each scientist's ability and readiness to absorb problems and results of other disciplines and add his own high achievements to the cooperative effort."[2]

Interdisciplinary Cooperation--A Social Requirement

Interdisciplinary cooperation developed under objective pressure both in economic and in science development. Embryonicly it has existed as long as there have been scientific and technical disciplines. But it did take quite a while for it to become fully recognized as an essential principle for scientific and technical work. Looked at historically, it was in industrial laboratories of capitalist corporations where interdisciplinary R$D was carried on purposefully, systematically, and at a large scope to pose and solve problems with their appropriate economic effects on products and procedures.

Looking at the development in our society, especially economic development, one finds mainly three factors that compel more cooperation among natural, technical and social sciences. First, the increasing complexity of economic, scientific-technical and social requirements, second, the increasing entwining among economic branches with each other and with other domains in society, and third, the intensification of socialist economic integration. Advances in these three processes are of critical

importance to the requisite boost in labor productivity and efficiency on behalf of further elevating the people's material and cultural standard of living and strengthening socialism in the broadest sense.

Great pressure for intensifying interdisciplinary research comes from science development itself, and this due to the process of science differentiation and integration. An ever increasing socialization of the research process is unmistakable. That is enforced by the high status of scientific knowledge, the grown material-technical base and, not last, the variety and complicated nature of the tasks. The objective foundation is the material unity of the world and its reflection in consciousness as the all-inclusive subject matter of all sciences.[3]

Any given discipline is concerned with understanding specific domains of objective reality. Understanding that in its totality is consequently also the business of all science disciplines. Within the scope of the ongoing differentiation and integration, a trend of ever increasing weight attaches to the cooperation of diverse disciplines both for the cognitive process itself and for making use of this cognition. It is found that at the very interstices between various disciplines cognitions are gained that are of weight to the advance of science.

An example of the more recent past is the discovery of the DNA double helix made jointly by biologists, physicists and chemists.* On its basis it became possible to gain deeper insights into propagation and heredity processes. Genetic engineering pursues that direction, a novel technology derived from molecular biology, by means of which, e.g., micro-organisms, through interference with the genetic structure, can be made to produce human insulin.

There are various aspects to the process of science integration. It may be described in its increasing importance to "bonded sciences," such as physical chemistry, biochemistry or biophysics, through generating "synthesizing" sciences like cybernetics or the science of science, and finally in terms of the development of "problem sciences" such as oncology.[4] At present it is mainly marked by the urgent need for cooperative research between natural and social scientists and technicians. Interdisciplinary cooperation in its essence is a basic requirement for scientific and technical work that comprehends all phases of the work process--all the way from recognizing a problem situation to the utilization of the work results in social practice. And it is not only a methods question because deriving interdisciplinary research projects itself is an extremely tough task that may succeed or fail.

Our experiences have taught us that interdisciplinary work must be based on a solid foundation of disciplinary knowledge and always be combined with concrete targets in the various disciplines. Furthermore, the basic knowledge in any given partner discipline plays a role that is not to be underestimated. The main thing is, however, to determine joint objectives correctly, develop joint methods and find a common language to arrive at both theoretically ensured and practical results. And more even that that: interdisciplinary work presupposes an ability and will for cooperation, appropriate ideological attitudes, in other words, that have to be created.

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*The deoxyribonucleic acid molecule stores genetic information and has a double-spiral structure.

Typical of the current phase of the scientific-technical revolution is the closer bind between natural science and modern technology. Outstanding examples of it are nuclear technology, microelectronics, laser technology, electronic computer technology and modern biotechnology--all areas that only originated in the course of the last 40 years. It is no accident that the laboratory and production technologies in these areas are so very much alike.

The forms of interdisciplinary coooperation may be most diversified, as the tasks to be solved may also be. They range from taking account of the results in other science disciplines by individual researchers to the division-of-labor cooperation among several scientists all the way to the forming of problem groups or problem commissions made up of scientists of diverse specializations.

An essential aspect of interdisciplinary cooperation, its traditional form, as it were, lies in reciprocal scientific and methodological interpenetration, the use of science data, methods, experiences as well as of the prevailing views and approaches of one discipline in other disciplines. For example, the broadest use of of mathematical and computer technology methods is hardly controversial in any science disciplines. Very impressive is the close tie between mathematics and theoretical physics. Measurement methods of physics are used universally. Great advances came from mathematical, physical and chemical modes of thinking and methods entering the biosciences, especially molecular biology. So it is not astonishing that in molecular biological institutes, e.g., in addition to biologists, many mathematicians, chemists and physicists are working on equal terms.

We have become eyewitnesses of a massive employment of physical testing methods, computer technology methods and other principles of numerous fields in medical research and the health field. A typical example of it is the computer tomograph, an efficient computer-aided X-ray device by which information can be obtained and stored of any body sections and organic and other contours can be made visible.

These developments in interdisciplinary cooperation mark a new stage: the formation of a whole number of efficient scientific methods relatively independent being now systematically used at an unprecedented range and speed.

New kinds of demands for interdisciplinary cooperation arise also from the fact that the solution of complicated economic, scientific and other problems by their very nature more and more call for the work and cooperation of several disciplines. Only consider the exploration, development and production of working materials, especially those with specific physical, chemical or biological properties. Or this: to exploring cell membranes in organic matter the knowledge of physical and chemical principles is of importance. Such research data are admitted, e.g., to solid-state research, materials development and catalytic research.

Interdisciplinary work, like any work, is concrete. Looking for a simple general implementation pattern for it would not be appropriate. There are indeed great differences between mathematicians, physicists and chemists who in polymeric chemistry look for a new substance conversion procedure, e.g. to make acetyl, and nuclear physicists, energy experts and economists who work on models for an optimum use of energy sources like coal, petroleum, natural gas and nuclear energy, or technicians, designers, sociologists and psychologists conferring on the socioeconomic aspects in the introduction of new automation techniques such as robot technology.

Experiences in the Academy of Sciences

How interdisciplinary cooperation among natural, technical and social sciences is concretely implemented can be shown with reference to research on basic problems of microelectronics. The Academy of Sciences has already had good experiences and success with it, even if many an obstacle had to be surmounted. There were some institutes, after all, which initially thought only physics institutes had any use for microelectronics. At the Academy of Sciences there are circa 1,000 associates who are creating the scientific lead time for microelectronics, are engaged in applied research and normally, through transition collectives and jointly with industry, take care of the transfer of their research data into material production. For instance, in the mathematics institute research is done on a computer-aided spot design. Various physics institutes handle the research on crystallization and crystal processing, microstructuring, ionic implantation of components and various working material matters. Chemical institutes are devoted to questions in the production of pure substances and pure-substance analysis. Some institutes deal with component technologies, others with circuit theory, and with the development and construction of science equipment based on most up-to-date microelectronic components, which include microprocessors. Not last, social science institutions also have an active part in all this research. There is for instance the central institute for economic sciences which, among other things, has prepared, through cooperation with institutes of natural and technical sciences, a study on the economic and social effects and other ramifications by the broad application of microelectronics in the GDR national economy.

To coordinate this complex research task, the president appointed someone in charge of microelectronics in the Academy of Sciences. His responsibility is the preparation, implementation and control of the complex "microelectronics" research task, which is an element of the overall basic research five-year plan at the Academy of Sciences and of the ministerial domain for university and technical school affairs and of the plans of the Academy of Sciences and its institutes. For coordinating the partial tasks, which usually concern several institutes, state managers are responsible who command the main potential in each case.

An important step, mainly under the aspect of the cooperation among combines, universities, colleges and institutes of the Academy, was the founding of a scientific council of the Academy of Sciences of the GDR for the principles of microelectronics. This body offers a broad field for exchange of ideas and scientific debate. Also in the science councils of the research programs like physics and chemistry and in the courses given by the Academy of Sciences, microelectronics is a subject of debate. All that has much helped the mutual understanding and has been very fruitful for the projects.

Management and Planning Requirements

The requirements for interdisciplinary cooperation, along with the disciplinary aspect, which remains primary, will have to be more prominently taken into account when science research institutions are formed and structured in the future.

In basic research, chiefly with regard to the gain in fundamental science knowledge needed, the question is properly raised what the critical scientific breakthroughs are and under which preconditions and premises they can succeed. No doubt the knot will be cut most rapidly where the best conditions prevail. But what establishes them? Does a breakthrough become successful in, let us say, one research collective with 200 associates or in ten research collectives with 20 associates each? The fact is that excess concentration of personnel may produce anonymity and dampen the contest. When we are talking about ten different collectives here it means an embedding in various science patterns, disciplines, schools, traditional methods, technical opportunities and, not last, in various intellectual attitudes and modes of thinking. It is peculiar of basic research that the second alternative is likely to get the thing done faster. But in applied research the reverse would rather seem to be true.

Itis of extraordinary importance that institutes work together at once and directly which represent different disciplines needed to solve a task. Such inter-institutional cooperation came about, e.g., in the development and introduction of a laser scalpel, between the central institute for optics and spectroscopy of the Academy of Sciences and the Charite hospital of Humboldt University.

Global problems in humanity development like the energy and the raw material problem must be handled by social science institutes as well as natural science institutes in a basic and long-term manner in conformity with a common conception within the framework of their always specific, discipline-oriented sets of topics. For solving specific, particularly topical, requirements, efficient temporary working teams should be set up going beyond the confines of any one institute. Equally important is held to be our expanding or setting up economic, sociological and other departments or working teams in natural science and technical institutes which are responsible for, or coordinate, larger, economically highly relevant scientific-technical fields. There are institutes in the Academy that have had good experiences in this regard, for instance the research institute for the preparation and processing of raw materials for industry, the institute for chemical technology and the central institute for nutrition.

As a result of scientific-technical progress, institutes were set up and are being set up with the objective of conforming with interdisciplinary requirements to a large extent without becoming dependent on all too much cooperation which, after all, causes additional expenditures. In the Academy of Sciences that applies, e.g., to the central institute for nutrition and the central nuclear research institute.

The science councils function as important instruments for promoting and directing interdisciplinary work, mainly for research programs and large scientific-technical projects and the classes and the plenum of the Academy. The spectrum of their activities ranges from prognostic work to spotting developmental trends to initiating research trends, the discussion of topical problems all the way to pronouncing scientific judgment on what has been achieved. Their great advantage is that they are composed irrespective of institutional and departmental constraints and embrace many--in the case of the Academy plenum--and even, as it were, all disciplines and fields. This is an advantage of which we must constantly make better use.

Interdisciplinary cooperation can and must of course be planned like any other research task. And the tasks posed must show the compelling need for interdisciplinary cooperation.

Interdisciplinary work in the natural, technical and social sciences is becoming especially important where it is a matter of taking care of complex social problems. Thus the Central Research Plan of the GDR's Marxist-Leninist Social Sciences, 1981-85, provides for working on such interdisciplinary research complexes as "scientific-technical revolution, social progress and intellectual debate," or "natural science, technical, economic and social prerequisites and conditions for tapping and using energy sources and other raw materials." In elaborating and establishing the social foundations for healthy nutrition are involved, for instance, the central economics institute, the institute for the theory, history and organization of science, and the central institute for nutrition. "That at once raises questions concerning social science management because it is, after all, a matter of finding and encouraging the suitable forms of organization and communication for the scientists, arriving at clear management decisions which will help overcome institutional departmentalization, are governed by an overview over the whole thing and ensure the needed research capacities to be put together."[5]

In the 5-year plan draft for natural science and mathematics basic research and for basic research in selected technical fields for from 1981 to 1985, complex research tasks likewise are assigned, which include, among others, processing materials, microbic protein synthesis and geological principles for using the earth's outer crust.

The further development and effectiveness of interdisciplinary work depends on surmounting both objective difficulties and subjective reservations. There are disciplines that have had so much of an independent development that they find it complicated to reach agreement on a subject matter to be handled by interdisciplinary efforts. But that problem can also be solved if--as our experiences demonstrate--intensive and regular discussions are conducted on the common research projects. Some expect too little and some too much of interdisciplinary cooperation. Discounting discussions, which cost nothing, and all the exchange of ideas and experiences, interdisciplinary work does often call for greater expense. That, however, is justified when the matter calls for it and the extra expense brings an appropriately large extra benefit. Sometimes the debates about expenses hide a lack of performance readiness, an inability to understand important overall connections and possibly even inept research capabilities. That makes it all the more important to achieve more political and technical maturity in the research collectives through the ideological work of the party organizations in order to break through any possible barriers. Social requirements must be presented cogently and in good time, and more of an effect must be derived from fine examples.

Tasks are assigned that require much better and more comprehensive interdisciplinary efforts than we have made, by the science and technology state plan, which with its government orders serves to introduce comprehensive economic innovative processes, the central Marxist-Leninist social science research plan, the natural sciences and mathematics basic research plan, the technical trends chosen for basic research at the Academy of Sciences and in the area of the ministry for university and technical school affairs. Taking care of them is a high requirement our society places on the scientists in all institutions.

FOOTNOTES

1. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985," Dietz publishing house, Berlin, 1981, p 22.

2. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED," Dietz publishing house, 1981, p 92.

3. Cf. Kurt Hager, "Wissenschaft und Technologie im Sozialismus" (Science and Technology in Socialism), Dietz publishing house, Berlin, 1974, p 31.

4. Cf. G. N. Wolkow, "Soziologie der Wissenschaft" (The Sociology of Science), Dietz publishing house, Berlin, 1970, pp 286-287.

5. Hannes Hoernig and Gregor Schirmer, "High Qualitative and Efficiency Demands for the Marxist-Leninist Social Sciences," EINHEIT, No 12, 1980, p 1240.

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POLISH ECONOMIC SITUATION, REFORM OUTLINED

Budapest MAGYARORSZAG in Hungarian 27 Sep 81 pp 8-9

[Article by Endre Gomori: "Reality's Challenge"]

[Text] The political and social clashes of the fluctuating crisis in Poland often divert public attention from the exceptional efforts that the country's leadership is exerting to extricate the country from the economic crisis. These efforts are embodied in a program of economic reform, prepared by the Economic Reform Committee that the government set up already in the autumn of 1980. The committee's work was of course hampered by the fact that the project had been long overdue.

Causes of Crisis

As the Economic Reform Committee itself points out, two previous attempts were made to reform the economy.

After August 1956 (under Gomulka), a debate was held on an economic model. Significant changes were made at that time in the system of managing the economy. Enterprise independence was increased, the institution of workers' councils was established, changes were initiated in agricultural policy, and central management of the economy was curtailed. However, the decided changes were not implemented consistently and even began to be rescinded gradually; Poland reverted to the old practice, although in modified form.

After December 1970, following the first great outburst of mass dissatisfaction (the start of the Gierek period), Poland again began to modernize its system of economic management. But this attempt, too, faltered and eventually led to a practice of unsound economic policy.

Scores of Poland's best economists were included in the work of the Economic Reform Committee, in the search for a way out. The first task of the documents prepared by the Economic Reform Committee was to survey the situation and analyze the causes of the crisis. The committee's judgment in this respect was completely unambiguous. In its draft entitled "The Directions of Polish Economic Reform," published as a supplement to TRYBUNA LUDU, the committee establishes that the underlying economic causes of the crisis are the

many mistakes and even breakdown of the previous system of management and planning (the document calls it "the command-directed system"). In Poland "the consequences of the unprecedented socioeconomic crisis cannot be overcome within the framework of the command-directed system." This same document defines also the social impact of the mentioned economic system: "The autocratic system of exercising power and the unsound voluntaristic socioeconomic policy led to dangerous national economic stresses and disproportions. This was one of the important causes of the national economy's low efficiency, and in the final outcome this is what evoked the social conflict."

'The Strategy of Leap'

What was this like in practice? The starting point was the so-called "new strategy of economic development" that was unveiled in the early 1970s. Its objective was essentially the execution of an exceptionally ambitious "leap" in investment and technology, including a spectacular development of extractive industry. The foreign loans necessary for the implementation of this strategy were to be serviced with the products of extractive industry. The "strategy of leap" necessarily took into account the large-scale importation of basic materials, raw materials and semifinished products for the exporting industries, and it anticipated in advance large-scale imports of grain and feed as a result of agriculture's stagnation, due to the fact that agriculture would not enjoy any preference in development and investment activity.

Typical of the exceptionally ambitious nature of the "leap" was that outlays for investment in 1972-1975 rose by more than 25 percent each year. In 1975 the rate of accumulation already exceeded 41 percent, one of the highest such rates in the world. This was accompanied by an enormous growth of imports, which would not have been feasible without resorting to foreign credits. This is when Poland's large-scale foreign indebtedness began.

It should be noted that in the "take-off" phase of this policy--essentially until 1974, while international market conditions remained relatively stable, before the oil and raw-material price shocks--the rapid growth attained with the use of large-scale credits (the average annual growth rate of national income in 1971-1975 was nearly 10 percent) produced also a growth of real wages, on the same scale.

In an economic sense, however, this growth of real wages was already fictitious, unsubstantiated growth. Actually an ever-larges share, practically half, of the huge international credits was no longer invested. These credits were gradually transformed into consumption credits. Thus the growth of real wages was covered increasingly from these credits, and this "structure" had to collapse already on the basis of its own internal laws.

Rapid deterioration of the international economic conditions accelerated and intensified this process. A more of less open crisis can be said to exist since 1978, when real wages declined by nearly 3 percent. For the fist time in postwar Polish history, national income dropped in 1979 (by 2.3 percent).

Suppression of agriculture was an integral part of this economic policy. For specific social and historical reasons, 75 percent of the acreage under cultivation in Poland is privately owned. Labor productivity is unquestionably higher on the state farms and in the cooperative sector. However, the so-called net output per hectare gives a more realistic picture of the actual situation. It reflects the actual value of output per hectare, regardless of how much labor was used in production. Even in the 1960s, this net output per hectare was about twice higher on private farms than in the socialist sector of Poland's agriculture. Statistics show that from 1970 on this ratio shifted even more in the private sector's favor.

Amidst the enormous "leap" in investment, however, only about 4 percent of Polish industry produced to supply the needs of agriculture (manufactured fertilizers, farm machinery, etc.). All this combined with ill-considered and subsequently rescinded measures of economic policy that made questionable the guarantying of the small private farms' economic stability. As a result, Poland's grain output has not increased already since 1974, and since 1975 the supply of the domestic market has deteriorated rapidly. In the final outcome, specifically this was one of the immediate causes of the eruption of the crisis.

In a study that has been published also in Hungarian, the Polish economist Molendowski (staff member of the Institute of International Socioeconomic Relations, in Krakow) concludes that these phenomena "have long been the subject of society's sharp criticism. This criticism was nevertheless disregarded. Only the protest of the working masses led to the commencement of the processes of change."

The Past Year

The sociopolitical struggle that attained its full scale during the past year--i.e., since August 1980--made the dimensions of the crisis even more tragic, although it was a consequence rather than a cause of this crisis. Analyzing the situation, even the ultraconservative NEUE ZURCHER ZEITUNG of Switzerland states: "The political changes that occurred during the year have worsened rather than improved the economic situation . . .. They encouraged strikes and demonstrations as a response to dissatisfaction. Production thereby declined further, specifically at a time when stronger economic performances would have been needed to resolve the problems inherited from Gierek's ill-conceived investment policy and to reduce the mountain of debt."

National income during the past year is expected to be 15 percent lower, an internationally unprecedented drop. Industrial production is at present about 11 percent lower than a year ago. Within this the coal output, decisive in every respect, has dropped by more than 20 percent. Parallel with the declining output in industry, the payroll budget has increased by 24 percent; this naturally represents enormous inflationary pressure, particularly amidst shrinking supply and shortages.

A brighter spot in this gloomy picture of the past year is the situation in agriculture. Poland will foreseeably harvest 11 percent or 2.0 million tons more grain than what this year's plan calls for, although admittedly the plan was a stepped-down one; and the prospects of the potato and sugar-beet harvests have also improved considerably.

Grain production this year is expected to exceed 20 million tons. This is still 6.0 million tons less than two years ago. Considering the degree of the general crisis and the extent of the market's breakdown, however, it can be established that agriculture's resistance and regenerating capacity are relatively stronger. But by no means does this indicate that the demand (particularly the demand for meat) can be supplied in the foreseeable immediate future, or that large-scale agricultural import can be dispensed with.

Essentially this is the situation in which the government had to elaborate a plan for economic reform, based on solid socialist foundations.

Planning and the Enterprise

The principal direction of the reform has been determined by surveying the situation and identifying the causes of the crisis.

Accordingly, the reform clearly specifies that the system of institutions must be transformed significantly. The activities of public agencies must be made more open, and state management of the economy must be limited to the necessary extent. "The party performs policymaking, strategy-setting, inspiring and controlling functions in the economy. The party organs do not interfere in day-to-day management and systematically do not exercise the functions of state organs, self-management and enterprise management."

The reform rejects the view that the marketplace is the sole regulator of economic activity, but it also breaks with the situation where the central managing apparatus played the dominant role and the enterprises had no independence. "The national economy will function on the principle of central planning and will utilize the market mechanism." (To this the draft of the economic reform adds that market categories--profit, price, interest rate--will play an important role. Although these market categories were employed under the previous system, they were made subordinate to administrative directives, depriving them of their effectiveness. Now these market categories will serve as yarsticks for evaluating enterprise activity, and as real tools for decision-making.) In contrast with the planning model to date, it follows from this basic principle that "the central plan contains no immediate directives other than the tasks related to central investment, national defense, and especially important international contracts."

The basic economic unit under the reformed system is the enterprise functioning on the principles of independence, self-management and self-financing. The principle of enterprise independence has far-reaching consequences

for all areas of economic management, and thus it is no accident that the conflict of an economic nature between the government and Solidarity centers around this problem.

One focus of this conflict concerns ownership of the means of production. The government's draft starts out from the principle that the means of production--even when placed at the disposal of independently functioning enterprises--remain in the ownership of society as a whole. Solidarity's concept is that the enterprise is the exclusive owner of its assets, and all rights pertaining to the disposition of the assets rest with the enterprise collective. The government emphasizes that acceptance of this concept would mean the abandoning of ownership by society as a whole, in favor of group ownership.

Closely related to this conflict is another difference of views, on enterprise self-management. The plan elaborated by the government's Economic Reform Committee is based unambiguously on the principle of self-management. According to the legislative bill, the enterprise collective elects by secret ballot a general meeting for a one-year period, and--again by secret ballot, but for a two-year term of office--a council of the enterprise collective. The legislative bill ensures broad authority for this council. (Approval of the long-term and annual plans, approval of the balance sheet, authority to make investment decisions and conclude contracts, etc.)

In this respect the essence of the differences of opinion centers on the problem of appointing and dismissing the directors of state enterprises. The government's reform plan, respectively the legislative bill, states that the enterprise director is appointed and dismissed by a state organ. The self-management organ--i.e., the council of the enterprise collective--may decide within two weeks whether to concur with the appointment. At the same time the legislative bill states that, in certain specific cases, the charter establishing the enterprise may prescribe that the director be appointed and removed by the self-management council. State approval is necessary in such cases.

According to Solidarity's concept, the director would unambiguously be appointed and removed by the self-management council. Thus, generally speaking, the government proposal retains for the state the right to hire and fire, combining this with self-management's right to veto. In Solidarity's concept the roles are reversed.

The mentioned two conflicts jointly (i.e., the ownership of the means of production, and the hiring and firing of the director) are of such significance that the entire issue is raised to the sphere of political power. It is no accident that Solidarity speaks of enterprise autonomy, not of self-management.

And it is likewise no accident that Wozniak, economics secretary of the PZPR Central Committee and deputy chairman of the Economic Reform Committee, does not treat the appointment of the director simply as a personnel

decision. In a statement published in TRYBUNA LUDU, he formulated very clearly the relationship between government and the so-called nomenklatura list (a schedule of top posts, and of the qualifications required for them): "Maintenance of the party's nomenklatura list in the economy means that the PZPR will preserve its leading functions in the economy, and for the most part it will retain these functions within the state in general. Cadre policy, which the nomenklatura list serves to formulate, is an obvious and readily understandable vital attrbitue of the PZPR as the governing party. This must be stated clearly and directly, and it is superfluous to fabricate various artificial and intricate reasons for this. Thus the party will not renounce management of the economy, the formulation and implementation of social and economic policy, in such a way that the party assigns to important economic posts people whom it trusts the most. This question is not open to debate. However, there can be debate--and one has been going on for nearly a year--on the scope of the nomenklatura list's application in the economy." Wozniak added that: "the scope and mode of the nomenklatura list's application must be in harmony with the new legal foundations for the operation of enterprises and their self-management."

Primacy of Agriculture

Of fundamental importance is a further feature of the government's economic reform plan: establishment and assertion of the primacy of agriculture. According to the economic reform plan, the government's agricultural policy is based consistently on equal treatment of all sectors in agriculture. Accordingly, the plan guarantees the prospects of private farms and "recognizes them as a permanent element of economic policy." In practice this means that the structure of industrial production will be modified to ensure the priority of agriculture, with greater emphasis on the production of agricultural capital goods, manufactured fertilizer, plant protectants, spare parts, etc. (The entire increase in the output of mixed fertilizers will be allotted to private farms.)

In conjunction with this, of course, it is necessary to solve extremely complicated price-policy tasks. In particular it is necessary to find suitable ratios between the state purchase prices of farm produce, the prices of industrial capital goods for agriculture, and food prices--all this amidst the stresses of market anarchy and shortages.

On the basis of the analyses exploring the causes of the crisis, the volume of investment will be reduced significantly, and it will not be able to increase through the end of 1983. Essentially the investment program will be suspended temporarily. Only those projects will be completed that can realistically be placed in operation before 31 December 1982. Furthermore, power plants and coal mines; and investment projects that serve agriculture, the food industry, export, and the immediate needs of the population.

As of January 1982, according to the government's economic reform plan, the basic branches of the Polish economy will already be functioning pursuant to the new concepts. Changeover is complicated by the fact that in the first two or three years, regarded as a transitional period, central allocation

might be necessary of certain raw materials, important consumer goods, and foreign exchange. This raises the extremely complicated relationship that such allocation is in conflict with the economic reform's long-term objectives and economic-policy intent, yet it cannot serve as a pretext to postpone reform. Such unavoidable internal contradictions should be resolved by the Office of the Commissioner for Reform. (It is headed by Professor Wladyslaw Baka, who played a prominent role in the work of the Economic Reform Committee).

With Social Cooperation

The situation, then, is as the Warsaw economic weekly ZYCIE GOSPODARCZE summed it up: "Reality, with all its conflicts and with the catastrophic economic situation, is simultaneously a challenge for reform." But this challenge, even in its economic manifestations, has assumed the nature of political power. It is typical that even such an organ of political and economic conservatism as THE ECONOMIST of London evaluates the situation as follows: "The Polish government is attempting to come to grips with the country's economic problems . . .. But until Solidarity shows a greater sense of reality, the Jaruzelski government is unable to begin curing the disintegrating Polish economy. The question is whether Solidarity is bold enough to recognize those limits of its own freedom of action that are forced upon it by economic necessity, besides geography and history."

Naturally, THE ECONOMIST uses its own terminology and political preferences. But even so, its diagnosis does not differ essentially from what the already mentioned ZYCIE GOSPODARCZE wrote after a recent session of the Economic Reform Committee: "The government strongly emphasizes that the catastrophe threatening the collapse of the entire economy can be prevented only with the cooperation of all the forces within society. The government is fully aware that it is requesting the nation to support a program that initially will not produce any perceptible favorable changes, and will even demand intensified effort and huge sacrifices. But there is no other way of overcoming the crisis. The government is presenting its action program and expects society to actively begin its implementation."

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MEASURES TO INCREASE PRIVATE SECTOR AGRICULTURAL PRODUCTION

Bucharest REVISTA ECONOMICA in Romanian 9, 16 Oct 81

[Article by Dr N. David and Dr I. Alecu: "The Full Use of Resources for Increasing Production on the People's Farms" (Parts I and II)]

/9 Oct 81, No 41 pp 7, 9 Part I/

[Text] An Important Production Potential

In referring to the private agricultural farms in the non-cooperativized hill and mountain regions, in his speech at the Second Agricultural Congress comrade Nicolae Ceausescu stressed: "With regards to the measures undertaken to date, it is necessary for the agricultural producers in these regions to receive more assistance in order to obtain increased production. The town agricultural commissions must have a more active role in organizing production and in having the best possible use of the conditions available to agriculture in these regions."

Although the percentage of this sector in the total amount of agricultural surface-area is only five percent, because of its pastures, hayfields and orchards it plays an important role in zootechny and in fruitgrowing, while at the same time having a significant place in potato growing.

Multilaterally helped by the socialist state, the private agricultural farms in the non-cooperativized regions make a significant contribution to the creation of the fund of agricultural products. Thus, at the beginning of last year, the private agricultural farms had the following percentages of the number of animals: 15.9 percent of cattle, 5.8 percent of pigs, 14.3 percent of sheep and 12.1 percent of fowl. In the total amount of 1979 animal production, they contributed 11.7 percent for meat production; 19.2 percent for milk; 12.2 percent for wool; 15.6 percent for eggs; and 35.7 percent for honey. In the same year, these farms accounted for significant percentages in the total vegetable production specific to the hill-mountain regions: 27.3 percent for fruits, 22.7 percent for potatoes and so forth.

Another category of farms having a large production potential, especially because of the availability of labor and the existing production facilities, is the personal plots of the members of the agricultural production cooperatives. They

use 6.3 percent of the country's total surface area for their personal-use lots, representing the following: 30.1 percent of the vineyards and wine-growing nurseries, 7.8 percent of the arable surface area, 6.9 percent of the orchards and tree nurseries and 3.3 percent of the natural pastures. Of the total number of animals, these farms have 23.7 percent of the cattle, 17 percent of the pigs, 27.9 percent of the sheep, 30.9 percent of the fowl and 41.2 percent of the bee hives. In 1979, they produced 29.2 percent of the meat, 36.1 percent of the milk, 29.6 percent of the wool, 43.2 percent of the eggs and 53.5 percent of the honey.

At the same time, they are also noted for their degree of raising certain crops using a low level of mechanization that is specific to using small plots or plots surrounding a house. For example, they produced 40.3 percent of the total amount of fruit in the country, 36.9 percent of the potatoes, 35.7 percent of the vegetables, 32.1 percent of the grapes (of which 81.8 percent were hybrid varieties) and so forth.

The private plots of the cooperative members are closely dependent upon the public farming of the agricultural production cooperative, from which they receive grains, fodder and other products that they use to raise animals and, in many cases, they also receive seeds, saplings, chicks, clippings, piglets and so forth.

There is also a certain production potential in the farms of the numerous workers and office personnel in rural and urban areas where, on the land surrounding their homes, they cultivate different plants and raise animals both for their own needs and for sale at the markets or to the state fund. All these categories of private farms and all those persons owning land or having plots to use are obligated, in accordance with the country's laws, to cultivate the entire surface area and to raise animals and fowl for the purpose of meeting their own consumer needs and contributing an ever more significant amount of products to the state fund.

In criticizing the fact that in some counties and towns the appropriate attention has not been given to using the products of the private farms and that the number of animals, especially cattle, has decreased on this category of farm, comrade Nicolae Ceausescu pointed out that it is necessary for all those all live in villages (including doctors, engineers and workers in the non-agricultural sectors) must raise animals and work the earth: "Let us give the appropriate attention to the private sector and to cultivating the existing areas in the villages and cities. There should not be a single square meter not being worked! Let us turn over the land to the enterprises, the workers, cooperative members or peasants - I am referring to small, isolated areas of land - so they can work the land and obtain an appropriate production."

This, therefore, is why, concomitantly with the consolidation and development of production in the socialist agricultural sector, it is necessary to have a complete, better use of existing resources in the private farms, whose contributions are especially important in improving the supply of agro-food products to the people and raw materials to industry.

Measures to Increase Plant Production

The most widely grown crops on private farms are vegetables and potatoes (46.7 percent of the total amount of arable land on privately-owned land and on plots being used). The private farms cultivate approximately half (44.2 percent in 1979) of the total area in the entire country involved in the production of potatoes, vegetables and melons. This shows the importance that local agricultural organs must place on helping them in applying agro-technical principles, increasing their efficiency per unit of surface area and delivering the largest possible amounts of products to the state's central fund.

The analysis of the evolution of the surface areas and production of the main crops and plant varieties on the private farms (see Table No 1) shows that during the 1965-1979 period on the plots of the cooperative members the area planted with potatoes, vegetables and melons fell by 3.4 percent and for viticulture by 10.7 percent. Nonetheless, because of the multiple ties and helped received from the state and the public farms of the agricultural production cooperatives, total production increased during this period by 118.5 percent for potatoes, 174.8 percent for vegetables, 72.2 percent for grapes and 18.2 percent for fruits, achieving average harvests per unit of land higher than the country's average. As a result, the private plots of the cooperative members account for a higher percentage in total production than in the total amount of land cultivated. Thus, in 1979 for potatoes their percentage of the total production was 36.9 percent while the amount of land was 31.9 percent, and for vegetables the figures were 35.7 percent and 27 percent, respectively.

Table No 1

Evolution of Land Areas and Production for the Main Crops on Private Farms

	1965	1970	1975	1979	1979/1965 (%)
Suprafaţa cultivată (mii ha) (1)					
În gospodăriile personale ale membrilor C.A.P. (2)					
— cartofi, legume, pepeni (3)	175,3	164	156,7	160,6	96,7
din care : — cartofi (4)	102,6	95	89,7	93,8	91,4
— legume (5)	67,5	65,8	62,9	71,8	106,3
În gospodăriile agricole individuale (6)					
— cartofi, legume, pepeni	70,7	76,4	78,9	83,7	118,4
din care : — cartofi	54,7	57,7	59,8	63,3	115,7
— legume	15,9	18,6	18,9	20,2	127,0
Evoluţia producţiei totale (mii tone) (7)					
În gospodăriile personale ale membrilor C.A.P.					
— cartofi	769,9	711,7	969,9	1 682,6	218,5
— legume	458	530,5	908,9	1 250,5	274,8
— fructe (8)	523,7	473,1	396,2	629,5	118,2
În gospodăriile agricole individuale					
— cartofi	307,9	318,3	446,0	1 094,3	355,9
— legume	105	107,1	169,7	310,1	295,3
— fructe	348,9	320,4	221,4	505,1	144,9

[Key follows on next page]

Key:

1. Land area cultivated (thousands of hectares)
2. On the private plots of members of agricultural production cooperatives
3. Potatoes, vegetables, melons
4. Of which: - potatoes
5. Vegetables
6. On private agricultural farms
7. Evolution of total production (thousands of tons)
8. Fruit

With regards to private agricultural farms, despite the fact that the average efficiency was less than the national level, nonetheless there was a net trend of growth both in the land area cultivated and in the per-hectare production, which attest to the great possibilities and reserves that exist in this sector. The achievement of certain increased levels of production on private farms under conditions of economic efficiency both for the producer himself and for society requires the acceleration of the implementation of certain technical-organizational and economic measures, including:

- the provision of seeds (for vegetables, sugar beets, vegetable-like plants), cuttings, saplings, seed potatoes and so forth, from the most productive soils and that are differentiated by agricultural regions from the point of view of their hardiness and the growing technology used, that can be sold to the people at reasonable prices;

- the organization of the production of nursery stock (which requires a training, investments and special facilities that are more difficult to have in each farm) in firms of specialized enterprises (IPILF), agricultural cooperatives, state agricultural units, experimental stations, horticultural enterprises in the municipalities or cities and so forth, so that the citizens who wich to grow vegetables can find nursery stocks in the widest varieties and at agreeable prices;

- the production of tools and special materials needed for growing vegetables, potatoes and other plants on small land areas in the necessary amounts and types;

- the organization, in the non-cooperativized hill and mountain regions, of certain stations or sections for mechanized agricultural work equipped with machinery and tools appropriate for the crops in that region that can be used to carry out work on the land and in the fields of the private agricultural farms and agricultural associations;

the grouping of certain land areas planted with vegetables, potatoes, sugar beets and other crops for the pupose of jointly carrying out projects for irrigation and combatting pests;

- the extension of the organization of fruit tree growing associations in the hill-mountain regions with the role of working to establish modern orchards, to carry out maintenance, harvesting and storage projects under better conditions using mechanical means and to better use the production.

/16 Oct 81, No 42 pp 8-9 Part II/

[Text] Increasing Animal Production

Among the principal priorities for agriculture during the current five year plan, there is special importance placed on animal production, whose percentage in the total amount of agricultural production is to reach 45-46 percent by 1985 and 50 percent in 1990.

The measures that are being taken to achieve this qualitative leap involve all the departments of activity regarding the organization of reproduction, the provision of a fodder supply and the necessary shelters, the growth of training and incentives for those caring for the animals, the introduction of the most advanced and efficient technologies and so forth, as well as all the social-economic sectors of agriculture.

The analysis of the evolution of the numbers of animals in private farms (see Table No 2) shows that during the 1965-1979 period the number of animals on the private farms of cooperative members decreased by approximately 500,000 pigs, over 500,000 sheep and nearly 40,000 young bulls. On the other hand, animal production had a constantly upward evolution as a result of improvements to the breeds and the manner of using the animals, with the increases in production being: 56 percent for meat (live weight), 51 percent for milk, 34 percent for wool, 88 percent for eggs and 112 percent for extracted honey.

With regards to the private agricultural farms in the non-coopertivized regions, these farms increased both the numbers of their animals and animal production.

In recent years, measures were adopted and principles applied designed to help and stimulate the private farms in raising animals. Thus, Law No 40/1975 regarding the raising of and caring for animals states that the state helps the development of raising animals on private farms, providing stud services or seminal materials (through community breeding stations), technical assistance and financial resources for improving and caring for natural pastures, credit under advantageous conditions for the purpose of procuring animals or buidling shelters, the right to use state-owned pastures and hayfields under advantageous conditions, some varieties of fodder for animals and products contracted for with the state, bonuses for the first heifer of the first calfing, specialized technical guidance and veterinary care and medicines for veterinary use.

Table No 2

The Numbers of Animals and Animal Production on Private Farms

	1965	1970	1973	1979	1979/1969 %
EFECTIVUL DE ANIMALE LA SFÎRŞITUL ANULUI (mii capete) (1)					
Gospodării personale ale membrilor cooperatori (2)					
Bovine (3)	1 304,5	1 320,6	1 783,9	1 345,1	97,5
din care : — vaci, junici (4)	930,1	916,7	982,1	874,1	94,0
Porcine (5)	2 351,8	1 883,4	1 832,3	1 580,1	78,9
Ovine (6)	4 926,2	4 014,8	4 470,5	4 698,3	82,3
Caprine (7)	892,4	410,7	228,3	396,0	44,0
Păsări (8)	24 248,5	31 066,4	28 897,4	30 482,2	121,6
Albine (mii familii) (9)	422,5	447,5	382,9	438,9	107,8
Gospodării agricole individuale (10)					
Bovine	810,9	826,7	943,5	1 026,7	127,7
din care : — vaci	482,5	431,1	494,9	613,2	127,2
Porcine	573,2	519,5	571,2	601,4	120,8
Ovine	1 082,6	1 726,6	1 894,2	2 386,7	134,7
Caprine	201,7	123,1	105,5	107,6	53,3
Păsări	7 897,5	10 125,4	8 301,1	11 544,4	174,9
Albine (mii familii)	271,4	329,1	270,0	498,1	183,8
PRODUCŢIA ANIMALIERA (11)					
Gospodăriile personale ale membrilor cooperatori					
Carne (mii t) (12)	481,0	560,0	698,0	730,0	155,9
Lapte (mii hl) (13)	13 188	14 195	16 753	19 813	151,3
Lînă (t) (14)	8 220	8 886	9 881	11 070	134,4
Miere extrasă (t) (15)	1 630	2 084	2 624	3 682	187,8
Ouă (mii buc) (16)	3 681	3 480	3 860	7 818	212,4
Gospodăriile agricole individuale					
Carne (mii t)	128	177	250	301	235,2
Lapte (mii hl)	5 206	6 438	8 691	10 327	202,2
Lînă (t)	2 571	3 144	3 684	4 543	176,7
Ouă (mii buc)	596	681	736	1 194	198,4
Miere (extrasă (t)	2 140	2 827	2 803	5 212	243,6

Key:

1. Number of Animals at year's end (thousands of head)
2. Private farms of cooperative members
3. Cattle
4. Of which: - cows, heifers
5. Pigs
6. Sheep
7. Goats
8. Fowl
9. Bees (thousands of hives)
10. Private agricultural farms
11. Animal Production
12. Meat (thousands of tons)
13. Milk (thousands of hectoliters)
14. Wool (tons)
15. Extracted honey (tons)
16. Eggs (thousands)

Keeping in mind the experiences of the outstanding producers and the results of scientific research, we can formulate a series of measures for the purpose of putting to better use the increased potential of animal production on the private farms:

a) appropriately organizing reproduction and achieving certain breeds and hybrids adapted to the specific nature of the private farms and the different production regions. For example, there is the need provide mixed breed chickens (or hybrids of them) that will use very well the existing resources on the private farms and that are preferred by those people raising chickens compared to specialized breeds. Similarly, all the breeding stations will acquire studs from breeds that have been improved and adapted to local conditions and in the mountainous regions they will also have stud horses (eventually becoming a system of "stud storehouses");

b) supplying the private farms with day-old chicks and piglets, an especially important problem given the difficulties of the high unit cost of obtaining these within each separate farm. In this regard, the Law regarding the raising of and caring for animals establishes the task for the Ministry of Agriculture and the Food Industry, together with the people's councils and the consumer cooperatives councils, to help in the organization of the production of piglets, chicks and other species and categories of animals, both within the framework of the private farms and within the framework of the animal raising associations or through the local consumer cooperative;

c) organizing cooperative sheep pens that will provide grazing lands to be used in common by the sheep belonging to the private farms. The consumer cooperative, which has the responsibility for organizing the cooperative sheep pens, will take care of maintaining the pastures, provide shelters for the animals, process and use the products, retaining for these services a certain portion of the quantity of product produced.

The raising of sheep, one of the oldest professions and most wide spread among the private farms, enjoys the attention and support given by the state by way of eliminating taxes, assigning the necessary pasture lands, having stimulative prices and so forth. These measures contribute to the growth in the number of sheep on the private farms and the quantities of products in socialist trade. In Iasi County, for example, as a result of the efforts of the consumer cooperative over a number of years, there currently are approximately 300 cooperative sheep pens. In 1980, they organized the grazing of approximately 200,000 sheep and this year the number is projected to reach 210,000;

d) using as much as possible in animal foods the residues from the food industry and the waste food from cantines and public food units. For the purpose of carrying out certain efficient activities, it is necessary to draw up certain technical-economic plans whose bases will keep in mind the specific nature and peculiarities of this activity, the reduced sizes of the farms, the possibilities of using certain shelters being built that were to be used in other ways, the means of procuring animals for reproduction or for fattening, the provision of the necessary fodder during periods when cantines or restaurants are not operating, the provision of certain minimum amounts of concentrated fodder that is to be administered as a supplement to that coming from waste food, methods for collecting, transporting

and sterilizing waste foods, problems regarding the organization of production and work, the use of production and so forth, so that the specific amount of consumption of fodder in order to obtain a unit of product and the costs of production will favor economic-financial self-administration;

e) developing certain zootechny branches in the private farms having a small percentage of total production, but whose products are in great demand on the domestic and foreign markets, such as: beekeeping, sericulture, cuniculture, raising small animals for their fur and so forth.

Providing Fodder

The rates of growth in the number of animals and animal production are decisively influenced by the level of supply of fodder. Although the problems of supplying fodder necessary for raising animals in the private farms are different in the plains areas than they are in the hills-mountains regions, different in the private plots of the cooperative members than in the private agricultural farms in the non-cooperativized regions or than in the farms of the workers and office personnel in the rural regions, one common trait is the need to use all the existing fodder resources in the region under the best possible conditions and to increase the production of fodder so that there will be a better use of the production potential of each farm, increasing the level of supply of animal products for each family and locality and increasing the quantities delivered to the state fund.

The most important action in this field is the complex improvement and better use of the 4.4 million hectares of natural pastures and hayfields, a good part of which is used by or owned by private farms. If on the plains, beginning this year, it is now mandatory to carry out a periodical reseeding of pastures and hayfields, on hilly grounds we must proceed with a super-seeding concomintantly with harrowing, fertilizing, draining and so forth. In many hilly and mountainous regions, by improving the pasture lands there has been a doubling and even a tripling of the amounts of fodder.

The best results are obtained when the alpine pastures are assigned to persons raising animals, especially associations, over a long period of time. This leads to the growth of incentives to carry out projects that are required for the purpose of increasing fodder production.

For example, the animal breeders association in the town of Dimbovita in Arges County, by improving the natural mountain pastures at an altitude of 1,500 to 1,700 meters produced 20 to 30 tons of fodder per hectare. This association is not limited to just improving and jointly using the natural pastures, but at the same time processes and uses milk, ensuring good product quality and increased income. In fact, Arges County, where in recent decades there has been a permanent concern for improving the natural pastures, is in the top ranks nationally with regards

to raising young bulls and sheep. Thus, with a density of young bulls (59.1) and cows (3.2) per 100 hectares of agricultural land, Arges County is in third place, while for the average annual production of milk per cow it is in first place, with 2,375 liters (1979).

A significant contribution in providing the necessary fodder for the private farms of the cooperative members is made by the assignment of the necessary amounts within the framework of a natural distribution.

The procedure of distributing fodder from the production achieved during harvest using a percentage quota, especially during periods of abundant rains (at the first cutting of clover or natural hay in the hills-mountains regions, as well as for harvesting stalks) is very advantageous both for the agricultural production cooperatives and for the cooperative members. It stimulates the carrying out of the harvest in a short period of time and the achievement of drying, transporting and storing under better conditions, increasing the amounts of fodder available for the public farms of the agricultural production cooperatives and for the private farms. At the same time, they get more hay from the fields planted with trefoil and clover or from the natural hayfields and they more quickly finish with the lands that are to be plowed and seeded for fall.

Both on the plains and in the hills and mountains, it is necessary to expand the intensive fodder crops that are of high productivity in the private farms, such as: trefoil, clover, mangold, turnip cabbage and so forth, from which they can obtain large quantities of nutritional substances per hectare cultivated. To this end, it is necessary to increase the efforts of the agricultural organs, the consumer cooperatives and the people's councils to spread the most appropriate technologies, differentiated by region, and to supply the necessary seeds and tools needed to cultivate, maintain and harvest fodder crops.

It is, similarly, necessary to expand the production, supply and delivery to the private farms of less complex technical tools and means (cleavers for mangolds and turnip cabbage, pounding mills and so forth), with which they can prepare the fodder prior to it being mixed into the animal feed. Another current requirement is the supply of urea and yeast as fodder, premixes and other ingredients needed to enrich the raw fodder or the hay of a poor quality.

The specialized literature and experience call for the enrichment of the raw fodder and poor quality hay, a procedure that can replace up to 20 percent of the necessary amount of protein in animal feed. Some of the difficulties in obtaining the urea for fodder, as well as the danger of certain errors in administering it that can cause poisoning, have resulted in this method being practiced in only a small number of units.

From this point of view, we see as very valuable the experience accumulated by the breeders of the young bulls being fattened in the town of Suici in Arges County, under the direct guidance of specialists from the agro-zooveterinary

district. They fattened and delivered to the state fund in 1980, 142 bulls that had achieved an average daily increase of .8 to 1.1 kilograms. For the purpose of implementing these methods, measures were taken regarding training the breeders, obtaining the urea, organizing the production of ground corncobs right at the district headquarters and so forth.

For the purpose of increasing the protein content in the consumability and digestibility index, different physical (grinding, soaking, steaming, salting, blending), chemical (treating it with alkalines or with acids) biological (fermenting) and other methods can be used whose values have been demonstrated by the experiments conducted by different scientific research institutes and pioneer units. To expand their use in practice, actions are necessary of a technical, organizational, economic and propaganda nature.

Another less used source of fodder in recent years are the natural pastures in the areas of the forests. At the Working Conference on Agricultural Problems at Brasov in January of this year, it was established that, along with the measures required to protect the forests, there will be a greater concern for the appropriate use of this resource, with the secretary general of the party indicating that each year the Ministry of Agriculture and the Ministry of Forestry Economy will establish the areas for pastures, of 2.5 to 3 million hectares. In addition to the appreciable quantities of fodder that can be produced on this area, the forests also offer other sources of fodder less used in recent years: raw materials for compost or for pine cone meal, acorns, beechnuts and so forth.

One problem that interests not just the private farms is the efficient use of secondary products resulting from the industrialization of milk: whey, buttermilk, no-fat milk and so forth. The organization of small processing facilities at the level of a unified agro-industrial council or for two to three towns would reduce the distances required to transport the milk to the factories and the by-products to the animal breeders, bringing about the more complete use of the milk, along with reducing costs, fuel consumption and losses during transportation. If there also is a spread of the use on private farms of no-fat milk or milk substitutes (Inlavit) in animal feed, there will be an increase in the amount of milk products and a better development of the animals as a result of extending the period of suckling.

The animal breeders, as well as the agricultural guidance and management organs, must direct their attention to these aspects and others which we did not mention in order to have a better supply of fodder, an essential condition for increasing the number of animals and the production from them.

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EFFECT OF INFORMATION SYSTEMS ON ECONOMY DURING 1971-1980

Bucharest REVISTA ECONOMICA in Romanian No 40, 2 Oct 81 and No 41, 9 Oct 81

/Article by M. Draganescu and N. Badea-Dinca, Central Institute for Management and Data Processing: "The Computerization of the Economic and Social Structures--Achievements, Effects, Prospects" (Parts I and II)/

/2 Oct 81 pp 18, 21 Part I/

/Text/ We are not far from the time when information in an electronic form will be recognized as the most important resource for growth in productivity. Along with fixed assets, power, raw materials and supplies, information is now becoming a production factor, a factor that changes the mode of operation of the others in such a way that a production microsystem (the production system on a microeconomic scale, the enterprise) can attain as efficient operating conditions as possible. Computerization is closely connected with automation and cybernation and is one of the factors of the new quality sought by the documents of the 12th Congress of the Romanian Communist Party in the new period defined as "the decade of science, technology, quality and efficiency."*

The modern economy and industry can no longer progress without data processing, microelectronics and automation; it is sometimes stated that the salvation of contemporary industry depends on data processing, on information technology.** Of course, it is necessary to take into account not only data processing but also its combination with robotics and flexible automation, but the essence of the problem remains the same, the utilization of electronic information.

It is well known that in the 1971-1980 period, a primary stage in the computerization of the Romanian economy, action was taken in conformity with the tasks in the decision of the plenum of the RCP Central Committee in April 1972, the programs set up for data processing, the other party and state documents that referred directly or

* Nicolae Ceausescu, "Raport la cel de al VII-lea Congres al Partidului Comunist Roman" /A Report to the Seventh Congress of the Romanian Communist Party/, Bucharest, Politica Publishing House, 1979.

**"Information Technology Seen as a Salvation of Industrial Britain," COMPUTER WEEKLY, 12 March 1981 (Kenneth Baker, the new minister of state for industry in Great Britain, states that information technology will be the salvation of English industry).

contextually to data processing, and the tasks and instructions given by the secretary general of the party, Comrade Nicolae Ceausescu.

There was thus undertaken the formation of the data-processing infrastructure of our economy and society, which contains differentiated categories of data-processing systems, as follows: data-processing systems for running and assisting the technological processes by means of the computer; data-processing systems for running the enterprises and other economic and social units; data-processing systems for running the centrals or the units equivalent to them; data-processing systems for management in branch form; data-processing systems for management in territorial form; data-processing systems on a national scale; data-processing systems for conducting general functions of synthesis at the level of the national economy; and the national data-processing system.

In correlation with the degree of experience and the possibilities of the technical structure that was on hand, data processing was promoted and progressed primarily on a microeconomic level. This was done, in fact, in complete accordance with the task of orienting the computerization process mainly in support of production.

Against the background of a unitary conceptual and methodological evolution suited to the stage traversed, over 1,200 data-processing systems were designed and put into operation by the end of 1980, to which are added another 2,000 economic, social and cultural units that have access--through different applications--to computer technology. On the other hand, systems and applications were designed and put into operation in a differentiated fashion on a macroeconomic scale in industrial construction, power, metallurgy, transportation and telecommunications, technical-material supply and chemistry and for the conducting of functions of synthesis on a national scale--planning, finances and credit, statistics--or in territorial form in many counties of the country and municipalities, especially the municipality of Bucharest.

Begun as an action to modernize the activities of administration and recordkeeping, computerization progressed during the last period in fields directly connected with material production. It thus became possible, benefiting also from the rationalization and automation of recordkeeping work, for the management of production and activities associated organically with it to occupy the central place within 648 data-processing systems (54 percent of the total) at the end of last year (see Figure 1).

Scores of applications for running with the computer the technological processes in chemistry, metallurgy, electric power, cellulose and paper, the food industry and so on were designed and put into operation.

In reference to the achievement of data-processing systems and the utilization of computer technology, some opinions that judged this process as being slow in relation to the requirements or the anticipated effects were also expressed. In interpreting this relative dissatisfaction with the value and use value of data processing, one must not overlook the complexity of the computerization process, which, in the respective period, meant at the same time the accumulation of experience specific to our economy, the training of the specialized work force (see Figure 2) and of that which is called upon to use computer technology, and the fact that it was necessary to achieve a balanced--as far as possible--infrastructure in the geographical and functional space of the country. At the same time, automation, cybernation and the complex process of the introduction of modern means of computation required the parallel preparation and adaptation of the object systems.

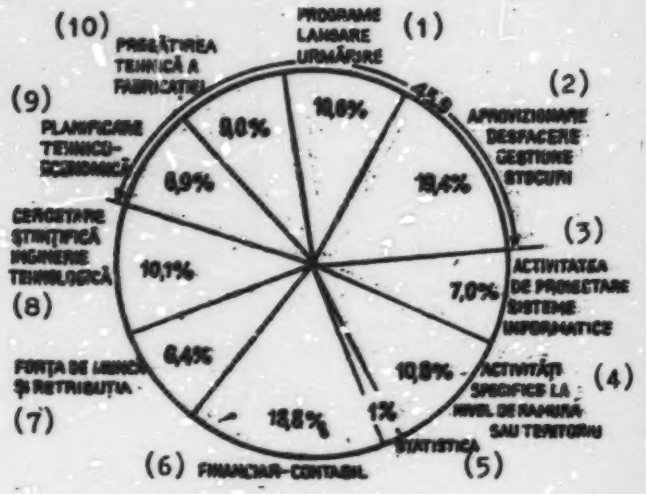

Figure 1. The Utilization of Computer Time According to Functions of the Enterprises and the Main Activities Served

Key:
1. Schedules, launching and supervision
2. Supply, sales, management and stocks
3. Activity of design of data-processing systems
4. Specific activities at a branch or territorial level
5. Statistics
6. Finance and accounting
7. Work force and remuneration
8. Scientific research and technological engineering
9. Technical and economic planning
10. Technical preparation for manufacture

It can be judged that a flexible adaptation, in progressive stages, of the organizational structures of the units in data processing to the evolution of the available equipment, methods and techniques and of the data-processing applications was provided by means of a coordinated effort on the scale of the national economy.

We can thus state that we now possess good data-processing experience, concretized, as has been indicated, in many practical systems, and that we possess a valuable supply of data processors and, lately, users with experience and initiative. Along this line of thinking, over 1,500 data-processing units, including 117 computer centers, 1,002 offices and 468 stations, now function on various levels of the economic and social structure.

In the last decade, on the basis of the better utilization of computer technology, of the growth of the level of training and productivity, and of the better management of resources, the average rate per computer hour fell systematically, helping to reduce the expenses generated by the processing needed for obtaining the information (see Figure 3).

In the field of the production of computer technology, one should note the effort to create the national industry, which involved not only big investments but also a steady activity of conception. In relation to the needs, the equipping of the

national economy experienced quantitative and qualitative progress, which is presented in Table 1.

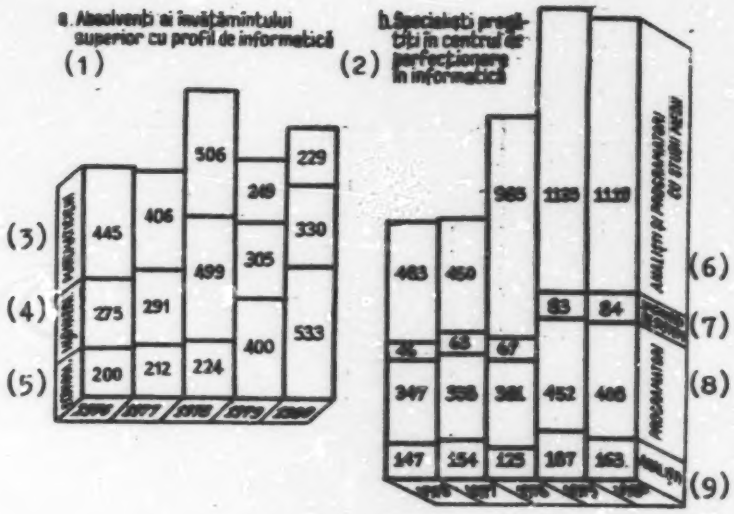

Figure 2. The Training of the Specialized Personnel in Data Processing

Key:
1. Graduates of higher education with a speciality of data processing
2. Specialists trained in the center for advanced training in data processing
3. Mathematicians
4. Engineers
5. Economists
6. Analysts and programmers with middle studies
7. Systems engineers
8. Programmers
9. Analysts

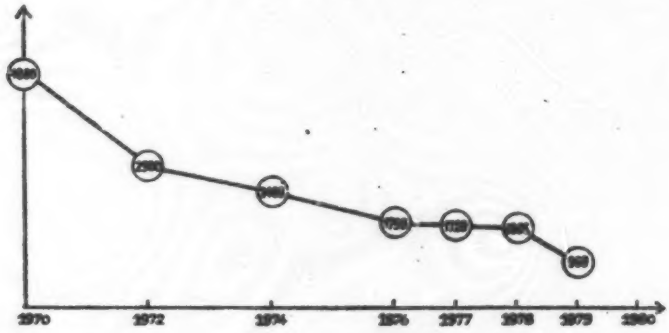

Figure 3. The Evolution of the Average Rate per Computer Hour

The equipping with computer technology was done in conformity with the priorities of designing and implementing the data-processing systems. However, we must not ignore

the fact that we did not manage to provide in all counties and even in all branches an agreement between the industrial structures and the data-processing ones.

Table 1. The Equipping of the National Economy with the Main Types of Computer Equipment

	Existing in 1975	Existing in 1980
Medium and big computers	140	380
Minicomputers	6	52
Microcomputers	-	160
Posts for data-input systems	-	48
Terminals	-	1,000

The computers installed in the network of the Central Institute for Management and Data Processing took up and, in many cases, completely met the need for automatic data processing, for enterprises in all branches, for the local and central administration, becoming a true national resource.

Begun more timidly, the research activity progressed greatly from the viewpoint of the results and of the introduction into production, both in the units of the ICI [Central Institute for Data Processing], the ITC [Research Institute for Computer Technology] and the IPA [Automation Design Institute], in education and other data-processing units.

The main efforts of the ICI were oriented mainly toward the investigation and solving of the problems derived from putting data-processing systems into operation on a micro- and macroeconomic level, the preparation of program products on a basis of model designs and reusable or general-purpose programs, the preparation of systems of data-base management and systems of programs for running the technological processes by utilizing micro- and minicomputers, toward new methods and techniques for data processing, including the computer-aided design of data-processing systems, there not being ignored either the basic aspects connected with data processing for robotics, with artificial intelligence and with the theoretical bases of data processing. Some solutions in the interconnection of computers, teleprocessing and data transmission were begun and finalized and methods and means of interactive preparation of programs and various programs for mini- and microcomputers were finalized in a primary stage.

We now possess a supply of applicative programs generalizable on a national or sectorial scale. They were specialized functionally, and versions generated by certain classes according to the specific character of the equipment, algorithms and methods, the organization and administration of data, and the processing techniques are set up within each function.

For the activity of technical and technological design, where data processing constitutes a strong factor for growth in labor productivity, research was initiated and easily assimilable, dedicated languages and data-processing programs for the utilization of computer technology, including graphics, were prepared, and libraries of programs and data bases oriented according to fields and branches began to be set up.

To these achievements is also added the steady activity of disseminating the results obtained and standardizing the knowledge, performed through the organization of

scientific sessions, some becoming national, such as "Data Processing and the Requirements for Economic and Social Development," organized by the ICI, the Symposium on Data Processing and Management in Cluj-Napoca, the symposium "Applications of Data Processing for Research and Design in Construction," and so on. Many discussions, work conferences, exchanges of experience and actions of guidance and supervision were organized with management personnel in the economy and leaders and specialists in the data-processing units, both for knowing the achievements and for formulating new requirements concerning research and design in data processing. In addition, beginning in 1980, BULETINUL ROMAN DE INFORMATICA has been published.

/9 Oct 81 pp 17-19 Part II/

/Text/ In the last 2-3 years, obvious effects of the utilization of computers have begun to appear in the national economy. This is due to an accumulation of experience, to a process of social education in the use of computer technology in the last 10 years, in correlation with a trend of change both in the structure of utilization of computer technology in the economy and in the structure of equipment for each particular data-processing system. These changes began in 1979 and 1980, through the equipping with terminal equipment, microcomputers and minicomputers, which, balancing the structures of supply and utilization of computer technology, permitted the obtaining of more efficient results.

1. In conformity with the entire world experience, it is difficult, if not impossible, to judge quantitatively all the advantages of the utilization of computers. Consequently, it is necessary to accept both quantitative judgments, where it is possible, and qualitative judgments.

Regarding quantitative, physical and value judgments, it is hard to separate what is due to data processing in comparison with what is due to the better organization of labor, the rationalization of production flows, or new technological procedures. The economic effects can be attributed exclusively to one of these factors only in the case in which, in a certain period, action was taken with regard to it alone. As a rule, when two or all three of these factors are involved, the enterprise's management must judge the quota of economic efficiency that is due to each of them. The evaluation of the economic efficiency of the utilization of computer technology is based on this judgment. There are cases in which the economic efficiency can be determined rigorously--for example, in the automation of the technological processes with the help of computers or in research and design. In addition, in the case in which the data-processing factor is predominant, the economic efficiency due to data processing can be evaluated quite correctly.

2. In view of the above, on the basis of the results in our country, it can be stated that data processing has penetrated into nearly all fields of economic and social life, from the level of the common citizen and the industrial, agricultural, medical or educational unit to the level of the central bodies and the management of the ministries, bringing:

Significant savings of material and energy resources, with better management of resources, the supervision of material expenditures and of the utilization of fixed assets, the reduction of tieups and losses from stoppages, of penalties and of unjustified payments for amortization, the reduction of the interest for bank loans, and so on being provided by means of data processing. For example, in 1980, 600 million

cubic meters of methane gas saved on the basis of the data-processing system at the Medias methane gas central; 60,000 tons of conventional fuel through the introduction of the teleinformation system into the operational management of the national power system; 2.7 million lei through the reduction of the tieups of supplies and spare parts at the Suceava IRE /Enterprise for Electrical Networks/; the reduction of the material expenditures by 9.3 million lei at the Hunedoara CS /Iron and Steel Combine/ through the application of scheduling and the supervision of production; the reduction of the material expenditures per 1,000 lei of commodity output by 32 lei and of the idle stocks by 50 percent at the Baneasa Enterprise for Radio Parts and Semiconductors. In the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets, the current equipping of the ministry's computer center is being recouped just from the savings of 60 million lei per year achieved in the direct and indirect expenses of the 40 county bases.

In agriculture, through the utilization of the computer in the pedological characterization of the soil, savings of 60 million lei in the pay fund (the equivalent of the labor of 400 people for a period of 7-8 years) and the reduction of the irrigation expenses by 24 million lei, by optimizing the watering systems for 3 million hectares, are estimated. Savings from the better management of material values are also obtained through data processing in the sphere of commodity circulation. Thus, at the Cluj ICRM /Wholesale Trade Enterprise for Metal-Chemical Products/, through the analysis of the evolution of the stocks of products at the end of 1980, tieups of 35.6 million for 12 to 24 months were found in an annual stock of 210 million, and through the supervision of the contractual discipline with the suppliers the unit collected 4.2 million lei in penalties. Savings of 2.4 million lei in the pay fund were achieved at the Arad Lathe Enterprise; 700,000 lei per year from the elimination of rejects at the Fagaras Chemical Combine; and 1,080 tons of conventional fuel at the Brasov Railroad Regional Unit through the supervision and daily calculation of the performances and consumption of fuel, with the overall efficiency of data processing being 24 million at the level of the regional unit;

Production increases, through the better utilization of the capacities on the basis of planning, scheduling, launching and supervision with the computer. For example, in 1980, a production increase of 150 tons of copper per year was obtained at the Baia Mare IMMN /expansion unknown/ through the apportioning of the mixtures in extraction; an increase of 10,000 piglets per year at the Satu Mare ISCIP /State Enterprise for the Raising and Fattening of Hogs/ through the utilization of data processing in the selection of swine; a production increase of 25 million lei per year at the Ploiesti IPL /expansion unknown/; an increase of up to 20 percent in the seasonal periods at the Constanta Enterprise for Vegetables and Fruit; a production increase of 2.3 million lei per year at the Bucharest "Republica" Enterprise; and so on.

The production increases obtained by the industrial enterprises that utilize data processing are estimated to be, for 1980 alone, at least 1 billion lei on a national scale, they also being accompanied, in all cases, by a qualitative improvement in the general functioning of the economic units and enterprises. At the Brasov IUS /expansion unknown/, the response time for the rescheduling of production comes to 24 hours, as compared with over 30 days before the utilization of data processing. At the Slatina Aluminum Enterprise, through the utilization of computer technology in the management of production it was possible to attain great promptness, such as 30-35 minutes for scheduling the extraction of aluminum in the 1,200 electrolytic vats, at most 25 seconds for calculating the alloying elements in the charges, 5

minutes for rescheduling the production in one hall (140 vats) and 24 hours for other activities (commercial, financial, contractual discipline). The recovery of the expenses for the application of scheduling the extraction and the calculation of the alloying additive is being done in the first 5 months of operation on the basis of an increase of 4 million lei per year.

In other enterprises too, especially where there was distributed terminal equipment at the points for collecting the data and utilizing the information resulting from automatic data processing, the duration of the scheduling-supervision-rescheduling cycle was cut substantially, lying between 10-24 hours. The response time in the supervision of technological, financial and contractual discipline fell to 24 hours in some enterprises.

In general, data processing brings greater promptness to the decisionmaking on all management levels in the enterprise, thereby increasing the efficiency of the management work, and contributes to the growth of the quality of the products through better supervision of technological discipline, to better maintenance and repair of the equipment in due time, and so on. Many enterprise heads state that the process of the introduction of data processing is irreversible, that it is no longer possible to function without data processing, once it is introduced, except with negative consequences for the enterprise's functioning on the whole. In this regard, it is hard to accept—for example—that at the Brasov Truck Enterprise it is possible to give up processing that totals 1,300 computer hours per month or data-processing applications such as the balance of the filling of the capacities, the launching of the production and of the income and expense budgets according to sections, and the standardized calculation of the prices per component, assembly and product—which, without computer technology, would not be provided in time, that is, with delays that can lead to the disorganization of the activity in a big economic unit.

The statement is also supported by the degree of accumulation, on data-processing supports, of the technological data with a regulatory and economic character that can no longer be utilized without data processing. Thus, in the data-processing system for industrial construction, the data collections have attained considerable dimensions, such as 200,000 assortments of supplies, 80,000 positions of fixed assets with 1.7 million inventory numbers, 60,000 specification standards and 45,000 time standards. Not without significance from a viewpoint of efficiency is the fact that a process of uniform administration of the data collections has been undertaken, even at the level of the branches of the economy, with a possible socialization of their utilization being anticipated.

The new mode of operation of the enterprises is also concretized in the direct access of the users in the production sections and shops and the conception and management departments to computer technology and data processing procedures. In some enterprises in metallurgy, chemistry and machine building, the terminals connected to the computer have become the technical instrument that has replaced the old mode of operation based on files, registers, records and manual procedures. It can be judged that data processing is beginning to constitute the viable support for the generalization of the new economic and financial mechanism, preserving its unitary character and objectifying its sense.

3. Data processing brings great efficiency to the activity of design, a field that will have to be approached with more initiative in the 1981-1985 period. Of the results obtained thus far, it is possible to mention:

Savings of resources by means of computer-aided design: in 1979-1980, 6,000 tons of steel were saved in the construction of 15,000 apartments; between 1976-1980, 12,000 tons of steel were saved in the investments for iron and steel combines, through the application of methods of spatial calculation; and, in the same period, 25,000 tons of steel and 100,000 tons of cement were saved through the utilization of computer technology in the design of prefabricated standard elements, with better solutions from a technical viewpoint and that of the safety of the structures being found in all cases.

The utilization of the computer has proved efficient in a number of construction projects for Libya, the GDR and Cuba or in special construction such as the subway, the nuclear reactor and the multipurpose hall;

Quantitative and qualitative effects regarding the electronic calculation of a large number of design variants, including through interactive work and the adoption of better solutions, which may reflect, in particular, big reductions of material and energy consumptions, and the considerable reduction of the design time (30-40 percent), including the creation of the possibilities of making decisions about the designs in due time.

Computer-aided design is more advanced in the construction field, but there are also positive results in certain fields of machine building, chemistry and metallurgy. For example, at the Buzau ITMPCMP [expansion unknown], through the computer-aided design of roll trains, the design time and the costs were reduced 60 percent and 40 percent, respectively.

The computer permits the growth of labor productivity by several times in achieving the support for the numerical control of technological equipment, releasing highly skilled labor in all cases. In other cases, it is irreplaceable in the efficient operation and functioning of installations and aggregates of great complexity.

4. Regarding the effects of data processing on personnel, one finds, in particular, a relative saving of personnel, a widely utilized indicator, expressing best the efficiency of data processing from the viewpoint of growth in labor productivity.

The relative saving of personnel is achieved in the context in which the growth of the volume of production is accompanied by the growth of the complexity of the economic methodology, the fast introduction of technical progress, the renovation and diversification of the assortments, and the growth of the intensity and complexity of the interaction of the managed system with the socioeconomic ambient. The traditional factors--training, experience, foresight--have a limited positive influence. As in other fields, one finds that these limits can be exceeded through better technical equipping, through the automation of the work of calculation and recordkeeping, the assisting of the process of analysis and decisionmaking, through the simulation of behavior variants of the managed system--in short, through data processing.

The absolute reduction, too, is quite big, but, as a rule, it does not exceed 15-20 percent in the management, administrative and functional departments, for a volume of activity that, by manual means, would require several times more numerous personnel. The average reduction is also supported by an analysis made at 70 machine-building enterprises where, through data processing, the volume of labor would be reduced as follows: 20 percent in supply, 15 percent in sales and 15-18 percent for warehouses

for supplies and finished products. In addition, part of the administrative personnel can devote themselves to the work of economic analysis, a more and more necessary activity.

In the programs of measures drawn up for improving the organization of production and labor, in order to rationally utilize the worker personnel, reducing the indirectly productive and functional personnel and moving them to material production, an important place goes to the utilization of computer technology in the management of production, the growth of the degree of automation and the improvement of management activity.

The utilization of the computer also leads to significant indirect economic effects and even social ones. In the Brasov financial district, the putting of the payment of taxes on the computer led to an average collection time of 1 minute, as compared with 15-20 minutes in the manual system. Part of the time gained, 150,000 hours, is time recovered for the activity of production or recreation by the 45,000 citizens. In Tirgu Mures, ever since the payment of the charges for telephone calls was put on the computer, the number of complaints has fallen from several thousand for the manual system to a few score for the data-processing system. At the Brasov branch of the National Bank, although the volume of operations has doubled and the work force has shrunk 10 percent in the last 10 years, the work of the banking apparatus has been simplified, 10,000 man-hours per year that were used beyond the work schedule have been eliminated and, at the same time, the quality and promptness of the data processing have increased.

It can be said that data processing can help to increase the number of directly productive personnel (which will also be decreased in a relative fashion through automation), thus to generally increase labor productivity and, both directly and indirectly, to provide for the progressive reduction of the duration of the workweek for all working people in the country.

5. One of the merits of the utilization of data processing is also that the activity in this field can be put on economic bases. From this viewpoint, the investments in the data-processing field experience a rapid recovery. For example, in the last 10 years, the Central Institute for Management and Data Processing, with an output of about 800 million lei in 1981, having fixed assets of about 2 billion lei, has recovered, through profits, nearly the entire up-to-date computer technology (1,288 billion lei in profits, as compared with 1,416 billion lei in amortization funds, according to the legislation). On the other hand, analyzing the main indicators of the institute, one can judge that in a short time, through the continual growth of labor productivity, data processing has provided for itself not only economic autonomy but also high profitability. The expenses for the data-processing system were recovered in 1.27 years at the Brasov IUS, in 1.7 years at the Slatina IA /Truck Enterprise/ and in 1.3 years at the Tirgu Mures IMATEX /expansion unknown/. The recovery period varies between 1 and 5 years.

It can be mentioned that in many enterprises the unit cost of electronic information is lower than in the manual systems. Thus, the cost of data processing in the process of supervising the expenses generated by the selection and reproduction of animals in zootechny comes to 8 lei in the variant with the computer, as compared with 30 lei in the manual system, leading to an absolute saving of 9 million lei per year. In posts and telecommunications, the cost of the processing of one invoice has fallen

by 2 lei, permitting the obtaining of net savings between 0.5-0.8 million lei at the level of the county directorate.

It should be mentioned that, in 1980, steps were taken regarding a certain limitation of the personnel in the data-processing field, especially through the replacement of the operators of invoicing and accounting machines with the specialized personnel in the functional departments, so that the data-processing instrument may become accessible and natural to wider and wider categories of working people.

6. In the future, data processing will help to reduce paper consumption through the utilization of new types of equipment for collection and introduction of data, avoiding punchcards and a number of paper documents that will no longer prove necessary, and of a suitable mode of operation through the utilization of distributed data-processing systems, tele-data processing and so on. Such possibilities will also begin to manifest themselves in our country, starting in the 1981-1985 5-year period, under the conditions of satisfactory equipping.

Starting in 1978-1979, the design of data-processing systems according to typological groups of units was promoted in many subbranches, reducing substantially the costs per system and thus providing a homogeneous character and a unitary evolution to data processing. In this way, the expenses for achievement dropped from 15 million to 3.5 million lei for an enterprise for electrical networks (IRE), from 230 million lei to 33 million lei for all the garment enterprises, from 86 million lei to 13 million lei for the chemical fertilizer combines and by 60 percent per enterprise in the sugar industry. Things are proceeding similarly in agriculture, posts and telecommunications, financial administration and technical-material supply. However, these effects could not be generalized at all the enterprises in the considered typology, due to the impossibility of providing the necessary equipment. In the next period, by dealing with the tasks for typifying the data-processing programs and applications, in correlation with the reduction of computer prices, it will be possible to further reduce the expenses generated by the introduction of data processing.

In the situation in which sufficient mini- and microcomputers and terminals will be on hand in the next period, it will be possible to achieve complex systems (equipment and programs), reducing the expenses for achievement to 40-60 percent in comparison with the current systems.

In conclusion, we judge that the beginnings of promising economic efficiency in the utilization of data processing that justifies the continuation of the policy of introducing data-processing systems and equipping the economy with computer technology have been distinguished. The problem of efficiency has always concerned the workers in the data-processing field, it starting to be raised on a national level in this 5-year period, the 5-year period of new quality.

The clarification of the theoretical and fundamental aspects of the efficiency of data processing on the basis of our own experience and of the results obtained thus far will permit the defining of efficiency indicators on different levels, including on the scale of the national economy. Some of these indicators will be quantitative, others qualitative. However, the overall efficiency depends on the volume of computer technology, which, in our country, is still low and in an unsuitable structure in relation to the current needs and our possibilities of utilization, the experience of the personnel using this technology and the level of conception and creativity of the specialists who work in the data-processing field.

The wide-scale generalization of these achievements is also conditioned by the possibilities of providing the necessary equipment.

Regarding the prospect of data processing in our country, it can be approached in two ways: an architectural one that offers the view of a certain integrated stage of the national data-processing system through the evolution of its major functions in relation to society and of the consequences of data processing for society, and another dwelling on the steps that we will achieve in ensuing years within the evolutive process of forming the national data-processing system. It is clear that these above two ways are not contradictory, the latter tending to concretize the former. The architectural principle and the evolutive principle (step by step) are combined, guiding our activities of forecasting and planning in the data-processing field. In the 1981-1985 5-year period, the packages of generalizable programs, the data-processing systems with data bases and terminals, the formation of the first sections of the national data-transmission and electronic-computer network, and the first artificial-intelligence programs, including for industrial robots, will be elements of the new quality in data processing.

However, the rapidity of the generalization of certain data-processing systems, computer programs and equipment will depend on the degree of economic efficiency that they produce. From this viewpoint, we expect that greater labor productivity and, at the same time, the devising of technological systems and products with significant economic effects in relation to the earlier products and technologies will be obtained in computer-aided design and computer-aided technological engineering. Ultimately, we will tend toward a production activity aided, on the whole, by the computer, starting with the stages of conception, continuing with the preparation for manufacture, the technological processes and quality control, and ending with computerized administrative activity.

The branch data-processing systems and the functional ones will achieve significant progress, with us managing to also solve inherent problems of coupling between them. The phenomena of interaction between data-processing systems have also begun to appear and will make themselves felt more and more in the future. Their appearance is normal, opening up an important field of action for the computerization of the economic and social structures in their entirety.

In May, a national work conference on data processing in agriculture was held in Arad, there being reviewed the data-processing programs and systems achieved, some in the process of implementation, at the level of the farms, the cooperative and state agricultural enterprises, the CUASC's /uniform state and cooperative agroindustrial councils/ and the county agricultural directorates and on a national scale. A number of data-processing applications that demonstrate the efficiency of data-processing in agriculture and the necessity of the gradual computerization of agriculture within the framework of the new agrarian revolution planned by the party leadership were presented. At the same time, some duplication also appeared, much less than occurred in other fields in past years, as a result of better coordination and even self-coordination. As a result of the discussions at the above-mentioned conference, there seem necessary a number of data-processing structures at the level of the production place, we might say, connected with farmland for production or with animal husbandry on the farms, then at the level of the uniform councils and at the territorial and county level. We will finalize the pilot data-processing systems, in relation to such structures begun in Arad, Prahova and Constanta Counties, it happening that

everything that proves efficient will be generalized. There is now the possibility of parceling and supervising the soil on homogeneous portions of area.* The parceling of equal areas is no longer justified when the individualized supervision of each parcel of land and each animal on the farm with the help of data processing becomes possible. The distribution of the crops and thus the planning of them should be done by taking into account the possibilities of data processing, which can offer solutions that consider all the technological conditions specific to agriculture, for each individualized parcel of land, through its physical, chemical and biological properties. From this come a number of implications in the management of agriculture that will have to be examined at a certain time. Similar situations of interaction between each economic branch and its own data-processing system that will suggest new solutions in management and organization will appear in the future. This is natural.

To pilot data processing and, thereby, to satisfy efficiently an evolutive architecture, in time and space, also means to correct dynamically the effects of the interaction between the data-processing structure, on the one hand, and the formal state of the management structure and of the economic and social information flows, on the other hand. In this case, it can be said that the results of data processing also give new dimensions and permit new understandings of both the laws of nature and the social laws. We must not fear one law or another, that one thesis or another about economic and social development, about the party, must be changed. This is a law of the social dialectics itself.** Data processing is an element of the new, of the new in the view of the dialectical-materialistic philosophy, of the new in the economy and society in the view of scientific socialism.

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* V. Halmagean and V. Chichernea, a paper at the conference "Data Processing in Agriculture," Arad, 12-13 May 1981.

**Nicolae Ceausescu, "A Speech on the 60th Anniversary of the Founding of the Romanian Communist Party," SCINTEIA, 9 May 1981, p 4.

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19 November 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2202

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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INLAND WATERWAY TRANSPORTATION DEVELOPMENT, PROBLEMS REVIEWED

Dresden SAECHSISCHE ZEITUNG in German 4 Sep 81 'WIR' Supplement p 1

/Article by Karl-Heinz Scholz, based on data provided by Dr Wolfgang Hettler, general director, Combine for Inland Shipping and Waterways: "...And Always a Hand's Breadth of Fresh Water Under the Keel!: Inland Shipping Between Past and Future"/

/Text/ Inland shipping is something like a great adventure: When, in the summer drought lasts for a long time, the water level of the rivers drops and the proverbial hand's breadth of fresh water under the keel of the river boat is missing;

When, upriver, cloud masses unload rain in vast quantities or, in spring, sudden warmth makes the snows of winter melt so suddenly that high water makes the arches of bridges impassable for ships despite dams and reservoirs;

When, in winter, severe frost clothes the sluggish flow of the rivers or the waters of the canals in a solid coat of ice, which even the largest icebreakers of the inland shipping combine can penetrate only with a great deal of effort.

Drought, high waters and ice are the extremes causing much anxiety to the personnel of the Combine for Inland Shipping and Waterways and threatening if not interrupting the flow of some 16 million tons of goods per annum on 2,546 km of GDR waterways. Often the shipment of building materials to major construction sites, of coke and coal to power plants and ironworks, of ores, fertilizer, lumber, grain and other products comes to a standstill and must be transferred to road and rail.

Inland shipping is largely the result of industrial developments before and after the turn of the century. Unfortunately the heritage accruing to the workers and farmers state after the fascist war represented a mirror image of the entire economic chaos: Barges and tugs had been in service for 30-50 years and were technical veterans rather more than potential pillars of the inland shipping industry to be reconstituted. Wartime damage had made many waterways impassable, technical facilities such as locks and ship lifting devices were either destroyed or technically obsolete--in any case liable to breakdowns. Materials were missing in the inland shipyards.

From Barges to Pusher Ship Trains

In the first years of our workers and farmers power improvisation was the order of the day for inland shipping also. So as to quickly bridge the lack of tugs, barges

were equipped with motors. And when, in 1950, it was possible again to carry 10 million tons of freight, the inland shipping people were justified in taking pride in that achievement.

About 10 years later, in the course of the 1960-1965 Five-Year Plan period, our growing economy had acquired the material basis and the strength to carry out an unprecedented construction program for inland shipping: More than 100 new and efficient motor cargo ships replaced the veterans. At the same time new technological steps were taken: Pusher shipping began its victorious advance on our waterways also--it is more efficient to push rather than pull freight. By 1970 the second new construction program of the inland shipping fleet had been realized; pusher ships and lighters (non-powered shipping containers) were built. At the present time 70 percent of the GDR inland shipping fleet operates with pusher technology, 20 percent with motor ships and only 10 percent with motorized barges which are largely in the hands of private shipowners. This alone enabled the annual volume of freight carried to be raised by 160 percent compared with 1950.

Though It Does not Play the First Fiddle...

The economy's transportation needs rise alongside its capacity. The competition movement, unprecedented in its scope, in preparation of the Tenth SED Congress resulted in a substantial overfulfillment of plans. In 1980 this meant that the transportation system needed to carry 13 million tons of goods more than provided in the plans. Together with the railway inland shipping made its contribution--it carried 2 million tons more than in 1979. The Tenth SED Congress decisions suggest an up to 8 percent rise in transport services.

In the "concert" of the three carriers--rail, road and waterways--for the most economic division of labor, inland shipping certainly does not play the first or even the second fiddle. However, compared with the other carriers it has a tremendous advantage: Neither carries goods quite so efficiently. Waterway transports are cheaper not only with regard to overall costs but also to energy consumption: To carry the same volume of goods the inland ship requires 20 percent less diesel fuel than the railroad and 75 percent less than trucks.

At Home on Our Waterways

By its geographical situation the GDR is an attractive transit country for the steadily rising trade between the European countries, and that applies to the waterways also. The Elbe links neighboring Czechoslovakia to the North Sea, the East-West canal system links it to the Baltic and the West European waterways system. By way of the canal system Polish ships get to the North Sea, the Netherlands and Belgium. FRG ships and those from West Berlin also may use GDR waterways.

Cooperation among inland shipping of the three socialist neighbors boasts long standing traditions, beginning with joint handling processes and including scientific-technological cooperation which also involves the Soviet Union. A branch of the CSSR enterprise Elbe-Oder Shipping CSPLO is located in Magdeburg port. This controls the freight transport of the CSSR on all Central European waterways. Director Ferdinand Halama has managed this branch since 1976 and by now considers himself a "naturalized Magdeburg resident." As the only waterway to the North Sea

as well as the Baltic, the Elbe has great importance for the economy of our neighbor: Last year 669,000 tons of export goods and 827,000 tons of import goods were carried there. Very well known is the so-called black and white transportation between the GDR and the CSSR: Hard coal from the Ostrava coalfields to Magdeburg, salt from Schoenebeck and Aken to the chemical factoris south of the Ore Mountain range. Last year 184,000 tons of Ostrava hard coal were shipped down the Elbe, 393,000 tons of salt on GDR ships and 232,000 tons on CSPLO ships up the same river. And the trend is toward continuing growth. Director Halama describes cooperation with his GDR colleagues as very good indeed. "We are operating like a real collective, one helps the other. After all, we are all working at a common task and linked by common interests."

All ships of our own as well as of the CSSR inland shipping fleet cross the fleet sector Upper Elbe on their way to south or north. The goods transport of the industry in the bezirk is organized in the Dresden control office, in cooperation with the directorate of the port and shipping agency Riesa. If, for example, the collectives of the Elbe ports Dresden, Meissen, Riesa and Torgau intend to exceed the planned freight handling of 3.3 million tons by the output of 3.5 working days, the inland shipping personnel must obviously join in the effort--without them nothing can be done. "It is a matter of acting in exact unison with your cooperation partners," says Hansjoerg Haufe, director of the Upper Elbe fleet sector. This means that the gravel lighters must join the train in good time--in both directions. Building material transports go downriver from Dresden to Torgau, and from there the material is carried by rail to the major construction sites. Transshipped in Dresden also is gravel produced in the Muehlberg quarry near Riesa and delivered by lighter. This is taken either to the building sites of the district city or by rail to Karl Marx Stadt. Anyway, building materials for Dresden, Karl Marx Stadt and Berlin districts account for about half the freight handled in the four ports of Dresden and Leipzig districts. In Dresden it actually amounts to 80 percent.

Inland Shipping Round the Clock?

For the inland shipping crews intensification also means the necessity for meeting the challenges of tomorrow and the day after. The greater utilization of basic materials--in other words the fleet--is the constant daily task here also. At the present time, for example, studies are under way whether and how constant day and night operations may be started on certain sections of the waterways. According to Dr Wolfgang Hettler, general director of the Combine for Inland Shipping and Waterways, this represents an important capacity reserve.

Other reserves are to be found in the better organization, the better ensemble play in the "concert" of all three carriers. If, for example, the railroaders more rationally organize their freight carriage by so-called through freight trains which run without stopping from dispatch to destination depot, inland shipping personnel must be involved also. The latter geared up to this new transport technology, developed flush deck lighters for gravel transportation, which have a capacity of 1,000 tons and therefore correspond to the carrying capacity of through freight trains. When such lighters are used, it is not necessary to put the gravel into intermediate storage as has to be done when 750-ton lighters are involved.

The combination waterways-road also offers many opportunities for rationalization. Since 1975 combined carri ge is practiced for large slabs sent for housing

construction from the slab works to the building sites. This allowed a total saving of some M4.4 million and 70,000 tons of diesel fuel.

Technology also will have an important future function. However, nature has set strict limits to further developments. General Director Dr Hettler tells us that "special parameter expansions in the dimensions of the ships are being tackled." After all, the currently largest pusher ship train of the GDR inland waterways fleet--consisting of a pusher ship and six barges--has a total length of 150 meters. While Dr Hettler warns against exaggerated expectations--"the dimensions of a 20,000-ton pusher ship train such as operate in other countries are entirely impossible in our natural conditions!"--he does think in terms of larger ship trains than those now operating. "We will not be able to use them everywhere: That would require an unduly expense straightening of river bends. But it is possible on some sections, and that will advance us a goodly bit."

This left us with the final question as to the worst problems confronting the general director of the Combine for Inland Shipping and Waterways. After a brief moment of reflection he said: "For one it is the fact that, despite all our efforts, we are still not able to carry out all transport operations which would be feasible, cheap and economically efficient. The other problem is posed by mother nature: She would have to guarantee that ice, fog and high waters never idle our ships, and that there will always be half a hand's breadth of fresh water under the keel!"

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EFFECT OF ENERGY CRISIS ON MALEV'S FUEL COSTS NOTED

Budapest KOZLEKEDESI KOZLONY in Hungarian No 30, 26 Jul 81 pp 573-576

[Article by Dr Endre Vilmos, economic director of MALEV (Hungarian Air Transport Enterprise): "The Effect of the Energy Crisis on the Energy Management of Air Transportation"]

[Excerpts] Fuel Management at the Hungarian Air Transport Enterprise

Although MALEV does not operate planes in the giant plane category it seems sufficient, in regard to the development of its plane inventory, to compare the first passenger plane of the period after the war (the LI-2) to the TU-154 type plane. While the ton kilometer per hour output of the LI-2 was 468 tkm/h that of the TU-154 is 15,480 tkm/h. The more than 33-fold increase is a good illustration of the development.

The planes of the enterprise are characterized by a significant reserve from the viewpoint of available thrust. At the same time the specific consumption of these planes (gram/kph) is less favorable, to a certain extent, than the consumption characteristic of the most modern power plants. Taking into consideration the cost structure characteristic of the western world (acquisition price of planes, wage costs, marketing costs, etc.) the fuel ratio for us is extraordinarily high. For this reason energy conservation is of greater significance for MALEV as compared to the situation described earlier.

In the given economic situation and under the given market conditions an exchange of planes for energy economical types cannot be considered, nor can the economical justification for this be proven. Unfortunately neither is it possible to exchange the power plants of the existing planes for more economical power plants. Thus MALEV should consider as the priority solution primarily a fuel conservation execution of flights, not excluding a review of the economicalness of lines and routes and the assignment of planes with significantly different fuel consumptions to definite routes—depending on the traffic.

The following table shows the development of the fuel costs of MALEV.

Data Pertaining to Fuel Use by MALEV

Category	1973	1978	1979	1980
Increase in fuel costs, percent	100	340	473	1,041
Increase in fuel use, percent	100	196	227	233

(Continued)

Category	1973	1978	1979	1980
Fuel prices, forints per kilogram	1,915	3,330	3,897	8,544
Increase in average price for fuel, percent	100	174	208	445
Fuel cost as percent of direct costs	19.9	29.3	30.4	44.3

It can be seen from the data in the table that the increase in costs agrees approximately with the increase characteristic of world air transportaiion, but the components of this are different. For MALEV the increase in fuel prices is only 446 percent, but at the same time the quantity of fuel used more than doubled. What stands behind the significant increase in fuel use is, on the one hand, a more than doubling of output and, in the second place, the fact that the TU-154 was just introduced in 1973 while in 1980 these types handled 65 percent of the traffic. The per hour consumption of the TU-154 is a good bit more than twice that of the IL-18 and about 1.5 times that of the TU-134.

The Development of Domestic Fuel Prices

The development of the price of the fuel used by Hungarian air transportation can be derived from three components. Naturally the fuel price changes which took place in the western world had an effect on MALEV just as was described above, because at the western airports touched by MALEV fuel is obtained by MALEV at practically the same price as any other western airline.

For a long time, in regard to domestic fuel purchases, the effect of the trends on the world market did not affect MALEV, because of the intervention of the Hungarian state. This was partly because kerosene derived from Soviet imports was delivered substantially more cheaply than the world market on a basis of reciprocity, on the basis of special allotments and supplementary agreements, and partly because price changes for Soviet import kerosene were postponed or reduced by import price supplements. This state price policy changed radically in 1980 when they imposed, in place of the import price supplement, a turnover tax on kerosene of such magnitude that the price of kerosene corresponded to the price characteristic of domestic liquid fuels, thus approaching the world market prices and far exceeding the prices used in other socialist countries. Additional price increases have followed that of 1980 and an active price policy can be expected in the future also.

MALEV fuel costs are significantly influenced—and this is the third component—by the fuel price used in the socialist countries, which is determined on the basis of the Soviet export price which changes according to 5 years averages of international world market price changes, and is thus substantially lower than the price level used in Hungary. This different price level together with the mutually used prices and the unfavorable fuel drawing ratio characteristic of MALEV—MALEV takes on less in the socialist countries than the socialist airlines do in Budapest—has created problems which could be bridged over only with special measures.

In order to get over the price and quantity problems characteristic in the western world the enterprise gave up its decades old policy of maintaining contact with only

one western fuel supply company and divided wth market among six companies, thus providing a broader background and a more favorable price level. Experience shows that this enterprise decision was well founded. (In addition, naturally, a contract relationship was entered into, at a relatively high price, with domestic, state monopoly fuel enterprises in the developing countries.)

The three different price levels described above--at western, domestic and socialist airports--made possible to a certain degree a relative reduction in fuel costs. The design characteristics of the aircraft make possible--as a function of the commercial load--the transportation of a fuel reserve according to which it is possible to reduce the draw at airports offering fuel more expensively. Naturally the transportation of (extra) fuel causes extra consumption and can increase some other costs (e.g., tire wear) but this extra consumption (extra cost) is negligible in comparison to the saving that can be achieved due to the price difference. This solution can be used in periods of fuel shortages also. The crews have up-to-date information about fuel prices at various airports and on the basis of this they themselves decide where to take on fuel and how much. It is an interesting paradox that employment of the TU-154 and increasing its flight output, despite the significantly higher consumption of this type (as compared, for example, to the TU-134), also offered conservation possibilities; by virtue of its design it was capable of carrying out return trips with only domestic tanking on the majority of routes even with medium commercial loads. It could thus save the extraordinarily expensive tanking at western airports. This solution offered significant advantages, especially before the increase in domestic fuel prices.

In accordance with the above changes the fuel proportion increased within direct costs and reached a higher value than is characteristic of the world. The explanation of this is, in addition to the differing changes in the price of fuel, that the wage proportion for MALEV is under the value characteristic of world air transport and that planes were acquired at favorable prices.

The fuel cost ratios differ significantly for the various types. For example, in 1980 it was 50.3 percent for the IL-18, 39.6 percent for the TU-134 and 43.7 percent for the TU-154. The reasons for this difference can be summarized as follows. In the case of the IL-18 there is no longer any amortization cost, thus the other cost elements are higher automatically; in addition, and this is the crucial reason, the IL-18's are used on special freight routes in the dollar relationship at distances where one can calculate on a maximum 50 percent domestic draw of fuel. The great majority of TU-134 flights are carried out on routes characterized by fuel draws at domestic or socialist airports only. The TU-154 has higher consumption and operation on the capitalist routes influences the high fuel cost ratios of them.

The measures taken by the enterprise for more economical fuel use are also reflected by the fact that in the period studied fuel use by type as compared to output (fuel consumption in kg/tkm) was reduced to 9.23 [as published] percent for the IL-18, 77.3 percent for the TU-134 and 75.3 percent for the TU-154 while specific consumption at the enterprise level remained at 100 percent. These differing changes were produced in part by the forced operation of the TU-154, which has higher consumption, while the cause of the lower decrease for the IL-18 is that this type is used primarily for one-way charter tasks and, because of the nature of the goods transported, exploitation calculated for the entire trip is a maximum 25 percent. Savings in

connection with capitalist fuel draw are indicated by the fact that while scheduled flight output (kilometers) in the capitalist relationship increased by 2 percent from 1979 to 1980 the amount of fuel taken on at western airports decreased by more than 10 percent.

Speeds Must Be Reduced

The enterprise also uses a reduction in speeds in the interest of fuel conservation.

Naturally there is a limit to the reduction in speeds on the basis of physical factors as determined by the parameters of the plane, which is also a guarantee that the magnitude of the reduction cannot be so great as to endanger the speed competitiveness of air transport or to be felt significantly by the passengers. For example, the maximum speed reduction which can be used on the BUD-LON route is 42 km/h, which increases flying time by 8 minutes. Taking into consideration the amount of time needed to complete the BUD-LON route—counting time on the ground—this extra travel time can be practically ignored. Naturally, it is also necessary for the published schedule to reflect the change in speed.

As a result of the reduction in speed there is also an increase in a few cost elements directly related to hours flown, primarily amortization and costs connected with major maintenance as well as performance-proportional wage payment for crews. Even taking these cost increases into account when we calculate at current fuel acquisition prices and, as a function thereof, whether fuel is drawn for the round trip at BUD or divided up between BUD and LON and substract the increasing cost elements for a BUD-LON-BUD trip then we can show a saving of 5,172-7,010 forints which, calculating on 200 LON trips per year, makes possible a saving of between 1,034,000 and 1,402,000 forints. When we consider that the number of MALEV flights per year (round trip) exceeds 8,500 it can be seen that there are great possibilities for savings in a reduction of speeds.

As a result of the energy crisis they have introduced, primarily in capitalist countries, extraordinarily effective measures to limit the use of liquid hydrocarbons. These include the renaissance of traditional fuels, use of state supported insulation procedures, limiting heating temperatures, measures to reduce speeds on highways and a price policy which in itself resulted in a significant reduction in use. In some west European countries the energetics use of liquid hydrocarbons decreased by 20-25 percent in 2-3 years. The milder winter weather of recent years influenced this to a certain degree also. As a result of these effects and despite the significantly reduced extraction of crude oil there is significant extra production which is appearing noticeably in the prices for oil and oil products. Since energetics use of liquid hydrocarbons is decreasing unambiguously and significantly in the most varied use spheres while the fuel needs of air transport are stagnating or even increasing these needs not only can be satisfied by the oil companies they are also becoming the only market where a part of the product, becoming surplus, can be sold.

Naturally these marketing possibilities are influenced by the ratio of kerosene which can be extracted from the crude oil, which can be increased only within certain limits. In any case it can be set down as a fact that the years 1978-1979, which were oppressive from the viewpoint of fuel supply, are already a thing of the past and we need not reckon with quantitative problems, at least, today. A certain degree of stagnation, and in some places a reduction, has taken place in regard to prices also, at least in the period of 1981 thus far.

But these favorable phenomena which have appeared in the recent period should not make us forget that at present prices fuel cost has become the determining element in the cost structure of air transportation and that air transport enterprises must do everything in the interest of an absolute and relative reduction of these costs, if for no other reason than that there is no guarantee that, as a result of factors independent of the air transport enterprises, fuel prices will not increase again in a manner similar to the price explosions of 1973-1975 and 1979 or that, as a result of producer decisions or political conflicts, we may not again suddenly face fuel supply difficulties.

8984
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EFFECT OF INFLATION ON PRICE REFORM ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish 18 Aug 81 pp 3, 4

[Text] We will now attempt to explain how much the average price level of all consumer goods would have to rise if we wanted to eliminate the inflationary curve exclusively with the help of increased prices. Only the price drain operation is of interest to us. The eventual, indespensable retail price increases, resulting from the reform of producer prices, and the prices of procurement of agricultural products, in other words the costly price operation is not the object of our deliberations: we will return to this matter later.

Elimination of the inflationary curve through price increases.

Estimating the influence of price drain on the inflationary curve, let us maintain an important assumption according to which, the total annual nominal income flow of the population as well as the flow of market supplies is maintained during the next 3 years at the same level as that of April, 1981. As mentioned, though optimistic, this view is a simplification of our reality. Our concern here, after all is not a reflection of reality, but to define the mechanism of the discussed phenomena, while maintaining only the range of their magnitude. Also, the terms of the previously discussed price drain operation have a tentative character as we are not presenting any realistic draft, but are concerned exclusively with revealing the "logic" of the influence of price drain on the inflationary curve.

Let us imagine that starting with the first day of July, 1981, a one time price increase had been instituted to eliminate the inflationary curve for a one year period, (by 1 August 1982). The physical unreality of this date is of no significance; let the "model" character of our considerations be stressed.

It should be pointed out that such an increase would consist of two distinctly separate operations, (which under certain circumstances, and at different times, could also be practically implemented)

balancing the flow of money through a price increase without supplementing the market reinforcement of the inflationary curve or eliminating the inflationary gap (an expression from the equation 1)[2]);

draining the fund of the inflationary money supply through additional price increases, which has been accumulated by the consumers on the first of July, 1981, (money awaiting goods - parameter b from equation 1).

The first of these operations can be figuratively demonstrated as "turning off the faucet" through which flows the stream of floating surplus money to the market. This money supplements and continually increases the reservoir of the inflationary curve that burdens the market. On the other hand, the second can be compared to the draining of the entire content of the reservoir which has remained after the faucet is turned off.

The first of these operations is--from the standpoint of time needed to accomplish expected results--an operation with immediate effect. However, by their nature, the results of the other are prolonged; prices can be increased only once, but in order for the increase to have the desired effect in terms of total "draining" of the remaining surplus funds, a period of time must elapse. According to our postulate, this should take a period of one year.

Let us mention here that the value of inflationary money flow was previously estimated at 0.4 trillion zloty annually, while the supply of money as of 1 July 1981 is also estimated at about 0.4 trillion zloty (the similarity of these two figures is of course pure coincidence). Consistent with the above, the reinstatement of the overall market balance requires two measures:

. increase of monetary value of the annual bulk of goods (1.45 trillion zloty, consistent with our estimates) of 0.4 trillion zloty by increasing the prices on the average of 27 percent in order to eliminate the difference between the flow of income and goods and also to stop entirely the growth of the inflationary curve, ("turn off the faucet," or in other words, block the flow).

. increase the value of the bulk of goods by an additional 0.4 trillion zloty so that starting 1 July 1981, it would be possible to drain the excess of inflationary money during a period of one year, money which by 1 July 1981, is still in possession of the population. Money that was accumulated in previous years and in the first six months of 1981 (current year for reducing money supply).

In conclusion, prices should be increased on the average about 52 percent in order to eliminate in one year the entire inflationary curve with a single price adjustment.

If such a single price adjustment would be accomplished on 1 July 1981, then the annual value of the bulk of goods would rise from 1.45 to 2.25 trillion zlotys, while the annual income of the population would be 1.85 trillion zlotys. What do the above figures mean? As a matter of fact, price increase directed at draining the surplus of inflationary money (the second element of price adjustment--increasing the value of bulk of the market by 0.4 trillion zloty), which would again form a difference between the flow of monetary income and the flow of the market bulk of goods. But now the meaning of this difference would be of another nature. The value of the flow of market goods would this time be larger than the flow of current nominal incomes, therefore, in order to finance the current market purchases it would be necessary to utilize the funds accumulated by the inflationary curve, which would be entirely eliminated in a period of one year, by 1 July 1982.

It should be noted, that the increase in the value of the bulk of the market by 0.4 trillion zloty, necessary in stopping the flow of inflationary money, is of a permanent nature. On the other hand, its additional increase (by 0.4 trillion),

necessary in order to exhaust the accumulated fund of inflationary money is of a temporary nature. After exhausting the supply, the surplus value of the bulk of goods over incomes becomes unnecessary, but its liquidation demands an increase (by about 20 percent) of the purchasing power of the flow of monetary income of the population, which can be accomplished by lowering prices or increasing the nominal income of the population.

It is clear however, that the above presented price increase will not eliminate the inflationary curve if we assume that the price increase must be partially compensated by a wage increase for certain population groups.

Let us assume, therefore, that we will completely balance living costs for 20 percent of the population belonging to the economically weakest groups, and 30 percent of the population will benefit from 50 percent of the compensation. The wage fund and monetary income of farmers should, therefore, be increased by about 0.15 trillion zloty. Because the inflationary gap would rise by the same amount, the average price level of goods and services ought to be increased on the average of not 52 percent, but about 64 percent.

Variants forecasting higher compensations can of course also be considered. In that case, it needs to be observed that the higher compensations mean prices have to be raised more, thus decreasing the purchasing power of the current incomes of the population groups not benefiting from any compensation.

Let us consider now two factors that ease the harshness of the indispensable price increase:

. we pointed out in the beginning, that the inflationary curve does not take into consideration the so called emergency fund, which is maintained by the population in certain proportions to the bulk of the market. The drain operation, increasing prices for example by 64 percent, will automatically mobilize in some measure, the growth process of the emergency fund, and in this way it will create an additional reduction of the inflationary curve. Turning back to our comparison, we can therefore confirm, that by raising prices we accomplish not two but three actions: "turning off the faucet," (eliminating the source of the curve growth); we initiate "pump priming," (diminishing the current curve), and finally, we open an additional outflow based on changing parts of the inflationary curve into an increase of the emergency fund, (about 80 billion zloty).

. while formulating our simplified model, we noted that the measure of destructive strength of the inflationary curve is the ratio, I:T, where I is the inflationary curve for the end of the year, and T is the value of the annual flow of market supply. Let us notice, that a price increase of about 64 percent depresses the surplus of inflationary money, and is therefore synonomous with decreasing this ratio by about 40 percent. From this standpoint, the curve, which on the first of July, 1981, would be 0.4 trillion zloty, becomes better "tolerated" which creates the opportunity to consider a somewhat milder variant of price increases, which would not eliminate the inflationary curve completely, but would maintain it at a level of for example, 0.1-0.2 trillion zloty. The reduction of the curve somewhat eases the demands made by the price operation.

Pointing out these less harsh factors, it is necessary to emphasize that their utilization involves a certain contradiction; the larger the price increase, the

greater is their influence. That is why it appears that the presented problem does not have much practical significance when we revise the price increase operation by 64 percent. It will have even less significance of course, when we consider the lesser price increase variant, (by 36 percent for example, which we will consider further). Instead, this problem acquires real meaning in the case of significantly higher increases since the drain operation includes the population group completely compensated for the increased prices which result from increased prices of provisions, (that is cost operation: to this problem we will return later). This matter also acquires significance when we examine different variants of higher compensation for the drain price increases. The influence of the above discussed factors weakens therefore, the severity of the previously formulated dilemma. It is consistent in that the larger the compensation, the larger will be the price increases. It appears that with variants of greater price increases, this dilemma cannot in practice be solved, but from the standpoint of significantly reducing the remaining inflationary curve, there is the possibility of permanently tolerating some of its remainder which somewhat eases the demands on the price increase operation.

Effects of Rescheduling the Price Operation

What sort of freedom do we have today in choosing the price operation starting date? The following table answers the question of what would happen if we were to change the previously discussed July price operation to later dates, though still maintaining its fundamental principles.

Table 1

(in trillion zloty)

Beginning date of the operation	6/30 1981	1/1 1982	1/1 1983	1/1 1984
The annual value of goods and services alloted for consumption at 1981 prices.	1.45	1.45	1.45	1.45
The value of annual growth of the inflationary curve under conditions of fixed wages without any price or income operations.	0.4	0.4	0.4	0.4
The curve value at the start of the operation without any price or income operations.	0.4	0.6	1.0	1.4
Average price increase of goods and services necessary for the elimination of the inflationary curve with regard to compensation.	64	83	118	146

As is concluded by the above table, the country faces a dramatic dilemma. Each postponement of the operation presents us with a larger inflationary curve.

However, this is not the end. From the standpoint of exceptionally rapid growth of the inflationary curve to the bulk of market, (variable I:T), it needs to be asked, will the economy be capable of functioning at all with a curve of 1.0 or 1.4 trillion zloty?

A Partial Operation to Halt the Growth of the Curve

Looking for ways out, perhaps we should examine an immediate partial operation in the sense that its direct goal will be a temporary elimination of the inflationary gap, therefore, only blocking the source of further growth of the inflationary curve.

The advantage of such an operation would be a respite from the sword of Damocles, the avalanche-like inflationary curve would stop hanging over our heads. Let us examine this partial operation closer.

If this operation was initiated on 7/1/1981, after considering the necessary compensations, the price increase would be about 36 percent. Such an increase would halt a further growth of the inflationary curve, allowing for an annual period during which the curve would maintain itself at the permanent level of 0.4 trillion.

On the first of July, 1982, a new price increase on the average of about 36 percent would need to be implemented. This increase would enable a gradual elimination of the remaining curve during a period of one year, that is until 1/7/1983, with the stipulation that after 1/7/1983, there would be a possibility of increasing the purchasing power of monetary income by about 20 percent. An operation such as this, stretched out for the duration of three years is characterized by the following comparison:

	1/7 1981	1/7 1982	1/7 1983
Necessary price increase in relation to the 1981 level	36%	36%	
Level of the inflationary curve	0.4	0.4	

The demonstrated proposition, minimizing price increases, is of course very attractive. Let us point out however, that its attractiveness depends upon the starting date since the size of the curve left after the elimination of the inflationary gap and the closely related condition of our market, is subject to the date of its implementation. A few months earlier it was possible to maintain that the inflationary curve, which at the time encumbered the economy, was tolerable. If stabilized, the economy would still somehow be able to function, under the condition of course, that preparation for its complete elimination would be started. It was therefore possible a few months ago to implement a partial operation, only blocking, for the time being, further growth of the curve.

However, the question arises, whether such an operation is permissible today, if under the present condition of the market it is possible to be contented with a mere halt in the growth of the curve. This would mean of course that in selecting a more modest price increase the population would have to pay for it by maintaining the deep level of disorganization which presently characterizes the market for the entire coming year.

Retail Prices and Reform of Producer Prices

Describing the price operation designed to eliminate the inflationary curve (drain operation), we have abstracted from these changes the level and relation of prices which can have as their goal the elimination of endowments and translating into retail prices the effects of price increases resulting from the reform of producer prices (cost operation).

It is our judgment therefore, that these two operations should be thought of separately, even though to some extent they can certainly be implemented together.

In the discussion of the second operation, which we simply call cost operation, we estimate that in respect to the purchasing power of the population, it will have a completely neutral character in the sense that all related retail price changes will be completely compensated by a suitable increase of nominal income of the population.

Let us now turn our attention to that which joins the two operations which may slip our mind by examining them separately. If the completely compensated cost operation was to be implemented at one time, then it would have to be accompanied by a very high increase of retail prices which would contribute additionally to the drain increase. Once more we wish to point out that such a joint operation would greatly reduce the already existing inflationary curve, thus, considerably decreasing the I:T relation. At the same time it would limit, to some extent, the nominal value of the curve itself by drawing from it the means for increasing the emergency fund, (this effect would be considerably smaller). Thus, both of the aforementioned phenomena, which from the standpoint of the scale of the necessary price increase would not have significance with only price operations, it can have real meaning with a joint price-drain operation. In this case, the cost element of the joint operation, to some extent, would "lessen the burden" of the drain operation, (it would, among others, create a small, "tolerable" inflationary curve). This is the basis for the importance of joining the two operations. We would now like to turn our attention to it.

Socioeconomic Barriers in Carrying Out the Operation

We have demonstrated two extreme variants for carrying out the operation. One is maximizing, in some sense, because it aims at eliminating the curve with one attack on the prices, (the elimination alone takes one year). The second variant is a minimizing operation in the sense that it is difficult to find one less aggressive in respect to the inflationary curve. Let us examine them closer, taking into consideration the socio-economic limitations that their implementation may encounter.

We must not disregard the fact that the economically advantageous sharp increase of 64 percent will not appear quite as difficult, from the view point of negotiations, when compared with the minimizing variant. It allows the government to offer the public something concrete in return for higher prices. It allows it namely, to promise the reinstatement of a balanced market, a halt to further price increases, and also to achieve increased purchasing power of the population's monetary income within a year of the price increase.

In connection with this, it needs to be recognized that each policy of a gradual price increase, anticipating a universal double or manifold increase, or including

in the increase successive groups of merchandise, has additional, real flaws. Gradual price increases, which after all should be announced to the public in advance, can create a peculiar psychological effect, by stimulating hoard buying. It may also reduce the inclination to save, and it may even provoke a shift of money from savings into the purchase of current goods, thus expediting the destruction of the market, especially of durable goods.

From this standpoint, a one time operation obviously has real advantages. It can immediately remove from the publics' mind the very troublesome lack of balance among such basic products, which under the current prices are a small part of their expenditures, but which are also easily preserved. The balancing of the market among such products, whose irregular availability causes hoarding, requires occasional supplementing of the price operation with an increase of supplies, thus significantly increasing the availability of certain goods above their normal level. The point is, to convince the consumer of the permanence of improved supply and for him not only to stop hoarding, but also to begin to supplement his current consumption by decreasing excess household provisions. The accomplishment of such a supply operation can encounter limitations stemming from the lack of production capabilities, (this will, for example, pertain to cigarettes). That is why an effective way of approaching the supply operation would be a significant, uncompensated increase in prices of some of the hoarded goods, with a simultaneous announcement of their gradual decrease, thus reinstating a balance to particular markets.

Will the outlined price-wage strategy assure a total balance and partial balances?

Contradiction between the balance endeavor and the endeavor to protect the income of average groups.

Previously we have mainly concentrated on the problem of achieving total market balance, balancing the total effective demand with total supply. The fundamental goal of a retail price reform is, after all, to achieve at least close, partial balances in the markets of individual products, with the possible exception of meat, where it may not be possible to establish a price that would assure a balance under the current decreased production of that product.

To begin with it must be stated, that a return to a total balance by a draining increase in the average level of retail prices of all goods and services is a condition for obtaining partial balances. This goal will not be accomplished by raising prices of only certain groups of goods, especially food, (in this case, compensated for all population groups). This is mainly due to the fact, that there will be no possibilities of substituting food and other basic articles with industrial goods of higher value whose production is still subject to limitations.

At the same time, it needs to be affirmed, that reinstating total balance is necessary indeed, but not a sufficient condition for obtaining partial balances. An appropriate price structure is necessary in order to achieve partial balances. From here, the explanation for the possibility of achieving this goal leads to an answer to the question, whether increasing the average price level of goods and services will allow for such differentiation of their increases as to create balanced prices of individual products on the market, (will assure a state of the market close to that of 1973)?

This question we basically answer positively, provided that we must simultaneously indicate the defined weak sides of such a hypothesis.

Balance is not only determined by the supply of goods reaching individual markets, but also by regular deliveries, which here would be more important than the average size of the supply. A steady delivery is difficult to achieve under irregular import conditions and deep disintegration of the manufacturing apparatus. It therefore needs to be realized, that a price reform requires foreign currency in order to assure, during the period of increasing prices a regular supply from imports as well as industry and in some instances, the ability to intervene in the market in order to hinder hoarding.

The increase will be achieved under conditions of severe raw material and investment limitations, as well as under conditions of a peculiar "state of void" in the realm of management and planning system. (The old one already does not and the new one has yet to function.) This in turn creates a tremendous rigidity in the structure of the bulk of goods supplied to the market and the lack of ability to conform it to the changes in the demand structure. Among others, it will not be possible, for the time being, to shift the demand of the well-off population groups from articles of consumption to industrial goods. There will not be more of the latter ones than there is now, and it is possible that there will be even less. In this situation, we can expect that among the well-off groups and partially among the middle groups, in certain situations, will be an inclination to react to the price increase with a reduction of current savings.

In certain cases, the lack of partial balances causes compulsory substitution, (buying not that which is desired), which means that price changes must take into consideration the need to obtain a balance of individual markets with conditions of compulsory substitution.

The ability to assure partial balances through the price operation, to a great extent, relies of the structure of wage compensations.

A distinct contradiction exists between our endeavor to compensate not only the economically weaker groups, but groups of middle income as well, and the endeavor to assure partial balances of all market goods. The sad truth here, is that it will not be possible to assure the balance of articles of general use in the markets without decreasing the nominal purchasing power of middle groups. Their demand determines the balance. The economically strongest groups are not significant and besides, their savings are too large. Can they be forced to limit their demand for articles that satisfy basic needs with only a price increase or even an income tax? For example, the market of automobiles and gasoline can be balanced by limiting the income of the economically strongest groups, but the market of dairy products cannot be balanced by those means.

The non-price drain measures will not restore balance to the market of basic articles as well as will ultimate savings. This of course always includes only a small portion of consumers, and it therefore cannot limit the purchasing power of the bulk of middle group consumers of products that are unavailable. This group of consumers will not participate in appropriate savings, and directs their purchasing power to the unbalanced market of basic articles.

The Effect of Price-Wage Reform on Consumption

We have lived with the opinion that prices are increased in order to decrease the supply of goods to the market, in other words, price increases are treated as means to "belt tightening." This opinion completely disagrees with our current situation and goals which are to be accomplished by the indispensable price reform.

This reform is by no means an instrument for lowering consumption. Increasing prices, according to which goods will be sold on the market, cannot change in any way the physical volume of consumer goods and services. They are determined by production and supply capabilities, because each price increase is planned in such a manner that all goods designated for the market will be bought out. Not only that, we can prove that increased prices are capable, to some degree, of becoming a factor in increasing "effective" consumption by as much as they are capable, through the function of incentive pay, and in some areas, will also limit wasteful consumption.

The above inclines us to come up with another, seemingly paradoxical, yet practical conclusion. In many areas retail prices need to be increased exactly when there is a chance of increasing supply. The reason is simple. Price increases, in such an instance, are less painful. We, therefore, recommend an unconventional action. Increasing prices exactly when there is a chance of increased supplies.

We cannot stop at observations which include the influence of the macroeconomic side of price reform on consumption. Among groups of similar incomes, each family is characterized by a different structure of consumption and a different symptom of maintaining increased living costs caused by increased prices. Also, the inflationary curve localizes itself very differently in different households belonging to the same income groups. The phenomenon of compulsory substitution is also varied.

The result is that the compensated price drain operation will only take away the surplus money from some families, while among others it will indeed reduce spendable purchasing power; yet for other families it will create an opportunity to obtain an individual "drain bonus" in the shape of a converted inflationary curve into money, which after restoration of market balance, will be covered by a suitable bulk of goods. In a similar, varied fashion, the system will divide compensations related to the price operation.

We observe by this a peculiar contradiction comprised of the endeavor to sufficiently satisfy the social conditions that limit the price reform. The greater the compensation, the greater must be the price increases, but the larger the price increases, the more painful will be the negative consequences of varying the consumption structure and the related, varied living cost increases. This problem will acquire a special meaning when we will want to join the completely compensated drain operation with the cost operation, requiring significant price increases.

These negative, income side effects of the price reform will unfortunately not be possible to avoid.

But do we have an alternative? Is there another way?

Is There Another Way?

Everybody today probably realizes that the present condition of the market cannot be tolerated. We are also all aware of the huge socio-political intricacies of a price reform which would be capable of reversing the catastrophic condition that faces us today.

Consequently, the question arises, is there another alternative? We will try to describe two alternative solutions, leaving the final evaluation as to the degree of their reality up to the reader.

Expanding the Ration-Card System

The introduction of ration-cards for meat surely requires an acknowledgement of a certain objective need, one that is unavoidable. Instead, the further expansion of the ration-card system evokes apprehension, especially about maintaining low prices of articles purchased with ration-cards. Such a system intensifies the pressure on the inflationary curve in the markets of those goods which are not subject to regulations. This, therefore, works on the same principle as an infectious disease, which affects new areas of the market, forcing the government into ever larger expansion of the sphere of regulations, thus creating something of the nature of a "regulatory trap."

The expansion of this system must have a destructive effect on the agricultural market as well, and it is not possible to reconcile it with the expansion of the individual agricultural industry which needs a healthy market as it needs air. Regulation must of course also seriously impede the implementation of economic reform.

Exchange of Money

We have evidence from an operation of this type, which in 1950 was implemented with impressive efficiency. We recall however, that the essence of the operation is a sudden and completely secret preparation, which excludes the possibility of advance negotiations with the trade unions. This operation will in no way be consistent with the socio-political situation emerging in Poland and one which is our hope.

We will try to sum up the above considerations emphasizing that which in our articles we consider most important. First of all, we would like to call attention to the independent growth process of the inflationary curve and to its huge scale, which considers all measures of socially acceptable, anti-inflationary actions not very effective. We would further like to point out that the catastrophe of the market cannot be reversed only by price changes for which the bulk of the population is compensated. Indirect solutions were still possible a few months ago. Today we have two extreme variants at our disposition. Either a price reform, only partially compensated, or a further expansion of the ration-card system. Society must choose.

It needs to be emphasized again that we cannot take risks in implementing the price operation. Social consultations must be implemented in a way so that their result may be indeed credible. The choice, which society will make in todays' most important matter to our common existence, will have decisive meaning in respect to our further growth.

CSO: 2600/327

COMMISSION FOR ECONOMIC REFORM REVIEWS PROBLEM AREAS

Warsaw ZYCIE GOSPODARCZE in Polish 4 Oct 81 p 9

[Article by staff writer K.S.: "Four Subjects"]

[Text] The 18 September session of the Commission for Economic Reform addressed itself to four subjects: Evaluation of the effects of Resolution No.118; Proposals of principles for operation of material-technical supply in the interim period; Draft of a law concerning financial economy of socialized enterprises and the introduction of a new banking system. The session was chaired by vice premier Zbigniew Madej, chairman of the Planning Commission.

At the beginning, commission secretary Wladyslaw Baka stated that two new task forces had been formed: [one] team for the functioning of public services affairs, under the leadership of Prof Dr Aleksander Pukasiewicz and [another] team for fuel-energy affairs under the leadership of Prof Kazimierz Kopecki.

From the material presented by the Institute for Organization of the Administration and Improvement of the Cadres, as well as from the course of the discussion it was impossible to give any unilateral, positive or negative indication as to the evaluation of the effects of Resolution No 118.

Taken as positive indicators were an increased independence of enterprises in the area of wages and employment, also the introduction of a wage formula tied to net production which forced the plants to take notice of the costs. Additionally participation of work crews in fields of planning and administration has been increased.

However, as for concrete results, Resolution 118 has not brought the expected results. This happened primarily because the supply conditions and also the cooperative unions underwent considerable physical disturbances. Many enterprises are working under deficit conditions. This makes it impossible for them to conduct independent fiscal policies. At the same time pertinent information on the resolution was rather late in reaching some of the enterprises, even after 4 months time (sic!). The resolution itself has changed only part of the regulations, without altering the heretofore existing legal infrastructure and it has not effected any changes in the organizational structure.

During the conference portion dealing with the Council of Minister's resolution pertaining to material-technical supply certain controversies emerged. The draft

of this document provides for a guarantee of supplies to those producers who fulfill a significant role in the fulfillment of social priorities while at the same time it weakens the position of those producers who operate in the production means market. The entire document pertains to the interim period.

Relative to the preceding the conferees underlined the fact that referring to a temporary support of a supply diversification has only a verbal character. This was so because there was no clear indication of a gradual departure from the diversification system as the situation improved. A presentation of such solution even if it were premature from the point of view of the current, catastrophic economic situation would have a serious impact from the society's point of view as it would tend to confirm a conviction that the reform is really aimed [gra] independence to the enterprises. Also underscored was the not too clear connection between the diversification system and the economic-financial system.

The representatives of the government and work enterprises also paid a lot of attention to organizational matters in particular to the matter of removing the enterprises from under the leadership of ministries and combining and transferring them to the administration by functional departments. Some reservations were expressed by questioning whether we were sufficiently prepared for this step. Organizational awkwardness could, based on the known and still widespread supply difficulties, have a very negative effect on the course of the production process.

The matter of imports of supplies was also not clarified. The diversification of supplies originating abroad or from cooperative or investment sources has not been defined with precision.

Deputy chairman Z. Madej, in summing up this part of deliberations, said that even though a divergence of opinions had been noted on many points, nevertheless, the presented draft, after necessary corrections, would soon be submitted to the Council of Ministers.

The next item for discussion referred to the draft of a law concerning the matter of financial economy of socialized enterprises and was presented by the Finance Minister Marian Krzak. Although this matter includes many details we will mention here only a few.

Similarly to the draft of material-technical supply, an accusation was voiced that the borderline between the target model and the binding principles during the interim, was not clearly defined and this caused many misunderstandings already during the commission's deliberations. Lack of this differentiation, especially in case of a financial system, has a very serious meaning as it may give an impression that the entire reform process has been purposely limited.

The question as to whether profit or income were to become the principal criteria in evaluation of an enterprise has flared up anew. The commission had, for the second time, after a strong exchange of opinions, declared itself in favor of profit with a caveat whereby some conferees admitted a possibility of using income as a guide, particularly during the interim period.

A lot of attention was paid to incorporate anti-inflationary devices in the economic-financial system. Attention was also directed to the fact that the point

subsidy system as an improper instrument, however, it was unavoidable during the interim period. Nevertheless, this system has to be submitted for social control including submission to the Sejm. For the umpteenth time the question of sources for the financing of technological progress was brought up. Also discussed was a question of constructing a defensive mechanism which would work in an accumulative way to protect enterprises funds from being "swallowed" exclusively by wages.

The presented solution was accused of being too stringent. Minister M. Krzak, replying to the accusation, stated that the national budget is one of the most important guarantees in the fight against inflation. A tax system which would have an anti-inflationary effect should not be considered as it was an element of an order-directive apparatus.

One of the most fundamental principles of the banking system was presented by Leopold Gluck and concerns separation of the bank from the finance ministry. This became a controversial subject. In the eyes of several conferees, particularly financiers, such a separation would prevent the state from influencing the financial policy. This accusation was countered that such fears were unwarranted because such a move did not totally mean absolute bank autonomy because banks could be subordinated to either the government or the parliament. On the one hand, thanks to this separation, it will be possible to present publicly difference of opinion in the area of financial policy, a fact which had been occasionally camouflaged and has been conducive of proper management of the means.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 2 Nov 81 p 4

[Text]

Polish National Bank Warsaw 02 November 1981

Excerpt From Foreign Exchange Rate Table No 21/81

Special Currency Exchange Rates in Zlotys

Country	Foreign Currency	Foreign Exchange and Money Purchase	Sale	Average
Australia	1 Australian Dollar	38.28	39.84	39.06
Austria	100 Schillings	208.94	217.46	213.20
Belgium	100 Francs	87.41	90.97	89.19
Denmark	100 Kroner	454.66	473.22	463.94
Finland	100 Markkas	750.14	780.76	765.45
France	100 Francs	582.13	605.89	594.01
Greece	100 Drachmas*	57.99	60.35	59.17
Spain	100 Pesetas	34.36	35.76	35.06
Holland	100 Florins	1,323.54	1,377.56	1,350.55
Japan	100 Yen	14.31	14.89	14.60
Yugoslavia	100 Dinars*	86.39	89.91	88.15
Canada	1 Dollar	27.93	29.07	28.50
Lebanon	100 Pounds	759.66	790.66	775.16
Luxemburg	100 Francs	87.41	90.97	89.19
Norway	100 Kroner	555.95	578.65	567.30
Portugal	100 Escudos*	51.13	53.21	52.17
Federal Republic of Germany	100 Marks	1,461.16	1,520.80	1,490.98
United States	1 Dollar	33.69	35.07	34.38
Switzerland	100 Francs	1,755.18	1,826.82	1,791,00
Sweden	100 Kroner	596.02	621.18	609.00
Turkey	100 Pounds*	27.17	28.27	27.72
Great Britain	1 Pound	61.15	63.65	62.40
Italy	100 Lira	2.76	2.88	2.82

* In purchase of currency from below listed countries the following exchange rates are used:

Greece	100 Drachmas	52.89
Yugoslavia	100 Dinars	74.74
Portugal	100 Escudos	46.39
Turkey	100 Pounds	22.92
Italy	100 Lira	2.52

Special currency exchange rates are used in settlement of accounts for current transactions.

Basic Currency Exchange Rates With a Surcharge in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Albania	100 Leks	181.84	183.66	182.75
Bulgaria	100 Leva	2,618.66	2,644.98	2,631.82
Czechoslovakia	100 Koruny	230.44	232.76	231.60
People's Republic of Korea	100 Won	1,057.19	1,067.81	1,062.50
Cuba	100 Pesos	1,730.05	1,747.43	1,738.74
Peoples Republic of Mongolia	100 Tugriks	459.41	464.03	461.72
German Democratic Republic	100 Marks	720.13	727.37	723.75
Romania	100 Lei	215.42	217.58	216.50
Hungary	100 Forints	156.23	157.81	157.02
Vietnam	100 Dongs	201.08	203.10	202.09
USSR	100 Rubles	2,304.42	2,327.58	2,316.00

Basic currency exchange rates with a surcharge are used for non-trade payments. For travellers checks purchased in rubles from the Foreign Trade Bank of the USSR, and payable outside the USSR in the currency of the country were used, the exchange rate of 4,742.00 zlotys for 100 rubles will be used. Exchange rate table No 20/81 dated 12 October 1981 is no longer valid.

Exchange rate tables are available for view at all branches of the Polish National Bank.

CSO: 2600

OFFICIALS DISCUSS AGRICULTURE, FOOD PROGRAM

Comments of Deputy Minister

Warsaw DZIENNIK LUDOWY in Polish 18 Aug 81 pp 1, 3

[Interview with Prof Zdzislaw Grochowski, deputy minister for agriculture and food economy, by Hanna Lewandowska; 18 Aug 81, place not specified]

[Text] Extricating ourselves from the deep economic crisis will be hard. It will require the efforts and self-denials of everyone of us, and not just today but for many days and months, and even years. That is why it is important that we be able to define what it is that we want and can achieve, how soon, and what we are striving for. And this program does not have to be fascinating, suggesting that in a short time we will find ourselves at the peak of economic prosperity. What is important is that this program be realistic.

Such a program for the development of farm production and agro-food processing was prepared in the Ministry for Agriculture and Food Economy. The work on it was directed by Deputy Minister Zdzislaw Grochowski, with whom we are today conducting this interview.

[Question] Mr Minister: It was the group's ambition to prepare a program that could be implemented. But is this possible when the formation of a program is being begun at a time when the country's economy is as unstabilized as it is now?

[Answer] The program, which will be submitted within the next few days to the Council for Food Economy Affairs, is not a recent creation. It is the successive version of a program which, back in 1978, along with a group of other specialists, I began to work on as chairman of the Agricultural Economics Committee of the Polish Academy of Sciences. Naturally, this first program that we prepared at that time was more optimistic than the present one. However, we were starting from more favorable premises. Later, with the passage of time and the country's deteriorating economic situation, some very important revisions had to be made. This is an indirect reply to your question. The construction of a program under such conditions is not easy, but certainly it can be as realistic as possible.

The difficulties are further compounded by the fact that in the past 5-year period, and even earlier, we based the entire increase in animal production on import of fodder, which now is out of the question. In addition, within one 5-year period we had 3 years which were poor for farming, and so we had to deal with an atypical situation.

[Question] Do you believe that the picture will now change and the next years will be good for the crops?

[Answer] No one can guarantee that! We are assuming, however, based on data on the past, that such a large accumulation of poor crop years should not repeat itself. It would be fatalistic to believe that successively bad years would again appear.

[Question] Good weather is an invaluable factor in increasing yields. But agriculture does not live by weather alone. But before we talk about its needs, perhaps you would like to describe the more important assumptions of the program that has been prepared.

[Answer] There is no doubt that in the coming years Polish agriculture will develop under different conditions than it has thus far. Grain and fodder imports will not grow, but will shrink, and in 1985 we want to achieve full self-sufficiency in feeding the country. In practice, this means that the balance of foreign trade in agro-food products must be equalized in the near future. We often do not realize that in the last few years we have unconcernedly eaten up huge sums, a large part of the indebtedness which we must now repay. Since 1975 we have lived beyond our means; we have eaten up over 7 billion dollars, which, together with the interest, amounts to 9 billion dollars, or one-third of our present total debt. To continue that policy is out of the question, even though a return to life in keeping with our actual resources is now so unpleasant and difficult.

[Question] You speak of self-sufficiency in feeding the nation, and you say that this should occur in 4 years. Aren't these plans a bit bold?

[Answer] I believe that this is fully possible. But in order to do this, we must cut grain and fodder imports in half and increase the country's crop production. In addition, please do not forget that not too long along we fed ourselves and were also an exporter of food. That's the way it was for 20 years, until after 1973-1974. Why should it be impossible to return to that? But we must realize that in implementing this goal for 1985 we will not be able to increase meat consumption in the country to the 1980 level, when it was highest.

In developing the program we have accepted two variants. In the first we envisage an increase of mineral fertilization to 220 kg NPK [nitrogen-phosphorous-potassium] per hectare, and in the second, an increase of fertilization to 250 kg NPK/hectare. Assuming the first of these variants, which I believe is the most realistic, meat consumption in 1985 should be 54 kg per 1 inhabitant, i.e., 9 kg less than in 1980. In the second case, meat consumption should reach a level of 72 kg per statistical Pole.

[Question] This is not a happy prospect.

[Answer] No, I never said it would be. But we cannot continue to live off others or live on credit endlessly. In any case, I am not excluding the possibility that things may be better than we are predicting, but I would rather not, in my calculations, count on luck or manna from heaven.

[Question] We know that during the next few years we will not see pork chops on our tables very often.

[Answer] Yes, but the tables will not be bare. We do not have to be afraid of that. There will be enough of everything on them that is indispensable for nutrition, with the exception of meat, of which there will be somewhat less. All of our estimates indicate that.

We expect that in the coming years we will be dealing with a compensational increase in crop yields to allow for the lack of mineral fertilization in the second half of the 1970's. We believe also, that stopping the flow of land to the socialized economy will make it possible for us to allocate all of the increase in fertilization to the private farms, which also improves the chances for higher yields. Under these circumstances, we believe that the average level of grain yields in 1985 should reach about 29 quintals per hectare, and the yields of all crops should be about 35 quintals per grain units per hectare.

We anticipate important changes in the structure of farm production, particularly in the State Farms, which should occupy themselves to a lesser degree with animal production and concentrate on increasing the production of grain. We envisage that in 1985 a total of 8.2 million hectares will be earmarked for grain production. We will also reduce the acreage of lands allocated for potatoes to about 2.2 million hectares. The acreage for commercial crop production, however, will be increased: sugar beets, to 500,000 hectares, and oleaginous crops to 480,000 hectares. Yields of these crops will also increase. Vegetable production will increase 22 percent, in comparison with 1978-1980, and there will be 34 percent more fruit.

[Question] There is no doubt that we will have enough to eat. The question is, however, how much of what grows will we be able to use to feed animals, since the amount of produced meat will depend on this.

[Answer] There should be 14.8 million tons of grain for feed for the producer livestock, and according to the more optimistic variant--16.3 million tons. But I believe also that the fodder feeding effectiveness will improve, that it will improve about 4 percent. This will be the result of increasing the production of pork slaughter animals and milk at the expense of decreasing the production of beef slaughter animals, and also--what is very important--increasing the participation of the private economy in animal production and liquidating the less efficient farms, especially the farm circle group farms.

[Question] The widespread clamors will finally be acted on.

[Answer] Unfortunately, only now. Returning to animal-feed effectiveness, we expect that the small farms will become interested in animal production, since in the last few years a considerable amount of fodder on these farms remained unutilized. Assistance from industry is also indispensable, for larger amounts of mineral and chemical additives for fodder will be needed, and also better technical outfitting of the farms.

Finally, the matter--in my opinion the most important one--of farm policy, which should favor the activation of peasant farms.

[Question] It seems to me that there is a great deal of agreement on this issue between the authorities and society. But what is disturbing is the voices heard here and there recently about the need to return to compulsory deliveries.

[Answer] That is the worst thing that could happen to agriculture. After 1970, we discontinued these deliveries because they were an inhibiting factor in the development of farm production. A return now to these deliveries would produce the same effect. And those, who are afraid that the farmers will not want to sell what they produce should know that the way to settle this matter is not through orders, but through regulation of the market. Until we change retail prices, we will not solve this problem.

[Question] A good farm policy, furnishing agriculture with the necessary production resources--this would be a great deal. Wouldn't it be enough so that we could jump this low, for our appetites, bar in the form of 65 kg of meat per person in 1985?

[Answer] In our predictions we took into account both the material premises, which will determine the growth in production, as well as the nonmaterial factors, such as farm policy. It will be very difficult, however, as I just said, to cross this 65-kg-of-meat threshold.

In the next few years our population will increase. We will have to increase meat exports and bring them back to the former 300,000 tons a year, in order to equalize the balance of payments. To say nothing of the fact that the replenishment of the livestock population does not take place in one year. In the case of cattle, it will not be possible to halt the downward trend until 1983-1983, and even in 1985, a large share of the herds will be young animals, whose meat we will not eat until 1986-1987. In practice, therefore, most of the increase in slaughter animals during the period mentioned will come from pork slaughter animals. Nor will there be an increase in poultry, for its production on the large farms is wholly based on imported feed. Thus it will be maintained at about the same level as now.

Of course, the shortages in meat supplies will have to be compensated with other protein products. That is why we attach an enormous importance to increasing the production of milk and to managing it in such a way that the supply of milk and its products is as high as possible. We have chosen this way of compensating for the meat shortage because from one unit of acreage we can obtain more protein contained in milk than protein contained, e.g., in beef. What is important to us, and this was our goal when we were working on this program, is that the nation be fed as well as possible, both in terms of quantity as well as in quality, during the difficult period of crisis in the country. And it seems to me that we will be able to achieve this goal, and actually, to reconcile two goals: the development of agriculture and food production, based on a sound and reasonable foundation, and a return to self-sufficiency. I am, I repeat, firmly convinced, that Poles can and should feed themselves.

Grain Products

Warsaw DZIENNIK LUDOWY in Polish 25 Aug 81 pp 1, 3

[Interview with Dr Kazimierz Nowakowski, director, central office of the grain-milling industry, State Grain Elevators, by Waclaw Potocki; date and place not specified]

[Text] In the August 18th issue of DZIENNIK LUDOWY we began a series of articles aimed at showing methods of surmounting the food crisis. The first article was an interview with Prof Zdzislaw Grochowski, titled "Program for Agriculture". We want to acquaint our readers with the actions now being taken by the authorities which are of an immediate nature, as well as with the plans for the future. There is nothing more important at this time than a transition from regression to an albeit slow but systematic and consistent improvement in production and availability of market supplies. Without this, it will be difficult to implement the basic goal, which is the proper feeding of the nation.

[Question] Dr Nowakowski: In recent years, the grain-milling plants have been hard-pressed to keep up with the growing demand for their products: flour, groats, and flakes. Each year the commercial market orders thousands of tons more flour (this year it was even 300,000 tons more), while the production capacity of the mills remains the same. Will rationing of the grain products and increased prices help to normalize the market supplies in the near future?

[Answer] At the present time some assortments of bread and cereal products cost two to three times less than rye and wheat. The present low price of bread, flour and cereals is responsible for the large waste in these products, especially in the cities, and using them as feed. Rationing of flour and groats, while it fully filled the population's needs, reduced the use of these products as feed in the pigsties and cow sheds. However, it has not solved the problem. Higher prices will also result in reductions of bread purchases for feeding purposes and less waste of bakery products in the cities.

As a result of increased prices of bakery and grain products, it is envisaged that about 10 percent of the bread and grain products will not go for fodder. This will bring with it further results in the form of savings in electrical energy, since milling one ton of grain for flour or groats and using it in the form of fodder triples the energy consumption which would be needed to mill the grain for mash. There are further economic savings in baking and transporting, since mills are often dispersed and sometimes flour must be hauled hundreds of kilometers to the bakeries. The grinding of grain into mash usually takes place close to where the farmer lives.

A reduction in the demand for grain products will also facilitate improvement in the operation, maintenance and repair of the mills. At present, in order to satisfy market requirements, the mills operate at higher speeds and beyond their capacity. Since 1976, scheduled overhauls are performed on scarcely 50 percent of the installations.

[Question] What action is the central office of the grain-milling industry taking to normalize the grain-milling and bakery-goods market as rapidly as possible?

[Answer] During the fourth quarter of this year, our mills will deliver about 830,000 tons of flour and about 70,000 tons of groats. These quantities are about the same as this quarter's deliveries. It is anticipated that demand will drop somewhat as new prices go into effect. By maintaining the present work schedules in our plants and working on some of the free Saturdays and on Sundays, we should be able to deliver over 3,300,000 tons of flour and about 300,000 tons of groats next year. This is sufficient to meet our present requirements. In addition to operating on days that are normally nonworking days, and reducing the indispensable shutdowns for repairs and fumigation to a minimum, we are attempting to expand production in the mills of the Central Union of Agricultural Cooperatives and in the crafts for our orders. It is expected that next year these mills will deliver about 300,000 tons of flour.

In addition to the mills which are under our central office, we have 1,150 mills in the country that are under the Central Union of Agricultural Cooperatives. They have a production capacity of 500,000 tons of flour a year. There are also 1,060 crafts mills, with a grinding capacity of over 200,000 tons. We realize that due to lack of spare parts for the machinery, and lack of millers, we will not be able to start up all of the mills, and even those already in operation will not be totally available for State Grain Elevators' requirements, because their first priority is to grind the grain for the neighboring farmers.

Aware of the huge demand for grain products and the necessity for improvements in the field of operation and repairs, the central office of the grain-milling industry is also currently undertaking many noninvestment activities aimed at increasing the production capacity of the existing mills. These include production of dark rye and wheat flours, based on simplified methods. The load on the so-called grinding gap of the rollers is being increased and all mills are being inspected to eliminate bottlenecks in the operating systems. These activities should increase the production capacities of our mills by almost 6 percent.

In order to fully meet the demand, we must also contend with a shortage of millers and helpers. At the moment the working and wage conditions in our plants do not encourage people to take these jobs. Many basic materials and spare parts are also lacking, which increases the breakdowns and shutdowns. The fact that many bakeries are not prepared to receive deliveries of flour in bulk also makes it difficult for us to operate efficiently. Meanwhile, we have enough special vehicles and are able to increase deliveries of flour in bulk, which simplifies and speeds up transport and loading.

[Question] These are only emergency actions and will not improve the availability of flour and grain products to any great degree. There are not enough mills, and to ensure an adequate amount of flour new mills will have to be built. How does your program look in this regard?

[Answer] Indeed, there are simply not enough mills. At present, in the enterprises that are under the central office of the grain-milling industry there are slightly over 200 mills. Most of these are old buildings, tens of years old (only six mills were built after the war). They are also unevenly dispersed. There are not enough plants in the southern and eastern regions of the country, which means that grain for milling and flour must be hauled for large distances.

In order to increase the production of flour and grain products as quickly as possible, in May of this year the Council of Ministers approved a detailed program for flour-milling expansion during 1981-1986. It foresees the construction of several large mills with a grinding capacity of 300 to 600 tons per day in the large population centers, including in the Silesian region in Krakow, in Plonsk, Warsaw, and Pabianice near Lodz, and 30 small aggregate mills, with a 60 tons per day capacity, located principally in the southeastern voivodships where there now is a shortage of such installations. These mills will be located primarily near existing grain warehouses, and their production will be intended mainly to supply the local market.

The program also provides that mills will be located in farm buildings that have been adapted for this purpose, which should eliminate construction work and hasten completion and availability of the mills. Additional production capacity will be obtained also by modernizing existing buildings.

When all of the tasks envisaged in the government resolution are fully implemented, flour production during the next 5 years should increase by almost a million tons yearly, which will be a 30 percent increase in the present production capacity. This will eliminate all of the difficulties in supplying the market with the indispensable amounts of grain products and will also make it possible for all mills to operate at the proper level.

Dairy Products

Warsaw DZIENNIK LUDOWY in Polish 27 Aug 81 pp 1, 3

[Interview with Bronislaw Hyziak, president, Central Administration, Union of Dairy Cooperatives, by Stanislaw Ozonek; date and place not specified]

[Text] [Question] Mr Hyziak: Because of the difficult situation on the food market, our society is very interested in knowing what will be available on this market during the next few days and weeks. We know that milk and its products make up a large part of this market. We also know that the peak months for milk procurement have already passed and the time is coming that this procurement will fall below 30 million liters a day, and in the winter, even below 20 million liters. What, under these circumstances, can you promise the consumers of your products?

[Answer] The situation in milk procurement continues to be disturbing. In 7.5 months we procured 823 million liters of milk less than in the same period last year. The reasons for this are known: Last year's disastrous failure in fodder production and its much worse quality meant that dairy herds were reduced by 200,000 cows and the condition of the herds was greatly weakened. The cows went to pasture in the spring in wretched condition. Their lactation yield is lower than in previous years. Under these conditions we tried to reach every farm in which there is even a small amount of commercial milk. Through our network of wagons we call on up to 1.3 million farms in over 30,000 villages every morning. We go to some of them twice a day—weekdays, holidays, and on nonworking Saturdays, regardless of freezing or sweltering weather, blizzards or downpours. This is a good, disciplined cadre, who understands its duties and place in feeding the nation. Despite these efforts, however, milk procurement continues to be lower than last year. In July we procured 53 million liters less than in July of last year.

[Question] But those in the know say that you have good workers not just in procurement. In processing also, you have those who even from this small amount of milk are able to produce large quantities of products.

[Answer] This sounds like irony, but it is a fact. The milk cooperatives, indeed, in July produced and delivered to the market over 16 percent more consumable milk (i.e., 35 million liters) and 29 percent more cottage cheese (i.e., 4,870 tons) than in July of last year. This, of course, has nothing to do with miraculous multiplication or falsification. We have greatly reduced the production of casein and powdered skimmed milk. The minister of foreign trade will have reason to blame us for this, although the consumers who are constantly complaining that there are shortages in everything have not praised us. We make this cottage cheese in plants that are suitable for the production of casein, so they have no cooling equipment. Thus the cheese does not keep as long. But it goes like hotcakes.

[Question] Indeed it is lean, and this applies not only to the cheese. What do the dairymen and we, the consumers, gain by your pursuit for fat?

[Answer] The long-continuing pursuit for butter production has actually caused many big changes in our production. We defatted consumption milk to 2 percent, we defatted cottage cheese and cream, and we stopped producing full-cream cheeses. Since August 15th, in accordance with an Anti-Crisis Staff decision, we market-produce only cream with a 9 and 12 percent butterfat content, and even then, we produce 25 percent less. All to rescue the production of butter.

The structure of fats consumption in our country is very faulty, principically due to the faulty price policy. After several attempts to raise prices, it has come down to this: the cost of producing one kilogram exceeds 340 zlotys, but the sales price is 10 zlotys. Ten years ago, i.e., in 1970, we produced 127,000 tons of butter, and the market was saturated. The consumers complained that this butter is encrusted, that butter is rancid, for it lay in the stores too long. We were not able to sell all of the production on the domestic market—we exported 12,500 tons. Last year we produced 252,000 tons of butter, i.e., twice as much, and we had to import 18,500 tons. And even then, there was a butter shortage. This pursuit for butter forced us to a pursuit for fat. We had to further defat our products, and consequently, the quality, storage life and taste are worse. We've gone as far as we can in that direction.

We are committed to provide the Ministry of Domestic Trade and Services with 23,750 tons of butter monthly for rationed sales requirements and the mass nutrition plants. In order to maintain this level until the end of the year, the government Anti-Crisis Staff decided that the cream sold on the market must be defatted and its supplies reduced 25 percent. This operation, plus the larger than anticipated milk procurement in the fourth quarter (over the fourth quarter of last year) which we believe will be possible because the dairy herds have recovered, there is considerably more fodder and the quality of it is much butter, makes us believe that the present level of deliveries of butter, milk and cottage cheese can be maintained to the end of the year.

[Question] And what can we expect in the early months of next year, when the daily procurement of milk drops below 20 million liters?

[Answer] We are very worried. We have accumulated some stocks of milk in powdered form, both from our own production and from imports—which, in any case, we are continuing to import. This should make it possible for us to increase the production of cottage cheese, and thus, indirectly, consumption milk. We have small reserves of ripening cheeses, for melting, and we have accumulated some frozen cottage cheese, which, together with the ripening cheeses, should serve as a raw material for melting. In this way we want to maintain the level of supplies of consumption milk, cottage cheese and melting cheeses during the winter period. But we are very afraid that we may not be able to do this.

[Question] A great deal is being said recently on the subject of regulating retail prices, which in the case of your products is to be simply an increase in the retail prices, and a very large one at that. How does the management of the dairy cooperatives see this and what does it expect as a result?

[Answer] In our situation this is a necessary evil, for our dairy market is abnormal, having reached the point that for 1 liter of milk sold one can buy 5 liters of consumable milk that has been processed, homogenized and pasteurized on expensive equipment. For one liter of whole raw milk one can now buy a fourth of a kilogram of butter. All of this is an anomaly that cannot be maintained. The world has never seen anything like this. An increase in the retail prices of our products will make it possible to regulate this uncontrolled, upside down market. We look forward to a great improvement when the new price of butter goes into effect. We believe that it will produce a greater interest in margarine, vegetable fats, etc., and by doing so will reduce the consumption of butter. This will allow us to increase the production of cheeses, cottage cheese, powdered milk for infants, and consumption milk. We will be able to return to the production of milk with at least a 3 percent butterfat content. This milk can be used to feed children, which would alleviate the demand for powdered milk.

[Question] In your opinion, can the price increases planned by the State Price Commission restore the dairy market to the balance that was in effect during 1973-1974?

[Answer] They will not yet cover production costs, but we believe that they will have an influence on thrifty management, there will be a different approach to the job, and there will no longer be waste in the households. If, at the same time, there is an increased demand on the market for other food items, then we can definitely restore a relative balance to the market. I do not conceal the fact that our main purpose now is to reduce the consumption of butter. This fat is very necessary for the production of the better ripening cheeses and cottage cheese, and for milk that is tasty, highly nutritious, and fully suitable for feeding to children.

[Question] We know that the increases in retail prices of food will go into effect at about the same time as the economic reform now being prepared. To what degree will these operations influence an improvement in management in your plants?

[Answer] The recently disseminated opinions about a great waste of milk are highly exaggerated. A month ago, Prime Minister Jaruzelski ordered an inspection of our plants by a large team of inspectors. They pointed to many shortcomings, but no where did they ascertain that milk suitable for processing was being rejected

or wasted. On the other hand, they determined that even soured milk is processed everywhere into casein or cottage cheese.

As far as the fate of the future independent, self-governing district dairy cooperatives is concerned, we are sure that under the new conditions the activists and staffs of our cooperatives will be greatly interested in an improvement in management and increased turnovers. And thus, in an increase in procurement, or in the practical increase of dairy cow productivity in our country. I believe that only now will the work on increasing the lactation yield of cows become a very important matter for our cooperatives. Within the ranks of our raw-materials services we have many good specialists who are capable of making a significant contribution to increasing the lactation yield of our cows, which—why conceal it—is shamefully low, probably the lowest in Europe.

Fats and Oils

Warsaw DZIENNIK LUDOWY in Polish 3 Sep 81 pp 1, 3

[Interview with Jan Wawer, director, Association of the Oil Industry, by Franciszek Nasinski; date and place not specified]

[Text] [Question] Mr Wawer: This year's harvests are coming to a close, and everyone says the crops have been good. They are happy. The first to be gathered is the rape. It's procurement is ending. The storerooms already contain 460 tons of rape. A little more will still "flow" in, but that will probably be the end and in total there will probably be no more than half a million tons. How do you assess this situation?

[Answer] With restraint, for the yields are average and the crop also. After the rape is dried, the oil industry will have, I estimate, about 430,000 tons of raw material. The yields this year were average—17.6 quintals from one hectare. I do not conceal the fact that we wanted much more. The rape harvests in 1976 were sensational. Yields then were 24.6 quintals, and 960,000 tons were harvested.

[Question] Rumor from the guinea has it that the contracting for rape for next year did not go well.

[Answer] Unfortunately, that is true. By the end of August 20th, less rape was contracted for than last year. The farmers are grumbling that rape is hard to cultivate and that it is particularly sensitive to frost. Problems with the purchase of mineral fertilizers are also having an adverse effect, and rape, of course, requires high fertilization, especially with nitrogen, about 200 kilograms of fertilizer in pure ingredients. It also requires hard-to-get disease- and pest-resistant agents.

[Question] Yes, I heard the deputy minister for the chemical industry say, in the presence of Roman Malinowski, the deputy prime minister, that the seed dressing for rape will be produced this year early in September. This is already after sowing has taken place.

[Answer] Yet we have many loyal planters of rape both in the socialized sector, which supplied us with 360,000 tons of rape this year, and among the private farmers, who this year gathered slightly over 100,000 tons. They have been getting high yields, up to 30 quintals per hectare, and thus, high incomes.

[Question] But the situation indicates that the attractiveness of growing rape, in comparison to grain and other commercial crops, was not sufficient for the farmers.

[Answer] Especially, since insofar as grains are concerned, the farmer gets straw—from beets, beet pulp, etc. From rape, we get an oil cake, which is a valuable component of concentrated fodder. But the oil cakes go to the fodder processing plant and they support the national fodder balance.

[Question] Will this year's harvests ensure sufficient supplies of raw materials for the oil industry?

[Answer] No. We will be able to process approximately 800,000 tons of rape into oil. The remainder of raw material indispensable to us must be imported. It is true, however, that even if we had a million tons of our own rape, we would still have to buy soybeans or soya oil, sunflower oil or palm oil abroad, since they are indispensable ingredients of plant fats, palm butter and sugar fats. Except that if there is a surplus of rape or oil, then it is easier to import the indispensable supplementary ingredients.

The subbranch, despite the fact that foreign trade here is centralized and all revenues flowing from it go into a common treasury, does not feel then that it is "begging". We will have 160,000 to 170,000 tons of oil this year from our own rape. However, if we want to keep deliveries to the market at the planned level, we will need 120,000 tons of oil more.

[Question] Vegetable fats are becoming more and more fashionable. More are being bought and used all the time.

[Answer] In Poland, everything is "fashionable" right now. Everything disappears from the shelves. In 1979, we delivered 38,000 tons of oil in bottles to the market and there was plenty everywhere.

[Question] Aside from this, there was also olive oil imported from Spain and Greece.

[Answer] True, but these were not large amounts. Yet during the first six months of this year we delivered 28,000 tons of this same oil and you don't see it on the shelves at all.

It is true, however, that the consumption of vegetable fats abroad is much higher than here. There, their share in the structure of consumption is over 40 percent. Here it is slightly over one-third. During the first half of last year, there were a total of 309,000 tons of fats on the market, including pork fats, 77,000 tons, butter, 121,000 tons, and 110,000 tons of vegetable fats. During the same period this year, there were 1,000 tons more pork fats, 500 tons more of butter, and 18,000 tons more of vegetable fats.

[Question] What deliveries does the oil industry expect to make to the market by the end of the year?

[Answer] From August to the end of December, total deliveries will be 124,100 tons of vegetable fats, including 82,000 tons of margarine, which means that margarine supplies will be 4 percent lower than during the same period last year. I believe that these supplies can be increased if some work on the free Saturdays is done. But deliveries of oil will grow by 16 percent, and fats for processing will increase by about the same amount.

We will achieve this if we utilize our full production capacity. All our refineries and fat hydrogenation plants, except for three, operate continuously, just like the steel mills, and the margarine processing plants work three shifts on all working days. The free day is designated for washing and disinfecting the installation.

I do not have to explain that under these circumstances the oil industry is very sensitive to all reductions in supplies of power, coal, indispensable ingredients, and packaging. We stand on our heads to find solutions, because our production losses cannot be made up. We have more than enough troubles. But I will not cry on your shoulder, because certainly I am being paid, I and my co-workers.

[Question] It appears then, that the oil industry operates without any reserves.

[Answer] Unfortunately, that is true. Furthermore, our industry has installations of a high degree of wear—58 percent, to be exact.

Investments are indispensable. The Council of Ministers passed an appropriate resolution on this matter in May of this year. Outlays were anticipated for new investment and for modernization, totaling 5.5 billion zlotys, which would make it possible to increase the production capacity for margarine by 50 percent, refined oil by 70 percent, and hydrogenated oils, which are the basic semifinished products for the production of margarines and sugar fats, by 100 percent.

Until these investments are made, the size of the oil industry production, i.e., deliveries of vegetable fats from domestic factories next year will not increase and will amount to a total of 296,000 tons of vegetable fats, including 196,000 tons of margarine, 52,000 tons of edible oils, and 41,000 tons of fats and oils for other buyers for further processing.

[Question] Going back to your earlier statement that more vegetable fats are consumed abroad, I would like to observe that there they are offered to the consumer in a much broader range of selection, e.g., in the form of an excellent cocoa paste.

[Answer] We are very aware of this. We, too, would want to do this, and could, but we have no field for maneuvering, for our production capacity is fully utilized, and furthermore, enhancing our production with such products would require that imports of ingredients would have to be expanded. At the moment, we cannot do this. However, as I mentioned, we are trying to expand our industry and increase its production capacity. The economic situation, too, must finally improve. Then our export-import capabilities will improve and then we can also expand the assortment of fats produced by the oil industry.

Sugar Industry

Warsaw DZIENNIK LUDOWY in Polish 8 Sep 81 pp 1, 3

[Interview with Tadeusz Piasecki, managing director, Association of the Sugar Industry, by Waclaw Potocki; date and place not specified]

[Text] [Question] Mr Piasecki: The beet-sugar campaign this year is expected to be difficult and arduous. Difficult, because the farmers and the sugar factories have greater problems with the machines, the spare parts, transport and coal. Arduous because the beet crop is very plentiful, shapely and rich in sugar. The belief prevails that this should be a sugar-rich campaign. Do you confirm these opinions?

[Answer] This year is not an exceptional year in beet planting. Considering the last few years, we can say that this year is an average one. The condition of the plantation, however, is much better than last year's, which, due to the weather and low yields, was exceptionally bad for the sugar industry. This year we shall harvest beets from 482,000 hectares. We estimate that about 90 percent of the plantation will be good and average and there will not be much that is poor or soaked. The yields promise to be high. We expect that the farmers will deliver about 15.5 million tons of roots to the sugar factories. The factories will have plenty to process; they will have over 30 percent more raw material than they had a year ago, and more sugar will be produced.

[Question] How well are the sugar factories prepared for this year's campaign?

[Answer] From the technical standpoint, our 79 sugar factories are well prepared to process the beets. This year we spent over 2.6 billion zlotys for repairs and modernization. This included the construction of new boilers and turbines, replacement of worn cutters, centrifuges, strike pans, mixers and evaporating apparatus, and modernization of the filter plant. All work has been finished and on September 5th our factories were ready to process beets. On Saturday, September 5th, the first factories in the Lublin region started up. In the last few days the deliveries of the basic production resources, particularly coal and limestone, improved. Our most recent agreements with the Coal Sales Center on delivery, during the third quarter, of 1.2 million tons of coal, are at the moment being complied with without any large disruptions. We also expect that deliveries during the fourth quarter will be on schedule and that the campaign will not be disrupted or brought to a hault. Limestone supplies are even better. Almost 700,000 tons of beets have already been accumulated in the storeyards of the sugar factories. Another 400,000 tons are to come in during September and the entire fourth quarters, which should fully cover our requirements.

We have also established plans for delivering and hauling the beets from the fields to the procurements centers and sugar factories. In this year's campaign, the beets will be hauled principally by the State Motor Transport, the Polish State Railroads, the Agricultural Circle Cooperatives, and also by the planters. Contracts have already been concluded and approved. Despite the transport and fuel problems, our haulers have assured us that the beets will have priority and the sugar factories will not have to wait for them.

[Question] The campaign this year is beginning exceptionally early, during a period when the beets are still growing and their sugar content is increasing. The sugar factories are paying high supplements to encourage the farmers to dig up beets that are not ripe and contain less sugar. The farmer does not lose anything on this, but the state does, since there is less sugar from the September beets. Under these circumstances must we begin the beet-lifting so early and how much sugar are we losing by this?

[Answer] In our weather conditions the beet campaign should begin early in October. September, and the first days of October, are still a period of vegetation for the beets, and the sugar content continues to increase. Years of study have shown that under good weather conditions each hectare gains about 40 quintals of beet bulk in September. Beets that are lifted in September contain about 1 percent less sugar than beets lifted in October. Considering this, we should begin lifting and processing sugar in October and finish in the final days of December. The campaign should not go over 85 days. Unfortunately, with the present processing capacity of our sugar factories, now standing at 150,000 tons of beets per day, this is impossible. On an average, thus, the campaign last from 105 to 110 days, and in certain regions, even 130 days. If we were to begin to process beets in October, we would have to extend the campaign at least to the middle of February, and then the sugar losses would be much higher. Long-term data show that by processing beets in January we lose 5 to 6 percent more sugar than in September. When the beets are frozen and thawed, they also shrink in bulk. Also, from the standpoint of transport and fuel problems, a September campaign is less costly than a January campaign.

[Question] What can be done then, to prevent this and also other losses in sugar that we suffer during the campaign?

[Answer] Due to the inadequate processing capacity of our industry, we lose thousands of tons of sugar each year. These losses result from the extension of the campaign in time and they can be reduced only by increasing the average daily processing capacity of our sugar factories, thus shortening the processing to 85 days. But this requires enormous investment outlays.

In the absence of large investment outlays, we can, however, reduce the much greater sugar losses that occur through improperly conducted lifting, through premature topping, and leaving the beets in the ground. Scientists and practicioners have proved that a beet that has been topped and not dug up loses 1.3 percent sugar after 6 days, and sugar losses reach 2.25 percent after 9 days. Our studies have shown that farmers lift 22 percent of the beets 6 days after topping them, and only one-third of the beets are dug up immediately after they are topped. If lifting is done efficiently, thousands of tons of sugar additionally can be obtained. But if this is to become a reality, our agriculture must be equipped with harvesters to gather beets. Until this can be done, our farm and raw materials services must visit the planters more extensively to advise and assist them during the beet-digging period.

[Question] Will the earlier beginning of the sugar campaign mean also that the average sugar consumer will get more sugar sooner?

[Answer] The startup of the beet campaign in September will make it possible to produce about 100,000 tons of sugar during this month. We believe that the first

people to receive sugar should be the beekeepers, for winter feeding of the bees, otherwise there will be no honey next year. Also, we should increase supplies to the stores, to prevent supplies from falling to a critical minimum. There must be complete coverage for the September and October ration cards. The confectionery industry should also see a small increase in sugar supplies.

[Question] Will the abundant sugar campaign have a greater impact on the market at a later time?

[Answer] During this year's campaign we will produce somewhat more sugar than we need for normal domestic consumption. We believe that there should be enough sugar to replenish the reserves in trade and industry, to fully meet the requirements of the beekeepers and institutions, to increase the quotas for the confectionary industry, and also to increase the monthly rations for the people.

[Question] It appears then that the production of a larger amount of sugar will not mean that there will be enough of it. We will continue to be a force in the growing of sugar beets and we will continue to obtain our sugar by rationing. Does the association which you direct have a program for overcoming this sweet crisis?

[Answer] As I said earlier, our sugar industry is still underinvested. It requires huge outlays for the construction of new and modernization of already operating plants. At present, the average age of our factories is 94 years, and 12 plants have been operating for over 120 years. Their level of modernity and the technical condition of the machinery and equipment is below the average of the European level, and the average processing capacity of one statistical sugar factory is the lowest in Europe. In the postwar period, only four factories have been built in the country (the fifth is under construction). Yet during the same period we built 67 complete facilities abroad.

At present a program for the reconstruction of our sugar industry is being prepared in the Sugar Industry Association. It covers the modernization and reconstruction of old factories and the construction of modern plants. The technical facilities and the raw materials base of our industry will also be expanded. But only the implementation of this program will produce a perceptible improvement in the sugar market.

Fruit, Vegetable Industry

Warsaw DZIENNIK LUDOWY in Polish 15 Sep 81 pp 1, 3

[Interview with Jacek Fraczek, assistant director of the Association of the Fruit-Vegetable Industry, by Anna Staniewicz; date and place not specified]

[Text] [Question] Mr Fraczek: A year ago, processing was threatened by poor crops. This year there is talk of successive "disasters" in cabbages, tomatoes and cucumbers. How is this year's campaign proceeding in the plants which belong to your association?

[Answer] Early predictions suggested that fruit and vegetable crops would be good. But these hopes have had to be seriously revised and the situation in processing

is not rosy. A classic example, insofar as fruits are concerned, are strawberries. It was supposedly a record crop, yet we processed less than last year. The same with black currants: the plan called for 17,000 tons, we processed 10,000 tons. But still the picture is much better than last year, which was disastrous. In general, however, the fruit crop did not measure up.

We know already that there will only be half of the 250,000 tons of apples expected. The MacIntosh and Star King varieties did not bear fruit and the total lack of pesticides greatly reduced the yields of the other varieties. Only the apples in the protected centers, such as Grojec or Radom, look better. In the Carpathian and Lublin regions, where household orchards dominate, the situation is much worse. After last year's record yield, the "Hungarian" plum crop was a disappointment. Today I talked to the manager of the enterprise in Nowy Sacz. It seems that in this main base for plums, only half as much will be picked as last year. Fruits, this season, are scarce and expensive, sometimes totally out of relation to the harvests. Before the season began, for example, the procurement price for cherries was set at 40 zlotys per kilogram.

And so cherries never reached the processing plants, for they cost 100 zlotys and more on the market.

[Question] Is it the farmer who demands more based on production costs or is it the dealers who are running up the prices?

[Answer] Of course, most of the harm is done by the dealers. But production in the village costs more and more. Take, for example, currants. The planters had to pay the pickers very dearly. Mechanization for picking currants is still in its infancy.

[Question] We know that there will not be enough canned fruits and jams from this year's crops. How about vegetables?

[Answer] This is really a year for vegetables, and crops are very good. We have finished processing peas and string beans. The situation in pickling cucumbers is much better than a year ago. The weather conditions—warm nights and precipitation, helped and we have already exceeded our planned tasks: for 18,000 tons planned, we processed 216 tons above that, and the campaign continues. As for tomatoes, we have thus far processed 50,000 tons, which is about one-third of what was planned. Rains and cold weather have slowed down deliveries. Although at the beginning of the season, the daily procurement was over 4,000 tons, now it is not quite 2,000 tons. We do not expect to fill the planned requirements for processing, particularly since the market is tremendously absorptive. What is happening to our cost is even worse: the dealers are buying out tomatoes en masse right at our growing points.

[Question] On the one hand you say that there are not enough tomatoes, but on the other hand until recently there was waste at the procurement centers. Processing plants in the Sandomierz region, in Dwikozy, among others, took a holiday on the free Saturdays, while the tomatoes rotted.

[Answer] I have not heard of any waste and I know that all of our plants operate on free Saturdays and on Sundays. No one has days off during the season, that is an

occupational requirement. We have no problems in processing tomatoes, because at this time the deliveries are far below the industry's production capability. In the large processing plants we now have to stop the larger lines, for there is nothing to be processed. That is how it is, e.g., in Milejow and Lowicz.

[Question] Which means that there will not be as much tomato concentrate as is needed....We hear more and more about the "disaster" in cabbage.

[Answer] The association is processing small amounts of cabbage, principally for meat-vegetable canned goods. The lack of meat has automatically reduced planting. And in certain regions, e.g., around Lipno in the Wloclawek voivodship, and in the Rzeszow area, we will have problems in handling the late varieties of cabbage which are being grown under contractual arrangements.

[Question] What, then, can the consumer expect this year? How many plants does the association have and what is the processing capacity of your industry?

[Answer] We supply the market with about a thousand different kinds of products, based on what grows in the fields and in the orchards. This year we delivered more canned string beans, for a total of 16,000 tons. This should fully meet the need, just as should the supplies of peas. But we observe that our products our being bought out en masse. This situation is reflected in our shop, "Fructopol", on Nowy Swiat street in Warsaw. As soon as something reaches the shelves, it disappears immediately. If someone is buying peas, then he immediately buys the entire packet and in no way can sales continuity be maintained.

But the situation with tomato processing will be much better. From this year's harvest we want to deliver about 13,000 tons of concentrate. For comparison, during the entire year last year, there were only 7,000 tons of tomatoes in all. Normally, such an amount of concentrate fully covered the demand. Now, during the first 6 months, the market received about 13,000 tons of imported concentrate and in actuality it could not be seen in the stores. Tomato juice is being made in all the processing plants at full steam. But there will be less stewed tomatoes, and furthermore, in view of the cost of the raw material and the sugar, it will be much more expensive. We will deliver about 70,000 tons of jam.

I recall that at one time even half that amount was sufficient for a whole year. But as long as a jar of jam costs 6.80 zlotys, and the price has not changed for 20 years, jam will not always be available in the stores.

[Question] A great deal is said about priorities for the food industry. For you this principally means sufficient allotments of sugar, vinegar and containers.

[Answer] We need 65,000 tons of sugar for three quarters. The allotments provided for 20,000 tons less, but are being implemented. In order to save sugar, we have reduced the production of wines, but at the same time we have expanded the production of low-sweetened jams and marmalades.

For the time being we have enough sugar, and vinegar and seasonings also. Nor do we have any big problems with glass containers. Unfortunately, there was a very

threatening situation insofar as cans were concerned. And if we had not had funds of our own to import the ingredients for lacquer, the production of peas and string beans would have come to a halt. In general, however, the problem of containers must somehow be solved. We cannot begin production of cans at the same time that the peas campaign is drawing to a close.

Employment is another matter. The association has 69 plants. And I would like to stress the attitude of our work force. The people work without a break for hours, on free Saturdays and on Sundays, despite the fact that the fruit-vegetable industry is one of the most poorly paid. The recent period, due to the accumulation of deliveries of beans, cucumbers and tomatoes, was particularly hard. Everyone, office workers, warehouse workers, and others, who do not normally work at production, worked at the vegetables.

None of the vegetables that we contracted for and received were wasted, and I am sure that it will be like that for the rest of the season.

[Question] When will your products reach the stores in larger amounts?

[Answer] Already in the next few weeks. But we must also think about stocks for the winter. We cannot eat up everything now. And that is why deliveries must be made strictly in accordance with the agreements with the trade.

Potato Products

Warsaw DZIENNIK LUDOWY in Polish 25-27 Sep 81 pp 1, 5

[Interview with Dr Jozef Gladkowski, manager of the Association of the Potato Industry, by Andrzej Piszczota; date and place not specified]

[Text] [Question] Dr Gladkowski: Poland ranks second in world production of potatoes. In an average year, we harvest close to 50 million tons. Yet for years there has been a shortage of potato flour, starch and recently also other derivative products, including spirit. What is the explanation for this? Can this be possible?

[Answer] It is true that we produce about 40 million tons of potatoes, but last year's disastrous harvest produced only half that amount. The producers use most of the yield for fodder purposes. Practically speaking, the commodity potato in our country constitutes 10 to 12 percent of the yield. That includes the seed potatoes and the edible and industrial potatoes, whose combined mass fluctuates between 4 to 6 million tons. The plants which belong to our association process the potatoes into starch and dried consumption products. During the fall campaign we process about 70,000 tons into the latter, and about 1 million tons into starch.

[Question] Processing for consumption purposes is still in its infancy, despite the fact that the potato is the mainstay of our diet. In western countries, most of the potatoes reach the table in a processed form. Could we not fill some of the empty shelves in our stores in this way?

[Answer] In general, the production of food from a potato is based on dehydrating it, or freezing it in the form of fried potatoes. Unfortunately, this type of

production is energy-intensive, requires extensive warehouse space and involves transport. We are producing dried products, which we supply to refrigeration plants, who in turn make them into various kinds of dumplings and other products. We are actually a supply industry. It may be said that our production capacity during the next 3 years will fully cover the requirements of the refrigeration plants and the food concentrate industry.

[Question] In the current difficult market situation, can't these supplies be increased? Because of the lack of meat and dairy products, and problems with grain products such as noodles or rolled oats, people are buying more of these dumplings. Unfortunately, they are not always available in the shops.

[Answer] This year we began the campaign already in the middle of August. All departments producing these products are working. Very shortly, the refrigeration plants will receive flakes, grits and the potato granules, and also the meal, which are the ingredients of the frozen products. In September, products from this year's potatoes should already be on the shop shelves.

[Question] And the production of starch, which is the raw material for about a thousand ultimate recipients, from the pharmaceutical, food and paper industries all the way to oil mining and the coal industry?

[Answer] Our production capability in this field is now able to cover only 60 percent of domestic requirements, excluding so much as a single ton for export. But because we are a traditional supplier for many world markets, even if we reduce our commitments to a minimum, we still need about 20,000 tons of potato flour to maintain ourselves on the dollar markets. Thus we see the necessity for an immediate expansion of starch production. At the moment we envisage a stage of modernization, particularly in the regions of the raw-materials sources, i.e., Lomza. Making use of the raw materials in Ostroleka, Bialystok, Lomza and Ciechanow, we intend to expand the plant in Ilaw, on the border of these voivodships. Using the raw-materials resources in the Plock region, we want to expand the production capacity in Glowno, near Lodz and in Staw in the Konin voivodship, because we have a surplus of raw materials there.

The next stage should be construction of a new plant in the southeastern region of Poland, because our industry hauls half of the potatoes from that side of the Wisla [River] to processing plants located on the western side.

[Question] I am afraid that under the present circumstances we cannot expect such an investment to be approved for a long time. Every ministry, every branch and region, presents iron-clad arguments why they should have these investment millions, which, unfortunately, our country cannot provide. For many years, the Poznan voivodship has been fighting for meat plants which were initially located in Oborniki. The argument here is the slaughter animals, a good part of which are hauled to slaughter houses in Wroclaw, Legnica and other distant places. The sugar industry is demanding, not without justification, a new factory in the western part of the country. The city of Poznan is fighting for a dairy, because the queues in front of the shops are getting longer and longer. I don't want to negate your arguments, but in this context I see no great prospects for you. If the construction of a

new potato processing plant in the eastern part of the country is disapproved, then what can you propose to make the work more efficient? For certainly hauling raw materials in today's energy crisis makes no sense at all.

[Answer] I realize that the present situation eliminates this matter for the next three years. We have revised our program by precisely that period of time. I am thinking of the future, for the preparation of an optimal design solution and completion of machinery for such a plant requires these several years. Insofar as selection of the particular site is concerned, however, then the present variant, in which we have chosen the Siedlce voivodship, has not been approved by the Planning Commission.

We are also considering the Biala Podlaska voivodship and others. All of this requires further preparation and studies. However, we must realize that there is no other solution if we are to process at least 2 million tons of potatoes, which we must have in order to provide starch products for factories and for the market.

[Question] How is the industry accomplishing its present tasks? How are the current plans being fulfilled?

[Answer] Our current staff effort is directed toward steady production, processing the daily requirements of products, by each of the now-operating plants. We can do this if electric power is not cut off and coal deliveries are not disrupted, which our highest authorities assure us will not happen. At this time we have enough coal for a month's production. We are attempting to get more.

We have decided to procure potatoes in all 30 voivodships in which we have own sources of raw materials and to advance processing as much as possible. We envisage that we will buy about 1.3 million tons. During the fall campaign, we want to process over a million tons.

But because we lack the processing capacity, we should bury about 300,000 tons in pits for the winter. Of course, we have to pay the planters an additional 100 zlotys per quintal for storage. In March we want to start up the spring campaign.

[Question] This is a way of meeting the demand? An attempt to overcome the obstacles reducing the level of production?

[Answer] Exactly. It is our aim to have all of our plants go into operation on the 15th of August in the next few years. We want to provide the planters with deliveries of suitable seed potatoes in the fall. For every quintal, they will give us back next year 1.5 quintals of potatoes of the appropriate varieties, which in the middle of August will be ready for processing. This is extremely important, both from the standpoint of being able to start up additional production and from the standpoint of economic results, because the campaigns conducted during the winter were a total waste of raw materials. There were cases where for one ton of starch, over 20 tons of potatoes were used. Where normally 6 tons are used, with the earlier varieties, which contain less starch, 7 to 10 tons are needed. It is to the interest of the farmer and the national economy to use raw materials more effectively.

[Question] Does the industry have the materials of the quality it needs? As far as I know, there is a general shortage of high-starch varieties, particularly the early ones.

[Answer] Until 1968 the potato industry produced seed potatoes for its own needs. These potatoes contained over 16.5 percent starch. Now we are processing potatoes that contain 14.5 percent starch. We rely on several general-purpose varieties, such as Lenino and Uran. We have now obtained the right to reproduce seed potatoes. In the next few years we want to recover the position we lost, to restore starch to at least 15 to 16 percent.

[Question] You mentioned export. The country is tremendously hungry for foreign exchange currency. I believe that potato products could be a very strong point in obtaining this currency. But we have nothing to sell.

[Answer] This year the state made a great effort and imported 70,000 tons of potato flour, mainly for the needs of the pharmaceutical industry where it is used in the production of medicines. Unfortunately, we will be able to allot only 15,000 tons for export this year.

At one time we traded in potato flour with 27 countries. We sold 80,000 tons a year. Now we have restricted ourselves to 5 or 6 of the traditional sales markets, which we do not want to give up, despite the fact that we are not fully covering the requirements of domestic industry.

[Question] I understand that this export is not too profitable. Perhaps, then, we should give it up.

[Answer] Why? If the Dutch, who trade in starch products with the whole world, find it profitable?! I think that we, too, should not back out of this. The French producers and the FRG also finds it to be profitable. Starch products are a profitable trade object, even though in our case they do not achieve the required indicators. But this is a matter of how you calculate. We are a force in the cultivation of the potato. We should take advantage of this on the world market.

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CAPACITY OF POLISH AIRLINES REPORTED

Actual Status of Polish Airline

Warsaw TECHNIKA LOTNICZA I ASTRONAUTYCZNA in Polish No 6, Jun 81 pp 6, 7

[Article by Dr Jan Lason: "Air Transportation of Polish People's Republic Against the Background of the Modern World"]

[Excerpt]

Actual Status of the Enterprise Polish Airlines LOT

Currently the Polish Airlines LOT [PLL LOT] maintain connections with about 50 foreign aerial ports (CEMA countries about 100) and receive on their airports over 20 foreign carriers, not counting charters and unscheduled flights. The air routes of PLL LOT extend for over 90 thousand kilometers. In 1979, the average distance of travel by our aircraft was: per one ton cargo—1,706 km (CEMA average 3,401 km), per passenger—1,401 (CEMA 2,407). The value of transportation and associated services to air transportation in 1979 amounted to 6.9 billion zloty.

Generally speaking PLL LOT have four kind of aircraft: two jet types—destined for medium or long range flights and two turboprop types—used mainly for domestic routes. In 1980 we had 45 civilian air transports: 8—IL-62 (including two IL-62M), 11—Tu-134 (including six Tu-134A), 17—An-24 and 9—IL-18. Altogether these aircraft coult accommodate a little over 3,800 passengers at one time. Average age of PLL LOT aircraft is considerable, about 60 percent are over 10 years old. Thus, because of their mechanical status the oldest types and those which are overused will have to be withdrawn from service in the near future, these aircraft are principally An-24's and IL-18's which form the largest segment of our fleet. For the withdrawal from service of these oldest and uneconomical aircraft also speaks their unproductivity, low degree of passenger services and comfort status and the increasing costs, per passenger, or per unit of freight. To the newer types of PLL LOT aircraft belong the jets: Tu-13A and IL-62M. The latter has an improved comfort level of the passenger compartment and consumes less fuel per one flight hour, as compared to IL-62, mainly because of utilization of more efficient engines. In domestic flights the An-24 and IL-18 aircraft do not provide an actual degree of passenger comfort, on the long distance lines the IL-62 and IL-62M cannot compete with Western carriers who use modern, wide-body aircraft with more cargo space, with a higher state of the art and which are more economical.

From the foregoing it becomes apparent that there's an urgent need for the rotation of the PLL LOT flying inventory in order to obtain new, economical transport aircraft. For intercontinental service we need far better aircraft than the heretofore used IL-62M, something in the class of DC-10 or B747D. On the intermediate range lines the most economical aircraft appear to be the so-called airbuses, for example A-310 or IL-86. We also lack aircraft for freight transport, like the IL-76, which are capable of large, single cargo movement (up to 40 tons) to include perishable food articles--because of special refrigeration facilities. We also do not have a capability of flexible manipulation of aircraft inventory which could be adapted to situational changes in domestic or foreign air transportation situations. From the statement made by M. Sierakowski, it appears that during 1981-1985 PLL LOT will receive four IL-86's (of which two will be delivered in 1981), with the proviso that their actual utilization will not begin until 1982-1983. Also planned is the introduction of YAK-42 aircraft and other types in connection with foreign firms. In the sharp competition with foreign air carriers PLL LOT is facing even more difficult times, mainly in connection with a well founded, economical use of the more expensive, larger capacity transport aircraft which are currently being introduced. These are very difficult tasks, though necessary ones for the development of our country which, from among 180 countries in the world is not a separate island but is in competition with them in the achievements of civilization among which is also air transportation.

Plans For Development of Polish Airlines

Warsaw TECHNIKA LOTNICZA I ASTRONAUTYCZNA in Polish No 7, Jul 81 pp 8, 10

[Article by Dr Jan Lason: "Air Transportation of the Polish People's Republic Against the Background of the Modern Word (II)

[Text]

Development Program of Polish Air Transportation

The Polish air transportation development program which was prepared at the onset of the seventies, by the Committee for National Space Management of the Polish Academy of Sciences, provided among others for 1970-1990 period for deliveries of modern transport aircraft and for construction and expansion of civilian airports. According to a forecast, prepared by this Committee, concerning the development of transportation in Poland until 1990, the domestic air transportation was to increase form 0.9 million passengers in 1972, to 6 million passengers in 1990 (Table 6) [14].

For over thirty years the technical and economic circles speak with one voice for a better and more energetic development of Polish civil aviation, despite consistent efforts by the opponents to cut down these proposals. Many articles appeared, during the sixties, which described the effectiveness and future prospects of this mode of transportation as well as its social and economic advantages. The same also applies to the later years. For example, working teams of the Committee for Science and Technology, at one of their meetings in August 1971, also have indicated a need for development of the transportation net, taking into account those heretofore neglected means such as aviation. At the beginning of the seventies we had a rather optimistic vision for Polish aviation development. The, at that time, Minister of Communications Mieczyslaw Zajfryd, speaking for the publication "PERSPEKTYWY" stated: "No later than during 1981-1985, the entire international transportation

should have been moved from the Okecie airport to the newly constructed airport near Warsaw, which will be equipped for transcontinental service and for all types of medium and long range aircraft."

TABLE 6. Prognoza rozwoju transportu w Polsce

Rodzaj transportu (1)	(2) [illegible]		
	(3) [illegible]	(4) [illegible]	(5) [illegible]
[illegible] (6)	[illegible]	[illegible]	[illegible]
[illegible] (7)	[illegible]	[illegible]	[illegible]
[illegible] (8)	[illegible]	[illegible]	[illegible]
[illegible] (9)	[illegible]	[illegible]	[illegible]
[illegible] (10)	[illegible]	[illegible]	[illegible]

Table 6. Forecast of transportation development in Poland

1. Type of transportation
2. Domestic passenger transport in millions of passengers
3. Year 1972
4. Year 1990 (projection)
5. Growth
6. Urban transportation
7. Suburban transportation
8. Railroad transportation
9. Air transportation
10. Water transportation

Unfortunately these intentions and forecasts remain nothing but words. Bureaucratic machine and dillettantes in the area of aviation planning and development for the country caused that the most justified resolutions and forecasts and worthwhile postulates of economists remained principally paper declarations. Stemming from this, lately, one can observe a regression of air transportation in Poland, as it pertains to the degree of its development and comparability to world-wide programs. Independently of this generalized policy of the state, as it was justifiably stated by B. Rzeczynski [15]: "The Ministry of Communications owes us an answer as to why was the plan of aviation infrastructure and transportation system development not realized by 1980." It is difficult to understand from where do we get such a scornful relationship towards air transportation in general and the domestic airlines in particular which—according to the experts—experience a 20 percent yearly increase in demand. Meanwhile, as it becomes even more apparent from the heretofore submitted solutions, neither the airport net, or airport facilities nor the number of aircraft or their quality are undergoing any beneficial changes as compared to the world-wide aviation development. As it was already stated, the decisions concerning Polish air transportation must be undertaken with an appropriate lead time since they will decide if PLL LOT will be able to withstand competition, make up for the neglect, create conditions for further development and will come nearer to the world average in air carrier statistics.

Taking into account the critical situation in our civil aviation, on 28 November 1978, the then Political Bureau of the Central Committee PZPR examined information pertaining to the status of our civil aviation and the prospects for its development. Among many projects deserving particular attention is a recommendation to build a new, international aerial port in the vicinity of Warsaw, to expand the technical-exploative rear base (support facilities) of civilian airports and to purchase airbuses IL-86 and domestic commuter aircraft An-28. It has also been

determined that the PLL LOT transportation capability on foreign routes should be doubled by 1985. From the available information data it appears that PLL LOT will be introducing exclusively jet aircraft which insure greater passenger comfort and a more economical fuel consumption.

All this should be considered as being rather half-measures when compared to the dynamic development of air transportation in the contemporary world. Towards the end of the seventies and into the eighties there still was no comprehensive prepared program for the future development of Polish air transportation. Thus, fast and rational decisions are needed which would aim at making up the lost time and speed up the development of this mode of transportation services. On the eve of the 5-year plan, with respect to years 1981-1983, the investment amounts are not known, there is a lack of final confirmation for all decisions pertaining to the aerial inventory view concerning the problem of integration of institutions and services supporting air transportation. These and other unknowns make it presently very difficult to describe precisely the actual needs in the area of Polish air transportation infrastructure, crew training for the new types of aircraft, planning for modern airport facilities, etc. An extended period of such data uncertainty will result in us cutting through the limb on which we are "sitting."

Conclusions and Suggestions

--Even in view of the difficult economic situation of the country one cannot any longer treat the Polish air transportation like a stepchild, this will lead to even more serious social and economic consequences. Our national ambitions should be able to liberate simple and complex reserves in this area and become a great creative force aimed at the progress of civilization in which the time factor is regarded as the deciding factor in the development of societies. In this development, principally in the race with time and space, Poland is not a separate island; we enter in ever increasing measure those foreign markets which are concurrently in competition among themselves. This competition and the development of the international division of labor, together with individual affluence, will force those particular countries, Poland among them, to a widening and intensification of air transportation in order to be able to stand up to the competition at home and abroad. Therefore, we must aim not only at achievement of world norm in aerial transportation but to project our thoughts into the future in order to be able to equal the rapid development of modern world's civilization.

During the eighties--regardless whether someone likes it or not--in the area of air transportation, Poland should place herself in, at the least, the third ten-percentile (currently we are in the fifth) on the world scale. For this we need not only desires and declarations but a change in the heretofore practiced system of investment outlays expenditures, in order to increase them in the area of air transportation share with a corresponding reduction and limitation of expenditures on: production of raw steel, ineffectual and unnecessary administrative investments (in this chiefly for intermediate, useless (administration) branches, duplication of functions, bureaucratism, etc), excessive propaganda, etc [16]. From a survey of available materials it becomes apparent that investment outlays for socialized transportation (and communications) are much lower in our country in comparison with other sectors of economy and also in reference to other progressive countries. The indicators point to an increase by 15 percent in those investments, on a yearly scale, mainly for air transportation. During 1976-1978, they amounted to 9.4 per-

cent, during 1971-1975 it was considerably more, i.e. 11.6 percent. Pointing in favor of this action is our 10th place in global material production, a leading place in the exploitation and mining of geological raw-materials, our relatively highly developed industry, a large share in international exchange and many other indicators. But we should no longer camouflage the negative aspects of Polish air transportation, it is necessary to publish in ROCZNIK STATYSTYCZNY of the Central Statistical Office (GUS) and in other publications the true actual data to include investment outlays for this mode of productive services.

—It becomes apparent, from the discussion, that despite the fuel crisis and the very high cost of civilian aircraft purchase and utilization, also of construction and modernization of airports, air transportation is continuously undergoing dynamic development and that the prospects for this mode of transportation are rather optimistic. This is chiefly due to technological and scientific progress which goes on in aviation and in the benefits reaped from air transportation which is becoming increasingly less costly and more accessible. Air transportation either saves or brings into the treasury considerable foreign exchange and exerts influence on the growth of national income, it also stimulates international exchange of goods and secures necessary production services for the country, it also is a stimulant for tourist movement. Because of the foregoing the need for air transportation, even in Poland, is and will be increasing at a considerably faster rate than for the substitutes of other transportation forms.

The need for the services of air transportation will keep on increasing dynamically because domestic and foreign tourism are on the increase as well as the numbers of people who desire faster and more comfortable travel and a more effective utilization of their leisure time, away from their professional chores. Another real reason is a more effective utilization of the nominal work time whose societal value keeps on increasing. For example: while the societal value of one hour of a statistical clerks work was, in Poland, 26 zloty in 1970, in 1985 it will be over 32 zloty. There is also a great need for air freight transportation, presently PLL LOT participate in only one half of air freight transit of our goods. Our goods are often brought up by different transportation modes to foreign aerial ports and from there are sent on by air freight over the ocean, it seems that every Pole would wish that we could move as many goods as possible, not by transit but directly from Polish airports and on Polish aircraft. Unfortunately in order to accomplish this we need modern and economic aircraft and corresponding airports and we do not have either. This makes for high costs in foreign exchange, which does not flow into the country as would be the case if we had our own aircraft and airports at our disposal.

—From the actual status of the PLL LOT enterprise it seems that things are not at their best in our aircraft inventory. From among the carriers belonging to IATA the PLL LOT flying inventory constitutes 0.1 percent (at the beginning of the seventies it was 0.5 percent). Polish transport fleet is too small and too old, for example 60 percent of the transport aircraft are over 10 years old and are in need of being recalled, in particular the older type machines such as An-24 and the IL-18. Aircraft employed on short and medium routes are uneconomical and the passenger comfort is disheartening. On the long routes even the IL-62M aircraft cannot stand up to the competition with the Western carriers who use the more economical wide-bodied aircraft which, additionally, are aircraft of a higher state of the art. We also lack aircraft for specialized freight movement including that of moving perishable goods. Containerization has been introduced far too slowly in our aviation, even

though IATA awards tariff relief for it. We also lack sufficient numbers of transport aircraft which could be rapidly and expediently adapted to varying transportation contingency needs.

A brief survey shows that the problem of qualitative and quantitative status of PLL LOT aircraft is so immense that a solution cannot be postponed, this problem threatens serious socio-economic consequences for Poland and may result in us becoming a backward country with respect to the civilized nations of the world. The present plans for augmenting the PLL LOT inventory with some transport aircraft like IL-86, An-28 and YAK-42 could be a good, though insufficient and not the best indicator and a green light for Polish air transportation and help it achieve its rightful place in the world and in the national economy structure.

--Polish air transportation makes a poor showing on the world scene and because of that even is some scientific publications it is either omitted or listed in the "others" column. As a result of insufficient investments in this area Poland has noticeably worse indicators (except for the 1971-1975 period) on the world scale and among the CEMA countries. In recent times many countries which are poorer and have smaller populations and area than us have surpassed Poland in their dynamic development of air transportation. In 1978, Poland participated in the regular, worldwide air transportation as follows: passenger transport (passenters per kilometer)--0.26 percent, freight movement (tons per kilometer)--0.11 percent. Also unprofitable for Poland are the statistics pertaining to freight movement in ton/kilometers per one statistical inhabitant of the country: Switzerland--68.4, Netherlands--58.6, Belgium--38.9, Sweden--24.5 Romania--6.7, Greece--6.4, Bulgaria--3.9, GDR--3.8 and in Poland--0.9. The picture in passenger transportation, expressed in passenger/kilometers per 1,000 square kilometers of nations surface is as follows: Netherlands--302, Switzerland--280, Belgium--150, Portugal--36, Greece--35, Bulgaria--19, GDR--17, Yugoslovia--11, Romania--9 and in Poland--8. Any comment becomes superfluous and constructive conclusions should be self-evident.

--It is high time to think seriously about the future of our aerial ports, mainly Warsaw-Okecie and Gdansk-Rebiechow. It appears that we do not appreciate our geographical location, that is to say the prospects offered by air communications lines. "Some powers" prefer to spend money on cosmic research and space travel rather than on earthly matters i.e. construction and modernization of civil airports which are indispensable for social and economic needs. However, the construction of these, expensive as they are, airports with an annual transit capability of 4-7 million passengers, and about one million tons of freight, appears to be the key matter which will decide on the further development of Polish air transportation. It is no longer realistic to deter further the development of an airport base because of lack of funds or the critical economic situation of the country. There are smaller and poorer countries (for example Denmark or Bulgaria) who are constructing new airports and are dynamically developing their air transportation.

With regard to the difficult national [economic] situation we could sublet the construction of a new airport, near Warsaw, to a foreign aviation firm or--as it was done with the Shermentovo-2 aerial port--let a Western firm have an "exclusive" contract to build such an airport. This would considerably shorten the time, from 5 to 2.5 years, when the airport would be completed. Another possible: because of the critical national situation it could be possible to issue national debenture bonds earmarked for the immediate start of work connected with construction and moderniza-

tion of aerial ports in our country. It would also be a possibility to create a public fund, just like the one proposed by the shipyards workers' for the rapid exploitation of natural gas and petroleum oil in the Koszalin region, or even to have the government set aside a sum of money to the account of Ministry of Communications, and they would pay off that sum from air transportation income. Still another way would be by limiting unnecessary, material intensive expenditures (like Huta Katowice steel mill) in order to free investment outlays. Once the need for the development of air transportation is understood then the means for the construction and modernization of airports can be located.

It is difficult to answer the question, at the present time, if we are indeed looking at a prospect of dynamic and realistic development of air transportation in Poland. Few newly acquired planes would increase the flying inventory of PLL LOT, however, with the current, unsatisfactory condition of civilian airports we will not be able to unfurl our wings the way we would like to do it now. Construction of a modern airport is costly and time intensive. For instance a decision regarding such construction must have about five years lead time, the actual realization of the enterprise may take several, or even a dozen years. Until the end of 1980 there was no comprehensive, long range program for the developmental dynamics of Polish air transportation. This is having a negative influence on work organization and on a detailed preparation of the internal organization of the particular enterprises and institutions pertinent to this mode of transportation. There are no prospects for economical deliveries of planes with intercontinental range. Also it has not been determined if we will use intercontinental aircraft for freight or general transportation. Up to the present time there are no decisions pertaining to future optimalized structure of Polish air transportation or for its comprehensive infrastructural development iwth a veiw to the future. Therefore, we need speedy and thoroughly thought out decisions which would aim at a rationalization of our activity.

9511
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ROMANIAN REPRESENTATIVE CALLS FOR GREATER CEMA COOPERATION

Bucharest ERA SOCIALISTA in Romanian No 15, 5 Aug 81 pp 1-4

/Article by Nicolae Constantin, deputy prime minister of the government, permanent representative of the Socialist Republic of Romania in CEMA: "Romania's Active Participation in Development and Improvement of CEMA Collaboration"/

/Text/ A decade ago the 25th Session of CEMA, held in Bucharest, unanimously approved the General Program for Intensification and Further Improvement of Collaboration and Development of the Socialist Economic Integration of the CEMA Member Nations.

Initiated by decision of the 28th (Special) Session of the Council, which was attended by the heads of the communist and labor parties in the socialist CEMA countries, the General Program was drafted by the collective efforts of those countries in more than 2 years of intensive work.

In its content the program applies the experience acquired in the two previous decades in the field of expanded reciprocal economic collaboration, and it also sets the guidelines for intensification and further improvement of this collaboration for a new period of 15-20 years.

As a founding member of CEMA, Romania played and active part in drafting this basic document for the council's activity and greeted its approval as a high point in the history of the manifold relations among the member nations. As the decision ratified immediately after the 25th Session of CEMA pointed out, "The RCP Central Committee, the State Council and the Council of Ministers attach particular importance to the General Program, the provisions of which are intended to expand cooperative relations in CEMA in order to enhance the economic potential of every participating country, to accelerate the growth of the productive forces in all the member states, and to relate and gradually equalize their levels of economic development for the greater unity of the socialist countries."

I. As a document basic to development of all-around economic collaboration among the CEMA countries and to improvement of the council's activity, the General Program is important because it crystallizes the essential principles, standards and objectives of collaboration, determines the areas, methods and specific forms of collaboration, and establishes a whole series of priority programs for cooperation in production, science and technology to be implemented by the member countries in a first stage of this program.

Accordingly the CEMA countries, in pursuance of the provisions of the organization's charter, agreed to base the whole structure of their all-around economic and technical-scientific collaboration upon the principles of socialist internationalism, observance of state sovereignty and national independence and interests, noninterference in the nations' internal affairs, full equality of rights, mutual benefit and friendly mutual aid. On the basis of these principles it was determined that collaboration among the member nations is to be based upon free consent, that it will not be accompanied by formation of supernational organs, and that it will not interfere with matters of internal planning, financial activity or economic administration of national organizations.

As specific objectives of mutual collaboration, the General Program attaches first importance to meeting the growing long-range requirements of the member nations' economies for fuels, energy, raw materials, equipment, modern technologies, agricultural food products and industrial consumer goods, especially through joint construction of large production capacities.

Special emphasis is placed on expansion of mutually beneficial specialization and cooperation in production and on further involvement of the industrially underdeveloped countries in that activity, especially in the peak sectors and subsectors of modern technology.

The main objectives of collaboration entered in the General Program also include expanded cooperation in scientific-technical research, joint treatment of highly urgent problems in that field, intensified exchanges of technical-scientific advances, faster expansion of reciprocal trade and its greater effectiveness.

Approximation and gradual equalization of all CEMA countries' levels of economic development are decribed in the General Program as vitally urgent objectives of the member countries and their mutual collaboration that are to be taken into consideration in all areas and forms of that collaboration.

In the 10 years since the General Program was approved, the CEMA countries have achieved important results in implementing its provisions and especially in concluding and implementing a large number of accords and agreements for specialization and cooperation in production, in joint construction of a number of important economic capacities, and in solving problems of scientific-technical collaboration. As it was noted at the recent meeting of the CEMA Session, expanded and intensified mutual collaboration increased the exchanges of goods among the CEMA countries by 3.3 times in 1971-1980, and the total volume of these exchanges reached 121 billion rubles in 1980. Among these exchanges the volume of reciprocal exports of specialized machine building products increased from 1.3 billion rubles in 1971 to 9.1 billion rubles in 1980 and their share in the total deliveries of machinery and equipment among the CEMA countries reached 34 percent.

II. Effective implementation of the principles and aims specified in the General Program has been and still is of particular importance to socialist Romania in its all-out effort toward overall development and modernization of its national economy on the basis of the latest advances of human knowledge and toward transition from the stage of a developing country to that of a medium developed country as a strategic aim specified in the RCP Program. For these considerations and in full accord with its main position, Romania has made consistent efforts to carry out the provisions of

the General Program and of the special programs for long-term collaboration, which were drafted in the specification and development of the document approve a decade ago.

Romania's interest, initiative and resolve in this direction are definitely reflected by its participation in the implementation of more than 200 multilateral agreements concluded by the CEMA countries concerned for international cooperation and specialization in production, and especially in machine building and the chemical industry; joint construction of large production capacities in the pulp, asbestos and ferrous alloys industries and exploitation of a deposit of natural gases in the USSR, as well as construction of a nickel and cobalt plant in Cuba, Romania to receive in exchange the agreed quantities of the outputs of those units; collaboration with partners in the other CEMA countries on the basis of more than 100 agreements for collaboration on particular research and development problems and in laboratories, collectives and international institutes for scientific studies; and the formation by the CEMA countries of many specialized international economic organizations and unions wherein Romania is active on behalf of an efficient and active cooperation in various fields.

And finally, participation in all these multilateral programs as well as the constant expansion of Romania's bilateral economic and scientific-technical relations with the other CEMA countries are reflected by the volume of reciprocal trade exchanges, which increased by 3.5 times in 1871-1980 at an average annual growth rate of 13.3 percent.

Successfully implementing the decisions of the 11th RCP Congress, Romania has logged great progress in its socioeconomic development. In 1971-1980, its social product increased by 2.3 times, its national income by 2.4 times, its net industrial output by 3 times, its agricultural output by 1.6 times, and the total incomes of its population were doubled.

All these achievements, as well as the prospects for Romania's economic development in the current five-year plan and in the period up to 1990 provided by the 12th Party Congress, create extensive opportunities for intensifying cooperation in production and exchanges of goods, primarily with the neighboring socialist countries and with all the CEMA countries. In this connection Nicolae Ceausescu said in his speech at the Second Congress of Workers Councils that the current five-year plan calls for "further expansion of relations with the CEMA countries and intensified specialization and cooperation in production within that framework, for increasing satisfaction of the mutual needs for raw and energy-bearing materials, materials, machines, equipment, etc. I wish to mention that there is still much to be done in CEMA in this respect and that we shall try, jointly with the other states, to improve the effort toward these ends."

For this purpose and in view of the importance of developing economic cooperation in CEMA, the party secretary general renewed his proposal at the beginning of last year to organize a conference of secretaries general of the communist parties in the member countries to discuss the problems of improving collaboration.

III. In evaluating the general results already obtained in implementing the provisions of the General Program and their contribution to the accelerated socioeconomic progress of the member countries, it must also be said that those results are not commensurate with the progress they have made in the last decade in strengthening their industrial, scientific and technical potentials, in expanding and modernizing the

production capacities in the main sectors of their national economies, and in assimilating manufacture of products on a high technical level. As it was also said at the Sofia meeting of the CEMA Session, some important objectives specified in the General Program have not been entirely accomplished, nor has full use been made of the possibilities it offers for solving some vital problems upon which implementation of the economic plans now depends, as well as the greater effectiveness of social production and the growth of labor productivity in every one of these countries and acceleration of the process of correlating and equalizing their developmental levels.

That is why the CEMA Session concluded that the aims and objectives of collaboration specified in the General Program are also urgent for the future and requested the CEMA organs to concentrate their entire attention upon more effective collaboration especially in the fields of material production and science and technology.

In this connection, meeting the member countries' growing requirements for fuels, energy, raw materials and materials has been and still is a vital objective of collaboration. There were a number of nonfulfillments in this crucial area in the last decade, which were noted during the proceedings of the recent meeting of the CEMA Session. Concerning Romania, the contribution of collaboration to its requirement for fuels, mineral raw materials and metals has declined from about 47 percent at the time the General Program was approved to only 21 percent at present, necessitating considerable efforts to procure those products from third countries for payment in convertible currency.

So far the results of coordinating the national economic plans for 1981-1985 have not served to solve this problem, since the volume of reciprocal deliveries agreed upon for the current five-year plan is short of the requirements for further development of the Romanian economy. The volume of Romanian imports of coking coal, metallurgical coke, copper and cast iron is less than in 1980, and imports of crude oil and electric power have not yet been agreed upon. This means Romania will have to buy most of its required imports of fuels, raw materials and metals from third countries in this five-year plan, with payments in convertible currency. Of course this situation will inevitably affect the extent of Romania's participation in collaboration with the CEMA countries.

In order to prevent such a development, the Romanian delegation to the recent CEMA Session emphasized continuation of the joint efforts to find viable solutions to this problem and effective implementation of the respective provisions in the General Program and the special program for collaboration in this field and of the decisions previously approved by the CEMA Session.

And so it would be particularly important to expedite the negotiations to settle the specific terms for collaboration in prospecting and exploring for crude oil and the natural gases, in developing the capacities for iron ore and pulp, and in expanding extraction of coals, copper, nickel, phosphorites and other mineral raw materials. And it would also help to emphasize these problems in drafting proposals to supplement the special program for long-term collaboration with new cooperative actions, especially to build production capacities that will more fully meet the member countries' economically substantiated requirements.

As for Romania, it has confirmed its interest in participating, on terms of equality, equity and mutual benefit, in development of additional production capacities in the CEMA countries with resources through deliveries of equipment and materials and

through technical aid, including the necessary manpower, in order to more fully meet its needs for the said products and to considerably reduce its imports of such products for payments in convertible currency.

Collaboration in more complete use of existing production capacities is another important solution to this problem, with favorable effects upon growth rates of the national economies and proportioning of the investments and upon exchanges and cooperation as a whole. Romania for example has the production capacities to process 8-10 million tons more crude oil a year as well as other petrochemical raw materials, delivering in exchange products obtained from those materials or other products, and it made specific proposals for this some time ago. Romania also has capacities for additional outputs in the aluminum and cement industries, if supplied with sufficient quantities of fuels, energy and raw materials by the countries concerned.

A consistent effort to more fully meet the CEMA countries' requirements in the abovementioned areas would enable those countries to set a graphic example of joint solution of a very far-reaching problem facing a great many countries throughout the world under the conditions of the present worldwide economic and energy crisis.

IV. Intensified specialization and cooperation in production, especially in machine building and other peak industrial sectors such as electronics, electrical engineering and chemistry, is another consideration of great importance to the member nations' accelerated industrial and technical progress and further collaboration.

Although important results have been obtained so far, they cannot be considered commensurate with the progress these countries have made in industry.

As for Romania, its position in the CEMA division of labor or in specialization and cooperation in machine production is not in keeping with Romania's industrial level or the Romanian people's efforts toward industrialization. Consequently the products that consume much energy, metals and materials still predominate in the structure of Romanian exports of machinery and equipment, while products of the electronics and precision machinery industries amount to less than 1 percent of Romanian deliveries of specialized products. Romania's per capita exports of machinery and equipment in reciprocal trade are 5-6 times less than the exports of comparable products by most of the European socialist CEMA countries.

Meanwhile Romania cannot entirely supply, within CEMA, its requirements for a number of investment commodities such as mining and energy equipment, installations for the metallurgical and chemical industries, multipurpose assemblies, machine tools for metal processing by unconventional methods, heavy and special machine tools, industrial robots and manipulators, etc., which it still has to import from third countries for payments in convertible currency.

In general the socialist countries must annually import a considerable volume of machinery and equipment from third countries for convertible currency, although they have real possibilities for joint organization of production and intensified exchanges of complex products on a high technical level. Expanded specialization and cooperation is the main route to solution of this problem and stimulation of their cooperation as a whole. In this area three policies must be pursued with great perseverance: first, preferential treatment of some sectors, subsectors and new or scarce products on a high technical level and of great complexity; second, agreement upon and joint construction of production capacities for the new types of equipment and

installations; and third, the necessary provision for a more pronounced increase in reciprocal deliveries of specialized products. As it was stated in the General Program, in all these cases priority and greater opportunities must be given to the underdeveloped CEMA countries with manpower and technical potentials to enter into these activities more intensively.

As for Romania, it has large and modern capacities for making electric and diesel-electric locomotives, trucks, dump trucks, tractors and products of the electronics and electrotechnical industry that enable it to intensify its exchanges and to expand specialization and cooperation in production with the other CEMA countries. Moreover Romania is interested in cooperating with other CEMA countries in building new capacities on its territory, in peak sectors, by forming mixed companies and promoting other ways of combining the interested countries' efforts.

In order to enhance the contribution of technical-scientific collaboration to the solution of the major problems of economic, scientific and technological progress in the CEMA countries in view of the worldwide explosion of advances in human knowledge, cooperation in this field must be concentrated on such priority problems as development of technologies for rational management and better processing of mineral raw material and energy resources, production of highly productive equipment to reduce inputs of resources and to make better use of them, design of machine systems for complete automation and control of production processes, and assimilation of new materials and products with superior technical-economic characteristics and competitive power on the world market.

One problem which the member countries have agreed to solve in the first years of the General Program but which has not yet been solved is adequate stimulation of production and export of agricultural and food products by means of prices and other economic levers. Preparation and promotion of effective measures and programs for collaboration in this matter would help to improve supply of the CEMA countries' populations with these goods and they would stimulate the growth of trade exchanges and favorably affect these countries' socioeconomic development itself.

For Romania, expanded collaboration and cooperation with the other CEMA countries is also vital from the standpoint of the necessity of a more pronounced increase in its trade exchanges with those countries. Despite the efforts and specific proposals to expand these exchanges that Romania has made over the years, the share of the CEMA countries in Romania's total foreign trade declined from about 50 percent in 1970 to 34 percent in 1980. For this five-year plan, Romanian originally intended to double the volume of its trade exchanges with the other CEMA countries and submitted new proposals for cooperative production and reciprocal deliveries for this purpose. The proceedings to coordinate the plans allowed an increase to be expected of only 38 percent in these exchanges in 1981-1985. Therefore, on the basis of the understandings reached on the level of the party and state administrations, Romania is continuing negotiations with other CEMA countries in order to accelerate the growth of trade exchanges in this five-year plan and is trying to arrange such negotiations with all the socialist countries.

CEMA has a very important part to play in solving the foregoing problems, as well as its representative and operational organs and the other international economic organizations formed by the member nations. They are called upon to concentrate all their efforts on seeking and finding the most effective and efficient solutions and on initiating specific programs for collaboration and cooperation in production that will

meet with the approval and participation of all the interested member nations and will provide terms of equality, equity and mutual benefit for all the partners. By acting in that way the organization for collaboration will really perform its mission and will considerably enhance its contribution to the joint solution of the far-reaching problems of socioeconomic progress facing the member nations at the start of this decade. And by resolute action in the said directions to implement the agreed upon objectives and programs, the CEMA countries will conclusively prove the complete viability of the document approved a decade ago and the effectiveness of their collaboration and of CEMA's activity, thus enhancing the prestige and power of attraction of socialism throughout the world and substantially contributing to the consolidation of detente, peace and cooperation in the whole world.

As for Romania, as Nicolae Ceausescu has pointed out on many occasions it is resolved to make its full contribution in the future as well to collaboration in CEMA so that the work of that organization will set a true example of equitable relations and fruitful cooperation among free and sovereign socialist states and will lend a new impetus to socialist and communist construction.

In emphasizing strengthened friendship and cooperation with the socialist states and with all peoples building the new order, Romania is also militating for stronger relations of solidarity and collaboration with the developing and unaligned countries, promoting, in the spirit of peaceful coexistence, economic and scientific-technical relations with the developed capitalist countries and with all states of the world regardless of social order, and actively participating in the international division of labor and in the worldwide exchanges of material and intellectual values, thus contributing to the construction of a new international economic order and to the creation of a better and more just world.

5186
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DEFICIENCIES IN PREPARATIONS for 1982 INVESTMENT PLAN

Bucharest REVISTA ECONOMICA in Romanian No 41, 9 Oct 81

[Article by I. Mihai]

[Text] Implementation of the investment program requires continual concern with preparing each goal forecast so that the new production capacities are carried out on schedule and under conditions of high efficiency. In this context there is special importance in placing the investments into operation on and even ahead of schedule, investments intended to raise the energy potential and fuel resources, determined by the need for us to develop our own base of raw materials and energy resources.

Appropriate preparation of investment projects in this area requires ensuring the conditions needed for continuity in the normal flow of activity on the jobs being carried out and, at the same time, beginning new jobs planned within the schedules forecast in the timetables approved. Especially since the investments tie up large material and financial resources for the entire duration of the job, whose positive effects are felt only after the jobs have been completed and the new capacities put into operation.

In order to carryout the investment programs it is necessary both to substantiate on the basis of strict analysis the timeliness and efficiency of them as well as to have concern with creating all the material conditions needed to implement them on time. Taking measures which ensure preservation of a balanced working front and permit the building and start into operation of the new investment projects in the shortest possible time--as thus specified in the legal regulations (for jobs in the competence of approval of the enterprises and centrals it is 9 months, 12 months for those in the competence of approval of ministries and 24 months for those approved by presidential decree)--is an important means for increasing the contribution of the new capacities to raising the base of raw materials and the country's energy base as well as the national income.

Valuable Experience--Broadly Extended

Experience until now has confirmed that when the problems in placement, technical-economic documents, building capacity and technological equipment have been solved on time for new investment projects , the investments are carried out within the schedules forecast in the timetables, while the period during which the material and financial resources are tied up in the new investments is minimal. Ensuring the necessary conditions has made it possible in the first 9 months of 1981 to place into operation, within the schedules planned, a large number of production capacities in all

branches of industry, including energy and fuel industries. Among these capacities we should mention the stage III thermoelectric energy sector and No 3 basic steel works, both at the Galati Iron and Steel Combine; the Pestesna-Gorj pit; the opening and start into operation of the Amaradia-Tiriia mining field (500,000 tons of lignite per year in the first stage); a capacity of 2,000 tons/year of technological equipment for mining jobs and heavy mining hydraulic equipment at the Filipesti-Prahova mining equipment enterprise and so forth. By their profile these capacities are participating either directly in increasing the extraction of coal and other fuels or in increasing the capacities in the branches of the extraction industry by supplying them with new equipment.

At the same time, it should be shown that a number of large production capacities could not be placed into operation within the schedules forecast, particularly due to failing to ensure the working front which would permit the assembly of the equipment and installations to start on the dates included in the timetables or the failure of the domestic and foreign suppliers to deliver certain technological equipment in conformity with the contractual obligations. This is the case of the capacities intended to extend the Borzesti electric power thermification central, the Slatina hydroelectric power central on the Olt River, the Moldova Noua mining operation and other capacities forecast to be placed into operation this year or, for some of them, behind from 1980. Due to the failure of the supplying plants in the Ministry of Machine Construction Industry to deliver equipment on schedule in most cases, or the existence of defects found during technological testing, they could not be placed into operation on time, its being necessary to reprogram the initial timetables.

Of course, the nature of the preparatory jobs for each project separately varies depending on the stage of building and each one's particular features. The preparation for a normal flow of activity also raises other problems for the investment projects being built, for which a 1982 start into operation is forecast, problems such as the following:

Having the builders provide the working front, which would permit the assembly to begin within the schedules forecast in the timetables and, correlated with this, providing base per onnel for operation, personnel who, along with the assemblers, would participate directly in assembling the main technological equipment and installations;

Creating the conditions needed to do the breaking in hot and cold, as well as the tests for placing the new capacities into operation on schedule and within the periods forecast in the timetables;

Having the holders and beneficiaries resolve all the cooperation connected with providing the raw materials, materials and semimanufactured items, electric energy, fuels and other utilities, supply and access networks, as well as other problems which are conditions for operation of the new capacities at the parameters approved within the shortest periods of time from the time they are placed into operation.

A Major Requirement: Speeding Up the Contracting and Delivery of Equipment

Analyzing the stage of preparation of the investments which are to be carried out in 1982, we find that during this September a large volume of jobs was not fully ensured with the technical-economic documents and technological equipment. So, less than half of the number of new investment projects, whose building is forecast to start this year (in order to provide the working front needed next year), had their order notes approved, while the building designs from this viewpoint were in even less

favorable situations. Of the 30 investment projects having the Ministry of Electric Energy as the holder, projects whose building is forecast to start this year, only 19 had their building designs approved at the start of last month. And similar situations exist at other ministries, too.

The situation is not exactly satisfactory with regard to providing the new investment projects with technological equipment, including the equipment and installations produced in Romania by our machine construction industry. At the start of September, only something more than half of the volume of technological equipment produced domestically and allocated for 1982 for the new investment projects were provided with technical-economic documents and only around 30 percent were contracted with the supplying plants.

A large volume of equipment needed for the new projects and forecast to be built next year was not contracted with the production enterprises, while the main domestic producer of technological equipment and installations for investments--the Ministry of Machine Construction Industry--at that date had only provided technical-economic documents for around 60 percent of the volume of equipment and contracts for approximately 80 percent.

In the extraction industry branches, where the investment capital is allocated in particular for creating new production capacities of raw materials and fuels needed to increase Romania's energy potential and for ensuring the conditions which permit a good flow of investment activity, although better than in other sectors, one may not say that it is at the required level. On the job sites of some very important economic projects, where concern continually has been demonstrated with ensuring high rates of building from the builders, beneficiaries and suppliers of equipment, the plan tasks have been fulfilled and in some cases even overfulfilled at the Rosia Jiu and Pestesma lignite pits, the Lupeni pitcoal operations, the Anina bituminous shale operations and the Amaradia-Tiriia lignite deposit, the Doicesti thermification electric power central, the Strejesti, Aricesti, Susag, Brezoi and other hydroelectric power centrals. On other job sites in the same branches, however, there are lags in the stage of building.

Generally, the reason lies in failing to provide certain equipment within the schedules correlated with the timetables for spreading out the investments. In this regard the case of the Anina electric power thermification central--Group No 1 of 330 MW is graphic, planned to go into operation this December, but which currently is reprogrammed to go into production in 1982. This reprogramming is the result of the failure to deliver 4,100 tons of electrofilters by the specialized enterprises in Bistrita, 1,100 high-pressure pipes by the Vulcan enterprise in Bucharest and so forth. Such situation, however, also are found at other jobs. In other cases, relatively minor problems such as, for example, failure of the supplying enterprise to deliver certain equipment within the schedules planned (electrical filters, automation panels to Turceni, supply pumps and others) contribute to delaying the start of some production capacities into operation, bringing to society large losses by maintaining material and financial assets in tie-ups and, by this, depriving the economy of certain products needed for domestic consumption or intended for export, by failing to include new workers in the production activity within the time forecast.

In the current situation, where the evolution of technical progress in the world is unrolling with such a lively speed, the economic result of which primarily is the substantial rise in labor productivity and, as the reverse, moral usage of the means of production built in previous periods, providing all the material conditions needed

for the planned new investment projects so that they can be built and placed into operation in minimum periods of time is a basic element.

Priorities of Action

Achieving a qualitative leap in the direction of creating the necessary conditions for recovering the lags for projects being built, speeding up the start into operation of production capacities forecast in the investment plan and using them at the technical-economic parameters planned are a basic task for all those working in this important sector of activity.

Taking into account the experience of previous years and the good results obtained on some job sites where, due to the measures ensured on time, the planned capacities were placed into production sometimes even before the time forecast in the timetables and taking into account the efficiency of the best measures adopted and applied within the times established and cooperation among the concerned factors, we see that the following are needed to have total fulfillment of the investment plan tasks forecast for the second year of this five-year plan:

Continuing to keep the most restricted possible working front in investment activity and concentrating priority efforts on the projects in an advanced stage of building, with a view to putting them into operation in as short a period of time as possible;

Speeding up the rate at which the technical-economic documents are worked out and advised on for the investment projects whose building is forecast to start next year and establishing timetables with firm schedules for the designers, beneficiaries, the notification organs and builders regarding turning over the documents and beginning the building, particularly for projects of special importance, such as the centrals on coal, capacities intended to recover materials and utilize new raw materials, utilization of secondary resources and so forth;

Speeding up the closing of contracts with domestic and foreign suppliers for delivery of technological equipment and installations, predominantly for those for which a delay in assembly affects the start of new capacities into operation as provided with production which was caught in the balance for domestic and foreign consumption; speeding up the deliveries of equipment contracted in Romania or imported, which are conditions for placing the capacities planned for 1982 into operation and, correlated with this, analyzing all the possibilities for assimilating as large a volume of technological equipment as possible for investments in Romania and avoiding the importing of equipment as much as possible;

Establishing on time the measures which permit the technological tests to begin on time, doing them within the terms set and creating the conditions needed for the new equipment and installations being placed into operation to operate at full capacity, providing a labor force for the operation and maintenance and qualifying it at the level required by the technological progress, raw materials, materials and equipment, and the sale of production domestically and for export and cooperation with other enterprises and so forth.

All investment factors must understand that only through strict coordination of efforts among the builders, suppliers of equipment and beneficiaries, correlated with providing the needed material-technical base, can the tasks in the investment area in general and those for developing the raw material and energy base in particular be fulfilled, tasks which the second year of the five-year plan is placing before our country's workers for the purpose of continuing to develop the national economy and raise all our people's well being.

8071
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INCREASED EFFICIENCY OF AGRICULTURAL INVESTMENT SOUGHT

Bucharest REVISTA ECONOMICA in Romanian No 41, 9 Oct 81 pp 5-6

[Article by Nicolaie Savu]

[Text] In the current stage of raising the entire Romanian economy, within which the problem has been posed of carrying out a new revolution in agriculture, the role of investment in the technical modernization of this basic branch of our economy is becoming particularly important. Actually they are the material support for fulfilling the goal of doubling Romania's agricultural production. Intensification of agricultural production, industrialization of labor processes in agriculture, the change of agricultural work into a version of industrial work and obtaining results at the highest world level require achieving a large volume of investments for extending all the fixed assets in agriculture on modern bases. Also, it should be stated that an optimum correlation must exist between the investments intended for the modernization of agriculture and those intended for development of the industry which produces the labor resources for agriculture, so that both categories can be turned to good account with maximum economic results.

World experience shows that the growth rate in general and the volume of investments intended for the technical modernization of agriculture are dependent on the general level of the country's economic development and, in particular, on the level of industrialization, with industry being the branch which supplies the labor resources required by the modern agricultural technology. This also becomes the source for financing a higher volume of investments for agriculture at a certain stage of development of industry, through the accumulations it achieves. This order of priorities in investment policy today is recognized as a law of economic growth, without respect for which a revolutionizing of the production forces of society cannot be carried out in general and in agriculture, in particular.

Regardless of their nature, the investments in agriculture have as their source the state's capital and the capital of the agricultural enterprises. Added to these, but with less importance, are the investments achieved through the population's contribution in work for various projects, such as those setting up flows of water in local interest and those for maintaining the riverbeds (investments which were 3.2 billion lei in the 1976-1980 period). Whereas the main source of investment for agriculture as a whole is the state's capital, in the cooperative sector the main source is the cooperative members' own capital. We feel that in the interest of speeding up the process of intensifying agriculture, under conditions of strengthening economic self-management in this branch, too, we need an increase in the role of investments from the people's own capital, with a view to amplifying interest in the fullest possible utilization of it.

Romania is among the socialist countries in which the investments for agriculture have risen and are continuing to record high growth rates and they represent a large share of total investments. The average annual volume of agricultural investments rose from 1.287 billion in 1951-1955 to 25.24 billion in the 1976-1980 five-year plan, with 155 billion lei to be invested in this five-year plan, the amount proposed and approved at the 2d congress of agriculture. The investments per hectare of agricultural land also have seen a similar growth, reaching nearly 1,800 lei, while the increase in investments per person employed in agriculture has registered a much faster rate of nearly 25 times in 1976-1980 compared with 1951-1955, which proves the rise in degree of technical supply of agricultural wori.

Despite this, we feel that efforts must continue to be intensified. Even if we supposed that an equal coefficient exists both in industry as well as in agriculture of the correlation of investments with net production, it would be useful for the more powerful development of agriculture, also taking into account the country's higher potential, for investments to be proportional to its contribution to creating the national income. Particularly because, although agriculture's share in creating the national income has diminished in the last three decades, agriculture still has not reached a similar correlation, despite the fact that during the three decades the gap between industrial and agricultural investments has been reduced more than seven times.

Precisely for that reason, starting in the 1976-1980 period, compared with the 92 billion lei forecast initially, the investments for agriculture were increased to 120 billion lei (of which 14 billion are from the agricultural cooperatives' own capital). On the other hand, starting in 1950, the volume of investments in agriculture rose at a higher rate (42 times) than the national economy as a whole (31 times) and even for industry as a whole (35 times). This policy should be continued and even emphasized because, as I was saying, the amount of investments for agriculture to be able to become proportional in the future to the portion of the national income created. However, we stress that in order to reflect reality in calculating investments for agriculture, also to be taken into consideration should be that portion of the industrial investments whose result is intended for agriculture.

Referring to the method of utilizing othe investments, we may proceed from the idea that it is a specific means of correcting the natural conditions in agriculture; a basic feature of a modern agriculcure is precisely the uniformization of the production forces, with a view to equalizing production and living conditions for the agricultural producers.

In our agriculture the greatest portion of investments has been directed toward the state sector (the state agricultural enterprises and SPIA [expansion unknown]). The state agricultural enterprises utilize around two-thirds of the investments coming from the state capital, an orientation characteristic of a stage when such a directing of investments sought the rapid increase in production in order to cover the national economic needs. However, investments in the cooperative sector also are proving to be particularly profitable.

Under these conditions an aspect of the modernization of agriculture also is elimination of the gap in technical supply between the state and cooperative sectors, creating similar working and living conditions in both sectors. The united agroindustrial councils established on the basis of the RCP CC Plenum decision of 1 February 1979, intended to create the necessary organizational framework for concentrating and specializing

agricultural production, is an important step toward equalizing production conditions and developing both sectors in proportion to the zone of fertility. Speeding up the growth rate of investments in the cooperative sector also is in agreement with the requirement for setting up investment projects depending on the conditions and possibilities existing in each unit.

Particularly complex is the problem of concentrating andterritorially distributing the investments, which must be well substantiated scientifically on the basis of the projects for zoning agricultural production. Equalization of production conditions by differentiating investments means choosing between two main directions of priority: on one hand, for the zones with the most favorable conditions for agricultural production with a view to total and superior utilization of these conditions and, on the other hand, the priority for the zones with harder production conditions, to change these conditions with a view to improving them and increasing agricultural production as a whole.

The counties known as big agricultural producers are enjoying a clear priority; thus, in Dolj, Ilfov, Constanta, Ialomita, Braila, Timis, Arad, Teleorman, Olt and Iasi nearly half of the investments for agriculture in 1976-1978 are concentrated. Yet, we believe that a reorientation of investments also is needed toward the less developed zones, the ones with more difficult conditions, such as Gorj, Alba, Bistrita-Nasaud, Hunedoara, Harghita, with the ratio of investments between these counties and Braila County (for example) being 1:4.5.

On the other hand, if we refer to the coefficient of correlation of investments with the increase in total agricultural production, we see that a greater efficiency in investments may be obtained precisely in the zones with themore difficult production conditions. In the 1976-1978 period this coefficient exceeded1:4(taking the country average as a unit) in Alba, Hunedoara, Bistrita-Nasaud, Gorj, Neamt and Suceava counties, while it reached values of only 1.6-.7--thus a ratio of 1:2-1:3--in Braila, Constanta and Tulcea counties.

Making a substantiated evaluation of economic efficiency of investments in agriculture requires taking into consideration the particular features of this branch of material production as well as the particular features of the various subbranches and production goals of agriculture. The basic particular feature is determined by the effect of the land on the efficiency of agricultural investments. In this regard, we need to move the economic results of the new investments away from the ones due to the quality of the land by making an economic evaluation (qualitative) of the land. Another factor affecting the efficiency of investments in agriculture is the complexity of production conditions in all its subbranches. The efficiency of investments, of course, depends on the efficiency of production, but in no case can it be confused or reduced to this.

The characteristics of various production projects in agriculture give a certain specific nature to the way of determining the system of indicators which express the economic efficiency of the investments. Referring to tractors and agricultural machinery, we must take into account their contribution to raising labor productivity and to increasing production but also the fact that they are subject to faster usage, while the decreasing output is also accompanied by rising operating expenses. Investments for water improvement projects directly affect the level of production by recovering new lands and increasing the production capacity of the lands cultivated, but they also mean a certain loss of land (irrigation channels) and, having a prolonged use, they are subject to moral usage. Investments in construction (except for the combines

for the industrial raising of animals) do not contribute directly to increasing production; in exchange, they bring a different degree of performance ability and of improvement in working conditions and they have a long operating period which, however, differs from case to case, they are suited for modernization, have a high residual value and remove land from agricultural circulation. Investments for live labor resources are affected by the long period of time for achieving them, by the production curves for these labor resources and by the direct action of natural factors. Depending on these particular features, a certain indicator for evaluating economic efficiency of investments may have a different ability of expression or it is necessary to use specific indicators.

The economic efficiency of investment refers equally to total as well as new investment. This method of treatment is conditioned by the fact that, from the viewpoint of results and the point at which they are made, all investments are new, regardless of whether or not they are intended only to replace and/or broaden fixed capital and the above thesis is confirmed by the fact that the depreciation itself is changed in time into accumulation.

According to what the sphere contains, we must distinguish many steps in determining the efficiency of investments: total investment (for agriculture as a whole), directional investment (on the main directions of mechanization, land improvement, zootechnics, construction and so forth) and investment on versions of the same capital project. For example, we must bear in mind that general, partial and specific indicators exist for calculating the efficiency of investments.

In the case of total investment, a first evaluation among the general indicators of economic efficiency may be given by the value of supplementary production for each leu of supplementary investment, but of greater economic significance we feel is the net supplementary production and net supplementary income for each leu of new investment (the profitability or coefficient of efficiency of the supplementary investment).

The most important general indicator of the economic efficiency of investments (primarily, total abut also those by directions and versions) is the term for recovery. The speed of recovery of the investment,which shows us during a period of use how many times the investment is recovered from the net income obtained, is a direct result of the term of recovery. As partial and supplementary indicators of the efficiency of investments the following may be used: savings of production expenses, improvement in quality of products, easier working conditions, reduction in need for work (growth in live labor productivity) and the prevention and reduction in production losses. Taking into account the continual growth in investments intended for agriculture, the efficiency with which investment capital is used has become a very current problem.

The rise in efficiency of investments requires that agriculture, too, seek to reduce the percentage of construction projects and to distribute an increasingly greater portion of investment capital in the supply with machinery and equipment. Currently agriculture has reached the situation where around two-fifths of the investments are for construction-assembly projects, while investments for machinery and equipment represent more than one-third, with a clear rising trend. Still, measures are needed to select the construction solutions which exclude architectural excesses, tendencies to oversize, useless finishing jobs; also, it is necessary to improve the quality of jobs and industrialize projects by a gradual move to prefabricated building of agrozootechnical constructions.

From the viewpoint of efficiency, also important is the relationship between investments and fixed capital placed into operation in the socialist sector of agriculture; despite the increase in percentage of placement into operation (from 88 percent in 1966-1970 to 92 percent in 1976-1980), projects valued at around 650 million lei still remain unplaced in operation annually. Clearly, the delays recorded in starting new projects in operation negatively affect the growth growth of agricultural production.

Referring to these shortcomings, in January 1981, at the working meeting in Brasov, Comrade Nicolae Ceausescu stressed: "Many investment jobs last very long. We have complexes and stables begun years ago, which have not been placed in production. In order to carry out the programs I have proposed, we must provide the appropriate shelter base for the animals. But because some comrades have raised the problem of supplementing certain investments, I wish to draw attention to the fact that for 1981-1982 we have established not to start any new project. Let us finish the irrigation jobs begun, let us perfect the existing systems and ensure their good operation."

In light of these indications by Comrade Nicolae Ceausescu, the elimination of delays in working out documents, in drawing up designs and building new capital projects, in order to put them into use in useful time, is a basic obligation for all cadres in our agriculture and is an important reserve for the rational use of the investments for raising their efficiency.

8071
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YUGOSLAV-GDR COOPERATION REVIEWED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Oct 81 p 3

[Article by V. Karakasevic]

[Text] Long-term cooperation makes up about 50 percent of the total annual volume of trade. The goods lists for 1982 will be published by the end of October.

The basic feature of Yugoslav economic relationships with the GDR is the continuity of growth in both imports and exports. In the period 1971-1975, the total reached 1.7 billion dollars, and leaped to more than 3 billion in the period 1975-1980. This trend has continued in the first year of the 5-year plan that extends to 1985.

Thanks to these results, Yugoslav economic relations with the GDR are third in importance among the socialist countries, following the USSR and Czechoslovakia. One should recall that economic cooperation includes regular trade in goods, long-term industrial collaboration (specialization and cooperation), long-term credit arrangements, joint capital investments, cooperation in light industry and in the textile, shoe and woodworking industries, joint entry into third markets, scientific and technical cooperation, and financing.

The Delivery Dynamics are Unsatisfactory

Yugoslav trade in ship repairs and shipbuilding, construction, prefabrication and transportation services are increasing from year to year.

In the first 8 months of this year, trade was on the increase, although certain delays in implementing contracts were encountered. As a result, in that period exports totaling 429 million dollars were contracted: according to Yugoslav data 235.2 million dollars worth of these contracts were fulfilled, while GDR data show 246 million dollars in deliveries. Contracts for Yugoslav imports totaled 385 million dollars, with Yugoslav data showing 297.8 million dollars of completed transactions. GDR data show 224 million dollars worth of completed shipments to Yugoslavia. The difference in dollar values comes from the GDR practice of recording only the implementation of contracts concluded in a given year in that year's statistics, while Yugoslav records include deliveries based on contracts from previous years.

The GDR has pointed out its dissatisfaction with the dynamics of contract fulfillment (for toolmaking machinery, textile producing machines and agricultural machines), and the members of the GDR section of the Yugoslav Economic Chamber have been informed of this.

In this period the Yugoslav trade deficit amounted to about 62 million dollars, but it is estimated that the difference will be compensated for by export of services, which are of significant magnitude and thanks to which the Yugoslav consumer balance during 1981 has been fluctuating between 10 and 15 million dollars.

Projections Until 1985

Long-term industrial cooperation and transactions (credits and joint investments) will account for about 50 percent of the total volume; they are registering steady increases. Prospects for cooperation are regarded as significant for heavy machine-building, mining equipment, toolmaking machinery, electronics and electronic technology, agricultural equipment, food processing, automobile and chemical industries. Contracts have nearly been completed for many transactions in these fields. The efforts of businessmen of both countries in this direction received full support from the Mixed Committee for Economic, Scientific and Technical Cooperation at it session at the end of 1980.

On the basis of completed transactions in the past 10 years, an agreement has been reached between the GDR and Yugoslavia for trade in the period 1981-1985, to increase exchange by about 50 percent compared to the preceding 5-year period (up until 1980). Considering continuity in the volume of goods and services to be exchanged, the total trade for the 5-year period until 1985 will be as follows:

Structure in 1,000 dollars

Goods	2,538,160	
Services	102,500	
Of which		
A. Scientific and Technical Services and Licenses		7,500
B. Other Services		95,000
TOTAL	2,640,660	

For this year, the first in the 5-year period to 1985, Yugoslav expoets are to be 534.19 million dollars, while imports will be 505.5 million.

12131
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DEVELOPMENT OF SOCIALIZED AGRICULTURAL SECTOR SURVEYED

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 9, Sep 81, pp 3-7

[Article by Danilo Tomic, MA]

[Text] Introduction

After the end of the war in 1945, an agrarian reform in Yugoslavia created a land fund of 1,566,000 hectares. About 755,000 hectares of this total were distributed to poor peasants, while 791,000 hectares were transfered to state ownership and represented the basis for state agricultural land holdings. That was actually the origin of the developmental concept for Yugoslav agriculture that was adopted later. The land consisted of small, fragmented agricultural holdings and socially owned operations with small amounts of land, poor equipment resources for production, and unsufficient trained personnel. Later, through the rapid development of the country's agriculture and general economy, which were caught up in the processes of integration and internal transformation, these organizations gradually were transformed into complexes that today are modern agroindustrial complexes. They are true giants with the most modern production equipment, and the newest scientific, technical and technological advances are applied on them. They are counted among the most modern organizations in the world. Their accelerated development represents a qualitative change in the development of Yugoslav agriculture. Agricultural organizations have had pivotal influence on the results of Yugoslav agriculture, which has reached a world level. Besides that, various forms of cooperation and association have contributed markedly to increasing goods production on private lands.

Despite a series of positive results in the development of these organizations, various weaknesses have also been revealed, meaning that all the possibilities for increasing agricultural production have not been utilized.

In this paper, an attempt will be made at analyzing these state land operations from the standpoints of their organization, equipment (primarily with agricultural mechanization), and motivation for more rapid modernization of production processes, as essential prerequisites for obtaining better results in agriculture.

The increased effects will be regarded through the average level of labor productivity (the physical volume of production and the social product per permanent farm worker), the average level of production intensity (the physical volume of production

and the social product per hectare of cultivated land), as well as the percentages of accumulation, reproduction and reinvestment.

The Results of Research and Discussion

The level of development of productive forces in Yugoslavia was very low after the war. Industrialization was the basic method for accelerated economic development. Agriculture represented a source for accumulation in that process. Therefore, in the period 1947-1956 the overall development of agriculture as a whole, and thus the socially owned sector as well, was very much neglected. The turning point in the development of Yugoslav agriculture came with the approval of the Resolution of the Federal Popular Assembly (in 1957) and of the Program of the League of Communists of Yugoslavia (in 1958). At that time, they adopted the concept of advancing agriculture on the basis of accelerated development of socially owned agricultural organizations, along with gradual collectivization of individually owned agriculture. After 1957, the process of modernization began in these organizations, which then and now represent the bearers of overall agricultural development. That was the beginning of the development of powerful, highly productive agricultural production on industrial foundations, along with a strengthening of cooperative efforts in the village. The development of these organizations show chiefly a rising trend, with occasional fluctuations.

Table 1. Comparative Analysis of the Number of Agricultural Organizations, Cultivated Land, and Number of Employees in Agricultural Organizations

Key:
1. Year
2. Number of agricultural organizations
3. 1,000 hectares of cultivated land
4. Number employed
5. Permanently employed
6. Agricultural specialists
7. High- and advanced training
8. Intermediate specialized training

Source: Yugoslav Statistical Yearbook

On the basis of data in Table 1, we can perceive a decline in the number of agricultural organizations until 1970, followed by increasing numbers. That is a consequence of the concentration and centralization of Yugoslav agriculture, the expansion and strengthening of these organizations through various integrational processes that were implemented after 1960. Beginning with 1970, actually after the approval and implementation of the Yugoslav Constitution in 1974 and the Law on Associated Labor in 1976, the former enterprises were transformed into organizations of associated labor, and their numbers grew. Other than that, the increase in cultivated surface held by these organizations has been slow. For example, in 1979 they had only 16 percent of the total cultivated surface in Yugoslav agriculture at their disposal. The number of permanent and temporary employees grew until 1965, and then began to decline. This resulted from the increasing modernization and better equipment of these organizations (see tables 2 and 3).

Table 2. Total Capital Investments in Agricultural Organizations, in million dinars at 1972 prices

Key:
1. Year
2. Total
3. Construction
4. Equipment
5. Other investment
6. Percentage structure

Source: Materials of the Federal Statistical Office

Table 3. The Level of Mechanization of Agricultural Organizations

Key:
1. Year
2. Number of tractors
3. Tractor-drawn mineral fertilizer spreaders
4. Tractor-drawn grain drills
5. Threshing machines
6. Combines
7. Tractor trailers
8. Trucks

Source: The Statistical Yearbook of Yugoslavia

Total basic capital investments in agricultural organizations show a rising trend until 1960, and then begin to decline steadily: they did not return to 1960 levels of investment again until 1978. Similar tendencies are seen in investment in construction. In equipment, however, investments showed a constant increase both in absolute and relative terms. A significant increase in investments in equipment was noted after 1965, which coincided with the beginning of the drop in employment. That confirms the assertion about rapid modernization and mechanization of agricultural organizations in the period after the reform. A consequence of this investment activity can also be seen in the increasing mechanization of agricultural organizations.

On the basis of Table 3 we can perceive a growth in the number of agricultural machines, until 1965. After the economic reform, their numbers tended to decline. That can be explained by the motivational levels of organizations for acquiring more powerful machines with greater operational effectiveness. For example, in 1965 the number of tractors with more than 35.8 horsepower was 8,854, while in 1979 it totaled 18,213. That means that the number doubled in 15 years. The satisfactory level of agricultural mechanization is a qualitative change in the development of agricultural organizations. The question arises as to what motivates the agricultural organizations to make these changes.

Professor R. Stojanovic has studied the role of motivation systems in developmental policy; he stresses: "The two basic forms of motivation are developmental motivation and consumer motivation. Their interaction, the strength of each one's effect has the most direct impact on the pace and the nature of the entire society's development, it is essential that these two forms of motivation be in the optimum relationship.[1] The same author offers the following basic components of motivation for development:

a. The accumulation motivation
b. The motivation for the growth of specialized knowledge that cannot be put to direct use;
c. The motivation for integration in all spheres of economic life, seeking a integration process that will support development; and
d. The motivation for maximizing all of society's positive external factors.[2]

Stojanovic's ideas can find application in Yugoslav theory, policy and practice of agricultural development. The basic motto for the development of agricultural organizations is to increase and provide more stable growth and more favorable structure in agricultural production to "implement the policy of more ripid growth of personal consumption and the standard of living, for more complete satisfaction of the increasing needs for agricultural raw materials in industry, and for increasing exports while gradually reducing imports of foods."[3]

The mechanization of agricultural organizations and increases in the number of specialists have significant roles in realizing these goals. Mechanization will replace human work and contribute to higher quality and more prompt preparation of the land, sowing, cultivation, and harvest of grains, more rapid transport, better storage and so forth. And precisely increasing production and yields of wheat, corn and sugar beets in agricultural organizations (see Table 4) can be explained in part by social motives, goals and tasks in food production, good supplying of mechanization, and the growing number of specialists.

An essential factor in the development of socially owned agriculture after the economic reform can be perceived in the increase in work performed by machines (greater mechanization of the production processes) and the reduction of human labor (the number of employees.

The basic motive for these changes was to increase labor productivity in agricultural organizations, as an important prerequisite for more rapid agricultural development. In the last 25 years (1955-1979), labor productivity in socially owned agriculture, measured in terms of the physical volume of production per worker, has grown nearly six-fold (see Table 5).

Table 4. Production and Yields of Wheat, Corn and Sugar Beets in Agricultural Organizations

Key:

1. Wheat
2. Corn
3. Sugar beet
4. Year
5. Total production in 1,000 tons
6. Yield in tons per hectare
7. Total production, 1,000 tons
8. Yield in tons per hectare
9. Total production, 1,000 tons
10. Yield in tons per hactare

Source: The Statistical Yearbook of Yugoslavia

Table 5. Variations in the Physical Volume of Production, Number of Employed, and Physical Volume per Worker in Agricultural Organizations

Index, 1955 = 100

Key:

1. Year
2. Production in agricultural organizations
3. Permanent employees
4. Productivity (volume per worker)

Source: The Statistical Yearbook of Yugoslavia

Measured by value indices, labor productivity in the socially owned sector of agriculture shows the same trends. Expressed in value terms, the growth is more than 4.8 times the 1955 value (see Table 6).

Table 6. Trends on Social Production and Social Production per Worker in Agricultural Organizations

Key:

1. Year
2. Social Production in million dinars, calculated in 1972 prices on the principle of repeated activities
3. Labor productivity (social production per worker)
4. Index: 1955 = 100

The growth in labor productivity is an important indicator of not only the development of agriculture to the present, but also of its likely future development. The achieved growth in labor productivity in socially owned agriculture is satisfactory and has reached the level of productivity of agriculturally advanced countries such as Denmark, Holland, and the United States.

However, for analysis and evaluation of the development of socially owned agriculture, which is the most representative indicator, there are also other important parameters. One of them is the intensity of production, which is obtained by analysis of trends in social product per hectare of cultivated land. Actually, that is a significant indicator of the effectiveness of utilizing land capacity. The average level of intensity, expressed in physical and value terms, reveals growth trends. The intensity of production, calculated in terms of the physical volume per hectare of cultivated land, has increased five times in the past 25 years (see Table 7).

Table 7. Trends in the Physical Volume of production of Cultivated Land and the Physical volume per Hectare of Cultivated Land in Agricultural Organizations
Index: 1955 = 100
Key:
1. Year
2. Production in agricultural organizations
3. Cultivated land
4. Intensity (production per hectare of cultivated land)
Source: The Statistical Yearbook of Yugoslavia

Measured in value terms, the intensity of production in socially owned agriculture in the same period grew by four times (see Table 8).

Table 8. Trends in Social Production and Social Production per Hectare of Cultivated Land in Agricultural Organizations
Index: 1955 = 100
Key.
1. Year
2. Social Production in million dinars
3. Intensity (social production per hectare)
Source: The Statistical Yearbook of Yugoslavia

Analysis and comparison of the data on the growth of labor productivity and intensity of production in agricultural organizations indicate that prior to the economic reform, labor productivity grew more slowly than the intensity of production. After the economic reform, the level of labor productivity grew faster than the level of production intensity. A similar conclusion results from analysis of microeconomic indicators of the operations of agricultural organizations. (According to data of the Public Accounting Office, in 1966 income per employee amounted to 32,012 dinars, while in 1979 it was 258,060 dinars. In 1966 income per hectare of cultivated land was 3,905 dinars, while in 1979 it was 22,358. All quotations are at current prices. That means that when 1979 is compared with 1966, the income per employee increased eight times, while the income per hectare of cultivated surface increased 5.7 times.)

On the basis of these analyses, it can be concluded that Yugoslav agricultural organizations are better motivated to improve labor productivity, and have been less

motivated to increase the intensity of production, during the postwar period. A consequence of this motivation is found in increased extencivity of production, whereby the basic feature is the high share of grain production in the crop structure of cultivated and plowed land. Grain planting involved increasing mechanization and decreasing human labor. A further feature is the very small share of total land devoted to industrial crops, vegetables, fruits and fodder. The possibilities for more rapid development of animal husbandry, irrigation and other intensive agriculture are not being sufficiently utilized. In other words, Yugoslav agricultural organizations are giving insufficient attention to labor-and income-intensive production (see Table 9).

Table 9. The Structure of Sowing Land of Agricultural Organizations (in percentage)

Key:
1. Year
2. Planted surface
3. Grains
4. Industrial crops
5. Vegetables
6. Fodder crops

Note to 1955: The data for 1955 should be taken carefully since harvested rather than sowed land totals are given.

Source: Statistical Bulletins No 923 and 1220, and The Statistical Yearbook of Yugoslavia

The data in Table 9 confirm previous assertions. Of particular concern is the minimal amount of vegetables planted and the constant decrease in fodder crops in the sowing structure. The decrease in fodder crops planted is a consequence of fluctuations and stagnation in livestock production in agriculuural organizations. For example, in 1979 only 12 percent of the country's livestock belonged to these organizations. Concentration on extensive production in these organizations can be explained by the insufficient development of processing facilities, lack of coordination of development plans and programs between primary agricultural producers, processing facilities, consumer centers and food reserves. The overcoming of these shortcomings would hasten the development of labor- and income-intensive production in agricultural organizations, and that would contribute to better utilization of land capacity, to an increase in the average level of production intensity. Therby, total income and income per hectare in these organizations would be increased, and this would be reflected favorably in their capital accumulation, reproductive and reinvestment capability. Additionally, their income provides funds for the development of secondary, tertiary and public activities.

Therefore, the working people in these organizations must be constantly better motivated, along with the need for increased labor productivity, to steadily raise the level of production intensity, and thereby the accumulative, reproductive and reinvestment capability of agriculture. These are also important indicators of the development of agriculture.

The accumulative, reproductive and reinvestment capability of socially owned Yugoslav agriculture is unsatisfactory; in the past 14 years it has tended to decline (see Table 10).

Table 10. Rates of Acummulation, Reproduction, and Reinvestment in Agricultural Organizations

Year	Accumulation rate (1)	Reproductica rate (2)	Reinvestment rate (3)
1966	3.8	7.0	3.8
1970	2.2	6.4	1.6
1975	2.5	6.0	3.2
1978	1.2	4.0	0.6
1979	1.4	4.1	0.4

Source: Data of the Public Accounting Office

1. $Sa = \frac{PF}{PKPA\ (Aos + Aob)}$

Sa = the accumulation rate
PF = the operations fund
PK PS = average use of operating funds (basic capital + working capital)

2. $RS = \frac{PF + AM}{PFPS\ AAos + Aob)}$

RS = reproduction rate
AM = amortization — total funds

3. $Srs = \frac{PF + Am - Ot}{PKPS\ (Aos + Aob)}$

Srs = reinvestment rate
Ot = total repayments received for unpaid debts based on investment credits for basic and working capital, and repayments for investment credits for basic and working capital to be received the following year.

This has resulted from the deterioration in the position of agriculture in primary and secondary capital distribution. The deterioration in the position in primary distribution is seen in the more rapid rise of prices for industrial products intended for agricultural use, compared to the rise in prices for agricultural products. In secondary distribution, it is seen in the more rapid increase in personal, joint and general consumption (personal income, and contributions to interest communities and sociopolitical communities), compared to the increase in pri es for agricultural products.

Improving the position of socially owned agriculture in primary and secondary capital distribution is a crucial issue for the agricultural, econimic and socioeconomic development of the country in the coming period.

FOOTNOTES

1. R. Stojanovic, "Uloga sistema motivacije u razvojnoj politici" [The Role of Motivation Systems in Developmental Policy], Marksisticka misao [Marxist Thought], No 3, 1978 pp 114-115

2. Op. cit., p 115

3. "Rezolucija SNS o razvoju Poljoprivrede," [The Federal Assembly Resolution on the Development of Agriculture], Slusbeni List SFRJ [Yugoslav Official Gazette], July 1964 p 625

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2. Markovic, P., et al, "Razvoj produktivnosti u jugoslovenskoj poljoprivredi," [The Development of Productivity in Yugoslav Agriculture], GLASNIK No 9, 1979.

3. Milenkovic, P., "Ekonomska politika u poljoprivredi," [Economic Policy in Agriculture], Novi Sad, Poljoprivredni fakultet [Department of Agriculture], 1980.

4. "Rezolucija narodne skupstine o razvoju pljoprivrede," [The Resolution of the National Assembly on the Development of Agriculture], SLUZBENI LIST SFRJ, Belgrade, July, 1954.

5. The Federal Statistical Office, Materijali, Statisticki bilteni i Godisnjaci [Materials, Statistical Bulletins and Yearbooks] (various dates).

6. Stojanovic, R., "Uloga sistema motivacije u razvojnoj politici," [The Role of Motivation Systems in Developmental Policy], MARKSISTICKA MISAO, No 3, 1978.

7. Tomic, D., "Politika razvoja poljoprivrede Jugoslavije," [The Developmental Policy of Yugoslav Agriculture], PRIVREDNA IZGRADNJA, No 4, 1980.

12131
CSO: 2800/33

ERRATUM: The following is a corrected version of an article published on pages 42-44 of JPRS 79285 of 23 October 1981, No 2192 of this series.

YUGOSLAVIA

FOREIGN TRADE OF REPUBLICS, PROVINCES, JAN-JUL 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Sep 81 p 3

[Article by Milorad Urosevic]

[Text] Exports covered 58.5 percent of imports, but for every 100 dinars imported for foreign exchange only 44.7 dinars of goods were exported. Serbia proper had the best success, with 72.8 percent of imports covered by exports, while relatively the worst record was Croatia's 40.5 percent coverage.

The end of summer vacations also meant the coming of increased activity in the assemblies of sociopolitical communities and organizations of associated labor, as well as in other organizations and institutions involved in implementing the conclusions of the Council of Republics and Provinces approved on 16 July. These decisions relate chiefly to overcoming inflation, which cannot be achieved without balancing exports and imports and reducing the negative balance of trade.

To improve the country's position in economic relations with foreign countries, reduce the trade deficit and the degree of indebtedness, and increase exports to foreign exchange areas, special responsibility must be assumed by the republics and provinces. The Conclusions continue to state that the interest communities for economic relations with foreign countries and organizations of associated labor must also accept their obligations, while the Federal Executive Council and the National Bank should make it impossible to accept import applications that exceed the balance of payments and the deficit that has been approved.

Regarded in this manner, and taking into consideration that the Federal Statistical Office is overburdened with work related to the population census and therefore is late in publishing its regular reports on economic trends, the data published last week on foreign trade for the January-July period gain in significance. Here it is not only significant to note the increase in exports and imports, but also the indicators regarding the negative balance. Nor should one ignore the degree to which the sociopolitical community has contributed to the results achieved.

Those elements are apparent from the data about the degree to which imports were covered by exports and the share of individual republics and provinces in the total negative balance. From this will come their tasks until year's end. Comparison of the most important elements of this exchange during 7 months this year and the same period last year will be possible later; below are the results for 1981 so far.

Data for the Period January-July 1981

Sociopolitical community	In million dinars			Percent imports covered by exports	Share in:		
	Exports	Imports	Deficit		Exports	Imports	Deficit
Yugoslavia-total	157,832	269,739	111,907	58.5	100.0	100.0	100.0
Bosnia and Hercegovina	23,202	35,663	12,461	65.1	14.7	13.2	11.1
Montenegro	2,219	6,158	3,939	36.0	1.4	2.3	3.5
Croatia	34,087	73,282	39,195	40.5	21.6	27.2	35.0
Macedonia	7,866	12,456	4,590	63.2	5.0	4.6	4.1
Slovenia	31,110	44,735	13,635	69.5	19.7	16.6	12.2
Serbia proper	41,822	57,467	15,645	72.8	26.5	21.3	14.0
Kosovo	3,132	6,479	3,347	48.3	2.0	2.4	3.0
Vojvodina	12,740	24,175	11,435	52.7	8.1	9.0	10.2
Federation	1,654	9,324	7,670	17.7	1.0	3.4	6.9

The numbers on the table require some explanations and additions. Compared to the same months of last year, exports increased by 16 percent, while imports were down by 1 percent. The negative difference increased from 99,401 billion dinars to 111,907 dinars, or by 12.6 percent. Recalculated on the basis of the Federal Executive Council Resolutions on Establishing Foreign Exchange Rates, the deficit reached 4,099 billion dollars, compared to 3,641 billion during the same time period of the previous year. The negative balance with convertible currency countries, however, is even worse. Last year the 7-month deficit was 3,298 billion dollars, while this year it reached 4,140 billion, meaning a 26.2 percent increase.

All of these figures represent the Yugoslav total, to which it should be added that last year the amount by which exports covered imports in the period under consideration amounted to 58.5 percent, while this year it was better by half a percentage point. The various sociopolitical communities contributed differently to the overall Yugoslav balance, with some improving their shares and others showing worse results.

Taking their share in the overall results into consideration, Serbia proper and Croatia have a great impact on the whole, and this has been true in the year so far.

Increasing the amount its exports covered imports from 72.2 percent during the first 7 months of last year to 72.8 percent, and its share of total exports to 26.5 percent, of total imports to 21.3 percent, and its share in the negative balance to 14 percent, Serbia proper contributed at least to a minimal improvement in the Yugoslav balance of foreign trade.

The Croatian economy saw its exports/imports ratio decline from 55.6 percent during January-July last year to 40.5 percent this year, while its share of total exports was 21.6 percent, of total imports, 27.2 percent, and of the trade deficit, 35 percent.

Bosnia and Hercegovina also improved its contribution with the exports/imports ratio going from 63.9 to 65.1 percent, while its share of total exports was 14.7 percent, of total imports, 13.2 percent, and of the trade deficit, 11.1 percent.

Macedonia recorded a significant improvement, with the exports/imports ratio rising from 57.8 percent for 5 months of last year to 63.2 percent this year and with declining shares in exports, imports and the trade deficit.

After Serbia proper, Slovenia showed the best exports/imports ratio, improving from 66.8 percent for the 7 month period last year to 69.5 percent this year, while its share of total exports declined to 19.7 percent, of total imports to 16.6 percent, and of the trade deficit to 12.2 percent.

Vojvodina showed the greatest advances, although given its low starting point, there was little reason for satisfaction. The exports/imports ratio improved from 40.1 percent for 5 months to 52.7 percent, with its share of total exports at 8.1 percent, of total imports at 9 percent, and of the trade deficit, 10.2 percent.

Montenegro and Kosovo increased their negative balances and lost ground in the exports/imports ratio, but their shares of total foreign trade are very modest, so that they have little impact on the final results.

Regarded in this manner, and combining basic elements that are published by the Federal Statistical Office with supplementary calculations, it is possible to perceive both the results so far and the obligations that are before the republics and provinces. This, however, is not enough, because the role of organizations of associated labor is not apparent. Research into the extent that exports cover imports for individual economic branches and sectors, combined with total employment and personal income figures, would reveal very different behavior and contributions to economic stabilization. These features deserve a special study.

12131
CSO: 2800/362

BRIEFS

OIL PRODUCTION--This year our country will produce from domestic sources 4,355,000 tons of crude oil, valued at $1.3 billion. INA-Naftaplin will produce 3,105,000 tons of this amount, and Nafta-gas will produce 1,250,000 tons. These two enterprises will also produce about $400 million worth of natural gas this year. They expect to intensify exploration of the Pannonian basin and also invest more in exploring the Adriatic sea for oil. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 19 Oct 81 p 3]

CONSTRUCTION WORK ABROAD--Yugoslav construction enterprises will complete about $1.5 billion worth of work abroad this year (about $200 million more than in 1980), largely in Iraq, Libya, Algeria, the USSR, the FRG, and Kuwait. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 21 Sep 81 p 9]

WORK IN DEVELOPING COUNTRIES--At the beginning of the year Yugoslavia concluded new agreements on investment work in Iraq, Libya, and Algeria, valued at more than $2.5 billion. With Libya it drew up contracts for forming a joint company to build a $1 billion aluminum complex, for $350 million worth of construction at the port of Misurata, and for $220 million worth of work on a maritime academy. In Algeria our workers will build three $350 million dams and two $60 million shoe factories. An agreement was made with Iraq to build a $572 million hydroelectric plant. Planned capital investment work by Yugoslavia in the developing countries this year is valued at $1.1 billion. In the first half of this year 67 percent ($449 million) of all capital investment work (totaling $742 million) was carried out in developing countries. The plan for such work in these countries is expected to be met this year. In the first 9 months of this year 16 percent more was exported to the developing countries than a year ago, amounting to $1,292,000,000 in value. The covering of imports by exports was 72 percent compared to 57 percent in all of 1980. Total exports to these countries should be about $1.9 billion. Through ship exports alone about $140 million is expected to be earned, namely, from Iraq, Libya, Algeria, Iran, Egypt, and India. By 1985, at least 26 percent of Yugoslavia's economic relations with foreign countries should be with developing countries. [Excerpts] [Belgrade BORBA in Serbo-Croatian 23 Oct 81 p 1]

KOSOVO SUPPLY PROBLEMS--The supply of consumer goods to the Kosovo market is not satisfactory, i.e., the market has all the more important items but not in adequate quantities, so there is a shortage in certain areas of the province. In the last few months there has been a largely sufficient supply of sugar; 6,000 tons was recently imported but another 6,000 tons cannot be imported until foreign exchange is found to pay for it. After the sugar beet harvest and processing,

supplies are expected to improve. Vegetable oil is available but deliveries from producers are not regular. Market supplies of wheat are also unsatisfactory. Because of lack of funds, the province has not yet decided to purchase additional quantities of flour from Vojvodina but imports will be necessary because there are not sufficient quantities of wheat. The market also is not supplied fully with milk because producers are sending only small quantities to market, since it is being used to make cheese, and farmers are waiting for price increases for milk. In the last 3 months there has also been a shortage of technical household goods (refrigerators, freezers, color television sets, air conditioners) because producers do not have enough producer goods or foreign exchange, so they must reduce the quantities of these goods to the market for this year and next year. The supply of construction materials has not improved; reinforced concrete continues to be in greatest demand because the combine in Zenica is not delivering agreed-upon amounts. There is also large demand for cement which continues to be in short supply because of the lack of mazut, and for wood and coal for fuel, but supply is very poor. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 9 Oct 81 p 8]

TRADE WITH CHINA--In the first 7 months of this year Yugoslav-Chinese trade amounted to only $43.3 million (including $16.3 million of Yugoslav exports (a 26 percent decrease/compared to the same 1980 period) and $27.1 million in Yugoslav imports (a decrease of 69 percent compared to the same 1980 period). Data for the 8-month period are also not encouraging: $27.15 million worth of goods were imported and $18.47 million worth of goods were exported. In the 9-month period $19.2 million were exported and $28.6 million were imported. As of 19 October, Yugoslav exports to China amounted to $20.3 million, while imports amounted to $34 million, with total trade amounting to $55.3 million, while the Yugoslav deficit was $13.7 million. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Oct 81 p 1]

TRADE WITH MEXICO--Last year oil accounted for $45 million of the total $55 million in total trade value with Mexico, thus creating a large deficit on our side. Negotiations are still underway, having started a full year ago, for Yugoslav construction of two cement plants in Mexico, as well as Yugoslav exports of industrial equipment and other goods. In the January-August period we exported machine tools and electric equipment valued at $3.7 million, but we imported oil, and small amounts of copper, zinc, and coffee valued at $40 million which means that also this year trade will be on the level of previous years (during the same period last year exports were $2.9 million, and imports $24.5 million). [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Oct 81 p 3]

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2203

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2203

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Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 10, 9 Oct 81 MEDJUNARODNI UGOVORI pp 599-603

[Trade protocol for 1980 between the Socialist Federal Republic of Yugoslavia and the German Democratic Republic signed in Belgrade 17 November 1979 and ratified in Belgrade 31 January 1980 by the Federal Executive Council and signed by chairman Veselin Djuranovic]

[Excerpt] Commodity List A/1980. Exports From the Socialist Federal Republic of Yugoslavia to the German Democratic Republic

No 1	Commodity 2	Unit of Measurement 3	Quantity 4	Value in Thousands of Dollars 5
1	Fresh fruit and vegetables, pulps, juices, processed fruit and vegetable products			5,000
2	Miscellaneous seed, transplants and nursery stock			2,000
3	Wine			13,600
4	Tobacco	Thousands of tons	1	
5	Feathers			1,500
6	Hemp yarn			750
7	Leather footwear	Thousands of pair	400	
8	Leather garments			2,000
9	Finished textile products			9,000
10	Handicrafts			200
11	Bauxite	Thousands of tons	42	
12	Bentonite			100
13	Mineral wool, glass wool and fabric			400
14	Glass and ceramic products (including laboratory glass)			1,200

Commodity List A/1980 (continued)

1	2	3	4	5
15	Chemical products and raw materials			8,000
16	Exchange of PVC--"S"			8,400
17	Exchange for PUR [expansion unknown]--"S"			2,200
18	Titanium dioxide	Thousands of tons	12.50	
19	Superphosphate, phosphoric acid--"S"			2,400
20	Pharmaceutical raw materials and products (including zinc bacitracin)			3,000
21	Clay for whitening	Thousands of tons	3	
22	Products and equipment of the electrical products industry			4,500
23	Cooperation in the electrical products industry--"S"			2,300
24	Electronic components, including "S"			5,500
25	Low-voltage products--"S"			4,000
26	Cables and conductors			300
27	Technical refrigeration equipment--"S"			1,200
28	Railroad cars*	Units	150	
29	Automobiles	Units	1,000	
30	Parts for the motor vehicle industry			5,800
31	Miscellaneous instruments and gear			2,000
32	Optical components			1,100
33	Precision optics--"S"			1,000
34	Electronic products			1,500
35	Fittings			300
36	Accessories			3,500
37	Pneumatic devices (including $1.3 million under "S")			4,000
38	Drive chains--"S"			4,300
39	Chain			600
40	Tools			7,500
41	Cooperation in the manufacture of sewing machines--"S"			500
42	Miscellaneous metal goods			1,400
43	Castings and forgings of ferrous metallurgy			12,000
44	Cast pipe, including light sewer pipe and fittings			1,500
45	Exchange of miscellaneous rolled materials of ferrous metallurgy--"S"			1,500
46	Exchange of steel pipe--"S"			9,500

* Fifty of which are to be delivered without the GDR delivering components for incorporation.

Commodity List A/1980 (continued)

1	2	3	4	5
47	Rolled aluminum, copper and zinc products			1,000
48	Aluminum castings			4,000
49	Motorbikes, including "S"			800
50	Machines, equipment and parts			35,000
51	Machine tools and accessories			8,500
52	Machine tools--"S"			1,300
53	Parts for railroad cars			1,500
54	Nickel-cadmium storage batteries			900
55	Lead storage batteries			200
56	Tires for motor vehicles			3,000
57	Automotive spark plugs			700
58	Beech lumber			1,200
59	Other hardwood lumber			1,000
60	Veneer	Millions of m^2	0.75	
61	Miscellaneous paper and pasteboard			2,000
62	Sporting goods and toys			100
63	Office machines			3,000
64	Components for incorporation into intermediate tabulators			3,000
65	Silicate brick			200
66	Refractory materials			300
67	Consumer goods			6,000
68	Books, magazines and films			500
69	Cooperation in light industry--"S" As follows:			
	In the textile industry			38,000
	In the footwear industry	Thousands of pairs	1,000	
	In the paper and pulp industry			2,400
	In the wood industry			2,400
70	Construction and installation services			25,000
71	Ship repairs			2,400
72	Services			32,000
73	Aluminum in bars and semifinished products	Thousands of tons	50	
74	Slab zinc and semifinished products	Thousands of tons	14	
75	Electrolytic copper and semifinished products	Thousands of tons	3.50	
76	Cellulose textile fiber	Thousands of tons	10	
77	Miscellaneous			4,000

Commodity List B/1980. Exports From the German Democratic Republic to the Socialist Federal Republic of Yugoslavia

No 1	Commodity 2	Unit of Measurement 3	Quantity 4	Value in Thousands of Dollars 5
1	Potassium salts 60%	Thousands of tons	268	
2	Potassium sulfate 50%	Thousands of tons	4	
3	Kaolin--sand for glassmaking			700
4	Fluorite			250
5	Acrylonitrile, monomer	Thousands of tons	5	
6	Organic and inorganic chemicals			18,000
7	Exchange of VCM [(?) vinyl chloride monomer]--"S"			8,400
8	Exchange for PUR--"S"			2,200
9	Organic dyes--including auxiliary agents used in the textile and leather industries			2,000
10	Miscellaneous chemical products and raw materials			7,000
11	Pharmaceutical raw materials and products			1,600
12	Plastic products			1,300
13	Synthetic rubber	Thousands of tons	14	
14	Ammonia--"S"			2,400
15	Miscellaneous film products			2,000
16	X-ray films--"S"			1,800
17	Seed and nursery stock			1,100
18	Machine tools and accessories			18,000
19	Machine tools--"S"			1,300
20	Machines and equipment			77,000
21	Tools (power tools, hand tools and measuring instruments)			1,800
22	Cooperation in the manufacture of sewing machines--"S"			500
23	Automobiles	Units	5,000	
24	Miscellaneous metal goods (including hunting guns)			2,600
25	Drive chains--"S"			500
26	Fittings			1,000
27	Technical refrigeration equipment--"S"			1,700
28	Hydraulic products--"S"			3,000
29	Diesel engines for ships and power plants			1,000

Commodity List B/1980 (continued)

1	2	3	4	5
30	Intermediate tabulating machines			16,000
31	Computers			2,000
32	Miscellaneous devices for telecommunications			200
33	Technical medical and laboratory equipment			2,000
34	Products of precision machining and optics			2,000
35	Pieces of equipment used in scientific research			4,000
36	Precision optics--"S"			2,500
37	Spare parts for vehicles, electrical, and accessories			3,400
38	Automotive spark plugs			450
39	Parts for rail vehicles			1,000
40	Products and equipment of the electrical products industry			2,600
41	Cooperation in the electrical products industry--"S"			2,300
42	Electronic elements, including "S"			1,700
43	Low-voltage products--"S"			4,000
44	Cables and conductors			300
45	Electrographite and other carbon products			200
46	Rolled materials of ferrous metallurgy (including $4.5 million worth of alloy steel)			6,000
47	Exchange of steel pipe--"S"			9,500
48	Exchange of miscellaneous rolled materials of ferrous metallurgy--"S"			1,500
49	Optical, laboratory and other glass			700
50	Construction glass and ceramic building materials			1,200
51	Tires for motor vehicles			900
52	Consumer goods			20,000
53	Finished textile products			7,500
54	Handicrafts			200
55	Motorbikes, including "S"			1,500
56	Products of ferrous metallurgy for Riesa			6,900
57	Miscellaneous paper and pasteboard			1,400
58	Licenses			200
59	Cooperation in light industry--"S"			
	As follows:			
	In the textile industry			38,000
	In the footwear industry			4,200
	In the paper and pulp industry			2,400
	In the wood industry			2,400

Commodity List B/1980 (continued)

1	2	3	4	5
60	Books, magazines and films			500
61	Services			16,000
62	Goods on the basis of the general* aluminum contract			38,900
63	Goods on the basis of the general zinc contract, including: Products of ferrous metallurgy worth $1.9 million Payments against equipment for open-cut mining in the amount of $1.5 million			3,400
64	Goods on the basis of the general copper contract, including: Products of ferrous metallurgy worth $1.0 million Payments against equipment for open-cut mining in the amount of $800,000			1,800
65	Goods on the basis of the general contract on cellulose fiber for the textile industry**			5,900
66	Products of ferrous metallurgy			10,500
67	Miscellaneous			4,000

* Covered by Appendix 1.
** Covered by Appendix 2.

Appendix 1. List of Goods Which the German Democratic Republic Will Deliver Under Item 62 of List B of the Trade Protocol for 1980

General Aluminum Contract

No 1	Commodity 2	Value in Thousands of Dollars 3
	A. Miscellaneous Goods	21,400
1	Anodes and cathodes	6,500
2	Fishmeal	6,000
3	Ground soybean oilcake	2,000
4	Chemical products	4,000
5	Products of ferrous metallurgy	2,900

Appendix 1 (continued)

1	2	3
	B. Supplemental Commodities	17,500
6	Payments on ships (payments for ships already delivered in the amount of 8,400 and for ships newly contracted for 4,600)	13,000
7	Construction glass (ornamental, shaped and prismatic)	500
8	Hotel porcelain and ceramics	1,600
9	Sporting goods and camping equipment	1,000
10	Hand tools	400
11	Spare parts for automobiles	1,000

Appendix 2. List of Goods Which the German Democratic Republic Will Deliver Under Item 65 of List B of the Trade Protocol for 1980

General Contract on Cellulose Fiber for the Textile Industry

No	Commodity	Unit of Measurement	Quantity	Value in Thousands of Dollars
1	2	3	4	5
1	Chemical products			2,000
2	Cement	Thousands of tons	60	
3	Lumber			500
4	Spare parts for automobiles			500
5	Furniture upholstery fabrics			200
6	Miscellaneous goods			700

7045
CSO: 2800/57

MINISTER DWELLS ON STATE OF POWER INDUSTRY, FUTURE TASKS

Sofia ENERGETIKA in Bulgarian No 6-7 Jun-Jul 81 pp 4-8

[Speech by Nikola Todoriev, minister of power supply, delivered at Georgi Kirkov Hall on 9 June 1981: "Let Us Multiply Our Seventh Five-Year Plan Achievements by Implementing the Decisions of the 12th BCP Congress"]

[Text] Dear Comrades and Guests:

On the eve of this celebration, on behalf of the leadership of the Ministry of Power Supply, the central council of our trade union and the party and Komsomol organization and trade union committee of the ministry, to congratulate all those present here, our guests, and all workers and specialists in the national energy complex on the occasion of Power Worker's Day, and to wish them sincerely good health, good cheer, happiness and new successes in the development of the power industry and the upsurge of our socialist homeland!

Today we are praising the work of people who used their hands, knowledge and experience in order to provide us last year with an adequate amount of electric power and heat for normal production activities by the working people in fields and plants and for their proper relaxation and comfort at home. We praise industriousness--this fabulous feature of the Bulgarian people--thanks to which they were able to withstand the trials of life over 1,300 years, to build and defend their state against the vicissitudes of fate, to create their rich history and culture and to develop and retain the loftiest possible national virtues.

The tradition of our holiday demands above all to report to the BCP Central Committee and its Politburo and to the entire country the results of our efforts during the past year. Our report must be based on the requirements stipulated in the decisions of the congress. We must consider our accomplishments in the light of the problems we are resolving. We must express our gratitude to those who have contributed most to this true holiday spirit and to repay the homeland's acknowledgement of our efforts with new accomplishments leading to its upsurge.

The distinguishing feature of the balance we are drawing today is that it is being done only two months after the historical 12th BCP Congress. The congress provided clear answers to all basic problems of our development. It formulated qualitatively new objectives and future tasks and armed us with the ways and means with which to achieve them.

Let me add that the atmosphere of our holiday is enhanced and unusual also because we are celebrating it at the beginning of the 1980s of the 20th century, at a time when the Bulgarian state is entering its 14th century of life. By a coincidence, 1981, which was marked by the bright light of the 1,300th anniversary of Bulgaria, included remarkable, outstanding and immortal Bulgarian historical anniversaries. This year, we celebrated the 25th anniversary of the historical April Plenum, the fruitful renovation of which provided conditions for rich and creative thinking and action.

We are about to celebrate the great 90th anniversary of the founding of our heroic Blagoev-Dimitrov communist party, which is one of the oldest consistently revolutionary Marxist parties in the world.

As I note these outstanding events which highlight our holiday, I wish to emphasize that we add to our patriotic feelings enhanced by the bright dates of our more ancient and more recent history the feeling of legitimate pride in our presence, in our contribution to the great accomplishments of our people and to their constructive toil in building a beautiful Bulgaria--beautiful because of its great past and even more beautiful because of the optimism and thrust of its present.

Now, when the time has come to draw the balance of 5 remarkable years, we can confidently state that we, the Bulgarian power workers, account for a proper share of the great accomplishments of our homeland in the Seventh Five-Year Plan. Such was the assessment provided at the 12th congress, an assessment which creates an inspiration and an obligation.

Directed by the farsighted April Party course, the power industry developed upward, reaching a scale worthy of our time, of the behests we are fulfilling and the cause we serve. It is a cause to which thousands of great people in the past and the present selflessly dedicated their youth, life, strength, minds, knowledge and talent. It is a cause which is recorded in the constructive program of the 12th party congress as the first and main formula for action: "Everything for the sake of man, everything for the good of man!"

As Comrade Todor Zhivkov said, the decade we sent on its way created a second Bulgaria. In other words, we entered the final period of the 20th century with two Bulgarias.

During this most fruitful period of our socialist development we, power workers, can proudly state that we ensured the power base of two Bulgarias. This was the result of the adamant, dedicated and selfless toil of the hundred-thousand-strong army of working people in the power industry. Allow me, therefore, from this lofty rostrum, today, on the occasion of our beautiful holiday, to express the warmest and most sincere gratitude to all workers and employees, scientific associates, specialists and heads of combines, economic enterprises, organizations and institutes and the personnel of the ministry for their work, their efforts and creative searchings, calm efficiency and discipline in daily work and dedication and heroism at critical moments of natural calamities and disasters, for their properly fulfilled professional and civic duty and for the dedication with which they are defending the honor of their profession.

Comrades:

The Seventh Five-Year Plan marked a new stage in the development of the power industry. It was fruitful and dynamic and saturated with a great deal of tension and success. It was a period of basic changes in the organizational-production structure of the sectorial economic system and further production concentration and specialization. These were years of struggle for high quality and effectiveness.

Let me emphasize that the basic feature during that period was the qualitative changes which took place in the approach to the solution of power problems. This approach ensured the implementation of the major tasks of the five-year plan on the maximum utilization of our own resources, coal above all, the accelerated development of nuclear power capacities and the decisive course taken toward improving the energy effectiveness of the entire economy.

For the past 2 years these strategic objectives have been implemented on the basis of the systematic application of the new economic mechanism.

The period under consideration proved that the new mechanism is already actively influencing the increased effectiveness of the power industry. The overall system of economic levers developed by the party decisively strengthened the role of the labor collective and the individual worker in planning, production, distribution and management. The purpose of the new mechanism is to ensure the even more effective solution of the social problems of labor collectives and a tie between their work and its end results.

Let me also emphasize the growing effectiveness of counterplanning. Counterplans were created by the labor collectives, on the basis of the initiative, ideas and suggestions of their individual members. Counterplanning brings up on a permanent and current basis new reserves and the hidden springs as yet unused in our march toward further progress.

The exceptional attention which the party and the government ascribe to the power industry needs no proof. Its steadily growing power is the best argument in favor of the consistency of the April line in ensuring the faster development of this sector.

Every one of us realizes that without this line, without the constant concern for and understanding of our problems, today's successes would have been impossible. That is why, from the rostrum of our professional holiday, I would like to express on behalf of the Bulgarian power workers our warm gratitude to the BCP Central Committee and personally its General Secretary, Comrade Todor Zhivkov, for the great concern and attention which are the basis and inspiration for all of our accomplishments.

At the end of the last five-year plan, Bulgaria's energy base reached 8,800 megawatts. Over the past 5 years alone, an additional 2,000 megawatts were installed in three of the biggest power projects of the Seventh Five-Year Plan: the Kozloduy AETs [Nuclear Electric Power Plant], the Maritsa-Iztok 3 TETs [Thermoelectric Power Plant] and the Varna TETs.

Today, 40 percent of the country's total electric power generating capacity is concentrated in five thermoelectric power plants, three of them at the Maritsa-Iztok

complex. After the fourth reactor has been commissioned at the end of this year at the Kozloduy AETs, the nuclear complex will generate 1,760 megawatts with an additional output in excess of 10 billion kilowatt hours. These are figures characterizing a modern and highly developed power base.

In 5 years, capital investments in the power industry increased from 1.5 billion to 2.3 billion leva. In the coal industry alone, they doubled. The lag in the coal industry is being successfully surmounted. Last year the Bulgarian miners extracted a record-setting amount of coal--31.5 million tons.

During a 5-year period electric power consumption increased by 10 billion kilowatt hours. Currently, our annual per capita consumption of conventional fuel is 5 tons, which is twice the world average, and 4,400 kilowatt hours of electric power alone. The specialists, and not only they, know that electric power consumption is a comprehensive indicator of the living standard of a society. The figures I mentioned are close to and even outstrip the indicators of many industrially advanced countries. Let me remind you that only less than four decades ago, Bulgaria was in the penultimate position in Europe in terms of these indicators. At that time, our biggest power plant in Kurilo generated 19 megawatts. Today the Varna TETs has 1,260 and tomorrow the Kozloduy AETs will generate 1,760 megawatts. It is becoming increasingly difficult to draw such comparisons between our present and our recent past, for they must be expressed in three-digit figures.

This does not apply to the power industry alone, which began just about from scratch. This applies to all areas of our life. Today in a matter of hours we produce as much as we once did in a number of years. Could there be a better proof of the power of our ideas and of the opportunities which our socialist reality offers!

The power industry is a sector which creates prerequisites for the fast development of scientific and technical progress in all fields of life. The pace of its development is based on the broadest possible application in the sector of peak scientific and technical achievements.

In a period of no more than 5 years, with the invaluable help of the Soviet power industry, we mastered an essentially new method for power production, virtually from scratch, based on the breakdown of the atomic nucleus, and installed a nuclear power capacity of 1,320 megawatts, which today accounts for one fifth of the overall volume of electric power produced in the country.

As a result of the qualitatively new approach adopted for the meeting of power requirements and the use of primary energy resources, there has been an increasing trend toward lowering the amount of energy needed per unit of output. Whereas in the Sixth Five-Year Plan we averaged an electric power consumption of 5.5 percent per year, in the seventh it dropped under 3 percent. What does this prove? It proves a developed awareness of the need to save, raised to the level of state policy. This was the result of a conversion from words to actions and from promotion to decisive action in conserving energy and resources, particularly of scarce liquid and imported fuels. The times are such that there is no alternative to the conservation of energy and raw materials. The consumption of fuel and energy resources in the world has doubled in less than 20 years, and 90 percent of such resources we are using today are nonrenewable. Tremendous scientific and technical forces throughout the world have become involved in the development and utilization of new ways and means with which to meet energy requirements.

The energy crisis of the 1970s caused decisive changes in the supply and demand of resources on the energy market and in the approach to their use. We can already notice a substantial adaptation to the new conditions created by the crisis. The conviction that the pace of socioeconomic development can remain on a relatively high level as a result of sensible and substantiated activities has become gradually accepted.

A forecast prepared by the World Energy Conference on the development of energy through the year 2000 stresses that mankind will not be threatened with an energy hunger even in the more distant future. However, increasingly inaccessible capital-intensive resources will have to be used, such as the deep-sea and the polar shelf, natural gas from remote areas, extracted from great depths and areas with very high pressure, and so on, as well as the capital-intensive nuclear and, in the more distant future, thermonuclear energy.

Naturally, the changes which occurred in the energy situation in the world after the 1970s were reflected in the socialist countries as well. However, they were not decisive, mainly thanks to the systematic pursuit of the strategy I mentioned, which makes us relatively independent of scarce oil and natural gas supplies and of the increasing scarcity of high-quality coal.

Energy will retain its priority as a basic factor in development and progress and as a factor in the multiplication of material and spiritual values of society. That is why we must conserve it. This is the basic direction of our energy policy, which will be assuming an increasing importance.

In this important activity of the national energy complex, we are cooperating with all economic ministries and departments on the basis of a coordinated long-range program. Its tasks are being included in the counterplans of all labor collectives in the production area.

The technical retooling of energy production facilities and the application of contemporary technology led to significant improvements in our technical and economic indicators. During the five-year plan, fuel outlays per kilowatt hour were reduced by 18 grams. Over the 5-year period this equaled savings of 950,000 tons of conventional fuel.

The country's electric power system expanded considerably and was subjected to major quality changes. One hundred ten kilovolt-hour conduits are being converted into a distribution system; the construction of a 400-kilovolt grid is being expanded as an electric power carrier, and the development of 220-kilovolt grids is being limited. The purpose is to optimize the carrying, transformation and distribution of electric power.

Reducing electric power outlays for power plant house requirements saved nearly 1.5 billion kilowatt hours of electric power during the five-year plan.

Great attention is being paid to population services. The power supply combines and the ministry have focused their attention on improving heat and electric power supplies to the end consumer. They are trying to respond better and more promptly to the needs of the individual citizen. However, we still have a debt to the citizen,

being clearly aware of the need to work seriously in order to meet his requirements based on high modern living standards.

As we review our accomplishments, let us add that some problems have not been fully resolved and that we are paying a great deal of attention to them.

We would be hard pressed to give a positive answer to the question of whether technological discipline in all power production and supply sectors is on the necessary level. We would have to stop and think before answering the question of whether we have achieved proper use of electric power in all our subunits.

Have problems related to the application of internal cost effectiveness and of the brigade organization of labor been resolved entirely? Have we turned these factors into a powerful lever of economic influence?

A deeper study of losses from the transportation, transformation and distribution of electric power, something which is already being done quite thoroughly, would reveal that an important reserve for electric power conservation remains underestimated.

Again, if asked whether we have reached the limit of material and raw material conservation in each one of our organizations or branches, we should honestly answer that many unused reserves remain. These are some of the things which cast a shadow on our achievements. However, even during a celebration we have no right to conceal that which concerns us and hinders our work. Let me repeat Lenin's words that the best way to celebrate an anniversary is to draw the attention to unresolved problems. This is our communist, professional and civic duty and a strict requirement of the spirit of the time in which we live.

Comrades:

Almost 3 months have passed since the 12th BCP Congress. The fact that the high level tone which marked our precongress preparations has been maintained proves clearly that the spirit of the congress influenced the activities of power workers profoundly. Today we have the results of the first 5 months. Our best and most important accomplishment during that period was that all requirements of the national economy and of private consumers for energy and fuel were met fully and systematically. Let me emphasize that this was accomplished without any considerable increase in power consumption. This proves that power outlays in our economy are being increasingly reduced.

During those 5 months, electric power production increased by about 8 percent compared with the same period of last year. This shows a strengthening of electrification within the power balance as a result of the predominant use of local fuels and nuclear power.

In the first 3 months conventional fuel outlays per kilowatt hour were reduced by 3 grams. The profit plan was overfulfilled. As you can see, this is a good accomplishment for which we can congratulate ourselves.

The facts prove that the precongress competition, which created a high level mobilization, expanded on the eve of our professional holiday. New initiatives and

projects are being undertaken. New pledges were given by the frontrankers and the economic aktiv in the electric power industry on the eve of their conference at the Mala Tsurkva VETs [Hydroelectric Power Plant]. At the national conference held at the Kazanluk TETs, heat supply specialists formulated their own appeal in answer to the appeal of order-bearers and frontrankers in the country. Preparations for the autumn-winter season are entering their peak period. Experience has taught us that we must plan in advance the stockpiling of sufficient quantities of coal. Our power repair units are operating "under a high-tension system," for this is their hour of action. It is clear that this will be a hot summer. However, there is no doubt that the Bulgarian power workers will retain and increase their results in the second half of the first year of the five-year plan as they will throughout the entire five-year plan.

This is guaranteed by their pledge, will, ambition and skill. I am repeating this, for once each year, on our holiday, we have the right to be more generous in assessing our accomplishments, while at any other time we let others speak about us, while we are doing our job and are in constant readiness. The reason is that many production processes may be stopped but the flow of electric power must not. We keep saying that the rate of our pulsebeat today is 50 hertz and that it is the power workers whose duty it is to maintain its nominal rhythm without interruption.

As I emphasized at the beginning, the spirit of our time demands of us to be exigent when we draw a balance on the basis of the requirements of the congress. Today it is not our yesterday's accomplishments but our skill to use them adequately that constitutes the criterion of our work.

The 12th congress called for a comprehensive development of the economy. Whereas in the past quantitative achievements represented the overall assessment of all activities, today, if I may say so, the system of coordinates has changed. It is not a question of equipment, people and labor tools and objects but of their most efficient utilization. It is not a question of maintaining a high rate of energy consumption but of attaining the plant economic growth with minimum outlays of energy resources.

Along with the term "intensification," the concepts of the basic directions for the implementation of this term have become an intrinsic part of the economic dictionary of our society. This involves comprehensive automation, mechanization and reduction of manual labor, further improvements in the socialist organization of labor and production and the most extensive application of leading experience. The main thing now is to implement the slogan of comprehensive intensification, organic linking of science with production and most effective utilization of the material and technical base created.

It is absolutely clear that power industry intensification is inconceivable without the extensive development of scientific research and the fast application of its results in engineering and production. The development of science in this case must outstrip that of production and technology, for the more fruitfully it supplies practical activities with new ideas and with constructive and technological solutions, the faster will technology develop and social labor productivity rise. This is the major mandatory task of scientific workers, researchers and specialists in our scientific units, scientific-production enterprises and combines and university departments. We cannot make science the main productive force, the powerful lever of

production intensification without their creative dedication and without a total cooperation and understanding on the part of economic managers.

In order to be able to meet growing energy needs in the forthcoming period and to ensure the balanced development of the national economy and power industry, major energy-generating capacities must be commissioned in the Eighth Five-Year Plan.

The problems being resolved within the Maritsa-Iztok complex are complicated and important. Above all, we must commission the fourth 210-megawatt power unit at the Maritsa-Iztok 3 TETs. Secondly, important assignments must be carried out in the reconstruction of existing power plants which must operated without drying facilities. The expansion of the Maritsa-Iztok 2 TETs has been undertaken on the basis of the new technology applied at the Maritsa-Iztok 3 TETs. Five hundred megawatt power units will be built at a later stage. As you can see, this entire new construction and updating of old capacities within the complex is based exclusively on the use of our leading scientific and technological accomplishments. This applies to coal mining as well. Coal mining assignments within the complex are particularly difficult, for by the end of the five-year plan output must be raised by 50 percent. This growth as well will be achieved essentially through the extensive use of top scientific and technical achievements and high-level mechanization in strip mining.

Let me emphasize that the role of domestic coal will increase during this decade. To begin with, henceforth the entire increase in each generation's capacities will be planned exclusively on the basis of coal; secondly, the development of centralized heat supplies of many cities such as Stara Zagora, Pazardzhik, Yambol, Khaskovo and others will be based on domestic fuel.

From the decisions of the 12th congress you are familiar with the great role which nuclear power industry has been assigned during this and subsequent five-year plans. Five years from now 26 percent of our overall output of electric power will come from nuclear power sources. This means the implementation of an exceptionally stressed construction program which, as with the development of Maritsa-Iztok capacities, is inconceivable without the tremendous technical aid of the Soviet Union. The practically tested Bulgarian-Soviet friendship and cooperation are the safest guarantee for the successful implementation of our great tasks in the Eighth Five-Year Plan as well. That is why on the day of our holiday we warmly say "Thank you, dear Soviet comrades!"

During this five-year plan we must install at the Kozloduy AETs the fourth and fifth nuclear reactors. The fourth is well familiar to us. It belongs to the VVER-440 series. It carries a number of improvements in terms of technological circuits and seismic stability. The fifth, however, is unique. It is unique not only in terms of our practical experience but of that of all socialist countries, for we are the first country to which the Soviet Union is granting a 1,000-megawatt block. One can easily see the strict requirements with which this fact faces the collective of the Kozloduy AETs and the skill and qualifications of its cadres. However, we well know that one could rely on the Kozloduy AETs collective. We know it, for with every passing year it has been proving it and proving the great unused possibilities it has.

In the next few years we shall continue to develop our hydraulic power resources. We have done a great deal to ensure their utilization. However, many unused opportunities remain.

The Spanchevo VETs of the Pirinska Bistritsa power plant was commissioned recently. The Devin VETs will be commissioned also in the near future.

In the Eighth Five-Year Plan we shall continue with the construction of 860-megawatt one-of-a-kind Chaira PAVETs [Pumping-Storage Hydroelectric Plant], which will have particularly important assignments in terms of optimizing the electric power system.

I shall terminate this detailed enumeration of the tasks facing us. They are known to all, for counterplans are being currently drafted and the labor collectives are already clarifying the details of their assignments and possibilities. I have tried to present to you a panoramic view of the power industry as it will be in the Eighth Five-Year Plan and as it was outlined at the 12th congress within the context of the national tasks related to our socioeconomic development in the forthcoming stage.

What I would particularly like to emphasize is the place and role of each one of us in the implementation of these plans.

In the course of the comprehensive intensification, which is the general strategy for the immediate future, we are relying above all on the main productive force—man—the creator of all material values. In the final account, it is he who will be able or unable to make use of the factors which determine the acceleration of intensification. You realize what is involved: our individual skills and knowledge, our ability to apply them at our jobs. The researcher, through his imagination; the designer, without routine and sterotype; the engineer, with taste; the cashier, with accuracy; the technologist, with precision; the repairman, with skill; the dispatcher, with accuracy; the manager, with sensible risk, and so on. Above all, however, we must put our hearts in it. We must display a feeling of responsibility and duty. We must know the work. We must think. From the high rostrum of the 12th congress Comrade Todor Zhivkov said: "We must clearly realize that the future of our homeland depends on increasing the personal qualities of the people, on their steady self-advancement as citizens, workers and creators."

Turning the example of frontrankers into mass practice is a mandatory requirement of the present.

During this celebration I would like to recall again the merits of labor collectives and individuals, properly noted by the party and the state. Many of our collectives and individual specialists became the bearers of the highest possible state rewards and distinctions for their dedicated toil during the Seventh Five-Year Plan and for high labor successes in the socialist competition. The Varna TETs and the Kozloduy AETs were awarded labor glory banners; two of our enterprises were awarded the Georgi Dimitrov Order and 20 others the Order of the Bulgarian People's Republic. There are four new Heroes of Socialist Labor among the miners and power workers, five bearers of the Georgi Dimitrov Order, 20 of the Order of the Bulgarian People's Republic and many other bearers of other state awards.

I am pleased to report by State Council ukase, on the occasion of Power Worker's Day, the high title of "Honored Power Worker" was awarded to Comrades Dimitur Kovachev, Vasil Sultanov, Milko Todorov, Petur Gaburov and Petur Kutov. These people are sufficiently well known within our system that introducing them to you becomes unnecessary; 116 people were awarded the Excellent Worker of the Ministry of Power Supply

badge; 50 people were awarded the badge "Excellent Worker of the Ministry of Power Supply and Electrification of the Soviet Union."

On this holiday allow me, dear comrades, to express on your behalf our warm thanks, our respect and gratitude for the tireless efforts of our frontrankers, honored power workers and excellent workers, and our leading collectives for the successes through which they increased the achievements of the power industry and contributed through specific actions to the growth of its prestige. Allow me to tell them most warmly, "Thank you very much!" and "Good luck to you, may you have more high successes and creative victories!"

Comrades:

Our times are difficult and conflicting; we are living in the worrisome circumstances of aggravated international relations. Global reaction, headed by U.S. imperialist circles, is doing everything possible to prevent detente, trigger a new arms race and hinder the just struggle of progressive forces throughout the world for freedom, independence and social progress.

We, the Bulgarian power workers, are proud of the fact that, loyal to the principles of international workers' solidarity, the Bulgarian People's Republic supports with all its forces and adopts as its own program the peace program of the CPSU, elaborated under the guidance of Leonid Il'ich Brezhnev, and that through its foreign policy it is actively contributing to the strengthening of good neighborly relations on the Balkans, the strengthening of the socialist comity, the just settlement of international problems and the preservation of peace on earth. To us, friendship with the great Soviet Union and the socialist countries is the best guarantee for the successful solution of energy problems and for the implementation of complex and responsible tasks and the further strengthening and development of our power base.

On the day of our professional holiday, allow me to assure the BCP Central Committee, Comrade Todor Zhivkov, its general secretary, and the government that the Bulgarian power workers, inspired by the decisions of the 12th congress, inflexibly and confidently, and with even greater energy and daring, will dedicate all their forces, knowledge and experience for their implementation, for the triumph of the party's cause and for the well being of our people.

"Actions, actions and actions only!" is our slogan for a new upsurge in the power industry, for increasing its power and prestige and for the bright communist future of our homeland.

It is under the banner of this slogan that I call you to fight and work creatively for the fulfillment and overfulfillment of the major and important tasks which face the power industry this year and throughout the five-year plan.

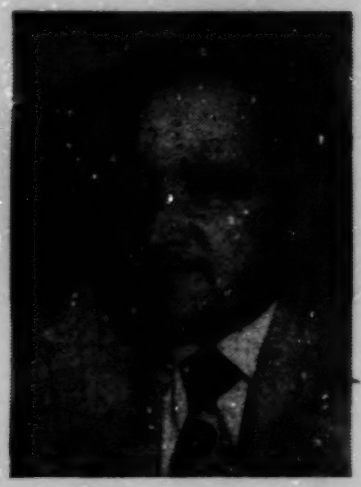
Congratulation, dear comrades, on the occasion of our beautiful holiday.

5003
CSO: 2200/11

BIOGRAPHIC PROFILE OF FIRST DEPUTY MINISTER ZANCHEV

Sofia ENERGETIKA in Bulgarian No 6-7 Jun-Jul 81 p 26

[Text] Engineer Vasil Zanchev, first deputy minister of power supply, celebrated his 50th birthday anniversary on 15 July 1981.



V. Zanchev was born on 15 July 1931 in Izvor Village, Pernik Okrug. He grew up in a poor peasant family with communist convictions, which were defended by his father during the resistance period, arms in hand as a member of the Georgi Dimitrov partisan detachment in Radomir.

Following his secondary school graduation with excellent grades, V. Zanchev became a teacher and, subsequently, principal of the grammar school in Uglyartsi Village, Radomir Okoliya. He combined professional obligations with active political and social work in Komsomol management.

He graduated from the Moscow Mining Institute as mining engineer-economist, again with excellent grades, in 1955. V. Zanchev began his career as a young specialist and alumnus of a leading Soviet mining school, at the Bolshevik Mines, where he spent many years in close touch with the difficult miner's profession.

He worked 2 years as chief dispatcher and chief of sector at the Bolshevik State Mining Enterprise, after which, as the winner of a competition, he became scientific associate at the Scientific Research Coal Industry Institute.

He returned to the Bolshevik State Mining Enterprise as its director in 1960, a position he held until 1969. This was his great practical training which led to his profound knowledge of his profession as a necessary prerequisite for subsequent management activities and creative developments.

Between 1969 and 1970, V. Zanchev worked as chief engineer and head of section at the Coal DSO [State Economic Trust]. He spent the next 4 years as chairman of the okrug management of the scientific and technical union and with the central management of the scientific and technical union for mining and metallurgy.

He spent the next 3 years as Sofia Okrug BCP Committee secretary.

V. Zanchev became deputy minister in 1974 and, 2 years later, first deputy minister of power supply.

Since 1976 he has headed the Bulgarian delegation to the CEMA Permanent Coal Industry Commission.

He was elected Central Committee candidate member at the 12th BCP Congress.

Engineer V. Zanchev's rich economic and party experience is the basis for his extensive and comprehensive activities in assessing opportunities and discovering reserves for the adoption of additional plan assignments by the Ministry of Power Supply in the Seventh Five-Year Plan, upgrading social labor productivity, improving the utilization of basic equipment and lowering material production outlays.

The successful elaboration of engineering and counterplans by the ministry's economic organizations was organized with his direct participation.

Engineer V. Zanchev's contribution to the implementation of Bulgarian coal mining assignments has been particularly substantial.

Along with his numerous obligations as an economic manager and a political and social leader, Comrade V. Zanchev has done scientific work as well. He was elected senior scientific associate second class in 1980. He is the author of a number of works and a regular contributor on problems of the utilization of local coal and on power problems to our scientific and technical periodical, considered in terms of their broader aspects.

He is the bearer of high state and other awards such as the Order of the Bulgarian People's Republic Second Class, People's Order of Labor, Golden, the commemorative medals "Twenty-five Years of People's System," "Thirty Years of People's System," "Ninety years of Georgi Dimitrov's Birth," the Soviet medal "Miner's Glory," and others.

On the occasion of his 50th birthday, the editors of the periodical ENERGETIKA warmly greet Comrade Zanchev and wish him many more years of health, cheer and creative successes in his responsible work for the development and upsurge of our power industry.

5003
CSO: 2200/11

BIOGRAPHIC PROFILE OF DEPUTY MINISTER TADZHER

Sofia ENERGETIKA in Bulgarian No 8, Aug 81 p 11

[Article: "Flowers for the Hero of the Anniversary"]

[Text] Comrade Tadzher became 50 years old on 12 August. Congratulations, Comrade Tadzher! The editors present their warm congratulations and wish you many years of health and happiness, tireless energy, firmness and success for the cause of socialism which you have been serving for the past 25 years with dedication, youthful thrust and optimism! Congratulations and many new successes!

We use this pleasant opportunity to present to our readers Engineer Oved Tadzher, deputy minister of power supply and regular reader, and steady author and contributor to this periodical.

Comrade Tadzher is a construction engineer by training. The excellent grades with which he graduated from the Engineering-Construction Institute in Sofia 25 years ago prove that his choice of this profession was not accidental. This choice was both a vocation and a feeling of duty to a behest inscribed in blood in the struggle for freedom which defined his road as a person, a communist and a builder.

Oved Tadzher was born in Tel Aviv to the family of the Bulgarian emigre Leon Tadzher. His father dropped out of Vienna University, where he was studying law, to share in the joyless life of his parents who emigrated to Israel. Expelled back to their homeland because of their uncompromising anti-Zionism and defense of the cause of Palestine Arabs, and member of two communist parties--that of Palestine and of Bulgaria--and totally dedicated to the revolutionary struggle, Leon Tadzher died for the revolution.

He named his son Oved which means "worker" in Hebrew. He gave him his profession as a legacy with the behest to build for the people.

After graduation, Oved Tadzher worked at the construction site of the copper extraction combine in Pirdop, as technical manager, where he was awarded the Golden Order of Labor. He then worked at the building of the Accumulators Plant in Pazardzhik and the Lead and Zinc Combine in Plovdiv as technical manager, chief engineer and head of construction rayon and was awarded the Red Banner of Labor order. He then worked at the Chemical Combine in Vratsa as head of the construction site and was awarded the Georgi Dimitrov order. Subsequently he participated in the building of the chemical plants in Vidin, the Semiconductor Plant in Botevgrad and the plants in Berkovitsa and

Etropole. At the beginning of the 1970s he worked at the Kozloduy AETs [Nuclear Power Plant]. At the nuclear power plant he was chief of construction and, subsequently, representative of the BCP Central Committee and the Council of Ministers. As chairman of the State Commissioning Commission he had the honor of switching on from the control panel the first nuclear reactor in Bulgaria and the Balkan Peninsula, in July 1974.

O. Tadzher was awarded the highest state distinction "Hero of Socialist Labor" for his participation in the construction of the first stage of the Kozloduy AETs.

Subsequently he became first deputy minister of construction and power supply and, in 1976, deputy minister of power supply, a position he still holds.

O. Tadzher has combined his management activities with active creative and rationalization work on construction methods and project design.

As head of the development unit of the Ministry of Power Supply, today O. Tadzher coordinates and ensures the implementation of annual and long-term draft plans for the development of the sector. His responsibilities also include planning and economic activities, capital construction, international cooperations, scientific services and development and application of scientific and technical progress.

O. Tadzher closely participated in the preparation and building of new nuclear and hydraulic energy capacities and the expansion and modernization of the Maritsa-Iztok power complex as an experienced manager with 25 years of construction and organizational experience.

His direct participation in managing the Varna TETs and the building of the Maritsa-Iztok 3 TETs was a great contribution to their timely completion.

Comrade Tadzher's contribution to the development of the power industry in the Seventh Five-Year Plan was rated highly by the party and the state. He was awarded the Order of the Bulgarian People's Republic Second Class. Now, on the occasion of his 50th birthday, the same order is being awarded to him for the second time.

5003
CSO: 2200/11

REPORT, COMMENT ON INDUSTRIAL DEVELOPMENT FOR JANUARY-JULY PERIOD

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 26 Aug 81 p 4

[Committee for Unified Social Information System Report: "Industry in the Bulgarian People's Republic in the January-July 1981 Period"]

[Text] The plan for commodity output between January and July was overfulfilled. Above-plan goods worth 315 million leva were produced and above-plan sales totaled 283 million leva, or 1.6 percent more than the planned figure.

The volume of industrial output rose by 6.2 percent compared with the same period of last year.

The production and marketing plan by ministry was as follows:

Ministry	Fulfillment of January-July 1981 Commodity Output Plan	Fulfillment of Plan [illegible] Marketed between January-July 1981
Ministry of Power Supply	100.8	103.3
Ministry of Chemical Industry	101.0	100.2
Ministry of Machine Building and Electronics	101.1	101.7
Ministry of Light Industry	103.4	101.9
National Agroindustrial Union	102.0	103.6
Ministry of Construction and Architecture	101.2	98.6
Ministry of Metallurgy and Mineral Resources	100.3	93.3
Ministry of Transportation	102.5	101.8
Ministry of Forests and Forest Industry	103.8	102.3
Ministry of Internal Trade and Public Services	104.0	102.2

Production of some basic industrial commodities in the January-[July] period:

	Measure	January-July 1981 Output	January-July 1981 Output in % of January-July 1980
Electric power	million kwh	21318	106.6
Coal	thousand tons	17995	100.7
Briquettes	"	814	101.1
Steel ingots	"	1429	98.8
Rolled ferrous metals	"	1869	105.9
Cold rolled steel sheets	"	376	104.1
Hot rolled steel sheets	"	793	107.0
Steel pipes	"	152	108.1
Electrical instruments	"	197	120.0
Lathes	pieces	5423	101.8
Internal combustion engines	"	11403	129.6
Electric hoists	"	68776	102.5
Cranes	"	1411	120.2
Phosphorus fertilizers	thousand tons	139	121.6
Oil paints and lacquers	"	29	96.6
Chemical fibers and fabrics	"	61	106.4
Cement	"	3144	104.1
Asbestos cement pipes	thousand meters	1506	125.1
Bricks	thousand pieces	789901	103.0
Tiles	"	44744	101.4
Cellulose	thousand tons	106	107.3
Paper	"	197	110.5
Cardboard	"	38	111.4
Household glassware	thousand leva	16108	107.4
Porcelain tiles	million pieces	152	104.9
Household porcelain ware	thousand leva	21754	104.2
Cotton fabrics	million meters	204	103.6
Silk fabrics	"	21	106.0
Upper knitted clothing	million pieces	24	101.4
Ready-made clothing	million leva	175	105.3
Shoes	thousand pairs	10414	101.3
Meat	thousand tons	254	101.5
Meat products	"	53	105.9
Canned fruits	"	127	134.8
Cheese	"	67	104.9
Casseri cheese	"	16	120.3
Tobacco products	"	50	112.1

Comment:

The rhythmical implementation of the annual industrial production and marketing plan continued in July as well. The overall output for the first 7 months already exceeds

57 percent of the industrial output planned for the year, and 57 percent of the revenue from sales has already been received. A higher rate of growth of output was reached in July compared with the first 6 months of the year. Compared with July 1980, output rose by 7.6 percent; compared with the first 7 months of last year it rose by 6.2 percent.

Despite such positive trends in industrial development, the facts show that objective possibilities of even higher output have not been used by all economic organizations and their branches. During the past period, 229 or 11 percent of all industrial branches failed to fulfill their plans. The implementation of the plan for important items is lagging. This includes briquettes, phosphorus fertilizers, polyvinyl chloride, pressed wood tiles, cement, machine systems, structural-grade steel, cold rolled steel sheets and so on.

The study of the reasons for nonfulfillment indicates that it is due to the poor maintenance of machines and equipment, weaknesses in the organization of the work, violations of technological discipline, failure to master the technology and production of new items, violation of contracts for supplies of raw materials and cooperated parts, and other internal reasons. The surmounting of such weaknesses would make it possible to develop an even higher rate of output and higher earnings in the remaining months of the year.

5003
CSO: 2200/11

CELLULOSE INDUSTRY PERFORMANCE SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 9 Oct 81 p 2

[Commentary by Jiri Skladal, member of the CPCZ Central Committee: "Paper Industry"]

[Text] The enterprises of the Paper and Cellulose Industry Economic Production Unit, [VHJ] exerted maximum efforts in the past months to secure the fulfillment of the plan and, at the same time, to implement all new principles brought into the economic practice by the Set of Measures for Improving the Planned Management System of National Economy.

The fulfillment of the plan in this area is characterized by the fact that it is taking place under complex conditions caused by the stabilization of the technical and technological regimes in the Steti II facility and in the plant for production of corrugated board in Opava.

The plan's assignments as determined for 1981 represented increases for production over actual data for last year by about Kcs 167 million. In terms of basic product mix, there has been an increase of 6,636 tons in nonbleached cellulose, 4,433 tons in bleached cellulose, 10,785 tons in paper and cardboards, 2,984 tons in paperboards, 6,502 tons in corrugated boards and 6,404 tons in corrugated board boxes.

These assignments in the area of basic material production have a corresponding effect on the area of the financial plan, where an increase in output is represented by a 101.5 percent rise on the index.

Surveying the economic results achieved in the past 8 months of 1981 it can be noted that all Paper and Cellulose Industry indicators show fulfillment of this year's plan.

Since the beginning of this year, the supplies for the consumer goods inventory in retail prices have been fulfilled 107.5 percent, with the relatively favorable 63.7 percent of the volume objective for the year being achieved. Deliveries of exports to socialist countries in terms of wholesale prices have been fulfilled 113.9 percent since the beginning of the year and a very favorable 69.2 percent of the year plan has thus been achieved. Similarly, exports to these countries in terms of prices including handling and shipping charges are being fulfilled (122.5 percent for the year, equalling 69.7 percent of the year's volume). Supplies for exports to nonsocialist countries in terms of wholesale prices have been fulfilled 110 percent for the year, exceeding the plan in absolute terms by Kcs 41.3 million.

The labor productivity for the year from adjusted output with value added has been fulfilled 100.8 percent and a 65.4 percent portion for the year plan assignment has been achieved. The profit accumulation has been fulfilled 100.2 percent since the beginning of the year, exceeding the plan by Kcs 1.3 million in absolute terms. With this indicator, it is necessary to emphasize that despite favorably fulfilling the assignments, only a relatively low portion (60.8 percent) of the year plan has been achieved.

In the area of output, the consequences of the breakdown of the chlorination tower at the Steti works bleaching plant caused a production drop of about 3,500 tons of bleached cellulose and unfavorably affected the level of realization prices.

As for profit realization in relation to production assets, this indicator has been 100 percent fulfilled for the year, however, the securing of its fulfillment in the rest of the year is directly related to the problems of securing the plan in terms of profit.

In the area of capital investment, the assignments have been fulfilled completely since the beginning of the year, and the relatively low portions achieved in the first half of the year are related to the extension and intensification of actions taken at the most important project of the Paper Industry, the construction of the Paskov integrated cellulose and paper works.

Despite the fact that since the beginning of the year, the enterprises of the VHJ Paper and Cellulose Industry have been fulfilling all the indicators stipulated for a year evaluation of plan fulfillment, there is a whole series of partial problems which are reflected particularly in the areas of basic material production and stock.

Since the beginning of the year, the production of nonbleached sulphite cellulose has been fulfilled 97.8 percent, including the 2,219 ton fallout, which represents a 65.4 percent portion of the year plan. The production fallouts are related to technological and other technical problems in the North Bohemian and South Bohemian Paper Mills; the North Bohemian Paper Mills especially have not fulfilled the plan objectives from the beginning of the year, their fallout amounts to about 1,800 tons. The South Bohemian Paper Mills have been fulfilling the plan at the rate of 98.5 percent since the beginning of the year, including a fallout of about 600 tons.

The production of nonbleached sulphate cellulose has been fulfilled 98.4 percent for the year, the whole year volume portion amounts to 66.3 percent. The fact that the tasks in this material product selection are not fulfilled is related to the cellulose production at the Steti mills, where the tasks given by the plan have been fulfilled 98 percent for the year, equalling 65.6 percent portion of the volume for the whole year.

The bleached cellulose production has equalled 95 percent for the year, which constitutes a 64.3 percent portion of the year plan. The fact that this material product selection has not been fulfilled is related to the breakdown of the chlorination tower in the Steti II bleaching plant, where this year plan has been fulfilled 92.8 percent.

The total production of papers and cardboards has been fulfilled 98.8 percent since the beginning of the year (65.3 percent of the year assignment). The area of this

material product selection has been affected unfavorably by problems of a technical and technological character in the North Bohemian Paper Mills, primarily in Rotostroj, and partially other problems with some rebuilt equipment, for instance, problems with paper machine No 4 at the facility in Ceska Kamenice. The production of smooth boards has been fulfilled 100.1 percent for the year.

Despite the fact that the assignment for the basic selection of products has not been fulfilled, the production volume indicators have been secured within the VHJ since the beginning of the year.

The inventory situation is not as favorable at present. The total inventory has been exceeded by about Kcs 35 million, the material inventory by Kcs 42 million and the controlled inventory by about Kcs 22 million.

During the last 8 months of 1981, similar tendencies have also appeared in the VHJ Slovcepa. The basic indicators have been fulfilled as follows: production assignments 100 percent, consumer goods supplies in terms of wholesale prices 101.9 percent, in terms of retail prices 100.8 percent.

In addition, notebooks and school exercise books have been supplied by the Slavosovce facility and roof and insulation materials from Sturovo. In comparison with the corresponding period of last year, Slovcepa has increased its consumer goods supplies by about Kcs 24.4 million.

Exports to socialist countries have been fulfilled 109.4 percent in terms of wholesale prices and 114 percent in "all charges paid" prices. The South Slovakia Cellulose and Paper Mills, Sturova, take credit for exceeding the plan by profitably exporting roof raw plasterboards to Yugoslavia and the Slovak Cellulose and Paper Mills, Ruzomberok, by exporting paperbags. The increased supplies of wallpapers by Slovpap, picture postcards from Grafobal and corrugated board cartonnage cannot be overlooked, either.

Exports to nonsocialist countries have been fulfilled 105.6 percent in terms of wholesale prices and "all charges paid" prices 103.6 percent.

As far as other indicators are concerned, Kcs 33.3 million savings in the total costs have been achieved through accomplishing a 102.1 percent increase in manufacturing output and through increased economizing. The best profit fulfillment has been achieved by Slavosov Paper Mill (124.3 percent), Harmanec Paper Mill (116.8 percent) and Grafobal Skalica (115.7 percent).

Since the beginning of the year, the capital investment plan has been fulfilled 107.9 percent in the volume of work and supplies, the construction work portion has been fulfilled 107.2 percent. Completing the construction of the cellulose mill (second stage) in Chemiceluloza Zilina, putting the intensified cellulose mill in Bukoza Vranov into operation again after a factorywide shutdown and opening a new factory of the Cellulose and Paper Integrated Works in Ruzomberok are the main problems solved by Slovcepa at present.

The results acheived by the Paper Industry VHJ in the 8 months of this year are not bad. However, all enterprises must also exert maximum efforts in fulfilling their assignments in the period to come and endeavor to fulfill successfully the plan for the first year of the Seventh Five-Year Plan.

9814
CSO: 2400/30

BRIEFS

SOKOLOV COAL MINE SAID DROWNING IN MUD--Bulldozers and other equipment were stuck in mud for days and even though it had stopped raining 2 days earlier, men and equipment still were sinking. That was the situation at the Jiri Coal Mine near Sokolov. At the time that the need for coal is critical, this mine has been out of operation for over 2 weeks. Heavy trucks were used to move in tens of thousands of heavy rock to line the roads at about Kcs 100 per cubic meter. In the meantime, other mines were trying to make up the shortage. [Summary] [Prague MLADA FRONTA in Czech 7 Nov 81 p 3]

CSO: 2400/62

BALANCE OF PAYMENTS PROBLEM ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 44, 1 Nov 81 p 2

[Text] The Ministry of Finance and the NBP National Bank of Poland have presented detailed data on Poland's balance of payments in the years 1971-1980, which was earlier announced by Minister Marian Krzak.

The data prepared by the NBP Bank gives an insight into the major items of the country's balance of payments in that period. The bank's statistics show who shouldered the burden of financing the imports in the past decade. The data dispels the myths created by electrical/engineering industry men, as well as appreciating the raw materials industries and pointing to the degradation of the agricultural and food-processing sectors.

The Finance Ministry says that the data on the country's balance of payments will now be systematically published in the Statistical Yearbook or in the Financial Yearbook. The NBP bank says it will publish data on the shaping of the country's balance of payments every quarteryear.

Balance of Payments With Hard-Currency Area [Capitalist Countries]

Earnings from the export of goods and construction services to the hard-currency area reached in the discussed period the level of 142,638,000,000 foreign exchange zlotys, while import expenditures reached 196,812,000,000 zlotys. Thus import expenditures were covered with export revenues by only 72 percent. The trade deficit amounted to 54 billion exchange zlotys (approximately 16 billion dollars).

Exports stopped covering the imports as far back as 1972. In the successive four years, the country's debt was growing like an avalanche. In 1975, the ratio of exports to imports dropped to as little as 59 percent. This was alarming enough to make the then economic leadership try to reverse the trend. But because of the inefficiency of attempts to make the economy more export-oriented, the growing restriction were applied to imports. This reduced some results in the balance of trade, but simultaneously there appeared ever more severe shortages of raw materials and coproduction components. The trade deficit start decreasing in 1977. In all, it dropped from 9,961,000,000 exchange zlotys in 1975 to 2.4 billion exchange zlotys in 1980.

Table 1 (in millions of foreign exchange zlotys)

Year	Indebtedness (long-, medium- and short-term loans)	Costs of foreign credits
1971	3,947	187
1972	4,594	192
1973	8,715	317
1974	17,344	975
1975	27,847	1,674
1976	40,335	2,210
1977	49,558	2,996
1978	58,984	3,822
1979	71,238	5,271
1980	76,632	7,545

The trade deficit of 54 billion exchange zlotys, as well as other costs connected with debt servicing, were covered primarily with foreign credits. I write "primarily" because some part of the trade deficit was covered with money receipts from abroad and service revenues. During the last decade the surplus in service revenues and receipts totalled 9,124,000,000 exchange zlotys.

The negative balance of trade led to the following major consequences: First, it was positive for the current consumption, since the national income distributed was higher than the national income produced, (in other words we lived beyond our means, eating away the loans), but on the other hand, it led to the rapid increase of indebtedness, together with the debt servicing costs. This is refected in Table 1.

The ratio of debt servicing to exports reached 101 percent in 1980. This means that export revenues did not suffice to pay the principal and interests on the foreign loans. It is generally considered that the ratio of 25 percent is a limit that must not be overstepped, if the economy is to remain sound and healthy and if the debt trap is to be avoided. Such a situation was the case during 1974. With export revenues standing at 12,853,000,000 exchange zlotys and debt servicing (principal and interests) totalling 3,080,000,000 exchange zlotys, the respective ratio amounted to 24 percent.

This was a major signal to halt the programme of capital projects (which our paper suggested, exposing itself to dirty accusations of anti-socialist activity), to shift the resources to agriculture, which began to place a burden on the balance of payments, and to introduce financial mechanisms stimulating exports. Nothing of the sort happened. The development of the situation is presented in Table 2.

The structure of trade was another factor prompting the undertaking of the above mentioned measures. Data on trade pattern indicated that in the first stage, the growing trade deficit was the result of intensive investments and the resulting purchases of capital goods. Gradually, the growing role began to be played by imports of food.

Table 2. (in millions of foreign exchange zlotys)

Year	Export revenues	Foreign debt servicing	Foreign debt/exports ratio (in percent)
1975	14,466	3,696	32
1976	15,032	6,234	41
1977	16,852	9,277	55
1978	18,082	13,697	76
1979	20,308	19,016	94
1980	24,324	24,679	101

The deficit of trade in food and farm produce was rising incessantly from 1975. Over the whole decade, it totalled 13.2 billion exchange zlotys. A full picture of the contribution of major sectors to the country's balance of payments is presented by Table 3.

Table 3. (in millions of foreign exchange zlotys)

Year	Total		
	Revenues	Payments	Balance
1971	5,841	5,403	+ 438
1972	6,529	7,430	- 901
1973	8,351	13,265	- 4,914
1974	12,853	20,018	- 7,165
1975	14,466	24,427	- 9,961
1976	15,032	24,841	- 9,809
1977	16,852	23,561	- 6,709
1978	18,082	24,043	- 5,061
1979	20,308	27,080	- 6,772
1980	24,324	26,744	- 2,420
Electrical and Engineering Sector			
1971	1,243	1,325	- 82
1972	1,403	2,600	- 1,197
1973	1,824	4,931	- 3,107
1974	2,522	062	- 4,540
1975	3,370	9,424	- 6,054
1976	3,486	8,665	- 5,179
1977	4,707	8,513	- 3,716
1978	5,202	7,910	- 2,708
1979	5,794	8,048	- 2,254
1980	7,061	7,227	- 166

[continued]

Year	Revenues	Payments	Balance
Fuels and Energy			
1971	971	47	+ 924
1972	990	32	+ 958
1973	1,096	169	+ 927
1974	2,569	524	+ 2,045
1975	3,687	872	+ 2,815
1976	3,546	1,046	+ 2,500
1977	3,343	1,078	+ 2,265
1978	3,292	1,071	+ 2,221
1979	3,830	3,355	+ 2,275
1980	4,588	2,308	+ 2,280
Metallurgical Industries			
1971	604	836	- 232
1972	616	893	- 277
1973	699	1,951	- 1,252
1974	1,233	3,479	- 2,246
1975	1,920	4,326	- 2,406
1976	1,138	3,923	- 2,785
1977	1,239	3,365	- 2,126
1978	1,608	3,013	- 1,405
1979	2,184	3,242	- 1,058
1980	3,293	2,662	+ 631
Agriculture and Food Processing			
1971	1,562	1,268	+ 294
1972	1,869	1,372	+ 497
1973	2,569	2,286	+ 183
1974	2,974	3,208	- 234
1975	2,666	3,668	- 1,002
1976	2,835	4,644	- 1,809
1977	2,867	4,687	- 1,820
1978	2,933	5,271	- 2,338
1979	2,913	6,050	- 3,137
1980	3,033	6,889	- 3,856

Source: Data provided by the NBP National Bank of Poland, based on the banking payments statistics

Balance of Payments With the Soft Currency Area [Socialist Countries]

Data provided by the Ministry of Finance indicate that the trade deficit with socialist countries was gradually growing over the past decade. In 1980, import payments exceeded export revenues by 3.7 billion exchange zlotys. More detailed data are available on the current situation.

Current Situation

As far as trade with hard-currency partners is concerned export revenues fell in the first nine months of this year to 14.2 billion exchange zlotys--24 percent less than the level of 18.7 billion exchange zlotys in the same period of 1980. Respective figures for imports were 20.6 and 16.8 billion exchange zlotys (a 19 percent drop).

The level of exports is falling also in the monthly breakdown--from 1.7 billion exchange zlotys on the average in the first seven months of 1981 to some 1.3 billion exchange zlotys in the August/September period. In connection with this situation, it became necessary to suspend the servicing of foreign debt and to enter into negotiations with foreign creditors on the rescheduling and postponement of debt repayments. The agreements concluded make it possible to decrease the burden placed on the balance of payments by debt servicing by some 15 billion exchange zlotys.

In the same, 9-month period, export revenues in trade with socialist partners dropped by 10 percent--from 21 to 18.8 billion exchange zlotys as compared with the corresponding period of 1980. At the same time, a rise was reported in import payments, mainly because of increased supplies of Soviet raw materials and processed products. In all, import payments rose by 4 percent--from 21.7 to 22.6 billion exchange zlotys. The trade deficit with socialist countries reached the record level of 3.8 billion exchange zlotys.

Debt Level

The general level of Poland's debt to foreign partners presently stands at 24 billion dollars, including 22 billion dollars owed to creditors in capitalist countries and 2 billion dollars owed to socialist countries.

CSO: 2600/59

PRICE COMMISSION INTERVIEWED ON FURTHER PRICE INCREASES

Warsaw ZYCIE WARSZAWY in Polish 10-11 Oct 81 p 6

[Interview with Zdzislaw Krasinski, Chairman of State Price Board, Wojciech Prus, and Anton Gryniewicz, Deputies of the State Price Board by Marek Przybylik, ZYCIE WARSZAWY editorial staff: "Will Prices Surpise Us?", date and place not given]

[Text] [Question] What will you gentlemen surprise us with next? Not long ago you surprised us by increasing the prices of cigarettes, and now people are talking about an early increase in the price of sugar. When does that threaten us?

[Answer] We are being swamped with teletypes, letters, resolutions, and petitions of protest against the increases which were introduced without consultation not only in that case but, also, in the case of pears, prunes, services, fish, etc. It is only with respect to fresh-water fish that there can be any claims against us, although, along with the increase, we announced that compensation would follow with the next increases.

The increase is not great, 4.60 zlotys a month per person. It could be argued whether it is too large or too small; however, it is difficult to involve millions of people to debate about a couple of zlotys, and the average quantity of these fish per Pole each year amounts to 0.6 kg., or 5 decagrams per month. Meanwhile, the matter was urgent, even "Zycie" wrote about that. Following the reform, state farms did not want to sell fish at low prices without a subsidy nor did Fish Central want to add anything to this.

[Question] Thus, I come back to the earlier question. Are you going to be springing surprises on us?

[Answer] No, we will not.

[Question] However, chaos reigns in the market, prices are going up here and there. Once it is the barber who costs more, then it is cigarettes, then eggs. It is no wonder that people are nervous.

[Answer] A clear picture should emerge from that chaos fairly soon. After the complete price increase operation, there will not be any startling changes. Unfortunately, for the time being, there will be chaos, there will be fortuitous controlled and uncontrolled price increases, something that the State Price Commission, the government, and labor unions are aware of.

A part of these increases, for which we are now being attacked, are, however, beyond our control.

[Question] That does not explain everything.

[Answer] Let us try then to introduce order, dividing products into a coupled of basic groups. The first of these, calculated according to value, includes two-thirds of the food products. In the main, these are items which, until recently, have been or still are subsidized by the state: bread, milk products, fats, fish, sugar, salt, potato flour, jams, vegetable-fruit products, and so on.

Electricity, gas, coal, central heating, and warm water can be added to the foregoing group. Increases in the prices of these items will be recompensed.

We include products made by small industry in the second group. After the reform, it will be able to set its prices. There are some items in this group which, partially, appear in the first group. Such, for example, as vegetable-fruit products or ocean fish caught by fishing cooperatives. Prices here are dependent on demand and supply; on costs; and, thus, are the result or, properly speaking, should be the result, of the operation of competition. These prices will be compensated in consequence of calculating the increase in the costs of living.

The third group are items whose increased prices will not be compensated .... tobacco, alcohol (including beer, cognac, and wine), as well as gasoline.

The next group, one about which there has already been a great deal of noise, is the service group: barbers, tailors, laundries, dry cleaners, etc., as well as public services, local transportation, State Motor Transport, and the railroads. As in the second group, apparently the increase in the price of many of these services will be equalized by taking the cost-of-living index into consideration.

[Question] But that is not all. There still are television sets, washing machines, sewing machines, mixers, etc.

[Answer] The Main Board of the Polish Economic Society (PTE) which has taken on the job of stabilizing the market is debating price increases for those articles. It must be remembered that, except for prices of food stuffs, which have an almost exclusively drain-type character, others, because of the compensation of the inflationary curve, do not balance out. Thus, that is why increases in the prices of manufactured articles can eliminate this imbalance. Besides the articles named, there is talk of raising the price of footwear, clothing, and wool. To be sure, there is a series of articles whose prices must be protected, among others, children's clothing, powders, soaps, razors, etc., articles of everyday use.

[Question] Thus, we have everything divided up and arranged, but why have these increases not taken place yet? I suspect that a large number of people have already done enough waiting for increases which you judge to be essential. Could it be that you are more afraid of those increases than those who will have to cope with them? Everyone knows that many of the market shortages come about precisely because of the lack of new prices. Jams, potato flour, and confectionery products are not to be had, although it is known that there are more of them in warehouses

than ever. Why then do you not raise the prices? People are waiting, and what is important in the end, is compensation and not the increase itself.

[Answer] Yes, there are many products in warehouses from this year's harvest campaign which are being processed by the food industry. However, they do not reach the stores because enterprise personnel are awaiting early independence and do not want to sell the products at today's unprofitable prices because these do not even cover the costs of production. For example, the price of jam has not changed since 1953.

[Question] However, they are not the same jam.

[Answer] Neither is the money the same. We will increase the prices following consultations; or, if the labor unions will not agree to a discussion of compensation after an increase, we can establish those prices right now. However, we must have the consent of the labor unions or, rather, of the entire society.

[Question] Much is said--and this is also in agreement with the prevailing experience--that the amounts of compensation are essential, that they are the most important.

[Answer] Indeed, but that is what is going to be the primary subject of consultations and not prices. In determining compensation, we have prepared several available variants based on average family budgets.

[Question] Yes, but generally the average does not correspond to any individual household budget.

[Answer] Not everyone is aware of what he spends at home. Of the people polled, 39 percent were unable in the course of a week to say how much they spend for food or for personal consumer items. However, we are continuing our studies. Assuredly, during our consultations it will be possible to determine the amounts of compensation fairly closely. This is very important--that the consultations are universal and that everyone will be able to express their opinion.

[Question] Gentlemen, you have more than once promised to issue a pamphlet concerning the price increases.

[Answer] It was subjected to final discussion the 7th of this month (October) at a meeting of the committee on agricultural reform. It ought to be available in kiosks between 20 to 25 October. Two million copies will be printed.

[Question] Will the pamphlet contain a schedule of increases?

[Answer] Yes, it will be in two variants. The first one is based on two stages, the first of which, the increases in bread and flour, are already behind us. The second is an increase in the price of heating fuel, electricity, central heating, gas, sugar, and potato flour. The third stage will include dairy products, milk, cheeses, butter, and vegetable fats. The next stage will be a price increase in meat and meat products, ocean fish, and animal fats. In between these stages, there will be increases in the prices of alcohol and gasoline. That is one variant.

A second variant anticipates a one-time increase of all prices. Compensation, agreed upon in consultations, will be paid at every stage. The first or second variant will be introduced pending the outcome of consultations.

[Question] When then can the increases be expected?

[Answer] About a month from the start of consultations, that is, from issuance of the pamphlet, somewhere in the second half of November.

[Question] You have been accused of initiating price increases without regard to the reform. And, although, gentlemen, you have said that that is an inseparable component of agricultural reform, somehow it does not appear to be like that in reality. Only the increases can be clearly seen, and relatively little is heard of agricultural reform.

[Answer] Despite the fact that we have been speaking of increase projects since June, it is precisely because of the public's reservations that the entire reform will be determined and ready; but it may be delayed because of the relatively late effective date of the new prices.

[Question] I would like to get back to the first question. "Zycie" has written many times about price increases in other countries, increases that were announced earlier, a month or even a year earlier. Why was that impossible in Poland with respect to cigarettes? You speak, gentlemen, of an undefined time for increases in the prices of alcohol or gasoline. Are we therefore also going to be surprised by that event? After all, alcohol is regulated just like cigarettes and that protects stores against excessive purchases.

[Answer] Increases in alcohol prices during the last 10 years have resulted in the creation of many millionaires. With current prices, and advance notice of relatively high increases, hundreds of millionaires would arise. Delaying a whiskey-carrying vehicle one day would be sufficient to earn hundreds of thousands of zlotys.

[Question] That is what the police are for, while the feelings of people are more essential than those of several, or 10 to 20 criminals.

[Answer] The announcement of an increase in the present situation could introduce chaos in the market; however, if labor unions agree, if people agree to allow the market to become disorganized with respect to those few articles, then, in that event, we will also announce the increase earlier. Although, to tell the truth, that is not done like that anywhere in the world. The Hungarians, for example, once announced a change in the price of wine before it became effective, and it was difficult to buy it for a half year.

[Question] What has been the Board's experience with the recent increases in bread and cigarette prices? The new bread prices probably have not changed much.

[Answer] How is it that everybody evaluates the effect of the increase in bread prices only from the viewpoint of Warsaw, actually it is in Warsaw, and perhaps also in Lodz that it is worst. The baking there is inefficient and trade, speaking delicately, is not too proficient. Progress, for example, is observable in Poznan,

and also in rural and small city stores. If the supply situation with respect to potato flour, sugar, and fats improves--it will be better. As far as cigarettes are concerned, that was a decision whose purpose was to draw money from the market in order to cover social needs, among others, the so-called old pocket-book. It would be possible to continue discussion on the form, but our partners in consultation also did not always play fair.

Bad experiences, those are unfulfilled hopes because of reduced sales, but that 10 percent drop is also a lot when there is a shortage of other products. Perhaps few of our premises have been fulfilled; however, they have evoked hopes in society which resulted in people's learning to demand good product quality. That also provides satisfaction. On the basis of experience to date, we have hopes that it will be possible during the next consultations to set such prices and compensations and, as a result, a division of goods that will permit better access to store counters, particularly for those most troubled by the present shortages.

We also need to become aware that we are not going to be eating less.

10,433
CSO: 2600/34

WATER SHORTAGE PROBLEM, NEW REGULATIONS DESCRIBED

Warsaw ZYCIE GOSPODARCZE in Polish No 43, 25 Oct 81 p 8

[Article by Mieczyslaw Gadkowski: "How to Manage the Water"]

[Text] Thus far in Poland, water management has been understood to mean principally the construction of water reservoirs. In developing this course of action, it was indicated that construction of a sufficient number of storage reservoirs will make it possible to increase the flow capacity enough so that the anticipated demand for water will be fully satisfied. In practice, activity in this direction consisted of planning reservoirs while neglecting the problem of technical advancements in hydraulic engineering and the methods of accomplishing the storage itself. For example, the design system used in developing the Seine and Marne Rivers, where storage reservoirs are located in natural valleys beyond the riverbed, has not been examined in Poland at all. French experience has shown that these systems are more economical, they allow the reservoir to be located in a region with minimal development, thus making it easier to construct the reservoir in stages, and they also make it possible to consume the water selectively, allowing for shutoff of inflow to the reservoir in case of emergency pollution of the river.

In designing reservoirs, the fact that water shortage and water requirements are, as a rule, not in the same territorial location, and that to connect these two components of water management an expensive technical infrastructure must be created, has generally been touched on very lightly.

In the field of sanitary engineering, mainly the problems of water-pollution control were exposed, problems, which although generally regarded as being important, in actual operations were given merely lip service. The results are widely known, both from the standpoint of river cleanness and work effectiveness of the existing treatment plants. The fault in water-pollution control was the construction of water-treatment plants as independent facilities, without creating water-pollution control systems, and without linking the treatments plants with water-production stations to supply industrial plants.

The Most Critical Tasks

First of all, the present research methods must be verified. We cannot accept a system of calculating water resources based on comparing total requirements with available river flow capacity. These methods ignore the fact that the flowing water

is being used by a number of consumers located along the river, which means that the available resources cannot be comparable to the physical flow capacity of the water in the river. To estimate the available resources, the multiplication factor of water utilization should be determined. However, to date no studies have been made on this. The new method, on which the recently conducted regional water-management balance-sheet is based, also has some serious shortcomings. The incorrect accounting method is responsible for the fact that in certain regions now regarded as water-deficient, no shortage actually exists. But in many regions of the country there are problems in obtaining water of the required qaulity.

The method of interpreting restricted flow capacity also arouses misgivings. At the present time, the concept of minimal filling of the riverbed should be advanced. Minimal filling can be maintained either through flow or through proper hydraulic engineering. Acceptance of the new, proposed interpretation of "restricted flow capacity" would make it possible to increase the available resources on sections of low-water-level and canalized rivers by 20 to 25 percent.

Neither is the widespread viewpoint acceptable that unrecoverable water losses in 1985 will amount to approximately 100 cubic meters per second, and in the year 2000, about 150 cubic meters per second. This opinion is based on faulty computational methods. Verification of the size of unrecoverable losses based on the country's energy balance shows that during 1956-1976, 20 to 25 percent of the country's energy balance was consumed to evaporate water in industrial utilization. This corresponded to unrecoverable losses in the 8-to-10-cubic-meters-per-second range, i.e., one-tenth of the amounted cited in the professional reports. As the development of the national economy proceeds in an energy-effective direction, this amount will increase greatly.

The viewpoint, prevalent in the country, that industrial demand for water can be satisfied with inland waters alone, should also be verified. This opinion completely ignores the fact that at present most countries that have seacoasts use seawater, in its natural state, for industrial purposes. We find many examples of this in Italy, France, England, the United States, Australia, New Zealand and other industrial countries. In some countries, seawater's share in total industrial water requirements is 30 to 50 percent. For example, in England, of 36 thermal electric power plants that were put into operation during 1965-1975, with a total 46,000 MW generating capacity, 17 of them, with over 28,000 MW generating capacity combined, are cooled by seawater. This is 60 percent of the generating capacity released during that period. In addition, two thermal electric power plants with a combined capacity of 3,576 MW were located in river estuaries.

Thus far, about 20 of the country's industrial plants take water from the Motlawa and Martwa Wisla harbor basins, of similar water quality. Considering the fact that the Baltic is a sea of low salt content, and that utilization of seawater causes no serious technical problems, efforts should be made to establish industrial zones connected with seaports, thereby alleviating the problems of transport and growth of industrial demand for water.

Where seawater is used by industry, the construction of treatment plants becomes more simple, since the biological pollution which is the most damaging to the sea can be eliminated by relatively simple methods. On the other hand, the difficult-to-remove chemical pollution, and particularly the salts which are a serious threat to inland waters, are not a large problem insofar as the sea is concerned.

Cooperation in utilizing surface and subsurface water is very important in water management and has been totally neglected in our studies and in the operations of our economy. In world water management, this course of action has been intensively developed for almost 30 years. It encompasses:

-- applying intensified infiltration to the excess of surface water over subsurface water,

-- replenishing surface water through treated surface water or treated sewage,

-- using hydrogeologic systems for storing surface water and moving it to more distant points,

-- creating hydrogeological barriers to the inflow of seawater.

By 1970, 90 facilities had been built throughout the world simply to study subsurface waters in countries such as England, Austria, Czechoslovakia, France, Iran, Israel, Jamaica, Japan, Morocco, Mexico, South Africa, Switzerland, the United States, and Hungary.

Without orienting the research, it is very difficult at this time to determine which of the courses of action mentioned would be most useful under our conditions.

Water in Industry and Agriculture

Changes in water management in industry and agriculture should cover both the supply of water and how it should be used. The changes are urgent because of the past unrestrained use of the water, with minimal interference on the part of water management. In view of the present structure for supplying water to industrial plants, action should also be taken at the same time to restrict the consumption of subsurface water, and to create in the large industrial urban centers and newly industrialized regions, central production stations for producing industrial water. The proposed stations for treating industrial water should be connected with large or central sewage-treatment plants.

This course of action was initiated in many of the world's industrial countries as early as the 1940's.

In Poland, the use of treated sewage for industrial purposes is only incidental. This use may be considerably expanded--in Silesia, for example--after the once-envisaged "Klimzowiec" river treatment plant is built and after other river, group municipal and municipal-industrial sewage-treatment plants are constructed. This design system combines water-pollution control and the supply of water to industry into a single technological line, and it may also make it possible to reduce consumption of water from the public-supply system.

Preliminary calculations showed, in the case of Silesia, that the cost for reconditioning water, in investment outlays, is about two-fold less, and in operating costs, about 1.5-fold less, than the cost of transporting water from the Dunajec [River]. A similar relationship exists in the costs of transporting water from the reservoirs of the Sola Cascade.

But insofar as new industrial regions are concerned, this course of action requires planning discipline and consistency in applying the central idea, from the planning period all the way to the implementation of the individual technical facilities.

An example of such action abroad may be the French industrial zone Fos-Berre and a number of industrial zones in the United States.

In addition to changes in industrial water supply systems throughout the world, extensive activity was also begun to reduce water consumption in factories and plants. This produced a 40 percent reduction in total water consumption, as compared to supply figures recorded in 1968.

An example of domestic solutions aimed at reducing water requirements may be found in the Katowice Steelworks, which in its time was regarded as modern and progressive. Now, the water requirements in the Katowice Steelworks, at an annual production of 4.5 million tons of steel, are 1.1-1.2 cubic meters per second, which is equivalent to a water consumption index of 8.05 cubic meters per ton. However, according to documentation submitted to the water authorities and the permission obtained for an initially planned ultimate production of 9 million tons, water requirements are supposed to increase to 3.5 cubic meters per second, which is the equivalent of a water consumption index of 12.2 cubic meters per ton of steel. This index may be compared with the water consumption index in the Thyssen Steelworks in Duisburg (FRG).

In 1957, the Thyssen Steelworks' annual production was 9 million tons of steel at a total fresh water requirement amounting to 1,304 cubic meters per second, which was equivalent to 4.56 cubic meters per ton. After the steelworks was expanded and modernized in 1974, its annual production was 15 million tons, while the water consumption index dropped to 2.72 cubic meters per ton of steel and the total requirement for water remained at 1,296 cubic meters per second (slightly lower than in 1957). Of this amount, the steelworks returns to the river 0.87 cubic meters per second of wastewater, treated to a quality complying with grade 2 water purity--the purity grade established for the Rhine River.

Even the small, pre-war Hungarian steelworks in Miskolc, with an annual production of approximately 1 million tons of steel, has a water consumption index of 5 cubic meters per ton, which is lower than our Katowice Steelworks.

One of the more interesting examples of local design systems which are conducive to efficient water utilization, is the Kedzierczyn Sheetmetal Shop Chemical Plants, where several years ago full recycling of wastewater was instituted. Also in two Silesian thermal electric power plant in 1980, part of their own industrial wastewater and residential sewage was used to feed the closed-cycle cooling. These systems have been operating successfully for several months. Preliminary figures show that use of these systems has reduced water requirements about 15 percent, has greatly reduced the number of sewers and the load of discharge pollutants, and has also resulted in a savings of about 11 million zlotys a year. Some interesting conclusions can also be drawn from an extensive study conducted for the Oswiecim ZPCh [chemical industry plants], which now consume 4.45 cubic meters per second of water from the Sola River. The study showed that this consumption can be reduced 60 percent, with a simultaneous 4.3 percent reduction in operating costs.

Water management in agriculture requires a new approach. It should be pointed out that agriculture thus far has not presented any convincing evidence to show that irrigation is profitable. The problem of irrigation has been regarded as more political than economic. The result is that very large doses of irrigation have been provided in many design systems. For example, in the water-management design for the Lublin Coal Basin for 1990, 35,155 hectares of irrigation area with a water dosage of 10.75 million cubic meters per 1,000 hectares per year was provided, and by the year 2000--50,160 hectares of irrigation area with a water dosage of 9.27 million cubic meters per 1,000 hectares per year. The above irrigation should be compared with two Bulgarian irrigation systems: Biala Slatina, with 1,063 hectares, and Kneza, with 1,200 hectares, where similar irrigation dosages amount to 1.5-2 million cubic meters per 1,000 hectare.

In our agriculture, as in our industry, water is regarded as an unlimited resource. Furthermore, in agriculture, the principle of surface distribution of water has been adopted. This means that water is stored in surface reservoirs and transported by canals or pipelines to the irrigation systems, whereas from the technical and natural-science standpoint, these systems should be expanded to take into account the supply of water drawn from the first level of the subsurface waters. This system is used, for example, in many farming areas in the GDR. It is more flexible and economical in its operation and it also takes advantage of the large water-retention capacity of the soil. But to do this, modern, economical irrigation methods must be applied, such as sprinklers, and in some areas, a drip-feed system. To determine where and how much water is required by agriculture, a macroscale model should first be constructed. The management study on the Bulgarian farm region of Silistra, made by the International Institute for Systems Research in Laxenburg, is an example of such a model.

There is extensive material for preparing such a model in many specialized institutes. Until such a model is prepared, the following proposals on courses of action in water management in agriculture can be safely advanced:

-- institute irrigation first in those regions of the country where water is most plentiful,

-- form, in areas under irrigation, local research stations to determine the sum total of water in agriculture,

-- related water-management research in agriculture with economic research.

Using Mine Water

Coal mining now pumps out approximately 540 million cubic meters of water annually, of which about 20 percent is salt water and about 3 percent is brine. The rest, i.e., about 80 percent, is pure water which can be used in the municipal economy and in industry. Some of this water is already being used for these purposes, but there is still room for improvement in efficient consumption of mine water. Better water management in coal mining would make about 300 million cubic meters of fresh water, pumped out of the mines, available for the economy. But in many cases this will require changes in water management in the existing mines and a change in the habits and methods of approaching this problem by the mining organization and services.

The same applies to the draining-off of water. For example, in draining the Belchatow mine, about 6 cubic meters per second of high-quality water is being pumped out constantly--water which could be used as municipal water. This installation will have to operate about 30 years. The matter has been known for several years, but thus far no important studies have been undertaken on optimizing the utilization of this water. Yet, Belchatow is only 100 kilometers from Silesia and only 60 kilometers from Lodz. The transport of this water to Silesia would cost much less than the water intake on the Dunajec [River], which is under consideration for the future. Neither does it require construction of any kind of storage reservoir. Studies on optimizing the utilization of water from the draining of the Belchatow mines should also take into consideration the large excavation which will remain in this region after the coal has been mined. It may be worthwhile to convert it to a large storage reservoir, taking advantage of the local resources of the Widawka, Grabia, and possibly the Warta rivers, and accumulate substantial amounts of municipal water.

New Regulations and Organization

The actions that are proposed require changes in the legal bases and organization of water management, enabling, first of all:

1) The creation of regional water-management systems, operating as management enterprises authorized to:

-- verify the needs of water consumers, taking into account changes in production technology and water-treatment methods,

-- conduct a cost-effectiveness analysis to decide how the water is to be supplied in view of local resources, water-treatment stations, storage reservoirs, water transfers, and changes to methods that are water-conserving,

-- intervene in water management inside the plants in order to adapt the system to periodic changes in the supply of water or to protect the receiver against the possibility of emergency pollutions,

-- indicate sources of water consumption and require the user to adapt the water quality to his own needs.

2) Institute the rule that the wastewater that is being dumped must correspond, from the standpoint of pollution, to the future expected grade of the receiver, regardless of the quality of the water being consumed. In many cases, this means that the water that is being dumped must be cleaner than the water that is being taken. Experience abroad has shown that this course of action is, in many cases, the most natural incentive for efficient water utilization.

3) Take systematic action to control pollution and use subsurface water resources efficiently. First of all, payment for water for industrial production should be increased, with a large increase in payments for water being consumed for nonproduction purposes. The principle of issuing temporary permits for consumption of subsurface water should be introduced.

Another important course of action in connection with stimulating the economy and water management, is the reconstruction of small storage facilities which have diverse and generally well-documented utilitarian functions.

Because in the case of small storage facilities not only their reconstruction, but also their proper operation is an important factor, it is proposed that the following courses of action be considered:

-- stimulate the construction of small energy facilities by local industry,

-- support the comprehensive development of small rivers by water companies and other local organizations,

-- support the reconstruction of fishing-economy facilities.

To stimulate the above-mentioned courses of action, use should also be made of the Water Management Fund, which should participate in the design and construction of these facilities and also fulfill the role of technical supervision over their implementation.

I would like to cite Prof K. Kopecki's position (1981) on this subject. He points to the "feasibility of constructing and reconstructing numerous (8,000!) small (up to a couple hundred kilowatts) electric power plants making up the so-called small hydropower industry (former mills, windmills, etc.). Up to now, they have been unprofitable, but with complete standardization of assumptions, average serial production of standardized units, and full automation of motion, they could fill a nonservice role of rather cheap sources of energy with a combined production of about 500 GWh/a."

9295
CSO: 2600/45

PROPOSAL TO LIMIT INTERNATIONAL INTEREST RATES EXPLAINED

Bucharest REVISTA ECONOMICA in Romanian No 43, 23 Oct 81 pp 27-28

[Article by Ilie Magura: "The Requirement of Reducing the Level of Interest Rates on International Credits"]

[Text] For over 400 years, credits have represented a means of stimulating commercial trade. In our times, when trade and international cooperation are designed to intensify each country's own efforts, credit has taken on a role of stimulating international commercial trade, becoming a necessary component in the process of developing and increasing international economic relations. In this regard, it is clear that any delivery of complex installations and industrial equipment between countries, regardless of their level of development, is done on the basis of credit.

Today, however, we are witnessing a basic erosion of the function of credit as a result of an unprecedented increase in interest rates caused by a complex group of factors that involve the essence of capitalism and by the crisis phenomena that are confronting these countries, as well as by the deliberately conducted restrictive monetary policy of monetary authorities in some Western countries.

The considerable growth in the level of interest rates is clearly shown by several figures. Compared to 1977, the level of interest rates on the money market in the United States and on the international Eurodollar market was in 1980 and 1981, 10 to 12 percentage points higher. As a result of the "interest rate war" waged between the main Western countries, there was a 6 to 10 percentage point increase in the interest rates on the West European money markets. The upward spiral of interest rates was transmitted from the Western countries to all categories of credit, including those long-term credits granted by international financial institutions for financing the development of those countries that are behind in their development. In this regard, we can mention the fact that in recent years the World Bank, which acquires its resources from the Western capital markets, increased the interest rate levied on credits by over 4 percentage points, reaching 11.6 percent.

The increase in the cost of international credit has a powerful negative influence upon all countries, and especially upon the developing nations required to support the burden of payments for certain ever greater interest rates. As a result, the high level of interest rates not only makes it ever more difficult to go beyond the stage of underdevelopment, but also considerably contributes to its aggravation.

Each percentage point increase in the interest rates is equal to considerable supplement payments that the developing nations must make into the account of the party with which the loan was contracted. At the level of the foreign debt that these nations have, one percent of interest currently means approximately $4 billion. That is why the developing nations' payments for interest on foreign debt accounts, payments that doubled from 1978 to 1980, reaching $30 billion and this year moving up to approximately $55 billion, exceed all the capital put into these nations through official development assistance (in 1980, approximately $26 billion). In addition to this, we must note the interest paid on short-term loans (under 1 year), assumed by these nations to cover urgent needs, loans that had interest rates that were especiall high, 20 to 24 percent in the first part of this year.

The ever greater burden of the interest rates is illustrated by the doubling of the percentage of this burden in the receipts from the exports of the developing nations, from 4-5 percent in 1976 to 8 percent in 1980 and approximately 10 percent this year, while payments on the debt have been maintained at around 10-12 percent. Thus, a situation has been reached where the effort to reimburse the interest rates equals and has a tendency to exceed the effort to reimburse the so-called credit. Together, the interest rates and the decreasing payments on the foreign debt today absorb nearly one-fourth of the already modest hard currency earnings of the developing nations made from their entire export of goods and services.

The increase in the interest rates and the reduction in the repayment timeframe have reduced the volume of the net transfer of capital which can be effectively used by the developing nations to pay for imports and other development projects from 40 percent in 1978 to only 22 percent in 1980, requiring these nations to use an ever greater portion of the incomes earned from exports for the annual payment of interest and term payments.

The high level of interest rates on international credit is especially powerfully reflected in the foreign trade of the developing nations, inevitably bringing about the restriction of the volume of this trade and, as a result, the decrease in overall international trade and the narrowing of the world market - a phenomenon that affects all countries, including the powerfully developed ones. The chain effects of this process are illustrated by the last annual GATT report which noted that in 1980 the volume of world trade had increased by only 1.5 percent, while this year the first absolute decrease since 1975 is forecast.

The burden of the interest rates in 1980 has required the developing nations to pay to the Western countries 1.8 percent of their gross national product, compared to .4 percent in 1970. One-third of the increase in the gross national product of the countries that are lagging behind is transferred to the developed countries in the form of payments on interest. The conclusion is clear: the high level of interest rates contributes to perpetuating the state of underdevelopment, with all the serious consequences that stem from it.

The future is even more unsettled. If currently a portion of the repayment debt is made up of foreign credits and loans previously contracted when the interest rates were more reasonable, during the coming periods they will have to repay credits contracted during 1980-1981 at a time of unusually high interest rates. The loans obtained from the private Western banks at the high market interest rates by the developing nations increased from $13 billion in 1977 to $42 billion in 1979 and $47 billion in 1980.

If we keep in mind only the bank loans obtained by the "third world" nations in 1979 and 1980, of $90 billion, and the fact that they are currently paying 15 to 20 percent interest in the money markets. the result is that this year the developing nations will have to allocate, just to pay for the interest, $15-18 billion or more than half of what they will receive in development aid or another 5 percent of their incomes from exports or more than one-fourth of their hard currency reserves. Let us remember that we are speaking only of the bank credits obtained in 2 years, as well as the fact that the development aid is slated for the achievement of certain projects needed to improve these countries and not pay off debts. Additionally, the hard currency reserves of many of the developing nations are already very small, to the point where they can barely cover their import requirements for just several weeks.

Caught in the vice of these difficulties, many developing nations see the need either to once again appeal to the private capital markets - which at the current level of interest rates means a future of even more enslaving debts - or to proceed with a drastic reduction in domestic consumption and investment. This latter option is, for its part, especially painful. For the poor nations having a per inhabitant income of under $300, the reduction in the level of consumption is, in many cases, practically impossible, with consumption already standing at the threshhold of subsistence. Generally, in the case of all the developing nations the move to reduce investments is equivalent to slowing down and frequently abandoning their development programs, resulting in a further widening of the gaps that separate them from the advanced countries.

Realistic, Constructive Proposals

Keeping in mind the negative effects of the exaggerated level of interest rates, it seems an absolute necessity to renounce the deliberate policy of high interest rates and to move to the practice of having certain rational interest rates. Beginning with the finding that all countries, including the developed ones, are

interested in the final analysis in this course, Romania feels that the entire international community must firmly work to stop the escalation of interest rates and to put an end to these practices of power and oppression, which in fact represent expressions of neocolonialism pursuing, through new, refined, but equally painful forms, the perpetuation of the exploitation of the weak by the powerful.

In defining Romania's position in this problem, comrade Nicolae Ceausescu stressed: "It is necessary to work in a fully decisive manner to put an end to these new forms of exploitation, including those used by financial capital institutions - the use of certain high interest rates, which place an ever greater burden on the shoulders of the developing nations and, at the same time, disorganizing the entire world economy. It is necessary to be understood that this damages the general interests of the people and is a path that will lead to a deepening of the economic crisis and certainly bring a sharp rebuff to the poor people who will not be able to suffer the oppression and imperialist plundering forever."

Beginning with this principled position, Romania proposed, within the framework of the current session of the United Nations' General Assembly and at the recently concluded annual session of the International Monetary Fund-International Bank for Reconstruction and Development, taking certain specific measures to reduce interest rates to levels that are justified from an economic point of view. In the opinion of our country, it should come to an international understanding where the maximum level of the interest rates does not exceed 8 percent under normal economic conditions.

Romania's proposal primarily has in mind the level of usual, normal profits for investment projects that are financed with international credits. It is easy to understand that the level of the interest must normally be kept under the level of the profits of the investment project financed by this credit so that the project will be workable and efficient. In contrary cases, the credit leads to a loss and national income flows out of the country. And, international credits should not constitute a roadblock in the path of each country's progress, but rather a stimulent for material production and economic trade between countries.

Second, the Romanian proposal regarding the maximum level of interest rates has in mind the need to resolve economic problems - inflation, recession - within the framework of each country where these problems appear and not by throwing these difficulties onto other countries, especially onto the developing nations.

Under the conditions of the special role credit plays in contemporary economics, especially for stimulating investments, progress and economic growth, and keeping in mind the seriousness of the problems related to foreign debt, Romania feels that the policy of granting international loans must continue to have favorable elements for the developing nations.

This course of action is justified by at least two considerations.

1) Investment projects are normally achieved with greater difficulty in the developing nations because of weaknesses in their infrastructures, a lack of a highly qualified workforce and other inherent difficulties in the poor countries. As a result, the level of profitability in these countries has a tendency of being lower, and a higher level of interest rates means, as we have noted, the flow of a portion of the national income out of the country. The requirement of eliminating underdevelopment and helping, not hindering these countries and ensuring an effective growth of national income in the third world requires, therefore, practicing certain favorable interest rates for the developing nations.

2) The burden of foreign debt has become so great that many developing nations are encountering serious difficulties in repaying it and honoring their repayment schedules. Calling for new expensive credits at high interest rates means a rapid worsening of the situation, which, in the final analysis, runs counter not only to the interests of the debtors, but also the creditors. The only solution to this problem is the practice of certain advantageous international credits having lower interest rates in relations with the developing nations.

Beginning with this consideration, Romania proposed at the current session of the United Nations' General Assembly and the annual meeting of the International Monetary Fund and World Bank that the level of interest rates on international credits granted to the developing nations be 5 percent, compared to the 8 percent general maximum level, and credits granted to the least developed nations should be interest-free or the rates should not exceed 2-3 percent.

Similarly, keeping in mind the situation that has been created, our country feels that the solution of the problems related to the developing nations' foreign debt constitutes an objective that deserves special attention within the framework of the process of establishing a new international economic order. In this regard, right from the special session of the United Nations' General Assembly in the fall of 1980, Romania proposed measures to ease the developing nations' foreign debt and to equalize their balance of payments, such as the cancellation of the foreign debt for countries having a national income under $500-600 per inhabitant, the reduction of debts, the institution of moratoriums and the rescheduling of payments, including the delay of repayment on certain debts for long periods of time, 15 to 20 years, without applying interest, for those developing nations overwhelmed by debts.

The implementation of these realistic, constructive and equitable proposals would correspond to the true long-term interests of all countries and to the general cause of progress and peace in the world.

8724
CSO: 2700

ROMANIA

OPERATION OF RESITA-RENK JOINT COMPANY DECLARED SUCCESS

Bucharest REVISTA ECONOMICA in Romanian No 43, 23 Oct 81 pp 12, 19

[Article by Dr G. Cristea, a director in the Ministry of Foreign Trade and International Economic Cooperation: "A Successful Cooperation Initiated at the Bucharest International Fair"]

[Text] Nine years ago at the second Bucharest International Fair (1972), we signed a contract for international economic cooperation regarding the establishment of a joint company for the production and sale of reduction gears, gears, couplings and other toothed mechanisms - the "Resita-Renk S.A.", headquartered in Resita and composed of the following partners:

- on the Romanian side: the Resita Machine Building Enterprise, having an over 200 year tradition in machine building, and the UZINEXPORTIMPORT Foreign Trade Enterprise, having rich experience and broad commercial relations in other countries;

- on the German side: the company ZAHNRADERFABRIK RENK A.G., one of the oldest and most famous reduction gear companies in the world, having an over 100 year tradition in the production of reduction gears.

In order to achieve the objectives of the company, investment funds were set aside totalling DM 49 million. The construction was carried out under a contract to the Romanian Construction Enterprise ARCOM, on the basis of the architectural and construction design drawn up by Romanian designers in the Timis Design Institute, with this phase being completed in the fall of 1975 when the reduction gear factory began operations.

The investment project was completed on the basis of the capital contributed by the shareholders at the start of the company, with the Romanian party contributing at the rate of 100 percent for the construction of the factory and 40 percent for the supply of the necessary equipment.

Located within the Culnicel industrial complex in Resita, the "R.R.R." factory covers 22,000 square meters and is composed of a main production building (12,000 square meters), a thermal treatment and welding annex building and space for storage and warehouses.

For technical equipment, the factory has modern, specialized machinery for processing the component parts of the reduction gears. Similarly, we can point our the quality control system that is of great precision and equipped with machinery and devices both for checking the quality of the production of the component parts and for checking the performance of the reduction gears on the test stand.

The company produces, under license and on the basis of the RENK company's know-how, reduction gears of various types and sizes, depending upon the user's requirements, for maritime and industrial uses. To date, over 1,800 reduction gears have been produced for domestic consumption and export, having weights between 300 and 65,000 kilograms for use in a broad range of industrial equipment.

The collaboration between the two partners led in a short time to a good mastery of the design, technological and production know-how so that, today, the company completely designs the construction and technological documentation on the basis of the most modern methods, using automated data processing in computers.

It can be said that the designers, workers and engineers in the Resita industrial center, which has a tradition and long experience in machine building, succeeded in a short period of time in mastering the bases for designing and producing reduction gears on the basis of the RENK Company in Augsburg, so that, today, in its sixth year of operation the "R.R.R." company designs, produces and sells products of its own creation.

One of the premises of establishing the joint company in Romania was the promotion of exports in third markets so that up to 50 percent of the production would be sold for export, of which 25 percent would be done through the efforts of the West German partner.

In accordance with the licensing contract, the company has the right to sell its products - directly or through the Romanian foreign trade enterprises - throughout the world, with the approval of the party holding the license. It should be mentioned that all financial activities are carried out in hard currency.

In order to be supplied with raw materials, materials and services, the company is staffed with the appropriate personnel, who, through the foreign trade enterprises in the country, place the necessary orders. Imported products are obtained by the company through direct contracts with different firms, both in the West and the East. Regardless of whether we are talking about domestic or imported products, their purchase is accomplished according to quality and price.

The company is organized on the principle of self-administration, with all financial activities being carried out on the basis of resources stemming from the sale of production, payments from clients and bank credits. When contracts

are concluded, there must be payment of a minimum of 20 percent in advance on the value of the contract, which constitutes a portion of the resources needed to cover material and financial costs. Organizationally, the joint company has all the functions of an enterprise: sales, supply, planning, production scheduling and accounting and finances, as well as technical, design, production preparation, investment and other departments. Despite all this, the number of personnel in the company is small, while the productivity that is attained is comparable to that obtained by similar factories in the developed countries, with this being the result of the high level of equipment as well as a modern processing and assembly technology that is applied during the production of the gears.

By the end of 1980, a production worth over DM 100 million had been achieved, reaching during the fifth year of operations a sales figure 2.6 times greater than that of the first year of production.

R.R.R reduction gears have been exported to a series of countries, including the People's Republic of China, Czechoslovakia, Yugoslavia, Poland, Syria, Japan, FRG, Iran, India, Italy and Norway.

Products delivered by R.R.R. enjoy a high regard on the part of the users because of their technical and quality level, thus being competitive with the best reduction gears produced in the world.

Technical comments obtained during visits made by the representatives of the users to other countries, visits for the purpose of accepting products or contracts, contain especially favorable evaluations regarding the factory's organization and technical equipment, evaluating the enterprise as one of the most modern in the field of reduction gears production and as a success of the good Romanian-West German cooperation.

Recent design and production activities oriented towards the field of special reduction gears having a completely rectified set of teeth and a high degree of reliability have led to the introduction of products on new segments of the market. The fact that a series of Western firms, like Werner and Pfleiderer, G.H.H., Krupp-Polysius and so forth, are buying R.R.R reduction gears fully shows the quality and competitiveness that the company's gears enjoy on the market.

The results obtained to date through the good cooperation between the partners also ensures the further development of the company, with an appropriate level of profitability, as was planned at the beginning. At the same time, it has created the premises for establishing new joint Romanian-West German companies.

At the seventh Bucharest International Fair, Resita-Renk-Reduction gears is present among the exhibiting industrial firms with products of great commercial attractiveness.

8724
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FIRE PREVENTION IN INDUSTRIAL, AGRICULTURAL UNITS

Bucharest PAZA CONTRA INCENDIILOR in Romanian No 9, Sep 81 pp 2, 10

[Article by Maj Gen Gheorghe Briceag, commander of the firefighters: "Firm Pledge to Protect the National Wealth"]

[Text] Each year on 13 September, we celebrate "Romanian Firemen's Day." On this day we not only remember and render homage to the heroic deeds performed 133 years ago at Dealul Spirii by the Bucharest Firemen Detachment against the Ottoman invaders, to protect the land of their fathers and the holy cause of the 1848 Revolution; we also take the opportunity to show the high regard in which our party and state holds the activity of those who today are serving to protect the national wealth, as well as the lives and property of workers, against fires and other calamities.

This year, the 13 September celebration is held in a climate of strong and enthusiastic involvement in labor, by means of which our entire socialist nation, closely united around the party and its secretary general, Nicolae Ceausescu, fulfills the provisions of the first year of the five-year plan of quality and efficiency, bringing to fruition the decisions--so exceptionally important to the nation's future--adopted by the 12th Party Congress.

Joining the general effort and the sacrifice with which workers have undertaken to fulfill the state and party decisions regarding our nation's socioeconomic development, military and civilian firemen report with the greatest pride that the successes which they have obtained are the fruits of the conscientious application of the valuable indications provided by our supreme commander, Nicolae Ceausescu, according to which "the matter of fire prevention and of the measures that must be taken to this end, are extremely important. We must be capable to put out fires when they occur, but an essential aspect are also the measures that are taken to prevent fires." The full understanding of this concept, so clearly formulated, has stirred firemen's units and sub-units, and responsible factors in work units and localities, toward a more concrete and efficient effort designed to give new and qualitatively superior values to entire activity conducted to protect the national wealth against fires. With the direct contribution of party organs and organizations, of unit leaders, of specialists in various ministries and sectors of activity, and of technical commissions and civilian firemen formations, fire

prevention inspections, as well as the instruction and educational activities carried out with workers in enterprises and localities in the country, have been more efficient, have instilled a spirit of responsibility and discipline, and have reduced the number of fires and consequent material losses in most sectors of activity. The entire prevention activity has been focused on objectives of outstanding importance to the national economy, chemical and petrochemical sites, steel enterprises, enterprises involved in energy or complex technologies, wood industrialization combines, units with large cable investments, as well as many other categories of units, such as those which shelter large crowds or protect large amounts of material goods.

One reason for justifiable pride in the good organization and conduct of activities, are the fire prevention and fighting results obtained by many unit managements, technical commissions, and civilian firemen formations, such as the ones at the Electroputere enterprise in Craiova, the Telejean Petrochemical Combine, the Tulcea Ship Building and Technical Equipment Enterprise, and the Caransebes Wood Processing Enterprise, as well as those in the localities Strehaia in Mehedinti County, Codlea in Brasov County, Negresti in Vaslui County, Mociu in Cluj County, Hateg in Hunedoara County, Panciu in Vrancea County, and many others who took first place in their counties during the patriotic competition.

It should be noted that these good results were obtained through the constant support provided by local party and state organs to managements, workers' councils in industrial and agricultural units, and citizens who have made a real contribution to the high quality fulfillment of the firemen's tasks and missions. That is why it is our pleasant duty on this 13 September, to express our warmest thanks to all those who have acted together with us to assure the safety of lives and of the national wealth against fires, with the conviction that we will be able to rely on their unstinting support in the future.

Placing great stress on prevention activities, military and civilian firemen have also devoted constant attention to efficient organizational measures to obtain superior results in preparing for intervention and in strengthening their firefighting capabilities. Their high level of instruction, and their strong moral and fighting qualities placed in service to protect lives and the national wealth, were demonstrated during direct confrontations with flames or with the fury of waters, confrontations in which today's firemen were victorious, enriching with new pages of heroism the book of beautiful fighting traditions; their courage and tenacity have saved many human lives and great material values, as demonstrated by the military personnel in the firemen companies of Ploesti, Pitesti, Brasov, Bistrita, Cluj-Napoca, and Turceni, as well as by the members of the civilian firemen formations at the petrochemical combines of Borzesti and Brazi, the Electrocentrale enterprise in Turceni, and the Petrila Mining Enterprise, or in the localities Pascani in Iasi County, Saveni in Botosani County, Maureni in Caras-Severin County, Valenii de Munte in Prahova County, and many others.

In presenting the good results that have been obtained so far, we must not overlook that shortcomings did arise in preventing and fighting fires, that all the necessary attention has not been devoted everywhere to eliminating dangerous conditions at some installations, plants, departments, shops, and warehouses, and that there still

exist some leaders of socialist organizations, technical commissions, and civilian firemen formations, whose activities do not meet expected standards, a fact demonstrated by violations of regulations and by infractions of internal order and discipline, which have facilitated the occurrence of fires. It goes without saying that the elimination of these conditions implies more responsibility in organizing and conducting prevention activities and in assuring intervention in firefighting, requires greater initiative in effectively solving the problems raised in protecting the country's units and localities against fire, and imposes that the most efficient and viable measures be taken to bring out of danger socialist property, and the lives and personal goods of citizens. All the necessary conditions have been created in industrial objectives, agricultural units, and localities to achieve these goals. For this, we have valuable technical personnel, specialists, superior technical endowment, and appropriate conditions for carrying out a better organized long-range work, based on the firm and consistent application of prevention regulations, on the constant introduction of new developments, and on the use of approaches and methods with maximum immediate efficiency.

The successful completion of the priority objectives that are facing leaders of socialist organizations, the personnel in county firemen groups, technical commissions, and civilian firemen formations, requires a closer connection with workers, through the performance of efficient instruction and education activities, capable of increasing the contribution to a sustained effort for assuring sound protection against fires at industrial, chemical, petrochemical, and steel sites, at units whose technical processes use raw materials or manufacture combustible or flammable products, at commercial units and storage areas which house large material values, at constructions sheltering large numbers of people, in forests, and at citizens' farms.

In addition, particular attention must be devoted during the fall, to fire prevention in agricultural units. The fact that fires have recently occurred at warehouses, animal shelters, and fodder stores belonging to some agricultural production cooperatives and state agricultural enterprises, and that these fires resulted from preventible causes (short circuits, cigarette butts casually tossed out, open fire operations at insecure locations, children playing with matches, spontaneous combustion, sparks from tractor and truck exhausts, and so on), imposes the performance of systematic inspections, the adoption of firm measures to eliminate the causes of fires at their source, as well as the organization of as many instruction and education activities as possible with the personnel which harvests, transports, and stores fall crops and animals. As the secretary general of the party, Nicolae Ceausescu, has pointed out in his speech to the recent Workshop on Problems of the Agriculture: "We must do everything we can for the fall crop to be harvested without losses, and stored under the best possible conditions." The same care and the same attention must understandably also be devoted to assuring the security of animal shelters and fodder stores, where any violation of fire prevention regulations can result in considerable material losses.

The continued improvement of fire prevention and fighting activities, in accordance with our country's dynamic socioeconomic development, with the increasingly exacting requirements made by party and state documents, and with the valuable indications provided by the secretary general of our party, imposes that we assign priority to

the following major actions: firm enforcement of legal regulations for fire prevention and fighting; improved guidance and technical inspection activities; formation of technical commissions and specialists; greater contribution from civilian firemen formations in fire prevention activities, and increased intervention capability for these formations; intensified and diversified instruction and education activities; increased intervention capabilities for sub-units and civilian firemen formations for firefighting and for the removal of the results of natural calamities and catastrophes; and continued improvement of forms and procedures of action, in order to fight fires rapidly and with minimum material losses.

Firmly involved in the protection of the national wealth, animated by the burning desire to perform their duties with devotion and abnegation, and profoundly devoted to the nation, the party, the people, and our supreme commander, Nicolae Ceausescu, military and civilian firemen reafirm, on this, their day, their unwavering determination to increase and devote all their strength and skills to the exemplary fulfillment of the mission entrusted to them, aware that in this manner they will make their contribution to the protection, development, and blossoming of our beloved country, the Socialist Republic Romania.

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HIGH INCIDENCE OF FIRES IN FODDER DEPOSITORIES

Bucharest PAZA CONTRA INCENDIILOR in Romanian No 9, Sep 81 pp 19-20

[Article by N. Balesteanu and Victor Serban: "Animals Do Not Feed on Self-Criticism and Pledges"]

[Text] In previous issues of this magazine, we have discussed fire prevention in fodder depositories, stating that a higher production of meat and milk depends on their security. We also drew attention to the fact that the failure to take preventive measures leads to a higher danger of fire. Despite this, nearly 2400 tons of fodder were destroyed in more than 45 fires, proving that not all managements of state and cooperative agricultural units have given due attention to the protection of fodder against fires. In analyzing the causes for these fires, we note that nearly one half of them were the result of spontaneous combustion, leading us to ask whether the specialists in the animal raising sector are not aware that fodder stored before it is fully dry or while still damp, will self-ignite. Why then are they not taking steps to respect the provisions of articles 1030 and 1031 of the regulations issued by the Ministry of Agriculture and the Food Industry (MAIA)? What is more, many fires were caused by short circuits in the electrical installations of equipment used to stack the fodder (moving belts, transporters), by lack of supervision of feed preparation installations, by sparks from tractor and other vehicle exhausts, and by the negligence of smokers, all of which demonstrate that the respective units have ignored elementary measures for fire prevention and the regulations of their respective ministry (articles 1032 and 1033 in particular). And finally, a significant number of fires were caused by atmospheric electrical discharges, which raises problems that need to be solved effectively and efficiently.

Calling on statistics, we note that until 20 August, only 18 counties were free of fires (Bacau, Botosani, Brasov, Braila, Constanta, Galati, Giurgiu, Harghita, Teleorman, and others), while the situation is more serious elsewhere: Mures has had seven fires; Alba and Neamt have had four each; Arges and Bihor, three each; and Dolj, Arad, Bistrita, Gorj, Iasi, Salaj, Vaslui, and Vilcea, two fires each. Two-thirds of the fires thus occurred in 13 counties, and one fire each in other ones, testifying to the lack of concern for fire prevention and fighting. Issue No 7 of this magazine analyzed some of the largest fires, but others have occurred since then, resulting in significant losses: at the agricultural production

cooperatives of Dor Marunt, Calarasi County, a fire caused by a smoker burned 80 tons of lucerne; at Caldararu, Arges County, 96 tons of straw burned because Constantin Ciobotea was welding 5 meters away from a stack of fodder; and at Coltu, Arges County, where 495 tons of straw burned because of poor intervention in a fire caused by atmospheric electrical discharges. In analyzing the causes for these fires, we note that they were all based on negligence and failure to respect prevention regulations, while losses were higher because of poor and indecisive intervention on the part of the personnel on the spot and of civilian firemen formations, and because of delayed alarms to military firemen.

Many agricultural units continue to store their fodder under unsuitable conditions: locations are poorly selected (far from water supplies or near buildings), no fences have been constructed, and the personnel assigned to work on them has not been soundly trained. The findings of this magazine's editors also indicate that although no fires have occurred in such counties as Botosani, Caras-Severin, Teleorman, Prahova, and others, violations of prevention regulations do exist, which could easily lead to fires with the most serious consequences. The unsatisfactory security of fodder in many counties, places upon general county directorates for agriculture the duty of taking decisive steps to correct this situation, and punish those guilty of not performing established tasks or respecting regulations. We also draw the attention of the proper organs to the fact that in addition to the fire dangers listed above, other irregularities have also been found, such as the absence of initial firefighting means, failure to instruct those responsible for the depositories, failure to enforce labor order and discipline, and so on.

We recently carried out a surprise inspection in Iasi County. Our first day in the county coincided with the conclusion of the courses given to secretaries of committees and executive bureaus of peoples's councils, and to chiefs of civilian firemen formations. Taking advantage of the opportunity, and with the support of local organs, we organized a discussion about the measures taken to protect fodder depositories against fires. Remembering that two fires have occurred in that county, we asked those present--by title and in fact chairmen of technical commissions for fire prevention and fighting in their localities--to indicate the level of preparation at fodder depositories; however, they all spoke in general terms about the prevention and fighting of fires. And they had good reason to do so, because during our inspection we found many violations of prevention regulations, as was the case at the fodder depositories of the agricultural production cooperatives (CAP) in the localities Ciurea, Grajduri, and Scinteia. The Scinteia and Rebricea farms of the State Agricultural Enterprise (IAS) Miroslava, were pouring concrete and erecting fences at their fodder depositories. But we failed to understand the thinking of the head of the Rebricea farm, Eng Mircea Mardare, who had ordered that the wheat seed culling be conducted on the grounds of the fodder depositories, thus bringing into it equipment which could cause fires, as well as other workers than those assigned to feed the animals.

On the basis of our findings and of existing shortcomings, we believe it necessary to stress the need for concluding more rapidly the preparation of all fodder depositories and their endowment with intervention equipment, so that they may be protected from destruction by fire. It is imperative that instruction and education activities be bolstered through the use of various means, so as to disseminate and create respect for regulations, and to combat negligence in fodder depositories.

General county directorates for agriculture and the food industry, through their specialized technical personnel, have the obligation to support the managers and technical commissions of agricultural units in correctly applying fire prevention and fighting regulations. At the same time, it is imperative that all control organs in county directorates supervise the enforcement of these regulations at fodder depositories, and take effective measures to eliminate negligence.

It is important to forbid access to children and strangers, to provide the water necessary to extinguish fires, and to equip fire stations in accordance with specifications. Considering that many fires were caused by spontaneous combustion, the temperature inside stacks must be monitored, and steps to open the stacks must be taken when it reaches 45-55 degrees C. It is also compulsory that a guard be maintained in permanence, and that signs be installed to forbid access and smoking inside the depositories area. We would like to point out that animals cannot be fed with self-criticism or pledges, both of which we heard everywhere we went. Unit managers are therefore expected to apply to the letter, fire prevention and fighting regulations for protecting fodder depositories from the fury of flames.

In his speech to the Workshop on Problems of the Agriculture, held on 27-28 August, Nicolae Ceausescu stated that "the problems of animal farming during this year strongly demonstrate that the program for the development of animal farming, and for assuring the fodder resources necessary for increasing the production of animals, must be definitely be completed." The sustained efforts that are made to assure animal feed must be backed up by a constant concern to protect it against fires. Some counties are still lagging, not only in providing the necessary feed, but also in taking security measures and in applying the regulations which protect the fodder against destruction by fire.

Recently, the staff of the Firemen's Group of Mehedinti County undertook a specialized technical inspection in agricultural units, to observe the application at fodder depositories and animal farming sectors, of fire prevention and fighting regulations issued by MAIA through Order 150/1976. On this occasion, the inspectors noted that in some units, such as CAP Danceu, IAS Rogova, CAP Fintina Domneasca, and others, the managements of units and the technical commissions for fire prevention and fighting had taken steps to assure suitable conditions for eliminating dangers from fodder depositories and animal farm sectors.

Some other agricultural units however, have exhibited an indiference toward the application of fire prevention and fighting regulations. At CAP Gruia, for instance, large amounts of scrap iron and polyethylene have been stored at the fodder storage site, fire stations are not equipped with first intervention materials, or these materials are safeguarded in locked areas whose keys are hard to find. Similarly, some agricultural unit managements, such as the ones at CAP Gruia, CAP Ghelmegioaia, and others, did not seek to obtain the extinguishing materials necessary for 1981. And if at IAS Timna, the head of the farm, Eng Elena Mateita, does not know what steps to take in case of fire, we can imagine how she instructs the personnel and how fire prevention and fighting measures are respected in the sector which she leads.

The inspection also disclosed other violations of prevention regulations, such as: no plowing was performed around fodder depositories, some water tanks are used to store molasses, extinguishers are rusty, means of transportation--trucks, tractors--are not equipped with extinguishers or spark arrestors, electrical installations are defective, and warning signs against smoking and open fires have not been installed. Moreover, those designated to guard fodder depositories were not found at their posts.

Unit managements, together with fire prevention and fighting technical commissions, must urgently take all necessary measures to eliminate the noted shortcomings, and to firmly protect fodder depositories against fires.

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MEASURE TO IMPROVE NON-FERROUS METAL PRODUCTION

Bucharest BULETINUL OFICIAL in Romanian Part I, No 72, 12 Sep 81, pp 1, 2

[Decree Regarding Measures for Improving the Research, Design, and Production of Non-Ferrous and Rare Metals]

Article 1. The Industrial Central for Non-Ferrous and Rare Metals (CIMNR) will be established on 1 October 1981; it will fall under the jurisdiction of the Ministry of the Chemical Industry, will have its own administrative structure, and will be headquartered in Bucharest; the purpose of its activity will be to extract from concentrates and scraps, heavy and rare non-ferrous metals and aluminum, and to manufacture anodes, sulfuric acid, and other chemical products.

Article 2. On 1 October 1981, the following will be established under the jurisdiction of CIMNR:

a) The Moldova Noua Metallurgical Enterprise for Non-Ferrous Metals (IMNN), located in the town of Moldova Noua, county of Caras-Severin, whose purpose of activity will be to extract copper from concentrates, and to manufacture sulfuric acid and other chemical products.

For the year 1981, five management, administration, and clerical positions are approved to manage, supervise investment operations, and provide tooling and manpower for the Moldova Noua IMNN;

b) The Tulcea Alumina Enterprise, located in the city of Tulcea, county of Tulcea, whose purpose of activity will be to manufacture calcined alumina and other chemical products.

This enterprise is formed by separating the Tulcea Alumina Plant from the Tulcea Metallurgical Combine.

Article 3. The CIMNR is composed of the units shown in the appendix. The central's own administration has 98 positions and will be managed by a director general with the title of deputy minister.

Article 4. The units stipulated in articles 1 and 2, and the Slatina Aluminum Enterprise operate on the principle of economic-financial self-management, as legal entities, and according to legal regulations regarding the organization and

management of socialist units. The CIMNR falls in the category of special grade organizations, group II branches, and the Moldova Noua IMNN, as well as the Tulcea Alumina Enterprise, in the category of grade I organizations, group II branches.

Article 5. The research and design activities for non-ferrous and rare metals at the Baia Mare Institute for Research and Design for Non-Ferrous Ores and Metallurgy, and the Slatina Center for Research and Design for Aluminum Technology, are transferred to the Bucharest Institute for Research, Technical Engineering, Design, and Production for the Inorganic and Non-Ferrous Metals Industry, within the Central Institute for Chemistry.

Article 6. The assets and liabilities established on the basis of the balance sheet of 30 September 1981, together with economic and financial plan indicators, and economic contracts associated with transferred activities, are transferred from the respective units to CIMNR, the Tulcea Alumina Enterprise, and the Bucharest Institute for Research, Technical Engineering, Design, and Production for the Inorganic and Non-Ferrous Metals Industry.

Article 7. Remuneration, rights for special working and toxicity conditions, and for labor groups I and II, work schedules, as well as other legal provisions established for workers in non-ferrous and rare metal units, transferred according to the stipulations of the present decree, will continue to be applied at approved levels.

Article 8. The State Planning Committee and the Ministry of Finances will propose for approval within 45 days from the date of the present decree, modifications in economic and financial plan indicators in the unified national plan for socioeconomic development, and in the volume and structure of the 1981 state budget, resulting from the application of the provisions of the present decree.

Article 9. Appendixes and 2 to the Decision of the Council of Ministers No 367/1973 regarding measures for reorganizing industrial centrals, units associated with them, and some state enterprises, are modified in accordance with the provisions of the present decree.

Nicolae Ceausescu
Chairman of the Socialist Republic Romania
Bucharest, 11 September 1981
No 276

APPENDIX

List of units composing the Industrial Central for Non-Ferrous and Rare Metals

Name of unit in CIMNR	Locality	County	Transferred from
1. Baia Mare Metallurgical Enterprise for Non-Ferrous Metals	City of Baia Mare	Maramures	Baia Mare Central for Ores and Non-Ferrous Metallurgy

2. Copsa Mica Metallurgical Enterprise for Non-Ferrous Metals	Town of Copsa Mica	Sibiu	Baia Mare Central for Ores and Non-Ferrous Metallurgy
3. Zlatna Metallurgical Enterprise for Non-Ferrous Metals	Town of Zlatna	Alba	Baia Mare Central for Ores and Non-Ferrous Metallurgy
4. Slatina Aluminum Enterprise, composed of the Computer Center and the Plant for Metallurgical Tooling and Spare Parts for the Aluminum Industry	City of Slatina	Olt	Slatina Central for Non-Ferrous and Rare Metals
5. Oradea Alumina Enterprise	City of Oradea	Bihor	Slatina Central for Non-Ferrous and Rare Metals
6. Tulcea Alumina Enterprise	Town of Tulcea	Tulcea	Tulcea Metallurgical Combine
7. Neferal Metallurgical Enterprise, Bucharest	City of Bucharest	--	Slatina Central for Non-Ferrous and Rare Metals
8. Moldova Noua Metallurgical Enterprise for Non-Ferrous Metals	Town of Moldova Noua	Caras-Severin	Deva Ore Central
9. Industrial School No 3, including the Professional School for Metallurgy	City of Baia Mare	Maramures	Baia Mare Central for Ores and Non-Ferrous Metallurgy

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CALLS FOR ECONOMIC, SOCIAL REFORM IN AIR

Economists' Gathering

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1605, 4 Oct 81 pp 19-20

[Article by Scepan Rabrenovic: "Demand for Reform"]

[Text] The members of the Federal Economic Council spent two days (on Monday and Tuesday) in the Federal Executive Council building, and because of their intense work they did not even have time to go to dinner; their meal was instead prepared "on the premises."

In the view of the Vice President of the Federal Executive Council, Zvone Dragan, this was one of the most well attended meetings of economists in the last few years. The economists (more of them were invited than the Council has members) were discussing the first, although not yet official, draft resolution on development for next year.

The Federal Executive Council, in fact, rushed to draw up this resolution, along with all of the accompanying documents, much earlier, in order for them to be adopted earlier, so that associated labor would be "informed" in time of what awaits it and how it should prepare. This was not done in previous years: the resolution for the following year was adopted on the last or next to the last day of the old year, and the adoption of some of the accompanying documents was delayed for five of six months.

An Unsystemic System

The economists, however, were not satisfied with just evaluating what was offered by the official planners, but in regard to this searched for the causes of the crisis in which the economy finds itself. They were also inspired by the words of the director of the Federal Institute for Social Planning, Spasoje Medenica: "We planners could not say whether this is a realistic assessment, but we feel that it is a vital issue and a condition for the further development of the country."

This "vital issue" is stated as: export or die. This is because next year alone, Yugoslavia will have to pay back about 5 billion dollars in debts or interests on debts. The Federal Executive Council is therefore seriously considering a drastic reduction in the balance of payments deficit (that would again have to be covered by credits), and there are also those who assert that we should "eliminate" the balance of payments deficit next year, "even at the cost of slowed economic growth."

The economists searched primarily for the causes that have led us into a situation in which the balance of payments deficit has become one of the main factors limiting our growth. According to them, the payments deficit is a mirror image of what is happening in our economic and social system.

Belgrade economist Zoran Popov explains the growth limiting factors as a result of the literal application of systemic decisions, and says: "In the last few years investments have been reduced, real incomes have been reduced, inflation is galloping, and there is not enough of some goods on the market. The growth rate is approaching zero."

Along with all of this, Zoran Popov asserts, the system of self-managing agreement and social agreement is, on the whole, not functioning. ("The people have not been corrupted, but rather we have a system that does not stimulate labor.") Thus this economist seeks to have a long-term stabilization plan drawn up that would also entail a change in the systemic decisions.

Administrative Self-Management

Professor of the Economic Faculty in Belgrade Zoran Pjanic said: "This moment is such that it threatens the heritage of the self-managing socialist system, and the country's legal order is also threatened." And further: "As soon as someone mentions that something in the system is not working, he is met with criticism. I do not dispute the basic systemic orientations, but in my opinion, the systemic laws are debatable. Through the ZUR [Law on Associated Labor], 23 wanted to create a system of free associated labor, but we ended up with fragmented enterprises... We have more and more administration, which will lead us to central management."

Ante Markovic, the director of the Zagreb enterprise Rade Koncar, called the present economic system an "administrative socialist self-managing system."

"This is the ruin of that system," said Ante Markovic, and added, "we must necessarily leave administrative paths for others, self-managing ones. We must create a system and relations in which no one will have to close up shop, and in which no one, quite normally, will remain without an income. Otherwise, we will continue to exhaust ourselves in discussions."

According to Ante Markovic, the very fact that 93 percent of income is earned by a price increase, and only seven percent comes from the results of labor, may explain how much the market criteria for economic activity have been curtailed.

Both Ante Markovic and other economists emphasized that the autarchic conception of development has failed, but that we are not yet acknowledging it. He furthermore illustrated this by the foreign exchange system that has "enthroned" eight economies that are opposed to each other.

The fact that we have a great variance between what has been agreed upon and legalized, and what is happening in practice, led Voja Rakic to suggest: "The situation, not only economic, but social as well, is such that it requires a fundamental social and economic reform, not only [reform] of the systemic laws."

On What Is and Is Not Debatable

According to Titograd professor Bosko Gluscevic, our problem consists of the fact that "we believe that economic problems can be solved by political means, and so we are therefore seeking solutions where there are none. But it should be the reverse: first we must have economic solutions, and only then political ones."

Speaking about the fact that an extraordinary situation also requires extraordinary measures, Professor Bosko Gluscevic advocated greater consideration for economic criteria, but primarily a revitalization of self-management, "which is the fundamental guiding idea of this society." But how is this to be achieved, wondered Professor Bosko Gluscevic, when social parasitism presents the greatest opposition to work and savings, and when we have so many of those who spend and who, in spite of the situation we are in, manage to organize numerous celebrations.

There were a fair number of economists who expressed appreciation of some measures, even though partial ones, taken by the Federal Executive Council, but there were also some who explained the helplessness of Federal Executive Council (the "culprit on duty") as a result of questionable and inefficient coordination among the republics and provinces, which, in several cases, insisted too much on their own interests. Thus one has often received the impression that the Federal Executive Council, as the one who proposes individual measures, is only the ninth partner in the process of negotiation.

This was also discussed by Vice President of the Federal Executive Council Zvone Dragan, who furthermore stressed that during coordination it is necessary to go to the public and put the arguments on the table, and see who defends his own interests to the bitter end.

Over Each Dollar

Speaking about whether economic and social reform is necessary, Zvone Dragan said: "There is a great deal that is open, but it would be good if we waited for some more assessments." Otherwise, Zvone Dragan does not disagree either with the need to reexamine some systemic decisions and laws: "We have already formed commissions that are discussing some systemic laws."

This meeting did not only discuss how much individual systemic decisions have and have not contributed to the current situation. A lively debate was also caused by the idea that every dollar received from the exportation of goods and services is socially profitable. Professor Zoran Pjanic feels that the slogan "export or die" cannot be accepted without a model that would be verified, while Ljubljana professor Aleksandar Bajt, in spite of the current situation, does not agree that the priority should be given to exports and that in doing so all of the problems that are actually hindering greater exports should be neglected--economic growth, prices, and social and economic policy.

At this meeting there was almost no disagreement among the economists, except one thing: how to give preference to exports and how to maintain exports. On the very first day Ante Markovic threw down the glove when he said: "What we need is a new concept of development that will contain an export orientation and modern technology, so let whoever can get involved in it do so."

Ante Markovic furthermore observed that a policy of priorities (food, raw materials, energy) is expensive and that the policy of encouraging the development of priority activities is actually an integral part of the autarchic development policy.

This opinion of his was disputed by Titograd professor Risto Vukcevic ("Such a policy has a reason only if the structural problems of the economy have been solved.") and Aleksandar Bajt ("We created the problems ourselves and we have to solve them ourselves. One of those problems is the development of primary production."). According to Bosko Gluscevic we have not utilized all of the advantages given to us by nature, and this is the reason for the structural problems that have contributed to the high balance of payments deficit.

Zvone Dragan also thinks that no development policy can ignore the production of food, raw materials, and energy: "The question is only about how many priorities we will agree on. If there are more of them, there will be less money."

Director of the Federal Institute for Social Planning Spasoje Medenica spoke at the end about the difficulties of the planners, who are working in a situation in which little is known and when there are a considerable number of unpaid bills and systemic omissions. At the end he almost shouted, "Don't leave us alone."

It remained unclear what he meant by this: whether he was requesting concrete assistance from his colleagues, or support for the kind of economic policy advocated by the economists.

Member of Legislature Interviewed

Blegrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1606, 11 Oct 81 pp 22-24

[Interview with Ljubisav Markovic, member of SFRY Assembly, by Aleksandar Novacic; date and place of interview not specified]

[Text] "Conditions, material ones and those regarding consciousness and experience, have become ripe for us to prepare and carry out resolutely an economic and social reform. It also includes reform of the ideas of certain economic and political institutions. We should also examine some decisions in the political system"--stated Ljubisav Markovic, a prominent scientific and sociopolitical worker, in a conversation with NIN [NEDELJNE INFORMATIVNE NOVINE].

Comrade Markovic, a theoretician of the economy of socialism but also a practician, was once a member of the Federal Executive Council (from 1969 to 1971 when Mitja Ribicic headed the government), and is now chairman of a committee in the Council of Republics and Provinces in the SFRY Assembly. This activity has made it possible for Ljubisav Markovic to perceive the problems of the Yugoslav economy from two angles: the practical and everyday one, and the scientific and analytical one.

In his conversation with NIN, Ljubisav Markovic points out a unique method of analyzing our economic situation that also contains a criticism of some ideas about the possibilities of socialism and the habits that have been formed.

[Question] The economic difficulties, which are becoming increasingly greater, are also influencing public opinion. It is full of worry, hostility, and many

questions. Nevertheless, even very important officials feel that the public is not yet acquainted with the true state of affairs...

[Answer] Some indicators warn that individual relations in economic reproduction really are in a crisis. But the economy is showing growth, and production is also increasing this year at a dynamic rate. The problem is that its economic inefficiency is being intensified.

[Question] You mentioned the word "crisis"?

[Answer] Some crisis situations are developing, but this is not analogous with the economic crisis known by the Western world. After all, a crisis begins there as a result of a surplus of capital, as a result of a surplus of goods...Here we have the opposite phenomenon: a deficit of capital, and in spite of this a high volume of investments, and a deficit of goods for both the domestic and foreign markets.

[Question] What do our main problems consist of? Insufficient exports, which, judging by several recent statements, are becoming a question of "life or death" for the Yugoslav economy?

[Answer] Exporting goods and services is necessary to our economy and industry because it exceeds the limits of the domestic market through its strength. In accordance with this, potential exports would be a factor in further expanded reproduction. But our demand for increased exports today has another meaning; it is simply caused by economic difficulties and the need to acquire the means of payment for imports, especially material for reproduction.

These are all, nevertheless, manifestations of certain internal reasons.

[Question] Which ones?

[Answer] There are several of them. For the moment, we should turn our attention to the state of the internal market. Intensified demand has developed there which is, in almost all domains, considerably in excess of the supply of goods and services. Apparently the strength of this purchasing power does not originate in the state of production and real income. Its stimuli are numerous and are to be found in the position and behavior of the state, the economy, and the citizens.

The problem is industry itself, in which over the last five years, only from abroad, we have imported modern equipment worth about $14 billion. Why isn't the use of modern equipment in production economically efficient? Obviously it is something in the method of management and planning, in the method of the formation of the demand for goods, in the social and economic labor relations, economic activity, and the distribution of income, in social protection, and investments.

In our society many functions and many rights have been formed independently of the labor and wages of people. Many state activities are developed independently of economic forces. This is explained by "requirements" and "progressiveness."

Salary is also an uneconomical concept. It is not used to pay for the actual equivalent of the basic means of living used by people and their families. An individual pays out of his salary, for example, for only part of his rent, electrical energy, etc. This is one idea that was justified while the country was somewhere on the way to a thousand dollars per inhabitant. Possibly it could even be raised to $1,500.

[Question] And now, when the salaries range between $2,500 and $3,000, and in the cities even $5,000?

[Answer] There is some concealed indifference by a person in this toward the effects of the use of material production forces, and toward the work of enterprises. I mean to say that there is a lack of economic criteria among citizens, that is the worker and his elementary living requirements. This is why we have a demand that is continually exceeding the limits of the available material resources.

[Question] The phenomenon has been observed and through politics one hears a frequent refrain that demand must be coordinated with the available production.

[Answer] Yes, but in what way, through an appeal, administrative restrictions, or in some other way? Economic reproduction must be permeated with economic criteria through all of its relations, through salaries, through credits and even subsidies, and through the "rights" of enterprises, banks, and workers. It is necessary to remove the curtain of financial protection and security from idleness and business failure, and losses.

[Question] If I have understood you correctly, the main concern for economic trends and for the material and social status of the workers, is not present so much either in the work organization or in the producer himself. Who is taking care of this?

[Answer] Look at the agendas of the state institutions. It is symptomatic that they are heavily burdened with so-called supply problems. Various products are cited, measurements are made of how well the market is supplied with them, and the government occupies itself with the problems of reserves, in order to mobilize funds for purchases from abroad...The government is concerned with how to buy oil, derivatives, wheat, corn, how to purchase various components for the chemical industry, how to provide coal, etc. This exceeds the limits of the necessary responsibility of politics.

[Question] In other words, the role of the state is growing?

[Answer] The role of the administrative authorities, in essence the state, is growing. This has become a real chaos. Take all of those discussions about various balances, for example, energy, food, raw materials, and foreign exchange positions.

Economic reproduction has set off through currents in which economic criteria cannot be expressed, and this exaggerates the significance of policy and creates a difficult situation for policy itself as well.

[Question] This idea of the relationship of policy to the economy is opposed to all of the principles that have been proclaimed.

[Answer] I think that the concept of economic policy that has its roots in the past is playing a role here. Side by side with the development of the economy and industry, with self-management, there has not been any transformation in man's position with respect to the world of requirements that he has to satisfy, primarily through his work. This is why the "disproportion" with respect to "productive and nonproductive labor" has been expanded. The inefficiency of the funds invested in many projects of social activities has become apparent.

[Question] You mentioned that there is a great deal of chaos in all of this?

[Answer] It is becoming an absolute chaos. For example, I do not agree with the opinion that it is possible to carry out a turnabout in the economy from a situation in which it is increasingly less economically efficient, in spite of the modern equipment and knowledge and personnel, and that at the same time it is not also necessary to carry out an alteration in the habits and relationships toward expenditure and toward labor. How can people be induced to behave in that way at all? Should we appeal to their consciences? It appears that the limits of conscience and the limits of state compulsion, from the long term point of view, are not successful in this. After all, we have socialist states in which conscience is an extremely present factor, but those countries are in fact in a sort of stagnation, although they have enormous investments.

Socialism must rely a great deal more on economic laws and indicators. But now matters in our country are such that the main problems are actually beyond the concern of the producers and the economic organizations—they have been passed over to state institutions.

[Question] Will abandoning the rights that have been achieved have an effect on the standard of living?

[Answer] The necessary turnabout in the economic state of the country will affect the standard of living. It must endure various corrections for some period of time. To some extent the standard of living will also have to "pay" for the social expenditure of converting the economy from uneconomical to economical.

[Question] Has such an idea prevailed?

[Answer] This matter has been ready [for action] for several years already. There has been some deception because in the last few years we received additional capital and additional funds from abroad in abundance. Now our foreign exchange obligations have increased so much that some industries will begin to suffer a serious shortage of materials for production and will operate at reduced capacities, which means that there will be greater losses from the economic point of view.

For politics, it is more reasonable to discuss these issues openly, because continually accumulating money to stimulate exports neither favors economic forces nor stimulates productivity. All of this is creating a false idea that we can still do this, in spite of the limits...

[Question] Can you identify a point in time when this trend began?

[Answer] I think that we were imperceptibly entering into this throughout the whole of the last decade, but somewhat more rapidly in the last five years, and even very rapidly during the last three years.

[Question] Have these economic difficulties simply forced the government and the state to engage in such increased administration?

[Answer] But you see, economic difficulties are a relative matter. When the productivity of labor is not high enough and the pressure from "requirements" is becoming increasingly stronger, then the discrepancy between the material product and demand becomes deeper, i.e., shortages appear. Thus, economic difficulties are relative.

[Question] Recently there have been discussions about whether the system or inconsistent implementation of it is responsible for the present situation?

[Answer] It is certain that our general orientation is good. But in the practical establishment of various economic institutions and various mechanisms, we have obviously become entangled in something in between realism and illusions. We should not have a fetish about various decisions, or criticize the state of our knowledge and our consciousness 5-6 years ago. We know more today. I think that a society can be capable of critically examining some of its previous opinions and convictions.

At any rate, this is already done in Yugoslavia. I wish to call your attention to the 15th meeting of the Central Committee of the LCY, at which subjectivism in economic policy was criticized. Room has been made for an orientation toward making possible the action of economic laws and the market.

I think, however, that we have been occupied with our present problems, so that serious social issues have been put aside.

[Question] You are advocating a turn toward greater action of market laws, and you are mentioning difficulties in future production, a decline in the standard of living, and so forth. This will undoubtedly also lead to social tensions?

[Answer] If this situation continues, we cannot avoid social and other problems, because this situation means a gradual decline in productive and economic capabilities. Through this alone the decline in the standard of living is being added to the agenda. It cannot be avoided.

We have overemphasized the phenomenon of social policy. We are losing sight of the fact that a large part of the population, even of those employed, has high additional incomes. I would even say two-thirds of those employed, although this is not documented anywhere. We cannot maintain the present inefficiency in the use of the social product under the guide of some general social policy, because this, to put it mildly, discourages production and production forces. The main trunk [of the tree] has to be green. Let me put it another way: the productivity of labor has to be the major fact that determines the position of both the

individual and his family. Only after this does it become possible to intervene in the field of social policy from the position of a product surplus.

Finally, if I may shift to the area of doctrine, we must carry out the law on distribution according to work. We have not carried out that law. There is no distribution according to work in such a state of the economy, in such a state of distribution. But the state must also subject itself to this law. It is very relaxed about seizing social funds and piling up some of its tasks. If we examined our society critically on the basis of this law, we would find that it [our society] is filled with many relationships and ideas that actually contradict it.

[Question] The question that suggests itself is whether your views lead toward a new economic and social reform.

[Answer] Conditions, both material ones and those regarding consciousness and experience, really have become ripe for this, and we should resolutely prepare and carry out an economic and social reform. It is not solely economic, because it includes as well reforming the ideas of some economic and political institutions. We were ready for this several years ago. We should also examine some decisions in the political system.

[Question] Can you explain more specifically the main outlines of the reform, as you see it?

[Answer] The principles and foundations are present in our political thought. We also have a fund of theoretical discussions available. In short: economic forces must be efficient and governed by the domestic and foreign market, which will mean that they must be capable of producing accumulation first of all, and only in connection with this, the incomes and expenditure of various beneficiaries. Labor must be stimulated. The function of past work must be affirmed in the relationship between economic entities and workers. The function of prices must be different. Likewise, planning must proceed from the standpoint of self-management, commodity production, and large-scale industry, which is a unified process. The position of the state must be consistent with the economy's ability to compete, to do business on the world market, and to accumulate [capital] etc. This means a social transformation and many adjustments, which is neither easy nor painless. The state of the so-called interest organizations must be thoroughly discussed. A considerable part of services should be paid for from the net income of an economic organization and the workers. Does the term "reform" apply to these trends? I think it does! But if this acts as an incentive for efficient production and economy, then it will bring prosperity to self-management and to people, and to our entire way of life.

One should not forget that our social capital and the potential of our small-scale industry, and the farmers, as well as our knowledge, is solid, that two-thirds of those employed have a secondary school education or higher, and that a great part of the equipment for work--the production machinery--is modern. So where are we going?

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ELECTRICITY OFFICIAL INTERVIEWED ON POWER SHORTAGES

Belgrade ILUSTROVANA POLITIKA in Serbo-Croatian No 1192, 8 Sep 81 pp 14-15

[Interview with Mile Jesic, director of Associated Electric Power of Belgrade, by Predrag Aleksijevic, date and place not given]

[Text] In order to dispel the mysteries surrounding past and future shortages of electrical energy, and to obtain detailed answers to one of the most vital questions of the year, ILUSTROVANA POLITIKA interviewed engineer Mile Jesic, director of Zdruzena Elektroprivreda Beograd [Associated Electric Power of Belgrade], a complex organization of associated labor that is involved in the production and transmission of electrical energy.

[Question] Comrade Jesic, you know everything about the theme that interests us. Is there anything you have to keep silent about regarding the impending shortages?

[Answer] There is not! Nor is there any need to pass over anything in silence. The better informed people are, the better they will be prepared for eventual adversities, and for cooperation by which we can soften and even eliminate momentary difficulties. We can neutralize the shortages with care and the efforts of every household and every production worker, and everyone else at his or her place of work. That means that we are seeking a certain amount of denial, and not so difficult a denial at that. But there are no mysteries. I am ready to explain everything to you.

[Question] Then tell us first about your enterprise, how it is organized, and what power and reserves it has at its disposal.

[Answer] We produce power. Zdruzena Elektroprivreda includes as its associated enterprise the Kolubar-Tamnavski mines and thermal electric power plants at Veliki Crljeni and Obrenovac, along with the Kostolac mines and the power stations of Kostolac and Morava at Svilajnac, which are supplied with coal from various sources. The Belgrade power plant is also included, but it goes into operation only in the case of extreme need, because it burns a petroleum derivative that is especially expensive. Zdruzena Elektroprivreda also includes hydroelectric plants such as Djerdap, Zvornik, Bajina Basta, Vlasina, and the Lim river plants, as well as Elektromorava in Cacak and finally, "Elektroistok" with four basic organizations of associated labor in Belgrade, Valjevo, Bor and Krusevac; these are involved in transmission. All of these plants provide electrical power for Serbia, but not only for Serbia. Perhaps some "mysteries" surround that factor from the layman's

standpoint, and in terms of excuses. The fact is that Zdruzena Elektroprivreda transmits power to consumers in Vojvodina, Macedonia and Croatia. The question is when and under what conditions. It goes only to those who have invested in our plants and who, under long-term agreements, have the right to regular power supplies; these obligations are fulfilled depending on the available power supply. That will never happen at the expense of Serbian consumers; rather, everyone will take their share in bearing the shortages that occur, in predetermined percentages. We will also cooperate with the Kosovo electric plants, which transmit power to Macedonia as well as to us. When they have a crisis, they get power from us. It is well known, but it would not be bad to reiterate, that there is a unified Yugoslav power grid connecting the entire country, and neighboring countries as well. It is important that consumers from any part of the country can count on power from those sources in which they have made investments. We also know that overproduction from one part of the country goes to those who need power.

We Have Exported Power

[Question] Please, comrade Jesic, explain to us the fact that we have exported power abroad, perhaps even on days when we needed it.

[Answer] Yugoslavia has agreements with neighboring countries for export and import of electrical energy, as well as for many other commodities. When we have excess power in Yugoslavia, we have exported it or "loaned it," which is a common practice. But there is no mystery in this fact...It may have been thought that a broad public should not be burdened with technical nuances relating to power, but it seems that that too is necessary at times. Let us take an example. Recently we have been exporting power to Greece! What do you say to that? Why are we exporting it? First, we export it only before noon, when we need it less, while we import the same quantity after noon the same day, when Greece has more and we have less. Perhaps stories originate about that. Similar exchanges and assistance take place within the framework of the unified Yugoslav power grid. No one is trying to get another's share, but each understands the other's needs. Every hour, Yugoslav dispatching centers monitor power consumption and the occasional exchanges with neighboring countries.

[Question] If everything is going so smoothly, why are we being threatened with shortages in such a stern tone, with the possibility of turning down the power spigots? Why was everything, including sufficient energy production, not foreseen in advance?

[Answer] First, let us eliminate the figurative expressions and calm down the tone of our conversation. No one is threatening, but warnings are essential, if we want to avoid occasional power outages without any warning at all! Everything is, in a manner of speaking, anticipated in advance when we are talking about a possible shortage. We can talk about higher production, but not about attaining the necessary production level in the foreseeable future. We are not a sufficiently rich country to be able to build the amount of production capacity that would enable us to produce the needed power during the worst weather conditions and other circumstances.

[Question] We think that once, 10 years ago and more, we were better and more regularly supplied with power.

[Answer] That is a short memory. There were also great shortages earlier. There was much less power then, but also much lower demand. Remember how few households had electric heat, electric hot water heaters and refrigerators, how many fewer apartments and factories there used to be. I would like to stress the fact that today, 40 percent of total energy consumption is in Serbia! During the winter months, Belgrade and a few other cities use as much as 60 percent in households.

[Question] Doubtless the experts had that in mind for this year.

[Answer] The planning anticipated less difficulty this autumn, and somewhat more this winter. We were more concerned for the winter of 1982/83, on the basis of comparisons and probability projections indicating that there would be more water. We expected that the equipment, which is 80 percent new, and has not completed 50 percent of its projected operational life, would function as it should. But it happened that the water flow was less than expected in July and August by 25 percent, when compared to last year. For now, that is not much, but the problem is that there is a very high likelihood that the flow decline will continue. In planning, a 40-year average of the water flow is taken and hydroelectric power production is estimated at 70 percent of the probable flow. Based on that estimate, Yugoslav hydroelectric power plants are supposed to provide 4 percent of this year's total annual power production. That means that thermal power plants are to provide 56 percent. But the 300 megawatt plant at Obrenovac went out of operation on 28 June, meaning 10 percent less total power production. That 10 percent decrease lies at the base of the present difficulties and the coming restrictions. Now we know that the problem will not be repaired by mid-December; the causes are being examined both here and at the French equipment manufacturer.

[Question] Did the failure result from careleseness, poor maintenance or ignorance?

[Answer] The experts have already rejected those possible causes. It is a technical fault that we will certainly uncover and about which we will inform the public. Similar problems have happened elsewhere in the world with such complex devices, and rapid repair is not possible; nor can the cause be determined in a short time. Despite everything that has been said, up to now there have been no forced power stoppages, although that has been accomplished thanks to greater use of our reserve hydroelectric power plants (at Vlasina and the Lim).

Rely on Ourselves and the Sky

[Question] But can the hydroelectric plants pull us out of this situation?

[Answer] Even if everything worked as anticipated and a little better, we would still have a shortage of about 10 percent in September, October, November and the first half of December, when the failure at Obrenovac should be repaired. You asked whether producers located around Serbia would help us. That, of course, is not excluded, but Montenegro has a deficit and is importing power from Albania, and to a degree from Serbia when there is some there to export. Macedonia as well is in a poor situation, while Croatia and Slovenia are short of fuel for their power plants. Bosnia and Hercegovina have no surpluses other than what they will return to repay earlier loans. Objectively then, there are no surpluses in Yugoslavia that Serbia could use in significant amounts on days of shortage. The only hope is that all the operating plants will function well, that there will be rain and snow, and that we will conserve power.

[Question] But in case of need, without help from the sky, can't we count on deliveries from abroad?

[Answer] To some degree we can, if we have an abundance of foreign exchange. Isn't that clear from these facts? We could buy power or perhaps fuel.

[Question] Will neighboring countries return us old power loans?

[Answer] They will, but that will cover only 2 percent of our needs.

[Question] How can we get out of this situation, now and in the future?

[Answer] The society will have to answer that. For example, the explanation is not simply that at the moment we do not have enough coal, or that we lack sufficient funds for oil. The question of investment priorities is much more important. It is said that everything depends on electric power, development, the living standard, the GNP. But in truth it should be said that the energy that we would use if the supply were greater must be used properly. The question of development is always important and timely, but we should leave it for some other time. Right now it is essential to understand that for now there will not be enough heavy oil or gas, and great pressure by consumers is expected on the electric power industry. We have foreseen an 8 percent increase in consumption, but now even greater demand is expected.

[Question] To be practical, what awaits us, the citizens and workers, now?

[Answer] I have already said attention and savings. In that regard, the situation is quite simple. You as a citizen should save 10 percent of the energy used in your apartment; then you will have done your duty. If everyone does that in the home and workplace, there will not be any forced power cutoffs. How can that be done? I think we already know that, but to repeat some ideas: Turn on the television only if we are going to watch a program, and not just to have it on. Wash the dishes in cold water, if hot water isn't necessary. Keep the heat down to 18° C (64.4°F) because that will let the people in the next city and the next street have power too. Don't let the hot water tank heat until it starts to steam, but only to the necessary heat level. Use on less burner on the stove. I think all of that is possible and simple, and it would not be a big sacrifice!

What is Wrong with Djerdap?

[Question] Comrade Jesic, every citizen in Serbia would ask you what is happening with Djerdap. Didn't we all expect 10 or 15 years ago that that marvellous Djerdap project would eliminate all our power worries for the coming century?

[Answer] No expert ever reported that. Djerdap is a technical feat, but not a miracle. Annually it produces about 25 percent of Serbia's power, sometimes more, sometimes less, but that is all. For example, this month it will produce about 20 percent of total power production in Serbia, depending on the Danube's water level. The Djerdap dam must let a certain amount of water flow through for navigation, and it cannot store either power or water. It can hold the water during a particular day, for certain production hours, but no longer than that. It is true that once the Djerdap production was enough for Serbia in some periods of the year, but it is not enough today.

[Question] You promised the whole truth about power. Recently it was published that a quarter of all the machinery for producing power does not work....

[Answer] Yes, but those are data from August, when regular maintenance shutdowns take place. At that time, based on water levels, all the hydroelectric plants were operating, while the thermal power plants were being prepared for fall and winter, as planned. Now those preparations have been completed. As you see, that fact is not related to eventual shortages.

[Question] Still, we would insist on pointing out that the facilities we have do not always work at full capacity.

[Answer] That is correct. Long repairs have been conducted at Kostolac, Bistrica, and Nova Varos, but those are smaller production installations. Sometimes the industry does not fulfill its planned delivery due to specific difficulties that are encountered at times. Naturally, there are weaknesses too. Every shutdown did not have to happen, but the power plants that were not under repair, excluding the 300 megawatt plant at Obrenovac, operated during 90 percent of their theoretical available time, with some working 100 percent of that time. That is an excellent result, even by European standards of measurement.

Use Power Wisely!

[Question] Have there been plans for facilities that would make possible reserves and greater security for the consumers?

[Answer] Yes, such plans have been adopted. We have not implemented them primarily because of a lack of resources. We are not an isolated part of society, and the electric power industry is not without its shortcomings, particularly regarding delays in building facilities for which funds were in hand. Domestic industry and other building partners also have a hand in that. I think the basic problem is that economic priorities as a whole have not been properly determined. Yet to provide for all our needs by building sufficient capacities would be too expensive for us. If such enormous installations were to work all the time, who or what could utilize such enormous quantities of power. If they do not operate, that is an even greater shame.

For now, we are among those European countries that use the least power per capita, but also among those that use the most energy per unit of GNP. Thus here in Yugoslavia as in Germany, for example, the saying holds that the largest future sources of energy are conservation and intelligent consumption. We must do more with the same amount of power!

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27 November 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2204

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27 November 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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POLISH-SOVIET TRADE, ECONOMIC COOPERATION REVIEWED

Problems, Aims of Economic Cooperation

Warsaw HANDEL ZAGRANICZNY in Polish, Special Issue, 1981 pp 3-7

[Article by Maciej Deniszczuk]

[Text] The state and achievements of economic cooperation with foreign countries usually are judged through the prism of volume, structure and dynamics of trade turnover. Trade with the Soviet Union constitutes approximately one-third of the value of trade turnover in Polish foreign trade. The indicator is universally known and repeated many times both on ceremonious occasions and in objective analyses. However, an evaluation of the exchange proportions is released less frequently, not to mention their structural characteristics and resulting current and potential benefits for the Polish economy.

Structure of the Exchange

Let us begin from fundamental structural characteristics in Polish-Soviet trade exchange. An analysis reveals that among Polish exports to the USSR, highly processed industrial products constituted 75 to 80 percent during the 1970's. On the other hand, the share of this category of products in Polish import from the USSR constituted 40 to 45 percent. Goods made from a comparatively lower degree of processing (e.g., fuel, raw materials, other materials and agricultural articles) constituted in Polish export to the USSR not more than 20 percent, while they were 55 to 60 percent in Polish import from that country. The tables illustrate the structure of Polish-Soviet trade turnover in four commodity groups during the 1970's.[1]

On the basis of that data, which present only a very general picture of the structural characteristics of Polish-Soviet trade turnover, above all the range of our purchases from the USSR should be emphasized, especially some raw materials and other materials and, resulting from them, their meaning for supplying the Polish economy. In 1980, Soviet crude oil constituted 80 percent of the import of that raw material (which is almost synonymous with its general consumption in Poland); iron ore, 78 percent of our import; potassium fertilizers, 72 percent; cotton, 73 percent; and natural gas, 100 percent. Together, fuel, raw materials and other

1 See I. Cieniuch's article for a discussion of the trade turnover structure for 1981.

materials imported from the USSR constitute over 40 percent of general Polish import in this category of goods.

Products from Soviet processing industries imported into Poland are—as indicated in table 1--primarily capital investment machinery and equipment. Their import was connected above all with the implementation of specific capital investment ventures (e.g., iron and steel, energy, the chemical industry and others) and encompassed cooperative elements and subassemblies (e.g., for the motoring industry, textile machinery and aircraft industry), as well as special machinery or means of transportation. Furthermore, the importation of consumer goods supplements the supply in the Polish market chiefly of goods of universal use (e.g., refrigerators, radio and television sets, electronic equipment and so forth), as well as automobiles.

It is somewhat more difficult to assess the role of Polish export in satisfying the import requirements of the Soviet economy. It is perhaps preferable to speak about the impact of this export for individual segments of the economy, like the industrial branch or a region. For example, the scale of deliveries of Polish bituminous coal to the USSR (during the 1970's those deliveries constituted around 9 million tons per year) is minimal, compared to Soviet needs for the fuel. On the other hand, those deliveries have an essential impact for border areas of the USSR. Moreover, a portion of our exported bituminous coal is sent to the German Democratic Republic, although it is credited to the USSR.[2]

In the export of processed industrial products, the deliveries of Polish consumer goods (predominantly products of light industry) had an essential impact on the Soviet domestic market. For example in 1978, deliveries from Poland of consumer goods comprised around 28 percent of Soviet import of those products from all the CEMA countries; those deliveries covered a significant portion (15 to 32 percent) of Soviet import requirements for these particular groups of goods.

Table 1. Structure of Poland's Trade with the USSR during the 1970's Percentage (current prices)

Specification	Export (average)		Import (average)	
	1971-75	1976-80	1971-75	1976-80
1. Machinery and equipment	49.7	54.0	34.9	34.6
2. Fuel, raw materials and others	19.3	18.5	52.9	58.6
3. Agro-food articles	5.1	2.5	7.9	2.0
4. Consumer goods	25.0	25.0	4.3	4.8
Total	100.0	100.0	100.0	100.0

Source: Ministry of Foreign Trade and Maritime Economy.

2 This fact for unknown reasons is rarely disclosed, although its execution is profitable for us because of differences in the structures of export offers.

Further, Polish export of goods from the electromachinery industry, which is the chief--with respect to size--group of goods, related generally to traditionally trained specialization (e.g., ships of various types), cooperative connections (e.g., in the motoring, machine tool and construction/road-building industries, etc.) and implementation of capital investments in some industrial branches of Soviet industry (e.g., in the sugar beet, chemical and wood products industries). This typology of Polish export of capital investment goods, as well as of elements and cooperative subassemblies, is not exhausted, although it does compromise the predominant portion of our export to the USSR of this category of goods.

On the other hand, it was essential that the export to the USSR of some products from industrial branches constituted--especially during the period of their formation and development (also in some cases in later periods)--the foundation of their pro-export orientation. This concerned above all the shipbuilding industry, which developed, in part, because of the support of large orders from Soviet shipowner enterprises, followed by other branches from the machinery industry creating specialized equipment for complete industrial installations (sugar beet factories and sulfuric acid plants). Likewise, some branches of the chemical industry (like the pharmaceutical industry, paints and varnishes, and inorganics) are counted exporters thanks to deliveries made to the Soviet market. This also concerns, although to a lesser degree, some branches of light industry, especially the clothing, leather, purse-making or hosiery industries.

The size of the economy and the degree of its requirements--along with the premises resulting from the political and economic alliance--are influencing the formation of decisive connections with the Soviet economy for the development of some branches of Polish industry.

Efficiency, Prices, Balance

The structure of Polish export to the USSR, and also the degree of deliveries of many goods, above all with respect to a comparatively large series of processed goods and relatively large amounts of deliveries of homogeneous goods, prejudge its great efficiency. As indicated in information supplied by Finance Minister M. Krzak,[3] the degree of earning capacity of Polish export to the USSR achieved on the average in 1980 around 50 percent; in some groups of goods (e.g., machinery and equipment or chemical products) it was even higher. Next to the activity of factors with a structural character or with a degree of high export profitability is the influence of the exchanger rate of the zloty to the transferable ruble. Moreover, in evaluating the efficiency of exchange from the import side, in relation to the use of the system of so-called creeping prices in accounts among the CEMA countries, the prices of basic raw materials imported from the USSR are lower than world prices (as compared to prices paid on other, nonsocialist markets). For example, the price we paid last year for Soviet crude oil was--as regards the official ruble rate to the dollar--over 50 percent lower than the price used by the OPEC countries, and the price of iron ore, 20 to 40 percent lower than world prices of principal exporters. While the prices of our raw materials exported to the USSR are lower than world prices, the influence of these differences on the

3 This information was given during a forum on Polish-Soviet economic and trade cooperation, which was organized by the Main Board of the Society for Polish-Soviet Friendship and occurred 28 February 1981.

efficiency of Polish export is comparably smaller regarding the share of goods for export.

Based on general information on the structure and efficiency, the question of equivalency for the so-called import batch from the free foreign exchange area in export goods must be raised again. This is a problem from the macroeconomic point of view, above all with respect to the structural characteristics of the exchange (especially the large share of fuels and raw materials having a free foreign exchange character, acquired after relatively lower prices), which in practice has no meaning. On the other hand, it can have a practical meaning for some exporters, especially with respect to the scarcity of foreign exchange resources for the import of components from the capitalist countries. We shall return later to this area.

Another problem raised repeatedly in discussions is the efficiency of so-called joint capital investments of raw materials and related construction and assembly services realized by Polish specialized firms. The conception of participation in capital investment outlays has a relatively long history; its fundamental justification was the distribution of the capital investment burden into the development of particularly capital-absorbed fields of production, to which the output for the majority of raw materials was added. For justification, one can find an analogy in the processes of shifting capital resources within the global economy, especially between the developed and developing countries.

However, the lack of proper means of capital transfer among the CEMA countries and especially the unresolved problem of mutually comparable exchange rates for national currencies constitute factors impeding not so much the realization of joint efforts but rather the support of their objective--in a uniform degree for each partner--calculation. In practice, this signifies the necessity of supporting these calculations in the domestic price of a given country and not tying them to the prices of foreign trade. In this situation, the profitability of the share in a capital investment undertaking within the portion dealing with construction and assembly services can be evaluated not so much through the prism of costs from the partner's foreign exchange units but rather through the right to purchase specific amounts of a given raw material. Such reasoning may have a place in principle in case of a lack of alternative sources for acquiring raw materials (or a lack of alternatives for the employment of production potential). It cannot be doubted, however, that this problem points to a weak side in the mechanism of exchange and cooperation, restraining more complicated forms and especially a more complete utilization of various production factors by cooperating countries. Thus, this matter was strongly accented in the composite program of socialist economic integration, and the issue of its resolution remains.

Returning to the practical problems of our share in the USSR's capital investment of raw materials, we lost our initially established credit character during the mid-1970's. As known, on the basis of the share of capital investments, the assumption was that importers of raw materials could, carry their contribution of capital investment outlays in forms delivered under conditions of long-term credit for machinery, equipment, materials and other goods. Based on these principles, capital investments were implemented in the copper and sulfur industries in Poland or for potassium fertilizers in the Soviet Union. The form of credit for

deliveries of indispensable outlays to implement capital investments has been renounced. Those deliveries have been added to the clearing of accounts from current trade exchange; this has not changed the honoring of participation in outlays authorizing later purchases of specific amounts of raw materials. As known from this form of participation, Poland is already importing from the USSR raw materials like crude oil, natural gas or cellulose in amounts exceeding "traditionally" agreed contingencies.

One of the reasons for the change in conditions was the appearance of a structural imbalance in Polish-Soviet trade exchange, caused by the sharp increase in prices for some raw materials exported by the USSR, above all crude oil. As a result of the rapid increase in world prices for crude oil (beginning in 1974) and the introduction of the previously mentioned principle of creeping prices, the increase in prices for Soviet raw materials has followed--although several years later--at a more rapid rate than the increase in prices for goods imported by the Soviet Union.[4] This also has affected Polish-Soviet trade turnover; as a result of this imbalance in trade exchange, the initiation of an appropriate credit mechanism has been required. These credits, which have been earmarked for equalization of the price differences in mutual exchange, are of a lower percentage, and their repayment has been extended for a period after 1985.

During the past 5-year period, the increase in value of Polish-Soviet trade turnover has been characterized by high dynamism; i.e., the trade turnover has grown in 1980 by over 66 percent as compared to 1975, import by 83 percent and export by around 50 percent. A 50 percent increase in the material size of the trade exchange and a 50 percent increase in prices have had an influence--as evaluated--on the shaping of growth proportions; the latter dealt with a larger degree of import than export. The year 1980 witnessed the initial visible symptoms of the breakdown of development of Polish export to the USSR: the value decreased as compared to 1979, while import from the country increased significantly. This resulted from the negative balance of goods turnover (over 3 billion foreign exchange zlotys in value). The situation is intensifying the imbalance this year, in which--in accordance with the assumptions of trade protocol--export will be lower than in 1980. Consequently, both a negative balance resulting from the current trade exchange (and also the balance from the differences in trade exchange from world prices) and the emergency credit assistance granted to Poland last year and again this year are influencing the imbalance in Polish-Soviet trade turnover.

During the foreseeable period needed to stabilize the Polish economy (to the end of the present 5-year period and undoubtedly for the entire decade of the 1980's), it will be necessary to intensify Polish export to the USSR as a first step, in order to halt the process of incurring debts in this country, followed by the need

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4 Nonetheless, the prices for these raw materials, especially crude oil, are significantly lower than OPEC prices.

to guarantee the repayment of accumulated debts. It seems that--as a result of the efficiency of export to the USSR, comparatively lower outlays from import for export production earmarked for the Soviet market and above all the Soviet economy's great absorptivity—an increase in export should constitute the fundamental means to balance Polish-Soviet trade exchange.

Production Specialization and Cooperative Ventures

In the practice of economic cooperation among the CEMA countries, the concept of international specialization of production in processing industries has been developed, based upon the intervention of two- or multiparty understandings, located for the most part in centralized agencies that plan the economies of individual countries. Allegedly, although undoubtedly to a lesser degree, cooperative ventures (in various degrees of connection and complication) have been instituted through the intervention of appropriate agreements and understandings. A decisive portion of understandings defining the specialized division of labor or establishing obligations in the matter of creating or delivering elements and cooperative groups deals with the electromachinery industry.

After evaluation through a prism of the activities of these forms of cooperation between Polish and Soviet industries, a fairly meaningful degree of their specialized and cooperative links can be ascertained. At the end of the 1970's, the essence of these links was regulated by 55 multiparty agreements (in which both countries participated) and 26 two-party agreements. The installations and conditions of cooperation between the two countries' industrial branches within the electromachinery industry were regulated by the 22 two-party agreements.

In relation to the domination in an industry of a specialized division of labor and cooperative connections, the impact of these forms is evaluated through the prism of the size of trade turnover implemented in accordance with the appropriate agreements. Independent of the criteria used to acknowledge something as sufficiently objective, it can be stated that--as evaluated--over 50 percent of the machinery and equipment trade turnover in Polish-Soviet trade exchange was implemented within the confines of specialized or cooperative agreements. Within Polish export from the USSR in 1980, for example, deliveries were valued at over 3.5 billion foreign exchange zlotys, and in Polish export to that country--deliveries had a value of 5 billion foreign exchange zlotys.

The essence of cooperative connections among processing industries in individual countries is the assumption of cooperation of the entire, or a significant portion of the, production process of a particular product, family of goods or even their group. The expected benefits from higher efficiency in the production factors are the fundamental justification for the creation of these connections. Although the measurement of these benefits is complex, it is obvious that the cooperation of specific segments of production (or selected phases of a given process) lowers social costs of manufacture for both partners. It also potentially broadens the range of development possibilities. On the other hand, however, the risk tied to possible nonadherence (or incomplete adherence) to the conditions stated in agreements or understandings increases. Under conditions of a stabilized economic situation for both partners, the risk of international cooperation as regards specified production should not be greater than one country's domestic

cooperation. On the other hand, in particular situations like the current crisis in Poland, the consequences of disturbances in production processes are transferred in some degree to the partner; for example, incomplete fulfillment by some Polish cooperatives of their obligations to our Soviet partners and the possibilities for drawing too far-reaching conclusions about the illusiveness of this form of cooperation with Polish enterprises.

Problems of Development

There is a close union between stabilizing the Polish economy and returning it to its position in the international division of labor. The Polish economy is so dependent on external factors that the return of its internal balance requires the intensification of its ties with foreign markets. This deals to a significant degree with ties to the Soviet economy both in degree and in structural characteristics. This fact undoubtedly explains this year's trade protocol with the USSR, in which Soviet deliveries were set at a higher level than the limited possibilities of the Polish economy. However, as already stated, the imbalance in Polish-Soviet trade exchange must have a transitory character, which requires a concept for the development of Polish export in the near future. This concept's framework resulted from existing work on the coordination of project plans for Poland's and the USSR's economic development for the years 1981 to 1985.

Although some assumptions of the 5-year plan for development of the Polish economy must be reevaluated, this does not mean--as may be thought--a complete change in the concept. Above all, there is no basis to assume that existing trade and production ties with the Soviet economy could be broken in a radical way. The majority of these ties should be continued in the 1980's. Essential problems can arise in these fields of the economy, in which--as a result of the breaking of internal cooperative ties, seriously limited import means or finally the decapitalization of wealth--the export supply is seriously limited. Such a situation exists in the Polish bituminous coal industry. The possibilities for a relatively rapid improvement in this industry's situation lie in better work organization; the possibilities for enlarging the export supply of bituminous coal are in the rationalization of its domestic consumption. Supply price reform, which is tied to reform of the enterprises' economic-financial system, should "force" this rationalization (stated more simply--reduce waste of the fuel). Achievement of these results is already possible during the period of implementing the stabilization program (to 1984), although undoubtedly the restoration of the general dimensions of coal export before 1980 will require longer time. Nonetheless, enlargement--in relation to a particularly low state this year--of the export supply of this fundamental Polish raw material will constitute an important factor in the process of restoring Poland's credibility as a trading partner.

A second, particularly important, factor is correcting as quickly as possible the implementation of active cooperative agreements. Above all, this concerns the fulfillment of orders for those cooperative elements placed in Polish industry, and for which incomplete implementation caused--in a chain reaction--serious production disturbances in specific Soviet enterprises. The necessary means for the complete implementation of orders should be an absolute priority.

Finally, a third fundamental factor both in the process of restoring the credibility of the Polish economy as a partner and restoring its developmental balance

is the ability to devise new concepts for cooperative development. In this particularly important activity, it will be necessary to rely both on past experiences, including new developmental conditions tied to initiation, and economic reform.

As regards past experiences, one can add both positive and negative examples, which bear witness to one's own and the partner's well-understood interests, and the lack of insight into developmental perspectives.

One negative example may be the production and export supply of complete industrial installations, insufficient technical progress in traditionally produced installations and failure to introduce new types into the Soviet market (for example, factories making felt records) have been the cause of our not entering into any new contracts with Soviet enterprises. Therefore, the aims of Polish producers to increase the export of complete installations rely in a greater degree on wishes than on reality.

On the other hand, a positive example could be the chemical industry's dependence on the shape of Polish-Soviet production specialization in the coming years, in order to broaden Polish export offerings of several highly processed products by importing as replacements mass-produced semifinished articles, generally of an energy or raw material nature. The essence of the concept depends upon the possibilities of utilizing the differences in scale between the Polish and Soviet economies. This is particularly important in some branches of the chemical industry toward a specific degree of technological divisibility for production installations. For example, the Polish economy's requirements for methanol, polyethylene or ammonia constitute a relatively small percentage of production in the Soviet chemical industry. On the other hand, Soviet requirements for products like teflon, resins or light-colored dyes are several times greater than those of the Polish economy. The production of these goods for the Soviet market can enlarge significantly the efficiency of capital investment and guarantee relatively lower costs for current production. Thus, this concept appears particularly interesting, although its implementation will require new capital investments.

On this basis, a broader reflection emerges on specific program demands of cooperation with our largest economic partner. This specificity depends precisely on the necessity of taking into consideration the range of the Soviet economy, which as a rule dictates the range of requirements. Experience shows that our export offerings, if they constitute the remainder of domestic requirements and export to other markets, are as a rule less attractive for our Soviet partner than those of specialized production, whose eventual acceptance "will be saved" for outlays of new capital investments.

Much points to the fundamental mechanisms of projected economic reform in Poland enlarging considerably the interest of enterprises in developing effective export. This is an immeasurably important prerequisite for permitting the establishment of greater export activity of Poland industry in the Soviet market. In order for these expectations to become reality, it is necessary to strengthen the coordinating role of organs programming the development of trade exchange and cooperation to supply significantly better information for Polish industry as to the needs of the Soviet economy and finally to invest properly in the market, especially in the field of trade and technical service.

Polish-Soviet 1981 Trade Turnover

Warsaw HANDEL ZAGRANICZNY in Polish, Special Issue, 1981 pp 8-9

[Article by Irena Cieniuch, affiliate of the Ministry of Foreign Trade and Maritime Economy]

[Text] The breakdown of economic development in our country, the further fall of national income and the simultaneous continuing high requirements for import and reduction of supply for export, along with the burden of high indebtedness to the capitalist countries, bring out the role of factors that can exert a stabilizing influence on the economy and overcome existing difficulties.

On this basis, the impact of treaty stipulations with the USSR for 1981 should be emphasized. These go beyond the framework of all previous stipulations, constitute an expression of understanding by our partner of our economic situation and attest to its readiness to participate in restoring the balance. In accordance with acknowledged totals in trade protocols of previously obtained (over many years of stipulations) sizes of deliveries to Poland, the Soviet Union has granted us assistance by facilitating credit purchases under easy terms (credit rate of 5 percent to be repaid over a 10-year period starting in 1982). The value of these purchases stands at 150 million rubles. This year, additional import contains both raw materials and other materials (e.g., 20,000 tons of cotton, 300,000 tons of laminated goods, 46,000 tons of nitrogen fertilizers, 120,000 tons of ammonia, 200,000 tons of apatite, 5,000 tons of newsprint, 4,000 tons of synthetic rubber) and market goods (in particular, 500 tons of cheese, 10 million cans of fish, 2,000 tons of cereals, 10,000 automobiles, 10,000 color television sets and 100,000 refrigerators).

Besides these additional deliveries of goods, the USSR granted Poland assistance in the form of financial credits, primarily in exchangeable currencies. The value of this financial assistance is $1.1 billion. This amount also covers credit to cover Poland's negative balance for price changes in 1980. Together with understandings signed for goods deliveries, an understanding was concluded to defer until after 1985 the repayment of credit granted to Poland from 1976 to 1980 for equalization of the negative balance caused by price changes (so-called price credits). These deferred payments amount to around 500 million rubles.

At the same time, the Soviet side, acknowledging the complexity of the situation in Poland, has accepted the reduction of our export deliveries for some goods in 1981, in relation to those usually implemented, to a total value of 400 million rubles. These include goods currently deficient in our domestic market; i.e., coal, copper, paints and varnishes, some products from light industry and food products.

Taking into consideration all treaty stipulations with the USSR for 1981 (together with additional import credit deliveries), the Polish-Soviet goods turnover accounts for around 8.5 billion rubles this year as compared to not quite 8 billion in 1980. A characteristic of this year's turnover with the USSR is the relatively high growth of import compared to a lack of growth in export. This results both from difficulties cited in the introduction and from agreed solutions.

Import from the Soviet Union stands at 4,915 million rubles and will grow by 13.6 percent compared to 1980. This import will still be dominated by fuel, raw

materials and other materials for production (64 percent). The Soviet Union will still cover around 40 percent of our import needs for raw materials, including 100 percent of natural gas and sawn timber and 75 percent of crude oil, iron ore and cotton. Thus, in 1981, we shall import from the USSR 13.1 million tons of crude oil, 3 million tons of petroleum products, 5.3 billion cubic meters of natural gas, 9 million tons of iron ore (accounting for 100 percent of the iron), 69,000 tons of asbestos, 400,000 cubic meters of wood and sawn timber, 95,000 tons of paper and cardboard, 53,000 tons of aluminum, 125,000 tons of cotton and 118,000 tons of cellulose. Additional deliveries resulting both from credit understandings and understandings of Poland's participation in the development of a raw materials base in the USSR also are included in these amounts. The value of deliveries within the framework of participation in common capital investments this year stands around 400 million rubles, which constitutes almost 13 percent of the raw materials import from the USSR. These deliveries encompass 1 million tons of crude oil, 2.8 million cubic meters of gas, 2.5 million tons of ferro-related raw materials, 42,500 tons of asbestos, 8,000 tons of cellulose and around 62,800 tons of ferro-alloys.

The large (around 19 percent) growth in the raw materials imported from the USSR compared to last year has resulted to a large degree from consecutive price changes, especially prices for crude oil and natural gas. As known, the so-called floating price base is used in turnover among the CEMA countries. This deals with the annual changes in prices based upon the average world prices from the preceding 5 years. The current structure of prices and the continual increase are causing us to benefit from differences in the prices paid for goods imported from the CEMA countries compared to world prices. This especially concerns raw materials imported from the USSR in large amounts. For example, the world price of crude oil (light Arabian crude) will settle this year at a level of around $280/ton. Last year, the Soviet Union sold its crude to the capitalist countries for prices similar to OPEC's; i.e., $230-$250/ton (FOB). On the other hand, Poland paid for the same crude $113/ton (to the Polish-Soviet border carriage-free) and this year will pay $135/ton.[1]

Despite these undoubted benefits, the prices of raw materials imported from the USSR are rising significantly more rapidly than of goods exported by Poland. Trends in world prices are deciding this, above all crude oil and natural gas as compared, for example, to the prices for bituminous coal and especially highly processed goods. For Poland, the negative consequences of price changes have a bearing to a small degree on the growth of the imbalance in mutual turnover. Price credits under easy terms, as discussed, have tempered this slightly.

Within our import from the USSR, machinery and equipment will constitute around 32 percent in 1981. As a result of limitations on capital investment outlays in Poland, the following will be reduced compared to 1980: equipment for some installations; machine tools for metals, road-building and construction machinery; transport trains; mining machinery; and calculating equipment. On the other hand, the import of supplies (spare parts) and machinery for agriculture (e.g., tractors, of which we are importing around 15,000 this year from the USSR) will increase significantly.

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1 According to the current exchange rate of the ruble to the dollar--0.68.

Soviet deliveries will play a vital role in supplying the domestic market. They will include 300,000 refrigerators, 150,000 color and black-and-white television sets, 300,000 portable radios, 2.4 million watches, goods from the chemical industry, bicycles, cameras and coffee grinders. We shall also import 18,000 automobiles. Agro-food articles include tea, cheeses and canned, salted and frozen fish valued at 25 million rubles. In 1981, Polish export to the USSR will stand around 3,613 million rubles (together with the export of construction valued at 140 million rubles). This export will be around 1.2 percent lower than the level in 1980 and around 4 percent lower than last year's agreed stipulations.

Established in 1981, the export of machinery and equipment to the USSR is holding at last year's level. Poland continues to be a net exporter of machinery and equipment to the USSR. These articles constitute close to 60 percent of our deliveries. The most important items of our export continue to be ships, transport trains, automobiles, electrotechnical equipment, road-building/construction machinery and finished industrial installations, especially for the chemical, wood products/paper and food industries. A certain reduction compared to last year is in high buoyancy engines and current-producing groups, electrical engines, agricultural machinery and delivery trucks. Fuel, raw materials and other materials constitute around 12 percent of our export to the USSR. For 1981, a significant decrease in deliveries of these goods to the USSR was established, around 17 percent lower than deliveries in 1980 and around 34 percent lower than planned. We are delivering 5.5 million tons of coal (instead of 9.5 million tons), 7.500 tons of copper (instead of 10,000 tons), 100,000 tons of sulfuric acid (instead of 200,000 tons) and much soda lime, paints and varnishes. The decrease is worsening our export market. We are delivering to the USSR fewer market goods at a sum of around 300 million rubles, at a current exchange value of 13.3 billion zlotys. In consumer goods (23 percent of our export), we are reducing--as a result of the situation in the domestic market--the export of ready-to-wear clothing; i.e., by 13 percent for leather shoes (4.4 million pair), by over 30 percent for sewing machines and by 40 percent for pharmaceuticals and cosmetics. The export of detergents has been stopped completely. In agro-food goods (note quite 2 percent of the export to the USSR), deliveries of vegetable preserves and frozen vegetables to the USSR have been reduced significantly, while the traditional export of eggs and fruit products has been stopped completely.

As a result of the difference between import and export established in 1981, a quite serious deficit in the trade balance with the USSR appeared this year. It has been worsened by the additional negative balance in our payments balance with the Soviet Union, which occurred in earlier years primarily because of the previously discussed price changes in mutual exchange. The constantly worsening deficit in the payments balance with the USSR will bear on further development in mutual trade turnover. It stands at the center of attention for intensifying export, economizing export surpluses (indispensable for equalizing payments), paying credits and above all financing the growth of needed imports in our economy. The burden of increasing export rests in principle both in the totality of ready-made industrial goods and the intensification of their deliveries, which should favor the development of specialized and cooperative ties.

Polish-Soviet specialized and cooperative turnover is implemented through 55 multiparty and 26 two-party agreements. In 1980, the dynamics of trade turnover--in

comparison to the entire 5-year period--weakened, especially as regards our export. However, participation in specialized and cooperative deliveries comprised in 1980 close to 53 percent of mutual trade turnover of machinery and equipment. Ensuring the necessary menas to implement cooperative agreements has an important meaning. It is also necessary to create the conditions for further functioning of existing cooperative ventures that have operated well. At the same time in the current economic conditions, it is necessary to look for new, long-range areas of cooperation, above all from the point of view of eliminating cooperative import from the capitalist countries. In this regard, these views are verified by both countries' economic development and worked out in accordance with the Long-Range Program for the Development of Specialization and Cooperative Production, and so-called industrial branch and subprograms. Coordination is set for the development of mutual cooperation in such advanced areas as the production of cranes and tractors, specialized car bodies, calculating equipment, precise instruments and measurement devices, machine and other tools.

Another direction favoring cooperation to overcome Poland's economic difficulties aims at common actions to take full advantage of idle production strengths in some subsectors of Polish industry through additional deliveries of machinery and equipment, raw materials and other materials and cooperative elements that facilitate enlarging production for domestic requirements and export. These possibilities lie above all in the chemical industry, metallurgy, the machinery industry, telecommunications and construction materials. There are also possibilities for cooperation in the continuation of construction of installations whose implementation has been stopped periodically. Understanding within the framework of industrial branch groups outline in a concrete way the principles and directions of this cooperation this year and in the future.

Trends in Polish-Soviet Trade

Warsaw HANDEL ZAGRANICZNY in Polish, Special Issue, 1981 pp 10-13

[Article by Kazimierz Starzyk, affiliate of the Main School for Planning and Statistics]

[Text] The impact of foreign exchange for the Soviet economy is above all the influence this exchange has on the level and structure of national production, technical and technological progress and ability to supply the domestic market. Therefore, its impact is tied primarily to the influence on the efficiency of managing the economy and the structure of consumption.

The growing influence of foreign trade on the efficiency of managing the economy has its source in the implemented--beginning in the second half of the 1960's--strategy of intensive development. Within this framework, such factors as work output, efficiency of investments and lasting means and the material inclination of production take on an even greater meaning. Implementation of this strategy follows through active functions in economic cooperation with foreign countries, which depends primarily on consideration of needs and international market conditions in the development of production. The granting of such cooperative functions is reflected in successive resolutions passed by the 24th, 25th and 26th CPSU Congresses, whose development is tied to, among others, the possibilities for implementing social and economic tasks, primarily by increasing production efficiency and accelerating progress in science and technology.

The granting of such functions of economic cooperation with foreign countries denotes the subordination of import policies to modernization processes adopted on a broader scale during the 1960's. In practice, it denotes the active import of machinery and equipment and of technology characterized by high quality and modernity. As a result, the share of imported machinery and equipment constitutes around 15 percent of Soviet machinery. Imported capital investment goods have been sent for the most part to the following industries: electrotechnical, electronics, chemical, machinery and mining.

Intensifying the development of the Soviet economy through the increasing participation of foreign trade should be understood above all as a way to solve economic problems through import. The following are included primarily as directions "for opening" the economy: foreign possibilities addressed to the level and structure of domestic production, technical and technological progress and satisfying consumer pressure. In turn, consideration of foreign needs is expressed above all in the production of raw and other materials. The development of production strengths directed toward activation of export is primarily in this area. These are also the principal factors for creating import capability within the Soviet economy. Their share of Soviet export in 1979 was around 80 percent, while it attained around 70 percent in 1970. This increase resulted both from an increase in the physical size of exports of raw materials and other materials for production and from price changes on the world market. As known, the prices for raw materials were higher than those for capital investment goods and some other produced articles. This has been expressed in changes in the material structure of Soviet foreign trade as regards a certain--at least not large--decline in the share of machinery and equipment, which in 1975 attained 18.7 percent and in 1979, 17.5 percent.[1]

Import and capital investment strategy implemented in the USSR gives rise to the fact that there are two structural tendencies in the Soviet export of industrial goods. One is the traditional export of capital investment goods, which include machinery, equipment and complete industrial installations for metallurgy, mining and energy, delivered both to socialist and capitalist countries, and which constitute an important factor for modern technical and technological solutions for the importer. Developing at the same time--and tied to import--is new pro-export potential, examples of which include the automotive, chemical and electronics industries, as well as a wide array of industrial branches producing consumer goods for long-range use.

Level and Dynamics of Trade Turnover

Soviet foreign trade turnover from 1970 to 1979 (see table 1) grew almost four times (from 22.1 billion rubles to 80.3 billion rubles); of that, export increased from 11.5 billion rubles to 42.4 billion rubles, and import from 10.6 billion rubles to 37.9 billion rubles. In 1979, the USSR maintained trade contacts with 131 countries, including long-term two-party agreements and trade understandings with

1 Stated in current prices. On the other hand, using unchanged prices, this share increased from 24.7 percent in 1975 to 26.3 percent in 1979 (FOREIGN TRADE, March 1981, p 30).

111 countries. There was a particularly dynamic development in Soviet trade turnover with foreign countries, chiefly import, during the 1971-1975 period. During the same period, Soviet import increased faster than world import. The same case existed in the CEMA countries as a whole and among developed capitalist countries. On the other hand, Soviet export in the first half of the 1970's grew slower than world export, at an identical rate with all the CEMA countries but somewhat slower than the capitalist countries.

Table 1. Soviet Foreign Trade, 1970 and 1979

percentage, current prices

Specification	1970	1979	Growth indicator 1979/1978 percentage
Total			
turnover	22.1	80.3	114.3
export	11.5	42.4	118.9
import	10.6	37.9	109.6
Socialist countries			
turnover	14.4	45.1	107.3
export	7.5	23.6	111.3
import	6.9	21.5	103.3
CEMA countries			
turnover	13.3	41.7	106.5
export	6.3	21.7	109.6
import	6.0	20.0	104.3
Developed capitalist countries			
turnover	7.7	25.5	130.9
export	2.2	12.5	143.7
import	2.5	13.2	120.7
Developing countries			
turnover	3.0	9.5	110.9
export	1.8	6.3	110.1
import	1.2	3.2	112.7

Source: W. Kloczek, "Soviet Foreign Trade in 1979," FOREIGN TRADE, May 1980 and FOREIGN TRADE-STATISTICAL YEARBOOK, 1971, p 18.

Long-range tendencies in the USSR's trade turnover compared to world trade turnover are given in table 2.

The dynamics of the USSR's foreign trade surpassed the dynamics of national income and industrial production; i.e., the average annual rate of growth in generated national income reached 5.7 percent during the period 1971-1975 and 4.4 percent during the period 1976-1979, while industrial production was 7.9 percent and 5.7 percent, respectively.[2] This picture would be changed somewhat if the dynamics of

2 CEMA countries, 1980, GUS, Warsaw, pp 39, 40.

trade turnover were expressed in constant prices. To a certain degree, it would reduce the difference in rate of growth, but it would not change general tendencies.

Table 2. Average Annual Rate of Growth in Foreign Trade Turnover for USSR Compared to World Turnover, 1971-1979

percentage, current prices

Specification		1971-1977	1976-1979
World	import	22.3	15.8
	export	22.7	16.5
CEMA	import	23.2	10.9
	export	20.2	14.4
USSR	import	24.9	11.2
	export	20.2	17.4
Developed capitalist countries	import	20.9	17.3
	export	20.8	16.5
Developing countries	import	27.2	13.7
	export	30.7	17.7

Source: STATISTICAL YEARBOOK FOR FOREIGN TRADE, Chief Central Statistical Office (GUS), 1980, p 50.

Structure of Trade Turnover

As regards its material structure, export differs significantly from import (table 3).

Table 3. Foreign Structure of the USSR's Foreign Trade Turnover

percentage

Specification	1970		1975		1979	
	import	export	import	export	import	export
Total	100	100	100	100	100	100
Machinery, equipment and means of transportation	35.5	21.5	33.9	18.7	38.0	17.5
Fuel and energy	2.0	15.6	4.0	31.4	3.8	42.2
Ores and concentrates, metals and their products	9.6	19.6	11.5	14.3	11.2	9.1
Chemicals, fertilizers, rubber	5.7	3.5	4.7	3.5	4.7	2.9
Wood, cellulose and paper	2.1	6.5	2.2	5.7	1.5	4.1
Textile raw materials and semifinished goods	4.8	3.4	2.4	2.9	1.9	2.0
Consumer goods	18.3	2.7	12.9	3.2	11.4	2.3
Food articles and raw materials for their production	15.8	8.4	23.0	4.8	21.9	2.6

Source: "Soviet Foreign Trade in 1979." STATISTICAL YEARBOOK, p 18.

Machinery and equipment have a fundamental meaning in Soviet import, while in export, raw materials and other production materials are more important. The material structure of Soviet foreign trade does not respond in full to the country's achieved high level of economic development nor to the structure of its material production.

As the data in table 3 show concerning the structure of Soviet import, the most important share constituted--during the entire period of the 1970's--machinery, equipment, and means of transportation.

The value of imported capital investment goods (i.e., machinery, equipment and means of transportation) was around 14.5 billion rubles in 1979. As in previous years and in 1979, the prevailing portion of this import was complete industrial installations and technological lines. This import was directed primarily toward the following industries: chemical (1,753.6 million rubles), textile (390.5 million rubles), energy (350 million rubles), food (334 million rubles), metallurgy (291.2 million rubles), wood products, cellulose and paper (215.7 million rubles) and printing (72.8 million rubles). Imported goods earmarked for the development of transportation included ships and shipbuilding equipment (at a value of 1,229.3 million rubles) and transport trains (at a value of 665.5 million rubles).

The 1979 share of capital investment goods from the CEMA countries in Soviet import stood around 65 percent, at 9.3 billion rubles. These included equipment for the chemical industry, calculating equipment, agricultural machinery, forging equipment, printing machinery, cranes, ships, rail cars, diesel engines and so on. The value of capital investment import from the capitalist countries was 4.5 billion rubles, around one-third of global Soviet import of capital investment goods. Most of this import was implemented on the basis of compensatory transactions.[3] This type of transaction has a long-term character. These transactions include purchases of machinery, equipment and production materials, as well as technical and other services. According to EEC data, the share of compensatory transactions in industrial cooperation contracts at the end of the 1970's reached around 20 percent, although in value terms their share was around 25 to 30 percent.[4] The Soviet Union adopted this type of cooperation with the capitalist countries between the 1960's and 1970's.

The initial transaction of this type was an understanding concluded in 1968 with Austria. It dealt with purchases in Austria of wide pipes and other equipment for extraction of gas in place of Soviet deliveries of natural gas. This year, an understanding was concluded with Japan for deliveries of machinery and equipment in place of goods from the wood products industry. Since 1968, this type of understanding has become one of the characteristic means for East-West industrial cooperation. To date, the USSR has concluded around 60 such transactions with countries from the West, primarily in the field of raw material industries. Because export within the framework of compensatory transactions does not supersede traditional export in the majority of cases, it has increased--in an important measure--the

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3 Compensatory transactions are credit purchases in the capitalist countries to implement capital investment undertakings, through which the repayment of credit follows from production achieved from the initiated installation.
4 ECONOMIC BULLETIN FOR EUROPE, Vol 29, p 76.

Soviet economy's export base. In professional Soviet literature, the view is expressed that compensatory transactions guarantee both sides complex approaches to resolving problems of cooperation between East and West. This means their more rapid development in relation to classicial forms of barter transactions.

The import of machinery and equipment has become in the 1970's an important factor for guaranteeing the capital investment balance within the Soviet economy. Its share in supplying the economy with capital investment goods stands around 15 percent. However, the impact of this import is much larger than the cited indicator shows. This import, a conveyor of modern techniques and technology, exerts an important influence on modernization processes in many industrial branches; in effect it furthers the intensification of production and growth in the output of work and quality of goods and also lowers costs.[5] Only during the period of 1971-1975 did the Soviet Union purchase abroad complete furnishings and modern machinery and equipment for around 2,000 industrial plants within various fields of the national economy; e.g., metallurgy, automobiles, chemicals, petrochemicals, gas, cellulose and paper, light industry, food, transportation (both water and rail) and also agriculture.

During the second half of the 1970's, the share of import of consumer goods to supply the Soviet market stood around 10 percent. If the import of raw materials for their production is taken into consideration, the role of import in supplying the domestic market is significantly larger. The growing reinforcement of production in consumer goods through the importation of raw materials and other materials, as well as of production means, is a relatively new phenomenon in the Soviet economy; all indications are that it will continue in the future.

Within Soviet export, raw materials and other materials for production, as well as agro-food goods, play the fundamental role. Their share in 1979 stood at 82.5 percent (in 1970, it was 78.5 percent). A certain decline in the share of raw materials from plants and animals, and also food stuffs, followed. During this same period, a decline in the share of industrial products also followed, which for the most part resulted from the more rapid pace of price increases for raw materials and other production materials than for industrial goods.

The fundamental characteristic of the USSR's geographical foreign exchange structure is the growth in the share of trade t urnover with the developed capitalist countries. This does not change the fact, however, that the socialist countries continue to play the fundamental role in the USSR's foreign trade by satisfying a broad range of the Soviet economy's import needs and at the same time constituting an important factor in its development. In turn, exchange with the USSR plays the essential role in the development of the socialist countries' national economies.

Factors in the Development of Trade Cooperation between Poland and the USSR

Intensifying the Soviet economy's share in the international division of labor exerts a beneficial influence both on the dynamics of its development and on its structural transformation. One can anticipate, especially as regards the

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5 See W. Alchimov, "Soviet Foreign Trade Contacts as Presented at the 25th Congress of the CPSU," FOREIGN TRADE, July 1976.

fundamental goals and directions for development of the Soviet economy laid out by the 26th CPSU Congress, further growth in the role of exchange and cooperation with foreign countries. Let us recall that the congress's resolution for the 11th 5-year plan (1981-1985) calls for an 18 to 20 percent increase in the USSR's national income. Ninety percent of this increase is supposed to come from a growth in societal work output, which should increase by 17 to 20 percent. Industrial production is supposed to grow 26 to 28 percent, and production of consumer goods, 27 to 28 percent. The growth in work output in industry is supposed to reach around 23 to 25 percent, which also should guarantee a 90 percent growth in production. During the period 1981-1985, real income per inhabitant will increase by 16 to 18 percent, which will see an increase in domestic trade turnover (state and cooperative) of 22 to 25 percent. Many new and stylish goods, characterized by good quality, will be introduced to the market.

The program anticipates that capital investment activity will be concentrated in the most important--for the economy--industrial installations. This means the construction of a smaller number of installations than in the preceding 5-year period and a reduction in their construction cycle. The capital investment program has a long-term character. Both in the 5-year periods 1976-1980 and 1981-1985, and also based on assumptions for the period through 1990, capital investments will be concentrated in the areas that convey scientific and technical progress, thus allowing the rapid development of the entire economy and raising the standard of living for the populace. These areas in the Soviet economy are primarily metallurgy and mining, energy, the chemical industry (along with petrochemicals), some branches of the machinery industry (including calculating equipment), the construction materials industry and also those industries producing consumer goods (primarily light industry, ceramics and glass, articles for recreational use and food).

Planned directions for development of the USSR's economy and of economic cooperation with foreign countries indicate during the 1980's a further growth in import demand, especially within the capital investment and consumer categories. Therefore, from the point of view of the Soviet economy's requirements, our position as an exporter is potentially beneficial. There is no need to prove that taking advantage of these possibilities depends above all on overcoming the crisis situation and stabilizing the Polish economy. Only on this basis will it be possible to formulate a constructive program for cooperation tied to a realistic plan for development. However, both current exchange and cooperation with the USSR have an essential influence on stabilization of the Polish economy.[6]

From the point of view of economic and scientific-technical cooperation with the USSR, two important phenomena within the Soviet economy have a significant meaning; i.e., acceleration of scientific-technical progress and, resulting from that process, enlargement of the level and efficiency of material production. In order to achieve the desired level of export to the USSR during the 1980's, therefore increasing the attractiveness of our economy for the importer to create real conditions for reducing our indebtedness to the USSR, and to raise the efficiency of mutual trade turnover, it is necessary fully and constantly to consider the demands

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6 See I. Cieniuch's article, "Polish-Soviet 1981 Trade Turnovers."

of the Soviet market within the area of individual goods, the structural characteristics of the exchange and the forms of cooperation. This deals primarily with the range of our export offerings, their quality and modernity and also the development of cooperation in production.

The largest share of our export to the Soviet Union is machinery and equipment. Demands for proper quality are especially felt here, because large deficiencies in this area bring the severest losses in the trade exchange with our Soviet partner, and in effect to the Polish economy. The quality of exported market goods also has a particularly significant meaning when these goods are produced on a massive scale and their final receiver is the individual consumer. To a large degree, these products form Soviet society's general opinion about our economy.

The Soviet market differs from others because of the degree of its absorptiveness. This trait signifies the necessity for plans by producing exporters toward a broad utilization of the mechanism of specialized and cooperative understandings.

The irrevocable condition for economic cooperation and export is the promotion and organization of technical and economic information flow concerning export offerings and production possibilities. These are served above all by direct contacts between economic organizations in both countries on various levels, mixed workers' groups discussing economic and technical cooperation, symposia, publications, exhibits and, finally, participation at international trade fairs and shows.

Servicing of Soviet Machinery, Equipment

Warsaw HANDEL ZAGRANICZNY in Polish, Special Issue, 1981 pp 25-27

[Article by Boris Logniov, deputy to the Soviet trade representative in Poland]

[Text] Economic cooperation and trade exchange between the USSR and Poland have been characterized, especially recently, by high dynamics and significant dimensions in turnover. To a large degree, this has resulted from the more rapid development of mutual deliveries of machinery and equipment, whose share has constantly increased; in 1980, in accordance with stipulations, this share rose to over 40 percent of Soviet-Polish goods turnover. Within the entire Soviet export to Poland, the share of machinery and equipment increased from 14.5 percent in 1975 to 27.5 percent in 1979.

The Soviet Union is one of the largest suppliers of machinery and equipment for the Polish market, especially for those industrial branches and sectors of the economy like the machinery industry, metallurgy, energy, the construction industry, railroads, automobiles and airlines, light industry and agriculture (tractors and agricultural machinery).

The increasing significance of these deliveries is supported by the fact that from 1976 to 1980 the export of Soviet machinery and equipment to Poland reached a value over 4 billion rubles and increased over 2.5 times as compared to the 1971-1975 period, including 4 times for automobiles and 3 times for tractors and agricultural machinery. In 1980, the export of Soviet machinery and equipment delivered to Poland achieved a value of 954 million rubles and increased by 5.5 percent as compared to 1979.

At the end of 1980, the following Soviet machinery and equipment were utilized in Poland: 113,000 automobiles, 81,000 trucks (including 15,000 Kamaz trucks, 45,000 machine tools for forging and pressing metal, 1,300 electric locomotives, 17,000 pieces of equipment for electrical welding, 139 electronic calculators, 7,000 pumpless weaving machines, 150 airplanes and helicopters, over 80,000 tractors, 155,000 agricultural machines of various types, 14,700 mechanical shovels and other road-building machinery.

Beyond these, Poland purchased from the USSR 1.5 million refrigerators, 900,000 radios, 650,000 television sets, 800,000 cameras, over 10 million watches and hundreds of thousands of other mechanized devices for the home.

The specifics of foreign trade of machinery and equipment differ significantly from those of other goods. Machinery and equipment are earmarked for long-term use in specific indus rial processes or for use by other sectors of the economy and finally for the client's individual needs. As a result, one of the basic responsibilities of the exporter of machinery and equipment is the guarantee--during the entire period of their use--of proper technical servicing, regular supplying of replacement parts and training of personnel in the proper use of the equipment and renovation.

Certainly at the current stage of economic, scientific and technical progress in the production of capital investment goods without the presence of organized technical servicing, there is no place for the dynamic development of international trade exchange. Thus, the problems of technical servicing of machinery and equipment delivered to Poland are the center of attention on the part of Soviet foreign trade enterprises and producers. This servicing has been implemented by taking advantage of the newest, worldwide experiences in the field and through close cooperation with Polish foreign trade enterprises and consignees.

To the end of 1980, over 30 agreements dealing with the organization of technical servicing of Soviet machinery as well as with price reductions for equipment guaranteed by exporters were concluded between Soviet foreign trade associations and various Polish enterprises. Agreements also were concluded, for example, with METALEXPORT for servicing machine tools, UNITRA for televisions, UNIVERSAL for refrigerators and so on. Within the framework of these, the necessary replacement parts for making repairs are guaranteed to the consignee's service area; many service areas possess consignment storage for replacement parts.

Each Soviet foreign trade enterprise exporting goods produced by the machinery industry has full-time specialists from the producers of these goods working either in the USSR's trade mission in Poland or in technical centers. Their primary task is constant cooperation with Polish service staffs by granting technical assistance to buyers, checking out complaints and eliminating discovered flaws, showing the newest service methods in areas of use and training Polish specialists. Each year, Soviet specialists teach up to 8,000 Polish experts in technical centers through various courses, seminars and practical training. For example, training centers for operators and mechanics of tractors and road-building equipment exist in the Polish enterprises AGROMA and ZREMB, while specialists from the technical center AWTOEXPORT organize each month in Warsaw and Opole meetings and consultations with automobile owners.

From 1976 to 1980, deliveries to Poland of replacement parts for Soviet equipment more than doubled compared to the period 1971-1975, while in 1980 they reached 234 million rubles (i.e., 25 percent of the value of deliveries of all types of equipment). Of this amount, deliveries of replacement parts (implemented through the intervention of the All-Union Federation ZAPCZAST-EXPORT) for automobiles, tractors and agricultural machinery increased 25 times during the last 5-year period and reached around 30 percent of their delivery value.

The basic form of technical service for Soviet machinery in Poland is the organization of technical centers. There are six centers for technical assistance operated through cooperation between the USSR's trade mission in Poland and the seat in Warsaw. These are technical centers for servicing machinery and equipment exported by the following enterprises: AWTOEXPORT (automobiles and trucks of all brand names; Polish import of "Pol-Mot"), STANKOIMPORT (machine tools for forging metal, imported by METALEXPORT), TRACTOREXPORT-MACHINEXPORT (tractors, agricultural machinery, cranes, shovels, road-building equipment, imported by AGROMET-MOTOIMPORT and BUMAR), ENERGOMACHEXPORT (locomotives; electric locomotives; energy, electrotechnical and welding equipment imported by KOLMEX and ELECTRIM), ELECTRONORGTECHNIKA (calculating equipment imported by METRONEX and UNITRA), TECHNOINTORG (radios, televisions, watches, refrigerators and other products for home use purchased by VARIMEX, UNITRA, TORIMPEX and UNIVERSAL).

Moreover, the Soviet-Polish center TEXTILSERVICE in Lodz deals with technical servicing of equipment for the textile industry.

The export of Soviet machinery and equipment implemented through the intervention of these technical centers has reached around 75 percent of total deliveries of these goods from the USSR to Poland.

The creation of these technical centers has raised considerably the level of service on machinery and equipment obtained from the USSR, thanks primarily to the tightening of bonds between Polish and Soviet economic organizations, and above all between Polish users and Soviet procucers. Also influencing improvement in service activity has been the growth in the number of full-time specialists in the Soviet centers, which represent the principal producers, and the creation of guaranteed storage areas for replacement parts, which has contributed to a more rapid elimination of flaws and thus to the realization of guaranteed repairs. For example, the newly opened (May 1980) technical center ELECTRONORGTECHNIKA in Warsaw has diagnostic instrumentation for block renovation of calculating equipment, as well as other laboratories and workshops for renovating individual blocks and groups of equipment. These facilitate the elimination of discovered flaws within only a few hours.

It is estimated that the current needs of Polish clients for reserve parts for the postguaranteed period are almost completely satisfied as a result of the participation of Soviet specialists in dispensing those parts ordered by Polish centralized service enterprises and individual users. At the same time, the number of Polish stations and shops servicing Soviet technical equipment and the number of centralized service enterprises, with which the technical centers are closely involved in renovation and service, have increased.

For example, the technical center AWTOEXPORT and the Federation of Motoring Subsidiaries have authorized over 140 automotive enterprises and shops, organized 3 central storage areas for replacement parts and 4 research centers for servicing Soviet trucks and, together with the enterprise POLMOZBYT, created 172 stations for guaranteed and postguaranteed service, 42 storage areas for replacement parts, 1 central storage area for replacement parts in Bialystok and storage areas in 101 automotive service stations. The technical centers AWTOEXPORT and POLMOZBYT have organized presale service on Soviet cars and trucks. With the aid of the technical center ENERGOMACHEXPORT, storage areas for guaranteed replacement parts and 10 central storage areas for replacement parts in the postguaranteed period for Soviet electric locomotives have been organized in 11 large roundhouses. All of this influences the results of training of Polish specialists in the area of servicing and using equipment delivered from the USSR. Moreover, thanks to organized seminars and symposia and through the active participation of Polish enterprises, work toward the perfection of quality in equipment delivered from the USSR, in support of experiences gained from their work in Poland, has been introduced.

Acting through the USSR's trade mission in Poland, the technical centers, alongside technical service centers, also deal with trade service for export and import transactions, as well as with problems of operation by the Soviet All-Union Foreign Trade Federation in the Polish market. These centers are therefore fully competent representatives of their federations and, under the guidance of the USSR's trade mission can resolve a wide range of problems dealing with issues of economic and trade cooperation with Polish enterprises as regards goods--the subject of their turnover.

In Warsaw, the new production, technical and administrative installations for the technical centers STANKOIMPORT and AWTOEXPORT, will be put to use soon. At the same time in Karczew near Warsaw, construction of the technical center TRACTOREXPORT-MACHINEXPORT has begun, with completion set for 1983. Construction of these centers is implemented by specialized Polish construction enterprises, based on contracts concluded between BUDIMEX and the Foreign Trade Agency, SOJUZVNIESHSTROJIMPORT. In the equipped installations will be a mechanized storage area for guaranteed replacement parts; an exhibition hall, scientific auditoria with various pieces of equipment, models and cross-sections, their groups and details; a movie theater, a library containing technical documents and catalogues; and equipment for technical servicing of individual machinery. In Warsaw will be a building earmarked for the technical center TECHNOINTORG; it will service Soviet mechanized equipment for use in the home. Moreover, the organization of the technical center MACHPRIBORINTORG for servicing a wide assortment of radio measuring equipment and other devices and automotive equipment, as well as the broadening of activity by the center TEXTILSERVICE in Lodz, is anticipated in order to service the entire gamut of Soviet equipment and broaden the work of the guaranteed and consulting center TECHSNABEXPORT in Warsaw for servicing scientific equipment.

Despite the difficulties that the Polish economy is experiencing and the reduction of imports of capital investment equipment, the years 1981-1985 anticipate important deliveries to Poland of Soviet machinery and equipment and in particular of cars and trucks (including 50,000 Kamaz trucks), tractors, agricultural machinery, airplanes and equipment for the flying industry, equipment for light industry, freezers and mechanized equipment for use in the home and others. One can therefore anticipate that needs for Soviet machinery and equipment in Poland will grow. Toward

the aim of technical efficiency for servicing this equipment, it is necessary that Soviet and Polish enterprises work toward the maximal centralization of storage and distribution of replacement parts by creating a system of centralized storage areas and service stations primarily for tractors and locomotives. There is also a need to organize the central renovation and regeneration of parts for Kamaz trucks and tractors. In this regard, it is vital to organize technical service and supply of replacement parts for production equipment in both countries based upon agreements as to specialization and cooperation in production, and also of parts for new types of machinery. Finally, the need to create in Poland service stations specializing in the repair of other equipment not covered by centralized service (e.g., electronic calculating equipment, compressors, printing equipment, road-building machinery and so forth) stands out.

Each of these undertakings will promote the efficient utilization in Poland of Soviet machinery and equipment.

The USSR's Foreign Trade Turnover, 1979-1989

(current prices)

	1979		1980		Indicators 1980/1979
	million rubles	percentage	million rubles	percentage	percentage
Total					
turnover	80,322.7	100.0	94,121.1	100.0	117.2
export	42,441.5	100.0	49,655.7	100.0	117.0
import	37,881.2	100.0	44,465.4	100.0	117.4
Socialist countries					
turnover	45,088.3	56.1	50,576.3	53.7	112.2
export	23,643.9	62.4	26,924.2	54.2	113.9
import	21,444.4	56.6	23,652.1	53.2	110.2
CEMA countries					
turnover	41,654.5	51.8	45,776.8	48.6	109.9
export	21,702.5	55.6	24,339.1	49.0	112.2
import	19,952.0	52.7	21,437.7	48.2	107.4
Poland					
turnover	7,573.0	9.4	8,002.0	8.5	105.7
export	3,837.5	9.0	4,405.9	8.8	114.8
import	3,735.5	9.9	3,596.1	8.1	96.3
Developed capitalist countries					
turnover	25,753.8	32.1	31,583.1	33.6	122.6
export	12,506.3	28.5	15,861.8	31.9	126.8
import	13,247.5	35.0	15,721.3	35.4	118.7
Developing countries					
turnover	9,480.6	11.8	11,961.7	12.7	126.2
export	6,291.3	14.8	6,869.7	13.8	109.2
import	189.3	8.4	5,092.0	11.4	159.7

Source: Foreign Trade of the USSR for January to December 1980 (statistical data), enclosure to the monthly FOREIGN TRADE (March 1981).

Polish-Soviet Trade Cooperation

Warsaw HANDEL ZAGRANICZNY in Polish, Special Issue pp 28-29

[Article by Ladimir Kustov, director of the Soviet exposition at the 1981 Poznan International Trade Fair]

[Text] The Soviet Union is a traditional participant at the International Trade Fair in Poznan. Each Soviet exposition is different from the previous ones. What will characterize this year's exposition?

The answer to this question is simple. This year is rich in important events for the Soviet nation. We shall attempt to show this in our pavilion. Slogans and photographs will show visitors the state of liveliness and enthusiasm at the 26th Congress of the CPSU. The work performed by the Soviet nation during the past 5-year period as enumerated at the congress. New items for the development of the country's economy not only during the next 5 years (1981-1985) but also to 1990 were presented. Visitors to the Soviet pavilion can obtain more complete information on this subject by watching films and slide shows and by becoming acquainted with literature at the booths. The exposition also presents acceptance by the 26th Congress of the CPSU of the Soviet program for peace, which is the fundamental document for the peaceful, Leninist foreign policy of the CPSU, directed primarily toward the strengthening of peace and security for nations and expanding international cooperation. International cooperation is becoming an ever more important item in the politics and economics of the world.

A large portion of the Soviet exposition is devoted to the 10-year existence of the complex program for socialist economic integration and to the subject of two-party economic and technical cooperation between the USSR and Poland.

As regards the growth of trade turnover between the USSR and Poland, the figures show it best; i.e., according to initial data for the past 5-year period, the value of trade turnover was 38.5 billion rubles, which means a growth double that for the 1971-1975 period. The Soviet Union delivers to Poland crude oil, natural gas, iron ore, asbestos, cellulose, chromium, semifinished products and market goods like Lada automobiles, television sets, photographic and film-making equipment, freezers and watches.

In mutual turnover between the USSR and Poland, the role of deliveries of goods furnished on the principles of specialization and cooperation, and implemented within the framework of 22 two-party and 60 multiparty agreements, is growing. Among them, agreements on the following should be mentioned: Kamaz trucks and Lada automobiles, machine tools, calculating equipment, construction road-building equipment, textile machinery, self-propelled cranes, tractors, equipment for nuclear power plants and equipment for the metallurgical and chemical industries. Visitors can see many of these industrial goods at the booths of 20 Soviet foreign trade enterprises.

This year, there are around 4,000 exhibitors within the Soviet exposition at the Poznan International Trade Fair. For specialists, expositions by V/O TECHMACH-EXPORT, V/O LICENSINTORG and V/O SOJUZCHIMEXPORT--which represent the Soviet Union's achievements in the area of the chemical industry, production of equipment for that industry and also participation by the State Normalization Office of the

USSR--are important. Soviet industry is influencing the development of all industrial branches in the Polish national economy. The following are presented at the exposition: electric diagrams, models of production lines for producing plastics and plastic goods, a wide range of paints and varnishes, chemical fibers, chemical reagents, monocrystals (the Soviet Union produces over 500 variations of these products), mineral fertilizers (the Soviet Union occupies first place in the world for this production) and products from the chemical industry. Within the exposition of chemical equipment, a unique apparatus for gelatination is exhibited. New variations of this machine are introduced in the Soviet Union every 3 to 5 years. Also exhibited are pumps of various kinds for the chemical industry.

The State Normalization Office of the Soviet Union is exhibiting meteorological instruments and standards models, of which the Soviet Union has 116 varieties for the needs of science and industry. Many of them (e.g., sets for measuring induction) are widely used in the socialist countries.

Cooperation between our countries in the field of chemistry is based on export from the Soviet Union to Poland of fuels and raw materials; these deliveries played an enormous role in the development of the Polish chemical industry and assisted in the creation of plants like the petrochemical works at Plock, which have refined around 13 million tons of crude oil in the course of the year. Poland is in turn an important supplier to the Soviet Union of sulfur and complete technological lines for sulfuric acid plants.

Soviet foreign trade organizations like TECHNOINTORG, RAZNOEXPORT, NOVOEXPORT and EXPORTLES exhibit a wide assortment of goods for universal use, which have become in recent years a production priority for raising Soviet society's material and cultural level. They offer television sets, tape recorders, radios, vacuum cleaners, freezers, furniture, musical instruments, sporting and hunting weapons and toys, all of which are well-known goods in various countries.

In Naramowice, Soviet agricultural machinery (e.g., tractor MTZ-82 from the factory in Minsk, tractor T-150K from the factory in Charkov, light tractor T-25A from the factory in Vlodimir and others) is shown.

Within the framework of the Soviet exposition at the Poznan International Trade Fair, the achievements of one of the member republics is shown. This year the achievements of the Tadzhik Soviet Socialist Republic will be shown. Tadzhik SSR is a land of high mountains (Pamir, the so-called "roof of the world," is located in this republic), rushing rivers (hydroelectric power here places the republic in second position behind the Russian Federated Soviet Republic) and also fertile valleys. Farmers there produce annually 1 million tons of cotton, and the Tadzhik Republic will soon become one of the largest producers of grapes.

The republic's exposition contains models of the Tadzhik aluminum smelter and the Rogun power station, mineral wealth, frontal and decorative stones, building materials, jeweler's goods and food products. Known throughout the world for high quality in tanning and sewing are Tadzhik astrakhan skins and furs from musk oxen and nutria.

Tadzhik is a country of original culture, which visitors can get to know through the writings of contemporary authors, pictures, graphics and folk art. A beautiful

example of folk art is shown at the Czajchan exposition (wood sculptures of rich ornamentation). Visitors can see the works of the painter Chamadamov, who is at the booth, in order to become acquainted with certain directions in folk art. Artists from the Tadzhik Republic will assist our Polish friends in better understanding the culture of this old country.

You are therefore invited to visit the USSR's pavilion.

Polish Trade Exhibits in USSR

Warsaw HANDEL ZAGRANICZNY in Polish, Special Issue, 1981 pp 32-34

[Article by Nina Jaworska, affiliate of the Polish Chamber of Foreign Trade (PIHZ)]

[Text] The Soviet Union is our largest trading partner and supplier of many basic raw materials, other materials and capital investment goods necessary for our economy. Approximately 30 percent of Poland's foreign trade turnover is composed of goods from the USSR. Cooperative connections among industries deepen, while much attention is paid to the issue of specialized production.

Taking into consideration important tasks with foreign trade, the Polish Chamber of Foreign Trade (PIHZ) conducts actions designed to develop and strengthen economic relations with the USSR, of which the primary promotion is creating exhibits. As evident from several years of experience, exhibits are one of the more important means by which to activate and develop mutual trade turnover and economic cooperation. This activity on the Soviet market has a particularly important meaning as regards the current and future range of our trade turnover.

At the beginning of the 1970's, the organization of annual promotional exhibitions was initiated under the title "Made in Poland." The exhibitions encompassed--through a wide range of goods--many activities addressed to various areas of Soviet society, business interests and specialists. Each display within the exposition contained complete information regarding our economy, as well as about the technological and economic level of individual industrial branches and the development of relations with the USSR. The displays from "Made in Poland" fulfilled their purposes; i.e., to create a positive impression on Soviet society as to our country's development and economic potential. Further technical progress and economic development create the necessity for a systematic demonstration of the actual trade offerings and the proposition for cooperation and specialized production.

Moreover, the Polish Chamber of Foreign Trade has organized collective exhibits by foreign trade enterprises at international, specialized expositions in the USSR. These expositions show the achievements of the most important world producers and exporters in a given area and constitute a forum for conducting trade discussions, concluding agreements and developing trade relationships.

Exhibits organized by PIHZ have enjoyed a very congenial atmosphere, through which various forms of activity have benefited. Besides the traditional organization of press conferences and the distribution of materials to journalists and the public, the following also have taken place: film demonstrations, other visual aids, fairs of selected Polish goods, performances by Polish artistic groups, television competitions, interviews and discussions.

Symposia organized at many exhibits also have a very essential meaning, as Polish specialists can discuss our newest technical achievements and production possibilities in broadening cooperative connections and deepening specialized production in specific industrial branches in Poland and the USSR.

A relatively new form of promotion on the Soviet market is the "Days of the Polish Economy and Technology." These exhibitions have a symposiac character, which sometimes come complete with displays. They allow one, with relatively small financial outlay, to reach directly specific experts, business and political interests, individual republics and industrial circles.

The plan for economic promotion in 1981 anticipates the organization in Kiev of exhibits of Polish export goods under the title "Made in Poland" and of two symposia (with small exhibits) called "Days of the Polish Economy and Technology" in Vilna and Minsk. Moreover, numerous Polish foreign trade enterprises are organizing their own exhibitions and also participate in shows organized by the Soviets.

The exhibition "Made in Poland" at Kiev will be one of the larger Polish promotional shows organized abroad this year. On the grounds of the Exhibition of the Achievements of the USSR's National Economy (covering an area of 5,500 square meters), the following foreign trade enterprises will display their wares:

AGPOL	-	advertisements
AGROMET-MOTOIMPORT	-	agricultural machinery
BEFAMA	-	worsted spinning
BUDIMEX	-	general range of goods
BUMAR	-	shovels, cranes
CENTROMOR	-	ship furnishings
CENTROZAP	-	ventilating and metallurgical equipment
ELECTRIM	-	backstage equipment, energy devices
HORTEX-POLCOOP	-	preserves, frozen foods
KOLMEX	-	models of transport trains
KOPEX	-	mining equipment and tools
METALEXPORT	-	machine tools, machine tool components, welding equipment
METRONEX	-	equipment of secondary importance, computer systems
NAVIMOR	-	floating equipment (yachts, motor boats, sail boats, and so forth)
PAGED	-	furniture
POLIMIX-CEKOP	-	models of completed installations; equipment for the sugar beet, meat and baking industries
POL-MOT	-	buses, delivery trucks, garage equipment
REMEX	-	general range of goods
TEXTILIMPEX	-	material, clothing, knitting
UNITRA	-	radio and television equipment, lights, radio-telephones
VARIMEX	-	medical equipment, laundry and pressing equipment, technical articles

WIFAMA	-	carding equipment, creamers
PKZ (Works for Preserving Relics)	-	general range of services

The location of this show was not chosen haphazardly. The Ukraine's economic potential, existing cooperation and perspectives and possibilities for its development also stand behind the organization of the exhibition in the capital of the Ukrainian SSR. Our exhibition will show the current offerings of Polish foreign trade enterprises with respect to our Soviet partner; i.e., a promotional and trade exhibition. As regards the relatively broad participation by 23 enterprises, it will present a significant portion of Polish industry's production possibilities, utilizing contemporary technology and constructive solutions. It will facilitate a closer familiarization with Polish goods and a visual appraisal of their worth by Ukrainian specialists and business interests. Our presence in the Ukrainian capital should call for broader needs for our industrial goods from the Ukraine's economic circles. Direct contacts between Polish and Soviet specialists during the symposium should contribute to developing new cooperative and specialized contacts, and also deepen cooperation in specific industrial branches. For some foreign trade enterprises, the show will be simultaneously a place for negotiating new contracts. Exhibits will demonstrate the usefulness of Polish capital investment equipment and goods for building the Ukraine's economic potential. Existing trade effects from our promotional exhibitions in the USSR confirm to us that the need exists for this kind of show. They meet with lively interest on the part of government officials, specialists and a broad spectrum of society. An exhibition organized on such a significant scale also allows for emphasizing Poland's share in widespread political and economic cooperation with the Soviet Union and other CEMA countries.

During the period of "Days of the Polish Economy and Technology" in Minsk (October) and Vilna (November), Polish specialists will present a wide range of papers to Soviet specialists. The theme of these papers will be prepared from the point of view of Soviet interests and from our own export possibilities. In Minsk, papers will be presented on the subjects of machine tools and measuring equipment. A few papers will cover machinery and equipment for agriculture and the food-processing industry. Polish specialists also will present papers on machinery and equipment for galvanizing and the wood products industry. Also discussed will be automotive service stations, as well as diagnostic and garage equipment. In accordance with our export possibilities, pharmaceutical measures and equipment for physical therapy will be presented.

The theme of the symposium in Vilna also will deal with machinery and equipment for the food-processing and wood products industries, automotive service stations, galvanizing equipment and technology for heat treatment. Moreover, the textile industry will present its export offerings. The symposium will contain a photographic display showing Polish-Soviet economic cooperation and exhibits of several foreign trade enterprises.

These shows will be preceded by press conferences for correspondents from the press, radio and television. A suitable amount of general and specialized information will be available.

As previously, international specialized exhibitions have been organized this year in the USSR. Since the scope of this year's exhibitions is very narrow (dealing with only a few industrial branches), it is anticipated that only selected foreign trade enterprises will exhibit their products. POLIMEX-CEKOP will participate at the international exhibition entitled "Canning and Storage of Fruits and Vegetables" in Leningrad, ARS POLONA at the International Book Fair in Moscow, CIECH at the international exhibition entitled "Chemistry for People" in Moscow, UNITRA at the international exhibition "Current" in Moscow, BUMAR at the International Exhibition of Road-Building and Construction Equipment in Moscow and finally IMPEXMETAL at the international exhibition "Ball-Bearing" in Moscow.

This year, several foreign trade enterprises are organizing exhibits and symposia in the USSR. Above all, these exhibits have a contractual character. Organization of this kind of exhibit for exporting enterprises is a necessity. Their fundamental task is to demonstrate the offerings of Polish light industry, choices of models and newness. The following enterprises are organizing such exhibits: UNIVERSAL, COOPEXIM, ELECTRIM, PAGED, REMEX, SKORIMPEX, TEXTILIMPEX, METRONEX, VARIMEX and LABIMEX. Moreover, ELECTRIM, CIECH, HORTEX-POLCOOP and METALEXPORT are organizing symposia.

As a result, the number of Polish exhibits and sumposia organized this year in the Soviet Union is relatively significant, although compared to previous years it has declined. The principle of achieving the maximal trade benefits with the least cost outlays has guided the promotional plan in the current situation. As a result, promotional activity was limited to only those exhibitions that offer concrete trade possibilities for 1981 and the near future and exhibit newness that can be an object for export to the USSR. In this situation, these exhibits and symposia should contribute to an increase in our export and also to the broadening and deepening of Polish-Soviet cooperative and specialized relations.

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CSO: 2600/345

AUTONOMY OF SPECIALIZED AGRICULTURAL WORK GROUPS EXTENDED

Budapest MAGYAR KOZLONY in Hungarian No 52, 5 Sep 81 pp 719-724

[Council of Minister Decree Number 27, 1981 (5 Sep) on Specialized Agricultural Work Groups]

[Text] In order to further develop small-scale agricultural farming and auxiliary activity and promote a higher level satisfaction of producer and consumer demands, the Council of Minister decrees as follows on the modification of certain orders regarding cooperatives on the basis of authority granted in paragraph 3 of Decree Number 14 enacted in 1981. Organizational Framework of Specialized Agricultural Work Groups

Article 1

(1) Specialized agricultural work groups may be formed in the framework of an agricultural, fishing and producer cooperative, agricultural specialized cooperative, consumer, marketing and purchasing cooperative (hereinafter cooperative) and in the framework of state farms, state forests and economic associationa included in the agricultural and food industry branch and belonging to the revenue regulatory system (hereinafter state farms).

(2) The agricultural specialized work group (hereinafter specialized work group) is a self-governing organization, with a defined economic independence and independent accounting.

(3) The specialized work group is not a legal entity.

Section I

Cooperative Specialized Work Group

The Formation of the Specialized Work Group

Article 2

(1) For the formation of a specialized work group it is necessary

a) to have the prior approval of the cooperative's directorship (leadershiP) for the organization of the specialized work group;

b) to hold a constituent membership meeting;
c) to pass a resolution affirming the formation of the general assembly (delegates' assembly) of the cooperative.

(2) In justified cases the cooperative directorship (leadership) may give its prior approval for the specialized work group to conduct certain activities within the cooperative prior to the passage of the resolution affirming the formation of the general assembly (delegates' assembly).

Article 3

(1) The formation of the specialized work group may be decided on by a membership meeting held with the participation of at least five persons who have applied for admission (constituent membership meeting), assuming that the meterials necessary for the operation of the specialized work group are available, or can be provided during operation.

(2) The constitutent membership meeting decides at the same time on the acceptance of the applicants, the establishment of the operational regulations, and the election of officials.

(3) Together with the resolution affirming the formation of the specialized work group, the general assembly (delegates' assembly) also determines the basic rules regarding the relationship of the cooperative and the specialized work group.

(4) The understanding regarding the relationship of the cooperative and the specialized work group, and the operational regulations of the specialized work group make up the supplement to the organizational and operational regulations of the cooperative.

Operational Regulations

Article 4

(1) The specialized work group conducts its activities on the basis of the operational regulations.

(2) The operationa regulations must define:

a) the name of the specialized work group, its goal and the scope of its activities;
b) the name and place of the cooperative in whose framework the specialized work group operates;
c) the main rules regarding the organization of the specialized work group and the operation of its organs;
d) the number of members in the organs of the specialized work group, their sphere of authority, the time duration of their operation, and the method of carrying out and filling and terminating official positions;
e) the basic rules regarding the relationship of the specialized work group and the cooperative;
f) the main principles for the formation and development of economic activity, for the use of the managing results, and for the sharing of the results;

g) the method of representation in the affairs of the specialized work group;
h) the basic rights and obligations of the members, in particular the methods of personal and property cooperation, and finally
i) the ordering of all those things which are referred to the operational regulations by statutory provision, or which the membership meeting regards as necessary.

Article 5

(1) A two-thirds majority of the membership meeting is needed to establish and to modify the operational regulations of the specialized work group. The operational regulations become valid with the resolution of the cooperative directorship (leadership).

(2) Within 15 days following approval of the affirming resolution, the directorship (leadership) sends an information copy of the operational regulations or the modifications to the state organ exercising legal supervision.

(3) After the affirmation of the operational regulations by the directorship (leadership), the specialized work group must be registered separately in the cooperative records. The detailed registration rules are established by the finance minister.

Organs of the Specialized Work Group

Article 6

(1) The organs of the specialized work group consist of the membership meeting including all members, teh executive committee, and the control committee.

(2) The operation of an executive committee and control committee is not compulsory. The membership meeting decides whether they should be established depending on the number of members and on the activity sphere. If an executive committee is not established, its authority is exercised by the chairman of the specialized work group.

(3) The membership meeting may create standing or temporary committees for certain tasks of the executive committee.

Article 7

(1) The following belong exclusively to the membership meeting's sphere of authority:

a) establishment and modification of the operational regulations;
b) the election, release, recall and removal of officials;
c) the establishing of the plans, the balance of accounts and the demonstration of results (final accounts);
d) the determination of guidelines on the use of managing results;
e) the signing of agreements on the relationship of the cooperative and the specialized group;

f) decisions on the a[illegible]ation, division, separation, transformation and termination of [illegible]pecialized work group;
g) termination of the membership relation;
h) decisions in all questions which the statutory provision, the general assembly of the cooperative or the operational regulations grant to the membership meeting's sphere of authority.

(2) A membership meeting must be called at least one a year.

(3) A membership meeting must be called if 10 percent of the members, the control committee of the specialized group, the directorship (leadership) of the supervisory (control) committee of the cooperative, or the organization which exercises state legal control initiates the call in writing, or if property registered separately for the specialized work group does not over the long run cover the payments obligations which encumber it.

(4) A partial membership meeting may also function in a specialized work group. The cooperative must appropriately use statutory provisions regarding partial general assmeblies for the conditions of its operation, for its sphere of authority, and for its capability of passing resolutions.

(5) The membership meeting has a quorum if more than one-half of the membership is present.

(6) Unless the statutory provision or the operational regulations provide for an exception, the decisions of a membership meeting may be passed with a simple majority in an open vote.

Article 8

(1) The leading organ of the specialized work group with general authority is the executive committee consisting of 3 to 7 members, who are elected for 5-year terms by the secret vote of the membership meeting.

(2) The control of the operation and management of the specialized work group is conducted by a control committee consisting of 3 to 7 members elected for 5-year terms by a secret vote of the memberhsip meeting.

Officials, Experts

Article 9

(1) The officials of a specialized work group are the chairman, the members of the executive committee, and the chairman and members of the control committee.

(2) The chairman is elected for a 5-year term by the secret vote of the membership meeting. The chairman is also chairman of the executive committee.

(3) An expert is required for the conduct of accounts and records of the specialized work group. An expert working at the cooperative, or some other expert outside the organization, may perform these tasks, if incompatibility does not exist. The operational regulations or the membership meeting may also decide on the function of other experts.

Article 10

(1) An official must

a) be a member of the specialized group;
b) be fully capable of action;
c) not stand under penalty judgment of a disciplinary decision removing him from office or a court judgment forbidding participation in public affairs;
d) not be one who in the exercise of a state legal control or state authority task is taking action in the affairs of the specialized work group;
e) not be the chairman of the cooperative, the deputy chairman, or chairman and member of the supervisory (control) committee.

(2) Instances of incompatibility in a specialized work group must be established by the appropriate application of the provisions of Article 33 in Law III of 1971 (hereinafter Szvt).

Management of the Specialized Work Group

Article 11

(1) The specialized work group manages the properties, finances and lands transmitted to its used by the members and the cooperative.

(2) The specialized work group may perform agricultural production (crop production, fruit-grape-vegetable production, and livestock breeding), forestry and primary wood processing, the processing and marketing of agricultural produce and products, the acquisition, production, renovation and maintenance of materials, means and equipment serving the agricultural needs of small producers, and activity linked to agricultural production and processing (Article 63, paragraph 2 of Council of Ministers decree number 7/1977, 12 March).

(3) The specialized work group conducts producer activity on the farms of the members, but in the interest of joint activity, it may also establish joint farms and operations according to paragraph (2) above by observing the pertinent statutory provisions.

Article 12

(1) The specialized work group manages on the basis of an annual production and financial plan.

(2) The specialized work group must keep appropriate records of the property transferred to its use, its activities and its results. At the end of the year it must prepare a balance statement and a statement of final accounts.

(3) The specialized work group meets production costs and other expenditures from its revenues, and forms a fixed and circulating fund. Statutory provision or operational regulations may also prescribe the formation of other funds.

(4) The finance minister establishes by decree the rules for the specialized work group's tax payment.

Article 13

(1) The directorship (leadership) of the cooperative continuously follows and helps in the management of the specialized work group. In this framework

a) it assures that the cooperative provides adequate support for the activities of the specialized work group;
b) the cooperative may transfer to the use of the specialized work group land, buildings, other properties (planted areas, machinery, equipment, geat, and so forth), and money which it has in its possession, care or use;
c) it may offer subsidized services and other supports to promote the goals of the specialized work group;
d) it sets the value limit beyond which, in the name of the cooperative, obligations can be undertaken on behalf of the specialized work group only with the prior written approval of the directorship (leadership).

(2) The cooperative directorship (leadership) must once a year examine the entire management of the specialized group. The supervisory (control) committee of the cooperative regularly controls the operation of the specialized work group.

(3) The cooperative cannot prescribe production, purchasing, marketing and revenue utilization obligations for the specialized work group.

Article 14

(1) The agreement regarding the relations between the cooperative and the specialized work group must settle

a) when the specialized work group is formed, the use relations and the accounting method for the properties, finances, land and buildings which belong to the cooperative and have been transferred to the use of the specialized work group;
b) the method for accounting the increase in property created as a result of the specialized work group's activity.

(2) The specialized work group must handle the property in its use separately from other property of the cooperative, and must use it only in a way defined in the operation regulations.

(3) Fixed assets transferred to a specialized work group may also be given for the joint use of the specialized work groups, if there are more than one operating in the cooperative.

Article 15

(1) The members of a specialized work group vouch only with property contributions for debts related to specialized work group activity, the cooperative vouches first of all with property registered specifically for specialized work group goals, as well as with properties transferred to the specialized work group, and for additional debts with its entire property.

Representation

Article 16

(1) In the name of the cooperative, persons selected by the chairman or the executive committee from the specialized work group membership are entitled to represent the specialized work group, assuming that they are in a membership relation with the cooperative. The cooperative registers the persons entitled to be representatives in a separate representational book; their signatures are countersigned by the chairman of the cooperative.

(2) An agreement for an obligation that exceeds the value limit set by the cooperative can be signed only with the prior written approval of the cooperative directorship (leadership), and in the sense thereof.

(3) To undertake a written, financial obligation, it is necessary to have the signature of the two persons entitled to be representatives according to paragraph (1) above, and the countersignature of the person responsible for accounting management.

Association (amalgamation), Division, Separation, Termination

Article 17

(1) With the approval of the general assembly, specialized work groups operating within a given cooperative may decide at separately held membership meetings, with the secret vote of two-thirds of the total membership, on uniting in a new specialized work group on amalgamating one specialized work group into another. In a similar way, a specialized work group may decide to split into two or more specialized work groups.

(2) The part of specialized work group membership which is entitled to form a new specialized work group may, with the unanimous decision of all the affected members and the approval of the membership meeting, separate from the specialized work group in order to amalgamate with another specialized work group operating within the cooperative or to form a new specialized work group.

(3) In case of association or amalgamation, the property transferred to the use of the specialized work group must be transferred to the new of the receiving specialized work group. In case of division or separation, this property must be divided between the specialized work groups in proportion to the number of members and the property contributions.

Article 18

(1) The specialized work group is terminated if

a) two-thirds of the total membership decide to do so by secret ballot;
b) the cooperative is terminated;
c) the general assembly of the cooperative (the delegates' assembly) revokes it approval for the formation of the specialized work group.

(2) The general assembly (delegates' assembly) of the cooperative must revoke its approval for the formation of a specialized work group if the managing of the specialized work group is causing a loss to the cooperative.

(3) The approval for the formation of a specialized work group may be revoked if according to the findings of the organ which exercises state legal control it is illegal, or if the specialized work group is conducting activity which is causing damage to the property transferred by the cooperative.

(4) When a specialized work group is terminated and the property remaining after the settling of debts is distributed, the procedure must follow the agreement on the relationship of the specialized work group and the cooperative. Properties in the possession, care and use of the cooperative cannot be included in the property distribution.

(5) When a specialized work group is terminated, it must be removed from the cooperative registry.

Membership Relation

Article 19

(1) Any citizen who has completed his fifteenth year may be the member of a specialized work group.

(2) A minor who is under 16 year of age may be accepted into a specialized work group as a member only with the written approval of his legal respresentative.

(3) The executive committee decides on a written request for admission, and informs the person concerned of its decision, or the membership meeting informs him. The applicant may appeal a negative decision to the membership meeting.

(4) The membership relation comes into being when the decision is made on acceptance.

(5) The basic rights and obligations of the member of a specialized group, the method and extent of his property contribution are decided on in the operational regulations. The operational regulations may also bind the membership acceptance to an entry fee.

Article 20

(1) The membership relation is terminated when the member dies, he resigns from the specialized group, the specialized group is terminated, or the cooperative is terminated without a legal successor.

(2) Resignation occurs as a result of the member's voluntary decision; the intent to resign must be submitted to the executive committee in writing. The operational regulation may prescribe how much time must be given in prior motice of resignation.

(3) The membership meeting, after hearing a member, may terminate a membership relation with a decision, in writing, in the case of someone who

a) has borne witness of a seriously damaging or threatening attitude toward the specialized work group;
b) deliberately causes harm to the specialized work group;
c) for censurable reasons does not carry out the obligations of the membership relation.

(4) With the termination of a membership relation, an appropriate account must be made of the agreement between the former member (his heir) and the cooperative and the specialized work group, as well as of provisions of the operational regulations.

Work Relations

Article 21

(1) The specialized work group may hire employees in its own name to perform jobs that arise in connection with its activities. The membership relation existing with the specialized work group--excepting the chairman of the control committee and its members--does not exclude the establishment of a work relation with the specialized work group.

(2) In respect to workers employed under work contract by the specialized work group, employer rights are exercised by the executive committee of the specialized work group unless the operational regulations provide otherwise. In respect to the chairman, this right belongs to the membership meeting.

(3) For the employment of the specialized work group's employees, the provisions of the Labor Code and other statutory provisions regarding the work relation provide the rules with the differences established for a cooperative employing the specialized work group, and in their case the orders regarding cooperative employees as contained in the labor regulations (collective contract) of the cooperative in the work protection regulations must be applied.

(4) If it is not otherwise stipulated in the statutory provision, the wages of the employees of a specialized work group must be established on the basis of wage formulas standard for persons in charge, managers, and workers.

Responsibility

Article 22

(1) Culpable transgression of official obligations by an official of the specialized work group is an offense requiring disciplinary action.

(2) Disciplinary punishments are the following:

a) reprimand,
b) censure,
c) removal from office.

(3) Disciplinary procedures are the responsibility of the membership meeting; there is no appeal to its decisions.

(4) An official who is guilty of causing damage in the exercise of his office is liable for damages. In case of wilful damage, he is liable for the entire loss and for damage due to negligence he is liable up to the annual pay he received in office.

(5) Indemnity procedures are the responsibility of the membership meeting; its decisions may be appealed to a court within 30 days of the pronouncement.

Article 23

(1) The cooperative is responsible to the members of the specialized work group for damage caused illegally in the work relation, according to the rules of responsibility toward its members.

(2) A member of a specialized work group who violates his obligations relating to the membership relation is responsible to the specialized work group or to the cooperative for culpable damage, according to the rules regarding the members of the cooperative.

Article 24

The cooperative's arbitration committee acts in membership disputes among the members of the specialized work group in labor disputes of its employees.

Statutory Limitation

Article 25

A claim deriving from a membership relation is subject to the statute of limitations in 3 years. A demand for indemnity in return for damages caused by criminal action, however, is not subject to the statute of limitations before the crime itself.

Interest Representation

Article 26

The interest representation work of a specialized work group is performed by that interest representation organ of the cooperative in which the specialized work group operates.

State Legal Control

Article 27

State legal control over the specialized work group is exercised--in the framework of the cooperative's legal supervision--by the same organ which performs the legal supervision work of the cooperatives, and in the framework of which the specialized work group operates.

Section II

State Farm Specialized Work Group

Article 28

(1) The prior approval of the state farm directorship and the holding of the constituent membership assembly are necessary for the formation of a state farm specialized work group.

(2) In addition to the persons listed in Article 10, paragraph (1), points a) to c), the following cannot be officials in a state farm specialized work group: a worker who holds a higher level managerial position on the state farm, its internal controller, and a worker of the organ exercising supervision over the state farm.

(3) Instances of incompatibility in state farm specialized work groups must be established in the operational regulations with the application of Article 32 of Council of Ministers' Decree Number 48/1979 (1 December).

(4) Supervision of the state farm specialized work group must be carried out in the framework of state farm supervision.

Article 29

A person designated by the executive committee from among the members who are in work relation with the state farm is entitled to represent the specialized work group in the name of the state farm. Persons entitled to be representatives must be separately registered in the representational book. Their signatures are attested to by the state farm director.

Article 30

(1) The state farm may transfer land, for a definite period of time, which is in its care to the use of the members of the specialized work group for production purposes. The use transfer does not affect the rights of those in whose care the land is.

(2) A written agreement must be signed on the land transfer, which must also include the way in which the land is to be used. Official approval is not necessary to validate the agreement.

(3) The state farm may give immediate notice of the termination of the agreement if the member does not meet in time the obligations included in the agreement despite being called on to do so.

(4) In case of use termination, the state farm is obliged to recompense the member for useful expenditures made during the period of land use.

Article 31

(1) In disputes between the state farm and the member of a specialized work group not in work relation therewith and in disputes among the members of the specialized work group, the court proceeds with the application of the rules of civil law.

(2) In disputes between the state farm and the member of a specialized work group in work relation therewith, it is the labor arbitration committee of the state farm which takes action by applying the orders of the statutory provision regarding the carrying out of the Labor Code.

Article 32

(1) The orders of Section I must be appropriately applied for the formation and operation of the specialized work group operating in the framework of the state farm, excepting the provisions in Article 10, paragraph (1), point d) and paragraph (2), Article 16, paragraph (1), Article 17, Article 23, and Articles 26 and 27.

(2) In applying the orders included in Section I to the state farm specialized work group, by cooperative we must understand state farm, by directorship (leadership) and general assembly (delegates' assembly) the director of the state farm, by the control committee of the cooperative the internal controller of the state farm, by the organizational and operations regulations of the cooperative the corresponding regulations of the state farm, and by cooperative property the property in the care and use of the state farm.

Article 33

With the appropriate application of the order included in this Section, economic associations listed in the agricultural and food industry branches, and belonging to the agricultural revenue regulatory system may organize specialized work groups.

Coming Into Force

Article 34

This decree comes into force on 1 January 1982. At the same time, Council of Ministers' Decree Number 32/1977 (17 August) which modified the foregoing decree becomes invalid.

Gyorgy Aczel
Deputy Premier of the Council of Ministers

6691
CSO: 2500/35

OPPORTUNITIES FOR SMALL ENTERPRISES SUMMARIZED

Budapest HETI VILAGGAZDASAG in Hungarian 19 Sep 81 pp 4-5

[Interview with Istvan Kollarik, deputy director of the Ministry of Finance by Ivan Gara and Mihaly Muranyi: "Creating Fields of Endeavor"]

> [Text] Through the press we are beginning to be better acquainted with the new organizational forms of small scale production--small enterprise, small cooperative, business work community and others. From the beginning of next year, we may encounter these as existing entities or simply as improvements in our supply. There will certainly be those among our readers who will be employed in one of their new forms. The legislation announced recently, and that still to appear, suggest that we should be able to exploit the creative energies of society more efficiently. In the future we shall introduce the new forms to our readers in detail in our columns. Here we are interviewing Istvan Kollarik, Deputy Director of the Ministry of Finance, about the background and chief goals of the measures.

[Question] The legislation which has appeared recently, as well as that expected in the near future, are proof that the directive organs of the national economy are supporting the propagation of the enterprising spirit. What were the goals for which the decrees stimulating small enterprise production were enacted?

[Answer] I must begin my reply somewhat from afar. From the beginning of the 1950's--even in the sphere of services--increased numbers of small and mid sized enterprises went out of business. With their disappearance gaps in supply appeared, although it is true that under the circumstances of forced industrialization the standard of living policy did not require supplying the populace with more variety and more attractive goods. From the beginning of the 1960's, consumer demands became increasingly more diversified, in parallel with the gradual rise in the standard of living. The newly structured, expanded requirements can no longer be economically satisfied through the methods of large enterprises. We have a need for small scale organizations, and perhaps even for the utilization of individual and family manpower also.

The second part of the question deals with the organizational system of the economy, the relevant statistical data for which I had occasion to peruse not long ago. From

this data it is unmistakably apparent that there has been an unbroken trend--although with greater and lesser fluctuations--toward enterprise centralization. It began with the establishment of the industrial directorate around 1948-1950, continued with the large investments of the era of industrialization and with the renewed serious merger cycle at the beginning of the 1960's. There was still an occasional intensified movement toward trust formation even in the latter half of the 1970's. This phenomenon was characteristic not only of state enterprises, but also of cooperatives; and not only of industry, but also of other branches of the national economy. The end result is well known. The national economy lacks small and medium sized enterprises and plants. Today we are characterized by having only larger than medium sized enterprises, whereas the optimum enterprise pyramid consists of many small and medium sized enterprises and only a relatively few large ones.

[Question] There is considerable discussion these days about the fact that our economy is excessively centralized, and surpasses the centralization level of considerably more developed countries. This is a matter of fact. But why is this a problem?

[Answer] Having a shortage of small and medium sized enterprises is not exactly the same as being centralized. The latter indicates that there are few independent economic organizations, and that the degree of concentration is high. The former may rather be formulated as a problem of being concentrated. If we separated the merged enterprises we would still lack genuinely small sized enterprises.

A peculiar concomitant of centralization is that because there are few independent enterprises, if any enterprise gets into economic difficulties state direction cannot take the responsibility for its bankruptcy. This is not only a policy matter, but also--perhaps primarily--an economy or supply matter. We have specialty branches which have been organized into a gigantic enterprise or trust. If these get into difficulties, then the entire production verticum, and even the related areas will be in difficulties. What I am trying to bring out is that in general state aid is not a result of human weakness or error; setting it right is virtually a matter of constraint.

[Question] Many are asking why we are taking the measures to stimulate enterprise and develop the organizational system today. Why was it not done earlier, or why not do it in the future?

[Answer] We did not arrive at this point today. Numerous studies were already preparing the ground near the end of the sixties. It should also not be forgotten that the partnership statutes were modernized prior to the current measures, that the tax system for small scale industry was made more attractive, that the contract system was introduced into retail trade and the hospitality industry and also that we had dismantled several large organizations which did not prove to be viable in that form. Now, when the increase in the performance capacity of our economy is the key problem, it is very important that the market receive a greater role, and that enterprise self reliance become more vigorous. I sincerely believe that the efficiency of central direction can increase in parallel with this. Economic processes are much more likely to be better controlled through the instruments of general regulation than otherwise. However, certain steps in the organizational structure are necessary in order for competition to evolve.

[Question] What makes an enterprise a small enterprise, and who may establish an enterprise in Hungary?

[Answer] Enterprises may be established by ministries, organizations with national jurisdiction, councils and--this is a novelty--by banks. Also a novelty is that subsidiary enterprises may be established by enterprises. A small enterprise does not have an unmistakable distinguishable characteristic which can provide identification in every case. In its economic content this enterprise form is a deviation from today's enterprise categories. The small enterprise cannot be given orders and its resources cannot be appropriated. At the same time, it cannot receive state aid and cannot be financially resurrected. Its bookkeeping and statistics keeping requirements are less complex. The status of its director is more sharply defined, because his income above the basic wage depends entirely on the income of the enterprise.

[Question] What prompted the establishment of two different kinds of regulation systems for small enterprises?

[Answer] Actually, the general profit share applies to product manufacturing small enterprises, while the gross income share applies to those who perform consumer servicing. The gross income share means that the small enterprise pays linear tax on its non wage income, that is, on its earnings and not on the differences in its non wage expenses. Since I think that the profit share is the natural form, only the gross income share needs to be explained. The small enterprises performing consumer services will presumably compete primarily with small cooperatives which are also operating under the gross income share. Thus, this form of taxation is intended to assure equivalent conditions. Whether this solution is appropriate can only be revealed in practice.

[Question] As you mentioned, it has now become possible for enterprises to establish other enterprises independently--outside of partnerships which are the province of other operating organizations--in the form of subsidiary enterprises. That is, an enterprise may internally separate a determined portion of its resources and endow it with the legal rights of a corporation. However, for years we read in the professional literature how it is growth that rather serves the interests of large enterprises.

[Answer] The large enterprise system of priorities is rather complicated. At times, the standards of prestige outside the economy probably have a large role. Bluntly, the size of an enterprise one directs is not unimportant. This is only human nature, but it obviously becomes an important factor if it has certain consequences. For example, for a long time the size of the enterprise determined the kind of automobile the director could use. I feel that this perspective is losing ground, although it is true that several measures have had an effect on it. The problem I think is this: how much does the total economic environment constrain to place profitability into the focal point of enterprise operation? If the economic environment is oriented towards the requirement of profitability, then the interest will also stimulate thinking in terms of organizational forms.

[Question] The establishment of an organization, whether a small or satellite enterprise costs money.

[Answer] According to the established order of enterprise founding, it is possible to spend for this purpose from the accumulative position of the national income. In my opinion, the credit system can also promote the establishment of small enterprises to a significant degree. The basic state benefit can also have a role in the same way.

[Question] One of the significant changes which affect the cooperative sector is the appearance of small cooperatives.

[Answer] The small enterprises is practically a return to the original concept of the cooperative--one operating more flexibly, more nimbly and with less restriction. The owners, the members of the cooperative decide on the internal income relations and the utilization of the income of the cooperative for various purposes. The role of the small cooperative in the cooperative sphere is the same as that of the small enterprise in the state sector.

[Question] We had already heard about specialized co-op groups. It appears, however, that it will be possible to establish groups on a more extensive scale. Who will be the initiators?

[Answer] I think that individuals will be the primary ones here. However, the agreement and contribution will plainly depend on the evaluation by cooperatives. While the specialized co-op group is not a legal person, it is required to prepare separate balance sheets and keep separate records. Consequently, whether its activity is profitable or not will be apparent in black and white. A new wrinkle for agricultural groups is that from now on state farms, farm associations and enterprises belonging to the agricultural income regulating system may also establish them. The incentive for the individual is clear--he can earn greater income through better performance. The incentive for the cooperative, however, lies in the fact that specialty groups can improve its general efficiency and thus can be a source of good reputation.

[Question] The business work community, which is without the legal rights of a corporation, is a completely new form of individual initiative. Ultimately, what is the difference between these two organizational forms?

[Answer] Business work communities can be established to perform supplementary activities augmenting the operations of active organizations in consumer and other services and small enterprise production. The most significant difference is that official approval is necessary to validate the agreement which establishes the business work community. The approval for a legal public partnership is not a condition for its validity. In addition, the regulations for taxation of the two organizational forms is different.

[Question] We are already accustomed to contract operations in domestic trade and in catering. The regulation has now been extended to other areas of the national economy.

[Answer] The chief goal of this organizational form is the more effective utilization of the resources of socialist property in specific situations. If an enterprise has resources which are not yielding a sufficient return, then it may be

possible to have these resources yield more income through a contractual operation. Through a contractual operation a small enterprise may acquire the use of production instruments which it is unable to purchase for its own. That is, property rights for equipment remain unchanged, but an enterprise unit may acquire the opportunity for its usage.

[Question] The appearance of new forms of enterprise naturally will be accompanied by certain mobility in the labor force. How large is this expected to be? And--this is also of no small importance--what kind of an earnings surplus is the budget expecting from the new organizations?

[Answer] As far as numbers are concerned, the probable labor force movement is very difficult to estimate today. I would rather say that as far as the new opportunities are concerned, while it is not worth nurturing illusions, there should be no belittlement either. I do not believe that in the near future the movement will be of prime importance as far as labor force management is concerned, but we should not underrate it either.

As far as earnings are concerned, as a result of the introduction of contractual business operation into domestic trade, the enterprises concerned produced rather significant surplus profits over a period of a year, strictly from the fact that the new forms made the previously losing or minimally profitable businesses profitable. The budget naturally shares in this. Of course, if something similar happens in the other areas of the national economy, and if only the existing sources of losses are eliminated, it will already be a tremendous accomplishment.

[Question] Will the new organizational forms of small enterprise partnerships have an eventual effect on large enterprises?

[Answer] That is difficult to predict. For the time being, the new organizational forms are only expected to affect the marginal portion of the economy. Thus, today's enterprise sphere will be essentially untouched. The effect of the new organizational forms on the public mentality, however, could mean the further strengthening of the performance oriented economic attitude. This process has begun. It is not impossible that there will be temporary manpower management problems of economic units generally admit--20 to 30 percent of enterprise manpower is not utilized effectively.

Wages, however, cannot be evaluated in isolation in their totality. The performance behind them must always be noted. I will not be upset if it becomes apparent that in the new organizations workers actually work 8 or, lord forbid, 10 hours out of an 8 hour day, and incomes are higher because of it. The development of excessive income is limited, of course, by the tax system. Income acquired dishonestly is restricted if necessary by administrative measures. We must also not forget that the possibilities are not only for greater income, but also for failure. It is important that the emotional debate about cooperative subsidiary enterprise branches which took place in the early seventies, and which set back their development be not repeated. In my opinion, the future of the new economic form of small enterprise depends primarily not only on the tax system, but also on the public attitude surrounding these forms.

Form of initiative	Who may institute	Some characteristics
Small enterprise	Organizations with enterprise founding rights	Simpler income regulations. There are two models, depending upon whether the small enterprise is a producer or provides consumer service.
Small cooperative	Can be established on individual initiative	Members provide the resources necessary for starting it up.
Specialized industrial production or consumer service co-op group	Within the province of cooperatives and AFESZ [General Consumer and Marketing Cooperatives]	The agreement with the cooperative regulates the self reliance of the group.
Specialized agricultural co-op group	Agricultural cooperatives, AFESZ, state farms, other agricultural enterprises and partnerships	The large enterprise pays the taxes on the joint activities with the group. The group pays general wage tax on the individual activities within its framework.
Business work partnership	Can be established by individuals through a contract	A civil legal body which operates primarily with the resources of its members, but may rent instruments which are state or cooperative property.
Enterprise business work community	Employees of enterprises and budgetary organs	Their work primarily puts enterprise resources to good use. Its monetary responsibilities are less than that of other business work community.
Units of industry and service operating under contract	Comes into existence competitively, through a contract between an enterprise and the unit director	The unit may employ 15 persons at most. Its director pays general wage tax similar to that paid by tradesmen.
Lump sum accounting units in industry and services	The province of cooperatives or other operating units	Unit may employ 15 persons at most. The agreement determines the details of work performance and accounting.
Industry or service units rented to tradesmen or work teams	Established by a rental contract through competitive negotiations	Conditions are specified in the rental agreement. The winner of the competitive bidding is the one who agrees to pay the highest rental fee.

HOUSING CONSTRUCTION PROBLEMS ASSESSED

Warsaw BANK I KREDYT in Polish No 5, May 81 pp 121-124

[Article by Eugeniusz Trajer: "Housing Construction Problems"]

[Text] State of the Industry and Future Program of Housing Construction

The long-range housing construction program, as passed by the Polish Sejm, envisaged construction of 6.6 to 7.3 million dwellings from 1971 to 1990. This program would make it possible to realize the basic goal of guaranteeing a single dwelling of acceptable standards to every Polish family. The achievement of this goal was to be in stages: from 1971 to 1975, 1,080,000 dwellings were to be constructed; from 1976 to 1980, 1,575,000 dwellings; and from 1981 to 1990, 4.0 to 5.3 million dwellings.

These assumptions were not realized from 1971 to 1980, so that the housing situation has not improved. The number of dwellings handed over during that period amounted to 2.4 million; that is, 140,000 dwellings short of the lower limit of the long-range program and almost 290,000 short of the upper limit. During the initial period (1971 to 1975) construction met the program goals; there was even a slight overage (57,000 dwellings more than planned). With the beginning of 1976, the annual quotas were not met. The beginning of that year also observed the phenomenon of falsification of reporting activity of actual housing construction. The extent of this phenomenon increased in the following years; this led to a virtual failure to achieve housing construction goals during those particular years.

Only in 1980, were credible data presented relating to the execution of housing construction plans. The socialized housing construction for agricultural and nonagricultural population reached 59.6 percent in the number of dwellings and 60.7 percent in the area of floor space. This included a correction factor for the computation period from 16 January to 31 December for the entire country [except for the Warsaw capital city and Katowice voivodships, where the period was 1 March to 31 December]. Thus, during the period 1 to 15 January [in Warsaw and Katowice, 1 January to 31 March], 45,000 dwellings were turned over for occupancy, with a total floor space of 2.4 million square meters (m^2), which were (on paper) credited to the 1979 period. An audit by the Central Office of Statistics (GUS) and the Central Housing Construction Cooperative Union (CZ SBM)

in December 1980 had shown that among the buildings credited as constructed from 1978 to 1979, 127 buildings were still under construction in 1980; of this, 13 buildings were credited to 1978 and 104 to 1979 (of which 96 were in the Katowice voivodship). Corresponding errors have been included in the already published statistical data.

Therefore, from the 1,575,000 dwellings planned for 1976 to 1980, only about 1,300,000 were actually turned over. This shortage also pertains to associated construction and to single-family dwellings; from the 380,000 single-family dwellings planned, only about 330,000 have been built. Among the fundamental factors influencing the low level of housing construction are:

--Growing shortage of developed land and a general unpreparedness of cities to achieve housing construction on such a large scale. In 1975, only 11 percent of the buildings were being constructed simultaneously with engineering works; in 1979 this figure grew to 53 percent (over 80 percent in many cities). The basic reason for this situation is failure to fulfill municipal plans, attributed in part to a limited capability of engineering firms.

--In the disarray of the housing construction industry: During the last period, in particular, it was common practice to depart from the principles of consolidation in housing construction. This resulted in completion of only about half of the service projects. The deficit in this area (1.4 million m^2) amounts to actual programmed construction for the past 3 years.

--A low, and still worsening, quality of construction work. This above all results from the quality of many construction materials and elements (modules) delivered to the construction site, inadequacy of work organization at the site, defective functioning of the economic-financial system in housing construction and the accepted technological policies that led to the domination of the large-panel method. The estimated economic factors attributed to this cause,[1] in the form of additional costs (about 1 billion zlotys per year), have been (artificially) lowered. Bank analysis had indicated that in cooperative housing construction three-quarters of the dwellings handed over for occupancy by the members of the cooperative, required completion or repairs, not counting faults and shortages that emerged during the warranty period.

--A raise in prices and investment costs resulting from price changes of construction materials, improvements in standards of execution and dwelling furnishing and location of housing complexes on peripheral, undeveloped lands. Unit cost per m^2 in socialized housing construction has increased from 3,780 zlotys in 1979 to 8,500 zlotys in 1980.

The unsatisfactory situation in housing construction and also the difficult economic situation of the country will not foster, during the 1980's, quantitative changes that could markedly influence any improvement in satisfying

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[1] W. Dabrowski, "Actual Goals of Housing Construction," NOWE DROGI No 4, 1979.

the housing needs. The team formed by the government, which included a representative of the Polish National Bank (NBP), taking into account the prevailing conditions, drafted two versions of the housing construction program for 1981 to 1985:

Type of Construction:	Version I	Version II
	in thousands of dwellings	
Cooperative construction	700	700
Plant-sponsored construction	200	150
Municipal construction	100	40
Single-family house construction	500	400
Totals	1,500	1,300

Although the team favors version I, even its realization will not shorten the waiting time for housing. The National General Census (1978) disclosed a deficit of about 1.3 million dwellings. This has grown to about 1.6 million dwellings. However, a statistical housing shortage does not render the full extent of housing needs; for one, it does not reflect the results of the formation of new households, improvement of housing conditions, dwelling exchanges, etc. Included in the statistics of needs is a population of cooperative members exceeding 1 million people--657,000 active cooperative members and 843,000 fully paid-up and eligible candidate members--who, as of 1979, had a full deposit on account. Based on this, the Institute for the Formation of Habitat defines housing needs to 1985 as 3.2 million dwellings. This number of dwellings would shorten the waiting time to 5 years. However, such a program is not realistic; even disregarding such factors as manufacturing potential, production of construction materials or land development, a realization of this program would require the commitment of about 60 percent of investment outlays in the 1981 national economy; housing construction receives one-third of general investment outlays.

Costs of Socialized Housing Construction

Formulation of costs in housing construction may be presented in two formats:

--As investor costs: those costs that burden the investor. In this case cooperative housing construction was accepted as representative because it represents a major (80 percent) portion of the socialized housing construction effort.

--As costs incurred by the construction-assembly enterprises.

Both the investor and the construction-assembly enterprise indicators show a systematic growth of housing construction costs. Formation of unit costs (zloty per m^2) in cooperative housing construction is presented in table 1.

Table 1.

(1) Rok	(2) Cena bezpośrednia		(3) Nakłady towarzyszące		(4) Cena głębokaa	
	(5) zł/m²	(6) rok poprzedni = 100	(5) zł/m²	(6) rok poprzedni = 100	(5) zł/m²	(6) rok poprzedni = 100
(7)						
1972 (ceny 1971 r.)	2 933	100,0	876	100,0	3 809	100,0
1973 (ceny 1971 r.)	3 062	104,4	991	113,1	4 053	106,4
1974 (ceny 1971 r.)	3 105	101,4	1 048	105,8	4 153	102,5
1975 (ceny 1971 r.)	3 282	105,7	1 084	103,4	4 364	105,1
1976 (ceny 1976 r.)	4 330	131,9	1 400	129,2	5 730	131,2
1977 (ceny 1976 r.)	4 490	103,7	1 470	105,0	5 960	104,0
1978 (ceny 1976 r.)	4 670	104,0	1 550	105,5	6 220	104,4
1979 (ceny 1976 r.)	4 790	102,1	1 620	104,4	6 410	103,2
1980 (ceny 1976 r.)	4 910	102,1	1 690	104,3	6 600	103,1
1980 (ceny 1977 r.)	6 550	133,4	1 950	116,0	8 500	128,8

KEY: 1. Year
2. Net (direct) price
3. Accompanying expenses
4. Total price
5. Zloty per square meter
6. Previous year = 100
7. (__ _ _ _year prices)

Formation of the price and costs increase indicators and the size of losses suffered by the construction-assembly industry from 1970 to 1979 are presented in table 2.

As a result of the progressive, official price changes in 1978, the amount of losses was reduced; however, losses still amount to about 200 zlotys for each square meter of dwelling surface.

Which principal factors decide the growth of price increases in housing construction? It would be impossible to describe them all; however, it is worthwhile to underline some of them.

--Changes in technological structure and a growing share in construction participation by small construction-assembly enterprises. In 1980, about 85 percent of usable floor space in multifamily residential housing was constructed by large-panel technology (a product of the industrialized housing--component or module--production). Within the large-panel systems the percentage share of specific systems is as follows: W-70, 23 percent; Wk70, 28 percent; OWT, 22 percent; and Szczecin, 13.5 percent. More than half of housing construction built with the large-panel method included the use of W-70 and Wk-70 systems, which from the point of view of material intensiveness and costs are less advantageous than the OWT system. Actual consumption indicators and costs[2] are presented in table 3.

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[2] B. Jozwiak, "OWT--An Economical Large Panel System," INWESTYCJE I BUDOWNICTWO No 6, 1980.

Table 2.

Rok (1)	Rok poprzedni = 100 wskaźnik (2)		(3) Straty w zł/m²
	cen (4)	kosztów (5)	
1970	100,0	100,0	209
1971	118,1	102,8	45
1972	107,6	108,0	35
1973	103,4	106,4	134
1974	100,9	104,7	272
1975	103,1	109,4	478
1976	122,1	114,3	299
1977	111,1	116,4	479

KEY: 1. Year
2. Previous year = 100 indicator (of)
3. Losses in zloty per square meter
4. (of) prices
5. (of) costs

Table 3.

(1)	(2) Cement		(3) Kruszywo		(4) Stal	
	w tonach	w %	w tonach	w %	w tonach	w %
	(5)	(6)	(5)	(6)	(5)	(6)
OWT — 67	255	100,0	1 371	100,0	29,84	100,0
W — 70	327	128,2	1 630	118,9	28,40	95,2
Wk — 70	309	121,2	1 525	111,2	28,88	96,8
Szczecin	349	136,7	1 740	126,9	30,78	103,2

Uwaga: wielkość zużycia na 1 000 m² p.u. (7)

KEY: 1. Large-panel system nomenclature
2. Cement
3. Aggregate
4. Steel
5. in tons
6. in percentage
7. Note: consumption quantity per 1,000 square meters of usable floorspace

The cost of 1 square meter of usable floor space ($1m^2$p.u.], based on 1978 prices, by application of different large-panel systems is shown in table 4.

--Changes of materials and products used in finishing and furnishing of dwellings. Cost increases per lm2p.u. in this respect, during the past 3 years have climbed to about 100 zloty and particularly affected carpentry, reinforced and single-frame woodwork, flooring materials, bathtubs, sinks or wash basins, plumbing fixtures, etc.

--An increase in the extent and cost of work connected with internal community land development as well as construction of service facilities. This resulted in part from an increased construction of large developments located on the outer edges of cities, far from main power lines, sources of heat and urban communications lines. In the construction of commerce-service pavilions the application of the ZLS steel system (priced at 8,000 to 9,000 zloty/m^2) has caused a violent price increase in this type of construction. Another, equally real, cause is burdening residential housing construction with the unjustified achievement of construction jobs that rightfully should have been completed by the development plan (community investments) or by the appropriate ministry (commercial facilities). From a 1979 survey conducted by NBP departments, about 300 different construction jobs, within the framework of residential construction, have been unwarrantedly built at the cost of several hundred million zlotys. Such practices influence housing construction costs.

Table 4.

(1)	(2) Budynki			
	(3) 5-kondygnacyjne		(4) 11-kondygnacyjne	
	(5) w zł	(6) w %	(5) w zł	(6) w %
OWT — 67	4 786	100,0	5 247	100,0
W — 70, WK — 70	5 387	112,6	5 962	113,6
Średnia	5 574	116,5	6 051	115,3

KEY: 1. Large-panel system nomenclature
2. Buildings
3. 5-story
4. 11-story
5. in zlotys
6. in percentage

Problems of housing construction costs and the apparent trends and causes of unit, price increases must remain the province of the bank, which generates activities aimed at their solution. While basically many of these construction cost factors have a structural character--one can't, for example, tear down the existing house components factories and introduce more economical systems--nevertheless, there is a place for NBP activity. This is supported in part by the results of some bank surveys and other activities of interested parties. For example, a documentation project cost-analysis survey conducted by the bank in 1980, relevant to seven investment enterprises that work in construction of new housing developments (already planned and scheduled to begin construction), has resulted in lowering the planned investment costs (3.8 million zlotys) by over 100 million zlotys from corrections in programs (exceeding norms, changes in height of buildings, changes in pavilion construction technology) and a correction of planned costs. A NBP presentation of an analysis of unit costs in socialized housing construction resulted in a decision to verify the extent and costs already accepted for 28 tasks scheduled to start in 1980. As a result of this verification, the planned costs were lowered by about 300 million zlotys,

in part on the basis of cancellation of projects with a general-urban character, unwarranted additional payments to direct costs and excessive surcharges. Other influencing factors were a decision not to construction temporary steam generators (boiler houses), lowering the reserve for contingencies and halting production of two buildings with high unit costs.

The bank surveys and controls of investment costs for housing construction will be continued in 1981. Some changes are anticipated in the control of unit costs in connection with the (legislated) changes to alter the planning and management system (Council of Ministers Resolution No 118/80). Also, an extension for the current 5-year plan period of the decisions resulting from Council of Ministers' Resolution No 106/78, dated 4 August 1978, pertaining to increasing the discipline in observing the investor costs [limits] in housing construction, has been rescinded. Thus, for the current and future years directive-type unit costs for the particular voivodships will not be determined.

The proposed system solutions to improve the economics of multifamily housing construction for the nonagricultura population from 1981 to 1985, forsee a needed bank-conducted cost analysis of respective costs formulation procedures. This new situation will demand that the NBP central office prepare guidelines for NBP branch offices for this type of analysis. The extent of these analyses cannot be limited to a strictly arithmetical compilation, they must also include a bank branch's appraisal of such questions as causes of unit cost increases, correctness of project-investment solutions, pricing of accepted cost values, justification of the extent of associated investments, etc.

3. Some Elements of Housing Policies for 1981 to 1985.

The principles of the housing policies must be subordinated to the national developmental goals and must stimulate their development. Draft postulates of such principles have been prepared; they differ, in many solutions, from those previously binding. Many of them will influence the tasks of the bank in financing housing construction. These changes are based on a series of projects prepared in February 1981; further discussion and final decisions may change these projects.

A widespread critique of existing principles of housing allocations is the basis for introducing fundamental changes. It was an accepted principle that all dwellings built by cooperatives were to be placed at the direct disposal of the cooperatives. Basic cooperatives would have the rights of direct investors. Of the 1.3 million cooperative dwellings constructed from 1971 to 1980, the cooperatives received, at their direct disposal, barely 550,000 dwellings; the remainder were turned over to plants and state administration territorial organs. In 1981 this principle will no longer be maintained. In accordance with a 1981 resolution of the Council of Ministers, pertaining to the national cooperative economic plan, the cooperatives will receive 70 to 80 percent of the constructed dwellings; the remainder will be turned over to plants and factors to fulfill their most urgent needs connected with production tasks including out-of-town workers or to territorial administration organs in connection with (old house) demolitions. The proposed principles of housing policies remain unequivocal in

that the basic criterion for housing assignment will be the length of time on the waiting list; in criteria for accepting candidates for cooperative membership (i.e., waiting) list and in determining placement within the housing assignment waiting list, the first consideration will be the existing dwelling's occupancy conditions.

In addition to the cooperative system, a return to municipal construction is planned; this would be financed from territorial housing funds. Also plant-sponsored construction would be maintained. The municipally constructed dwellings would be earmarked for resettlement of persons affectedy by demolitions, for disaster emergency needs and for the (material) hardship cases.

In financing cooperative housing construction, previously binding principles have been retained with the following changes:

--Implementation of limits in lump sump personal deposit rates. Prepared proposals provide for a rate of 900 zlotys per square meter (zl/m^2) in tenant apartment dwellings and 1,800 al/m^2 in owner-occupied dwellings (previous rates, fixed in 1973, were respectively 680 and 1,150 zl/m^2). The validating lump sum amount will be about 13 percent of cooperative member cost for tenant apartments and about 26 percent for owner-residents.

--An increase to one-half, in cooperative tenant apartments, of the amount of amortization of bank credit by maintaining a 60-year mortgage (it was one-third). In cooperative owner-occupied dwellings, to lengthen the time of credit repayment from 30 to 40 years while maintaining the same 1 percent interest rate and discounting part of the debt in case of prepayment.

--Broadening the extent of write-offs and reliefs for housing construction cooperatives toward covering additional costs incurred with housing investments on terrain affected by mining damages. Actual remission of the debt will remain on the basis of:

a) credits for investments used in construction of facilities that do not remain on the accounts of the cooperative but are transferred to utilization by state organs;

b) use of credits for financing or participation in common investments; for example, boiler houses;

c) credit for investments used in construction of local water supply--sewage facilities, in territories not equipped with such facilties, where such arrangements should be made with financial regulation of a state organ;

--Exclusion of ZFM [expansion unknown--possibly "Zakladowy Fundusz Mieszkaniowy" i.e., Plant Housing Fund] funds from financing multifamily housing projects, with the exception of plant-sponsored housing realized through an economic system. ZMF funds will be primarily earmarked for construction purposes for the workers in the make-up of own funds, assistance in repair or modernization of dwellings, construction of single-family housing, social assistance, etc.

A relatively high burden on the cooperative members (young marrieds, families with lowest income) creates a need--in addition to a subsidy of part of cooperative counstruction--for a system of individual assistance from ZFM and from territorial housing funds. Therefore, it is being stipulated that;

--The income limit be raised, in order to take advantage of loans to make individual deposits for a tenant apartment;

--The amount of the loan be raised for families with lowest incomes, young marrieds, recipients of pensions and annuities;

--Individual assistance be introduced, with a social character, toward a reduction of expenses caused by repayment of bank loans. Moneys for this purpose would come from ZFM or from territorial housing funds.

It is impossible to discuss in a short article all the changes intended to be introduced in regulations for achieving and financing housing construction. However, these are fundamental changes and they will be the deciding factor in their incorporation in the regulations of banking services for housing construction. Preparatory work in this area has already begun at the NBP central offices. This work should be completed in time to prevent disturbances in current banking services for financing housing counstruction. The revision of Instruction A-10 is intended not only to reflect the changes but above all to simplify its application.

9511
CSO: 2600/28

END

JPRS 79542

27 November 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2205

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27 November 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2205

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INCREASE IN FARMERS' PENSIONS DISCUSSED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 30 Sep 81 p 2

[Article by Nikola Trichkov, chief expert in the Ministry of Finance: "A New Increase in Farmers' Pensions"]

> "Periodically we will allocate funds for pension adjustments in relation to the changes which take place in the income of the active population. During this five-year plan the lowest pensions will be raised to half the amount of the minimal salary."
>
> Todor Zhivkov
>
> (From the Report before the 12th BCP Congress)

[Text] Our society takes special care of farmer pensions, whose numbers until several years ago predominated in the total number of pensioners in the country. The conditions for allocating these pensions were greatly eased, but at the same time their amounts were considerably lower than those of the pensions of workers and employees. Since 1 July 1975, the allotment conditions for pensions of farmers in cooperative farms were made equal to those of the other categories of working people. However, many pensions which had been allotted before continued to be paid to cooperative farmers and their amounts continued to be lower. By 31 December 1980, there were 736,491 farmers' pensions being paid, 36.1 percent of the total number of pensions.

The 12th BCP Congress set a completely new task before the pension insurance, mainly in respect to minimal and low pensions. In connection with Decree No 30 of 27 August 1981 of the BCP Central Committee and the Council of Ministers, it was decided that as of 1 January 1982, old-age pensions for cooperative farmers over 70 years old will be increased, as will the disability pensions allocated by the repealed law for cooperative farmers' pensions.

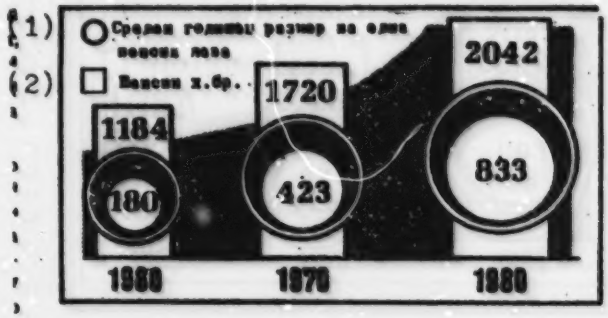
Updating of Pensions

It was quite correct to begin with the farmers' disability pensions and old-age pensions of cooperative farmers over 70 years old. In the first place, most pensioners in the above-mentioned category receive comparatively the lowest pensions. The decree provides for an increase of their pensions by about 32 percent, or in reality, every individual pensioner will receive an increase of at least 14 leva monthly. The main motives for that are that most of these pensioners are unable

to work and cannot participate with their individual labor in the cooperative or private farm and in this way increase their incomes. They are the pioneers of building the socialist cooperative system, they worked in TKZS (Labor cooperative farms) in the most difficult years, when the income from their labor in the cooperative farm was the lowest.

The method adopted in the decree for an increase of the old-age pensions is apparently the most appropriate. The amounts of all old-age farmers' pensions for people over 70 are increased, and the lowest amount is fixed at 50 leva monthly. Besides this, all increases which have been paid until now will continue, such as the 1.50 leva monthly for every year of participation in TKZS up to 1 January 1957, together with the 10 percent of the personal contribution to the pension insurance plan up to 1 July 1975, etc. In this way these pensions will be differentiated according to the personal participation of the cooperative farmers in the building of the cooperatives and their contribution to the collective production.

Diagram



Key:
1. Average annual amount of a pension in leva
2. Number of people receiving pensions

This means that the cooperative farmers who, for example, had joined the TKZS in 1945 now receive and will continue to receive a monthly addition to their pensions of 18 leva, and those who joined TKZS in 1955 will receive respectively, for the 2 years, 3 leva monthly. It is obvious that in this way the pioneers of the socialist cooperative system will be getting greater recognition and material incentives. Of course the decision does not mean at all that the cooperative farms and APK (Agroindustrial complexes) will not be able to take additional steps to give due respect, honor and material rewards to the persons who founded the socialist cooperative system in agriculture, whose numbers are continuously diminishing due to natural causes.

Care for the Disabled

The decree solves in a favorable way the question of disability pensions. The increase of disability pensions is on the average 32 percent, or in absolute amount, 14 leva monthly. The disability pensions for general disease will increase on the average by 38 percent as the absolute amount of the allocated money for

group I disability pensions increases by 19 leva, and these for group II and III by 14 leva monthly. In this way, the farmers' disability pensions become equal to the minimal disability pension granted to workers and employees by the Pension Law.

The considerable increase of the disability pensions for cooperative farmers is a new expression of the concern of the people's government for the income increase of this group of pensioners. On the other hand, this is a contribution to the number of measures carried out during 1981, which was declared International Year for the Disabled.

Together with this, the monthly amounts of hereditary farmers' pensions were equalized with those of the workers and employees--30 leva monthly for each heir, irrespective of their number. So that if there are more heirs, the total amount of their pensions can exceed the amount of the personal pension of the legator on which they were based.

The new decree of the BCP Central Committee and the Council of Ministers for increases in farmers' pensions is the first step to the realization of the adopted policy for increases in the minimal amounts of pensions in order to create conditions for a peaceful and meaningful life for people who have reached pension age. There is no doubt that the decree is greeted with gratitude, not only by the pensioners, but also by all working people because it manifests the consistent implementation of the resolutions of the 12th BCP Congress.

9804
CSO: 2200/9

LAGS IN INDUSTRIAL COUNTERPLANNING CRITICIZED

Bratislava PRAVDA in Slovak 6 Oct 81 p 1

[Editorial: "Implementation of New Approaches"]

[Text] When we made an attempt at implementation of counter-planning in our economy last year, the results were less than overwhelming. To tell the truth, it was anything but counter-planning. Economists in their embarassment gesticulated with their hands, claiming that all the Set of Measures says about the implementation counter plan are more or less general allusions, that there are no specific guidelines to dealing with the task, as to what to focus attention on, how meeting of the plan will become reflected in the enterprise's "bottom line," or in the system of incentives for workers. What was called for was simply, so to say, setting up the rules of the game, some sort of instructions for how to proceed.

This was no sooner said than done. Toward the end of last year the federal government adopted the Policy of the CSSR government and of the Central Council of Trade Unions in Regards to Participation of Workers in Formulation, Implementation and Control of the Progress in Meeting the Plan Quotas for the Years 1981-1985. The document stresses a more active participation by workers, particularly in preparation and formulation of plan proposals by the method of implementation counter-planning as a qualitatively higher form of the workers' creative initiative. To that end the State Planning Commission (the planning commissions of both republics), the Federal Ministry of Finance and the Federal Ministry of Labor and Social Affairs, after consultations with the Central Council of Trade Unions, worked out procedures for implementation of counter-planning.

The basic problems have been ironed out. Now, how did this become reflected in preparations of the plan for the coming year, meaning in the quality of implementation counter-planning?

According to the findings of personnel of the Slovak Planning Commission, organization of implementation counter-planning did meet with a certain amount of progress. For the first time it was implemented on a wider scale, most counter-planning agencies did issue their own departmental regulations in regard to its

implementation and even made provisions for its detailing and specification at lower levels of management. It can be said that VHJ [Economic Production Units] and enterprises proceeded along similar lines. A positive feature, without a doubt, was also the fact that personnel in individual enterprises were more familiar than they may have been last year with the tasks of the directive for the coming year and with the possibilities and advantages offered to every given enterprise by adopting more effective tasks in the sense of enhancing societal interests. Enterprises oriented their efforts toward the qualitative aspects of further development within the framework of allocated resources--savings of energy, materials, manpower, improving the level and quality of production and effectiveness of exports as well as production of needed products that are in short supply. In the key industrial branches under the jurisdiction of the SSR government, approximately 70 percent of all enterprises did meet the qualitative tasks tied to the system of incentives. True, these are but partially positive aspects, but assessment of the contributions provided by implementation counter-planning must be based on the overall implementation of the directive in the entire economy of the SSR. This comparison is not exactly propitious--the overall proposals made by VHJ do not meet the basic goals of the directive. This applies to qualitative as well as quantitative aspects of continued development which, it stands to reason, does not promote balanced relations in the national economy.

We cannot take solace even in the fact that deviations from the objectives of the directive are smaller in comparison with previous years and that they were caused by fewer enterprises than was the case in the past. For example, in the construction industry the directive for 1982 failed to be met by 20 enterprises, in the wood-working industry by 11 enterprises, in the chemical industry this applies to the plants Slovnaft Bratislava and Chemka Strazske. In the case of the latter two, the culprit is mainly shortage of raw materials, but partially also imbalance in full utilization of some production capacities. When problem solving is out of the hands of an enterprise it is understandable that its implementation counterplan cannot meet all the requirements. It turns out, however, that we could have gained more by implementation counter-planning if more managerial personnel would approach its implementation in the spirit of intensive and not extensive development, if they would not close themselves off in the cocoon of their own plant but took societal interests increasingly and consistently into consideration. Thus, for example, in upgrading the tasks of the directive, enterprises oriented themselves more toward indicators tied in with individual wage incentives--by modifications of value added and return on investment in production assets. They paid less attention to motivational stimulation that could be provided by the enterprise, namely through the development fund and the cultural and social services fund, since the extent of allocations to the latter two funds depends on profits, exports, sustenance of the structure of production and productivity of labor. The consequences of such and other narrow-minded approaches in formulation of the plan bring undesirable results.

Upgrading of adjusted value added deserves recognition, but only with the stipulation that enterprises also meet deliveries for the national economy, that the upgrading be attained by improved economy. Regrettably, that is not always the case, as is borne out by a number of facts. For example, the pledged adjusted value added is met by almost all enterprises of Slovakia's light industry. However, in the last two years this was primarily due to average price increases and more units produced, less due to materiel and raw material savings.

This is also confirmed by verification check-ups in production sectors. Contemplated relative savings of materials do not become reflected in tightened norms for consumption. The latter remain at the same level and, what is more, in the case of fuels and metals, even the savings envisioned in the state goal-oriented programs fail to be met in their full extent.

It stands to reason that these and other maladies have the same common denominator--wide sections of the working public, but primarily key management personnel, still fail to realize that an expedient transition to intensive development of the economy is the main prerequisite for invigorating every enterprise, every VHJ, the economy as a whole, the decisive factor for maintaining and improving our standard of living. It is obvious that such a transition cannot be accomplished from one day to another, that we find ourselves in a challenging period which will put everyone of us to the test. Still, there are some problems we should not have to cope with, if only managerial personnel would approach new conditions in a more responsible and adequate manner, choosing a new and creative approach, having more confidence in the personnel of individual plants, factories and workshops. These requirements never loose their validity; alas, they still have not been met by specific actions, a fact which came to the fore during implementation counter-planning. In many a case there persisted among economists distrust, fear of eventual increases in task allocation, etc. Many of them did not see matters all the way through, failed to include all individual work stations of their enterprises in the progress of implementation counter-planning, failed to sufficiently familiarize people with the new rules of the game, failed to discuss with them the tasks of the coming year, or failed to make adequate use of their suggestions.

As is stated in the Key Directions for Economic and Social Development of the CSSR in the Years 1981-1985, successful accomplishment of the tasks of the Seventh Five-Year Plan calls for improving the level of management in all state and economic organizations, primarily a more systematic orientation toward improving efficiency and quality of all labor, creation of prerequisites for an increasing export capability and lowering the demands of Czechoslovak economy for imports, accelerated introduction of innovative findings of scientific and technical development and further promotion of socialist economic integration. Preparation of plan proposals for the coming year in enterprises and VHJ showed that these key goals do not get the same amount of attention everywhere.

Let us point out at least one more finding. There is no doubt that one of the positive aspects of implementation counter-planning is the fact that the coming year will show an increase in the share of new products--representing one-third of the proposed production increment. On the other hand, however, in some sectors the proposed plan is signalling a decrease in technically advanced products. In other words, enterprises and VHJ gave inadequate consideration to implementing scientific and technical advances in production, even though it is one of the key tasks promulgated by the 16th CPCZ Congress, and also emphatically underlined by the CPSL Congress.

The shortcomings which came to the fore during implementation counter-planning are known. Undoubtedly, a majority of them is of a subjective character that

can be attributed to specific people, primarily managerial personnel. Their approach to new requirements in the economy still is not such as is called for by intensive development of the economy. Practices still also persist--as became manifest during implementation counter-planning which endeavor to bring about quality improvements and production increases exclusively through higher input, meaning higher consumption of raw materials, materiel, fuels, energy, etc. Such an approach being truly impracticable, the key issue now is that enterprises, VHJ and ministries pool their efforts to complete the plan proposal for the coming year, that its compilers abstain from making any more mistakes and concentrate their thoughts and efforts on utilization of unused resources which in many a case are at their fingertips, but a skillful utilization of which so far failed to become reflected in their plan proposals.

8204
CSO: 2400/44

POOR FODDER QUALITY, IMPROPER CARE CAUSE HIGH LIVESTOCK LOSS

Bratislava PRACA in Slovak 16 Oct 81 p 4

[Article: "Inspection Reveals Thousands of Tons of Meat Thrown Out"]

[Text] Socialist agriculture has achieved important successes in over 30 years of its development. Thanks to this fact the consumption of meat here during that time has increased from not quite 30 kg per capita annually to almost 86 kg at present. Similarly there has been an increase in butter from not quite 3 to almost 8 kg, vegetable oils from 6 to 9.5 kg, milk and dairy products from 173 to almost 220 kg, eggs from 114 to 308 and sugar from 22 to almost 35 kg.

Nevertheless, in spite of these successes our agriculture has still more potential, especially in reducing losses in animal production as was confirmed by inspections and checks at many enterprises.

Even last year, for example, the number of calves lost was greater than is normal. Even though it is only not quite 1 percent more, nevertheless we lost over 4,000 young animals in this way. The loss among hogs was a great deal higher, with the normal loss figure exceeded by almost 1.4 percent which represents almost 190,000 hogs born alive. In beef cattle, even though the established limit of 3 percent was not exceeded, nevertheless even this represents over 61,000 dead animals. It has been ascertained that brood cows are not given sufficient care before and after calving, that proper care is not given calves during their first hours of life, sanitation is not observed nor is disinfection of calf stalls. Veterinarians say that almost half the total number of calves are stabled in unsuitable places. Adult cattle are often fed with inadequate fodder. Neglect of responsibilities occurs especially during the night of workers' days off. Last year almost 2,500 cows perished only because veterinarians were summoned for them too late.

Poor feed results in having many calves born dead. Last year there were almost 20,000 such cases. Small wonder then that even the basic program is not fulfilled, that 100 cows produce 97 calves. Up to now the figure is 4 fewer than this. Brood sows are not fed proper nourishment so that the young are born underdeveloped and the sows do not have enough milk to feed them. The breeders' technology is not of the highest level, pigpens are crowded and proper sanitation is lacking.

In the JDR [Unified Agricultural Cooperative] in Mosovce almost 12 percent of the total number of calves born died for these reasons. Inspection revealed that milk

cows were receiving inadequate feed rations, even bad quality silage and musty and moldy hay. Over 60 percent of the preserved bulk fodder was defective. The cows were housed in a former horse stable that was improperly remodeled, lacking a ceiling, with broken, drafty windows and improper sanitation. At the JRD in Medzibrod in the center of Slovenska Lupec as much as 80 percent of suckling pigs died because the sows were penned in inadequate facilities with several sanitary and technical defects. There were similar cases in other JRDs, for example in Gemer, Prusek, Balog nad Iplom, Tekova, Kamenicna and Hranovnice.

Although there are almost 1,500 college-educated veterinary doctors working in Slovakia directly in agriculture and the associated meat-processing industry, it is essential to continue to raise the standards of work by caretakers, zootechnicians and entire collectives that are engaged in the raising of cattle and hogs. Conscientious caretaking brings positive results. In the Dola Suca JRD, for example, they reduced the death rate of calves to half the established limit, thus setting up the conditions for producing 114 calves from 100 cows. Similarly at the Kostolne JRD only somewhat under one-half percent of weaned pigs died and over 22 piglets were bred from 1 sow. In the Drazovce JRD, of 380 calves born, not a single one perished.

In Slovakia, we are lagging behind the Czech krajs in matters of taking care of young animals. Of newly born calves 0.5 percent more will die here.

We also suffer losses in interkraj movements in which many cattle and hogs perish. Even though these movements are being reduced from year to year and they vary among the individual krajs, depending on the possibilities of production, nevertheless, even here it is necessary to take better care and select only healthy animals for transportation. Last year almost 1,000 slaughter animals were lost this way.

Injuries, sickness and other problems last year alone made it necessary to haul away over 24,000 tons of meat to animal carcass disposal plants, which is over 3,000 tons more than the preceding year, certainly an undesirable development. Likewise, the veterinarian service confiscated over 7,000 beef cattle and almost 22,000 hogs. It was necessary to slaughter over 15,000 tons of beef cattle and 8,600 tons of hogs.

These are only some of the examples indicating the potential that exists in our agriculture for raising beef cattle and hogs. It shows that district agricultural administrations in particular, but also agricultural enterprises, JRDs and SMs [state properties] must increase their veterinary services, their levels of animal tending and continue improving their competence in this area.

8491
CSO: 2400/36

FUEL CONSERVATION MEASURES IN ARMED FORCES DESCRIBED

Budapest NEPHADSEREG in Hungarian No 38, 19 Sep 81, pp 8-9

[Article by Gyula Cserjes: "For the Conservation of Fuel"]

[Text] A ministerial directive will soon appear that will introduce a bonus system for savings in the cost of fuel.

The working out of an incentive system for encouraging conservation of fuel--gasoline for cars and diesel fuel--actually began two years ago already. The directorate of the fuel supply service for our army began at that time a search for possibilities and methods for economic use of energy, including the working out of the methods and regulations for realizing a savings in fuel for cars and combat vehicles. Among these are some that will mobilize military personnel, that drive the vehicles, towards the important national economic goal that, while accomplishing the increasing requirements for national defense, the use of fuel shall not increase during the current and coming years even for our army; the amount of consumption shall not exceed that of the previous years. During the course of a thorough preparation, experts from the directorate of the fuel supply service studied how several of the fraternal armies are trying to keep fuel consumption within rational limits. Here at home noteworthy cooperation was achieved with representatives of the ministries and other organizations interested in the subject. As a result of this, a bonus system was started in the army and due to our interest colonel Antal Ettig, chief of the fuel-supply service, commented on it as follows:

Bored Interest

"The incentive measures for conservation will hopefully make military personnel interested in saving fuel--those that drive, use daily, and maintain the various vehicles: the career soldiers, particularly the professional and re-enlisted noncommissioned officers and the civilian employees who daily check on the operation of the vehicles and correct their defects and the rank-and-file soldiers who drive the cars and combat vehicles and on whom the trend of consumption depends most directly. The rank-and-file soldiers who use less fuel than the norm prescribed for each particular type of vehicle will receive as a bonus 70 percent of the money saved. Professional soldiers and civilian employees who drive cars and combat vehicles will receive 90 percent of the money saved as a bonus," said Ettig in a summary of the most important parts of the bonus systems. He then added:

"Certainly many people will ask why we don't pay out the full amount of the savings. The correct amoung of savings that can be attained by drivers is inconceivable without the assistance of various kinds of experts in the maintenance shops. Practice has shown that outstanding work on the part of those who tune up and otherwise repair the vehicles is necessary for a unit's vehicle fleet to operate within the norms of consumption. For this purpose the unit commanders have available 30 percent of the 100 percent savings achieved by the rank-and-file soldiers. The 10 percent remaining from the amount saved by professional soldiers and civilian employees that drive vehicles will serve to balance over-consumption of fuel by military organizations.

The chief of the fuel-supply service said further that the bonus system has been in effect since 1 July of this year, and the units have been informed about it. The next payment of bonuses will be in January, 1982, and then again in the month of July.

Twice a Year

Thus the bonuses for savings will be paid out twice each year. There are a few other important things to know. Those who compete can only receive a bonus if they do not break the important rules that are among the conditions for payment. They [must] comply with the utilization requirements, traffic regulations and certification rules in effect at the time.

The youth organizations will also have an opportunity for meaningful political work in connection with these measures. They can do much to make sure that the mostly young drivers of cars use rationally and honestly the opportunity offered by the bonus system in their own interest. This is needed also because the incentive system expects not only savings from the drivers but also precise work in keeping records of trips. They need to be informed of this because a joint measure of the military supply and finance service that is soon to appear will prescirbe a most simple and bureaucracy-free method. For example, the commander of the unit allocates the bonus. And if this is so, it would be wrong to force--as a result of abuses--the organizations that drive vehicles to tie the payment of bonuses to stricter, more complicated, even more bureaucratic regulations. It is very important that everyone in his own position help in the implementation of the system and in the realization of the basic purpose, which can be equated with the achievement of fuel conservation, which is at the same time in the interest of the national economy as well.

9611
CSO: 2500/25

RULES ON SETTING UP SMALL CO-OPS PUBLISHED

Budapest MAGYAR HIRLAP in Hungarian 25, 30 Sep 81

[Article by Istvan Kalasz and Gyorgy Szepesi, National Planning Office: "Decree-Browsing Concerning Small Co-op Activities. The Forming of Small Co-ops (1)]

[25 Sep 81 p 7]

[Text] The goal of setting up and operating small co-ops is to provide a form of self-government and work organization that can better accommodate a smaller work force and in which, with the help of the personal and increasingly growing financial contributions of their members, cooperative collectives of our citizens can perform service-related, productive and other socially useful activities (Decree No 25/1981. IX, 5, Labor Code).

In general, the small co-ops may engage in any economic activity which is not specified to fall exclusively within the state economic organizations' sphere of functions by the statutory provision. Small co-ops may not engage in agricultural activities.

Small co-ops are formed on the members' own initiative. Setting one up requires at least 15 persons, and its membership must not exceed 100 persons. Establishment of a cooperative requires a resolution by its statutory membership meeting. This must also specify the bylaws of the cooperative. The bylaws must be approved by the competent regional council authorized to exercise legal control.

Making the necessary adjustments to a smaller membership and a simpler work organization, the bylaws--which serve as the constitution of the small co-op--must include all regulations, without repeating any of the statutory provisions already in force, which apply to the forming cooperative as laid down in the various law decrees on cooperative law and industrial cooperatives. The bylaws must also state the manner in which financial contributions by the members is to be made, and must also define the value limit beyond which the conclusion of contracts will require the preliminary approval of the general assembly of the cooperative.

Setting up a cooperative requires an initial capital outlay sufficient to build a financial basis upon which the activity can commence and more and more firmly assert itself during the first year. The greatest part--and in many instances the entire amount--of the initial capital outlay comes from the share and targeted share purchases of the members. (A share is a financial contribution for general purchases. Targeted shares are voluntarily purchased by the members in order to raise needed

funds for carrying out certain specific tasks.) The amount of financial contributions also has a minimum mandatory limit, which equals two months' wages of a cooperative member. Therefore, if someone wishes to join a small co-op, he must put up a sum which equals two months of his basic wage in the form of shares. In order to enhance the economic activities of the cooperative the members can, in addition--based on a separate agreement--also lend out for use, or lease to the cooperative certain capital assets (machines, tools and even buildings and workshops). In addition to the full-time members, small co-op membership is open to any person who is presently employed by some other employer (i.e. an enterprise or a cooperative) and wants to do part-time work outside the working hours of his full-time job (in which case those labor-related statutory provisions will apply which define the legal relationships involved in holding a second job, having a second occupation and doing part-time work); to pensioners, within the employment limitations specified in the statutory provision regulating social insurance, or, if pension payments are suspended, without any restrictions; as well as to day-time students attending our higher educational institutions who receive approval from their respective schools.

The small co-op's organs of self-government include a general assembly, a board of directors, a supervisory board and a cooperative arbitration committee. In those cases where the size of the membership is under 30 persons, the bylaws will determine whether or not there will be a working board of directors, a supervisory board or any other committee; cooperative arbitration committees in such cases cannot be established. In those cooperatives which have less than 30 members, the president can, by himself, fulfill the functions of the board of directors.

The duties which fall within the sphere of authority of the assembly in a small co-op include the passing and revision of self-government rules. It is this latter which contains the description of the co-op's work organization, its directors' sphere of authority and the manner in which its jurisdiction as an employer should be interpreted. In addition, it is also the final decision-maker in cases concerning the expulsion of a co-op member, the termination of work agreements with the members and the preliminary approval of contracts which exceed the value limit specified in the bylaws. In those cooperatives which operate with less than 30 members, the assembly's sphere of authority also extends to the admission of new members and to settling membership and work-related disputes.

(In our next issue we will report on the manner in which new members are admitted and on the economic and financial regulation of small co-ops.)

[30 Sep 81 p 7]

[Text] In the first part of our series we discussed the conditions which are required to establish and operate a small co-op. This is a continuation of that topic. The admission of new members is decided by the board of directors (or by the assembly, if the small co-op has less than 30 members); the president is authorized to accept membership applicants only as probationary members for a period not to exceed 3 months. During that trial period this probationary membership relationship may be terminated by either the board or the member, effective immediately, without explanation.

At the time of admission the member and the board will draw up a membership agreement specifying the manner in which the member's personal contribution is to be asserted, the specific form and extent of his financial contribution, his scope of activity, his basic wage and, if he is a part-time employee, his working hours.

In the small co-ops group property serves as a determinant of common income incentives connected with the growth of personal income and with the expansion of cooperative property. Accordingly, a cooperative collective may directly decide how large a percentage of its income in a given year it will dedicate to personal earnings, and how much of it to developments which will enhance the realization of the co-op's common goals. The basis of taxation is the gross income, which is defined as being the difference between returns from sales and non-wage type of expenditures. This assessable income is the basis of a linear tax. Overall, under general operating conditions, the small co-op's tax burdens are on the average comparable to the amount of witholdings in other areas of the economy.

Within the wage limits presently in effect, a basic wage must be established for all cooperative members and employees. In the case of members, however,--in contrast with the regulations put forth in the statutory provisions concerning other types of cooperatives and enterprises--this is not just a kind of indicative wage, but one which is ensured to be paid out up to the amount of the minimum wage guarenteed by the statutory provisions. The main function of assigned wages it to serve as the basis for determining work norms as well as for planning and price calculations. On the basis of the total amount expended in the form of personal earnings, a social insurance contribution must be paid. The directors' basic wage and share is determined by the cooperative collective.

All top ranking cooperative employees are entitled to social insurance benefits at terms that are identical to the ones offered to actively employed enterprise employees and cooperative members; the amount of the contribution they are required to pledge is to be assessed on the basis of their total personal income. Members and employees working on a part-time basis outside the working hours of their full-time jobs are only entitled to accident benefits at a reduced premium.

(In our next issue we will discuss the conditions of specialized industrial and service co-op groups.)

9379
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DEVELOPMENT OF SMALL HYDROPOWER INDUSTRY DESCRIBED

Warsaw MONITOR POLSKI in Polish No 24, 25 Sep 81 pp 209-211

[Council of Ministers Resolution No 213, dated September 7, 1981, signed by General of the Army, W. Jaruzelski, Chairman]

[Text] To ensure the broadest possible utilization of the hydropower resources of the smaller rivers and to create supplementary sources of electric energy supply, the Council of Ministers resolves as follows:

§ 1.1. The development of a small hydropower industry, composed of hydroelectric power plants up to 5 MW, should be implemented by:

1) constructing hydroelectric power plants at existing dam installations,

2) modernizing existing hydropower plants, i.e., plants in which a hydroturbine directly drives the generating equipment, by converting them into hydroelectric power plants,

3) modernizing existing small public-utility and industrial hydroelectric power plants,

4) constructing hydroelectric power plants at new water dam installations built for purposes other than energy.

2. The Minister of Mining and Energy, after consulting with the Minister of Agriculture and Food Economy, and other involved ministers, annually establishes the investment for the small hydropower industry to be implemented by units of the socialized economy.

3. The ministers concerned will ensure that the facilities referred to in par 2 are included in the modernization-renovation tasks of the appropriate socioeconomic plans.

4. The electric power plants referred to in par 1 should first satisfy the energy requirements of the investor (prospective user). Surpluses of electric energy should be allocated to the public-utility power industry network, and if this is not feasible, the investor (prospective user) has the right to sell the surplus for local electrification requirements.

§ 2.1. The investor (user) in small hydroelectric power plants may be a unit of the socialized economy or a unit of the nonsocialized economy.

2. Small hydroelectric power plants which are the property of the State may be leased to units of the nonsocialized economy.

3. Units of the socialized economy that have water-dam installations and power or hydroelectric power plants that are not being utilized may be ordered by the governor (mayor of a city of voivodship rank) to put them back into operation and also may be ordered to modernize them so that the river's energy at a given water-dam profile is being fully utilized.

4. In the regulations on delivering electric energy, the Minister of Mining and Energy will provide that the industrial power conversion plant may cancel, wholly or in part, an agreement on delivery of electric energy if the recipient has an electric power plant or a hydropower plant which is not being utilized and which can, wholly or in part, fulfill his requirements for electric energy.

§ 3.1. Users of small hydroelectric power plants who are not fully utilizing for their own needs the electric energy being produced, may conclude an agreement with a purchaser for delivery of electric energy, if these power plants cannot be linked to the public-utility power industry network.

2. If the electric power plants referred to in par 1 are not linked to the public-utility power industry network, the rights and obligations specified in the agreements on delivery of electric energy devolve to the appropriate industrial power conversion plant.

3. The Minister of Materials Management, in consultation with the Minister of Mining and Energy and the chairman of the State Price Commission, will establish the principles of accounting for energy delivered from the small hydroelectric power plants to the public-utility power industry, taking into account the cost-effectiveness of the construction of small hydroelectric power plants and the cost-effectiveness of the production and sales of surpluses of energy from these power plants.

§ 4. Investments by units of the socialized economy, referred to in § 1, par 1, points 1-3, may be made according to the rules prescribed for renovation-modernization investments in Council of Ministers Resolution No 181, dated December 9, 1977, on modernization-investment implementation (MONITOR POLSKI No 36, item 181) on condition that all of the following conditions are fulfilled:

1) the implementation cycle does not exceed 18 months,

2) the share of construction-assembly jobs (excluding the assembly of machinery and equipment) does not exceed 50 percent of the cost-estimate value of the investment task,

3) the cost-estimate value of the investment task does not exceed 50 million zlotys.

§ 5.1. Investors undertaking the construction of water-dam installations must consider the construction of small hydroelectric power plants as an integral part of the comprehensive hydro-project investment. Deviations from this rule are possible in cases justified by technical and economic considerations, after coordination with the proper local district inspectorate for the power industry.

2. Investments referred to in par 1 are included in the burden of total water investment costs from the investors' funds.

§ 6. Water structures for damming, storage, input and output of water and for protection of shores against the destructive effects of water, which are included in the investments referred to in § 1, par 1, points 1-3, may be financed from the local water management fund.

§ 7. Governors (mayors of cities of voivodship rank):

1) will ensure, based on guidelines which the Minister of Mining and Energy will furnish by December 31, 1981, that all existing hydroelectric power plants and hydropower plants up to 5 MW (except public-utility power plants) and water-dam installations on watercourses having dam water levels above 1.6 meters, will be inventoried,

2) will send to the Minister of Mining and Energy lists of dam facilities which are to be implemented, and programs for the construction of small hydroelectric power stations, indicating the major ones proposed, by March 31, 1982,

3) will provide technical and legal advice on matters related to the construction of small hydroelectric power plants and conditions for the efficient granting of water-rights and construction permits.

§ 8. The Minister of Agriculture and Food Economy, in consultation with the Minister of Mining and Energy, will ensure that a step-by-step feasibility study will be made on utilization of river energy in those sections on which no comprehensive hydraulic engineering development is planned by the year 2000.

§ 9. The Minister of Mining and Energy will ensure that the following will be prepared by June 30, 1982:

1) a list of the equipment needed for small hydroelectric power stations during 1982-1985,

2) draft designs for standard generators for heads up to 25 meters and discharges up to 25 cubic meters per second,

3) draft designs for standard generators synchronous with the turbines mentioned in point 2,

4) reproducible draft designs of small hydropower industry facilities and equipment.

§ 10.1. The Ministers of Metallurgy and Machine Engineering Industry and Mining and Energy will ensure delivery of hydroturbines, synchronous generators, and excitation, control and automation systems as agreed-upon, in the quantities and at the times that will fulfill the requirements referred to in § 9, point 1.

2. The Ministers of Construction and Construction Materials and Mining and Energy will provide conditions for execution of specialized work in the small hydropower industry which will be implemented.

§ 11. By June 30, 1982 the Minister and Mining and Energy will prepare drafts of the indispensable regulations pertaining to the operation of power equipment in the small hydroelectric power plants.

§ 12. In § 17, par 1, Council of Ministers Resolution No 196, dated December 29, 1977, on locating investments (MONITOR POLSKI, 1978, No 1, item 6, and 1981, No 9, item 73) point 7 should read as follows: "7) electric-power and heat-generating plants, and reservoirs and water levels with a dam level higher than 1.6 meters".

§ 13. Council of Ministers Resolution No 423, dated November 8, 1958, on startup and proper utilization of plants started up by water power and other industrial plants driven directly by these plants, and on proper utilization of industrial power conversion plants (MONITOR POLSKI No 87, item 489), is invalid.

§ 14. The Resolution is effective on the date that it is announced.

9295
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DEVELOPMENT OF AGRICULTURE IN 1980'S DISCUSSED

Warsaw ZAGADNIENIA EKONOMIKI ROLNEJ in Polish No 1, Jan-Feb 81 pp 29-47

[Text] The particularly unfavorable situation that developed in the second half of the 1970's both in agriculture and in the entire national economy will affect the growth of agricultural production in the 1980's, especially the first half. This period in agriculture is characterized by stagnation of crop production (table 2) from 2 years of bad grain harvests (each of the previous 5-year periods had, on the average, only 1 year with a bad harvest) and a lack of any clear-cut advance in the use of mineral fertilizing. This stagnation is reflected as well in the yields of the remaining crops, whose annual increases amounted to only 0.24 units of grain per hectare, against 0.59 units in a long period (table 1). Increased yields of nongrain crops, however, did not effect an improvement in harvests, since the area of cropland had decreased.

Admittedly, several years of stagnant yields create a likelihood for compensatory growth in the next 5 years, but the unfavorable situation in the chemical industry and the considerable delay in achieving the goal for mineral fertilizing indicate that the average yields will not meet the food program for the country until 1990 adopted by the 15th Plenum of KC PZPR [Central Committee Polish United Workers Party] since 1974.

The strategic problem of agriculture in the first half of the 1980's will be restoring the balance of production lost in the 1970's; i.e. liquidation of the disproportion in growth between animal and crop production. In the last 10 years crop production grew by only 13 percent, while animal production grew by 28 percent[1] That entire increase in crop production occurred in the first 5 years, but animal production in those same 5 years grew by 21 percent and in the last 5 years, by another 6 percent.

In the first half of the 1970's the rise in animal production reached 73 percent due to the increase in our own stocks of fodder; it reached 27 percent due to increased imports of grain and fodder. The unfavorable situation in crop production in the second half of the 1970's forced us to increase our imports of grain and fodder further, in order to prevent a drop in production and consumption of animal foodstuffs. This goal was indeed attained, but the entire increase in animal production was the result of increased imports of grain and fodder exclusively.[2]

In sum, the 47 percent increase in animal production in the entire 10-year period was attained at the expense of increasing imports of grain and fodder. The social price for the high rate of growth of animal production and per capita consumption of animal foodstuffs was an increase in the unfavorable balance of foreign trade in farm-foodstuffs, which jointly amounted to $5.5 billion. Since the unfavorable balance in food import is not compensated by an advantageous balance in the export of goods produced by the remaining sections of the national economy, the growth in animal production and consumption of animal foodstuffs is realized, to a significant degree, at the cost of an increase in the country's indebtedness. The necessity of repaying this indebtedness requires not only reaching a favorabe balance in our country's foreign trade in the 1980's, but also balancing imports and exports of farm-food products; afterward it requires attaining self-sufficiency in food production.

The unfavoable balance in foreign trade in farm-food products amounted to around $0.9 billion in 1978 and to around $1.0 billion in 1979. The import of grain and fodder, valued at approximately $1.1 and 1.2 billion respectively, had a decisive influence on this unfavorable balance in foreign trade. Balancing foreign trade is not possible by increasing exports of agriculture-related products alone but requires a decrease in the import of grain and fodder as well. It is estimated that by activating the export of farm-food products through renewed increase in the net export of meat from around 2,000 tons in the past to around 3,000 tons annually in the 1980's (we attained this kind of export of meat from 1974 to 75) a balance in foreign trade[3] could be reached by decreasing by at least one-third the import of grain and fodder; i.e., from around 9.5 million tons annually in terms of grain from 1987 to 1989 (1 million tons of high-protein fodder is worth about 1.8 million tons of grain) to around 6 million tons in the 1980's. If we take into account the necessity of increased import of high-protein fodder from 2.0 to 2.5 million tons annually, then the import of grain should be correspondingly reduced from 2.5 to 1.5 million tons.

In addition to the emergence in the 1970's of a disproportion in the growth of crop and animal production (which is of a transitory nature), a phenomenon with permanent consequences appeared; namely, the increase in the grain intensiveness of animal production. the increase in the share of grain and concentrated fodder in fodder stocks for producer livestock (from about 24 to 35 percent in the past 10 years) caused widespread use of grain-intensive technology in feeding animals in all sectors of agriculture and an increase in the consumption of concentrated fodder per unit of animal production by almost 50 percent. The process of changes in the technology of feeding animals is rather irreversible, with the possible exception of feeder process cattle on the collective farm (mainly on the state farm in which--in view of the surplus stock of cattle--concentrated fodder will be substituted for bulk fodder). However, with similar feeder technology, a reduction in the consumption of concentrated fodder per unit of animal production is possible by improving the quality of the composition of concentrated fodder as well as by changing their assortment, for example, in replacing full-proportioned compositions by protein concentrates in herd feeding on individual peasant farms, with the purpose of increasing the concentration of protein in the fodder blend, still based to a large measure on potatoes. Improvements in the quality of concentrated fodder and the production of fodder concentrates promotes a needed change in the structure of grain and protein fodder.

Apart from the reduction inunit consumption of concentrated fodder within existing animal feeder technology, the process of developing grain-intensive technology will continue, both as a result of further growth in the collective farm's share in animal production (in which the unit consumption of concentrated fodder is over 40 percent higher than on the peasant farm) and the increase in the scale of production on peasant farms. This is determined partially, by the introduction of more labor-saving, and more grain-intensive, technology in feeding animals. Changes in grain-intensive animal production will depend on which of two opposing trends will prevail. If in the first half of the 1980's the growth in unit consumption of concentrated fodder is not checked, then the increase in animal production cannot even ensure the maintenance of the existing level of consumption of animal foodstuffs per inhabitant. This results not only from the country's population growth and the necessity for increasing the export of meat, but, first of all, because of the creation of a gap in the grain balance resulting from reducing imports. This gap must be plugged by an increase in the country's production of grain and fodder. Plugging this gap requires an increase in crop production of 8.5 percent by 1985, with an increase in the grain production of 20 percent (in relation to the average annual production from 1976 to 1980). Only the increase in grain and crop production above these indicators will be allocated for increased animal production. A reduction in the consumption of fodder by horses will follow, but it will, in principle, equal the growth in the people's farm's demand for crop products.

In the second half of the 1980's the conditions for growth in animal production will be even more profitable. With a stabilized import of fodder at the 1985 level, the entire increase in crop production can be allocated as fodder for producer livestock.

The rise in animal production that ensures maintaining the consumption of animal foodstuffs per inhabitant until 1985 is determined--with the import of fodder that has been established--above all by a reduction in the existing per unit consumption of concentrated fodder in animal production and by an improvement in the effective utilization of all fodder.

II. YIELDS

The basis for an increase in all agriculture production is an increase in yields of cultivated crops. A prognosis of an increase in yields requires both a retrospective analysis of existing trends and factors that determined these trends and an analysis of their anticipated or assumed changes that will influence a trend toward an increase in yeilds. According to the data on average annual increase in yields in particular 5-year periods (table 1), the increase in grain yields in the first 5-year periods (from 1950 to 1955 and 1971 to 1975) and the increase in remaining crop yields in the first four periods have an exponential character (roughly speaking, the constant proportional increases and the rising quantitative increases). The reduction of these increases in the ensuing periods bears out the fact that the further course of the curve for yield increases takes on a character that approximates a ligistical curve; i.e., the average annual increases in yields expressed quantitatively become distinctively smaller and smaller. When average annual increases in yields are expressed proportionally, there is even more of a diminution.

In face of a deficit in the increase in grain yields and the relatively small increase in the yields of remaining crops in the 5-year period of 1976 to 1980, one can contemplate a compensatory increase in yields in the next 5-year period (the average annual yield increases of remaining crops should be somewhat higher than average increases of remaining crops should be somewhat higher than average increases over many years).

Increases in grain and remaining crop yields in the 1980's will depend not only on the absolute increase in mineral fertilizing for all of agriculture, but also on changes in ratios in the allocation of fertilizers in interim periods. From 1976 to 1979, mineral fertilizing on the collective farm was 160 kg NPK [nitrogen-phosphorous-potassium] per hectare higher than on the individual peasant farm (314 kg and 154 kg respectively), while grain yields were higher by only 5.3 q (29.5 q as opposed to 24.2 q). Thus on the collective farm there is barely a 3.3 kg increase in grain yields per 1 kg additional fertilizing. With this rather modest increase in mineral fertilizing until 1985, it would be justifiable to stop not only further increases in the use of mineral fertilizing but even to reduce the existing level of fertilizing on the collective farm and reallocate the fertilizers to the peasant farm, which is characterized by its greater effectiveness in mineral fertilizing than the collective farm. This maneuver would give all of agriculture a larger increase in yields than trying to maintain the existing allocation of fertilizers between the collective and peasant farms.

With the projected increases in mineral fertilizing of 250 NPK per hectare of arable land in 1985, it is possible to attain grain yields of 31 q and for remaining crops, about 37 grain units from a hectare (table 1). Such higher yields are the basis of grain and concentrated fodder balances presented later, and thus the probable estimates for increased animal production. If there is a reduction in mineral fertilizing, there will likewise be a corresponding reduction in yields. A reduction in yields by 1 q means that fodder stocks are reduced by about 1.9 million tons. In terms of meat, this amounts to a reduction of about 200,000 toms in the increased animal production.

III. SOWING AREA

Our country's grain balance, and thus the balance of concentrated fodder, will depend (given the import data) on both the level of increases in yields and grain-sowing areas. Looking ahead to the years 1985 and 1990, grain-sowing areas and the share in the structure of sowing will cause much controversy. Some specialists on cultivated crops affirm that the ideal solution is a sowing area of 50 percent grain crop and 25 percent root crop. Then the highest yields of grain (by dint of these well-taken points of view) and the greatest quantity of biomass from the whole sowing area are obtained. This position, perhaps, is valid from the standpoint of field-crop production, but it does not coincide with animal feeder technology. There is no return to the animal feeder technology applied as far back as the beginning of the 1970's. This kind of technology requires a greater share of grain in the sowing structure, even if it produces a certain reduction in the total amount of biomass produced. From the point of view of its final effect in the form of animal production, it is not only the sum total of biomass that is of essential importance but also its structure and its possible conversion into animal product (more will be said about this).

From 1976 to 1979 the sowing area of grain amounted to, on the average, about 7.9 million hectares (approximately 54 percent of the sowing area) and exhibited more of a falling than a rising trend, although the 5-year plan had set its growth at 8.5 million hectares. According to the estimates of IER [Institute of Agricultural Economy] in 1976,[6] the possibilities of growth in the grain sowing area in 1980 would not exceed 8.3 million hectares, under the condition that the share of grain for the state farm would not reach 50 percent. Its share in each of the 4 years of the current 5-year plan has not exceeded 43 percent, which is mainly a result, although not entirely, of the large stock of cattle (81 head per 100 hectares, against 67 on the individual peasant farm). This requires, in the first place, that we produce our own bulk fodder.

Through simultaneously increasing the cultivated area of podded grain-seed, sugar beets and rape, an increase in the sowing area of grain to 8.5 million hactares in 1985 (58 to 59 percent sowing area) could occur only at the cost of decreasing the cultivated area of fodder crops on the collective and potatoes on the individual farm.

On individual peasant farms, the process of substituting potatoes for concentrated fodder has come into use in feeding animals, but a drop in the share of their cultivated area in the structure of sowing was not accompanied by a drop in consumption of potatoes per unit of animal production (their approximate share in the 1970's amounted to 19.8 percent, with vacillations from 19.4 to 20.3 percent). The increase in animal production was higher than the increase in potato yields. Likewise, the share of grain in the structure of sowing that developed in the 1970's--despite certain vacillations--is about 57 percent. Thus, on individual peasant farms there was not even the slightest tendency toward replacing the area under cultivation of potatoes with grain. Improvement in the agrarian structure, per unit decrease in the employment of land, and the rising scale in animal production in the economy will undoubtedly favor a certain reduction in the share of potatoes in the structure of sowing. However, as the example of special farms (twice as large as the average peasant farm) shows, a drop in the area under cultivation of potatoes does not effect an increase in the area under cultivation of grain but does in the case of industrial crops, root crops and other fodder crops, especially on farms specializing in the production of ruminant animals.

Stimulating the displacement of potato cultivation by grain would be an appropriate goal at the present stage of development in agriculture. This would certainly improve our country's grain balance, but at the expense of the total balance of fodder. As it stands, significantly more units of feed and only an insignificantly less amoutn of protein are obtained from a hectare under potatoes cultivation than from a hectare under grain cultivation. From a cameral calculation, it would be possible, with the employment of potato-grain technology in herd feeding and with the present ratio of yields, to obtain from a hectare designated for production of herd fodder about 20 percent more feed than with grain feeder technology. The displacement of potatoes under cultivation by grain is only justified when grain yields are greater than 40 q per hectare.

An increase in the are under grain cultivation on state farms to 58 to 59 percent of the sowing area would require fundamental changes in the running of these farms, including, a considerable reduction in the head of cattle for the purpose of limiting

the excessively high share of bulk fodder under cultivation in the structure of sowing. Enlarging the amount of corn under cultivation for ensilage, which is determined by an increase in corresponding tools and machinery, will undoubtedly permit a certain decrease in the existing cultivated area of remaining bulk fodder. However, it will free not more than 15 to 16 percent of the arable land under grain cultivation.

A decrease in beef feeder herds on state farms would require--for the purpose of securing an increase in beef production--a corresponding increase on the individual peasant farm. Despite the lower grain-intensiveness and land-intensiveness in the production of beef slaughter animals on the peasant farm in comparison with the state, a broader expansion in this production would approximate the effects on the structure of sowing found on state farms. From IER research, it is evident that on peasant farms specializing in feeder process cattle, the share of grain in the sowing structure amounts to not quite 50 percent, and in the remaining directions of cattle production (milk or beef and milk) about 52 percent, while on state farms specializing in herd production about 57 percent.

These data bear out the fact that specialization in the production of ruminant animals including sheep is linked to a less-than-average share of grain in the sowing structure. This results not just from the proportion of demand for grain and bulk fodder, but also from the lower degree of fodder conversion, especially with feeder process cattle. For a 1 kg increase in beef, almost two times as many units of feed are used than for a 1 kg increase of pork; the utilization of protein contained in fodder runs approximately 38 percent in relation to its use in the production of slaughter pork and milk (according Woermann). If we then take into account the considerably higher biological and economic losses in bulk fodder than in seed grain, it is necessary to produce at least 2.5 times more biomass for 1 kg of beef than for 1 kg of pork. Since a hectare of bulk fodder on arable land uses several scores more of feed units and two to three times more protein than a hectare of grain (together with straw), the increase in the cultivated area of bulk fodder at the expense of grain, by taking the direction of feeder processing in animal production, is completely justified; it permits an increase in the production of beef cattle from the arable land designated for the production of fodder for feeder process cattle.

However, from the same kind of arable land designated for the cultivation of fodder for herds--despite the decreased quantity of fodder calculated in units of feed and protein--more pork is obtained from a hectare of fodder land due to the increased capacity of conversion of fodder by a head than with feeder process cattle. Thus, farms specializing in the production of beef slaughter animals, researched by IER, obtained about 550 kg of beef from a hectare consisting mainly of fodder[7] (not counting fodder from ancillary land--straw, sugar beet leaves, second crops), while farms specializing in herd production--with nearly the same level of yield of cultivated crops (about 34 q of grain and 250 q of potatoes--obtained 770 kg of pork; i.e., 40 percent more. Even if one takes into account that 26 percent of the area of fodder for cattle was made up of grassland and that its yield is one-third lower than the yield of arable land, almost 30 percent more pork than beef is obtained by potato-grain technology for feeding herds from a hectare of arable land designated for fodder.

From the data, it follows that by changing the proportions in the development of beef slaughter cattle and pork to favor the latter, we can obtain a greater increase in meat than by continuing the larger rate of growth in beef slaughter cattle.

Developing the production of beef slaughter cattle should not be based biologically on calves but rather on fodder from grasslands and those bulk fodders from arable lands whose cultivation in indispensable from the point of view of reasonable crop rotation, as well as on fodders from second yields and byproducts. Designating additional areas of arable land for production of fodder for feeder process cattle is justified only when the yield of fodder from a hectare, expressed in feed units, is at least 2.5 times higher than the grain yield (together with straw). This does not apply, obviously, to fodder from dairy cattle, where the conversion degree of fodder is like that of herds.

In summarizing changes in the structure of sowing, the real possibilities for increasing the area under cultivation of grain by 1985 do not exceed 8.3 million hectares. This requires a 58 percent increases in the share of grain in the structure of sowing on the individual peasant farm (a 1 percentage point increase in relation to the year 1979), 55 percent on the collective farm (a 10.7 percentage point increase; on PGR [state farms] a 12.6 point increase). In fact, with the change in the ratio of prices to profit of grain, one cannot count on a great increase in the area of grain sowing on the individual peasant farm, because previous ratios in grain prices in 1965 and 1976 caused an increase in the share of grain sowing of barely 1.0 to 1.5 percentage points. One might count on a larger increase in the area of grain sowing at the expense of potatoes only in the case of a rather radical improvement in the agrarian structure. The anticipated increase in the average area by 1.0 to 1.5 hectares will not have a major influence on the change in the structure of sowing.

An increase in the share of grain of up to 55 percent of the area of sowing on state farms is not possible without a considerable reduction in the number of head of feeder process cattle per 100 hectares of farmland, which will be obviously associated with the nonutilization of existing investments in the construction of farm buildings. First, it would be necessary to eliminate from farm production the least effective farms by switching them into grain production. Nonetheless, if we consider the long-standing production profile, then a 55 percent increase in the state farms' share of grain in the structure of sowing, and by the same token an increase in the area of grain sowing countrywide to 8.3 million hectares in 1985, will not be easy to attain.

In the next 5 years (1986 to 1990) there will be a decrease in the area of farmland (by about 150,000 hectares) and afterward a decrease in the area of sowing. Despite further growth in the collective farm's share, there might not be a decrease in the area of grain under cultivation on account of a greater decrease, than in the 5-year period 1981 to 1985 in the area of potatoes under cultivation on the individual peasant farm.

IV. The Balance of Fodder and the Increase in Animal Production

As the country's economy develops and farm production increases, the proportions in the control of crop production have been gradually changing.

The expenditures for the production of seed and seedlings are almost unchanged, expenditures for horse fodder with the advance of mechanization are beginning to decrease, and expenditures for the consumption of industrial processing are increasing slowly. In sum, these three penditures, after a period of growth (from 1966 to 1970), are beginning to diminish gradually. Thus, in the total number of stocks of crop products, the share of products designated for livestock production fodder in increasing. This share, from about 50 percent at the beginning of the 1950's, has increased to about 66 percent in the 1970's and will increase to over 70 percent in the 1980's (table 2). As a result, the production of fodder for producer livestock is growing at a greater rate than crop harvests and stocks of crop products; i.e., harvests augmented by the import of grain and fodder. This creates the possibility of a faster rate of growth in animal production than in crop production.

	1966--70 / 1950--55	1976--80 / 1966--70	1985 / 1976--80	1990 / 1985
Harvests	3,1	1,2	1,8	1,3
Stocks of crop products	3,2	2,2	1,0	1,2
Seeds and fodder for horses	1,7	--0,9	--2,3	--3,5
Availabe crop production	1,9	0,7	1,0	1,0
Fodder for producer livestock:				
In units of grain	4,3	3,5	1,5	1,8
In units of oats	3,7	3,1	1,4	1,6
Animal production	3,0	2,6	1,7	2,0

Existing and predicted changes for the 1980's in the average annual rate of increase in crop harvests and stocks of crop products, expenditures for these stocks[8] and for animal production are presented in the preceding tabulation (on the basis of the data in table 2).

In the past, the rate of increase in fodder stores for producer livestock was higher than the rate of increase in harvests, particularly in the last 10 years, due to the increasing import of grain and fodder and the drop in horse fodder, as well as the lowering of the rate in the increase of available crop production. The next 5-year period in this respect will be exceptional, since the rate of increase in fodder for producer livestock will be--as a result of decreasing imports--lower than the rate of increase in harvests. But, in the second half of the 1980's with a stable import of fodder, the rate of increase in fodder for producer livestock will be higher than the rate of increase in harvests, mainly as a result of the drop in the consumption of fodder by horses.

The rate of increase in fodder for producer livestock still does not make the rate of increase in animal production and open-and-shut case; it also depends on effective utilization of fodder stocks. Till now, the period of agricultural development has been characterized by a lower rate in animal production in comparision with the rate of increase in fodder stocks and by an identical drop in the effective utilization of fodder. Animal production (counted in conversion units of meat) per 100 units of oat stocks of fodder decreased from 12.4 converted kg at the beginning of the 1950's to 11.1 kg toward the end of the 1960's and to 10.5 kg toward the end of the 1970's. If one can explain the absolute and relative decrease in the quantity of uncalculated fodder that has not been counted in the balance of fodder in the first of these drops in animal production per unit of fodder stocks,

then in the second period--i.e., in the 1970's--a sharp deterioration in the utilization of fodder stocks occurred. There are several reasons, varying in scope, for this deterioration: 1) a gaster rate in the increase of beef slaughter cattle (3.7 percent on the average annually, against 2.5 percent for the rest of animal production), which is characterized by a significantly lower indicator in the conversion of fodder in comparison with other animal products; 2) nongrowth in technically equipping state farms, causing an increase in the losses of nutritive ingredients in concentrated fodder, especially in the diminishing stocks of fodder that have a working and growing potency in them; 3) a decrease in animal production on small farms, and consequently incomplete utilization of their fodder stores; 4) increasing, grossly ineffective forms of animal production on combined farms of agricultural societies and plant-operated pig farms; 5) excessive concentration of animals on state farms going hand in hand with the deterioration of animal hygiene, which causes excessive weakening in animals, sterility in cows, a decrease in the number of piglets from sows, and finally an increase in the consumption per unit of final animal product; 6) over a two-fold increase in the quantity of industrial concentrated fodder, of which a significant part of it fails to conform to qualitative norms, causing excessive consumption of fodder per unit of animal production. Gradual elimination of at least a part of these reasons for the deterioration in the effective utilization of fodder stocks should ensure a reversal of the existing falling trend. This is, however, an indispensable condition for such an increase in animal production, which would ensure a perceptible increase in the consumption of animal foodstuffs per inhabitant by 1990. If there is no improvement in the effectiveness of the feeder process (as it set forth in the prognosis in table 2) from 10.5 kg of converted animal production from 1976 to 1980 to 10.7 kg in 1985 and 10.9 in 1990, then animal production in 1990 would amount to only 7.1 million tons instead of 7.4 million tons, and there would be approximately 182 kg per inhabitant rather than 189 kg, as opposed to 174 kg per inhabitant from 1978 to 1980.

V. Stocks of Grain and the Increase in Animal Production

The increase in grain-intensive animal production--i.e., teh increase in the quantity of concentrated fodder per unit of animal production--is a natural product of agricultural development and intensification of agricultural production, and is the result of the following factors:

1) the introduction of labor-saving technology in animal production;

2) an increase in the unit output of animals and the shortening of production cycles, which is attained through more intensive feeding by using concentrated fodder.

Under conditions in Poland, the consumption of concentrated fodder per unit of animal production in the 1950's and 1960's increased at a moderate rate (2.1 percent annually). The increase in grain intensiveness was proportional to the increase in the country's production of grain, only slightly supplemented by imports. In the 1960's began an acceleration in the rate of increase in grain intensiveness to about 5 percent annually. This resulted from a rate of increase in animal production that considerably outstripped crop production, due to the initiation of grain-intensive technologies and an increase in the collective farm's share in animal production.

Comparisons with other countries indicate that in countries with high-intensity agriculture the grain intensiveness in animal production, after a period of growth and an attainment of a certain level, begins to drop off gradually. Above all, this results from perfecting the production of concentrated blends. Under our conditions in Poland, in the 1980's limiting factors will begin as well as growth factors in the grain intensiveness of animal production.

Limiting factors that affect the increase or even produce a certain reduction in the existing grain intensiveness of animal production will be:

1) a lower rate in the increase of animal production than previously, more in line with an increase in crop production;

2) an increase in the share of high-protein fodder in concentrated fodder.

On the other hand, growth factors in grain intensiveness will be a progressive intensification and concentration of animal production on the peasant farm and a further increase in the collective farm's share in animal production. For example, an increase in the collective farm's share to about 28 percent in 1985 would produce--with unchanged grain intensiveness in both sectors--an average increase in the consumption of concentrated fodder of 0.12 kg per unit of animal production; i.e., an increase of over 800,000 tons countrywide.

One of the real factors in limiting the increase in grain intensiveness of animal production will be the change in the structure of imported fodder. Purchasing high-protein fodder instead of grain, at a unit price higher by about 80 percent, should give a production effect higher by a full 150 percent (the production and economic sense of this change depends precisely on this). An increase by 1985 in the import of high-protein fodder by 1.1 million tons in comparison with 1976-78 should give a production effect equal to 2.8 million tons of grain--i.e., in sum, it should produce a savings of a full 1.7 million tons of concentrated fodder--and, by the same token, limit the increase in the grain intensiveness of animal production.

An analysis of the development of agricultural production shows that stocks of grain--i.e., the size of our production together with the import of grain and concentrated fodder--are a determinant in the level for all agricultural production. There is a relatively precise ratio between the increase in these stocks and the increase in animal production, on the one hand, and the available agricultural production[9] and final net production, on the other. This mainly resulted because the increase in production and in stocks of grain that was, in principle, intended for fodder for producer livestock actually directly increased animal production and available and final net production. The remaining expenditures for grain increased a small degree, but in the 1980's--as a result of the drop in the number of horses--they will decrease because the production of concentrated fodder for producer livestock will rise faster than grain production and stocks of grain. The past distribution of grain stores for fodder for producer livestock and for other purposes and the prognosis of this distribution in the 1980's are as follows:

Years	Stocks of grain (in million of tons)	Expenditures for fodder	For other purposes (in millions of tons)	Share of grain stocks in percentages
1950--55	12,5	4,4	8,1	32,2
1956--60	15,4	6,5	8,9	42,2
1961--65	17,2	7,7	9,5	44,8
1966--70	19,1	9,6	9,5	50,3
1971--75	24,9	14,9	10,0	59,8
1976--78	28,1	18,3	9,8	65,1
1985	29,9	21,1	8,8	70,6
1990	32,4	24,2	8,2	74,7

The increase in the consumption of concentrated fodder by producer livestock has not only an absolute but a relative character--i.e.their share in the total quantity of cattle fodder in increasing--namely, from about 20 percent in 1950-1955 to about 35 percent in 1976-1978 and to about 38 percent in 1990.

An analysis of the data in table 3 shows that, despite a constant increase in the consumption of concentrated fodder per converted unit of animal production and available agricultural production and final net production were formed before the end of the 1960's on an approximate level. For 1 million tons of stocks of grain and concentrated fodder, there were 240,000 tons of meat (in terms of conversion), about 15 billion zlotys of available agricultural production and 14.5 billion zlotys of final net production. In the 1970's, and especially in the second half of this decade (1976-1978), previous ratios were subjected to considerable reduction as a result of the disproportion between the increase in stocks of grain and concentrated fodder (owing to increasing imports) and the increase in the production of remaining cattle fodder for producer livestock. These ratios are illustrated in the following data relative to their increases in particular periods:

Annual rate of increase in percentages	1966--70 / 1950--55	1971--75 / 1966-70	1976--78 / 1971--75
Stocks of grain	2,9	5,4	3,1
Concentrated fodder	5,2	9,2	4,2
Remaining fodder	4,1	3,4	0,0

A result of the constant disproportion in the 1970's among the increase in stocks of grain, concentrated fodder and remaining fodder was a decrease in the previous ratios between stocks of grain and the dimensions of animal production; the increase in concentrated fodder was substantially substituted for non crop fodder in the first half of this period, and in the second half of this period it was totally substituted for non crop fodder. This is expressed in the almost violent fluctuations in the increase in the grain intensiveness of animal production.

Liquidation in the 1980's of the present disproportions among grain stocks, concentrated fodder and remaining fodder should cause the ratios between the volume of animal production, available agricultural production and final net production, on the one hand, and grain stocks and concentrated fodder, on the other hand, to be on a higher level in the 1980's than in the second half of the 1970's. There is no chance of an increase in non crop fodder production out-stripping an increase in grain fodder. If we take into account previous production effects of increased import of high-protein fodder (equivalent to the effects of about 2 million tons of grain) and the decrease in expenditures for grain for non fodder purposes, then the ratios of these categories of production for grain stocks in 1985 and 1990 should be those in table 3.

Improving the ratio between the volume of animal production and grain stocks, namely, from 208,000 tons per 1 million tons of stocks in 1976-1978 to 225,000 tons in 1985 and 228,000 tons in 1990, will ensure an increase in animal production corresponding to 6.7 and 7.5 million tons; i.e., to a level previously calculated (table 2) on the basis of the total balance of fodder stocks. This increase in unit consumption of concentrated fodder. This consumption in 1976-1978 amounted to an average of 3.14 kg per 1 kg of converted animal production (in 1978 the average was 3.24 kg),[10] whereas in 1985 it should not exceed 3.5 kg and in 1990, 3.27 kg. A greater increase in the consumption of concentrated fodder per unit of animal production would require either an increase in the import of fodder above what has been assumed (4.2 million tons)--lacking such a possibility--a limitation in the increase of animal production.

Given these assumptions, the value of particular categories in agricultural production in the 1980's will be, in comparison with the value from 1976-1978, the following (in billions of zlotys):

	1976--78	1985	1990
Final net production	308,4	375	415
animal net production	238,1	280	315
crop net production	70,3	95	100
Import of grain and fodder	41,2	29	29
Available crop production	111,5	124	129
Available agricultural production	342,5	404	444

In the period from 1950-1955 to 1976-1978 the average rate of increase in final net production amounted to 1.9 per annually, against an annual increase of 2.3 percent in available agricultural production. The difference of 0.4 percent between the rate of increase in both of these categories is the result of increasing imports of grain and fodder. In the 1980's this situation will be reversed. Owning to the decreasing imports of grain and fodder, the rate of increase in availabe agricultural production will be lower; it will then amount to 1.9 percent annually, while the final net production will be higher--namely, 2.3 percent annually (2.5 percent in the first half of the 1980's and 2.0 percent in the second half). The rate of growth in final net production in the 1980's, and especially in the first half, will be of a compensatory character in relation to the minimal rate of growth in the second half of the 1970's (barely 0.3 percent annually). But even in the second half of the 1980's it will be somewhat higher than the present rate of growth covering a multiyear period, both because of the drop in fodder for feeding horses and the improvement in the effective utilization of fodder

Thus, despite a drop in the rate of growth in crop production from the present 2.4 percent to 1.6 percent annually in the 1980's and a corresponding drop in animal production from 2.9 percent to 1.8 percent, the rate of growth of final net production, as an expression of the total production of agriculture, will not be weakened but will experience a certain acceleration. On the other hand, the rate of growth of available agricultural production expressed in converted animal production, will drop from the present 2.3 percent to 1.9 percent annually in the 1980's, resulting from a change over from increased to decreased importation of grain and fodder.

VI. Possibilities of an Increase in the Consumption of Animal Foodstuffs

An increase in the consumption of animal foodstuffs per inhabitant depends not only on the growth in animal production and in a country's population, but also on the control of production. The previous volume (table 3) of animal production takes in all production, together with the increase in herds, milk expended for fodder, and eggs hatched, as well as wool sheared. The increase in herds in particular years is positive or negative; the consumption of animal foodstuffs (milk, eggs) shows a systematic drop--from about 220,000 tons from 1971 to 1975, to about 160,000 tons in the remaining years. Likewise the net export of animal products and the quantity of animal fat intended for non food purposes have been changing. In connection with this, the share in the total animal production of animal products intended for consumption in our country has shown quite a bit of vacillation (in extreme cases from 81.5 percent in 1974 to 97.8 in 1976, due to the large drop in the value of herds). The difference between the volume of total production and consumption has correspondingly vacillated (in these same extreme years) from 1.1 million tons to 150,000 tons; in the remaing years it amounted to about 650,000 tons converted for meat.

Exactly such a difference started in 1978, which we took as our datum in the distribution of generated animal production in 1985 and 1990. If we assume an increase in net export of meat from 170,000 tons in 1978 to 300,000 tons in the 1980's and a certain increase in wool production, as well as in the export of milk products and eggs, then the difference between generated volume and the volume intended for the consumption of animal production should be less than 800,000 tons converted for meat.

The possibilities for an increase in the consumption of animal products per inhabitant in the 1980's in comparison with 1978 are as follows:

	1978	1985	1990
Animal production in thousands of tons	6126	6700	7400
Consumption in thousands of tons	5474	5900	6600
Remaining expenditures in thousands of tons	652	800	800
Population in million of persons	35,0	37,7	39,1
Consumption per inhabitant	In converted kg		
Total	156,4	156,5	168,8
Including			
meat	70,6	71,8	79,0
animal fat	8,1	7,0	7,0
lk products	65,5	65,5	69,5
s	12,2	12,2	13,3
	In natural units		
Milk and milk products in liters	438	438	463
Eggs in numbers	219	219	238

Checking the increase in the consumption of animal foodstuffs by 1985 is a direct consequence of its dynamic acceleration from 1971 to 1975. Significant in this regard is the comparison of increases in consumption in different periods. In 1950, the consumption of animal foodstuffs per inhabitant amounted to 89.9 converted kg: in 1970, 128.8 kg; in 1975, 151.8 kg; and--according to our prognosis--in 1990, 168.8 kg. In the first 20 years, it increased to about 40 kg; i.e., it will likewise increase by 2 kg annually. It must be understood, however, that over one-half of this increase--namely 23 kg--was realized not in the course of 11 to 12 years but in the course of 5 years (1971 to 1975).

A lead time of 6 to 7 years (in relation to the trend) in the increase in the production and consumption of animal foodstuffs in the first half of the 1970's, due to the dynamic surge in grain harvest and the increase in the import of grain and fodder, had already created much difficulty for further growth in animal production in the ensuing years, in which an increase in production was attained purely at the cost of import fodder. Imported fodder made up about 40 percent of the concentrated fodder feed for producer livestock in the second half of the 1970's. As a result, a kind of acceleration began in the changes in animal feeder technology, which considerably outstripped the stage of development in crop production as well as in grain production. Consequently, there are fewer possibilities for further growth in animal production, especially until 1985, than if this growth in the 1970's had adjusted to the increase in our fodder stocks that had been perfected only by a gradual increase in the importation of grain and fodder. Already in the second half of the 1970's the grain intensiveness in animal production grew to a level that, given the equivalent rate of growth in animal and crop production, would be attained only toward the end of the 1980's.

Thus, the accelerating trend toward an increase in animal production and the consumption of animal foodstuffs in the 1970's (although we paid a very high price for them in the form of our country's indebtedness) was only a passing phenomenon. A future deacceleration in the growth of animal production signifies a gradual return to the original trend. Preserving this acceleration and further increasing production at an already advanced level of this trend was, however, too much to ask of our national economy. This would be possible only with a level of development that would, on the one hand, ensure an adequate and constant increase in the means of production for agriculture, and, on the other hand, finance the import of fodder through earnings from export, as in some highly-developed countries of Western Europe.

From these considerations of the possibilities and conditions for further growth in agricultural production, the 5-year period of 1981 to 1985 will be one of the most difficult periods in the development of our agriculture. We made some rather optimistic assumptions; namely, that mineral fertilizing in 1985 will increase to 250 NPK per hectare; that the import of grain and fodder will decrease by only one-third in 1978 through 1979; that the consumption of concentrated fodder per 1 kg of converted animal production will not exceed the average level of past years (3.15 kg); that there will be a reversal in the present trend of a systematic drop in the growth of effective utilization of fodder stocks (the increase in animal production by 1985 can ensure only maintaining the present level of consumption of animal foodstuffs per inhabitant; i.e., practically the level since 1975). If these assumptions are not realized (especially in the area of fertilizing, and therefore yields and harvests), there is a possibility of a drop in the consumption of animal foodstuffs.

FOOTNOTES

1. This comparison refers to average annual data from the 5 years between 1976 and 1980 and between 1966 and 1970. Likewise, other comparisons in this paper refer to--if not otherwise specified--to averages from individual 5-year periods.

2. The increase in fodder for producer livestock in this period amounted to 4.0 million tons of grain units; thus, it was equal to the rise in imports of grain and fodder.

3. According to the ratio of prices, since 1979, prices are gradually worsening for grain importers.

4. In the economic year 1978-1979 the consumption of concentrated fodder per 1 kg of increase in beef slaughter animals amounted to 4.57 kg (according to CZ PPGR's reports), while in research done by IER [Institute of Agricultural Economy], of 635 individual peasant farms specializing in the production of beef slaughter animals, there was only an increase of 1.64 kg.

5. On Western European herd and broiler farms using a monodiet, the consumption of concentrated fodder per unit of increase in live weight is 25 to 30 percent lower than on our farms, which is due mainly to the excellent quality of our fodder.

6. "Polish Agriculture in 1971-1975 and Perspectives for its Development," PWRiL [State Agriculture and Forestry Publishing House] Warsaw, 1976.

7. For purchased concentrated fodder, one calculates the fodder area according to the average net yield of grain on the farm.

8. For the purpose of maintaining comparability in particular periods, harvests of cultivated crops and their control have been computed in units of grain, and fodder for producer livestock in units of oats. Because of the somewhat different ratios in units of grain and units of oats for different kinds of agricultural products, as well as the allowance made in the GUS [Central Office of Statistics] balances of fodder for fodder of animal origin and by products of the food industry, whose share in the total quantity of fodder is growing relatively smaller, the rate of increase in fodder expressed in units of oats is slower than in units of grain.

9. The value of available agriculutral production is the sum of the value of final net production and the value of imported fodder; this is a value of the final agricultural product, which is for the national economy the available product, either in the form of a prepared food product, or raw food material for production (together with raw materials for light industry, such as wool, plant fiber).

10. In the entire 5-year period 1976 to 1980, the consumption of concentrated fodder per 1 kg of converted meat production amounted to--according to preliminary estimates--about 3.10 kg.

Table 1. Level and Average Annual Increase in Yields of Grain and Remaining Crops (in Units of Grain)

Year	Yields per hectare			Average annual increase in yields		
	Yields of grain	Yields of remaining crops	Total	Yields of grain	Yields of remaining crops	Total
1950-55	12,6	17,5	16,9	—	--	--
1956-60	15,0	20,5	19,9	0,44	0,54	0,54
1961-65	17,3	24,5	23,2	0,46	0,80	0,66
1966-70	20,1	29,5	27,6	0,56	1,00	0,88
1971-75	25,4	31,4	31,4	1,06	0,38	0,76
1076-80	25,4	32,6	31,9	0,00	0,24	0,10
1985	31,0	37,0	36,6	0,80	0,63	0,67
1990	34,0	39,5	39,4	0,60	0,50	0,54
1950-55--1976-80	X	X	X	0,50	0,59	0,58
1976-80--1990	X	X	X	0,72	0,58	0,62
1950-55--1990	X	X	X	0,57	0,59	0,60

a. Only grain seed.
b. Without second yields.
c. Together with hay and bulk forage for second and supplementary crops.
d. For 1980 a ceiling of 27.0 q per ha was adopted for grain yeilds (this paper was written in May 1980--ed.).

Table 2. Harvests and Stocks of Crop Products, Their Control and Animal Production

Contents	1950-55	1956-60	1961-65	1966-70	1971-75	1976-80	1985	1990
							Prognosis	
Area of farmland in millions of hectares	19,68	19,83	19,67	19,50	19,33	19,06	18,80	18,65
Yields in units of grain	16,9	19,9	23,2	27,6	31,4	31,9	36,5	39,4
	In millions of tons in units of grain							
Harvests	33,2	39,4	45,7	53,9	60,7	60,8	69,0	73,5
Imporation of grain and fodder	0,7	1,4	2,3	2,2	4,4	8,3	5,2	5,2
Stocks of crop products	33,9	40,8	48,0	56,1	65,1	69,1	74,2	78,7
Seeds and seedlings	3,8	3,8	3,9	3,8	3,8	3,7	3,7	3,6
Fodder for horses	3,4	3,8	4,6	5,6	5,4	4,9	3,6	2,5
Available crop production	9,5	10,1	12,0	12,9	13,0	13,8	14,8	15,6
Seeds, fodder for horses and availabe crop production taken altogether	16,7	17,7	20,5	22,3	22,2	22,4	22,1	21,7
Fodder for producer livestock	17,2	23,1	27,5	33,8	42,9	46,7	52,1	57,0
Share of fodder in stocks of crop production in percentages	50,7	56,6	57,3	60,2	65,9	67,6	70,2	72,4
Fodder in millions of units of oats	23,2	30,5	35,1	41.5	53,1	56,4	62,5	67,8
Animal production converted into meat in millions of tons	2,89	3,66	4,11	4,61	5,57	5,92	6,70	7,40
Meat production in kg per 100 units of oats	12,4	12,0	11.7	11,1	10,7	10,5	10,7	10,9

Source: Our own computations on the basis of Statistical Yearbookd and "Balance of Fodder," GUS [Central Office of Statistics].

a. Statistical area of farmland diminished by fallow land (up to the period of 1966 to 1970).
b. Without greenhouse production.
c. For periods up to 1971-1975 according to GUS; for succeeding periods the computation is made through the use of an index in relation to the quantity of fodder in units of grain.
d. Without horse meat: 1 kg converted=1 k g meat = 1 kg eggs=6.67 liters of milk = 0.28 kg of wool.

Table 3. Grain Stores and Consumption of Concentrated Fodder, Animal Production, Value of Available Crop Production and Final Net Production (in Steady Prices from 1976)

Years	Stocks in grain and concentrated fodder in millions of tons		Consumption of concentrated fodder in millions of tons	Animal production in thousands of tons of meat converted	Consumption of concentrated fodder per 1 kg of meat converted into kg	Production of meat per 1 million tons of grain stocks in thousands of tons	Available agricultural production		Final net production	
	Total	Plus imports					Total in billions of zlotys	for 1 million tons of stocks of grain in billions of zlotys	Total in billions of zlotys	for 1 million stocks of grain in billions of zlotys
1950-1955	12,5	0,7	4,4	2894	1,52	232	195,7	15,6	191,8	15,3
1956-60	15,4	1,4	6,5	3655	1,78	237	232,9	15,1	224,2	14,6
1961-65	17,2	2,2	7,7	4107	1,87	239	255,8	15,0	244,2	14,2
1966-70	19,1	2,1	9,6	4607	2,08	241	283,4	14,8	274,6	14,4
1971-75	24,9	4,0	14,9	5571	2,67	224	326,2	13,1	304,2	12,2
1976-78	28,1	7,5	18,3	5836	3,14	208	349,6	12,5	308,4	11,0
Prognosis										
1985	29,9	4,2	21,1	6700	3,15	224	404	13,5	375	12,5
1990	32,4	4,2	24,2	7400	3,27	228	444	13,7	415	12,8

Source:

a. Grain stocks=grain harvests + imports of grain and fodder
b. By producer livestock
c. Without horse meat

DELAYS IN HOUSING CONSTRUCTION, INVESTMENT PLANS REVEALED

Bucharest ROMANIA LIBERA in Romanian 13 Oct 81 pp 1, 5

[Article by Cornelia Preda: "Priorities for the People's Councils"]

[Text] The majority of the people in our country live in new housing, but the need for housing has not yet been fully met and naturally constitutes a main investment objective. This fact has its explanation in the radical transformations occurring in a series of locations from an economic point of view, as also reflected in the level of their social and urban development.

One of the great battles being fought by our national economy for efficiency is, for example, the one for more coal and for the active involvement of this resource in ensuring Romania's energy independence. As a result, certain towns, like Turceni, Rovinari or Matasari, become stars of the first order in the Oltenia coal basin, exchange their rural conditions for those of industrial centers and have urgent need for housing units. The construction of housing developments in such locations, which is closely blended with the efforts to obtain more coal, must have the same intensity and be carried out in the same rhythm.

The largest number of housing units are being built this year in Iasi County, 6,186 apartments, a number that must also be considered with the necessary number of personnel of one of the largest heavy equipment combines in the country, now in the final stages of construction. The need for housing is also felt in a series of counties which, differing from Iasi, have had an intensive development over a relatively short period of time, since the last five year plan, such as: Bistrita-Nasaud, Covasna, Harghita, Salaj and so forth. For all of the approximately 180,000 apartments scheduled to be completed this year there are strong reasons for their inclusion in the investments plan and a direct relationship to the start-up times of certain important economic projects and to the requirements for a judicious correlation between economic development and social development in the localities.

In proposing to complete 180,000 new apartments in the first year of the current five year plan, Romania maintains housing construction at a high rate, with the space thus created corresponding to a population of over 500,000 persons. At the same time, the established investment program can be evaluated as a balanced one

in the sense that it is more closely correlated with the technical base and workforce in the construction sector, a premise for fulfilling the planned tasks under good conditions. It should be pointed out that in the field of housing construction we currently have approximately one-fourth of the manpower in the construction sector, that the extension of the use of prefabrications and the start-up of certain housing factories in all the counties has simplified the work site activities permitting the attainment of certain levels of increased productivity, and that the option for buildings with five floors - the ground floor and four above - provides advantages not only with regards to the living comfort, savings in materials and favorable consequences for costs, but also reduces the necessary amount of heavy equipment, such as high-powered cranes that were sufficiently difficult for the construction enterprises and trusts to obtain. Therefore, this year the builders have begun to complete the planned apartments under more advantageous preparation and execution conditions. What are the results that have been obtained?

We should specify that the principal "builders" are the units of the people's councils, whose task it is to build 152,000 of the 180,000 planned apartments. Despite the meritorious achievements of some of the construction enterprises and trusts, such as those in Iasi, Timisoara, Constanta, Buzau, Caras-Severin and Dolj, the average results for the whole country has barely passed 50 percent of the planned value for the whole year. There are counties where half of the total number of planned apartments, and sometimes even more than half, have to be completed and turned over to the people in just a single quarter, the last one of the year. In such a situation, for example, are the housing builders in Gorj County where the needs for housing, especially in the mining basin, were not met with a concern equal to the significant investments allocated by the state to complete this housing. Despite the fact that a commendable initiative brought builders from other counties to the plains of Gorj (as well as specialized units of the Ministry of Forestry Economy and Construction Materials and the Ministry of Industrial Construction), as we were told by engineer Alexandru Cocias, a director for local economy problems at the Investment Bank: "The desired cooperation between these builders was hampered by the paperwork of bureaucracy and by the sterile discussions about dividing certain tasks, using figures instead of beginning with reality and the required cooperation for an effective situation at the worksites." And, for the workers at Rovinari or Matasari it cannot be the same if they get housing in the summer or in the middle of winter. With good reason, our interlocutor stressed that the delays increase the costs of the construction, without this fact being reflected in an increase in comfort. Along this line of thought, it should be noted that at the worksite of a model complex in Bucharest, organized at the initiative of the municipal people's council and where the costs were followed by using a special accounting document, it was found, for example, that a day lost because of a lack of building supplies, resulting in the non-use of two cranes, cost 4,000 lei in rent, overhead costs and so forth. In other words, 4,000 extra lei and what additional comfort was gained? And, as the delay goes on, a construction project costs more and more.

In Gorj County and in other areas, we know that the carrying out of construction projects is not going smoothly. On the contrary, all kinds of large and small problems must be resolved, from the finalizing of certain systematization details and sketches to the provision of supplies which involve, in addition to prefabricated items, hundreds and hundreds of items. Precisely for that reason, time has become too precious to continue to be lost. Time is being lost at the construction sites? So show the results of certain builders that are below the national average (who are, we must say, precisely the ones who have brought that average down), such as the following counties: Bihor, Covasna, Harghita, Galati, Giurgiu, Hunedoara, Ialomita, Tulcea and Vilcea.

The national importance of putting planned housing into use makes the concerns for achieving these investment objectives one of the central tasks for the people's councils. If time is precious, then we must take actions at all the construction sites so that the daylight hours are well used and that during the night on the second shift preparations are made and the assembly of prefabs and the pouring of concrete continue. Where time is lost and where time is made up can be seen in thorough analyses conducted at the site: even here we must also establish the necessary measures. We are not saying something new here, but pointing out that within the framework of certain people's councils the main investment objectives are identified within the tasks of certain leadership cadre in the executive committee of the people's council, that many mayors have made it a rule to have discussions about the construction sites after a visit to them during the peak activity hours and that in this way decisions are made not according to the desires of the builders, but according to their real possibilities and needs.

A series of other investments are to be made in localities that stem right from the requirements for building housing units or from the exigencies imposed by the concern to carry out certain public services activities with greater efficiency. It has been frequently proven that the tactic of concentrating first on more important things while the rest fall behind, is damaging and contradictory to the planning spirit and discipline in construction. That which has been planned must be achieved within the set timeframes. What use is it for certain complexes to be ready, but the residents cannot move in because the heating system is not ready? Or, the building is ready and beautiful, but from top to bottom there has been flooding because the water pipes used for supply and sewage were completed at the last moment and their connections that should have been tested during construction, during each phase were not fully checked and the results ruined the finishing work in the buildings... It is in line with the concepts for organizing investment project activities that things are carried out in a logical and managed manner.

The range of investments that directly interest the local economy in the most appropriate and profitable sense is very broad, showing the varied development of the localities involved in the investment program. To admit shortfalls means

bringing into question possible development and militating for recouping these shortfalls and for properly using the time remaining until the end of the year, and would represent an important contribution to the achievement of the proposed goals. In this direction, the people's councils, the first managers of the towns and counties and the authors of the policies for achieving the national plan have a decisive word to say.

8724
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ACHIEVEMENTS, GOALS OF CHEMICAL FERTILIZER INDUSTRY VIEWED

Bucharest REVISTA DE CHIMIE in Romanian No 8, 8 Aug 81 pp 737-742

[Article by Iustin Rogoz, deputy minister of the chemical industry]

[Text] The chemical fertilizer industry has seen powerful development in Romania in the last 15 years as a result of the priority attention given this sector of activity, whose purpose is to provide the necessary chemical fertilizer for our socialist agriculture as well as large reserves for export.

The increase in agricultural and zootechnical production under the conditions in Romania, with a limited agricultural area and one that is being cultivated in its entirety, cannot be conceived of without application of intensive technologies through administration of chemical fertilizer primarily as well as other chemical products such as pesticides, herbicides, fungicides, veterinary drugs, growth biostimulators and so forth. It has been known and checked at the world level that chemification within the technologies applied in agriculture is making more than a 50-percent contribution to obtaining an increase in production per hectare.

Chemical fertilizers provide the basic nutritional elements which plants need; that is, nitrogen, phosphorous and potassium. Under Romania's conditions, the specific nature of the agricultural land and crops requires a balanced supply of the basic nutritional elements in a certain ratio, which for the country on the average is $N:P_2O_5:K_2O=1.9:1:0.4$.

The basic raw materials for obtaining chemical fertilizer are methane gas for the ones with nitrogen, phosphate rock and potassium ores for the other two nutritional elements. Romania, having available the necessary resources of methane gas, has developed a powerful industry of nitrogen fertilizers, beyond the needs of domestic consumption, thus creating important reserves for export which would compensate for the importing of raw materials for the fertilizers with phosphorous and potassium.

The levels of production achieved, the distribution of production and the high rate of development of the chemical fertilizer industry are illustrated with figures in Table 1 and the graph in Figure 1, which, along with the chemical fertilizers, also show the development of ammonia production, the basic raw material for manufacturing nitrogen fertilizers.

Directly connected with the chemical fertilizer production there also has been corresponding development of the production of sulphuric acid, phosphoric acid and nitric acid, products which in the great majority are intermediaries in obtaining fertilizers.

In a simplified block outline, we see the technological flow of the production of chemical fertilizer in Romania which shows the area of activity, scope and complexity of the chemical fertilizer industry as well as the basic varieties placed at the disposal of agriculture and for export.

From outside the chemical fertilizer sector created especially for this purpose, we also see the chemical fertilizers from other manufactures as secondary products,too. To be mentioned along this line is ammonium sulphate resulting from the manufacture of caprolactum and methylpolymethacrylate as well as from carbonization.

The chemical fertilizer industry, which in 1948 was represented by a single factory (the Valea Calugareasca chemical plant) with an annual capacity of 1,100 tons of simple superphosphate currently has reached the number of 10 large chemical combines which are true industrial complexes built at the world technical level with regard to technologies, capacity of the production lines, degree of mechanization and automation. These chemical combines are distributed as reasonably as possible on the territory of the country (Craiova, Turnu Magurele, Arad, Slobozia, Fagaras, Tirgu Mures, Piatra Neamt, Bacau, Valea Calugareasca, Navodari) both from the viewpoint of the possibilities for supplying raw materials, utilities and personnel as well as from the viewpoint of economic distribution of products to the consumers.

In the 1976-1980 five-year plan, large funds were allocated for investments in the chemical fertilizer sector. Large new production capacities were placed into operation in this period, among which we mention the following: the Arad chemical fertilizer combine with installations for ammonia, nitrogen acid, NPK complex fertilizers and ammonium nitrate, the Bacau chemical fertilizer combine with installations for ammonia, carbamide, sulphuric acid, phosphoric acid and diammonium phosphate as well as new installations for ammonia, NPK fertilizer, ammonium nitrate, simple superphosphate, sulphuric acid, nitric acid and so forth at the existing combines in Fagaras, Craiova, Tirgu Mures, Tirgu Magurele and Valea Calugareasca.

New installations for ammonia and carbamide are in an advanced stage of construction at the chemical fertilizer combines in Arad and Slobozia.

Table 2 presents the production capacity for chemical fertilizer in Romania.

The 100-percent active substance chemical fertilizer production rose more than 1.4 times in 1980 compared with the 1975 level and more than 8.3 times compared with the 1965 level.

The average annual quantity of chemical fertilizer administered per hectare of arable land was 112 kg, compared with 77 kg in the previous five-year plan.

The quantitative increase was accompanied by an important qualitative leap both with regard to diversification of varieties as well as in the area of concentration of active substance. For example, in 1980 more than 20 types of chemical fertilizer were produced, while another 30 varieties,simple and complex, with and without microelements, in solid or liquid form, were being researched and in the homologation phase.

The share of complex fertilizers in total chemical fertilizer production in 1980 reached 36 percent, while the average concentration of active substance rose continually, reaching 37.3 percent in 1980. Particular priority was given in the fertilizers with simple nitrogen to the manufacture of carbamide, which is the fertilizer with

the greatest concentration in active substance and the best physical-chemical properties. The increase in concentration in nutritional elements of the chemical fertilizers as well as in the percentage of complex fertilizers has created for agriculture important technical-economic advantages: reduction in the volume of work and expenses for packaging, handling, transport, storage and administration, together with increase in their efficiency.

In order to achieve the chemical fertilizer industry in Romania with a view to satisfying the requirements for a modern agriculture, there has been gradual creation of our own base for research, design, machine, equipment construction, specialized construction and assembly enterPrises and qualified operating personnel.

On the basis of the experience gained, there then was a gradual move to reducing the volume of imports, to assimilating more and more machinery and equipment in Romania, to taking over some important design activities. Ammonia production is being carried out for the most part in modern, large-capacity installations.

Carbamide production is being achieved in installations of 900 and 1,300 tons/day through the stripping procedure, which provides clear energy and economic advantagaes in relationship with the classic procedure applied on the first installations.

In order to obtain nitric acid and ammonium nitrate, our own technologies have been developed and they are superior to the ones previously imported from the viewpoint of technical-economic indicators.

What also has developed on our own technologies is the manufacturing of sulphuric, phosphoric acid and simple and triple superphosphate.

The recent development of NPK complex fertilizer production has taken place along the line of the nitric attack of the phosphate rocks according to the Norsk Hydro license, thus rejecting the consumption of sulphate for sulphuric acid used previously in the attack of phosphate rocks. Four production units have been built on this technology, each with a capacity of production expressed in P_2O_5 of 100,000 tons/year, with the last three being reproduced in Romania according to an imported model. Three of these units became integrated among the existing installations for nitric acid and ammonium nitrate, thus also achieving large savings in investments.

The Romanian research carried out in the Craiova Center for Chemical Fertilizer Research and in research groups at the chemical fertilizer combines under the coordination of the Central Institute for Chemical Research, has been based on the following important directions:

Creation of our own manufacturing technologies, our own fertilizers and catalyzers;

Diversification of the varieties manufactured on existing installations;

Improvement in the quality of products;

Recovery and utilization of waste and manufacturing subproducts;

Reduction in fuel and energy consumption;

Reduction in environmental pollution in the chemical fertilizer industry.

Table 1: Rise in Production of Chemical Fertilizers and Ammonia

	1965	1970	1975	1976	1977	1978	1979	1980
Chemical fertilizer (100% active substance)	*293,000	895,000	1,729,000	1,869,000	1,981,000	2,461,000	2,522,000	2,451,000
	** 100	305	590	638	676	840	861	836
Of which: With nitrogen (100% N)	*166,000	647,000	1,292,000	1,331,000	1,381,000	1,723,000	1,738,000	1,707,000
	** 100	390	778	802	832	1,038	1,047	1,028
With phosphorous (100% P_2O_5)	*127,000	244,000	404,000	493,000	548,000	660,000	709,000	687,000
	** 100	192	318	388	431	520	558	541
Ammonia from synthesis	*265,000	963,000	1,895,000	2,018,000	2,180,000	2,746,000	2,837,000	2,732,000
	** 100	363	715	761	823	1,036	1,070	1,031

* In tons ** in percent

Figure 1: Rise in production of chemical fertilizer 100% SA ($N+P_2O_5+K_2O$); fertilizer with nitrogen 100 %; fertilizer with phosphorous 100% P_2O_5; ammonia (NH_3)

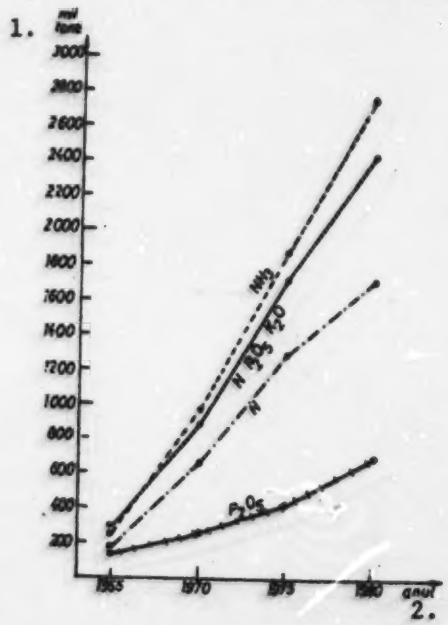

Table:

1. thousands of tons
2. year

Figure 2: Manufacturing Flow of Chemical Fertilizers

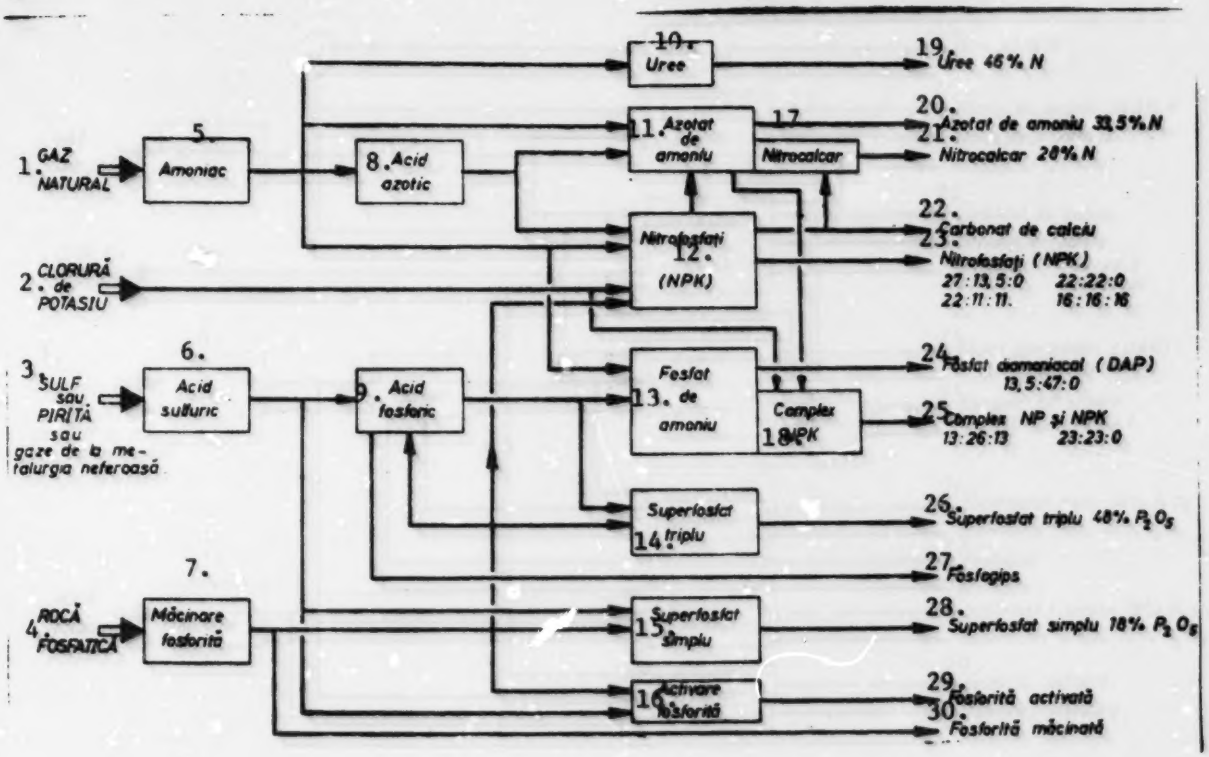

Table:

1. Natural gas
2. Potassium chloride
3. Sulphur or pyrite or gases from nonferrous metallurgy
4. Phosphate rock
5. Ammonia
6. Sulphuric acid
7. Phosphorite grinding
8. Nitric acid
9. Phosphoric acid
10. Carbamide
11. Ammonium nitrate
12. Nitrophosphates (NPK)
13. Ammonium phosphate
14. Triple superphosphate
15. Simple superphosphate
16. Phosphorite activation
17. Nitrocalcite
18. NPK Complex
19. Carbamide 46% N
20. Ammonium nitrate 33.5% N
21. Nitrocalcite 28% N
22. Calcium carbonate
23. Nitrophosphates (NPK) 27:13.5:0 22:22:0 22:11:11 16:16:16
24. Diammoniac Phosphate (DAP) 13.5:47:0
25. NP and NPK complex 13:26:13 23:23:0
26. Triple superphosphate 48% P_2O_5
27. Phosphogypsum
28. Simple superphosphate 18% P_2O_5
29. Activated phosphorite
30. Ground phosphorite

Table 2: Production Capacities for Chemical Fertilizer in Romania

Variety	N	P_2O_5	K_2O	Total SA	%	SF
A. Simple fertilizers						
Simple superphospate	--	140,000	--	140,000	3.4	824,000
Triple superphosphate	--	225,000	--	225,000	5.4	505,000
Carbamide	1,380,000	--	--	1,380,000	33.3	3,000,000
Ammonium nitrate (including nitrocalcite)	842,000	--	--	842,000	20.3	2,440,000
Ammonium sulphate	82,000	--	--	82,000	2.0	330,000
TOTAL A:	2,304,000	365,000	--	2,669,000	64.4	7,099,000
B. Complex fertilizers						
NPK (sulphuric attack)	65,000	124,000	21,000	210,000	5.1	380,000
NPK (nitric attack)	600,000	400,000	140,000	1,140,000	27.5	2,760,000
DAP	28,000	100,000	--	128,000	3.0	213,000
TOTAL B:	693,000	624,000	161,000	1,478,000	35.6	3,353,000
General total:	2,997,000	989,000	161,000	4,147,000	100.0	10,452,000

The technologies researched in the laboratory and piloted in industry then were transposed to the industrial scale through the contribution of the powerful detachment of designers in the Institute for Technological Engineering and Design for the Chemical Industry, which has made a basic contribution of its own engineering concept.

Chairs in higher education also have participated in creating our industry of chemical fertilizers, actually achieving a creative integration of research, education, design and production.

Our own technologies or licences have been researched and conceived, on whose base installations have been built without imports of licenses and engineering. Along this line we mention our own technologies and licenses created for installations of sulphuric acid from sulphur and gases from nonferrous metallurgy, phosphoric acid, nitric acid, granulated triple superphosphate, diammonium phosphate and complex fertilizers on this base, ammonium nitrate and nitrocalcite, fodder dicalcic phosphate and so forth. A number of patents for inventions have been obtained and recorded in the country and abroad for special technologies and equipment.

Along the line of diversifying production, new varieties have been created as follows: liquid fertilizer with nitrogen for big crops, foliar fertilizer for vegetables, carbamide with microelements (borine, zinc, molybdenum), carbamide covered with sulphur, potassium sulphate, complex fertilizers with potassium sulphate, ammonium and carbamide phosphate, ammonium sulphate, ammonium phosphates, ammonium sulphate, nitrophosphates with microelements, activated phosphorite. The production of these new varieties, checked in experimental lots, may be extended depending on the needs of agriculture and requests of the foreign clients.

The products' quality has improved, achieving the conditioning of complex fertilizers through sprinkling with Deroplast (alkyl-aryl-sodium sulphonates) and powdering with diatomite or vicamite and conditioning the carbamides by sprinkling with formaldehyde. The recovery and utilization of fluoride in the form of cryolite and calcium fluoride.

Special ammonizators are being experimented with during the manufacture of complex fertilizers and they simplify technology and equipment, at the same time reducing energy consumption.

Special attention in achieving the chemical fertilizer industry has been given to the problems of environmental protection, with measures being taken to avoid pollution of water, air and ground beyond admissible limits as well as to avoid sound pollution. Along this line, on the basis of our own research and our own design concepts, technologies, installations and special apparatuses have been created as the following, for example:

A nitric acid installation which eliminates under 100 ppm the NO_x in the final gases;

A sulphuric acid installations with double absorbtion which increases the conversion output to 99.5-99.7 percent.

Improved solutions for washing the gases, new scrubber types with high efficiency, which increase the productivity of trapping the fluoride and powders;

A procedure of biological cleansing of residual waters developed at the Fagaras Chemical Combine and applied to waters with carbamide, nitric ion and ammonia content;

Technical solutions for recirculating impure waters in the installations of nitrophosphates, sulphuric acid, diammonium phosphate, triple superphosphate and so forth, in this way reducing the impure water sent into the sewer or to the cleansing installations and, on the other hand, reducing the consumption of fresh cooling water accordingly.

On the basis of experience accumulated in the design, building and operation of chemical fertilizer installations, our own research and patents, this sector of activity has succeeded in moving from the complex importing to complex exporting of technologies and installations to the developing countries, thus participating in the transfer of technologies in this area. Along this line we mention the installations delivered and placed into operation abroad until now in the area of fertilizers:

Sulphuric acid to Samsun, Turkey and Abu-Zaabal, Egypt;

Granulated simple superphosphate to Elazig, Turkey;

Fertilizer complexes (sulphuric acid, phosphoric acid and triple superphosphate) to Homs, Syria.

Romanian specialists in the fertilizer industry, in research, design and production have made their important contribution to international collaboration, in this area cooperating with prestigious international institutions: UNIDO, BIRD, FAO, TVA, the Arab Federation for Chemical Fertilizer Producers and so forth.

If one bears in mind the scope and complexity of the installations specific to the chemical fertilizer industry, especially the sharp rate at which this industry has developed, one may state that the achievements in this area in the last 15 years have been particularly noteworthy and at the level of world technology.

In the new 1981-1985 five-year plan the tasks facing the chemical fertilizer industry are particularly mobilizing, at the level of the technical-production potential created and of the wisdom and opportunities accumulated by tens of thousands of workers in this area.

The directives of the 12th party congress provide that by 1985 a level of production should be reached in the chemical fertilizer area which provides the demands of agriculture in a proportion corresponding to the specific conditions in our country regarding basic nutritional elements: nitrogen, phosphorous, potassium and other elements such as sulphur, borine and manganese.

Specific tasks for development of the chemical fertilizer sectors also are included in the Program-Directive adopted by the 12th party congress for scientific research, technological development and the introduction of technical progress and in the energy area in the 1981-1990 period and the main directions up to the year 2000, as well as in the single national plan for Romania's social-economic development and the plan for development of agriculture in the 1981-1985 period in modernizing technologies and reducing energy and fuel consumption.

At the 1985 level, chemical fertilizer production should reach 4.05 million tons of active substance, should provide the requirements for agriculture in a proportion which corresponds to the specific ground and crop conditions as well as reserves for export. This level of production represents more than 1.65 times the production achieved in 1980. The growth rate for production is exceeding that achieved in the preceding five-year plan, which was 1.41.

In the 1981-1985 five-year plan, 11.64 million tons of chemical fertilizer of 100-percent active substance (nitrogen, phosphorous and potassium) are to be delivered to agriculture.

The increase in production will have to be achieved for the most part at the existing installations by better usage of the production capacities.

We see that special attention must be directed in this five-year plan to consolidating the installations placed into operation with a view to providing for their operation at the level of the capacities and indicators forecast.

Fertilizers with nitrogen, through the manufacture of ammonia, represent the biggest consumer of natural gas in the chemical industry and a large consumer of electric energy. In the current circumstances of the world energy crisis, a special emphasis must be placed on reducing the consumption of natural gas and electric energy. The following measures are unfolding for this purpose, aimed at:

Modernizing installations for the purpose of reducing energy consumption, primarily natural gas, fuel and electric energy. Absolute priority must be given, along this line, to the ammonia installations, by far the biggest energy consumers;

Recovering all the inventoried secondary energy resources which under the new circumstances justify being recovered from the economic viewpoint;

Providing continuity of manufacture through improvement in the system for the operation, maintenance and repair of equipment. We know that large quantities of natural gas and electric energy are consumed in the stops and starts, quantities which do not turn up in production and which lead to exceeding the specific consumption.

We mention that a collective of specialists in research-design-production has been established to reduce energy consumption in the manufacture of ammonia and their task is to initiate the necessary research and studies.

For the manufactures which utilize imported raw materials, phosphate rock and potassium salts, for example, attention must be directed to reducing specific consumption, increasing the installations' output as well as recovering the subproducts resulting from the manufacture and so forth.

Continuing, measures are being taken to increase the efficiency of manufacture by the recovery and utilization of subproducts and emissions which pollute the environment.

In this direction programs as follows arebeing worked out:

Recovery of the polluting fluoride released in the manufacture of fertilizers with phosphorous, in the form of useful products (cryolite, calcium fluoride);

Utilization of carbon dioxide,a subproduct in the manufacture of ammonia, phosphogypsum, a subproduct in the manufacture of phosphoric acid, calcium carbonate, a subproduct in the manufacture of nitrophosphates and pyrite ash, a subproduct in the manufacture of sulphuric acid;

The recovery and utilization of products which currently are being lost with the residiual water or with emissions into the atmosphere, also posing problems of expenses for depolluting (for example, sulphur dioxide, nitrogen oxides, ammonia, powders of products, valuable ions dissolved in the residual waters and so forth);

The recovery of useful elements from the catalysts used.

Greater attention continues to be given to diversifying and improving the quality of the fertilizers (improving the granulometry, more efficient conditioning in order to reduce the tendency toward concentration and so forth) with a view to raising their efficiency.

In order to increase the outputs of reaction, reduce the pressure losses in the catalytic reactors and reduce working pressures with a view to finally reducing energy consumption, special attention is to be given to research to improve the performances of the current catalysts and to create new catalysts with superior activity, ones which are less sensitive to poisoning, with mechanical properties and superior working life.

Aware that the five-year plan we have passed is an important qualitative leap in our work and in order to cope with our tasks, we will have to take action with much more initiative, courage and responsibility, each one at his place of work.

The achievements of the chemical fertilizer industry are included in the line of the grand successes obtained in development of industry, agriculture, science and culture, being a wonderful demonstration of the creative force of all the people and their unshakable determination to implement the grand goals of the Romanian Communist Party's scientific policy.

Special merit in guiding the development of our national economy and all of society under the complex conditions of current international life goes to the party's secretary general and president of the republic, Comrade Nicolae Ceausescu, who has made and is making a basic contribution to working out our programs, economic policy and the entire policy for building socialism.

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DATA ON MEAT EXPORTS, FIRST HALF OF 1981

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 10, Oct 81 pp 28-29

[Article by Milenko Nikitovic]

[Text] Exports of livestock products over the first 6 months of this year amounted to $147 million, which was 27.3 percent less than in the same period of last year ($202 million), and by the same amount short of the 1981 plan (Table 1). First there was a drastic drop in exports of young beef (two-ninths as much was exported), and then there was a drop in the exports of canned meat products to the United States (11 percent) and in exports of horses to Italy (12 percent). It is understandable that when there is a decline in exports under the three most important export classifications, the entire export program for 1981 is in jeopardy and must be rebalanced and brought within a realistic framework.

Table 1. Survey of Exports of Livestock Products, in thousands of dollars and tons

Livestock Products	1980 t	1980 $	1981 t	1981 $	81/80
Young beef cattle	9,002	16,476	10,189	18,689	113.0
Beef of young animals	34,786	81,789	7,578	26,869	32.8
Lamb	2,925	10,910	2,511	12,096	110.2
Horses	21,875	36,814	14,739	32,415	88.3
Pork	12,561	34,326	12,142	36,243	195.1
Canned beef products	1,705	3,092	2,238	4,379	141.0
	82,854	183,407	49,397	130,691	71.2 (value) 59.6 (amount)
Miscellaneous		18,836		16,509	
Total		202,243		147,200	72.7
Breakdown:					
Convertible area		181,912		123,624	67.9
Bilateral payments area		20,331		23,576	115.9

Exports of young beef cattle were up 13 percent, and there was a possibility of a further increase thanks to the rise of the EEC quota to 60,000 head. Sizable exports to the Emirates were contracted for, so that favorable results can be expected for the export of live animals this year. This will improve only in part the foreign exchange balance, since the drop in exports of young beef is considerable. Though slightly smaller in physical volume, exports of lamb for the first time reached a figure of $12 million, which mainly goes to Italy. In the second half of the year there is the possibility of marketing lamb and live lambs in the Near East. However, our prices are considerably higher than those of New Zealand and Australia, so that it is difficult to count on larger exports to those countries.

Exports of canned meat products have been showing a rising trend since the beginning of the year. It is disturbing, however, that exports to the United States have continued to drop. This negative trend, which began in early 1980, is continuing. Why is there a decline in exports of canned meat products to the United States? The reasons are exclusively those of the market. The drop in the prices of live hogs in the United States caused a drop in the prices of pork and canned meat products, imported goods above all. The price of live hogs in March was $1 per kilogram (48 cents per pound), which amounts to about 35 dinars per kilogram. Yet our price for hogs today is 60 dinars per kilogram. Then in the second quarter, the price of hogs rose, and that brought about a rise in the prices of canned meat products. Our failure is especially striking if it is compared with previous years, as can be seen from Table 2.

Table 2. Exports of Canned Meat Products to the United States

Year	Tons	Six months, in millions of dollars
1979	9,439	31.0
1980	4,800	13.0
1981	4,270	12.3

It is certain that we are greatly disturbed by the decline of exports, since we believe that by 1985 we would succeed in bringing exports of canned meat products to that country up to $100 million.

However, there has been an increase in exports of canned pork products to the bilateral payments area, and the transactions concluded so far guarantee exports amounting to more than $50 million. If we then add to that exports to other markets, the annual export plan will certainly be exceeded.

It is an unfavorable fact that exports of canned beef products are small in volume, though considerably higher in percentages than last year. Exports amounting to $5-6 million annually do not come close to representing our capabilities, which are about tenfold greater than that. As to markets for canned beef products, they do exist: Sweden, West Germany (canned beef stew, corned beef, stewed beef), which is not even to mention the countries in the Near East and Africa. Here again we come up against prices, since the price of our beef is far higher than the price of Argentina, Uruguay and the EEC.

We also have the common problem of the marketing of baby beef, and that problem is that we should undertake cheaper production of beef and not to continue our exclusive offering of expensive baby beef.

The export of horses in the first half of the year showed a considerable growth over 1980, at least in terms of foreign exchange, if not with respect to quantity. That is, an inflow of foreign exchange amounting to $32 million was achieved, so that after the 1-year lull there are prospects that this year we will again go higher than $50 million, which was in the past our "standard."

Exports of Young Beef

Exports of young beef were two-ninths of what they were over the same period last year. Thanks to that fact, exports of the products of animal husbandry this year fell short of the plan, since last year young beef represented almost 40 percent ($142 million) of total exports of livestock products. Exports amounted to 7,578 tons, as compared to 34,786 tons in the first half of 1980. If we take our annual export program at 60,000 tons of young beef, it might be said that this year we will export one-third, or 20,000 tons, unless some exceptional circumstance emerges in the meantime to enlarge and step up exports.

The situation with the EEC is well known. In 7 months four meetings of the council of ministers have been held with the Yugoslav question on the agenda, but the Yugoslav demand for free export of young beef to Greece was not issued a "visa."

From approval of the "mandate for negotiations" and then the opposition of France and Ireland, we have today arrived at the so-called "legal hiatus." That is, it is not clear whether the status quo has been extended to the second half of the year or not, that is, whether Greece can conclude a bilateral agreement with Yugoslavia. Seven months have already passed, and the bureaucratic machinery in Brussels has so far not shown a desire to resolve the problems of third countries with any more urgency. Finally, September was to come without a true picture of the outcome and fate of our demand for export of young beef to Greece. There is just one thing we should say here: at this point it is not another 15,000 tons we need, which was the subject of discussion by the council of ministers, nor the 40,000 tons we requested for Greece. This year we would be satisfied even by the amount under Article 11 of the Yugoslavia--EEC Agreement, which is 34,000 tons, of which 5,500 tons were exported to Italy in the first half of the year, but with the proviso that Yugoslavia's variable levy be reduced in the case of Greece, so that up to the end of the year it could export under normal conditions 25,000 tons of young beef to Greece.

In connection with the marketing of young beef Greece's entry into the EEC seems to have caught us unprepared and to have surprised the network of importers and exporters, representatives of government ministries for the areas involved, and also producers. Presumably people were convinced that nothing was going to change for us and that we would probably "work it out easily." But since 1 January not a single kilogram of young beef from our country has crossed the Greek border, and we have not sold a single kilogram in advance on the other side.

The first sales came for the Near East only in June and July. Has our network of export-import firms, consisting of 1,235 organizations registered for foreign trade transactions (not all, of course, for exports of food) and 1,059 business units abroad, been up to its task? In SR [Socialist Republic] Serbia alone there are 18 organizations registered for the export of products of animal husbandry, though the exports of this republic amount to about $90 million annually, which is approximately the turnover of one organization of moderate size.

The question is whether negotiations with the EEC on the question of our exports of young beef to Greece should begin only after Greece's entry into EEC, that is, after we see whether there actually is an embargo on our exports, and that an embargo in the sense that our goods cannot support charges exceeding 70 percent, which de facto signifies a prohibition. Or, for example, is it truly impossible to sell any amount of young beef at all on the market of Iran, Iraq, Kuwait, the Emirates, Lebanon and Jordan? Of all the many organizations, one and only one succeeded in June and July in selling certain amounts of meat and livestock to the Near East. What are they doing, those who have been designated by the Livestock-Raising Fund to research the market of the various countries?

These are all questions which should be critically analyzed and subjected to detailed analysis, all in the interest of our present and future exports.

7045
CSO: 2800/61

DATA ON YUGOSLAV RAILROAD CAPACITIES, OPERATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 24-26 Oct 81 p 15

[Article by Djordje Vasic, M.A.]

[Excerpt] It can be seen from the table that the density of Yugoslavia's rail network is very low compared to those other countries and stands only between Turkey and Greece. The density of the network on the area served by the Beograd Railroad Transportation SOUR [Complex Organization of Associated Labor] is lower than the density of Yugoslavia's network. Second, there is the favorable proportion of electrified rail line in Yugoslavia and the Beograd Railroad Transportation SOUR: that is, only Italy, Austria and West Germany have a higher degree of electrification. The number and carrying capacity of freight cars per kilometer of line in Yugoslavia and for the Beograd Railroad Transportation SOUR is also lagging behind the countries with which the comparison is made, except for Turkey and Greece. Conversely, utilization of freight cars, measured in net ton-kilometers per kilometer of line, is highest in Yugoslavia and on the network of the Beograd Railroad Transportation SOUR.

Status and Utilization of Railroad Capacity in Various Countries

Country--Railroad	Line Length, km	Line Length, km/1,000 m^2	% of Electrified Line	No of Freight Cars/Km of Line: No	No of Freight Cars/Km of Line: Capacity, t	Actual Net Ton-Km/Km of Line
West Germany	28,565	114.9	38.0	11.3	373.1	588
Austria	5,854	99.8	50.6	6.5	188.5	767
France	34,444	62.9	28.6	6.9	275.8	808
Turkey	8,132	10.4	2.5	2.7	81.1	682
Greece	2,461	18.6	--	4.5	108.0	207
Italy	16,072	53.3	53.7	7.4	215.3	406
Poland	24,415	78.1	27.3	--	--	--
Yugoslavia	9,381	36.6	31.6	4.8	184.7	1,569
Beograd Railroad Transportation SOUR	1,889	33.7	47.6	4.4	165.0	1,685

Within the framework of the Yugoslav Railroads the status and utilization of various aspects of capacity are to be seen from the following table:

Status and Utilization of Capacity of the Yugoslav Railroads by Railroad Transportation Organizations

Railroad Transportation Organizations	Line Length, km	Status of Freight Cars: On Books (IKP*)	Status of Freight Cars: In Joint Use on Network of Yugoslav Railroads (OKP**)	No of Cars/Km of Line: IKP*	No of Cars/Km of Line: OKP**	Actual Net Ton-Km/Car
Ljubljana	1,228	7,880	5,690	6.4	4.6	1,198
Zagreb	2,423	12,952	9,001	5.3	3.7	1,261
Sarajevo	1,030	7,670	5,670	7.4	5.5	1,414
Novi Sad	1,579	5,570	3,833	3.5	2.4	900
Beograd	1,889	8,006	5,430	4.2	2.8	1,285
Pristina	333	1,337	983	4.0	2.9	501
Titograd	227	833	518	3.6	2.2	675
Skoplje	672	2,238	1,421	3.3	2.1	719
Yugoslav Railroads network	9,381	46,486	32,546	5.0	3.5	1,169

* Rolling stock of individual organizations.
** Common pool of freight cars.

As we see, rail facilities are variously distributed over the regional network of the Yugoslav Railroads, and there is also variation in the level of utilization viewed in terms of transport work per car. In that respect the Beograd Railroad Transportation SOUR is below the average for the availability of freight cars, but in utilization of cars it takes second place in the network of the Yugoslav Railroads, immediately after the Sarajevo Railroad Transportation Organization.

More Optimum Utilization of Cars

The shortage of cars is the first and principal reason why the Beograd Railroad Transportation Organization has the highest expenses for operating cars of foreign railroad administrations and other railroad transportation organizations within the Yugoslav Railroads. The Beograd Railroad Transportation SOUR paid in the first 6 months of this year $120 million of foreign exchange to foreign railroad administrations for car use and 266 million dinars for use of the cars of other railroad transportation organizations within the Yugoslav Railroads.

The problem of the railroad car shortage on the network of the Yugoslav Railroads, and on the Beograd Railroad Transportation SOUR in particular, can be resolved first of all by purchasing a large number of up-to-date freight cars, especially since the present fleet is 54 percent written off. This problem can be resolved successfully by better pooling of resources by those who use and those who render transportation services and by ensuring more favorable credit terms and conditions for the production of freight cars in our own country.

The shortage of freight cars can also be appreciably mitigated by more rational use of the available cars in view of the considerable reserves. After all, during one circuit (the time from loading to loading) the car spends 32 percent of its time during loading and unloading at the user's premises, 37.5 percent in railroad yards for making up and disassembling trains, 17.7 percent during operations in other stations, and only 12.8 percent in trains. That accounts for the desire to make better use of cars by reducing the time they spend in loading and unloading (a contribution that should be made primarily by the users of transportation) and to reduce the time they spend in stations, which is after all the railroad's responsibility.

A second area in which there are common and broad social interests in higher utilization of rail transportation, above all by reduction of the share of transportation between one production unit and another in the shipping of goods, is concerned with the use of energy, especially imported liquid fuels. This would mean a contribution to reduction of the outflow of foreign exchange and to improvement of our country's exchange balance.

7045
CSO: 2800/60

END

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2 December 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2206

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2206

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REPORT ON FULFILLMENT OF 9-MONTH ECONOMIC PLAN

Sofia RABOTNICHESKO DELO in Bulgarian 30 Oct 81 pp 1, 2

[Report by Committee for Integrated Social Information System, Sofia, 20 October 1981: "Results of Fulfillment of Integrated Plan for Socioeconomic Development of Bulgarian People's Republic during First 9 Months of 1981"]

[Text] Transforming the decisions of the Twelfth Congress of the Bulgarian Communist Party into deeds, the working people of the Bulgarian People's Republic launched broadscale socialist competition, made new labor advances, and discovered additional potential reserves for raising efficiency in all spheres and activities of the national economy. The plan for the social productivity of labor was overfulfilled, as were the plans for net output, aggregate profit, and the adoption in production of scientific and technical achievements; average wages increased.

Industry

Fulfillment of the plan for commodity output disposed of and the rate of production growth, broken down by ministries, was as follows:

Ministries	Commodity output produced	
	Percent fulfillment of 9-month plan for sale of commodity output	1st 9 months of 1981 as percent of 1st 9 months of 1980
Ministry of Power Supply	102.4	108.2
Ministry of Chemical Industry	100.6	107.9
Ministry of Machine Building and Electronics	100.1	108.2
Ministry of Light Industry	100.8	105.9
National Agroindustrial Union	102.0	103.6
Ministry of Construction and Architecture	97.7	106.4
Ministry of Metallurgy and Mineral Resources	98.3	111.8
Ministry of Transportation	100.7	105.1
Ministry of Forests and Forest Industry	101.4	106.1

Ministries (continued)	Commodity output produced	
	Percent fulfillment of 9-month plan for sale of commodity output	1st 9 months of 1981 as percent of 1st 9 months of 1980
Ministry of Internal Trade and Public Services	102.0	107.9

Production of basic industrial products was as follows:

Product	Output produced in 1st 9 months of 1981	1st 9 months of 1981 as percent of 1st 9 months of 1980
Electric energy, 000,000 kwhr	26,721	106.0
Coal, 000 tons	22,860	98.5
Rolled ferrous metals, 000 tons	2,495	106.2
Electrotelphers, 000 units	95	101.1
Motor trucks, 000 units	15	95.3
Power transformers, 000 units	6	109.4
Soda ash (base 98%), 000 tons	1,092	98.4
Nitrogen fertilizers (base 100% including carbamide), 000 tons	560	101.5
Synthetic fibers and silks, 000 tons	75	105.0
Paper, 000 tons	256	109.5
Paper pulp, 000 tons	167	107.1
Cement, 000 tons	4,073	103.4
Cotton fabrics, 000,000 meters	264	102.8
Woolen fabrics, 000,000 meters	28	97.2
Silk fabrics, 000,000 meters	26	105.6
Shoes (excluding houseslippers and rubbers), 000,000 pairs	14	102.3
Meat, 000 tons	342	101.8
Meat products, 000 tons	69	105.1
Butter, 000 tons	16	96.5

Contracts for the delivery of commodities for the internal market were fulfilled 97.7 percent. Larger quantities of the following were provided: kashkaval [yellow cheese], edible vegetable oils, rice, canned meat and vegetables, sugar, nonalcoholic beverages, television receivers, radio receivers, passenger cars, motor vehicle gasoline, household refrigerators, bicycles, cast-iron radiators, motor-vehicle storage batteries, asbestos cement slabs etc.

Some economic organizations and units of industry did not fulfill their plan for the production and sale of products of importance to the national economy.

The plan for domestic services to the population was fulfilled 103.7 percent. Despite this, the growing needs of the population were increasingly unmet, especially in respect of radio and television sets, dry cleaning, and construction and repair services.

As compared with the first 9 months of 1980, net output per 100 leva of fixed production assets increased 0.5 percent. The plan for the social productivity of labor was overfulfilled.

II. Agriculture

During the 9-month period agricultural organizations and units of the National Agro-industrial Union fulfilled the plan for plant-growing and animal-husbandry commodity output. The wheat production plan was fulfilled and a larger amount was produced than last year. The barley production plan was not fulfilled.

Some okrugs were seriously affected by drought. Despite the intensive irrigation measures that were taken the yields of basic crops in individual rayons were lower than planned, which had an adverse impact on plan fulfillment for the entire country, particularly in respect of corn, sugar-beet and other production.

The number of head of agricultural animals and poultry on communal farms was:

(000 head)

Animals and poultry	1 Oct 1981	1 Oct 1981 as percent of 1 Oct 1980
Cattle	1,443	99.7
including: cows	490	101.2
Sheep	6,643	99.5
Swine	2,946	98.5
Poultry	27,664	99.7

In comparison with the 1980 9-month period, more cattle and poultry in slaughtered weight and more milk, but fewer eggs were purchased from all categories of farm. Nonfulfillment of plan for all animal products occurred in the following okrugs: city of Sofia, Burgas, Varna, Veliko Turnovo, Vratsa, Pazardzhik, Pernik, Pleven, Turgovishte and Khaskovo.

III. Construction

Construction organizations fulfilled the plan for construction and installation work for the 9-month period 100.1 percent, or 74.3 percent of the annual goal. Fixed assets worth 2,741,500,000 leva were put into operation; much existing production capacity was modernized and reconstructed. The following came into operation: polypropylene plant at the Burgas Petrochemical Combine, new sulfuric acid system at the Georgi Damyanov copper-producing combine, modernization and reconstruction of the "Madara" Truck Combine in Shumen etc.

Housing units completed and handed over to the population: 33,107, or 45.3 percent of the annual goal.

New kindergartens with accommodations for 2,957 were put into operation.

Fulfillment of the annual plan for taking down capital investment lagged behind in the following ministries: chemical industry, machine building and electronics, metallurgy and mineral resources, light industry, internal trade and public services, communications, Committee for Culture etc.

IV. Transportation and Communications

The basic freight to be carried under contract by rail, motor and water transport and the plan for passenger carriage were fulfilled. A number of technical and economic indices pertaining to the use of transportation facilities were improved. The plan for aggregate profit and that for net output and for the social productivity of labor were fulfilled.

Also fulfilled was the plan for revenues realized from services performed in communications. The postal system was expanded by 23 PTT [posts, telegraphs and telephones] stations; 96,000 new telephone sets were installed.

V. Internal Trade

The retail goods-turnover plan was fulfilled, and as compared with the 1980 9-months period, volume increased 4.6 percent.

Sales of certain basic food and nonfood items during the 9-month period as compared with the corresponding 1980 period were as follows.

Food and Nonfood Items	1st 9 months of 1981 as percent of 1st 9 months of 1980
Meat	108.5
Meat products and canned meats	105.4
Rice	95.1
Edible vegetable oils	99.6
Milk	99.2
Brynza [sheep's milk cheese]	101.7
Kashkaval	107.1
Butter	103.3
Eggs	103.7
Sugar	108.8
Fresh vegetables	99.9
Fresh fruits	120.3
Sewn goods	103.0
Furniture	107.2
Cotton fabrics	100.3
Woolen fabrics	97.2

Food and Nonfood Items (continued)	1st 9 months of 1981 as percent of 1st 9 months of 1980
Silk fabrics	101.1
Shoes	106.4
Household refrigerators	114.3
Household electric washing machines	160.2
Electric cook stoves	140.3
Vacuum cleaners	110.0

On the basis of the results achieved during the 9-month period, effective measures must be taken by managements and by labor collectives of enterprises, economic organizations, ministries and people's councils for a successful windup of the fourth quarter that will ensure comprehensive fulfillment, in respect of all indices, of the 1981 integrated plan for the socioeconomic development of the country.

6474
CSO: 2200/24

EDITORIAL TAKES CRITICAL VIEW OF 1981 AGRICULTURAL ACTIVITIES

Sofia KOOPERATIVNO SELO in Bulgarian 6 Oct 81 p 1

[Text] Only three months separate us from the year's end--the first year of the Eighth Five-Year Plan. The analysis of the past eight months shows that agriculture can expect better economic and productive results compared to that of last year. The record wheat and barley harvest is an important condition for the grain problem solution in our country. Compared to last year, better results are also being reported by enterprises of the food industry, agricultural machine building, and construction, as well as the auxiliary organizations for marketing and supplies, including VTO (Foreign Trade Organizations) and scientific ones.

The commodity production plan of NAPS (National Agroindustrial Union) has been fulfilled by 102 percent for the last eight months, and the plan for realized production by 99.7 percent. The quality indices plan has been fulfilled even higher.

At the same time, however, in some NAPS subbranches and activities, the expected results are far below the requirements of this year's plan. It is expected that some okrugs and agricultural organizations will not fulfill their plans and obligations for sales of grain, sugar beets, tobacco, beans, potatoes, meat, milk, etc. The food industry lags behind in fulfilling the plan for manipulated fermented tobacco, fodder yeast, sugar and sugar products, spirits, canned vegetables, frozen and sterilized fruit and vegetables.

There is no doubt that the unfavourable trends in the plan's fulfillment were definitely affected by drought and by untimely providing of machinery and raw materials to some economic organizations. However, thorough analysis of the economic results shows that drought and some problems in material and technical supplies are not the main causes. There have been droughts in the past, and there will be droughts in the future. And a perfect technical and material supply, as some economic activists understand it, will never be achieved. It is quite logical to inquire why, under comparatively similar climatic conditions and technical and material supplies, the results in different okrugs and economic organizations differ significantly. The average yield from fall crops as well as the expected average yield from spring crops in the okrugs and agroindustrial combines vary from 250 to 800 kg per decare. Thus weeds, not the drought, are the main enemy of our agriculture. That is why the expenses for chemical preparations

are increasing, and this year they reached the impressive amount of 75 million leva.

Recently, by decree of the Executive Committee of NAPS's Central Committee, comprehensive inspections of animal farming conditions were conducted in the okrugs of Veliko Turnovo, Varna, Vidin, Vratza, Mikhailovgrad, Lovetch, Stara Zagora, and Yambol. Irrespective of measures taken during the last months, inspections revealed that the same regrettable mistakes are still being made and the order and discipline in feeding and caring for animals are still being violated, resulting in deceleration of production and the buying off of animal produce. These alarming facts cannot be accounted for solely by fodder shortages, because during recent years the situation in okrugs like Razgrad, Silistra and Ruse, which experience no special difficulties in concentrated forage, fares no better than in the other okrugs in the country.

There are serious weaknesses in the food industry too. We can hardly accept as normal the fact that every failure to fulfill the plan is accounted for by shortages of raw materials and accompanied by urgent pleas for reducing the plan. Simultaneously, such a major resource as full and nonwasteful use of the raw materials remains unsolved and at many places is still at the conversation and general consideration stage. And how many other programs without real importance were developed?

All these weaknesses and unfavourable trends in the plan's fulfillment are reflected in the final economic and financial results of NAPS, OAPS (Okrug Agro-industrial Unions) and other economic organizations.

Where should the efforts be directed in order to ensure successful fulfillment of the 1981 economic plan?

Administration of the agro-economical organizations should concentrate its attention on the main resource that will help to overcome the plan's lagging fulfillment, namely to harvest crops promptly and without losses, to preserve well the agricultural production and utilize it completely. Observations of many years show that every year 40 to 50 kg corn per decare are lost in harvesting, and in harvesting sugar beets, losses range from 350 to 500 kg per decare. Nor are the losses in gathering apples, grapes and vegetables any less.

This year we should create a better organization for gathering and utilizing all the vegetative mass, especially that of the maize, sunflower, soy straw, and others. All possibilities for a complete solution of the silage problem are present. This can be done by preparing 1,500,000 tons of silage (by means of separate harvesting of the maize) more than the projection in the plan, and henceforth create a good basis for a year-round typified feeding of the ruminant animals.

The administration of the purchasing and processing enterprises has rich experience in produce utilization. This obligates them to take additional measures to organize round-the-clock work for creating high labor discipline and good order at the purchase stations, in order to avoid the waste or the inadequate use of a single kilo of agricultural produce.

Immediate measures leading to the greatest economy of materials, labor and money should be taken. Even though the basic produce expenses have already been made, we must organize a careful review and by the end of the year cut the unproductive expenses by at least 30 percent. Great possibilities for cutting the material expenses exist in feeding the animals. If the feeding and caring technology is strictly observed, no less than 50,000 tons of high-quality combined forage at the total price of 8 million leva can be saved by the end of the year.

Last but not least, the expenses of the "Work Salary" fund should be adjusted according to the expected real profits from the agricultural activity. For it is well known that without strict economic measures, the economic approach principles cannot be applied completely. The economic problems cannot and should not be resolved through feelings and emotions, but mainly through economic stimuli and sanctions.

Regardless of the difficulties and the complex problems, it is genuinely possible to overcome the lagging and to fulfill successfully the plan for the first economic year of the Eighth Five-Year Plan. Everything will depend on the improvement of the work organization and on the full mobilization of the efforts in the months ahead until the year's end.

9804
CSO: 2200/13

CSSR INTRODUCTION OF REMOTE CONTROLS TO HEATING SYSTEMS NOTED

Prague SVOBODNE SLOVO in Czech 16 Oct 81 p 3

[Article by kz: "Telegrams Shorten Peak-Load Periods"]

[Text] These are not ordinary telegrams. They are not sent off by the post office, but by the transmitter located in the high voltage distribution center or transformer station. They consist of a series of electric impulses which travel through the transmission system to the households. They are not received by men, but by special receivers attached to appliances--in this case to storage heaters or electric hot water storage heaters. Telegrams have a higher frequency than the standard 50 Hz in the grid and consist of a number of control commands. If the commands contained in the telegram agree with the commands set in the receiver, the appliance is switched on or off.

"We have approximately 350,000 storage heaters and approximately 800,000 electric hot water storage heaters in the CSSR today whose installed input is about 2,500 MW," said Eng F. Bizek of the general directorate of Czech Power Plants. It is enough--if we realize that the total load of the CSSR grid amounts to approximately 10,000 MW during peak periods. These appliances serve households and socialist organizations and consume electric energy during the night which is advantageous for our power sector. The switching on in the evening and switching off in the morning is achieved mostly by so-called rated circuit breakers approximately 600,000 of which are installed on the appliances in the entire grid. The timers which control them, however, do not work punctually and so it happens that the appliances remain switched on during periods of peak power consumption. For this reason, workers in the power sector must regularly adjust rated circuit breakers. This was one of the reasons for the introduction of the new system of mass remote controls--HDO. This system has many advantages. It controls thousands of appliances from a few centers so that power engineers can immediately eliminate a considerable power load. They use the present grid for switching on and off of appliances, and the HDO receivers installed on appliances work reliably and require virtually no maintenance.

The first HDO transmitter was put into operation by the power engineers at Cheb in 1981. There are already 32 of them in the CSR (the most efficient is in Prague-Malesice) and control approximately 60,000 receivers. The biggest progress in the HDO installation has been made in East Bohemia, West Bohemia and North Moravia krajs. Apart from switching on and off of storage appliances, this system is also used by the power engineers for control of public lighting, neon tubes in advertising signs, lights in store display windows, traffic lights and so on, HDO will also be used in the centrally controlled heat supply--in the regulation of operation of heat exchanger stations.

From 1 December 1980, approximately 40,000 users in East Bohemia, West Bohemia and North Moravia krajs participated in the experiment with mass remote control of storage appliances. The power engineers wanted to verify through this experiment the way in which they could best regulate electric power consumption during the day. Due to the steadily growing number of household appliances, the load in the grid increased unusually recently. This particularly applies to the beginning of their charging period--time zone--after 10 pm, when the load in the grid of certain areas almost reaches the maximum daily values. The third power consumption peak actually appears on the consumption graph at this time. The power engineers therefore tried to level the consumption graph, that is to reduce the load at the beginning of the night charging period and transfer it to the time when the grid load is lower. Electric energy consumption declines not only during the night, but also between 1 pm and 5 pm. The users were therefore divided into several groups with staggered charging periods and could take advantage of the lower afternoon rates which equal the night rates.

This experiment demonstrated that by means of mass remote controls, consumption can be transferred to periods planned in advance. When we compare the consumption graph in East Bohemia Kraj during January 1980 and January 1981, for example, we find that the power engineers succeeded through HDO in transferring approximately 65 MW to the night consumption period after 12 am and 30 MW to the afternoon. The quantity involved was somewhat smaller in May--50 MW at night and 20-25 MW in the afternoon. These values represent approximately 10 percent of the maximum grid load of the kraj. Since this experiment produced good results, the power engineers--after a detailed evaluation of the experiment--will apply these measures to standard operation.

The grid load of the storage appliances is to increase from the present 2,500 to 4,000 MW in the CSSR during the Seventh Five-Year Plan. During this period, there should be 6 big and 71 medium-sized transmitters as well as 280,000 HDO receivers in operation, in the CSR alone and HDO should cover approximately 75 percent of the CSR territory. Whether the power engineers will succeed in achieving this goal will depend not on them alone, but also on the suppliers of this progressive equipment.

10501
CSO: 2400/41

CITIZENS URGED TO APPLY THEMSELVES TO PLAN FULFILLMENT

Prague RUDE PRAVO in Czech 6 Nov 81 p 1

[Editorial]

[Excerpt] With less than 40 days remaining until the end of the year, many of the planned tasks remain to be accomplished and it is a good reminder that what may seem difficult today [in terms of energy savings] will be even more complicated the next year.

In most cases, enterprises are looking only for solutions at the prescribed levels of conservation and in many places not even that much. The latter will find it difficult indeed to find a way out--to fulfill the plan and use less fuels and energy in the process.

The fulfillment of the tasks is more successful in places where a counterplan has been prepared for this year, where the tasks were actually discussed with the workers, where they did not resign themselves to accepting the counterplan from "above," (which cannot even be considered a counterplan) but used the initiative of the entire employee collective. Unfortunately, there are only a few enterprises with good counterplans. Many an organization and enterprise management are blissfully assuming, and using it as an excuse, that as long as they do not have the exact and entire five-year plan, there is nothing they can do.

Is there really nothing they can do? Are they not aware of the dynamics of growth in the succeeding years of a five-year plan? Are they not aware of the continuous requirements for raw and processed material and energy conservation? Can anyone really be so naive and not assume that the Seventh Five-Year Plan, which is to be submitted in the second quarter of the next year will tighten the requirements, especially in the areas of energy and material consumption conservation? It makes it that much more inevitable, that the enterprises should use the counterplan methods and prepare themselves for the even more difficult conditions in the next year; that the management even now consult the workers on ways and methods for actions to be taken and how to accomplish the increasingly difficult future tasks more effectively.

We cannot continue only talking about the participation of the workers in management but must make it a part and parcel of an actual work method. The employee participation in management cannot be understood only in the bureaucratic sense as a mere formality but as a serious and basic component of the management of

the socialist society. It is an expression of trust toward the working collectives while at the same time it increases their responsibility for the joint results.

One of the conspicuous shortcomings of industrial management is the incorrect approach to the implementation of the Set of Measures. It is an extensive system of rules placing higher demands on a days work. Why is it then that so few places are actually discussing the implementation of the Set of Measures with all those involved in it? Is it an exclusive management problem? But that is not so! The entire working collective has the right to know what the new rules require of them and who is complying with them and who is not. That is because the consequences go either to the credit of the entire collective or they all are penalized for noncompliance.

Fulfillment of the Plan and the Set of Measures are not two independent measures isolated from each other. They mutually interact while many people are not being aware of this connection. They look for causes for unsatisfactory plan fulfillment everywhere else, mainly outside of the enterprise, without admitting that they are not implementing new methods and approaches.

Plan fulfillment must be perceived as satisfying the needs of the society with an efficient and rational utilization of all possibilities and resources, while not leaving idle production which is not of interest to them. It is absolutely necessary to attain the optimum solutions in the implementation of the planned tasks and thus lay the necessary conditions for the start into the next year.

CSO: 2400/67

TRENDS IN NUCLEAR HEATING PLANTS FORECAST

Leipzig ENERGIETECHNIK in German Vol 31 No 9, Sep 81 pp 321-329 manuscript received 25 Mar 81

[Paper presented at Dresden Technical University's 12th Colloquium on Power Plant Engineering, 25-26 November 1980, by Prof Dr Herbert Munser; Dr Beate Reetz, lecturer; Dr Guenter Glaeser and Dr Gerhard Schmidt, all with the university's Energy Conversion Section, Working Group on Energy Systems: "On the System Design of Nuclear Heat Supply Facilities"]

[Text] 1. Objectives

The primary energy situation in the GDR requires increased application of nuclear energy for the production of sources of consumer energy. Since about 50 percent of the need for usable energy occurs as demand for heat in the intermediate and low temperature range, a considerably greater reduction of the pressure on the supply of fossil fuels may be achieved through the production of heat from nuclear energy plants than can be expected with exclusive use of nuclear fuel for the production of electrical energy. The two basic possibilities for using nuclear energy to supply heat,

1. construction of nuclear heating plants,

2. implementation of power-heat-coupling in the nuclear power plants,

are tied to various boundary conditions of a territorial nature and in general present no alternative solutions through restrictions in the common electrical energy grid, nuclear power plant construction and coolant supply as well as the characteristics of the demand for heat in existing district heat supply systems and in those to be built.

In the following considerations for the optimal design of district heating systems based on nuclear heat sources, primarily system solutions for the second possibility will be discussed.

The coupling of electrical energy and heat production in power plants based on fossil and nuclear fuels assures high primary energy utilization and thereby constitutes an opportunity to control the primary energy situation with the production of high-quality sources of consumer energy. The optimal design of the heat transportation system based on hot water decides whether this kind of heat supply to principal consumer areas can be implemented.

Starting from the territorial boundary conditions of the heat supply areas, their heat requirement density, the maximum heat requirement, their time dependence characteristics and the distance over which heat must be transported, optimal design and operational conceptions as well as design and operational parameters are reported on.

2. Switching of Base and Peak Load Equipment

The large proportion of the capital expenditures on the total investment for the heat transfer systems basically speaks for their being used to meet base-load demand for heating. The nature of their combination and connection to the peak load equipment within the primary heat distribution networks in the areas of greatest demand influences the heat transport parameters and the volume flow in the transport systems. The efficiency of the power-heat-coupling in the power plants is highly dependent on the values of the flow and return temperatures of the hot water. With parallel coupling of heat transport systems as base load equipment with the peak load equipment in the heat transport system according to Figure 1, the advantages of the cogeneration of electrical energy and heat are fewer in comparison with series-coupled systems, since the inlet temperature of the hot water in the transport system as a rule is below that of the primary system. However, the greater heat transportation density results in a lower design and load-dependent mass flow in the transport line. For a base load fraction of $\alpha G_1 = 0.6$ in the design case, the relationship of the mass flow in the transport system to the design mass flow in the primary grid $\mathscr{G}$ for various methods of operation of the transport system is shown in Figure 2 as a function of the load characteristic $\beta(T)$.

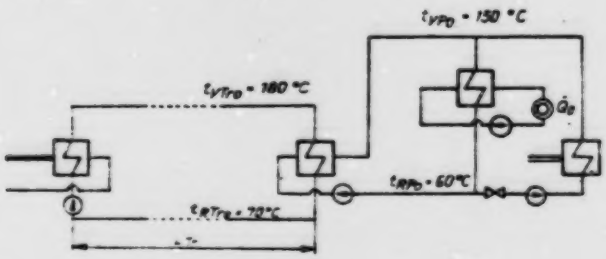


Figure 1. Parallel coupling of the transport system as a base load facility and the heat source in the primary grid as a peak load facility.

The flow and return temperature courses (t_{VTr}, t_{RTr}) were coordinated with the mass flow relationship for a given return temperature in the primary grid (t_{RP}) [1].

The functions designated as (1) and (2) are characteristic of variants of temperature-variable operation; (3) and (4) stand for two possibilities of quantitatively variable operation. In contrast, a series coupling of transport systems and peak load facilities according to Figure 3 ensures a heat supply in the nuclear power plant with lower flow temperatures than the ones produced in the

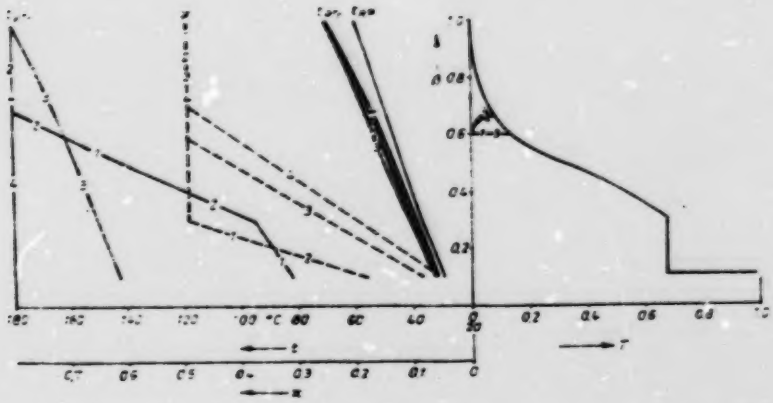


Figure 2. Course of temperature and volume flow in the transport system as a function of load in parallel coupling of base and peak load facilities.

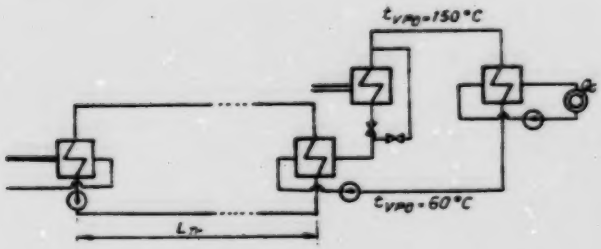


Figure 3. Series coupling of base and peak load facilities.

primary network. The proportion of this heat supply is determined by the base load ratio in the transport system. Figure 4 shows the course of the flow and return temperatures and of the mass flow ratios as functions of the load $\varkappa$. The assumption has been made that the mass flow ratio in the district heat line relevant to the one in the primary grid in the design case $\beta = 1$ is independent of the base load ratio αG_1. The base load ratio determines the projected flow temperature (in the example $t_{VTro} = 128°C$). (1) and (2) represent two variants of temperature-variable operational methods, and (3) represents a variant of the quantitatively variable operational methods of the transport system. Figure 5 explains once more the disadvantage of series coupling of base load and peak load facilities with respect to the design of the transport systems with a base load fraction $\alpha G_1 = 0.6$. In comparison with parallel coupling (P2) considerably greater diameters are optimal, dependent on the maximum design capacity of the primary system $\dot{Q}_{PO}$, although as a result of the hydraulic optimization in the linear-coupled transport line slightly higher velocities occur in the hot water.

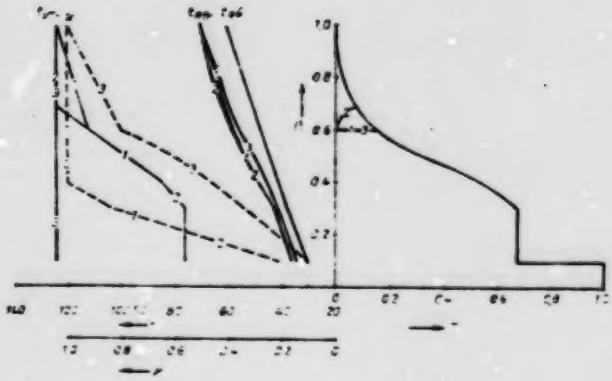


Figure 4. Course of temperature and volume flow in the transport system as a function of base and peak load facilities.

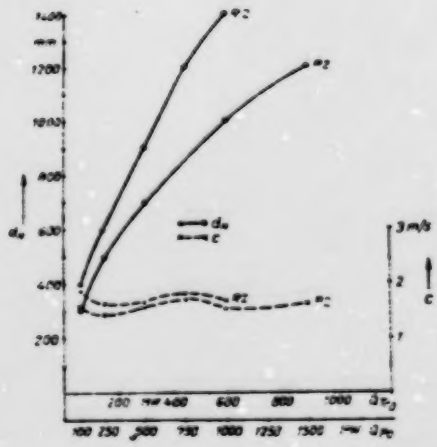


Figure 5. Optimal diameters and speeds as a function of the design capacity with parallel coupling (P2) and series coupling (R2) for $\alpha GL = 0.6$.

This different dimensioning of the district heat lines causes greater investment costs for linear coupling.

Furthermore, the output area in consideration can be accomplished by parallel-coupled systems with two-conductor lines, but not by series-coupled ones--assuming a maximal nominal diameter of the pipelines of NW 1,400. The opposite character of the social expenditure for heat production in the nuclear power plant and for the heat transport system for both forms of coupling leads to a

preferred region for series-coupled facilities, which remains limited to line lengths shorter than 10 kilometers and to a maximum heat output on the supply area of between 500 and 1,000 MW.

For the transportation of heat across greater distances, however, parallel coupling of the transport systems as a base load heat source, with the peak load facilities at the points of heaviest consumption, is in general to be preferred. The considerations for the optimal structure of the transport systems further presume this coupling.

3. Modeling and Balancing of the Component Systems

For the purpose of economic evaluations of district heat systems in the framework of trend studies, a model for district heat distribution facilities is shown. It is based on statistically reported figures for existing primary and secondary hot water grids in the GDR and permits various influential factors to be considered, such as the increasing share of hot water heating and different methods of operation of the systems (Figures 6 and 7).

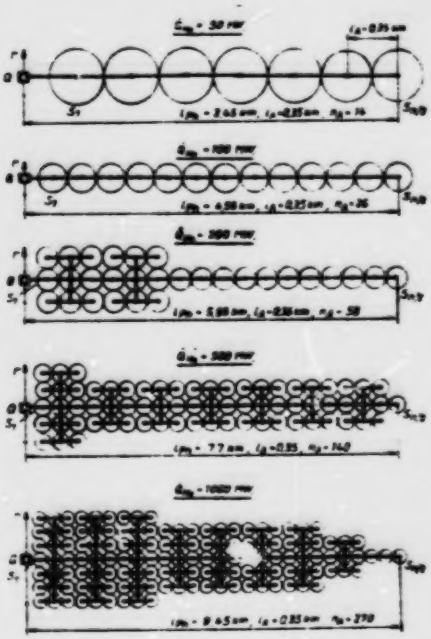
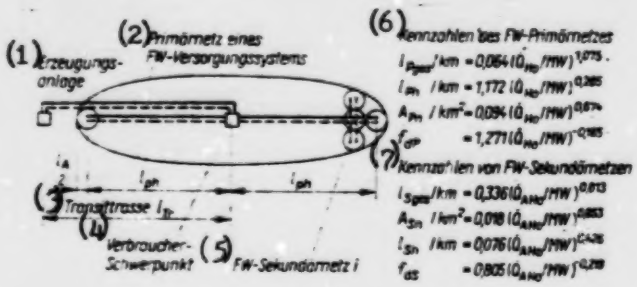


Figure 6. Models for a symmetry series of five system sizes for hot water-district heat networks.

Figure 7. Model of a district heat-distribution system based on existing district heat systems.

Key:
(1) Production facility
(2) Primary grid of a district heat-supply system
(3) District heat line
(4) Area of main consumption
(5) Secondary district heat grid i
(6) Indices for the primary district heat network
(7) Indices for the secondary district heat network



The primary grid of the inner cities can be represented as an ellipse, which includes the circular secondary grids [2].

A district heat line of variable length (ℓ_{Tr}) leads from a base load production facility to a peak load heating plant in the center of the consumption area. This model is also sufficient for planning purposes for other objectives, but cannot, however, replace the special study of a distribution system with discrete pipeline diameters for a specific location.

The basis for evaluating heat production in the nuclear heating plant is a method which is founded on the analysis of factors which influence social expenditure in the electrical energy production system. The additional social expenditure in the electrical energy grid system, which is dependent upon the coupled heat production, serves as an evaluation criterion. Investment costs are considered for "replacement" power plant capacity to be installed, which is in proportion to the maximum occurring output shortfall for electrical energy through heat production by the nuclear power plant and the fuel cost components of the electrical energy production costs of this "balancing" power plant, which is affected by design and operational criteria such as the base load fraction and the method of operation of the heat transport system [3].

The specific output shortfall by the power plant as a result of the heat production constitutes a characteristic quantity, which encompasses both the quality features of the steam power process and the heat extraction. Its dependence on the thermal efficiency of the water steam circulation process, the number of preheating levels, but above all on the flow and return temperatures of the heat carrier, was demonstrated by thermodynamic balancing, as well as by circuit diagram calculations [4]. Figure 8 shows the course of the specific output shortfall for electrical energy through the heat emission dependent on the flow temperature for various return temperatures, which is typical of the heat loss from a 500 MW saturated steam turbine block in a nuclear power plant with 1,000 MW pressurized water reactors. Preheating of the hot water is presumed in three stages with the aid of bleeder-type steam from the medium and high pressure portion of the saturated steam turbine. One should note the influence of partial load operation on the shortfall of electrical energy output, which brings about an improvement in the efficiency of the power-heat coupling with nearly all methods of operation.

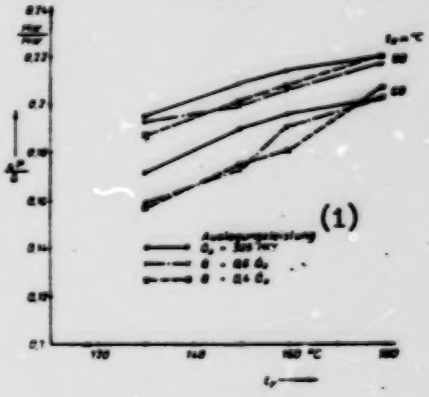


Figure 8. Electrical output shortfall ΔP through the heat transfer $\dot{Q}$ as a function of the flow temperature t_V and the return temperature t_R of the hot water.

Key: (1) Design capacity

Taking into consideration an annual load factor typical of the district heat supply systems of the GDR, the expenditure for heat production may be quantified, depending on the criteria of design flow and return temperatures, the base load ratio of the nuclear power plant and thus of the transport system to the maximum heat output in the supply area, as well as the methods of operation and the control regime of the transport line. Figure 9 shows the annual heat supply cost for the base load facility based on a design capacity of the supply area dependent on the base load ratio. The higher variable heat cost proportions connected to the volume control with the same design flow and return temperatures as compared to temperature regulation and the unfavorable effect of the higher design flow temperatures t_{VO} on the power-heat coupling process became evident.

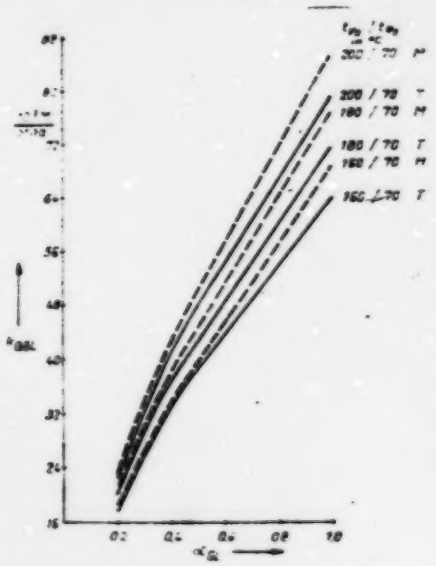


Figure 9. Annual heat production cost for the base load facility $k\dot{Q}_{GL} = k_{QCL}$ (I_{KW}) relating to the output capacity of the primary network.

According to the design output and annual operation of the nuclear power plant's heat production, which grows proportionally with the base load ratio, an increase in expenditure with the base load ratio can generally be recorded. However, if it is taken into account that with a decreasing base load proportion in the transport system the design and operation of the peak load facilities or heating plants in the peak demand area must, to an increasing extent, take over heat production, the dependence of the entire heat production cost shown in Figure 10 results. In accordance with the production program for power plant construction and the primary energy situation of the GDR, component solutions for steam generators based on raw brown coal were included in the considerations for the heating plants.

It is evident from Figure 10 that in the entire field of possible heat output, design parameters and methods of operation the need for heat can be more favorably met by the condenser power plant exclusively than by a combination of

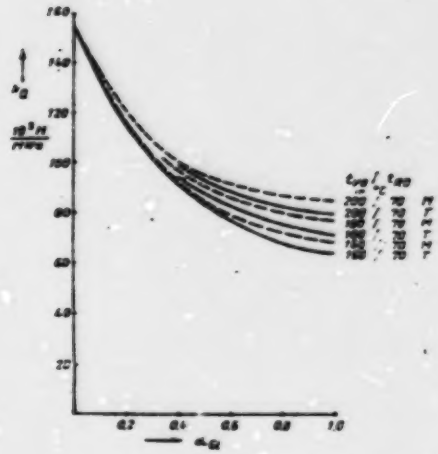


Figure 10. Cost of heat production from base and peak load facilities as a function of the design capacity of the system.

heating plants. This statement presumes an equivalent location of the base and peak load facilities. It shows that essentially the possibility and profitability of the heat transportation decides the utilization of the advantages of power-heat-coupling.

The use of hot water-displacement accumulators was studied with the objective of broadening the area of profitability of the transport systems through reduction of the heat production and the design capacity of the peak load facilities. Depending on the peak load components of the transport system and varied accumulator capacities, a reduction in heat production costs in base and peak load facilities can be demonstrated allowing for the cost of the short-time accumulator [5]. In particular in the area of higher base load ratios the incorporation of heat accumulators in the transport system at the location of the heat transfer station promises advantages both for the design and method of operation of the heat production and for the transport system (Figure 11).

The annual expenditure for the transport line relative to the maximum demand of heat of the supply region grows in step with the design capacity of the transport system (Figure 12). It thereby counteracts the dependence of the heat production cost in the base and peak load facilities of the base load component. With growing district heat line length the variation in the design flow temperature and in the control regime for large base load fractions almost leads to such an expenditure area, which is caused by a district heat line differential of 20 kilometers.

These two parameters in the design or operation have an opposite effect on the profitability of the heat transportation systems in comparison with the power-heat-coupling process and thus on the heat production.

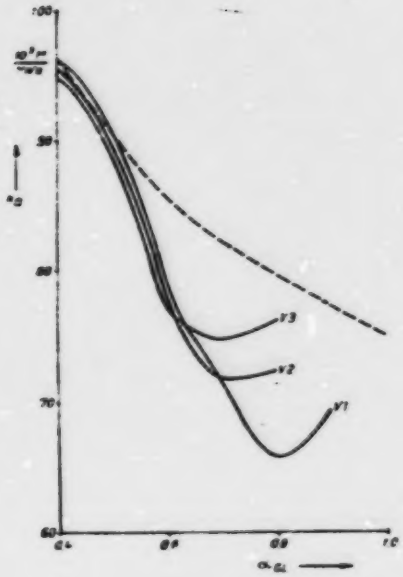


Figure 11. Heat production cost in base and peak load facilities.

——— with heat accumulator for various accumulator sizes

- - - - without heat accumulator

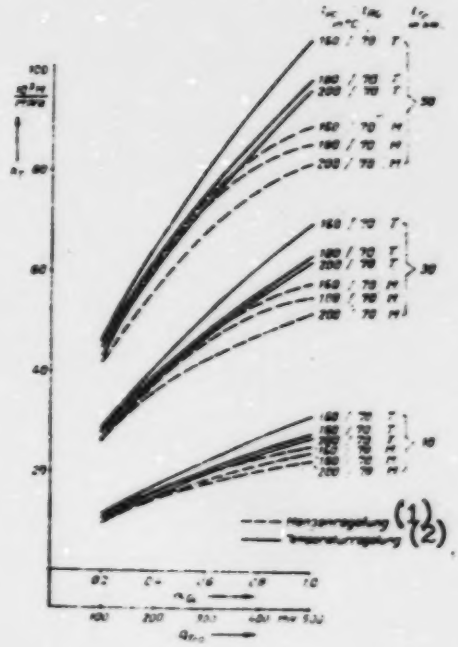


Figure 12. Annual transport cost K_T as a function of the design capacity of the primary system Q_{PO} = 500 MW as a function of the base load ratio α_{GL}.

Key:

(1) Volumetrically controlled

(2) Temperature-controlled

The dependence of the cost of the district heat line on the maximum heat demand in the supply area will be explained by comparing the outputs

$$Q_{PO} = 250;\ 500;\ 1{,}000\ \text{MW}$$

for the transportation distances of 10, 30 and 50 kilometers in Figure 13. For the design flow and return temperatures of 180/70°C the specific cost in volumetrically and temperature-controlled systems is shown as boundaries for an area which includes the design and methods of operation of mixed-regulated systems.

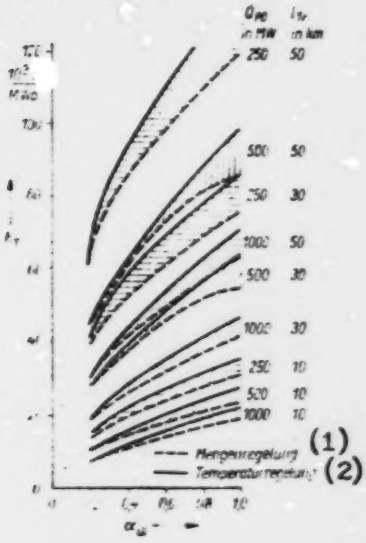


Figure 13. Annual transport cost k_T in relation to the design capacity of the primary system Q_{PO} for t_{VO} = 180°C, t_{RO} = 70°C.

Key: (1) Volumetrically controlled
(2) Temperature-controlled

A comparison of heat transportation costs for various design capacities in the primary system shows the influence of the transportation capacity on the transportability. When the system is designed for large heat capacity the specific transport costs for a district heat line length of 50 kilometers are only a little higher than the costs which occur in a system with smaller capacity for transportation over 30 kilometers. This statement is valid for the entire area of the base load components.

The cost development for the discussed capacities and district heat line lengths demonstrates the effect of the relative transportation distance $\ell_{Tr}/\sqrt{Q_{PO}}$ as a criterion for the profitability of heat transportation. However, the validity of this criterion becomes restricted when the design capacity of the transport system requires transition to multiconductor lines.

Figure 14 shows the specific transport expenditure for volumetrically regulated systems with a design flow temperature of t_{VO} = 180°C dependent on the maximum heat requirement of the supply area. The regions are delimited by the base load components α_{G1} = 0.6 and α_{G1} = 1.0.

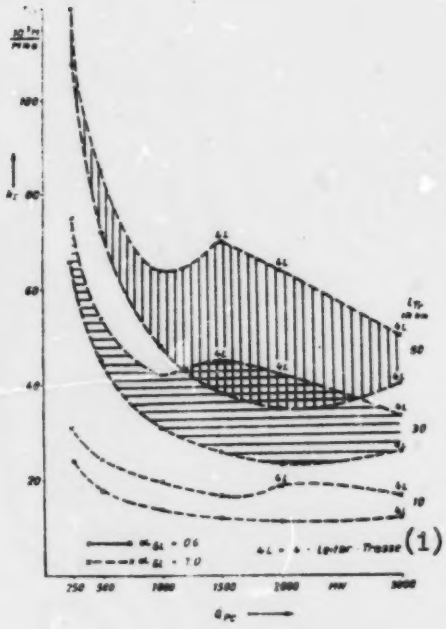


Figure 14. Specific transport cost as a function of maximum heat demand in the supply area for volume-regulated systems with t_{VO} = 180°C, t_{RO} = 70°C.

Key:

(1) 4 L = Four-conductor line

In designing the district heat lines for a base load component $\alpha_{G1} \leq 0.6$ a two-conductor line in the area of $\dot{Q}_{PO} \leq 2{,}000$ MW is sufficient. Dimensioning for the total heat demand requires a transition to four-conductor lines beyond $\dot{Q}_{PO}$ = 1,500 MW. The feasibility of producing pipelines of up to NW 1,400 is presumed. The abrupt development of the specific transport cost, dependent on the transition to multiple-conductor lines, becomes evident in Figure 15. Shown are the dependencies of the transport cost on the base load component for a maximum demand of heat in the supply area of

$$\dot{Q}_{PO} = 1{,}500;\ 2{,}000;\ 3{,}000;\ 5{,}000 \text{ MW}$$

The influence of the design flow temperatures on the transport cost is then relatively small in this high capacity region, when the number of parallel conductors in the variants do not differ. The reason for this is the choice of discrete nominal widths, which partially correspond despite different design flow temperatures. The difference in expenditure thus results only from the different delivery expenses. More serious is the effect of the control regime.

The hot water velocities in the systems designed for volumetric regulation are a maximum of 2.7 m/s, and in the systems designed for temperature regulation they are below 2 m/s. The number of pressure-boosting stations in the lines for all variants remains limited to two for district heat line lengths of 30 kilometers and three for 50 kilometers. The variants conceived through the design calculation thus take the demand for high reliability of supply into account. The deviation from optimum in the direction of greater nominal widths which is associated with this is connected with greater capital expenditure and reduces the favorable effect of the higher flow temperature.

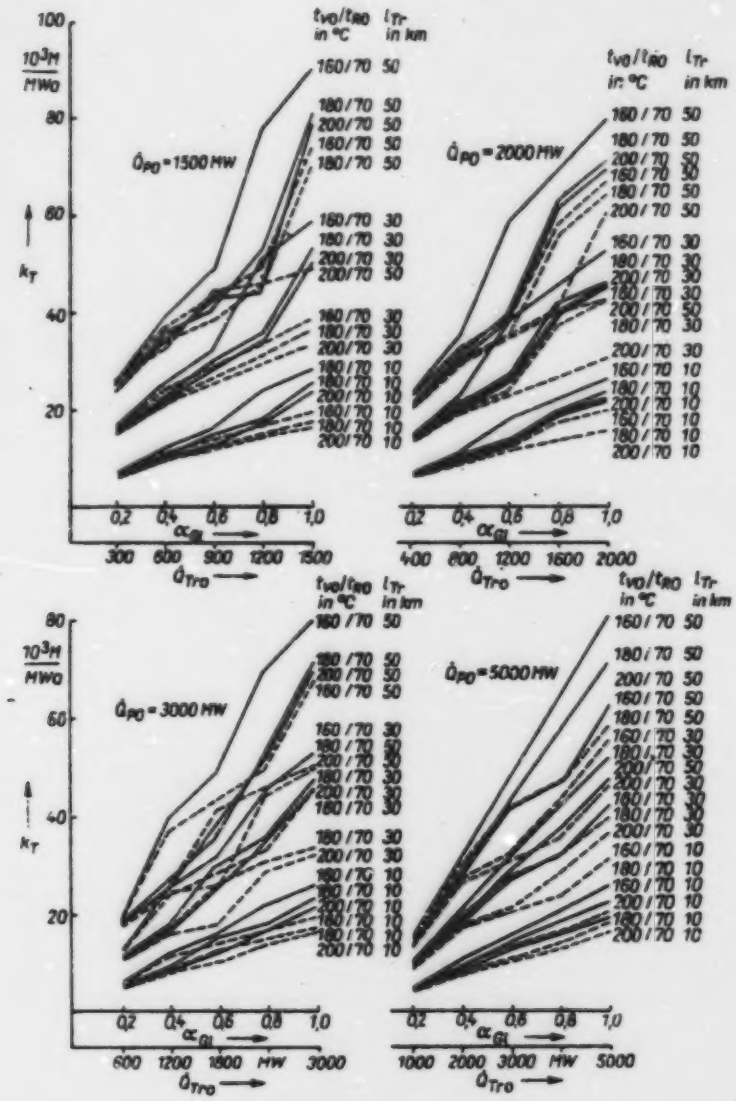


Figure 15. Annual transportation cost k_T relative to the design capacity of the primary system $\dot{Q}_{PO}$ as a function of the base load component α_{GL}.

- - - Volumetrically-controlled
——— Temperature-controlled

In these cost calculations it became evident that a heat demand in the supply system of $\dot{Q}_{PO} \leq 500$ MW cannot be met by a 50 kilometer district heat line. A decision about the profitability limits of the heat transport must take the cost of heat production in base and peak load facilities into account.

4. Optimal Design and Profitability Limits in Systems With a Closed Heat Carrier Circuit

As a criterion for the profitability of heat transportation, that is to say the possible implementation of transport systems, the cost of meeting the need for heat exclusively from heating plants fueled by raw brown coal in the peak demand area should be brought up.

The total expenditure for heat production by means of a hot water transport system and heating plants in the supply area will be discussed for a broad spectrum of maximum heat demand and transport conduit lengths depending on the base load component.

In Figure 16 the output region is shown, in which every design variant for the district heat line including total coverage of demand can be implemented by means of a transport system with two-conductor lines. The profitability limit for the district heat transportation--the heating plant input alone--was marked on the ordinate. It becomes clear that a transportation distance of up to 30 kilometers in the output region over 250 MW can be implemented. However, heat transportation in the area up to 50 kilometers presumes a heat output in the supply region of

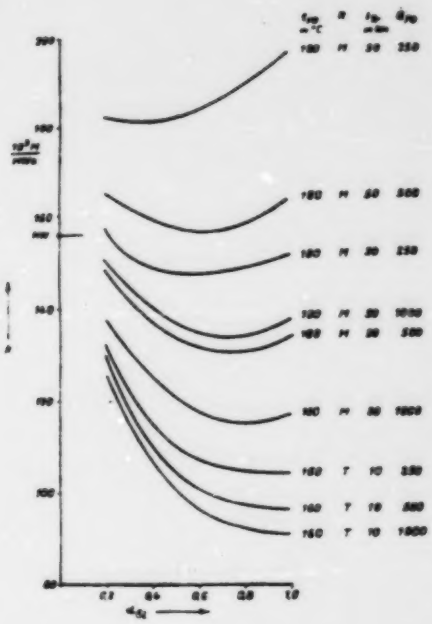


Figure 16. Total cost of heat production in relation to the maximum heat demand in the supply area in the output region of $250 \leq \dot{Q}_{PO}$ in MW $\leq 1{,}000$.
t_{VO} design-flow temperature of the transport system
M volumetric control
T temperature control
$t_{RO} = 70°C$

over 500 MW. For short line lengths of 10 kilometers a heat supply using the transport system with a combination of heating plants in the supply system is to be preferred. The consideration of the use of accumulators corroborates this statement. The flat behavior of the cost function in the region of optimal base load component of $\alpha_{G1} = 0.8$ for larger distances and greater capacities also favors renunciation of peak load facilities in the supply area while taking the use of accumulators into consideration.

The heat demand region of the supply areas between $1{,}500 \leq \dot{Q}_{PO}$ in MW $\leq 5{,}000$ MW was shown in Figure 17. Analysis of the formation of district heat lines showed that in this output region one must switch to multiple-conductor lines.

A comparison of cost in this region as opposed to the heat output $\dot{Q}_{PO} \leq 1{,}000$ MW (Figure 16) explains once more the superiority of large design capacities of the district heat lines, which results in an increase in the transportability of the heat.

The specific cost for all variants represented in the design of the transport system lies below the limit of profitability set by the sole coverage of the demand for heat by means of heating plants in the supply area.

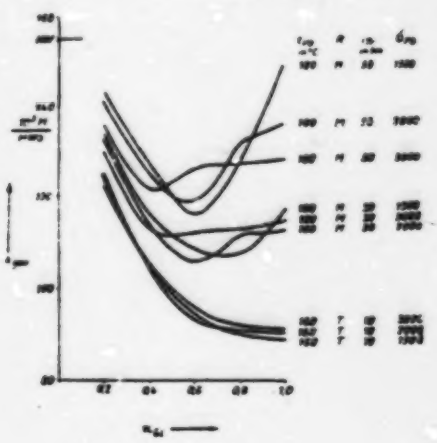


Figure 17. Total cost of heat production in relation to the maximum heat demand in the supply area in the output region of $1{,}500 \leq \dot{Q}_{PO}$ in MW $\leq 5{,}000$.

Conditioned by the necessary switch to multiple-conductor lines, the trend toward smaller expenditure with increasing capacity can no longer be proved, however.

For the discrete requirements of the supply of heat, minima occur in the cost functions, which become more pronounced with growing line length and as a rule run in the direction of lower base load fractions. For heat transportation over short distances the statements already made are valid. Meeting the total heat demand by means of the district heat lines is to be preferred over variants with

peak load facilities in the supply area. Heat capacities of 1,500 MW can be economically achieved through district heat lines of 30 kilometers' length with a base load fraction of 0.6 to 0.8--here as well the use of accumulators may contribute to possible coverage of the total demand for heat via a two-conductor line.

With this demand for heat, however, transportation distances of 50 kilometers may be more favorably implemented by district heat lines designed for a base load fraction of $\alpha_{G1} = 0.6$. The same statement is valid for heat outputs of 2,000 MW for both indicated transportation distances.

The requirement for a large number of conductors in the district heat lines for high transportation capacities results in optimal base load ratios of $\alpha_{G1} = 0.4$ for heat demand values in supply areas in the region of 3,000 MW [6].

5. Extension of Economic Transportation Radii in Systems With Direct Consumer Hot Water Withdrawal

The open hot water-district heat system constitutes a method of combined heating and hot water supply. If differs from the well-known closed systems by the fact that the additional water prepared in the heat production facilities is directly drawn off as hot water in the consumer installations. The economic effects result from the greater temperature spread in the medium, the reduction or elimination of the hot water return flow in the transport and distribution system and from the solution of the corrosion problem for centralized hot water heating and distribution. In the case of cogeneration of electrical energy and heat in withdrawal-condensation plants, condenser waste heat can furthermore be utilized and thereby primary energy and cooling water be saved and the burden on the waste heat reduced. The additionally required water heating capacity is reduced according to the condition of the intake water in the region of profitability of this method. Although considerable experience with the construction and operation of open systems is already available in the USSR, at the present time the problems have only been partially solved which result from the interrelations between the nature and capacity of processing, fluctuations in withdrawal and volume storage on the one hand, and corrosion in the district heat network and the quality of the consumer hot water on the other.

A necessary study of the suitability of district heat-circulation water as consumer hot water is based in particular on an evaluation of special literature to limit substances occurring in the water as well as a quantification of the impurities in existing closed district heat networks and in hot water distribution facilities [7]. It was demonstrated that soft hot water from open systems with respect to

a) the lower content of the water contaminants Cd, Pb, Zn and
b) the higher utility value of softened water for cleaning purposes

has a higher quality than hot water heated in recuperators and transported through galvanized steel pipelines. It may further be estimated that by using filters on the consumer side the iron content permitted for drinking water can be reduced

and the standards with respect to the degree of color and turbidity can be met. The flat taste which can be determined in softened or partially desalinated utility hot water may perhaps inhibit enjoyment. However, for health reasons total desalination of the additional water is not feasible for open systems.

Studies on the technological implementation also form a basis for an economic evaluation.

Figure 18 shows the principle of a coupling of the base load-heat production for an open system in the third loop of a nuclear power plant. Insofar as softening with the neutral exchange method is not sufficient because of an increased chloride content in the intake water, a two-stage partial flow desalination facility will in most cases be sufficient. This is connected in parallel with the softening installation and assures that the allowable limit is adhered to during operation.

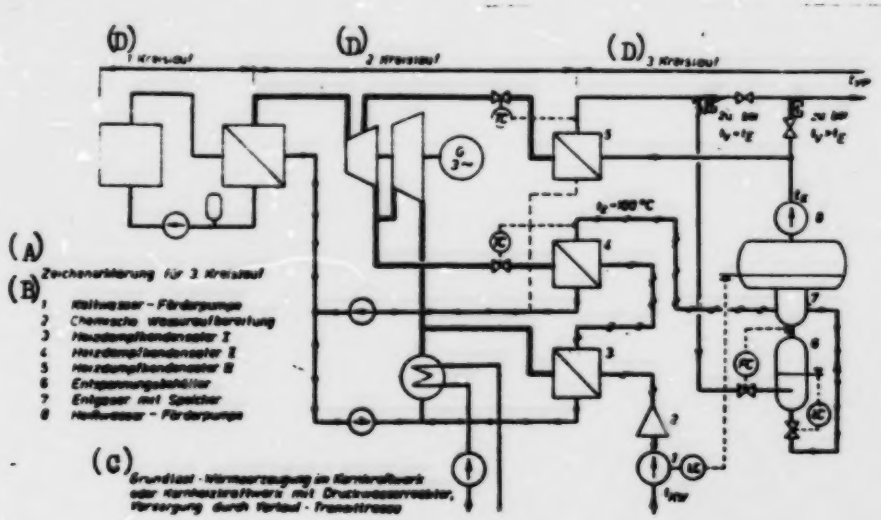


Figure 18. Schematic circuit diagram for the heat production plant of an open district heat system using the example of the third loop of a nuclear power plant.

Key:

(A) Explanation of symbols for the third loop

(B) 1. Cold water feed pump
2. Chemical water processing
3. Hot steam condenser I
4. Hot steam condenser II
5. Hot steam condenser III
6. Expansion container
7. Gas extractor with storage device
8. Hot water feed pump

(C) Base load heat production in the nuclear power plant or nuclear heating plant with pressurized water reactor, supplied by a flow transport line

(D) First (second, third) loop

(E) Closed when

Thermal degassing, which simultaneously eliminates germs by sterilization, constitutes the third of four heating stages in Figure 18. The steam is created through hot water expansion. The hot steam condenser of the first heating stage is coupled in parallel with the turbine condenser and thereby utilizes a part of the waste heat in the cyclic process during condensation operation.

A circuit recommended for the consumer area is pictured in Figure 19. Characteristic of the proposed concept are the flow mixing conduit to the return water for the purpose of keeping the hot utility water at a constant temperature, the filter installation, here shown only schematically, for reduction of the trivalent iron compounds, the utility water volume accumulator in a standing open construction and the indirect connection for tapping residential heat.

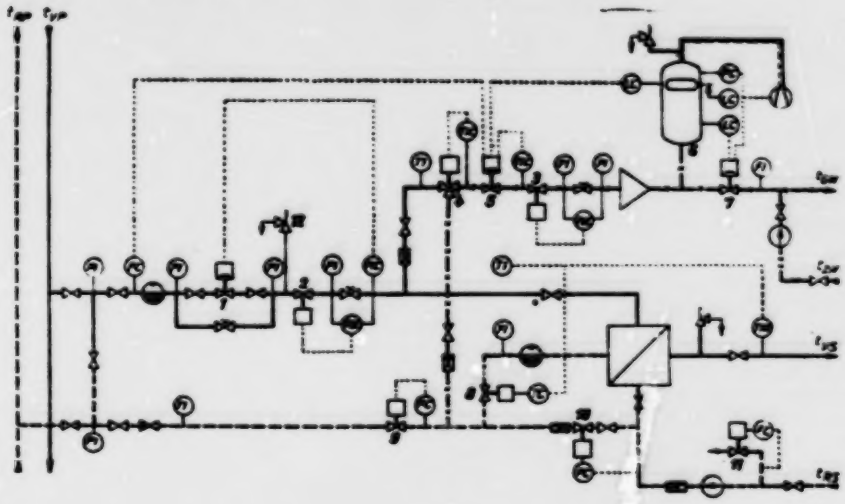


Figure 19. Circuit diagram of a receiving station for an open district heat system with indirect connection for heat withdrawal.

For the economic evaluation, which takes place according to the criteria of the social, capital and energy expenditures, a model system based on the preliminary studies is used. Figure 20 shows the compatible models for open and closed district heat systems.

The open system, shown to the left of Figure 20, is characterized by a base load-heat production plant with a free-lying flow line to the area of main consumption, a peak heating plant installed there, a two-conductor network in the inner city, as well as by a number of equally sized receiving stations with secondary-side-connected two-conductor heating network and utility hot water facilities.

The base load fraction is thereby subject to the restriction, that only the amount of consumer hot water tapped in the middle of the day can be transferred through the flow line.

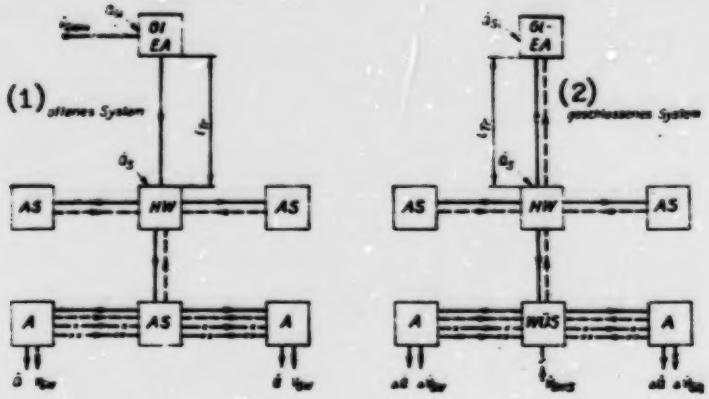


Figure 20. Model systems for comparison of open and closed district heat systems.

Gl-EA	Base load-heat production facility
HW	Peak load heating plant in the center of the consumer area
AS	Receiving station with storage devices
WUeS	Heat transfer station
A	Consumer of residential heat and hot water

Key: (1) Open system (2) Closed system

The discussion about the savings resulting from the above-mentioned component systems yields the following recommended application areas for open systems:

1. The greatest possible savings in social and capital expenditure can be achieved with base load-heat production in withdrawal-condensation operation with heat transportation over greater distances. The method of chemical processing of the added water is hereby of minor importance.

An aspect worth noting for the area of application for the supply concept is the possibility of decisive expansion of economic supply radii. In Figure 21 the transport line lengths of closed systems for three different intake water qualities have been coordinated on the abscissas with line lengths of equal cost for open systems on the ordinates. The transport distances of 15 to 30 kilometers for closed systems can thus, according to the respective maximum load, be equated with distances of about 60 kilometers for open systems. Hence, the supply of heat to the city of Magdeburg, for example, becomes part of the economic supply area for the Stendal nuclear power plant.

2. For base load-heat production in nuclear heating plants or in thermal power plants with withdrawal-counterpressure operation an economic area of utilization is also given when heat transportation must likewise take place over greater distances. However, with a high processing cost profitability limits amounting to ℓ_{Tr} = 8 kilometers will occur as a function of the maximum heat load.

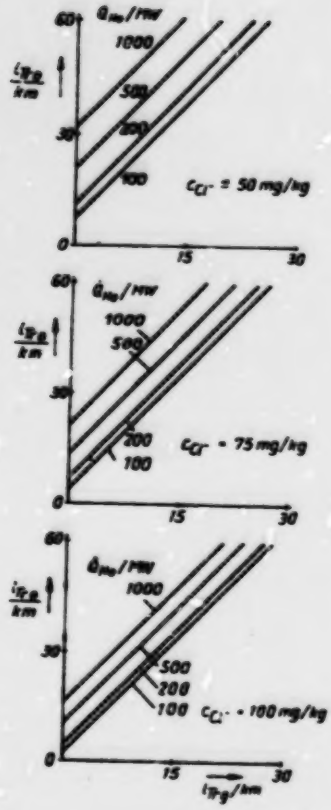


Figure 21. Transport line lengths with the same social expenditure for open and comparable closed systems for thermal power plant operation.
($\alpha_K = 1$, $t_{VP}0 = 180°C$, $kE = 50$ M/MWh, $v_Q = 7$)

3. Another recommended field of implementation for open systems is heat supply to new, delimited urban areas, by the use of condenser waste heat to preheat water, and by laying two-conductor lines to convey the entire heat supply. Consequently, implementation is practical for the expansion of existing systems as well. The demonstrated savings in social expenditure are in the magnitude of 5 to 20 x 10^3M/MWa as opposed to a comparable closed system.

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PROSPECTS FOR USE OF HEAT PUMPS OUTLINED

Leipzig ENERGIEANWENDUNG in German Vol 30 No 4, Jul-Aug 81 pp 118-120 manuscript received 21 Apr 81

[Article by Lothar Heinrich, engineer, Institute for Energetics/Central Office for Efficient Energy Use (IfE/ZRE), Leipzig, Dresden field office; and Leo Neumann, engineer, VEB Machine Factory, Halle: "Heat Pump Technology and Possible Uses in the GDR"]

[Text] Several facts--the visible end of fossil fuels; the increasing cost of their production; their increasing price in the world market and the consequent development of an energy consciousness--have resulted in a worldwide reconsideration of the heat-pump principle which has been known for over 100 years.

The use of heat pumps for heating or for combined heating and cooling makes possible significant savings in valuable primary energy. Heat pumps have become an important component of efficient energy use.

Thus, in recent years increasing numbers of heating units with heat pumps have been installed and put into operation in the GDR.

The intent of this paper is to present an overview of the most appropriate areas of application and the available technology.

As is known, a heat pump is an installation which gathers low-temperature environmental heat or waste heat from technological processes and gives it off at a higher temperature for heating purposes. This process, which operates against the natural temperature gradient, requires motive power to drive the cycle (a counterclockwise process).

Figure 1 shows a diagram of the workings of a heat pump. In a heat exchanger (evaporator), a working medium (ammonia, Freon, etc) with a low boiling point evaporates by absorbing environmental or waste heat. In the process, the heat (Q_o--heat of evaporation of the working medium) is extracted from the heat source. The compressor draws in the resulting working medium vapor at a lower temperature (T_o) and pressure (p_o) and compresses it at a higher pressure (p_k) and higher temperature (T_k). Motive power (w) must be used in this operation. The compressed working medium vapor is liquefied by external cooling in the next stage, the condensor, and gives off useful heat (Q_k). The high pressure of the liquefied working medium is reduced again to the

original pressure of the evaporator via a pressur release mechanism, (an expansion valve, for example), thus completing the cyclic process. The energy efficiency of of this process is characterized by the power coefficient, wherein the power coefficient is defined as the ratio of the heat power (Q_k) to the consumed electrical power (P):

$$\varepsilon = \frac{Q_k}{P}$$

$$Q_k = Q_o + P$$

Such processes have technically been in use for a long time in refrigerators.

Figure 1. Diagram of the Working Principle of a Heat Pump

Key to Figure 1:

1. Heat source
2. Electric motor
3. Compressor
4. Useful heat energy
5. Condensor
6. Energy flow
7. Expansion valve
8. Evaporator

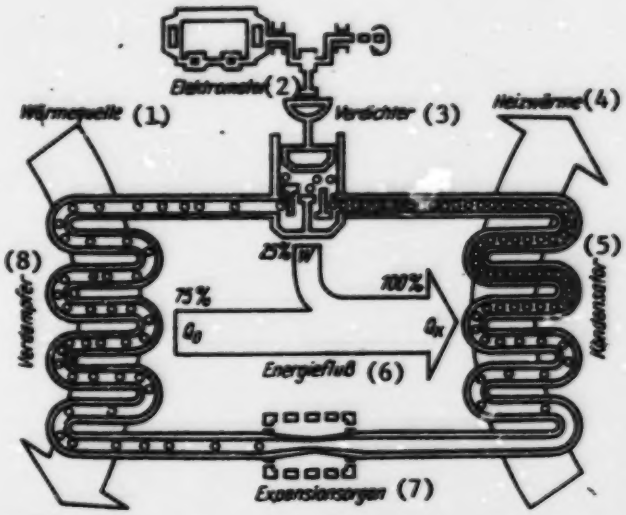

Bild 1. Schema zum Arbeitsprinzip einer Wärmepumpe

Refrigerators and heat pumps are identical machines in terms of process. They differ only in the type of technical and commercial application of the energy flows and in their internal optimization adaptations for the selected use.

While for refrigerator operation the heat occurring naturally in the condensor has in the past generally been wasted via cooling cycles as environmental energy, the purposeful use of the condensor heat energy is the goal of the heat pump configuration.

Thus the inherent, unique potential of the heat pump principle becomes obvious, namely the potential for coupling energy flows of different temperatures and the associated potential for seasonally related heating and cooling by means of one and the same machine from current production.

The heating-cooling coupling is an important, highly economical field of application for large heat pumps. Selected examples of the application of the heating-cooling coupling are presented in Table 1.

Table 1: Applications of the Heating-Cooling Coupling

Type of Installation	Heating Requirement	Cooling Requirement
Fish processing	hot water for cleaning	ice production
Meat-packing plant	hot water for cleaning	refrigeration and ice production
Dairy	hot water for cleaning	milk refrigeration and cooling of storage lockers
Slaughterhouse	hot water for cleaning	coolers and refrigerator rooms
Skating rink	room and possible hall heating	ice
Food locker	room heating and deep freezing	refrigerated lockers
Brewery	hot water	beer-cellar and wort cooling
Industrial energy centers	hot and warm water	refrigerant, ice, water
Community buildings	heating and hot water	air conditioning

The differential resulting from the coupling possibility, and also the coupling necessity, of various energy flows requires a completely different, more complex approach in planning and designing heating installations with heat pumps. For example, in comparison to heating installations with conventional heat generators, the balance loop to be considered around the heat source coupling has to be expanded. The internal process conditions of the heat pump and the parameters achievable with standard production machines make it possible to couple only in a limited temperature range, specifically the temperature range relevant for room and water heating, $\leq$ 70°C.

The greater the attention paid to specific application conditions, the better the chances for the heat pump as a pure heat machine (1), (2), (3).

The VEB Machine Factory, Halle, the manufacturer of refrigeration units and heat pumps, will produce the "KWS" model series with piston compressors and rated powers between 70 and 800 kW, in 8 power ranges.

Figure 2 [not reproduced] shows a medium-sized member of this series. Beginning after 1982, the power range of this water-water heat pump will be expanded by the "SKWS" series with screw compressors and rated powers between 785 and 2,300 kW, in 3 power ranges.

These large KWS and SKWS heat pumps are complete, factory finished, internally wired, pressure- and function-tested, largely automatic, compact units ready for use.

The heat source is water flowing through the evaporator side; water sources that can be used are ground water, surface water and low-temperature industrial waste water.

Because of condensor pressure limits, a maximum water preheating temperature of 50°C can be achieved with heat pumps of the types mentioned, using R 22 as the working medium. A summary of power values is given in Table 2.

Table 2. Power Values for Large Heat Pumps Produced in the GDR (VEB Machine Factory, Halle)

Type	Motor Power kW	Cooling Power kW	Heating Power kW	Power Coefficient HeatPwr/Drive Pwr
R 22-cold water unit with series-5 piston compressors*				
KWS 63-1h	18.9	48.1	65.5	3.42
KWS 80-1h	27.8	65.9	89.7	3.23
KWS 125-1h	34.4	92.9	129.7	3.38
KWS 200-1h	56.5	140.8	191.8	3.39
KWS 280-1h	82.9	204.1	277.6	3.39
KWS 400-1h	109.1	272.1	370.2	3.39
KWS 560-2h	164.0	408.2	555.2	3.39
KWS 800-2h	218.3	544.2	740.3	3.39
R 22--cold water unit with screw pistons				
SKWS 710	200.3	608.1	785	3.92
SKWS 1400	443.7	1269.1	1664	3.75
SKWS 2000	615.5	1747.7	2296	3.73

* Values are referred to the following parameters:

Hot water outlet temperature: 45°C

Cold water outlet temperature: 8°C

** Values are referred to the following parameters:

Hot water outlet temperature: 45°C

Cold water outlet temperature: 8°C

Modified designs of these large water-water heat pumps can also work as water-air or air-water heat pumps through combination with other sub-systems.

By using R 12, now under development as a working medium, existing machines can achieve water preheating temperatures up to 70°C.

Since the energy efficience of the heat-pump process is a function of the difference in temperature between the evaporation and condensation temperatures, it is degraded in this case so that this design will remain a special form for use with high-temperature sources. By operating several large heat pumps in parallel, the heat-power range can be correspondingly expanded.

Heat pump installations of very high power can also be assembled as individual units using component assemblies form the refrigeration industry.

The main field of application of large heat pumps reaches beyond the heating-cooling coupline to technologically related preheating and heating processes and to room and water heating for general use.

Energy-related and economic balancing studies covering the economy as a whole and the evaluation of experience with planned and existing heat pump installations show the potential for satisfactory application of this technology in both the industrial and consumer economies.

The first step will be to relieve the direct and night-storage electrical heating load demanded by residential neighborhoods and individual buildings served by single-wire electricity. Subsequently, high-priced fuels such as heating oil, natural and city gas and coke can be released to the benefit of the overall economy.

Electrically driven heat pumps can also be a suitable alternative for supplying heat to locations and buildings which are difficult to supply with solid fuels or which operate under severe environmental protection restrictions.

Because of differences in the overall problem, decisions regarding the use of heat pumps always presuppose a project-related comparative analysis with other conventional variants for supplying heat.

The energy-related rationalization of heat generation for the many and varied consumers of small quantities of power requires the increasing use of small heat pumps. Small heat pumps are complete, automatic, compact devices with integrated regulation and control boxes, ready to be plugged in and used. These are also manufactured by the VEB Machine Factory, Halle.

Beginning after 1982, the small LW 1.2 heat pump, which was specially designed to reduce electric power demand for water heating, will go into mass production.

This unit designed for interior--cellar, equipment or storage room--installation uses ambient air as a heat source and delivers 1.5 kW of heat power at a water temperature of 55°C while consuming .55 kW of electrical power. Combined with a 300-liter storage unit, the hot water demand for corresponding buildings can be covered very effectively. The small water-water WW 12 heat pump is currently available.

It uses water-connected heat flows--for example, ground water or any available low-temperature energy flows--as a heat source and ensures hot water temperatures up to 55°C at a rated heat power of 12 kW. Combined with a 2 to 4 m^3 hot water storage unit, it likewise offers the potential for effective hot water service. It is also suitable for heating spaces of corresponding heat demand, for instance restaurants, doctors' offices and, in some cases, individual dwellings.

Basically, the small heat pumps will have the same overall economic effect as the large heat pumps in releasing expensive fuels.

For consumers who find it difficult or impossible to gain access to water-connected heat sources, the small air-water LW 18 heat pump is now being developed.

Outside air, down to a limiting temperature of 3°C, is used as a heat source. It has a rated power of 18 kW and also produces hot water temperatures up to 55°C. Designed as a basic module for laternative bivalent heating units, the LW 18 can cover up to 70 percent of a year's heating requirement for consumers who use it.

Conceived for the future is a smaller, manevalent air-air heat pump to replace electrical resistance heating in small spaces; for example, newspaper stands, mobile construction buildings, railway engine cabs, crane cabs, etc. These will use the heat content of ambient air over the total heating period as a heat source and either blow heat directly into the space to be heated--similar to a resistance-type of electric heater--or couple into a central air heating system.

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WEST GERMAN STUDY EVALUATES GDR ELECTRONICS INDUSTRY

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 42, 15 Oct 81 pp 475-480

[Article by Cord Schwartau: "The Electronics Industry in the GDR--Lag in the Application of Modern Technologies"]

> [Text] For the past 20 years, the electrotechnical industry has been a leader in industrial growth in the GDR. Of course, output growth during the 1976-1980 five-year plan declined from an annual 10.2 percent (1971-1975) to 8.7 percent. The attainment of the generally ambitious growth targets of GDR industry during 1981-1985 will also depend on whether they can raise the annual growth in this industry sector to 9.3-9.6 percent. This is so not only because electrotechnology and electronics--accounting for a good one-tenth of industrial output and 14 percent of industrial workers--carries great weight but also because it was assigned a key role in the plan concerning the modernization of other industry sectors, the rationalization of administration, better supply for the population with durable consumer goods and, last but not least, the attainment of export goals[1].

Electrotechnology and Electronics at the Center of Combine Reform

Since 1980, the electrotechnology, electronics, and equipment construction industry sector has consisted of 17 combines, eight engineering schools and five foreign-trade enterprises. In the course of combine reform, the industry sector was enlarged due to reorganization and the establishment of new units. The number of employees rose from 400,000 in 1972 via 430,000 early in 1977 to 460,000 at the end of 1980; it reached 470,000 already in 1981. A comparison to the electrotechnical industry in the FRG (barely 1 million employees) is impossible because of the different ways in which the lines of demarcation are drawn. The Ministry of Electrotechnology and Electronics in the GDR also has under it the optical and precision mechanics industry, the watch and office machines industry, as well as locomotive construction but not the production of important electrical household appliances such as refrigerators and washers. They are under the Karl-Marx-Stadt household appliances combine which is under the Ministery of General Machine and Vehicle Building.

Even before the combine reform, there were more than 20 combines in the electrotechnology and electronics sector; they were partly under the former VVB and partly directly under the ministry. The VVB were dissolved in 1978-1979, new combines were formed, and existing combines were merged. This led to the establishment of Robotron--which today, with 70,000 personnel is the biggest combine in the GDR in terms of employees--as a result of the merger of a combine by that same name (25,000 employees in 1977) with the (larger) office machine manufacturing outfit Zentronik. The Teltow electronic components combine (founded on 1 January 1971) was merged on 1 January 1978 with the Gera Electronics Combine; the Hermsdorf Ceramics Works (founded 1 January 1969) were expanded in 1979 through the addition of the electrical wiring combine; the communications electronics combine since 1 January 1979 has been consisting of three formerly independent combines. Erfurt became the center of microelectronics among other things due to the merger of the watch combine in Ruhla (in which case there was a ministry switch) with the Erfurt Radio Plant and the Frankfurt/Oder Semiconductor Plant combines.

Many present-day combines or their most important enterprises have a tradition which can be traced back to the turn of the century and even before although this can be recognized by the name only in the case of Carl Zeiss Jena. Here we might mention for example, the "Rosa Luxemburg" NARVA Combine in Berlin, formerly called OSRAM; the Oberspree Cable Works and the electrical apparatus works, both in Berlin, formerly called AEG [General Electric Company]; the Sachsenwerk in Dresden (parent enterprise of the electrical machine-building combine), formerly called Siemens; and the "Hans Beimler" LEW [Locomotive Construction and Electrotechnical Plant] in Hennigsdorf, formerly AEG-Borsig-Lokomotivwerke.

The number of employees per combine in the sector of the Ministry of Electrotechnology and Electronics averages 270,500. Even the biggest combines (Robotron with 70,000, Mikroelektronik with 52,000, and Carl Zeiss Jena with 46,000) are not as big as the three leading concerns in the FRG (Siemens with 344,000 employees, AEG with 145,000, Bosch with 120,000); but in terms of the number of employees they exceed enterprises such as IBM-Deutschland (26,000), Deutsche Philips (28,000), Grundig (36,000), SEL (33,000), and the Carl-Zeiss Foundation (30,000).

Of course, the personnel effort connected with the management and administration of the electrotechnical industry in the GDR is very high (in 1979, 23.6 percent of all blue-collar workers and white-collar employees)[2]. The economic management has for years been trying to reduce the surplus personnel force and to increase the number of persons employed in production. But even in the production process itself, the share of administrative, work-preparing and supervisory work is very large. There is one general phenomenon in the GDR and that is that manual labor prevails whereas medium-scale and small-scale series production efforts are still the rule; the flow of materials as well as the stockpiling and transportation system are behind the times both in organizational and in technical terms. Only 2 percent of the assembly processes have so far been automated in the electrotechnical industry.

The export share of the GDR electrotechnical industry, that is to say, the share of exports out of the output volume, exceeds 50 percent and thus is higher than in the FRG. In the case of the Pentacon and Robotron combines, the export shares are more than 70 percent and in Carl-Zeiss-Jena they are as high as 80 percent. These

combines mainly turn out finished products. If we also take into consideration the indirect exports which are quite considerable in the electrotechnical industry, in other words, shipments for the export of other industrial sectors, then we find that far less than half of the total output of electrotechnical products in the GDR are available for domestic use.

In the sector of the Ministry of Electrotechnology and Electronics, 125,000-150,000 employees produced directly for the consumer. To this we must add workers in numerous smaller production and repair enterprises in the bezirk-managed industry, for example, the Rema Radio Factory in Stollberg, the VEB Elektromechanik Coffee-Maker Manufacturing Plant in Kaulsdorf, and the employees in the more than 1,300 enterprises which handle repairs of radios, phonograph equipment, and TV sets.

On the Key Role of the Electrotechnology and Electronics Sector

All of the primary goals of the five-year plan running until 1985 require considerable output increases in the electrotechnical industry.

Annual real growth rates of more than 9 percent and the goal of reducing the specific utilization of material, energy, and personnel presuppose modernization and specialization of many production enterprises in the electrical industry. The tight investment fund supply situation calls for increased shift utilization in the available capacities. The contribution which the electrical industry must make to the modernization of the other industrial sectors and in connection with energy savings measures, signifies, more EDP, more microelectronics, better control equipment, more engineering consultation and software, but also the use of motors, lamps, and systems with higher energy efficiencies. The foreign trade goals call for output increases in exportable products; the replacement of imports will necessitate the expansion of production to commodities hitherto imported, especially capital goods.

In spite of all efforts, the shift utilization factor in the GDR electrotechnical industry if anything deteriorated in recent years[3]. In 1979, the share of production workers assigned to the second and third shifts in industry as a whole came to 26 percent while it was 18 percent in electrotechnology and electronics. In many electrical industry sectors, the share of women workers is great, especially in assembly and inspection processes. Because many women are doubly burdened by household chores and jobs, the material incentives obviously are not enough to bring about a major increase in the readiness of these workers to go in for shift work.

Microelectronics has steadily been gaining significance since 1976. The production structure in electrotechnology was altered as a result of comprehensive investments. Today, 36 percent of the investments in the sector of the Ministry of Electrotechnology and Electronics go into the production enterprises for microelectronic components[4]. In 1980, there were 100,000 persons working in this sector (or they were counted as belonging to it). The directive for the 1976-1980 five-year plan did not devote any special attention to that and its key role in industry as a whole was stressed only in the middle of 1977. In the meantime, many enterprises were built up or expanded or modernized and partly also changed their production program. The research facilities were centralized in the newly-established combines. A center for microelectronics research and technology with more

than 7,000 employees was founded in Dresden and placed under the microelectronics combine in Erfurt. By 1985, the GDR wants to be one of the few countries that have a microelectronic basis of their own for the modernization of industry.

GDR-made microprocessors have been available only since 1978. The output of efficient small computers in the Robotron combine so far has been started up only in small series; the assortment of electronic components is still rather small in terms of range and quantity, compared to international standards. The use of microelectronic solutions however even today lags behind the modest technical possibilities and the actual use of microelectronics is confined in connection with series-scale employment only to very few products. Regarding the use of modern technologies, the GDR is considerably further behind than one might assume, looking at the level of its research results and the technical development of prototypes. As evidence in support of the contention that the GDR supposedly has caught up with the FRG in technological development, they are citing individual achievements, newly-developed microprocessors, process control systems, robots, EDP systems, glass-fiber cables, numerical control systems, etc.[5]. Series production of course can be started often only years later and frequently only on a relatively modest scale. Contrary to the view prevailing in Western technical circles--to the effect that the GDR electronics industry has caught up and is only a few years behind--the gap between first-use and series-scale dissemination has if anything become wider. According to GDR data, the EC-1055 medium-level data system, which went into series production in the GDR only in 1980, is supposed to be superior to comparable IBM systems in some technical parameters; but the use of EDP in the GDR is still of comparatively minor significance. The lag compared to the FRG if anything has grown bigger over the past 5 years. Because Robotron is only producer of EDP systems in the GDR and exports more than 70 percent of its products and because GDR import possibilities remain limited, this lag will probably grow bigger in spite of all efforts by 1985.

In 1971-1975, the number of EDP systems still doubled to about 500 units; in 1980, in other words, 5 years later, only 600 systems were in use, including at least 200 which would still be classified under the so-called second equipment generation. In the FRG, as a rule, one generation relieves the next one whereas in the GDR, the plants remain in operation, next to each other. Apart from that, the number of EDP systems in the FRG more than doubled from 1975 until 1979 although the starting level here was incomparably higher (20,860 systems installed in 1975)[6].

The demanding goals of the current five-year plan must also be judged with some skepticism. Here we find that 40,000-50,000 robots and automats are supposed to automate the prevailing system of small-scale and medium-scale series production in the GDR industry; new machine tools are supposed to get mostly numerical controls; EDP systems and office computers are supposed to reduce the excessively high administrative expenditure. On the other hand, the question as to how modern technology is to be introduced technically and organizationally into the production process is as yet mostly unresolved. There is also a lack of sufficiently trained technical personnel. The number of persons employed in electronic data processing increased only from 10,000 to 70,000 between 1974 and 1980. All these systems however demand multishift utilization if they are to be profitable. So far it has been possible to meet this requirement only inadequately.

Electrotechnology plays a key role in the energy savings program. Microelectronics is to be used in order to increase the efficiency of old machines and systems, and to regulate and control them better. But higher energy and material savings can be achieved only if the new equipment units are not only "tied in" with existing systems but if microelectronics and machine output are coordinated with each other in an optimum fashion already during the design of the machine.

The efficiency of electrotechnical products is to be increased considerably. Today, even the light yield from such simple products as fluorescent tubes is one-fourth below Western standards. Washing machines and electric kitchen ranges consume 20-30 percent more energy[7]. The Electrical Machine-Building Combine of course even today produces more than 8 million electric motors per year, partly at the newly-built or modernized production facilities (new plants in Dresden, Heidenau, Thurm, and Wernigerode). More than half of the output of the electric machine-building industry however is earmarked for export. The requirements of the GDR national economy, for example, for DC motors, cannot be met. Almost all electric motors (according to GDR statistics, currently a total of almost 200 million), which mostly have a relatively poor energy efficiency, must thus continue to be used for the foreseeable future. The idea is to improve the efficiency through the installation of microelectronic rheostat resistances. This of course certainly is also only the second-best solution. Something similar applies to numerically-controlled machine tools. To be sure the GDR produced more than 5,000 of these machines but most of them were exported. In 1981, only 2,000 numerically controlled machine tools were in use in the GDR itself whereas the figure in the FRG was more than 25,000.

The GDR is behind even in the utilization of known technologies in terms of production engineering. In 1980 alone, 47,000 energy-savings heat pumps were installed in the FRG; in 1981, the GDR had a prototype of a small utility water heat pump (1 kw) of which 500 are to be built this year and 1,500 in 1982[8].

By 1985, the GDR will have to export even urgently needed electrotechnical producer goods to pay for raw material imports from the Soviet Union and that includes automatic telephone exchanges, EDP systems, and electronic computers worth R 1.2 billion. We can therefore anticipate that growth in the electrotechnology and electronics sector will be too small to be able to make sufficient equipment available for the modernization of domestic production. This is why the electrotechnical industry is to produce not only modern automation and rationalization equipment but must offer "sample solutions" on a larger scale which are then to be copied in combines outside the branch in the context of the so-called system of "in-house construction of rationalization equipment." The electrotechnical industry will then only supply electronic components which, for example, will be assembled into control systems in machine-building; but it so happens that the necessary specialized knowledge is virtually not available here.

Microelectronics in automobiles, in washing machines, and in entertainment electronics have become something quite natural in Western industrial countries. Simpler, traditional products in Western Europe encounter mostly saturated markets. The production of new, qualitatively particularly high-grade electrotechnical consumer goods therefore is a priority goal of GDR industry during the current five-year plan. For that purpose of course it would be necessary to expand the

production capacities quite considerably[9]. So far it has not been possible to accomodate the wishes of the GDR population. By 1985, the domestic demand for color TV sets, pocket computers, and do-it-yourself appliances will certainly be met in a better fashion. But until then, the demand will again be guided by higher standards and new requirements at first will be capable of being covered again only with imports from Western industrial countries. For video recorders, driers, and dishwashers, the GDR will want to make available and will be able to make available adequate capacities just as little as for the urgently necessary renewal and expansion of the telephone network and the introduction of modern communications systems.

Outlook

Since the sixth meeting of the SED Central Committee in June 1977, the number of employees in the enterprises under the Ministry of Electrotechnology and Electronics went up by almost 40,000 persons (status as of the middle of 1981). In view of the continuing manpower shortage in the GDR, this growth factor will no longer be available to the same extent during the current five-year plan. Because only few additional funds can be made available for investments, it is realized also in the GDR that the growth targets are very ambitious[10]. It nevertheless remains to be doubted that the lag in the use of modern technologies will be reduced if those targets are attained. In addition to the considerable output of the electrotechnology and electronics industry sector we simultaneously also need increased acceptance of new technologies in the other economy sectors. Complaints are being voiced again and again to the effect that too many enterprises adopt an excessively hesitant attitude and wait until new solutions are just about forced upon them through central planning. The reluctance to take risks on the part of many combine managements would seem to be one of the causes here. Although microelectronics has been pushed increasingly in financial and personnel terms in recent years through government contracts for research and development, the combines which are involved in practical application activities continued to stick to a rather conservative assortment policy.

FOOTNOTES

1. See Otfried Steger, "The Implementation of the Resolutions of the Ninth SED Party Congress in the Field of Electrotechnology and Electronics," NEUES DEUTSCHLAND, 25-26 June 1977, pp 3 ff.

2. See Josef Morgenthal, "Management and Administration Must Be Rationalized in a Complex Manner," DIE WIRTSCHAFT, No 7, 1980, p 7.

3. "Utilization of Important Production Equipment in the Electrotechnology and Electronics Industry Sector," PRESSE-INFORMATIONEN, No 99, 23 August 1977, published by the Press Office of the GDR Council of Ministers Chairman.

4. See Gerhard Schuerer, "The 1981 National Economic Plan," NEUES DEUTSCHLAND, 13-14 December 1980, p 3.

5. For the technical level (1980) of microelectronics in the GDR, see Klaus Krakat, "Implementation of Scientific-Technical Progress Using the Example of Microelectronics," FS-ANALYSEN, No 1, 1980.

6. See also Peter Stahlknecht, "Forecast for the Data Processing Sector," in publication series of the Institute of Enterprise Management at the Free University, Berlin, 1980.

7. See, for example, "Lamps Must Shine Brighter, Using Less Current," NEUES DEUTSCHLAND, 31 October 1979, p 3, and Karin Gehrke, "We Must Take Lightly Anything that Is too Difficult," OSTSEE-ZEITUNG, 2-3 February 1980, p 3.

8. This small figure is bound to astonish us already because the use of heat pumps is stressed in the directive for the current five-year plan. See NEUES DEUTSCHLAND, 18-19 April 1981, p 4.

9. According to GDR data, only 20-40 percent of the production capacity of comparable Western enterprises are attained in the GDR for the production of washing machines, stereo-reflex cameras, refrigerators, and color TV sets. See also W. Wagner, "Leistungssteigerungen im Kombinat durch Produktionsspezialisierung" [Output Increases in the Combine Through Production Specialization], East Berlin, 1981, pp 7 ff.

10. See "Primary Mission: Exports--The Directive on the Five-Year Plan for the Economy of the GDR, 1981-1985," prepared by Doris Cornelsen, WOCHENBERICHT DES DIW, No 31, 1981, pp 355 ff.

Directly-Subordinated Combines of the Ministry of Electrotechnology and Electronics

Combine	Date founded	Employees	VEB in combine	Production Program
Combine for Construction Automation Equipment, Berlin	1 Jan 1979	28,000	10	Microelectronic control system, especially for power plants, cement plants, and rolling mills, numerical control systems for machine tools, instruments for measurement, control, and regulating equipment
Carl Zeiss, Jena	1948	46,000	17	Magnetic tape storage units, optical precision instruments, eyeglasses, binoculars, systems for the production of microelectronics, Jena glass
Friedrich Ebert Electrical Equipment Works Combine, Berlin [EAW]	1 Jan 1979	33,000	26	Heavy-duty switches, relays, instruments for process automation, portable radios
Electric Power Equipment Construction Combine, Leipzig	1 Jan 1979	28,000	16	Eletric energy transmission and distribution systems, transformers, high-intensity current systems for industrial railroads, electromedical instruments, especially x-ray units.
Electrical Appliances Combine, Suhl	1 Jan 1970	11,500	8+6[1)]	Manual stirring and mixing units, vacuum cleaners, irons, grillés, hot-water heaters, household grinding appliances
Electrical Machine-Building Combine, Dresden	1 Jan 1980	26,000	15	Electrical machines from 0.5 w to 16 Mw; standard motors, generators, light machines, electrohydraulic instruments, drive motors for locomotives, diesel-electric systems, spin-driers and lawn mowers

Combine	Date founded	Employees	VEB in combine	Production Program
Carl Von Ossietzky Electronic Components Combine, Teltow	1 Jan 1978[2)]	24,000	11	Passive electronic components, condensers, plug connectors, printed circuit boards, layer resistances, electromechanical filters, record players, cassette recorders, switches and keys [buttons]
Vehicle Electronics Combine, Ruhla	1 Jan 1978	12,000	10	Electrical components for vehicles, starters, windshield wipers, and batteries
Wilhelm Pieck Oberspree Cable Works Combine, Berlin [KWO]	1 Jan 1967	17,000	13	High-voltage cables up to 150 kv, telephone wires, high-frequency cables, insulated wires
Ceramics Works Combine, Hermsdorf	1 Jan 1979[3)]	23,000	22	Insulators, ferrite components, hybrid circuits, sparkplugs, electrical wiring material, low-voltage switches, joint prostheses
Hans Beimler Locomotive and Electrical Equipment Construction Combine, Hennigsdorf [LEW]	1 Jan 1970	13,000	8	Locomotives, motor coaches, electrical insulating materials, resistance welding equipment, condensers, electrical industry furnaces, electron radiation systems
Microelectronics Combine, Erfurt	1 Jan 1978	52,0-0	22	Semiconductors, integrated circuits, optical electronics, microprocessors, pocket computers, watches, electronic games
NARVA Rosa Luxemburg Combine, Berlin	1 Jan 1978[4)]	15,000	13	Light bulbs and light sources of all kinds, illumination equipment

Combine	Date founded	Employees	VEB in combine	Production Program
Communications Electronics Combine, Leipzig	1 Jan 1979	38,000	ca. 20	Telephone equipment, wire and wireless transmission equipment, telephones, teletype equipment, electromedical instruments, optical electronics, light conductor equipment
Pentacon Combine, Dresden	1 Jan 1979[5)]	10,000	6	Cameras, slide projectors, microfilm equipment, film developing automats
Robotron Combine, Dresden	1 Jan 1978[6)]	70,000	21	Medium performance category EDP systems, small computers and process computers, process computers, data collection instruments, word processing equipment, bookkeeping machines, typewriters, electronic equipment for entertainment, TV sets, measurement electronics
Radio and Television Combine, Stassfurt, for information[8)]	1 Jan 1979	20,000	17+10[7]	Radios and phonographic equipment, TV sets, cassette recorders, antennas
Telecommunications Combine of German Post Office	1 Jan 1979	13,500	16	Planning and construction of complete telecommunications cable systems

(1) Eight production enterprises and six customer service enterprises; (2) A combine by the same name existed since 1 January 1971 and the present-day combine resulted on 1 January 1978 from the merger with the Gera Electronics Combine; (3) Combine by the same name with 12,000 employees in existence since 1 January 1969, with the present combine established on 1 January 1979 through inclusion of all production enterprises of the electrical wiring combine; (4) Combine by the same name in existence since 1 January 1969, with merger with former illumination equipment combine taking place on 1 January 1978; (5) All camera producers in the GDR were merged on 1 January 1979; (6) The Robotron Combines were merged on 1 January 1978 (25,000 employees in 1977) and the (bigger) Zentronik Combine became the biggest combine in the GDR today, judging by the number of employees; (7) Ten VEB for radio and television sales operating since 1978 as pilot enterprises for 1,300 production facilities under all forms of ownership; (8) Not directly under the Ministry of Electrotechnology and Electronics.

Output of Selected Products in FRG and GDR

2 Erzeugnisse	3 Bundesrepublik Deutschland		4 D D R			
	5 in 1000 Stück				6 Pro Kopf der Bevölkerung (Bundesrepublik = 100)	
	1970	1979	1970	1979	1970	1979
7 Elektrische Haushaltsgeräte 1)						
8 Staubsauger	2 367	2 930	471	1 002	71	124
9 Elektroherde	1 206	1 813	85	161	25	32
10 Waschmaschinen	1 629	1 805	255	433	56	87
11 Kühlschränke	2 264	2 931	380	613	60	76
12 Nähmaschinen	530	407	190	239	127	213
13 Heißwasserbereiter (elektrisch und gasbeheizt)	2 837	1 592	384	592	48	83
14 Rundfunk- und Fernsehgeräte						
15 Rundfunkempfänger	6 720	4 148	807	964	43	84
16 Fernsehgeräte	2 985	4 105	381	584	45	52
17 davon: Farbempfänger	872	3 805	9	181	4	17
18 schwarz-weiß-Empfänger	2 113	300	372	403	63	486
19 Foto/Optik/Uhren						
20 Fernglaser	236	151	136	253	205	607
21 Fotoapparate	5 483	3 776	723	921	47	88
22 Armbanduhren	8 164	6 592	3 300	4 200	144	231
23 Büromaschinen						
24 Rechen- und Fakturiermaschinen	612	123	75	298	44	877

Key: 1--Based on GDR statistics, machine-building and vehicle-building product main group; 2--Products; 3--FRG; 4--GDR; 5--1,000 units; 6--Per-capita (FRG = 100); 7--Electrical household appliances[1]; 8--Vacuum cleaners; 9--Electric kitchen ranges; 10--Washing machines; 11--Refrigerators; 12--Sewing machines; 13--Hot-water heaters (electrical and gas-heated); 14--Radios and TV sets; 15--Radios; 16--TV sets; 17--Including: color TV sets; 18--Black-white sets; 19--Photo, optics, watches; 20--Binoculars; 21--Photo cameras; 22--Wristwatches; 23--Office machines; 24--Calculating and billing machines. Sources: Federal Statistics Bureau, special series 4, series 3.1 (1979), and special series D, series 3 (1970); STATISTISCHES JAHRBUCH DDR, 1980; calculations and estimates by DIW [German Institute for Economic Research].

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NEW GOALS FOR AGRICULTURAL PRODUCTION SYSTEMS URGED

Budapest KOZGAZDASAGI SZEMLE in Hungarian No 10, 1981 pp 1240-1250

[Article by Dr Laszlo Gasdag and Peter Csingear, economic analysts of the crop production system of the Szekszard State Farm]

[Excerpt] The first decade of the production systems was the era of search for the right direction, and of developing and solidifying the organizational forms. If we look at the type of research, innovation and adaptation work, that is, the innovative activity in the stricter sense of the word, and of the operative problem solving and gap-filling activity, [we see that] the latter were definitive during the 1970's. But the solution of these very tasks such innovative driving forces into the Hungarian agriculture through which or agricultural production came to be among the world leaders. The concrete innovation was limited mainly to adaptation. The closed system chicken factories and hog raising plants and the industrial-type plowland crop production technologies started to become popular in this country by adapting the western, mainly American examples. Modern, high performance machinery was needed for the industry-type technologies. The production systems also imported large numbers of these. The new technology, the use of high dosage chemical fertilizers, and the modern machinery even by themselves resulted in a wave of innovations, and revolutionized agricultural production. The way the nationwide production averages of the two main grain types developed, well illustrates the result. (See Tables No 1 and No 2.) Our grain production has doubled in 12 years. Not only the amount of gross production increased rapidly in the plowfield branches, but so did also the per hectare income--even though the specific income per ton decreased.

Today our grain production is among the world leaders not only with respect to production technology but also as far as its profitability is concerned. The degree of utilization of high performance and expensive machinery operated in the production systems is four or five times as high as these indices of the western farms.

In livestock raising the production systems revolutionized mainly the production of meat and eggs by introducing the closed system technologies. Unfortunately, these are energy demanding technologies, and thus the profitability of this branch gradually deteriorated while gross production increased impressively. For example, we were first in the world for years in per capita egg production, but production had to be cut back because export produced losses.

Our per capita meat production was also first in the world in 1979, but it is difficult for us to remain competitive with the western exporters who enjoy large state subsidies, especially in the UK, where the most varied tools are used to hinder agricultural imports from other countries.

On the other hand, our grain export is profitable without any subsidies, and there are no special obstacles to our exports.

Table No 1 Development of Corn Production Averages (1972-1980)

Year Designation	1972	1973	1974	1975	1976	1977	1978	1979	1980
KSZE*average (Kg/ha)	5864	5555	5536	6461	4700	5942	6283	6359	6320
Nationwide average (kg/ha)	3980	4050	4240	5020	3810	4640	5130	5400	5320
KSZE average as percentage of the nation-wide average	147.2	137.1	130.6	128.7	123.3	128.1	122.5	117.7	118.8

*Socialist Cooperation in Corn Production (located at Szekszard)

Source: MEZOGAZDASAGI STATISZTIKAO ZSEBKONYV [Argicultural Statistics Reference Book], KSH [Central Statistical Office, 1981.

Economic Evaluation of Corn Production, KSZE publication, 1980.

The innovative role of the production systems was, for the most part, limited to accepting the new technologies, and this was so successful because it created the appropriate framework for implementation. The operative tasks of the adaptation process were solved well. Thus the decisive factor was not the research and development activity but development of a new organizational and problem solving structure.

The Ways and Opportunities of Further Progress

The driving forces behind the great innovative surge initiated by the systems were exhausted by the early 1980's, and thus we must find new driving forces. Transferring the emphasis from the operative problem solving work of the past to research and development in the system organizing activity may just be the thing that represents further progress. To this day most of the system headquarters have been unable to attract the most outstanding exports with their special knowledge. The present wage regulation system also hinders this. The number of those specialists is small whose main job is to search for new things, to continuously follow with attention the world's agricultural literature, etc. We are not referring to taking over the work and the role of the research institutions, but rather, to even faster and further developed adaptation of the results born there. The production systems have become comfortable, and there is a danger of stiffening the developed methods. The structure of interests also tends to favo this. During the stage when the systems were growing, this fulfilled its role well; but now it may become an obstacle to further progress. In the plowfield crop production systems this structure of interests developed mostly spontaneously by the end of the 1970's. The main goal was rapid increase of the production averages, and this desire was mostly fulfilled from year to year. The increasing production resulted in increasing gross incomes, even though the specific costs were also rising. The good crop yeilds solved the problem of grain fodder for the farms.

The introduction of more reliable spare parts and service supply, and of the new, industry-type technologies provided the farms with advantages which made it their interest to remain in the systems. The system headquarters were interested in extensive growth because the larger number of partner farms and the increase of acreage even in themselves increased profits at acceptable rates.

Today, however, the production systems are faced with a different era. Their activities must be renewed, if they wish to remain the main driving forces in the agricultural sector. And this also assumes the right changes in the interest structure. Now it is necessary to work out concrete, personal and direct interest systems for the workers of the system headquarters. Attempts have already been made to do this, but the task is far from being solved.

The system centers carry very little risks nowadays, thus neither the innovative driving forces nor the conclusion to innovate have sufficient influence on them. Even though accepting risks is an important characteristic of all healthy economic organizations, the multifaceted aspect of the present organizational forms is worthwhile maintaining also in the future. Joint enterprises, economic associations or simple economic cooperation all have certain advantages and disadvantages when compared with the others. It is a fortunate thing that no geographic limitations were assigned administratively when the systems were developing. A healthy competitive spirit has thus developed between the systems, and this alone is a significant compelling force for them to innovate. We wish to note here that in our opinion the state qualification of production systems is nothing else than a covert form of administrative interference. The

Table No 2 Development of Autumn Wheat Production Averages (1975-1980)

Year Designation	1975	1976	1977	1978	1979	1980
KSZE average (kg/ha)	3670	4441	4798	4895	3651	5460
Nationwide average (kg/ha)	3200	3880	4050	4280	3260	4760
KSZE average as percentage of the nationwide average	1114.7	114.4	118.5	114.3	112.0	115.0

Source: Agricultural Statistical Reference Book, KSH, 1981

Economic Evaluation of Wheat Production, KSZE publication, 1980.

members themselves who participate in it, evaluate the operation of a cooperative organization. A farm also qualified a production system by resigning from it, or by becoming a member. Many people were worried in the 1970's about the "wild growth" of systems, and urged administrative interference. In our opinion this is a completely erroneous view. Administrative means may be used to interfer in the economic processes only if the national economic interests are violated.

The independence of production systems must be increased even if the systen in question is not an independent enterprise, a legal entity, but a part of a guest farming system. Even in this case it would be necessary to make the wage management of the system centers independent of the hosts, since highly qualified experts with broad vision can only be attracted to these centers if the wage levels there are not simply adjusted to the wage levels of an agricultural enterprise. For example, the KSZE Crop Production System which operates at maximum independence, is also struggling with the very

qualified experts with broad vision can only be attracted to these centers if the wage levels there are not simply adjusted to the wage levels of an agricultural enterprise. For example, the KSZE Crop Production System which operates at maximum independence, is also struggling with the very problems described above as a self-accounting unit of the Szekszard State Farm, and if this question is not solvable it may find itself in a difficult situation in the 1980's. In the final analysis, only that production system can remain competitive over the long range which will be able to ensure the appropriate staff of experts for itself.

The most modern technology was solidified during the 1970's, and world-class techniques became popular. Now follows the era of implementing minor perfections on the daily basis, and the speed of our future progress will depend on the coming decade on the frequency of these small steps in terms of time.

And all this will decisively depend on the human factors, since the tools and the economic foundation for it already exist.

The Szekszard KSZE Crop Production System

The KSZE was established in 1972 with the participation of 12 farms on 14,000 hectares, for the purpose of organizing intensive, industry-type corn production. In 1981 the system had 236 member partners, and the size of its integrated acreage exceeded half a million hectares. Unitl 1975 it grew only corn, but the need to utilize the expensive machinery park and the favorable experience of industry-type corn production urged the system's member farms and experts to add other crops. At the present time they supply professional advice for 13 plant crops.

The system kept the initials of its original name (Socialist Cooperation in Corn Production), since the KSZE emblem is a well known, sort of a trade name today in professional circles in this country as well as abroad.

The KSZE is not an independent enterprise but a simple economic cooperation, legally one of the self-accounting units of the Szekszard State Farm. The member farms enter into a bilateral contract with the system headquarters, and fix in this the size of the basic fee for services and the fee for incremental production.

Basicaly the KSZE operates in Transdanubia, with also a few member farms between the Danube and Tisza [rivers].

The oerational tasks are directed by six production organization units headquartered in Szekszard, Budapest, Szekesfehervar, Gyor, Kaposvar and Mohacs. In addition to these an office operates also in Vep. There are member farms in 10 of the country's megyes. Currently more than 50 services are provided, and they wish to further expand the circle of these.

In 1981 the KSZE is the country's second largest production system with respect to contracted acreage and the number of partners. It integrated 66.6 of the total plowfield acreage of the farms belonging to it in 1980. The degree of integration was 100 percent in the wheat branch, 91 percent in the corn branch, and 87.5 percent in the sunflower branch. In the corn branch KSZE's average production between 1972 and 1980 exceeded the nationwide production per hectare by an average of 1,270 kg per year, or 27.5 percent (see Table No 1.)

The system has been involved in autumn wheat and sunflower production since 1975. Today it produces wheat on more acres than Denmark. DSZE's wheat production per hectare between 1975 and 1980 exceeded the nationwide average by 581 kg, or by 15 percent (see Table No 2). For sunflower during this same time period the system's average was 368 kg, or 24 percent higher than the national average (see Table No 3).

Table No 3 Development of Sunflower Production Averages (1975-1980)

Year Designation	1975	1976	1977	1978	1979	1980
KSZE production average (kg per ha)	1307	1610	2083	2046	2126	2040
Nationwide average (kg/ha)	1190	1360	1530	1470	1830	1660
KSZE average as percentage of the nationwide average	109.8	118.4	136.1	139.2	116.2	122.9

Source: Agricultural Statistical Reference Book KSH, 1981.

The growth of agricultural production, 1975-1980. MEM-STAGEK [Ministry of Agriculture and Food Industry, Statistical and Economic Analysis Center], December 1980.

Economic Analysis of the Sunflower Production of our Member Farms. KSZE publication, 1980.

In 1980 for the fourth year in a row we succeeded in surpassing two tons per hectare in this crop. KSZE integrated in 1980, 12 percent of the country's corn production acreage and also 12 percent of its wheat area, and 13.6 percent of its sunflower area. This year 938,000 tons of grain product was produced on 148,000 hectares of corn growing area, with a world market value of about $150 million.

The size of the harvested wheat area was 156,000 ha [hectares], which produced 850,000 t [tons] of wheat valued at $170 million. All these illustrate the orders of magnitude which characterize the KSZE. In 1980 it was awarded the qualification "state-recognized production system", and its director, Csaba Lakatos was awarded the State Prize.

Characterization of KSZE's Activity

The first 8 years were a perid of seeking the right direction, extensive growth, and trying out new methods. The KSZE based its technology mainly on western technologies. The introduction of modern machinery and industry-type production procedures which represented the worldwide standards, even in themselves guarnateed the results. Besides farms with strong capital, even from the beginning there were also "poorer" partners in the system with unfavorable natural conditions, who thus received the opportunity to improve their technological levles faster than before, and to introduce the most modern technology which until then had been the privilege of only the best farms.

The farms received the machinery on credit and apliedfor it from their increased production. The system supplied the services for the modern machines, trained the technical workers of the farms, took in hand the supply of replacement spare parts, and provided

agronomical advice. Thus the difference between farms with poorer natural conditios and the bette developed ones significantly diminished as far as growth opportunities were concerned. Since the KSZE is not an independent enterprise the modern, high value machinery will remain the property of the member farms and they can do with them as they please. The system promotes introduction fo the new techniques and of the new technologies, new plant types and procedures into production, while operative direction of production and econimc operation continue to belong withing the spheres [of authority] of the oeprations and enterprises.

The success fo the branch association activity which began in 1975 contradicts those who expected the profile of the system to fade, and the advantages derived from specialization to be lost because of this. Janos Marton in his book "The Integrating Agriculture" (Agricultural Book Publishers, 1977) considered the efforts for association to be healthy only at the enterprise level, and opposed it for the systems. In his opinion, the system center, by doing this, also takes over one of the tasks of managing the enterprise, that of determining the production structure.

The experience of KSZE--in contrast with these worries--proved that interbranch integration is the only passable path to profitable production increase. The system center's advantages derived from specialization suffered no harm since the individual branches continue to be managed by independent experts who are dealing only with their own profiles. The system also did not take over from the enterprise the job of determining the production profile. The farm managers continue to make the decisions related to this question. As an end result, there has been a fortunate amalgamation of the machinery-centered and product-centered activities. The branch agronomists direct the dispensing of professional advice on the basis of the latter view, while the experts of technical productionimprovement are characterized by technology-centered thinking. The two do not contradict but complement each other.

This is a much better solution than if the farms belonged to different systems with each crop. Since the system not just simply dispenses professional advice but also performs a very complex activity, which exceeds the needs of the independent branches and crops.

Organizing the general technical-technological growth, the sale of chemical fertilizers and seeds, giving professional advice for plant protection and soil strength management, the supply of spare parts and service, and arranging credit, etc. cannot be tied to one specific branch.

In the KSZE, like in the other systems, during the first years the agronomic and technical views governed, and the economic viewpoints did not play any special roles. The goal was rapid increase of the production averages, and this even by itself insured the increase of per hectare income. But the price explosion on the world market occurred just at the same time the systems were becoming popular, and because of this a race began between yields and costs. Agriculture is a raw material producing branch, but at the same time it is also a significant consumer of raw materials. Thus the price explosion affected it in two ways: Its products became more expensive, but so did the raw materials it uses, even more so.

The increase in production averages could counterbalance only a part of the increased costs, thus the wholesale purchase prices also had to be raised.

Development of the cost saving technological processes (corn preservation without drying, soil preparation without plowing, dispersal of chemical fertilizers through slots, etc.) began in the late 1970's. The economic analytical work also developed, and was aided for the first time in 1980 by compute rtechnology.

During the 1970's the operative problem solving character was still definitive, but innovative activity was also very significant. The latter was mostly limited to introducing movelties into production (which was extremely successful), and there was very little self-development.

The KSZE is definitely amont the "inexpensive" systems. The amount of the basic fee and the share for increased production gradually decreased during the last 4 years on the per hectare basis.

In 1980 the pro-rated fee was 1.86 forints per 100 kg of corn. The KSZE earns a significant portion of its income not from payments collected from the partners but from other activities. It is engaged in selling chemical fertilizers, seeds and spare parts, organizing product storage and sales, sells technical equipment developed by itself, and in other marketing activities.

Innovative Activity

The KSZE obtains the world's leading techniques and technologies, the best types and the most modern orgnizing procedures, tries out the novelties of research institutions, and shortens the path of introducing them into production. It also constantly follows the agricultural literature.

The system's managers and experts were not afraid that excessively broad activity may lower the standards. The watchword is: All new things must be tried out! The KSZE does not consider the unsuccessful experiments and the failures to be wasted energy, or money thrown out. If we can erect a sign warning of a dead end street, which cautions us not to go that way again, that is also a result! The more novelties we try out, the higher the probability that we will find one which will repay also the money spent on the others.

The KSZE is constantly expanding the sphere of its services, and does so while raising their standards. It takes on all activities for which the members farms indicate a need, while also taking strict care to take on only those new services for which it has alrady crated the personnel and technical requirements.

With respect to services the KSZE does not have any kind of a monopolistic position, since the partner may resign from it at any time (he is not restricted by a financial deposit or legal dependence), or may transfer into another system. Thus it must constantly prove itself. This is also a large advantage incomparison with the traditional service organizations.

One of the most favorable effects of the production systems is the ending of the monopoly position of the old sales, service, etc., organs in agriculture.

It is worthwhile to mention the most important ones of KSZE's broad sphere of activities. Each year it tries out 300-400 corn types, and it developes and popularizes the technologies of storing corn without drying it. (For example, conservation by carbon dioxide, or fermentation by propionic acid.) In the wheat branch it is working on the research of type-specific crop protection. It has introduced the dispensing of professional advice on nutrient management based on soil evaluation, and established

the country's first agrochemical center for the application of liquid chemical fertilizer (in Aba). Based on its own patent, it tried out the application of gibberellins (vegetable hormones). It has developed mobile diagnostic equipment for plant protection machinery. It introduced the manufacture of a hand held protable calibrating instrument to set the plant protection machinery. It developed a new plow-tiller which saves work and expenses. It is experimenting with agrotechnology for soil protection to stop erosion of land areas around Dombovar. It is working on the technology of softening spraying water. It organizes the domestic manufacture of spare parts for imported machinery.

For example, the KVB-5 corrosion protection equipment is a product developed by the KSZE.

Experiments are currently in progress to rationalize the supply of spare parts on the basis of a computer program. The system maintains its own spare parts warehouses in Szekszard, Gyor and Mohacs.

The KSZE's service vehicles are familiar all over Transdanubia.

Working out the technology of harvesting straw in giant bales for industrial purposes was an important element of the development activity. This was done jointly with the Dunaujvaros Paper Plant.

Educating and advanced training of the technicians of the partners is also a significant activity. The opportunity opens up to gain knowledge by this means which could not be obtained within the framework of officially organized education by the state.

By means of its own publications the KSZE publishes the results of its agronomic and economic evaluations for its partners.

Working out experimentally the process of dry technology corn production in Algeria under large scale operating conditions was an international success worth mentioning. Negotiations are currently in progress to expand this.

The Path and Expected Problems of Future Growth

The ratio of innovative activity will have to be further increased in the future, in contrast with the operative problem solving functions. And, within the innovative work, the role of their own research and development must be increased instead of simple adaptation.

Besides the efforts to reach agronomic results, the profitability and economic viewpoints will have to be given more and more emphasis. The basis for starting out can only be profitability now. The KSZE--together with the other production systems--must play an outstanding role in implementing the national grain program and in successfully carrying out the entire 5-year plan of agricultural production.

In spite of the results mentioned and the intensive innovative activity shown, we must say that this activity will not be enough in the decade of the 1980's.

The KSZE an internal rejuvenationin order to remain competitive. Stagnationof the corn production averages (even though the acreage is increasing) is already a warning sign.

The main key to further progress is creating the personnel conditions. The best experts must be asembled in every branch, talents must be found and brought into the system from all parts of the country. but this is an extremely difficult task under the present general wage regulation mechanism.

It is also not a fortunate aspect that the KSZE's average wage level is limited by the wage level of the Szekszard State Farm. The production system should by all means be granted independence in the area of wage development opportunities, without it becoming an independent enterprise. Belonging to the host farm provides it with the security which makes it possible to remain a relatively inexpensive production system and have more courage to take chances. But at the same time this also limits its wage levels.

It would also be necessary to receive the same treatment in the areas of machinery supply, obtaining credit, etc. as the other two major plowfield systems. Unfortunately we cannot say this yet today.

And finally, it may cause serious problems if, because of poorly interpreted frugality, we do not import those modern macines which, considering our present production averages, are right for the expectations for today's Hungarian agriculture, and which the domestic agricultural machine industry is not yet ready to produce.

The foreign currency needed for the machines will be produced anyway by the increased products of agricultural production. But if the machinery supply turns out to have a narrow cross section from the qualitative or quantitative viewpoints, this may slow down the growth of our entire crop production on the plowfields, and we may be paying a heavy price for the erroneously interpreted frugality. Nevertheless the majority of the machines imported in the early 1970's will now reach the end of their amortization periods. The KSZE gets four or five times as much use out of the mahines each year which it has been using for 7 or 8 years, and which are operated for 3 or 4 years on western farms.

We hope that in the area of purchasing imported machinery as well as in the area of wage regulation, those decisions will be born in time which will again create favorable conditions for the growth of KSZE and of the other production systems, and thereby also for the growth of the agricultural enterprises.

8584
CSO: 2500/34

CODIFICATION OF AGRICULTURAL LAW NECESSARY

Warsaw ZIELONY SZTANDAR in Polish 2 Sep 81 pp 1, 4

[Interview with Prof Dr Hab Jozef Paliwoda by Adam Sar, ZIELONY SZTANDAR: "Agricultural Law - What It Is, What It Should Be"; date and place not specified]

[Text] Prof Dr Hab Jozef Paliwoda is vice chairman of the Agricultural Law Commission, Main Board, Association of Polish Lawyers. He works at the Polish Academy of Sciences Institute of State and Law and is a member of the Scientific-Engineering Council, CSKiOR [Central Union of Agricultural Circles and Organizations].

[Question] How do you assess the current state of agricultural law?

[Answer] It should be considered unsatisfactory, but not just today. As early as 1958, after matters relating to farm reform and settlement on the western lands were completed, and we began to use civil-legal forms of action on a broad scale in agriculture, it became necessary to systematize agricultural law into a single, unified collection. However, to this day the idea of codifying agricultural law was not implemented, despite attempts made to do so. For example, during 1972-1975 even several draft versions of agricultural law were prepared, but the draft was not submitted to the Sejm [parliament].

[Question] In connection with this... How many acts of agricultural law are there--binding acts?

[Answer] The set of legal regulations called agricultural law is comprised at present of several dozen different laws or decrees, hundreds of executive orders and independent resolutions of the Council of Ministers, also orders and instructions from ministers, including 524 instructions from the Minister of Agriculture. In addition, there are several hundred resolutions of the Central Union of Agricultural Production Cooperatives and the Central Union of Agricultural Circles. For example, the operations of the agricultural circles alone are regulated by about 500 different types of legal acts. Under these circumstances, not only the organs of the agricultural production cooperatives and the agricultural circles, but also the workers of the local organs of state administration at the basic level frequently in their work are uncertain as to how to proceeed when they must independently determine, and sometimes even guess, whether they can or cannot perform specific functions.

[Question] Meaning codification is necessary. For years you have been an advocate of such codification. How do you now assess the needs and the potential for conducting this codification?

[Answer] If there were a codified, unified agricultural law, forming an internally coordinated system of standards, this would eliminate the minute regulation of problems and giving different meanings to the same concepts, principally by the chief organs of the individual sectors in agriculture. In the absence of such a unified agricultural law, each of these organs--the Minister of Agriculture, the Central Union of Labor Cooperatives and the Central Union of Agricultural Circles and Organizations --independently regulated the activities of the economic organizational units under him. The Council of Ministers, however, by means of self-contained resolutions, regulated matters which for many reasons had not yet reached the point that they could be covered by a law and pertained to the activities of several ministers.

The codification of agricultural law is a broad problem. Of necessity, I am restricting myself here to indispensable comments. I have expressed myself in greater detail on this subject in the legal journals and in my works, published in recent years.

Agricultural law at present is the only significant and yet uncodified branch in the Polish legal system. Nevertheless, its codification would have to take several years. That is more or less how much time the commission appointed to prepare it would require. Such a codification would have to be based on scientific forecasts of Polish agriculture, and it would also have to consider the development trends in this sector of the national economy for the next 10 to 15, or even 20 years.

[Question] Meanwhile it is now necessary to issue new or amended regulations...

[Answer] The guidelines of the Political Bureau and Presidium of the United Peasant Party Chief Committee, dated January 20, 1981, on the crucial problems of farm policy, agriculture and the food economy, and the Rzeszow, Ustrzyki and Bydgoszcz agreements, stressed the urgent need to adapt agricultural law to the state's current agricultural policy. The government promised to send to the Sejm, at designated times, the drafts of several laws--with specific texts--pertaining to agriculture.

All of this, of course, meant that the implementation of the idea of codifying agricultural law had to be postponed to a later and indefinite date. The regulation of the most critical agricultural problems became a matter or first priority. It should be said here that this process began much earlier than the signing of the abovementioned agreements, and that in its first stage its goal was to improve the management of farm lands and to ensure the inviolability of private-farm ownership and development stability in agriculture.

[Question] What is being done in this field, and what, in your opinion, should be done?

[Answer] Agricultural law will again increase by many new standard acts, and a number of acts now in effect will be amended. Many Council of Ministers resolutions in this field have already been issued. Other regulations have been amended. A change has been made, for example, in the Council of Ministers decree on transferring ownership of farm real estate, abolishing co-ownership of such property, and farm inheritance.

This considerably eased the requirements on qualifications for farming by the purchaser or heir.

It is expected that the Council of Ministers will soon repeal most of the decisions of its previous resolution on farmer groups, specialization and coproduction in agriculture which created many material and financial preferences to owners of specialized farms and financial preferences to owners of developmental farms, and also large material and financial preferences to specialized farmer groups.

Further important changes in farm legislation, according to the guidelines of the leading PZPR and ZSL [United Peasant Party] echelons, may be expected in the near future, meaning in months, not in years. They will cover modification of regulations already in effect and new legal regulations, primarily on: land area standards, restrictions on division of agricultural real estate and farm inheritance, together with a change in the ban on disposing of a farm inheritance.

Another closely related matter is that of making real estate ledgers on agricultural property open to the public and introducing a notarial procedure for transferring property, as one of the factors in strengthening land ownership in the private sector. Subsequent changes should include a restriction on the take-over of agricultural real estate for the state, and a drastic reduction--perhaps even a total ban--on the exchange and take-over of farm lands from the private sector for units of the socialized farm economy. If the assumptions of the state's agricultural policy on the equality of all forms of property and management in agricultural are to be applied consistently, the right of the local organs of state administration to freely dispose of State Land Fund lands and other state lands within their jurisdiction, must be markedly enhanced. The only rule of conduct by the state organs in this field should be the duty to ensure the most efficient utilization of these lands. The state organ should be required only to obtain the opinion of the agricultural self-government in selling and leasing state agricultural real estate.

The problems relating to legal conservation of agricultural and forest lands, and the recultivation of these lands, call for completely new regulations. Conservation thus far has been inadequate or totally ineffective. The law on retirement pensions and other social services for farmers and their families must be completely rewritten. The three-and-a-half years that the law has been in effect have made many of its regulations out-of-date and inapplicable. On this subject I basically agree with the solution to the social matters of peasant families contained in the demands set forth by the United Peasant Party with the reservation that in view of the existing socio-economic reality, they should be regarded as goals, with implementation at least to 1990.

[Question] And what can you say about the legal superstructure for the revival and creation of self-government in the village and in agriculture?

[Answer] I regard the issuance of a law on self-governing agricultural organizations to be not only advisable but even critical. That is why I do not support the position expressed in June by the Food Economy Council that work on drafting this law should not be given priority. Foregoing the work on this law and the subsequent minutes of the decisions of the Ministery of Agriculture and Food Economy and NSZZ Rural Solidarity, dated August 17, 1981, on withdrawing the draft from the Sejm,

delays the preparation of methods and forms of action intended to create from the village meeting a forum for coordinated cooperation of all self-governing agricultural organizations, and above all, for the concerted action of private farmers' trade unions.

What matters here is the village. Stressing the important role of the village meeting and the advice of the village administrator's office in the law on self-governing agricultural organizations could significantly contribute to lessening the mutual animosities between the private farmers' unions. It would also alleviate the tendencies of some of the unions toward exclusivity or unwarranted domination, which is not in keeping with democracy and self-government. In addition, the planned law would bring out of isolation and include in the cooperation such self-governing organizations as companies for managing gmina [rural parish] property and land partnerships, water companies, forest companies and groups, joint meetings and councils of union participants, and branch unions and associations.

Neither do I support the viewpoint of the Food Economy Council on the advisability of examining the feasibility of appointing agricultural chambers as territorial units of agricultural self-government, even if only on the voivodship level.

Such chambers, which existed from 1928 to 1946, not only could not assume the tasks in the field of farm production that they had up to 1946, since they would have to have their own professional apparatus, they could not represent the interests of the farmers, since that is the present domain of the farmers' trade unions and the branch unions and associations. Furthermore, why artificially create new structures at all in the village, when there are already too many of them?

[Question] So the number of legal acts pertaining to agriculture will again increase?

[Answer] Indeed. The changes made this year in the agricultural law regulations in effect and the issuance in the near future of a series of new standardization acts increase again, step by step, the total number of legal acts forming this branch of law. And not only they are counted. I would like here to point out still another field which urgently needs systematization of legal regulations, although these regulations, according to scientific systematics, do not belong to agricultural law but financial law. However, they are directly related to agricultural law.

I am referring to the regulations on the tax system in private agriculture. There is mention of the need to modify this system in the guidelines of the PZPR Central Committee and the United Peasant Party Chief Committee. What is at issue here is not only a reformation of the law on land taxes but also on services, some of which are not in the nature of taxes but in actuality are a reimbursement stemming from state services to farms (payments into the gmina fund, premiums into the State Insurance Fund, State Land Fund fees, electrification payments, land development payments, payments for collective water-supply equipment and main sewage equipment provided by the state, contributions to the Farmers Pension Fund). All of these liabilities are covered by a single payment order and are part of the so-called monetary liabilities.

[Question] When agricultural law is mentioned the average citizen immediately thinks of land. Are there regulations, the Constitution included, that guarantee the permance of the private farm?

[Answer] The provisions of the Constitution, the laws, decrees and executive orders, guaranteed the permanence of the farm and did not create nightmares of temporariness. We should differentiate, however, between what is recorded in legal acts and what is practiced by the organs of state administration.

[Question] The last question. Could the private farmer then feel that he works in a country that is governed legally?

[Answer] Law and order is the behavior in accordance with the law of everyone in the state. And, thus, above all, the state organs, the economic organs and cooperative institutions, and all of the citizens. We have heard a great deal, and correctly so, in the last few months on practices of state organs that have not been in conformity with the law. Less, however, has been said and written about the unlawful behavior of the citizens. This pertains also to private farmers.

How many cases have there been where contractual agreements were not fulfilled because there was an opportunity to sell a contracted farm product for a price that was higher than that specified in the agreement? In the court procedures in these kinds of matters, the farmers without any objection admitted to the claim and willingly paid the contract penalty. How many agreements were made, contrary to the law, on transferring farm property? The dates on the contracts were falsified, so as to obtain a contract with a date after November 4, 1971, that is, after the law on settlement of farm properties became effective.

Those are only examples. But I repeat that in most situations that were unfavorable to the private farmer, not the law was to blame but the practice. Not the weapon, but the hand wielding it.

9295
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ERRATUM: The following is a corrected version of an article originally published on pages 30-31 in JPRS 79390 of 6 Nov 81, No 2197 of this series.

YUGOSLAVIA

MACEDONIAN POWER SITUATION NEARS CRITICAL STAGE

Skopje NOVA MAKEDONIJA in Macedonian 30 Sep 81 pp 1, 3

[Article by E. P.]

[Text] The TEC [thermal-electric power plant] "Negotino" must start as quickly as possible. All those who fail to comply with the third stage in the limitations on consumer power will have their electric power cut off. The crisis situation continues in supplying crude oil and petroleum derivatives.

Nothing optimistic was to be heard at yesterday's session of the assembly of the republic self-management interest community for energy, held in Skopje. The delegates regarded the energy situation in Macedonia as extremely difficult, and it approaches the critical limit from day to day.

In considering the immediate situation for electrical energy, the delegates state that if the "Negotino" TEC does not begin producing, greater restrictions on electrical energy consumption will have to be imposed (at present a third degree restriction is in effect). Further restrictions would have long-reaching consequences for the economy. On the other hand, a serious problem has risen in providing foreign exchange for purchasing heavy oil for the needs of the Negotino thermal power plant.

Reservoirs have 40 percent less potential than the planned balance called for, and compared to the same day last year, water supplies are down by 28 percent. In practice, that means that the hydroelectric power plants cannot deliver more than 300,000 kilowatt hours per day. As, however, the general director of the Macedonian power complex Elektrostopanstvo, Mile Stojanovski stresses, there are days when the hydroelectric power stations are delivering as much as 2.5 million kwh. If they continue at that rate, there can be catastrophic consequences.

At the session, it was stressed that a large number of consumers are not observing the measures in force for the first and second degrees of restrictions on electric powers for consumers. An especially large number of violations have been noted among so-called direct consumers. There have also been shortcomings in the work of the opstina self-management interest communities, which in such situations are supposed to undertake broad actions to insure savings and rational use of electrical energy. Because of all these failures to carry out obligations, "Elektrostopanstvo" is turning to the republic energy inspector. All of those consumers who do not have the discipline in such crisis situations to uphold measures calling for restrictions will have their electrical power cut off.

The delegates devoted special attention to the course of construction of the "Bitola" REK [Mining Electric Power Combine]. There are indications that this situation would not have occurred here if the construction of that significant energy installation had not been delayed. Therefore, a resolution was adopted calling for the earliest possible start of operations at the Bitola REK. Informed sources, however, think it will be impossible for the Bitola plant to start up before the first quarter of next year.

The only bright spot in the electrical energy crisis that has gripped the republic is the "Oslomej," TEC which is operating at full capacity. This thermal-electric power plant produced 60 million kwh of electrical energy in 28 days of this month, which is the equivalent of a full month's production. This year it is anticipated that the Oslomej plant will produce 510 million kwh of electrical energy.

Supplies of crude oil and petroleum derivatives continue to be very tight, indicates the "Macpetrol" representative from Skopje. He continued to say that even if all foreign exchange resources were available at the moment, it would not be possible to supply the needed amounts of liquid fuels in less than 20 days. The situation is also negative regarding wood and coal supplies.

An appeal for saving in a situation like this, when there are shortages of essentially every kind of fuel, strikes one as somewhat absurd. Nevertheless, that does not mean that there is nothing to be saved. On the contrary, there continue to be instances of wasted electrical power, crude oil and gasoline, and of inefficient use of these fuels.

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2207

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2207

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CEMA COOPERATION IN MACHINE CONSTRUCTION, FOOD INDUSTRY CITED

East Berlin AW DDR-AUSSENWIRTSCHAFT in German Vol 9 No 43, 21 Oct 81 pp 1-2

[AW Economic Policy Information' report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Purposeful Implementation of CEMA's Long-Range Target Programs"]

[Text] The CEMA countries resolved at their 35th session to implement the principles of CEMA's comprehensive program and the five specific supplementary target programs of cooperation in selected areas of material production, programs that are designed to solve vital economic problems, intensify social production, improve the structures of national economic complexes and make more efficient use of the entire economic and scientific-technical potential of the CEMA countries. One of the most important tasks of CEMA organs and CEMA countries in recent years has been that of constructing a system of multilateral and bilateral agreements to support and implement the target programs approved by the 32nd and 33rd council sessions. By 1 July 1981, 106 multilateral agreements had gone into effect.

Eighty-Nine Agreements for Implementing Machine Construction Target Program

The drafting of agreements, treaties and programs resulting from the long-range target program for cooperation in machine construction has virtually been concluded. The Commission for Machine Construction has prepared the following 89 multilateral agreements:

Fifty-one on specialization and cooperation in production, including proposals for extending existing agreements;

Seven on cooperation to develop specialized production capacities;

Thirty-one on scientific-technical cooperation to develop new machinery and equipment.

In addition, the commission prepared 9 programs of cooperation on research, development and design as well as 35 programs on standardizing machine construction products and making them uniform. Most of the agreements have already been signed.

The specialization and cooperation agreements cover production of the following items, among others:

Metallurgical equipment for ferrous and nonferrous metallurgy, including equipment for coking plants, rolling mills, foundries and agglomerating plants;

Installations for producing various chemical products;

Equipment for enriching solid fuels, ferrous and nonferrous metals as well as mineral raw materials;

Equipment for the second stage in the processing of petroleum;

Shutoff valves and gate valves for petroleum and natural gas pipelines;

Dust removal installations;

Metal-cutting machine tools, including NC [numerical control] machines and assemblies;

Forging machines and presses;

Oceangoing and inland navigation vessels and their gear;

Mechanical devices for loading, unloading and warehousing operations;

Open-pit mining equipment;

Technological gear for producing petroleum and natural gas; drilling installations;

Diesel locomotives, cars for freight and passenger trains;

Tractors and agricultural machinery;

Technological lines and equipment for the canning, meat-packing and milk industries.

The agreement on multilateral specialization and cooperation to produce equipment for the second stage of petroleum processing provides for the production of installations for 13 of the most important processes in the deep cracking of petroleum. Complete installations as well as 31 groups of gear for the completion of installations are included in the agreement on specialization and cooperation in the production of installations for the chemical industry; some of these are for the production of ammonia, methanol and caprolactam, sulfuric acid, soda ash, paints and enamels, lampblack, ethylene and isoprene rubber. Planned for the years between 1981 and 1990 is the delivery of about 160 complete installations and 275 units of completion gear. This will meet the demand by CEMA countries for this modern technology and will guarantee a significant increase in production of the most important chemical products.

In addition to satisfying CEMA's demand for modern technology, special importance was placed on putting new machinery and equipment into production as well as raising

the technical level and quality of specialized products. This also applies to the proposals to extend existing specialization and cooperation agreements, in which case the specialized production nomenclature is to be enlarged mainly via the output of new and improved products. For example, the extended treaty on specialization and cooperation in ship construction now contains 179 positions compared to 137 in the corresponding agreement dating from 1975. The number of specialized tractors and pieces of agricultural machinery has been increased from 131 to 265.

Almost every branch of machine construction is affected by the CEMA Machine Construction Commission's agreements and programs on scientific-technical cooperation in the development of new installations, equipment and instruments.

Cooperation on expanding specialized production capacities and establishing new ones is an important area. In line with the target program, the Commission for Machine Construction prepared seven corresponding agreements governing cooperation by the following countries:

People's Republic of Bulgaria, People's Republic of Poland and the USSR -- establishment of capacities for producing forging machines and presses in the People's Republic of Poland;

People's Republic of Bulgaria, People's Republic of Poland, Socialist Republic of Romania and the USSR -- establishment of capacities for producing implements made of mineral ceramics in the USSR;

Hungarian People's Republic, People's Republic of Poland and the USSR -- development of capacities for producing ball joint drives for NC machines in the People's Republic of Poland;

People's Republic of Bulgaria, People's Republic of Poland and the USSR -- development of capacities for manufacturing machine tools and automatic lines for making sets of wheels and railroad wheels in the People's Republic of Poland;

Socialist Republic of Romania and the USSR -- development of capacities for producing contact ways for metal-cutting machine tools in the Socialist Republic of Romania;

Interested countries -- expanded production of filters and filter elements in the USSR.

Participation by interested countries consists essentially in supplying equipment for the new capacities. IIB credits are also being used.

In line with the target program for cooperation in agriculture and the food industry, the food industry is facing the task of making more efficient use of agricultural raw materials in addition to improving the structure of food production; these measures are to make it possible to increase significantly the production of the most important foodstuffs, reduce labor costs and increase labor productivity and the effectiveness of production. Serving this purpose are four agreements on the development and advancement of technologies and equipment as well as their production under a division of labor for the fats, sugar, meat and canning industries;

also playing a role here is a general agreement on the development and improvement of equipment and technologies for industrialized freshwater fish hatcheries. The Standing Commission for the Food Industry prepared the agreements in close cooperation with the Commission for Machine Construction; they were signed by interested CEMA countries in 1978 and 1979. The CEMA countries and the Socialist Federative Republic of Yugoslavia have put more than 100 research institutes of the food industry and design organizations of the machine construction industry to work implementing the agreements.

The agreement covering the sugar industry (sugar production from sugar beets) includes studies on improving methods for comprehensive assessment of the quality of the raw material and on employing new chemical substances and physical/chemical methods in sugar production. Eight technological lines, 14 technological equipment packages and 18 instruments for automatic control and regulation are to be developed and tested; 5 technological lines are to undergo further development, and an automatic system for controlling production processes in sugar factories is to be developed. The new technologies and methods will make it possible to increase sugar yield from the beets by 3 percent, reduce fuel consumption by 12 percent and the consumption of auxiliary materials by 6 percent, effect a substantial reduction in labor costs and increase the stability of the technological regime and the production rhythm. The use of the new equipment and technologies can produce about 600,000 tons of extra sugar annually, and more than 59,000 tons of standard fuel can be saved.

The development of new technologies and equipment for the processing of tomatoes, cucumbers, peaches and other produce is provided for in the corresponding agreement for the canning industry. Experts have calculated an annual return of about 210 million rubles once the new equipment is in use. About 15,000 employees can be released for work elsewhere.

Implementation of the measures contained in the agreement covering the fats industry will make it possible among other things to extract from the same quantity of raw material several thousand tons of higher-quality vegetable fats as well as coarse feed containing no less than 50 percent protein and no more than 6 percent cellulose. The economic return will amount to about 250 million rubles. The annual benefit to the meat-packing industry has been estimated at 360 million rubles — just in the processing of beef cattle and hogs as well as sausage production.

Implementation of the general agreement covering freshwater fish breeding will result in a three- to fourfold increase in the yield of freshwater fish in 1990 compared to 1977, a considerable reduction in investment outlays for hatcheries, a 50- to 100-percent increase in labor productivity and substantially improved working conditions.

Together with the Commissions for the Food Industry and Agriculture, the CEMA Commission for Cooperation in the Area of Planning also prepared general agreements on comprehensive development of sugar production as well as agricultural production and industrial processing of citrus fruits in the Republic of Cuba. Both agreements were signed during the 35th CEMA Session.

7458
CSO: 2300/55

REPORT ON DELIVERIES OF SOVIET-MADE VEHICLES

Sofia RABOTNICHESKO DELO in Bulgarian 27 Oct 81 p 3

[Article by Emil Nikolov: "One of the Largest Companies in the World"]

[Text] Everyone in our country is well acquainted with Soviet motor vehicles, trucks as well as passenger cars. They fill the streets of cities and villages, continually hurry up and down the roads, and take an active part in socialist construction. But very few people know that the enterprise which makes possible their import is called "Avtoeksport" [Autoexport] V/O [Foreign Trade Association]. Perhaps the car owners who have patronized the "Druzhba" [Friendship] service station in Sofia have discovered from the sign where "Avtoeksport" is headquartered. But they do not know that during the 25 years of its activity it has been the route to Bulgaria for over one million cars and trucks. During the Plovdiv fair alone a contract was signed whereby in 1982 we will import trucks, garage equipment etc. with a total value of 53 million transferable rubles.

In addition to the well-known makes of ZIL [vehicle made by Moscow Automobile Plant imeni I. A. Likhachev], MAZ [vehicle made by Minsk Automobile Plant], KrAZ [vehicle made by Kremenchug Automobile Plant], BelAZ [vehicle made by Belorussian Automobile Plant] and GAZ [vehicle made by Gor'kiy Automobile Plant], the import of dump trucks and drop-side trucks, made by the giant of Soviet truck building--the KamAZ [expansion unknown; possibly Kama Automobile Plant], is envisaged. At Shumen the assembly of GAZ-53 trucks will continue, and at Lovech the assembly of 15,000 Moskvich [Muscovite] 2140 passenger cars (with a 1500-cc engine). Eight hundred "Volga" GAZ-24's and 100 "Zaporozhets" [Dnepr Cossack] ZAZ [vehicle made by Zaporozh'ye Automobile Plant] 968 MB's specially equipped for disabled persons will be imported.

A contract was also recently signed for the import of "Lada" [Sweetheart] passenger cars. In 1982 we will receive 15,000 vehicles. Of these, 1800 will be the VAZ [expansion unknown] 2102 station wagon, 3500 the VAZ 2106 (with a 2106-cc body and a 1500-cc engine). For the first time 5500 VAZ 21013's (with a 2101-cc body and 1300-cc engine) and 4200 VAZ 2105's will be imported. This is the latest model to have gone into series production. It incorporates the modern trends in automobile making. The body is appreciably more elegant than the "Lada" cars hitherto known. It is distinguished for its clean and straight lines. The radiator grill is new and graceful. The headlights and supplementary lights are designed as a common

rectangular block. The bumper has a wide energy-absorbing rubber strip. The compartment and seats are more comfortable. The dashboard is new and modern. The engine has a 1300-cc displacement. It is equipped with a new "Ozon" [Ozone] carburetor, which sharply reduces pollution of the natural environment and ensures stable and economical operation. Fuel consumption at 90 km/hr is 7.5 liters per 100 km. The vehicle accelerates from a standstill to 100 km/hr in 18 seconds and develops a maximum speed of 145 km/hr.

The VAZ 2105 meets all safety requirements under the standards of the European Economic Commission.

The "Avtoeksport" V/O is not just an importer for Bulgaria. It buys from us a number of component parts for Soviet automobile making. Over 60 percent of the basic electric equipment of "Lada" cars (storage batteries, ac generators, starters, coils etc.) is produced in Bulgaria. We also export castings for BelAZ cylinder blocks.

The "Avtoeksport" Company is also a well-known partner in the rest of the socialist countries. Last year alone they received through it about 400,000 passenger cars and trucks and special-purpose vehicles. It also has agencies in the capitalist and the developing countries. It cooperates with 250 foreign trade organizations, companies and corporations. It exports over 450 types of transportation equipment, which can be found on every continent.

6474
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PROBLEMS CITED IN HOUSING CONSTRUCTION PROGRAMS

Hamburg DER SPIEGEL in German Vol 35 No 44, 26 Oct 81 pp 49, 52, 53

/Unattributed article: "For Me: In the GDR Housing Construction Has Highest Priority--At the Same Time Old Buildings Are Deteriorating"/

/Text/ Concrete slabs crack. Paint blisters. Balcony facings crumble. Two girls, about 10-12, on Martin Andersen Nexoe Street in Rostock's new suburb Lichtenhagen, dispute whose apartment ceiling leaks worse when it rains: "In our home it stands THAT high!"

GDR provinces 32 years after the state was established: A breath of yesteryear hovers over the country. Unlike East Berlin, the past has not yet been packaged in chromium, gilt dabbled mirrors in aluminum frames and oxydized aluminum facades. Instead neo-Gothic and neo-classic brick buildings between Wismar and Greifswald compete with the concrete bunkers of the present to see which will collapse first.

So far the historical old buildings from Hanseatic times or the early part of this century are in the lead. In Rostock alone Konrad Brauns, department manager in the city planning department, records 100-160 homes per year as "lost"--they are rotted through and inhabitable.

That happens in a country where housing enjoys the highest priority, housing units are produced on the assembly line, and government as well as party congresses have hoisted high the banner saying that "by 1990 the housing problem as a social issue" (Eighth SED Congress) will be solved. By that time every citizen is to have shelter: First just a roof over his head. Later it may perhaps become a home which is pleasing to him.

Take Rostock: The priority need is for 6,000 homes. The applicants live with relatives or in emergency accommodation, and they need to wait up to 5 years for an answer from their enterprise labor union housing commission which assigns apartments. The standard unit is supplied by flat-bed truck: Concrete slabs, 2 x 3 meters, plain, tiled or with window, which a crane piles 5 stories high in something like 38 days for 45 apartments--all inclusive.

The entire glory, some 20 square meters per room but no more than three rooms per apartment, costs the government a maximum of M60,000 (that is the legal rule). The

tenant gets by with M1.25 per square meter. He must find a few marks more to make the apartment a home: Buy such things as a chromed brass faucet which really shuts off the water and replaces the mass produced plastic faucet at M8.60--the latter one drips in real socialism.

Or he might refurbish his old building with a bathtub at the price of DM175, supplied by Genex Distributors--no bathtubs are available for Eastern money. He could paint his window frames if he were willing to stand in line for paint.

Unfortunately do-it-yourself enjoys little popularity. Initiative appears to be foreign to small town dwellers in the GDR: Not really surprising if we consider that all spontaneity has been driven out of them for years, what with five-year plans, work norms and additional obligations.

In a rare exception bricklayers and tradesmen are making an effort in Stralsund's Faerhstrasse to restore a medieval row of houses. Immediately next to it is an inhabited building which used to be the residence of a patrician family. A hole the size of a towel gapes in the roof; grass and dandelions grown in the gutter, a half-meter connecting piece is missing from the downspout. The house is molding.

Government bureaucrats claim that private owners are content to have their property deteriorate; consequently even more communal housing is said to be needed. Yet the rents, virtually unchanged since the end of the war, are sufficient neither to meet the costs nor to provide any profits. True, the government grants loans for repairs, but with the avowed aim that private owners should "incur more and more debts" (Brauns)--to the point where they are compelled to give away their semi-ruins to the people.

Something is surely wrong with the system. Of the 80,000 apartments in Rostock, 17,000 are privately owned. The city administration planned a total of M7 million for modernization in its annual budget.

Even if there were more money, manpower would be lacking: 12,000 construction workers from the province are permanently delegated to Berlin to lay bricks for show projects to beautify the future socialist paradise. And even if there were enough manpower, it would still be necessary to cope with the bureaucracy. Every demolition jobs needs the permission of the GDR minister for construction. Such permission is never granted; the rows of houses must therefore collapse on their own.

According to the national budget the GDR spends M7.7 billion on accommodation for its citizens. Three-room apartments in a new building, costing M1,000 per annum, are subsidized for the tenant so as to cost him M250. And yet the tenant is rarely grateful. Should some cement be available, he prefers to mix it for his own vacation home rather than use it to face the building. Paint, if available, he prefers to use for the hut on his allotment rather than for the common stairwell.

With all that GDR Germans excel at procuring whatever they need: For D-marks they can buy goods which are normally kept under the counter. For D-marks they can get tradesmen to come and do things in their vacation homes. At the same time the citizens lack any desire to squander inventiveness and organizing talent on rented accommodation. True, the "Join In!" instruction classes at the houses of culture

are always full, but the knowledge acquired is not visibly applied: The GDR provincial resident prefers to hide in the privacy of his home; the drill which does not even exist officially is bought on the black market--for his own amusement.

After a lapse of 30 years even the party leadership is slowly beginning to appreciate that the defect in the system might just possibly be due to the lack of incentive. "Where the interest of society calls for it," as party jargon has it, tradesmen may now commit sacrilege against communist production methods--and work for their own account.

Successfully so: Private contractors even in the socialist GDR observe the highly capitalist rule that wages (here called salary) are the best incentive.

Electrician Karl-Friedrich Meinert of Dergenthin near Perleberg, for example, expected to earn M30,000 in the first year of self-employment. When his 1980 balance sheet was drawn up last January, he had earned more than twice that amount. Meinert commented in the Rostock NORDDEUTSCHE ZEITUNG: "I really made out well."

According to official statistics the average GDR citizen earns only 20 percent of that amount: M12,960.

11698
CSO: 2300/58

FEKETE INTERVIEWED ON ECONOMIC POLICY, CONVERTIBILITY

Duesseldorf WIRTSCHAFTSWOCHE in German No 38, 11 Sep 81 pp 24, 27

/Interview with Janos Fekete, vice president, Hungarian National Bank, by Ladislaus Singer, WIRTSCHAFTSWOCHE: "We Would Do Without Exports;" date and place of interview not given/

> /Text/ Janos Fekete, vice president of the Hungarian National Bank, numbers among the internationally recognized financial experts. In an interview with WIRTSCHAFTSWOCHE's staff worker Ladislaus Singer, he comments on the economic and financial problems of his country.

/Singer/ Mr Fekete, for a long time now there has been talk about the fact that the forint will be the first East bloc currency to be made convertible. How do you intend to accomplish that?

Fekete: The primary concern is not the convertibility of the forint, but the uniform exchange rate. Money should not have two rates of exchange, because then it is not a measure of value. We once had two rates of exchange: 30 forints to the dollar for tourists, 61 for trade. When we adapted our price system to world market prices, the difference sank to 9 percent. It will soon disappear completely.

/Singer/ When?

Fekete: In 2 to 3 months, when our price system reflects world market prices. That's why we had to increase prices for energy, groceries and meat.

/Singer/ What does that do for the Hungarian economy?

Fekete: If prices are realistic and the rate of exchange is genuine, then an enterprise can work independently. But to do this it must receive those pieces of information which enable it to make the right decisions; it must know the prices prevailing in the world market and currency rates. But we shall reach the ideal condition.

/Singer/ And what will that be like?

Fekete: Then the manager of a shoe factory will calculate as follows: I buy 1 kilo of leather at a cost of 80 forints; I have 3 people working on the shoes at a cost of 120 forints, or a total of 200 forints. If I can sell the shoes for 250 forints, it was a good bit of business. And the enterprise will not be interested in whether the leather was imported from Argentina or was produced domestically.

/Singer/ Are you not criticized by your CEMA partners for this practice?

Fekete: For the present, events support the fact that we are implementing this economic policy. Whether others like our practice or not is their business. But no one is hindering us. At the most they don't like us. That's logical.

/Singer/ And what will the uniform rate of exchange do for Hungary's position in the international market?

Fekete: A dollar will then cost 35 forints. And when you ask for your hotel bill in Budapest, they will say to you: "That comes to 3,500 forints or $100." And you will not have to exchange any money. If a currency has its uniform rate of exchange, one can also speak of convertibility. Actually there are two kinds of convertibility. In one kind, the public is also supplied with convertible forints; in the other, they are not.

/Singer/ And how will that be in Hungary?

Fekete: We cannot go so far as to include the public, too. We don't have the money for that. For if the Hungarian worker could sell his house in Kelenfoeld, transfer the purchase price of 3 million forints to Vienna and purchase something else there for shillings, many people would want to send their money out of the country. We can't yet afford this kind of convertibility.

/Singer/ What form will Hungarian convertibility assume?

Fekete: In trade with the West, everything that relates to exports and imports--for example, transport costs, insurance, agency commissions--can also be bought and sold for convertible forints. The forint will just be one of many currencies, like the shilling, the French franc or the mark. It's just that accounting in forints has its advantages.

/Singer/ Which ones?

Fekete: With the convertible forint, we can buy and sell the same things for which today we must pay dollars, marks or Swiss francs. And a German can open an account with us and deposit 100 million convertible forints which he acquires when he sells goods to Hungary.

/Singer/ And can he also invest this money?

Fekete: There are special rules for investment, but he can deposit it. Anyone who brings money into the country in convertible forints can take it back out at any time and can buy any foreign currency he wants for them at the day's rate.

/Singer/ How good is this forint?

Fekete: Ten Years ago a dollar cost 60 forints, today it is 35. We have raised the value of the forint by the same amount as you have the mark or the Swiss have the franc. Thus the forint is not a weak currency. Most important however, is that Hungarian economic policy does not allow an inflation rate of over 4 or 5 percent.

[Singer] It is higher now, however?

Fekete: No, this year it is only 3.9 percent and by the end of the year it will be 4 to 4.5 percent, at the most. Only last year it was 9 percent because we raised energy prices in two stages.

[Singer:] You make 5-year plans. How do you expect them to work if you don't know what will happen in the world tomorrow?

Fekete: Our plan does not hinge on details and is not keyed to business. Our plans are based on economic policies of how much we want to raise the living standard, prices, or increase foreign trade. These are coefficients, not rules. Every factor under our control, such as interest, loan policies, investment and monetary policies, serves to attain this goal.

[Singer] How do you use these economic levers?

Fekete: An example: In Hungary agricultural prices are free. Let us suppose that egg prices begin to climb because a great many eggs are being exported. Then we simply will not issue any export licenses for 2 weeks. The eggs remain with the producer and prices go down nicely.

[Singer] Then the mark has to be somewhat regulated.

Fekete: But of course. We have to influence the mark in the direction we want. We would rather do without exports, but we will not allow any domestic shortages. It will not happen in Hungary that we export meat and thus none is available domestically. Though we could get dollars or pounds for it, the domestic supply takes priority.

[Singer] Do Hungarians support this policy of the government?

Fekete: Yes. They trust that Janos Kadar will not cheat them.

12124
CSO: 2300/6

CEMA ECONOMIC PROBLEMS TACKLED WELL BY HUNGARY

Duesseldorf WIRTSCHAFTSWOCHE in German No 38, 11 Sep 81 pp 22, 24

/Unattributed article: "Different From the Others"/

/Text/ Hungary has the same economic problems as other CEMA countries. But the Budapest government is showing more flexibility and intelligence in its efforts to cope with them.

"There is no social factor of consequence which could cause us to intensify our policy, and the party wants nothing of the sort." Hungarian party leader Janos Kadar gave this promise a year ago before the Budapest parliament, with a view to the unrest that had just erupted in Poland.

Kadar has kept his promise. Hungary continues to steer its own independent course in economic policy, a course which is viewed with suspicion by its CEMA partners. And Kadar knows how to proceed tactically. He explains the quasi-market economy approach to the conservative plan purists in this way: The socialist society is "a transitional system in which goods are being produced." Thus, there must also "be a market where market laws prevail and prices exist." This has nothing to do with socialism or capitalism, because "production, even in socialism, must be profitable."

To be sure, Kadar also promised the Hungarians a year ago that no new sacrifices would be demanded of them. But he was not able to keep this promise. As early as 1 January 1981, a large number of price increases went into effect, including prices for meat, flour and tobacoo.

Yet in Hungary that kind of thing is done more easily than, for example, in Poland. In the first place, the standard of living in the land of the Danube is higher than in other CEMA countries; second, the Budapest government is smarter. It knows how to explain to the citizens why they must make sacrifices. And it has also been making it quite clear that in the next few years there will be hardly any rise in the standard of living.

According to the plan, up to 1985 the national income is to grow by an average of 3 percent annually. Roughly one-third of the growth must be spent to offset the unfavorable terms of trade, another third to keep the trade balance deficit (in 1980, 18.9 billion forints) within defensible limits.

Thus, exports are also to increase each year up to 1985 by an annual average of 6.5 to 7 percent. But--and in this respect Hungary differs from its socialist bloc partners--exports to capitalist countries are to be increased by 46 percent. Istvan Toeroek, state secretary in the Ministry of Foreign Trade, announced that for this reason special support will be given to those sectors which have the greatest chances in foreign markets: machine building, agriculture and the foodstuffs industry.

Some 54 percent of Hungarian agricultural product exports went to hard-currency countries in 1980. And further proof of the intelligence of the Hungarian economists: Two-thirds of the agricultural exports are in processed form. This of course requires investment in the foodstuffs industry, but it pays off, for the domestic market as well.

The relatively great independence of the enterprises is also of value for exports, even though the price policy imposes limits. For, according to the Budapest rules, every enterprise which exports more than 5 percent of its production must sell its products domestically at a price that is based on a conversion coefficient of 34.7 forints per dollar. In practice: If an enterprise sells its goods for $100, it must sell them in Hungary for 3,740 forints.

This can cause complications, as in the cooperation between AEG-Telefunken and Hungary's Hajdusagi Ipar Muevek (HIM). The Hungarians produce 100,000 washing machines each year with the AEG license. AEG wanted to buy half of them, but it demanded a 10-percent quantity discount. HIM could not grant that because then it would also have had to reduce the domestic price, resulting in a failure to cover costs. Moreover, far more than 50,000 washing machines could be sold domestically, but that would be at the expense of exports that yield foreign currency. To be sure, this combining of export prices and domestic prices--read: orientation to the world market--has advantages, too, not only for the domestic market, for it also establishes prerequisites for the desired convertibility of the forint.

In the meantime, efforts by Budapest economists to gradually adjust producer prices to world market prices--primarily in the case of raw materials and energy sources--required an economic sacrifice: The rate of inflation rose to 9 percent in 1980, yet this year it is to be cut almost in half.

Nonetheless, the Hungarian authorities are cautious in the matter of import licenses. Trade with hard-currency countries must be balanced in the extent possible. For Hungary, too, has debts in the West: approximately $7.8 billion, requiring a debt service each year of about $1 billion. And the specter of Poland is a warning to be cautious.

To be sure, National Bank Vice President Janos Fekete, a strict defender of Hungary's own course, acts self-assured and optimistic: "What else can happen to Hungary, where there has already been a counterrevolution, there was shooting in the streets and Budapest was a battlefield. If another country had had 3 such weeks as we did in 1956, it would have required a 20-year postponement to pay off its debts. We did not demand a single day; we paid by the due date."

12124
CSO: 2300/6

GUIDELINES, RESPONSIBILITIES IN INVESTMENT ACTIVITY

Bucharest ERA SOCIALISTA in Romanian No 18, 20 Sep 81 pp 4-6

/Article by Dr Alexandru Olteanu, director in the Investment Bank: "Aims and Responsibilities in the Investment Field"/

/Text/ In keeping with its policy of continuing improvement of the people's living standard through intensive development of the national economy, the RCP is specially emphasizing further implementation of extensive investment programs in this five-year plan too which will ensure expansion and modernization of the technical-material base and an increasingly pronounced gain in the national wealth. The investment program for 1981-1985 is based on the noteworthy achievements of the past, which permit allocation of more resources to development. It is sufficient to say that at the end of last year the Romanian economy was equipped with fixed capital to the value of 1.87 trillion lei, or 40 percent more than in 1975.

The investment plan is an integral part of the National Plan for Romania's Socioeconomic Development and it amounts to 1.2 trillion lei in the current five-year plan. This is a considerable investment based on allocation of about 30 percent of the national income to accumulation. It is planned to develop and modernize 1,100 existing units and to build about 1,600 large capacities in industry and agriculture, as well as other socioeconomic capacities including about 900,000 apartments.

Paradoxical as it may appear, the effectiveness of investments depends on the efficiency with which the existing fixed assets are used, because before the investments are requested the emphasis must be placed primarily upon the intensive and most productive use of the productive capacity in enterprises and at worksites, every day and on every shift. "Finish what you have started and only then undertake other investment projects!"

Investments are the material support for the party's strategic aim of Romania's transition from the stage of a developing country to that of a country with a medium economic development. They are allocated among sectors so as to help restructure the national economy and intensify the action of intensive, qualitative and effectiveness factors in all fields. The fact is especially noteworthy here that about 85 percent of the investments are in material production, lending the nation a powerful economic impetus through such high growth rates as an annual average of 6.1 percent for the social product and 7.1 percent for the national income, which correlation sums up the intensified production and the increased effectiveness.

Over 35 percent of the total investments are intended to continue the industrialization policy on a higher level as a critical factor for construction of a modern, highly efficient economy and better exploitation of the entire material and human potential of Romanian society. They will help to develop the key sectors of industry, to raise the technical standard of all industrial sectors, and to restructure industry with emphasis on sectors consuming less energy and raw materials.

In the party's order of priority, the heavy investments will be in development of the extractive industry in order to exploit the potential of the reserves, including those located at great depths or poor in useful content, and to develop the domestic resources of raw materials and accordingly reduce their importation. The investments in that sector will permit introduction of perfected technologies for extracting and preparing the mineral substances. Investments in development of the nation's energy resources will be in a very large proportion, which sector will gradually secure Romania's energy independence by the end of this decade through expanded construction of hydroelectric power stations, an extensive program to build small hydroelectric power stations, and a program to build nuclear electric power stations and other constructions to exploit new energy sources.

Of course massive expansion of Romania's extractive industry meets some of the major conditions for a healthy development of the processing industry with emphasis on modernization and intensification of production, namely an increased proportion of the sectors and products with advanced processing, assimilation of the latest scientific-technical advances, maximum use of the existing productive potential, etc. Nicolae Ceausescu stressed the consistency with which this policy is being implemented when he said at the Second Congress of Workers Councils that "In this five-year plan we shall act not so much to build new economic units as to raise the technical and qualitative standards of the existing potential by supplementing the inventories in some sectors and to use the resources we have to full capacity."

The investments in ferrous metallurgy, for example, will serve to complete the big iron and steel capacity at Galati, which will produce 10.5 million tons, and the Calarasi Iron and Steel Combine, and also to improve the technologies for considerable reduction of the energy inputs through replacement of the Martin furnaces, big consumers of energy in the steel production process, with electric converters. It is planned to build new capacities in this sector to produce materials of great technical-economic value such as tin plate, metal cloth, electrotechnical steel plates and thin steel plates.

The constantly growing role of the machine building industry in modernizing the economy and implementing the investment program itself is well known. The allocated investment funds will help to raise the technical standards of these sectors through development of electronics and microelectronics (at an average annual growth rate of 20 percent), of precision machinery, optics and hydraulic and pneumatic equipment (18 percent), and of means of automation and control of the production processes. New capacities will also be built, also for valuable outputs on a high technical level such as bearings, heavy equipment, manufacturing equipment, components, spare parts, subassemblies, hydraulic components, color TV sets, diesel engines and dock installations for shipbuilding. In this way the machine building industry will meet about 80 percent of the domestic requirement for equipment, complex installations and machinery.

The investments in the chemical and crude-oil processing industry will continue to be in large proportion. This industry is distinguished by the pronounced trend toward

construction of capacities for advanced processing of crude oil and development of fine chemistry and capacities for obtaining special materials for electronics and other highly technical fields, of capacities for producing synthetic rubber, macromolecular products, chemical threads and fibers, drugs, pharmaceuticals, detergents and cosmetics, and of highly effective varieties of pesticides.

Other industrial sectors such as construction materials, the light and food industries, small industry under the people's councils, etc. will also receive major investments based on the same priority criteria.

On its way to a new revolution, agricultural is receiving an unprecedented emphasis in this five-year plan, being regarded along with the extractive industry as a priority branch with all the consequences of that as regards allocation of resources and the way they are used. The investments in agriculture, totaling 155 billion lei (up 22.7 percent from the last five-year plan), will help to outfit it with 86,000 tractors, which will provide for renovation of about 50 percent of the energy base, an increase of about 600,000 hectares in the irrigated areas, drainage projects on an area of 900,000 hectares, and operations to control soil erosion on 950,000 hectares. The entire program to modernize and develop vineyards and orchards will be implemented, and the program to modernize and expand the zootechnical farms will be continued.

Concentration of financial and material resources on completing the investment projects under construction in order to expedite their activation is one of the major aims of the current five-year plan in the investment field. This policy is reflected in the fact that over 70 percent of the total funds to be invested in this five-year plan will be used to finish the projects whose construction has been carried over from previous years and to activate the production capacities more rapidly. Only the remainder will be used for new construction starts.

We accordingly find one of the highly effective courses of action in the investment policy of this period, namely expediting completion of the investment capacities under construction as an essential to greater economic effectiveness and rapid recovery of the invested funds. For example, it is intended to finish all investment projects under construction at the start of this five-year plan in ? years at most.

Reduction of the investment front and concentration of the economy's financial, material and manpower outlays upon prompt activation of the new capacities and those already begun can enable society to benefit sooner from the results of the new industrial, agricultural, transport, social-cultural, educational and artistic constructions.

Nor is it any exaggeration to say that this five-year plan is a period wherein any investment outlay must be considered more carefully than ever in order to make every leu most effective. We are not wealthy enough to allow ourselves to immobilize major financial and material resources for long periods of time without obtaining any economic or social effects from them. That is why the requirement is fully justified that every worker in the investment field should heed good management of the investment funds and their greater economic effectiveness, whether he is a designer, beneficiary, builder, supplier of equipment or construction materials, or an employee of the planning or finance and banking institutions.

The facts show that completion of production capacities is unjustifiably delayed for long periods at some worksites. Naturally these delays cause extra outlays and also hold up the economic and financial results awaited by the economy. This is true of

the Borsa Machine Building Enterprise, where development of the capacity for making 4,000 tons of hoisting equipment a year with an original activation deadline in 1978 is not finished even now. By 31 December 1980 this delay had cost about 35 million lei in production and 4 million lei in profits. Similarly the Zalau Tire Enterprise, which should have activated a capacity for 1 million tires a year back in December 1979, has logged a production loss of 224 million lei and a profit loss of 50 million lei.

Essentially the RCP's new investment policy is more closely related to that of faster national development and the people's greater welfare. It requires a radical change in the way we are to think about the outlay and implementation of every investment, and it is to be carried out in all activities of the entire investment process, bringing about a veritable revolution in the consciousness of every worker, whether he is at a drawing board or a worksite, who is expected to best perform the tasks and to fulfill his obligations.

Paradoxical as it may seem, the effectiveness of investments depends on the efficiency with which the existing fixed assets are used, because before the investments are requested the emphasis must be placed primarily upon the intensive and most productive use of the productive capacity in enterprises and at worksites, every day and on every shift.

It is no secret from anyone that some enterprises are still operating at low productivity and that the net income does not always grow at the potential rate required by the technical inventory and the funds invested to enhance and modernize the means of production. For example in the first quarter of 1981 the Bucharest Machine Enterprise for Chemical Equipment exceeded its production cost level by 4 percent, which meant irrational above-plan outlays and consequently a corresponding reduction in profitability. This also happended in the fodder yeast section of the Corabia Enterprise for Industrial Processing of Sugar Beets (a cost overrun of 207 percent) and in the cement factory of the Deva Binder Enterprise (an overrun of 84 percent), etc.

Obtaining a greater profitability from every leu invested is the best way to accelerate economic development and the rise of the people's living standard because the necessary funds can be formed that way to restore to society the costs of making producer goods as well as the funds needed for expanded socialist reproduction. Therefore efficient use of the existing inventories is a prerequisite for starting construction of new capacities, sections, factories and enterprises, in other words for starting to consume new sums out of the fund for socioeconomic development.

Building new production capacities while any machines, equipment or installations are not producing at the technical-economic parameters or are not intensively used means wasting funds that can prove much more profitable if invested in sectors where such a measure is economically justified. The Bucharest Construction-Installation Central requested investments of 4.5 million lei to build new capacities for storing cement at some concrete stations although it has silos that can receive additional quantities of cement if they are better used, if the regulation durations of stockpiling are observed, and if the labor is better organized.

The way to a high economic effectiveness begins in the stage of launching the investment, which is an important point in its implementation. We do not err when we say that it is critical at this point to substantiate the suitability and effectiveness of the investment properly, primarily by optimal determination and proportioning of the

production capacities and areas, by loading all installations and machines adequately, and by adjusting, reconditioning, modernizing and developing them.

But it has been found in some cases that there are capacity reserves but the investments are requested before thorough analysis of the possibilities of performing greater production tasks by making better use of the technical means in the inventory. The Bucharest Metroul Enterprise requested transport equipment and means amounting to 16 million lei although it had such equipment but was not using it at the planned use indices and shift coefficient. The quite unjustified expenditure of those funds would have created financial difficulties for the unit by increasing the amortization and the production costs.

We may conclude that proposing and granting funds for investments must be substantiated, formulated and checked with a great sense of responsibility because they are important steps in decision making and committing the state's expenditures to the success of the investment project. Performance of the production tasks without additional investments as well as implementation of valid and effective investment projects with clear advantages to the national economy are to be encouraged just as proposed investments that do not yield the expected results in practice are to be rejected, or if they have been approved the responsibilities of the respective institutions and persons must be determined. It goes without saying that lack of such substantiation and responsibility results in the undesirable situation where material and financial resources are immobilized in investments that do not produce the expected results.

Beginning with this five-year plan a number of measures were taken to considerably enhance the effectiveness of investments, which measures are also included in the new law on investments passed at the end of last year. This law stipulates regulations conducive to more thorough preparation of the new investment capacities, to curtailment of the construction time, to introduction of more strict discipline in the expenditure of the investment funds, to greater responsibility for all elements working in this field, and to obtaining the expected economic effects as soon as possible. Meanwhile standardization of investment capacities, construction materials and manufacturing technologies was started and partly completed. That measure has brought about a veritable revolution in the field of construction materials, especially by eliminating the energy-intensive materials. Such measures and programs must be continued, and they can meet the new demands for greater economic effectiveness in order to achieve a new quality in this important activity too.

One of the first requirements consists of establishing order and discipline, in the entry of investment projects in the plan, in strict accordance with the motto "Finish what you have started and only then undertake other investment projects!" But that is not all. When the workers collectives decide to build new investment capacities, the economic evaluation necessarily requires a careful analysis to see whether new investment projects can be obviated by more intensive use of the existing inventories. If this evaluation has been made, then entry of new capacities in the plan requires them to have approved technical-economic documentation and to meet the standards of high effectiveness.

In the spirit of strict observance of the principle of minimizing immobilization of the investment funds for the period of implementation of the projects, a period during which they have no economic effect, it was determined that no new project or its financing shall begin until after its beneficiaries have met all the material and financial conditions for its regular implementation in the shortest possible time. It is

a matter of providing the new projects with financial resources and contracts for purchase of the equipment to be installed, while the builders must be committed by firm contracts and must have the necessary material and manpower resources. In this way an old desideratum significantly expressed by a popular adage, "A job well organized is half done," is also applied to this boad field of activity. Many material or financial shortages will be prevented in this way that lead to delayed performance, to repeated and unwarranted extensions of the construction time and, ultimately, to bad economic and financial consequences for economic activity.

The logical consequence of such measures of great economic importance has been a reduction of the number of new projects and, ultimately, of the workload of investment projects under construction at the same time, as well as a more rational use of the production capacities of the construction organizations and suppliers of equipment and construction materials. They are essentially measures that will heighten the responsibility of all elements active in the investment field who review and approve the technical-economic documentation or indicators of the new investment projects as well as the nature and structure of the expenditures that can be made out of the investment funds.

On the basis of the first positive results of application of all these measures it may be said with certainty that they provide for more efficient use of the development funds that society makes available to the economic units in conformity with the general aims of the current five-year plan of transition from the stage of quantitative accumulations to a new quality.

5186
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ACTIVITIES OF NEW OVERSEAS CONSTRUCTION DEPARTMENT VIEWED

Bucharest SCINTEIA in Romanian 24 Oct 81 p 5

[Interview with Ion Stanescu, chief of the Department for Construction Abroad, by Cristian Antonescu; date and place not specified: "Tasks of Great Responsibility in Achieving a Broad and Efficient International Cooperation in the Construction Field"]

[Text] [Question] It is a known truth: foreign trade and international economic cooperation have become an important facet of our entire economic activity and the achievement of the tasks in this field, tasks that are much increased during the current five year plan, represent a major requirement that can be successfully fulfilled. This is a fact demonstrated by the results obtained in these fields during the previous five year plan and by the measures taken, the conditions created and the guidelines established with foresight for the 1981-1985 period. Among these measures of a broad scope there is also the creation of the Department for Construction Abroad. What is the purpose of establishing this department and what is its field of activity? -- precisely the questions that I asked at the beginning of this interview.

[Answer] The Department for Construction Abroad was established and organized at the initiative of and under the direct guidance of comrade Nicolae Ceausescu and reflects the constant concern of our party and its secretary general for the promotion of a policy of broad cooperation between countries on the basis of the principles of respect for national sovereignty, equal rights, mutual advantage and non-interference in domestic affairs. Comrade Nicolae Ceausescu's message of peace and international collaboration, the signed agreements and programs for the future and the agreed-upon understandings, following the meetings and discussions conducted with numerous chiefs of state, have created the framework for concluding certain important contracts and the conditions for a special development of activities in construction work abroad.

Clearly, the scope and complexity of the projects scheduled to be completed in different countries have brought about the need for better coordination and the establishment of unified responsibilities for the overall national economy. These are precisely the tasks of our department, which leads, coordinates and is responsible for the execution of construction projects abroad under efficient conditions using its own units, as well as the execution of construction projects in different fields

and in different countries using the specialized units of other ministries. In order to carry out these tasks under the best possible conditions, the department is entrusted with the plan for the entire national economy in the realm of construction work abroad, a position from which it draws up the draft five year plan and the annual plan and assigns the plan indicators to its subordinate units.

The fundamental objective of our activities is the sustained growth of economic efficiency concomitantly with the satisfaction of the highest exigencies of the foreign customers. For that reason, the department is organized and operates on the basis of the principle of economic-financial and hard currency self-administration. The basic criterion that governs our efforts is the achievement and overfulfillment of the plan, the adherence to concluded contracts and the rigorous fulfillment of the start-up plan.

In order to carry out these tasks of great responsibility, the department is also conceived as an operational organ or, to put it another way, as an economic unit with well-defined functions: as a general contractor, a general supplier and a specialized contractor. It has the job of ensuring the turning over of the project on-time, of adopting measures for the technical-material supply of the worksites abroad and equipping them appropriately with equipment and manpower and of establishing programs for the efficient use of the existing material and human potential.

[Question] Two months have passed since the creation of the Department. Therefore, one can give a review and even summarize the activities that have been carried out. How do you evaluate the results obtained and what measures do you feel should be taken to achieve the plan this year and to appropriately prepare for the 1983 plan?

[Answer] In a practical sense, the organization of the department has been completed. In all the functional areas specialists were assigned who had a long economic-engineering experience. Organizational structures were established and the new enterprises subordinated to the department were created. Certainly, the department was not created against an "empty" background; it is the result of certain solid traditions. In this field, Romanian science and technology have a powerful potential and long experience, and our country has a broad and recognized prestige in building construction projects abroad. Among the numerous projects completed, I can mention the refineries built at Banyas (Syria), Zarqa (Jordan) and Karachi (Pakistan), the wood processing combines in Ondo (Nigeria), Bangui (Central African Republic) and Salwa (Sri Lanka), the dam on the K'sob River (Algeria), the sulfuric acid factory at Abu Zaabal (Egypt), the cement factories in North Korea, Iraq and Turkey, the thermo-electric power stations in Czechoslovakia, Somalia and the Philipines, and the large housing complexes and social-cultural buildings in Tripoli and other cities in Libya. I left these projects to the end since nearly 8,000 Romanian workers and specialists are working on them, with Libya currently constituting one of our most important partners.

A precise statement: as a result of the organizational measures taken on multiple levels, the units of the department fulfilled their plan tasks for the month of September. For the radical improvement of the activities carried out abroad a broad program of action was adopted containing broad technical-organizational and political-educational measures for the purpose of achieving the plan provisions and the concluded contracts in an exemplary manner. On the basis of the directives received, appropriate measures were established designed to speed up the start of operations at certain important projects: Zarqa (Jordan), Banyas and Homs (Syria) and the Port of Nador (Morocco). Although we encountered some difficulties with regards to technical-material supply, approval of certain materials, delivery of certain pieces of equipment, the measures adopted ensure the carrying out of the fourth quarter plan tasks and the tasks for the entire year and the adherence to the timeframes in the concluded contracts. For 1982, an increase is foreseen in the volume of projects by approximately 200 percent compared to the achievements this year. A large portion of these projects have already been contracted and we are making sustained efforts to quickly finalize these actions. We are working on a number of levels for the regular achievement of projects and for staying within the schedules during the first days of the first quarter next year.

[Question] You mentioned in a few words the systematic concern for increasing economic efficiency in the department's activities. What are the directions of action you have in mind to this end?

[Answer] The most important of them refers to the priority promotion of Romanian technologies, designs, installations, equipment, machinery and materials. As can be seen, we are speaking about an orientation that requires essential changes of a qualitative nature in the production slated for export, expressed in an increase in those products having a higher degree of processing and incorporating a greater degree of our own work and creativity, contributing to the better use of the raw materials used in their production.

Certainly, in increasing the efficiency of construction activities abroad we will give our full attention to using improved work technologies and modern construction techniques, rationally using technical resources, continuing to decrease energy and material consumption, reducing domestic and foreign costs, obtaining advantageous prices and payment conditions and receiving payments due on-time.

[Question] We would ask you to dwell on other important problems: the cooperation with the enterprises, ministries and other economic organs in our country for the purpose of ensuring conditions for a regular and efficient activity at the worksite. What measures are necessary for strengthen this cooperation?

[Answer] Actually, a decisive factor for the fulfillment of our tasks under qualitatively superior conditions is ensuring an active and efficient cooperation with all the economic units in the country. Along this line of thinking, we

established, along with the ministries that have construction-assembly enterprises working abroad, measures regarding the thorough organization of these units and the provision of a technical-material base and the necessary workers. We asked the specialized design institutes to review construction techniques in projects, to adapt them to the requirements of the world market, to draw up standard designs and modules for all the categories of frequently desired projects for foreign customers, to plan for equipment of lesser weight and to promote advanced construction technologies. We are firmly convinced that through the measures taken we will also receive effective support filled with solicitude from the ministries. Thus, the Ministry of the Machine Building Industry, the Ministry of the Machine-Tool, Electrotechny and Electronics Industry and the Ministry of the Metallurgical Industry are called upon to deliver materials, spare parts and equipment of good quality only after they have been rigorously accepted and pre-assembled in order to increase the degree of industrializing the work at the worksite. The Ministry of Forestry Economy and Construction Materials must deliver on a priority basis those materials for the worksites abroad and quickly begin production on those items requested by the foreign partners. Certainly, there are also other units and ministries - the Ministry of the Chemical Industry, the Ministry of Industrial Construction for example - with which we directly cooperate to achieve construction projects abroad under good conditions.

We believe that the workers of our department will work with the ardor and decisiveness that characterizes them to fulfull their tasks, to honor the contracts concluded with the foreign partners in an exemplary manner and to prepare activities for next year under superior conditions.

8724
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MEASURES FOR ACHIEVING WATER CONSERVATION CONSIDERED

Bucharest SCINTEIA TINERETULUI in Romanian 28 Oct 81 pp 1, 2

[Article by engineer Constantin Radescu, director in the National Council of Water: "Water - A National Wealth That We Must Manage in the Most Judicious Manner Possible"]

[Text] In the overall economic-social activities of the country, water management represents a component part of the general policy of our party and state for our and everyone's economic development and well-being. The requirement for the rational management of surface and underground water resources and for the use of the economic potential are, as is known, the object of certain priority importance concerns. In one of its chapters, the Program of the Romanian Communist Party stresses the necessity of a unified management of this fundamental economic resource, which is water, and upon which the current technological civilization is based. The Law on Water of 1 April 1974 and the National Long-Term Program for the Management of the Hydrographic Basins in the Socialist Republic of Romania give a long-term unified view to the problem of water, one of the principal natural wealths of the country and "a problem of national interest for the economic and social development of Romania." For the 1981-1985 period, the 12th Congress of the RCP established that in this field there will continue to be the achievement of the national long-term program for the management of the hydrographic basins for the purpose of meeting the continually increasing water requirements of the populace, industry and agriculture, in accordance with the country's economic and social development.

Our country has limited water resources: in an average year approximately 37 billion cubic meters of water flow in interior rivers. Of this volume, only 5-6 billion cubic meters can be used without having accumulation lakes, since the largest portion of the flow occurs during relatively short periods of rain and melting snows while during the rest of the year the rate of flow is much smaller.

With the existing accumulation lakes we use approximately 11 billion m^3 of water per year from interior rivers. From the Danube River, a river subject to an international statute and located in an odd position with regards to the country's territory, we can use practically approximately 20-25 billion m^3 per year and from underground water approximately 4.5 billion m^3/year. These figures place us among the European countries having modest water resources.

If we consider the fact that the amount of investment funds needed to provide accumulation lakes that could yield another one m^3/second currently range from 200 to 500 million lei and the costs for gathering-piping-treating and distributing water, as well as those for processing used water for the purpose of avoiding pollution, we can realize why we must carefully and economically use each liter of water.

Water conservation implies, first of all, avoiding waste, especially in industry and agriculture. In order to evaluate the use of water in the economy, the principal instrument is the norm of water consumption per unit of product.First of all, these norms must be established for each existing production process, a legal obligation still not respected in all industrial sectors. Similarly, water consumption must constitute an evaluative element in the design and improvement of new production technologies.

The consumption levels recorded in industry are still too high in our country compared to those existing on the international level. Even when compared to existing norms or those being improved we too often find levels that are too high. Thus, for example, a recent check in Bucharest showed that at the "Grivita Rosie" Enterprise the specific level of consumption is approximately 86 m^3 per ton compared to 20 m^3/ton as recommended on the basis of the experiences of other similar units in the country and by the data in technical literature from other countries. The combed wool mill has a specific consumption level of 570 m^3 per ton of wool-type bale compared to the 180 m^3/ton recommended as a norm.

Conservation also means eliminating water loss or reducing it as much as possible. Large amounts of water are still being lost in the network of city and industrial arteries, pipes and branches, as well as in interior plumbing in industry, social-cultural buildings and housing, because of defective pipes and joints that go undiscovered or are not repaired on a timely basis and because of defective equipment (valves, faucets, floats). The volume of water lost from the potable water distribution network for the entire country totals approximately 160 million cubic meters per year, a volume comparable to one-fifth of the total amount of potable water distributed to the populace.

Irrigation systems lose large quantities of water, estimated as approximately 40 percent of the rate of flow of the captured water, losses that can be decreased by technical-construction measures, as well as by a good organization and execution of the irrigation.

Clearly, to judiciously manage water in a qualitative sense requires, first of all, measuring the rates of flow and the volumes of water collected in the use and discharge circuits.

Although the setting up of equipment to measure the rate of flow of water is a legal obligation for all those units that use water and there is a detailed program agreed upon to this end, whose implementation has produced good results, to date these units have only installed 30 percent of the necessary equipment of thsi type, a good portion of which is not appropriately maintained and used.

Water conservation must also be ensured by the recycling of water used during the production process and by reusing it in technological processes or in nearby units. If in some branches, like, for example, in the steel and iron industry, the recylcing and reuse of water has been practiced on a broad scale and expanded in recent years, in other sectors and units all the opportunities are not being used.

Therefore, conditions exist for the achievement of certain important savings of water that will permit the more efficient use of the existing capacities of primary resources (accumulated waters, branches) as well as water supply installations (connections, treatment plants, pipe networks and so forth), and will make it possible to delay certain investment projects for new installations like these.

The judicious management of water also requires avoiding the pollution of water resources. Polluted water is the same as lost water, in addition to the negative implications of a hygiene-health and technological nature that pollution can produce.

The most used means of combatting pollution is the used water purification plant that processes water after it is used in towns, industry and zootechnical units and discharged into the sewage network. The purification process, along with the supply of water and the implementation of this process by the units and housing units that use and make water dirty, constitutes a legal obligation. Each year our country allocates through the plan an ever more significant amount of investment funds, on the order of 1-1.5 billion lei per year in the most recent period. The efforts made in all the sectors of the economy to carry out research into certain efficient purification processes, as well as for the design and production of equipment and devices used to purify used water and check the quality of the water, have led to the possibility of building purification plants on the basis of technology and equipment fully designed in-country. The number of purification installations in operation has increased from several hundred in 1960 to over 3,700 at the current time. The effect of this has allowed the slowing down of pollution under a situation of a high rate of development in industry, towns and agriculture, all potential sources of pollution. The existing purification installations retain or destroy significant percentages of the pollutants discharged along with used water.

In order to check the quality of the water, Romanian specialists have completed an efficent information system for which they have designed and also produced the first automated stations to check the quality of the water and for which they are continuing to design new sensors for the purpose of increasing the variety of polluting substances that can be analyzed.

The resources that are available are not, however, satisfactorily used, as is pointed out by the fact that the planned investment funds for purifying used water were put to use at only a rate of 58 percent and over 40 percent of the existing purification facilities operated below designed parameters.

It must also be pointed out that the substances discharged with the used water from production processes basically represent a portion of raw materials, semi-finished and finished products that are lost in the water and for whose destruction or retention in purification facilities energy, materials and manpower are expended. The result is the need to review the existing technological processes and the design of new ones with special attention going towards reducing these losses and achieving savings in raw materials along with a reduction in the level of pollution at the source.

From a consideration of this overall group of problems, we clearly see that the provision of water in the necessary amounts and at an appropriate level of quality, as well as the control of the destructive force of water and the complex management of these forces, require not only a significant technical and material effort for the design, production and coordinated use of projects, but also the taking of a conscious position by all the parties, which are great in number, that can contribute to the rational use and conservation of water, to its protection against pollution and to the best possible quality and coordination of management projects in the hydrographic basins.

Water does not belong merely to the one who turns his own faucet or to the technological process where water is used. It is a valuable national asset, a type of wealth that must be carefully used and protected under any circumstance.

8724
CSO: 2700/69

ELECTRIC TRANSMISSION LINE TO ITALY COMPLETED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3 Nov 81 p 4

[Article by R. Jovanovic: "Higher Exchange Possibilities Quintupled"]

[Text] The 380-kv Divaca--Redipulja power transmission line was recently completed; in the past few days it has linked Yugoslavia's and Italy's electric power systems and made them considerably stronger than they were before. This line has linked Yugoslavia's electric power system via Italy to western Europe's interconnection, so that the possibility of rendering aid in critical moments will be quintupled, and the possible exchange of power will then reach 1,000 MW.

Had the Divaca--Redipulja long-distance transmission line been in service last 8 December, the specialists say that the splitting of the Yugoslav electric power system, which that day threw more than half of the country into darkness, most probably would not have occurred. Or at least the country's western portion would not have been blacked out.

The Divaca--Redipulja transmission line is part of the basic 380-kv network which went under construction in 1972 according to the country's unified project. With completion of construction of the Djerdap long-distance transmission line, the preliminary phase of the future unified Yugoslav transmission system was completed that year. After all, up until that time no Yugoslav power transmission system existed, but there was a regional system at a voltage of 220 kv.

The 380-kv network, which was to cover Yugoslavia as a whole, was planned for construction in two phases. The first was completed in 1979, and the second is coming to an end and should be completed next year. The most important parts are in fact already completed. A few of the shorter lines still remain. At the moment the entire section of the Divaca--Rijeka network of the southern trunk line, which links the Slovenian and Croatian electric power industries and the Split--Mostar line with the Divaca--Redipulja link, is in trial operation. Construction is also under way on the last section of the southern trunk line from Mostar via Trebinje and Titograd to Kosovo, which is to be completed toward the end of this year. This will actually close the 380-kv ring in Yugoslavia.

In this medium-term period, because of the lack of funds, certain smaller sections which were supposed to be a kind of double security of the Yugoslav electric power system will most probably not be built.

All in all the new long-distance power transmission network will consist of 4,400 km of 380-kv transmission line and 27 380-kv substations. Their total installed capacity is 18,400 MW, which is about 4,000 MW more than the transformer substations located at all the power plants in the country. Enough conductor cable has been built in those 4,400 km of long-distance power transmission network to encircle the entire globe at the equator.

"Putting into service the long-distance transmission line to Italy brings to an end a very expensive national project in which the entire community has invested enormous resources. Reduced to the present value of the dinar, this amounts to about 40 billion. Putting into service the Divaca--Redipulja transmission line alone has considerably augmented the reliability of supply of power to consumers in the country, especially in its western portions and the coast. This has considerably increased the possibility of exchange and assistance between us and Italy in supply of power, and via Italy with all of western Europe as well, which is also at the 380-kv voltage," says Radojko Vukosavic, supervisor of the Specialized Service for Coordination of Construction of the 380-kv System in Yugoslavia, which in fact carried out this program in which all the republics and provinces participated in unity and very successfully.

7045
CSO: 2800/67

EARNINGS OF PRIVATE SECTOR DISCUSSED

Zagreb VJESNIK in Serbo-Croatian 7 Nov 81 SEDAM DANA Supplement p 12

[Article by Vlado Rajic: "How Much Do Private Businessmen Earn?"]

[Text] After two articles about the salaries of officials and the personal incomes of people employed in the economy and the social services, there is good reason to continue the story about personal incomes with figures on the personal incomes of the self-employed, or, more simply, private businessmen.

First, the official data. They can be found, among other places, in the SIZ [Self-Managing Community of Interest] for Old-Age and Disability Insurance of Self-Employed Croatian Tradesmen, Hostelers and Common Carriers. This is recorded as the base of the contribution for insurance which is paid by all the 43,476 private businessmen which the republic had as of 30 September 1981. Of that number (according to the precise statistics kept in the work community of the SIZ) 51.09 percent of the independent tradesmen, hostelers and common carriers reported a monthly personal income less than 6,000 dinars. This also includes, we were told in the SIZ, tradesmen in the regions of Slavonia and the Dalmation Zagore whose pensions and insurance in case of injury resulting in disability are based on the contributions they pay in. Aside from their trades--for example, as coopers, ropemakers, potters and the like--they are also engaged in farming.

Percentages and Cases

The share of the self-employed businessmen with earnings of 17,500 or more is 17.78 percent. The remaining percentage includes those who receive between 6,000 and 17,500 dinars of personal income monthly. More accurately, they do not receive it, but earn it. Or still more accurately, that is how much they declare to tax authorities and revenue administrations, and thus the figures reach the SIZ, which then computes the pension base that corresponds to them.

According to the financial arrangements issued for this year, the table of tradesmen, hostelers and common carriers with the highest gross personal incomes (taxes and contributions have yet to be deducted from the amounts we are giving) would look like this: 5 persons in the republic with more than 3 million dinars annually, 3 with 2.5 million, and 11 with an income between 1.5 and 2 million.

Twenty-three businessmen reported an annual gross personal income between 1.5 and 2 million dinars. There are 151 private businessmen earning between 1 and 1.5 million dinars, and 253 earning between 800,000 and 1 million. It is important to say that all these figures were reported to the appropriate tax agencies and revenue administrations, which check them out if necessary. Once taxes and contributions have been deducted, it is not difficult to compute the average personal income of those who work on their own.

Second, and this simply cannot be skipped over in the case of the earnings of private businessmen, are the occasional, but spicy cases recorded by the courts, the inspectorates, and other agencies. And they cast doubt as to whether the declared personal income is correct. After all, until a case is broken, it seems that everything is alright. The tax people handle declarations, the revenue administrations as well, and the special-interest communities the same. These are all official figures, everything is in order. The cases that go too far show that this mass of official numbers is actually an illusion which cannot be broken down without arguments. But the arguments come too late, if one is counting on social prevention.

All these "cases," or however they are to be called, are far from dependable social control, and arrive at the lump-sum payment by the shortest route: "You, now, are private businessmen, it is easy for you." Nothing is achieved by comparing the figures from official sources and what is known and "known" about the earnings of private businessmen. After all, this also breaks down into individual cases; the rich individual does not represent a trend in the system. Especially in this time of stabilization when, for instance, the owners of construction machines and common carriers have no business, and up to now they have been most frequently criticized by the tax people.

We were told in the SIZ that tax policy is being differently interpreted and conducted because of the autonomy of the opstinas in this matter. There are thus cases where taxi operators in Dubrovnik are put in the group with the highest rates of contributions, and those in Zagreb among the lowest. This differentiation of tax policy, almost on an individual opstina basis, has the result that the private businessmen move to opstinas with lower rates of the contributions and taxes, which has nothing whatsoever to do with the public campaign to strengthen small business.

What we were told in the SIZ of Old-Age and Disability Insurance of Self-Employed Tradesmen, Hostelers and Common Carriers about the finger pointed at private businessmen as being extremely rich individuals was this: it is true that the percentage mentioned in the private sector does earn considerably more than workers in associated labor, and it is true that a total of 446 persons in Croatia have a gross personal income per year higher than 800,000 dinars, but work in the private sector is usually done regardless of working hours, without annual vacations, and so on. We were told that the pointing of a finger at the millions of earnings, especially when there are not many of them (we calculated that only 1.07 percent of private businessmen realize annual earnings in such amounts) is creating nervousness among the private businessmen, not uncommonly they are being portrayed as deliberate evaders of obligations to society,

practically as thieves. And they also told us that the private businessmen themselves want the offenders among them to be named.

Here the circle probably closes. It is a long distance from individual cases to a public campaign. After all, there are many issues. If things are so difficult in the private sector, why, then, are 50 percent of the restaurants and cafes in Zagreb run by private hostelers? Why is there more and more private initiative in other activities and not just in the services, the crafts and trades and similar activities? Why is it in political assessments note is not uncommonly taken of the ever greater presence of private initiative, but outside the framework of the public campaign to develop small business? Why is it that the cases are not an occasion for debate about the causes of these things, while one of the probable causes, a tax inspectorate that is understaffed and underfunded, has not been a subject of public activity?

Neglected Relationships

There is no end to the questions that might be put. The consequences of the lack of persuasive responses are being felt. From the lack of a tax policy and the downfall of certain institutions for investigation of the origin of property (the commissions have gone even through their official collapse) to a social climate in which earning money from property, playing fast and loose with the law, tax evasion, and excessive enrichment are only observations.

And finally, a question on which little or nothing has been said so far: Where, how and why has the socialized sector lost that capable individual who knows how to work, who knows how to earn income, who knows how to organize a job? Where, how and why has the private businessman slipped past the oversight of society?

Writing about personal incomes is not an occasion to discuss at length those social, sociological and political issues even if it turns out that the bare figures do not tell much about the social relationship in which they occur as a consequence. So the private businessmen, who in the method and results of their work leap out of the social limits of productivity, measurement of labor, and results achieved within the limits of some activity, represent a separate chapter in the story about personal incomes. Here again we cannot altogether believe the figures, since some cases belie them. Here again we cannot establish a criterion as to how much is much and how much is little in the pay envelope when all accounts are dealt with. After all, the socialized sector is still far from introducing a system for measuring the results of work and remuneration according to work. How far then is the private sector?

However it may be, the fact remains that expansion of the private sector (not that socially useful one, since there are still too many activities which are in short supply, but those lucrative ones) is evident. Perhaps the root of the difference between the social interest and the private interest lies in the difference between what is needed and what is lucrative. Perhaps this ought to be the starting point in discovering the reasons why the private sector has been skidding according to social criteria (when this can be proven): Who wishes the licenses for operation, for what activities, under what conditions? Perhaps if

matters were approached from that angle, high earnings would not be confused with playing fast and loose with the law, but would be associated with social benefit, with the work invested, and so on.

Certainly, there will be more said about the private sector. In the context of the debate concerning the new tax policy, formation of the new institutions for monitoring implementation of that tax policy, and the bolstering of tax authorities.... Or, perhaps, now that we have come to the very end, the problem lies in the institutionalization of the very end point of a social phenomenon--private earnings, instead of more attention being devoted to the most important relations. After all, the merry-go-round from case to case only makes one dizzy.

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YUGOSLAVIA

DEVELOPMENT OF SOCIALIZED AGRICULTURAL SECTOR SURVEYED

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 9, Sep 81 pp 3-7

[Article by Danilo Tomic, MA]

[Text] Introduction

After the end of the war in 1945, an agrarian reform in Yugoslavia created a land fund of 1,566,000 hectares. About 755,000 hectares of this total were distributed to poor peasants, while 791,000 hectares were transferred to state ownership and represented the basis for state agricultural land holdings. That was actually the origin of the developmental concept for Yugoslav agriculture that was adopted later. The land consisted of small, fragmented agricultural holdings and socially owned operations with small amounts of land, poor equipment resources for production, and unsufficient trained personnel. Later, through the rapid development of the country's agriculture and general economy, which were caught up in the processes of integration and internal transformation, these organizations gradually were transformed into compelxes that today are modern agroindustrial complexes. They are true giants with the most modern production equipment, and the newest scientific, technical and technological advances are applied on them. They are counted among the most modern organizations in the world. Their accelerated development represents a qualitative change in the development of Yugoslav agriculture. Agricultural organizations have had pivotal influence on the results of Yugoslav agriculture, which has reached a world level. Besides that, various forms of cooperation and association have contributed markedly to increasing goods production on private lands.

Despite a series of positive results in the development of these organizations, various weaknesses have also been revealed, meaning that all the possibilities for increasing agricultural production have not been utilized.

In this paper, an attempt will be made at analyzing these state land operations from the standpoints of their organization, equipment (primarily with agricultural mechanization), and motivation for more rapid modernization of production processes, as essential prerequisites for obtaining better results in agriculture.

The increased effects will be regarded through the average level of labor productivity (the physical volume of production and the social product per permanent farm worker), the average level of production intensity (the physical volume of

production and the social product per hectare of cultivated land), as well as the percentages of accumulation, reproduction and reinvestment.

The Results of Research and Discussion

The level of development of productive forces in Yugoslavia was very low after the war. Industrialization was the basic method for accelerated economic development. Agriculture represented a source for accumulation in that process. Therefore, in the period 1947-1956 the overall development of agriculture as a whole, and thus the socially owned sector as well, was very much neglected. The turning point in the development of Yugoslav agriculture came with the approval of the Resolution of the Federal Popular Assembly (in 1957) and of the Program of the League of Communists of Yugoslavia (in 1958). At that time, they adopted the concept of advancing agriculture on the basis of accelerated development of socially owned agricultural organizations, along with gradual collectivization of individually owned agriculture. After 1957, the process of modernization began in these organizations, which then and now represent the bearers of overall agricultural development. That was the beginning of the development of powerful, highly productive agricultural production on industrial foundations, along with a strengthening of cooperative efforts in the village. The development of these organizations show chiefly a rising trend, with occasional fluctuations.

Tabela 1. UPOREDNI PRIKAZ BROJA POLJOPRIVREDNIH ORGANIZACIJA, OBRADIVOG ZEMLJIŠTA I BROJA ZAPOSLENIH U POLJOPRIVREDNIM ORGANIZACIJAMA*)

(1) Godina	(2) Broj poljoprivrednih organizacija	(3) Obradivo zemljište u 000 ha	(4) Broj zaposlenih		
			(5) stalno zaposleni	(6) poljoprivredni stručnjaci	
				(7) visoka i viša struč. sprema	(8) srednja struč. sprema
1955.	8.366	824	86.524	648	1.268
1960.	5.120	1.030	187.175	1.929	7.770
1965.	2.559	1.413	213.028	5.325	7.685
1970.	1.925	1.489	131.867	7.396	8.837
1975.	2.363	1.535	140.592	8.474	10.250
1979.	2.946	1.593	138.016	9.435	11.525

*) Izvor SGJ

Table 1. Comparative Analysis of the Number of Agricultural Organizations, Cultivated Land, and Nuamber of Employees in Agricultural Organizations

Key:

1. Year
2. Number of agricultural organizations
3. 1,000 hectares of cultivated land
4. Number employed
5. Permanently employed
6. Agricultural specialists
7. High- and advanced training
8. Intermediate specialized training

Source: Yugoslav Statistical Yearbook

On the basis of data in Table 1, we can perceive a decline in the number of agricultural organizations until 1970, followed by increasing numbers. That is a consequence of the concentration and centralization of Yugoslav agriculture, the

expansion and strengthening of these organizations through various integrational processes that were implemented after 1960. Beginning with 1970, actually after the approval and implementation of the Yugoslav Constitution in 1974 and the Law on Associated Labor in 1976, the former enterprises were transformed into organizations of associated labor, and their numbers grew. Other than that, the increase in cultivated surface held by these organizations has been slow. For example, in 1979 they had only 16 percent of the total cultivated surface in Yugoslav agriculture at their disposal. The number of permanent and temporary employees grew until 1965, and then began to decline. This resulted from the increasing modernization and better equipment of these organizations (see tables 2 and 3).

Tabela 2. BRUTO INVESTICIJE U OSNOVNE FONDOVE POLJOPRIVREDNIH ORGANIZACIJA*)

(u milionima dinara — cene 1972)

(1) Godina	(2) Ukupno (1)	(3) Građevinski objekti (2)	(4) Oprema (3)	(5) Ostalo (4)	(6) Struktura u % (1)	(2)	(3)	(4)
1955.	981,6	373,1	161,9	446,0	100	38,0	16,5	45,5
1960.	3613,9	1592,3	818,5	1202,6	100	44,0	22,6	33,4
1965.	2632,2	898,3	1030,3	703,6	100	34,1	39,1	26,8
1970.	2161,7	672,9	1106,5	382,3	100	31,1	51,2	17,7
1975.	3223,8	981,9	1675,6	566,3	100	30,4	52,0	17,6
1978.	3612,3	1441,9	1649,2	561,2	100	39,0	45,6	15,4

*) Izvor: Materijali Saveznog zavoda za statistiku.

Table 2. Total Capital Investments in Agricultural Organizations, in million dinars at 1972 prices

Key:

1. Year
2. Total
3. Construction
4. Equipment
5. Other investment
6. Percentage structure

Source: Materials of the Federal Statistical Office

Total basic capital investments in agricultural organizations show a rising trend until 1960, and then begin to decline steadily: they did not return to 1960 levels of investment again until 1978. Similar tendencies are seen in investment in construction. In equipment, however, investments showed a constant increase both in absolute and relative terms. A significant increase in investments in equipment was noted after 1965, which coincided with the beginning of the drop in employment. That confirms that assertion about rapid modernization and mechanization of agricultural organizations in the period after reform. A consequence of this investment activity can also be seen in the increasing mechanization of agricultural organizations.

On the basis of Table 3 we can perceive a growth in the number of agricultural machines, until 1965. After the economic reform, their numbers tended to decline. That can be explained by the motivational levels of organizations for acquiring more powerful machines with greater operational effectiveness. For example, in 1965 the number of tractors with more than 35.8 horsepower was 8,854, while in

1979 it totaled 18,213. That means that the number doubled in 15 years. The satisfactory level of agricultural mechanization is a qualitative change in the development of agricultural organizations. The question arises as to what motivates the agricultural organizations to make these changes.

Tabela 3. OPREMLJENOST POLJOPRIVREDNIH ORGANIZACIJA MEHANIZACIJOM*)

(1) Godina	(2) Broj traktora	(3) Traktorski raspirači mineralnih đubriva	(4) Traktorske sejalice za sitna žita	(5) Kosačice	(6) Kombajni	(7) Traktorske prikolice	(8) Kamioni
1955.	8.762	. . .	. .	. . .	. . .	. . .	1.204
1960.	30.699	5.718	6.263	5.504	4.921	. . .	1.728
1965.	40.340	5.875	7.896	5.005	11.293	. . .	3.908
1970.	27.402	3.515	4.728	2.323	11.889	. . .	3.980
1975.	25.523	3.283	4.363	1.853	11.046	25.381	3.945
1979.	25.116	3.640	4.062	1.875	9.552	25.011	3.539

*) Izvor: SGJ

Table 3. The Level of Mechanization of Agricultural Organizations

Key:

1. Year
2. Number of tractors
3. Tractor-drawn mineral fertilizer spreaders
4. Tractor-drawn grain drills
5. Threshing machines
6. Combines
7. Tractor trailers
8. Trucks

Source: The Statistical Yearbook of Yugoslavia

Professor R. Stojanovic has studied the role of motivation systems in developmental policy; he stresses: "The two basic forms of motivation are developmental motivation and consumer motivation. Their interaction, the strength of each one's effect has the most direct impact on the pace and the nature of the entire society's development, it is essential that these two forms of motivation be in the optimum relationship.[1] The same author offers the following basic components of motivation for development:

a. The accumulation motivation

b. The motivation for the growth of specialized knowledge that cannot be put to direct use.

c. The motivation for integration in all spheres of economic life, seeking an integration process that will support development; and

d. The motivation for maximizing all of society's positive external factors.[2]

Stojanovic's ideas can find application in Yogoslav theory, policy and practice of agricultural development. The basic motto for the development of agricultural organizations is to increase and provide more stable growth and more favorable

structure in agricultural production to "implement the policy of more rigid growth of personal consumption and the standard of living, for more complete satisfaction of the increasing needs for agricultural raw materials in industry, and for increasing exports while gradually reducing imports of foods."[3]

The mechanization of agricultural organizations and increases in the number of specialists have significant roles in realizing these goals. Mechanization will replace human work and contribute to higher quality and more prompt preparation of the land, sowing, cultivation, and harvest of grains, more rapid transport, better storage and so forth. And precisely increasing production and yields of wheat, corn and sugar beets in agricultural organizations (see Table 4) can be explained in part by social motives, goals and tasks in food production, good supplying of mechanization, and the growing number of specialists.

An essential factor in the development of socially owned agriculture after the economic reform can be perceived in the increase in work performed by machines (greater mechanization of the production processes) and the reduction of human labor (the number of employees).

The basic motive for these changes was to increase labor productivity in agricultural organizations, as an important prerequisite for more rapid agricultural development. In the last 25 years (1955-1979), labor productivity in socially owned agriculture, measured in terms of the physical volume of production per worker, has grown nearly six-fold (see Table 5).

Tabela 4 PROIZVODNJA I PRINOSI PŠENICE, KUKURUZA I ŠEĆERNE REPE U POLJOPRIVREDNIM ORGANIZACIJAMA*)

	(1) Pšenica		(2) Kukuruz		(3) Šećerna repa	
(4) Godina	(5) Ukupna proizvodnja u 000 tona	(6) Prinos u tonama/ha	(7) Ukupna proizvodnja u 000 tona	(8) Prinos u tonama/ha	(9) Ukupna proizvodnja u 000 tona	(10) Prinos u tonama/ha
1955.	225	1,76	278	1,99	274	20,7
1960.	685	3,06	944	4,54	1.020	30,7
1965.	948	3,25	900	4,49	1.769	37,9
1970.	1.422	2,91	1.046	5,50	1.807	39,4
1975.	1.739	4,01	1.587	6,80	2.806	42,0
1979.	1.642	4,11	1.673	6,79	4.486	44,2

*) Izvor: SGJ

Table 4. Production and Yields of Wheat, Corn and Sugar Beets in Agricultural Organizations

Key:

1. Wheat
2. Corn
3. Sugar beet
4. Year
5. Total production in 1,000 tons
6. Yield in tons per hectare
7. Total production, 1,000 tons
8. Yield in tons per hectare
9. Total production, 1,000 tons
10. Yield in tons per hectare

Source: The Statistical Yearbook of Yugoslavia

Tabela 5. KRETANJA FIZIČKOG OBIMA PROIZVODNJE, BROJA ZAPOSLENIH I FIZIČKOG OBIMA PO ZAPOSLENOM U POLJOPRIVREDNIM ORGANIZACIJAMA*)

Index 1955 = 100

(1) Godina	(2) Proizvodnja u poljoprivrednim organizacijama	(3) Stalno zaposleni radnici	(4) Produktivnost (proizvodača po zaposlenom)
1955.	100	100	100
1960.	261	216	120
1965.	428	246	174
1970.	550	152	362
1975.	735	162	453
1979.	937	159	589

*) Izvor: SGJ

Table 5. Variations in the Physical Volume of Production, Number of Employed, and Physical Volume per Worker in Agricultural Organizations

Index, 1955 = 100

Key:

1. Year
2. Production in agricultural organizations
3. Permanent employees
4. Productivity (volume per worker)

Source: The Statistical Yearbook of Yugoslavia

Measured by value indices, labor productivity in the socially owned sector of agriculture shows the same trends. Expressed in value terms, the growth is more than 4.8 times the 1955 value (see Table 6).

The growth in labor productivity is an important indicator of not only the development of agriculture to the present, but also of its likely future development. The achieved growth in labor productivity in socially owned agriculture is satisfactory and has reached the level of productivity of agriculturally advanced countries such as Denmark, Holland, and the United States.

However, for analysis and evaluation of the development of socially owned agriculture, which is the most representative indicator, there are also other important parameters. One of them is the intensity of production, which is obtained by analysis of trends in social product per hectare of cultivated land. Actually,

that is a significant indicator of the effectiveness of utilizing land capacity. The average level of intensity, expressed in physical and value terms, reveals growth trends. The intensity of production, calculated in terms of the physical volume per hectare of cultivated land, has increased five times in the past 25 years (see Table 7).

Tabela 6. KRETANJE DRUŠTVENOG PROIZVODA I DRUŠTVENOG PROIZVODA PO ZAPOSLENOM U POLJOPRIVREDNIM ORGANIZACIJAMA*)

(1) Godina	(2) Društveni proizvod**) (u milionima dinara)	(3) Produktivnost rada (društveni proizvod po zaposlenom)	(4) Index 1955 = 100
1955.	1.773	20.491	100
1960.	4.482	23.940	117
1965.	6.216	29.180	142
1970.	7.956	60.330	294
1975.	10.589	75.317	367
1979.	13.564	98.278	480

*) Izvor: SGJ

**) Obračunato u stalnim cenama 1972. po principu česte delatnosti

Table 6. Trends on Social Production and Social Production per Worker in Agricultural Organizations

Key:

1. Year
2. Social Production in million dinars, calculated in 1972 prices on the principle of repeated activities
3. Labor productivity (social production per worker)
4. Index: 1955 = 100

Tabela 7. KRETANJE FIZIČKOG OBIMA PROIZVODNJE, OBRADIVIH POVRŠINA I FIZIČKOG OBIMA PO HEKTARU OBRADIVIH POVRŠINA U POLJOPRIVREDNIM ORGANIZACIJAMA*)

Index 1955 = 100

(1) Godina	(2) Proizvodnja u poljoprivrednim organizacijama	(3) Obradive površine	(4) Intenzivnost (proizvodnja po hektaru obradive površine)
1955	100	100	100
1960.	261	125	208
1965.	428	171	250
1970.	550	181	304
1975.	735	186	395
1979.	937	193	485

*) Izvor: SGJ

Table 7. Trends in the Physical Volume of Production of Cultivated Land and the Physical volume per Hectare of Cultivated Land in Agricultural Organizations

Index: 1955 = 100

Key:

1. Year
2. Production in agricultural organizations
3. Cultivated land
4. Intensity (production per hectare of cultivated land)

Source: The Statistical Yearbook of Yugoslavia

Measured in value terms, the intensity of production in socially owned agriculture in the same period grew by four times (see Table 8).

Tabela 8 KRETANJE DRUŠTVENOG PROIZVODA I DRUŠTVENOG PROIZVODA PO HEKTARU OBRADIVIH POVRŠINA U POLJOPRIVREDNIM ORGANIZACIJAMA*)

(1) Godina	(2) Društveni proizvod u milionima dinara	(3) Intenzivnost (društveni proizvod po hektaru)	Index 1955 = 100
1955.	1.773	2.152	100
1960.	4.482	4.351	202
1965.	6.216	4.399	204
1970.	7.956	5.343	248
1975.	10.589	6.898	320
1979.	13.564	8.514	395

*) Izvor: SGJ

Table 8. Trends in Social Production and Social Production per Hectare of Cultivated Land in Agricultural Organizations

Index: 1955 = 100

Key:
1. Year
2. Social Production in million dinars
3. Intensity (social production per hectare)

Source: The Statistical Yearbook of Yugoslavia

Analysis and comparison of the data on the growth of labor productivity and intensity of production in agricultural organizations indicate that prior to the economic reform, labor productivity grew more slowly than the intensity of production. After the economic reform, the level of labor productivity grew faster than the level of production intensity. A similar conclusion results from analysis of microeconomic indicators of the operations of agricultural organizations. (According to data of the Public Accounting Office, in 1966 income per employee amounted to 32,012 dinars, while in 1979 it was 258,060 dinars. In 1966 income per hectare of cultivated land was 3,905 dinars, while in 1979 it was 22,358. All quotations are at current prices. That means that when 1979 is compared with 1966, the income per employee increased eight times, while the income per hectare of cultivated surface increased 5.7 times).

On the basis of these analyses, it can be concluded that Yugoslav agricultural organizations are better motivated to improve labor productivity, and have been less motivated to increase the intensity of production, during the postwar period. A consequence of this motivation is found in increased extensivity of production, whereby the basic feature is the high share of grain production in the crop structure of cultivated and plowed land. Grain planting involved increasing mechanization and decreasing human labor. A further feature is the very small share of total land devoted to industrial crops, vegetables, fruits and fodder. The possibilities for more rapid development of animal hunbandry, irrigation and other intensive agriculture are not being sufficiently utilized. In other words, Yugoslav agricultural organizations are giving insufficient attention to labor- and income-intensive production (see Table 9).

Tabela 9. STRUKTURA SETVE ORANIČNIH POVRŠINA POLJOPRIVREDNIH ORGANIZACIJA*)

(u %)

(1) Godine	(2) Zasejane površine	(3) Žita	(4) Industrijsko bilje	(5) Povrće	(6) Krmno bilje
1955**)	100	50,0	12,3	4,2	17,3
1960.	100	65,4	10,4	1,9	22,3
1965	100	65,1	17,5	1,4	16,0
1970	100	72,2	17,7	1,6	8,6
1975	100	74,1	17,3	1,4	7,2
1979.	100	64,8	26,7	1,7	6,7

*) Izvor. Statistički bilten, br. 923, 1220 i SGJ.

**) Podatke za 1955. godinu, treba prihvatiti s rezervom zbog toga što su, umesto zasejanih, u obzir uzete požnjevene površine.

Table 9. The Structure of Sowing Land of Agricultural Organizations (in percentage)

Key:

1. Year
2. Planted surface
3. Grains
4. Industrial crops
5. Vegetables
6. Fodder crops

Note to 1955: The data for 1955 should be taken carefully since harvested rather than sowed land totals are given.
Source: Statistical Bulletins No 923 and 1220, and The Statistical Yearbook of Yugoslavia

The data in Table 9 confirm previous assertions. Of particular concern is the minimal amount of vegetables planted and the constant decrease in fodder crops in the sowing structure. The decrease in fodder crops planted is a consequence of fluctuations and stagnation in livestock production in agricultural organizations. For example, in 1979 only 12 percent of the country's livestock belonged to these organizations. Concentration on extensive production in these organizations can be explained by the insufficient development of processing facilities, lack of coordination of development, plans and programs between primary agricultural producers, processing facilities, consumer centers and food reserves. The overcoming of these shortcomings would hasten the development of labor- and income-intensive production in agricultural organizations, and that would contribute to better utilization of land capacity, to an increase in the average level of production intensity. Thereby, total income and income per hectare in these organizations would be increased, and this would be reflected favorably in their capital accumulation, reproductive and reinvestment capability. Additionally, their income provides funds for the development of secondary, tertiary and public activities.

Therefore, the working people in these organizations must be constantly better motivated, along with the need for increased labor productivity, to steadily raise the level of production intensity, and thereby the accumulative, reproductive and reinvestment capability of agriculture. These are also important indicators of the development of agriculture.

The accumulative, reproductive and reinvestment capability of socially owned Yugoslav agriculture is unsatisfactory; in the past 14 years it has tended to decline (see Table 10).

Table 10. Rates of Accumulation, Reproduction, and Reinvestment in Agricultural Organizations

Year	Accumulation rate (1)	Reproduction rate (2)	Reinvestment rate (3)
1966	3.8	7.0	3.8
1970	2.2	6.4	1.6
1975	2.5	6.0	3.2
1978	1.2	4.0	0.6
1979	1.4	4.1	0.4

Source: Data of the Public Accounting Office

1. $Sa = \frac{FF}{PKPA\ (Aos + Aob)}$

Sa = the accumulation rate
PF = the operations fund
PK PS = average use of operating funds (basic capital + working capital)

2. $RS = \frac{PF + AM}{PFPS\ AAos + Aob)}$

RS = reproduction rate
AM = amortization -- total funds

3. $Srs = \frac{PF + Am -- Ot}{PKPS\ (Aos + Aob)}$

Srs = reinvestment rate
Ot = total repayments received for unpaid debts based on investment credits for basic and working capital, and repayments for investment credits for basic and working capital to be received the following year.

This has resulted from the deterioration in the position of agriculture in primary and secondary capital distribution. The deterioration in the position in primary distribution is seen in the more rapid rise of prices for industrial products intended for agricultural use, compared to the rise in prices for agricultural products. In secondary distrubition, it is seen in the more rapid increase in personal, joint and general consumption (personal income, and contributions to interest communities and sociopolitical communities), compared to the increase in prices for agricultural products.

Improving the position of socially owned agriculture in primary and secondary capital distrubution is a crucial issue for the agricultural, economic and socioeconomic development of the country in the coming period.

FOOTNOTES

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4 December 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2208

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4 December 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2208

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YUGOSLAV TRADE WITH CEMA COUNTRIES SURVEYED

Belgrade PRIVREDNI PREGLED in Serbo-Croation 30 Oct 81 p 3

[Article by Vladimir Karakasevic]

[Text] The balances for the past decade do not show the cyclic fluctuations that are typical for Western markets. In the past 5 years, the trade deficit has increased by five. Market prospects are being considered in the context of long-term advantages.

Intensive economic exchanges and constant efforts for further higher and more complex forms of foreign trade and production and financial cooperation characterize Yugoslav economic relations with the European socialist countries that are members of CEMA. These countries form a significant economic region that accounts for more than 35 percent of total Yugoslav trade. In the period 1971-1980, exports grew nominally at an average annual rate of 22 percent, while imports in the same period increased 21.3 percent. In the years of the eighth decade of the century, the CEMA countries in Europe accounted for more than 39 percent of total Yugoslav exports and about 26 percent of total imports.

The European CEMA countries are traditionally regarded as a market with a high capacity for absorbing Yugoslav products, although this phenomenon has been reduced somewhat by higher criteria for quality and product mix, so that more complex forms of lasting cooperation are moving to the fore.

Balanced Plans

Trade with the CEMA countries is a dynamic component of Yugoslav foreign trade. In the period 1971-1980, exports to the European countries of this economic bloc increased from $666 million to $3.97 million, while imports grew from $775 million to $4.41 million. [Translator's note: There is obviously an error in the text here--presumably the figures should be $3.97 billion and $4.41 billion, respectively.] In the past several years, however, export growth has slowed to practically all the CEMA countries, causing a trade deficit in the Yugoslav balance of trade with this region. As a rule, trade with the CEMA countries takes place on the basis of bilateral, balanced annual and 5-year plan trade agreements, wherein multilateral forms of cooperation with regional CEMA organizations also have a certain importance. The latter are motivated by economic factors of long-term regional politics.

... And Unbalanced Balances

During periods of positive trade balances with the CEMA countries, the Yugoslav trade deficit with the developed Western countries or, more precisely, the debts and obligations in foreign exchange were larger by the sum of the surplus in clearing accounts with the European CEMA countries. The impossibility of using this surplus to cover the deficit with Western countries resulted in "tension" when regular foreign accounts were totaled. In recent years, the trade balance as a synthetic index of trade with the CEMA countries has taken on a new feature that is manifested as a more rapid growth in the trade deficit, given the difficulties that result from the lag in Yugoslav exports to this region when compared to the growth in imports. While in the 5-year period until 1975 the total Yugoslav deficit in trade with CEMA countries amounted to $511 million, something more than $100 million annually, in the 5-year period until 1980, that deficit grew five times over, to $2.52 billion or more than $500 million per year. Within this performance, the surplus in trade with the USSR in the 5 years until 1975 was transformed in the second 5-year period until 1980 into a $600 million deficit.

There are a number of causes that brought this turnabout leading to a negative net balance in trade with the countries of this economic bloc. Among foreign trade factors, in first place stands the reevaluation of the capabilities of national economies (which is particularly typical for trade with Poland and Romania). This factor relates to CEMA countries with which trade is conducted using convertible foreign exchange as the financial basis. Various restrictive measures that were approved also affected that trade while, for countries where the clearing manner of payment is used, an important factor was the increase in prices for raw materials, especially for crude oil and petroleum derivatives from the USSR.

Some Causes

Among domestic economic factors in trade with CEMA countries using the convertbile foreign exchange basis, it should be noted that the Yugoslav market had a favorable price situation and prices that diverted domestic producers from seeking exports to that region, while the growth in imports from the countries where clearing balances were used influenced restrictions of imports from Western countries. A further factor was that trade balances with these countries were calculated at the federation level.

On the opposite side of the ledger, organizations of associated labor were not sufficiently interested in exports to this group of countries for a least two key reasons. First, the domestic inflation rate fundamentally changed the competitive position of Yugoslav export products on all national markets and, second, (although not second from the aspect of exporters' interests) the exchange rate for the accounting dollar was stagnant for a long time. This was confirmed by the reactions to the devaluation of the dinar and the equalization of the exchange rate for the accounting dollar and the convertible dollar in mid-1980; for, thereafter, exports to these countries picked up markedly.

The First 7 Months of 1981

According to foreign trade statistics, in the first 7 months of 1981, Yugoslav exports to European CEMA countries totaled $4.98 billion, of which exports to the USSR alone amounted to $3.4 billion. Imports from these countries totaled $5.05 billion, of which $3.17 billion came from the USSR. The overall trade balance with the European CEMA countries in those 7 months showed a $65 million deficit, although the balance with the Soviet Union had a surplus of $238 million. Imports were covered by exports in this period by 98.7 percent, and the equalization of trade was approached.

In total Yugoslav exports, the CEMA countries in this period accounted for 50.3 percent, while providing 30.4 percent of all imports. The process of structural changes in the trade picture continued from the period of 1976-1980. On the basis of previous experience, it can be concluded that the prospects for this market should be regarded more from the standpoint of long-term, rather than short-term, advantages, and exports should be based on quality of goods that would bring a turnabout in any specific market area, rather than on practices aimed narrowly in one particular direction.

We should not forget that the market offered by the CEMA countries creates new criteria of properties and product values, quality and design, which means that, in the future, besides existing possibilities for marketing large series and quantities of various goods, Yugoslav exporters will be expected to devote markedly more attention to quality and product mix. The new decade of cooperation is a period in which we must bring a change that will enable the produce "made in Yugoslavia" to win its place in the market not through buyer inertia but because of its real quality.

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TRADE WITH EAST, WEST, DEVELOPING COUNTRIES, 1980-1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 10 Nov 81 p 3

[Article by V. Karaksevic: "The Regional Distribution of Exports Is the Cause of the Problem"]

[Text] The change of direction in Yugoslav exports from markets with convertible payments to the markets of the bilateral payments area, along with a simultaneous augmentation of imports from the latter market, has caused the economy difficulties which are today being debated in top-level bodies. The bilateral payments area is in this case being interpreted in the broader context of all countries belonging to the CEMA organization, although there exist agreements on convertible settlement of balances with four countries (Bulgaria, Romania, Hungary and Poland), which, however, differ from the manner of payments that is customary in free trade with the industrially advanced countries of the West and with the developing countries. In short, exports are turning more to the East, the orientation toward the West is inadequate, and there has been a mild turn toward exports to the developing countries by comparison with the same period of last year.

According to the most recent data of the Foreign Trade Institute, exports and imports in the period from 1 January to 17 December of this year have been as follows (in millions of dinars):

Exports	1980	1981	Index
Advanced countries of the West	64,544	61,121	95
Developing countries	29,167	32,402	111
Socialist countries	70,655	97,087	137
Convertible	17,078	17,033	100
Bilateral payments	53,587	80,054	149
East European countries	67,481	95,577	142
Convertible	15,069	16,504	110
Bilateral payments	52,412	79,073	151
Other socialist countries	3,184	1,510	47
Convertible	2,009	529	26
Bilateral payments	1,175	981	83
Total	164,376	190,610	116

All the technical-and-economic aspects of air cargo transport, such as prices, transportation technology and the organization of transport and cargo handling will be regulated in a contract between JAT and Aeroflot, and Yugoslav export-import organizations will be informed in detail about the elements and terms and conditions of shipment contained in that contract.

It is worth mentioning that air cargo transport has a number of advantages, especially for cargo such as perishable products, medical drugs, spare parts, patterns, and in general shipments for which speed of delivery and protection against damage are important and which are shipped in small containers.

For JAT this represents a substantial and demanding business undertaking, and in order to accept it and perform it competently, it has undertaken timely preparations in both scheduled and charter traffic. Cargo planes, two B-727's and one An-12, will have a special role. Appropriate organization of this large and long-term transaction requires competence on the part of technical and ground services, close collaboration with airport organizations and other air carriers--INEX-Aria Aviopromet and Aviogenex--in order to guarantee rapid collection and shipment of goods without damage or delay.

7045
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GROWTH OF CEMA MERCHANT FLEETS OUTLINED

East Berlin AW DDR-AUSSENWIRTSCHAFT in German Vol 9 No 41, 8 Oct 81 pp 1, 15

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Trends in High Seas and Inland Waterway Navigation of CEMA Countries"]

> [Text] During the past 20 years, there have been considerable quantitative and qualitative changes in high seas and inland waterway navigation for the member countries of CEMA. The tonnage of the high seas fleet of the member countries of CEMA increased from 6.2 million deadweight tons in 1960 to 29.6 million deadweight tons in 1979 and more than 30 million deadweight tons in 1980; the tonnage of the inland waterway fleet increased almost 4-fold. During the same period of time, the volume transported by the high seas fleet increased more than 7-fold, the volume transported by the inland waterway fleet increased 2.3 times. There has been an increase in the average loading capacity of ships, the energetic appointment and the degree of automation of the technical production processes on ships. The rapid growth of the merchant fleet of the CEMA countries and its qualitative changes led to an increase in investment funds for the development of high seas and inland waterway navigation as well as to new tasks for the maintenance of ships. Greater significance was accorded to questions such as longer periods of operation for ships, rational use of fuel and lubricants. Efforts by CEMA countries to use fuel more effectively were directed at lowering specific consumption, improving the structure of the fuel balance and lowering the cost of fuel.

In consideration of the growing economic significance of scientifically designed maintenance procedures for ships, CEMA countries built national maintenance systems for high seas and inland waterway ships, making use of international experiences. Increasing demands on the equipment and maintenance of ships form the basic trends for the technical development and structural perfection of the high seas and inland waterway fleet until the year 2000.

Adaption of the High Seas Fleet to Future Demands

The trends in high seas navigation are:

--increased use of specialized ships, taking into consideration the standardization of freight pieces and specific conditions for sea routes as well as the improved construction of certain types of universal bulk-loading ships that are suitable for the transportation of containers, packaged goods, bulk freight and operating technology;

--continuing unification and typification of ships and all the technical equipment on ships, taking into consideration the perspective movement of goods;

--increase in the degree of complex automation of steering processes on ships, of energetic equipment and other instruments;

--intensification of scientific research as well as projection and construction work for the development of ships with new effective principles.

According to predicted estimates, certain structural changes are expected. Although the trend is evident, according to which the average loading capacity of CEMA country tankers is continuing to increase, experiences with supertankers have shown that possibilities for their effective use are limited. Consequently it is expected that for the projected time period CEMA countries will concentrate on oil tankers of medium tonnage. At the same time it is expected that additions to the fleet of the member countries of CEMA will probably include more tankers carrying liquid gas and liquid chemicals. The loading capacity of combination ships is to rise from a current capacity of 105,000 tons to between 150,000 and 160,000 tons per unit. Simultaneously there is to be an increase in the proportion of combination freighters carrying bulk goods and packaged goods. Special container ships have been used by the fleet of CEMA countries as early as the beginning of the 1970's. Whereas the merchant fleets of the People's Republic of Bulgaria and the German Democratic Republic are using primarily semicontainer ships, the use of pure container ships is characteristic for the People's Republic of Poland and the USSR. Experiences and investigations have shown that for the projected period an additional amount of between 1,500 and 3,000 containers can be loaded on container ships than has been the case to date. The fleets of individual CEMA countries will add modern lighters with loading capacities of between 16,000 and 25,000 tons. Furthermore, new refrigerator ships with loading capacities of between 8,000 and 15,000 tons are to complete the fleet. It is assumed that the slowing trend will continue in the use of universal ships for the transport of general cargo by the fleet of the CEMA countries.

According to investigations, during the projected time period the future development of passenger ships within the high seas fleet of CEMA countries will be concentrated on the growing need for cruises as well as trips along the shore.

During the projected time period, the development of the energy supply for ships will be concentrated on the creation of uniform and highly efficient energy facilities. At the present time there is a prevelance of power plants using internal-combustion engines. At the same time, the use of diesel-electric, steam-turbine electric and gas-turbine power facilities is relatively insignificant.

Investigations and assessments of available construction and project plans show that for some time to come the completion of energetic ship docks will be determined, above all, by the continuing increase in the operational time for engines until a general overhaul is needed and the effectiveness and reliability of internal-combustion engines on ships. At the same time, investigations confirm the high efficiency of steam-turbine and gas-turbine equipment; the possibilities for their future use on large-tonnage and fast merchant ships are good because they require energy equipment with high capacities.

There are also investigations in CEMA countries that deal with the use of nuclear energy equipment of merchant-fleet ships during the projected period of time. The profitability of such installations compared to traditional energy facilities can rise substantially, since a capacity of more than 29,420 kilowatts (40,000 horsepower) as well as a speed of time than 22 knots will make nuclear energy economical and since by the end of the projected time period it can be installed on large-tonnage ships, particularly on container ships and tankers.

One of the goals for merchant ships of CEMA countries is a qualitative jump in the development of complex automation. Limited automation in individual spheres (engine rooms, transshipment, maintenance of refrigeration facilities, docking of ships, etc.) is to be replaced by complex automation, which will systematically comprise all processes, including the ship's controls of energy facilities and the safety of all elements of navigation. Moreover, this complex automation is to be a contributing factor to solving the problem of manpower on ships. A 15- to 20-man crew on large-tonnage ships appears to be a possibility.

Further Improvements in Transshipment Conditions

The automation of work in seaports will also play an important role during the projected time period. Greater rationalization of technological processes, among them qualitative elements of transport (speed, regularity, guarantee of problemfree shipment of goods), while using a minimal amount of labor is of definite significance for the perfection of the technology in high seas navigation. Greater specialization of ships, increased capacity of energy equipment of ships and the degree of automation also permit conclusions about the directions of the rationalization of technological processes in high seas navigation. During the projected period, a system of established routes is to become the primary form of high seas transportation for the fleet of CEMA countries, since it will satisfy to a high degree the demands for speed and regularity with respect to the shipment of goods. Furthermore, high seas navigation must include special routes that are to be used primarily by container ships and lighters as well as the development of ferry traffic on high seas.

Of great importance for the organizational-technological development of high seas navigation of CEMA countries is the consistent increase in the size of packaged freight, which guarantees faster loading and unloading and a decrease in necessary labor, and the combination of various forms of transportation to speed up the process of transportation and decrease the cost of labor for loading and unloading. The use of tugboats and barges by the fleets of the Peoples Republic of Bulgaria, the People's Republic of Poland and the USSR is a relatively new phenomenon in high seas navigation. The development of this principle of high seas navigation will be continued under the conditions of relatively short distances between the seaports of the European CEMA countries.

Simultaneously the following aspects are of decisive importance for the perfection of technological processes in high seas navigation:

--the continuation of the expansion of seaports, for instance, the outfitting of docks for dry freighters, among other things, for the reloading of ore, coal and other bulk goods,

--the installation of productive unloading facilities,

--the creation of suitable transfer locations and special ports for container ships and lighters or of locations with water levels that are adequate for servicing lighters as well as

--the construction of mechanized deepwater piers where large-tonnage ships can land and be serviced.

Greater Capacity and Effectiveness of Inland Waterway Fleet

For the inland waterway navigation the following basic tendencies are significant for the projected period of time:

--consistent typification and unification of merchant ships and their energy equipment,

--an increase in the number of ships by adding Ro/Ro ships,

--continued development of navigation by increasing the use of the towing method and ships with large loading capacities (the use of barges that do not need crews but are equipped with automatic couplings) as well as

--transportation using inland-high-seas ships.

In addition, the fleet of the CEMA countries operating in the Danube basin is facing the task of developing a line of ships that will guarantee the optimal use of the Danube profile when using barges. The completion of the Rhine-Main-Danube canal will also be of a decisive influence. For the projected period of time, barges with a capacity of between 1,100 and 2,940 kilowatts (between 1,500 and 4,000 horsepower) are to be used by the fleet of those CEMA countries that are in the path of the Danube. In addition, a more significant differentiation is expected of the fleet "not" equipped "with automatic controls" with respect to their loading capacity; the percentage of barges with a loading capacity of between 1,500 and 2,500 tons is supposed to increase. At the same time, it is expected that the specialization process of the fleet will be intensified, primarily through the use of container ships, freighters carrying chemicals and ships transporting coal, cement and bulk freight.

With respect to the development of the passenger fleet on inland waterways of CEMA countries, special attention was accorded to the completion and expansion of the use of hydrofoil boats and hovercraft as well as the development of comfortable ships for tourist trips and vacations on the water.

The improvement of maintenance is of essential significance for the technical improvement of the inland waterway fleet of the CEMA countries. The most important factor is the introduction of automatic control of main and auxiliary engines and systems, the automation of the loading and unloading process, including the labor-intensive work on ships (opening and closing of cargo rooms, the coupling of barges will pulling units, change of docks, etc.).

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ROBOT TECHNOLOGY DEVELOPMENT, APPLICATION DISCUSSED

Cost Effectiveness Stressed

East Berlin EINHEIT in German Vol 36 No 9, Sep 81 signed to press 11 Aug 81 pp 860-865

['Man, Robot and Social Progress' feature article by Wolfgang Gress, economist, candidate member, SED Central Committee; member, GDR Council of Ministers; state secretary, State Planning Commission: "Robots in the Service of Our Social Progress"]

> [Text] Based on the explanation given by the 10th party congress for the rapid introduction and broad application of robot technology as objectively necessary for the continued shaping of the developed socialist society, questions are answered such as to the prerequisites in the economy, especially in the combines, for the development of the robots, their production and their rapid and effective application, which economic and social criteria their application must conform to, and what our ideological work should accordingly be aimed at.

The economic strategy issued by the 10th party congress aims at resolutely carrying on our main task in its unity of economic and social policy even under altered reproduction conditions throughout the 1980's. This essentially, as Comrade Erich Honecker proved in his SED Central Committee status report to the 10th congress, amounts to bringing the qualitative factors of our economic growth fully and completely into effect. "Socialist intensification is becoming more and more the critical characteristic of our planned economy. Management, planning and stimulation, each step toward shaping our production conditions, and any project in the combines, enterprises and cooperatives must conform to this main trend in our economic growth as much as the further development in our territories. That resolve alone will ensure the continued successful solution of the main task at present and in the future. The one cannot be separated from the other. In summary is means developing our production quantitatively and qualitatively. It calls for enhancing its effectiveness, comprehsnsively improving labor quality and speeding matters up in coping with all these questions."[1]

In connection with focusing on a consistent use of the qualitative economic growth factors, especially on vastly boosting our labor productivity, the 10th party congress has worked out the tasks for comprehensive socialist rationalization. The new criteria in this field mainly are that rationalization in direct connection with a fundamental elevation of our level of technology must increasingly aim at saving working hours and jobs at vastly larger dimensions than heretofore, thereby gaining manpower for a fuller use of available technology and for solving other important economic tasks, and at the same time surmounting heavy physical, monotonous and hazardous activities. It is necessary, in particular, gradually to start automating whole production complexes.

The 10th party congress has issued a clear guideline for how these tasks, important as they are for our future social development, have to be tackled: "The change must primarily be achieved through a broad application of microelectronics in production, automated control systems for these processes, and the introduction of industrial robots. To ensure the steep rise in labor productivity, it is necessary to raise the number of industrial robots to be introduced from the circa 9,000 originally planned for this five-year plan period to between 40,000 and 45,000."[2]

In assigning such an ambitious goal our party has let itself be guided by the consideration that a rapid introduction and broad application of robot technology is indispensable under our concrete conditions to meet the objective requirements for the continued shaping of the developed socialist society. A target-directed introduction of robot technology conforms with the need to combine still more effectively the advantages of socialism with the scientific-technical revolution and thereby to make sure that the objective social and economic needs of society are satisfied by ways and means that are most economical and most adequate to human development through a high technological and high qualitative level of production. Karl Marx already has written: "To the extent that big industry develops the creation of real wealth becomes less dependent on working time and the quantum of applied labor than on the strength of the agencies set in motion during labor, which in turn is wholly disporportionate with the immediate time of labor expended on its production but rather depends on the general state of science and the progress of technology or the application of that science in production."[3]

From that vantage point, the use of industrial robots at the magnitude decided on is an essential prerequisite for ensuring a rise in labor productivity that far exceeds the customary measure, which we need to continue with success our policy aimed at the welfare of the people though the conditions for it have become more difficult. At the same time, the introduction of robot technology essentially helps further improve our material-technical base in conformity with the main trends in the development of the productive forces in a qualitative respect, which takes account not only of the current but also of the future requirements. Especially when looking beyond the present day it also is important that the development, production and use of a constantly growing number of robots in our economy serve the further shaping of the creative character of labor. Coping with this task makes possible not only to eliminate more and more the contradiction existing in certain areas between the working people's constantly improving skills and the partly low-level demands of certain labor operations, and to use people in activities adequate to their abilities, but it actually forces us to make full use of the high educational level to meet the higher demands.

That is why we regard the broad introduction of robot technology as an indissoluable component of our overall strategic concept aimed at ensuring the continued successful advance of socialism under the conditions of the 1980's.

Complex Preparation for Robot Application

As in all other fields of our economic activity we must always ask for the most favorable cost/benefit ratio, this aspect also governs any decision on the use of industrial robots. The use of robots must above all help achieve the performance and efficiency objectives laid down for the years ahead by means of the funds available to us. It would be completely out of the question to make the introduction of robots dependent on "extra" investments. What is decisive, rather, is to use available funds mainly for applying the kind of modern technologies that would provide us with a genuine thrust in rationalization, while refraining from costly new construction and construction extension projects which would in part merely preserve the traditional technological level.

It also must be clear everywhere that the introduction of robot technology brooks no delay. "The main issue now is to organize the use of 40,000 to 45,000 industrial robots for 1982 and 1983 in terms of priorities. In that case the necessary effects on boosting our labor productivity will be realized still in the current five-year plan period."[4]

That requires above all aiming the working people's creative initiative at these matters in every combine and every enterprise, and using their practical experiences and wealth of ideas, in order to get proposals rapidly about the meaningful employment of robots in such production sectors, combined with a thorough analysis of the process cycles, where the most effective eocnomic results can then be obtained. Time and time again practice has shown that the introduction of robot technology advances best where the matters relevant to it are not treated as a concern of a small group of "specialists" or "experts," but where all working people are early in the game drawn into the preparation and implementation of robot employment. The formation of a party activists group has been found useful in this regard--as in the Robotron Combine. That helps mobilize and form the capacities of the collective, helps clarify ideological problems that may arise, and supports the state managers in the exercise of their responsibilities.

Already important advances have been made in this respect in conformity with the 10th party congress decisions and in the outcome of the experience exchange at the central committee seminar with the general directors of the centrally managed combines and the central committee party organizers late in April 1981 in Leipzig. That is true mainly of those combines and enterprises where, under the political leadership by the party organizations, all available capacities are concentrated on preparing and organizing the use of robots in line with preassigned targets. Most of the combines already are working intensively on solutions which will release manpower for more productive and more highly skilled activities, bringing it about that the capacities of the available machines and installations can be used more completely.

There it proves to be necessary in each case, as a precondition for an effective use of the robots, to change appropriately the technological level of the entire production sector in question. Comrades from combines affirm, from their own experience, that an attempt at "grafting" robots onto existing technological solutions does not lead to success. Maximum economic effects in line with the 10th party congress criteria can be produced only if robot technology is made a standard component of complex rationalization solutions.

That also makes necessary incorporating the use of industrial robots directly in the management, planning, preparation and implementation of investments. This means mainly that one should once again thoroughly check and review the prevailing conceptions, requirements, decisions of principle and technological projects for intended investment measures so as to set down the economically most suitable employment of industrial robots. The focal point must always be to improve the technological production level, release manpower and further improve the working people's working conditions.

In line with such requirements, and with the central state inspectorate for investments taking an active part in it, the conceptions for important investment projects have been reviewed, e.g. in the Werner Lamberz Polygraph Combine, Leipzig, and the Herbert Warnke Conversion Technology Combine, Erfurt. In the outcome, the number of industrial robots scheduled to be used was raised significantly, a great reduction was achieved in the specific expenditures per robot, and the overall efficiency of the project was improved. What matters now is to enforce everywhere, by such a method, the economic criteria for introducing robot technology. The main concern here is to have each robot release manpower, rapidly make up for the costs involved in using robots, reach a three-shift full capacity use in technological sectors using industrial robots, and eliminate as far as possible any hazardous, heavy physical and monotonous activities.

Emphasis on Producing Robot Technology Oneself

These criteria can be met only if for any given concrete case of application one plans to use the kind of robot that demands the smallest possible expense for its development and production and is in line with our real technical and economic possibilities while it will nevertheless fully meet the specific requirements placed on it. This means we are not intent on the technically most perfect and interesting solution but on the types of robots that do their job through a minimum of costs and a maximum of economic benefit.

Most of the industrial robots that are to be used have to be produced in the application sectors themselves. That is so not only because there is but a limited possibility to create a central production of flexibly useable robots or to expand the capacities available to machine building. Primarily it is necessary due to their specific character to have industrial robots by and large built in the combines and enterprises themselves. International experiences have taught us that, too. In view of that, special weight attaches to the 10th party congress demand to have the production of branch-specific means of rationalization "boosted rapidly in all economic areas; industry must in 1985 double its own means of rationalization construction in comparison with 1980."[5]

Most combines have already set down concrete measures to ensure the necessary boost in their means of rationalization construction. The combines and enterprises in the coal and energy industry, the chemical industry, electrical engineering and electronics, the light industry and transportation are setting standard examples. And it is not merely a matter of raising the volume of their own means of rationalization output. Equally important is to concentrate the production and use of branch-specific means of rationalization mainly on the modernization of the prevailing technology, a penetrating enhancement of the technological production level and thus, on complex rationalization solutions.

That producing one's industrial robots oneself understandably is a major point of emphasis. For that reason they are now intensively working on developing and streamlining appropriate capacities for the construction of means of rationalization so that all necessary prerequisites are created for ensuring the planned use of robots. Partly there are already concrete ideas about gaining the manpower required: through releasing manpower by means of industrial robots out of one's own production.

For effectively assisting the combines in producing their own industrial robots through their means of rationalization construction it is necessary to make available more standard parts and components through centralized production, especially controls, robot-specific gears, hydraulic and pneumatic products and specific motors. While the five-year plan is being worked on at present surveys are being conducted on how in the combines in machine building and in electrical engineering and electronics concerned the output of such ancillary supplies can be raised rapidly. Considering that in 1982 and 1983 many robots are to be used and thus first have to be produced, it will certainly be indispensable for the combines themselves to handle a part of the demands for robot-specific parts and components through their own production. The effectiveness of such production largely depends of course on meaningful division of labor and specialization within the ministerial areas and combines.

Scientific-technical Lead Time and Personnel Prerequisites

Solving the robot development and production tasks in the combines presupposes, together with a skillful preparation of their use, a requisite scientific-technical lead time quickly. Managers must make sure that the relevant tasks are included in the science and technology plans and that the kind of implementation schedules are established that will ensure a speed-up in the introduction of robot technology according to plan quotas. Simultaneously, research must more strongly be focused, in accordance with the 10th party congress demand, on an accelerated development and preparation of the future use of robots of the third generation. "All this amounts to a great challenge to the creative capacity of the scientists, the designers and technicians, the operations technicians, the skill and ability of our highly skilled specialists, especially also our youth."[6]

That is why every combine and enterprise must at once make proper arrangements about personnel, select and assign the most suitable specialists in solving the scientific-technical and production tasks, and introduce target-directed measures for training and advanced training. Many comrades were perfectly correct in proposing that universities, colleges and technical schools and other scientific-technical educational institutions should assist more strongly in this.

So that none of the combines and enterprises be left alone with introducing robot technology, concrete measures were taken to ensure coordinated scientific-technical efforts. Centers have been set up for input robots, process-specific robots in electrical engineering and electronics, flexible technological robots, forge and foundry robots and welding robots. Those centers have the task to assist all combines in the scientific-technical, technological and organizational efforts toward developing and producing their own industrial robots. That includes getting hold of technical and technological documentation on already developed and produced robots, making them available to be copied, and generalizing the best experiences. That furthermore includes scientific-technical consultation and assistance in exploiting available national and international information and documentation materials and patent literature and solving the tasks in standardization and type specifications. A central data bank likewise serves to provide knowledge and experiences of benefit to the development, production and use of industrial robots, facilitate flexible automation solutions and other rationalization projects and prepare management decisions.

More and more also we use in the field of robot development and production the possibilities provided by our close fraternal cooperation with the Soviet Union. At the most recent important meeting on the Crimea between the leading representatives of both parties and states, Comrades Leonid Brezhnev and Erich Honecker, it was explicitly stated that special attention was being given to the joint efforts in developing microelectronics and robot construction. With the other fraternal socialist countries we are also increasing our cooperation in this field. The 35th CEMA conference has made far-reaching agreements about it.

All told, for the scheduled use of between 40,000 and 45,000 industrial robots by 1985 we have a sound economic overall concept that once again expresses the advantage of our socialist planned economy that can mobilize all the potentials inherent in our society for solving such a gigantic task—on behalf of social progress and the welfare of the people.

FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED," Dietz publishing house, Berlin, 1981, p 60.

2. Ibid., p 56.

3. Karl Marx, "Principles of the Critique of Political Economy," Dietz publishing house, Berlin, 1953, p 592.

4. Guenter Mittag, "Combines in the Struggle for the Implementation of the Economic Strategy of the 10th Party Congress," EINHEIT, No 6, 1981, p 537.

5. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985," Dietz publishing house, Berlin, 1981, p 27.

6. Comrade Erich Honecker, op. cit., pp 56-57.

Experiences in Automobile Plant

East Berlin EINHEIT in German Vol 36 No 9, Sep 81 signed to press 11 Aug 81 pp 875-881

['Man, Robot and Social Progress' feature article by Guenter Hipp, engineer, operations director, VEB Sachsenring Automobile Works, Zwickau: "Experiences in the Application of Industrial Robots"]

[Text] VEB Sachsenring Automobile Works, Zwickau, Enterprise of the VEB IFA Automobile Combine

--Largest producer in Karl-Marx-Stadt Bezirk with 10,500 working people, half of them innovators.
--Output of Trabant automobiles rose from 1,730 in 1957 to 20,050 in 1959 to circa 120,000 in 1980.
--Production costs per automobile diminished from 1970 to 1980 by 40 percent.
--Circa 32 percent of the equipment in the enterprise comes out of its own means of rationalization construction.
--Thus far, 4,050 jobs have been reorganized or newly formed, and 1,093 jobs were released between 1970 and 1980.
--The enterprise earned the Karl Marx Medal and the Banner of Labor Medal and distinguished itself as "enterprise of German-Soviet friendship" and "enterprise of socialist labor."

High expectations in terms of economic performance improvements and improved working conditions are placed on the use of industrial robots in our economy. What conceptual work is needed for the development and introduction of industrial robots? On which experiences can one rely thereby? How do we create the working crews needed for the design, construction and operation of this new technology? These are questions that are being answered with reference to the VEB Sachsenring Automobile Works, Zwickau, where the task has been solved since 1975 with political responsibility and in economic and technical effectiveness.

To achieve the economic performance increase needed in years ahead it is necessary rigorously to improve the labor productivity in all our economic fields. Science and technology especially must create the prerequisites needed for it and decisively contribute to a rapid implementation of the economically necessary thrust in rationalization.

That is a demand that is also being faced in our enterprise, the VEB Sachsenring Automobile Works, Zwickau. We plan to boost our industrial output by 9.8 percent above that of last year, and in 1982 the growth rate compared with 1981 is to amount to as much as 18.4 percent. For solving this task we can rely on good results in the past--in the end of June 1981 our enterprise had fulfilled and overfulfilled its plan tasks for 271 months in a row--and on our tapping new reserves by means of science and technology, within the framework of socialist intensification. Pursuant to the economic strategy issued by the 10th SED Congress, we intend to raise our degree of mechanization and automation up to 1985

by at least 88 percent in taking another step in our technological production level. As a good starting position for it we consider the consistent application of all experiences in the development, construction and use of industrial robots.

The First Phase of Our Work

Since 1975 already our enterprise has been engaged in the development and introduction of industrial robots aiming to attain the highest economic results this way while to improve at the same time our working people's working and living conditions. This relatively early use of robots was due to the fact that our enterprise with what was then already a comparatively high degree of mechanization and automation had reached certain technological barriers we intended to break through that way. And that we did in fact achieve in various fields. Today we already have a considerable store of experiences in the why and wherefore of the development, construction and series operation of industrial robots, being able to conclude, as it were, our first phase. In this phase we have settled the matters of training for our working people and of forming development and application collectives, and we created production capacities out of our own production of means of rationalization. The point of departure for our considerations about using robots was a process analysis through which we also have a good starting base for implementing out tasks in the current five-year plan period.

Where were we when this phase began? We had conscientiously watched the international development since 1974 and considered our operational goals, and in 1975 we decided to use our first flexible-program industrial robot. Here we were mainly concerned with gathering experiences and preparing our technologists and workers for this new technology. And we did succeed. Of course, looking back at that from today's vantage point, such solitary "beacons" no longer suffice. For the dimensions in socialist rationalization that are now on the agenda the entire production process must be rigorously analyzed if we want to make expert decisions on the selection and purpose of robot employment and the types of robots to be employed. The correct selection of the type of robot to be used, for instance, which critically affects the labor process and, hence, the working conditions for quite a few people, while it also to a large extent controls our economic expediency, is possible only through presenting objectively prepared job criteria. That is why in 1978 we elaborated a process analysis on the basis of which we can in good time settle the sequence in introducing robots and the requisite changes in technological organization. And here we, incidentally, are enforcing the principle: "not as good as possible but only as good as necessary," because anything else would just be a waste in effectiveness. Altogether, in gaining experience we have reserved an increasingly higher place value to the matter of gaining maximum effectiveness from the use of robots. For that reason we have in the development and introduction of robots focused on the possibilities of the technological process in its total breadth: welding techniques (spot and CO_2 welding), coating (base coat and spraying of protective coating and undercoating), and the loading and unloading of machine tools. We have started rationalizing all these processes with the greatest efficiency--largely by using industrial robots which we have developed and are producing ourselves.

In April this year, our enterprise had 86 robots in operation, 17 of them flexibly programmable, at a vast technological range--mainly in labor-intensive and hazardous jobs and to handle monotonous tasks. For example, since May 1976 the first two industrial robots, freely programmable in the teach-in process* have been in operation for automatically applying abrasives to the Trabant body through a pneumatic-electrostatic spraying method. In June 1977 we started two more robots for applying undercoating, with a dry coat layer of 250 micromy, through a pneumatic spraying method. In December 1977 the first welding robot developed in the GDR went into operation which has taken on the spot welding of the rear wheel basin. In April 1978 we started using two robots for the protective coating of a car body. Two other freely programmed sport-welding robots for welding the side walls of the body frame have been in operation since January 1979. A final example: after intensive preparations performed jointly between specialists of the Mittweida engineering college and of our enterprise, we were able to use under series conditions the first freely programmable technological robot in the GDR in the teach-in method. This cooperative development has proven to us that it is possible to develop and produce highly sophisticated industrial robots in our republic without any imports from nonsocialist countries. This type of equipment is to be produced here in the 5 years ahead in series for our own needs.

The broad objective for using robots was the starting point for preparing robot conceptions for our enterprise. We never thought of these conceptions as of dogmas but constantly reviewed them while our scientific-technical understanding and our own experiences advanced in conformity with most up-to-date demands. Time and time again that made possible new applications for the robots installed all around and made their use more efficient. While our first conception of 1978 still had fairly rough expectations of the years ahead, the revised version of August 1980 already anticipated a large number of robots to be used--there were to be 158 of them by 1985--and without compromise focused on our creating our own structures and capacities in the means of rationalization construction for the development and building of robots. After the 10th party congress, based on the economic strategy issued for the 1980's, we reconsidered the use of industrial robots and raised our target significantly. Accordingly, we shall have 398 robots, 97 programmable industrial robots among them, by 1985.

Our Own Strength Is What Counts

Much of that will come out of our own construction of means of rationalization. We take it for granted that with its potential of today, it will crucially codetermine our performance improvements of tomorrow. That is why for years we have deliberately developed our construction of means of rationalization at a much higher proportion than our commodity production--with annual growth rates between 15 and 20 percent. In no other way, it seems to us, can the higher speed in the development and production of industrial robots be maintained and highest standards be ensured. Right now we are getting set to build the robots we need in small series. We have assigned this task to our Adolf Hennecke youth brigade which,

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*Teach-in method: the teach-in programming of a robot is storing the motion sequence of the robot arm through conducting the arm directly or the contacting of desired points or courses from a switchboard in the control element in the robot. While the motion sequence is reduced during programming, the speed can be varied in operations in conformity with technical and technological conditions. Program storage is possible, for example, on magnetic tape.

a pacemaking collective, is well qualified to solve it creatively. With all the care we bestow on robot construction, however, we shall in no way neglect the other fields in which comprehensive rationalization holds sway because it is a matter of using all opportunities, a goal that can only be achieved through creating adequate capacities in means of rationalization construction.

Our experiences with the development, production and use of industrial robots have reconfirmed that the level and speed of projects decisively depend on our devoting ourselves with the greatest attention, even at the start of the projects, to the selection, recruiting, training and assignment of the personnel. Our progress depends on their knowledge and skills as much as on their attitude. It has become increasingly clear in the course of time: there is only one way to success and that goes via providing our personnel with the proper skills--in consistent and comprehensive operational preparation and the technological accommodations to a robot that may possibly be purchased and, above all, in the development and production of robots in our own enterprise. When we first gropingly approached the solution of these tasks, we never even faced the question, e.g., of using suitable and skilled personnel elsewhere, but our whole concern was to get engineers and specialists who have an eye and propensity for technological virgin territory, do not mind difficulties, and are ready, in their awareness of their political responsibility, to return once again to the classroom to get their qualifications for certain fields. Today we have a staff of specialists in all technological disciplines who are in the position to select jobs for robots and shape them with supreme technological perfection, to develop and construct robots and make them operational with highest efficiency. We think such personnel can be found everywhere. The only question is how to work with the people, motivate them politically and inspire them for the tasks to be solved. The development of a capable staff of personnel is an important management task.

As so often when something completely new is started, not everyone was at once enthusiastic in our enterprise about our projects. Under the leadership by the enterprise party organization we have made great efforts to explain the need for robots and to show which new sources can be tapped for boosting our performance in that we would, e.g., cross technologically conditioned performance barriers. To demonstrate credibly that the robot through improving labor productivity makes labor easier for people and permits their taking on more interesting activities, by means of lectures, films and slides we gave them an idea of the opportunities the use of robots offers for shaping labor processes in their own enterprise and for the cooperation between man and robot. Then we found that to the extent that working with robots brought results not only skepticism and doubts disappeared with which we initially had to come to grips, but the willingness to be part of it grew, too. Especially their being drawn into the preparatory and development collectives offered many working people the opportunity to get involved in the realization of their own ideas and suggestions. A creative atmosphere like that is indispensable for solving ambitious tasks. This way we brought it about that our working people have come to identify with the tasks assigned in the introduction of robots.

To prepare the use of robots we created a comprehensive system of training and qualification measures, elaborated and enforced by our enterprise academy. The aim was to achieve the requisite open-mindedness and readiness to be part of it

through very broad training and provide the necessary knowledge and skills at the same time. While differentiating among objectives and subjects, we involved in this training and qualification system economic functionaries, party functionaries and functionaries of the social organizations, technologists, designers, work organizers, chief operators and installation mechanics as much as repair personnel, means of rationalization construction workers and production workers. That range ensured our advancing and the participation of all involved in the task on an equal level. We paid much attention to training our production workers, installation mechanics and repair personnel. It was clear to us from the outset that the success and efficacy in the use of robots--however good the technical and technological preparation may be--crucially depend on the people whose working tool of the future the robot is. In implementing the production with robots they significantly affect the safeguarding and improvement of our intended effectiveness. Such factors as material consumption, downtime and the time available for fulfilling the labor task depend on the quality of the program prepared and fed into the robot, and that in turn depends on the qualifications of the people working with the robots.

In Concert With Science

Even when we first started thinking about using robots, we were aware of the need to work together with institutes and universities. The point was to combine the capacity potential of science and industry and to organize on a contractual basis the R&D, production and production application of industrial robots. Today we know none but this cooperation has helped us to gain a lead time for using industrial robots. Our joint effort was from the outset aimed at innovative robot designs--based mainly on our own capacities in the means of rationalization construction and in production. Due to our technologically broadly pitched work referred to, it meant contractual cooperation almost simultaneously with several cooperating partners. The result brought us top achievements that have stood up well under the conditions of series production and in shift-labor. For instance, we have since 1975 beeen working together with ZIS, Halle, on the development, construction and series production of welding robots. Since late in 1976, we have been concentrating, in concert with the Mittweida engineering college, on research for our own development of electronic controls including storage for multiaxle industrial robots with track control and teach-in storage. And together with the engineering college of Zwickau we have developed, produced an applied in gear production a universally useable coating robot.

Management With a High Sense of Political Responsibility

A resume of the work behind us indicates we have done well wherever commitment and passion directed our work and technical and economic processes were directed politically. In our enterprise it has also been confirmed how very important it is to reveal always anew what socialism can do for the well-being of the people and to translate the realization of it into motivation, social activity and economic performance. That is why we always seek to have the kind of management activity that fosters initiative and performance readiness and, in particular, induces those creative processes that express themselves in new scientific-technical insights or their creative practical application. Our enterprise party organization has always taken a lead in this and has in good time created

clear positions and correct targets with respect to the development, construction and use of robots, which we then translated into our long-term conceptions. Intensification and technological conferences have also been found useful among us where--under enterprise party organization leadership--new targets are set, emphases are placed and the requisite impulses have been released for activating our labor. Likewise, regular treatment given to major scientific-technical tasks--of which our robot conception is one--in management meetings of the enterprise party organization and the party supervision over the implementation of innovative processes have been found effective and fruitful for our work.

Political leadership, socially responsible conduct, party-mindedness, and the personal commitment and passion--those are the features of management work against which the enterprise party organization measures its own political responsibility as well as that of the enterprise director, the technical directors, the main department chiefs and the department chiefs. It is necessary that each confronts the task that is to be solved and, furthermore, through the example he sets, induces the development and application collectives to assume high risks, because any revolutionizing scientific-technical achievement comes with risks. It is, of course, important not to let the risk be a factor of surprise but to include it from the outset in all considerations at a calculable magnitude. At the same time it is absolutely necessary to make clear decisions on all management levels about the projects of preparation, development and implementation, bring the collectives to act independently and creatively and--not last--promote good interhuman relations in the collectives.

For innovative processes to take a successful course, the manager's assuming his responsibility fully is imperative. Such a responsibility may at no time be "delegated." If the manager dodges decisions, tolerates mediocrity, or takes a liberal stand toward inadequate scientific-technical achievements, it means an irretrievable loss of time with all its grave economic and political consequences.

Economic Effects

Together with the insights we gained in recent years with respect to the usefulness and suitability of the use of industrial robots in various technological processes, we of course also gained experiences with regard to the economic and social effects that are obtainable. In drawing general conclusions from all the results we regard today the economic benefit as the most important criterion for deciding to introduce robots, while we fully respect the social aspect.

Let me demonstrate that benefit by a few examples. The two robots we used for spraying car bodies increased our labor productivity by 80 percent and released 2.25 manpower. While releasing manpower we can boost the labor productivity of undercoating by using two robots by 100 percent. In other cases the labor productivity boost ranges between 30 and 80 percent, results, that is, which do themselves proud. Looking at the figure of released manpower, however, it becomes clear the results achieved are still too uneven and still greater reserves have to be tapped. With the release of from 0.5 to 2 manpower per flexibly programmed robot we can by no means be satisfied because coping with the tasks assigned to us also essentially depends on our improving the management of the manpower problem.

This inadequate result is likely to have for its cause also the ways and means in which the robots are used--and not only in our own enterprise. If robots--as was customary among us in the past--are almost exclusively included in functioning operational processes, they take on only a few production functions and the production cycles themselves as a rule remain unchanged. Then labor is assigned to feed the robot itself, and that labor is then by no means always fully used because of the robot's working speed. Far better results can be achieved if whole production sectors are rationalized through the use of robots instead of individual jobs and the workpiece transport and storage are made part of it. Beneficial also are solutions that no longer tie manpower up directly with a job but where a larger number of robots and other means of rationalization is taken care of. Such solutions, which of course call for a new quality of watching out and approaching things, must become effective even during the current five-year plan period to satisfy the premises set down by the 10th party congress.

Man the Measure

Rationalization in socialism always aims at the welfare of man. Its aim always is to improve men's working and living conditions together with boosting productivity. That social maxim is decisive for our approach in our enterprise. We use robots where a person has to perform the heaviest physical, monotonous, repetitious or hazardous work. That was the case, for instance, around the solvents steam in the coating process. Today, in our place, industrial robots set circa 23,400,000 welding spots annually, circa 189,000 m of CO_2 welding seam is drawn and approximately a 3,040,000 square meter of surface is coated and approximately 285,000 square meter of surface is cleaned with solvents--and all this without any direct human involvement. The easier work resulting from the reduction in physical and psychological stress with the simultaneous improvement of labor safety and the performance boost itself impressively illuminate the enormous possibilities through this technology and also document that the social aspects in the use of technical achievements always receive attention in our society.

In our enterprise the working people have witnessed for years that the use of robots in socialism is not merely an exercise in computation because its benefit does not lie, as it does in capitalist countries, merely in dollars and cents but in that better working and living conditions go hand in hand with economic advantages and such consequences as unemployment are out of the question. But not only that is why no fear of this technical achievement and no rejection of it shows up among our working people. Most critical for their being, quite on the contrary, involved, with creativity and initiative, in the use of robots is the fact that the working people who later are meant to work with them directly are drawn into our planning even in the preparatory and production phase. This manner of inducing creative work, reflection and trying things out does a great deal for their contentment and their pleasure in their work and serves the maturation process leading to socialist personalities. Personality is also promoted by the training that became necessary because the content of the labor of the working people who henceforth are to work with and on the robot has been altered considerably. Most of the time it is the working people who took the place of the robot before it was introduced who become the "robot custodians" and who are ambitious enough to acquire the ability to program the robot and also know what is to be done in the case of a breakdown. For instance, our

former surface mechanics have trained arduously and strenuously--often sweating about it a great deal--until they knew how to manipulate the heavy lever of the robot in programming in the teach-in method sufficiently for both robots to apply the varnish optimally and in excellent quality to the car bodies. In this atmosphere their self-assurance grew and so did their skill.

In sum: socialist rationalization at new dimensions makes new and higher demands on everyone. It is wrong to wait for some enterprises to construct robots centrally for all others. Only those collectives will make headway which mainly develop their own capacity and develop, construct and use robots in their own enterprise which come out of their own resources in means of rationalization construction. All available experiences in this field--by now we have a lot of them--ought to be used. The more success we have in solving these problems, the more we will help implement the tasks assigned by the 10th party congress, which serve the welfare of our people and peace.

Science-Producer Association

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['Man, Robot and Social Progress' feature article by Dr Rudolf Winter, economist, engineer, member, SED Central Committee; general director, VEB Fritz Heckert Machine Tool Combine, Karl-Marx-Stadt: "'Industrial Robot' Science-Production Community"]

> [Text] The "Industrial Robot" Science-Production Community has been at work in Karl-Marx-Stadt since 1979. In it, combines, enterprises and science institutions--promoted and supported by the SED bezirk management--coordinate their activities regarding the development, production and use of robot technology. What considerations led to its formation? What characterizes its field of tasks and working method? Which results have been achieved, and what are the prominent questions for the future?

Robot technology indubitably is among the possibilities of the scientific-technical revolution that have become the immediate and main reserve for our economy's performance growth and efficiency.[1] It makes possible for us to boost our labor productivity and efficiency significantly and to free the working people from heavy physical, hazardous and monotonous work. These are weighty reasons for every industrial combine to contribute with initiative and energy to introducing between 40,000 and 45,000 industrial robots till 1985, in accordance with the 10th party congress resolution.[2]

Karl-Marx-Stadt Bezirk has many combines and enterprises which in introducing robot technology have identical or similar tasks to solve in scientific-technical, economic and social respects. And then there also are considerable science capacities, especially at the universities, which are also dealing with such problems--mainly with a view to the future. It is obvious that a consistent coordination of all capacities and means for the development, production and use of robot technology in this industrial sprawl, as set down by the plan, is of economic benefit and helps speed up matters in this field considerably.

Therefore, in May 1979, the Karl-Marx-Stadt SED bezirk delegates conference decided to form an "Industrial Robot" Science-Production Community (WPG) which includes combines, enterprises and science institutions. This is an affiliation of independent economic and scientific units, working under their own responsibility, which, based on the state plan, coordinate their approaches in the R&D, production and use of robot technology.

This community includes five combines (the Fritz Heckert Combine with its tool machine construction research center; the IFA Automobile Combine; the household equipment combine; Textima Combine; the ball bearing and standard parts combine); three enterprises (the Karl-Marx-Stadt industrial works; ELMO Thurm, and Karl Marx Numerik); and three collleges (Karl-Marx-Stadt technical college; Zwickau engineering college; and Mittweida engineering college).

The industrial units and colleges are represented by their heads, i.e. the general directors, enterprise directors and college rectors. On behalf of the "Industrial Robot" WPG, a team of specialists from the partner facilities is at work preparing decision proposals, supervising the terms of agreements made, and affecting the process of robot development, application preparation and production, so as to gain time and efficiency advantages.

The members of the "Industrial Robot" WPG are committed to clearly boosting their own contribution to accelerating the use of the industrial robots by using their data, experiences and insights. In particular, the WPG is working on recommendations and proposals for organizing the partners' cooperation on a contractual basis in such a way that the advantages of concentrating the industrial and science potential in the Karl-Marx-Stadt region, the advantages of the territorial sprawl altogether, be made the greatest use of. The heads of the combines, enterprises and science institutions represented in the community are responsible for the implementation of the measures jointly elaborated. The emphasis of the joint activity is placed on fulfilling and exceeding the state quotas in the field of robot technology. Therefore great efforts are being made to contribute to a still broader application of robots by discovering and exhausting more fully ever new reserves and to make sure that their use leads to a maximum increase in productivity and efficiency. One way which wholly conforms to this goal is the organization of exemplary achievements in the four assignment centers the Karl-Marx-Stadt bezirk management set aside--where circa 15 percent of the bezirk's robot technology is concentrated--and the suitable structuring and purposeful utilization of the five consultation bases in enterprises in the bezirk.

The impulses emanating from there are worth noting. For instance, at the consultation base of VEB Sachsenring Zwickau data for further use are offered that come to a value of M 2.5 million. Also the achievements of the Zwickau engineering college are exemplary. At its consultation base for preparing and planning the use of industrial robot technology, 46 enterprises were counseled and 52 lectures were given last year. These activities have turned out to be exceedingly fruitful because they vividly demonstrate the advantages of the cooperative effort initiated by bezirk management and help many working people in better understanding the use of robots and its requirements. And that precisely makes important advances possible in the development, production and application of robots.

Even so, we do not ignore that greatreserves for a broader application of industrial robots, and thus for further performance improvements, can be tapped--mainly by surmounting the still existing considerable differences in the levels of using robot technology in the various combines and enterprises. That is emphatically confirmed by the strong upsurge we achieved in this respect while getting set for the 10th SED Congress. In the first quarter of 1981 alone, 132 industrial robots went into operation, 15 of them in flexible production processes.

The results and the robot application preparation at completely new dimensions achieved in the bezirk are based on the activities in which the "Industrial Robot" WPG is decisively engaged. For instance, through socialist cooperation between the machine tool construction research center and the VEB Karl Marx Numerik the freely programmable microelectronic robot system IRS 600 has been developed which is going to be produced in series in the foreseeable future.

Even back in 1980, the Fritz Heckert Combine, 7 October Berlin and ORSTA Hydraulics produced 40 feeding-type robots of type IR 2/S II. For 1981, their joint manufacture of 90 units is planned.

Based on robot IR 2/S II, a commodity from the box of building blocks for feeding-type robots, in the VEB Fritz Heckert machine tool combine parent plant together with the machine tool construction research center, the model design for the use of industrial robots to rationalize the rotary processes of three technological units has been successfully concluded, which saves 15,000 working hours. Six more technological units are installed in the Fritz Heckert Combine in 1981.

Through close cooperation with the Mittweida engineering college, VEB Sachsenring Zwickau in only 14 months developed and produced its first flexible production robot. Its application increased labor productivity to 125 percent, released two workers, and made up for its costs within 2 years.

The Karl-Marx-Stadt technical college has come up with great scientific achievements: an assembly robot for experimentally exploring processes of motion and assembly grabs with tactile sensors were developed and used experimentally. This series of positive examples could be further extended by results from the combines as much as by activities from the science field which crystallize, e.g., in the participation by the colleges in the bezirk in the basic research conception on "operations technology."

The WPG has also made a name for itself by working out a guideline for preparing the use of industrial robots. It makes it easier for the users to carry out all the necessary technological work more purposefully and rationally. It must get the credit for the publication of the documentation, "Industrial Robots in Operation," as a part of the catalogue for rationalization solutions, by the machine tool construction research center. Thus far, 52 solutions for continuing use were made available--beyond the borders of the bezirk. In a number of combines a basic method for computing the economic benefit from the use of robots has been found expedient, which also was prepared by the research center.

Finally, it should not be forgotten that the WPG attaches great importance to training personnel in robot technology because it is being seen ever more clearly in practice how much our economic and social benefit depends on that. Specialists and economic functionaries have been trained in the field of industrial robot technology through targeted publicity work and differentiated training activities carried out jointly between the WPG and the bezirk management of the Chamber of Technology. In 1980 alone the WPG, within the scope of its training program, offered 35 advanced training seminars that were attended by 2,670 workers. As much as those efforts it has been slide shows and a film that disseminated the best experiences in the use of industrial robot technology, made on the basis of the general knowledge gained thus far. They were well received.

All these measures have paid off well meanwhile in our society. Duplication was prevented, time was gained, and another concrete proof was furnished showing us that the socialist planned economy can use efficiency reserves which are known only in a society without exploitation and capitalist property barriers, which can count on the commitment from all and employs all resources in the overall social interest.

By analyzing the 10th party congress, we in the "Industrial Robot" WPG have given an accounting for our achievements thus far and worked out ways that aim at a much higher contribution by our bezirk to the development, production and use of industrial robots. In assessing what has been achieved we could record much that has been positive and that has to be carried farther. At the same time we are concentrating on grappling with problems which have become apparent in our highly critical assessment. Mainly the following considerations have to be taken still more seriously in our continuing work:

--Thus far the use of robots--even under the aspect of pilot solutions--still is too expensive. All the more resolutely we must try therefore to reduce investment costs and engage in our engineering and technical preparation thoroughly yet with the lowest possible expenditure. It is completely unjustified, e.g., in fact, economically totally insane, to acquire universal types of robots when their intrinsic features are not made full use of because they were intended for highly specific tasks. If, however, the specific as well as the flexible robots are geared to the needs of their particular employment precisely, with all their technical data including their control variants, a great intrinsic effect is obtainable. That requires a greater variety of robots, of course, which can be built only if all combines and hundreds of enterprises contribute to it by building their own means of rationalization.

For these reasons the VEB Fritz Heckert machine tool combine will start producing in 1982, in supplementing the centrally established program of types, robots under its own development, mainly for programming machine tools making small parts, which will greatly reduce the costs needed previously. The principle will be to build as simply and reliably as possible. The time of return of the investments of no more than 3 years in any given case must be made evident by direct savings. Division of labor production in the WPG is organizing the peripheral installations and gripping devices needed for that purpose.

--Within only a few months we must supply machine tools from our production that are more properly up to robot specifications so that we do not need to make changes later becoming necessary because the robots, combined into technological units with the machine tools, have to be converted into automated operation units. For instance, for the chuck lathes many parts had to be newly built for the automatic opening and closing of the working area and for the chuck, or had to be built in, and the machine controls had to be changed. Converting machine tools already in use is a worthwhile task for the WPG.

--Even while setting requirements for robot use the highest intrinsic benefit must be ensured. If that has not been always the case the main reason has been that operations were not always based on process and workpiece analyses, which are imperative for it. To assist the combines and enterprises, therefore, the machine tool construction research center has made available extensive guidance for process and workpiece analyses. To us in the WPG this forms the basis on which to explain the rank and sequence in the application of robots, in order to get the highest benefit out of them.

Proceeding from what has been achieved and from the requirements for cutting back further jobs with little expense, the Karl-Marx-Stadt SED bezirk management secretariat has come out with a bezirk conception that assigns high goals. Through the efforts of all combines, enterprises and science institutions and the elan of youth we intend to accomplish the production of approximately 10,000 industrial robots in the 1981-1985 period, put into operation at least 7,000 of them in the combines and enterprises of the bezirk and thereby release 17,000 workers for other activities. The measures and tasks in the bezirk conception for the political leadership and organizational work are aimed at fully ensuring the fulfillment of the bezirk quotas, through the elaboration of the 1981-1985 plan, which has already been buttressed up to 70 percent by concrete measures taken in the combines and enterprises.

That calls for tapping further initiatives for the application of process-specific industrial robot technology in all enterprises in the bezirk, reducing transition periods and ensuring a rapid application as well as exhausting further reserves in the enterprises not accounted for in the analysis.

Especially machine tool and processing machine construction have a great responsibility to start using industrial robot technology and not wait for the end of the current five-year plan period but begin with it already in 1982, 1983 or 1984. Good examples have been set by the Fritz Heckert machine tool combine, where three enterprises use a total of some 1,760 robots for their end products; the Karl-Marx-Stadt tool-grinding VEB, which has equipped circa 670 grinding machines with robot technology; and the Karl-Marx-Stadt spinning and yarn VEB, which has made available approximately 375 rapid spinning machines with loading and unloading robots.

Further reserves, as far as the production and use of industrial robots are concerned, must be tapped through reducing the great differences of levels among the combines and enterprises in their construction and use of industrial robots. The "Industrial Robot" WPG has been concentrating on that even by its concrete specifications for the 1981 work plan. The members of the "Industrial Robot" WPG,

who have left no doubt about where they stand with respect to absolutely fulfilling their goals in their work thus far and in their conferring on the tasks up to 1985 as set down by the bezirk conception, now are showing the same elan in conscientiously meeting their tasks.

FOOTNOTES

1. Cf. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED," Dietz publishing house, Berlin, 1981, p 49.

2. Cf. ibid., p 56.

Introduction to Robot Technology

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['Man, Robot and Social Progress' feature article by Prof Dr Werner Gilde, engineer, director, GDR Central Institute for Welding Technology: "Robots From the Box of Building Blocks"]

> [Text] The magnitude in the introduction of robots to our economic reproduction process makes high demands on technical and technological R&D. How are research collectives motivated for demanding, creative and economically and technically rational solutions? How are the specific tasks to be found and set down? Can solutions be worked out on prevailing economic premises that will meet our future developments? The successful work of ZIS demonstrates that these matters can be resolved with great social benefit.

Early in the 1960's it dawned on us that programmable welding machines could be built in the future by means of electronic building blocks. We then got our first pocket calculators. With some imagination and technical know-how it became conceivable that their properties could be used for programmable welding machines.

It became clear to the electronics specialists in the Central Institute for Welding Technology (ZIS) that the whole development was moving fast. It also was certain that our industry would not be able at once to supply all the electronic building blocks that would conform to highest technological standards. But we considered that a technological research institute like ZIS would have to deal with matters of the future and should not wait until all problems arising in new technologies in the construction of new machines had fully been settled by ancillary industries. Larger projects require agreement on certain principles even before research gets under way as to what the researcher is to come up with and what the user of research expects of it.

What Is to Be Achieved?

ZIS has heuristic programs for making such determinations. They are prepared to make the researcher very certain that the targets are right.

The most important points are these:

The robot is to be programmable. We have refrained from using the term "freely programmable" from the start. The limits to which a robot can be used in welding techniques are set by certain physical conditions. The programming we are asking for is confined to that framework.

Electronics must be such that through supplying novel building blocks the robot can be re-equipped without any great expenditure.
This rule does away with one of the biggest headaches in research, to have to wait for more perfect ancillary parts.

The robot is to be built up out of a building block system.

A manual welder has 32 modes of motion (degrees of freedom) in his arm to lead an electrode but, as experience has shown, he only uses these motion potentials to a very small degree.

A robot from a box of building blocks makes possible building in only those motions that are needed for the purpose. Such a method also has the advantage that less technical effort will do and the user needs buy only the parts that are needed for his purpose.

The robot is to work within Cartesian coordinates. In general, one is welding straight lines or circles. Both can relatively simply be programmed and carried out through Cartesian coordinates. Spherical coordinates, that go with the human arm or hinged robots, on the other hand, call for greater mechanical and technical control efforts.

Express Targets in Terms of Measures, Figures and Weight

When one has decided what one wants to accomplish, one's data must be as much quantified as possible. In 1962, of course, you could not possibly spell out in dollars and cents how expensive a robot would be in 1980. Even so, when the work begins there must and can be agreement about certain parameters.

(1) A robot must replace at least three welders. In principle, the welding speed of a CO_2 welding machine is not greater than that of a CO_2 manual welding device. But in contrast to the manual welder the machine needs no breaks which makes possible to turn the overlapping off-times into actual welding periods. This triples the performance, it has been found.

(2) Costs must not exceed the neighborhood of M 250,000. The idea is that in principle there must be a reasonable ratio between the economic effects due to the release of three workers and the expenditure in the use of a robot.

(3) A robot must be able to handle 80 percent of all welding activities. This qualification is absolutely necessary because a robot that can do "everything" is too expensive to pay for. There is this rule in research in general that fulfilling the last 20 percent of any kind of demand usually takes more money and time than the fulfillment of the first 80. Therefore it is of benefit to set down reasonable limits for the field of application from the outset. We shall not go into other parameters such as weights, speeds etc. at this point. Important only is that the planned parameters are reasonably proportionate to each other.

Technological Preparation and Equipment Development

Most researchers have trouble planning and setting off various threads of research in juxtaposition. Most of the time so much time is used up in development because the projects are carried on "step by step" following each other instead of simultaneously as much as possible. In thinking about this one must of course once more begin with the question as to what it is one actually wants to do.

--80 percent of the welding seams are to be welded by robot. Almost all welding engineers claim special conditions for their enterprises. ZIS has carried out a representative survey in 70 enterprises with circa 600 components. The result was that long throat and blunt seams are normally welded automatically. Those we may then safely ignore in our robot development. Of the remaining seams, circa 70 percent were throat seams (a 10,000-ton ship has 150 km of them). Almost all these throat seams have stays of 4.5 and 6 mm; their length is circa 1 meter. Thus they are too short for normal automatic welding. The type and form of these seams are almost identical in all industrial branches--regardless of the products they later are turned into. One and the same robot can thus be used in automobile construction, ship building, or making cooking-pots.

--the most important is software. A widespread error is the belief that in the use of a robot, electronics is what really counts. But the most important, the most difficult and, on the long run, the most expensive is software, i.e. the development and application of the programs.

Anyone who has a high-grade pocket calculator knows that it is possible, if one gives thought to it, to cut down the number of steps within a program, whereby always new opportunities for the use of the calculator are found. The same is true for the technological use of a robot. If there are five seams to be welded in a component, the sequence in which that is done is by no means immaterial. One must give careful throught to finding the proper sequence. And then there are still additional complications because one must pay attention to certain technological conditions, e.g. contraction through heat, and because it is necessary to program the welding process too with its beginning and its end. There are hardly any barriers here to the intelligence and imagination of the user. He who simply puts his welding robot down and hopes electronics will do something with it will suffer shipwreck. Micromodel building blocks will only do as much as the operator programs into them in "intelligence."

Never Forget Training

When you buy your first automobile, you must first have gotten a driver's license, of course. But there still are directors who think as long as you buy a robot, someone will be there who will know how to operate it. That is greatly mistaken because designers must know everything about computer design; technicians must learn the proper computer technology; and workers must learn to operate the computers professionally.

That is why ZIS started years ago conducting courses for engineers and computer operators. Especially among the operators a type of welder is growing up who must have ever improving skills technological and electronic. Particularly, an operator is expected to be highly reliable. Errors he "lets pass" in the robot have far-reaching consequences in interfering with all further operations.

Thinking of the Future

Experiences in enterprises that have already installed welding robots indicate that robots require further robots. Those can and must be further welding robots as well as robots for feeding in supplies and for testing. In many cases, robots are tied up with single-purpose automation equipment. The following important tasks arise from that for our further work:

--The GDR produces various types of robots which work on different principles. How shall they all be combined with one another?

--There are a number of efficient sensors that can largely expand the fields where computers can be used. How do the various sensors fit together with all the different robots?

--Multi-shift operation is imperative for the robots today on behalf of achieving great economic effects. What socialist society expects of us for the future, however, is that we design technologies for shift-operations no longer requiring human operators.

These three examples illustrate the gigantic organizational and technical problems newly arising from the use of robots. That for the welders the introduction of circa 4,000 welding robots results from the 10th party congress requirements is only part of the work confronting us. The robots in use will confront us with still greater (and more interesting) problems which we must solve and, no doubt, will solve.

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WORKERS' EDUCATION TO BE GEARED TO GROWING TECHNOLOGY DEMANDS

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[Article by Prof Dr Wolfgang Rudolph, director, and Prof Dr Gottfried Schneider, deputy director, GDR Central Institute for Vocational Training: "For More Effective Use and Systematic Expansion of Skilled Workers' Educational Potential"]

> [Text] Education and training are an important potential for implementing our economic strategy, of which a more purposeful use must still be made. What importance attaches here to the long-term planning of our vocational and qualification structure? What implications are derived for the systematic expansion of the skilled workers' educational potential from R&D and rationalization projects? Ideas about a stronger shaping of such personality characteristics as reliability, discipline, the sense of responsibility and the readiness for dedication and performance.

In implementing the economic strategy for the 1980's which was issued by the 10th SED Congress, the higher educational level of the skilled workers in the GDR is to be used so "that a measurably higher increase in labor productivity and a higher grade of production are achieved thereby."[1] The political and technical knowledge, skill and professional experience of the working people in our country amount to an enormous capacity for the economic performance improvements we need, which must be carefully employed and constantly augmented. That we must act politically most responsibly in this is obvious; after all, we are dealing with people here. This is all the more true in view of our demographic development: in 1985, no more than 75 percent of the 1978 school graduates will any longer be available for vocational training, and in 1990, even only 50 percent. After 1990 the number of apprentices will again rise steeply.

Results of a Purposeful Educational Policy

The history of our country is marked by broad learning activity and the constant improvement of teaching and study methods. Among the greatest historic achievements in our republic is that the demand by the revolutionary workers movement for high education for all members of society is being met more and more fully. The working people's skill strucuture has been decisively changed through it.

Qualification Structure of the Working People in the GDR (in percent)

	college graduates	vocational school graduates	chief operators*	skilled workers	unskilled and employees
1955	1.2	3.1	—	25.8	69.9
1960	1.9	4.9	—	33.6	59.6
1965	3.0	7.6	—	41.5	47.9
1971	4.0	6.9	4.9	50.0	34.2
1975	5.5	8.6	3.5	49.5	32.9
1979	7.2	12.8	3.5	56.2	20.3

This altered qualification structure is directly related to the redistribution and elevation of social labor. The increase of the number of people at working-age who entered the labor market by circa 2 million (from 1950 to 1978) and the sharp reduction of agricultural labor (from 27.9 percent in 1950 to 10.8 percent in 1978) for the benefit of industry (29.2 percent in 1950 to 38.2 percent in 1978) went hand in hand with massive activities toward acquiring skilled workers' qualifications, a high proportion of women being involved in it. In agriculture, the qualification improvements were most noteworthy. In 1965, only 24.5 percent of the workers had skilled workers' or chief operators' qualifications or were college or technical school graduates, but in 1970 it was 57.6 percent and in 1979, 87.9 percent.

The GDR working people's high educational level is marked above all by a comprehensive political, natural-technical, economic and intellectual-cultural knowledge provided on all levels of our unified socialist educational system for which the 10-grade general-education polytechnical secondary school lays a solid foundation. When starting their vocational training already 71 percent, in 1970, and 86 percent, in 1980, of the apprentices had graduated from 10th grade. All graduates who do not go on to college find an apprenticeship or a job in an occupation they have trained for available to them. This great social achievement of our state also was secured in the late 1970's and early 1980's under the conditions of the demographic "high" by arranging for 40,000 additional apprenticeships.

Acquiring a skilled profession is a desirable educational goal in the GDR. To be a skilled worker is an educational credential the society acknowledges and respects. Highly qualified and class-conscious skilled workers increasingly shape the looks of the working class in our republic. A fine education enables it in ever better fulfilling its function as part of the class that is in power and as the producers of our social wealth. For that reason the party and government, together with the FDGB and the FDJ, pay great attention to vocational training, given expression, for instance, in the 7 December 1976 and 6 December 1978 resolutions on vocational training and in the 21 June 1979 resolution on adult education. Those resolutions, in conformity with our party's general line, form the basic orientation for the

*The reduction of the proportion of chief operators from 1971 to 1975 is due to the fact that since 1975 this category has included only those properly qualified working people who work as chief operators. Before 1971 , neither chief operator credentials nor working people who were working as chief operators were shown separately in our statistics. 1971 includes all working as chief operators and all who have those credentials but did not work as chief operators.

development of vocational training and adult education in the continued shaping of the developed socialist society in the GDR. The focal point for it is the development or further molding of socialist personalities, which is also a decisive prerequisite for the high economic performance improvements we need, basic as they are for all our social progress.

State teaching plans keep general and vocational basic training in well-balanced proportion with specialization. They are scientifically grounded and oriented to the needs of our economy and society. Through introducing in 1970 basic social science and technical courses the general education acquired at the secondary schools is systematically being expanded. That was a decision that was oriented to the future. Within the last 11 years, circa one-third of all skilled workers working today got in their vocational training the basics in electronics, BMSR technology (industrial measuring, control and regulating technology), and data processing. These subjects are mandatory for all 225 occupations requiring the completion of 10th grade. Apprentices are familiarized with the basic working principles in these key elements of scientific-technical progress by means of modern teaching tools. Roughly M 100 million were spent for setting up appropriate showcases in all vocational schools and making available experimental sets.

Above and beyond training someone for any particular occupation as skilled worker, vocational training provides for permanent advanced vocational training. The advantage in this is the uniformity of our socialist educational system which allows all working people to go on for a higher level of qualifications where there are no blind alleys as are typical of the FRG's educational system.

Tasks and Problems in a More Effective Use of Our Educational Potential

In the working people's high educational level the GDR holds a decisive potential for further performance improvements in all domains of our society, especially in our economy. "A great task for the 1980 is to make the fullest economic use of this considerable state of education," Comrade Erich Honecker affirmed at the 10th party congress.[2] The GDR's economic successes and its place among the 10 strongest industrial nations in the world testify to the value of a fine general education and of solid occupational qualifications. Experiences have confirmed that education must be ahead in time and focus on the signs indicating the future development of the productive forces. For a socialist society it is by no means a matter of "overqualification" if the knowledge and skills acquired sometimes are higher than what the production process requires immediately. Apart from the fact that education also is a value in its own right to us, being ahead in education holds the potential for speeding up our scientific-technical progress and intensifying our social production because when qualifications rise the working people's needs are growing for substantive and interesting work which, if properly directed, becomes a source of creative initiative.

Training proper as to needs always focuses on the foreseeable future. If in training workers one were to proceed from the jobs concretely available at any given point, it would run the risk of constantly having to catch up with new developments. Moreover, developments do not all proceed at the same pace within the economy, in various branches and also in enterprises. Along with modern installations and machines, traditional and older equipment will continue to exist.

Vocational training, however, must be oriented to the modern processes and thus to the demanding content of labor. Because of it, qualifications provided by vocational training are at present not required in some jobs. This condition can only be surmounted gradually through modernizing the production processes, changing the content of labor and, mainly, by way of rationalization. The desire of the young skilled workers to show their knowledge and skill and prove their readiness for performance and achievements should however be used more productively by means of demanding tasks, e.g., from the science and technology plans. This point also was underscored at the 11th FDJ Parliament. Sometimes economic functionaries are not sufficiently familiar with the knowledge and skills the young skilled workers acquired in their training--e.g. the basics in electronics and BMSR technology--or pay too little attention to it or demand too little. Knowing what a skilled worker knows and can do in any given occupation is an essential precondition for the managers' assuming their full responsibility to assigning the working people to jobs that are properly in line with their qualifications. Not asking enough not only diminishes vocational qualifications in the long run but also has negative effects on working morale, readiness to learn and activity.

There also are still jobs in all the fields of our economy where only minor demands are made on skills. Technical innovations, mainly in the wake of automation, keep creating such jobs even while they are constantly being reduced. Their total number in certain enterprises at present exceeds the number of unskilled workers, which is bound to employ skilled workers on those jobs. This is the main reason why circa one-fourth of the skilled workers is not employed in accordance with their qualifications. The solution of that problem cannot be, for us, to reduce the proportion of skilled workers at the benefit of the unskilled. The goal of socialism is and remains the all-round developed personality with all the knowledge and skill employed for the good of the people. Thus we must shape our work in such a way that it conforms with the needs of our society while we at the same time drastically reduce unskilled jobs through rationalization and the use of industrial robots. A priority task in our scientific labor organization is to develop jobs adequate to highly skilled socialist producers. That calls for enriching the content of labor, reducing unskilled labor, expanding the tasking areas and raising the responsibility of all working people, and alteration and combination in their labor.[3] The aim must lie in improving the effectiveness of live labor as a fundamental requirement of socialist intensification.

Requirements for Expanding the Educational Potential

The GDR's social development, as charted by the 10th party congress, particularly the close combination between the advantages of socialism and the scientific-technical revolution, calls for both more efficiently using and systematically expanding the currently available educational potential. Our implementing our economic strategy for the 1980's largely depends on developing socialist skilled workers and their educational and qualification levels while perfecting the conditions for the application of such education and qualifications. The availability of skilled workers grows in importance constantly. But what counts is that this availability is correctly used, including their abilities and readiness for coping with changing labor requirements, which also creates an educational lead for future labor requirements, and for those in scientific-technical creativity and intellectual-cultural life. Which essential tasks arise from that for vocational training and vocational adult education?

For one thing, the scientific-technical revolution requires that skilled occupations are further developed in terms of content. In determining fundamental requirements for the content of skilled occupations we certainly may take for granted today that scientific-technical progress in its basic tendency leads to more demanding contents of labor. It is assuredly so that work on automated installations calls for skilled labor. The general increase in demanding labor contents is confirmed by surveys, especially by the extensive work on the further development of skilled occupations in the GDR.[4] That is all subject, among other things, to the higher requirements level and the diversity of activities, the expanded action radius, the greater responsibility for effective production processing and the quality of the products and to a favorable combination between physical and mental work. A typical example is the combination between the preparation, installing, operating and supervising and preventative repair in the use of machine tools under computer control.

A problem in determining occupational content comes from the extremely uneven development and implementation of our scientific-technical progress. While in its basic tendency labor content becomes more demanding, technical innovations also reproduce simple, and sometimes monotonous, labor. In some enterprises, fully automated installations or machine tools under computer control are being used while we know that even in highly developed industrial countries traditional machine tools will still be used in the year 2000. On the one hand a skilled worker already controls a whole production process from a central switchboard or control point, but on the other hand, close technological ties of the worker with partial operations, especially in the assembly and operational occupations, can be done away with but gradually and over a longer span. This dialectic in the development of the material-technical base of production and the labor itself requires projecting the kinds of occupational contents that allow the skilled worker to cope successfully with the tasks of today and be prepared for more advanced or future requirements. For that reason we must accurately analyze the real processes in science, technology and production, as neither excessive nor conservative reactions must gain the upper hand in educational project planning. It forces us, for instance in view of the high place value of occupations training for a rapid, well targeted and differentiated reacting to microelectronic requirements, to maintain a solid analytical determination of the concrete demands and their appropriate conversion into educational contents and measures. The GDR Central Institute for Vocational Training has endorsed particular methods for it.

Starting in September 1981, there will be introduced on this basis more advanced training documentation for electronics specialists, BMSR technicians, and mechanics and maintenance mechanics for ADP and office machinery. A "maintenance" specialization department for electronics specialists was newly developed. In practical occupational training the handling of integrated circuits is boosted in these four occupations, and measuring technology also is paid more attention to in theory and practice. We are presently engaged in revising substantively the occupations of electromechanic, electrical draftsman, watchmaker, precision mechanic, electrical machine builder, cable mechanic and specialists in installations technology. The central economic management organs and the combines are mainly responsible for that. That they still must pursue more vigorously via the competent specialized occupational commissions.

Secondly, scientific-technical progress also leads to changes in the manpower proportions in various skilled occupations and to changes in the occupational and qualification structures in combines and enterprises. Changes in the nature and functions of labor and the further development in the division and organization of labor break down traditional occupational structures. That is given much of an impulse especially by substituting electronics for mechanics and by a high degree of automation that makes use of robot technology. For that reason, e.g., the VEB Robotron Combine, in connection with the planned use of 1,300 industrial robots by 1985, prepared an analysis about the occupations and special qualifications needed for that. It contains, e.g., the proportion of skilled workers for processing material, electronics specialists, electromechanics, machining specialists and other occupations in the development, production, operation and maintenance, the overall knowledge all working people have to receive, and concrete educational measures. The conception unequivocally proves that the developer determines the educational requirements and the certifications. It is a demand which also addresses itself to the microelectronics application centers and has to be guaranteed for all developments through the commitment notebooks.

Each combine and enterprise has to determine the requisite occupational and qualification structure over long range. Manpower and educational planners have to understand that certain jobs that so far called for electromechanics will need electronics specialists in the future. From which one must not deduce that electromechanics have now generally become less significant. To carry out the future labor tasks, the adequate occupations thus have to be selected. Not always do we know enough yet however about the skilled occupations and their range. When labor functions are changed, one can often hear criticism of the occupations traditionally involved in that field of labor. For the "skilled labor" needed in our economy there are however 318 occupations available with a great number of specialized skills which--if used meaningfully--fully meet the requirements that are foreseeable today.

The need for accurate planning of our occupational and qualification structure is further corroborated by our demographic development. The number of apprentices may diminish, yet we must still train all the new manpower we need in all fields. There are reserves in our recruiting girls for technical occupations. That also gives rise to new demands on vocational counseling.

Third, social development in the GDR calls for a higher level of vocational training.[5] For the combines and enterprises and their vocational training facilities this means improving the quality of instruction in theory and, especially, that of practical occupational training, ensuring demanding production in line with the training given, effectively using and extending the material-pedagogical conditions and perfecting the management of vocational training.

Higher demands are placed on the awareness and conduct of the young skilled workers, and thus on the communist education of the apprentices. They result from the advances of our society, the sharpening of the international class struggle, and the effects of the scientific-technical revolution. Higher demands for personality characteristics arise, among other things, from the growing technological complexity of labor and the increasing dimensions of the basic assets, the more complex

and complicated installations including those of industrial robots and the increasing complexity of the tools of labor, the integration of technological processes including the reduction of production steps, the change in the generations of equipment, the new, highly efficient technologies and working principles, and the activities of the skilled workers in innovator, rationalizer and inventors' collectives. Indubitably, a worker's sense of responsibility, discipline, conscientiousness and decision-making capacity have a far greater consequence when he is working with a computer-controlled machine tool, e.g., than with a traditional lathe.

The apprentices' general basic education also has to be further developed in line with our requirements. We start from the consideration here that microelectronics is based on the same physical working principles and inevitabilities as traditional electronics. An apprentice, as an upper-grade pupil, can approach microelectronics only via semiconductor technology. That is why it is to important to lay the ground for the necessary attitudes and the understanding of the development and application of microelectronics even during basic occupational training. Accurate knowledge is needed for that of course, too. For that reason the Central Institute for Vocational Training together with partners from the practical field prepared a teaching aid, "Microelectronics in the Basic Technical Fields," and a corresponding advanced training program for instructors to be put into use in the 1981/82 school year.

Fourth, higher demands for advanced occupational training for the skilled workers also result from it. The vocational training of the apprentices only reproduces circa 3 percent of the total of our skilled workers annually. This way alone one cannot react at the required speed to the dynamics in our scientific-technical development or the great divergencies in our economy. Every occupation has to conform to both traditional and progressive requirements, that is to say, skilled occupations are today objectively more substantial, diversified, differentiated and dynamic than can be grasped in a vocational training period of, normally, 2 years. That is why it is so important to combine vocational training with occupational advanced training more systematically and effectively. In the VEB Upper Lusatia textile enterprise of the cotton combine, e.g., in conjunction with the "Lautex Jeans" rationalization project, they in good time started the advanced training of the labor to be employed in this new plant. Thereby the conversion timetable was met, plan fulfillment was raised form 100 to 150 percent, and the first choice proportion was brought to 96 percent. In the course of their advanced training these working women submitted five innovator proposals. It corroborates that advanced training must be planned and conducted together with the technical-economic processes. The combines' unified reproduction process offers favorable preconditions for it, which must still more consistently be utilized.

While in previous years acquiring skilled worker qualifications was the focal point for adult occupational training, advanced occupational training is now gaining increasing importance. Thus the ratio between advanced training and occupational training in this area rose between 1966 and 1978 from 0.86:1 to 4.63:1 in industry, in construction even from 0.91:1 to 7.69:1. And with acquiring specific qualifications, growing importance also attaches to anti-breakdown and labor methods training.

Our economic strategy greatly focuses on cutting back jobs and gaining working people for other kinds of activities. Greater importance attaches here to the planning and implementation of advanced training measures while using the already existing education and skills. One should note, however, that some skilled occupations are substantively interchangeable to varying degrees. That is to say, when training is needed because of a reassignment, learning a different trade should be the last thing to be done. The first consideration must always be to build on what is already there and replace substantive aspects of one trade by those of another trade, or enrich a skilled worker by training in it, because in his education there also are economic aspects that must not be lost sight of.

Vocational training and occupational advanced training and their organic connection and greater effectiveness and quality gain in importance in every combine and enterprise, for it is a matter, after all, of resolutely enforcing the economic strategy the 10th party congress has issued.

FOOTNOTES

1. Guenter Mittag, "Kombinate im Kampf um die Durchfuehrung der oekonomischen Strategie des X. Parteitages" (Combines in the Struggle to Implement the Strategy of the 10th Party Congress), Dietz publishing house, Berlin, 1981, p 40.

2. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED," Dietz publishing house, Berlin, 1981, p 52.

3. Cf. Authors' Collective, "Wissenschaftlich-technischer Fortschritt und Inhalt der Arbeit" (Scientific-Technical Progress and Labor Content), Die Wirtschaft publishing house, Berlin, 1980, pp 60 ff.

4. Cf. GDR Central Institute for Vocational Training, ed., "Studie zur Weiterentwicklung der Facharbeiterberufe unter den Bedingungen des wissenschaftlich-technischen Fortschritts und der fortschreitenden sozialistischen oekonomischen Integration" (Study on the Further Development of the Skilled Occupations under the Conditions of Scientific-Technical Progress and Advancing Socialist Economic Integration), Berlin, 1977.

5. Cf. Bodo Weidemann, "The 10th SED Congress Resolutions--Guideline for Further Perfecting Vocational Training in the 1980's and in Preparation and Implementation of the 1981/82 School and Training Year," BERUFSBILDUNG, No 6, 1981, pp 246 f.

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COMBINE DIRECTOR EXPLAINS KEYS TO PRODUCTION SUCCESS

East Berlin EINHEIT in German Vol 36 No 10, Oct 81 (Signed to press 14 Sep 81) pp 1010-1016

[Article by Dr Hans Broll, economist, general director, VEB Werner Lamberz Polygraph Combine, Leipzig: "Persistent Struggle for Top Quality Products"]

[Text] The VEB Werner Lamberz Polygraph Combine, Leipzig, has 15,400 working people. They produce top quality products for domestic printing, bookbinding and other graphics enterprises and export to 60 countries in the world. Their top quality products include
--Planeta-Super Variant sheet offset machines;
--Zirkon forta 660 and Plamag-Rondoset roll offset machines;
--Multi effect high-capacity automatic folding machines; and
--Perfecta paper cutters.

The combine includes 12 production enterprises, one engineering enterprise, one foreign trade enterprise and one design office. They are concentrated in Leipzig, Dresden and Karl-Marx-Stadt Bezirks.

More than 100 products in the world bear the "Polygraph" trade mark. All leading newspapers in the fraternal socialist parties are printed on Polygraph machines, for instance. Cuba used the machines to establish the largest printing shop for school books in Latin America.

Four combine enterprises bear the seal, "enterprise of excellent quality work." Eight are recognized as "enterprise operating with exemplary energy economy."

The Polygraph Combine, which exports a great part of its output, is making great efforts to produce more commodities achieving top standards in terms of their scientific-technical as well as economic parameters. What management documents are needed for that? And how can one make sure that--supported by political-ideological work--quality work is done on every job which is prerequisite to top quality products?

The high economic demands and objectives for the 1981-1985 five-year plan period call for ensuring far greater growth rates in the productivity and efficiency of our economy than in the last 5 years. The working people in the VEB Werner Lamberz Polygraph Combine, Leipzig, are also adapting themselves to that pace. Aware of the fact that long-term stable economic growth in our country must rely on the acceleration of our scientific-technical progress, they concentrate their capacities still more on new products and procedures, in line with international standards, which will have profound economic effects.* Mainly wanted are top achievements that profoundly improve technical and technological production levels by facilitating a still more rational use of our energy and raw material resources, a higher degree of socialist rationalization and an increasing automation of the production processes. Top quality production calls for making the most advanced scientific-technical data the immediate basis for product development.

Entirely in that sense, and led by the party organizations, capacities are mobilized in the polygraph combine, which exports a considerable proportion of the polygraphic machines, equipment and scientific accomplishments it produces, the work being organized accordingly. Our combine management considers that the exercise of its economic responsibility implies a constant and persistent struggle for making top quality products. Such products, which in their essential technical and economic parameters signify top standards, e.g. by an improved performance, an improved cost/benefit ratio, and better qualities, marked, that is, by a more favorable expense/benefit ratio, gain great benefits for the combine and for the economy at that. Ultimately a high effectiveness growth can be obtained only if products and scientific-technical achievements meet the customers' demands and stand up to hard comparisons on the markets. Especially combines that handle a lot of export are increasingly confronted with international standards and requirements in their production assortments and production level. All the greater is their obligation to conceive their own scientific-technical performances as top achievements and not to rest at a top position once achieved. That primarily is prerequisite to selling the products and bringing in good foreign exchange.

For the buyers of products and users of scientific-technical achievements (as contained in instruction, know-how and other such performances) it is of course of no interest what concrete efforts are embodied in it. All they want is the best price and maximum benefit. To ensure effective export it is thus becoming increasingly important to be as familiar as possible with the users' needs, assess their developmental trends and take account of differing sales conditions in the various countries.

In developing and implementing scientific-technical performances domestically and the export to the socialist economic region one can rely on the demand curve anticipated in the plan and establish long-range production and sales strategies on it. As to the assessment of capitalist markets, noteworthy insecurity factors are part of the bargain because of the unstable and crisis-like development in capitalist countries made up of currency fluctuations, inflation, price manipulations and so forth.

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*Cf. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 51.

Generally one must consider that through the worldwide speed-up of scientific-technical progress quality and efficiency demands for scientific-technical achievements are growing and innovations are coming in ever more rapidly. Our combine, as an export-intensive producer of polygraphic machinery and equipment, mainly must still take more into account that scientific-technical achievements are offered on the market with increasing breadth and products with a higher degree of refinement are given preference. This tendency will undoubtedly continue, in that it is emphatically being encouraged by continuing raw material price increases with all their ramifications. And finally, the growing demands for environmental protection also have to be kept in mind which--set down by law in many countries--have to be strictly observed by anyone who wishes to export with success.

Many efforts have been made and are being made in organizing the reproduction process in our combine with regard to all requirements resulting from it. Great care is used in designing, producing and selling the kind of scientific-technical achievements that at least conform with international standards. Thus the time frame for developing and applying of new or further developed products was reduced from 36 to an average of 27 months. Thus more than 75 percent of our output is now no older than 3 years. At the same time we managed to put our products more swiftly on the market. Our production assortment was organized so that it is possible to offer technological systems solutions in accordance with broad users' demands. The degree of automation was increased for our products--mainly by means of microelectronics--, and measures have been taken to implement over brief periods specific future automation solutions. A critical analysis of the volume/performance and the volume/energy ratios of our products offered important handles for new solutions through which still more favorable values are attainable. This analysis was furthermore an essential basis for working out our refinement conception, which is of great weight to our struggle for top achievements. For years we have also sought closer cooperation with the foreign trade enterprise to derive benefits from it for the marketability of our products. Now, through drawing the foreign trade enterprise into the combine's reproduction process, the conditions for it have become still more favorable so that we can meet market needs still better all the way from the conceptual work to effective production implementation.

Starting from the polygraph combine's economic responsibility, we have worked out criteria for top achievements in order to be able to derive tasks for management activity and for the collectives' requirements in accordance with objective yardsticks. Here we rely on thorough surveys of users' needs, the market strategy of capitalist competitors and international science and technology trends. In the outcome of that we also are strictly aware that we can as a combine maintain and consolidate our position only if we succeed in combining top achievements in production development with such in production techniques, methods technology and design while we also accomplish top achievements economically speaking.

The Planeta-Super-Variant sheet offset machine from the VEB Planeta Radebeul combine enterprise meets such demands, for instance, and is a recognized top achievement. In quality, energy consumption, and the volume/capacity ratio it shows values that stand up under international comparisons, is marked by a favorable cost/benefit ratio. A basic condition for a high rate of growth is that such top achievements are developed systematically and carefully planned. That concerns the time when they become available, their operational features and their production costs.

World standard comparisons form the basis for elaborating and scheduling the requisite parameters. Only products that represent top achievements in their scientific-technical and economic parameters qualify for the highest guarantee seal of ASMW (Standardization, Measurement and Commdity Testing Office), and if they satisfy their users' needs in every respect, they can count on recognition in the international market, which is most strikingly expressed in good export turnover and acceptable prices.

Systematic Organization for Top Achievements

Proceeding from economic requirements placed on the polygraph combine, management documents and conceptions were prepared on the basis of which the foundations have to be laid for the conditions and prerequisites needed for top achievements throughout the combine's entire reproduction process. With that they are the starting point for setting up the collectives and ensuring their uniform approaches. There are mainly three documents that have been found critical for a work that is steadily oriented to top achievements: The long-term strategic conception for organizing the combine's reproduction process up to 1990 and beyond; the conception for working out the five-year plan; and the conception on personnel.

These documents are based on partial conceptions for R&D, technology and rationalization, market strategy and the management and planning of social processes. As all these conceptions are largely prepared by combine management together with the competent directors and the participation of many other working people from the combine enterprises, are thoroughly aired by the combine management and only thereafter ratified by the general director, they are not the outcome of work done around the conference table. They are the genuine outcome of a broad exchange of ideas in which not only the experts were listened to but also a large circle of working people who--deeply interested in the future of their enterprise and combine--have submitted their own suggestions for shaping labor processes and working conditions. This forms a solid basis for meeting the targets assigned with commitment and in conformity with a uniform yardstick.

The fundamental task which is common to all our conceptions is ensuring the concentration of the combine's capacities and funds on the decisive projects in the various phases of its reproduction process, as economic requirements demand. To that end, clear scientific-technical and economic and social targets were set. It includes in particular:

Concentration and specialization in product development

The polygraph combine has in recent years gone into specializing in its main production lines--after accurate coordination mainly with its partners in the USSR. That was based on coordinating with the main domestic users as well as with those in the friendly socialist countries and, furthermore, on comprehensive assessments of all future demands. We also carefully analyzed the science and technology development trends in machine building and operations techniques. From this and from the foreseeable developments of the competitors, inferences were drawn for our production assortment, our specializing in main lines--and thus also our main export lines.

Organizing the production of our main production lines on a high technical, technological and organizational level also presupposes our creating our own scientific-technical lead time for product development, technology and organization. Scientific-technical and at the same time economic top achievements can be ensured only by a carefully considered concentration of our R&D potential on the development and constant improvement of our main production lines. Here especially the advantages of scientific-technical cooperation with the CEMA countries, particularly with the USSR, stand clearly revealed. Already for years have we been coordinating essential developmental trends with the USSR. Thereby we can avoid duplication and make better use of specialization and cooperation opportunities, so that higher effects are obtained for the development, production and implementation of top achievements.

Further division of labor in conformity with long-term needs for main products

The division of labor process occurring in our combine moves onto higher levels all the time. The dynamics of this process is affected by scientific-technical progress as well as by the changing needs for scientific-technical achievements. That gives rise to new requirements, tasks and labor contents. All such steps toward further streamlining and proportioning the enterprises in our combine proceed from the principle of ensuring our productivity, efficiency and qualities in accordance with economic requirements.

Specialization in accordance with main production lines has been found useful--in conformity with systematically creating the appropriate modern technologies and the proper organization from R&D all the way to product sales.

In further developing our division of labor it must be taken into account that not all various parts, components or products needed for completing an installation are made in the combine itself. This, however, must not infringe the struggle for final products on a top level in any way. When several combines are involved in the production of a commodity it cannot possibly mean that the responsibility for its qualitative level is proportionately broken down, as it were, or would be reduced for each participating combine while the degree of interlinkage increases. On the contrary! It is all the more important that each combine which, as the end producer, bears the main responsibility for product quality vis-a-vis the user arranges for the properly timed qualitative and quantitative requirements for ancillary products and sets down the binding future specifications for those ancillary supplies. Complex agreements based on properly timed understanding about the development of qualities, needs and delivery matters and serving a common benefit have in our experience proven themselves in coordinating with ancillary suppliers.

Cooperation with scientific-technical institutions

Through a purposeful approach we have achieved cooperation on a contractual basis with the Karl-Marx University, the Leipzig Technical College, the Karl-Marx-Stadt Technical College, the Dresden Technical University, the Central Institute for Socialist Economic Management, Central Committee, SED, and the Institute for Graphic Techniques, Dresden/Leipzig. This on-going contact is a significant prerequisite for setting down mandatory world standard-controlling requirements that can be argued in front of the general director.

This cooperation was of benefit to all the partners. For the polygraph combine that was shown, e.g., by 24 patents, the preparation of TGL (GDR norms), and the creation of sound scientific management instruments, some of them for the management of social processes. Many of these results led to on-the-job and graduate theses and dissertations.

Quality Work With Every Job

An essential condition for high labor efficiency in our combine is ensuring high quality work on every job constantly, i. e., attention to quality labor in its whole breadth. It is a matter of ensuring appropriate technical parameters for adequate costs as well as--at an equal measure--a high quality of spare part supply, customer service, service all-around, customer advice and the offer in know-how. For that reason one must not in the management work be oriented exclusively to the parameter, "industrial commodity production with the Q guarantee seal"--however important and revealing that may be for the quality of a product--, but ways must be found to take account of the complex character of quality labor in the sense referred to.

Thanks to our resolute orientation to quality labor, more than 90 percent of the commodity production under mandatory testing and classification regulations bears the Q guarantee seal in the polygraph combine. If we are to hold or even extend this high a proportion, all collectives in the combine enterprises must be so greatly motivated for quality labor that we manage to fulfill our qualitative requirements in all phases of the reproduction process and on every job. The first step in that direction comes already during the production preparation phase when commodity and procedural developments are argued in front of the general director, with a body of experts being present, when ensuring high-grade qualities enjoys a high place value. Through socialist competition we have been struggling for years to qualify all combine enterprises as "enterprise of excellent quality labor" and "enterprise of exemplary order, discipline, safety and cleanliness." That is prerequisite to the title, "combine of excellent quality labor," which to gain demands great efforts in management activity and everywhere in our political-ideological work. In the intensification and quality conferences of the enterprises, in quality discussions and in the party school year and the party group meetings, the questions relating to quality labor on every job are a focal point in the discussions. Right now our collectives, based on labor guidance directions developed by combine management, are working on the higher requirements for quality labor under the current conditions of our scientific-technical progress in the combine and the tasks derived from that.

It is necessary first and foremost for the engineers and technicians to project scientific-technical top achievements and for our workers to produce them because ultimately high efficiency depends on high-grade production. Still we must not ignore that the sales income, and thus our efficiency, also depends not insignificantly on the work in other areas and its own top achievement in sales, for instance. Therefore we incessantly strive for quality labor on every job, it being prerequisite to quality labor, top achievements, in the combine. The attitudes required for it depend on clear political positions, a socialist attitude toward work and good familiarity with the combine's reproduction process. To form and strengthen such attitudes we have chosen several courses in the combine. Our experiences on the way to top achievements show us we have done well doing so.

Regularly--at least once a month--members of combine management appear before production collectives to explain the combine's strategy in meeting its economic tasks. Subsequent discussions explain political contexts and economic requirements. By this procedure we help management to keep in touch with production. This close personal contact between management personnel and workers and the relationship of trust between them, strengthened by it, affects the labor results because then many questions and problems that have arisen can more rapidly and simply be settled and requirements can more persuasively be explained to individuals. Ultimately all that is also being reflected by the fact that through personal and collective commitments quotas are ensured and 90 percent of the people working in the combine is involved in competing for the title, "collective of socialist labor."

For the development and new production application of products we are setting up temporary party activists' groups. Their members come from the development collectives and are technicians and workers in those fields that by and large will then be involved later in the production of those products. Through socialist cooperative work problems of design, technology, organization and others are settled in accordance with concrete conditions. This also is a good way to challenge creative participation, use the knowledge and skill of a larger group of persons and thereby further reduce the risks.

To activate innovator activity, we pay great attention to a targeted assignment of innovator tasks. We regard them as important for having working people identify more with their labor tasks. Especially among the young people a big step ahead has been taken this way. Half of the working force in the combine is made up of innovators, which is noteworthy enough, yet that it comes to 56 percent among the young people must be seen to be a special success. That was greatly helped by the work with youth brigades and the assignment of youth projects. Selecting youth projects from critical tasks in the field of microelectronics and industrial robots strengthens the young people's sense of responsibility for producing top achievements and for quality labor. It boosts their dash and enthusiasm to discover new scientific-technical territory. The result of this work is given expression in our having registered a total of 83 copyrights in 1980, which gave us an average of 13.1 patents for every hundred university and college graduates among the labor force.

All forms of socialist competition include quality labor in their goals. Quality parameters have become a crucial criterion for rating the collectives in socialist competition. For that we work with such forms as handing out quality certificates and awarding quality workers. More than half of those who work in material production are taking part in the contest for the title "quality worker."

The work jointly done by combine management and party, trade union and FDJ management has been and is aimed at understanding the mission to do quality labor and achieve top quality products as a party mission and fulfill it as such. We concentrate all our activities on, and measure all our results against, successes in solving these tasks with their great economic range and political importance.

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INITIAL USES OF SOLAR ENERGY DOCUMENTED

Magdeburg VOLKSZEITUNG in German 2 Oct 81 Supplement p 4

[Article by Hans Goedicke, engineer, technical director, VEB Light Metal Construction Enterprise, Dessau: "New Developments for Warm Water From the Roof"]

[Text] The use of solar energy is currently attracting considerable international attention. To be sure, in our country solar energy will never be able to replace brown coal as energy source; nevertheless, under certain conditions it can be used for heating water and thus make it possible to conserve other energy carriers.

The use of solar collectors which at one time was restricted exclusively to sunrich countries did not spread to Europe until 1970. Since then special collectors have been developed in several states. The first collector produced by the VEB Light Metal Construction Enterprise, Dessau, was installed in 1977 on a log cabin in Rinkemuehle in the Harz mountains to be used to heat water for utilitarian purposes (VOLKSSTIMME has already presented several reports on it).

The question concerning the possibility of developing and producing solar collectors was raised for the first time one year earlier by the Dresden Institute for Air and Refrigeration Technology in conjunction with the Economic Council of the Bezirk of Halle. The entire staff of the plant was unusually receptive to this problem. They joined the scientists of the Dresden Institute and succeeded in developing a solar collector within a short period of time. Only 6 months after beginning the research the first generation of Dessau solar collectors was delivered. In 1978 the first swimming pool in our republic was heated with solar energy. It was in Freyburg (Unstrut) and the swimming season was extended by 2 months. The romantic Unstrut Valley offers favorable conditions for such a feature.

The VEB Light Metal Construction Enterprise, Dessau, the collective of which worked hard for the title of "exemplary plant in the application of energy economics," is continuously striving to improve the life expectancy and efficiency of solar collectors, using the latest scientific-technological know-how. The use of solar energy is tied to requirements that are of an extremely varied technical-technological nature. Solar collectors must be manufactured of highly corrosion-resistant material and have a long life expectancy. They have to be adapted optimally to the structure of the roof and the building. Furthermore, the installation must be able to absorb heat well and respond to the entire range of waves emitted by the sun's rays, and it must have a high degree of efficiency. In other words, heat losses should be minimal.

In the meantime, as a result of our research and development, the third generation of solar collectors, type DS3, has already been produced. These collectors have considerable advantages when compared to the first ones. Due to improved construction methods, a savings of 50 minutes in production time and 6 kilograms has been accomplished when compared to the first model. Since connecting hoses are placed underneath the collectors, they are not exposed to any outside meteorological or atmospheric influences; consequently they also attain a higher quality of parameters and heat losses are reduced. Altogether the new collectors are able to produce annually 350 kilowatt hours of energy per square meter of area.

In comparison to conventional procedures of energy production, the economic cost for the use of solar energy is very high in spite of all accomplishments. As a rule, it amounts to between 2 and 3 times as much as piped-in heat. Consequently, costs and results must be compared in each case. Effective solutions can be provided by combining solar technology with coal-fired furnaces, which can take over the warm-water preparation during extremely low temperatures. In the future, the use of solar energy is a possible means of energetic rationalization especially for small and medium-size plants, because the need for warm water for utilitarian purposes is relatively limited.

To date, solar collectors produced by us have been tried, among other places, for single-family homes in central and southern districts of the GDR, an experimental house of the VEB Energy Combine, Berlin, an experimental facility of the VEB Air and Refrigeration Technology, Dresden, in swimming pools, a sanitation facility in the VEB Schweinezucht Losten, Kreis Wismar, and also for agricultural installations of the Hungarian People's Republic. These practical tests provide us, the producer, with ever higher standards, which serve as an incentive for new results in research and development.

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HUNGARIAN-U.S. TRADE RELATIONS DESCRIBED

Budapest HETI VILAGGAZDASAG in Hungarian No 42, 17 Oct 81 pp 55-56

[Article by Pal Emod: "Hungarian-American Trade. The Unexplored West"]

[Text] Hungarian enterprises wishing to export should not be deterred by the present delay in the American economic recovery and, on the other hand, influential American businessmen should use their influence to smooth the way for Hungarian export products to the United States--this is probably the most concise way to sum up the essence of the statements made at the last session of the Hungarian-American Economic Council.

At the time it was established in 1975, the opening session of this body, which was supposed to be destined to advance the relations between Hungarian and American enterprises and the development of bilateral trade, was characterized by almost a family-type of atmosphere. There is an easy explanation for this: back in those days hardly more than a couple of dozen firms were involved in the bilateral exchange. The delegation that came to Budapest from overseas to attend the 7th session of the Hungarian-American Economic Council held last week, however, consisted of already 45 members. Present among the American businessmen were the representatives of such "big guns" as General Motors, Citibank, Corning Glass and International Harvester. (The Hungarian-American Economic Council was started by the two countries' chambers of commerce, at a time when there was still no trade agreement between Hungary and the United States.)

At the plenary sessions, as it has become customary, the trade turnover between the two countries was reviewed. Looking only at the numbers there is no cause for alarm. The reason for this is that since 1978, in other words, since the conclusion of the bilateral trade agreement which now also contains the principle of most-favored-nation status, great advances have been made in the turnover of goods between the two countries. Three years ago US exports to Hungary amounted to $149 million, while Hungarian exports to the US totalled $75 million. By 1980 these two values had developed as follows: US exports reached $240 million, Hungarian exports increased to $122 million. If, however, we also take into account that only 1.4 percent of Hungary's total exports are earmarked for the US, while American products constitute a 2.7 percent share of total Hungarian imports, than we are justified in saying that the opportunities still have not been fully exploited.

A few years ago still only a few more than ten Hungarian enterprises were marketing in the US, while today the number of Hungarian enterprises present on the American

market is close to 30. This increase in interest is also demonstrated by the fact, that there are 132 economic organizations represented in the American section of the Hungarian Chamber of Commerce.

For reasons attributable perhaps to the relatively low American tariff rates, or the peculiarities of the domestic market there, of all our exports to the capitalist countries it is our American exports that--proportionately speaking--the Hungarian export structure has been found to be the most favorable. The proportion of machines is close to 30 percent, and if we look at the machine industry products as a whole, we find that their share represents 45 percent of Hungarian exports. The articles, however, which make up the remaining 55 percent are not just any kind of products either, for the list of exports also includes large volumes of foodstuffs, ready-made clothing goods and shoes.

At the top of the hierarchy of the largest Hungarian exporters is the Raba Hungarian Railroad Car and Machine Factory; others among the leading pack are Terimpex (TERIMPEX Foreign Trade Enterprise for Livestock and Crops], United Incandescent, Mogurt [MOGURT Foreign Trade Enterprise for Motor Vehicles] and Tannimpex [TANNIMPEX Foreign Trade Enterprise for Leather and Fur]. According to Hungarian trade officials, the advantages of the American market lie not only in that its tariff levels are lower than those of the European Economic Community, but also in the fact that it has considerably less discriminatory exemptions.

Some of the Hungarian enterprises have also recognized that the most practical form of trade is the mixed enterprise. It was the United Incandescent which assumed the role of pioneer in establishing such enterprises, when it created the Action-Tungsram in New Jersey. Another venture which operates under this type of mixed enterprise format is the New York-based Tannimpex-Lattani firm, in the field of shoe and fancy leather production. Several Hungarian firms, such as Medimpex MEDIMPEX Foreign Trade Enterprise for Pharmaceutical Products, Medicor Medical X-Ray Equipment Enterprise and Hungarotex HUNGAROTEX Foreign Trade Enterprise for Textile Goods have set up an independent enterprise in the United States, while Technoimpex TECHNOIMPEX Foreign Trade Enterprise of the Machine Industry has established a business office there.

Looking at our prospective possibilities, we find that the West Coast of the American continent still remains a blank spot, for Hungarian enterprises have still only been able to tap the East Coast and the Midwest. From among our products, considerably more wine and specialty alcoholic beverages could be sold there, than what is presently being offered.

Hungarian exports also depend, to some extent, on the way the American economic situation develops. The reason we say only to some extent, is because our exports are insignificant when looked at in light of the American market's capacity to absorb goods. As a conclusion to the Budapest conference, a press conference was held at which the head of the US delegation, Zoltan Merszei, vice-president of Occidental Petroleum, stated that the end of the recession was expected to come by the end of the summer. Unfortunately, they were to be disappointed, but they hope that the recovery which have been expected for so long will finally materialize by next spring. Experience shows that business deals can be made even during times of recession--pointed out the president of the Hungarian section, Jozsef Molnar, general manager of Tannimpex. His enterprise has received orders from the US for 900 thousand pairs of shoes for 1981, and 1.6 million pairs for next year.

Finally a few words about Hungarian imports, too. Most of these consist of raw materials, and especially of chemical goods. The share of advanced technology is relatively small, due to the fact that the American authorities take a long time to approve the export of certain goods, as a result of which Hungarian enterprises are sometimes reluctant to place in orders. The demand has been voiced again during the current negotiations: influential American businessmen should "lobby" more extensively to shorten this lengthy administrative process.

What has made making a clear-cut determination of the extent of our trade turnover even more difficult, is that the American system of statistics is different from ours. This difference is evidenced by the figures presented in the former, according to which American exports to Hungary amounted to only $79 million as opposed to the $240 million figure listed in our records. The reason for this is that is an American firm names a particular European port as its product's point of destination, then the American statistics will list Hamburg, West Germany or Rijeka, Yugoslavia as the export's terminal point, even though the sending firm usually also indicates the Hungarian destination.

The current negotiations will presumably provide the American businessmen with sufficient information about the Hungarian economy. Their inquiry, however, will also be enhanced by something else. To coincide with the opening of the council's session, the Hungarian Chamber of Commerce just had a supplement published in the WALL STREET JOURNAL, a paper with a circulation of 7 million copies, under the title, "Hungary As a Trading Partner".

9379
CSO: 2500/41

FURTHER DEVELOPMENT OF HUNGARIAN-USSR ECONOMIC RELATIONS DESCRIBED

Budapest FIGYELO in Hungarian No 44, 4 Nov 81 p 9

[Article by Boris A. Borisov, chairman, USSR Chamber of Commerce and Industry: "Soviet-Hungarian Economic Cooperation- The Development of Forms and Methods"]

[Text] In the 1980's we need to solve how further to develop the forms and methods of Soviet-Hungarian cooperation. This is the precondition for solving important problems both multilaterally and bilaterally.

The Soviet-Hungarian Economic and Scientific-Technical Cooperation Committee had studied those problems which require joint interest. On this basis, it has called for the preparation of 19 sub-branch programs. Broad scale specialization and cooperation is planned in branches like the electronic and electronic-technical industry, chemistry and petrol-chemistry, machine tool manufacture, vehicle manufacture, iron metallurgy, tractor and agricultural machinery manufacture, radio industry, and so forth.

Between 1971 and 1975, the reciprocal deliveries of specialized products came to 840 million rubles, and between 1976 and 1980 they reached 4.8 billion rubles.

An outstanding example of Soviet-Hungarian production cooperation is in vehicle manufacture. The Ikarus bus is well known in the USSR, the manufacture of which is Hungarian by specialization. In the past 30 years, more than 60,000 Hungarian buses have been delivered to the USSR, or about 40 percent of production. In the field of vehicle manufacture, the USSR and Hungary have signed four long-term specialization and cooperation agreements, and it is in this framework that the reciprocal deliveries in vehicle structures are being made. The Soviet LIAS factory supplies Hungarian bus manufacture with front axles, and the Hungarian side supplies the Volga Automobile Factory annually with 400,000 complete units according to 20 entries, including instruments, precision mechanical products, and electrical equipment. In exchange, Hungary receives annually 15,000 new LADA automobilies; in 30 years Hungary has been supplied with 500,000 USSR automobiles including more than 400,000 passenger cars.

Next year will be the 20th anniversary of the successfully operating Soviet-Hungarian cooperation agreement on the exchange of alumina and aluminum. On this basis, Hungary has increased to a significant degree its production of bauxite and alumina, while the USSR is working with its substantially greater energy-intensive aluminum industry capacity.

Commodity Exchange in the Value of 34 billion rubles

In the 1980's the USSR is continuing with technical assistance to the construction of the Paks Nuclear Power Plant and the Danube Iron Works. Other facilities are also being constructed in Hungary with Soviet participation; these include: cement factories, coal mines, thermal power works, water works, iron and nonferrous metallurgy enterprises, oil refineries, and paper and cellulose factories.

At the same time, Hungary has participated in the establishment of various integrational facilities on Soviet territory; these include: the SZOJUZ gas pipeline, the Vinnyica-Albertirsa electric power transmission line, the Hmelnick nuclear power works, the Usty-Ilimsk cellulose factory, the Kiyembayev enrichment asbestos combine, and iron metallurgy works. In the final analysis, all these things will make it possible that between 1981 and 1985 Soviet natural gas deliveries to Hungary will double the volume delivered in the previous five-year plan period, while electric energy deliveries will increase 1.6 times and we shall increase the sales volume of cellulose, raw materials with iron content, ferro-alloys, asbestos, and so forth. Hungary meets the greater part of its energy source, iron ore, cotton and rolled goods needs from Soviet deliveries. Hungary is delivering to the USSR an increasing volume of gas and oil pipelines, automatic equipment necessary for oil and gas industry enterprises, telemechanics and equipment, chemical industry equipment, pharmaceuticals, fresh and canned vegetables and fruit, and many other commodities.

The volume of reciprocal commodity exchanges between the two countries will exceed 34 billion rubles between 1981 and 1985, that is, it will be one and one-half times greater than the volume for the previous five-year plan period.

For Program Specialization and Cooperation

An important place is occupied by scientific-technical cooperation in the in the long-term specialization and cooperation development program. In this area there exist direct relations between 59 Soviet and 17 Hungarian ministries and national authorities. Soviet and Hungarian scientists and planners jointly planned incandescent lamp assemblies, chemical industry technological processes, machine tools, and so forth. Between 1981 and 1985 they will jointly research nearly 300 subjects. As a result, the serial manufacture will be solved of 130 new machines and pieces of equipment, more than 70 high-efficiency technological processes, 25 pieces of automated guidance equipment, 15 new materials types, and so forth. They have called for the formation of a joint collective of experts, the establishment of planning and technical offices, the exchange of scientific documentation on a commercial basis, and the exchange of licenses and know-how.

The Soviet and Hungarian social organizations are following with particular attention the fulfillment of specialization and cooperation development tasks under the present five-year plan. In this area the Soviet Chamber of Commerce and Industry and the Hungarian Chamber of Commerce have significant experiences. Their cooperation enjoys a long past.

The national sections have been operating for more than 10 years on a reciprocal basis: in the MKK [Hungarian Chamber of Commerce] the Soviet section and in the Soviet chamber the Hungarian section. In framework of the sections, they are assisting

with a systematic exchange of experience in carrying out the Complex Program, the long-term cooperation special programs, and the Soviet-Hungarian Long-term Production Specialization and Cooperation Development Program. They are undertaking measures which will promote quality improvement in export and import commodities in both countries, and so forth.

The Hungarian Chamber of Commerce and the MTESZ [Federation of Technical and Scientific Associations] and the Soviet Chamber of Commerce and Industry in cooperation with the chambers of the federated republics are regularly holding Hungarian economic and technical days in various cities of the USSR; in 1980, such days were held in Kiev, Tbiliz and Ashabad. In organizing the days, active assistance was extended by the service units of the EXPOCENTER Pan-Federation Association of the Soviet Chamber of Commerce and Industry. A large part of these programs consists of lectures on technical subjects, and these are followed by consulations. In 1980, a total of 49 lectures were presented on subjects concerning the development of the machine industry, the automobile industry, chemistry and the chemical industry, and the meat industry.

Chamber Relations

Symposiums are held in Hungary every year with the cooperation of the Soviet chamber at which the Soviet experts inform the Hungarian participants of new Soviet technical achievements. This year, for example, there were successful symposiums on Soviet electronic components manufactured within the framework of the cooperation. By year's end, a symposium will be held on Soviet pump manufacture. In this connection, it should be mentioned that in November 1980 the Hungarian experts studied projects for Soviet pumps used in sub-branches of the economy. A Hungarian delegation visited the MOLDAVHIVDROMAS production association in Kisinyov, and the Moscow research institute which studies water facilities.

A delegation of the textile industry section of the Hungarian Chamber of Commerce visited wholesale textile bases in Riga, Tallinn, and Leningrad. In talks with the Soviet experts they discussed the testing methods for textile goods, packaging problems, and so forth. This year a delegation of the chemical industry section of the Hungarian Chamber of Commerce visited the Soviet Union. The Hungarian experts visited enterprises of interest to them in Moscow, Kiev and Odessa.

6691
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REGULATIONS ON SERVICE CO-OP GROUPS HIGHLIGHTED

Budapest MAGYAR HIRLAP in Hungarian 2 Oct 81 p 7

[Article by Istvan Kalasz and Gyorgy Szepesi: "Overview of Decrees About Small-Industrial Activity. The Specialized Service Group (3.)"]

[Text] Specialized industrial and service groups can be created in the framework of industrial, agricultural, consumer, marketing, and purchasing cooperatives.

The specialized group is a self-accounting organization with specific economic and corresponding self-governing independence, operating within the framework of a cooperative and is closely tied to it. A two-sided agreement regulates this relationship. The specialized group is not a legal entity. Its cooperative nature is based on its self-governing system similar to that of the cooperative, its share system that takes into account the members' personal collaboration and financial assistance.

The economic action of the group may be primarily directed toward service for the populace (for instance, mechanical and maintenance services,) manufacturing (some limited output items, machine components,) as well as the production of goods necessary for the activity of the parent cooperative or services performed on its part. All economic activity not expressly allocated to state enterprises and not agricultural in nature may be performed by the specialized groups, similarly to the business work communities.

At least five individuals applying for membership may form a specialized industrial (construction), production, or service group. No specific regulation exists regarding the ceiling on the number of members possible; it naturally corresponds to the nature of the small-business production performed by the group. The organization of the members' statutory meeting, the requisite financial means and the approval of the cooperative's general assembly or board of delegates are necessary for the group to be formed. The members' statutory meeting accepts the operational regulations of the cooperative, elects the president, vice-president and executive committee (this last is the collective directing body of the cooperative, the president of which is essentially the president of the group), or other corporate structure, as determined in the regulations.

It is necessary to fix in the rules of operation the specialized group's name, sphere of activity, the name and headquarters of the cooperative in whose framework it operates, the more important regulations regarding the organization and operation

of the group and the role and authority of the president and the other leaders, as well as the main rules concerning the relationship of the group and cooperative. The rules of operation furthermore contain the value limit above which the group may only accept responsibility with the assistance of the cooperative management. In the rules the basic rights and responsibilities of the members must be addressed, especially the mode and degree of personal and financial assistance, and the means of representation in the specialized group's affairs must be systematized. The operational rules only become effective when approved by the management of the cooperative. The management sends the approved regulations as a report to the appropriate council exercising governmental control.

The financial means necessary for the economic activity of the specialized group are accumulated from the financial assistance of the members as well as the funds and capital equipment (building, machines, materials, automobiles, etc.) assigned by the cooperative for the use of the group. Other economic organizations (for instance, the enterprise for which the group performs background-industrial or other supplementary activity) may also assign financial assistance.

The speciflized group and the cooperative make an agreement concerning the transfer of financial assistance and its conditions. If another enterprise assigns assistance, the cooperative makes a similar agreement with the enterprise after approval by a general assembly. The financial means in use by the specialized group must be registered individually and separately from the other finances of the cooperative. In the records, assistance from the members, finances from the accumulated income of the group, and financial means assigned by the cooperative or other enterprise must be registered separately.

Anyone over 15 years of age may become a member of a specialized group. An individual employed by another agency--business or cooperative--may be a member of a specialized group, in addition to the primary-occupation members, as in the small cooperatives. Retirees and students at educational institutions are also eligible for membership. A member of the cooperative in which the specialized group operates may ask admittance to perform work outside of regularly scheduled work time.

In our next report, we will look at the rights and responsibilities of the members.

9890
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ESTIMATES FOR 1982 NATIONAL BUDGET PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish 4 Oct 81 pp 4, 5

[Text] Parallel with work on draft targets for the 1982 economic plan, a preliminary estimate for the national budget income and expenditures was worked out for next year. The present degree of narrowing down preliminary plan targets did not allow for the working out of sufficiently precise estimates. The values presented in this estimate are, indeed, preliminary in character making it possible only to be familiar with the trends and directions of the growth rate of the national budget income and expenditures and their structure.

Conditions and General Problems

The economic plan targets for 1982 in the intermediate variant, envisage the maintenance of industrial production almost at this year's level along with a concurrent increase in production costs due to high fixed costs. Wages, which indicate only a rising trend have also become a fixed cost with respect to the "inflexibility" of employment. At the same time, these targets envisage a continued increase of outlays with the aim of increasing public consumption, particularly in the realm of social and cultural services. These sectors are under the great pressure of need. Altogether, this makes it possible to conclude that in 1982 the national budget will find itself in an even more difficult situation than during the current year. The emergence of a shortage of income to the order of over 680 million zlotys, should be expected including 490 million zlotys, on the basis of the current budgetary clearing of accounts and on the basis of the clearing of accounts for previous years--over 190 billion zlotys (not counting the eventual refunding of bank credits for the financing of the effects of procurement price increases in 1981 (approximately 126 billion zlotys)).

Among the major conditions which determine the presented form of the 1982 budget estimate, the following should be mentioned:

--in the "intermediate" targets for the 1982 economic plan--taking into account only the maintaining of the industrial production level and the decline in the national income, both of which lead to the further reduction of budgetary income;

--ensuring funds for the implementation of the signed into effect by the government, social agreements and settlements of the Ninth Congress of the KC [Central Committee] PZPR, particularly in the area of the development of social and cultural services and improvement of wages of education employees and further development of social insurance.

However, the following will be a somewhat limiting factor for the extent of the budget deficit:

--implementation of the stabilizing plan which expresses itself by applying, among other things, a series of economizing measures to certain budget expenditures;

--establishing a tax policy in the estimate towards enterprises, which envisages the taking over of a considerable portion of financial accumulation;

--the projected economic reform which should be conducive to the activation of enterprise undertakings for the reduction of costs and stimulation of production; the assessment of the effects of this improvement is, however, very difficult and any possible progress should be treated as a reserve of the presented budget estimate.

Envisaged Fulfillment for 1981

It is envisaged that in 1981, the projected income of the current national budget will be fulfilled on a total scale. The primary contributing factor for this is the formation of income from foreign loans on a higher scale than planned (by about 10.4 billion zlotys) in connection with the obtainment of additional credit from the USSR as well as over and above the planned quota of proceeds from social insurance premiums (by about 2 billion zlotys) related to a higher than planned increase of the wage fund. However, both the so-called, non-accumulation payments made by enterprises and other economic units as well as income from the clearing of accounts for financial accumulation is projected to be somewhat lower than planned.

The total amount of budgetary expenditures (together with the augmenting by national councils of budget incomes from last year's local budget surpluses) will take shape in 1981 on a level close to the plan.

The envisaged national budget shortage will come to approximately 220 billion zlotys, thus, within the range of a deficit. It should be recalled, however, that the effects of the increase of procurement prices on agricultural products were not covered by the budget but by a bank credit (about 126 billion zlotys) and, moreover, the 1981 budget was incapable of fully covering the losses and deficits of the funds of many enterprises.

The last draft plan targets indicate that in 1982, a certain decline of the current budget income (by 25 billion zlotys; i.e. by 1.7 percent) should be expected. This is substantiated, in part, by the anticipated effects of the reform of producer prices, which in fact eliminates the need for or limits the extent of necessary budget subsidies in certain areas of production while at the same time it reduces a high rate of accumulation in others. To a considerable degree, the income limiting factor would be the maintenance of a level of industrial production, which not only is not accompanied by a decline in production costs but by their increase as well. This has a vital meaning for the whole of the budget income since the payments made by enterprises and other economic units are the principal source of this income.

The clearing of accounts, on the basis of financial accumulation, has a fundamental importance for payments of enterprises and other economic units. It is envisaged that it [the clearing of accounts] will take on the following form:

Table 1

Tabela 1

	(1) Przewid. wykonania 1981 r.	(2) 1982 r. w starych warunkach cenowych	(3) 1982 r. w nowych warunkach cenowych
Dochody budżetu od przedsiębiorstw z tytułu rozliczenia akumulacji finansowej (4)	[illegible]	[illegible]	[illegible]
Wydatki budżetu na rzecz przedsiębiorstw gospodarki uspołecznionej (5)	[illegible]	[illegible]	[illegible]
Saldo rozliczeń budżetu z przedsiębiorstwami (6)	—[illegible]	—[illegible]	—[illegible]

Key:

1. Envisaged fulfillment for 1981
2. Under the old price conditions
3. Under new price conditions
4. Budget income from enterprises, on the basis of clearing of accounts for financial accumulation
5. Budget expenditures for the benefit of enterprises of the State-controlled economy
6. Balance of budget clearing of accounts with enterprises

The arrangement indicates that the maintenance of a negative balance of the clearing of accounts of enterprises with the budget should continue to be expected during the current year, on the basis of accumulation, even though financing with the budget of considerable financial deficits of enterprises amounting to over 170 million zlotys in 1981 and approximately 150 billion zlotys under the old prices and 20 billion zlotys under new prices is not envisaged.

The negative balance of this clearing of accounts is related to the fact that--as is estimated--enterprises of the State-controlled economy will show a financial deficit for 1981 (excess costs over sales proceeds with allowances made for the balance of extraordinary losses and gains) in the amount of 175 billion zlotys. This constitutes, to be sure, a certain reduction of the overall deficit in relation to the assumptions accepted at the time of revising the plan and budget by 85 billion zlotys, primarily as a result of making allowances for official and unofficial price movements in the area of end products, above all, goods and services procured by the public. However, this implies a highly unfavorable situation.

It is also envisaged for 1982 that financial accumulation under the current price conditions would be negative and would amount to 247 billion zlotys. In comparison to the envisaged fulfillment for 1981 this would indicate an increase of losses in enterprises of the State-controlled economy by 72 billion zlotys; i.e., by 41 percent. Such a substantial increase stems from the following being taken into account:

--first--economic conditions formed during the second half of the current year, decidedly worse than those of the first half-year (as a result of, among other things, the successive introduction of new procurement prices as well as the put into effect wage increases);

--secondly--a greater increase of fixed costs (especially of amortization) rather than of production.

In the above presented prognosis for financial accumulation in 1982, the effects of the increase in retail prices during 1981 have already been taken into account.

Under the new price conditions; i.e., after making allowances for changes in producer prices, enterprises of the State-controlled economy of all sectors will remain--as is estimated--on the borderline of profitability since they will achieve only 1.2 billion zlotys of accumulation.

The reform of producer prices will bring about a profit return from such sectors of the national economy as forestry, transport and telecommunications, foreign trade as well as from certain subsectors of "industry" (mining of raw materials and early phases of manufacturing). In the remaining sectors of the national economy--this will mainly concern communal and housing management--an increase in producer prices along with the unchanged reimbursement of the public will result in an increased need for budget subsidies.

The financial effects of the sale price increase on basic commodities which constitute the object of supply turnover and at the same time, the object of market sales--such as coal, crude oil proeucts, etc.--constitute a separate matter. If the current level of retail prices were to be maintained then, this production will require budget funding in the form of subsidies for the amount of approximately 230 billion zlotys.

In the sector "agriculture," the assumption has been accepted that the increase in procurement prices will be higher than the effects of the increase of producer prices and that is why losses in this sector will disappear and agriculture will remain on the borderline of profitability.

The presented prognosis for the structuring of accumulation and its clearing of accounts with the budget was elaborated on the basis of very preliminary information on the subject of the envisaged course of production processes in 1982 as well as changes in the structure of production, which is the basis for the scattering of the effects of production price changes and for the estimate of financial accumulation and its distribution under the new price conditions. The presented prognosis is highly tentative in character and only allows for the evaluation of the effects of the situation if the current trend of its development holds up.

For the time being, no future changes in retail prices have been included in the prognosis. The retail price reform may introduce very significant changes in terms of the form, which the results will assume. The dimensions and the scattering of these changes depends on the extent of the retail price increase and on the extent of compensation. In proportion to the assuming of decisions in this regard, the prognosis for the financial results of State-controlled enterprises will change and for their clearing of accounts with the national budget. Suggestions concerning this matter were presented in the final part of the particulars.

The non-accumulation income from enterprises and other economic units is projected for the amount of 152.2 billion zlotys; i.e., on a level lower by about 5.3 percent than the envisaged fulfillment for 1981, which is decided mainly, not by the projecting of income on the basis of various non-recurring payments, as it is, for example, on the basis of repricing commodities; for in general, the acceptance of the assumption is suggested, that enterprises will lead them [the commodities] not to the income of the current national budget but to a special account in the amount of from 50 percent (industry) to 70 percent (trade) of the results obtained from repricing reserves [stocks] according to the new producer prices. From this account, the zloty difference resulting from the reassessment of foreign obligations will be financially covered according to the state of affairs for 1 January 1982 in connection with the envisaged introduction of a new currency exchange rate.

The payments made by financial and insurance institutions have been projected on a scale lower by 3.1 percent than the envisaged fulfillment for 1981. This is primarily related to the increase in costs on the basis of interest on savings deposits and also as a result of a decline in income on the basis of interest from investment credits.

Income from taxes and fees of the non-socialized economy increase in proportion to the envisaged fulfillment for 1981 by 1.2 billion zlotys; i.e., by 7.9 percent.*

In the estimate, above all, an increase in returns from taxes and fees on individual service-production activity is envisaged by 13.7 percent; i.e., by 1.3 billion zlotys. This estimate is based on the assumption that:

--the turnover of individual service-production activity will rise by 22 percent.

--the use of periodical tax exemptions will expand for newly started establishments and tax relief for establishment owners who will be hiring employees transferring from units of the State-controlled economy.

--the share of turnover of establishments taxed in tabular form and of establishments completely or temporarily exempt from taxation in the total turnover of trade, commerce and services will amount to 50 percent; this share causes the rate of increase of tax proceeds to be lower than the rate of increase of turnover.

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*Under comparable conditions; i.e., after adding to the envisaged fulfillment for 1981, the implemented land tax reliefs which are not taken into account in plans.

--a further improvement will occur in the increase of the net result from 92.2 percent in 1980 to 96 percent in 1981 as well as an increase of payments made into the arrears account.

Income from taxes and fees from individual farms and people holding real estate in rural parishes has been estimated somewhat lower (by 0.1 billion zlotys) than the level of envisaged fulfillment for 1981. This is mainly related to the decline of returns from land taxes as a result of exempting from this tax, proceeds from wagon-driving on the basis of transporting milk to State-controlled purchasing centers.

Income derived from public taxes and fees is expected to be at a level above the envisaged fulfillment for 1981 by 0.6 billion zlotys; i.e., by 3.9 percent. In the estimate plan, an increase (of 0.4 billion zlotys; i.e., by 7 percent) was particularly envisaged in proceeds from revenue fees.

The remaining national budget income decreases in proportion to the envisaged fulfillment for 1981 by 33 billion zlotys; i.e., by about 55 percent. This decline mainly concerns:

--returns from the remainder of the centralized account of reassessed reserves as well as from the clearing of accounts for eliminated investment funds and the fund for the development of unions [associations], which [returns] in 1981 will amount to 18.1 billion dollars and will not appear in 1982.

--income from foreign loans (reduced by 14.3 billion zlotys) since, for the time being, greater inflow from foreign credits is not envisaged.

Estimate of Expenditures for 1982

The general assumptions of the estimate of expenditures are represented by the following data (in billions of zlotys):

Table 2

Tabela 2

(1)	Przewid. wykonanie za 1981 r. (3)	(2) Szacunek na 1982 r. wg starych cen zaop.	(4) wg nowych cen zaop.	% 1982/1981 wg starych cen zaop.	% 1982/1981 wg nowych cen zaop.
(5) Ogółem wydatki budżetowe	1492,7	1668,5	1771,2	118,5	118,7
(6) 1. Wydatki bieżące	1288,1	1453,8	1515,6	112,9	117,7
2. Rozliczenia (7) z bankami z tytułu spłat i umorzeń kredytów, cotacji oraz różnic odsetek	137,5	152,5	192,3	97,5	122,0
3. Wydatki na (8) inwestycje i remonty kapitalne	47,1	42,2	63,4	89,5	134,6

[Key on following page]

Key:

1. Envisaged fulfillment for 1982
2. Estimate for 1982
3. According to the old producer prices
4. According to the new producer prices
5. Total budget expenditures
6. Current expenditures
7. Clearing of accounts with banks on the basis of repayments and amortization of credit, subsidies and interest differences
8. Expenditures for investments and major repairs

It appears from the arrangement that budget expenditures for 1982 will be marked by a high growth rate computed on the basis of both the old and new prices. The high increase of current expenditures will concern mainly the financing of social and cultural services (by 41.4 billion zlotys; i.e., by 16.8 percent) and social insurance (by approximately 44 billion zlotys; i.e. by 53 percent). An additional factor which increases expenditures is the item "undistributed funds," intended primarily for the financing of the effects of the increase of producer prices within the budget range and, particularly, within the scope of social and cultural services, in communal management, etc. at a cost of over 130 billion zlotys. However, the significant increase in the clearing of accounts with banks, using the new prices, is connected to the necessity of financing investments in the non-material sphere along with the use of new prices in construction.

The structure of the total amount of expenditures for economic purposes is represented by the following data (in billions of zlotys):

Table 3

Tabela 3

	(1) Przewid. wykonanie za 1981 r.	(2) Szacunek na 1982 r. (3) wg starych cen zbop.	(4) wg nowych cen zbop.	% 1982 wg starych cen zbop.	% 1982 wg nowych cen zbop.
(5) Ogółem	800,4	869,5	801,3	108,6	100,1
(6) w tym: rozliczenia z tytułu akumulacji finansowej	687,1	752,0	692,8	109,4	90,5
(7) pozostałe wydatki	113,3	117,5	117,5	103,7	103,7

Key:

1. Envisaged fulfillment for 1981
2. Estimate for 1982
3. According to old producer prices
4. According to new producer prices
5. Total
6. Including: clearing of accounts on the basis of financial accumulation
7. Remaining expenditures

Budget expenditures stemming from the clearing of accounts for financial accumulation were discussed in the item concerning budget income. It should be expected that the introduction of new producer prices will at the same time cause a significant increase of surcharges from the budget, particularly on communal and housing management as well as surcharges on central heating in housing cooperatives. An appropriate sum has been set aside for this purpose in the already mentioned "undistributed funds."

Outlays for research and development financed by budgetary funds increase by about 0.3 billion zlotys; i.e., by 2.0 percent in relation to the envisaged fulfillment for 1981. Moreover, in accordance with the system of financing research, these outlays will be covered--as every year--by funds of enterprises to a degree specified in the NPSG [national socioeconomic plan]. However, this matter will require separate solutions in regard to the tendency of enterprises to avoid the compulsory financing of research as part of their cost burden.

The envisaged increase of expenditures, in the preliminary estimate, for social and cultural purposes by 41.4 billion zlotys; i.e., by 16.8 percent is related to the necessity of ensuring funds for the financing of the increase of equipment, increased hiring and wages, increase in living costs, increase in flour prices and that of flour-based products as well as the financing of food to a level of the physiological norm for orphanages and health service and social welfare centers. From the sum total increase, approximately 20 billion zlotys falls to the increase of personal and derived expenditures and approximately 22 billion zlotys when taken together with compensation for the consequences of increased prices on baked goods, 4.3 billion zlotys for the increase in expenditures for medication and 15 billion zlotys for expenditures involving the purchase of other materials, services, etc. Within the range of expenditures for the purchase of materials and services, allowances were made for funds for the compensation of cost of living increases caused by the centrally non-balanced price changes and various small changes in assortments for the sum of approximately 5 billion zlotys; i.e., in the range of 12 percent.

Moreover, 0.6 billion zlotys has been envisaged for the financing of increased food expenditures as a result of increased flour prices and those of flour-based products.

In the sector estimate, the effects of the increase of producer prices have not, as yet, been formulated due to a lack, at the present time, of possibilities for making an estimate of the extent to which they will have a bearing on budget expenditures in the particular sectors of social and cultural services. For this purpose, an appropriate general reserve, as yet not divided into sectors, has been ensured.

The assumptions accepted for purposes of computing expenditures for social and cultural services, have been adapted to the resolutions of the "Government Plan for Stabilization." This is expressed, in particular, in the resignation from the improvement of budgetary norms with the exception of expenditures for food in orphanages and health protection and social welfare centers as well as expenditures for medicine.

The considerable increase of expenditures for social and cultural services in 1982 with a concurrent decline in the national income in the range of 4.5 percent makes it so that next year, the ratio of social and cultural outlays to the national income will increase significantly. This concerns, in particular, outlays for health protection and social welfare and outlays for education and upbringing.

It is obvious that progress will have a partly formal character since it is related to, among other things, the increase of prices and the decline of the national income.

Expenditures for social insurance--under comparable conditions with respect to financing--increase by about 44 billion zlotys; i.e., by 53 percent. The fundamental item of the increase is the amount of approximately 29 billion zlotys envisaged for the financing of compensation for the effects of the price increase on grain-flour products for persons receiving family and educational allowances as well as for pensioners and annuitants. The remaining part of the increase falls mainly for educational allowances--(about 11 billion zlotys) and maternity allowances (about 1 billion zlotys) as well as to subsidies for the fund of general retirement subsistence (about 1 billion zlotys) and the farmers retirement fund (about 1 billion zlotys) in connection with the increase of the smallest services from 1 July of this year.

It is suggested that expenditures for the national administration (central and local) be determined on the basis of resolutions of the Council of Ministers pertaining to additional economizing tasks for 1981. They envisage, among other things, a reduction in employment in the central administration by two thousand jobs as a result of the reorganization of ministries. Savings from this are estimated at 255 billion zlotys for next year. Furthermore, a 10 percent reduction has been established in expenditures for domestic official business travel and for the purchase of material and non-durable goods (by 47 million zlotys). Savings on foreign service expenditures have also been introduced in the amount of approximately 193 million zlotys. The proposed economizing tasks are adapted to pertinent resolutions accepted in the "Government Plan for Stabilization."

The presented economizing measures are, however, accompanied by a series of essential expenditure increases. This involves mainly the following matters:

--increasing commissions for village administrators (by about 0.3 billion zlotys) with the aim of activating their functioning in the area of tax dues collection.

--introduction of compensation on the basis of increased flour prices and those of flour-based goods (0.2 billion zlotys) and financing the increase in local administration employment by 500 jobs in personnel [employment] divisions in view of the increase of tasks dealing with the shifting of the working force.

--assuring funds for jubilee awards and bonuses for full-term employment service (125 million zlotys). In general, however, there will occur a drop in the share of administrative costs in the budget.

Subsidies for the financing of investment purchases are decreasing by about 4.8 billion zlotys; i.e. by about 30 percent and for investment building--by about 0.7 billion zlotys; i.e. by 1.5 percent. Under the new price conditions, an increase of subsidies for investment building by 38.6 billion zlotys has been planned as a result of including the 70 percent increase in the cost of construction and installation work. This estimate was established on the premise of the assumption that:

--outlays, at old prices, for the social-cultural area, for food management and development of tracts of land for housing construction will hold at the 1981 level;

--assistance from the budget will not be given for the repayment of bank credits to enterprises, which had up to now made use of this assistance.

Budget expenditures for major repairs are proposed at the level of their envisaged configuration during the current year; i.e. 28.2 billion zlotys and after including the increase in the cost of construction-installation work, this amount rose to 47.5 billion zlotys. In this amount, consideration was also given to funds indispensable for the financing of the most urgent repair needs in the province of Radom (in accordance with decision No 32/81 of the Government Presidium from 20 June of this year).

In addition to the discussed funds for major repairs, a reserve for through highways and for the reconstruction of urban transportation systems was established in the estimate in an amount analogous to that of the current year; i.e., 2.7 billion zlotys and 4.6 billion zlotys after including price increases.

Local Budgets

In the area of local budgets for 1982, a continued increase in expenditures should be expected in accordance with the already discussed assumptions in the realm of communal housing management, social and cultural services, etc. In order to cover increased expenditures, the directing of appropriate income for the disposal of national councils and the ensuring of appropriate amounts of equalizing subsidies from the central budget is envisaged.

The increased scope of the personal income of councils will expand the possibilities for the economical management of above planned income and will strengthen the councils' financial independence.

In implementing the proposed postulates which tend towards the strengthening of the financial independence of national councils, the acceptance of the assumption is, moreover, envisaged that in term of the budget, only equalizing funds allocated from the central budget will be set up as directive-type indexes for the provinces. In connection with this, the method of budgetary planning for 1982 was changed, thus limiting the reporting by provinces of their basic budget plans.

It is envisaged that national councils--similarly to this year, will have a budgetary surplus and will have the possibility of additional financing of both current expenditures and major repairs as well as of collective action--in accordance with their own, independent assessment of local needs.

The adopted assumptions tend towards the implementation of the resolution of the Ninth PZPR Congress, which deals with, among other things, increasing the authority of national councils in respect to the accumulation and exploitation of financial means for regional needs.

Variant of "Apprehension" and "Hope"

The preliminary assumptions of the central socio-economic plan for 1982 envisage the possibility of two-way changes in the situation, in relation to these assumptions: unfavorable deviations characterized as the variant of "apprehension" and favorable changes characterized as the variant of "hope."

It is estimated that in the variant of "apprehension," negative financial accumulation of enterprises will increase from 247 billion zlotys envisaged for 1982 to 365 billion zlotys. On the other hand, the budget deficit would increase from over 680 billion zlotys to about 800 billion zlotys.

As for the variant of "hope," negative financial accumulation of enterprises will decline to 180 billion zlotys while the budget deficit will decrease to about 500 zlotys.

As it appears from the discussion and attached tables, the budget estimate for next year closes with an enormous deficit to the order of 680 billion zlotys and after eliminating budget liabilities for previous years, the deficit amounts to nearly 500 billion zlotys. The issue of the economical management of funds for the improvement of the budgetary situation should be given consideration on at least this scale (500 billion zlotys).

Three courses of action aiming at the restoration of the essential budget balance, in terms of current repayments, are possible:

--increasing the volume of production including that of income

--reducing expenditures

--introducing new taxes and price increases on goods and services in an area not requiring compensation while in the remaining (compensated) area, paying off that part of compensation (for better off families), which is obligated by the stabilization loan.

In the light of "intermediate" assumptions for the 1982 economic plan, the extent of production will not permit for the elimination of the budget deficit. This source will also not ensure the elimination of the budget deficit, despite all the adequate income, even in the variant of "hope" where an increase in production is envisaged.

Realistically, the road to ensuring a quick and accordingly significant improvement in the nation's financial situation and to balancing the budget--apart from aiming for a change in the structure of production--are tax-price procedures. This is also vital for the ensuring of balance in the domestic market. From this point of view, the scope of operations should amount to approximately 500 billion zlotys on an annual scale. From the point of view of effect on the financial results of enterprises, the difference in prices of 500 billion zlotys over the compensation amounts would indicate the rebuilding of financial accumulation on a macro scale in a similar amount. The national budget could take over from this--with a strong tax policy towards enterprises--approximately 400 billion zlotys. Therefore, there would be a chance for balancing it [the budget]. However, will social conditions come about which will permit this? It is difficult to give a positive answer right at this moment.

Table 4. Estimate for 1982 national budget income in millions of zlotys

(1) Lp.	(2) Wyszczególnienie	(3) Wykonanie za 1980 r.	1981 r. (4) Ustawa budżetowa	1981 r. (5) Przewidywane wykonanie	% 5:4	(6) Szacunek na 1982 r. (7) wg starych cen zaop.	(8) wg cen zaop. obow. od 1 I 1982	(9) Wskaźnik % 7:5	Wskaźnik % 8:5
1	2	3	4	5	6	7	8	9	10
(10)	Ogółem (A + B)	1220278	1272259	1272137	100,0	1040120	1090120	x	x
(11)	A Dochody bieżące	1220278	1112930	1114615	99,8[1] / 100,2	1040120	1090120	93,8[2] / 93,3	98,5[3] / 97,8
(12)	1 Wpłaty przedsiębiorstw i innych jednostek gospodarczych	933498	804175	790771	98,3	752228	802228	95,1	101,4
		133294	150166	148919	99,2	144329	144329	96,9	96,9
(13)	3 Składki na ubezpieczenia społeczne	63981	77934	79317	101,8	84377	84377	106,4	106,4
(14)	4 Podatki i opłaty od gospodarki nie uspołecznionej	14329	16000	14640	94,9[3]	16390	16390	107,9[3]	107,9[3]
(15)	5 Podatki i opłaty od ludności	14601	13186	15511	102,1	16115	16115	103,9	103,9
(16)	B Wycofanie części lokat budżetowych z NBP na sfinansowanie rozliczeń za lata ubiegłe	—	159329	157522	98,9	—	—	—	—

(17) [1] Po korekcie z tytułu zmian w NPSG dokonanej przez Rząd w dniu 31 lipca br.
(18) [2] Wskaźniki obliczono po wyłączeniu z przewidywanego wykonania za 1981 r. przelewów z rozliczeń nadwyżek budżetowych rad narodowych, których w planie nie uwzględnia się.
(19) [3] Wskaźniki obliczono po dodaniu do przewidywanego wykonania za 1981 r. zrealizowanych ulg w podatku gruntowym, których w planach nie uwzględnia się.

Key:

1. Ordinal number
2. Itemization
3. Fulfillment for 1980
4. Budget act
5. Envisaged fulfillment
6. Estimate for 1982
7. According to old producer prices
8. According to producer prices in effect from 1 January 1982

[Key continued on following page]

9. Index in % %
10. Total (A + B)
11. Current income
12. Payments made by enterprises and other economic units
13. Contributions to social insurance
14. Taxes and fees on non-State controlled economy
15. Taxes and fees from the public
16. Withdrawal of a part of budgetary investments from the NBP [Polish National Bank] for the financing of the clearing of accounts for previous years
17. After revisions made by the Diet on 31 July of this year, on the basis of changes in the NPSG
18. Indexes computed after excluding from the envisaged fulfillment for 1981, transfers from the clearing of accounts for budget surpluses of national councils which are not accounted for in the plan
19. Indexes computed after adding implemented land tax reliefs, which are not accounted for in the plan, to the envisaged fulfillment for 1981

Table 5. Estimate for 1982 national budget expenditures in millions of zlotys

[Key on following page]

(1) Lp.	(2) Wyszczególnienie	(3) Wykonanie za 1980 r.	(4) 1981 r. Ustawa budżetowa	(5) 1981 r. Przewidywane wykonanie	% 5:4	(6) Szacunek na 1982 r. (7) wg starych cen zaop.	(8) wg cen zaop. obow. od 1 I 1982	7:5	(9) Wskaźnik w % % 8:3
1	2	3	4	5	6	7	8	9	10
(10)	(Ogółem (A+B+C)	1246275	1489574	1492658	100,2	1649510	1771210	110,5	118,7
(11)	A Wydatki bieżące	1061815	1283854	1288027	100,3	1453625	1513625	112.9	117.7
(12)	I Finansowanie przedsiębiorstw i innych jednostek gospodarczych	677143	800368	800428	100.0	869531	801331	103.6	100.1
(13)	w tym:								
(14)	Dopłaty do gospodarki żywnościowej (bez dopłat do eksportu i importu artykułów żywnościowych)	287489	309277	278344[2]) / 309244	90,0[2]) / 100.0	112246[2]) / 300696	.[3])	40,3[2]) / 97,2	.[3])
(15)	Wydatki na gospodarkę komunalną i mieszkaniową	40282	49355	51042	103,4	56297	.[3])	109.2[4]) / 110,3	.[3])
(16)	II Ubezpieczenia społeczne	53469	79912	85161	106.6	126376	.[3])	153.3[5]) / 148,4	.[3])
(17)	III Pozostałe wydatki bieżące	331003	384371	402438	104,7	449812	.[3])	111,8	.[3])
(18)	1 Nauka	16366	16518	16571	100,3	16910	.[3])	102.0	.[3])
(19)	2 Urządzenia socjalne i kulturalne	189676	231576	246711	106,5	288139	.[3])	112.6[6]) / 116,8	.[3])
(20)	w tym:								
(21)	oświata i wychowanie	79984	96707	103516	107,0	120582	.[3])	113.3[6]) / 116,5	.[3])

(22)	ochrona zdrowia i opieka społeczna	93136	115681	123565	105,9	147132	.[3])	115.8[3])[5]) / 119.1	.[3])
(23)	3 Administracja państwowa	13623	21181	22708	107,2	22867	.[3])	100.7	.[3])
(24)	4 Wymiar sprawiedliwości i bezpieczeństwo publiczne	30831	33719	34098	101,1	36654	.[3])	107,5	.[3])
(25)	5 Obrona narodowa	66593	71498	74968	104,9	77070	.[3])	102,8	.[3])
(26)	6 Pozostałe wydatki	8914	9385	7382	79,2	8147	.[3])	110,4	.[3])
(27)	w tym:								
(28)	obsługa długów zagranicznych	5008	6460	3670	56,8	4720	.[3])	128,6	.[3])
(29)	IV Środki nierozdzielone		12203	—	—	1106	131106[2])	—	—
(30)	V Rezerwa Rady Ministrów	—	7000	—	—	7000	7000	—	—
(31)	B Rozliczenia z bankami z tytułu spłat i umorzeń kredytów oraz różnice odsetek	133390	159329	157522	98,9	153535	192185	97,5	122.0
(32)	z tego:								
(33)	1 Spłata kredytów inwestycyjnych	53227	51798	49981	96,5	49250	87900	98.5	175,8
(34)	2 Refundacja umorzeń kredytów, dotacji i różnic odsetek w rolnictwie	28238	28173	28173	100.0	27476	27476	97,5	97,5
(35)	3 Refundacja umorzeń kredytów i różnic odsetek w gospodarce mieszkaniowej	21807	26236	27336	100.0	32000	32000	117,5	117,5
(36)	4 Odsetki od zagranicznych kredytów bankowych za II półrocze 1979 r., 1980 r. i 1981 r.	35500	52130	52130	100,0	44800	44800	86,0	86,0
(37)	5 Wydatki inwestycyjne i remonty kapitalne	51330	46391	47109	101.5	42150	63400	90.5	134.6
(38)	z tego:								
(39)	inwestycje	18155	16591	16109	97.1	11300	11300	70,1	70.1
(40)	remonty kapitalne	27475	27100	28300	104,4	28150	47500	99,5	167,8
(41)	środki na drogi szybkiego ruchu i przebudowę układów komunikacyjnych	5700	2700	2700	100,0	2700	4600	100,0	170.4
(42)	VI Niedobór budżetu	25997	217315	220521	101,5	609390	681090	x	x

(43) [1]) Po korekcie z tytułu zmian w NPSG dokonanych przez Sejm w dniu 31 lipca br.

(44) [2]) Kwoty i wskaźniki w liczniku obejmują dane z uwzględnieniem zmiany cen detalicznych, a w mianowniku bez zmiany cen detalicznych.

(45) [3]) Nie podano kwot i wskaźników w cenach zaopatrzeniowych, które mają obowiązywać od 1.I.1981 r. ze względu na brak możliwości wyliczenia skutków zmian cen w poszczególnych działach. Na sfinansowanie skutków tych zmian zapewniono globalne środki podane w pkt. IV tabeli w oparciu o zbiorczy szacunek zmian cen sporządzony przez Komisję Planowania.

(46) [4]) Wskaźniki obliczono po wyeliminowaniu skutków zmiany cen pieczywa i przetworów zbożowo-mlecznych.

(47) [5]) Wskaźnik obliczono po wyeliminowaniu skutków przesunięcia finansowania leczenia sanatoryjno-klimatycznego z działu „finanse i ubezpieczenia" do działu „ochrona zdrowia".

(48) [6]) Wskaźnik obliczono po wyeliminowaniu skutków wzrostu kosztów utrzymania oraz zmiany cen pieczywa i przetworów zbożowo-mlecznych.

(49) [7]) Wskaźnik obliczono po wyłączeniu z przewidywanego wykonania dofinansowań ze środków własnych rad narodowych oraz po wyeliminowaniu z szacunku na 1982 r. skutków wzrostu kosztów utrzymania i zmiany cen pieczywa i przetworów zbożowo-mlecznych.

(50) [8]) Wskaźnik obliczono po wyeliminowaniu skutków wzrostu kosztów utrzymania oraz zmian cen pieczywa i przetworów zbożowo-mlecznych, a także przesunięcia finansowania wydatków na leczenie sanatoryjno-klimatyczne z działu „finanse i ubezpieczenia" do działu „ochrona zdrowia".

(51) [9]) Wskaźnik obliczono po wyeliminowaniu skutków wzrostu kosztów utrzymania oraz zmiany cen pieczywa i przetworów zbożowo-mlecznych.

(52) [10]) Wskaźnik obliczono w warunkach porównywalnych, tj. po wyeliminowaniu skutków wzrostu kosztów utrzymania.

(53) [11]) Wskaźnik obliczono po wyeliminowaniu z przewidywanego wykonania dofinansowań ze środków własnych rad narodowych oraz po wyeliminowaniu z szacunku na 1982 r. skutków wzrostu kosztów utrzymania, zmiany cen pieczywa i przetworów zbożowo-mlecznych oraz przesunięcia finansowania wydatków na leczenie sanatoryjno-klimatyczne z działu „finanse i ubezpieczenia" do działu „ochrona zdrowia".

(54) [12]) Kwota ta obejmuje rezerwę na sfinansowanie skutków zmian cen zaopatrzeniowych w sferze nieprodukcyjnej (103,9 mld zł) i w sferze usług materialnych realizowanych przez jednostki budżetowe (20 mld zł), środki na sfinansowanie „pla-
(55) [illegible] przewidzianych do przelania z zakładów pracy (9,8 mld zł), refundacje ulg w podatku gruntowym [illegible] dla przedsiębiorstw turystycznych (0,2 mld zł).

[illegible] obliczono po wyłączeniu z przewidywanego wykonania dofinansowań ze środków własnych rad narodowych

Key:

1. Ordinal number
2. Itemization
3. Fulfillment for 1980
4. Budget act
5. Envisaged fulfillment
6. Estimate for 1982

[Key continued on following page]

7. According to old producer prices
8. According to producer prices in effect from 1 January 1982
9. Index in % %
10. (Total (A + B + C)
11. Current expenditures
12. Financing of enterprises and other economic units
13. Including:
14. Surcharges on food management (without surcharges on the export and import of food commodities)
15. Expenditures for communal and housing management
16. Social insurance
17. Remaining current expenditures
18. Science
19. Social and cultural facilities
20. Including:
21. Education and upbringing
22. Health protection and social welfare
23. National administration
24. Administration of justice and public safety
25. National defense
26. Remaining expenditures
27. Including:
28. Servicing of foreign loans
29. Undistributed funds
30. Cabinet [Council of Ministers] reserve
31. Clearing of accounts with banks on the basis of repayments and amortization of credits as well as interest differences
32. From this:
33. Repayment of investment credits
34. Refunding of credit amortization, subsidies and interest differences in agriculture
35. Refunding of credit amortization and interest differences in housing management [economy]
36. Interest from foreign bank credits for the second half of 1979, 1980 and 1981.
37. Investment expenditures and major repairs
38. Including:
39. Investments
40. Major repairs
41. Funds for through highways and the reconstruction of transportation systems
42. Budget deficit
43. After revisions made on the basis of changes in the NPSG made by the Diet on 31 July of this year
44. Amounts and indexes in the numerator include data with allowances made for changes in retail prices; and those without changes in retail prices--in the denominator

[Key continued on following page]

45. Amounts and indexes were not given in producer prices which are supposed to be in effect from 1 January 1981 due to a lack of possibilities for assessing the effects of price changes in particular sectors. For the financing of the effects of these changes, funds presented in iten IV of the table have been ensured in total on the basis of a comprehensive estimate of price changes prepared by the Planning Commission

46. Indexes computed after eliminating the effects of price changes on baked goods and grain-flour products

47. Indexes computed after eliminating the effects of transferring the financing of sanatorium-climatic treatment from the "finances and insurance" sector to the "health protection" sector

48. Index computed after eliminating the effects of the increase in living costs as well as the price change on baked goods and grain-flour products

49. Indexes computed after excluding additional financing, from the envisaged fulfillment, from the national councils' own funds and after exclusion from the 1982 estimate of the effects of cost of living increases and price changes on baked goods and grain-flour products

50. Index computed after eliminating the effects of the cost of living increases and price changes on baked goods and grain-flour products as well as the transferring of financing of expenditures for sanatorium-climatic treatment from the "finances and insurance" sector to the "health protection" sector

51. Index computed after eliminating the effects of cost of living increases and price changes on baked goods and grain-flour products.

52. Index computed under comparable conditions; i.e., after eliminating the effects of the cost of living increase

53. Index computed after eliminating from the envisaged fulfillment of additional financing from the national councils' own funds and after eliminating from the 1982 estimate, the effects of cost of living increases, price changes on baked goods and grain-flour products as well as transferring the financing of expenditures for sanatorium-climatic treatment from the sector of "finances and insurance" to "health protection."

[Key continued on following page]

54. This amount includes the reserve for the financing of the effects of producer price changes in the non-production area (103.9 billion zlotys) and in the area of financial services implemented by budgetary units (26 billion zlotys); funds for the financing of social-cultural centers projected to be taken over from work establishments (0.6 billion zlotys); the refunding of land tax relief (0.3 billion zlotys) as well as subsidies for tourist enterprises (0.2 billion zlotys).

55. Index computed after excluding from the envisaged fulfillment of additional financing from the national councils' own funds.

9853
CSO: 2600/26

PEAK-PERIOD POWER SHORTAGES DESCRIBED

Warsaw TRYBUNA LUDU in Polish 5 Nov 81 pp 1, 2

[Article signed "(wodz)"]

[Text] In November there will be a shortage of 700 megawatts. Will the light go out in residences? How should electric power plants be relieved of their load?

(TRYBUNA LUDU Reportage) Electrical energy for the autumn-winter season which has now begun is a scarce commodity. Despite the fact that in recent days major shortages have not been evidenced, energy consumption is growing. In order to meet these consumption needs, lines are being connected up with the network of successive power units in electric power plants in which repairs have been completed.

Nonetheless, in November there will be a daily shortage of about 700 megawatts of power. In the months to follow, in special instances, the shortage may even grow to 2,000 or 3,000 megawatts.

Discipline Is Essential

The amount of fuel for energy production is severely limited. For example, as a consequences of the drop in coal production this year, electric power plants will supply 10 billion kilowatt-hours less than planned. This will make necessary the strict alloting of power during the winter.

Demands are already being made by some plants for an increased allotment since their original allotment, as granted by the ministries, has already been utilized.

Such requests have been made, for example, by ELTRA in Bydogoszcz and the POLAM factories in Pabianice. Some of these plants claim that the ministries did not distribute the allotments properly; others express concern only over their own interests.

When there is a situation in which power is in short supply the choice must be made--should the current be shut off in a shoe factory or in a plant which manufactures radio receivers? Certainly, the priorities granted to households, to industries supplying the population and to key subsectors of the economy must be adhered to.

Meanwhile, data from GIGE [The Main Institute of Mining and Energy] shows that the allotments are being treated by some plants as a form of raising energy prices, since the normal price of 1 kilowatt-hour is 0.9 zlotys while the price when the allotment has been exceeded is 5 zlotys. Allotments are frequently exceeded, and energy costs are figured into production costs. As a consequence of such hasty decisionmaking, there is a shortage of energy for many consumers from the so-called residential group.

A System of Reductions

In order for the national power system to function without more substantial disruptions, there must be, above all, the exhortation of discipline in energy consumption. Without this, it will become necessary to shut off the flow of current to residences, bakeries and schools.

An important role is being played by the so-called system of planned reductions, by means of announcements on radio broadcasts of the level of current for a given day.

The meanings of some of these levels follows:

"03" --no reductions are anticipated.

"10" --at this level there begins the randomly planned shut-off of certain installations in industry.

At level "19" the planned shut-offs stop.

Level "20" means the probability of breakdown shut-offs. These will be executed among "privileged" consumers.

It is anticipated that this winter, it may be necessary more than once to shut off the power supply to residences (for 1 to 1 1/2 hours) to enable a milk plant, e.g., to process milk. This year we have already experienced shut-offs caused by the failure to adapt to the current levels. As a result of the lack of discipline of some factories, consumers from the residential group have had to suffer the consequences. And so, the reduction of current flowing to residences will depend primarily on industry, i.e., on whether it will be willing to adapt to the reductions as announced.

Whether on freezing winter days, our lights and television sets go out and elevators in skyscrapers stop will depend on the quality of the miners' work and on the conservation of power in factories.

Is Drastic Action Inevitable?

Our readers are flooding us with a stream of questions on the subject of whether, e.g., it will be made known beforehand that it is safe to use an elevator, that they will not be stuck inside for 1 1/2 hours.

From the information we have received, the matter of informing residents has not yet been discussed. The power industry does not yield to planning shut-offs in advance. It is possible only to make certain estimates based on weather conditions and

available power in electric power plants. If a sudden breakdown occurs in an electric power plant, or if there is a sharp uncontrollable increase in energy consumption, immediate decisions must be made to shut off even protected consumers.

The technical possibilities of informing residents by means of radio and television as well as by means of a so-called "blinking" light are among the matters being considered. Decisions on these matters should be made in the near future.

8536
CSO: 2600/58

MINISTER INTERVIEWED ABOUT COAL CRISIS

Warsaw TRYBUNA LUDU in Polish Oct 81 pp 1,3

[Interview with Maj Gen Czeslaw Piotrowski, minister of Mining and the Power Industry by Stanislaw Reperowicz; date and place not given]

[Text] [Question] Comrade minister, coal is more and more often being compared to bread...

[Answer] A very apt comparison. Both bread and coal are indispensable to our lives. And this is not so only today. For one thing, it is due to the fact that after the war we set ourselves up on coal. As the country which suffered the most destruction throughout Europe, Poland was thus able to rise up out of its ruins and to find itself in the ranks of economically developed countries.

It is noteworthy that while in 1938 hard coal production amounted to 38.1 million tons, by 1946 it had reached 47.3 million tons, and in 1947, 59.1 million tons. Each year showed an increase in the amount of coal mined. One of the reasons this was possible was that mines, including those mines on lands which had been recovered and saved from destruction as a result of the Soviet Army operation to surround these lands in 1945, were able to resume production immediately following the liberation.

But what was needed to extract the black gold from the depths of these lands was people. And they were the decisive factor for production. Tens and even hundreds of thousands of fine, hard working people of the miner's trade. The names of the pioneers who made the greatest sacrifices: Pstrowski, Bugdol, Apryas and many other peacetime heroes have been written into the annals of our nation's history.

As we read the chronicles of those years, we take pride in the involvement of society in the coal issue. What was not done at that time to increase production? Magistrates and officials from the industrial administration, militiamen and the employees of party committees, anyone who knew how to work in the mines went down to help the miners on their day off. Without entering into judgments, let us likewise point out that for a time there was even a special military formation known as the Coal Corps. The youth organization "Service to Poland" and members of the ZMP [Polish Youth Union] were voluntarily called up to lend considerable support to the members.

The results were evident. In 1955, nearly 95 million tons were mined. It would give me tremendous satisfaction if our ministry today had the allies it had then, if people, even those who have never been in Silesia and in the Basin and who have never seen a mine understood that the living standard of each of us depends, to a significant degree, and will continue to depend for some time in the future on the results of mining.

[Question] What, then, is coal for the Poles?

[Answer] It is, above all, the major, as yet irreplaceable source of energy driving our economy; it is a basic source of foreign exchange income from export; it is an important raw material for the chemical industry, light industry and the construction industry, as well as for agriculture and processing. Moreover, despite continual electrification, gassification and the development of the heating system, the need for coal as fuel on the part of the population continues to grow. The price structure up to this time, according to which coal is very inexpensive, does not encourage broad interest in and the use of wood for heating purposes.

[Question] Without questioning the wisdom of being based on coal, I should like to ask whether the actual costs of increased mining are always considered? At some time, should the intensive rate of production increase not be slowed down?

[Answer] Without a doubt, today we must reflect upon the future so that we do not repeat earlier mistakes. However, with regard to mining, we must think in multidimensional terms. In 1979, production reached the tremendously high ceiling of 201 million tons. Poland became a world coal power. And although many fields of our economy were already at a crisis stage, coal production enabled us to compensate for inferior results in other branches, and the reduction in the living standard of society was delayed. In other words, thanks to the work of the miners, the nation did not feel the lack of various articles as severely as it does currently.

The problem of the costs of increased output must also be approached from many angles. Mining today little resembles mining from the days of Pstrowski. It is mechanized. Many modern mines have been built and many mines have been modernized, even though much remains to be done in this regard. A considerable part of the increase in production which has been achieved, however, is due to the intensification of the physical efforts of miners. Be reminded that until autumn of last year not only did they work 6 days a week, but on Sunday as well. In 1976, Sunday-holiday production amounted to 11 million tons, i.e., approximately 6 percent of the total annual yield.

Since even this was not enough, the so-called four-brigade system of work was initiated. It extended the operation of mines to a full 7-day week, while at the same time basically shortening the work time of miners. Over the course of 2 years it was introduced in nearly half of all mines. However, it did not find universal acceptance and was abandoned during the talks in Jastrzebie partly because it disrupted the traditional course of family life, since miners' days off fell on various days of the week.

Perhaps these demands concerning the shortening of work time would have been complied with more readily if, in the race to increase the tonnage yield, there had not been a certain accompanying organizational-technical carelessness in the production process itself, the lack of spare parts for mining machinery and the sometimes irrational management of the lodes acquired. Let us add that during various periods, the attitude of the administration to the miner's trade also varied. The system of remuneration was not always understood and accepted in the same way.

[Question] In September 1980, an agreement was concluded in Jastrzebie which changed the former principles of work in the mines in a fundamental way...

[Answer] As you know, in addition to many other proposals, it provides for the reduction of the work week to 5 days. This means that the mines are not operative during 2 days of the week. This has a drastic effect on production.

This year, the output up to the present time has amounted to 30 million tons of coal less than for the same period last year. Such a sharp drop in production must have a negative effect on the entire economy. Initially, the economy withstood this shock. The real tragedy, however, as a result of which the whole of society is the victim, is being played out only now.

The economic authorities have calculated the amount of coal that should be produced in order to ensure that the economy will not fail under any circumstances. Initially, the Planning Commission established the lower limit for production at 188 million tons. The Ministry of Mining showed that not more than 175 million tons could be produced. Later this goal was made more realistic and set at 168 million tons, and finally, at 164 million tons. Now even this final plan--164 million tons--is, in fact, unrealistic. No one needs to be told what the negative consequences of this will be.

It is a specific type of economy in which we live. We are not in a position to shift the economy over to a different road, nor has any country on earth up to the present time been successful in making such a shift instantly, what's more, under crisis conditions. We can consider, and we even must consider, how to bring other fields of management to begin to relieve mining, in a gradual and planned-out way, of the obligation of its primary participation in the production of the rational income. For this, however, we need both the time and the resources.

[Question] Then, is there any exit from this seemingly hopeless situation?

[Answer] I would not call it hopeless but extremely difficult. From the very beginning the government held that the agreements concluded in Jastrzebie, including the point which discussed the 5-day work week in mining, should be respected. On the other hand, the government was also aware that such a great day-to-day reducion in coal production threatens the entire country with economic and social degradation. Thus, appeals were made to miners, in the name of their civic sense, to work voluntarily on free Saturdays. These appeals had some effect. Some miners of their own volition appeared for work, even though they sometimes got into trouble because of this.

For the purpose of increaseing the numbers of such volunteers, a special system of supply privileges was introduced for those working on free Saturdays. This considerably improved the situation. For example, in January of this year, when this mobilization fund was not yet operative, scarcely 150,000 tons of coal was produced. On the other hand in March, when the program was in full force, twice as much coal was produced every Saturday, i.e., up to 300,000 tons.

This system of incentives was severely attacked by "Solidarity," which used various forms of boycott. The situation in the mines began to be very tense. Part of the work force of particular mines was in favor, part was opposed. Meanwhile, there must be a sense of calm and order in the mines, as well as friendly mutual trust. Under pressure by "Solidarity," and taking into constant consideration the maintaining of the necessary atmosphere under the earth in the mines, in the name of preserving this calm, the government signed an agreement on 7 May 1981 abandoning the mobilization fund. The consequences of this were not long in coming. In May, Saturday production fell to 127,000 tons, in June to 113,000 tons, and in July to 101,000 tons. We have calculated that up to the end of August, abandoning this fund has cost us at least 1.8 million tons of coal which could have been given over to the economy, sold abroad for medicines and the like. And perhaps it would have meant that we would not be looking so fearfully toward the approaching winter.

[Question] If I remember correctly, later there were the so-called Saturday appeals of "Solidarity."

[Answer] We were counting on them enormously and we tried to accord them as much importance as possible. I regret to say that they did not bring about the anticipated results. By comparison with July production, the output on these "appeal Saturdays" increased by barely several tens of thousands of tons. Moreover, it should be pointed out that the solution lies not in 8 such Saturdays, but in a logical system for stimulating production today, in 3 months and next year.

[Question] What further actions has the ministry taken?

[Answer] At our suggestion, the Council of Ministers, in September 1981, adopted Resolution No 199 which introduced, among other things, additional, top wages for miners taking on voluntary work on free Saturdays. In this resolution, which, among other things, imposes upon the ministry the obligation of developing a program for increasing coal production on working days, many issues which have been preying upon the mining industry up to this time, have been covered. Thus, the resolution addresses the need to increase housing construction for the mining industry, the development of a social base and the amending of the "Miner's Chapter" and the Collective Labor Agreement for the mining industry.

Like the mobilization fund, this resolution has been attacked and boycotted in various ways by "Solidarity." While they reject the government concept, "Solidarity" aktivs have not managed as yet to present any constructive proposals of their own reconciling the 5-day work week with the country's need for coal.

At the Fourth Plenum of the PZPR KC/Central Committee/, the thesis was likewise adopted that an increase in coal production is one of the conditions for rapidly extricating the country from the crisis. We continue to try to engage in talks with "Solidarity." We continue to be determined to find a way out of this difficult situation, because the truth is that without a basic increase in coal production we will go nowhere. For many, many years we have been constrained by a system of the country's dependence on coal; thus, every drop in coal production has a tremendous effect on our economy. We see this in the difficulties the power industry is now experiencing. Add to this the halted production in cement plants for lack of coal, the reduction in deliveries for metallurgy and the like.

[Question] The prevailing opinion is that an increase in coal production lies, among other things, in improving the supply of spare parts for mining machinery and equipment.

[Answer] That is true. It is to that very end that the production structure of factories manufacturing mining machinery has been changed. Owing to this, mines have received a considerable number of these spare parts, more than 50 percent over last year's deliveries. Moreover, despite a very difficult foreign-exchange situation, we have purchased various mining parts and equipment from abroad at a cost of nearly 30 million zlotys.

[Question] And what has been done for the people?

[Answer] The above-mentioned Council of Ministers resolution from September of this year also includes important, very beneficial rights for miners, which will be found in the amended Collective Labor Agreement and in the "Miner's Charter." Currently there is in the Sejm a draft of a Law concerning special pension rights for those working under the earth.

We are also trying to gain new cadres for mining. By the end of this year we will have increased employment in mining by approximately 20,000 persons. To this end there is, among other things, a decree of the MON [National Defense Ministry] permitting soldiers, after a year of service, to undertake work in underground mines and permitting conscripts to elect to work exclusively under the earth as their military service.

At the beginning of this article we stated that, like bread, coal is necessary for our lives. I would like everyone to understand that increasing coal production is an issue for the whole nation, an issue for us all. Mining is counting on such understanding and assistance from society.

[Question] I think that society wants to help the mining industry, but we encounter the attitude of the farmers, for example, who say "we will give the miners more meat, if we receive more coal." We thus come full circle. Where, then, does the truth lie?

[Answer] I believe that the truth lies in the middle. There is a shortage of coal, but we cannot explain away all of the shortcomings of the entire economy in terms of this shortage. For example, the implementation--over the course of

3 quarters--of coal deliveries made by the "peasant Mutual Aid" amounts to nearly 17 million tons and is only 1.6 million tons less than during the same period last year. By the end of this year, these deliveries should reach approximately 23 million tons, or approximately 8 percent less than last year. If meat deliveries were reduced over last year's deliveries by only this amount, the market situation would be radically improved and the miners would be better supplied with meat than at present. Coal deliveries for sugar factories were never so regular, and coal was never of such good quality as during this year.

On the other hand, significant curtailments in deliveries of coal have been felt by industry, in particular by cement plants and the metallurgical industry. This has had the most serious effect on export. If, for example, in 1979, we exported 41.6 million tons of coal, including 26.7 million tons to the II payments area, in 1980, we will certainly not exceed 16 million tons, including approximately 8 million tons bound for the II payments area. And the current price of 1 ton of coal runs about 80 dollars. These figures speak for themselves.

We are all feeling the current lack of coal and we will continue to feel it for a long time. This is the price we are paying for the "luxury" of a 5-day work week in the mining industry; this is the price being paid by our entire economy.

We cannot, however, dump all of the problems of our economy upon the shoulders of the miners. It is difficult, the country is undergoing a crisis, and we should all try to manage what we have as well as we can because when we will extricate ourselves from the present situation depends on us alone.

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ROLE OF INDUSTRIAL DEVELOPMENT IN ECONOMIC GROWTH

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/Article by Gheorghe Cretoiu: "Industry in the Process of Intensive Growth of the National Economy"/

/Text/ The strategic goal of the Seventh Five-Year Plan as set by the 12th RCP Congress, namely Romania's transition from the stage of a developing socialist country to the higher stage of a medium developed country, calls for rapid progress in all activities, in industry and agriculture and in the other economic sectors, science, education and culture, as well as improved management and planning of all socioeconomic activity, intensified socialist democracy, and participation of the masses and the entire people in social management. By virtue of social determinism, attainment of the goal in its entirety depends completely, critically and primarily upon construction of a strong and modern economy dynamic in the intensity of its development, rationally diversified and well balanced in the structure of its sectors and subsectors, efficient in its expenditures of resources, and socialist in its social-humane purpose.

In this extensive process, development and modernization of industry and steady growth of the industrial output are in a position of primary importance. Statement of this position must be based first of all upon the functions industry has to perform as a sector with a technical base that is revolutionary by its very nature, but also upon a threefold relationship to the present conditions of economic growth in Romania and throughout the world. We shall discuss these three circumstances briefly.

In the first place, Nicolae Ceausescu's statement that Romania must not be industrialized to the detriment of agricultural development and modernization has a great fundamental validity. Actually the results of socialist construction in Romania and the world indicate the great complexity of the concept of industrialization, which excludes any unilateral trends and is not identified either with mere growth of the industrial output or with restriction of industrial development to any given model or to a few industrial sectors. From the economic standpoint, industrialization ensures the transition of the national economy to machine technology by creating a series of industrial sectors and activities permitting better use of the nation's creative potential and natural resources. The current scientific-technical revolution is making major changes in this process, making it possible to shorten some stages and to combine or eliminate others while also changing the very nature of the process of industrial development. Under these circumstances one can no longer assume that one

industrial sector alone can function as a leading sector, as for example the textile industry did in the beginning period of the history of industrialization or as the steel industry did for about a century, because now the promotion of technical progress and new scientific advances depends upon a series of industrial sectors and subsectors and upon the development of the other economic sectors as well. Moreover, despite the pronounced trend today toward concentration of production we can no longer absolutize the trend toward the big enterprise at the expense of small and medium enterprises also capable of technical achievements and great efficiency, just as we cannot idealize their ability to adjust to new conditions.

In the second place, analysis of the position and role of industry in economic growth must allow for the level of economic development the country has reached, the particular needs of its socialist construction, and the accumulations from previous stages, but also for the requirements and especially the strategic goal of the new stage. Therefore it is very important to make a critical analysis of the way the industrialization process was conducted in a certain stage of Romania's socialist construction, when important and very promising industrial subsectors as well as development of Romanian scientific research were neglected. The period following the Ninth Party Congress was accompanied by a consistent policy and extensive programs that made significant changes in the model of industrial development and provided for the formation and development of peak subsectors of vital importance to better exploitation of Romania's natural resources and manpower potential and to expanded reproduction. Moreover, thanks to some extensive investment programs, industry now has a solid technical-material base wherein more than 40 percent of the existing fixed capital in the national economy is operative in effective industrial enterprises outfitted with modern machinery and equipment. All this constitutes a solid basis not only for developing industry as a main factor for economic growth but also for some extensive restructuring to meet the requirements of better use of raw materials and materials and of an output up to world technical-qualitative standards.

In the third place, industrial development in the model of economic growth is also increasingly affected today by the developments in the world economy and especially on the international market, by the developmental trends in the international division of labor, and by the effects of the crisis in energy and raw material resources. The realities of the present-day world indicate how unsound any one-sided approach is in this area too. While economic science has demonstrated, quite correctly, that development of the productive forces has made the industrialization process less dependent on local raw material resources, under the present circumstances it is becoming increasingly apparent that excessive dependence upon imports of raw materials, and especially of energy resources, can cause serious problems in economic growth requiring major reappraisals of economic policy, particularly as regards development of production and export of some energy-intensive products. Intensified efforts to expand the domestic base of raw materials and to make better use of them, as well as restriction and even elimination of energy-consuming exports, are now primary requirements for growth. Under these circumstances the direction of industrial development must be determined not only by replacement of imports and stimulation of exports but also by the immediate needs of the economy, analyzed in their evolution and in their entirety and in close correlation with the requirements for greater economic effectiveness throughout the entire course of social reproduction.

I think the foregoing points, to which still others can be added, adequately demonstrate the necessity of a new and revolutionary view of the process of economic growth

and, in that connection, of the position and role of industry in the model of economic growth and also of its relations with the other sectors of the national economy and especially with agriculture. While an opposition of industry to agriculture, the two basic sectors of the national economy, is not only unjustified but also harmful, any attempt to minimize the critical role of industry in the developmental process has proved equally so.

The realities of the world of today indicate that the evolution of the national economy and the growth of the social product and national income are directly related to the developmental level of industry and its structure, extent of technical equipment and economic effectiveness. Accordingly the discussions in various countries about ways of overcoming the present economic difficulties most often emphasize modernizing and restructuring industry and making it more adaptable to the constantly changing conditions and requirements on both the national and international levels. Japan for example intends to reach an average annual industrial growth rate of 5.3 percent (in real terms) by 1985, and even if that rate is below the level previously reached, it is above the industrialized capitalist countries' average and very close to the average growth rate expected of the gross national product (6.2 percent). Other western countries are speaking of "a new industrial revolution" or of revitalizing or restructuring industry. Whatever the planned formulas are, the policy of economic growth emphasizes industrial development and modernization, in ways that will allow, of course, for the particular conditions of time and place.

Worldwide experience tells us that the high level of any country's economy primarily depends upon development of the processing industry, which makes better use of resources and permits widespread promotion of technical progress. According to the World Bank's figures, the per capita outputs of the western capitalist countries' processing industries in 1976 were between $2,000 and $3,000 (1970 U.S. dollars) except for Italy and Great Britain, where they were $1,578 and $1,640 respectively. In the underdeveloped countries they were only a few tens of dollars per capita and in the developing countries a few hundred dollars. It is important to point out that the outputs of the processing industries in those countries account for 40-50 percent of their gross national products in terms of constant prices. Let us also note that according to the same source the per capita value of exported manufactured products in 1977 varied from $915 in France, $1,096 in Denmark and Austria and $1,755 in the FRG to $2,499 in Switzerland.

The foregoing figures, correlated with those for Romania, indicate how necessary it is for Romania to continue the process of industrial development and modernization in order to maintain steady gains in national income and national wealth as a basis for joining the ranks of the countries with medium economic development. The results of socialist construction in Romania justify this policy because promotion of industrialization is the factor that enabled Romania to reduce the inherited lags behind the developed countries. The comparative figures prove that the lags in industrial output were reduced more rapidly and intensively than the differences that separate us from the developed countries with high indicators. Industry's contribution in support of Romania's economic dynamism is illustrated by the fact that about 75 percent of the gain in national income in the last five-year plan came from industry, and every 1 percent of the population employed in that sector contributed about 1.7 percent of the created national income, compared with 1.1 percent in construction, transportation and telecommunications and 0.47 percent in agriculture.

In view of the conditions and requirements of the present period, the RCP Program and the documents of the 12th RCP Congress assigned the task of intensive and concurrent development of both industry (and especially production of raw and energy-bearing materials) and agriculture. In reference to the 1981-1985 Five-Year Plan, Nicolae Ceausescu pointed out that "The plan emphasizes more intensive development of the raw material base and domestic energy resources as well as more effective development of agriculture because those sectors are critical to Romania's socioeconomic development and to improvement of the people's material and cultural living standard." To this end the net industrial output will be increased at an average annual rate of 8.8 percent, the gross industrial output will be up 7.6 percent, and the gross agricultural output will be up 4.5-5 percent in the years of the current five-year plan.

Under the present conditions the intensive development accentuates the interdependence between industry and agriculture, necessitating closer coordination of the growth rates and factors of both economic sectors. The new agrarian revolution and intensive agricultural development depend on widespread introduction and efficient use of science and technology and on revolutionizing the technical-material base of that sector. Meanwhile the progress of some major industrial sectors (light industry and the food industry) critically depends upon the extent of agricultural development and modernization. Whereas in the past the economic literature discussed reducing industry's dependence on raw materials of vegetal origin, in the present energy and raw material crisis agricultural is playing a greater part in reducing industry's dependence on some scarce raw materials and generally in raising the output and economic effectiveness of industry. It is important to point out here, for example, that in the present period the degree of domestic coverage of light industry's requirements for textile raw materials is to be raised from 55 percent in 1980 to more than 70 percent in 1985.

The main feature of industrial development in the present stage is its intensive and all-around involvement in the general transition to a new quality and in satisfaction of the characteristic requirement of the five-year plan, namely the transition from extensive to intensive development. This feature affects the whole system of proportions and objectives of industrial development and depends on the more comprehensive role and functions of industry as they follow from the internal mechanism of expanded socialist reproduction.

Viewed in that light, industry's contribution to intensive development involves many considerations. For instance, modernization of the technical-material base and intensified growth of labor productivity entail an increased and diversified demand for means of labor on a high technical level as well as raw materials of industrial origin. Of course those needs can be met from different sources, from domestic production and (or) from imports. As we know, Romanian industry is now meeting about 80 percent of the nation's requirements for machinery and equipment. Compared with the prewar situation, when over 90 percent of the requirement for machinery and equipment was imported, this is a great gain of socialism with major favorable economic and social-political effects.

Industry's function of technical equipment of the whole national economy and supply of basic raw materials is increasing particularly in the present period because of the following circumstances at least: (a) In the current five-year plan Romanian industry is to supply over 85 percent of the equipment and installations needed for the investment program, with increased requirements and those for developing the two sectors of

the national economy, for purposes of extensive promotion of technical progress and intensified growth of social labor productivity. (b) The new five-year plan provides a greater contribution from industry to meet the domestic requirement for raw materials and energy, in order to curtail dependence upon the contradictory developments on the world market in this field. (c) In order to procure foreign exchange resources and to enhance the economic effectiveness of Romania's participation in the world economic cycle, the proportion of products of the machine building and chemical industries in the total volume of exports is to be raised to about 60 percent. These aspects of industry's contribution to socioeconomic development are too obvious to discuss.

Here is another aspect. Industry supports economic dynamism by a greater gain in productivity and national income than other sectors and especially in comparison with agriculture. It is sometimes maintained in discussions that this situation is characteristic of the developing countries or that it could only be due to neglect of agriculture in favor of industry. For a better evaluation of the situation, the example of some industrially developed countries is illustrative, which also have intensive agricultures that not only supply the demand of the domestic market but also provide major surpluses for export. For instance in 1978 every 1 percent of the French population employed in industry contributed 1.06 percent of the created national income, while in agriculture the proportion was two times less (0.55 percent). In Canada every 1 percent of the employed population contributed 1.12 percent of the national income created in industry and 0.70 percent of that created in agriculture (In Romania in the same year those figures were 1.73 and 0.47 percent respectively). The considerable difference in labor productivity (even though it increased more rapidly in agriculture in the postwar period in the industrialized countries) favors strengthening industry's role in securing a steady economic growth.

The facts also favor a more general idea, namely that absolutizing or one-sidedness are both useless and harmful. The comparisons only underscore the interdependence of the two economic sectors and their different and particular contributions to economic growth, at least for certain stages. Major changes in the correlations between these sectors can occur, under well-determined conditions, at any given level of socioeconomic development and in any given stage of industrialization.

Transforming the social production structure, placing the economy on an industrial basis, and creating the industrial sectors that make the main producer goods are the essentials for reaching a high level of effectiveness. But those sectors can be implemented in different ways, since it is possible to shorten some histotical stages and to choose either a wider range of products and subsectors or a selective policy based on more intensive specialization. It is well known, for example, that modern industry is inconceivable without a strong machine building industry and without chemistry. Industry's ability to assimilate the latest advances of modern science and technology and also to generate such advances directly and primarily depends on the technical levels and structures of those two industrial sectors, on how modern the production equipment of the whole industry is, on the quality of the labor force, and on the ways research and production are correlated. Those sectors,including their most modern subsectors, can be created at the start of industrialization withouth going through all the traditional stages. This is illustrated by the example of Japan's industrial development in the postwar period.

The countries with more limited raw material bases have emphasized specialization. When we consider the machine tool industry we find that in a number of countries like Switzerland, Austria and Belgium for example production is highly specialized, while

on the other hand the FRG and Great Britain are making a wide assortment of machine tools (Great Britain for example produces over 3,000 types of lathes). In Japan this subsector of the machine building industry has logged high growth rates (the output increased by more than 6 times in 1965-1980) and it is also characterized by a high added value (It is estimated that the machine tool industry has outstripped the processing industry as a whole by 9 times in this indicator). Such gems of advanced technology are characterized by heavy consumption of research and design work and in production by consumption of highly skilled labor.

Creation of such a critical sector as the machine building industry heavily depends on metallurgy. But creation and development of the latter entails increased energy consumption, especially when production of higher quality metal is begun. But as long as metallurgy is developed in connection with the requirements of the national economy and emphasis is placed on exploitation of the metal by machine building on a high technical level, dependence on ore imports is compensated for by metallurgy's contribution to economic growth and social development. But experience shows that growth of metal production is gradually moderated and the value of the output of this sector is increased primarily by intensified processing and increasing the proportion of high quality products in the sector (the well-known example of Sweden is the most graphic one in this respect).

In many highly industrialized countries the total output of steel and even the per capita output (having reached a high level) increase very slowly or remain relatively constant (except for the last decade, when it declined in some countries because of the economic crisis). But by developing production of special steels and by intensifying exploitation in the machine building industry a great effect of economic growth and social development is obtained, so that increasing production in the processing sectors is obtained per unit of output of the metallurgical industry.

The studies show (as a correlation especially important in the present stage) that as processing and exploitation of the material resources are intensified the index of advance of the processing sectors over the sectors producing basic raw materials is higher. We note for example that in 1976-1979 the index of advance of the growth rate of production in the machine building and metal processing industries over the growth rate of iron and steel production was 1.7 in the GDR, 2.4 in Czechoslovakia and 3 in the USSR. And the coefficients of advance were high even for longer periods. For example they were 1.5, 1.6 and 1.9 in the said countries in 1960-1979. Over the same period the coefficients reached 2.1 in the FRG, 3.2 in France and 1.3 in Japan.

As for production and consumption of electric power, the experience of the developed countries and Romania's as well shows that their evolutions change once the developmental level rises and the type of economic growth is changed. In the U.S. economy for example electric power consumption per unit of national income peaked in the 1970's, after which it began to decline. In Romania it reached 106 kilowatt-hours per 1,000 lei of national income and 64 kilowatt-hours per 1,000 lei of industrial output in 1970, after which it logged a decline (more pronounced in the last five-year plan), reaching 95 and 46 kilowatt-hours respectively in 1979.

And so there is a point where industrial development contributes to intensive economic growth not only through increased live labor productivity but also through greater conservation of material and energy resources and their intensified exploitation. At this point the activity becomes very important of planning and managing the process of modeling the economic structure by moderating the growth rates of the energy-consuming industries and intensifying the rates of expansion of the sectors with

advanced technology that incorporate a great deal of highly skilled planning and design work. Industry's contribution to economic growth is greater if those sectors deliver some of their products to the international market, where the demand for products on a high technical level is expanding and the terms of sale are more favorable.

The Seventh Five-Year Plan for Romania's Socioeconomic Development is making major changes in the basic correlations of economic growth. While according to the provisions the per capita national income is to be up 6 percent on the annual average in 1981-1985, per capita fuel consumption will only be up over 2 percent on the annual average. It should be noted that the total national income as well as the gross industrial output will be up 41 and 44 percent respectively, while the quantities of crude oil processed will be less than in 1980, being limited to 25 million tons a year. We mention that in the industrialized western countries a 1 percent increase in the gross national product corresponded to a crude oil consumption of 1 percent at the start of the last decade and one of 0.2 percent in 1973-1975, only to rise again to 0.8 percent at the end of the 1970's.

As another aspect of intensified production, in the years to come Romania will emphasize more rapid growth of the net industrial output than that of the gross output, increasing the coefficient of advance from 1.06 in the last five-year plan to 1.15 in the period of the new five-year plan. For an average annual gain in the gross industrial output of 7.6 percent, electric power production will be increased by only 4.1 percent on the annual average, while the average annual growth rate of production in the machine building industry will be 1.14 times higher than that in the metallurgical industry.

These important qualitative correlations reflect once again the contribution of industry to intensified processing of raw materials and materials and to their better exploitation in all sectors. They are supported by the considerable changes to be made in the internal structures of the main industrial branches through more intensive growth of the subsectors and groups of products that contribute heavily to greater labor productivity and more intensive exploitation of the raw materials.

For instance the main production increase (in terms of value) in metallurgy will come from intensified processing, while steel production will be increased by about 1.4 times, production of sheet iron and cold-rolled strips will be increased by 1.9 times (That for the electrotechnical industry will be increased by 2.7 times), and the outputs of rustproof sheet iron and refractory products will be increased by more than 3 times. In the machine building industry, it is planned to make more pronounced increases (by means of the 47 special programs for products) in the products that meet the needs of the national economy and provide valuable surpluses for export, such as systems of highly productive complex equipment for mines, power units for inferior coals and bituminous shales, equipment for hydroelectric power stations and small power plants and for unconventional energy sources, drilling equipment, modern automotive combines, etc. In the chemical and petrochemical industry special emphasis is placed upon intensified processing of petroleum and methane gas, upon manufacture of new, higher quality products of plastics and chemical fibers and threads, and upon development of fine chemistry and manufacture of special materials for electronics. The food industry will show a growth rate higher than that specified for all industry, and the average annual increase in light industry will be very close to that in the gross industrial output.

The plan provisions as well as the general aims of the economic policy indicate that in the current five-year plan industry is to make an essential contribution to the pronounced intensive development of Romania's national economy and to the steady growth of the national income as a major prerequisite for Romania's entry into the ranks of the countries with medium economic development and for the rise of the public's material and cultural living standard.

5186
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INCREASE IN MERCHANT FLEET SIZE, PORT CAPACITY CONTINUES

Bucharest LUPTA CFR in Romanian 25 Jul 81 pp 1, 2

[Article by Rear Admiral Nicolae Hirjen, Deputy Minister of Transportation and Telecommunications, Chief of the Department of Merchant Marine Transportation]

[Text] Merchant Marine Day is, indeed, a proper time to sum up the successes attained in the steadfast application of the Party's program for the development and modernization of the various sectors of our merchant marine. These sectors include ship building, port construction, oceanic and riverine fishery, marine research and exploration, and shipping. Together they represent a significant part of our national economy.

In celebration of this event all labor collectives in our merchant marine have strived for and achieved considerable results in exceeding shipping production plans, increasing the safety of navigation and attaining significant savings.

In his address to the Second Congress of Workers Councils Comrade Nicolae Ceausescu delineated the objectives for the shipping sector. They include giving priority to the optimization of shipments, the elimination of shipping crossovers and unneeded shipments, the intensive development of riverine shipping and the increased outfitting of maritime vessels in order that by 1985 a minimum of 70 percent of all maritime shipping will be accomplished with Romanian ships.

The efforts to fulfill these objectives represent a continuation of the significant achievements made in the past 16 years. These years have been the brightest and most productive in the country's entire history and truely bear the mark of the Romanian people's wisest and most beloved son, the inspired patriot and kindhearted communist, Comrade Nicolae Ceausescu.

During this period socialist Romania has distinguished itself before the contemporary world with its impressive pace of economic development. Our country has, in this respect, taken a foremost position in the ranks of nations.

This phenomenon is also quite vividly displayed in the domain of the merchant marine. During these last five year plan the capacity of our maritime fleet grew from 116 vessels totalling 1,560,000 tdw. In 1976 to 181 vessels with a total of 2,600,000 tdw. in 1980. And the current five year plan foresees the nearly doubling of total capacity. During this same period the volume of cargo shipped by sea by our fleet increased by 122 percent, that is, from 7,300,000 metric ton in 1976 to

16,200,000 ton in 1980. Plans for 1985 call for 40,500,000 ton with a fleet capacity of approximately 5.5 million tdw. This will constitute approximately seventy percent of our country's maritime shipping requirement.

River shipping also developed at a high pace. In 1980 a total volume of 12,300,000 tons shipped was recorded. This compares to only 6,700,000 tons in 1976. The current 5 year plan provides for the further outfitting of our riverine fleet and the attainment of 30,000,000 tons shipped in 1985. This will mean an increase of almost 2.5 times.

Along with the development of our maritime and riverine fleets has gone the increase in capacity of our country's ports. In 1980 a volume of maritime traffic of almost 33 million ton of dry cargo and a total riverine traffic of 17 million ton were achieved. This compares to only 18 million ton of maritime traffic and ten million ton of riverine traffic in 1976.

Our Party's program provides for further considerable increases in port capacities. This will be achieved by expanding the port of Constanta southward to Agigea, constructing the new maritime ports of Mangalia and Midia and developing, according to the demands of our economy, the Danube River ports.

Appropriately, the necessary degree of accessibility of our country's navigable routes will be constantly maintained. Of particular concern are the navigable channels of the Danube River and the Sulina Bar, the inadequate maintenance of which could lead to serious reductions in traffic, especially during periods of reduced water level. Consequently, the regularization of the water channels achieved by the construction of hydroelectric power installations and navigation systems such as the Iron Gates project are of considerable importance for riverine shipping. Other such projects are Iron Gates II, Turnu Magurele--Nicopol, and especially the Danube--Black Sea Canal.

Planned to enter use in 1983, the Danube--Black Sea Canal will be 64 kilometers long and will have two sets of locks, one at each end, to permit access for up to 3000 ton barges and of up to 18,000 ton convoys. There will be an outer harbour facility at Constanta for transloading between riverine and maritime vessels. Additionally, the ports of Basarabi and Medgidia will be developed along the canal route.

Thus, cargo headed for or coming from above Cernavoda will be able to avoid a detour of almost 400 kilometers. Major savings in time, fuel and even shipping capacity will result.

Occupying fifteen place in the world in ship building, socialist Romania has greatly developed all aspects of technical supervision in the areas of ship construction and utilization. One result is the attainment of the highest standards of operational safety.

Mobilized and spurred on by the decisions of the 12th Congress of the RCP and the 2nd Congress of Councils of Workers, by the invaluable guidance of the Party General Secretary and President of the Country, Comrade Nicolae Ceausescu, proud of their rich traditions and grateful for the working and living conditions created for them, the sailors, port workers and all personnel of the merchant marine are determined to work enthusiastically and decisively toward giving even more lustre to the colors of the Romanian merchant marine. All thereby make the greatest contribution toward raising Romania in the ranks of the world's semideveloped countries.

VOLUME, STRUCTURE OF INVESTMENTS, FIRST HALF 1981

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Oct 81 pp 19-20

[Text] Success of the policy of economic stabilization is usually set in a direct dependence on the results achieved in reducing the volume of investments. The interdependence is beyond dispute--investments have a share between 30 and 40 percent in the social product, and this high level of investment is in part achieved through foreign indebtedness and domestic credits whose quality is such that they directly lead to note issue and inflation. The interdependence is all the greater because the economic benefit of these investments is on the whole unsatisfactory. This assessment is also confirmed by figures on production, employment, labor productivity, exports and imports, the ability to form capital and the profitability of business operation of organizations of associated labor in the economy.

The social product has been growing in recent years at a rate of about 4 percent, which is approximately the rate of increase of employment in the economy. It follows that labor productivity has been staying at the same level. The stagnation of labor productivity at a high volume of investment (new investment projects and projects for reconstruction and modernization of existing facilities) signifies a drop in the level of utilization of capacity and a drop in the effective hours of work by the labor force. Investment projects are also increasing the country's dependence upon imports, which is confirmed by figures on import and export trends over the last 10 years. That period is typified by a growth of imports at a rate corresponding or exceeding the growth of the social product of the socialized sector of the economy, accompanied by a growth of exports at a rate that lags behind the real growth of the social product. Augmentation of the trade deficit is a consequence. No essential change is taking place in the ability of OUR's [organization of associated labor] in the economy to form capital or in the profitability of their business operation. On the average capital formation does not exceed 20 percent of the economy's income, and relative to the business assets employed, it is even dropping as a practical matter. On the average it amounts to about 5 percent, and it moreover is lagging considerably precisely in those sectors of the economy where the investments are greatest.

In the period January-July of this year payments for investments in fixed capital in the economy and noneconomic activities increased 9 percent in nominal terms, which indicates a real reduction of payments for investments of about 10 percent. Figures on the trend of the physical volume of production do not confirm these relationships. For example, production of the means of labor rose 5 percent, and at the same time there was no essential increase in either inventories of these products or in exports. We can conclude from this that investments in domestic equipment increased in real terms over this period. There was, however, a reduction in imports of equipment, which could have contributed to a certain reduction in total investments in equipment. Since construction work represents more than 50 percent of total payments for investments in fixed capital, it follows that the volume of construction work is the dominant factor in the total volume of investments. According to the statistical data, the volume of construction work in the period January-July of this year dropped between 1 and 2 percent (on the basis of the number of workers on construction sites and the number of effective hours of work). Nor does this datum support the observation that there has been a real drop in the volume of investment of about 10 percent in real terms.

Perhaps the reduced payments for investments (in real terms) are in part a consequence of the increased illiquidity of OUR's in the economy and of the banks, and in part also of an intentional holding back on making payments for investments under the influence of the political climate concerning the need to reduce the volume of investments. There is an indicative datum in this respect to the effect that the volume of uncollected accounts receivable has increased; on 30 June it was more than 70 percent larger than on the same day of last year.

The Size of Investments

Yet the measures taken to reduce investment spending are not yielding any very evident results. Incidentally, it is probable that measures were not taken which could yield benefits in this sense. If investment projects are unprofitable in their majority, if the profitability of investment is not the motivation that determines adoption of the investment decision, making investments more extensive (through a tax on investment) is not likely to help to reduce investment spending. Nor can we expect any significant benefits either from a review of lists of investment projects when the review is conducted by the same people, under the same conditions, and guided by the same motives who for all practical purposes made the investment decisions in the first place. Even the tried and true conventional measures of economic policy cannot yield results in either reducing investments or with respect to selection of investments because the motivations involved and operative are not even approximately the same as those in countries with a so-called market economy. It seems that there are two possible solutions--either to apply the methods characteristic of the countries with a planned economy, or radical changes in the motivation behind investment projects, which presupposes more far-reaching practical changes in almost all domains of the functioning of the economic system.

In the period January-July of this year total payments for investments amounted to about 280 billion dinars, which is 19 percent more than in the same period of

last year. Payments for investments in fixed capital increased the most in hostelry and tourism (61 percent), the crafts and trades (35 percent), agriculture and mining (28 percent) and housing and utilities and municipal services (27 percent).

Table 1. Volume and Distribution of Investments

Activity	Amount, millions of dinars	Index	Distribution, %
Total investments	279,293	119	100.0
Industry and mining	102,708	118	36.8
Agriculture and fishing	10,506	128	3.8
Construction	9,096	102	3.3
Transportation and communications	23,729	112	8.5
Trade	11,193	114	4.0
Hostelry and tourism	9,558	161	3.4
Crafts and trades	1,987	135	0.7
Housing, utilities and municipal services	75,271	127	27.0
Financial and other services	5,399	90	1.9
Education and culture	10,585	120	3.8
Health care	7,985	122	2.9
Sociopolitical communities	7,355	83	2.6

In the distribution of investments those in industry and housing, utilities and municipal services are dominant (64 percent of total investments). Investments in noneconomic activities, with the exception of sociopolitical communities and organizations, have been increasing faster than investments in the economy. Though payments for investments of sociopolitical communities and organizations have diminished, they still considerably exceed the budgeted funds of sociopolitical communities which were spent for investment projects (payments for investments amount to 7.4 billion, but the funds of sociopolitical communities used to pay for investment projects amount to 3.4 billion dinars).

Sources of Capital

Reality has been persistently discrediting sociopolitical commitments to a radical change in sources of capital for investment projects. The capital of OUR's in the economy has not assumed the dominant place in the financing of investment projects, nor has the pooled capital of OUR's in the economy been playing any significant role at all in financing investment projects. Bank credits and lendings through the banks continue to occupy the dominant place (more than 50 percent of total capital comes from these sources).

The resources of sociopolitical communities have a share of only 1.3 percent in total payments for investments. This percentage does not correspond even approximately to the extent of their influence on the taking of decisions concerning specific investment projects. When major investments are being made (slightly more than 300 of the large investment projects under construction account for more than 50 percent of the value of all investment projects, or about

700 billion dinars) the decisions are not made without agencies of sociopolitical communities being involved. Nor is their influence restricted solely to bank resources. They also have a direct influence on the assignment of resources of organizations of associated labor in the economy through decisions on personnel in large OUR's in the economy, through decisions on the pooling of capital, and so on.

Table 2. Distribution of Capital for Investments by Sources

Source	In Millions of Dinars	In Percentage
Total	279,293	100.0
OUR's in the economy	94,949	34.0
Giro accounts	42,390	15.2
Funds for social services	2,732	1.0
Other funds	49,827	17.8
OUR's in noneconomic activities	27,293	9.8
SIZ's [self-managing community of interest] in the social services, housing SIZ's, and local communities	12,217	4.4
Banking organizations	123,957	44.4
Dinar funds for investment	74,797	26.8
For housing construction	38,521	13.8
Credits extended from foreign exchange resources	10,639	3.8
Lendings through banks	17,286	6.2
Opstina resources	2,097	0.8
Republics and provinces	1,129	0.4
Federal budget	365	0.1

The distribution of investments by sources is considerably less favorable in the underdeveloped republics and Kosovo. The share of capital of OUR's in the economy themselves is considerably smaller than in the more advanced regions (Bosnia-Hercegovina, where the share of capital of OUR's in the economy is approximately the same as the national average, is an exception).

In the underdeveloped republics and Province of Kosovo bank resources and lendings through the bank have a share of 60 percent in total payments for investments, while the share of the capital of OUR's in the economy, including resources of communities of interest in the economy and the resources of joint reserves, is only 23 percent. This distribution of capital for investment by sources shows that the influence of agencies of sociopolitical communities on the making of specific investment decisions is greater in the less-developed opstinas, and it is not precluded that this also is contributing to the lower benefits from investment being achieved by the less-developed economies.

Change of Motivation

It is not in conformity with the system for the agencies of sociopolitical communities and organizations, either independently or in a tieup with the banks, economic chambers, and the like, to make decisions on specific investment

projects. This right probably derives from the fact that the agencies of sociopolitical communities make decisions on all specific conditions for the realization and distribution of income and the fact that they make decisions directly concerning personnel policy in OUR's in the economy and the banks. The consequences of this manner of decisionmaking on investment projects and this manner of furnishing funds are manifested in the low efficiency of investments and the ever diminishing feeling of responsibility on the part of personnel in OUR's for the economic results of their business operation. The possible consequences are not without significance. It is not just a question of unoptimal use of capital and reduction of future growth of the social product and income. It is a question of shaping a set of instruments in the economic system which is reproducing economic inefficiency. Every new investment project also signifies a corresponding number of newly employed workers. Production under unfavorable conditions is automatically an expensive operation, and high prices are inevitable. Since for all practical purposes liquidation is not possible, it is indispensable to have excessive protection, prohibition of imports, and even regional exclusiveness.

Table 3. Regional Distribution of Investments

Source	More Advanced Regions		Less-Developed Regions	
	Amount, millions	%	Amount, millions	%
Total	200,097	100.0	79,196	100.0
OUR's in the economy	76,717	38.3	18,232	23.0
OUR's in noneconomic activities	19,122	9.6	8,171	10.3
SIZ's in the social services	8,929	4.5	3,288	4.2
Banking organizations	83,468	41.7	40,489	51.1
Lendings through the banks	9,463	4.7	7,823	9.9
Opstinas	1,514	0.8	583	0.7
Republics and provinces	521	0.3	608	0.8
Federation	363	0.2	2	0.0

All of this urges the conclusion that a change in the motives and criteria for investment projects is indispensable. This does not mean, of course, that society must always be guided by maximization of income and maximization of the profitability of assets as the principal motivation in establishing a development conception. The truth is, however, that these motives must be involved. Certain other motives may indeed have a certain priority, for example: raising employment, greater utilization of domestic sources of energy and raw materials, the country's independence with respect to certain products of strategic importance, faster development of the underdeveloped regions, and so on. All these motives may be basic goals in adopting the social plan for the country's economic development. However, they may not be the motives guiding the workers in organizations of associated labor as investors. They can only have one motive in making investment decisions--maximization of their own income by maximizing the rate of profit in use of their capital surplus.

There ought not to be contradictions between the social goals of development and the motives of OUR's as investors. Society possesses an appropriate set of measures of economic policy whereby it can guarantee that investors motivated by maximization of their own income will automatically contribute to achievement of the goals and tasks in the country's development.

7045
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INTEGRATION OF KARDELJEVO, METKOVIC PORTS

Sarajevo OSLOBODJENJE in Serbo-Croatian 29 Oct 81 p 3

[Article by G. Beric: "Two Ports in One"]

[Text] The seaports at Kardeljevo and Metkovic have since a few days ago been operating as a single work organization with a work force of more than 1,700. The long-prepared merger of the two neighboring ports at the mouth of the same river is unquestionably the event of the year with respect to economic integration in the Neretva Delta region. From now on "Port of Metkovic" will operate as OOUR [Basic Organization of Associated Labor] "Port of Ploce," one of the work organizations in the numerous family of the Sarajevo Railroad Transportation Organization. Thus after a number of years the mutual competition of the two ports divided by a distance of only 25 km has been superseded and replaced by a pooling of labor and capital.

Common Interest

The initiative came from both sides, and they have a common interest. This is best indicated by the datum that certain operations were planned jointly even during preparations for merger of the ports at Kardeljevo and Metkovic. It was agreed, for example, that in future slag from the Zenica Mining and Metallurgical Combine would be shipped through the Port of Metkovic, which in this way alone will augment its traffic by 100,000 tons of cargo annually.

"We are on the same river, we are connected by the same rail line and the same main highways, so that it was natural for us to enter into association," says Pero Musulin, commercial director of "Port of Ploce." "It is certain that this merger will among other things considerably help to speed up development of the 'Port of Metkovic,' since there are a number of commodities which we will be transporting through the port, which is relatively small, but is very interesting from the standpoint of the economy's needs. Metkovic, for instance, possesses a large refrigerated facility whose capacity can be used in the transportation chain of overseas cargo. It is also certain that the small distance separating the two ports offers large opportunities for better use of manpower and machinery."

The two ports are oriented toward the economy of the same hinterland area, which was one of the key reasons for their merger. The "Port of Metkovic" thereby became a part of the integrated system of the Sarajevo Railroad Transportation Organization, which has been fully affirmed by relying on ever firmer and more ramified business collaboration with the economy of Bosnia-Hercegovina. More than 10 years ago, when it merged with the railroad, the "Port of Ploce" had a traffic of about 900,000 tons of cargo annually, and this traffic has quadrupled in the meantime.

In spite of its present economic difficulties and the fact that the opening of the new Yugoslav oil pipeline in February of last year left the port in Kardeljevo without 800,000 tons of petroleum cargo, this port has so far been able to maintain a record traffic of over 3.5 million tons of cargo.

Investments Are Needed

The largest users of the port services are the Zenica Mining and Metallurgical Combine, with which the Sarajevo Railroad Transportation Organization has a contract on long-range business collaboration, and then the Boris Kidric Coke and Chemical Combine of Lukavac, the large Sarajevo collectives Energoinvest and Sipad, INCEL of Banja Luka and Elektrobosna of Jajce.

"Our development plans are linked most closely with projections for development of the Bosnia-Hercegovina economy," Musulin explains. "That accounts for the large joint investments in port facilities and equipment. During the last 5-year period an alumina silo, a timber and lumber terminal, a petroleum coke storage facility and terminal for liquid cargo which is one of the most modern of this type in Europe, were built with joint capital. About 1 billion dinars were invested in construction of these projects."

In this large port collective stabilization is not regarded as a restriction, but as an effort to raise the volume and quality of operations. Investments are necessary and worthwhile if they are the result of economic logic, we were told in Kardeljevo. That is why the "Port of Ploce" and the Sarajevo Railroad Transportation Organization, in collaboration with the economy of Bosnia-Hercegovina, will continue the construction of new port facilities. The largest such investment project in the coming 5-year period will be construction of a liquid cargo terminal with a capacity of 1 million tons. The investments will exceed exports amounting to 2 billion dinars.

In answer to the question of whether it is possible to furnish that amount of capital in a situation when the economy is fraught with great difficulties, we received the following response:

"Construction of this terminal has become a necessity. Otherwise the future development of ferrous metallurgy in Bosnia-Hercegovina, whose needs for imported raw materials are ever greater, will be in jeopardy. Work is being done right now to complete the financial package for construction of this project. The port in Kardeljevo now receives vessels up to 50,000 tons in capacity, because we have no space for storing this cargo. The imported raw materials are

unloaded directly from the ship into freight cars. If there were a terminal, we would be able to handle three times as many ships, which would reduce the shipping charges to half of what they now are. The economy would thereby save about $25 million a year on shipping alone, which is not to mention the other benefits.

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CROATIAN PLANS FOR PORT, TRANSPORT DEVELOPMENT

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 Nov 81 p 11

[Article by V. Subic: "Speeding Up Development of Integrated Transportation"]

[Text] There is a need for more intensive mutual business linkage of rail, highway, maritime shipping, seaport, forwarding and other work organizations in the shipping of cargo in containers (primarily by the container train between Rijeka and Zagreb and by piggyback shipment on the route Ljubljana--Zagreb--Belgrade--Djevdjelija), along with greater activity to get the users of these shipping services involved in this. In addition, there is a need to speed up conclusion of agreements on construction of the planned inland container terminals, primarily in Zagreb.

This was among other things resolved in the meeting of the Executive Committee of the General Croatian Association of Transportation and Communications in debate on realizing the program of measures and actions to speed up development of integrated transportation. It was indeed emphasized that the planned development of integrated transportation was not achieved in the last medium-term period. In Croatia 7.47 billion dinars were invested for this purpose, which is 4 percent below what was planned.

Unsatisfactory Condition of Facilities

The present condition of facilities in this field is not satisfactory. A major portion of all Yugoslav containers between 20 and 40 feet are in this republic (88.7 percent), and they are mostly in maritime shipping--89 percent. Of the 7,827 Yugoslav containers in Croatia, 6,461 are in use.

Maritime shippers of SR [Socialist Republic] Croatia have 21 container carriers with modern technology maintaining lines to North America, the Great Lakes, the Middle and Near East, as well as the Mediterranean ports in North Africa. Occasionally containers are carried on lines to the Far East.

Of the seaports in Croatia the only one with up-to-date equipment is the Port of Rijeka, which possesses a container terminal and a ro-ro terminal, while the Port of Kardeljevo can be used occasionally. Last year the ports handled 16,170 containers, or 35.6 percent of total Yugoslav container traffic, because of the

shifting of traffic to the northern ports of Europe and in part to the Port of Koper.

The Zagreb ZTP [Railroad Transportation Enterprise] has in its fleet only 500 cars suitable for carrying containers, while highway carriers possess about 120 specialized semitrailers for highway container shipment. The Zagreb ZTP does not possess a single specialized car for combined truck transport, which is known as piggybacking, while of the inland terminals the only one which has been adapted is the one in Zagreb, and its capacity is small. Because of this situation there is a large disproportion between the maritime and inland portions of the integrated transportation systems, the integrated transportation chain is not homogeneous, and there is a lack of quality and safe transportation of freight from the producer's door to the consumer's door.

Obtaining More Funds To Develop This Field

All of this imposes the necessity of taking measures and actions to speed up development of this important segment of transportation, especially in the current medium-term period, it was stated at the meeting.

The medium-term plan for development of integrated transportation in Croatia, which was adopted at the assembly of the SIZ [self-managing community of interest] for integrated transportation, is based on the conception of a higher degree of development of land traffic as compared to the capacity of the fleet and also on expanding and enlarging the capacity of the terminal at Rijeka (especially for ro-ro traffic), on construction and equipment of a piggyback terminal in Zagreb, on organizing freight centers in the interior, and on purchasing the necessary freight cars and trucks. Provision is also being made for equipping major users for use of this kind of transportation and also for continuing construction of facilities for production of equipment used in integrated transportation. Plans call for spending 11.2 billion dinars for these purposes up to 1985, 7.12 billion of which will go for infrastructural projects.

Under the Self-Management Accord on the Bases of the Medium-Term Plan for Development of Integrated Transportation in Croatia up to 1985, 2.77 billion dinars are to be furnished from "own" resources, while 4.025 billion dinars would be commodity credits. The largest item is for the purchase of vessels and their equipment--3.4 billion dinars, which comprises 84.5 percent of the commodity credits, or 30.4 percent of the total investments foreseen.

Aside from the pronounced need to provide financing and various exemptions during construction of infrastructural facilities and also in the purchase of vessels and other equipment, measures will also be undertaken to speed up development of this transportation in Croatia. The executive committee and also the assembly of the general association have committed themselves to creating and carrying out a consistent plan for development of integrated transportation in Yugoslavia and, as a segment of that transportation in Croatia, to seeing to creation of the physical plant and equipment it is based on. Moreover, it was said, there is a need to speed up the taking of decisions on foreign exchange and dinar exemptions on goods being carried by integrated transport; and mention

was also made of organizing the production of the necessary equipment. In any case, it would be most worthwhile if the measures in the field of customs duties, insurance, banking policy and monetary-credit policy be implemented through linkage of all participants in integrated transportation on the basis of income sharing in conformity with the Law on Associated Labor. There is also a need to establish the status of the SIZ for integrated transportation in the framework of the solutions for the entire transportation system. Realizing these measures and actions, Josip Stefan, chairman of the Executive Committee of the General Croatian Association of Transportation and Communications, emphasized, will be very crucial concerning the degree to which integrated transportation is developed in this medium-term period. And the present economic situation is urgently pressing the need for it to be developed faster and more comprehensively.

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BRIEFS

EMPLOYMENT IN BOSNIA-HERCEGOVINA--In the first 7 months of this year 18,600 persons were employed in the socialized sector. More success in employment in the small-business economy was also noted which at the end of July had employed 6.7 percent more than last year at that time. This year work organizations reported a need for 76,688 workers, but 40 percent of these jobs remained unfilled. The number of workers leaving for work abroad has been negligible this year, while an increasing number of our people have been returning from work abroad. This year about 1,600 returned, while only 290 left to work outside the country. Up to now a total of about 50,000 workers from Bosnia-Hercegovina have returned from work abroad and most of them have found work here, primarily in the socialized sector, while quite a few of them have returned to their farms or opened their own shops. Up to now 91 opstinas have established measures for the gradual return and employment of workers from abroad. In many opstinas special small-business economic development program have been established and decisions made on tax and other advantages for the opening of artisan shops, for obtaining business space, for the purchase of equipment, machinery etc. A good number of returnees have been employed also through the pooling of their funds with work organizations or through founding an OUR (organization of associated labor). [Excerpt] [Sarajevo OSLOBODJENJE in Serbo-Croatian 7 Nov 81 p 4]

CHANGE IN IFC ORIENTATION--Representatives of the 42 foreign banks and 12 banks from all our republics and provinces, i.e., the founders of the International Finance Corporation, held a meeting of the administrative and executive council of the corporation. Most of the 57 projects completed in the corporation's 11 year existence show very good results. According to the new operating concept, instead of organizing joint investments in large and medium-scale projects in new locations, the corporation will aim toward concentrating on existing Yugoslav capacities in industry, agriculture, and tourism. One hopes to find a common interest together with potential foreign investors for the purpose of eliminating bottlenecks in production so that production could be much less expensive and sales could be made, together with foreign partners, on a firm long-term basis on the world market. Foreign credits will not be used for such projects, but rather mainly investments by domestic and foreign partners without any credit components. Such an approach, it is estimated, will mean the organization of production aimed exclusively toward export which will not be temporary but contracted over the long term with specific foreign partners and for specific markets. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Nov 81 p 2]

FALL PLANTING, HARVESTING--As of 9 November 86.4 percent (1,353,000 hectares) of the 1,566,000 hectares planned had been planted in wheat. At the same time 88.8 percent of the 2,059,000 hectares of corn had been harvested and 85.3 percent of the 130,560 hectares of sugar beets harvested. The best planting results have been achieved in Slovenia (with 98.1 percent sown of the 53,000 hectares planned), in Kosovo (93.3 percent of the 105,000 hectares planned), and Vojvodina (92.5 percent of the 330,000 hectares planned). Wheat planting is furthest behind in Montenegro (71.4 percent of the 3,500 hectares planned) and Bosnia-Hercegovina (76.2 percent of the 170,000 hectares planned). In regard to the corn harvest, it has been completed in Montenegro with all 8,000 hectares harvested. Similarly in Slovenia, the corn harvest is 99.1 percent completed. In all other republics and provinces the corn harvest is over 90 percent completed, except in Vojvodina where 78 percent of the crop has been harvested. The results in regard to sugar beets are entirely satisfactory. Slovenia, Macedonia, and Bosnia-Hercegovina have completed harvesting from all planted areas; but Kosovo is late with only 72.5 percent of the area harvested; the crop in the remaining areas has been almost 85 percent harvested. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Nov 81 p 1]

SERBIAN AID TO KOSOVO--According to the draft agreement on special measures to achieve the fastest development of Kosovo up to 1985, Serbia is to provide an additional 2.5 billion dinars in the next 5 years. The balance sheet on the sources of these funds has not yet been prepared in the [Serbian] executive council but members of the council believe that the funds should not be provided through additional burdening of the economy, but from redistributing that which is already available. The agreement should contribute toward stronger linking and coordination in developing programs and pooling labor and resources between OURs (organizations of associated labor) in Kosovo and OURs in other parts of the country. Coordinating the development of Kosovo within Serbia is one of the more important prerequisites for achieving the most rapid development of the province. The republic will also examine the possibility of transforming the obligatory payments Kosovo makes on credits from the Fund of the Federation into a pool of labor and resources which would exceed the agreed limit of 50 percent of the permanent reserves of the fund. The executive council also accepted a proposal that 5 billion dinars be provided to the Kosovo economy in durable current assets and that, in this regard, the possibility of printing money be examined. The council also supported a measure which calls for providing 450 million dinars in the federal budget to cover the differences in the interest rate on credits for current assets which basic banks provided to Kosovo in 1979. The draft agreement also calls for conditions to evaluate energy resources in Kosovo to meet Yugoslav electric energy needs. In this regard, the Yugoslav Economic Chamber will be obligated to prepare a program which would serve as a base for the long-term self-management ordering of relations in this field between organizations of associated work. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 10 Nov 81 p 2]

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END

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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2209

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10 December 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2209

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BRIEFS

YUGOSLAV-USSR TRADE--"In every discussion we had in Moscow comments were made in regard to our prices," stressed Igor Ursic, president of the section for the USSR in the Yugoslav Economic Chamber [i.e. Chamber of Commerce], at a 30 October 1981 meeting in Belgrade to review the visit of the chamber's delegation [to Moscow] 20-26 October led by Jon Srbovan, president of the presidium of the chamber. The visit as a whole was considered a success but members of the delegation shared some impressions which the business people [at the meeting] listened to but did not subsequently discuss. First, the Yugoslav deficit was noted as a serious brake on goods exchange; second, in some cases the Yugoslav [trade] partners are offering goods which are considerably more expensive, and it was reported that in some cases business people begin negotiations with an increase as high as 60 percent over that of the previous period in order finally to agree on a reasonable increase of about 10 percent. In the first 8 months of this year 64 percent of the Soviet exports and 54 percent of the Yugoslav exports planned for 1981 had been made. The chamber delegation particularly discussed a number of current problems in the field of transport, shipbuilding, ferrous metallurgy, machinebuilding, agriculture, and the construction of capital investment projects. The suggested commodity lists for 1982 call for a trade value of about $7.25 billion ($3.74 billion in Yugoslav exports and $3.50 billion in Yugoslav imports). The increase of about $250 million in Yugoslav exports should reduce the above-cited deficit. A working group of Yugoslav experts left for Moscow with proposed commodity lists on 10 November, at which time negotiations are to start on 1982 economic cooperation. [Excerpt] [Belgrade PRIVREDNI PROEGLED in Serbo-Croatian 4 Nov 81 p 3]

CSO: 2800/96

BRIEFS

WASTE FOOD FOR FODDER--Additional facilities which purchase waste food from households have opened in the CSSR. One of them opened on 16 November in Ostrava's Porubska housing area. This "solid household waste" purchasing facility pays Kcs 1 per kilogram of dry bread and other dry bakery products, dry potato peelings and egg shells, which will be reprocessed into livestock fodder. [Prague PRACE in Czech 20 Nov 81 p 3]

CSO: 2400/72

HUNGARIAN-KUWAITI TRADE RELATIONS DESCRIBED

Budapest HETI VILAGGAZDASAG in Hungarian No 41, 10 Oct 81 p 29

"Mini Country--Maxi-Money"

No sooner did the departing plane of the emeer of Kuwait disappear on the horizon than the first order for Ikarus buses arrived, most likely as the result of the negotiations held here in Hungary with that country. Our foreign trade experts, however, better be on the alert: It is easier to lose than to obtain business with Kuwait.

The economy of Kuwait, a small country on the Arabian penninsula, is widely known. Its dollar affluence is not unprecedented. The combined annual trade surplus of the countries of the Arabian penninsula is estimated at $100 billion. From this sum Kuwait's share, a country of 1.3 million people, was $16 billion, which is to say that its total income last year exceeded by this amount the $6.6 billion it paid out for foreign goods.

The abundance of money determines the foreign trade strategy of states which do business with these Arab countries: it is worthwhile to sell these countries as much foodstuffs, consumer goods and machineries as possible and to obtain from them as much capital as possible. The conceptions of Hungarian foreign trade--the traders, the financial and banking specialists--are no different and they were made known to Kuwaiti business leaders who accompanied the emeer on the latter's recent visit to Hungary.

Hungary is Kuwait's biggest trading partner among the European socialist countries and the fact that nearly one percent of Kuwait's imports are Hungarian products is of notable significance. According to the projectsions of the Hungarian foreign trade, the present annual exports to Kuwait, valued at nearly $55 million, can be increased to $70-80 million by 1985. Hungarian industry could participate to a greater extent than it has until now in the development of Kuwait's crude oil and machinery industry or, more specifically, in the exploration and opening up of Kuwait's oil and natural gas fields as well as in the development of its aluminum industry. The opportunities that exist in participating in the development of that country's water management and in the promotion of its public health, sports and tourism are better than ever. Participation may be various. The building of entire plants, the delivery of machinery is included in

the plans of Hungarian foreign trade the same as the preparation of programs of exploration and development or the employment in Kuwait of Hungarian specialists.

At the time of the emeer's visit one of the many subjects discussed was the completion of the plans for a light bulb factory which would be built in Kuwait by United Incandescent. According to preliminary plans 70-80 percent of the factory's machinery and equipment would be delivered by the United Incandescent and by assuming 20-30 percent of the investment costs the Hungarian company would become part owner of the future Kuwaiti plant. An order for 50 Hungarian buses, valued at more than $4 million, has already arrived since the emeer's visit.

It is well known that Arab businessmen are very cautious. It is difficult to gain but even easier to lose their confidence. In the past years, for example, Hungarian firms were not allowed to participate in Kuwait at competitive biddings for the sale of transformers and substations. All this "merely," as heard at the Foreign Trade Ministry, because some electrical equipment, previously delivered by the Ganz Electrical Works had minor flaws. The ban will be lifted only if the company corrects these mistakes or, more specifically, if the two new substations scheduled to be delivered and installed this year operate satisfactorily within a guaranteed period of time.

It appears to be the mutual interest of both countries that more and more Kuwaiti capital find its way to Hungary. There are encouraging signs that such working capital can participate in the establishment of Hungarian joint companies. Hungarian foreign trade is also actively counting on the participation of Kuwaiti private and public firms in the financing of industrial plants in Hungary.

The Structure of Hungary's Exports to Kuwait in Percent

Item	1968	1976	1977	1978	1979	1980
Materials	7	6	3	6	9	9
Machinery	32	17	23	16	19	18
Industrial Consumer Goods	56	32	30	24	21	28
Foodstuffs	5	45	44	54	51	45

9919
CSO: 2500/34

CHANGES IN AGRICULTURAL REGULATORS REFLECT NATIONAL CHANGE

Budapest FIGYELO in Hungarian No 45, 11 Nov 81 pp 13-14

[Article by Rezso Kostyal: "Regulators of Agriculture"

[Text] The regulator modifications serving to improve the economic balance, increase the economicalness of export, transform the production structure and make for more thrifty cost management also affect agriculture. Thus on the large agricultural operations also the social insurance contribution has increased by 3 percentages points, generation of the obligatory reserve fund has increased by 5 percentage points and interest has increased by one percentage point while normative export supports have decreased. Freight fees have increased and a vehicle contribution is being implemented. Special transportation tools serving agricultural purposes directly--tractors, etc.--are an exception to this and a contribution need not be paid for them. There is a 50 percent rebate on the contribution for other transportation tools which are used for agricultural purposes as well.

The changes introduced this year at state enterprises, which have an advantageous effect for the workers, in the generation and use of the social and cultural fund also apply to the large agricultural operations. For example, where there is no institutional kitchen and the workers get meal tickets as a subsidy this must be calculated at the expense of the social fund and not at the expense of the shares fund.

In addition to the changes being implemented in the area of the people's economy a few modifications better encourage agricultural producers to increase production of exportable products by operations in the low income group.

Price Changes

The prices of the most important tools and materials used in agriculture have not changed. Budgetary supports neutralize the changes in producers prices or import prices for artificial fertilizers and industrial fodders. As of 1 November the prices of fuels, among the industrial materials, increased by about 10 percent but the budget will balance out 75 percent of the increases--using methods used thus far. In the future, however, there will be an end to the March budgetary balancing of energy production for the large agricultural operations.

A few price corrections of minor significance in regard to state agricultural purchasing prices will make the price system more flexible. In the future strain

improving wheat will be in the controlled price category and the "protected price" for a few products will increase; there will be modifications interdependent with quality in the prices for tobacco and red pepper. The weight limit for hogs classified as being in split condition will increase from 73-95 kilograms to 95-100 kilograms.

There are also indirect price changes in that the Grain Trust--on the basis of contract--will pay a 60 forint permium per 100 kilograms for extra production of cereal grains and corn by the large agricultural operations. Production exceeding a quantity 10 percent higher than the average annual production for the years 1976-1980 will be classified as extra production. Use can be made of this, however, only if the specific indexes for grain fodder use do not deteriorate at the farm in question. In the contrary case a quantity of grain corresponding to the specific extra use must be subtracted from the quantity for which the premium can be paid.

Taxation

The base for the income tax will be the total of the profit serving as a base for settling accounts (incentive) and labor fees and wages. Thus the tax base can continue to be reduced by the sum of the funds used to pay debts, cover losses and repay credits assumed to cover fund shortages but it will be increased by non-normative export supports.

Studies show that the differentiation of labor fee levels of producer cooperatives has moderated; the differences between the average labor fee levels of the cooperatives--going beyond the efficiency of production--derive in large part from differing work time use. Where the role of household plot farming is greater there is generally less fulfillment of the work day performance on the communal farm. This justified putting an end to that differentiation which depended on the level already achieved in increasing the tax-free wage level. The newly introduced tax-free value will be a uniform 2.5 percent according to the tax table. An increase in the labor fee level exceeding this will be burdened by a more progressive tax than heretofore of 100-500 percent. At the same time, there will continue to be labor fee tax concessions interdependent with the peculiarities of agriculture. Among these special emphasis is given to the possibility of an additional 3 percent tax-free labor fee level increase which can be made use of in the event of bulk labor fee savings. If the farms make use of this possibility then they can differentiate better according to performance.

Beginning 1 January 1982 the practice already used in state enterprises of permitting the undertaking of work not belonging to their job obligations, going beyond the work time in their own producer cooperatives, will be extended to producer cooperative members. It will be a condition of the contract that the producer cooperative member should work full time for the communal farm until he has put in 2,200 hours and then can undertake an additional job on top of the physical work of the basic activity.

The production taxation rules and a few production tax keys for industrial activity by the large agricultural operations have changed considerably--ensuring withdrawal conditions identical with those for industrial enterprises.

Experience shows that the industrial and service activity of the large agricultural operations still has a skilled labor force drawing effect in Budapest and environs. To moderate this there will continue to be an additional 10 percent production tax on price income for certain industrial activities done here. (This will not be paid in the megye cities.) The category of industrial-agricultural or agricultural-industrial cooperatives is being abolished as will the special production tax applicable to it.

The tax keys for some industrial and service activities will increase by 1-2 percent. In part this will counterbalance the concessions given for agricultural production and it will also ensure withdrawal conditions identical with those for industry. A production tax more favorable than before--which is to say, a favored production tax--will be levied on products produced from waste materials (paper, used tires, etc.)

The obligation to redeem documents accompanying animals, which are burdened with a fee, will end.

Investment Supports

Minor modifications of investment supports will serve to rationalize the present practice. For example, at present a 30-35 percent or fixed sum support can be given to create dairy facilities for milk production or for hog fattening investments. In the case of a fixed sum the upper limit which can be given for established supports will be 60 percent of the costs needed to carry it out.

The biggest problem of melioration investments is the absence or slow pace of water improvements. In the interest of having the narrow state support funds offer a possibility for melioration of larger areas of land, improving the water supply, the role of one's own resources or of credits anticipating them will be increased by about 10-15 percent. Investment support for large area melioration will be differentiated depending on the material strength of the large agricultural operations participating in them. The magnitude of their own strength will be determined by the per capita gross income. Where the per capita gross income is high the large farms will receive as support 40 percent of the costs for carrying out large area water improvements; where it is low they will receive 70 percent. Not only will this bring into harmony the magnitude of the supports and the ability of the cooperatives or enterprises to bear the burden, it will also make possible water improvements on a larger area with the same total support.

Additional melioration support cannot be given for an area which has already been treated in this way, with the exceptions of areas undergoing melioration prior to 1978 if they are included in large area melioration. In this case, if 60 percent of the area must undergo large area melioration again, the melioration maintenance fund generated but not used can be included in the totals needed without the obligation to replace them.

Encouraging Meat Production

Among the operational supports there will be modification of the support system for cattle raising. In the past five-year plan period milk production increased greatly and the profitability of milk production improved parallel with this also.

In the great majority of the agricultural operations this branch, which was a deficit one earlier, brings a significant profit. But state supports provide the larger part of the profit. The goal now is to cover the milk consumption needs of the populace by a further increase in specific milk production without increasing the number of cows.

Since the export of milk products is not advantageous, with the exception of a few products, and since there is a need for slaughter cattle supports will be regrouped between these two end products of cattle raising.

This will be served by a 20 percent reduction in the milk marketing premium (hereafter there will be only 8 fillers instead of 10 fillers per milk marketing percent) and a 45 percent reduction in the milk price supplement (one forint per liter instead of 1.80 forints per liter). The supports thus freed will increase the profitability of slaughter cattle production in that the large agricultural operations will get a 6 forint price supplement for every kilogram of beef sold. The condition for this is that the slaughter cattle sold must have been in the possession of the large farm for at least half a year. This will make every phase of beef production more favorable (raising, fattening and maintaining beef cattle).

Increasing the production and export of slaughter cattle and mutton is also served by that measure according to which the large agricultural operations with unfavorable natural conditions can cover that part of the increase in reserves deriving from increasing cattle and sheep stocks from the reserve fund instead of the development fund. In areas of weaker productivity where the obligatory reserve fund does not accumulate to a degree such as to cover the reserve due to a justified increase in cattle and sheep stocks credit must be used to finance the increase in reserves.

Price Supplements

The differentiation in the incomes of agricultural operations is basically the consequence of differing productivity of producing soils. Differences in personal incomes moderated in the past plan period but the differences between profits of farms increased.

Up to now the financial system calculated that the differing cooperative incomes were in part of a rental character. The progressive land tax and income tax drew off a part of the different incomes deriving from different land quality. But the uniform official prices do not recompense the expenditures of the weakest areas--which can still be kept in production--rather they are based on the costs of operations farming under conditions somewhat less favorable than the average.

Up to now separate supports balanced out the negative rents in areas with weak productivity (in general, plow land with cadastral net income lower than 14 gold crowns). In consideration of the fact that there are a very large number of operations between the average (21 gold crowns) and the supported areas (under 14 gold crowns), and that in many cases the official purchasing prices based on conditions around the average do not cover the costs even of them, it became necessary to improve their interest in agricultural production.

Extending the sphere of supports also encourages an increase in economical export. Special price supports for farms in unfavorable production localities have been increased from the previous 15 percent to 25 percent for the marketing of cereal grains and have been increased to 10 percent for the marketing of slaughter cattle, slaughter sheep and berries. Those large agricultural operations whose plow land cadastral net income as of 31 May 1981 does not reach 17.10 gold crowns, according to the records of the AFTH [State Bureau of Geodetics and Cartography], will also get special price supplements. The value of the price supplement will be 20 percent of the price income for cereal grain and corn, 7 percent of the price income for slaughter cattle and slaughter sheep and 8 percent for the marketing of berries.

Large operations being temporarily supported will get special price supplements of the same magnitude. But if they are removed from this category they will still get the special price supplement.

Naturally the regulator modifications being realized in the people's economy as a whole affect the farms in unfavorable producing localities also, although in general one cannot expect these farms to counterbalance these in accordance with the increased requirements. For this reason, as a partial counterbalance to the increase in the SZTK [Trade Union Social Insurance Center] contribution, the base price supplement value will increase by 1-2 percent.

One way to improve the economic and financial balance in every supported farm might be to increase industrial production. Every one of these farms can enter the competition to win supports which can be repaid from the production tax.

Experience shows that profitable agricultural production can be conducted even on areas with weaker productivity. But this requires special expertise and organizing ability. At present, since these areas cannot guarantee them a suitable income, they employ fewer than the average number of experts. This contradiction will be resolved by a new provision which entitles every supported farm to support linked to the employment of experts from a fund of the megye council set up for this purpose.

8984
CSO: 2500/52

COUNCIL OF MINISTERS ANNOUNCES REGULATIONS FOR SMALL BUSINESS

Decree on Small Co-ops

Budapest MAGYAR KOZLONY in Hungarian No 52, 5 Sep 81 pp 712-715

[Decree No. 25/1981 (IX.5.) of the Council of Ministers on Small Co-ops]

[Text] By the authority invested in it by Law No. 3, 1971, Section 116, par. (3) on cooperatives (hereinafter referred to as "Szvt.") the Council of Ministers orders the following:

Section 1

(1) The goal of setting up and operating small co-ops, is to provide a simpler form of self-government that can better accommodate a smaller membership and, with the help of the personal and increasingly growing financial contributions of their members, cooperative collectives of our citizens can perform productive, service-type and other socially useful activities.

(2) A small co-op is a legal person which operates with a membership of not more than 100 persons.

Section 2

(1) With the exceptions listed under (2), small co-ops may engage in any economic activity which is not specified to fall exclusively within the state economic organizations' sphere of functions by laws, law decrees, or by decrees or resolutions of the Council of Ministers. The conditions for pursuing this type of economic activity--among them especially the obtaining of necessary permits and permissions--are regulated by the orders which apply to the cooperatives.

(2) Small co-ops may not engage in agricultural activities which fall within the sphere of activities of agricultural cooperatives and specialized agricultural groups, nor may they perform services provided by work collectives (creative collectives) operating in the cultural branch.

Section 3

In the case of small co-ops (hereinafter referred to as "co-ops"), the orders issued in the Szvt, and in Law Decree No. 32, 1971, on industrial cooperatives (hereinafter referred to as "Iszt."), shall be applied with the modifications stated herein.

Section 4

(1) Setting up a cooperative requires an initial capital outlay sufficient to build a financial basis upon which the activity defined in the bylaws can commence and more and more firmly assert itself during the first year.

(2) The bylaws must--in a simplified form reflecting the smaller membership and work organization and without repeating any of the statutory provision orders--include all of the things the Szvt. and the Iszt. have specified they should contain, which apply specifically to the given co-op. The bylaws must also include:

a) the main forms which the members' financial contributions may take within the co-op, as well as the general framework of the membership agreements pertaining to those forms [Section 11, par. (1), point c)];

b) the value limit beyond which the conclusion of contracts will require the preliminary approval of the general assembly.

(3) The name selected for the co-op must be one which unambiguously expresses its character as a co-op form and activity.

Section 5

(1) Belonging exclusively within the general assembly's sphere of authority are:

a) the right of decision-making in all matters which have been specified in the Szvt. and the Iszt. as falling within the sphere of authority of the general assembly and the assembly of delegates;

b) the right to pass and revise the rules of self-government;

c) the right to expel a member from the co-op;

d) the right to settle membership and work-related disputes in co-ops operating with less than 30 members;

e) the right to terminate work agreements with members; and

f) giving preliminary approval to contracts which exceed the value limits specified in the bylaws.

(2) The general assembly must convene at least four times a year.

Section 6

(1) Except as stated in (3), all co-ops shall be required to have a board of directors, a supervisory committee and a cooperative arbitration committee; their size shall be determined in the bylaws.

(2) The bylaws shall determine whether the co-op will hold regular work conferences.

(3) In those cases where the size of the membership is under 30,

a) the bylaws shall determine whether there will be a working board of directors, a supervisory committee or any other committee; and

b) the co-op may not establish a cooperative arbitration committee.

Members (employees) shall have the right to appeal within 30 days any of the general assembly's decisions concerning membership (work-related) disputes--except in matters listed under Section 39, par. (1)-(2) of the Iszt.--by taking their cases before the labor court.

Section 7

(1) In order to provide a replacement for the president, a vice-president must be elected. The bylaws shall determine whether the president (vice-president) will serve in his office on a full-time basis or in addition to performing some other activity in the co-op.

(2) In the case of co-ops with less than 30 members which do not have a working board of directors, the president shall fulfill the functions of the board as specified in the statutory provision.

Section 8

The orders issued in Decree No. 51/1977, (XII. 21) of the Council of Ministers on the internal supervision of co-ops shall be applied with the following changes:

a) Instead of having to maintain an independent inside inspector, the co-op may entrust this task to one of its members or employees--who has the prescribed qualifications--even in addition to that person's other functions, given that there is no conflict of interests between the two jobs.

b) It may also assign this task to the control office of its regional association or to an expert who is a registered inspector.

c) Once a year it shall be required to have the control office or the expert referred to in b) carry out a general inspection of the co-op.

Section 9

The co-op must lay down a combined set of self-government rules. In these it must specify:

a) the rules whereby the self-government organs are to operate;

b) the structure of work organization and the authority of the directors;

c) the manner in which internal supervision will be carried out;

d) the way the employer's jurisdiction will be exercised vis-a-vis the employees;

e) those rules concerning job performance and the division of divisible income among the members, which are not contained in the bylaws or the determination of which is otherwise left up to the organizational, operational or labor regulations by the statutory provisions; and

f) the way the co-op's labor safety regulations are to be implemented.

Section 10

(1) In addition to full-time members, co-op membership may also be granted to:

a) persons who are members of (employed by) industrial or agricultural cooperatives, or are employed by other employers and wish to work outside the working hours of their full-time jobs;

b) persons receiving old-age or disability pensions within the employment limitations specified in the statutory provision regulating social insurance, or--if pension payments are suspended--without any restrictions;

c) day-time students attending our higher educational institutions who receive approval from their respective schools.

(2) The orders which regulate the granting of small co-op membership to persons who are employed or whose membership involves the obligation to work, and the duty of registration connected with it, as well as the length of their working hours shall be those laid down in the separate statutory provisions.

(3) The admission of new members shall be decided by the board of directors.

(4) The president shall be authorized to accept membership applicants only as probationary members, for a period not to exceed 3 months. During that trial period this probationary membership relationship may be terminated by either the board or the member, effective immediately, without explanation. Probationary members may not be required to make a financial contribution.

Section 11

(1) At the time of admission, the member and the board shall draw up a membership agreement which must especially state

a) the manner, in which the member's personal contribution is to be asserted and the basic personal wage which is to serve as the guideline for determining the personal income due to him on the basis of his personal contribution;

b) the working hours of the member if he is only to be employed on a part-time basis; [a) and b) together constitute the membership work agreement], and

c) the specific form and extent of his financial contribution.

(2) Membership agreements must also be drawn up with probationary members.

Section 12

(1) The member's financial contribution may be in the form of

a) share- or targeted share purchases; or

b) transferring ownership of capital equipment, buildings, workshops and motor vehicles (hereinafter referred to as "capital assets") to the co-op.

(2) In order to enhance the economic activities of the co-op, the members may--on the basis of a separate agreement--lend out for use, or lease to the co-op certain capital assets.

(3) The bylaws may also establish other forms of financial contribution.

Section 13

(1) The minimum mandatory limit for making a financial contribution shall be the amount of shares purchased by a member which is the equivalent of two months of his basic personal wage. [Section 11, par. (1), point c)]. The bylaws may also establish higher limits for mandatory financial contributions and state whether other forms of contributions will also be allowed.

(2) Unless otherwise ordered in the bylaws or by the general assembly, the mandatory financial contribution must be made upon acceptance into the membership.

(3) Share purchases and other financial contributions over and beyond the minimum mandatory limit shall be based on the member's voluntary decision.

(4) Upon transferring ownership of capital assets to the co-op, the contributing member shall be entitled to compensation, the amount of which shall be negotiated between the member and the co-op. Compensation may not be paid to the debit of the initial capital outlay.

Section 14

(1) Targeted shares for development purposes determined by the general assembly shall be purchased by members on a voluntary basis.

(2) The lowest and highest amount of targeted shares that can be subscribed to, the manner in which they are to be purchased, terminated, repaid and utilized, and the conditions necessary for these actions, shall be determined--within the limits stated in the statutory provision--by the general assembly.

(3) Otherwise, targeted shares shall be regulated by the same orders that apply to shares.

Section 15

(1) On the basis of their financial contribution made in the form of personal participation and share purchases, members shall be entitled to a part of the co-op's divisible revenues in the form of a personal income.

(2) Members shall be entitled to a personal income based on their financial contribution even if, for reasons not attributable to them, they are prevented from personal participation.

Section 16

If the co-op is operating at a loss, or is lacking special purpose funds, its members shall receive a reduced personal income which will be determined in accordance with the special statutory provision. In such cases, they shall be liable to repay the appropriate portion of any personal income already received.

Section 17

(1) If the co-op is unable to provide a member with permanent employment either in the field specified in the membership work agreement or in another field that is acceptable to both the member and the co-op, or if the member becomes eligible for retirement, the general assembly may unilaterally terminate the membership work agreement. Termination of the agreement shall be forbidden in those cases where labor law regulations prohibit the termination of employment.

(2) The co-op must, upon request, return to the member his entire contribution, cash or otherwise, at the time his membership work agreement is terminated.

Section 18

(1) Upon the ending of the membership relationship, repayment of the member's financial contribution shall be due to be completed within 30 days after the year-end balance has been approved. The board--or in the case of co-ops operating with less than 30 members, the general assembly--may postpone the repayment of this financial contribution for a year if such action is absolutely necessary to ensure the continued undisturbed production of the co-op.

(2) Upon the ending of the membership relationship or the termination of the membership work agreement, the member may come to an agreement with the board to leave behind his financial contribution which he had made in cash, for a period not to exceed two years, as well as those capital assets which he had made available for use (leased) to the co-op. This shall not affect the member's right to receive a personal income on the basis of his financial contribution.

Section 19

The rules regulating the disciplinary and financial responsibilities of co-op members are the appropriate provisions of the Iszt. and of Decree No. 40/1971

(XI. 30.) by the Cabinet concerning their implementation (hereinafter referred to as "Iszt. R"), with the difference that

-instead of average monthly wage they should be understood to mean personal income based on personal participation, and furthermore that

-in case of damages suffered by the co-op through the member's negligence, the bylaws may increase his liability to the average amount of one month of his personal income.

Section 20

(1) If on a year's average, and for a continued period of time the size of the membership increases to over 30 or 100, then, starting 1 January of the year following this increase, the self-government organization of the co-op must be amended in accordance with this decree, and in the case of memberships over 100, the orders regulating the co-op's organization and operation shall be those issued in the Szvt. and the Iszt., replacing the ones contained herein.

(2) Any increases in the size of the membership which exceed the limits specified in par. (1) must be promptly reported to the state organs in charge of exercising legal control.

(3) The authority of state legal control shall also include the responsibility of making certain that necessary changes in the bylaws are made in time.

Section 21

The representation of co-op interests shall be handled in accordance with the regulations stated in the Szvt., with the addition that the representation of interests will be exercised by regional and national corporate organs set up according to main activities.

Section 22

(1) The rules regulating state activities regarding the co-ops are the appropriate provisions of the Szvt. and of Decree No. 30/1971 (X. 2.) by the Cabinet concerning their implementation (hereinafter referred to as "Szvt. R."), which are to be applied with the changes contained in par. (2)-(4).

(2) Only on the basis of reports received, alleging violations of statutory provisions, bylaws or self-government regulations shall the state organ exercising legal control be required to carry out an investigation of the given co-op.

(3) Except for having to provide advance information concerning the date and the agenda of upcoming general assembly sessions, the co-op shall not be required to disclose any other information or decision in writing to the state organ exercising legal control.

(4) Branch-professional control of the co-op shall be exercised by the branch minister who, depending on the co-op's main location, shall act through the

specialized local administrative agencies of the competent capital city, megye or municipal council's executive committee, which has jurisdiction over the co-op's activities.

Section 23

Par. 25, 30, 36-42 and 42/B of the Szvt. R., and par. 9, 17, 44, and 45/B of the Iszt. R. must also be applied to the small co-ops as prescribed.

Section 24

If the co-op fails to remedy its losses and special purpose fund deficits in accordance with the regulations stated in the special statutory provision, it shall not be bailed out under any circumstances; instead, it is to be dissolved by the state organ exercising legal control.

Section 25

(1) This decree will enter into force on 1 January 1982

(2) Co-ops operating with less than 100 or less than 30 members on the day this decree is put into force, shall be required to revise their bylaws in accordance with the above decree and to submit these revised bylaws for approval to the state organs exercising legal control, within 30 days.

(3) Upon consultation with the regional association and obtaining the approval of the national corporate organ, co-ops forming or operating with not more than 100 members may commence or continue operations in accordance with general co-op regulations.

Section 26

In the case of small co-ops,

-the wages referred to in the statutory provisions should be understood to mean personal income based on personal participation; and

-year-end shares (profit shares) should be interpreted as personal income based on personal participation received in addition to the amount paid during the year.

(signed) Gyorgy Lazar
Premier,
Council of Ministers

Decree on Industrial, Service Co-op Groups

Budapest MAGYAR KOZLONY in Hungarian No. 52, 5 Sep 81 pp 715-719

[Decree No. 26/1981 (IX. 5.) of the Council of Ministers on Specialized Industrial and Service Co-ops]

Text] By the authority invested in it by Law No. 3, 1971, Section 116, par. (3), the Council of Ministers orders the following:

Section 1

(1) Specialized industrial (construction industry) production and service co-op groups (hereinafter referred to as "specialized groups") are independent economic accounting organizations run by citizens, which operate within the cooperative framework and which enjoy a certain degree of self-governing and economic independence. The specialized group is not a legal person.

(2) The economic activity of the specialized group shall be aimed primarily at providing services and producing goods for the population as well as at making products and providing services that are necessary for the activities of co-ops and other economic groups. Otherwise, the determination of its sphere of activity, and the conditions under which that activity is to be carried out, shall be regulated by the appropriate orders concerning small co-ops.

(3) Relations between the co-op and the specialized group shall be governed--within the limits of the statutory provisions and internal regulations--by way of agreements.

Section 2

(1) Specialized groups may be established by at least five persons applying to join.

(2) In order to set up a specialized group, the members must hold a statutory membership meeting, provide the necessary financial assets to ensure its undisturbed operation and obtain the approval of the co-op's general assembly and its assembly of delegates.

(3) The statutory membership meeting shall pass the operational regulations of the specialized group and elect the president and vice-president of the group as well as other corporate organs specified in the rules of operation.

Section 3

(1) Without repeating the statutory provision orders, the specialized group's rules of operation must specify:

a) the name, goal and sphere of activity of the specialized group,

b) the name and place of operation of the co-op in which the specialized group is planning to operate,

c) the most important rules regarding the organization and operation of the specialized group; the tasks and sphere of activity of the president and other board members;

d) the most important local regulations concerning relations between the specialized group and the co-op,

e) the main principles upon which the economic activity is to evolve and develop, and which will determine the way the results of production are to be utilized,

f) the value limit over and beyond which any obligations assumed by the specialized group in the name of the co-op will require the preliminary approval of the co-op's board (or management, hereinafter also referred to as "board"),

g) the basic rights and obligations of the members, including especially the manner and the extent of personal and financial contributions,

h) the manner of representation in the specialized group's affairs, as well as

i) those regulations which have been ordered to be included in the rules of operation by this decree and the membership meeting.

(2) Whether or not the specialized group will have an executive committee shall be specified in its rules of operation.

(3) The rules of operation shall become effective upon approval by the co-op board, and will be forwarded as information by the board to the state organ exercising legal control over the co-op.

Section 4

(1) Decisions concerning specialized group business shall be made by the membership meeting, with the exception of matters specified in the rules of operation to fall within the exception of matters specified in the rules of operation to fall within the authority of the executive committee, the president or some other leading member.

(2) Matters falling exclusively within the sphere of authority of the membership meeting include:

a) the passing and revising of the rules of operation,

b) the election, dismissal and impeachment of the president (vice-president),

c) the determination of the income of the full-time president due to him on the basis of his personal participation,

d) giving approval to agreements concluded with the co-op as well as to agreements between the co-op and other economic organizations entered into as stated in Section 7,

e) the drawing up of the annual plan and the decision concerning the utilization of the results of production,

f) the right to terminate membership relationships,

g) the decision to dissolve the specialized group, as well as

h) the right of decision-making in all matters specified by the rules of operation to fall exclusively within the sphere of authority of the membership meeting.

Section 5

(1) The membership meeting must be convened at the intervals specified in the rules of operation, but at least twice a year. If recommended by at least 10 percent of the membership, or initiated in writing by the state organ exercising legal control over the co-op, and furthermore, if the capital assets (Section 7) transferred to the specialized group for use do not cover the liabilities borne by those assets for an extended period of time, and extraordinary membership meeting must be called.

(2) At a membership meeting a quorum shall be more than half of the members present; its decisions--with the exception of the decision to dissolve the specialized group--shall be based on a simple majority of the votes cast by the members present by way of open ballot.

Section 6

(1) The length of the term for which the executive council and the specialized group's president (vice-president) is elected shall be specified in the rules of operation, and is not to exceed 5 years.

(2) The rules of operation shall also state whether the president will carry out his tasks on a full-time basis or in addition to his other activities within the specialized group.

(3) If the president is unable to fulfill his functions, the vice-president shall assume his role.

Section 7

(1) The financial assets needed by the specialized group to perform its activity shall come from the financial contributions of its members and from cash and other forms of capital assets (i.e. buildings and other structures, workshops, machines, materials, etc.), which have been transferred for use by the co-op or other economic organizations to the specialized group.

(2) Capital assets may be transferred for either a determined or an undetermined length of time in exchange for a user's fee, other forms of compensation, specified services or a predetermined share of the profits expected from the specialized group's activities.

(3) The transfer of capital assets and the conditions under which it is to take place shall be laid down in an agreement between the co-op and the specialized group. If the capital assets are transferred by some other economic organization then, following approval by the membership meeting, it shall be the co-op

which will conclude the agreement on the transfer and the conditions under which it is to take place, with the economic organ.

Section 8

(1) Separately listed assets coming from the members' financial contributions and from the results of production, that are put aside for the purposes of the specialized group, as well as any capital assets transferred to the specialized group by the co-op or other economic organizations, must be recorded separately, apart from the other assets of the co-op.

(2) The specialized group shall use its revenues to cover its production costs and to meet other expenses.

(3) The rules of taxation concerning the activity of the specialized group shall be laid down by the Minister of Finance.

Section 9

(1) The specialized group shall be required to employ a professional expert to be in charge of accounting and bookkeeping. Unless there is a conflict of interests, these duties may also be performed by experts working for the co-op or by other outside professionals.

(2) If the performance of an activity is made contingent upon some special skill by the statutory provision, the specialized group may only continue that activity if there is someone among its members who meets the stated qualification requirements.

Section 10

(1) The specialized group's activities shall be closely monitored and supported by the co-op board. In addition to transfers of capital assets, such support may be in the form of special services, as well as other types of assistance which will further the goals of the specialized group.

(2) Once a year the board shall, in cooperation with the supervisory (control) committee, review the entire economic activity of the specialized group.

(3) The resolutions passed by the co-op's corporate bodies are only binding on the specialized group if, and only to the extent its operation has resulted in damages to the capital assets assigned to it by the co-op, or if it interferes with the co-op's normal economic activities, and the resolution is aimed at eliminating that problem.

Section 11

(1) Members of the specialized group shall be liable for the debts connected with the group's activities only to the extent of their financial contribution.

(2) Debts connected with the activities of the specialized group shall be guaranteed by the assets that are listed separately for the purposes of the specialized group; debts over that amount shall be secured by its total assets.

Section 12

(1) The person authorized to represent the specialized group in the name of the co-op shall be the president of the group, or if he is prevented from carrying out his functions, the vice-president or some other member appointed by the membership meeting with the approval of the co-op board. The persons qualified to represent the group shall be listed separately in the co-op's register of representatives.

(2) Agreements which involve obligations over and beyond the value limit specified by the co-op may only be concluded with, and in accordance with the written preliminary approval of the co-op board.

(3) The undertaking of a written or financial obligation shall require the joint signature of the two persons authorized in par. (1) and the countersignature of either the head bookkeeper or his assistant.

Section 13

(1) The specialized group shall be dissolved,

a) if so decided by a two-thirds majority of the membership meeting, polled by secret ballot,

b) if, due to the lack of a legal successor, it ceases to operate, and

c) if the co-op's general assembly or its assembly of delegates withdraws the approval it had given to allow operation of the specialized group.

(2) The approval given to allow operation of the specialized group may be withdrawn if, in spite of resolutions by the competent co-op organ forbidding it [Section 10, par. (3)], the specialized group engages in an activity which results in damages to the capital assets assigned to it, or hinders normal co-op operations; or if the operation of the specialized group is determined to be illegal by the state organ exercising legal control over the co-op.

(3) Upon dissolution of the specialized group, the assets which had been listed separately for the group's purposes and which are left over after all outstanding debts had been settled and the capital assets transferred by the co-op or other economic organizations (Section 7) had been deducted, may be divided among the members in accordance with the extent of their personal participation and the size of their capital contribution.

Section 14

(1) All persons over 15 years of age shall be eligible to become specialized group members; persons under 16 may only be allowed to join after their legal

guardians--and in the case of students, also their respective educational institutions--have given their written approval.

(2) Specialized group membership is also open to the members of those agricultural, industrial, consumer, marketing and purchasing co-ops, in which the specialized group operates, on the condition that they work outside the working hours specified in their work schedule.

(3) The decision whether an employee or a person whose membership status involves active work should be allowed to become a full member of the specialized group, the registration requirements connected with such a change in status, and the length of his working hours shall be regulated by the orders of the special statutory provisions.

(4) Unless otherwise ordered in the rules of operation, the admission of new members shall be decided by the membership meeting.

Section 15

(1) With the exceptions listed in par. (2), the joining member shall be required to make a financial contribution. The extent and form of this contribution, as well as the deadline by which it is to be made, shall be determined--within the framework of the rules of operation--by the membership meeting.

(2) The membership meeting may waive the financial contribution requirement if the member possesses a special skill which is needed by the specialized group to fulfill its goals.

(3) Upon termination of the membership relationship, the financial contribution must be repaid, except if it had been spent to settle losses.

Section 16

(1) The share of the specialized group's production results which is to be received by a member shall be determined on the basis of his personal participation and financial contribution.

(2) The proportion of the share of profits to be received on the basis of personal participation and financial contributions shall be determined annually, within the framework of the statutory provisions and of the rules of operation.

Section 17

(1) The membership relationship shall be terminated upon withdrawal by the member, upon termination of the relationship by the specialized group or upon the dissolution of the group. The intent to withdraw must be submitted to the president in writing.

(2) The membership relationship may be terminated by the membership meeting if the member

a) causes intentional damage to the specialized group,

b) displays other forms of behavior that are seriously damaging or threatening to the group's interests, and

c) fails, for reasons attributable to him, to live up to the obligations stemming from his membership relationship for a continued period of time.

(3) The decision to terminate the membership relationship--arrived at after the member had already been allowed to speak--must be put in writing.

(4) In case of termination of a membership relationship, all outstanding accounts must be settled with the former member (or his heir). All outstanding mutual claims--with the exception of the year-end share of the profits--between the former member (or his heir) and the specialized group shall become payable upon termination of the membership relationship.

Section 18

(1) The specialized group may hire employees to represent it in performing certain jobs which may arise in connection with its activity; the number of these employees, however, may not exceed 10 percent of the size of the membership.

(2) Unless otherwise ordered by the rules of operation, the power of employer over these employees shall be exercised by the president.

(3) In other matters concerning the working conditions and wages of the specialized group employees, the applicable rules are the appropriate provisions of the general labor statutes, including the adjustments which pertain to the co-ops.

Section 19

(1) In addition to the specialized group, the co-op also will be held liable, in accordance with the regulations concerning co-op members, for any unlawful damages caused by a group member in connection with his membership relationship.

(2) The specialized group member shall be held liable, in accordance with the regulations concerning co-op members for any wrongful damages it may cause the co-op by not living up to the obligations connected with his membership.

(3) Membership-related disputes among specialized group members, or work-related disputes among specialized group employees operating within an agricultural or industrial co-op shall be acted upon by the co-op arbitration committee, by applying the appropriate procedural regulations. Membership-related disputes must undergo preliminary reconciliation at a membership meeting or before another corporate organ specified in the rules of operation.

Section 20

Membership-related claims shall become void after 3 years. Debts due to pay for criminal damages, however, shall not be forfeited until the lapsing of the criminal act itself.

Section 21

(1) The representation of the specialized group's interests shall be handled by the corporate organ of the co-op in which the group operates.

(2) The legal state control of the specialized group shall be exercised within the framework of the co-op's legal control.

Section 22

This decree will enter into force on 1 January 1982.

(signed) Gyorgy Lazar
Premier,
Council of Ministers

9379
CSO: 2500/37

REGULATIONS ON ECONOMIC WORK COMMUNITIES HIGHLIGHTED

Budapest MAGYAR HIRLAP in Hungarian 23, 28 Oct 81

[Article by Istvan Kalasz and Gyorgy Szepesi of the National Planning Office: "Economic Work Communities"]

[23 Oct 81 p 7]

[Text] The economic work community, which is a civil, legal association organized by private individuals and is not endowed with a legal personality, can be established in order to perform activities supplementary to the operations of consumer and other services, small enterprise production and other organizations, and also in order to better organize and spread these (for example: for the maintenance of joint work organizations, receiving depots and service outlets; for joint acquisition of raw materials, joint stock building) (15th tvr [law decree] regulation for 1981, 28/1981, [IX,29] MT [Labor Code] regulation). It may not perform commercial activities, but may undertake to organize and promote activities of such nature (for example, for joint merchandise acquisition).

The members bring the economic work community into existence through a partnership contract in which they specify what activities they will perform. However, they may not perform activities which statutes have placed into the province of operating state organizations. Moreover, permission in advance is necessary to perform certain activities.

A work community may be established by at least 2, but not more than 30 members. One who is already a participating member in a work community, or one who may not be a tradesman because of having committed some crime may not be members of a work community. On the basis of this decree, private individuals--including tradesmen also--may draw up a partnership contract for the performance of activities for which official permission is otherwise required (trade license, operating permit, etc.). This regulation does not apply to occasional partnerships by tradesmen. A tradesman may operate as an independent tradesman in addition to his membership in a work community. Employed individuals and those required to do work as members of a cooperative may become members of a work community. A special statute (8/1981 [IX,29] MuM [Ministry of Labor] numbered regulation) provides permission, or rather, the necessary reporting requirements.

Official approval is necessary for the validation of the partnership contract. The petition for approval must be submitted to the primary work community authority concerned. The specialty regulating organ of the executive committee of the relevant area council which has authority over work community activities comprises the primary authority. Other official permits necessary for the performance of the activity must be attached to the petition. For activities requiring certification, the appropriate documents attesting to the certification of the members must also be attached, as is a doctor's certificate for a line of work (activity) requiring appropriate health. Approval of the community's agreement may be denied only if the agreement is in conflict with the law.
After the approval of the community's contract, the specialty directing organ registers the work community. The record must contain the name of the work community, its headquarters and sphere of activity, the names and addresses of its members, the name of the person authorized to represent the economic work community and the date the community's agreement was approved. The work community must also be entered into the registry of firms. The firms registry regulations pertaining to general partnerships must be appropriately utilized at registration.

The work community operates under a corporate name. The names of the founding individuals may not appear in the corporate name, but the activity the work community performs must be represented in it. The headquarters of the work community is the place where the activity specified in the associative agreement is conducted. If the work community performs an activity which cannot be specified in its locality, then the headquarters is to be the permanent residence of its appointed representative.

One or more members specified in the partnership agreement are the authorized representatives of the economic work community for the purpose of conducting the business and business related matters for the membership. If according to the partnership agreement more than one member is empowered to conduct business and only jointly, any one of them may take urgent measures which cannot be postponed in order to prevent financial losses for the work community.

The membership may protest the inappropriate or unsatisfactory conduct of business by the appointed member. The majority vote of the membership is decisive in the matter. The majority decision of the members may also revoke the representative's appointment. If it is necessary to establish another organization to conduct the business of the work community, the head of this organization shall be the representative appointed in the partnership agreement, who may, if necessary, delegate some of the rights of conducting the business and representation to employees of this business organization. As far as the membership is concerned, however, he is just as responsible in such a case as if he performed them himself. The members of the work community have the right to be personally informed of the conduct of business matters. For this purpose they may examine the books and documents of the work community and request explanations from the representatives.

[28 Oct 81 p 7]

[Text] The work community operates primarily with the joint resources, or rather, with the resources available for joint use through the financial contributions of the members. In order to perform its tasks it may rent, lease or utilize resources owned by the state or cooperatives, even those which otherwise may not be legally utilized by private individuals. The members are required to personally participate in the activities of the work community. Thus, it is not possible to become part of a work community and to acquire shares, or personal income through only monetary or other resource contribution.

The work community may employ assisting family members, employees, outside workers and skilled worker apprentices. The number of employees it may employ is as follows: for 2 to 5 members, 2; 6 to 10 members, 4; 11 to 20 members, 8; and above 20 members, 10. The work community may employ outside workers as part of the permitted number of workers.

If the work community has among its members a tradesman who also practices his trade on his own, the employees of the tradesman do not count as employees of the work community. However, the combined number of employees of the work community and employees of member tradesmen may not exceed 30. The work community representative practices the rights of employer over the work community employees. He may not delegate this right.

A work community may employee a skilled worker trainee only if there is among the members, employees or assisting family members an individual who has the appropriate training in the specialty of the skilled worker trainee. The number of skilled worker trainees per specialty may not exceed three times the number of qualified individuals in that specialty among the members, employees and assisting family members. The work community may employ assisting family members without restriction. The activity of the assisting family members is not considered to be an employment relationship. According to trade practice regulations, time spent in such a relationship needs to be accredited in order to count for professional experience.

Official supervision over the operation of economic work communities is performed by the specialty regulating organization of the council for the area concerned. The specialty regulating organ can dissolve the work community if it seriously, or despite repeated warnings violates statutory regulations, or because it receives repeated warnings for unprofessional or poor quality work during the period of a year. The work community may also be dissolved by its members. The dissolution of a work community must be reported without delay to the specialty regulating organ in charge of recording, and to the registry court.

The activities of economic work communities are considered to be activities performed within the social framework, since even the regulation of their incomes is based on this principle. The work community pays a partnership tax on its gross income. The members pay a general income tax on their personal incomes derived from the work community, according to the regulations for tradesmen. Tradesmen who are work community members pay taxes on their combined incomes from the work community and from the practice of their separate trades.

Social insurance care for economic work community members includes pension, accident insurance, maternity and burial benefits. Assisting family members of work community members have a right to maternity and burial benefits. In addition to the retention of employee status, cooperative membership, independent tradesman or pensioner status, individuals are only entitled to accident benefits on the basis of their participation in work community activities.

9093
CSO: 2500/39

BACKGROUND ON BALANCE OF PAYMENTS PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 29 Oct 81 p 4

[Article by Henryk Czadynski: "What Were The Credits Spent On?--Behind the Scenes of Balance of Payments."]

[Text] (Private Information) The debt bulge, which is depressing the economy, causes painful disturbances. Many details on this subject are made available to us from press agency communiques, like for instance bargaining with the creditors regarding a postponement of repayments, nevertheless, our interest in the national balance of payments is still very deep. Despite the report on the state of our economy and the explanations contained therein the nation would still like to know precisely how much do we owe to the West and the East, on what were those credits spent, what are the consequences today of this indebtedness and what will the consequences be for the future generations.

It would be possible to get an answer to part of these questions. Some of these matters, which up till now were shrouded in secrecy, are now being made public. Never before were so many words written on this subject. At the same time, there was never such a need to explain, to the public at large, the gravity of the situation and the interdependence of our future prosperity on the amount of foreign exchange that we will be able to obtain, not only for credit repayment but also for purchases of those goods that are indispensable for us. We need this so that our industrial potential may be realized and can bring in revenue instead of remaining a burden.

During a press conference with Marian Kizak the Finance Minister, the journalists were informed that it is now intended to publish regularly all information on this subject. Central Office of Statistics [GUS] will henceforth publish a balance of payments statement [state budget report] in "Rocznik Statystyczny" and in "Rocznik Finansow." Also, the banking publications will quarterly publish specific data on balance of payments. The intention, simply stated, is that these matters should now find themselves under public scrutiny. Currently about a half of our imports is made up of food and agricultural products, particularly feeds.

On that occasion the press corps also received a publication, prepared by the Ministry of Finance and the Polish National Bank, pertaining to the balance of

payments for the decade 1971-1980. It is apparent that during that decade we imported more from the West than we exported--72 percent of import expenses were covered by exports. The unfavorable trade balance amounted to 54 billion of foreign exchange zloty [fxz]. A growth of this negative trade balance can also be seen. In 1971 we still had a favorable trade balance of 438 million fxz [foreign exchange zlotys]. Beginning with the following year the degree of our indebtedness became more and more apparent. The largest unfavorable balance amounted to 9.9 billion fxz in 1975. That year our exports covered only 59 percent of our import obligations.

Beginning in 1976, the unfavorable balance began to decrease. More efforts were undertaken from 1977 on. This led to a decrease of the unfavorable balance to a low of 2.4 billion fxz by 1980. For the entire decade this whole trade picture was characterized by a 54 billion fxz trade deficit. Although we experienced an increase in the foreign exchange influx from services and remittances, which reduced this deficit by over 9 billion fxz, the sizeable remainder had to be covered by credits. This means that the whole country lived on credit. The national income which was destined for debt repayment was more than the value of our [total] national production.

It is also worthwhile to note not only the absolute monetary worth of the credits but also their purpose. A closer look at the data indicates that as time went by, our intermediate term indebtedness was increasing and that the short term indebtedness surpassed the 5 billion fxz point beginning in 1975.

In 1974, the cost of foreign exchange credits was 975 million fxz. One year later it exceeded 1.6 billion fxz and by 1980 it grew to 7.5 billion fxz. It is important that we know not only the size of the burden on our economy but also the ratio of our income coming from exports. This influences not only the repayment capability but also the position of the country on the [world] financial market. There are countries whose debts, as compared to their national income, are markedly higher than ours, however, they also have a disproportionally higher debt repayment capability. Unfortunately, our ratios are unfavorable and this is very evident from the 1980 statistics, although the data for this year [1981] indicates a real drama. Income from our exports--we are still talking about our trade with the West--amounted to 24.3 billion fxz, however, the interest on our debt amounted to 24.6 billion fxz and the repayment of the principal came to over 17.1 billion fxz. This shows that our indebtedness was higher than the income from our exports, in practical terms the total needs of our economy necessitated an increase of credits.

What is the cause of this situation? The structure of our trade transactions indicates that during an initial period the unfavorable balance was primarily a result of excess investments and the resultant large purchases. We should add that this did not result in the intended investment returns which, if realized, could allow us to experience a different result, including repayments. This is also tied in to a defective investment structure and their drawn out implementation.

All the same, gradually, among all the factors which contributed to our ever increasing balance of payments burden, food imports assume the most prominent

place. An unfavorable balance of trade in agricultural and food products began to grow in 1975. For the decade the combined trade deficit in this sector surpassed 13 billion fxz. This was the result of faulty economic and social policies which did not permit an intensification of agricultural production and faced with poor harvests, did not stimulate the application of the necessary savings measures. Here we have the salient points of the trade deficit in specific years. The electric machinery industry achieved its peak in 1975--with over 6 billion fxz of trade deficit. In 1971 it amounted to barely 82 million fxz. Afterwards this branch gradually reduced its trade deficit to 166 million fxz in 1980 [sic]. The total trade deficit for electric machinery industry trade surpassed 29 billion fxz for the decade. Our steel industry is another branch which is gradually decreasing their debits. They achieved their peak in 1976. At that time their unfavorable trade balance in metallurgical products amounted to over 2.7 billion fxz, then began to gradually decline, so that in 1980 it actually achieved a trade profit of 631 million fxz. Total trade deficit for the decade was over 13.1 million fxz. Until 1973 trade in agricultural food products was in the black (183 million fxz). After that the deficit began to grow. The first billion fxz in the red appeared in 1976, by 1980 the deficit had surpassed 3.8 billion fxz and the total trade deficit for the decade was 13.2 billion.

In one branch a positive trade result was registered. Fuels and energy showed profit only in 1971 (924 million fxz), the greatest gains were registered in 1975 (2.8 billion fxz). In 1980 this branch earned 2.2 billion fxz and the total for the decade amounted to more than 19.2 billion fxz.

However, if we look at the total picture, the situation begins to be complicated. Export income during the first 9 months of the current year were reduced by 24 percent, as compared to a corresponding period of the last year. Expenses for imports from capitalist countries were 19 percent lower. This gradual decrease in net income makes an increasingly difficult repayments situation. In March this caused an increase in interest payments for foreign credit and made it necessary to start negotiations with the creditors on the subject of re-financing or postponing the terms of our debt repayment. The accords reached on these matters are known, however, one must not lose sight of the basic conditions. It is absolutely necessary to maintain a set level of export income and to insure a continuous control of that portion of our obligations which was not postponed. A further decline in exports--as noted in the above mentioned report made available to the press corps--may cancel the prospects to live up to the agreements which we have reached with our creditors.

To make this a complete picture, a brief note on our balance of payments with the socialist countries. This balance has also shown a gradual trade deficit increase. In 1980, the expenditures for imports from these countries exceeded our exports by 3.7 billion fxz. This was the direct consequence of shipments made of goods destined to aid Poland in overcoming the economic difficulties by socialist countries and principally the USSR. During the first 9 months of 1980, our export income was about 10 percent less than for the respective period of the previous year. At the same time our payments for imports rose by about 4 percent. Trade deficit reached a record high of 3.8 billion fxz.

To sum it all up, our indebtedness, as of 30 September 1980, amounts to 82.3 billion fxz, of that about 10 billion fxz is our debt to socialist countries.

Such picture provokes several after-thoughts, though only one conclusion: if we wish to endure, if we wish to receive additional, indispensable credits, then Poland must achieve a fundamental turn-around in export situation. Otherwise the flow of imports, without which we cannot do, will be curtailed.

9511
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VARIANTS IN 1982 ECONOMIC PLAN EXPLAINED

Krakow GAZETA KRAKOWSKA in Polish 2 Nov 81 pp 3,4

[Article by Z. Madej: "On the Draft of the Central Socioeconomic Plan: The Year 1982, a Variant of Fears, Hopes, or a Real Middle?"]

[Text] Thanks to a deputy's initiative last year, government representatives are requiring a new approach to plans, beginning with the year 1982.

Back during the stage of preparing the targets for the plan, we have the obligation of sending to the Sejm the government's intentions for the next year. This is consistent with numerous postulates concerning the need for deputies to participate in the structuring of future draft plans.

The initial targets for the draft of the central socioeconomic plan for 1982 are the first official planning document presented in variant form in the history of planning in Poland. It contains three probable trends in economic development in 1982: a variant of fears, hopes, and intermediate position, which could be called the variant of a real middle.

The first variant is more or less an extension in 1982 of everything which is presently going on in Poland. To maintain these trends would lead to a further decline in production, a worsening of living conditions, to the devastation of the economy, and, as a result, to its breakdown. This is why we call it the variant of fears. We hope that it will not gain the approval of the majority of the society and that the majority will actively combat the declining trends in the economy.

The second variant, the variant of hope, anticipates an economic revitalization, production growth, a rise in national income, and an improvement in living conditions. It is based on the potential and capabilities which currently exist in our economy. Nevertheless, the most important issue is the development of the sociopolitical situation in the country. The level of production activity of the society and its approach to work will ultimately depend on it.

The third variant, the intermediate variant, falls between the variant of fears and the variant of hope. It foresees a slowing of the trends of decline in economic development and the regathering and ordering of forces, in order to prepare the ground for gradual revitalization of the economy. We find ourselves in a period of grave social conflict. The situation is exceptionally unclear, and there is great uncertainty as to the future structuring of economic and political trends. For this reason, it is difficult to make any unequivocal statement concerning the shape of the future, even the immediate future.

Coal is currently the "starter" of the Polish economy. During the first quarter of this year we extracted 41.3 million tons, but extraction fell to 40 million tons during the second quarter, and this level was maintained during the third quarter. If these trends continued into 1982, the decline in coal extraction to 155 million tons would mean a further drop in industrial production of about 10 percent and a decline in national income of about 8 percent. For decades the Polish economy has been based on coal, which provides us with 70 percent of our power, and we do not have anything to replace it with in our exports either. A decline in extraction of more than 35 million tons in 2 years and a drop in exports to capitalist countries of 18 million tons, which at today's prices would amount to more than a billion dollars, would be a terrible blow to the economy. A further decline in extraction would create the danger of the economy's falling apart and could cause effects more serious than a natural disaster. Therefore, we must do everything to avoid this pessimistic variant's coming to pass.

The variant of hope foresees the extraction of 175 million tons of coal in 1982. There are real chances for this to come true.

With 175 million tons of coal, the value of production of industry as a whole could increase by about 5 percent in relation to this year, and national income would increase by about 2 percent. Exports could be upped by nearly 10 percent. This would be a visible sign of a turnaround in the economy onto the road of growth and a chance of getting out of the crisis.

What sorts of steps are being taken to play up this opportunity? Right this year employment in mining increased by about 12,000 persons, and it is expected to increase further. The government drafted and sent to the Sejm a draft of the law on retirement benefits for miners and their families, with a provision to reduce retirement age to age 50. It also issued an ordinance permitting retired persons to continue working without losing their retirement pay and exempting earnings for holiday work from compensatory tax. A production fund for additional remuneration of miners was created. The mining industry has a foreign-exchange fund amounting to 10 percent of the value of coal exports. Justified priority is given in distributing foodstuffs to miners.

The coal difficulties must also be resolved on the level of savings. The government has drawn up a program to rationalize the consumption of fuels and power. All immediate efforts should be aimed at seeing to it that about 3 million tons of hard coal are saved in 1982.

In our country brown coal, lignite, is an important factor in the fuel and power balance. The capacity for extraction of this coal in existing mines approximates 36 million tons per year. In 1982 extraction will be increased by another 2 million tons, in the Belchatow Basin.

Agriculture is an important sector of the economy upon which the fate of the country rests. Here too we have variants in conceptualizing the development of the situation in 1982. The variant of fears assumes certain adverse weather conditions and projects that crop production may be lower than in 1981. On the other hand, livestock production should be higher, because of this year's good harvests.

All efforts should be united to proceed in the direction of the variant of hope, but today we cannot say that this can be accomplished. After all, this year we had good yields and good harvests, but procurement of grain and animals for slaughter is going very badly. In our country we need about 6 million tons of grain for consumer purposes, but we procured only about 1.3 million tons of the total 4.2 million tons planned. If this trend continues into the fourth quarter and next year, then in this sector too the economy is getting close to that impassable barrier beyond which consequences similar to the effects of a natural disaster begin to appear. There is not enough grain for bread, and foreign-exchange for additional imports just is not there. A similarly dangerous situation may also occur in the area of livestock procurement.

What measures are intended to prevent this? Introduce in the autumn a system of linking commodity to commodity in trade between town and country. Further shifting of industrial production to meet the needs of agriculture. Provide incentives for the migration of people to work in agriculture. In foreign trade we find the following: a decline in the economy's export capacity, exceptionally burdensome indebtedness in the capitalist countries, and recent improvement in indebtedness to the socialist countries.

The variant of fears foresees exports on the level of 19 billion foreign exchange zlotys to the capitalist countries, which is less than this year's; imports from this area are targeted at a level of 15 billion foreign exchange zlotys, which is 27 percent lower than in 1981. The decline in imports will have an adverse impact on the supply of raw materials and other materials for industry.

In the variant of hope exports to the capitalist countries were projected at 23 billion foreign exchange zlotys, which is 19 percent higher than this year's figure. This corresponds to the growth projected in this variant for coal extraction, industrial production, and agricultural production. Our imports from the capitalist countries in this variant are expected to be on the level of 22 billion foreign exchange zlotys. This is based on the assumption that despite everything it will be possible to obtain credit to get the economy moving.

In exchange with socialist countries, we do not foresee very great differences from one variant to another. These relations are based on the most stable and long-term foundations. It is in our most vital interest to strengthen further our economic cooperation with the Soviet Union and other socialist countries.

If the current trends continue next year, with regard to the domestic market, the population's cash income will increase by about 380 billion zlotys but market deliveries would have to decline by between 140 and 150 billion zlotys. This would cause the market to break down completely and make it necessary to introducing a universal rationing system.

There is a disparity between the population's justified aspirations and needs and the real economic situation. Social considerations have called for, and are continuing to call for, a rise in wages and income, for the development of social benefits, but this growth was carried out last year apart from, and even contrary to, the course of production processes and during a period when there was a general decline in social labor productivity. The economic bond between town and country has been broken. Procurement has slowed. These trends can and must be counteracted.

In the variant of hope it is projected that the flow of money to the market will be half and that commodity deliveries will be larger. It is also anticipated that the retail price reform will be introduced for the prices of basic foodstuffs, fuel, and power. Compensation will be introduced for part of the society, but people earning in the higher brackets will have to bear part of the costs of this operation.

Next year we can expect a greater rise in production, especially that of confectionary products, pharmaceuticals, soap and hygienic items, underwear, clothing, and footwear.

This year the budget deficit will amount to about 200 billion zlotys, and next year it may even increase to 500 billion.

It is anticipated that the draft of the plan for 1982 will consist of two parts: a forecasting and information section and a targets section. The first part is to include forecasts of socioeconomic phenomena and will serve as the informational basis for the provisions of the central plan and one of the informational foundations for drafting the plans

of the enterprises. The second section will contain general economic figures of the central plan and operating programs concerning socioeconomic goals which have priority.

A special part of the plan will consist of operating programs concerning priority areas such as food, public health, exports, fuel, power and raw materials, deliveries to meet national defense and security needs, and so on. The execution of these tasks will be obligatory in nature.

Initial targets have already been worked out for the draft of the central socioeconomic plan. The materials have been sent to the deputies and also to more than 120 enterprises and to central agencies and the ministries. Next the ministries and banks will work on the individual parts of the draft of the plan. This work will continue to the middle of this November. Then there will be the drafting of the annual central plan, and after the Council of Ministers has reviewed it, it will be sent to the Sejm at the end of November.

On behalf of the basic interests of the nation, we must put an end to the confusion. Now it is not merely the considerations of the political regime but also social and even biological considerations which make it impossible for the economy to keep testing ambitious, political games.

10790
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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 24 Nov 81 p 4

[Text]

Polish National Bank Warsaw 24 November 1981

Excerpt From Foreign Exchange Rate Table No 22/81

Special Currency Exchange Rates in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Australia	1 Australian Dollar	38.86	40.44	39.65
Austria	100 Schillings	218.89	227.83	223.36
Belgium	100 Francs	91.44	95.18	93.31
Denmark	100 Kroner	476.52	495.96	486.24
Finland	100 Markkas	786.79	818.91	802.85
France	100 Francs	609.31	634.17	621.74
Greece	100 Drachmas*	60.86	63.34	62.10
Spain	100 Pesetas	35.70	37.16	36.43
Holland	100 Florins	1,402.29	1,459.53	1,430.91
Japan	100 Yen	15.07	15.69	15.38
Yugoslavia	100 Dinars*	90.00	93.68	91.84
Canada	1 Dollar	28.77	29.95	29.36
Lebanon	100 Pounds	743.53	773.87	758.70
Luxemburg	100 Francs	91.44	95.18	93.31
Norway	100 Kroner	582.81	606.59	594.70
Portugal	100 Escudos*	53.20	55.38	54.29
Federal Republic of Germany	100 Marks	1,531.80	1,594.32	1,563.06
United States	1 Dollar	34.20	35.60	34.90
Switzerland	100 Francs	1,941.36	2,020.60	1,980.98
Sweden	100 Kroner	623.96	649.42	636.69
Turkey	100 Pounds*	28.53	29.69	29.11
Great Britain	1 Pound	65.62	68.30	66.96
Italy	100 Lira	2.87	2.99	2.93

*In purchase of currency from below listed countries the following exchange rates are used:

Greece	100 Drachmas	55.45
Yugoslavia	100 Dinars	75.87
Portugal	100 Escudos	48.47
Turkey	100 Pounds	26.04
Italy	100 Lira	2.62

Special currency exchange rates are used in settlement of accounts for current transactions.

Basic Currency Exchange Rates With a Surcharge in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Albania	100 Leks	181.84	183.66	182.75
Bulgaria	100 Leva	2,618.66	2,644.98	2,631.82
Czechoslovakia	100 Koruny	230.44	232.76	231.60
People's Republic of Korea	100 Won	1,057.19	1,067.81	1,062.50
Cuba	100 Pesos	1,730.05	1,747.43	1,738.74
People's Republic of Mongolia	100 Tugriks	459.41	464.03	461.72
German Democratic Republic	100 Marks	720.13	727.37	723.75
Romania	100 Lei	215.42	217.58	216.50
Hungary	100 Forints	156.23	157.81	157.02
Vietnam	100 Dongs	201.08	203.10	202.09
USSR	100 Rubles	2,304.42	2,327.58	2,316.00

Basic currency exchange rates with a surcharge are used for nontrade payments. For travelers checks purchased in rubles from the Foreign Trade Bank of the USSR, and payable outside the USSR in the currency of the country where used, the exchange rate of 4,950.20 zlotys for 100 rubles will be used. Exchange rate table No 21/81 dated 2 November 1981 is no longer valid.

Exchange rate tables are available for view at all branches of the Polish National Bank.

CSO: 2600/85

BRIEFS

CLOSURE OF FOUR AIRPORTS--The ministry of transportation's proposal to close down the Poznan, Zielona Gora, Slupsk and Bydgoszcz civil airports in order to conserve fuel is being discussed by the appropriate authorities, air personnel and socio-political organizations. [Warsaw TRYBUNA LUDU in Polish 25 Aug 81 p 2 AU]

COAL PRODUCTION DOWN--According to the ministry of mining and energy, miners produced 585,455 tons of coal on 25 August, compared with the 604,327 tons of coal mined daily in July. [Warsaw TRYBUNA LUDU in Polish 27 Aug 81 p 2 AU]

CSO: 2600/75

DISCUSSION OF PRIVATE CAPITAL IN SOCIALIST SYSTEM

Belgrade KOMUNIST in Serbo-Croatian 6 Nov 81 p 9

[Article by Esad Zgodic: "Opportunities for Self-Reproduction of Private Capital in Yugoslavia"]

[Text] It seems that neither our theoretical thought nor practical political thinking has been devotedly vigilant on the question of how great the possibility is for private capital, in spite of all the public supervision, to take on the attribute of a social force that has become independent, that is, to articulated interest, in either an organized or spontaneous way, as an autarkic factor in our political reality, a factor relevant to the system. After all, it is well known: private capital, especially in certain highly accumulative forms of its existence, once it has been created, is not scrupulous about either the methods or means of its self-reproduction. Put more simply, no social system can impose a level of taxation or other forms of restriction on private capital equal to its ability, carried forward by the logic of its nature, to reproduce itself. It is a fact that to some extent privately owned capital is socially organized in the political system of socialist self-management: it has its associations, but it is also incorporated into the delegate-political system as a whole (for example, through delegations in assemblies of sociopolitical communities). It is thereby acknowledged not only as an economic agent, but also as a political agent, an agent, of course, with a socialist orientation.

Private Capital Cannot Be Judged Solely on the Basis of Statistics

So, to whatever extent the interest of private capital has been legalized as one of the interests in the pluralism of self-management interests, and to whatever extent that interest is realized through the legal institutions of the political system of socialist self-management, which, of course, constitute both limits on development and forms of social oversight, the question still remains whether our political self-consciousness is in part making concessions to private capital, according it the honor of being if not a social force that has become independent, then at least an important social force with a cooperative function? Have we in theoretical terms, in our social science, and in practical political terms thought out the limits on and prospects for development of private capital? This demand that the social status of private capital be judged from the standpoint of its future prospects, rather than from the standpoint of the pragmatic social concerns of the moment, should not cause any bewilderment in view

of the fact that it is possible for private capital to develop on self-management foundations. Which means that this question also implies a need for thought to be given to the question: Can our experience in developing certain forms of private capital--for example, under the heading of contract organizations and the like--basing itself on manufacturing organization and the division of labor, become a relevant form of production on self-management foundations?

Caution and the fear of developing private capital beyond the limits of socialist capital are often answered in our public with the tale of how private capital is on the one hand a function of the development of socialized production (in the sense of cooperation), while on the other it can become excessively rich only through dishonest operation and unlawful speculations. That is, of course, true, but the fact that speculation is inherent in the nature of the self-generation of private capital is forgotten in such tales. There is no reason for that nature of private capital to be modified either by the logic of moralizing or by the strength of a social force. So, this question specifically implies the need to think out the manner in which we will treat the particular sectors of that capital both in the news media and also in other forms of organized political interest. It is certain that there are quite a few examples which demonstrate that this attitude ranges from dogmatic rigidity to uncritical liberal support.

We do not judge the development of our private capital solely on the basis of statistical data on the number of citizens who are, in the conventional jargon, working with the means of labor which are their own property. This development can also be monitored in terms of the kind of external manifestations and organizational forms private capital is taking on. One such manifestation is the phenomenon of the growth and organization of that capital through manufacturing organizations of a kind that are formed on a family basis. This is not a question of passing on a "trade" from father to son, but of a phenomenon in which nuclear or extended families reproduce their capital by taking over a particular sector of production after the pattern--from the needle to the thread. What is it but a small manufacturing company (with new content and relations, of course) when a family in the broad sense "produces" everything necessary for a human burial [original reads "nutrition"], from the wreath and the coffin to the death certificate. That is indeed the name of the game: it is easier to maintain a monopoly that way. And monopoly is the heart of it--the machine for self-reproduction of capital. Monopoly and other forms of threat to the interests of socialized labor are not created solely on this basis.

Perhaps even inflation has some relation to the strengthening of capital in the private sector, at least to a minor extent. That is, the question might be put: Have we, and to what extent have we thought about the degree of impact which the large power of private capital as a consumer, especially of certain of its sectors--tavernkeepers, hotel owners, dredging machine owners, private truckers, merchants, etc.--is having on creation of the fever of consumerism and on creation of the needs of the market, which are needs only in appearance, by contrast with the ordinary citizen's power as a consumer? If we add to this the power of Yugoslavs returning from employment abroad as consumers (and of those who have not yet returned, but are spending foreign currencies at New Year's and

on other occasions, when they all but empty the shops), as well as the power as consumers of other strata in society which occupy a high place in the distribution of material power, then it is understandable that the illusion of the size of our citizen's power as a consumer is growing. It is sometimes forgotten in this connection that the vigorous and advertised recent social campaign to raise the standard of living of workers with the lowest personal incomes was not only politically motivated or borne along solely by the ethics of humanistic solidarity; it was also in part an economic imperative insofar as its purpose was to guarantee adequate reproduction of creative manpower as the basic precondition of production itself.

Are We Acquainted With the Informal Social Power of Private Capital?

Certainly one of these questions is this one: To what extent have we thought out in theoretical terms the informal social power of private capital, to what extent do we have a political self-awareness in this field, and to what extent have we made a practical study of the informal social power of private capital; and then, why is it that all of a sudden private capital has become so attractive that, for example, teachers are leaving schools and opening little cafes, physicians are building restaurants, and well-known athletes are going back to the business of the private sector, and so on? These questions concerning the value aspects of the social status of our private capital also urgently require that we develop a critical awareness of a mythology which is being popularized ever more shamelessly: a myth is being created about the private sector in which there are more and better earnings. But that mythology, which links "private" and "business" into an indissoluble association, that myth of the private as being economically and socially the most productive, also makes its entry by other channels, above all via the uncritical reification of the world of private capital in the West, which is still the economic ideal for the bourgeois consciousness, but still an ideal which is always sullied to some extent with petty elements of immorality, exploitation and alienation. So, attention also deserves to be paid to this question: What are the repercussions on our value system of the success of our private capital on the one hand and on the other of idolatry of the bourgeois world (not only through fashion, taste, art, show business, life style, the sex industry, etc.) through an idealized conception of the welfare state and of that world of private capital? Of course, we do not regard the private domain as the only, nor even the essential source of elements of bourgeois restoration at the level of values, but its influence in the period of its legally restricted rehabilitation should not be overlooked. Which is why this moral dimension which it has will quite frequently be a topic of reflection for our committed theorists.

All these questions should not, of course, be taken as a demand for organizing a crackdown on the private sector. But at the same time there is both in theory and from the standpoint of our society's historical development the question of whether the time has not come (avoiding all blaring alarmism) to put the question in the focus of critical social self-consciousness, without hypostasizing this phenomenon, of limits on the development of private capital on "self-management foundations," that is, of limits this side of expropriation, i.e., of a new revolutionary act. When we speak about the development of the private sector within self-management, it is in the terms of the historical future that we

are thinking; so that it is that future which we are judging, and not merely the present or some short-term period. This question, then, does not imply insistence on any interdiction or isolated examination which would divert scientific and political consciousness from the central issues of the future development of socialist self-management. Note should also be taken that the fact that the countries of eastern socialism are opening up room for private farm plots cannot be taken as a possible contribution to our policy toward private capital either, since that is something else.

There Is a Need To Establish the Status of Private Capital and the Limits on Its Development

We feel that through its committed journalistic activity KOMUNIST could make an evident contribution not only to our theoretical thought, but also to political practice in the sense of awakening motivation and in the sense of concentrating attention. After all, the seriousness of these issues derives from the fact that the republics and provinces, except in the domain of fundamental principle, are to some extent conducting a differing policy concerning the social status and development potential of private capital (which, of course, we refer to in more carefree terms). What all this could mean is a question in and of itself: From the concentration of capital in one area to a demand for its expansion? An expansion which arises through demands for legalization of new forms of private capital: bus service, private galleries, private bookstores, private stores, medical and dental practice, and so on. And where are the limits and what are the consequences, not in the context of now, but in the context of tomorrow, in a historical perspective, from the standpoint of the goals of the revolution? In putting questions in this way, we turn aside all ominous foreboding or tendentious prophesy. This is just a question of the need for the status of private capital and the limits on its development (assuming private capital is necessary in the first place) to be defined in theory and policy on an ongoing basis within the terms of the crucial substance of our social community--socialist self-management.

7045
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PROBLEMS IN IMPLEMENTING IFC PROGRAM FOR SMALL BUSINESS

Belgrade RAD in Serbo-Croatian 13 Nov 81 p 3

[Article by V. Miljkovic: "I Want the Dollars, But Then Again Maybe I Don't"]

[Text] The IFC (International Finance Corporation) approved a loan back in mid-1980 amounting to $32 million for our small business. A contract was in fact signed, but an entire year passed before the first tranche amounting to only $1.2 million was withdrawn. It is expected that by the end of this month we will withdraw the second tranche in the same amount. All in all, in 16 months we have managed to use slightly more than $2 million, which is a negligible amount by comparison with what stands available to us from that international institution.

At the time when the contract was signed, we stressed that the line of credit from the International Finance Corporation was a good stimulus for development of our small business. We did not hold back in our assessment that these investments would speed up the involvement of small business in export transactions, import substitution, as well as greater abundance of supply on the domestic market.

One had the impression that we were well organized. The Bank of Ljubljana was acting as the agent, and every republic and province delegated to the consortium one commercial bank which would take over $4 million of the loan and assume a commitment to furnish additional dinar funds in twice that amount. We obtained the loan on favorable terms and conditions: an interest rate of 11 percent, a repayment period of 9 years, and a period of 3 years before repayment begins.

Our Desires Are To Be Carried Over Into Programs

It was expected that we would invest these funds in small projects which would be set up quickly and would become profitable in a short time. There was also good reason to suppose that we would have an abundance of opportunities to invest. It turned out the opposite--we had nowhere to put the money.

Were the slow use of this loan motivated by thrift, there would be every justification. The reason for the lateness, however, lay in the poor cooperation among the banks, the economic chambers and associated labor. The lateness was

because this effort was avoided on behalf of easier jobs, because we were not ready enough to undertake a vigorous effort to resolve a number of problems that have arisen.

The first oversight was committed when we entered into signing the contract on the loan when we did not have projects already. We did not examine precisely what projects we would invest the money in, nor what equipment we would obtain on the domestic market and what equipment we would have to import, how we would regulate import rights relative to the power system, and above all we did not consider who would be responsible for those investment projects. Since we did not have projects ready, we could not expect the commercial banks to provide the dinar funds to which they were committed. Thus we had at least two solid reasons for letting the line of credit lie idle.

Yet one would say that the role of the banks in our society cannot be reduced to the passive appropriation of funds. Our commercial banks should have been helping the economy more vigorously in selecting and developing programs. It is well known that entire teams of specialists worked on so-called "new products" in the largest banks in the world. In our own context the banks would make an essential contribution to stabilization were they to propose lucrative programs and to furnish the funds for them.

This did not, of course, diminish the responsibility of associated labor and the economic chambers, which should have cooperated better in drafting programs. We have a great number of experts, and we have also gained a great deal of experience. We are known in the World Bank--and the IFC is an affiliate of the World Bank--as a developing country which submits highly competent and extremely well documented projects, but we fell short on projects for our small business.

The Computer Is Waiting for Lists

On the whole we know what we want from small business; this we have clearly set forth in the social plan. We have agreed that we want to build new projects in small business and to expand and modernize existing ones for production in cooperation with large-scale industry, for production which will augment exports and reduce imports, and which will open up new jobs. We have agreed that large systems would be vehicles for the plans for small business and that in this way they would ensure their more profitable business operation and regular supply of small semifinished products.

Yet for something new to be planned, we should first know what we have available in the small business sector and how these plants are operating and what results they are achieving. Unfortunately, these figures do not exist. Small business is registered in the statistics lumped together with the entire economy, since the Social Accounting Service and statistical bureaus did not receive in good time the lists of those enterprises so they might put them in a separate column. The train has already been missed for last year--the pages have been removed from the computer. Hope remains that it will be possible at least for this year, on the basis of the year-end statements, for the data on small business to be given separately in statistical reports.

No one can specifically compute whether the programs for small business can survive that long and what the consequences of the delay will be. In the meantime it remains for associated labor to muddle through with the scanty information and to use it to improvise large programs for small shops.

Since the programs are late, the loan is hardly being used, and the 3-year period before repayment begins, which started at the moment when the contract was signed, is passing. That means that one advantage is losing its value: it is not a matter of indifference whether repayment of the loan begins when an operation is already running smoothly and is profitable or when it has just gone into production, or, still worse, while it is in the construction phase.

The pity is all the greater that the few programs we have managed to complete show that the effort was worth the trouble. Among other things, this can be easily seen from the example of the onyx and travertine mine in Svetozarevo, which has already been opened with funds from this line of credit, and 50 percent of the output is intended for export.

Is a New Line of Credit Justified?

In approving the first credit for our small business, the International Finance Corporation has announced its willingness to allocate new funds for this purpose at the end of this year in the amount of $65 million. How much sense would it make for us to enter into the new arrangement when we have not been quick enough in making use of the one already concluded. After this experience will the IFC be willing to undertake new negotiations? The creditor's decision must be based on the results achieved to date in discharging the provisions of the existing contract and on figures on the benefits from the investments which have been made.

As matters stand at present, we will have to wait a bit longer for the results of the investments, and it cannot be said that performance of the provisions of the contract has been going smoothly. That is, it is well known that the IFC is interested in encouraging investments in private plants, and thus it was stipulated that the loan for our small business was to set aside 20 percent of the funds for activities conducted on the basis of self-employment.

At first glance this would not seem to present any problems. Our constitution provides for self-employment as well as for establishment of associations between independent activities in the private sector and work organizations through various forms of cooperation and other types of collaboration. We have indeed sound experience in this. To be sure, the latest available figures are for 1979, but it is worth stating that even at that time Yugoslavia had 167,841 self-employed persons, otherwise referred to as private entrepreneurs. In addition, they employed 78,353 workers. A calculation was even made that this form of activity has been making quite a contribution to creation of new jobs. It was envisaged for the planning period from 1976 to 1980 that employment in activities in the private sector would increase at an average annual rate of 8.1 percent, but the actual rate was only 4.1 percent.

In view of these facts it remains explicable why a problem has arisen in using that portion of the line of credit intended for activities in the private sector. It is true that under the Law on Foreign Exchange Transactions private entrepreneurs cannot be actual recipients of a loan in foreign exchange. Moreover, they cannot be furnished foreign exchange to repay a loan, since they are not direct exporters. Another problem lies in differences in rates of exchange which occur in connection with repayment of the loan, as well as in qualifying for rights under the tariff regime to import equipment. But the problem is considerably more simple if advantage is taken of the possibility offered by the agreement on the contract organization with work organizations and trade organizations. In the case of this loan, Vojvodina quickly overcame the problem for subcontractors of Merkur of Ada. SR [Socialist Republic] Croatia also proposed a solution through the Work Organization Itas of Kocevje. There is every indication that the problem can be solved, but still the effort to solve it has been going slowly.

We do have self-managing communities of interest for cooperation with foreign countries, and we do have economic chambers and the banks. All these institutions were established to help associated labor, to become involved in establishment of links and collaboration. All of them together have the capability first to provide the programs and to find all the administrative solutions, and then to sign contracts on international loans. As it is we have built up a pile of loans; if in addition we make ineffective use of them, they will do more harm than good.

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'UNCONTROLLED' LEASING OF FARMLAND IN VOJVODINA

Belgrade KOMUNIST in Serbo-Croatian 6 Nov 81 p 7

[Article by Branko Krstin: "Land Policy: The Law Is 'Turning a Blind Eye' on Offenders"]

> [Text] In the interest of stability and organization in food production the time has finally come to put a stop to the uncontrolled leasing of land, to abuse and to the bending of regulations, which have taken on large proportions in Vojvodina.

A merchant cultivates 72 acres of land--which exceeds the maximum fourfold for a farmer and more than 14.5-fold for someone who is not a farmer!

However much this datum--presented in a meeting of the regional economic chamber in Zrenjanin attended by representatives of eight Central Banat opstinas--deserves to be put in some "believe it or not" newspaper feature, it never will be. Not because there is no such feature, but primarily because there are people who believe that this case is no exception at all, nor even a record. There are no altogether precise data on this in any opstina in Vojvodina, since all this is done very cleverly on a "one-to-one" basis, and the inspectorates themselves are not effective enough. Usually the discussion concerns young farmers who are well equipped with machinery and who cultivate their own, their father's, their mother's, their brothers', their sisters' land, a few hectares of their nearest neighbor and several acres of their closest friend or of a farm belonging to elderly people. But there are also examples where agronomists, tractor drivers, or officeworkers buy or rent land and cultivate that land of theirs or someone else's with equipment that is owned by society. Many take advantage of their job to obtain supplies more quickly and sell their goods on favorable terms, bypassing even the organization of cooperators. There are similar trends in the production of fattened young beef cattle, hogs and broilers. Nor is it rare for these "agricultural specialists" to include economists, lawyers, merchants, teachers, craftsmen and tradesmen, and others for whom food production is not their official occupation and who often use even hired labor, and indeed even credits under the Green Plan.

It is very difficult to obtain data on all this from the opstinas. But here are some of the most significant figures.

A certain veterinarian manages apart from his job to fatten as many as 150 hogs at a time. In Zabalj Opstina there are 52 employed persons who are tilling more land than the maximum allowed by law. In Novi Sad there are two supervisors who are renting 10 hectares apiece. In Pecinci there are 84 employed persons cultivating more than the allowed maximum, and in Senta 3 workers at the sugar mill are renting 52 hectares of socialized land. In Kikinda a pensioner is cultivating 40 cadastre acres, a cabinetmaker 50, and a private tradesman all of 80. A kind of record is held in this group by the manager of the farm machine pool in Vrbas, who is renting between 50 and 60 acres of land, and he even has 2 combines!

How Are We Managing the Land?

Just these few figures, along with the fact that the list is not complete nor altogether precise, clearly indicates that there is quite a bit of laxity in land management. After all, it is not difficult to conclude that all those who are renting sizable areas without being hampered or are farming in their "free" time as the most progressive "pure" farmers--are committing an extremely large number of offenses. Since there are no precise data on their work, we must believe that they are not discharging their tax obligations, they are endeavoring to derive as much as possible from the land with a minimum of investment, whereby they are ruining the land, and most often they are planting their crops and selling the harvest aside from all plans and the organized market. In so doing they are disrupting the efforts which are supposed to lead us toward greater stability in production and in better supply of the market.

Someone will perhaps say that for now it is better to "look the other way" and even allow this kind of production than for large areas to be left fallow. But that would mean reconciling ourselves to a breaking of the law which would make it possible for individuals to find a way to cultivate more land and own more machinery than certain OUR's [organization of associated labor] of cooperators. Especially when it is not possible to bring about the increase in food production that is so needed and the development of agriculture in rural areas because of the disorganized production and uncontrolled renting of land. The trouble is that the people who are farming in their "free" time and cultivating rented land are mainly those same people who are receiving their personal incomes for forming farmers' associations, for granting pensions to elderly people with farms, for organizing and augmenting the production of industrial crops and for all the other things which are characteristic of a modern agriculture. Finding themselves at that crossroads, a majority decides to work more vigorously on "their own" holding. Recently a farmer in Kula said: "How is an agronomist going to come to my field when he has so many problems on his own, which is larger than that of the OUR of cooperators!"

This excessive interest in "their own" holding also probably accounts for the very frequent phenomenon of a lack of interest which those employed in socialized agricultural organizations show in the jobs through which they obtain their

personal incomes. How otherwise to explain the fact that the number of associated farmers has not advanced beyond the initial success either in content or in numbers and that only about 5,000 hectares have been obtained by awarding pensions to elderly owners of farmland, while the planning target was 100,000 hectares. Whereas, for example, the Kikinda, Zrenjanin and Zitiste opstinas have managed to create conditions under which more than 400 associated farmers are paying for old-age and disability insurance, this kind of protection against old age has been chosen by only 2 farmers in Mali Idjos Opstina, only 1 in Alibunar Opstina, and not a single farmer in Titel Opstina. One can on that basis put the question: Is it possible that there is not a single farm household consisting of elderly members, often without heirs, that wishes to relinquish its land for a pension in Alibunar, Backa Palanka, Backi Petrovac, Bela Crkva, Beocin, Irig, Srbobran, Stara Pazova, Temerin and Sid? Why is it that in 12 opstinas there is not a single farmer who is not a member of an association that would agree to pay for disability and old-age insurance, so that Sremska Mitrovica Opstina, which has only 28 farmers signed up, is regarded as the most successful one?

How Much Does Land Cost?

The answer to these questions usually lies in the almost improbable attitude of those employed in socialized agricultural organizations toward farmers. Recently the "specialized staff services" in Kikinda, when they were bringing previous pension contracts into conformity with the provisions of the supplemented law, calculated that in 1978 land was more expensive than today, though it is well known that in recent years there has been an outright scramble for land. A characteristic example is that of the elderly woman in Melenci who was awarded a monthly pension of barely 2,040 dinars in exchange for 3.5 hectares. Had she leased that same land out for a year, she would have received perhaps three times as much. There are probably other similar examples among the 1,944 pensions awarded to elderly owners of farmland, since in exchange for an average of 2.5 hectares they have received monthly pension benefits averaging only 1,577 dinars. There is good reason, then, to put the question: How bad, remote or broken up must a landholding be, and these are the terms usually used by the socialized organizations, to have such a low value? Rather it might be said that the 56,000 persons employed in socialized organizations, whose average earnings are about 10,000 dinars, are wrapped in a cloak of self-satisfaction through which they are unable to see how elderly farm people are living with a minimum pension of only 890 dinars.

There Is No Stabilization Without the Private Farmers

Food production at present requires much more stability and organization if the goals of economic stabilization are to be achieved, and this does not apply to Vojvodina alone. Without the private farmers who own 60 percent of the plowland and two-thirds of the livestock population in Vojvodina, it is an illusion to think about achieving any of the goals agreed on. Especially since augmentation of food production cannot be achieved by developing new land, but only by more complete, optimum and sensible use of the existing natural resources. That is why it is possible to count on an increase in food production only if better use

is made of the 300,000 hectares on farms where the owners are elderly and of the approximately 1 million hectares of private farms and their livestock population. By no means can this be done through uncontrolled leasing of land, through abuses and through lawbreaking.

No one can violate the law beyond what we allow him to. It seems that recently we have been allowing too much.

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END

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11 December 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2210

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11 December 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2210

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YUGOSLAV-ALBANIAN TRADE LISTS FOR 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 12, 27 Oct 81 MEDJUNARODNI UGOVORI pp 687-689

[Decree ratifying the protocol on commodity trade between the Government of the Socialist Federal Republic of Yugoslavia and the Government of the People's Socialist Republic of Albania for 1980, signed in Tirana 13 October 1979]

[Excerpt] List A/1980. Exports From the People's Socialist Republic of Albania to the Socialist Federal Republic of Yugoslavia

No 1	Commodity Designation 2	Unit of Measurement 3	Quantity or Value 4
1	Chromium ore	Thousands of tons	230
	Kamtropoa alone	"	50
2	Chromium concentrate	"	5
3	Liquid asphalt	"	20
4	Natural asphalt	"	1
5	Gasoline	"	10
6	Diesel fuel	"	5
7	Electric power	Thousands of dollars	5,500
8	Copper wire	"	300
9	Sea salt	Thousands of tons	20
10	Naphthenic acid	Tons	100
11	Machine-made garments	Thousands of dollars	1,450
12	Knitted underwear	"	200
13	Cotton fabrics and other goods sold by the meter	"	500
14	Cotton yarn	Tons	300
15	Urea	Thousands of tons	2
16	Miscellaneous chemical products	Thousands of dollars	240

List A/1980 (continued)

1	2	3	4
17	Parquet flooring	Thousands of m^3	14
18	Miscellaneous wood products	Thousands of dollars	130
19	Cement	Thousands of tons	20
20	Consumer goods	Thousands of dollars	50
21	Handicrafts	"	800
22	Books, school supplies, phonograph records, etc.	"	100
23	Tomato paste	"	50
24	Essential oils	"	400
25	Medicinal herbs	"	1,000
26	Sage oil	Tons	7
27	Rosin	"	600
28	Turpentine	"	50
29	Cognac	Thousands of dollars	500
30	Tobacco	Tons	2,000
31	Bay leaves	"	10
32	Tropical fruit	Thousands of dollars	130
33	Dried fruit and vegetables	"	250
34	Services	"	100

List B/1980. Exports From the Socialist Federal Republic of Yugoslavia to the People's Socialist Republic of Albania

No	Commodity Designation	Unit of Measurement	Quantity or Value
1	2	3	4
1	Reinforcing steel	Tons	2,000
2	Structural steel	"	1,000
3	Steel rails and connecting plates	"	2,300
4	Steel cable	"	500
5	Omnia strip	"	190
6	Rolled lead products	"	112
7	Rolled zinc products	"	100
8	Lead alloys	"	300
9	Refractory brick	"	8,000
10	Electrodes	Thousands of dollars	200
11	Ferroalloys	Tons	350
12	Ferromanganese for blast furnaces	"	900
13	Ferrosilicon	"	1,500

List B/1980 (continued)

1	2	3	4
14	Ferrochromium	Tons	140
15	Molding sand	"	1,900
16	Asbestos	"	2,100
17	Chain	"	130
18	Steel bottles	Units	2,700
19	Cotton	Tons	2,500
20	Unwashed wool	"	80
21	Synthetic yarn	"	85
22	Heavy hemp rope	"	96
23	Light hemp rope	"	240
24	Calfskin	"	200
25	Paraffin	"	200
26	Dibasic calcium phosphate	"	400
27	Bakelite	"	68
28	Sodium perborate	"	133
29	Glue	"	65
30	Formalin	"	500
31	Muriatic acid	"	1,000
32	Butyl xanthate	"	55
33	Ethyl xanthate	"	35
34	TNT	"	1,200
35	Dynamite	"	470
36	Primers for hunting ammunition	Thousands	2,200
37	Sickles and scythes	Thousands of dollars	179
38	Cloth and jute bags	"	37
39	Fire hose	"	150
40	Rubber hose	"	30
41	Asbestos products	"	200
42	Gear and equipment for industrial safety	"	26
43	Felt for the paper industry	"	300
44	Thread and other goods sold by the meter	"	800
45	Petrex and activators	"	22
46	Cardboard	Tons	350
47	Adhesive tape	Thousands of dollars	170
48	Upholsterer's nails	Tons	14
49	Ammunition for target shooting	Thousands of dollars	32
50	Glass pharmaceutical containers	"	43
51	Wrapping paper	Tons	69
52	Oxalate paper	Thousands of m^2	475
53	Inserts for packing eggs	Thousands	650
54	Stencils and other office supplies	Thousands of dollars	100

List B/1980 (continued)

1	2	3	4
55	Screws and bolts	Thousands of dollars	109
56	Shoeing nails	Tons	19
57	Galvanized drums	Units	640
58	Athletic shoes	Pairs	1,683
59	Edible sunflower oil	Tons	7,000
60	Offset paper	"	170
61	Aluminum foil	"	200
62	Cork paper	"	77
63	Extract for the soap industry	"	1
64	Cosmetic raw materials	Thousands of dollars	128
65	Adhesives for cigarettes CFU	Tons	80
66	Corks for bottles	Thousands	7,000
67	Pharmaceutical raw materials	Thousands of dollars	200
68	Livestock for breeding and young fowl	"	27
69	Screen or netting for pheasant enclosures	Thousands of m^2	76
70	Household refrigerators	Units	2,000
71	Unassembled television sets	Thousands of dollars	1,750
72	Fittings	"	400
73	Antifriction bearings	"	500
74	Pumps	"	126
75	Abrasives	"	250
76	Brake and clutch lining in rolls	"	200
77	Drive chain	"	300
78	Electronic tubes	"	420
79	Spare parts for television sets	"	110
80	Laboratory equipment and measuring instruments	"	113
81	Electric motors	"	125
82	High-voltage equipment	"	240
83	Power transformers	"	1,250
84	V-belts	"	56
85	Firefighting equipment	"	86
86	Spare parts for tractors	"	158
87	Other spare parts	"	400
88	Control panels and measuring instruments	"	95
89	Mining hammers	"	66
90	Miscellaneous	"	200
91	Services	"	800

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YUGOSLAV-ALBANIAN TRADE LISTS FOR 1981

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 12, 27 Oct 81 MEDJUNARODNI UGOVORI pp 800-802

[Decision ratifying the trade protocol between the Government of the Socialist Federal Republic of Yugoslavia and the Government of the People's Socialist Republic of Albania for 1981, with appendices, signed in Belgrade 14 July 1980]

[Excerpt] List A/1981. Exports From the People's Socialist Republic of Albania to the Socialist Federal Republic of Yugoslavia

No 1	Commodity Designation 2	Unit of Measurement 3	Quantity or Value 4
1	Chromium ore	Thousands of tons	265
	Kamtropos alone	"	65
2	Liquid asphalt	"	30
3	Natural asphalt	"	4
4	Petroleum coke	"	p.m.
5	Petroleum derivatives	"	30
6	Electric power	Millions of kwh	700
7	Copper wire	Thousands of tons	300
8	Sea salt	"	25
9	Zirconium concentrate	Thousands of dollars	100
10	Naphthenic acid	Tons	25
11	Cotton fabrics	Thousands of meters	700
12	Machine-made garments	Thousands of dollars	1,500
13	Knitwear	"	250
14	Cement	Thousands of tons	30
15	Urea	"	1

List A/1981 (continued)

1	2	3	4
16	Sulfuric acid	Thousands of tons	1
17	Sodium silicofluoride	Tons	200
18	Colophony	"	50
19	Miscellaneous chemical products	Thousands of dollars	200
20	Wood products and parquet flooring	"	150
21	Products of handicrafts and the like	"	1,500
22	Plate glass	"	p.m.
23	Tobacco	Tons	2,000
24	Cognac	Thousands of dollars	500
25	Essential oils	"	300
26	Medicinal herbs	"	1,000
27	Rosin	Tons	500
28	Tropical fruit and dried fruit	Thousands of dollars	500
29	Fresh vegetables	"	p.m.
30	Measuring instruments	"	100
31	Blooms for rolling	Tons	p.m.

List B/1981. Exports From the Socialist Federal Republic of Yugoslavia to the People's Socialist Republic of Albania

No 1	Commodity Designation 2	Unit of Measurement 3	Quantity or Value 4
1	Railroad rails	Tons	2,400
2	Reinforcing steel	"	8,000
3	Structural steel	"	4,000
4	Pipes for compression pumps	"	1,000
5	Pipes for the petroleum industry	"	1,650
6	Other steel pipe	"	4,000
7	Cast pipe	"	550
8	Steel cable	"	1,230
9	Bronze in ingots	"	500
10	Lead in ingots	"	300
11	Aluminum in ingots	"	300
12	Aluminum products	"	200
13	Alloys of nonferrous metals	"	620
14	Bronze alloys	"	360
15	Copper alloys	"	320
16	Brass alloys	"	200
17	Refractory materials	Thousands of tons	10

List B/1981 (continued)

1	2	3	4
18	Ferroalloys	Tons	5,100
19	Electrodes	"	2,000
20	Asbestos	"	2,500
21	Technical oils and lubricants	"	750
22	Cotton	"	3,500
23	Miscellaneous explosives	"	2,700
24	Printing paper and stationary	"	300
25	Paper containers	"	200
26	Cardboard and pasteboard	"	300
27	Unscoured wool	"	100
28	Synthetic fibers and yarns	"	250
29	Raw hides	"	300
30	Miscellaneous goods sold by the meter	Thousands of dollars	1,000
31	Consumer goods	"	700
32	Pharmaceutical products	"	130
33	Table clocks	"	170
34	Formaldehyde	Tons	500
35	Hydrochloric acid	"	2,500
36	Miscellaneous rubber hose	Thousands of dollars	450
37	Felt for the paper industry	"	1,000
38	Sewing thread	"	300
39	Miscellaneous chemical products	"	1,250
40	Dibasic calcium phosphate	Tons	450
41	Glue	"	70
42	Paraffin	"	420
43	PVC resin	"	280
44	Talc	"	600
45	School supplies	Thousands of dollars	150
46	Heavy and light rope	Tons	450
47	Detonators	Thousands of dollars	450
48	Sand	Tons	5,700
49	Edible oil	"	4,000
50	Powdered milk	"	330
51	Paper for the cigarette industry	"	400
52	Glue for cigarettes CFU	"	60
53	Concentrated feed for broilers	"	200
54	Drugs	Thousands of dollars	300
55	Electric motors	Units	100
56	Pumps	"	50
57	Refrigerators	"	5,000
58	Antifriction bearings	Thousands of dollars	1,800

List B/1981 (continued)

1	2	3	4
59	Miscellaneous spare parts	Thousands of dollars	850
60	Unassembled TV sets	"	1,100
61	Machines and equipment	"	1,150
62	Abrasives	"	220
63	Clutch and brake lining in rolls	"	230
64	Fittings	"	600
65	Equipment for transformer substations	"	1,200
66	Laboratory equipment and messuring instruments	"	950
67	Miscellaneous products	"	950
68	Services	"	1,000

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YUGOSLAV-USSR COMMODITY TRADE LISTS, 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 12, 27 Oct 81 MEDJUNARODNI UGOVORI pp 752-758

[Decree ratifying the trade protocol between the Socialist Federal Republic of Yugoslavia and the Union of Soviet Socialist Republics for 1980, with appendices, signed in Moscow 12 December 1979]

[Excerpt] List 1. Goods To Be Delivered From the USSR to the SFRY in 1980

Commodity Designation	Quantity or Value	
Metal-cutting machine tools	237	Units
Forging machines and presses	29	"
Spare parts for machines tools, forging machines and presses	150	Thousands of dollars
Factory equipment for motor vehicle manufacturing (machine tools)	6	Units
Steam boilers with a capacity of 25 tons of steam per hour	2	"
Devices and spare parts for power equipment, including rotor elements for steam turbines	230	Thousands of dollars
Miscellaneous power generating equipment (equipment for boilers)	80	"
Electric motors for rollers (roller conveyor motors)	340	Units
MFI-6-0.25 electric furnace	1	Unit
Parts of glass suspension-type insulators	400	Thousands of units
Low-voltage equipment	1,230	Thousands of dollars
Model CPK-2 tunnel-cutting combine	5	Units
Model PPN-18 loading machines	5	"
Drilling machines and equipment as follows:		
ZIF-1200MR	1	Unit
UBV-600	1	"
1BA-15N	3	Units
UGB-50	6	"
Miscellaneous equipment for drilling and for the petroleum industry, including spare parts	800	Thousands of dollars

List 1 (continued)

Commodity Designation	Quantity or Value	
Truck cranes as follows:		
KS-4561A	15	Units
K-3562	15	"
Model TO-18 loader	1	Unit
Equipment for the food manufacturing industry	400	Thousands of dollars
Spare parts for oxygen equipment	300	"
Wavy unit [(?) rolling mill] with spare parts	1	Complete unit
Woodworking machines	23	Units
Dredges as follows:		
EO-3322A	3	Units
EO-2621A	10	"
E-10011D	5	"
E-304B	2	"
E-1252	4	"
ETC-252	5	"
ETC-202	6	"
ETC-165	8	"
EKG-4.6	3	"
Spare parts for dredges	1,000	Thousands of dollars
Self-propelled road graders, 90 HP, DZ-99A 1 (D-710B)	3	Units
Self-propelled road graders, 130 HP, DZ-31-1 (D-557-1)	2	"
Self-propelled road graders, 250 HP, DZ-98 (D-395)	5	"
Bulldozers mounted on the T-130 tractor, 160 HP (DZ-110A)	22	"
Bulldozers mounted on the DET-250 tractor, 300 HP (D-572)	2	"
Self-propelled scrapers, scraper capacity 8 m^3, D-357P1	5	"
Asphalt mixers D-508-2A, 25 tons/hr	2	"
DS-126 asphalt-paving machines	5	"
Spare parts for roadbuilding machines	2,000	Thousands of dollars
Kama-3 pumps	30,000	Units
2H-6T (H20/81-T) pumps	2	"
Spare parts for 2H-6T-1 (H20/81-T) pumps	3	Thousands of dollars
VOD-21 fans	2	Units
Equipment for the printing industry, including spare parts and matrices	2,800	Thousands of dollars
Equipment for stores and the food service industry	140	"
Black-white television picture tubes	160	"
Communications equipment	115	"
Instruments as follows:		
Electrical measuring	230	"

List 1 (continued)

Commodity Designation	Quantity or Value	
Radio measuring	150	Thousands of dollars
Hydrometeorological	315	"
Optical	300	"
Rescue equipment	100	"
Cinematographic equipment	100	"
Binoculars	530	"
Stopwatches	75	"
Antifriction bearings	5,380	"
Medical equipment and instruments	300	"
Metal-cutting tools	920	"
Abrasives	15	"
Synthetic-diamond tools	1,600	"
Hard alloys	1,000	Kilograms
Tractors as follows:		
T-25A1	1,200	Units
T-40AS	1,200	"
MTZ-82	600	"
K-701	30	"
T-150K	30	"
Agricultural machines	500	Thousands of dollars
Spare parts for tractors and agricultural machines	5,000	"
Workshops and garage equipment as follows:		
Model 3903 mobile workshops	10	Units
Model PRM-1 mobile workshops	2	"
Pieces of equipment for technical servicing as follows:		
ATO-9966	2	"
Garage equipment	325	Thousands of dollars
ER-31 electric motor trains	8	Complete sets
Trolleybuses	32	Units
Devices and spare parts for railroad equipment	300	Thousands of dollars
Trucks as follows:		
BELAZ-540A	10	Units
BELAZ-548	10	"
MAZ-5549 chassis	400	"
KRAZ-256B chassis	445	"
KAMAZ-5410 chassis	150	"
KAMAZ-5511 chassis	100	"
Dnepr' series dry cargo ship with a capacity of 13,500 tons	1	Unit
Ro-Ro vessel with a capacity of 4,000 tons	1	"
Kometa hydrofoil vessels	2	Units
1,200-HP tugboat	1	Unit
Ocean-surface skimmer	1	"

List 1 (continued)

Commodity Designation	Quantity or Value	
Marine equipment, including main engines	3,000	Thousands of dollars
TU-134A airplane	1	Unit
MI-8 helicopters	13	Units
Spare parts for aviation equipment and major overhauls	2,700	Thousands of dollars
Automobiles as follows:		
ZAZ-968 V, Zaporozhets	600	Units
Moskvich	4,000	"
Volga	1,200	"
VAZ-469 B	400	"
Spare parts for automobiles (not including VAZ)	6,000	Thousands of dollars
Delivery on the basis of industrial cooperation:		
VAZ automobiles	16,000	Units
Spare parts for VAZ automobiles	5,850	Thousands of dollars
Miscellaneous machines and equipment	15,000	"
Coking coal	1,500	Thousands of tons
Metallurgical alone	1,200	"
Anthracite	300	"
Petroleum	5,000	"
Lamp oil	150	"
Gas oil	500	"
Heavy fuel oil	500	"
Mineral oils and lubricants	12	"
Petroleum coke	8	"
Creosote oil	10	"
Natural gas	2,100	Millions of m^3
Iron ore (concentrate)	120	Thousands of tons
Manganese ore (Nikopol')	40	"
Chromium ore	55	"
Asbestos	40	"
Cement	300	"
Graphite	250	Tons
Apatite concentrate (39.4% P_2O_5)	25	Thousands of tons
Kaolin	10	"
Pig iron	100*	"
Scrap iron	100	"
Rolled products of ferrous metallurgy	200	"
Rolled products of ferrous metallurgy based on exchange of assortment	45	Millions of dollars
Tinplate	4	Thousands of tons
Cold-rolled strip	3	"
Nickel	2	"

* Substitution for scrap iron optional until 31 May 1980.

List 1 (continued)

Commodity Designation	Quantity or Value	
Aluminum	40	Thousands of tons
Magnesium	500	Tons
Zirconium	80	Kilograms
Chromic anhydride	500	Tons
Aniline hydrochloride	100	"
Potassium bichromate	500	"
Potassium cyanide	100	"
Calcium chloride	550	"
Caprolactum	3,000	"
Boric acid	500	"
Xylol	2,500	"
Copper sulfate	1,000	"
Nickel sulfate	50	"
Potash (100%)	1,000	"
Laboratory reagents	80	Thousands of dollars
Coumarone resin	125	Tons
Coal tar	100	"
Butyl alcohol	1,500	"
Isopropyl alcohol	1,070	"
Monoethylamine	200	"
Sodium sulfate	5,000	"
Red phosphorus	50	"
Sodium bichromate	2,500	"
Water softeners	115	"
Ethyl acetate	1,500	"
Ethyl benzine	2,000	"
Acetone	1,300	"
Butyl acetate	500	"
Synthetic dyes	860	Thousands of dollars
Carbon black	800	Tons
Dibasic ammonium phosphate	415	"
Ammonia	15,000	"
Styrene monomer	10,000	"
High-density polyethylene	600	"
Vinyl chloride	10,000	"
DDVP 90-92%	10	"
Copper oxychloride	300	"
Tribasic sodium phosphate	1,000	"
Carbon disulfide	800	"
Miscellaneous chemical products	1,100	Thousands of dollars
Potassium salts (60% K_2O)	150-250	Thousands of tons
Ammonium sulfate (20.5% N)	50	"
Tires	2,500	Thousands of dollars
Synthetic rubber	25	Tons
Pulpwood	800	Thousands of m^3
Of hardwood species alone	50	"

List 1 (continued)

Commodity Designation	Quantity or Value	
Softwood lumber	100	Thousands of m^3
Paper pulp	60	Thousands of tons
Ordinary paper cable insulation	600	Tons
Cardboard and paper (exchange of assortment)	1,150	Thousands of dollars
Cotton	55	Thousands of tons
Industrial vegetable fibers	1	"
Fur	260	Thousands of dollars
Pickled swine skins	200,000	Units
Seedlings and nursery stock	6,300	Thousands of dollars
Beef tallow	5	Thousands of tons
Fresh-frozen fish	3	"
Vodka	15,000	Decaliters
Drugs	4,000	Thousands of dollars
Industrial consumer goods as follows:		
Household dishes and eating utensils	220	"
Timepieces	850,000	Units
Spare parts for timepieces	45,000	Thousands of dollars
Still and movie cameras	160,000	Units
Accessories for cameras	300	Thousands of dollars
Opera glasses	1,000	Units
Musical instruments	970	Thousands of dollars
Hunting and target weapons	440	"
Sport fishing tackle	110	"
Camping equipment	120	"
Handicrafts	115	"
Toys	30	"
Equipment for use of visual aids in instruction	50	"
Amber products	230	"
Books, magazines, philatelic articles and phonograph records	600	"
Films	150	"
Miscellaneous goods		

List 2. Goods To Be Delivered From the SFRY to the USSR in 1980

Commodity Designation	Quantity or Value	
Metal-cutting machine tools as follows:		
Special machine tools and machine tools made up of standard components	64	Units
Machine tools for manufacture of engine parts	59	"
Manurin single-spindle automatics	30	"
General-purpose metal-cutting machine tools as follows:		
Tool milling machines	40	"

List 2 (continued)

Commodity Designation	Quantity or Value	
Cylindrical grinders	20	Units
Surface grinders	40	"
Assemblies and parts to be incorporated in machines being manufactured in the USSR	870	Thousands of dollars
Spare parts for metal-cutting machine tools	150	"
Programming devices for machine tools	3,100	"
Forging machines and presses as follows:		
Double-arm presses with handle with a (curvilinear) force of 200 Mp or higher	6	Units
Eccentric presses	32	"
Raster automatic mechanical presses, high speed	30	"
Machines for bending sheet and edges	6	"
Miscellaneous equipment for forging machines and presses	15,400	Thousands of dollars
Spare parts for equipment used with forging machines and presses	300	"
Pneumatic friction clutches	10,000	Units
Power transformers I-III	500	MVA
Complete transformer substations	500	"
High-voltage equipment for voltages of 15-20 kV	1,100	Thousands of dollars
High-voltage porcelain	1,000*	Tons
Metallurgical equipment	100,000	Thousands of dollars
Electric overhead cranes, capacity as follows:		
160 tons	6	Units
80 tons	5	"
Chain conveyors with capacities of 25, 50 and 100 tons/hr	100	"
Tunnel kilns with mesh floor and floor area between 50 and 100 m^2	5	"
Tomato sauce production lines with a capacity of 500-800 tons/day	6	"
Tomato sauce production lines with a capacity from 200 to 300 tons/day	2	"
Spare parts for equipment used in the sugar industry	300	Thousands of dollars
Spare parts for equipment used in the baking industry	100	"
Spare parts for equipment used in the canning industry	360	"
Spare parts for livestock feed mills	1,500	"
Spare parts for equipment used in the meat and dairy industry	100	"

* Assuming mutual agreement on the itemized list.

List 2 (continued)

Commodity Designation	Quantity or Value	
Equipment for making leather for footwear and clothing from raw pigskins	575	Thousands of dollars
Equipment for manufacturing footwear by the gluing method	3,000	"
Dyeing units	12	Units
Loading bridges	2,000	"
Spare parts for machines used in the dry cleaning of clothing	100	Thousands of dollars
Complete equipment for stores of the Universam type	1,900	"
Automatic telephone switchboards with 4,000 jacks for institutions	500	"
Automatic intercity telephone switchboards, including spare parts	9,700	"
Equipment for automatic intercity telephone switchboards (Yerevan)	10,700	"
Equipment for automatic intercity telephone switchboards (Kiev)	8,600	"
Automatic telegraph-teleprinter switchboards, including spare parts	10,300	"
International quasielectronic telephone switchboards	316	"
Spare parts for ultrashort-wave radio stations used in agriculture	15	"
Spare parts for hybrid computer	120	"
Steel industrial fittings, including acid-resistant fittings	20,000	Tons
Cast iron industrial fittings	1,200	Thousands of dollars
Typewriters	5-10	Units
Spare parts for typewriters	40	Thousands of dollars
Laboratory glass	500	"
Tools used in machining metal	500	"
Tools for fitting and installation	300	"
Circular saws	300	"
Abrasive tools	300	"
Rolling-element bearings	1,100	"
Spare parts for agricultural machines	500	"
Semerings [?], belts and chains for silo combines	2,300	"
Electrical and brake equipment for electric motor trains	1,700	"
2,300-HP tugboats	2	Units
5,000-HP tugboats for moving drilling platforms	2	"
Floating dock with a lifting capacity of 30,000 tons	1	Unit

List 2 (continued)

Commodity Designation	Quantity or Value	
Vessels used to supply floating drilling platforms with a capacity of 1,200 tons	4	Units
Marine suction dredge with a capacity of 1,000 m^3	1	Unit
Ramp for loading and unloading ferry	1	Complete unit
Marine equipment and shipbuilding supplies	2,300	Thousands of dollars
Marine equipment and spare parts for ship repairs	5,000	"
Ship repairs	23,000	"
Deliveries under industrial cooperation:		
Assemblies and parts for manufacture of automobiles at the Volga Motor Vehicle Plant	36,000	"
Parts to be incorporated in trucks being built at the Kama Motor Vehicle Plant	46,000	"
Lead storage batteries for starting	21,000	"
Industrial storage batteries	12,000	"
Nickel-cadmium storage batteries for railroad cars and diesel locomotives	10,000	"
Miscellaneous machines and equipment, including agricultural machines and equipment	22,000	"
Cable products	60,000	"
Alumina	600,000	Tons
Synthetic cryolite	2,000	"
Metallic silicon	12,000	"
Industrial chain	1,000	"
Drive chain	4,000	Thousands of dollars
PVC pipe fittings	400	"
Rolled products of ferrous metallurgy on the basis of exchange of assortment	45,000	"
Zinc	35,000	Tons
Lead	55,000	"
Antimony	800	"
Rolled copper and brass products	7,000	"
Aluminum foil	1,000	"
Nonferrous metal filters and wire mesh	700	Thousands of dollars
Aluminum tubing	1,800	"
Aluminum sulfate	5,000	Tons
Maleic anhydride	9,000	"
Accessories used with textiles and leather	5,000	Thousands of dollars
Printing inks	300	Tons
Varnishes and paints	17,000	"
Pigments	1,400	"
AS-3 alkyd-acrylic resin	13,000	"
Chemical agents for plant pest and disease control	22,000	Thousands of dollars

List 2 (continued)

Commodity Designation	Quantity or Value	
Linoleum	1,000	Thousands of dollars
Fire-resistant conveyor belt	25,000	Running meters
High-pressure pipe	3,000	Thousands of dollars
PVC pipe and fittings	5,500	"
Decorative plastics	500	"
Aluminum fabrications	4,500	"
Hardwood lumber	15	Thousands of m^3
Veneer	10,000	Thousands of m^2
Cigarette paper	1,000	Tons
Cardboard and paper (exchange of assortment)	1,150	Thousands of dollars
Cardboard products	1,200	"
Seeds and nursery stock	25,000	"
Cotton thread	2,000	"
Tobacco	4,000	Tons
Meat and meat products	8,000	Thousands of dollars
Canned meat products	15,000	Tons
Prunes	12,000	"
Fruit juices	600	Thousands of dollars
Fruit and vegetable baby food	2,000	"
Wine	5,000	"
Goods for the Beograd restaurant	1,000	"
Woolen fabrics	2,000	Thousands of meters
Synthetic fabrics	4,000	"
Decorative fabrics	1,000	"
Machine-made carpets	10,000	Thousands of dollars
Machine-made garments (textile)	45,000	"
Machine-made garments (leather and fur)	8,000	"
Knitwear (at least 75% woolen)	65,000	"
Leather and artificial leather accessories	2,000	"
Leather gloves	600	"
Leather footwear	11,000	Thousands of pairs
Crystal and porcelain dishes	9,000	Thousands of dollars
Miscellaneous products of light industry as follows:	28,000	"
Cotton underwear (at least 50% children's)	4,000	"
Women's clothing accessories	10,000	"
Men's hosiery and children's panty hose made from cotton and mixed fabrics, women's panty hose	5,000	"
Furniture	28,000	"
Drugs	50,000	"
Veterinary preparations	2,000	"
Perfumes and cosmetics	500	"
Soaps and detergents	3,000-6,000	"
Sporting goods	1,900	"
Lamp fixtures and accessories	400	"

List 2 (continued)

Commodity Designation	Quantity or Value	
Electric ranges	100,000	Units
Spare parts for electric and gas ranges	350	Thousands of dollars
Goods for specialized stores	48,000	"
Books, magazines, philatelic articles and phonograph records	650	"
Printing of books, brochures and advertising materials	2,000	"
Films	400	"
Printing of films	1,200	"
Miscellaneous consumer goods (toothbrushes, toothpaste, wallpaper, goods bearing the Olympic emblem, canned fruit and marmalade, prepared foods, etc.)	25,000	"
Miscellaneous goods		

7045
CSO: 2800/84

YUGOSLAV-ROMANIAN COMMODITY TRADE LISTS, 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 12, 27 Oct 81 MEDJUNARODNI UGOVORI pp 792-795

[Decision ratifying the trade protocol between the Socialist Federal Republic of Yugoslavia and the Socialist Republic of Romania for 1980, with appendices, signed in Belgrade 20 December 1979]

[Excerpt] List A/1980. Exports From the Socialist Federal Republic of Yugoslavia to the Socialist Republic of Romania

No 1	Commodity Designation 2	Unit of Measurement 3	Quantity or Value 4
1	Electric cable	Thousands of dollars	2,000
2	Railroad rails	Thousands of tons	15
3	Heavy structural steel	"	20
4	Angle irons [?]	"	10
5	Steel for bearings	Tons	5,000
6	High-alloy steel	"	2,000
7	Exchange of products of ferrous metallurgy	Thousands of dollars	40,000
8	Rolled brass and copper products	"	2,000
9	Metallic silicon	Tons	3,000
10	Ferrochromium--superfine	"	1,000
11	Ferrosilicon	"	2,500
12	Copper wire	"	1,000
13	Rolled bronze products	"	1,000
14	Brass wire	"	500
15	Pyrite concentrate	Thousands of tons	50
16	Special alumina	Tons	8,000
17	Bauxite	Thousands of tons	160
18	Refractory magnesite and chromium-magnesite brick	"	33

List A/1980 (continued)

1	2	3	4
19	Silicate brick	Tons	500
20	Electrocorundum	"	6,000
21	Abrasives	Thousands of dollars	1,500
22	Synthetic cryolite	Tons	3,000
23	Xanthates	"	1,500
24	Explosives	Thousands of dollars	200
25	Zinc oxide	Tons	600
26	Silicon dioxide	"	1,000
27	Shock-resistant polystyrene	"	2,000
28	Furfural	"	500
29	Organic pigments	Thousands of dollars	300
30	Ethylene	Thousands of tons	52
31	Propylene	"	50
32	Potassium hydroxide	Tons	500
33	Phosphoric acid	Thousands of tons	12
34	Chemicals used for plant pest and disease control	Thousands of dollars	1,000
35	Hide glue	Tons	200
36	Varnishes and paints	Thousands of dollars	500
37	Pharmaceutical raw materials and products	"	4,500
38	Glue used in the millwork industry	"	500
39	Miscellaneous chemical products	"	3,000
40	Special oils	"	800
41	Viscose cord	Tons	750
42	Rayon yarn	"	1,000
43	Tires	Thousands of dollars	1,000
44	Conveyor belts	"	3,000
45	Long-fiber viscose cellulose for cellulose fiber	"	800
46	Electric power	Thousands of kwh	250
47	Steel bottles	Units	30,000
48	Electrical insulators	Thousands of dollars	2,000
49	Asbestos and asbestos products	"	2,000
50	Clutch and brake lining	"	300
51	Storage batteries	"	4,000
52	Oak lumber	"	2,000
53	Colored ceramic tiles	"	300

List A/1980 (continued)

1	2	3	4
54	Products of machinebuilding as follows:		
	Agricultural machines and equipment (tractors, agricultural machines and other agricultural equipment)	Thousands of dollars	5,000
	Cooperation and mutual deliveries in shipbuilding	"	6,000
	Cooperation and mutual deliveries in the motor vehicle industry, including subassemblies and parts	"	20,000
	3,400-kv BO-BO electric motor trains and spare parts	"	11,000
	Machine tools, including subassemblies and parts	"	2,000
	Electrical supplies and electronic products	"	3,000
	Equipment for the chemical and petrochemical industries	"	1,000
	Equipment and subassemblies for the food manufacturing industry	"	1,000
	Stepladders	"	800
	Equipment and subassemblies for light industry	"	1,000
	Tools	"	500
	Cooperation in the production of hydraulic presses and mutual deliveries	"	1,000
	Measuring and monitoring instruments	"	1,000
	Other deliveries	"	15,000
55	Industrial and drive chain	"	1,000
56	Miscellaneous industrial sieves and screens	"	500
57	Sugar	Thousands of tons	20
58	Seeds and nursery stock	Thousands of dollars	400
59	Raw and processed foods	"	5,000
60	Consumer goods	"	6,000
61	Exchange of goods in local border traffic	"	5,000
62	Transportation and other services	"	25,000
63	Books, magazines, films, philatelic articles and phonograph records	"	150

List 8/1980. Exports From the Socialist Republic of Romania to the Socialist Federal Republic of Yugoslavia

No 1	Commodity Designation 2	Unit of Measurement 3	Quantity or Value 4
1	Ship plate	Tons	3,000
2	Hot-rolled strip	Thousands of tons	50
3	Structural steel	"	10
4	Sheet	Tons	2,500
5	Exchange of products of ferrous metallurgy	Thousands of dollars	40,000
6	Aluminum in bars	Tons	1,000
7	Electric cables and conductors	Thousands of dollars	500
8	Petroleum coke	Thousands of tons	10
9	Synthetic rubber	Tons	8,000
10	Soda ash	Thousands of tons	40
11	Butyl alcohol	Tons	1,000
12	Caustic soda, lye	Thousands of tons	15
13	Alkyl-amine	Tons	1,000
14	Cyanuric chloride	"	500
15	Ammonia	Thousands of tons	60
16	Caprylic acid	"	10
17	Technical ammonium nitrate	Tons	8,000
18	Dibasic ammonium phosphate	Thousands of tons	30
19	Acrylonitrile, monomer	Tons	2,500
20	Vinyl acetate, monomer	"	5,000
21	Nitric acid	"	5,000
22	Sulfuric acid	"	5,000
23	Polypropylene	"	8,000
24	Organic pigments	Thousands of dollars	300
25	Toluol	Tons	5,000
26	Mineral oils	Thousands of tons	22
27	Petroleum derivatives	Thousands of dollars	30,000
28	Paraffin	Tons	100
29	Pharmaceutical raw materials and products	Thousands of dollars	3,000
30	Acetone	Tons	4,000

List B/1980 (continued)

1	2	3	4
31	Varnishes and paints	Thousands of dollars	200
32	Ammonia liquor	Thousands of tons	28
33	Potassium-ammonium nitrate	"	10
34	Chemicals used in plant pest and disease control	Thousands of dollars	1,000
35	Styrene	Thousands of tons	10
36	Lampblack	Tons	2,500
37	Miscellaneous chemical products	Thousands of dollars	5,000
38	Tires	"	500
39	Synthetic fibers and yarn	Tons	1,000
40	Paper pulp for the paper industry	"	3,000
41	Beech pulpwood	Thousands of m^3	30
42	Softwood lumber	Thousands of dollars	4,000
43	Charcoal	Tons	4,000
44	Kraft paper	"	2,000
45	Two-ply cardboard	"	500
46	Chipboard sheets	Thousands of m^3	10
47	Fiberboard sheets	"	5
48	Cement	Thousands of tons	250
49	White ceramic tile	Thousands of dollars	300
50	Rock salt	Thousands of tons	200
51	Products of machinebuilding as follows:		
	Agricultural machines and equipment (tractors, agricultural machines, spare parts and other agricultural equipment)	Thousands of dollars	5,000
	Cooperation and mutual deliveries in shipbuilding	"	6,000
	Cooperation and mutual deliveries in the motor vehicle industry, including subassemblies and parts	"	20,000
	5,100-kw CO-CO electric motor trains and spare parts	"	7,000
	Machine tools, including subassemblies and parts	"	2,000
	Electrical supplies and electronic products	"	3,000

List B/1980 (continued)

1	2	3	4
	Equipment for the chemical and petrochemical industries	Thousands of dollars	2,000
	Equipment and subassemblies for the food manufacturing industry	"	1,000
	Equipment for cement factories and parts	"	3,000
	Cooperation in the production of hydraulic presses and mutual deliveries	"	1,000
	Measuring and monitoring instruments	"	1,000
	Equipment and subassemblies for light industry	"	1,000
	Tools	"	500
	Other deliveries	"	12,500
52	Seeds and nursery stock	"	400
53	Raw and processed foods	"	5,000
54	Consumer goods	"	6,000
55	Exchange of goods in local border traffic	"	5,000
56	Transportation and other services	"	10,000
57	Books, magazines, films, philatelic articles and phonograph records	"	150

7045
CSO: 2800/84

TAX BREAK TO BOOST PRIVATE AGRICULTURAL PRODUCTION

Bratislava ROLNICKE NOVINY in Slovak 17 Oct 81 pp 1, 3

[Article by Eng Jaroslav Prochazka, Federal Finance Ministry: "Tax Exemption on Income From Agricultural Production--Important Provisions for Small-Scale Breeders and Growers"]

[Text] The 16th session of the CPCZ discussed and approved the results achieved by our socialist agriculture in the past period and at the same time set new, more challenging tasks for this sector, including the basic direction and objectives for further general development of agricultural production. In this connection the importance of more systematic utilization of all agricultural land was also emphasized, as well as the need to support more actively the production of small-scale breeders and growers, not only for their own use but also for the worthy purpose of enriching the market.

One of these measures also provides a tax exemption to citizens for income derived from private agricultural production, which, on the basis of CSSR Government Resolution No 113 of 9 July 1981, was approved by the CSSR Government in its Resolution No 227 on 19 August 1981 and by the SSR Government in Resolution No 268 on 30 September 1981. These government resolutions will be implemented in the near future by directives of the finance ministries of both republics and will be published in the FINANCNY SPRAVODAJ [FINANCIAL REPORTER] and registered in ZBIERKA ZAKONOV.

However, it should first be emphasized that the tax policy of our socialist society is based on existing needs and possibilities and hence should not be considered as an isolated matter. The above-mentioned tax exemption of income from agricultural production is related to a number of concurrently passed basic measures in this area.

Who Is Affected by the Tax Exemption

The authorized tax exemption applies to all citizens who get income from agricultural production insofar as they are engaged in it in their free (nonworking) time.

A critical condition for the tax exemption, however, is that the citizen (taxpayer) must submit a statement from his chief employer, cooperative, organization or school confirming that in the year preceding the year in which the tax is assessed he regularly performed his working or study duties.

The citizen must submit this statement by 15 February of every year to the local (municipal or district) national committee in charge of tax administration (beginning in 1982). The statement must bear the seal of the appropriate organization or school, with the signature of the responsible worker or official. Persons who are not permanently employed and are drawing a pension will submit a statement from their post office indicating that they are receiving a pension.

In this connection it should be stated that the tax relief based on paragraphs 31 and 33, section 5 of Law No 103/1974 of ZBIERKA on agricultural taxation remains in effect. This means that if the taxpayers cited in these provisions of the law (especially members of Unified Agricultural Cooperatives, workers in agriculture and other organizations and keepers of fewer than 15 bee colonies) have only income that is already exempt from taxation, they need not submit the statements. If, however, they get income from the cultivation of special crops and from specialized animal production or other revenues from agricultural production to which the tax exemption does not directly apply, such persons are also obliged to submit the required statements.

Also remaining in effect are directives of the republic finance ministries on tax relief for citizens with income derived from contractual fattening of certain farm animals (FINANCNY SRAVODAJ Nos 4 and 5 of 1979 and Nos 10 and 15 of 1980). This relief may also be granted in those cases where the citizen (taxpayer) does not meet the requirements of tax exemption according to these principles.

This measure also does not affect the tax exemption of annual income up to 6000 Kcs from the sale of hay harvested on land outside the agricultural area (Decree No 152/1980 of ZBIERKA).

What Income Is Exempt From Taxation

The agricultural tax applies to any kind of activity connected with agricultural production and fish hatching, including incidental activity and secondary production, as long as they are directly related to plant or animal production.

The above-mentioned tax exemptions thus apply to all income (regardless of amount) derived from agricultural production and to income from incidental activity and secondary production provided, however, that the latter only supplements income from agricultural production. The tax exemption, however, involves income primarily from plant and animal production.

The exemption also applies to income from so-called specialized production, which is the raising of common farm animals (beef cattle, hogs, sheep, goats, geese, chickens, turkeys, rabbits, etc.) carried on by nonfarmers or to an extent not commensurate with the amount of plant production, and the raising of fattened nutria (not, however, if raised for their fur), laboratory animals and beekeeping.

At the same time it refers to income not only from the sale of the product but from any kind of related production. Thus, in the case of beekeeping, it is income not only from the sale of honey but also from the sale of propolis, queen bee jelly, beeswax, partitions and bee colonies, as well as income from bringing bees to flowering crops, etc. In the case or rabbits, sheep and goats it applies also to income from the sale of skins or the sale of wool and similarly it applies to income from the sale of other products.

The tax exemption likewise applies to income from the cultivation of special crops, particularly all kinds of vegetables, fruits, strawberries, medicinal plants and herbs, seeds of all kinds, mushrooms and so on.

To What and to Whom the Measure Does Not Apply

As already emphasized, the tax exemptions as well as the other measures are aimed particularly toward supporting the development of those activities directly related to our ever increasing consumption of basic foods and agricultural products. At the same time it is a matter of activity in which individual citizens engage beyond the scope of their main working or study obligations in their free time. Thus, it is not to support private enterprise or excess needs.

Consequently, the above tax exemptions will not apply to:

--Income from cultivating and processing grapevines, and flowers and the raising of fur-bearing animals (except for raising and selling nutria for slaughter),

--Taxpayers who secure agricultural production by using hired labor or on plots taken over from other citizens,

--Individually operating farmers whose chief occupation is agricultural production--here the directives call for making the necessary determination in this regard for tax purposes.

The tax exemptions also do not apply to income derived exclusively from the sale of agricultural products obtained through various middlemen who did not directly share in their production. This kind of income continues to be subject to income taxes in accordance with Law No 145/1961 of ZBIERKA.

This measure in no way affects a citizen's obligation to pay his land tax, which, among other things, should bring about better utilization.

When the Tax Exemption Becomes Effective

Upon meeting the above conditions this tax exemption will be granted for the first time in assessing taxes on income from agricultural production or taxes on citizens' income in the year 1982. This means that income

--From basic agricultural production for which the tax is determined according to income calculated on the basis of average norms of fertility per hectare of farm land will be payagle beginning with 1982 (the tax for 1981 should already have been assessed and paid this year).

--From specialized animal production and from the cultivation of special crops is already exempt from taxation for income earned in 1981.

If, however, a citizen (taxpayer) fails to submit in time his statement of employment or schooling regarding regular fulfillment of his working or study obligations for the past year (initially by 15 February 1982) or does not meet the above conditions for tax exemption, then he is obliged to file his tax declaration as previously (by 15 February). In case he fails to meet these obligations the appropriate national committee in charge of tax administration will proceed in accordance with the applicable provisions of Law No 103/1974 of ZBIERKA on agricultural taxation and Decree No 16/1962 of ZBIERKA on procedures in matters of taxes and payments.

All other details of these tax exemptions will be contained in directives of the republic finance ministries, which will be received by the appropriate national committees, where citizens will be able to get information about them.

These tax cuts are an expression of societywide support for this creditable activity, whose continued development should contribute to a fuller and better satisfaction of the needs of our population in this area. The citizens who do this do not simply increase their own food supplies; they also make it possible to enrich local markets by the sale of fresh vegetables, quality fruit, small farm animals and other kinds of essential products. It will be up to the national committees, in particular, in cooperation with other bodies, organizations and citizens to set up the proper conditions in this area. Likewise, on the basis of current experiences, they should take the initiative in suggesting and carrying out other solutions that may contribute to the development of this activity, including the proper and consistent implementation of the measures adopted.

8491
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FUEL, ENERGY SUPPLIES FOR NEW FIVE-YEAR PLAN DISCUSSED

Prague PLANOVANE HOSPODARSTVI in Czech No 9, 1981 pp 1-8

[Article by Karel Houdek, Doctor of Social Sciences, State Planning Commission: "Fuel and Energy Supplies at the Beginning of the Seventh Five-Year Plan"]

[Text] The development of the fuel and energy base has always significantly influenced the national economic growth rate. Recently this connection has been even more noticeable than before, from the viewpoint of both internal and external conditions of the assurance of the fuel and energy resources necessary for the planned rate of development of our economy.

Changes in world markets for fuels, energy, and raw materials which have taken place in recent years are especially serious in this regard. Our fuel and energy balance is severly dependent on imports of these items, which account at present for 38 percent of total resources. The constant increase in world market prices for fuels, and especially for crude oil which, after a certain moderation from 1975-1977, since 1978 has again resumed its dynamic growth, thereby significantly increasing demands on foreign trade. On top of this external situation, there also is the objective reality (due to the natural conditions of our coal deposits) that it is more and more difficult to recover domestic fuel resources, a problem also related to increased extraction costs. This is, however, substantially more moderate than the price evolution for fuels on international markets. The increased outlays which must be expended by the national economy for the assurance of fuels and energy are significantly greater than the reduction in the energy intensiveness of production, as expressed by the energy equivalent of the amount of primary resources used per billion korunas of national income formation. In other words, it is necessary currently, from the viewpoint of needed fuel and energy resources, to incur much greater costs than previously for their production. This development is having a significant impact on the entire Czechoslovak economy, an impact which will clearly intensify further in the near future.

Resolution of this complicated situation requires an increase in the efficiency of national income formation through the practical application of the newest findings of scientific and technical development and the maximum feasible intensification of rationalizing trends in the Czechoslovak economy. In this connection, demands must be minimized on crude-oil imports, and the greatest possible frugality and efficiency must be ensured in the consumption of all fuels but especially of crude-oil products.

The development of fuel prices on international markets means that, for practical purposes, the previously most dynamic component of the fuel and energy balance, i.e., fuel imports, will influence the assurance of increased fuel and energy resources to a much lesser extent in upcoming years. While from 1975-1979 imports accounted for about 70 percent of the increase in domestic consumption, including increased inventories, in 1981 and 1982, they will account for only 15 percent. The focal point of the resolution of increasing domestic consumption, then, rests in the development of domestic mining and nuclear energy. The significance of these resources for the assurance of national economic needs is and will increase now and in the future, and it therefore is necessary to eliminate still more diligently the risks and problems which are restricting the increases provided for by the plan in terms of both volume and structure.

An analysis of the problems involved in supplying the national economy with fuels and energy in the first years of the Seventh Five-Year Plan shows that the situation will be very complex, especially in the second and third year of the plan. The fundamental task of this period is to reduce energy intensiveness substantially and to achieve maximally feasible energy conservation in the production process. In order to get through this period, it is essential to strive for the creation of a favorable starting base by means of a maximum increase in fuel inventories. In mining, it is necessary to focus attention on the fulfillment and exceeding of planned tasks, thereby creating the preconditions for an increase in electrical energy production based on brown coal.

A solution to the structural problems of the fuel and energy balance also will be extraordinarily complex. It is a matter primarily of coming to terms with an absolute decline in supplies in light fuel oils and with stagnation in supplies of heavy fuel oils. In accordance with worldwide trends, we must restrict the consumption of crude-oil products for the production of electricity and heat in favor of the increasing needs of petrochemistry, motorization, and other sectors where they are irreplaceable. In the first stage, it will be a matter primarily of freeing up light products, i.e., light fuel oil, propane-butane, and fuel oil from consumption related to energy generation. In a later stage--after 1985, when a catalytic cracking facility, which will make possible the more complete processing of crude oil and increase the yield of the irreplaceable light products through the cracking of heavy fuel oil, should have been constructed--it will be necessary to reduce absolutely the consumption of heavy fuel oils for energy-generation purposes. Given a stagnation in the current level of crude-oil imports, this would provide a means for reducing somewhat the tightness in the supply of light products.

A gradual limiting of the share of light fuel oil in consumption for energy-generation purposes is essential in view of the current and prospective development of the fuel and energy balance. Handling this process successfully and in a planned way will require the focusing of rationalization measures, to the greatest possible extent, on the conservation of crude-oil products through a reduction in the standard consumption for individual products and activities and replacing them, whenever possible, with fuels that are available. This will, in some cases, be natural gas (the imports of which have increased moderately), but only in technical procedures and boilers in those areas entitled to preferential treatment from the viewpoint of air quality. In other instances, it will be a

question exculsively of low-calorie coal for energy generation. It also will be necessary to adapt the concept of heat generation to this, above all in terms of an intensive orientation toward the pooling of investment resources for the construction of large, common boiler rooms in which the above-mentioned coal may be burned. This will, likewise, require the construction of appropriate energy-generating equipment, especially boilers.

The above situation rules out the possibility of ensuring heat supplies which were previously derived from the utilization of light oils or heating gases with provisional or replacement techniques. It is, therefore, essential to assure the planned schedules for construction of joint and centralized boiler rooms in accordance with the construction of housing and production facilities.

The starting point for evaluating the planned levels of coal and lignite extraction which are being presented by individual economic production units for 1981 and 1982, in response to "Directives" issued by the CSSR government is, on the one hand, national economic requirements and, on the other hand, the actual level of installed extractive capacity at the conclusion of 1980.

Table 1. Evaluation of Coal and Lignite Extraction Levels

	1980 Actual	1981 Planned	1982 Guidelines
Domestic Coal and Lignite Resources -- Total	123.1	123.3	124.4
Of Which Brown Coal and Lignite Represent	94.9	95.5	96.7
Coal Extraction Under the "Directives"		126.5	127.7
Of Which Brown Coal Represents		98.5	99.8

CSSR Government Resolution No 123/76 decreed the preparation of the brown coal regions for the production of 98.5 million tons in 1980 and, although this level was not reached (by 3.6 million tons) and 94.9 million tons was mined with a maximum of effort, the preparedness for extraction has not improved to the necessary extent. On the contrary, the amounts in the above lines would indicate that the determination of the extraction level is the regulating factor, especially at most of the facilities of the coal mines in the North Bohemian Brown Coal Basin, which produce about 54 percent of total domestic supplies of solid fuels. Even though the basin will fulfill and exceed its own plan for preparations in the "extractable reserves" category, it will not assure its task of this year to the fullest extent. The main reason for this is a low stripping lead time as of 31 December 1980, which amounted to only 60 days at the V. I. Lenin Mines concern enterprise, 41 days at the J. Fucik Mines concern enterprise, and 43 days at the Antonin Zapotocky Fuel Combine concern enterprise, at the same time that the figure is supposed to be about a minimum of 150 days. It is a matter, above all, of developing facilities which, with their planned increases based on capital investment, should also provide a replacement for locations that are running out of coal.

It is not possible, then, to consider the plan targets for 1981 and 1982 to be easily fulfillable, from the viewpoint of the critical ratio of the level of preparation of extractable reserves to total extraction. The reason for this is a worsening in the ratio of level of preparedness of extractable reserves to total extraction from 46.1 percent to 37.1 percent, and the falling behind in overburden removal. In 1975, the ratio of coal extracted to overburden was 37.52 percent, but in 1980 it was already 43.8 percent. It will be necessary to devote much effort to the fulfillment of mining targets in upcoming years if the national economy is to continue its dynamic development.

Solid fuels, and especially brown coal, occupy the dominant position both in the sphere of resources and of consumption for the short term as well as the long-range outlook for the fuel and energy balance of the CSSR. The qualitative correspondence between resources and requirements will be a serious problem related to the solid fuel balance in the Seventh Five-Year Plan. In connection with the limited supplies of enriched fuels and their delivery to both the population and several industrial sectors, it si clear that, during the Seventh Five-Year Plan, there will continue to be a high demand for quality types of brown coal from the North Bohemian Brown Coal Region. This is true not only of graded but, also, of quality powdered coal.

Inadequate production and quality of graded coal is being caused by a long-term lag in mining activity at the Maxim Gorky and Czechoslovak Army open pit mines. This is a result of frequent failures of the heavy-duty mining equipment at the mines, compounded by the influences and consequences of natural and geological conditions of extraction (worsening quality), structural changes in coal mining (the exhaustion of older mining locations producing quality coal and the developing production of single-purpose energy coal), and its replacement at other locations, above all at the Nastup Mine where coal is being mined exclusively for energy-generation purposes.

This problem had already appeared in the previous five-year plan and will be an integral part primarily of the initial years of the Seventh Five-Year Plan, with the result that the planned volume of production of graded coal will be achieved only in the event that certain grades of coal do not meet their usual standards for heat value. It is, of course, true that the FMPE [Federal Ministry of Fuels and Power] and the North Bohemia Brown Coal Mines concern are attempting to formulate a set of measures for the assurance of maximal production of mined coal appropriate for grading and for the optimal utilization of coal charges at coal preparation plants, with the objective of systematically increasing the volumes of graded coal, but these measures are fo a short-term nature (annual).

It is necessary to comprehend that the possibilities are limited and directly related to shortages of quality powdered coal suitable for the production of coal gas, and to the supplying of the Chvaletice electric power station with coal corresponding to the established fuel base. Supplies of brown coal, lignite, and briquets are lower than provided for in the Seventh Five-Year Plan directives. The established limits do not cover the requirements of the sectors, especially from 1982-1984, when their level is to remain at that of 1980-1981.

The decline in graded coal supplies is seriously threatening the coverage of the needs of the nonproduction sphere. The resolution of this problem will require

the development of brown-coal mining at those locations where it will be possible to extract the greatest possible amount of graded coal. At the same time, it is necessary to limit more decisively the use of graded coal in industry and to pay attention to its conservation in the consumption sphere.

In spite of a moderate increase in investment volume and an increase in the average number of employees, the preconditions have not as yet been created for the assurance of the required volumes of extraction at underground mines, especially in the Ostravsko-Karvinsky region, as it has proved impossible entirely to eliminate worsening technical conditions of mining. These are becoming evident with extraction at greater depths, with the advance of working faces into interrupted seams and saddle seams with great variations in thickness, into areas where it is necessary to change both techniques and technologies more quickly and to create more optimal conditions for the work of the miners in the mines.

Several other factors also are influencing the lowering of the daily production of the Ostravsko-Karvinsky region, such as the continuous increase in the volume of gangue accompanying the mining of the coal, which is beginning to restrict even the fundamental factor of the capacity of the mine conveyor system.

Table 2.

	1975	1978	1980
Average net coal extraction (thousands of tons per day)	91.6	88.4	86.5
Average gross extraction, including gangue (thousands of tons per day)	128.5	130.1	129.4

A consequence of this situation has been above-average extraction on nonworking days, which has been continually increasing.

Table 3.

	1975	1978	1980
Total extraction (millions of tons) of which:	24.4	24.6	24.69
on nonworking days			
in millions of tons	0.6	1.33	1.69
as percent of total	2.45	5.4	6.84

Besides the gradual introduction of a new work schedule which is to limit the amount of overtime work, an additional improvement in organizational and managerial work, the development of labor initiatives, and the application of efficient types of economic incentives within the framework of the Set of Measures are all being counted on to aid in the assurance of extraction targets, in

conjunction with the assurance of a labor force and deliveries of reliable mining technology. All of these measures, however, will have only a gradual influence; but it is essential to strive for their timely implementation in the interest of improving the readiness of the Ostravski-Karvinsky region for coal mining.

In 1980, operation of the electrical energy system assured the smooth supplying of the national economy and the population with electrical energy without the imposition of regulatory levels. Moreover, all user groups in the socialist sector put into place measures directed at the conservation and efficient utilization of electricity supplies. At the same time, several planned management instruments were applied consistently, for instance:

-- annual and quarterly electrical work funds for large and medium consumers of electrical energy,

-- the negotiation of binding consumption schedules according to differences in the times of peak energy usage,

-- limitations on electrical consumption by small-scale consumers, and

-- promotion among the general population of rational electrical energy consumption.

In 1980, the production of electrical energy increased 6.7 percent and reached 72.7 billion kilowatt hours. Public and factory-based steam power plants produced 84.7 percent of this total amount; nuclear plans, 6.3 percent; and hydroelectric, including pumped-storage plants, 6.3 percent.

As a result of excess production at nuclear and hydroelectric power plants, the annual electrical energy production at public power plants increased 8.6 percent. This made it possible to limit the operation of several factory-based power plants burning fuels which were in short supply and to ensure the smooth supplying of electrical energy to the national economy and the population even given a reduction of 36 percent in its imports from abroad in comparison with 1979. The overall volume of useable electrical energy supplies increased 3.8 percent in 1980.

This positive development was brought about, above all, by positive operational results in coal-fired steam power plants and at the V-1 nuclear power plant at Jaslovske Bohumice. The planned volume of electrical energy production at two nuclear units with Soviet VVER 440 reactors, the first of which has been operational since December 1978 and the second since March 1980, was exceeded by 37 percent. The fuel contribution of the V-1 nuclear power plant at Jaslovske Bohunice, given its 1980 output of 4.5 billion kilowatt hours, was equivalent to about 4.9 million tons of brown coal for energy generation and contributed, in comparison with past years, to a substantial improvement in the fossil fuel supply situation of electric power plants.

This 37 percent overfulfillment of planned electrical energy production at the V-1 nuclear power plant resulted in a saving of about 1.3 million tons of brown coal, which represents 6 days of consumption at public power plants fired by

brown coal. The successful operation of the V-1 nuclear power plant made possible the accumulation, by the beginning of January 1981, of an exceptional supply of brown coal at the coal storage facilities of public power plants, enough for 16 days.

The operational performance of the Czechoslovak electrical system in 1980 confirmed the correctness of the orientation of its future development toward the construction of its basic generation facilities in nuclear power plants. The utilization of nuclear energy represents, in our situation, the main focus of a long-range solution to the energy-generation problem. The construction and assimilation is to be completed this year of the last two large, brown-coal-fired condensation power plants, Melnik III (one 500-megawatt unit) and Prunerov II (five 210-megawatt units). The objective for future years will be the bringing on line of the new nuclear generating facilities, V-2 at Jaslovske Bohunice (two 440-megawatt units in 1982-1983), and V-3 at Dukovany (four 440-megawatt units in 1983-1985). The utilization of a new primary energy resource--atomic fuel--will enable the future development of electrical energy generation to influence, to an ever greater extent, the potential pace of overall energy consumption in the CSSR. The increase in the share of electrical energy produced at atomic power plants will significantly change the structure of final energy consumption, which has heretofore been oriented predominantly toward the direct consumption of domestic coal or imported enriched fuels. The mastery of the developmental objectives of Czechoslovak electrical energy generation is, then, directly related to the pace of preparation and implementation of construction of nuclear energy supplies.

The 1981 plan assumes that electrical energy supplies of 77 billion kilowatt hours will be assured, more than 73.4 billion of which will be covered by Czechoslovak electric power stations, and the remainder by imports to be assured on a contract basis. The critical problem for the fulfillment of the tasks facing Czechoslovak electrical energy generation is the resolution of deliveries of coal and other fuels for public steam power plants, a problem related to the fulfillment of tasks in the extraction of domestic fuels and with the development of fuel and electrical energy imports from abroad.

The first quarter of 1981 saw certain deviations in the fulfillment of state plan objectives in the supplying of fuel to power plants. Even after the release of replacement supplies and with the increased use of the Vojany II power plant, which burns heavy fuel oil and natural gas, coal inventories at power plant storage sites as of 31 March 1980 were lower in comparison with the previous year by 10.4 percent in the case of brown coal and by an astonishing 29 percent for bituminous coal, as shown by the following table.

Table 4. Coal Inventories at Public Power Plant Storage Sites (Thousand Tons)

Type	31 Dec 1979	31 Mar 1980	31 Dec 1980	31 Mar 1981
Bituminous Coal	1,025	702	910	500
Brown Coal	3,083	2,137	3,464	1,910

The development of the fuel situation in electrical energy generation is making it necessary to introduce additional measures directed at the rational utilization of resources and limiting the growth of electrical energy consumption, as well as improving the instruments of planned management for this sector of the economy. In cooperation with the coal industry, this means the creation of a comfortable level of fuel supplies at power station storage sites prior to the winter of 1981/1982.

As of 1981, the Czechoslovak electrical grid has at its disposal adequate reserve capacity, which is being further improved by the operation of new electrical generating facilities at the Melnik III steam power station (500 megawatts), and the gradual coming on line of the 210-megawatt steam units at the Prunerov II power plant, which will have an overall installed capacity of 1,050 megawatts, the gradual start up of the 110 megawatt units at the Cierny Vah pumped-storage hydroelectric plant, and the assimilated operation of the V-1 nuclear power plant at Jaslovske Bohunice (800 megawatts). The facilities which have been constructed are sufficient to handle the projected maximum electrical demand of consumers. This means, then, that only the fuel-supply situation for power plants will significantly influence the operational situation in the electrical grid in 1981.

Heating gas supplies were provided in 1980 without interruption, at the same time that their consumption increased moderately. Currently, as well as for next year, we do not foresee any serious problems, even in view of a certain stagnation of supplies, above all thanks to the ongoing transfer of consumers from coal gas to natural gas. In connection with this evaluation, however, it is necessary to be aware that the development of consumption is being held up administratively, and that the implied delays in transfers, to the extent that they are not rectified, will hold up planned hookups of new consumers. Every gas-manufacturing enterprise ought to be aware that, throughout the geographical extent of its jurisdiction, that a foot-dragging attitude in this area will result in the unnecessary angering of customers, as well as a need for explaining why it will be impossible to deliver coal gas. The same is true for certain sectors in which the transfer of consumers from coal gas to natural gas is, in limited areas, conditional on the fulfillment of preparedness deadlines.

Natural gas consumption was expanded by an additional 686 million cubic meters in 1980. This represents almost a 9 percent increase from year to year and made it possible to conserve other forms of energy, especially fuel oils. It will be necessary, however, to expand the potential for its storage. Insufficient lead time in the planning of supplies and jumps in increased usage are leading to a situation in which disproportionately high amounts of natural gas continue to be burned under the boilers of large energy-generating facilities while, on the other hand, unnecessarily large amounts of gas must be produced from quality graded coal, with the attendant energy losses. Nor is is possible to be content with the fact that an improvement in the energy base of Prague, for which natural gas has been budgeted in sufficient quantities, is being held up by factors lying outside the area of fuel and energy policy.

In the agreed upon directives for 1982, there are several unresolved problems in the natural gas area, to which we must return at the time of plan formulation. Among others, there is the dilemma of to what extent it is possible to

put up with further voluntarism in the hooking up of new seasonal boiler rooms and small boilers in the nonproduction sphere, when it will be possible to get gas for them during the first quarter only by the strict regulation of industrial users, in conjunction even with the shutting down of certain operations.

In 1980, deliveries of heavy fuel oil decreased almost 7 percent in comparison with 1979. The consumption of fuel oil for the generation of electrical energy declined in a planned fashion, and natural gas was used in two-burner systems even in the wintertime. Consumer inventories also declined, however.

Consumption of light fuel oil was roughly at the 1979 level. As a result of conservation measures, a quota was established for new consumers and preparations were initiated for the transfer of selected consumers from light fuel oil to other fuels.

A very tight situation, however, will occur in future years regarding light fuel oil. While during the Sixth Five-Year Plan its consumption increased almost 17 percent, it will decline almost 30 percent during the Seventh Five-Year Plan, 12 percent of which will take place in 1982.

Light fuel oil is consumed predominantly in the nonproduction sphere. It is a matter of a large number of small consumers for whom efforts to reduce consumption and to substitute other fuels run up against, among other things, a lack of interest, because this fuel seems to them to be technologically and economically advantageous. In the Seventh Five-Year Plan, however, it will be impossible to physically ensure supplies of light fuel oil, to the extent that we want to use light petroleum products primarily for chemical and motorizational purposes. Overall, then, a level of consumption of light fuel oil will be ensured which will be, in any event, lower than last year. It is, therefore, essential to implement quickly measures aimed at reducing its use to an acceptable minimum.

Heavy fuel oil had become, at the time of low crude-oil prices, a factor in increased efficiency and improved labor productivity. In 1976, for instance, its consumption was double the 1970 level. Due to radical intervention in recent years, however, its use has stagnated, so that, in 1980, about the same amount was used as in 1976. The situation in the assurance of crude oil and the resulting necessity for reducing the consumption of crude-oil products for fuel and energy purposes, demands that the consumption of heavy fuel oil be substantially reduced, mainly in the area of electrical energy generation, and replaced by other, more available fuels.

The fuel and energy balance of the CSSR is more and more complex, both in terms of total obtainable supplies and in terms of structure. At the same time, at the end of the seventies and beginning of the eighties a new situation is arising in this area, above all from a qualitative viewpoint, which is characterized by:

-- sharp movements in world market prices of fuels in 1979 and 1980 and the necessity for revising previously projected volumes of fuel and energy imports;

-- limited leeway for further increases in domestic extraction of fuels, especially in the gradual shift to areas with very unfavorable mining conditions;

-- the necessity for resolving a major part of additional increases in energy-generation requirements through the construction of nuclear energy-generating facilities and the utilization of atomic fuels.

This requires that, in this year alone, a number of measures be implemented which will ensure a reduction in domestic requirements for primary energy resources from levels provided for in the state plan. This, however, brings all the more into the foreground the assurance of the tasks of the state target program for rationalizing the consumption of fuel and energy. From a prospective viewpoint, this is a matter of the timely implementation of the atomic energy program. It will be possible to develop further the production of heat to cover the essential needs of the national economy solely on the basis of the fuels freed up by the generation of electrical energy from the start up of nuclear power plants.

The resolution of the problems connected with fuel and energy supplies at the beginning of the Seventh Five-Year Plan requires a consistent approach based on the long-range objectives of our energy policy and links to the development of the entire economy. It is a matter not only of the consistent fulfillment of the tasks of the state plan, in conjunction with the expansion of fuel and energy-generation production facilities, but also of the accelerated implementation of those findings of scientific and technical development which will make possible an improved valuation of the energy resources at the disposal of the national economy.

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FODDER FROM WASTE MATERIALS PLANNED

Bratislava SMENA in Slovak 19 Oct 81 p 3

[Interview with Academician Kiloman Bod, director of the Institute of Farm Animal Physiology, Slovak Academy of Sciences, by Tatiana Jaglova: "A 'Gold' Mine in a Pile of Rubbish"; date and place not specified]

> [Text] Nature is a thrifty manager of everything, be it a dead leaf that fell last autumn, a worm, a bug or a rotted stump. Everything has its role in the many facets of life ever dying and reviving. Man learns from nature how to be thrifty--at one time in the villages nothing that came up was superfluous--if it was not good as feed for farm animals it was returned to the earth. Every little place of wood, straw or peeling was put to use by the farmer. With the advent of big cities the word "waste" appeared and with it the problem of where to put it. What to do with the masses of seemingly useless "junk," the residues of every type which pollute the surroundings and need more and more space? What a mountain of rubbish would pile up in 10 years if it were all heaped up from just a single household, when statistics show that the amount of waste per person represents 200 kilograms a year! One of the target projects of basic research in the Seventh Five-Year Plan which was prepared and is being coordinated by the Institute of Farm Animal Physiology SAV [Slovak Academy of Sciences] is the recycling of organic matter. It is based on the close relationship between man and nature and leads of maximum utilization of all waste matter of organic origin. We talked about this project with the director of the institute, Academician Kiloman Bod.

[Question] Today, instead of the word waste we more often use the term secondary raw material. We usually say this about anything that is not utilized in industrial plants. However, great amounts of waste also are produced by big cities, towns, villages, settlements, and every household. Of all this refuse, what can be turned back into biological circulation?

[Answer] Leftovers from the food industry and from distribution of services represent altogether about 5 million tons annually. The solid wastes of the lumber industry amount to over 700,000 cubic meters in the form of sawdust. About 30,000 fluid discharges from the lumber industry are still polluting our watercourses. We also should not forget the quantities of waste from the tanning and poultry industries. In the CSSR, the mass of animal waste in the next 10 years will be more than one-fourth more than at present and the situation will be similar with other kinds of wastes. The target project anticipates that technology and production will be evolved to obtain the protein constituents from hitherto unused wastes of animal origin--from feathers, eggshells and anything that is discarded in processing poultry, from incidental products of the tanning and dairy industries, from kitchen wastes, especially from restaurants and public food purveying enterprises and from various wastes of plant origin--secondary products of agricultural production and the food and lumber industries.

[Question] This is all waste that was utilized very little or not at all up to now. How can it be of any use?

[Answer] All matter of organic origin which is now called waste should find its way back into the biological cycle. Many waste products can be made into feed, for example, from feathers--feather meal, from sawdust--bulk feed for cattle, from the fluid discharges of the lumber industry--wood molasses, from kitchen refuse and certain leftovers of the poultry industry--feed paste. Whatever cannot be converted into feed can serve as fertilizer. Moreover, all excrement of farm animals is a potential source of biogas production.

[Question] One of the lessons of the biological revolution which is currently much talked about is obtaining energy by entirely nontraditional methods--from biomasses. In Brazil, they are producing fuel for cars, ethanol, from biomass waste. In 1979, Brazil covered 14 percent of its fuel consumption by ethanol, which represents an annual production of about 20 billion liters. So biomass is really promising as a substitute for traditional sources....

[Answer] The scope of our project also includes obtaining energy from nontraditional sources, especially from the excrement of farm animals. The production of biogas, for example, should be possible on farms with 300,000 hens and 8,000 head of livestock. This source of energy will be very important in the future as a partial answer to our energy requirements in agriculture. It also will help provide high energy-demanding technology, for example, in the production of bulk feed from sawdust. If we locate a processing plant on a cattle farm, we will obtain the source of energy for it--biogas. Individual elements of the recycling system are already developed in several of the other CEMA countries. Great attention is being given to the use of nontraditional feeds in the GDR; in the USSR they are concentrating on utilizing secondary products of forestry management and concrete results have already been achieved in these areas by scientists in Poland, Hungary, and Bulgaria. So we are not embarking on an entirely unchartered course.

[Question] What kind of return do you expect from the target project by 1985?

[Answer] Our project is expected to provide an annual increase in fodder protein of 10,000 tons within this 5-year plan, over 100,000 tons of feed paste, 6,000 tons of wood molasses, and about 1.5 million kWh of energy. At the same time, conditions will be set up for extensive formation of recycling models in accordance with our own specific conditions. Their significance should be more clearly apparent around the year 2000, not only as a contribution in the field of energy and food for farm animals but also in the area of protecting the biosphere.

[Question] The project also will affect protection of the life environment, since in many cases it will prohibit pollution but at the same time it will also mean saving our natural resources. A plan like this, however, first calls for some models. Are you already working on any?

[Answer] I already mentioned that world scientists have been working on this idea for some time and even with good results in some places. For the most part, however, it is not so much a complex program but rather one that we ourselves are striving to set up. We have to find an original, comprehensive approach which would take into consideration our domestic conditions. In our project, we expect to prepare several recycling models. These should be set up in the vicinity of large producers of waste--city and industrial complexes, large-scale animal production and such. There are plans under way to build urban animal farms which would make maximum use of the secondary products of the food industry. There are three objectives here: optimal production of food, minimum consumption of energy, and protection of the environment. Most of the partial tasks are already done to the extent that it is possible to start with the job.

[Question] Such an extensive project, however, requires cooperation with other work centers....

[Answer] The Institute of Farm Animal Physiology SAV is the coordinator of a number of work centers of basic research, applied research, and production organizations. There are also 10 other scientific and research institutes in the CSSR which will participate in the project and its implementation as well as technical workers from universities in Bratislava, Kosice, Nitra, and Zvolen.

[Question] In the past, it has happened that basic research has come up with a valuable projection, eminently usable in the national economy, and still nothing came of it. Among the reasons was, for example, a shortage of capacity to produce the necessary equipment. Your project is especially demanding of engineering production. Aren't you a little afraid about being able to have it carried out?

[Answer] Obviously, it is essential to create the production capacity that would directly ensure, particularly through engineering, the production of semioperational facilities and operational prototypes and equipment as well as the technology to make use of new findings. Such capacities, not very large, should exist in selected sectors and the production program for them should be set up as necessary to meet the requirements of the project. To be sure, it also will be necessary to build the required technology for purifying the processing wastes. The whole recylcing system could be original from a worldwide point of view.

No project of any size can operate without its own internal resources. I believe that, in order to take care of all the operations, it would be necessary to establish a council composed of members working in the various sectors, enterprises, and institutions. It should be a flexible and authoritative body which would help in solving everything--from technical studies all the way to constructing facilities.

We must think about the future in time, before our problems become pressing. The plan to recycle organic matter is an example of how to handle the problems of our times--pollution and waste--from the broad perspective of solving urgent problems that may surface in the future. It is not without interest that the incentive for this idea was the creation of an artificial cosmic ecosystem in the Intercosmos program. They are working on this task at the institute in connection with preparing Japanese quails for flight into outer space where birds are to be part of the artificial ecosystem. And this also proves that everything has its use and every good idea can be further developed usefully.

8491
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ENERGY CONSERVATION PROGRAMS, RESULTS VIEWED

Budapest MAGYAR MENZET in Hungarian 22 Nov 81 p 7

[Article by Gabor Kapuvari: "Energy Conservation, There Is No Other Way"]

[Text] According to a humorous saying in economics, if the facts do not prove the theory they must be rejected.

That is good as poetry. But if its truth content in practical life goes beyond what is permitted then it is thought provoking. Because everytime it is said, accompanied by a nod, a bitter smile indicates that somehow it is true. We know the theory, we see or guess what we must do, sometimes we can even give an approximately good answer to the question of "how". Then come the figures, the merciless hard facts, like those, for example, concerning tha situation now produced by the world economy, a situation most unfavorable for us. Many are not inclined to take cognizance of these; or if they do they do not treat them in accordance with their weight. Many examples could be given....

But there is an area even in the economy where the first signs of rational action have appeared already. Let us talk about these now.

Prospectors and Miners

The energy resources known today will be exhausted around 2030-2050. Mankind is consuming even one of its greatest helpmates, petroleum. This forecast may strike many as dark, but it is only a realistic prediction. And with cold reason objective reality is warning the experts of the world to look for new sources of energy--and to find them as soon as possible. There is one generation to do it in.

Research is going ahead at many levels. On the one hand scientists are experimenting with the most economical way to produce synthetic oils to replace petroleum. On the other hand others are trying to find new, as yet unknown natural deposits. Of course, these are only two trends among many; both promise significant results.

But what is the situation here at home?

We are forced to import from abroad more than half of the domestic fuel needs. This is a very large figure, and naturally it is a lot expressed in money. The goal is to achieve by various measures not to increase but, if possible, to decrease the magnitude of our imports. The solution in Hungary is essentially

twofold--to conduct geological prospecting with great strength and to carry out the government program for energy conservation, which has reassuring initial results.

According to the plans geological prospecting in the Sixth Five-Year Plan must "produce" 35 million tons of natural gas. In light of the results thus far it can be expected that this will be done. The tasks of the prospectors in the past 5 year-plan period was to find 30 million tons of hydrocarbons, and this was significantly overfulfilled. Hard coal prospecting in the past plan cycle not only replaced the quantity extracted but greatly increased the known reserves. This was by eight times the 5 year production of black coal, three times that of brown coal and 30 times that of lignite--I read in a statement. Laying the geological foundations for the development of the Borsod coal basin is now underway. So the prospectors are refuting the view that we are very poor in mineral resources. It is true that we are not rolling in wealth, but the miners will have work for a good time yet....

Coal mining is now contributing significantly to satisfying national energy needs. According to the calculations--as a result of geological research--the current figure can be trippled. There is--and will be--great need for the work of the miners, just as the technical further development of the entire branch is indispensable. There will be a place for the more than 20 billion forints which will be available for developmental purposes during the Sixth Five-Year Plan.

Coal mining now has the rank it deserves--earlier incorrectly disputed. But the efforts of the miners alone will be too little for prosperity. Laszlo Kapolyi state secretary for the ministry of industry, formulated the other very essential course of action as follows at a session of the economic policy committee of the Patriotic People's Front this week: "There is no rational alternative to energy conservation." This means that rational use of domestic resources is more important than ever and, if possible, it is even more essential to find and employ economical solutions.

First Results

How do we stand on conservation?

The industrial committee of the National Assembly recently discussed experiences in execution of the energy conservation program. As is well known the government program is now one year old, a program which has as its goal a moderation in the rate of growth of energy use and a change in the structure of energy resources.

The program prescribed an investment of 30 billion forints during the plan period for the developments necessary to achieve these goals. Half of this will be made up of large state investments and the other half can be turned to enterprise energy rationalization investments.

According to the first experiences in starting the program energy use by the country this year is expected to be less than planned and according to the signs this favorable trend will continue in 1982. According to the experts the saving derives in part from a reduction in the ratio of energy intensive products but

another essential component is that the first results of energy conservation measures, the efforts aimed at more rational use, are beginning to appear. The slogan "less is enough" is slowly becoming part of social awareness. I would be good if this were lasting. If the problems affecting everyone became a common concern psychologically also. According to the signs there is an increasing chance they will.

The first signs of structural change are appearing in that the ratio of petroleum and petroleum products in our energy balance has decreased significantly. In 1982, as compared to 1980, 2 million tons less oil will be used to satisfy consumer needs, so imports can be reduced by this amount.

There Must Be a Contin ation!

Present surveys prove that there is still a possibility for further conservation in very many places. For this reason--I can read in more than one document--studies disclosing losses must be accelerated. This in only a question of determination because the enterprises well know that there is money for investments aimed at further savings....

But this is not the only way to "save" energy. Manufacturing and product development tasks await the technical experts also. The deficiencies are vexing. For example in regard to heating equipment. We burn much more of the expensive raw materials then we have to. And this is simply because we lack suitable heaters, convectors and electric devices. We greet equipment which saves energy virtually as a saviour. But it should be a natural basic requirement that such equipment should exist. As it is natural throughout the world. One can read in the report submitted to the industrial committee of the National Assembly: Reducing the economic burdens deriving from the import of fuel makes it necessary to broaden and accelerate the program; the enterprises and guidance organizations must make further efforts to do this.

This is where we stand now, approaching the end of 1981. There can be no doubt that the situation is not bad, but no one can say that it is good. Coal, gas, oil--these are the raw materials of which much is not enough, and the world market prices show that we will not be rich in them in the foreseeable future. So we must continue the work aimed at additional savings, not only because this is useful. But because there is simply no other possibility.

8984
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AGRICULTURAL ACHIEVEMENTS, PROSPECTS VIEWED

Budapest NEPSZABADSAG in Hungarian 12 Nov 81 p 3

[Article by Istaan Almasi: "Crop Growing Is Weighed"]

[Text] When someone examines agricultural production and the possibility of increasing production, usually he starts out with the growing of crops. That is, the yields of crop production in many respects determine the possibilities of agriculture as a whole. One part of the vegetable products finds its way onto our tables directly or after a small amount of processing, and another part of it is used as fodder in raising livestock. Thus in many respects the extent at which the production of meat, milk, eggs, wool, or in short the animal products can be increased also depend on the glowing of crops.

The Key: Grain

The results our agriculture has achieved in recent decades--which deserve recognition even when measured by international standards--are discussed quite often. And justly so. Within the growing of crops, progress is particularly significant in grain production. During the decade of the 1950's the domestic grain production's yearly average barely exceeded 6 million tons. Last year the crop of the harvested grain types--wheat and the other cereals, and corn--was around 13.5 million [tons]. By the end of the Sixth 5-Year Plan we expect almost 15.5 million tons of grain [to be grown per year]. Perhaps it also indicates the significance of grain production that the crops which provide our bread and the most valuable fodder types, occupy 62-63 percent of the domestic plowlands area. At the same time this high area ratio also indicates that the way grain production develops, very strongly influences the performance of the entire crop growing sector in any given year.

In the 5 to 10 years behind us, fruit and grape production can also show [good] results, but--with greater investments, better organization and often also with more favorable weather conditions--these could also have been better. The fact is that in these areas we can not talk at all about being among the best in the world. And as far as the production of industrial crops is concerned: there, too, the results we achieved are far from the world standards, and this is also true for the production of vegetables, mainly of the plowfield vegetables types. And the production levels of fibrous and bulk fodders is low even when measured by the old domestic standards.

It is possible, and even certain, that this judgement of the values is excessively summary, but it is true over-all. And it is also probable that it is not always

proper to use the international elite as measuring stick, but if we want to measure ourselves against something, then--since practically all agricultural branches are interested in export--it is better to measure against this than against our past selves.

Falling Short of the Plan

And there are plenty of things to be done in agriculture. There are, if for no other reason, then because it so happens that in the last 5-year plan this very main agricultural branch did not fulfill the production goals. On the contrary--even though this year is not over yet, and part of the harvesting also still remains to be done--it can be written without any special risk that it will not fulfill it this year, either. We can refer to the winter and spring frost damages, the two cases of drought, the standards which were set high in the plan, but the fact remains fact: domestic crop production will this year again fall short of the expectations.

Compared to the previous 5 years, during the time period of the Sixth 5-Year Plan the agricultural production must increase by 12 to 15 percent according to the projections--calculated, of course, at unchanged prices. Within this, the growing of crops has the larger task. We expect a 16-18 percent production increase from our farmland, and 8-12 percent from livestock raising. This was also the projection of the Fifth 5-Year Plan. But no matter how far livestock raising overfulfilled its plan, the growing of crops fell so far short of the plan that in the final analysis even agriculture as a whole failed to reach its planned goal. Between 1975 and 1980 crop growing produced 11 percent more and livestock raising 20 percent more than in the previous 5 years. The two major agricultural branches can not be this far apart from each other for an extended period of time.

All words lead to one conclusion: more attention and greater resources than ever before must be devoted to crop growing if we want our agriculture to give as much to the country during the present 5-year plan period as we expect on the basis of the plan. The start, the balance of the first year's crop production is not eccouraging at all, even if we will be able to enter a record corn crop production average into the books a few weeks from now.

To be sure, we have set the standards high for crop production which is influenced much more by the weather than livestock raising. The problem is not that the projected yield cannot be achieved in the case of a crop or two, or even of a minor branch of production. It can also be achieved for wheat (for which we planned a yield of 4.9 tons per hectare in 1985), and the average of 6 tons can also be achieved for corn. Indeed, the average yields for some crops--among the several dozen crop types--may even be higher than planned. In spite of this, it is difficult to achieve that within the same year all crops have high yields.

Universal agricultural progress is needed for this, and faster than we had in the past--since the effective moderation of the weather-caused damage which cannot be calculated in advance, is also one of the tasks. One could get into lengthy details on what jobs have to be done now in grain production, in [the area of] industrial plant crops, or in the horticultural branches, and to what questions must effective answers be given in practice. Besides all these, there are some correlations which affect practically all crop growing branches.

Faster Progress

According to the experience of recent years, one percent increase in the value of crop production required two to three percent increase in expenditures of industrial origin. The consequence of this was that due to the growth and to increasing preduction, some branches began to produce less and less profit, or even became loss producers. There is no doubt that in this age, crop growing cannot exist without materials and equipment of industrial origin. More and more of these are used in agriculture. But this ratio, according to which a one percent production increase requires twice or three times as large as increase in material and equipment costs, must be changed and reduced by all means. Reduced by modifying the price ratios, improving the usefulness and efficiency af materials and equipment, and last but not least by better organized and more rational use of these.

If someone thinks of very simple details, which are not at all simple to implement, these are some one can list: putting more plant nutrients into the soil, and better soil work; faster progress in shaping the production structure, so that each crop would be grown in that area of the country where it can be grown most rationally as far as the country is concerned; taking a more effective stand against weeds; and vigorously increasing the very low yields in the production acreages of fibrous and bulk fodders, including also the production of hay.

Even these detail topics branch out in many directions. It so happens that providing nutrients for the crops is also a complex task. Better utilization of livestock manure and other organic materials may improve on the situation. But what is happening in the utilization of chemical fertilizers, can not be counteracted by anything. These days significantly less chemical fertilizer is being put under the crops than even 5 years ago. Even though it is true that at that time, compared to the yields, often unjustifiably large doses of chemical fertilizers were put on some areas. According to surveys, the next year's chemical fertilizer projections continue to indicate a decline. And we can not expect a rich harvest from a poorly nourished crop, no matter how favorable the weather. Without appropriate plant nourishment there is no use to talk about the producing capabilities of the new types, six to seven tons of wheat per hectare, or 10-11 tons of corn. Changes, further dynamic production increases can be achieved only by deeds. The regulation according to which after 1982 those farms which significantly increase grain production compared to the previous year's average, can receive higher income for the increment, provides the incentive for such deeds.

There is plenty to do, from protecting the producing ability of the soil to vigorously decreasing the shrinking of plowlands; there are opportunities for progress. There are, because in the directing and on the farms there is significantly more experience [now], and it can be calculated more and more accurately what the consequence of each step will be. There are also the will and the intention to this end. Now, in the autumn the weather has also taken us into its patronage [sic]. Of course, we cannot really build on this, but we can build on our readiness and on our industriousness. And if all this is coupled with the right direction of material and technological development, the plan will not remain just a wish but will become reality with the aid of favorable knowledge. And our major agricultural operations as well as the country have very important interests tied to this.

8584
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GUIDELINES FOR CHANGES IN ECONOMIC PLANNING REPORTED (PART ONE)

Warsaw GOSPODARKA PLANOWA in Polish No. 7-8, Jul-Aug 81 pp 344-349

[Part one of the summary on the first phase of activities conducted by a task force for planning: "Directives for Changes in the Planning System" 15 May 81]

[Text] 1. General Principles

1. A planning reform should conform with the assumptions that underlie the new system for the functioning of the economy and ought to be coherent with the envisioned institutional and organizational changes. That system can hardly be defined with a crisp journalistic formula ("regulated market economy" or "planned economy utilizing economic laws") because it envisages varying roles to be performed by planning and by the market, depending on target periods, types of problems and economic sector. The "Basic Assumptions for the Economic Reform" published in January 1981 identifies principal changes in the functioning of the economy and parallel organizational and institutional modifications. Of primary significance among those are enterprise autonomy, streamlining of administrative structure, enhanced role for the banks and courts, and that of representative bodies as against the executive organs.

In relation to planning problems, the following can be regarded as the principal assumptions:

-- autonomy of enterprises, guided centrally by means of economic indicators, provided that, in particular areas or in exceptional situations, measures of a different kind can exceptionally be used, as specified further in this report;

-- departure from rank ordering of "lower level" plans to subject them to central plan, and departure from the system of "addressed" directives and "distribution lists" though the latter are likely to permit only a substantial narrowing in scope during the transition period, as presented elsewhere in this report;

-- socialization of the planning process by basing it on improved identification of society's needs, on assured dominance of genuine nationwide objectives and on broader participation of the people in the planning process, an increased role for the worker self-government bodies should be the principal form of socialization of the planning process.

These general guidelines determine the plan system, the substance and extent of plans and methods for planned control over enterprise activity.

2. Central planning will focus on strategic problems and those problems that cannot be properly solved by the enterprises on their own within the market mechanisms (allowing even for centrally determined economic parameters).

In general, the "decisionmaking" field for central plans can be defined as including the following:

-- the rate of economic growth and directions for change in the economic structure and increases in the country's productive capacities;

-- selection of overriding socioeconomic goals and a matching strategy of development policies in employment, investment, foreign trade, research and technology, and the pattern of distribution of national income;

-- economic and scientific-technological collaboration with other countries;

-- defense requirements;

-- policies in income, prices, budgeting, and credits conforming with the requirements of socialist principles of distribution and the needs to delimit parameters and economic standards.

3. The central plan simultaneously performs two principal functions that should be clearly distinguished in the substance and layout of plans:

-- it defines the activities of the government and its agencies, with the proviso that, since the product of a central plan is none other than the state in its entirety, economic ministries cannot be the organizational units in a central plan;

-- it sets the parameters and supplies data to enterprises, labor unions, (both local and central) authorities and administrative bodies, hence, it creates information-based premises for choice and evaluation standards.

4. Ultimately, central planning should differ from present planning in the following features:

(a) it should increasingly include economic-financial and social income categories, especially as regards active influencing of cost ratios and distribution, pricing, generation and distribution of income and development of funds for processes of adjustment in the sphere of supply and demand;

(b) it should more broadly incorporate the categories of needs and societal aspirations in respective structures, types, products, organizational and territorial units, while applying objective standards for living needs, with particular regard to meeting minimum needs in each sphere;

(c) there is a need for deeper probing of external conditionings to the development of the Polish economy from the standpoint of:

-- supply and demand trends and price trends in foreign markets,

-- structural and technical changes implemented and envisaged by our foreign partners, and

-- modifications in international financial relations.

5. Enterprises independently determine the scope of plans they need and fix their target periods, provided that, in some cases, such periods can be defined in a central plan (e.g., in extractive industry enterprises or power industry).

Enterprises plan on the basis of:

-- their relationships with other enterprises,

-- contracts with state bodies,

-- banking arrangements on credits for development,

-- their own predictions and data from a central plan, and

-- parameters and economic norms set in a central plan.

To ensure cohesion in central planning and enterprise planning, it is necessary to inform enterprises early enough about general intentions and forecasts of a central plan (its informational portion) and to provide for consultations of central planners with enterprises during the preparation of a central plan.

6. Enterprise planning should be ruled by cost-effectiveness analysis and self-financing based on commodity-monetary categories developed in keeping with objective market laws. This is a precondition for efficient and streamlined activity on the micro scale and for utilization of grass roots initiative of individuals and human groups. Under such conditions, enterprises will themselves be interested in the quality and effectiveness of planning for their own operations and development projects.

The processes of central planning should support enterprises in the above-mentioned actions and should furnish information on which bank crediting is based.

Negative economic results and poor economic and financial standing of enterprises that fail to meet external requirements, or cases of other enterprises exploiting their monopolistic position should be revealed. Consequently, appropriate remedial measures should be prepared and agreed on, inclusive of liquidation of an enterprise.

7. According to the above listed assumptions, a two-stage planning system is accepted as an overall systemic principle. This system includes:

(a) planning in enterprises and

(b) planning on the central level.

This principle is not contradicted by transfer of a specified rante of central planner's authority to local authorities, nor by combined plants' and large enterprises' development of plans for their component units if the management of an enterprise regards such action as purposeful, provided that this fact does not release enterprises from preparing their own comprehensive plans.

Infrequent departures from the two-stage system can occur:

(a) in voluntary associations whose bylaws would transfer to the association a portion or all of the mandate of associated enterprises.

(b) in enterprise groupings created by law in certain production sectors, provided that delegation of authority, if any, by the enterprises to the grouping should be spelled out in its bylaws approved by a supervisory authority.

Further work is needed to develop planning principles for public utility enterprises and those enterprises that enjoy a nationwide monopoly (e.g., Polish State Railways or the post) or a local monopoly (e.g., municipal services).

These enterprises will be particularly affected by the supervisory bodies' application of either the general regulations on interference in the activities of enterprises having monopolistic positions and major importance for the economy, or agreements to be concluded periodically with appropriate state units and specifying mutual obligations.

Economic ministries (much less numerous than has been the case until now) should also participate in the planning process, especially in:

-- preparation of strategic research projects (especially those concerning structural transformations) to the extent dictated by principal functions of central planning with regard to proportions of economic development,

-- preparation of premises for the performance of supervisory role with regard to enterprises within the boundaries precisely delimited by appropriate legal acts, conducting consultations with enterprise managers on their development programs and economic-financial conditions.

The planning process should include local bodies, especially those concerned with environmental protection, rational territorial management, and improvement of local standard of living.

8. The target planning system must provide for change in all principal categories of plans, that is long-range, long-term, and annual plans. The basic

thrust of this change should be reinforcement of the role of 5-year plans and enhancement of their strategic function in the entire system.

The precondition for this is:

-- on the one hand, basing the 5-year plan on a more extended concept of the country's development to be expressed in the long-range plan, which presupposes increased importance of that type of plan;

-- on the other hand, reduction of the role of the annual plan to exclusively executive function as against the 5-year plan, so as to exclude the possibility of alteration of the 5-year plan assumptions by means of the annual plan.

At the same time, the role of preplan research studies must be increased. These should be understood to mean various types of forecasts, programs, research projects, and analyses. They should be devoid of the aura of an imposed decision and serve instead as material for development of central plans and plans for economic organizations.

2. Relationships Between Economic Units and Central Level Planning

1. Relations between the levels should be based on the following principles:

-- enterprises, as basic entities in economic activity, acquire autonomy subordinated to the rules of cost-effectiveness analysis and self-financing; employee self-government and enterprise management are authorized to make decisions on all matters except those clearly restricted by respective legal regulations;

-- convergence of enterprise activity and goals of the state's socioeconomic policies should be ensured in the main by means of parametric impact measures rather than directive distributional measures.

This should be aided by:

-- first, the conduct of a state price policy whose premises and regulatory instruments should be expressed in planning on central level;

-- second, determination of economic financial parameters and norms (such as tax rates and percentages, currency rates and customs duties and financial norms) to match the requirements of plan proportions;

-- third, financial accountability of enterprises for their results (self-financing plus repayable bank credits) which should activate processes leading to equilibrium and improvement in efficiency in the management of current outlays and development outlays through matching those outlays with financial potential developed by an enterprise;

-- fourth, enterprise participation in overall economic planning through two-way flow of information (between planning bodies and enterprises), especially as concerns development of supply and demand ratios and anticipated variations in price ratios;

-- fifth, horizontal contractual agreements between enterprises, along with assured institutionalized protection of recipients against monopolistic practices of suppliers (arbitration, modifications in instruments of economic regulation);

-- sixth, application of state contracts as a fundamental conduit for unmediated inclusion of enterprises in the implementation of selected undertakings with strategic national significance;

-- seventh, application of administrative management instruments in selected cases, for example, in licensing export and imports, certification of certain products as a condition for allowing their sale, and zoning constraints.

The central level will use parameters to determine computational and decisional bases for enterprise planning. Under these conditions, universal compliance with centrally established parameters and norms, along with other provisions of the law, will be devisive for autonomous enterprise plans to be in consensus with the tasks and proportions in a central plan.

2. Relationships between central planning and enterprise planning should vary with objective conditions under which enterprises operate and grow, especially the frequency of changes in demand and technology and length of cycles for modification in production equipment. Provisions should be made for a relatively broader extent of direct relationships in the case of enterprises characterized by longer modification cycles or lower frequency of change in demand and technology. Other enterprises should receive from the central planner general information on operational conditions in the future and should conduct their economic activity under conditions of, and pressure from competition.

Enterprises can be obligated to form certain components of their plans in keeping with determinations made by the central planner (e.g., in state contracts, export or import licensing) but only in a measure that does not affect adversely the principles of self-financing and integrated cost and effectiveness analysis in enterprise economy.

Central planning should be ahead of enterprises in creating for them conditions that favor their economically sound management, especially in engaging into development projects, which should take the form of selected long-range decisions on infrastructure on the central level and in providing information on expected variations in demand, supply, and price ratios (in domestic and external markets).

3. In keeping with the above posited general principles, it is assumed that the practice of allocation of resources to individual economic entities in the central plan will be ultimately totally abondoned and that traditional planning directives in the form of specified quantities for mandatory production tasks and service tasks and allocation of capital goods and financial funds for the accomplishment of these tasks will be given up already in the transition period.

For the target model, it is presumed that the central authority will interfere in the enterprise activity and planning only in excpetional forms or in exceptional cases.

A. Bans can be instituted for engaging in certain types of activity, production, or export of specific products. Economic activity also can be subjected to licensing in the form of permits for initiating particular kinds of production, services, or exports.

B. State interference in particular fields, mentioned above, will take the form of state contract orders. A legal act should define the circumstances under which the state is entitled to resort to coercion to conclude a contract if one is not achieved voluntarily, along with the conditions allowing for maintaining profitability for economic organizations. The contract system should be utilized for:

-- accomplishment of central investment,

-- creating state reserve and meeting state defense and security needs,

-- execution of governmental agreements on economic and scientific-technological cooperation with other countries,

-- completion of other important state undertakings.

The functioning of the system of state contracts should be guaranteed by rules of law, binding on enterprises and other economic entities both state and cooperative and private to enter in agreements on fulfillment of state orders as their first priority.

Directive determination of tasks and resources on the central level will take place in the case of budgetary units, with more extensive application of budgetary norms and standards.

4. Units of authority should organize the planning process for the economy in its entirety in order to:

-- assist enterprises by providing them with data needed to engage in adjustment activities;

-- select directions and form instruments for social-incomes policies, pricing, budgetary, and credit policies;

-- give shape to strategic directions for change in the structures and techniques by making decisions on selected long-range undertakings.

3. Content of Plans

1. Assumptions for the target planning system permit only a rought determination of essential plan content of socioeconomic plans (long-range, and 5-year and annual plans). Their substance can be expressed in four problem-centered sections (presented in the annex) which will take concrete forms in respective documents of an NSPG [national socioeconomic plan]. Such determinations, however, do not have to be definitive in nature, but must be subject to verification when executive regulations are being developed.

2. In keeping with the principles presented above, national socioeconomic plans in their future form should include:

Part I. "Forecasts and premises for policy of comprehensive economic and comprehensive social nature." That policy should be determined as a result of extensive consultation with society to include, in synthesis, the strategic decisions through which selection of social and economic objectives was accomplished and it should determine basic economic proportions. The solutions accepted in Part I and numerical calculations constitute the basis for determinations of the instruments for accomplishing plans presented in Part III.

Part II. "Central level decisions on development." This part should include specific economic decisions (e.g., a list of investment titles for central plan investment projects) along with definitions for conditions and modes for implementation of these decisions (agreements with enterprises). These decisions directly intervene in the course of economic processes, especially developmental processes.

Part III. "Instruments for implementation of socioeconomic policy." This part should include norms and economic and financial parameters derived from data specified in Part I as well as containing injunctions, prohibitions, and constraints of a general nature (not addressed to economic entities) that are not handled by the general provisions of the law. These can be location constraints or orders to halt production of specified product. Part III is not included in long-range plans.

Part IV. "Information for developmental activity of enterprises." This part should have a service function with regard to enterprises and define material conditionings of their long- and short-range operation in the future.

Information offered in Part IV should permit greater correctness in enterprise adjustments to match changes in external conditions and, along with economic financial instruments, it ought to be an important factor ensuring the plan's conformity with autonomous enterprise plans.

3. In keeping with the principle on reinforced role of 5-year plans, the content of annual plans can, as overall economic stabilization progresses, be restricted to departures from determinations contained in 5-year plans.

Content of National Socioeconomic Plans with Different Time Range

a. NPSG [national socioeconomic plan], a long-range plan, in principle, for a decade.

b. a five-year plan

c. an annual plan

d. Part I. Forecasts and premises for overall economic and overall social policy.

1. Assumptions concerning generation and distribution of national income (rate and structure).

2. Standard of living components seen in light of population projections.

3. Assumptions for investment policy and investment proportions in the production and nonproduction spheres, with the proviso that the long-range plan is not a vehicle for allocation of investment resources.

4. Social objectives and directions for change in levels and composition of patterns of social consumption.

5. Assumptions concerning international commerce and international cooperation--price forecasting.

6. Assumptions for structural modifications and economic specialization within the CEMA and assumptions on the development of those subsectors and branches that initiate processes of structural transformation.

7. Assumptions on employment policy and changes in employment structure.

8. Assumptions on policy in raw materials and energy acquisition from domestic sources and import.

9. Assumptions of territorial policy and territorial development with emphasis on natural environment, water management, settlement, and technical infrastructure.

1. Generation and distribution of national income.

2. Social objectives of the plan.

3. Assumptions on income and price policy. Monetary revenues and expenditures of the population across income brackets.

4. Expenditures on social consumption (level and structure).

5. Investment outlays by source of funding (including enterprise resources) in the sphere of material production and in the nonproduction sphere. Outlays in a breakdown by sector and subsector.

6. Balance of payments, economic cooperation wiht other countries, foreign trade and credit policy.

7. The state's financial balance sheet.

8. Assumptions for the state's budget policy.

9. Assumptions for credit policies.

10. Employment policy. Principles and directions for manpower management.

11. Policy on procurement of raw materials from domestic and import sources.

12. Assumptions for territorial policies.

13. Comprehensive balance and structure ratios.

1. Generation and distribution of national income.

2. Monetary revenue and expenditures of the population across income brackets.

Part II. Central Level Decisions

10. Long-range social and economic programs--assumptions on the 10-year implementation segments.

11. Strategic research and development programs.

12. Central investment

-- regions and range of demand for structural investment

-- assumptions for technical and social infrastructure development

13. Assumptions for foreign cooperation programs--assumptions for state crediting policies.

14. National defense reinforcement programs.

15. Location-related directives and prohibitions.

7. Long-range social and economic programs--decisions concerning 5-year periods.

8. Central (governmental) research and development programs.

9. Central investment

-- investment projects of structural nature in the sphere of production; lists of tasks.

-- projects concerning technical and social infrastructure.

10. Programs for economic cooperation under CEMA. International agreements. Agreements with enterprises on implementation of multiyear international agreements.

11. Long-term state orders and contracts with enterprises on the fulfillment of those contracts.

1. Expenses on social consumption purposes (levels and structure).

2. Investment outlays by source of funding in the spheres of material and nonmaterial production.

3. Balance of payments, foreign trade credit policy.

4. The state's financial balance sheet.

5. State budget.

6. Credit plan.

7. Annual programs for manpower management (in selected territorial breakdown).

8. Implementation of long-range socioeconomic programs in annual segments.

9. Annual segments for implementation of central research and development programs.

10. Annual segments for implementation of agreements with enterprises of accomplishment of central investment projects.

11. Annual segments for implementation of multiyear international agreements and agreements on short-term international obligations.

12. Annual segments for long-term investment [fulfillment?] of the state orders and agreements with enterprises on annual (short-term) state orders.

Part III. Instruments for Implementation of Socioeconomic Policies

A. Economic financial norms and parameters.

1. Multiyear economic financial norms and parameters (e.g., principles for standards for financial reserves.)

2. Multiyear norms and parameters specified by term (from-to) and principles for their concrete expression in the annual plan (e.g., bank interest rates).

3. Principles for determination of short-term norms and parameters (e.g., currency exchange rates).

4. Principles for determination of economic financial norms and parameters by local bodies of state administration, enterprise associations, and other organs.

2a. Norms and parameters within 5-year terms provided by the plan.

3a. Short-term norms and parameters.

B. Directives, prohibitions, and constraints that do not directly interfere with enterprise decisionmaking.

1. Principles for application of directives, prohobitions, and constraints.

2. Allotments and restrictions for units financed partially or wholly from the State budget.

1a. Prohibitions, directives, and constraints (e.g., export licenses, antimonopoly measures, and location constraints).

2a. Specification of allotments and restructions on budget units to the extent defined in segments of the 5-year plan.

PART IV. Information for Development Activities of Enterprises and Other Units Implementing the National Plan

1. Composition and economic proportions.

2. Economic structure by subsector and branch.

13. Major products (a limited aggregated list of raw and semiprocessed materials for capital goods and important consumer goods).

2. Forecast of international economic outlook.

2.1 Variations in currency availability. Forecasts of currency exchange rates.

2.2 Forecast for change in supply and demand conditions and prices in foreign markets concerning principal commodity groups.

3. Price forecast for the domestic market.

4. Forecast for technological progress. New products, new production engineering techniques. Anticipated directions for technological progress.

5. Forecast for change in manpower market situation in territorial breakdown.

1. Economic structure and proportions.

1.1 Economic structure by subsector and branch.

1.2a Forecast for supply and demand for an expanded list of products, new products.

[2 through 3 as above]

4. Forecast for technological progess. New products, new production engineering techniques, new intermediate products of general use (e.g., electric motors, pumps).

5. Forecasts for outlook in employment in breakdown by territory and branch.

2.2a Short-term forecasts for prices in foreign markets.

3a. Short-term forecasts for price fluctuation in domestic market. Decisions on pricing within the state's decisionmaking range.

4. Shortage rate fluctuations in wholesale goods.

5. Situation in manpower market breakdown by territory and branch.

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CRITICAL ANALYSIS OF ECONOMIC REFORM PROGRAM PUBLISHED

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[Article by Wladyslaw Bujwid: "From the Viewpoint of an Enterprise," editor subtitle "Face to Face with Reform"]

[Text] It was a good turn of events that prior to the final formulation of legislation that is to give shape to the reform a team of enterprise consultants was set up. After their first meeting in which drafts of normative acts were given ad hoc evaluations, it appears that a team of this kind should be appointed before the Ninth Congress so that the assumptions for the enterprise economic system can be discussed prior to their submission to the Congress forum.

The critical observations registered at the meeting referred to proposed detailed solutions as well as certain elements that have their origin in the assumptions. The objections pertained to several problems.

Doubts were raised as to the principle under which enterprises transfer a portion of their capital depreciation to the state budget, because this prevents restoration of the full value of used capital and causes its continued eiminution. If adopted, this principle would, along with the self-financing principle (no subsidies), bring about a gradual reduction of the state sector in the Polish economy.

Profit distribution levels also were questioned. The State Price Commission guidelines on 1982 price determination, mandatory for a majority of enterprises, set standard profits for enterprises at approximately 3 percent of the value of its capital goods. Enterprises are expected to remit 50 percent of that figure to state budget as tax and to pay 10 percent of the remaining 50 percent into a reserve fund. In other words, 45 percent of profit is left to be divided between the development fund and employee fund, amounting to less than 1.5 percent of the value of enterprise capital goods.

In a majority of enterprises, this sum is not sufficient to cover what is termed the thirteenth monthly salary which is supposed to be paid out of profits, not to mention other bonuses until now counted as part of the costs, which are also to be paid out of profits. However, if employee councils, accepting reductions in employee salaries, designate two-thirds of the profits remaining at an enterprises disposal for development, this amount will represent approximately 1

percent of the value of enterprise capital goods. This amount conbined with that portion of depreciation that is left at an enterprise's disposal, which is jointly referred to as the development fund, is not sufficient even to restore used up capital goods. Thus, not only enterprise development but also their very existence are predicated on their receiving budget subsidies.

This is neither self-financing, nor autonomy.

Another problem that was raised concerning the many funds, tax entitlements, and types of authorization for the minister of finance to create further funds and taxes which can work in combination with the balance verification rules to completely deprive enterprises of autonomy and can cause retrogression to the directive-distribution system, different only in that decisions would be made by the minister of finance and his bureaucrats rather than by ministers in charge of industrial branches.

Criticisms were levelled at the principle applicalbe to many enterprises under which prices are determined on the basis of the production costs plus a small profit and identical for all products manufactured by the enterprise. Identical profits on different products will not promote production development of goods that are in demand and necessary. Small profits will not permit establishment of necessary development funds to expand production of articles in demand. By depriving consumers of the right to influence prices and profit levels, society will be deprived of economic instruments that regulate production development of needed articles and services. This, following the elimination of administrative instruments that operated under the directive-distribution system, would put the market in total disarray.

It was questioned whether a low rate of exchange for the dollar, exceeding the present rate by 20 percent, was correctly assumed in view of material price increases of 50 percent to 300 percent and the expected rise in production costs by as much as 100 percent in some enterprises. This will render a substantial portion of our exports unrpofitable and result in lowered prices of imports from the dollar zone. This is one way to spur incentives to abandon exports and promote imports, in other words, to further exacerbate the crisis.

Chances for proper functioning of the envisaged system for employee motivation were critically assessed. Evaluations were invited on a substantial package of regulations containing some but not all of the elements of the system, scattered among various normative acts. We will have to wait for many of these elements because of authorization to develop them being proposed for the minister of finance, minister of foreign trade, and the Council of Ministers. This hinders the development of the overall picture of the motivation system but even the expanded portion is of sufficient complexity to be incomprehensible for an average employee who is supposed to feel like the host in his enterprise. Even enterprise specialists encounter serious difficulties in determining the relationship between employee incomes and efficiency of operation of an enterprise. This system of motivation will not meet society's expectations and will fail to improve economic efficiency.

The critical assessment of submitted proposals generates a need for presentations of alternative solutions favoring economic development and, in effect, promoting improved satisfaction of social needs. Drafts for such solutions are being prepared by many enterprises and organizations. Among these, the managerial staff of the MIFAM Factory for Surgical and Dental Instruments in Milanowek, one of a hundred consultants, has developed substantiated proposals for changes in the economic system and sent them to the Central Commission on Reform. The proposals present a specific view of solutions to controversial problems. The principal goal of the reform should be to create a clear-cut system of material incentives for socially effective activity easily understood by an average citizen, and the establishment of a legal system to make such activity possible.

It was expected that an enterprise's effectiveness of operation would be measured by profit, reflecting the value of the added product manufactured by the enterprise because it is the difference between the generated value and cost. This added value is the only source to increase national assets and consumption levels, i.e., the standard of living. Enterprise profit should be subdivided by enterprises into three portions:

-- one for enterprise development and the remainder to be distributed between;

-- the state budget to enlarge national assets, improve living standards, and debt repayment; and

-- the enterprise's employees, as an incentive for generating added product.

Employee share in the portion of profits designated for distribution among the enterprise's legitimate co-owners, i.e., society and employees working in it, should be proportionate with their contributions to the generated value.

This type of solution for the system of financial incentives to motivate efficient work should be understandable to all employees. It will be possible to determine in each enterprise how many cents its employees will receive per each dollar saved [sic]. At that time, expectably, there would be universal interest in efficient enterprise operation and in the financial system that is genuinely effective.

The amount to be allocated to enterprise development will be determined with a full sense of responsibility because it will reduce the portion of profits earmarked for distribution.

Enterprise losses should be covered by co-owners, that is, the state budget and the enterprise in the same proportion as those used to share profits.

Self-financing of capital goods for an enterprise should be achieved by leaving the entire depreciation fund with the enterprise and repricing enterprises' assets to adjust them to current values. In principle, the tax system should assure nothing but self-financing of the state. Taxes should be levied on manufacturing costs as intermediate costs carried by other economic sectors.

Such functions could be performed by two taxes:

-- tax on enterprise wages, which should provide for financing wages in other divisions of the national economy and for social services. Changes in enterprise wages automatically cause the same changes in wages in other sectors and in social services. This will prevent development of wage disproportions and will be reflected in production costs.

-- tax on enterprise assets, that is, fixed assets and working capital, which should provide for the maintenance of the remainder of national assets at an unchanged level, without depreciation.

These two taxes will simultaneously induce enterprises to cost-conscious use of those limited national economic resources constituted by people able to work and national property in the form of land, structures, equipment, and materials. During the present crisis, it is desirable to apply one more tax--on "luxury" goods. A list of these goods should be made by the Sejm and pared down as the crisis subsides. In the future, this should be limited to such articles as cigarettes and liquor.

The "luxury" tax would function in several ways:

-- limit demand for luxury items,

-- limit production of luxury items in favor of items of general use during the period of restricted availability of materials, and

-- reduce inflationary "carry-over."

Tax categories and rates should be specified by the Sejm. Such authorization should not be transferred to the ministries. The tax system and principles of income profit distribution are fundamental elements of social contracts between society represented by the Sejm and enterprise employees represented by their self-governing bodies. This contract can be altered only by the interested parties. The task of the state and enterprise executive apparatuses is to ensure proper implementation of that contract. The establishment of goal-specific funds in the enterprises should be left to their discretion in keeping with the principle of autonomy.

Once the directive system is abolished, the price system will be the only market regulator. To avoid profiteering and hoarding, we must agree to equilibrium prices. Such prices cannot be fixed simply by agreement between supplier and consumer or their authorized representatives.

The Sejm, as the representative for society at large, should decide the price of natural resources which are the property of the entire nation and, as the representative of all consumers, on prices for consumer goods and in consensus with the producers. This does not change the basic principle.

Transferring to consumers the right to accept a price will allow them to influence the producers and the quality and volume of products. By transferring a

portion of profit made on articles in high demand, which today is most often appropriated by profiteers or bribe-takers, consumers will set in motion the mechanism created to distribute profit:

-- to encourage producers to develop and expand production of scarce goods thus providing for a larger write-off to benefit employees;

-- to increase write-offs for development funds, indispensable for expanding production of scarce goods; and

-- to increase budget revenues for overall social development.

The profit distribution and price determination systems described above will launch and maintain a process of adjusting the production structure to the changing social needs and conditions.

An essential cause of the present crisis is the limitation of imports below the economy's minimum requirements, which prevents full utilization of economic potential. In our credit situation, imports can be increased only by enhanced exports. To start emerging from the crisis, a favorable foreign trade balance needs to be achieved, while ensuring:

-- imports that provide for utilization of economic potential and

-- servicing of the foreign debt.

In connection with the situation presented above, foreign currency exchange rates should be set at levels to permit the valve of our exports to meet the above conditions and to become profitable for the manufacturers. Nothing but export profitability can ensure the establishment of an incentive fund and export development fund, the larger, the more profitable it is to export a given article. High rates of exchange of foreign currencies will bring about high levels of import prices, which will curtail imports to a necessary minimum.

Implementation of these proposals should provide for the modifications in the production structure and foreign trade that are geared to meet society's needs, improve the foreign trade balance, and better utilize economic potential. If the economy takes a turn like this, it can ensure resurgence from the crisis and further orderly economic development.

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OFFICIAL OF AGRICULTURAL ECONOMICS INSTITUTE DISCUSSES REFORM

Warsaw ZYCIE GOSPODARCZE in Polish 4 Oct 81 p 6

[Interview with Dr. Leszek Wisniewski, director of the Bureau of Economics and Organization of Socialist Agricultural Enterprises at the Institute of Agricultural Economics, by Marcin Makowiecki: "Enforcement of Efficiency"]

[Text] [Marcin Makowiecki:] Can it be envisaged that the introduction of economic reform to PGR [State Farms] starting from 1 July and to collective farms--from January 1982, will change their present functions in the system of food management?

[Leszek Wisniewski:] In the past, collective farms were assigned various roles. During the early post war years, the basic function--mainly of PGR because cooperatives were in the early stages of development--was the creating of technical and organizational progress in all of agriculture. At that time, for example, seed production and nursery enterprises as well as germinal cultivation enterprises were established, which exist until today. Afterwards, as a result of policies of the 1950's, increasingly more land went to the collectivized sector, not to mention the less inhabited regions, which to put it simply, had to be cultivated. The collectivized sector began to play an increasingly more important role as a producer of agricultural products. This was mainly the function of PGR (unlike in other socialist countries where the RSP [Agricultural Producer Cooperatives] dominate in this respect).

Such a system of functions has maintained itself until today. Therefore, it will continue to be necessary for collective farms to fulfill tasks, which for obvious reasons cannot be accomplished by individual farmers (e.g., seed production, germinal cultivating). Moreover, they must implement production tasks; they occupy an area that is to extensive (over 30 percent of the land is under their administration) to resign from this to any possible extent.

[Question] In practice, it appears that, for exmmple, in recent months a large part, since about 50 percent, of meat deliveries for collectivized procurement comes from these farms. For example, in a matter of 3 months of the current year, individual farms supplied 814 thousand tons of cattle for slaughter (in terms of meat) while collective farms supplied 538 thousand tons. In August, however, these proportions already took on a different arrangement: 58 thousand tons from peasant farms and 50 thousand tons from collective farms. Also, the decline in procurement as compared to last year was smaller on collective farms. They are a stabilizing factor for the market supply. This is also caused by the practices which they employ:

consistency, continuity of production processes, which are immanent traits of this production. For years, they have also been producing a large portion--proportionally greater than their share in the structure of arable land--of certain other important raw materials. All of this speaks on behalf of increasing the production role of the collectivized sector.

[Answer] I believe that no sensible person will deny this. However, it should not cause other matters to be neglected. For example, collective farms, mainly PGR, are a place for testing new technical and organizational solutions; they constitute a base for agricultural science and participate in training a skilled cadre. It would be difficult to burden individual farmers with all this. In addition, collective farms have still other goals--organizational in nature. They create new social conditions in rural communities. In short, this can be described with the slogan: progressive work--progressive living under better housing conditions, with access to social services like those in the city and free time after work, etc.

The fulfillment of all these expectations depends to a large extent on the rate of expansion of the area of collective farms. In recent years, when the number of hectares taken over was converted into a guage for the evaluation of this agricultural sector's efficiency, the possibility of improving results, from the point of view of economic efficiency criteria, was in this way, eliminated. In addition, remaining functions; e.g., creating progress in all aspects of agriculture, were not fulfilled as they should have been. It should not be forgotten, however, that this was also the result of general restrictions, of the glaring underrating of the needs of agriculture in general, which also significantly affected the large commodity economy.

[Question] Despite this, it is said that this was a sector, obviously privileged by agricultural policy, especially in terms of the amount of outlays appropriated for development and current production.

[Answer] It is possible, of course, to arrange various indexes in such a way as to prove this. However, it should be remembered that these are farms with a completely different production technique. On the other hand, in evaluating the amount of financial outlays, it should not be overlooked that they always fulfill two functions: intensifying and substitutional (i.e., they replace people, horses, etc.). In addition, if cumulative guages (production result and total outlays) and not segmentary ones were to be used for intersectorial comparisons, then the trends of efficiency measured in this way would bring this sector increasingly closer to individual farming.

However, the sight of inefficiency offends everyone. People, then, start asking, why do much money was invested there--and they are right. There were, however, situations in which a new farm would come about, usually State-controlled, particularly there, where no one was interested in the land. Only then, the next question arises, why animal husbandry was set up there--without a base, without people, etc. --where, in a number of cases, 15 feeding units per 1 kilo of weight gain were allotted for the feeding of the animals. This offended any and all economic reasoning.

I am, however, convinced that a correct economic account--under the new system--will make it impossible for anyone to use outlays contrary to common sense. Simply put, there will be no one who will pay extra. The new conditions will force farms to

spend money carefully, their economic efficiency will improve and through this, public opinion as well in regard to the entire socialized sector of agriculture.

[Question] It may be feared, however, that by using the economic account as their guide, farms will avoid production which is less profitable but, nonetheless, greatly needed. What should be done to prevent the reduction of the currently important role of collective farms in terms of supplying the market? Incidentally: this topic prompts intersectorial comparisons; it is a question of production marketability.

[Answer] My opinion on this matter is the following: the use of one guage leads to misunderstandings; e.g., marketable production from a hectare or per one worker as the basis for the evaluation of production output. This, of course, may be presented and used. In my opinion, however, a significantly more convincing indicator is the description of that which was produced from an area unit in a year. The distribution of this production is a secondary matter, although, decisive for the market supply, in a strict sense. That is why, I am presenting this data (Table 1). I do not wish to enter a theoretical discussion here on the subject of the methods of evaluating the particular sectors of agriculture. However, recollection should be made of that which we discussed, that one of the reasons for the obtainment of a lower net production from collective farms was and is the use of completely different techniques of production as well as--before the reform of PGR--directive-type management of production, often discordant with econimic and technological reasoning.

I do not think that we ought to fight against making comparisons of the economic efficiency of various agricultural sectors. Actually, there is nothing to hide here, if in the comparisons we account for differences in the conditions of production. The socialized sector fulfilled various interventionist functions; e.g., in the case of cattle raising, manufacturing of unprofitable vegetable products, etc.. Decisions concerning the undertaking of this production were, in general, not influenced by the evaluation of economic conditions on farms. Later, however, comparisons were conducted, which were--when they left out this circumstance--false. Collective farms were, to put it simply, ordered to produce specified raw goods. In addition, if we are already comparing sectors, then we must remember that the efficiency of assumed planning decisions or more broadly speaking, of the policy towards sectors is measured then, when one of them has acted in a system of commands and the other had complete freedom in shaping the structure of production. I would also like to add a very essential matter. Despite these mistakes of directive-type planning, whose consequences converged, to a large extent, on collective farms, there did occur--over a longer period of time--an improvement in the economic and technical efficeincy of this sector. This regularity became disrupted in the last 3 years, mainly because of unfavorable weather conditions.

Does reform change the existing economic ratios? Well, that is why it is introduced but we still do not know what its effects are. However, if we believe--and it cannot be otherwise--in the effectiveness of the stimulators, which we will use to describe the level and structure of production, then it may be expected that a quicker reaction to them will occur there, where the consequences will be envisaged more quickly, thus, among others, in the PGR where there is an educated cadre and a greater access to economic information. In any case, it was this way already. During the periods of time when the PGR enjoyed greater independence in making production decisions, their reaction to changes in profitability was quicker or as quick as that of individual farms.

I wish to state with complete confidence that the interventionist role of the socialized sector of agriculture--after all, necessary--depends not only on the extent of this sector but, above all, on the effectiveness of economic implements. The time has passed when commands were employed, often ineffectively. The intrinsic logic of the economic system is more important.

[Question] Something is wrong, however, if--as I have heard--in accordance with this logic, animal production for example, becomes limited.

[Answer] Farms are reacting in accordance with the accepted primary assumption of the new economic system. We wanted them to be profitable and that is what they are doing. In some cases, this leads to a decline of animal production--there, where it was not balanced with the production of feed (that is also why a certain portion of farms are holding on to grain). They cannot be forced to continue to add on to this production. On the contrary, they must make a choice from the point of view of profitability. In this case, cattle raising for slaughter is the most threatened (on "post-inventory" ["przeinwentarzowanych"] farms) and less in the case of hog raising, which is more profitable. In any case, with exceptions and apprehension, it should be taken into account that farms also have to work for the amortization of barns, therefore, the decline in the number of animals will not be large.

On the other hand, the matter of milk production is more complicated. It is profitable but an increase in the cow population cannot be achieved overnight. In order for new cattle [obora] to function well, at least 7 years are required. As a result, reaction to the improvement of economic conditions cannot be as quick as in the case of hog raising.

[Question] One of the goals of reform is to lower production costs or more precisely --economical management. However, oftentimes the opinion is heard that PRG and cooperatives produce without taking into account the amount of outlays.

[Answer] The postulate of economical management is self-evident, regardless of the system. However, in making cost assessments, it is necessary to take into account the specificity resulting from the technologies used. Again, when we take individual farming as the point of reference, we see, first of all, differences in the scale of production and secondly, a different arrangement in the proportions of production factors. Among other things, the level of employment (12 persons on PGR and 30 on individual farms per 100 hectares) causes financial outlays in the PGR for substitution of the working force to be twice as high.

However, a certain important condition turns up here, immediately. Frequently, as an excuse for the low profitability of PGR, it is said that this is caused by poor price ratios of agricultural products and the price of the means of production. I believe that this is only a camouflage for mismanagement and I have proof for it. We have compared farms variably equipped with these expensive means of industrial origin. It appears that in proportion to the increase of provisions, in other words, the rate of outlays (fixed and circulating funds) per unit area, so at the same time, all indexes of efficient management improve. Please read carefully,the data given on Table 2, which contains information about the 10 best and 10 worst PGR, in terms of efficiency, which were studied by the IER [Institute of Agricultural Economy] in 1979/1980. Obviously, this does not imply that the costs of the means of production are low because operating costs, in particular, are higher than in other countries.

However, at the same time, it should be remembered that "freezing" these prices halts industrial production. An additional argument in this matter is the enormous competition in the procurement of the means of production--if they are willing to buy, then this must mean that it is profitable. What matters is that there be something to buy.

[Question] We are hereby entering a very important area for the method of production steering--planning. It [planning] cannot utilize only economic tools. Besides prices, also of equal importance are supplying the means of production and organization of marketing. Altogether this should assure the synchronization of unitary decisions made by farms with general social needs. How is this going to function in the new system?

[Answer] The supreme principle of agricultural policy is for the most efficient producers to produce the most. This is defined in the method of distributing tasks and means, not only among sectors but also among regions. Let us, then, imagine the decision making process under these new conditions. The producer is well-acquainted with economic conditions, the system of being well-equipped with indispensable products of industrial origin, personal resources and on this basis he assumes work on the annual and long-term plan. This information should serve the Center for the balancing of the needs of the national economy with unit production capacities. The account balancing center should anticipate the possibility of intervention when a shortage or surplus of products occurs. In both cases, it can put into operation subsequent price action, active foreign exchange or interventionist production on a scale that will be required--but always using economical means. I envisage the necessity for the active cooperation of the center in production decisions but not by means of a system of dictates but through the creation of conditions for production.

[Question] The matter of subsidies for enterprises is connected with this. Not all of them have been eliminated...

[Answer] In general, there is a departure from subsidizing production. They have been retained exclusively for purposes dealing with special functions of enterprises; e.g., for seed production, experimentation, germinal cultivation [hodowla zarodowa]. In addition, expenditures connected with production activity have been separated from outlays related to the functioning of the social infrastructure (housing, roads, historical monument conservation, etc.)--there will be subsidies for this as well. In addition to this, subsidies are maintained for nonagricultural operations, for example, for farm processing, production of industrial fodder, construction--just as is the case currently in the appropriate branches of industry.

[Question] How do you see the continued possibilities of collective farm participation in the structural transformation of our agriculture but, above all, in the reconstruction of the agrarian structure?

[Answer] Spatial expansion of the socialized sector is defined, primarily, by the capacities of the national economy. They result, first of all, from the balance of employment (migrational and income potential of populational groups). It is a known fact that in the immediate future, there will be limitations on populational shifting caused by the situation of raw materials, power and that of industrial

investments. Secondly, they result from the balance of industrial means, indispensable for agricultural production. In the very near future, this will have a bearing on the situation of socialized agriculture, which is characterized by a higher consumption of technical resources and lower employment.

However, this does not indicate that the possibilities of the development of farming have been shut. The road to its reconstruction, proven historically by examples of countries with developed agriculuure--leads through the reduction of employment (changes in agrarian structure) with a simultaneous saturation with new technology. This process is before us. The treatment of agriculture as a place where the working force is stored, living under more difficult conditions, is in the longrun socially unjust and ineffective.

It is to be presumed that many factors will encourage individual producers not only to expand their farms but also to merge together into large scale production units; e.g., collective groups, which enable the introduction of more effective production techniques and improvement in the standard of living. This, of course, will also be connected with the inevitable migration of a part of the population from the country into the city. In certain areas, the creation of such units will be impossible and transformation in the form of land ownership will take place there, giving rise to nationalized or cooperative farms. In both cases, these processes cannot be forced administratively.

The rate of technological and social modifications in rural areas will depend on the capacities of the national economy; the quicker, so much the better for everyone. We are, without so much as counting, one of the countries with the most costly food production. Changes for the better will occur in proportion to the improvement of the agrarian structure of individual farms and the conducting of intersectorial relocation of land. At the same time, this does not indicate a weakening of the individual sector. On the contrary, it is known that these farms have acquired the possibilities of strengthening their economic position as well as equal rights to land access and to the means of production.

[Question] Thank you for the discussion.

Table 1. Agricultural production in thousands of zlotys, in terms of 1 hectare of arable farm land (fixed prices for 1976).

Produkcja rolnicza, w tys. zł, w przeliczeniu na 1 ha użytków rolnych (ceny stałe 1976 r.)

Tabela 1

(1)	Ogółem rolnictwo		(2) Gospodarstwa nie uspołecznione		(3) Gospodarstwa uspołeczniane	
	1971—75	1976—80	1971—75	1976—80	1971—75	1976—80
(4) Produkcja końcowa brutto	18,9	20,5	19,8	20,1	18,3	21,8
Produkcja (5) końcowa netto	13,7	13,8	16,8	17,1	11,6	18,1
Produkcja (6) towarowa	14,8	17,5	14,3	16,6	17,0	20,0
Produkcja (7) czysta	11,7	10,4	13,3	12,8	8,1	8,0

1. Agriculture as a whole
2. Privately-owned farms
3. State-owned [collective] farms
4. Final gross production
5. Final net production
6. Marketable production
7. Net production

Table 2. Outlays and production results, in the PGR, with high and low management efficiency.

1

Nakłady i wyniki produkcyjne w PGR o dużej i małej efektywności gospodarowania

Tabela 8

	(1) I grupa	II grupa
Ogółem nakłady w zł na 1000 zł (2) produkcji końcowej brutto	1000	1000
Liczba pracowników na 100 ha użytków rolnych (3)	13,0	11,8
Wartość brutto środków trwałych w tys. zł na 1 ha (4)	107,7	93,8
Nakłady pieniężne ogółem w tys. zł na 1 ha (5)	48,8	41,3
Produkcja końcowa brutto w tys. zł na 1 ha (6)	41,9	24,8

1. Group
2. Total outlays in zlotys per 1,000 zlotys of final gross production
3. Number of workers per 100 hectares of arable farm land
4. Gross value of fixed funds in thousands of zlotys per 1 hectare
5. Total financial outlays in thousands of zlotys per 1 hectare
6. Final gross production in thousands of zlotys per 1 hectare

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DATA ON ECONOMIC RESULTS IN TRANSPORTATION, 1980

Belgrade TRANSPORT in Serbo-Croatian No 5, May 81 pp 3-8

[Article by V. Zivkovic: "Transportation in 1980"]

[Excerpt] Transportation of Goods and Passengers--Transshipment

The work and economic position of transportation last year were affected primarily by trends in the domestic market (production and trade), then foreign trade, transit traffic of goods through our country, and also transportation in the international market, primarily the maritime one. The standard of living of the population was naturally also one of the factors that influenced the business results of transportation, primarily of those OURs [organizations of associated labor] handling passenger transportation.

The financial results that were achieved are more or less satisfactory in all branches of transportation, although their relative proportions are more an expression of the influence of prices than of an increased volume of work. The influence of prices on the economic results of business, however, was dominant in the entire economy, so for this reason the financial results of the transportation business were not an exception.

In 1980, the physical volume of exports and imports was increased by about 3 percent, and the transit of goods through our country was only about 100,000 tons greater (1.3 percent). The volume of international freight transportation (exports, imports, transit, transportation between foreign ports) carried out by the transportation OURs was almost on the level of the preceding year (the volume was increased by only 0.25 percent), and minimal growth was likewise achieved in transportation performance (the increase in ntkm was only 0.9 percent). More favorable results were not achieved either in domestic transportation (the volume of transportation was increased by 1.6 percent, and transportation performance by 1.8 percent).

If to these results one also adds those achieved in passenger transportation, then it is possible to have a clear picture of the results of transportation activity last year, so that on the basis of this the economic effects achieved can also be evaluated more objectively. In fact, the volume of passenger transportation fell by somewhat more than two index points, while the transportation performance (pkm) was only 1.8 percent greater.

Due primarily to the favorable conditions of work in the international maritime market (the increase in freight charges for some shipments), the merchant marine achieved very favorable financial results in shipments between foreign ports. Otherwise, a larger volume of transportation was not achieved here either (it was on the level of the preceding year), or higher transportation performance as well (it was two index points lower than the preceding year). The increase in maritime freight charges was reflected to a very high degree in shipments of dry cargos (a difference of 17 percent for single trips, and as much as 38 percent for term charters), with a lesser increase for liners, and a decrease for shipments of liquid cargos. The revival of this market is also confirmed by the activity and involvement of the world merchant fleet, which in contrast to 2 years ago had a moored capacity of only about 10.0 million DWTs (in the middle of 1978 about 55.0 million DWTs were moored, and this was for the most part tankers).

As can be seen from the above data, the development of transportation last year was slowed down, and in some sectors even stagnant and depressed. In any case, it was not possible to expect more under the business conditions that existed last year in our country and the world.

The volume of freight shipments was increased last year by only about 4.6 million tons, or 1.4 percent, and transportation performance by 1.1 percent, because in some branches of transportation (railway, river) the volume of shipments and the length of the shipping routes declined.

The volume of passenger transportation has been declining constantly for the last few years. In fact, in 1978 the increase in the volume of transportation was 2 percent, and 1 percent in 1979, while in 1980 the volume of transportation was reduced by about 2 percent. A similar thing occurred with the transportation performance, which was increased by only 1.8 percent in 1980.

Table 1. Freight Shipment

Description	1979	1980	Percent	1979	1980	Percent
	in millions of tons			in millions of ntkm		
Total transportation including:	332.6	337.2	101.4	229,382	231,800	101.1
railway	87.8	86.2	98.2	25,925	25,367	97.8
highway	194.6	200.6	103.1	17,663	18,922	107.1
maritime	23.8	24.2	101.9	179,968	182,361	101.3
river	26.4	26.2	98.9	5,734	5,093	88.8

As can be seen, railway and river transportation had a lower volume of shipments and transportation performance, while the increase in the volume of shipments and the transportation performance in public highway transportation was higher than the increase achieved in transportation [in general]. Thus, the expectations, following last year's volume of shipments in railway transportation (the volume of shipments was 8 percent greater in relation to 1978, and the transportation performance, 11 percent greater), of the beginning of a change in the structure of freight transportation in favor of the railways, turned out this year to be unrealistic, because the total increase in the volume of freight shipments, 4.6

million tons, was due on the whole to highway transportation, which in doing so took about 1.6 million tons away from the railroads.

Table 2. The Structure of Freight Shipment

Description	1979	1980	Percent
1. Domestic freight shipment			
--in millions of tons	282.1	286.6	101.6
--in millions of ntkm	36,662	37,330	101.8
2. International freight shipment			
--in millions of tons	50.5	50.6	100.2
--in millions of ntkm	192,720	194,470	100.9
--exports (millions of tons)	8.1	8.5	104.9
--imports "	20.3	20.2	99.5
--transit "	7.2	7.3	101.3
--between foreign ports	14.9	14.6	97.9

Both in domestic and international transportation, minimal increases were achieved in both the volume of shipments and the transportation performance. The railways had fewer shipments in both domestic and international transportation (two index points and one, respectively), while river transportation had noticeably fewer shipments in international transportation (about 17 percent less). In maritime transportation, the volume of international shipments was 3.6 percent greater, and in domestic transportation, there were 11 percent fewer shipments. In highway transportation, international shipments were increased by 8.1 percent, and domestic ones by 3 percent. The transportation performance was 7 percent and 10 percent greater, respectively, because in both domestic and international transportation there was an increase in the average freight transportation route. Except in highway transportation, the increase of transportation performance in the international shipment of goods for all of the other carriers was either minimal (an increase of only 1.4 percent in maritime transportation) or less than in the preceding year (railway and river transportation).

It is interesting to see what the share was of railway, highway, and river transportation in the transportation performance (in nktm) that was achieved in transporting goods in the domestic market. This is especially [true] because of our decisions that in view of the well-known difficulties and problems with fuel (oil) and transportation costs, freight transportation would be increasingly directed toward railway and river transportation. The past year, however, did not provide the expected results on this level, either.

Table 3. Structure of Freight Shipment by Branches of Transportation (Domestic Transportation) (in millions of ntkm)

Description	1979	Share	1980	Share
Total achieved	36,164	100.00	36,907	100.00
--railway	17,499	48.37	17,094	46.32
--highway	16,171	44.73	17,279	46.82
--river	2,494	6.98	2,534	6.86

No commentary is necessary, since it can be clearly seen from the data that highway transportation, in spite of a volume of freight shipment several times greater than the railways (198 versus 63 million tons) in 1980, is also achieving a transportation performance equal to that achieved by the railways. It seems that in addition to problems with fuel and prices, the railways are still not satisfying the users of transportation with the quality of their services. Certainly there are also other reasons (use of the capacity of overhead automotive transportation) and habits that are difficult to abandon.

Last year, passenger transportation, after many years of continual growth, was less than the preceding year in volume. It is interesting that passenger transportation declined in all branches of transportation, which may be an indication of the beginning of an effect of transportation costs on the mobility of the population.

Table 4. Passenger Transportation

Description	in millions of passengers			in millions of pkm		
	1979	1980	Percent	1979	1980	Percent
Total transportation	1,071.4	1,048.6	97.9	44,761	45,567	101.8
--domestic	1,062.6	1,038.9	97.8	38,879	39,560	101.7
--international	8.8	9.7	109.3	5,882	6,007	102.1
a) railway	108.0	107.0	99.0	10,134	10,421	102.8
b) maritime	8.0	7.3	90.6	210	230	109.5
c) river	0.2	0.1	85.3	26	20	77.0
d) air	5.3	4.7	89.6	5,234	5,082	97.1
e) highway	949.8	929.4	97.9	29,157	29,814	102.3

The volume of transportation was about 23 million passengers less, and the transportation performance was minimally increased--by only 1.8 percent. The most passengers were lost by highway transportation, but all of the other carriers also performed less transportation than in the preceding year. It remains to be seen whether there will continue to be a decline in the transportation of passengers in public transportation, although it would be normal, in view of the fact that the use of private automobiles is becoming increasingly more expensive, for this transportation to be increased. This is also indicated by transportation in city transportation, which last year increased the volume of transportation by about 17 percent, and carried about 1,879 million passengers.

In the ports, the total turnover of goods was 34.0 million tons, and was increased by 9.2 percent in contrast to the preceding year. Domestic turnover was about 400,000 tons or 17 percent less, and international turnover was 3.2 million tons or 12.7 percent more. Exports of goods through the ports increased by about 250,000 tons, imports by 2.5 million tons, and transit by about 500,000 tons. Goods from foreign trade and transit were 84 percent of the ports' turnover.

The total turnover of goods in river docks was 51.4 million tons and was 450,000 tons less than the preceding year. The international turnover was about 5 million tons and domestic turnover was 46.4 million, which means that international turnover (exports, imports) has about a 10 percent share in the total turnover of the docks.

Table 7. Income Per Worker in Transportation (in Dinars)

Branches	1979	1980	Percent
Transportation--overall	187,639	238,966	127.35
--railway	149,828	178,559	119.18
--maritime	234,810	439,718	187.27
--river and lake	192,360	211,486	109.94
--air	276,542	308,735	111.34
--highway	186,920	225,238	120.50
--city	166,662	203,928	122.36
--transshipment	208,862	279,880	134.00
--postal, telegraph, and telephone	232,944	290,973	124.91

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END

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16 December 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2211

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16 December 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2211

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MEASURES TO IMPROVE PLANNED MANAGEMENT IN AGRICULTURE

Prague ZEMEDELSKE NOVINY in Czech 6 Nov 81 Supplement pp 1-8

[Supplement to ZEMEDELSKE NOVINY: "Measures for Improving the Planned Management System in Agriculture Beginning in 1982; passages enclosed in slant lines printed in boldface]

> [Text] The Government of the CSSR, during its proceedings of 17 September 1981, passed measures for the improvement of the planned management system in agriculture beginning in 1982." In view of the importance of the measures which were adopted, we are publishing supplements representing a portion of Government Resolution No 249/81 on this issue. These supplements contain new regulations for agricultural planning, changes in economic instruments, especially in the pricing of agricultural necessities and in the purchase prices of agricultural products, and new principles for the implementation of the economic incentive system. We will be returning gradually to individual measures with a more detailed, expert interpretation.

I. Rule for Improving Planning in the Agroindustrial Complex and in Agriculture

(Excerpt from supplement No 1 of CSSR Government Resolution No 249/81)

A. Planning within the Framework of the National Economic Agroindustrial Complex (the Foodstuff Production and Consumption Complex) A broad and multifaceted intersectorial division of labor, its further intensification, the development of science and technology and the forces of production, and the level which has been achieved in the intensiveness and productivity of agricultural production and the production of foodstuffs all require the planning and assurance of foodstuff production within the framework of all the sectors which comprise the national economic agroindustrial complex.

/In the preparation, formulation, and implementation of plans, it is essential to assure the active cooperation of those ministries which make up the agroindustrial complex (the agriculture and food sectors, FMVS [Federal Ministry of General Engineering], FMHRS [Federal Ministry of Metallurgy and Heavy Industy], FMPE [Federal Ministry of Fuels and Energy], FMZO [Federal Ministry of Foreign Trade], the ministries of industry, construction, health and of forest and water management of

the CSR and the SSR) in the creation of the material, economic, and organizational preconditions for the planned volume and qualitative increase in agricultural production and the production of foodstuffs, primarily by means of the consistent provision of all the production assets and preconditions for technical development and capital investment, while assuring the effectiveness of social labor inputs./

On the basis of the established methodology, the federal and national sectors comprising the agroindustrial complex will submit proposals of plans for intersectorial relationships to agricultural and foodstuff production, following mutual discussions of the State Planning Commission with the planning commissions of the republics and between the pertinent federal and republic-level branch departments.

/Branches reponsible for delivering the production equipment and for assuring production services are to formulate, negotiate at an interdepartmental level, and submit, as a component of their proposed plans, a plan for the assurance of the developmental needs of the agricultural and foodstuff industries, which will form the basis for national economic five-year economic plans and for long-range projections./

The proposals for these plans are formulated, depending on the nature of the deliveries from specific supplying departments, in aggregate volumes expressed in terms of value, especially in the case of deliveries for agroindustrial complex investment and deliveries of spare parts within major, specified material deliveries (especially budgeted items of the state plan, budgeted items approved and regulated by central agencies, and additional agreed upon items), the schedule for deliveries of innovative products, and deliveries of raw materials, components, and products for the assurance of the implementational outputs of the state and sectorial plan for VTR [scientific and technological development].

/After the approval of the state national economic five-year plan, it is essential to create the conditions, in the branches of suppliers of production equipment, for guarantees of the assurance of deliveries, as well as their level of sophistication. /

On the basis of the methodology of the comprehensive plan for the agroindustrial complex, the agriculture and food sectors submit to the central planning organs proposals for a plan for the purchase of agricultural products, as well as the most important aggregated indicators characterizing agricultural development, the production and deliveries of the foodstuff industry to consumer goods inventories, including specified deliveries of the most important foodstuffs, and aggregated indicators of the relationships of the food and agriculture branch to foreign trade. In addition, they will submit proposals for plans for employees and wages, for capital investment and the development of long-term assets, as well as for the major indicators of the financial plan. After the approval of the plan for the agroindustrial complex, they are responsible for fulfilling these parts of the comprehensive plan and introducing conceptual and operational measures for the assurance of plan fulfillment.

On the basis of sectorial plans, the State Planning Commission and the planning commissions of the republics will submit to the federal and national governments

for approval, after intersectorial discussions, an aggregate plan for the agroindustrial complex in the form of a system of indicators expressing the comprehensive interbranch relations of those branches assuring agricultural production and the production of foods.

To assure an improvement in the planned management of the agroindustrial complex at the level of the State Planning Commission, the planning commissions of the republics, in the sectors supplying production equipment and the sectors of agriculture and food, it is essential to create the personnel and organizational preconditions for an improvement in the planning and management of intersectorial relations.

In conjunction with the planning system for the agroindustrial complex, it is essential to adapt the system of socioeconomic information of statistical and other agencies to the requirements of management, control and plan evaluation.

B. Rules for Improving Planning in Agriculture

The rules for improving planning in agriculture seek the improved assurance of social requirements in the production and purchase of agricultural products, an increase in the economic efficiency of agricultural production, a more thorough application of the principles of democratic centralism, a strengthening in the authority of the plan at all levels of management, and the full development of the creative initiatives of employees and the economic activity of agricultural organizations.

A comprehensive five-year plan, balanced both internally and between sectors, elaborated for individual years, and which defines demanding yet feasible targets for the efficient development of agriculture, must be considered the basis of the planned management of agriculture at all management levels and in agricultural organizations.

In the formulation of annual plans, it is necessary to begin from the specification of the guidelines, and from the responsibility of agricultural organizations and agencies of the middle level of management to submit on an annual basis a detailed plan proposal to supervisory organs.

/The basic rule for the formulation of five-year plans in agriculture is the application of the principle of counterplanning. In accordance with this, agricultural organizations compile their five-year plan proposals prior to the approval of the five-year plan--on the basis of an acquaintance with the requirements for the assurance of social needs, with material and technical assurance and with the economic conditions of the managerial agencies of the agricultural, supplier and consumer sectors. These proposals are then utilized by the central agencies for the elaboration and allocation of the approval five-year plan./

Agricultural organizations will proceed in accordance with this principle even in the formulation of plan proposals for economic development for the 1981 to 1985 period. They will negotiate these proposals with supervisory agencies. The results of these discussions will be used to itemize the five-year plan after it has been approved by the government. The following approach will be applied to the preparation, negotiation, and approval of the five-year plan:

The acquaintance of agricultural organizations with the social requirements for the purchase of agricultural products for state inventories, with the production, material and technical, and investment assurance of these products, and with economic conditions.

/1. In the planning of purchases of agricultural products for state inventories: the ministries of agriculture and food of the CSR and the SSR, the regional agricultural administrations (KZS), the district agricultural administrations (OZS), and the centrally administered organizations will acquaint all organizations with agricultural production (JZD [united agricultural cooperatives], state farms, joint agricultural enterprises, and enterprises of centrally managed organizations), with the social requirements for purchases of grains, sugar beets, potatoes, oil plants, flax, vegetables, fruits, hops, tobacco, poppy seed, livestock for slaughter including cattle and poultry, milk and eggs grouped according to individual years of the five-year plan./

The social needs for grain and total livestock purchases (excluding poultry) will be established in a binding fashion for all levels of management by the state plan. Regional agricultural administrations, district agricultural administations, and VHJ [economic production units] composed of centrally managed organizations may establish additional indicators, up to a maximum of three, for directly subordinate agricultural organizations, in the interest of assuring social needs for the production and purchase of agricultural products.

They will itemize and revaluate, according to indiviudal agricultural organizations, the fundamental budgetary links within the plan of agricultural production and purchases, and especially the accounts concerned with requirements for and the replacement of fodder, and the production and usage of grains.

/According to their affiliation, consuming organizations will acquaint all organizations engaged in agricultural production with social needs for the purchase/ of agricultural products, without aggregating them in the indicators of specifically allocated agencies of the middle level of agricultural management, and with the production and purchasing of seed, seedlings and livestock for breeding and raising, after discussions with the pertinent level of management (the ministries of food and agriculture of the CSR and the SSR, KZS, OZS, VHJ and URO [the Central Council of Trade Unions]).

/Consuming organizations will assure the social needs for agricultural product purchases for state inventories in the full assortment of purchased agricultural production, by concluding agreements concerning the preparation of deliveries for the five-year plan with sectorial and nonsectorial organizations engaged in agricultural production./ They are to utilize established machinery guidelines and generate efforts for the full coverage of social purchasing requirements, for the assurance of a balanced coverage of the raw material requirements of processing organizations, and for the minimalization of handling, warehousing and transportation costs. They are to create the organizational, material and technical conditions for the smooth and balanced marketing of agricultural production. In conjunction with atricultural organizations, they are to see to an efficient and effective intensifying of the concentration and specialization of agricultural production. They are accountable for the development and deepening of cooperational and integrating links within the framework of the agro-food complex.

/2. In the planning of material and technical assurance./ In the interest of assuring the tasks of agricultural production development and agricultural product purchases for state inventories, as well as the balance of the links between plans for plant and livestock production, the ministries of agriculture and food of the CSR and the SSR, the KZS, the OZS and the VHJ of centrally managed organizations will establish the following binding upper limits:

/--fodder subsidies from the central fodder stock (CFK) will be tied to the distribution of agricultural product purchases for state inventories and on the fodder balance.

/--limits on feed mixtures will be linked to livestock product purchase tasks and to the coverage of the raw materials requirements for their production.

/--limits on propellants, fuels and energy will be linked to the production structure and development of the remaining economic activities of agricultural organizations./

Supply organizations managed by the Ministry of Agriculture and Food--depending on the itemization of social needs for purchases of agricultural products for state inventories--will negotiate the assurance of deliveries of individual types of feed mixtures, deliveries of industrial and calcareous fertilizers, agrochemcials, seed, seedlings and livestock for breeding and raising. The supplying organizations are to verify the results of these dicussions withthe appropriate agencies of agricultural management, and to conclude agreements with agricultural organizations concerning the preparation of deliveries of necessities for the five-year plan.

/In the area of machinery, equipment, and transportation technology, the agricultural management agencies are to acquaint agricultural organizations with deliveries which are the subject of state plan budgets and the subject of budgets and regulation at the ministerial level./

/3. In planning the implementation of the results of scientific and technical development./ VNJ and organizations responsible for the implementation of technical development, after discussions with the ministries of agriculture and food, will acquaint organs of the middle level of agricultural management and, concurrently, agricultural organizations with the intentions of specific projects in the implementation of scientific and technical development in individual years of the five-year plan, and especially with the material focus of the projects, with the possibilities for the extent of facility usage during implementation in terms of their material and technical assurance, with time deadlines and implementation location, with the designation of the organizations responsible for the assurance of implementation, and with the projected production and economic contributions.

The ministries of agriculture and food will designate the most significant projects in the implementation of scientific and technical development as binding tasks for the appropriate agricultural service organizations responsible for their implementation.

/4. In the planning of capital asset replacement. There must be an application to agriculture of the categorization of investment projects in terms of less than or

more than Kcs 5 million in budgeted costs./ The central management of targeted capital investment in agriculture will be applied in particular to projects with more than Kcs 5 million in budgeted costs. For these projects, binding limits on the budgeted costs of projects already underway and the year of beginning and finishing the project must be established for all management levels and for all agricultural organizations.

/The category of special agricultural investment projects must also include, in addition to orchards, vineyards and hop fields, drainage projects up to Kcs 5 million in budgeted costs, rural roads, repairs on small streams, small reservoirs, ponds, fertilizer storage areas, the construction of grazing zones and ensilage pits, to which the binding limit on newly initiated construction projects does not extend./

Machinery and equipment is to be planned for in material units only of specifically designed types (budgeted at the level of the state plan and regulated at the ministry level).

The ministries of agriculture and food of the CSR and the SSR, the KZS, OZS and VHJ of centrally managed organizations will acquaint subordinate organizations and agricultural organizations:

--with the intentions and priorities of investment policy, with the orientational volume of work and deliveries overall, as well as divided into construction and equipment investments. They will establish as binding specific capital investment projects of more than Kcs 5 million budgeted cost, a limit to the budgeted costs of these projects, and deadlines for their initiation and startup. Specifically, they will determine the magnitude of deliveries of selected agricultural machinery, tractors, and transportation equipment (in material units).

/5. In the financial plan./ The ministries of agriculture and food of the CSR and the SSR, the KZS, OZS and VHJ of centrally managed organizations:

--will acquaint subordinate organizations with the economic conditions of five-year plan formulation;

--will establish for state and cooperative organizations, binding limits for their relations to the state budget (subsidies, subventions) and, for organizations of the state sector, the indicator of total costs as a percentage of output, including extraordinary revenues;

--will introduce orientational limits for supplementary price instruments (differential surcharges, premiums and surcharges on purchase prices);

--will introduce total costs as a percentage of output including extraordinary revenues, as an orientational indicator for cooperative organizations;

--will introduce overall output, including extraordinary revenues, as an orientational indicator.

/6. After informing agricultural organizations of the requirements/ for the assurance of social needs for the production and purchase of agricultural products for state inventories, and after acquainting them with deliveries of production assets and with the tasks in the implementation of scientific and technical development, /the supplier and consumer organizations:/

--must negotiate supplier-consumer relationships for a previously determined range of products and conclude, through discussions, protocols concerning the results of negotiations according to Decree No 48/1980 of the Laws of the CSSR: these protocols will be the base upon which they will conclude agreements concerning the preparation of deliveries for the entire five-year plan;

--on the basis of agreements concerning the prepration of deliveries, they are to conclude agreements concerning the delivery of agricultural products and necessities, usually for one year.

Procedure for Preparing Five-Year Plan Proposals in Agricultural Organizations

/1. The formulation of five-year plan proposals in agricultural organizations. Agricultural organizations will draw up five-year plan proposals which are broken down into individual years on the basis of the requirements for assuring social needs, the material and technical conditions of their implementation in the five-year plan, the outcome of negotiations with consumer and supplier organizations concerning arrangement of deliveries and the decreed economic instruments in effect from 1 January 1982, and will submit them to the appropriate management organs for negotiation./

Through the timely involvement of all agricultural organizations in the preparation of five-year plan proposals, it is sought to create the conditions so that, on the basis of the rules for improving the planned management of agriculture, agricultural organizations may contribute through their activity and initiative to the thorough utilization of the unused portions of their production potential to make production more efficient and to improve the quality of that production which is providing for social requirements.

/The VHJ of biological and technical services, organizations of the scientific and research base, and additional organizations which have been entrusted with the implementation of scientific and technical development are to negotiate the approach to, and the concrete implementation of scientific and technical development with the appropriate elements of agricultural management and with individual agricultural organizations./ In conjunction with them, they will draw up their proposals of procedures for the implementation of the results of scientific and technical development, broken down according to individual agricultural organizations, regions (KZS) and districts (OZS).

Agricultural organizations are to aggregate into their five-year plan proposals the implementation of projects to the extent of the tasks established by the ministries of agriculture and food, as well as those projects whose implementation they must arrange with service organizations.

/2. Negotiating the plan proposals of agricultural organizations with management agencies./ Agricultural management organs will negotiate the plan proposals of agricultural organizations with individual enterprises in all aspects of the plan. They will evaluate, in particular, the overall economic development of individual organizations from the viewpoint of the proposed structure and intensiveness of agricultural production, the efficient intensification of concentration, specialization, and cooperation, the utilization of internal unused capacity, the development of the material and technological base and the efficiency of utilization of material resources, the objectives and assurance of investment development, the assurance of a labor force and increased labor productivity, overall economic efficiency, the generation of in-house financial resources, profit and return on investments.

/For organizations with below average economic performance figures, the appropriate supervisory management elements will reach agreement on the concrete preparation of technical and organizational measures to assure the balancing out of their production and managerial performance at the level of average organizations in the course of the five-year plan./

Through the limiting of the administrative establishment of tasks for agricultural organizations, it is sought to increase the accountability of managerial agencies in the planning sector, especially by means of a substantial increase in the quality of the forms of direct dealings of managerial agencies, supplier and consumer organizations with every agricultural organization during the process of assuring social needs and the overall economic development of individual agricultural organizations. Throughout the entire planning porcess, the idea is to increase the quality of labor of all the managerial organs in agriculture, especially of the district agricultural administrations, above all in the application of industrial production systems, the findings of scientific and technical development, and in the implementation of optimal variants for the utilization of production conditions for the full assurance of social needs.

Agencies engaged in the economic management of agriculture and consumer and supplier organizations are to inform higher levels of management regarding the fulfillment of social needs in the plan proposals of agricultural organizations, regarding the outcomes of their negotiations, and the preliminary results of the supplier-consumer assurance of the development of this branch in the five-year plan. All levels of management are to utilize these principles in the breaking down of the approved state five-year plan.

Procedure for Plan Refinement at Individual Levels of Management After Approval of the Five-Year Plan by the Government of the CSSR

/1. Itemization of the five-year plan at individual management levels./ The ministries of agriculture and food of the CSR and the SSR, and the middle levels of management are to itemize, for subordinate levels of management and agricultural organizations, five-year plan tasks to the extent of binding and orientational indicators. In itemizing the five-year plan, individual management levels are to utilize the principles concerning the fulfillment of social needs in the five-year plan proposals of agricultural organizations and the guidelines for consumer organizations concerning the outcomes of supplier-consumer negotiations.

/Organs of the middle level of management, when breaking down five-year plan tasks, are to assure that as an inseparable part of the five-year plan, adequate technical and organizational measures are established for organizations with below-average economic performance to guarantee the implementation of the five-year plan./

The ministries of agriculture and food of the CSR and the SSR are to establish for agricultural service industries (the Oseva, Slovosivo, Sempra, Semex, and hop-processing VHJ, the Bratislava Wine plants, state breeding enterprises, State Veterinary Administration, the Large Feed Lot sectorial enterprise, the Poultry Industry VHJ, the State Fisheries, the Nitra Agrokomplex, the State Tractor Station and Agricultural Machinery Repair Shops VHJ, the Agricultural Construction VHJ, the Institutes of Scientific Management Systems and of Agroprojects) specific tasks for the implementation of the findings of scientific and technical development and the conditions of economic incentives for their implementation.

The appropriate VHJ and service organizations are to assure the introduction of the approved projects in the implementation of the findings of scientific and technical development at individual agricultural organizations by establishing specific accountability of their components for assuring the implementation of individual projects. They are to establish the facility allocation, duration and location for the implementation of particular plan tasks in the implementation of the findings of scientific and technical development. These agricultural organizations will then aggregate the tasks in the implementation of scientific and technical development into an indispensable component of their own five-year plans.

The ministries of agriculture and food have issued detailed instructions regarding the assurnace of tasks in the implementation of scientific and technical development.

/2. Procedure for plan refinement in agricultural organizations./ On the basis of the breakdown of five-year plan tasks, their material and technical assurance and constraints established by the five-year plan, agricultural organizations are to refine their own five-year plans, in which:

/--they will adhere to the binding tasks established by the state five-year plan for the purchase of grains, total livestock for slaughter (excluding poultry), and to the binding tasks established by an organ of the middle level of management, integrate into their plans the results of the supplier-consumer clarification of the purchase of agricultural products, and assure full self-sufficiency in the production of bulk fodders, including the creation of adequate reserves;

/--they will adhere, in their plan for material and technical assurance to the binding subsidy constraints from the CFK, and for propellants, fuel and energy;/

--they will integrate into this plan the results of supplier-consumer negotiations for seed, seedlings, livestock for breeding purposes, and additional deliveries of productive assets and requirements from suppliers managed by the ministries of agriculture and food;

--for deliveries of productive assets from supplying organizations of other sectors, they are to formulate gross volumes of deliveries based on itemized state plan budgets, allocation budgets and plans which have been approved by central agencies and deliveries of centrally regulated machinery and equipment;

/--they will adhere, in their capital asset replacement plans, to specifically establish projects over Kcs 5 million in value, and the initiation and completion of which is projected for particular years of the five-year plan;

/--they will adhere, in the labor force plan;

/--to the binding norms for wages payable in conjunction with the existing rules for wage regulation in the state sector,

--to the limits on numbers of technical-managerial employees applicable to the state sector;

/--they will adhere, in their financial plans:/

--to establish limits in relationships to the state budget (subventions, subsidies) and, for the state agricultural sector, the binding indicator of total costs as a percentage of total output, including extraordinary revenues;

--they will introduce, for the state and the cooperative sector, a documented volume of total output, including extraordinary revenues;

/--In the plans of joint agricultural enterprises:/

--representatives of the joint agricultural enterprises, during the preparation and formation of the five-year plan, are to negotiate and agree upon the material and financial aspects of cooperation with the member organizations;

--the five-year plans of joint agricultural enterprises are to be discussed and approved by a committee of representatives of the member organizations prior to its negotiation with economic management agencies.

/3. Approval of organizational five-year plans./ Agricultural organizations are to submit to their supervisory agency for approval completed five-year plan proposals. The supervisory agency is to approve the five-year plans following a thorough verification of the extent of assurance of social requirements, and in particular:

--the assurance of binding tasks and the maintenance of binding constraints;

--the assurance of social requirements for the purchase of agricultural products;

--the overall balance and proportionality of outputs, and their material and technical assurance;

--the requisite formation and efficient utilization of resources;

--the adherence to principles of wage development and economic incentives;

--the financial assurance of the replacement process;

--the assurance of social development.

The economic management agencies for agriculture will inform their own supervisory agencies concerning the fulfillment and assurance of social requirements in the approved five-year plans of agricultural organizations.

Additional Measure To Improve Planning

/1. Links between five-year plans and annual implementation plans. The five-year plan of agricultural organizations will be neither changed nor recalculated/ during the five-year plan, with the exception of plan delimitations stemming from changes in internal and external conditions, which will be incorporated into the implementation plans. Five-year plan tasks established for appropriate years of the five-year plan form the base for the formulation of the annual implementation plans.

/The annual implementation plans approved by the government are to be broken down for agricultural organizations, beginning in 1983, only by those indicators in terms of which the implementation plan significantly differs, for legitimate reasons, from the five-year plan tasks for the year in question./

Necessary alterations to achieve greater precision which are dictated by new findings of scientific and technical development are to be incorporated in the annual implementation plans of agricultural service organizations, the scientific and research base and agricultural organizations within the framework of the resources allocated by the annual plans.

/2. Intensification of worker participation in the formulation of the Seventh Five-Year Plan in agricultural organizations./ Immediately during the stage of five-year plan proposal preparation, the management of agricultural organizations is to acquaint labor collectives with the social requirements, material and economic conditions of its assurance. Management is to discuss with all labor collectives the possibilities for utilizing unused capacity in individual sectors, as well as the conditions for economic incentives, and additional conditions for economic and social development.

/The positions of trade union and Cooperative Farmer Union organs are a part of the plan proposals. The management of agricultural organizations will incorporate these positions, as well as employee initiative proposals and suggestions into its plans for economic and social development./

II. Measures in the System of Economic Instruments for 1982 and Later Years of the Seventh Five-Year Plan.

(Supplement No 2 to CSSR Government Resolution No 249/1981)

The following measures are to be carried out with the intention of further improving the level and relation of the purchase prices for agricultural products, increasing the efficiency of other economic instruments and resolving consequences stemming from

--the termination of supports for the prices of fodder mixtures;

--the second stage of the one-time alteration of wholesale prices;

--the increase in selling prices of diesel fuel, light fuel oils and lubricating oils (at the budgetary level):

I. In the Area of Prices

A. Prices of Inputs

Market prices of fodder mixtures are to be increased by an average of 15.6 percent, in conjunction with the elimination of their wholesale price supports.

B. Purchase Prices and Supplementary Price Instruments for Plant Products.

a) Prices, price surcharges, and premiums are to be modified as follows:

1. the purchase prices for early potatoes are to be raised by an average of Kcs 240 per ton;

2. the purchase prices for late eating potatoes are to be increased by an average overall of Kcs 332 per ton, of which an average of Kcs 82 per ton is due to the elimination of premiums for specialization;

3. the purchase prices of industrial potatoes are to be increased, assuming a basic starch content of 15 percent, by Kcs 170 per ton, of which an average of Kcs 70 per ton is due to the elimination of premiums for specialization;

4. the purchase price surcharge for rye is to be increased by Kcs 150 per ton;

5. a purchase price surcharge is to be introduced for oats of Kcs 140 per ton;

6. the purchase price surcharge for corn is to be increased to Kcs 140 per ton;

7. the purchase prices of rough, dewretted flax is to be increased by an average of Kcs 400 per ton, and differentiated surcharges on the purchase price are to be introduced in the SSR in the average amount of Kcs 370 per ton;

8. the purchase price of flaxseed is to be increased by Kcs 200 per ton;

9. the purchase prices of black and white mustard are to be increased by Kcs 2,000 per ton;

10. for sugar beets, which have seen an average increase in purchase price of Kcs 13.50 per ton since the 1981 harvest in conjunction with monetary compensation based on sugar content, the purchase price is to be increased an additional Kcs 20 per ton, and premium introduced which will average Kcs 10 per ton;

11. the purchase price of chicory is to be increased Kcs 300 per ton;

12. the purchase price of hops is to be increased Kcs 3,000 per ton;

13. the purchase price of tobacco is to be increased Kcs 1,500 per ton;

14. differentiated purchase price surcharges are to be implemented for greenhouse vegetables produced on a base of light fuel oils, to offset rising costs;

15. for hot-air-dried fodder produced with a base of light fuel oils, state subsidies on a per-ton basis are to be introduced in the amount of Kcs 470 per ton of fodder delivered to authorized purchasers.

b) In conjunction with alterations in the purchase prices of plant products, the necessary alterations are also to be carried out in the purchase and wholesale prices of seed and seedlings, and in the wholesale prices of potato sets, eating potatoes for market consumption and peeled potatoes.

c) In connection with the one-time modification of wholesale prices, separate alterations are to be carried out of product markups, by increasing them for poppy seed products and wool and reducing them for agricultural chemicals while providing mutual compensation without increasing demands on the state budget.

C. Purchase Prices and Supplementary Price Instruments for Animal Products

a) Prices, price surcharges, and premiums are to be altered as follows:

1. the purchase price for milk of first-quality category, with at least 3.6 percent fat content, is to be increased Kcs 0.50 per liter;

2. Reimbursement for livestock for slaughter is to be increased an average of Kcs 2.39 per kilogram of net weight; this figure reflects

--an increase in the purchase price of feedlot cattle by an average of Kcs 3.42 per kilogram of net weight,

--an increase in the purchase price of cows for slaughter of Kcs 1.40 per kilogram of net weight,

--the elimination of premiums for fattening bulls up to higher weights,

--an increase in the purchase price surcharge on cows which have dropped their first salves of Kcs 2.00 per kilogram of net weight;

3. an average increase of Kcs 0.60 per kilogram of net weight for calves for slaughter;

4. an increase in the purchase price of swine for slaughter of Kcs 1.50 per kilogram of net weight;

5. for pigs

--the purchase price for pigs up to 25 kilograms in weight is to be increased Kcs 2.00 per kilogram of net weight,

--the purchase price of pigs (gilts) between 25 and 30 kilograms of weight is to be increased Kcs 1.50 per kilogram of net weight for every kilogram in excess of 25;

6. for sheep for slaugher

--the purchase price of lambs for slaughter from intensive and semi-intensive feeding operations is to be increased Kcs 2.00 per kilogram of net weight,

--the purchase price of all other sheep for slaughter is to be increased an average of Kcs 1.25 per kilogram of net weight;

7. the purchase price of sheep's milk cheese is to be increased an average of Kcs 3.42 per kilogram;

8. the purchase price of wool is to be increased an average of Kcs 5.23 per kilogram;

9. the surcharge on the purchase price of wool on the skin is to be increased Kcs 0.80 per kilogram;

10. the purchase price of chickens for slaughter is to be increased Kcs 2.00 per kilogram of net weight;

11. the purchase prices for turkeys for slaughter are to be increased Kcs 2.00 per kilogram of net weight;

12. the purchase prices of geese for slaughter are to be increased Kcs 3.20 per kilogram of net weight;

13. the purchase prices of ducks for slaughter are to be increased Kcs 1.50 per kilogram of net weight;

14. the purchase prices of hen eggs for consumption are to be increased Kcs 1.20 per kilogram;

15. the purchase prices of fresh water fish are to be increased an average of Kcs 2.00 per kilogram;

16. the purchase prices of bee honey is to be increased Kcs 10.00 per kilogram;

17. the purchase prices for game animals are to be increased an average of Kcs 3.90 per kilogram;

18. firm purchase and wholesale prices are to be decreed for rabbits for slaughter, and purchase price supports introduced to maintain an average level of Kcs 4.50 per kilogram of net weight.

b) Purchase price surcharges are to be eliminated for milk, lambs for slaughter from intensive and semi-intensive feeding operations, and sheep's milk cheese originating from intensively utilized meadows and pastures.

D. Differential Surcharges

/1. Selected types of fruits and vegetables are to be included in eligibility for differential surcharges.

/2. The increase in receipts/required for eligibility for differential surcharges is to be increased

--for potatoes, from 100 to 140 percent,

--for milk, from 110 to 140 percent,

--for other products of livestock husbandry, from 100 to 140 percent,

--for products of sheep husbandry, from 100 to 140 percent.

3. The influence of the existing rates for differential surcharges on interoblast income differentiation is to be evaluated. Targeted changes which do not effect the state budget may be incorporated into implementation plans beginning 1 January 1982.

E. Premiums for Increases in Receipts for Agricultural Production

/The awarding of premiums is to be introduced for increases in the production of agricultural products for market in the amount of 30 percent of the increase in receipts; the premium for increased receipts in a given year is to be based on the average receipts of the 3 preceding years./

The basis for the awarding of premiums will be total receipts for agricultural production after deductions for the value of purchased seed, seedlings, feed and fodder mixtures, livestock and other intermediate agricultural products that had to be purchased.

Part of the resources gained through these increased premiums is to be used for the direct strengthening of individual and collective economic incentives for employees of agricultural organizations.

II. In the Area of Other Economic Instruments

A. State Subvention and Subsidy Policy

1. The following are to be eliminated:

a) stabilization subsidies awarded from the state budget to agricultural organizations with insufficient in-house resources;

b) subventions for investments granted to the same organizations on a targeted basis for selected investment projects;

c) subventions for housing construction with a view to the introduction of a new method for financing housing construction with state budget participation with validity beginning on 1 January 1981.

/2. An intensification fund is to be created, divided internally into a operational component and an investment component, for the purpose of supporting intensification programs at enterprises which have lagged behind for some time and, in justifiable instances, for subsidizing investments by other agricultural enterprises which may suffer from a temporary lack of in-house resources. The ministries of agriculture and food of the two republics will make decisions concerning the uses of this fund./

3. The range of projects covered by provisions of the laws concerning soil enrichment are to be expanded to include projects of the nature of so-called special agricultural investments, /i.e. orchards, vineyards, hops fields, the creation of grazing zones, ensilage pits, field storage areas for manure, small water reservoirs, repairs to small streams and ponds, the repairing of rural roads, and the like./

4. Operational subventions which are designated for the support of the preservation and nutrition of plants, the enrichment of new strains of fruits, the agrochemical testing of soil, the development of the breeding and treating of domestic livestock are to be retained.

5. A work force stabilization fund is to be put in place, with the objective of supporting more significantly, and expanding the types of measures aimed at work force stabilization, especially in remote oblasts and in those with difficult living conditions, and at the training of apprentices according to new training conditions, etc.

6. The system of financial reserves is to be retained in the organs of state management of agriculture, in particular:

a) a systemic reserve to resolve deviations between the plan proposals of enterprises and societywide requirements during the process of plan formulation and implementation, while strengthening it financially; the tying of asset utilization to the agreement of the Federal Ministry of Agriculture and Food;

b) an uninsurable-damages fund to moderate any damages to plant production not covered by either legal or contracted insurance;

c) financial reserves formed from the unused operational assets of the intensification fund, the work force stabilization fund, the unused assets of the investment component of the intensification fund and designated for use at the discretion of the ministries of agriculture and food. Other resources may go to the composition of this fund at the discretion of the ministries of finance.

B. Coping With the Risk Involved in Agricultural Production

/1. A proposal is to be prepared for new, unified insurance for livestock which will combine the coverage of risks of both legal and contractual insurance./ In rates for the insured, only a minimal profit and the coverage of costs of insurance are to be considered. Bonus principles are to be actively applied within this context. These measures are to be implemented prior to 1 January 1983. Until this time, differences between insurance and damages in 1981 and 1982 are to be resolved under the guidelines of resolution No 170 of the Presidium of the CSSR Government, dated 12 July 1979, and concerning modifications in the system of economic instruments in agriculture for 1980 and the period of the Seventh Five-Year Plan.

2. Current findings from the insurance of harvests of selected plant products for the period which has passed, as well as the experimental verification of the comprehensive insurance of harvests of remaining crops for 1981 must both be evaluated and a proposal for improving the efficiency of current agricultural insurance must be prepared during the Seventh Five-Year Plan.

C. In the Area of Credit

1. In order to strengthen the stimulative function of investment credit, /interest rates must be differentiated more significantly/ and established at the following levels (in percentages);

—for soil enrichment - 1;

—for developing cattle and sheep husbandry (including the conservation of bulk fodders) - 2;

—for the construction of warehouses and the alteration of production - 3;

—to agricultural chemical enterprises for agricultural chemical activity conducted by other organizations - 2.

Investment credits for other projects are to be granted under the existing guidelines.

/2. From 1982-1985, make it possible for enterprises which have long lagged behind economically to defer payments on their investment credits on the condition that after the deferral period interest will be charged on credit payments at half the prevailing interest rate./

D. In the Area of Taxes

The current principles of agricultural taxation will not be changed for 1982. Needed alterations in agricultural taxes are to be carried out in connection with the general alterations beginning in 1983, without the submission and discussion of the principles of the law, which will change and supplement the law concerning agricultural taxation.

E. In the Area of Services

Within the framework of additional work on the improvement of the planned management system in agriculture in the course of the Seventh Five-Year Plan, the following are to be prepared and implemented to the extent possible:

1. With the goal of evaluating objectively the results of the specialized activities of biological service organizations and gaining reliable bases for the determination of costs and established prices, /the preconditions are to be created gradually for the separate planning, monitoring, and evaluating of services which are provided and of other specific activities,/ in such a way that following verification during the Seventh Five-Year Plan, these measures could be implemented to their full extent as soon as possible after the start of the Eighth Five-Year Plan. For VHJ, STS [state tractor stations] and OZS [agricultural equipment repair stations], a method for itemizing the plan, its outputs, and ties to the financial and labor plans should be implemented which will make it possible for subordinate organizations to fulfill their own designated mission in a priority fashion. These ties are to be assured by itemizing the plan according to the structure of activities.

/2. In order to strengthen the mutual trust among service organizations and enterprises engaged in primary agricultural production, a system of guarantees for performed services and activities is to be worked out,/ in particular:

a) for biological services, an evaluation is to take place, during the Severnth Five-Year Plan, of the existing situation in this sector from the viewpoint of the requirements of primary agricultural production, studies undertaken of the possibilities for their expansion, and they are to be verified gradually in selected organizations engaged in primary agricultural production, especially in the areas of seeds, seedlings and nursery materials, artificial insemination, and deliveries of animals for breeding, raising, and for feedlots;

b) for technical services, a system of guarantees is to be formulated and verified gradually at selected enterprises during the Seventh Five-Year Plan in such a way that it may be applied to its full extent in the Eighth Five-Year Plan, especially in the sector of mechanized livestock production, machinery repair, in harvesting, post-harvest processing, and warehousing, in the balanced supplying of industrial fertilizers in a planned structure and to established tolerances, as well as in the production and delivery of fodder mixtures.

3. The economic regime (including its tax and transfer payment aspects) for technical service organizations is to be modified in such a way that the provision of these services is not economically less advantageous for agricultural enterprises than the provision of these activities by the enterprises themselves, and so that this will not serve as a path to the systematic increase of costs of agricultural enterprises and the growing transfer of assets away from agricultural enterprises.

4. For the employees of service organizations, whose participants share in the performance of individual activities of agricultural enterprises may be limited, a portion of individual and collective economic incentives is to be tied to the performance of these activities.

Aggregate Quantification of Needs and Resources for Modifications in Economic Instruments Beginning in 1982, by Republic

	Millions of Korunas		
	CSR	SSR	CSSR
A. Need for Resources			
1. Purchase price modifications	4,276	1,529	5,805
2. Differential surcharge modifications	1,428	1,281	2,709
of which			
--from influence of purchase price modifications	481	425	906
--influence of increased numbers of receipts for eligibility for differential surcharges	947	844	1,791

	CSR	SSR	CSSR
—inclusion of selected fruits and vegetables for eligibility for differential surcharges	0	12	12
3. Introduction of increase premiums	574	398	972
4. Introduction of subsidies for hot-air-dried fodder	45	22	67
5. Increased reimbursement of non-price instruments	205	139	344
TOTAL	6,528	3,369	9,897
B. Resources			
1. Elimination of fodder mixture supports	1,654	827	2,481
2. Increased fuel prices	1,113	594	1,707
3. Operational part of second stage of one-time modification of wholesale prices	810	375	1,185
4. Investment part of second stage of one-time modification of wholesale prices	687	431	1,118
5. Increased taxes on agricultural organization profits	372	134	506
TOTAL	4,636	2,361	6,997
C. Increased Reimbursements			
Total	1,892	1,008	2,900
of which increased wages in state sector	123	57	180

III. Measures in the Area of Replacement and Labor Force Stabilization and the Compensation System for 1982 and Subsequent Years of the Seventh Five-Year plan.

(Supplement No 3 to CSSR Government Resolution No 249/1981)

The following measures are to be taken to intensify merit in the individual economic incentives for the development of the quality and efficiency of agricultural production:

I. In the Area of the Targeting of Wages Payable

A. The State Agricultural Sector

1. A two-part regulation is to be applied, with the basic component of wages payable being tied to total output, including extraordinary revenues, and the incentive components tied to profits. In enterprises where planned profits are lower than twice the annual volume of the incentive components, the incentive component will be tied to the total costs as a percentage of total output indicator.

2. If the indicator for the incentive component of wages payable is not fulfilled, then it is to be reduced in such a way that it disappears when the indicator is fulfilled at a level below a limit established by the Federal Ministry of Agriculture and Food in conjunction with the Federal Ministry of Labor and Social Affairs.

3. The volume of wages payable is to be modified by excess costs which arise from limiting the consequences of unfavorable climatic conditions, excess costs from recultivation work above the level of the plan, and excess costs due to obstacles to work in border zone Z.

4. The bonus fund is to be subsidized at a level up to 30 percent of the increase premiums for increased receipts in comparison with previous periods.

B. United Agricultural Cooperatives

1. A one-part regulation is to be applied, with total resources for compensation tied to the total output indicator, including extraordinary revenues. The level of the incentive component and the bonus fund are to be defined within the framework of total resources.

2. Resources for compensation are to be established by the average coefficient of 0.7 in conjunction with the percentage increase in total output in comparison with the performance of the previous year. In the event of greater deviations of actual performance from the plan, and the disruption of the ties between the volume of resources for compensation and the total output for the previous year, the planned level of the previous year is to be used (the starting point). In the event of changes in organization, in the percentage of investment activity in relation to in-house overhead, in the structure of production or of the activities of the cooperative, the JZD may agree on changes in the initial base with the district agricultural administration.

3. It is to be possible for cooperatives to adjust the volume of resources available for compensation for the excess costs which may arise as a result of limiting the consequences of unfavorable climatic conditions, by the costs of recultivation work above the level of the plan, and for obstacles to work in border zone Z, all without the need for reimbursement from societywide resources. No other recalculation elements may be used.

4. The bonus fund is to be subsidized by up to 30 percent of the increase premium for increasing receipts in comparison with previous periods. This subsidy is not to be included in the resources for compensation used as an initial base for the economic plan.

C. In Both Agricultural Sectors

1. A set of qualifying indicators is to be established for the calculation of wages payable. The selection of concrete qualifying indicators for an enterprise will be carried out by middle-management levels from this set.

2. The current adjustment is to be applied to regulatory indicators for unreimbursed damages which have come about due to unfavorable climatic conditions.

3. The cultural and social services fund is to be subsidized by a percentage of the increase premiums from increased receipts in comparison with previous periods. This increased supplementary allocation can amount to as much as 0.4 percent of the annual volume of wages payable. It is better to utilize the resources of this fund in such a way that they contribute more efficiently to the intensification of agricultural output through the resolution of specific problems of the social collective of employees of an agricultural enterprise.

II. In the Area of the Labor Plan

1. To assure a work force in the needed numbers, requisite structure and with the necessary qualifications for state agricultural organizations operating on the land, so as to achieve a higher level of efficiency and intensity of production in these organizations, wages payable are to be strengthened in a planned fashion, beginning in 1982, with the intention of gradually balancing the differences in the level of average wages between this sector and the national economy as a whole in the course of the Seventh Five-Year Plan.

2. In conjunction with the formation of wages payable and the subsidization of the bonus fund from increase premiums, a planned strengthening of the incentive component of these resources is to be assured with the intention of having them represent a 20-percent share of total wages payable by the end of the Seventh Five-Year Plan.

III. Strengthening Economic Incentives

A. Increasing the Efficiency of the Incentive Component of Wages

1. Agricultural enterprises are to determine the specific forms of compensation for individual production sectors and work sites on the basis of the methodological guidelines of the ministres of agriculture and food of the republics and the results of technical and economic analyses in accordance with the enterprise concept of wage development, and the structure and differentiation of wages.

2. Annual performance premiums are to be implemented for the fulfillment and overfulfillment of production tasks and the production for market of the economic plan. In plant production, an advance is to be provided for established stages of production, and in livestock production advances are to be provided on a quarterly basis. These premiums may be increased by those resources which the organization gains as a share of the increase premiums for increased receipts in comparison with previous periods.

3. An annual bonus is to be established for managerial employees, according to generally valid rules, at a rate of up to 30 percent of their basic pay. This bonus may be increased by as much as an additional 10 percent in connection with increase premiums which have been achieved, and paid out from the subsidies to the bonus fund gained from these increase premiums. The precise percentage increase is to be established by a supervisory organ with a view to the level of increase premiums and the economic performance of the organization. In the event that market production tasks and increases in them are fulilled and the planned relationship of total costs to toal output maintained throughout the entire five-year plan, target bonuses may be awarded in the amount of 50 percent of the basic pay of the managerial employee for the final year of the five-year plan. Fulfillment of indicators for annual bonuses is evaluated taking into account objectivization according to the principles valid for the targeting of wages payable.

4. Instead of target bonuses for fulfilling five-year plan targets, a target bonus for fulfilling the tasks of an intensification program is to be awarded to managerial employees of selected enterprises which have been lagging economically for a long time. This type of target bonus is to be rigorously differentiated according to the extent and difficulty of the tasks and other considerations, up to the amount of Kcs 60,000 for the entire period of intensification.

5. The utilization of wages paid in kind is to be possible, especially in the assurance of the production of fruits, vegetables, potatoes, and possibly other products which are not a part of the central fund of fodder and of state purchases.

B. Increased Efficiency of the Tariff System

1. Tariff grade number 3 is to be applied:

--for specialized professions in plant production in fruit raising, gardening, vegetable raising, tobacco growing, grape raising, hop raising, and in the area of plant enrichment and hybrid experimentation;

--for the blue-collar employees of construction groups which handle the construction of larger construction projects (labor productivity per employee of more than Kcs 80,000 total annual output).

2. The existing indicator for the categorization of enterprises and internal enterprise units is to be retained, and the number of categories expanded by one or two. For auxiliary operations, indicators are used for categorizations which recalculate the number of employees according to the level of outfitting with capital equipment.

3. Managers of operational units who directly manage blue-collar employees are to be granted the same advantages as masters or high masters.

4. It is possible to award a tariff class one level higher than established by the appropriate qualifications catalog to creative technical-managerial employees entrusted with the performance of a function (work activity) belonging to the 11th tariff class and higher agronomists, zootechnologists, and mechanizers at state breeding enterprises and the sectorial enterprises of Sempra, Oseva, Slovosivo, as

well as at JZD and state farms entrusted with the reproduction of seeds and seedlings, or the breeding of animals for direct application in agriculture, who are systematically entrusted with the most complicated and difficult tasks, who constantly achieve good work performance, fulfill the qualification requirement of a college education, and have 12 years of professional experience.

5. Modifications in the qualification catalogs are to be carried out so that the qualifications will reflect the state of the art in techniques and technology, the social division of labor, the level of organization and management of agricultural organizations. Classes 8 and 9 are to be used for newly introduced work activities, while fully respecting the guidelines for the compilation of qualification catalogs.

6. Senior workers and specialists whose work represents a creative contribution to the assurance of production are to be more significantly evaluated in terms of wages by the awarding of a personal evaluation, and in some cases a personal paycheck.

7. It is to be possible within the cooperative sector for organs of a cooperative to aggregate surcharges (for overtime work, for difficult working environments, for Saturday and Sunday work, night work, and split-shift work) into the incentive component of wages.

8. In those places in livestock production where work has been established on a split-shift basis, a surcharge is to be applied for a day which has been worked.

C. Remaining Measures in the Regulations

1. The system for permitting overtime work above the generally established limits is to be simplified by shifting authority to the middle level of management, and by establishing an average limit per profession, or center, over an extended period of time, usually 3-5 years.

2. The extra activity of constantly active employees in the category of assisting workers (seasonal) is to be documented by calculations based on hours worked.

9276
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ECONOMIC POLICIES FOR 1982 ANNOUNCED

Budapest FIGYELO in Hungarian 11 Nov 81 p 11

[Article by Peter Medggyesy: "In the Interest of Uncovering Reserves"]

[Text] Several elements of the economic regulators will have to be modified at the end of this year and the beginning of next year. The general state of the economy and the unfavorable conditions require an economic-management and financial practice that can ensure, even amidst the worsening conditions, fulfillment of the requirements of general equilibrium, acceleration of the formation of income, maintenance of domestic expenditure within sensible limits, and centralization of income at the present level.

In socialist commodity trade we have met the commitments we assumed during the past two years; in foreign trade with capitalist countries our balance of trade and terms of trade have improved; and equilibrium on the investment and consumer markets is satisfactory. These results, however, stemmed from the utilization of reserves that are the easiest to mobilize and are about exhausted.

Economic growth in 1980 was slower than had been planned. Growth in 1981 has accelerated somewhat but is still below the growth rate planned. Which means that real incomes in the economy are not increasing adequately. Transformation of the economy's structure is a time-consuming process, and we are only at its very beginning. However, acceleration of economic growth under the present structure of the economy would raise incomes in the national economy, but the unfolding trends of external economic equilibrium would be jeopardized.

A basic requirement is that the improvement of efficiency, transformation of the economy's structure, expansion of national economic income, and improvement of external equilibrium must all take place simultaneously. From the results to date it seems that there is not enough pressure for the intensification of the processes, and therefore the necessary changes must be accelerated and stimulated.

In our external economic conditions, too, the anticipated improvement has not occurred, and we can expect even a deterioration. An upswing of business

activity in the capitalist world has not occurred this year, and we can hardly expect one even next year, and this makes our selling and marketing conditions more difficult. And in trade cleared in transferable rubles, the capitalst world's economic problems, their effect on the entire world economy, will reach us with a certain lag, in 1982-1983.

Finally, there are problems also in the distribution of available incomes that in the short term can increase only within limits. In 1981 we have been able to achieve only partially an increase in the state budget's share of incomes. Contrary to our intentions, an increase of the budget's sources of revenue has lagged behind the expansion of state tasks. Thus overspending in the national economy manifests itself predominantly in the state budget, and--unless we succeed in moderating this trend--this could again jeopardize our efforts to improve external economic equilibrium.

Changes in Producer Prices

An analysis of our economic results and problems supports the conclusion that adjustment to external conditions must be strengthened within the economy, and qualitative performances must improve in every area.

To this end it has been necessary to intensify the pressure that the price system and system of regulation exert on stepped-up performances and better work. The price system, too, must adapt to the changing conditions. A very large proportion of the producer prices falls in the category of free prices, and there this requirement is obvious. However, adjustment to the changing conditions is necessary also in the noncompetitive sectors where fixed prices apply.

Among the measures affecting producer prices, the most significant has been the rise in the producer prices of sources of energy, as of 1 November 1981. Their increase--in accordance with the principles formulated in the price system for fuels and energy--has been made necessary by the price-increasing effect of the rise in the dollar's exchange rate. Accordingly, the price of petroleum has increased 12 percent, while the prices of petroleum products other than gasoline have been raised in a differentiated manner, with due consideration for the world-market prices of the individual products. The price of natural gas has been raised 15 percent; that of coal, 10 percent; and of coke, 5 percent. At the same time, the price of electricity has increased 9 percent; and that of thermal energy, 11 percent.

A 15-percent increase in trucking rates and domestic rail freight rates is warranted to stimulate economization on energy-intensive transportation costs, and also to alleviate the transportation-related burden on the state budget. Simultaneously, the rates for freight shipments by rail [sic] and export-import shipments are increasing on average by 20 percent. The measures are effective as of 1 November 1981.

The budgetary subsidies for passenger transportation will be reduced by the abolition of the budgetary subsidy on commutation tickets. As of 1 January 1982, the prices of commutation tickets will increase 25 percent. However,

this increase will not affect the workers since it will be borne by their employers.

The directives regarding unfair profit limit attempts to take advantage of shortages when setting prices, but at the same time they permit departures from the long-term median price calculated according to the new regulations, respectively from the prices that are in force, since such departures are necessary for the normal functioning of the economy. A higher profit may be included in the price when, for example, the production cost is reduced through technical and economic measures, when the price is being adjusted to the capitalist export or import price, when an enterprise is being supplied that produces for hard-currency export, or when financing development that is essential to satisfy the demand. The profit-reducing effect of producer-price measures must be offset through greater efficiency and more economical management of the restrictions. Realistic consideration of the circumstances requires that we offset the cost increase in some areas.

Noteworthy examples of such areas are large-scal farming, where 75 percent of the cost increase will be refunded temporarily; intecity passenger service, with an 80-percent refund; and the cement industry, with a 90-percent refund. The entire increase in costs will be refunded to the economic units in municipal mass transport; in the case of budgetary institutions that provide essential services and operate under an incentive system that is based on the profit remaining after taxes, wages and obligatory fund allocations; in sanitation services; and in the supply of fuels and energy to households. The budget will offset 50 percent of the cost-increasing effect of the motor vehicle tax on trucks in the case of large-scale farms; and 100 percent in the case of sanitation services.

Income Regulation

In the interest of achieving our objectives, the sharing of incomes between the state and the enterprises must be changed. This change, moreover, will have to stimulate higher incomes based on real additional performances. This must be accomplished in such a way that simultaneously the profit incentive will not decline, and pressure for higher profits based on efficiency will increase. The profit tax will remain unchanged, but the wage-commensurate taxes will be increased by 3 percentage points.

To ensure that wages can be increased more on the basis of greater real performances, while at the same time the changes in the conditions for raising wages will exert pressure for attaining higher real profits, the rates of the system for regulating wages and earnings will change. The wage multiplier assigned to the wage-development indicators will drop from 0.3 to 0.2 in the case of payroll-budget regulation based on performance, and from 0.3 to 0.25 in the case of wage-level regulation linked to performance. The rates of the centrally guaranteed wage increases will be reduced from 4 to 3 percent under central regulation of the payroll budget; from 3 to 2 percent under central regulation of the payroll budget in combination with relative [performance-linked] elements; from 4 to 3.5 percent under central regulation of the wage level; and from 3 to 2.5 percent under central regulation of the wage level in combination with relative elements.

In agreement with the objectives of economic policy, however, the old rates will apply to coal mining, to the mining of other ores and minerals, to ferrous metallurgy, baking industry, dairy industry, domestic trade (with the exception of wholesale trade in capital goods, stockpiling, and wholesale trade in by-products and scrap), and to enterprises and cooperatives providing consumer services.

Incentive for Greater Effort

The conditions of wage management at efficient and highly profitable enterprises will improve: instead of the 2 percent at present, the rate of increase in wages without revenue transfer will be between 2 and 4 percent, differentiated in accordance with the level of profitability. Such enterprises will benefit also from the provision that the 150-percent transfer of revenue on an increase of the wage level by more than 9 percent will be payable in the future only if the increase of the wage level exceeds 12 percent. It could be a sign of the currency's depreciation if certain enterprises or sectors disburse wages for no performance or for inadequate performance. Both the honor of labor and the protection of our forint require that wage increases be based on available performance data. The enterprise collectives, managers, and local social organs are equally responsible for this.

The system of material incentives for top enterprise managers will also undergo modification. To provide greater incentive, the multipliers that are linked to indicators of enterprise profitability and determine the amounts of the managers' premiums will be tighter than at present.

Care had to be taken to ensure that the measures do not place a heavier burden on the more efficient enterprises than on the average ones. Indeed, such a solution is always a great temptation, because it is always easier to take more away from the efficient enterprises than to prod the weak enterprises to greater effort (the social and economic conflicts are fewer and smaller).

We chose the latter solution, as evident also from the fact that we reduced or abolished several kinds of tax benefits. For example, in the case of enterprises in the lime and cement industry, asbestos-cement industry, and within the Livestock Trading and Meat Industry Trust (Allatforgalmi es Husipari Troszt). As of 1982, these enterprises will be able to retain only 80 percent of their depreciation, as opposed to 100 percent at present. This represents a step closer to the general system. Aid for production modernization will be reduced at an accelerated rate, mostly in light industry, agriculture and the food industry, and at a few engineering enterprises. The measures affect also the subsidization of certain activities. Subsidies to seasonal stores in domestic trade will be abolished, and the subsidies to the fruit and vegetable trade will be reduced 25 percent.

Welfare Measures

To encourage hiring the handicapped, as of 1 January the enterprises and industrial cooperatives that hire such workers will be able to claim subsidies amounting to 40 percent of the wages paid to the handicapped, instead of the 30 percent at present. A new feature is that budgetary plants also will be able to claim such subsidies in the future. The procedure for determining who qualifies as handicapped worker will be simplified.

The provision that fees paid to innovators from the profit-sharing fund will not be subject to progressive profit tax is expected to end the problems in conjunction with rewarding innovators.

The rules governing the formation and use of the welfare and cultural fund will be modified slightly. To increase the proportion of workers using plant cafeterias and to balance the expenditures of the enterprises, as of 1982 the overhead on cafeteria meals will be charged to miscellaneous expenses and allotted to the welfare and cultural fund. In this way the overhead will not burden the per capita allocation, while the raw-material costs of meals at plant cafeterias will continue to be covered from the per capita allocation and the workers' contributions. (Because of the changeover to the new system of accounting, a one-time reduction of the per capita contribution will be necessary; however, this reduction will be only of a technical nature and will not affect the actual amount of the welfare fund.) To facilitate the replacement of capital assets dedicated to the workers' welfare, the general rules of capital depreciation will apply also to such assets. In the case of welfare investments, the first procurement of expendables--i.e., the purchases before the completion of turnkey construction--may be financed from the development fund.

Investments

In order to regulate domestic expenditure within our means, it will be necessary to reinforce the selectively restrictive nature of our investment policy.

Development projects to build capacities producing goods that can be exported for hard currency, investments to rationalize energy consumption, and development projects for the utilization of waste and scrap will continue to enjoy priority. Parallel with these priorities, however, the total amount available to provide free state aid for investments will be curtailed in comparison with previous years. In the case of specific large-scale investments the state will be able to assume only smaller burdens commensurate with our means. The financial resources available for so-called other state investments will be sharply reduced. A 6-percent reserve will have to be formed in the case of lump-sum investments for specified objectives. As a disincentive to construction-intensive developement projects, the rate of the construction tax has been increased to 20 percent, from 10 percent earlier.

A basic consideration is not to hamper the investment projects already begun, because this could cause the national economy more harm than good. However, we will be applying greater restrictions and stricter criteria to new starts. In accordance with this, we will increase from 15 to 20 percent the formation of the obligatory reserve fund, and the higher rate will apply already to the allocation of 1981 profits. This measure will not hamper fulfillment of the financial obligations in conjunction with the development projects undertaken earlier, but the stricter financial conditions for new investments will help the enterprises to start only truly profitable development projects and to be more selective.

All the measures jointly will foreseeably reduce demand on the investment market by more than 10 billion forints, in order to achieve a better balance of the formation and use of incomes also in this area.

The purpose of the price and regulator changes is unambiguous: to stimulate and even to increasingly compel more efficient economic activity. In their sum total, the price and financial measures will result in a reduction of enterprise profits in the economy, of the order of 20 billion forints. However, this does not mean that we are raising an impregnable wall before the enterprises, and that the future opportunities of every enterprise must necessarily decline. Our objective is specifically that enterprise profits increase parallel with the unfolding of favorable economic processes, but only if this is backed by more efficient and better work. As a result of the stricter criteria, we expect that the dynamically growing and profitable enterprises will be able to exceed the high standards and increase their profits. But there also will be enterprises forced to seek other ways and means.

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CRITICAL ANALYSIS OF ECONOMIC PERFORMANCE PUBLISHED

Economy Up to 1970

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[Discussion with FUNDAMENTY's Stefan Jedrychowski, Bronislaw Minc and Eugeniusz Szyr moderated by Bugoslav Reichard, also participating, Mieczyshlaw Gorski and Krystyna Jurczynska of: "The Windings of Industrialization"]

[Text] At the high point of the discussion of economic reform and of the causes and sources of existing crisis, we have decided to attempt to evaluate the principles and the implementation of industrialization and investment policies in People's Poland. We believe that this evaluation and the conclusions drawn from it may turn out to be crucial not only for historians but also for the formulation of proposals regarding our present situation.

To participate in the discussion of structural problems of industrialization in Poland, we have invited two men prominent in the fields of politics and economy who, during different periods of the People's Poland, participated in an important way in the formulation and implementation of economic policy and, also, professor of economics who actively participated in developing the concepts of early economic plans and their implementation.

Dr Stefan Jedrychowski--lawyer and economist, among other functions he served as minister of maritime and foreign trade, deputy premier, chairman of the Planning Commission of the Council of Ministers, minister of foreign affairs, and finance minister. In the years 1956-1971 he was a member of the Political Bureau of the Central Committee of the Polish United Workers Party.

Eugeniusz Szyr--economist, soldier in the International Brigade in Spain, has among others been deputy minister in the Ministry of Industry and Ministry of Industry and Trade, deputy chairman and chairman of the State Commission for Economic Planning, vice premier, member of the Political Bureau of the Central Committee of the Polish United Workers Party, and presently minister for material economy.

Dr Bronislaw Minc--eminent economist, professor of the Main Planning and Statistical School in Warsaw. In the years 1946-1952 he worked in CUP [Central Planning Administration] and PKPG [State Economic Planning Commission] in the capacity of director for the department for coordinating economic plans. He is the author of a number of books and many other economic papers. "Political Economy

of Socialism" appeared in five printings in Poland was translated into five foreign languages, in 1977 he published a book in Italy titled "New Political Economy."

The editors were represented by Mieczyslaw Gorski, Krystyna Jurczynska and the editor-in-chief, Boguslaw Reichart, who led the discussion.

Today, we are publishing part one of the report covering the years until 1970. The sequence, covering the 1970's, will be published in the next issue.

Stefan Jedrychowski: It is necessary to start by explaining some general matters. Occasionally, one encounters views that the whole 36-year period was one continuing crisis. I do not think so. Of course, there were some crises. I am not avoiding this term regarding the years 1956, 1970, 1976 and 1980. Those were successive crises produced by certain events stemming from the economic [problems]. Between these crises, however, we had periods of quite successful development.

In what I am going to say now, I am going to disregard the 1970's. During the previous period, we did not deal with the phenomenon of falling production. There was, however, the problem of stagnation and in certain periods the problem of decreasing real wages has not been always exhaustively analyzed and clarified. For instance, price and wage reform in 1953 was presented as a reform that was supposed to bring a 5 percent increase of real wages. There is a strong suspicion, however, that in effect there was a certain decrease of real wages.

Eugeniusz Szyr: Agreed. Let us assume that the key subject of our discussion is the structural problems of industrialization and investment policy. I understand that we are dealing with basic relationships which determine investment and consumption outlays, their interaction and their timing. I believe that we must not forget the noninvestment factors of economic growth that have great effects and are often neglected causes of an excessive growth in investment outlays.

Bronislaw Minc: Now, we can look back at the 3-year plan period and the 6-year plan period. Experience and the progress of science make this easier. I wish to start by formulating certain theses for discussion. I think that there was not enough attention paid to the fact that at the beginning of People's Poland we were facing problems of economic underdevelopment. Poland was a country economically grossly underdeveloped and devastated by the war. Also, because of the war, our cadre training was seriously delayed. Because of this, and also because of the drive to accelerate economic development, difficulties had to arise. Especially, as certain national and social ambitions were added because of the political system. Thus, my first thesis addresses the impact of economic underdevelopment and its effects on the totality of the developmental processes up to and including 1980.

The 3-year plan was a very successful economic concept that fully passed the test and was accepted by the society. Thanks to it we successfully and quickly solved the post-war crisis. The great merit of that plan was to clearly define

the main objectives and systematically implement them. Using today's term, which was not used then, that objective can be defined as the maximalization of consumption resources. The aim was to improve the standard of living which was very low at that time. All the production and investment decisions were approached with the major objective in mind. Only such variants and such tasks were selected which produced the greatest increase of consumption.

It was the rule that during the first 2 years of the plan period, i.e. 1947-1948, no investments were made that would not produce results during the plan period. Only in 1949, investments were made which would produce effects during the 6-year plan period.

The 3-year plan was a great contribution to the development of our economic theory and practice but not only ours. That plan proved that such objectives as maximalization of consumption resources could be achieved and that all other tasks could be subordinated to such main objectives. Good economic planning was that which led to optimal implementation of a well-chosen objective. The assumptions were very modern, not only in relation to the then existing theory but also in relation to today's theory.

Stefan Jedrychowski: I agree with Prof Minc's evaluation of the economic reconstruction plan. But it is necessary to add that the circumstances were favorable then as indicated by the very name of the plan: it was a reconstruction plan. Thus, with relatively minor investment outlays, it was possible to achieve great results. It was done by eliminating bottlenecks and rebuilding the least damaged objects. Another favorable factor was the reconstruction of the regained territories which, although badly ravaged, had usable basic infrastructures. For instance, at the beginning there was no need to build residential dwellings in the territories. It was enough to repair and clean up the existing ones. Of major importance was that these territories could be used for agriculture.

It is necessary to add to what Prof Minc said about the main objective of the 3-year plan that its main objective had been to reach and exceed the pre-war standard of living. This was achieved. In certain respects, this was already done in 1947.

But at the time of transition from the 3-year plan to the 6-year plan we were facing completely different problems. While rebuilding the economy, it was possible to be guided by what had been there before but, while developing an industrialization program, it was necessary to answer some very difficult questions: what, when and how? And at the same time, it was necessary to rebuild Warsaw, Poznan, Szczecin, Gdansk and many other cities.

Eugeniusz Szyr: The 3-year plan was characterized by the fact that, although the targets were ambitious, all of them were significantly exceeded. Thus, the plan did not fully utilize the total economic potential.

This was a comfortable situation as opposed to counting on unused potential that is not there. Secondly, the noninvestment reserves were impressive. The

economy using extensive reserves never had such a surge upward as in that period. We had a huge surplus of manpower. They were young, strong men coming from the country, coming from the Eastern Territories, returning from P.O.W. camps and forced labor in Germany. They were vigorous, full of initiative and enterprising.

This, among other things, explains almost instantaneous reconstruction of comprehensive production facilities. Let me mention the renewed production of optical glass, railroad cars and production by many chemical plants. This was happening at the rate which today seems beyond understanding and belief.

In the years 1945-1946, the favorable international situation positively influenced economic processes in Poland. It was planned that one-fourth of the investments be financed by foreign credit and that there be economic relations not only with the East but also with the West. Negotiations with France and other countries were producing favorable results. There was hope that economic development will not be threatened. This changed already in 1947. First signs of questioning the return of Regained Territories appeared at that time and first steps towards the Cold War were taken. This must be remembered.

Stefan Jedrychowski: This should be discussed in the terms of Anglo-Saxon powers because France stood to the side and did not yet join this approach. It was the speeches by Churchill and Byrnes questioning our western borders and later the attempts to rebuild German bourgeois state that caused the reaction by USSR. Also, this was manifested by the unjust attitude towards Yugoslavia and the rejection of the Marshall Plan. (Initially, both in Poland and in Czechoslovakia there were tendencies to accept that plan.)

Bronislaw Minc: The events in 1948 did not really affect the implementation of the 3-year plan. Through all its years, i.e. in both 1948 and 1949, the main objective was consistently pursued, and that was to increase consumption.

A key element of this plan and its realization was the struggle against inflation. It was a matter of defending the zloty to forestall a decrease of consumption by the main strata of the working class. I had written a paper on this subject but in 1980 (before the August events) its publication was blocked. I am planning to publish it now.

It was quite obvious that because of serious backwardness, industrialization of Poland was absolutely necessary and had to be large scale. For instance, let us consider the population problem. In 1946, Poland's population was 24 million. This year, there is 36 million of us. What would all these people do if a great effort of industrialization had not been undertaken early?

Also, we had to decrease the gap in economic development that separated us from the more developed countries of Europe and the world. Besides, this was necessary to develop exchange and economic cooperation with foreign countries.

The 6-year plan was intended to play the principal role in the industrialization of the country. In this respect, the plan's objective was fully correct. Let us add that the share of accumulation in the national income was relatively

small, about 21-23 percent. In view of the large increase in national income, this indicates a relatively high effectiveness of accumulation.

Stefan Jedrychowski: This depends on the price system, the index of net share of accumulation in the national income is often misleading....

Bronislaw Minc: However, the basic error of the 6-year plan was to change the main economic objective. Maximization of consumption was replaced by an attempt to achieve the greatest possible increase of production capacity and economic capability.

I am developing a thesis for discussion: in the socialist economy, the only natural main economic objective comprehensible for society is to create conditions for the highest possible increase of consumption, of course this includes the development of health care, culture, science etc. This can be done either over a long period of time which requires a greater share of accumulation in the national income or over a shorter period of time when that share would be smaller. Increase of consumption, however, must remain to be the main economic objective.

Giving up this objective in the 6-year and the subsequent plans was unjustified. It led to negative results which persist till today. Because the main objective became the maximization of economic growth (or of economic potential) measured by the increase of national income, the main task became to increase the national income in constant prices which was associated with excessive accumulation and neglect of those sectors of the economy which determine the level of consumption and, generally, the quality of life of the population.

This led to a lack of balance in development of the economy and caused cyclical development. Necessarily, the greatest emphasis was placed on these sectors which produce the greatest increase of national income, i.e. primarily heavy industry. In these circumstances, there had to be a slowdown in agricultural development and consumer goods industries as well as services, infrastructure maintenance and repairs. This could not avoid having a negative impact on the standard of living of the population.

Why was this development cyclical? Because trying to maximize the national income in terms of constant prices, development was accelerated in the first period of each plan. This led to a neglect of those sectors about which I was talking. After a time, the lack of balance was becoming acute and this was forcing a redistribution in favor of consumption and those sectors that determined it. Consequently, investments had to be decreased and the work on investment projects underway had to be partially discontinued.

This practice was called "freezing investments." Of course, it caused economic losses. When, after a while, the balance was somewhat restored, the efforts were resumed to achieve the main objective of maximizing economic growth.

Cyclical development of the economy was caused by trying to achieve a certain main objective. During the 3-year plan, when the consumption was being maximized, development was not cyclical. Cyclical development appeared during the

6-year and subsequent plans when economic growth was being maximized. During the 6-year plan, an acute lack of balance appeared in 1953, in the fourth year of that plan, and consequently a change of allocations in favor of consumption took place at the Second Congress of the PZPR. That change, however, was inadequate and temporary.

With maximization of economic growth as the economic objective, a peculiar dogma is set forth: that there is a law that growth in the means of production (first category of social production) is faster than growth of consumer goods (second category of social production).

By the way, I may add that I spoke against this totally false dogma in 1954 and I was duly reprimanded for it in NOWE DROGI.

The peculiar cyclical development manifesting itself in an alternately accelerated and decelerated rate of economic development is caused by violating the regularity described several times by Marx: under socialism the main objective of the economy ought to be the maximization of living conditions, and of the population's standard of living.

All our development is based on the nationalization of industry in Poland. Our economic system must be described as an economy subordinated to the state. It is characterized by the continuing enlargement of the state's economic role.

The increasing and enlarging of economic role of the state were slow during the 3-year plan, but greatly accelerated during the 6-year plan and the rate became really rapid in the last 10 years. From a theoretical point of view, nationalization is synonymous with socialism but it is not synonymous with socialization. It must, however, be done in accordance with the classic precept of Marx to transform the state's economic functions into directly social functions.

The elements of social democracy which to some extent existed during the 3-year plan gradually disappeared. The economy became more and more subordinated to the state. Socialistic transformation leading to more thorough socialization did not take place. This was determined by changing the main objective of the economy, as I was saying before.

Eugeniusz Szyr: Just stating the objective is no guarantee. The best proof is that the Gierek team claimed that consumption was the main objective. We know how it was done. I think that it is not enough to consider the maximization of consumption as the main objective, it is also necessary to consider social changes. Two elements should be included in the main objective. Because it also consists of, as the professor said, creating socialist social conditions. This was the objective of the 6-year plan. Its implementation differed greatly from the theoretical plan.

The fact that the economy is speeded up during the first 2-3 years and then slowed down is caused by controllable factors. I think that the reasons can be found in the methodology and the errors of planning. Five-year plans are not tied to each other, there are no long-range plans, there are no plans

defining economic allocations for the next 10-15 years, there is even lack of continuity between annual plans and biennial investment planning--all that impacts unfavorably on the implementation of plans.

Also typical is lack of continuity between the last years of one plan and the initial years of the next multiyear plan. In those last years, the important thing was to fulfill the plan and the new plan usually was not ready yet.

I think that cyclical development cannot be explained solely by an incorrect objective. No objective can be achieved using faulty economic planning.

I would like to return to 1953. At that time criticism of the "previous period" was voiced. In more or less the same words as today, a program was prepared for the Second Congress of the PZPR. It was accepted as the main objective that consumption must increase, agricultural services must be improved, the rate of accumulation must be lowered and investments slowed down (in 1954, investments increased by 3 percent and in 1955, decreased by 6 percent).

Stefan Jedrychowski: The objective of the 6-year plan was to significantly increase consumption. This was not achieved. The foundations of the plan crumbled. Excessive acceleration of investment processes and reorganizing agriculture into cooperatives without having the necessary technical means played their role. Additionally, in the years 1950-1951, the 6-year plan had to be supplemented by expenditures for armaments which was caused by the international situation. This was done at the expense of other elements.

The unfavorable developments in the 6-year plan were aggravated by the unfortunate international situation in 1950-1953.

Eugeniusz Szyr: At the end of 1951, there was a discussion at the Boleslaw Beiruts. We were facing the problem of inflation which was caused by exceeding the planned investment outlays and by the unforeseen expenses to strengthen the defense position of the country. It was necessary to scale down the objective in order to balance (the deficit was sizeable) the financial plan which at that time was being prepared and which lost its importance later because it ceased to be used.

At the same time, an exceptionally dry weather in the second 6 months of 1951, was seriously threatening bad harvests. As a preventive measure, it was decided to revive the rationing system without, however, limiting the investments. The enlarging of the armament industries at that time had to be done at the expense of other subsectors and by using the cadre taken away from the machine tool and chemical industries.

We were able to build tanks and start production of jet airplanes in Poland within 1 year. We had very good cadre in the armament industries. We started many difficult, complex production lines and the results testified to the ability of Polish workers and engineers. Soviet specialists stated that they had not expected production to be started at such a high rate and of so high a quality. No license in the 1970-1980 period was implemented at such a rate.

Stefan Jedrychowski: In that period,the best cadre were in the agricultural machinery industry. This was the only fully developed machinery producing industry in Poland. And this sector should have not been permitted to suffer.

It must be said that in that period we developed other industries too. Then, starting from scratch, the development of the shipbuilding industry, truck bui building industry, metallurgical industry, ball bearing industry and chemical industry was started.

Bronislaw Minc: The 6-year plan, both its concept and its implementation, despite the reservations I have mentioned before, was a great step forward. Implementation of this plan, for the first time in history, provided the foundation for Poland's large-scale industrial development. It was the 6-year plan that provided the means for an increase in consumption which might have been modest in terms of real wages but significant considering the increase of employment; this continued in the period after 1956. The increase of national income was largely due to the increase of labor productivity which took place despite the increase of employment. Large-scale technical progress took place at that time.

Eugeniusz Szyr: There were accusations that the 6-year plan devoted 60 percent to new investments and only 40 percent for modernization and reconstruction. In the last 10 years, only 20 percent have been spent on modernization and reconstruction.

Bronislaw Minc: I still insist on what I said before about the role of the main objective. Contrary to the 3-year plan, in the following plans, when there were difficulties, it was wages, residential construction and services which were sacrificed, all elements that served the direct consumption, while great effort was made to preserve the investments. Of course, economic growth must take place, but it must be optimal and not the highest possible. Only the main objective of the plan should be maximized and it should be the consumption.

The cause of cyclical, crisis ridden development is the increase of the role of the state and the reduction society's role in the economic process which is the result of accepting the maximization of economic growth as the main economic objective. Crisis situations are the result of the processes stemming from the economy subordinated to the state. Changes in the base, in the economic system were not sufficient. Of course, controllable errors are very important too but they can occur systematically only when there is lack of social control and when the character of main economic objective is not clear.

Fourteen years of Wladyslaw Gomulka's government was also a period of regression. The incapacitation of workers' councils in 1958, creeping bureaucracy and the events of 1968 and 1970 bore witness to that regressive process.

Eugeniusz Szyr: We are continuing the discussion whether it is principally the formulation of the objective or errors in the art and methodology of planning that influence the implementation of plans. In my opinion implementation of plans, especially in the area of investments, is mainly influenced by erroneous planning methodology. In light of today's scientific knowledge, I am convinced that, especially in the seventies, economic tools to plan investments and cost-effectiveness analysis of production plants were not used.

Long range quantitative analysis was not done and cumulative effects of investments were not considered. A glaring example was to offer to some Western countries to export electrical energy, coke and carbide. There was also some talk about exporting lime nitrogen.

Theories were proclaimed that exports of energy and material-intensive products should be increased because there is an abundance of raw materials in Poland. Long range quantitative analysis have proved without any doubt that export of highly energy-intensive products does not pay. There were individual attempts to introduce such an analysis but they were ignored because of lack of understanding. Investment planning was far removed from the context of interbranch and intrabranch analyses, or of being done by comparing effects of optimal solutions.

Regarding exports, the cost-effectiveness analysis should not be based on the system of ministerial planning. The dominance of ministerial planning approach automatically determined the ministerial investment planning. This favored the creation of pressure groups and, in turn, they distorted even the most correct opinions. Of course, planning to improve consumption requires outlays for coal, transportation and energy without which production cannot be expanded. In 1946, as much as 70 percent of investment outlays were devoted to that purpose. Today we are facing the same problem. Again, the economic life of the country depends on increased coal production.

Stefan Jedrychowski: I agree with Prof Minc regarding the role of main objective. In practice, the objective of the 6-year plan was to develop production capacity rather than to increase consumption. Residential construction provides an example. There was no plan to solve the problem of residential construction. Residential construction was just an appendage of industrialization, it was tied to new, large investments. Reconstruction of Warsaw was an exception.

Bronislaw Minc: I would like to emphasize that during the 3-year and 6-year plans, pressure groups were not deciding the overall economic policy. After 1970, however, they began to make decisions and upset the balance.

Stefan Jedrychowski: In the last phase of the 6-year plan there were symptoms of crisis related to failures in achieving the aims in improving living standards. The information about a 29-percent increase in real wages was greeted with resentment and protests.

We were dealing with the frustrations of Polish society after the death of Stalin and especially after Khrushchev's revelations at the 20th Congress of the Communist Party of the Soviet Union. The climax occurred in 1956. The additional cause of the Poznan events was lack of responsiveness of economic administration to petitions, complaints and grievances. This was crucial. There was also a local factor: the Cegielski Works had poor prospects. Production of steam locomotives was coming to an end and the new product line, that of marine engines, was not yet in sight. This was reflected in the wages and in the mood.

The subjective feelings of people were that the standard of living was very low and that it was improving very slowly. This was the background of the crisis which was reinforced by the negative political events of that period. Limitations on investments after the Second Congress was started too late and on a too restricted scale.

Eugeniusz Szyr: I have a different opinion on this subject. An investment commitment cannot be redirected quickly to new investments aimed to maximize consumption. To solve the problem of restructuring investments within 2 years has been and is presently almost impossible. Consequently, what was achieved then was really quite impressive. Many investments were frozen and the start up of new ones was stopped.

I believe that shifting the investment resources to agriculture at that time should be viewed critically. They were too small. This, however, does not change my opinion that in 1954-1956 we did not deal with an economic crisis. But, of course, the perception and the feelings of people do not have to agree with figures or even facts. There is no doubt that the standard of living of millions of people who moved from the countryside to the cities had improved. But it was a difficult period for highly skilled workers. Certainly, the situation of intelligentsia has not improved. The social dissatisfaction undoubtedly had economic roots but the causes were primarily social and political.

In the years 1954-1955 there was no breakdown in the implementation of the plan, the market was in equilibrium. We should now like to have a market like we had in 1954-1955; of course, I am referring to the state of equilibrium, not to the level of consumption.

Bronislaw Minc: I think that in 1956 we had a crisis which started a whole series of crises. There would have been no crisis in 1980 if there had not been a crisis in 1956. But the main cause of the crisis then was social, in the narrow sense of the word not economic. There was a crisis of the system that manifested itself by exposing personality cult and lack of progress of democracy, primarily social but also political. No doubt, there was also disillusionment among the working masses regarding the rate of growth of consumption and a negative attitude to excessive differences in income and social standing of various social groups.

In Poznan, at that time, the requests were very mild. In 1980, they would have been satisfied immediately. Gierek would have added a few more billion to avoid strikes. But the administration at that time was oriented towards accumulation and reduction of costs and it viewed those requests with horror. A social crisis does not have to be the result of a decrease in the national income.

The weakness of all discussions of the sources of crises is that they are one-sided, they tend to consider the superstructure, the role of leadership, etc. Thus, we cannot dispel the threat of new crises. The sources of crises, analysis of which would permit us to reverse the course of fatal events, have to be sought at the base or the socioeconomic system. Only then, would it be useful to analyze the superstructure and the resulting conditions for the true socialization of economic process and for restoring to socialism its true spirit. The true spirit of socialism is to treat economic objectives as means to create conditions for comprehensive human development and for economic decisions made directly by the society and its organs.

Stefan Jedrychowski: Wladyslaw Gomolka, from the moment he assumed his duties, became deeply involved in the agricultural policy problems. Unfortunately, the hallmark of his actions is that, at the start of his comeback he severely

criticized the subsidies to state agricultural farms which at the time amounted to 1 billion zloty and, when he was leaving, the subsidies to state agricultural farms amounted to 6 billion zlotys. I have to admit that I did not quite agree with Gomulka's position presented at the 7th Plenary Session. His presentation was not approved by the Political Bureau. Supposedly, two members of the Political Bureau saw it in advance.

I have to say that Wladyslaw Gomula at all times put pressure to consider in any economic activity the needs of agriculture and, in the 1960's, a lot of good was done in this area. The artificial fertilizer industry was developed and old manufacturing plants were significantly enlarged.

Eugeniusz Szyr: Lack of a consistent agricultural policy was always our Achilles' heel. The roots were in the planning errors, erroneous economic analyses and in the social factors of increased agricultural production. Problems were often expressed in amateurish terms. Also, actions were taken just to impress the public as in the case of chemical fertilizers.

Personally, I believe that the effectiveness of fertilizers is very low because of the lack of synchronization with the supply of plant pesticides, agricultural engineering support, and agricultural machinery and equipment In the area of investments for land improvement, drainage was preferred but it was discovered during the first drought that there was no system to bring in the water. The alliance of workers and peasants was often violated and there was no consistency in developing agricultural organizations and peasant self-government.

Stefan Jedrychowski: Gomulka's concern for agriculture was rather one-sided especially when the line between agriculture and food industry was crossed. He did not agree to treating jointly all investments in the food economy sector. He tried to eliminate all imports of grain and fodder. At that time, imports amounted to 3 million tons. Today, when the amount is 9 million tons, his efforts may seem justified. Under the circumstances then prevailing, it was not rational. The plan for the years 1966-1970 should have established, it was really inevitable, the number of hogs would not be increased. The Planning Commission received an order to maintain the number of hogs at the 14 million level. As a result, there was a limit imposed on meat production and, thus, on meat consumption.

Eugeniusz Szyr: During that time, I prepared a proposal to treat grain imports separately and to devote a separate import category to hog production. I proposed the use of the income derived from slaughter animal meat export to pay for grain and fodder imports. Economic analysis proved that under the conditions then prevailing, this scheme would have been profitable.

Stefan Jedrychowski: I remember this subject being discussed at a Political Bureau meeting or in a smaller group. We proved that it was profitable by using the example of other socialist countries--Hungary and Czechoslovaka.

Eugeniusz Szyr: It is worth remembering an anecdotal fact. In a half-conspiratorial manner, we undertook to export outside the plan the slaughter animals and beef which were much more expensive in Western Europe than pork.

Taking advantage of the price differential, the extra monies obtained were kept in a special bank account which served to finance the import of pork outside the plan. When, by chance, Boleslaw Jaszczuk learned about this, there was a scene and the account was frozen.

Stefan Jedrychowski: Wladyslaw Gomulka was afraid of debts even when credits could have brought high returns. He was afraid of inflation and bankruptcy. Both of these fears seem justified in view of what was done by the Gierek and Jaroszewicz team. But at that time, his fears were dampened by the development and the increase of standard of living.

Eugeniusz Szyr: Wladyslaw Gomulka also had erroneous views on so-called selective development. In fact, he was misinformed about these matters. His aim was to eliminate the airplane and flax industries and to limit the shipbuilding industry.

Stefan Jedrychowski: The Economic Council, which existed in the late 1950's developed an economic reform plan similar to the current concept of independent and self-governing enterprises. Gomulka rejected it without discussion. This was not even a subject for discussion at the Political Bureau. The negative decision was passed by Wladyslaw Gomulka to Jozef Cyrankiewicz and, soon after, Gomulka sent the word to do away with the Economic Council. In 1956, there was an increase in development workers' councils. But soon there was a drift away from that. Workers' Self-Management Conferences were set up soon and they consisted mostly of people who participated because they had positions in other organizations: party, labor unions etc. The last phase of doing away with the self-government, already during the tenure of the new team, was to eliminate most of workers' councils in 1979. This was done under the slogan of enlarging workers' self-government.

In the 1960's, many restrictions were imposed on the Planning Commission. Agricultural production could only be planned according to the level of average harvest of the last 4 years. There was a fixed limitation imposed on the food and agricultural exports. This was done not to satisfy the needs of the country but conform with the then popular thesis that such exports are unprofitable. The upper limit was 1.3 billion of foreign exchange zlotys. It was considered that if earning $1 costs more than 60 zlotys then it does not pay. Even though for that "unprofitable" export it would have been possible to obtain highly profitable imports. When the new government team changed the situation, it turned out that there was a considerable net gain.

Short-term indebtedness was not permitted to exceed the $100 million plus limit. Compare that with the 1970's when short term indebtedness reached $3 billion. It was permissible to use only conventional credit to buy grain and fodder for up to 3 years [garbled sentence follows] credits related to purchase of major investment items. To help ourselves with financial credits was out of the question.

In view of the madness that reigned in the 1970's, these restrictions appear reasonable. In fact, in those days, they were going to the other extreme.

the foundations of a generalized plan for the next 15 years were prepared. They were also rejected, however, without any discussion. I guess that the reason was that the highest priority aims were in the area of consumption. The attitude was that we were leaning too far towards consumption. As the time passed, this attitude became more prevalent.

In the late 1960's, in the area of residential construction, in view of rising costs the so-called inexpensive construction was favored which had conveniences in the halls for common use. In 1969, the growth of outlays for residential construction was slowed down.

I would divide those years into two periods. Until 1959 we had relatively successful development. We used the reserves created during the 6-year plan and the Soviet and American credits. Conversion of defense industry to civilian production took place. Thanks to this, the production of many durable goods was begun. This was a real achievement of the 6-year plan which came to fruition in the late 1950's.

In the 1960's, accumulation started growing again, new developmental priorities were established. At that time, our production capacity and national income were growing at a relatively good rate. They were growing at the rate of 5-6 percent annually. In those years, the growth of employment was also sizeable. In the 1970's, a thesis was advanced that a growth of investments was necessary which to satisfy the need for employment opportunities. I have made some calculations and it turns out that in the 1960's more jobs were created than in the 1970's with the help of three times lower investment outlays in constant prices. At the same time, the growth in the standard of living and the real income was very low and very slow. It amounted to about 2 percent per year and in some years it hovered around 1 percent. With such growth, some sections of the working class and the intelligentsia must have felt that their situation was deteriorating. Of course, the growth could not have been even. There was some discontent and frustration. This was the background in 1970.

Despite this, I believe the 1970 crisis could have been avoided, regardless of certain stagnation in the standard of living, if it was not for the fact that in 1967-1970 several deflationary measures were taken that affected the situation of many groups within the working class. Piecework requirements were raised without monetary compensation and the so-called wage scales were being eliminated which affected skilled workers.

The new system of economic incentives which was scheduled to start on 1 January 1971 took away from the workers the hope of quick improvements. That concept was being prepared for implementation since mid-1970. That system, in its first phase, led to decreases of wages and was immensely complicated. Even members of the Political Bureau could not understand it.

I did not agree with that plan. On the other hand, Wladyslaw Gomulka, attempting to make the system perfectly fair, introduced detailed corrections, thus making it even more complicated and less understandable. This also reinforced the feeling of discontent. Then, in December 1970, there was the sudden and unexpected price increases which was to be offset by price reductions of some durable goods. The working class and the society did not accept it.

Eugeniusz Szyr: It is a fact that it was done in complete secrecy. At that time, I was the vice-premier whose jurisdiction included the market matters but I did not receive the information even about the preparation of price increase. The chairman of the Price Commission came to show me in confidence the already prepared documents.

Stefan Jedrychowski: Day before the meeting of the Political Bureau during which these matters were to be decided, we received some materials which did not clearly indicate what would be discussed. There were various tables and price ratios. During the discussion, only I voiced some objections and doubts. I was against the increase of prices. Later, at the Eighth Congress, I did not speak up, I was discouraged because many comrades who had previously stood at attention without one word of protest were now very eager to speak and were taking advantage of the situation by venting their suppressed complaints and ideosyncrasies. Eugeniusz Szyr also occasionally stood up to Gomulka. But he was an exception.

Eugeniusz Szyr: Speaking about the sources of the 1970 crisis it is necessary to remember 1968. Without it there would have been no 1970 regardless of how one evaluates the roots and causes of the 1968 events.

Stefan Jedrychowski: Except that the working class was not involved in the 1968 events, not on a mass scale anyway.

Bronislaw Minc: I am submitting the following thesis: during the crisis in 1980-1981, the experience, the results and the scars of the crises in 1956 and 1970 played an enormous role. In both cases, new administrations obtained power riding a wave of criticism and hope. But their policies were simply the continuation of errors which had caused the preceding crises. Also, there were regressive moves. First, workers' self-government was discontinued and transformed into Workers' Self-Government Conference; second autocratic and irrational decisions were made, mostly in the economic field. In the year 1968, there was a crisis involving the intelligentsia and the students. It was an ominous signal of a social storm that was not understood.

Adopting a policy, later dubbed the "March policy," blinded the party and government, accelerating the crisis and distracting direct attention from the real causes of the coming crisis, which could still have been prevented. Instead it deepened contradictions and aggravated negative phenomena. In this sense, the year 1968 prepared the ground for December 1970. And one more element. While Wladyslaw Gomulka was in power, personality cult became pronounced. But Gomulka achieved power as a result of violent criticism of this phenomenon in the party and the society. The criticism that Gomulka directed against his predecessors in 1956, can be fully applied to him because of his policies and practices in the 1960's.

His policies continued to increase the role of the state and to decrease self-government.

Economic policy continued to have as its principal objective maximization of economic growth rather than consumption. The optimization theory was totally

ignored. There was a certain optimum of foreign credits that should be obtained. These credits were to be neither too large nor too small. Also, there was a certain optimum in trade relations with abroad. The volume of foreign trade was to be neither too large nor too small.

At the end of the 1960's, the opportunities for development of economy, including credit and relations with foreign countries were not fully used. The economy had elements of deflation and stagnation. The society felt that the prospects for the future were poor because of stagnation.

At the same time, science and planning were demoted. This was especially so in the field of economic sciences. For instance, the concept of selective development was completely at odds with the modern economic theory which emphasizes that the economy must be treated as a system.

The meat price increases in 1970 were correctly seen by the working class as an absolute threat to its standard of living. The compensation offered was illusory.

Stefan Jedrychowski: If one compares the increase proposed by Jaszczuk, which amounted to a total of 14 billion zlotys, with the increase proposed by Gierek and Jaroszewicz in 1976 it appears that the latter would have amounted to a total of over 100 billion zlotys.

Bronislaw Minc: There was another difference, however, that in 1976 income was rising while in the late 1960's they were stagnant. A farsighted policy would have avoided price increases at the time of retrenchment and stagnation. If, however, such increases had to take place under the conditions of stagnation or economic crisis, serious difficulties had to be expected.

Eugeniusz Szyr: In the late 1960's, the center of decision making which properly belong to the government, moved to the Political Bureau. The situation was such that the government could not make any serious decision. Most often, decisions were made by the economic secretary of the Central Committee invoking the position taken by the first secretary. The practice of restricting decision-making to an ever more limited circle of people culminated in the next decade, during the years 1970-1980.

The above mentioned processes started to develop in the late 1960's and at the same time the role of the Planning Commission was diminished and its influence on correct economic development decreased. The first secretary made authoritative decisions about increasingly more detailed matters. This was the foretaste of the situation that developed to monstrous proportions in the 1970's.

Political revival after 1956 also impacted the operations of the Central Committee. During the first years, there were quite spirited discussions at the Central Committee. Later, discussions died out and reporting style dominated. Arguments did not develop. Especially, during 1966-1970. At that time, the conditions for correct economic and social policies still existed. Solid information about society's feelings were reaching the leadership but they were deaf to those voices. Gomulka was reading the information and his reaction was to

suffer but not to take political action. He did not comprehend that there was a threat of social conflict if we continued with existing policies.

Decisions such as the price increases in 1970, should not have been taken without considering social consequences. The point is not how much could be gained but the question is how much could be lost. From the economic point of view, the meat price increases were justified, if the compensation had been persuasive, even though its value significantly exceeded the value of meat price increase. The matter of price relationship alone was well worth it. But nobody wanted to discuss the various possible solutions to this problem with a wider group of people.

Additionally, expanding the number of price increases reinforced the degree of surprise and upheaval. The process of secret decision making under the social conditions prevailing in 1970 showed a blindness and detachment from reality as well as contempt for consultations with the party and society.

I agree with the view that the successive social conflicts had a common source: personalities changed but, despite initial promises, the operational mode of the party and the state remained unchanged. That mode was the centralism without vibrant intraparty democracy and a planning and management system not appropriate to the level of development of production capacity and not responsive to the need for developing socialist social conditions.

Economy Between 1971-1979

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[Text] In the previous issue of FUNDAMENTY we published the first part of an editorially sponsored discussion entitled "The Windings of Industrialization" in which Stefan Jedrychowski, Bronislaw Minc and Eugeniusz Szyr analyzed our national development. That discussion covered the period 1945 through 1970. Today we are publishing the continuation of that discussion in which the participants, prominent economists and organizers of the economy, deal with the period of the 1970's. We give them the floor. At the same time we are informing our readers that their comments will gladly be published, especially because a sizeable number of our readers are familiar with the previous periods from their own social and work experience.

The Editors

Bronislaw Minc: In the 1970's, the state's economic functions were enlarged and the bureaucratization process was progressing. That bureaucratization included the state enterprises and it was bigger than just the central bureaucracy. That period was characterized by the growing monopolization of the economy. Monopoly of the state in various fields was reinforced directly and indirectly. Large economic organizations were created which had monopolistic positions in which the customer faced only one exclusive organization.

Symbolic is the elimination in 1976 of the state retail food trade and the creation of one monopolistic organization. The chairman of "Spolem" served simultaneously as the deputy minister of trade and services. As a result, the consumer was totally disarmed. He did not even have a choice between two organizations, as he had before, and had no one to appeal to.

Eugeniusz Szyr: I think that to evaluate this period, it is necessary to consider a broad spectrum of problems. Of special importance is the fact that during that period the planning process was weakened and the methods and forms of managing the national economy had badly deteriorated. The theory of open ended planning actually meant giving up the discipline to implement 5-year plans and the infraction and breaking of quantitative relationships prescribed by the plans. In investment planning, it was permitted to freely add to the plan large, new investments which occasionally had no relationship to the previously designed programs. And the bigger, the more costly the investment, the lesser the requirements were for control of project documentation. The majority of large investment projects, even those whose costs exceeded 100 billion zlotys, were added to the investment plan on the basis of preliminary estimates without technical and economic analysis or technical documentation.

Negative changes also spread to the area of economic activity. Salaries and social services were determined on the basis of foreign loans rather than national income without considering that the moment would come when it would be necessary to lower the real value of monetary income to repay the credit obligation, especially those incurred for consumption and raw materials purchases needed for current production. In the late 1970's, 70 percent of foreign credits were not used for machinery and equipment purchases but for raw materials, fodder, consumer products etc.

Loans were granted to various investment undertakings without an exact calculation of their effects and without analysis as to the repayment capability within the prescribed time. All permissible limits between credits and exports were exceeded, both those based on conventional and those based on economic determinations and calculations.

Effective control of these problems was made impossible even for the Council of Ministers. Thus, a "credit noose" was put around the neck of our economy. It was said that that indebtedness could be repaid by the exports produced in the factories built with investment credits. But when we compare the relationship between the purpose for which the investments were used and their usefulness for exports, it turns out that many assumptions were wrong and many calculations faulty. Also, a new kind of credit was created outside the plan which was justified by the recipients with their commitment to the so-called "self-repayment." In this manner, the already extended plan was increased by many new large investments. The majority of these investments either could not achieve the "self-repayment" or achieved it in a fictitious manner.

For instance, they started export of forgings from the Jawor plant to repay loans. It turned out, however, that at the same time these products had to be imported for domestic consumption. While importing, we were paying a higher price for importing the same forgings. If the "self-repayment" was continued, it would mean a clear loss of hard currency. Hence, the conclusion that the decision to permit purchase of equipment on the "self-repayment" basis was based on erroneous analysis.

Interministerial comparative cost effectiveness analysis of investments was not used in practice. Planning consisted of summing up and correcting ministerial plans mainly from the point of view of total outlays. There was no directive to define objectives and on that basis to determine the function and organization of investment process. Formally, recommendations to start new investments were supposed to be preceded by an examination of the possibility to use, modernize and renovate some existing facilities. In fact, however, only the proponent's statements were considered.

The size of ministerial outlays was decided, to the ever growing degree, not by economic analysis but by the so-called "pull." Pressure lobbies have always existed and will exist but they would not have much to do if a correct economic and financial system was in operation and correct tools were used; tools which would apply comparative cost effectiveness analysis to extended investment outlays and to the economic effects on the users of goods produced after an investment is operational.

Gradually, attempts to conduct the correct analysis were abandoned and not only the planning became open-ended but also the analysis pointless.

The most severe economic consequences resulted from the wrong estimation of demand for coal and energy. Based on the theory that Poland has at its disposal cheap energy, it was concluded that Poland should export energy, fuel and energy intensive products. In practice, this meant offering for export greater amounts of coal, electrical energy and even lime nitrogen and carbide while the domestic deficit was growing.

A classic example is offered by the plans for gasification of hard coal. The processing of 35 million tons of coal by 1990 was anticipated despite the fact that such a quantity of coal for gasification was not available nor could it be made available. The first large plant for which a large loan was obtained was supposed to assure the processing of 6 million tons of coal during this 5-year plan. From the point of view of availability, it was obvious that such an amount of coal could not be used for this purpose without decreasing exports. These arguments were not accepted. Some professors, e.g. Prof Szuba from Katowice, supported strongly this unrealistically extensive project for gasification which, moreover, was based on outdated technology. The cost of this investment was underestimated, similar to what happened in the cases of Ursus and the Katowice iron works. Later, the costs grew and reached 130 billion zlotys. The unprofitability and the lack of realism of this undertaking were striking.

These and related subjects were discussed in closed circles but any reservations were brushed aside and their proponents removed. Luckily, already in 1980 there was an acute shortage of resources making it impossible to implement this plan.

The most negative phenomenon was the progressing deterioration of the economic and financial system and the growing limitation of society's participation in formulating socioeconomic policy. Large economic problems were discussed in an ever smaller group and the decisions were made by fewer and fewer people.

Also, at the last moment we avoided--the government decision had already been made--to start intensive development of an iron ore mine in Suwalki.

There are many more examples of similar recklessness. This is how the investment commitments exceeded 1.2 trillion zlotys and, if complementary investments are included, 1.5 trillion zlotys.

One of the methodological errors was to use a deficient comprehensive development program, or not to have any, for a given subsector or branch where huge investments were made. The Soviet data base on the amounts of interbranch throughput indicate for example a direct outlay for construction of an automobile factory requires sevenfold greater outlays for indirect investments, including coproduction facilities, service facilities and increases of metallurgical, chemical and other outputs.

The national economy can cope with the construction of large investment complexes if it is preceded by a comprehensive and thorough analysis of all eventually needed outlays. The reverse procedure was used. Anticipated costs were artificially underestimated and occasionally some basic components were simply omitted. This is the way it was with the outlay estimates for the construction for mining the new coal basin in Lublin voivodship.

Stefan Jedrychowski: One of the sources of the current crisis is that the economic equilibrium has been disturbed not only in the investment field. The increase of consumption, wages and other income of the population above what really can be afforded also had great significance. The First National Conference of the PZPR in October 1973 introduced changes in the 5-year plan both increasing the investment outlays and accelerating the implementation of the program to raise wages and social emoluments. This, unavoidably, created stresses in the national economy which accumulated with time.

At the basis of this policy was a peculiar philosophy that placed dynamics first and balance and economic effectiveness last.

Our experience and that of other socialist countries show that if accumulation starts to exceed 25 percent of the distributed national income the stresses tend to grow. But this is determined not only by the level of investment outlays but also by their structure, especially by a large share of long-term capital intensive and not so effective investments which push to the back the quick return, modernizing investments.

Also, we had to deal with improper distribution of investments among individual sectors and subsectors of the national economy. The investment boom profited, for instance, the machine tool industry while the investments in the chemical and energy industries remained behind. The same can be said about the infrastructure whose share of investments declined. The results are shortcomings in the health services, education and culture.

The tendency to undertake spectacular projects was dominant. When the crisis was already brewing, a new project "Vistula" came to the forefront, it would have involved new, colossal investment outlays.

Between the Sixth and Seventh Congresses of the PZPR, the Political Bureau enacted about 80 development programs for various sectors and branches of the national economy. Each of them had some value and was creating some prospects. But their combined investment impact exceeded several times the real capacity of the national economy even using the most optimistic estimates. In this situation, the planning body was faced with pressure from the investors and the ministries using these programs as their weapons. The internal consistency of the investment plan was often coincidental. The one who won was the one who was the strongest in the pressure game. A lack of balance resulted.

I do not think, however, that we should condemn everything done in those years. The first 3 years were a period of relatively successful development. Investments and population's income were growing and the indebtedness was still within limits. The limit of safety was crossed only at the end of 1974 and the beginning of 1975.

From society's point of view, the first stresses, namely shortages of meat, appeared only in 1975.

It is a fact that the so-called WOG [large economic unit] reform favored strengthening of large monopolistic organization which grouped individual enterprises. There was a fight to provide them with the parametric system. But at the same time these large economic organizations were reinforcing the directive system regarding their subordinate enterprises. The WOG reform did not include the whole economy, was not comprehensive and failed when confronted with the parallel directive system.

Bronislaw Minc: I reiterate my view that the growing process of monopolization and bureaucratization was the cause of planning errors and of the detachment of planning and management from the economic reality. This, in addition to other serious causes, had to lead to the events of 1980.

There is a high degree of production concentration in Polish industry which provides the natural basis for the process of monopolization. Consumers and other recipients of production are in a worse position than in capitalistic countries where oligopoly exists but where the consumer can choose among various enterprises. True, there is no price competition among oligopolistic enterprises but there is competition regarding the selection and quality of product. Thus, the recipient of production is not indifferent whether he has or has not the choice of two commercial organizations, whether there is or is not someone to receive his complaints... [upper portion of p 6 missing]...in current prices. This was the value added, a variation of net production. The increase of the wage fund was made dependent on the increase of the value added. This had to lead to highly negative outcome. Production was deformed because enterprises were trying to achieve the greatest increase of value added regardless of cost and at the expense of the structure of production. The increase of value added was measured annually. Consequently, outlays for technological progress did not pay, and especially so, for production improvements. Those outlays which paid off in a few years were not profitable because they decreased the annual growth of value added and limited the growth of wage fund. The same applied to undertakings involving justifiable risk. The result was degradation and

bureaucratization of production. All efforts were aimed at achieving the indicators rather than satisfying the needs of customers. Everything that did not produce additional value added in a given year was neglected.

From the economic point of view, the so-called structural effect was taking place. If an effect can be achieved through production of several assortments of goods, the natural tendency is to select the assortment which can be produced with least effort. For instance, by not lowering the costs, not introducing innovations etc.

Basing the economic mechanism on any index governing an enterprise wage fund provides a stimulus to inflation. This is so because wage fund grows as expensive products are encouraged and, thus, the supply structure becomes deformed. (Incidentally, I will tell you that resolution No 118 of the Council of Ministers, on the subject of the so-called minor economic reform introduces net production as the substitute for value added but both are really variations of the same concept. This index will determine the wage fund. In result, we have a deformation of production and even stronger stimulus for inflation. The proposed major reform also moves in the same direction as it sets up annual profit as the chief index which will determine the...[section missing]

...we had in 1974. It amounted to 35.6 percent. Later, a decline took place. Also, during these years the suicidal credit policy was started.

The WOG system also began in the early 1970's. Already then, the conditions leading to the crisis were established. In the attempt to combine the accelerated economic growth with the growth of real wages, the former dominated. The increase of real wages was affected all the time by deformations of production and hidden price increases and was sacrified when the difficulties appeared.

Eugeniusz Szyr: Despite the cyclic pattern observed during individual 5-year plans, when plan targets were brought down as stresses showed up, half way through this one, in 1973, some decisions completely contrary to that experience were taken. The rate of growth of investment outlays was increased and at the same time the outlays for wages and social services were raised too. This was the key to the future tragedy.

Until 1973, the economic situation was developing correctly and the indebtedness did not reach a too high level. Then the reserves left over from the previous period were basically exhausted. There still were some extensive essential reserve. There was, however, no objective analysis of the internal and external reasons for that successful development. Some economists, e.g. Prof Ruarz, claimed that even exceeding the 10 percent rate of annual growth of national income every year should be achievable in our economy. Already then, the example of Japan was thrown in our faces. Also, our high rate of economic growth was contrasted with lower indices in other socialist countries.

I believe that the essential problem, both in the 1970's and during the entire previous period, was that the production and the growth of productive capacity should have been in harmony and that the occurring contradictions should have been overcome by adjusting...[section missing]

....Conclusions and recommenations on this subject submitted by the Ministry of Resource Management did not bring any response. If our investment policy was geared to minimize energy consumption, there would not be such a gap between the production capacity and the ability to provide energy for it. This is the area where solutions for the future can be found. Quite often we can lower the consumption of fuels and energy per unit by investing many times less than would be required to increase the fuel and energy production by the same amount.

The outdated ratio of various products in the production of steel and rolled items was compensated for by a large quantitative increase of production and the plans for the distant future visualized the highest consumption in the world of steel per capita. Accordingly, the capital intensiveness of investments was growing in comparison to the outlays for enrichment of the variety of metallurgical products.

There was no systematic analysis of options leading to the same result. For instance, this applies to construction. Houses can be built of bricks, concrete, cinderblocks and other materials. Insulating materials, such as mineral wool, can decrease the quantity of concrete needed and, more importantly, can lower the heating energy losses occurring in poorly insulated buildings. Economic calculations showing the high effectiveness of solutions using substitutes were submitted but they were not appreciated. Other methods of residential construction were not developed, indeed were not even started. The same applies to the fact that resources were not directed to construction of facilities to produce insulating material but rather toward the excessive expansion of the cement industry.

The data on the decrease of the index of shift work in the production plants indicate that the efforts to improve the utilization of our productive capacity were meager. The outlays for modernization and reconstruction of existing facilities were consistently reduced. [section missing]

....Despite everything, the substantial growth of fixed assets in the 1970's and the unfinished investments which, when started, will bring great results and must not be ignored. Many elements for technical progress were created. Under proper conditions they can be used. Thus, after a transition period, there are basic conditions for directing our economy towards effective development.

Stefan Jedrychowski: I think that serious stresses in our economy began to grow only after 1973 and that they did not surface for the next 2 years. At that time, there was a great increase of prices of fuels and energy on the international market with the oil crisis. At that time, our economic and credit policies should have been changed. This was not done.

I do not quite agree with Prof Minc about the reasons which caused the collapse of the WOG system. The parameters were designed to be economic tools for the central authorities to steer the economy. Why did it not work? The plan was not translated into parameters and, contrary to its concept, the WOG's retained a wide margin of freedom to set prices. Under the conditions of prices affecting the value added, this had to have an inflationary impact. I believe that the weakness of the WOG policy would require a separate discussion.

At this point, I wish to draw your attention to a more basic matter. The erroneous, authoritarian socioeconomic policy was possible because of the existing political system. I have in mind the autocratic system of management not only of the economy but the state. It did not permit criticism and self-criticism or the exchange of opinions. It was considered that whoever had the power was wisest and had the exclusive right to make decisions. Such an authoritarian system of economic management.... [section missing]

....(It is necessary to apply such concepts as objective function, limits, synergism, external effects, etc.)

Eugeniusz Szyr: Those who have made decisions in the last 10 years can be accused of many things but certainly not of having any knowledge of economic theory.

There is still a lot of uncertainty in economics and many opinions, including those of Prof Minc, which are being disputed. In the last analysis, many decisions must be made with a limited store of knowledge. As a rule, decisions affect a broader area than that covered by available knowledge, even under the best of circumstances. It is necessary to make decisions under the conditions of uncertainty. Occasionally, decisions must be made while faced with contradictory opinions of experts. The choice of solutions is up to the decision-maker.

Changes in the management system should lead to a significant increase in decision-making authority at the economic units, field administrative offices, etc. This would further increase the importance of scientific methodology and economic tools to facilitate the optimal decisions.

Management does not rely only on economic theories. It is essential to know social psychology, the results of sociological research and the organizational methods and techniques. There exist a family of scientific research whose results permit the anticipation and elimination of the contradictions arising in the society and the economy.

Contradictions will always accompany social and economic development. Hence, the enormous importance of research methods and practical experience related to these problems.

8801
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LABOR-WAGE PROBLEMS DISCUSSED IN INTERVIEW

Warsaw ZYCIE WARSZAWY in Polish 21-22 Nov 81 pp 1,2

[Interview with Labor Minister Prof Antonim Rajkiewicz, by Halina Lesnicka: "Zones of Social Protection and Zones of Sacrifices"]

[Text] [Question] Mr Minister, in assuming this post you declared that this would be a ministry of human affairs and social understanding. How are you managing to do this?

[Answer] We are operating under tremendous pressure. Of the 111 days which have elapsed since I took over the ministry, I have spent only 4 days at my desk in the ministry. Two-thirds of my time is taken up with negotiations with the trade unions and the resolution of conflict situations. We are a ministry in which representatives of all the trade union centers sit down at one table. At the same time, it is worth mentioning that in general, despite the position of these centers, just about all the branches fight for privileges and for conditions most favorable to them for starting the economic reform. The negotiations are often difficult, because we are talking with many partners. For example, "Solidarity" has a whole 145 branch sections.

In these conflicts, the ministry is sometimes presented as a party. This is not normal, because we should represent general social interests, serve mainly as mediator, as a ministry which gives an interpretation of regulations binding on both parties. All over the world, in such conflicts there are two sides participating: the trade unions and the employers. In our country, the employer (branch or ministry) often lines itself up on the same side as the trade unions.

Also, operating on the basis of preventive measures, we have created six mixed teams for negotiations with representatives of all the union centers, the scientific community, and the administration participating. These are groups for a reform of the labor law, a group on employment, a mixed commission on wages, a group to draft a social minimum, and a commission on social security. We have also created a social consul-

tation group which, among other things, has taken up the task of setting tasks for the ministry within the framework of the economic reform.

[Question] Mr Minister, do you not think that the current pressures on wages are mainly the result of the sudden rise in living costs? Those groups which have the greatest striking power win, and as a result there are greater imbalances in wages. Is that not true?

[Answer] It is difficult to say that up until now we have had a cohesive wages policy. Most of the efforts have been intermediary actions. We must just work out such a policy. For example, the mixed wages commission is to take up the question of putting the wage systems in order and to prepare an overall wage system reform. In all the negotiations up until now there has been the prevalent view that we must restore the incentive function of wages, try to remunerate fairly, and avoid any egalitarism in wages.

Let us assume that the wage spread should not be greater than 1:7 (this is the relationship between the lowest and highest pay) or that it should not exceed 3.5 of the level of mean earnings (as follows from both the resolutions of the Ninth PZPR Congress and the First National Congress of "Solidarity"). Wage spirals may be cut by correct tax policy or by payment of a portion of the highest salaries in bonds (although I would exclude from this miners and all of extractive industry, owing to their importance to the national economy).

[Question] More and more often we hear expressed fears that under credit conditions and a later economic reform, it will be absolutely impossible to protect the lowest groups.

[Answer] I think that under crisis conditions there must be a sphere of social protection and a sphere of sacrifices. Where it is a question of meeting the most basic needs, like food, personal hygiene, and heating, there must be social protection. This is a question of biological endurance for the groups least well off, or about 4.5 million people on pensions and annuities, families with many children, and mothers raising children alone.

We have two instruments for the protection of these groups: family allowances and valorization of pensions and annuities. As of 1 November the lowest pensions and annuities were increased for about 2.5 million persons, and for the first time here the categories of the social minimum were put into practice. The system of valorization of pensions and annuities should be implemented along with the new retirement law during the first half of next year. We are also beginning a second phase of increases in family allowances. They will have a far greater role in the budgets of families, particularly those with many children and those with per capita income of 3,500 zlotys or under. Those who

have more will have to bear the costs of the crisis, in proportion to their income, of course.

[Question] Your ministry was charged with establishing the level of the social minimum during the third quarter of each year. What is its practical significance?

[Answer] The social minimum for the third quarter was drafted by the Institute of Labor and Social Affairs for 11 sociovocational groups. Nonetheless, given the sudden increase in prices, the social minimum drafted in September surely is no longer current. We undertook efforts to adapt the minimum to the conditions where the market is out of balance. Rationed commodities represent only about 15 percent of the market basket of goods and services included in the social minimum. Many items are not available on the market and must be purchased out of necessity at very much higher prices (eggs, for example). Thus, when we do our calculations, we have three prices for sugar: 10.50 in the rationing system, 48 zlotys as the social cost of producing it, and 80-100 zlotys as the black market price, that found on the free market. In the calculations we must also take into account the social cost of production.

Therefore, in this situation I would attach less weight to the calculations of the social minimum in zlotys and greater to the social minimum in terms of material benefits. In this conceptualization the social minimum should help plan production, so that each citizen would obtain the essential amount of basic goods, including agents of personal hygiene.

[Question] Unemployment can also threaten the existence of families.

[Answer] I consider it one of the main tasks of the ministry not to permit mass unemployment. This year the situation on the labor market is still relatively favorable. Factors here have been the introduction of paid upbringing vacations, earlier retirements, and the shortened workweek. We have 163,000 jobs open for 33,000 persons seeking work.

Of course, the available jobs are not always in those vocations and localities where people looking for jobs are registered. Hence, we are upgrading the system of job referral. We intend to create a national information bank. About a quarter of a million people can be absorbed by services and the municipal economy and repairs. Tremendous assets are being damaged. On the other hand, shifts of administration employees are occurring on a scale less great than we had anticipated. I would therefore estimate the administrative overage in the central administration, in the industrial associations and other intermediate groups to be eliminated to approximate 30,000 persons. The figure for industrial administration is far greater, about 100,000 persons. Up until now, however, only 2,000 employees have returned to agriculture. Some 3,000 have taken jobs in service industry. Here we are running

into exceptionally great resistance stemming from considerations of prestige, relationships, and ties. Only economic incentives can change this situation. Administrative efforts alone will not do anything here.

There are 14,000 graduates who have not found work yet, but by the end of the year all will be offered work, although not always in the line in which they have been trained. During the next few years we must change the doctrine of training and reorient youth's way of thinking in the direction of taking greater responsibility for choosing their own vocation and making their own luck. The law on planned employment of graduates has been nullified by life itself. The planned employment of graduates can be maintained only in areas like education and public health. Nor would I see any great misfortune in having young people take paying jobs abroad, especially where this produces economic benefits. They would also learn the habits of good work and bring back a little modern equipment too, in the process.

[Question] We know that the principles of regulating foreign wage-earning trips have recently been established.

[Answer] We have adopted the following principles: protection of the countries skilled potential, maintenance of ties with Poland on the part of those travelling abroad, maintenance of human and national dignity, and support of the promotion of Polish culture and foreign trade. We have agreements with the GDR and Czechoslovakia. The agreement with the FRG will probably be extended, although it is to expire this December. Some 90,000 persons are presently employed in organized forms abroad. Priority is given to trips to socialist countries. There are still substantial unutilized possibilities for sending our specialists to the developing countries. We are collecting data to learn how many Poles have taken jobs on their own in what countries. We want to cover everyone with insurance and make return to Poland possible.

[Question] Mr Minister, you conduct the work of the commission on labor law reform...

[Answer] Under the conditions of union pluralism, a number of new problems have arisen, such as who is to represent employees where there are several trade unions in operation and so on. The problem of a guaranteed wage is becoming timely. We may also get to the issue of the bankruptcy of an enterprise and the collective dissolution of the labor relationship. Our group would be ready to finish work on the amendment already, if it were not for the absence of a law on trade unions. On the other hand, the new labor code will be ready in 1983.

We also need to have a law worked out for the remuneration of employees and for plant social benefits, and the issue of deductions for the national cultural fund needs to be put in order. I am an avid advocate

of it. Cultural facilities (dayrooms, libraries) previously maintained in part through trade unions or social funds, for which about 2 billion zlotys has been allocated, are now dying. It is a paradox. After all, we have Saturdays off, but there is less possibility of cultural participation.

[Question] Mr Minister, as a specialist in the realm of social policy and now as a practitioner, how do you view the role of scientific advising and consultation?

[Answer] I think that without scientific counselling and expertise one cannot talk about making the best decisions. Now, as a minister, however, I use practical solutions as the main basis, not the multiplication of ideas. I am considered to be a stubborn pragmatist. In reality I would like to bring practical content to verified categories and concepts of social policy, to bring back healthy reason in the realm of wages and employment. Work must be work, and not a relationship which entitles a person to benefits, and a pension must be a pension, and not an allowance out of social welfare. Wages must be related to productivity and effort. We must resolve these issues which concern basic needs. We must consistently break down the condition of inertia which is so paralyzing to the society and the economy.

10790
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METHODS FOR ELIMINATING DEBTS DISCUSSED

Warsaw TRYBUNA LUDU in Polish 26 Nov 81 p2

[Article by Ryszard Bilski: "How Are We Going to Get Out of Debt?" from our own sources]

> [Text] The Sejm Commission on the Economic Plan, Budget, and Finances on the 25th of this month acquainted itself with the country's balance-of-payments situation. Here is a short description (along with the projected structure for the immediate future) as presented by Minister of Finance Marian Krzak.

In convertible currency our indebtedness currently amounts to 25.7 billion dollars (24.5 billion dollars of intermediate- and long-term credit and 1.2 billion dollars of short-term credit).

As the result of multilateral talks with governments of creditor countries and with private banks, there was the possibility of shifting to 1986-1989 the repayment of the credit installments and interest due this year. Because of this Poland's balance-of-payments indebtedness this year will be about 5 billion dollars less.

The decline in production is creating adverse export effects. There is the danger that we shall not be able to fulfill this year's export plan (which is smaller than last year's fulfillment).

The imports structure is unfavorable. In 1980 we spent about 30 percent of our foreign exchange currency for food, but this year food accounted for over 50 percent.

The real possibility of Poland's entry into the International Monetary Fund and the International Bank for Reconstruction and Development is an opportunity for the further refinancing of our debts and for obtaining credit, including investment credit.

Not to Squander Opportunities

The postponement of payments and the reduction of our economy's burden of installments and interest create opportunities for Poland to extricate itself from the greatest difficulties and to slow the sudden downward spiral.

But these are only opportunities, the exploitation of which depends not on foreign bankers but on us ourselves. This is why many deputies' questions concerned the very question of the rational utilization of the loans we are currently receiving.

Deputy Waldemar Michna, for example, called for drawing the marks showing the rise in loans during the past period farther apart, and the reasons for such catastrophic indebtedness were stated. It is a question of coming to know these mechanisms and not permitting similar mistakes to happen.

These problems continued in the talks in the corridors. To put them in a few words they can be summarized as follows: during the past decade we fell into a credit trap and now we must avoid falling into the trap of refinancing. Do we know what to do now to avoid having the till empty when the moment comes to repay the deferred debts?

Sell More

The answer came: We must increase exports. But exports will increase only if they are profitable to the independent self-governing and self-financing enterprises, only if they bring benefits to the workers. The economic reform is supposed to create such conditions.

It should also permit the reconstruction of industry, so that industry will import less and sell more. It is a question of eliminating senseless, expensive imports of many partly-finished products, materials, and subassemblies, which we can produce on our own. Deputy Longin Cegielski was one of those who pointed this out.

We must see not only the great powers, the well-known and recognized exporters, but also the minor producers who can also make the country a lot of money. Meanwhile, the small exporters, as Deputy Janina Banasik said, are running into tremendous barriers. For example, profitable exports to the American beet-products market cannot be carried out for lack of packaging.

Let us add that yesterday's meeting set some sort of precedent, because, as Minister M. Krzak emphasized, "For the first time in our practical operations up until now I have the opportunity to discuss balance-of-payments matters at the meeting of a Sejm commission."

During the second part of the meeting, Minister Wladyslaw Baka familiarized the deputies with the targets and course of reorganization of supreme and central bodies of the state administration, in connection with the economic reform being conducted. One of the effects of the reorganization is to be a reduction in employment. Has this effect been achieved? Well, as everyone knows, among other things, nine ministries have been reduced to four. The target was for the employment in these four new ministries to total 2,169 persons at the end of 1981 (in the nine, it totalled 3,739 persons).

This intended level of staffing has not yet been achieved in all the new (combined) ministries, but the tendency toward reduced employment is clear. In the mining ministry, where 500 persons were to work (in place of the former 795), only 480 persons are employed.

The next stage is to dissolve the industrial associations. This stage will begin as of 1 January 1982, and will last about half a year.

10790
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ECONOMIC REFORM IN TRANSPORT INDUSTRY DISCUSSED

Warsaw TRYBUNA LUDU in Polish 17 Nov 81 pp 1, 3

[Interview with the new Minister of Transportation, Janusz Kaminski, by Marek Godlewski, Polish Press Agency: "Preparations for the Application of Economic Reforms; To Ensure the Efficient Operation of Transport"; date and place not specified]

[Text] [Question] Mr. Kaminski: For many years the heads of this Ministry were also the main bosses of the PKP [Polish State Railways]. This aroused dissatisfaction among the airline pilots, and others, who felt that the Minister, occupied with the railroads, has little interest in their problems. Will they continue to have reason to believe so?

[Answer] We are now working on the form of economic reform in transport. We must determine which functions and tasks the Ministry should fulfill and what its rights and duties towards its subordinate units should be. We must also define the structure, authority and obligations of the enterprises operating within the jurisdiction of the Ministry, i.e., railroads, aviation, the PKS [State Motor Transport], highways and inland water transport. But these problems will not be easy to solve.

[Question] Why?

[Answer] Because of the specific nature of the Ministry. To accomplish the transport tasks, the principle of central control of the work of the individual enterprises and their sectors must be retained to a certain degree. But this is somewhat in conflict with the fundamental principle of economic reform, i.e., the three "S"'s: independence, self-sufficiency and self-financing [all begin with "S" in Polish].

[Question] Can we assume from this that in the Ministry, reform will be of a limited nature?

[Answer] It is difficult to put it that way. I want to say that I am and have been an advocate of reform, but I am also a realist. Many railroad men would like, for example, broad reforms in the railroads, decentralization of their operation. However, if the PKP is to operate properly, railroad traffic must be planned and coordinated on the national scale. Many PKS sector are awaiting full independence and, of course, even in this case there must be a carrier and its operations must be coordinated at the central level, for example, in preparing the network timetables,

in the area of cooperation with other types of transport, and also in the servicing of export cargo, seasonal transports, cooperation during natural distasters, etc. Therefore, we must reconcile out justified tendencies toward broad application of the principle of reform with the efficient implementation of transport, which has the higher priority. Changes in transport must take into account both, partly conflicting, principles.

[Question] What decisions concerning transports should, in your opinion, be made at the central level?

[Answer] Insofar as PKP is concerned, the timetables must be compiled centrally. At this level, too, it is necessary to plan the organization of the repair of the rolling stock, the distribution of the means of transport, and the major overhaul of the main railroad lines. Decisions on investments must be made and, of course, the operation of the network must be coordinated at this level. I do not mention here the entire block of employment-wage matters and problems relating to train traffic safety. The role of the central headquarters in relation to PKS would be much smaller; the association of PKS enterprises would occupy itself with the preparation of network timetables, the distribution of rolling stock and scarce materials, the organization of technical facilities to make the more important repairs, training, and finally the coordination of operations on the network scale.

[Question] From what you say it appears that preparations for application of reforms in the Ministry are, at the moment, not too far along.

[Answer] I do not concur with such an opinion since we have done a great deal of conceptual and legislative work and are continuing this activity very intensively. It is a fact, however, that the specific nature of the Ministry requires preparation of separate structure and organizational systems which would ensure the efficient work of transport while at the same time the basic principle of economic reform are being applied. I believe that in the Transportation Ministry the reform should be introduced in stages in the individual branches, no earlier than in a few months.

[Question] Why so late?

[Answer] To avoid serious troubles. Reform is supposed to go into effect in January, i.e., in the middle of winter, which is our most difficult period, when freezing weather, snow, ice and lack of materials, compound our already sufficient problems. Application of reforms at such a difficult time in all branches may complicate the implementation of transport tasks, and this will be felt by all of society and the entire economy.

[Question] How are you preparing yourself for transports during winter?

[Answer] I have already mentioned our supply problems. We lack spare parts, various materials, for example, to de-ice the roadways, and also storage batteries and tires. These shortages may make our work this winter so difficult that we will not be able to accomplish all our tasks. So we have established priorities. Most important, as always, is the transport of passengers.

In second place we put the transport of goods which are of the highest importance to our economy: liquid and solid fuels, food articles, cargoes connected with agriculture and imported and export commodities. The remaining tasks will be performed in successive order. Our transport capacity during the winter will to a large degree depend on the help given us by the individual sectors of the economy and by the individual enterprises. We are concerned mainly with timely and complete deliveries of materials and parts. Should there be deep snow, we will require the assistance of work forces outside our Ministry to remove it.

[Question] Can you now tell us something about plans for the immediate future?

[Answer] One of the most important problems in all of transport is the poor condition of the rolling stock, due to delays in developing technical-repair facilities. I believe that despite the country's present economic difficulties these facilities should be expanded within the next 3 years and equipped to a degree that will ensure that the railroad and vehicle rolling stock is serviced properly. In order to relieve these facilities, the old, depreciated rolling stock, repairs on which are labor-intensive and require large amounts of spare parts, should be done away with. During periods of lower demand for transport, we should also limit the purchase of new means of freight transport.

[Question] What will be done about fuel?

[Answer] Everywhere on the railroad where it is possible, we will send our trains on routes that are electrified. That is why we must electrify the railroads more rapidly. The present length of PKP electrified lines (about 7,000 kilometers) is absolutely unsatisfactory to us.

[Question] Do you prefer electrification because you are a specialist in electric traction?

[Answer] No. Simply because electrification is very advantageous. An electric locomotive uses 10 times less contracted energy than a steam locomotive. One hundred kilometers of average loaded electrified line saves 100,000 tons of coal or 12,000 tons of diesel fuel in a year. In addition, an electric locomotive travels twice as far and hauls twice the load in a 24-hour period as a steam locomotive.

[Question] What are the plans concerning other fields of transport?

[Answer] Certainly we will give their development the same attention we give the railroads. But I do not want to go into detail now, since the direction of the activity of the individual transport enterprises (the same as PKP) will in large measure depend on the means we have available to us and on the work of the work forces under the new economic reform conditions.

[Question] Will it be easier for the passengers to travel?

[Answer] I have already said that passenger transport has priority. Improvement in this field will depend primarily on delivery of rolling stock. Unfortunately, we are receiving much too little of it. Nevertheless, we would like to assure the passengers that traveling conditions will improve, insofar as possible. But I cannot promise too much.

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RAILROAD INDUSTRY RESULTS FOR 1980, DRAFT PLAN FOR 1981-85

Railroad Industry Plan Completion for 1980

Warsaw TRAKCJA I WAGONY in Polish No 5-6, May-Jun 81 pp 129-132

[Article by Jerzy Przewlocki MS Eng, department chief in Locomotive Section of the Ministry of Communications: "Assigned Task Execution by Locomotive Service in 1980"]

[Text] During 1980, Polish State Railroads [PKP] transported 1,093.5 million passengers (98.5 percent of the plan) and 473.1 million tons of freight (95.4 percent of that planned) which, compared to 1979, constitutes an increase in passenger transport of 0.1 percent and of freight transport by 0.6 percent. In making these comparisons one has to bear in mind that during 1979, the deciding influence was exerted by the extraordinarily difficult weather conditions which prevailed during the first quarter of that year.

Utilization and Work of Locomotive Vehicles

In 1980 locomotives performed work amounting to 639.92 million vehicle/kilometers, i.e. greater by 2.3 percent than in 1979; 97.6 percent of plan were accomplished.

Table 1

1--Locomotive vehicles work in vehicle/kilometers
2--Type of locomotive vehicle
3--Plan fulfillment in 1979
4--Year 1980
5--Plan
6--Plan Fulfillment
7--Million vehicle/kilometers
8--Steam (engines)
9--Percentage share
10--Million vehicle/kilometers
11--Electric (engines)
12--Percentage share
13--Million vehicle/kilometers
14--Diesel (engines)
15--Percentage share
16--Million vehicle/kilometers
17--Total

Praca pojazdów trakcyjnych w pojazdokilometrach (1) Tablica 1

Rodzaj pojazdów trakcyjnych (2)		(3) 1979 r. wykonanie	(4) 1980 r. (5) plan	(6) wykonanie
(8) Parowe	(7) [illegible]	97.63	93.35	89.94
	(9) [illegible]	15.6	14,3	14,0
(11) Elektryczne	(10) [illegible] km	295,51	320,60	317,80
	(12) [illegible] udział	47.3	48,9	49.7
(14) Spalinowe	(13) [illegible] pojkm	232,25	241.34	[illegible]
	(15) [illegible] udział	37,1	36.8	[illegible]
(17) Razem	(16) [illegible] pojkm	625,39	[illegible]	[illegible]

The share of electric and diesel locomotives in vehicle/kilometers, in total haulage service was 86 percent and steam locomotives, 14 percent.

The work of locomotives expressed in gross-ton-kilometers [btkm], as compared to 1979, rose by 0.7 percent amounting to 334.1 billion btkm. The 1980 plan was 95.5 realized. The share of electric and diesel engines was 92.8 percent, and steam engines, 7.2 percent.

It is worthwhile to draw attention to a considerable growth of work of electric engines, both in vehicle/kilometers and btkm (respectively 7.5 and 5.2 percent) with a simultaneous reduction in work of diesel fueled locomotives compared to 1979. This was a direct result of activity aimed to limit the consumption of liquid fuels (which includes withdrawal into reserve of certain number of line diesels and elimination of diesel engines on electrified lines).

Specific data is presented in Tables 1 and 2 pertaining to work output of locomotives, in vehicle/kilometers and btkm, plus the percentage share of the particular types of engines in the work achieved in 1980, as compared with the plan and with 1979 results.

In the area of actual use of locomotives (Table 3) in 1980, compared to 1979, an improvement in daily utilization ratio was achieved in almost all modes, both in passenger and freight service (except for self-propelled electric trains and diesel engines in freight service).

Table 2

1--Locomotive vehicles work in gross-ton-kilometers
2--Type of locomotive vehicle
3--Plan fulfillment in 1979
4--1980
5--Plan
6--Plan fulfillment
7--Percentage share
8--Billions of gross ton-kilometers
9--Steam (engines)
10--Electric (engines)
11--Diesel (engines)
12--Total

Praca pojazdów trakcyjnych w brutto-tonokilometrach (1) Tabl

Rodzaj pojazdów trakcyjnych (2)		(3) 1979 r. wykonanie	(4) 1980 r. (5) plan	wy[illegible] (6)
(9) Parowe	% udział (7)	9.0	7,6	7.2
	mld btkm (8)	29.98	26,55	24.0[illegible]
(10) Elektryczne	mld btkm (8)	194.04	206,71	204.25
	% udział (7)	58,5	59.1	61.[illegible]
(11) Spalinowe	mld btkm (8)	107,81	116.56	106.[illegible]
	% udział (7)	32,5	33,3	31.7
Ogółem (12)	mld btkm (8)	331,83	349,82	334.40

Table 3

1--Daily travel of locomotive vehicles
2--Nomenclature
3--Daily travel of locomotives in kilometers
4--Plan fulfillment in 1979
5--1980
6--Plan
7--Plan fulfillment
8--In passenger service
9--Steam engines
10--Electric locomotives
11--Diesel locomotives
12--Self-propelled electric trains 3000 V
13--Self-propelled diesel cars

Przebieg dobowy pojazdów trakcyjnych (1) Tabl. 3

(2) Wyszczególnienie	(3) Przebieg dobowy pojazdu trakcyjnego w [km]		
	(4) 1979 r. wykonanie	(5) 1980 r. plan (6)	wykonanie (7)
W ruchu pasażerskim: (8)			
— parowozu (9)	277,9	270,0	283,8
— lokomotywy elektrycznej (10)	547,2	577,0	554,2
— lokomotywy spalinowej (11)	381,9	380,0	384,3
— elektrycznego zespołu trakcyjnego 3000 V (12)	419,4	435,0	414,7
— wagonu spalinowego (13)	355,9	355,0	360,4
W ruchu towarowym: (14)			
— parowozu (9)	160,9	160,0	167,9
— lokomotywy elektrycznej (10)	316,6	340,0	320,6
— lokomotywy spalinowej (11)	256,6	262,0	253,2

However, the daily utilization (except for steam locomotives in passenger service and self propelled diesel trains) was still below the stipulations of the 1980 plan.

The continuing, basic reasons for this state of affairs were: line closings, extended locomotive turnaround times, speed limits and the taking over of work on short hauls by electric and diesel locomotives.

The times during which locomotives, employed in freight service, were at the disposal of the transport branch exceeded the time allowed by the transportation plan and was essentially maintained at the 1979 levels (Table 4).

In connection with the recently noted distinct decrease in PKP transport effort, creating conditions favoring a more regular scheduling of freight trains and a better exploitation of the existing locomotive potential, the operational department should take appropriate steps in that direction.

Locomotive Modernization

In 1980, 307 new locomotives were brought into use including 146 electric, 186 diesels, and 75 self-propelled electric units. In the electric locomotive deliveries 43 percent comprised engines of ET41 and ET42 series which boast a 2x2,000 kW power rating.

Table 4

1--Time (in hours) during which locomotive vehicles were placed at the disposal of movements branch (freight service)
2--Type of locomotion
3--Plan fulfillment in 1979
4--1980
5--Time table
6--Plan fulfillment
7--Steam (engines)
8--Electric (engines)
9--Diesel (engines)

Czas pozostawania (w godzinach) pojazdów trakcyjnych w dyspozycji służb. ruchu (ruch towarowy) (1) Tablica 4

(2) Rodzaj trakcji	(3) 1979 r. wykonanie	(4) 1980 r. turnus (5)	(4) 1980 r. wykonanie (6)
Parowa (7)	16,2	14,9	16,3
Elektryczna (8)	19,3	15,9	19,0
Spalinowa (9)	19,4	16,3	19,3

Also, during the same period, the following were removed from the inventory: 53 steam locomotives, 24 electric and 8 diesel locomotives, 42 self-propelled electric and 3 self-propelled diesel units.

Status of the locomotive inventory at the end of 1980, as compared to the preceeding years is presented in Table 5.

In 1980, 181 km of the line was electrified and turned over for use including:

Goleniow	-- Swinoujscie	78 km
Dziewoklicz	-- Szczecin Port SPB	4 km
Kutno	-- Florek	6 km
Biala Poldlaska	-- Terespol	37 km
Lublin Tatary	-- Adampol	8 km

Connections in the Silesian region:

Biskupice	-- Bytom)	
Biskupice	-- Gliwice)	
Maciejow Pln. (North)	-- Makoszowy)	48 km
Tarnowskie Gory	-- Tworog Brynek)	
Brynek -- Borowiany	-- Krupski Mlyn)	

Total length of electrified railroad lines, as of 31 December 1980, was 6,868 km comprising 28.1 percent of total PKP net.

Table 5

1--Structure of locomotive inventory
2--Type of locomotive power
3--Percentage share in particular years (below)
4--Steam locomotion
5--Electric locomotion
6--Diesel locomotion

(1) Struktura parku pojazdów trakcyjnych Tablica 5

(2) Rodzaj trakcji		(3) Udział procentowy w latach			
		1970 r.	1975 r.	1979 r.	1980 r.
Parowa	(4)	61.9	41.5	26.2	25.0
Elektryczna	(5)	18.2	24.2	29.5	29.9
Spalinowa	(6)	19.[illegible]	34.3	44.3	45.1

Table 6

1--Percentage of "sick" locomotive vehicles
2--Type of locomotive vehicle
3--Fulfillment in 1979
4--1980
5--Plan
6--Plan fulfillment
7--Steam engines
8--Electric locomotives
9--Diesel locomotives
10--Self-propelled electric trains
11--Self-propelled diesel cars

(1) Procent „chorych" pojazdów trakcyjnych Tablica 6

(2) Rodzaj pojazdu	1979 r. (3) wykonanie	(4) 1980 r. plan (5)	wykonanie (6)
Parowozy (7)	16.2	16.5	17.7
Lokomotywy elektryczne (8)	13.5	11.5	10.9
Lokomotywy spalinowe (9)	13.9	16.5	17.4
Elektryczne zespoły trakcyjne (10)	15.8	10.5	9.4
Wagony spalinowe (11)	28.4	26.5	29.4

Technical Status of Locomotives

The percentage of out-of-service ("sick") locomotives, in relation to the total available numbers, (as compared to the 1979 plan execution and to the 1980 plan) is presented in Table 6.

The decidedly improved posture of this indicator, in comparison equally to the 1979 results and to the 1980 plan, occured in the electric locomotive field (electric engines and electric self-propelled units); on the other hand there was a marked worsening in the steam and diesel locomotive field.

The situation concerning passenger diesel locomotives series SU46 and SU45 continues to be particularly difficult. Considerable numbers of these vehicles remain out of service due to repair and materiel difficulties.

In 1980, as compared to 1979, the need for replacement of locomotives en route rose by 21.5 percent, from 455 to 553. This deterioration occurred in all types of locomotives, the largest proportion in deisel locomotion--by 44.9 percent, in steam locomotion, by 6.3 percent, and in electric locomotion, by 5.5 percent. Reduction of replacements occurred in the Silesian Railroad Directorate Region [DOKP] (by 9.8 percent), Lower Silesian DOKP (7.4 percent) and Central DOKP (6.7 percent). Largest increases were in Western DOKP (135.3 percent) and the Southern and Pomeranian DOKP's (at 100 percent each).

Fuel and Energy Consumption of Locomotives

The planned consumption of electrical energy, solid and liquid fuels was exceeded in 1980.

Coal consumption in steam locomotion for passenger service reached 85.26 kg per 1,000 btkm (the planned amount was 84.66 kg), in freight service--46.62 kg per 1,000 btkm (plan 46.1 kg) and in non-train use--20.01 kg (plan 19.84 kg). On the entire PKP net an extra 24,354 tons of coal (actual weight) were used over the quota.

The main reason for this state of affairs was irregular deliveries of railroad grade coals, which coupled with minimal reserves (and sometimes without any reserves) made it impossible to prepare properly constituted mixtures of coal.

In diesel powered passenger service, consumption of fuel oil amounted to 9.89 kg per 1,000 btkm (the plan 9.66), in freight service--4.67 kg (plan 4.63) and in non-train use--2.37 kg (plan 2.36). This resulted in an over-quota use of 6,154 tons of liquid fuel. The principal reasons were: a 2.52 percent reduction of hauled weight in passenger service and 2.79 percent in freight service, also an increase in the percentage ratio of runs without trains to the total runs in freight traffic--by 5.59 percent.

Electric energy in electric locomotion of consumption was exceeded by using 20.06 kilowatthours [kWh] per 1,000 btkm instead of the planned 20.00 kWh/1,000 btkm.

Safety in Train Traffic

In 1980, as compared to 1979, the total number of accidents caused by railroad service personnel was reduced by 5.6 percent. Improvement was achieved in the accident category caused by running through a "stop" signal--by 11.5 percent, also in accident category attributed to defective technical status of locomotives--by 23.1 percent; however, a deterioration was noted in the category of exceeding the permissible speed limit--by 100 percent, and in accident category of failure to observe proper precautions on lines equipped with self-actuating barriers--16.7 percent.

The amount of track damage, as calculated per 100 track/kilometers of the line, was reduced from 9.19 in 1979, to 8.92 in 1980, i.e. by 3 percent (Table 7). An improvement was achieved in the damage category related to the Rail Network (by 11.8 percent) and in the group independent of electrical traction (by 12.7 percent); however, a deterioration was noted in the category of accidents pertaining to electric locomotives (by 35.7 percent). The deterioration was observed in the Silesian, Northern and Southern DOKP's, improvement in the remaining DOKP's.

Employment in the Group of Locomotive Crews

In 1980 employment of locomotive crews increased by 0.2 percent. Growth of employment in this category occurred in three KOKP's: Eastern (4.5 percent), Silesian (2.3 percent) and Pomeranian (0.5 percent). Reductions were noted in: Lower Silesian (2.4 percent), Western (1.2 percent), Central (0.9 percent) and Northern (0.5 percent). Employment of crews in Southern DOKP did not register any change.

Table 7

1--Percentage indicator of electric net damage
2--Indicator of damages
3--1979
4--1980
5--Based on the electric net
6--Based on electric locomotives
7--Independent of electrical traction
8--Total

Wskaźnik procentowy uszkodzeń sieci trakcyjnej (1) Tablica 7

(2) Wskaźnik uszkodzeń	(3) 1979 r.	(4) 1980 r.
Zależnych od sieci trakcyjnej (5)	2,72	2.40
Zależnych od elektrycznych pojazdów trakcyjnych (6)	1,79	2.43
Niezależnych od trakcji elektrycznej (7)	4.68	4.09
Ogółem (8)	9,19	3.92

On the entire PKP net the shortages of locomotive crews, as compared to the needs, amounted to about 9 percent, according to the status on 31 December 1980. Largest shortage occurred in Lower Silesian, Western and Central directorates, i.e. in those directorates where a reduction in employment of locomotive crews was noted and this is very disturbing.

Despite a certain improvement, as compared to 1979, in the locomotive crews category, there was an excessive number of overtime hours. Monthly average of overtime hours, per one employee, during the 11 months of 1980 observed, amounted to 39.6 hours, during a corresponding period of 1979--41.6 hours.

Deliberations of Parliament Commission

Warsaw TRAKCJA I WAGONY in Polish No 5-6, May-Jun 81 pp 172-175

[Text] One of the conditions for restoration of economic balance in our country is to insure smooth efficiency of our entire transportation system. The basic element of transportation's technical base--which decides on the level of transportation capability and the efficiency of national transportation system--is the size and the technical status of the available transportation means.

The status and the perspectives of assuring transport equipment for the transportation industry were a subject for the deliberations by the (Sejm) deputies during a joint session of the Commission for Heavy Industry, Machinery and Steel Manufacturing and the Commission on Transportation and Communications, which took place on 26 February of this year.

Also taking part in the deliberations were representatives of the interested ministries, i.e. Ministry of Heavy and Agricultural Industry with minister Stanislaw Wylupek, Ministry of Machine Industry with minister Henryk Gawronski and the Ministry of Communications with viceminister Janusz Kaminski.

It appears, from the information presented to the deputies by the Communications ministry, that during the coming years the actual problem will be the need to replace, more rapidly, a large number of railroad cars due to their considerable worn condition and low technical condition.

Also, the requirements connected with the need to form a rolling stock reserve are mounting, and this ties in with a deterioration of the external working conditions resulting from an increased number of leisure days and the resulting irregularity in service.

As a result of changes in economic directions the requirements for the rolling stock needed in investment service (open gondolas) will be lessened while the need for the remaining types of rolling stock (boxcars and specialized cars) will increase.

Besides a necessity to improve the wear and tear resistance and the breakdown frequency of rolling stock, a need to increase the cargo carrying capacity, and a better adaptability of freight cars to automated loading services, and an increase in locomotive power and an imporvement in the parameters of their utilization; the foremost need becomes a reduction in energy intensiveness of the inventory and an increase in the level of safety automation, while in passenger service--an increase in the level of passenger travel comfort.

Railroad Transportation in 1981-1985

The draft of the national socio-economic plan for 1981 provides for transportation of 450 million tons of freight over standard gage track.

Also forecast is the emergence of the national economy from the current recession, this should, towards the end of the 5-year plan, bring an increase in material goods production in no lesser degree than in the previous years. This in turn should find expression in an increased demand for rail transport, which according to initial estimates should amount to 500 million tons of freight in 1985.

Current tendencies permit stipulation that passenger transportation will remain basically at an unchanged level and will amount to 1,100,000,000 passengers. Maintenance of this level of passenger participation will depend, in a great measure, on the travel conditions which the railroads will be capable of insuring for these passengers.

In narrow gage transportation it is anticipated that freight transport will be at a level of 9.6 million tons during the current year, approximately 9 million tons in 1985, and the passenger transportation will be respectively 8-7 and 6 million passengers.

Actual Rolling Stock Status

The structure of the freight car inventory, based on status as of the end of 1979, was as follows:

boxcars	-- 13.3 percent
coal cars	-- 57.7 percent
flatcars	-- 11.0 percent
other cars	-- 15.0 percent

The low proportion of boxcars is the result of a decrease in deliveries from 3,000 in 1971 to about 1,000 in 1977, to their abandonment in 1978 and their deletions from the inventory--this proportion is steadily shrinking both in car numbers and their loading capability.

The orientation of national economy towards market production and the resulting necessary changes in organization of transport services, i.e. taking over by the railroads of some transportation tasks formerly performed by trucking results in a considerably greater demand for boxcar transportation services.

The situation in freight car administration is made even more difficult by a great number of defective cars whose numbers in 1980, grew to a level of 36,500 cars.

A particularly serious problem, which has not been solved for a number of years, is an inadequate reserve of freight cars. The work of railroad transport is characterized by variations in intensity, not only on a yearly basis, or even quarterly and even on a daily basis. In order to compensate for the irregularity of cargo loads which may occur on a particular day of the week it becomes necessary to have a provisional reserve, which should amount to about 3.5 percent of the working freight car pool. This is caused by a necessity to maintain a fully rhythmic flow of loading operations in Silesia and in other regions of mass loading and also to insure the continuity of loading operations in case of transportation difficulties.

Independently of the above railroad reserve there should also be a standing reserve in order to cover additional transportation requirements resulting from seasonal escalation of transports of agricultural products, domestic heating coal, temporary increases in foreign goods shipments, increases in goods transshipments from seaports and possible increase in the number of PKP cars departing abroad. Size of a standing reserve is estimated at 10,000 freight cars to include some 6,000 coal car and 2,500 boxcars.

Positive changes in the structure of the passenger car pool which, although slowly, occurred during the recent years were accompanied by a gradual improvement of the basic technical characteristics of this pool. About 98 percent are equipped with roller bearings, about 85 percent have electric heating, some 98.7 percent of the 4-axle cars have modern construction and equipment. The oldest cars with wooden body construction, which in 1970 constituted about 30 percent of the entire passenger car inventory, were withdrawn from service in 1976. Due to new car deliveries and removal of old cars the average age of passenger cars went down by a half in the recent years and is now at a level of 15 years old. Number of cars over 30 years old makes up less than 10 percent of the inventory.

At the same time--the step with electrification and conversion to diesel power which are currently in progress on the PKP net--the number of cars in electric self-propelled units is increasing. Until 1975 there also was an increase in the number of cars in diesel self-propelled units (since 1976 the deliveries of diesel self-propelled units have been halted and as from the end of 1976, the number of these cars--as a result of deletion from inventory of cars no longer in use--was further reduced by 15 percent).

One of the indicators which are characteristic of travel conditions is the number of (potential) passengers per one seat in the inventory. From 1975 statistics it appears that per one seat in railroad inventory, in passenger service, there were 1,439 persons in Poland, by 1980 there were 1,320. Although this indicates a small shift towards improvement it is still far from accepting travel conditions as being satisfactory.

The size of the PKP rolling stock inventory is still insufficient and causes serious situations, in particular during peak passenger travel demand periods. These difficulties will grow during 1981, principally because of introduction of a greater number of free Saturdays and limitations on bus travel, particularly on long distance lines. As a result the demand for rail passenger service will be increased.

Locomotive Vehicles

A characteristic mark of the change in locomotive inventory during the fifties was a gradual elimination of steam power in favor of electric and diesel powered engines. The pace and direction of these changes resulted from the electrification of the PKP net and the rate of deliveries, from domestic and foreign sources, of modern traction vehicles.

Growth of electric locomotives was particularly rapid during 1960-1970. During that period it was linked with the rate of electrification and the undertaking, by domestic industry, to produce serially electric locomotives of EU07 series and electric self-propelled type EN57 cars.

A reduction in the work rate resulting from electrification--in particular during the later half of the seventies--resulted from the reduction of speed of PKP net electrification, relative to intensification of investment and contract work in construction of the steel mill-sulphur lines.

Basic development of diesel locomotion in PKP dates back to the first half of the sixties and is connected with initiation of domestic serial production of switching engines series SM42 and import deliveries of a considerable number of diesel engines type ST43 and ST44. From that time on the progressive development of diesel locomotion maintained a regular pace.

After 1970, the deliveries of new rolling stock and the elimination of worn out inventory (mainly steam engines) were responsible for a further improvement of the locomotive inventory, which in 1979 looked as follows: steam engines--26.2 percent, electric engines, 29.5 percent, and diesel engines--44.3 percent.

During the past 5 years (1976-1980) the needs of the passenger service found full response in the means of transportation. However, in freight service--because of a lack of reserves--there were several difficult and tense moments both in full and part time freight service. In order to smooth out these difficulties the ministry of communications undertook organizational type measures. For example, a system was developed for many lines whereby electric or diesel locomotives were so assigned as to serve a train with the same locomotive for the entire length of a given trip. Additionally, locomotive crew hiring was given preference and changes were introduced in the field of the extent of train locomotion service sectors, etc.

New Rolling Stock Delivery Needs for 1981-1985

The necessity to increase the independence of transportation and an increase in the demand for transportation dictate that the deliveries of new and fully serviceable inventory be insured.

Freight Cars

Freight cars deliveries during 1981-1985 should make it possible to exchange worn out cars, qualified for a deletion from the inventory, achieve growth of transport capability proportional to growth of transport demand and a formation of a utility reserve.

Transportation by rail, during the coming years, of freight in the quantities stated and predicted at the beginning of this report, will require an increase of the freight car inventory by some 26,000 freight cars. To make up for losses resulting from wearing out and inventory deletions, which according to initial estimates (mostly of old types with low capacity) will amount to about 50,000 freight cars during that period, it will be necessary to receive deliveries of over 28,000 new freight cars. Formation of a necessary reserve needed to maintain an uninterrupted flow of work will require a delivery of 11,000 more freight cars.

Total freight car deliveries during 1981-1985 should amount to some 65,000 freight cars including 8,500 boxcars, 30,000 coal cars, 12,000 flatcars and 7,500 of dump cars.

Taking into account that in 1981, deliveries of freight cars will total 6,400 cars including: 3,500 coal cars and 300 dump cars, the average yearly (future) deliveries of these cars should be markedly increased in the coming years.

In case of a failure to accomplish the necessary freight car deliveries the transport work of the railroads will be plagued by the lack of sufficient reserves. This can have a very negative influence on the transportation task and in an extreme case may limit our country's development. The acceleration of boxcar deliveries is absolutely indispensable, even at this time.

The Ministry of Communications is making efforts to speed up freight car deliveries for grain transport, of 4-axled, wide boxcars as well as the 2-axle types and of 6-axled flatcars. Of particular significance is the matter of a rapid initiation of boxcar production as their shortage is now being felt with an ever increasing degree of acuteness.

Passenger Cars

Fulfillment of the requirement to improve travel conditions requires the realization, during 1981-1985, of passenger car deliveries earmarked not only for an inventory exchange (it is estimated that inventory deletions will include, in this period, about 1,700 cars including 1,500 passenger transit cars), but also for formation of the necessary reserve pool to smooth out the difficulties occuring during the peak passenger demand periods.

According to an actual forecast the new passenger car deliveries will total about 1,800 cars, from domestic and foreign sources, which will be slightly more than the losses, it should have a contributory effect on the improvement of the total travel conditions.

It is also being planned to increase the number of passenger cars in the electric trains and self-propelled units. Deletions from inventory, during 1981-1985, are estimated at 12 electric self-powered units, i.e. 36 passenger cars and 20 motorized car units. During the same period the deliveries are expected to supply 350 electric self-porpelled units, i.e. about 1,050 passenger cars, which should provide an increase of about 1,000 passenger car units and will positively influence an improvement in suburban and urban transportation. Talks are also being conducted relative to deliveries of rail buses and rail trailer car units from Czechoslovakia, destined for service in low passenger density sections and where other forms of rail service are not economical.

Locomotive Vehicles

Continuation of the electrification program for railroads and the expected increase in transportation requirements will necessitate an increase in the electric locomotive inventory up to 950 electric engines by 1985.

Taking into account that the currently forecast deliveries will total 140 units this year, the deliveries in the coming years will have to be correspondingly increased.

The current energy-fuel situation in the country makes it necessary to limit the development program for diesel engines on PKP net, this will be reflected in the number of diesel engine deliveries.

As it appears, from the opinions expressed by the deputies--members of the Heavy and Agricultural Machinery Commission--based on personal visits of the deputies teams to railroad rolling stock plants, the assurance of deliveries of rolling stock as to satisfy the needs of PKP will be an extremely difficult task and will require special care and organizational activities. This is so because the material supply situation of materials needed to fabricate rolling stock is extremely difficult, there are defective cooperative communications and many other obstructions whose removal is not always in the hands of crews or even the associations themselves.

The plan proposed by TASKO [ZPTK--Association of Railroad Rolling Stock Industry] for railroad rolling stock production for 1981-1985, diverges, as ascertained by the deputies, quite widely from the timeliness, type designations and quantities of the requirements of the Communications ministry. Causing a particular worry is the divergence between the requirements published by the Ministry of Communications and the actual production capabilities of the rolling stock manufacturing industry for PKP of line and switching engines and freight cars. The industry, as confirmed by the deputies, is not capable of providing the national economy the needed quantities of means required for the needs of transportation because of the status of its industrial support base. [R.G.]

9511
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CROATIAN AID TO UNDERDEVELOPED REPUBLICS, KOSOVO

Zagreb VJESNIK in Serbo-Croatian 4 Nov 81 DELEGATSKI VJESNIK Supplement pp 7-8

[Text] What interest have OUR's [organization of associated labor] in SR [Socialist Republic] Croatia shown in solving problems of the supply of energy and raw materials and in building manufacturing plants on the basis of equal division of labor and the same kind of income-sharing position for all phases in the cycles of reproduction on the principles of the verified commitments to development made by associated labor in the three economically underdeveloped republics and the Province of Kosovo? The activity to date of the Economic Chamber of Croatia and its Social Council for Coordination of Activity in Pooling Labor and Capital has resulted in the registration at the outset of this year of some 80 initiatives for self-management linkage among economic entities in those federal units. It is the assessment that more than half (some 50) of the investment proposals are realistically acceptable as a joint development effort with the underdeveloped and that associated labor in SR Croatia is prepared to finalize them in the very near future in the form of investment programs and to begin carrying them out.

These are projects which would unfailingly fill gaps in the production commitment and round out units and relationships in reproduction and which, further, would transfer to the underdeveloped regions certain production operations (because of the lack of manpower and other conditions), would result in adoption of new products attractive to the domestic, and especially the foreign market, would open up manufacturing plants at sources of certain raw minerals, and so on.

In direct contacts with OUR's in SR Croatia, through entities responsible for conducting the policy of a comprehensive organized effort in each underdeveloped region, but also in collaboration with general associations and regional economic chambers, work has been done in the competent standing committee of the PKH [Economic Chamber of Croatia] to define the proposals which have been accepted in conformity with the broader Yugoslav conception of socioeconomic development and the policy of stabilization, and "platforms" have been prepared for talks with delegations from the chambers of the various republics and the Province of Kosovo. At the same time in the competent republic administrative agencies, the executive council of the assembly and the PKH the criteria and forms of use have been adopted concerning the portion of the funds of the compulsory loan which OUR's can pool with organizations from the underdeveloped

regions to invest in joint development programs on the basis of shared income and common interests (the republic law). What yet remains is to definitively arrive at a specific agreement which will set forth the conditions and schedule for pooling the portion of the resources of the Federal Fund for Credit Financing the Faster Development of the Underdeveloped Republics and SAP [Socialist Autonomous Province] Kosovo and to adopt an agreement on special measures to implement the policy of the fastest development of SAP Kosovo in the current medium-term planning period.

On that basis and with the help of the model outline of the self-management accord on the pooling of labor and capital by OUR's on the basis of shared income and common interest, which has been jointly prepared by the economic chambers in the country and the fund already mentioned, the necessary conditions will be created for conclusion of specific accords among OUR's in advance of carrying out each investment program which has been verified in the competent bodies of the three republics and SAP Kosovo.

Kosovo: Half of the Compulsory Loan Has Been Committed

Some 10 projects from the platform have been finalized with the delegation of the Economic Chamber of Kosovo and have been incorporated into the sociopolitical commitments contained in the medium-term plans of SR Croatia and that province (in Kosovo this document is in the phase of "additional work"). Since this is a matter of pooling labor and capital on the basis of shared income and since it involves 50 percent of the money obligations to the Federal Fund, we can justifiably expect that fuller prospects will be opened up for closer linkage of OUR's of the two economies within the interdependent flows of social reproduction in Yugoslavia as a whole. Certainly this is the way to repair the consequences of the past exclusiveness and disproportionate structure of the Kosovo economy (the transition is now being made in that province from heavy industry and energy to construction of manufacturing plants in which the cost per job is not to be greater than between 1.5 and 2 million dinars. Thus, in addition to income, creation of new jobs is also becoming an important investment criterion).

Of the 20 or so projects offered and agreed on with partners in Kosovo in recent months, full consent has been granted so far to about 10. That constitutes commitment of half of the 8.2 billion dinars of initial funds which OUR's in SR Croatia may directly commit over the entire 5-year planning period as part of the mandatory aid in the form of credit to the development of Kosovo. To be sure, it still remains to furnish the commercial and bank credits, including the available resources which the organizations themselves--the investors, are to furnish for reproduction, as well as to conclude the specific SAS's [self-management accords]. Only then will these very attractive development programs begin to be carried out.

Here we are referring first of all to a factory for refrigeration systems and equipment for which Djuro Djakovic prepared a preliminary project study covering an investment of 450 million dinars. Its partner is the Welded Pipe Factory in Urosevac, which is also where this joint project would be located. Construction would commence in April 1982 if all the financing for this investment project is provided for in the meantime.

The programs of the Zagreb TPK [Steam Boiler Factory] and Jugoturbina of Karlovac, on the one hand, with Metal of Prizren on the other, have been accepted by both sides, and now quite serious work needs to begin to build the plant for repairing equipment in thermal electric power plants and for manufacturing boiler components (a figure has not been put on the project). Plants for manufacturing single-stage turbines, compressors and reducers will be built in Pristina, Kosovska Mitrovica or Obilic (the investments are estimated at 410 million) in conjunction with Elektrokosovo or some other partner. Realization of the first project is possible even before the end of the year, and commencement of work on a second during 1982.

The Zagreb organizations TOP [expansion unknown], Munja, Chromos and Gorica, along with the metallurgical combine known as the Sisak Steel Mill and Dalmastroj of Split, are interested in developing mines and promoting the processing of lead and zinc, since this would provide materials to meet their own production needs. The two chambers are currently arranging further discussions with the Trepca RMHK [Mining, Metallurgical and Chemical Combine] of Kosovska Mitrovica. The project would be carried out in three phases: geological explorations, production of litharge and production of lead stabilizers. The total value of the investment would be about 1.2 billion dinars, and the construction date is 1986. Chromos' OOUR [Basic Organization of Associated Labor] "Paints and Varnishes" and Karbon of Zagreb are prepared to help Extra of Vucitrn in carrying out an investment program for paints and varnishes. The suggestion has been made to the investor that it choose possible partners, that is, that is furnish the 150 million in funds which are lacking on a tripartite basis.

The program for production of cell-type batteries which the work organization PTT [Postal, Telegraph and Telephone] Services in Kosovo would carry out in cooperation with Nikola Tesla of Zagreb (the value of the investment project is about 1 billion dinars, and construction is possible even next year) also has received interchamber support. The same is true for the project to set up a stone quarrying and dressing operation which would be jointly built by Feronikl of Pristina and Viadukt of Zagreb (about 200 million dinars are still needed to put the quarry in operation). The two delegations also concluded that there is a need to speed up and enliven the investment project for the plant to make semifinished products from gas concrete which Porobeton of Pula and the Croatian Machinebuilding Industry are offering to the Sar Cement Plant in Djeneral Jankovic, involving joint investments of 650 million (and creating all of about 600 jobs). This would serve as a demonstration project for the export of such plants to the developing countries, and it is urged that the work begin even before the year's end.

We should also mention construction of a plant to product glass tiles for mosaics, which has been offered by Boris Kidric of Pula and accepted by the Mosaic Tile Factory in Kosovska Mitrovica (an investment of 400 million), and then the container and sheet plant of INA Oki [Organic Chemical Industry, a subsidiary of INA, which is the Zagreb Petroleum Industry] using expanded polystyrene at Kosovoplast (Dj. Jankovic), Kras' offer to build a cookie bakery at Zitopromet (Pristina), Poljoopskrba's milk processing plant at Erenik (Djakovica), a plant for recycling secondary raw materials which would be built by 3 Maj of Rijeka in

Kosovska Mitrovica, and Ghetaldus' readiness for division of labor with the eyeglass factory being built in Pristina.

The two delegations also exchanged opinions concerning 57 investment programs in various branches of the economy which SAP Kosovo is offering to all the republics and SAP Vojvodina to be carried out on the principles of the verified interests in development of associated labor, with the support of federal planning agencies.

Bosnia-Hercegovina: The First SAS Has Been Concluded

OUR's in SR Croatia, metal manufacturing firms in particular, also have "ties" to sources of raw materials and intermediate products in SR Bosnia-Hercegovina. That accounts for their interest in committing the portion of the funds of the compulsory loan which organizations may invest in joint programs to develop heavy industrial facilities on behalf of long-term supply of materials for their production, coal in particular. This does not mean, however, that they have not also given consideration to programs for development of plants in the manufacturing industry, especially in the case of a new production operation of common interest to the economies of the two republics. Croatia has taken the decided position that there must be no restriction or narrow limits placed on assignment of the portion of the funds of the compulsory loan which may be pooled. Especially since the set of programs offered to the Bosnia-Hercegovina delegation afford opportunities for quite extensive integrational undertakings and then for continuation of that process until cycles of reproduction are rounded out on the scale of Yugoslavia as a whole.

So far an agreement has been reached on an investment program whereby the Sisak Steel Mill Metallurgical Combine, together with certain other consumers, would pool 962.5 million dinars of funds of the compulsory loan to maintain the present level of production and augment exploitation of iron ore in Ljubija, so that the needs in SR Croatia would be met as well. The investment schedule would extend into 1983. Jugoturbina on the other hand has a complete investment program for a plant that would produce multistage pumps and pump components in Drvar, involving a total investment of 254.3 million dinars (147.6 million of which would come from pooling). Djuro Djakovic has made a preproject study for a factory to make farm machine attachments (corn picker) in Bosanski Brod (project cost 634.3 million, 444 million of which would be pooled). Realization of these programs could begin.

Elka has acted on its intention to furnish aluminum wire to consumers in SR Croatia in the form of a specific SAS, the first of this kind. It is a question of 280 million dinars of pooled funds which would be invested to expand the capacity of EAL [expansion unknown] in Mostar. Even before the year is out Borovo may undertake construction of a shoe upper plant on a site in Odjak, if 92 million dinars are furnished from the resources of the Federal Fund (the total investment is 230 million), and a tire vulcanizing plant is being set up in Prijedor at a cost of 285.3 million dinars (the share of the pooled funds is 142.6 million). Several other agreements have been finalized. They include the second phase in reconstruction of Sportnautika in Gradacac (70 million dinars of

pooled capital from RIS [Rubber Products Industry] of Zagreb), and then construction of a plant for production of fatty acids at Hemija in Modrica to meet the needs of Saponija (60 million). Then comes augmentation of the capacity for production of alpha and beta gypsum at a site in Donji Vakuf, in which the investor is Jugokeramika (160 million), Kras' elimination of bottlenecks in the production of cookies at Mira Cikota in Prijedor (100 million) and Agrokomerc's (Velika Kladusa) program for production and processing of turkey meat and finished food products based on that meat, in which the Karlovac Agricultural and Food Processing Combine will invest 135 million dinars.

A total of 2.6 billion dinars of the resources of the compulsory loan would be committed to these 11 projects, which is nearly half of the sum which OUR's in SR Croatia may pool with organizations of SR Bosnia-Hercegovina in joint programs during this 5-year period. Joint investments have not been defined for another 10 programs or so which Croatia has offered. OUR's in SR Croatia have shown interest in 6 of the total of 18 projects which were at the same time offered by the Economic Chamber of Bosnia-Hercegovina, and talks have already begun on possibilities of joint investments to carry them out as soon as possible

Montenegro: Continuous Discussion Toward Agreement Is Needed

In this initial year of the actions to pool a portion of the resources of the mandatory loan in joint programs with OUR's in SR Montenegro, it is obvious that the available 404 million dinars will not all be used. That is why in contacts between delegations of the economic chambers of Croatia and of that republic support has been given to the idea of SR Macedonia that an exception be made in 1981 so that the funds under programs covered by interrepublic agreement by the end of this year and for which SAS's are concluded on the pooling of capital be regarded as funds which have been committed even though actual realization of such programs begins in 1982. In this case the funds built up for pooling this year would be credited to the bank of the trading partner in the underdeveloped federal community for pooling in the next year instead of being credited to the Federal Fund.

In the exchange of opinions on each project proposed by OUR's from SR Croatia it has been evident that Croatia is most interested in development of the production of quality steels at the Niksic Steel Mill and in the production of Titograd aluminum. This is the initial interest which the Croatian economy has shown in the Montenegrin economy, but it would be augmented by a number of other additional programs involving the finishing of these materials for production. Thus both sides accepted the pooling of resources of Jugoturbina with the Boris Kidric Steel Mill (total investment 150 million up to 1985) and with the Aluminum Combine (200 million). Jugoturbina has also been accepted as the entity responsible for the program of the bimetallic strip factory in Danilovgrad, for which it is preparing to invest 400 million dinars of its own during this 5-year period.

Joint interest in the program proposed by Djuro Djakovic has been confirmed. This has to do with a plant for production of equipment and machinery used in timbering and forest management, which could be built even in 1982 at Bijelo Polje in collaboration with Radoje Dakic, which is located there (no figure has

been put on the investment). A favorable assessment has also been given to the interest expressed jointly by Djuro Djakovic and Janko Gredelj in building or organizing a plant in Bijelo Polje or even Titograd for overhauling and repairing railroad cars used on the lines of the Titograd Railroad Transportation Organization. The desire of Josip Kras to establish lasting business collaboration with the 13 July Agricultural Combine of Titograd in large-scale raising of hazelnut trees and with Crnagorakoop of Danilovgrad for joint construction of a plant for confectionery products (the pooled funds would amount to 100 million dinars) was also well received.

Podravka is preparing a number of programs which will be ready for realization in 1982, which it would carry out jointly with the Sulfate Pulp and Paper Mill in Ivangrad, the Titograd Aluminum Combine, the 13 July Agricultural Combine, etc. The purpose is to obtain materials and ready-made containers for Podravka's products, but also products which it will market (total investments about 500 million). The Kutjevo Agroindustrial Combine has also shown an interest in developing grapegrowing in order to produce grape soda in Montenegro, and then interest of the Belje Agroindustrial Combine to become involved in building mini projects for fattening young beef cattle for which it would furnish the breeding stock, Cibona's desire to participate in planting tangerine orchards and olive groves in the area around Ulcinj, and so on.

All these projects need to be examined more fully, the right partners determined, the value of the investment defined and firm financial packages put together, the site chosen, the date fixed for commencement of construction, and so on. Which means that the talks already begun need to be continued at a fast pace and conducted continuously in the future. Especially since the opportunity exists for cooperation in still fuller utilization of secondary raw materials (paper) in paper production (Belisce with an investment of 320 million), and then in tourism, shipbuilding, maritime fishing, and oil and gas exploration in the Adriatic Sea bed. To this we should add that Adriagradnja of Rijeka and the OOUR "Housing Unit Factory" in Spuz, a subsidiary of the Titograd Construction Work Organization, recently concluded an SAS on joint investments in additional production lines for components used in industrial fabrication of housing and industrial structures and structures belonging to the social standard of living, except that at present the share of the Croatian partner is short 32.4 million dinars which would have to be furnished from the portion of the resources of the mandatory loan which would be put up by organizations interested in this relationship. The amounts of investments already indicated would "take up" 1.75 billion dinars of the 1.92 billion total envisaged for OUR's from SR Croatia to set aside in this 5-year period for pooling with organizations in SR Montenegro.

Fifty Percent of the Funds for Pooling at the Republic Level, in millions of dinars

Republics and Provinces	1981	1982	1983	1984	1985	Total 1981-1985
SR Croatia	4,085.0	3,531.7	3,736.5	3,928.6	4,159.1	19,440.9
Breakdown:						
For SR Bosnia-Hercegovina	1,139.7	985.3	1,042.5	1,096.1	1,160.4	5,424.0

Table (continued)

Republics and Provinces	1981	1982	1983	1984	1985	Total 1981-1985
For SR Montenegro	404.4	349.6	369.9	388.9	411.7	1,924.5
For SR Macedonia	800.7	692.2	732.4	770.0	815.2	3,810.5
For SAP Kosovo	1,740.2	1,504.6	1,591.7	1,673.6	1,771.8	8,281.9

[Note] The level of SR Croatia's annual advance to the Federal Fund for 1981 on the basis of the compulsory loan and the pooling of labor and capital was established by applying the rate of 1.83 percent to the planned social product of the socialized sector of the economy in current prices, following the principle of pure activities. This amounts to a total of 8.17 billion (half of which is 4.85 billion). The level of SR Croatia's annual advance to the Federal Fund for 1982, 1983, 1984 and 1985 on the basis of the compulsory loan and the pooling of labor and capital was established by applying the rate of 1.83 percent to the planned social product of the socialized sector of the economy in permanent prices. By years this is as follows:

1982	7,063.4 million dinars
1983	7,473.0 million dinars
1984	7,857.2 million dinars
1985	8,318.2 million dinars

Added to the amount for 1981, this gives a total of 38,881.8 million dinars, and the 50 percent for pooling would amount to 19,440.9 million. SAP Kosovo is entitled to the largest part of the resources of the fund because of the total 1.83 percent of the country's planned social product, 0.33 percent has been set aside for this province in advance as special funds. Of the remaining 1.50 percent SR Bosnia-Hercegovina is entitled to 34 percent, SR Montenegro 12 percent, SR Macedonia 24 percent and SAP Kosovo 30 percent.

Macedonia: Investments Including Those To Develop Raw Material Resources

Again in the case of SR Macedonia OUR's from SR Croatia have from the very outset taken care to find broader programs attractive from the standpoint of income, especially those which would develop manufacturing capacities and which would organize new production operations, including those suitable for export. A readiness has also been expressed in investments to develop raw material resources, which is an overall interest of the Croatian economy. Thus the list of programs offered encompasses fields from ferrous and nonferrous metallurgy and metal manufacturing, including the chemical industry, to agriculture, the food manufacturing industry and tourism.

The two delegations have already reached agreement in principle on some 10 programs (amounting to 3 billion of investments up to 1985). The most interesting to the two republics are the programs of Rade Koncar. Of the seven of them

which have been offered one after the other, five have already been accepted. They include an investment in two OOUR's of Koncar's Appliance Equipment Work Organization in Skopje: in the production of switches and relays and in the production of special devices, automatic devices and welding equipment. An investment would be made in the OOUR "Refrigerators" at Bitola to increase the production of refrigerators and freezers, and then in the OOUR "Commercial Refrigeration Equipment" and the OOUR "Industrial Refrigeration Equipment"--once again to expand capacity. In addition, a OOUR "Components for Household Appliances" would be organized; nearly 1.4 billion dinars from the portion of the resources of the compulsory loan would have to be set aside for all these investment projects.

With respect to investment in the Skopje Steel Mill and delivery of an appropriate assortment of products, it has been agreed that the delivery would be 500,000 tons during this 5-year period, and the steel mill's capabilities of meeting possibly larger needs of consumers in Croatia would be reassessed in the context of total Yugoslav demands for those products.

Jugoturbina's interest in investing funds in the 18 November MEGO [(?) construction organization specializing in electrical installation and engineering] in Gostivar to build a plant for making steel strip, what are called X beams for roof fabrications, has been judged to be low with respect to the financial participation (40 million). Acceptance has for now been given to an undefined joint investment by TOP, Munja and Chromos to expand the mining and smelting capacities of the Skopje Mining, Metallurgical and Manufacturing Combine in order to obtain certain amounts of lead and lead oxide, but the amount that would be pooled from the portion of the resources of the compulsory loan have yet to be defined. The program of Chromos' OOUR "Kutrilin-Dispersion" for reconstruction and enlargement of capacity for production of vinyl acetate monomer from calcium carbide at OHIS [Skopje Organic Chemical Industry] in Skopje has also been given interchamber support, though possibilities are being investigated for increasing the consumption of electric power (Chromos would invest 40 million).

The programs offered in the fields of agriculture and the food manufacturing industry, in whose realization Podravka, Kras, Badel and corresponding partners in SR Macedonia are interested, are to be given specific form in the upcoming direct meeting between business executives, but Badel's initiative to build a wine cellar, including grape processing, at the Radovisko Pole ZIK [Agroindustrial Combine] in Radovis won immediate support (Badel would invest about 110 million). The same is true of construction of a hotel in Skopje (and a subsequent addition to the Metropol Hotel in Ohrid) in which Generalturist would have a share of 166.2 million dinars in an investment project of Interimpeks-Makedonijaturist of Skopje.

Along with these initiatives, which are contained in the platform of SR Croatia, the Macedonian side has proposed the pooling of labor and capital in 13 programs. Of some of them, for example, FENI of Kavadarci (ferronickel and low-alloy steel using nickel), the Boris Kidric Porcelain and Ceramics Factory in Titov Veles (household porcelain) and OHIS (acrylonitrile monomer and fibers from that raw material), that they are undoubtedly acceptable, but that the interest of direct consumers in SR Croatia in their realization would be studied before continuation of the talks.

7045
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STABILIZATION COMMISSION FACING UP TO BUDGET PROBLEMS

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1608, 25 Oct 81 pp 8-9

[Article by Velizar Zecevic: "The Magic Box of Expenditure"]

[Text] Last Thursday and Friday some 30 members of the Commission for Stabilization Problems gathered around a round table in the conference room on the second floor of the Federal Office Building in Belgrade. The seats off to one side provided for newsmen were all taken: no one wanted to miss an occasion to hear and record what would be said and concluded concerning the two "problems of stabilization" singled out for this occasion--the deficit in the balance of payments and the federal budget.

The newsmen's curiosity about the topics which were discussed was understandable. The country's payments deficit, which in everyday business and human communication is manifested as a shortage of foreign exchange, has long been a dilemma and trouble close to practically every Yugoslav--when foreign exchange is lacking, it is a simple fact that many other things are also lacking. Yet neither is the federal budget any unreal and distant depository of "government money," whose collection and expenditure cannot be greatly influenced. The budget is a cash drawer into which nearly 1 dinar out of 10 of the national income flows and from which it ordinarily flows out in several principal directions (the armed forces, veterans' benefits, the underdeveloped regions, the federal administration ...) in the form of a deficit, and more than that.

Without Intermediaries

On this occasion the usual curiosity about the budget and the payments deficit was augmented by the question which had been put back in early October when it was announced that two federal social councils were establishing the Commission for Stabilization Problems--how would it operate?

It was clear at once that this would not be one of the many commissions, one of the many places in which distances are measured off and views brought closer together concerning those economic topics through which the political economy of stabilization is expressed. The prestige of the political positions held by all the members of the commission was appropriate to the importance of the questions scheduled for its discussion, it was stated at the first meeting.

Several members of the State Presidency of Yugoslavia, several chairmen of republic central committees or other officials of the highest republic political bodies, the president of the Yugoslav Assembly, the chairman of the Federal Executive Council--this is undoubtedly a representative body which can take up the outstanding issues in all their complexity. Exactly as they are.

The unpretentious title of the Commission for Problems of Economic Stabilization of course implied that differences on the issues which will be the topic of conversation and debate will be taken up without being tied too closely to narrow interests and conceptions and from viewpoints which point and lead in the direction of unity and common interest. "Our task is to try to agree on something which within the context of differing interests contains that one common interest. It is important that we be unanimous in this. The rest will be achieved thanks to public scrutiny of our proceedings and our accountability to everyone," one of the members of the commission said in its second session.

In the first session of the commission it was also announced that there would be no intermediaries between it and the public. It was stated that it would not issue those special communiques which are published after closed sessions. The doors are open to the newsmen who come to the sessions, they can hear everything, attend all the proceedings, but they have a duty to devote their accounts primarily to the topics being debated, to the problems which are on the agenda, and less to the persons who are the participants in the discussion. This is a practice which has been in effect for a long time now in reporting on the proceedings of federal social councils.

The Budget on Trial

The figures mentioned or used in these sessions need not always be acceptable for publication unless they have been fully verified--this explanation which the newsmen reporting on sessions of federal social councils have long ago accepted and put into effect should also apply in reporting on sessions of the commission. In the second session it was indeed put into effect, but difficulties and disagreements were not lacking: certain figures truly were not for the public, at least not for that part of the public which is inclined to put any imprecision to bad use; there were also times when things were said which could not withstand public verification. How is one to separate one from the other?

The commission's mode of operation, the openness of the sessions to newsmen and the special form of communication with the broad public were still not sufficient to fully explain the commission's place in the structure of self-management and social decisionmaking. Questions on this point were raised not only in the first session, when the commission was introduced, but also in the debates last Thursday and Friday, when in the course of a 20-hour debate procedures were sought for penetrating those areas of agreement and accord on stabilization policy which have up to now been impenetrable and unsusceptible to its basic reasons and needs.

The debate of the budget, which will in the usual way be initiated next month, will show how important what the commission discussed has been and how great a

contribution it will make and how great an impact it will have toward the seeking of new solutions with more boldness and openness.

Actually, the commission did not concern itself with the budget for 1982, with the usual revenue and expenditure items. The magic box of budgetary expenditure was opened from the other side by the question--How to set up an expenditure equation so as on the one hand to satisfy the demands not to infringe upon acquired spending rights and so that on the other budgetary expenditures, as an integral part of distribution of the social product, are reduced?

Today the federal budget, now that certain expenditures have been transferred to the republics, embraces between 7 and 8 percent of the social product, and a designated purpose is assigned in advance to every dinar which goes into it: 60.3 percent to finance the Yugoslav People's Army, 18.9 percent for benefits of disabled veterans and 9.8 percent for special contributions to the underdeveloped regions. The extent of the rights to expenditure, at least as far as these three basic items of budgetary expenditure are concerned, as we know, is established by law, and any reduction in them must be brought about by the same legislative means. Is it possible to speak of stabilization, of reducing the budget's share in the social product, if all these rights are to remain untouched? The winds of inflation are in all of this devaluing the budget just like everything else.

There Are No Vested Rights

"We have to accept and carry out, however painful it might be, a revision of all rights which involve expenditure. There can be no exception, there are no sacred rights. They must all be made subordinate to the vital and fateful goal of economic stabilization."

This was stated and reiterated in the 2-day meeting of the Commission for Problems of Economic Stabilization, which met for the second time in a span of 7 days. This can also stand as a summary of the debate of the federal budget as stated by Sergej Krajger, the commission's chairman. It was at the same time its most important conclusion.

Not a single vested right, not even those established and meted out by law, can be a "sacred" right, not a single one can be used and recognized in all its previous forms and magnitudes, as though nothing had been happening in society and the economy in recent years. This should apply even to the Yugoslav People's Army, to benefits of disabled veterans and to supplemental resources for the underdeveloped republics and Kosovo, that is, even to those "rights" to expenditure which under protection of the law have been treated as a kind of subscription to a certain portion of the national income. Elimination of the "untouchability" of these rights, of their inaccessibility to the reasons and needs of economic stabilization, has also eliminated the remaining elements of indefiniteness and ambiguity in past demands for all expenditure, without any exception, to be brought within the limits of real capabilities, that is, within the available income.

The commission's conclusion was copied down as from dictation, so to speak literally, from life itself, from where the inequities in expenditure are taken as an unjust distribution of the burden of stabilization. Though this was not directly related to the topic which was under discussion, the commission was unable to detour around the fact that in the policy of economic stabilization, which as yet has not been sufficiently studied and has not been given a precise form (does it exist at all?) the moves made so far were mainly those which were compelled and have resulted in a reduction of real personal incomes. The explanation that the reduction of earnings occurred following the euphoric explosion of personal consumption in the seventies, can be an acceptable explanation only if it is accompanied by a proportional reduction of other forms of expenditure as well.

"If budgetary consumption is not optimally reduced to the level afforded by the social product, even a real reduction of real personal incomes will not amount to the necessary contribution to stabilization, but will be its unnecessary victim," it was said in the debate.

Verification of the Conclusions

The conclusions concerning the budget, as well as those concerning the payments deficit, now that they have been adopted in the commission, become an integral part of the atmosphere and of motivation and effectiveness in the conclusion of agreements and accords. The prestige of the political offices held by the members of the commission will certainly have a bearing on the impact and role of its conclusions. Had this not been counted on, there probably would have been no commission.

The conclusions the commission has reached so far on the first two topics which have been on the agenda will in the full sense of the word become a valuable contribution to stabilization only if the political prestige of the commission is perfectly aligned with the internal logic of its conclusions. In other words, if the first assessments of the commission are also accompanied by the first estimates of the value and importance of its work today and its future work, both one and the other will be verified in the life-and-death struggle to get onto the road of stabilization as soon as possible.

7045
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DELEGATE QUESTIONS CONTRADICTORY VIEWS ON FOREIGN DEBT

Belgrade BORBA in Serbo-Croatian 6 Nov 81 p 4

[Article by D Kesic and E Vecovska]

[Text] Several days ago, a delegate's question and its long-awaited answer provoked a debate at a session of the Council of Republics and Provinces of the Yugoslav Assembly, and brought up several sharp issues.

In expressing his dissatisfaction both with the contert of the response he had received from the Federal Executive Council and because of the manner in which that answer to his query had been prepared, Zoran Zagar, a delegate from Slovenia, attempted to demonstrate that the institution of delegate's queries in the Yugoslav Assembly had reached a serious crisis.

None of those present at the session of the Council of Republics and Provinces rose to dispute him.

A long Wait

What was Zoran Zagar's question, and what was so caustic in those few sentences? "Has the Federal Executive Council considered the situation that has emerged because of the divergent positions of responsible federation officials? What has it undertaken in that direction to avoid unnecessary consequences that might have their reflections abroad because of those positions?"

Zoran Zagar presented this query on 6 August 1981, pursuant to what were to him the "divergent declarations" of Petar Kostic and Ksenta Bogoeva.

At that time, Zagar said, "For some time now, representatives of the Federal Executive Council have been making public statements about the same matters, but with varying, and at times opposite, content. When these relate to crucial economic trends, this sort of behavior is extremely sensitive. On 15 July this year the federal secretary for finances spoke, and the press, television and other media reported, about the collapse of the Yugoslav balance of payments system, and about repercussions that threatened our liquidity in foreign accounts, as well as the poor evaluation given by the International Monetary Fund mission, so that their credit of 2.1 billion dinars was threatened.....

"On 31 July, however, the governor of the Yugoslav National Bank gave contradictory information on the same topic at a press conference. He said that everything is in the best possible order in credit and monetary policy, even though the initial issue of money had been surpassed by 62 percent. Liquidity in foreign payments is in order, and the Monetary Fund regards our efforts at stabilization positively.

"In conversation with reporters at a press conference on 24 June 1981, the federal secretary for finances commented on Yugoslav indebtedness, saying that the level of indebtedness did not exceed 20 percent, and that the International Monetary Fund considers a country to be overly in debt if this level exceeds the critical point of 25 percent. We have, however, adopted the policy that every year the level of indebtedness is to be reduced by 1 percent. In comparing these public statements on the same topic, relating to national indebtedness and foreign liquidity, it can be determined that they were synchronized and that they evaluate the current situation in this area in the same way.

"At a session of the Legislative and Legal Commission of the Council of Republics and Provinces of the Yugoslav Assembly on 15 July 1981, during consideration of the draft law for a special federal tax for the operations of customs agencies, in his oral presentation the federal secretary for finances spoke about trends that could threaten the country's balance of payments situation, which had a planned deficit of 1,800 million dollars. Failure to realize the planned foreign exchange income was leading to numerous disturbances in the process of capital reproduction and was arousing questions of confidence in world economic and financial circles, and according to data of the Federal Statistical Office, from 1 60 16 July 1981 the trade deficit with convertible currency areas amounted to about 3,859 million dollars. At that time the foreign exchange reserves were below the level established by the Yugoslav Assembly, so that we were not in a position to meet our obligations on time for credits from the International Reconstruction and Development Bank, and other difficulties also began to crop up regarding the payment of foreign obligations. The latter was well-known in some foreign financial circles..."

The Federal Executive Council's answer stressed that the "statements of the federal secretary for finances and the governor of the Yugoslav National Bank were in agreement, and that they were correct for the situation at the time they were made, and not for the trend that was following its course." It stressed that in the statements the "emphasis at the session of the Legislative and Legal Commission of the Council of Republics and Provinces was on a process that needed to be halted in order to avoid the indicated negative consequences..."

A Logical Initiative

In expressing his dissatisfaction with this response, delegate Zoran Zagar said that this behavior serves to prove even further that the institution of delegate's query had reached a crisis, first because an answer comes as a rule only after great delay, without convincing reasons for the slowness, and second, the party to whom the question is addressed directs the bulk of its efforts to prove that the query was unnecessary, not to clarify the situation.

In his subsequent response, Petar Kostic, federal secretary for finances, attempted to show that the response of the Federal Executive Council was absolutely correct, or that the Federal Executive Council's interpretation was correct in saying that

the federal secretary for finances and the governor of the Yugoslav National Bank had given identical statements about the same set of problems. In other words, these statements did not create an awkward and uncertain climate among the people, or damage Yugoslavia's reputation abroad.

It is difficult to say whether the Federal Executive Council's response to Zoran Zagar's query satisfied the delegates of the Council of Republics and Provinces of the Yugoslav Assembly. The always adept Marko Vulc, a delegate from Slovenia, found the right answer: "Since there have been very frequent comments in the public media on the responsibility or lack of it for the numerous declarations by delegates and officials, I suggest that we begin debate at the next session with that issue."

It should not be expected that the assembly debate, which has already been scheduled, will determine precisely whose words in this confrontation are covered, or whether the Federal Executive Council's explanation approached the truth with its conciliatory interpretation that the words of the federal secretary for finances and the governor of the Yugoslav National Bank were not general assessments, but rather a report on the situation of a particular moment.

Nevertheless, certain facts remain that cannot be avoided. Adverse evaluations, even of momentary situations in our payment capabilities and foreign debt status, have created an uncertainty and fear among the people, and this fact was not forgotten by either the delegates or the Federal Executive Council representatives attending the indicated session of the Yugoslav Assembly.

It was also unavoidable that the initiative begun by Marko Vulc should be taken.

For if the lack of responsibility for both statements and behavior has become the manner of operating, and if no one is immune from that irresponsibility, then it would be logical at the same time for the elimination of responsibility to become the manner.

12131
CSO: 2800/81

EARLY START-UP OF POWER PLANT AVERTS CRISIS IN MACEDONIA

Skopje NOVA MAKEDONIJA in Macedonian 26 Nov 81 p 1

[Article by E.R.]

[Text] The serious electric power situation in the Republic of Macedonia, which has been going on for too long, has required the start-up of the Negotino TEC [thermal-electric power plant]. The third stage of limitation of consumption has not been able to achieve the expected results. On the contrary, the situation continues to get worse since the daily needs for electric power are increasing and they cannot be met even by maximum use of all the production capacity.

On the other hand, the reservoirs in the republic are approaching the dangerous minimum and the supply of electric power from the other republics and provinces has been reduced. This was the reason that Elektrostopanstvo of Macedonia sought to have the commission impose drastic reductions in consumption of power by introducing the fifth stage of limitation. Having in mind the serious consequences of the introduction of such drastic limitations on consumption of electric power, where direct consumers would be supplied with 30 to 40 percent less power than the planned needs and general consumption would have to be reduced by 25 percent, which means that each household would be without power for 12 hours every other day, the Executive Committee of the Assembly of Macedonia in a joint session with the large consumers decided to start up the Negotino TEC, which is the first time this has been done with only a single boiler. For the implementation of this decision the consumers will provide $8 million for the purchase of 40,000 tons of mazut.

Putting the Negotino TEC into operation alleviates the current situation. This does not mean, however, that all the problems are solved. The electric power situation in the republic is still unfavorable, which means all consumers will be hurt. Thus the third stage of limitation of consumption of electric power will still remain in force, meaning the direct consumers will continue to be supplied with 15 to 20 percent less than the planned needs. General consumption will from now on be able to be limited by 10 percent, which means in practical terms that households and other consumers will be cut off from electric power for specific periods as it has been up to now.

CSO: 2800/115

BRIEFS

TRANSFORMERS FOR SYRIA--Ohrid, 15 Oct--The first shipment of transformers for Syria was sent today from the Elektromontaza firm in Ohrid. By the end of June 1982, 900 transformers valued at some 6 million West German marks, will be shipped to this Near East country. In fact, this is 50 percent of the total production of this Ohrid factory which will sell 70 percent of its total transformer production to hard currency markets in 1982. For the next 3 months several of the Elektromontaza factories will concentrate on work for export. Insulators and jumping cams will be delivered to the Federal Republic of Germany and a significant quantity, worth about $7,500, will also be shipped to Albania. [Text] [Skopje NOVA MAKEDONIJA in Macedonian 16 Oct 81 p 1]

CSO: 2800/115

END

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22 December 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2212

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2212

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DEVELOPMENTS IN CEMA CHEMICAL INDUSTRY HIGHLIGHTED

East Berlin AW DDR-AUSSENWIRTSCHAFT in German Vol 9 No 44, 28 Oct 81 p 14

['AW Market Information' report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "From the Chemical Industry of Socialist Countries"]

[Text] People's Republic of Bulgaria: Close Cooperation With Other CEMA Countries.

Bulgaria's first chemical combine, the plant for production of nitrogen fertilizers in Dimitrovgrad, began production in 1950. Shortly after, in Devnya, the combine for production of soda and soda products, was created in a joint undertaking with Czechoslovakia, the GDR, Poland, the USSR and Hungary. If the chemical industry now ranks among the leading branches of industry in Bulgaria, accounting for some 20 percent of the national income produced by Bolgarian industry, this is substantially the result of socialist economic integration. The production units constructed with the aid of the USSR alone--in Burgas, Pleven, Stara Zagora, Svistov and Vidin--have attained a level of 55 percent of the total output of the Bulgarian chemical industry; in the petrochemical industry as high as 80 percent, and in the production of cellulose and paper more than 65 percent.

Bulgaria's chemical industry, within the terms of CEMA resolutions at bi- and multilateral levels, participates in the development of more than 100 concentration areas. Some 50 agreements link Bulgaria with other CEMA partners. Within the framework of its cooperation in the international economic organization "Interchim", to which Bulgaria has belonged since its founding in 1969, it is now able to meet the needs of other CEMA members for a number of plant protective chemicals. Bulgarian experts have been working on more than 20 "Interchim" projects aimed, among other things, at the development of pesticides, dyes, dyestuffs, bleaches and household chemical products.

Czechoslovak Socialist Republic: Steady Growth

The share of the chemical industry in the total industrial production of Czechoslovakia increased in 1980 as against 1975 by 14.6 percent. Production in those areas basic to technical progress showed a particularly marked advance, the petrochemical industry having increased production by a factor of 2.3 the plastics industry output having more than doubled and the production of organic dyestuffs having increased by more than 50 percent.

During the past five-year planning period, production in the Czechoslovak chemical industry increased by 29.9 percent. In the course of this advance, the quantity of refined petroleum grew by 19.2 percent compared to 1975, to 19 million tons. The importation of natural gas from the USSR increased in the same period by a factor of 2.1.

Within the framework of cooperation with CEMA countries, relationships with the USSR showed a particularly strong advance. At the end of the five-year planning period just concluded, 57 coordination centers for scientific and technical research were operating in the CEMA. Czechoslovakia's participation was lacking in only three of these. In 1980 the production of chemical products showed an advance of 2.7 percent; in the petrochemical industry a growth of 2.2 percent was recorded and in the rubber and plastics processing industry an advance of 5.4 percent. Apart from the high growth rate of chemical fiber production of 8.9 percent, high growth rates were also recorded for the production of plastics (4.8 percent), viscose fibers (4.8 percent), unbleached sulfate pulp (6.3 percent) and artificial fertilizers (4.6 percent).

Foreign trade in chemical products with CEMA member countries advanced by 8.2 percent compared to 1979; that with the USSR by 11.9 percent. Similar trade with non-socialist countries advanced by 17.9 percent.

In the current five-year planning period (1981 to 1985), the planned production development is aimed at creating the conditions for an intensified application of domestic chemical products to cover the needs of various branches of the economy. The production of ND-polyethylene is to increase by 15.4 percent, PVC and its copolymers by 4.5 percent, chemical fibers by 3.1 percent, tires for cars and trucks by 2.9 as well as rubber conveyor belts by 6.3 percent.

In the development of Czechoslovakian foreign trade relationships, the intensification and expansion of economic relationships with the USSR and other CEMA countries, with whom Czechoslovakia has signed agreements for coordination of economic planning from 1981 to 1985, will play a decisive role. The goals set within the framework of the CEMA for multilateral integration measures are a component of the national plan. Agreements for a total of 18 projects have already been drwwn up.

USSR: Systematic Expansion

In the five-year planning period 1981-85 the USSR proposes to increase production in the chemical and petrochemical industries by 30 to 35 percent. The production of artificial fertilizer is to be increased from an annual 150 to 155 million tons (100 percent effective ingredients). Production of synthetic resins and plastics will rise from an annual 6 million tons to 6.25 million and that of chemical fibers to 1.6 million tons. A production increase is also planned for S-rubber, polymers, fine chemicals such as adjuvants for the textile industry as well as catalysts; synthetic dyestuffs, dyes, paints and cleansing agents. The production of household chemicals is to be substantially increased, the range of products expanded and their quality enhanced. Production of synthetic washing agents is to be increased by 1985 to 1.5 million tons.

An expansion of ND-polythylene production from 100,000 to 150,000 tons annually is planned for 1985; HD-polyethylene production is to be increased by 80 to 100,000 tons.

Producers of paints and lacquers plan an expansion of production capacity to an annual 150,000 tons (currently 30,000 oo 40,000 tons); of alkyd and polyester paints 150,000 (present 35,000) tons annually. Production of plant protective chemicals is also to be expanded.

Linked to the favorable supplies of fuel and energy in the eastern regions of the USSR, large scale enterprises for the production of polystyrol, PVC, chlorine and caustic soda are planned, including a chemical plant in Tomsk, plastics facilities in Mangyschlak and Omsk; chemical fiber plants in Kustenei and Barnaul as well as a phosphorus factory in Kazakhstan.

Soviet production of fine chemicals has had until now a varied development. While the production of certain items during the past five-year planning period showed a rapid advance--production of amateur color film increased nine-fold and was sufficient to cover domestic demand--the demand for other products cannot yet be fully satisfied. Altogether the production of fine chemicals 1976/80 rose approximately 39 percent (planned 26.5 percent). The production of synthetic washing materials increased by some 40 percent (production 1980: ca. 1 million tons).

USSR foreign trade in chemical products increased substantially in recent years. In 1980 it imported 1.8 billion rubles (1979: 880,000 rubles) worth of chemical products from abroad and exported a total value of 726 million (1979: 577 million) rubles in value.

Most Important Non-Socialist Trading Partners For Chemical Products

	Exports		Imports	
	1979	1980	1979	1980
	(in mill. rugles)			
FRG	107	104	176	242
Japan	11	13	89	141
UK	-	-	-	87
France	-	-	-	63

From Japan primarily plastics and material for the production of plastics were imported (value 72 mill. rubles). The USSR exported to Japan mainly salts of organic and inorganic acids, products of the coke and petroleum industries, semi-finished products for ani-line porduction, chromium oxide and phosphorus.

Hungary: Above-Average Increases Planned

Hungary proposes to increase its chemical production beyond past averages in the 80's also. Selective support of individual production branches is planned.

In the past 20 years Hungary's chemical industry has advanced to second place in its total industrial picture. In the 1960's growth in the chemical industry was twice that of industry as a whole. At present the chemical industry accounts for 17 percent of all industrial production (1936 [sic]: 5 percent). The only branch with a larger share is machinery production.

The goal-oriented development of the Hungarian chemical industry began in the first half of the 1960's with the expansion of fertilizer production. Since that time production in this area has increased 20-fold, with particular emphasis on nitrogen production. Hungary is now able to meet all domestic requirements for nitrogen fertilizers. With phosphorus fertilizers, approximately 50 percent of domestic needs can be satisfied; phosphate fertilizers are not produced.

In 1957 an olefin plant using benzine as a base went into operation with an annual production of 250,000 tons of ethylene. After the expansion of plastic raw material production there followed a buildup of chemical fiber production capacity. At the moment Hungary produces some 340,000 tons of macromolecular raw materials annually. The greater share of this production falls to PVC, HD-polyethylene and polypropylene.

Hungary's plastics processing industry in particular has seen a sharp rise in the past 5 years. In the course of the five-year planning period 1976/80 more than 50 percent of present production capacities were installed. Production is primarily for domestic consumption, with only limited exports.

The picture is different with chemical fibers, in which area Hungary has specialized in PAN-fibers, of which an annual total of some 11,000 tons is exported. Another area of concentration in Hungary's petrochemical industry is the production of aromatic hydrocarbons. Production here now exceeds 250,000 tons. Plant protective agents, production of which has also increased sharply, now is sufficient to cover some 55 percent of Hungary's domestic needs.

Hungary's pharmaceutical industry, in terms of total world trade, now ranks at sixth or seventh place among exporters. Only Switzerland exports more pharmaceuticals per capita to the USSR than does Hungary. Some 100,000 registered medications are produced. Rubber production in Hungary in recent years has concentrated on technical rubber production, especially deep drilling hoses and belts, truck and tractor tires, as well as camping articles. The production of paints and lacquers is less well developed. Domestic production consists primarily of synthetic resin-based lacquers and enamels.

Production of Selected Chemical Products

	1975	1980
	(in 1000 tons)	
Fertilizers (effective ingredients only)	740	1045
Sulfuric Acid	630	590
Plastics (incl.)	124	328
PVC-powder	40	173
Polyethylene	36	53
Sodium Hydroxide	91	193
Chemical Fibers (incl.)	20	29
Synthetic fibers	11	20
Plant Protective Agents (effective ingredients only)	16	28
Automotive Tires (1000)		
Trucks and busses	591	802
Passenger vehicles	118	24

Points of concentration in the current five-year planning period are two development programs, one for the petrochemical industry, the other for pharmaceuticals, plant protective agents and intermediate products. For the petrochemical industry there will be built or expanded a polypropylene plant (capacity: 40,000 tons/ann.) and a catalytic cracking plant, designed for expansion of the country's olefin basis. Also expanded will be the processing of plastics, particularly containers, foams, pipes, construction materials and packaging materials.

On the basis of the second program, the production of pharmaceuticals will rise some 50 percent by 1985 and that of plant protective agents by 100 percent; intermediate products by approximately 200 percent. The latter is intended to meet the domestic needs of plant protective agent capacities, particularly through the development and/or expansion of production of phosgene-base products, amines and isocyanates. Fertilizer production will remain at about its present rate until 1985. Smaller increases are scheduled only for superphosphates, carbamide and calcium ammonium sulfate. In the rubber industry during the first half of the 1980's, the production of steel belted tires for trucks and busses as well as deep drilling hoses will be further expanded.

Lower than average growth rates are scheduled for the production of paints and lacquers as well as household chemicals and cosmetics. Production of these products is aimed primarily at meeting the needs of domestic markets.

9878
CSO: 2300/65

CENTRAL COOPERATIVE UNION CONGRESS STRESSES CONSUMER GOODS PRODUCTION

Sofia RABOTNICHESKO DELO in Bulgarian 13 Nov 81 pp 1, 2

[Article by Stoyanka Radeva and Georgi Apostolov: "Tireless Champions of People's Welfare--Ninth Congress of Central Cooperative Union Begins Proceedings Yesterday in Sofia"]

[Test] The Central Cooperative Union

--comprises 500 organizational and production units, 428 consumer cooperatives, 28 okrug cooperative unions with 2,187,000 members;

--runs 19,125 stores, 10,365 public dining establishments and stands, 114 hotels, 25 motels, 34 camping sites, 800 rayon department stores, 120 amusement parks for young people;

--serves 55 percent of the country's population, 5000 villages and 157 cities;

--has 61 industrial enterprises and about 5000 smaller workshops;

--provides 94 percent of the country's nonalcoholic beverages and mineral water, 60 percent of the confectionery production, 52 percent of the bakery production and 32 percent of the snack production.

During the Seventh Five-Year Plan the TsKS [Central Cooperative Union]

--overfulfilled its net production plan by 7 percent, its plan for the social productivity of labor by 4.5 percent;

--its above-plan profit amounted to 68 million leva;

--fixed assets worth 337 million leva were put into operation.

What is targeted by 1958?

--volume of total industrial output to grow by 64 percent over 1980;

--total amount of commodities by value to exceed 1.6 billion leva;

--over 100 small and medium-sized enterprises to be established;

--production of snacks and bakery products to grow by 21.6 percent over 1980, that of confectionery by 27.6 percent.

Yesterday the Georgi Kirkov Hall in the capital was the gathering place of the delegates of the two-million-strong army of Bulgarian cooperators who had come to their Ninth Congress in order to evaluate their contribution to the country's development during the Seventh Five-Year Plan and to discuss the specific problems that must be solved if the TsKS is to occupy the place assigned it by the Twelfth Party Congress.

Greeted very cordially and with cries in glorification of the leader-party, Comrades Grisha Filipov, Peko Takov, Deputy Chairmen of the Council of Ministers Kiril Zarev and Stanish Bonev, secretaries of the PP [Permanent Presidium] of the BNZS [Bulgarian National Agrarian Union], ministers, deputy chairmen of the National Assembly, and leaders of sociopolitical and mass organizations took their places in the presidium of the congress.

Present at the congress were delegations and representatives of cooperative organizations and movements from 23 countries in Europe, Asia, Africa and America.

Standing for a minute of silence, those present honored the memory of the outstanding cooperative figures, in our country and abroad, who had died between the two congresses.

The congress then entered upon its business proceedings, accepting with complete unanimity the agenda and the elected managing and working bodies.

Comrade Grisha Filipov read greetings on behalf of the BCP Central Committee and of Secretary-General of the Party Central Committee and Chairman of the State Council, Todor Zhivkov.

"The Bulgarian Communist Party," he emphasized, "has always placed tremendous importance on our cooperative movement. For 90 years now it has bestowed unceasing care on its strengthening and development in all aspects.

"The Central Committee of the Bulgarian Communist Party prizes your contribution to the fulfillment of the party program for building mature socialism, for fulfilling the December program for further elevation of the working people's living standard, for providing the population with more goods and services, for developing the system of self-sufficiency of the settlement systems in basic foodstuffs, for implementing the party's foreign economic policy.

"The important advances, especially since the Eighth Congress of the Central Cooperative Union, are significant. What has also contributed is the upswing that has taken place in fulfillment of the decision of the Political Bureau of the Party Central Committee, dated June 1979, 'Regarding the More Effective Development of the Activity of the Central Cooperative Union.'

"In a word," said Comrade Grisha Filipov, "our cooperative movement is successfully fulfilling its mission of building a mature socialist society in our country. And therefore permit me, on behalf of the Party Central Committee, to express gratitude and appreciation to the two-million-strong cooperative contingent for its persistent work and creative labor during the years between your Eighth and Ninth Congresses.

"The main and most characteristic thing about your present congress is that it is being held immediately after the historic Twelfth Party Congress, after the Ruse conference of May 1980 and after Comrade Zhivkov's noteworthy speech to the National Conference of the country's party, state, economic and social activists, held on 24 October 1981.

"These party forums and Comrade Todor Zhivkov's instructions make new demands on, and set important tasks for the entire party and for the entire people, including the Central Cooperative Union. The Party Central Committee believes that during the crucial years of the building of socialism in the Bulgarian People's Republic our cooperatives will play an important role in implementing the Bulgarian Communist Party's economic and social policy.

"As is known, the Twelfth Party Congress confirmed the chief socioeconomic task of the Eighth Five-Year Plan. This envisages the steady and unswerving implementation of a policy of more comprehensive satisfaction of the working people's material, spiritual and social needs. In practice, this means that concern for the people is becoming the immediate task in the work and decisions of all sectors and activities in the country. This is now the basic criterion for evaluating the activity of all bodies, organizations, cadres and labor collectives and within the Central Cooperative Union.

"On this basis, the Twelfth Party Congress confirmed it as the Central Cooperative Union's key task 'to launch, in future, activity for fuller utilization of the country's material and social resources for better satisfaction of the people's needs.'

"In this area you have no small experience and success. But now the agenda sets a new, larger-scale and greater task--that of providing more comprehensively for the new, higher and multifaceted needs of the socialist worker who is building developed socialism in the Bulgarian People's Republic," the speaker emphasized.

"Practical experience, the socialist worker's today and tomorrow, make it imperatively necessary that every settlement system organize its everyday life in such a way that the working people's constantly growing material, socialist and spiritual needs are more and more fully and more and more comprehensively satisfied. The consumer cooperative can contribute much to the implementation of this: it is in every village and in every district of the city; it is closest to the working man's needs. On behalf of the comprehensive satisfaction of this working man's needs the following must be done: produce more and higher-quality goods and, in particular, those which are in short supply at the present stage; perform cheap and more diverse services such as the people need; and take decisive measures for fuller utilization of the potentialities of the individual plot and the labor of pensioners and artisans for the production of retail food and nonfood commodities.

"In future, the Central Cooperative Union must not count solely on centralized marketable goods, but must, through its economic organizations, produce high-quality goods by its own resources. The share which its own production represents of the goods with which trading takes place must become larger and larger. Therefore, on the basis of integration with light industry, the food industry and local industry, the production activity of the cooperative system must be developed to the maximum, and ways and means constantly sought for increasing marketable goods. At the same time, it is a question of producing not just any commodities, but those which are in short supply in the market, are in demand by the population, and are of good quality.

"A great potential reserve, of which the Central Cooperative Union must make much more use in order to increase marketable goods, is the building of small capacities at an up-to-date technical level for the processing of vegetable and animal products, the production of consumer goods, and the performance of services. They must mushroom in our system wherever there are suitable local raw materials and unutilized labor resources."

He pointed out that "At this stage it is necessary, on the one hand, to bring about broad cooperation and integration of the Central Cooperative Union with the National Agroindustrial Union and agroindustrial complexes and other organizations for the joint production of food products, to set up joint forms of livestock raising and develop wide integration ties with economically weaker agroindustrial complexes, giving them active assistance for the effective development of individual activities.

"On the other hand, cooperative organizations must bestow maximum care on the development of personal plots. The Central Cooperative Union must, with still greater scope, launch a wide-scale explanatory, organizational and economic effort in order to discover and utilize to the utmost all the reserves of the personal plot for increasing the production of agricultural output. The chief concern of the cooperative organizations is to provide the personal plot-holder with agricultural implements, tillage equipment, seeds, fodder--in general, everything necessary for highly efficient, up-to-date production.

"Cooperative trade and public dining in city and village systems must be developed on a still wider scale. Special attention must be given to the study of consumer demand, to improvement in organizing the movement of goods, to the introduction of direct connections between cooperative trade and production, to the employment of up-to-date forms and improvement in the standards of service. Still more active work must be done to develop public dining through fuller use of the material and technical resources that have been created and the resources of the auxiliary plots. The policy of expanding and decisively improving the condition of the cooperative markets and trade in goods on commission must be continued.

"As you yourselves understand, comrades, the Party Central Committee regards the consumer cooperative as that cell in the national economic organism which more and more will become an important supply, trade and service center of the population and an important factor in the implementation of the main socioeconomic task approved by the Twelfth Party Congress.

"What is needed in order for you to perform this task successfully is a radical turn in the activity of your union from top to bottom and from bottom to top, towards an intensive development of all your activity.

"The true key to this approach is further improvement of the socialist organization of labor. The cooperative organizations must employ comprehensively modern forms which will enable them most fully to use the three elements of production and trade --the tools of labor, the subjects of labor, and live labor.

"Special attention and concern are needed for the introduction and strengthening of the brigade organization of labor in the cooperative system as the basic factor in the elevation of the efficiency of production and trade.

"At the same time, progressive experience must be converted into mass practice in the cooperative organizations; socialist discipline (planning, financial, technological and labor) must be strengthened in these organizations. Scientific-research, planning and development activity must be decisively improved so that the achievements of technical progress are promptly and widely adopted. We must do everything necessary so that your activity may develop as up-to-date activity, on the basis of new technologies, on the basis of high efficiency, and contribute to a significant rise in the social productivity of labor.

"The decisions of the Twelfth Party Congress require consistent application of the new economic approach and its mechanism.

"The splendid and long-established traditions of our cooperative movement (every cooperative to be self-supporting and to operate exclusively on democratic principles) must be the highest principle in your future activity," Comrade Grisha Filipov pointed out.

"As a socioeconomic organization, the Central Cooperative Union must develop its activity entirely on an economic basis. It must function as a genuine economic association of cooperatives. Within the framework of the state plan and state normatives, it must go out into the domestic and international market and launch inside the country competition with other trading, purchasing and production organizations in order more fully and effectively to satisfy the people's needs.

"The Central Cooperative Union is called upon in future to develop still more extensively, creatively and energetically the independent character of the cooperatives, to expand intracooperative democracy and to step up the social activism of the labor collectives.

"Care must systematically be taken to further strengthen and develop social principles in the activity of cooperative organizations by expanding the rights and responsibilities of elective bodies in the solution of problems, and by helping enlist in their membership leaders with rich organizational and economic experience and make possible close, direct and constant contact with the population. The cooperative organizations must widen their joint activity with the Fatherland Front for broad involvement and active participation of the population in full discovery of the potentialities and reserves for increasing production and raising the standards of service.

"The cooperative movement has struck roots in our lives. The people respect and esteem it.

"Bureaucracy and undemocratic administration must not be permitted to vitiate what is splended; weeds must not be permitted to flourish in the cooperative field. In this sense your congress will perfectly properly discuss new forms and methods for the expansion of cooperative democracy, for the display of the creativity and talent of the cadres on every level of administration in the cooperative system, for the enrichment of consumer cooperatives with new content and for their conversion into a basic structural unit, into real many-sided cooperatives organizationally and economically even more closely bound up with the city and village systems, that will develop their activity in conformity with the territory and characteristics of the obshtinas.

"An implacable everyday struggle must be waged, both at the center and locally, against stagnation, routine and complacency," he emphasized. "The subjective factor is the one which must speedily be restructured and on which further efficient development of our cooperative system depends. These are the demands that practical experience itself makes. For this purpose the system and operation of personnel selection and qualification must be improved. The style and method of operation at all levels must be improved.

"Therefore, the Central Cooperative Union must, in future as well, increase its contribution to the implementation of our foreign political and foreign economic policy. In particular, the foreign economic activity of the Central Cooperative Union must be expanded and stepped up.

"The Party Central Committee and the government believe that in future as well ceaseless pains must be taken to expand relations and align the Central Cooperative Union more closely in every aspect with the Central Union of Consumers' Societies, USSR, and to widen the many-sided collaboration with the cooperative unions of the other fraternal socialist countries. Collaboration with the cooperative organizations and movements in the developed capitalist states, and especially in the developing countries, must be launched on an economic basis by entering into long-term agreements for the establishment of joint plants to increase the country's commodity reserves, by buying technologies and enlisting foreign specialists for the rapid introduction of world-scale achievements and progressive foreign experience.

"On the basis of long-term agreements a start is to be made on developing production and technical cooperation with the cooperative organizations and companies of socialist and nonsocialist countries in order to increase the country's commodities and other resources. On the basis of integration with the State Tourism Committee, still more international tourist activity is to be developed.

"The activity of the Central Cooperative Union and the international cooperative movement must be intensified still more in order to strengthen international cooperative solidarity on behalf of the struggle for peace, democracy and social progress.

"The Party Central Committee is convinced that the Central Cooperative Union, in future as well, will be an active champion of the peace-loving policy of the

Bulgarian People's Republic and its peaceful envoy and propagandist of peaceful collaboration among the nations for the welfare of the people," Comrade Grisha Filipov declared in conclusion.

"The Central Committee of the Bulgarian Communist Party and the government express their firm conviction that the cooperators and all labor collectives within the Central Cooperative Union, united and firmly closing ranks around the Leninist April party line, will labor enthusiastically and selflessly, with initiative and creativity, for the successful fulfillment of the historic projects of the Twelfth Congress and for the achievement of new and still greater successes in the building of a developed socialist society in our beloved Fatherland--the Bulgarian People's Republic°"

The greeting was heard with great attention and followed by thunderous applause.

Tracing the results of the past five years since the Eighth Congress, the chairman of the Central Cooperative Union, Ivan Prumov, in his opening address dwelt in detail on the main problems which the union and the entire cooperative system will have to solve in order to raise their activity to the level of the requirements of the main socioeconomic task during the Eighth Five-Year Plan, namely, the comprehensive satisfaction of the people's constantly growing material, spiritual and social needs.

Emphasizing that the union will launch further activity in the light of the special 1979 decision of the Political Bureau of the BCP Central Committee and of the tasks set by Comrade Todor Zhivkov before the National Conference of 24 October 1981, he outlined specific ways of achieving the high goals: switching from extensive to intensive development; creation--by one's own forces and on the basis of integration with other industrial sectors, agroindustrial complexes and the cooperative organizations of the socialist countries--of enterprises and capacities for the production of consumer goods; elevation of the role of cooperative trade; still further utilization of the potentialities of the personal plot; broadening of the democratic principle; adoption of profit-and-loss accounting, internal profit-and-loss accounting and the brigade organization of labor. The goal is, Iv. Prumov emphasized, to elevate the role of the consumer cooperative, to consolidate cooperatives within the framework of the city and village systems, and gradually to convert the TsKS into a national economic association.

The report of the Managing Council pointed out that the basic economic indices of the cooperative system for the Seventh Five-Year Plan were fulfilled and overfulfilled. The achievements of cooperative trade were significant: the circulation of goods increased, the selection of goods was more abundant, additional marketable goods were provided. Special impetus in this direction was given by the high demands made and tasks set by Comrade Todor Zhivkov at the Ruse meeting.

Satisfaction of the market demand for fruits and vegetables improved and more progressive forms of customer service were employed. The proportion of cooperative industry grew, too, and activity in the purchasing and processing of agricultural products was improved. In the light of increased demands, note was taken of a number of lapses and weak points: shortage of goods in demand by the population; irregularity of the supply of articles not only to state industry, but also

to cooperative industry; a lag in the delivery of agricultural equipment and implements, hardware, materials for electric appliances, and some foodstuffs behind the needs of the people.

Of decisive significance for the results achieved was the employment of the new economic approach and its mechanism. The initiative and personal interest of economic managements and collectives grew. The planning system, the organization of labor, and contract discipline were improved.

The report also outlined the principal tasks of the cooperative organizations during the Eighth Five-Year Plan. The starting point in this direction is the main socioeconomic task set by the Twelfth Party Congress. The mandate that the Central Cooperative Union as socioeconomic organization is to launch activity in the future as well for fuller utilization of the country's material and social resources and for better satisfaction of the people's needs, is the basis of the program, adopted by the TsKS Managing Council, for the development of the basic activities of the cooperative organizations during the period from 1981 to 1985. To realize the program, consumer goods must be increased and diversified, the sphere of public services must be expanded, and consumer cooperatives must become production and trading organizations. The solution of these problems requires speedy measures for the expansion, reconstruction and modernization of capacities and for more efficient use thereof. Public dining must be developed on an up-to-date basis; new technologies must be employed and the organization improved. Critical tasks are set in the area of the purchasing, production and processing of agricultural products. For this purpose, the economic relations and collaboration of the cooperative organizations with agroindustrial complexes and other agricultural organizations will be expanded and strengthened.

One of the most important tasks facing the TsKS is the development of foreign economic relations and the carrying on of highly efficient import and export as a factor in increasing the volume of consumer goods.

The 1979 decision of the Political Bureau of the BCP Central Committee "On the More Efficient Development of the Activity of the Central Cooperative Union" stresses the necessity of a resolute course towards the intensive development of all activities within the TsKS. This is why the many-million-strong army of Bulgarian cooperators must concentrate their efforts on the speedy and effective adoption of the achievements of scientific and technical progress, for which all the conditions are provided. Greater demands must be made on the work of engineering and applications teams, and the technique of achieving high productivity of labor and standards of service must be improved.

The real ways of achieving this goal are: full mechanization of production processes; the introduction of electronic technology into physical production and information processing; study and adoption of advanced experience; the linking of investment policy with accelerated adoption of scientific and technical progress.

Further accelerated and effective development of the economics of cooperative organization requires the economical expenditure of raw and other materials, fuels and energy, with the best achievements at home and abroad used for this purpose.

The basic factor for high efficiency of all activities is consistent and full application of the new economic approach. The report noted the necessity of improving planning and the socialist organization of labor and of establishing brigade organization, brigade profit-and-loss accounting, and full self-support of every economic unit.

The report directed the attention of personnel of the cooperative system to unceasing pains and effective measures for the social development of labor collectives, for the improvement of working and living conditions, for the upgrading of the economic and vocational training of personnel, for the elevation of the level of training and educational work, and for the improvement of socialist competition, of propaganda and mass cultural work.

The period between the two congresses was especially fruitful in strengthening the friendship and collaboration of the TsKS with the cooperative bodies and organizations of the Soviet Union and the fraternal socialist countries and in establishing fruitful relations with kindred organizations and movements in the developed capitalist and developing countries.

The Ninth TsKS Congress was warmly greeted by Aleksey Smirnov, chairman of the Board of the Central Union of Consumers' Societies, USSR, and deputy chairman of the Executive Committee of the International Cooperative Alliance. He spoke about the comprehensive collaboration between the TsKS and the Central Union of Consumers' Societies, USSR, that has been under way now for four decades on the basis of long-term agreements.

Finally, Al. Smirnov dwelt on the growing role and prestige of Bulgarian cooperatives in the international cooperative movement.

The congress continued with speeches regarding the report and other documents.

Those speaking about the achievements and the problems that the cooperative organizations have to solve were the following: Alitsi Alitsiev, OKS [Okrug Cooperative Union] chairman in Ruse; Violeta Meitsova, OKS deputy chairman in Vidin; Rusim Tsekov, city cooperative union chairman in Sofia; Khristo Stoyanov, RPK [expansion unknown] chairman in the village of Yuper (Razgrad Okrug); Stelian Balopopov, chairman of "Metalik" [Metal-Worker] TPK [Labor Productive Cooperative] in Burgas; Lado Rashev, OKS chairman in Plovdiv; Mariya Dokcheva, OKS control council chairman in Lovech; Konstantin Yanev, RPK chairman in Kavarna; Velcho Traykov, OKS chairman in Vratsa; Mariya Markovska, director of the RPK food, wine and tobacco combine in Khaskovo; Georgi Zhelev, hero of socialist labor and cooperative worker from the village of Tenevo (Yambol Okrug); Ivanka Shtereva, department store manager in Peshtera; Yordan Kostov, chairman of the Central Bee-Keeping Council; Stoycho Mitev, RPK chairman in Tutrakan; Stefan Staykov, director of "Trud" [Labor] Canning Combine in Debelets; Dobrinka Toncheva, RPK deputy chairman in Krumovgrad; Ivan Savov, OKS chairman in Smolyan; and Kiril Peychev, chairman of "Septemvri" [September] TPK in Mikhaylovgrad.

The congress continues its proceedings today.

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CSO: 2200/29

STEADY SUPPLY OF CONSUMER GOODS EMPHASIZED

Sofia OTECHESTVEN FRONT in Bulgarian 25 Nov 81 p 1

[Article by Metodi Tanev, domestic political observer for the newspaper OTECHESTVEN FRONT: "Stable Market"]

[Text] Today it is obvious to everybody that our domestic market is stable and rich. In comparison with 1970, for example, average per capita consumption of meat and meat products last year grew from 41.4 kg to 62.5 kg; of milk and dairy products, from 116.6 to 165 kg; of eggs, from 122 to 203 each; of sugar and sugar products, from 32.9 to 34.2 kg; of vegetable and animal fats, from 16.2 to 20.8 kg; of vegetables and canned vegetables, from 88.9 to 98 kg. From time to time, however, some food product or some industrial product disappears from the market. Such is the situation now, too. The following are hard to come by: mature onions and garlic, string beans, lentils, dried haricot beans, certain assortments of canned vegetables and fruits, various models and sizes of shoes, quilt covers, electric rings, color television sets etc.

The discrepancies between consumer needs and trade emerged in the contracting for goods in the so-called decentralized and centralized stocks for 1983 that concluded a fortnight ago in Fair City at Plovdiv. The figures and facts are known to the producer ministries and trusts, to the Ministry of Internal Trade and Public Services, to the Retail Trade DSO [State Economic Trust] and to the retail trade organizations, but this will hardly change things.

The population's purchasing power is continually growing; real per capita income increased from 897 leva in 1970 to 1336 leva in 1980, or one and a half times. During these 10 years, retail goods circulation increased 1.7 times and went as high as 12 billion leva. This trend will be maintained in the future as well, but this raises acute and important problems for our market. To begin with, the production of consumer gooods and foodstuffs must increase as targeted in the program for the country's socioeconomic development.

A stable market depends on the delivery of goods not only in quantity but also in a selection. What good is it if there are various household appliances in the stores but no spare parts for them? Or let's take the canning industry. True, there are canned goods, but unfortunately the selection thereof is quite poor. And this is due to the fact that our canning industry did not produce this year the targeted quantities of certain important items.

The requirements and goals spring from the decisions of the Twelfth Party Congress and from the clear and categorical points which the secretary-general of the Party Central Committee and chairman of the State Council, Todor Zhivkov, made in his presentations at both the Ruse conference in 1980 and the national conference held in the People's Palace of Culture on 24 October 1981. The reserves and potentialities lie in the material and technical base, which for our country is vast, in the system of self-sufficiency, in unutilized land, in our irrigated agriculture, in scientific and technical progress, in our labor and our sense of duty and responsibility.

Supplying the domestic market is an inseparable part of party and state strategy of unceasingly raising the people's living standard. Hence this concern, hence also these efforts and measures to "find a way out" of the shortage of more than one or two industrial commodities. Work is successfully in progress to achieve what was mapped out at the Ruse conference. Best and most desired is that production should get ahead of consumption, as is the case for some groups of commodities. Our country has sufficient forces and resources to make good on this for the entire domestic market.

The last weeks of the first year of the Eighth Five-Year Plan are passing and we are on the threshold of 1982. This makes it imperative to search out and use the potentialities and reserves not only for the precise fulfillment of the state plan and counterplans, but also for the preparation that will be prerequisite for the compilation of strenuous, but practicable plans for 1982.

The question is what we can have and what we cannot have for some reason of solely subjective character. Organization, efficiency, discipline, control--this is the mandate!

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TRADE RELATIONS WITH BALKAN COUNTRIES SURVEYED

Sofia POLITICHESKA PROSVETA in Bulgarian No 10, 1981 pp 41-51

[Article by Ivan Zakhariev: "Economic Cooperation Between Bulgaria and the Balka Countires"]

[Text] The Bulgarian Communist Party and the government of the Bulgarian People's Republic are investing a great deal of effort in developing good neighborly relations and expanding economic ties with the Balkan states. Thanks to our country's initiatives and the positive response of our neighbors, there has been a great improvement in the political climate in the Balkans during the past decade. Comrade Todor zhivkov stated at the 12th BCP Congress that "Despite the currently worsened international situation, the situation in the Balkans has remained relatively calm," that "through joint efforts positive changes have been achieved and great progress has been reached in relations among Balkan countries" and that "this is a great achievement of our nations."[1]

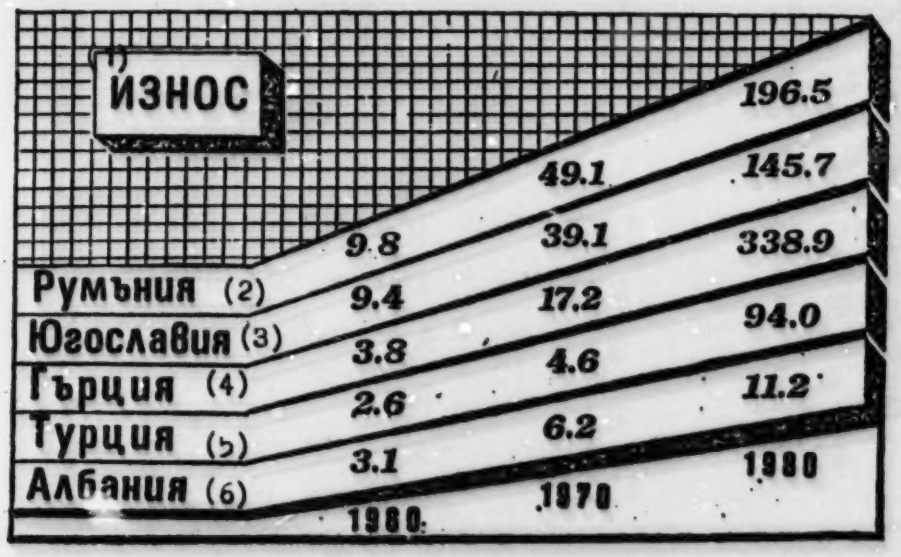
The Balkan Peninsula includes countries with different social systems. Economic relations between the NRB [Bulgarian People's Republic] and the other socialist countries are based on the principles of socialist internationalism and fraternal mutual aid; relations with capitalist countries are based on the principles of peaceful coexistence and mutual benefit. However, regardless of the nature, content and extent of cooperation with the individual countries, the unquestionable fact remains that favorable conditions have been created for the development of extensive economic relations between the NRB and all other Balkan countries.

Development of Trade

Taking foreign trade -- a traditional form of cooperation -- into consideration, we will notice that after 1960 trade between the NRB and the other Balkan countries has been increasing at a faster rate, as the table on the following page shows.

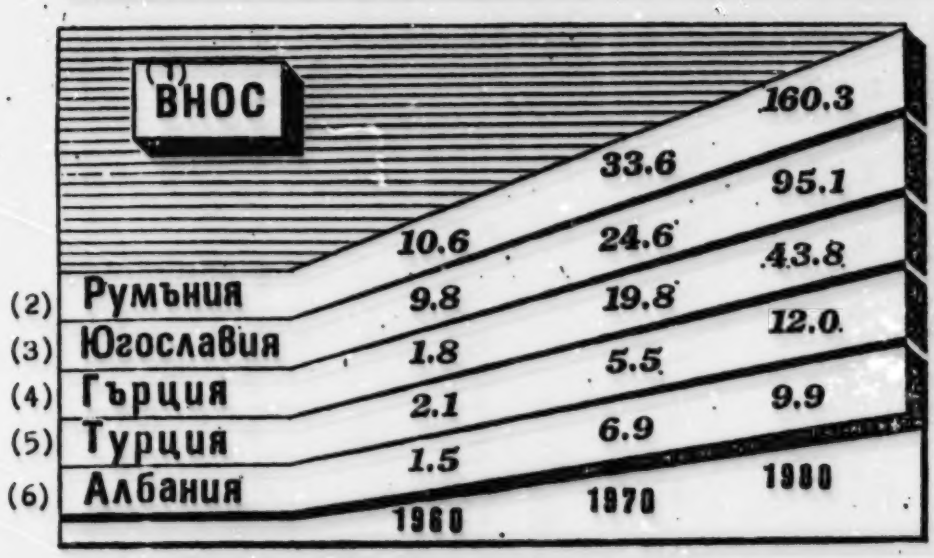
The figures indicate that in 1980 Bulgaria's overall trade with the Balkan countries reached 1,112,900,000 foreign exchange leva, with Greece in a leading position (34 percent), followed by Romania (31.5 percent), Yugoslavia (22 percent), Turkey (10 percent), Albania (2 percent) and Cyprus (0.5 percent). The share of the Balkan states in Bulgaria's overall foreign trade was 6.5 percent in 1980.

NRB Exports to Balkan Countries
(million foreign exchange leva)



Key: 1. Exports; 2. Romania; 3. Yugoslavia; 4. Greece; 5. Turkey; 6. Albania

NRB Imports From Balkan Countries
(million foreign exchange leva)



Key: 1. Imports; 2. Romania; 3. Yugoslavia; 4. Greece; 5. Turkey; 6. Albania

NRB Trade With Balkan Countries[2]
(million foreign exchange leva)

	1960	1975	1980
(1) Румъния	20,4	195,3	356,8
(2) Югославия	19,2	127,9	240,7
(3) Турция	4,7	51,8	106,0
(4) Гърция	5,8	84,4	382,7
(5) Албания	4,6	15,5	21,1
(6) Кипър	—	3,7	5,6

Key: 1. Romania; 2. Yugoslavia; 3. Turkey; 4. Greece; 5. Albania; 6. Cyprus

Intensive trade relations are being maintained between our country and the Socialist Republic of Romania (SRR), on a bilateral and multilateral basis, through CEMA. Let us mention in this respect the coordination of national economic plans, which marks a new stage in the development of economic cooperation between the two fraternal countries -- the stage of accelerated development of intergration processes.

The 1976-1980 period was a favorable one in terms of Bulgarian-Romanian trade, which totalled 1.5 billion foreign exchange leva during the 5-year period. Industrial goods accounted for two thirds of the total, and machines and equipment alone for 60 percent of the total trade. Cooperated and specialized output accounted for nearly one fifth of the entire trade. Bulgarian exports consisted mainly of transportation facilities, fork lift trucks, electronic goods, machines and equipment for the food industry, various brands of steel, ores and pharmaceuticals. Romanian exports consisted of chemicals, industrial consumer goods, some types of machines, electric and medical instruments, precision optical goods, locomotives, trucks, spare parts and others.

Trade between Bulgaria and Yugoslavia showed a steadily increasing trend between 1976 and 1980, exceeding 1.1 billion leva. In 1980 alone, it totalled]240.7 million foreign exchange leva, or about 43 million leva more than in 1979. The trade structure is improving steadily. The machine-building group, whose share exceeded 25 percent, experienced the most dynamic growth. Procurements of specialized and cooperated goods and installations for complete projects of particular importance to the economies of both countries are being successfully made. During the past 5-year period, most of the trade involved ferrous and nonferrous metallurgical goods -- 37 percent of the total trade -- and products of the petrochemical and chemical industries -- about 14 percent. There were increased deliveries of cellulose and paper and textile industry goods, border trade, etc.

Trade between our country and Greece is growing rapidly. It increased from 84.4 million leva in 1975 to almost 383 million foreign exchange leva in 1980, as a result of which Greece became Bulgaria's leading trade partner in the Balkans. Such foreign trade successes are due not only to favorable economic and geographic factors but particularly to the good political atmosphere, which was established and maintained through regular meetings between Bulgarian and Greek government leaders.

Most of our exports to our southern neighbor consist of raw materials such as petroleum products, ferrous and nonferrous metals, timber, chemicals and food products. Exports of metal cutting machines, fork lift trucks, electric hoists,

electric motors, agricultural and food industry machines and various chemicals have increased considerably. We import from Greece principally traditional farm goods such as citrus fruits, cotton, hides, olives and dried fruits. Imports of goods manufactured by the Greek electrical engineering, chemical-pharmaceutical, textile and food industries are beginning to account for an increased share of the total.

Bulgarian-Turkish relations have also developed considerably. They are based on the existing bilateral accords such as the 1974 Trade Agreement on Payments in Freely Convertible Currency, the Declaration on Principles of Good Neighborly Relations Between the NRB and the Republic of Turkey, the Long-Term Agreement on Industrial, Technical and Scientific Cooperation of 1975, the Coordinated Directions For Further Development of Economic Cooperation, which were initialed in Varna in 1978, and others.

In the last 2-3 years, trade between the two countries increased considerably from 49 million foreign exchange leva in 1978 to 106 million in 1980. Another 10 percent increase is contemplated in 1981. Bulgaria exports to Turkey various models of metal cutting machines, fork lift trucks, telephone and electric power measuring equipment, transformers, typewriters, metals, chemical fertilizers, calcinated soda, chemicals and others. It imports mainly cotton, citrus fruits, peanuts, lead-zink, borax and chromium ore and others.

Economic relations between Bulgaria and Albania remain limited to trade, which reached 21.1 million foreign exchange leva in 1980. In addition to machine-building goods, Bulgaria exports to Albania chemicals, metals, pharmaceuticals and consumer goods and imports from that country bitumen, chromium ore, beech veneer, cardboard, cotton fabrics and others. Efforts are being made to expand other forms of economic cooperation, which can contribute to the development of trade.

Trade between Bulgaria and Cyprus totalled 5.6 million foreign exchange leva in 1980. It has shown a trend toward rapid development since 1975 as a result of the adoption of new methods of payment and the energizing of bilateral relations between economic departments and organizations of the two countries.

Cyprus buys from Bulgaria metal cutting machines, glass, porcelain for household and sanitation purposes, fittings, household equipment, plastifyers, concrete iron, steel sheets, preserves, mineral water, fertilizers, electric motors, television sets, typewriters and others. Bulgaria imports from Cyprus mainly consumer and food industry goods. There has been a particular increase in imports of citrus fruits, leather goods, such as shoes for women and children, and knitted and ready-made clothing for children.

Industrial Cooperation

Along with foreign trade, Bulgaria tries to make active use of other forms of economic cooperation, such as industrial cooperation, exchange of technology, building joint enterprises and others. For the present, this remains a bilateral process, although Bulgaria has expressed its willingness to make it multilateral. The accountability report to the 12th party congress states that "We are prepared to extend our cooperation with the other Balkan countries on a multilateral basis in matters of reciprocal interest and in areas in which agreements have already been reached."[3] Unquestionably, the process of multilateral cooperation is itself more

complex from the viewpoint of the countries' interests and of its organizational and practical implementation. That is why the "agreements reached" stipulation reflects quite precisely the prerequisites which must be met before truly successful multilateral cooperation can be developed.

As socialist countries in the Balkans, Bulgaria and Romania are setting an example in the use of new forms of cooperation, such as joint construction and industrial cooperation. Currently, industrial cooperation between the two countries extends over a vast area. A Bulgarian-Romanian Economic and Scientific and Technical Cooperation Committee has been set up. Specialization will be increased and the share of reciprocal deliveries of metallurgical goods will be augmented in 1981-1985. The Ruse-Giurgiu Heavy Machine-Building Plant is under construction. An agreement on specialization and cooperation in the production of transportation equipment and metal-processing and food industry machines is being implemented. Cooperation in the manufacturing of industrial robots and hydraulic elements and specialization in small-batch chemical and pharmaceutical production are developing. Joint scientific research and experimental design efforts, aimed at reaching high technical and economic production standards, is a characteristic feature of the specialized and cooperated items produced by both countries.

Bulgaria and Romania are cooperating extensively in the power industry. This cooperation began in 1949, when a power cable was laid between Ruse and Guirgui. The Eshalnitsa-Boychinovtsi power cable, which was commissioned in 1967, linked the Bulgarian power system to the joint power system of CEMA-member countries. A 400-kilowatt power cable from the USSR to Bulgaria was laid across Romanian territory in 1963. An agreement on laying a direct 750-kilowatt power cable between the USSR and Bulgaria through Romania has been reached.

Industrial cooperation between Bulgaria and Yugoslavia is developing successfully. The first agreement, which called for the manufacturing of automated washing machines, was concluded in 1969. Subsequently (1975 and 1977), other cooperation agreements were made on the manufacturing of Perkins-type diesel engines, steel pipes and refractory materials for the porcelain industry. A General Agreement on Industrial and Technical Cooperation in the Field of Lifting-Transportation Equipment and Agricultural Machine Building was concluded among Balkankarimpeks, the MIN Industrial Combine in Nis and the Universal Company in Belgrade in 1978.

Work groups of specialists from both countries, engaged in drafting projects for specialization in the production of chemical fertilizers, calcinated soda and plant protection chemicals, have been organized by the Mixed Commission for Economic, Trade and Scientific and Technical Cooperation. The specialized production of rubber goods, dyes, lackers and raw materials for their manufacturing, detergents, auxiliary textile industry materials and others has been organized.

A new stage in the development of industrial cooperation and specialization with Yugoslavia began in 1980. It calls for the organization of a Bulgarian-Yugoslav and Yugoslav-Bulgarian economic chamber with centers in Sofia and Belgrade. It is also expressed in the idea concerning economic and scientific and technical cooperation between 1981 and 1985. The possible founding of an economic cooperation association is under study.

Cooperation in the power industry has existed between Bulgaria and Yugoslavia since 1961, starting with the laying of the Republika TETs and Vrla VETs power cable. The Kula-Bor power cable was commissioned in 1964, followed by the Stolnik-Nis and Petrich Strumitsa power cables. These facilities enable the two countries to purchase and sell electric power or to trade electricity on a compensatory basis in the case of breakdowns or temporary shortages.

Industrial cooperation is an important element in the long-term development of Bulgarian-Greek relations. The initial steps in this direction were taken at the beginning of the 1970s, when the Bulgarian Agromashinaimpeks Foreign Trade Center and the Greek Lanoridos Papanikolau Firm signed an agreement on assembling Bulgarian soil cultivators and tobacco processing machinery. Currently, Bulgarian metal cutting machines, buses, fork lift trucks, and electrical insulation and lighting fixtures are being assembled in Greece Complete projects and technological production lines are being delivered. Tekhnoeksportstroy shipped to the Makon Firm a technological line for the production of fruit juices. Bulgaria helped Greece in the building of a leather treatment enterprise and supplied the Greek state electric power organization with a series of transformers.

The steps and directions in the development of economic cooperation through 1985, which were agreed upon in 1979, play an important role in Bulgarian-Greek industrial cooperation and specialization. Studies have indicated that possibilities exist of developing joint enterprises in the food industry, bus and clothing manufacturingbuilding of spinnning enterprises and freight cable lines, port mechanization, etc. The agreement on connection the Bulgarian with the Greek power systems, which calls for laying a 400 kilowatt power cable, is of great importance. The first 200-kilowatt stage will be completed this year.

Industrial cooperation between our country and Turkey has expanded considerably. Bulgarian lifting and hauling equipment is continuing to be assembled in Turkey and a factory for assembling such machinery will be commissioned soon in Edirne. A complex flotation factory is under construction in Usak on the basis of a contract concluded between the Bulgarian Tekhnoimport Trade Organization and the Turkish Usakmermer Firm. Bulgarian mining equipment is being delivered and Bulgaria is producing cigarettes for the Turkish market made of Turkish tobacco.

Both countries are looking for new opportunities for broadening their industrial cooperation. The Mixed Bulgarian-Turkish Economic and Technical cooperation Commission has earmarked new steps for expanded cooperation in the areas of metal processing machines, comprehensive projects, and automotive and tractor manufacturing. Possibilities of building textile factories, dairy plants, installations for the production of carbonated wine, green houses, and others in Turkey being studied.

Bulgaria is exporting to Turkey considerable quantities of electric power. Such exports increased from 96 million kilowatt/hrs in 1975 to more than 700 million kilowatt/hrs in 1980. A Bulgarian-Turkish commission on cooperation in the power industry has been created, and the basic stipulations related to Bulgaria's participation in the building of lignite mines, thermoelectric and hydroelectric power plants and a coal concentration factory in Turkey have been defined.

Several Bulgarian institutions, headed by the Bulgarian Chamber of Commerce and Industry, are studying possibilities of industrial cooperation with firms in Cyprus and Albania.

Cooperation in Transportation

Our country pays special attention to cooperation in transportation. Every year, it participates in various bilateral and multilateral meetings at which important problems in the field of international transportation are resolved. A trend is developing toward turning the country into the transportation center of the Balkans. Bulgaria participated in the Athens conference on train schedules and compositions in 1980-1981.

A number of measures are being implemented in the area of transportation between Bulgaria and Yugoslavia. The two countries built jointly a railroad station in Dimitrovgrad (Yugoslavia) and the Dimitrovgrad-Nis, Petrich-Strumica, Blagoevgrad-Delcevo, Kyustendil-Skopje, Kyustendil-Bosilegrad, Vrushka Chuka-Zajecar and Bregovo-Negotino highways. The Gyueshevo-Kumanovo railroad and the joint Gyueshevo Railroad Station will be built and the Sofia-Nis tracks will be modernized.

Bulgaria and Greece are expanding their trade at a fast pace also as a result of their extensive cooperation in the field of transportation. New roads will be opened in order to increase the role of the international transportation system which runs across the territory of the two countries, by organizing combined and transit haulage. This is based on the increased volume of Greek trade with Central and Northern Europe and Bulgaria's trade with Middle Eastern and North African countries. To this effect, the highway system is being expanded and the Kulata-Promachon railroad tracks are being rebuilt. Tariff facilities are an important area in transportation cooperation. For Bulgaria this applies to the Salonika Port-Tartus (Syria)line; for Grece -- to the ports of Vidin, Lom and Ruse leading to Romania and the USSR.

Several important documents on regulating and expanding transportation relations have been signed between Bulgaria and Turkey. The Mixed Bulgarian-Turkish Transportation Committee, which did the preparatory work for the adoption of the General Agreement on Cooperation in Transportation and the Merchant Marine Navigation Agreement, is doing particularly useful work. Bulgaria and Turkey have agreed to grant each other a number of facilities regarding transit, phytosanitation procedures and others. A ferry boat will operate between Burgas and Trabzon. This will make it possible to increase transit freight shipments mainly from Central Europe to Asia and Africa and vice-versa.

Bearing in mind the great importance of transportation, Bulgaria is trying to develop as an international transportation center. This project was included in the report to the 12th party congress, which states that "Bearing in mind that the Balkan Peninsula is at the crossroads of Europe, Asia and Africa, we favor the development of cooperation in the areas of transportation and communications. This would be in the interest of many countries and peoples."[4]

Cooperation in Agriculture

Several agreements have been concluded between Bulgaria and Romania on the further expansion of relations in agriculture and the food industry. In addition to traditional exchanges of farm goods, studies are under way on 10 general topics in the field of vegetable strain selection, mechanization of processes in truck gardening, etc. Joint studies are being conducted in the area of soil ecology and intensive cattle fattening.

Joint work on the selection and technology of growing corn, soybeans, sunflower and medicinal and aromatic plants, the production and exchange of grape vine planting stock, yield programming and cooperation in engineering activities are important manifestations of cooperation between the two countries. Bulgarian and Romanian specialists will also cooperate in the area of land reclamation, including projects carried out in third countries.

Agricultural relations between Bulgaria and Yugoslavia are based on a joint program and work plans. Particularly good interaction has been developed between the Corn Institute in Knezha and its counterpart in Zemun Pole. Specialists are exchanged with a view to sharing positive experience in the use of new industrial technologies in crop growing, animal husbandry, the food industry, training and retraining of agricultural cadres, etc. A study is underway on organizing a mixed enterprise for the production of vine seedlings and other planting materials and their sale in third countries. The Mixed Bulgarian-Yugoslav Work Group on Agriculture is in charge of all cooperation problems.

The General Conditions For Scientific and Technical Cooperation, which were adopted in Athens at the close of 1979, call for the implementation of joint Bulgarian-Greek measures in agriculture and the food industry. Efforts are being coordinated in tobacco, fruit, vegetable and cotton growing. This will stimulate trade and the joint processing of farm produce.

The Mixed Bulgarian-Greek Agricultural Subcommission set the following lines of cooperation to be followed in the years to come: establishment of closer contacts between similar agricultural institutes; exchange of specialists for the study of practical experience in various agricultural subsectors; cooperation in the areas of selection, agrotechnology, plant protection, animal husbandry and veterinary affairs; further development and expansion of cooperation in plant and veterinary-sanitation control and coordination of measures in the struggle against crop and animal diseases; and reciprocal exchanges of breeding stock.

The similar natural conditions of some areas in Bulgaria and Turkey are a good prerequisite for the development of their cooperation in agriculture. The special agreement, which was concluded 2 years ago, is a suitable manifestation of this fact. A long-term program was adopted by the Mixed Commission For Agriculture and the Food Industry, which met in Sofia in 1980. The commission set specific tasks in the following areas: cooperation among scientific research institutes in the joint resolution of farm problems; cooperation in plant and veterinary sanitation control; exchange of seeding and planting materials and breeding stock; cooperation in the development of industrial technologies and in designing, construction and operation of calf-fattening enterprises; assistance in designing and building agricultural enterprises in the food industry. Cooperation in the establishment of

agricultural enterprises in the food industry includes the building of feed plants, canneries, greenhouses, dairy processing enterprises, livestock farms, etc. Bulgaria will supply Turkey with complete projects, refrigerated warehouses for fruit and vegetable storage with a 500-1000 ton capacity, yoghurt manufacturing enterprises, technological lines for the processing of sunflower seeds and the extraction of apple juice, etc.

Expanding Relations in the Field of Tourism

Our country pays great attention to the development of international tourism and is trying to broaden its cooperation with the Balkan countries in this area as well. An Agreement on Mutual Cooperation in Tourism was signed by Bulgaria, Greece, Romania, Turkey and Yugoslavia. The results have been encouraging: whereas the Balkan countries accounted for 10 percent of the European tourist trade in 1974, today one out of four European and one out of six world tourists visits the Balkan Peninsula. The following data show the percentage of tourists from the Balkan countries compared with the total number of tourists who visited Bulgaria:

(percent)

	1960	1970	1980
From Greece	0.8	0.3	3.8
From Romania	3.6	4.3	4.8
From Turkey	5.7	22.6	32.7
From Yugoslavia	3.2	19.1	14.1

The "Year of Balkan Tourism," which was organized in 1979, marked a new stage in the development of cooperation in tourism. Several meetings and symposiums were held. Information data were developed and disseminated jointly and specific initiatives were earmarked.

Currently, particular attention is being paid to the coordination of efforts regarding third countries, with a view to attracting tourists through combined itineraries and making use of opportunities for extending the tourist season with the help of new forms of tourist travel. Specific initiatives have been formulated on offering combined travel programs to tourists from third countries and aimed at promising tourist markets in Western Europe, North America, Australia, Japan, etc.

The Bulgarian People's Republic began the 1980s with stable economic relations with the Balkan socialist and capitalist countries. The main lines of cooperation through 1985, and in the case of some countries through 1990, have been coordinated. In itself this offers promising opportunities.

Bulgaria intends to pursue its policy of constructive dialogue, good neighborly relations and rejection of hostile actions of one country against another. In earmarking the line followed by the NRB in the area of practical cooperation with the other Balkan states, Comrade Todor Zhivkov stated at the 12th BCP Congress that "We support the type of further expansion and intensification of bilateral cooperation in economics, tourism, science, culture, education and sports which yileds even greater benefits to each country, contributes to the reciprocal

acquaintanceship among our peoples and is a factor in strengthening peace and security on the peninsula" (12th BCP Congress. "Dokladi i Resheniya" [Reports and Resolutions], p 99).

Bulgaria is encouraging the development of scientific and technical and cultural relations with the other countries of the Balkan Peninsula above all for the sake of the peace, security, happiness and well-being of the peoples. This is the only correct foreign policy course, which meets with the approval of the governments and peoples of all Balkan countries.

Chronicle of NRB Peaceful Initiatives

28 October 1944. Armistice agreement between Bulgaria and the members of the anti-Hitlerite coalition signed in Moscow.

10 February 1947. Bulgaria signs the Paris Peace Treaty with the winners of World War II.

18 March 1948. Friendship, Cooperation and Mutual Aid Treaty signed between the NRB and the USSR in Moscow. In 1948 and later, Bulgaria signed similar treaties with other socialist countries. Theese bilateral treaties were renewed between 1967 and 1970.

1949. Bulgaria becomes a charter member of CEMA.

14 May 1955. Bulgaria signs the Warsaw Pact -- the first multilateral military defense alliance among socialist countries.

14 December 1955. UN membership granted Bulgaria by the 10th UN General Assembly Session.

8 July 1959. Declaration of the Bulgarian government on the creation of a nuclear-free zone in the Balkans and the area of the Adriatic Sea.

28 September 1960. New York. Comrade Todor Zhivkov's speech at the 15th UN General Assembly Session entitled "May a Policy of Peace and Peaceful Coexistence Triumph and an End Be Put to Colonial Slavery."

6-8 September 1976. Sofia. International seminar on "Role and Significance of United Fronts" held. Attended by 29 delegations from Asia, Africa and Europe.

2-3 December 1976. Sofia. International conference of agrarian and related democratic parties and organizations held on the theme of "Peace, Safety and Cooperation." Major speech by Comrade Todor Zhivkov.

15-17 December 1976. Sofia. International conference of party and scientific works on the theoretical and practical problems formulated at the congresses of fraternal parties in the socialist countries.

9-10 February 1977. Sofia. Meeting of representatives of peace movements in Europe, the United States and Canada. Romesh Chandra: "The world peace movement considers Bulgaria its native home."

7 June 1977. International writers' meeting opens in Sofia on "The Writer and the World: the Spirit of Helzinki and the Duty of the Masters of Culture."

30 May-4 June 1977. NRB party-government delegation visits the Soviet Union. Bulgarian-Soviet communique issued. The USSR expresses its high appreciation of the role of the NRB and of Comrade Todor Zhivkov's personal contribution to the common struggle waged by the socialist countries for strengthening peace and international security.

15 June 1978. Blagoevgrad. Major speech by Comrade Todor Zhivkov entitled "On the Road to Good Neighborly Relations and Cooperation." Statement by the NRB to the effect that it has no territorial claims toward any Balkan country.

1-5 September 1978. Varna. 28th Pugwash Conference attended by 140 scientists from 40 countries.

State visits by Todor Zhivkov, NRB State Council chairman: Japan, 13-18 March 1978; Austria, 18-21 September 1978; FRG, 16-24 October 1978.

16-29 October 1978. Headed by Comrade Todor Zhivkov, a Bulgarian delegation visits Nigeria, Angola, Mozambique and the People's Democratic Republic of Yemen. Friendship and cooperation treaties signed between the NRB and Angola and Mozambique. Declaration on the development of friendship and cooperation with Ethiopia and the People's Democratic Republic of Yemen adopted.

12-15 December 1978. Sofia. International theoretical conference on "The Building of Socialism and Communism and World Development," sponsored by the BCP Central Committee and the periodical PROBLEMI NA MIRA I SOTSIALIZMA. Attended by representatives of 73 communist and workers parties. Opening speech by Comrade Todor Zhivkov.

9-11 July 1979. Visit to Turkey by Comrade Todor Zhivkov, NRB State Council Chairman. Joint communique issued and agreements on facilitating passenger and freight transportation and on visas concluded.

16-25 August 1979. Sofia. Banner of Peace International Children's Assembly, attended by children from 79 countries. Appeal-address condemning war adopted.

29 September-4 October 1979. Todor Zhivkov, BCP Central Committee first secretary and NRB State Council chairman visits Vietnam, Kampuchea and Laos. Friendship and cooperation treaties signed between the NRB, on the one hand, and Vietnam and Laos, on the other.

18-20 March 1980. Sofia. International theoretical science conference on "Leninism and the Contemporary Ideological Struggle," on the occasion of the 110th anniversary of V. I. Lenin's birth held.

3-7 July 1980. Party-governmental delegation headed by Comrade Todor Zhivkov visits Romania. Joint Declaration and Program For Basic Directions in the Development of Economic and Scientific and Technical Cooperation between the NRB and Romania signed.

7-9 July 1980. Sofia. Scientific conference "80 Years of Bulgarian Agrarian National Union held. Attended by representatives of 84 agrarian and related parties and organizations from 57 countries.

8-9 July 1980. Sofia. International meeting-dialogue on detente held. Major speech by Comrade Todor Zhivkov.

23-27 September 1980. Sofia. World peace parliament of the peoples held. Attended by 2,000 delegates and guests from 130 countries and by representatives of close to 200 political parties and more than 100 international organizations. Major speech by Comrade Todor Zhivkov.

29-30 September 1980. Sofia. Third International Writers' Meeting on "Peace -- Hoope of the Planet." Attended by 160 writers from 47 countries.

21-23 May 1981. Second international meeting-dialogue "For Detente, Peace and Social Progress." Major speech by Comrade Todor Zhivkov.

27-30 May 1981. Bulgarian delegation headed by Comrade Todor Zhivkov visits Greece. Joint Bulgarian-Greek communique reads: "Lasting good neighborly, friendship and cooperation relations consistent with the interests of the two nations and constituting an important factor of peace and security in the Balkans have been established between Bulgaria and Greece."

7 August 1981. Meeting between Comrade Todor Zhivkov and Comrade Leonid Brezhnev in the Crimea. Topical international problems discussed and new measures for the intensification of fraternal cooperation between the USSR and the NRB adopted.

Bulgaria has diplomatic relations with 117 countries, economic relations with 116, and cultural and scientific with 132. The NRB is a member of about 350 international organizations.

Since 1970 Bulgaria has hosted more than 200 international events such as meetings and conferences of political, economic and cultural personalities from all over the world.

FOOTNOTES

1. "Dvanadeseti Kongres na BKP. Dokladi i Resheniya" [12th BCP Congress. Reports and Resolutions]. Partizdat, Sofia, 1981, pp 96-97.

2. "Vunshna Turgoviya na Narodna Republika Bulgariya. Statisticheski Danni" [Foreign Trade of the Bulgarian People's Republic. Statistical Data]. Committee on Unified Statistical Information, Sofia, 1981, p 30 and following.

3. "Dvanadeseti Kongress na BKP. Dokladi i Resheniya," p 99.

4. Idem., p 99.

5003
CSO: 2200/26

ENERGY PROBLEMS, FUTURE SHORTAGES DISCUSSED

Prague LIDOVA DEMOKRACIE in Czech 13 Nov 81, p 1, 3

[Article by Ludmila Kyptova: "Energy Crossroads:]

[Text] It is an old adage that one cannot take a larger slice of bread than the whole loaf of bread itself. Or rephrased in more "economic" wording that one cannot have more than what one manages to provide through one's own work. This is common sense and it applies not only to that proverbial loaf of bread but to the national economy as a whole.

In a month and a half we shall be closing the accounts of the current year and thus the accounts of the first year of the Seventh Five-Year Plan. It naturally would be premature to draw some specific conclusions today, but one thing is clearer than the sun: Unfortunately there will be quite a number of enterprises, quite a number of business managers, who will not be able to face this accounting with a clear conscience. Above all, those who have not yet become accustomed to the idea that one simply cannot take forever from the state (let it cost what it may cost) without giving something (understand: of quality) in return. And when we look at the practices which have become entrenched in our national economy in recent years, a detailed analysis shows that nowhere else did this "system" of unconcerned taking cause so much damage, give rise to so many worries, as in the area of fuels and energy consumption. This applies foremost to the management of crude oil and its products.

Let us look at this situation in the light of some figures: while in 1955 we consumed roughly 45 million tons of standard fuels from primary energy sources, our current consumption exceeds 103 million tons of standard fuel. Some may argue that such a rise of energy consumption is only logical; after all, the economy cannot expand without energy and in the last 25 years we did manage to build and do quite a lot. But the time has come when such arguments will not do--we cannot infinitely increase the consumption (so far 2.3 million tons of standard fuel annually). For one single reason: We simply cannot afford it.

When the oil prices in the world market "surged" in the first half of the 70's, we talked about an oil shock. At that time already our highest state organs cautioned that, however advantageous the costs of crude-oil deliveries from the Soviet Union based on long-term agreemsnts, we must be prepared that unlimited increases of such deliveries (and of our current oil consumption) are not possible. And that the

sooner we learn to appraise crude oil and its products effectively and economically, the less worries we shall have in the future. Only under such conditions can we insure a stable systematic growth of our whole economy...

We all know the present situation. Every one of us could certainly cite many examples from own experience, an unending number of minor and larger observations which would document that we do not manage crude oil as we should (and as is commonplace and the rule of "game" not only in the developed capitalistic countries but in a number of socialist countries as well). What else but irresponsible wastefulness could explain the decision of an employee of the enterprise building in Prague to send an empty truck across the whole country to Kosice to pick up a mere 200 kilograms of nails...? Could they not be procured directly in our capital? How can it be excused when managers, with a complacent shrug of the shoulders, condone transport of material such as construction sand from one region of the republic to practically its other end, while being well aware that sand of the same quality can be delivered from the sandpit located literally around the corner? What "bonus" does the work of a foreman deserve who does not care that his subordinate drivers use company cars and diesel fuel for "black" trips which are of no benefit to the enterprise itself...? And unfortunately we could go on and on like this.

And to all this we must add another fact--our economy does not operate in some sort of vacuum free from outside influences. On the contrary, this pressure is growing stronger: world prices of fuel and energy continue to rise and this is naturally reflected in the prices of other products; rising interest rates increase pressures in world financial markets; from Poland we are receiving only half of the planned imports of black coal...etc. And in these circumstances we must continue to buy necessary raw materials, we must replace through import a certain portion of the shortfall of this year's grain harvest--we simply must provide for a smooth running of the national economy and everything else we need. These are the very circumstances that tipped the scale when it had to be stated how we shall deal with the mentioned undesirable influences on our economy. That is why next year we can only count on a volume of crude oil which will be roughly 2 million tons less than this year; why the recent adjustment of oil and gas prices was adopted, why the federal government is preparing an extensive set of technical, administrative, organizational and economic measures for the field of consumption of solid and refined fuels, heat and propellants. Because--as mentioned earlier--it is this consumption that costs us most and because at present we do not have funds to procure more than we have today.

In this connection, great emphasis is logically placed on rationalization of energy consumption--this necessity was last emphasized also by the general secretary of the CPCZ Central Committee and the president of the republic, G. Husak, in his closing remarks at the recent Fourth Plenum of the CPCZ Central Committee. No, we simply cannot do in the future without rationalization; and it definitely will not be possible for individual enterprises, plants or entire dapartments to deal with this necessity in such manner as did, for instance, the organizations of the SSR Ministry of Industry, which managed to accomplish only one-fifth of the planned rationalization tasks in the first half of this year.

When a man goes to a shop to buy a new shirt, for example, he naturally not only looks to see if the shirt is what he has in mind, but he also asks its price. Would

it not be reasonable if we asked the same question in cases when we must pay from public rather than private funds? And if we also saw the costs of all the work being done? We need not go far for a good example: In the first half of the year, in the GDR they managed to increase industrial production without the slightest increase of energy consumption; our production increase was associated wihh roughly the same increase of energy consumption.

In short, we are standing at an energy crossroad. And it depends on us alone, on our abilities and our brains as to whether we take the right direction.

9562
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FURTHER REPORTS ON 1982 DRAFT PLAN PUBLISHED

Variant 1982 Plan Presented

Warsaw TRYBUNA LUDU in Polish 31 Oct 81

[Abridged version of speech by Vice Premier Zbigniew Madej]

[Text] In July 1981 the government presented a report to the High Chamber on the state of the economy and on this basis submitted a recommendation on the necessity of making revisions in the 1981 socioeconomic plan. Under the terms of the resolution adopted by the Sejm on 31 July 1981 the government was authorized to make these changes while at the same time being required to provide the Sejm with periodic reports on the country's current economic situation and on the actions which it has taken. On 24 September 1981, by way of fulfilling this requirement, the chairman of the Council of Ministers presented an assessment of developments in the country's economic situation. In addition, government representatives submitted reports during Sejm committee sessions. The government has instructed the Main Statistical Office to submit special quarterly reports on the economic situation. Today the premier once again presented an assessment of the country's economic situation and a package of remedial measures, which the government will put into effect as soon as possible.

As a result of an initiative launched last year by members of the Sejm, an initiative which was later incorporated into a formal Sejm act on rules of legislative procedure, representatives of the government, starting in 1982, are now obliged to comply with new procedural rules in the course of drafting socioeconomic plans. What is new about these rules of procedure is the fact that, at a relatively early juncture, that is while the main premises of a given plan are still in the preliminary drafting stage, we are obliged to present to the Sejm a statement of government goals for the following year. This is in line with the numerous demands that have been made concerning the need for Sejm deputies to participate as equal partners in the formulation of future draft plans.

Caught Between Fears and Hopes

The preliminary basic provisions of the draft socioeconomic plan for 1982 that were submitted to the deputies of the Sejm very likely represent the first time in the history of economic planning in Poland that an official planning document has been

presented in an optional format. This document spells out three likely trends in the development of the country's economy during 1982, i.e., an option that is filled with fears for the future, an option that is filled with hopes for the future, and in-between option which might be labeled a realistic middle-of-the-road option.

The first option is a kind of extrapolation into 1982 of everything that is going on right now in Poland. The persistence of these trends would lead to a further decline in output, a deterioration in living standards, the devastation of the economy, and, as a result, to a total economic collapse. This is precisely why we call it the fearful option, or maybe we should call it the disaster option.

Just one year ago such an option would have appeared to be a not very likely prospect. We are now forced to advance this option, since a momentum exists within the economy that is leading in this direction and social forces exist that are promoting these trends. We are hoping that this fearful option will not win the approval of a majority of the population and that this majority will actively resist these retrograde tendencies in the economy. We are presenting this forecast to the Sejm in the belief that this will help to energize those social forces which will prevent the disaster option from becoming a reality.

The second option -- referred to as the hopeful option -- envisions an economic revival, i.e., an increase in output, the national income, and an improvement in living conditions. It is based on the potential that now exists within our economy, i.e., on the existing output capacities of raw materials industries and on the production capacities of manufacturing industries. However, the crux of the matter continues to be what happens in the country's sociopolitical situation. In the final analysis it is this factor that will play a critical role in determining the productivity of our countrymen and their attitudes toward the work that they do. It could then be said that, insofar as the hopeful option is contingent upon technical production capabilities, it is a fullproof option, whereas insofar as it is a function of the climate of public opinion it is still a wait-and-see option.

The third middle-of-the-road option falls somewhere between the fearful option and the hopeful option. This option envisions the curtailment of the slowdown in the rate of economic growth and the consolidation and more orderly realignment of forces so as to lay the groundwork for a gradual economic revival which, according to this forecast, might take place during the second half of next year.

So, these are the three options. This is more than just a rhetorical device. The underlying reasons for presenting the issues at stake in this way go much deeper. There are objective reasons for approaching these issues in this way. We find ourselves in the midst of a serious social conflict. We are faced with an extremely muddled situation, and there is a great deal of uncertainty as to the future evolution of economic and political trends. This is why it is hard to say for certain what is in store for us even in the immediate future.

The definition of the issues at stake in optional terms is accompanied by the desire to make people aware of the opportunities they have to make real choices between these three development trends, the desire to open up opportunities for energetic and enterprising people, for workers and regional self-management bodies, and for the management of enterprises. This is also a question of seeing to it that in the

course of drafting plans for the future the emotional predispositions of people are deemphasized in favor of encouraging favorable attitudes toward and the active support of an optimistic, but realistic outlook, the realization of which will depend first and foremost on public opinion.

Coal -- Just as Important as Bread

Coal is now the prime mover of the Polish economy. During the first quarter of 1981 total coal production came to 41.3 million tons. During the second quarter it dropped to 40 million tons, and during the third quarter it remained at the same level. If these trends were to persist on into 1982, then by that year total coal production would amount to only 155 million tons. A decline in coal production to a level of 155 million tons would be tantamount to a further 10 percent drop in the level of industrial output and an 8 percent decline in the national income. The counterargument is sometimes made that there are countries which produce less coal than Poland and do not fall apart for this fact as a result. This is of course true, but for many decades the Polish economy has been based on coal which accounts for 70 percent of our power generating resources. Nor do we have anything to take the place of coal in our export markets. A more than 35-million ton decline in coal production over the past 2 years and an 18-million ton falloff in export sales to capitalist countries, which at current prices amounts to a loss of 1 billion dollars, are bound to deliver a serious blow to our economy. A further decline in coal production threatens to bring about an economic collapse and it might be accompanied by results more serious than those of a natural disaster, since it would give rise to consequences that would persist over a long period of time. This is why we must do everything we can to prevent this pessimistic forecast from becoming a reality.

The hopeful option envisions a coal production level of 175 million tons during 1982. There are realistic prospects that this goal could be achieved. The technical infrastructure of our mines and the skills of mineworkers are sufficient grounds to lead one to the conclusion that it would be possible to produce approximately 630,000 tons of coal per day during the normal working week and around 240,000-250,000 tons on free Saturdays under rules where miners report to work on a completely voluntary basis, i.e., as much coal as was actually mined on the average on Saturdays during the period February-April 1981. If 175 million tons of coal could be mined during 1982, the value of aggregate industrial output could be increased by approximately 5 percent in comparison with 1981, the national income would go up by approximately 2 percent, and export sales could be increased by nearly 10 percent. These percentages would serve as clear signs that the economy had gotten back onto a growth track and offer hope that the crisis could be resolved. So, an upward or downward shift in the rate of production amounting to 20 million tons of coal, for this in fact is the rate of output that distinguishes the hopeful option from the fearful option, is the rate of production that places the entire economy and the chances for ending the crisis at stake.

What kinds of actions are being taken to make the most of this opportunity? During this year alone the level of employment will rise even further. The government drew up and sent to the Sejm a draft law on the delivery of goods and services to miners and their families that made provisions for a reduction in the retirement age to 50 years. It also issued an executive order permitting miners to continue working without forfeiting any of their retirement benefits and with pay earned during normal days off being exempted from the collection of income taxes. A production fund

was set up in order to create a source for the payment of bonuses to miners. The mining industry has access to a fund of foreign exchange reserves equal to 10 percent of coal export sales. Reasonable preferential standards are being applied when it comes to allocations of foodstuffs to miners.

An effort also has to be made to find solutions to our coal problems on the conservation front. The government has come up with a program to improve the efficiency of fuel and energy consumption that encompasses both short-term and long-term measures. This program makes provisions for, among other things, the modernization of more than 600 power generating installations, something which should result in the conservation of from 550,000 to 600,000 tons of coal per year. It is projected that allowances governing the volume of hard coal lost through waste during transport will be lowered. Sales of firewood cut from state-owned forests will be increased. It is estimated that during 1982 all of these short-term conservation measures should result in the conservation of approximately 3 millions tons of hard coal.

Brown coal is a factor of major importance in our country's fuels and energy supply equation. Up until now approximately 20 percent of all the electric power generated in this country has been based on the consumption of brown coal. The brown coal production capacities of existing mines now amount to approximately 36 million tons per year. During 1982 brown coal production will go up by another 2 million tons as a result of the opening of new mines in the Belchatow Basin.

Rebuilding Economic Ties Between Urban and Rural Areas

Agriculture is an important sector of our economy upon which the fate of the nation depends. In this sector too we are presenting optional scenarios of how things will develop during 1982. Under the fearful option we are assuming that weather conditions will be bad. For this reason, we would expect that plant crop production would fall below 1981 levels. On the other hand, animal production should go up, since breeding levels were good this year. According to this option, it is estimated that the value of total agricultural output will be in the vicinity of ZI 600 billion.

On the other hand, according to the optimistic option, which holds out hope for better weather conditions and an increase in the volume of capital goods earmarked for agriculture, it is expected that the value of total agricultural output will amount to approximately ZI 630 billion, which includes a grain harvest of from 22-23 million tons, i.e., a 2-3 million ton improvement over this year.

Every effort should be made to work toward the realization of the hopeful option. Thus far, however, it cannot be said that we have succeeded in doing this. Even though this year we have had good yields and harvests, procurements of grain and animals for slaughter have been moving very poorly. In order to meet personal consumption needs in this country we have to come up with around 6 million tons of grain, and so far we have only procured around 1.3 million tons out of a projected total procurement of 4.2 million tons. If this trend were to continue during the fourth quarter and on into next year, then in this sector of the economy too, we will be drawing near to a point of no return, beyond which consequences will begin to be felt that are reminiscent of the aftermath of a natural disaster. There will not be enough grain for bread, and there simply is no foreign exchange to pay for additional imports. An equally ominous situation may develop in the area of animal procurements.

What do we propose to do to prevent this from happening? There are three courses of action that come to mind in this regard. First of all, there is the idea of a barter system governing trade between urban and rural areas that would be introduced on an experimental basis during the fall season. The details of this operation will be worked out in the next few days. Second, there is the idea of taking further steps to gear industrial production toward meeting the needs of agriculture, a policy which during 1982 should bring about an increase in deliveries of fertilizers, pesticides, machinery and spare parts. Third, there is the idea of creating incentives to encourage people to take jobs in the agricultural sector, a plan which also encompasses further efforts to satisfy the needs of agriculture for highly skilled professional workers.

The Falloff in the Economy's Export Sales Potential

The next problem area that has to be addressed within the context of economic planning for 1982 is foreign trade. There have been three characteristic developments in this area. Namely, a falloff in our economy's export sales potential, an extremely heavy burden of indebtedness to capitalist countries, and a recently growing level of indebtedness to the socialist countries.

According to the fearful option, which is based on a pessimistic coal production forecast and a resulting further decline in industrial production, it is expected that export sales to the capitalist countries will bring in around 19 billion foreign-exchange zlotys, that is, less than was earned this year. It is projected that the value of imports from the capitalist countries will amount to 15 billion foreign-exchange zlotys, i.e., 27 percent less than in 1981. This decline in imports will of course have a negative impact on supplies of raw materials and fabricating materials for our industries. According to the hopeful option, it is projected that the value of export sales to the capitalist countries will amount to 23 billion foreign-exchange zlotys, i.e., an increase of 19 percent over this year. This goes hand in hand with this option's projection of an increase in coal output, industrial production, and agricultural production. According to this option, we anticipate that the volume of imports from the capitalist countries will come to 22 billion foreign-exchange zlotys. This is based on the assumption that, in spite of everything, we will succeed in our efforts to secure new credits that will help to get the economy moving again.

As far as trade with the socialist countries is concerned, we do not foresee any major differences between the respective options, since these economic relationships rest on more stable and long-term foundations. It is one of our most vital interests that we should further strengthen the bonds of economic cooperation with the Soviet Union and the other socialist countries.

Prospects for Meeting the Needs of the Domestic Marketplace

The next problem area is the domestic marketplace. If present market trends were to persist into next year, personal cash incomes would go up by approximately ZI 380 billion, and deliveries of goods and services to the market would necessarily drop by ZI 140-150 billion. This would bring about a total collapse of the domestic marketplace and give rise to the necessity of introducing a universal system of rationing marked by a very low level of allocations for individual commodity categories.

A contradiction exists between the justified aspirations and needs of the people and the real economic situation. For reasons of the public welfare a case has been made and is still being made in favor of the need for higher wages and incomes, for the expansion of public services. But the progress that has been achieved in this area during the past year has nothing to do with and is even at variance with what has been happening in the production sphere, and this has been accompanied by an across-the-board decline in the productivity of social labor. The economic bonds between urban and rural areas have broken down, the procurement of agricultural products is being held up, and the role that money plays in transactions with the private farming sector is diminishing. An effort can and should be made to stop these trends.

The hopeful option envisions a fifty percent decline in the volume of money that is injected into the marketplace and increased deliveries of material goods. It is also projected that a price reform will be enacted covering the retail prices of basic foodstuffs, heating fuel, and energy. This would then create an incentive for producers to boost the production of these goods and lay the groundwork for the application of more efficient management practices, and consumers would benefit from the chance to make their purchases in a more stable marketplace. It goes without saying that some segments of society would be compensated for all this, but people with higher incomes must, unfortunately, bear some of the cost of this policy.

Another important part of the marketplace, which is mainly concerned with the production and sales of producers goods, will be dependent first and foremost on the extent to which output is increased in response to the incentives generated by the new economic mechanisms that will go into effect starting in 1982.

Next year we can look forward to a larger increase in the output of manufactured goods, including in particular confectioner products, pharmaceuticals, soaps and personal hygiene products, undergarments, outerwear, and footwear.

It should be expected at the same time that independent enterprises will be trying to raise their prices whereever market conditions permit them to do so. To be sure, this is in line with the economic laws according to which they will be running their businesses. But this may be painful for consumers, especially those with smaller incomes. Special pains will have to be taken to look after people with the lowest incomes and that sector of the economy generating services that promote the general welfare, i.e., health care services, the arts, and science. The state will have to regulate the incomes of people in higher income brackets by enforcing appropriate tax policies. This is a role that should be fulfilled by taxes, also including the stabilization tax. The budget deficit for 1981 will amount to approximately ZI 200 billion, and next year it might even climb as high as ZI 500 billion. So, where is the money going to come from to provide funding for health care services, education, and science? To enlarge the deficit would be tantamount to the aggravation of inflationary processes. We will not accomplish anything worthwhile by taking this course. The only solution is to increase production and promote sound management practices.

It is expected that the draft plan for 1982 will consist of two parts, one part that is geared toward the presentation of forecasts and progress reports and another part that is prescriptive in nature. The first part is supposed to contain forecasts of socioeconomic developments and will lay down guideline-type foundations for drafting the provisions of a national plan. This part of the plan will also set forth basic

guidelines that are to govern the drafting of enterprise plans. The second part will consist of the general economic prescriptions of the national plan and working programs dealing with priority social and economic goals.

A special section of the plan will focus on practical programs dealing with priority areas of public life such as nutrition, health care and personal hygiene, apparel, footwear, and products for children and young people, exports, fuels, energy and raw materials, and deliveries designed to meet the needs of national defense and security. The intent of these programs will be to give the Planning Commission and government ministries a direct role in regulating the production of selected goods, thereby guaranteeing deliveries of raw materials, fabricating materials, and energy as well as the generation of foreign exchange earnings. The fulfillment of these tasks will be mandatory in nature.

A Three-phase Plan Drafting Process

At the national level our work on the draft plan is taking place in three phases. The basic underlying principles of the draft version of the national socioeconomic plan have already been written up. These materials have been sent out to the deputies of the Sejm and to more than 120 enterprises as well as to the ministries and national governmental agencies. The next step is for the ministries and banks to work out the detailed aspects of the draft plan. Work on this phase of the drafting process will go on until the middle of November of this year. From there the next step will be to draw up an annual national plan and, after it is reviewed by the Council of Ministers, pass it on to the Sejm by the end of November. So, we are now entering the phase when work on the 1982 plan will reach its peak. This is a plan that will be based on new principles which, as a result of the reform, differ from those followed in the past.

To recapitulate, Poland's economic situation during 1982 will depend on the extent to which we now, during the fall as a part of the nationwide debate on the main objectives of next year's plan, succeed in moving away from the apprehensive forecast and toward the hopeful option. Neither the government nor any one individual can accomplish this by fiat, for this is a true act of choice to be made by all members of society. There is every reason to believe that we should pin our hopes nearer to the optimistic option, and we could even try to transform our shortcomings into a chance for success.

The fact of the matter is, after all, that this inflationary manace hanging over us is nothing more than unrestrained demand, something which is opening up great marketing opportunities for many, many years to come for independent enterprises producing goods that are in demand in the marketplace. The shortage of farm machinery and spare parts is opening up a boom market for many factories which are now faced with the dilemma of what to produce and how to generate enough revenues next year to pay the wages of their employees. Even the shortage of coal, the scarcity of animal fodder, and the paucity of foreign exchange is giving rise to the real imperative to enforce conservation measures, and this in turn gives rise to the need to achieve innovations in the technical and organizational areas.

What is needed most of all is tranquillity. History will judge those who do not want to take advantage of the opportunity to reach a social accord and those who, in pursuit of their own ambitions, are declaring strikes and blocking constructive

action in the economic realm. Let us hope that "Solidarity" officials will bear in mind that their ambitions and "political causes" may soon be transformed into causes that portend starvation for everyone. The worsening of the economic crisis, strikes, and the obstruction of efforts to increase raw materials production are not weapons aimed against the government or against people's power. It is our own nation and our own people that are suffering the greatest harm as a result of all this. It is the duty of the government, it is the duty of everyone who cherishes the well-being of Poland to sound a warning against the consequences of such actions and to find ways to solve our problems.

For the sake of our basic national interests the time has come to put a stop to all this turmoil. It is no longer purely a matter of considerations having to do with the structure of our political order, but also a matter of considerations having to do with our social and, for that matter, biological survival that compel us to take action to prevent the economy from being turned into a proving ground for political and ambition-seeking rivalries.

Parliamentary Committee Presents Opinions

Warsaw TRYBUNA LUDU in Polish 31 Oct 81 p 5

[Edited version of speech by deputy Zenon Komender presenting advisory opinion of the Sejm Economic Planning, Budget, and Finance Committee]

[Text] Deputy Zenon Komender (nonparty member of PAX), in presenting the advisory opinion of the Sejm Economic Planning, Budget, and Finance Committee on the draft version of next year's plan, stated that in the present social situation the degree of uncertainty about how to rate the present state and future potential of the economy is greater than ever before. It is also hard to foresee how the price reform and also the results of the implementation of the economic reform will be received. There is also uncertainty about the reactions of our foreign trading partners to cutbacks in Polish export sales.

The Planning Commission has presented two extreme optional versions of the economic forecast for 1982. It is the opinion of deputies to the Sejm that even the "fearful" option may prove to be too optimistic insofar as nothing is done to overcome destructive tendencies in the realm of public opinion and to initiate policies geared toward the revival of basic sectors of the economy producing goods and services.

So, there is a need to fashion an "option of necessity." The targets of the plan are rightly geared toward satisfying elementary needs for foodstuffs, capital goods for agriculture, medicines, products for children and infants, electric power, and heating fuel for urban and rural residents. Equally important are questions having to do with the balance of payments and, above all, curbing the growth of our debt burden.

The committee acknowledged the validity of upholding principles based on the centralized allocation of basic raw materials and fabricating materials and giving first priority to deliveries for those sectors of the economy which satisfy our most important social and economic needs. On a transitional basis it is also necessary to set directive-type tasks with regard to export sales to countries in payments zone I.

The critical issue of increasing coal production is a duty that must be addressed by the economy as a whole. This is a question of producing capital equipment for the mining industry and of bringing about a genuine improvement in the flow of food supplies to miners and solving social problems, especially so in the case of the housing problems of miners' families.

The volume and structure of agricultural production will also continue to be a crucial question. A profound shift needs to be made in the orientation of the entire economy in favor of agriculture. It is also essential that an effort should be made to establish more orderly ratios between procurement prices and retail prices and the prices of capital goods for agriculture. The price reform must be not only economically efficient, but also socially equitable.

The difficult thing about the formulation of this plan is the attempt to foresee turnover volumes and the balance of payments with foreign trading partners. It is the opinion of the Sejm membership that an effort should be made to devise methods aimed at eliminating constraints on tendencies that favor increased export sales and to strive toward the development of stronger ties with the CEMA countries, especially with the Soviet Union. What is needed most of all is an effort to make the public understand the importance of foreign trade and to generate support for those actions which are extricating from the "indebtedness trap."

Unfortunately, further restrictions are needed in the realm of capital investment. This calls for another review of ongoing capital construction projects and for greater commitments of public financial and material resources, especially so in the realm of housing construction and small-scale manufacturing. In order to make the growth of this latter sector a realistic prospect it is necessary to put a stop to current practices and open up new opportunities for activities in the form of such institutions as worker partnerships, small cooperatives, and so on.

Our drastic economic situation is having an impact on the non-material services sector. Nevertheless, the basic planning goals submitted for our consideration foresee an increase in the share of expenditures on social and cultural services in the national income. However, there is a strong correlation between this increased spending and the rise in rpices and the decline in incomes. It is precisely in this sphere that we can perceive the first signs of the threat of a collapse of the material foundations of our national existence.

In conclusion, I would like to express the belief that the recommendations and observations of the Sejm membership will be taken into account in future work on the national plan and budget for 1982. The Sejm's position on these matters will be spelled out in greater detail during the future deliberations of Sejm committees and intercommittee task forces.

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24 December 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2214

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24 December 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2214

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INVESTMENTS FOR 1981-1985 PLAN DISCUSSED

Tirana RRUGA E PARTISE in Albanian Aug 81 pp 12-19

[Article by Shinasi Dragoti: "The Investments Program for the 7th Five-Year Plan is Daring, but Fully Realizable"]

[Text] The draft directives of the 8th Congress of the Albanian Workers Party (AWP) for the 7th Five-Year Plan (1981-1985), for the economic and cultural development of the People's Socialist Republic of Albania, which were approved by the 10th Plenum of the Party's Central Committee, were received and discussed with revolutionary enthusiasm and extraordinary interest by the whole nation. Communists and workers have been mobilized in order to assimilate the deep political, ideological, and economic content of the draft directives as they apply to our situation today and to the solution of the tasks which confront us in achieving and surpassing the great objectives which are expected to be achieved in the new 5-year plan. This testifies, once again, to the political and ideological maturity, the high socialist consciousness, and revolutionary patriotism of our nation, as well as to the feeling of responsibility which all the workers of the country, headed by the communists, have for the fate of socialist construction, the continued strengthening of the dictatorship of the proletariat, the defense of the fatherland, and the protection of the victories of the revolution from every danger that threatens them. There is no doubt that this kind of understanding and discussion of the draft directives will serve to enrich and perfect them even more.

An important role in achieving the objectives for which the party is striving in the 7th Five-Year Plan will be played by the large investments which are expected to be made in all areas, especially in the branches producing essential materials. In this 5-year plan, the further development of our productive forces and culture, as well as the strengthening of the defense capabilities of the fatherland rely on a broad program of investments and construction. In comparison to the 6th Five-Year Plan, the volume of investments in this 5-year plan is expected to increase by 23 to 25 percent, and that of construction-assembly by 13 percent. As far as quantity is concerned, these investments will be greater than the total achieved by the first four 5-year plans, 1951-1970, taken together. In 1985, the investments for construction are expected to grow 4.3 times more than in 1960, when we were receiving credit from the Soviet Union and the other ex-socialist countries, and by more than 1.2 billion lek more in 1978 when we were receiving credit from China.

The basic characteristics of this imposing plan in the area of investments and basic constructions are: first, the plan will be completely supported by our own internal accumulation, without any credit or support from abroad, by the material and financial resources created by our socialist economy and it will be implemented by our revolutionary and talented masses, specialists, and cadres. Second, the investments will be used primarily in the branches of material production, principally for the development of industry and agriculture, which will utilize 75 percent of the materials produced, further improving the proportion of their distribution between the productive and the nonproductive spheres. Third, in order to ensure the high and accelerated effectiveness of the plans, it is expected that investments will be funnelled primarily to the most important works which will affect the rapid growth of industrial and agricultural production. Within this framework, attention will be concentrated on expanding and reconstructing the production capabilities of our existing industries, which will increase, at a faster rate, the activity of our basic funds, our machinery, and our supplies. This investment program, more than any other 5-year plan, is distinguished by qualitative changes in the field of improved technology.

According to the draft directives, during this 5-year period, the construction of important industrial projects will continue. A forward thrust will be given to the development of the energy industry. Important tasks confront the construction workers for the completion of work in the "Light of the Party" hydroelectric power plant and for the construction of the hydroelectric power plant in Koman, a project which will have the greatest hydroelectric power capacity of anything that has been constructed in our country to date. The construction of this work will bring to an end the most difficult and vital tasks of the hydroelectric power system of the river Drin. The construction of three consecutive waterfalls on this river, in Vau e Dejes, Koman, and Fierze, not only increases the amount of electrical energy and lowers the price of every kilowatt-hour produced but, also, raises its quality considerably. On the other hand, substantial favorable conditions are created for utilizing the lakes for ferrying and fishing, which will raise the effectiveness of the investments that have been made and will continue to be made. The implementation of the program for the completion of the "Steel of the Party" plant and other industrial works will continue. An important work program for agriculture will be the construction of water projects which will increase the present irrigation ability by an additional 44 to 45 thousand hectares, principally in hilly and mountain areas. This will bring about a considerable decrease in the damaging effects of drought on agricultural crops in these areas. The plan for the construction of 50,000 apartments by the state and 31,000 residences by the farmers themselves, expresses once more the great and continued attention the party has shown to improving the living conditions of the workers in the cities and the villages, where today more than 80 percent of our population lives in new buildings constructed during the period of the people's government.

The realization of such an investment program requires greater mobilization based on more scientific work by the specialists, the cadres, and all the construction workers so that they can confront the large volume of investments at rapid rates and overcome the difficulties that will be encountered in the field of reconstruction, in the construction of those industrial works which require planning and studies, in the production of machinery and equipment, as well as

in the construction-assembly of machinery unknown to our workers until now. It is our duty to study and draft these works on the basis of advanced technology and to prepare designs and estimates based on scientific technical-economic norms. The workers in the scientific research and design institutes, investors and implementors have the task of selecting the most rational construction projects using advanced methods in their calculations, and constructing them at the lowest possible cost and with the highest possible quality.

The attainment of these objectives is not simply a dream. These objectives have been studied, calculated, and supported scientifically. The possibility of attaining the tasks in this area is based, among other things, on convincing factual data from the glorious 37-year history of socialist construction in our country and from the rapid rate of growth of constructions from one 5-year period to another. In comparison with the first 5-year period, the volume of state construction increased, roughly, as follows: in the second 5-year period, by 60 percent; in the third, by 2.5 times; in the fourth, 3.9 times; in the fifty, 6.1 times; in the sixth, 7.9 times; and in the seventh 5-year period, it is expected to increase 10 times. However, the building capacity of the country is even greater if we add to government construction the construction which is being done and will continue to be done by agricultural cooperatives with their own financial resources. These results testify to the rapid growth rates which actually exist. Therefore, the forecasts for the 7th Five-Year Plan are realistic and they have a basis; they certainly are difficult, but they are fully realizable.

Because of the great and continuous care the party has shown, from the first days of the liberation up to the present, gradually, with effort, sweat, and innumerable difficulties, a great potential of abilities to build has been created. Foreign friends and well-wishers who have visited our country have acknowledged that Albania has, in truth, become a huge construction site. Furthermore, numerous foreign specialists, who have come to our country on the basis of contracts and agreements for the construction-assembly of machinery and spare parts for industrial works, have been forced to accept and acknowledge, in their own words, the rapid pace of construction, the professional ability and the technico-scientific talent of our craftsmen, specialists, and cadres. In the 7th Five-Year Plan, this construction skill possessed by our nation will be raised to a higher level. Young specialists and cadres will be added to the great army of builders. The mechanization of work will increase further. Advanced methods for the management and organization of construction work will be expanded and be perfected. Huge reserves will be created to increase this building potential by implementing programs that have been drafted to achieve the very important tasks laid down by the 8th Plenum of the Central Committee of the Party for the development of science and technology.

The building materials industry will develop greatly, which will assure the builders a greater material base than they had during the preceding 5-year period. Production from this industry in 1985 will be 24 percent higher than in 1980. In this way, not only will the needs of construction and the people be fulfilled better with such materials, but the volume of goods for export also will grow. New brick manufacturing factories are being built and will continue to be built; by 1985, there will be factories of this kind in 22 districts out

of a total of 26. Due to the development of the ferrous metallurgical industry, the construction and assembly operations will be relieved considerably of the burden of having to import iron which is used in construction, in the manufacture of galvanized sheet metal and shaped iron. The public discussion of the draft directives is opening new horizons for the development of this industry in increased variety as well as improvements in the quality of products as it is projected for the 7th Five-Year Plan. These and other facts are proof of the great capabilities which have been created so far, and will continue to be created in the course of the new 5-year period in order to confront successfully the ever-increasing tasks in the field of construction. It would be misleading and very harmful to think that these tasks will be achieved easily, without difficulties and obstacles.

It is a fact that the basic investment plans, as well as the whole 5-year plan for the economic and cultural development of the country is the most thoroughly studied and documented of all 5-year plans; however, the complete implementation of the plan, in every part and every special link, requires the kind of organization never seen before, it requires continuous effort and struggle in order to surmount the obstacles and difficulties of growth, and even those obstacles that are not dependent on us, but are created by the conditions of the imperialist-revisionist encirclement and blockade and by the general economic and political crisis which has surrounded the capitalist bourgeois-revisionist world. For this reason, the 10th Plenum of the Central Committee of the Party focused the attention of the communists, the cadres, the working class, the village cooperatives, and all the workers on correctly evaluating the duties laid down by the draft directives; to evaluate the conditions under which they are to be achieved and to utilize with the utmost efficiency all the capabilities which we possess and all those that will be created. It is very important to create a correct understanding and a high feeling of responsibility for a strong regimen of thrift and an increased efficiency in spending, without which the program of accumulation and, as a result, the program of the investments cannot be realized.

The call the central committee of the party has sent to all workers to take part in the discussion of the tasks laid down by the draft directives of the 7th Five-Year Plan has become a powerful drive to uncover new reserves and to define concrete paths for their proper utilization. Not only can these reserves be found by isolating the deficiencies that exist in the areas of management and organization but they also can be produced by the creative work of the working masses, by advanced experience, and by the adoption and implementation of the new discoveries of science and technology. The reserves are often hidden in the breasts of the working masses; and at specific moments, especially when revolutionary situations arise, they come forth and express themselves in all their intensity and grandeur. Such, for example, was the case for many of our workers, cadres, and specialists who did not believe they were capable of completing or building the works planned or left unfinished by the Chinese revisionists; however, when the party called on them, they unleashed all their energies and all their creative technical and scientific skills and built the projects even better than had been expected. Let this marvelous revolutionary experience be worthy of answering properly the call made by the Central Committee of the Party now, on the occasion of the discussion of the draft directives of the 7th Five-Year Plan.

Much has been said about the hidden reserves which exist in construction to lower costs and raise the effecti-eness of investments. Nevertheless, it would be well for us now, on the occasion of the discussions of the draft directives to remember them and evaluate them better. The fact is that, during the preceding 5-year period, work did not progress in the proper direction, especially where the concentration of labor and material resources for the work was concerned. In addition, sufficient measures were not taken for the rational utilization of heavy machinery and other means of construction, for the regular supply of construction materials, and for the timely solution of other problems connected with the completion and delivery time of the finished works. The analyses which were made by the party organizations, the trade union organizations, state and economic organs, the design and construction institutes, and the building materials industry have provided date which show that funds in construction are not always used with necessary thrift and care. In order to prevent the cases where, as Comrade Hoxha points out, there is "aimless use of funds", it is necessary that, in studying and planning construction projects, communists, cadres, and specialists show great care and plan with a tight hand. Experience shows that, to a great extent, the cost of projects depends on the kind of work these people do. The more rational the technological concept and structural content of a work or object, the more rational is the use of the monetary funds and materials. For example, from studies made by the Ministry of Construction, it was found that using reinforced concrete frames and perforated bricks in the construction of residential buildings reduced the weight of the building by 30 percent; the transportation of materials by 40 percent, and reduced labor needs by another 30 percent. These finding substantially lower the costs of residential buildings. The use of more advanced technology for the construction and assembly of the new thermoelectric power plant in Fier made it possible to lower the investment per kilowatt of electrical energy installed to 450 lek when it used to be 1100 lek. There are many such examples. Therefore, the 8th Plenum of the Central Committee of the Party set down the important tasks for the adoption, development, and implementation of advanced science and technology; for strengthening the institutions and organizations responsible for the study and draft of the plan with the most qualified and responsible cadres. The measures which have been taken and will continue to be taken to achieve the duties of the plenum are another important factor of special importance in discovering capabilities and in actually reducing monetary and material expenses in construction.

A long time ago, the party set down directives for the production of light construction materials which, when used, lower the cost of transportation and the weight of constructions and raise labor productivity. The implementation of this directive by the workers in the construction material industry has shown encouraging results in the production of prestressed reinforced concrete ceiling foundations and so on. These instances are rare when one thinks of the great opportunities that exist in our construction material industry. Even today, the capability exists to raise considerably the amount and variety of perforated bricks for walls, for ceilings, and for other kinds of construction; the profitability of using this kind of brick is easy to evaluate. A study by the Institute of Technological Research and Studies in Construction showed that, by replacing solid bricks with perforated bricks in social and cultural constructions, usually put up every year in areas subject to earthquakes, there would be a savings of 50 million regular bricks, which would require 800 people

to work 1 year to produce them; it would save 3.5 million kilowatts of electrical energy, 31,000 tons of coal, 670 cubic meters of lumber, and so on. This is a reserve that is available today. The 8th Plenum of the Central Committee of the AWP stressed that transforming the construction material industry from a relatively backward to a more advanced state will create other and bigger savings; this will lower not only production costs but, also, the construction costs and increase the effectiveness of investments in general.

It is a fact that, due to the party's careful attention, great progress has been made in the study and design of the most varied and most difficult projects. This is an important victory which in no way should lead us to euphoria or self-satisfaction, because the failure to complete projects on time, which has happened quite frequently up to now, results in substantial irregularities and obstacles in the completion of the construction plans. The failure to complete projects on time hinders considerably, among other things, the organization and management of work in the construction area which leads to the ineffective use of labor and the irrational use of the material and technical bases. These late deliveries become the reason for certain other erroneous manifestations and practices, such as becoming involved in too many projects, the violation of planned deadlines, and other phenomena with harmful technical and economic consequences.

The implementation of the task laid down by the Seventh Party Congress--which has been endorsed in the planning methodology--of providing designs and estimates for works, with options, before they have been included in the plan, becomes even more difficult now that all the studies and designs for industrial projects, large and small, are realized completely by our own special, technological and scientific forces. Therefore, in conjunction with the measures that have been taken and are being taken, such as the further revitalization of the institutes for construction and design and technological institutes, the setting up of new technological institutes and other organizations, of great importance are the measures to raise the effectiveness of studies and designs. We have to admit that we lack neither the capacity nor the experience to do this.

Some years ago, we only had a few planning cadres; today, hundreds of them are engaged in this kind of work in different planning institutes and organizations, and the capabilities exist, should the need arise, to increase this number by hundreds. Now it is possible to plan domestically, with our own forces, for all the projects that are needed by our economy and our society. In the last few years, we have gained a great deal of experience in planning for large industrial projects, not only construction-wise but technologically as well; studying, planning, and producing, with our own forces, machinery and equipment. The more than 50 percent increase in the 7th Five-Year Plan, as compared to the 6th Five-Year Plan, for the production, domestically, of machinery and equipment used in the development of industry, is due entirely to this valuable revolutionary experience that we have gained.

It is very necessary, among other things, to further improve urban studies and design activities. There is no objective reason why builders cannot be provided, on time, with complete designs for houses, gardens, nurseries, schools, hospitals, roads, and canals in cities and other inhabited areas. The fact is that, in this 5-year plan, we anticipate having 65 percent more investments allotted

for the communal sector than in the 6th Five-Year Plan. The construction of about 50,000 more apartments and other projects requires that urban planning problems receive the serious attention of the Ministry of Construction, the Ministry of Communal Economy, and the executive committees of the people's councils in the districts. Here we have to deal with further important changes in urban construction. We have to deal with housing and securing other vital needs for about 250,000 inhabitants, that is to say, four-and-a-half times, or seven-and-a-half times more inhabitants than in the cities of Vlore and Berat, respectively. The problem is to know how our cities will develop and grow, how will this urban, esthetic, technological, and economic construction present itself. The development of our cities can no longer be planned partially, without having a master plan based on scientific foundations and without clear perspectives being kept in mind at every step of our urban construction. Now many cities, especially Tirana, have need of more complex operations in the demolition of other buildings, otherwise it would be necessary to enlarge their surface area, which is uneconomical from every respect.

Respecting and shortening the construction deadlines plays an important part in raising the effectiveness of capital investments. Therefore, in order to respect and shorten the deadlines for construction projects, special care and attention is required in establishing the work for managing and organizing the enterprises and all the construction sites. The construction of every project is a link in that chain that is the single state plan. Every extension of the deadline has its own negative influences in the effective fulfillment of this plan and in maintaining the proportions which have been calculated between the branches and the different indicators of economic development. It affects the program for the accumulation of funds, which is the only base on which the bulk of other investments and expenses can rely for implementing the 7th Five-Year Plan, which will be approved by the Eighth Congress of the AWP. Therefore, the workers responsible for the implementation of the plan have the important task and responsibility of respecting the planned deadlines in the construction of projects, and even shortening them. Moreover, this can be achieved by a strong dependence on the advanced experience of the construction enterprises themselves. The examples are numerous, now and in the past, for the completion of projects in record time. Such an example is the construction of the second furnace in the metallurgical plant "Steel of the Party", which was completed almost twice as fast as the first furnace, and this was done entirely with our own forces. Without mentioning here the experiences gained from organizing and managing the work of eradicating the consequences of the earthquake, when the pace of construction for the completion of one residence was about 30 hours per unit.

Problems of this kind are the objects of heated discussions which are taking place in the midst of the workers collectives for construction and planning, the workers in the construction materials industry, and other workers' collectives whose work is responsible, to a great degree, for the realization of the investment plan. It is the task of the basic party organization to organize and guide correctly to its conclusion this broad popular discussion which discovers new important reserves to increase the effectiveness of the investments expected to be realized in the course of this 5-year plan. There is no doubt that the construction workers and the workers in the construction material industry will greet the Eighth Party Congress and the great jubilee of the 40th anniversary of its foundation with a positive balance by fulfilling all the duties of the plan for this year, as well as further improving the indicators of the 5-year plan which will be approved by the Eighth Congress of the AWP.

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NEW TASKS OF ECONOMIC, FINANCIAL PLANNING ORGANS

Tirana RRUGA E PARTISE in Albanian Aug 81 pp 29-36

[Article by Bujar Kolaneci: "The Improvement of the Efficiency Indicators Presents Special Tasks for the Planning Organizations"]

[Text] The draft directives of the 8th Congress of the Party for the 7th Five-Year Plan, for the economic and cultural development of the People's Socialist Republic of Albania, have given a new impetus to the creative and innovative ideas of the working masses which are helping to improve the planning indicators and to increase the level of guarantees for their fulfillment.

One of the principal objectives of this broad popular discussion on the draft directives, Comrade Enver Hoxha stressed at the Tenth Plenum of the Central Committee of the Party, is to explain correctly and to imprint in the minds of everyone that the accomplishment of tasks in this 5-year plan requires, more than ever before, the need to discover and mobilize internal reserves, which exist and grow continuously in the heart of our socialist economy.

The attainment of this objective requires all-round explanatory work and the mobilization and organization of the party organs and organizations and, under their leadership, of all the state and economic organs, the mass organizations, and the scientific institutions and organizations. However, there are specific tasks in this area for the specialized planning organizations. Parallel to the great work that is being done by the party organs and organizations and all their levers to carry out success fully the activity of the people's discussion of the draft directives, the planning organs, in all instances, are taking part in a special activity to explain and specify the indicators of the draft plan for the 7th Five-Year Plan down to the smallest units of production and to reflect in the plan the changes that are being proposed and suggested by the working masses.

Meanwhile, the analyses are becoming more profound and different economic and financial studies are being completed which discover new capabilities and reserves to increase production and to improve other indicators of the economic and financial plans.

Good work in this area is being done by the finance and planning sections of the executive committees of the people's councils in the districts of Shkoder, Korce, and Tirana, as well as the finance and planning branches of the "steel of the

party" metallurgical plant in Elbasan, the auto part and knit wear enterprise in Shkoder, the "Misto Mame" wood processing combine, the meat and milk processing plant in Tirana, the textile mill in Berat, and many economic enterprises and agricultural cooperatives in different districts of the country. The positive results of their work speak, among other things, of the important function played by healthy economic thought when it is activated and deeply involved in the scientific treatment and solution of the problems of developing the economy, so that the economic-production and financial activity of the enterprises, the agricultural cooperatives, the districts, and the centralized government departments can be organized, managed, and achieved on the basis of the demands of the objective economic laws of socialism and on the principles of the Marxist-Leninist construction of our socialist society.

The newest experience, the discussion by the people of the draft directives of the Eighth Congress of the Party of the 7th Five-Year Plan, shows that the execution of a complete and deep analysis to recognize the present achievements in production, in technology, and in the matter of their economic efficiency--in order to uncover the conditions under which these results have been achieved and to see the difficulties that have been overcome, the advanced experience that has been gained, the deficiencies and weaknesses that have been noticed and their causes and to define the paths that must be followed and the measures that must be taken to isolate them--is a very important condition for organizing and realizing a more fruitful discussion of the new duties of the plan. It is a fact that whenever these analyses were made, and the workers became aware of the principal conclusions from these analyses during the discussions of the draft directives, a good number of ideas and proposals emerged to increase work efficiency, production, the range of varieties, savings of raw materials and other essential materials, to increase savings of combustible materials and electrical energy and to help solve many other problems. The fact remains that these analyses, whose conclusions open up horizons for the workers, the cooperative farmers, the technicians, and the specialists, should become a standard rule of work for the managers, the economic and government organs, and the planning and financial organizations; and these organizations must strip them of any kind of formality or shallow work. We emphasize this because, during the preparations and the development of discussions of the draft directives with the masses, there were instances in which certain planning and financial organs in the districts, in economic enterprises and agricultural cooperatives did formal and shallow work: analyzing mechanically the figures of the draft plans for sectors, units, and brigades without first making analyses, generalizing positive experience, and without exposing proven weaknesses and defects, in other words, without uncovering all the possibilities and reserves that exist.

Comrade Enver Hoxha's recommendation that "today great opportunities have been created to enable creative innovative ideas to serve the economic development" does not only apply to the workers, the cooperative farmers, the engineers, agronomists, technicians, and other specialists but, also, to economists and financial experts regardless of where they work. The area for the blossoming of their creative economic thought is broad because the economic productive and financial activity of the enterprises, the cooperatives and the districts and economic branches where they work is the same. No technical or scientific problem can be separated from the economic and financial problems. It is a fact that, in enterprises and agricultural cooperatives, this creative innovative

thought is breaking through boldly in the discussions of the draft directives and is being raised to even a higher level. The task of the planning organs is to learn to recognize innovative thought; look at it closely; support, perfect, and apply it with reliance on their own economic studies; opening for it the broadest possible path among the plans that are being drafted.

The financial and economic planning organs have the important duties of studying, discussing, and scientifically debating all the phases of broad socialist reproduction, relying on the demands of the objective economic laws of socialism, because, only be an in-depth knowledge of the demands of economic laws and by harmonizing and reflecting them in the plans of every enterprise and cooperative, even to the branch level and through all the economy, can we secure rapid growth, an optimal rate of broad socialist reproduction, and in increase in the efficiency of social productivity.

Within this framework, the role of economists and the planning and financial organs is irreplaceable. Their task, through complex economic and financial studies and analyses, is to bring forth scientifically based reasonings in order to open horizons which encourage discussion at the brigade, department, enterprise, and cooperative levels to discover, mobilize, and utilize all the internal sources and reserves which will lead to the most rapid growth of social efficiency and production.

Within the conditions existing in our country where the population increases at a rapid rate, higher than in any other country in Europe, and when it is foreseen that, in the course of the 7th Five-Year Plan, the income revenue for each individual will increase by 8 or 10 percent, the need to continue to keep and improve the rate of production growth, to keep the growth of the gross social product always several times greater than the rate of growth of the population, constitutes an objective necessity without which we cannot guarantee the accumulations needed to expand production and the nonproductive sphere; nor can there be an increase of reserves or a gradual improvement in the well-being of the masses. In the same way, experience shows that the rate of growth of social productivity is decisive in the growth of its effectiveness. Therefore, the task of the economic and financial planning organs is to concentrate their attention on realizing and improving the indicators which reveal the proportions between the different areas of the expanded socialist reproduction, such as the net production increases versus the general social increases, the ratio of products for society to personal products, the portion of workers in the material producing areas versus that of workers in the cultural and social areas, and so on. These and other ratios, which, together with the tasks defined in the draft directives, were determined to the optimum relations, as they apply to the whole economy and all its branches, must become objects of profound study in order to realize and improve them in every link of production, in every enterprise and cooperative, and in every district.

Naturally, the planning organs, in order to be able to achieve a task of this kind, must make sure that the workers, besides having a broad economic concept, have a detailed knowledge of the production capabilities of the enterprise or cooperative and actually know, by following the problem closely, how much and how to utilize these capabilities. Only then will they be in a position to make

well-founded, deep, and realistic analyses; to discover the pluses and the minuses, the reserves that have not been utilized; and determine the most effective way of using them. Only in this way can they provide strong support in the struggle against that negative tendency which continues to be present among certain workers who, "to be on the safe side" and not to create problems, withhold reserves for themselves, covering up the deficiencies of their organizational and managerial work. Their purpose is to prevent the planning of the maximum utilization of every technological line, of every piece of machinery and equipment; they do not want to undertake tasks that are always on the increase based on exploiting all the capabilities that exist and are continuously created by our dynamic development. It is imperative to work resolutely and struggle in this field so that we can respond to the fulfillment of tasks defined in the draft directives of the Eighth Congress that 80 percent of the overall industrial production growth in the 7th Five-Year Plan must be assured from the complete utilization of the existing production capabilities and from the planned reconstruction and expansion. It is very clear that the fulfillment of this duty makes it absolutely necessary, above everything else, to utilize fully, not only small units and production lines, but every piece of machinery as well. In order to do this, there is need for important, continuous, and very responsible work beginning with the planning stage, up to and including the implementation stages.

The growth of the effectiveness of social production, based on maintaining and improving the proportions anticipated for the 7th Five-Year Plan, is connected organizally with lowering the expenses for production materials, which currently constitute 58 to 60 percent of the expenditures of the total social product and, in some branches and sectors of the economy, 70 to 80 percent or more of the production costs.

Apart from the fact that there is a continuing requirement and obligation to lower the costs of production materials to increase efficiency, this problem confronts us, with greater intensity, within the special conditions of drafting and fulfilling the 7th Five-Year Plan by relying completely on our own forces at a time when the prices of resources and raw materials, which we have to import, are increasing continuously; and, due to the expanding dimensions of our economic reproduction, a decrease of every percentage point in the cost of materials for production represents hundreds of millions of leks in savings.

Lowering the costs of production is a public duty which can be realized in all the phases of economic reproduction, in every production unit, and every work process. However, the duty of the planning and financial organs is to carry out extensive analyses so that sound foundations for the rational use of material and monetary resources are laid beginning with the planning stage. It is essential to strengthen the mobilizing character of the cost indicators, because a reduction in the cost indicators for the 7th Five-Year Plan would ensure the greatest amount of net revenue for the enterprises.

The achievements for this year show that the capabilities and reserves in this direction are very great. As a result of the good work that is being done to monitor and fulfill the cost plans and as a result of the measures which continue to be taken, based on periodic analyses, during the first 6 months of 1981,

production costs have been reduced by some 10 million lek below the planned estimates. Meanwhile, due to the deficits created in fulfilling the production plan, as well as the failure to implement a strong savings regimen and insufficient controls on spending, a substantial number of enterprises have shown increases in production costs during this period.

Although, during the debates on the draft directives there were examples of serious, profound work on lowering the costs of production, construction, and serfices in general and the costs of material expenses in particular, there also were many instances of superficial and formal work. As a consequence of the discussions on the draft directives and the preparation of the draft plan for 1982, it was found that certain enterprises had not kept in sight, as they should have done, the guidelines given to reduce costs. Thus, the cost plan presented by some enterprises reflects only the improvements that have been achieved until now while implementing the duties of the plan, whereas the achievements which will be assured by the improvement of the socialist organization of work, by the deepening of the technical and scientific revolution, from which profound changes are expected to take place in the norms for the use of raw materials, by the replacement of imported raw materials with domestic raw materials, by replacing those that are costly and cause deficits by less costly ones, by putting aside "leftovers" and "throwaways" and changing them into useful profitable items, are not reflected at the proper level in the draft plan. In addition, in some enterprises, the analysis of the plan has not been supported by all the realistic factors which ensure a reduction in costs. In the construction material enterprise in Shkoder, for example, 81 percent of the plan for lowering costs is expected to be achieved from reductions made at the sector level; in the "Ali Kelmendi" food combine in Tirana, the reduction in costs is expected to be achieved at the 63 percent level by an overall reduction of expenses in the enterprise and the sectors, when it is well known that the overall expenses of the enterprise and the sector only account for a relatively small amount of the production costs. Likewise, in the electromechanical and "Dinamo" plants in Tirana, the cost problem has not been solved according to specific products and according to each sector.

From these defects and weaknesses in the work of handling, planning, and observing the implementation of the cost plan, we see the insufficient work done by some planning and financial organizations in not implementing strictly the planning methodology. They must improve their work in this direction by learning about and realistically monitoring and analyzing the situation, recommending areas which need the most attention in reducing costs. They should give the workers a clear explanation in regard to the cost structures, showing which of its elements are the most important in the overall spending program, so that, in the implementation of the plan, the workers will concentrate their attention on areas that are the most cost effective. The problems of reducing production expenses begin and become fixed at the basic unit level. In every link of production, the capabilities exist to save on material, resources, and manpower with better organization. However, the ministries and other central institutions, in particular, their planning organs, have a special duty to study better than they have done so far, the problem of the specialization and coordination of production and the ensure the most effective use of basic funds, raw materials, and other essential materials; to increase quality in production and changes in the

manufacture of products which will lead to a decrease in the need for raw materials; encourage the most rational distribution of products which will keep to a minimum the damage done to raw materials and other essential materials and goods and save on transportation; and so on. Thus, we should regard the matter of increasing the economic efficiency of production as a problem which is not restricted solely to the enterprise or the agricultural cooperative but as a much broader problem which includes the districts, the economic branches, the ministries, and all our people's economy in general.

In order to increase economic efficiency, very important duties are assigned to the improvement of the social productivity of labor, as the single-most important way to achieve the rational utilization of labor resources, with high effectiveness. The increase of work productivity is the principal factor needed to increase social production in general and in every economic enterprise and agricultural cooperative, in particular. Therefore, the planning organs and all the management cadres, specialists and technicians in enterprises, cooperatives, in the districts and the central government departments, must make a better contribution in this area than they have done in the past. It is our duty to find in every link of our economy ways and means which will lead to the improvement of the labor productivity indicators so that concrete measures can be defined and taken to raise the technical and professional level of the workers, to raise the technological level of work, to improve the existing technology or to replace old technology with new and more advanced technology, to support these measures with the necessary technical and material bases and the proper financial funds, to strengthen those ties that are created by cooperation between enterprises, and to solve many other problems which arise in the process of organizing and managing work and production.

As the mass discussions of the draft directives of the Eighth Party Congress for the 7th Five-Year Plan revealed, in order to bring the social productivity of labor up to a level which will account for 44 to 46 percent of the increase in the total social product for 1985 compared to 1980, special importance is given to the measures to increase the levels of mechanization and to improve production technology and other measures to introduce in production the latest scientific and technological methods, since it is through improvements of this nature that we expect to achieve a 50 percent growth in the social productivity of labor in the course of the 5-year plan. Therefore, it is necessary that the planning organs in every link, and in cooperation with workers and technicians, think deeply and seriously of turning their attention to these problems and defining concrete tasks, by relying in everything on their own forces, on the creative ideas of the workers, on their own advanced experience, and on the experience of other working collectives.

Within the framework of the discussions on the draft directives, in order to raise labor productivity, special and careful attention should be concentrated on matters that deal with the further improvement of the socialist organization of work, by relying on norms for the assessment of work in general and on setting technical work norms in particular. Much remains to be accomplished in this area, especially as far as the technical norms are concerned. This conclusion is derived not only from the fact that work norms are still statistical but, also, because work norms, even technological ones, represent one of the

most dynamic elements in organization, which depends on many ideological, social, technological, and organizational factors. It is for this reason that technological norms become antiquated and do not always represent the real capabilities. Therefore, they must be corrected from time to time, as is happening everywhere right now, in the discussions of the draft directives, by supporting, upholding, encouraging, and establishing the workers proposals and initiatives in this area which is helping to improve the production and labor productivity indicators forecast in the draft plan for the 7th Five-Year Plan.

The draft directives anticipate that, by the end of 1985, around 90 percent of the workers will be working with norms, while the actual work time worked with technological norms will account for 75 percent of the total working hours. These developments in working with norms will serve, first of all, to define even more exactly the amount of hours worked and, on this basis, the amount of compensation for it. This also will regulate certain disproportions, which are seen in certain enterprises and cooperatives, between production growths, on one hand, work productivity, pay funds, and average wages, on the other hand.

The experience gained in many enterprises and cooperatives, such as the "Petro Papi" instrument plant in Korce, the "Stalin" textile mill in Tirana, the wire factory in Shkoder, the iron and nickel mines in Perrenjas, the Rubik geological enterprise, the agricultural enterprise in Lukove, the "Progress" cooperative in Elbasan, and many others, confronts the planning organs at the grassroots and at headquarters with the current task of generalizing and better organizing the work in other enterprises and, especially, standardizing manpower expenditures per unit of product for the same work process and taking measures which will lead to a fuller activization of the factors responsible for influencing increases in work productivity. Greater care also must be given to improve the more rational use of working time by leading workers, who are directly responsible for the fulfillment of the plan and for keeping the workers in departments and subsectors and technical, administrative, and economic personnel fully supplied with work at all times.

We are in the first year of the 7th Five-Year Plan. Therefore, the work for achieving the tasks of this 5-year plan has begun. They are important and considerable in range but fully realizable because they are, more than ever before, scientifically based; the tasks were set and defined after massive all-round studies, evaluation, calculations, and consultations in all their links, persistently and for an extended length of time. The conditions, the real capabilities, and the ways to achieve them are being evidenced once more in the discussions of the draft directives by the people.

Naturally, difficulties in fulfilling these tasks exist and will continue to exist; therefore, a greater, more comprehensive mobilization of the creative realizable energies is required, based on exemplary organizations and steel-like discipline. Within this framework, the planning organs at headquarters and at the grassroots have important duties; they have the task of monitoring, step by step, the entire process of implementing and realizing the tasks of the plan.

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BRIEFS

GRAIN SHORTFALL IN SLOVAKIA--According to current agricultural production figures on grain production in 1981, Slovakia has suffered a shortfall of over 645,000 tons of grain. Premature ripening of corn during the summer caused production loss from 2,700 hectares of corn. Sowing of winter grain has been successfully completed; 102 percent of planned wheat, 103.2 percent of rye and 108 percent of barley have been sown. Winter mixtures have been sown on 48,200 hectares, which is 115.6 percent of planned sowing. Wheat has been sown on 398,200 hectares. Compared with 1980 winter crop sowing, 46,700 hectares more have been sown in 1981. In response to recently adopted agricultural measures to reduce the number of pigs, 27,600 sows with low meat yield have been identified for slaughtering in the SSR by 15 December. [Bratislava ROLNICKE NOVINY in Slovak 9 Dec 81 p 1]

PIONEERS COLLECT WASTE BREAD--Members of the Pioneer youth organization have been making door-to-door household collection of dry bread in Stod, Plzen-South District. The bread is used as fodder for pigs at a local state farm. [Prague ZEMEDELSKE NOVINY in Czech 9 Dec 81 p 4]

CSO: 2400/94

ENERGY MANAGEMENT, CONSERVATION MEASURES EXAMINED

Budapest FIGYELO in Hungarian No 44, 4 Nov 81 p 7

[Report by Szoke: "A Quick Look at the Conservation Program"]

[Text] Those who know what kind of burden the 10-billion-forint energy investments are for the national economy and what kind of negative effect imported energy has on our foreign trade balance must see the significance of even a 1-percent conservation of energy in the country's energy consumption or in the imports of crude oil and crude oil products. Huge sums are involved here, as the 1 percent mentioned is equivalent to about $70 million worth of crude oil. It is understandable, then, that the results of the energy conservation program, ratified in 1980 by the parliament's industrial committee, drew considerable interest.

This program set a double goal for our energy management: on the one hand, it was supposed to slow down the rate of increase in energy consumption; on the other hand, it was supposed to change the structure of energy consumption and energy resources so that the consumption of domestic energy sources (coal, natural gas, and nuclear power) would increase and that of liquid hydrocarbons would proportionately decrease.

The program allotted 30 billion forints for investments during the plan period. Of this, 15 billion is allotted for large state investments (e.g., the construction of a cracking plant, which would make crude oil processing more efficient; an increase in natural gas supplies, etc.). The other half is for investments in energy rationalization at the enterprise level (this includes a 6.4-billion-forint state subsidy, 8.6 billion forints worth of bank credits, and the enterprises' own resources). In November of the past year, a competition was announced for ideas on the possibilities of using state subsidy and credit; the normative requirements of access to these means of financing was set at that time.

During the year that went by since then, 198 bank contracts on energy rationalization were signed in the value of more than 4 billion forints; and 16 enterprises are implementing investment projects worth 630 million forints, using their own resources without any outside help. At the enterprise level, these investments will make it possible to conserve an amount of energy that is equivalent to about 0.7 percent of the country's present energy consumption. In

addition, the investment projects mentioned, which have been started already, will also help the substitution of a significant amount of heating oil and cokes with other energy sources.

The next year will probably see an increase in loan contracts involving enterprise energy rationalization programs, i.e., the start of investment projects; if we reckon with the fact that the average time required for the completion of these investment projects is 1.5 to 2 years, then the entire 15 billion must be contracted by the end of 1983. In order to achieve this, the enterprise involved also must speed up the making of their proposals regarding energy conservation, the decrease of specific use of energy, and the change to economical fuels.

At the meeting of the parliament's industrial committee, Dr. László Kapolyi, state secretary of the Ministry of Industry, reported that, although only a fraction of the investment projects specified in the energy conservation program has been completed, there are already significant results. In spite of an expected economic growth of 2 percent, the country's energy consumption is expected to be 1 percent lower this year than last year. Consumption is thus about 3 percent lower than specified in the Sixth Five-Year National Economic Plan which, it is true, reckoned with a somewhat faster economic growth than it is expected now. According to estimates, the increase of next year's energy consumption also will be only 1 percent, i.e., half of the annual increase of about 2 percent specified in the 5-year plan.

The decrease in energy consumption is mainly the result of a slower economic growth, but the effect of the change in the structure and a decreased production of energy-intensive products also is significant. The energy rationalization investments are larger than expected; this also is true of the initial results of organizational measures which were greatly supported by the new pricing regulations.

In addition to slowing down the growth of energy consumption, the government's energy program also is supposed to change the energy structure in a way that makes it possible to decrease crude oil and crude oil product imports. As a result of such efforts, the consumption of domestic energy sources increased in the entire consumption by a few tenths of 1 percent, probably reaching 48.4 percent this year. In examining the data of the last 4 years, however, it becomes apparent that imports are still growing; however, imports of crude oil are not increasing but, rather, those of electric power and natural gas which make our energy structure more economical.

The reason why it is important to emphasize all this is that the favorable effects of the conservation measures and structural changes have been apparent in our energy management ever since 1979. One of the results is, for example, that it has been possible to decrease the proportion of crude oil and crude oil products from 40.7 percent in 1978 to about 33.4 percent next year. This means that in 1982 we will use about 2 million tons less crude oil than in 1980 and, of course, our crude oil imports will decrease by the same amount.

In order to make energy imports less of a burden on the national economy, it will be imperative next year to extend and speed up the energy rationalization

program--as stated in the resolution passed at the last meeting of the Council of Ministers. In addition to the results achieved by measures in organization and simple conservation, and maintaining the better-than-expected results, further possibilities of conservation and structure improvement must be found. We must reckon with the fact, however, that the possibilities of conservation without investments, only through organizational measures, are going to decrease in the future. This is why we must not forget that the efforts to improve energy management and to decrease imports require an appropriate regrouping of significant financial and spiritual resources. We must add that the domestic energy investments have a significantly lower-than-average rate of return. This presents a formidable task not only for the enterprises but also for the supervisory and functional management organs, for the specified rate of economic growth also must be attained at the same time.

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AGRICULTURAL ACHIEVEMENTS, PROSPECTS ASSESSED

Budapest MAGYAR HIRLAP in Hungarian 8 Dec 81 p 7

[Text] Agriculture will increase production by 4-4.5 percent next year. The national economic plan calls for a greater increase in crop production and a lesser one in the case of livestock according to a report of the agricultural committee at yesterday's session of the national assembly. Under the chairmanship of Dr Laszlo Cselotei, the representatives analyzed the agricultural section of the economic plan in detail. Debates revealed that inclement weather resulted in a disappointing grain harvest which was not offset by the achievements in livestock raising. Nevertheless, there is no cause for complain because the population's supply of food was uninterrupted throughout the year; winter supplies have been safely stored, and export of foodstuffs can increase appreciably.

Preparations for next year's production were carried out systematically, and, according to Ferenc Vendegh, deputy minister of agriculture and the foodstuff industry have been met even in case of merely average weather. This fall more cereal grain has been sown than has been the case for decades. However, this was done at the cost of areas usually reserved for bulk fodder. This is a problem because average bulk fodder and pasture land yields are below expectation. Therefore, production of secondary-crop bulk fodder must be increased along with a substantially greater use of field crop byproducts.

This is all the more necessary, because the national livestock herd is on the increase. If returns from animal husbandry improve, production of meat products can increase to a greater degree than planned next year. Already more fatted hogs are being raised than specified in the Sixth Five-Year Plan, and there is expected to be a slight increase in raising of beef cattle. Although the number of milch cows is decreasing, higher yields are expected from them. There is greater enthusiasm for raising poultry. Growth in the participation of small producers plays an important role in this trend; this should be sustained by guaranteeing that conditions for raising and sales are assured and that supplies of feed will be steady.

Investments in agriculture were substantially greater than planned this year. The financial reasons for this include credits for export-stimulating investments and

energy conservation. Furthermore, farm income was greater than expected because of a good agricultural year in 1980 so that the farms had more resources of their own to use for development. The farms' own investment sources are expected to remain unchanged in 1982 but the extent of state support will decrease and terms for obtaining credit will be more stringent.

This fall for the first time in many years the amount of chemical fertilizer used has increased. This is because changes in regulators were announced in good time.

CSO: 2500/76

ESSAY ON POLISH ECONOMIC CRISIS 1980-1981 REVIEWED

Warsaw ZYCIE WARSZAWY in Polish 2 Dec 81 p3

[Article by Janusz Stefanowicz: "A Footnote to 'Polish Crisis 1980-1981'"]

[Text] The short but important essay of Prof Jozef Pajestka, "Polish Crisis 1980-1981," provides inspiration for much reflection. Here are a few possible reflections, simply by way of encouragement to read the essay.

Among other things, socialism differs from the other socioeconomic formations known up until now in that, despite statements to the countrary, it entered the implementation stage not as the result of the press of socioeconomic conditions which had matured in that direction brought to birth by revolution, but only as the result of the victory of a political power which conveyed the ideas and decided to implement them. This circumstance gave rise to two extreme positions. The creators of "real socialism" propagated the extremely optimistic, naive, or else cunning view that this system almost automatically insured social progress and the satisfaction of man's many-faceted needs. When it came up against reality which was often unpleasant, this hypothesis made it very easy for opponents of socialism and also for disappointed society simply to turn it around: if a system allegedly can do everything and actually is not doing much, then that means that the concept is false, empty, and stands in the way of real progress.

The author of "Polish Crisis" answers this with simple wisdom: "It is possible to spoil a country which has a capitalist economy. It is also possible to spoil a country based on the principles of a socialist economy... Planning provides great possibilities, but in and of itself there is no safeguard against bad planning. This is the way it is with every instrument. Socialism is no authomatic assurance of good policy or guarantees that everyone will work wisely and well." In other words, socialism should be treated merely as an opportunity, and those who have it should consider the way to avoid wasting it. Up until now this aspect has not been the strong side of the wielders of socialist power.

The victory of socialism, an exceptionally ambitious variant of ideas of progress, also created another illusion in countries of moderate or low development: It was assumed as a dogma that the sense of mission for development proper to this idea is a proposal which cannot be rejected, it joins the society to the leadership, giving the latter at the same time its own special "carte blanche." Prof Pajestka is certainly a forerunner among theoreticians of this system when he says that "the conflict between the mission for development of the authorities and the aspirations of the population" are the broader underpinnings of the revolt of the working class, and here it was of a rather low level, as he mentions elsewhere, and led to the mission of industrialization.

The author presents two courageous theses against this backdrop. In relation to Gierek's times he states, "The great noncohesiveness of policy between the exceptionally ambitious mission for development of the authorities, on the one hand, and the readiness to carry it out, on the other," initially grew out of the fact that "the mission for development was more of a need of the power elite than a historical necessity." The monarchal style in which socialism was practiced as the grace of power misled the society for a while, but it did not incline it to make the sacrifices necessary to carry out that mission. Right away "dynamic development" was taken up in good spirit, even with enthusiasm -- by the author too, if I remember correctly -- as the gold coins thrown out on the occasion of the jubilee of Aga Khan, the seemingly light-hearted source of his initial successes was monetary, foreign debts. But when the bag became empty, there was no incentive to face up to the impending crisis. There was a weakening of power, along with a charitable smile, which hid the interior conscious arrogance that cannot allow a decline from on high in the standard of living or "the decisive use of state power," and this weakened authority "delayed the crisis at the cost of permitting it to become intensified."

The other "pro futuro" hypothesis requires skilled in-depth analysis, but it is certainly worth great attention: "the implementation of the mission for development by forcing investments has no sense today or for the foreseeable future." The author thereby calls for avoiding delays with strategic decisions with a timeframe to the year 2000 and beyond, because he thinks that it will be upon them that whether or not undertakings in the area of economic balance, the redistribution of the labor force, and the self-government of enterprises make any sense and if so, what sort of sense, will be depend. They all require a tremendous amount of group effort, are generally unpopular (in practice it turns out that they are unpopular in experience with the self-government of the work forces too), and so on, and for this reason they must be installed in such a vision of socioeconomic development which is at the same time as rational as possible and optimally approved by the society. Somebody may say that the thrusting of the forced industrialization, of cumulation was accomplished via facti, but the pressure of current conditions does not create

a vision of the future, and this vision is necessary, obviously not as a successive, willful idea of future incompetent authorities, but as a generator of the ambition of the nation and at the same time as a limiter of an aspect which Pajestka emphasizes, "the danger of the paralyzing play of group interests," which it will be so terribly difficult to avoid.

10790
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PROGRESS ON 1982 ECONOMIC PLAN REPORTED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 19/20, Oct 81 pp 20-21

[Article by Ryszard Cwiertnia: "Work on the 1982 Plan"]

[Text] The Council of Ministers' resolution undertaken on 14 September of this year on the question of the principles for drawing up the drafts of the annual plans and budget of the state for 1982 introduces basic changes in the previous system of planning. The provisions of this resolution are mainly aimed at insuring that the implementation processes of the program for getting on top of the economic crisis progress in a planned manner. Also being addressed at the same time is the question of organizing these processes, which are intermediary by the nature of things, so that they will not slow the inculcation of the economic reform. It was not a simple matter to resolve this problem, because it is not easy to coordinate the necessity of state intermediacy with the independence of the enterprises. Nonetheless, it seems as though the solution adopted will be an effective way for the first stage of getting out of the crisis, a stage which includes the year 1982.

The preparation of the following documents is projected to occur during this period:

Annual Central plan
State budget
Credit plan
Regional plans, and
Plans of the enterprises.

Of course, the most important are the changes in the methods of working on the Annual Central Plan (previously the National Socioeconomic Plan) and the mutual relations between the CPR (Centralny Plan Roczny; Annual Central Plan) and the plans of the enterprises. The Annual Central Plan ceases to be a plan establishing the tasks and funds for the organizational units of the plan, such as the economic-type ministries and others. In this connection there is a departure from directive-distribution methods of hierarchical planning. For the first time planning on two levels was introduced, that at the central level and the enterprise level.

The Annual Central Plan will consist of two basic parts:

I. A forecasting and informative section containing forecasts of socioeconomic phenomena from demographic forecasts to forecasts of the production level for certain goods right up to synthetic forecasts of the results of economic activity; this part serves as the basis for central plan decisions and is one of the informational bases of the enterprise and voivodship plans.

II. A determining section which includes: general economic decisions of the central plan and operating programs for implementing the major socioeconomic goals, with concrete information concerning goods and groups of goods.

General economic decisions of the central plan consist of establishing allotments, prohibitions or recommendations, such as the amounts of investment outlays for certain investment tasks (considered central), prohibitions on the export or import of certain goods, and the command to restrict or discourage the production of certain goods.

Operating Problems

From the viewpoint of the problematics of getting out of the crisis, the method of resolving planning and implementation issues concerning the basic problems of the functioning of the society and the economy is of greatest significance. The following have been recognized as such issues:

Food,
Public health and personal hygiene
Clothing, footwear, and other products for children and young people,
Fuel, power, and raw materials,
Exports,
National defense.

The elaboration and implementation of what are called operating programs are to held in resolving these complex problems. The list of these programs and the chairmen and personnel for the operating groups have already been established. It is to be anticipated that in the operating programs, which are to be drafted with variants, the nomenclature and size of production of goods which are of basic importance in the resolution of a given complex will be specified. It should be assumed that except for the fuel, power, and raw materials complex, the operating programs will set the production volume at a level which will satisfy entirely the needs of the society or the economy (or a specified extent of them).

The most important element of the programs will be to insure material supply to carry out the production contained in the programs. To this end it has been established as a principle that centrally cleared and distributed materials (16 groups of materials encompassing about 17 percent of the total value of supplies in circulation) will first of all be insured for the production included in operating programs. At the same time the allocation of these materials will be made in a manner completely different from that employed in the past.

In the allocation of rationed materials the decisive factor will be the contracting of an agreement on the delivery of goods contained in the operating programs with appropriate foreign trade or market trade organizations. The signing of such an agreement will be authorization to sign an agreement (obtain an allotment) for the delivery of a corresponding amount of distributed materials. Designated centers (enterprises) which handle turnovers of the means of production entitled to exclusivity in turnovers will conduct the turnover of materials included in the distribution.

Resources of rationed materials remaining after needs stemming from operating programs have been provided for will be distributed according to commercial principles in keeping with the priorities assigned in the Annual Central Plan which are obligatory guidelines for enterprises engaging in the turnover of the means of production. These guidelines may vary in nature and will be adapted to the type of material. The priority may be assigned to the type of enterprise, for example, small manufacturing, or the type of production, such as production for market needs or for export, or else to the type of activity, such as transport, repairs, and the like.

This organization of production and supply should provide for utilization of limited supplies of materials in a manner which is rational from the viewpoint of stabilizing the economy and meeting the fundamental needs of the society. In dependent of the above-mentioned centrally guided operating programs, the voivodship governors have been charged with working out special operating programs concerning construction and environmental protection in cooperation with the Minister of Construction and Building Materials Industry and the Minister of Administration, Regional Economy, and Environmental Protection. These programs will be of tremendous significance in the resolution of the enormous regional management problems.

In order to insure the correct and effective drafting of operating programs and the creation of proper conditions for carrying them out, directors of the operating programs will be endowed with extraordinary authority.

The Chairman of the Planning Commission of the Council of Ministers, in cooperation with the Minister of Finance, has been authorized to specify the jurisdiction of the program directors. In the individual ministries plenipotentiaries for implementation of the operating programs will be

appointed at a rank on a par with deputy ministers and will supervise the way the established targets are being met.

The most important task of the operating program directors and ministry plenipotentiaries on their implementation will be to work towards the contracting of agreements among all the enterprises participating in the implementation of the various programs. Of course the groups working out the export programs will have the most difficult task.

Therefore, within the area of the operating programs there will be a close relationship between the provisions of the Annual Central Plan and the plans of the enterprises, but this will not take place by way of the traditional directives established in the past. It is estimated that initially 20-30 percent of the industrial production will be included in the operating plans. In certain enterprises all production may be contained in the operating program. The established procedure for carrying out the operating programs will in no way violate the principle of the independence of the enterprise or other aspects of the economic reform.

A number of problems in the organization of the planning process for 1982 were only eluded to in the above-mentioned resolution.

The Chairman of the Planning Commission of the Council of Ministers has been charged with drawing up the following:

Methodological instructions on the preparation of drafts of annual voivodship plans and the scope of information to be sent to the central echelon,

Inquiries to enterprises producing raw materials, other materials, fuel, and energy and to major exporting enterprises, concerning their planned targets,

Instructions on the preparation of drafts of voivodship plans,

Instructions on drawing up draft plans for ministers handling interministry coordination outside the sphere of material production, and also instructions on drafts of plans for science and technology and for quality and standardization,

Principles and manner of drawing up the plan of deliveries to meet the country's defense and security needs,

Manner of utilizing information concerning investments obtained from investors in the INBANK system.

It is to be anticipated that the scope and quantity of information transmitted in the instructions and gathered at the central level from the drafts and plans of the voivodships will be greatly reduced in comparison to previous practice.

Informational Reports Instead of Directives

An important element of the new forms of cooperation in the structuring of the economic activity plans will be the system of an ongoing exchange of information between the group of selected enterprises of various subsectors of the national economy and the Planning Commission of the Council of Ministers. The exchange of this information will begin in September through direct contacts between designated employees of the planning commission and management of the enterprises.

The subject of the first information from the central planning body consists of preliminary targets of the 1982 socioeconomic plan and the above-mentioned Council of Ministers resolution on the principles for drawing up drafts of the plan for this period. These documents will be the subject of Council of Ministers deliberation this September and will be sent to the Sejm. Informational reports on the problems of the annual central plan will be sent as well to the heads of trade unions and social and political organizations and will be put out for general information in summary form. This means that the principle of socializing the process of planning, as established in the directions of the economic reform, will encompass all phases of it.

The system of exchanging information should mainly insure that the enterprises have an ongoing awareness of the changes occurring in general economic conditions of their operations, such as price forecasts, supply possibilities, and so on, and should orient top bodies of the state administration on the socioeconomic dangers occurring in the enterprises, and the proposals and notions offered concerning the resolution of concrete problems. The principles introduced should help upgrade the quality of planning both at the central level and in the enterprises.

Autonomous enterprise plans will be drafted on the following bases of information:

Agreements with commercial units concerning the implementation of operating programs, discussed above,

Agreements with other units of the socialized economy,

Informational reports stemming from the forectast section of the annual central plan,

Prohibitions and commands contained in the central plan targets section,

Prices, tax rates, customs rates, foreign-currency exchange rates, and other economic parameters.

Rules and mechanisms to which the enterprise must adhere in the realm of the payroll fund and social funds of the workers, turnovers of supplies, foreign trade, and investment and financing activity,

Other data of their own which are essential in drafting the plan for enterprise activity.

As the timetable for work on the economic reform shows, probably hardly any of the basic information will be available to the enterprises before this December. Thus, the current work being done on planning should of necessity focus on direct processes. Taking this fact into account, the 31 January 1982 deadline set for the worker self-government to approve the enterprise's plan for 1982 should be considered to be really asking a lot of the planning services and requiring great concentration.

New Role of the Finance Plan

In view of the inculcation of the economic reform and of its inherent principle of the enterprises' self-financing of their operations, we should note the entirely new role and tremendous significance of the financial plan. This plan previously (except during the period of the application of the principle of the WOG [large economic organizations]) did not play any really important role or awaken any great interest (but should have) on the part of any link in the planning system. Currently in the self-governing enterprises which are independent and finance their own operations, they will become a basic minimum of the economic effectiveness of operations projected by the enterprise. The enterprises will present their annual operation plans to the banks financing them and to the district boards of state income and financial control.

The scope of information on the enterprise plan sent to the central level will be established in a Council of Ministers resolution on the annual central plan for 1982. It is to be anticipated that the number of these informational reports will be limited to the bare minimum and will not be used for any sort of assessment of the results of the activity of the self-governing enterprises by the machinery of the central economic administration.

Informational reports which the enterprises send to the voivodship governors will also be limited in a basic way and will concern planned changes in employment, expected level of the payroll fund, the demand for the intake of water and for transport, level of polluting emissions, effects of housing construction, and changes in land development. This means a basic addition to the content of the voivodship plans.
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MINISTER COMMENTS ON PRICES, RATIONING AND CURRENCY REVALUATION

Gdansk GLOS WYBRZEZA in Polish 15 Oct 81 pp 1, 4

[Interview with Zdzislaw Krasinski, minister plenipotentiary for price reforms, by Wojciech Rybowski; date and place not specified]

[Excerpts] [Question] /We talked together for the first time exactly 3 months ago. Then, sir, you were an optimist. Sir, you counted on the public accepting the price increases which would bring positive market results. The first price increases are behind us. To begin with, bread and grain products have increased in price as well as cigarettes and freshwater fish. Well then--do you, sir, continue to be an optimist?/

[Answer] Yes. I see no special reasons for not being one.

[Question] /I'm glad, sir, that you are in good physical and psychological condition. But, sir, you have stated, for example, that increases in the price of bread would quickly bring results in the form of a wider assortment of bakery goods, an improvement in their quality, and a decrease in waste. If one listens to people, it should lead one to the conclusion that they are disappointed./

[Answer] I counted on the increase bringing more quickly more visible results--that is true. However, I don't agree with the statement that the results have been insignificant, or that there have been no results at all. As you know, sir, I haven't been sitting behind a desk; I've been travelling a lot, talking with people; and we've been doing a lot of polling.

[Question] /...and what's been the upshot of these polls?/

[Answer] ...there have been certain, not great, but--let's say--moderate results. There has been less of a demand for bread in the countryside as well as in small and medium-sized towns, where a certain percentage of it is designated for animal feed. This was simply being wasted. Also there has been somewhat less waste in larger agglomerates. In smaller towns, the quality of bread has improved and there is a greater assortment of bakery goods. It is a fact that it is so much the worse in larger towns, but there are exceptions. Furthermore, I was somewhat surprised--knowing the opinion of the large agglomerations--at being interrupted as I was in Poznań at "Cegielski's" when I began to explain why there wasn't decidedly better baking goods.

[Question] /What has your staff said?/

[Answer] They said that we have better bread--let's not return to that theme. Furthermore, I affirm that in the whole, or almost the whole, country, we shall indeed have better baked goods.

[Question] /Firstly, when? Secondly, on what are you, sir, basing this statement?/

[Answer] Of course, I don't want to say that this will occur in 5 or 10 years, because that would be absurd. It seems to me that it won't be long--2, 5, or 7 months, depending on the conditions of the region. The prerequisite for this happening may be the fact that, in connection with the higher price of bread, there is felt the pressure to get about 1,000 flour mills rolling, mainly in the villages. In turn, in the towns there appears to be a tendency and a certain pressure to reactivate and develop small bakeries. This is what I'm getting at--higher retail price stimulates production.

[Question] /"Solidarity" reacted sharply to the price increases of fish and cigarettes. During the second round of the congress, you, sir, were with Minister M. Krzak in Gdańsk and found yourselves on the firing line. Your argumentation was not convincing. Some say that it was simply weak./

[Answer] Often we fall back on the West, let's do that now. France's "Le Figaro"--note well that it is not of the left--commented on Minister Krzak's statement on the subject of the need and appropriateness of the increase in prices of cigarettes, treating it more or less like a good technocratic argument. And the hall protested. Protests also accompanied my statement, which dealt with detailed matters. Only the rather emotional statement of mine that one of the goals of the price increase is to ensure that neither my children nor other people's children would have to stand in line in the latter part of the 20th century was well received. And thus in an incidental way as it were, real sadness came over me when the hall was unresponsive to the argument that increases in retail prices of cigarettes and tobacco would permit increasing revenues in the budget which would supply the sums paid to retirees of the old file.

[Question] /But why wasn't "Solidarity" at least informed about the dates of the increases?/

[Answer] Discussions on the subject of an increase in prices of cigarettes and tobacco already took place in July, and "Solidarity" expressed no opposition. Since this is a rather well-known matter, I am convinced that you, sir, attach great importance to why we didn't make our intention directly known prior to the whole operation. Please imagine to yourself what would have happened had advanced information reached sale points. Cigarettes which were there on hand would have been "laid away" by the sellers instead of reaching the owners of rationing cards. After all, everyone knows that we are in a position of checking on only once every 10th, and perhaps every 7th kiosk.

[Question] /Frankly, I have my doubts whether to question you, sir, unmercifully about further plans, i.e., about subsequent increases, or to question you somehow temperately. The journalist's duty and the readers' curiosity speak in favor of the first approach which results in compelling inquiries. However, one need not go

far in seeking arguments for the second approach, and what's more they are not by any means unimportant arguments. At times it is stated, you know, that in speaking about stages in price increases--whether it is in a previous interview for "GLOS" ["Voice"], or in other publications--and apart from drawing a scenario which will vanish from the market if we don't introduce a reform in retail prices, you, sir, have already contributed indirectly to stripping the market bare of a number of goods, mainly manufactured goods. A close associate of yours has said: When there is talk of price increases a flame shoots forth from our chief, but, in turn, he sets fire to the money in our citizens' pocketbooks./

[Answer] I am aware of this. I think, however, that I have no other way out. The alternative is not saying a thing and making the subject of prices taboo. That's the way it was in the past and everyone knows what not preparing the people for price increases has led to. Now, finally, with the existence of energetic trade unions, an attempt at concealing these plans on such an essential matter as prices is impossible.

Irrespective of the existence of unions, however, speaking on prices and the drawing up of a scenario are a result of my own conscious choice in the method of action. Indeed, in agreement with what I told you, sir, in the first interview, my research has shown that one of the three main reasons for the failure of the attempt at increasing prices in June, 1980, was the authorities' mistrust towards the society. The people replied--they don't want to be surprised and treated like children. Finally, it is not only I who draws a scenario that disappears from the market when reform isn't introduced. C. Bobrowski and W. Herer, for example, also do this. By that, I don't mean to throw off part of the burden from myself. I affirm that this is what is needed and they too are doing well.

[Question] /So what kind of price proposals are we to hope for in the near future? Are you, sir, going to stay with an increase of 220-250 percent?/

[Answer] I think that we have no way out. In the second stage (the first stage encompassed increases in the price of bread and flour-wheat products--footnote, W.R.) we are planning an increase in the retail prices of coal, gas, electricity, payment for central heating and the retail prices of those food articles which producers are beginning to accumulate.

[Question] /In general, what are these products?/

[Answer] This mainly concerns jams and marmalades.

[Question] /What's the reason for this?/

[Answer] Production costs are higher than present retail prices. And continuing with the thread of conversation begun earlier, in the second stage I propose an increase in the prices of potato flour, sugar and salt.

[Question] /When is this going into effect?/

[Answer] We are sending the prepared draft to trade unions this week. Consultation and corrections should not take up more than a month's time, that is to say, increases, if they are accepted, should be in force in the second half of November.

In the next stage I foresee an increase in the prices of milk, milk products, vegetable oils, and in the fourth stage an increase in the prices of meat, animal oil and saltwater fish. This should take place in the first months of 1982.

[Question] /Perhaps a few examples. How much is coal, butter, jam and ham going to cost us?/

[Answer] Coal will cost 2,000 zlotys (currently about 550 zlotys); table butter 60 zlotys per cake (currently 17.5 zlotys); prepared smoked ham about 500 zlotys (currently 180 zlotys); strawberry jam 40 zlotys per jar (currently 7.9 zlotys.)

[Question] /Recently, sir, you proposed about 450 zlotys per kg of ham./

[Answer] Yes, but since 1 October of this year, costs for the procurement of pork animals for slaughter have risen; and if we want to stick to the logic of economics, then we should estimate higher retail prices for products, in this case, ham.

[Question] /Before April, no one really wrote or spoke about prices at any length publicly. Now first professor Zdzislaw Krasiński of the Academy of Economics in Poznań gets heavily involved in expressing himself about the need for a pretty big increase in prices, and 3 months later the minister continued his offensive in this sector. After this, when he turned up his visor, suddenly there were found to be quite a few opponents. They present various views. I will reduce them to three: first--currency reevaluation; second--expansion of rationing. Both in lieu of, or alongside drastic price increases. The third, on the other hand, closely links general economic reform with price increases. Perhaps, sir, you would comment on these propositions?/

[Answer] Currency reevaluation is not possible from technical and social points of view. Technically, since no country in the world will print quickly for us as much money as we would need, even if we wanted a reevaluation. Secondly, I think that society would not accept a currency reevaluation.

In regard to rationing, I am against it. Already in its present form, it appears to be an anti-economic, onerous bureaucratic system that exhibits a disinclination to work. Expansion of rationing would be negative economics. I have taken up this position so as to eliminate rationing and bring about a real, not an illusory, functioning of the market based on price stability. And when it comes to the third solution, there is much to be said for it. We probably could have considered the linking of economic reform and retail price reform at the end of last year or at least at the beginning of this year. In the present market situation, it is first necessary to begin to calm down the market, without waiting for January, 1982, when the big reform is going into effect.

[Question] /But can one be insistent that without an economic balance there won't be a market balance in other important economic areas./

[Answer] My formula is clear--in the situation as it is, first begin to calm down the market, and then we can put the economic balance into perspective. Putting it another way, retail price increases should contribute to the economic reform's

coming into play. This, of course, does not mean that with the reform one has to wait for all the stages in retail price changes of food, heating fuel and energy to be completed. I shall repeat what I have already said many times before: "Solidarity" correctly makes its acceptance of price increases on the condition that economic reform will not be delayed and that it will be profound as well as complex. Only in such a reformed system can altered prices truly fulfill their function and contribute to the proper functioning of the whole system.

[Question] /In principle we have been talking only about price increases, without referring to compensations. The first stage, after certain discussions and perturbations, has produced full compensation. Will these same principles be in force in the next stages, or will they be changed?/

[Answer] As in almost every case, we poll the society. I strongly emphasize this because I want to know the broadest sections of the public as possible. On the basis of this research we have originated drafts for compensation. There are those, for example, who anticipate equal compensation for everyone, as well as anticipating a degression in compensation in proportion to the growth of earnings and incomes per family member. The results of our research show that 68 percent of the persons who were polled were in favor of a degressive equalization of increases in retail prices. Here I would like to encourage once more tha trade unions to join in working out and revising as well the proposed compensations, for we are not treating these drafts or plans like rigid statements.

Moreover, it is necessary to distinguish compensations that come under the rubric of the proposed large increase in retail prices of food, heating fuel and energy, which have remained stationary for years, from compensations under the rubric of "normal" growth in costs of living. We ought also introduce such adjustments in the growth of costs, and, in this matter, I am inviting trade unions to send in suggestions, propositions, and, more generally, to collaborate with us. Finally, exactly 2 days ago, "Solidarity" sent us a message via telex expressing their acceptance of our invitation.

[Question] /The inflationary curve presently amounts to at least 500 billion zlotys. The proposed price increases from compensations cannot, as I see it, contribute to an appreciable reduction of that sum. Next, you say, sir, that the purpose of the state's action is to bring about a balance in the market, but without liquidating or seriously reducing this inflationary balloon. One can only dream about a balance./

[Answer] Correct. Differentiated price increases must, among other things, lead to the formation of a correct ratio between them, and also between retail prices and production costs; they must minimize waste and play an adequate role in economic reform. But since compensations are going to accompany the price increase, such an operation can result in reducing the inflationary curve by about 40 billion zlotys.

[Question] /What about the rest?/

[Answer] Price increases of stimulants, i.e., cigarettes (already completed), alcohol, as well as gasoline, which, in my opinion, do not need to be compensated

for, should bring another 100 billion zlotys. Next--price increases of unessential and luxury industrial items of about 50 percent should give about 140 billion zlotys. By this means, one could reduce the inflationary curve by about 280 billion zlotys. The market could begin to catch its breath, although it still wouldn't be a deep one.

[Question] /There are also other methods. For example, raising interest rates at PKO [General Savings Bank], issuing bonds.../

[Answer] Price increases are necessary as I have argued. And we intend to use just these methods on the over 200 billion remaining zlotys. Speaking more concretely, I anticipate the introduction of a two-digit interest rate on saving deposits in PKO that have been there for a long time; I also anticipate a continuous revalorization of these deposits after the reform in retail prices has ended. Moreover, a tax policy, obviously, has a certain place in the scheme of things (for example, higher taxes from summer homes.

Also there are such proposals or solutions as these that have been coming up: alongside, for example, the 1,000 blue banknote there appears--let's say a yellow banknote. With this yellow banknote pensions are paid off and farmers paid, etc. With the yellow banknotes, the public covers its current expenses. The blue banknotes should be deposited in PKO in one account. Since the market situation is difficult, one part of the blue banknotes could be paid out by PKO, and the other part (the remainder) by PKO only in special cases (buying a house, a lot, funeral expenses). The remaining blue banknotes should not be used for normal time payments, and I underline the word "time." As the market situation improves, sums from the accounts (of course, they have been receiving interest) could be gradually activated.

[Question] /Aren't you, sir, by any chance, proposing too many drastic solutions. Why all of this seems to be unreal./

[Answer] Everything that I have said are projects, proposals, plans, and actually just reflections. And that's why I've been talking about this, because it's going to be necessary to speak out on these subjects.

Finally, I would like to avail myself of this opportunity to urge your readers to acquaint themselves with the brochure, which should come out shortly at the kiosks. It discusses price increases and many projects or plans which I have mentioned here. At the end of the brochure there is also a questionnaire, where the public can decide which solutions or legal instruments they prefer and which ones they want to reject.

[Question] /Thank you for talking with me./

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MINISTER INTERVIEWED ON METHOD TO INCREASE HOUSING

Warsaw TRYBUNA LUDU in Polish 18 Nov 81 pp 1, 2

[Interview with Tadeusz Opolski, minister of Construction and the Construction Materials Industry by Hanna Grzegorczyk; date and place not specified]

[Text] Public opinion, and especially the thousands of families waiting for housing, is deeply concerned as people follow the situation at the construction sites of new communities. As director of a department, you were involved with these problems--what is your view of them today when you are the head of the ministry? A PAP journalist posed this question to the minister of Construction and the Construction Materials Industry, Tadeusz Opolski.

[Answer] The implementation of housing plans is really going badly. In 10 months we have only progressed to 61.1 percent of our one-year plan and, consequently, we consider that salvaging the plan by doing everything possible is one of the most important matters at hand.

[Question] Is that realistic?

[Answer] From our analysis of a business evaluation on the progress on many structures, progress could be speeded up to provide an additional 20,000 housing units before the end of the plan year, i.e., 1/4 of the total number completed to date.

Not only we, but the majority of the work force also considers this possible, given certain conditions. There is a shortage of materials. Therefore, we made quick, on-the-spot decisions to transfer these materials from construction sites where they are not currently indispensable. We are likewise inventorying supply centers which still have some reserves. We are stepping up deliveries of those supplies which are indispensable to increase housing construction for this year: floor covering, paint, mechanical components and the like. In my opinion, we still have an opportunity to halt the backlog this year so that we may begin next year with a better start. Not only the future tenants of new housing expect this from us, but also the labor force. I maintain that a considerable majority of construction workers really wants to put in an honest day's work, and not just take money for forced stoppages.

We are trying to increase deliveries of such other basic materials as cement, steel, coal and [liquid] fuel. As yet, it is difficult to judge the results of these attempts. We must ensure our work crews with basic labor work front. A still greater decline in construction cannot be permitted. Our potential, created through toil, cannot be dissipated; it is not something which can be created anew.

In summary I would like to emphasize that we have marked out three major tasks for ourselves for the coming months:

--To halt production decline throughout the construction industry;
--To continue to shift the means of production over to the tasks which are of greatest importance to society--housing, the social infrastructure and investments in the agro-food area;
--To reduce the scope of construction (which, I hope, is temporary) resulting mainly from a shortage of materials to make marked improvements in quality.

[Question] What else is indispensable in order for these tasks to produce the expected results?

[Answer] In my opinion, the success of our immediate endeavors and our other longterm measures lies in the development of close cooperation and partnership with trade union. If we succeed in reaching a state of harmonious cooperation based on rational principles, which does not mean cooperation devoid of discussion, the benefits will be calculable not only for those who are waiting for housing but also for the work force. I do not hide the fact that I consider this very important. The creation of an atmosphere of trust, initially even trust on credit, is an enormous problem.

[Question] And what of systems issues, prospects for the future and new principles of construction activities?

[Answer] We have already sent the Commission for Matters of Economic Reform our drafts of documents concerning the makeup of all construction structures within the country, as well as the actions of our ministry. This should not be an economic ministry, but an organ of the state administration for all of construction regardless of who the superior of a given construction enterprise is.

These are difficult changes to execute, but what makes them more difficult is that they are being executed during a transitional period. So the question comes up--what should be done to best prepare the ministry and the enterprise to embark upon reform? How do we provide all enterprises with the conditions giving them an equal start to act on the basis of the new principles. Some of these enterprises are more, some less, in debt. Some find themselves in a good situation, others, in a bad one. Contractual fines alone imposed for the delayed implementation of investments are enough to ruin the possibility of self-financing. Consequently, the best solution must be found in this regard, and it must find acceptance.

We are all now beginning to learn about reform. At present, there are meetings throughout the country at which representatives of the ministry relay indispensable information concerning reform proposals and work forces, self-government bodies and directorates talk about their problems, what they are lacking and sore spots. We attach much importance to these consultations.

Among the important issues, there is also the need to create conditions which will enable us to halt the decline in construction-assembly production which has lasted perhaps since 1978. We must stop our retreat and take at lease a few steps forward in construction activity. There are a few paths which can lead to this goal; it is indispensable that we nurture the conviction that the development of housing

construction and of what is associated with it is a way out of the present crisis. And in this regard, despite all of our needs, it is worthwhile and necessary to designate the indispensable funds for housing construction. This in no way contradicts the thesis which states that we must limit our investments in general.

If these funds are found, the next task becomes how to make the best use of them. We would like our institutes and scientific-research centers to develop, quickly and accurately, possible technical and technological solutions for construction practice characterized by lower materials and energy intensiveness. We would like them to approach all enterprises with these solutions as examples, not obligatory concepts. We also aim to popularize everything which has thus fare been developed in many design offices and at construction sites in a word, every good idea and example of good work worthy of universal dissemination.

We must also utilize the period of the coming years to restore good quality and the tradition of solid construction work. With the existing skills of our work forces and the available materials, we can afford already now to bring better quality into construction work. However, this requires the application of a whole system of material incentives--efforts in this area continue--to create conditions in which it will not be profitable to do shoddy work.

Among the many other issues of the ministry's concern, I would like to bring up one other one--the creation of conditions of the effective control over compliance with the law in the construction process, i.e., the return to the so-called construction militia or such an organ of the ministry as would be in position to ensure compliance with construction law and would also effect high quality production. We are now at work on these and many other longterm measures.

8536
CSO: 2600/74

OPERATION OF BANK FOR INTERNATIONAL ECONOMIC DEVELOPMENT

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Nov 81 p 2

[Text] Significantly better results have been recorded in protecting against noncommercial risks.

Belgrade 10 November. In the first 9 months of the year, the Yugoslav Bank for International Economic Cooperation issued additional credits of 5,850 million dinars for exports. The total value of transactions receiving these credits is $318.3 million. Of the total completed export transactions in the first 9 months of the year that were supported by the Bank, 55.2 percent were with developing countries, 30.8 percent with socialist countries, and 14 percent with industrially developed western countries. The Bank's plan for 1981 expected total exports using credit to amount to $500 million, with the sum of additional credits anticipated to be 9 billion dinars.

For the period in question, the Bank's agencies continued to approve supplemental credits for export transactions that would be completed in 1982 and subsequent years. New export agreements on credit to be completed in the coming years had a value of $304.4 million; and, for them, credits totaling 5,390.3 million dinars were approved. Together with increases connected to the changed exchange rate for the dinar, the total supplementary credit amount is 8,081.8 million dinars.

Among significant transactions for which these additional credits were approved, important ones include three ships being built at the Uljanik shipyard in Pula for Liberia; other ships are being built at the Split, Treci maj, and Viktor Lenac shipyards, and in other yards. Supplementary credits also were approved for shipping 3,000 IMT tractors to Egypt, 5,000 Zastava automobiles to Algeria, and Minel transformers to Greece.

In the first 9 months of 1981, the Bank made promises for additional credits amounting to 19.76 billion dinars for export transactions worth $1,159.3 million. These promises for supplementary credits were given chiefly for investment projects and the export of capital goods to developing countries in the coming years.

Markedly more favorable results than those of the preceding year were realized in the first three quarters of 1981 in ensuring export transactions from noncommercial risks. The value of 312 newly completed agreements amounted to 1,562.8

million dinars. Growth continued in the share of African countries in the total number of concluded agreements, reaching 59.3 percent. The value of insurance agreements for export transactions to African countries reached $925.9 million. The share of Asian countries in these transactions amounted to 27.13 percent. In the first 9 months of this year, 84 insurance commitments for export transactions valued at $2,308 million were issued. Compared to the same period of last year, this figure represented a 97.3 percent increase.

12131
CSO: 2800/79

STATUS, OUTLOOK FOR SMALL-SCALE ECONOMY IN POORER REGIONS

Belgrade KOMUNA in Serbo-Croatian No 10, Oct 81 pp 30-34

[Article by Elvira Mandic]

[Excerpts] Advantages of Small Business for Location in the Underdeveloped Regions

A sizable number of major capital-intensive projects are under construction in the regions of the underdeveloped republics and SAP [Socialist Autonomous Province] Kosovo, and they have absorbed the bulk of the capital from the region itself and the additional capital from outside. The resources of the socialized sector, in spite of the aid of the broader community, have not been sufficient to finance the development of all the necessary branches and activities of the economy. Under these conditions development of the capacities of small business [the term covers small-scale business operations in both the socialized and private sectors--translator's note] is imposed as the logical and indispensable solution. This would afford more optimum use of capital-intensive economic potential already built and higher employment of the population labor-intensive manufacturing industries. Investments in small business would come mainly from the available funds of private individuals, which is very important because of the lack of investment resources in the socialized sector.

Moreover, certain characteristics of small busines suggest the conclusion that it is very suitable for location in economically underdeveloped regions.

Smaller production plants are suitable for subcontracting relations with the corresponding industry from the advanced regions on the principle of business-technical collaboration, as well as on the basis of pooling labor and capital. This especially applies to the motor vehicle, metal manufacturing and electrical products industries. Likewise, small business operations can have a considerable impact on import substitution of consumer goods, since they are suitable for production in small runs, with a broad assortment and with quality design. In addition to these sectors, small production facilities can specialize in the processing of secondary raw materials and the rendering of various services to the economy and to the general public. There is a shortage of these activities throughout the country, but in the underdeveloped regions especially.

Jobs can be opened up in the production and service activities of the small business sector at considerably lower cost of investment than in industry and other economic activities. Usually these are plants with a relatively low organic composition of capital, which affords higher employment per unit investment than in other branches of the economy. This is especially suitable to the underdeveloped regions, which have a sizable potential supply of manpower, but not enough capital for investment. The diversity of organizational forms in small business--small establishments in the crafts and trades and hostelry, cooperatives and contract organizations of associated labor--also make it possible to increase employment by enlisting the resources of returnees from temporary employment abroad, a large number of whom are from the economically underdeveloped regions.

Finally, small-scale production and service facilities are suitable for location in prefabricated structures and at temporary sites, which is also suitable to the economically underdeveloped regions because funds are not adequate for construction of business space and the urban plans do not exist which would establish the location of economic facilities on a more permanent basis.

Vehicles for Development of Small Business in the Underdeveloped Regions

Over the period from 1981 to 1985 all opstinas in the underdeveloped regions should enact plans for development of small business, and on that basis they would in turn draft specific programs for opening up new production and service facilities or expanding and modernizing existing ones.

One way in which the programs for development of small business in production activity should be carried out is by the pooling of labor and capital with organizations of associated labor from the advanced regions, in which it is also possible to use resources of the Fund for Stimulating the Faster Economic Development of the Underdeveloped Republics and SAP Kosovo. The resources of the Fund can be used to finance 50 percent of the total value of the investment project.

To the end of developing plants for subcontracting in the motor vehicle, metal manufacturing and electrical products industries, as well as in other industries, large production and distribution systems in the more advanced areas need to draft specific production programs and become vehicles for carrying out appropriate projects on the principles of business-technical collaboration and the pooling of labor and capital.

The trade sector from both the advanced and the underdeveloped regions ought to be the principal initiator for the opening up of plants for production of consumer goods, especially for the purpose of import substitution. These plants would be opened on the basis of plans concerning long-term business collaboration, which would also include the pooling of labor and capital.

Aside from the trade sector, major industrial producers of consumer goods should also be interested in opening up these plants. Plants of the small business sector for the production of certain consumer goods would be welcome to them

because of specialization and division of labor, to relieve them of the production of small and unprofitable runs, to fill out their assortment, to eliminate the need to import parts and assemblies, and so on.

Organizational Forms for Development of Small Business

Under the SFRY Constitution, the constitutions of the socialist republics and autonomous provinces, and the Law on Associated Labor, contract organizations and cooperatives are supposed to be the principal organizational forms in establishing the RO's [work organization] of the small business sector.

Contract organizations are a form for transforming individual labor into associated labor whereby the founder retains certain rights, but in all other respects those regulations apply which pertain to organizations of associated labor in the socialized sector. Organizations of this kind are very suitable for organizing production in the underdeveloped regions, especially to meet the needs of large-scale industry in the more advanced regions. However, the figures show that the number of contract organizations of associated labor which have been established is lowest in the underdeveloped republics and SAP Kosovo. Of all the 91 contract organizations of associated labor, which have a labor force of 1,922, only 28, with a labor force of 602, have been established in the underdeveloped regions. In Bosnia-Hercegovina 11 contract organizations have been established, in Macedonia 10, and in Kosovo 7, while not a single such organization has been established in Montenegro.

It is obvious that the opstinas in the underdeveloped regions must make a considerably greater effort to establish contract organizations of associated labor. These opstinas, which have the greatest interest in stepping up their economic development, ought to commit themselves especially to finding production programs suitable for small-scale production facilities, at the same time respecting the raw materials and personnel potential which are available. There is a need in this connection to furnish incentives to individuals from these opstinas who are employed abroad temporarily to encourage them to establish contract organizations of associated labor. The opportunity to use foreign exchange savings to purchase equipment, which they would bring into the country and use as their share in establishing a contract organization of associated labor, could be especially interesting to workers employed abroad temporarily.

Cooperatives, as a very suitable form of association for performance of activities in the small business sector can also be very beneficial to stepping up the development of the underdeveloped regions. However, here again the figures show that the number of cooperatives established in the underdeveloped regions is relatively small. Only 89 of the total of 256 cooperatives have been established in the economically underdeveloped socialist republics and SAP Kosovo (16 in Bosnia-Hercegovina, 7 in Montenegro, 65 in Macedonia and 1 in Kosovo).

Inadequate Incentives for Development of Small Business in the Private Sector

Aside from contract organizations and cooperatives, private establishments in the crafts and trades, hostelry and other activities are to serve as the third

basic form for development of small business. Unfortunately, the present situation with the development of this type of small business does not as yet conform to the basic social commitments in this sector.

Self-Employment in the Small Business Sector in the Economically Underdeveloped Socialist Republics and SAP Kosovo at the End of 1979*

Activities by Socialist Republics and Socialist Autonomous Provinces	No of Persons Self-Employed	No of Persons Employed by Them	Total (self-employed persons and persons they employ)
Privately owned craft and trade establishments			
Yugoslavia as a whole	115,477	61,236	176,713
Bosnia-Hercegovina	15,604	5,484	21,088
Montenegro	1,395	481	1,876
Macedonia	9,968	4,249	14,217
Kosovo	4,799	1,319	6,118
Privately owned hostelry establishments			
Yugoslavia as a whole	14,317	16,403	30,720
Bosnia-Hercegovina	2,686	3,268	5,954
Montenegro	205	245	450
Macedonia	636	457	1,093
Kosovo	459	54	970
Common carriers in the private sector			
Yugoslavia as a whole	37,562	667	38,229
Bosnia-Hercegovina	6,902	38	6,940
Montenegro	1,087	10	1,097
Macedonia	3,481	3	3,484
Kosovo	1,370	58	1,428
Privately owned stores			
Yugoslavia as a whole	485	47	532
Bosnia-Hercegovina	--	--	--
Montenegro	3	--	3
Macedonia	75	--	75
Kosovo	168	12	180

* These figures of the Federal Bureau of Statistics are published as a rule 2 years after the fact, so that the figures for 1981 will be published in mid-1983.

The opportunities for development of self-employment have not been sufficiently taken advantage of anywhere in the country, but especially in the regions of the economically underdeveloped socialist republics and SAP Kosovo. This especially applies to self-employment in the crafts and trades. Thus the number of persons employed in private craft and trade establishments (self-employed persons and the workers they employ) per 1,000 inhabitants is more than fourfold greater in Slovenia than it is in Montenegro, nearly threefold greater than in Kosovo, and more than twofold greater than in Macedonia. If we compare the situation at the end of 1979 with the situation in 1975, the number of private establishments in the crafts and trades is down 19.1 percent in Bosnia-Hercegovina, while in Montenegro it is down 23.8 percent. The total number of persons employed in private craft and trade establishments has increased only in SR [Socialist Republic] Macedonia (by 1.6 percent). According to regulations, the privately owned craft or trade establishment may employ up to five workers; however, in Bosnia-Hercegovina and Montenegro only one establishment in three, and in Kosovo barely one in four employs an additional worker. The situation is somewhat more favorable in SR Macedonia, where there is one employed worker for every 2.6 private craft and trade establishments. If advantage were taken of the opportunities afforded by the law, nearly 150,000 workers might be employed in private craft and trade establishments in the underdeveloped regions.

The reasons for the decline of crafts and trades in the private sector are most frequently the high age-specific composition of the owners, the lack of qualified young people coming along, the lack of business space, unlicensed work being done on the side by persons employed in the socialized sector the high contributions to self-managing communities of interest, and so on.

In certain underdeveloped opstinas there is also resistance to the crafts and trades in the private sector, often based on the old notions that this form of economic activity results in capitalization and capitalist social relations. Such opstinas have altogether overlooked that small business as a whole, including self-employment, offers them an important opportunity to provide jobs to their population. That is why the economically underdeveloped opstinas ought to establish temporary and permanent locations of business space for self-employed persons and adopt measures to encourage the opening of private establishments in the crafts and trades and private stores. The opstinas should particularly motivate those returning from temporary employment abroad to open up private craft and trade establishments.

Measures To Develop Small Business in the Underdeveloped Regions

Article 15 of the Agreement on the Bases of the Yugoslav Social Plan Concerning the Policy of Faster Development of the Economically Underdeveloped Republics and SAP Kosovo From 1981 to 1985 provides that the signatories must encourage the pooling of labor and capital to support the development programs of underdeveloped regions by proposing legislation which would exempt economic entities either partially or entirely from the payment of certain contributions either entirely or partially. The participants in the agreement also committed themselves to encouraging the development of manufacturing facilities in the underdeveloped republics and SAP Kosovo through the pooling of labor and capital of

organizations from the advanced regions with organizations in the underdeveloped regions. The incentives of the participants in the agreement will certainly embrace small business as well.

Implementation of the Social Compact on the Bases of the Joint Effort To Conduct the Policy of Developing Small Business in the SFRY should also bring about faster development of small business in the underdeveloped regions. The parties to this compact emphasize the need to ensure in the conduct of economic policy appropriate conditions that will motivate efforts toward faster and more uniform development of small business throughout the country, but especially in the economically underdeveloped regions. Article 13 of that same social compact commits the participants to advocate adoption of specific programs for development of various small business activities on the part of sociopolitical communities, local communities and interested organizations of associated labor.

This document also emphasizes the need for industrial organizations to relieve themselves of the production of a wide assortment by establishing small business organizations. Priority in this should be given to location of small business in the underdeveloped regions ["opstinas" was probably meant--translator's note] of the republics and SAP Vojvodina, as well as over the entire territory of SAP Kosovo. The participants in the social compact are to endeavor to have organizations of associated labor in industry, trade, tourism, construction and other activities to make a greater commitment to organizing small business facilities in order to provide a broader assortment of goods and services, to increase exports and to reduce imports. Within the limits of their rights and responsibilities, the participants are to take timely measures to ensure fulfillment of the program for development of small business.

Sources of Funds To Finance Programs for Development of Small Business in the Underdeveloped Regions

Along with the available resources of interested organizations of associated labor, provision has also been made to obtain funds from the Fund for Stimulating the Faster Economic Development of the Underdeveloped Republics and SAP Kosovo and use of international credits in solving the question of financing.

Under Article 10 of the Agreement on the Bases of the Yugoslav Social Plan on the Policy of Faster Development of the Economically Underdeveloped Republics and SAP Kosovo Over the Period From 1981 to 1985, the fund grants credits to the economically underdeveloped regions with an average repayment period of 13 years and an interest rate of 5.5 percent per annum (for SAP Kosovo the average repayment period is 15 years and the rate of interest 4.5 percent per annum), with payment to begin 3 years after the end of the year in which the credit was approved. Small business organizations have been using credits from the fund up to now, and it is logical to expect that programs for development of small business will in the future also be financed in part from this source.

Programs for development of small business are also being financed from the line of credit of the International Finance Corporation in Washington in the total amount of $32 million, for which applications were invited on 30 June 1980. Every republic and province will use $4 million of this credit. The proportions

for use of the credit are as follows: 80 percent of it will be used for credit financing of small business within the sector of associated labor and 20 percent for the credit financing of private establishments. The credit can be used to import equipment and as dinar credit. Under the contract with the International Finance Corporation the credit terms are as follows: a rate of interest of 11 percent per annum with a repayment period of 9 years, repayment to begin 3 years from the date when the line of credit was approved. The banks are required to furnish $2 in dinar credit for every $1 of this credit, and it is therefore indispensable to enlist other sources of resources (bank resources, savings and resources of self-employed individuals, the resources of persons returning from temporary employment abroad, and so on).

Foreign exchange and dinar funds amounting to nearly $50 million will be invested in the small business sector of the underdeveloped regions through use of this line of credit. In view of the agreed guideline that the resources of this line of credit be used mostly to finance construction of small business plants which would establish subcontracting relations with "big" industry and would produce goods substituting imports and augmenting exports, it is expected that this line of credit will help to improve the economic structure and enhance the involvement of small business in foreign trade flows.

7045
CSO: 2800/107

ECONOMIC RELATIONS WITH NIGERIA

Belgrade JUGOSLOVENSKI PREGLED in Serbo-Croatian No 9, Sep 81 pp 339-341

[Article prepared by Bogdan Popovic, a journalist of Belgrade; reviewed by Dusan Jovanovic, administrative chief, Federal Secretariat for Foreign Affairs]

[Excerpt) Economic relations between Yugoslavia and Nigeria are characterized by a growing volume of trade and highly developed cooperation in construction work. In a relatively short period, Nigeria has become one of Yugoslavia's most important economic partners in sub-Saharan Africa.

Until 1978, economic relations between the two countries were based on the 1964 Trade Agreement. In December 1977, the Nigerian government annuled the existing Trade Agreement, while at the same time expressing its wish to conclude a new trade agreement on an altered basis. Preparations for concluding the new trade agreement are under way.

The Mixed Committee for Economic and Scientific-Technical Cooperation between the two countries has met four times: from 27 September to 2 October 1974 in Lagos; from 15 to 21 June 1976 in Belgrade; from 11 to 14 December 1978 in Lagos; and from 10 to 13 June 1980 in Belgrade. At these sessions, concrete measures were considered that the two countries could undertake to establish long-term economic cooperation. At the third session of the Mixed Committee, a subcommittee for agricultural cooperation was formed that is expected to make an essential contribution to developing this important area of cooperation. In March 1980, a joint economic office for Yugoslavia was opened in Lagos.

Trade

Within the framework of economic cooperation between the two countries, particular attention has been directed to advancing mutual trade in goods. For the Yugoslav economy, the Nigerian market is important for increased Yugoslav exports and for ensuring a steady supply of crude oil for processing at Yugoslav refineries. Table 1 depicts trade between Yugoslavia and Nigeria from 1962 to 1980. In recent years, the total volume of trade between Yugoslavia and Nigeria has increased markedly. In 1979, it approached the planned overall total of $200 million. In that year, trade increased by 227 percent (with Yugoslav exports rising by 319 percent and imports by 229 percent). The trend toward increased total trade continued in 1980.

Table 1. Trade Between Yugoslavia and Nigeria, 1962 to 1980

Year	In Thousand Dollars	
	Exports	Imports
1962	139	68
1966	1,071	82
1971	1,034	1,698
1974	3,420	1,174
1976	65,595	525
1977	32,521	2,542
1978	18,293	33,617
1979	76,728	110,440
1980 (8 months)	95,951	60,500

A major role in increasing trade between the two countries was played by the exchange agreement concluded at the beginning of 1978 providing for the delivery of Yugoslav ships to be purchased with Nigerian crude oil. The Yugoslav partners to this agreement were the Split Shipyards and INA-Naftaplin [Oil and Gas] enterprise of Zagreb. The agreement provided for the Nigerian partner to receive eight vessels with a value of $120 million, while the Yugoslav petrochemical industry would receive 500,000 tons of crude oil. In 1979, export of ships accounted for 78 percent of Yugoslav exports to Nigeria; and, in 1980, ships made up 64 percent of total Yugoslav exports to that country. Besides vessels, Yugoslav exports to Nigeria include complex fertilizers; medicines, serums, and vaccines; canned fish products; transformers; and refrigerators.

Total Yugoslav imports from Nigeria consist of 80 percent crude oil and 18 percent cocoa.

In order to increase the volume of trade between the two countries, the fourth session of the Mixed Committee agreed to work for diversification of both the export and import mixes, so that these trade relationships would include among Nigerian exports, in addition to oil and cocoa, such items as coffee, raw rubber, hides, medicinal herbs and cotton. Similarly, Yugoslav exports in addition to ships should be expanded to include products of the metal and machine industries; electrical products; agricultural machines; textile, chemical, and wood products; artificial fertilizers; nonferrous metals; processed food products; medical equipment, medicines, and pharmaceutical products; and construction materials.

The INA refinery of Zagreb concluded a long-term contract on 15 May 1980, providing for the purchase of a million tons of Nigerian crude oil annually; this should provide for a high level of trade on a regular basis.

Until 1977, Yugoslavia enjoyed a large trade surplus in total exchange between the two countries. Beginning with 1978, this trade surplus changed to a large deficit for Yugoslavia. Under the new circumstances, the existence of a negative balance of trade became a major hindrance for the Yugoslav economy, particularly since a trend emerged whereby the trade deficit steadily increased because of the purchase of significant quantities of oil. Consequently, at the fourth session of the Mixed Committee, the Yugoslavs raised the question of balancing trade between the two countries.

Investment Cooperation

Investment cooperation was the initial form of economic cooperation between Yugoslavia and Nigeria. Participants at the sessions of the Mixed Committee for Economic and Scientific Technical Cooperation have constantly stressed the desire to have this cooperation expanded, particularly in the areas of construction, agriculture, industry, and energy facilities.

In the field of construction in Nigeria, the Yugoslav economy is represented by the Energoprojekt enterprise of Belgrade.

Energoprojekt has successfully completed a number of construction projects in Nigeria, of which the most significant was the international fair grounds in Lagos, with a value of $185 million. In addition, Energoprojekt has carried out projects for the electrification of 61 cities in western Nigeria with a value of $16 million, as well as projects for the electrification of a number of Nigerian states, valued at $25 million. In addition, Energoprojekt has prepared numerous studies of Nigerian needs in the areas of energy, water systems, and mining.

With the Nigerian federal government as its partner, Energoprojekt established the corporation NECCO Ltd for carrying out construction projects in 1974. It is projected that NECCO Ltd will become a major engineering organization for construction operations. So far, NECCO Ltd has built several significant facilities, of which the most important are Ascon College at Badagry ($70 million) and the Lagos Federal Ministry building ($100 million). Currently, NECCO Ltd is building the Yola and Kano irrigation system ($220 million).

The "Partizanski put" labor organization of Belgrade, as a member of a consortium of Yugoslav labor organizations, participated in the bidding for the construction of the Enugu-Makurdi rail line. A final decision on awarding contracts has not yet been made.

Agricultural cooperation has largely consisted of the preparation of studies by Yugoslav organizations on the possibility of establishing fish ponds in Nigeria (by PPS of Osijek [expansion of PPS unknown]), and of corn-raising farms and hog farms, animal feed factories, slaughter houses, meat refrigerator plants, and distribution equipment (Emona enterprise of Ljubljana).

According to the conclusions of the Mixed Committee, cooperation in industry and energy projects should become an important form of cooperation between the two countries in the future. So far, the following projects have been done in these areas:

"Galenika" of Belgrade has set up a mixed corporation, Galenika Nigeria Ltd., in Nigeria with headquarters in Lagos. The Yugoslav organization's share of total capitalization is 49 percent. In the present phase, Galenika Nigeria Ltd is occupied with commercial transactions, but discussions are in progress with the Nigerian Ministry of Health for an agreement to build a factory to produce pharmaceutical products; under the agreement, the ministry would become a third partner in the enterprise.

The Gorenje enterprise of Valenje has a subsidiary in Nigeria known as Gorenje Nigeria Ltd. It is working on a program for industrial cooperation in the production of household appliances and small tractors.

INA Naftagas of Zagreb and Naftagas of Novi Sad, as Yugoslav organizations of associated labor, are negotiating an agreement for cooperation with the Nigerian National Petroleum Company for the exploration of oil fields and their exploitation for the production of crude oil and gas, for drilling activities and engineering and consulting services in the development of Nigerian energy resources, as well as for the training of personnel.

Financial and Banking Cooperation

The Central Bank of Nigeria and the Yugoslav National Bank have agreed on cooperation in the exchange of information on the banking systems of the two countries and on other banking activities. The two banks also have agreed to establish cooperation between the commercial banks in each country and to make agreements for direct financial transactions between Nigeria and Yugoslavia, so as to avoid intermediate banks of third countries. In that connection, agreement has been reached to have the appropriate agencies of each country consider concrete possibilities for establishing joint banking institutions.

Transportation Cooperation

The maritime shipping organization "Splosna plovba" of Piran maintains regular service between Yugoslav and Nigerian ports. Besides conventional ships, this service includes semicontainer and log-carrying specialized vessels. Splosna plovba also has established commercial cooperation with the Nigerian National Shipping Line (NNSI).

The "Jugobrod" complex organization of associated labor of Belgrade has formed the mixed maritime enterprise Yugoherva Ltd in Lagos, which is involved in leasing ships for shipping goods to Nigeria. Jugobrod also is preparing for the construction of small drydock repair facilities in eastern Nigeria.

On 19 October 1979 in Belgrade, the Nigerian Federal Ministry for Transportation and the Yugoslav Federal Committee for Transportation and Communications signed

a memorandum on agreement, according to which agreement was reached on cooperation between the appropriate specialized organizations of the two countries that are involved in maritime operations for the training of personnel for land operations, the transfer of deck and machine officers to the Nigerian national maritime company, the training of Nigerian cadets in Yugoslav schools with practical work on Yugoslav ships, technical assistance in the development of technical personnel in Nigeria, and provisions for making Yugoslav maritime officers available for operations in Nigerian ports.

12131
CSO: 2800/85

YUGOSLAV-IRAQI TRADE NOTED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Nov 81 p 1

[Text] Iraq is almost the only developing country with which Yugoslav economic relations are at the level of political relations. With respect to the volume and value of Yugoslav exports Iraq is our fourth largest trading partner, and for several years now it has been in first place among the developing countries. This observation was made in a plenary meeting of the Iraq Section of the Economic Chamber of Yugoslavia.

According to the figures presented, visible trade in 1980 exceeded $1.2 billion, and in the first 9 months of this year it was $682.5 million, $434.5 million of which consists of Yugoslav exports and $248 million imports. The forecast is for Yugoslav exports to reach a level of about $450 million by the end of the year, which would almost entirely fulfill the plan for 1981.

Most of the more than 1,000 products are industrial, and the list begins with machines and equipment, products of ferrous metallurgy, and so on. There is approximate balance of exports between two directions: to meet the needs of our construction contractors ($161.1 million) and Iraqi customers ($188.7 million). Exports amounting to $700 million, $189 million of this consisting of exports of meat and food products, have been proposed for 1982.

Petroleum continues to be the basis of imports ($198.8 million in the first 9 months of this year), representing 99.7 percent of the total value of imports. Dates and lamb skins are other important articles.

At the specially called meeting of the joint committee in May 1981 Iraq emphasized its interest in augmenting exports, and both sides expressed a desire for long-term cooperation in the fields of raw and processed foods and industrial products, which will undergo further discussion in early March 1982 at the meeting of the joint committee in Belgrade.

For several years cooperation in construction of capital investment projects has occupied first place in overall relations with Iraq, contracts outstanding at the moment amounting to $3 billion, and the contracts concluded just up to October amounted to $1.2 billion. In the light of these contracts and Iraq's plans to spend more than $133 billion for development up to 1985, several essential

questions have been raised concerning the level of organization of our effort in many aspects of the capital investment project field, and then questions related to problems of punctual payment for work, which will be discussed on the basis of serious criticisms at the meeting of the joint committee in Belgrade in March 1982.

The presence of Vido Knezevic, newly appointed Yugoslav ambassador in Iraq, added a particular aspect to the meeting in view of the seriousness of the questions raised.

7045
CSO: 2800/110

YUGOSLAV TRADE WITH ALGERIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Nov 81 p 1

[Text] Economic cooperation has been effective between Yugoslavia and Algeria, which cannot be said of the previous period, it was stated in a meeting of the Algeria Section of the Economic Chamber of Yugoslavia. The assessment is that economic cooperation has been more intensive since May 1979, following the meeting between Presidents Tito and Chadli [Bendjedid] and several visits and talks between top-level government representatives of the two countries during 1980 and 1981.

In 1980 Algeria's share in total Yugoslav commodity exports to the Arab countries was 7.5 percent, and in 1981 it is estimated that its share will be 9.8 percent. The forecast for 1982 sets this share at 12 percent. On the other hand, Algeria's share of total Yugoslav imports from the Arab countries was 7.4 percent in 1980, the forecast for 1981 envisages a share of 21.8 percent, and the plan for 1982 projects a share of 14.3 percent.

Visible trade occupies a special place, and in the first 9 months of 1981 amounted to $291.6 million, in which Yugoslav imports amounted to $199.3 million and its exports $92.3 million. The distribution of imports over the first 9 months consisted of crude petroleum ($197.9 million), iron ore ($550,000) and zinc ($600,000), while the distribution of exports consisted of automobiles, tractors and spare parts (with an overwhelming figure of $49.82 million), clothing, fabrics and blankets ($7.58 million), and then food and tobacco, products of the chemical industry, products of the metals industry, and so on.

The plan for 1982 calls for total visible trade with Algeria to reach $400 million, $160 million of which would be exports and $230 million of imports.

Contracts related to capital investment projects in Algeria are the most important after those on the markets of Iraq and Libya, and the value of contracts concluded or in the phase of negotiations is more than $677 million. In the meeting of the section several important questions were raised about obstacles to realization of potential cooperation through these contracts, and the Yugoslav section of the joint committee for cooperation with Algeria will be subsequently informed of them. According to Vuk Dragasevic, chairman of the Yugoslav section of the joint committee, the discussion in the meeting of the section did not fully cover the problems weighing down on organizations of associated labor.

7045
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PLANS FOR CONSTRUCTION WORK ABROAD IN 1982

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Nov 81 p 1

[Text] Opportunities for greater involvement of Yugoslav builders in projects on the foreign market ought to be greater next year than up to now. The builders are prepared for this; they have gained a considerable reputation, but to carry out this task they also need help from the broader community, especially in credit policy and incentive measures.

This is the principal conclusion of the members of three committees of the General Association of Construction and the Building Materials Industry concerning the program for doing work on capital investment projects abroad next year. So far 1,500 organizations have reported to this association that they have work abroad, and by the end of the year it is expected that the total will go as high as even about 2,000 construction crews. Realistic estimates indicate that the amount of work to be done next year could be $2.37 billion, or 18.5 percent more than the value of work which our builders did this year on "foreign exchange" construction sites. Of course, the present number of about 25,000 employed persons working in 42 countries of Asia, Africa, the United States and Europe would increase by several thousand. Nearly two-thirds of this work would be done in the developing countries, and the builders would transfer 66 percent of the total value into the country, while they would spend 34 percent in the areas where they are working.

If these plans are to be carried out, the builders emphasized that the Law on Conduct of Operations Abroad, which is supposed to be adopted by the end of March next year, needs to be supplemented. Certain proposals which the builders have already sent concerning this document have not been honored, but they have an essential bearing on performance of jobs important to our country's payments-balance situation and to foreign trade. This especially applies to the unfavorable credit policy and the failure of the banks to accompany the builders, along with inadequate incentives. There still has been no acknowledgment, the builders say, that this form of export (of knowledge, equipment and technology) is a full-fledged contribution to the policy of economic stabilization, since it involves a broad group of our business people.

The program of work to be done abroad has been sent to the republics and provinces for mutual reconciliation, and it is expected that the action will be completed by mid-December. Along with adoption of important suggestions which

include even unified organizational linkage and efforts abroad on the principles of self-management and income-sharing, the builders say that their unused potential will also be activated to a fuller extent: more rapid, cheaper and better-quality construction on the foreign market to outdo the competition of other countries. The need for more effective enforcement of customs regulations was also pointed up, in addition to amendment of regulations for customs examination of machines being returned from abroad. That is, they are asking for equipment which has been more than 50 percent amortized to be exempted from duty and that the administrative procedure for obtaining consent, which consists of 36 different steps before work on the project begins and takes months, be simplified.

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YUGOSLAV-ITALIAN TRADE ORGANIZATION REVIEWED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Nov 81 pp 1-2

[Article by Slobodan Tanovic: "Comprehensive Exchange of Opinion"]

[Excerpt] The anniversary meeting of the Jugital and Italjug chambers began with ceremonies in a meeting attended by more than 150 Yugoslav and Italian business executives.

The meeting was opened by Giancarlo Englara, president of Udine Province [where the meeting was held], and then Loris Fortuna, vice president of the Italian Parliament, who touched upon all aspects of cooperation between the two countries delivered a lengthy address to welcome the executives who had gathered. Vinko Mir, federal undersecretary for foreign trade, welcomes the business people who had gathered on behalf of the Federal Executive Council. The presidents of the two joint chambers, Ivo Gudeljevic and engineer Enrico Zucoli, recounted cooperation between the two chambers over the last 25 years. Certificates of recognition were then presented to distinguished individuals of the two countries who over the last quarter of a century had contributed to advancement of Yugoslav-Italian business cooperation. The working part of the meeting began in the afternoon and continued over the next 2 days.

Enviable Results

The fact that the Yugoslav-Italian chamber brings together a large number of business people who follow in their regular meetings the development of overall economic cooperation and examines specific matters in particular sectors and groupings shows the great interest on the part of our economy to collaborate with partners from friendly Italy.

In spite of the more difficult conditions visible trade, which traditionally has been the principal and most important aspect of cooperation, has been recording enviable results, as can be seen from the following table:

Year	Total Trade	Yugoslav Exports	Yugoslav Imports	Net Result	Coverage of Imports by Exports, %
1980	1,949.8	833.1	1,116.7	-283.6	74.6
1980/10	1,617.1	697.0	920.1	-223.1	75.7
1981/10	1,870.6	803.5	1,067.1	-263.6	75.3

Border trade on the basis of the Trieste and Gorica agreements have been taking place without major problems. Over the first 10 months of this year total trade under the Trieste Agreement reached a level of about 106.7 billion lire (a 78.1-percent increase over the same period of last year), about 52 billion lire of which represented exports and 54.8 billion lire imports.

Trade under the Gorica Agreement reached a level of 42 billion lire over the first 10 months, which represents a large increase over total trade over the same period of last year. Over the first 10 months exports under the Gorica Agreement amounted to about 20.6 billion lire, and imports reached a level of about 21.6 billion lire. The largest item in the distribution of exports under these agreements is livestock (cattle and horses), and then meat, lumber and metal products (which have a share of about 80 percent). The largest item in the distribution of imports is manufacturing materials, while consumer goods and equipment represent a relatively small volume.

Toward Higher Forms of Cooperation

Particular attention is being paid to higher forms of economic cooperation since only through long-term linkage of the interests of partners from the two countries are the conditions created for continuous cooperation.

In all 28 new contracts have been concluded over the last 3 years (1978-1980) concerning long-term industrial cooperation. In just the first 9 months of this year 15 contracts were concluded, 9 of which have already been registered and the other 6 are in the process of registration. A certain number of contracts from the previous period have expired.

In spite of the rather large number of contracts, the share of exports on the basis of long-term industrial cooperation in total Yugoslav exports is still relatively modest (10.4 percent in 1979 and 8.4 percent in 1980) and is showing a certain tendency to stay at the same level or to fall behind the growth trend of our exports. It is expected that the growth of exports on this basis will be larger when the contracts which have been concluded begin to be carried out.

The share of imports based on long-term industrial cooperation in total imports from Italy is also showing a slight tendency to decline (it was 6.8 percent in 1979, but 6.5 percent in 1980). This situation has largely been influenced by the general situation in the motor vehicle industry and machinebuilding, which accounts for the largest share of trade on the basis of this form of cooperation.

Though provision was made for trade based on long-term industrial cooperation to be in the relationship 1:1, this ratio is not being achieved under certain contracts. These problems are being overcome so as to achieve the appropriate reciprocity through the efforts of partners from both countries.

Conclusion of More Contracts

So far a total of 31 contracts have been concluded in the field of joint ventures with Italian partners. The total volume of funds invested by the Italian partners is relatively small. Two sizable contracts in the motor vehicle industry (between Fiat and the Crvena Zastava Plants) account for two-thirds of the total investments.

There are now 17 contracts in force in this field. Not a single new contract was concluded during 1980, but this year one contract in the textile industry is in the process of registration.

During 1980 14 contracts were concluded in the field of acquisition of material rights to technology, and in the first 9 months of this year 7 contracts were concluded (4 of which have been registered, while the other 3 are in the process of registration). Most of the contracts have been concluded in the metal manufacturing industry, construction, transportation, the food manufacturing industry, the chemical industry and the pharmaceutical industry.

Over the last 2 years the fewest contracts have been concluded between Italian and Yugoslav partners in the field of business and technical collaboration. Over the last year only one contract of this kind has been concluded.

In the period of 1978 and 1979 there was especially intensive cooperation between Italian firms and Yugoslav OUR's [organization of associated labor] in which the Italian firms did work on capital investment projects in Yugoslavia (14 contracts were concluded). Last year four contracts were concluded in which Italian firms were engaged to build large industrial projects in Yugoslavia. Over the first 9 months of this year there are three new contracts which are in the process of registration.

In 1979 Italian and Yugoslav partners concluded four contracts involving work on capital investment projects on third markets (Nigeria, Vietnam and Libya). In 1980 another two contracts were recorded, and over the first 9 months of this year nine contracts were concluded; five contracts have to do with setting up prefabricated housing for victims of earthquakes in southern Italy, and one pertains to construction of a hotel facility (Tarvisio, Italy). The other three contracts have to do with a joint effort on third markets (Libya and Czechoslovakia).

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NEW ELECTRIC TRANSMISSION LINE TO ITALY

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Oct 81 p 12

[Text] On Thursday, 22 October, a small ceremony was held at Divaca, Yugoslavia, and Redipuglia, Italy. Attending were the general directors of the Italian electric power system ENEL and its Yugoslav counterpart, JUGEL, as the long-distance transmission system Divaca-Redipuglia was placed into operation. It has a total length of 50 kilometers, of which 40 kilometers are in Yugoslavia and 10 kilometers in Italy. This is the first 400-kilovolt link between the two countries and, also, the first such Yugoslav connection with the Western European UCPTE system. The transmitting power of the long-distance system is 2,000 megawatts, which, considering the mutual assistance and exchange of electrical energy between the two countries, greatly improves the dependability of operations. For the sake of comparison, it should be noted that the total installed capacity of the Yugoslav electrical energy system is about 14,000 MW.

The Italian system is connected to the Yugoslav at the Divaca junction station, from which there are 400-kilovolt connections to Bericevo near Ljubljana, and to Meline near Rijeka. Recently, the southern main line of the basic 400-kilovolt system in Yugoslavia was connected, including Kosovo, Titograd, Mostar, Split, Rijeka, and Divaca (other than the connecting stations at Pristina and Titograd). This permits the long-distance transmission system to stretch throughout the country, contributing significantly to the dependability of operations of the electrical energy system.

The connection with Italy and the southern main line of the power grid has been completed at a time of tension in the Yugoslav energy situation. Since an agreement has been reached with the Italians to borrow a certain amount of electric power during the winter that can be returned in the spring, these new connections will help to ease this winter's power shortages.

12131
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STATUS OF TREPCA MINING, METALLURGICAL COMPLEX ARGUED

Manager Mikulovci Speaks Out

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1608, 25 Oct 81 pp 16-17

[Article by Svetislav Spasojevic based on interview of Nazmi Mikulovci, chairman of the Business Board of the Trepca Mining, Metallurgical and Chemical Complex in Kosovska Mitrovica: "A Boundary Underneath the Ground"]

[Text] We went to Kosovska Mitrovica to talk with Nazmi Mikulovci, chairman of the Trepca Business Board, so as to establish irrefutably how much truth there is if any in the slogan which was heard here at the time of the unwelcome events: "Belgrade is being built on Trepca's effort." The curiosity was not misplaced, and there are no reasons why this slogan should not be spoken about publicly and without shilly-shallying. It should, that is, be contested or confirmed, if that is possible.

"Certainly you would like me to answer for you the question of whether Trepca withdraws into itself and confines itself to the borders of the province. For Trepca even the entire space of Yugoslavia is too small, so there is no need for us to speak about the area of the province. And yet it is closed off. This assessment of mine means nothing unless at the same time we answer the question of whether this is an exclusiveness resulting from a policy to that effect or a policy of confinement has been imposed. Yes, Trepca is exploited, but this is not done because of its geographic position."

We obtained the answer, then, without even putting the question. The topic on which we talked is not one with which Mikulovci is unfamiliar. It might even be said that it has become a part of him. It is obvious that he has repeated the tale about Trepca's confinement countless times, but, if the truth be told, it has not become devoid of his own emotions.

A Voice Against Boundaries

"We have been compelled to seek ore wherever there is any regardless of provincial or republic boundaries," Mikulovci continued. "However, it is easier to obtain a license to explore in Turkey, Iraq or China than in some of our republics. Often we speak about confinement, that is, about the parcelization of the

Yugoslav market. That division begins with the failure to obtain the prospecting rights. Is it a normal thing for Trepca, which is mining ore on the border between the province and SR [Socialist Republic] Serbia proper, to be refused a permit to move onto the territory of Serbia proper beneath the ground when it is so compelled in exploring for the ore? After all, we, too, are located on the territory of SR Serbia, and the competent authorities ought to behave accordingly toward Trepca."

To make this assertion as authentic as possible, he cited as an example a detail from this year's "Report on Exploration and Exploitation of Lead and Nickel Ore in Serbia Proper," which was prepared by the Serbian Republic Secretariat for the Economy, the Economic Chamber of Serbia, and the Serbian Republic SIZ [Self-Managing Community of Interest] for Geological Explorations: "Since it is a question here of granting permission for exploration for lead and zinc in Serbia proper to a work organization registered in another republic, that is, SAP [Socialist Autonomous Province] Kosovo...."

New Factories

"I ask you, is Trepca a work organization which is located on the territory of another republic? The manifest involvement of forces from outside associated labor inevitably leads us toward discord," director Mikulovci states categorically. "Confinement has prevented us from developing normally. If we are to survive, we must prospect ore deposits somewhere. If we cannot do that in SR Serbia, in which we ourselves are located, as we are in Yugoslavia as well, then we are forced to do this abroad. It is obvious that Trepca has not closed itself off, but that it has been pushed back into Kosovo."

The activities of mining and metallurgy go back about 50 years here, but processing and manufacturing only some 10 years.

"Lead and zinc production is in an extremely difficult situation," Mikulovci emphasizes. "We are operating at a loss in this part of our production operation. Until some 10 years ago we produced only metal in ingots. We were meeting domestic needs and exporting. It is understandable that we should try not to export metal in ingots, but rather products made from the metal. There are things which are simply inexplicable and to which I cannot reconcile myself. One of them is the attitude taken by the Yugoslav government administration toward lead and zinc producers, that is, toward a labor force of 20,000 in Trepca. So long as I hold this position, that is the only view I can take. Some imaginary world exchange has jurisdiction over the pricing of our products. When the price on that exchange is low, then we honor it. Should it happen to be high, then any number of reasons are found against our raising the price of domestic lead, or at the least the application for the new price, though justified, is delayed indefinitely. Yet on the other hand our borders are closed, for example, to the import of color television sets, and the free setting of prices is allowed! The upshot is that production of color television sets is more important to Yugoslavia than the production of lead and zinc. It is in fact a question of different treatment of the people employed in these two production sectors. I would like to meet someone who would reconcile himself to that fact."

Then he returned once again to his assertion that Trepca is exploited, but he especially emphasized that this is not related to its geographic position. Trepca is not located only within the borders of the province, but is also located in SAP Vojvodina and SR Montenegro. "Finally, Bor, Zenica and quite a few other producers of raw materials are in the same position, but I have no right to speak about them, nor do I wish to do so. I know what is happening to Trepca. We have thought for a long time how we might oppose the government, that is, counteract the government policy toward producers of raw materials. The only right way is to build manufacturing plants. The first and greatest obligation of the 20,000 workers employed at Trepca is to build manufacturing plants in the most underdeveloped parts of SAP Kosovo."

In just the last year Trepca has opened up some 10 manufacturing plants all over the province. These are factories in Pec, Gnjilane, Djakovica, Vucitrn, Decani, Kosovska Mitrovica.... We asked Mikulovci where Trepca obtains so much money to build factories?

Parting of the Ways Without Obligations

"Some of the money was our own, but foreign credits make up the major portion. Today we are paying off those credits not only with money, but also with ore. When I speak of obligations, I must tell the story about how two organizations withdrew from our collective. It is a question of the mines Blagodet and Lece, which are in the southern part of SR Serbia. I do not want to repeat nor even to recall what happened before and during the withdrawal of those mines from Trepca. All of that should be forgotten as soon as possible. It is the consequences of that withdrawal I am referring to. We opened those mines, and in order to do so, we contracted indebtedness abroad. The obligations have come due, but Blagodet and Lece are not discharging their obligations. It is we who are doing it, since the creditors do not care whether those two mines have money or not. One cannot withdraw from a community and fail to accept certain obligations. We are discharging the obligations of someone else, yet we are not in a position to pay personal incomes to our labor force. Payday is supposed to be between the 5th and 10th of the month at the latest. In September we were paid only on the 25th, and this month, though we have already gone into the second half, most members of the labor force have not yet received their pay."

On the street in Zvecan and Stari Trg, watching the workers leaving the second shift and going to work on the third, one could see that Trepca is in a fairly difficult situation. Finally, one can also notice this on the basis of the stores in Kosovska Mitrovica itself. Though there are enough goods--even coffee, detergent and gasoline--and though the prices are cheaper than in other parts of the country, the stores are almost empty.

"We no longer have a rich deposit," Nazmi Mikulovci continues. "The ore is poorer and poorer. In addition, we have an old technology, and the working conditions are all but hopeless. To all this we must add the fact that the credits are smothering us. It is a fortunate circumstance that a few years ago we knew that this year, 1981, would be the most difficult. All that we are achieving in production is far below what we are capable of, not to even mention needs.

These, then, are the critical years. I think that 1983 will be the watershed year. Up to that point our manufacturing industry will be suffering from all the childhood diseases. It was well conceived and set up, and I am certain that it will soon return everything we invested in it and for the sake of which we find ourselves today in a very uncomfortable position."

Abuse of a Slogan

Mikulovci then complained of "certain comrades who tell us that our output is low." He mentioned that that has been the case with output for years and that it has nothing to do with Irredenta and counterrevolution in Kosovo. He is categorical when he says: "... Finally, the workers of Trepca did not participate in the demonstrations....

"We developed very rapidly and spent quite a bit of money on that development. We do not dispute the fact that the return of this money is going slowly. One should always be mindful of the fact that everything Trepca has built it has erected from scratch," Trepca's chief official said for NIN at the end of a 3-hour interview. "There is a huge difference when something is built, say, by Iskra. Aside from that, we are still in the stage of teaching people to do the job for which they are receiving personal incomes."

We hope we have answered the question put at the outset of this article: How much truth, if any, is in the slogan "Belgrade is being built on Trepca's effort"? There is no doubt that Trepca is making an effort, but its operation is not as good as it might be and should be. Belgrade is being built, but not as fast as it should. It is also true that quite a bit is being taken away from Trepca--just as is being done to Zenica, Bor.... If Trepca's name is not alone on the list of mines and smelteries which have been taken away from and are still being taken away from, then Belgrade is certainly not the only city which has been and is on the receiving end.

The essential part of the answer concerning the accuracy of the slogan is that which indicates that it has been abused and concerns the intentions of those who have already been convicted to use it in rallying people who are naive and sometimes innocent as well. This is the part which does not belong to that tale about a segment of Yugoslav reality which no one wants or intends to hide from the public.

Later Discussion

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1612, 22 Nov 81 p 19

[Article by Svetislav Spasojevic based on a meeting of the Economic Chamber of Serbia in which the charges of Nazmi Mikulovci were answered]

[Text] Even at the time of our interview with Nazmi Mikulovci, chairman of the Trepca Business Board, and a few days later, when we prepared the article for NIN (published in No 1608, 25 October 1981) we were certain that most of his assertions would evoke a reaction. A meeting which was held thereafter in the

Economic Chamber of Serbia concerning that article has among other things done much to confirm that assumption.

At that meeting of the chamber chairman Mikulovci was not so fervent in defending the views and assertions uttered to a NIN reporter some 10 days previously. One gained the impression that he was prepared to use the old tried and true method of putting the blame on the newsman.

To make the whole incident as clear as possible, we will first have to quote several of the most essential judgments and views of the chairman of the Trepca Business Board published in NIN's last October issue:

"Certainly you would like me to answer for you the question of whether Trepca withdraws into itself and confines itself to the borders of the province. For Trepca even the entire space of Yugoslavia is too small, so there is no need for us to speak about the area of the province. And yet it is closed off. This assessment of mine means nothing unless at the same time we answer the question of whether this is an exclusiveness resulting from a policy to that effect or a policy of confinement has been imposed. Yes, Trepca is exploited, but this is not done because of its geographic position...."

Then in the course of the conversation Mikulovci told us that Trepca was simply compelled to seek ore wherever it existed, regardless of whether provincial and republic boundaries cut across the deposit.

"However, it is easier to obtain a license to explore in Turkey, Iraq or China than in some of our republics.... Is it a normal thing for Trepca, which is mining ore on the border between the province and SR Serbia proper, to be refused a permit to move onto the territory of Serbia proper beneath the ground when it is so compelled in exploring for the ore? After all, we, too, are located on the territory of SR Serbia, and the competent authorities ought to behave accordingly toward Trepca...."

"... I ask you, is Trepca a work organization which is located on the territory of another republic? The manifest involvement of forces from outside associated labor inevitably leads us toward discord.... If we are to survive, we must prospect ore deposits somewhere. If we cannot do that in SR Serbia, in which we ourselves are located, as we are in Yugoslavia as well, then we are forced to do this abroad. It is obvious that Trepca has not closed itself off, but that it has been pushed back into Kosovo...."

And another quote from the same article. "Then he returned once again to his assertion that Trepca is exploited, but he especially emphasized that this is not related to its geographic position.... 'Finally, Bor, Zenica and quite a few other producers of raw materials are in the same position, but I have no right to speak about them, nor do I wish to do so. I know what is happening to Trepca. We have thought for a long time how we might oppose the government, that is, counteract the government policy toward producers of raw materials....'"

It would not take a wise man to understand that at least some of the countless assertions of chairman Mikulovci spread out over almost two pages of NIN would

arouse certain people to respond to them and thus attempt to contest them. That is what happened in this meeting in the Economic Chamber of Serbia which brought together representatives of OUR's [organization of associated labor] which are producers and users of lead and zinc from throughout the republic, representatives of the republic secretariat for the economy, representatives of the chamber....

"Up until 10 years ago or so we had a uniform law on mining, and that also applied to exploration," said Krsta Jovanovic, republic secretary for the economy and member of the Executive Council of the Assembly of SR Serbia. "Under the constitution, however, it became possible for each of the provinces to draft its specific laws differently. Our initiative for joint adoption of a law was thus simply rejected. It is our view even today--I am referring to the republic secretariat for the economy--that we should explore and use mineral resources jointly and not separately. In the end those are the joint resources of this republic and of the entire country."

Chairman Mikulovci did not answer the remarks of secretary Jovanovic, but often interrupted him: "Representatives of the governments of SAP Kovoso and SR Serbia ought to talk about all those things you are speaking of. After all, Trepca is in the republic at large, and not just in Kosovo."

The statement made by Milomir Bogdanovic, director of the Leposavic Mine, brought quite a bit of reason into the entire incident. This, incidentally, is a mine which extends over the border between the province and Serbia proper. What Bogdanovic said was that back in 1937 the English opened up a mine at Kopaonik, but they did not set up boundaries, and there is no reason for us today to do that either. In his judgment, and he is the head of that mine, it is impermissible for a mine to be divided into two basic organizations, even though it is divided by a boundary between a republic and province.

In the end this director was to be surprised when he heard that Momcilo Amasanovic, president of Novi Pazar Opstina, in which a portion of the Leposavic Mine is located, had been coming to Belgrade and had called upon certain competent agencies for the major portion of the lead being mined at the Leposavic Mine to be left to Novi Pazar for use in its storage battery factory. The opstina president had nothing against Trepca taking the remainder and of giving or selling it to whoever needed it.

The result of this meeting is the knowledge that there is no desire to build a new smeltery in Serbia proper. Finally, as was stated clear and loud at the meeting, SR Serbia has its own smeltery, which is located at Zvecan, which is near Kosovska Mitrovica. Which is why there was discussion of how it should best be equipped and modernized.

The principal message of this meeting lies in the fact that most of the participants are interested in a community effort, that is, in what is referred to as association based on the sharing of income. In this regard, it must be said, the chairman of the Trepca Business Board was somewhat more restrained.

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BRIEFS

OIL DERIVATIVE SHORTAGE--Up to now 50 percent of the oil for the Yugoslav oil industry and consumers needed to be imported in November has been imported. Republics and provinces which were supposed to pay for imports with exports have already exhausted their balance of payments positions and this is the basic obstacle to planned oil purchases. As matters now stand, the situation in December will be even worse. There are no more reserves. Many factories are no longer operating. It is said in the General Association of the Oil Industry that "Naftagas" has stopped producing lubricating oil so that there will be more mazut. For some time already all republics and provinces have introduced electric power conservation measures and it is reliably known that the oil industry will not be able to produce nearly as much heating oil as was planned for this winter. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Nov 81 p 1]

CORN EXPORTS--Of the 300,000 tons of corn planned for export from Vojvodina, the sale of 110,000 tons to Romania and Bulgaria has been contracted for up to now. In addition, negotiations are underway to sell 50,000 tons to Switzerland and other countries. Also, despite the fact that exports are to the East European markets, payment will be made in convertible currency, because this has been agreed upon in the contract. Up to now only 6,500 tons have been shipped to buyers abroad from the province of Vojvodina. [Text] [Belgrade BORBA in Serbo-Croatian 21 Nov 81 p 14]

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ECONOMIC AND INDUSTRIAL AFFAIRS

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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2215

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TRADE RELATIONS WITH ARAB COUNTRIES EXAMINED

Sofia VUNSHNA TURGOVIYA in Bulgarian No 9, 1981 pp 7-10

[Article by Sasha Grozdanova: "Trade and Economic Relations Between Bulgaria and Arab Countries"]

[Text] The role of developing countries in international economic relations and their influence in the solution of a number of global economic and political problems are increasing with detente.

The decisive efforts of the majority of developing countries to reorganize international economic relations and the active struggle they are waging against imperialist exploitation are supported by the Soviet Union and the other members of the socialist comity. It is on this basis that friendly relations, based on reciprocal advantages, respect for sovereignty and noninterference in domestic affairs, are created between CEMA-member and developing countries. However, these relations are not based on class solidarity, for most develcping countries are following the capitalist way and only a few of them have taken a socialist orientation. However, these are relations of a new type, characterized by international support and aid which the socialist countries are providing the developing states.

Bulgaria maintains particularly active and varied economic relations with the Arab countries.[1] This is based on a number of factors, such as our country's policy toward this group of countries, historical traditions, geographic vicinity, convenient transportation, complementing economic structures and so on.

Trade plays an important role in relations between Bulgaria and the Arab countries. In recent years (1979-1980), more than one half of our trade with developing countries and about 4 percent of our overall trade has been with this group of states. Our trade with the Arab countries increased from 123 million leva in 1970 to 936.2 million leva in 1980.

Bulgaria maintains particularly active relations with the progressive Arab systems. Our trade with Libya, Iraq, Algeria and Syria accounts for 77 percent of our global trade with the Arab world. In 1979, for example, Libya was our 10th biggest foreign trade partner, accounting for 280.8 million leva, followed by Iraq with 137.9 million, Algeria with 104.7 million and Syria with 61.8 million. These countries belong to the 10 developing countries with which Bulgaria maintains most active trade relations.

A study of the trade structure between Bulgaria and the Arab countries over the past 10 years shows a clear increase in the share of productive capital exported to these countries. Starting with 1978, machines and equipment have accounted for more than 50 percent of the total. This is important to the industrialization of the Arab countries, their socioeconomic development and their international economic relations in general. However, the growth rates of our exports of machines and equipment to the Arab countries are still behind the pace and volume of their imports of such goods. On the other hand, during the past few years some countries (Algeria and Iraq) have begun to organize their own production of some types of machines (tractors, metal processing machinery and others), as a result of which they have reduced their imports. At the same time, competition on the part of developed capitalist countries has become more active,[2] and the requirements of the Arab countries regarding the quality and technical standards of important machines and equipment have increased.

The structure of Bulgarian machine and equipment exports is quite varied. Bulgaria exports mainly metal processing, agricultural, hoisting, power and electrical engineering machinery and equipment. Most of the metal processing machines go to Iraq and Syria. In the future, it is expected that the Arab countries will increase their imports of metal processing machines regardless of their own efforts to increase their domestic production of such equipment. The share of higher precision and more specialized machines will be increased particularly.

The Arab countries will continue to meet their needs for lifting equipment, mainly through imports. For example, in 1979 Bulgaria delivered to Iraq, Lebanon and Egypt 214 forklift trucks, 177 gas-operated lift trucks and 88 electric hoists. Our exports have a good market in these countries. However, of late we have been facing the competition of capitalist countries and, particularly, Japan with increasing frequency.

The Arab world is quite interested in Bulgarian agricultural machinery. A promising market exists for soil cultivation, irrigation and harvesting machinery. Bulgaria exports to the Arab countries various energy and electrical engineering machines and equipment as well.

The increased share of Bulgarian machines and equipment in Arab imports is effectively based on the process of industrialization in the Arab countries. This is closely related to the efficient utilization of the advantages stemming from the participation of the individual countries in the international division of labor.

The Arab countries account for a considerable share of Bulgarian imports from the developing countries. Initially, such imports covered exclusively agricultural products such as rice, olives, citrus fruits, cotton and others. Our country offers a long-term stable market for the traditional agricultural commodities produced by these countries. However, Bulgaria not only imports from but exports to the Arab countries some types of agricultural commodities and foodstuffs. Such items account for 17 percent of our total exports to these countries. Many of them are traditional. This is yet another confirmation of the essentially new approach taken by our country to problems being resolved by the Arab countries, including that of food supplies.

In recent years we have also imported finished and semi-finished goods from the Arab countries. The industrialization underway in the Arab countries leads us to believe

that this process will be developed in the future considerably. With increasing frequency long-term trade agreements stipulate percentages of finished goods. Thus, the long-term cooperation program concluded between Bulgaria and Iraq stipulates imports of tape recorders, fluorescent tubes, fabrics and shoes from Iraq. We can expect that the processing industry which is developing in the Arab countries at a fast pace will offer new and even more interesting export commodities. Chemicals and some types of instruments and other items produced by the Arab countries have already reached our market.

Imports of raw materials from the Arab countries are increasing rapidly as well. They account for four fifths of our imports from these countries. Considerable changes have taken place in their structure as well. The share of industrial raw materials has increased. Imports of petroleum and chemical raw materials such as phosphates, ores and metals, have been increasing most rapidly. The Arab world is the second largest petroleum supplier to Bulgaria, the USSR being first. Most promising in this respect are our relations with Libya, Algeria and Iraq.

These countries can increase their exports of petroleum and mineral raw materials by increasing their output which, in turn, calls for the development of new deposits and installation of more productive capital. The Arab countries lack adequate experience and a number of them are short of means for carrying out such projects through their own efforts. Their cooperations with Bulgaria in surveying and developing their natural resources is substantial. It is consistent with reciprocal interests. Bulgarian geological groups are studying deposits, designing mines and mapping geological charts in Algeria, Tunisia, Syria, Morocco and Iraq. The production, financial and scientific and technical aid they are receiving from Bulgaria in development of some raw material sources make their increased exports to our country possible.

Along with the growth of trade between Bulgaria and the Arab countries, other more progressive forms of economic cooperation are being developed as well. Cooperation in the area of technical assistance is an example of a higher stage of development of such relations.

In recent years, a form of economic cooperation relatively new to our country has been developed: the export of complete projects to countries in that area. The main importers are Iraq, Syria, Algeria and Libya. Bulgaria supplies mainly food industry enterprises such as canneries, greenhouse complexes, light industry enterprises, electric motor production factories, technological lines and others.

Our country has shipped canneries to Ba'quba, Na'maniya, Hair and Shaqlawa and a starch and dextrin plant in Iraq. Feed plants, greenhouses and poultry farms will be delivered to that country.

The exporting of complete equipment for mines and concentration factories has been very successful. Thus, a mine and a phosphate concentration factory were built and equipped in Syria, equipment for the mining of iron ore deposits was delivered to Algeria and so on.

In this respect our country's activities are contributing to the comprehensive development of individual industrial sectors in the Arab countries. Such comprehensive

technical cooperation is very effective and its development will be expanded in the future. To Bulgaria this is a major means for increasing the export of machines and equipment. At the same time it guarantees imports of some raw materials and semi-finished and finished goods.

Another important foreign economic activity conducted by our country in the Arab states is the planning and construction of a variety of projects. This includes roads, airfields, bridges, public buildings, dams and irrigation systems. Syria was the first country in which construction projects were completed: a grain silo, the Rastan and Maharde Dams and other projects. A Bulgarian construction organization designed and built two complete airfields. Bulgarian construction workers completed the civil airport in Baghdad, the sports city in Tunis, sports complexes in Tripoli and Bengazi, the airport in Sebha, the sewer system in Tripoli and a wide network of polyclinics and hospitals in Libya.

Bulgarian construction projects carried out in the Arab countries are focused mainly on the construction of representative projects aimed at improving the infrastructure of the country, directly related to their economic development. Such projects contribute to the strengthening of the state economic sector in the Arab countries and lay the foundations for the development of new industrial sectors.

Scientific and technical cooperation with the Arab countries is developing positively. As a result of many years of colonial slavery, illiteracy in those countries is widespread. There are very few specialists, most of them trained in the former mother countries. The urgent need for scientific cadres of specialists became very quickly apparent as a result of the rapid development of the Arab countries. Such specialists could come from the developed capitalist countries as well. However, since this is a feature of the neocolonial policy of these countries, the Arab states are looking for other sources of such aid. This created objective prerequisites for rapidly increasing the scale of scientific assistance granted by the socialist countries, radically different from that offered by the West. Bulgaria and the remaining socialist countries pursue no secret objectives by assigning their specialists or accepting Arab young people for training in their schools. Thousands of Bulgarian scientific workers and specialists are providing aid on the spot in the areas of agriculture, industry, transportation and health care. Bulgarian specialists began to be assigned to those countries starting with the second half of the 1950s. Bulgarian specialists are at work in Syria, Kuwait, Iraq, Morocco and others. Bulgaria has organized in Arab countries schools, assigned teachers, and accepted specializing and postgraduate students in its schools. In recent years the number of young people from Arab countries undergoing their training in Bulgaria has been increasing rapidly. They come mainly from Algeria, the People's Democratic Republic of Yemen, Lebanon and Iraq. This process will be intensified, for the need for specialists is increasing steadily as a result of the accelerated industrialization of the Arab countries.

Cooperation between Bulgaria and the Arab countries will continue to develop and intensify. This is favored by friendly relations at the highest party and state level. The theses of the 12th BCP Congress reemphasize our country's readiness "to follow a line of accelerated development of foreign economic relations with developing countries," and to support the "struggle of the Arab peoples against imperialism, Zionism and reaction...."[3]

A number of problems arise in the course of the intensification and expansion of foreign economic relations between Bulgaria and the Arab countries. Their solution is hindered by the variety of political regimes in the Arab countries, frequent internal contradictions, which result in military conflicts, and the political instability of the area.

The close economic ties with the imperialist countries created during the colonial period present problems as well. For this reason, it is becoming increasingly necessary for the quality of our goods to meet world standards, to be adapted to the specific weather conditions of the Arab world and so on. Bearing in mind the ambitious economic development programs of the Arab countries, which stipulate the accelerated building of textile and food industries, machine building and metallurgical enterprises, Bulgaria could considerably increase its export of complete enterprises, based on its considerable production experience and cadres.

Agricultural equipment exports is a traditional element in our cooperation with the Arab countries. In order to develop it further, we must promptly organize the qualitative technical servicing of exported machines and equipment. Good service and regular availability of spare parts is of major importance in enhancing Bulgaria's reputation as an exporter of machines and is an additional factor in stimulating sales.

The timely delivery of goods to the Arab countries and improvements in advertising are important problems. Greater attention must be paid also to the study of the Arab market and to the search for less expensive and more efficient transportation roots.

Our imports from Arab countries face problems as well. The great backwardness of some Arab countries and the lack of export potential (other than petroleum) create a number of difficulties. Some countries try to balance their trade with Bulgaria, which is of essential importance to them. They try to pay for their imports with exports. However, because of their limited export possibilities, they impose deliberate restrictions to our exports.

The rapid development of the petroleum processing industry in the Arab world creates opportunities for increasing imports of petroleum products. We should ask our deliveries to be paid in raw materials. This is important in resolving the raw material problem of our country.

Socialist economic integration is one of the basic factors which contribute to the intensification of our relations with the Arab countries. It helps us steadily to improve production forces and to increase social labor productivity. This increases Bulgaria's export possibilities.

The successes achieved by CEMA-member countries in the development of their national economies are a major attractive force for the young independent countries. This interest was confirmed in 1975 when the first cooperation agreement was concluded between CEMA and the Arab state of Iraq. Its purpose is to promote comprehensive economic cooperation and, at the same time, to expand and intensify contacts on a bilateral basis.

The CEMA-member countries engage in joint and coordinated participation in construction projects, supply of complete enterprises and geological surveys in the Arab

countries. Bulgaria and the USSR have already completed several joint projects such as phosphate mines in Jordan, Morocco and Tunisia, and a complex for the production of chemical fertilizers and sulphuric and phosphoric acid in Iraq. Natural resources are being developed in Algeria through the joint efforts of Soviet, Bulgarian and Romanian specialists. Bulgaria, Poland, Romania and the GDR built and equipped three phosphate extraction industry projects in Syria.

However, the problem of engaging in more extensive production specialization and cooperation between CEMA-member countries and Arab states remains unresolved. The severe economic backwardness of the Arab world remains one of the basic reasons for this.

Improving the cooperation mechanism plays an important role in the development of various forms of foreign economic relations. An organizational-legal mechanism for their regulation has been elaborated. It includes bilateral intergovernmental treaties for trade, economic and scientific and technical cooperation and cooperation in carrying out specific projects. Agreements of a new type are being concluded, based on the adoption of long-term programs. They provide a stable foundation for the development of reciprocal economic relations and are becoming a factor in stabilizing the economy of the Arab countries. Bulgaria has organized mixed intergovernmental commissions with some of the bigger Arab countries. They call for the organization of work groups, sections and subcommissions with the participation of major specialists. This protects the interests of the countries and makes the coordination of joint measures possible.

The comprehensive economic and scientific and technical cooperation with the Arab countries and the implementation of a policy aimed at supporting their struggle for political and economic independence objectively strengthen the positions of the anti-imperialist front in the interest of detente and create opportunities for a radical reorganization of contemporary international economic relations. The intensification of such relations in the future may be expected. They are one of the effective means of supporting the Arab countries which enables them to follow the path of progressive social changes they have chosen.

FOOTNOTES

1. The Arab countries are: Algeria, Bahrain, Egypt, Iraq, Yemen, Jordan, the People's Democratic Republic of Yemen, Kuwait, Qatar, Libya, Lebanon, Mauritania, Morocco, the United Arab Emirates, Oman, Sudan, Saudi Arabia, Syria, Somalia and Tunisia. According to United Nations data, in 1978 the population of the Arab countries totaled close to 145 million people with a territory of 14 million square km spread over Asia and Africa. The territory of the Arab countries accounts for about 55 percent of the world's petroleum reserves and one sixth of the global reserves of natural gas.

2. For example, in recent years the developed capitalist countries have become the main partners of Egypt, Tunisia and Morocco.

3. RABOTNICHESKO DELO, 10 April 1981.

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STATISTICAL DATA ON BULGARIAN FOREIGN TRADE

Sofia VUNSHNA TURGOVIYA in Bulgarian No 9, 1981 pp 26-27

[Report: "1980 Foreign Trade of the Bulgarian People's Republic in Figures"]

[Text] In 1980, Bulgaria's foreign trade totaled 17,184,000,000 foreign exchange leva (8,901,500,000 leva exports and 8,282,900,000 leva imports). Between 1960 and 1980 foreign trade increased by a factor of 9 in physical terms; overall industrial output rose by a factor of 6, agricultural output doubled and the national income quadrupled.

The USSR accounts for about 54 percent of Bulgaria's trade, while the remaining CEMA-member countries account for 20 percent. Between 1960 and 1980 trade with CEMA-member countries increased by a factor of 14; trade with the developing countries increased by a factor of more than 15 (2.83 billion leva in 1980), and by a factor of 37 with the developing countries (1.52 billion leva in 1980).

Machine building output accounts for 42.2 percent of total exports. Specialized goods worth 1.79 billion leva were exported. Exports of complete projects totaled 278 million leva to the developing countries and 106 million to CEMA-member countries (mainly canneries for fruits and vegetables, and chemical and construction enterprises).

Bulgarian Exports of Specialized Machines and Equipment for Industrial Purposes

	1970		1980	
	(1) млн. лева	%	(1) млн. лева	%
Общо (2)	224.0	100.0	1789.7	100.0
В това число: (3)				
Енергетични и електротехнически машини (4)	0.6	0.3	129.3	7.2
Електротехнически машини (5)	0.6	0.3	126.5	7.1
Подемно-транспортни машини (6)	146.6	65.5	666.6	37.3
Електрокари (7)	117.6	52.5	321.4	18.0
Електротелфери (8)	29.0	13.0	148.4	8.3
Съоръжения за леката и хранителната промишленост (9)	0.5	0.2	42.7	2.4
Свързочни съоръжения (10)	0.6	0.3	103.7	5.8
Електронна изчислителна техника (11)	1.4	0.6	441.3	24.7
Трактори и селскостопански машини (12)	49.4	22.1	86.5	4.8
Трактори (13)	2.9	1.3	31.7	1.8
Селскостопански машини (14)	46.5	20.8	54.8	3.1
Транспортни средства (15)	23.0	10.3	120.6	6.7
Кораби (16)	14.8	6.6	67.7	3.8

1. Specialization based on recommendations of CEMA and on bilateral agreements with CEMA-member countries.

Key:
1. million leva
2. total
3. including
4. power and electrical engineering machinery
5. electrical engineering machinery
6. hoisting machinery
7. forklift trucks
8. electric hoists
9. light and food industry equipment
10. communications equipment
11. electronic computers
12. tractors and agricultural machinery
13. tractors
14. agricultural machinery
15. transportation facilities
16. ships

Bulgarian Main Trading Partners in 1980 (in million leva)

Страни 1)	Стокообмен 2)	Износ 3)	Внос 4)
СССР 5)	9188,5	4444,7	4743,2
ГДР 6)	1034,4	486,7	547,7
ПНР 7)	671,9	343,9	328,0
ФРГ 8)	623,6	226,9	326,7
ЧССР 9)	584,5	274,5	310,0
Либия 10)	402,2	318,9	83,3
Гърция 11)	392,7	338,9	43,8
СРР 12)	356 6	196,5	160,3
Щвейцария 13)	343,9	198,5	145,4
Куба 14)	268,8	155,4	113,4
Италия 15)	245,9	145,7	118,7
Франция 16)	243,2	95,7	147,5
СФРЮ 17)	240 8	145,7	95,1
Англия 18)	226,4	127,1	99,5
Австрия 19)	219,2	81,7	137,5
Иран 20)	173,4	125,1	48,3
Ирак 21)	138,9	123,4	15,5
Белгия 22)	110,1	30,5	79,6
САЩ 23)	106,3	40,8	65,5
Турция 24)	106,0	94,0	12,0
Алжир 25)	105,0	102,8	2,2
Холандия 26)	97,8	49,1	48,7
Япония 27)	62,3	21,1	41,2
Сирия 28)	62,0	55,5	6,5
Китай 29)	57,9	22,8	35,1
Швеция 30)	49,9	17,4	32,5
Ливан 31)	46,1	44,5	1,6
СР Виетнам 32)	45,3	36,7	8,5
Испания 33)	41,8	19,0	22,8
Мароко 34)	32,4	20,3	12,1
КНДР 35)	26,3	7,1	19,2
Пакистан 36)	26,1	20,5	5,6
Йордания 37)	24,6	—	24,6
Нигерия 38)	24,0	23,7	0,3
Финландия 39)	23,8	11,4	12,4
Египет 40)	21,8	21,8	—
Бразилия 41)	21,8	5,4	16,4
Албания 42)	21,1	11,2	9,9
МНР 43)	17,6	9,8	7,8
Канада 44)	14,7	3,4	11,3
Дания 45)	14,4	3,9	10,5
Тунис 46)	13,0	7,1	5,9
Аржентина 47)	11,4	7,1	—
Кувейт 48)	7,1	5,2	6,2

Key:

1. country
2. trade
3. exports
4. imports
5. USSR
6. GDR
7. Poland
8. FRG
9. Czechoslovakia
10. Libya
11. Greece
12. Romania
13. Switzerland
14. Cuba
15. Italy
16. France
17. Yugoslavia
18. Great Britain
19. Austria
20. Iran
21. Iraq
22. Belgium
23. United States
24. Turkey
25. Algeria
26. The Netherlands
27. Japan
28. Syria
29. China
30. Sweden
31. Lebanon
32. Vietnam
33. Spain
34. Morocco
35. Korean People's Democratic Republic
36. Pakistan
37. Jordan
38. Nigeria
39. Finland
40. Egypt
41. Brazil
42. Albania
43. Mongolia
44. Canada
45. Denmark
46. Tunisia
47. Argentina
48. Kuwait

Bulgarian Exports and Imports by Production Sector (annual prices)

Key:

A. Material production sector
B. Exports
C. Million leva
D. Imports
E. Total
F. Including
J. Industry
H. Of which
1. Electric and thermal power
2. Fuel industry
3. Ferrous metallurgy (including ores)
a. Ferrous metallurgy
4. Machine building and metal processing
a. Machine building
5. Chemical and rubber industry
a. Chemical industry
6. Construction materials industry
7. Timber extracting and timber processing industry
8. Cellulose-paper industry
9. Glassware and porcelain industry
a. Porcelain industry
10. Textile industry
11. Clothing industry
12. Leather, fur and shoe industry
13. Printing industry
14. Food industry
a. Local industry
b. Canning industry
c. Dairy industry
d. Wine and alcoholic beverages
e. Tobacco industry
I. Agriculture
1. Crop growing
2. Animal husbandry

(A) Отрасли на материалното производство	(B) Износ 1970 млн. лева (C)	%	(B) Износ 1980 млн. лева (C)	%	(D) Внос 1970 млн. лева (C)	%	(D) Внос 1980 млн. лева (C)	%
Общо (E)	2344.5	100.0	8901.5	100.0	2142.3	100.0	8282.9	100.0
в това число: (F)								
Промишленост (J)	2132.6	91.0	8247.4	92.7	2101.7	98.1	8111.2	97.9
от него: (H)								
1. Електроенергия и топлоенергия	3.5	0.2	25.2	0.3	3.3	0.2	146.8	1.8
2. Топливна промишленост	6.5	0.3	825.1	9.3	266.6	12.5	2207.9	26.7
3. Черна металургия (вкл. руди)	105.1	4.5	331.0	3.7	262.6	12.3	816.6	9.9
а) черна металургия (a)	105.1	4.5	330.9	3.7	246.9	11.5	776.4	9.4
4. Машиностроене и металообработване	699.6	29.8	3913.1	44.0	933.4	43.6	3098.8	37.4
а) машиностроене (a)	681.2	29.1	3756.6	42.2	878.4	41.0	2982.4	36.0
5. Химическа и каучукова промишленост	209.2	8.9	727.7	8.2	229.6	10.7	727.9	8.8
а) химическа промишленост	189.8	8.1	681.9	7.7	191.1	8.9	669.7	8.1
6. Промишленост за строителни материали	7.4	0.3	55.3	0.6	13.4	0.6	48.9	0.6
7. Дърводобивна и дървообработваща промишленост	50.6	2.2	84.3	0.9	24.4	1.1	49.2	0.6
8. Целулозно-книжна промишленост	3.9	0.2	9.5	0.1	51.4	2.4	155.0	1.9
9. Стъкларска и порцелано-фаянсова промишленост	10.9	0.5	42.8	0.5	6.8	0.3	14.7	0.2
а) порцеланова и фаянсова промишленост (a)	8.3	0.4	20.2	0.2	5.8	0.3	10.7	0.1
10. Текстилна промишленост	58.4	2.5	150.5	1.7	112.9	5.3	185.7	2.2
11. Шивашка промишленост	105.1	4.5	146.7	1.6	1.9	0.1	6.0	0.1
12. Кожарска, кожухарска и обувна промишленост	43.0	1.8	75.8	0.9	4.6	0.2	23.5	0.3
13. Полиграфическа промишленост	5.2	0.2	7.2	0.1	6.7	0.3	18.4	0.2
14. Хранително-вкусова промишленост	748.4	31.9	1717.7	19.3	118.5	5.5	279.9	3.4
а) месна промишленост (a)	49.1	2.1	134.8	1.5	20.2	0.9	21.1	0.3
б) консервна промишленост (b)	175.8	7.5	416.3	4.7	7.3	0.3	23.0	0.3
в) млечна промишленост (c)	20.1	0.9	51.3	0.6	—	—	6.8	0.1
г) вино и спиртни напитки (d)	149.7	6.4	366.6	4.1	2.5	0.1	24.6	0.3
д) тютюнева промишленост (e)	304.8	13.0	710.1	8.0	5.6	0.3	21.3	0.3
(I) Селско стопанство	204.6	8.7	355.5	4.0	36.5	1.7	156.8	1.9
1. Растениевъдство	162.1	6.9	245.0	2.8	31.7	1.5	148.9	1.8
2. Животновъдство	42.5	1.8	110.5	1.2	4.8	0.2	7.9	0.1

Based on "Vunshna Turgoviya na NRB. Statisticheski Danni, 1960-1980" [Foreign Trade of the Bulgarian People's Republic. Statistical Data 1960-1980]. Sofia, 1981, pp 20-26,30-33.

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ESTIMATED COAL MINE EXHAUSTION DISCUSSED

Development of Sokolov Coal Mining District

Prague UHLI in Czech No 9, 1981 pp 323-327

[Article by Eng Josef Pluhar and Engr Jaroslav Krov, SHR [North Bohemian Brown Coal District], Teplice Mining Projects, k.u.o. [Specific Purpose Organization] Ostrov branch: "The Concept Underlying the Development of the Sokolovo Coal Mining District"]

[Text] Solid fuels are of key importance in the national economy for statisfying the fuel-energy needs of the society. Securing an adequate fuel and energy supply is becoming the potential basis of the entire state economy and, together with the application of the latest scientific and technological achievements for designating an economical type of energy consumption, determines the effective level of the entire national economy.

Solid fuels and, in the first place, coal, will constitute the basic component of the fuel-energy balance in the future, too. A number of analyses point to the worldwide necessity of using coal for production of energy.

In our fuel-energy situation, solid fuels play the principal role at the present time because they account for 62 percent of the total consumption of primary fuels for energy production. Total output was 125 million tons of coal and lignite in the CSSR in 1980, 97 million tons of which was brown coal. The planned structure in the production of graded types, however, was not attained. Moreover, the higher target of 98.5 million tons set for brown coal production was not met.

Electric energy consumption, whose principal production basis is brown coal, increased from 5 billion kWh in 1945 to 72 billion kWh in 1980. The task laid down by the guideline of the 15th CPCZ Congress to produce 77-79 billion kWh of electricity in 1980 was not accomplished.

Brown coal production of 97 million tons was achieved under demanding conditions of building new mining capacities, permanent deterioration of natural mining conditions and decline of qualitative parameters of mined coal. Due also to their more intensive exploitation in the past, several mining capacities are gradually approaching their depletion. The output increase was thus achieved by the opening of new mines and reconstruction, expansion and modernization of existing mining capacities.

While the upward statewide trend in production of solid fuels was rather significant, the Sokolov coal district achieved an even higher increase. A total of 3.3 million tons of coal were mined in the district in 1945, but coal output exceeded 20 million tons in 1980, a sixfold increase.

The development of the Sokolov brown coal district and the increase in output was characterized by the gradual transition from underground to surface mining with the use of modern technology and equipment, and centralization of the coal-preparation process. The degree of concentration of mining operations is clear from the fact that, while 33 mining plants (including 25 underground mines) extracted a total of 3.3 million tons of brown coal in 1945, the 1980 output was achieved by 8 surface and one underground mine.

The concentration and centralization of mining operations has been noticeably reflected in better economic results. This exerted positive influence on the reduction of mining and coal preparation costs, increase in labor productivity and substantially better exploitation of seams worked.

Mining conditions, however, continue to deteriorate because mining operations must be directed to lower depths with a thicker overburden and also to the areas disrupted by previous underground mining.

With the increased coal output, the Sokolov brown coal district assumed gradually greater importance in the fuel-energy balance of our state.

The past development of the Sokolov district was affected by the following basic factors:

--the volume of exploitable coal deposits, their location and quality;

--gradual concentration of mining operations, expansion of strip mining and factors contributing to better economic results;

--position of the coal district in the area with developed industry which is far from imported fuel and energy sources;

--traditional exports of coal to foreign countries;

--finally also by the fact that mining operations significantly affect economic and social life in the Sokolov district.

Together with the mining and technical conditions, these factors, even from the very outset, affected the concept of the long-term development of the district in which gradually conditions were created for the use of coal on the spot and for satisfying the needs of the national economy by the deliveries of briquettes, electric energy, gas and heat. At the same time, attempts were made to make more effective use of Sokolov coal, part of which is suitable for briquetting or gasification, and another considerable part--with low sulfur content and relatively low content of ash matters--for use in power plants.

Due to Sokolov coal's average caloric value of approximately 12.142 MJ, the considerable (40-45 percent) water content in raw coal reduces efficiency of its use in areas remote from the district.

The deadlines necessary for the preparation and implementation of investment projects providing for new mining capacities and even more demanding preparation and implementation of subsequent investments make it necessary to forecast and work out the long-range concepts of brown coal mining until the complete depletion of all known and proven deposits. The opinions on such a concept of the district's development were summarized by the Teplice Mining Projects specific purpose organization, Ostrov branch in 1980 under the title "A Special-Purpose Study of HDB [Brown Coal Mines And Briquette Plants] Sokolov--1980 updating."

The following developmental stages may be distinguished in the concept of long-term development:

--increased mining operations in the western area;

--increased mining operations in the eastern area;

--exploitation of safety pillars of Svatava and Ohre rivers together with the pillars of the town of Soklov;

--long-term prospects of the exploitation of the Karlovy Vary-Otovice district.

According to the assessment on 1 January 1980, there are approximately 834 million tons of exploitable brown coal deposits in the Sokolov district (the total amount of both definitely located and estimated deposits).

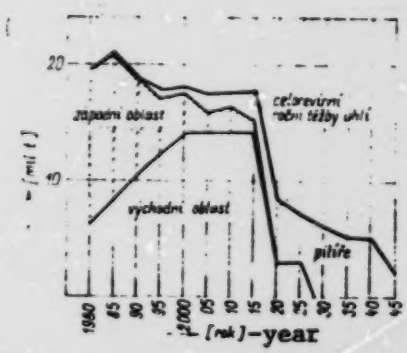
The division of the district into the western and eastern sections is determined by the natural boundary, that is the Ohre and Svatava riverbeds.

The long-term concept of the development of the district indicates a permanent decline in the output of the entire district, although the output from the eastern area is expected to increase significantly during the 1985-2010 period (Fig 1).

Fig 1 Development and Structure of Annual Coal Output in Sokolov District

Western Area

Eastern Area



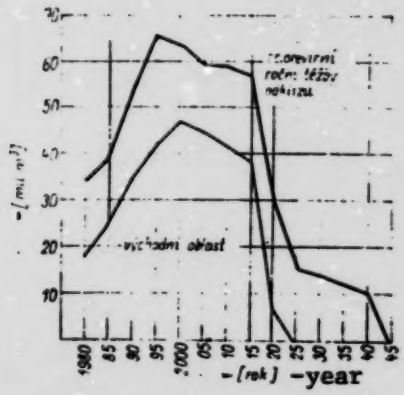
annual coal output in entire district

pillars

The diagram in Fig 1 makes it clear that the decline in output would be even more significant without the exploitation of seams in the protective pillars and would shorten the service life of the entire district.

Another typical feature of the long-term development of the district is the general trend in extracted materials which has a rising tendency up to the year 2000 despite declining coal output (Fig 2). This is a natural consequence of the deteriorating overburden factor resulting from the geological position of seams.

Fig 2. Development of Annual Overburden Removal in the Sokolov District

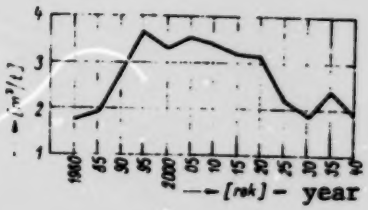


annual overburden removal in entire district

Eastern area

The development of the indicator of the overburden removal in relation to the coal output is evident from Fig 3.

Fig 3. Relation of Overburden Removal to Coal Output in Sokolov District



There is a steadily increasing demand for a bigger output of coal in both districts under the Ore Mountains which is needed as raw material and in the power plants, while the conditions for the satisfaction of these needs are becoming increasingly complex even today--and even more so in the future. The existing coal deposits are exhaustible and the intensity of the annual outputs determines the time limit of their complete depletion.

Another major obstacle which will have to be overcome by the increased effort of the entire society is the problem of timely measures for the exploitation of residual safety pillars under the industrial and residential built-up area.

Moreover, additional specific, objectively existing problems in the Sokolov district must be taken into account:

--lack of waste dump areas in the varied terrain;

--compliance with the conditions of hydrogeological protection of curative springs in spas;

--difficulties connected with the potential appropriate relocation of the Ohre and Svatava riverbeds;

--demanding solution of the problem of releasing space under the town of Sokolov for mining operations.

The demanding nature and complex interdependence of all related areas of society's life makes it evident that the solution of most developmental problems requires unusually long periods for design, preparation and implementation. This means that a comprehensive solution must be worked out several decades ahead.

From the large initial and subsequent investments required by mining operations it is clear that the necessary capacity of supplier organizations has to be gathered together in the mining area. Such a task cannot be accomplished during the brief developmental period.

Development of Western Area

During the first stage of development of the Sokolov brown coal district, attention centered on the opening and development of the Silvestr, Medard I, Medard II, Gustav and Libik mines in the western section of the district. These mines possessed more advantageous mining-technical and economic conditions due to the better quality of coal, advantageous overburden-coal ratio, smaller necessary investments and, last but not least, also to the fact that their development did not require big initial investments since most of these mines were already in operation by then.

Through the development of mines in the western area, conditions were created for adequate coal supply to the Tisov power plant which was gradually put into operation during the 1959-1963 period with an installed output of 512 MW.

To make full use of the coal substance, a coal-preparation plant was built at Tisov with an annual capacity of 6 million tons and a briquetting plant with the annual capacity of 0.5 million tons of briquettes.

Apart from deliveries to the above-mentioned users, coal from these mines is delivered to the briquetting plant at Vresova, graded coal to households and communal services and high-quality, above all, fine coal is exported.

Due to the decreasing supplies in the mines now in operation, the coal output increase in the western area as illustrated in Fig 1 cannot be achieved without opening of additional mines, naturally after their detailed technical and economic evaluation, during the next stage of development.

This will include primarily the exploitation of residual coal deposits in the Josefska seam with a high sulfur content and of marginal, qualitatively inferior coal deposits of the Antonin seam. The common characteristic of these seams is the samll quantity of coal supplies and thus also small mining capacity which will not exceed 1.5 million tons per year in individual seams.

Due to the relatively high sulfur content, this coal will be possible to utilize after its homogenization in the preparation plants of the district so that the sulfur content does not exceed the tolerable limit.

Specifically, the plans for opening of the Madard-Josef and Michal II mines must be worked out in detail in connection with the gradual termination of mining operations in some of the mines.

Fig 4 illustrates the trend in coal output and Fig 5 the trend in overburden removal in the western area of the Sokolov district.

Fig 4. Trend in Annual Coal Output in the Western Area of the Sokolov District

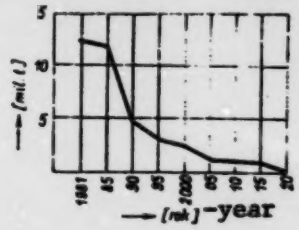
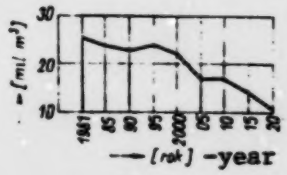


Fig 5. Trend in Annual Overburden Removal in the Western Area



From the diagrams in Fig 4 and Fig 5, it follows that the drastic decline in output in the present mines of the western area can only be alleviated but not stopped by the development of new mines. It must be taken into account at the same time that the development of some of these mines will be technically as well as economically very demanding regardless of the complex problems in territorial relations and sales.

Development of Eastern Area

Because of the intensive exploitation of mines in the western area of the Sokolov district, mining operations are rapidly coming to an end. For this reason, mining operations will be expanded in the eastern section of the Sokolov district during the second stage. Extraordinary attention was paid to the development of the Jiri mine (originally the Jednota mine) and Druzba in recent years. Apart from these two mines, there is only one underground mine--Marie Majerova--in operation now. The present output in this area accounts for approximately 33 percent of the output in the Sokolov district.

The eastern part of the Sokolov district is of key importance for further development of the district. It is anticipated that it will be exploited up to the year 2020.

The mines of the eastern section constitute the raw materials basis for the Vresov Combine for Utilization of Brown Coal and for production of electric energy. The rest of coal deliveries is earmarked for other industries, households and communal economy. Coal from the Marie Majerova underground mine is delivered to glass, ceramics and textile industries, and coal yards.

The present concept of expanded mining operations in the eastern area has so far anticipated independent operation of the Jiri mine as the key mining locality, the Druzba mine, the Limicky mine and Marie Majerova underground mine with the exploitation of the Antonin seam.

In the giant Jiri mine, the preliminary plan calls for the exploitation of the Alberov section whose exploitable deposits in the Antonin seam represent 315 million tons of coal. The maximum annual coal outputs amounting to 9 million tons are planned for the 2000-2016 period. The advances of working faces based on the preliminary studies had to take into account the ban on mining in the area of Kralovske Porici and also the protective pillar of the CSD [Czechoslovak State Railways] track.

The relocation of the CSD Chomutov-Cheb line in the Chodov-Sokolov section which interfered with the desirable expansion of working faces in the Druzba and Jiri mines was completed in 1980.

The working faces of the Druzba mine are now directed to the exploitation of the released gangway pillar with the subsequent advance into the area of the former Nove Sedlo railway station.

The hydrogeological exploration completed and evaluated by now has opened the possibility of strip mining in the Kralovske Porici panel. Through this measure the long-term concept of mining in the eastern area enters a new stage in which the conclusions of exploration will be used for specific projects. The exploitable substance of the seam will substantially increase by the permission for strip mining in the areas protected so far, and the opening of a new mining location will make possible an increase in annual outputs in the eastern section of the district over the level previously anticipated.

At the present time, alternative variants to developing a new Marie Majerova mine are being studied in order to reach the final decision on its development. The directions of the working face advance must be mutually coordinated with the advances in the Jiri and Druzba mines, and the problem of waste dumps is linked to the situation in the entire district.

It is economically advantageous to employ efficient technological units of the TC 2 series in large mining areas of modern mines and thus, through concentrated output, to substantially raise the labor productivity level. Under the conditions of the eastern section, these units already operate in the Jiri mine. The mining and technical conditions of exploitation in other mines are suitable for employment of technological equipment of the TC 1 series.

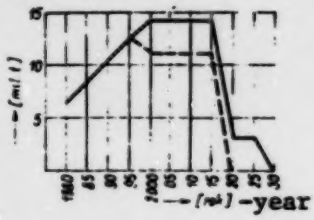
The effort to increase annual coal outputs in the eastern area led to the tentative projects for intensified mining in the Lomnicky mine.

Another necessary prerequisite for the successful development of the eastern area is providing adequate areas for waste dumps and combining them with the waste dumps in the western area. This problem has not been satisfactorily solved as yet and constitutes one of the principal problems of further development of the Sokolov district which must be systematically studied and dealt with.

The increase in the annual coal output of the eastern section (Jiri, Druzba, Lomnice and Marie Majerova mines) is shown in Fig 6.

Fig 6. Trend in Annual Coal Output of Eastern Section

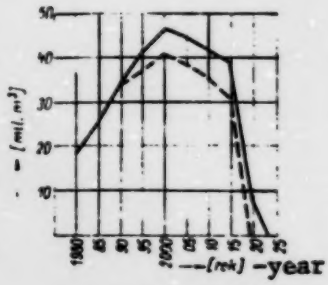
--output including M. Majerova mine --output excluding M. Majerova mine



The amount of overburden removal in these mines up to the year 2025 is illustrated in Fig 7.

Fig 7. Trend in Annual Overburden Removal in Eastern Section

--including M. Majerova mine --excluding M. Majerova mine



Exploitation of Supporting Pillars

The provisions of Law No 41/57 on exploitation of mineral wealth provide for the largest possible and, at the same time most economical, exploitation of minerals for socialist industrial production and construction.

For this reason, the already mentioned study prepared by the Teplice Mining Projects for the first time explores the possibilities and conditions of exploitation of supporting pillars. In the Sokolov district, this includes coal in pillars excluded from mining in the following areas: Cista, Habartov, Svatava community and river, Sokolov, Ohre River and CSD, Michal II, the Josef seam in the Alberov panel. The residual supplies representing 243 million tons of coal for the most part are located under the industrial and residential built-up area, and the preparation of and actual mining operations in these areas is, therefore, particularly demanding and expensive.

The new solutions proposed by the study interfere with the present concepts of other sectors in the area in question. It will, therefore be, necessary to evaluate them from the standpoint of the entire society and subsequently to revise the existing territorial plans. This is a time-consuming and very demanding task.

Karlovy Vary-Otovice Section of Sokolov District

The Karlovy Vary-Otovice district lies close to Karlovy Vary spa and extends from the community of Stara Role in the west across Cankov, Sedlec, Otovice to the communities of Lesov and Sadow in the east. The coal deposits here are situated in the Antonin seam with a variable thickness from 4 to 35 meters. The mining operations were extensive and scattered in the past. Individual sections are of different geological structure.

The complex relations between the developing of mines and actual mining operations and important interests of the entire society and nearness of the Karlovy Vary spa were and are being studied by experts from many areas, such as urbanism, ecology, climatology, hydrology and hydrogeology, who must also take into account broader social, economic and esthetic aspects.

Cheb Brown Coal District

The Cheb district consists of an extensive deposit not exploited at the present time which contains a considerable quantity of brown coal (more than a billion tons).

In comparison with the Sokolov district, the Antonin seam here is situated much deeper and less advantageously, and is substantially thinner (with the exception of the Oldrichov-Pochlovice section in the eastern area).

In the Sokolov district, the overburden-coal ratio reached the following values (cubic meters/ton):

1955 - 1.120	1970 - 2.143
1960 - 1.194	1975 - 2.314
1965 - 1.928	

and in the future, just before the depletion of the district, is expected to reach 3-3.5 cubic meters/ton.

In the Cheb district, it would be necessary to remove on the average 15-20 cubic meters of overlaying strata per ton of coal and only exceptionally would there be found a deposit with a 10 cubic meter/ton of overburden-coal ratio.

The present knowledge of properties and position of deposits in the Cheb district points to the unsuitability of their exploitation by strip mining from all key standpoints:

--considerable overburden-coal ratio, rather thinness of the coal seem, removal of huge quantities of overburden;

--complex and extraordinary demanding nature of protecting curative springs at Frantiskovy Lazne spa and sources of drinking water;

--expensive necessary investments, extensive devastation of the region and sequestration of agricultural land;

--demanding technical and investment requirements and economic unfeasibility.

For these reasons, the future will have to focus on the underground exploitation of deposits in the Cheb district.

The considerably area of tertiary productive strata (category C_2) of the Cheb district (approximately 119 square kilometers), relative lack of their exploration and the demanding nature and high costs of hydrogeological exploration in relation to the protection of natural curative springs of the Frantiskovy Lazne spa make it necessary to delimit, on the basis of present knowledge, those parts of the deposit (locations) which are suitable and possess prerequisites for mining operations. In locations promising for exploitation, it is necessary to carry out hydrogeological and deposit research to obtain documentary material and ascertain conditions under which mining operations could be carried out. In addition, in those locations in which it appears purposeful and advantageous, it is necessary to continue exploration and to make the deposit accessible through underground workings in order to better verify the properties of the coal seam and conditions of its exploitation, and to speed up the opening of the deposit and start of its exploitation.

For purposes of study and forecasting the brown coal output in the Cheb district, we can assume that if only one-third of total deposits of more than one billion tons, that is, 350 million tons of coal, could be extracted by underground mining, then allowing for 50 percent losses in the yield, there still will be approximately 170 million tons of coal available.

On this basis, the long-term plan of development can call for the establishment and operation of 4-5 underground mining plants with a total output of 3-4 million tons per year and an average period of exploitation of approximately 40 years. The annual output by one plant should amount to 0.5-1 million tons.

To achieve this goal, it would be necessary to select, during the Seventh Five-Year Plan, the locations suitable for underground mining and to specify the measures for protection of the springs at Frantiskovy Lazne as well as the conditions for safe underground operations. Later on, in the course of the Eighth Five-Year Plan, it would be necessary to create--possibly in the form of exploratory underground workings--conditions for verification of coal deposits and construction of one or two underground mining plants which would be put into operation as early as the Ninth Five-Year Plan.

The Sokolov district which since 1945 has gradually switched from rather extensive underground mining to stripping in the entire area of the Sokolov district (with the exception of the Marie Majerova pit) does not possess conditions for extensive underground mining at the present time.

The eventual decision on the preparation and development of underground mining in the Cheb district must, therefore, be preceded by creation of conditions for hiring of qualified labor force, training of apprentices for work in the mines, housing construction and so on.

Conclusions

The problems of expanding mining operations in the Sokolov brown coal district can thus be summarized as follows:

1. in view of the fact that the deposits in the western area will be soon exhausted, it is necessary to intensify the preparation of mining operations in the eastern area;

2. providing adequate waste dumps is one of the principal problems of the territorial plan;

3. a major problem of expanded coal mining operations is providing of mining locations with reliable mining and transportation equipment and organization of efficient repair shops;

4. the extent of investments during the long-term development points to the necessity of transferring adequate construction and assembly capacities to the district;

5. it is necessary to continue and evaluate hydrogeological research and define with more precision the measures designed to protect the natural sources of curative mineral waters at Karlovy Vary spa;

6. in connection with the depletion of deposits in the western area of the Sokolov district in sight, the focal point of mining operations will move eastward. The concentration of mining operations in the eastern area will give rise to problems in the distribution of employment;

7. the study makes it clear that within an urgently brief period it will be necessary to comprehensively cope with the problems related to the complete depletion of coal deposits in order to make possible the adoption, without serious consequences, of socially important decisions on the further development of the fuel-energy basis in the Sokolov district.

Development of Vrsany Mine

Prague UHLI in Czech No 9, 1981 pp 334-338

[Article by Eng Josef Marik and Eng Albert Hotovy, SHR, Teplice Mining Projects, k.u.o. [Specific Purpose Organization]: "The Concept Underlying the Development of Vrsany Mine"]

[Text] The intention of driving a separate opening in the southern part of the Sverma mine mining space is not new; it originated during the 1955-1960 period.

The 1971 forecast of the long-term development of the North Bohemian brown coal district and the 1972 study on supplying power plants with coal pointed to the necessity of making up for the decline in brown coal output after the closing down of the Smeral and Triskolupy mines by opening another mine. In this general area, the Havran panel of the Bylany mine and the southern part of the Sverma panel could be considered in this context.

In view of maximum economy in the use of coal and of utilization of inferior fuels some consideration was given at the outset to the development of the Bylany mine. In the course of preparation it became clear, however, that present power generating equipment cannot use these fuels effectively without expensive and time-consuming reconstructions.

The situation thus forced the development of the Vrsany mine with coal of higher quality prior to the development of the Bylany mine.

Exploitation of the Panel

The delimited panel with the area of 745 hectares contains approximately 113 million tons of exploitable deposits of brown coal used by the power plants with a caloric value of approximately 9.79 MJ/kg. The coal stratum consists of three seams.

The first top seam about 5 meters thick is situated 20 meters below the surface and thus intermingles with overburden. Its area is limited to the southwestern part of the panel and a narrow strip along the western and northern demarcation from the Sverma mine. It accounts for approximately 14 percent of exploitable deposits. Seams No 2 and No 3 are 15-17 meters thick. The stratum between the two seams is 15-20 meters thick. The intermediate seam, No 2, is separated from the top seam by a deep stratum which in some spots reaches a thickness of 60-70 meters. Seams No 2 and No 3 extend essentially over the entire area of the delimited panel and represent 59 percent plus 27 percent = 86 percent of exploitable deposits. The yield in the Vrsany panel is about 32.55 tons per cubic meter. [as published] So far as overlaying strata are concerned, approximately 350 million cubic meters will have to be removed. The overburden-coal ratio is 3.09 cubic meters per ton.

The complex tectonic conditions of coal deposits in the delimited area are further complicated by the sand strata inundated by water from artesian wells.

These basic conditions determine also the general concept of the deposit's exploitation.

Mining operations will be preceded by the intensive drainage of the solid stratum through barriers of borings which will be made ahead of the advancing working face in the overburden.

The advance of working faces both in the overburden and coal strata will be essentially parallel and will proceed from the southern boundary of the mine in the northern direction to the artificial northern demarcation of the panel of the Sverma mine.

As long as space in the mine is available, the completely exhausted Smeral mine has been designated as a waste dump. It has a free capacity of approximately 180 million cubic meters for earth and rocks with the permissible top of the pile reaching 315 meters above the sea level.

Prior to intensification, the excavations of overburden and interlaying strata will not exceed 17-18.5 million cubic meters per year, while the maximum annual coal output will be approximately 6 million tons.

The parameters of working faces in overburden--the height of cut 20 meters and the gradient 40-65 degrees--are affected mainly by the mechanical properties of soil, hydrological conditions in the overlaying strata and geometric parameters of giant machines. The same is true of the working faces in the waste dumps (15 meters) in which some additional important factors, such as quality of underlaying strata, gradient, hydrological conditions of the underlaying strata and so on must be taken into account.

It is clear from the above data that the rather complex conditions in the overlaying strata and waste dump sites will make it impossible to make use of the highest geometric parameters of excavators and stowing machines.

Technology of Deposit's Exploitation

The location of the deposits and techtonics in the Vrsany panel are relatively favorable. For this reason, the potential use of two basic technological equipment modes was explored:

--giant machines with standard-gauge transportation by rail;

--giant machines with long-distance conveyor belts.

Despite certain advantages and usability under the given conditions, the idea of transportation by rail was abandoned because of the general transition to conveyor-belt transportation by the brown coal mines of the North Bohemian Brown Coal District and because of the relative obsolescence and unavailability of equipment whose service life is coming to an end and whose production is being discontinued.

For opening of the mine and preliminary work on overburden, a power shovel of the E 302 type was used with a shovel capacity of 3 cubic meters and standard-gauge electrified transportation. Material excavated from the overlaying strata was deposited at the Velebudice waste dump by spreaders from the Sverma mine to whose trackage the Vrsany mine was connected.

For the removal of overlaying strata and exploitation of the deposit, it was proposed to use technological units of the TC 2 and TC 0 series with long-distance transportation by conveyor belts 1,800 and 1,200 millimeters wide. Overburden will be excavated by two TC 2s consisting of two-wheel excavators of the KU 800 type, long-distance transportation with conveyor belts 1,800 millimeters wide and two spreaders of the ZP 6600 type.

Coal will be mined by three-wheel excavators of the KU 300 type, transported over a long distance by conveyor belts 1,200 millimeters wide, crushed to 0-40 millimeters grains and loaded through the new hopper to the railroad cars on the trackage of the Smeral plant destined for the Pocerady power plant or other power plants outside the district.

In view of the complex geological conditions and location of the coal seam, it is anticipated that overburden, interlaying strata and coal will have to be alternatively mined (that is, operation of all excavators in the mixed working faces).

The distribution of extracted material and loading it on the overburden or coal belt conveyors respectively is made possible by the so-called distribution station located at the exit from the mine.

The distribution station consists of five so-called shiftable heads (vysuvne hlavy) (2 x 1,800 millimeters, 3 x 1,200 millimeters).

Essentially it is a travelling loop on the belt conveyor which pushes the dumping drum into the predetermined positions.

In the Vrsany mine, there are four positions with 16 and 10.5 meter spacings which correspond to two overburden- and two coal-carrying lines.

The complex will be controlled in a modern manner by dispatching the most varied types and modern equipment, including computers, equipped with links. There are plans for using automated control systems (ASR) in the future.

Stages of Development

The development of the mine was divided into two projects with specified stages of individual construction projects to be completed during the 1979-1985 period.

The first project was divided into preliminary work and two stages of construction to be completed during the 1977-1983 period.

The preliminary work was based on the opening of the mine with small machines and included construction of facilities necessary for the transition to the mining operations to be carried out by giant machines. During the preparatory period, an assembly shop for giant machines was set up and also the principal source of energy--the Lisnice transformation station--for mining operations was constructed.

The first state included the assembly of the first TC 2/11 technological unit and KU 300 S/16 excavator with transportation in the mine by belt conveyors 1,800 millimeters wide. The TC 2 was put into operation in 1981.

The second stage includes the assembly of the second TC 2/14 technological unit and putting into operation of the first coal transportation line 1,200 millimeters wide with a coal-crushing station and provisional coal loading in 1982.

The second project is divided into part B, mine section, and part A, surface plant, in accordance with FMTIR [Federal Ministry of Technological and Investment Development] Decree No 2 of 21 January 1977. The second project B is to be completed in two stages.

The first stage of the second project includes assembly of the second KU 300 S/38 excavator with the second coal-carrying line with a coal crusher, a storage site for crushed coal and a bin for loading the railroad cars. According to the plan, all these facilities are to be put into operation in 1984.

The second stage is to be completed in 1985 by the development of the mine and includes the introduction of the third KU 300 S/42 excavator with belt conveyors and the installation of the third conveyor stowing line with belts 1,800 millimeters wide on the dump site. During each stage, drainage barriers will be built around the mine ahead of the advancing work face.

The second part A includes the construction of the surface plant during the 1983-1986 period.

Past progress in construction does not conform to the original intentions because the first TC 2/11 was put into operation not in April 1980, but only in February 1981. This situation has been unfavorably reflected in planned output and particularly in overburden removal. Nevertheless, coal mining in 1982 should start in accordance with the original intentions.

Surface Construction

The opening of the mine requires construction of assembly centers, maintenance shops, warehouses, social, administrative, operations and auxiliary buildings, power-generating, water-conserving and transportation facilities.

Two centers have been built for assembly of giant machines with the total area of 6.6 hectares. The Vrsany combined assembly center was built close to the mine for assembly of KU 800 and KU 300 wheel excavators and a shop for assembly of ZP 6600 stowing machines was built near the dump site in the Smeral mine.

The advantageous conditions of communications and of location of the Vrsany combined assembly center were used for storing of the building contractor's equipment, and the area near the assembly center was made available to the supplier of technology.

The maintenance shop for the extensive technological equipment of the mine, necessary warehouses, auxiliary, social and administrative buildings are part of the surface plant which is located approximately 2 km from the entrance to the Vrsany mine. The project of a new surface plant makes maximum use of the existing buildings of the Smeral surface plant although some of them will have to be demolished. New construction will form an addition to the northern part of the present built-up area. It thus represents an expansion and reconstruction of the plant built toward

the end of the 1950's. It will serve the Smeral mine until 1986 as originally planned, but simultaneously also the Vrsany mine and also the Bylany mine in the near future. In this way, a combined maintenance, social and administrative center will be established for mining operations in the Slatinice-Bylany area.

The original project for the present plant did not anticipate its future expansion for new mines and was based on the needs of the Slatinice mine which was being developed at that time. Consequently, the roads were built, the site of the substation with the input and distributing lines was chosen and the buildings on the surface were constructed in accordance with the original project. In addition, the Lucní brook will have to be relocated beyond the boundary of the expanded plant.

This situation considerably interferes with the principles of building a new plant and complicates the situation for three communities--Semeral, Vrsany and Bylany.

The surface plant is situated on territory without coal seams and the area earmarked for the plant expansion is not agriculturally cultivated.

The built-up surface area for the Vrsany and Bylany mines is 43,300 square meters, and the total area of the surface plant is 26.2 hectares.

Environmental Problems and Necessary Additional Investments

The exploitation of the Vrsany panel is in harmony with the territorial plan for the North Bohemian Brown Coal District, forecast of long-term development made by the general directorate of the SHD [North Bohemian Brown Coal Mines] concern and estimates made by OVUP [expansion unknown] of the ONV [okres national committee] at Most.

The most unfavorable factor in the development of the mine and exploitation of the deposit is the considerable encroachment upon a territory with largely agricultural land.

In view of the fact that the coal in this part of the brown coal district has not been industrially extracted so far, there is no danger of spontaneous combustion and fires. Thus, it can be assumed that the air will not be seriously polluted by industrial fallout.

The communities of Bylany and Vrsany, situated near or directly in the panel of the mine, were relocated during the 1977-1979 period. The communities of Male and Vysoke Brezno are situated approximately 500 meters south of the demarcation line of the mine and may be affected only by the activity in connection with the mold and dusty earth dump. There are no other communities nearby.

The waste dump outside the mine, located in the Smeral mine which is about to be depleted and closed down, is closest to the community of Most. Even in this case, however, the sanitary zone has not been disrupted.

The surface plant is linked up to the Smeral plant and is being built on the devastated territory. It is separated from the immediate neighborhood by the Smeral plant and embankment of the railroad line to the Smeral mine which leads to the Velebudice dump site.

The implementation of these plans necessitated some additional related investments, among which the most important were:

--relocation of the communities of Vrsany and Bylany;

--relocation of the Lucni brook in the area of the plant;

--relocation of the Komorany-Chomutov hot-water pipe, carried out in two stages;

--relocation and adjustments on Highway III/2536.

Future Prospects

The further development of the mine after the year 2000 is possible, without interuption of operations, in the northern direction approximately up to the Holesice-Trebusice-Horany line with the estimated deposits of approximately 180 million tons of brown coal for industrial pruposes, and in the eastern direction up to the pillar of the Komorany-Horany-Bylany corridor with approximately 45-55 million tons of brown coal.

It is clear from the above that, from the standpoint of brown coal deposits and their location, the neighborhood of the mine offers good prospects for further expansion and intensification of mining operations on the basis of technology already known today.

The problem of dump sites, however, is very difficult. For the development and operation of the Vrsany mine with the presently specified parameters, there is available today only the room in the soon-to-be-depleted Smeral mine which, in view of the necessary protection of work faces and coal hoists approximately until the year 1986, seriously limits a free and undisturbed development of the dump site of the Vrsany mine--and thus the development of the entire mine.

The already exploited space of the Vrsany mine, in which both the eastern and western slopes will have to be kept free--due to the expansion of this mine into the "corridor" after the year 2000 and to the penetration of the Sverma mine into the free space of the western side slope of the Vrsany mine approximately by the year 2000--is not an ideal space for a large-capacity dump site in the foreseeable future.

From the standpoint of territorial planning of such extensive mining operations in a territory with intensive agricultural production and adjacent to the Most metropolitan area, various problems arise which will have to be solved simultaneously with the development of the mine.

Among the most important are the environmental problems, the problem of communications of all kinds, electric energy supply, questions of water supply and conservation, related investment projects, labor force and so on.

Conclusion

The intention to develop the new Vrsany mine in the general area of the Sverma mine which was planned to be exploited only after the year 2000 makes it possible to

start production of brown coal of rather good quality in a relatively short time.

This will make up for the decline in the production of fuels and energy which would otherwise occur due to the depletion of Smeral and Triskolupy mines during the Seventh Five-Year Plan.

The panel and its location make realistic the plans for the intensification of mining operations and further development of the mine into the neighboring free space after the year 2000.

The development of the Vrsany mine meets the basic requirements of securing an adequate fuel supply not only in terms of the present, but also for long-term future needs.

It is imperative, however, to develop the mine continuously and rapidly in accordance with the projects and to master and use new equipment in operations in order not only to attain, but also to surpass the planned production targets.

Fig 1. Mining Situation in Slatinice-Bylany Area of North Bohemian Brown Coal District

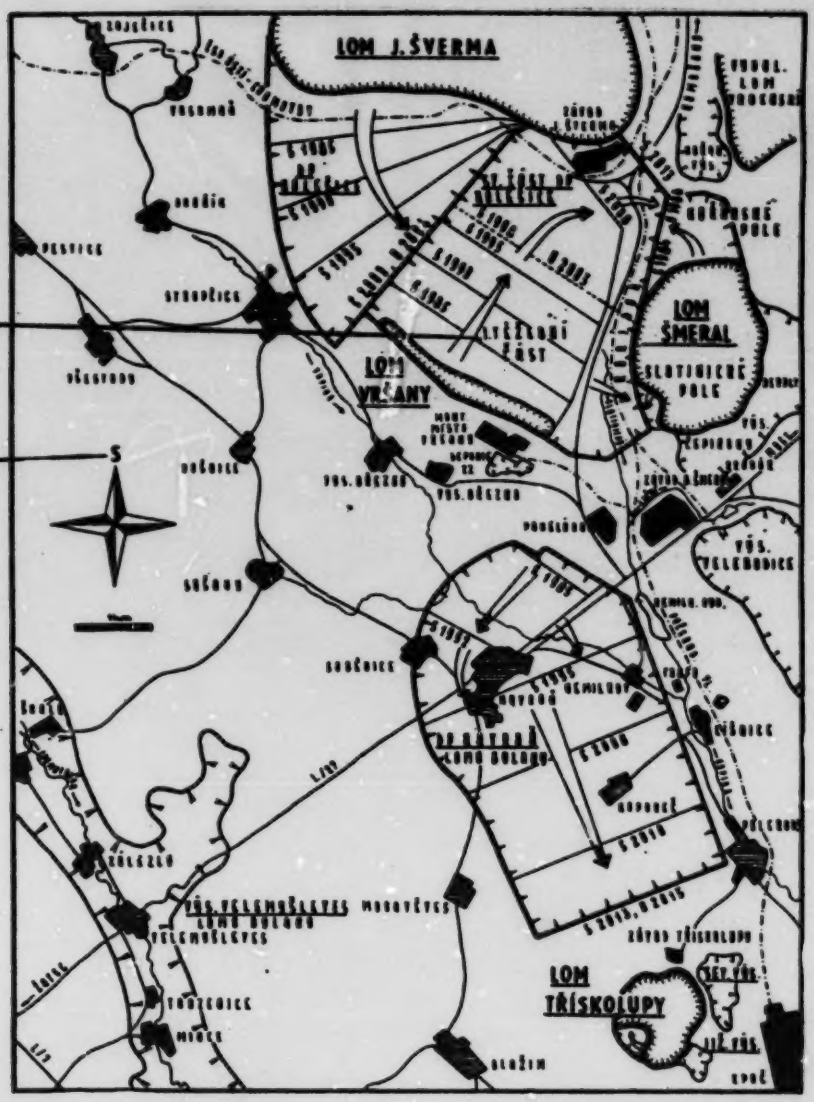


Fig 2. Vrsany Mine--Mining and Geological Situation

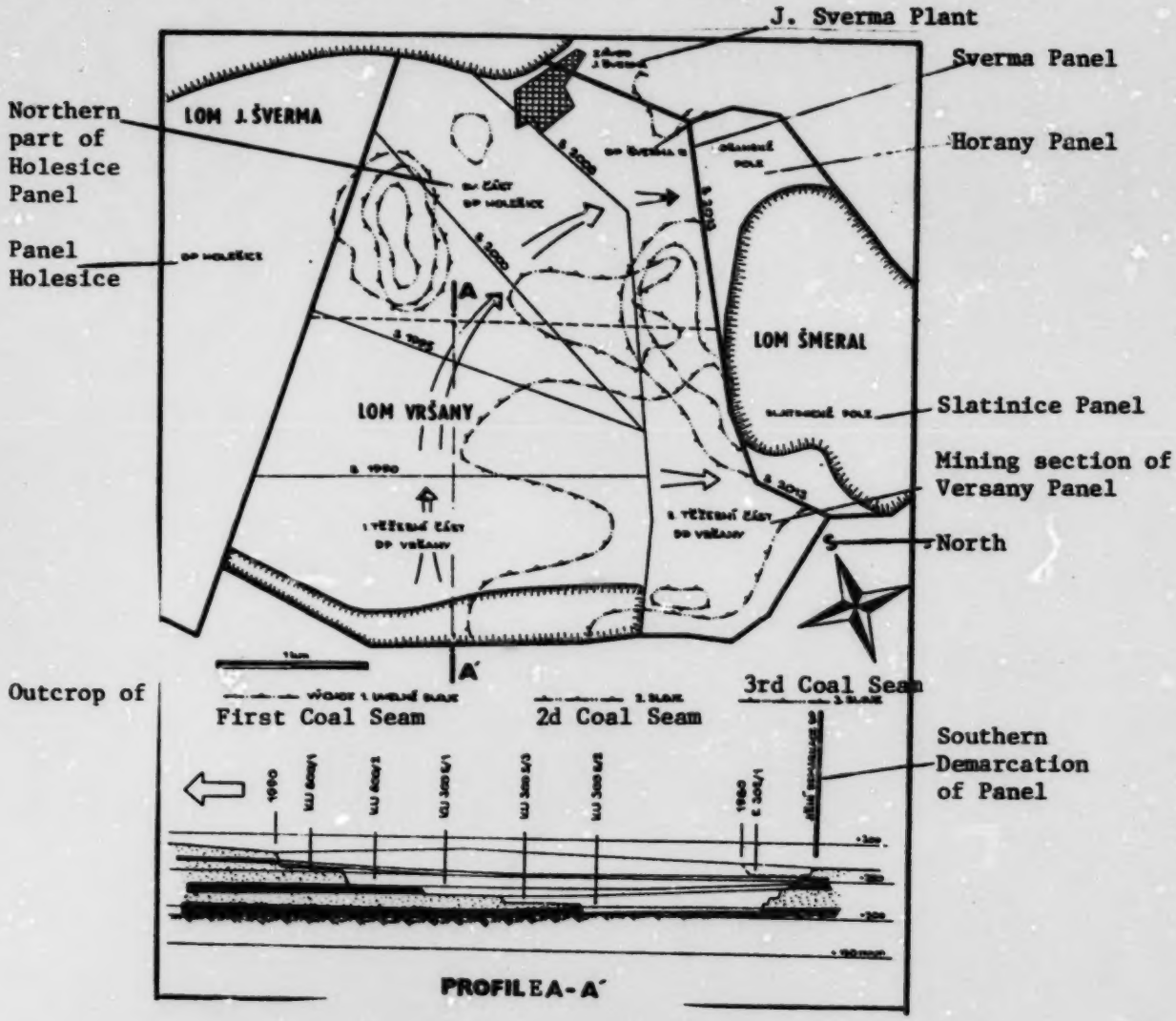
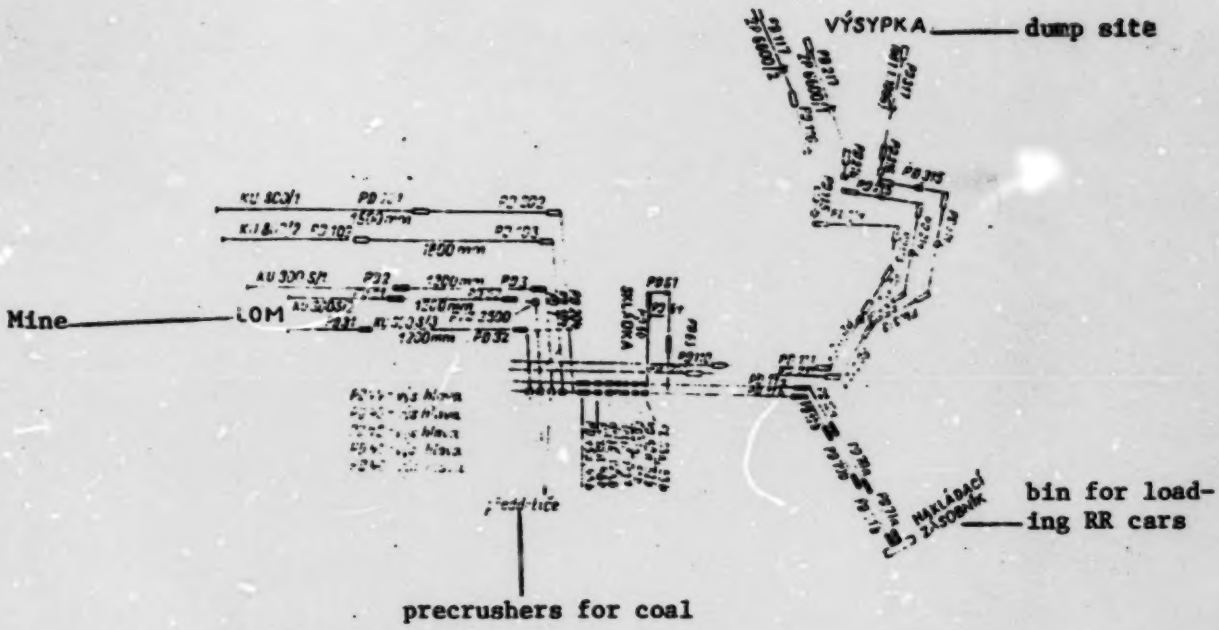


Fig 3. Vrsany Mine--Technological Facilities



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CONSTRUCTION INDUSTRY, TRADE UNION TASKS DISCUSSED

Budapest SZAKSZERVEZETI SZEMLE in Hungarian No 5, 1981 pp 3-12

[Article by Kalman Abraham, minister of construction and urban development: "Joint Tasks of the Construction Industry and the Trade Unions in the Sixth Five-Year Plan"]

[Text] The achievements of the construction industry developed significantly in the Fifth Five-Year Plan, and from year to year its activity has increased the national wealth of our country with the construction of thousands and thousands of buildings and facilities, increased the potential of the economy's producer branches, and improved the living and working conditions of the population. An increasing degree of maintenance work has served to protect the stock of national wealth embodied in buildings and structures.

In respect to production activity under the Fifth Five-Year Plan, the construction industry branch was marked by two, characteristically different, phases. The first phase from 1976 to 1978 was characterized by a vigorous 4 to 4.5 percent production growth. In the second phase from 1979 to 1980, the rate of production growth decelerated, or declined in 1980. The change in the trend corresponds with the change in domestic building demands. The process, as it has developed, is characterized by moderation in the already 30-year-old chronic tension that was caused by the lack of harmony between demand and capacity.

From the quantitative and qualitative viewpoint alike, the satisfaction of construction demands with ability to pay has improved, but we were not able completely to solve the problems of qualitative factors.

As a result of construction work, we built under the Fifth Five-Year Plan about 20 million cubic meters of industrial building space, 445,000 houses, rooms for 75,000 kindergarten children, 4,200 classrooms for general and secondary schools, 220,000 square meters of department store and business space, 7,500 hospital sick beds, and 1,300 kilometers of public roads.

Investments which significantly influence the production structure of the economy entered into production during the plan period, and they are carrying out their tasks as designed. A total of 45 large investments were put into operation, with a total value of 124 billion forints. Among other things, new energy and raw material supply capacities were developed, and with the expansion of food processing plants we gained new export possibilities.

All in all, the construction industry workers fulfilled the basic economic political goals of the Fifth Five-Year Plan.

Tasks of the Construction Industry in the Sixth Five-Year Plan, the Main Goals of Development

The Sixth Five-Year Plan has a special task in the development of the national economy. The main goal of economic policy is to restore and solidify the equilibrium situation of the economy. An epochal change is occurring in the development of the economy, and the conversion from the extensive development phase to the intensive is raising new requirements.

Among the economic political goals, the Sixth Five-Year Plan is emphasizing qualitative requirements. The requirement system of the plan conforms to ensuing economic policy and calls for a smaller extent of growth in national income. The growth rate in domestic consumption will be less than that of the national income, and net accumulation will decline.

The Main Tasks of the Construction Sub-Branch

The main task of the construction industry in the Sixth Five-Year Plan is to satisfy demand with ability to pay in a flexible, economic, good quality and timely manner. The qualitative factors of management will be emphasized instead of quantitative growth, for example, emphasis will be on the improvement of efficiency and the reduction of costs. Of decisive importance is a change in the production structure, which is evident in reducing the investment-construction ratio and in increasing the ratio of maintenance construction.

Indispensable to the implementation of our goals is the better use of existing fixed assets, the rational consumption of means that can be devoted to development, the discovery and exploitation of reserves latent in material and energy savings and in organization. We also wish to promote the realization of our plans by incentives based on higher achievements and quality wage payments. It is only in this way that we can achieve a more dynamic rise of work productivity in production.

In accordance with the planned development of the national income and domestic consumption, as much may be devoted to investments under the Sixth Five-Year Plan as in the previous five-year plan period. On the basis of demand with ability to pay in harmony with the plan, we are counting on a 11 to 14 percent growth in the national construction industry.

The construction requirement for investments is growing moderately, by about 4 percent, and the annual rate--following a small decline--will exceed the average in the second half of the plan period. The investment construction structure is being transformed, and the construction tasks of large investments are declining. The concentration of investments is increasing and the area points of main effort are being shifted. The overall housing construction task is smaller than what was realized in the Fifth Five-Year Plan period. As a consequence of demographic changes, there will be need for fewer nursery and kindergarten classrooms, but more school classrooms.

Despite the narrower investment possibilities, maintenance construction will increase dynamically by about 16 percent, and the area distribution will change. In accordance with economic-political thinking, the maintenance and construction demand for residential buildings and for health, social and educational facilities will be given priority. The growth of this demand within national building and fitting jobs will justify an increase of 1 to 1.5 percent in the ratio of maintenance construction. Capacity development is being built on the existing production level and on the conversion of capacity based on average technical preparedness.

According to plans, the construction industry consumption service development will surpass the maintenance construction average in the Sixth Five-Year Plan period. The population and housing maintenance service is a special task of the organizations concerned and affords the possibility of satisfying social demand.

A higher-level carrying out of the construction industry services is also promoted by the further development of small scale production and auxiliary activities and their organized inclusion in work.

The tasks of the construction industry will be altered radically in the new phase of the economy's development, and despite the moderate rate of development they will be more complex and difficult. This will require a stricter requirement system, which will call for intellectual and physical exertion by all members of the construction community.

Direction of Production Development

In the Sixth Five-Year Plan, the construction tasks and performance capability of the construction industry organizations must be in harmony at the national level. The management keeps its eyes on the structural, temporal and spatial congruence of construction tasks and implementation capacities, and the economic fulfillment of demands.

Economic planning work shows that the tensions between demands and the area placement of capacities will not be completely eliminated. The center of gravity for megye construction demands will be shifted. The ratio of Budapest construction tasks is increasing significantly, and the economic plan has labelled their execution as a special program.

The construction industry organizations are faced with fulfilling construction tasks which vary by area and composition. The fluctuation of demands and area dispersion places increased entrepreneurial readiness and greater flexibility in the center of development.

We must modify the operational areas of the enterprises, the organizational, internal management and incentive systems in such a way that they will be able to adjust to demand with a changing composition. Moreover, we must improve the cooperation of the construction industry organizations, broadening the relational system which has already developed (construction initiator, planner, subcontractor, supplier, and so forth). Only those enterprises are capable of managing successfully which can meet a new situation.

Tasks Relating to Living Standard Policy

a) Housing Construction

The responsibility of the builders is aprticularly great in the implementation of the living standard goals of the Sixth Five-Year Plan. When the development of the economy, for external and internal causes, does not make the accustomed rate of increase in real wages possible, the improvement of living conditions becomes a primary political task. The delivery of new houses on time and in good quality, the complex construction of residential sites, and the rapid and payable construction industry service may improve public opinion, but there may also be negative factors.

Under the Sixth Five-Year Plan, a total of 370,000 to 390,000 new houses may be built nationally, of which 115,000 to 120,000 will be built by the state. The housing construction goal in Budapest is 90,000 units. The number of houses built with modern technology will be 208,000 units, the same number as under the Fifth Five-Year Plan period. But the ratio in the whole of housing construction is greater (53 percent).

The reduction of project-type, multi-level housing construction tasks makes it possible and the use of developed modern manufacturing capacities makes it necessary that the organized construction industry (EVM [Ministry of Construction and Urban Development] enterprises and construction industry cooperatives) should undertake also to implement single partnership houses, family houses, detached row houses, and semi-fabricated houses that are being privately built. According to the planning goal, two-thirds of the 15,000 group family houses will be built by panel technology. It is the task of the implementers to discover these demands, include them in their undertakings, and see that they are carried out.

In conformity with demands, about 65 percent of the new houses are being built in the capital city and in other cities and urbanizing sites. To the extent possible, urban mass-housing construction is being realized on interconnecting areas together with the necessary infrastructure. We are appropriately developing the public utilities of the new residential quarters, energy supply and transportation connections, and the institutional network (general schools, nurseries, businesses, and so forth) serving the basic needs of the population. We are endeavoring to see that the level of facilities for the new and the existing old city districts resemble one another.

In a period of more moderate housing construction goals, a perceptible reduction in the number of rightful complaints regarding the quality of new houses, and the approximation of the level and usability of housing projects and houses to those of industrially developed countries is a task of equal rank with that of the quantitative indexes.

The state of the housing supply can be improved with the combined effort of the state and the population. We are stimulating private housing construction through manifold measures and the improvement of the material-technical conditions of construction.

In order to promote private housing construction, we are improving the supply of sites, making them more organized, and increasing the state offer of these sites.

We are stimulating more economic use of areas, and the extension of more urban group and individual housing construction forms. We are expanding the selection of technical plans, improving the modern material and fitting supply for housing construction, and the possibility for borrowing building machinery.

b) The Housing Supply

At the beginning of the Sixth Five-Year Plan, the Council of Ministers put new statutory provisions into effect for the development of a housing management system. The main goal of the measures is to promote the mobility of the population, stimulate the exchange of houses and the transfer of living space that exceeds requirements. This goal is served by multiple compensation for larger houses that are transferred, the construction of houses for pensioners with regular health care provisions and other services for the elderly.

The new measures also improve the chances of the young for acquiring a house. By terraced house arrangements, two or more housing demands can be satisfied with one house. Bachelor flats and houses with rooms for rent are being built in which young people can make ready for their final housing acquisition. We have created more favorable financial and repayment conditions for garret-space and additional stories. Young people are given preference in the allocation of houses without indoor toilet amenities if they are willing to undertake the installment of facilities. For the building of modern, group and family housing the future, socio-political subsidies will be granted for children. In certain programs, there exists opportunity for short-term credit to pay for the cash down payment. Easements may be granted for the repayment of the loan in the first 5 years.

c) House Maintenance

As a result of the new constructions targeted for the Sixth Five-Year Plan period and the modernization and renovation of houses, the living conditions will improve for about one and one-half million citizens.

In the Sixth Five-Year Plan period we are planning the renovation of about 90,000 to 100,000 state-owned, urban houses, and the modernization of about 40,000 to 50,000 houses without indoor toilets. As a result, the number of families per 100 houses will decline from 108 to 103, and the number of people per 100 rooms will decline from 150 to 140; the renovation lag will decline, and housing conditions will continue to improve.

We regard the systematic protection of the renovation of the existing stock of houses in the Sixth Five-Year Plan as a task equally important to new housing consturction. The development of housing maintenance must contribute more consistently than hereto fore to meeting the social needs of the housing supply.

The increasing renovation tasks make it justified to discover economy and cost-saving measures for renovation and modernization jobs, and also planned cost management in order that as much work as possible will be performed with the money available.

At the council organizations which handle real estate property, we wish to improve the technical preparation of renovation jobs, the quality of design plans, and the planned and organized conduct of implementation.

The construction industry capacity for the maintenance of houses may be created with selective development and regrouping as necessary. The greatest extent of regrouping is needed at construction industry council enterprises and construction industry cooperatives.

It is primarily the enterprises belonging under the supervision of the EVM that are preparing themselves for the renovation of houses built with factory technology, inasmuch as they differ substantially from the buildings made with other technologies. Continuous maintenance work on factory built houses is performed by enterprises dealing with real estate.

In the maintenance of houses owned by the state and private individuals, care must be given not only to large improvements but also to the satisfaction of maintenance needs which will assure continuous use of the house. Construction industry improvement services are carried out by the interested state enterprises, by the construction industry and housing cooperatives, and by the real estate organizations and artisans. We make it possible on a broad scale for the population to participate in organized work performance after working hours.

We are carrying out the tasks of building new homes and maintenance in accordance with technical conditions. With good cooperation among the investors, the planners and the implementers, we are promoting economic cost management and giving preference to solutions that accompany the elimination of economically built although fewer houses.

In maintenance, we bear in mind that the housing supply should contribute more consistently to meeting social needs. We are gradually carrying out the renovation of outmoded houses without indoor toilets and installing toilet facilities. We are devoting 47 billion forints for the renovation, maintenance and modernization of houses that are being handled by the local councils. This is more than we spent under the previous two five-year plans for the improvement of state-owned housing.

It is becoming necessary that we begin the development of construction industry organizations for carrying out the increasing renovation and modernization tasks in the capital city. The EVM has already carried out, in part, the measures related thereto, or in the course of further work it will create the conditions for fulfilling the goals.

In the future we will support the renovation of individual owned housing with long-term loans and with the improvement of the construction material supply. In this area we shall also expand service capacities, material and fitting supplies, and the loan of small machinery and means.

The use value of houses is influenced to an important extent by the nonproducer infrastructure. Therefore, the planned implementation of child, health, education and commercial facilities is closely related to the building of houses. In the Sixth Five-Year Plan period we will build 5,500 to 6,000 school rooms, and nursery and kindergarten quarters for 25,000 and 9,600 nursery pupils. In order to build the targeted 30,000 to 35,000 kindergarten quarters, it will be necessary to transform buildings that are in existence but were designed for other purposes.

In order to improve child, health and social facilities, we are planning to establish 6,500 to 7,000 hospital beds--chiefly with the expansion of existing institutions--, 5,500 to 6,000 quarters in social homes and 2,000 to 2,500 quarters for the placement of mentally retarded children.

All of the new schools and nurseries and 80 percent of the kindergartens will be built with new technologies. The planned technologies will take up about 80 percent of the light structural CLASP manufacturing capacity and 60 to 90 percent of the various ferro-concrete iron structures.

The limits on financial sources call for simplified and cost-saving solutions. The practical implementation will require continuously coordinated cooperation from both the investors and the affected implementers.

Manpower and Wage Management, Social Facilities

Sub-Branch Conditions and Tasks of Efficient Employment

More efficient construction work and the promotion of rational management has become a strained economic compulsion on the threshold of the Sixth Five-Year Plan, but at the same time it directly serves enterprise and individual interests, and it also signifies the fullest interest protection of the workers. Rational employment of the available manpower is of great importance also in increasing the efficiency of building activity.

On the basis of the MSZMP Central Committee 12 October 1978 resolution, the 12th Party Congress resolutions and the conditions system of the Sixth Five-Year Plan, we must carry out our sub-branch tasks that are most closely related to the living and working conditions of the workers. In the use of production factors, whatever is affirmed by our trade unions and the SZOT [National Congress of Trade Unions] congress--primarily in regard to the conditions for living standard policy goals and labor affairs activity--must take place as quality change.

The implementing construction industry fulfilled its tasks under the Fourth Five-Year Plan with an increase of 33,000 workers, and in the Fifth Five-Year Plan period with a reduction of 21,000 workers.

The general manpower shortage which existed earlier has been substantially eased, but the tensions primarily in the capital city and its environs and in certain trades have not declined. The trade knowledge of the workers and their production technology has continuously increased. One-half of the construction workers are skilled workers, one-third are semi-skilled. But at a significant share of the enterprises, the trade structure is not in harmony with the modified production tasks and with the technical-technological requirements, which together with the insufficient work and plant organization activity restrains the vigorous improvement of productivity.

Under the Sixth Five-Year Plan the declining production tasks will have to be fulfilled with about 20,000 fewer workers. The enterprises will be able to fulfill the goals in the economic plan and to conduct more profitable activity by means of more modestly extensive but intensive technical development and for the most part with the radical discovery of sources for increased productivity. To do this, we will have to realize one-third of the targeted manpower reduction in the medium-term plan in 1981.

Our construction organizations must achieve further improvement in building-fitting organization, in the results of cooperation relations, in the reduction of lost

time that is still significant, and in the improvement of work discipline. In this way we desire to save the work of 10,000 to 12,000 workers according to our plans. To do all this, enterprises must, as an unpostponable task, increase the strictness of their manpower and wage management and improve efficiency.

As a consequence of the changes in construction industry tasks, the manpower demand will increase in several areas (for example, in Budapest and environs, in Csongrad megye, and in certain districts in Transdanubia). As a consequence of the increase in maintenance and renovation jobs, aprticularly in the case of reconstruction works which require a greater amount of live labor, specific manpower needs will also increase in Budapest.

The solution to the manpower shortage in the capital city and in certain trades and the adjustment to changes in the production structure are possible by rational manpower regrouping in the enterprises, the development of rational employment ratios, and planned work distribution amoung the enterprises. The development of flexibility may be promoted by the redirection of manpower, the area widening of undertakings by implementers, the use of new work-right possibilities (for example, secondary occupation contracts signed with their own workers and incentive wage policy measures). The economic associations which are being formed in more and more megyes also provide an appropriate framework for labor affairs cooperation among the enterprises. In addition, we must also strengthen the cooperation with the megye (capital city) council organs.

Because of the significant changes in construction demands, an appropraite transformation of the trade structure and the organization of enterprise retaining the further training have become a vital question.

A better use of intellectual capacities and a more fundamental preparation of investments is promoted by a more purposeful work distribution among the implementers and the technical planners. One means of doing this is a circumspect carrying out of obligatory manpower reduction.

An urgent task is the more fundamental enterprise planning of employable manpower; a broader application of modern work plans that adjust to technological features; rationalization of work processes and work place activities; and the expansion of the responsibility and authority of production leaders.

The organization of the supplement to the 4.5 percent decline in the work-time base that accompanied the general introduction of the five-day work week will be a special sub-branch task beginning in 1982. The construction organizations must achieve the production and management targets of the Sixth Five-Year Plan through the realization of productivity requirements. To this area belong the modernization of the enterprise organization system and the gradual improvement in the level of skilled and expert training.

In wage management, we regard as the basic principles: distribution according to work, the differentiation of earnings, and a firmer realization of an improvement in work discipline. One of the most effective means of an increase in productivity is the expansion of performance requirements based on modern work norms, the extension of quality wage payments, wage forms which complexly stimulate savings, and chiefly the development of unified sum work and wage remittances.

We are striving to achieve two goals in sub-branch guidance work designed to develop wage systems: an increase in the incentive strength of applied wage forms and the development of incentive methods that can be understood by the workers and require the least administration. All this can be well linked with the necessary development of the internal incentive system of the enterprises. It is a basic requirement, however, that the producer organizations shall differentiate performance wages more firmly than heretofore.

For the attainment of a wage development of 23 percent (annual average of 4.5 percent) planned as a minimal goal in the implementation construction industry in the Sixth Five-Year Plan period, all this is the basis for the protection of the sub-branch and its indispensable condition. In addition, the fulfillment of the complex capital city housing construction tasks and the increasing reconstruction demands of public institutions make it necessary to have incentive wage preferences and the payment of an increased separate subsistence allowance.

Improvement of Social Facilities

The following are perhaps constant categories stemming from the production characteristics of the construction industry: changing work place, a nomad character, and constant commuting. Because of the difficult and characteristic work-place and work-order circumstances, we regard the development of work and health protection for the workers and their social facilities as of equal importance iwth the improvement of manpower and wage management.

In certain areas of social allowances we have managed to achieve considerable advances in the past 5 years. Organized plant cafeteria facilities--basic condition for work performance in the construction industry--have become normative requirements. Construction industry workers consume annually 33 million to 34 million meal[s] rations in subsidized plant cafeterias. Maintenance of the good level we have attained in this area is an important social requirement.

Further improvements in the living conditions of the 80,000 to 90,000 construction workers in workmen's hostels is a special task of ours. In the Fifth Five-Year Plan period, the hostel network of the sub-branch grew by 6,500 living quarters at the cost of 1 billion forints. Under the Sixth Five-Year Plan we will have to improve hostel conditions primarily in Budapest. This is also important for the fulfillment of the special construction tasks in the capital city.

The commuting conditions of the workers also improved in the Fifth Five-Year Plan period. Our enterprises have improved their own group and bus pools for workers' transportation, and have replaced vehicles which are not suitable for personnel transportation. This is a positive result, but the cost of daily transportation is very high. A total of 1.5 billion forints is devoted to this purpose every year. The expense can be moderated by cooperation among the enterprises operating in the district, and by better transport coordination. It has been our experience that more and more enterprises are recognizing these possibilities and taking concrete measures to this end.

Much remains to be done for the improvement of social conditions directly in the work place. There are many work places where dressing rooms, washrooms, and eating facilities are still unknown. We must make the elimination of these shortcomings a major development task in the coming years.

Assurance of the personal and objective conditions of work protection, the continuous development of working conditions, and the correction of working conditions that are harmful to health have become an organized part of annual and medium-term social plans. Increased workers security is a first-rate moral and responsible economic obligation of every leader in a producer cooperative and of the direct production manager.

Putting an end to unfavorable manpower circulation processes in a sub-branch is the condition for the fulfillment of further obligations. Therefore, of exceptional importance is the continuous development of social facilities for construction workers and the constant improvement of social conditions for work undertaking. Their realization depends on how--with emphasis on the special role of the human factors--we can improve production and management conditions and efficiency in accordance with the requirements of the economic plan.

Experiences and Major Tasks in the Cooperation of Leading Organs of Sub-Branch Management and Trade Unions

The Fifth Five-Year Plan results of the construction industry came about with the hard, self-sacrificing labor of the construction industry workers. All in all, an indispensable role was played in the attainment of the positive results by the guidance and control activity of EFEDOSZ [Trade Union of the Workers of the Construction, Woodworking and Building Material Industries] and by the mobilizing, initiating, organizing, educational and interest protection work of the area and work-place trade unions. The sub-branch management always carries out its major labor, socio-political advisory, regulatory and control functions in close cooperation with EFEDOSZ and HVDSZ, which also forms the foundation of our joint work and tasks. The medium-term concepts which we have formed jointly are clear, and are in the end realized in the medium-term management programs of the enterprises.

The ministry and the leadership of the trade unions have been regularly evaluating every year since 1967--at least in two combined sessions--the experiences of the cooperation and have determined the joint tasks for fulfilling sub-branch goals, and the joint tasks for improving the living and working conditions of the workers. For the solution of problems stemming from the complex activities of construction work and from working conditions, we always strive as equal partners, in lively realistic debate and on the basis of interest identity.

In searching for solutions--and we believe this is the correct principle--we generally do not see the fault in the working man but in shortcomings involving the creation of conditions and a requirement system of continuous work performance. If we desire more organized work, quality improvement, conscientious and economic management, then progress is the joint task of the state and trade union.

Another important basic principle of ours is that social allowances, which are closely linked to work performance, and concern for work protection conditions which secure the health and life of the worker cannot be a function of profitability points of view.

Every year we conduct discussions on eight to ten special subjects with the leading bodies of the trade unions which are closely linked with the interest protection of the workers.

The secretary of the EFEDOSZ is a standing invitee to ministerial conferences; in the various work committees the representation of the two organs is mutual and regular; and a continuous and open work relationship has developed between the ministerial departments and the divisions of the trade union. Commissioned and responsible leaders attend to the continuous coordination of our work and to the harmonizing of measures.

In our guiding sub-branch work, cooperation is characterized by a program approach and by agreement. Accordingly, the great majority of the sub-branch and supervisory measures were passed in agreement with the trade union; differences of view in principle or difference of opinion in regard to methods of practical solution did not develop, and only in a few instances did it occur that supervision measures were not prearranged, but in the course of execution mutual understanding was arrived at.

The resolutions of our trade unions and of the SZOT congress, the detailed coordination of the 1981 annual and the Sixth Five-Year planning goals, and the preparatory-evaluatory work related thereto determine the bases of the joint guidance activity for the 1981 and the medium-term plan period.

Among such joint tasks we must recognize the most important factors for fulfilling the increasing efficiency requirements. We must work together in preparing the general introduction of the five-day work week with its work-time reduction. Satisfaction of the manpower demands for the capital city construction tasks requires a joint effort. We must also jointly settle the situation of deficit enterprises and fund shortages. Joint guidance tasks are, for example, the following: stronger realization of the sub-branch characteristics of wage management and wage payments; development of the internal incentive system of the enterprises; realization of the proper sequence of work protection and socio-political tasks and the development of enterprise organizations.

For the drafting of plan goals and undertaking programs of the producer organizations we have published joint guidelines and guide books.

We developed, in agreement with the central leaderships concepts of the sub-branch, the sub-branch guidelines and guide books for the collective contracts of the Sixth Five-Year Plan period for the introduction of the five-day work week from eigen sources.

With joint announcements and continuous work we are striving for the development of the socialist work competition movement and the innovators' movement, for the improved and systematic control of work protection activity, and for the development of the workers' educational and sports movements.

The joint tasks, guidance, and organization of economic construction work stand at the center of our tasks. Its success will depend to a large degree on the further development of socialist democracy, the development of initiative action, a demo-

cratic atmosphere, and the more substantive operation of democratic forums. Systematic cooperation with the trade unions, basic discussion, and our guidance work are primarily necessary for this kind of control. The principles and basic methods of our relationship system have succeeded, and we do not need to change but to improve them.

In our 1981 work plans we are devoting particular attention to the successful solution of tasks deriving from the altered situation of the construction industry and the substantially modified operation conditions, and to the creation of conditions promoting their application. It is our conviction that the workers of the sub-branch will realize our goals through the more organized work of workers and economic and trade union leaders and through unity. We are counting on the help of every official of EFEDOSZ and HVDSZ and on their mobilization and educational work.

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ECONOMIC SITUATION CHARACTERIZED AS 'SLUMPFLATION'

Warsaw ZYCIE GOSPODARCZE in Polish No 47, 22 Nov 81 p 9

[Article by Grzegorz W. Kolodko: "Slumpflation--Polish Style"]

[Text] Disruption and chaos are increasingly the hallmarks of the present situation in the marketplace. Under conditions marked by the uncontrolled redistribution of incomes there has been a simultaneous decline in consumption. The value of our currency is being debased. This drastic state of affairs is an outward manifestation of the slumpflation which has lately been a characteristic feature of our economy.

Slumpflation Defined

Addressing this issue in the most general terms, slumpflation boils down to the simultaneous occurrence of economic recession and inflation. Theoretically speaking, inflationary processes can occur in three kinds of situations, i.e., in a large-scale capital replacement environment (the sensu stricto definition of inflation), in a small-scale capital replacement environment (stagflation), and in a restricted capital replacement environment (slumpflation).

The macroeconomic processes that have been under way in Poland in recent years prove to us that slumpflation can also occur in a socialist economy. However, in different social and political systems the causes, mechanisms, and effects of this process differ from one another in fundamentally important ways. It will suffice at least to identify the demand-side (capitalist) and supply-side (socialist) preconditions that give rise to economic recessions.

The two primary attributes of slumpflation are economic recession and inflation. We are therefore able to say that the slumpflation process in Poland got started around the end of 1978 and the beginning of 1979, and there is every indication that the magnitude of this slumpflation is tending to increase.

The causes of this state of affairs have been widely discussed, and for the most part there is a general consensus of opinion on this score. It is worth pointing out, however, that among these causes a role of no small importance is being played--especially during the past year--by factors of a political nature, factors which played a critical role in forcing us to accept a lot of patent economic nonsense. This nonsense consisted of apportioning the consequences of the decline in the national income in such a way that it seemed as if people were talking about allocating the benefits of an increase in the national income.

Slumpflation in Poland--apart from its gigantic scope and its marked acceleration during 1981--has a number of unique features.

The Nature of Inflationary Processes

In my further remarks I will avoid discussing the causes and mechanisms of economic recession, except to take note of the fact that in 1981 all categories of macroeconomic indicators are on the downturn--apart from net agricultural output, and this also includes--for the first time on such a large scale--a reduction in the level of consumption as defined in aggregate terms.

The nature of inflationary processes, their complexity and multifaceted characteristics, inclines certain authors to express doubts as to whether "....the very term 'inflation' might not be an inappropriate definition of what is going on in our country."[1]

Depending on its causes, mechanisms, consequences, scope, manifestations, and other criteria, there are at least several dozen types of inflation that have been identified in the professional literature. It is for this reason that the question sometimes arises as to whether this is really inflation or perhaps something entirely different. It would therefore be a good idea to examine the inflationary processes that are now wreaking havoc with our national economy from the perspective of these various distinctions.

1. Inflation is now a worldwide phenomenon, and this is its most important feature. The impact of inflation on our economy as a result of developments in the terms-of-trade area cannot be minimized, but it would also be a mistake to exaggerate the importance of this factor, an excuse which was eagerly embraced by news media during the pre-August period. This is because inflationary processes are in the main not the result of imported inflation, rather they are the result of internal social and economic processes and--in our present situation--political processes. So, what we are dealing with here is internal inflation.

2. As far as the origins of inflation are concerned, we draw a distinction between cost-push and demand-pull inflation. The former is based on rising prices resulting from increased production costs. The latter is the classic inflation of rising prices in the marketplace resulting from an upward "sucking" motion that seeks to reach a level of equilibrium prices, something which happens when demand reaches excessive proportions. At the present time both of these processes are overlapping each other in a very forceful way, and they are mutually reinforcing, among other ways, as a result of the wage-price spiral. However, there is no way to come up with a precise estimate of the extent to which each of these two brands of inflation contribute to the total rate of inflation, which, on the one hand, has to be reduced to the magnitude of the price hikes that are absolutely essential in order to reach some kind of market equilibrium and which, on the other hand, serves as an accurate reflection of the social costs of production.

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1. Vide W. Herer and W. Sadowski, "The Inflationary Curve (part 1)--What It Is and How It Works," ZYCIE GOSPODARCZE, 1981, No 32, p 9.

3. As far as the symptoms of inflation are concerned, we draw a distinction between open inflation and suppressed inflation. In the first case the inflationary rise in prices--something which occurs spontaneously--pushes these prices up to the point where supply equals demand. In the second case--owing to a centralized policy dedicated to stabilizing prices at existing levels--a certain percentage of personal incomes is transformed into forced savings in the form of "unwanted" deposits in bank savings accounts, or some of this personal income might also be set aside in the form of cash reserves (so-called hot money).[2]

The unique nature of inflation in Poland is based on the fact that we are now faced with an interlocking pattern that involves both of these processes, but this is accompanied by a pronounced tendency on the part of suppressed inflation to gain the upper hand. Apart from the aforementioned forced savings, this is manifested in the form of the ever growing system of rationed goods, increasingly longer queues, the presence of a black market, and rampant speculation. It is against this background that money is doing an increasingly poorer job of performing its normal functions. This is because in this kind of environment it has ceased to be regarded as a unit of universal equivalent value and is therefore losing its meaningfulness as a medium of exchange. Suppressed inflation is a characteristic feature of the situation that now prevails in the socialized sector of the marketplace. It is estimated that during the first half of this year retail prices in this sector grew at a rate slightly in excess of 8 percent. On the other hand, in the nonsocialized trade sector--and here we are dealing with a classic type open inflation--this same indicator amounted to approximately 50 percent.

The intertwining character of the open and suppressed inflationary processes also gives rise to certain complications with regard to measuring the scale and intensity of this brand of inflation. In the former case, theoretically speaking, the yardstick used to measure this scale and intensity is the rate of inflation, which is expressed by the indicator reflecting the rise in the aggregate level of consumer goods prices. In the latter case the yardstick is the magnitude of the inflationary gap.[3] At the present time, the usefulness of both of these yardsticks taken by themselves is limited, since they cannot be added together. So, the best way to illustrate the scale of inflation is to cite the potential rate of inflation, i.e., the rate of inflation that reflects the absolutely necessary, from the standpoint of bringing prices back to the point where market equilibrium is achieved, level of the rise in retail prices (taking into account the abstract assumption, that, as far as the realities of life in Poland today are concerned, price hikes are not offset by corresponding rises in nominal incomes).

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2. For accuracy's sake it should be noted that hot money should also include "a vista" type savings accounts, i.e., demand deposits.
3. For a broader discussion of this subject vide G.W. Kolodko, "The Inflationary Curve and the Inflationary Gap," ZYCIE GOSPODARCZE, No 38, 1981.

At this point it would be a good idea to call attention to still another consequence of inflation in an environment characterized by restricted capital replacement. Namely, insofar as the concept of inflation--as I am trying to define it here--serves as an adequate description of the brutalities of our economic reality, then under these circumstances the concept of the growth rate of real wages and incomes tends to become all the more meaningless. This is because the growth of real wages and incomes tends to become all the more meaningless. This is because the growth of real wages and incomes is possible solely as a result of the level of output of goods for sale in the marketplace, and not as a result of an increase in the supply of money flowing into the marketplace. In the case of a stabilized marketplace this growth rate can be readily determined through a simple comparison of indicators reflecting the growth rate of nominal incomes and the growth rate of retail prices. But since real incomes represent the sum total of consumer goods that can be purchased at a given level of nominal incomes, this indicator will cease to serve any useful purpose under conditions marked by a falloff in the level of consumption. Economists and statisticians must therefore come up with a new definition of a situation in which nominal wages and incomes are growing at a faster rate than the general level of retail prices coupled with a simultaneous decline in real incomes.

Notwithstanding its awkwardness, I will confine myself to defining what is meant by the notion of a nominal rise in real incomes. This phenomenon can occur not only in an environment characterized by slumpflation, but also in a classic inflationary situation insofar as this inflation is suppressed to some degree and followed by the emergence of forced savings.[4] Let us realize at the same time that this nominal rise in real incomes may be something we have to live with for a long time to come (and even then we will also be able to talk about a genuine rise in real incomes) as a result of the assertion of pent up demand following the stabilization of the marketplace coupled with a major increase in the supply of consumer goods.

4. The distinction that is drawn between civilized inflation and so-called barbarian inflation is also noteworthy. These two kinds of inflation are to a large extent related to the two types of inflation described above, i.e., open inflation and suppressed inflation.

Open inflation, whose greatest evil resides in the uncontrolled and economically unjustified redistribution of incomes, has one good side in that it produces goods that are available in the marketplace. This is because this is a stabilized marketplace. And this in fact is what civilized inflation is all about, since it does not lead to the destruction of the market, and the functioning of the market continues to be governed by the ironclad rules of supply and demand. This sort of situation is typical of the kind of inflation (including slumpflation) that exists in capitalist economies.

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4. This observation can be illustrated by taking 1980 as an example. Namely, according to what was said in a Main Statistical Office announcement (TRYBUNA LUDU, No 30, 1981 pp 3, 6), real per capita personal income increased during 1980 by approximately 1 percent (whereas real wages went up by 2.8 percent), which--taking into account a simultaneous decline in production and a negligible 0.6 percent increase in sales of finished goods--gave rise to the phenomenon of forced savings. In essence, then, mean real incomes this year have tended to stagnate, and not increase.

Barbarian inflation--and this is precisely the kind of inflation that we are faced with--destroys the market and relentlessly disrupts the mechanisms that make the market work. Money is constantly chasing after--increasingly to no avail--goods. Things get to the point where it is even more of a bother to spend money than it is to earn it. And, for that matter, the incentives to earn more money grow constantly weaker. Owing to the fact that the national economy functions as a system of integrated control levers, any disruptions that occur in the realm of distribution or allocations is going to carry over into the realm of production where they will fester and reinforce each other.

It might be said that civilized inflation is a kind of "elitist inflation" in the sense that it does not affect everyone equally; civilized inflation is not too much of a burden for economically privileged social and occupational groups. Barbarian inflation is a kind of "egalitarian inflation." Almost everyone--with the exception of a small group of people who in various ways enjoy easier access to certain kinds of goods--are subjected to equally rough, if not cruel treatment by the marketplace (or rather by what passes as a caricature of the marketplace).

5. Economic theory also draws a distinction between, creeping inflation, galloping inflation, and hyperinflation. The criteria governing the classification of these individual types of inflation are determined by the scope of the inflationary processes and their consequences, and in this connection certain differences of opinion have already come to the fore. While some--even though they do not cite any satisfactory theoretical grounds for this--advocate using the level of the inflation rate as a classification criterion, others are searching for the same criterion in the realm of the social and economic consequences of inflation, the magnitude of which is strictly a simple function of the level of the rate of inflation.

We can talk about creeping inflation when the redistributive impacts of this inflation are so negligible that they do not give rise to any major dislocations in distribution and consumption relationships, sever the essential bond between incomes and labor productivity, and thereby diminish the incentive role played by wages.

Galloping inflation does possess all of these characteristics, but hyperinflation makes it utterly impossible to perform normal cost accounting functions, makes efficient management an impossibility by depriving decisionmakers of the objective information they need concerning the availability of individual productive resources, and as a result, fostering the wholesale disruption and disintegration of the economy, and halts economic growth.

In Poland we are now faced with a situation where galloping inflation is being transformed into hyperinflation. This argument is being substantiated by a whole host of developments which are clearly evident in the performance of our economy. Inflationary processes are growing ever stronger. During the period from January to August 1981 labor productivity declined by 13.3 percent in comparison with the same period last year, while during this same period personal cash incomes went up by as much as 22.9 percent. On the other hand, deliveries of goods to the market increased by a mere 1.4 percent, and this increase is measured in current

prices. The persistence of these trends is bound in a short period of time to bring us to the point where we will have passed over into the stage of open hyperinflation. So, it needs to be said that we are already on the threshold of entering this stage and only a series of radical measures--on both the supply and demand sides of the equation--can avert this danger.

Slumpflation and Economic Reform

So, slumpflation is the name of the disease raging through the increasingly weaker organism of our economy. The spread of this disease can be described as a cumulative process, and at the same time it is distinguished by a number of unique features, among which should be included first and foremost the unprecedented falloff in production and an even larger increase in personal nominal incomes and inflation that is barbarian in nature. Such is the magnitude of the difficulties that have to be overcome in order to put a stop to the destructive processes in our economy.

A great deal of hope is being invested in the radical reform of the system according to which our government and economy are run. And there are sound reasons for entertaining such hopes. But at the same time one should be mindful of the fact that special dangers are raised by theoretically erroneous views which hold that it is possible to carry out an economic reform under conditions marked by intensifying inflationary processes.

Economic reform is not feasible in the face of the mounting inflation that we now have to contend with; the decentralization of the economy--including the decentralization of price setting powers, something which ought to be an indispensable attribute of such a process--could only, and in a short span of time, serve to intensify inflationary processes and thereby thwart the realization of the valid and unquestioned goals of the reform. It is for this reason that the widely supported argument (for reasons having to do with its cheap popularity) advocating the postponement[5] of retail price changes is tantamount to the invalidation of the fundamental premises of the economic reform.

If this were to happen, we would of course still go ahead with the economic reform, but before long this reform process would take off in an entirely different direction. We would be forced to introduce an extremely centralized wartime economy accompanied by a universal system of rationing, and the next step would be to introduce a new currency and so on and so forth. For such is the inexorable logic of the hyperinflation that still looms before us, the kind of inflation that would set our economy back not just by one decade, but rather by several decades. Insofar as there prevails a general consensus of opinion as to the fact that price reform (including both wholesale and retail prices) is an integral part of a comprehensive process of economic reform, then it needs to be strongly emphasized that it is absolutely necessary that this reform process should be launched with price changes--or, to put it more precisely, price hikes.

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5. Vide, inter alia, J. Kaleta, "How To Wipe Out the Inflationary Curve?" KULTURA, No 40, 1981.

Just as it is hard to share the view that we should wait until economic equilibrium has been restored before we embark upon the implementation of economic reform, it is equally inadmissable that we should go to the other extreme and regard economic reform as some kind of panacea for all of our social and economic problems. The implementation of economic reform and the gradual restoration of economic equilibrium--a process which has to be gradual inasmuch as a reformed economy does not automatically bring into play control levers that would guarantee the establishment of equilibrium--is a parallel process which is intertwined with a whole host of contradictions. Unprecedented skills will have to be applied, skills that are by no means confined to the realm of economic theory, in order to resolve these contradictions.

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CRITICAL ANALYSIS OF ECONOMIC REFORM PLAN PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 47, 22 Nov 81 p 8

[Article by Wojciech Huebner and Dariusz Rosati: "A Plan or a Forecast?"]

[Text] There are barely 2 months left until the start of 1982. Economic management authorities have entered the final phase of their work on the preparation of a draft version of the socioeconomic plan. But this is where similarities with the way things were done in the past come to an end. This time neither the magnitude of the problems associated with the drafting of this plan, the uncertainty as to what the future holds in store for the economy, nor, finally, the overall situation in which the country finds itself have any past counterparts.

The year 1982 looms before us as a big question mark. The year 1982 may bring a further deterioration in our economic situation, but it may also go down in history as a turning point, a year in which the downward slide of the economy was halted and the process of finding solutions to the crisis was begun.

Uncertainty about the future is a prominent feature of all of the pronouncements and documents that are being formulated as part of work on the drafting of next year's plan. This applies in particular to official predictions on the future development of the economy, one of the most noteworthy of which was recently submitted to the Sejm in the form of the draft version of the basic provisions of the national socioeconomic plan for 1982.

We were motivated to speak out on this subject both by the way in which the whole range of issues associated with the process of overcoming the crisis has been treated, as set forth in the draft plan, and also by certain of the draft plan's detailed proposals relative to concrete actions in the realm of economic management. This is because we are tormented by serious doubts as to whether the submitted draft plan lives up to public expectations, sets forth an optimal array of goals and the means for their realization, and, finally, as to whether this draft plan is the fullest possible response to the specific situation in which the Polish economy finds itself at the close of 1981 and the beginning of 1982.

It would seem that any attempt to develop a mental image of what is going to happen to the economy in the immediate future must take as its point of departure two factors which serve as a general description of both the present economic situation and the justifications, based on choices made by society at large, of the thrust of future economic transformations, namely:

--the all-encompassing crisis which is having an impact in all spheres of social life;

--the projected launching of an economic reform starting on 1 January 1982.

This approach is dedicated to testing the validity of all of the assumptions contained in the plan from two basic perspectives, i.e., do they give due consideration to the necessity of curbing process that are leading to the disintegration of our economy and of putting the economy back onto a growth track and are these planning assumptions consistent with and logically interrelated to the goals and assumptions of the economic reform?

It is our opinion that a number of the assertions made in the 1982 draft plan do not fulfill these two basic conditions.

The first general observation that comes to mind in the course of reading this document has to do with the peculiar school of philosophy upon which this document is based. That is to say that this is a document which appears to be much more of a forecast than a plan. We are to be sure mindful of the fact that the times in which planners are now called upon to fulfill their duties are characterized by an extremely high degree of uncertainty. But, nevertheless, it would seem that the proportions according to which the plan's basic assumptions were subdivided into planning- and forecast-oriented sections have been largely twisted around in favor of the latter. Anyone who reads this draft plan gets the impression that this is the analysis of an unbiased observer who is making a record of processes and developments, without making any effort to channel these processes and developments in a direction that is consistent with what he wants to achieve. So, it is worth pointing out that an economic plan must continue to serve as a statement of what planners want to achieve in terms of active efforts dedicated to the "realization" of clearly defined goals. Thus, many of the official pronouncements on the subject of proposed programs for 1982 are in fact devoid of any clearly articulated statement of such goals. The dominant theme of these documents is rather a passive recitation of a scenario of events that in effect boils down to a prediction of future developments, a scenario that, depending on whether or not certain events come to pass, may turn out to be more or less favorable.

The proposed 1982 draft plan is devoid of any ideas geared toward the active shaping of economic processes, the exploitation of favorable developments and the taking of measures to counter unfavorable developments so as to insure, in keeping with the various scenarios, the optimal realization of predetermined goals. As one might assume, these goals have to do with putting a stop to the decline in the national income and initiating processes geared toward economic growth under conditions where provisions have been made for insuring minimum social welfare standards and the full implementation of economic reform.

Unfortunately, in accordance with the assumptions set forth in the plan, the domestic net material product may go up by only 2.2 percent, but it might also drop by a full 8.3 percent, which when figured in absolute terms amounts to a not inconsiderable gap of Zl 180 billion. Things are much the same in the case

of the other targets projected by the plan such as consumption, industrial production, and foreign trade turnover. So, the question arises as to whether Poland is still a country with a centrally planned economy, or have we given up on all forms dedicated to the efficient regulation of economic development?

The foregoing remarks are in no way intended to call into question the legitimacy and usefulness of giving consideration to several different alternatives as to the future course of events, and this in fact is the approach that was taken by the draft plan, in which a distinction is made between a fearful option, a hopeful option, and the most likely option relative to what will happen in the future. But it is one thing to come up with diverse scenarios of future developments over which we have no control and another thing to cultivate the skills that are needed in order to develop practical ways and means dedicated to the realization of certain fundamental goals notwithstanding the fact that circumstances might combine to present a worst case situation. In the meantime, the series of economic policy instruments that have been made public thus far with a view to insuring the realization of accepted assumptions normally fare rather poorly when viewed against the background of the draft plan's overall context and they are worded in a very vague and generalized term.

As a kind of parenthetical comment on the overall "philosophy" of the plan the enormously important question arises as to the relevance of emerging government documents to existing (?) plans for the future economic development of the country over a somewhat longer time span, e.g., through 1985. To what extent are these documents and plans still consistent and to what extent will economic activity in 1982 make it easier (or perhaps harder) to fulfill tasks of a more strategic nature?

Unfortunately, in the couse of studying the draft plan one gets the impression that the authors of the plan are totally uninterested in what happens to the economy after 31 December 1982.

Another fundamental doubt which arises has to do with the enormous onesidedness of the proposed draft plan. In the first place, it seems to be highly questionable that one should take the approach that raising the level of coal production (and to some extent the level of field crop production in the agricultural sector) is the sole key to resolving all of our problems. This issue was presented in an almost extreme fashion in the introductory provisions of next year's draft plan, where all options, including first and foremost the degree to which fundamental goals are feasible, rest on a single pillar: coal. So, the national income will go up or down by one-tenth depending on whether miners succeed in producing 155 or 175 million tons, while the value of the shortfall in goods for sale in the marketplace will range between Zl 108 billion and Zl 567 billion.

This line of reasoning is burdened by the errors of the ignominious heritage of the purely allocative model of bureaucratic planning. This is no sign in this approach of any attempts to seek out alternative methods for the realization of proposed goals or of any attempts to go beyond traditional stereotyped approaches to the formulation of annual plans, according to which a coal production record of 155 million tons (per the "fearful" option), which is by no means an insigificant record of performance on a worldwide scale, is inevitably supposed to lead

to an approximately 23 percent decline in the domestic net material product and to an approximately 25 percent decline in the level of industrial output in relation to 1980, a record of performance that would be almost equivalent to the total collapse of the economy.

Regardless of the extent to which the optional approach to the forecasting of what will happen next year might appear to be one of the more useful virtues of the provisions set forth in the 1982 plan, this approach still contributes nothing toward choosing a set of centralized control levers, rather it confines itself to a mere recitation of three options relative to coal production prospects. This is indicative of, among other things, the extreme sensitivity of our economy to the level of coal deliveries.

However, the crux of the matter lies in the fact that the courses of action that are now being laid before us do not spell out precisely what steps should be taken in the event that the level of coal production turns out to be even lower than that set forth under the terms of the "fearful" option. In our opinion the acceptance of such drastic reductions in the level of the national income and industrial output is unacceptable. Some consideration needs to be given to the proposition as to whether or not it is high time to assess the so-called coal problem--which during the past few months has grown to truly monstrous proportions--from an entirely different perspective.

The sooner we realize that when you get right down to it we are one of the world's pre-eminent coal producers, the sooner we will be able to come to grips with the coal problem not only in the realm of coal production, but also, and most importantly, in terms of an efficient and long-range program dedicated to the conservation of this raw material. It is really hard to understand why the present version of the draft plan fails to take into account an altogether more broadly construed series of programs, in addition to the small number of purely ad hoc cuts which it advocates, dedicated to conservation in a large number of areas where such programs could be implemented. The sooner we realize the importance of looking for more efficient ways to exploit our coal resources, the sooner we declare war on the colossal waste which is rampant throughout our power, manufacturing, transportation, and construction industries, and the sooner we realize that it is cheaper to save a ton of coal rather than to produce an extra ton of coal, then the faster we will succeed in breaking out of the present crisis.

A similar onesided approach is a concomitant feature of the way the draft plan addresses the problems of agriculture and food supplies. Here too it seems as though the central planner has become a passive slave of nature, declaring the level of consumption to be a function of weather and harvests, without making any effort to tamper with the structure of the agricultural sector or to fashion a system of specific solutions that would lay a suitable groundwork for reform by establishing the requisite framework of relationships between urban and rural areas. And so, as is similarly the case with coal, this problem area too is dominated by a passive kind of fatalism, by the hope for good harvests, and by making the level of economic activity contingent to an excessive degree on the whims of nature.

Regardless of the extent to which the draft plan as a whole betrays the absence of an aggressive approach to the problems at hand, this passivity is especially evident in the section dealing with foreign trade. It seems as though our enormous indebtedness has all but paralyzed our foreign trade. We are cutting back on imports wherever we can, and, as a result, we are stifling export sales. This is a disastrous policy in the long run. An analysis of the overall chain of interdependent relationships that exist between foreign trade and industry leads us to the conclusion that, given the present situation in which the country finds itself, the promotion of export sales is a critical factor that will help to pull our economy out of its depression. A program of policies geared toward boosting export sales should be without question the focal point of economic policymakers. Such a program should not be confined to the realm of ad hoc measures, rather it should be regarded as a primary objective of the economic reform.

Under circumstances marked by the underutilization of production capacities, and this is precisely the kind of situation with which we are now confronted, all kinds of opportunities exist in our economy for setting into motion special kinds of multiplier mechanisms which make it possible to raise the level of consumption by several times over as a result of a one-time increase in the volume of export sales.*

One of the most important results that should be expected to issue in wake of a radical reform of our economy is its reorientation with regard to developments of an economic and technical nature taking place in the world economy. Our efforts in the realm of economic endeavor must not only be effective in terms of meeting contractual obligations undertaken on the domestic market, rather they must also meet the objective and demanding standards that obtain on world markets. Our economy needs to be reoriented toward the production of goods for sale on the international market, since it is only in this arena that we can put the quality and uptodateness of our products to a real test. The vast majority of enterprises must become involved as soon as possible in the planning of programs designed to meet the demand of this market. Who knows but that this might prove to be the most troublesome and most painful element of the reform process. But in the long run there is simply no other way to go about solving this problem.

However, the imperative calling for an absolute increase in export sales is not just a product of the objectives of the reform process or of the necessity of offsetting growing import and balance-of-payments requirements. We must focus our attention on export sales as the cheapest way of restructuring the resources at our disposal in this country in a direction that is conducive to meeting our wants as end-use consumers. This is by far a cheaper and faster method than technological realignment, that is, the reordering of production priorities.

* It is easy to calculate that by channeling 1,000 zlotys worth of goods into export markets instead of the domestic market, on the assumption that the import coefficient equals 3 percent and the marginal propensity favoring export sales equals 30 percent, after a certain period of time demand on the domestic market will increase by Zl 6,000. This example clearly points out the absurdity of the charge that the domestic market is being "stripped bare" by export sales, as long as the foreign exchange earned from these export sales is reinvested in an efficient manner.

Finally, and this is of the utmost importance, increased export sales are the best way to advertise the gradual restoration of economic equilibrium in our country, something which will place us in a much stronger bargaining position in negotiations on debt servicing deferments as well as on applications for new loans. Unfortunately, the draft plan has very little to say about plans for boosting export sales. There is no mention in the draft plan of the need to develop a strong system of incentives designed to encourage export sales coupled with a far-reaching program of financial privileges. The draft plan does not take into account any of the new opportunities for expansion that are opening up in certain sectors of the export sales market, e.g., in the areas of construction services, specialist services, and so on. The basic provisions of the draft plan make no provision whatever for increased export sales. The realistic option projects a 0.5 percent decline in export sales, which is tantamount to an 8 percent decline in relation to 1980. This opens the way for the operation of multiplier mechanisms and gives a strong boost toward the persistence of trends that favor economic stagnation.

As far as capital construction ventures are concerned, it is noteworthy that the draft plan calls for aggregate capital spending to be reduced from Zl 460 billion in 1981 to Zl 430 billion in 1982. However, certain questions are also raised by the way in which it is proposed that these resources should be distributed. It seems as though that, after subtracting the volume of capital construction funds that are absolutely essential in order to pay for the maintenance and regeneration of capital stock in areas where this is economically justified, the rest of these capital construction funds will be distributed on an efficiency-pegged competitive basis coupled with a discount rate that might go as high as 15-20 percent. It would then become possible for these funds to be spent by those enterprises which promise to yield the most advantageous economic dividend.

The concluding passages of the draft plan deal with rules and procedures governing the management of the process whereby the planned targets set for the economy are to be realized. The paucity of economic policy instruments proposed by this draft plan, especially when it comes to the setting up of a full-scale system of administrative-legal instruments for running the economy, suggests that the magnitude of the problems now facing the Polish economy exceeded the creative powers of the authors of this document. It is their view that the only way to cope with these problems lies in the return to traditional management methods, e.g., the centralized allocation of basic raw materials and fabricating materials, monopoly control over the purchase and sale of raw materials, the setting of directive-type tasks in the realm of export sales, the centralized control over the capital investment process, and so on.

It is hard to see how this kind of approach will do anything to advance the cause of economic reform, and this is undoubtedly the reason why there has been so much talk lately not so much about reform as about provisional measures designed to patch up the system. However, provisional and temporary solutions have a surprising capacity to become entrenched as permanent solutions. This is why it is necessary to come out with a clear and forthright statement as to the direction in which the Polish economy should be headed. And the 1982 plan should be dedicated to realizing the goals set forth in such a statement.

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CURRENCY REFORM PROPOSED AS AID TO ECONOMIC CHANGE

Warsaw ZYCIE GOSPODARCZE in Polish No 46,15 Nov 81 pp 1, 6

[Article by Kazimierz Ryc: "The New Zloty"]

[Text] The declining industrial output and national income which Poland is now experiencing, a hallmark of our deepening crisis, is primarily and directly attributable to the severe shortage of basic productive resources, including first and foremost raw materials, fabricating materials, products manufactured under the terms of co-production agreements, and fuels. Then again, there is also the shortage of a whole host of capital goods, and this in turn means that there is a shortage of manufacturing capacities in branches which now qualify as bottlenecks in our economy, e.g., coal mining, power production, transportation, and so on. In many sectors of the economy there is also a shortage of manpower coupled with simultaneous overemployment in other sectors.

Defining the Economic Crisis

The next direct cause of this productive resources deficit is:

--the low productivity of fixed and working capital;

--the poor quality of productive resources and consumer goods that is leading to accelerated depreciation and difficulties in export markets;

--disequilibrium in the structure of the economy as a result of imbalanced growth patterns.

The crisis per se began at the moment when this productive resources deficit could no longer be alleviated by deliveries from abroad purchased on credit. This is also the reason behind our most acutely felt hardship--the shortage of foreign exchange which is strangling our economy.

It was possible to overcome the previous economic breakdowns of 1953, 1962, and 1970 by shifting priorities in the realms of capital spending and production. The escalation of tensions threatening to produce a crisis situation was not as severe in those days (with the exception of the 1953 crisis, since at that time the economy was less diversified and more autarchic). Also, the level of the nation's indebtedness was not as serious as it is now. The most recent attempt to shift priorities in 1976--the so-called economic stratagem--was a failure and the crisis emerged with full force in the form of a decline in production and the national income. Without going into the reasons for the failure of the

"stratagem," it can be said that during the phase when the crisis was already severe and growing worse the methods which had been tried out previously, methods which now are referred to generally as "restructuring," were by that time already too little and too late.[1] And so it is now too that it will not be possible to surmount this crisis without making far-reaching changes in the way the economy is run.

Does the Crisis Have To Play Itself Out?

The full-blown crisis, as manifested in the falloff in economic activity, including a decline in production and the national income, is already in its third year and it still has not entered the phase where it could be called a depression, i.e., the curbing of a further decline in economic activity and the levelling off of production at a level lower than that which prevailed prior to the onset of this crisis. Why are things working out this way? Are present political conditions driving us into an ever deeper crisis, a sort of political and economic stranglehold, or has the crisis proper not yet played itself out? I do not want to pass judgment, but I will try to offer some suggestions. Namely, the ultimate playing out of this crisis is based on, among other things, the winnowing out of the least advantageous applications of productive resources. In a market economy this is reflected in the bankruptcy of inefficient producers. These bankruptcies give others a chance for growth and the economy a chance for revival, i.e., a chance for a renewed increase in production and the national income. In the past the counterpart of these "bankruptcies" in a planned economy has always been the cancellation of a multitude of capital investment projects. As a rule, this has sufficed. The resources that were released in this way and transferred to other sectors and branches of the economy helped to bring about a revival of economic activity. In the face of the present crisis similar decisions, made too late and in a haphazard fashion, have not been able to produce the same results. In the long run we are still going to be faced with the problem of winnowing out those applications of productive resources that are least effective.

Actions along these lines are being taken. On the one hand, the Operational Crisis Management Staff is trying to reallocate resources, while, on the other hand, "experts" representing various political forces are enumerating and identifying the kinds of reallocations that ought to be made in order to bring about the desired economic revival. Both sides are trying to find a replacement for what Adam Smith called the "invisible hand" that infallibly identifies which applications of productive resources are least effective. This is because this is not merely a problem of defining the kind of restructuring that is indispensable on a scale that encompassed the economy as a whole, but also of defining the kind of restructuring that must and should take place in each and every enterprise and which of these enterprises and ventures should be discarded, and which should be given a chance.

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1. I presented an account of the mechanisms that give rise to and encourage the development of crisis strains for the first time in an article entitled "The Growth of the National Income and Consumption in an Environment of Restricted Capital Spending," published in EKONOMISTA, No 3, 1967.

Who is it that will be in a position to identify all of these ineffective applications of productive resources and who is it that will be in a position to accomplish the desired restructuring by administrative means? This can only be accomplished by economic means. This does sound like a harsh judgment, but if an economy that already functions in accordance with the dictates of a command-distributive system has entered into a crisis phase, if not a state of crisis-like strains that could be counteracted by resorting to a reordering of priorities as was the case in 1953, 1962, and 1970, then the first order of business should be to reinstate the priority of economic relationships (economic levers) so that work can proceed on the differentiation and elimination of the least effective applications of productive resources and then look forward to an economic revival and the lending of further impetus to this revival. It may be then and only then that the crisis will be able to play itself out and open up prospects for future growth. It is probably along these lines that one should also interpret the generally accepted view that there is no chance for extricating the economy from this crisis without reforming the system of rules according to which the economy functions.

To be sure, this does not detract from the importance of all of those actions which are being taken to do away with practices that are symptomatic of the wasteful management of the forces of production or also to eradicate the obviously ineffective ways in which these forces of production are being harnessed. This is an essential part of the crisis management campaign, but it is not enough.

Restructuring and Reform

Restructuring and reform are urgently needed in order to resolve the economic crisis. These two policies in favor of change cannot be pursued in isolation from each other. Restructuring without reform will prove to be an exercise in futility, and economic reform, if it does not lead quickly to a restructuring of the economy, i.e., to structural changes that contribute to a boost in the productivity of productive resources, will lead just as quickly to economic collapse in view of persisting shortages of productive resources. Thus, in order to extricate ourselves from this crisis it is of the utmost importance to find answers to the following questions:

—How are we going to go about reordering production priorities (restructuring I) in favor of those sectors which are of critical importance to finding a solution to the crisis, including first and foremost agriculture, extractive industries, and export-oriented industries? The need for such a reordering of priorities is indisputable.

--How are we going to go about implementing an economic reform in the face of a severe shortage of a multitude of productive resources and foreign exchange and, consequently, in the face of a profound disequilibrium in the flow of supplies and in the marketplace? Economic reform is predicated on yet another reordering of priorities (restructuring II) in favor of increasing the productivity of productive resources, also including the productive resources of individual enterprises.

The problem boils down to a lack of equilibrium, since an abundance of cash guarantees demand for all manner of goods, and this brings economic restructuring instruments close to the point of being totally ineffectual. The decline in the value of the zloty has encouraged the spread of barter transactions. So, what we have in this country is a large quantity of different kinds of currency that cannot be readily enumerated. This is due to the lack of a single, commonly accepted unit of equivalent value, and the real or artificial shortfall in output is a trump card in the hands of producers. This output is coming to be regarded as "money" in negotiations with suppliers and co-producers. Nor is there any possibility of restructuring the economy by resorting to administrative methods in view of the fact that the ability to control the economy has been forfeited, as well as in view of the nature of the country's social and political system.

Under these money-supply and market-related circumstances the chances for an effective reform are also not very likely. The productive resources deficit means that it will be necessary to carry on with the policy based on the distributive allocation of many fabricating materials and finished goods, and this in turn means that we will be forced to take a command approach to the formulation of production programs, even in cases where there is still a buyers' monopoly when it comes to the procurement of those products which are most scarce.

Experience teaches us that the command-distributive system develops in an evolutionary fashion and does so relentlessly. The volume of mandatory production quotas tends to increase rather than tending to diminish. It is only the severe crunches that occur from time to time that tend to reduce temporarily the volume of these mandatory quotas. This is by no means a consequence of ill will on the part of the economic bureaucracy, but rather of the logic of the practice of shifting the burden of scarcities in an economy that is operating in a stressful environment. A great deal has already been written on this subject.[2]

However, wherever and whenever the command-distributive system goes on the retreat there emerges a strong tendency toward rising prices, a tendency marked by mutually reinforcing inflationary trends. The possible future introduction of price controls will not be very effective. To enhance the effectiveness of this policy by setting prices by fiat will mean that prices will continue to be false parameters and that the system of barter transactions will persist. And this will be attended by the persistence of a multiplicity of currencies. All in all, this will do nothing to help bring about the desired reordering of priorities in favor of the increased productivity of productive resources. The passage of an economic reform under these circumstances might result not in increased productivity, but rather in an increase in prices as well as in a gradual return to the command-distributive system. However, if we were to make a consistent effort to gradually do away with the distributive and command approach to the allocation of resources while trying to set prices that are conducive to equilibrium, then the results might also turn out to be not so very encouraging, i.e., galloping

2. Vide, inter alia, one of the oldest studies on this subject: J. Beksiak and U. Libura, "Rownowaga gospodarcza w socjalizmie" [Economic Equilibrium Under Socialism], PWN, 1969.

inflation accompanied by a policy dedicated to income redistribution. If in the final analysis inflation holds sway as a result of cutbacks in budget appropriations and the allocation of credits, then we will be left with an inequitable distribution of incomes and perhaps even unemployment.

The absence of a commonly accepted unit of equivalent value does not offer very much hope for the success of either restructuring or economic reform. It is impossible not to see that in the midst of all this chaos, which is a product of the existence of barter transactions and a multiplicity of diverse currencies, a commonly accepted unit of equivalent value is emerging in the form of a foreign convertible currency. It goes without saying that it would be absurd to use a foreign currency as a commonly accepted unit of equivalent value in Poland. The possibility does exist of finding an alternative, better solution to this problem--a question to which I will return later on.

Can the Zloty Be Saved for the Sake of Reform?

Even at the start of this year I was convinced that this is possible.[3] And even now this is still possible, though less probable. In order to restore to the zloty the attributes of a commonly accepted unit of equivalent value it is necessary to greatly reduce its purchasing power and the amount of zlotys in circulation. In the course of the past year the inflationary gap has gotten much worse and the money supply has increased. Among the necessary measures that have to be taken to achieve this goal the first thing that comes to mind, and rightly so, is price reform. Price reform stands for:

--Raising and changing the structure of prices charged for consumer goods, raw materials, fabricating materials, and so on. This program, which is slated to go into effect on 1 January 1982, will in effect be tantamount to the adoption of nothing more than a "rock-bottom package" of consumer good price changes. It would be naive to conclude that we are going to stabilize the prices of these kinds of goods by enacting this price increase. If the wholesale goods market is going to function normally, then it will be necessary to move toward the adoption of further "adaptive" price changes that will be conducive to equilibrium. It is not hard to foresee the direction that changes in the overall level of wholesale prices will take, i.e., a trend toward higher prices. An increase in the prices of wholesale goods will exert pressure tending to bring about an increase in the prices of consumer goods.

--It will become necessary to raise the prices of consumer goods, especially foodstuffs, in order to guarantee the profitability of their production and bring these prices closer into line with equilibrium prices. Even this price change will be preliminary in nature, a price change that will be followed by further increases. An inflationary trend in all categories of prices will contribute nothing toward bringing about a reduction in manufacturing costs or toward making the exploitation of productive resources more efficient. The economic consequences of these price increases may prove to be unsatisfactory,

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3. Vide M. Gorski and K. Ryc: "What Way To Stabilization," ZYCIE GOSPODARCZE, Nos 11, 12, and 13, 1981.

since it is common knowledge that inflation contributes nothing toward the adoption of more efficient management practices.

Price increases should also serve another purpose. Namely, they should help to bring the level of real personal incomes closer into line with the level of deliveries of consumer goods and services, and they should furthermore, in the opinion of experts, help to reduce the real purchasing power of the forced savings amassed by individuals, the so-called inflationary curve. To this end, it is being suggested that there should be radical increases in the prices of manufactured goods, especially higher quality goods, which are perversely referred to as luxury goods. This is supposed to be an indirect "luxury" tax, the kind of policy that is easier to enforce than a direct tax or a reduction in nominal wages.

All of this has to be supported by a tight money policy vis-a-vis enterprises and institutions, a policy of stringent budget cuts, and various programs geared toward reducing the volume of too much money chasing too few goods in the marketplace, programs such as domestic loans, the paying of higher interest rates on long-term deposits, an advance-sale system patterned after the advance sales of automobiles, and so on. This package of programs pretty much speaks for itself as far as the stabilization of the economy is concerned. The question as to whether it is appropriate under conditions marked by a downward trend in industrial output and under circumstances marked by severe social tensions is another matter. The point is that the level of real incomes should be brought into line with the level of deliveries to the marketplace in a situation where such deliveries are declining with each passing month. This is also a question of bringing the level of real personal incomes into line with the constantly declining level of consumption, a level which for the time being has to decline even further before it matches the level of deliveries to the marketplace, since it is necessary to rebuild inventories so that the marketplace can function at least somewhat better than it does now.

What Kind of Alternative?

If all of these programs proved to be successful, then the economic mechanisms that are being introduced by the reform would have a chance to perform their intended functions. The groundwork would also be laid for resolving our present crisis. However, if this package of programs does not succeed, or if it succeeds only in part, that is, if it does nothing more than alleviate strains in the marketplace and in the realm of wholesale goods deliveries, then the prospects of the reform are not good. This is because inflationary pressures will be generated that will make inflation even more rampant, and attempts to counteract these pressures will tend toward the revival of administrative instruments, which will mean the gradual reinstatement of the command-distributive system. Under these conditions the implementation of the reform will be predicated on a long-term commitment on the part of the authorities in favor of the consistent implementation of the reform process, notwithstanding temporary setbacks, and, what is most likely equally important, on the long-term patience of the general public that is bearing the brunt of this economic crisis. The general public has to be prepared to live with a long-term "transitional period," the ultimate outcome of which is by no means clearly positive. It is also hard to foresee the social consequences of having to spend several years living in a depression.

Under these circumstances, while sparing no pains to lay the groundwork for the implementation of economic reform, a strong effort needs to be made to seek out alternatives to this package of programs, a package which is deemed to be essential in order for the economic reform to produce the desired results, and we are not altogether certain that these results are attainable.

If the zloty cannot be saved for the sake of the economic reform, then the alternative is to sacrifice the zloty for the sake of reform and the restructuring of the economy. There is a whole host of proposals as to how this sacrifice should be made. There is only one such proposal which, in my opinion, ought to be ruled out, namely, the nonequivalent option such as the one that was adopted in 1950. This is not merely a question of the savage nature of such a program (which was aptly described by R. Skarzynski in ZYCIE GOSPODARCZE, No 41/1981) and its negative social consequences, rather it is first and foremost a question of seeing to it that the zloty, which is not a commonly accepted unit of equivalent value, is not replaced by another currency which also does not possess this attribute or which will lose this status just as quickly. In a word, one cannot advocate currency substitution just for the sake of wiping out an inflationary gap or an inflationary curve, since conditions will very quickly revert back to their previous state. New economic mechanisms must precede the possible future adoption of a new currency.

Compromise proposals have also been made. One of these proposals calls for the temporary suspension of the requirement to accept part of the proceeds due under the terms of bills of sale in the form of National Bank of Poland notes, over and above specified sums paid in the form of earnings or savings account withdrawals. This would be tantamount to a compulsory government loan. A proposal has also been made advocating a ration coupon form of currency, a proposal which would in effect contribute nothing toward restoring economic equilibrium, even though it might make things easier for consumers in terms of selecting goods on the list of rationed commodities. There are other proposals favoring a "coupon" currency which would give certain people the right to do their shopping without waiting in lines, that is, those people in whom we have a special interest when it comes to the creation of incentives to work or engage in some form of economic activity. An interesting proposal advocating this type of currency was presented by A. Nalecz-Jawecki (ZYCIE GOSPODARCZE No 44/81). It also seems to be fitting that we should accept the argument advanced by W. Bien (ZYCIE GOSPODARCZE No 42/81) who says that, "....putting a privileged currency into parallel circulation is in essence tantamount to the adoption of a nonequivalent currency denomination (i.e., the zloty--K.R.)," even though some of the other arguments advanced by this author are debatable, especially when it comes to his interpretation of Copernicus'-Greshma's Law. Reducing the money supply by temporarily suspending the requirement to accept part of a payment due under the terms of bills of sale in the form of NBP notes can do nothing more than to facilitate the restoration of a relative kind of equilibrium and serve as a substitute for price increases. But this would reduce public confidence in our currency and would not lay lasting foundations for the restoration of orderly monetary transactions. On the other hand, a coupon-type currency might make it easier to find solutions to many of our most pressing problems such as the revival of the farm products procurement system or also the creation of stronger incentives that would encourage people to work harder, but it would not resolve the fundamental problem, i.e., the creation of a monetary incentive that would stimulate the restructuring of the economy and an improvement in the efficiency of management.

The most responsible solution, a solution that represents a realistic alternative to the package of measures geared toward the restoration of economic equilibrium, would be to introduce a new currency to replace the zloty, a new currency that would perform all of the normal functions of a unit of monetary value, including convertibility into foreign currencies. The adoption of a "full-service" currency accompanied by the implementation of the basic premises of economic reform would signify the laying of a genuinely new, and positive groundwork that would help to encourage efficient performance on the part of all participants in the economic process. A monetary reform cast in this mold was enacted in Poland in 1924, and similar reforms were also enacted in other countries, for example, in the FRG after the war. It is my belief that such a solution is not realistic. Our economy would not be able to stand up to a confrontation with the world market. Without repudiating the ideals of putting a sound currency to work to restore the economy's health and forcing participants in the economic process to behave in a way that is conducive to greater efficiency and to bring about the desired restructuring of industry, it is for this reason also that it is necessary to search for more complex, atypical solutions, for the situation in which our country now finds itself is also highly complex and atypical.

A Proposal for the Adoption of a New Currency

It is being proposed that a "new zloty" should be introduced in order to rescue the economy from the perils of galloping inflation, eliminate the administrative constraints on the implementation of economic reform, minimize the adverse consequences of price controls, including in particular the adverse consequences of attempts to close the inflationary gap and eliminate the inflationary curve, avoid a doubling of prices charged for scarce productive resources (producers' prices), lend new impetus to the production of scarce goods, and encourage their economical consumption. The adoption of a new currency would have nothing in common with a currency substitution similar to that which took place in 1950, but it would signify the making of an attempt to re-establish the rules of efficient management practices accompanied by the implementation of an economic reform. A new currency would make it possible to resurrect the economic bonds that hold the economy together, starting with those branches of the economy which are economically the most efficient performers by endowing them with a privileged status, and it would give other branches and enterprises a strong incentive to match this performance record. This would then result in the demanded and desired restructuring of productive resources and finished goods.

The new zloty would be a convertible currency with a set rate of exchange in relation to the principal convertible foreign currencies. This is not to rule out transitional quota restrictions on the amount of currency exported abroad by tourists. The printing of a new zloty would be based on a loan issued by the International Monetary Fund, the foreign exchange holdings of private citizens deposited in savings banks (the source of possible future internal foreign exchange loans), the temporarily idle foreign exchange assets of economic organizations, other foreign loans taken out in order to stabilize the Polish economy, and so on.

The new zloty would be used to pay for imported goods, domestically manufactured goods that could be sold for a profit on export markets, and goods intended to take the place of imported goods. This would apply first and foremost to critical raw materials and foodstuffs.

The new zloty would also supplant "Pewex" commodity coupons.

Enterprises would use the new zloty to purchase all productive resources without limits or restrictions as to whether they made these purchases on the domestic market or on foreign markets. In order to give preference to domestically manufactured goods tariffs would be introduced payable in new zlotys. The prices of goods purchased with new zlotys would be equilibrium prices, prices which would naturally be comparable to world price ratios.

It might be that the new zloty would be paid in the form of a portion of the wages and bonuses paid to workers employed in enterprises earning revenues in the form of this currency (ideally, this should apply to all wages and bonuses). The way in which these revenues are to be distributed would be determined by the self-governing bodies of these enterprises. The new zloty could be traded in the marketplace to buy all kinds of consumer goods without restrictions, as well as other scarce items (e.g., building materials, building lots, land, and so on).

The "old zloty" would continue to be an operative currency in tandem with the new zloty. The old zloty would serve as legal tender within the context of the allocation of producers goods and for wholesale deliveries of all other producers goods which do not figure prominently in international trade for reasons having to do with their quality, terms of sale, and so on. Old zlotys would be used as a medium of exchange in the allocation of rationed consumer goods and other regulated commodities (commodities distributed by means of allocations, coupons, and so on). Old zlotys would be used to pay all duty taxes and to purchase all goods not paid for in new zlotys. Wages and other cash benefits would continue to be paid in old zlotys until such time as enterprises and institutions would begin to earn revenues in the form of new zlotys, thereby enabling them at first to make some, and later on all payments of wages and cash benefits in the form of new zlotys. The old zloty would be convertible to the new zloty at a rate of exchange matching the supply of and demand for the new zloty.

The process whereby the new zloty would be disseminated through the economy would be economic, and not administrative in nature. The supply of new zlotys would be a function of the extent to which it is backed up by foreign exchange reserves. It would not be possible to earn new zlotys as a result of any negotiations other than commercial negotiations. This means that it would be possible to earn revenues in the form of new zlotys only insofar as it proves to be possible to find buyers for goods and services who would be prepared to pay for these goods and services in new zlotys. All that would be left for the government to do would be to take the first steps toward putting this new zloty into circulation.

It is being proposed that the new zloty should be put into circulation in accordance with the scenario described below.

The new zloty would be used to pay for the output produced by the mining industry and for the purchase of foodstuffs from farmers through the procurement system.

New zlotys would also be earned by enterprises for export sales of their products. All other enterprises would be able to earn revenues in the form of new zlotys provided that they sold their products for export or to farmers, the mining industry, or also to other enterprises producing goods for sale in export markets. This means that these sectors of the economy would be put in a highly privileged position. Nor would enterprises in these sectors have any problems in meeting their manpower needs, since they would be able to pay a portion of the compensation owed to employees in the form of new zlotys. And the rate of exchange for the new zloty in relation to the old zloty would be highly favorable to start with. The impact of the new zloty would be "infectious." All enterprises would be looking for ways to earn new zlotys by making their product mix more attractive to consumers. At the same time, they would be forced to follow strict policies dedicated to the conservation of all of those productive resources which have to be paid for in new zlotys, i.e., those forces of production which are in short supply in our economy. The increasingly more widespread use of the new zloty in transactions among enterprises would be accompanied by the desired restructuring of industry and an increase in its performance efficiency.

The relationships between the old and new currencies would probably evolve in the following direction.

For as long as both types of currency remain in circulation the "superior" currency will be immune to inflation. In keeping with Copernicus'-Gresham's law the new zloty would be an object to be hoarded and deposited in savings accounts. This would tend to create increased opportunities for issuing new zlotys that are backed up by a "safe" margin of foreign exchange reserves. The "issue initiative" taken by the bank issuing the new currency would turn out to be an important contribution toward building up the fiscal strength of the country. Further issues and the more widespread circulation of the new currency would in time lead to the complete eradication of the old currency. Government revenues earned from taxes and tariffs paid in new zlotys would make it possible for the government to use these new zlotys to pay an increasingly larger share of the salaries of employees working for publicly funded institutions and cash benefits for the public at large.

The transition to the use of a new currency to pay for wages and transfer payments would mark the end of the processes of "pegging" wages to current cost of living standards, the restructuring of prices, the elimination of all rationing programs, the elimination of the inflationary gap in the economy, the elimination of the inflationary curve, and so on.

It may be that it will not be possible to take this approach in order to extricate ourselves from this economic crisis while preserving the same standard of living that prevailed prior to the onset of this crisis. But the foundations will have been laid for an improvement in living standards as a result of the improvement in the performance efficiency of management which will succeed in squeezing "sound money" out of the economy.

In the realm of production the adoption of a new currency to replace the "old" currency would at one and the same time signify:

--the restructuring of productive industries along lines that favor those sectors and branches of the economy that are now classified as bottlenecks, i.e., agriculture and the materials-coproduction infrastructure, including in particular those industries producing goods for export,

--the effective exploitation of the economy's productive forces and the elimination of the least effective applications of these resources,

--a test of the validity of the structure of production from the standpoint of end-user demand on the domestic and foreign markets,

--the elimination of the least efficient economic entities which are not able to meet the demands of the marketplace, that is, those which are not able to reassess the way in which they manage their productive resources and test the validity of their product mix, and so on.

Improved efficiency in the management of productive resources and the wholesale restructuring of industry would signify the permanent eradication of the repetitive cycle of crisis-producing tensions, and not just an effort to come to grips with the present crisis.

Together With or a Substitute for Economic Reform?

This is not just a rhetorical question. It goes without saying that the new zloty can yield the expected benefits only in a reformed economy. It is my belief that this is a proposal that could be acted on right away. Even though, to put it mildly, we are faced with a future in which foreign exchange earnings are going to be very meager, this is all the more the reason why economic organizations should be given a chance:

--to buy what they need in Poland at lower prices than those which prevail abroad,

--to earn profits from export sales and co-production arrangements with enterprises producing goods for export,

--to revive the production of goods that are especially scarce,

--to cultivate opportunities for building up "retained earnings" and for the more careful and economical management of liquid assets.

The country's needs can be effectively addressed with the help of import and export tariffs--in the case of scarce raw materials and fabricating materials--without going too far toward tying up funds that are needed to pay for imports of essential raw materials and fabricating materials that cannot be produced domestically. The supply of raw zlotys may at first not be large enough to finance purchases of all the producers goods that are needed by agriculture and the mining industry. During this initial period it will be necessary to restrict purchases to just some of these producers goods and wait until later on to enlarge the purchasing quota list.

The adoption of an alternative currency is attended by a certain element of risk. This is the risk of setting out into uncharted territory. But, as I said before, the situation in which our economy finds itself is not typical. If we do not take this risk and lay the groundwork for the implementation of an economic reform and if the economy is "taken by surprise" by the introduction of efficiency-boosting mechanisms, then this proposal may come to be regarded as some kind of curiosity. It will be relegated to the realm of intellectual game playing. After many years have gone by our economy will gradually move closer to the point where it is endowed with a sound and convertible currency, something which is essential for the sake of efficient economic management. If, on the other hand, the economic reform is a failure and enterprises do not respond with programs geared toward promoting efficiency and bringing about the desired restructuring of their product lines--a possibility that unfortunately cannot be ruled out--then this "new currency" may prove to be absolutely essential as a means of extricating ourselves from this chaos and crisis which will grow even worse. In this case the dissemination of a new currency may serve as a way to promote the more widespread acceptance of new rules of economic conduct, rules governed by the laws of the market.

Neither at this juncture can one rule out the kind of economic development scenario according to which the command-distributive approach to economic management would cease to function in an effective manner without there being any way of guaranteeing the enforcement of discipline among subordinate economic entities. Faced with mounting difficulties, enterprises would begin to be guided by the principle of "every man for himself." Under these circumstances the adoption of a new currency would become unavoidable, since, otherwise, a convertible foreign currency would begin to fulfill the functions of a new currency. This is because an advanced economy cannot get by with simple barter transactions.

However, it may be more likely that a second scenario will be played out, according to which, acting in the best interests of the enterprises themselves, it will be possible to preserve a bare minimum of the discipline that is necessary in order to enforce the decisions made by higher ranking economic institutions. In this case the system based on the distributive allocation of productive resources and the rationing of consumer items of fundamental importance to the people's standard of living will remain intact. Thus, management practices similar to those now in force will remain in effect. In this case too, the adoption and dissemination of a new currency may herald the adoption and general acceptance of new rules of economic management. The adoption of this new currency will then be followed by economic reform.

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CONFLICT OF PLANNING METHODS PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish Nos 45, 46, 8, 15 Nov 81

[Article by Jozef Kubas]

[Part One, 8 Nov 81 p 4]

[Text] The article "Concerning the NPSG [National Socioeconomic Plan] for 1982" (ZYCIE GOSPODARCZE No 31/1981) unleashed a public discussion over the form and character of the economic plan for 1982. It is not a trifling question, since it concerns a period linked with society's hopes for the reversal of the unfortunate turn of economic events, by means of economic reform and actions taken to stabilize the government.

It is not my intention to polemicize directly with the theses of the above article for two reasons. First, I am in disagreement with them to such an extent that a probable rejoinder would, of necessity, lend my answer the character of a review; second, by polemicizing I would be depriving myself of the possibility of presenting public opinion with the views of the economists grouped together in the CENPLAN Government Center of Information Science and with my views as well on basic questions associated with the preparation of a draft plan for next year.

The above-mentioned article is merely an overture to the game of the form to be taken by the plan for 1982. Since the time of its issuance, the Planning Commission under the Council of Ministers has been circulating a document entitled "Initial Assumptions for the Draft of the Socioeconomic Plan for 1982" (ZYCIE GOSPODARCZE No 38/1931).

By reading it, one is able to become much better informed about the approach proposed by central planners to the structure of the draft plan for the coming year.

I shall evaluate this document from the viewpoint of certain criteria which, in our opinion, should correspond to the central yearly plan prepared for the actual particular conditions of the operation of the Polish economy during the coming year.

It is our belief that the goals, the tasks and the centrally administered funds for their implementation, as well as the parameters guiding the economic-financial system of the economy should be directly aimed toward its stabilization and the

consistent application of economic reform. The bases for actions taken in this area are the "Government Program for Overcoming the Crisis and Stabilizing the National Economy" and "The Directions of Economic Reform," both of which are known to society.

The structure of the plan for 1982 should have a problematic character and should be based on the principle of the selection of vital elements. The proposed concept enables the concentration of governmental attention and public energies on the most important questions, as well as on strengthening desirable developmental processes and neutralizing negative tendencies.

In the establishment of the proper implementation policies in the course of planning, care should be taken to select the right tools for the creation of these policies, i.e., tools appropriate to governmental operation under conditions of a reformed national economy.

Getting out of the economic crisis takes energy, the intellectual stimulation of society and the utilization of society's initiative and resourcefulness to overcome mounting difficulties. One road leading to this goal is the drawing up of the plan in a dialogue with society. The methodology of the planning process should determine the forms and procedure of its socialization.

To what extent do the "Initial Assumptions" correspond to the criteria presented above?

The document under discussion has, as its primary goal, "the restoration of developmental processes in the economy..." The authors of the document also subjugate the available remedial measures and the actions which have been taken to this end. They make the statement in the introduction that "an important new factor for economic activity is the introduction of economic reform and the reform of producer prices on 1 January 1982...as well as the planned reform of retail prices...." However, the projected socioeconomic situation of the country according to the document does not yet consider this factor from the viewpoint of the positive--or negative--effect of reform activities upon the processes of economic growth.

After making the statement that the results of the application of economic reform are difficult to predict, they cite, among the factors determining this situation, only the problem of intensifying coal production, the balance of payments deficit and the implications flowing therefrom, the situation in agriculture and the growth of the inflationary gap on the domestic market.

As a consequence of the abandonment of even an attempt to gauge the effect of the planned reform on the development of economic events in 1982, the picture of planned governmental tasks in the economic field in the "Initial Assumptions" is greatly impoverished and is completely inadequate for such a difficult crisis situation of the Polish economy. It is almost wholly reduced to shooting at one basket: an increase in coal production, the several varieties of which become the sole determining factor in our economy and national living standard. This seems more than doubtful.

I would like to be clearly understood. I am well aware of the significance of coal for getting us out of the current, unusually burdensome situation, and I

consider the intensification of coal production to be most essential. At the same time, however, I remember that less than 2 years ago we produced over 200 million tons of coal, and in spite of this the economy began to drop. Therefore, even if we reach the level of coal production prescribed by the "variant of hopes," unfortunately it does not mean that we will achieve the hoped-for improvement in the state of the economy. This depends on a change in the social and economic-financial conditions within which it will come to operate. The assumptions are linked with this in name only and do not anticipate the economic consequences of the planned reform, which is their basic shortcoming.

The assumptions are totally devoid of elements of the active state economic policy which must be conducted for the fulfillment of the "variant of hopes" and the avoidance of the "variant of fears." Second, the assumptions continue to express the idea of the separation of so-called material planning from financial planning. This was sharply criticized in the past and it cannot be upheld now when the organizational units of the national economy, enterprises, are to operate under principles symbolized by three "S's": self-government [samorzadnosc], independence [samodzielnosc] and self-financing [samofinansowanie].

Of incomparable significance from the societal viewpoint is the government's submission of planned policies in selected fields of the economy to public discussion with regard to the importance of the quantitative characterization of the social and economic goals confronting society. No one doubts the government's good will in its intention to attain these goals, but it is more important to inform society how it proposes to achieve them.

Now I would like to give others the opportunity to rigorously criticize the draft plans advanced by economists working in the CENPLAN Government Center for Information Science in those fields of economic policy which are of prime interest to central planners.

First I will present the assumptions of the policy of regulatory control in the area of raw and other materials which, in our opinion, should be carried out next year:

1. The Planning Commission under the Council of Ministers prepares the balance-sheet of raw and other materials by agreement with the Ministry of the Material Economy and other interested ministries.

The Planning Commission may authorize the appropriate economic organizations working in the sphere of the wholesale turnover in raw materials and balance materials centrally to prepare the respective balance-sheets for the needs of central planning.

2. A primary goal of the prepared balance-sheets is to gain practical knowledge of the state of available raw and other materials resources and of the development of their yield and domestic production, and to analyze the physical and economic limitations for the development of the national economy issuing therefrom.

A basic function of the balance-sheets is their informational function. This is why they should also be made known to central planners and to economic organizations working directly within the production sphere. The balance-sheets of raw

and other materials prepared for the needs of central planning should be published, and the central plan should point out the implications of these balance-sheets on the production and developmental policy of production and service organizations.

The balance-sheets of raw and other materials must be updated continually on the basis of the analysis of the formation of the general volume of supply and demand as a result of changes in price determinants which cut off supplies of ineffective item demand.

The balance-sheets of raw and other materials prepared at the central level thus cease to have an exclusively quantitative character and acquire the form of an economic category.

3. The balance-sheets of raw and other materials are not confirmed. They have the value of a diagnostic prognosis and are useful in the process of central planning. During a transitional period, a few of them may serve as a foundation for the preparation of raw and other materials distribution lists, confirmed according to the appropriate procedure.

4. The balance-sheets of raw and other materials prepared at the central level likewise demonstrate their economic character in that they are set up according to economic systems, i.e., allocations are made toward ultimate goals and not toward consumers. Balance-sheets set up according to consumer-oriented expenditures, beginning with the balance-sheets prepared for planning needs for 1982, are being abandoned. In this way, the raw and other materials balance-sheet has stopped being a distribution index, because of the nature of things.

5. We propose that the expenditures side of the raw and other materials balance-sheets prepared for the needs of central planning for 1982 temporarily have the following structure:

1. socially protected needs, specified in concrete goods and services;

2. export, in the system: goods supply of specified export production; the direct export of a given raw material or other material;

3. intermediary reserves at the central level;

4. the remaining needs of the domestic market.

The raw and other materials distribution lists for 1982 confirmed by the Council of Ministers should have a similar structure.

6. We propose that the distribution for 1982 include only the following raw and other materials:

Name of Material	Implementor of Distribution List
1. Hard coal and hard coal briquettes	Central Office of Coal Purchasing
2. Coke and semi-coke	Central Office of Metallurgy Supply
3. Fuel for combustion and diesel engines, heating oil	Central Office of Oil Products
4. Products of ferrous metallurgy	Central Office of Steel Purchasing
5. Products of the nonferrous metals industry	Central Office of Nonferrous Metals Trade
6. Products from precious metals	State Mint
7. Cement	Bureau of Cement, Limestone and Gypsum Purchasing
8. Electrical power and gas	Main Inspectorate of Power Industry Management

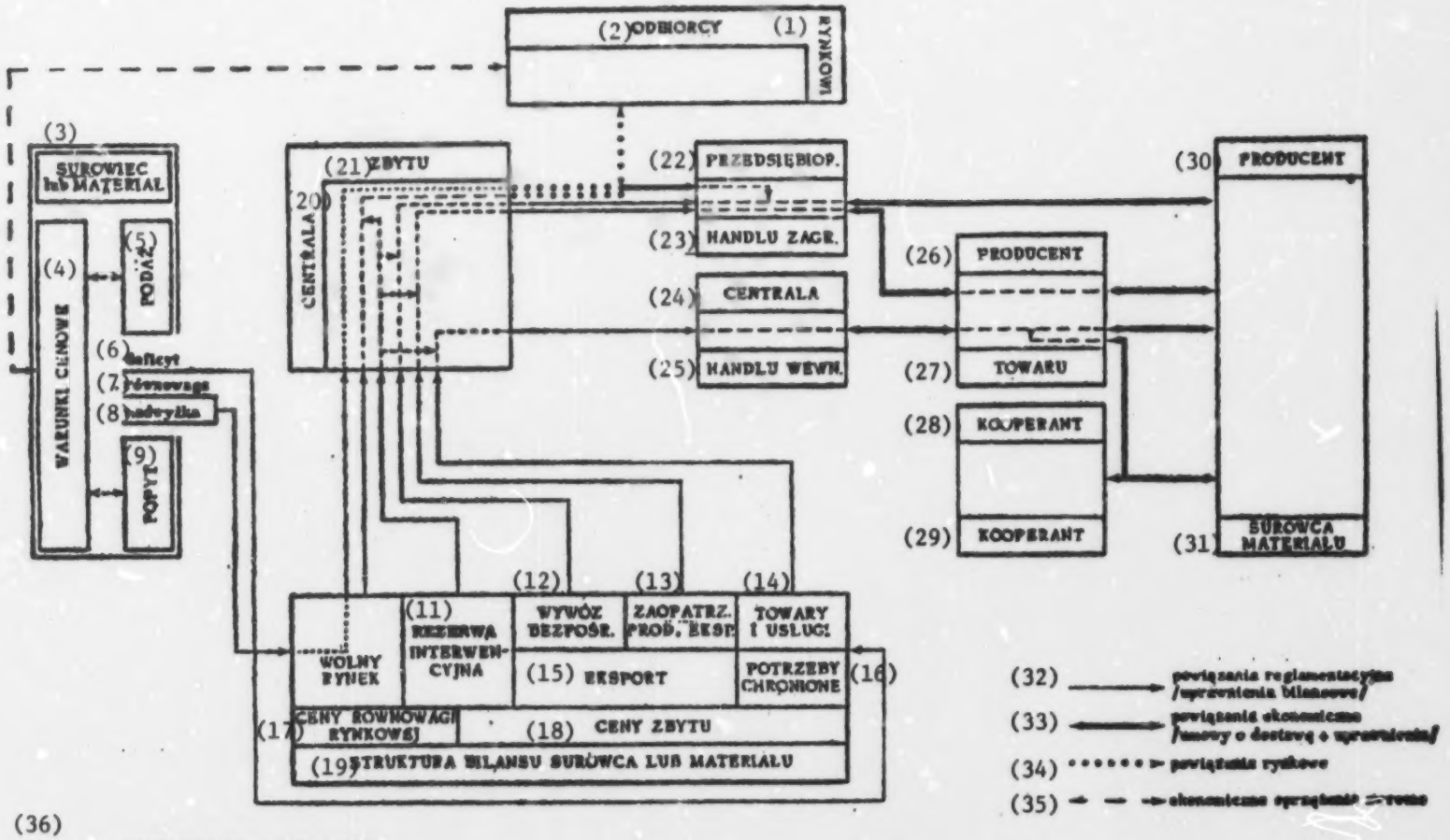
7. We propose the following procedure for the regulatory control of raw and other materials for 1982.

Based on the directives of the Planning Commission, the proper implementor of the distribution list (central office of purchasing) for the given raw or other material grants the appropriate authorization for the purchase of the amount of raw or other material necessary for the manufacture of a given product to the central office of domestic trade dealing in the turnover of the product (which serves to meet protected social needs). At the same time, it indicates the production volume for the product for which the authorization is granted. The central office of domestic trade next concludes a contract with the producer or producers of the given product concerning the implementation of production. At the same time, all or part of the allotment of raw or other material is delivered.

In this way, the legal relationships between both central offices are administrative relationships (granting of the authorization), while the relationships between the central office of domestic trade and the producer of the given product are economic relationships spelled out by contract. In this way as well, the state acquires a legal and economic guarantee, highly effective under conditions of a reformed economy, that the distributed raw or other material will serve the manufacture of socially preferred production and not just any sort of production. Such a danger, on the other hand, really does exist when the authorization for the purchase of raw (or other) material indispensable for the manufacture of a specific item is granted to its producer without the simultaneous legal binding of the producer to implement its production.

The implementor of the distribution list should proceed similarly with regard to products specified in export, with the difference that the consignee of the materials authorization would be the appropriate foreign trade organization.

Flow Diagram for a System of Regulatory Control of Raw and Other Materials in the Market System (during a transitional period of the application of economic reform)



[Key to Flow Diagram]

(1) market
(2) consumers
(3) raw or other material
(4) price conditions
(5) supply
(6) shortage
(7) equilibrium
(8) oversupply
(9) demand
(10) free market
(11) intermediary reserves
(12) direct export
(13) supply of export products
(14) goods and services
(15) export
(16) protected needs
(17) stable market prices
(18) sale prices
(19) structure of the raw materials or other materials balance
(20) central office
(21) of sale
(22) enterprise
(23) (of) foreign trade
(24) central office
(25) (of) domestic trade
(26) producer
(27) (of) a product
(28) co-producer
(29) co-producer
(30) producer
(31) (of) raw or other material
(32) regulatory control flow [balance-sheet authorizations]
(33) economic flow [contracts for delivery and authorizations]
(34) market flow
(35) reverse economic pressures
(36) prepared by the CENPLAN Government Center for Information Science; author, Dr J. Kubas

The "flow diagram for a system of regulatory control of raw and other materials in the market system" clarifies the above concept of regulatory control proposed for use during the transitional period of the application of economic reform.

The remaining demand of production and service units of the national economy for controlled raw and other materials should be met through the appropriate central office of purchasing at stable market prices, i.e., inclining upward from the purchase price. In this way, the economic process of eliminating ineffective demand for limited raw and other materials from the national economy will be set in motion.

The proposed solutions enable the simultaneous operation of economic mechanisms and distribution.

[Part Two, 15 Nov 81 p 6]

[Text] In the previous issue we published the first part of the article by Jozef Kubas. In that part the author criticized the proposed planning methodology set forth in Erwin Plichcinski's article (ZYCIE GOSPODARCZE No 31/1981) and began to introduce ideas for solving problems in economic policy in those fields which are of foremost interest to central planners. These are concepts prepared by the CENPLAN Government Center for Information Science. In the previous article J. Kubas presented assumptions for a policy of regulatory control in the area of raw and other materials.

Next, in the sphere of wages we see the need for an economic policy to be carried out which would take into account the following observations and solutions.

Within the framework of the intended economic reform, the following three variants of an incentive system within the enterprise are proposed:

Model A--based in part on an increase in the average wage independently of the success of the enterprise, and in part on the average wage contingent upon its success, or on profit sharing. It is a weakness of this concept that wage guarantees based on the average wage signify the identical treatment of enterprises independently of the degree to which their products or services are accepted by society.

In consequence of the adoption of model A, the following may occur:

--a continued state of market instability,

--the financing of hidden unemployment,

--the weakening of employee morale due to the considerable relaxation of the economic link between work results and remuneration,

--the creation of a substantial obstacle to the restructuralization of employment in the economy.

Model B--based on the parallel utilization of measures of income and profits as tools for regulating the wage fund. This model, which is in essence similar to the WOG [Large Economic Organizations] model, has the following shortcomings:

--it is a model based on two kinds of criteria; consequently, it makes use of at least two wage funds: a wage fund calculated on costs and an incentive fund based on profit, which may lead to the undesirable disintegration of the work force,

--it requires complex financial tools for the regulation of enterprise income and the income of individual employees.

Model C--the use of which is favored by our community, is a model based on the independent sharing of income by the enterprise. It envisages the greatest degree of autonomy of economic organizations in proportionate sharing at the level of the economic organization. Income is understood as the difference between receipts from sale, product-type subsidies and extraordinary profits, and the obligations of the enterprise (with regard to budget, banks and other organizational units), costs (with the exception of wages and such elements as, up to this time, have been an additional product, e.g., ZUS [Social Security Agency] dues and bank interest) and extraordinary losses.

Income is subject to verification for the purpose of: eliminating irregular profits (attained by the violation of legal regulations) and independent profits (the result of decisions of state authorities in the area of prices and other price-fixing standards, organizational changes during a transitional period made as a result of a state initiative or of the initiative of the enterprises themselves). The claims and principles for the verification of income should be

specified in a normative document, the contents of which are to be agreed upon by trade unions. Irregular income is turned over to the budget (together with a 50 percent sanction in the event of its concealment); independent income is subject to accounting with the state budget in the form of a quota tax or a compensatory subsidy.

The state acts to control the amount of the wage funded created independently by the enterprise through indirect means. The following solutions are proposed in this area.

In state enterprises, control of the wage fund is exercised by means of a progressive system of taxing that part of an enterprise's income which is designated for wages. The basis of taxation is the new average level of the wage fund calculated per employee (the average wage expected to be implemented during the settlement of accounts period). The scale of the taxing progression should be uniform, and it should be linked to the rate and size of the average wage increase within the entire economy. By way of example, it may shape up in the following manner:

Average wage increase during the settlement of accounts period over and above the average wage level free from taxation--basis of the tax	Size of individual tax		Net wage increase to be implemented (cumulatively)
	percent	quota (cumulatively)	
1--100	15	15	85
101--200	30	45	155
201--200	45	90	210
301--400	60	150	250
401--500	75	225	275
501 and above	80		

For state enterprises with limited self-government (participatory model), which include: the fuel industry, raw materials industry and industries of basic semi-finished products, creating a state monopoly and the state economic infrastructure; as well as for community service enterprises for which prices are fixed by administrative organs, central and local, the category of the guaranteed wage fund is introduced. It is defined as the product of the established percentage--lower than 100 percent--of the base, average wage and the base employment rate. The average wage calculated in this manner should take into consideration cost of living increases. In the event that the enterprise is lacking its own means, this fund is covered out of a special bank credit granted, under a gurantee of the state budget, for a period of not more than 1 year. If, during this time, the enterprise does not bring in enough income to enable payment of the credit, the budget is obliged to pay it instead of the enterprise.

In addition to the control of the wage fund in the enterprise, the individual income of employees is likewise subject to state regulation by means of a system of compensatory taxation. This tax should take into account the level of expenses (and not income) incurred by a family member as the basis for taxation.

The tax rate and the procedure for compensatory taxation requires separate regulation determined in consultation with society.

For the purpose of warding off the socially negative consequences of the easy attainment of high profits during the first period of reform as well as counteracting high payments into the wage fund as a result of such profits, the following bases of the economic-financial system of enterprises are proposed for stimulating the producers' base:

1. Payments into the wage fund shall be made within the framework of the available funds, after the timely payment of all of the enterprise's obligations with regard to budget, banks and creditors. The granting of bank credit earmarked for wages imposes upon the bank the obligation to make a careful check into the financial situation of the enterprise. It is also tied in with the limitation of the maximum average wage to be paid during the given period even if the credit granted is merely auxiliary.

2. Enterprises are obliged to create a wage reserve fund in an amount corresponding to the sum of wages. This fund is created over a period of 3 successive years out of enterprise profits, with half the targeted amount being set aside in the first year. If the enterprise shows balance-sheet losses, these losses are covered in the first order out of the wage reserve fund. Any sort of reduction in the wage reserve fund during a given settlement of accounts period (1 year) must be made up in the required amount during the next period. The wage reserve fund is free from taxation.

3. The state budget provides enterprises shifting over to a reformed financial system with an enterprise statute fund, in an amount equal to the net value of durable resources. Upon its turnover, this fund is amassed from the enterprise's own profits during the course of its economic activity. This financial requirement makes necessary the use of bank credit at a high rate of interest for turnover purposes, with a different interest rate on organizational units [plant and equipment].

We may expect that in this way enterprises will be relatively more strongly interested in liquidating their expensive turnover credit, designating the excess of income brought in over outlays and profits, for the financing of turnover funds. With the progressive taxation of the created wage fund in relation to the average wage free from taxation, the sum of the rate of the progressive tax and the interest rate of turnover credit becomes the measure of losses, i.e., the profits forfeited if, instead of increasing the size of its own fund in turnover, the enterprise designates the income brought in to increase wages.

An added benefit of the above principles is their strong effect on the freeing up of raw and other material reserves and reserves of other semi-finished products, which, when directed to other producers, will bring about an increase in the rate of production.

In the field of investments, we consider it to be essential that the implementational policy in the plan for 1982 be based on the following assumptions:

1. Investments of the national economy are conceived of in two ways in the draft plan:

--as the general investment activity of the national economy,

--as concrete central investments.

The central investments comprised by the draft plan are specified by name and are planned in material-financial categories.

All remaining types of investments as well as the general investment activity of the national economy are planned in categories of the general input-output accounting.

2. The yearly plan shall mark out the developmental directions which are the subject of particular governmental concern. The task of the government is to implement these directions by the creation of suitable conditions for investors for efficient and timely investment in all areas of the national economy.

3. The plan shall specify the guidelines for the parameters or the values of the parameters guiding investment activity. It shall also outline governmental investment policy for 1982. It shall establish the guidelines for banking institutions and the directions of their operation via a credit policy suited to the economic-financial situation of investors, subject to the progress made in achieving the investment results envisaged in the plan.

4. The plan does not assign directive-type investment tasks for economic organizations. Its assumptions merely make recommendations and provide information for these organizations.

The central investments plan, with regard to the investments of economic organizations, includes:

1. the designation, on the basis of aggregated balances of production and services, of the developmental directions preferred by the centex. These constitute an informational base for the investment activity of enterprises,

2. an estimate of projected maximum financial outlays associated with the above directions,

3. a forecast of the funds possessed by economic organizations to be earmarked for investments and of the extent of bank credit.

5. In the draft plan for 1982, all investments which have begun to be implemented, whether continued or halted, shall be classified according to a uniform type-structure for investments, and the principles of their continued financing shall undergo the appropriate changes. To this end, the Planning Commission under the Council of Ministers, acting by agreement with the proper ministries and banks, in the course of its work on the draft plan, shall conduct negotiations with those enterprises which are investors in investments in progress, for the purpose of coordinating the principles and conditions for continuing them in 1982 and during subsequent years.

The Planning Commission under the Council of Ministers shall designate a list of investments in progress which it proposes to implement in 1982 as central investments in the understanding of the new principles of investment. This list shall be adopted as the basis for negotiations with economic organizations. This list of continued central investments, cleared with enterprises, must be approved by the Council of Ministers and the Sejm while the preparation of the draft plan is still in progress.

6. In the course of negotiations on the principles and conditions of continuing investments in progress in 1982, the following premises should be observed:

1) the financing of investments according to their previous forms and principles ceases at the latest on 31 December 1981.

2) enterprises themselves should decide which investments they wish to continue, based on their own funds or under the condition that they secure bank credit,

3) a change of investors is permitted if, in the course of negotiations, it is acknowledged that under conditions of a reformed economy, another investor shall guarantee the more efficient implementation of the given investment, and then, the more effective utilization of the newly created production or service capacities,

4) those investments which enterprises do not wish to continue based on their own funds alone or for which they do not secure credit, may be continued by several enterprises jointly or on the basis of foreign capital (joint ventures),

5) with regard to other investments in progress, the following actions should be taken (in order of preference):

a. a joint venture may be created with a partner from socialist countries,

b. a joint enterprise with firms from socialist countries may be created,

c. with regard to investments of great importance to the economy, which enterprises choose not to continue using their own funds, the appropriate ministry concludes a contract with one of several enterprises in cooperation with a bank, to implement the investment and immediately to include it among central investments; the contract defines the state's share in the form of budgetary subsidies and, if need be, other economic preferences, e.g., guaranteeing sale at specified prices. An alternative may be the opening of a new enterprise to operate on the basis of the new investment.

Finally, we believe that the rights of enterprises in the processing industry in the area of foreign trade are subject to basic restructuring within the framework of economic reform. In particular this restructuring should consist of the following:

1. The right of enterprises to possess their own accounts and foreign-exchange funds in the Trade Bank is recognized, as well as their freedom to utilize these funds for purposes justified by their production or development needs, under the

condition that they obtain import approval (import license) from the Ministry of Foreign Trade. The importation may be carried out with the use of the enterprise's own funds or on credit acquired domestically or abroad.

2. A tax on the foreign-exchange net profits of enterprises is initiated, i.e., profits after foreign-exchange outlays are deducted. The tax is calculated in advance, separately for every transaction and finally once a year for all trade from a given payments area. We propose the following taxation system.

Percentage share of foreign-exchange net profits in the total earnings of an enterprise for the year	Percentage tax rate	Distribution of relative foreign-exchange profits (calculated cumulatively)	
		for the enterprise	into the budget
up to 5.0	85	0.75	4.25
5.1--10.0	80	1.75	8.25
10.1--15.0	75	3.00	12.00
15.1--20.0	70	4.50	15.50
20.1--30.0	65	8.00	22.00
30.1--40.0	60	12.00	28.00
40.1--50.0	55	16.50	33.50
over 50.0	50	21.50	38.50

The adoption of the principle of applying the formula of taxing foreign-exchange profits clarifies for enterprises what funds they have or what funds they have available for production and developmental purposes; it provides an indispensable perspective for the independent making of economic decisions in the sphere of foreign trade and, consequently, for the responsible and reliable undertaking of trade obligations.

The proposed rate and tax system offer producers a very strong incentive to export.

3. The tax on foreign-exchange income is collected during the course of foreign-exchange redemption from the enterprise's foreign exchange account by the bank acting in the name of the budget, at the compulsory rate of exchange on the day payment is received from the foreign contractor.

4. During the transitional period, the use of foreign-exchange settlement of accounts is permitted between domestic enterprises. The purpose of this is to create conditions for the rationalization of import from the viewpoint of the interest of the economy as a whole: it will be cheaper and, perhaps, generally more profitable for the manufacturer to purchase the essential raw and other materials, and even cooperative elements, domestically than abroad.

Foreign exchange income of domestic enterprises issuing from domestic settlement of accounts are subject to the normal foreign-exchange taxation going into the budget.

5. Production and service enterprises acquire the right to enter into international agreements and economic relations, on the condition that such are approved by the appropriate minister and that they fulfill the obligation of registering in the Polish foreign trade house and the registry of enterprises. At the same time, they acquire the right to undertake economic endeavors domestically and abroad making use of the foreign funds of socialist and capitalist countries, under the above conditions.

6. Production and services enterprises have the freedom to select foreign trade enterprises for the implementation of the export and import ventures (transactions). The danger of competition among particular phz [foreign trade enterprises] on foreign markets should be limited by means of the creation of sector agreements of production enterprises having the task of coordinating their activities in the field of trade turnovers abroad.

7. It is assumed that foreign trade enterprises operate on foreign markets at their own expense and their own risk and not as commissioned agents. This should bring about a considerable improvement in the effectiveness of foreign trade and should reduce selling costs.

8. In order to enable access to foreign-exchange funds by economic organizations operating exclusively in the sphere of domestic production-trade relations or in a nonproduction sphere, the distribution of these means should be continued temporarily, on the condition that the foreign-exchange allotments for economic production and services units occur at a rate that approximates the market rate.

Foreign-exchange allotments have a product-type character in purpose. They are granted by the Trade Bank upon a recommendation to this effect made by interested institutions, to the extent that the funds are available.

9. The sale of foreign-exchange funds for the needs of the population is conducted by the NBP [Polish National Bank] at an exchange rate approximating the market rate.

I believe that the rationing program outlined above, in areas of controversial economic drafts plans and systems solutions, may awaken public discussion over the problems of next year's central plan and will enable the greater clarification of the role it is to play in getting us out of the current crisis.

8536
CSO: 2600/78

MINISTER DISCUSSES RESTRUCTURING OF METALLURGICAL, MACHINERY INDUSTRIES

Warsaw ZYCIE GOSPODARCZE in Polish No 46, 15 Oct 81 p 9

[Interview with Zbigniew Szalajda, minister of metallurgy and machinery industry, by Aleksander Jedrzejczak: "Changes Within Reason"; date and place not given]

[Text] [Question] I am not claiming that, after your ministry announced its intentions, we received only letters--which we publish elsewhere in this issue--demanding that the machinery industry provide greater assistance to other sectors of the economy, or even that most of the letters were in that category.

[Answer] I bet that most of the letters concerned the further spread of motor vehicles.

[Question] Of course, as always, they did.

[Answer] What conclusions do you draw from it?

[Question] Letters to the editor are not a representative sample, but even so it is worth noting that "people are very attached to their dreams."

[Answer] Precisely, and we will speak here of matters that are rather unpleasant, of necessities that many accept reluctantly or refuse to recognize at all, as well as of issues that at first glance clash with the slogan "Endure." It is easy to guess the direction in which you are steering this interview, so let me tell you in advance that the range of our production must include a certain amount of products of which people dream and for which they are ready to sacrifice something, abstain from something, force themselves to think and exert a greater effort. This, however, is only by and by.

We are converting some factories to the kinds of production that are most needed, even though this involves considerable economic and technical problems.

[Question] I toured the Chemak Plant and the Zygmunt Iron and Steel Plant and there I heard these issues mentioned. But for the moment I should like to return to the question of the assistance of heavy industry for other branches and sectors, as requested in those letters to the editor, since those other branches and sectors much more directly affect [the nation's ability to] "Endure." In the hierarchy of human needs, milk and shoes rank ahead of, say, stereo radios.

[Answer] But I would prefer to describe competently--that is, more broadly--the ministry that I happen to direct, and especially what we already have done and are doing under emergency programs. I am not saying this in order to boast about past accomplishments but in order to point to certain dependences, interconnections, limitations. Then my reservations too will be understood more easily.

[Question] Let us begin with metallurgy. Power experts, or at least some of them, claim that the energy shortages will necessitate curtailing steel output to 15 or even 12 million tons annually. They consider it an indispensable prerequisite for restoring the equilibrium of the energy balance.

[Answer] This year steel output will be about 15.5 million tons; that is, 4 million less than last year.

[Question] That is about as much as in the early 1970's.

[Answer] We produced exactly as much steel in 1973. And it appears that we will produce only that much until the end of this decade.

[Question] You do not anticipate a decline to 12 million tons?

[Answer] What I anticipate, what I must consider and what I must be prepared for in view of the realities and the nation's indispensable needs--that is one thing. As for the current, numerous prescriptions for rescuing the Polish economy, that is another thing. Prescriptions for salvation are written the more easily the less one is aware of the economic realities of the branches and sectors. I am familiar with that prescription based on 12 million tons--how nice. The only problem is that it would first be necessary to create and build an industry capable of satisfying the nation's needs with such a low steel output, whereas plants capable of processing the currently produced steel already exist and they must adapt themselves to the gradual structural changes within the ministry.

[Question] But some radical surgery is needed.

[Answer] The term "surgery" is not particularly felicitous. We are deliberately curtailing production. This year, for example, we shut down the three most energy-intensive blast furnaces and seven open-hearth furnaces, selected on the basis of standard-criteria. This was insufficient. Technological considerations--you must accept this term and pass it on to your readers; I cannot here explain the interconnections and interrelations in iron and steel plants--precluded the possibility of closing other, most energy-intensive units in the older iron and steel plants. We thus settled for the repair of one blast furnace each in the Lenin and Katowice iron and steel plants. I am not even mentioning coke-oven batteries, they require no explanation.

We attempt to minimize the inconveniences experienced by our customers due to the curtailment of production; above all, we try not to confuse the actually determined priorities. Hence we have been curtailing the production of quality-steel products as little as possible. We keep up production in areas deemed most important by the government program for emerging from the crisis.

[Question] But there have been horrendous complaints made by the metal plants.

[Answer] Unfortunately, the scale of the necessary restrictions is so large that the established principles for selection cannot always be followed. The shortages are even beginning to spread to the protected spheres. And yet, 4 million tons of steel is a lot and, above all, its consequences are far-reaching.

[Question] I would not reduce all complaints to a suddenly reduced supply of steel.

[Answer] This was not my intention either, please understand. At all such plants the good of the state is in collision with the good and interests of the individual plant; the problems ensue chiefly from the generally adopted principles for coal allocation. When the supply of coal, liquid fuels or energy is low, nearly everyone agrees that the quantities supplied to heavy industry should be reduced. This is logical, just and easy to understand. But certain plants view this differently. Their personnel cannot avoid seeing equipment that remains unused due to the fuel shortage; moreover they are aware that their curtailment of production will cause problems in other plants that need their products. Then there also are considerations of the entire economics and employment.

[Question] You are placing marked emphasis on the coal shortage, but electric power and liquid fuels also come into play.

[Answer] The coal shortage is the most important. The decline in coal extraction is a direct blow to us, chiefly due to the attendant decrease in the production of coke. It also hits us indirectly through the shorter operating hours of electric power plants and shortages of electric power.

[Question] Since we cannot discuss all the vital problems or even the greatest bottlenecks in your entire, huge ministry, let us limit our interview to changes in production structure and to the issues considered in the letters to the editor.

[Answer] Quite so, at the machinery plants we have markedly reduced the production of energy- and fuel-intensive products that are not of primary importance to the economy. Thus, we reduced the output of Syrena passenger cars by 13,000; Tarpan cars, by 1,000; San buses, by 1,000; Star trucks, by 3,000; freight cars, by 2,500. We also reduced to some extent the production of construction machinery, electric locomotives, machine tools and cranes. These restrictions will save considerable quantities of auto-body sheet metal, aluminum, castings, and forgings, as well as of such chemical products as tires, lacquers and plastics. In addition, we have curtailed the output of many luxury products; dishwashers, campers, electronic watches, stereophonic radios, radio-tape recorders and silver and gold products. For example, the production of automatic washing machines under the Blamberg license has been completely halted, as has been the production of stereophonic phonographs, electric heaters and M2412-SD magnetic tape recorders. All these products are highly import-intensive.

The released production capacities and limited material resources are being used to expand the production of standard products, while the available limited amounts of foreign currencies are being used to acquire indispensable elements and components. This perhaps justifies stating that we are focusing on such a restructuring of production programs as would allow--with optimally utilizing the limited material resources and foreign-exchange funds--concentrating on the production of goods most needed by society.

[Question] This probably also concerns production for agriculture.

[Answer] Above all, this concerns the production of machinery and spare parts for agriculture, especially for private farms. We are curtailing the production of, among other things, grain harvesters, self-propelled straw cutters, potato harvesters and other high-capacity machines while at the same time increasing the production of the equipment used chiefly by private farmers: haymaker-rakers, sheaf-binders, potato-digging machines, mowers, harrows and plows. This list is, of course, not exhaustive. Agricultural machines exist in a broad variety. At the same time, we are developing and starting the production of new and completely modernized machines such as twin-axle manure spreaders, portable all-purpose sprayers and seeder-seed dressing machines.

[Question] Would you name the plants that are rapidly retooling for production for the needs of agriculture?

[Answer] It is best if I begin by naming a couple of examples. The Rawent Plants in Skierniewice--here I name only the plants under the Ministry of Metallurgy and Machinery Industry--undertook the production of straw and hay blowers. The technical equipment plant in Gliwice started to produce grinding rollers. The Zygmunt Iron and Steel Plant started to produce tractor-drawn rototillers; the Chemak Plant in Bidgoszcz, container equipment for cooling milk in containers; and the Ostrowiec and Stalowa Wola iron and steel plants, elements of cultivators and tractor-drawn harrows. Due to these steps, this year the supply of agricultural equipment for private farms will reach about 16 billion zlotys compared with 14-odd billion last year.

[Question] Farmers' representatives are still protesting that this is too little. There is no need to prove that they are right.

[Answer] Please do not forget that the oversights had been growing many years, while the needs of agriculture are extremely varied. I have just mentioned that we are increasing the output of equipment needed by private farmers at the expense of, among other things, reducing the output of large high-capacity machinery needed on large tracts. Let me now add that such a solution can be only interim, and in some ways harmful. All sectors of agriculture should have their needs equally supplied. Hence as soon as next year we anticipate expanding output of all varieties of agricultural machinery, not just those designed for smaller farms.

[Question] Would not it help to commit a larger number of plants to production for agriculture? In the Diet a deputy mentioned that that production has been undertaken by a much smaller number of plants than had been assumed.

[Answer] Broad and comprehensive steps have been taken on this matter. Offers of design blueprints and technical and technological assistance have been made and negotiations with more than 500 plants have been conducted. By now as many as 34 plants have for the first time in their existence undertaken the production of agricultural machinery. An additional 30 to 50 plants will join in that production within the next 2 or 3 months, although here the number of plants is not the decisive factor. More important are their facilities, the skills of their personnel, their supply, and organization of labor. Above all in the economy there always occurs what could be termed the limit of reason. That limit should not be exceeded under the pressure of the moment, because usually this proves an extremely costly step. Certainly, production for agriculture should be undertaken wherever warranted by organizational changes. When some important changes in technological facilities are involved, the matter becomes complicated. I have been reading many articles on this subject and I cannot resist the impression that in the imagination of their authors agricultural machinery can be manufactured from anything and with anything. This is a great misunderstanding.

Finally, there is the most difficult issue--the question of the future consequences of the abandonment of traditional types of production. The related interconnections often are quite intricate--we are supposed to provide not only implements of labor but also goods for which farmers will be willing to sell their produce. But to return to the starting point, this concerns the mass production of agricultural equipment rather than the production of discrete specimens by cottage-industry methods. This concerns, among other things, the cost and hence the prices of these products. Plants converting to the production of agricultural machinery offer their products at prices twice or thrice as high as those asked by specialized plants. Thus, here cost effectiveness should also be taken under consideration.

[Question] But still [agricultural] machinery and implements appear to be the most important issue. You mentioned at the outset the crucial importance of the goods manufactured within your ministry. Seen from that standpoint, the machinery industry may produce a cumulative satisfying effect deriving from both the satisfaction of the wish for ownership and the high efficiency of operation.

[Answer] Surely that is so. I am not claiming either that the entire potential within the ministry has already been exploited. What concerns me is that the most spectacular solution--the conversion of entire factories or departments--is not the only solution and that soon industry's performance will be analyzed normally according to the quantity of equipment produced and the degree of demand satisfied.

[Question] You mentioned other solutions.

[Answer] It is highly important, for example, that the newly undertaken production match needs. Recently extensive consultations have been carried out to determine the needs as precisely as possible. They resulted in drafting an agreed estimate of the demand for agricultural machinery in 1982 and a tentative estimate for demand during the period until 1985 for about 300 types of machinery

and implements. Of this group, 65 varieties considered fundamental to private farms have been selected. The other types of production also will be significantly expanded. The production of many of these varieties will double compared with the current years, but 2 or 3 years will be needed to satisfy the demand. Even after such a marked expansion of output, individual gminas and villages will complain that, though production increased, machinery continues to be unavailable. This will continue until the market is completely saturated with agricultural equipment.

[Question] Let us now consider the issues mentioned in the letters to the editor. Agriculture is not the only branch of the economy to expect assistance from the "mother of industries." The queue is being joined by more and more branches of the food and light industry, by the trading apparatus, chemical industry, mining industry. I omit transport, because the production of motor vehicles and railroad cars is within the jurisdiction of your ministry itself and I already have information on the measures taken to save transport.

[Answer] Please do not consider my comments as direct answers to the questions from the letters. They will rather be general comments, which however should be considered. The "overheating" of industry mentioned in the letters was due to, among other things, the fact that each type of production undertaken was justified in principle but, taken together, they resulted in the current situation. The author of one letter mentions an improbable mosaic of machinery and equipment imported from abroad--should we reproduce that mosaic in the machinery industry? The entire industry, including that segment controlled by my ministry, must implement definite social goals rather than satisfy sector ambitions even if these are valid and justified when considered by experts from a given sector.

[Question] I am not speaking of overblown sector ambitions but only of what is essential to the functioning of, for example, food, textile and other plants, in which the machinery industry could help them.

[Answer] We do not avoid providing assistance, but I must consider the technological realities of the plants under the auspices of my ministry. Certain branches within my ministry have evolved in a manner that does not satisfy the current needs of our nation and economy. But still this is a large, modern, well-equipped industry. After all, we are not going to demolish and plow it up, contrary to the advice of some people. The existing industry must produce, must bring profits. Our business--ours, that is, of the central administration and the plant management and crews--is to restructure that potential on the run, as it were. What is needed is not demolition but change at the lowest possible cost so as to retool to the production of the most needed things: agricultural machinery, spare parts, manufactured consumer goods and, what is particularly important, profitable export products. This was what, among other things, I meant when I declared that the existing industry must earn the funds for the necessary structural changes, seek markets for what it can produce, earn from exports and use the resulting funds to finance the necessary changes, while at the same time use the earned foreign-exchange funds to help others and primarily to restore the equilibrium of our balance of payments.

[Question] Strange things are often heard concerning the profitability of exports of heavy-industry products.

[Answer] This is a major subject in itself. For the present we must be content with the most general thesis of the need to export what is profitable. And profitable products are not necessarily those so considered by common opinion. Among us, for example, there has arisen the belief, disproved for quite a long time now, that only the exports of highly processed products are profitable. No one is drawing conclusions from the fact that Swedes export not only medical equipment and electronic products but also iron ore, for example. Instead of believing in myths, let us calculate accurately. The decisive factors are productivity and the demand on world market; that is, prices. Under our conditions and those of the world market, the exports of many consumer products are unprofitable; radio sets, radiomagnetic tape recorders and many others. We will thus concentrate on profitable exports of nonconsumer goods. As for consumer goods, let them remain on the shelves of our stores, so that finally those shelves will not be empty.

[Question] This comment needs no elaboration, but I was more concerned with the extremely limited possibilities especially for the imports of spare parts for the consumer goods plants--parts that those plants themselves cannot manufacture. The machinery industry can accomplish more and operates extensive research facilities.

[Answer] What do you think? Research and development, application and technical development and the like are expensive but may result only in the production of some component that is needed in the amount of 100 units annually. This is not cost effective from the standpoint of economic common sense.

[Question] The slogan "Endure" postulates resorting to resources and methods that are nonoptimal from the standpoint of the commonly accepted categories. Seen from this standpoint, research and design may be viewed differently; they may be considered the nucleus of structural changes in the machinery industry--changes that by fairly common consensus are regarded as indispensable. The entire, and by now large, household appliance industry originated from secondary production undertaken by the plants of machinery and heavy industry within the framework of the post-October renewal.

[Answer] I repeat, please do not misunderstand me. We will not avoid assisting other ministries and sectors; we shall help in measure with our present and gradually expanded new possibilities. But these can increase only gradually. I also recognize the necessity of carrying out essential changes in production structure. But such matters cannot--even under more normal conditions--be translated into reality from 1 month to another, or even from 1 year to another. And the fanning of hopes that are not justified by economic and technical realities is to me a symptom of irresponsibility, a harmful action. I wish to avoid this at any price. The numerous currently advanced prescriptions for a quick cure of the economy--nearly all entailing heavy industry--seem so attractive and simple chiefly because they are based on extremely superficial knowledge of the

facts. Reality is more complicated. You too will certainly remain dissatisfied with this interview; you would prefer to hear more encouraging comments on the subjects broached by those letters. But I am not and do not wish to be a fabricator of illusions.

[Question] You judge me too severely. Of course, at a couple of spots in this interview I would have preferred to hear something different, but I appreciate deeply an awareness of economic realities, not only among ministers. Thank you for the interview.

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END

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31 December 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2216

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31 December 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2216

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SOVIET COOPERATION OF INDUSTRIAL PROJECTS IN YUGOSLAVIA

Belgrade MEDJUNARODNI UGOVORI in Serbo-Croatian No 13, 6 Nov 81 pp 830-833

[Agreement Concerning Economic and Technical Cooperation in the Construction and Reconstruction of Industrial and Other Projects in the Socialist Federal Republic of Yugoslavia]

[Text] The Federal Executive Council of the Parliament of the Socialist Federal Republic of Yugoslavia and the Government of the Union of Soviet Socialist Republics, who maintain friendly relations with each other and who both strive for the further development and strengthening of economic and technical cooperation between the two countries on an equal basis, and who both foresee a mutual benefit from economic and technical cooperation on a long-term basis, have agreed to the following:

Article 1

The Federal Executive Council of the Parliament of the Socialist Federal Republic of Yugoslavia and the Government of the Union of Soviet Socialist Republics will collaborate from 1981 to 1985 on the construction and reconstruction of industrial and other projects in the Socialist Federal Republic of Yugoslavia listed in the Addendum, which is an integral part of this agreement.

Article 2

In order to provide the cooperation referred to in Article 1 of this agreement, Soviet organizations will do the following: perform the planning required for the projects; delivery machinery and equipment manufactured in the Soviet Union to Yugoslav organizations; send specialists to the Socialist Federal Republic of Yugoslavia to collaborate on a technical basis with Yugoslav organizations in construction, reconstruction, installation, testing, and operation of the equipment and machinery which is to be delivered from the Union of Soviet Socialist Republics; admit Yugoslav specialists into the process of consultation and into production and technical training.

Article 3

In order to provide the cooperation anticipated in Article 1 of this agreement, Yugoslav organizations will do the following: insure the installation of the equipment and machinery in accordance with contracts which have been signed by

organizations of both sides, and insure the performance of the necessary construction, assembly, and operation of the equipment and machinery; supply to the Soviet organizations engaged in the formulation of project plans all fundamental data necessary to the planning process which is available.

Article 4

The Government of the Union of Soviet Socialist Republics will guarantee a loan to the Federal Executive Council of the Parliament of the Socialist Federal Republic of Yugoslavia in the amount of $450 million (U.S.) at an annual interest rate of 4 percent, for the payment of equipment and machinery delivered from the Union of Soviet Socialist Republics for the construction and reconstruction of industrial and other projects listed in the Addendum of this agreement.

The Yugoslav side will pay back the aforementioned loan in 10 years in equal annual installments, with the first payment due 2 years after the end of the year in which some part of the equipment and machinery has been delivered.

The interest on the loan will be calculated from the day that the corresponding part of the loan is utilized. The date of the utilization of the loan will be considered to be the date konosmana or the date of the stamp on the railroad bill of lading at the border station of the country of the supplier.

The interest on the loan will be paid during the first quarter of the year following the one for which it is being calculated. The last interest payment will be made with the last payment of the principal of the loan.

The Federal Executive Council of the Parliament of the Socialist Federal Republic of Yugoslavia and the Government of the Union of Soviet Socialist Republics will take measures so that the total amount of credit established by this article is not exceeded.

If the value of the actual deliveries of equipment and machinery exceeds the amount of credit approved by this article, such excess will be paid by the Yugoslav side in accordance with the current Yugoslav-Soviet trade and payment agreement, based on negotiation by the interested organizations of both parties.

Article 5

The Yugoslav side will pay off the loan and interest for the delivery of goods to the Union of Soviet Socialist Republics within the framework of Yugoslav-Soviet trade agreements which are in effect at the time of the repayment of the loan.

The amount of each payment will be corrected by the authorized banks of both sides of those who participated in the signing of contracts if the value of the special right of withdrawal unit in U.S. dollar changes, in comparison to the rate of exchange of the International Monetary Fund announced 3 working days before the payment day, by more than ±2.25 percent on either side in comparison to the basic value expressed in U.S. dollars for the special right of withdrawal unit on the day before the day that the individual contracts between

Yugoslav and Soviet organizations are signed. In the event of a change in the mechanisms for determining the value of the special right of withdrawal unit which would invalidate the use of the special right of withdrawal for the aforementioned correction, the two sides will, as agreed, establish other mutually acceptable mechanisms which will protect both sides from loss due to fluctuation in the international currency market.

The loan and the interest will be paid by recording the appropriate amounts in U.S. dollars in special accounts which have been opened by the authorized banks of both sides in accordance with the Payment Agreement between the Federal People's Republic of Yugoslavia and the Union of Soviet Socialist Republics of 5 January 1955, or in another manner which is provided for in the agreement between the two sides concluded while this agreement is in effect.

The loan payment date will be considered to be the date that the payment amount is recorded in the special manner devised.

Amounts in the aforementioned account for the repayment of the loan and for the payment of interest charges which are left over will be taken into consideration by the two sides when the lists of goods and the volume of reciprocal deliveries of goods for the corresponding calendar year are reconciled.

Article 6

The National Bank of Yugoslavia and the Bank for Foreign Trade of the Union of Soviet Socialist Republics together will establish the technical procedure for maintaining the accounts and the accounting for the utilization and repayment of the loan money from this agreement and for the calculation and the payment of interest charges.

Article 7

Soviet specialists will be sent to the Socialist Federal Republic of Yugoslavia and Yugoslav specialists will be accepted in the Union of Soviet Socialist Republics for production and technical training, in accordance with this agreement, in accordance with the Agreement between Yugoslavia and the USSR concerning conditions of sending Yugoslav experts to the USSR and Soviet experts to Yugoslavia for the purpose of providing technical assistance and other services dated 29 April 1964, notes exchanged 24 September 1979, in Belgrade, and the Agreement between Yugoslavia and the USSR concerning the conditions of production and technical training of Yugoslav and Soviet specialists and workers dated 29 April 1964.

Yugoslav specialists will be received in the Union of Soviet Socialist Republics for the purpose of consultation, in accordance with this agreement, under the conditions provided for by contracts between Yugoslav and Soviet organizations.

Article 8

Payment of expenses of Soviet organizations in connection with planning services which have been performed and for the sending of Soviet specialists to the

Socialist Federal Republic of Yugoslavia and the receiving of Yugoslav specialists in the Union of Soviet Socialist Republics will be carried out on the basis of current Soviet-Yugoslav trade and payment agreements.

Article 9

Technical documentation which is received by Yugoslav and Soviet organizations in accordance with this agreement will be used exclusively for the production of the corresponding products in the Socialist Federal Republic of Yugoslavia and cannot be given to other countries, nor to any authorized persons of foreign countries without the consent of the appropriate organization of both sides.

Article 10

In order to carry out this agreement the appropriate Yugoslav and Soviet organizations are concluding mutual agreements which determine the amount and the time periods for carrying out planning services, the deliveries of technical documentation, the deliveries of equipment and machinery, the number of Soviet specialists who will be sent to the Socialist Federal Republic of Yugoslavia, their specialties and the time of their reception and stay, the number of Yugoslav specialists who will be received in the Union of Soviet Socialist Republics, their specialties and the time of their reception and stay, the conditions of the delivery of technological processes, scientific and technical results and experiments, warranty conditions, and other details of conditions which are necessary for the implementation of mutual responsibilities in accordance with this agreement. Prices in the contracts for all deliveries will be established on the basis of prices in the world market.

The appropriate Soviet and Yugoslav organizations will coordinate the annual volume of deliveries of equipment and machinery for each calendar year. Moreover, the appropriate organizations engaged in the distribution of the delivery of equipment for each industry or other project will proceed from the possibilities of maximum utilization of the capacity of Yugoslav machinery construction.

The contracts for the delivery of equipment and machinery will be signed by the appropriate Yugoslav and Soviet organizations not later than 1 April of the year preceding the year in which delivery is to take place.

Article 11

In the event of differences and disputes in the interpretation while carrying out this agreement, those differences and disputes will be resolved by representatives of both sides of those who are involved in the signing of contracts.

Article 12

This agreement is subject to ratification, and goes into effect on the day the ratified documents are exchanged, while it will be temporarily applicable from the day it is signed. The ratified documents will be exchanged in Moscow as soon as possible.

Composed in Belgrade 29 May 1981 in two original copies, in the Serbo-Croatian and Russian languages; in addition, both texts have the same significance.

By the authority of the Federal Executive Council of the Parliament of the Socialist Federal Republic of Yugoslavia, signed Radoje Kontic.

By authority of the Government of the Union of Soviet Socialist Republics, signed V. G. Morozov.

Addendum to the Yugoslav-Soviet agreement of 29 May 1981.

List of industrial and other projects in whose construction and reconstruction the two parties will collaborate under conditions of approved credit, and the distribution of the sum of the loan by project

Project name	Time period of delivery of equipment	Amount of loan for payment of deliveries (in U.S. millions of dollars)
Electric Energy		
TE (Thermoelectric "Tuzla-Velika" capacity 500 MW (megawatts)	1984-86	120
TE "Ugljevik II" capacity 300 MW	1983-86	45
TE "Kovin I" capacity 210 MW	1983-85	40
TE "Bitola IV" capacity 210 MW	1984-86	30
TE-TO "Trbovlje" capacity 180 MW	1984-86	30
Nonferrous Metallurgy		
Lead and zinc mine and flotation "Suplja stijena" expansion of capacity from 200,000 to 1 million tons of ore per year	as agreed upon by both parties	8
Mining-metallurgical and chemistry plant "Trepca"-fuming process installation for obtaining lead and zinc, capacity 20,000 tons per year	" "	25
Lead and zinc mine and flotation "Blagodat" Vranje-expansion of capacity from 350,000 to 540,000 tons per year	" "	3.5
Mining-metallurgical plant "Zajaca" expansion of mine and flotation "Rajiceva gora" from 40,000 to 250,000 tons antimony ore per year	" "	14.5

Project name	Time period of delivery of equipment	Amount of loan for payment of deliveries (in U.S. millions of dollars)
Chemical plant "Zorka" Sabac lead and zinc mine "Sastavci" capacity 150,000 tons of ore per year	as agreed upon by both parties	13
Lead and zinc mine and flotation "Vares" expansion from 300,000 to 600,000 tons per year	1983-85	7
Nickel factory in Pristina expansion of capacity from 12,000 to 18,000 tons of nickel in ferronickel per year (different forms of auxiliary equipment)	as agreed upon by both parties	22
Light metals factory "Boris Kidric" expansion of capacity to 100,000 tons of rolled aluminum product and aluminum alloy per year	1983-85	50
Geological exploration		
Geological exploration in the area of oil and gas ("Naftagas" Novi Sad)	as agreed upon by both parties	7
Construction materials industry		
Cement factory capacity 600,000 tons cement per year (by dry procedure) Serbia	1983-85	20
Factory for production of glass insulation, capacity 10,000 tons per year, Arandjelovac	as agreed upon	15

Note: The time periods of collaboration and the technical characteristics of the projects will be established in more detail when the contracts are signed.

Article 3

This law goes into effect 8 days after being published in the Yugoslav Official Register.

9548
CSO: 2800/101

EXCERPTS OF 1981-1985 PLAN; 1982 PLAN, BUDGET PUBLISHED

1981-1985 Economic Plan

East Berlin NEUES DEUTSCHLAND in German 5-6 Dec 81 pp 3-4

[Official text of "Excerpts from the Law of 3 December 1981 on the Five-Year Plan for the Development of the Economy of the GDR During 1981-1985"]

[Text] In conformity with the decisions adopted by the 10th SED Congress, the Five-Year Plan for the Development of the Economy of the GDR During 1981-1985 is geared toward the consistent all-round consolidation, by means of a high rate of economic growth, of the GDR as a socialist state of the workers and farmers. Thereby further advances are to be made in the shaping of the developed socialist society.

The five-year plan serves the well-being of the workers class and all the people. The focal point lies on carrying on throughout the 1980's our main task policy which deals with economic and social welfare tasks as a unity. It amounts to further elevating the people's material and cultural standard of living based on high speed in the development of socialist production, greater efficiency, scientific-technical progress and growth in labor productivity. The main content of the five-year plan and its implementation are the 10 key points of the economic strategy adopted by the 10th SED Congress.

The broad discussion of implementing the tasks of the directive by the 10th SED Congress for the five-year plan for the development of the economy of the GDR during 1981-1985 involved millions of working people in the combines, enterprises, facilities and cooperatives actively in preparing the five-year plan, who submitted many proposals on the basic issues of our economic strategy for the 1980's, especially for improving our performance and efficiency. That expresses the GDR population's broad agreement with the SED policy for successfully carrying on our proven main task policy.

There has been a new strong boost in our socialist competition, organized by the trade unions and aimed at the implementation of the 10th SED Congress decisions. The competition initiatives must receive every kind of encouragement from the state managers for meeting the five-year plan goals. They are to be directed toward the implementation of this principle: "High economic growth through increasing labor productivity, efficiency and quality--Everything for the well-being of the people and for peace!"

The successful continuation of our policy, as aimed at the well-being of the people, requires that in the 1980's we purposefully proceed toward a higher production and efficiency level. More and more must performance improvements and efficiency be determined by the most advanced achievements in science and technology. It is imperative to turn the experiences of the best workers in all combines, enterprises, facilities and cooperatives into the criterion for anyone's own performance and to apply consistently the principles of socialist economic management and socialist thrift. On that basis reserves at new dimensions have to be tapped in all areas of the economy, high and stable production and productivity growth rates beyond the previous degree have to be achieved, and the cost/benefit ratio must be decisively improved in all fields.

In implementation of the GDR-USSR production specialization and cooperation program up to 1990, the all-round economic and scientific-technical cooperation between our two countries is being consolidated and expanded. The accords made for deepening socialist economic integration in the plan coordination with the USSR and the other CEMA countries form a stable basis for implementing our five-year plan for the development of the economy of our republic.

The reality of this strategy relies on our consolidated socialist production relations, on modern socialist management and the high skill of our workers, engineers and researchers. On this basis it is possible to achieve a perceptible performance thrust toward higher productivity, efficiency and quality.

The further strengthening of our economic capacity is of great weight to the GDR's peace policy which, in the sense of peaceful coexistence, serves political and military detente in Europe and the recovery of the political climate in the world.

I

The following main indicators have been laid down for the development of the GDR's national economy 1981-1985:

	1985/1980 %
Produced national income	128
Manufacturing output, industrial ministries	131
Manufacturing output, national economy	128
Increase in labor productivity, industrial ministries	129
Output of construction industries	118
Output of construction, construction ministry	123
Transport and telecommunications	112
Export to the socialist economic region	150
	in 1985
Crop production output in grain units per hectare of farmland	43.7-44.2 dt
State output	
--Fattened cattle	2,400 kt
--Milk (4-percent fat content)	6,930 kt
Collection and utilization of secondary raw materials	30 million t

	1981-1985 average annual %
Reduction in specific production consumption figures for major energy sources, raw materials and semimanufactures	6.1

Total 1981-1983	
Investments --Economy on the whole	M 256 billion

The people's material and cultural standard of living attained must be ensured and gradually further raised. To that end the following targets are laid down:

Total 1981-1985	
Dwellings to be provided, newly built and modernized	940,000 dwelling units
--of which: newly built	600,000 dwelling units

	1985/1980 %
Retail trade turnover	120
Net monetary income of the population	120

The supply of consumers with commodities in daily use, services, rents and fares are to be ensured at stable prices, and so is the satisfaction of the growing health, social and intellectual-cultural needs of the population, in conformity with economic performance development in the 1981-1985 period, up to M 295 billion. That amounts to a growth rate of 126 percent.

Training and education must be developed in such a way that they are relevant to practical life and encourage creative thinking and acting, the initiative and dedication of youth and its class-bound standpoint and conscious political conduct.

Medical and social services for the population, notably health care for the working people, are to be purposefully improved in quality and effectiveness for the good of the citizens.

Social care, notably for mother and child, the veterans of labor and the disabled, must be systematically further extended through close cooperation between state areas and social organizations.

The working people's working and living conditions in the enterprises are to be further improved, mainly through a progressive reduction in heavy physical and hazardous jobs, the perfecting of workers' welfare and the extension of labor-medical consultation and care. Further qualitative improvements are required in recreational opportunities for the working people.

Berlin, capital of the GDR, must be further developed as the political, economic and intellectual-cultural center of the socialist GDR. The central youth project, "FDJ Initiative Berlin," has to be promoted purposefully, and all bezirks have to make an increasing contribution to it.

II

The five-year plan is aimed at the implementation of the 10 key points in the economic strategy for the development of the GDR economy in the 1980's, as issued by the 10th SED Congress.

1. As a decisive condition for our performance growth and for improving our economic efficiency, the advantages of socialism have to be closely combined with the achievements of the scientific-technical revolution. Through science and technology the necessary lead time has to be ensured for our intensively expanded reproduction, especially through the development and introduction of new products, procedures and technologies. On that basis the R&D contribution to increasing our national income has to be perceptibly increased. R&D has to be speeded up, and there is a priority on ensuring a rapid application of research data in production. Top-standard achievements have to be increased in number and have to be used at a large range.

The priority here is placed on speeding up the development and application of microelectronics, robot technology, and electronic computer technology for a more efficient organization of production and administrative projects.

To boost the economic effectiveness of science and technology, the following targets are set down:

-- In the economy we must achieve an annual saving of working time from 490 million hours in 1981 increasing roughly to 660 million in 1985, while simultaneously assign manpower to other, more productive, labor and achieve further improvements in the working people's working and living conditions;

-- the specific energy consumption is to be reduced, up to 1985, by an equivalent of 70 million tons of raw lignite compared with 1980; the use of heating oil as energy source and of imported pit coal and pit coal coke for energy purposes must be extensively reduced;

--in the 1981-1985 period the following material savings are to be achieved:

Rolling steel	roughly 2.2 million t
Aluminum	more than 50 kt
Copper	roughly 15 kt
Cement	1.9 million t

Research collectives are to be assigned, mainly, ambitious tasks for top achievements and high economic objectives commensurate with the advanced status and developmental trends of science and technology in the world.

2. A vastly higher level of labor productivity is to be attained through high scientific and technical effects at a large scope. In a growing number of enterprises and combines we must ensure a faster growth of labor productivity than of industrial commodity production, mainly by raising the technological level of production, a more rapid generalization of the experiences of the best workers and the reduction of unjustified differences in levels.

The number of jobs saved, on the basis of an extensive reconstruction and rationalization of extant enterprises or of production sectors, must more and more exceed the number of jobs to be newly created.

For implementing our socialist performance principle, we must extend the systematic introduction of productive wages through performance-oriented basic wages and salaries. Payments must be closely connected with scientific labor organization and the application of performance indicators.

3. A decisive five-year plan emphasis is given to enhanced refinement and the more extensive use and utilization of economically available energy sources, raw materials and working materials at all stages of production.

The requisite improvement of performance and providing more and better end products for public supplies, the economy and export have to be accomplished by approximately an unchanged volume of raw materials and energy sources.

All combines and enterprises have to solve the task of producing high-grade commodities from every kilogram of raw material, through skilled labor, at a maximum volume. To that end, a high degree of refining and recycling of every available raw and working material has to be ensured in each production branch.

As a fundamental task for materially ensuring our performance development, the collection and reutilization of available secondary raw materials and industrial waste products must be increased. That pertains in particular to ferrous and nonferrous metal scrap, waste paper, timber offcuts, plastic materials and fixing baths, bones, fatty compounds, corundum grains and waste sulphite liquor, used oil, old textiles, thermoplastic waste, scrap tires, electronic scrap, return-container glass and old fire-resistant materials.

4. As a fundamental task, a high qualitative production level at our entire economic range has to be ensured across all preparatory and intermediate steps down to the final products. The top-product output with the quality seal "Q" must be raised to circa M 100 billion by 1985.

5. Labor efficiency must be greatly improved during the five-year plan period. The cost/benefit ratio must be decisively improved by using the latest scientific and technological data, the most economical use of live and embodied labor, mainly of base material, energy, propellants and fuels, and through the most rational use of investments and all economic resources.

In 1985, the national economy must experience at least a 15-percent reduction of social expenditures compared with 1980.

In industry, prime costs have to go down by 3 percent each year.

The most effective use of all available resources and the thriftiest handling of all material and financial assets must be enforced as a principle of socialist economic management in all areas of the economy. The effectiveness of economic cost accounting must be further improved to that end.

Currency control must be strengthened to enforce the economic demands placed on efficiency development.

6. Comprehensive socialist rationalization has to save working hours, enhance the quality of labor and improve the working people's working conditions. There must be a decisive boost in the proportion of investments in socialist rationalization.

In the 1981-1985 period, 45,000 industrial robots have to be produced and used highly effectively in our economy. Per industrial robot used an average of 2.5 manpower is to be released for other tasks.

7. Through a resolute implementation of socialist intensification and rationalization, basic assets and investment effectiveness must be raised significantly in all economic areas. We must improve the utilization of the available important potential of our basic assets. Investments must be aimed at perfecting our material-technical base in qualitative respects.

Through cooperating with the planned preventative maintenance, the reconditioning and modernization of the constantly greater resources of basic assets must receive an absolute priority in the placing of investments.

Through investment concentration realization periods must be greatly reduced. A maximum of 2 years is to be established as a social norm for realizing investment projects. Thereby we can critically reduce the volume of incomplete investments in our economy. Investments must cut back more jobs than create new ones.

The construction share of investments must be greatly reduced in all economic areas, those in industry at least to 25 percent.

The most important production equipment must be allowed 16 to 17 hours per calender day in 1985.

8. For public supplies, far more and better consumer goods have to be manufactured, including the needed ancillary products and semifinished products and an adequate assortment of spare parts. At the same time it is necessary greatly to increase supplies in novel, high-grade consumer goods in excellent quality and design, especially those that are much in demand among the public and on international markets.

The combines making means of production have to raise their contribution to consumer goods production rigorously, particularly by developing and producing new high-grade consumer goods or through a targeted increase in their production of means of rationalization and of components for the consumer goods industry.

9. The five-year plan is to achieve high dynamics for the social production and the national income. That depends on a much higher effectiveness of all qualitative factors in the reproduction process.

10. In conformity with our economic strategy, the scope and quality of our social production must continue to be improved, increasing in weight, by our intensively expanded reproduction. Our material-technical base must be extended further, principally by means of intensification.

The tasks for economically ensuring our national defense and our internal security and order have to be secured comprehensively, and on a priority basis, in accordance with the demands of the 1981-1985 period. State and economic management organs, the combines, enterprises, facilities and cooperatives must conscientiously meet the obligations resulting therefrom.

III

For the further extension of the material-technical base of our economy as the critical basis for further ensuring stable economic growth, the following tasks are laid down:

1. The Energy and Raw Material Base of the Economy

The energy and raw material base of the economy is to be further developed by raising the supplies in indigenous raw materials, comprehensively using secondary raw materials and waste products and a new quality of our entire energy and materials economy, mainly by comprehensive refining.

The highest rank is to be granted to an economical use of energy sources, raw materials and working materials in all combines and enterprises.

The production of important energy sources and raw materials is to be developed as follows:

	Unit of quantity	1985
Softcoal mining	million tons	290
Electrical energy production	billion kilowatt	112
Carbide	1,000 tons	1,250
Plastics, elastics	1,000 tons	1,300
Synthetic fibre materials	1,000 tons	150
Nitrogen fertilizers	1,000 tons N	1,200
Potash fertilizers	1,000 tons K_2O	3,450
of which granular and globular	1,000 tons K_2O	2,245
Rolled steel total	1,000 tons	9,282
of which refined rolled steel	1,000 tons	7,393

All economic areas have to carry out target-directed measures to save energy.

Primary energy is to be developed by more of a use of domestic softcoal and nuclear energy. We must crucially reduce here the use of heating oil, pit coal and pit coal coke and fuels.

In forestry, through comprehensive intensification measures, the production and yield guarantees of forest resources must be raised, and lumber supplies must increase to from 10 to 10.2 million cubic meters in 1985.

2. Production, and Providing for, Equipment, Machines, Ancillary Supplies and Spare Parts

The production of high-grade machines, equipment and devices for the rationalization of our own economy and for export, conforming to the intrinsic value and performance parameters of the highest scientific-technical standards, is above average through the broad application of microelectronics, electronic control and testing equipment and means of automation in its intended development.

We must achieve above-average growth rates in the production of products of ADP techniques and telecommunication techniques, scientific equipment construction, and automation and control techniques.

The production of microelectronic components has to be more than doubled and to be raised three to fivefold for optometric and performance-electronic components.

Machine building must boost its production by 141 percent up to 1985, which must come mainly from an intensively expanded reproduction.

The capabilities of the ancillary industry and spare part production have to be increased in accordance with the requirements for ensuring final production.

3. Consumer Goods Production

The production of essential consumer goods is to be increased at the following rate:

Product	Unit of quantity	1985
Household refrigerators	thousand	859
Electric ranges	thousand	232
Washing machines and combined washing devices for domestic use	thousand	521
Radios	thousand	1,426
Color television sets	thousand	510
Heavy detergents	metric tons	200
Paints and varnishes	metric tons	368
Car tires	thousand	5,500
Textile floor covering	million square meter	39
Walking shoes	million pairs	45.8
Furniture and upholstered goods at industrial sales price of	million Marks	7,295
Household and hotel porcelain at industrial sales price of	million Marks	709

In the bezirk-managed industry the newly formed combines have to be consolidated and extended.

The crafts have to make a significant contribution, in conformity with territorial and craft-specific conditions, to meeting public demands, especially in individually designed consumer goods, and to improving the supply level in qualitative terms.

4. Agriculture, Food Production and the Foodstuffs Industry

Agriculture and the food industries must further raise their production and its efficiency by making a better use of their own resources to ensure stable and constantly improving public supplies through high-grade foodstuffs and agricultural raw materials for industry.

In conformity with economic requirements, the cost/benefit ratio must be vastly improved in our socialist agriculture. The main course for improving the capability of agriculture and the food industries is a continuing rigorous intensification and rationalization based on science and technology and the full utilization of the great development potentials of socialist agriculture. Emphases are the increasing of grain, basic fodder, produce and fruit production and higher potato and sugar beet yields. An effective and complete use of every square meter of soil and a constant improvement of its fertility is a first-rank task of great economic weight.

The total yields in crop production is to be raised by 1985 to between 43.7 and 44.2 metric tons of grain units per hectare of agricultural acreage, those of grain to 39.5, potatoes to 220, and sugar beets to 330. On that basis we will achieve a grain output of at least 10.4 million tons by 1985. The state production of fruit is to be raised to 610 kilotons and of produce, to 1,368 kilotons in 1985.

The following state quotas are stipulated for the more important animal products:

	Unit of quantity	1985
Fat stock	1,000 tons	2,400
Milk (4% fat)	1,000 tons	6,930
Eggs	millions	4,720
Wool	tons	7,000

With it, one has to ensure a systematic reproduction of cattle stocks and improved breeding results, mainly by reducing animal losses and good animal care and maintenance. From each kilogram of fodder more animal products must be produced.

The consolidation and deepening of cooperation relations are to be aimed more consistently still at a high increase in performance and the use of all inherent potentials of the agriucltural production cooperatives, state farms and their cooperative facilities.

5. Construction

The building industry must improve its performance and efficiency to strengthen further our economic efficiency and consistently carry out our housing program.

In the construction ministry area, labor productivity has to be increased by 119 percent. Emphases are the reduction of specific building expenditures, while maintaining our economic and sociopolitical goals, by 15 percent and reducing construction schedules by 30 to 50 percent, especially for industrial and science projects.

The proportion of construction measures for reconstruction and modernization is nearly to be doubled up to 1985.

The development of the building materials and prefabrication industry must consistently be aimed at supplying the economy, the population and export with building materials and prefabricated elements proper as to needs and qualities.

6. Transport/Postal and Telecommunications Service

In the transport sector a higher quality of services is to be attained in passenger transport, goods traffic and transit trade. To reduce social expenditures in the economy and for reasons of our energy economy specific transport costs must be lowered in all economic branches through optimizing delivery and transport relations.

By resolutely transferring part of the freight haulage from road to rail and by expanding the amount of freight transported by inland navigation, the division of labor among the freight carriers has become more effective. To make the railroad more efficient, we must electrify a section of between 700 and 750 kilometers, and more efficient operational technologies are to be introduced for making better use of freight car parks and trailer camps and transport installations.

In passenger transport, to improve further the working people's working and living conditions, the quality and reliability have to be improved for commuter and pupils' transport services and for travel.

In the postal and telecommunications sector, services are to be increased to 113 percent, and their efficiency and quality must also be improved.

7. Water Management and Environmental Protection

Through our water management we have to improve our supplying the population, industry and agriculture with drinking and service water proper as to quality. We have to ensure a rational management of our water resources through minimal expenditure and effective use of the water management installations in all areas of the economy. Environmental conditions have to be improved especially in industrial centers and conurbations.

IV

To elevate the population's material and intellectual-cultural standard of living, the following targets are set down:

1. Working and living conditions in the combines, enterprises, facilities and cooperatives must systematically be improved as a basic element of the working people's material and intellectual-cultural standard of living.

In industry, the building trade and the transport sector, circa 1,100,000 jobs have to be newly set up or reorganized between 1981 and 1985 through the use of the data of scientific labor organization, and for circa 300,000 working people, the existing labor hazards are to be eliminated.

In conformity with the steadily growing comprehensive material funds and the increase in modern highly-productive equipment and installations, enterprises and combines will have to take purposeful measures to prevent fire, disturbances and breakdown to improve labor and production safety.

Catering facilities on the shop floor, especially for shift workers who are working under cumbersome conditions, are to be perfected. Especially in the building and assembly enterprises and in the small and medium-size enterprises must catering facilities be improved.

Meals for pupils and pre-school children are to be further improved.

2. The long-term housing construction program, the centerpiece of our social policy, is to be steadily advanced between 1981 and 1985 by the new construction and modernization of 940,000 dwellings, especially for workers' and large families and young couples. There are 600,000 new dwellings among them that are to be completed.

We must see to it that the proportion of dwellings to be built by workers' cooperative house-building societies comes to between 42 and 45 percent of industrial new housing construction, and that of private homes and rural homes to circa 10 percent of it each.

For housing structure and dwelling unit maintenance, we have to provide, between 1981 and 1985, for a circa 125-percent increase in building repair services over the 1976-1980 period.

3. The net monetary incomes of the population are to be raised by 120 percent in 1985 over 1980, as our production and efficiency goals are being met. The increased monetary income of the working people must mainly be ensured through their work income on the basis of our proficiency-oriented wage policy.

4. To improve public consumer goods supplies, retail turnover is to be increased by 120 percent in 1985 over 1980.

The production and supplies of high-grade consumer goods are to be raised significantly on the basis of the latest data of scientific-technical progress.

Supplies to consumers of commodities of daily use, mainly of basic foodstuffs varieties and baby-food products, must be ensured on a steady basis and proper as to demands. Supplies to consumers, proper as to demands, in the assortments of the "thousand small items" must likewise be ensured. Spare part supplies must be noticeably improved at a broad range.

Consumer durables have to be offered at stable consumer prices. In view of the development of more differentiated needs, goods are to be made available in all price categories, with goods in the medium price range, solid in quality, making up the main portion of our commodity supplies.

To take care of the population and the social institutions, services have to be systematically expanded through raising the efficiency of state-owned service enterprises and the promotion and better utilization of the capacities of the craft producers cooperatives and the individual crafts. Public repairs and services are to be increased to 120 percent in 1985 over 1980.

Maintenance and repair of technical consumer goods have to be increased by 123 percent in the current five-year plan period.

5. In the field of public education, the development of the 10-grade general-education polytechnical secondary school is to be carried on systematically. This further shapes the polytechnical character of the secondary school. All children get a high-level secondary school education, and their communist education is being further improved.

Building kindergarten facilities makes sure that in all territories children are taken care of in kindergartens, if their parents want them to, and are being prepared for school.

In vocational training, we must ensure high-grade training for circa a million of young specialists. We must see to it that this new generation of specialists is trained for all areas and occupations and assigned appropriately, in particular the new industrial workers.

The combines and enterprises must gear the working people's advanced training to high performance improvements. The proportion of certified working people, especially among the women, has to be raised further.

At universities, colleges and technical schools the basic task is the training and communist education of the students and of the new generation of scientists at a high technical level and in the spirit of the scientific world-outlook of the workers class. Research at universities and colleges must still more effectively be focused at science development and economic efficiency improvement. The application and use of research data must be ensured through keepingin close touch with practical life.

6. Through public health and social services we must further improve public health protection, make the achievements of modern medicine serviceable to the citizens and further improve the quality and effectiveness of medical and social care.

Mainly such measures have to be carried out that are of importance to the majority of our citizens and have a beneficial effect on our population's state of health. That concerns in particular improvements in basic medical care in large cities and conurbations and in out-patient care in general medicine, dentistry and neurology/psychiatry.

A total of 2,100 medical and dental positions have to be created, mainly in out-patient and polyclinics. Through reconstruction, modernization and new construction, 8,500 new beds are to be made available for hospital patients. We also have to create 55,000 new places in day-nurseries and 18,500 in old-age and nursing homes.

Recreational opportunities for the working people are to be further improved up to 1985 through more package holidays sponsored by the trade unions and individual firms, to 4,7 million trips.

The FDJ initiatives for the maintenance, reconstruction and modernization of leisure-time and youth recreation facilities are to be encouraged and supported by the state organs.

In the central pioneer camps, the FDJ and the Ernst Thaelmann pioneer organization must by 1985 enjoy the use of 39,000 places per event. A comprehensive reconstruction of camps must be continued. The proportion of capacities that can be used all year long is to be raised to 13,000 places per event by 1985.

Physical culture and sports must be promoted all the way. The citizens' desire for health, joy in life, recreation, efficiency and well-being up to old age has to be fostered.

7. The artists have the task to contribute through new works of literature and art to the shaping of socialist personalities and the socialist way of life. Through unfolding the various talents and skills of the population, especially of youth, and the close contact of the working people with art, we have to mold further the mass character of socialist culture and art and their socialist content of ideas.

We must further expand the opportunities for high-level youth leisure-time activities, especially for the work of the FDJ youth clubs and for dances for the young.

By opening the concert hall on the Platz der Akademie and the reconstruction of the Friedrich City Palace in Berlin, capital of the GDR, the new Gewandhaus in Leipzig and the Dresden Semper Opera House, a significant contribution is to be made to the enrichment of cultural life in the GDR.

V

A crucial prerequisite for continuing stable economic and social development in the GDR is the purposeful deepening of our socialist economic integration with the USSR and the other CEMA countries. This ties the GDR ever more firmly to the community of socialist states and its main force, the USSR.

Through resolutely implementing the GDR-USSR production specialization and cooperation program up to 1990, the agreements with the other CEMA countries and the long-term target programs of CEMA, which also render the comprehensive program of CEMA more specific and develop it further, the GDR economy must become increasingly more entwined with the economies of the USSR and of the other socialist countries.

The tasks of export to the USSR and the other socialist countries have to be made, and be fulfilled as, standard components of the plans and accounts on all economic levels, as a precondition for implementing the accords made on the import of raw materials, fuels, machines, installations and consumer goods.

Economic and scientific-technical relations with the developing countries, mainly those that have taken the socialist course, have to be further extended and to be developed on a long-term basis.

Relying on the firm foundation of our economic relations with the socialist countries, we have to develop and expand our foreign trade with the capitalist industrial countries. That serves the policy of peaceful coexistence and promotes economic growth in our republic.

*

The GDR Council of Ministers, in conformity with the law on the Council of Ministers, is charged with the implementation of the 1981-1985 Five-Year Plan, based on the 10th SED Congress directive, and with supervising its fulfillment. It must prepare the annual economic plans on the basis of that law and thus ensure the fulfillment of the goals and tasks of the 1981-1985 Five-Year Plan.

The People's Chamber of the GDR calls on the workers, the cooperative farmers, the members of the intelligentsia and all other working people to devote all their strength to the fulfillment of the tasks of the 1981-1985 Five-Year Plan, strengthen the GDR in every way as an inseparable part of the socialist community of states that is rallied around the Soviet Union, and contribute to the further consolidation of the positions of socialism, peace and international security.

1982 Economic Plan

East Berlin NEUES DEUTSCHLAND in German 5-6 Dec 81 p 4

[Official text of the "Law of 3 December 1981 on the 1982 Economic Plan"]

[Text] The 1982 National Economic Plan, in implementation of the 10th SED Congress decisions and of the Law on the Five-Year Plan for the Development of the Economy of the GDR During 1981-1985, is aimed at continuing the all-round strengthening of the GDR. Its goals conform with a consistent continuation of the main task with its economic and social welfare tasks as a unity. That continues our successful course of performance improvements for the good of the people, for further advances in the shaping of developed socialism and for the strengthening of peace. The main content of the 1982 National Economic Plan and of its implementation are the 10 key points of economic strategy adopted by the 10th SED Congress.

I

The following growth rates have to be implemented for the development of the national economy in 1982:

	$\frac{1982}{1981}$*
Produced national income	104.8
Manufacturing output, industrial industries	105.1
Manufacturing output, national economy	104.6
Labor productivity, industrial ministries	104.5

Capital investment per M 100 in commodity production, industrial ministries	96.9
Output of construction industries	102.5
Housing construction, new buildings plus modernization	102.9
Production and services in agriculture, forestry and agricultural processing	100.2
Transport and telecommunications	104.8
Retail trade turnover	104.9
Net monetary income of the population	104.9
Foreign trade turnover	115.0

The capital of the GDR, Berlin, is to be further developed systematically as the political, economic, intellectual and cultural center of the GDR. All-out support is to be given to the FDJ Berlin Initiative, the central youth project, for which a high contribution must be ensured from all bezirks.

The tasks accruing from the safeguarding of national defense and internal order and security are to be ensured comprehensively and as priorities. The obligations resulting therefrom are to be met conscientiously by government and central economic departments, combines, enterprises, institutions and cooperatives.

II

It is a fundamental task of the 1982 National Economic Plan significantly to speed up scientific-technical progress as a crucial condition for performance growth and increased efficiency. On this basis, the effectiveness of the qualitative factors of economic growth has to be raised and, through further reducing the social expenditures in implementing the reproduction process, the cost/benefit ratio has to be significantly improved in all areas of the economy.

Scientific-technical solutions have to be worked out and applied in production which, on the basis of optimum refinement of available raw materials and working materials, ensure the manufacture of products that help determine advanced international standards in terms of their intrinsic value parameters, costs, durability, reliability and design features.

--Through measures of scientific-technical progress, 479 million working hours are to be saved in industry and the building trade.

--The manufacture of "Q" quality seal products is to be raised to 119 percent.

--The specific consumption of vital energy sources, raw materials and working materials is to be reduced, in comparison with 1981, as follows:

Energy intensity at least by	4.0 percent
Rolled steel in metalworking industry by	6.5 percent
Rolled steel in the building industry by	3.9 percent
Cement in the building industry by	5.5 percent

--The utilization of secondary raw materials, especially the metallic ones, old oil, lumber residues, returned glass containers and waste paper, and industrial waste products, is to be raised to 104.0 percent.

--The manufacture of branch-specific means of rationalization in the economic branches must be raised to 113 percent.

--Prime costs in industry must be reduced by 2.7 percent and in construction, by 1.4 percent.

On the basis of the further deepening of socialist economic integration, foreign trade must be purposefully developed with the USSR and the other countries in the community of socialist states. Economic and scientific-technical relations with the developing countries are to be stably and consistently developed further. Foreign trade with the capitalist industrial countries will continue to be based on equality and mutual advantage.

III

The 1982 National Economic Plan establishes the following targets for continuing production increases:

Ministry	Industrial production $\frac{1982}{1981}$%
Coal and Energy	103.7
Ore Mining, Metallurgy and Potash	103.3
Chemical Industry	106.0
Electrical Engineering and Electronics	107.7
Heavy Engineering and Industrial Plant	105.7
Machine Tools and Processing Machinery Manufacture	108.7
General Mechanical, Farm and Automotive Engineering	106.7
Light Industry	103.7
Glass and Ceramics Industry	104.2
Bezirk-managed Industry and Food Industry	104.6

The production of economically important products is to be as follows:

	Unit	1982
Electricity	GWH	103,400
Raw lignite	1,000 metric tons	271,900
Lignite briquettes	1,000 metric tons	50,020
Products further processed by the metalworking industry	1,000 metric tons	3,114
Steel pipes	1,000 metric tons	585
Potassic fertilizer	1,000 metric tons of K_2O	3,450
Man-made filament	tons	66,892
Man-made fibres	tons	81,907
Cutting-type machine tools	millions of marks	2,593
Cold-forming machine tools	millions of marks	788
Plastics and elastomere processing machinery	millions of marks	497
Machinery and equipment for the textile, clothing and leather industries	millions of marks	792
Valves, fittings and accessories	millions of marks	1,522
Anti-friction bearings	millions of marks	647

Low-voltage switchgear	millions of marks	1,012
Process instrumentation and control engineering equipment	millions of marks	1,633
Textile floor covering	1,000 square meters	34,294
Knitted outerwear	thousand	48,994
Hosiery	millions of pairs	358
Furniture and upholstered commodities	millions of marks	5,955
Household washing machines	thousand	493
Household refrigerators	thousand	690
of which deep-freezers	thousand	234
Gas ranges	thousand	207

Geological prospecting in 1982 must ensure the requisite supply base for a greater use of indigenous raw materials.

In the construction industry the following increase in output is to be achieved:

	1982/1981 %
Output of the Ministry for the Construction Industry	102.2
Manufacturing output of the ministry	100.2

The following state quotas are stipulated for the more important products of agriculture, forestry and food production:

	Unit	1982
Fat stock	1,000 metric tons	2,430
Milk (4% fat)	1,000 metric tons	6,850
Chicken eggs	millions	4,700
Vegetables, total	1,000 metric tons	1,350
Fruit	1,000 metric tons	53[illegible]

Forestry is to make available in 1982 9.6 million cubic meters of trunk timber.

In the transport sector the volume of goods transported (in tons) is to be increased to 103.5 percent for the railroad and to 102.4 percent for domestic waterways. The transshipment capacity of the ports is to be raised to 106.2 percent.

In the postal and telecommunications sector services are to be raised to 102.9 percent.

Through water management the requisite measures for ensuring the housing construction program have to be taken. The stabilization of drinking and service water supplies to households, industry and agriculture has to be improved, and the schemes for improved supplies and sewage treatment are to be continued systematically in Berlin, capital of the GDR, Leipzig and other cities.

To enhance the landscape and the protection of the environment, measures are to be taken to keep the water and the air clean, for the utilization of waste products or their harmless disposal and for reducing noise levels, primarily in industrial conurbations and cities.

IV

To ensure a gradual rise in the material and cultural standards of the people the following tasks are to be fulfilled in 1982:

--in housing construction:	
Dwellings to be provided	179,600
of which:	
newly built	117,540
modernized	62,060
of which:	
individual housing construction	13,300
newly built and modernized dwellings for Berlin, capital of the GDR	19,750

The output of the construction industry which is earmarked for the maintenance and modernization of housing is to be increased to 105.1 percent in 1982.

Provisions of consumer goods and services:	1982/1981 %
Retail trade turnover	104.0
Net monetary income of the population	104.0

Commensurate with the crucial contribution the workers class is making to creating our national income, the proportion of working income for the workers and employees to the monetary income of the population is to be raised systematically. The proven way for implementing the socialist performance principle is to be continued through the introduction of incentive wages. In 1982 there are to be introduced for another 473,000 workers, foremen, and university and technical school graduates proficiency-guided basic wages and salaries in combination with scientific labor organization and the application of efficiency indicators.

For further improving the output of services, the following targets are laid down:

	1982/1981 %
Services and repairs for the population	105.0
Motor vehicle repair and maintenance services for the population	104.9

In the education system the following capacities are to be newly created in 1982:

In public education:	
Classrooms	2,530
Places in kindergartens	25,740
Places in boarding schools and homes	670
School gymnasiums	150

In vocational training:

Classrooms	140
Places in apprentice hostels	4,200
School gymnasiums	10

At universities, colleges and technical schools some 80,200 students are to be enrolled in 1982, including 60,700 full-time students. The following facilities are to be newly provided:

Places in halls of residence	2,270
Places in lecture halls and seminar rooms and jobs	3,740

Medical and social services for the population are to newly provide the following capacities in 1982:

Posts for doctors in outpatient units	250
Posts for dentists	230
Places in day nurseries	12,100
Places in establishments for the treatment and training of physically and mentally handicapped children and adolescents	1,000
Places in homes for senior citizens and nursing homes	3,900

In the recreation sector, the following tasks are to be performed in 1982:

Package holidays sponsored by the FDGB and individual firms	4,600,000
Provision of new places in FDGB holiday homes	300

For leisure pursuits and the recreation of young people, youth tourism establishments are to be further reconstructed and modernized in 1982. Through comprehensive housing construction, 2,510 places in youth club facilities are to be newly created.

In the central pioneer camps for the FDJ and the Ernst Thaelmann pioneer organization capacities are to be raised to 34,400 places per booking in 1982. The number of places useable throughout the year is to be raised to 4,566.

The People's Chamber of the GDR by this law calls on all citizens of the country to implement, and exceed in a targeted fashion, with all their knowledge and skill and creative energy, the targets of the 1982 National Economic Plan for the all-round strengthening of the GDR, the socialist workers and farmers state on German soil.

Budget for 1982

East Berlin NEUES DEUTSCHLAND in German 5-6 Dec 81 p 5

[Official text of the "Law of 3 December 1981 on the 1982 State Budget"]

[Text] In agreement with the 1982 National Economic Plan, the People's Chamber of the GDR adopts the following Law on the 1982 National Budget Plan:

Article 1

The following state revenue and expenditure, the National Budget Plan of the GDR and the funds of state-owned combines and enterprises from profits are confirmed:

	State revenue and expenditures	National Budget Plan	Funds of state-owned combines and enterprises from profits
	- in million Marks -		
Revenue	194,512,4	177,912,7	16,599,7
Expenditure	194,437,4	177,837,7	16,599,7
Difference between revenue and expenditure in 1982	75,0	75,0	-

Article 2

The following main items of revenue and expenditure under the 1982 National Budget Plan are confirmed:

	- in million Marks -	
	Revenue	Expenditure
State-owned economy (without agriculture, forestry and the food industry)	130,287,6	39,296,0
State-owned and cooperative agriculture, forestry and the food industry	6,088,8	12,138,8
Including:		
--Price subsidies for means of production for agricultural enterprises as a result of changes in industrial prices	-	(7,688,3)
--Expenditure on amelioration, supplements for certain regions and other production-enhancing measures in agriculture	-	(2,795,7)
Academy of Sciences	234,7	812,2
Maintenance of the communications network	-	3,238,0
Taxes and levies	15,219,0	-
Housing construction and housing management	-	8,543,4
Of which:		
--Large-scale housing construction		(2,200,5)
--Modernization of apartments		(336,4)
--Building repairs		(1,397,0)
--Housing management		(2,252,1)
--Interest and repayment of investment loans for housing construction		(2,357,4)

Replacement and expansion of fixed assets in cultural, social and educational facilities not connected with large-housing construction	-	1,503,2
Budget funds for investments and science and technology for university and technical school affairs, public health and other state organs and institutions	-	1,079,1
Subsidies for ensuring stable prices for staple goods and tariffs for the population	-	21,181,5
Public education	368,2	7,696,2
Universities, colleges and technical schools	269,4	2,395,2
Vocational training	7,4	862,0
Adult education	37,6	107,3
Health and social services	6,898,7	11,111,9
Including:		
National insurance payments on health care	(5,495,0)	-
Remittance of credits granted to young married coupes and remittance of interests for credits	-	230,0
National insurance and other benefits granted by the state	15,646,3	30,213,8
Facilities for youth	153,3	321,9
Culture	467,2	1,753,8
Sports	106,0	394,9
Recreation and holiday services	87,1	449,8
Foreign tourism (subsidy)	-	258,1
Radio and television	519,7	727,9
Local government measures and services	133,8	829,3
State administration and economic bodies	280,5	3,760,9
Foreign policy tasks	-	201,7
National defense	-	10,776,4
Public security, administration of justice and securing the state frontier	-	4,178,0

Article 3

In accordance with Article 2, social funds amounting to M 61,686,8 million shall be made available from the National Budget, taking into consideration the main items of revenue and expenditure, to ensure and gradually further improve the material standards and cultural level of the people.

Article 4

(1) The Central Budget Plan is confirmed as follows:

Revenue	141,585,6 million Marks
Expenditure	141,510,6 million Marks

(2) The budget plans of the national insurance scheme, as an independent part of the National Budget, are confirmed as follows:

	Production and office workers	Members of socialist cooperatives and other working strata
	- in million Marks -	
Revenue	13,705,0	1,643,1
Expenditure	25,719,9	3,433,0
Subsidies from the National Budget	12,014,9	1,789,9

Article 5

(1) The budget plans for Berlin, capital of the GDR, and the bezirks are confirmed in the following form:

Including: Proportion of overall National Budget revenue

	Revenue and expenditure	Total	Including specified investments	Cash balance on 1 January 1982 and 31 December 1982
		- in million Marks -		
Berlin	3,913,8	2,298,5	664,8	39,0
Cottbus	1,912,6	1,033,5	187,1	16,0
Dresden	3,532,7	1,823,6	336,7	36,0
Erfurt	2,490,1	1,305,2	261,7	24,0
Frankfurt/Oder	1,706,5	1,023,6	172,9	13,0
Gera	1,608,3	866,1	167,9	16,0
Halle	3,497,6	1,897,1	355,8	33,0
Karl-Marx-Stadt	3,555,9	1,735,4	365,7	33,0
Leipzig	2,726,4	1,360,8	248,9	27,0
Magdeburg	2,700,5	1,400,6	249,7	27,0
Neubrandenburg	1,565,3	985,8	119,7	19,0
Potsdam	2,394,8	1,295,7	232,6	24,0
Rostock	2,145,4	1,287,0	171,1	22,0
Schwerin	1,446,5	792,4	148,6	16,0
Suhl	1,130,7	625,2	100,1	11,0
Total:	36,327,1	19,730,5	3,783,3	356,0

(2) Local assemblies shall finance their planned projects from
--levies paid by enterprises under their control, revenues of their departments and institutions subordinated to them;
--taxes (excluding wage taxes) and levies from communities;
--their share in the overall National Budget revenues.

(3) In keeping with legal provisions, villages and towns under kreis jurisdiction shall have available means and funds of the local assemblies and other sources for the effective encouragement of socially useful citizen initiatives aimed at the all-round fulfillment of the plan and its overfulfillment in certain sections in the interest of social life and the improvement of working and living conditions.

Article 6

In accordance with Article 4 of the National Budget Act of the GDR of 13 December 1968 (GBL, Part I No 23, p 383), the Council of Ministers approves of the alterations to the 1982 National Budget Plan necessary in implementation of the plans. The surplus of revenue over expenditure laid down in Article 1 must not be changed.

Article 7

The regulations to implement the budget shall be issued by the Minister of Finance.

Article 8

(1) This law shall enter into force on 1 January 1982.

(2) On the same date there shall be repealed:

(a) the law on the 1981 National Budget Plan of 17 December 1980 (GBL, Part I No 35, p 359);

(b) the law of 9 February 1950 on the dues of the republic and the other territorial bodies and on establishing a tax administration in the republic (tax law) (GBL, No 17 p 130); and

(c) the law of 7 February 1952 on the redemption and interest payments for the amounts of the construction lottery for the National Construction Program Berlin 1952 (GBL, No 19, p 109).

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DEFICIENCIES IN COMBINE MANAGEMENT, ORGANIZATION DISCUSSED

West German Commentary

Bonn IWE-TAGESDIENST in German No 171, 23 Nov 81 pp 2-3

[Report from Berlin: "Serious Organizational Deficiencies in GDR Industrial Combines." A translation of the East Berlin WIRTSCHAFT article cited below follows this commentary]

[Text] Rigid and unintelligible organizational structures, obscured competencies and excessive administrative efforts are cutting into the efficiency of the GDR's industrial combines formed in recent years, as the most recent edition of the East Berlin WIRTSCHAFT (No 11, 1981) has criticized. Often combine management authority with respect to subordinated yet legally independent combine enterprises had not been clearly defined, and there was a big difference in the organizational levels of the various enterprises. In the years ahead, so says the East Berlin paper, rational solutions should have to be achieved in the organizational form of combine management and suitable overall combine structure, with tasks clearly separated between combine management and the managements of the enterprises. Altogether, the number of management levels should be reduced, management and administrative efforts be diminished, and the management system be improved in its effectiveness.

Focus on Structure, Responsibilities

East Berlin DIE WIRTSCHAFT in German Vol 36 No 11, 12 Nov 81 p 12

[Article by Dr Horst Koehler, Friedrich Schiller University, Jena: "The Way to a Uniform Combine Organization"]

[Text] A basic demand of the economic strategy for the 1980's is to develop further the combines under central and bezirk management in industry, construction, transport and telecommunications as a whole. That implies exhausting all possibilities of organization as a productive force. Thus it is inherent in long-term combine development to orient organizational work more at shaping and enforcing streamlined organizational forms and processes making comprehensive use of ADP. In short, it is a matter of creating a streamlined combine organization which is thoroughly uniform in its basic structure. The goal and the solution are particularly derived in this from our extending our concentration, specialization and cooperation.

Altered development conditions and new economic policy goals call for a change in the handling of tasks in economic organization. Which also means that "combine organization" must not be understood as more or less identical with the previous "enterprise organization" or merely as a change in terms. Certainly, our combine organization must get the benefit from the rich store of experiences of our work in enterprise organization during the years when our state enterprises were under development. But we must also look at the totally different basic structure of economic organization that conforms to the changed reproduction profile and the new organizational forms of management.

Dividing Processes into Intelligible Elements

A special problem lies in sorting out the requirements of "uniform combine organization" into tenable and feasible elements or building blocks. That would result in concrete handles and a uniform basis for the working methods for the procedures along the lines of a division of labor used by the various operational and application work collectives. The approach to it must be seen to be directly project-or-process-related.

As a model for such sorting out in the reproduction and management process in terms of partial sectors that are to be worked on substantively and administered organizationally we may take the "instruction systems" (combine and enterprise regulations) that exist in all combines with their project and requirement specifications with their nomenclature. Such codifications contain circa 30 to 50 tasking areas that have been given up to 300 regulations as instructions. Sure enough, the matters and partial processes dealt with in them are usually too narrowly defined if one considers the process building blocks of uniform combine organization that are to be created. Exceptions are such regulations that deal with larger cross sections of the process, as for instance a combine's planning system. This explains that the process building blocks to be created must be complex in nature and normally entail a total run through several management areas and subject fields. Contact and juncture points have to be taken into account, the cooperation of all involved must be ensured, and the existing organizational rules must be respected. At the same time it is a matter of finding a rational process alternative and using computers for routine processes.

As an example for such a process building block we may take the uniform combine development of the "development and application processes for novel products." That process runs through various areas of responsibility, at least through the central technical field or the R&D enterprise, the centralized fields for techniques and technology and production and production preparation, the end producer (the combine enterprise) and finally the cooperation partner. To render uniform or take account of here are:

--the various activities in the different areas of responsibility and the cooperation among the participating areas and specialized fields;
--the detailed structuring of rational computer-aided processes relying on a uniform basis for organizational processes in the form of streamlined key systems and primary data, primary ADP documentation and preprinted forms;
--a greater use of streamlined ADP projects;
--the conformity with other organizational projects;
--attention to the organizational rules for the process under consideration; and
--enforcing the rationalization of management and administration.

Another central question pertains to the accountabilities for uniform combine organization. Experiences tell us that one needs an overall conception with long-term ideas as well as clear decisions on preparatory and operational steps to be taken.

Precise Determination of Accountability

This requires of the general director to instruct the combine about the organizational work. It has also been found useful for combine organization to set up central working teams made up of experienced technical and operational directors, executive associates and specialists. The combine's technical director for data processing should coordinate the preparation of documents for decision-making and their activities in their implementation in that field. It is of special interest to draw up "organizational authorizations" and set down the responsibilities the technical directors in combine management have. Their responsibility for the organizational matters within the scope of their "process responsibility" always relates to a clearly delineated partial process on the scale of the combine. That responsibility thus enters deeply into the spheres of responsibility of the directors of the combine enterprises and their authorizations in enterprise organization. Within the obligation the technical directors in the combine have to instruct analogous technical areas in the enterprises, the general director may, as one knows, assign the right to give instructions for specific tasks as well. Practically, there still is some lack of clarity in this field. What should have to be above all unequivocal is the relationship between the responsibility of the various technical directors for their process field and the functional responsibility of the technical directors for organization and data processing. The latter should then have to ensure that the organizational measures taken in any individual technical area suit the overall uniform organization while help reduce managerial and administrative expenditures.

The Relation between Combine and Enterprise Organization

The question about the limits of overall uniform combine organization must be answered in view of the position of the combine enterprises as economically and legally independent economic units. Within the scope of their responsibility the enterprise directors must bring their influence to bear on the structuring of the enterprise organization. On the other hand, concrete enterprise organization must rationally undergird and complete the basic uniform combine organization with its own ways and means and possibilities, tap reserves and awaken initiatives. No solutions must be allowed that would infringe either the effectiveness of the overall process or the interests of the enterprise collectives. Within the basic uniform combine organization serious particulars in enterprises must be taken into account. It must also be ensured centrally that the organizational levels of all combine enterprises are approximately even. From the function of the combine organization we also derive the duty to analyze and supervise the development of the organization of the enterprises.

However, this basic uniform combine organization is not a matter of formally demanding and setting down rigid organizational forms and processes, but it is always a matter of finding the most efficient solutions for the whole.

Topical Basic Issues in Organizational Work

Though organizational levels differ in the combines, one may summarize by referring to those focal points in our work on which organizational efforts will have to concentrate in the years ahead:

--Clarification of development matters in the streamlining of combines, prerequisite to further perfecting uniform combine organization. As a rule such streamlining leads to changes of economic organization in the structure of the enterprises, enterprise departments, production shops and centralized management areas in the technical fields (-directorates).

--In accordance with the principle: "Combine formation is mainly the formation of efficient combine enterprises" we must accomplish a manageable number, a rational solution in the organizational form of combine management and a suitable overall structure of the combine, with requirements clearly divided between combine management and the enterprise managements. On the whole, we must minimize the number of management levels and reduce the managerial and administrative efforts on the various management levels and develop to that end a normative base for management organization. The system of instruction also must be perfected, kept up-to-date and be improved in its effectiveness.

--In the field of computer-aided organization, the various solutions in enterprise organization that stem from differences in historic development must be gradually reduced, especially also in their primary organization, keys, documentations and preprinted forms. Of special importance to making combine organization more uniform is a direct processing organization by means of standardized technological primary documents.

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CSO: 2300/73

CHANGES IN ALLOCATION OF FOREIGN EXCHANGE FOR 1981

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 62, 20 Nov 81 pp 1583-1589

[Order of the Federal Executive Council issued in Belgrade 22 October 1981, signed by chairman Veselin Djuranovic: "Order Amending the Order on Allocation of Foreign Exchange To Meet the Needs of Federal Bodies and Agencies and To Discharge the Rights and Perform the Duties of the Federation in 1981"]

[Text] 1. In the Order on Allocation of Foreign Exchange To Meet the Needs of Federal Bodies and Agencies and To Discharge the Rights and Perform the Duties of the Federation in 1981 (SLUZBENI LIST SFRJ, No 2, 1981), in Paragraph 1, Subparagraph 1, the number "24,993,925,300" shall be replaced by the number "22,652,456,900," the number "3,234,077,000" by the number "2,991,077,645" and the number "21,127,053,000" by the number "19,184,986,000."

In Paragraph 2 the number "632,795,300" shall be replaced by the number "476,393,255."

2. The allocation of foreign exchange for 1981 is hereby amended as follows:

"No 1	Recipient 2	Expressed in Dinars 3	
1	State Presidency of the Socialist Federal Republic of Yugoslavia		
	Invisibles:		
	Official travel	4,000,000	
	Other payments	288,000	4,288,000
	Visibles		1,092,000
	Total		5,380,000

1	2	3	
2	Department for Management of Entertainment Facilities of the State Presidency of the Socialist Federal Republic of Yugoslavia		
	Invisibles:		
	Official travel	43,200	
	Other payment	545,600	588,800
	Visibles		1,334,400
	Total		1,923,200
3	SFRY Assembly		
	Invisibles:		
	Official travel	3,324,750	
	Membership dues and assessments	615,406	
	Other payments	11,250	3,951,406
	Visibles		9,201,100
	Total		13,152,506
4	Council of the Federation		
	Invisibles:		
	Official travel		62,400
	Total		62,400
5	Administration of Brioni Islands		
	Invisibles:		
	Official travel	43,200	
	Other payments	1,744,000	1,787,200
	Visibles		1,511,200
	Total		3,298,400
6	Federal Executive Council		
	Invisibles:		
	Official travel	14,748,800	
	Membership dues and assessments	24,300,000	
	Other payments	209,600	39,258,400
	Visibles		83,713,600
	Total		122,972,000

1	2	3
7	Department for Defense Preparations of the Federal Executive Council	
	Visibles	4,000,000
	Total	4,000,000
8	Translation Department of the Federal Executive Council	
	Invisibles:	
	Official travel	308,000
	Visibles	930,000
	Total	1,238,000
9	Constitutional Court of Yugoslavia	
	Invisibles:	
	Official travel	33,600
	Total	33,600
10	Federal Court	
	Invisibles:	
	Official travel	60,000
	Total	60,000
11	Federal Public Prosecutor's Office	
	Invisibles:	
	Official travel	80,000
	Total	80,000
12	Federal Solicitor General	
	Invisibles:	
	Official travel	100,800
	Total	100,800

1	2		3
13	Federal Public Defender of Self-Management Law		
	Invisibles:		
	Official travel		35,200
	Total		35,200
14	Federal Secretariat for Foreign Affairs		
	Invisibles:		
	Official travel	37,795,000	
	Diplomatic and consular missions	1,687,511,000	
	Membership dues and assessments	70,646,000	
	Other payments	13,511,000	1,809,463,000
	Visibles		40,874,000
	Total		1,850,337,000
15	Federal Secretariat for National Defense		
	Invisibles:		
	Official travel	6,351,480	
	Foreign missions	84,051,070	
	Membership dues and assessments	407,840	
	Medical treatment abroad	6,801,920	
	Advanced training	53,443,790	
	Other payments	5,954,500	157,010,600
	Visibles		17,942,609,400
	Total		18,099,620,000
16	Federal Secretariat for Internal Affairs		
	Invisibles:		
	Official travel	5,000,000	
	Membership dues and assessments	3,000,000	
	Advanced training	1,383,000	
	Other payments	102,500,000	111,883,000
	Visibles		123,014,000
	Total		234,897,000

1	2	3	
17	Federal Secretariat for Finance		
	Invisibles:		
	Official travel	2,440,000	
	Membership dues and assessments	32,760,000	
	Transfer of legacies	12,000,000	
	Other payments	48,073,600	94,273,600
	Total		94,273,600
18	Federal Secretariat for Foreign Trade		
	Invisibles:		
	Official travel	1,050,000	
	Membership dues and assessments	12,274,000	13,324,000
	Total		13,324,000
19	Federal Secretariat for the Market and General Economic Affairs		
	Invisibles:		
	Official travel	244,500	
	Membership dues and assessments	2,593,580	2,838,080
	Total		2,838,080
20	Federal Secretariat for Jurisprudence and Organization of the Federal Administration		
	Invisibles:		
	Official travel	480,400	
	Membership dues and assessments	229,000	709,400
	Total		709,400
21	Data Processing Center of Federal Bodies and Agencies		
	Invisibles:		
	Official travel	26,400	
	Other payments	160,000	186,400
	Visibles		5,300,800
	Total		5,487,200

1	2	3	
22	Federal Secretariat for Information		
	Invisibles:		
	Official travel	1,896,000	
	Other payments	1,876,800	3,772,800
	Visibles		5,600,000
	Total		9,372,800
23	Federal Committee for Energy and Industry		
	Invisibles:		
	Official travel	1,047,514	
	Membership dues and assessments	7,974,000	9,021,514
	Total		9,021,514
24	Federal Committee for Agriculture		
	Invisibles:		
	Official travel	1,495,900	
	Membership dues and assessments	28,383,000	
	Other payments	1,640,000	31,518,900
	Total		31,518,900
25	Federal Committee for Transportation and Communications		
	Invisibles:		
	Official travel	1,337,700	
	Membership dues and assessments	8,886,000	10,223,700
	Total		10,223,700
26	Federal Committee for Labor, Health and Social Welfare		
	Invisibles:		
	Official travel	1,287,000	
	Membership dues and assessments	37,013,000	38,300,000
	Total		38,300,000

1	2	3	
27	Federal Bureau for Employment Security		
	Invisibles:		
	Official travel	580,800	
	Branch offices abroad	190,400	771,200
	Total		771,200
28	Federal Committee for Affairs of Veterans and Military Disableds		
	Invisibles:		
	Official travel	65,830	
	Medical treatment abroad	2,000,000	
	Other payments	1,740,000	3,805,830
	Total		3,805,830
29	Federal Customs Administration		
	Invisibles:		
	Official travel	619,000	
	Membership dues and assessments	1,340,000	1,959,000
	Visibles		47,870,000
	Total		49,829,000
30	Federal Administration for Flight Control		
	Invisibles:		
	Official travel	336,800	
	Membership dues and assessments	140,000	
	Advanced training	1,185,000	
	Other payments	2,640,000	4,301,800
	Visibles		300,000,000
	Total		304,301,800
31	Federal Administration for Radio Communications		
	Invisibles:		
	Official travel	246,000	
	Advanced training	36,750	
	Other payments	123,750	406,500
	Visibles		4,636,500
	Total		5,043,000

1	2		3
32	Federal Market Inspectorate		
	Invisibles:		
	Official travel		79,200
	Total		79,200
33	Federal Foreign Exchange Inspectorate		
	Invisibles:		
	Official travel		372,800
	Total		372,800
34	Federal Aeronautics Inspectorate		
	Invisibles:		
	Official travel	397,600	
	Membership dues and assessments	96,000	
	Other payments	21,600	515,200
	Visibles		350,400
	Total		865,600
35	Federal Bureau for Social Planning		
	Invisibles:		
	Official travel		173
	Visibles		600,[illegible]
	Total		773,600
36	Federal Community for Price Affairs		
	Invisibles:		
	Official travel		58,400
	Total		58,400
37	Federal Bureau for International Scientific, Educational and Cultural, and Technical Cooperation		
	Invisibles:		
	Official travel	2,970,552	
	Membership dues and assessments	20,801,761	
	Other payments	34,000,000	57,772,313
	Total		57,772,313

1	2		3
38	Federal Bureau of Statistics		
	Invisibles:		
	Official travel	355,950	
	Membership dues and assessments	16,500	372,450
	Visibles		6,000,000
	Total		6,372,450
39	Federal Bureau of Hydrometeorology		
	Invisibles:		
	Official travel	209,000	
	Membership dues and assessments	14,277,000	
	Other payments	205,000	14,691,000
	Visibles		4,299,000
	Total		18,990,000
40	Federal Bureau of Standards		
	Invisibles:		
	Official travel	535,000	
	Membership dues and assessments	2,486,000	3,021,000
	Total		3,021,000
41	Federal Patent Office		
	Invisibles:		
	Official travel		178,000
	Visibles		764,400
	Total		942,400
42	Federal Bureau for Weights and Measures and Precious Metals		
	Invisibles:		
	Official travel	94,520	
	Membership dues and assessments	789,592	
	Other payments	2,100	886,202
	Visibles		588,998
	Total		1,475,200

1	2		3
43	Federal Bureau of Geology		
	Invisibles:		
	Official travel		136,000
	Total		136,000
44	Federal Directorate for Reserves of Foodstuffs		
	Invisibles:		
	Official travel		160,000
	Total		160,000
45	Federal Directorate for Reserves of Industrial Products		
	Invisibles:		
	Official travel		408,000
	Total		408,000
46	Department for Rendering Entertainment Services of Federal Bodies and Agencies		
	Invisibles:		
	Official travel	1,105,000	
	Other payments	20,500,000	21,605,000
	Visibles		21,660,000
	Total		43,265,000
47	Department for Administrative and Accounting Affairs of Federal Administrative Agencies and Federal Organizations		
	Visibles		3,872,132
	Total		3,872,132
48	Garage of Federal Bodies and Agencies		
	Visibles		1,889,100
	Total		1,889,100

1	2		3
49	Administration for Management of Office Buildings of Federal Bodies and Agencies		
	Invisibles:		
	Official travel		100,000
	Visibles		3,285,600
	Total		3,385,600
50	Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces		
	Invisibles:		
	Official travel		114,400
	Total		114,400
51	Presidium of the Central Committee of the League of Communists of Yugoslavia		
	Invisibles:		
	Official travel	560,000	
	Other payments	800,000	1,360,000
	Visibles		4,000,000
	Total		5,360,000
52	Work Organizations for Rendering Services and Maintaining the Building of the LCY Central Committee and the LC Serbia Central Committee Known as Central Committee Headquarters		
	Invisibles:		
	Official travel	21,600	
	Other payments	901,600	923,200
	Visibles		6,276,800
	Total		7,200,000

1	2	3	
53	Federal Conference of the Socialist Alliance of Working People of Yugoslavia		
	Invisibles:		
	Official travel	2,314,000	
	Other payments	5,490,000	7,804,000
	Total		7,804,000
54	Presidium of the Conference of the Socialist Youth League of Yugoslavia		
	Invisibles:		
	Official travel	1,218,600	
	Other payments	103,800	1,322,400
	Total		1,322,400
55	Federation of Associations of Veterans of the National Liberation War of Yugoslavia		
	Invisibles:		
	Official travel	601,000	
	Membership dues and assessments	35,000	636,000
	Total		636,000
56	Council of the Federation of Yugoslav Trade Unions		
	Invisibles:		
	Official travel	3,070,000	
	Membership dues and assessments	450,000	
	Other payments	1,632,800	5,152,800
	Visibles		1,100,000
	Total		6,252,800
57	Presidency of the Yugoslav Red Cross		
	Invisibles:		
	Official travel	791,000	
	Membership dues and assessments	1,339,000	
	Other payments	1,609,000	3,739,000
	Total		3,739,000

1	2	3	
58	Yugoslav League for Peace, Independence and Equality of Peoples		
	Invisibles:		
	Official travel	285,600	
	Membership dues and assessments	10,000	295,600
	Total		295,600
59	Federation of United Nations Associations of Yugoslavia		
	Invisibles:		
	Official travel	73,600	
	Membership dues and assessments	36,000	109,600
	Total		109,600
60	Physical Fitness Federation of Yugoslavia		
	Invisibles:		
	Official travel	6,512,000	
	Membership dues and assessments	1,756,000	
	Other payments	100,000	8,368,000
	Visibles		2,086,400
	Total		10,454,400
61	Popular Technology--Federation of Organizations for Popular Technical Knowledge of Yugoslavia		
	Invisibles:		
	Official travel	192,000	
	Membership dues and assessments	200,000	392,000
	Visibles		130,000
	Total		522,000
62	Firefighters' Alliance of Yugoslavia		
	Invisibles:		
	Official travel	192,800	
	Membership dues and assessments	31,000	223,800
	Total		223,800

1	2		3
63	Tourist Alliance of Yugoslavia		
	Invisibles:		
	Official travel	72,900	
	Foreign branch offices	65,322,900	
	Other payments	30,867,300	96,263,100
	Total		96,263,100
64	Yugoslav Council for Traffic Safety		
	Invisibles:		
	Official travel	88,000	
	Membership dues and assessments	50,000	138,000
	Total		138,000
65	Public Organizations		
	Invisibles:		
	Official travel	2,400,000	
	Membership dues and assessments	2,400,000	
	Other payments	690,000	5,490,000
	Visibles		120,000
	Total		5,610,000
66	Social Accounting Service of Yugoslavia		
	Invisibles:		
	Official travel	300,000	
	Membership dues and assessments	140,000	
	Other payments	3,000,000	3,440,000
	Visibles		365,425,000
	Total		368,865,000
67	National Bank of Yugoslavia		
	Invisibles:		
	Official travel	1,686,100	
	Membership dues and assessments	60,000	
	Other payments	172,000	1,918,100
	Visibles		83,000,000
	Total		84,918,100

1	2	3	
68	Economic Chamber of Yugoslavia		
	Invisibles:		
	Official travel	3,000,000	
	Foreign representative offices	116,832,000	
	Fairs and exhibitions	76,000,000	
	Membership dues and assessments	1,600,000	
	Other payments	1,500,000	198,932,000
	Visibles		1,800,000
	Total		200,732,000
69	Cooperative Alliance of Yugoslavia		
	Invisibles:		
	Official travel	292,800	
	Membership dues and assessments	196,800	489,600
	Total		489,600
70	TANJUG News Agency		
	Invisibles:		
	Official travel	2,387,650	
	Foreign bureaus	61,438,300	
	Membership dues and assessments	543,000	
	Other payments	23,603,200	87,972,150
	Visibles		9,402,300
	Total		97,374,450
71	SFRY National Committee of the International Chamber of Commerce		
	Invisibles:		
	Official travel	72,000	
	Membership dues and assessments	213,000	285,000
	Total		285,000
72	Federation of Health Insurance and Health Care Communities of Yugoslavia		
	Invisibles:		
	Official travel	72,000	
	Health care	58,275,000	58,347,000
	Total		58,347,000

1	2	3	
73	Federation of Old Age and Disability Insurance Communities of Yugoslavia		
	Invisibles:		
	Official travel	72,000	
	Membership dues and assessments	630,000	702,000
	Total		702,000
74	Yugoslav Archives		
	Invisibles:		
	Official travel	62,000	
	Membership dues and assessments	184,000	246,000
	Total		246,000
75	"Film News" [Newsreel]		
	Invisibles:		
	Official travel	161,000	
	Membership dues and assessments	30,000	191,600
	Visibles		2,864,000
	Total		3,055,600
76	Institution for Maintaining Maritime Waterways		
	Visibles		12,410,000
	Total		12,410,000
77	Institution for Maintaining Inland Waterways		
	Invisibles:		
	Official travel	97,600	
	Membership dues and assessments	50,000	147,600
	Visibles		2,573,000
	Total		2,720,600
78	Yugoslav Register of Ships		
	Visibles		2,730,000
	Total		2,730,000

1	2	3	
79	Sluzbeni List SFRJ Publishing Institution		
	Invisibles:		
	Official travel		231,200
	Visibles		35,013,240
	Total		35,244,440
80	Yugoslav Center for Technical and Scientific and Technical Documentation		
	Invisibles:		
	Official travel	82,400	
	Membership dues and assessments	43,200	
	Other payments	64,000	189,600
	Visibles		2,252,800
	Total		2,442,400
81	Yugoslav Radio and Television		
	Invisibles:		
	Official travel	1.933,920	
	Membership dues and assessments	26,125,000	
	Other payments	16,785,280	44,844,200
	Visibles		588,600
	Total		45,432,800
82	Komunist Newspaper Publishing Enterprise		
	Invisibles:		
	Official travel	595,000	
	Other payments	1,921,000	2,516,000
	Visibles		25,500
	Total		2,541,500
83	Borba Newspaper Publishing and Printing Enterprise		
	Invisibles:		
	Official travel	2,759,200	
	Foreign bureaus	7,241,600	
	Other payments	3,381,400	13,382,200
	Visibles		37,924,730
	Total		51,306,930

1	2	3
84	Geomagnetic Institute	
	Invisibles:	
	Official travel	59,200
	Visibles	267,000
	Total	326,200
	Grand Total	22,175,536,845"

3. This order shall take effect on the day after publication in SLUZBENI LIST SFRJ.

7045
CSO: 2800/119

INVESTMENTS IN FIXED ASSETS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Dec 81 p 5

[Text] The tendency toward a slower growth of payments on investment projects which in the first 9 months of the year was reflected in the decline of the real volume of investment in fixed capital continued in the fourth quarter as well. Payments for work on investment projects in October were up 13 percent in nominal terms over the same month of 1980, but when this rate is adjusted for the rise of prices in the construction industry and on the market for equipment, the real volume of investments was down more than 25 percent. This means that investment spending in October had been brought into line with the aims of economic policy, since the Resolution on Policy for Implementing in 1981 the Social Plan of Yugoslavia envisaged that the real level of investment in fixed capital would be lower than the level in 1980, calling moreover for a reduction of about 30 percent in the value of nonproductive and noneconomic investments, except for investments in housing construction.

Investments in Fixed Capital, in millions of dinars

Investments	Oct 81	Jan-Oct 81	Oct 81 / Oct 80	Jan-Oct 81 / Jan-Oct 80
Total	50,670	415,812	113	120
OUR's [organization of associated labor] in the economy	19,271	144,318	123	127
OUR's outside the economy	5,692	41,747	134	125
Self-managing communities of interest	2,319	17,884	125	114
Banks	17,814	179,091	87	109
Lendings through banks	4,987	27,648	122	183
Sociopolitical communities	587	5,124	106	100
Opstinas	354	2,966	118	117
Republics and provinces	99	1,462	59	84
Federation	134	696	221	83

Reduced Use of Bank Resources

The greatest impact on the slowing down of investments in October was exerted by payments from bank resources, which were down 13 percent in nominal terms from

the same month of the previous year, while in real terms the reduction was more than 45 percent. This very rapid drop in the use of bank resources for investment projects is the result of reduced liquidity of the banks and the decline of their credit potential. This was favored by the measures of the National Bank in restricting the growth of credit. In addition, regulations reducing the possibility for use of short-term funds for investment projects also tended to reduce the credit potential of the banks.

In the January-October period investments grew 20 percent in nominal terms over the same period of last year, while the real volume of investment was down about 20 percent. With respect to source, payments on investment projects from the resources of organizations of associated labor in the economy were up 27 percent, those of organizations of associated labor outside the economy were up 25 percent, those of self-managing communities of interest were up 14 percent, and those of banks were up 9 percent, while investments from the funds of sociopolitical communities remained at last year's level in nominal terms. In the distribution of payments by sociopolitical communities, payments from the resources of opstinas were up 17 percent, while payments from the resources of republics and provinces were down 16 percent and those from federal funds were down 17 percent.

Within the payments from bank resources, which, as is evident from the table, amounted to 17.9 billion dinars and represented over 40 percent of total investments, the financing of housing construction had a share of 5.5 billion, or one-third. This intensive credit financing of housing construction helped to raise the share of this form of investment project from 13 percent in 1980 to 14 percent this year, which is in line with the policy established in this sector of the standard of living.

The distribution among basic purposes shows that the share of economic investments in total investments in fixed capital increased from 64 percent in the first 9 months of 1980 to 64.1 percent in the same period of this year, while investments in housing, utilities and municipal services increased from 25.3 percent to 26.8 percent, and the share of noneconomic investments dropped from 12.7 to 9.1 percent.

Largest Increase in Montenegro

In the breakdown by republics and provinces, payments on investment projects in the first 9 months rose 22 percent in Bosnia-Hercegovina, 84 percent in Montenegro, 16 percent in Croatia, 17 percent in Macedonia, 14 percent in Slovenia and 18 percent in Serbia. Within Serbia, the growth in Serbia proper was 22 percent, in Vojvodina 23 percent, and investments in Kosovo were up 12 percent over the same period of last year.

The high growth in Montenegro was the result of augmented investments in order to repair earthquake damage, while the growth rates in other regions were mainly dependent on the phase of construction of projects already under way and on the intensity of progress in completing them.

Viewed as a whole, we can say that in 1980 there was a favorable change of direction in the trend of investments, since the real volume was considerably reduced, but it still has not been brought altogether into conformity with the available resources and the aims of stabilization.

7045
CSO: 2800/132

CROATIA, BOSNIA-HERCEGOVINA COOPERATE ON LAND RECLAMATION

Belgrade BORBA in Serbo-Croatian 22 Nov 81 p 4

[Article by B. Santic]

[Text] By interrepublic cooperation in seven communes of Bosnia-Hercegovina and Croatia following land reclamation projects, income will be increased several times over and poverty will be transformed into abundance.

Mostar. One more attractive example of interrepublic cooperation and mutual enterprise presages a great new labor success. Bosnia-Hercegovina and Croatia have been engaged in a joint land reclamation project at Imotsko-Bekijsko Polje that should make this border region between the two republics a "food factory." For decades now, since the time of Austrian and Turkish occupation, this idea has been in the air, but it remained nothing but an empty dream. And now all at once, that which emperors and kings could not achieve has been done by a few Yugoslav collectives. This great interrepublic undertaking was recently given strong support at a meeting in Grude that was attended by the presidents of the Croatia and Bosnia-Hercegovinian presidiums, Jakov Blazevic and Raif Dizdarevic.

Representatives of the investors, project organizations and builders told presidents Blazevic and Dizdarevic about the most important aspects of this land reclamation and hydroelectrical energy project. The project involved the regulation of unfavorable water level phenomena, because of which 10,000 hectares of tillable land, which makes up Imotsko-Bekijsko Polje, previously produced essentially nothing. Specifically, spring rains bringing major floods made timely planting impossible, and summer brought drought, followed in fall by renewed flooding. Thus there was water when it was not needed, but none when it was most necessary.

The implementation of the project involved the residents of Imotsko, Grude, Vrgorac, Posusje, Caplina, Ljubusko and Citluk, along with the water management and agricultural organizations of both republics, and electrical power collectives that were involved because the plan included construction of two hydroelectric power plants. Total investments in the project amounted to 3 billion dinars, but the impoverished region that encompasses all seven of the communes named above, with a total land surface of 28,000 hectares, will gain unheard of possibilities for abundance.

The first two phases of implementation of the project will cost 910 million dinars, and by its completion in the coming 2-3 years, it will eliminate the dangers of flooding and direct the water into reservoirs that will subsequently irrigate the land during dry periods. The reservoir is also required for the development of hydroelectric power.

There is no doubt that this multipurpose installation, and the investments of 250,000 dinars per hectare, will pay off very quickly, but as Jakov Blazevic noted, it is particularly significant that this sort of project shows the strength of socialist self-management, as confirmed by the mutuality, brotherhood and unity on the project. Thus this undertaking is of significance for all of Yugoslavia.

12,131
CSO: 2800/108

SARAJEVO PRIVATE ARTISANS ACCUSED OF ABUSES

Belgrade BORBA in Serbo-Croatian 24 Nov 81 p 2

[Article by Enver Demirovic]

[Text] As intermediaries, the craft cooperatives in Sarajevo have made agreements with private craftsmen that are worth fully 4 billion dinars.

At a recent session of the sociopolitical council of the Sarajevo city assembly, a delegate posed approximately the following question in the name of his constituency: "Is it true that independent craftsmen, private merchants in Sarajevo, are taking in millions through the craft cooperatives that are officially handling transactions for them, and that their activities are taking place outside of any sort of social control or responsibility?"

It Is Important To Be a Member

It is not correct that they are bringing in millions by performing transactions as proteges under the patronage of their cooperatives; rather, they are taking in billions! According to official information that the inspectors of the Sarajevo city secretariat for inspection have already made public, it is estimated that "by means of craft cooperatives and other organizations of associated labor, which are involved as intermediaries, independent craftsmen in Sarajevo are receiving about 4 billion new dinars for various services being performed in structures that are being constructed within the city and elsewhere."

That this is a matter of mutually beneficial and "enriching" transactions is confirmed by the list of craft cooperatives, which besides the cooperatives "Sloga," "Jedinstvo," and "Mala Industrija" of Sarajevo, and "Tehnograda" from nearby Pala and their affiliates, includes trade cooperatives from all the socialist republics that have opened their business offices in Sarajevo for the purpose of being the intermediaries for these transactions. Along with them there are various so-called "engineering" basic organizations of associated labor, contracting organizations of associated labor, and special youth employers and other services that serve as middlemen in arranging for and carrying out capital construction projects and other projects actually done by independent craftsmen. Yet there is no doubt that the craft cooperatives are the leaders. How else could it be, when it is sufficient merely to appear before the investors and take on the jobs, and then turn them over to the private craftsmen for the actual performance of the work. For this simple act of "sealing the deal," they receive the intermediaries' cut of 5 to 15 percent of the total value of the project. There are no records about the pay of those employed by the craft

or "GG" [expansion unknown] cooperatives, but judging from the fact that each of them has a permanent work force of generally two, and never more than four persons, their earnings are certainly not small.

The Law Behind the Chimney

The Law on Craft Cooperatives specifies that independent craftsmen can employ no more than five workers to do their work and that the annual value of work performed cannot exceed 500,000 dinars. In practice, however, the situation is totally different. It could truly be said that the word of the law has been disposed of "behind the chimney." For example, Josip Zavrsnik, a mason from the town of Hadzici, has performed various contract capital construction projects for "Sipad Jahorina," a basic organization of associated labor for lumber operations, for the basic organization of associated labor at the Hadzici cabinet factory, for the Tarcin local community and other organizations, with a total value surpassing 4.5 million dinars.

Jovan Tintor, a painter from Bogosca, has contracted through the craft cooperative "mala industrija" to complete projects worth about 2.9 million dinars for the Pale housing interest community. Nedo Perkovic, a mason from Ilidza, has accepted building contracts for an express restaurant in Sarajevo worth more than 2 million dinars. An entire list of "cooperative members" could be presented for whom the limit of 500,000 dinars is obviously a completely unknown category. Among them would be Osman Kamarasevic of Vinkovci with about 3.3 million dinars in jobs, and Hajdar Jazic from Hadzici with 1.8 million.

That, however, is not the end of the illegal activities of cooperative members. They perform jobs for which they are not qualified, using tens of workers, they do not pay the obligatory contributions for employees, they conceal income that is subject to taxes, and they find their own social "channels" for acquiring materials. All of this, naturally, is done with the protection of the cooperatives and other official entrepreneurs who, in the interest of their own benefit, do not begrudge either time or their official seals to write out and confirm everything for their members so that they can carry out this dirty business without disturbance.

The delegate's question reached its target, and the first civil and criminal actions have been initiated, along with requests for the return of illegally earned income.

12,131
CSO: 2800/108

END